

CPN Retail Growth Leasehold REIT ("CPNREIT") was established on 1 December 2017 from the conversion from CPN Retail Growth Leasehold Property Fund ("CPNRF"). The trust units of CPNREIT were first traded on the Stock Exchange of Thailand on 14 December 2017.

In March 2020, CPNREIT completely invested in the two projects namely The Ninth Towers Office Building and Unilever House Office Building from GLAND Office Leasehold Real Estate Investment Trust ("GLANDRT"), and also appointed Grand Canal Land Public Company Limited ("GLAND") and Sterling Equity Company Limited as a property manager of each project respectively. Additionally, the registration of the leasehold rights over the real property in the CentralPlaza Rama 2 (Renewal Period) was completed for the 30-year lease term starting from 16 August 2025 until 15 August 2055. In this regard, CPNREIT will proceed with seeking sources of funds in 2025 for payment of the rent for CentralPlaza Rama 2 (Renewal Period) by issuing and offering for sale additional trust units and/or borrowing additional money, which will be conducted pursuant to the resolutions of such Extraordinary General Meeting of Trust Unitholders of CPNREIT No. 1/2019.

Currently, CPNREIT had been investing in leasehold rights of five shopping malls, which are CentralPlaza Rama 2, CentralPlaza Rama 3, CentralPlaza Pinklao, CentralPlaza Chiangmai Airport and CentalFestival Pattaya Beach with total leasable area of 214,164 sq.m., four office buildings namely Pinklao Tower A and Tower B, The Ninth Towers and Unilever House totaling 112,237 sq.m., and one hotel which is Hilton Pattaya totaling 302 guest rooms.

Economic and Industry Overview

In 3Q20, Thai economy recovered from its lowest point in the previous quarter following easing lockdown measure. It has been supported primarily by government assistance measures, including stimulus measures for domestic spending and tourism. However, the export sector continued to shrink in line with the global trading conditions. The tourism sector continued to be affected by the restrictions on foreign tourists, as well as the employment rate continues to shrink and household debt remained high, so the Bank of Thailand further revised its growth estimate in 2020 from 8.1% to 7.8% and maintained a policy rate of 0.50% to stimulate the economy and stabilize the financial system.

Major Events in 3Q20

Major renovation of shopping center and hotel

Hilton Pattaya has been temporarily closed for major renovation since April 2020 and is scheduled to open on 14 November 2020. The investment cost is approximately Baht 320 million. CPNREIT still recognizes fixed rental income from hotel as shown in the financial statements, but has not received cash flow due to the postponement of the fixed rental income in the event of major renovation according to the terms and conditions in the hotel sublease agreement between CPNREIT and the sublessee.

CentralPlaza Rama 2 has begun a major renovation since July 2020, taken place in phases and is scheduled for completion in October 2021. After the renovation is completed, the salable area will increase approximately 10,000 sq.m. The investment cost is approximately Baht 1.1. billion.

Measures to support tenants affected by the COVID-19

The REIT Manager has continued to provide rental discounts to tenants affected from the current situation. The amount of rental discount provided to tenants has been considered by mall traffic recovery and individual tenant's sales performance on monthly basis. In 3Q20, the average rental

discount for shopping malls and Pinklao Tower A & Tower B office buildings was at 19.0% of total rental income.

Distribution payment to trust unitholders

The REIT Manager has placed a focus on liquidity to support its business operations in a challenging environment by considering cash flow from operations, fixed cost expense, repayment schedule of debts, and reserve for return of deposit from tenants. Therefore, CPNREIT announced the postponement of the payment of interim distribution of returns from the 2Q20 operation period since the distribution of returns is less than Baht 0.10 per unit trust.

Summary of Operating Performance in 3Q20

The REIT Manager together with the Property Manager have maintained proactive measures "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 and response for "New Normal" lifestyle. The practical measure as mentioned help to regain customer's confidence leads to traffic quick improvement to 75-80% of normal traffic level. Only malls exposed to foreign tourists have recovered at lower rate as much of the tourist traffic has not recover back to normal.

