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### Performance Overview

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In 2016, Thai GDP grew at 3.2% from 2.8% in 2015 driven mainly by 1) government measures to accelerate public investment and government expenditure, 2) continual solid growth of the tourism sector in both revenue and the number of tourist arrivals, despite the southern bombing and measures on zero-dollar tours, 3) slowly improving private consumption supported by government packages and higher agricultural prices of selected farm products, and 4) easing monetary policy to support continual economic expansion as the Bank of Thailand has kept the policy rate unchanged at 1.5% for the whole year.

Central Pattana Public Company Limited ("The Company" or "CPN") continued with business operations as planned. Currently, CPN manages 30 shopping malls with a total of 1.6 mn sqm of net leasable area (NLA). The Company has placed great emphasis on effective revenue generation from new, existing, and improving malls, coupled with efficient operating costs and administrative expense management.

### Business Operations in 2016

*Solid growth continued both revenue and net profits, attributed to efficient mall management and effective operating costs control*

CPN accomplished its expansion plan with the launch of a new green-field project namely CentralPlaza Nakhon Si Thammarat, the 30<sup>th</sup> shopping mall of CPN and the renovation of 5 existing shopping malls. Moreover, CPN attempted to boost the revenue growth by effectively utilizing common areas to organize marketing and promotion events and increase on-site media activities. The shopping malls' performance remained strong with high occupancy rate at an average of 94% with growing rental rate though CPN still support some tenants by giving rental discounts during slow economic recovery.

**New malls opened in 2015 and 2016** – Major revenue growth contribution

The four new shopping malls opened in 2015 i.e. CentralPlaza Rayong (May), CentralFestival Phuket (June), CentralPlaza WestGate (August), and CentralFestival EastVille (November), were major contributors to overall revenue this year with occupancy rate above 95%.

On 28 July 2016, CentralPlaza Nakhon Si Thammarat, the 30<sup>th</sup> lifestyle shopping complex, was opened to offer a variety of products and services i.e. fashion hub, dining destination, SF Cinema City movie theatres, Fun Planet, "Laan Suk Nakhon" – an activities space, family services including mini playgrounds and features, Market-Market zone - a semi-outdoor lifestyle market, and the first "Co-Working Space" in the South of Thailand. This project received well response from both customers and tenants with an

occupancy rate of 87% at the end of 2016.

**Asset Enhancement Projects** – Continue to create value for shoppers, tenants, and the community to sustain recurring income

CPN had major renovation at 2 shopping malls, including CentralPlaza Pinklao and CentralMarina (previously known as Central Center Pattaya) and minor renovation at CentralPlaza Bangna, CentralFestival Phuket, and CentralPlaza Chaengwattana. The minor renovation includes adding new tenants, changing tenant-mix, re-zoning, enhancing interior and exterior look, and also setting up a new “Food Destination Zone”, which combines food court, restaurants, food kiosks, and supermarket altogether at the same area in order to draw traffic into the shopping mall and become a convenient gathering for customers.

- **CentralPlaza Pinklao** with major renovation work after 20 years of operation was inaugurated in June 2016 under “The Best is Back” theme, designed as western Bangkok’s premier shopping center in line with this zone’s progress and lifestyles. Sporting new looks both exterior and interior; the shopping complex now boosts additional NLA of 5,500 sqm with 360,000 sqm of the project area, the largest in Thonburi, with a car park accommodating some 4,500 cars. CentralPlaza Pinklao refurbished stores and added new ones along with 200 fashion shops, stores, and restaurants.
- **CentralMarina** was inaugurated on 19 December 2016 as Pattaya’s first theme mall, more modern and stylish than ever after six months of renovation from May 2016. Sporting a “Fisherman Village” theme, Central Marine strives to attract patrons with the addition of magnets such as a seafood market with chefs personally cooking tasty dishes to order, sports fashion factory outlets, and an outdoor “Market Market”, featuring a modern format for small retail entrepreneurs catering to the latest consumers’ lifestyles. The target group is Pattaya-based teenagers, workers as well as housewives, and foreign tourists. After renovation, NLA at CentralMarina increased about 2,000 sqm to 17,300 sqm with an occupancy rate of 80% on the opening day and stepped up to 85% at the end of January 2017.
- **CentralPlaza Bangna** marked its new-look soft opening in December 2016 under “The Best Thing Happens at Bangna” theme after revamping its exterior and interior and adding Central Group’s premium brands, fashion stores, and leading restaurants. Not long ago, CentralPlaza Bangna had piloted “Pororo Aquapark” the world-class rooftop water park, “Kidspace” fun-filled area for kids and families, along with “Food Patio” deluxe food kingdom on about 12,000 sqm, with over 80 restaurants and “Food Balcony” premium collection of over 20 top restaurants with many new restaurants such as “Ruen Petch Suki”, the renowned traditional sukiyaki restaurant for more than 50 years, or “Sushi Hiro”, a popular sushi restaurant.
- **CentralFestival Phuket** has enhanced the overall atmosphere, decoration, and common areas of the shopping mall. This project will

