

### Executive Summary

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Since May 2020, restriction has gradually been lifted and lockdown measure started to be eased phase by phase thanks to significant improvement in controlling the spread of COVID-19 in Thailand. A number of recovery plans were introduced to the market by Thai government; however, Thai economy was still in contraction. Tourism sector essentially got greatest hit from border restriction and faced 100% drop in foreign tourist numbers. Bank of Thailand, then, slashed its forecast for Thai economy in 2020 from the previous revised projection at 5.3% contraction to 8.1% contraction and clarified its forecast for recovery of Thai economy to be more like “Swoosh-shaped” pattern with major supporting factors – phase six lockdown easing and government budget spending. Nevertheless, time to retrace is viewed challenging to predict.

Due to lockdown measure, Singha Estate Public Company Limited (“the Company”) allowed the Company’s foreign buyers to postpone processing their ownership transfer period to be within the end of this year with an inspection process done by the buyers, buyer’s representative or 360-degree technology. Until now, offering a deep discount to potential customers was not expected because of the Company’s financial strength with Net Interest-Bearing-Debt to Equity at 0.97 times and manageable level of inventory.

Regarding commercial business, to partially help our tenants in both office and retail space to sustain and grow business in the future, a short-term rental discount was provided to those being impacted by measures to contain COVID-19. Still, the discount did not significantly drag gross profit margin down due to reduction in advertising and marketing expense offsetting such discount.

In 2Q20, The Company, with full impact from COVID-19, reported total revenue of THB 927m, decreased by 61% YoY. The major drivers of such decline were 51% drop in revenue from sales of house and condominium due to the delay in ownership transfer of some group of customers and 71% decline in revenue from rental and services which mainly derived from temporally suspension of commercial operation of hospitality business since April in accordance with measures containing COVID-19 announced by local governments. Regardless an effective cost management together with reducing variable cost such as marketing expenses considering unfavorable market conditions, significant decline in revenue, only a marginal decrease in some type of fixed cost such as land rental fee and depreciation expense along with the fact that the Company could no longer capitalize interest expense on CROSSROADS project since its commercial launch in September 2019, mainly pressured 2Q20 performance to reported net loss at THB 946m.

For 1H20, the Company reported total revenue of THB 3,114m, decreased by 42% YoY. 54% decline in revenue from sales of house and condominium and trivial trim in fixed operating cost attributed to the slash in total revenue and net loss at THB 612m.

### Significant Events and 2H20 Outlook

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The Company made an interim dividend payment which was made from 2019 Net profit at THB 0.045 per share on 21 May 2020 or totaling of THB 308.42m.

On 20 July 2020, the bond holders of the Company's convertible bond of USD 180m ("the Bond") exercised the right to early redeem 100% of the Bond and the Bond was delisted from the Singapore Exchange already. Regarding the redemption, the Company received financial supports from leading financial institutes with financial cost similar to cost of convertible bond. Additionally, the Company has been informed by Singha Property Management (Singapore) Pte. Ltd. ("SPM SG"), a shareholder of the Company, that on 22 July 2020, Credit Suisse AG, Hong Kong Branch ("CS"), has returned to SPM SG 626,301,966 of shares in the Company, following the termination of the Stock Borrowing and Lending Transaction ("SBL Transaction") which was entered into by SPM SG and CS on 12 July 2017. As a result, SPM Group, subsidiary of Boon Rawd Brewery Co., Ltd., will hold shares in the Company 47.88% of the total paid-up capital of the Company which is a similar shareholding proportion to the shareholding proportion before an execution of the SBL Transaction.

Considering no local infection, easing measures to contain COVID-19 outbreak and lifting domestic travel restrictions in Thailand and several countries recently, various business strategies and marketing plans to be implemented were crafted especially for each business with different outlook. Regarding hospitality business, S Hotels and Resort PCL ("SHR"), the Company's subsidiary, decided to reopen some of its hotels while holding health and safety of guests and employees as top priority and ensuring financial feasibility. In order to boost reservation value and revenue generated from the reopened hotels, SHR was pleased to provide special discount packages to clients whose booking and stay period within 31 December 2020 and put its hotels in Thailand on "We Travel Together" campaign launched to promote local tourism industry. By far, the Company believes that performance of hospitality business will slowly recover.

