

## Executive Summary

In 2Q20, overall economy was largely affected by the coronavirus disease (COVID-19) outbreak globally, including the Thai economy, due mainly to country lock down measurement in several countries resulting a significant decrease across economic activities which expected a deep economic deceleration throughout the year. During the last period shrinking economy impacted all business sectors. Thai economy has been pressured from weak in tourism sector, consumption, and export sectors. However, Thailand continues easing country lockdown measures phase by phase since May 2020 and the government sector has launched remedial measures to release the economic impact. Having considered the above-mentioned circumstances, the Bank of Thailand lowered the Thai economy growth outlook in 2020, from a decrease of 5.5% to a decrease of 8.1%, as well as lower the policy rate to 0.5% to stimulate the economic and stabilized the financial system.

The performance of Central Pattana Public Company Limited ("The Company" or "Central Pattana") in 2Q20 shows total revenue of THB 4,732 mn, a decrease of 48.6% YoY and net profit stood at THB 467 mn, a decrease of 81.1%YoY. (for the first six months of 2020, CPN reported total revenue of THB 16,154 mn, a decrease of 9.4% YoY, and net profit of THB 5,059 mn, a decrease of 4.8% YoY) caused by the impact of the COVID-19 situation that affected the Company's businesses. Excluding the non-recurring items and impact of TFRS16 applied, **total revenue and net profit decreased by 60.7% and 123.5% respectively** (for the first six months of 2020, total revenue decreased by 31.8% and net profit decreased by 65% YoY). However, the Company implemented the cost-effective management as planned to reduce impact to business performance.

*The Company implemented proactive measures to timely manage the situation rapidly changed by considering all stakeholders.*

As a result of COVID-19 pandemic situation, the Company has strictly complied with the announcement from government sector limiting risk area to protect the pandemic situation therefore, we temporary closed shopping malls totaling of 34 locations, comprising 33 malls in Thailand and 1 mall in Malaysia. The closure period is different for each location between 45-56 days. To facilitate safety and convenience for customers, the Company still provide necessary services in the shopping malls. The Company implement proactive measures to timely manage the situation rapidly changed by considering all stakeholders. The Company also has the policy of efficiency management in terms of maximizing cost saving and resource allocation together with manage a cashflow adequacy to operate business during this circumstance. The Company currently manages 34 shopping malls with the net leasable area (NLA) of approximately 1.8 mn sqm. As of 2Q20 the average occupancy rate for all domestic retail properties stood at 92%.

## Major Events in 2Q20

### Mitigation plan for affected businesses during COVID-19 pandemic situation

*The Company re-opened all 34 malls in May 2020 according to government announcement of easing lockdown restrictions.*

*Enhance cleanliness and highest safety measures practical for shopping centers to ensure customers' confidence resulting a traffic improvement.*

*Strengthen and be a part of economy driven by continuing enable tenant remedy measurement*

*Cost effective management and the review of CAPEX plan to maintain sufficient cash flow and liquidity to support ongoing operations*

*Re-opened Centara and Convention center Udonthani on July 1, 2020.*

**After temporary closure of 34 shopping malls to complied with the government regulation to control the COVID-19 outbreak** as per announcement of government agency since March 22, 2020. The Company currently re-opened malls according to an announcement of easing lockdown restrictions. Thailand government sector permitted shopping mall to re-open from May 17, 2020 onwards whilst Central i-City was re-opened on May 4, 2020 according to Malaysian government announcement.

The Company initiate "Central's Hygiene and Safety Plan" to enhance cleanliness and highest safety measures practical for shopping centers, shops, tenants, and all employees to minimize the risk of COVID-19 outbreak as well as provide maximum security. Moreover, the Company formulated a master plan to prepare for the "New Normal" lifestyle that covers in 5 main dimensions, with more than 75 detailed measures to be implemented: 1) Extra Screening 2) Social Distancing 3) Safety Tracking 4) Deep Cleaning and 5) Touchless Experience. A practical measure as mentioned help the Company start to regain customer's confidence incorporating with additional easing lockdown restrictions leads to traffic improvement more than 60-70% of normal level as of June 30, 2020. Only malls exposed to foreign tourists have only recovered slightly as much of the tourist traffic remained absent. However, overall recovery is gradually improved, the Company closely monitors situation with flexibility to adapt management strategy and marketing activities to fully response local demand.

The Company provided rent waivers to tenants that cannot remain open for business during the lockdown period announced by the government and provide rental discounts to tenants that remained open but are considerably affected by the current situation. The remedy measurement has been considered by mall traffic, impacted business type and sales performance. Presently, most of all tenants re-operated their business which were supported by company's marketing campaign to drive overall economy as well as assist SME.

During mall temporary closure, the Company mitigated the impact on revenue and profitability through various cost reduction initiatives. Although, some variable cost returned after re-opening such as utilities, outsource services upon scale of business operations. Nonetheless, unnecessary expenses at organization levels were controlled following the cost reduction initiative to combat COVID-19 situation. In addition, put off 2020 capital expenditure plan to prepare sufficient liquidity amidst uncertainty circumstance.