also incorporate with the new "Food Destination Zone", expected to finish by 2Q17.

- **CentralPlaza Chaengwattana** launched "Food Patio", a new food park, in 4Q16 with a variety of Thai and international foods and desserts such as **Royal Dragon Restaurant (Mang Korn Lung)**, a Thai seafood restaurant, **Ganso Sushi**, a subsidiary of Sushi Den, Japanese restaurant, **Gomango**, all desserts made from mango, etc.
- **CentralFestival EastVille** launched Virgin Active, four-storey modern lifestyle fitness, in 4Q16 with the NLA of approximately 3,700 sqm. This Virgin Active will feature indoor swimming pool and Active Crew, the brand's renowned kids program for 7-15 years old children.

#### **Shopping Mall Operations** – Driving organic growth by improving space utilization

The Company focused on marketing communication activities and promotional campaigns, as well as and effectively utilized spaces in shopping malls (i.e. common areas, convention halls, on-site-media, and promotional areas) by continuously rolling out a variety of marketing events. These events include exotic experience offerings, contests, competitions, celebrations, and seminars. The marketing events are aimed to attract customers into regularly visiting shopping malls, which in turn boosted retail sales for tenants.

Additionally, CPN also cooperated with government authorities to promote Small and medium-sized enterprises (SMEs) organized "SME Market Place" to promote their quality products and services in our shopping malls, with the first location starting at CentralPlaza Udonthani. Also, CPN together with Central Group organized "SMEs Think Big", the business matching event to match between SMEs and companies under Central Group.

#### **Well-managed finance cost**

CPN was able to lower cost of debt to 3.14% p.a. from 3.33% p.a. in 2015, mainly from the use of various financial instruments suitable with money and capital market environment. Plus, CPN's "AA-" company rating and the existing senior unsecured debenture ratings affirmed by TRIS Rating. The "AA-" ratings reflect the company's leading position in the retail property development industry in Thailand, proven record of managing high-quality shopping centers, reliable cash flows from contract-based rental and service income, and conservative financial policy.

#### **Sustainable growth is key for CPN' business operation**

- CPN has been selected as a member of 2016 **DJSI (Dow Jones Sustainability Indices Emerging Markets)** for a third consecutive year. CPN was the first and only Thai company in the real estate sector to attain such membership, which illustrated its business standard based on corporate governance with due regard for the environment, society, and all stakeholders while being committed to secure, sustainable growth.
- CPN was added to **MSCI** (Morgan Stanley Capital International) index for

the second consecutive year based on a MSCI's sustainability assessment and was chosen to be on the **FTSE** (Financial Times Stock Exchange) index in the Emerging Markets sector for the first year. This move reflected CPN's commitment and socio-econo-environmental value given to sustainable development based on the sustainability assessment for the real estate industry and international sustainable business.

- CPN has been selected to list in **"Thailand Sustainability Investment 2016"** announced by the Stock Exchange of Thailand among all listed companies with sustainable business operations, a proof of business conduct marked by corporate governance with due regard for stakeholders. As a result, economic growth is achieved hand in hand with balanced socio-environmental development, and the company can thoroughly disclose its performance outcomes in economic, social, and environmental aspects.

### **Business expansion toward mixed-use project development**

CPN recognizes the potential of mixed-use project, so CPN plans to develop shopping mall, residential project, office, and hotel in one complex. This will be an optimal support of its core shopping-complex business as well as value added to the company.

