

CPN Retail Growth Leasehold REIT ("CPNREIT") was established on 1 December 2017 from the conversion from 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 investing in 5 shopping malls, which are CentralPlaza Rama 2, CentralPlaza Rama 3, CentralPlaza Pinklao, CentralPlaza Chiangmai Airport and CentralFestival Pattaya Beach with total leasable area of 214,605 sq.m., 2 office buildings which are Pinklao Tower A and Tower B totaling 34,320 sq.m. of leasable area, and Hilton Pattaya.

Economic and Industry Overview

In 1Q19, the Thai economy expanded moderately, primarily driven by domestic demand in both private consumption and government expenditure, together with solid performance in the tourism sector. Public investment increased, partly attributable to disbursement for road-related projects. However, export sector continued to slow down due to global economic situation. Consequently, the Bank of Thailand lowered the Thailand economic growth outlook in 2019, from 4.1% to 3.8%, as well as maintain the policy rate at 1.75% to balance the economic growth momentum and the stability of the financial system.

Major Events in 1Q19

- CPNREIT issued 2 tranches of debentures in February 2019. The objective of issuance of debentures was for bank loans repayment, details are as follows;

Bond	Amount (MB)	Issue Date	Maturity Date	Tenor (Year)	Coupon (%)
CPNREIT212A	2,700	8 Feb 2019	8 Feb 2021	2	2.54
CPNREIT232A	1,795	8 Feb 2019	8 Feb 2023	4	3.30
Total	4,495				

- 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.
- CPNREIT announced the interim distribution of returns at the rate of Baht 0.4163 per unit trust, paid from the operating period from 1 October 2018 to 31 December 2018. The payment date was on 25 March 2019.

Summary of Operating Performance in 1Q19

At the end of 1Q19, the average occupancy rate of shopping malls and office buildings in CPNREIT was 94.8%, unchanged from the end of 2018 at 94.9%. This is consisting of the occupancy rate of CentralPlaza Chiangmai Airport increased to 93.7% from 92.7% as at the end of 2018, and that of CentralFestival Pattaya Beach remained the same at 98.4%. Meanwhile, occupancy rate of other assets i.e. CentralPlaza Rama 2, CentralPlaza Rama 3, CentralPlaza Pinklao, Pinklao Tower A, and Pinklao Tower B, slightly decreased to 95.3%, 94.1%, 98.3%, and 89.3%, respectively. Hilton Pattaya's average occupancy rate in 1Q19 was 92.5%, improved slightly from previous quarter due to peak tourist season in Pattaya.

Financial and Operating Performance

The Change of Accounting Policy

CPNREIT has adopted the Thai Accounting Standard No. 17: Lease, stated that "lease income from operating leases is recognized by the lessor on a straight-line basis over the lease term", and applied to the fixed rental income over the 9-years period determined in the Sublease Agreement of Hilton Pattaya. Therefore, starting from 1Q19 onward, the fixed-rental income is recognized on a straight-line basis, and the fixed rental income booked in 2018 was also adjusted equally every quarter throughout 2019. Consequently, rental and service income will be positively impacted in 2019 comparing to that in 2018.

Income

1Q19, total income was Baht 1,312.8 million, an increase of Baht 128.4 million or 10.8%yoy.

For 1Q19, total income was reported at Baht 1,312.8 million, an increase by Baht 128.4 million or 10.8% from 1Q18. Rental and service income totaled Baht 1,229.8 million, increased 6.9%yoy, mainly resulting from strong performance of CentralPlaza Rama 3 after the major renovation in 2018. In addition, and the change of accounting policy for the fixed rental income from sublease of Hilton Pattaya contributed approximately 1.2%yoy growth.

Other income increased by Baht 49.0 million or 146.8%yoy, following an increase in property tax income and insurance income, while interest income decreased by Baht 0.2 million or 28.7%yoy.

In comparison to 4Q18, total income increased by Baht 55.3 million or 4.4%qoq, as a result of an increased in other income by Baht 40.1 million or 94.8%qoq from an increase in property tax income. In addition, rental and service income increased by Baht 15.4 million or 1.3%qoq due to the change of accounting treatment mentioned earlier, while interest income decreased by Baht 0.2 million or 23.5%qoq.

Expense

1Q19 total expense of Baht 352.6 million, an increase of Baht 25.1 million or 7.7%yoy.

