

Executive Summary

In 2Q19, growth in the Thai economy decelerated primarily driven by a decline in export growth from baht appreciation and world-trade sluggish. However, the Thai economy is attributed mainly by number of factors, namely 1.) growth in private consumption continues despite a lower rate of growth; 2.) slow pace of growth in tourism sector which supported by number of tourists from India, Japan, Hong Kong and Malaysia offset an unrecovered of Chinese tourists; and 3.) government subsidy to the low-income citizens to stimulate near-term consumption. Meanwhile, internal and external factors that affect the Thai economy are the slowing global economy growth, the inconclusive trade war between the US and China, baht appreciation and pending of government expenditure as delay of government established. Having considered the above-mentioned circumstances, the Bank of Thailand lowered the Thai economy growth outlook in 2019, from 3.8% to 3.3%, whereas maintain the policy rate at 1.75% to balance the economic growth momentum and the stability of the financial system.

The performance of Central Pattana Public Company Limited ("The Company" or "CPN") in 2Q19 shows total revenue of THB 9,197 mn, an increase of 0.7% and net profit stood at THB 2,470 mn, a decrease of 15.9% from the same period in the previous year (YoY). For the first six months of 2019, CPN reported total revenue of THB 17,916 mn, an increase of 4.8% YoY, and net profit of THB 5,317 mn, a decrease of 7.7% YoY from the same period in the previous year (YoY). The main difference came from the transfer of residential units between both years as the majority of the transfers will be made towards the second half of this year, and from the provision of employee benefit for retirement, a non-recurring item classified under administrative expenses.

CPN's revenues continues to grow primarily from strong shopping mall performance while revenue from residential projects is expected to increase in 2H19 and accordingly with CPN's business plan.

Excluding the non-recurring items and the performance of residential business, total revenue total revenue increased 11.9% YoY and net profit increased 6.0% YoY (for the first six months of 2019, total revenue increased 11.0% YoY and net profit increased 4.6% YoY). The shopping mall business, which is CPN's core business, continues to perform strongly, especially on a same-store basis that continues to grow in terms of revenue and operating profit, which is in-line with the business plan.

CPN continues to emphasize on effective revenue generation through new shopping malls, enhancement of existing malls, new mixed-use development projects, such as residential development, study into value-accretive merger and acquisition (M&A) opportunities, as well as apply efficient cost management to its businesses. Furthermore, CPN is currently considering asset transfers into CPN Retail Growth Leasehold REIT (CPNREIT). CPN currently manages 33 shopping malls with the net leasable area (NLA) of approximately 1.8 mn sqm. At the end of 2Q19 the average occupancy rate for CPN's domestic retail properties stood at 92%.

Major Events in 2Q19

New Retail Development to Become the “Center of Life”

“Central i-City” celebrated a grand opening on June 15, 2019.

Central Phuket created a phenomenon of “The New World of Luxury” offering a World-Class Experience with high-end brands in the heart of Phuket.

The grand opening of Central i-City held on June 15, 2019, which received good responses from shoppers as well as number of tenants continue to increase after the soft opening on March 23, 2019. The occupancy rate at the end of 2Q19 stood at 73%, expecting to grow throughout the year.

Central Phuket opened a world-class luxury zone, gathering the best of global luxury brand for example, BALENCIAGA, BVLGARI, CHLOÉ, GUCCI, HERMÈS, LOUIS VUITTON and VERSACE, fulfilling high-end and tourist customers. Making Phuket to be the perfect ‘Beach Lifestyle Destination’ integrating tourism, luxury and relaxation under the concept of “The Magnitude of Luxury & Leisure Resort Shopping Destination”.

Asset Enhancement Initiatives

CPN focuses on asset enhancement initiatives to increase the value of existing shopping malls, customers, tenants and societies, and to maintain normal revenue and generate a sustain long-term returns. In 2019, CPN progressed with the following asset enhancement initiatives.

Major renovation at CentralWorld has been completed, ready to support new tenants.

CPN continues the renovation of existing malls to enhance operational efficiency.

- **The major renovation at CentralWorld**, has been started phase by phase since 4Q16 and completed within this year. At the end of 2Q19, the occupancy rate stood at 91%, an increase from the same period last year, which stood at 82%.
- **Renovation programs of existing malls are under way and expects to be completed in 2019** comprising a major renovation at 1.) CentralPlaza Chiangrai, which has been completed the renovation with additional area of 2,000 sq.m. and 2.) CentralPlaza Chonburi, which expects to be completed in 3Q19 exhibiting various destination concepts, such as Food Destination and Co-working space, to name a few. 3.) Central Phuket Festival, which will see the area previously occupied by Central Department Store, now re-opened in the Floresta section, re-developed into leasable area; 4.) CentralPlaza Lardprao, which will see the introduction of new destination concepts as well as integrate the mall entrance area with the future sky train station and 5.) Central Festival Pattaya Beach, which will see the food zone re-development to include new vendors catered towards both locals and foreign tourists.

