

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 Central 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 Central 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. ("the EGM No. 1/2019")

In February 2021, CPNREIT raised capital by the issuance and offering new additional unit trusts totaling Baht 6,577.8 million. The proceeds derived from the capital increase were utilized for the investment in Central Marina Project and Central Lampang Project in the total investment value was Baht 5,672 million (excluding the registration fees, value added tax, stamp duties, as well as other related fees and expenses) as well as for some debts repayment. In respect of the investment in Central Suratthani Project and Central Ubon Project, the REIT Manager will consider investing in such properties when market conditions are favorable for offering of the trust units, so it will accomplish the investment in accordance with the resolutions of the EGM No. 1/2019.

At the end of 2Q22, CPNREIT had been investing in leasehold rights of seven shopping malls, which are Central Rama 2, Central Rama 3, Central Pinklao, Central Chiangmai Airport, Central Pattaya, Central Marina and Central Lampang with total leasable area of 250,562 sq.m., four office buildings namely Pinklao Tower A and Tower B, The Ninth Towers and Unilever House totaling 111,657 sq.m., and one hotel which is Hilton Pattaya totaling 304 guest rooms.

Economic and Industry Overview

The Thai economy in the second quarter of 2022 continued to improve from the previous quarter. Private consumption indicators increased mainly from spending on services category. Trade and service sectors recovered thanks to improving foreign tourist figures after the relaxation of the COVID-19 containment measures and international travel restrictions. Private investment indicators also improved in accordance with development of the economy. The value of merchandise exports increased in line with the improvement in trading partners' demands. Public spending expanded compared to the same period last year largely from current expenditures and transfer payment. Manufacturing production, however, declined and was affected by production material shortages. On the stability front, headline inflation increased considerably from rising energy and fresh food prices as well as core inflation, which increased from the prepared food prices. Labor market gradually improved as the economy recovered.

On 8 June 2022, the Monetary Policy Committee ("MPC") maintained the policy rate at 0.5% and assessed that the Thai economy will continue to grow at the rate of 3.3% in 2022 and 4.2% in 2023. The impact of COVID-19 and the conflict between Russia and Ukraine on the Thai economy will be limited. However, the key risk factors to monitor is the impact of higher prices on living costs for households. (source: The Bank of Thailand)

Major Events in 2Q22The 2022 Annual General Meeting of Trust Unitholders

The REIT Manager of CPNREIT has convened the 2022 Annual General Meeting of Trust Unitholders on 21 April 2022 at 2.00 p.m. via Electronic Media ("E-AGM") and disclosed the Minutes of 2022 Annual General Meeting of Trust Unitholders via the Stock Exchange of Thailand and on CPNREIT's website (www.cpnreit.com) since 5 May 2022.

Summary of Operating Performance

The REIT Manager together with the Property Manager has continued to maintain proactive measure "Central Hygiene and Safe Plus+" to reinforce customer confidence with professionalism in managing the prevention of pandemic, make shopping centers a safe place for COVID-Free, and dealing with all situations in accordance with the standards of the Ministry of Public Health strictly and promoting a clean and safe society campaign. In 2Q22, the average shopper traffic was 67% normal traffic level, improved from the previous quarter. The average traffic of shopping malls in Bangkok, Chiangmai and Lampang was 65-80% of normal traffic level, while the average traffic of shopping malls in Pattaya City was 30-60% of normal traffic level.

CPNREIT continued to provide tenant's relief measure based on mall traffic recovery, impacted business type and sales performance. In 2Q22 average rental discount of shopping centers was at 17% of rental income, same as in 1Q22, but significantly lower than 2Q21. Moreover, the property manager remained various cost reduction initiatives to reduce unnecessary costs to mitigate the impact on revenue during the ongoing COVID-19 outbreak.

In 2Q22, the average occupancy rate of shopping malls and office buildings of CPNREIT was at 90.9% slightly increased from 90.7% in 1Q22, resulting from an increase of the occupancy rate of Central Rama 3, Central Pinklao, Pinklao Tower A & Tower B, The Ninth Towers and Central Lampang. Meanwhile, the occupancy rate of Central Rama 2, Central Chiangmai Airport, Central Pattaya and Central Marina slightly decreased as tenants did not renew their contracts. The occupancy rate of Unilever House was at similar level of the previous quarter. The average occupancy rate for Hilton Pattaya was 79.1%, increased from 53.6% in 1Q22.