Total expense for 1Q19 was Baht 352.6 million, an increase of Baht 25.1 million or 7.7% from 1Q18. This resulted mainly from an increase of interest expense by Baht 42.4 million or 48.6%yoy due to an issuance of debentures, which has a longer-term and higher coupon rate, to repay outstanding short-term loans with lower interest rate. Additionally, other management fees and expenses increased by Baht 1.7 million, or 4.2%yoy, mainly from an increased by Baht 0.9 million or 72.0% in registrar fee from fees associated with the issuance of bonds, and management fee and trustee fee increased by 0.6%yoy and 7.8%yoy, respectively, following the increase in asset value.

Meanwhile, property management fee decreased by Baht 13.1 million or 9.6%yoy, mainly resulted from lower commission for procuring new tenants and management. Administrative expenses also declined by 20.1%yoy due to lower advertising and marketing expenses comparing to expenses in 1Q18 for the Soft Opening of CentralPlaza Rama 3.

In comparison to 4Q18, total expense for 1Q18 decreased by Baht 18.4 million or 5.0%qoq. This was resulting from the drop of Baht 15.2 million or 39.0%qoq in administrative expense from less marketing events in 1Q19 comparing with high season in 4Q18, the drop of Baht 6.4 million or 17.2%qoq in costs of rental and services mainly from lower repair and maintenance cost in 1Q19, and Baht 5.1 million or 4.0%yoy in property management fee, resulting from lower leasing commission fee.

Net Investment Income

Net investment income totaled Baht 960.2 million an increase by Baht 103.3 million or 12.1%yoy.

Net investment income for 1Q18 totaled Baht 960.2 million, increased by Baht 103.3 million or 12.1%yoy from Baht 856.9 million in 1Q18. This was attributable to strong performance of all assets especially CentralPlaza Rama 3 as well as efficient cost management.

In comparison to 4Q18, an increase in net investment income of Baht 73.7 million or 8.3%qoq, due to the growth of rental and service income and other income, coupled with the significant drop in marketing and promotion expenses and repair and maintenance expense.

Profitability

Net property income margin stood at 86.4%, increased by 3.1%yoy.

Net property income margin for 1Q19 stood at 86.4%, an increased by 3.1%yoy. This is mainly contributed by the increase of property income by Baht 128.6 million or 10.9%yoy while property expenses decreased by Baht 19.2 million or 9.7%yoy. While net investment income margin stood at 73.2%, an increased by 0.8%yoy from 72.4% as at 1Q18.

In comparison to 4Q18, net property income margin increased from 83.7% in 4Q18 to 86.4%. Net investment income margin stood at 73.2%, representing an increase of 2.7% from a margin of 70.5% in 4Q18. This was mainly resulted from a higher profit margin in 1Q19 compared to 4Q18.

Balance Sheet Movement

Total asset totaled Baht 46,923.6 million, increased by Baht 73.8 million.

As of 31 March 2019, CPNREIT reported total assets of Baht 46,923.6 million, an increase of Baht 73.8 million from total assets as of 31 December 2018. This was mainly due to the increase of cash on hand and at bank of Baht 81.8 million.

As of 31 March 2019, Net Asset Value ("NAV") was recorded at Baht 30,007.3 million or Baht 13.5627 per unit, an increase from Baht 13.5573 per unit as of 31 December 2018.

The Distribution of Returns to Unitholder

CPNREIT has announced distribution of returns for 1Q19 at Baht 897.16 million or 0.4055 Baht per unit. CPNREIT will post XD sign on 24 May 2019, followed by Book Closing Date on 28 May 2019 and distribution of returns payment will be made on 11 June 2019.