Investment Diversification to Generate New Revenue Stream

CPN actively find opportunity for new potential investment driven its business growth compatible with strengthen the revenue structure and support sustainable growth strategy. In 2019, CPN progressed with the following new investments.

CPN invested in Grab to create a business partnership and to invest in growth potential business.

Investment in Grab Thailand

On May 30, 2019, CPN invested in Chipper Global Limited through a subsidiary company namely Central Pattana Chiangmai Company Limited with 100% stake. Implying an investment in Porto Worldwide Limited, a joint venture company between Central Retail Corporation Company Limited (CRC) and CPN with 33% stake through Chipper Global Limited. The objective is to invest in Grab businesses in order to enhance channel for business expansion including increase traffic as well as food delivery service which could enhance tenant's sales.

Diversification into Mixed-use Development Projects

CPN sees the potential in mixed-use development projects, which consist of residential projects, office buildings and hotels, in the same complex as the shopping malls to support and maximize the benefits of the latter's business. In 2019, CPN have made notable progresses in the following mixed-use development projects.

Investment in Bayswater Company Limited

On May 17, 2019, CPN acquired ordinary shares in Bayswater Company Limited from BTS Group Holdings Public Company Limited (BTS) accounted for 50 percent of the total issued and sold shares of Bayswater. The investment could enhance CPN's latency to compete as well as expand revenue base from land bank at Paholyothin Road where potentially develop the Mixed-use project in the future including boost up management efficiency and reduce risks of entering the share acquisition made by others.

CPN acquired ordinary shares of Bayswater Company Limited, a significant step to be a potential Mixed-use developer.

Development and management of residential projects

- **Residential projects that are completed and transferred to customers** at 4 locations, namely ESCENT Rayong, ESCENT Chiangmai and ESCENT Khonkaen where all units have been fully transferred. While, ESCENT VILLE Chiangmai has been completed the construction and under transfer process to customers.
- **Residential projects that are open for pre-sale and in the process of construction** at 5 locations, namely 1.) ESCENT Nakhon Ratchasima, which is sold-out, will be completed and ready for transfer by 4Q19; 2.) ESCENTVILLE Chiangrai, which is sold-out, will be completed and ready for transfer by 4Q19; 3.) ESCENT Ubonratchathani, currently has more than 70% pre-sales take up, will be completed and ready for transfer by 2020; 4.) PHYLL Pahol 34, a condominium project in Bangkok, currently has more than 30% pre-sales take up, will be completed and ready for transfer by 4Q19; and 5.) NIYHAM Boromratchachonnani, a single-detached housing project located on Boromratchachonnani Road, has already transferred 5 units at the end of 2Q19 which currently is in the process of construction and decorations to support future demands.

Residential projects are under construction and expect to be completed, ready to transfer in 2H19 onwards.

Financial and Operating Performance in 2Q19

Table 1: Summary of net leasable area and occupancy rate

	Number of projects and net leasable/salable area under CPN management as of 2Q 2019								Occ. Rate / Sales Rate (%)
	Total		CPN		CPNREIT ⁽¹⁾		CPNCG ⁽²⁾		as of 2Q 2019
	No.	sq.m.	No.	sq.m.	No.	sq.m.	No.	sq.m.	
<i>Retail properties</i>									
Shopping malls - BMA	14	916,381	14	769,626	3	146,756			94
Shopping malls - Provinces ⁽⁴⁾	18	786,134	18	718,910	2	67,224			90
Total domestic retail properties	32	1,702,516	32	1,488,536	5	213,980			92
Shopping malls - International	1	83,837	1	83,837					73
Total retail properties	33	1,786,353	33	1,572,374	5	213,980			91
<i>Non-core businesses</i>									
Office buildings	7	171,984	5	56,174	2	34,320	1	81,490	95
Hotels	2	561 rooms	1	259 rooms	1	302 rooms			79
Residential (high rise)	4	1677 units	4	1677 units					81
Residential (low rise)	1	71 units	1	71 units					7

	Number of projects and net leasable/salable area under GLAND as of 2Q 2019						Occ. Rate / Sales Rate (%)
	Total		GLAND		GLANDRT		as of 2Q 2019
	No.	sq.m.	No.	sq.m.	No.	sq.m.	
<i>Non-core businesses</i>							
Office buildings	3	148,666	1	67,440	2	81,226	93
Residential (high rise)	1	1991 units	1	1991 units			98
Retail space in buildings		25,944		25,944			67