Financial Reporting Standards affecting to CPNREIT Financial Statements

From 1 January 2020 onwards, CPNREIT has adopted Thai Financial Reporting Standards (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 Statement of financial position. Also, interest expense from lease liabilities were included in the finance cost in the Statement of comprehensive income. 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 Central Rama 2, with the remaining lease period of 3 years ended August 15, 2025, which was recognized on 1 January 2020
- 2) the lease agreement of Central 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 2Q22

Income

Total income was Baht 1,222.3 million, increased by 45.3%yoy.

In 2Q22, CPNREIT reported total income of Baht 1,222.3 million, an increase of Baht 381.2 million or 45.3%yoy, this was attributable to:

Rental and service income totaled Baht 1,218.3 million, increased by 46.3%yoy, CPNREIT recognized rental income and rental discount on a straight-line basis over the lease term in accordance with TFRS 16, resulting in the rental income and rental discount shown in the financial statements was different from the actual rental income received and the actual rental discount given. The details are as follows:

- Rental and service income from shopping centers totaled Baht 932.1 million, increased by 56.0%yoy, mainly due to the decrease of rental discount to be at 17% of rental income compared to 41% of rental income in 2Q21 and the increase of income from promotion areas.
- Rental and service income from 4 office buildings, namely Pinklao Tower A & Tower B, The Nine Towers and Unilever House, totaled Baht 211.3 million, an increase of 11.4% resulting from lower rental discount of Pinklao Tower A and Tower B.
- Rental income from hotel totaled Baht 81.3 million, divided into the fixed rent of Baht 60.4 million and the variable rent of Baht 20.9 million, compared to 2Q21 that CPNREIT waived the fixed rental payment for 2Q21 to the sublessee due to the ongoing COVID-19 pandemic, which was classified as the force majeure circumstance under the hotel sublease agreement.

- The accounting adjustment in accordance with TFRS 16 including rental income and rental discount on a straight-line basis from shopping centers, office buildings and hotel totaling Baht 6.4 million, lower rental and service income.

In comparison to 1Q22 total income increased by Baht 133.8 million or 12.3%qoq. If excluding the impact from TFRS16, total income increased by Baht 117.7 million or 10.6%qoq mainly from rental income from hotel, promotion income and rental income from consignment (percentage of sales) contracts.

Expense

In 2Q22, total expense (excluding interest expense from lease liabilities) was Baht 421.5 million, increased by 9.9%yoy.

In 2Q22, CPNREIT reported total expense of Baht 864.7 million, increased by Baht 74.5 million or 9.4%yoy, resulting from the accounting recognition of non-cash interest expense from lease liabilities amounting Baht 443.3 million in accordance with TFRS 16. If excluding interest expense from lease liabilities, total expense was Baht 421.5 million, increased by 9.9%yoy comprising of the cost of rental and service totaling Baht 81.6 million, an increase by 19.3%yoy, mainly from land and building tax expense without 90% discount like last year as well as higher electricity cost from the increasing fuel tariff (FT) rate.

Property management fee was Baht 116.2 million, increased by 21.3%yoy, mainly from the increase of rental collection fee from higher rental and service income as well as the increase of incentive from higher net property income.

Management fee was Baht 40.6 million, decreased by 1.5%yoy, resulting from decreased in total asset value used for the calculation and trustee fee was Baht 5.9 million, decreased by 47.3%yoy resulting from the fee calculation adjustment to sliding rates.

Interest expense was Baht 150.6 million, increased by 4.1% due to the issuance of debentures for loan repayment in February 2022 with higher coupon rate due to the rising interest rate environment.

In comparison to 1Q22, total expense increased by Baht 45.3 million or 5.5%qoq, mainly from an increase of interest expense from lease liabilities increased in relation to lease liabilities and an increase of interest rate of borrowings.

Net Investment Income

Net investment income totaled Baht 357.6 million, increased by 601.8%yoy.

In 2Q22, CPNREIT reported net investment income of Baht 357.6 million, increased by Baht 306.6 million or 601.8%yoy. If eliminating the impact from TFRS 16 i.e. the accounting record of interest expense from lease liabilities amounting Baht 443.3 million, and the rental income and rental discount on a straight-line basis totaling Baht 6.4 million, which were non-cash items, CPNREIT's net investment income would be Baht 807.3 million, increased by 95.8%yoy driven mainly from the decrease of rental discounts and the increase of rental income from hotel.