FINANCIAL SUMMARY

Table 1: Income Statement

Unit: Baht Million	1Q19	1Q18	Change YoY	4Q18	Change QoQ
<i>Property income</i>	<i>1,312.1</i>	<i>1,183.5</i>	<i>10.9%</i>	<i>1,256.7</i>	<i>4.4%</i>
Rental and service income	1,229.8	1,150.1	6.9%	1,214.4	1.3%
Other income	82.4	33.4	146.8%	42.3	94.8%
Interest income	0.7	0.9	(28.7%)	0.9	(23.5%)
Total income	1,312.8	1,184.4	10.8%	1,257.5	4.4%
<i>Property expenses</i>	<i>178.4</i>	<i>197.6</i>	<i>(9.7%)</i>	<i>205.3</i>	<i>(13.1%)</i>
Costs of rental and services	31.2	31.1	0.1%	37.6	(17.2%)
Administrative expenses	23.8	29.8	(20.1%)	39.0	(39.0%)
Property management fee	123.5	136.6	(9.6%)	128.6	(4.0%)
Finance costs	129.7	87.3	48.6%	120.7	7.5%
Other management fees and expenses	44.4	42.7	4.2%	45.1	(1.4%)
Total expense	352.6	327.5	7.7%	371.0	(5.0%)
Net investment income	960.2	856.9	12.1%	886.5	8.3%
Net realised gain (loss) from investment	(0.1)	(1.6)	68.0%	(25.3)	99.8%
Net unrealised gain (loss) from investment	(26.9)	(24.4)	(10.3%)	(350.4)	92.3%
Net increase in net assets from operations	933.2	830.8	12.3%	510.8	82.7%
Distribution	897.2	839.6	6.9%	921.1	(2.6%)
Distribution per unit (in Baht)	0.4055	0.3795	6.9%	0.4163	(2.6%)
Net property income margin	86.4%	83.3%	3.1%	83.7%	2.7%
Net investment income margin	73.2%	72.4%	0.8%	70.5%	2.7%

Table 2: Balance Sheet

Unit: Baht Million	CPNREIT				
	31-Mar-18	30-Jun-18	30-Sep-18	31-Dec-18	31-Mar-19
<i>Investment at fair value</i>					
Central Rama 2	6,997.0	6,997.0	6,900.0	6,962.0	6,962.0
Central Rama 3	10,151.0	10,525.0	10,662.0	10,698.0	10,698.0
Central Pinklao and Pinklao Tower A & B	5,778.0	5,778.0	5,721.0	5,678.0	5,678.0
Chiangmai Airport	10,653.0	10,653.0	10,658.0	10,658.0	10,658.0
CentralFestival Pattaya Beach	7,272.0	7,272.0	7,283.0	7,289.0	7,289.0
Hilton Pattaya	3,450.0	3,450.0	3,453.0	3,465.0	3,465.0
Total investment in properties	44,301.0	44,675.0	44,677.0	44,750.0	44,750.0
Investment in securities	992.1	994.2	996.7	999.4	1,002.5
Cash on hand and at banks	482.1	510.5	609.8	341.7	423.5
Other assets	728.6	733.4	750.7	758.7	747.7
Total assets	46,503.9	46,913.1	47,034.3	46,849.8	46,923.6
Deposits received from customers	1,460.9	1,488.7	1,528.8	1,543.6	1,545.0
Borrowings	14,456.3	14,459.0	4,466.0	4,468.7	-
Debentures	-	-	10,029.9	10,030.4	14,521.4
Other liabilities	930.7	893.9	941.5	811.9	849.8
Total liabilities	16,847.9	16,841.6	16,966.3	16,854.6	16,916.3
Net Asset	29,656.0	30,071.5	30,068.0	29,995.2	30,007.3
Capital received from unitholders	29,016.4	29,016.4	29,016.4	29,016.4	29,016.4
Equalisation account	216.09	216.09	216.09	216.1	216.1
Retained earning (deficit)	423.5	839.0	835.5	762.7	774.8
NAV per unit (in Baht)	13.4040	13.5917	13.5902	13.5573	13.5627

Source: 1) Interim Financial Statements for the three-months period 2) Financial Statements for the year

OPERATIONS SUMMARY

Table 3: Leasable Area and Occupancy

	Area (sqm)		Occupancy Rate ^{/1}			
	GFA	NLA ^{/1}	30 Jun 18	30 Sep 18	31 Dec 18	31 Mar 19
CentralPlaza Rama 2	251,182	82,588	94.8%	94.5%	95.6%	95.3%
CentralPlaza Rama 3	169,740	37,137	90.3%	93.6%	94.3%	94.1%
CentralPlaza Pinklao	137,692	27,656	99.2%	99.4%	98.9%	98.3%
Pinklao Tower A & Tower B	50,653	34,320	88.3%	88.9%	90.1%	89.8%
CentralPlaza Chiangmai Airport	122,991	37,820	93.2%	92.2%	92.7%	93.7%
CentralFestival Pattaya Beach	70,095	29,404	95.7%	98.1%	98.4%	98.4%
Total/Average	802,353	248,925	93.6%	94.2%	94.9%	94.8%
Hilton Pattaya ^{/2}	49,686	302 rooms	91.7%	92.4%	91.1%	92.5%

