

# 4Q 2008

## Investor Newsletter

### CPN Retail Growth Property Fund

Prepared by Central Pattana Public Company Limited, CPNRF Property Manager

26 February 2009

#### SHARE INFO: As of 25 February 09

Unit Price (Bt)	7.70
Shares Outstanding (mln)	1,091.5
Market Capital (Bt mln)	8,404.55
NAV (Bt mln) <sup>/1</sup>	11,332.14
NAV per Unit (Bt) <sup>/1</sup>	10.3821
Premium/ (Discount) <sup>/1</sup>	(25.8%)

Note:  
<sup>/1</sup> NAV as of 31 December 2008

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CentralPlaza Rama II

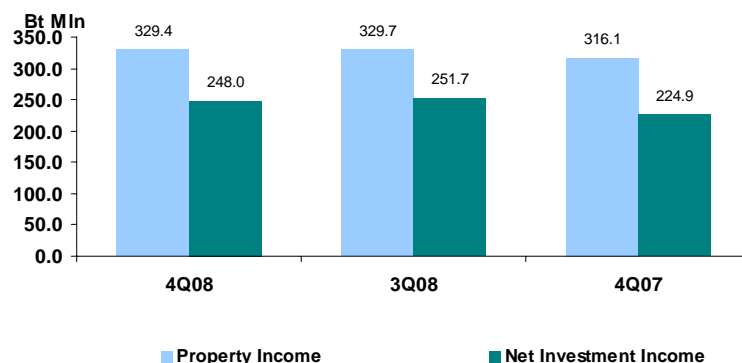


CentralPlaza Ratchada-Rama III

**FY2008 net investment income increased by 8.3% YoY.** CPNRF reported net investment income for the full year 2008 of Baht 971.7 million, an increase of 8.3% from the previous year, mainly resulting from a 6.6% increase in rental and service income while selling and administrative expenses declined by 15.4%. Net investment income for 4Q08 was recorded at Baht 248.0 million, representing 10.3% growth from 4Q07.

**FY2008 total income increased by 4.9% YoY.** Total income for the full year 2008 was recorded at Baht 1,333.3 million, a 4.9% growth from Baht 1,270.8 million in 2007. Total expenses of Baht 361.7 million declined by 3.2% from the previous year. Total income for 4Q08 experienced 4.3% growth from the same period of last year.

**NAV up by 3.8% from the IPO.** Net asset value (NAV) as at 31 December 2008 was Baht 11,332.14 million or Baht 10.3821 per unit, representing an increase of 3.8% over that at the IPO. With adjustment of distribution paid to unitholders since the IPO, NAV would have increased by 29.3%. Recent valuation of Baht 5,931.0 million for CentralPlaza Rama II represents a decrease of Baht 8.0 million while the value of CentralPlaza Ratchada-Rama III increased by Baht 138.9 million to Baht 5,041.0 million



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

## MANAGEMENT DISCUSSION AND ANALYSIS

### Total Income

CPNRF's total income for the full year 2008 was Baht 1,333.3 million, an increase of Baht 62.5 million or 4.9% from Baht 1,270.8 million in 2007. This was mainly due to a 6.6% growth in rental and service income, supported by the increase in rental rates of the properties. In 2008 rental rate growth for both CentralPlaza Rama II and CentralPlaza Ratchada-Rama III averaged to 5.7%. Meanwhile, other income declined by Baht 15.3 million to Baht 39.7 million and interest income for this year amounted to Baht 29.2 million, which was slightly lower than Baht 29.5 million in the previous year.

In the fourth quarter of 2008 CPNRF's total income amounted to Baht 337.5 million, which was in line with Baht 337.0 million of the previous quarter. This was largely owed to the small increase in rental and service income. The occupancy rate at CentralPlaza Rama II at the end of the quarter remained high at 99.1%, while the occupancy rate of CentralPlaza Ratchada-Rama III of 96.9% achieved a small increase from 95.6% at the end of the third quarter. As a result, an increase in the overall occupancy of the portfolio was observed, and stood at 98.5% at the end of 4Q08.

