

CPNrf 2Q 2014 Investor Newsletter

CPN Retail Growth Leasehold Property Fund

Prepared by Central Pattana Public Company Limited, CPNRF Property Manager

15 August 2014



Net investment income increased by 22.7% YoY. CPNRF reported net investment income for 2Q14 at Baht 680.9 million, an increase of 22.7% from the same quarter of last year, resulting mainly from the additional investment in CentralPlaza Chiangmai Airport.

Total income increased by 21.1% YoY. Total income for 2Q14 was recorded at Baht 830.7 million, representing an increase of 21.1% from Baht 686.0 million in 2Q13. Meanwhile, total expense for 2Q14 was recorded at Baht 149.8 million, an increase of 14.2% from the same quarter of last year.

Distribution per unit increased by 2.0% YoY. CPNRF has made a distribution from the operation period of 1 April – 15 April 2014 of Baht 0.05 per unit and announced a distribution from the operation period of 16 April – 30 June 2014 of Baht 0.2730 per unit. Total distribution for the whole quarter was Baht 0.3230 per unit.

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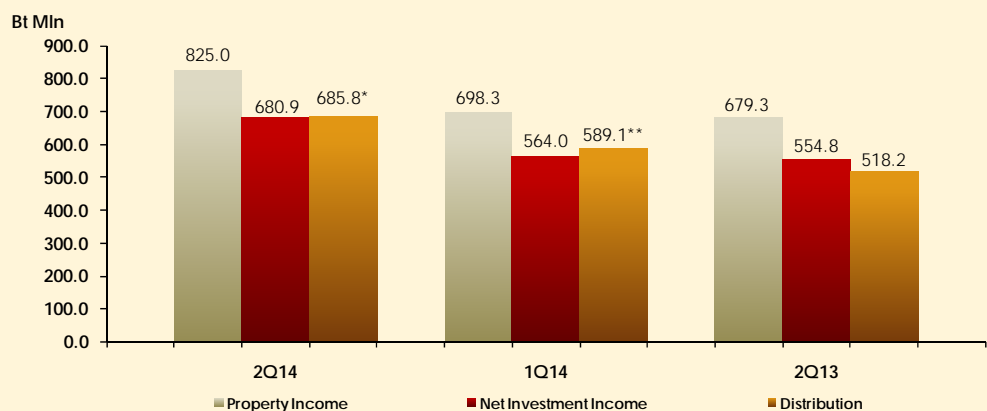
Unit Price (Bt)	17.20
Shares Outstanding (mln)	2,212.5
Market Capital (Bt mln)	37,833.4
NAV (Bt mln) ^{/1}	27,499.7
NAV per Unit (Bt) ^{/1}	12.4293
Premium/ (Discount) ^{/1}	37.58%

Note:
^{/1} NAV as of 30 June 2014

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Source: CPNRF. Based on interim financial statements and review reports of Certified Public Accountant for 2Q14 and 1Q14 and annual financial statements and audit report of Certified Public Accountant for 2Q13

Note: *Baht 0.05 per unit for the operation period of 1 April – 15 April and Baht 0.2730 per unit for the operation period of 16 April - 30 June 2014.

**For the operation period of 16 December 2013 – 31 March 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

Statement of Income

Total Income

2Q14 total income of Baht 830.7 million, an increase of Baht 144.7 million or 21.1% from 2Q13.

CPNRF reported total income for 2Q14 of Baht 830.7 million, an increase of Baht 144.7 million or 21.1% from the same quarter of 2013. This was mainly due to the additional investment in CentralPlaza Chiangmai Airport and along with the increase in rental rate from the existing properties. Rental and service income increased by Baht 141.9 million or 21.6%. In addition, other income for this quarter increased by Baht 3.7 million or 17.2%. Meanwhile, interest income decreased by 0.9 million or 14.0% due to the use of fund for investments in CentralPlaza Chiangmai Airport.

