

# 2Q 2007

## Investor Newsletter

### CPN Retail Growth Property Fund

Prepared by Central Pattana Public Company Limited, CPNRF Property Manager

14 August 2007

#### SHARE INFO: As of 10 August 07

Unit Price (Bt)	10.40
Shares Outstanding (mln)	1,091.5
Market Capital (Bt mln)	11,351.60
NAV (Bt mln) <sup>1</sup>	11,103.35
NAV per Unit (Bt) <sup>1</sup>	10.1725
Premium/ (Discount) <sup>1</sup>	2.2 %

Note:  
<sup>1</sup> NAV as of 30 June 2007

#### CONTENTS

MD&A	2
Financial Summary	4
Operations Summary	5
Fund Information	7

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Central Plaza Rama II

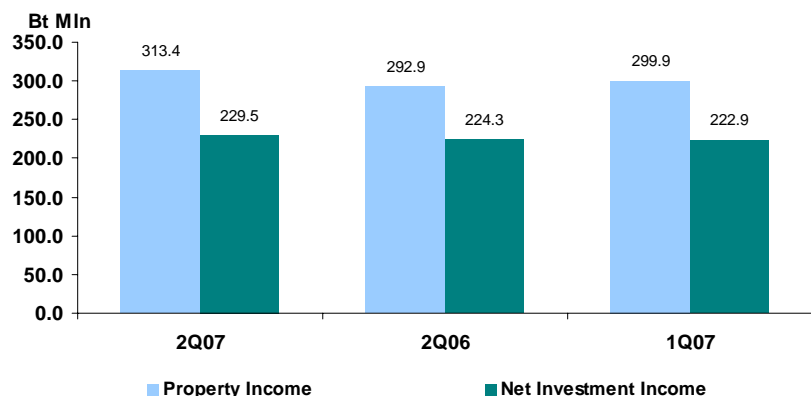


Central Plaza Ratchada-Rama III

**2Q07 net investment income increased by 3.0% QoQ.** CPNRF reported net investment income in 2Q07 of Baht 229.5 million, an increase of 3.0% QoQ, mainly due to an increase in property income of 4.5%.

**Total income experienced growth of 3.9% QoQ, while total expenses increased by 6.4% QoQ.** Total income for 2Q07 was recorded at Baht 321.2 million, an increase of 3.9% from Baht 309.1 million in 1Q07. Total expenses increased by 6.4% QoQ, resulting from higher costs of repair and maintenance and advertising and promotion expenses.

**NAV up by 1.7% from the IPO.** Net asset value (NAV) as at 30 June 2007 was Baht 11,103.35 million or Baht 10.1725 per unit, an increase of 1.7% over that at the IPO. With adjustment of distribution paid to unitholders since the IPO, NAV would have increased by 14.5% from the IPO.



Source: CPNRF. Based on interim financial statements and review report of Certified Public Accountant for 2Q07, 2Q06 and 1Q07

### MANAGEMENT DISCUSSION AND ANALYSIS

#### Total Income

CPNRF recorded 2Q07 total income of Baht 321.2 million, an increase of Baht 19.7 million or 6.5% from Baht 301.5 million in 2Q06. The main factors behind this are the increase in rental and service income by 5.8% and the increase in other income by 32.8%. Interest income was reduced by 8.5% YoY, resulting from lower interest income on bank deposits.

Compared to the previous quarter, total income is Baht 12.1 million higher than that of 1Q07, representing a growth of 4.5%. This is due to an increase in promotion income while rental and service income remained stable, in line with the minor differences in occupancy rates, which were 98.7% and 94.9% for Central Plaza Rama II and Central Plaza Ratchada-Rama III respectively. This represents 0.3% decline from 99.0% for Central Plaza Rama II and 0.2% increase from 95.1% for Central Plaza Ratchada-Rama III. Furthermore, other income increased by Baht 5.2 million, 43.4% increase from 1Q07, and interest income was 14.6% lower, resulting from continuous decline in the interest rate.

#### Total Expenses

Total expenses in 2Q07 were Baht 91.7 million, an increase of Baht 14.5 million, 18.8% higher than Baht 77.2 million in the same period of last year. This is mainly due to significant increases in cost of rental and selling and administration expenses by 24.8% and 56.2% respectively.

In comparison to the previous quarter, total expenses increased by Baht 5.5 million or 6.4%. This is mainly due to Baht 6.0 million rise in cost of rental, 57.9% higher than that of 1Q07. Also, there was an increase in selling and administration expenses of Baht 1.5 million or 9.4%. Higher costs of repair and maintenance contributed to the rise in cost of rental, while increased advertising and promotion expenses reflected the increase in selling and administration expenses. Other property expenses were reduced by Baht 1.4 million, 88.4% reduction from previous quarter.

#### Net Investment Income and Income Available for Distribution

In 2Q07, net investment income was recorded at Baht 229.5 million translating to income available for distribution of Baht 241.6 million, increase of 2.3% and 2.2% YoY, respectively.

Compared to the previous quarter, net investment income and income available for distribution grew by 3.0% and 2.9% QoQ, respectively, as a result of higher property income.

#### Balance Sheet Movement

As of 30 June 2007, CPNRF reported total investment in properties of Baht 10,772.2 million, same as that of the end of 2006 since the properties will be reappraised by independent valuer once a year at the end of every year. Net Asset Value ("NAV") was recorded at Baht 11,103.4 million or Baht 10.1725 per unit as at 30 June 2007, slightly down by 0.1% QoQ due to a reduction in retained earnings used for asset enhancement and decrease in other assets.

#### Profitability

Net property income margin and net investment income margin decreased from 79.7% and 76.6% respectively in 2Q06 to 76.2% and 73.2% respectively in 2Q07, representing decreases of 4.3% and 4.4% YoY, respectively. These mainly resulted from higher growth rate of property expenses, compared with the growth of property income.

Compared to those in 1Q07, net property income margin and net investment income margin decreased by 1.0% and 1.4% QoQ, respectively. These were due to greater growth rates of cost of rental and service and selling and administrative expenses in comparison to that of property income.

### **Asset Enhancements**

#### **Central Plaza Rama II**

At Central Plaza Rama II, rental space of approximately 4,100 sqm was planned to be added on the 4<sup>th</sup> floor of the parking building. This aims to increase rental space and traffic flow. The estimated project investment cost is about Baht 70 million and the projected IRR is approximately 15%.

#### **Central Plaza Ratchada-Rama III**

The relocation of food court to new area on 6<sup>th</sup> floor is in the final design stage. Estimated total capital expenditure for the project is Baht 30 million which is expected to generate IRR of about 15%.

## FINANCIAL SUMMARY

### Income Statement

Unit: Baht Million	2Q07	2Q06	Change YoY	1Q07	Change QoQ
<i>Property income</i>	313.4	292.9	7.0%	299.9	4.5%
Rental and service income	296.2	280.0	5.8%	287.9	2.9%
Other income	17.2	13.0	32.8%	12.0	43.4%
Interest income	7.8	8.6	(8.5%)	9.2	(14.6%)
<b>Total income</b>	<b>321.2</b>	<b>301.5</b>	<b>6.5%</b>	<b>309.1</b>	<b>3.9%</b>
<i>Property expenses</i>	74.5	59.6	25.0%	69.0	7.9%
Cost of rental and service	16.4	13.1	24.8%	10.4	57.9%
Selling and administrative expenses	17.7	11.3	56.2%	16.2	9.4%
Property management fee	40.2	35.0	14.7%	40.9	(1.6%)
Other expenses	0.2	0.1	220.7%	1.6	(88.4%)
Other management fees and expenses	5.1	5.5	(7.3%)	5.2	(1.6%)
Amortisation of deferred expenses	12.1	12.1	0.0%	12.0	1.1%
<b>Total expense</b>	<b>91.7</b>	<b>77.2</b>	<b>18.8%</b>	<b>86.2</b>	<b>6.4%</b>
<b>Net investment income</b>	<b>229.5</b>	<b>224.3</b>	<b>2.3%</b>	<b>222.9</b>	<b>3.0%</b>
Net unrealised gain (loss) from changes in investment value	(16.6)	(0.3)	n.a.	(11.6)	n.a.
<b>Net increase in net assets from operations</b>	<b>212.9</b>	<b>224.0</b>	<b>(5.0%)</b>	<b>211.3</b>	<b>0.8%</b>
<b>Income available for distribution</b>	<b>241.6</b>	<b>236.4</b>	<b>2.2%</b>	<b>234.9</b>	<b>2.9%</b>
<b>Distribution</b>	n.a.	224.6	n.a.	223.1	n.a.
<b>Distribution per unit (in Baht)</b>	n.a.	<b>0.2058</b>	n.a.	<b>0.2044</b>	n.a.
Net property income margin	76.2%	79.7%	(4.3%)	77.0%	(1.0%)
Net investment income margin	73.2%	76.6%	(4.4%)	74.3%	(1.4%)

Source: CPNRF. Based on interim financial statements and review report of Certified Public Accountant for 2Q07, 2Q06 and 1Q07

### Balance Sheet

Unit: Baht Million	2Q06	3Q06	4Q06	1Q07	2Q07
<i>Investment at fair value</i>	11,207.0	11,107.0	11,398.2	11,272.2	11,422.2
Central Rama II	5,958.0	5,958.0	6,038.9	6,038.9	6,038.9
Central Rama III	4,749.0	4,749.0	4,733.3	4,733.3	4,733.3
<i>Total investment in properties</i>	<i>10,707.0</i>	<i>10,707.0</i>	<i>10,772.2</i>	<i>10,772.2</i>	<i>10,772.2</i>
Investment in securities	500.0	400.0	626.0	500.0	650.0
Cash on hand and at banks	160.0	278.2	140.5	243.7	87.5
Other assets	170.6	166.9	143.1	168.5	151.0
<b>Total assets</b>	<b>11,537.7</b>	<b>11,552.1</b>	<b>11,681.8</b>	<b>11,684.5</b>	<b>11,660.8</b>
Deposits received from customers	406.5	411.8	421.3	422.7	422.1
Other liabilities	59.6	76.3	153.0	148.3	135.3
<b>Total liabilities</b>	<b>466.1</b>	<b>488.0</b>	<b>574.3</b>	<b>570.9</b>	<b>557.4</b>
<b>Net Asset</b>	<b>11,071.5</b>	<b>11,064.1</b>	<b>11,107.5</b>	<b>11,113.5</b>	<b>11,103.4</b>
Capital received from unitholders	10,915.0	10,915.0	10,915.0	10,915.0	10,915.0
Retained earnings	156.5	149.1	192.5	198.5	188.4
<b>NAV per unit (in Baht)</b>	<b>10.1434</b>	<b>10.1366</b>	<b>10.1763</b>	<b>10.1819</b>	<b>10.1725</b>

Source: CPNRF. Based on interim financial statements and review report of Certified Public Accountant for 2Q06, 3Q06, 1Q07 and 2Q07 and annual financial statements and audit report of Certified Public Accountants for 4Q06

**OPERATIONS SUMMARY**

**I. Leasable Area and Occupancy**

	Area (sqm)		Occupancy Rate			
	Gross Area	Leasable Area	30 Sep 06	31 Dec 06	31 Mar 07	30 Jun 07
Rama II	251,182	93,594	99.4%	99.0%	99.0%	98.7%
Rama III	169,740	38,994	95.6%	95.4%	95.1%	94.9%
CPNRF Portfolio	420,922	132,587	98.3%	98.0%	97.9%	97.5%

Source: CPN

**II. Renewals and New Leases**

	From 1 April to 30 June 2007 <sup>1</sup>			
	Renewals and New Leases			Increase / (Decrease) in Rental Rates (p.a.) <sup>3</sup>
	No. of Leases	Area (sqm)	% of Total <sup>2</sup>	
Rama II	40	3,141	3.4%	5.9%
Rama III	32	4,901	12.6%	9.4%
CPNRF Portfolio	72	8,042	6.1%	7.9%

Note:

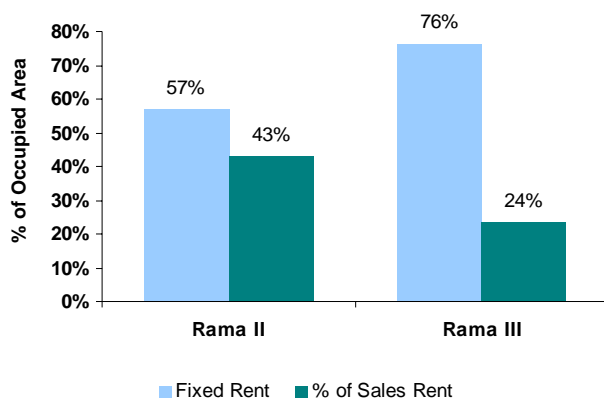
<sup>1</sup> Exclude rental agreements < 1 year

<sup>2</sup> Percentage of leasable area as at 30 June 2007

<sup>3</sup> Exclude rental agreements with revenue sharing clause

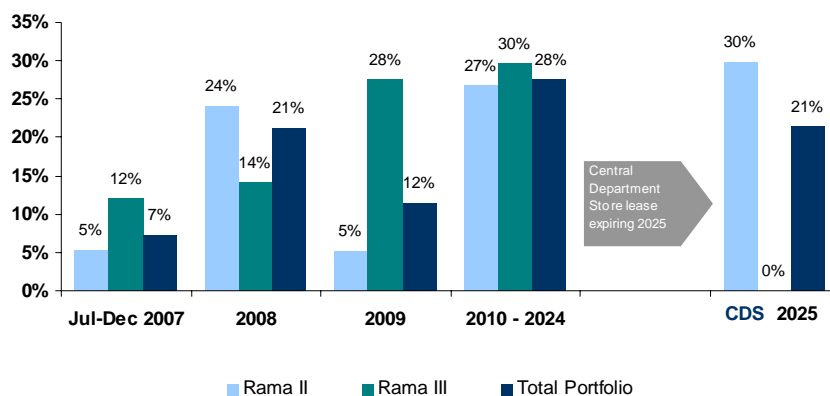
Source: CPN

**III. Rental Structure**



Source: CPN

**IV. Lease Expiry Profile**



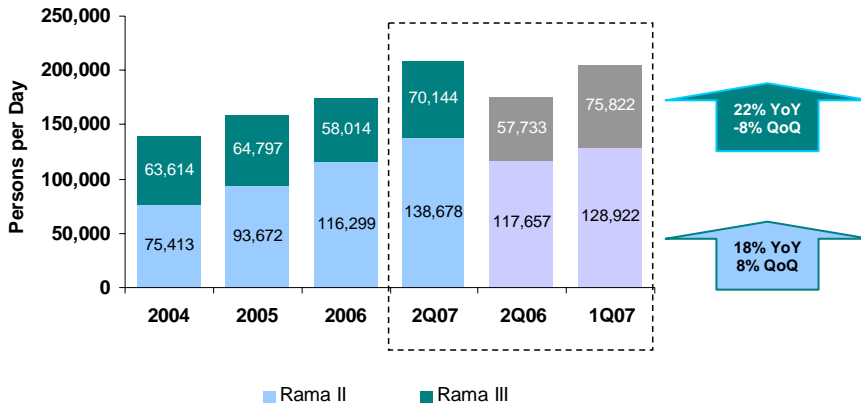
Note:

1. Percentage of total occupied area as at 30 June 2007

2. Exclude rental agreements < 1 year

Source: CPN

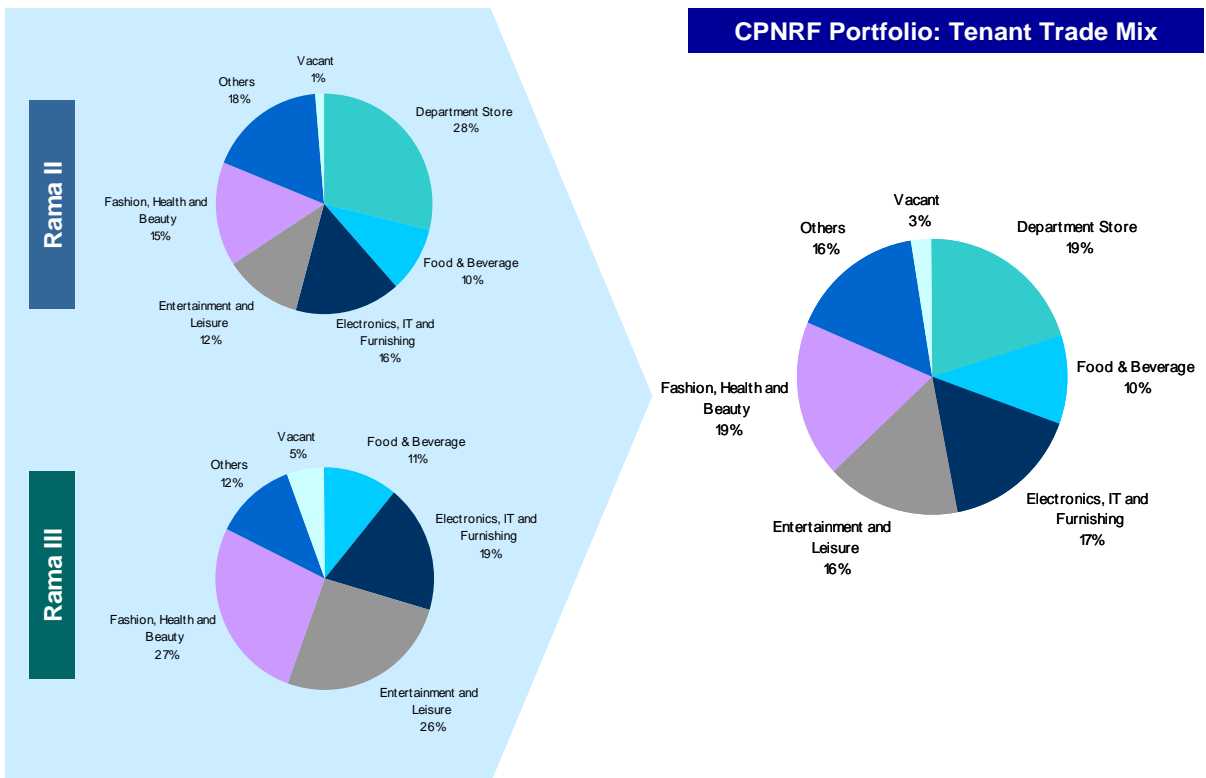
V. Traffic



- Rama III: Traffic increased YoY mainly due to the completion of the overpasses on Rama III road in front of Central Plaza Ratchada-Rama III and continuous promotional activities. However, QoQ traffic declined since there were less marketing activities compared to 1Q07.
- Rama II: The completion of the pedestrian bridge linking BIGC to the Central Plaza Rama II and expansion of the surrounding community increased traffic QoQ and YoY. QoQ traffic also increased due to traffic diversion from Central Plaza Pinklao.

Source: CPN estimate

VI. Tenants Trade Mix



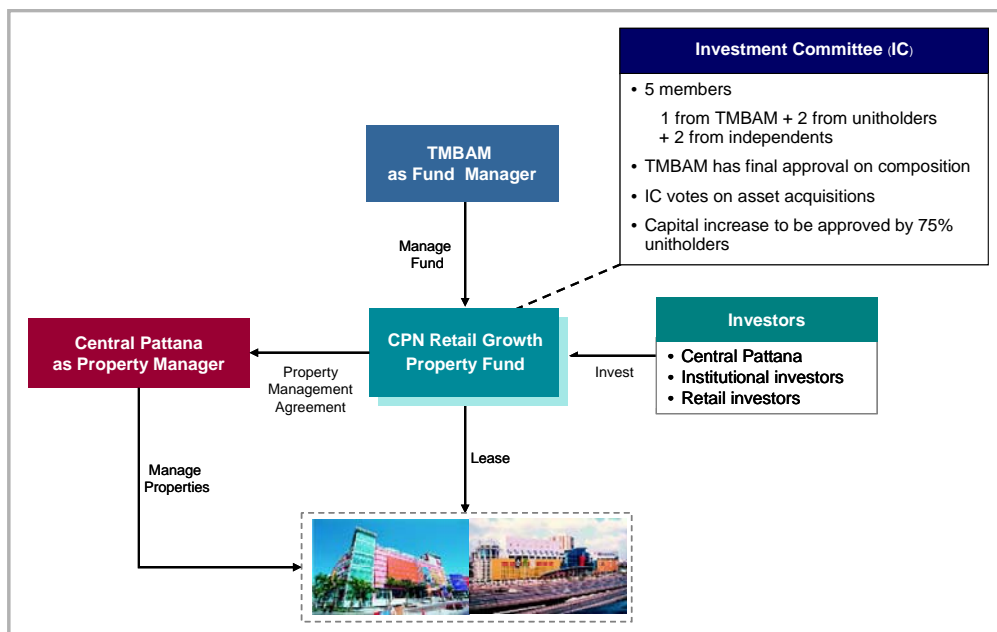
Note: Based on leasable area as at 30 June 2007  
Source: CPN

## ABOUT CPNRF

### I. Fund Information

<b>Name</b>	CPN Retail Growth Property Fund ("CPNRF")
<b>Property Manager</b>	Central Pattana Public Company Limited
<b>Fund Manager</b>	TMB Asset Management Company Limited
<b>Trustee</b>	Kasikorn Bank Public Company Limited
<b>Registrar</b>	TMB Asset Management Company Limited
<b>Assets</b>	Central Plaza Rama II, Central Plaza Ratchada-Rama III
<b>Type</b>	Property Fund Type I (Indefinite Life)
<b>Total Fund Size</b>	Baht 10,915 million
<b>Fund Registered Date</b>	11 August 2005
<b>Fund Investing Date</b>	15 August 2005 for Central Plaza Rama II 16 August 2005 for Central Plaza Ratchada-Rama III
<b>Fund Listed Date</b>	23 August 2005
<b>Secondary Market</b>	The Stock Exchange of Thailand ("SET")

### II. Fund Structure



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