### Total Expenses

Total expenses for the full year 2008 amounted to Baht 361.7 million, which was Baht 12.0 million or 3.2% lower than Baht 373.7 million last year. Cost of rental and service of Baht 60.1 million slightly declined from Baht 60.9 million in 2007, largely from repairs and maintenance expense, while selling and administrative expenses were reduced by Baht 11.6 million or 15.4%. Reduction in advertising and promotion expenses remained a large contribution towards declining selling and administrative expenses. We believe the marketing events are still required to boost traffic and demand during the economic downturn, in order to provide support for tenants. However, effective cost management through top-line driven were applied to control such expenses. With contribution from the property manager and tenants, the number of visitor traffic at both properties continued to grow from last year. Meanwhile, other fund expenses remained in line with the previous year. Additionally, the amortisation of deferred expenses, incurred at the fund's establishment, came to the end of its 3-year amortising period in August 2008, which resulted in a reduction of 38.9% to Baht 29.7 million in 2008 from Baht 48.6 million in 2007. However, distribution will not be affected by such change as the amortisation of deferred expenses was excluded from income available for distribution as specified in the current fund scheme.

CPNRF recorded total expenses for 4Q08 at Baht 89.5 million, Baht 4.1 million or 4.8% more than that of the previous quarter. While cost of rental and service was slightly reduced from the third quarter, selling and administrative expenses were maintained at similar level as before, following efficient cost management of marketing expenses. Meanwhile, property management fee increased by Baht 10.9 million or 25.1% from the previous quarter, partially from commission fee that resulted from larger proportion of lease renewals/ new leases obtained mainly at CentralPlaza Rama II, which were mostly expired in December 2008.

### Net Investment Income and Income Available for Distribution

Net investment income for the full year 2008 totalled up to Baht 971.7 million, an increase of Baht 74.6 million or 8.3% from Baht 897.1 million in 2007. This translates to income available for distribution of Baht 1,001.3 million, representing an increase of Baht 55.6 million or 5.9% from the previous year.

In comparison to the previous quarter, net investment income of Baht 248.0 million experienced a small decline of Baht 3.7 million or 1.4% in 4Q08. This resulted in a reduction of 3.5% in income available for distribution from Baht 257.1 million in 3Q08, mainly due to the increase in property expenses while income did not significantly change.

**Balance Sheet Movement**

As of 31 December 2008, CPNRF reported total investment in properties of Baht 10,972.0 million, consisting of Baht 5,931.0 million for CentralPlaza Rama II and Baht 5,041.0 for CentralPlaza Ratchada-Rama III. These represent an increase of Baht 130.9 million in the value of the properties, resulting from annual valuation conducted by 15 Business Advisory Limited using income approach method. Net Asset Value ("NAV") was recorded at Baht 11,332.1 million or Baht 10.3821 per unit as at 31 December 2008, slightly up by 1.1% from the end of the third quarter.

**Profitability**

Net property income margin slightly increased to 76.1% in 2008. This was associated with higher net investment income margin, which adjusted up to 74.5%. While a steady increase in property income was observed, efficient cost management assisted in controlling property expenses and helped increasing the profit margins. Additionally, reduction in amortisation of deferred expenses also contributed to improving the profit margin in 2008.

Net property income margin for 4Q08 declined from 77.4% in 3Q08 to 76.1% in 4Q08, while net investment income margin of 74.5% decreased by 1.4% QoQ. The increase in property expenses combined with elimination of amortisation of deferred expenses resulted in lower profit margin in this quarter compared to the previous quarter.

**Asset Enhancement**

The reconfiguration of E-Life Zone and XY Arena Zone, near the new Food Park on the 6<sup>th</sup> floor, at CentralPlaza Ratchada-Rama III were completed in December 2008. As for 2009, there are plans to renovate promotion area on the 1<sup>st</sup> floor as well as to redesign Take Home area on ground floor. This will keep the property in modern state and should improve rental revenue.

At CentralPlaza Rama II, some parts of air conditioning system were modified in Junction X zone, while kiosk space on the 3<sup>rd</sup> floor has been prepared and new directional signs in the mall were added as planned. These should allow the leasable area utilisation to improve and enhance the visibility of tenants and provide convenience for traffic circulation.

