

Executive Summary

In 2019, Thai economy has decelerated with GDP reported at 2.4% decreased from 4.1% in 2018 as a result of declining in export growth and Baht appreciation. The world-trade sluggish effecting from Trade War which impacted the global economic sentiment. However, the Thai economy is attributed mainly by number of factors, namely 1.) Growth in Tourism sector particularly in 2H19 2.) Government spending and investment in infrastructure despite a lower rate of growth due to the delay of government establishing and pending promulgation of 2020 capital expenditure 3.) growth in private consumption from government subsidy to the low-income citizens and local tourist promotion. Meanwhile, internal and external factors that affect the Thai economy are the inconclusive trade war between the US and China. Thai economy outlook in 2020 is expected to grow under its potential, the Bank of Thailand estimates GDP growth at 1.5% to 2.5% from a slow pace of export, the drought circumstance and corona virus infection (COVID-19). Believing that government will launch new measures to stimulate Thailand economic growth and tourism sector, the policy rate recently cut to 1.0% to stimulate the economic growth momentum and stabilized financial system.

Revenue and profit continue to grow primarily from strong rental business performance and according to target.

The performance of Central Pattana Public Company Limited ("The Company" or "Central Pattana") in 2019 shows total revenue of THB 38,403 mn, an increase of 8.7% and net profit stood at THB 11,738 mn, an increase of 4.7% from the same period in the previous year (YoY). The shopping mall business, which is the Company's core business, continues to perform strongly, especially on a same-store basis that continues to grow together with cost effective management. Excluding the non-recurring items, **total revenue increased 9.0% YoY and net profit increased 7.4% YoY.**

The Company 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, the Company is currently preparing to lease assets to CPN Retail Growth Leasehold REIT (CPNREIT) with 4 additional assets, as well as the extension of lease at CentralPlaza Rama 2, with a total transaction value of no more than THB 48,560 mn as announced on the Stock Exchange of Thailand on October 17, 2019. The Company currently manages 34 shopping malls with the net leasable area (NLA) of approximately 1.8 mn sqm. At the end of 2019 the average occupancy rate for all domestic retail properties stood at 93%.

New Retail Development to Become the “Center of Life”

Opened “Central i-City” the first international shopping center

Celebrated an opening of Central i-City, the first international retail property with a soft opening on March 23, 2019 and grand opening on June 15, 2019. The Company and the i-Berhad Group, a leader in real estate development in Malaysia, have jointly developed Central i-City, through 60% and 40% investment proportions respectively. Located in a high potential area, Central i-City is part of the i-City Ultrapolis, one of the country’s largest mixed-use development complex located in the city of Shah Alam, Selangor State, Malaysia which has received good responses from shoppers. The occupancy rate at the end of 2019 is 83%.

Central Phuket celebrated an opening of “TRIBHUM” - the world’s first 3D walkthrough theme park, new luxury zone with high-end brands and “Aquaria Phuket” throughout the year.

Central Phuket enhances its position as “The Magnitude of Luxury & Leisure Resort Shopping Destination” by introducing “TRIBHUM: The Mystic of Three Worlds”, the world’s first 3D walkthrough theme park under concept of The World’s Must Visit Destination in Thailand, opened luxury zone gathering the best of global luxury brand and opened the largest aquarium in Thailand “AQUARIA Phuket” inside also representing ‘Andasi’, an exclusive largest Bar & Restaurant underwater world in ASEAN. The iconic attractions are a well-blended component of Central Phuket as the world’s luxurious shopping and leisure destination of choice.

Central Village, Thailand’s first luxury outlet, was opened on August 31, 2019. The project also recently secured a strategic alliance with MEA, a leader in luxury outlets.

The opening of Central Village (initial phase) held on August 31, 2019, the first luxury outlet format in Thailand which is the 34th shopping mall located close to Suvarnabhumi Airport offering more than 130 shops serving both local and tourist customers. After formal opening, an average traffic reached more than 17,000 visitors per day. The first phase accounted for approximately 20,000 sqm. NLA with occupancy rate stood at 96% at the end of 2019.

Following the successful launch of Central Village, the Company secured a strategic alliance with Mitsubishi Estate Asia Pte. Ltd. (“MEA”) to invest more than THB 1 bn in Central Village through acquiring shares of CPN Village Company Limited on November 26, 2019. Hence, MEA, the leading luxury outlet operator in Japan, holds 30% ownership in the project. This collaboration will enhance Central Village’s position to be the top luxury outlet destination in ASEAN.

Asset Enhancement Initiatives

Continues the renovation of existing malls to enhance operational efficiency.