In comparison to the previous quarter, total income for this quarter increased by Baht 131.1 million or 18.7% from 1Q14, which resulted mainly from Baht 130.1 million or 19.4% growth in rental and service income and by Baht 4.5 million or 367.9% increase in interest income. Meanwhile, other income dropped by Baht 3.5 million or 12.2% because relatively high other income amount from previous quarter included insurance claims from the 2011 flood disaster. The main contributing factor in the overall increase in total income was the injection of parts of CentralPlaza Chiangmai Airport into the fund in April 2014. The occupancy rate of CPNRF portfolio (after additional investment) was at 96.7% while the average rental growth rate for new/renewed leases that occurred since the beginning of 2014 is 6.1% p.a..

Total Expense

2Q14 total expense of Baht 149.8 million, an increase of Baht 18.6 million or 14.2% from 2Q13.

Total expense for 2Q14 was Baht 149.8 million, an increase of Baht 18.6 million or 14.2% from the same quarter of last year. The injection of parts of CentralPlaza Chiangmai Airport into the property fund did not incur a significant increase in expenses because CPN has supported a portion of its operating expense while temporarily lowering the property management fee in accordance with the agreements between CPNRF and CPN. The growth of interest expense by 9.1 million or 160.9% as a result of changes in loan structure, while the property expense increased by 6.5 million or 5.4%, mainly resulted from the increase in property management fee by Baht 7.6 million or 9.6%, moreover, selling and administrative expenses increased by Baht 2.1 million or 23.4%. Meanwhile, cost of rental and service dropped by Baht 3.1 million or 10.0%, mainly due to the decrease in insurance premium.

Compared to the previous quarter, total expense for 2Q14 increased by Baht 14.2 million or 10.5%. Major contributor was a growth in interest expense of Baht 10.3 million or 230.7% as a result of changes in loan structure. Property expenses increased by 1.1 million or 0.9%, as a result of Baht 1.2 million or 12.5% increased in selling and administrative expenses, while cost of rental and service decreased by Baht 0.2 million or 0.7%.

Net Investment Income and Distribution

Distribution per unit of Baht 0.05 for the operation period of 1 April – 15 April 2014 and a distribution from the operation period of 16 April – 30 June 2014 of Baht 0.2730 per unit.

Net investment income for 2Q14 totaled up to Baht 680.9 million, representing a growth of Baht 126.1 million or 22.7% from Baht 554.8 million in 2Q13. The Fund announced the distribution to the unitholders for the period of 1 April – 15 April 2014 of Baht 0.05 per unit to unitholders whose name appeared on the registered book as of 18 April 2014, the XD Date was 11 April 2014 and distribution payment was made on 10 June 2014. Moreover, the fund announced the distribution of Baht 0.2730 per unit for the period of 16 April – 30 June 2014. The XD Date was 6 August 2014, followed by Book Closure Date on 13 August 2014 and distribution payment will be made on 28 August 2014. Total distribution for the whole quarter was Baht 0.3230 per unit.

Compared to the previous quarter, net investment income increased by Baht 116.9 million or 20.7%, mainly resulted from the increase of total income of Baht 131.1 million or 18.7% which was higher of Baht 14.2 million or 10.5% than the increase in total expense.

Profitability

Net property income margin improved by 2.3% from 2Q13, along with 0.8% increase in net investment income margin

Net property income margin for 2Q14 increased by 2.3% from the same quarter of last year and stood at 84.8%. This was due to an improvement of property income by Baht 145.6 million or 21.4%, while property expenses increased by Baht 6.5 million or 5.4%. Net investment income margin increased by 0.8% to a margin of 82.5%, also mainly resulting from a higher increase in property income compared to an increase in property expense.

Compared to the previous quarter, net property income margin increased from 82.2% in 1Q14 to 84.8%, while net investment income margin of 82.5%, an increase of 1.7% from a margin of 80.8% in 1Q14. The increase in property income mainly resulted in a higher profit margin in 2Q14 compared to 1Q14.