In January 2016, CPN launched condominium business under the brand of "ESCENT" and started the presales for three condominiums, adjacent to the Chiangmai, Khonkaen, and Rayong shopping mall. The project value of three projects is approximately THB 3 bn. CPN achieved 100% take-up for all three projects because of the prime location next to CPN's shopping malls and the design that match with customers' lifestyle. All are under construction and expected to complete and ready to transfer in 2018.

### **2016 Performance**

*FY2016 total revenues of THB 29,234 mn. Excluding non-recurring item, FY 2016 total revenues was up by 14% YoY with a 19% YoY growth in recurring net profit.*

CPN reported its FY2016 consolidated net profit of THB 9,244 mn, increased by 17% YoY with total revenues of THB 29,234 mn, grew by 13% YoY. Without the non-recurring items in 1Q15, FY2016 consolidated net profit would have grown by 19% YoY and total revenues would have increased by 14% YoY.

Note that a non-recurring item in the 1Q15 included a THB 134 mn income from reversals of provisions for impairments of land at Khonkaen province incorporated under other income. *(See notes to the financial statements for three-month period ended 31 March 2015, Item 10)*

The growth in revenue and net profit was mainly driven by

- Improved performance of existing projects especially at CentralPlaza Hatyai, and other projects such as CentralWorld, CentralPlaza Salaya, CentralFestival Samui, and CentralPlaza Udonthani, etc.
- The full-year operation in 2016 of four new projects launched in 2015
- Contributions from a new project launched in 2016
- Higher revenues from renovated projects i.e. CentralPlaza Pinklao and

#### CentralMarina

- Continuing growth in hotel business, from great performance of both Hilton Pattaya Hotel and Centara Hotel & Convention Centre Udonthani
- Emphasizing on efficient cost and expense management continuously including pooled procurement program in terms of supply and marketing campaigns for all shopping malls under CPN's management to achieve economy of scale.

#### **4Q16 Performance**

*4Q16 total revenues of THB 7,487 mn, up by 5% YoY with a 16% YoY growth in net profit to THB 2,219 mn.*

On a YoY basis, CPN reported 4Q16 consolidated net profit of THB 2,219 mn, up 16% YoY, with total revenues of THB 7,487 mn, up 5% YoY. The increase was largely attributable to increased revenue from existing malls, contributions from new projects and renovated projects, and efficient costs and administrative expense management resulting in higher gross margin and operating margin.

*4Q16 total revenues were up 2% q-o-q with a decrease of 5% q-o-q in net profit.*

On a QoQ basis, total revenues increased by 2%, but net profit decreased by 5%. Total revenue increased mainly from full quarter realization of project launched in 3Q16, CentralPlaza Nakorn Si Thammarat, and the latest re-launch of CentralMarina on 19 December 2016 after a major renovation. Revenues from hotel operations were slowdown from lower number of tourists during the mourning period with the cancellation of many entertaining events for a period of 100 days. Meanwhile, net profit decreased owing primarily to the seasonal increases in SG&A from marketing expense due to grand opening of renovated projects and promotion expenses during year-end, altogether with higher personnel expenses. However, the rise in marketing expense in 4Q16 was still significantly lower than the rise in 4Q15.

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#### **Operational Performance**

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As of December 31, 2016, CPN managed 30 shopping centers (13 projects in Bangkok and 17 projects in the provinces), 26 Food courts, 7 office towers, and 1 residential property (totaling 11 units). These include the properties which had been transferred to CPN Retail Growth Leasehold Property Fund ("CPNRF") and CPN Commercial Growth Leasehold Property Fund ("CPNCG"), of which CPN acts as the property manager. In addition, CPN owned 2 hotel properties (totaling 561 guest rooms), but outsourced their managements.

At the end of 4Q16, the occupancy rate for CPN's retail properties remained high at an average of 94%, slightly higher from 93% in 3Q16 from the re-launch of CentralMarina after a major renovation with a high occupancy rate at 80% on the opening day.

