

# CPN REIT

## ANNUAL REPORT 2018







CENTRALPLAZA PINKLAO



# CONTENTS

**03**

Summary of CPNREIT

**09**

Message from the  
Chairman

**23**

General Information

**25**

Objectives,  
Investment Policy and  
Nature of Benefit  
Procurement

**39**

Economic and  
Industry Overview

**43**

Risk Factors

**47**

Legal Dispute

**48**

Milestones and  
Other Key Matters

**50**

Information of  
Trust Units

**53**

Management Structure

**79**

Corporate Governance

**99**

Corporate Social  
Responsibility

**100**

Internal Control and  
Risk Management

**102**

Prevention of Conflict  
of Interest

**103**

Financial Status and  
Performance Outcomes

**109**

Trustee Report

**110**

Summary of Trust Deed

**131**

Financial Statements





CENTRALPLAZA RAMA 3

02 CPNREIT

## SUMMARY OF CPNREIT

### 1. Detail of assets

Detail	Project						
	CentralPlaza Rama 2	CentralPlaza Rama 3	CentralPlaza Pinklao	Pinklao Tower A and Tower B	CentralPlaza Chiangmai Airport	Central Festival Pattaya Beach	Hilton Pattaya
Land (Rai-ngan-sq.w.)	53-2-38.4	12-2-44.6	24-2-84.0		32-3-56.9	-	
Gross Floor Area (sq.m.)	251,182	169,740	137,692	50,653	122,991	70,095	49,686
Net Leasable Area (sq.m.)	82,590	37,122	27,585	34,320	37,803	29,404	15,182
Parking (sq.m.)	98,813	90,186	66,118		44,142	14,930	572
Land tenure	20 years ; Ending 15 Aug 2025	30 years ; Ending 15 Aug 2035 <sup>(1)</sup>	15 years ; Ending 31 Dec 2024		30 years ; Ending 22 Apr 2044	-	
Building & Utility systems Leasehold Right	20 years ; Ending 15 Aug 2025	30 years ; Ending 15 Aug 2035 <sup>(1)</sup>	15 years ; Ending 31 Dec 2024		30 years ; Ending 22 Apr 2044	20 years ; Ending 31 Aug 2037	
Valuation as of 31 Dec 2018 (THB Million)	6,962	10,698	5,678		10,658	7,289	3,465

<sup>(1)</sup> Options to renew the lease contracts twice for a term of 30 years each

## FINANCIAL SUMMARY

Income Statement Unit : THB million	2018	2017 <sup>1</sup>	CPNREIT 29 Nov - 31 Dec	CPNRF 1 Jan - 4 Dec
Property Incomes	4,923.5	3,521.8	377.8	3,144.0
Interest income	3.9	4.1	0.5	3.6
<b>Total income</b>	<b>4,927.3</b>	<b>3,525.9</b>	<b>378.4</b>	<b>3,147.6</b>
Property expenses	771.6	651.7	108.6	543.1
Financial costs	400.7	94.9	30.1	64.8
Other management fees and expenses	177.3	55.4	15.9	39.5
<b>Total Expenses</b>	<b>1,349.6</b>	<b>802.0</b>	<b>154.6</b>	<b>647.3</b>
<b>Net investment income</b>	<b>3,577.7</b>	<b>2,724.0</b>	<b>223.7</b>	<b>2,500.2</b>
Net property income margin	84.3%	81.5%	71.3%	82.7%
Net investment income margin	72.7%	77.3%	59.2%	79.5%

Note: <sup>1</sup> FY2017 from Financial Statements from 29 November (date of incorporation) to 31 December 2017 of CPNREIT, Financial Statements from 1 January to 4 December 2017 of CPNRF

Balance Sheet Unit : THB million	31 Dec 18	30 Sep 18	30 Jun 18	31 Mar 18	31 Dec 17
CentralPlaza Rama 2	6,962.0	6,900.0	6,997.0	6,997.0	7,186.0
CentralPlaza Rama 3	10,698.0	10,662.0	10,525.0	10,151.0	9,179.0
CentralPlaza Pinklao and Pinklao Tower A and B	5,678.0	5,721.0	5,778.0	5,778.0	5,543.0
CentralPlaza Chiangmai Airport	10,658.0	10,658.0	10,653.0	10,653.0	10,494.0
CentralFestival Pattaya Beach	7,289.0	7,283.0	7,272.0	7,272.0	8,153.8
Hilton Pattaya	3,465.0	3,453.0	3,450.0	3,450.0	3,754.2
<b>Total investment in properties</b>	<b>44,750.0</b>	<b>44,677.0</b>	<b>44,675.0</b>	<b>44,301.0</b>	<b>44,310.0</b>
Investment in securities	999.4	996.7	994.2	992.1	990.0
Cash on hand and at banks	341.7	609.8	510.5	482.1	1,052.4
Other assets	758.7	750.7	733.4	728.6	703.2
<b>Total assets</b>	<b>46,849.8</b>	<b>47,034.3</b>	<b>46,913.1</b>	<b>46,503.9</b>	<b>47,055.6</b>
Deposits received from customers	1,543.6	1,528.8	1,488.7	1,460.9	1,424.1
Borrowings	4,468.7	4,466.0	14,459.0	14,456.3	14,453.7
Debentures	10,030.4	10,029.9	-	-	-
Other liabilities	811.9	941.5	893.9	930.7	1,715.6
<b>Total liabilities</b>	<b>16,854.6</b>	<b>16,966.3</b>	<b>16,841.6</b>	<b>16,847.9</b>	<b>17,593.4</b>
<b>Net Asset</b>	<b>29,995.2</b>	<b>30,068.0</b>	<b>30,071.5</b>	<b>29,656.0</b>	<b>29,462.1</b>
<b>NAV per unit (THB)</b>	<b>13.5573</b>	<b>13.5902</b>	<b>13.5917</b>	<b>13.4040</b>	<b>13.3164</b>



## Leasable Area and Occupancy

Project	Area (sq.m.)		Occupancy rate <sup>1</sup> (%)			
	GFA	NLA	31 Mar 18	30 Jun 18	30 Sep 18	31 Dec 18
CentralPlaza Rama 2	251,182	82,590	94.8	94.8	94.5	95.6
CentralPlaza Rama 3	169,740	37,122	84.2	90.3	93.6	94.3
CentralPlaza Pinklao	137,692	27,585	99.1	99.2	99.4	98.9
Pinklao Tower A & Tower B	50,653	34,320	82.5	88.3	88.9	90.1
CentralPlaza Chiangmai Airport	122,991	37,803	92.3	93.2	92.2	92.7
CentralFestival Pattaya Beach	70,095	29,404	95.2	95.7	98.1	98.4
<b>Total/Average</b>	<b>802,353</b>	<b>248,823</b>	<b>91.7</b>	<b>93.6</b>	<b>94.2</b>	<b>94.9</b>
Hilton Pattaya <sup>2</sup>	49,686	302 rooms	97.5	91.7	92.4	91.1

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

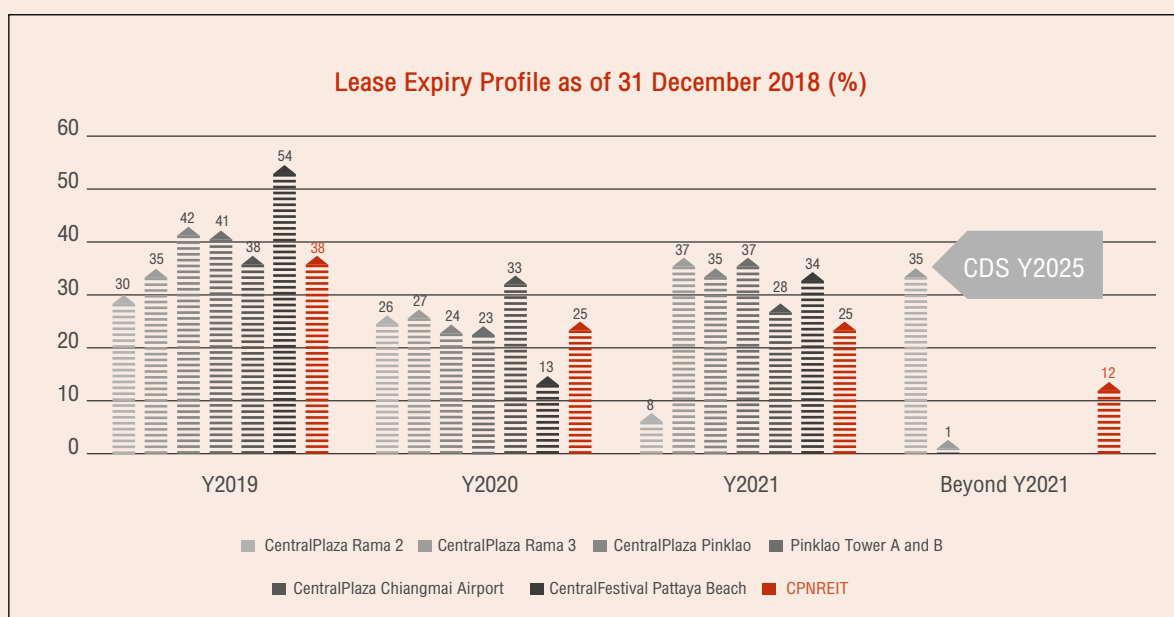
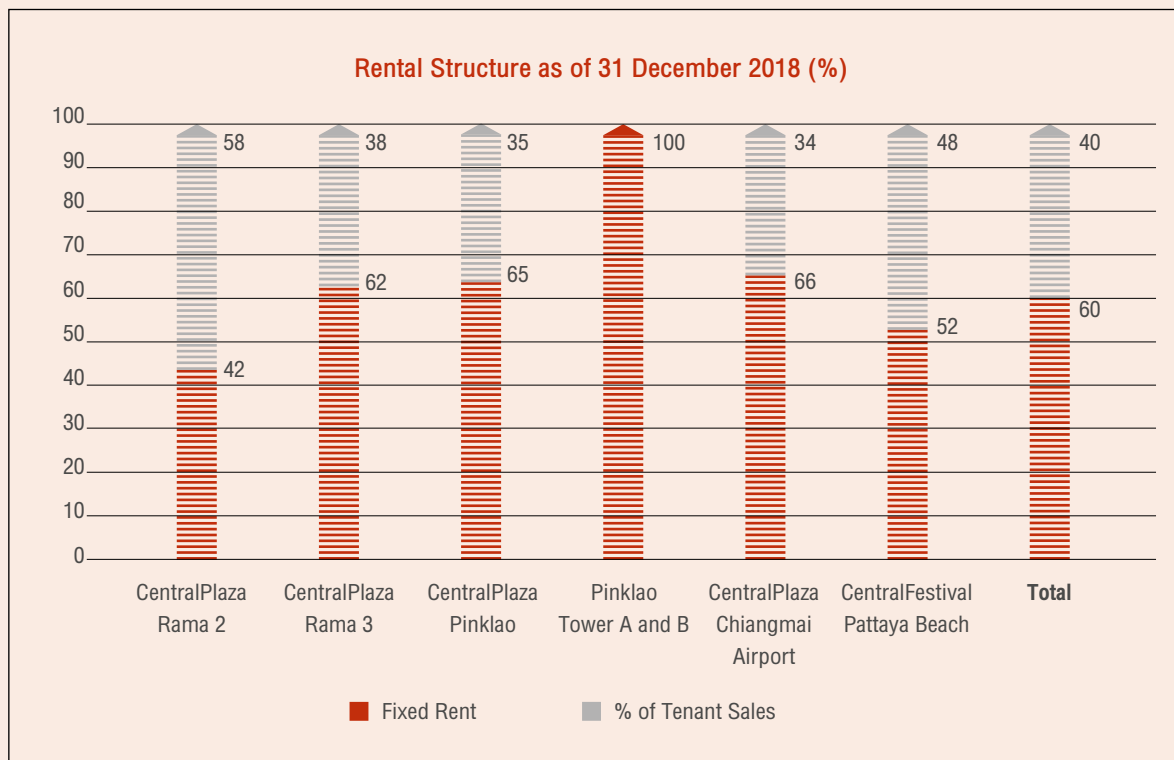
<sup>2</sup> Average quarterly occupancy rate

## Renewals and New Leases

Project	From 1 January to 31 December 2018		
	Renewals and New Leases <sup>1</sup>		
	No. of Leases	Area (sq.m.)	% of Total <sup>2</sup>
CentralPlaza Rama 2	181	15,778	20.0
CentralPlaza Rama 3	124	12,518	35.8
CentralPlaza Pinklao	67	9,808	36.0
Pinklao Tower A & Tower B	91	17,701	57.3
CentralPlaza Chiangmai Airport	260	18,669	53.3
CentralFestival Pattaya Beach	127	11,635	40.2
<b>Total</b>	<b>850</b>	<b>86,110</b>	<b>36.5</b>

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

<sup>2</sup> Percentage of leasable area exclude Anchor area as at 31 December 2018








CENTRALPLAZA RAMA 3





“EMERGED FROM ITS MAJOR  
RENOVATION THROUGH THE  
VISION OF BECOMING  
THE CENTER OF LIFE,  
CENTRALPLAZA RAMA 3 HAS  
GARNERED POSITIVE FEEDBACK  
ATTRIBUTED BY NEW PRODUCTS,  
SERVICES AND EXPERIENCES  
CATERED TOWARDS CUSTOMERS  
WITH DYNAMIC LIFESTYLE  
PREFERENCES.”



Mr. Charly Madan

Chairman of the Board of Directors  
CPN REIT Management Company Limited



## MESSAGE FROM THE CHAIRMAN

### To All Trust Unitholders,

In 2018, CPN Retail Growth Leasehold REIT (CPNREIT) is proud to celebrate its first full operating year. Over the year, revenues have increased by 39.7% compared to 2017 from the additional investment in CentralFestival Pattaya Beach Project and Hilton Pattaya. This growth in revenue was also attributable to the operating performance of CentralPlaza Rama 3, which was fully re-launched after a major renovation which involved a rejuvenation of the mall, featuring of new zones, and the addition of new leasable area. This rejuvenation follows the property manager, Central Pattana Public Company Limited, 'Center of Life' concept, a key strategy that has always been the property manager's priority. These successes are reflected through a significantly higher occupancy rate of the properties that CPNREIT has invested in from the year 2017.

Moreover, CPNREIT's financing operations were also a key performance highlight with a successful bond issuance to repay loans from financial institutions and to effectively manage its long-term cost of capital. The bond was assigned an issuer credit rating of 'AA' with stable outlook. CPNREIT also won "Deal of the Year" award in The Best Bond Award 2018 organized by ThaiBMA.

Lastly, as the Chairman of CPN REIT Management Company Limited, the REIT Manager, I would like to express my gratitude to all trust unitholders for your continued support. The REIT Manager will continue to manage CPNREIT under good governance and corporate governance for sustainable growth of CPNREIT and stable returns to all trust unitholders.

**Mr. Charly Madan**

Chairman of the Board of Directors  
CPN REIT Management Company Limited



## CENTRALPLAZA RAMA 2



FAIR VALUE

6,962

THB MILLION



GFA

251,182

SQUARE METERS



NLA

82,590

SQUARE METERS

Occupancy Rate (%)

95.6

Rental Structure (%)

Fixed 42

% of Tenant Sales 58

As of 31 December 2018







## CENTRALPLAZA RAMA 3



FAIR VALUE

10,698

THB MILLION



GFA

169,740

SQUARE METERS



NLA

37,122

SQUARE METERS

Occupancy Rate (%)

94.3

Rental Structure (%)

Fixed 62

% of Tenant Sales 38

As of 31 December 2018







## CENTRALPLAZA PINKLAO



FAIR VALUE

5,678

THB MILLION



GFA

137,692

SQUARE METERS



NLA

27,585

SQUARE METERS

Occupancy Rate (%)

98.9

Rental Structure (%)

Fixed 65

% of Tenant Sales 35

As of 31 December 2018







## PINKLAO TOWER A & TOWER B



GFA

50,653

SQUARE METERS



NLA

34,320

SQUARE METERS

Occupancy Rate (%)

90.1

Rental Structure (%)

Fixed 100

As of 31 December 2018



CENTRALPLAZA  
CHIANGMAI AIRPORT



FAIR VALUE

10,658

THB MILLION



GFA

122,991

SQUARE METERS



NLA

37,803

SQUARE METERS

Occupancy Rate (%)

92.7

Rental Structure (%)

Fixed 66

% of Tenant Sales 34

As of 31 December 2018







CENTRALFESTIVAL  
PATTAYA BEACH



FAIR VALUE

7,289  
THB MILLION



GFA

70,095  
SQUARE METERS



NLA

29,404  
SQUARE METERS

Occupancy Rate (%)

98.4

Rental Structure (%)

Fixed 52

% of Tenant Sales 48

As of 31 December 2018







## HILTON PATTAYA



FAIR VALUE

3,465

THB MILLION



GFA

49,686

SQUARE METERS



NO. OF ROOMS

302

ROOMS

Yearly Average Occupancy Rate (%)

93.2

As of 31 December 2018











CENTRALPLAZA RAMA 3



## GENERAL INFORMATION

<b>Name of REIT</b>	CPN Retail Growth Leasehold REIT
<b>Ticker</b>	CPNREIT
<b>REIT Manager</b>	CPN REIT Management Company Limited (Company)
<b>Trustee</b>	SCB Asset Management Company Limited (SCBAM)
<b>Term of REIT</b>	Indefinite (Leasehold rights with the highest remaining term to be expired on August 15, 2095)
<b>Type of REIT</b>	Non-redeemable and specific real estate investment trust (REIT)
<b>Paid-up Capital</b>	THB 29,016,410,672

CPN Retail Growth Leasehold REIT (CPNREIT) was established on 1 December 2017 from the conversion from CPN Retail Growth Leasehold Property Fund (CPNRF). The trust units of CPNREIT were first traded on the Stock Exchange of Thailand on 14 December 2017. Currently, CPNREIT had been investing in 5 shopping malls, which are CentralPlaza Rama 2, CentralPlaza Rama 3, CentralPlaza Pinklao, CentralPlaza Chiangmai Airport and CentalFestival Pattaya Beach with total leasable area of 214,503 sq.m., 2 office buildings which are Pinklao Tower A and Tower B totaling 34,320 sq.m. of leasable area, and Hilton Pattaya.



CENTRALPLAZA RAMA 3



## OBJECTIVE, INVESTMENT POLICY AND NATURE OF BENEFIT PROCUREMENT

### Objective and Investment Policy of CPNREIT

#### 1) 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.

#### 2) 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

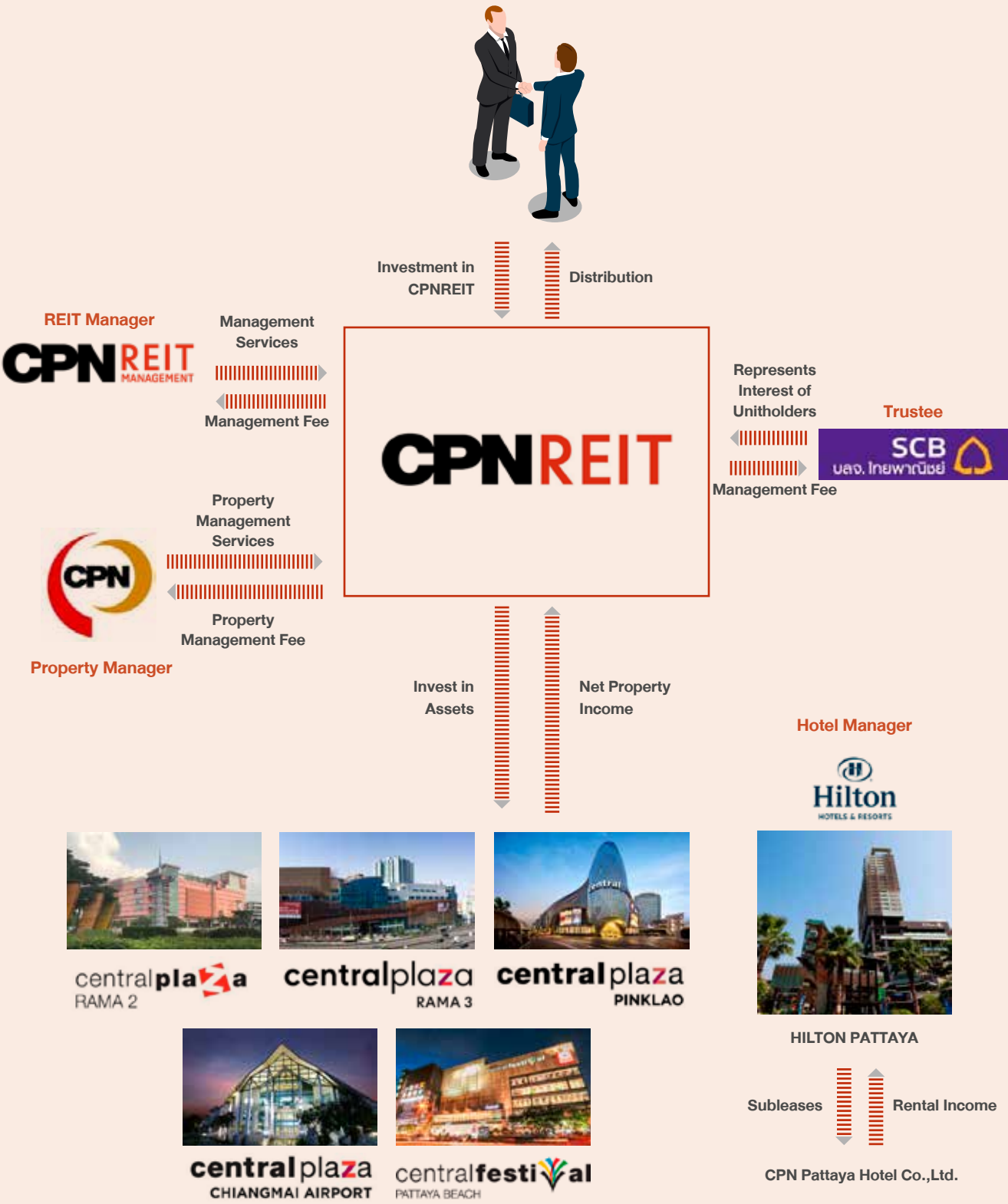
sub-leasing and/or accepting the assignment of leasehold rights and/or accepting the assignment of sub-leasehold rights of/over the core properties. Furthermore, CPNREIT will focus on generating and obtaining benefits in the form of income from rental and service fees, or other income of similar nature. 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.

### Significant change and development

On 1 May 2018, the REIT Manager appointed Ms. Pirinee Pringsulaka, Chief Executive Officer, to be an interim Vice President of Operation Support due to the resignation of Ms. Khempoy Tonsakulrungruang, effective from 30 April 2018, to ensure the smooth operation of the REIT Manager until the REIT Manager can find a well-qualified professional for this position.

On 26 February 2019, the REIT Manager appointed Ms. Wanlapa Woonprasert to be the Vice President of Operation Support

Structure of CPNREIT





## Details of the Investment Assets

### 1) Type of investments

Type of investments	31 December 2018		31 December 2017	
	Cost (THB Million)	Percentage of investments	Cost (THB Million)	Percentage of investments
<i>Investments in leasehold properties</i>				
CentralPlaza Rama 2 project	6,962.00	15.22	7,186.00	15.86
CentralPlaza Rama 3 project	10,698.00	23.38	9,179.00	20.26
CentralPlaza Pinklao project	5,678.00	12.41	5,543.00	12.24
CentralPlaza Chiangmai Airport project	10,658.00	23.30	10,494.00	23.17
CentralFestival Pattaya Beach project	7,289.00	15.93	8,153.83	18.00
Hilton Pattaya	3,465.00	7.57	3,754.17	8.29
<b>Total investments in leasehold properties</b>	<b>44,750.00</b>	<b>97.81</b>	<b>44,310.00</b>	<b>97.82</b>
<i>Investments in securities</i>				
TMB Treasury Money Fund	999.42	2.19	989.99	2.18
<b>Total investments in securities</b>	<b>999.42</b>	<b>2.19</b>	<b>989.99</b>	<b>2.18</b>
<b>Total investments</b>	<b>45,749.42</b>	<b>100.00</b>	<b>45,299.99</b>	<b>100.00</b>

### 2) Details of Properties invested by CPNREIT

CPNREIT had been investing in 5 projects, details as follow:

#### CentralPlaza Rama 2 Project

##### General Information

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.

### Details of CentralPlaza Rama 2 Project (invested by CPNREIT)

As of 31 December 2018

<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>Cost</b>	THB 7,249 million
<b>Building Area</b>	<ul style="list-style-type: none"><li>- Gross area including parking area of approximately 251,182 square meters</li><li>- Leasable area of approximately 82,590 square meters</li></ul>
<b>Valuation</b>	THB 6,962 million

### CentralPlaza Rama 3 Project

#### General Information

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.

### Details of CentralPlaza Rama 3 Project (invested by CPNREIT)

As of 31 December 2018

<b>Nature of investment</b>	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.
<b>Cost</b>	THB 9,580 million
<b>Building Area</b>	<ul style="list-style-type: none"><li>- Gross area including parking area of approximately 169,740 square meters</li><li>- Leasable area of approximately 37,122 square meters</li></ul>
<b>Valuation</b>	THB 10,698 million



## CentralPlaza Pinklao Project

### General Information

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

### Details of CentralPlaza Pinklao Project (invested by CPNREIT)

As of 31 December 2018

<b>Nature of investment</b>	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.
<b>Cost</b>	THB 5,616 million
<b>Building Area</b>	- Gross area including parking area of approximately 188,345 square meters - Leasable area of approximately 61,905 square meters
<b>Valuation</b>	THB 5,678 million

## CentralPlaza Chiangmai Airport Project

### General Information

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.

### Details of CentralPlaza Chiangmai Airport Project (invested by CPNREIT)

As of 31 December 2018

<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.
<b>Cost</b>	THB 10,509 million
<b>Building Area</b>	<ul style="list-style-type: none"><li>- Gross area including parking area of approximately 122,991 square meters</li><li>- Leasable area of approximately 37,803 square meters</li></ul>
<b>Valuation</b>	THB 10,658 million

### Central Festival Pattaya Beach Project and Hilton Pattaya

#### General Information

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.

### Details of CentralFestival Pattaya Beach Project (invested by CPNREIT)

As of 31 December 2018

<b>Nature of investment</b>	<b><u>CentralFestival Pattaya Beach Project</u></b>  Leasehold/subleasehold rights over the immovable properties, including 1. 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, 2. the leasehold rights over the utilities systems, i.e., electrical system, utilities system, telephone system, elevators, escalators, air conditioning system, engineering works
-----------------------------	--



<b>Nature of investment (continue)</b>	<p>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,</p> <p>3. ownership of movable assets, i.e., equipment for decor, tools, instruments, whether fixed or not permanently fixed, including other equipment used for the purpose of installing decor 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> <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 decor, tools, instruments, whether fixed or not permanently fixed, including other equipment used for the purpose of installing decor 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</p>
<b>Cost</b>	<p>CentralFestival Pattaya Beach: THB 8,332 million</p> <p>Hilton Pattaya: THB 3,827 million</p>
<b>Building Area</b>	<p><b><u>CentralFestival Pattaya Beach</u></b></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> <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>
<b>Valuation</b>	<p>CentralFestival Pattaya Beach: THB 7,289 million</p> <p>Hilton Pattaya: THB 3,465 million</p>

Note : 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.