Regarding residential business, the Company has perceived a sign of gradual recovery as number of walk visiting the Company's projects significantly increased comparing to that during the outbreak period. Additionally, one more ultra luxury single detached house at Santiburi The Residences project was sold in late 2Q20 and revenue from sale of land and construction would be realized in accordance with accounting principal, upon transference and by progress of construction, respectively. During 3Q20, the ESSE Sukhumvit 36, a joint venture project between the Company and Hong Kong Land with accumulated presales circa 60%, will start ownership transference and the Company believes that the transfer value should be as expected. Nevertheless, performance of the ESSE Sukhumvit 36 was reported under equity method of accounting included in share of gain/loss from investment in joint ventures.

## Management Discussion and Analysis 2Q20

With respect to commercial business, special reduction granted to tenants impacted by COVID-19 is expected to reduce thanks to revival of economic activities. 3Q20 performance; however, would not fully bounce back to the pre-COVID band due to the Company's spending on marketing activities to promote goods and services of tenants in retail space. Moreover, the Company has still heightened hygiene measures to reduce the risk of spreading COVID-19 and boost confidence among customers and visitors.

### Performance Summary

#### Consolidated Statement of Comprehensive Income

	2Q2019		2Q2020		% Y-o-Y	1H2019		1H2020		% Y-o-Y
	THB m	%	THB m	%		THB m	%	THB m	%	
Revenue from sales of house and	1,264	54%	621	67%	-51%	2,962	55%	1,373	44%	-54%
Revenue from rental and services	1,041	44%	299	32%	-71%	2,288	43%	1,725	55%	-25%
<i>Hospitality</i>	779	33%	4	0%	-100%	1,753	33%	1,148	37%	-34%
<i>Commercial</i>	182	8%	220	24%	21%	355	7%	463	15%	31%
<i>Others</i>	81	3%	75	8%	-7%	181	3%	114	4%	-37%
Revenue from sales of goods	50	2%	7	1%	-86%	105	2%	15	0%	-86%
<b>Revenue</b>	<b>2,355</b>	<b>100%</b>	<b>927</b>	<b>100%</b>	<b>-61%</b>	<b>5,355</b>	<b>100%</b>	<b>3,114</b>	<b>100%</b>	<b>-42%</b>
<b>Gross profit</b>	<b>985</b>	<b>42%</b>	<b>409</b>	<b>44%</b>	<b>-58%</b>	<b>2,288</b>	<b>43%</b>	<b>1,315</b>	<b>42%</b>	<b>-43%</b>
Other income	93	4%	95	10%	2%	157	3%	749	24%	376%
Selling expense	-287	-12%	-174	-19%	-40%	-593	-11%	-452	-15%	-24%
Administrative expense	-573	-24%	-865	-93%	51%	-1,010	-19%	-1,423	-46%	41%
Finance costs	-165	-7%	-343	-37%	108%	-372	-7%	-601	-19%	62%
Net gains on exchange rate	171	7%	-1	0%	-101%	262	5%	-22	-1%	-109%
Share of loss from investment in joint ventures	33	1%	-28	-3%	-186%	-52	-1%	-129	-4%	146%
<b>EBT</b>	<b>256</b>	<b>11%</b>	<b>-908</b>	<b>-98%</b>	<b>-455%</b>	<b>1,085</b>	<b>20%</b>	<b>-564</b>	<b>-18%</b>	<b>-152%</b>
Income tax expense	-69	-3%	-38	-4%	-45%	-199	-4%	-48	-2%	76%
<b>Net profit</b>	<b>187</b>	<b>8%</b>	<b>-946</b>	<b>-102%</b>	<b>-606%</b>	<b>886</b>	<b>17%</b>	<b>-612</b>	<b>-20%</b>	<b>-169%</b>

