



# CPNREIT

ANNUAL REPORT 2017



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## Summary of Financial Statements

378.3

THB Million

### Total income

Property income

377.8

Interest income

0.5

### Total expense

Property expenses

108.6

Interest expense

30.1

Other management fees and expenses

15.9

154.6

THB Million

223.7

THB Million

### Net investment income

Net property income margin

71.3%

Net investment income margin

59.2%

Source : Financial Statements for the period from 29 November (date of incorporation) to 31 December 2017

## Investment in Leasehold Properties at Fair Value

(Unit : THB Million)

CentralPlaza Rama 2	7,186.0
CentralPlaza Rama 3	9,179.0
CentralPlaza Pinklao and Pinklao Tower A & B	5,543.0
CentralPlaza Chiangmai Airport	10,494.0
CentralFestival Pattaya Beach	8,153.8
Hilton Pattaya	3,754.2
<b>Total investment in leasehold properties at fair value</b>	<b>44,310.0</b>

Note : As of 31 December 2017

## Assets

(Unit : THB Million)

Investment in leasehold properties at fair value	44,310.0
Investment in securities at fair value	990.0
Cash on hand and at banks	1,052.4
Other assets	703.2
<b>Total assets</b>	<b>47,055.6</b>

Note : As of 31 December 2017

## Liabilities

(Unit : THB Million)

Deposits received in advance	1,424.1
Borrowings	14,453.7
Other liabilities	1,715.6
<b>Total liabilities</b>	<b>17,593.4</b>

Note : As of 31 December 2017

## Net Assets

Net assets (THB Million)	29,462.1
Net assets value per unit (THB)	13.3164

Note : As of 31 December 2017



## Leasable Area and Occupancy

	Area (sqm)		Occupancy Rate <sup>/1</sup>			
	GFA	NLA	31-Mar-17	30-Jun-17	30-Sep-17	31-Dec-17
CentralPlaza Rama 2	251,182	82,746	84.79%	89.92%	91.75%	93.58%
CentralPlaza Rama 3	169,740	36,285	86.94%	62.65%	58.59%	77.67%
CentralPlaza Pinklao	137,692	27,611	95.66%	95.66%	97.64%	99.18%
Pinklao Tower A & B	50,653	34,031	90.27%	90.04%	84.53%	84.62%
CentralPlaza Chiangmai Airport	122,991	37,490	93.96%	94.07%	93.12%	92.86%
<b>Total/Average</b>	<b>732,258</b>	<b>218,163</b>	<b>88.86%</b>	<b>86.75%</b>	<b>86.00%</b>	<b>90.12%</b>
CentralFestival Pattaya Beach	70,095	29,404	-	-	-	97.57%
<b>Total/Average</b>	<b>802,353</b>	<b>247,567</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>91.01%</b>
Hilton Pattaya	49,686	302 rooms	-	-	-	93.44%

Note : <sup>/1</sup> Anchor and in-line tenants only

## Renewals and New Leases

	From 1 October to 31 December 2017		
	Renewals and New Leases <sup>/1</sup>		
	No. of Leases	Area (sqm)	% of Total <sup>/2</sup>
CentralPlaza Rama 2	89	12,122	33.70%
CentralPlaza Rama 3	38	3,999	24.20%
CentralPlaza Pinklao	7	869	4.50%
Pinklao Tower A & B	14	4,633	16.10%
CentralPlaza Chiangmai Airport	46	1,998	8.20%
CentralFestival Pattaya Beach <sup>/3</sup>	17	2,168	12.00%
<b>Total</b>	<b>211</b>	<b>25,788</b>	<b>18.10%</b>

Note :

<sup>/1</sup> Exclude rental agreements < 1 year

<sup>/2</sup> Percentage of leasable area as at 31 December 2017

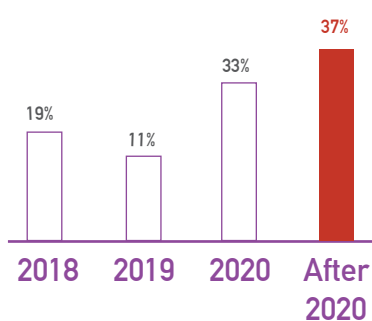
<sup>/3</sup> Renewals and new leases from period of 1 December 2017 – 31 December 2017

## Rental Structure

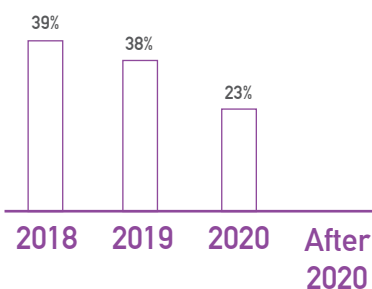
	CentralPlaza Rama 2	CentralPlaza Rama 3	CentralPlaza Pinklao	Pinklao Tower A & B	CentralPlaza Chiangmai Airport	CentralFestival Pattaya Beach	Total
Fixed	43%	58%	68%	100%	66%	52%	60%
Consign	57%	42%	32%	0%	34%	48%	40%

## Lease Expiry Profile

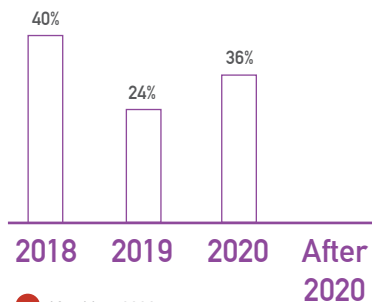
CentralPlaza Rama 2



CentralPlaza Pinklao



CentralPlaza Chiangmai Airport

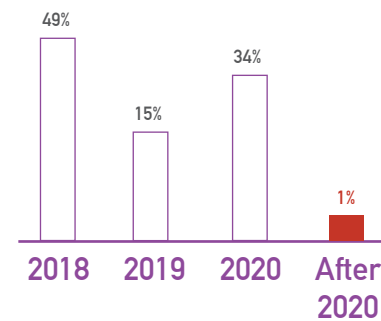


● After Year 2020

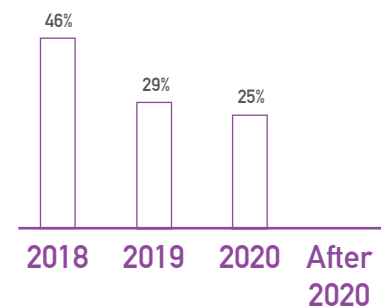
Note : 1. Percentage of total occupied area as at 31 December 2017

2. Exclude rental agreements < 1 year

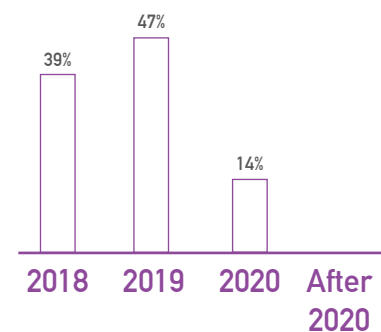
CentralPlaza Rama 3



Pinklao Tower A & B



CentralFestival Pattaya Beach







To All Trust Unitholders,

Year 2017 was a landmark year for CPN Retail Growth Leasehold REIT (“CPNREIT”) due to its great success in the conversion of CPN Retail Growth Leasehold Property Fund (“CPNRF”) into CPNREIT together with investments in additional assets forming the largest REIT in Thailand.

The said conversion provides growth prospect to CPNREIT as CPNREIT can now invest in additional assets, which CPNREIT has invested in CentralFestival Pattaya Beach Project and Hilton Pattaya worth THB 11,908 million in net investment value. These assets are quality assets with high rental and occupancy rate, and are located in Thailand’s major tourist destination. It is anticipated that the investment in Eastern Economic Corridor would enable CentralFestival Pattaya Beach Project and Hilton Pattaya to yield steady returns in the long run, and help mitigate the risk of the Trust Unitholders as CPNREIT has diversified its investments into various locations. Moreover, as the borrowing ceiling of REIT is higher than that of property fund, the REIT Manager can utilize a more efficient capital structure by using debt funding which can lower cost to enhance returns to the Trust Unitholders.

The performance is satisfactory on the existing assets transferred from CPNRF. The occupancy rate on most assets, increased slightly from Quarter 3 of Year 2017, except Central Plaza Rama 3 where the occupancy rate as of December was up by 19% from the end of Quarter 3 as the leasable areas have been gradually opened after a major renovation. It is anticipated that this major renovation would be completed by Quarter 2 of Year 2018.

Lastly, as the Chairman of CPN REIT Management Company Limited, the REIT Manager, I would like to express my gratitude to all Trust Unitholders who supported and made the conversion of CPNRF into CPNREIT a great success. We intend to manage CPNREIT to deliver long-term stable returns to Trust Unitholder, and to create growth prospect as intended in such conversion.

**Charly Madan**

Chairman of the Board of Directors  
CPN REIT Management Company Limited









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REIT Manager

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# REIT Manager

## 1. Information of the REIT Manager

CPN REIT Management Company Limited (the “Company”), which acts as the REIT Manager of CPNREIT, is a limited company incorporated in Thailand on 27 June 2017 with the paid-up capital of THB 10 million, divided into 1,000,000 ordinary shares at a par value of THB 10 per share. The main objective of the Company is to manage the real estate investment trust. Central Pattana Public Company Limited is the major shareholder in the REIT Manager, holding 99.9997 percent of the total issued shares. The key information about the REIT Manager is presented below.

Name of the REIT Manager	CPN REIT Management Company Limited
Head Office Address	999/9, Rama I Road, Pathumwan Sub-district, Pathumwan District, Bangkok
Company Registration Number	0105560104638
Date of Incorporation	27 June 2017
Telephone	02-667-5555 ext. 1660
Registered Capital	THB 10 million
Paid-up Capital	THB 10 million
Number of Issued and Paid-up Shares	1,000,000 shares
Par Value	THB 10
Nature and Scope of Business Operation	Act as the REIT Manager
Major Shareholder (Shareholding)	Central Pattana Public Company Limited (Holding 99.9997 percent)
List of Directors	1. Mr. Charly Madan 2. Ms. Wallaya Chirathivat 3. Ms. Naparat Sriwanvit
Authorized Directors	Ms. Wallaya Chirathivat and Ms. Naparat Sriwanvit jointly sign with the company seal affixed
Accounting Period	1 January – 31 December



## 2. Shareholders of the REIT Manager

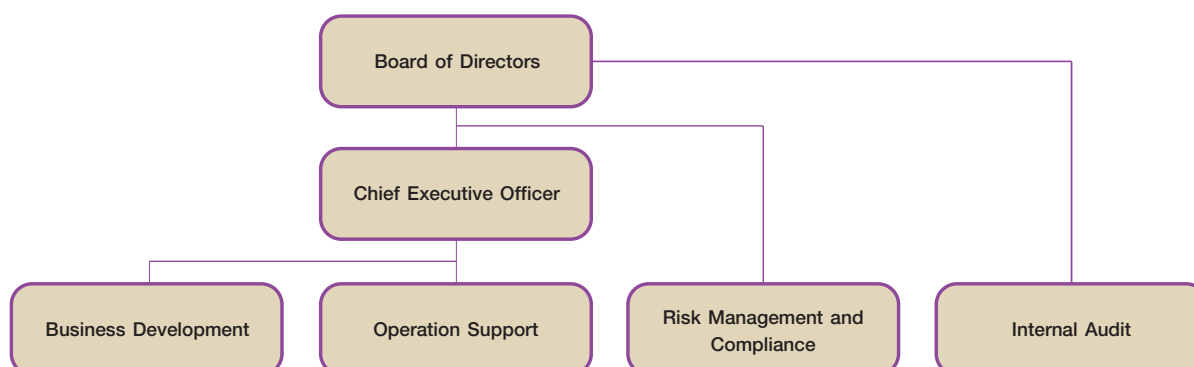
Shareholders of the REIT Manager as of 31 December 2017 were listed as follows:

List of Shareholders	Number of Shares Held (share)	Shareholding (percent)
1. Central Pattana Public Company Limited	999,997	99.9997
2. Mr. Kobchai Chirathivat	1	0.0001
3. Ms. Wallaya Chirathivat	1	0.0001
4. Mr. Chanavat Uahwatanasakul	1	0.0001
<b>Total</b>	<b>1,000,000</b>	<b>100.0000</b>

## 3. Management Structure of the REIT Manager

### 3.1 Management Structure

The Company has the management structure as REIT Manager, which comprises the Board of Directors and departments as follows :



### 3.2 List of the Directors

The Board of Directors consists of 3 directors as follows:

1	<p><b>Mr. Charly Madan</b> Independent Director</p> <p><b>Education</b></p> <ul style="list-style-type: none"><li>- Master of Business Administration, Sasin Graduate Institute of Business Administration of Chulalongkorn University</li><li>- Bachelor of Business Administration, Assumption University</li></ul> <p><b>Work Experience</b></p> <ul style="list-style-type: none"><li>- 2015 - 2017 Chief Financial Officer and Chief Risk Officer Pruksa Real Estate Public Company Limited</li><li>- 2012 - 2014 Chief Executive &amp; Head of International Banking, The Royal Bank of Scotland</li></ul>
2	<p><b>Ms. Wallaya Chirathivat</b> Director</p> <p><b>Education</b></p> <ul style="list-style-type: none"><li>- Master of Business Administration, University of Hartford</li><li>- Bachelor of Business Administration, University of California, Los Angeles</li></ul> <p><b>Work Experience</b></p> <ul style="list-style-type: none"><li>- 2011 - present Senior Executive Vice President, Business Development and Project Construction, Central Pattana Public Company Limited</li><li>- 2005 - 2011 Executive Vice President, Business Development and Project Construction, Central Pattana Public Company Limited</li></ul>
3	<p><b>Ms. Naparat Sriwanvit</b> Director</p> <p><b>Education</b></p> <ul style="list-style-type: none"><li>- Master of Business Administration, Thammasat University</li><li>- Bachelor of Accountancy, Chulalongkorn University</li></ul> <p><b>Work Experience</b></p> <ul style="list-style-type: none"><li>- 2014 - present Senior Executive Vice President, Finance, Accounting and Risk Management, Central Pattana Public Company Limited</li><li>- 2013 - 2014 Executive Vice President, Finance, Accounting and Risk Management, Central Pattana Public Company Limited</li></ul>

### 3.3 Roles, Duties, and Responsibilities of the Board of Directors

The REIT Manager shall have a board comprising not less than 3 qualified directors. At least one-third of the total directors of the Company shall be the independent directors with the qualifications in accordance with the criteria specified in the Notification of the Capital Market Supervisory Board regarding Application for and Approval of Offer for Sale of Newly Issued Shares.

#### 3.3.1 Duties and Responsibilities of the Board of Directors to the Company



- 1) To perform the duties in accordance with laws, objectives and Company's bylaws, as well as the resolutions of the Board of Directors and shareholders' meetings with good faith, prudence, and fairness to the shareholders of the Company and unitholders of CPNREIT whereas such performance of duties shall not contradict the duties of the Company as the REIT Manager.
- 2) To define the operating policy of the Company, oversee, and supervise the executives of the Company to perform the actions in conformity with the policy and regulations under the principles of good corporate governance.
- 3) To approve the financial statements of the REIT Manager, and to report the operating performance of the Company to the shareholders.
- 4) To oversee and control every department of the Company to operate with the fair and equitable treatment to the stakeholders.
- 5) To consider and propose the crucial meeting agenda item which should be considered by the Board of Directors, but has not yet been included in the agenda items of the meeting of the Board of Directors.
- 6) To consider, select, and appoint the directors of the Company to replace those are vacated from office, as well as to select and propose the appointment of additional directors to the shareholders of the Company.
- 7) To consider and approve the key matters related to the operation of the Company, e.g. dividend payment to the shareholders, arrangement of the shareholders' meeting as required by law, annual audit plan, selection, appointment, and remuneration of the auditors of the Company, etc.
- 8) To provide the information about the business operation of the Company, as well as relevant laws, notifications, criteria, and regulations to the new directors of the Company.
- 9) To convene at least 4 meetings of the Board of Directors in each year, and the attendance by more than half of the total directors shall constitute a quorum. The resolution of the board meeting shall be passed by the majority votes of the directors present at the meeting. A director with conflict of interest in that particular matter is not eligible to vote.



- 10) To arrange to have the Company Secretary with the duties of proposing the meeting agenda items presented by each department, and of preparing the minutes of meeting of the Board of Directors and other related supporting documents.
- 11) To evaluate the performance of the Chief Executive Officer. If the Chief Executive Officer also holds directorship, the director who holds the position of the Chief Executive Officer shall not be involved in considering and making decision on such evaluation.

### **3.3.2 Duties and Responsibilities of the Board of Directors to CPNREIT**

- 1) To consider and approve the crucial policies for the management of CPNREIT, e.g. policy of management of CPNREIT, the management of CPNREIT's capital structure, investment policy of real properties, and policy of procurement of benefits from real properties, etc., which shall be implemented by the relevant departments.
- 2) To consider and approve the investment in or the acquisition of real properties or leasehold rights in real properties in the first and additional investment in order to procure the benefits from those real properties or from the leasehold rights of such real properties as well as to supervise to ensure that those matters are in accordance with the policy of the REIT Manager, Trust Deed, REIT Manager Appointment Agreement, filing, prospectus, regulations, relevant laws, and notifications, which may be amended, and to approve the capital increase of CPNREIT as well as to file for any related permissions.
- 3) To consider and approve the disposal of core properties and equipment of CPNREIT to be in line with the policy of the REIT Manager, Trust Deed, REIT Manager Appointment Agreement, filing, prospectus, regulations, relevant laws, and notifications, which may be amended.
- 4) To consider and approve the risk management and control policy related to the management of CPNREIT which shall be implemented by the relevant departments.
- 5) To consider and approve the policies, code of conducts, and procedures to manage any related conflicts of interest, especially between CPNREIT and the REIT Manager and connected persons of the REIT Manager. This includes the measures or guidelines to sustain the maximum interest of CPNREIT or the trust unitholders as a whole upon the occurrence of a conflict of interest.
- 6) To consider and approve the transactions to be entered into between CPNREIT and the connected persons to ensure that it complies with the criteria stipulated and notifications, which may be amended.
- 7) To consider and select the Chief Executive Officer to manage CPNREIT.

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- 8) To consider and approve the appointment of the Property Manager to be further approved by the Trustee.
  - 9) To consider and approve the work performance of the Property Manager to be further acknowledged by the Trustee.
  - 10) To consider, select, and approve the lease of the core properties to the sub-lessee that shall be further submitted to the Trustee for approval.
  - 11) To consider and approve the work systems to be outsourced to the service providers under the relevant regulations, as well as to select such outsourced service providers to be acknowledged by the Trustee.
  - 12) To consider and approve the engagement of advisors related to the management of CPNREIT to be acknowledged by the Trustee.
  - 13) To monitor and supervise the performance of the REIT Manager and its delegated persons to ensure that their performance is in line with the policy of the REIT Manager, Trust Deed, REIT Manager Appointment Agreement, filing, prospectus, regulations, relevant laws, and notifications, which may be amended, as well as the reporting of important matters to the Board of Directors on every quarter or when it deems appropriate, and the performance evaluation of the Chief Executive Officer.
  - 14) To consider and approve the annual budget.
  - 15) To consider and approve the special expenses and/or capital expenditure budget beyond the annual budget.
  - 16) To supervise the reporting of internal audit outcome (if any) in accordance with the defined plan and criteria.
  - 17) To consider and approve the operating performance and the distribution payment to the trust unitholders.
  - 18) To consider and approve the arrangement of the annual general meeting of trust unitholders or when it deems appropriate, which is beneficial to the management of CPNREIT, or when the trust unitholders jointly holding not less than 10 percent of the total issued unit trusts sign to submit a notice calling the unitholders' meeting in which the rationale of such meeting call is specified clearly.
  - 19) To consider and approve the guideline of settling the significant disputes and complaints related to the operation of CPNREIT as it deems necessary and appropriate to ensure that the complaints and disputes related to the operation of CPNREIT filed by the third persons or trust unitholders are solved or undertaken in other ways in accordance with the relevant laws, requirements, resolutions of the unitholders' meeting, Trust Deed, REIT Manager Appointment Agreement, filing, and prospectus.

- 20) The Board of Directors of the REIT Manager may delegate one director or several directors or the other person to take an action on behalf of the Board, but such delegation excludes the delegation or the sub-delegation that shall enable the director or the person authorized by such director to approve the transaction in which he or she may have the conflict of interest, or benefit in other manner that contradicts the benefit of CPNREIT.
- 21) To consider and approve the legal proceedings for the disputes occurred.

### 3.3.3 Duties and Responsibilities of the Independent Directors

The REIT Manager is required to have the independent director(s) as an integral part of the Board of Directors. An independent director shall have knowledge and skills beneficial to the business of the Company. He or she shall have the duties of monitoring, supervising, and examining the performance of the executives and departments of the REIT Manager to ensure that it conforms to the principle of good corporate governance; of giving opinion and support to the policy beneficial to CPNREIT and/or trust unitholders; or of raising an objection when it appears that the REIT Manager may make decision that may cause adverse effect to CPNREIT and/or trust unitholders. The independent director must be neither under control of the executives or major shareholders of the Company, nor involved or have the interest with the decision on operation of the REIT Manager and CPNREIT. The roles, duties, and responsibilities of the independent director are as follows:

- 1) To give opinion or remarks on the transactions made with the connected persons of CPNREIT, or those with potential conflicts of interest, as well as the acquisition or disposal of material assets for benefits of the trust unitholders.
- 2) To give advice or opinion toward important matters, e.g. capital structure, policy of the REIT Manager, operation control policy, etc.
- 3) To give opinion about the risk management and control policy, as well as the risk control or mitigation criteria and methods.
- 4) To recommend or advise in the board meeting of the REIT Manager on important matters that should be considered, e.g. investment in core properties, consideration of complaints, consideration of legal disputes, change of the sub-lessees of the core properties of CPNREIT or the Property Manager (if any), as well as to provide advice or opinion on the matters in which the independent director has the special expertise or experience and related to the management of CPNREIT.
- 5) To consider, supervise, and advise the REIT Manager on the preparation of the financial statements of the REIT Manager and CPNREIT to ensure that they are complete and accurate.
- 6) To recommend the important matters that should be considered in the board meeting of the REIT Manager.





- 7) To appoint, monitor, examine, and give advice or opinion about the operation plan, evaluate the work performance, and give advice or opinion about the work performance of the internal auditor (if any), as well as to propose and provide opinion about the internal audit report in the board meeting of the REIT Manager.
- 8) To consider the arrangement of internal audit if it deems appropriate.
- 9) To ensure that the advisor(s) to the Board of Directors of the REIT Manager shall not attend the meeting where the issues in which the advisor may have the conflict of interest are considered.
- 10) To perform other actions assigned by the Board of Directors of the REIT Manager and beneficial to CPNREIT.

According to the roles, duties, and responsibilities of the independent director specified above, the relevant departments shall regularly submit their reports to the independent director for consideration and acknowledgement. They shall also give advice on the connected transactions or transaction that may have the conflict of interest with CPNREIT, weakness of the internal control, improvement of the internal control, performance of duties as the REIT Manager, and progress of improvement.

To select the independent director, the REIT Manager determines that the independent director shall hold at least the following qualifications :

- 1) Holding not more than 1 percent of the total eligible voting shares of the REIT Manager, parent company, subsidiaries, affiliates, major shareholders, or controlling persons of the REIT Manager or its connected persons, which shall be inclusive of the shares held by persons related to such independent director under Section 258 of the Securities Act;
- 2) Not being or having been a director participating in management, or not being an employee, a staff member, an advisor who receives a regular salary, or a controlling person of the REIT Manager, parent company, subsidiaries, affiliates, same-level subsidiaries, major shareholder, controlling person of the REIT Manager, or connected person both at present and at least 2 years prior to taking the independent directorship;
- 3) Not having relationship by blood or legal registration in a way that makes the independent director being a parent, spouse, sibling, and children, including spouse of the children of directors, executives, major shareholders, controlling persons, or nominated persons to be directors, executives, or controlling persons of the REIT Manager or subsidiaries;

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- 4) Neither having nor having had business relationship with the REIT Manager, parent company, subsidiaries, affiliates, major shareholders, controlling persons of the REIT Manager, or juristic persons with conflict of interest in a way which may obstruct his independent judgment, or not being significant shareholders, non-independent directors, or management having business relationship with the REIT Manager, parent company, subsidiaries, affiliates, major shareholders, or juristic persons who may be the connected persons both at present and at least 2 years prior to taking the independent directorship;
  - 5) Neither being nor having been the auditor of the REIT Manager, parent company, subsidiaries, affiliates, major shareholders, or controlling persons of the REIT Manager or juristic persons who may be the connected persons, and nor being a significant shareholder, a controlling person of the REIT Manager, a non-independent director, management, or a partner of the audit firm which employs the auditor of the REIT Manager, parent company, subsidiaries, affiliates, major shareholders, or controlling persons of the REIT Manager or juristic persons who may be the connected persons both at present and at least 2 years prior to taking the independent directorship;
  - 6) Neither being nor having been any professional service provider including legal or financial advisor who receives the annual service fee in the amount of more than THB 2 million from the REIT Manager, parent company, subsidiaries, affiliates, major shareholders, or controlling persons of the REIT Manager or juristic persons who may be the connected persons, and nor being a significant shareholder, a controlling person, a non-independent director, management, or partner of such professional service provider both at present and at least 2 years prior to taking the independent directorship ;
  - 7) Not representing a director of the REIT Manager, major shareholders, or shareholders connecting to the major shareholders;
  - 8) Not operating business with the same nature and in competition with the REIT Manager, or its subsidiaries, nor being a significant partner in a partnership or a director involved in administration or an employee, officer, salaried advisor or holding shares more than 1 percent of the total shares with voting rights of other company with the same nature and in competition with the REIT Manager or its subsidiaries;
  - 9) Not being a person in the list made by the Stock Exchange of Thailand stating that such person shall not be an executive or management in accordance with the requirement of the Stock Exchange of Thailand and/or not having prohibited characteristics as specified in the Notification of the Capital Market Supervisory Board concerning the Prohibited Characteristics of Personnel in Capital Market Industry, mutatis mutandis under Clause 12(4) of the Notification of the Office of the Securities and Exchange Commission No. SorChor. 29/2555 Re: Rules, Conditions and Procedures for the Approval of REIT Manager and Standard Conduct and its amendments or under other regulations to be further changed by the Office of the SEC ;

- 10) Having never been under court ruling that he or she has breached or violated the Securities and Exchange laws including any laws related to fund management business, securities and creditancier business, banking, insurance, money laundering, and/or any other financial business prescribed by relevant authorities in any jurisdictions, either Thailand or others; provided that such breach or violation shall be unfair trade practices in connection with securities trading, or fraud, bad faith in managing the Company ; and
- 11) Having no other things restricting him or her from giving opinions independently in connection with the operation of the REIT Manager.



In this respect, the terms “parent company”, “subsidiary”, “same-level subsidiary”, “affiliate”, “connected person”, “management”, “major shareholder”, “controlling person”, and “person with conflict of interest” shall have the same definitions to such terms as defined in the Notification of the Capital Market Supervisory Board regarding Application for and Approval of Offer for Sale of Newly Issued Shares.

The Board of Directors of the REIT Manager and the independent director shall have the duties of supervising and providing necessary advice to the REIT Manager; meanwhile, the Chief Executive Officer shall have the authorities, duties, and responsibilities in controlling, monitoring, and overseeing the management of the REIT Manager to ensure that the performance of duties as the REIT Manager conforms to the established policy, Trust Deed, REIT Manager Appointment Agreement, Registration Statement, prospectus, regulations, and relevant laws regarding management of CPNREIT. The REIT Manager formulates the duties and responsibilities of the Chief Executive Officer as described below.

#### **3.3.4 Duties and Responsibilities of the Chief Executive Officer**

The Chief Executive Officer shall have the authorities, duties, and responsibilities in controlling, monitoring, and overseeing the operation of the REIT Manager as follows :

- 1) To formulate the operation plan in the management of CPNREIT, management of the capital structure, decision-making on investment, establishment of the strategy and policy for selection and procurement of benefits from real properties under the policy of the REIT Manager ;
- 2) To consider and approve the audit plan, and to review the annual operation ;
- 3) To consider, select, and approve the employment, and approve the termination of employment, as well as other matters related to the employment of personnel by the REIT Manager ;

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- 4) To oversee the operation and/or daily management as the REIT Manager, as well as to supervise the overall operation of the REIT Manager, and evaluate the work performance of the personnel of the REIT Manager to ensure that it conforms to the corporate governance policy defined by the REIT Manager, resolutions of the Board of Directors of the REIT Manager, Trust Deed, REIT Manager Appointment Agreement, filing, prospectus, regulations, resolutions of the unitholders' meeting, and laws related to the operation of the REIT Manager;
  - 5) To consider and approve the disclosure of information connected to the REIT Manager and the operation of CPNREIT;
  - 6) To consider and approve the legal proceedings suitable to the disputes occurred which are significant and under authority limit of the Chief Executive Officer;
  - 7) To represent the REIT Manager, and to have the authority to assign other persons to contact with the relevant government agencies and supervisory authorities;
  - 8) To have the authority to issue, amend, add, or revise the rules, orders, and regulations in connection with the working of the REIT Manager under the policy given by the Board of Directors;
  - 9) To have any authorities, duties, and responsibilities in accordance with the assignment or policy given by the Board of Directors of the REIT Manager; and
  - 10) To have the authority in granting the sub-delegation and/or to assign other persons to perform any particular work on behalf of him/her. Such sub-delegation and/or assignment shall be under the scope of delegation as stated in the Power of Attorney and/or in accordance with rules, regulations, or orders stipulated by the Board of Directors of the REIT Manager. In this regard, the authorization of the duties and responsibilities by the Chief Executive Officer must not be in the manner of granting the delegation or the sub-delegation which enables the Chief Executive Officer or such person delegated by the Chief Executive Officer to approve the transactions in which he/she or the person who may have conflict or interest, or receive the benefits in any way or may have other conflicts of interest with CPNREIT.



## List and Profile of the Management

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### **Ms. Pirinee Pringsulaka**

Chief Executive Officer and Head of Business Development Department

#### **Education**

- Master of Science in Finance, University of Illinois at Urbana - Champaign
- Master of Arts in International Economics and Finance, Chulalongkorn University
- Bachelor of Business Administration in International Business Management, Chulalongkorn University

#### **Work Experience**

- 2006 - 2017 Senior Vice President, Corporate Finance, Central Pattana Public Company Limited
- 2005 - 2006 Manager, Investment Banking, Equity Capital Markets  
DBS Vickers Securities (Thailand) Company Limited

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### **Ms. Prapairat Teekaput**

Vice President of Risk Management and Compliance Department

#### **Education**

- Master of Accountancy, Ramkhamhaeng University
- Bachelor of Accountancy, Ramkhamhaeng University

#### **Work Experience**

- 2008 - 2017 Senior Manager, Risk Management Department  
Central Pattana Public Company Limited
- 1996 - 2007 Manager, Accounting Department  
Central Pattana Public Company Limited

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### **Ms. Khemploy Tonsakulrungruang**

Vice President of Operation Support Department

#### **Education**

- Master of Business Administration, London Business School
- Bachelor of Accountancy, Chulalongkorn University

#### **Work Experience**

- 2016 - 2017 Manager, Corporate Finance  
Central Pattana Public Company Limited
- 2009 - 2014 Audit Assistant Manager  
PricewaterhouseCoopers ABAS Limited

## Personnel of the REIT Manager

The REIT Manager comprises 5 staff members in total as listed below.