The Company 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, the Company progressed with the following asset enhancement initiatives.

Renovation programs of existing malls which have been completed in 2019 comprising 1.) CentralPlaza Chiangrai, which has been completed the renovation by introducing Food Park and Kadluang Zone; 2.) CentralPlaza Chonburi, which has been completed the renovation by introducing ‘Destination Concept’ i.e. Food Destination and Co-working Space, to name a few; 3.) CentralPlaza Lardprao, which has been completed the renovation by introducing the new destination concepts as well as integrate the mall entrance area with the future sky train station and opened a new concept of Restaurant zone in the 4th floor.

Renovation programs of existing malls in 2019 and are under way to be completed in 2020 comprising a renovation at 1.) Central Phuket Festival, has partially completed the renovation of area previously occupied by Central Department Store, shops are under decorating and continue to open; 2.) Central Festival Pattaya Beach, has completed the renovation of Food Park while an International Food Park is underway of re-development to include new vendors catered towards both locals and foreign tourists.

Investment Diversification to Generate New Revenue Stream

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

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

Investment in Grab Thailand

On May 30, 2019, the Company 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 with 33% stake. The objective is to invest in Grab businesses in order to enhance channel for business expansion, assist core business including increase traffic as well as food delivery service which could enhance tenant's sales.

"Common Ground" launched its first co-working space in Thailand at G Tower located at Rama9, the new CBD area in Bangkok.

Debut the first "Common Ground Co-working space" in Thailand at the G Tower office building located in Rama 9 next to CentralPlaza Grand Rama 9. The 4,500-square meter co-working space is a joint venture between the Company and Common Ground Malaysia to create destination and combine work and living integration with the shopping center together. Furthermore, the Company plans to open another new Common Ground Co-working space at The Offices at CentralWorld in 2020.

Diversification into Mixed-use Development Projects

The Company 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, the Company have made notable progresses in the following mixed-use development projects.

Investment in Bayswater Company Limited

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

On May 17, 2019, the Company 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 the Company'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.

Collaboration regarding the study of Mixed-use Development

On June 12, 2019, the Company established CPN and HKL Company Limited, a joint venture company between the Company and HKL (Thai Developments) Company Limited with shareholding proportion of 51% and 49% respectively with a registered capital of THB 1 mn. The objective is to study the development of the mixed-use project in Thailand.

Development and management of residential projects

- **Residential projects that are completed and transferred to customers** at 7 locations, namely ESCENT Rayong, ESCENT Chiangmai and ESCENT Khonkaen where all units have been fully transferred. While, ESCENT VILLE Chiangmai, ESCENT Chiangrai, 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 2 locations, namely 1.) ESCENT Ubonratchathani, currently has 80% pre-sales take up, will be completed and ready for transfer by 2020; 2.) ESCENT PARK VILLE Chiangmai currently has 50% pre-sales take up, will be completed and ready for transfer by 2020 and 3.) 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.

Launched ESCENT PARK VILLE Chiangmai and continued the transfers of residential projects as planned.

Uphold Excellence of Business Sustainability

Central Pattana is the only real estate development company in Thailand that has been selected to be a membership of DJSI World and DJSI Emerging Market for two consecutive years.

The Company has been selected to be a membership of **Dow Jones Sustainability Indices (DJSI)**. Furthermore, it is the only property developer company and be one of twelve company in Thailand that has been selected to be a membership of DJSI World for two consecutive years (2018-2019) and DJSI Emerging Market for six consecutive years (2014-2019) reflecting the philosophy of sustain business sense which be aware of community, environment and all stakeholders to drive a sustain social and community.

Financial and Operating Performance in 2019

Table 1: Summary of net leasable area and occupancy rate

Number of projects and net leasable/salable area under CPN management as of 4Q 2019								Occ. Rate / Sales Rate (%)
Total		CPN		CPNREIT ⁽¹⁾		CPNCG ⁽²⁾		as of 4Q 2019
No.	sq.m.	No.	sq.m.	No.	sq.m.	No.	sq.m.	
<i>Retail properties</i>								
Shopping malls - BMA	15	931,128	15	784,048	3	147,080		95
Shopping malls - Provinces ⁽⁴⁾	18	792,566	18	725,356	2	67,210		91
Total domestic retail properties	33	1,723,694	33	1,509,403	5	214,290		93
Shopping malls - International	1	85,326	1	85,326				83
Total retail properties	34	1,809,020	34	1,594,729	5	214,290		93
<i>Non-core businesses</i>								
Office buildings	7	172,173	5	56,194	2	34,307	1	81,672
Hotels	2	561 rooms	1	259 rooms	1	302 rooms		77
Residential (high rise)	9	3572 units	9	3572 units				74
Residential (low rise)	1	71 units	1	71 units				7