**Re-opened Centara and Convention center Udonthani from July 1, 2020** after temporary closure since April 1, 2020 due to COVID-19 outbreak both in Thailand and overseas earlier this year resulted in a significant drop in foreign tourist visitors and limit domestic travelers from country lockdown. Given the situation, the Company decided to temporarily close hotel operations and change its business plan by implementing cost saving according the change in revenue, whilst taking the opportunity to accelerate the renovation of Hilton Pattaya from May 2020 to November 2020 to enhance operational efficiency as well as prepare upon re-opening.

## Diversification into Mixed-use Development Projects

*ESCENT TOWN PHITSANULOK and NINYA KALLAPAPRUEK, located at BKK, were received a good feedback in terms of continuity of project transferred.*

### **The Company launched 2 new residential projects in 1Q20 as planned.**

The projects are ESCENT TOWN PHITSANULOK, a townhome project and NINYA KALLAPAPRUEK, a twin-home project. Both are accumulated ample interest from potential customers even though demand in the residential market is relatively subdued due to the impact of COVID-19. Nevertheless, the Company continues to transfer the completed projects to customers as planned.

**Residential projects that are completed and transferred to customers** at 7 locations, namely ESCENT Rayong, ESCENT Chiangmai, ESCENT Khonkaen, ESCENT VILLE Chiangmai and ESCENT VILLE Chiangrai where all units have been fully transferred. Meanwhile, ESCENT Nakhon Ratchasima and PHYLL Pahol 34 have 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 Ubonratchathani, currently has 85% pre-sales take up, will be completed and ready for transfer by 2020; 2.) ESCENT PARK VILLE Chiangmai currently has more than 50% pre-sales take up, will be completed and ready for transfer by 2020 and 3.) ESCENT TOWN PHITSANULOK has 19 units transferred, currently under the construction of additional units; 4) NINYA KALLAPAPRUEK has 14 units transferred and under construction of additional units; and 5) NIYHAM Boromratchachonnani, a single-detached housing project located on Boromratchachonnani Road, has already transferred 5 units which currently is in the process of construction and decorations to support future demands.

# Financial and Operating Performance in 2Q20

**Table 1: Summary of net leasable area and occupancy rate**

	Number of projects and net leasable/salable area under CPN management as of 2Q 2020								Occ. Rate / Sales Rate (%) as of 2Q 2020
	Total		CPN		CPNREIT <sup>(1)</sup>		CPNCG <sup>(2)</sup>		
	No.	sq.m.	No.	sq.m.	No.	sq.m.	No.	sq.m.	
<i>Retail properties</i>									
Shopping malls - BMA	15	930,201	15	783,088	3	147,113			94
Shopping malls - Provinces <sup>(4)</sup>	18	794,053	18	726,587	2	67,466			90
<b>Total domestic retail properties</b>	<b>33</b>	<b>1,724,254</b>	<b>33</b>	<b>1,509,675</b>	<b>5</b>	<b>214,579</b>			<b>92</b>
Shopping malls - International	1	83,941	1	83,941					83
<b>Total retail properties</b>	<b>34</b>	<b>1,808,195</b>	<b>34</b>	<b>1,593,616</b>	<b>5</b>	<b>214,579</b>			<b>92</b>
<i>Non-core businesses</i>									
Office buildings	7	172,255	5	56,194	2	34,389	7	81,672	94
Hotels	2	561 rooms	1	259 rooms	1	302 rooms			0
Residential (high rise)	7	2727 units	7	2727 units					90
Residential (low rise)	3	573 units	3	573 units					7
<i>Assets under GLAND</i>									
Office buildings	3	148,938	1	67,606	2	81,332			90
Residential (high rise)	1	1991 units	1	1991 units					99
Retail space in buildings		24,196		24,196					64

	Number of projects and net leasable/salable area under GLAND as of 2Q 2020						Occ. Rate / Sales Rate (%) as of 2Q 2020
	Total		GLAND		CPNREIT <sup>(1)</sup>		
	No.	sq.m.	No.	sq.m.	No.	sq.m.	
<i>Non-core businesses</i>							
Office buildings	3	148,938	1	67,606	2	81,332	90
Residential (high rise)	1	1991 ๗๗๓	1	1991 ๗๗๓			99
Retail space in buildings		24,196		24,196			64

- (1) Assets under CPNREIT comprises 1) 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) 1 hotel, namely Hilton Pattaya and 3) 2 office buildings under the management of GLAND, namely The Ninth Towers and Unilever House, the leasehold rights for both of which were transferred from GLANDRT in 1Q20.
- (2) Assets under CPNCG comprises 1 office building, namely The Offices at CentralWorld
- (3) Occupancy rate of all businesses (except for residential) 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

The Company has 4 business categories under management: 1) Shopping Center and office for rent; 2) Food center services; 3) Hotel; and 4) Residential for sale which includes the properties transferred to CPN Retail Growth Leasehold REIT ("CPNREIT") and CPN Commercial Growth Leasehold Property Fund ("CPNCG")

The Company managed 34 shopping centers (15 projects in Bangkok Metropolitan Area (BMA), 18 projects in the provinces, and 1 project overseas), 30 food centers, 7 office towers, 2 hotel properties, 12 residential project for sale comprise 9 high-rise residential projects and 3 low-rise residential projects.