In comparison 1Q22, net investment income increased by Baht 88.4 million. If eliminating the impact from TFRS 16, net investment income increased by Baht 108.9 million or 15.6%qoq, driven by the increase of rental income from hotel and promotion income.

Profitability

Net property income margin stood at 81.7%, increased by 3.7%yoy and net investment income margin was 29.3%, increased by 23.2%yoy.

Net property income margin for 2Q22 stood at 81.7%, increased by 3.7%yoy. Net investment income margin stood at 29.3%, increased by 23.2%yoy, due to lower rental discounts and higher rental income from hotel. If excluding interest expense from lease liabilities, net investment income margin equaled to 65.6%.

In comparison to 1Q22, net property income margin increased by 1.7%qoq, from 80.0% in 1Q22. If eliminating the impact from TFRS 16, net investment income margin increased by 3.4%qoq from 62.1% in 1Q22, mainly from rental income from hotel and promotion income.

Balance Sheet Movement

Total asset totaled Baht 80,100.7 million, increased by Baht 1,129.2 million from the end of 2021.

As of 30 June 2022, CPNREIT reported total assets of Baht 80,100.7 million, increased by Baht 1,129.2 million or 1.4% from total assets as at the end of 2021. This is mainly attributable to:

- 1) Investment in leasehold properties at fair value amounting to Baht 76,135.4 million, increased by Baht 764.7 million or 3.0% due to the increase of fair value of Central Rama 2.
- 2) Cash equivalents totaled Baht 1,480.8 million, increased by Baht 321.6 million, or 27.7%, as a result of the improvement of business performance and the increase of unearned property tax and insurance income.

- 3) Rental and service receivables totaling Baht 873.0 million, comprising of accounting record on a straight-line basis of Baht 384.6 million and receivables from the delay of rental payment of Baht 488.4 million.

Total liabilities were Baht 46,123.4 million, increased by Baht 970.7 million or 2.1% from the end of 2021. This is mainly attributable to:

- 1) Lease liability of Central Rama 2 totaling Baht 20,158.4 million, increased by Baht 843.7 million due to the growth of interest expense of lease liabilities recorded under TFRS 16, which was non-cash item.
- 2) Other liabilities were Baht 1,517.8 million, increased by Baht 62.0 million from unearned property tax and Insurance income.
- 3) Debentures totaled Baht 17,323.5 million, increased by 13.0% due to the issuance of debenture amounting Baht 2,000 million for loan repayment in February 2022, while borrowing totaled Baht 5,273.7 million, decreased by 27.1%.

Interest bearing debt (excluding lease liabilities) to total assets equaled to 28.2%

As at 30 June 2022, Net Asset Value ("NAV") was recorded at Baht 33,977.3 million or Baht 13.2308 per unit, increased from Baht 13.1691 per unit as of 31 December 2021.

The Distribution of Returns to Trust Unitholder

In consideration of the distribution of return to trust unitholders from the 2Q22 operating results, the REIT Manager remains committed to liquidity by considering cash flow from operations, ongoing rental discount policy to assist tenants affected by the COVID-19 situation, reserve for loan repayment and capital expenditure for renovation and maintenance of assets.

Therefore, the REIT Manager considered the distribution of return from the 2Q22 performance of Baht 0.2800 per unit. The XD posted date will be on 17 August 2022, the closing of trust unitholder's registration book on 19 August 2022, and the payment will be on 2 September 2022.