Number of projects and net leasable/salable area under GLAND as of 4Q 2019						Occ. Rate / Sales Rate (%)
Total		GLAND		GLANDRT		as of 4Q 2019
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
Residential (high rise)	1	1991 units	1	1991 units		
Retail space in buildings		25,944		25,944		

- (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 December 31, 2019, 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, 9 high-rise residential projects, 3 of which fully transferred, 4 of which on process of transfer, 2 of which under development 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 2019, the average occupancy rate of the Company's domestic shopping malls stood at 93%, equal to the same period of previous year. Most of the shopping malls maintained high level of occupancy rate despite the short-term effect from malls under renovation. Including Central i-City, which was fully opened in June 2019, an average overall occupancy rate of CPN's shopping malls stood at 93%, increased QoQ from 91% due mainly to occupancy rate of Central i-City ramp up. The ongoing renovation of shopping malls will be gradually completed from through 2020, which should boost the occupancy rate going forward.

Same store rental revenue growth stood at 3.4% YoY

In 2019, same store rental revenue growth stood at 3.4% YoY. Overall the Company continues to achieve the targeted rental rate growth for shopping malls across the portfolio. The same store rental revenue excludes that of 1.) the new mall in 2018, namely Central Phuket Floresta; 2.) new malls in 2019, namely Central i-City and Central Village; 3.) malls under major renovation during 2018 and 2019, namely CentralWorld, CentralPlaza Lardprao, CentralPlaza Chonburi, CentralPlaza Chiangrai, Central Phuket Festival and CentralFestival Pattaya Beach.

Summary of GLAND's results

As of December 31, 2019, the operating assets under GLAND comprise of; 1.) 3 office buildings (aggregate occupancy rate at 96%), which includes 2 office buildings transferred to GLAND Office Leasehold Real Estate Investment Trust ("GLANDRT"); 2.) 1 residential project for sale (a total of 1,991 units with 24 units remaining to be sold and transferred); 3.) leasable retail area within office buildings and residential project at 25,944 sq.m. (aggregate occupancy rate at 65%), and 4.) 4 undeveloped land plots, 2 of which are planned for mixed-use development projects and the other 2 planned for residential development. Hence, the Company consolidates GLAND's financial performance from September 13, 2018 onwards.

In 2019, GLAND's contribution to the Company's financial result, excluding non-recurring items, shows total revenue of THB 1,791 mn and net profit stood at THB 312 mn (for 4Q19, total revenue of THB 599 mn and net profit of THB 110 mn). The difference versus GLAND's reported statement of comprehensive income 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 during 2019 compared to the previous year as follows:

- In 1Q19, the Company 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, the Company reported a decrease in ownership of DTC from 22.58% to 17.58% and recorded a gain from the transaction for THB 44.8 mn under other income.
- In 2Q19, the Company recognized a provision of employee benefit for retirement amount THB 116 mn, as well as a retroactive adjustment for GLAND amount THB 15 mn which are classified under administrative expenses.
- In 4Q19, the Company sold shares of CPN Village Company Limited, a subsidiary, to Mitsubishi Estate Asia Pte. Ltd. ("MEA") with 30% ownership stakes and recognized gain on sale of shares before tax amounting THB 254 mn which classified under other income.

- In 2018, the Company made an accounting adjustment related to the original land lease contract at CentralPlaza Rama 2 for THB 393 mn (recognized in 4Q18 amounting THB 85 mn). Total amount, recorded as other income for the period, came about following the extension of the land lease agreement on June 28, 2018, which will be in effect until years 2055 and 2060 (some parts).

Total Revenue

In 2019, total revenue stood at THB 38,104 mn, a 9.0% increase YoY.

In 2019, the Company reported total revenue of THB 38,104 mn, an increase of 9.0% YoY. (for 4Q19, total revenue stood at THB 10,819 mn, an increase of 21.1% YoY). Main components of revenue are as follows.

Revenue from rent and services

The Company reclassified certain items between revenue from rent and services and other income to accurately reflect the business nature. The reclassification to 2018 financial statements is shown in the Notes to the Financial Statements No. 39.

In 2019, the Company recorded revenue from rent and services at THB 31,843 mn, an increase of 9.7% YoY (for 4Q19, the revenue stood at THB 8,183 mn, an increase of 7.7% YoY). Despite the impact from the ongoing renovations, the business posted solid revenue growth as summarized below.