In 3Q20, the average occupancy rate of shopping malls and office buildings in CPNREIT was at 92.6%, decreased from 93.8% in 2Q20. The average occupancy rate of CentralPlaza Chiangmai Airport slightly increased from new tenants coming in. The average occupancy rate of CentralPlaza Rama 2, CentralPlaza Rama 3, CentralPlaza Pinklao, and Pinklao Tower A & Tower B remained stable from the previous quarter. Meanwhile, the occupancy rates of CentralFestival Pattaya Beach and the Ninth Towers decreased as some tenants affected by the COVID-19 outbreak situation early terminated the contract and some affected tenants did not renew their contracts. Unilever House's occupancy rate maintained at 100%. Additionally, Hilton Pattaya has been temporary closed for renovation since April 2020.

The Change of Accounting Policy in 2020

From 1 January 2020 onwards, CPNREIT has adopted the Accounting Guidance to lease accounting (TFRS 16) which requires lessee to recognize rights-of-use assets and lease liabilities for all lease agreement over 1 year period, and the lease liabilities were discounted using interest rate implicit in the lease or lessee's incremental borrowing rate if the interest rate implicit in the lease was not available, recorded in the balance sheet. Also, interest expense from lease liabilities were included in the finance cost each year in the profit and loss statements. These accounting transactions are non-cash items. In this regard, CPNREIT recognized the rights-of-use assets and lease liabilities for the two lease agreements as follows:

- 1) the lease agreement of the wastewater treatment of CentralPlaza Rama 2, with the remaining lease period of 5 years ended August 15, 2025, which was recognized on 1 January 2020
- 2) the lease agreement of CentralPlaza Rama 2 (Renewal), 30 years lease period starting from 16 August 2025 – 15 August 2055, which was recognized on 31 March 2020.

Financial and Operating Performance in 3Q20

Income

Total income was Baht 1,115.3 million, decreased by Baht 169.9 million or 13.2%yoy.

In 3Q20, CPNREIT reported total income of Baht 1,115.3 million, a decrease of Baht 169.9 million or 13.2%yoy, this was attributable to:

Rental and service income totaled Baht 1,113.0 million, declined by 13.0%yoy. CPNREIT recognized rental income and rental discount on a straight-line basis over the lease term under TFRS 16, resulting in the rental income shown in the financial statements was more than the actual rental income received while the straight-line rental discount was less than the actual rental discount given. The details are as follows:

- Rental and service income from all shopping centers and Pinklao Tower A and Tower B, based on lease contracts and actual rental discount given to tenants, totaled Baht 873.2 million, declined by 26.1%yoy, mainly due to the impact from the current COVID-19 situation and the financial support provided to tenants in term of rental discount amounting to Baht 201.4 million. Additionally, the collection of property tax income from tenants reduced by 90% in accordance with the Royal Decree on Reduction of Land and Building Taxes B.E. 2020.
- Rental and service income from The Ninth Towers totaling and Unilever House totaling Baht 157.9 million, which CPNREIT has invested since early March 2020.
- The accounting adjustment in accordance with TFRS 16 including rental income on a straight-line basis from shopping centers and office buildings totaled Baht 14.7 million, which was included in the rental and service income and rental discount on a straight-line basis of Baht 6.4 million reduced the actual rental discount to Baht 195.0 million.
- Rental income from sublease of Hilton Pattaya was Baht 56.5 million from fixed rental income only as Hilton Pattaya had been temporary closed for renovation so CPNREIT did not receive variable rental income in this quarter. Also, the additional of Baht 4.3 million recognized as a straight-line rental income, which was a non-cash item.

In addition, according to the hotel sublease agreement stipulated in the case of renovation, the sublessee has the right to defer the rental payment in the month that there has been a renovation during the quarter. However, the sublessee shall pay the deferred rent within the same fiscal year provided that such payment shall have no impact to the sublessee's liquidity. Therefore, CPNREIT allowed the sublessee to postpone the rental payment for 3Q20 to be paid later.