Statement of Financial Position Movement

NAV increased to Baht 12.4293 per unit. Borrowing stood at Baht 1,955.0 million

As of 30 June 2014, CPNRF reported total investment in properties of Baht 29,796.9 million. Net Asset Value ("NAV") was recorded at Baht 27,499.7 million or Baht 12.4293 per unit as at 30 June 2014, a rise from Baht 11.4144 at the end of the previous quarter. Total borrowings amount stood at Baht 1,955.0 million due to additional borrowing and refinancing of loans for the investment of CentralPlaza Chiangmai Airport Project.

FINANCIAL SUMMARY

Income Statement

Unit: Baht Million	2Q14	1Q14	Change QoQ	2Q13	Change YoY
<i>Property income</i>	825.0	698.3	18.1%	679.3	21.4%
Rental and service income	799.6	669.5	19.4%	657.7	21.6%
Other income	25.3	28.8	(12.2%)	21.6	17.2%
Interest income	5.7	1.2	367.9%	6.6	(14.0%)
Total income	830.7	699.6	18.7%	686.0	21.1%
<i>Property expenses</i>	125.6	124.4	0.9%	119.1	5.4%
Cost of rental and service	28.3	28.5	(0.7%)	31.4	(10.0%)
Selling and administrative expenses	10.9	9.7	12.5%	8.8	23.4%
Property management fee	86.4	86.3	0.1%	78.9	9.6%
Other expenses	0.0	0.0	70.6%	0.0	93.3%
Interest expense	14.8	4.5	230.7%	5.7	160.9%
Other management fees and expenses	9.4	6.7	40.3%	6.4	46.0%
Amortisation of deferred expenses	0.0	0.0	n.a.	0.0	n.a.
Total expense	149.8	135.6	10.5%	131.2	14.2%
Net investment income	680.9	564.0	20.7%	554.8	22.7%
Net realised gain (loss) from changes in investment value	0.4	1.7	n.a.	2.4	n.a.
Net unrealised gain (loss) from changes in investment value	169.3	285.6	n.a.	210.8	n.a.
Net increase in net assets from operations	850.6	851.2	(0.1%)	767.9	10.8%
Income available for distribution	680.9	564.0	20.7%	554.8	22.7%
Distribution	685.8**	589.1*	16.4%	518.2	32.3%
Distribution per unit (in Baht)	0.3230	0.3600	(10.3%)	0.3167	2.0%
Net property income margin	84.8%	82.2%	2.6%	82.5%	2.3%
Net investment income margin	82.5%	80.8%	1.7%	81.7%	0.8%

Source: CPNRF. Based on interim financial statements and review reports of Certified Public Accountant for 2Q13, 1Q14 and 2Q14

Note: *Distribution per unit of Baht 0.3600 for the operation period of 16 December 2013 – 31 March 2014

**Distribution per unit of Baht 0.05 per unit for the operation period of 1 April – 15 April and Baht 0.2730 per unit for the operation period of 16 April - 30 June 2014.

Statement of Financial Position

Unit: Baht Million	2Q13	3Q13	4Q13	1Q14	2Q14
<i>Investment at fair value</i>	18,726.6	18,374.6	19,178.7	19,622.3	30,265.8
CentralPlaza Rama II	6,106.0	6,155.0	6,457.0	6,474.0	6,553.0
CentralPlaza Rama III	6,103.0	6,241.0	6,412.0	6,629.0	6,729.0
CentralPlaza Pinklao	5,612.0	5,647.0	5,666.0	5,727.0	5,724.0
CentralPlaza Chiangmai Airport	-	-	-	-	10,790.9
Total investment in properties	17,821.0	18,043.0	18,535.0	18,830.0	29,796.9
Investment in securities	905.6	331.6	643.7	792.3	468.9
Cash on hand and at banks	154.0	654.1	351.3	203.5	226.7
Other assets	201.7	285.6	249.7	257.7	266.9
Total assets	19,082.3	19,314.2	19,779.7	20,083.5	30,759.5
Deposits received from customers	814.4	796.2	801.9	799.6	1,010.7
Borrowing	395.0	375.0	340.0	305.0	1,955.0
Other liabilities	285.9	330.8	811.2	301.1	294.1
Total liabilities	1,495.4	1,501.9	1,953.1	1,405.7	3,259.7
Net Asset	17,586.9	17,812.3	17,826.6	18,677.8	27,499.7
Capital received from unitholders	15,764.0	15,764.0	15,764.0	15,764.0	24,406.2
Retained earnings	1,822.9	2,048.3	2,062.6	2,913.8	3,093.5
NAV per unit (in Baht)	10.7477	10.8854	10.8942	11.4144	12.4293

Source: CPNRF. Based on interim financial statements and review reports of Certified Public Accountant for 2Q13, 3Q13, 1Q14, 2Q14 and annual financial statements and audit report of Certified Public Accountant for 4Q13

OPERATIONS SUMMARY

I. Leasable Area and Occupancy

	Area (sqm)		Occupancy Rate ¹			
	Gross Area	Leasable Area	30 Sep 13	31 Dec 13	31 Mar 14	30 Jun 14
Rama II	251,182	87,781	95.3%	95.9%	96.1%	95.8%
Rama III	169,740	38,422	97.0%	97.7%	96.7%	94.5%
Pinklao (Plaza)	135,018	21,730	99.1%	100.0%	99.0%	100.0%
Pinklao Tower A & B	50,653	33,760	97.6%	98.1%	97.5%	98.3%
Chiangmai Airport	78,849	37,039	n.a.	n.a.	n.a.	98.0%
CPNRF Portfolio	685,442	218,732	96.5%	97.2%	96.8%	96.7%

Note: /1 Anchor and shop tenants only

Source: CPN

II. Renewals and New Leases

	From 1 January to 30 June 2014 ^{/1}			
	Renewals and New Leases			Increase / (Decrease) in Rental Rates (p.a.) ^{/3}
	No. of Leases	Area (sqm)	% of Total ^{/2}	
Rama II	23	3,320	3.8%	6.9%
Rama III	25	3,615	9.4%	5.0%
Pinklao (Plaza)	8	760	3.5%	4.6%
Pinklao Tower A & B	15	2,951	8.7%	6.5%
Chiangmai Airport	21	1,013	2.7%	7.3%
CPNRF Portfolio	92	11,660	5.3%	6.1%

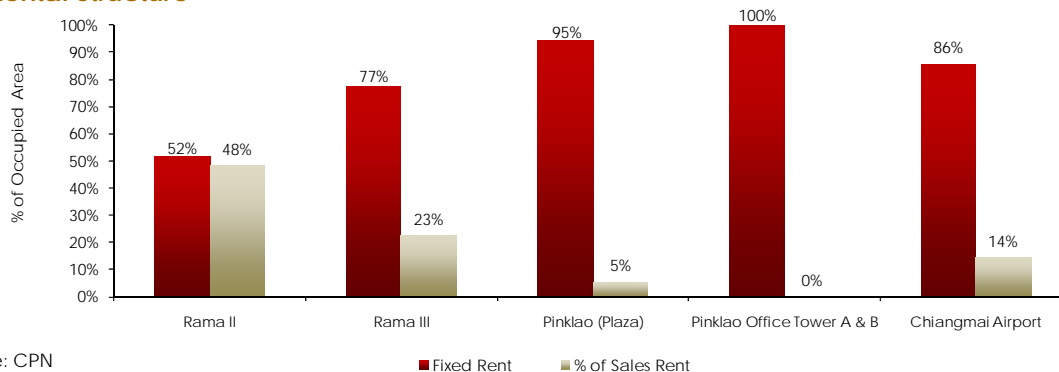
Note: /1 Exclude rental agreements < 1 year

/2 Percentage of leasable area as at 30 June 2014

/3 Exclude rental agreements with revenue sharing clause

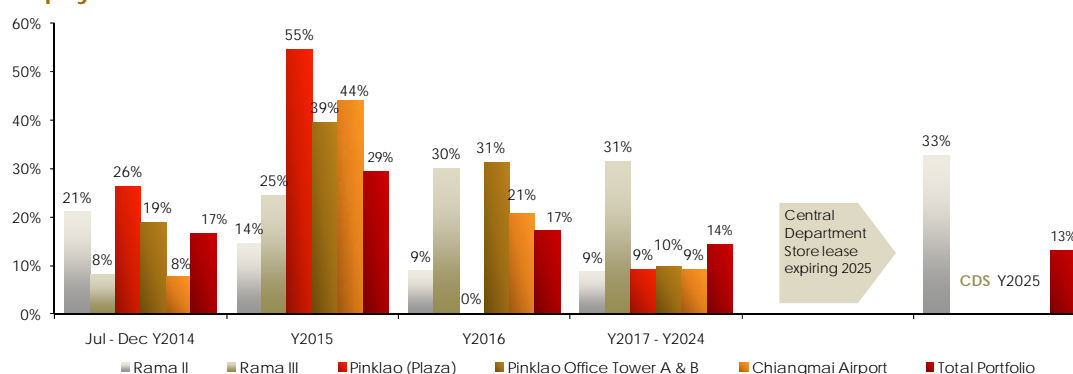
Source: CPN

III. Rental Structure



Source: CPN

IV. Lease Expiry Profile



Note:

1. Percentage of total occupied area as at 30 June 2014

2. Exclude rental agreements < 1 year

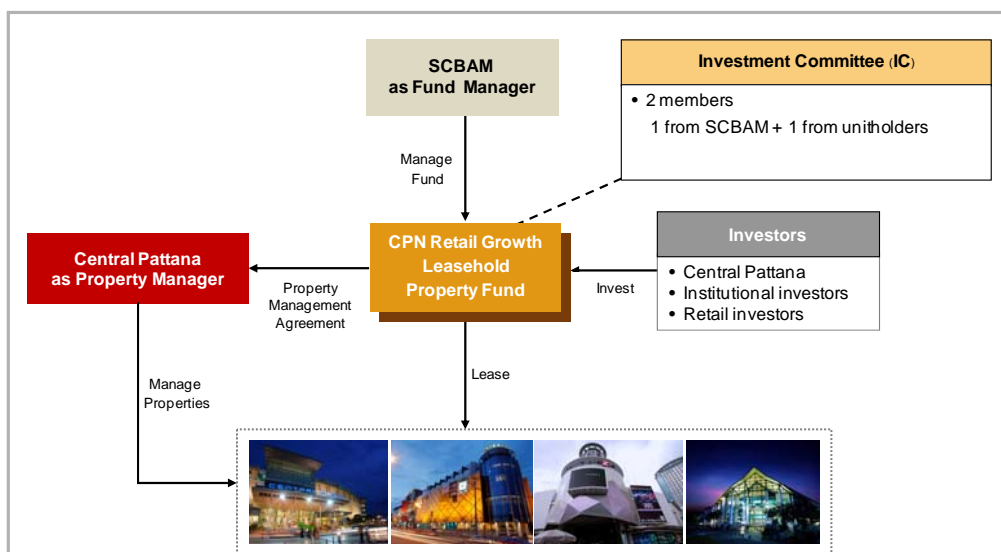
Source: CPN

ABOUT CPNRF

I. Fund Information

Name	CPN Retail Growth Leasehold Property Fund ("CPNRF")
Property Manager	Central Pattana Public Company Limited ("CPN")
Fund Manager	SCB Asset Management Company Limited
Trustee	Kasikorn Bank Public Company Limited
Registrar	Siam Commercial Bank Public Company Limited
Assets	CentralPlaza Rama II, CentralPlaza Ratchada-Rama III, CentralPlaza Pinklao
Type	Property Fund Type I (Indefinite Life)
Total Fund Size	Baht 24,406.2 million
Fund Registered Date	11 August 2005
Fund Investing Date	15 August 2005 for CentralPlaza Rama II 16 August 2005 for CentralPlaza Ratchada-Rama III 4 November 2009 for CentralPlaza Pinklao 23 April 2014 for CentralPlaza Chiangmai Airport
Fund Listed Date	23 August 2005
Secondary Market	The Stock Exchange of Thailand ("SET")

II. Fund Structure



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