Performance outcomes of each project can be summarized as follow:

Project	NLA (sq.m.)	Occupancy rate (%)	Rental and service income for 2018 (THB Million)
CentralPlaza Rama 2	82,590	95.6	1,365.7
CentralPlaza Rama 3	37,122	94.3	643.0
CentralPlaza Pinklao	27,585	98.9	983.9
Pinklao Tower A and Tower B	34,320	90.1	183.7
CentralPlaza Chiangmai Airport	37,803	92.7	638.9
CentralFestival Pattaya Beach	29,404	98.4	608.9
<b>Total/Average</b>	<b>248,823</b>	<b>94.9</b>	<b>4,424.1</b>
Hilton Pattaya	302 rooms	93.2 <sup>(1)</sup>	315.0

Note : <sup>(1)</sup> Yearly Average Occupancy Rate

### Nature of Benefit Procurement

CPNREIT was established with an aim to create sound and stable investment returns in the long term to unitholders. CPN REIT 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:

### **1. 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.

### **2. 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.

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. 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:

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

### • 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

### • 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 the Fixed Rent.

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 the variable Rent 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 the variable Rent based on the financial information of CPN Pattaya Hotel as appeared in 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.

For 2018, CPN Pattaya Hotel as the Property Sub-lessee has paid rental to CPNREIT in an aggregate amount of THB 315.0 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	THB 210.0 million
Variable Rent	THB 105.0 million

## Borrowing and Debentures

### 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 Siam Commercial Bank Public Company Limited for refinancing the existing loan. The material terms and conditions of each agreement are described below:

<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</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 modification 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
<b>Loan covenant</b>	<p><b>Debt to Total Asset Ratio</b></p> <ul style="list-style-type: none"> <li>- 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.</li> <li>- 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 Securities and Exchange Commission, Thailand (the SEC), longer than 1 year after the date written in this 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.</li> </ul> <p><b>Debt Service Coverage Ratio</b></p> <ul style="list-style-type: none"> <li>- The Borrower shall inform the facility agent promptly if the Borrower incurs any other debts apart from those under this agreement.</li> <li>- The Borrower 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.</li> </ul>



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

<b>Lender</b>	Siam Commercial Bank Public Company Limited
<b>Borrower</b>	Trustee on behalf of CPN Retail Growth REIT (CPNREIT)
<b>Loans</b>	<ul style="list-style-type: none"><li>- Facility 1: THB 1,918 million A loan to refinance the debt under the Credit Facility Agreement</li><li>- Facility 2: THB 1,918 million A long-term loan to refinance loan Facility 1</li></ul>
<b>Interest Rate</b>	<ul style="list-style-type: none"><li>- Facility 1: Fixed interest</li><li>- Facility 2: Fixed and MLR minus fixed rate per annum</li></ul>
<b>Repayment Period</b>	<ul style="list-style-type: none"><li>- Facility 1: Bullet repayment within 1 year following the date written in this agreement</li><li>- 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.</li></ul>
<b>Interest Payment</b>	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.
<b>Collateral</b>	None
<b>Loan Covenant</b>	<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 to be 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 SEC, longer than 1 year after the date written in this agreement, CPNREIT shall maintain its debt to total assets ratio not to exceed 60 percent of the total asset value of CPNREIT.</li></ul>

## Debentures

CPNREIT was given rated “AA” with “stable” outlook for both issuer and debenture ratings by Tris Rating on 25 May 2018 and 29 June 2018.

On 17 August 2018, CPNREIT issued 2 tranches of debentures worth THB 10,040 million to partial prepayment of outstanding loans. The debentures were assigned the credit rating “AA” from Tris Rating, details are as follows;

- Tranche 1: 3 years term due 2021 at coupon rate of 2.70% with total value of THB 2,650 million, interest payment every 6 months throughout the term of debenture

- Tranche 2: 10 years term due 2028 at coupon rate of 3.80% with total value of THB 7,390 million, interest payment every 6 months throughout the term of debenture

With the issuance of debentures, the repayment of the outstanding loans were THB 9,995,689,062 and the remaining loans as of 31 December 2018 at THB 4,468,696,861. The Benefit of these newly issued debentures is a fixed interest rate, which is, in the long run, lower than the floating interest rate of the existing bank loans, which be fluctuated over the duration of the loans.

Status of loans as at the year ended 31 December 2018 was shown below.

Amount of outstanding borrowings <sup>(1)</sup>	THB 4,468.7 million
Amount of Debentures	THB 10,030.4 million
Total outstanding borrowings and Debentures	THB 14,499.1 million
Total assets	THB 46,849.8 million
Debt to Total Asset Ratio	30.9%

Note: <sup>(1)</sup> CPNREIT issued 2 tranches of debentures worth THB 10,040 million to partial prepayment of outstanding loans. Detail of the debentures were stated in “Debentures”



## ECONOMIC AND INDUSTRY OVERVIEW

### 2018 THAILAND ECONOMIC OVERVIEW

The Gross Domestic Product (GDP) of Thailand grew 4.1 % in 2018, an increase from 4.0 % recorded in 2017. Factors contributing to this higher growth are 1) the continuous expansion of private consumption following more distribution of household income apart from the agricultural sector and consistently higher employment in the industrial and agroindustry sectors, 2) growth of the export and service sectors after the global economic recovery of the first half of the year but declining in the latter half due to the trade war between the U.S. and China, 3) continual rise in tourism as Thailand remains the destination of tourists worldwide and continuous increase in conferences and seminar events, 4) higher public and private investments following state investment acceleration and expansion of the manufacturing sector, and 5) slightly higher headline inflation to 1.1%, driven by higher prices of energy and major food and beverages.

With a rise of 4.6% versus 3.0% in 2017, the 2018 domestic private consumption was considerably improved, mainly from the middle-income and high-income groups, following the national economic growth and consumer confidence. There was a recordable growth in the lower-income group but rather gradual, reflecting the income contraction of the farmer group and slight increase in wages. The nationwide private consumption growth varied from region to region and rather gradually, with exception of the area of Bangkok and its perimeter, where growth was more rapid: recorded at 4.0% in the North and Northeast and only 1% in the South. The slower private consumption growth in the South was far below other regions due to the lower income of producers and exporters of rubber and rubber products, following falling prices of rubber. Nearly all types of commodity grew, especially durable and semi-durable goods. Nevertheless, the high household debt of 77.8% of GDP will continue to pose threats to the overall private consumption growth.

The 2018 export growth slowed down from 9.8% in 2017 to 7.7%. However, this growth was still higher than the five-year average between 2013 - 2017. The export drop took place in the latter half of the year following the China trade war and especially commodities in the electronics and automotive groups, in line with other export markets in Asia. The export growth in primary markets including the U.S., Japan and the EU, was recorded at 7.7%. The highest record of 13.0% was with the Japanese market. Exports to secondary markets included 17.0% with India and 14.0% with ASEAN (9), while export growth to China was recorded at a record low of 2.3%.

Domestic investment in 2018 was higher than that of the previous year, following a decline in government budgetary disbursement of 1.2% in 2017 to a growth of 3.3% in 2018. Private investment followed in the same direction from 2.9% to 3.9% for the same period, particularly from the producer-to-export group. Investments by the retail sector, including those in modern trade, continued to invest and expand their presence, as well as renovating their existing channels throughout the year.

Tourist arrivals in 2018 rose by 7.3% from 2017 to 38 million with the highest number from China (increased by 8%), South Korea (increased by 5%), Malaysia (increased by 16%), and Laos (increased by 4%). The highest growth in percentage were from Hong Kong (25% rise from the previous year), Malaysia (16%), India (12%) and Vietnam (10%). The overall tourism revenue increased by 9.0% to THB 2 trillion. Tourism growth will likely continue to drive the Thai economy for years to come.

### 2019 THAILAND ECONOMIC OUTLOOK

The 2019 projection of the Thai economy is set to slow down from 4.1% in 2018 to 4.0%, but still higher than the most recent five-year average (2013 - 2017) of 2.8%. Domestic demand will continue to be the main driver, especially the projected 4.2% expansion in private consumption. Following public investment in key infrastructural projects,

private investment growth is expected to follow at 6.6%, while the utilization capacity and tourism are likely to grow by 4.7% and 6.2%, respectively. On the other hand, international demand will likely fall, reflecting the impacts of the U.S. and China trade war and trade sanction policies with certain countries. Export growth is therefore project to slow down to 3.8%.

The Thai economy will, however, continue to face several challenges, including political uncertainty arising from the upcoming general election, economic and financial risks due to volatility and falling growth of the global economy, driven mainly by trade barrier measures between the U.S. and China, economic contraction in China, and uncertain future on Brexit if the negotiation between the U.K. and the E.U. cannot materialize. These three factors will directly impact the export of Thai products. Other significant factors are the delay of tourism recovery, especially from the Chinese and Russians, due to the economic slowdown in China and the weakening currencies of the Chinese RMB and the Russian Ruble, and the rise of interest rates in the global market above the fundamentals, driving the higher costs of production and inflation affecting the overall economic recovery.

Source: Office of the National Economic and Social Development Board, the Bank of Thailand, Ministry of Commerce, and Ministry of Tourism and Sports.

## 2018 RETAIL INDUSTRY OVERVIEW

The domestic retail industry accounts for 15.0% of the total GDP. The overall retail industry growth rose from 6.0% in 2017 to 10.0% in 2018; under this growth, the sector of department stores and general shops grew by 4.0% with a focus on durable and semi-durable goods, while consumption growth of general consumer products remained low. The main purchasing power came from the middle-income and upper-income and fixed-income consumers. A positive sign of consumption from the majority of the population, consumers of the middle-income and lower-income and farmer groups mostly in rural areas, was recognized but not in full recovery, partially due to the fact that income growth for farmers was still too low and household debts remained high. These negative attributes were, however, offset by positive economic support coming from the spending of foreign tourists in Bangkok and other major destinations.

Retail markets continued to expand in 2018, according to a research paper conducted by Colliers International Thailand Co., Ltd. With an increase in retail space of 89,657 square meters, the total retail space in Bangkok and its perimeter rose to 7,968,326 square meters. Shopping centers accounted for 56.0% of the total space, followed by community malls at 35.0% and supplementary retail space at 9.0%. The overall occupancy rate in 2018 exceeded 90.0%.

Source : The retail space research paper in 3Q 2018 by Colliers International Thailand Co., Ltd.

### *Shopping Centers and Department Stores*

The overall retail gross floor area of all department stores in Thailand in 2018 stood at 20.2 million square meters and is expected to rise to 20.9 million square meters. New projects launched in 2018 were ICONSIAM, Terminal 21 at Pattaya, Gateway Bangsue, and Singha Complex. New projects set to be launched in 2019 are Central Village, The Market Bangkok, Mixt Chatuchak Shopping Mall, Ekamai Mall, Wizdom 101, Samyan Mitrtown, Siam Pivat-Simon Village, People Park Onnuch, and Market Place Dusit.

Operators of shopping centers and department stores are now facing a new set of challenges originated by changing consumer behavior. Today's consumers demand shopping experience, personalization, convenience and speed. Other challenges are consumers' preference for online shopping, lifestyle retail and new concept retail: a newly designed retail space tailor-made to fit lifestyles and the livelihood of consumers and tourists. The rapid growth of the food delivery business has created a negative impact on the visit frequency to shopping centers and department stores. With these challenges, operators of shopping centers and department stores therefore need to develop a new set of strategic moves and continuously improve their services to respond to the changing needs of customers who always look for new experiences.

### *Community Malls and Lifestyle Retail*

The community mall market continually grew in 2018, even though at a slower pace. 47,000 square meters of space were added, mostly from new projects launched in 2018, such as Market Place Nanglinchee and Lasalles Avenue.

The overall community mall and lifestyle retail market, both for retail and wholesale, is under active competition with shops in surrounding communities and large department stores. Business operators of this group must therefore adjust themselves to differentiate and respond to the changing needs and lifestyles of their target customers and tourists. These can be done by selection of shopping sites close to communities, renovation and expansion of projects, locating new and diversified tenants like those in large department stores, organizing market activities and promotions to retain their customer bases and attract new bases of customers, as well as providing convenient and complete facilities. All these efforts require uniquely skilful management under exposures of risks and rising costs.

### ***Hypermarkets and Convenience Stores***

Operators of hypermarkets opted to expand their businesses to offer a greater variety of goods and services to better respond to the needs of customers in the communities in 2018 rather than launching new facilities. Many operators continue to expand their businesses with small stores, with modification toward supermarkets, or known as 'super-convenience store' and 'convenience store'. These operators are mini Big C, Tesco Lotus Express, Tops Daily, and MaxValu Tanjai. Some now look like open markets as long as it supports the rapid expansion with ease, coverage of diversified customers, and coverage of distant areas. Online shopping has been offered to provide convenience to certain target customer groups, with higher and higher projected generated income following behavioral change of consumers toward speed and convenience.

The market for convenience stores remains focused on continual expansion of branches to maximally cover geographic space with more strategic concentration on franchising. To better respond to the changing consumer behavior and lifestyles, these convenience stores have been modified to offer a variety of hygienic foods and beverages for all age groups, and unique goods and services specific to the needs of local customers, with a focus on speed, modern outlook and use of high-tech applications. E-commerce and online shopping have been offered to provide more convenience and speed. More social media applications have been added to provide direct and effective communication with customers. Joint investment with foreign investors has been increased, pushing major

operators in this sector to expand more branches and organize more activities and promotions to build and retain relationship with their customers.

## **2019 RETAIL INDUSTRY OUTLOOK**

The retail industry is expected to grow 4.0 – 6.0% in 2019 in line with the economic recovery. The major driver of this growth is public investment on infrastructure, leading to more investments in the value chain, including the retail industry. More mixed-use and new models of the retail industry will surface in 2019. About 9.0 million square meters of retail space will be added in Bangkok and its perimeter. Following economic growth, urban private consumption including that by foreign tourists will increase consumption demand, additional supply of retail space, including those from newly launched projects, will catch up, creating more retail space for tenants to lease and expand their businesses. The occupancy rate and retail space rental rate in 2019 are therefore likely to increase.

Large-scale department stores scheduled for first launch in 2019 in Bangkok Metropolitans are Central Village, The Market Bangkok, Mixt Chatuchak Shopping Mall, Ekamai Mall, Siam Pivat-Simon Village, Wizdom 101, and Samyan Mitrtown. The last two, are mixed-use including a shopping arcade, office space, and a residential and entertainment center. Additional 300,000 square meters will be added to the total net retail area for Bangkok and its perimeter. New projects set to be launched in 2019 in provincial areas include CentralPlaza Ayutthaya and Central Patong.

Four more large-scale shopping centers are set to debut in Bangkok during 2020–2023, most of which are mixed-use to respond to the urban lifestyle needs. These are 1) The Parq, 2) One Bangkok, 3) The EmSphere, and 4) Bangkok Mall. The Parq and One Bangkok are large-scale projects on Rama IV road, developed by a joint venture of TCC Assets (Thailand) Company Limited and Frasers Property Holding (Thailand) Company Limited. The EmSphere is the 3<sup>rd</sup> shopping center under The EM District located in the Phrom Phong area, and Bangkok Mall is located at the Bangna-Trad junction. Both are developed by the Mall Group.

Following public investments on infrastructure including the transport network megaproject, the Eastern Economic Corridor, and clusters of regional special economic zones,



domestic and international trade and economic networks are set to expand significantly. Massive investments from both public and private sectors, particularly foreign investors, are expected to pour in for many years to come. This will trigger sizeable employment in many parts of the country creating more purchasing power and interest among the retail industry and project developers. Locations of high interest are major cities, satellite towns, and towns along the national border in all directions. More mini-scale development of super store malls, specialty stores, shopping centers and department stores have been lined up for rural consumers.

Modern-day retail market competition has evolved to a different battleground. From competing among retail players, non-retail players have entered the market. Operators of office space have begun to offer retail shops in a new look known as 'retail podium' to meet the new lifestyle demand of customers. With a customer-centric concept, anyone can enter the retail industry only if they

have shop fronts. Market competition has become much more active when many retail players have adopted the E-Commerce market channel, creating a bigger number of large competitors and consistently high competition. Gearing toward creation of customer experience, the market competition factor is not limited to only pricing, but also differentiating services, leading the market to expand rapidly and increasing market shares for certain retail players.

Getting to fully understand evolving customer behavior and lifestyles is the key to retail business success, especially when changes of technology and customer needs are more rapid. Applying suitable technology to identify customer behavior and reduce costs of administration is crucial to the current retail business. Big-data analytics and artificial intelligence will likely become technologies of choice for all retail operators in 2019, including their integrated applications to enhance management and optimize the network and connection between online and offline, known as O2O (Online to Offline).

Source : Central Pattana Public Company Limited, as the property manager

## RISK FACTORS

### 1. 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 30<sup>th</sup> year and the 60<sup>th</sup> 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  
In the case that CPNREIT borrows as allowed by the criteria in the prospectus, CPNREIT may be exposed to risk arising from borrowing due to changes in economic conditions, interest rates, cost of capital and repayment abilities of relevant counter-parties that may affect the operating performance of CPNREIT, causing CPNREIT to have insufficient liquidity to repay principal and/or interest as well as risk from deteriorating principal and/or interest repayment ability. Moreover, CPNREIT may have financial risk if the borrowing is settled through refinancing especially when CPNREIT's

cash flow decreases from the expiry of leasehold rights in some projects (2024: CentralPlaza Pinklao Project, 2025: CentralPlaza Rama 2 Project, 2037: CentralFestival Pattaya Beach Project and Hilton Pattaya, 2044: CentralPlaza Chiangmai Airport and 2095: CentralPlaza Rama 3), and have risk arising from increase in interest cost that may affect the distribution of returns to trust unitholders and may force CPNREIT to increase its capital to repay loan.

Nonetheless, CPNREIT shall make all efforts necessary to mitigate those risks with trust unitholders' benefit as a priority.

- 22) 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.



23) 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 Central Festival 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 Central Festival 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.

24) 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.

## **2. 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

## **3. Risks associated with Investment in Immovable Properties by CPNREIT**

- 1) Investment in immovable properties is exposed to various risks
- 2) Gross profits obtained from immovable properties, or the value of immovable properties of CPNREIT may be exposed to adverse impact from various factors
- 3) 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;
- 4) Risk arising from CPNREIT's investment in the leasehold rights over immovable properties

## **4. 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.

## LEGAL DISPUTE

### Legal Dispute

In managing CPNREIT, the REIT Manager complies fully with relevant laws, namely Securities and Exchange Act B.E. 2535 (including its subsequent amendments), Trust for Transactions in the Capital Market Act B.E. 2550 (including its subsequent amendments) regulations from regulatory bodies and Trust Deed.

As of 31 December 2018, CPNREIT had no litigation either as a party or litigant in a lawsuit or dispute in arbitration or other significant legal disputes which directly relates to CPNREIT's business that the REIT Manager believes will severely and negatively impact CPNREIT's net asset value more than 5%, financial position, operating performance and operating outlook. Moreover, CPNREIT has no litigation that would significantly impact the procurement of benefit from properties that CPNREIT manages.

Note : More information is provided in the Notes to the Financial Statements as of 31 December 2018



## MILESTONES AND OTHER KEY MATTERS

For 2018, the achieved milestones and other key matters of the CPNREIT were as follow:

- Grand opening for CentralPlaza Rama 3 on 9 August 2018, after the completion of the major renovation and was fully operated in 2Q18. The new-look shopping mall features new zones, green area, rest area, co-working space as well as new shops to cater unique experiences to customers with different lifestyles.
- On 26 July 2018, Central Pattana Rama 2 Company Limited (Central Pattana Rama 2) delivered a letter to CPN Retail Growth Leasehold Investment REIT (CPNREIT) informing the completion of renewal of the land lease agreements with the landlords where CentralPlaza Rama 2 Project is located and requesting for an extension of notification period of conditions and price for renewal of the land sublease agreements and the building lease agreements with respect to CentralPlaza Rama 2 Project which is the asset in which CPNREIT has invested, and proposing for CPNREIT to extend the acceptance period for such proposal. Those proposition made by Central Pattana Rama 2 can be summarized as follows:

(1) Central Pattana Rama 2 requested for the extension of notification period of conditions and price for renewal of the land sublease agreements and the building lease agreements.

- Previously as specified in the agreements being within 60 days from the date on which Central Pattana Rama 2 agrees on the conditions and price for renewal of the lease agreements with landlords.
- To be within 18 months from the date on which Central Pattana Rama 2 agrees on the conditions and price for renewal of the lease agreements with landlords.

(2) Central Pattana Rama 2 proposed that CPNREIT be able to extend the period to accept the proposal under the item (1) above.

- Previously as specified in the agreements being within 6 months from the date on which CPNREIT is notified by Central Pattana Rama 2 thereof or any other period as agreed by the parties.
- To be within 10 months from the date on which CPNREIT is notified by Central Pattana Rama 2 thereof or any other period as agreed by the parties.

In this regard, Central Pattana Rama 2 has provided the reasons for such extension that, the land sublease agreements and the building lease agreements with respect to CentralPlaza Rama 2 Project in which CPNREIT has invested will expire on 15 August 2025 but the entering into the new land lease agreement of Central Pattana Rama 2 with the landlords is an advance renewal which took place sooner than the period expected by Central Pattana Rama 2. Such renewal is made prior to the expiration of the land sublease agreements and the building lease agreements which will expire in approximately 7 years in the future. In this regard, Central Pattana Rama 2 then proposed such proposition to CPNREIT in order for Central Pattana Rama 2 itself and CPNREIT to be able to carefully consider the conditions and price for the renewal of the land sublease agreements and the building lease agreements.

- CPNREIT was given rated “AA” with “stable” outlook for both company and debenture ratings by Tris Rating on 25 May 2018 and 29 June 2018.
- CPNREIT issued 4 tranches of debentures since August 2018. The objective of issuance of debentures was for bank loans repayment, details are as follows;

Bond	Amount (THB Million)	Issue Date	Maturity Date	Tenor (Year)	Coupon (%)
CPNREIT218A	2,650	17 Aug 2018	17 Aug 2021	3	2.70
CPNREIT288A	7,390	17 Aug 2018	17 Aug 2028	10	3.80
CPNREIT212A	2,700	8 Feb 2019	8 Feb 2021	2	2.54
CPNREIT232A	1,795	8 Feb 2019	8 Feb 2023	4	3.30
<b>Total</b>	<b>14,535</b>				

- CPNREIT won the award “Deal of the Year” from The Best Bond Award 2018 organized by ThaiBMA on 21 February 2019, from the issuance of bond in 2018.

# INFORMATION OF TRUST UNITS

## 1. Information and Prices of Trust Units

### 1) Information of Trust Unit as at 31 December 2018

Investment Capital	THB	29,016,410,672
Number of Unit		2,212,476,700 Unit
Net Asset Value	THB	29,995,210,681
NAV per Unit	THB	13.5573

### 2) Information of Unit Prices as of 28 December 2018

Closing Price	THB	25.50	per Unit
Highest Price	THB	25.50	per Unit
Lowest Price	THB	24.70	per Unit
Market Capitalization	THB	56,418.16	Million
Trading Volume per Year (AOM Value)	THB	5,926.59	Million

### 3) The Payment in form of Capital Reduction to Unitholders

CPNREIT has announced cash payment to trust unitholders for the period from 29 November 2017 to 31 December 2017 at THB 637.0 million or 0.2879 THB per unit in the form of capital reduction from operating performance from 1 October 2017 to 30 November 2017 of CPNRF before conversion and operating performance of CPNREIT from 29 November 2017 to 31 December 2017.

The cash used in payout will come from 2 sources:

#### 1. Retained earnings from CPNRF operation from 1 October 2017 to 30 November 2017 :

As the last dividend payout of CPNRF before conversion to CPNREIT on 1 December 2017 is payout from 3Q17, CPNRF has remaining retained earnings from such 2-month operating results that have not been paid out to unitholders. Upon conversion to CPNREIT, these retained earnings were transferred to CPNREIT as capital from unitholders which causes the change in equity structure in financial statements due to accounting method. Therefore, this portion of capital reduction is, basically, the payout of CPNRF's retained earnings.

#### 2. Net investment income of CPNREIT:

For the period from 29 November 2017 (incorporation date) to 31 December 2017, CPNREIT has THB 223.7 million in net investment income. However, due to the conversion and transfer of assets from CPNRF to CPNREIT, CPNREIT has to recognize the cost of investment in leasehold properties at the latest appraisal values before conversion, which are higher than the original cost that CPNRF had recognized when it acquired assets. This together with the fact that appraisal value of CentralPlaza Rama 3 as at 30 September 2017, the latest appraisal date, has not yet reflect the performance after renovation as the operation only resumed 10 days before period end, and registration fees, stamp duties as well as other fees and related expenses that CPNREIT had to pay when it acquired CentralFestival Pattaya Beach and Hilton Pattaya in December cause CPNREIT to recognize realized and unrealized losses from investment amounting to THB 631.1 million during the period. These two transactions are non-cash transactions which allow payout from excess liquidity.

The payment to unitholders in the form of capital reduction is in compliance with the following clauses in the trust deed:

- CPNREIT has cash remaining from the operation before the conversion, including the remaining cash due to unearned transactions before the conversion, and the adjusted net profit that exceeds the net accounting profit.
- Value of immovable properties or leasehold rights over the immovable properties decrease due to valuation or review of the valuation of assets.

## 2. Debentures

CPNREIT was given rated "AA" with "stable" outlook for both issuer and debenture ratings by Tris Rating on 25 May 2018 and 29 June 2018. CPNREIT issued 4 tranches of debentures since August 2018. The objective of issuance of debentures was for bank loans repayment, details are as follows;



Bond	Amount (THB Million)	Issue Date	Maturity Date	Tenor (Year)	Coupon (%)
CPNREIT218A	2,650	17 Aug 2018	17 Aug 2021	3	2.70
CPNREIT288A	7,390	17 Aug 2018	17 Aug 2028	10	3.80
CPNREIT212A	2,700	8 Feb 2019	8 Feb 2021	2	2.54
CPNREIT232A	1,795	8 Feb 2019	8 Feb 2023	4	3.30
<b>Total</b>	<b>14,535</b>				

### 3. Detail of Unitholders

List of the first 10 Unitholders as of 28 December 2018

No.	Unitholders	Number of The Units	Unitholders Proportion (%)
1	CENTRAL PATTANA PUBLIC COMPANY LIMITED	590,521,686	26.69
2	TMB PROPERTY INCOME PLUS FUND	74,787,600	3.38
3	GOVERNMENT SAVING BANK	68,004,833	3.07
4	MRS. ARUNEE CHAN	41,145,800	1.86
5	AIA COMPANY LIMITED - EQ3 - P	39,378,802	1.78
6	BANGKOK LIFE ASSURANCE PCL	36,938,352	1.67
7	K PROPERTY SECTOR FUND	33,372,700	1.51
8	HSBC BANK PLC-HSBC INSTITUTIONAL TST SVS(IRE) LTD FIRST STATE GLOBAL UMBRELLA FUND PLC - FIRST STATE ASIAN EQU	33,261,756	1.50
9	LH FINANCIAL GROUP PUBLIC COMPANY LIMITED	32,406,300	1.46
10	FWD LIFE INSURANCE PUBLIC COMPANY LIMITED	23,099,500	1.04

### 4. Distribution Payment Policy

#### 1) Policy on Distribution of Returns

- CPNREIT has the policy to make at least 2 distributions of return 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.