- Contributions from new mall: 1.) Central Phuket Floresta which was opened in September 2018; 2.) Central i-City which was opened in March 2019 and 3.) Central Village which was opened in August 2019.
- Performance improvement from malls under major renovation gradually open in 2018 and 2019, namely CentralWorld, CentralPlaza Chiangrai CentralPlaza Chonburi and CentralPlaza Ladprao.
- Strong performances of existing shopping malls, such as CentralPlaza Rama 3, CentralFestival EastVille, CentralPlaza Mahachai, CentralPlaza Nakhon Si Thammarat, CentralPlaza WestGate, CentralFestival Chiangmai, CentralPlaza Pitsanulok and CentralPlaza Grand Rama9.

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 2019, the Company recorded revenue from food center services at THB 851 mn, an increase of 16.2% YoY (for 4Q19, the revenue stood at THB 218 mn, an increase of 6.4% YoY) due to the following factors.

- Contributions from newly opened food courts at Central Phuket Floresta and Central Village as well as completion of food court which opened in 2019 at CentralWorld, CentralPlaza Rama 3, CentralPlaza Chiangrai and CentralPlaza Chonburi.

- Strong performances of existing food courts both in BMA and provinces, such as CentralPlaza Chaengwattana, CentralPlaza Pinklao, CentralPlaza Nakhon Si Thammarat, CentralPlaza Ubonratchathani, CentralPlaza Rayong, CentralPlaza Khonkaen and CentralPlaza Phitsanulok.

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. In 2018, the Company made a full-year revenue adjustment in 4Q18.

Hotel operations are considered non-core businesses. In 2019, revenue from hotel operations was THB 1,121 mn, a decrease of 7.2% YoY (for 4Q19, the revenue stood at THB 274 mn, decreased 25.9% comparing to the same period of last year). Overall hotel performance was slightly dropped as the average room occupancy at Hilton Pattaya Hotel stood at 89%, lower than the previous year at 93%, as tourism softened. The average room occupancy at Centara Hotel and Convention Center Udonthani stood at 71%, slightly lower than the previous year at 75%. The average room rate of both hotels also trended slightly lower from that of last year.

Revenue from sales

In 2019, the Company recorded revenue from sales at THB 2,904 mn, an increase of 5.2% YoY (for 4Q19, the revenue stood at THB 1,675 mn, an increase of 344% YoY) due to higher magnitude of transfers of condominium units, namely at ESCENT VILLE Chiangmai, ESCENT Chiangrai, ESCENT Nakhonratchasima, Phyll Pahol 34 and Belle Grand Rama 9, as well as Niyham Boromratchachonnani single-detached housing project. Hence, the residential transfers for the year has largely met the Company's.

Total Costs

In 2019, the Company reported total costs of THB 18,086 mn, an increase of 9.9% YoY (for 4Q19, total cost stood at THB 4,978 mn, an increase of 16.8% 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 2019, the Company reported cost of rent and services at THB 15,481 mn, an increase of 9.5% YoY (for 4Q19, the cost stood at THB 3,648 mn, a decrease of 3.9% YoY mainly due to an adjustment for the full year of 2019). The increase is in-line with the growth of rental and services revenue increased due to the following factors.

- Higher operating and depreciation costs of newly opened malls and renovated projects from 2018 to 2019, namely Central Phuket Floresta, Central i-City, Central Village, CentralWorld, CentralPlaza Chiangrai, CentralPlaza Chonburi, CentralPlaza Ladprao and CentralFestival Pattaya Beach.

In 2019, total costs stood at THB 18,086 mn, a 9.9% increase YoY.

- 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 2019. The Company, meanwhile, achieved lower electricity unit consumption compared to last year thanks to the Company's continuous effort to conserve energy and utilities in operations. Hence, the same-store utility cost decreased 0.6% YoY.
- Higher maintenance, repair and personnel expenses to support the expansion of new shopping malls.

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 2019, the Company reported costs of food center services at THB 394 mn, an increase of 18.6% YoY (for 4Q19, the cost stood at THB 108 mn, an increase of 8.1% 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 and 2019, namely Central Phuket Floresta and Central Village as well as renovated food court completion of CentralWorld, CentralPlaza Rama3 and CentralPlaza Chiangrai, CentralPlaza Chonburi and CentralFestival Pattaya Beach. 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

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. In 2018, the Company made a full-year cost adjustment in 4Q18.

In 2019, CPN reported costs of hotel operations at THB 379 mn, a decrease of 10.5% YoY. (for 4Q19, costs of food center services at THB 93 mn, a decrease of 46.4% YoY) due mainly to the above-mentioned adjustment. Both hotels showed effective cost control in both room stays and food and beverage.