## FINANCIAL SUMMARY

## Income Statement

Unit: Baht Million	FY2008	4Q08	FY2007	Change YoY	3Q08	Change QoQ	4Q07	Change YoY
<i>Property income</i>	1,304.1	329.4	1,241.3	5.1%	329.7	(0.1%)	316.1	4.2%
Rental and service income	1,264.4	321.9	1,186.3	6.6%	318.0	1.2%	306.1	5.2%
Other income	39.7	7.5	55.0	(27.8%)	11.7	(35.3%)	10.1	(25.1%)
Interest income	29.2	8.1	29.5	(1.0%)	7.3	10.6%	7.3	10.3%
<b>Total income</b>	<b>1,333.3</b>	<b>337.5</b>	<b>1,270.8</b>	<b>4.9%</b>	<b>337.0</b>	<b>0.1%</b>	<b>323.5</b>	<b>4.3%</b>
<i>Property expenses</i>	311.1	84.2	304.5	2.2%	74.7	12.8%	81.1	3.8%
Cost of rental and service	60.1	13.6	60.9	(1.4%)	14.8	(7.6%)	17.8	(23.4%)
Selling and administrative expenses	63.1	15.6	74.7	(15.4%)	15.4	1.2%	19.3	(19.0%)
Property management fee	186.1	54.4	166.4	11.9%	43.5	25.1%	43.2	25.9%
Other expenses	1.8	0.5	2.6	(30.7%)	1.0	(45.6%)	0.8	(30.4%)
Other management fees and expenses	20.9	5.3	20.7	1.2%	5.2	0.9%	5.2	1.4%
Amortisation of deferred expenses	29.7	0.0	48.6	(38.9%)	5.5	(100.0%)	12.2	(100.0%)
<b>Total expense</b>	<b>361.7</b>	<b>89.5</b>	<b>373.7</b>	<b>(3.2%)</b>	<b>85.4</b>	<b>4.8%</b>	<b>98.5</b>	<b>(9.2%)</b>
<b>Net investment income</b>	<b>971.7</b>	<b>248.0</b>	<b>897.1</b>	<b>8.3%</b>	<b>251.7</b>	<b>(1.4%)</b>	<b>224.9</b>	<b>10.3%</b>
Net unrealised gain (loss) from changes in investment value	114.2	120.1	60.9	n.a.	0.0	n.a.	96.7	n.a.
<b>Net increase in net assets from operations</b>	<b>1,085.8</b>	<b>368.1</b>	<b>958.0</b>	<b>13.3%</b>	<b>251.7</b>	<b>46.3%</b>	<b>321.6</b>	<b>14.4%</b>
<b>Income available for distribution</b>	<b>1,001.3</b>	<b>248.0</b>	<b>945.7</b>	<b>5.9%</b>	<b>257.1</b>	<b>(3.5%)</b>	<b>237.2</b>	<b>4.6%</b>
<b>Distribution</b>	<b>n.a.</b>	<b>n.a.</b>	<b>898.3</b>	<b>n.a.</b>	<b>244.3</b>	<b>n.a.</b>	<b>225.3</b>	<b>n.a.</b>
<b>Distribution per unit (in Baht)</b>	<b>n.a.</b>	<b>n.a.</b>	<b>0.8230</b>	<b>n.a.</b>	<b>0.2238</b>	<b>n.a.</b>	<b>0.2064</b>	<b>n.a.</b>
Net property income margin	76.1%	74.4%	75.5%	0.9%	77.4%	(3.8%)	74.4%	0.1%
Net investment income margin	74.5%	75.3%	72.3%	3.1%	76.3%	(1.4%)	71.2%	5.8%

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

## Balance Sheet

Unit: Baht Million	4Q07	1Q08	2Q08	3Q08	4Q08
<i>Investment at fair value</i>	11,511.1	11,491.1	11,546.1	11,441.1	11,512.0
Central Rama II	5,939.0	5,939.0	5,939.0	5,939.0	5,931.0
Central Rama III	4,902.1	4,902.1	4,902.1	4,902.1	5,041.0
<i>Total investment in properties</i>	<i>10,841.1</i>	<i>10,841.1</i>	<i>10,841.1</i>	<i>10,841.1</i>	<i>10,972.0</i>
Investment in securities	670.0	650.0	705.0	600.0	540.0
Cash on hand and at banks	136.5	165.0	108.7	240.3	321.4
Other assets	102.2	119.8	115.9	122.6	102.4
<b>Total assets</b>	<b>11,749.9</b>	<b>11,775.8</b>	<b>11,770.7</b>	<b>11,803.9</b>	<b>11,935.8</b>
Deposits received from customers	430.6	434.6	438.5	444.5	437.0
Other liabilities	132.0	144.6	140.4	151.2	166.7
<b>Total liabilities</b>	<b>562.6</b>	<b>579.2</b>	<b>578.9</b>	<b>595.6</b>	<b>603.7</b>
<b>Net Asset</b>	<b>11,187.3</b>	<b>11,196.6</b>	<b>11,191.8</b>	<b>11,208.3</b>	<b>11,332.1</b>
Capital received from unitholders	10,915.0	10,915.0	10,915.0	10,915.0	10,915.0
Retained earnings	272.3	281.6	276.8	293.3	417.1
<b>NAV per unit (in Baht)</b>	<b>10.2494</b>	<b>10.2580</b>	<b>10.2536</b>	<b>10.2687</b>	<b>10.3821</b>