FINANCIAL SUMMARY
Table 1: Statement of comprehensive income

Unit: Baht Million	6M22	6M21	Change YoY	2Q22	2Q21	Change YoY	1Q22	Change QoQ
<i>Property income</i>	2,308.9	1,864.5	23.8%	1,221.2	840.4	45.3%	1,087.8	12.3%
Rental and service income	2,302.4	1,853.0	24.3%	1,218.3	832.5	46.3%	1,084.1	12.4%
Other income	6.5	11.5	(43.7%)	2.9	7.9	(63.6%)	3.6	(20.9%)
Interest income	1.9	1.5	24.7%	1.1	0.8	46.5%	0.8	47.0%
Total income	2,310.8	1,866.0	23.8%	1,222.3	841.1	45.3%	1,088.5	12.3%
<i>Property expenses</i>	441.0	382.5	15.3%	223.1	184.9	20.7%	217.9	2.4%
Cost of rental and service	158.4	123.4	28.4%	81.6	68.4	19.3%	76.8	6.2%
Other expenses	46.3	44.8	3.4%	25.3	20.7	22.0%	21.0	20.5%
Property management fee	236.2	214.3	10.2%	116.2	95.7	21.3%	120.1	(3.3%)
Interest expense	293.4	311.2	(5.7%)	150.6	144.7	4.1%	142.8	5.5%
Interest on lease liability	849.9	780.4	8.9%	443.3	406.7	9.0%	406.7	9.0%
Management fee	80.6	80.8	(0.2%)	40.6	41.2	(1.5%)	40.0	1.4%
Trustee fee	16.7	21.8	(23.6%)	5.9	11.1	(47.3%)	10.8	(45.8%)
Registrar fee	1.8	2.3	(21.9%)	1.0	1.2	(17.6%)	0.8	13.1%
Professional fee	0.7	0.7	1.1%	0.4	0.3	1.2%	0.3	13.0%
Total expense	1,684.1	1,579.6	6.6%	864.7	790.2	9.4%	819.4	5.5%
Net investment income	626.7	286.4	118.8%	357.6	51.0	601.8%	269.2	32.8%
Net gain (loss) on investments	0.9	0.3	220.8%	0.5	(0.3)	252.0%	0.4	19.0%
Net gain (loss) on change in fair value of investments	694.2	277.0	150.6%	498.1	51.2	872.4%	196.1	153.9%
Net increase (decrease) in net assets from operations	1,321.8	563.7	134.5%	856.1	101.8	740.7%	465.7	83.8%
Distribution	1,184.89	-	100.0%	719.0	-	100.0%	465.8	54.4%
Distribution per unit (in Baht)	0.4614	-	100.0%	0.2800	-	100.0%	0.1814	54.4%
Capital reduction	142.5	778.4	(81.7%)	-	226.8	(100.0%)	142.5	(100.0%)
Capital reduction per unit (in Baht)	0.0555	0.3031	(81.7%)	-	0.1025	(100.0%)	0.0555	(100.0%)
Net property income margin	80.9%	79.5%	1.4%	81.7%	78.0%	3.7%	80.0%	1.7%
Net investment income margin	27.1%	15.4%	11.7%	29.3%	6.1%	23.2%	24.7%	4.6%
Net investment income margin excluded interest of lease liability	64.0%	57.2%	6.8%	65.6%	54.5%	11.1%	62.1%	3.4%

Table 2: Statement of financial position

Unit: Baht Million	30-Jun-21	30-Sep-21	31-Dec-21	31-Mar-22	30-Jun-22	Change YTD
<i>Investment in leasehold properties</i>						
Central Rama 2	24,790.8	25,198.7	25,693.6	25,925.3	26,458.4	3.0%
Central Rama 3	11,888.0	11,888.0	12,753.0	12,753.0	12,753.0	0.0%
Central Pinklao and Offices	4,226.0	4,226.0	3,204.0	3,204.0	3,204.0	0.0%
Central Chiangmai Airport	10,287.0	10,287.0	10,435.0	10,435.0	10,435.0	0.0%
Central Pattaya	7,145.0	7,145.0	7,279.0	7,279.0	7,279.0	0.0%
Hilton Pattaya	3,546.0	3,546.0	3,668.0	3,668.0	3,668.0	0.0%
The Ninth Towers	5,704.0	5,704.0	5,860.0	5,860.0	5,860.0	0.0%
Unilever House	1,347.0	1,347.0	1,356.0	1,356.0	1,356.0	0.0%
Central Marina	2,635.4	2,107.0	2,188.0	2,188.0	2,188.0	0.0%
Central Lampang	3,260.2	2,795.0	2,934.0	2,934.0	2,934.0	0.0%
Total investment in leasehold properties	74,829.4	74,243.7	75,370.6	75,602.3	76,135.4	1.0%
Investment in securities	1,072.3	1,073.0	1,073.1	1,072.9	1,173.5	9.4%
Cash equivalents	934.8	687.8	1,159.2	1,209.5	1,480.8	27.7%
Accrued rental and service receivables	894.4	966.3	893.1	986.8	873.0	(2.3%)
Receivable from the Revenue Department	404.1	394.6	367.5	336.6	313.3	(14.8%)
Other assets	38.6	44.3	107.9	51.6	124.8	15.6%
Total assets	78,173.6	77,409.8	78,971.5	79,259.8	80,100.7	1.4%
Deposits received from customers	1,772.6	1,763.9	1,730.2	1,730.3	1,758.3	1.6%
Lease liability	18,501.3	18,908.0	19,314.7	19,715.2	20,158.4	4.4%
Borrowings	7,307.5	7,237.1	7,237.2	5,272.2	5,273.7	(27.1%)
Debentures	15,325.7	15,323.7	15,324.3	17,322.8	17,323.5	13.0%
Provision for decommissioning	89.3	89.9	90.5	91.1	91.7	1.4%
Other liabilities	1,181.8	1,200.9	1,455.8	1,398.7	1,517.8	4.3%
Total liabilities	44,178.2	44,523.5	45,152.7	45,530.2	46,123.4	2.1%
Net Assets	33,995.5	32,886.3	33,818.8	33,729.5	33,977.3	0.5%
Capital received from unitholders	31,954.3	31,691.1	31,475.4	31,062.2	30,919.6	(1.8%)
Capital surplus	2,201.4	2,201.4	2,201.4	2,201.4	2,201.4	0.0%
Retained earning (deficit)	(160.3)	(1,006.2)	142.0	465.9	856.2	503.0%
NAV per unit (in Baht)	13.2379	12.8060	13.1691	13.1343	13.2308	0.5%