Interest income was Baht 1.0 million, decreased by 77.3%yoy resulting from lower portion of fixed deposits at banks and lower deposit interest

rate, and other incomes were Baht 1.4 million, decreased by 36.4%yoy, since there was income from restoring of the lease space in the same quarter last year.

In comparison to 2Q20, total income increased by Baht 376.8 million or 51.0%qoq, mainly due to an increase of rental and service income totaling Baht 384.0 million, or 52.7%qoq resulting from the opening of shopping malls as usual for the full quarter, higher promotion income, and lower rental discounts provided to those tenants affected by the COVID-19 following a recovery of shopper traffic and tenant's sales. Interest income decreased by 62.4%qoq following lower portion of deposits at banks, and other incomes decreased by 79.4%qoq due to less restoration fee.

Expense

In 3Q20, total expense (excluding interest expense from lease liabilities) was Baht 373.2 million, decreased by 10.7%yoy.

In 3Q20, CPNREIT reported total expense of Baht 746.7 million, increased by Baht 409.7 million or 121.6%yoy, resulting from the accounting recognition of non-cash interest expense from lease liabilities totaling Baht 373.5 million of the lease agreement of CentralPlaza Rama 2 (Renewal) in accordance with TFRS 16. (if excluding interest expense from lease liabilities, total expense was Baht 373.2 million, increased by Baht 36.2 million or 10.7%yoy, mainly due to the additional investment in The Ninth Towers and Unilever House.)

Property expenses totaled Baht 163.3 million, decreased by 1.7%yoy, mainly due to the reduction of selling and administrative expense of Baht 17.4 million, declined by 28.8%yoy from advertising and promotion expense for organizing less marketing events at shopping centers. (Same store property expense decreased by 22.1%yoy mainly from the 90% discount of land and building tax expenses and lower advertising and promotion expense). Also, property management fee was Baht 101.4 million, decreased by 5.6%yoy, from declining rental collection fee due to lower net rental income, less incentive fee from lower net property income, and lower property management fee due to lower fair value of investment properties. Meanwhile, cost of rental and service was Baht 44.6 million, increased by 29.8%yoy, mainly from utilities expense of The Ninth Towers and Unilever House that CPNREIT has invested since March 2020.

Management fee was Baht 38.6 million, increased by 13.1%yoy, and trustee fee was Baht 10.5 million, increased by 12.8%yoy, following an increase of total assets resulting from investments in leasehold properties at fair value of The Ninth Towers and Unilever House. Moreover, interest expense was Baht 159.3 million, increased by 26.6%yoy due to borrowing from banks to invest in those two office buildings in March 2020.

Meanwhile, registrar fee was Baht 1.0 million, declined by 19.7%yoy, resulting from a 20% discount for the annual registrar fee in 2020 for the listed securities on the Stock Exchange of Thailand (SET) provided by the Thailand Securities Depository Co., Ltd. (TSD) to mitigate the impact of the COVID-19.

In comparison to 2Q20, total expense increased by Baht 60.2 million or 8.8%qoq, driven by an increase of property expenses by 56.9%qoq from the opening shopping malls as usual for the full quarter with cost saving measures continued undertaken. As a result, cost of rental and service increased by 48.8%qoq, selling and administrative expense increased by 743.8%qoq, and property management fee increased by 40.6%qoq from an increase of rental collection fee, property management fee, and leasing commission fee

Net Investment Income

Net investment income totaled Baht 368.7 million, decreased by 61.1%yoy.

In 3Q20, CPNREIT reported net investment income totaling Baht 368.7 million, decreased by Baht 579.5 million or 61.1%yoy from Baht 948.2 million in 3Q19. This was attributable to a decrease of rental and service income due to the ongoing rental discount provided to tenants, as well as the temporary closure of Hilton Pattaya for renovation causing no variable rental income from hotel in this quarter. Additionally, expenses increased from the accounting record of non-cash interest expense from lease liabilities of the lease agreement of CentralPlaza Rama 2 (Renewal) in accordance with TFRS 16, as well as property management fee and cost of rental and service.