Cost of sales

In 2019, the Company reported costs of sales at THB 1,833 mn, an increase of 17.1% YoY (for 4Q19, the cost stood at THB 1,130 mn, an increase of 491.4% YoY, which includes a cost adjustment to the Belle Grand Rama 9 to accurately reflect the project's cost of sale). The increase is in-line with the higher revenue from sales as described earlier.

Administrative Expenses

Total administrative expenses stood at THB 6,708 mn, a 9.7% increase YoY.

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 2019, the Company reported total administrative expenses at THB 6,708 mn, an increase of 9.7% YoY (for 4Q19, the expenses stood at THB 1,945 mn, an increase of 3.7% YoY). The increase is mainly attributed to higher personnel due to the larger business size to support future business expansion as well as an increase in rental expense incurred to CPNREIT for the sublet of Hilton Pattaya. The amount also includes administrative expenses associated with GLAND's operations since the acquisition in 3Q18 onwards. Nonetheless, CPN demonstrated prudent cost control measures and closely monitors the expenditure level to match revenue growth. Hence, the administrative expenses to total revenue ratio stood at 17.6%, which is slightly higher than the previous year's at 17.4% (for 4Q19 stood at 18.0%, lower than the previous year's at 21.0%).

Gross Profit Ratio & Operating Profit Ratio

Gross profit ratio stood at 50.7% whilst operating profit ratio stood at 35.2%.

In 2019, the gross profit ratio, excluding other income, dropped to 50.7% from 51.2% in the previous year (for 4Q19 the ratio stood at 51.9% compared to the previous year at 50.2% mainly due to the adjustments to hotel revenue and cost in 2018 as mentioned earlier), whilst operating profit ratio dropped proportionately to 35.2% from 35.6% in the previous year (for 4Q19 at 36.3% compared to the previous year at 31.9% due to cost of rent and services adjustment as mentioned earlier).

The gross profit ratio for the rent and services business, which is the Company's core business, stood at 51.4%, an increase from 51.3% in the previous year (for 4Q19 at 55.4% compared to the previous year at 50.0%) thanks to effective cost management. On a same-store basis, gross profit margin rose 1.9% YoY and operating profit margin rose 2.0% YoY as the Company continues to implement effective and cost management and prudent cost control measures to maintain its profitability.

Net Profit

In 2019, net profit stood at THB 11,621 mn, a 7.4% increased YoY.

In 2019, the Company reported a net profit of THB 11,621 mn, an increase of 7.4% YoY (for 4Q19, the figure stood at THB 3,468 mn, an increase of 41.8% YoY mainly from profits generated from a voluminous residential transfers) thanks to strong growth in rent and services revenue, well-controlled expenditures, and higher share of profit from joint ventures and associated companies, despite incurring higher financing cost 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 continues to exercise effective cost management and according to the changing business environment.

Table 2: Summary of Profit & Loss Statement

Unit: million THB	4Q 2018	3Q 2019	4Q 2019	YoY (%)	QoQ (%)	FY 2018	FY 2019	YoY (%)
Revenue from rent and services	7,601	8,005	8,183	8%	2%	29,026	31,843	10%
Retail	7,234	7,663	7,813	8%	2%	28,078	30,433	8%
Office	367	342	369	1%	8%	948	1,410	49%
Revenue from hotel operations	370	274	274	(26%)	0%	1,208	1,121	(7%)
Revenue from food center services	205	209	218	7%	5%	733	851	16%
Revenue from real estate sales	377	602	1,675	344%	178%	2,762	2,904	5%
Other income	468	324	723	54%	123%	1,613	1,683	4%
Total revenues	9,022	9,413	11,073	23%	18%	35,341	38,403	9%
<i>Excluding non-recurring items</i>	8,937	9,413	10,819	21%	15%	34,949	38,104	9%
Cost of rent and services	3,797	4,019	3,648	(4%)	(9%)	14,142	15,481	9%
Retail	3,712	3,910	3,558	(4%)	(9%)	13,843	15,050	9%
Office	85	109	91	6%	(17%)	300	431	44%
Cost of hotel operations	173	94	93	(46%)	(2%)	423	379	(11%)
Cost of food center services	100	100	108	8%	8%	332	394	19%
Cost of real estate sales	191	345	1,130	491%	227%	1,566	1,833	17%
Total cost of operations	4,261	4,558	4,978	17%	9%	16,463	18,087	10%
Selling, general and admin expense	1,875	1,637	1,945	4%	19%	6,114	6,839	12%
Operating profits	2,886	3,218	4,151	44%	29%	12,764	13,478	6%
<i>Excluding non-recurring items</i>	2,801	3,218	3,897	39%	21%	12,371	13,310	8%
Net finance cost/income tax/others	356	402	480	35%	19%	1,548	1,739	12%
Net profit	2,530	2,816	3,671	45%	30%	11,216	11,738	5%
<i>Excluding non-recurring items</i>	2,445	2,816	3,468	42%	23%	10,823	11,621	7%
Earnings per basic share (THB)	0.56	0.63	0.82	45%	30%	2.50	2.62	5%
<i>Excluding non-recurring items</i>	0.54	0.63	0.77	42%	23%	2.41	2.59	7%