As of 2Q20, the average occupancy rate of the Company's domestic shopping malls stood at 92%, equal to the same period of previous year. Most of the shopping malls maintained high level of occupancy rate despite most of tenants were impacted by COVID-19. The Company render an assistance to tenants by implementing remedy measure so that they could re-operate their business which resulting in maintaining mall occupancy rate.

*Same store rental revenue declined by 61% YoY*

In 2Q20, same store rental revenue growth decreased to 61% YoY (for the first six months of 2020, decreased to 34% YoY) mainly from COVID-19 impact by providing tenants a rent waivers and discount as well as lower marketing activities and temporary close shopping malls. The same store rental revenue excludes that of 1.) new malls in 2019, namely Central i-City and Central Village; 2.) malls under major renovation during 2019 and 2020, namely CentralWorld, CentralPlaza Lardprao, CentralPlaza Chonburi, CentralPlaza Chiangrai, Central Phuket Festival, CentralFestival Pattaya Beach, CentralPlaza Chiangmai and CentralPlaza Rama 2.

### **Summary of GLAND's results**

As of June 30, 2020, the operating assets under GLAND comprise of; 1.) 3 office buildings (aggregate occupancy rate at 90%), which includes 2 office under management of CPN Retail Growth Leasehold REIT (CPNREIT) after transferring the leasehold rights from GLAND Office Leasehold Real Estate Investment Trust (GLANDRT) in 1Q20; 2.) 1 residential project for sale (a total of 1,991 units with 16 units remaining to be sold and transferred); 3.) leasable retail area within office buildings and residential project at 24,196 sq.m. (aggregate occupancy rate at 64%), and 4.) 4 undeveloped land plots, 2 of which are planned for mixed-use development projects and the other 2 planned for residential development.

In 2Q20, GLAND's contribution to the Company's financial result, excluding non-recurring items, shows total revenue of THB 357 mn and net profit stood at THB 65 mn (for the first six months of 2020, shows revenue of THB 754 mn and net profit at THB 85 mn). The difference versus GLAND's reported statement of comprehensive income mainly comes from the investment properties that the Company 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 the Company's book compared to GLAND's book, which are based on its original cost.

### **Non-recurring items**

The Company has non-recurring items in 2Q20 and the first six months of 2020 compared to the previous year as follows:

- In 1Q20, GLAND Office Leasehold Real Estate Investment Trust (GLANDRT) was dissolved and delisted from Stock Exchange of Thailand (GLAND has 15% ownership stake in GLANDRT) by complete assets transferred of The Ninth Towers Grand Rama 9 and Unilever House Grand Rama 9 to CPNREIT. The Company has recognized the transaction in consolidate financial statement as follows:
  - Income from GLANDRT leasehold asset divestment amount THB 270 mn was recognized in share of profit from associated companies
  - GLANDRT dissolve expense amount THB 227 mn was recognized in administrative expenses

- Tax on GLANDRT dividend received amount THB 62 mn, the final dividend payment before dissolution and delisting of the Trust
- Commission fee on GLANDRT assets acquisition to CPNREIT amount THB 56 mn was recognized in management income.
- In 1Q20, The Company recognized revenue from financial lease, a one-time revenue complies with accounting standard amount THB 2,796 mn which recognized in other income and THB 559 mn tax is recognized in the income tax expense. The transaction does not affect the Company's cash flow.
- The Company recognized selling & administrative expense related to the settlement of financial instruments, which are non-recurring, amount THB 115 mn in 1Q20 and THB 124 mn in 2Q20 (for the first six months of 2020, the amount is approximately THB 239 mn)
- In 2Q20, The Company recognized an insurance claim on CentralwOrld fire, amount THB 280 mn.

### **Impact from the implementation of new financial reporting standards**

From 1 January 2020, the Company has adopted Thai Financial Reporting Standard - Financial instruments group (TFRS9) and Thai Financial Reporting Standard (TFRS16) - Leases which impacted to the financial statement as follows (see details in the Notes to Financial Statements No. 3 "Impact from the Changes in Accounting Standards")

**TFRS9** – Immaterial impact to financial position and statement of comprehensive profit and loss.

**TFRS16** – Impact to financial position which was one-time adjustment in 1Q20. Impact to statement of comprehensive profit and loss as follow;

- The Company recognized cost of rental and services net decrease of THB 223 mn mainly from cost of operating leases decreased THB 610 mn whilst depreciation and amortization cost of right-of-use of assets (ROU) increased THB 387 mn (for the first six months of 2020, recognized cost of rental and services net decrease of THB 449 mn mainly from cost of operating leases decreased THB 1,249 mn whilst depreciation and amortization cost of ROU increased THB 800 mn).
- The Company recognized an increase in interest expense amount THB 293 mn (for the first six months of 2020, recognized an increase in interest expense amount THB 588 mn)
- In 2Q20, The Company recognized rental revenue, which includes rental waiver and discount amount that the Company estimated to aid tenants that are affected by the COVID-19 situation, on a on straight-line amortization basis throughout the contract duration of tenants amounted THB 789 mn and THB 158 mn of income tax expense on the rental revenue recognition. The transaction does not affect the Company's cash flow.
- In 2Q20, The Company recognized receivable from financial lease amount THB 321 mn which recognized in investment income until 2025. However, this item does not affect the Company's cash flow.