## 2) 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.

## 3) Historical distribution of returns

### 3.1 The Payment in form of Capital Reduction to Unitholders

The Payment in form of Capital Reduction to Unitholders as detail shown in Information and Prices of Trust Units No. 1. 3)

### 3.2 Distribution of returns

CPNREIT has announced the distribution of returns as follows:

Operation Period	THB per unit	Date Payment
1 Jan 18 to 31 Mar 18	0.3795	6 Jun 18
1 Apr 18 to 30 Jun 18	0.4055	6 Sep 18
1 Jul 18 to 30 Sep 18	0.4157	4 Dec 18
1 Oct 18 to 31 Dec 18	0.4163 <sup>(1)</sup>	25 Mar 19

Note : <sup>(1)</sup> 4Q18 Operation period and retained earnings

## MANAGEMENT STRUCTURE

### 1. REIT Manager

#### 1.1) Information of the REIT Manager

CPN REIT Management Company Limited (the Company to 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

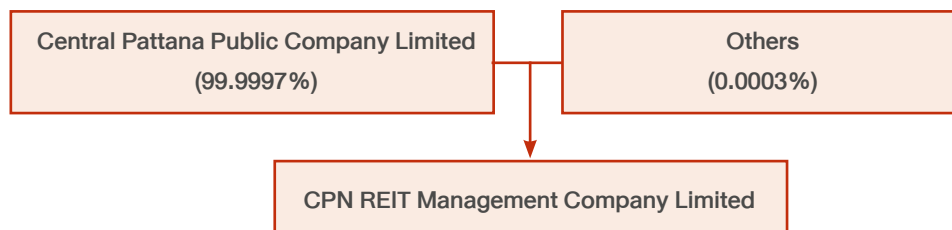
1,000,000 ordinary shares at a par value of THB 10 per share. The main objective of the Company is to manage the REIT investment trust. Central Pattana Public Company Limited is the major shareholder in the REIT Manager, holding 99.9997 percent of the total issued shares. The key information about the REIT Manager is presented below.

<b>Name of the REIT Manager</b>	CPN REIT Management Company Limited
<b>Head Office Address</b>	999/9, Rama I Road, Pathumwan Sub-district, Pathum District, Bangkok
<b>Company Registration Number</b>	0105560104638
<b>Date of Incorporation</b>	27 June 2017
<b>Telephone</b>	02-667-5555 ext. 1660
<b>Facsimile</b>	02-667-5590
<b>Registered Capital</b>	THB 10 million
<b>Paid-up Capital</b>	THB 10 million
<b>Number of Issued and Paid-up Share</b>	1,000,000 shares
<b>Par Value</b>	THB 10
<b>Nature and Scope of Business Operation</b>	Act as the REIT Manager
<b>Major Shareholder (Shareholding)</b>	Central Pattana Public Company Limited (Holding 99.9997 percent)
<b>List of Directors</b>	1. Mr. Charly Madan 2. Ms. Wallaya Chirathivat 3. Ms. Naparat Sriwanvit
<b>Authorized Directors</b>	Ms. Wallaya Chirathivat and Ms. Naparat Sriwanvit jointly sign with the company seal affixed
<b>Accounting Period</b>	1 January – 31 December



## 1.2) Shareholders' structure

### 2.1 Shareholders' structure

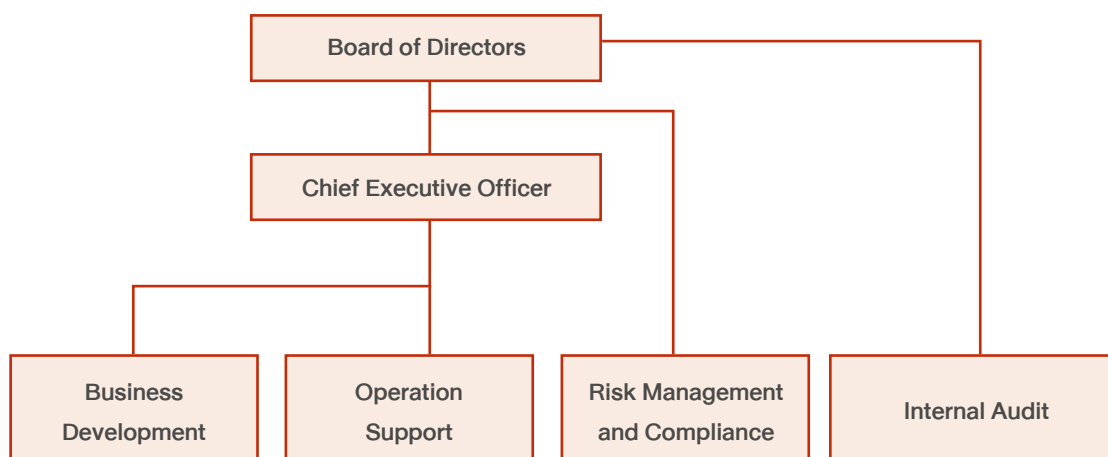


### 2.2 Shareholders of the REIT Manager as of 31 December 2018 were listed as follows:

List of Shareholders	Number of Shares Held (share)	Shareholding (%)
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>

## 1.3) Management Structure of the REIT Manager

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



## List of the Directors

The Board of Directors consists of 3 directors as follows:

### 1. Mr. Charly Madan

Chairman and Independent Director

#### Education

- Master of Business Administration, Sasin Graduate Institute of Business Administration of Chulalongkorn University
- Bachelor of Business Administration, Assumption University

#### Work Experience

- 2017 – Present Executive Director  
BNP Paribas (Singapore) Branch
- 2015 – 2017 Chief Financial Officer and Chief Risk Officer  
Pruksa Real Estate Public Company Limited
- 2012 – 2014 Chief Executive & Head of International Banking,  
The Royal Bank of Scotland

### 2. Ms. Wallaya Chirathivat

Director

#### Education

- Master of Business Administration, University of Hartford, U.S.A.
- Bachelor of Business Administration, University of California, Los Angeles, U.S.A.

#### Work Experience

- 2018 – present Deputy Chief Executive Officer  
Central Pattana Public Company Limited
- 2011 – 2018 Senior Executive Vice President, Business Development and Project Construction  
Central Pattana Public Company Limited
- 2005 – 2011 Executive Vice President, Business Development and Project Construction,  
Central Pattana Public Company Limited

### 3. Ms. Naparat Sriwanvit

Director

#### Education

- Master of Business Administration, Thammasat University
- Bachelor of Accountancy, Chulalongkorn University

#### Work Experience

- 2014 - present Senior Executive Vice President, Finance, Accounting and Risk Management  
Central Pattana Public Company Limited
- 2013 - 2014 Executive Vice President, Finance, Accounting and Risk Management  
Central Pattana Public Company Limited

#### **1.4) 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.

#### **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.

#### **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.
  - 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. 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;
- 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 credit fancier 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 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.

#### **4. Duties and Responsibilities of the Chief Executive Officer**

The REIT Manager formulates the duties and responsibilities of the Chief Executive Officer as described below.

- 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;
- 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

### 1. 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

- 2017 - Present Chief Executive Officer, Head of Business Development Department and interim Vice President of Operation Support (May 2018 - February 2019)  
CPN REIT Management Company Limited
- 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

### 2. Ms. Prapairat Teekaput

Vice President of Risk Management and Compliance Department

#### Education

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

#### Work Experience

- 2017 - Present Vice President of Risk Management and Compliance Department  
CPN REIT Management Company Limited
- 2008 - 2017 Senior Manager, Risk Management Department  
Central Pattana Public Company Limited
- 1996 - 2007 Manager, Accounting Department  
Central Pattana Public Company Limited

### 3. Ms. Wanlapa Woonprasert

Vice President of Operation Support Department (appointed on 26 February 2019)

#### Education

- Master of Arts in Economic Law, Chulalongkorn University
- Bachelor of Accountancy, Thammasat University

#### Work Experience

- 2017 - 2018 Manager, Accounting Department  
Berli Jucker Public Company Limited
- 2015 - 2017 Supervisor, Financial Analysis and Reporting  
DKSH (Thailand) Limited
- 2009 - 2015 Senior Audit Assistant  
KPMG Phoomchai Audit Ltd.

## Personnel of the REIT Manager

As of 31 December 2018, The REIT Manager comprises 5 staff members in total as listed below.

Department	Key Responsible Persons	Work Experience
Business Development	Ms. Pirinee Pringsulaka Chief Executive Officer and Head of Department	- Senior Vice President, Corporate Finance, Central Pattana Public Company Limited (2006 – 2017) - Manager, Investment Banking, Equity Capital Markets, DBS Vickers Securities (Thailand) (2005 – 2006)
	Ms. Nattiya Pholvarin Vice President	- Assistant Manager, Corporate Finance, Central Pattana Public Company Limited (2011 – 2017)
Operation Support	Ms. Wanlapa Woonprasert Vice President	- Manager, Accounting Department, Berli Jucker Public Company Limited (2017 – 2018) - Supervisor, Financial Analysis and Reporting, DKSH (Thailand) Limited (2015 – 2017) - Senior Audit Assistant KPMG Phoomchai Audit Ltd. (2009 – 2015)
	Ms. Untika Godard Assistant Vice President	- Assistant Manager, Fund Account, Ticon Industrial Connection Public Company Limited (2013 – 2017) - Senior Accountant, Golden Land Property Development Public Company Limited (2006 – 2013)
Risk Management and Compliance	Ms. Prapairat Teekaput Vice President	- Senior Manager, Risk Management, Central Pattana Public Company Limited (2008 – 2017) - Manager, Accounting Department, Central Pattana Public Company Limited (1996 – 2007)

## 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.

### 1. Duties to CPNREIT

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.
- 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) 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.
- 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.
- 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.



- 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.
- 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.
- 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.
- 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.
- 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.
- 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.
- 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.
- 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.

- 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.
- 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.
- 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.
- 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
- 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.
- 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.
- 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.
- 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).
- 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.
- 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.
- 1.23 To give opinion on the ability of the revenue guarantor in honoring the obligations under the guarantee of revenue agreement (if any).
- 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.

- 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.

## **2. Duties in the Management of CPNREIT and Properties of CPNREIT**

- 2.1 To give opinion to the relevant competent officers regarding the qualifications and characteristics of real properties invested by CPNREIT upon request.
- 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.
- 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.
- 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.
- 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.
- 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.

- 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.

- 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.

- 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.

- 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.

- 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.

- 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.

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

- 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.
- 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.
- 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.

- 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.
- 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. Duties in the Execution of Agreements relating to the Procurement of Benefits from Real Properties of CPNREIT**

- 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.
- 4.2 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).
- 4.3 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.

#### **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.

## 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.

## 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.

## 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.

## 2. Property Manager

### 2.1) Information of the Property Manager

<b>Name of the Property Manager</b>	Central Pattana Public Company Limited
<b>Head Office Address</b>	999/9 The Offices at CentralWorld, Rama I Road, Patumwan Sub-District, Patumwan District, Bangkok
<b>Company Registration Number</b>	0107537002443
<b>Registration Date</b>	17 July 1994
<b>Telephone</b>	02-667-5555
<b>Facsimile</b>	02-664-5593
<b>Website</b>	www.cpn.co.th

## 2.2) Shareholders' structure

The detail of shareholding structure or organization structure of Central Pattana Public Company Limited (CPN) can be found on the website [www.cpn.co.th](http://www.cpn.co.th). The list of directors and executives are as follows:

As at 31 December 2018

<b><u>Board of Directors</u></b>	
1. Dr. Supachai Panitchpakdi	Honorary Chairman
2. Mr. Suthichai Chirathivat	Chairman
3. Mr. Paitoon Taveebhol	Independent Director Chairman of the Audit Committee Chairman of the Risk Policy Committee
4. Mr. Karun Kittisataporn	Independent Director Member of the Audit Committee Chairman of the Nomination and Remuneration Committee
5. Mrs. Jotika Savanananda	Independent Director Member of the Audit Committee Member of the Nomination and Remuneration Committee
6. Mr. Veravat Chutichetpong	Independent Director Member of the Audit Committee
7. Mr. Suthikiati Chirathivat	Director
8. Mr. Sudhisak Chirathivat	Director Advisory of the Nomination and Remuneration Committee
9. Mr. Sudhitham Chirathivat	Director (Authorized Signature) Member of the Nomination and Remuneration Committee
10. Mr. Kobchai Chirathivat	Director (Authorized Signature) Member of the Risk Policy Committee
11. Mr. Prin Chirathivat	Director (Authorized Signature) Member of the Risk Policy Committee Advisory of the Nomination and Remuneration Committee
12. Mr. Preecha Ekkunagul	Director (Authorized Signature) President & CEO Member of the Risk Policy Committee

<b>Management Team</b>	
1. Mr. Preecha Ekkunagul	President & CEO
2. Ms. Wallaya Chirathivat	Deputy Chief Executive Officer
3. Mr. Suthipak Chirathivat	Senior Executive Vice President, Office of the President
4. Ms. Naparat Sriwanvit	Senior Executive Vice President, Finance, Accounting and Risk Management
5. Mr. Pakorn Partanapat	Senior Executive Vice President, Commercial
6. Mr. Chanavat Uahwatanasakul	Senior Executive Vice President, Development Workgroup

### **2.3) Duties and Responsibilities of the Property Manager**

Rights, duties and responsibilities of the property manager can be summarized as follows:

#### **1. Rights of the property manager**

The property manager has a right to be compensated from CPNREIT for acting as a property manager according to the appointment agreement between CPNREIT and the property manager.

#### **2. Duties and responsibilities of the property manager**

The property manager has rights, duties and project responsibilities as follows:

- (1) To be compensated from CPNREIT for acting as a property manager according to the appointment agreement between CPNREIT and the property manager;
- (2) To maintain and manage CPNREIT properties day-to-day to be in good condition and always primed for benefit procurement;
- (3) To collect revenues and procure benefits from properties and other related assets;
- (4) To comply with agreements or other duties as specified in the property manager appointment agreement;
- (5) To perform other duties as stipulated by the SEC, the Capital Market Supervisory Board or the Office of the SEC to be duties of the property manager or other duties that the REIT management company assigned.

More information is provided on [www.cpn.co.th](http://www.cpn.co.th)



### 3. Sub-lessee (Hotel operator)

#### 3.1) General Information

CPN Pattaya Hotel, which acts as the sub-lessee of hotel building of CPNREIT, September 2017 with CPN is the Major shareholder in CPN Pattaya Hotel, holding 99.99% of the total issued shares and is a limited company in Thailand on 25 September 2017 detailed as follow:

<b>Name</b>	CPN Pattaya Hotel Co., Ltd.
<b>Objectives</b>	To be the sub-lessee and to operate Hilton Pattaya business under CPNREIT
<b>Registered Capital as at 30 September 2017</b>	THB 1 million, divided into 100,000 ordinary share at a par value of THB 10 per share.
<b>List of Directors</b>	1. Mr. Sudhitham Chirativat 2. Mr. Kobchai Chirativat 3. Ms. Wallaya Chirativat 4. Mr. Suthipak Chirativat 5. Mr. Chanavat Uahwatanasakul 6. Mr. Preecha Ekkunagul
<b>Major Shareholder</b>	Central Pattana Public Company Limited (Holding 99.99%)

#### 3.2) Duties and Responsibilities of the Sub-Lessee

Duties and responsibilities of the sub-lessee can be summarized

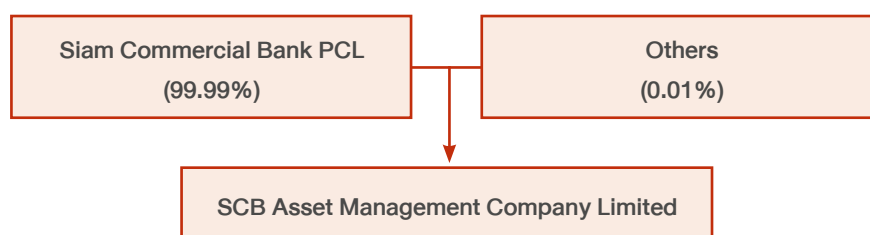
- (1) To select and engage a person to manage hotel business or to perform in any function or duty under the sub-lease objectives as specified in the Sub-Lease Agreement;
- (2) To maintain and manage CPNREIT's properties to always be in good condition and primed for benefit procurement;
- (3) To comply with agreements, rules, conditions or other duties as specified in the Sub-Lease Agreement;
- (4) To perform other duties as stipulated by the SEC, the Capital Market Supervisory Board or the Office of the SEC to be duties of the property manager or other duties that the REIT management company assigned.

## 4. Trustee

### 4.1) General Information

<b>Name of Trustee</b>	SCB Asset Management Company Limited
<b>Head Office Address</b>	18, SCB Park Plaza 1, 7 - 8 <sup>th</sup> Floor, Ratchadapisek Road, Chatuchak, Bangkok 10900
<b>Company Registration Number</b>	0105535048398
<b>Telephone</b>	02-949-1500
<b>Facsimile</b>	02-949-1501
<b>Website</b>	www.scbam.com
<b>Registered Capital</b>	THB 200,000,000
<b>Paid-up Capital</b>	THB 100,000,000
<b>Related License</b>	The Office of the SEC granted a trustee license to the trustee on 18 September 2013

### 4.2) Shareholders' structure



### 4.3) 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.
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;
- (21.2) Rectifying, preventing, or mitigating such damage to the REIT as it deems appropriate.
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.

## 5. Others

### 1) Auditor

<b>Name</b>	KPMG Phoomchai Audit Ltd.
<b>Head Office Address</b>	50 <sup>th</sup> – 51 <sup>st</sup> Floor, Empire Tower, 1 South Sathon Road, Yannawa Sub-District, Sathorn District, Bangkok
<b>Telephone</b>	02-677-2000
<b>Facsimile</b>	02-677-2222

### 2) Registrar

<b>Name</b>	The Thailand Securities Depository Co., Ltd.
<b>Head Office Address</b>	14 <sup>th</sup> Floor, 93 Ratchadaphisek Road, Dindaend Sub-District, Dindaeng District, Bangkok
<b>Telephone</b>	02-009-9999
<b>Website</b>	<a href="http://www.set.or.th/tsd">www.set.or.th/tsd</a>

### 3) Appraisal

Name	Preferred Appraisal Co., Ltd.
Head Office Address	517/5 Asok-Dindaeng Road, Dindaeng Sub-District, Dindaeng District, Bangkok
Telephone	02-664-5323-4
Facsimile	02-664-5325

## 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.

### 1. The Meeting of REIT Manager

#### 1.1 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.



## 1.2 Significant transactions proposed to the Board of Directors in the past year

For the year ended 31 December 2018, CPNREIT had proposed the following significant transactions for the Board of Directors to consider:

Meeting number	Date	Agenda	Resolution	Rationale
1	23 Feb 2018	<ul style="list-style-type: none"><li>• Payment to trust unitholders in the form of capital reduction</li><li>• Calling Annual General Meeting of trust unitholders for the year 2018</li></ul>	<ul style="list-style-type: none"><li>• To distribute payment in the form of capital reduction to trust unitholders at THB 0.2879 per unit on 22 March 2018</li><li>• To convene the Annual General Meeting of trust unitholders for the year 2018 on 24 April 2018</li></ul>	<ul style="list-style-type: none"><li>• To comply with Trust Deed (Details on page 50)</li><li>• To comply with relevant regulations</li></ul>
2	10 May 2018	Interim distribution of returns of CPNREIT	To pay distribution of returns to trust unitholders at THB 0.3795 on 6 June 2018	To comply with CPNREIT distribution payment policy and relevant regulations
3	9 Aug 2018	Interim distribution of returns of CPNREIT	To pay distribution of returns to trust unitholders at THB 0.4055 on 6 September 2018	To comply with CPNREIT distribution payment policy and relevant regulations
4	6 Nov 2018	Interim distribution of returns of CPNREIT	To pay distribution of returns to trust unitholders at THB 0.4157 on 4 December 2018	To comply with CPNREIT distribution payment policy and relevant regulations

## 2. Control on the Use of Inside Information

### 2.1 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.

### 2.2 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.

### 3. 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:

#### 3.1 Working Procedures

- 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:
  - 1.1) 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.
  - 1.2) 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.
  - 1.3) 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.
  - 1.4) 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.

- 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 3.2. 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.
- 3) After taking into account the study result under Clause 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 3.3, 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.
- 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 3.4, 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

### **3.2 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 :

Deed and relevant laws.

#### **1) Examination on property and counterparty**

- 1.1) 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.
- 1.2) To study the state of the property to be invested by CPNREIT that should involve at least the following issues :
  - 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.



- 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. To consider the property value, which should be high enough to provide the economy of scale in the management of CPNREIT.
- 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.
- 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.
- 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 under taken in the appropriate period for their long life.
- 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.

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.
  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.
  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.
  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.
  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.
  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.
  13. To examine whether taxes or other expenses on the property have been paid to the relevant authorities completely and accurately or not.
- 1.3) 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.

## **2) Examination on considerations in executing the agreements**

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

1. The lease agreement has no provision that impose the extra obligations to CPNREIT more than a normal lessee should receive.
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.
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.
4. The details, conditions, and rights of CPNREIT are clearly specified in the renewed leased agreement.
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.
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.).

2.2) To examine taxes or other expenses on such property by stating clearly that they shall be borne by CPNREIT or the Sponsor.

2.3) 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.

2.4) 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.

2.5) 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.

### **3.3 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 :

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 :

1.1) 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. 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
  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.
- 1.2) To consider the capital structure in the investment in or acquisition of the property or leasehold property.
- 1.3) To consider the substance of the transaction as follows:
1. in accordance with the Trust Deed and relevant laws
  2. for the best interest of CPNREIT
  3. reasonability and fair prices
  4. those with conflict of interest in the transaction shall not be involved in the decision on the transaction entered.
  5. expenses paid to prepare the transaction collected from CPNREIT (if any) are at the fair and suitable rate.
- 1.4) To perform other acts in order to comply with the criteria of investment in the property as stipulated in the notifications
- 2) For ongoing investment in and acquisition of the properties or leasehold property, the REIT Manager shall perform the following acts :
- 2.1) In respect with substance of the transaction, the nature of the transaction shall be as follows:
1. in accordance with the Trust Deed and relevant laws
  2. for the best interest of CPNREIT
  3. reasonability and fair prices
  4. expenses paid to prepare the transaction collected from CPNREIT (if any) are at the fair and suitable rate.
  5. those with conflict of interest in the transaction shall not be involved in the decision on the transaction entered.
- 2.2) With respect to the system, the approval is required to go through the following process:
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. 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.

- 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.

### 3.4 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:

- 1) The REIT Manager shall arrange for an evaluation of the core properties in accordance with the relevant provisions.
- 2) The REIT Manager shall arrange for an open disposal, which includes disclosure of the substance of the transaction under Clause 3.3 2) 2.1 regarding an acquisition of additional core properties, and the approval process under Clause 3.3 2) 2.2) regarding an acquisition of additional core properties, mutatis mutandis.

- 3) The disposal of the core properties in the following manners shall comply with the provision under Clause 2) and be a necessary and appropriate case which is approved by the Board of Directors of the REIT Manager as well :

- 3.1) Any disposal of core properties prior to 1 year as from the date of the acquisition of such core properties by CPNREIT ; and
- 3.2) Any disposal of acquired core properties back to its former owner.

## 4. Selection of Property Manager

The REIT Manager shall evaluate and select a property manager and/or a sub-lessee. When considering entering into a contractual agreement with a property manager and/or a sub-lessee, the REIT Manager shall follow the following procedures:

- 1) The REIT Manager shall assess and evaluate the qualifications of each property manager and/or sub-lessee according to the criteria specified in the REIT Manager operating procedures.
- 2) The REIT Manager shall select the property manager and/or sub-lessee who have/has the highest weighted-average score and summarize the selection result as well as rationale to propose to the Board of Directors for approval. In the event that the score of the property manager with the highest weighted-average score does not reach a specified threshold or the scores for Capabilities and Past Experiences, and Effective Internal Control/Maintenance of Assets are less than half, the property manager will not be considered as pass and the REIT Manager will have to re-run the selection procedure for a property manager. A sub-lessee whose score is less than half of the total score will not be considered as pass.  
Nevertheless, the selection procedure for property manager mentioned above will not be applied for the first investment in core properties.
- 3) In entering into an agreement with a property manager and/or a sub-lessee, the REIT Manager shall arrange for the appointment agreements with a property manager and/or sub-lessee to have, as a minimum, the following terms:

- 3.1) Allow CPNREIT to terminate the agreement and change the property manager and/or the sub-lessee if the property manager and/or the sub-lessee do/does not comply with the terms, or take(s) certain actions or fail(s) to take certain actions that results in lack of credibility to perform duties in accordance with the agreement, or neglect to maintain the assets in good condition, or the sub-lessee causes damages to CPNREIT's properties or neglect to maintain the assets to be in good condition and appropriate for use according to objectives stated in the agreement;
- 3.2) Specify that the property manager and/or the sub-lessee have/has duty to maintain and repair CPNREIT's assets to ensure long-term procurement of benefit;
- 3.3) Specify that if the REIT Manager finds that the property manager and/or the sub-lessee take(s) certain actions or fail(s) to take certain actions which causes the breach of either the property manager appointment agreement or, the sub-lease agreement, or the sub-lessee does not maintain the sub-leased assets to be in good condition and appropriate for use as specified in the agreement, the REIT Manager shall proceed to terminate the property manager appointment agreement and/or the sub-lease agreement of core properties (as the case may be), in order for the REIT Manager to be able to step in to operate, or to re-select a property manager and/or a sub-lessee to replace the former one;
- 3.4) Specify that the property manager and/or the sub-lessee must be able to demonstrate to the REIT Manager that the property manager and/or the sub-lessee have/has, at a minimum, the following internal control processes:
  - 1) There are manual and standard operating procedures in place. Trainings are provided to employees to ensure that they understand the procedures and can appropriately perform their duties.
  - 2) There is clear segregation between personnel who manages CPNREIT's assets such as leasing department, from other departments and personnel of a property manager and/or a sub-lessee and/or a hotel manager (if any) who manage assets in the same business sector as CPNREIT. Alternatively, there must be other policies or operating procedures to prevent conflict of interest, and access and exploitation of CPNREIT information.
  - 3) There is segregation of duties to prevent a single individual to carry out critical tasks from start to finish. Critical tasks that need to be segregated are, for example: procurement, acceptance of goods or service, accounting, properties and taking stock of properties, etc. For these critical tasks, one person should be designated as a maker and another as a checker. Moreover, there should be another party to randomly review the work of makers and checkers, creating a checks and balance system so that the risk of mistakes or fraud can be mitigated.
  - 4) There is a monitoring and auditing system on employees operating results to prevent erroneous operation or operations that do not comply with the designed controls.
  - 5) All transactions are recorded and all supporting document are kept for subsequent audit and prevention of potential frauds or errors.
  - 6) There is a secure cash receipt and payment system in place that can effectively prevent leakage or fraud attempts.
  - 7) The property manager must have in place a revenue collection system to ensure completeness of tenant revenue collection and have in place a system to prevent duplicate and fraudulent expense reimbursement as well as to ensure that the supporting documents and rationales for expense reimbursement comply with Trust Deed, filing, prospectus and relevant contracts.
  - 8) Documents are pre-numbered for transactions related to assets or payments and receipts such as purchase orders, receipts, invoices for goods or services etc. to prevent the avoidance of auditing and transactions control check points (i.e. receive of cash without issuing receipt or issuing fictitious receipt to customers)

- 9) Controls and security system are in place for CPNREIT's revenue and expense data that are stored in a computerized system to enable retrospective audit of the persons who had accessed the system.
- 10) High value assets must be stored in secured location with restricted access to the area. Access to the area must be approved by management and closed circuit cameras may be deployed to guard the assets.
- 11) Controls over assets are in place. An asset register must be maintained, and updated when investment in additional assets takes place. The updated register must be submitted to the REIT Manager for reconciliation with cash payment, regular physical count of assets and preparation of asset count report. The REIT Manager shall maintain another set of assets register.

