

# 4Q 2010 Investor Newsletter

## CPN Retail Growth Leasehold Property Fund

Prepared by Central Pattana Public Company Limited, CPNRF Property Manager

24 February 2011



### SHARE INFO: As of 23 February 2011

Unit Price (Bt)	12.30
Shares Outstanding (mln)	1,636.3
Market Capital (Bt mln)	20,126.8
NAV (Bt mln) <sup>/1</sup>	16,808.6
NAV per Unit (Bt) <sup>/1</sup>	10.2721
Premium/ (Discount) <sup>/1</sup>	19.7%

Note:  
<sup>/1</sup> NAV as of 31 December 2010

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**Net investment income increased by 51.9% YoY.** CPNRF recorded net investment income for full year 2010 of Baht 1,747.6 million, an increase of 51.9% from previous year, mainly from the acquisition of CentralPlaza Pinklao since 4 November 2009. Net investment income for 4Q10 was recorded at Baht 447.7 million, representing 1.6% growth QoQ.

**Total income increased by 52.1% YoY.** Total income for the full year 2010 was reported at Baht 2,279.1 million, representing an increase of 52.1% from Baht 1,498.1 million in 2009. Meanwhile, full-year 2010 total expense of Baht 531.4 million increased by 53.0% from year 2009.

**NAV up by 2.7% from the IPO.** Net Asset Value (NAV) as at 31 December 2010 was Baht 16,808.6 million or Baht 10.2721 per unit, representing an increase of 2.7% over that at the IPO. With adjustment of distribution paid to unitholders since the IPO, NAV would have increased by 35.2%. Recent valuation was completed for CentralPlaza Rama II, CentralPlaza Ratchada-Rama III and CentralPlaza Pinklao, for which the values were Baht 5,981.0 million, Baht 5,290.0 million and Baht 5,937.6 million, respectively.

**Distribution per unit increased by 2.8% QoQ.** CPNRF announced the distribution for the period of 1 October – 31 December 2010 of Baht 416.8 million or Baht 0.2547 per unit, representing annualised yield of approximately 8.3% at the price of Baht 12.30 per unit as at 23 February 2011.



Source: CPNRF. Based on annual financial statements and audit report of Certified Public Accountant for 4Q10 and 4Q09 and interim financial statements and review reports of Certified Public Accountant for 3Q10

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## MANAGEMENT DISCUSSION AND ANALYSIS

### Statement of Income

*Full year 2010 total income of Baht 2,279.1 million increased from the combination of the acquisition of Pinklao project and existing properties' growth*

#### Total Income

CPNRF's total income for the full year 2010 was Baht 2,279.1 million, an increase of Baht 781.0 million or 52.1% from Baht 1,498.1 million in 2009. This was due to the Baht 747.8 million increase in rental and service income, with the acquisition of parts of CentralPlaza Pinklao project as the main contributing factor, as well as from organic growth of CentralPlaza Rama II and CentralPlaza Ratchada-Rama III. The contribution partially came from the increase in rental rate, of approximately 6.0%, at CentralPlaza Pinklao, for which 23.7% of the lettable area obtained either a lease renewal or a new lease in 2010 and that major renovation has progressed towards completion. At the same time, CentralPlaza Rama II and CentralPlaza Rama III also achieved similar growth in rental rate for their lease renewals and new leases. As for interest income, Baht 2.2 million or 17.6% decrease was observed in 2010 due to the decline in the interest rate from the end of 2009 to the beginning of 3Q10. On the other hand, other income increased by 39.9% to Baht 72.6 million.

In 4Q10 CPNRF's total income amounted to Baht 585.3 million, representing 2.1% increase from Baht 573.3 million in the previous quarter. The factor behind this improvement was an increase in rental and service income by Baht 8.8 million in total. Meanwhile, interest income slightly increased by Baht 0.9 million from 3Q10, standing at Baht 3.7 million. Other income decreased by Baht 2.7 million from the previous quarter.