**Table 1: Operational Statistics**

Retail properties	No. of Projects	Net leaseable area (sqm)	Occupancy Rate (%)		
			4Q15	3Q16	4Q16
CPN in BMA	13	896,793	93%	93%	94%
CPN in Provinces	17	712,795	95%	92%	94%
Total	30	1,609,588	94%	93%	94%

  

Non-core Properties	No. of Projects	Net leaseable area (sqm)	Occupancy Rate (%)		
			4Q15	3Q16	4Q16
Office	7	170,487	98%	97%	97%
Residential	1	1,567	30%	37%	21%
Hotel *	2	561 rooms	76%	88%	83%

\* Occupancy rate of Hotel Business was an average of occupancy rate in each quarter.

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## Financial Performance in 2016

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### Total Revenues

#### *Revenues from rent and services*

FY2016 consolidated revenues from rent and services increased by 14% y-o-y to 25,247 MB, confirming a well-diversified portfolio despite the decrease in revenues from CentralMarina and CentralPlaza Chaengwattana during a renovation. The increase in revenue was primarily due to

- Full-year contributions in 2016 from four new projects launched in 2015 i.e. CentralPlaza Rayong, CentralFestival Phuket, CentralPlaza WestGate, and CentralFestival EastVille
- Contributions from a new project launched in 2016 i.e. CentralPlaza Nakhon Si Thammarat
- Full-year contribution from CentralPlaza Pinklao after a major renovation and gradually opened since December 2015
- FY2016, the average rental rate of all retail properties were THB 1,559 per sqm/month. Excluding new malls launched in 2015 and 2016 i.e. CentralPlaza Rayong, CentralFestival Phuket, CentralPlaza WestGate, CentralFestival EastVille, CentralPlaza Nakhon Si Thammarat, and asset enhancement projects i.e. CentralPlaza Pinklao, CentralMarina, and CentralPlaza Chaengwattana, the same store average rental rate of other retail properties grew by 3.3% YoY from THB 1,523 per sqm/month to THB 1,573 per sqm/month. The same store rental rate growth was in line with the company's full year guideline, nevertheless, lower than the company's long-term target of 5% same store rental growth due to temporary discounts given to assist tenants at some shopping malls during a slow-recovery economy. However, the rental rate growth of new and renewed contracts was still maintained at 5% on average per year.

### *Revenues from food and beverage*

FY2016, the in-mall food court business posted a 30% YoY sales growth to THB 1,389 mn. The increase was mainly attributed to the new food courts launched in 2015 and 2016, the new food court at CentralMarina, and the new food courts in the renovated projects i.e. CentralPlaza Pinklao and CentralPlaza Bangna, coupled with an impressive sales growth at CentralFestival Chiangmai, CentralFestival Pattaya Beach, CentralFestival Samui, CentralPlaza Salaya, and CentralPlaza Ubonratchathani. Same store revenues from food and beverage increased impressively at 14% YoY.

### *Revenues from hotel operations*

Hotel operations are considered CPN's non-core businesses. FY2016, hotel operations reported a 1% YoY revenue growth to THB 998 mn, thanks to strong performance of Hilton Pattaya Hotel and Centara Hotel & Convention Centre Udonthani. Hilton Pattaya Hotel maintained high occupancy rate at 89%, stabled from 2015, with an increase in room rate even there are some impact from the cancellation of many entertaining events in Pattaya during mourning period in 4Q16, which is the peak period of hotel business. Centara Hotel & Convention Centre Udonthani also maintain strong performance with increased room rate and average occupancy rate of 67% from 61% in 2015, primarily from government meetings and seminars as well as higher number of customers booked via website.

## **Total Costs**

### *Costs of rent and services*

Costs of rent and services constituted utilities, security & cleaning services, on-site personnel, land rental, depreciation & amortization, repair & maintenance costs and insurance premium and property tax of properties owned to earn rentals.

FY2016, costs of rental and services increased by 10% YoY to THB 12,630 mn. The increase in cost of rental and services was lower than the increase in revenues from rent and services because of the effectiveness of utility cost management. The rise of costs of rental and services was primarily due to compounding effects of the following factors:

- Full-year realization of operating costs and depreciation of the new projects launched in 2015.
- Additional operating costs and depreciation of the new projects launched in 2016.
- Increased repair and maintenance costs and personnel expenses in general.