Nevertheless, the REIT Manager may have the property manager and/or the sub-lessee be liable for any damages which may occur to the benefit of CPNREIT due to the negligence of the property manager and/or the sub-lessee in the internal control systems that are prone to fraud.

- 3.5) In entering into an agreement with the sub-lessee, the REIT Manager and trustee may arrange to have the following additional conditions (as the case may be) to alleviate or mitigate risks to CPNREIT :
  - 1) Specify that CPNREIT can terminate the sub-lease agreement with the sub-lessee if the sub-lessee does not strictly comply with the terms of the sub-lease agreement, particularly in paying rent according to the sub-lease agreement;
  - 2) Specify the sub-lessee's undertaking, such as incurring of commitment, change in company's objective, etc.
- 3.6) Specify that the REIT Manager has a right to audit the performance of duties of the property manager and/or the sub-lessee to ensure compliance with this operating manual, property manager appointment agreement, sub-lease agreement, undertaking agreement and other relevant agreements.

- 3.7) Specify that the property manager and/or the sub-lessee must have a control system to monitor as well as randomly check to ensure that the property manager and/or the sub-lessee collect(s) and submit(s) revenues to CPNREIT in full, and do/does not charge from CPNREIT more than necessary expenses which must be within the framework that the Trust Deed, filing, prospectus, and relevant agreements allow.
- 4) In appointing the property manager and/or sub-lessee, the REIT Manager will arrange a mechanism to control, oversee, audit and evaluate their performances as indicated in the REIT Manager operating procedure manual to ensure that the property manager and/or the sub-lessee have/has accurately and thoroughly collected and submitted rental revenues to CPNREIT according to the terms in Property Manager Appointment Agreement/the sub-lease agreement, and that internal control systems operate effectively and are able to prevent fraud, or instantly detect fraud and non-compliance operations.

## 5. Evaluation of Work Performance of the Property Manager

### 5.1 System for Control, Supervision, and Evaluation of Work Performance of the Property Manager

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.
- 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.

## 5.2 Property Manager Performance Evaluation

The REIT Manager has evaluated the performance of the Property Manager for the period ended 31 Dec 2018. The Property Manager has unerringly and thoroughly performed their duties according to the Property Manager Appointment Agreement. No mistakes that would significantly affect CPNREIT's operation was noted.



## 6. 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 :

- 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.
- 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.
- 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.
- 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.
- 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.
- 6) The REIT Manager shall work together with the sub-lessee to enhance the potential of the core properties in part of Hilton Pattaya. 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) 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:
  - 7.1) 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.
  - 7.2) 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.

7.3) Insurance procured by CPNREIT is required to cover the period that CPNREIT has invested in such property.

8) Transactions with related persons to be entered are required to be in accordance with the following criteria:

8.1) 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.

8.2) The transaction with related persons is made at the fair and reasonable price.

8.3) 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.

8.4) Expenses incurred from the transaction entered into with the connected persons shall be based on the fair and reasonable price and rate.

## 7. 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.

For the years ended 2018, CPNREIT was paid REIT Manager in an aggregate amount of the 133.9 million

## 8. 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>

## 9. Obtaining resolution and trust unitholders' meetings

- 1) The REIT Manager can obtain resolutions from trust unitholders only by means of holding a trust unitholders' meeting.
- 2) Causes for obtaining resolutions and calling trust unitholders' meetings have to comply with the followings and the REIT Manager has to convene a trust unitholders' meeting in the following circumstances:
  1. When the REIT Manager deems appropriate to call a trust unitholders' meeting for the benefit of managing the business affairs of CPNREIT.
  2. When the trust unitholders whose collective holding are more than 10% of issued trust units, request in writing to the REIT Manager a call for a trust unitholders' meeting by clearly specifying the matters to be considered, the REIT Manager has a duty to call a trust unitholders' meeting within one

If the REIT Manager does not convene a trust unitholders' meeting within one month as stated in clause one above, the trustee can proceed to convene a meeting. month since receiving the written request.

### 3. Calling trust unitholders' meetings

The REIT Manager shall prepare meeting notice by specifying place, date, time, agenda and matters to be proposed to the meeting with sufficient details. Each matter shall be clearly specified whether it is matter for information, matter for approval or matter for consideration as the case may be, and furnished by the REIT Manager's opinion as well as impact that might affect the trust unitholders from voting in that particular matter. To distribute the meeting notice to trust unitholders, the REIT Manager shall proceed as follows:

- 3.1 In general case, to distribute to the trust unitholders no less than 7 days ahead of the meeting;
- 3.2 In case that there is specific regulations regarding the timing of distribution of meeting notices, to distribute according to that regulation.

In all circumstances, the meeting notice shall be publicized in at least one local newspaper not less than three days ahead of the meeting.

#### 4. Proxies

4.1 For the trust unitholders' meeting, a trust unitholder may appoint another individual as his/her proxy to attend a meeting and cast votes on his/her behalf. The proxy form must be dated and signed by trust unitholders who wish to appoint as proxy another individual.

4.2 The proxy forms shall be deposited to the REIT Manager or a designated person by the REIT Manager at the meeting venue before the proxies attend the meeting.

#### 5. Quorum

5.1 To constitute a quorum in the trust unitholders' meetings, there must be at least 25 attendees, both eligible and authorized trust unitholders; or not less than half of total trust unitholders holding no less than one third of the issued units.

5.2 In any trust unitholders' meeting, if within an hour from the time appointed for the meeting, a quorum is not present as specified in section 5.1 and if the trust unitholders' meeting is called due to the trust unitholders' request according to section 2) 2. (2), the meeting shall be cancelled. However, if the meeting is not called according to the trust unitholders' request according to section 2) 2. (2), the REIT Manager shall call another meeting and disseminate meeting notice to trust unitholders before the meeting by at least not less than the time allowed for the last meeting. The adjourned meeting is not required to be in full quorum.

#### 6. Meeting chairperson

The REIT Manager shall appoint one of the directors who is a representative of the REIT Manager to be a meeting chairperson. The meeting chairperson has power and duty to ensure that a meeting is conducted smoothly and accurately as specified in section 15. However, if the REIT Manager has interest in the matter being considered, trustee or representative of trustee shall appoint another person to be a chairperson in that matter.

#### 7. Vote count

A trust unitholder has one vote for each trust unit holds and a trust unitholder who is entitled to vote must not have special interest in any matter being considered.

#### 8. Trust unitholders' resolution

8.1 An ordinary resolution may be passed by a simple majority of the votes of trust unitholders present and entitled to vote.

8.2 In the following circumstances, a resolution may only be passed by more than three-quarters of trust units held by trust unitholders present and entitled to vote except for the agenda and voting of the trust unitholders whose trust units are divided into different classes according to cause 9.

(1) In case of acquisition or disposal of core properties with total transaction size of at least 30% of total assets of CPNREIT;

(2) In case of paid-up capital increase or reduction that is not pre-specified in the trust deed;

(3) In case of an increase in capital through general mandate;

(4) In case of entering into transactions with the REIT Manager or connected persons with the REIT Manager with total transaction size of at least Baht 20,000,000 (twenty million), or 3 (three) % of total assets of CPNREIT or more, whichever is the greater;

(5) In case of change in the distribution of return and the return of the trust unitholders' capital;

(6) In case of dismissal or appointment of trustee according to the clauses regarding the change in trustee as specified in the trust deed;

(7) In case of dismissal or appointment of REIT Manager according to the clauses regarding the change in the REIT Manager as specified in the trust deed and REIT Manager Appointment Agreement.

(8) In case of amendment of the Trust Deed in the matters that significantly impact the right of the trust unitholders;

(9) In case of termination of CPNREIT;



8.3 The trust unitholders' resolution shall not be taken into effect if the consequences of the resolution cause CPNREIT or the management of CPNREIT to be in conflict or not in compliance with the Trust Deed or other regulations according to the Securities and Exchange Act or Trust Act.

8.4 In the circumstances that there are specific guidelines regarding obtaining resolutions and trust unitholders' meetings, the practice shall follow those guidelines.

9. Obtaining resolution and voting of trust unitholders in the circumstances that trust units are divided into several classes

9.1 When obtaining a resolution in the matters that affect the right of all classes of trust unitholders such as termination of CPNREIT, the resolution has to be passed with more than half of the votes in each class of trust unitholders present and eligible to vote.

9.2 In obtaining a resolution in the matters that affect the right of certain classes of trust unitholders such as an increase in fees and expenses of each class of trust units, the REIT Manager shall obtain resolutions only from that class of trust unitholders.

## 10. Selection and Appointment of Directors and Executives

The REIT Manager has 1 (one) Board of Directors, which comprises at least 3 (three) qualified directors, at least one third of whom must be independent directors. The independent directors must possess qualifications according to the criteria as specified in the Notifications of the Capital Market Supervisory Board concerning the Application for and an Approval of Offer for Sale of Newly Issued Shares. Moreover, the Board of Directors and executives who are authorized to manage the REIT Manager

must not possess characteristics which are prohibited under the Notification of the Capital Market Supervisory Board concerning Prohibited Characteristics of Personnel in Capital Market Industry according to clause 12(4) of 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 subsequent amendments or other relevant regulations that the Office of the SEC may subsequently amend.

Two directors (not independent directors) are authorized to bind the REIT Manager through joint-authorization with company's seal affixed. The Board of Directors may assign one or many directors or other persons to act on the Board's behalf in any matter. Nevertheless, delegation of authority shall not include the delegation or sub-delegation that enables directors or assigned persons by directors to approve transactions that they or other people might have conflict or interests or other benefits in any forms that conflicts with the benefit of CPNREIT.

The REIT Manager has appointed an independent director to be Chairman of the Board to oversee and ensure that the composition and operation of the Board foster deliberation in decision making. The Chairman of the Board has duties to:

- 1) Oversee, monitor and ensure that the Board functions effective and achieves objectives and goals;
- 2) Jointly propose meeting agenda through discussion with the Chief Executive Officer and have measures to ensure that significant matters are included in the agenda;
- 3) Ensure that the time allotted is sufficient for the management to propose the agenda and for the Board to thoroughly discuss significant matters, and promote thorough deliberation and freely express of opinion.

The Board of Directors may appoint a professional with knowledge and skills to be an advisor to the Board through approval of two of three directors and provide remuneration as approved in the shareholders' meeting. The Advisor to the Board has duties to attend meetings, provide advice, suggestion or opinion that is beneficial to the decision making of the Board of Directors, and can request the management to ensure that matters are thoroughly examined. Nevertheless, the Advisor to the Board shall not be involved in the decision-making, and in the circumstances that the matters being considered may involve conflict of interests, the Advisor to the Board shall abstain from attending the meeting for that particular matters. The Risk Management and Compliance Department together with the Independent Director shall evaluate matters with conflicts of interests and inform the Advisor to the Board.

## **11. Remuneration for Auditors.**

For the operation period ended 31 December 2018, CPNREIT

1. Remuneration for Auditors THB 0.75 Million
2. Other Service fee THB 0.05 Million



CENTRALPLAZA RAMA 3

## 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.

### 1) 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.

### 2) 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.

### 3) 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.

### 4) 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.



# INTERNAL CONTROL AND RISK MANAGEMENT

## 1. Internal Control

For the operation of the Company as a REIT Manager to run effectively and achieve its objectives, the REIT Manager has implemented key audit and internal control systems to check and ensure that the operations of each department comply with the REIT Manager's policy, Trust Deed, REIT Management Appointment Agreement, trust unitholders' resolutions, filing, prospectus, regulations, rules and applicable laws, and arranged for a mechanism to regularly monitor, audit and evaluate internal control systems of the property manager and/or the sub-lessee to ensure that the internal control systems are effective, and able to prevent fraud or instantly detect fraud and non-compliant operations. For example, specify that the internal auditor must assess the internal control systems of the property manager and/or sub-lessee at least once a year and report internal control weaknesses or deficiencies to the REIT Manager. The REIT Manager shall oversee the following key systems:

### 1) Annual budgeting system

CPNREIT is managed through an annual operating plan to achieve the set objectives. The annual operating plan shall align with the strategic trust management plan.

### 2) Special expenditure approval system and/or capital expenditure not included in annual operating budget

When the REIT Manager sees that it is necessary for CPNREIT to incur special expenditures and/or expenditures exceeding the annual operating budget and/or other essential capital expenditures exceeding annual operating budget approved by the trustee, the REIT Manager has an evaluation and approval of special expenditure system that can be audited.

### 3) Rental collection monitoring system

The REIT Manager shall arrange for a rent collection monitoring system to ensure that the rent collected by the property manager is completely ceded to CPNREIT, accounts receivable are regularly followed up, and the

write-off of accounts receivable complies with the property manager's procedures.

In the case that the REIT Manager leases the core properties to the sub-lessee, the REIT Manager shall oversee that the sub-lessee pays rent according to the payment schedule specified in the lease agreement by following up with the sub-lessee before due dates in the lease agreement to prevent payment overdue or breach of lease agreement.

### 4) Procurement system

The REIT Manager maintains sound procurement procedures and processes as well as the audit of procurement procedure of the REIT Manager to ensure that the procurement procedure is compliant with best practices and regulations, transparent, fair and for the benefit of the CPNREIT.

The REIT Manager shall assess the effectiveness of internal controls over procurement system of the property manager by auditing the validity of assets or services by tracing back to the acquisition procedures of tools, appliance, equipment and the procurement of services, and cross-checking with approved annual operating budget to ensure that goods or services that the property manager procures comply with the policy, have been authorized according to the regulations concerning compliance of contracts, the evaluation and selection of appropriate seller/contractor so that CPNREIT receives goods or services that commensurate with the money paid. The REIT Manager shall randomly audit the procurement system of CPNREIT together with the audit of CPNREIT expenses.

### 5) Payment control system

The REIT Manager has established a procedure for payment control system so that operators can be informed of the payment procedure that is standardized, compliant with regulations, transparent and fair. The workflow is divided into:

1. The expense payment system of CPNREIT;
2. The audit of the expense payment system of the property manager.

Apart from this, the REIT Manager shall audit the allocation of expenses between the asset owner and CPNREIT to ensure compliance with Property Manager Appointment Agreement and that no extra expenses are charged beyond the benefits that CPNREIT receives.

- 6) Monitoring and evaluating system of expenses charged from CPNREIT by the property manager

Expenses that the property manager can reimburse from CPNREIT comprises administrative and property management expenses or operating account, property management fee and liability compensation from disputes. For each type of expenses charged from CPNREIT, the REIT Manager maintains sound monitoring and evaluating mechanism to ensure that expenses are incurred for CPNREIT and within reasonable amount in the following expense categories:

1. Administrative and property management expense or operating account
2. Property management fee
3. Liability compensation from disputes

- 7) Safekeeping of CPNREIT's documents and evidences

The REIT Manager arranges to have a document filing system that is effective, convenient, efficient and accurate. The safekeeping system must be easy to classify, file and search for documentation efficiently.

- 8) Internal audit system

In the circumstances that the independent director deems fit, the independent director shall consider and select an external party to be an internal auditor by following the REIT Manager's criteria in selection of CPNREIT personnel and external service provider, and the procedures in evaluating and selecting consultants that are relevant to REIT management business. The internal audit must audit and review the REIT Manager's internal controls and assess risks that may impact to CPNREIT.

The REIT Manager shall retain the internal audit result report and remediation progress report to accommodate the audit from regulatory bodies.

## 2. Risk Management

The REIT Manager pays attention to risk management to safeguard trust unitholders' interest and CPNREIT's assets. The Board of Directors has duties to establish risk management policy that encompasses all CPNREIT's operations and oversee to ensure that the risk management procedures can effectively prevent and mitigate risks. The REIT Manager, through Risk Management and Compliance Department, adopts an Enterprise Risk Management Framework to identify potential events or risks that may happen as well as mitigating measures that can manage risks to tolerable levels to enable the REIT Manager to achieve its REIT management objectives.

The REIT Manager's risk management comprises the following steps:

1. Objective setting
2. Event identification
3. Risk assessment and risk response

The REIT Manager adopts the following criteria in assessing the priority of each risk and its impact:

- 1) Likelihood
- 2) Impact
4. Control activities
5. Monitoring
6. Reporting

## 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:

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

#### **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.

### **2. 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.

# FINANCIAL STATUS AND PERFORMANCE OUTCOMES

## Management Discussion and Analysis

### Summary of Operating Performance in 2018

At the end 2018, the average occupancy rate of shopping malls and office buildings in CPNREIT was 94.9%, increasing from 94.2% as at the end of 3Q18. This was mainly due to an increase of occupancy rate from 90.1%, at the end of 3Q18, to 88.9% of Pinklao Tower A and Pinklao Tower B. In addition, the occupancy rate of CentralPlaza Rama 2 increased from 94.5% to 95.6% and the occupancy rate of CentralPlaza Rama 3 increased to 94.3%, while the occupancy rates of CentralFestival Pattaya Beach, CentralPlaza Chiangmai Airport and CentralPlaza Pinklao were relatively close to those as at 30 Sep 2018. The average occupancy rate for operation period from 1 January to 31 December 2018 of Hilton Pattaya was 93.2%.

### Income

For the full year 2018, total income was THB 4,927.3 million, an increase by THB 1,401.4 million or 39.7%yoy. This was mainly the additional investment in CentralFestival Pattaya Beach and Hilton Pattaya, along with the growth by approximately 17.7%yoy in total income from the existing properties, especially from CentralPlaza Rama 3 after the completion of the major renovation. Other income increased by THB 72.7 million or 65.1%yoy, as a result of an increase in property tax income and insurance income, while interest income decreased by THB 0.2 million or 5.3%yoy.

Total income for 4Q18 was THB 1,257.5 million, an increase of THB 320.7 million or 34.2% from the same quarter of 2017. This was mainly due to the additional investment in CentralFestival Pattaya Beach and Hilton Pattaya, along with the completion of the major renovation of CentralPlaza Rama 3 as mentioned above.

In comparison to 3Q18, total income increased by THB 3.6 million or 0.3%qoq, mainly due to an increase in rental and service income from increasing in occupied area. Other income increased by THB 1.4 million or 3.2%qoq. While Interest income decreased by 9.1%qoq.

### Expense

Total expense for the full year 2018 was THB 1,349.6 million, an increase of THB 154.6 million or 68.3% from that of 2017. This resulted mainly from an increase of property expenses, administrative expenses and interest expense as compared to those of 2017. This resulted mainly from

- 1) an increase of interest expense by THB 305.8 million or 322.4%yoy due to borrowing of loan to invest in CentralFestival Pattaya Beach and Hilton Pattaya and an issuance of debentures to partial prepayment of outstanding loans.
- 2) other fees and administrative expenses increased by THB 121.9 million or 220.1%yoy from the change in fee structure due to the conversion of CPNRF to CPNREIT.
- 3) an increased by THB 86.1 million or 20.2%yoy in property management fee due to an additional investment in assets and leasing commission fee.
- 4) an increase in Selling and administrative expenses by THB 34.3 million due to the addition of CentralFestival Pattaya Beach, the operating cost of the Grand Opening at CentralPlaza Rama3 after the completion of the major renovation and the increase in advertising and promotion expenses. While cost of rental and service decreased by THB 0.3 million or 0.3% as a result of the decreased of property tax as compared to those of 2017.

Total expense for 4Q18 was THB 371.0 million, an increase of THB 96.6 million or 35.2% from 4Q17. This was mainly due to the increase of interest expense by THB 78.5 million or 185.9% as a result from the loan and debentures as mentioned above, along with the increased by THB 21.8 million or 93.2% of other fees and administrative expenses due to the change in fee structure due to the conversion of CPNRF to CPNREIT. Selling and administrative expenses increased by THB 7.7 million due to the increasing of advertising and promotion expenses. On the other hand, cost of rental and service decreased by THB 5.2 million or



12.1%, mainly due to the dropped of property tax and other costs, along with the decrease of property management fee by THB 6.1 million or 4.5% as a result of the decrease of leasing commissions fee.

In comparison to 3Q18 Total expense increase by THB 37.0 million or 11.1%qoq. This was mainly due to the increase of interest expense by THB 16.2 million due to the interest rate of debentures was higher than interest of existing loan, along with the increase by THB 13.4 million or 52.2% in selling and administrative expenses as mentioned above. Property management fee increased by THB 5.8 million or 4.7% as a result from the increasing of leasing commission fee, while cost of rental and service increased by THB 1.7 million as a result of cost of conversion of large leasable area to smaller leasable area. Other management fees and expenses decrease by THB 0.1 million or 0.4%.

#### **Net Investment Income**

Net investment income for the full year 2018 totaled up to THB 3,577.7 million, an increase of THB 853.7 million or 31.3%yoy from THB 2,724 million in 2017. This was mainly due to the additional investment in CentralFestival Pattaya Beach and Hilton Pattaya, along with the completion of the major renovation at CentralPlaza Rama 3.

Net investment income for 4Q18 stood at THB 886.5 million, an increase of THB 224.1 million or 33.8% compared to 4Q17 due to the rise of total income by THB 320.7 million was more than the rise of total expenses of THB 96.6 million.

In comparison to 3Q18, a decrease in net investment income of THB 33.4 million or 3.6%qoq, due to the increase in total expenses of THB 37.0 million due to an increase in interest expense and property expenses as mentioned above, while total income increased by THB 3.6 million.

#### **Profitability**

Net property income margin for full year 2018 stood at 84.3%, an increase by 2.8%yoy. This is mainly due to the increase in property income by THB 1,401.4 million or 39.7%yoy, as a result of an additional investment in CentralFestival Pattaya Beach and Hilton Pattaya. Meanwhile, property expenses increased by THB 547.6 million or 68.3% from the borrowing of the loan and the issuance of debentures to partial prepayment of outstanding loans was resulted to an increase of interest expense, along with the change in fee structure due to the conversion of CPNRF to CPNREIT. As a result, net investment income margin stood at 72.7%, a decreased by 4.6% from 77.3% as at the end of 2017.

In comparison to 3Q18, net property income margin decreased from 85.3% in 3Q18 to 83.7%. Net investment income margin stood at 70.5%, representing a decrease of 2.9% from a margin of 73.4% in 3Q18. This was mainly resulted from an increase of interest expense compared to 3Q18 due to the interest rate of debentures as mentioned above.

#### **Balance Sheet Movement**

As of 31 December 2018, CPNREIT reported total asset of THB 46,849.8 million, a decrease of THB 184.5 million from total assets as of 30 September 2018. This was mainly due to a decreased by THB 268.1 million of cash on hand and at banks, while total investment in properties increase by THB 73.0 million and stood at THB 44,750.0 million, mainly due to the increase of the fair value of CentralPlaza Rama 2 and CentralPlaza Rama 3.

As of 31 December 2018, Net Asset Value ("NAV") was recorded at THB 29,995.2 million or THB 13.5573 per unit, a decrease from THB 13.5902 per unit as of 30 September 2018, results from the decrease of total assets and total liabilities.

#### **The Distribution of Returns to Unitholder**

CPNREIT has announced distribution of returns for 4Q18 at THB 921.1 million or 0.4163 THB per unit. CPNREIT will post XD sign on 8 March 2019, followed by Book Closing Date on 12 March 2019 and distribution of returns payment will be made on 25 March 2019.