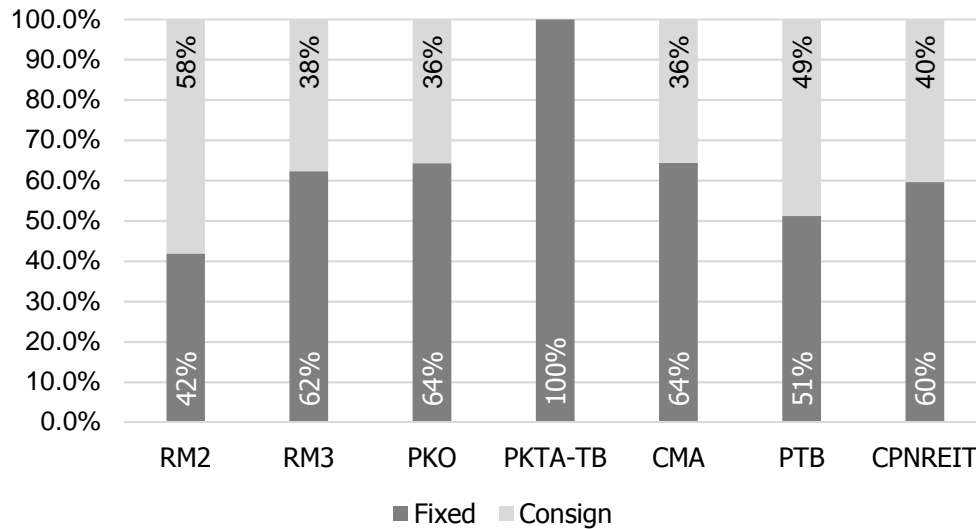
Note: ^{/1} Anchor and in-line tenants only^{/2} Average quarterly occupancy rate

Table 4: Renewals and New Leases

	From 1 January to 31 March 2019		
	Renewals and New Leases ^{/1}		
	No. of Leases	Area (sqm)	%of Total ^{/2}
CentralPlaza Rama 2	46	2,324	3%
CentralPlaza Rama 3	9	1,335	4%
CentralPlaza Pinklao	6	3,575	13%
Pinklao Tower A & Tower B	14	3,010	10%
CentralPlaza Chiangmai Airport	19	2,880	8%
CentralFestival Pattaya Beach	15	12,380	43%
Total	109	25,504	11%

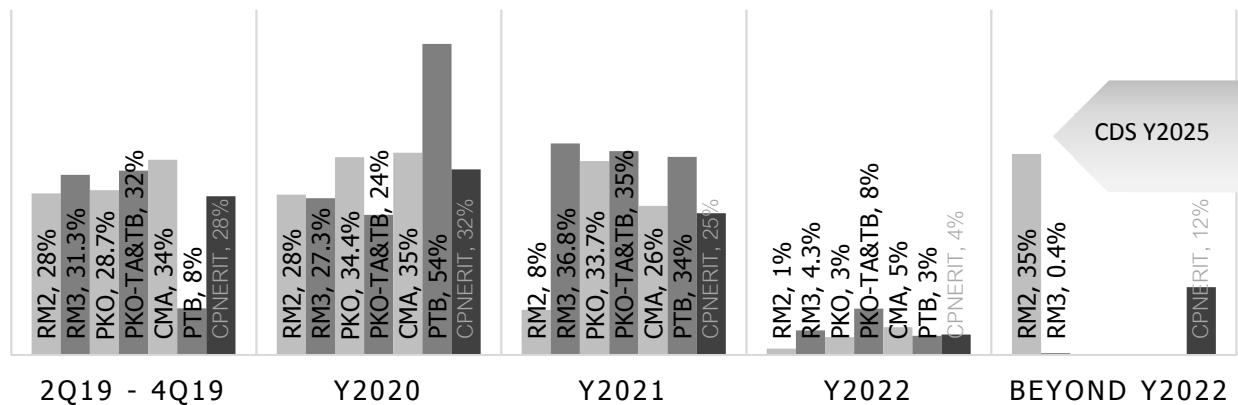
Note: ^{/1} Exclude rental agreements < 1 year^{/2} Percentage of leasable area at 31 March 2019

Graph 1: Rental Structure



Note: As at 31 March 2019

Graph 2: Lease Expiry Profile



Note:

1. Percentage of total occupied area as at 31 March 2019
2. Exclude rental agreements < 1 year