However, if eliminating the impact from TFRS 16 i.e. the accounting record of interest expense from lease liabilities amounting Baht 373.5 million, and the rental income and rental discount on a straight-line basis totaling Baht 25.3 million, which was a non-cash item, CPNREIT's net investment income would be Baht 716.9 million.

In comparison to 2Q20, net investment income increased by Baht 316.7 million or 608.4%qoq, after the shopping center opened as normal in 3Q20, rental discounts to tenants gradually decreased as the recovery of shopping center shoppers and the improvement of tenant sales.

Profitability

Net property income margin stood at 85.3%, decreased by 1.7%yoy and net investment income margin was 33.1%, decreased by 40.9%yoy.

Net property income margin for 3Q20 stood at 85.3%, decreased by 1.7%yoy. This was the result of a decrease in property income of 13.0%yoy, and a decrease in property expenses of 1.7%yoy. Net investment income margin stood at 33.1%, decreased by 40.9%yoy due to an increase of interest expense from both interest expense from lease liabilities and interest expense from additional borrowings. (if excluding interest expense from lease liabilities, net investment income margin equaled to 66.6%.)

In comparison to 2Q20, net property income margin decreased by 0.5%qoq, from 85.8% in 2Q20, from higher selling and administrative expense and property management. Meanwhile, the net investment income margin increased by 26.0%qoq, from 7.1% in the previous quarter, mainly due to an increase of property income by 51.4%qoq.

Balance Sheet Movement

Total asset totaled Baht 71,127.5 million, increased by Baht 444.1 million from the end of 2Q20.

As of 30 September 2020, CPNREIT reported total assets of Baht 71,127.5 million, decreased by Baht 444.1 million from total assets at the end of 2Q20. This is mainly attributable to:

- 1) Investment in leasehold properties at fair value amounting to Baht 68,217.4 million, decreased by Baht 856.4 million or 1.2%qoq from lower fair value of The Ninth Towers and Unilever House office buildings as CPNREIT invested in these two asset at a premium acquisition price. Meanwhile, fair value of CentralPlaza Rama 2 increased slightly from longer lease period of 35 years.
- 2) Investment in securities amounting to Baht 767.7 million, mainly investing in money market funds, fixed deposits at banks, and government bonds.
- 3) Rental and service receivables totaling Baht 724.1 million, increased by 23.1%yoy, resulting from delay of rental payment totaled Baht 445.0 million and receivables from accounting record on a straight-line basis totaled Baht 279.1 million.
- 4) Refundable value added tax was Baht 351.1 million, decreased by Baht 53.9 million as CPNREIT received Baht 384.9 million VAT refund from investment in additional assets in December 2017.

Total liabilities were Baht 42,571.9 million, increased by Baht 49.6 million or 0.1%qoq due to the record of lease liabilities for the lease agreement of CentralPlaza Rama 2 (Renewal) totaling Baht 17,353.4 million, increased by Baht 373.7 million coming from the amount of non-cash interest expense from lease liabilities recorded in the previous quarter. Moreover, other liabilities were Baht 630.1 million, decreased by Baht 317.3 million, from interest payment of debentures and property management fee payment. At the end of 3Q20, interest-bearing debt to total assets (excluding lease liabilities) equaled to 32.2%.

As at 30 September 2020, Net Asset Value ("NAV") was recorded at Baht 28,555.6 million or Baht 12.9066 per unit, decreased from Baht 13.1297 per unit as of 30 June 2020.

At the end of 3Q20, CPNREIT had accumulated deficit of Baht 676.9 million, mainly resulting from the net unrealized loss from changes in investment value of Baht 884.6 million.