### Financial summary and Performance outcomes

Table 1: Income Statement

Unit: THB Million	FY2018	FY2017 <sup>1</sup>	CPNREIT 29 Nov - 31 Dec	CPNRF 1 Jan - 4 Dec	Change YoY	4Q18	3Q18	Change QoQ	4Q17 <sup>1</sup>	CPNREIT 29 Nov - 31 Dec	CPNRF 1 Oct - 4 Dec	Change YoY
Property income	4,923.5	3,521.8	377.8	3,144.0	39.8%	1,256.7	1,252.9	0.3%	935.4	377.8	557.6	34.3%
Rental and service income	4,739.1	3,410.1	369.5	3,040.7	39.0%	1,214.4	1,212.0	0.2%	908.9	369.5	539.5	33.6%
Other income	184.4	111.7	8.4	103.3	65.1%	42.3	40.9	3.2%	26.5	8.4	18.1	59.8%
Interest income	3.9	4.1	0.5	3.6	(5.3%)	0.9	0.9	(9.1%)	1.4	0.5	0.8	(37.4%)
<b>Total income</b>	<b>4,927.3</b>	<b>3,525.9</b>	<b>378.4</b>	<b>3,147.6</b>	<b>39.7%</b>	<b>1,257.5</b>	<b>1,253.9</b>	<b>0.3%</b>	<b>936.8</b>	<b>378.4</b>	<b>558.4</b>	<b>34.2%</b>
Property expenses	771.6	651.7	108.6	543.1	18.4%	205.3	184.3	11.4%	208.9	108.6	100.3	(1.7%)
Cost of rental and service	141.5	141.8	16.5	125.3	(0.3%)	37.6	35.9	5.0%	42.8	16.5	26.3	(12.1%)
Selling and administrative expenses	117.2	82.9	23.1	59.8	41.3%	39.0	25.6	52.2%	31.3	23.1	8.2	24.8%
Property management fee	513.0	426.9	68.9	358.0	20.2%	128.6	122.8	4.7%	134.7	68.9	65.8	(4.5%)
Finance costs	400.7	94.9	30.1	64.8	322.4%	120.7	104.5	15.5%	42.2	30.1	12.1	185.9%
Other management fees and expenses	177.3	55.4	15.9	39.5	220.1%	45.1	45.2	(0.4%)	23.3	15.9	7.4	93.2%
<b>Total expense</b>	<b>1,349.6</b>	<b>802.0</b>	<b>154.6</b>	<b>647.3</b>	<b>68.3%</b>	<b>371.0</b>	<b>334.0</b>	<b>11.1%</b>	<b>274.4</b>	<b>154.6</b>	<b>119.8</b>	<b>35.2%</b>
<b>Net investment income</b>	<b>3,577.7</b>	<b>2,724.0</b>	<b>223.7</b>	<b>2,500.2</b>	<b>31.3%</b>	<b>886.5</b>	<b>919.9</b>	<b>(3.6%)</b>	<b>662.4</b>	<b>223.7</b>	<b>438.6</b>	<b>33.8%</b>
Net property income margin	84.3%	81.5%	71.3%	82.7%	2.8%	83.7%	85.3%	(1.6%)	77.7%	71.3%	82.0%	6.0%
Net investment income margin	72.7%	77.3%	59.2%	79.5%	(4.6%)	70.5%	73.4%	(2.9%)	70.8%	59.2%	78.7%	(0.3%)

Remark: <sup>1</sup> 1) Financial Statements from 29 November (date of incorporation) to 31 December 2017 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: Balance Sheet

Unit: THB Million	CPNREIT				
	31-Dec-18	30-Sep-18	30-Jun-18	31-Mar-18	31-Dec-17
<i>Investment at fair value</i>					
Central Rama II	6,962.0	6,900.0	6,997.0	6,997.0	7,186.0
Central Rama III	10,698.0	10,662.0	10,525.0	10,151.0	9,179.0
Central Pinklao	5,678.0	5,721.0	5,778.0	5,778.0	5,543.0
Chiangmai Airport	10,658.0	10,658.0	10,653.0	10,653.0	10,494.0
CentralFestival Pattaya Beach	7,289.0	7,283.0	7,272.0	7,272.0	8,153.8
Hilton Pattaya	3,465.0	3,453.0	3,450.0	3,450.0	3,754.2
Total investment in properties	44,750.0	44,677.0	44,675.0	44,301.0	44,310.0
Investment in securities	999.4	996.7	994.2	992.1	990.0
Cash on hand and at banks	341.7	609.8	510.5	482.1	1,052.4
Other assets	758.7	750.7	733.4	728.6	703.2
<b>Total assets</b>	<b>46,849.8</b>	<b>47,034.3</b>	<b>46,913.1</b>	<b>46,503.9</b>	<b>47,055.6</b>
Deposits received from customers	1,543.6	1,528.8	1,488.7	1,460.9	1,424.1
Borrowings	4,468.7	4,466.0	14,459.0	14,456.3	14,453.7
Debentures	10,030.4	10,029.9	-	-	-
Other liabilities	811.9	941.5	893.9	930.7	1,715.6
<b>Total liabilities</b>	<b>16,854.6</b>	<b>16,966.3</b>	<b>16,841.6</b>	<b>16,847.9</b>	<b>17,593.4</b>
<b>Net Asset</b>	<b>29,995.2</b>	<b>30,068.0</b>	<b>30,071.5</b>	<b>29,656.0</b>	<b>29,462.1</b>
Capital received from unitholders	29,016.4	29,016.4	29,016.4	29,016.4	29,653.4
Equalisation account	216.1	216.1	216.1	216.1	216.1
Gain (Loss) for the period	762.7	835.5	839.0	423.5	(407.3)
<b>NAV per unit (in Baht)</b>	<b>13.5573</b>	<b>13.5902</b>	<b>13.5917</b>	<b>13.4040</b>	<b>13.3164</b>

## OPERATIONS SUMMARY

Table 3: Leasable Area and Occupancy

Project	Area (sq.m.)		Occupancy rate <sup>/1</sup> (%)			
	GFA	NLA	31 Mar 18	30 Jun 18	30 Sep 18	31 Dec 18
CentralPlaza Rama 2	251,182	82,590	94.8	94.8	94.5	95.6
CentralPlaza Rama 3	169,740	37,122	84.2	90.3	93.6	94.3
CentralPlaza Pinklao	137,692	27,585	99.1	99.2	99.4	98.9
Pinklao Tower A & Tower B	50,653	34,320	82.5	88.3	88.9	90.1
CentralPlaza Chiangmai Airport	122,991	37,803	92.3	93.2	92.2	92.7
CentralFestival Pattaya Beach	70,095	29,404	95.2	95.7	98.1	98.4
<b>Total/Average</b>	<b>802,353</b>	<b>248,823</b>	<b>91.7</b>	<b>93.6</b>	<b>94.2</b>	<b>94.9</b>
Hilton Pattaya <sup>/2</sup>	49,686	302 rooms	97.5	91.7	92.4	91.1

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

<sup>/2</sup> Average quarterly occupancy rate

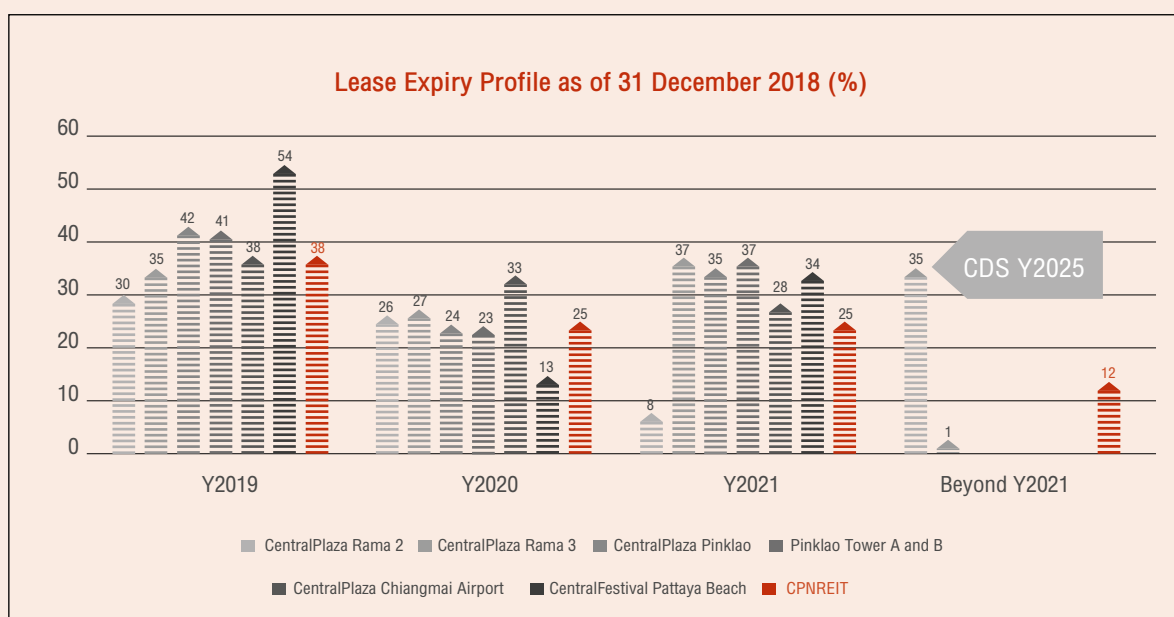
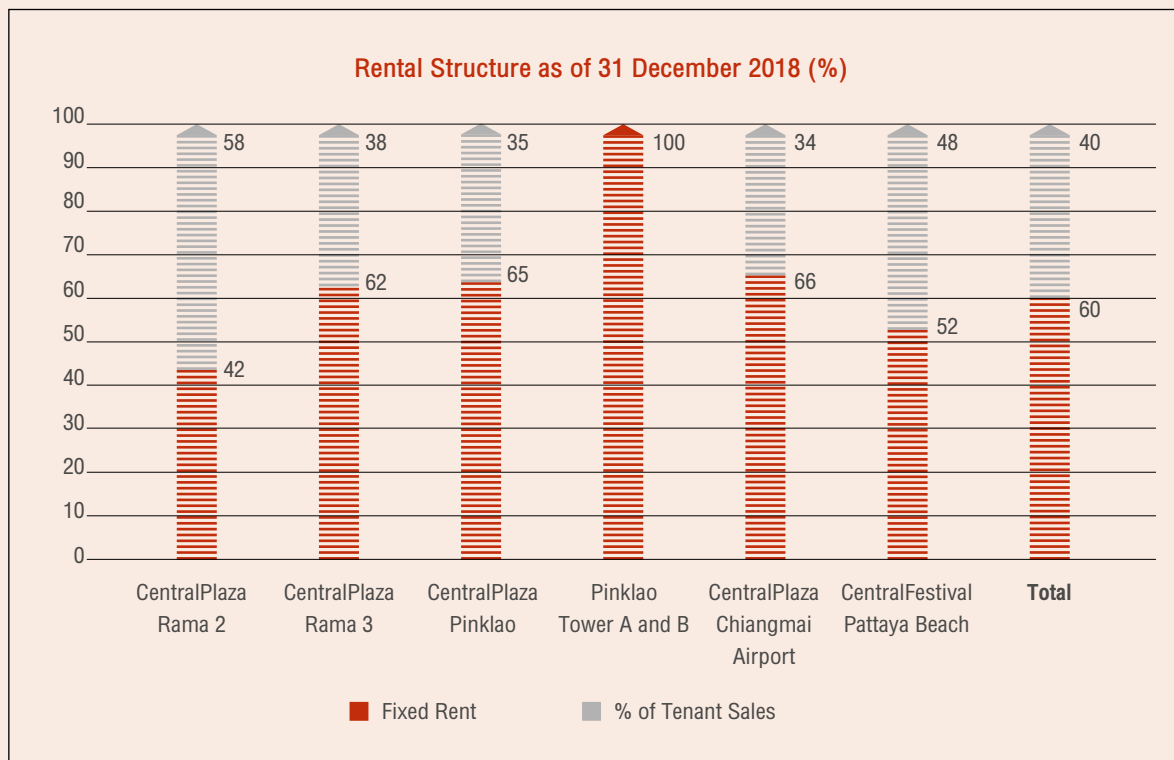
Table 4: Renewals and New Leases

Project	From 1 January to 31 December 2018		
	Renewals and New Leases <sup>/1</sup>		
	No. of Leases	Area (sq.m.)	% of Total <sup>/2</sup>
CentralPlaza Rama 2	181	15,778	20.0
CentralPlaza Rama 3	124	12,518	35.8
CentralPlaza Pinklao	67	9,808	36.0
Pinklao Tower A & Tower B	91	17,701	57.3
CentralPlaza Chiangmai Airport	260	18,669	53.3
CentralFestival Pattaya Beach	127	11,635	40.2
<b>Total</b>	<b>850</b>	<b>86,110</b>	<b>36.5</b>

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

<sup>/2</sup> Percentage of leasable area exclude Anchor area as at 31 December 2018





## TRUSTEE REPORT



### TRUSTEE REPORT

February 26, 2019

To Unitholders of CPN Retail Growth Leasehold Real Estate Investment Trust

SCB Asset Management Company Limited, as the Trustee of CPN Retail Growth Leasehold Real Estate Investment Trust ("REIT") managed by CPN Reit Management Co., Ltd. ("CPNRM") who acts as the REIT manager, would like to inform you that for the period of January 1, 2018 to December 31, 2018, CPNRM had managed the REIT properly and efficiently as well as in compliance with applicable laws, regulations and the trust deeds in a way that protects interests of the REIT and unitholders as a whole.

Yours faithfully,

SCB Asset Management Company Limited

(Mrs. Tipaphan Puttarawigorm, Miss Aon-anong Chaithong)

Trustee

บริษัทหลักทรัพย์จัดการกองทุน ไทยพาณิชย์ จำกัด (สำนักงานใหญ่)  
ชั้น 7-8 อาคาร 1 ไทยพาณิชย์บิโรต ทาวเวอร์ เลขที่ 18 ถนนรัชดาภิเษก แขวงจตุจักร เขตจตุจักร กรุงเทพฯ 10000  
โทรศัพท์ 0 2940 1500 โทรสาร 0 2949 1501

SCB Asset Management Co.,Ltd. (Head Office)  
7<sup>th</sup>- 8<sup>th</sup> SCB Park Plaza 1 No. 18 Ratchadapisek Rd., Chatsuchak, Bangkok 10900 Thailand Tel. 0 2949 1500 Fax. 0 2949 1501

WWW.SCBAM.COM

## SUMMARY OF TRUST DEED

### Parties

1. CPN REIT Management Co., Ltd., as the Settlor and the REIT Manager
2. SCB Asset Management Co., Ltd., as the Trustee

### Description of CPNREIT and Management Mechanism

1. CPN Retail Growth Leasehold REIT (CPNREIT) is a real estate investment trust that investment in leasehold rights under the Trust for Transactions in the Trust Act which was converted from the CPN Retail Growth Leasehold Property Fund (CPNRF). CPNREIT was, thus, established by the operation of the Trust Deed. In this regard, the establishment of CPNREIT shall have full force and effect upon the Settlor's creating rights and duties in the assets for the Trustee by entering into an agreement under which the Settlor is committed to procure that CPNREIT acquires all assets and liabilities of CPNRF which have been converted in consideration for CPNRF to acquire the newly-issued trust units of CPNREIT.
2. CPNREIT does not have a status of a juristic person, but is a pool of assets under the name and management of the Trustee.
3. The management of CPNREIT shall be acted by the Trustee and the REIT Manager delegated by the Trustee under the Trust Deed. Scope of authorities, duties and responsibilities of the Trustee and the REIT Manager are stated in the relevant parts in the Trust Deed. In this regard, the REIT Manager has major authorities, duties, and responsibilities for managing CPNREIT and investing in core assets of CPNREIT. Meanwhile, the Trustee has major authorities, duties, and responsibilities of supervising the performance of the REIT Manager and other delegated person(s) (if any) to ensure that their performance is in compliance with the Trust Deed and the securities law, and safeguarding the assets of CPNREIT. Additionally, any management of investment

in non-core assets shall be conducted by the Trustee, the REIT Manager, or any person(s) delegated by the Trustee or the REIT Manager as specified in the Trust Deed or any relevant agreements.

4. The REIT Manager and the Trustee shall perform their duties as entrusted professionals, with due care and in good faith for the best interest of the unitholders as a whole, and in accordance with the Trust Deed and relevant laws, as well as commitments additionally given in the documentation disclosed in the offering for sale of the trust units circulated to the investors (if any) and/or the resolutions of the unitholders' meetings.

### Name, Term, and Type of the Trust

Thai name :	ทรัสต์เพื่อการลงทุนในสิทธิการเช่า อสังหาริมทรัพย์ CPN รีเทล โกรท
English name :	CPN Retail Growth Leasehold REIT
Abbreviation :	CPNREIT
Term :	Indefinite
Type :	Closed-end

### Objectives of CPNREIT

CPNREIT has objectives which are to invest in the core assets by purchasing and/or leasing and/or subleasing and/or accepting transfer of leasehold rights, and/or sub-leasehold rights in the core assets. CPNREIT shall use the core assets to seek benefits in the form of income from rental fees and service fees, or any other income of a similar nature. In addition, CPNREIT shall cause improvement, change, enhancement, development and/or disposal of the assets for the purposes of generating income and returns to CPNREIT in the continuous interests of the unitholders in the long-term. CPNREIT also intends to make additional investment in the assets in order to achieve the continuous growth of its income, including investment in other assets and/or securities and/or seeking of other benefits from any other methods in accordance with the securities law and/or any other relevant laws.

In addition, the key objectives of CPNREIT are specified as follows:

1. To accommodate the conversion of CPNRF into CPNREIT

1.1 CPNREIT is established under the Trust Act in order to facilitate the conversion of CPNRF into CPNREIT with the objectives to issue and offering for sale the newly-issued trust units in consideration for the assets and liabilities of CPNRF, and to list the newly-issued trust units as the listed securities on the SET.

1.2 In issuing and offering for sale the newly-issued trust units, the Settlor shall follow criteria, procedures, and conditions prescribed under the securities laws and specified in the registration statement for offering for sale of trust units. After CPNREIT is successfully established under the Trust Act, the Settlor shall act as the REIT Manager and file an application with the SET for the listing of the newly-issued trust units as the listed securities on the SET within the period of 15 business days from the end of the offering period for sale of the newly-issued trust units.

2. To invest in the Additional Assets No. 1

The REIT Manager shall consider invest in the Additional Assets No. 1 by obtaining loans. The proceeds derived therefrom shall be transferred to CPNREIT's account under the name of the Trustee for safekeeping. In this regard, the REIT Manager shall, in accordance with the criteria, procedures, and conditions additionally specified in the Trust Deed and relevant laws, use the funds to invest in the Additional Assets No. 1.

3. To invest in the core assets in the future after the investment in the Additional Assets No. 1 is made.

3.1 The REIT Manager may consider investing in the core assets in the future by issuance and offering for sale of the newly-issued trust units and/or obtaining loans, as well as issuing and offering for sale the instruments which bear as their true objective or substance the obtaining of a loan. The proceeds derived therefrom shall be transferred to CPNREIT's account under the name

of the Trustee for safekeeping and future investment in the core assets. With respect to the issuance and offering for sale of the newly-issued trust units, the REIT Manager shall apply for the listing of the newly-issued trust units to be the listed securities on the SET.

3.2 In issuing and offering for sale the newly-issued trust units or the instruments which bear as their true objective or substance the obtaining of a loan, the REIT Manager shall comply with the criteria, procedures, and conditions specified under the securities laws, the registration statement for offering for sale of trust units, or the registration statement for offering for sale of such relevant securities (if any) for each issuance and offering. Subsequently, the REIT Manager shall file an application with the SET for the listing of the newly-issued trust units as the listed securities on the SET within the period of 45 days from the end of the offering period of the newly-issued trust units.

## **Establishment Date of CPNREIT and Effective Date of Trust Deed**

The establishment of CPNREIT shall have full force and effect upon the Settlor's creating the rights and duties of the assets to the Trustee by entering into an agreement with a commitment that the Settlor shall ensure that CPNREIT acquires all assets and liabilities of the CPNRF which have been converted in consideration for CPNRF acquiring the newly-issued trust units of CPNREIT.

## **Trust Unitholders**

1. Being a unitholder does not give rise to a juristic relationship in terms of principal and agent between the unitholder and the Trustee, and in terms of a partnership or other juristic relationship among the unitholders.

2. Being a unitholder does not cause the unitholder to be liable if the assets of CPNREIT are insufficient for repayment of the debt to the Trustee, the REIT Manager, or the creditors of CPNREIT. In this regard, the Trustee, the REIT Manager, and the creditors of CPNREIT have the right to claim only from the assets of CPNREIT.

3. A unitholder shall be entitled to claim from CPNREIT for a distribution of returns in an amount of not exceeding the income after deducting reserves, and the returns on capital in the amount of not exceeding the capital amount adjusted by the excess or the under-value of the trust units. If the trust units are divided into classes, such right to receive the distribution of returns or returns on capital of the unitholder of each class of the trust units shall also conform to the relevant terms and conditions as stated for each class.
4. In any case, the Trust Deed shall in no way be interpreted in such a way that it contradicts or is in conflict with the terms and conditions under Clauses 1, 2, and 3 above.
5. Being a unitholder does in no way grant him/her/it the sole and exclusive ownership of or a right of claim over the assets of CPNREIT, whether in whole or in part. A unitholder does not have the right to demand that the assets of CPNREIT be transferred to him/her/it. The unitholder may be entitled to recover the assets of CPNREIT from third persons in accordance with the criteria prescribed in the Trust Act if the management of CPNREIT by the Trustee and/or the REIT Manager does/do not comply with the Trust Deed or the Trust Act which results in the disposal of the assets of CPNREIT to such third persons.
6. The unitholder shall be entitled to receive the returns on capital, benefits, or other assets in relation thereto upon the dissolution of CPNREIT in accordance with the criteria and procedures specified in the Trust Deed. The Trustee or a person acting on its behalf or the assignee of the Trustee or another person acting on its behalf, as the case may be, shall allocate the returns on capital, benefits, or other assets in relation thereto to the unitholders upon the dissolution of CPNREIT. A unitholder shall be entitled to demand the returns on capital in the amount of not exceeding the capital amount adjusted by the excess or the under-value of the trust units in any case
7. A unitholder shall be entitled to receive the returns on capital following the decrease in paid-up capital of CPNREIT in accordance with the criteria prescribed in Clause 5 of the Trust Deed.
8. A unitholder may lawfully pledge the trust units by complying with the criteria and procedures determined by the Trustee and/or the trust unit registrar.
9. A unitholder shall be entitled to transfer the trust units, subject to the criteria specified in the Trust Deed.
10. A unitholder shall be entitled to attend and cast votes at unitholders' meetings in accordance with the criteria specified in the Trust Deed.
11. A unitholder shall not be held liable to the REIT Manager or the Trustee in respect of payment of other monies to CPNREIT after having paid the price of the trust units in full, and shall not bear any other additional liability for the trust units held.

### **Investment by CPNREIT and its Investment Policy**

The investments of CPNREIT shall be made in accordance with the criteria prescribed in the Notification TorJor. 49/2555 and other relevant notifications, as well as the Trust Deed. CPNREIT will focus on its investments in immovable properties, leasehold rights in immovable properties, and sub-leasehold rights in high-end immovable properties, particularly shopping malls. CPNREIT will also invest in other types of immovable properties that are related to or complement immovable properties in the category of shopping malls, such as assets for commercial purposes, office buildings, hotels, and serviced apartments, etc., as to be the core assets of CPNREIT. CPNREIT will do so by means of purchasing and/or leasing and/or subleasing and/or accepting transfer of leasehold rights and/or sub-leasehold rights in the core assets, and place emphasis on the generation of benefits in the form of income from rental fees and service fees, or any other income of a similar nature. In addition, CPNREIT shall cause improvement, change, enhancement, development, and/or disposal of assets for the purposes of generating income and returns to CPNREIT in the continuous interests of the unitholders in the long-term. Furthermore, CPNREIT also intends to make additional investments in the assets in order to achieve the continuous growth of its income and so as to diversify risks through investment in immovable properties in different locations, as well as to invest in other assets and/or securities and/or to seek other benefits from any other methods in accordance with the securities law and/or any other relevant laws.



## Acquisition of the Core Assets and Equipment (if any)

CPNREIT shall make both direct and indirect investment in accordance with the following criteria:

1. Direct investment, being the investment in the core assets which will be in accordance with the following criteria:

- 1.1 CPNREIT shall invest in immovable properties in order to acquire the ownership or possession, whereby the acquisition of possession shall be in accordance with the following cases:

- 1.1.1 Acquisition of immovable properties for which certificates of utilization (Nor.Sor. 3 Gor.) have been issued;

- 1.1.2 Acquisition of the leasehold rights and/or sub-leasehold rights of immovable properties for which documents of title or possession in the category of Nor.Sor. 3 Kor. have been issued. In the case where CPNREIT invests in the leasehold rights of immovable properties that demonstrate the nature of subleasing, the REIT Manager shall put in place measures for risk mitigation or remedy of damage which may occur due to the breach of the lease agreement or the failure to exercise the rights under the lease agreement.

- 1.2 The acquired immovable properties shall not be subject to any enforcement of property rights or any dispute unless the REIT Manager and the Trustee, after consideration, have expressed their opinions in writing that such enforcement or dispute does not materially affect the seeking of benefits from such immovable properties, and the conditions for acquiring such immovable properties are beneficial to the unitholders as a whole;

- 1.3 The contract for the acquisition of the immovable properties shall not contain any agreement or commitment which may render CPNREIT unable to dispose of the immovable properties at a fair value (at the time of disposal), for instance, the agreement granting the right of first refusal with

a pre-fixed price, etc., or which may impose undue obligations on CPNREIT other than those an ordinary lessee should bear at the end of the lease;

- 1.4 The acquired immovable properties shall be ready to be used for seeking of benefits with the aggregate value of no less than 75 percent of the total value of the trust units offered for sale, including the amount of loan (if any).

In this regard, CPNREIT may invest in a project under construction, provided that, the investment value for the acquisition and completion of the development project shall not exceed 10 percent of the total asset value of CPNREIT (after the offering for sale of the trust units), and CPNREIT must be able to demonstrate that it has sufficient working capital to pay the cost of the development project without affecting the going concern issue of CPNREIT;

- 1.5 The REIT Manager shall arrange for the appraisal of the immovable properties intended for investment, whereby the appraisal shall be fully conducted with the verification of the documents of title, and for the purposes of public use for disclosure to investors. The appraisal reports must have been made within 6 months before the date of the filing of application for the offering for sale of the trust units. Such appraisal shall be performed by at least 2 appraisal companies considered appropriate by the REIT Manager and the financial advisor who shall mutually prepare the application for the offering for sale of the trust units (if any) so that they will be able to conduct reliable and satisfactory appraisals to reflect the true value of the assets. The appraisal companies shall demonstrate the following:

- 1.5.1 The appraisal companies must have been approved by the SEC Office;

- 1.5.2 If the immovable properties to be invested in are located abroad, the appraisal companies to perform the appraisal on such immovable properties can be those whose names are in the approved list of the government or regulatory authorities

of the country where such immovable properties are located. In this regard, if there is no such list, the appraisal companies must demonstrate any of the following:

- (a) The appraisal companies must practice the profession of asset valuation and be widely-recognized in the country in which those assets are located;
- (b) The standards for operations and work systems adopted by the appraisal companies are internationally recognized; and
- (c) The appraisal companies are part of an international network of appraisal companies (International Firm).

In this regard, the criteria under this Clause 1.5 shall be applicable to the immovable properties transferred from CPNRF which have been converted, and which have been appropriately appraised under the criteria prescribed under the Notification of the Capital Market Supervisory Board No. TorJor. 34/2559;

- 1.6 The acquired immovable properties shall have an aggregate value of not less than THB 500 million, and in the case where the amount of funds raised from the offering for sale of the trust units is less than the value of the immovable properties to be invested in, the REIT Manager must be able to demonstrate that there are other sufficient sources of funds to support the acquisition of such immovable properties.

In addition, in acquiring the core assets and equipment, CPNREIT shall comply with the procedures specified under the Trust Deed.

- 2. Indirect investment, being the investment in the core assets of CPNREIT through having shareholdings in a company established for the purposes of an operation similar to that of CPNREIT, in accordance with the Notification of the Capital Market Supervisory Board No. TorJor. 49/2555. The investment shall be made in accordance with the following criteria:

- 2.1 CPNREIT must hold no less than 99 percent of the total issued shares of such company, and no less than 99 percent of the total voting rights of such company.

- 2.2 CPNREIT may grant a loan to the company under Clause 2.1 by means of holding of debt instruments or entering into an agreement which constitutes the granting of a loan. The granting of a loan to such company shall be deemed as an indirect investment in the core assets.

- 2.3 The immovable properties that CPNREIT indirectly invests in, whether in its own capacity, or by the company in which CPNREIT holds shares, shall be appraised as follows:

- 2.3.1 The appraisal of the assets held by CPNREIT shall be in accordance with the criteria set out in Clause 1.5 above. Consideration shall be given to the tax obligations borne by the company in which CPNREIT holds shares, as well as other factors that may affect the price of the immovable properties in which CPNREIT indirectly invests;

- 2.3.2 The appraisal of the assets by the company in which CPNREIT holds shares shall be in accordance with the criteria set out in Clause 1.5 above;

- 2.3.3 Other assets invested by the company in which CPNREIT holds shares shall be appraised in accordance with the following criteria:

- (a) The appraisal shall be based on the fair value calculated in accordance with the criteria on the determination of the fair value of investment capital issued by the Association of Investment Management Companies, *mutatis mutandis*;
- (b) If the criteria as mentioned in (a) above do not recognize the fair value of any asset, the value determined by the generally-accepted professional principles or international standards shall be applied;

- 2.3.4 If CPNREIT invests in debt instruments or agreements that constitute indirect investments, the value of those instruments or agreements shall be appraised in accordance with the criteria set out herein;
- 2.3.5 The REIT Manager must be able to demonstrate that there are measures or mechanisms in place for the Trustee and the REIT Manager to be able to supervise and control the company to ensure that it complies with the criteria applicable to CPNREIT in its direct investments in the core assets. This shall be exclusive of the criteria relating to the borrowing limit specified in the Trust Deed, which shall only apply to investments by CPNREIT in its own capacity.
3. CPNREIT may acquire the non-core assets by investing in any other assets which CPNREIT is allowed to invest in or hold in accordance with the criteria specified under the Trust Deed.
4. CPNREIT shall not enter into any agreement with respect to the investment in the core assets with the following persons, which may result in any involvement in the management of CPNREIT by any of such persons or any person under such persons' control, except for the case where such person is a company with its securities listed on the SET, whereby the consideration thereof shall be in accordance with Clause 4.1.1
- 4.1 Within 5 years prior to the date on which the application for the offering for sale of the trust units is filed, such person shall possess none of the following characteristics:
- 4.1.1 Having a record of a material violation of the criteria or conditions relating to the offering for sale of securities;
- 4.1.2 Having been denied approval for the offering for sale of newly-issued shares by the SEC Office due to there being material grounds to believe the following in respect of the management mechanism of such person:
- (a) Being potentially unable to treat the shareholders in a fair manner, particularly due to giving preferential treatment to a particular group of shareholders, thus inappropriately giving them advantages or privileges over other shareholders;
- (b) Being potentially unable to safeguard the rights of the shareholders by causing a person to receive additional monetary benefits other than those due in the ordinary course of business or that cause the company to lose benefits to which it is entitled;
- 4.1.3 Having been denied approval for the offering for sale of newly-issued securities by the SEC Office due to there being material grounds to believe that the disclosure of information to the public is incomplete, inadequate for decision-making, or contained misleading information for the investors, which constitutes concealment or withholding of material information, or creation of fictitious information that does not form a part of the clauses or actions of the company;
- 4.1.4 Having its application for approval for the offering for sale of newly-issued securities withdrawn due to its failing to give any clarification to the SEC Office under Clause 4.1.2 or Clause 4.1.3 above, or whereby clarifications were given without demonstrating the reasonable facts or grounds for disproving the suspicions set out in Clause 4.1.2 or Clause 4.1.3;
- 4.2 Within 10 years prior to the date on which the application for the offering for sale of the trust units is filed, such person had been subject to a final court judgment on the basis of an offense relating to assets, particularly due to deceitful, fraudulent or dishonest acts that cause widespread damage, regardless whether under Thai or foreign laws;

- 4.3 Being named in a complaint or subject to legal proceedings in respect of the commission of an offence relating to assets by the relevant agencies, particularly due to the performance of work of a deceitful, fraudulent, or dishonest nature that causes widespread damage, regardless whether under Thai or foreign laws;
- 4.4 There are reasonable grounds to believe that such person had acted in such a manner so that the persons possessing the prohibited characteristics under Clause 4.1, Clause 4.2, or Clause 4.3 could evade the application of the criteria in Clause 4.1, Clause 4.2, or Clause 4.3 by the SEC Office against those persons.