<b>EBITDA</b>	<b>589</b>	<b>25%</b>	<b>-236</b>	<b>-25%</b>	<b>-140%</b>	<b>1,206</b>	<b>23%</b>	<b>644</b>	<b>21%</b>	<b>-47%</b>
<b>Normalized EBITDA<sup>1</sup></b>	<b>439</b>	<b>19%</b>	<b>-235</b>	<b>-25%</b>	<b>-153%</b>	<b>1,114</b>	<b>21%</b>	<b>95</b>	<b>3%</b>	<b>-91%</b>
<b>Normalized Profit for the period after NCI<sup>1</sup></b>	<b>1</b>	<b>0%</b>	<b>-619</b>	<b>-67%</b>	<b>-59762%</b>	<b>328</b>	<b>6%</b>	<b>-871</b>	<b>-28%</b>	<b>-366%</b>

Note:

<sup>(1)</sup> Excluded unrealized gain from foreign exchange rate on convertible bond, gain from fair value adjustment on investment properties, reverse effective interest rate on loan, professional fees, land transfer fees and sales & marketing expenses for the launch of new residential projects

## Management Discussion and Analysis 2Q20

### Revenue from sales of house and condominium units

As of 30 June 2020, the Company and its subsidiaries has developed 23 residential projects for sales including single-detached houses, townhouses and condominiums, valued at THB 50,531m. In 2Q20, Revenue from sales of house and condominium units reached THB 621m, decrease by 51% YoY. Such revenue stood at THB 1,373m in 1H20 or 54% decrease YoY. The decline was essentially because the Company, considering the lockdown measure, allowed customers to postpone processing ownership transfer period to be within the end of this year.

Residential projects for sales as at 30 June 2020 <sup>(1)</sup>:

Project	Project value (THB m)	Sold	Tentative Transfer from/ Transfer progress
The ESSE Asoke	5,011	84%	74%(of project value)
The ESSE at Singha Complex	4,394	90%	70%(of project value)
The ESSE Sukhumvit 36	6,473	60%	4Q2020
EYSE Sukhumvit 43	1,936	38%	4Q2022
The EXTRO	4,066	11%	4Q2023
Santiburi The Residences	6,434	15%	n/a

Note: (1) Information provided in the table excludes residential project at THB 22,217m developed by Nirvana Daiti PLC which the Company held 51.56% ownership.

### Revenue from rental and services

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

#### *Hospitality Business*

At present, all hospitality business of the Company was under the management of SHR, the Company's subsidiary. At the end of 2Q20, the Company's total hotels reached 39 hotels with 4,647 keys covering 5 countries – Thai, Maldives, Mauritius, Fiji, and United Kingdom. The fact that most hotels in SHR's portfolio became temporarily suspended during 2Q20 resulted in revenue from hospitality business was THB 4m in 2Q20 or 100% decreased from 2Q19 and THB 1,148m in 1H20 or 34% dip from 1H19.

Nevertheless, the Company adopts equity method of accounting for Jupiter hotels totaling of 29 hotels with 3,115 keys; consequently, performance of Jupiter hotels will be reported under share of gain/loss from investment in joint ventures.

## Management Discussion and Analysis 2Q20

### 2Q20 and 1H20 operating performance of Hospitality business

Hotel	2Q19	2Q20	1H19	1H20
<b>Self-Managed Hotels</b>				
Number of hotel	2	2	2	2
Number of key	297	297	297	297
Occupancy rate (%)	65	0	73	33
ADR (THB)	6,815	0	8,674	9,653
RevPAR (THB)	4,430	0	6,347	3,134
<b>Outrigger Hotels</b>				
Number of hotel	6	6	6	6
Number of key	859	859	859	859
Occupancy rate (%)	77	0	74	30
ADR (THB) <sup>(1)</sup>	5,510	0	6,428	7,006
RevPAR (THB) <sup>(1)</sup>	4,214	0	4,784	2,077
<b>Project CROSSROADS - Phase 1 Hotels <sup>(2)</sup></b>				
Number of hotel	n/a	2	n/a	2
Number of key	n/a	376	n/a	376
Occupancy rate (%)	n/a	0	n/a	31
ADR (THB) <sup>(3)</sup>	n/a	0	n/a	10,841
RevPAR (THB) <sup>(3)</sup>	n/a	0	n/a	3,331
<b>UK Portfolio Hotels</b>				
Number of hotel	29	29	29	29
Number of key	3,115	3,115	3,115	3,115
Occupancy rate (%)	74	3	65	27
ADR (THB) <sup>(4)</sup>	2,816	2,305	2,666	2,334
RevPAR (THB) <sup>(4)</sup>	2,070	77	1,742	619

