

CPN Retail Growth Leasehold REIT ("CPNREIT") was established on 1 December 2017 from the conversion from CPNRF CPN Retail Growth Leasehold Property Fund ("CPNRF") together with the investment in additional assets i.e. leasehold right in CentralFestival Pattaya Beach Project and Hilton Pattaya for approximately 20-years period ending 31 August 2037. The trust units of CPNREIT were first traded on the Stock Exchange of Thailand on 14 December 2017. Currently, CPNREIT had been invested in 5 shopping malls, which are CentralPlaza Rama 2, CentralPlaza Rama 3, CentralPlaza Pinklao, CentralPlaza Chiangmai Airport and CentralFestival Pattaya Beach, 2 office building which are Pinklao Tower A and Tower B, and Hilton Pattaya.

Economic and Industry Overview

In 1Q18, Thailand economy was continuously expanding following exports growth due to the improving global economy and domestic demand, and continuous tourism growth mainly from higher number of foreign tourists. Private consumption expanded gradually, mostly seen in the high-income people outside the agricultural sector, and private sector investment also improved in line with the overall economy expansion. Meanwhile, public investment expanded slowly.

Major Events in 1Q18

- CentralPlaza Rama 3 was partially re-launched after major renovation in December 2017 and was fully operated in 1Q18 after the completion of phase 1. 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. The renovation phase 2, mainly consists renovation in common areas and rest areas, such as the VIP Lounge or playground area, which are under progress and almost finished. The improvement of Food Patio area was 35% in progress and expected to be completed in 2Q18.
- CPNREIT has announced payment 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 to trust unitholders at Baht 637.0 million or 0.2879 Baht per unit.

At the end of 1Q18, the average occupancy rate of shopping malls and office buildings in CPNREIT was 91.7%, increasing from 91.1% as at the end of 2017. This was mainly due to an increase of occupied area of CentralPlaza Rama 3 which was opened for operation after partial completion of major renovation in December 2017. The occupancy rate of CentralPlaza Rama 3 rose from 77.7% as at the end of 2017 to 84.2%. In addition, the occupancy rate of CentralPlaza Rama 2 increased by 1.2%, while the occupancy rates of CentralFestival Pattaya Beach and Pinklao Tower A, Pinklao Tower B decreased by 2.4% and 2.1%, respectively. Occupancy rates of CentralPlaza Chiangmai Airport and CentralPlaza Pinklao were relatively close to those as at 31 December 2017. The average occupancy rate for operation period from 1 January to 31 March 2018 of Hilton Pattaya was 97.5%.

Financial and Operating Performance

Income

1Q18, total income was Baht 1,184.4 million, an increase of Baht 282.1 million or 31.3% from 1Q17.

For 1Q18, total income was reported at Baht 1,184.4 million, an increase by Baht 282.1 million or 31.3% from 1Q17. This was mainly due to an increase by approximately 5.4% in total income from the existing properties, along with the additional investment in CentralFestival Pattaya Beach and Hilton Pattaya. While interest income decreased by Baht 0.2 million or 14.5%.

In comparison to 4Q17, total income for this quarter increased by Baht 247.6 million or 26.4%, as a result of the additional investment in CentralFestival Pattaya Beach and Hilton Pattaya in December 2017, along with an increase in rental and service income from CentralPlaza Rama 3 which has been re-launch after the completion of phase 1. Other income increased by Baht 6.9 million. While Interest income decreased by Baht 0.5 million or 32.8%.

Expense

1Q18 total expense of Baht 327.5 million, an increase of Baht 151.0 million or 85.6% from 1Q17.

Total expense for 1Q18 was Baht 327.5 million, an increase of Baht 151.0 million or 85.6% from 1Q17. This resulted mainly from an increase of interest expense by Baht 69.9 million or 400.4% due to borrowing of loan to invest in additional assets of CPNREIT. Additionally, an increase in property expenses by Baht 49.3 million or 33.3% is resulted from an increased by 32.1 million in property management fee, an increase by Baht 11.9 million and Baht 5.3 million in selling and administrative expenses and cost of rental and service due to the additional investment in CentralFestival Pattaya Beach. Moreover, other fees and administrative expenses increased by Baht 31.9 million or 295.3% from the change in fee structure due to conversion of CPNRF to CPNREIT.