The Distribution to Unitholders

In consideration of the distribution of return to trust unitholders from the 3Q20 operating results, the REIT Manager remains committed to liquidity by considering cash flow from operations affected by the postponement of fixed rental income from hotel, ongoing rental discount policy to assist tenants affected by the COVID-19 situation, accrued rental income and debt repayment schedule. Additionally, CPNREIT reported accumulated deficit arising from net unrealized loss from the fair value of investments in leasehold assets.

Therefore, the REIT Manager considered the payment of interim distribution from the 2Q20 which was postponed in the previous quarter and 3Q20 operation in the form of capital reduction of Baht 0.2100 per unit. The XN posted date will be on 23 November 2020, the closing of trust unitholder's registration book on 25 November 2020, and the capital reduction payment will be on 8 December 2020.

FINANCIAL SUMMARY

Table 1: Income Statement

Unit: Baht Million	9M20	9M19	Change YoY	3Q20	3Q19	Change YoY	2Q20	Change QoQ
<i>Property income</i>	3,027.8	3,867.6	(21.7%)	1,114.4	1,280.8	(13.0%)	735.8	51.4%
Rental and service income	3,013.6	3,855.3	(21.8%)	1,113.0	1,278.6	(13.0%)	729.0	52.7%
Other income	14.2	12.3	15.8%	1.4	2.2	(36.4%)	6.8	(79.4%)
Interest income	6.5	6.0	7.8%	1.0	4.4	(77.3%)	2.6	(62.4%)
Total income	3,034.3	3,873.6	(21.7%)	1,115.3	1,285.2	(13.2%)	738.5	51.0%
<i>Property expenses</i>	454.9	519.4	(12.4%)	163.3	166.2	(1.7%)	104.1	56.9%
Cost of rental and service	119.0	98.1	21.3%	44.6	34.4	29.8%	30.0	48.8%
Selling and administrative expenses	53.3	76.3	(30.2%)	17.4	24.4	(28.8%)	2.1	743.8%
Property management fee	282.6	344.9	(18.1%)	101.4	107.4	(5.6%)	72.1	40.6%
Interest expense	449.8	377.9	19.0%	159.3	125.8	26.6%	158.0	0.8%
Interest of lease liability	747.1	-	100.0%	373.5	-	100.0%	373.5	0.0%
Other management fees and expenses	147.1	132.7	10.9%	50.5	45.0	12.2%	50.7	(0.4%)
Total expense	1,798.8	1,029.9	74.7%	746.7	337.0	121.6%	686.4	8.8%
Net investment income	1,235.5	2,843.7	(56.6%)	368.7	948.2	(61.1%)	52.0	608.4%
Net realised gain (loss) from changes in investment value	0.3	(0.8)	135.7%	(1.1)	7.4	(115.4%)	1.3	(190.2%)
Net unrealised gain (loss) from changes in investment value	(884.2)	(93.8)	(842.2%)	(861.3)	(52.3)	(1546.3%)	(8.9)	(9610.7%)
Net increase in net assets from operations	351.6	2,749.0	(87.2%)	(493.8)	903.3	(154.7%)	44.4	(1211.2%)
Income available for distribution	1,235.5	2,843.7	(56.6%)	368.7	948.2	(61.1%)	52.0	608.4%
Distribution	598.9	2,692.6	(77.8%)		898.3	(100.0%)	-	n/a
Distribution per unit (in Baht)	0.2707	1.2170	(77.8%)		0.4060	(100.0%)	-	n/a
Net property income margin	85.0%	86.6%	-0.016	85.3%	87.0%	(1.7%)	85.8%	(0.5%)
Net investment income margin	40.8%	73.5%	(32.7%)	33.1%	74.0%	(40.9%)	7.1%	26.0%
Net investment income margin excluded interest of lease liability	65.5%	73.5%	(8.0%)	66.6%	74.0%	(7.4%)	57.8%	8.8%