### **Procedures on the Acquisition of the Core Assets and Equipment (if any)**

Prior to acquisition of the core assets each time, the REIT Manager has to proceed as follows:

1. Conduct due diligence on the information and agreements relating to the core assets and equipment (if any), for instance, financial and legal information, for the benefit of investment decision-making and disclosure of accurate information. If the owner, lessor, transferor of the leasehold rights, or transferor of the sub-leasehold rights, is a connected person of the REIT Manager, the REIT Manager has to arrange for a financial advisor to give an opinion on the analysis of such information:
  - 1.1 Appraisal of the core assets at least in accordance with the provisions as prescribed under the Trust Deed;
  - 1.2 If CPNREIT plans to invest in the leasehold rights of immovable properties by subleasing, the REIT Manager shall put in place measures for risk mitigation or remedy of damage which may occur due to the breach of the lease agreement or the failure to exercise the rights under the lease agreement.
2. The acquisition of the additional core assets shall be in accordance with the following conditions:
  - 2.1 With respect to the essence of the transaction,

- 2.1.1 The acquisition must be in compliance with the Trust Deed and relevant laws;
- 2.1.2 The acquisition must be in the best interest of CPNREIT;
- 2.1.3 The acquisition must be reasonable and at a fair price;
- 2.1.4 The expenses collected from CPNREIT (if any) must be at a fair and reasonable rate; and
- 2.1.5 The acquisition must be decided by a person who does not have any special interest with regard to the transaction of acquisition thereof.

- 2.2 With respect to the approval procedure, the REIT Manager shall ensure that:

- 2.2.1 The acquisition must be approved by the Trustee to ensure that the transaction is in compliance with the Trust Deed and relevant laws;
- 2.2.2 The acquisition must be approved by the Board of Directors of the REIT Manager in the case of acquiring additional core assets with the value equivalent to 10 percent of the total asset value of CPNREIT or greater; and
- 2.2.3 The acquisition must be approved by the resolution of a unitholders' meeting with at least three-quarters majority votes of the attending unitholders with voting rights, in the case of acquiring additional core assets with the value equivalent to 30 percent of the total asset value of CPNREIT or greater.

The value of the core assets specified under this Clause shall include the total acquisition value of the total assets of each project available for generating income, as well as the value of any related assets.

- 2.3 In seeking an approval from the Trustee or the unitholders, the REIT Manager and the Trustee have duties as follows:

2.3.1 The REIT Manager has the duty to prepare the documents for seeking an approval or meeting notice, as the case may be, and to give an opinion on descriptions of transactions under Clause 2.1 together with a clear rationale and supporting information;

2.3.2 The Trustee has the duty to attend the unitholders' meeting and give an opinion on the descriptions of transactions as to whether or not the proposed transactions comply with the Trust Deed and relevant laws.

### Investment Policy in Other Assets

1. CPNREIT may invest in other assets in accordance with the following criteria:

1.1 The types of other assets to be invested in by CPNREIT shall comply with Clause 2 and Clause 3 below;

1.2 The investment ratio in other assets shall comply with the criteria prescribed in the relevant notification on the ratio of investment in assets in general mutual funds issued under the Securities Act, mutatis mutandis;

1.3 In the case where the debtor under the instrument invested in by CPNREIT is in default of debt repayment or there are circumstances whereby the debtor will not be able to repay the debt, the REIT Manager shall comply with the same criteria prescribed for general mutual funds issued under the Securities Act, mutatis mutandis;

2. The types of other assets to be invested in by CPNREIT:

2.1 Government bonds;

2.2 Treasury bills;

2.3 Bonds or debentures issued by a state enterprise or a juristic person established under specific laws whereby the principal and interest are fully and unconditionally guaranteed by the Ministry of Finance;

2.4 Cash deposits in a bank or a secondary mortgage corporation;

2.5 Certificates of deposit issued by a bank or a finance company without the characteristics of structured notes

2.6 Bills of exchange or promissory notes which are issued or certified, or an aval granted or guaranteed by a bank, a finance company or a credit foncier company without the characteristics of structured notes. The certification, granting of an aval, or provision of a guarantee, as the case may be, under this Clause must constitute a certification for an indefinite term, an aval for the entire amount, or an unconditional guarantee of the principal and interest in full.

2.7 Investment units or warrants to purchase investment units of a fixed income fund or other mutual funds with a policy to invest in debt instruments or cash deposits. In the case of investment units of a foreign investment fund, the investment units must satisfy the following conditions:

2.7.1 Being investment units of a foreign investment fund under the supervision of the regulatory authority on the securities and exchange which is an ordinary member of the International Organization of Securities Commissions (IOSCO), or being investment units of a foreign investment fund which are traded on the exchanges which are the members of the World Federation of Exchanges (WFE);

2.7.2 That foreign investment fund has a policy to invest in the same types and kinds of assets in which CPNREIT may invest or hold; and

2.7.3 That foreign investment fund is established for general investors.

2.8 Investment units of a property fund or units of other REITs which are established under Thai law only.

2.9 Instruments of a REIT established under foreign law, whether in the form of a company, a REIT or any other form, provided that the REIT must have the following features:



2.9.1 That the REIT is established for general investors and under the supervision of a regulatory agency supervising securities and securities exchanges which are ordinary members of the International Organization of Securities Commissions (IOSCO);

2.9.2 That the REIT has the main objective to invest in immovable properties, ordinary shares of companies listed in the immovable properties sector in the exchanges which are members of the World Federation of Exchanges (WFE), or in ordinary shares of companies engaged in a business similar to those in the immovable properties sector;

2.9.3 The instruments are traded on the exchanges which are members of the World Federation of Exchanges (WFE), or the instruments, otherwise being redeemable with it;

2.10 Derivatives only for hedging purposes of CPNREIT;

2.11 Other assets, securities, or instruments prescribed and notified by the SEC Office, the SEC, or the Capital Market Supervisory Board.

3. Investment in shares of juristic persons who are the lessees and/or sub-lessees of the core assets of CPNREIT.

CPNREIT may invest in shares of the juristic persons who are the lessees and/or sub-lessees of the core assets of CPNREIT when the following conditions are satisfied:

3.1 The lease agreement provides that the rental fee is based on the operating results of the core assets of CPNREIT; and

3.2 It is an investment in no more than one golden share in the interests of granting approvals on certain operations of the juristic person as prescribed in its articles of association.

## Benefit Procurement of CPNREIT

1. CPNREIT may procure benefits from the core assets by means of leasing out, sub-leasing out, granting the use of, or providing services in a similar nature of leasing out of immovable properties, as well as providing related services. CPNREIT is prohibited from undertaking any act which constitutes the use of CPNREIT to operate any other business that CPNREIT itself is unable to undertake directly such as a hotel business or a hospital business, etc.

2. CPNREIT may lease out and/or sublease out any immovable property to any person who will use such immovable property in a business operation that CPNREIT itself is unable to undertake, such as a hotel business or a hospital business, etc., provided that a large portion of the rental fee must be fixed in advance, and if there is any portion of the rental fee is based on the operating results of the lessees and/or the sub-lessees, the maximum rental fee based in the operating results shall not be greater than 50 percent of the rental fee fixed in advance.

3. CPNREIT shall not lease out and/or sublease out any immovable property to any person, and there is reasonable suspicion that person shall use that immovable property in any business operation which is against good morals or is unlawful. There must be a provision that enables CPNREIT to terminate the lease and/or sublease agreement should the lessee and/or the sub-lessee use such immovable property for such business.

4. The REIT Manager has a duty to keep the core assets in a serviceable condition for generating income, as well as to procure sufficient insurance coverage throughout the term CPNREIT invests in the core assets. The insurance must at least provide coverage against loss to the immovable property and third party liabilities against damage arising out of the immovable property or undertaking any act in the immovable property.

5. The management of CPNREIT shall be undertaken by the Trustee and the REIT Manager delegated by the Trustee, who is appointed by the Trust Deed. The scope of authorities, duties, and responsibilities of the Trustee

and the REIT Manager is described in the Trust Deed. In this regard, the REIT Manager has major authorities, duties, and responsibilities for managing CPNREIT and investing in core assets of CPNREIT. Meanwhile, the Trustee has major authorities, duties, and responsibilities of supervising the performance of the REIT Manager and other delegated person(s) (if any) to ensure that their performance is in compliance with the Trust Deed and the securities law, and safeguarding the assets of CPNREIT. Additionally, any management of investment in non-core assets shall be conducted by the Trustee, the REIT Manager, or any person(s) delegated by the Trustee or the REIT Manager as specified in the Trust Deed or any relevant agreements. If the Trustee is desirous to amend any terms and conditions in an agreement relating to managing interests from the core assets and/or non-core assets, the Trustee will be able to do so after it has mutually agreed with the REIT Manager first. If no mutual agreement is reached, the parties reserve the right to convene a meeting of the unitholders to resolve the issue. The REIT Manager shall convene the unitholders' meeting in accordance with the procedure for convening meetings and obtaining resolutions specified in the Trust Deed.

### **Loan Obtaining and Creating of Encumbrance on CPNREIT's Assets**

1. CPNREIT may obtain loans or create encumbrance on the condition that such loan or encumbrance must be for the management of CPNREIT and the assets of CPNREIT, which include the following objectives:

- 1.1 to invest in immovable properties or leasehold rights of immovable properties;
- 1.2 to invest in additional immovable properties or leasehold rights of immovable properties;
- 1.3 to invest in other assets to be prescribed and notified by the SEC Office, the SEC and/or the Capital Market Supervisory Board as the core assets;
- 1.4 to undertake the management of the assets of CPNREIT;
- 1.5 to make improvement or repair of the immovable properties of CPNREIT, or the immovable properties in which CPNREIT has the leasehold rights or possession to ensure that they are in a good and serviceable condition for generating income, as well as to improve the image of the immovable properties;
- 1.6 to make improvement, repair, or replacement of moveable properties or equipment related to the immovable properties of CPNREIT, or the immovable properties in which CPNREIT has the leasehold rights or possession to ensure that they are in a good and serviceable condition for generating income;
- 1.7 to make addition to, or cause additional construction on the buildings located on the existing land which are invested in by CPNREIT, or the buildings to which CPNREIT has the leasehold rights or possession for benefit procurement of CPNREIT;
- 1.8 to use as working capital of CPNREIT;
- 1.9 to make repayment of the loans or encumbrances of CPNREIT;
- 1.10 to restructure loans for repayment of existing loans or encumbrances (Refinance);
- 1.11 to restructure the capital of CPNREIT;
- 1.12 to prevent currency exchange risks and/or interest rate risks due to obtaining loans or issuing debt instruments;
- 1.13 any other objectives the REIT Manager deems appropriate for the management of CPNREIT.

In obtaining loans, the REIT Manager will take into consideration the interests of CPNREIT and the unitholders. If CPNREIT invests in the leasehold rights and/or sub-leasehold rights of immovable properties or movable properties, or the obtaining of loans for the objectives specified in Clause 1.5, Clause 1.6 or Clause 1.7 above, the REIT Manager must consider the remaining lease term under the relevant lease agreement.

2. CPNREIT may obtain loans or create encumbrance over the assets of CPNREIT as follows:

2.1 Obtaining loans, applying for credit facilities, overdrafts from juristic persons, financial institutions in the country and/or abroad, as well as insurance companies established under the laws relating to insurance. CPNREIT may consider placing security against repayment of such loans. In addition, CPNREIT may enter into forward contracts or trade derivative products to prevent risks against CPNREIT regarding exchange rates and/or the interest rates incurred from obtaining loans, whether in whole or in part, such as cross currency swap or interest rate swap, etc.

2.2 CPNREIT may obtain loans or create any encumbrance over the assets of CPNREIT, by any one or more methods at any given time, including issuing instruments or entering into any form of contract of which the true essence or subject matter constitutes obtaining loans as follows:

2.2.1 Obtaining loans, applying for credit facilities, overdrafts from juristic persons, financial institutions in the country and/or abroad, as well as insurance companies established under the laws relating to insurance. CPNREIT may consider placing security against repayment of such loans. In addition, CPNREIT may enter into forward contracts or trade derivative products to prevent risks against CPNREIT regarding exchange rates and/or the interest rates incurred from obtaining loans, whether in whole or in part, such as cross currency swap or interest rate swap, etc.; or

2.2.2 Issuing instruments, debt instruments, whether long term or short term, for offering to individual investors and institutional investors under the relevant notifications of the SEC or the SEC Office, and CPNREIT may consider placing security against issuing such instruments.

The REIT Manager will take into consideration the necessity and suitability in obtaining loans, changing or creating encumbrances over the assets of CPNREIT in the interests of CPNREIT and the unitholders in compliance with the criteria and procedures prescribed

in the Trust Deed and the relevant law without obtaining approval from a unitholders' meeting as long as it is not in conflict with the law and the Trust Deed. However, if CPNREIT places the core assets of CPNREIT as security against repayment of the loans, as well as increasing the guaranteed amount in favor of the existing lender in accordance with the procedure in Trust Deed, the REIT Manager shall comply with other relevant laws.

In entering into a contract to obtain a loan, change or create encumbrance over the assets of CPNREIT, the Trustee shall sign to bind CPNREIT or may authorize the REIT Manager to sign to bind CPNREIT. If the Trustee is desirous to amend any terms and conditions with respect to the loan or encumbrance over the assets of CPNREIT, the Trustee shall be able to do so after it has mutually agreed this with the REIT Manager. If no mutual agreement is reached, the parties reserve the right to convene a unitholders' meeting to resolve the issue. The REIT Manager shall convene the unitholders' meeting in accordance with the procedure for convening meetings and obtaining resolutions specified in the Trust Deed.

3. CPNREIT may not obtain loans in the following cases:

3.1 The terms and conditions are similar to those of perpetual bonds;

3.2 The terms and conditions of the loan grant the right to convert into shares;

3.3 The terms and conditions are described as structured notes with the exception of the following:

3.3.1 The bond allows the debtor to make debt repayment before the date of maturity (callable), or allows CPNREIT to demand the debtor to make debt repayment before the date of maturity (puttable);

3.3.2 The interest rate or rate of return are either fixed or variable based on the interest rates of financial institutions or other interest rates.;

3.3.3 No provision on paying additional interest or giving additional returns based on other underlying factors.

- 3.4 The terms and conditions are described as securitization.
4. In the case of borrowing by CPNREIT, the indebtedness amount shall not exceed any of the following proportions, with the exception where the indebtedness amount which is greater than the specified proportion is not due to additional borrowing:
- 4.1 35 percent of the total asset value of CPNREIT;
- 4.2 60 percent of the total asset value of CPNREIT if the most recent credit rating of CPNREIT is deemed to be at the investment grade rated by a credit rating agency approved by the SEC Office within a period of 1 year before the date of the borrowing.

The borrowing of CPNREIT shall include any issuance of instruments or entering into contracts in any form with the true intention or essence of a borrowing transaction.

5. An encumbrance of CPNREIT shall be created only when it is necessary and related to the management of the assets of CPNREIT as follows:
- 5.1 An encumbrance created in connection with entering into material agreements to which CPNREIT is allowed to enter in accordance with the provisions of Notification No. TorJor. 49/2555 and other relevant laws, such as placing the assets of CPNREIT as security against debt repayment under the Trust Deed.
- 5.2 An encumbrance created within the normal commercial customs or in the ordinary course of business.

## **Distribution of Returns to Unitholders**

1. The REIT Manager shall make at least 2 distributions of returns to the unitholders at the rate of 90 percent of the adjusted net income of the fiscal year within 90 days from the end of the fiscal year or the relevant accounting period, as the case may be.

The adjusted net income under this Clause shall mean the income adjusted by the following Clauses:

- (1) Unrealized gain from the valuation or review of the value of the assets of CPNREIT, as well as other Clauses in accordance with the guidelines of the SEC Office to be consistent with the cash flow status of CPNREIT;
  - (2) Reserve for repayment of the loans or encumbrance of CPNREIT specified in the registration statement and prospectus or the annual report, as the case may be.
2. If CPNREIT has accumulated income in any accounting period, the REIT Manager may make distribution of returns to the unitholders from the accumulated income.
  3. If the REIT Manager is unable to make any distribution of returns in any period, the REIT Manager shall inform the unitholders via the information system of the SET.
  4. If CPNREIT has suffered losses, the REIT Manager shall not make any distribution of returns to the unitholders.
  5. In making distribution of returns, if the returns per unit to be distributed during any fiscal year or accounting period is equivalent to or less than THB 0.10, the REIT Manager reserves the right not to make distribution of returns in such period. The returns shall be distributed together with the next distribution in accordance with the specified procedure.
  6. The REIT Manager shall comply with the criteria on the distribution of returns, unless otherwise amended, added to, notified, instructed, approved and/or waived by the SEC, the SEC Office, and/or other competent authorities, in which case the REIT Manager shall comply accordingly.
  7. The REIT Manager shall make distribution of returns to the unitholders in accordance with the unitholding proportion of each unitholder. The REIT Manager reserves the right to make distribution of returns to the unitholders whose unitholding proportion exceeds the limit specified in the Notification No. TorJor. 49/2555 only for the portion exceeding the limit or not complying with the criteria. Any returns not distributed to the unitholders shall be distributed to other unitholders in accordance with the relevant unitholding proportion.

8. The REIT Manager shall notify the declaration of returns, the book closing date, and the rate of returns by notifying the unitholders whose names are recorded in the unitholder register as at the book closing date via the information system of the SET and notifying the Trustee in writing
9. The REIT Manager shall make distribution of returns by means of fund transfer into the accounts of the unitholders or crossed cheque made payable to the unitholders in accordance with the names and addresses in the unitholders register.
10. If a unitholder fails to exercise the right to any return within the period of prescription of claims under the Civil and Commercial Code, the REIT Manager shall not use such returns for any purpose other than that of CPNREIT.
4. A unitholder or group of same persons, whose unitholding exceeds the limits in Clause 1 or Clause 2, shall be subject to the restriction on the distribution of returns, that is, the unitholder or group of same persons shall not be entitled to the distribution of returns from the exceeding portion of the trust units or the portion that does not comply with the criteria. Any returns not distributed to the unitholder shall be distributed to other unitholders in accordance with their relevant unitholding proportion
5. The following unitholders shall be subject to the restrictions on voting:
  - 5.1 The unitholders whose unitholding proportion exceeds the limit or does not comply with the criteria in Clause 1 or Clause 2. The restriction shall apply only to the exceeding portion of the trust units or the portion that does not comply with the criteria in Clause 1 or Clause 2
  - 5.2 The unitholders who have special interests in the matters on which resolution is sought

### **Restrictions of Rights to Receive Distributions of Returns, Management of Returns, and Voting Rights of Unitholders**

1. The allocation of the trust units to any person, groups of same persons, the Settlor, the Trustee, the REIT Manager, or foreign investors must comply with the ratio or criteria prescribed in Notification No. TorJor. 49/2555 or other relevant notifications.
2. If CPNREIT invests in immovable properties in Thailand which are subject to the restriction on the investment proportion by foreigners by the relevant laws, rules, or requirements, the REIT Manager shall allocate the trust units in compliance with those laws, rules, or requirements. If CPNREIT invests in several immovable property projects which are subject to different restrictions on the investment proportion by foreigners, the REIT Manager shall allocate the trust units at the minimum limit prescribed by those relevant law, rules, or requirements.
3. If the unitholding proportion by a unitholder exceeds the limits referred to in Clause 1 or Clause 2, the REIT Manager shall notify, without delay, the unitholder of the restriction on the voting and the distribution of returns specified in the Trust Deed, and shall report the same to the SEC Office within 5 business days from the date on which the REIT Manager is aware of or should be aware of such event.

### **Rights, Duties, and Responsibilities of the Trustee**

1. The Trustee shall be fully qualified, possess no prohibited characteristics, and shall have been granted approval to engage in the business of acting as a trustee by the SEC Office. In performance of duties as the Trustee of CPNREIT, if the facts subsequently surface that the Trustee lacks independence in accordance with the securities law and other relevant laws, the Trustee shall inform the SEC Office thereof, with evidence of reasonable and reliable measures demonstrating that the Trustee would be able to perform its duties independently within 15 days from the date on which those facts surface, and take acts in accordance with those measures unless as otherwise instructed by the SEC Office.
2. The Trustee shall perform its duties with prudence and integrity in the best interest of the REIT unitholders as a whole, and in compliance with the Trust Deed, all relevant laws, and the additional obligations in documents disclosed to the investors (if any). There shall be no provision exempting the Trustee from liability arising from the failure to perform such duties.



3. The Trustee has a duty to monitor and oversee that the REIT Manager or any other delegated person (if any) comply with the Trust Deed and other relevant agreements.
4. The Trustee shall attend every unitholders' meeting, and provide opinions on whether the matters, for which a resolution of approval is sought, are in compliance with the Trust Deed and the relevant laws. If there is a request for a resolution of the unitholders' meeting with respect to any proposed action, the Trustee shall respond to questions and provide opinions on such action, particularly whether or not it complies with the Trust Deed or the relevant laws, or 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.
5. The Trustee has a duty to enforce debt repayment or oversee the enforcement of debt repayment to ensure compliance with the agreements between CPNREIT and third persons.
6. The Trustee has a duty to take over the management of CPNREIT in the absence of a REIT Manager or in the event rendering the REIT Manager being unable to perform its duties, subject to the criteria prescribed in Notification KorRor. 14/2555 and other relevant laws.
7. The Trustee shall have other rights, duties, and responsibilities as prescribed in Notification KorRor. 14/2555 and other relevant laws.
8. The Trustee is charged with the management and seeking of benefits from assets other than the core assets of CPNREIT, and undertaking any other necessary act in order to ensure that the management of the non-core assets of CPNREIT is in compliance with the Trust Deed and the relevant laws. The Trustee may also delegate to the REIT Manager the management of the investment in the non-core assets in its place.
9. The Trustee has a duty to amend the Trust Deed as instructed by the SEC Office.
10. 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 CPNREIT owed to the Trustee by the third person. Any set-off of obligations in conflict with this provision shall be void.
11. In entering into a juristic act or a transaction with a third person, the Trustee shall notify the third person in writing that it acts in the capacity of a trustee and expressly specify as such in the documentation evidencing that juristic act or transaction.
12. The Trustee shall prepare the accounts of the assets of CPNREIT 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 CPNREIT, the Trustee shall separate the assets of CPNREIT from the assets which it holds in its own capacity and any other assets in its possession. If the Trustee manages several REITs, the Trustee shall separate the assets of one REIT from one another.
13. If the Trustee fails to perform its duty under Clause 12, which causes the assets of CPNREIT to be commingled with the assets held in its own capacity to the extent that it is unable to distinguish CPNREIT's assets from that which the Trustee holds in its own capacity, it shall be presumed that:
  - 13.1 The commingled assets are assets of CPNREIT;
  - 13.2 The damage and liability arising from the management of the commingled assets shall be borne by the Trustee in its own capacity; and
  - 13.3 The benefits resulting from the management of the commingled assets belong to CPNREIT.The commingled assets as mentioned above shall include commingled assets that are transformed into a different form or state.
14. If the Trustee fails to perform its duty under Clause 12, which causes the assets of several REITs 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.

15. The management of CPNREIT is the Trustee's personal duty. The Trustee shall not delegate its duty to other persons except for in the following cases:

15.1 It is otherwise specified in the Trust Deed;

15.2 The transaction is not personal in nature and does not require the professional capability of a trustee;

15.3 The transaction that a reasonable and prudent owner of the assets of the same characteristics as those of CPNREIT, who manages such assets with similar objectives as those of CPNREIT, may delegate a third person to manage such assets;

15.4 The safekeeping of assets, preparation of the unitholders register book, or provision of support operations services may be delegated to an affiliate company of the Trustee or a third person;

15.5 Any other cases being under the responsibility of and action by the REIT Manager in accordance with the Trust Deed or the criteria prescribed in Notification TorJor. 49/2555, KorRor. 14/2555, and SorShor. 29/2555. This shall include the cases where the SEC prescribes and notifies provisions requiring that the management of specific matters be assigned to third persons or any other requirements in this respect. If the Trustee acts in violation of the above, any act taken shall bind the Trustee personally and shall not bind CPNREIT.

16. If the Trustee lawfully delegates the management of CPNREIT to a third person in accordance with Clause 15, the Trustee shall exercise prudence and care in selecting such person as well as adequately and thoroughly supervise and review the delegated management in a careful manner. The Trustee shall establish 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 Trustees as follows:

16.1 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 CPNREIT;

16.2 Control and evaluation of the performance of the delegated persons; and

16.3 Actions to be taken by the Trustee in the event 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 an event.

17. In the case of the change of the Trustee, if the new trustee finds that the previous management of CPNREIT was not in compliance with the Trust Deed or the Trust Act, and caused damage to CPNREIT, the new trustee shall claim damages from the liable Trustee and recover the assets from the third persons, regardless whether such assets had been directly acquired by the former Trustee and regardless whether the assets had been transformed into a different form or state. The latter shall not apply if 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.

18. In managing CPNREIT and delegating third persons to manage CPNREIT in accordance with Clause 15, if there are expenses or if the Trustee is required to make payments to or surrender other assets to 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 CPNREIT, unless the Trust Deed specifies that such payment of funds or other assets shall be borne by the Trustee.

The right to obtain reimbursement for the monies or assets under the paragraph above shall have priority over the claim of a beneficiary and the claim of a third person with property or other rights over CPNREIT, and may be immediately exercised and at any time prior to the dissolution of CPNREIT. If it is necessary to change the form or state of the assets of CPNREIT in

order to obtain monies or assets for reimbursing the Trustee, the Trustee shall be entitled to do so, provided such act is taken in good faith.

In the interests of protecting the assets of CPNREIT, the SEC shall be authorized to prescribe and notify criteria, conditions, and methods for compliance by the Trustee in relation to the payment of monies or surrender of other assets held in its own capacity to a third person in accordance with the first paragraph or the exercise of rights of the Trustee under the second paragraph.

19. The Trustee shall be prohibited from exercising the right under Clause 18 unless it has performed all of its obligations in favor of CPNREIT, except if those obligations can be set off in accordance with the Civil and Commercial Code.