Department	Number of Staff Members	Key Responsible Persons	Work Experience
<b>Business Development</b>	2	Ms. Pirinee Pringsulaka  Ms. Nattiya Pholvarin	<ul style="list-style-type: none"> <li>- Senior Vice President, Corporate Finance, Central Pattana Public Company Limited (2006 - 2017)</li> <li>- Manager, Investment Banking, Equity Capital Markets, DBS Vickers Securities (Thailand)</li> <li>- Assistant Manager, Corporate Finance, Central Pattana Public Company Limited (2011 - 2017)</li> </ul>
<b>Operation Support</b>	2	Ms. Khemploy Tonsakulrungruang  Ms. Untika Godard	<ul style="list-style-type: none"> <li>- Manager, Corporate Finance, Central Pattana Public Company Limited (2016 - 2017)</li> <li>- Audit Assistant Manager PricewaterhouseCoopers ABAS Limited (2009 - 2014)</li> <li>- Assistant Manager, Fund Account, Ticon Industrial Connection Public Company Limited (2013 - 2017)</li> <li>- Senior Accountant, Golden Land Propety Development Public Company Limited (2006 - 2013)</li> </ul>
<b>Risk Management and Compliance</b>	1	Ms. Prapairat Teekaput	<ul style="list-style-type: none"> <li>- Senior Manager, Risk Management, Central Pattana Public Company Limited (2008 - 2017)</li> <li>- Manager, Accounting Department, Central Pattana Public Company Limited (1996 - 2007)</li> </ul>

## 4. Duties of the REIT Manager

The REIT Manager has the primary duty and responsibility to manage CPNREIT entrusted by the Trustee, as well as to invest in the properties of CPNREIT. The REIT Manager shall perform its functions under supervision of the Trustee with the following scope of authority, duties, and responsibilities.

### 4.1 Duties to CPNREIT

4.1.1 The REIT Manager shall conform to the principle of business conduct as follows:

- 1) To perform its duties with knowledge and skills that may reasonably be expected as a professional, and with care and integrity. In this regard, the REIT Manager shall treat the trust unitholders fairly for the best interest of the trust unitholders as a whole. Additionally, the REIT Manager shall comply with the Trust Deed, REIT Manager Appointment Agreement, objectives of establishing CPNREIT, resolutions of the trust unitholders, and relevant laws.
- 2) To maintain sufficient capital to operate the business, and to compensate for any detriment, which may occur from performing the duties as the REIT Manager.
- 3) To disclose, give opinion, or provide important and relevant information which is sufficient for making investment decision by the investors. In this regard, such information must be clearly communicated, not be distorted, and not misleading.
- 4) Not to exploit any information gained from performing the duties of the REIT Manager for its own interest, or in manner of damage or impact to the interests of CPNREIT.
- 5) To perform its duties with prudence to avoid conflicts of interest. In the event of conflicts, the REIT Manager shall perform the actions to ensure that the investors shall be treated fairly and appropriately.
- 6) To comply with the securities laws and other relevant laws on the operation of CPNREIT, code of ethics, and standards of professional conduct as defined by associations related to securities business or by organizations in connection with securities business recognized by the Office of the SEC, mutatis mutandis. In addition, the REIT Manager shall not conspire, employ, or collaborate with anyone to violate such laws or regulations.
- 7) To cooperate with the Trustee or the Office of the SEC in performing their duties, and to disclose information which may significantly affect the management of CPNREIT or other information they should be notified.

4.1.2 The REIT Manager shall arrange to have proper operation procedures, including an efficient check and balance system, in place, to support the work under its responsibility entirely. To ensure proper and efficient management of CPNREIT entrusted by the Trustee, the operation procedures shall at least cover the following issues :

- 1) The determination of the management policy of CPNREIT, structuring of the investment capital of CPNREIT, and formation of policy and strategy relating to the procurement of benefits from core properties in order that the management of investment entrusted by the Trustee is under prudence, care, and in conformation to the investment policy stipulated in the Trust Deed, and in compliance with securities laws and relevant laws on the operation of CPNREIT, as well as to protect the interest of CPNREIT and the trust unitholders as a whole.
- 2) A system to manage the risks associated with the management of CPNREIT as assigned so as to prevent and mitigate the risks effectively.
- 3) system to prevent the conflicts of interest, especially between CPNREIT and the REIT Manager and connected persons with the REIT Manager, including measures or guidelines of keeping the best interest of CPNREIT or the trust unitholders as a whole, when a conflict of interest is inevitable.
- 4) Selection of personnel of the REIT Manager and service providers for functions related to the operation of CPNREIT (if any) to ensure that the knowledgeable and skilled personnel with appropriate qualifications are suitable to the nature of work allocated to them.
- 5) Supervision of performance of the REIT Manager and related personnel including the service providers of outsourced functions related to the management of CPNREIT to ensure the compliance with the securities laws, relevant laws, and Trust Deed.
- 6) Disclosure of complete, accurate, and adequate information of CPNREIT in compliance with the provisions stipulated in the Trust Deed and securities laws.
- 7) A back office system.
- 8) An internal audit and control system.
- 9) Investor relation, and handling of investors' complaints.
- 10) Handling of legal disputes.

The REIT Manager may assign other persons to proceed with the issues related to management as the REIT Manager provided that such assignment is in accordance with the established criteria.

4.1.3 The REIT Manager may assign other persons to proceed with the issues related to management and operation of the REIT Manager as it deems necessary in order to enhance the effectiveness of the REIT Manager's operation. The outsource must be under established criteria.



- 4.1.4 The REIT Manager shall prepare financial statements of CPNREIT in accordance with financial reporting standards as stipulated by the law on accounting profession, and submit such financial statements to the Office of the SEC within three months from the end of each fiscal year.
- 4.1.5 The REIT Manager shall not undertake any actions that may restrain the Trustee from performing its duties independently; for instance, investing in real properties owned or possessed by the connected persons of the Trustee.
- 4.1.6 The REIT Manager shall procure liability insurance possibly occurred from the performance of its functions as the REIT Manager, as well as the performance of its directors, executives, and personnel, throughout the terms of the Trust Deed, which is in accordance with the operating procedures of the REIT Manager.
- 4.1.7 The REIT Manager shall convene the unitholders' meetings to consider and vote for issues specified in the Trust Deed such as amendment of the Trust Deed, capital increase of CPNREIT, change of the Trustee, etc.
- 4.1.8 In case where an advisor is appointed to provide advice or recommendations related to investment and management in real properties, the REIT Manager shall act in accordance with the following regulations :
- 1) Arrange for the advisor to declare his/her conflicts of interest in issues under consideration ; and
  - 2) Not allow the advisor with direct or indirect conflicts of interest in issues under consideration gets involved in the decision making on such issues.
- 4.1.9 For transactions related to real properties for CPNREIT, the REIT Manager shall comply with the following criteria :
- 1) To proceed to ensure that the sales, disposal of, transfer of real properties, or entering into an agreement relating to real properties for CPNREIT is done appropriately and is enforceable by law.
  - 2) To proceed to ensure that the investment in real properties of CPNREIT is done appropriately, and to perform at least the following actions :
    - a) To conduct self-assessment on preparedness to manage the investment in that property before accepting the assignment as the REIT Manager or before making any additional investment in such real properties for CPNREIT, as the case may be.
    - b) To carry out an analysis and feasibility study, and to undertake due diligence for the real properties including the assessment of various risks that may arise from the investment in those real properties together with the risk management guideline. Such risk exposures shall include the risk associated with the development or construction of real properties (if any) such as risk from the delayed construction and the inability to procure benefits from real properties, etc.

- 4.1.10 To arrange for the core properties invested by CPNREIT to be appraised by an appraisal company authorized by the Office of the SEC in accordance with the relevant laws, under the regulations stipulated in the Trust Deed and relevant laws; for example, appraisal prior to an acquisition or disposal of the core properties of CPNREIT, review of the appraised value of the core properties of CPNREIT, periodical appraisal of the value of the core properties in compliance with the relevant laws, etc.
- 4.1.11 To arrange for the properties to be invested by CPNREIT to be professionally examined and reviewed in accordance with the relevant laws including the condition of the property, capability of the counterparty of agreement, financial and legal information, appropriateness of other aspects, etc., which shall be used to support decision-making on investment and information disclosure of CPNREIT. Under any circumstance where the REIT Manager is unable to perform its duty, the Trustee shall manage CPNREIT as deemed necessary in order to prevent, refrain, or limit any severe damage to the interest of CPNREIT or the entire unitholders. In this regard, the Trustee may appoint other person to manage CPNREIT instead during such period.
- 4.1.12 To perform any actions to acquire the core properties or real properties to be additionally invested by CPNREIT within 60 (sixty) days from the complete establishment of CPNREIT in case of IPO; or from the closing date of the offering of trust units in case of offering of trust units for capital increase of CPNREIT.
- 4.1.13 The property investment shall apply to the acquisition of ownership or possessory right of the property only. In case of possessory right, it shall be the acquisition of document of entitlement in the form of Nor.Sor.3 Kor or the acquisition of leasehold right with the document of ownership or document of possessory right in the form of Nor.Sor. 3 Kor only.
- 4.1.14 The real properties acquired shall not be under the enforcement of real rights, or have any disputes unless the REIT Manager and the Trustee have provided the opinion in writing that such enforcement of real right or disputes do not have any significant impact on the provision for benefits from such properties and the conditions for the acquisition of such properties are still beneficial to the trust unitholders as a whole.
- 4.1.15 The agreement pertaining to the acquisition of real properties shall not have any provision or obligation that may obstruct CPNREIT to sell such real properties at a fair price at the time of selling, such as the agreement granting the right of first refusal to the counterparty in purchasing property from CPNREIT with the purchasing price fixed in advance; or may cause CPNREIT to bear more responsibility than what should be under normal situation when the lease agreement expires.

- 4.1.16 To arrange for CPNREIT to maintain non-life insurance or insurance covering benefits of the trust unitholders similar to or replacing the non-life insurance against damage caused by the core properties as mutually agreed by the counterparty and not contrary to the relevant laws, third party liability insurance against damage caused by the core properties or operations related to the core properties. Such insurance shall be procured from an acceptable insurer with an insured sum at least sufficient and appropriate for the provision for benefits from the core properties.
- 4.1.17 To provide opinion on transactions related to the acquisition of the core properties together with rationale and related supporting information in the document seeking approval from the trust unitholders or the invitation letter calling the unitholders' meeting to consider capital increase for additional investment in the core properties by CPNREIT.
- 4.1.18 Upon disposal of the core properties, to arrange for an appraisal company to appraise the value of the core properties, call the unitholders' meeting for approval resolution, obtain consent from the Trustee, and disclose the information according to the regulations specified in the Trust Deed and the relevant laws.
- 4.1.19 In case of a change in the REIT Manager, to arrange the new REIT Manager to agree to perform the duties in accordance with the Trust Deed and relevant laws, except in the case where the unitholders' meeting passes the resolution of appointing a new REIT manager as nominated by the Trustee since the REIT Manager is unable to seek for any person to replace it within the specified period. Meanwhile, the former REIT Manager shall provide necessary cooperation to ensure successful handover of the works.
- 4.1.20 In case of a modification or an amendment of the Trust Deed, the REIT Manager shall oversee to ensure that the modification or amendment is in line with the conditions and methods specified in the Trust Deed and relevant laws. Following the completion of the modification or amendment, the REIT Manager shall submit a copy of the new Trust Deed to the Office of the SEC within 15 days from the signing date or the date on which the Trust Deed is modified or amended (as the case may be).
- 4.1.21 In case of a change in Trustee, the REIT Manager shall notify the trust unitholders and the Office of the SEC of such change within the time frame specified in the Trust Deed.
- 4.1.22 To apply for approval to offer the units of CPNREIT in case of capital increase by filing related documents and evidence, and duly certifying correctness and completeness of the information regarding the performance of its functions in the filings.
- 4.1.23 To give opinion on the ability of the revenue guarantor in honoring the obligations under the guarantee of revenue agreement (if any).
- 4.1.24 To proceed to list the sold units or newly issued units (in case of capital increase) on the Stock Exchange of Thailand within 45 days from the closing date of unit offering.
- 4.1.25 To proceed to allocate the units to any person or a group of persons in accordance with the ratio and rules stipulated by the relevant laws and regulations.

## 4.2 Duties in the Management of CPNREIT and Properties of CPNREIT

- 4.2.1 To give opinion to the relevant competent officers regarding the qualifications and characteristics of real properties invested by CPNREIT upon request.
- 4.2.2 To oversee and manage the core properties including the procurement of benefits from such core properties, emergency management, and renovation of the properties as deemed necessary. In case of major renovation, prior notice to the Trustee is required.
- 4.2.3 To arrange for the core properties to be renovated, restored, and modified as deemed necessary and appropriate without violating or contradicting the Trust Deed and relevant laws including the land lease agreement made with the owner of the land where the core properties are located and its amendments, and the real property sublease agreement, and other related movable property lease agreement with the sub-lessee of the core properties. In this regard, prior notice to the Trustee is required.
- 4.2.4 To supervise and monitor the sub-lessee to manage, renovate, improve, and maintain the core properties to ensure that they are always in good conditions and ready for use to procure the benefits as specified in the annual actions plan, Trust Deed, and relevant laws.
- 4.2.5 To manage and procure the benefits from other properties of CPNREIT apart from the core properties, and undertake any necessary actions to ensure that the management of other properties of CPNREIT is in compliance with the annual action plan, Trust Deed, and relevant laws.
- 4.2.6 To facilitate the examination of the core properties by CPNREIT or other persons designated by the Trustee within the working dates and hours of the REIT Manager. In this regard, the REIT Manager shall also give information and testimony and/or deliver any documents (except for information and testimony and/or any documents related to the property rights of the REIT Manager or its subsidiaries) upon request of the Trustee as deemed necessary and appropriate.
- 4.2.7 To facilitate the survey of properties of CPNREIT for value appraisal by the property appraisal company or other persons designated by such property appraisal company. The REIT Manager shall also give information and testimony and/or deliver any documents (except for the information and testimony and/or any documents related to the property rights of the REIT Manager or its subsidiaries) upon request of the property appraisal company as deemed necessary and appropriate.
- 4.2.8 To arrange to have any documents related or relevant to the core properties possessed by the REIT Manager and/or possessed by CPNREIT, including any accounting documents and evidence related or relevant to CPNREIT for the Trustee or the persons designated by the Trustee and/or the auditors to examine within the working dates and hours of the REIT Manager. The REIT Manager shall also deliver any documents related or relevant to CPNREIT requested by the Trustee or the persons designated by the Trustee and/or the auditors (as the case may be) within 15 business days from the date on which such request is acknowledged or should be acknowledged, except on reasonable ground or otherwise agreed by the counterparty of the agreement.





- 4.2.9 To control, supervise, and monitor the sub-lessee of the core properties, and to cooperate with the Trustee and/or the sub-lessee of such core properties to enable the Trustee and/or the sub-lessee of the core properties to pay fees and property tax (or any other similar taxes) arising from the core properties; and to contact, coordinate, provide information, submit documents, and pay withholding taxes deducted by the Trustee and/or any other taxes related to the management of the REIT Manager to relevant competent officers.
- 4.2.10 To control, supervise, and monitor the sub-lessee of the core properties to perform its duties as specified in the subleasing agreements and other related agreements, Trust Deed, and relevant laws.
- 4.2.11 To notify the Trustee of the following issues in due time: (a) existence of any damage or defect of the core properties including other equipment and facilities or upon occurrence of the event that will result in the reduction in the value of the core properties significantly; and (b) there is a material breach of agreement by the sub-lessee of the core properties.
- 4.2.12 To undertake any other actions as CPNREIT deems necessary and appropriate to ensure that the core properties are in good condition and ready for procuring the benefits or exactly in line with the objectives of the REIT Manager Appointment Agreement. In addition, the REIT Manager shall also provide advices on market situation in case that CPNREIT wishes to sell or assign the leasehold right, or sublease the core properties.

#### **4.3 Duties in the Preparation of the Accounting and Reports, and Documents relating to Management and Internal Audits**

- 4.3.1 To prepare and disclose the information of CPNREIT to the Office of the SEC, the Stock Exchange of Thailand, the Trustee, and trust unitholders with the provisions stipulated in the Trust Deed and securities laws; and to submit the annual report of CPNREIT to the Trustee and trust unitholders together with the invitation letter to the annual general meeting.
- 4.3.2 To arrange to have the accounting and various financial reports related to the management of CPNREIT and its core properties as assigned by the Trustee or as deemed necessary and appropriate, in place; and to submit such accounting reports and documents to the Office of the SEC, the Stock Exchange of Thailand, the Trustee, and trust unitholders within the time frame specified by the Trustee to be in conformity with the securities laws, relevant laws, and orders of relevant competent officers.
- 4.3.3 In this regard, the REIT Manager shall prepare such accounting reports in accordance with the generally accepted accounting principles by segregating the properties and/or any interests arising from the core properties invested by CPNREIT and/or any other properties that had been accepted and/or should be accepted by the REIT Manager on behalf of CPNREIT from its own properties. In this respect, the REIT Manager shall maintain the documents and evidence supporting the accounting process and accounting records in the complete condition and ready for examination by the Trustee for at least 1 year.

4.3.4 To deliver the following documents to the Trustee within the time frame assigned by the Trustee in order to comply with the securities laws, other relevant laws, and orders of relevant competent officers:

- 1) A full report on property appraisal to be delivered to the Trustee at least 7 days before the date on which the net asset value of CPNREIT is scheduled to be notified to the trust unitholders.
- 2) Reports on the net asset value and the unit value of CPNREIT at the last business day of each quarter to be delivered to the Trustee for approval before being further submitted to the Office of the SEC within 45 days from the end of each quarter. This shall include the calculation on the net asset value of the core properties at the end of each quarter to be delivered to the Trustee who shall calculate the net asset value of CPNREIT and the value of such trust unit.
- 3) The updated information about the connected persons of the REIT Manager, and information of the connected transactions between CPNREIT and the REIT Manager or the connected persons to the REIT Manager to be delivered to the Trustee within 30 days from 30 June and 31 December of each year ; and to submit such information for the consideration of the Trustee before entering into each transaction.
- 4) The information of connected transactions between CPNREIT and the REIT Manager or the connected persons of the REIT Manager for the previous and current accounting periods to be published in the annual report and the financial statements of CPNREIT.
- 5) The information about conflicts of interest between CPNREIT and the owner of the core properties invested by CPNREIT together with measures of preventing such conflicts of interest to be notified to the investors on the first day of the initial public offering of the units and upon occurrence of any conflicts.
- 6) The information pertaining to the interest or benefits accepted by the REIT Manager or the connected persons to the REIT Manager from the company or person who is the supplier or service provider of CPNREIT to be disclosed in the filing, the Trust Deed, the invitation letter to the unitholders' meeting seeking approval for various transactions, and the annual report of CPNREIT in order that it shall be used by the unitholders and the Trustee in considering the independence of the REIT Manager in executing the transactions for CPNREIT and the validity of such transactions. The interest or benefits that must be disclosed include the creditors, debtors, guarantors, or recipients of the guarantee, cross shareholding, sharing of the same major shareholders of management, service provision or receipt, intra-group transaction, paying expenses on behalf of another company, etc.

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- 7) The updated information related to the acquisition or disposal of the core properties of CPNREIT to be submitted to the Trustee and trust unitholders at least 30 days before executing the transaction, and to be disclosed to the public and the Office of the SEC within 15 days following the date on which the core properties are acquired or disposed of.
  - 8) The information of the acquisition or disposal of the core properties and equipment of CPNREIT during the previous and current accounting periods to be disclosed in the annual report and the financial statements of CPNREIT.
  - 9) The updated information about borrowing and creation of encumbrances of CPNREIT together with the borrowing agreement to be submitted to the Trustee for acknowledgement before the date on which CPNREIT enters into such agreement.
  - 10) The information about borrowing and creation of encumbrances of CPNREIT during the previous and current accounting periods to be disclosed in the annual report and the financial statements of CPNREIT.
  - 11) The information related to the transaction deemed by the Trustee as having the material impact on the properties of CPNREIT to be submitted as requested by the Trustee at least 14 days before executing such transaction.
  - 12) The financial statements of the REIT Manager together with the related information to be submitted to the Trustee at least 3 days before the due date of filing the financial statements to the Office of the SEC.

The aforesaid reports are just samples of primary requirement. The counterparties may modify, increase or reduce the number and type of reports, or change the reporting format in the future as mutually determined by the counterparties to comply with the securities laws and relevant laws, and orders of relevant competent officers.

#### **4.4 Duties in the Execution of Agreements relating to the Procurement of Benefits from Real Properties of CPNREIT**

- 4.4.1 To control, supervise, implement the measures to control and undertake any other actions as deemed necessary and appropriate as the REIT Manager to ensure that the sub-lessee and/or the third persons related to the management of the core properties perform their functions in accordance with the duties, conditions and/or agreements specified in the sublease contract and/or any other agreements related to the core properties, as well as the rules, criteria, regulations, and any provisions of the core properties or policy related to the core properties.
- 4.4.2 To prepare the lease agreement, the service agreement, the public utilities service agreement, the outsourcing service agreement, and any other agreements related to the core properties (if any).
- 4.2.3 To proceed and/or arrange for the cash reserve maintained to be sufficient to the projected contract terms and the deposits to be returned in each period.

#### **5. Management**

The REIT Manager has separated all affairs in the Company into 3 departments to ensure that the performance of duties is in line with the Company's policy, Trust Deed, REIT Manager Appointment Agreement, filing, prospectus, rules, and laws related to the management of CPNREIT. The duties and responsibilities of each department are summarized below.

##### **5.1 Business Development Department**

Business Development Department has the main duties of preparing the work plan and strategy to procure the benefits from the core properties of CPNREIT; setting up the marketing plan, sales promotion, public relation, and competition strategy to ensure that the core properties of CPNREIT is able to generate the compensation as expected; examining and reviewing the real properties to be invested by CPNREIT; preparing the investment plan and proposing the capital structure and appropriate fund sources for investment in the core properties by CPNREIT; seeking for and selecting a new Property Manager and/or sub-lessee of the core properties when it is changed; monitoring and evaluating the performance of the Property Manager and sub-lessee of the core properties; and managing and maintaining the core properties of CPNREIT in the appropriate and ready condition for benefit procurement.

##### **5.2 Operation Support Department**

Operation Support Department has the main duties of preparing the budget of CPNREIT; preparing and disclosing the material information of CPNREIT, including but not limited to the quarterly and yearly financial statements, net asset value, and other information about the core properties to ensure that they comply with the relevant requirements; monitoring and supervising the provision of insurance relating to the operation of the core



properties of CPNREIT in accordance with the relevant requirements; and proposing the engagement of the outsourced service providers for both CPNREIT and the REIT Manager to the Chief Executive Officer for approval.

### **5.3 Risk Management and Compliance Department**

Risk Management and Compliance Department has the main duties of examining and monitoring the risks associated with the operation and investment of CPNREIT ; setting up the appropriate measures to mitigate such risks ; supervising and monitoring the operation of CPNREIT to ensure that it complies with relevant regulations and the operating manual ; overseeing and monitoring the personnel connected to the operation of CPNREIT to have the appropriate qualifications in accordance with their job characteristics and relevant requirements; overseeing and preventing the occurrence of conflicts of interest between CPNREIT and connected persons; setting up the appropriate measures to manage the conflicts of interest; and ensuring the preparation of reports and disclosure of information about CPNREIT are in accordance with the relevant criteria.



## **6. Procedures and Factors for Decision Making on Investment and Management of CPNREIT**

In making decision on investment in any property, the REIT Manager shall select and conduct due diligence on the property to be invested by CPNREIT with prudence and care and in conformity with the investment policy as stated in the Trust Deed, filing, prospectus, objectives of establishing CPNREIT, as well as the relevant rules and laws. All information about the selection, examination, and decision whether to invest or not in any property shall be recorded and kept for reference under the following working procedures :

### **6.1 Working Procedures**

6.1.1 The REIT Manager shall select the core properties to be invested by taking into account the prospect and feasibility of investment and business operation, risks associated with investment or acquisition of such core properties, as well as preliminary details about the location and type of assets, and capital structure management of CPNREIT in investing in those assets, which shall be in accordance with the following criteria and procedures :

- 1) It is the investment in the property to acquire ownership or possessory right. Acquisition of possessory right shall be one of the followings:
  - a) Acquisition of the property through issuance of Nor.Sor. 3 Kor ; or
  - b) Acquisition of leasehold right in the property through issuance of instrument of ownership or possessory right in the form of Nor.Sor. 3 Kor. However, if CPNREIT wishes to invest in the leasehold right of the property in a way of sublease, the REIT Manager shall provide certain measures on risk prevention or mitigation of possible damage from the breach of the lease agreement or the failure to enforce the rights under the lease agreement.

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- 2) The acquired property is not subject to the real right or dispute unless the REIT Manager and the Trustee have made an opinion in writing that the real subject to the property right or the dispute does not significantly affect the procurement of benefits from such property; meanwhile, the conditions on acquisition of such property remain beneficial to the trust units as a whole.
  - 3) The agreement entered into the acquisition of the property is not required any agreement or obligation which may deprive CPNREIT to dispose of the property at a fair price (when the disposal is made) such as the agreement granting the right of first refusal to the counterparty in purchasing property from CPNREIT with the purchasing price fixed in advance; or may cause CPNREIT to bear more responsibility than what should be under normal situation when the lease agreement expires.
  - 4) The property acquired together with the properties that CPNREIT has previously owned shall be ready to procure the benefits not less than 75 percent of the value of trust units offered plus the amount of loans (if any). CPNREIT may invest in a project under construction ; however, the value of the investment to be acquired and to complete the property for further procurement of benefits shall not be greater than 10 percent of the total asset value of CPNREIT (after offering for sale of the trust units) and it is shown that there is sufficient working capital for such development without any impact to the continuity of CPNREIT.

6.1.2 The REIT Manager may engage certain advisors with specific expertise, e.g. financial advisor, auditor, legal advisor, or engineering consultant, etc. to study various issues relating to decision on property investment, and examination or due diligence on the property to be invested by CPNREIT in accordance with the criteria stipulated in Clause 6.2. The REIT Manager shall assess various possible risks deriving from investment in such property, and also provide the guideline of mitigating them. Such risks shall include those relating to the property development or construction (if any) to ensure that the REIT Manager has studied and considered all information and important factors associated with its decision on property investment thoroughly, accurately, and adequately.

6.1.3 After taking into account the study result under Clause 6.1.2 and the REIT Manager is of opinion that such property passes the established criteria, the REIT Manager shall undertake the actions in accordance with the procedures for the acquisition of additional core properties under Clause 6.3, and also take the actions to obtain consent from the Trustee that the investment and/or acquisition of such property complies with the provisions stipulated in the Trust Deed, relevant agreements, and relevant laws, and to ask for approval in conformity with the criteria stipulated in the Trust Deed and relevant laws.



6.1.4 In considering the disposal of the core properties, the REIT Manager shall assess those to be disposed of by considering the strength, weakness, and opportunities of making profit, as well as risks from disposing of such core properties. In this regard, the REIT Manager shall follow the procedures for the disposal of the core properties under Clause 6.4, which includes the actions to obtain consent from the Trustee that the investment and/or acquisition of such property complies with the provisions stipulated in the Trust Deed, relevant agreements, and relevant laws, and to ask for approval in conformity with the criteria stipulated in the Trust Deed and relevant laws.



## **6.2 Examination and Due Diligence on the Property to be Invested by CPNREIT**

When the REIT Manager selects the core properties to be invested in accordance with the determined procedures, it shall, prior to each acquisition of the core properties and equipment (if any), examine or conduct due diligence on all information and agreements related to the core properties and equipment (if any) such as financial and legal information, etc. to ensure the right decision and disclosure of true information. For the said examination and due diligence, the REIT Manager shall examine and conduct due diligence on the following matters :

### **6.2.1 Examination on property and counterparty**

- 1) To study the counterparty's capability to perform a juristic act, as well as completeness, accuracy, and enforceability of the documents of entitled rights or relevant documents. In case of the property to be invested is located in other country, the REIT Manager shall examine and review the capability of CPNREIT in acquiring and possessing the property under the relevant laws of that country. The opinion of the legal advisor specializing in laws of such country is also required to be enclosed with the examination and review to ensure that the purchase, sales, transfer, or making the agreements relating to the property for CPNREIT is lawful and valid.
- 2) To study the state of the property to be invested by CPNREIT that should involve at least the following issues :
  - 2.1) To consider the location, economic status, and previous competition of that type of property, as well as tendency, continuity, and consistency of income from such type of property in the future. For example:
    - a) To consider the occupancy rate at least for the past 3 years (in case of the property having been operated less than 3 years, consider the information from the commencement of its operation) in order to compare its competitiveness with other competitors.

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- b) To compare the past rental rate or rental price of such property with other competitors in order to assess the probabilities of income generating, and of adding returns in the future.
    - c) To analyze other information related to the market condition of such property, e.g. economic growth affecting both demand and supply in the market.
  - 2.2) To consider the property value, which should be high enough to provide the economy of scale in the management of CPNREIT.
  - 2.3) To analyze the track record on financial status, operating performance, and net benefit at least for the past 3 years, and consider, during the last 2 years, the operating performance in each month to assess the seasonal effect to the revenue (in case of the property having been operated less than 3 years, consider the information from the commencement of its operation).
    - a) To analyze the expenses and profit from the previous lease whether they are higher or lower or close to other properties in the same or similar type in order to formulate a plan to control and revise the expenses to make the good return to CPNREIT.
    - b) To consider the operating performance of other similar properties located nearby, as well as the demand and supply of that type of property in order to assess the risks, income fluctuation, and appropriateness of long-term investment in case of the property that has been newly constructed and has no track record or it has been operated less than 3 years.
    - c) If the property is situated on the location with potential of obtaining more rental than the track record whereas the building is still in good condition and ready for use to procure benefits without adding much investment, if CPNREIT wishes to invest in it, the REIT Manager shall provide a clear plan regarding the improvement of the management or marketing plan to enable such property to procure more benefits in the future.
  - 2.4) To analyze and assess previous information about the tenants, e.g. records of rental payment, renewal of the lease agreement by the existing tenants, rental increase, tenants' types of business and nationalities, proportion of major tenants, etc. in order to identify possible risks from the lease ; and to set up the risk prevention measures, and disclose the risk factors in the filing and the prospectus of CPNREIT to the investors.

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- 2.5) To arrange the inspection on the condition of building and construction, and state of assets in the building and construction to ensure that they are in good condition to procure the benefits promptly; to check the record of repair or renovation whether it has been done under the engineering principle or not ; to check the record of inspection and maintenance for infrastructure and facilities in the building and construction to ensure that they are undertaken in the appropriate period for their long life.
- 2.6) To examine the compliance with laws on building and construction control as follows:
- a) To examine the documents indicating that the construction is in line with the generally accepted safety standards.
  - b) To examine whether the previous repair and renovation of construction are in line with the generally accepted safety standards required by the government authorities or not.
  - c) If there was the earthquake in such area or the fire in such building and construction, the REIT Manager shall proceed with the special examination on strength of the building and construction, facilities systems in the building (e.g. fire prevention system, fire exit, lift, escalator, air-conditioning system in the building, etc.) whether they have been checked and maintained on the appropriate period or not.

After the property purchase, the REIT Manager shall arrange the annual examination to ensure that the real property invested by CPNREIT complies with all requirements prescribed in laws on building and construction control.

- 2.7) To examine the compliance with laws on environment; for example, examining whether the buildings and construction to be invested are required by law to prepare the environmental impact assessment report to be submitted to the relevant government authorities before construction or not, and whether it has been applied at present.
- 2.8) To examine ownership and/or the possessory right in any property, construction, or assets thereon whether the person who sells such property to CPNREIT holds the lawful ownership or not, and other documents used in registering the transfer or accepting the assignment of right, or the documents giving consent in the purchase and sales of such property are prepared properly as required by law or not.
- 2.9) To examine the scope of land to be purchased or leased whether or not the cadastral survey has been done to make the boundary mark clearly, which shall prevent the problems of land intrusion or not receiving the entire land as indicated in the title deed in case of investment in ownership and/or possessory right in the property.