- (1) Assets under CPNREIT comprises 5 shopping malls, namely CentralPlaza Rama 2, CentralPlaza Rama 3, CentralPlaza Pinklao (including Pinklao Tower A & B office buildings), CentralPlaza Chiangmai Airport and CentralFestival Pattaya Beach
- (2) Assets under CPNCG 1 office building, namely The Offices at CentralWorld
- (3) Occupancy rate of Hotel Business was an average of occupancy rate in each quarter
- (4) Central Phuket, which consists of the Central Phuket Floresta and Central Phuket Festival, is counted as a single project

Overview

As of June 30, 2018, CPN managed 33 shopping centers (14 projects in Bangkok Metropolitan Area (BMA), 18 projects in the provinces, and 1 project overseas), 30 food centers, 7 office towers, 2 hotel properties, 4 high-rise residential projects for sale (totaling 1,677 units), and 1 low-rise residential project for sale (totaling 71 units in all phase), which includes the properties transferred to CPN Retail Growth Leasehold REIT ("CPNREIT") and CPN Commercial Growth Leasehold Property Fund ("CPNCG").

At the end of 2Q19, the average occupancy rate of CPN's domestic shopping malls stood at 92%, same as the previous year. Including Central i-City, which was opened in March 2019, the average occupancy rate of CPN's shopping malls stood at 91% due to an increase of rental in completed renovation mall. Overall occupancy rate increased QoQ from 90% due mainly to occupancy rate of Central i-City ramp up however, shopping malls in BMA and the provinces have undergone renovations since the beginning of 2019, may impact the occupancy rates at those shopping malls for the short-term.

Same store rental revenue growth stood at 4.2% YoY

In 2Q19, same store rental revenue growth stood at 4.2% YoY, despite intense competition in certain areas, such as Nakhon Ratchasima. Overall the Company continues to achieve the targeted rental rate growth for the rest of the shopping malls. The same store rental revenue excludes that of 1.) the new mall in 2018, namely Central Phuket Floresta; 2.) the new mall in 2019, namely Central i-City and 3.) malls under major renovation during 2018 and 2019, namely CentralWorld, CentralPlaza Lardprao, CentralPlaza Chonburi and CentralPlaza Chiangrai, Central Phuket Festival, and CentralFestival Pattaya Beach.

Summary of GLAND's results

As of June 30, 2019, the operating assets under GLAND comprise 3 office buildings (aggregate occupancy rate at 93%), which includes 2 office buildings transferred to GLAND Office Leasehold Real Estate Investment Trust ("GLANDRT"), as well as 1 residential project for sale (a total of 1,991 units with 32 units remaining), leasable retail area within office buildings and residential project at 25,943 sq.m. (aggregate occupancy rate at 67%), and 4 undeveloped land plots, 2 of which are planned for mixed-use development projects and the other 2 planned for residential development. Hence, CPN consolidates G3LAND's financial performance from September 13, 2018 onwards.

In 2Q19, CPN record revenue recognition from GLAND as followings;

- Total revenue of THB 369 mn and net profit stood at THB 59 mn (for the first six months of 2019, total revenue of THB 814 mn and net profit of THB 126 mn).
- Excluding the non-recurring items net profit contributed by GLAND amounted to THB 74 mn (for the first six months of 2019, net profit of THB 141 mn). The difference versus GLAND's reported statement of comprehensive income comes from the investment properties that CPN recorded at the time of acquisition of GLAND, which reflected the fair value of GLAND's investment properties at that time. As a result, the depreciation and amortization expenses from those investment properties, which represents most of GLAND's operating cost, is higher under CPN's book compared to GLAND's book, which are based on its original cost.

Non-recurring item

CPN has non-recurring items which are excluded in an analysis in 2Q19 and 1H19 comparing to the same period in the previous year as follows:

- In 2Q19, CPN recognized a provision of employee benefit for retirement amount THB 116 mn including GLAND retroactive adjustment amount THB 15 mn which are classified under administrative expenses.
- Since 3Q18, CPN has recognized the cost of rent and services following the land lease extension for CentralPlaza Rama 2, based on a straight-line depreciation method for the duration of the new lease agreement. The incremental cost of rent and service is approximately THB 100 mn per quarter.

- In 1Q19, CPN sold a total of 42.5 million shares of its ownership in Dusit Thani Public Company Limited, or “DTC”, or approximately 5% of the total issued and paid-up shares of DTC, at the price of 12 THB per share. As a result, CPN reported a decrease in ownership of DTC from 22.58% to 17.58% and recorded a one-time gain from the transaction for THB 44.8 mn under Other Income.

Total Revenue

In 2Q19, total revenue stood at THB 9,197 mn, a 0.7% increase YoY.

In 2Q19, CPN reported total revenue of THB 9,197 mn, an increase of 0.7% YoY. (for the first six months of 2019, CPN reported total revenue of THB 17,871 mn, an increase of 4.5% YoY). Main components of revenue are as follows.