20. If the Trustee fails to manage CPNREIT in compliance with the Trust Deed or the Trust Act, the Trustee shall be liable for the damage sustained by CPNREIT. However, the Trustee may, in the case of necessity and where there are reasonable grounds in the interests of CPNREIT, apply for the approval of the SEC Office prior to undertaking any action in the management of CPNREIT in a manner that is inconsistent with the provisions under the Trust Deed. The Trustee shall not be liable if it managed CPNREIT in accordance with the approval of the SEC Office in good faith and in the best interests of CPNREIT.

21. The Trustee shall 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:

21.1 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;

21.2 If an amendment to the Trust Deed does not comply with Clause 21.1, the Trustee shall proceed in accordance with its 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 unitholders as a whole; and

21.3 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 SEC Office.

22. The Trustee shall monitor, supervise, and review the performance of duties by the REIT Manager or any other delegated person (if any) to ensure compliance with the Trust Deed and the relevant laws. In particular, the aforementioned duties shall also include the following:

22.1 Ensuring that the management of CPNREIT by the REIT Manager has obtained the approval of the SEC Office for the entire period of existence of CPNREIT, with the exception of the event set out in Clause 24;

22.2 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 then current delegated person and appointing another person to replace such person;

22.3 Overseeing the investment of CPNREIT complies with the Trust Deed and the relevant laws;

22.4 Overseeing the complete information of CPNREIT is accurate disclosed as prescribed in the Trust Deed and the relevant laws; and

22.5 Giving opinions relating to undertaking actions or entering into transactions for CPNREIT 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 CPNREIT to the investors or at the request of the SEC Office.

23. If the REIT Manager acts or omits an act causing damage to CPNREIT, or fails to perform its duties in accordance with the Trust Deed or the relevant laws, the Trustee shall report the matter to the SEC Office within 5 business days from the date on which the Trustee becomes aware of or should have been aware of such fact. In such a case, the Trustee shall rectify, prevent, or mitigate such damage to CPNREIT as it deems appropriate.
24. If the REIT Manager is unable to perform its duties, the Trustee shall take over the management of CPNREIT as necessary in order to protect against, prevent, or limit serious damage to CPNREIT or the unitholders as a whole, and shall proceed in accordance with the scope of authorities and duties specified in the Trust Deed and the Trust Act in appointing a new REIT manager. In taking over the management of the REIT Manager as mentioned above, the Trustee may appoint another person to engage in the interim management of CPNREIT in its place, provided that such delegated person complies with the scope, criteria, and conditions specified in the Trust Deed.
25. If the Trustee is also a unitholder of CPNREIT, the Trustee shall, in casting votes or taking any act as a unitholder, take into account the best interests of the unitholders as a whole by adhering to the principles of good faith and due care, including the avoidance of any conflict with impact on the performance of its duties as the Trustee of CPNREIT.
26. The Trustee shall prepare the unitholders register and may also assign a securities registrar to prepare such register on its behalf. The preparation of the unitholder register shall contain at least the following particulars:
- 26.1 General information comprising:
- 26.1.1 Names of the REIT Manager and Trustee;
- 26.1.2 Number of trust units, par value, paid-up capital, and date of issuance of the trust units;
- 26.1.3 Restrictions on transfer (if any).
- 26.2 Information of the unitholders:
- 26.2.1 Name, nationality, and address of the unitholders;
- 26.2.2 Serial number of trust units (if any) and number of trust units held (if any);
- 26.2.3 Date of registration or cease to be the unitholders;
- 26.2.4 Date of cancellation of trust unit certificates and issuance of replacement certificates (if any);
- 26.2.5 Application numbers of the requests to amend or record particulars of the registration (if any);
- 26.2.6 Pledge/release of the attachment of the trust units/release of mortgage (if any).
27. The Trustee shall provide evidence representing the rights in the trust units for delivery to the unitholders, which shall convey at least the following information, unless where such evidence is prepared in accordance with the securities depository system, in which case the particulars of the said evidence shall be as determined by the securities depository center.
- 27.1 Necessary and sufficient information for use by the unitholders as evidence in claiming their rights against the Trustee, the REIT Manager, and third persons;
- 27.2 Contact information of persons related to the management of CPNREIT, such as the Trustee, the REIT Manager, and the securities registrar;
- 27.3 Information showing that unitholders are unable to sell trust units back to CPNREIT or redeem the trust units, and if there are other restrictions on the rights of unitholders, such restrictions shall be clearly specified.
28. Subject to the provision under Clause 27, if unitholders request the Trustee or the securities registrar to issue evidence representing their rights in the trust units in order to replace the ones 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 REIT Manager and its Duties

1. The REIT Manager shall be fully qualified, possess no prohibited characteristics, and shall have been granted approval from the SEC Office to act as a REIT manager in accordance with Notification SorChor. 29/2555.
2. The REIT Manager shall have the duties as delegated by the Trustee in the management of CPNREIT, particularly in respect of the business operations of CPNREIT, which shall include: investments; borrowing; any change or creation of encumbrances over the assets of CPNREIT; entering into of agreements; and undertaking of various acts for CPNREIT, including preparation and disclosure of information of CPNREIT and delivery thereof to the Trustee. The latter shall be inclusive of the information as prescribed in Section 56 and Section 57 of the Securities Act. All of the above shall be subject to the scope, criteria, and conditions provided in the REIT Manager Appointment Agreement
3. The REIT Manager may assign a third person to perform work under its responsibilities on its behalf, provided that the REIT Manager specifies the scope of authorities and duties of the delegated person(s) in the relevant agreements. The REIT Manager shall exercise prudence and care in selecting the delegated person(s), and shall also supervise and review the performance of duties by the delegated person(s). Such delegation shall not be in materially contradictory to or in conflict with the laws governing securities and exchange or other relevant laws.
4. The REIT Manager shall be able to disburse expenses from CPNREIT's assets provided such disbursement is made from CPNREIT's daily operating account under the limit approved by the Trustee. The REIT Manager shall prepare and submit reports on the disbursements to the Trustee for verification and disbursement within 5 business days from the date on which the REIT Manager submits the report to the Trustee.
5. If the REIT Manager holds trust units, the REIT Manager shall exercise its right to vote by taking into account the best interests of the unitholders as a whole in the event of a request for a resolution at a unitholders' meeting.
6. In engaging in the business of managing CPNREIT, the REIT Manager shall adhere to the following principles of business conduct:
  - 6.1 To perform duties by applying knowledge and skills as may reasonably be expected as a professional, and with diligence, care, and honesty. The REIT Manager shall treat all unitholders equitably and shall act in the best interests of the unitholders as a whole. It shall also comply with the laws, the Trust Deed, the objectives for establishing CPNREIT, and the resolutions of the unitholders;
  - 6.2 To continuously maintain sufficient fund capital for operating the business and for bearing any potential liability arising from the performance of duties as the REIT Manager;
  - 6.3 To disclose, give opinions on, or provide sufficient information being important for and relevant to the decision-making of the unitholders on investments. Such information shall be conveyed clearly and shall not be distorted or misleading;
  - 6.4 Not to inappropriately use the information acquired in the course of the performance of its duties as the REIT Manager for its personal gain or in a manner that damages or affects the overall benefits of CPNREIT;
  - 6.5 To exercise with due care in the performance of work in order to avoid conflicts of interest. In the event of a conflict of interest, the REIT Manager shall ensure that the investors receive equitable and appropriate treatment;
  - 6.6 To comply with the provisions in the Securities Act, the Trust Act, and other relevant laws relating to the operation of CPNREIT, as well as adhere to the code of ethics and standards for professional conduct determined by the associations related to the securities business or by organizations in connection with the securities business recognized by the SEC Office, mutatis mutandis. In addition, the REIT Manager shall not encourage, instruct, or collaborate with any other person in violating any such laws or requirements.



- 6.7 To give its cooperation to the Trustee or the SEC Office in their performance of duties, including disclosing information which may materially affect the management of CPNREIT or other information that should be notified to them.
7. In entering into a transaction concerning immovable properties for CPNREIT, the REIT Manager shall comply with the following criteria:
  - 7.1 To ensure that the disposal of the immovable properties of CPNREIT or the entering into of agreements in connection with immovable properties for CPNREIT are correct, valid and legally enforceable;
  - 7.2 To ensure that the investment in the immovable properties of CPNREIT is reasonable, whereby the following steps must be taken at a minimum:
    - 7.2.1 Conducting an assessment of its readiness in managing the investment in the immovable properties prior to accepting to act as the REIT Manager or before making additional investment in such immovable properties for CPNREIT, as the case may be; and
    - 7.2.2 Conducting a feasibility study and due diligence on the immovable properties, including an assessment of various risks that may arise from the investment, along with arranging risk management guidelines. In this regard, such risks shall include risks associated with the development or construction of immovable property (if any), e.g. potential risks arising from delays in the construction and the inability to generate benefits from the immovable property.
8. The REIT Manager shall convene unitholders' meetings in accordance with the Trust Deed.
9. If an advisor is appointed to give advice or recommendations on investment and management of the immovable property, the REIT Manager shall appoint an advisor who has no interests in the matters relating to its performance of duties as an advisor. If it is evident that the advisor has conflicts of interest in such matters, the REIT Manager shall comply with the following criteria:
  - 9.1 The advisor shall report the conflicts of interest in the matter being considered to the REIT Manager;
  - 9.2 The advisor who has conflicts of interest in the matter being considered, whether directly or indirectly, shall be prohibited from participating in the consideration of such issue.
10. The REIT Manager shall prepare the following financial information and operational results of CPNREIT in compliance with the criteria prescribed in Notification No. TorJor. 51/2555 and other relevant laws and submit the same to the SEC Office or the relevant agencies within the prescribed time period:
  - 10.1 Registration statement of CPNREIT (Form 56-REIT);
  - 10.2 Financial statements of CPNREIT, which shall be in compliance with the accounting standards as prescribed by the law governing the accounting profession;
  - 10.3 Annual report, which shall at least contain the particulars specified in Notification TorJor. 51/2555;
  - 10.4 Information on CPNREIT, such as the following: net asset value of CPNREIT; value of the trust units; and report on the acquisition or disposal of immovable properties or leasehold or sub-leasehold of immovable properties. If CPNREIT acquires a project under construction (greenfield project), the REIT Manager shall prepare and submit a progress report on the construction of such project. The REIT Manager shall also report the par value of the trust units following the capital decrease.
11. If the SEC, the SEC Office, and/or any other competent organization in compliance with the law make any amendments or additions to the notifications, requirements, and instructions, or approvals and/or grants relaxations otherwise, the REIT Manager shall ensure that all of the above is in compliance with such amendment or addition.

## Registrar for Trust Units

The registrar for trust units means the Trustee or a person delegated by the Trustee to act as a registrar for trust units. The registrar must be licensed to provide the services as a securities registrar by the SEC, and approved by the SET to act as a registrar for trust units on another person's behalf. The registrar shall have the various duties as prescribed by securities law and other relevant criteria as follows:

1. Issuance of trust unit certificates or evidence representing the rights in the trust units: The Trustee shall ensure that the registrar prepares trust unit certificates or evidence representing the rights in the trust units for the unitholders for use in claiming their rights against the Trustee, the REIT Manager, and third persons. If a unitholder requests the Registrar to issue a new trust unit certificate or evidence representing the rights in the trust units in order to replace the one which had been lost or defaced or materially damaged, the registrar shall issue or ensure the issuance of a new trust unit certificate or evidence representing the rights in the trust units to the unitholder within a reasonable time period. The registrar may charge actual expenses incurred (if any) from the unitholder in connection with the action undertaken at the unitholder's request.
2. Preparation of unitholder register: The Trustee may delegate the registrar to prepare the unitholders register in accordance with the scope specified in the Notification KorRor. 14/2555 and other relevant notifications.

3. Transfer of trust units: The unitholder who is desirous of transferring trust units must inform the registrar of his/her/its intention by completing the details in the request form for transferring trust units signed by the transferor and transferee. The requesting unitholder shall also submit the supporting documents for the transfer of trust units as required by the registrar. A transfer of trust units shall be effective and certified upon the registrar having duly recorded the name of the transferee in the unitholder register. The transferor shall pay the transfer fees (if any) as determined by the registrar. In the case of a scripless trust unit transfer, the unitholder shall comply with the criteria specified by the registrar and/or the SET and/or the TSD. In this regard, the transferor shall pay the transfer fees (if any) as determined by the registrar and/or the SET and/or the TSD.

If the transfer of trust units results in a unitholder breaching the unitholding limit, the registrar has the right to deny recording the name of that unitholder in the unitholders register due to such breach of the unitholding limit.

## Fees and expenses

The collection of fees, other payments, or expenses from CPNREIT or the unitholders shall be as specified in the Trust Deed. Such fees and expenses are exclusive of value added tax, specific business tax, or any other tax of a similar nature.

**Remark:** More information is available in the 56-REIT on [www.set.or.th](http://www.set.or.th) or [www.cpnreit.com](http://www.cpnreit.com)



## CENTRALPLAZA RAMA 3

## 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 2018, the statements of income, changes in net assets, cash flows and the significant financial information for the year then ended, 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 2018 and its financial performance, changes in net assets, cash flows and significant financial information for the year then ended 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 3 (a) and 5 to the financial statements	
The key audit matter	How the matter was addressed in the audit
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. The Trust engaged independent external valuer to assist 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>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 between the valuer and the Trust.</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 engaged by the Trust.</li> <li>• Considering the key assumptions by comparing assumptions in appraisal report with actual occurrence, testing calculation and considering the reasonableness of significant movement in the asset valuation from the prior year.</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.

When I read the annual report, if I conclude that there is a material misstatement therein, I am required to communicate the matter to the REIT manager and request that the correction be made.



### *Responsibilities of the REIT manager 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.



(Vannaporn Jongperadechanon)  
Certified Public Accountant  
Registration No. 4098

KPMG Phoomchai Audit Ltd.  
Bangkok  
26 February 2019

## CPN Retail Growth Leasehold REIT

### Balance sheet

		31 December	
	<i>Note</i>	2018	2017
		<i>(in Baht)</i>	
<b>Assets</b>			
Investments in leasehold properties at fair value (at cost of Baht 45,113.03 million as at 31 December 2018 and Baht 44,915.79 million as at 31 December 2017)	5	44,750,000,000	44,310,000,000
Investments in securities at fair value (at cost of Baht 990 million as at 31 December 2018 and 31 December 2017)		999,423,613	989,992,666
Cash on hand and at banks	4, 6	341,666,302	1,052,359,056
Rental and service receivables	4, 7	130,917,645	188,624,531
Accrued interest income	4	11,090	75,045
Refundable value added tax		392,805,277	392,805,277
Other assets		234,959,206	121,697,002
<b>Total assets</b>		<b>46,849,783,133</b>	<b>47,055,553,577</b>
<b>Liabilities</b>			
Trade accounts payable	4	139,294,107	107,052,281
Other accounts payable	4	32,157,221	57,237,111
Withholding tax payable		76,015,765	597,948,950
Deposits received in advance	4	1,543,590,985	1,424,070,524
Accrued expenses	4	280,877,427	703,560,020
Unearned lease and service income		52,952,221	51,480,578
Borrowings	4, 8	4,468,696,861	14,453,698,422
Debentures	9	10,030,360,764	-
Other liabilities	4	230,627,101	198,357,536
<b>Total liabilities</b>		<b>16,854,572,452</b>	<b>17,593,405,422</b>
<b>Net assets</b>		<b>29,995,210,681</b>	<b>29,462,148,155</b>

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

## CPN Retail Growth Leasehold REIT

### Balance sheet

		31 December	
	<i>Note</i>	2018	2017
		<i>(in Baht)</i>	
<b><i>Net assets</i></b>			
Trust registered capital		<u>29,016,410,672</u>	<u>29,653,382,715</u>
Capital received from unitholders	10	29,016,410,672	29,653,382,715
Equalisation account	10	216,092,989	216,092,989
Retained earnings (deficit)	10	<u>762,707,020</u>	<u>(407,327,549)</u>
<b>Net assets</b>		<b><u>29,995,210,681</u></b>	<b><u>29,462,148,155</u></b>
Net assets value per unit <i>(in Baht)</i>		13.5573	13.3164
Number of unit trusts issued at the end of year <i>(Units)</i>		2,212,476,700	2,212,476,700

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

## CPN Retail Growth Leasehold REIT

### Details of investments

Type of investments	Areas held by the Trust <i>(Rai-Ngan-Sq. Wah)</i>	31 December 2018			31 December 2017		
		Cost	Fair value <i>(in Baht)</i>	Percentage of investments	Cost	Fair value <i>(in Baht)</i>	Percentage of investments
<i>Investments in leasehold properties (Note 5)</i>							
Leasehold and subleasehold rights on land including shopping center buildings and utility systems and hotel under 6 projects							
1. CentralPlaza Rama II project							
<u>Location</u>	Rama II Road, Bangkhuntien, Bangkok						
Subleasehold right on land, leasehold right on shopping center building including parking building, utility systems, furniture, fixtures and equipment		7,186,000,000	53-2-38.4		7,186,000,000		
Related acquisition costs for leasehold right		136,411			136,411		
Leasehold improvements		62,509,836			18,876		
		<b>7,248,646,247</b>	<b>6,962,000,000</b>	<b>15.22</b>	<b>7,186,155,287</b>	<b>7,186,000,000</b>	<b>15.86</b>
2. CentralPlaza Rama III project							
<u>Location</u>	Ratchadapisek Road, Yannawa, Bangkok						
Leasehold right on land, leasehold right on shopping center building including parking spaces, utility systems, furniture, fixtures and equipment		9,179,000,000	12-2-44.6		9,179,000,000		
Related acquisition costs for leasehold right		248,541			248,541		
Leasehold improvements		400,306,635			351,634,450		
		<b>9,579,555,176</b>	<b>10,698,000,000</b>	<b>23.38</b>	<b>9,530,882,991</b>	<b>9,179,000,000</b>	<b>20.26</b>



### CPN Retail Growth Leasehold REIT

#### Details of investments

Type of investments	Areas held by the Trust <i>(Rai-Ngan-Sq. Wah)</i>	31 December 2018			31 December 2017		
		Cost	Fair value <i>(in Baht)</i>	Percentage of investments	Cost <i>(in Baht)</i>	Fair value	Percentage of investments
3. CentralPlaza Pinklao project							
<u>Location</u> Boromratchachonnane Road, Bangkok noi, Bangkok							
Subleasehold right on land, leasehold right on shopping center building including parking building, office building, utility systems, furniture, fixtures and equipment	24-2-84	5,542,995,247			5,542,995,247		
Related acquisition costs for leasehold right		111,861			111,861		
Leasehold improvements		73,290,459			-		
		<b>5,616,397,567</b>	<b>5,678,000,000</b>	<b>12.41</b>	<b>5,543,107,108</b>	<b>5,543,000,000</b>	<b>12.24</b>
4. CentralPlaza Chiangmai Airport project							
<u>Location</u> Mahidol Road and 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	32-3-56.85	10,494,000,000			10,494,000,000		
Related acquisition costs for leasehold right		152,780			152,780		
Leasehold improvements		14,984,918			4,015,425		
		<b>10,509,137,698</b>	<b>10,658,000,000</b>	<b>23.30</b>	<b>10,498,168,205</b>	<b>10,494,000,000</b>	<b>23.17</b>

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

## CPN Retail Growth Leasehold REIT

### Details of investments

Type of investments	31 December 2018			31 December 2017		
	Cost	Fair value	Percentage of investments	Cost	Fair value	Percentage of investments
	(in Baht)			(in Baht)		
5. CentralFestival Pattaya Beach project						
Location Pattaya 1 road, Nong Prue, Bang La Mung, Chonburi						
Leasehold right on shopping center building including parking spaces	4,892,299,492			4,892,299,492		
Leasehold right on utility systems	3,246,532,994			3,246,532,994		
Related acquisition costs for leasehold right	176,123,198			176,123,198		
Furniture, fixtures and equipment	15,525,000			15,525,000		
Leasehold improvements	1,817,540			-		
	<b>8,332,298,224</b>	<b>7,289,000,000</b>	<b>15.93</b>	<b>8,330,480,684</b>	<b>8,153,832,486</b>	<b>18.00</b>
6. Hilton Pattaya Hotel project						
Location Pattaya 1 road, Nong Prue, Bang La Mung, Chonburi						
Leasehold right on hotel building including parking building	1,501,667,006			1,501,667,006		
Leasehold right on utility systems	2,192,500,508			2,192,500,508		
Related acquisition costs for leasehold right	72,830,971			72,830,971		
Furniture, fixtures and equipment	60,000,000			60,000,000		
	<b>3,826,998,485</b>	<b>3,465,000,000</b>	<b>7.57</b>	<b>3,826,998,485</b>	<b>3,754,167,514</b>	<b>8.29</b>
<b>Total investments in leasehold properties</b>	<b>45,113,033,397</b>	<b>44,750,000,000</b>	<b>97.81</b>	<b>44,915,792,760</b>	<b>44,310,000,000</b>	<b>97.82</b>

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

**CPN Retail Growth Leasehold REIT****Details of investments**

	31 December 2018			31 December 2017		
	Face value	Fair value	Percentage of investments	Face value	Fair value	Percentage of investments
	<i>(in Baht)</i>			<i>(in Baht)</i>		
<i>Investments in securities</i>						
<i>Unit Trust</i>						
TMB Treasury Money Fund	990,000,000	999,423,613		990,000,000	989,992,666	
<b>Total investments in securities</b>	<b>990,000,000</b>	<b>999,423,613</b>	<b>2.19</b>	<b>990,000,000</b>	<b>989,992,666</b>	<b>2.18</b>
<b>Total investments</b>	<b>46,103,033,397</b>	<b>45,749,423,613</b>	<b>100.00</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 year ended	For the period from 29 November 2017 (date of incorporation) to 31 December 2017
	<i>Note</i>	31 December 2018	
		<i>(in Baht)</i>	
<b><i>Investment income</i></b>			
Rental and service income	4	4,739,068,625	369,462,894
Interest income	4	3,890,566	526,069
Other income	4	184,387,436	8,364,073
<b>Total income</b>		<b>4,927,346,627</b>	<b>378,353,036</b>
<b><i>Expenses</i></b>			
Costs of rental and services	4	141,465,287	16,544,043
Management fee	4, 12	133,964,141	12,108,785
Trustee fee	4, 12	34,099,961	3,082,236
Registrar fee	12	8,441,375	467,877
Property management fee	4, 12	512,979,763	68,902,473
Professional fee		807,200	280,000
Administrative expenses	4	117,151,046	23,116,479
Finance costs	4	400,738,596	30,110,082
<b>Total expenses</b>		<b>1,349,647,369</b>	<b>154,611,975</b>
<b>Net investment income</b>		<b>3,577,699,258</b>	<b>223,741,061</b>
<b><i>Net gain (losses) from investments</i></b>			
Net realised losses from investments		(3,334,220)	(25,268,517)
Net unrealised gain (losses) from			
investments in leasehold properties	5	242,759,363	(605,792,760)
investments in securities		9,430,946	(7,333)
<b>Total net gain (losses) from investments</b>		<b>248,856,089</b>	<b>(631,068,610)</b>
<b>Net increase (decrease) in net assets from operations</b>		<b>3,826,555,347</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 year ended	For the period from 29 November 2017 (date of incorporation) to 31 December 2017
	<i>Note</i>	31 December 2018	
		<i>(in Baht)</i>	
<b>Increase (decrease) in net assets from operations during the year / period</b>			
Net investment income		3,577,699,258	223,741,061
Net realised losses from investments		(3,334,220)	(25,268,517)
Net unrealised gain (losses) from			
investments in leasehold properties	5	242,759,363	(605,792,760)
investments in securities		9,430,946	(7,333)
<b>Net increase (decrease) in net assets from operations</b>		<b>3,826,555,347</b>	<b>(407,327,549)</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
<i>Add</i> Changes as increasing of equalisation account	10	-	216,092,989
<i>Less</i> The reduction of paid-in capital distributed to unitholders	10	(636,972,043)	-
<i>Less</i> Distribution to unitholders	11	(2,656,520,778)	-
<b>Net increase in net assets during the year / period</b>		<b>533,062,526</b>	<b>29,462,148,155</b>
Net assets as at beginning of the year / period		29,462,148,155	-
<b>Net assets at the end of the year / period</b>		<b>29,995,210,681</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
	Note	For the year ended 31 December 2018
		(in Baht)
<b><i>Cash flows from operating activities</i></b>		
Net increase (decrease) in net assets from operations		3,826,555,347 (407,327,549)
<b><i>Adjustments to reconcile net increase (decrease) in net assets from operations to net cash provided by (used in) operating activities:</i></b>		
Purchases of investments in leasehold properties		(200,681,986) (12,539,455,805)
Proceeds from sales of investments in leasehold properties		107,129 394,528
Purchases of investments in securities		- (990,000,000)
(Increase) decrease in rental and service receivables		57,706,886 (75,552,911)
Increase in refundable value added tax		- (392,805,277)
Increase in other assets		(113,262,204) (53,560,423)
Increase in trade accounts payable		32,241,826 85,852,925
Increase (decrease) in other accounts payable		(25,079,890) 126,089,254
Increase (decrease) in withholding tax payable		(521,933,185) 597,948,950
Increase in deposits received in advance		119,520,461 226,717,013
Increase (decrease) in accrued expenses		(527,665,357) 360,444,616
Increase (decrease) in unearned lease and service income		1,471,643 (42,717,433)
Increase in other liabilities		32,269,565 5,131,654
Interest income		(3,890,566) (526,069)
Interest received		3,954,520 451,024
Finance costs		400,738,596 30,110,082
Net realised losses from investments		3,334,220 25,268,517
Net unrealised (gain) losses from		
investments in leasehold properties	5	(242,759,363) 605,792,760
investments in securities		(9,430,946) 7,333
<b>Net cash provided by (used in) operating activities</b>		<b>2,833,196,696 (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	
	<i>Note</i>	For the year ended 31 December 2018	(in Baht)
<b><i>Cash flows from financing activities</i></b>			
Proceed from borrowings	8	-	14,474,165,717
Payment of front-end fee		-	(21,375,000)
Repayment of borrowings		(9,995,689,062)	(1,917,812,500)
Proceeds from issue of debentures		10,040,000,000	-
Transaction costs from issue of debentures		(10,261,030)	-
Interest paid		(284,446,537)	-
Cash received from the conversion of the Fund to the Trust		-	955,117,650
The reduction of paid-in capital distributed to unitholders	10	(636,972,043)	-
Distribution to unitholders	11	(2,656,520,778)	-
<b>Net cash provided by (used in) financing activities</b>		<b>(3,543,889,450)</b>	<b>13,490,095,867</b>
<b>Net increase (decrease) in cash on hand and at banks</b>		<b>(710,692,754)</b>	<b>1,052,359,056</b>
Cash on hand and at banks at the beginning of the year / period		1,052,359,056	-
<b>Cash on hand and at banks at the end of the year / period</b>		<b>341,666,302</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 year ended 31 December 2018	For the period from 29 November 2017 (date of incorporation) to 31 December 2017 (in Baht)
<b>Information on operating results (per unit)</b>		
Net assets value as at beginning of the year / period	13.3164	-
<b>Income (losses) from investing activities</b>		
Net investment income	1.6170	0.1011
Net realised losses from investments	(0.0015)	(0.0114)
Net unrealised gain (losses) from investments in leasehold properties	0.1097	(0.2738)
investments in securities	0.0043	-
Total income (losses) from investing activities	1.7295	(0.1841)
Add Unit trusts issued from the conversion of the Fund to the Trust during the year / period	-	13.4028
Add Changes as increasing of equalisation account	-	0.0977
Less The reduction of paid-in capital distributed to unitholders	(0.2879)	-
Less Distribution to unitholders	(1.2007)	-
<b>Net assets value at the end of the year / period</b>	<b>13.5573</b>	<b>13.3164</b>
<b>Ratio of net increase (decrease) in net assets from operations to average net assets during the year / period (%)</b>		
	<b>12.81</b>	<b>(1.38)</b>

### Significant financial ratios and additional significant information

Net assets at the end of year / period (in Baht)	29,995,210,681	29,462,148,155
Ratio of total expenses to average net assets during the year / period (%)	4.52	0.53
Ratio of investment income to average net assets during the year / period (%)	16.50	1.28
Ratio of weighted average investment purchases and sales during the year / period to average net assets during the year / period (%) *	0.67	1.43
Average net assets value during the year / period (in Baht)	29,863,493,236	29,448,570,672

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

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

## **CPN Retail Growth Leasehold REIT**

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

**For the year ended 31 December 2018**

<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
8	Borrowings
9	Debentures
10	Unitholders' equity
11	Distribution to unitholders
12	Expenses
13	Segment information
14	Financial instruments
15	Events after the reporting period
16	Thai Financial Reporting Standards (TFRS) not yet adopted

# **CPN Retail Growth Leasehold REIT**

## **Notes to the financial statements**

### **For the year ended 31 December 2018**

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 26 February 2019.