In comparison to 4Q17, total expense for 1Q18 was increased by Baht 53.1 million or 19.4%. This was mainly due to the increase of interest expense of Baht 45.1 million or 106.8%, along with an increased in other fees and administrative expenses by Baht 19.4 million or 82.9% due to the reasons as mentioned above. On the other hand, property expenses dropped by Baht 11.3 million as a result from a decreased in cost of rental and service by Baht 11.7 million due to the decrease of property tax and other expense.

Net Investment Income

Net investment income totals up to Baht 856.9 million an increased by Baht 131.1 million or 18.1% from 1Q17.

Net investment income for 1Q18 totaled up to Baht 856.9 million, an increase of Baht 131.1 million or 18.1% from Baht 725.8 million in 1Q17. This was mainly due to the additional investment in CentralFestival Pattaya Beach and Hilton Pattaya, as a result, approximately 80% of increase amount of total income compared to the same quarter of last year was from such additional investment.

In comparison to 4Q17, an increase in net investment income of Baht 194.5 million or 29.4%, due to the increase in total incomes of Baht 247.6 million was greater than the increase in total expenses of Baht 53.1 million. as a result of the additional investment as mentioned above and the re-launch after the completion of phase 1 of CentralPlaza Rama 3.

Profitability

Net property income margin stood at 83.3%, slightly decreased by 0.3% yoy.

Net property income margin for 1Q18 stood at 83.3%, a slightly decreased by 0.3% from 1Q17. This is mainly due to the increase of property income by Baht 282.1 million or 33.3% while property expenses increased by Baht 49.3 million or 33.3%. Meanwhile, the additional investment in CentralFestival Pattaya Beach and Hilton Pattaya by borrowing of loan was resulted to an increase of interest expense, along with the change in fee structure due to conversion of CPNRF to CPNREIT. As a result, net investment income margin stood at 72.4%, a decreased by 8.1% from 80.5% as at 1Q17.

In comparison to 4Q17, net property income margin increased from 77.7% in 4Q17 to 83.3%. Net investment income margin stood at 72.4%, representing an increase of 1.6% from a margin of 70.8% in 4Q17. This was mainly resulted from a higher profit margin in 1Q18 compared to 4Q17, resulting from the additional investment which has been mentioned above and the re-launch after the completion of phase 1 of CentralPlaza Rama 3.

Balance Sheet Movement

As of 31 March 2018, CPNREIT reported total asset of Baht 46,503.9 million, a decrease by Baht 551.6 million.

As of 31 March 2018, CPNREIT reported total asset of Baht 46,503.9 million, a decrease of Baht 551.6 million from total assets as of 31 December 2017. This was mainly due to the payment of withholding tax and accrued expenses from the end of 2017 due to the conversion from CPNRF to CPNREIT.

As of 31 March 2018, Net Asset Value ("NAV") was recorded at Baht 29,655.9 million or Baht 13.4040 per unit, an increase from Baht 13.3164 per unit as of 31 December 2017.

The Distribution of Returns to Unitholder

CPNREIT has announced distribution of returns for 1Q18 at Baht 839.6 million or 0.3795 Baht per unit. CPNREIT will post XD sign on 22 May 2018, followed by Book Closing Date on 24 May 2018 and distribution of returns payment will be made on 6 June 2018.

FINANCIAL SUMMARY

Table 1: Income Statement

Unit: Baht Million	CPNREIT 1Q18	CPNRF 1Q17	Change YoY	4Q17/ ¹	CPNREIT 29 Nov - 31 Dec	CPNRF 1 Oct - 4 Dec	Change QoQ
<i>Property income</i>	1,183.5	901.2	31.3%	935.4	377.8	557.6	26.5%
Rental and service income	1,150.1	870.4	32.1%	908.9	369.5	539.5	26.5%
Other income	33.4	30.8	8.5%	26.5	8.4	18.1	26.1%
Interest income	0.9	1.1	(14.5%)	1.4	0.5	0.8	(32.8%)
Total income	1,184.4	902.3	31.3%	936.8	378.4	558.4	26.4%
<i>Property expenses</i>	197.6	148.2	33.3%	208.9	108.6	100.3	(5.4%)
Cost of rental and service	31.1	25.8	20.5%	42.8	16.5	26.3	(27.3%)
Selling and administrative expenses	29.8	17.9	66.8%	31.3	23.1	8.2	(4.7%)
Property management fee	136.6	104.5	30.7%	134.7	68.9	65.8	1.4%
Interest expense	87.3	17.4	400.4%	42.2	30.1	12.1	106.8%
Other management fees and expenses	42.7	10.8	295.3%	23.3	15.9	7.4	82.9%
Total expense	327.5	176.5	85.6%	274.4	154.6	119.8	19.4%
Net investment income	856.9	725.8	18.1%	662.4	223.7	438.6	29.4%
Distribution	839.6	648.3	29.5%	637.0	637.0	-	31.8%
Distribution per unit (in Baht)	0.3795	0.2930	29.5%	0.2879	0.2879	-	31.8%
Net property income margin	83.3%	83.6%	(0.3%)	77.7%	71.3%	82.0%	5.6%
Net investment income margin	72.4%	80.5%	(8.1%)	70.8%	59.2%	78.7%	1.6%