Revenue from rent and services

In 2Q19, CPN recorded revenue from rent and services at THB 7,664 mn, an increase of 12.4% YoY (for the first six months of 2019, CPN reported total revenue of THB 15,152 mn, an increase of 11.5% YoY). Despite the impact from the ongoing renovations and intense competition in certain areas as mentioned earlier. Performances at shopping malls showed solid growth as summarized below.

- Contributions for the full quarter from a new mall opened September 2018, namely Central Phuket Floresta and Central i-City which was opened in March 2019.
- Performance improvement from malls under major renovation gradually open in 2018, namely CentralWorld and CentralPlaza Rama 3.
- Strong performances of existing shopping malls, such as CentralPlaza WestGate, CentralFestival EastVille, CentralFestival Chiangmai, CentralFestival Hatyai and CentralPlaza Nakhon Si Thammarat.

Revenue from food center services

Due to the adoption of Thai Financial Reporting Standard 15 (TFRS 15) on Revenue from Contracts with Customers, effective on January 1, 2019 onwards, CPN has amended the recognition of revenue from food and beverages in 1Q19 to accurately reflect the business nature of food center services. Hence, the information in the previous year have been adjusted for appropriate comparison.

In 2Q19, CPN recorded revenue from food center services at THB 221 mn, an increase of 24.1% YoY (for the first six months of 2019, CPN reported total revenue of THB 424 mn, an increase of 22.4% YoY) due to the following factors.

- Contributions from newly opened food courts in 2018, namely at Central Phuket Floresta, as well as renovated food court from 3Q18 to 2Q19 at CentralWorld and CentralPlaza Rama 3
- Strong performances of existing food courts both in BMA and provinces, such as CentralPlaza Nakhon Si Thammarat, CentralPlaza Ubonratchathani, CentralPlaza Lampang, CentralPlaza Khonkaen, CentralPlaza Nakhon Ratchasima and CentralPlaza Phitsanulok.

Revenue from hotel operations

CPN adopted a new hotel revenue and cost recognition from 2019 onwards in which net revenue from services was reported as gross revenue and cost on cash basis, resulting an increase both in revenue and cost items.

Hotel operations are considered CPN's non-core businesses. In 2Q19, revenue from hotel operations was THB 264 mn, an increase of 0.5% YoY (for the first six months of 2019, total revenue of THB 573 mn, equal to the same period of last year). The average room occupancy at Hilton Pattaya Hotel stood at 90%, slightly lower than the previous year at 92%, due to lower number of tourist visitors and high competition in overall market. While, The average room occupancy at Centara Hotel and Convention Center Udonthani stood at 67%, a decline from the previous year at 73% as customers wait and see the clarity of government establishment in common with the average room rate came slightly lower than the previous year, reflecting on overall market condition.

Revenue from sales

In 2Q19, CPN recorded revenue from sales at THB 485 mn, a decrease of 64.1% YoY (for the first six months of 2019, CPN reported total revenue of THB 627 mn, a decrease of 60.0% YoY) due to lower transfers of residential projects. Whilst CPN's first completed condominium projects, namely ESCENT Rayong, ESCENT Chiangmai and ESCENT Khonkaen, have been almost completely transferred in 2018, only a portion of ESCENT VILLE Chiangmai, NIYHAM Boromratchachonnani single-detached housing project and Belle Grand Rama 9, a condominium project under GLAND, have been transferred in 2Q19.

Total Costs

In 2Q19, total costs stood at THB 4,416 mn, a 1.5% increase YoY.

In 2Q19, CPN reported total costs of THB 4,416 mn, an increase of 1.5% YoY. (for the first six months of 2019, total cost at THB 8,350 mn, an increase of 5.1% YoY). Main components of the costs are as follows.

Cost of rent and services

Costs of rent and services constituted utilities, security & cleaning services, on-site personnel, land rental, depreciation & amortization, repair & maintenance costs and insurance premium and property tax of properties owned for rental.

In 2Q19, CPN reported cost of rent and services at THB 3,945 mn, an increase of 15.4% YoY (for the first six months of 2019, total cost at THB 7,614 mn, an increase of 13.4% YoY). The rise in cost is similar to the increase in revenue and comes from the following factors.

- Higher operating and depreciation costs of newly opened malls and renovated projects from 3Q18 to 2Q19, namely Central Phuket Floresta, Central i-City, CentralPlaza Rama 3 and CentralPlaza Chiangrai.
- Utility costs, a major component (accounts for approximately 30% of cost of rent and services) for shopping mall operations, increased from the same period a year earlier amidst the continuous rise in electricity Ft rate throughout 2018. CPN, meanwhile, achieved efficiency gains with the reduction in electricity unit consumption compared to last year. As a result, same-store utility cost increased only 1.8% YoY, thanks to CPN's continuous effort to conserve energy and utilities in operations.