2.10) To examine to ensure that the property is free from encumbrance under any laws or agreements ; or to examine if there is any dispute which shall restrict further procurement of benefits. For example :

- a) If a government authority denies renewing the lease agreement for the owner of leasehold right in the properties to be sold to CPNREIT, which makes the procurement of benefits on leasehold right of such property terminate, or the model of benefit procurement must be changed.
- b) There are complaints from the tenants or occupants surrounding such property, which shall take effect to further lease of area by CPNREIT, etc.

2.11) To examine whether the property to be purchased has the entrance and exit or not. If not and the entrance and exit belongs to the other person, the REIT Manager shall arrange for CPNREIT the registration of servitude, encumbrance, or any other rights enabling such property to use the entrance and exit of the other person. If the REIT Manager obtains the information that such entrance and exit are the public place, the REIT Manager shall examine whether they are actually the public place as informed or not.

2.12) To consider appropriateness of the purchase price of the property or the price of leasehold property whereas such price must give the worthwhile returns for long-term investment and be relevant to the conditions on benefit procurement as agreed with the Sponsor. In this regard, the REIT Manager shall take into account any expenses to be borne by CPNREIT after such purchase (e.g. expenses for repair and renovation of buildings as they have fallen into much dilapidation that the procurement of benefits after purchase is affected, or expenses in demolishing the constructions after the expiration of the lease agreement), and also determine the discount rate from the present value of the future net income so that it is suitable to the risk from the fluctuating rental income in the future.

2.13) To examine whether taxes or other expenses on the property have been paid to the relevant authorities completely and accurately or not.

- 3) In case that CPNREIT has leased out the core properties to the sub-lessee, the REIT Manager shall analyze the status of such sub-lessee, as well as readiness to manage the properties of CPNREIT such as the counterparty's ability in entering into the transactions, readiness of working system, readiness of personnel and related experience, etc.

#### 6.2.2 Examination on considerations in executing the agreements

- 1) In case that CPNREIT makes investment in leasehold right, the terms and conditions for the benefits of CPNREIT shall be considered; for example:

- 1.1) The lease agreement has no provision that impose the extra obligations to CPNREIT more than a normal lessee should receive.
- 1.2) There is no condition permitting the lessor to terminate the lease agreement made with CPNREIT immediately although CPREIT has not breached any conditions set forth therein.
- 1.3) There is the condition granting the right to CPNREIT to terminate the lease agreement with the lessor immediately if the lessor breaches any condition set forth therein.
- 1.4) The details, conditions, and rights of CPNREIT are clearly specified in the renewed leased agreement.
- 1.5) The conditions and the right of first refusal to CPNREIT for the purchase of such leased property at a price not higher than that proposed by other person are specified provided that the lessor wishes to sell that property.
- 1.6) There are the conditions and the right of CPNREIT for sale of leasehold right (if, later, the price of such property becomes higher and CPNREIT earns more profit from selling than from leasing the property, CPNREIT may decide to sell such property, etc.).

- 2) To examine taxes or other expenses on such property by stating clearly that they shall be borne by CPNREIT or the Sponsor.
- 3) To apply the measures for prevention of potential conflicts of interest; for example, the Sponsor undertakes any business of which the nature is in competition with the business of CPNREIT in the nearby area, etc.
- 4) In case that CPNREIT wishes to acquire the leasehold right of the property in the form of sublease, the REIT Manager shall apply the relevant measures for risk prevention or indemnity against any losses that CPNREIT may suffer as a result of the breach of the lease agreement or failure to enforce obligations under such lease agreement.
- 5) Prior to the payment by CPNREIT to purchase or lease the property, the REIT Manager shall examine to ensure that the ownership in the property has been transferred to CPNREIT (in case of investment in freehold property), or the registration of leasehold right has been completed (in case of investment in leasehold property), and/or the acquisition of any other assets in the property invested, and has been delivered the assets placed as the collateral to CPNREIT, bank guarantee, and/or guarantee agreement, as well as the registration of any servitude on the property for the procurement of benefits by CPNREIT completely as required by laws, and relevantly to the information disclosed to the investors. If the property accepted by CPNREIT includes the buildings, constructions, furniture and/or equipment, the REIT Manager shall have the fixed assets register maintained in order that completion, accuracy,

and existence of each asset to be accepted by CPNREIT can be checked. Such asset register shall be submitted to the Trustee for its review of work performance of the REIT Manager.

The REIT Manager shall record and keep the information as well as other evidence relating to the selection, examination, and decision on investing or not investing in any asset of CPNREIT.

### **6.3 Acquisition of the Core Properties**

When the REIT Manager selects the core properties to be invested, and finalizes its property examination whereas it deems appropriate to invest in such property, the actions undertaken to acquire the core properties shall be in accordance with the following criteria :

6.3.1 For investment in or acquisition of the properties or leasehold rights to procure the benefits from such real estate or leasehold rights, the REIT Manager shall perform the following acts :

- 1) To arrange for the appraisal of properties by a property appraiser; and perform other acts in compliance with the criteria of investment in assets as stipulated in the notification of the office of the SEC. In this regard, the REIT Manager shall submit the list of properties preliminarily selected to the property appraiser to appraise the property value to be invested by CPNREIT. The appraisal criteria shall be as follows :
  - 1.1) The property appraiser shall be an independent appraiser approved by the Office of the SEC in accordance with the Notification of the office of the SEC regarding Granting of Approval of Valuation Companies and Principle Valuers for Public Use ; and
  - 1.2) It shall be a full appraisal with evidence of verification of entitled rights, and for the purpose of public use for the disclosure of the relevant information to the investors. Such appraisal shall be performed by at least two appraisers.
- 2) To consider the capital structure in the investment in or acquisition of the property or leasehold property.
- 3) To consider the substance of the transaction as follows :
  - 3.1) in accordance with the Trust Deed and relevant laws
  - 3.2) for the best interest of CPNREIT
  - 3.3) reasonability and fair prices
  - 3.4) those with conflict of interest in the transaction shall not be involved in the decision on the transaction entered.
  - 3.5) expenses paid to prepare the transaction collected from CPNREIT (if any) are at the fair and suitable rate.

- 4) To perform other acts in order to comply with the criteria of investment in the property as stipulated in the notifications

6.3.2 For ongoing investment in and acquisition of the properties or leasehold property, the REIT Manager shall perform the following acts :

- 1) In respect with substance of the transaction, the nature of the transaction shall be as follows:
  - 1.1) in accordance with the Trust Deed and relevant laws
  - 1.2) for the best interest of CPNREIT
  - 1.3) reasonability and fair prices
  - 1.4) expenses paid to prepare the transaction collected from CPNREIT (if any) are at the fair and suitable rate.
  - 1.5) those with conflict of interest in the transaction shall not be involved in the decision on the transaction entered.
- 2) With respect to the system, the approval is required to go through the following process:
  - 2.1) In case that the owner, the lessor, or the transferor of the leasehold right of the property is not the REIT Manager or the person related to the REIT Manager:
    - a) It is approved by the Trustee that the transaction is in accordance with the Trust Deed and the relevant laws ; and
    - b) For acquisition of the core properties which is the significant transaction, the criteria relating to entering into the significant transaction must be complied with.
  - 2.2) In case that the owner, the lessor, or the transferor of the leasehold right of the property is the REIT Manager or the connected persons to the REIT Manager, the REIT Manager shall undertake the actions to make the transaction obtain approval from the Trustee, and in conformity with the Trust Deed and relevant laws. The consideration and approval procedure before entering into the transaction has to undergo the following steps:
    - a) Having been approved by the Trustee that the transaction is in compliance with the Trust Deed and relevant laws.
    - b) In case the value of the transaction exceeds 1 (one) million baht or is 0.03 (zero point zero three) percent of the total net asset value of the REIT or more, whichever value is higher, or in accordance with the criteria stipulated in the notification to be amended in the future, the approval of the Board of Directors of CPNREIT is required or it is in accordance with the approval limit as stipulated in the relevant notifications.

- c) In case the value of the transaction exceeds 20 (twenty) million baht or more than 3 (three) percent of the total net asset value of the REIT, whichever value is higher, or in accordance with the criteria stipulated in the notification to be amended in the future, the resolution of approval of the trust unitholders' meeting passed by at least three out of four (three-fourths) of the total votes of the trust unit holders attending the meeting and eligible to cast the vote is required or it shall be in accordance with the approval limit as stipulated in the relevant notifications. In addition, the REIT Manager shall arrange to obtain the opinion of the financial advisor about the analysis of data on the aforesaid property for the purpose for decision making and disclosure of fair information.

6.3.3 In case that the resolution of the meeting of trust unitholders is required, the invitation letter for such meeting must include the financial advisor's opinion for the purpose of passing such resolution. The invitation letter shall be delivered to the trust unitholders prior to the meeting date in accordance with the Notification, No. BorJor/Ror 29-00 regarding Listing, Disclosure of Information and Delisting of Investment Trust Units B.E. 2558, and the Notification of the SEC Office, No. SorRor. 26/2555 regarding Provisions relating to Particulars, Terms and Conditions in a Trust Instrument of Real Estate Investment Trust and their amendments.

#### **6.4 Disposal of the Core Properties**

When the REIT Manager finalizes the selection of the core properties to be disposed of and it deems appropriate to dispose of them, the disposal of such core properties shall be in compliance with the following steps :

- 6.4.1 The REIT Manager shall arrange for an evaluation of the core properties in accordance with the relevant provisions.
- 6.4.2 The REIT Manager shall arrange for an open disposal, which includes disclosure of the substance of the transaction under Clause 6.3.2 1) regarding an acquisition of additional core properties, and the approval process under Clause 6.3.2 2) regarding an acquisition of additional core properties, mutatis mutandis.
- 6.4.3 The disposal of the core properties in the following manners shall comply with the provision under Clause 6.4.2, and be a necessary and appropriate case which is approved by the Board of Directors of the REIT Manager as well :
  - 1) Any disposal of core properties prior to 1 year as from the date of the acquisition of such core properties by CPNREIT ; and
  - 2) Any disposal of acquired core properties back to its former owner.



## 7. System for Monitoring the Benefits of CPNREIT

The REIT Manager has the main objectives to make the trust unitholders earn the benefits from investment in CPNREIT consistently and continuously in the long term with consideration on benefits generated from the development and enhancement of quality of the core properties invested by CPNREIT. The REIT Manager has the measures and systems to monitor and look after the benefits from the core properties to be invested by CPNREIT as follows :

- 7.1 For core properties in part of shopping mall and office building, CPNREIT has policy of procuring the benefits from such type of property by leasing certain areas of such properties, and providing other services relating to the leased area to tenants who are business operators. For core properties in the part of hotel, CPNREIT shall procure the benefits by subleasing such real property, and leasing other related movable properties to a sub-lessee.
- 7.2 The REIT Manager and the Trustee shall monitor the performance of CPNREIT in each year in comparison with the annual budget of CPNREIT, including the operating results of CPNREIT in the previous year. If the performance of the properties invested by CPNREIT has not reached the target, the REIT Manager, the Trustee, and the Property Manager (for the property in part of shopping malls and office buildings) or the sub-lessee (for the property in part of Hilton Pattaya) shall work together to analyze the causes, and to closely work with the Property Manager or the sub-lessee (as the case may be) to develop the operating plan to improve the performance of the properties invested by CPNREIT to achieve the target or the forecast.
- 7.3 The REIT Manager shall jointly work with the Property Manager to drive the business growth and build good relationship with tenants, together with management of occupancy rate and rental charge at the level that CPNREIT obtains the maximum benefits while the REIT Manager shall jointly work with the Property Manager to supervise and manage the operating cost as well as risks and negative factors to the management of the shopping mall and office buildings by CPNREIT.
- 7.4 The REIT Manager shall cooperate with the Property Manager to enhance efficiency in property management and procurement of benefits from the properties invested by CPNREIT in part of shopping mall and office building by determining the targeted customers of the property, the leased areas and appropriate service, the pricing of the rental charge and space service charge suitable to the needs of targeted customers, together with the supervision and management of the operating expenses without any impact on quality of the leased areas and services. In addition, the REIT Manager shall care for and maintain the areas of the properties invested by CPNREIT such as improvement of the common area and specific areas suitable for their functioning, and improvement of the property image, and property maintenance up to the standard and their appropriate function to satisfy the customers.

- 7.5 The REIT Manager shall work together with the sub-lessee to enhance the business growth and good relationship with customers who use the hotel service, and also manage the occupancy rate and accommodation room rate of the core properties in part of Hilton Pattaya at the level that CPNREIT obtains the maximum benefits.
- 7.6 The REIT Manager shall work together with the sub-lessee to enhance the potential of the core properties in part of Hilton Pattaya Hotel. Such management shall include care and maintenance of the core properties up to the standard and their appropriate function, as well as the image of the core properties to satisfy the customers.
- 7.7 The REIT Manager shall procure insurance for the properties of CPNREIT in conformity with the business practice and the provisions of relevant laws as follows:
- 1) Insurance is sufficient and suitable to the interest of CPNREIT in the properties invested to cover the damage possibly incurred to CPNREIT by determining that CPNREIT is the beneficiary or co-beneficiary with approval from the Trustee.
  - 2) Insurance against the third party possibly damaged by the defect of the building, premise or construction. If the lessor or the person granting the right in the properties to CPNREIT or the sub-lessee of the properties has made insurance already, CPNREIT is required to arrange the insurance only for the case that CPNREIT may be claimed for liability.
  - 3) Insurance procured by CPNREIT is required to cover the period that CPNREIT has invested in such property.
- 7.8 Transactions with related persons to be entered are required to be in accordance with the following criteria:
- 1) To enter into a transaction with the REIT Manager and/or the connected persons to the REIT Manager, the REIT Manager is required to undertake the work in accordance with the Trust Deed and related laws and for the best interest of CPNREIT.
  - 2) The transaction with related persons is made at the fair and reasonable price.
  - 3) The person with conflict of interest, whether directly or indirectly, is not allowed to participate in decision whether to enter into the transaction or not.
  - 4) Expenses incurred from the transaction entered into with the connected persons shall be based on the fair and reasonable price and rate.

## 8. Remuneration of the REIT Manager

The REIT shall pay the fee and expenses to the REIT Manager for the duties performed as the REIT Manager in accordance with terms and conditions set forth in the agreement, which shall be calculated on a monthly basis. Such remunerations exclude the value added tax, specific tax, or the like as follows :

- 1) Fee for the duties performed as the REIT Manager in accordance with terms and conditions set forth in the agreement shall not be over 1.00 (one point zero) percent per annum of the total asset value.

If the fee as calculated under this Clause in each year (excluding other fees deriving from the acquisition or disposal of the properties of CPNREIT incurred on that year (if any) in Clause 2) below) is less than THB 15 million (fifteen million baht) on the last month of any fiscal year, the Trustee shall pay the REIT Manager at the minimum of THB 15 million (fifteen million baht) per annum. The REIT Manager shall revise such amount of fee on the last month of that fiscal year to make the fee calculated by CPNREIT in each year be equal to 15 million baht (fifteen million baht) per annum.

In case that the REIT Manager has not performed its duties for the whole fiscal year of CPNREIT, which makes the calculation of the fee on that fiscal year impossible, the REIT Manager shall calculate the management fee on that fiscal year based on the actual time it has performed the duties (Pro Rata Basis) by fixing the minimum management fee at 15 million baht (fifteen million baht) per annum and a period of 1 (one) year shall be equal to 365 (three hundred and sixty-five) days.

- 2) Fee for an acquisition of the properties of CPNREIT shall be 1.50 percent of the value of the property acquired by CPNREIT. Fee for a disposal of the property of the REIT shall be 0.75 percent of the value of the properties disposed by CPNREIT. However, such fee shall be paid to the REIT Manager only for the acquisition or disposal of the property of CPNREIT that has been undertaken by the REIT Manager, or has been proposed by the REIT Manager to CPNREIT for consideration only. These remunerations shall be paid when the acquisition or disposal of the properties of CPNREIT is completed.

- 3) The REIT Manager may claim other expenses incurred in the examination of the properties of CPNREIT, e.g. traveling cost, accommodation cost, and other expenses actually incurred during the property examination as appropriate, but not exceeding THB 30,000 (thirty thousand Baht) per time. If the actual expenses exceed the limit specified, the parties shall have the mutual agreement on a case-by-case basis.







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## Milestones of the Year

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# Milestones of the Year

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For the period from 29 November to 31 December 2017, the achieved milestones of the operation of CPNREIT were as follows :

1. Conversion of CPN Retail Growth Leasehold Property Fund (“CPNRPF”) into CPN Retail Growth Leasehold REIT (“CPNREIT”)
2. Issuance of trust units of CPNREIT in exchange of assets and liabilities of CPNRPF
3. Making additional investment in additional assets invested No.1 of CPNREIT, which are CentralFestival Pattaya Beach Project and Hilton Pattaya
4. Drawing down loan from a group of local financial institutions in an amount of THB 14,250 million to invest in additional assets and refinance of existing loan
5. Listing trust units of CPNREIT on the Stock Exchange of Thailand on 14 December 2017







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## Economic and Industry Overview

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# Economic and Industry Overview

In 2017, the Thai economy in 2017 grew at a higher rate than last year with GDP growth at 3.9% compared to 3.2% in the previous year, mainly driven by the recovery of exports and the service sector. Exports expanded by 9.9%, the highest in six years, following an improved global trade market. The tourism sector continuously grew as international tourist arrivals increased by 8.8% from the previous year to 35.4 million. Private consumption slightly grew at 3.2% from 3.1% last year. Growth in overall investment, however, slowed from 2.8% in the previous year to 2.0% as a result of delays in public investment. Inflation rose by 0.7%, having improved from last year due to the rising global crude oil and commodity prices, whilst the policy interest rate remained at 1.5%.

Improved export performance was the key driver to the economy as the of global economy and trade recovers. Thailand's key export markets in Asia, Europe, and the US performed solidly, especially the Chinese market on increased demand in certain industries, such as electronic parts, automotive, and electrical appliances as well as the rising prices of agricultural exports and oil-based commodities, in line with the increase in the crude oil price.

The tourism sector played an important role in driving the Thai economy. In light of promoting Thailand to be ASEAN's tourism hub, public agencies marketed new tourism products to help distribute wealth to industries other than tourism. Chinese tourists remain the largest and the core focus market for Thai tourism operators. In addition, financial institutions and retail operators incorporated payment channels, such as Alipay and WeChat Pay, to enhance convenience for Chinese tourists. As a result, the number of Chinese tourists increased by 12.0% from the previous year, while the arrival of Russian tourists grew by 23.5%. Hence, Thailand's revenue from foreign tourists increased by 12.0% to Baht 1.8 trillion.

Although private consumption has improved, its distribution remains concentrated amongst middle-income and upper-income classes as shown in the rise of durable products sales, especially automotive and services. The consumption of consumer goods and semi-durable goods expanded slowly as purchasing power remains at weak levels due to stagnated agricultural household income levels, high household debt levels, and stable non-agricultural household income levels.

Overall investment grew at a slower rate than the previous year as public investment expanded only 1.8%, down from 9.9% in the previous year. Growth in private investment improved from 0.4% in the previous year to 2.2%, mainly attributed to strong performances by export producers, such as agribusiness and electronic parts. Meanwhile, investment in retail businesses, such as modern trade, continued to grow this year along with the number of stores.

## Economic Outlook

In 2018, the Thai economy is expected to grow at a similar rate to the previous year. Public investment in major infrastructure projects is the key driver, especially those in the development of the Eastern Economic Corridor (EEC) Project. Exports continue to benefit from the recovering global economy, which in turn benefits the manufacturing industry from expanding production capacities. Improved and better distribution of household expenditure from the public sector's measures to prioritize farmers and low-income groups, as well as the development of SME strength, employment and income base in the economy are on the rise. Moreover, the tourism sector will continue to perform strongly as the public and private sectors introduce more tourism-based activities to attract international tourists. These activities will stimulate tourism and help generate income for communities, including gastronomy tourism, international tourists under the MICE (meetings, incentives, conferences and exhibitions) group, incentive reward tourism, health and wellness tourism, and sports tourism – organizing international sports events in new categories.

## Industry Overview

The retail industry, which comprises 15% of Thailand's GDP, grew 4.2% this year as purchasing power from the middle-to-upper income and the regular-income classes remain the key contributors. The middle-to-lower income and farm income groups were still burdened with high household debts, while agricultural prices remained at low levels. Public measures to prohibit trade on footpaths, crackdown and scrutiny on corrupted activities resulted in more cautious spending behavior by the low-income class.

According to a research by Colliers International Thailand Co., Ltd., the retail market continued expanding, albeit at a slower rate. In 2017, retail space grew by 334,845 sqm, which resulted in the supply of retail space in Bangkok and its perimeter at 7,878,669 sqm. Shopping centers accounted for about 78% of the space, followed by community malls at 14%, supporting retail space at 6%, and hypermarkets at 2%. The overall retail occupancy rate was higher than 90%. (Source: Market Report of Bangkok Retail 4Q 2017, Colliers International Co., Ltd.)

## Shopping Centers and Department Stores

The Thai Shopping Center Association (TSCA) said the retail gross floor areas of all shopping centers in Thailand this year totaled 19 million sqm and would increase to 20.9 million sqm by 2019. Retail gross floor areas (GFA) of TSCA's 13 members in the shopping center business, namely Central Pattana Plc., Seacon Development Plc., Siam Piwat Co., Ltd., MBK Plc., Rangsit Plaza Co., Ltd., Siam Future Development Plc., LH Mall Hotel Co., Ltd., The Platinum Group Co., Ltd., K.E. Land Co., Ltd., The Mall Group Co., Ltd., Index Living Mall Co., Ltd., Pacific Park Sriracha Co., Ltd., and Boonthavorn Ceramic Co., Ltd., amounted to 8.0 million sqm this year, comprising 97 shopping centers. By 2019 the area would increase to 9.1 million sqm and comprise 107 shopping centers.

During 2017-2019, the total investment budget of TSCA's members, including new projects, renovation, and expansion, is expected at Baht 57 billion.

New projects launched in 2017 consist of CentralPlaza Nakhon Ratchasima, CentralPlaza Mahachai, Show DC, Century the Movie Plaza On-nut, and Mega Bangna Phase 2, and renovation of existing shopping centers consists of CentralWorld, CentralPlaza Rama 3, King Power Rangnam, MBK Center, Seacon Sri Nakarindr, and Market Place Nang Linchee. New shopping centers to be launched by 2019 include CentralPhuket, Icon Siam, The Market Bangkok, and Terminal 21 Pattaya.

Under the current market conditions, shopping centers and department stores face the challenge of changing consumer behavior that focuses on speed, convenience and new experiences, growth of online shopping, the introduction of lifestyle retail with space designed to meet consumers and tourists' lifestyles, as well the rapid growth of food delivery services. These factors contribute to a declining trend of customer traffic and spending at shopping centers and department stores, which in turn must adopt new strategies to continuously enhance their service offers, address to changing customer preferences and create new customer experiences.

### **Community and Lifestyle Malls**

In 2017, community and lifestyle malls continued to expand with the addition of 27,700 sqm, although lower than the past several years. Projects launched this year included Chang Chui, Summer Hill, Stadium One, Landmark Mahachai, and Lhong 1919.

The community and lifestyle malls in the retail and wholesale industry face strong competition and the operators must make adjustments to differentiate and match the changing lifestyles of target customers and tourists through expansion or enhancement of projects, attracting new and diversified tenants, organizing activities and events to maintain existing and expand new existing customer bases, and providing convenient accommodations and facilities. These implementations require skillful management under the challenge of rising costs.

### **Hypermarkets and Convenience Stores**

Few hypermarkets were launched this year, whereas most of the focus was shifted to developing "super convenience store", a small sized retail format that combines the features of convenience store and supermarket, and conventional convenience stores, such as Mini Big C, Tesco Lotus Express, Tops Deli, and MaxValu Tanjai. Project development in the form of market could help operators expand branches, covering diversified customer targets and more access to remote areas. As online channels become more convenient and significant for retail operators to capture their target customers, more emphasis will be placed on creating online outlets in the near future to materially boost the retailers' revenues as the changing customer behavior come with higher expectation on speed of delivery and convenience of access.

The focus of convenience stores were the expansion of branches to maximize area coverage, initiation of franchises to support branch expansion, diversification of products, including hygienic foods and beverages at reasonable prices, to serve the needs of all consumers in their respective areas, and accommodation of speedy services. This retail group also applied communication technologies in conducting its business via e-commerce and online shopping, together with leveraging the social media for efficient communication with customers. In addition, foreign investors are becoming more interested in this market. As a consequence, large-scale operators need to focus on branch expansion and sales promotion to enhance their relationship with customers.

### **Retail Industry Outlook**

For 2018, the Thai Shopping Center Association (TSCA) forecasts retail business growth at 4.0-5.0% with more new-style retail projects under the current careful spending condition, which is in line with the research of Colliers International Thailand Co., Ltd. More contemporary retail formats will appear, as shown by projects opened in November 2017 with CentralPlaza Mahachai, followed by Siam Future Development's Mega Bangna Phase 2, Siam Piwat's The Icon Siam, and Platinum Group's Market Bangkok. These projects will increase retail space to 9.0 million sqm by 2019, consistent with the increase in consumer and tourist spendings in the urban area which brings about strong demand levels by the tenants. Hence, the occupancy rate and average rental rate in 2018 are expected to grow even further.

Shopping centers scheduled to be launched in 2018 consist of large scale shopping center-Icon Siam project, a mixed-use project located on the bank of Chao Phraya River that features a shopping center a residential area, an entertainment complex; and midsize shopping centers, such as Gateway in Bangsue The Market Bangkok in Rajprasong, Wisdom 101 in Phrakonong, and Ikea in Central Plaza WestGate in Bangyai. Hence, Retail space in Bangkok Metropolitan Area will increase by about 489,000 sq.m. Projects to be launched outside Bangkok include Siam Retail's Terminal 21 in Pattaya and CentralPhuket.

Four large-scale shopping centers planned are due to be launched during 2019-2021, namely 1) One Bangkok – a joint-venture project between TCC Asset (Thailand) Co., Ltd. and Frasers Property Holdings (Thailand) Co., Ltd. on the corner of Wireless Road and Rama 4 intersection close to Lumpini Park; 2) Samyan Mitrtown – a mixed-use project by Golden Land Property Development Plc., to be launched at end 2019; 3) Bangkok Midtown on Ratchadapisek road by Property Perfect Group; and 4) Emsphere, the third part of the Em District group, on Prompong area by The Mall Group.

The acceleration of development in the government's projects, such as the mass transit infrastructure, the establishment of special economic zones in several regions of Thailand and the development of the Eastern Economic Corridor (EEC), will result in a long-term integration of domestic and international economies. The increase in investments from both public and private sectors, particularly foreign investors that have begun investing since end 2017 and for the next several years, will stimulate not only nationwide employment but also purchasing power of larger groups. Hence, retail operators find the development of projects in provincial areas, especially cross-border regions and major provinces, more attractive, as witness in the spur of super store malls and specialty stores in those areas. At the same time, shopping centers and department stores operators have announced their project development plans in those areas.

Retailers, particularly those with offline stores, will face fierce competition and many challenges in the form of e-commerce and non-retail operators, especially the large operators of full scale E-Market Place from China and South Korea that are entering Thai and ASEAN online markets. In 2018, the e-commerce market in Thailand is forecasted to expand by 20-25% from 2017, or a market value of Baht 256 billion.

Understanding of the behavior or lifestyles of target consumers is a key factor under the evolving digital world. In 2018, all retail operators could apply technologies to perform Big Data Analytics on consumers or artificial intelligence (AI) to best manage and connect retail business online to offline (O2O).





06

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Information about  
REIT

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# Information about CPNREIT

Name of REIT	CPN Retail Growth Leasehold REIT
Ticker	CPNREIT
REIT Manager	CPN REIT Management Company Limited
Trustee	SCB Asset Management Company Limited
Term of REIT	Indefinite (Leasehold rights with the highest remaining term to be expired on August 15, 2095)
Type of REIT	Non-redeemable and specific real estate investment trust (REIT)
Paid-up Capital	THB 29,653,382,715

## Trust Structure





07

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Details of Assets

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# Details of Assets

## CentralPlaza Rama 2 Project

- General Information of CentralPlaza Rama 2

CentralPlaza Rama 2 is located at Rama 2 Road, one of the most important roads in term of economics. It is the main road for transportation towards Southern region of Thailand and it is surrounded by large residential communities and numbers of industrial factories in the Western and Southern parts of Bangkok with developed transportation and communication network. The Project is located at No. 160 Rama 2 Road, Samae Dam Sub-district Bang Khun Thian District, Bangkok.

Location of CentralPlaza Rama 2

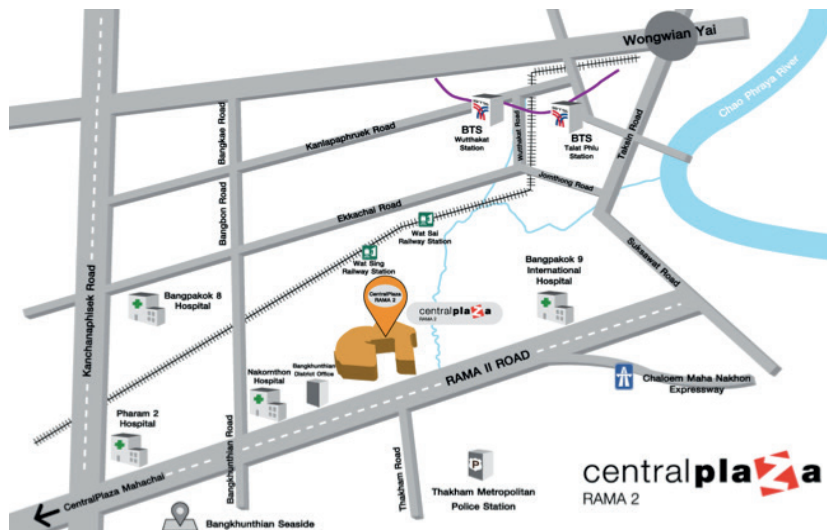


Image of CentralPlaza Rama 2



- **Details of CentralPlaza Rama 2 Project as of 31 December 2017**

The following table summarizes details of the assets of CentralPlaza Rama 2 Project invested by CPNRF which were transferred to CPNREIT :

<b>Nature of Investment</b>	Subleasehold right over the land which is the location of CentralPlaza Rama 2 with the total land area of 53-2-38.4 rais and leasehold right over the building of CentralPlaza Rama 2 (partial) and the parking building (partial) as well as the utilities systems, wastewater treatment system and facilities in connection with CentralPlaza Rama 2 for the period of 20 years with the remaining lease period of approximately 7 years (the agreement will be expired on 15 August 2025). The investment also includes the ownership in related movable assets.
<b>Building Area</b>	<p>Building area has details as follows</p> <ul style="list-style-type: none"> <li>- Gross Area including parking area of approximately 251,182 square meters</li> <li>- Leasable Area of approximately 82,746 square meters</li> </ul>

## CentalPlaza Rama 3 Project

- **General Information of CentralPlaza Rama 3**

CentralPlaza Rama 3 is located in one of the best area of Sathu Pradit Road which directly connects to the central area of Bangkok (Sathon and Silom). The area is known as one of the main residential and business areas of Bangkok. The project is located at at No. 79, 79/1-79/2, 79/4-79/33 Sathu Pradit Road, Chong Nonsi Sub-district, Yannawa District, Bangkok, which is close to the business area in the heart of Bangkok with convenient access and transportation.