Capital Structure

Weighted average financing cost at the end of 2019 stood at 2.91%

As of December 31, 2019, the Company reported total interest-bearing debt of THB 33,210 mn, an increase from the balance as of December 31, 2018 of THB 30,398 mn, mainly due to the higher long-term borrowings from financial institutions and new debentures issued. The weighted average financing cost at the end of 2019 stood at 2.91%, lower than 3.31% in 2018. Fixed interest rates debt comprises 56% of total interest-bearing debt whilst floating interest rates make up the remaining 44%.

Net debt to equity ratio stood at 0.37x

Net interest-bearing debt to equity ratio stood at 0.37 times, equal to the ratio at the end of 2018, Although the Company has higher interest-bearing debt amount, the Company also recognized higher retain earnings at the end of 2019.

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

The Company has a dividend policy of no less than 40% of annual net profit. On February 20, 2020, the Board of Directors passed a resolution to propose to the Annual General Meeting of Shareholders, to be held on April 24, 2020, to approve the dividend payment of THB 1.30 per share to be paid from the 2019 net profit. Hence, the proposed dividend payout ratio from the 2019 consolidated net profit is at 49.7%.

Shares Repurchase Project

On February 20, 2020, the Board of Directors passed a resolution of Shares Repurchase Project for a purpose of financial structure management. The number of shares repurchase will not exceed 77 mn shares or no more than 1.7% of the Company's number of paid-up shares capital, or not exceed the limit of THB 5,000 mn total transaction amount. The repurchases will be made on the Stock Exchange of Thailand during March 6, 2020 to September 5, 2020.

Table 3: Summary of Financial Position

<i>Unit: million THB</i>	End of 4Q 2018	End of 4Q 2019	YoY (%)
<i>Current assets</i>			
Cash and current investments	3,067	3,055	(0%)
Other current assets	12,235	13,324	9%
Total current assets	15,301	16,378	7%
<i>Non-current assets</i>			
Investment properties ⁽¹⁾	108,412	104,503	(4%)
Leasehold rights	14,086	20,783	48%
Property & equipment (PP&E)	1,646	1,597	(3%)
Other non-current assets	22,262	26,672	20%
Total non-current assets	146,407	153,555	5%
Total assets	161,708	169,933	5%
<i>Current liabilities</i>			
Interest-bearing debt - 1 year	10,876	8,739	(20%)
Other current liabilities	13,707	12,336	(10%)
Total current liabilities	24,583	21,075	(14%)
<i>Non-current liabilities</i>			
Interest-bearing debt	19,522	24,471	25%
Other non-current liabilities	43,427	43,925	1%
Total non-current liabilities	62,949	68,396	9%
Total liabilities	87,532	89,471	2%
<i>Shareholders' equity</i>			
Retained earnings - unappropriated	55,007	61,457	12%
Other shareholders' equity	19,169	19,005	(1%)
Total shareholders' equity	74,176	80,462	8%

⁽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, 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

	4Q 2018	3Q 2019	4Q 2019	YoY (%)	FY 2018	FY 2019	YoY (%)
Profitability Ratio							
Gross profit margin (%)	50%	50%	52%	2%	51%	51%	(0%)
<i>Rent and services</i>	50%	50%	55%	5%	51%	51%	0%
<i>Hotel operations</i>	53%	65%	66%	13%	65%	66%	1%
<i>Food center services</i>	51%	52%	51%	(1%)	55%	54%	(1%)
<i>Real estate sales</i>	49%	43%	33%	(17%)	43%	37%	(6%)
Operating profit margin (%)	32%	34%	37%	5%	36%	35%	(1%)
<i>Excluding non-recurring items</i>	31%	34%	36%	5%	35%	35%	(0%)
Net profit margin (%)	28%	30%	33%	5%	32%	31%	(1%)
<i>Excluding non-recurring items</i>	27%	30%	32%	5%	31%	30%	(0%)
Return on equity ⁽¹⁾ (%)	16%	14%	15%	(1%)	16%	15%	(1%)
<i>Excluding non-recurring items</i>	16%	14%	15%	(1%)	16%	15%	(1%)
Efficiency Ratio							
Return on assets ⁽¹⁾ (%)	8%	6%	7%	(1%)	8%	7%	(1%)