#### Total Expense

*Total expense increased to Baht 531.4 million from cost of rental and service as well as selling and administrative expenses associated with the injection of CentralPlaza Pinklao*

Total expense for the full year 2010 amounted to Baht 531.4 million, Baht 184.0 million or 53.0% higher than Baht 347.4 million in the previous year. This was mainly from 62.0% increase in cost of rental and service along with 19.3% increase in selling and administrative expenses. Property management fee stood at Baht 306.6 million, an increase of 60.4% compared to the previous year. The main factors behind such increment were the acquisition of parts of CentralPlaza Pinklao project and from existing properties.

Total expense for 4Q10 was recorded at Baht 137.6 million, representing an increase of Baht 5.1 million or 3.8% from the previous quarter. An increase in cost of rental and service of 11.9% contributed to this increase, partially from increases in repair and maintenance expenses and decorative expenses. Moreover, selling and administrative expenses rose in this quarter as large amount of advertising and promotion expenses was required for end-of-the year

marketing events. However, selling and administrative expenses are expected to be efficiently managed. Property management fee declined to Baht 7.3 million or 8.9% decrease from the previous quarter.

### Net Investment Income and Distribution

*Distribution per unit of Baht 0.9910 for the full year 2010 grew by 7.7% from the previous year*

Net investment income for the full year 2010 totaled up to Baht 1,747.6 million, representing a growth of Baht 596.9 million or 51.9% from Baht 1,150.7 million in 2009. This translates to income available for distribution of Baht 1,731.1 million, which was 48.8% higher than that of previous year.

Compared to the previous quarter, net investment income was Baht 447.7 million in 4Q10, increased by Baht 6.9 million or 1.6%. This resulted in an increase of 1.6% in income available for distribution from Baht 405.5 million in 3Q10. Net investment income growth mainly resulted from an improvement in property income from all projects in portfolio.

Distribution per unit (DPU) for the full year 2010 increased by 7.7% from Baht 0.9201 per unit in the previous year to Baht 0.9910 per unit. The fund announced distribution for 1 October – 31 December 2010, which was Baht 0.2547 per unit. The XD Date will be on 3 March 2011, followed by Book Closure Date on 8 March 2011 and the distribution payment will be made on 17 March 2011.

### Profitability

*Net property income margin slightly declined by 0.2% from the previous year, standing at 78.6% in 2010*

Net property income margin was at 78.6% in 2010, maintained at the same level as that of the previous year. This was associated with lower net investment income margin, which decreased from 77.5% in 2009 to 77.0% in 2010. Even though property income exhibited a steady growth, property expenses escalated at a slightly higher rate than property income, resulting in lower net property income margin.

Net property income margin for 4Q10 slightly declined from 78.9% in 3Q10 to 78.3%, while net investment income margin of 77.0% decreased by 0.3% from last quarter. The increases in property expenses mainly resulted in a lower profit margin in this quarter compared to the previous quarter.

## Balance Sheet Movement

*NAV increased to Baht 10.2721 per unit. Borrowing stood at Baht 490.0 million as no loan repayment has been made during this year*

As of 31 December 2010, CPNRF reported total investment in properties of Baht 17,208.6 million, representing an increment of Baht 64.9 million from the previous quarter. Total investment in properties at year-end consists of Baht 5,981.0 million for CentralPlaza Rama II, Baht 5,290.0 million for CentralPlaza Ratchada-Rama III and Baht 5,937.6 million for CentralPlaza Pinklao. The valuations were carried out by independent appraisers, using income approach method. Net Asset Value ("NAV") was recorded at Baht 16,808.6 million or Baht 10.2721 per unit as at 31 December 2010, slightly increased from Baht 10.2369 at the end of the previous quarter. No further loan repayment has been made in 2010, retaining net borrowing of Baht 490.0 million from the previous year.