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

**OPERATIONS SUMMARY**

**I. Leasable Area and Occupancy**

	Area (sqm)		Occupancy Rate			
	Gross Area	Leasable Area	31 Mar 08	30 Jun 08	30 Sep 08	31 Dec 08
Rama II	251,182	93,307	99.6%	98.8%	99.1%	99.1%
Rama III	169,740	39,961	94.1%	96.3%	95.6%	96.9%
CPNRF Portfolio	420,922	133,268	98.0%	98.1%	98.0%	98.5%

Source: CPN

**II. Renewals and New Leases**

	From 1 January to 31 December 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	255	22,620	24.2%	5.7%
Rama III	46	4,974	12.4%	5.7%
CPNRF Portfolio	301	27,594	20.7%	5.7%

Note:

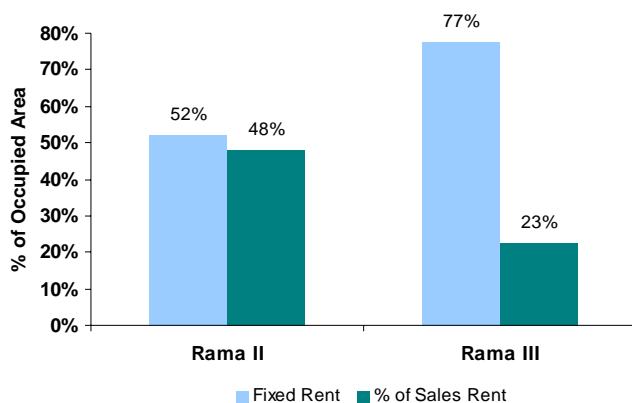
<sup>1</sup> Exclude rental agreements < 1 year

<sup>2</sup> Percentage of leasable area as at 31 December 2008

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

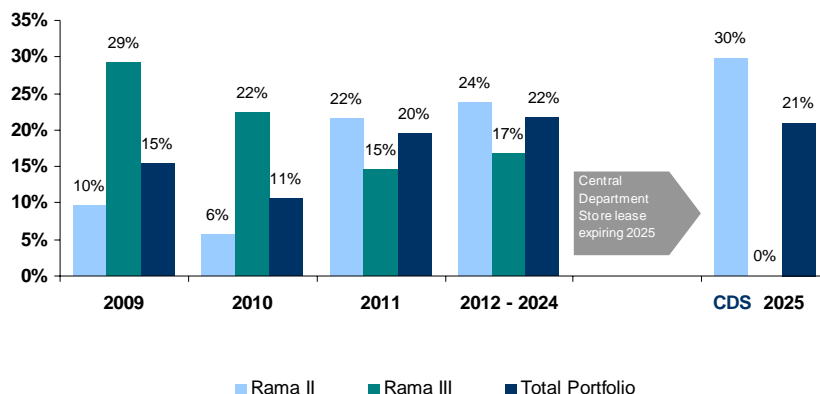
Source: CPN

**III. Rental Structure**



Source: CPN

**IV. Lease Expiry Profile**



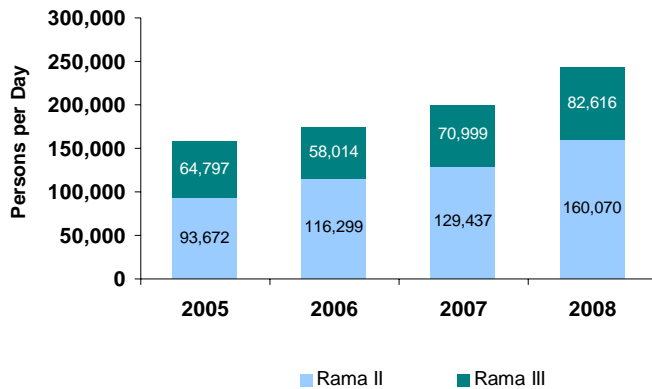
Note:

1. Percentage of total occupied area as at 31 December 2008

2. Exclude rental agreements < 1 year

Source: CPN

V. Traffic



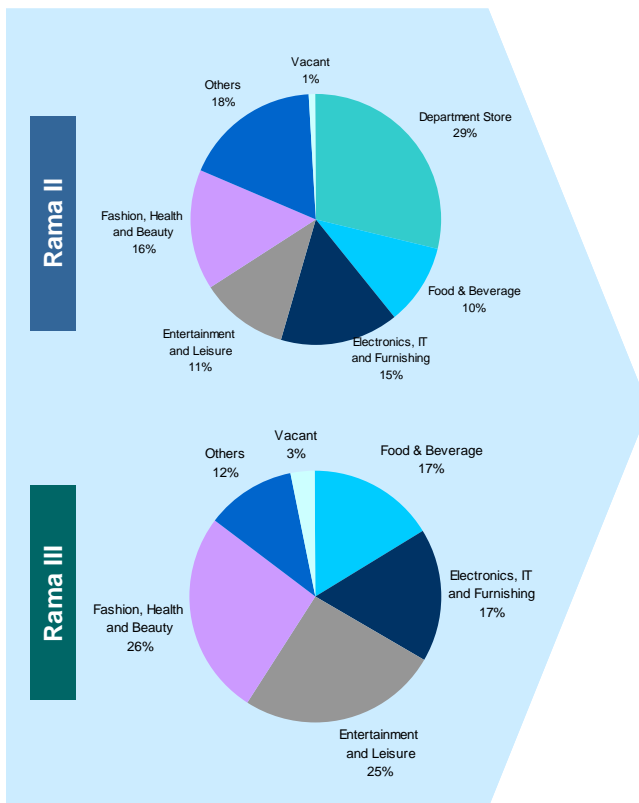
↑ 16%

↑ 24%

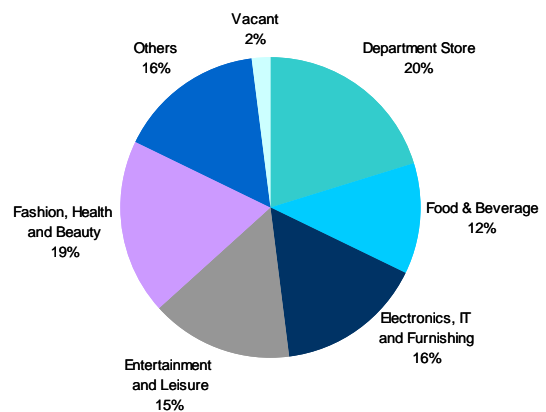
- Rama III: Traffic increased from continuous marketing events and activities, including strategic events held to meet customers' lifestyle.
- Rama II: The expanding surrounding community and more frequent marketing activities increased traffic.

Source: CPN estimate

VI. Tenants Trade Mix



CPNRF Portfolio: Tenant Trade Mix



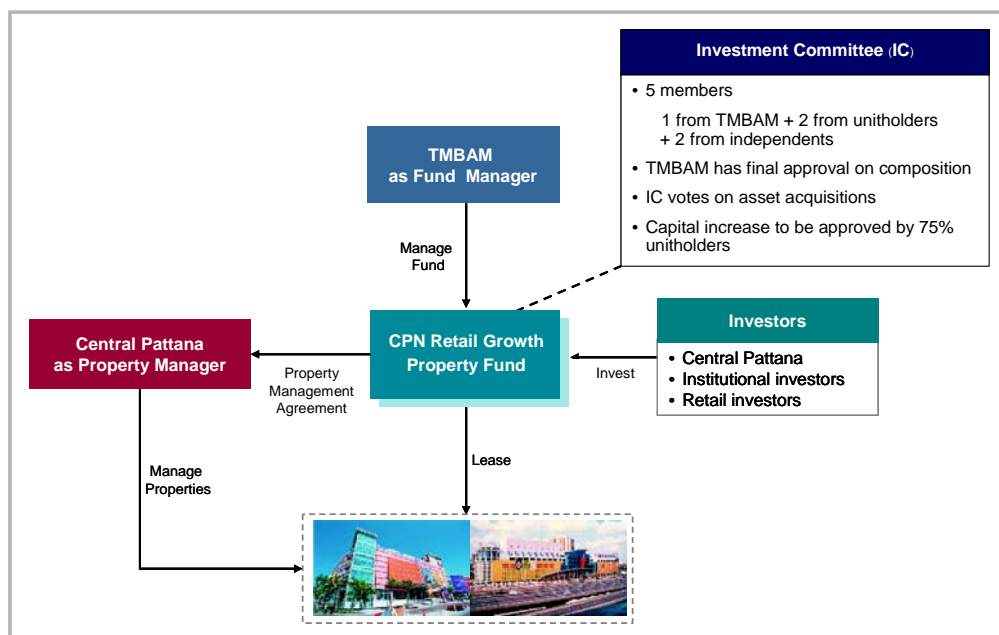
Note: Based on leasable area as at 31 December 2008  
Source: CPN

**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 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 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**



Note: Current fund structure, as investment committee composition amendment is under approval process by SEC

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