	4Q 2018	End of FY 2019	4Q 2019	YoY (Unit)
Liquidity Ratio				
Current ratio (times)	0.62	0.62	0.78	0.16
Quick ratio (times)	0.12	0.12	0.14	0.02
Financial Policy Ratio				
Liabilities to equity ratio (times)	1.18	1.18	1.11	(0.07)
Net interest-bearing debt to equity ratio ⁽³⁾ (times)	0.37	0.37	0.37	0.00

(1) Return on assets and return on equity are calculated based on net profit in the last twelve months

(2) Interest bearing debt to equity net of cash and cash equivalent and short-term investments

Outlook for 2020 Performance

The Company prepared its 2020 business plan with a few key factors that shape the financial performance expectation, such as revenue growth, cost of business, financing cost and selling and administrative expenses. The Company continuously monitors the financial performance on a quarterly basis and is ready to calibrate its business plan according to the changing economy and industry environments. In summary, the outlook for 2020 are as follows:

Revenue growth

In 2020, total revenue is expected to grow approximately 8% YoY

In 2020, the Company forecasts that total revenue will grow approximately 8% YoY from the following key drivers:

- Rental and services revenue continue to grow at a solid pace from sustained same-store growth, as well as full-year contribution from new and renovated malls in 2019, despite having no new shopping malls open in 2020.
- Revenue from sales should grow strongly. At the end of 2019, the Company has 7 residential projects already launched and in the process of sales and transfer. Moreover, the Company plans to launch approximately 4-5 residential projects in 2020, some of which can be recognized as revenue during the year, especially those located close to shopping malls continued to be backed by strong demand.
- Other revenues to grow in-line with the shopping mall business growth.

Cost of businesses and financing cost

In 2020, overall gross profit margin should improve based on the outlined plan

In 2020, the Company forecasts that the hike in the cost of businesses will be less than the revenue growth. The Company continues to exercise prudence in cost management and plans to achieve more cost savings in the utility cost, which is one of the key cost components in the rental and services business. Such cost saving initiatives include the implementation of solar rooftop panels, installation of more efficient utilities system and achieve efficiency gains in the operations.

Together with the planned revenue growth, the cost management initiatives should help the Company to continually improve its overall gross profit margin.

Moreover, the Company plans to enhance its financing cost performance through not only improving the average cost of debt to be in-line with the downward trending interest rate, but also reduce some of its interest-bearing debt upon the completion of the transaction with CPNREIT. Hence, financing cost (excluding the impact of Thai Financial Reporting Standard No. 16) should be lowered.

Selling and administrative (SG&A) expenses

In 2020, the SG&A expense to total revenue ratio should be similar to that of the previous year

In 2020, the Company forecasts that its SG&A expenses should trend higher at a similar magnitude to the revenue growth, such as marketing expenditure that contribute to revenue increments at shopping malls and more effective management of business-related and organizational expenditures. Hence, the SG&A expense to total revenue ratio should remain at similar level to that of the previous year.

Five-Year Business Plan

The Company has set a 5-year (2020-2024) growth strategy that aims to achieve a compounded annual growth rate (CAGR) in revenue of approximately 12% 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, the Company 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, the Company 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

The Company announced the plan to develop 3 new Mixed-used projects under the concept of 'Magnifying Local Essence' in pioneering new economic cities comprising Ayutthaya, Si Racha, and Chanthaburi compatible with the growth of infrastructure investment, domestic trade and tourism sector. The projects are as follows.

- 1.) **CentralPlaza Ayutthaya** mixed-use project comprises of Shopping Mall, Convention Hall, Hotel and Residence under the concept of 'The Prosperity of Ayutthaya' with targeted opening in 2021.
- 2.) **CentralPlaza Si Racha** mixed-use project comprises of Shopping Mall, Convention Hall, Hotel, Office, Residence and Education Center under the concept of 'Living Green in Smart City of EEC Center' with targeted in 2021.
- 3.) **CentralPlaza Chanthaburi** mixed-use project comprises of Shopping Mall and other mixed-use development under the concept of 'The Shining Gem of EEC Plus 2' with targeted opening in 2022.

Moreover, the Company 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 the Company 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 the Company 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 the Company has 40% stake in the project. The hotel remains a unique design with the golden headdress which has inspiration from Wat Arun Ratchawaram 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 the Company 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.