Table 2: Balance Sheet

Unit: Baht Million	CPNRF			CPNREIT	
	31-Mar-17	30-Jun-17	30-Sep-17	31-Dec-17	31-Mar-18
<i>Investment at fair value</i>					
Central Rama 2	6,520.0	7,184.0	7,186.0	7,186.0	6,997.0
Central Rama 3	9,540.0	9,192.0	9,179.0	9,179.0	10,151.0
Central Pinklao	5,180.0	5,495.0	5,543.0	5,543.0	5,778.0
Chiangmai Airport	10,580.0	10,531.0	10,494.0	10,494.0	10,653.0
CentralFestival Pattaya Beach	-	-	-	8,153.8	7,272.0
Hilton Pattaya	-	-	-	3,754.2	3,450.0
Total investment in properties	31,820.0	32,402.0	32,402.0	44,310.0	44,301.0
Investment in securities	796.8	897.0	941.0	990.0	992.1
Cash on hand and at banks	339.7	236.5	273.4	1,052.4	482.1
Accrued interest income	0.5	0.2	0.4	0.1	0.4
Other assets	153.3	162.0	155.7	703.1	728.3
Total assets	33,110.2	33,697.6	33,772.4	47,055.6	46,503.9
Deposits received from customers	1,130.9	1,142.4	1,184.3	1,424.1	1,460.9
Borrowing	1,852.9	1,831.3	1,917.8	14,453.7	14,456.3
Other liabilities	605.1	619.6	530.8	1,715.6	930.7
Total liabilities	3,588.9	3,593.2	3,632.9	17,593.4	16,847.9
Net Asset	29,521.3	30,104.4	30,139.5	29,462.1	29,656.0
Capital received from unitholders	24,406.2	24,406.2	24,406.2	29,653.4	29,016.4
Equalisation account	-	-	-	216.1	216.09
Gain (Loss) for the period	5,115.1	5,698.2	5,733.3	(407.3)	423.5
NAV per unit (in Baht)	13.3431	13.6066	13.6225	13.3164	13.4040

Source: 1)CPNREIT Interim Financial Statements for the three-months period end 31 March 2018 2)CPNREIT Financial Statements from 29 November (date of incorporation) to 31 December 2017 and Independent Auditor's Report 3)CPNRF 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.

OPERATIONS SUMMARY

Table 3: Leasable Area and Occupancy

	Area (sqm)		Occupancy rate ^{/1}			
	GFA	NLA	31 Mar 17	30 Jun 17	30 Sep 17	31 Dec 17
CentralPlaza Rama 2	251,182	82,572	89.9%	91.8%	93.6%	94.8%
CentralPlaza Rama 3	169,740	36,283	62.7%	58.6%	77.7%	84.2%
CentralPlaza Pinklao	137,692	27,611	95.7%	97.6%	99.2%	99.1%
Pinklao Tower A & Tower B	50,653	34,031	90.0%	84.5%	84.6%	82.5%
CentralPlaza Chiangmai Airport	122,991	37,556	94.1%	93.1%	92.9%	92.3%
Total/Average	732,258	218,054	86.8%	86.0%	90.1%	91.2%
CentralFestival Pattaya Beach	70,095	29,404	-	-	97.6%	95.2%
Total/Average	802,353	247,458	-	-	91.0%	91.7%
Hilton Pattaya	49,686	302 rooms	-	-	93.4%	97.5% ^{/2}