Location of CentralPlaza Rama 3

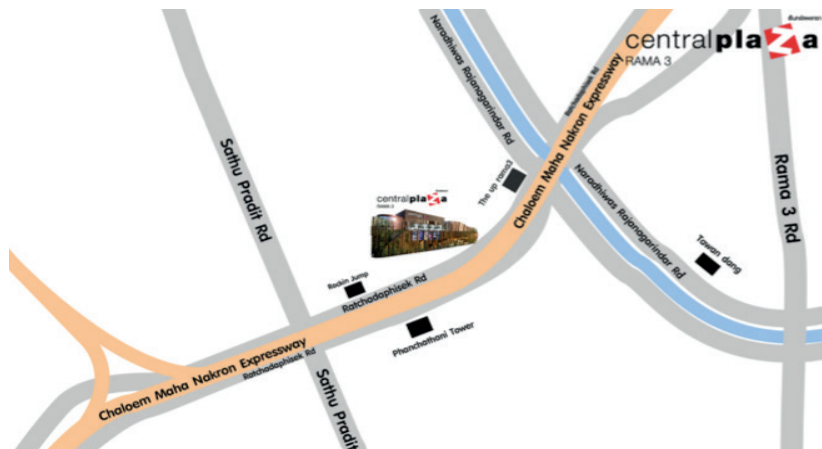
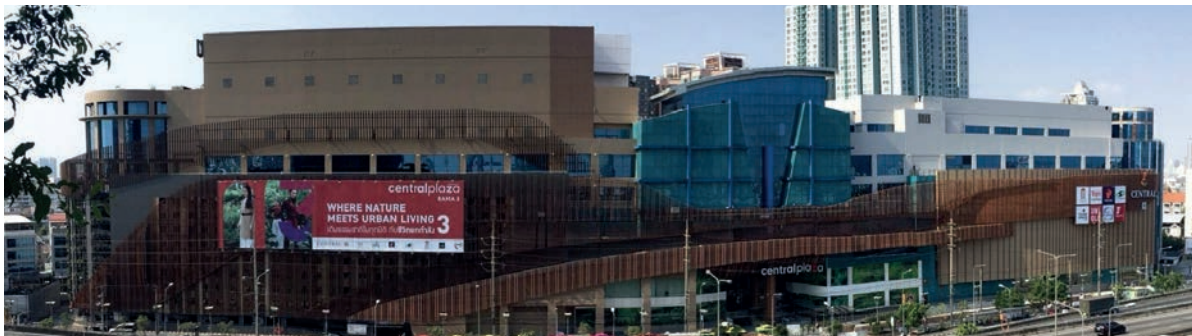


Image of CentralPlaza Rama 3





- **Details of CentralPlaza Rama 3 Project as of 31 December 2017**

The following table summarizes details of the assets of CentralPlaza Rama 3 invested by CPNRF which were transferred to CPNREIT :

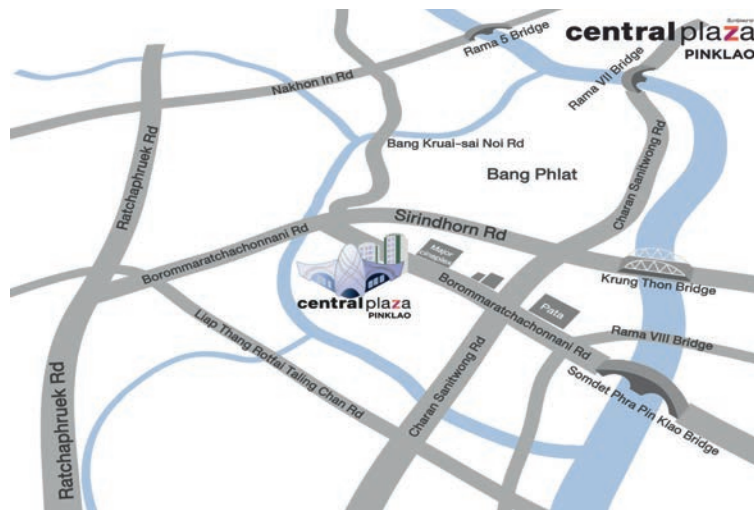
<b>Nature of Investment</b>	<p>Leasehold right over the land (partial) with the total area of 12-2-44.6 rais and building of CentralPlaza Rama 3 Project and the indoor parking area from Central Pattana Rama 3 Co., Ltd. for 30 years, with the remaining lease period of approximately 17 years (the agreement will be expired on 15 August 2035). CPNREIT is entitled to renew the lease agreement for another 2 times, for a period of 30 years each as CPNRF has paid single and full amount of rental fee and deposit pursuant to the condition of the lease agreement. The investment also includes ownership in the utilities systems and facilities in connection with CentralPlaza Rama 3 and ownership in related movable assets.</p>
<b>Building Area</b>	<p>Building area has details as follows:</p> <ul style="list-style-type: none"> <li>- Gross Area including parking area of approximately 169,740 square meters</li> <li>- Leasable Area of approximately 36,285 square meters</li> </ul>

## CentralPlaza Pinklao Project

- **General Information of CentralPlaza Pinklao and Pinklao Office Building Tower A and Tower B**

CentralPlaza Pinklao Project is a large commercial property development project, located on Borommaratchachonnani Road which is the main road in the Western part of Bangkok. The project consists of CentralPlaza Pinklao shopping mall, Pinklao Office Building Tower A and Tower B, and Central Department Store building. The project is located at No. 7/3-7/128, 7/129-7/221, 7/222-7/552 and 7/553, Borommaratchachonnani Road, Arun Ammarin Sub-district, Bangkok Noi District, Bangkok.

### Location of CentralPlaza Pinklao, Pinklao Office Building Tower A and Tower B



### Image of CentralPlaza Pinklao



Image of Pinklao Office Buildings



- **Details of CentralPlaza Pinklao Project as of 31 December 2017**

The following table summarizes details of the assets of CentralPlaza Pinklao Project invested by CPNRF which were transferred to CPNREIT:

<b>Nature of Investment</b>	<p>Subleasehold right over the land which is the location of CentralPlaza Pinklao with the total area of 24-2-84 rais and leasehold right over one building (partial) of CentralPlaza Pinklao and two office buildings (in whole), as well as indoor parking areas (partial). Furthermore, CPNREIT has leased the utilities systems and other assets in connection with CentralPlaza Pinklao Project for approximately 15 years, with the remaining lease period of approximately 7 years (the agreement will be expired on 31 December 2024). The investment also includes the ownership in related movable assets.</p>
<b>Building Area</b>	<p>Building area has details as follows :</p> <ul style="list-style-type: none"> <li>- Gross Area including parking area of approximately 188,345 square meters</li> <li>- Leaseable Area of approximately 61,642 square meters</li> </ul>

## CentralPlaza Chiangmai Airport Project

- **General Information of CentralPlaza Chiangmai Airport**

CentralPlaza Chiangmai Airport is one of the largest and the most modern shopping malls in Chiangmai and upper Northern region. It started the operation since 1993. The location is at No. 2 Mahidol Road, 252-252/1 Wualai Road, Haiya Sub-district, Muang District, Chiangmai 50100, whereby Mahidol Road is one of the main roads of Chiangmai. Furthermore, the shopping center is located closely to Chiangmai International Airport.

### Location of CentralPlaza Chiangmai Airport

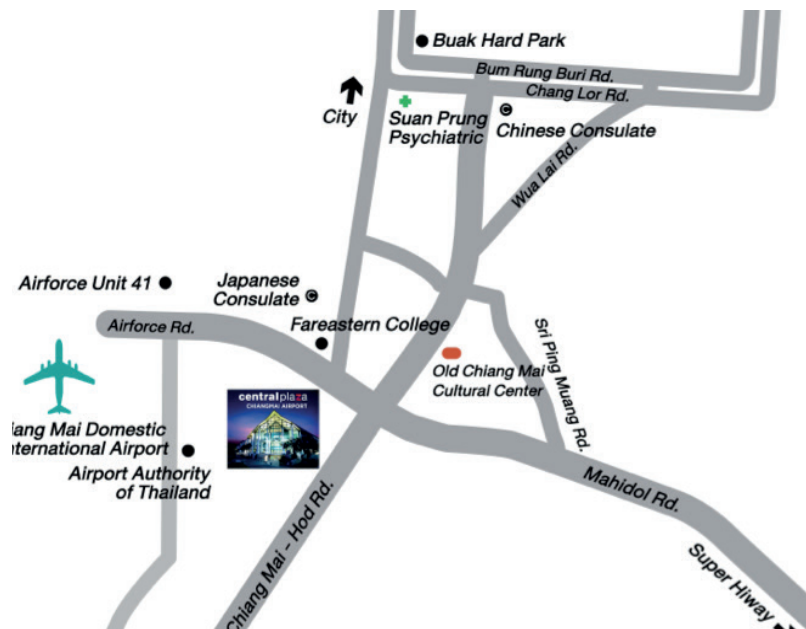


Image of CentralPlaza Chiangmai Airport



● Details of CentralPlaza Chiangmai Airport Project as of 31 December 2017

The following table summarizes details of the assets of CentralPlaza Chiangmai Airport Project invested by CPNRF which were transferred to CPNREIT :

<b>Nature of Investment</b>	Leasehold right over the land (partial) which is the location of the shopping mall building, multipurpose hall, indoor parking area, including the roads surrounding the project and entrances and exits of CentralPlaza Chiangmai Airport Project with the total area of 32-3-56.85 rais; as well as, the leasehold right over one shopping mall building (partial), one multipurpose hall, and one indoor parking area (proportionately to the utilization of the area of the shopping mall building and the multipurpose hall invested by CPNREIT). Furthermore, CPNREIT has invested in the leasehold right over the utilities systems and other assets in connection with CentralPlaza Chiangmai Airport Project for the period of 30 years with the remaining lease period of approximately 26 years (the agreement will be expired on 22 April 2044). The investment also includes ownership of related movable assets.
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## Building Area

Building area has details as follows :

- Gross Area including parking area of approximately 122,991 square meters
- Leasable Area of approximately 37,490 square meters

## Central Festival Pattaya Beach Project and Hilton Pattaya

### • General Information of CentralFestival Pattaya Beach and Hilton Pattaya

CentralFestival Pattaya Beach has been developed and completed for operation on January 2009. This shopping mall is a shopping mall located close to beach road, which is the largest beachfront shopping mall in Southeast Asia. Situated above the shopping mall is Hilton Pattaya, a five-star hotel which started its operation on November 2010. The project location is at No. 333/101 Moo. 9 Pattaya Sai. 1 Nong Prue Sub-district Bang Lamung District, Chonburi Province.

### Location of CentralFestival Pattaya Beach and Hilton Pattaya

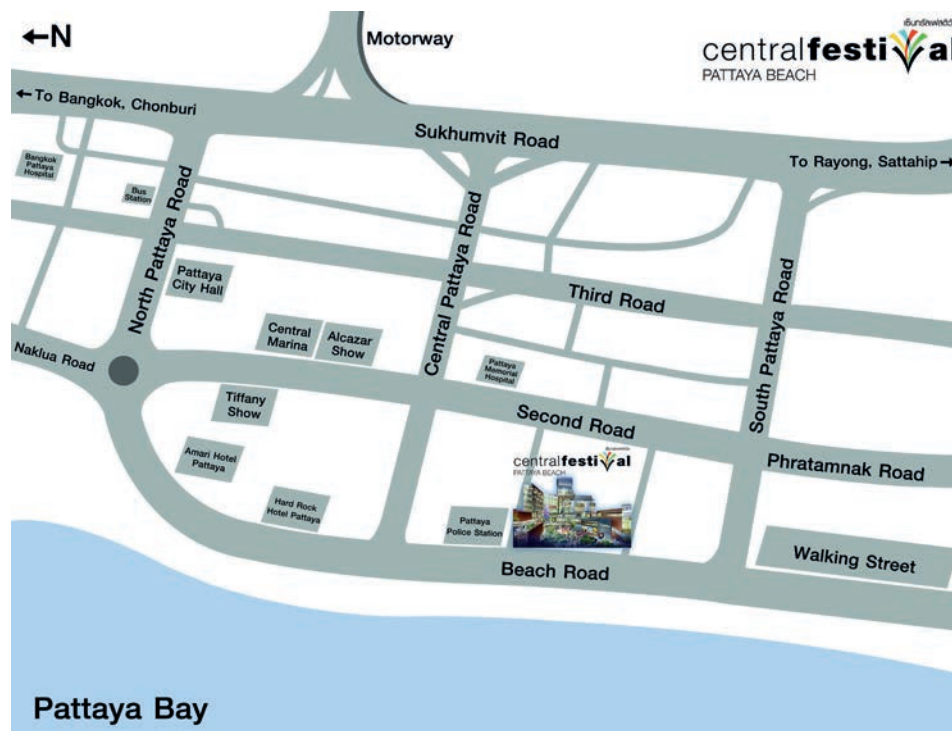




Image of CentralFestival Pattaya Beach



Image of Hilton Pattaya



- **Details of CentralFestival Pattaya Beach Project as of 31 December 2017**

The following table summarizes details of the assets of CentralFestival Pattaya Beach Project invested by CPNREIT :

#### Nature of Investment

#### **CentralFestival Pattaya Beach Project**

Leasehold/subleasehold rights over the immovable properties, including certain parts of the building and structures in CentralFestival Pattaya Beach, comprising a shopping mall building (partial) and indoor parking area (partial). However, the leased properties are exclusive of (1) the areas in CentralFestival Pattaya Beach which CPN Pattaya Company Limited has leased to the tenants for an upfront rental fee in the form of long-term lease agreements, and the areas which are currently under renovation or under a future renovation plan, and (2) the parking areas in proportion that CPN Pattaya is entitled to according to its rights. As well as, the leasehold rights over the utilities systems, i.e., electrical system, utilities system, telephone system, elevators, escalators, air conditioning system, engineering works system, wastewater treatment system, and various facilities that have been installed and used in the building and structures of CentralFestival Pattaya Beach, along with other rights relating to or in connection with the aforementioned systems. Ownership of movable assets, i.e., equipment for décor, tools, instruments, whether fixed or not permanently fixed, including other equipment used for the purpose of installing décor or facilitating users of the building and structures of CentralFestival Pattaya Beach Project. These are located on and/or fixed on the exterior or in the interior of the areas of the building and structures of CentralFestival Pattaya Beach, or on the surface of the building and structures of CentralFestival Pattaya Beach, and/or the area being a part of the leased areas occupied by tenants in CentralFestival Pattaya Beach, over which CPN Pattaya Company Limited has ownership, including any other rights relating to or in connection with the aforementioned properties, excluding the properties that are component parts of the building and structures of CentralFestival Pattaya Beach.

	<p><b><u>Hilton Pattaya</u></b></p> <p>Leasehold rights over the immovable properties, i.e., the building and structures in Hilton Pattaya comprising the hotel building (whole) and indoor parking area (whole); as well as, the leasehold rights over the utilities systems, i.e. electrical system, utilities system, telephone system, elevators, escalators, air conditioning system, engineering works system, wastewater treatment system, and various facilities that have been installed and used in building and structures of Hilton Pattaya, as well as any rights relating to or in connection with the aforementioned systems ; and the ownership of movable assets, i.e. equipment for décor, tools, instruments, whether fixed or not permanently fixed, including other equipment used for the purpose of installing décor or facilitating hotel guests and users of the building and structures of Hilton Pattaya. These are located on and/or fixed on the exterior or in the interior of the area of the building and structures of Hilton Pattaya or on the surface of the building and structures of Hilton Pattaya, over which CPN Pattaya Company Limited has ownership, including any other rights relating to or in connection with the aforementioned properties, excluding properties which are component parts of the buildings and structures of Hilton Pattaya.</p>
<b>Building Area</b>	<p><b><u>CentralFestival Pattaya Beach Project</u></b></p> <p>Building area has details as follows:</p> <ul style="list-style-type: none"> <li>- Gross Area including parking area of approximately 70,095 square meters</li> <li>- Leasable Area of approximately 29,404 square meters</li> </ul> <p><b><u>Hilton Pattaya</u></b></p> <p>Building area has details as follows</p> <ul style="list-style-type: none"> <li>- Gross Area* including parking area of approximately 49,686 square meters</li> <li>- 302 Rooms</li> </ul> <p>Remark : * Gross Area includes room area and other area</p>

Remark : For investment in CentralFestival Pattaya Beach Project and Hilton Pattaya, CPNREIT did not invest in the plots of land where both assets are located; however, CPN Pattaya under the (partial) building lease agreement and the (partial) building sub-lease agreement with CPNREIT, permits customers and counterparty of CPNREIT, tenants in the leased properties under the agreements in which CPNREIT would make investments, the sub-lessee of properties from CPNREIT as well as any other service users of Hilton Pattaya to utilize certain areas where CPNREIT has not invested but related to such leased properties, e.g. common areas, parking lots, roads surrounding the real properties, and entrances and exits of CentralFestival Pattaya Beach Project and Hilton Pattaya, which shall be deemed the areas for common use with free of compensation, whereby the interest of the operation of CentralFestival Pattaya Beach and Hilton Pattaya are taken into account.









08

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Property Manager

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# Property Manager

## Business Overview

Central Pattana Public Company Limited ("CPN") was established under the name of "Central Plaza Co., Ltd." on 17 June 1980, with an initial registered capital of Baht 300 million. In 1982, CPN launched CentralPlaza Lardprao, the first fully integrated shopping center in Thailand, followed by CentralPlaza Ramindra and CentralPlaza Pinklao, both of which are multipurpose shopping complexes with office buildings, and Central Center Pattaya (currently CentralMarina). CPN was listed on the Stock Exchange of Thailand ("SET") on 1 March 1995, with a registered capital of one billion baht and a par value of Baht 10 per share. Currently, its paid-up capital is THB 2,244,000,000, with a par value of THB 0.5 per share, of which the majority is held by Central Holdings Co., Ltd., and Chirathivat family members.

## Nature of Business

CPN's core businesses comprise the development of shopping complexes and other complementary mixed-use projects, which include residences, office buildings and hotels, to add value to the shopping complexes. By the end of 2017, CPN manages 32 shopping centers, 14 in Bangkok Metropolitan Area and 18 in prime provincial areas; seven office buildings in Bangkok; two hotels, namely Centara Hotel and Convention Center Udon Thani and Hilton Pattaya; and one residential project in Bangkok. Furthermore, CPN invested in CPN Retail Growth Leasehold REIT ("CPNREIT") and CPN Commercial Growth ("CPNCG").

CPN's project development starts from securing strategic locations at reasonable prices and onto conducting feasibility studies, controlling design and construction processes, overseeing lease progress, and finally managing shopping complexes and office buildings after commercial openings, which extends to the provision of utilities, security and cleaning services at each site. Furthermore, CPN operates certain complementary businesses, such as food centers, multi-purpose convention halls, water parks, and recreation parks in some shopping complexes to accommodate customers. Regarding the hotel business, CPN has employed expert hotel management companies to manage its hotels and maximize benefits from the properties.



## Business Operation of Each Project

Projects Owned by CPN	Shopping Complexes	Office Buildings	Hotels	Residential Building	Food Centers
CentralPlaza Lardprao	✓	✓			
CentralPlaza Ramindra	✓				
CentralMarina (formerly Central Center Pattaya)	✓				✓
CentralPlaza Bangna	✓	✓		✓	✓
CentralWorld	✓				
CentralPlaza Rattanathibet	✓				✓
CentralPlaza Chaengwattana	✓	✓			✓
CentralPlaza Udonthani	✓		✓		✓
CentralPlaza Chonburi	✓				✓
CentralPlaza Khonkaen	✓				✓
CentralPlaza Chiangrai	✓				✓
CentralPlaza Phitsanulok	✓				✓
CentralPlaza Grand Rama 9	✓	✓			
CentralPlaza Suratthani	✓				✓
CentralPlaza Lampang	✓				✓
CentralPlaza Ubonratchathani	✓				✓
CentralFestival Chiangmai	✓				✓
CentralFestival Hatyai	✓				✓
CentralFestival Samui	✓				✓
CentralPlaza Salaya	✓				✓
CentralPlaza Rayong	✓				✓
CentralFestival Phuket	✓				✓
CentralPlaza WestGate	✓				✓
CentralFestival EastVille	✓				✓
CentralPlaza Nakhon Si Thammarat	✓				✓
CentralPlaza Nakhon Ratchasima	✓				✓
CentralPlaza Mahachai	✓				✓

Projects Managed by CPN	Shopping Complexes	Office Buildings	Hotels	Residential Building	Food Centers
CentralPlaza Pinklao <sup>1)</sup>	✓	✓			✓
CentralPlaza Rama 3 <sup>2)</sup>	✓				✓
CentralPlaza Rama 2 <sup>3)</sup>	✓				✓
CentralPlaza Chiangmai Airport <sup>4)</sup>	✓				✓
CentralFestival Pattaya Beach <sup>5)</sup>	✓		✓		✓
CentralWorld <sup>6)</sup>		✓			





09

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Objective and  
Investment Policy  
of CPNREIT

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# Objective and Investment Policy of CPNREIT

## Objective of CPNREIT

The objective of CPNREIT is to invest in the core properties by means of purchasing and/or leasing and/or sub-leasing and/or accepting transfer of leasehold rights and/or sub-leasehold rights of properties. CPNREIT shall seek benefits from such core properties in the form of rental and service fees, or any other income of similar nature. In addition, CPNREIT will engage in modification, change, enhancement of potential, development and/or disposal of assets for the purpose of generating income and returns for the interest of unitholders in the long run. CPNREIT also aims to make additional investments in core properties for the purpose of continuous growth of its income base, as well as to invest in other assets and/or securities and/or seek interests by any other means in compliance with the securities law and/or any other applicable laws.

Furthermore, CPNREIT has set up other material objectives as follows:

1. To accommodate the conversion of a property fund into a real estate investment trust
2. To invest in the Additional Assets No. 1
3. To invest in core properties in the future, after investment in the Additional Assets No. 1.

## Investment Policy

CPNREIT will invest in immovable properties and leasehold rights over immovable properties with high potential. It will focus on investing in immovable properties in the type of shopping malls and/or retail properties, and may invest in other types of immovable properties that are related to or benefit shopping malls, such as commercial properties, office buildings, hotels, and service apartments, which will constitute CPNREIT's core properties. Investments are made by means of purchasing and/or leasing and/or sub-leasing and/or accepting the assignment of leasehold rights and/or accepting the assignment of sub-leasehold rights of/over the core properties. Furthermore, CPNREIT will focus on generating and obtaining benefits in the form of income from rental and service fees, or other income of similar nature. CPNREIT will also engage in modification, change, development, enhancement of potential, and/or disposal of core properties to continuously generate income and benefit to it for the interests of unitholders in the long run. CPNREIT also aims to make additional investments in core properties for the purpose of continuous growth of its income base, and to diversify risk by means of investing in various immovable properties in different locations, as well as investing in other assets and/or securities, and/or to seek benefits by any other means in compliance with the securities law and/or any other applicable laws.



# 10

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## Nature of Benefit Procurement

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# Nature of Benefit Procurement

CPNREIT was established with an aim to create sound and stable investment returns in the long term to unitholders. CPNREIT Management Company Limited (“Company”), the REIT Manager, has a duty of procuring the benefits from properties belonged to CPNREIT by way of defining the appropriate policy and strategy of managing those properties to enhance certain commercial revenue to CPNREIT, and to maximize the interest of the unitholders as a whole. The REIT Manager has engaged Central Pattana Public Company Limited (“CPN”), who is a connected person with the REIT Manager (as CPN is a major shareholder holding 99.99 percent of shares, and is the controlling person of the REIT Manager) to be the property manager (“Property Manager”) of shopping malls and office buildings that CPNREIT has invested. CPN has more than 30 years of experience and expertise in the development and management of many shopping mall and office building projects. However, for properties in the type of hotel, CPNREIT has subleased them (in the form of charter lease) to a subsidiary of CPN, CPN Pattaya Hotel Company Limited (“Property Sub-lessee” or “CPN Pattaya Hotel”) (CPN holds 99.99 percent of total shares in the Property Sub-lessee). In this regard, the Property Sub-lessee has continued to engage a company in Hilton Group, which is an international hotel management network, to manage Hilton Pattaya while CPNREIT only obtains the benefits in forms of fixed and variable rentals from the Property Sub-lessee as specified in the agreements.

To attain the objective of managing the properties invested by CPNREIT to meet the long-term achievements and to acquire good returns for its unitholders, the Company as the REIT Manager has the following strategies to procure benefits from the properties invested by CPNREIT:

- Monitoring the performance results of CPNREIT in each year in comparison with the annual budget and performance results of CPNREIT in the past. If the performance of the property invested by CPNREIT has not reached the target anticipated, the REIT Manager and the Property Manager and/or the Property Sub-lessee, and hotel manager would work together to analyze to determine the causes and to develop the operating plan to achieve the target or the forecast.
- Analyzing the market and customers regularly to adjust the merchandising mix of tenants in the shopping mall based on the customers’ demand, and also seeking for other new local and foreign shops to modernize the shopping mall and to give the new experience to customers.
- Developing the personnel, and improve the service quality to meet the international standard while new technologies would be implemented to attract the customers, and to trim the operation cost, e.g. improvement of parking system, information point, and toilet, etc.
- Making additional returns from the real properties invested by CPNREIT by mean of property development and improvement, e.g. improvement of layout and shops for better space utilization and higher rental, development and improvement of the shopping malls and office buildings to retain the good image and modernity for all tenants and customers.



- Determining the appropriate rental and service rates.

The methods that CPNREIT has procured benefits depends on type of core properties in which CPNREIT invests. Details of which are as follows :

### **Procurement of Benefits from Shopping Malls and Office Buildings**

CPNREIT's policy concerning procurement of benefits from shopping malls and office buildings involves leasing out areas in those assets to tenants, as well as provision of services in relation to the area lease. In this regard, the REIT Manager appoints CPN to act as the Property Manager for core properties of CPNREIT in the part of shopping malls and office buildings, whereby CPN will manage and administer the works in connection with the real properties, i.e., seek benefits from the assets by leasing out areas and provision of services in relation to the area lease, pursuant to the policy and business plan of the REIT Manager, procure tenants to lease areas in the assets, contact, liaise, and facilitate tenants, collect rental and service fees for remittance to CPNREIT, as well as perform maintenance and repairs of the real properties of CPNREIT to ensure that they are in good condition and ready for use. CPNREIT has directly entered into lease agreements with tenants / service users. Most of lease agreements entered into by CPNREIT contain standard terms and conditions applicable to every tenant and service user.

### **Procurement of Benefits from Hotel**

While CPNREIT invested in Hilton Pattaya, CPNREIT sub-leased such asset (in the form of charter agreement) to CPN Pattaya Hotel, a subsidiary of CPN in which CPN holds 99.99 percent of its shares, for the purpose of further seeking benefits therefrom. CPN Pattaya Hotel appointed Hilton Group to be the hotel manager of Hilton Pattaya. In sub-leasing Hilton Pattaya to CPN Pattaya Hotel, CPNREIT entered into the first sub-lease agreement after its investment in such asset. This first sub-lease agreement is effective from the date CPN Pattaya Hotel entered into the sub-lease agreement from 1 December to 31 December 2017. Upon the expiry of the first sub-lease agreement, CPNREIT and CPN Pattaya Hotel are able to exercise the right to renew the agreement for another three times, for a period of three years each whereby the rental scheme will comprise of both fixed rent and variable rent.

Rental to be received by CPNREIT from sub-leasing of Hilton Pattaya is in form of fixed rent and variable rent. Fixed rent shall comprise at least two-thirds of total rental. This helps to partially mitigate risk associated with fluctuation of rental and is in compliance with the Office of SEC's regulatory requirement. Projected EBITDA after FF&E Reserve Deduction for 2018 is THB 296 million (according to the projected statement of income and details of net property income for the period from 1 January to 31 December 2018), which is at the level that ensure Hilton Pattaya would generate sufficient profit for paying fixed rent of THB 210 million for 2018 to CPNREIT. Location and commercial potential of Hilton Pattaya would of course contribute to its sound operational result in the future.

Details on procurement of benefits from Hilton Pattaya following CPNREIT's investment policy are as follows :

With the exception of deferral of rental payment and exemption of rental due to Force Majeure, or deferral of rental payment due to renovation as specified under the sub-lease agreement, CPN Pattaya Hotel agrees to make payment of the rental to CPNREIT in accordance with the terms and conditions of the sub-lease agreement. Rental under the sub-lease agreement comprises two portions, namely fixed rent and variable rent, using the calculation criteria basing on the actual sub-lease period. The method of calculation is as follows.

## **(1) Calculation of Rental from the Effective Date of the Sub-Lease Agreement to the End of 2017**

### **(1.1) Fixed Rent**

CPN Pattaya Hotel agrees to pay the fixed rent with respect to the buildings, structures, utilities systems and movable properties within 45 days from the end of each quarter, calculated based on the actual period of sub-lease, from the effective date of the sub-lease agreement from 1 December to 31 December 2017. The fixed rent of 2017 is based on the fixed rent per annum of 2018 discounted by 3.5 percent per annum, payable in equal amount for each quarter, except for the fixed rent of the first quarter of the sub-lease which is calculated based on the actual period of sub-lease, whereby the first quarter of the sub-lease term is calculated based on the ratio of days, using the quarterly fixed rent divided by the number of days in that quarter and multiplied by the number of days from the effective date of the sub-lease agreement until the end of the first quarter.

### **(1.2) Variable Rent**

CPN Pattaya Hotel agrees to pay variable rent with respect to the buildings, structures and utilities systems within 45 days from the end of each quarter, calculated based on the actual period of the sub-lease, from the effective date of the sub-lease agreement until 31 December 2017. The method of calculation shall be in accordance with that set out in (2.2) below.

## (2) Calculation of Rental from 1 January 2018 to 31 December 2020

### (2.1) Fixed Rent

CPN Pattaya Hotel agrees to pay fixed rent with respect to the buildings, structures, utilities systems and movable properties within 45 days from the end of each quarter, calculated based on the actual period of sub-lease, from 1 January 2018 to 31 December 2020, in accordance with the rate provided in the table below, payable in equal amount for each quarter.

Year	Annual Fixed Rent (THB)
2018	210,000,000
2019	217,350,000
2020	224,957,250

### (2.2) Variable Rent

CPN Pattaya Hotel agrees to pay variable rent with respect to the buildings, structures and utilities systems within 45 days from the end of each quarter, calculated based on the actual period of the sub-lease, from 1 January 2018 to 31 December 2020. The method of calculation shall be the aggregated value criteria, that is, for any accounting year, the variable rent for the current quarter shall be based on aggregated variable rent as at the end of the current quarter, less the accumulated variable rent as at the end of the preceding quarter of the same year. The variable rent shall be calculated as follows :

$$\text{Variable Rent} = 90\% \times (A - B - C - D)$$

Whereas :

- A = The total revenue earned from both direct and indirect operation of Hilton Pattaya in that accumulated quarter, exclusive of valued added tax, specific business tax, or other similar taxes, service charge collected from hotel guests, revenue or money received from sale of assets, compensation received from insurance (except the compensation received from business interruption insurance), compensation received from expropriation of immovable properties, and interest income

- B = The total costs and expenses from the operation of Hilton Pattaya in that accumulated quarter, including costs and expenses of food and beverages, costs of raw materials and operating supplies, costs and expenses of procurement of equipment for operation in replacement of or in addition to the existing equipment, costs of salaries, labors, and other benefits paid to employees and staffs, costs and expenses of employees and staff training, costs and expenses of advertising and public relations, costs and expenses of maintenance, repair and decoration of Hilton Pattaya to be in a good condition, insurance premium, taxes and fees (except corporate income tax), administrative fees, and expenses that the hotel manager of Hilton Pattaya charges, and other costs and expenses relevant to the operation of Hilton Pattaya, exclusive of value added tax, specific business tax, or other similar taxes, and expenses occurred from repair using the past reserves of CPN Pattaya Company Limited as the previous asset owner, and interest expenses, fees in relation to loans or financing that are not those incurred from financial transactions in connection with the operation of Hilton Pattaya
- C = Reserves for repair, improvement, procurement for replacement or additional procurement of furnishings, equipment, and vehicles of Hilton Pattaya (FF&E Reserve Deduction) as specified in the Management Agreement of Hilton Pattaya, entered into by and between CPN Pattaya Hotel and the hotel manager of Hilton Pattaya
- D = Fixed rental in that accumulated quarter as specified in (1.1) or (2.1) (as the case may be)

If the accumulated variable rental as at the end of the current quarter as calculated by the said formula was less than zero, the variable rental shall be deemed as zero. However, if the accumulated variable rental at the end of the current quarter as calculated by the said formula exceeded 50 percent of the aggregated fixed rental as at the end of the current quarter, such variable rent shall be reduced to 50 percent of the aggregated fixed rental as at the end of that quarter.