Notes:

(1) The exchange rate applied for translation in 2Q19 were 31.59THB/USD, 14.70THB/FJD, 0.90THB/MUR, that in 2Q20 were 31.95THB/USD, 14.33THB/FJD, 0.80THB/MUR, that in 1H19 were 31.60THB/USD, 14.79THB/FJD, 0.91THB/MUR and that in 1H20 were 31.62THB/USD, 14.23THB/FJD, 0.82THB/MUR.

(2) Commercially open was on 1 September 2019.

(3) The exchange rate applied for translation in 2Q20 was 31.59THB/USD and that in 1H20 was 31.62THB/USD

(4) The exchange rate applied for translation in 2Q20 was 40.60THB/GBP, that in 2Q20 was 39.64THB/GBP, that in 1H19 was 40.89THB/GBP and that in 1H20 was 39.85THB/GBP.

## Management Discussion and Analysis 2Q20

### Commercial Business

As of 30 June 2020, the Company owned 4 commercial buildings providing net leasable area 139,532 sq.m. in total. Revenue generated from commercial business in 2Q20 was THB 220m or 21% increase from the same period last year while that in 1H20 was THB 463m or 31% increase from 1H19. Main driver of the growth rate was the acquisition of Metropolis building in January 2020.

The Company realized that occupancy rates of Suntower and Metropolis have been declining since the beginning of 2020. The decline represented the fact that tenants at Suntower of which business is impacted by trade war such as petroleum and airlines and tenants at Metropolis who are SME, startup or impacted by COVID-19 rejected to renew the lease agreement or decided to scale down the leased space. However, the Company strongly believe that with the prime area of both buildings, the occupancy rate would eventually increase in the future. At the meantime, the Company has been negotiating with several potential tenants and preparing a new source of revenue stream with the business model satisfying upcoming way of working.

### 2Q20 and 1H20 operating performance of Commercial business

Building	2Q19 <sup>(1)</sup>	2Q20	1H19	1H20
<u>Suntower</u>				
Space for rent (sq.m.)	63,786	64,415	63,671	63,786
Occupancy rate (%)	92%	87%	92%	88%
<u>Singha Complex</u>				
Space for rent (sq.m.)	58,745	58,745	58,745	58,745
Occupancy rate (%)	74%	86%	71%	84%
<u>Metropolis</u>				
Space for rent (sq.m.)	n/a	13,677	n/a	13,677
Occupancy rate (%)	n/a	86%	n/a	92%

Note: <sup>(1)</sup> Key stat in 2Q19 was revised to the updated information.

### **Other businesses**

Other businesses, covering construction service and project management service, generated revenue at THB 75m in 2Q20, 7% drop from 2Q19 and THB 114m in 1H20, 37% declined from 1H19, due mainly to the decrease in revenue from business management service.

## Management Discussion and Analysis 2Q20

### Revenue from sales of goods

Revenue from selling residue precast produced by Nirvana daii PLC, the Company's subsidiary, is classified as revenue from sales of goods. The Company realized revenue from sales of goods at THB 7m in 2Q20, 86% decreased YoY and THB 15m in 1H20, 86% reduced YoY.

### Gross Profit

2Q20 Gross profit at THB 409m represented a decline of 58% from the same period last year. Essentially, the Company's gross profit margin slightly increased to 44% in 2Q20 from 42% in 2Q19. In 1H20, gross profit was reported at THB 1,315m, 43% dip YoY. The lower gross profit with higher gross profit margin resulted from temporary suspension of SHR's hotels since April, leaving only high gross profit margin business like residential business and commercial business to be included in 2Q20 gross profit. Nonetheless, cost related to hotel operation during the suspended period in 2Q20 was presented as administrative expense in accordance with accounting standard.