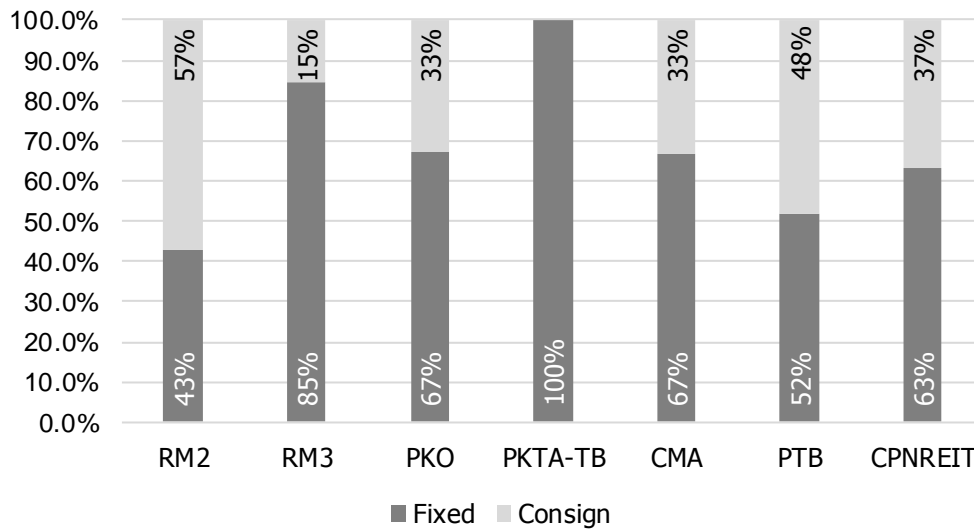
Note: ^{/1} Anchor and in-line tenants only^{/2} Average occupy room from 1 January to 31 March 2018

Table 4: Renewals and New Leases

	From 1 January to 31 March 2018		
	Renewals and New Leases ^{/1}		
	No. of Leases	Area (sqm)	%of Total ^{/2}
CentralPlaza Rama 2	88	3,592	9.8%
CentralPlaza Rama 3	35	3,888	20.8%
CentralPlaza Pinklao	1	124.94	0.7%
Pinklao Tower A & Tower B	15	2,434	8.7%
CentralPlaza Chiangmai Airport	40	2,685	11.1%
CentralFestival Pattaya Beach	99	8,372	48.3%
Total	278	21,095	14.6%

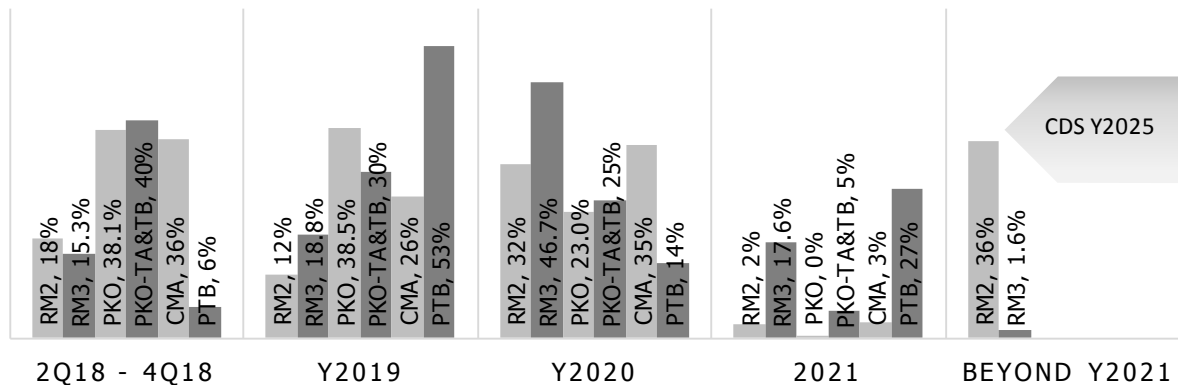
Note: ^{/1} Exclude rental agreements < 1 year^{/2} Percentage of leasable area exclude Anchor area as at 31 March 2018

Graph 1: Rental Structure



Note: As at 31 March 2018

Graph 2: Lease Expiry Profile



Note:

1. Percentage of total occupied area as at 31 March 2018
2. Exclude rental agreements < 1 year