On a same-store basis, utility cost, a major component (about 30%) of cost of rent and services for shopping mall operation, decreased 8% YoY, reflected the effectiveness of the continuing energy conservation measures.

### *Costs of food and beverage*

Costs of food and beverage constituted costs of operating in-mall food centers, as well as depreciation and repair & maintenance costs of food center equipment and furniture, and decoration costs.

Likewise, FY2016 costs of food and beverage increased by 27% YoY to THB 1,086 mn, stemmed primarily from new food courts launched in 2015 and 2016 as previously mentioned.

### *Costs of hotel operations*

FY2015 costs of hotel operations posted 325 MB, down 2% y-o-y from lower cost of food and beverage (F&B) which was in line with the lower revenue of F&B and lower personnel expense from vacant positions.

## **Administrative Expenses**

Total administrative expenses constituted expenses on personnel, marketing & promotion, office supplies, professional fees, and depreciation and amortization of office equipment and hotel properties.

FY2016, total administrative expenses amounted to THB 4,406 mn, up 9% YoY due primarily to additional personnel expense arising from business expansion, higher depreciation operating expenses at new shopping malls in 2015 and 2016, and marketing & promotion expenses for newly launch malls and the re-launch of renovated malls i.e. CentralPlaza Nakhon Si Thammarat, CentralMarina, and CentralPlaza Bangna. However, the ratio of administrative expenses to total revenues was lower to 15% from 16% in 2015.

## **Gross Profit Ratio & Operating Profit Ratio**

FY2016, Gross Profit ratio (excluding other income) was higher to 49.2% from 48.0% in 2015. The increase can be attributed to effective cost management, reflected in costs rising at a significantly slower pace than revenues, especially the solid growth of both revenues from rent and services and revenues from food and beverage with double digit growth. Also cost of hotel operations reduced while revenue increased. The Operating Profit ratio this year increased to 37.0% from 35.3% in 2015 due to effective costs and expenses management shown by the lower administrative expenses to total revenues ratio mentioned earlier.

## **Net Profit**

FY2016 CPN reported consolidated net profit increased 17% YoY to THB 9,244 mn. Excluding non-recurring items in 2015, net profit grew by 19% YoY. The growth was attributable to the following factors:

- Improved performance of existing malls with outstanding net profit



growth, especially at CentralFestival Hatyai, which had 3 times higher in YoY net profit growth. Other shopping malls with a double-digit growth in net profit such as at CentralWorld, CentralPlaza Salaya, CentralFestival Samui, and CentralPlaza Udonthani, etc.

- The full-year contribution of four new projects launched in 2015.
- Continuing growth in hotel business, both at Hilton Pattaya Hotel and Centara Hotel & Convention Centre Udonthani.
- Continuing efficient cost and expense management as well as the economy of scale. CPN has continuously conducted on a number of implementations to reduce costs and expenses, reflecting in costs rising at a significantly slower pace than revenues, especially utility costs. FY2016, the utility cost was up only 1% YoY (same-store utility cost was even down 8% YoY) and administrative expenses increased only 9% YoY. As a result, CPN can sustain margins at high level even the company keep expanding the portfolio.

Overall, CPN managed to report the net profit growth impressively with the higher than the YoY revenue growth.

### **Financial Performance in 4Q16**

**On a YoY basis**, CPN reported 4Q16 net profit of THB 2,219 mn, up 16% YoY, mainly from improved revenues from existing malls such as at CentralPlaza Suratthani and CentralPlaza Udonthani, plus contributions from newly opened malls and renovated mall in 2015 as well as effective costs and expenses management. Revenues from rent and services was THB 6,492 mn, up 8% YoY, and revenue from food court business was THB 362 mn, increased by 18% YoY due to strong performance of several food centers both in new shopping malls and in the renovated projects opened since 4Q15 including Food Patio at CentralPlaza Changwattana.

In 4Q16, costs of rent and services rose by 3% YoY to THB 3,273 MB due to additional operating costs of new projects and renovated projects launched since 4Q15. The rise in costs was mainly from new projects' depreciation cost. Meanwhile, total administrative expenses in 4Q16 stood at THB 1,329 mn, a drop of 1% YoY though higher number of malls under operation, mainly from lower advertising and promotion expenses during the mourning period.