## **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 2018 and 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 2018, the major unitholder of the Trust was Central Pattana Public Company Limited holding 26.69% of the unit trusts issued and paid-up. (2017: 26.69%)

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 FAP has issued new and revised TFRS effective for annual accounting periods beginning on or after 1 January 2018. The initial application of these new and revised TFRS has resulted in changes in certain of the Trust’s accounting policies. These changes have no material effect on the financial statements.

In addition to the above new and revised TFRS, the FAP has issued a number of new and revised TFRS which are not yet effective for current periods. The Trust has not early adopted these standards in preparing these financial statements. Those new and revised TFRS that are relevant to the Trust operations are disclosed in Note 16 to the financial statements.



## **CPN Retail Growth Leasehold REIT**

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

**For the year ended 31 December 2018**

**(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.

**(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**

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

**(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.

## **CPN Retail Growth Leasehold REIT**

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

**For the year ended 31 December 2018**

#### *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.

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.

**CPN Retail Growth Leasehold REIT**  
**Notes to the financial statements**  
**For the year ended 31 December 2018**

*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.

**(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.

**CPN Retail Growth Leasehold REIT**  
**Notes to the financial statements**  
**For the year ended 31 December 2018**

Relationships with related parties were as follows:

<b>Name of Entities</b>	<b>Country of Incorporation/ Nationality</b>	<b>Nature of Relationship</b>	<b>Nature of Transaction</b>
Central Pattana Public Company Limited	Thailand	<ul style="list-style-type: none"> <li>- Major unitholder holding 26.69% of Trust units issued and paid-up (2017: 26.69%)</li> <li>- Property manager</li> </ul>	<ul style="list-style-type: none"> <li>- Rental and service agreement</li> <li>- Receive property management fee from the Trust</li> </ul>
CPN REIT Management Company Limited	Thailand	<ul style="list-style-type: none"> <li>- REIT manager</li> <li>- Central Pattaya Public Company Limited's subsidiary</li> </ul>	<ul style="list-style-type: none"> <li>- Rental and service agreement</li> <li>- Receive management fee from the Trust</li> </ul>
SCB Asset Management Company Limited	Thailand	<ul style="list-style-type: none"> <li>- Trustee of the Trust</li> </ul>	<ul style="list-style-type: none"> <li>- Receive trustee fee from the Trust</li> </ul>
The Siam Commercial Bank Public Company Limited	Thailand	<ul style="list-style-type: none"> <li>- Parent company of SCB Asset Management Company Limited</li> </ul>	<ul style="list-style-type: none"> <li>- Grant loan to the Trust</li> <li>- Rental and service agreement</li> <li>- Depository service</li> </ul>
SCB Securities Company Limited	Thailand	<ul style="list-style-type: none"> <li>- The Siam Commercial Bank Public Company Limited's subsidiary</li> </ul>	<ul style="list-style-type: none"> <li>- Rental and service agreement</li> </ul>
Central Pattana Rama 2 Company Limited	Thailand	<ul style="list-style-type: none"> <li>- Central Pattana Public Company Limited's subsidiary</li> <li>- Common directors</li> </ul>	<ul style="list-style-type: none"> <li>- Water treatment system rental agreement rendering to the Trust</li> <li>- Rental and service agreement</li> </ul>
Central Pattana Rama 3 Company Limited	Thailand	<ul style="list-style-type: none"> <li>- Central Pattana Public Company Limited's subsidiary</li> <li>- Common directors</li> </ul>	<ul style="list-style-type: none"> <li>- Rental and service agreement</li> </ul>
Central Pattana Chiangmai Company Limited	Thailand	<ul style="list-style-type: none"> <li>- Central Pattana Public Company Limited's subsidiary</li> <li>- Common directors</li> </ul>	<ul style="list-style-type: none"> <li>- Rental and service agreement</li> </ul>

**CPN Retail Growth Leasehold REIT**  
**Notes to the financial statements**  
**For the year ended 31 December 2018**

<b>Name of Entities</b>	<b>Country of Incorporation/ Nationality</b>	<b>Nature of Relationship</b>	<b>Nature of Transaction</b>
CPN Pattaya Company Limited	Thailand	<ul style="list-style-type: none"> <li>- Central Pattana Public Company Limited's subsidiary</li> <li>- Common directors</li> </ul>	<ul style="list-style-type: none"> <li>- Rental and service agreement</li> <li>- Lessor of assets which the Trust additionally invested</li> </ul>
CPN Pattaya Hotel Company Limited	Thailand	<ul style="list-style-type: none"> <li>- Central Pattana Public Company Limited's subsidiary</li> <li>- Common directors</li> </ul>	<ul style="list-style-type: none"> <li>- Sublease agreement over building and utility systems, and lease agreement over movable assets with the Trust</li> </ul>
CRC Sport Company Limited	Thailand	<ul style="list-style-type: none"> <li>- Common directors</li> </ul>	<ul style="list-style-type: none"> <li>- Rental and service agreement</li> </ul>
Central Group of Companies	Thailand	<ul style="list-style-type: none"> <li>- Common directors, common management or common control with Central Pattana Public Company Limited</li> </ul>	<ul style="list-style-type: none"> <li>- Rental and service agreement</li> </ul>

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

<b>Transactions</b>	<b>Pricing Policies</b>
Rental and service income	<ul style="list-style-type: none"> <li>- Market prices which are subject to location, lease space, lease form, lease period and type of lease</li> </ul>
Interest income	<ul style="list-style-type: none"> <li>- As mutually agreed rate</li> </ul>
Other income	<ul style="list-style-type: none"> <li>- The rate being charged by other parties in the business</li> </ul>
Costs of rental and services	<ul style="list-style-type: none"> <li>- Market prices</li> </ul>
Management fee	<ul style="list-style-type: none"> <li>- As mutually agreed prices in contract</li> </ul>
Trustee fee	<ul style="list-style-type: none"> <li>- As mutually agreed prices in contract</li> </ul>
Property management fee	<ul style="list-style-type: none"> <li>- As mutually agreed prices in contract</li> </ul>
Administrative expenses	<ul style="list-style-type: none"> <li>- As mutually agreed prices in contract</li> </ul>
Finance costs	<ul style="list-style-type: none"> <li>- As mutually agreed prices in contract</li> </ul>
Purchase of investments in leasehold properties	<ul style="list-style-type: none"> <li>- As mutually agreed prices in contract (see Note 5 to the financial statements)</li> </ul>



**CPN Retail Growth Leasehold REIT**  
**Notes to the financial statements**  
**For the year ended 31 December 2018**

Significant transactions with related parties for the year ended 31 December 2018 and for the period from 29 November 2017 (date of incorporation) to 31 December 2017 were as follows:

	For the year ended 31 December 2018	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	390,599	29,015
The Siam Commercial Bank Public Company Limited and its subsidiaries	48,793	5,009
CRC Sport Company Limited	30,055	974
Central Group of Companies	492,575	44,646
<b>Total</b>	<b>962,022</b>	<b>79,644</b>
Interest income		
The Siam Commercial Bank Public Company Limited	1,376	526
Other income		
Central Pattana Public Company Limited and its subsidiaries	3,612	130
CRC Sport Company Limited	541	-
Central Group of Companies	17,266	181
<b>Total</b>	<b>21,419</b>	<b>311</b>
<b>Expenses</b>		
Costs of rental and services		
Central Pattana Public Company Limited and its subsidiaries	16,962	4,610
Central Group of Companies	3,142	120
<b>Total</b>	<b>20,104</b>	<b>4,730</b>
Management fee		
CPN REIT Management Company Limited	133,964	12,109
Trustee fee		
SCB Asset Management Company Limited	34,100	3,082
Property management fee		
Central Pattana Public Company Limited	512,980	68,902
Administrative expenses		
Central Pattana Public Company Limited and its subsidiaries	32,882	4,682
Central Group of Companies	1,981	-
<b>Total</b>	<b>34,863</b>	<b>4,682</b>

# CPN Retail Growth Leasehold REIT

## Notes to the financial statements

### For the year ended 31 December 2018

	For the year ended 31 December 2018 (in thousand Baht)	For the period from 29 November 2017 (date of incorporation) to 31 December 2017
--	--	---

Finance costs		
The Siam Commercial Bank Public Company Limited	<b>36,330</b>	<b>3,909</b>

Balances with related parties as at 31 December were as follows:

	2018 (in thousand Baht)	2017
<b><i>Cash at bank</i></b>		
The Siam Commercial Bank Public Company Limited	<b>178,921</b>	<b>782,435</b>
<b><i>Rental and service receivables</i></b>		
Central Pattana Public Company Limited and its subsidiaries	44,682	22,639
The Siam Commercial Bank Public Company Limited	81	3,996
CRC Sport Company Limited	828	175
Central Group of Companies	16,347	31,973
<b>Total</b>	<b>61,938</b>	<b>58,783</b>
<b><i>Accrued interest income</i></b>		
The Siam Commercial Bank Public Company Limited	<b>11</b>	<b>75</b>
<b><i>Trade accounts payable</i></b>		
Central Pattana Public Company Limited and its subsidiaries	96,246	77,186
CPN REIT Management Company Limited	23,191	12,518
Central Group of Companies	384	-
<b>Total</b>	<b>119,821</b>	<b>89,704</b>
<b><i>Other accounts payables</i></b>		
SCB Asset Management Company Limited	5,903	6,077
Central Pattana Public Company Limited and its subsidiaries	11	762
The Siam Commercial Bank Public Company Limited	4	276
Central Group of Companies	2,439	3,291
<b>Total</b>	<b>8,357</b>	<b>10,406</b>

**CPN Retail Growth Leasehold REIT**  
**Notes to the financial statements**  
**For the year ended 31 December 2018**

	2018	2017
	<i>(in thousand Baht)</i>	
<b><i>Deposits received in advance</i></b>		
The Siam Commercial Bank Public Company Limited	26,866	22,564
Central Pattana Public Company Limited and its subsidiaries	18,263	16,930
CRC Sport Company Limited	5,669	4,308
Central Group of Companies	144,754	141,377
<b>Total</b>	<b>195,552</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	1,648	90
<b>Total</b>	<b>1,648</b>	<b>37,918</b>
<b><i>Borrowings</i></b>		
The Siam Commercial Bank Public Company Limited	<b>729,232</b>	<b>1,917,813</b>
<b><i>Other liabilities</i></b>		
Central Pattana Public Company Limited and its subsidiaries	838	10,825
The Siam Commercial Bank Public Company Limited and its subsidiaries	1,924	1,962
CRC Sport Company Limited	1,284	-
Central Group of Companies	10,219	-
<b>Total</b>	<b>14,265</b>	<b>12,787</b>

**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.

## CPN Retail Growth Leasehold REIT

### Notes to the financial statements

#### For the year ended 31 December 2018

As at 31 December 2018 and 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 6 years ending 15 August 2025 as follows:

	2018	2017
	(in thousand Baht)	
<b><i>Non-cancellable operating lease commitment</i></b>		
Within one year	6,370	5,750
After one year but within five years	24,620	24,720
After five years	11,740	18,010
<b>Total</b>	<b>42,730</b>	<b>48,480</b>

At the Board of Directors' Meeting of the REIT manager on 20 March 2018, the Board of Directors resolved to approve the termination of the land sublease agreements and the entering into the new land sublease agreements with respect to CentralPlaza Rama II project with Central Pattana Rama 2 Company Limited. In this regard, on 28 June 2018, the Trust registered the termination of the land sublease of CentralPlaza Rama II project, and registered the lease of the land under the new Land Lease Agreements (sublease term from 28 June 2018 to 15 August 2025) with the landlords under the same conditions as specified in the previous land sublease agreement since Central Pattana Rama 2 Company Limited had registered the termination of the lease of the land, and registered the new land lease agreements with the landlords.

## 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 6 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 16 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.
- CentralPlaza Pinklao project with a lease and sublease agreements remaining period of 6 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 25 years ending 22 April 2044 and the fair value of Baht 10,494 million.

## CPN Retail Growth Leasehold REIT

### Notes to the financial statements

#### For the year ended 31 December 2018

##### *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.

	2018	2017
	<i>(in thousand Baht)</i>	
<b>Investments in leasehold properties - at cost</b>		
Investments in leasehold properties - beginning of the year / period	44,915,793	-
Add Receipt of transfer of investments in leasehold properties from the conversion of the Fund to the Trust	-	32,402,000
Add Investments in additional assets (included transfer cost)	-	12,158,129
Add Increase in furniture, fixtures and equipment and leasehold improvements during the year / period	200,682	381,327
Less Decrease in furniture, fixtures and equipment and leasehold improvements during the year / period	(3,441)	(25,663)
	<u><b>45,113,034</b></u>	<u><b>44,915,793</b></u>



**CPN Retail Growth Leasehold REIT**  
**Notes to the financial statements**  
**For the year ended 31 December 2018**

	2018	2017
	<i>(in thousand Baht)</i>	
<b>Net unrealised gain (losses) from investments in leasehold properties</b>		
Net unrealised losses from investments in leasehold properties - beginning of the year / period	(605,793)	-
Less Unrealised gain (losses) from revaluation during the year / period	242,759	(605,793)
<b>Investments in leasehold properties - end of the year / period</b>	<b>44,750,000</b>	<b>44,310,000</b>

The Trust hired an independent appraiser to revalue these investments in leasehold properties using the income approach. The investments in leasehold properties were subsequently adjusted to their fair values as follows:

Project	Unrealise gain (losses) from investments in leasehold properties	
	For the year ended 31 December 2018	For the period from 29 November 2017 (date of incorporation) to 31 December 2017
	<i>(in thousand Baht)</i>	
CentralPlaza Rama 2	(286,491)	(155)
CentralPlaza Rama 3	1,470,328	(351,883)
CentralPlaza Pinklao	61,709	(107)
CentralPlaza Chiangmai Airport	153,031	(4,168)
Central Festival Pattaya Beach	(866,650)	(176,649)
Hilton Pattaya Hotel	(289,168)	(72,831)
<b>Total</b>	<b>242,759</b>	<b>(605,793)</b>

**6 Cash on hand and at banks**

	2018	2017
	<i>(in thousand Baht)</i>	
Cash on hand	-	1,979
Cash at banks	341,666	1,050,380
<b>Total</b>	<b>341,666</b>	<b>1,052,359</b>

**CPN Retail Growth Leasehold REIT**  
**Notes to the financial statements**  
**For the year ended 31 December 2018**

As at 31 December 2018 and 2017, the Trust invested in cash at banks as follows:

	Note	2018 Interest rate (% per annum)	2017 Interest rate (% per annum)	2018 (in thousand Baht)	2017 (in thousand Baht)
<b>Current Account</b>					
Citibank, N.A.		-	-	143,161	267,945
KASIKORNBANK Public Company Limited		-	-	60	-
<b>Savings Accounts</b>					
The Siam Commercial Bank Public Company Limited	4	0.375	0.375	178,921	782,435
KASIKORNBANK Public Company Limited		0.370	-	19,524	-
<b>Total</b>				<b>341,666</b>	<b>1,050,380</b>

**7 Rental and service receivables**

	Note	2018 (in thousand Baht)	2017 (in thousand Baht)
Related parties	4	61,938	58,783
Other parties		70,040	129,975
<b>Total</b>		<b>131,978</b>	<b>188,758</b>
Less allowance for doubtful accounts		(1,060)	(133)
<b>Net</b>		<b>130,918</b>	<b>188,625</b>
Bad and doubtful debts expenses for the year / period			
		<b>890</b>	-

Aging analyses for rental and service receivables were as follows:

	2018 (in thousand Baht)	2017 (in thousand Baht)
<b>Related parties</b>		
Within credit terms	41,090	22,915
Overdue:		
Less than 3 months	9,731	35,868
3 - 6 Months	3,309	-
6 - 12 Months	2,382	-
Over 12 Months	5,426	-
	<b>61,938</b>	<b>58,783</b>

**CPN Retail Growth Leasehold REIT**  
**Notes to the financial statements**  
**For the year ended 31 December 2018**

	2018 (in thousand Baht)	2017
<b>Other parties</b>		
Within credit terms	1,919	12,936
Overdue:		
Less than 3 months	57,663	117,039
3 - 6 Months	4,734	-
6 - 12 Months	4,154	-
Over 12 Months	1,570	-
	<b>70,040</b>	<b>129,975</b>
Less allowance for doubtful accounts	(1,060)	(133)
	<b>68,980</b>	<b>129,842</b>
<b>Net</b>	<b>130,918</b>	<b>188,625</b>

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

## 8 Borrowings

	Note	2018 (in thousand Baht)	2017
Borrowings from financial institutions - Group 1			
- unsecured	4	729,232	1,917,813
Borrowings from financial institutions - Group 2			
- unsecured		3,739,465	12,535,885
<b>Total</b>		<b>4,468,697</b>	<b>14,453,698</b>

As at 31 December 2018, borrowings from financial institutions had the effective interest rate at 2.43% per annum. (2017: 2.39% per annum)

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

	2018 (in million Baht)	2017	Interest rate (% per annum)	Term of payment
<i>Borrowings from financial institutions - Group 1</i>				
Credit facility 1	-	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
Credit facility 2	729	-	Agreed rate in the agreement	- Repayment of principle and interest every 6 months commencing from June 2019
<i>Borrowings from financial institutions - Group 2</i>				
Credit facility A1	12,547	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
<b>Total</b>	<b>13,276</b>	<b>14,454</b>		

## CPN Retail Growth Leasehold REIT

### Notes to the financial statements

#### For the year ended 31 December 2018

As at 31 December 2018, the Trust had unutilised credit facilities amounting to Baht 5,299 million. The loan agreements determined that such unutilised credit facilities will be utilised for repayment of borrowing Group 1 and Group 2 as above. (2017: Baht 10,593 million)

Movement of borrowings for year ended 31 December 2018 and for the period from 29 November 2017 (date of incorporation) to 31 December 2017 were as follows:

	For the year ended 31 December 2018 (in thousand Baht)	For the period from 29 November 2017 (date of incorporation) to 31 December 2017
<b>Beginning of the year / period</b>	<b>14,453,698</b>	-
Receipt of transfer of borrowings from the conversion of the Fund to the Trust	-	1,917,813
Add Additional borrowings	-	14,474,166
Add Payment of front-end fee	10,688	907
Less Repayment of borrowings	(9,995,689)	(1,917,813)
Less Amortised transaction costs from issue of borrowings	-	(21,375)
<b>End of the year / period</b>	<b>4,468,697</b>	<b>14,453,698</b>

The periods to maturity of borrowings, as at 31 December, were as follows:

	2018 (in thousand Baht)	2017
Within one year	4,468,697	1,917,813
After one year but within five years	-	12,535,885
<b>Total</b>	<b>4,468,697</b>	<b>14,453,698</b>

## 9 Debentures

	2018 (in thousand Baht)	2017
Debentures - Series 1 - unsecured	2,647,630	-
Debentures - Series 2 - unsecured	7,382,731	-
<b>Total</b>	<b>10,030,361</b>	<b>-</b>

On 17 August 2018 the Trust issued the debentures that had name registered, unsubordinated and unsecured debentures with debenture holder representative totalling Baht 10,040 million. The debentures are divided into:

- The first series of Baht 2,650 million with the term of 3 years, maturing on 17 August 2021 and bearing interest at the fixed rate of 2.70% per annum.
- The second series of Baht 7,390 million with the term of 10 years, maturing on 17 August 2028 and bearing interest at the fixed rate of 3.80% per annum.

The debentures had latest credit rating of “AA” rated by TRIS Rating Company Limited on 25 May 2018 and were registered with the Thai Bond Market Association on 17 August 2018.

**CPN Retail Growth Leasehold REIT**  
**Notes to the financial statements**  
**For the year ended 31 December 2018**

Movement of debentures for year ended 31 December 2018 and for the period from 29 November 2017 (date of incorporation) to 31 December 2017 were as follows:

	For the year ended 31 December 2018	For the period from 29 November 2017 (date of incorporation) to 31 December 2017
	<i>(in thousand Baht)</i>	
<b>Beginning of the year / period</b>	<b>10,040,000</b>	-
<i>Less</i> Transaction costs from issue of debentures	(10,261)	-
	<b>10,029,739</b>	-
<i>Add</i> Payment of underwriting fee	622	-
<b>End of the year / period</b>	<b>10,030,361</b>	-

The periods to maturity of debentures, as at 31 December were as follows:

	2018	2017
	<i>(in thousand Baht)</i>	
After one year but within five years	2,647,630	-
After five years	7,382,731	-
<b>Total</b>	<b>10,030,361</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.



**CPN Retail Growth Leasehold REIT**  
**Notes to the financial statements**  
**For the year ended 31 December 2018**

			2018		2017
	Value (in Baht)	Number	Amount (in thousand units/thousand Baht)	Number	Amount
<b>Trust registered capital and capital received from unitholders</b>					
Unit trusts at beginning of year / period	13.4028	2,212,477	29,653,383	-	-
Unit trusts issued for exchange with assets, liabilities and obligation of the Fund	13.4028	-	-	2,212,477	29,653,383
Less Capital Reduction of the Trust	(0.2879)	-	(636,972)	-	-
<b>Unit trusts at the end of year / period</b>		<b>2,212,477</b>	<b>29,016,411</b>	<b>2,212,477</b>	<b>29,653,383</b>

	Note	2018 (in thousand Baht)	2017
<b>Retained earnings</b>			
<b>Beginning of the year / period</b>		<b>(407,327)</b>	-
Add Increase (decrease) in net assets from operations during the period		3,826,555	(407,327)
Less Distribution to unitholders	11	(2,656,521)	-
<b>At the end of the year / period</b>		<b>762,707</b>	<b>(407,327)</b>

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

## **11 Distribution to unitholders**

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.

**CPN Retail Growth Leasehold REIT**  
**Notes to the financial statements**  
**For the year ended 31 December 2018**

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.

During the year 2018, the Board of Directors' of the REIT manager approved the appropriation of distribution which paid to its unitholders as follows:

For the year ended 31 December 2018					
No.	The operation for the period	Approval date	Payment date	Distribution per unit trust (in Baht)	Amount (in thousand Baht)
1	1 January - 31 March 2018	10 May 2018	6 June 2018	0.3795	839,635
2	1 April - 30 June 2018	9 August 2018	6 September 2018	0.4055	897,159
3	1 July - 30 September 2018	6 November 2018	4 December 2018	0.4157	919,727
<b>Total</b>					<b><u>2,656,521</u></b>

## **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.

### **(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:

## **CPN Retail Growth Leasehold REIT**

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

**For the year ended 31 December 2018**

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% per annum 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 Segment 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.

### **14 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.

**CPN Retail Growth Leasehold REIT**  
**Notes to the financial statements**  
**For the year ended 31 December 2018**

***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 Notes 8 and 9 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 2018 and 2017 as presented in the financial statements approximate to their fair values.

**15 Events after the reporting period**

***Issuance of debentures***

On 8 February 2019, the Trust issued the debentures that had name registered, unsubordinated and unsecured debentures with debenture holder representative total amount not exceed Baht 4,495 million which issued under Medium term note programme (MTN) of the Trust at credit facility of Baht 16,250 million in accordance with the resolution of annual general meeting of unitholders of the Trust held on 24 April 2018. The details are as follows;

- The first series amount not exceed Baht 2,700 million with the term of 2 years, maturing on 8 February 2021 and bearing interest at the fixed rate of 2.54% per annum.
- The second series amount not exceed Baht 1,795 million with the term of 4 years, maturing on 8 February 2023 and bearing interest at the fixed rate of 3.30% per annum.

The debentures had latest credit rating of "AA" rated by TRIS Rating Company Limited on 29 June 2018 and were registered with the Thai Bond Market Association on 8 February 2019.

## CPN Retail Growth Leasehold REIT

### Notes to the financial statements

For the year ended 31 December 2018

#### *Distribution to unitholders*

At the Board of Directors' Meeting of the REIT manager held on 26 February 2019, the Board of Directors approved the distribution to unitholders of the Trust from the operation period from 1 October 2018 to 31 December 2018 at the rate of Baht 0.4163 per unit, totalling Baht 921.05 million. The distribution will be paid to the unitholders in March 2019.

#### **16 Thai Financial Reporting Standards (TFRS) not yet adopted**

A number of new and revised TFRS which relevant to the Trust's operations are expected to have impact on the financial statements on the date of initial application. Those TFRS become effective for annual financial reporting periods beginning on or after 1 January of the following years.

TFRS	Topic	Effective
TFRS 7*	Financial Instruments: Disclosures	2020
TFRS 9*	Financial Instruments	2020
TFRS 15	Revenue from Contracts with Customers	2019
TAS 32*	Financial Instruments: Presentation	2020

\* TFRS - Financial instruments standards

##### **(a) TFRS 15 Revenue from Contracts with Customers**

TFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. Revenue should be recognised when (or as) an entity transfers control over goods or services to a customer, measured at the amount to which the entity expects to be entitled.

The Trust has made a preliminary assessment of the potential impact of adopting and initially applying TFRS 15 on the financial statements of the Trust and expects that there will be no material impact on the financial statements of the Trust in the period of initial application.

##### **(b) TFRS - Financial instruments standards**

These TFRS establish requirements related to definition, recognition, measurement, impairment and derecognition of financial assets and financial liabilities, including accounting for derivatives and hedge accounting.

The Trust is presently considering the potential impact of adopting and initially applying TFRS - Financial instruments standards on the financial statement of the Trust.



The image features a background composed of various shades of orange and red, with overlapping geometric shapes like triangles and polygons creating a dynamic, abstract pattern. Centered in this background is the text "CPNREIT" in a bold, white, sans-serif typeface. The letters are closely spaced, and the overall design is clean and modern.

**CPNREIT**

# CPN REIT MANAGEMENT

## CPN REIT Management Company Limited

31<sup>st</sup> Floor, The Offices at CentralWorld

999/9 Rama 1 Road, Patumwan, Bangkok 10330 Thailand

Tel : +66(0) 2667 5555 ext 1660

[www.cpnreit.com](http://www.cpnreit.com)