**Overall impact of non-recurring items and TFRS16 implementation to statement of comprehensive profit and loss in 2Q20 and 6M20 as follow;**

**2Q20 Profit & Loss Statement reconciliation between F/S and core performance**

Unit: MTHB	Per F/S	Adj. non-recurring	Excl. non-recurring	TFRS16 Impact in current year				Core performance (excl. non-recurring and TFRS16)
				Leases		Financial lease PV adj.	Rental & discount amortiz'n	
				Rental Expense	D&A ROU			
Revenue from rental and services	3,928		3,928				-839	3,089
Revenue from other businesses	351		351					351
Other Income	452	-280	172					172
<b>Total income</b>	<b>4,731</b>	<b>-280</b>	<b>4,451</b>			<b>0</b>	<b>-839</b>	<b>3,612</b>
Cost of rental & services	2,761		2,761	-610	387			2,984
Cost of other businesses	294		294					294
Administrative expenses	1,205	-124	1,081					1,081
<b>Operating profit (loss)</b>	<b>471</b>	<b>-156</b>	<b>315</b>	<b>-610</b>	<b>387</b>	<b>0</b>	<b>-839</b>	<b>-747</b>
(+)Share of profit from invested co.	104		104					104
(+)Investment income	370		370			-321		49
(-)Interest expense	490		490	-293				197
(-)Income tax expense	20		20				-168	-148
(-)Minority interest	-32		-32					-32
<b>Net profit to parent company</b>	<b>467</b>	<b>-156</b>	<b>311</b>	<b>70</b>		<b>-321</b>	<b>-671</b>	<b>-611</b>

**6M20 Profit & Loss Statement reconciliation between F/S and core performance**

Unit: MTHB	Per F/S	Adj. non-recurring	Excl. non-recurring	TFRS16 Impact in current year				Core performance (excl. non-recurring and TFRS16)
				Leases		Financial lease PV adj.	Rental & discount amortiz'n	
				Rental Expense	D&A ROU			
Revenue from rental and services	11,410		11,410				-839	10,571
Revenue from other businesses	1,069		1,069					1,069
Other Income	3,675	-3,132	543					543
<b>Total income</b>	<b>16,154</b>	<b>-3,132</b>	<b>13,022</b>			<b>0</b>	<b>-839</b>	<b>12,183</b>
Cost of rental & services	6,394		6,394	-1,249	800			6,843
Cost of other businesses	698		698					698
Administrative expenses	2,929	-466	2,463					2,463
<b>Operating profit</b>	<b>6,133</b>	<b>-2,666</b>	<b>3,467</b>	<b>-1,249</b>	<b>800</b>	<b>0</b>	<b>-839</b>	<b>2,179</b>
(+)Share of profit from invested co.	685	-270	415					415
(+)Investment income	405		405			-321		84
(-)Interest expense	971		971	-588				383
(-)Income tax expense	1,197	-621	576				-168	408
(-)Minority interest	-4		-4					-4
<b>Net profit to parent company</b>	<b>5,059</b>	<b>-2,315</b>	<b>2,744</b>	<b>139</b>		<b>-321</b>	<b>-671</b>	<b>1,891</b>

*Total revenue decreased 60.7% YoY while total cost decreased 26.9% YoY.*

**Overall Business Performance**

The following management discussion excludes an impact of non-recurring items and new accounting standard applied as mentioned above to the Company's best ability to reflect the financial performance based on actual business events, which may differ from the financial statements reviewed and/or audited by the auditors authorized by the Securities and Exchange Commission of Thailand (SEC).

**Total Revenue**

In 2Q20, the Company reported total revenue of THB 3,613 mn, a decrease of 60.7% YoY (for the first six months of 2020, the Company reported total revenue of THB 12,183

mn, a decrease of 31.8% YoY) mainly from a decrease of revenue from rent and service which deeply impact by lockdown period.

### **Total Costs**

In 2Q20, the Company reported total costs of THB 3,278 mn, a decrease of 26.9% YoY (for the first six months of 2020, the Company reported total cost of THB 7,542 mn, a decrease of 11.7% YoY) mainly from cost reduction during mall temporary closure which in line with a decrease in revenue.

### **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 2Q20, the Company reported total administrative expenses at THB 1,081 mn, a decrease of 37% YoY (for the first six months of 2020, administrative expenses at THB 2,463 mn, a decrease of 21.2% YoY). A decrease is mainly attributed to lower marketing & promotion expenses regarding to temporary close shopping malls as well as a decrease in rental expense incurred to CPNREIT for the sublet of Hilton Pattaya. The Company demonstrated prudent cost control measures to be in-line with a decrease in revenue to retain business normalcy in current situation. The administrative expenses to total revenue ratio stood at 29.9% increased from 18.3% compare to the same period of previous year (for the first six months of 2020, stood at 20.2% increased from 17.5% in the same period of previous year.