If the amount of accumulated variable rental as at the end of the preceding quarter paid by CPN Pattaya Hotel to CPNREIT exceeds the accumulated variable rental as at the end of the current quarter to be payable by CPN Pattaya Hotel based on the calculation formula indicated in Clause (2.2) subject to the financial information of CPN Pattaya Hotel as appeared in the financial statement prepared by CPN Pattaya Hotel for purpose of the calculation of the quarterly variable rental, CPNREIT agrees to set off the excess variable rental paid by CPN Pattaya Hotel with the variable rental of the subsequent quarter to which CPNREIT is entitled to receive from the CPN Pattaya Hotel until the excess variable rental is equal to zero. Notwithstanding the foregoing, in the last quarter of the fiscal year, CPNREIT agrees to set off the remaining sum of the excess variable rental it has received with the fixed rental of the last quarter to which CPNREIT is entitled. If, however, the fixed rental of the last quarter is less than the remaining balance of excess variable rental received by CPNREIT, CPNREIT agrees to return the whole balance of excess variable rental to CPN Pattaya Hotel within 15 days from the date on which the auditor has certified the financial statements for the accounting year of CPN Pattaya Hotel.

In addition, if the amount of variable rental that CPNREIT has received in any fiscal year is more or less than the variable rental of the same fiscal year that CPNREIT should receive in accordance with the calculation result from the formula stated in Clause (2.2) based on the financial information of CPN Pattaya Hotel as appeared in the the financial statements certified by the auditor of CPN Pattaya Hotel for the purpose of adjustment of the variable rental for that fiscal year, CPNREIT shall refund the excess rental fee received, or CPN Pattaya Hotel shall pay the different amount (as the case may be) within 15 days from the date the auditor has certified the financial statements for the fiscal year of CPN Pattaya Hotel.

Notwithstanding the foregoing if there are amendments or changes to the Securities Law in relation to the criteria of payment of fixed rental and/or variable rental, CPNREIT and CPN Pattaya Hotel agree to further consider and discuss the terms and conditions regarding the payment of fixed rental and/or variable rental.

In case that CPN Pattaya Hotel is not capable of paying the said rental fee in full when due, any rental fee not yet received by CPNREIT shall be deemed the accrued rental revenue, and CPN Pattaya Hotel must pay to CPNREIT for the accrued rental revenue within 30 days from the due date, except in case that the payment of rental fee is deferred, or exempted whether in whole or in part due to force majeure, or deferred due to major renovation or repair in any particular month. However, for such accrued rental revenue, CPN Pattaya Hotel shall bear the default interest at a rate of 15 percent per annum calculated according to the amount accrued and from the due date of payment until payment is made in full, except for the first default of the rental payment and CPN Pattaya Hotel has paid the accrued amount within 30 days from the due date. If CPN Pattaya Hotel makes payment of the first accrued amount for any year later than the specified 30-day period, CPN Pattaya Hotel shall be subject to the default interest incurred from the accrued rental revenue at a rate of 15 percent per annum calculated according on the outstanding amount and from the payment due date up to the date on which the payment is made to CPNREIT in full.

During the period from 29 November to 31 December 2017, CPN Pattaya Hotel as the Property Sub-lessee has paid rental to CPNREIT in an aggregate amount of THB 25.4 million, which was in conformity with the building sublease agreement, the utilities systems sublease agreement, and the equipment lease agreement. The rental fee received consisted of :

Fixed Rent	16.9	THB million
Variable Rent	8.5	THB million









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## Management's Discussion and Analysis

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# Management's Discussion and Analysis

## Economic and Industry Overview

In 2017, the Thai economy continues to expand with the GDP growth of 3.9% compared to 3.2% in 2016. The factors that drive the economy include 1) the recovery of exports of goods and services. 2) the continuous growth of the tourism sector, along with the growth of number of tourist by 8.8% from 2016. 3) steady growth in private consumption.

According to market report of Bangkok retail from Colliers International Thailand Research, the retail business has been continuously growing but with a smaller rate compared to last year. New retail space in Bangkok and surrounding area opened in 2017 were around 334,845 sqm., which result to total size of retail grew up to 7,878,669 sqm. In addition, approximately 78% of new retail area in 2017 was shopping mall, 14% of new retail area was community malls, 6% of new retail area was supporting retail and 2% of new retail area was hypermarkets. The occupancy rate for Bangkok retail market was higher than 90% <sup>/1</sup>.

**Source :** <sup>/1</sup> Market report of Bangkok Retail 4Q2017 by Colliers International Thailand Research

## Major Events in 2017

- The conversion of CPN Retail Growth Leasehold Property Fund (CPNRF) into CPN Retail Growth Leasehold REIT (CPNREIT) and the investment in additional assets was completed on 1 December 2017. The additional assets include CentralFestival Pattaya Beach Project and Hilton Pattaya at a net asset price of THB 11,908 million with the lease term was 20 year which ending 31 August 2037. The trust units of CPNREIT have started trading on the Stock Exchange of Thailand on 14 December 2017.
- CentralPlaza Rama 3 was partially re-launched after major renovation in December 2017. The renovation aimed to upgrade the image and introduce a new concept to CentralPlaza Rama 3, as well as improve the merchandise mix to better cater to customers' lifestyles. This will increase the competitiveness of CentralPlaza Rama 3 to be more adept at responding to customers' rapidly changing demand and retain its position as One-Stop Shopping Center. The renovation is expected to be completed in 1Q18.

## Financial and Operating Performance

As CPNREIT was established from the conversion of CPNRF and has operations period from 29 November to 31 December 2017, for the unitholders and investors to receive full and continuous information of 2017 performance, the REIT Manager has provided the Management's Discussion and Analysis that includes the performance of CPNRF and the changes which results from the conversion including the changes in equity in CPNREIT's financial statements due to accounting method.

- **Income**

For the full year 2017, total income was reported at Baht 3,525.9 million, a decrease by Baht 4.8 million or 0.1% from Baht 3,530.7 million in 2016. Total income decreased slightly even though rental and service income from CentralPlaza Rama 3 decreased due to the major renovation. This is because rental and service income from other projects has improved especially from CentralPlaza Pinklao whereby the rental rate and occupancy have shown significant improvement after the completion of major renovation in June 2016. In December, CPNREIT started recognizing income from CentralFestival Pattaya Beach and Hilton Pattaya which were acquired on 1 December 2017. In addition, other income increased by Baht 12.2 million or 12.3%, while interest income decreased by Baht 2.0 million or 32.8% from the year 2016.

Total income for 4Q17 was Baht 936.8 million, an increase of Baht 25.4 million or 2.8% from the same quarter of 2016. This was mainly due to the increase of rental and service income from CentralPlaza Rama 2 after the renovation of non fully utilized area to bank zone and Fashion Plus, the increase in operational performance of CentralPlaza Pinklao after the completion of major renovation, and additional income from CentralFestival Pattaya Beach and Hilton Pattaya as mentioned above. Despite the reduction in rental and service income from CentralPlaza Rama 3 due to the major renovation, total income in 4Q17 was higher than that of the same quarter of last year.

In comparison to the previous quarter, total income for this quarter increased by Baht 103.4 million or 12.4% from 3Q17, which resulted from an increase of rental and service income from all projects, except for CentralPlaza Rama 3 which has been under major renovation, and additional income from CentralFestival Pattaya Beach and Hilton Pattaya acquired in December 2017. Interest income and other income were relatively close to those of 3Q2017.

For the period from 29 November 2017 to 31 December 2017, CPNREIT recorded total income of Baht 378.4 million, consisting rental and service income of Baht 369.5 million, other income of Baht 8.4 million, and interest income of Baht 0.5 million.

### **Occupancy rate**

The average occupancy rate of shopping malls and office buildings in CPNREIT as at 31 December 2017 was 91.01%, increasing from 87.37% as at 30 September 2017. This was mainly due to an increase of occupied area of CentralPlaza Rama 3 which was opened for operation after partial completion of major renovation in December 2017. The occupancy rate of CentralPlaza Rama 3 rose from 58.59% as at the end of 3Q17 to 77.67% as at the end of 2017. In addition, the occupancy rates of CentralPlaza Rama 2 and CentralPlaza Pinklao increased by 1.83% and 1.54%, respectively, while the occupancy rates of Pinklao Tower A, Pinklao Tower B and CentralPlaza Chiangmai Airport were relatively close to those as at 30 September 2017.

The average occupancy rate of Hilton Pattaya in December 2017 was 93.44%.

- **Expense**

Total expense for the full year 2017 was Baht 802.0 million, an increase of Baht 102.0 million or 14.6% from that of 2016. This resulted mainly from an increase of cost of rental and service, administrative expenses, property management fee and interest expense as compared to those of 2016.

Cost of rental and service, and administrative expenses increased from the year 2016 by Baht 22.2 million and Baht 18.1 million or 18.6% and 27.9%, respectively, mainly due to the tapering of subsidies in cost of rental and service, and administrative expenses that Central Pattana Chiangmai Co., Ltd. had agreed to support according to the agreements associated with the investment in CentralPlaza Chiangmai Airport, and an increase in overall property tax. Moreover, overall expenses increased due to the addition of CentralFestival Pattaya Beach.

Property management fee increased by Baht 27.5 million or 6.9% from 2016 as a result of higher leasing commissions from renewals and new leases especially the leasing commissions from renewals and new leases of CentralPlaza Rama 2 which had higher proportion of expired contracts in 2017 than in 2016, and leasing commissions of CentralPlaza Rama 3 from partial opening of some area in December 2017 after major renovation. In addition, interest expense increased by Baht 22.5 million or 31.1% due to loan took out to invest in additional assets of CPNREIT; however, the lower cost of debt compared to the cost of capital increased from unitholders will enhance the yield to unitholders. Other fees and administrative expenses increased by Baht 11.6 million or 26.5% from the change in fee structure due to conversion.

Total expense for 4Q17 was Baht 274.4 million, an increase of Baht 85.7 million or 45.4% from 4Q16. This was mainly due to the increase of property management fee of Baht 29.3 million or 27.9% from 4Q16 in the part of leasing commissions from renewals and new leases of CentralPlaza Rama 2 and CentralPlaza Rama 3 in 4Q17, and cost of rental and services which increased by Baht 19.9 million or 36.8% from the same quarter last year. Additionally, interest expense increased by Baht 24.2 million as a result from the loan as mention above. Apart from this, total expenses increased from expense of CentralFestival Pattaya Beach Project, fees and other admin expenses due to the conversion from CPNRF to CPNREIT.

Compared to the previous quarter, total expense for 4Q17 increased by Baht 105.3 million or 62.3%. The main contributor was property management fee which increased by Baht 43.7 million or 48.0% from the increase in leasing commissions from renewals and new leases, and the increase in cost of rental and services, and administrative expense by Baht 24.3 million or 48.9%. Interest expense also increased by Baht 24.7 million from the increase in leverage to invest in new assets. Moreover, total expenses increased due to expenses of CentralFestival Pattaya Beach Project, the changes in fees, and other administrative expenses that resulted from the conversion from CPNRF to CPNREIT.

For the period from 29 November to 31 December 2017, CPNREIT had total expenses of Baht 154.6 million, consisting of property expenses of Baht 108.6 million, interest expense of Baht 30.1 million, and other management fees and administrative expenses of Baht 15.9 million.

- **Net Investment Income**

Net investment income for the full year 2017 totaled up to Baht 2,724.0 million, a decrease of Baht 106.8 million or 3.8% from Baht 2,830.8 million in 2016. This was resulting from a decrease of total income of Baht 4.8 million or 0.1% and an increase of Baht 102.0 million or 14.6% in total expenses.

Net investment income for 4Q17 stood at Baht 662.4 million, a decrease of Baht 60.3 million or 8.3% compared to 4Q16 due to the increase in total income of Baht 25.4 million was less than the increase in total expenses of Baht 85.7 million.

Compared to 3Q17, net investment income declined slightly at Baht 1.9 million or 0.3% as the increase in total incomes of Baht 103.4 million was less than the increase in total expenses of Baht 105.3 million.

- **Profitability**

Net property income margin for 2017 decreased by 1.9% from the previous year and stood at 81.5%. This is mainly due to the decrease of property income by Baht 2.8 million or 0.1% while property expenses increased by Baht 67.9 million or 11.6% from 2016. As a result, net investment income margin decreased by 3.0% to 77.3% because of the decrease of Baht 106.8 million or 3.8% in net investment income.

- **Statement of Financial Position Movement**

As of 31 December 2017, CPNREIT reported total asset of Baht 47,055.6 million, an increase of Baht 13,451.7 million and 13,283.2 million from CPNRF's total assets as of 31 December 2016 and 30 September 2017, respectively. This was mainly due to the investment in additional assets, CentralFestival Pattaya Beach and Hilton Pattaya, on 1 December 2017. As a result, total investment in leasehold properties as of 31 December 2017 increased from Baht 32,309.0 million as of 31 December 2016 and Baht 32,402.0 million as of 30 September 2017 to Baht 44,310.0 million.

CPNREIT has investment in securities and cash on hand and at banks as at 31 December 2017 totaled of Baht 2,042.4 million, divided into investments in securities amounting to Baht 990.0 million and cash on hand and at banks at Baht 1,052.4 million, an increase from Baht 914.8 million as of 31 December 2016 and Baht 828.0 million as of 30 September 2017, respectively. The significant increase was because as at 31 December 2017, CPNREIT had withholding tax payable obligation amounting to Baht 597.9 million which has already been paid.

Borrowings as at 31 December 2017 was at Baht 14,453.7 million, a significant increase from Baht 1,874.6 million as of 31 December 2016 and Baht 1,917.8 million as of 30 September 2017 due to the use of loan funding to invest in additional assets.

As of 31 December 2017, Net Asset Value (“NAV”) was recorded at Baht 29,462.1 million or Baht 13.3164 per unit, a drop from Baht 13.5561 per unit as of 31 December 2016 and Baht 13.6225 per unit as of 30 September 2017.

As the last dividend payout of CPNRF before conversion to CPNREIT on 1 December 2017 is payout from 3Q17 operating results, CPNRF has remaining retained earnings from 2-month operation for the period from 1 October to 30 November 2017 that has not been paid out to unitholders. Upon conversion to CPNREIT, this retained earnings was transferred to CPNREIT as capital from unitholders which causes the change in equity structure in the financial statements. The change is merely due to the accounting method.



## FINANCIAL SUMMARY

Table 1: Income Statement

Unit: Baht Million	FY2017 <sup>1</sup>	CPNREIT 29 Nov - 31 Dec	CPNRF 1 Jan - 4 Dec	CPNRF FY2016	Change YoY	4Q17 <sup>2</sup>	CPNREIT 29 Nov - 31 Dec	CPNRF 1 Oct - 4 Dec.	3Q17	Change QoQ	4Q16	Change YoY
Property income	3,521.8	377.8	3,144.0	3,524.6	(0.1%)	935.4	377.8	557.6	832.3	12.4%	909.9	2.8%
Rental and service income	3,410.1	369.5	3,040.7	3,425.2	(0.4%)	908.9	369.5	539.5	804.8	12.9%	887.5	2.4%
Other income	111.7	8.4	103.3	99.5	12.3%	26.5	8.4	18.1	27.5	(3.7%)	22.4	18.0%
Interest income	4.1	0.5	3.6	6.1	(32.8%)	1.4	0.5	0.8	1.2	18.0%	1.5	(5.2%)
Total income	3,525.9	378.4	3,147.6	3,530.7	(0.1%)	936.8	378.4	558.4	833.4	12.4%	911.4	2.8%
Property expenses	651.7	108.6	543.1	583.8	11.6%	208.9	108.6	100.3	140.9	48.3%	159.6	30.9%
Cost of rental and service	141.8	16.5	125.3	119.6	18.6%	42.8	16.5	26.3	32.7	30.9%	32.0	33.9%
Selling and administrative expenses	82.9	23.1	59.8	64.8	27.9%	31.3	23.1	8.2	17.1	83.3%	22.2	41.0%
Property management fee	426.9	68.9	358.0	399.4	6.9%	134.7	68.9	65.8	91.0	48.0%	105.4	27.9%
Other expenses	0.0	0.0	0.0	0.0	2.0%	0.0	0.0	0.0	0.0	184.8%	0.0	426.3%
Interest expense	94.9	30.1	64.8	72.4	31.1%	42.2	30.1	12.1	17.5	141.3%	18.0	134.0%
Other management fees and expenses	55.4	15.9	39.5	43.8	26.5%	23.3	15.9	7.4	10.7	117.3%	11.1	110.3%
Total expense	802.0	154.6	647.3	699.9	14.6%	274.4	154.6	119.8	169.1	62.3%	188.7	45.4%
Net investment income	2,724.0	223.7	2,500.2	2,830.8	(3.8%)	662.4	223.7	438.6	664.3	(0.3%)	722.7	(8.3%)
Net property income margin	81.5%	71.3%	82.7%	3.4%	(1.9%)	77.7%	71.3%	82.0%	83.1%	(5.4%)	82.5%	(4.8%)
Net investment income margin	77.3%	59.2%	79.5%	80.3%	(3.0%)	70.8%	59.2%	78.7%	79.8%	(9.0%)	79.4%	(8.6%)

**Source:** 1) Financial Statements from 29 November (date of incorporation) to 31 December 2017 and Independent Auditor's Report of CPNREIT. 2) Financial Statements from 1 January to 4 December 2017 and Financial Statements for the three-month and nine-month periods ended 30 September 2017 of CPNRF.

**Table 2: Statement of Financial Position**

Unit: Baht Million	CPNRF				CPNREIT
	31-Dec-16	31-Mar-17	30-Jun-17	30-Sep-17	31-Dec-17
Investment at fair value					
Central Rama II	6,705.0	6,520.0	7,184.0	7,186.0	7,186.0
Central Rama III	9,156.0	9,540.0	9,192.0	9,179.0	9,179.0
Central Pinklao	5,495.0	5,180.0	5,495.0	5,543.0	5,543.0
Chiangmai Airport	10,953.0	10,580.0	10,531.0	10,494.0	10,494.0
CentralFestival Pattaya Beach	-	-	-	-	8,153.8
Hilton Pattaya	-	-	-	-	3,754.2
Total investment in properties	32,309.0	31,820.0	32,402.0	32,402.0	44,310.0
Investment in securities	662.9	796.8	897.0	941.0	990.0
Cash on hand and at banks	464.6	339.7	236.5	273.4	1,052.4
Accrued interest income	0.3	0.5	0.2	0.4	0.1
Other assets	167.0	153.3	162.0	155.7	703.1
<b>Total assets</b>	<b>33,603.8</b>	<b>33,110.2</b>	<b>33,697.6</b>	<b>33,772.4</b>	<b>47,055.6</b>
Deposits received from customers	1,138.0	1,130.9	1,142.4	1,184.3	1,424.1
Borrowing	1,874.6	1,852.9	1,831.3	1,917.8	14,453.7
<b>Other liabilities</b>	<b>598.6</b>	<b>605.1</b>	<b>619.6</b>	<b>530.8</b>	<b>1,715.6</b>
<b>Total liabilities</b>	<b>3,611.2</b>	<b>3,588.9</b>	<b>3,593.2</b>	<b>3,632.9</b>	<b>7,593.4</b>
Net Asset	29,992.6	29,521.3	30,104.4	30,139.5	29,462.1
Capital received from unitholders	24,406.2	24,406.2	24,406.2	24,406.2	29,653.4
Equalisation account	-	-	-	-	216.1
Gain (Loss) for the period	5,586.4	5,115.1	5,698.2	5,733.3	(407.3)
<b>NAV per unit (in Baht)</b>	<b>13.5561</b>	<b>13.3431</b>	<b>13.6066</b>	<b>13.6225</b>	<b>13.3164</b>

**Source:** Financial Statements from 29 November (date of incorporation) to 31 December 2017 and Independent Auditor's Report of CPNREIT and Financial Statements for the three-month and nine-month periods ended 30 September\_2017 of CPNRF.

## OPERATIONS SUMMARY

Table 3: Leasable Area and Occupancy

	Area (sqm)		Area (sqm)			
	GFA	NLA	31 Mar 17	30 Jun 17	30 Sep 17	31 Dec 17
CentralPlaza Rama 2	251,182	82,746	84.79 %	89.92 %	91.75 %	93.58 %
CentralPlaza Rama 3	169,740	36,285	86.94 %	62.65 %	58.59 %	77.67 %
CentralPlaza Pinklao	137,692	27,611	95.66 %	95.66 %	97.64 %	99.18 %
Pinklao Tower A & Tower B	50,653	34,031	90.27 %	90.04 %	84.53 %	84.62 %
CentralPlaza Chiangmai Airport	122,991	37,490	93.96 %	94.07 %	93.12 %	92.86 %
<b>Total/Average</b>	<b>732,258</b>	<b>218,163</b>	<b>88.86%</b>	<b>86.75%</b>	<b>86.00%</b>	<b>90.12%</b>
CentralFestival Pattaya Beach	70,095	29,404	-	-	-	97.57 %
<b>Total /Average</b>	<b>802,353</b>	<b>247,567</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>91.01 %</b>
Hilton Pattaya	49,686	302 rooms	-	-	-	93.44 %

Note: /1 Anchor and in-line tenants only

Table 4: Renewals and New Leases

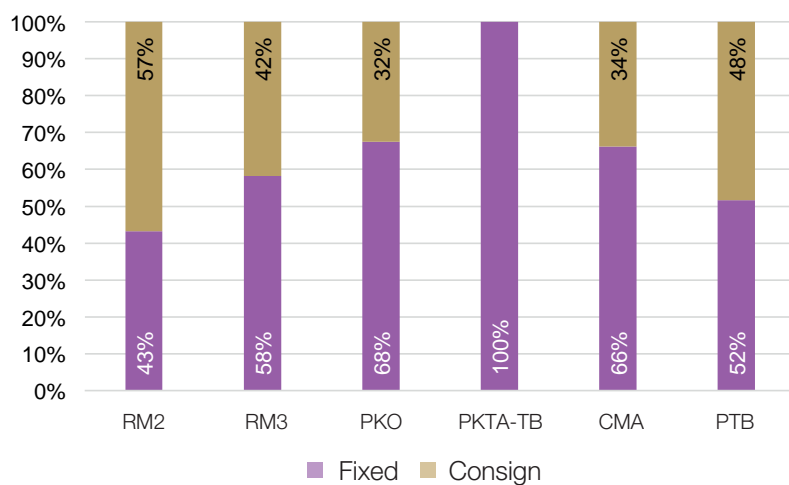
	From 1 October to 31 December 2017		
	Renewals and New Leases <sup>/1</sup>		
	No. of Leases	Area (sqm)	%of Total <sup>/2</sup>
CentralPlaza Rama 2	89	12,122	33.7%
CentralPlaza Rama 3	38	3,999	24.2%
CentralPlaza Pinklao	7	869	4.5%
Pinklao Tower A & Tower B	14	4,633	16.1%
CentralPlaza Chiangmai Airport	46	1,998	8.2%
CentralFestival Pattaya Beach <sup>/3</sup>	17	2,168	12.0%
<b>Total</b>	<b>211</b>	<b>25,788</b>	<b>18.1%</b>

Note: <sup>/1</sup> Exclude rental agreements < 1 year

<sup>/2</sup> Percentage of leasable area as at 31 December 2017

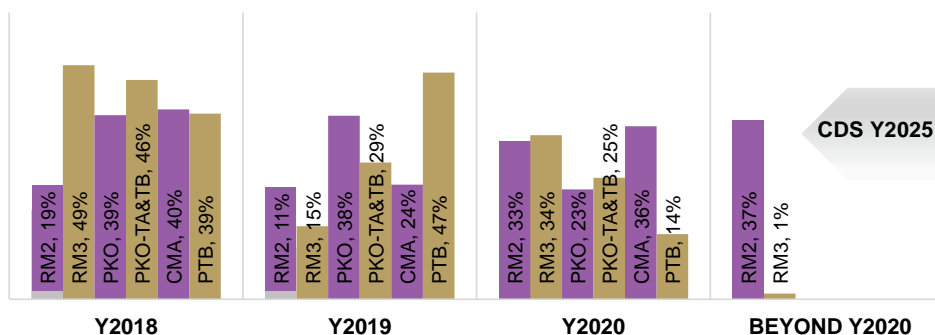
<sup>/3</sup> Renewals and new leases from period of 1 December 2017 – 31 December 2017

Graph 1: Rental Structure



Note: As at 31 December 2017

Graph 2: Lease Expiry Profile



Note:

1. Percentage of total occupied area as at 31 December 2017
2. Exclude rental agreements < 1 year



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## Risk Factors

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# Risk Factors

- **Risks associated with CPNREIT or the operation of CPNREIT**

- 1) Risk from economic volatility which may affect immovable properties
- 2) Risk from increasing competition and change in lifestyle
- 3) Risk from the fact that performance of CPNREIT partly depending on capability of the REIT Manager in managing and procuring benefits from the assets that it has invested in
- 4) Risk of reliance on experienced personnels with strong expertise in managing and procuring benefits from immovable properties
- 5) Risk that the hotel management agreement may not be renewed upon its expiration, or even if it is renewed, the terms and conditions of the renewed one may be less favorable and does not benefit hotel operation.
- 6) Risk from decrease in the number of tourists which will affect hotel business operation
- 7) Risk associated with the hotel license and other relevant licenses for business operation

If the sub-lessee of Hilton Pattaya cannot obtain a hotel license and other relevant business licenses or the hotel license and/or other relevant business licenses of the sub-lessee is/are terminated or not renewed, the sub-lessee will not be able to continue its hotel business operation which may be deemed the cause of the sub-lessee's inability to comply with the terms and to perform the duties under the sub-lease agreement. The sub-lessee shall, however, carry out and comply with relevant procedures and requirements for applying for and renewal of hotel license and other business licenses to ensure that any related undertakings are smoothly carried out and in compliance with relevant rules and regulations.

- 8) Income CPNREIT has obtained from Hilton Pattaya depends on financial footing of the sub-lessee and the decision to renew the sub-lease agreement upon the expiry of the sublease term
- 9) Risk from deferral of rental payment or exemption of rental payment due to force majeure which will affect the operation of Hilton Pattaya
- 10) Risk from not being able to procure a sub-lessee for Hilton Pattaya in the future

If the sub-lease agreement for Hilton Pattaya expires and CPN Pattaya Hotel does not renew the agreement or the sub-lease agreement is terminated before its expiry, it may take time for CPNREIT to procure a new sub-lessee in place of CPN Pattaya Hotel or it may be the case where CPNREIT may not be able to procure a new sub-lessee in place of CPN Pattaya Hotel at all.



However, if CPNREIT no longer grants a sub-lease of Hilton Pattaya to CPN Pattaya Hotel, the REIT Manager has set out the procedures for selection of new sub-lessee which primarily places emphasis on the interests of unitholders. Considering the prominent points of Hilton Pattaya that it is located in the prime location of Pattaya City, a major tourist destination of Thailand, therefore, the REIT Manager should be able to procure a new sub-lessee in place of CPN Pattaya Hotel within a reasonable timeframe.

In addition, prior to the expiry of the sub-lease term for Hilton Pattaya (31 December 2026), the sub-lessee shall inform CPNREIT in writing at least 12 months prior to the expiry date of its intention to renew the sub-lease agreement in order for the parties to conclude the agreement on renewal of the sub-lease prior to the expiry date, or for CPNREIT to select a new sub-lessee if CPN Pattaya Hotel does not renew the sub-lease agreement.

- 11) Risk from the inability to pay rental and service fees of tenants in the shopping malls and office buildings
- 12) Risk of loss of anchor tenants

Existence of anchor tenants is a factor that attracts shoppers to visit, shop and use services in shopping malls. Loss of anchor tenants may reduce attractiveness of shopping malls and the number of shoppers who visit, shop and use services in shopping malls. In addition, loss of anchor tenants may adversely affect occupancy rates of other tenants, as well as rental and service incomes of shopping malls.

However, the risk may be mitigated. If an anchor tenant intends not to renew its lease agreement with CPNREIT, such anchor tenant must give an advance written notice to CPNREIT of at least six months prior to the expiry of the lease period. Thus, the Property Manager has such period of time to procure a new anchor tenant in place of the existing one who will not renew the lease agreement. Considering the prime location of the shopping malls invested by CPNREIT along with CPN's over 30 years of experience in successful development and management of shopping malls, procuring a new tenant in place of the existing one who will not renew the leases should be possible.

- 13) Risk associated with renovation of immovable properties of CPNREIT
- 14) Risk due to the fact that CPNREIT does not have any right to the areas of Central Department Stores in some shopping malls in which it invests
- 15) Risk arising from the impact of damages in the areas not invested by CPNREIT
- 16) Risk associated with non-performance by the contractual parties
- 17) Risk arising from non-performance of agreements by the sub-lessor of the lands and the lease of structures in CentralPlaza Rama 2 Project and CentralPlaza Pinklao Project

- 18) Risk arising in the event that the lease agreement of CentralPlaza Rama 3 Project is not renewed in the 30th year and the 60th year
- 19) Risk arising from the fact that CPNREIT does not invest in the land on which CentralFestival Pattaya Beach Project and Hilton Pattaya are located
- 20) Risk from investment in the sub-leased areas in CentralFestival Pattaya Beach Project
- 21) Risk from borrowings
- 22) Risk from inability to obtain consent from the tenants leasing the areas in the properties invested by CPNREIT in changing party to the lease agreement
- 23) Risk arising from the fact that CPN is the major shareholder of and has control over the REIT Manager

CPN is the sole major shareholder of and has control over the REIT Manager. CPN holds 99.99 percent of the total shares with voting rights of the REIT Manager. Accordingly, CPN has full control over the policy on business, business operation and financing of the REIT Manager. In addition, after the conversion of CPNRF into CPNREIT, CPN will be the major trust unitholder of CPNREIT. As a result, CPN will have significant voting rights in the meeting of trust unitholders of CPNREIT.

Nevertheless, the performance of duties by the REIT Manager will be under the supervision of the Trustee. With respect to the management of CPNREIT, the REIT Manager shall proceed in compliance with the terms and conditions as specified in the Trust Deed, the REIT Manager appointment agreement and relevant rules and regulations. One-third of the board of directors of the REIT Manager is independent director. The independent director shall have duty to consider and give opinion on connected transactions of CPNREIT or any transaction that may give rise to conflict of interest for the purpose of check and balance within the structure of the board of directors of the REIT Manager.

In addition, in entering into any transaction regarding acquiring and/or disposing of major assets, connected transaction as well as material transaction by CPNREIT, the REIT Manager will proceed with approval of such transactions in accordance with applicable regulations and the trust unitholders who have special interest in any agenda items being under consideration in the trust unitholders meeting will not be entitled to vote for such agenda.

24) Risk arising out of conflict of interest between CPNREIT and CPN Group

In addition to acting as the Property Manager for CPNREIT, CPN also manages other shopping centers and office buildings located in Bangkok Metropolitan Region and in the provinces which are important trade and tourism centers of each region of Thailand. Currently, CPN manages CentralFestival Chiangmai which is located close to CentralPlaza Chiangmai Airport, as well as CentralMarina and CentralPlaza Chonburi which are located near CentralFestival Pattaya Beach.