Moreover, the Company announced re-development and renovation plan totaling 14 branches, 2 of which are re-development: 1.) **CentralPlaza Rama 2** to be The Largest Regional mall - Gateway of South Bangkok connecting all inner city border to transform those area to be the ‘New Urbanized Districts’ whilst allocate 37 rais to develop a huge green area, “Central Plearn Park” and 2.) **CentralPlaza Ramindra**, under the concept of ‘Living Lab of Ramindra’ to assist an incremental of population align with the growth of infrastructure i.e. Monorail-Pink Line. In addition, the Company also plans to renovate another 12 existing shopping malls nationwide including CentralPlaza Rama9, CentralFestival EastVille, CentralPlaza Bangna, CentralPlaza Chaengwattana, CentralPlaza Khonkaen, CentralPlaza Udonthani, CentralFestival Chiangmai, CentralPlaza Chiangmai Airport, CentralFestival Pattaya Beach, Central Marina Pattaya, CentralFestival Samui and CentralFestival Hatyai.

Projects under GLAND: The Company 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, the Company plans to enhance the performances of GLAND’s existing assets to maximize the benefits and growth potential of GLAND going forward.

International Expansion

The Company 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. Moreover, the Company continues to study potential investment opportunities across Southeast Asia.

Mixed-use Development near existing Retail Properties

The Company 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, the Company has launched a total of 9 condominium projects in Bangkok and in the provinces. Among these projects, 7 projects have been already transferred and in the process of transfers whilst the other 2 projects are in the process of construction. The Company also developed 1 project of single-detached housing in Bangkok. Moreover, the Company continues to study new areas for possible development with plans to announce 2 residential projects in 1Q20 as well as additional projects launches during 2020.

The Lease of Assets to CPNREIT

On November 22, 2019, according to the resolutions of the Extraordinary General Meeting of Unitholders of CPN Retail Growth Leasehold REIT agreed CPNREIT to lease new assets from the Company comprising four shopping centers, namely 1.) CentralMarina with a lease tenure of 15 years ending 2035 ; 2.) CentralPlaza Lampang with a lease tenure of 22 years ending 2041 ; 3.) CentralPlaza Suratthani with a lease tenure of 30 years and 4.) CentralPlaza Ubonratchathani with a lease tenure of 30 years. The four transactions, as well as the agreement to extend the lease of CentralPlaza Rama 2 for an additional 30 years ending 2055 are expected to complete by 2Q20. The total value of all the transactions combined is no more than THB 48,560 mn.

Table 5: Progress of Future Projects

			Now >>							
Project	Area	Complete by	2019				2020			
			1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
<u>Retail Properties</u> <i>Domestic - BMA</i> Central Village	<u>sq.m. NLA</u> 40,000	<u>Qtr/Year</u> 3/2019	<div>Opening of Initial Phase</div>							
<i>Domestic - Provinces</i> CentralPlaza Ayutthaya CentralPlaza Si Racha CentralPlaza Chanthaburi	TBC TBC TBC	2021 2021 2022	<div>Announced investment plan</div> <div>Announced investment plan</div> <div>Announced investment plan</div>							
<i>International</i> Central i-City (Malaysia)	83,000	1/2019	<div>Soft Opening</div> <div>Grand Opening</div>							
<u>Residential - Condominium</u> <i>Domestic - BMA</i> Phyll Pahol 34	<u>Units</u> 358	<u>Qtr/Year</u> 4/2019	<div>Pre-sales 40%</div> <div>Transferred 22%</div>							
<i>Domestic - Provinces</i> Escent Nakhon Ratchasima	380	3/2019	<div>Pre-sales 100%</div> <div>Transferred 79%</div>							
Escent Ville Chiangrai	312	2/2019	<div>Pre-sales 100%</div> <div>Transferred 95%</div>							
Escent Ville Chiangmai	450	2/2019	<div>Pre-sales 100%</div> <div>Transferred 99%</div>							
Escent Ubonratchathani	395	2020	<div>Pre-sales 80%</div> <div>Ready for transfer</div>							
Escent Park Ville	450	2020	<div>Project Launch</div> <div>Pre-sales 50%</div> <div>Ready for transfer</div>							
<u>Residential - Single House</u> <i>Domestic - BMA</i> Niyham Boromratchachonnan	<u>Units</u> 71	<u>Qtr/Year</u> 4/2018	<div>Sold and transferred 5 units</div>							
<u>Joint Mixed-use Development</u> <i>Domestic - BMA</i> Dusit Central Park *		<u>Qtr/Year</u> 2023-24	<div>Announce</div> <div>Decommission existing project</div> <div>Construction, furnishing and leasing</div>							

* 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.