### **Gross Profit Ratio & Operating Profit Ratio**

In 2Q20, the gross profit ratio, excluding other income, dropped to 4.7% from 49.3% in the same period of previous year (the first six months of 2020, dropped to 35.2% compared to the previous year at 50.5%). Whilst operating profit ratio dropped proportionately to -19.1% from 33.5% YoY (the first six months of 2020, dropped to 18.4% compared to the previous year at 35.4%) in line with revenue declined, cost saving and lower administrative expense as mentioned earlier.

### **Net Profit**

In 2Q20, the Company reported a net loss of THB 611 mn, a decrease of 123.5% YoY (for the first six months of 2020, the figure stood at THB 1,890 mn, a decrease of 65.0% YoY) mainly from mall closure however, the Company significantly implemented cost effective management to retain normal business operation by considering all stakeholders and retain return to shareholders.

### **Performance of rental and services business**

#### **Revenue from rental and services**

In 2Q20, the Company recorded revenue from rental and services at THB 3,089 mn, a decrease of 60.9% YoY (for the first six months of 2020, reported revenue of THB 10,571 mn, a decrease of 32.5% YoY). The decrease is mainly attributed from rent waiver and discount to tenants along with company's policy to co-ordinate with government sector to assist tenants during mall closure period to control the COVID-19 outbreak. In addition, the Company deferred certain events and marketing activities during the period. Hence, revenue derived from marketing activities slightly declined.

*Total administrative expenses decreased 37% YoY.*

*Gross profit ratio and operating profit ratio stood at 4.7% and -19.1%, respectively.*

*Net profit decreased 123.5% YoY.*





*Revenue from rental and services business decreased 60.9% YoY, cost decreased 25.6% YoY while, gross profit margin stood at 3.4%.*

### **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 2Q20, the Company reported cost of rent and services at THB 2,984 mn, a decrease of 25.6% YoY (for the first six months of 2020, reported cost of THB 6,843 mn, a decrease of 12.3% YoY) due to the following factors:

- Utility costs, a major component (accounts for approximately 30% of cost of rent and services) for shopping mall operations, decreased from the same period a year earlier mainly from temporary close shopping malls and from the Company's continuous effort to conserve energy and utilities in operations. Hence, the utility cost decreased 45.6% YoY (for the first six months of 2020, utility cost decreased 25.5% YoY).

### **Gross profit of rental and services business**

The gross profit ratio for the rental and services business, which is the Company's core business, stood at 3.4% decreased from 49.0% in the same period of previous year (the first six months of 2020, stood at 35.3% decreased from 50.1% in the same period of previous year) mainly from a decrease in revenue proportion higher than a decrease in cost during mall closure period that no revenue recognition but still paid partially expenses. Nevertheless, the Company continues to implement effective and cost management and prudent cost control measures to maintain its profitability and ongoing to recover.

### **Performance of food center services business**

#### **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, the Company has amended the recognition of revenue from food and beverages in 2019 to accurately reflect the business nature of food center services. Hence, the information in the previous year have been adjusted for appropriate comparison.

In 2Q20, the Company recorded revenue from food center services at THB 38 mn, a decrease of 82.9% YoY (for the first six months of 2020, reported revenue of THB 198 mn, a decrease of 53.2% YoY) mainly from temporary close shopping mall. However, some restaurants are provided under take-away and delivery format.

#### **Cost of food center services**

The Company 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 2Q20, the Company reported costs of food center services at THB 58 mn, a decrease 40.9% YoY (for the first six months of 2020, reported cost of THB 149 mn, a decrease of 19.9% YoY) due to effective cost management Nevertheless, the Company cannot reduce some fixed cost such as depreciation and amortization.

#### **Gross profit of food center services business**

The gross profit ratio for the food center services business stood at -50.7% decreased from 56.9% in the same period of previous year (the first six months of 2020 at 24.9%



*Revenue from food center services business decreased 82.9% YoY, cost decreased 40.9%, resulting in operating loss in 2Q20.*

decreased from 56.1% in the same period of previous year) mainly from a decrease in revenue proportion higher than a decrease in cost.



*Revenue from Hotel business totally decreased, resulting in operating loss in 2Q20.*

### **Performance of hotel business**

#### **Revenue from hotel operations**

The Company 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 non-core businesses. In 2Q20, revenue from hotel operations was THB 0.134 mn, a decrease of 99.9% YoY (for the first six months of 2020, reported revenue of THB 207 mn, a decrease of 63.8% YoY). Overall hotel performance was dropped as lower tourists from COVID-19 outbreak globally since the beginning of the year. Given the outbreak situation, the Company announced a temporary closed of 2 hotels since April 2020 and took the opportunity to accelerate the renovation of Hilton Pattaya Hotel and re-open Centara Convention Center as mentioned earlier. Hence, both hotels had no revenue generated from room and services in 2Q20.

#### **Cost of hotel operations**

The Company adopted a new hotel revenue and cost recognition from 2019 onwards, resulting an increase both in revenue and cost items.