Nevertheless, CentralMarina (which is located in Pattaya City and approximately two kilometers away from CentralFestival Pattaya Beach) does not compete with CentralFestival Pattaya Beach as they have different target group of customers. CentralMarina which is of smaller size has targeted on the group of customers of lower level than those of CentralFestival Pattaya Beach. With respect to CentralPlaza Chonburi (which is located approximately 60 kilometers away from CentralFestival Pattaya Beach), this shopping center does not directly compete with CentralFestival Pattaya Beach since the two shopping centers are located in different areas. They thus have different target groups. All these three shopping malls have different concepts, market positions, prominent points and anchor tenants. With respect to CentralPlaza Chiangmai Airport and CentralFestival Chiangmai (which are located approximately 8-11 kilometers away from each other), both shopping malls have different concepts, marketing positions, prominent points and anchor tenants. As such, they are not in competition with each other.

CPN has developed and operated shopping malls which are located relatively close to one another in certain areas since CPN foresees that those areas have potential for good economic development and sound business prospect in the long run due to continuous economic and social development in the area. Such developments have led to continuous increase in population and their purchasing power in those particular areas. CPN management and its business development team have conducted study to assess relevant factors and are of the view that development and operation of new shopping centers in the same vicinity as the existing ones will not adversely affect space demand of those of existing ones (cannibalization) as there is sufficient space demand for existing and new projects.

Moreover, there is low chance that there will be conflict of interest between CPNREIT and CPN because the decision to lease areas depends upon tenant needs. Each tenant's selection depends on location and size of area. Each project of CPN is different in respect of target customers, provision of services, architectural design and location, all of which being important factors tenants will take into account when making leasing decisions.

CPNREIT has appointed CPN to manage its shopping mall and office building under the contractual structure that would provide incentive for CPN to effectively and efficiently manage its assets. This is to ensure that CPN manages CPNREIT's assets in a manner that will generate high rental and service fees, while controlling operating costs and expenses to be at an appropriate level. This would help to mitigate risk associated with conflict of interest.

CPNREIT's investment in CentralFestival Pattaya Beach on this occasion is only for certain parts of the project. The areas in CentralFestival Pattaya Beach in which CPNREIT has not yet invested are those currently under renovation or subject to renovation plan of CPN for the purpose of their commercial enhancement. This would of course benefit the areas CPNREIT has invested in. CPN will grant CPNREIT the right of first refusal in respect of investment in such areas.

25) Risk arising from CENTEL's operation of hotels within the proximity of Hilton Pattaya

Central Plaza Hotel Public Company Limited ("CENTEL"), a connected person of CPN, has managed some other hotels with proximity to Hilton Pattaya. This may lead to conflict of interest with respect to business competition between Hilton Pattaya and those managed by CENTEL. The hotels managed by CENTEL include those that CENTEL owns and manages and those that CENTEL manages under hotel management agreement.

However, conflict of interest is reduced since CPN Pattaya Hotel, who is the sub-lessee of Hilton Pattaya, has appointed Hilton Group (which is connected to neither CPN nor CENTEL) to act as the hotel manager of Hilton Pattaya after its investment in such asset. Hilton Group has authority and duty to operate and manage Hilton Pattaya, in accordance with the terms and conditions as stipulated in the hotel management agreement. Management of Hilton Pattaya by the Hilton Group is independent and clearly separated from CPN and CENTEL. Meanwhile, the hotel management agreement specifies management fee structure that would provide incentive for Hilton Group to manage Hilton Pattaya with the aim to continuously achieve sound performance and strong cashflow. As management of Hilton Pattaya by Hilton Group and management of other hotels in the nearby area by CENTEL are clearly separated, conflict of interest is minimized. They have competed with each other on a fair basis.

- **Risks associated with the Ability to Procure Benefits from the Core Properties Invested by CPNREIT**

- 1) Risk arising from land expropriation
- 2) Immovable properties invested in by CPNREIT are subject to environmental laws, whereby compliance with them may incur expenses and liabilities to CPNREIT in various aspects
- 3) Risk associated with natural disasters, accidents and sabotages
- 4) Risk arising from insurance

- 5) Increase in expenses relating to the immovable properties which are in possession of CPNREIT, as well as increase in operating expenses

- **Risks associated with Investment in Immovable Properties by CPNREIT**

- 1) Investment in immovable properties is exposed to various risks
- 2) Risk arising from due diligence of assets prior to making investment
- 3) Gross profits obtained from immovable properties, or the value of immovable properties of CPNREIT may be exposed to adverse impact from various factors
- 4) The value of immovable properties invested by CPNREIT according to the valuation of the appraisal companies does not reflect their actual value and there is no guarantee that the selling price of immovable properties will be in line with the appraised value, whether at present or in the future;
- 5) The assumptions given in the projected statement of income and details of net property income are not certain and depends on risks and uncertainties in respect of business, economy, financing, relevant regulations and competition which may cause the actual performance to be materially different than the assumptions and this may affect the investment value of CPNREIT
- 6) Risk arising from CPNREIT's investment in the leasehold rights over immovable properties

- **Risk associated with Investment in the Trust Units of CPNREIT**

- 1) Risk from the fact that the market for trust units of real estate investment trusts is relatively new in Thailand
- 2) Change in the applicable accounting standards or relevant laws
- 3) The price of trust units may change after the offering
- 4) The net asset value of CPNREIT may not be the actual value to be received by CPNREIT if there is a case of disposal of all assets or dissolution of CPNREIT
- 5) Risk from lacking of liquidity in trading of trust units in the secondary market
- 6) Risk associated with taxes and fees
- 7) Risk associated with the concentration of investment in the leasehold rights over immovable properties
- 8) Ability of CPNREIT to make distributions of returns;
- 9) Risk from using the net asset value of CPNREIT in determining the trading price of trust units
- 10) The return of capital upon the dissolution of CPNREIT may be less than the amount invested by the trust unitholders.









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## Corporate Governance

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# Corporate Governance

## Corporate Governance

The REIT Manager recognizes the importance of corporate governance that it is crucial for the management of CPNREIT and the trust unitholders' trust. Corporate governance also enables the trust unitholders, investors, and the public to know and examine the management of the REIT Manager. All this, the REIT Manager shall manage CPNREIT in accordance with the relevant laws, Trust Deed, and other related regulations as well as the principle of good corporate governance in order that the said policy is tangibly implemented.

## Corporate Governance Policy

The REIT Manager's policy is to stringently comply with all and any securities laws, notifications, regulations, orders, or circular letters as amended or issued by the Securities and Exchange Commission ("the Office of the SEC") and the Stock Exchange of Thailand ("SET") The REIT Manager formulates the policy that every director and executive is required to report his or her conflict of interest and trading of trust units to the Risk Management and Compliance Department and such securities holding report shall be further submitted to the Office of the SEC.

## Board of Directors Meeting

The REIT Manager imposes that the Board of Directors shall have at least one meeting in each quarter to consider the general affairs of the REIT Manager and CPNREIT. The meeting procedures of the Board of Directors are as follows:

1. The REIT Manager shall deliver the notice to the meeting, meeting agenda items together with other supporting documents with adequate and necessary information to be considered by each director prior to the meeting date in order that he or she has sufficient time to study all information in advance.
2. The agenda items of the board meetings shall be proposed for acknowledgement or approval such as operating performance of the REIT Manager and CPNREIT, annual budget of CPNREIT, distribution of return to the trust unitholders, arrangement of the trust unitholders' meeting, investment in additional assets, entering into connected transactions, preparation of business plan and investment, and progress of business plan implementation, etc.
3. At least over a half of the total number of directors attending each meeting shall constitute a quorum. Each director is eligible to vote. A resolution of the Board of Directors shall depend on the majority votes by the directors present at the meeting. A director with conflict of interest in any matter shall be ineligible to vote on such particular matter.

4. In every meeting, the Chairman shall allocate sufficient time for the management to present documents and information for discussion, and for the Board of Directors to discuss the critical issues. Every director is free to express his or her opinion, and to propose any agenda items
5. The REIT Manager shall record the minutes of each meeting, collect all meeting documents accurately and completely so that the document can be audited, and keep the minutes of meeting approved by the board meeting for further evidence.

### **Control on the Use of Inside Information**

The Risk Management and Compliance Department shall set up the measures and guideline of preventing the conflicts of interest between CPNREIT and persons who may have conflict of interest in order to sustain the best benefits of CPNREIT and the unitholders as a whole. The said measures include:

#### **1. Disclosure of matters in which directors and management may have an interest**

- 1) The Risk Management and Compliance Department has the duties of submitting the Disclosure of Interests Form to all directors and executives in order that they disclose their interests prior to taking up office and whenever there is a change of any director or the executive to be aware of all connected persons with CPNREIT; reporting the securities held by them and their spouse as well as their minor children who hold the trust units for which the Company acts as the REIT Manager; and reporting any change of such holding of securities.
- 2) The directors and executives of the Company have the duty of promptly reporting to the Risk Management and Compliance Department on the interests they and the related persons have as resulted by their management of CPNREIT when they obtain the Disclosure of Interests Form or they become aware of such interest. The Risk Management and Compliance Department requires that the directors and executives report their trading of trust units to the Risk Management and Compliance Department within 3 business days after the purchase, sales, or transfer of trust units.
- 3) Upon the receipt of the aforesaid information, the Risk Management and Compliance Department has the duty of examining the information disclosed by the directors and executives, and any change in such interests. The examination shall include the inquiry and checking with websites of the relevant agencies or other reliable public information sources in order to verify completeness and accuracy of information disclosed by the directors and executives in the Disclosure of Interests Form.
- 4) After checking with the reliable public information sources, the Risk Management and Compliance Department shall record or print out the examination results, which shall be kept as evidence together with the Disclosure of Interests Form disclosed by the directors and executives for further examination.

## 2. Guideline on protection and use of inside information

The REIT Manager sets up the guideline on protection and use of inside information as follows:

- 1) To define in writing the code of conduct and best practice for the employees of the Company, particularly, the exploitation of inside information, which shall be communicated to its new personnel who must read and sign for acknowledgement on the first date of working in the Company, and re-sign after any change.
- 2) To limit the receipt and use of inside information. In this regard, the Company operates under the need-to-know basis. The information received by the personnel or department shall be kept confidential and not be disclosed to other unrelated persons.
- 3) To set up an efficient control system to prevent any unrelated persons to know inside information by:
  - a) arranging for the use of password to access into the electronic data in the computer system, and the said password shall be changed regularly;
  - b) setting up the access control matrix which specifies to which data files can be accessed by each officer. In this regard, the Risk Management and Compliance Department shall review and update the access right if any officer resigns or is reshuffled;
  - c) keeping the documents in a safe place or in a cabinet or a locked room; and destroying all unused documents; and
  - d) setting up a security system in the workplace to prevent the third persons; for instance, rooms can be locked, or room access shall be permitted by an officer card or finger print scan.
- 4) The officers of the Company permitted to receive inside information as well as the directors and executives shall report their purchase or sales of trust units to the Risk Management and Compliance Department whenever their holding of trust units is changed within 3 business days. In this regard, the Risk Management and Compliance Department may randomly examine the completeness and accuracy of the said report with any public information sources.
- 5) The Risk Management and Compliance Department shall perform the following actions to ensure that the executives and officers who have been aware of inside information shall not exploit it in case of making the transaction possibly affecting the price of trust units or other securities, e.g. purchase and sales of properties of CPNREIT:
  - a) To list the securities of which the related transactions must be monitored (Watch List);
  - b) To send e-mail messages to all related executives and officers regarding such securities;
  - c) When such list is disclosed to the public, the Risk Management and Compliance Department shall move such list of securities to the account of the restricted list, and send the e-mail message to all related executives and officers under Clause b above, as well as the officers who may have chance to exploit inside information (if any); and



- d) When the personnel who have received inside information of the Company have no chance to exploit such inside information for their purchase and sales of securities, the Risk Management and Compliance Department shall notify the executives and officers under Clause c) above of revoking those securities from the restricted list.

### **System for Control, Supervision, and Evaluation of Work Performance of the Property Manager and/or the Sub-lessee of the Core Properties**

The main objective of the Company as the REIT Manager is to provide the stable returns to the trust unitholders by taking into account the benefit to be acquired from the properties invested by CPNREIT. Therefore, the Company establishes a system for control, supervision, and evaluation of work performance of the Property Manager. The Company and the Property Manager shall work closely to enhance potential of the properties invested by CPNREIT.

The Business Development Department shall be in charge of controlling, supervising, and evaluating the work performance of the Property Manager whether or not it conforms to the terms and conditions specified in the Property Manager Appointment Agreement. The actions on this matter include:

1. The Business Development Department and the Property Manager shall mutually prepare the annual budget plan of CPNREIT, which specifies the revenues and expenses in details, determines the target of income procurement, and supervises and monitors all revenues and expenses of CPNREIT to be in line with the target or projection.
2. The Business Development Department and the Property Manager shall mutually consider or review the strategic plan of the Property Manager to ensure that more income would be earned while the risk associated with the fluctuating rental income of CPNREIT would be mitigated, as well as to monitor the performance of the Property Manager to ensure that it is in line with the established plan and strategy.
3. The Company together with the Property Manager and the Trustee shall mutually examine the assets to ensure that the core properties of CPNREIT is complete, in normal condition, ready for use, not added or lost beyond the REIT Manager's approval.
4. The Business Development Department and the Property Manager shall mutually monitor the repair and maintenance of the real properties of CPNREIT, utilities system, and essential equipment in the said properties to ensure that they are in good condition and can be used to procure the benefits consistently, and that they shall have the characteristics or qualification prescribed by laws, e.g. safety system, care for environmental quality, energy saving, etc., as well as all other related contracts under the determined budget, joint consideration between the REIT Manager and the Property Manager, and approval of the Trustee.

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5. Every department of the REIT Manager shall regularly have the joint meeting with the Property Manager to evaluate the operating performance of CPNREIT, and to find out the appropriate measures to prevent the operating problems of CPNREIT.
  6. The Business Development Department shall prepare the performance evaluation form for the Property Manager. The evaluation criteria consist of two sections:
    - 1) Section relating to duties of the Property Manager in accordance with the Property Manager Appointment Agreement
    - 2) Section relating to work performance of the Property Manager in respect with property management
  7. The Business Development Department shall control and supervise the operation as described below.
    - 1) To review the relationship between monthly revenues and expenses whether there are any irregular matters or not
    - 2) To choose at random the supporting evidence of transaction to examine the transaction existence, accuracy, and completeness in recording payments to the account of CPNREIT with the rental report paid by customers in each month
    - 3) To review the aging of accounts receivable to ensure that it is in normal condition with no significant increase
    - 4) To examine at random whether or not the Property Manager performs its duty fairly and transparently by giving no special benefits to any particular tenant
    - 5) To review an increase or decrease of fixed assets that the approval procedure is appropriate
    - 6) To review any transaction that are special, rarely occur, or involve the high value to ensure that they are undertaken for a maximum benefit of the trust unitholders
    - 7) To review the list of expenses charged by the Property Manager to CPNREIT to ensure that no unnecessary or duplicated expenses are charged to CPNREIT, and that they are under the scope mutually agreed
    - 8) To regularly arrange for the evaluation of the internal control system of the Property Manager. In this regard, the Company may require the auditor of the Property Manager or the external advisory company to regularly report the weakness or defect of the internal control system of the Company, as well as remedy and improvement measures.



## Disclosure of Information to the Trust Unitholders

The REIT Manager recognizes the importance of the adequate, accurate, complete, precise, timely, and transparent disclosure of information to the trust unitholders. Every trust unitholder has the equitable rights to receive the information. The disclosure of information by CPNREIT must be in conformity with the criteria and requirements on disclosure of information prescribed by the Office of the SEC and the SET.

Immediately	<ul style="list-style-type: none"><li>- Information taking the material effect to the unit price, decision-making on investment, benefits of the trust unitholders</li><li>- Information about operating performance, e.g. distribution payment</li><li>- Report upon the occurrence of any event causing the dissolution of CPNREIT</li><li>- Report upon the occurrence of any event specified in the Trust Deed as grounds of the dissolution of CPNREIT or other events enabling to foresee the dissolution of CPNREIT</li><li>- Report promptly upon an acquisition or disposal of real properties or the trust unitholders hold the trust units more than the limit portion.</li></ul>
Within 3 business days	<ul style="list-style-type: none"><li>- Information not taking the direct effect, but should be disclosed to the investors, e.g. change of the director(s), change of the auditor, etc.</li></ul>
Within 14 days	<ul style="list-style-type: none"><li>- Information to be compiled by the SET for reference, e.g. copy of the minutes of meeting of the trust unitholders, report on the allocation of capital-increase trust units.</li></ul>
Within 15 days	<ul style="list-style-type: none"><li>- Report on the reduction of paid-up capital of CPNREIT</li><li>- Report on acquisition or disposal of real properties</li></ul>
Within 30 days	<ul style="list-style-type: none"><li>- Progress report on investment in under construction properties</li></ul>
Disclosure by specified periods	<ul style="list-style-type: none"><li>- Quarterly financial statements - 45 days after the end of the accounting period</li><li>- Yearly financial statements - 2 months after the end of the accounting period (in case the fourth quarterly financial statements are not prepared)</li><li>- Management Discussion and Analysis</li><li>- Copy of 56-REIT - within 3 months after the end of the accounting period</li><li>- An annual report together with Notice to the Annual General Meeting of trust unitholders - within 4 months after the end of the accounting period</li><li>- NAV – within 45 days after the end of the accounting period</li></ul>







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## Internal Control and Risk Management

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# Internal Control and Risk Management

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The REIT Manager recognizes the importance of the internal control system and risk management. In this regard, the Board of Directors shall be responsible for the efficiency and adequacy of such internal control system to ensure that the assets of CPNREIT and the interest of the trust unitholders shall be protected. In addition, the corporate structure is explicitly formulated. The Enterprise Risk Management Framework has been applied to identify any potential event or risk, and to identify the guideline of managing such risks to an acceptable level in order that the REIT Manager can attain the objectives of management of CPNREIT. There are also the systematic segregation of duties and appropriate balance. The management of the Property Manager is monitored and overseen to prevent the improper use of assets of CPNREIT.

Risk Management and Compliance Department has the duty of supervising, checking, and monitoring the operation to ensure that it is in accordance with all regulations prescribed by the Office of the SEC, relevant laws, and policies and practices of the REIT Manager to ensure that the business operation and performance of the REIT Manager are in conformity with all policies, rules, practices, and regulations required.



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## Borrowing

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# Borrowing

CPNREIT has entered into two loan agreements with financial institutions: a syndicated credit facility agreement for investment in Additional Assets No. 1 and renovation of assets of CPNREIT, and a credit facility agreement with The Siam Commercial Bank Public Company Limited for refinancing the existing loan. The material terms and conditions of each agreement are described below :

## Syndicated Credit Facility Agreement

<b>Lenders</b>	Krung Thai Bank Public Company Limited Government Savings Bank Kiatnakin Bank Public Company Limited
<b>Borrower</b>	Trustee on behalf of CPN Retail Growth Leasehold REIT (CPNREIT)
<b>Credit Facility (THB million)</b>	<ul style="list-style-type: none"> <li>- Facility A1 : THB 12,700 million For investment in the Additional Assets No. 1 made by CPNREIT as well as other related fees and expenses</li> <li>- Facility A2 : THB 1,550 million For expenses incurred from renovation and repair of assets, or for repayment to the Borrower for any expenses for which the Borrower has advanced for renovation and repair of assets.</li> <li>- Facility B: THB 7,125 million For refinancing of credit facility and liabilities which were due under Facility A</li> </ul>
<b>Interest Rate</b>	BIBOR plus fixed interest per annum
<b>Repayment Period</b>	<ul style="list-style-type: none"> <li>- Facility A : 2 years after the date of the agreement</li> <li>- Facility B : Every half-year in the total of 28 installments. The first installment shall be on the first half-year after such credit facility is drawn down.</li> </ul>
<b>Interest Payment</b>	6-month Interest payment period to be made at every half year, except the first interest payment which shall be made on the last day of January 2018
<b>Collateral</b>	None



## Loan covenant

### Debt to Total Asset Ratio

- Debt to total asset ratio must not be greater than 35 percent throughout the contract term as calculated from the yearly financial statements ended on 31 December of each year.

- If CPNREIT has been given the credit rating at the level of 'Investment Grade', which is the latest credit rating given by a credit rating agency as approved by the Office of the SEC, longer than 1 year after the date of the agreement, CPNREIT shall maintain its debt to total assets ratio not to exceed 60 percent as calculated from the yearly financial statements ended on 31 December of each year.

### Debt Service Coverage Ratio

- CPNREIT shall inform the facility agent promptly if CPNREIT incurs any other debts apart from those under this agreement.

- CPNREIT shall maintain its debt service coverage ratio not to be greater than 1.2 times at the end of every fiscal year as appeared in the financial statements.

## Loan Agreement with The Siam Commercial Bank Public Company Limited

Lender	The Siam Commercial Bank Public Company Limited
Borrower	Trustee on behalf of CPN Retail Growth Leasehold REIT (CPNREIT)
Loans (THB million)	<p>- Facility 1 : THB 1,918 million A loan to refinance the debt under the existing Credit Facility Agreement</p> <p>- Facility 2 : THB 1,918 million A long-term loan to refinance loan Facility 1</p>
Interest Rate	<p>- Facility 1 : Fixed interest</p> <p>- Facility 2 : Fixed and MLR minus fixed rate per annum</p>
Repayment Period	<p>- Facility 1 : Bullet repayment within 1 year following the date written in this agreement</p> <p>- Facility 2 : 6-month Installment repayment in the total of 18 installments. The payment dates shall be on the last business day of June and December of each year.</p>
Interest Payment	6-month Interest payment period to be made on the last business day of June and December of each year. The first interest payment shall be on the last day of June 2018.

Collateral	None
Loan Covenant	<ul style="list-style-type: none"> <li>- If CPNREIT has not been given any credit rating, it must maintain the debt to total asset ratio not greater than 35 percent of the total asset value of CPNREIT.</li> <li>- If CPNREIT has been given the credit rating at the level of 'Investment Grade', which is the latest credit rating received from a credit rating agency as approved by the Office of the SEC, longer than 1 year after the date of the agreement, CPNREIT shall maintain its debt to total assets ratio not to exceed 60 percent of the total asset value of CPNREIT.</li> </ul>

Status of loans as at the end of the accounting period is shown below :

Amount of outstanding principle	THB 14,453 million
Total assets	THB 47,055 million
Debt to Total Asset Ratio	30.7%



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Relationship with  
the business group  
of the Property  
Manager or major  
unitholders

# Relationship with the business group of the Property Manager or major unitholders

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As of 31 December 2017, Central Pattana Public Company Limited was a major trust unitholder of CPNREIT, holding 26.69 percent of trust units in total.

Although Central Pattana Public Company Limited is both the major unitholder and the Property Manager of CPNREIT, CPNREIT has certain mechanism and measures of selecting its Property Manager by taking into account the maximum interest of the unitholders.





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## Prevention of Conflict of Interest

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# Prevention of Conflict of Interest

For the purpose of preventing potential conflict of interest and ensuring CPNREIT's compliance with relevant rules and regulations, a policy on entering into transactions between CPNREIT and the REIT Manager and/or its connected persons and a policy on entering into transactions between CPNREIT and the Trustee and/or its connected persons are set out as follows:

- **Policy on Entering into Transactions between CPNREIT and the REIT Manager and/or Connected Persons of the REIT Manager**

In the event of entering into a transaction between CPNREIT and the REIT Manager and/or connected persons of the REIT Manager, the REIT Manager shall proceed as follows:

1. Connected persons of the REIT Manager

A connected person of the REIT Manager shall be defined as a connected person prescribed under the relevant notifications relating to the criteria on entering into connected transactions.

2. General terms and conditions for transactions between CPNREIT and the REIT Manager and/or its connected persons are as follows:

- The transaction shall be proceeded in accordance with terms and conditions as stipulated in the Trust Deed and provisions of applicable laws, and shall be in the best interests of CPNREIT.
- The transaction must be reasonable and at a fair value, whereby costs and expenses charged to CPNREIT (if any) for entering into the transaction are fair and appropriate. Interested persons, either directly or indirectly, shall not involve in the decision making.
- If the law provides that whichever transactions to be entered into by CPNREIT shall require prior approval from the Board of Directors meeting of the REIT Manager and/or the trust unitholders meeting of CPNREIT, the REIT Manager must arrange for the independent director to give an opinion on such transaction, and that such opinion will be presented to the Board of Directors meeting of the REIT Manager and/or the unitholders meeting of CPNREIT, to ensure that such transaction is in the best interests of CPNREIT and its unitholders. If the independent director lacks necessary expertise for considering and providing opinion regarding the transaction, the REIT Manager shall procure an independent expert, for example, an independent financial advisor, asset appraiser or auditor to give an opinion on such connected transaction. This will be used as supporting information for consideration and decision-making by the board of directors meeting of the REIT Manager and/or the unitholders meeting of CPNREIT, as the case may be. Persons who have special interest in the transaction are not entitled to vote on the matters in which they have the conflict of interest. Consideration and approval of the transactions of CPNREIT, regardless whether by the Board of Directors meeting of the REIT Manager and/or the unitholders meeting of CPNREIT, shall be in accordance



with provisions of relevant rules. Connected transaction must also be disclosed in the notes to the financial statements of CPNREIT reviewed or audited by the auditor.

- **Policy on Entering into Transactions between CPNREIT and the Trustee and/or Connected Persons of the Trustee**

In the event that CPNREIT will enter into a transaction with the Trustee and/or a connected person of the Trustee, the REIT Manager must consider necessity and reasonableness of the transaction. The independent director must give an opinion on the necessity and benefit(s) that CPNREIT will gain from entering into the transaction. The steps for consideration and approval of the transaction shall be in accordance with provisions of relevant rules. Persons who have special interest in the transaction are not entitled to vote on the matters in which they have conflict of interest. CPNREIT will disclose the details on the transaction with the Trustee and/or connected persons of the Trustee to be in compliant with regulatory requirements.









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## Corporate Social Responsibility

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# Corporate Social Responsibility

## Corporate Social Responsibility

CPN REIT Management Company Limited as the REIT Manager pays attention to corporate social responsibility either directly or indirectly related to CPNREIT. To elaborate, the business operation of the Company is coupled with equality, anti-corruption, respect to human rights, fair treatment to employees, retention of quality of life of individuals, employees, every sector or in general public, responsibility to consumers, environmental care, involvement in community or social development, and dissemination of innovations from the operations under responsibilities to the society, environment, and stakeholders.

## Fair Business Practices

Fair business practices are the business ethics emphasized and implemented by the REIT Manager in its management of CPNREIT. The REIT Manager has stringently carried out the management of CPNREIT in accordance with the relevant laws, e.g. Securities and Exchange Act, B.E. 2535 and its amendments, Trust for Transactions in Capital Market Act, B.E. 2550 and its amendments, regulations of any regulatory authorities, and Trust Deed. The REIT Manager also adheres to the Principle of Good Governance, avoids any actions possibly causing conflicts of interest, promotes fair and free business competition, provides fair treatment to every tenant, and gives no false advertisement or inaccurate information possibly causing misunderstanding and damage to the trust unitholders and general investors.

The Property Manager also strictly respects and conforms to the commercial conditions and contracts made with other business partners for fair and equitable business competition.

## Respect to Human Rights and Fair Treatment to Employees

The REIT Manager regards individuals' fundamental rights as an important matter, and it recognizes that respect to human rights is a foundation for human development. Therefore, the REIT Manager has encouraged employees and the organization not to participate or involve in the violation of human rights. In this regard, the rights to life, freedom of expressions, equality in law enforcement, rights in work based on laws, rights in standard health, rights in social welfare, and employee recruitment with no discrimination of race, religion and gender are clearly defined for the said equality.

## Responsibility to Consumers

CPNREIT has invested in various assets, which include CentralPlaza Rama 2 Project, CentralPlaza Rama 3 Project, CentralPlaza Pinklao and Pinklao office building Tower A and Tower B Project, CentralPlaza Chiangmai Airport Project, and CentralFestival Pattaya Beach Project and Hilton Pattaya. The REIT Manager, therefore, has appointed Central Pattana Public Company Limited as the Property Manager.

In the management of the said assets, the Property Manager pays attention to the fair treatment and responsibility to all tenants and considers their safety and health. The Property Manager focuses on the building management, retention of service standards, and delivery of quality and safe service to all tenants and service users.

### **Environmental Care**

CPNREIT realizes the importance of environment and preservation of natural resources. The REIT manager has tried to mitigate the impact on the environment in each shopping mall and surrounding areas by selecting the equipment that can save energy and is easy for maintenance in the long term. CPNREIT has also conducted the campaigns for recycle process, energy saving, and strict compliance with the environmental laws.











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## Information of Trust Units

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# Information of Trust Units

## Information and Prices of Trust Units

### Information of Trust Units as at 31 December 2017

Investment Capital	THB 29,653,382,715
Number of Unit	2,212,476,700 Units
Net Asset Value	THB 29,462,148,155
NAV per Unit	THB 13.3164 per Unit

### Information of Unit Prices as of 29 December 2017

Closing Price	THB 22.20 per Unit
Highest Price	THB 22.60 per Unit
Lowest Price	THB 22.20 per Unit
Market Capitalization	THB 49.12 Million
Trading Volume per Year (AOM Value)	THB 434.65 Million

### Detail of Unitholders

List of the first 10 Unitholders as of 29 December 2017

Unitholders	Number of the Units	Unitholders Proportion (%)
Central Pattana Public Company Limited	590,521,686	26.69
Government Savings Bank	68,004,833	3.07
MRS. ARUNEE CHAN	55,645,800	2.52
HSBC (SINGAPORE) NOMINEES PTE LTD	55,072,310	2.49
Bangkok Life Assurance PCL	37,367,952	1.69
HSBC BANK PLC-HSBC INSTITUTIONAL TST SVS(IRE) LTD FIRST STATE GLOBAL UMBRELLA FUND PLC - FIRST STATE ASIAN EQU	33,261,756	1.5
K Property Sector Fund	31,152,700	1.41
TMB Property Income Plus Fund	30,207,000	1.37
Muang Thai Life Assurance Public Co., Ltd.	29,494,000	1.33
GIC PRIVATE LIMITED	28,178,537	1.27

## Distribution Payment Policy

### Policy on Distribution of Returns

- CPNREIT has the policy to make at least 2 distributions of returns per year to the trust unitholders.
- In the case where CPNREIT has net profit in any accounting period, the REIT Manager shall make distribution of returns to the trust unitholders of not less than 90 (ninety) percent of the adjusted net profit of such accounting period.

The adjusted net profit under this paragraph means the profit adjusted by the following items:

- 1) Deduction of unrealized gain from the valuation or review of valuation of CPNREIT's assets, as well as other adjustment of entries made in accordance with the guidelines of the Office of the SEC to be in line with the cash flows status of CPNREIT
  - 2) Deduction of reserve for repayment of loans or encumbrance incurred from obtaining loans by CPNREIT, in accordance with the amount specified in the filing and the prospectus, or the annual report as the case may be.
- In the case where CPNREIT has retained earnings in any accounting period, the REIT Manager may make distribution of returns to the trust unitholders from the retained earnings.
  - In the case where CPNREIT has incurred accumulated losses, the REIT Manager shall not make any distribution of returns to the trust unitholders.
  - The REIT Manager shall make distribution of returns to the trust unitholders within the period of 90 days from the end of the accounting year or the accounting period in which the distribution of returns is made, as the case may be. In the case where the REIT Manager is not able to make distribution of returns within such period, the REIT Manager shall inform the trust unitholders through the SET information system.
  - The REIT Manager shall make distribution of returns to the trust unitholders in accordance with the holding proportion of each trust unitholder. The REIT Manager reserves the right not to make distribution of returns to the trust unitholders whose holding proportion exceeds the limit or not in compliance with the specified criteria in the Notification No. TorJor. 49/2555 only for the portion exceeding the limit or not complying with the criteria. Any returns not distributed shall be distributed to other trust unitholders in accordance with their holding proportion.
  - The REIT Manager shall notify the distribution of returns, the book closing date and the rate of distribution by notifying the trust unitholders whose names are recorded in the trust unitholder register as at the book closing date via the SET information system and notifying the Trustee in writing.