Source: 1) Condensed interim Financial Statements 2) Audited Financial Statements for the year

OPERATIONS SUMMARY

Table 3: Leasable Area and Occupancy

	Area (sqm)		Average Occupancy Rate				
	GFA	NLA ^{/1}	2Q21	3Q21	4Q21	1Q22	2Q22
Central Rama 2	286,580	88,802	93.5%	93.5%	93.8%	92.7%	92.5%
Central Rama 3	169,740	36,045	90.3%	90.6%	91.6%	93.0%	93.6%
Central Pinklao	137,692	27,712	99.0%	97.2%	96.5%	97.3%	98.0%
Pinklao Tower A & Tower B	50,653	34,096	81.3%	80.7%	80.9%	78.0%	78.1%
Central Chiangmai Airport	122,991	37,083	95.6%	93.8%	95.5%	96.6%	96.3%
Central Pattaya	70,095	29,388	92.0%	91.4%	91.2%	91.2%	90.6%
The Ninth Towers	95,997	59,034 ^{/2}	82.3%	81.2%	81.1%	83.1%	84.2%
Unilever House	30,176	18,527	100.0%	100.0%	100.0%	100.0%	100.0%
Central Marina	45,149	15,453	91.5%	87.4%	90.7%	91.4%	89.6%
Central Lampang	45,716	16,080	95.9%	95.1%	93.7%	92.7%	93.5%
Total/Average	1,054,789	362,219	91.0%	90.2%	90.6%	90.7%	90.9%
Hilton Pattaya	49,686	304 Rooms	25.0%	20.4%	60.2%	53.6%	79.1%