In 2Q20, the Company reported costs of hotel operations at THB 14 mn, a decrease of 85.3% YoY (for the first six months of 2020, reported cost of THB 89 mn, a decrease of 53.5% YoY) due mainly to the closure period as above-mentioned. Both hotels showed effective cost control conform the changing situation.

#### **Gross profit of hotel operations**

The gross profit ratio for the hotel business stood at less than -100%, a decrease from 65.0% in the same period of previous year (the first six months of 2020 stood at 57.1%, a decrease from 66.6% in the same period of previous year) mainly to absence of revenue from hotel operations.



*Revenue from sales decreased 35.4% YoY, cost decreased 21.5% YoY while, gross profit margin stood at 28.9%.*

### **Performance of real estate business**

#### **Revenue from sales**

In 2Q20, the Company has residential project for sale which are sold out and transferred 5 projects, completed construction 2 projects and under development 2 projects and 3 low-rise projects.

In 2Q20, the Company recorded revenue from sales at THB 313 mn, a decrease of 35.4% YoY (for the first six months of 2020, reported revenue of THB 664 mn, an increase of 5.8% YoY) due to lower transferred during 2Q20 which overall demand were affected by the pandemic situation. Nevertheless, there were a continuity of transfers of condominium units, namely ESCENT VILLE Chiangrai, ESCENT Nakhon Ratchasima, Phyll Pahol 34 and Belle Grand Rama 9, as well as the newly-launched in 1Q20 namely ESCENT TOWN PITSANULOK and NINYA KALLAPAPRUEK. Hence, the residential transfers met the Company's target.

#### **Cost of sales**

In 2Q20, the Company reported costs of sales at THB 223mn, a decrease of 21.5% YoY (for the first six months of 2020, reported cost of THB 461 mn, an increase of 28.7%

YoY). The cost reduction in line with its revenue performance which the Company effectively manage cost. Meanwhile, the first six month of 2020 resulting from a cost adjustment to the Belle Grand Rama 9 to accurately reflect the project's cost of sale.

### Gross profit of real estate business

The gross profit ratio excludes other income for residential business stood at 28.9%, decrease from 41.5% in the same period of previous year (the first six months of 2020 stood at 30.5% decrease from 42.9% in the same period of previous year) mainly from a cost adjustment to the Belle Grand Rama 9 to accurately reflect the project's cost of sale from 4Q19 onwards as well as transferred 2 standalone projects in 2Q20.

**Table 2: Summary of Profit & Loss Statement**

Unit: million THB	2Q 2019	1Q 2020	2Q 2020	YoY (%)	QoQ (%)	6M 2019	6M 2020	YoY (%)
Revenue from rent and services	7,897	7,482	3,928	(50%)	(48%)	15,656	11,410	(27%)
Retail	7,552	7,136	3,667	(51%)	(49%)	14,958	10,803	(28%)
Office	345	346	261	(25%)	(25%)	698	607	(13%)
Revenue from hotel operations	264	207	0	(100%)	(100%)	573	207	(64%)
Revenue from food center services	220	160	38	(83%)	(76%)	424	198	(53%)
Revenue from real estate sales	485	350	313	(35%)	(11%)	627	664	6%
Other income	330	3,223	452	37%	(86%)	637	3,675	477%
<b>Total revenues</b>	<b>9,197</b>	<b>11,423</b>	<b>4,732</b>	<b>(49%)</b>	<b>(59%)</b>	<b>17,917</b>	<b>16,154</b>	<b>(10%)</b>
<i>Excluding non-recurring items</i>	9,197	8,570	3,613	(61%)	(58%)	17,871	12,183	(32%)
Cost of rent and services	4,024	3,633	2,761	(31%)	(24%)	7,814	6,394	(18%)
Retail	3,906	3,536	2,697	(31%)	(24%)	7,583	6,233	(18%)
Office	118	97	65	(45%)	(33%)	231	161	(30%)
Cost of hotel operations	92	75	14	(85%)	(82%)	191	89	(54%)
Cost of food center services	95	91	58	(39%)	(37%)	186	149	(20%)
Cost of real estate sales	284	239	223	(22%)	(7%)	359	461	29%
<b>Total cost of operations</b>	<b>4,495</b>	<b>4,038</b>	<b>3,055</b>	<b>(32%)</b>	<b>(24%)</b>	<b>8,550</b>	<b>7,093</b>	<b>(17%)</b>
<i>Excluding non-recurring items</i>	4,495	4,264	3,278	(27%)	(23%)	8,550	7,542	(12%)
Selling, general and admin expense	1,836	1,724	1,205	(34%)	(30%)	3,257	2,929	(10%)
<b>Operating profits</b>	<b>2,866</b>	<b>5,661</b>	<b>471</b>	<b>(84%)</b>	<b>(92%)</b>	<b>6,109</b>	<b>6,132</b>	<b>0%</b>
<i>Excluding non-recurring items</i>	2,997	2,925	(764)	(125%)	(126%)	6,195	2,161	(65%)
Net finance cost/income tax/others	396	1,069	4	(99%)	(100%)	792	1,073	35%
<b>Net profit</b>	<b>2,470</b>	<b>4,592</b>	<b>467</b>	<b>(81%)</b>	<b>(90%)</b>	<b>5,317</b>	<b>5,059</b>	<b>(5%)</b>
<i>Excluding non-recurring items</i>	2,601	2,501	(611)	(123%)	(124%)	5,403	1,890	(65%)
<b>Earnings per basic share (THB)</b>	<b>0.55</b>	<b>1.02</b>	<b>0.10</b>	<b>(81%)</b>	<b>(90%)</b>	<b>1.18</b>	<b>1.13</b>	<b>(5%)</b>
<i>Excluding non-recurring items</i>	0.58	0.56	(0.14)	(123%)	(124%)	1.20	0.42	(65%)