The Gross Profit ratio (excluding other income) for 4Q16 increased to 48.7% from 46.9% in 4Q15, thanks to efficient cost management programs. Costs grew at slower pace than the growth of revenues, especially utility cost that was down 7% even with higher number of shopping malls under operation. Operating Profit ratio increased to 33.7% from 31.8% last year, thanks to lower administrative expenses.

**On a QoQ basis**, net profit decreased 5% owing to the seasonal increases in SG&A in the last quarter of the year. CPN recorded revenues from rent and services growth of 3% QoQ, mainly due to full quarter revenue realization of CentralPlaza Nakhon Si Thammarat, the re-launch of CentralMarina with higher leasable area, rental rate, and occupancy rate after renovation, and strong performance of existing projects such as at CentralPlaza Westgate and CentralPlaza Udonthani. Revenues from food and beverage demonstrated a 1% QoQ sales growth. The increase was mainly from new food centers at CentralMarina and CentralPlaza Changwattana. Meanwhile, revenues from hotel operation remained flat as a result of the mourning period.

Costs of rent and services increased 4% QoQ, mostly due to full quarter realization of operating costs of new project opened in 3Q16, additional cost of renovated projects opened in 4Q16, and repair and maintenance cost generally occurred in the 4<sup>th</sup> quarter. Total administrative expenses in 4Q16 increased 22% QoQ, led by higher personnel expense arising from business expansion, increased marketing and promotion expenses during year-end season, and grand opening event of CentralMarina in 4Q16.

Gross Profit ratio decreased to 48.7% from 49.3% in 3Q16, mainly from higher depreciation cost of new and renovated shopping malls opened in 3Q16 & 4Q16 and higher repair and maintenance cost in 4Q16 as usual. Operating Profit ratio decreased to 33.7% from 37.2% as a result of higher SG&A in the fourth quarter every year when the company normally records high marketing and promotion expenses for year-end season and higher personnel expense for business expansion. However, the increase in marketing and promotion expenses grew at slower pace than the growth in the preceding year.

Table 2: Consolidated Results Summary

Consolidated Earnings (THB mn)	4Q15	3Q16	4Q16	% Change QoQ (3Q16 vs 4Q16)	% Change YoY (4Q15 vs 4Q16)	FY2015	FY2016	% Change YoY (FY2015 vs FY2016)
Revenue from rent and services	6,033	6,323	6,492	3%	8%	22,231	25,247	14%
Retail	5,865	6,155	6,323	3%	8%	21,584	24,579	14%
Office	167	168	168	(0%)	1%	638	667	5%
Other supportive businesses	0	0	0	(19%)	(19%)	10	1	(89%)
Revenue from hotel operations	264	248	247	(0%)	(7%)	983	998	1%
Revenue from food and beverage	306	359	362	1%	18%	1,068	1,389	30%
Other income	511	389	386	(1%)	(24%)	1,565	1,600	2%
<b>Total revenues</b>	<b>7,113</b>	<b>7,319</b>	<b>7,487</b>	<b>2%</b>	<b>5%</b>	<b>25,847</b>	<b>29,234</b>	<b>13%</b>
<b>Total revenues excluding non-recurring items</b>	<b>7,113</b>	<b>7,319</b>	<b>7,487</b>	<b>2%</b>	<b>5%</b>	<b>25,713</b>	<b>29,234</b>	<b>14%</b>
Cost of rent and services	3,175	3,148	3,273	4%	3%	11,450	12,630	10%
Retail	3,103	3,079	3,201	4%	3%	11,158	12,349	11%
Office	72	69	72	4%	(1%)	280	279	(0%)
Other supportive businesses	0	0	0	(14%)	0%	12	1	(90%)
Cost of hotel operation	83	84	79	(6%)	(5%)	332	325	(2%)
Cost of food and beverage	246	280	288	3%	17%	852	1,086	27%
<b>Total costs</b>	<b>3,505</b>	<b>3,511</b>	<b>3,639</b>	<b>4%</b>	<b>4%</b>	<b>12,634</b>	<b>14,041</b>	<b>11%</b>
<b>Operating profit</b>	<b>2,265</b>	<b>2,725</b>	<b>2,522</b>	<b>(7%)</b>	<b>11%</b>	<b>9,208</b>	<b>10,814</b>	<b>17%</b>
<b>Operating profit excluding non-recurring items</b>	<b>2,265</b>	<b>2,725</b>	<b>2,522</b>	<b>(7%)</b>	<b>11%</b>	<b>9,074</b>	<b>10,814</b>	<b>19%</b>
<b>Net profit</b>	<b>1,911</b>	<b>2,342</b>	<b>2,219</b>	<b>(5%)</b>	<b>16%</b>	<b>7,880</b>	<b>9,244</b>	<b>17%</b>
<b>Net profit excluding non-recurring items</b>	<b>1,911</b>	<b>2,342</b>	<b>2,219</b>	<b>(5%)</b>	<b>16%</b>	<b>7,746</b>	<b>9,244</b>	<b>19%</b>
<b>EPS (Bt)</b>	<b>0.43</b>	<b>0.52</b>	<b>0.49</b>	<b>(5%)</b>	<b>15%</b>	<b>1.76</b>	<b>2.06</b>	<b>17%</b>
<b>EPS (Bt) excluding non-recurring items</b>	<b>0.43</b>	<b>0.52</b>	<b>0.49</b>	<b>(5%)</b>	<b>16%</b>	<b>1.73</b>	<b>2.06</b>	<b>19%</b>
Gross Profit Margin (excl. other income)	47%	49%	49%	(1%)	2%	48%	49%	1%
Operating Profit Margin (exc. non-recurring item)	32%	37%	34%	(4%)	2%	35%	37%	2%

## New Developments

Under its 5-year plan (2017-2021), CPN aims to increase its revenues at a compound annual growth rate (CAGR) of 14-15% per annum through 2-3 new projects a year, asset enhancement to add value to existing malls, regular rental increase, and operational improvement.

In light of Thailand's urbanization, CPN will expand its business in Bangkok & vicinities, as well as the provinces. CPN, moreover, looks out for opportunities to offer new formats and concept of retail business including innovative designs and decorations to reinforce its eye-catching appearances, which would provide fresh and unique experiences that can respond to local customers and foreign visitors' changing lifestyles.

In addition, CPN has conducted additional studies on opportunities for investments in Southeast Asia, focusing on countries with good investments and growth potential i.e. Malaysia, Vietnam, and Indonesia, with an aim to ensure future growth of business with stability and sustainability

## Retail Property Development

### Domestic Expansion

Currently, CPN's three new projects are under construction, namely CentralPlaza Nakhon Ratchasima (northeast), CentralPlaza Mahachai (Suburban BKK), and CentralPhuket (south), which are scheduled to open in 2017. Additionally, there are four existing projects under renovation, namely CentralWorld, CentralFestival Phuket, CentralPlaza Chiangmai Airport, and CentralPlaza Rama 2. CentralPlaza Rama 3 is planned to start renovation in 2Q17. In 2017, additional NLA of around 0.16 mn sqm will make up to total NLA of 1.76 mn sqm.

## Overseas Expansion

At this stage, CPN has participated in Malaysia's Central i-City project as its pioneering shopping complex abroad, since CPN envisions retail commerce there to be blessed with opportunities and growth potential. This project is developed by the joint venture, in which CPN through subsidiaries holds a sixty-percent (60%) stake and I-R&D Sdn. Bhd. ("IRD"), an I-Berhad wholly-owned subsidiary, holds a forty-percent (40%) stake. The investment was a RM 830 mn (or approximately THB 8,300 mn). This project is under construction and scheduled to launch in 2018. CPN has secured key anchor tenants including department store, supermarket, and cinema. Retail tenants are now under negotiation.

## Residential Property Development

Recognizing the potential of mixed-use development of shopping complex projects, CPN plans to utilize existing vacant land plots next to existing shopping malls that is still available for other related businesses development including residential projects. This will be an optimal support of its core shopping-complex business as well as value added to the company.

Presently, three condominiums, adjacent to the Chiangmai, Khonkaen, and Rayong shopping mall, are under construction and expected to be completed in 1H18. Presales have started since January 2016 and CPN achieved 100% take-up for all three projects at the end of October 2016.

CPN plans to launch about three new residential projects per year. Revenue from residential projects will contribute to CPN top-line approximately 5-7% from 2018.

Table 3: New developments

Location		Project	Progress	Completion	Net Leaseable Area (sqm)
Domestic	Greater Bangkok	CentralPlaza Mahachai	Under Construction	Nov-17	28,850
	Provinces	CentralPlaza Nakhon Ratchasima	Under Construction	Sep-17	56,000
		CentralPhuket	Under Construction	Dec-17	63,000
Overseas	Selangor, Malaysia	Central i-City	Under Construction	Oct-18	89,700

Location	Project	Progress	Completion	Type	Presales
Domestic	ESCENT Chiangmai	Under Construction	1H2018	26-storey Condominium, 400 units	100%
	ESCENT Khonkaen	Under Construction	1H2018	24-storey Condominium, 408 units	100%
	ESCENT Rayong	Under Construction	1H2018	25-storey Condominium, 419 units	100%

## Capital Structure

Total CAPEX for FY2016 was approximately THB 9,191 mn, comprising THB 2,733 mn asset enhancement projects, THB 6,458 mn new developments and land acquisitions.

During 2016, CPN raised new debts of approximately THB 800 mn, comprising THB 300 mn short-term borrowings and THB 500 mn long-term borrowings and repaid unsecured bonds, and short term and long term loans totaling THB 5,519 mn during the period.

*Net interest-bearing debt to equity of 0.28 times*

As of December 31, 2016, outstanding interest-bearing debts were THB 17,904 mn, comprising 72% fixed and 28% floating interest rate decreased by 21% YoY and decreased by 9% QoQ due to scheduled debt repayment. Net interest-bearing debt to equity ratio stood at 0.28 times, considerably decreased from 0.33 times in 3Q16 and decreased from 0.39 times previous year due to lower interest rate and increasing of retained earnings.

*4Q16 weighted average cost of debt 3.14% p.a.*

In 2016, finance costs amounted to 633 MB, increased by 25% YoY. A weighted average cost of debt in 2016 was 3.14% per annum, down from 3.33% in 2015.

## Dividend Payout

CPN's Board of Directors has proposed Baht 0.83 per share (3,725 MB) dividend to be paid for the FY2016 performance, comparing to Baht 0.70 per share (3,142 MB) in 2015, pending the approval at the shareholders' meeting in April 2017. The dividend payment represents a 40.3% dividend payout ratio of the FY2016 net profit.

Table 4: Financial Position

Financial Position (THB mn)	End of 4Q15	End of 3Q16	End of 4Q16	% Change QoQ	% Change YoY
Current assets					
Cash and current investments	4,326	3,118	3,204	3%	(26%)
Other current assets	2,811	3,341	3,455	3%	23%
Total current assets	7,137	6,459	6,659	3%	(7%)
Non-current assets					
Investment properties <sup>(1)</sup>	74,796	75,089	76,700	2%	3%
Leasehold rights	11,644	10,886	10,647	(2%)	(9%)
Property & equipment (PP&E)	1,939	1,805	1,797	(0%)	(7%)
Other non-current assets	7,528	8,202	8,724	6%	16%
Total non-current assets	95,908	95,982	97,868	2%	2%
<b>Total assets</b>	<b>103,045</b>	<b>102,441</b>	<b>104,527</b>	<b>2%</b>	<b>1%</b>
Current liabilities	15,530	14,945	14,878	(0%)	(4%)
Non-current liabilities	40,714	36,734	36,644	(0%)	(10%)
<b>Total liabilities</b>	<b>56,244</b>	<b>51,679</b>	<b>51,523</b>	<b>(0%)</b>	<b>(8%)</b>
<b>Total equity</b>	<b>46,801</b>	<b>50,762</b>	<b>53,005</b>	<b>4%</b>	<b>13%</b>

<sup>(1)</sup> Investment Properties are booked at cost and depreciated with the straight-line basis over the life of the assets. The estimated fair value is 167,688 MB (157,100 MB in December 2015), stated in the disclosure notes to the main financial statements no. 12 under "Investment Properties".