## FINANCIAL SUMMARY

## Income Statement

Unit: Baht Million	FY2010	4Q10	FY2009	Change YoY	3Q10	Change QoQ	4Q09	Change YoY
<i>Property income</i>	2,268.7	581.6	1,485.5	52.7%	570.5	1.9%	485.8	19.7%
Rental and service income	2,181.4	557.7	1,433.6	52.2%	548.9	1.6%	470.6	18.5%
Guarantee the Net Property income	14.7	6.8	0.0	n.a.	1.7	306.8%	0.0	n.a.
Other income	72.6	17.2	51.9	39.9%	19.9	(13.9%)	15.1	13.2%
Interest income	10.4	3.7	12.6	(17.6%)	2.8	31.0%	2.7	37.6%
<b>Total income</b>	<b>2,279.1</b>	<b>585.3</b>	<b>1,498.1</b>	<b>52.1%</b>	<b>573.3</b>	<b>2.1%</b>	<b>488.4</b>	<b>19.8%</b>
<i>Property expenses</i>	484.5	126.3	318.2	52.3%	120.4	4.8%	108.1	16.8%
Cost of rental and service	100.1	27.0	61.8	62.0%	24.2	11.9%	22.8	18.4%
Selling and administrative expenses	77.0	24.9	64.5	19.3%	14.5	71.2%	20.2	23.5%
Property management fee	306.6	74.3	191.2	60.4%	81.6	(8.9%)	65.2	14.0%
Other expenses	0.8	0.0	0.6	22.0%	0.1	(80.6%)	(0.0)	(266.4%)
Interest expense	20.9	5.3	7.8	168.1%	5.2	0.6%	7.8	(32.5%)
Other management fees and expenses	24.5	5.7	21.1	16.0%	6.5	(12.5%)	5.6	1.7%
Amortisation of deferred expenses	1.5	0.4	0.2	529.3%	0.4	(0.1%)	0.2	58.6%
<b>Total expense</b>	<b>531.4</b>	<b>137.6</b>	<b>347.4</b>	<b>53.0%</b>	<b>132.5</b>	<b>3.8%</b>	<b>121.8</b>	<b>13.0%</b>
<b>Net investment income</b>	<b>1,747.6</b>	<b>447.7</b>	<b>1,150.7</b>	<b>51.9%</b>	<b>440.8</b>	<b>1.6%</b>	<b>366.7</b>	<b>22.1%</b>
Net unrealised gain (loss) from changes in investment value	(38.7)	15.4	301.0	(112.8%)	(35.3)	(143.7%)	321.0	(95.2%)
<b>Net increase in net assets from operations</b>	<b>1,709.0</b>	<b>463.1</b>	<b>1,451.7</b>	<b>17.7%</b>	<b>405.5</b>	<b>14.2%</b>	<b>687.6</b>	<b>(32.6%)</b>
<b>Income available for distribution*</b>	<b>1,713.1</b>	<b>447.7</b>	<b>1,150.9</b>	<b>48.8%</b>	<b>405.5</b>	<b>10.4%</b>	<b>366.9</b>	<b>22.0%</b>
<b>Distribution</b>	<b>1,621.6</b>	<b>416.8</b>	<b>1,092.7</b>	<b>48.4%</b>	<b>405.5</b>	<b>2.8%</b>	<b>n.a.**</b>	<b>n.a.</b>
<b>Distribution per unit (in Baht)</b>	<b>0.9910</b>	<b>0.2547</b>	<b>0.9201</b>	<b>7.7%</b>	<b>0.2478</b>	<b>2.8%</b>	<b>n.a.**</b>	<b>n.a.</b>
Net property income margin	78.6%	78.3%	78.6%	0.0%	78.9%	(0.6%)	77.7%	0.6%
Net investment income margin	77.0%	77.0%	77.5%	(0.5%)	77.3%	(0.3%)	75.5%	1.5%

Source: CPNRF. Based on annual financial statements and audit report of Certified Public Accountant for 4Q10 and 4Q09 and interim financial statements and review reports of Certified Public Accountant for 3Q10.