- In considering the distribution of returns, in the case where the distribution to be made per trust unit during any accounting year or accounting period is less than or equal to THB 0.10, the REIT Manager reserves the rights not to make such distribution, provided that the distribution shall be carried forward to the following distribution of returns.
- The REIT Manager shall comply with the policy on distribution, with the exception of the case where the SEC, the Office of the SEC and/or any competent authorities amends, changes, adds, announces, determines, instructs, approves, and/or otherwise grants a waiver, whereby the REIT Manager shall comply with such actions.

### **Limitations on Distribution of Returns**

The REIT Manager shall make distribution of returns to the trust unitholders in accordance with the holding proportion of each trust unitholder. The REIT Manager reserves the right not to make distribution of returns to the trust unitholders whose holding proportion exceeds the limit or not in compliance with the specified criteria in the Notification No. TorJor. 49/2555 only for the portion exceeding the limit or not complying with the criteria. Any returns not distributed shall be distributed to other trust unitholders in accordance with their holding proportion.



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## Financial Statements

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## Independent Auditor's Report

### To the Unitholders of CPN Retail Growth Leasehold REIT

#### *Opinion*

I have audited the financial statements of CPN Retail Growth Leasehold REIT (the “Trust”), which comprise of the balance sheet and details of investments as at 31 December 2017, the statements of income, changes in net assets, cash flows and the significant financial information for the period from 29 November 2017 (date of incorporation) to 31 December 2017, and notes, comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Trust as at 31 December 2017 and its financial performance, changes in net assets, cash flows and significant financial information for the period from 29 November 2017 (date of incorporation) to 31 December 2017 in accordance with Thai Financial Reporting Standards (TFRSs).

#### *Basis for Opinion*

I conducted my audit in accordance with Thai Standards on Auditing (TSAs). My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Trust in accordance with Code of Ethics for Professional Accountants issued by the Federation of Accounting Professions that is relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### *Key Audit Matters*

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.



Valuation of investments in leasehold properties	
Referred to Notes 1, 3 (a) and 5 to the financial statements	
The key audit matter	How the matter was addressed in the audit
<p>On 1 December 2017, the Trust received the transfer of assets, liabilities and obligations from CPN Retail Growth Leasehold Property Fund (“the Fund”) which the transferred assets were mainly investments in leasehold properties at fair value of Baht 32,402 million. Moreover, the Trust invested in additional investments in leasehold properties of Baht 11,908 million on the same date.</p> <p>Investments in leasehold properties are measured at fair value and material to the financial statements of the Trust. The fair value of investments in leasehold properties are estimated by income approach using discounted cash flows which the independent external valuer assisted in valuing the fair value of these investments. Identification and assessment of the fair value require significant judgment in determining the key assumptions. Therefore, such matter is an area that my audit is particularly concentrated on.</p>	<p>My audit procedures included:</p> <ul style="list-style-type: none"> <li>• Understanding and evaluating the basis upon which the Trust identified and assessed the fair value of assets.</li> <li>• Evaluating the independence, qualification and competence of the valuer of the Trust and read the terms of engagement letter.</li> <li>• The external expert engaged by KPMG helped on considering whether the measurement basis and key assumptions underlying the estimate of the fair values were reasonable by taking account of similar assets in other comparable situations and the work performed by the valuer.</li> <li>• Considering the key assumptions by comparing assumptions in appraisal report with actual occurrence and testing calculation.</li> <li>• Considering the adequacy of the disclosures in accordance with Thai Financial Reporting Standards.</li> </ul>

#### *Other Information*

The REIT manager is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and my auditor’s report thereon. The annual report is expected to be made available to me after the date of this auditor’s report.

My opinion on the financial statements does not cover the other information and I will not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

### *The REIT manager's responsibility for the Financial Statements*

The REIT manager is responsible for the preparation and fair presentation of the financial statements in accordance with TFRSs, and for such internal control as the REIT manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the REIT manager is responsible for assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the REIT manager either intends to liquidate the Trust or to cease operations, or has no realistic alternative but to do so.

### *Auditor's Responsibilities for the Audit of the Financial Statements*

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with TSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with TSAs, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the REIT manager.
- Conclude on the appropriateness of the REIT manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Trust to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the REIT manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide the REIT manager with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with the REIT manager, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



(Bongkot Amsageam)  
Certified Public Accountant  
Registration No. 3684

KPMG Phoomchai Audit Ltd.  
Bangkok  
23 February 2018

# CPN Retail Growth Leasehold REIT

## Balance sheet

	Note	31 December 2017 (in Baht)
<b>Assets</b>		
Investments in leasehold properties at fair value (at cost of Baht 44,916 million)	5	44,310,000,000
Investments in securities at fair value (at cost of Baht 990 million)		989,992,666
Cash on hand and at banks	4, 6	1,052,359,056
Rental and service receivables	4, 7	188,624,531
Accrued interest income	4	75,045
Refundable value added tax		392,805,277
Other assets		121,697,002
<b>Total assets</b>		<b>47,055,553,577</b>
<b>Liabilities</b>		
Trade accounts payable	4	107,052,281
Other accounts payable	4	57,237,111
Withholding tax payable		597,948,950
Deposits received in advance	4	1,424,070,524
Accrued expenses	4	703,560,020
Unearned lease and service income		51,480,578
Borrowings	4, 8	14,453,698,422
Other liabilities	4, 9	198,357,536
<b>Total liabilities</b>		<b>17,593,405,422</b>
<b>Net assets</b>		<b>29,462,148,155</b>
<b>Net assets</b>		
Trust registered capital	10	29,653,382,715
Capital received from unitholders	10	29,653,382,715
Equalisation account	10	216,092,989
Loss for the period	10	(407,327,549)
<b>Net assets</b>		<b>29,462,148,155</b>
Net assets value per unit (Baht)		13.3164
Number of unit trusts issued at the end of period (Units)		2,212,476,700

The accompanying notes are an integral part of these financial statements.

## CPN Retail Growth Leasehold REIT

### Details of investments

		31 December 2017		
	Areas held by the Trust			Percentage of
Type of investments	(Rai- <i>Ngan-Sq. Wah</i> )	Cost	Fair value	investments
		(in Baht)		
<i>Investments in leasehold properties (Note 5)</i>				
Leasehold and subleasehold rights on land, shopping center buildings and utility systems and hotel under 6 projects				
1. CentralPlaza Rama II project				
<u>Location</u>	128 Moo 6, Rama II Road, Samaedam (Bangbon), Bangkhuntien, Bangkok			
Subleasehold right on land, leasehold right on shopping center building including parking building, utility systems, furniture, fixtures and equipment				
(Total lease areas 251,182 sq.m.)	53-2-38.4	7,186,000,000		
Related acquisition costs for leasehold right		136,411		
Leasehold improvements		18,876		
		<u>7,186,155,287</u>	<u>7,186,000,000</u>	<u>15.86</u>
2. CentralPlaza Rama III project				
<u>Location</u>	79 Ratchadapisek Road, Chongnonsi, Yannawa, Bangkok			
Leasehold right on land, leasehold right on shopping center building including parking spaces, utility systems, furniture, fixtures and equipment				
(Total lease areas 169,740 sq.m.)	12-2-44.6	9,179,000,000		
Related acquisition costs for leasehold right		248,541		
Leasehold improvements		351,634,450		
		<u>9,530,882,991</u>	<u>9,179,000,000</u>	<u>20.26</u>
3. CentralPlaza Pinklao project				
<u>Location</u>	7 Boromratchachonnanee Road, Arun Amarin, Bangkok noi, Bangkok			
Subleasehold right on land, leasehold right on shopping center building including parking building, office building, utility systems, furniture, fixtures and equipment				
(Total lease areas 188,345 sq.m.)	24-2-84	5,542,995,247		
Related acquisition costs for leasehold right		111,861		
		<u>5,543,107,108</u>	<u>5,543,000,000</u>	<u>12.24</u>

## CPN Retail Growth Leasehold REIT

### Details of investments

Type of investments	Areas held by the Trust  (Rai-Ngan-Sq. Wah)	31 December 2017		Percentage of investments
		Cost	Fair value	
		(in Baht)		
4. CentralPlaza Chiangmai Airport project				
<u>Location</u>	2 Mahidol Road, 252-252/1,Waulai Road, Haiya, Amphur Muang Chiangmai, Chiangmai			
Leasehold right on land, leasehold right on shopping center building including parking building, multipurpose building, utility systems, furniture, fixtures and equipment				
(Total lease areas 122,991 sq.m.)	32-3-56.85	10,494,000,000		
Related acquisition costs for leasehold right		152,780		
Leasehold improvements		4,015,425		
		<u>10,498,168,205</u>	<u>10,494,000,000</u>	<u>23.17</u>
5 CentralFestival Pattaya Beach project				
<u>Location</u>	333/99 Moo 9, Pattaya 1 road, Nong Prue, Bang La Mung, Chonburi			
Leasehold right on shopping center building including parking spaces				
(Total lease areas 70,095 sq.m.)		4,892,299,492		
Leasehold right on utility systems		3,246,532,994		
Related acquisition costs for leasehold right		176,123,198		
Furniture, fixtures and equipment		15,525,000		
		<u>8,330,480,684</u>	<u>8,153,832,486</u>	<u>18.00</u>
6 Hilton Pattaya Hotel project				
<u>Location</u>	333/101 Moo 9, Pattaya 1 road, Nong Prue, Bang La Mung, Chonburi			
Leasehold right on hotel building including parking building				
(Total lease areas 49,686 sq.m.)		1,501,667,006		
Leasehold right on utility systems		2,192,500,508		
Related acquisition costs for leasehold right		72,830,971		
Furniture, fixtures and equipment		60,000,000		
		<u>3,826,998,485</u>	<u>3,754,167,514</u>	<u>8.29</u>
Total investments in leasehold properties		44,915,792,760	44,310,000,000	97.82

The accompanying notes are an integral part of these financial statements.



## CPN Retail Growth Leasehold REIT

### Details of investments

	31 December 2017		Percentage of investments
	Face value (in Baht)	Fair value	
<i>Investments in securities</i>			
<i>Unit Trust</i>			
TMB Treasury Money Fund	990,000,000	989,992,666	
<b>Total investments in securities</b>	<b>990,000,000</b>	<b>989,992,666</b>	<b>2.18</b>
 <b>Total investments</b>	 <b>45,905,792,760</b>	 <b>45,299,992,666</b>	 <b>100.00</b>

The accompanying notes are an integral part of these financial statements.

## CPN Retail Growth Leasehold REIT

### Statement of income

		For the period from 29 November 2017 (date of incorporation) to 31 December 2017 (in Baht)
	<i>Note</i>	
<b><i>Investment income</i></b>		
Rental and service income	4	369,462,894
Interest income	4	526,069
Other income	4	8,364,073
<b>Total income</b>		<b>378,353,036</b>
<b><i>Expenses</i></b>		
Costs of rental and services	4	16,544,043
Management fee	4, 12	12,108,785
Trustee fee	4, 12	3,082,236
Registrar fee	12	467,877
Property management fee	4, 12	68,902,473
Professional fee		280,000
Administrative expenses	4	23,116,479
Finance costs	4	30,110,082
<b>Total expenses</b>		<b>154,611,975</b>
<b>Net investment income</b>		<b>223,741,061</b>
<b><i>Net losses from investments</i></b>		
Net realised losses from investments		(25,268,517)
Net unrealised losses from investments	5	(605,800,093)
<b>Total net losses from investments</b>		<b>(631,068,610)</b>
<b>Net decrease in net assets from operations</b>		<b>(407,327,549)</b>

The accompanying notes are an integral part of these financial statements.

## CPN Retail Growth Leasehold REIT

### Statement of changes in net assets

	For the period from 29 November 2017 (date of incorporation) to 31 December 2017 (in Baht)
<b>Increase (decrease) in net assets from operations during the period</b>	
Net investment income	223,741,061
Net realised losses from investments	(25,268,517)
Net unrealised losses from investments	(605,800,093)
<b>Net decrease in net assets from operations</b>	<b>(407,327,549)</b>
 <b><i>Increase in capital received from unitholders</i></b>	
Unit trusts issued from the conversion of the Fund to the Trust during the period of 2,212,476,700 units at 13.4028 Baht per unit	10 29,653,382,715
Add Changes as increasing of equalisation account	10 216,092,989
<b>Increase in capital received from unitholders</b>	<b>29,869,475,704</b>
 <b>Net increase in net assets during the period</b>	<b>29,462,148,155</b>
Net assets as at 29 November 2017 (date of incorporation)	-
<b>Net assets at the end of period</b>	<b>29,462,148,155</b>

The accompanying notes are an integral part of these financial statements.

## CPN Retail Growth Leasehold REIT

### Statement of cash flows

For the period from  
29 November 2017  
(date of incorporation)  
to 31 December 2017  
(in Baht)

#### *Cash flows from operating activities*

Net decrease in net assets from operations	(407,327,549)
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#### *Adjustments to reconcile net decrease in net assets from operations to net cash provided by (used in) operating activities:*

Purchases of investments in leasehold properties	(12,539,455,805)
Proceeds from sales of investments in leasehold properties	394,528
Purchases of investments in securities	(990,000,000)
Increase in rental and service receivables	(75,552,911)
Increase in refundable value added tax	(392,805,277)
Increase in other assets	(53,560,423)
Increase in trade accounts payable	85,852,925
Increase in other accounts payable	126,089,254
Increase in withholding tax payable	597,948,950
Increase in deposits received in advance	226,717,013
Increase in accrued expenses	360,444,616
Decrease in unearned lease and service income	(42,717,433)
Increase in other liabilities	5,131,654
Interest income	(526,069)
Interest received	451,024
Finance costs	30,110,082
Net realised losses from investments	25,268,517
Net unrealised losses from investments	605,800,093
<b>Net cash used in operating activities</b>	<b>(12,437,736,811)</b>

The accompanying notes are an integral part of these financial statements.

# CPN Retail Growth Leasehold REIT

## Statement of cash flows

		For the period from 29 November 2017 (date of incorporation) to 31 December 2017 (in Baht)
	<i>Note</i>	
<b><i>Cash flows from financing activities</i></b>		
Proceed from borrowings	8	12,556,353,217
Payment of front-end fee		(21,375,000)
Cash received from the conversion of the Fund to the Trust		955,117,650
<b>Net cash provided by financing activities</b>		<b>13,490,095,867</b>
 <b>Net increase in cash on hand and at banks</b>		 <b>1,052,359,056</b>
Cash on hand and at banks as at 29 November 2017 (date of incorporation)		-
<b>Cash on hand and at banks at the end of period</b>		<b>1,052,359,056</b>

## Additional information of statement of cash flows

### Non-cash transactions

Receipt of transfer of investments in leasehold properties from the conversion of the Fund to the Trust	5	32,402,000,000
Receipt of transfer of assets from the conversion of the Fund to the Trust		181,208,198
Receipt of transfer of liabilities from the conversion of the Fund to the Trust		3,771,525,202

The accompanying notes are an integral part of these financial statements.

# CPN Retail Growth Leasehold REIT

## Significant financial information

For the period from  
29 November 2017  
(date of incorporation)  
to 31 December 2017  
(in Baht)

### Information on operating results (per unit)

Net assets value as at 29 November 2017 (date of incorporation)	-
<b>Income (losses) from investing activities</b>	
Net investment income	0.1011
Net realised losses from investments	(0.0114)
Net unrealised losses from investments	(0.2738)
Total losses from investing activities	(0.1841)
Add Unit trusts issued from the conversion of the Fund to the Trust during the period	13.4028
Add Changes as increasing of equalisation account	0.0977
<b>Net assets value at the end of period</b>	<b>13.3164</b>

### Ratio of net decrease in net assets from operations to average net assets during the period (%)

(1.38)

### Significant financial ratios and additional significant information

Net assets at the end of period (in Baht)	29,462,148,155
Ratio of total expenses to average net assets during the period (%)	0.53
Ratio of investment income to average net assets during the period (%)	1.28
Ratio of weighted average investment purchases and sales during the period to average net assets during the period (%)*	1.43
Average net assets value during the period (in Baht)	29,448,570,672

\* The value of investment purchases and sales during the period does not include cash at banks and investments in cash at banks, and are calculated by a weighted average basis outstanding during the period.

The accompanying notes are an integral part of these financial statements.



# **CPN Retail Growth Leasehold REIT**

## **Notes to the financial statements**

**For the period from 29 November 2017 (date of incorporation) to 31 December 2017**

<b>Note</b>	<b>Contents</b>
1	Description of CPN Retail Growth Leasehold REIT
2	Basis of preparation of the financial statements
3	Significant accounting policies
4	Related parties
5	Investments in leasehold properties
6	Cash on hand and at banks
7	Rental and service receivables
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10	Unitholders' equity
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# CPN Retail Growth Leasehold REIT

## Notes to the financial statements

For the period from 29 November 2017 (date of incorporation) to 31 December 2017

These notes form an integral part of the financial statements.

The financial statements issued for Thai statutory and regulatory reporting purposes are prepared in the Thai language. These English language financial statements have been prepared from the Thai language statutory financial statements, and were approved and authorised for issue by the authorised director of the REIT manager on 23 February 2018.

### 1 Description of CPN Retail Growth Leasehold REIT

CPN Retail Growth Leasehold REIT (“the Trust”) is a real estate investment trust established under the Trust for Transaction in Capital Market Act, B.E.2550 (“the Act”) in accordance with the Trust Deed on 29 November 2017. The Trust was established from the conversion of CPN Retail Growth Leasehold Property Fund (“the Fund”) and received the transfer of assets, liabilities and obligations from the Fund on 1 December 2017. The Trust was a specific closed-end real estate investment trust with an indefinite term. The Trust’s objectives are to raise funds and mainly use funds to invest in properties or leasehold properties and seek benefits from such properties. As at 31 December 2017, the Trust has invested in investments in leasehold properties of 6 projects which were CentralPlaza Rama II, CentralPlaza Rama III, CentralPlaza Pinklao, CentralPlaza Chiangmai Airport, CentralFestival Pattaya Beach and Hilton Pattaya Hotel.

On 14 December 2017, the Stock Exchange of Thailand approved the listing of the unit trusts of the Trust and permitted their trading from such date.

As at 31 December 2017, the major unitholder of the Trust was Central Pattana Public Company Limited holding 26.69% of the unit trusts issued and paid-up.

CPN REIT Management Company Limited (“the REIT manager”) performs monitoring and managing of the assets of the Trust. SCB Asset Management Company Limited acts as the Trustee and Central Pattana Public Company Limited (“Central Pattana”) acts as the Property manager.

### 2 Basis of preparation of the financial statements

#### (a) Statement of compliance

The financial statements are prepared in accordance with Thai Financial Reporting Standards (TFRS); guidelines promulgated by the Federation of Accounting Professions (“FAP”); and applicable rules and regulations of the Thai Securities and Exchange Commission. In addition, the financial statements have been prepared in accordance with TAS No. 106 “Accounting for Investment Companies”.

The Trust has adopted all the new and revised TFRS that are effective for annual periods beginning on or after 1 January 2017.

In addition to the above new and revised TFRS, the FAP has issued a number of other new and revised TFRS which are effective for annual financial periods beginning on or after 1 January 2018 and have not been adopted in the preparation of these financial statements. The Trust has made a preliminary assessment of the potential initial impact on the Trust’s financial statements of these new and revised TFRS and expects that there will be no material impact on the financial statements in the period of initial application.

#### (b) Basis of measurement

The financial statements were prepared on the historical cost basis except for investments in leasehold properties and investments in securities are measured at fair value.

# CPN Retail Growth Leasehold REIT

## Notes to the financial statements

For the period from 29 November 2017 (date of incorporation) to 31 December 2017

### (c) *Functional and Presentation currency*

The financial statements are prepared and presented in Thai Baht, which is the Trust's functional currency. All financial information presented in Thai Baht has been rounded in the notes to the financial statements to the nearest thousand unless otherwise stated.

### (d) *Use of judgements and estimates*

The preparation of financial statements in conformity with TFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

Information about assumption and estimation uncertainties that have a significant risk of resulting in a material adjustments to the amounts recognised in the financial statements is included in the Note 5 to the financial statements: Investments in leasehold properties.

## 3 Significant accounting policies

### (a) *Measurement of investments*

#### *Investments in leasehold properties*

Leasehold properties and assets purchased and/or invested by the Trust including land, buildings and furniture, fixtures and equipment relating to the operations are recognised in investments in leasehold properties.

Investments in leasehold properties are stated at fair value with no depreciation charge. The fair value of investments in leasehold properties are based on the appraised value assessed by an independent valuer approved pursuant to the notification of the Securities and Exchange Commission concerning the granting of approval of valuation companies and principle valuers for public use. The REIT manager will make the valuation every 2 years, commencing from the date of the latest full valuation made and the valuation will be performed by annually after the latest full valuation date. The REIT manager will not appoint the same valuer to value the investments in leasehold properties for more than 2 consecutive times.

Gains or losses on measurement of investments in leasehold properties are presented as net unrealised gains or losses in the statement of income.

#### *Investments in securities*

Investments are recognised as assets at cost at the date on which the Trust has rights on investments. The cost of investments comprises the purchase prices and direct expenses that the Trust pays to acquire such investments.

# CPN Retail Growth Leasehold REIT

## Notes to the financial statements

For the period from 29 November 2017 (date of incorporation) to 31 December 2017

The values of investments which cannot be freely traded on an open market is stated at fair value by considering the principles and methods determining by the Association of Investment Management Companies and the stipulations, principles and methods for determining fair value of investments in debt instruments which cannot be freely traded on an open market of the Securities and Exchange Commission.

Gains or losses from investment valuation are presented as net unrealised gains or losses in the statements of income.

### *Disposal of investments*

On disposal of an investment, the difference between net disposal proceeds and the carrying amount is recognised in statement of income.

In case of the Trust disposes of part of its holding of a particular investment, the deemed cost of the part sold and held are determined using the weighted average method.

### **(b) Cash on hand and at banks**

Cash on hand and at banks in the statements of cash flows comprise cash balances and call deposits.

### **(c) Rental and service receivables**

Rental and service receivables are stated at their invoice value less allowance for doubtful accounts.

The allowance for doubtful accounts is assessed primarily on analysis of payment histories and future expectations of customer payments. Bad debts are written off when incurred.

### **(d) Trade accounts payables and other accounts payables**

Trade accounts payables and other accounts payables are stated at cost.

### **(e) Interest-bearing liabilities**

Interest-bearing liabilities are stated at cost.

### **(f) Revenue**

Revenue excludes value added taxes and is arrived at after deduction of trade discounts.

### *Rental and service income*

Rental income from investments in leasehold properties is recognised in the statement of income on a straight-line basis over the term of the lease and service income is recognised when services are rendered to customers. Unearned lease income is recognised in the statement of income on a straight-line basis over the term of the lease.

### *Interest income*

Interest income is recognised in statement of income as it accrues.

### **(g) Finance costs**

Interest expenses and similar costs are charged to the statement of income based on the effective interest rate for the period in which they are incurred.

# CPN Retail Growth Leasehold REIT

## Notes to the financial statements

For the period from 29 November 2017 (date of incorporation) to 31 December 2017

### (h) *Expenses*

Expenses are charged to the statement of income in the period in which they are incurred.

#### *Operating lease*

Payments made under operating leases are recognised in the statement of income on a straight-line basis over the term of the lease.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

### (i) *Income tax*

The Trust has no corporate income tax liability since it is not the juristic entity in accordance with section 39 of the Revenue Code.

### (j) *Distribution to unitholders*

A decrease in retained earnings is recognised at the date a cash dividend is declared.

### (k) *Equalisation account*

Share subscription price of investment units in excess of the par value of investment units on the date of transactions of the amounts of unit sold, is recognised in “Equalisation account”.

### (l) *Segment reporting*

Segment results that are reported to the Board of Directors of the REIT manager (the chief operating decision maker) include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

## 4 **Related parties**

For the purposes of these financial statements, parties are considered to be related to the Trust if the Trust has the ability, directly or indirectly, to control or joint control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Trust and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Relationships with related parties were as follows:

Name of Entities	Country of Incorporation/ Nationality	Nature of Relationship	Nature of Transaction
Central Pattana Public Company Limited	Thailand	- Major unitholder holding 26.69% of Trust units issued and paid-up - Property manager	- Rental and service agreement - Receive property management fee from the Trust

## CPN Retail Growth Leasehold REIT

### Notes to the financial statements

For the period from 29 November 2017 (date of incorporation) to 31 December 2017

Name of Entities	Country of Incorporation/ Nationality	Nature of Relationship	Nature of Transaction
CPN REIT Management Company Limited	Thailand	- REIT manager - Central Pattaya Public Company Limited's subsidiary	- Rental and service agreement - Receive management fee from the Trust
SCB Asset Management Company Limited	Thailand	- Trustee of the Trust	- Receive trustee fee from the Trust
The Siam Commercial Bank Public Company Limited	Thailand	- Parent company of SCB Asset Management Company Limited	- Grant loan to the Trust - Rental and service agreement - Depository service
SCB Securities Company Limited	Thailand	- The Siam Commercial Bank Public Company Limited's subsidiary	- Rental and service agreement
Central Pattana Rama 2 Company Limited	Thailand	- Central Pattana Public Company Limited's subsidiary - Common directors	- Water treatment system rental agreement rendering to the Trust - Rental and service agreement
Central Pattana Rama 3 Company Limited	Thailand	- Central Pattana Public Company Limited's subsidiary - Common directors	- Rental and service agreement
Central Pattana Chiangmai Company Limited	Thailand	- Central Pattana Public Company Limited's subsidiary - Common directors	- Rental and service agreement
CPN Pattaya Company Limited	Thailand	- Central Pattana Public Company Limited's subsidiary - Common directors	- Rental and service agreement - Lessor of assets which the Trust additionally invested



## CPN Retail Growth Leasehold REIT

### Notes to the financial statements

For the period from 29 November 2017 (date of incorporation) to 31 December 2017

Name of Entities	Country of Incorporation/ Nationality	Nature of Relationship	Nature of Transaction
CPN Pattaya Hotel Company Limited	Thailand	- Central Pattana Public Company Limited's subsidiary - Common directors	- Sublease agreement over building and utility systems, and lease agreement over movable assets with the Trust
CRC Sport Company Limited	Thailand	- Common directors	- Rental and service agreement
Central Group of Companies	Thailand	Common directors, common management or common control with Central Pattana Public Company Limited	- Rental and service agreement

The pricing policies for transactions with related parties are explained further below:

Transactions	Pricing Policies
Rental and service income	- Market prices which are subject to location, lease space, lease form, lease period and type of lease
Interest income	- As mutually agreed rate
Other income	- The rate being charged by other parties in the business
Costs of rental and services	- Market prices
Management fee	- As mutually agreed prices in contract
Trustee fee	- As mutually agreed prices in contract
Property management fee	- As mutually agreed prices in contract
Administrative expenses	- As mutually agreed prices in contract
Finance costs	- As mutually agreed prices in contract
Purchase of investments in leasehold properties	- As mutually agreed prices in contract (see Note 5 to the financial statements)

Significant transactions with related parties for the period from 29 November 2017 (date of incorporation) to 31 December 2017 were as follows:

	For the period from 29 November 2017 (date of incorporation) to 31 December 2017 (in thousand Baht)
<b>Income</b>	
Rental and service income	
Central Pattana Public Company Limited and its subsidiaries	29,015
The Siam Commercial Bank Public Company Limited and its subsidiaries	5,009
CRC Sport Company Limited	974
Central Group of Companies	44,646
<b>Total</b>	<b>79,644</b>

# CPN Retail Growth Leasehold REIT

## Notes to the financial statements

For the period from 29 November 2017 (date of incorporation) to 31 December 2017

	For the period from 29 November 2017 (date of incorporation) to 31 December 2017 (in thousand Baht)
Interest income	
The Siam Commercial Bank Public Company Limited	<u>526</u>
Other income	
Central Pattana Public Company Limited and its subsidiaries	130
Central Group of Companies	<u>181</u>
<b>Total</b>	<u><b>311</b></u>
<b>Expenses</b>	
Costs of rental and services	
Central Pattana Public Company Limited and its subsidiaries	4,610
Central Group of Companies	<u>120</u>
<b>Total</b>	<u><b>4,730</b></u>
Management fee	
CPN REIT Management Company Limited	<u>12,109</u>
Trustee fee	
SCB Asset Management Company Limited	<u>3,082</u>
Property management fee	
Central Pattana Public Company Limited	<u>68,902</u>
Administrative expenses	
Central Pattana Public Company Limited and its subsidiaries	<u>4,682</u>
Finance costs	
The Siam Commercial Bank Public Company Limited	<u>3,909</u>
Balances with related parties as at 31 December 2017 were as follows:	
	31 December 2017 (in thousand Baht)
<b>Cash at bank</b>	
The Siam Commercial Bank Public Company Limited	<u><u>782,435</u></u>
<b>Rental and service receivables</b>	
Central Pattana Public Company Limited and its subsidiaries	22,639
The Siam Commercial Bank Public Company Limited	3,996
CRC Sport Company Limited	175
Central Group of Companies	<u>31,973</u>
<b>Total</b>	<u><b>58,783</b></u>

# CPN Retail Growth Leasehold REIT

## Notes to the financial statements

For the period from 29 November 2017 (date of incorporation) to 31 December 2017

	31 December 2017 (in thousand Baht)
<b><i>Accrued interest income</i></b>	
The Siam Commercial Bank Public Company Limited	75
<b><i>Trade accounts payable</i></b>	
Central Pattana Public Company Limited and its subsidiaries	77,186
CPN REIT Management Company Limited	12,518
<b>Total</b>	<b>89,704</b>
<b><i>Other payables</i></b>	
SCB Asset Management Company Limited	6,077
Central Pattana Public Company Limited and its subsidiaries	762
The Siam Commercial Bank Public Company Limited	276
Central Group of Companies	3,291
<b>Total</b>	<b>10,406</b>
<b><i>Deposits received in advance</i></b>	
The Siam Commercial Bank Public Company Limited	22,564
Central Pattana Public Company Limited and its subsidiaries	16,930
CRC Sport Company Limited	4,308
Central Group of Companies	141,377
<b>Total</b>	<b>185,179</b>
<b><i>Accrued expenses</i></b>	
Central Pattana Public Company Limited	37,828
The Siam Commercial Bank Public Company Limited	90
<b>Total</b>	<b>37,918</b>
<b><i>Borrowings</i></b>	
The Siam Commercial Bank Public Company Limited	1,917,813
<b><i>Other liabilities</i></b>	
Central Pattana Public Company Limited and its subsidiaries	10,825
The Siam Commercial Bank Public Company Limited and its subsidiaries	1,962
<b>Total</b>	<b>12,787</b>

# CPN Retail Growth Leasehold REIT

## Notes to the financial statements

For the period from 29 November 2017 (date of incorporation) to 31 December 2017

### Significant agreements with related parties

#### *CPN Pattaya Hotel Company Limited*

On 29 November 2017, the Trust (“the Sublessor”) entered into Hilton Pattaya Hotel building sublease agreement, system sublease agreement and movable assets lease agreement with CPN Pattaya Hotel Company Limited (“the Sublessee”), a subsidiary of Central Pattana Public Company Limited, for using in the operation of hotel business for a period of 1 month ending in 31 December 2017. Counterparties can renew the agreements for 3 times at 3 years each ending in December 2026. Under the conditions of the agreement, the Sublessee had to pay the annual rental throughout the lease agreement period. The annual rental comprise of fixed rental totalling Baht 2,194 million and variable rental which is calculated from profit before tax deducting of reserve for furniture, fixtures and equipment of the hotel.