### Capital Structure

*Weighted average financing cost as of June 30, 2020 stood at 2.29%*

As of June 30, 2020, the Company reported total interest-bearing debt of THB 43,791 mn, an increase from the balance as of December 31, 2019 of THB 33,210 mn, mainly due to the higher long-term borrowings from financial institutions. Meanwhile, the weighted average financing cost as of June 30, 2020 stood at 2.29%, lower than 2.91% as of December 31, 2019. Fixed interest rates debt comprises 41% of total interest-bearing debt, floating interest rates make up 59%.

*Net debt to equity ratio stood at 0.55x*

Net interest-bearing debt to equity ratio stood at 0.55 times, increased from the ratio at the end of 2019 at 0.37x. Although the Company has higher interest-bearing debt amount, the Company 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.

### Dividend

On May 15, 2020, the Board of Directors approved interim dividend payment of THB 0.80 per share to be paid from the 2019 net profit, which is lowered from THB 1.30 as announced on February 20, 2020. Whilst there is much uncertainty from the COVID-19 outbreak that will impact the current and future business operation, in which the Company has to prudently prepare the business plan and maintain sufficient liquidity in face of unforeseeable circumstances, the Company is adamant in maintaining shareholders' return and return at present and in the long-term. The interim dividend was paid on June 12, 2020. An Annual General Meeting of the year 2020 that was held on July 10, 2020 has already acknowledged an interim dividend payment.

**Table 3: Summary of Financial Position**

<i>Unit: million THB</i>	End of FY 2019	End of 2Q 2020	YTD (%)
<i>Current assets</i>			
Cash and current investments	3,055	4,347	42%
Other current assets	13,324	15,179	14%
<b>Total current assets</b>	<b>16,378</b>	<b>19,526</b>	<b>19%</b>
<i>Non-current assets</i>			
Investment properties <sup>(1)</sup>	104,503	162,987	56%
Leasehold rights	20,783	0	(100%)
Property & equipment (PP&E)	1,597	1,532	(4%)
Other non-current assets	26,672	32,317	21%
<b>Total non-current assets</b>	<b>153,555</b>	<b>196,836</b>	<b>28%</b>
<b>Total assets</b>	<b>169,933</b>	<b>216,363</b>	<b>27%</b>
<i>Current liabilities</i>			
Interest-bearing debt - 1 year	8,739	17,024	95%
Other current liabilities	12,336	13,592	10%
<b>Total current liabilities</b>	<b>21,075</b>	<b>30,616</b>	<b>45%</b>
<i>Non-current liabilities</i>			
Interest-bearing debt	24,471	26,767	9%
Other non-current liabilities	43,925	86,738	97%
<b>Total non-current liabilities</b>	<b>68,396</b>	<b>113,505</b>	<b>66%</b>
<b>Total liabilities</b>	<b>89,471</b>	<b>144,121</b>	<b>61%</b>
<i>Shareholders' equity</i>			
Retained earnings - unappropriated	61,457	54,253	(12%)
Other shareholders' equity	19,005	17,988	(5%)
<b>Total shareholders' equity</b>	<b>80,462</b>	<b>72,241</b>	<b>(10%)</b>

<sup>(1)</sup> 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, 2019 is THB 252,051 mn (THB 219,161 mn as of December 31, 2018), as stated in the disclosure notes to the main financial statements no. 14 under "Investment Properties".

**Table 4: Key Financial Ratios**

	2Q 2019	1Q 2020	2Q 2020	YoY (%)	QoQ (%)	6M 2019	6M 2020	YoY (%)
<b>Profitability Ratio</b>								
Gross profit margin (%)	49%	51%	29%	(21%)	(22%)	51%	43%	(7%)
<i>Rent and services<sup>(1)</sup></i>	49%	51%	30%	(19%)	(22%)	50%	44%	(6%)
<i>Hotel operations</i>	65%	64%	<i>n.m.</i>	<i>n.m.</i>	<i>n.m.</i>	67%	57%	(10%)
<i>Food center services</i>	57%	43%	(51%)	(108%)	(94%)	56%	25%	(31%)
<i>Real estate sales</i>	41%	32%	29%	(13%)	(3%)	43%	30%	(12%)
Operating profit margin (%)	31%	50%	10%	(21%)	(40%)	34%	38%	4%
<i>Excluding non-recurring items</i>	33%	34%	(21%)	(54%)	(55%)	35%	18%	(17%)
Net profit margin (%)	27%	40%	10%	(17%)	(30%)	30%	31%	2%
<i>Excluding non-recurring items</i>	28%	29%	(17%)	(45%)	(46%)	30%	16%	(15%)
Return on equity <sup>(2)</sup> (%)	16%	18%	16%	0%	(2%)	16%	16%	0%
<i>Excluding non-recurring items</i>	15%	15%	11%	(4%)	(4%)	15%	11%	(4%)
<b>Efficiency Ratio</b>								
Return on assets <sup>(2)</sup> (%)	7%	7%	6%	(1%)	(1%)	7%	6%	(1%)