Note:

\* According to the SEC Circular Resolution 1/2553, the "Income available for distribution" will include non-cash expense, starting 2Q10.

\*\*The fund announced distribution for the period of 1 November – 31 December 2009 of Baht 0.1622 per unit.

## Balance Sheet

Unit: Baht Million	4Q09	1Q10	2Q10	3Q10	4Q10
<i>Investment at fair value</i>	17,643.7	17,303.7	17,403.7	17,413.7	17,753.6
Central Rama II	5,990.0	5,990.0	5,990.0	5,990.0	5,981.0
Central Rama III	5,288.0	5,288.0	5,288.0	5,288.0	5,290.0
Central Pinklao	5,865.7	5,865.7	5,865.7	5,865.7	5,937.6
<i>Total investment in properties</i>	<i>17,143.7</i>	<i>17,143.7</i>	<i>17,143.7</i>	<i>17,143.7</i>	<i>17,208.6</i>
Investment in securities	500.0	160.0	260.0	270.0	545.0
Cash on hand and at banks	674.5	666.7	562.3	601.6	368.9
Other assets	121.4	170.7	207.0	167.8	167.9
<b>Total assets</b>	<b>18,439.6</b>	<b>18,141.1</b>	<b>18,173.0</b>	<b>18,183.1</b>	<b>18,290.3</b>
Deposits received from customers	672.1	678.9	684.0	689.8	701.5
Borrowing	1,000.0	490.0	490.0	490.0	490.0
Other liabilities	197.7	245.1	255.1	252.4	290.2
<b>Total liabilities</b>	<b>1,869.8</b>	<b>1,414.0</b>	<b>1,429.1</b>	<b>1,432.2</b>	<b>1,481.7</b>
<b>Net Asset</b>	<b>16,569.9</b>	<b>16,727.1</b>	<b>16,743.9</b>	<b>16,750.9</b>	<b>16,808.6</b>
Capital received from unitholders	15,764.0	15,764.0	15,764.0	15,764.0	15,764.0
Retained earnings	805.9	963.1	979.9	987.0	1,044.6
<b>NAV per unit (in Baht)</b>	<b>10.1262</b>	<b>10.2223</b>	<b>10.2325</b>	<b>10.2369</b>	<b>10.2721</b>

Source: CPNRF. Based on interim financial statements and review reports of Certified Public Accountant for 1Q10, 2Q10 and 3Q10 and annual financial statements and audit report of Certified Public Accountant for 4Q09 and 4Q10.

OPERATIONS SUMMARY

I. Leasable Area and Occupancy

	Area (sqm)		Occupancy Rate			
	Gross Area	Leasable Area	31 Mar 10	30 Jun 10	30 Sep 10	31 Dec 10
Rama II	251,182	93,600	99.6%	99.3%	99.3%	99.4%
Rama III	169,740	40,167	95.5%	93.8%	97.6%	96.3%
Pinklao (Plaza)	135,018	23,708	95.7%	95.9%	96.5%	95.2%
Pinklao Tower A & B	50,653	33,761	95.3%	96.4%	96.8%	97.3%
<b>CPNRF Portfolio</b>	<b>606,593</b>	<b>191,236</b>	<b>97.4%</b>	<b>97.2%</b>	<b>98.1%</b>	<b>97.8%</b>

Source: CPN

II. Renewals and New Leases

	From 1 January to 31 December 2010 <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	175	10,039	10.7%	5.9%
Rama III	93	8,765	21.8%	5.7%
Pinklao (Plaza)	39	5,611	23.7%	6.0%
Pinklao Tower A & B	58	13,408	39.7%	3.1%
<b>CPNRF Portfolio</b>	<b>365</b>	<b>37,823</b>	<b>19.8%</b>	<b>4.9%</b>

Note:

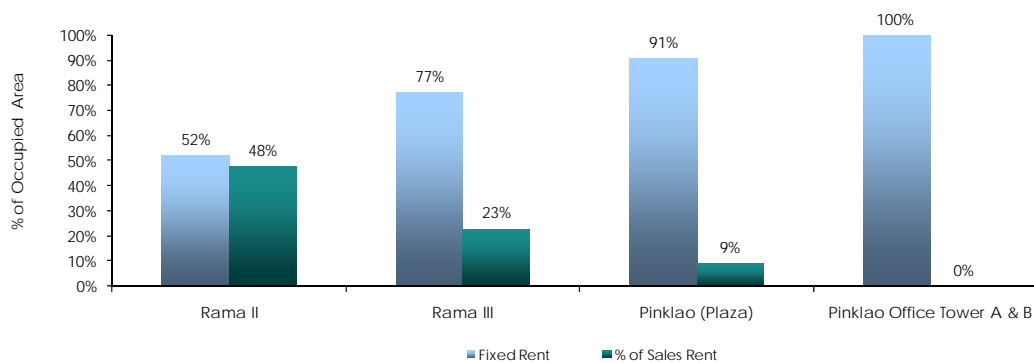
/1 Exclude rental agreements < 1 year

/2 Percentage of leasable area as at 31 December 2010

/3 Exclude rental agreements with revenue sharing clause

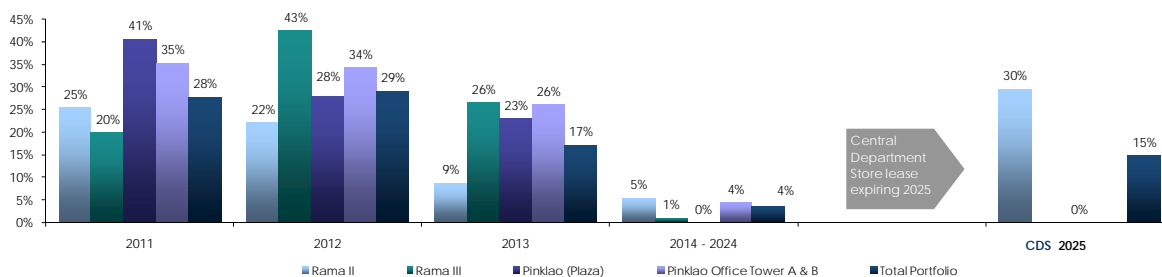
Source: CPN

III. Rental Structure



Source: CPN

IV. Lease Expiry Profile



Note:

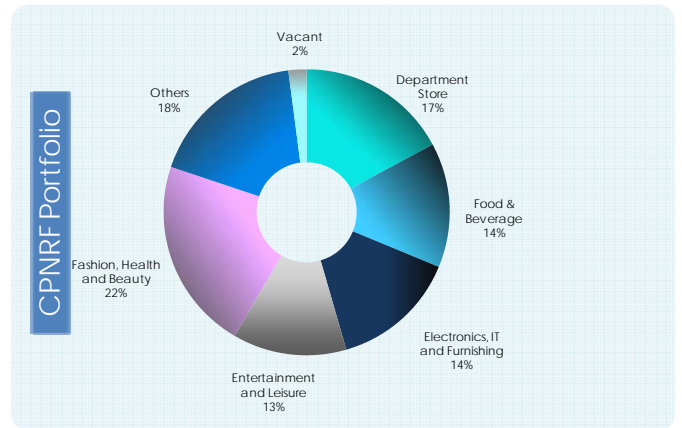
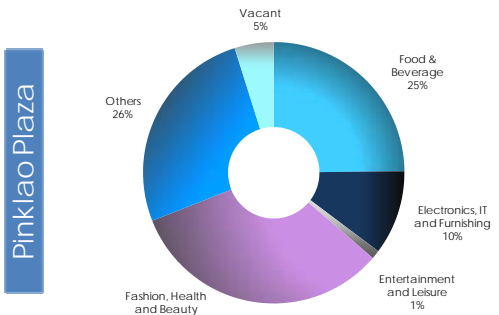
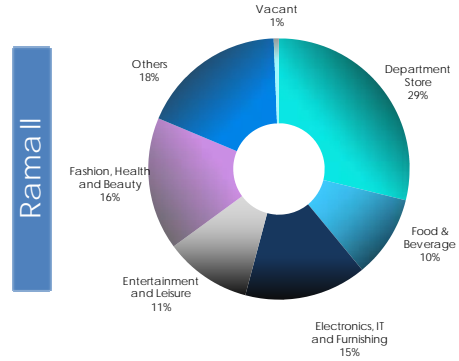
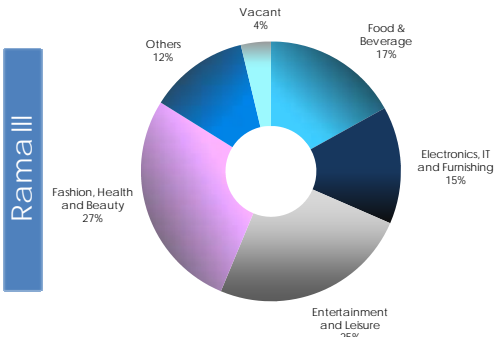
1. Percentage of total occupied area as at 31 December 2010