#### *Central Pattana Rama 2 Company Limited*

On 1 December 2017, the Trust received the transfer of liabilities and commitment of the Fund which was in accordance with the Rights and Duties Transferred Agreement between the Fund and the Trust dated 29 November 2017 resulting in the commitment from the Operating Lease Agreement between the Trust and Central Pattana Rama 2 Company Limited to start on the date of receiving the transfer.

As at 31 December 2017, the Trust has commitment for the lease under a water treatments system rental agreement with Central Pattana Rama 2 Company Limited, a subsidiary of Central Pattana Public Company Limited. This commitment is part of shopping center building lease agreement with CentralPlaza Rama II for the remaining lease period of 7 years ending 15 August 2025 as follows:

31 December 2017  
(in thousand Baht)

#### *Non-cancellable operating lease commitment*

Within one year	5,750
After one year but within five years	24,720
After five years	18,010
<b>Total</b>	<b>48,480</b>

## 5 Investments in leasehold properties

#### *Receipt of transfer of investments in leasehold properties*

On 1 December 2017, the Trust received the transfer of investments in leasehold properties from the Fund which was in accordance with the Rights and Duties Transferred Agreement between the Fund and the Trust dated 29 November 2017. The investments in leasehold properties received as transferred from the Fund had fair value of Baht 32,402 million which were under the projects of Central Pattana Public Company Limited and its subsidiaries. The details were as follows:

- CentralPlaza Rama II project with a sublease agreement remaining period of 7 years ending 15 August 2025 and the fair value of Baht 7,186 million.
- CentralPlaza Rama III project with a lease agreement remaining period of 17 years ending 15 August 2035 by having right to renew for another 2 times, 30 years each and the fair value of Baht 9,179 million.

## CPN Retail Growth Leasehold REIT

### Notes to the financial statements

For the period from 29 November 2017 (date of incorporation) to 31 December 2017

- CentralPlaza Pinklao project with a lease and sublease agreements remaining period of 7 years ending 31 December 2024 and the fair value of Baht 5,543 million.
- CentralPlaza Chiangmai Airport project with a lease agreement remaining period of 26 years ending 22 April 2044 and the fair value of Baht 10,494 million.

#### *Investments in additional investments in leasehold properties*

On 1 December 2017, the Trust invested in additional assets with CPN Pattaya Company Limited, a subsidiary of Central Pattana Public Company Limited with a lease and sublease agreement period of 20 years ending 31 August 2037. The details were as follows:

#### CentralFestival Pattaya Beach project

- Leasing part of building and structures of CentralFestival Pattaya Beach, including part of the shopping centre and the indoor parking area.
- Leasing the system relevant to the building and structures of CentralFestival Pattaya Beach.
- Purchasing the furniture, fixture and equipment.

#### Hilton Pattaya Hotel project

- Leasing all of building and structures of Hilton Pattaya Hotel, including all hotel building and part of the indoor parking area.
- Leasing the system relevant to the building and structures of Hilton Pattaya Hotel.
- Purchasing the furniture, fixture and equipment.

The Trust paid for the investments in additional assets totalling Baht 11,908 million consisting of CentralFestival Pattaya Beach project of Baht 8,154 million and Hilton Pattaya Hotel project of Baht 3,754 million and paid for related expenses in the amount of Baht 249 million which were recorded as cost of investments in leasehold properties.

31 December 2017  
(in thousand Baht)

#### **Investments in leasehold properties – at cost**

Investments in leasehold properties – beginning of period	-
Add Receipt of transfer of investments in leasehold properties from the conversion of the Fund to the Trust	32,402,000
Add Related acquisition costs for leasehold right	249,604
Add Investments in additional assets	11,908,525
Add Increase in furniture, fixtures and equipment and leasehold improvements during the period	381,327
Less Decrease in furniture, fixtures and equipment and leasehold improvements during the period	(25,663)
<b>Investments in leasehold properties – end of period</b>	<b>44,915,793</b>

## CPN Retail Growth Leasehold REIT

### Notes to the financial statements

For the period from 29 November 2017 (date of incorporation) to 31 December 2017

	31 December 2017 (in thousand Baht)
<b>Net unrealised losses from investments in leasehold properties</b>	
Net unrealised gain from investments in leasehold properties - beginning of period	-
<i>Less</i> Unrealised losses from revaluation during the period	(605,793)
<b>Net unrealised losses from investments in leasehold properties - end of period</b>	<b>(605,793)</b>
<b>Investments in leasehold properties – end of period</b>	<b>44,310,000</b>

#### 6 Cash on hand and at banks

	31 December 2017 (in thousand Baht)
Cash on hand	1,979
Cash at banks	1,050,380
<b>Total</b>	<b>1,052,359</b>

As at 31 December 2017, the Trust invested in cash at banks as follows:

	Note	Interest rate (% per annum)	31 December 2017 (in thousand Baht)
<b>Current Account</b>			
Citibank, N.A.		-	267,945
<b>Savings Accounts</b>			
The Siam Commercial Bank Public Company Limited	4	0.375	782,435
<b>Total</b>			<b>1,050,380</b>

#### 7 Rental and service receivables

	Note	31 December 2017 (in thousand Baht)
Related parties	4	58,783
Other parties		129,975
<b>Total</b>		<b>188,758</b>
<i>Less</i> allowance for doubtful accounts		(133)
<b>Net</b>		<b>188,625</b>
Bad and doubtful debts expenses for the period		-



# CPN Retail Growth Leasehold REIT

## Notes to the financial statements

For the period from 29 November 2017 (date of incorporation) to 31 December 2017

Aging analyses for rental and service receivables were as follows:

	31 December 2017 (in thousand Baht)
<b>Related parties</b>	
Within credit terms	22,915
Overdue:	
Less than 3 months	35,868
<b>Total</b>	<b>58,783</b>
<b>Other parties</b>	
Within credit terms	12,936
Overdue:	
Less than 3 months	117,039
<b>Total</b>	<b>129,975</b>
Less allowance for doubtful accounts	(133)
<b>Net</b>	<b>129,842</b>

The normal credit term granted for rental and service receivables of the Trust ranges from 1 day to 30 days.

## 8 Borrowings

	Note	31 December 2017 (in thousand Baht)
Borrowings from financial institutions - Group 1		
- unsecured	4	1,917,813
Borrowings from financial institutions - Group 2		
- unsecured		12,535,885
<b>Total</b>		<b>14,453,698</b>

Borrowings from financial institutions had the effective interest rate at 2.39% per annum.

On 29 November 2017, the Fund entered into the Rights and Duties Transferred Agreement to the Trust. Such agreement resulted in the Trust received the transfer of borrowings and commitments of the Fund on 1 December 2017 of Baht 1,918 million. During the period from 29 November 2017 (date of incorporation) to 31 December 2017, the Trust had fully repaid for such borrowing.

As at 31 December 2017, the Trust had loan agreements with financial institutions of which the details were as follows;

Loan agreements	Credit facilities	Amount Utilised - net (in million Baht)	Unutilised	Interest rate (% per annum)	Term of payment
<i>Borrowings from financial institutions - Group 1</i>					
Credit facility 1	1,918	1,918	-	Agreed rate in the agreement	- Full repayment of principal when due within November 2018 - Repayment of interest every 6 months commencing from June 2018

# CPN Retail Growth Leasehold REIT

## Notes to the financial statements

For the period from 29 November 2017 (date of incorporation) to 31 December 2017

Loan agreements	Credit facilities	Amount Utilised - net (in million Baht)	Unutilised	Interest rate (% per annum)	Term of payment
Credit facility 2	1,918	-	1,918	Agreed rate in the agreement	- Repayment of principal and interest every 6 months commencing from the utilised date
	<u>3,836</u>	<u>1,918</u>	<u>1,918</u>		
<i>Borrowings from financial institutions - Group 2</i>					
Credit facility A1	12,700	12,536	-	BIBOR plus agreed rate in the agreement	- Full repayment of principal when due within November 2019 - Repayment of interest semi-annually commencing from January 2018
Credit facility A2	1,550	-	1,550	BIBOR plus agreed rate in the agreement	- Full repayment of principal after 2 years from the contract date - Repayment of interest semi-annually commencing from the utilised date
Credit facility B	7,125	-	7,125	Average MLR minus agreed rate in the agreement	- Repayment of principal and interest semi-annually commencing from the utilised date
	<u>21,375</u>	<u>12,536</u>	<u>8,675</u>		
<b>Total</b>	<u>25,211</u>	<u>14,454</u>	<u>10,593</u>		

For the loan agreement of Group 2 for credit facility A1, the Trust can utilise not more than the amount used for payment of investments in additional assets no. 1 including relevant fees and expenses.

As at 31 December 2017, the Trust had unutilised credit facilities amounting to Baht 10,593 million. The loan agreements of Group 1 and Group 2 for credit facility 2 and credit facility B will be utilised for repayment of credit facility 1 and credit facilities A1 and A2, respectively.

Movement of borrowings for the period from 29 November 2017 (date of incorporation) to 31 December 2017 were as follows:

	For the period from 29 November 2017 (date of incorporation) 31 December 2017 (in thousand Baht)
<b>Beginning of period</b>	-
Receipt of transfer of borrowings from the conversion of the Fund to the Trust	1,917,813
Additional borrowings	14,453,698
Repayment	(1,917,813)
<b>End of period</b>	<u>14,453,698</u>

# CPN Retail Growth Leasehold REIT

## Notes to the financial statements

For the period from 29 November 2017 (date of incorporation) to 31 December 2017

The periods to maturity of interest-bearing liabilities, as at 31 December 2017 were as follows:

	31 December 2017 (in thousand Baht)
Within one year	1,917,813
After one year but within five years	12,535,885
<b>Total</b>	<b>14,453,698</b>

## 9 Other liabilities

On 1 December 2017, the Trust received the transfer of other liabilities from the Fund which was in accordance with the Rights and Duties Transferred Agreement between the Fund and the Trust dated 29 November 2017.

As at 31 December 2017, the Trust had other liabilities as follows:

	31 December 2017 (in thousand Baht)
Retention received from tenants	190,760
Others	7,598
<b>Total</b>	<b>198,358</b>

## 10 Unitholders' equity

On 29 November 2017, CPN REIT Management Company Limited, as a Trust settlor and REIT manager, established CPN Retail Growth Leasehold REIT from the conversion of CPN Retail Growth Leasehold Property Fund ("the Fund"). The Trust had registered capital of Baht 29,653.38 million consisting of 2,212,476,700 trust units at the par value of Baht 13.4028 per unit. The REIT manager had registered such unit trusts to the Stock Exchange of Thailand on 14 December 2017.

On 1 December 2017, the Trust received the transfer of assets, liabilities and obligations of the Fund which was in accordance with the Rights and Duties Transferred Agreement between the Fund and the Trust dated 29 November 2017 and the Trust gave compensation as unit trusts of the Trust to the Fund totalling 2,212,476,700 units at 13.5004 Baht per unit, totalling Baht 29,869.47 million. Subsequently, on 4 December 2017, the Fund had transferred such unit trusts to the unitholders of the Fund at a ratio of 1:1 resulting in the unitholders of the Fund became the unitholders of the Trust and the Trust had recognised the share premium of investment units totalling Baht 216.09 million in the equilisation account.

	Par Value (in Baht)	31 December 2017 Number (in thousand units/thousand Baht)	Amount
<b>Trust registered capital and capital received from unitholders</b>			
Unit trusts at beginning of period	-	-	-
Unit trusts issued for exchange with assets, liabilities and obligation of the Fund	13.4028	2,212,477	29,653,383
<b>Unit trusts at the end of period</b>		<b>2,212,477</b>	<b>29,653,383</b>

## CPN Retail Growth Leasehold REIT

### Notes to the financial statements

For the period from 29 November 2017 (date of incorporation) to 31 December 2017

	31 December 2017 (in thousand Baht)
<i>Retained earnings</i>	
<b>Beginning of the period</b>	-
<i>Less</i> Decrease in net assets from operations during the period	(407,328)
<b>At the end of the period</b>	<b>(407,328)</b>

#### 11 Distribution policy

The Trust has the distribution policy as below;

1. The REIT manager shall pay distribution to the unitholders of not less than 90% of the adjusted net profit of accounting period which will pay not less than 2 times a year and pay within 90 days from the end of accounting period or accounting period that had paid such distribution as the case may be. Except in 2017, the REIT manager will not pay distribution to the unitholders. The REIT manager may consider for distribution according to this condition in 2018.

The above adjusted net profit means the profit adjusted by the following items:

- 1) Deduction of unrealised gain from the valuation or review of valuation of assets of the Trust and other adjustments made in accordance with the guidelines of the Office of the Securities and Exchange Commission to be in line with the cash status of the Trust.
- 2) Deduction of reserve for repayments of borrowings or commitment incurred from obtaining borrowings by the Trust, in accordance with the amount specified under the Registration Statement and the Prospectus, or the Annual Report as the case may be.
2. In case where the Trust has accumulated profit in any accounting period, the REIT manager may pay distribution to the unitholders from such accumulated profit.
3. In case where the Trust has incurred accumulated losses, the REIT manager shall not to pay any distribution to the unitholders.
4. In consideration of distribution, if the distribution that will be announced to be paid per unit trust during any accounting year or accounting period is lower than or equivalent to Baht 0.10, the REIT manager reserves the rights not to pay such distribution, and the distribution shall be carried forward to pay on the subsequent period according to the stated distribution procedures.

#### 12 Expenses

##### (a) Management fee

The REIT manager will receive a monthly management fee from the Trust at the rate not exceeding 1% per annum of total assets value (excluding value added tax, specific business tax or any other similar tax), but not less than Baht 15 million per year. Such fee had increasing rate of 3% per year.

## CPN Retail Growth Leasehold REIT

### Notes to the financial statements

For the period from 29 November 2017 (date of incorporation) to 31 December 2017

**(b) Trustee fee**

The Trustee of the Trust will receive a monthly trustee fee from the Trust at a rate not exceeding 1% per annum of total asset value (excluding value added tax, specific business tax or any other similar tax), but not less than Baht 20 million per year.

**(c) Registrar fee**

The registrar fee is calculated monthly at a rate of 0.023% per annum of the Trust's registered capital, but not exceeding Baht 5 million per year.

**(d) Property management fee**

The Property manager will receive remuneration for acting as the Property manager from the Trust, which shall be payable monthly according to the Property Management Appointment Agreement between the Trust and the Property manager which are summarised as follows:

1. Fee for rental and service collection on behalf of the Trust at the rate 3% of net rental and service income of the Trust.
2. Commission for procuring tenants and management of all tenants of the Trust upon entering into lease agreements with new tenants or renewal of lease agreements is calculated from the monthly rental rate of each tenant at the rates of 0.5 - 1.5 months and 3% of the fee for leasehold right received in advance from the tenants, depending on the type and period of lease agreements.
3. Property management fee at the rate not exceeding 0.28% of investment properties value from net asset value report of the Trust that was certified by trustee in each month which was calculated at the last working day of each month. The fee is excluding the value of investment property of hotel.
4. Incentive fee at the rate not exceeding 2.35% of net properties income. Net properties income means total revenue that the Trust derived from properties deducting with total costs and expenses incurred from procuring benefits from the properties.
5. Fee for purchase and sale of properties of the Trust at the rate of 1.5% of the properties' value that the Trust additionally invested and at the rate of 0.75% of the properties' sales value from the Trust.
6. Fees for the supervision of improvements and/or development of the Trust's properties at the rate of 2% of the total costs of improvement and/or development of properties of the Trust. Such costs of improvement and/or development including the costs of the purchase of areas to be improved and/or developed back from the existing tenants, but excluding the designing fee, advisor fee, or other professional fees.

### 13 Information of investment purchase and sale transactions

The Trust purchased investments in securities excluding investments in cash at banks for the period from 29 November 2017 (date of incorporation) to 31 December 2017, totalling Baht 990 million which is 3.36% of the average net asset values during the period.

# CPN Retail Growth Leasehold REIT

## Notes to the financial statements

For the period from 29 November 2017 (date of incorporation) to 31 December 2017

### 14 Segments information

The Trust main business is investing in properties and leasehold rights, seeking the benefits from properties, and properties for rent. The Trust has only one geographical segment because they operate only in Thailand.

### 15 Financial instruments

#### *Financial risk management policies*

The Trust is exposed to normal business risks from changes in market interest rates and from non-performance of contractual obligations by counterparties. The Trust does not hold or issue derivative financial instruments for speculative or trading purposes.

Risk management is integral to the whole business of the Trust. The Trust has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The REIT manager continually monitors the Trust's risk management process to ensure that an appropriate balance between risk and control is achieved.

#### *Capital management*

The REIT manager's Board of Directors' policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. They monitors the return on capital and monitors the level of distribution to unitholders.

#### *Interest rate risk*

Interest rate risk is the risk that future movements in market interest rates will affect the results of the operations and cash flows of the Trust because borrowings interest rates are mainly floated. The Trust is primarily exposed to interest rate risk from its borrowing (see Note 8 to the financial statements).

#### *Credit risk*

Credit risk is the potential financial loss resulting from the failure of a customer or counterparty to settle its financial and contractual obligations to the Trust as and when they fall due.

The Trust has no concentrations of credit risk from receivables due to the Trust has a large number of customers in various businesses. Additionally, the Trust has a policy to collect in advance the rental deposits from customers as collateral in case of default. The REIT manager is of opinion that the Trust does not have credit risk other than that provided in the allowance for doubtful accounts as presented in the financial statements. The estimate for allowance for doubtful accounts encompasses consideration of past collection experiences, customers' deposits and other factors including the local economic conditions.

#### *Fair values*

The fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. In determining the fair value of its financial assets and liabilities, the Trust takes into account its current circumstances and the costs that would be incurred to exchange or settle the underlying financial instrument. The carrying amounts of the Trust's financial assets and liabilities as at 31 December 2017 as presented in the financial statements approximate to their fair values.



## **CPN Retail Growth Leasehold REIT**

### **Notes to the financial statements**

**For the period from 29 November 2017 (date of incorporation) to 31 December 2017**

#### **16 Events after the reporting period**

At the Board of Directors' Meeting of the REIT manager held on 23 February 2018, the Board of Directors approved the capital reduction of the Trust by reducing the value of the unit trusts of Baht 0.2879 per unit, amounting to Baht 636.97 million which had determined the repayment from capital reduction to the unitholders in March 2018. The capital reduction was in accordance with the Trust Deed.





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## Trustee

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## General Information

Name of Trustee	: SCB Asset Management Company Limited
Head Office Address	: 18, SCB Park Plaza 1, 7-8th Floor, Ratchadapisek Road, Chatuchak, Bangkok 10900
Company Registration Number	: 0105535048398
Telephone	: 02-949-1500
Facsimile	: 02-949-1501
Website	: <a href="http://www.scbam.com/">http://www.scbam.com/</a>
Registered Capital	: THB 200,000,000
Paid-up Capital	: THB 100,000,000



## Related License

The Office of the SEC granted a trustee license to the Trustee on September 18, 2013.

## Duties and Responsibilities of the Trustee

- 1) The Trustee has the duty to manage the REIT with integrity and prudence as a professional with expertise by providing fair treatment to the trust unitholders and for the best interest of the trust unitholders, and in accordance with the relevant laws, the Trust Deed, objectives of establishment of the Trust, and the resolutions of the trust unitholders' meetings as well as the additional obligations specified in the statement to the trust unitholders (if any).
- 2) The Trustee has the duty to attend every unitholders' meeting. If there is a request for a resolution of the unitholders' meeting to undertake any action, the Trustee shall perform the following acts:
  - 2.1) to respond to questions, and provide opinions on such action, particularly whether or not it complies with the Trust Deed or the relevant law; or
  - 2.2) to make an objection, and inform the unitholders that such action is impracticable if the proposed action would be in conflict with the Trust Deed or the relevant laws.
- 3) The Trustee has the duty to enforce debt repayment, or oversee the enforcement of debt repayment to ensure compliance with the agreements between CPNREIT and third persons.



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- 4) The Trustee has the duty to take over the management of the REIT in the absence of the REIT Manager or in the event rendering the REIT Manager being unable to perform its duties until a new REIT Manager is appointed, subject to the criteria prescribed in the Notification Kor.Ror. 14/2555 whereas the Trustee has the duty to manage and operate the REIT as necessary to prevent, inhibit, or limit damage which might adversely affect the benefits of the REIT and trust unitholders as a whole, as well as to perform the acts in accordance with the duties specified in the Trust Deed and the Trust Act. The Trustee may appoint another person to engage in the interim management of the REIT in its place, provided that such delegated person complies with the scope, criteria, and conditions specified in the Trust Deed. The Trustee also has the power to appoint a new REIT Manager in accordance with the scope of authorities and duties specified in the Trust Deed and the Trust Act or any relevant notifications or regulations and their amendments.
  - 5) The Trustee shall have other rights, duties, and responsibilities in managing the REIT as prescribed in terms and conditions of the securities laws and other relevant laws.
  - 6) If the REIT has a policy of investing in other assets other than the core properties of the REIT, the investment in other assets may be managed by the Trustee, the REIT Manager, or the other person assigned by the Trustee or the REIT Manager as prescribed in the Trust Deed. In case of assigning the other person who is not the REIT Manager to do so, it must be in compliance with the criteria specified in the Notification of the Capital Market Supervisory Board regarding Outsourcing Operational Function relating to Business Operation to Third Party in case the outsourced function is related to investment of a fund mutatis mutandis.
  - 7) In case that the SEC or the Office of the SEC or any other authority, which has the authority by virtue of the relevant laws, issues any law, regulation, notification, rule, order, circulation letter, or exception, cancels or amends, alter, or add any law, regulation, notification, rule or order currently applied, which causes further amendment of the Trust Deed, the Trustee shall take actions as prescribed in the Trust Deed to alter, amend, or add the Trust Deed to be in compliance with such amended or altered law, regulation, notification, rule or order without prior resolution of the trust unitholders.
  - 8) The Trustee shall be prohibited from setting off the obligations arising beyond the performance of the trusteeship duties owed by the Trustee to a third person against the obligations arising from the management of the REIT owed to the Trustee by the third person. Any set-off of obligations in conflict with this provision shall be void.
  - 9) In entering into a juristic act or a transaction with a third person for benefits of the REIT, the Trustee shall notify the third person in writing that it acts in the capacity of a trustee.

- 10) The Trustee shall prepare the accounts of the assets of the REIT separately from any other accounts under its responsibility. If the Trustee manages several REITs, the Trustee shall prepare the accounts of the assets of each REIT separately. In doing so, the Trustee shall keep such accounts correct and up-to-date. In managing the REIT, the Trustee shall separate the assets of the REIT from the assets which it holds in its own capacity and any other assets in its possession.
- 11) If the Trustee fails to perform its duty under Clause 10), which causes the assets of the REIT to be commingled with the assets held in its own capacity to the extent that it is unable to distinguish the REIT's assets from that which the Trustee holds in its own capacity, it shall be presumed that:
- 11.1) The commingled assets are assets of the REIT;
  - 11.2) The damage and liability arising from the management of the commingled assets shall be borne by the Trustee in its own capacity; and
  - 11.3) The benefits arising from the management of the commingled assets belong to the REIT.

The commingled assets as mentioned in paragraph one shall include commingled assets that are transformed into a different form or state.

- 12) If the Trustee fails to perform its duty under Clause 10), which causes the assets of several REIT's to be commingled to the extent that it is unable to distinguish to which REIT the assets belong, it shall be presumed that the commingled assets, including those that are transformed into a different form or state, and any benefits or obligations arising from the management thereof shall belong to each REIT proportionate to the amount each REIT contributed to the commingled assets.
- 13) The Trustee's exercise of power and performance of duties in managing the REIT is its personal duty. The Trustee shall not delegate its duty to other persons except for in the following cases:
- 13.1) It is otherwise specified in the Trust Deed;
  - 13.2) The transaction is not personal in nature and does not require the professional capability of a trustee;
  - 13.3) The transaction that a reasonable and prudent owner of the assets of the same characteristics as those of the REIT, who manages such assets with similar objectives as those of the REIT, may delegate a third person to manage such assets;
  - 13.4) The safekeeping of assets, preparation of the unitholders register book as well as monitoring, allocation of dividends or provision of support operation services may be delegated to an affiliated company of the Trustee or the REIT Manager or another registrar approved by the SET; and



- 13.5) Any other cases being under responsibility of and actions by the REIT Manager specified in the Trust Deed or the criteria prescribed in the Notification TorJor. 49/2555, KorRor. 14/2555, and SorShor. 29/2555 or other relevant notifications or requirements and their amendments.

If the Trustee acts in violation of the above, any act taken shall bind the Trustee personally and shall not bind the REIT.

- 14) If the Trustee lawfully delegates the management of the REIT to the other person in accordance with Clause 13), the Trustee shall exercise prudence and care in selecting such assigned person as well as adequately and thoroughly supervise and review the delegated management in a careful manner. The Trustee shall establish the operational measures in relation to work delegation in compliance with the criteria prescribed in the SEC Notification No. KorKhor. 1/2553 re: Work System, Contact with Investors, and General Business Operation of Trustee as follows:



- 14.1) Selection of appropriate persons for delegation of duties which takes into account the readiness of the work system and of the delegated persons, as well as any possible conflict of interest between the delegated persons and the REIT;
- 14.2) Supervision and evaluation of the performance of the delegated persons; and
- 14.3) Actions to be taken by the Trustee when it appears that the delegated persons are no longer appropriate for further delegation of duties. The SEC may prescribe and notify the details of the actions to be taken by the Trustee in such event.

- 15) In case of the change of the Trustee, if the new trustee finds that the previous management of the REIT is not in compliance with the Trust Deed or the Trust Act, and causes damage to the REIT, the new trustee shall take the following actions:

- 15.1) claim damages from the liable Trustee; and
- 15.2) recover the assets from the third persons, regardless whether such assets have been directly acquired by the former Trustee and regardless whether the assets had been transformed into a different form or state, except in the event that the third persons had acquired those assets in good faith, in exchange for payment of consideration, and did not know or there were no reasonable grounds that the third persons should have known that those assets had been acquired as a result of unlawful management of the REIT.

- 16) For management of the REIT and delegation to the third persons to manage the REIT in accordance with Clause 13), if there are expenses or if the Trustee is required to make payments to or surrender other assets to the third persons out of the monies or assets held in its own capacity due to necessity and appropriateness, the Trustee shall be entitled to obtain reimbursement from the REIT, unless the Trust Deed specifies otherwise. The right to obtain reimbursement for monies or assets under the paragraph above shall have priority the Trustee has over the claim of trust unitholders and third persons with property or other rights over the REIT, and may be immediately exercised and at any time prior to the dissolution of the REIT. If it is necessary to change the form or state of the assets of the REIT in order to obtain monies or assets for reimbursing the Trustee, the Trustee shall be entitled to do so, provided that such act is taken in good faith, and in compliance with the criteria, conditions, and procedures prescribed by the SEC or the Office of the SEC.
- 17) The Trustee shall be prohibited from exercising the right under Clause 16) unless it has performed all of its obligations in favor of the REIT, except if those obligations can be set off in accordance with the Civil and Commercial Code.
- 18) If the Trustee fails to manage the REIT in compliance with the Trust Deed or the Trust Act, the Trustee shall be liable for the damage sustained by the REIT.
- However, the Trustee may, in the case of necessity and where there are reasonable grounds in the interest of the REIT, apply for the approval of the Office of the SEC prior to undertaking any action in the management of the REIT in a manner that is inconsistent with the provisions under the Trust Deed. The Trustee shall not be liable under the paragraph above if it manages the REIT in accordance with the approval of the Office of the SEC in good faith and in the best interest of the REIT.
- 19) The Trustee has the duty to ensure that the material details of the Trust Deed are in compliance with the relevant laws. If the Trust Deed is amended, the Trustee shall act in accordance with the following criteria:
- 19.1) To ensure that any amendment to the Trust Deed complies with the procedures and conditions prescribed in the Trust Deed and the criteria prescribed in the relevant laws;
- 19.2) If an amendment of the Trust Deed does not comply with Clause 19) and 19.1), the Trustee shall proceed in accordance with the scope of authorities and duties as specified in the Trust Deed and the Trust Act in order to safeguard the rights and benefits of the trust unitholders as a whole; and

- 19.3) In the case of any subsequent amendment to the criteria relating to the offering for sale of the trust units or management of REIT promulgated under the Securities Act and the Trust Act, and the existing provisions of the Trust Deed are not in compliance therewith, the Trustee shall amend the Trust Deed to be in line with the amended criteria by following the procedures specified in the Trust Deed or as in accordance with the orders of the Office of the SEC under Section 21 of the Trust Act.
- 20) The Trustee has the duty to monitor, supervise, and review the performance of duties of the REIT Manager or any other delegated person (if any) to ensure that it shall comply with the Trust Deed, the relevant laws, and any other relevant notifications prescribed by the SEC or the Office of the SEC. The aforementioned duties shall also include the following:
- 20.1) Ensuring that the management of the REIT by the REIT Manager has obtained the approval of the Office of the SEC for the entire period of existence of the REIT;
- 20.2) Monitoring, supervising, and undertaking actions as necessary to ensure that the delegated person is fully qualified and complies with the criteria prescribed in the Trust Deed and the relevant laws, including dismissing the current delegated person and appointing another person to replace such person;
- 20.3) Overseeing the investment of the REIT to be in line with the Trust Deed and the relevant laws as well as the prospectus;
- 20.4) Overseeing the complete information of the REIT is accurately disclosed as prescribed in the Trust Deed and the relevant laws; and
- 20.5) Giving opinions relating to undertaking actions or entering into transactions for the REIT by the REIT Manager and other delegated persons (if any) in support of the request for a resolution at a unitholders' meeting or disclosing information about the REIT to the trust unitholders or at the request of the Office of the SEC.
- 21) If the REIT Manager acts or omits an act causing damage to the REIT, or fails to perform its duties in accordance with the Trust Deed or the relevant laws, the Trustee shall have the following duties:
- 21.1) Reporting the matter to the Office of the SEC within 5 (five) business days from the date on which the Trustee becomes aware of or should have been aware of such fact; and
- 21.2) Rectifying, preventing, or mitigating such damage to the REIT as it deems appropriate.

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- 22) If the Trustee is also a trust unitholder of the REIT, the Trustee shall, in casting votes or taking any act as a unitholder, take into account the best interest of the unitholders as a whole by adhering to the principles of good faith and due care, including avoidance of any conflict or impact on the performance of its duties as the Trustee of the REIT.
  - 23) The Trustee has a duty to prepare the trust unitholders register and may assign the SET or a securities registrar under the Securities Act to prepare such register on its behalf. In doing so, the Trustee shall oversee such delegated person to comply with the criteria specified in the Trust Deed and the relevant laws, except the preparation of evidence under a system and rules and regulations of Thailand Securities Depository in respect with a securities registrar.
  - 24) The Trustee shall provide evidence representing the rights in the trust units or trust unit certificate for delivery to the unitholders in accordance with the criteria specified in the Trust Deed and the relevant laws.
  - 25) If the trust unitholders request the Trustee or the securities registrar to issue evidence representing their rights in the trust units or trust unit certificates in order to replace those which have been lost, faded, or materially damaged, the Trustee shall issue such evidence or ensure that the same is issued to the unitholders within a reasonable time period.

The trust unitholders may study details about the scope of authorities, duties, and responsibilities of the Trustee in the Trust Deed.

#### **Fee for performance of duties as a trustee**

The fee for performance of duties as a trustee shall not exceed 1 percent per annum of total asset value, but excluding the fund management fee or any other instrument fees in which the REIT is capable of making investments and has considered making such investments on the duty of the REIT manager or issuer of such instrument.

If the trustee fee calculated in each year is less than THB 20,000,000 as of the last month of any accounting year, the Trustee shall charge the trustee fee at a minimum rate of THB 20,000,000 per annum. The Trustee shall revise the sum of such trustee fee on the last month of that accounting year to make the trustee fee calculated on each year equal to THB 20,000,000 per annum.



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## Other Key Matters

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# Other Key Matters

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**Legal Dispute**

- None -









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