Table 2: Balance Sheet

Unit: Baht Million	CPNREIT				
	30-Sep-19	31-Dec-19	31-Mar-20	30-Jun-20	30-Sep-20
<i>Investment at fair value</i>					
Central Rama 2	6,962.0	6,359.0	23,107.1	23,180.3	23,229.4
Central Rama 3	10,698.0	11,447.0	11,447.0	11,447.0	11,447.0
Central Pinklao	5,678.0	5,216.0	5,216.0	5,216.0	5,216.0
Chiangmai Airport	10,658.0	10,655.0	10,655.0	10,655.0	10,655.0
CentralFestival Pattaya Beach	7,289.0	7,290.0	7,290.0	7,290.0	7,290.0
Hilton Pattaya	3,465.0	3,505.0	3,505.0	3,505.0	3,505.0
The Ninth Towers	-	-	6,107.1	6,107.1	5,521.0
Unilever House	-	-	1,673.3	1,673.3	1,354.0
Total investment in properties	44,750.0	44,472.0	69,000.5	69,073.8	68,217.4
Investment in securities	1,849.6	901.6	967.5	767.9	767.7
Cash on hand and at banks	227.8	509.9	181.6	230.7	875.1
Rental and service receivables	184.3	200.2	298.1	588.4	724.1
Refundable value added tax	392.8	392.8	771.0	763.3	351.5
Other assets	208.6	210.4	162.0	147.5	191.6
Total assets	47,613.1	46,687.0	71,380.8	71,571.6	71,127.5
Deposits received from customers	1,571.8	1,583.6	1,703.2	1,696.7	1,688.7
Lease liability	-	-	16,532.8	16,979.7	17,353.4
Borrowings	726.2	-	8,162.8	8,372.7	8,373.0
Debentures	14,523.2	14,524.1	14,524.9	14,525.8	14,526.7
Other liabilities	763.1	878.2	853.2	947.4	630.1
Total liabilities	17,584.3	16,985.8	41,776.9	42,522.3	42,571.9
Net Asset	30,028.8	29,701.2	29,603.8	29,049.4	28,555.6
Capital received from unitholders	29,016.4	29,016.4	29,016.4	29,016.4	29,016.4
Equalisation account	216.1	216.1	216.1	216.1	216.1
Retained earning (deficit)	796.3	468.7	371.3	183.2	676.9
NAV per unit (in Baht)	13.5725	13.4244	13.3804	13.1297	12.9066

Source: 1) Reviewed Interim Financial Statements for the three-month period 2) Audited Financial Statements for the year

OPERATIONS SUMMARYTable 3: Leasable Area and Occupancy

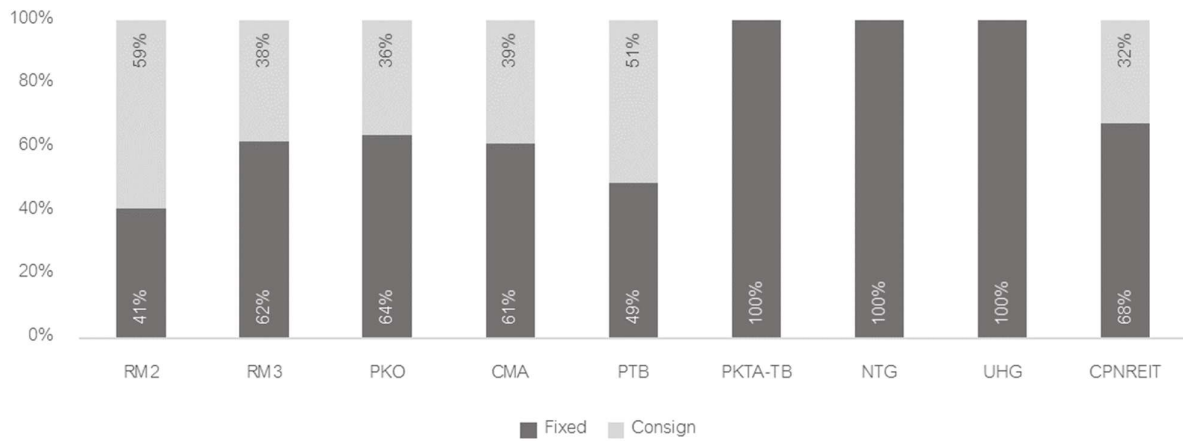
	Area (sqm)		Average Occupancy Rate				
	GFA	NLA ^{/1}	30 Sep 19	31 Dec 19	31 Mar 20	30 Jun 20	30 Sep 20
CentralPlaza Rama 2	251,182	82,962	95.5%	95.5%	94.6%	94.1%	94.0%
CentralPlaza Rama 3	169,740	36,495	95.8%	96.6%	97.0%	96.8%	96.3%
CentralPlaza Pinklao	137,692	27,656	97.6%	99.4%	99.1%	99.2%	99.3%
Pinklao Tower A & Tower B	50,653	34,389	88.9%	89.4%	87.8%	86.5%	86.2%
CentralPlaza Chiangmai Airport	122,991	38,060	94.3%	94.7%	94.8%	94.4%	95.0%
CentralFestival Pattaya Beach	70,095	29,388	98.1%	98.6%	98.5%	97.1%	94.5%
The Ninth Towers	95,997	59,322 ^{/2}			94.1%	89.4%	84.3%
Unilever House	30,176	18,527			100.0%	100.0%	100.0%
Total/Average	928,526	326,401	95.0%	95.4%	95.0%	93.8%	92.6%
Hilton Pattaya	49,686	302 rooms	88.5%	83.9%	61.1%	Close for renovation	Close for renovation

Note: ^{/1} Anchor and in-line tenants only^{/2} excluding meeting room area of 3,068 sq.m.Table 4: Renewals and New Leases

	From 1 July to 30 September 2020		
	Renewals and New Leases ^{/1}		
	No. of Leases	Area (sqm)	%of Total ^{/2}
CentralPlaza Rama 2	32	4,799	13%
CentralPlaza Rama 3	5	960	4%
CentralPlaza Pinklao	10	1,407	7%
Pinklao Tower A & Tower B	3	1,544	5%
CentralPlaza Chiangmai Airport	13	1,258	5%
CentralFestival Pattaya Beach	5	607	4%
The Ninth Towers	10	7,927	16%
Total	78	18,502	9%

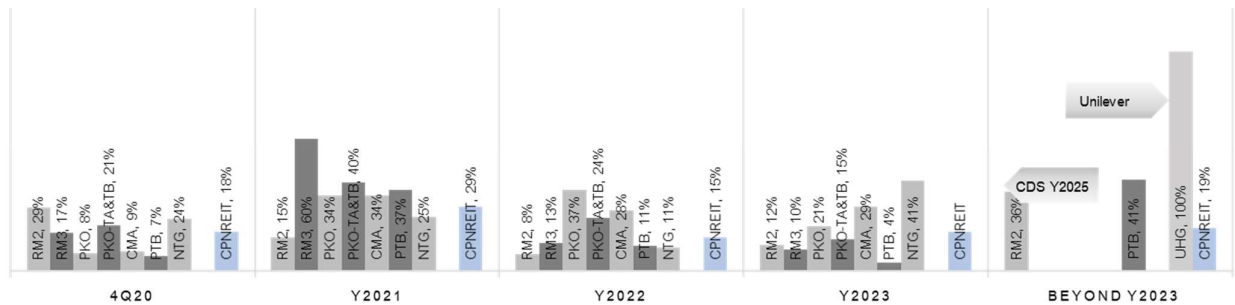
Note: ^{/1} Exclude rental agreements < 1 year and Anchor tenants^{/2} Percentage of in-line tenants' leasable area as at 30 September 2020

Graph 1: Rental Structure



Note: As at 30 September 2020

Graph 2: Lease Expiry Profile



Note:

1. Percentage of total occupied area as at 30 September 2020
2. Exclude rental agreements < 1 year