- Higher maintenance, repair and personnel expenses to support the expansion of new shopping malls.

Cost of food center services

CPN has amended the recognition of cost of food and beverages in 2019 in compliance with TFRS 15, consistent with the revenue from food center services.

In 2Q19, CPN reported costs of food center services at THB 95 mn, an increase of 22.0% YoY. (for the first six months of 2019, costs of food center services at THB 186 mn, an increase of 24.9% YoY). The rise in cost is in-line with the growth in revenue from food center services, which came from the new food courts opened at new malls in 2018, namely Central Phuket Floresta as well as renovated food court completion of CentralPlaza Rama3 and CentralPlaza Chonburi. Moreover, the better cost management of the existing food courts in the Food Destination zones, CPN can attain an optimum level of operating cost for its food center services business.

Cost of hotel operations

CPN adopted a new hotel revenue and cost recognition from 2019 onwards in which net revenue from services was reported as gross revenue and cost on cash basis, resulting an increase both in revenue and cost items.

In 2Q19, CPN reported costs of hotel operations at THB 92 mn, an increase of 14.7% YoY. (for the first six months of 2019, costs of food center services at THB 191 mn, an increase of 14.5% YoY) due mainly to the above-mentioned adjustment, as well as from higher selling and marketing expenses to generate revenue stream amidst softened tourism sentiment. However, both hotels showed effective cost control in both room and food and beverage management.

Cost of sales

In 2Q19, CPN reported costs of sales at THB 284 mn, a decrease of 63.3% YoY (for the first six months of 2019, costs of sales at THB 359 mn, an increase of 60.5% YoY). The decrease is in-line with the lower revenue from sales as described earlier.

Administrative Expenses

Total administrative expenses constituted expenses on personnel, marketing & promotion, rental expense of Hilton Pattaya Hotel based on the sublet agreement with CPNREIT, office supplies, professional fees, and depreciation and amortization of office equipment and hotel properties.

In 2Q19, CPN reported total administrative expenses at THB 1,684 mn, an increase of 17.1% YoY (for the first six months of 2019, administrative expenses at THB 3,127 mn, an increase of 18.4% YoY). The increase is mainly attributed to higher personnel and other administrative expenses due to the larger business size, to support future business expansion as well as an increase in marketing activities in shopping malls. The amount also includes administrative expenses associated with GLAND's operations. Hence, the administrative expenses to total revenue ratio stood at 18.3%, which is higher than the previous year's at 15.7% (the first six months of 2019 stood at 17.4% compared to the previous year's at 15.4%).

Total admin. expenses stood at THB 1,684 mn, a 17.1% increase YoY.

Gross Profit Ratio & Operating Profit Ratio

Gross profit ratio stood at 48.9% whilst operating profit ratio stood at 34.6%.

In 2Q19, CPN's gross profit ratio, excluding other income, dropped to 48.9% from 49.5% in the previous year (the first six months of 2019 at 50.2% compared to the previous year at 50.6%), whilst operating profit ratio dropped proportionately to 34.6% from 36.7% in the previous year (the first six months of 2019 at 36.5% compared to the previous year at 38.2%) .

The gross profit ratio for the rent and services business, which is CPN's core business, stood at 48.5%, a drop from 49.9% in the previous year (the first six months of 2019 at 49.8% compared to the previous year at 50.6%). On a same-store basis, operating profit margin rose 0.8% YoY (the first six months of 2019 rose 0.2% YoY). CPN can maintain the gross profit ratio of rent and services business at similar level to the previous year. Hence, CPN continues to implement effective and cost management and prudent cost control measures to maintain its profitability.

Net Profit

In 2Q19, net profit stood at THB 2,701 mn, a 8.0% decrease YoY.

In 2Q19, CPN reported a net profit of THB 2,701 mn, a decrease of 8.0% YoY (for the first six months of 2019, the figure stood at THB 5,603 mn, a decrease of 2.7% YoY) mainly from lower gross profit from residential for sale, higher administrative expenses, financing cost increased from additional interest-bearing debt following the acquisition of GLAND in September 2018 and new loan for business expansion to generate new revenue stream. CPN has nevertheless achieved growth in revenues and operating profits for all businesses, thanks to effective cost management and accordingly with the business environment.

Table 2: Summary of Profit & Loss Statement

Unit: million THB	2Q 2018	1Q 2019	2Q 2019	YoY (%)	QoQ (%)	6M 2018	6M 2019	YoY (%)
Revenue from rent and services	6,819	7,488	7,664	12%	2%	13,594	15,152	11%
Retail	6,645	7,135	7,319	10%	3%	13,248	14,454	9%
Office	174	353	345	99%	(2%)	347	698	101%
Revenue from hotel operations	263	309	264	1%	(15%)	573	573	0%
Revenue from food center services	178	204	221	24%	8%	346	424	22%
Revenue from real estate sales	1,351	142	485	(64%)	242%	1,567	627	(60%)
Other income	527	577	563	7%	(2%)	1,019	1,140	12%
Total revenues	9,137	8,719	9,197	1%	5%	17,099	17,917	5%
<i>Excluding non-recurring items</i>	<i>9,137</i>	<i>8,674</i>	<i>9,197</i>	<i>1%</i>	<i>6%</i>	<i>17,099</i>	<i>17,871</i>	<i>5%</i>
Cost of rent and services	3,418	3,769	4,045	18%	7%	6,717	7,814	16%
Retail	3,352	3,656	3,927	17%	7%	6,586	7,583	15%
Office	66	113	118	79%	5%	131	231	76%
Cost of hotel operations	80	99	92	15%	(7%)	167	191	15%
Cost of food center services	78	91	95	22%	4%	149	186	25%
Cost of real estate sales	774	75	284	(63%)	278%	909	359	(61%)
Total cost of operations	4,350	4,034	4,516	4%	12%	7,942	8,550	8%
<i>Excluding non-recurring items</i>	<i>4,350</i>	<i>3,934</i>	<i>4,416</i>	<i>2%</i>	<i>12%</i>	<i>7,942</i>	<i>8,350</i>	<i>5%</i>
Selling, general and admin expense	1,438	1,442	1,815	26%	26%	2,641	3,257	23%
Operating profits	3,349	3,243	2,866	(14%)	(12%)	6,516	6,109	(6%)
<i>Excluding non-recurring items</i>	<i>3,349</i>	<i>3,380</i>	<i>3,221</i>	<i>(4%)</i>	<i>(5%)</i>	<i>6,516</i>	<i>6,600</i>	<i>1%</i>
Net finance cost/income tax/others	413	396	396	(4%)	0%	759	792	4%
Net profit	2,935	2,847	2,470	(16%)	(13%)	5,758	5,317	(8%)
<i>Excluding non-recurring items</i>	<i>2,935</i>	<i>2,902</i>	<i>2,701</i>	<i>(8%)</i>	<i>(7%)</i>	<i>5,758</i>	<i>5,603</i>	<i>(3%)</i>
Earnings per basic share (THB)	0.65	0.63	0.55	(16%)	(13%)	1.28	1.18	(8%)
<i>Excluding non-recurring items</i>	<i>0.65</i>	<i>0.65</i>	<i>0.60</i>	<i>(8%)</i>	<i>(7%)</i>	<i>1.28</i>	<i>1.25</i>	<i>(3%)</i>

Capital Structure

Weighted average financing cost at the end of 2Q19 stood at 3.20%

Net debt to equity ratio stood at 0.47x

As of June 30, 2019, CPN reported total interest-bearing debt of THB 37,545 mn, an increase from the balance as of December 31, 2018 of THB 30,398 mn, mainly due to the short-term and long-term borrowings from financial institutions and new bond issued. The weighted average financing cost at the end of 2Q19 stood at 3.20%, lower than 3.31% in 1Q19. Fixed interest rates debt comprises 46% of total interest-bearing debt whilst floating interest rates make up the remaining 54%.

Net interest-bearing debt to equity ratio stood at 0.47 times, an increase from 0.35 times from the end of last year, on higher financing cost as mentioned above.

CPN emphasizes on the importance of effective management of its capital structure to be resilient towards the volatile money market and capital market, as well as maintain its financing cost at an optimum level for its businesses going forward.

Table 3: Summary of Financial Position

<i>Unit: million THB</i>	End of 2Q 2018	End of FY 2018	End of 2Q 2019	YoY (%)	YTD (%)
<i>Current assets</i>					
Cash and current investments	2,593	3,067	2,736	6%	(11%)
Other current assets	8,071	12,235	12,920	60%	6%
Total current assets	10,664	15,301	15,656	47%	2%
<i>Non-current assets</i>					
Investment properties ⁽¹⁾	84,343	108,412	103,064	22%	(5%)
Leasehold rights	13,881	14,086	21,323	54%	51%
Property & equipment (PP&E)	1,552	1,646	1,590	2%	(3%)
Other non-current assets	12,566	22,262	26,592	112%	19%
Total non-current assets	112,342	146,407	152,570	36%	4%
Total assets	123,006	161,708	168,226	37%	4%
<i>Current liabilities</i>					
Interest-bearing debt - 1 year	5,634	10,876	12,215	117%	12%
Other current liabilities	11,174	13,737	12,747	14%	(7%)
Total current liabilities	16,807	24,613	24,962	49%	1%
<i>Non-current liabilities</i>					
Interest-bearing debt	7,088	19,522	25,452	259%	30%
Other non-current liabilities	35,198	43,397	43,729	24%	1%
Total non-current liabilities	42,286	62,919	69,181	64%	10%
Total liabilities	59,093	87,532	94,143	59%	8%
<i>Shareholders' equity</i>					
Retained earnings - unappropriated	50,257	55,094	55,009	9%	(0%)
Other shareholders' equity	13,656	19,082	19,074	40%	(0%)
Total shareholders' equity	63,912	74,176	74,083	16%	(0%)

⁽¹⁾ Investment Properties are booked at cost and depreciated with the straight-line basis over the life of the assets. The estimated fair value as of December 31, 2018 is THB 219,161 mn, as stated in the disclosure notes to the main financial statements no. 14 under "Investment Properties".

Table 4: Key Financial Ratios

	2Q 2018	1Q 2019	2Q 2019	YoY (%)	QoQ (%)	6M 2018	6M 2019	YoY (%)
Profitability Ratio								
Gross profit margin ⁽¹⁾ (%)	49%	50%	49%	(1%)	(2%)	51%	50%	(0%)
<i>Rent and services</i> ⁽¹⁾	50%	50%	49%	(1%)	(1%)	51%	50%	(1%)
<i>Hotel operations</i>	69%	68%	65%	(4%)	(3%)	71%	67%	(4%)
<i>Food center services</i>	56%	55%	57%	1%	2%	57%	56%	(1%)
<i>Real estate sales</i>	43%	47%	41%	(1%)	(6%)	42%	43%	1%
Operating profit margin (%)	37%	37%	31%	(5%)	(6%)	38%	34%	(4%)
<i>Excluding non-recurring items</i>	37%	38%	34%	(3%)	(4%)	38%	36%	(2%)
Net profit margin (%)	32%	33%	27%	(5%)	(6%)	34%	30%	(4%)
<i>Excluding non-recurring items</i>	32%	33%	29%	(3%)	(4%)	34%	31%	(2%)
Return on equity ⁽²⁾ (%)	24%	16%	16%	(8%)	(0%)	24%	16%	(8%)
<i>Excluding non-recurring items</i>	18%	15%	16%	(2%)	0%	18%	16%	(2%)
Efficiency Ratio								
Return on assets ⁽²⁾ (%)	12%	8%	7%	(5%)	(0%)	12%	7%	(5%)

	2Q 2018	1Q 2019	2Q 2019	YoY (Unit)	YTD (Unit)
Liquidity Ratio					
Current ratio (times)	0.63	0.62	0.63	0.00	0.01
Quick ratio (times)	0.15	0.12	0.11	(0.04)	(0.01)
Financial Policy Ratio					
Liabilities to equity ratio (times)	0.92	1.18	1.27	0.35	0.09
Net interest-bearing debt to equity ratio ⁽³⁾ (times)	0.16	0.37	0.47	0.31	0.10

- (1) Excludes the impact of the land lease extension for CentralPlaza Rama 2, which is considered a non-recurring item
- (2) Return on assets and return on equity are calculated based on net profit in the last twelve months
- (3) Interest bearing debt to equity net of cash and cash equivalent and short-term investments

CPN has set a 5-year (2019-2023) growth strategy that aims to achieve a compounded annual growth rate (CAGR) in revenue of approximately 13% per year. The strategic direction to expand the business through mixed-use development, such as new shopping malls, enhancement of existing shopping malls, rental rate escalations, incremental gains from operations management, mixed-use project development, as well as M&A opportunities into high quality assets, are key drivers to realize the target.

As the economy begin to flourish across various areas around Bangkok and provinces, CPN have studied the prospects of new retail formats and innovative concepts and designs of shopping malls to elevate the standard of its shopping malls that offer dynamic experiences towards customers with different lifestyles, both local and foreign tourists.

Furthermore, CPN studied the opportunities to expand its business into the Southeast Asian countries, especially those with high growth potential, such as Malaysia and Vietnam to access new revenue stream and accommodate its sustainable growth aspiration.

Domestic Expansion

CPN have announced the plan to launch 2 new malls to open between 2019 to 2021, namely 1.) **Central Village**, the first international luxury outlet in Thailand, in 3Q19 and 2.) **Central Plaza Ayutthaya** by 2021.

Moreover, CPN seeks for long-term growth opportunities with plausible returns through new mixed-use development projects. On April 1, 2019, CPN and Dusit Thani Public Company Limited have jointly announced the inauguration of **Dusit Central Park**, the most prominent mixed-use development project at the heart of Bangkok central district located across a 23-rai land at the corner of Silom Road and Rama 4 Road and seamlessly connected with the mainstream mass transit systems, such as the BTS skytrain and the MRT subway. The project consists of the following elements:

- **Central Park shopping complex** with a total leasable area of 80,000 sq.m., in which CPN has 85% stake in the project. The project represents a distinguished experience and selecting an iconic global brand matching urban lifestyle with green area more than 1,000 sq.m.
- **Central Park Offices** with a commercially leasable area of 90,000 sq.m., in which CPN has 100% stake in the project under the concept "sharing economy" to create a customize area for the best utilization.
- **Dusit Thani Bangkok Hotel** with 250 rooms, in which CPN has 40% stake in the project. The hotel remains a unique design with the golden headdress which has inspiration from Wat Arun Ratchawararam Woramahawihan, the roof top will be designed for the lookout point, digital gallery, restaurant and roof top bar.

Residential project totaling 389 units under the brands "Dusit Residences", comprising 159 units, and "Dusit Parkside", comprising 230 units, in which CPN has 40% stake in the project. The project is proudly presented an outstanding location with perfect facilities.

The development of Dusit Central Park will commence after the decommission of the existing Dusit Thani Bangkok Hotel is complete. The construction of the project will be gradually completed by 2023, beginning with the all-new Dusit Thani Bangkok Hotel, followed by Central Park shopping complex and Central Park Offices. The residential projects will be opened for pre-sale in 2019 and will be completed and ready for transfer to customers from 2024 onwards.

Projects under GLAND CPN continues to study and review the development plan of undeveloped land under GLAND, which are in high potential areas of Bangkok, and expects to finalize the plan within 2019. At the same time, CPN plans to enhance the performances of GLAND's existing assets to maximize the benefits and growth potential of GLAND going forward.

International Expansion

CPN envisions growth opportunities beyond domestic sources as an integral element to achieve its long-term growth target and serves the diversification of investment risks by identifying high potential areas in prospective overseas markets. On March 23, 2019, **Central i-City** was opened for soft launched and celebrated a grand opening on June 15, 2019. Moreover, CPN is currently preparing an investment plan in Vietnam, a market with exceptional growth potential in the region that will be an important driving force in the company's long-term growth.

Mixed-use Development near existing Retail Properties

CPN recognizes the potential to develop mixed-use projects in the shopping mall area by utilizing the existing vacant plots of land adjacent to the shopping malls, thus enhancing the value of investments in the form of residential development, office buildings and hotels, to name a few.

Residential development To-date, CPN has launched a total of 9 condominium projects in Bangkok and in the provinces. Among these projects, 4 projects are completed and in the process of transfers whilst the other 5 projects are in the process of construction. CPN also completed the development of the first 9 units in a single-detached housing project in Bangkok. Moreover, CPN continues to study new areas for possible development as a pipeline for future project announcements.

Table 5: Progress of Future Projects

Project	Area	Complete by	2019				2020				
			1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	
<u>Retail Properties</u>	<u>sq.m. NLA</u>	<u>Qtr/Year</u>									
<i>Domestic - BMA</i>											
Central Village	40,000	3/2019				★ Open					
<i>Domestic - Provinces</i>											
Central Plaza Ayutthaya	TBC	2021					Finalize development plan, construction, furnishing and leasing				
<i>International</i>											
Central i-City (Malaysia)	83,000	1/2019	Soft opening ★	★		Grand opening					
<u>Residential - Condominium</u>	<u>Units</u>	<u>Qtr/Year</u>									
<i>Domestic - BMA</i>											
Phyll Pahol 34	358	4/2019	Pre-sales > 30%							★ Transfer	
<i>Domestic - Provinces</i>											
Escent Nakhon Ratchasima	380	3/2019	Pre-sales = 100%							★ Transfer	
Escent Ville Chiangrai	312	2/2019	Pre-sales = 100%							★ Transfer	
Escent Ville Chiangmai	450	2/2019	Pre-sales = 100%	★		Transfer					
Escent Ubonratchathani	395	2020	Pre-sales > 70%								
Escent Park Ville Chiangmai	450	2020	Announce ○								
<u>Residential - Single House</u>	<u>Units</u>	<u>Qtr/Year</u>									
<i>Domestic - BMA</i>											
Niyham Boromratchachonnani	71	4/2018		★		transferred 5 units					
<u>Mixed-use Development</u>		<u>Qtr/Year</u>									
<i>Domestic - BMA</i>											
Dusit Central Park *		2023-24	○ Announce			Decommission existing project				Construction, furnishing and leasing	

* Joint venture project with Dusit Thani Public Company Limited on a 23-rai land at the corner of Silom Road - Rama 4 Road and comprises:

- 1.) Central Park : a retail property with a total of 80,000 sq.m. leasable area in which the Company has 85% stake in the project.
- 2.) Central Park Offices : an office building with a total of 90,000 sq.m. leasable area in which the Company has 100% stake in the project.
- 3.) Dusit Thani Hotel Bangkok : a 250-room hotel in which the Company has 40% stake in the project.
- 4.) Residential project under the names "Dusit Residences" and "Dusit Parkside" : a combined total of 389 units in which the Company has 40% stake in the project.