2. Exclude rental agreements < 1 year

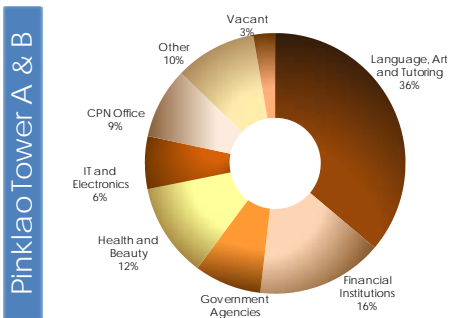
Source: CPN

V. Tenants Trade Mix

Retail Properties



Office Properties



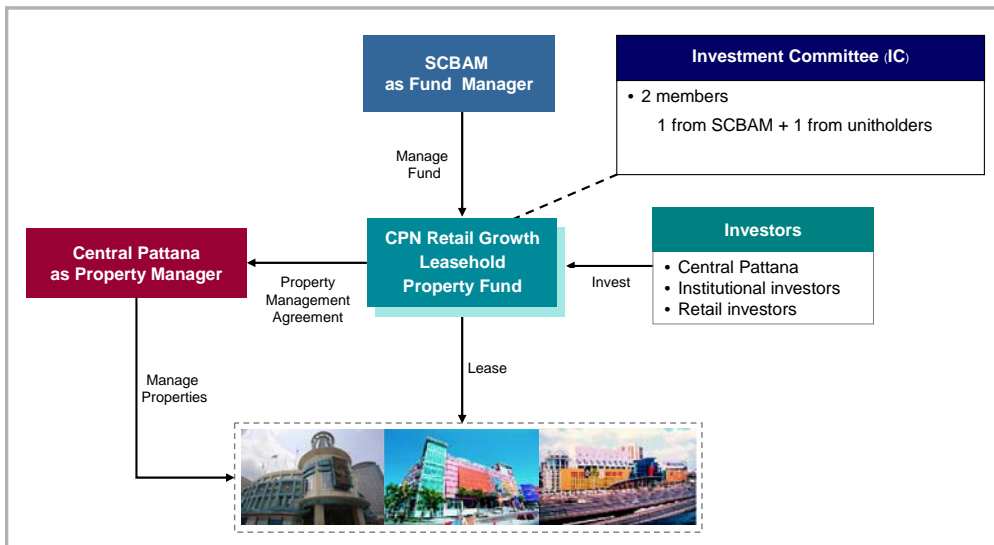
Note: Based on leasable area as at 31 December 2010  
 Source: CPN

ABOUT CPNRF

I. