

# 2Q 2008

## Investor Newsletter

### CPN Retail Growth Property Fund

Prepared by Central Pattana Public Company Limited, CPNRF Property Manager

15 August 2008

#### SHARE INFO: As of 14 August 08

Unit Price (Bt)	9.70
Shares Outstanding (mln)	1,091.5
Market Capital (Bt mln)	10,587.55
NAV (Bt mln) <sup>/1</sup>	11,191.85
NAV per Unit (Bt) <sup>/1</sup>	10.2536
Premium/ (Discount) <sup>/1</sup>	(5.4%)

Note:  
<sup>/1</sup> NAV as of 30 June 2008

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Central Plaza Rama II



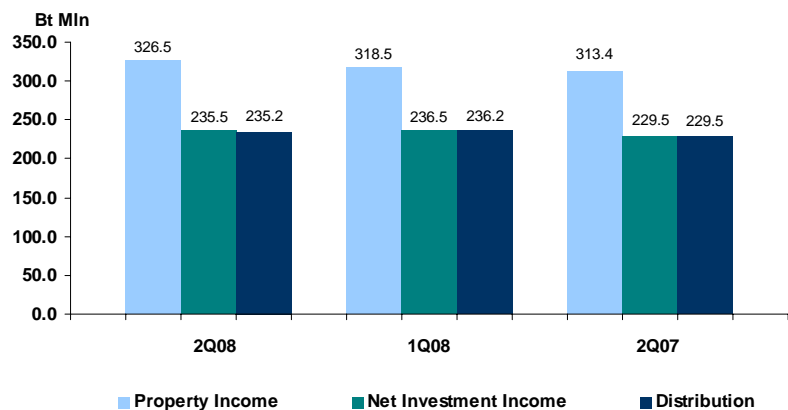
Central Plaza Ratchada-Rama III

**Net investment income increased by 2.6% YoY.** CPNRF recorded net investment income for 2Q08 of Baht 235.5 million, an increase of 2.6% from the same period in the previous year, mainly due to an increase rental and service income of 6.7%.

**Total income experienced 3.8% growth YoY.** Total income for 2Q08 was registered at Baht 333.3 million, a 3.8% increase from Baht 321.2 million in 2Q07. Total expenses of Baht 97.9 million were 6.7% higher than the same quarter of 2007.

**NAV up by 2.5% from the IPO.** Net asset value (NAV) as at 30 June 2008 was Baht 11,191.85 million or Baht 10.2536 per unit, representing an increase of 2.5% over that at the IPO. With adjustment of distribution paid to unitholders since the IPO, NAV would have increased by 23.7%.

**Distribution increased by 2.5% YoY.** CPNRF announced 2Q08 distribution of Baht 235.2 million or Baht 0.2155 per unit, representing an annualised yield of approximately 8.9% at the price of Baht 9.70 per unit as at 14<sup>th</sup> August 2008.



Source: CPNRF. Based on interim financial statements and review reports of Certified Public Accountant for 2Q08, 1Q08 and 2Q07

## MANAGEMENT DISCUSSION AND ANALYSIS

### Total Income

CPNRF recorded total income for 2Q08 at Baht 333.3 million, an increase of Baht 12.1 million from Baht 321.2 million in the same period of 2007. The main contributing factor behind this was the Baht 19.9 million or 6.7% increase in rental and service income. At the same time, other income remained low compared to 2Q07. Interest income for this quarter was Baht 1.0 million less than that of last year.

Compared to the previous quarter, total income for 2Q08 was Baht 7.8 million higher than that of 1Q08, representing 2.4% growth. This was mainly due to the increase in rental and service income of Baht 7.6 million. The occupancy rate at CentralPlaza Rama II remained high, at 98.8%, while that of CentralPlaza Ratchada–Rama III improved and stood at 96.3%. The completion and opening of the new Food Park should continue to improve the occupancy rate at CentralPlaza Ratchada–Rama III further. The overall occupancy of the portfolio adjusted up slightly and stood at 98.1% at the end of the second quarter.

### Total Expenses

Total expenses in 2Q08 amounted to Baht 97.9 million, Baht 6.2 million or 6.7% higher than Baht 91.7 million in 2Q07. Cost of rental and service was 4.8% higher than that of 2Q07 and selling and administrative expenses experienced similar increment of 4.9%. Repair and maintenance remained a factor behind the increase in cost of rental and service. Other fund expenses did not significantly change from the same period of last year.

In comparison to the previous quarter, total expenses increased by Baht 8.9 million or 10.0% QoQ from Baht 89.0 million in 1Q08. This was largely due to Baht 5.1 million increase in selling and administrative expenses, while cost of rental and service increased by Baht 2.7 million. Despite the improvement in the economy in the first quarter this year, the indicators show signs of slow down in economic recovery in 2Q08. Rising energy and consumer product prices are still the concerns for consumers due to their effects on the cost of living. Therefore, various marketing activities, including some large summer events, were held to retain the visitor traffic and boost consumer demand at both malls. Other fund expenses remained near the same level as that of the previous quarter.

### Net Investment Income and Distribution

In 2Q08 net investment income was recorded at Baht 235.5 million, growth of 2.6% from Baht 229.5 million in 2Q07. The fund announced 2Q08 distribution of Baht 235.2 million or Baht 0.2155 per unit, representing a growth of 2.5% from the same period of last year. This results in a yield of 8.9% at the price of Baht 9.7 per unit as at 14<sup>th</sup> August 2008.

Compared to the previous quarter, 1.3% decrease in net investment income was observed in 2Q08. This leads to a slightly lower distribution than Baht 236.2 million in 1Q08. The large amount of advertising and promotion expenses was required to support the tenants in times of falling market sentiment to stimulate consumer demand. Other fund management fees and expenses remained stable and were in line with previous quarters.

The XD Date will be 26<sup>th</sup> August 2008, followed by Book Closure Date on 29<sup>th</sup> August 2008 and the distribution payment will be made on 15<sup>th</sup> September 2008.

### Balance Sheet Movement

As of 30 June 2008, CPNRF reported total investment in properties of Baht 10,841.1 million, which is the same as at the end of 2007 since the properties will be reappraised by independent appraiser once per year at the end of the year. Net Asset Value ("NAV") was recorded at Baht 11,191.8 million or Baht 10.2536 per unit as at 30 June 2008, which is close to that at the end of the previous quarter.

**Profitability**

Compared to the same period of last year, net property income margin decreased a little, from 76.2% to 75.3%. This was associated with lower net investment income margin, which stood at 72.1%. While a steady increase in property income was observed, the required property expenses increased at a higher rate in comparison.

Net property income margin for 2Q08 of 75.3% declined by 2.8% QoQ, while net investment income margin of 72.1% decreased by 2.9% QoQ. Following the reduction in cost of rental and service and selling and administrative expenses in 1Q08, the amounts have risen in the second quarter and reduced the above margins.

**Asset Enhancement**

The construction of the new Food Park at CentralPlaza Ratchada-Rama III was successfully completed. The new Food Park, opened on the 25<sup>th</sup> April 2008, is located on the 6<sup>th</sup> floor and we expect it to draw more visitors to nearby area, improving the performance of the retail units in doing so. We also plan to reconfigure E-Life Zone and XY Arena Zone on the 6<sup>th</sup> floor near the new Food Park to improve the design and average rent. The plan is expected to be finished by this year.

At CentralPlaza Rama II, we have plans to add new kiosk space on the 3<sup>rd</sup> floor to better utilise the leasable area and improve directional signs in the mall to enhance the visibility of tenants and provide convenience for traffic circulation. These plans are expected to be completed by this year.

## FINANCIAL SUMMARY

## Income Statement

Unit: Baht Million	2Q08	1Q08	Change QoQ	2Q07	Change YoY
<i>Property income</i>	326.5	318.5	2.5%	313.4	4.2%
Rental and service income	316.1	308.4	2.5%	296.2	6.7%
Other income	10.4	10.1	3.6%	17.2	(39.3%)
Interest income	6.8	7.0	(2.7%)	7.8	(13.4%)
<b>Total income</b>	<b>333.3</b>	<b>325.5</b>	<b>2.4%</b>	<b>321.2</b>	<b>3.8%</b>
<i>Property expenses</i>	80.5	71.7	12.4%	74.5	8.1%
Cost of rental and service	17.2	14.5	18.6%	16.4	4.8%
Selling and administrative expenses	18.6	13.5	37.9%	17.7	4.9%
Property management fee	44.6	43.6	2.4%	40.2	11.1%
Other expenses	0.1	0.1	36.7%	0.2	(19.9%)
Other management fees and expenses	5.2	5.2	0.3%	5.1	2.4%
Amortisation of deferred expenses	12.1	12.1	(0.0%)	12.1	(0.0%)
<b>Total expense</b>	<b>97.9</b>	<b>89.0</b>	<b>10.0%</b>	<b>91.7</b>	<b>6.7%</b>
<b>Net investment income</b>	<b>235.5</b>	<b>236.5</b>	<b>(0.5%)</b>	<b>229.5</b>	<b>2.6%</b>
Net unrealised gain (loss) from changes in investment value	(4.0)	(1.9)	n.a.	(16.6)	n.a.
<b>Net increase in net assets from operations</b>	<b>231.4</b>	<b>234.6</b>	<b>(1.3%)</b>	<b>212.9</b>	<b>8.7%</b>
<b>Income available for distribution</b>	<b>247.6</b>	<b>248.6</b>	<b>(0.4%)</b>	<b>241.6</b>	<b>2.5%</b>
<b>Distribution</b>	<b>235.2</b>	<b>236.2</b>	<b>(0.4%)</b>	<b>229.5</b>	<b>2.5%</b>
<b>Distribution per unit (in Baht)</b>	<b>0.2155</b>	<b>0.2164</b>	<b>(0.4%)</b>	<b>0.2103</b>	<b>2.5%</b>
Net property income margin	75.3%	77.5%	(2.8%)	76.2%	(1.2%)
Net investment income margin	72.1%	74.3%	(2.9%)	73.2%	(1.6%)

Source: CPNRF. Based on interim financial statements and review reports of Certified Public Accountant for 2Q08, 1Q08 and 2Q07

## Balance Sheet

Unit: Baht Million	2Q07	3Q07	4Q07	1Q08	2Q08
<i>Investment at fair value</i>	11,422.2	11,321.6	11,511.1	11,491.1	11,546.1
Central Rama II	6,038.9	6,038.9	5,939.0	5,939.0	5,939.0
Central Rama III	4,733.3	4,733.3	4,902.1	4,902.1	4,902.1
<i>Total investment in properties</i>	<i>10,772.2</i>	<i>10,772.2</i>	<i>10,841.1</i>	<i>10,841.1</i>	<i>10,841.1</i>
Investment in securities	650.0	549.4	670.0	650.0	705.0
Cash on hand and at banks	87.5	175.1	136.5	165.0	108.7
Other assets	151.0	148.1	102.2	119.8	115.9
<b>Total assets</b>	<b>11,660.8</b>	<b>11,644.8</b>	<b>11,749.9</b>	<b>11,775.8</b>	<b>11,770.7</b>
Deposits received from customers	422.1	423.7	430.6	434.6	438.5
Other liabilities	135.3	135.1	132.0	144.6	140.4
<b>Total liabilities</b>	<b>557.4</b>	<b>558.8</b>	<b>562.6</b>	<b>579.2</b>	<b>578.9</b>
<b>Net Asset</b>	<b>11,103.4</b>	<b>11,086.0</b>	<b>11,187.3</b>	<b>11,196.6</b>	<b>11,191.8</b>
Capital received from unitholders	10,915.0	10,915.0	10,915.0	10,915.0	10,915.0
Retained earnings	188.4	171.0	272.3	281.6	276.8
<b>NAV per unit (in Baht)</b>	<b>10.1725</b>	<b>10.1567</b>	<b>10.2494</b>	<b>10.2580</b>	<b>10.2536</b>

Source: CPNRF. Based on interim financial statements and review reports of Certified Public Accountant for 2Q07, 3Q07, 1Q08 and 2Q08, and annual financial statements and audit report of Certified Public Accountant for 4Q07

**OPERATIONS SUMMARY**

**I. Leasable Area and Occupancy**

	Area (sqm)		Occupancy Rate			
	Gross Area	Leasable Area	30 Sep 07	31 Dec 07	31 Mar 08	30 Jun 08
Rama II	251,182	93,243	98.5%	99.0%	99.6%	98.8%
Rama III	169,740	39,998	95.1%	91.6%	94.1%	96.3%
CPNRF Portfolio	420,922	133,241	97.5%	96.8%	98.0%	98.1%

Source: CPN

**II. Renewals and New Leases**

	From 1 January to 30 June 2008 <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	79	3,392	3.6%	5.5%
Rama III	24	2,687	6.7%	6.3%
CPNRF Portfolio	103	6,079	4.6%	5.9%

Note:

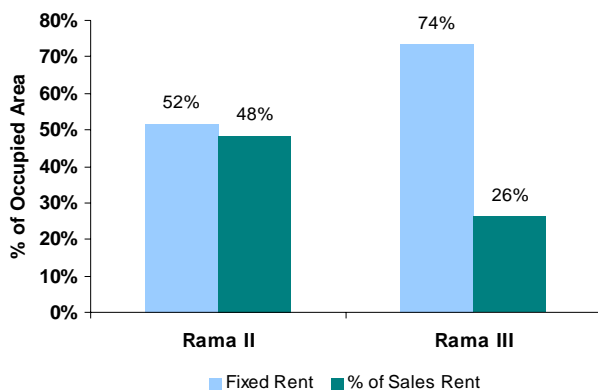
<sup>1</sup> Exclude rental agreements < 1 year

<sup>2</sup> Percentage of leasable area as at 30 June 2008

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

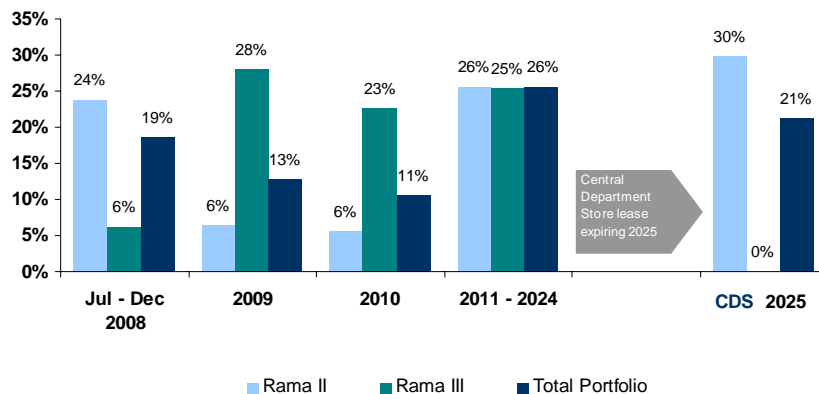
Source: CPN

**III. Rental Structure**



Source: CPN

**IV. Lease Expiry Profile**



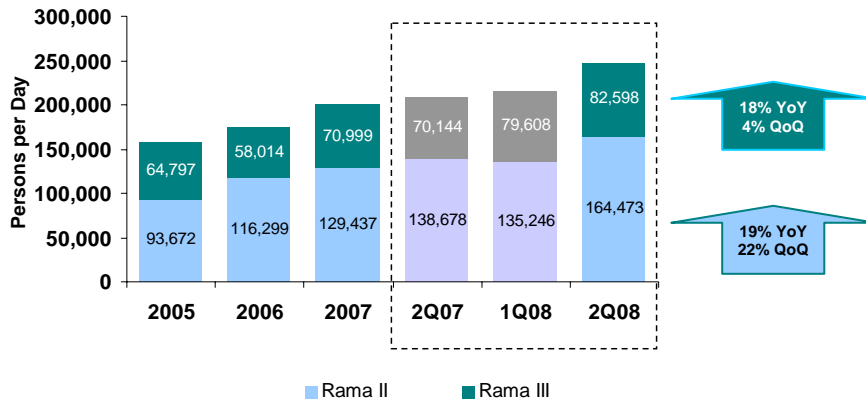
Note:

1. Percentage of total occupied area as at 30 June 2008

2. Exclude rental agreements < 1 year

Source: CPN

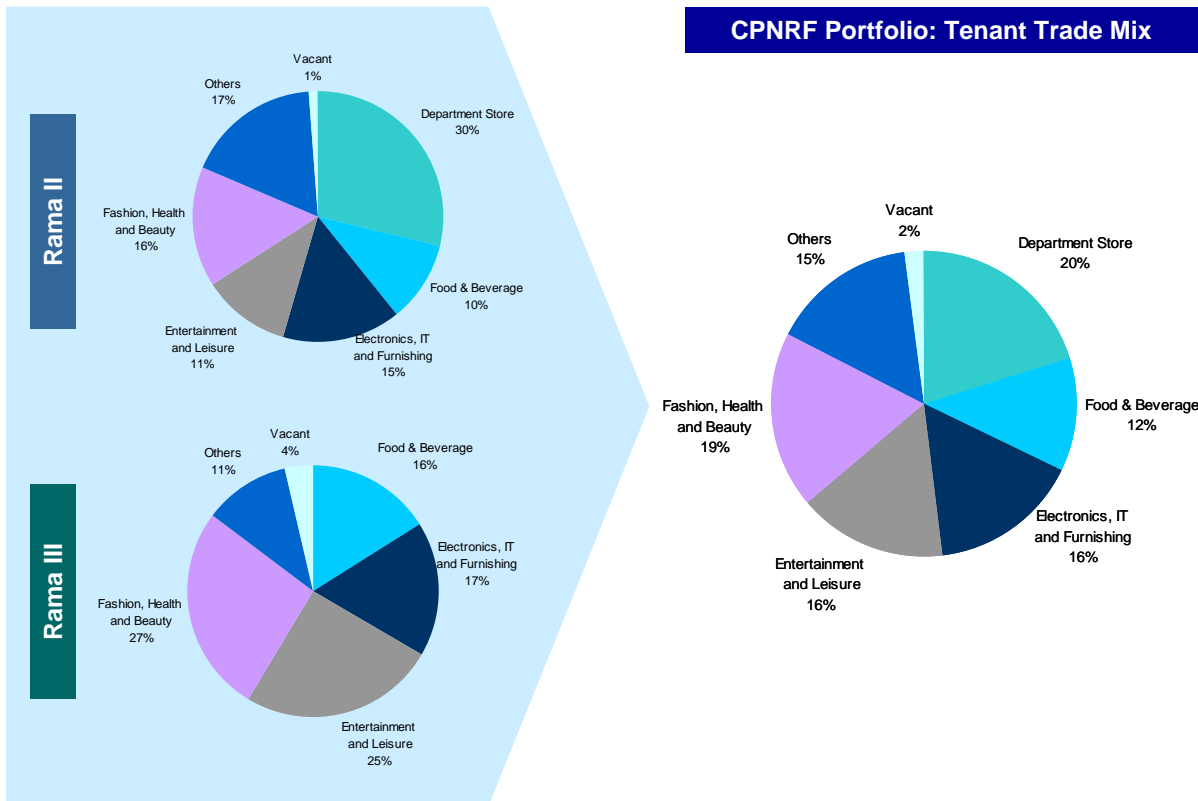
V. Traffic



- Rama III: Traffic increased YoY partially from low base in 2Q07, when the state of economy was worse than now. QoQ traffic increased from the opening of the new Food Park, as well as various marketing activities
- Rama II: The expanding surrounding community increased traffic YoY. Various marketing activities increased QoQ traffic.

Source: CPN estimate

VI. Tenants Trade Mix



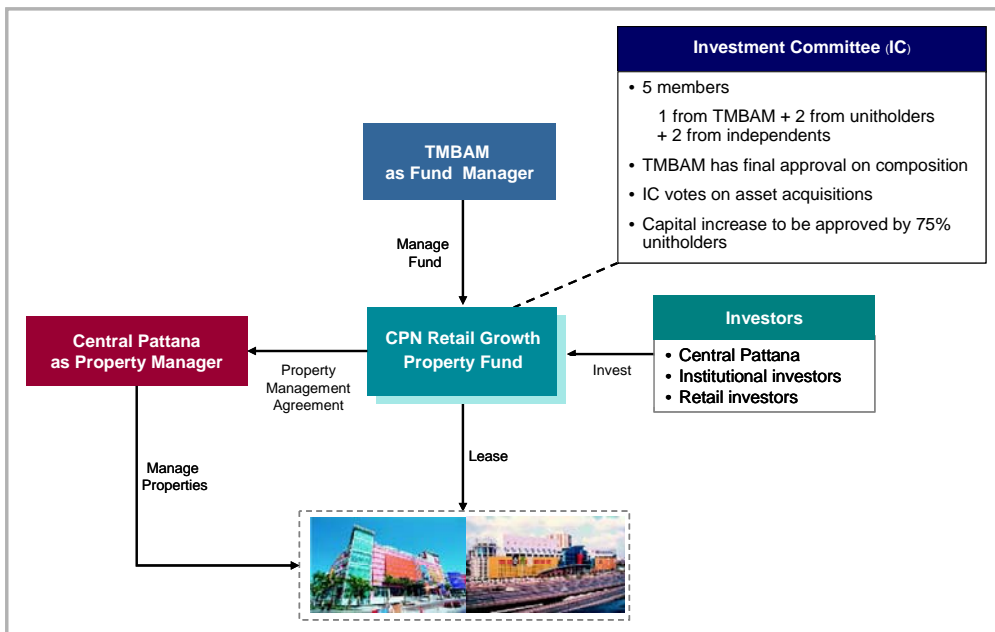
Note: Based on leasable area as at 30 June 2008  
Source: CPN

**ABOUT CPNRF**

**I. Fund Information**

<b>Name</b>	CPN Retail Growth Property Fund (“CPNRF”)
<b>Property Manager</b>	Central Pattana Public Company Limited (“CPN”)
<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>	CentralPlaza Rama II, CentralPlaza 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 CentralPlaza Rama II 16 August 2005 for CentralPlaza 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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