Note: ^{/1} Anchor and in-line tenants only

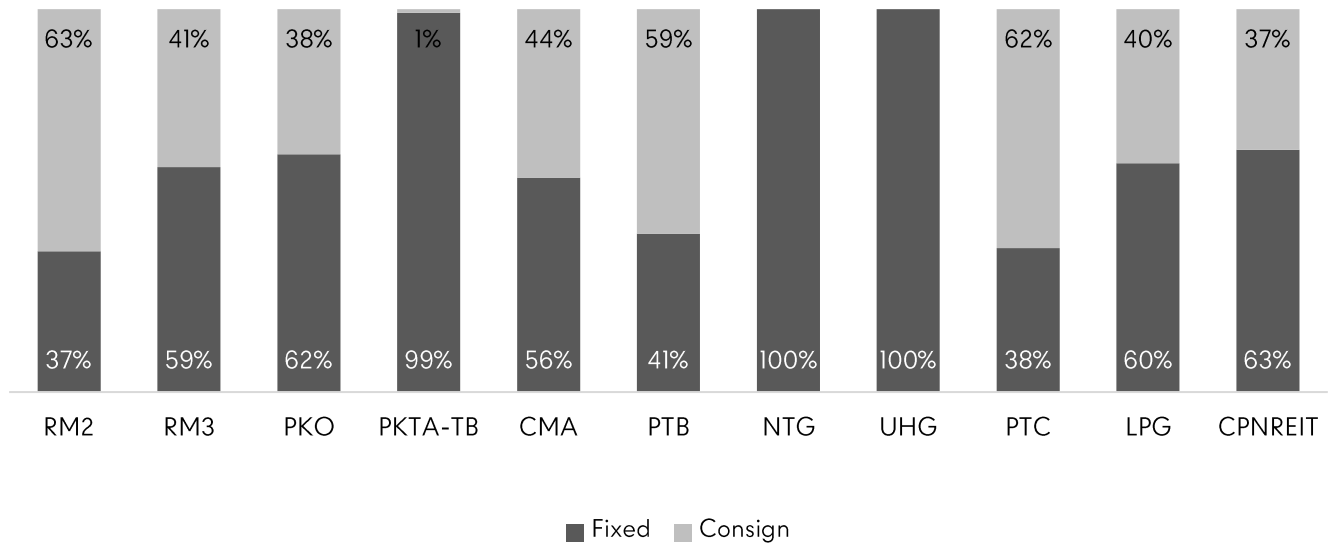
^{/2} excluding meeting room area of 3,068 sq.m.

Table 4: Renewals and New Leases

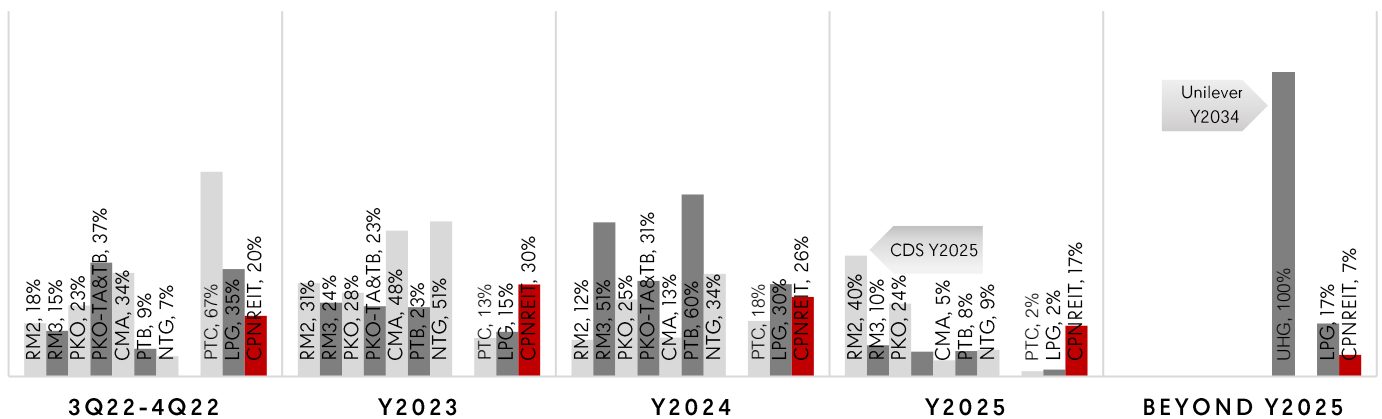
	From 1 April to 30 June 2022		
	Renewals and New Leases ^{/1}		
	No. of Leases	Area (sqm)	%of Total ^{/2}
Central Rama 2	32	4,628	13%
Central Rama 3	13	1,531	7%
Central Pinklao	17	2,107	11%
Pinklao Tower A & Tower B	15	3,888	15%
Central Chiangmai Airport	21	3,065	13%
Central Pattaya	12	1,266	8%
The Ninth Towers	4	1,090	2%
Central Marina	2	558	8%
Central Lampang	9	1,079	9%
Total	125	19,211	9%

Note: ^{/1} Exclude rental agreements < 1 year and Anchor tenants

^{/2} Percentage of leasable area at 30 June 2022

Graph 1: Rental Structure


Note: As at 30 June 2022


Graph 2: Lease Expiry Profile

Note:

1. Percentage of total occupied area as at 30 June 2022
2. Exclude rental agreements < 1 year