### Selling Expenses

In 2Q20, the Company reported selling expenses amounted to THB 174m, a drop of 40% YoY and in 1H20, selling expenses was THB 452m, a decline of 24% YoY. This decrease was primarily because of a drop in tax expenses related to transference which is in line with a decrease of transfer value, an effective cost management, and together with trimming variable cost such as marketing expenses considering unfavorable market conditions.

### Administrative Expenses

Administrative expenses mainly comprise of back office personnel expenses, depreciation on assets under hospitality business, non-operating activity expenses, e.g. consulting and legal fees.

The Company reported 2Q20 administrative expenses of THB 865m or increased by 51% YoY and 1H20 administrative expenses at THB 1,423m or increased by 41% YoY. The increase essentially as a result of reclassifying cost related to hospitality business from cost of goods to administrative expenses due to temporary suspension of SHR's hotels, number of new hires of CROSSROADS project being in operation since September 2019 and some types of fixed cost which couldn't reduce materially such as land rental fee and depreciation expense.

### **Finance Costs**

In 2Q20, the Company reported finance costs at THB 343m, 108% increased YoY while that in 1H20 was THB 601m, 62% increased YoY. The main rationale of the increase were additional borrowings to finance projects under development, loan facility to the acquisition of Metropolis building and the fact that the Company could no longer capitalize interest expense on CROSSROADS project since its commercial launch in September 2019.

### **Net gains (loss) on Exchange rate**

Net loss on exchange rate amounting to THB 1.5m reflected unrealized loss from foreign exchange rate of foreign currency borrowing at a property-level. Nonetheless, the Company, in December 2019, has entered into the Cross-Currency Swap Agreement with the commercial bank for the entire amount of convertible bond amounting to USD 180m, the largest amount of foreign currency borrowing. Thus, the foreign exchange risk related to the convertible bond has been fully hedged.

### **Net Profit**

Temporary suspensions of hotels in SHR's portfolio since April 2020, only trivial savings on fixed cost such as land rental fee and depreciation expenses, as well as the fact that the Company could no longer capitalize interest expense on CROSSROADS project after its commercial launch in September 2019, mainly pressured the Company to report net loss at THB 946m in 2Q20 and THB 612m in 1H20.



## Financial Position and Capital Structure

As of 30 June 2020, the Company reported total assets of THB 68,806m, an increase of THB 1,125m from 31 December 2019, including THB 21,689m current assets and THB 47,117m non-current assets. Total liabilities stood at THB 42,242m or THB 2,157m increased from 31 December 2019, which mainly derived from additional borrowing to finance projects under development and loan facility to the acquisition of Metropolis building as well as adjustment to book value of USD 180m convertible bond to be consistent with redemption value made to bondholders exercising their right to early redeem such bond in July 2020. Regarding facility for the redemption, leading financial institution granted a long-term loan with financial cost similar to cost of convertible bond and nominated in Thai Baht which alleviate risk from exchange rate. Nevertheless, net gearing ratio stood at 0.97, slightly increased from 0.77x as of 31 December 2019 but still well below the Company's covenant.

Unit: THB million	31 December 2019	30 June 2020	Change
Cash and cash equivalent	5,413	3,367	-2,046
Financial assets measured at fair value through profit or loss		171	
Short-term investment	504		
Inventories	5,371	7,989	2,618
<b>Current assets</b>	<b>24,087</b>	<b>21,689</b>	<b>-2,398</b>
Investment property	13,828	16,341	2,513
PPE - net	19,870	22,252	2,382
<b>Non-current assets</b>	<b>43,594</b>	<b>47,117</b>	<b>3,523</b>
<b>Total Assets</b>	<b>67,681</b>	<b>68,806</b>	<b>1,125</b>
Current liabilities	12,514	16,616	4,102
Non-current liabilities	27,571	25,626	-1,945
<b>Total liabilities</b>	<b>40,085</b>	<b>42,242</b>	<b>2,157</b>
<b>Total equity</b>	<b>27,596</b>	<b>26,564</b>	<b>-1,032</b>
Gearing ratio (times)	0.98x	1.10x	
Net gearing ratio (times)	0.77x	0.97x	

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