	End of FY 2019	2Q 2020	YTD (Unit)
<b>Liquidity Ratio</b>			
Current ratio (times)	0.78	0.64	(0.14)
Quick ratio (times)	0.14	0.14	0.00
<b>Financial Policy Ratio</b>			
Liabilities to equity ratio (times)	1.11	1.99	0.88
Net interest-bearing debt to equity ratio <sup>(3)</sup> (times)	0.37	0.55	0.18

- (1) In 2Q20 and 6M20, excluding non-recurring items and the impact of TFRS16, gross profit margin for rental and services stood at 3.4% and 35.3% respectively
- (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

*Ensuring the well-being of all stakeholders to cope with COVID-19 outbreak is the Company's priority, together with flexible business plan to suit the changing environment.*

### **Outlook for 2020 Performance**

Regarding to an uncertainty of COVID-19 situation, which will impact various dimensions of business, the Company has implemented guidelines that emphasizes on cleanliness and highest safety standard in accordance with international benchmark and consistent with the guidelines from the government. The Company takes into consideration the well-being of all stakeholders, including communities, business partners, tenants, and customers to maintain business sustainability. In addition, the Company makes the best effort to carefully manage business to protect shareholder's long-term benefit amidst challenging times.

Although the current situation has recently improved and the shopping centers, the Company's core business, are expected to re-open according to government orders, the Company expects the recovery of businesses within the shopping centers to vary from one tenant to another, especially the smaller business owners that may require more time to recover. Hence, the Company does not expect its performance to return to precedented levels within this year. At the same time, the Company closely monitors the development of the situation whilst maintain a flexible business plan to suit the changing environment, is committed to support its tenants and business partners to ensure their viability in this situation, as well as progress with its cost reduction initiatives, to mitigate the impact of the absence of revenue towards its profitability performance in the best possible manner.

### **Five-Year Business Plan**

The Company is in the processing of reviewing its 5-year (2020-2024) investment plan and business objectives by reviewing all development projects, particularly on mixed-use development, such as shopping malls, enhancement of existing shopping malls, residential projects, hotels and offices, both announced and unannounced, to provide adequate levels of cash flow and liquidity as the COVID-19 outbreak is expected to impact the macroeconomy and industries that the Company is directly and indirectly involved in.

Nonetheless, the Company maintains its confidence in its growth strategy under the vision of the "Center of Life", such that its business operations will continue to be the center of happiness, create new experiences, and become the safe and health-conscious place for people in multiple communities and lifestyle preferences. The Company is studying potential new concepts to accommodate the lifestyle needs of customers and the more dynamic operations by tenants as they embrace living under the New Normal.

Furthermore, the Company studied the M&A opportunities to invest in high growth potential assets and good return on investment as well as expand its business the Southeast Asian countries, especially Malaysia and Vietnam to access new revenue stream and accommodate its sustainable growth aspiration.

**Table 5: Progress of Future Projects**

Project	Area	Complete by	2020				2021			
			1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
<i>Domestic - Provinces</i>										
Central Ayutthaya	TBC	2021	In the process of reviewing the investment plan				Expected opening ★			
Central Si Racha	TBC	2021					Expected opening ★			
Central Chanthaburi	TBC	2022								
<u>Residential - High-rise</u>										
<i>Domestic - BMA</i>										
PHYLL PHAHOL 34	358	4/2019	Pre-sales ~40% Transferred 27%							
<i>Domestic - Provinces</i>										
ESCENT NAKHONRATCHASIMA	380	3/2019	Transferred 98%							
ESCENT VILLE CHIANGRAI	312	2/2019	Transferred 100%							
ESCENT VILLE CHIANGMAI	450	2/2019	Transferred 100%							
ESCENT UBONRATCHATHANI	395	4/2020	Pre-sales ~85% ★ Ready for transfer							
ESCENT PARK VILLE CHIANGMAI	450	4/2020	Pre-sales ~50% ★ Ready for transfer							
<u>Residential - Low-rise</u>										
<i>Domestic - BMA</i>										
NIYHAM BOROMRATCHACHONNANI	71	4/2018	Transferred 5 units							
ESCENT TOWN PHITSANULOK	358	1/2020	★ Transferred 19 units							
NINYA KALLAPAPRUEK	144	1/2020	★ Transferred 14 units							
<u>Joint Mixed-use Development</u>										
<i>Domestic - BMA</i>										
Dusit Central Park *		2023-24	In the process of decommission existing project and reviewing the investment plan							

\* 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.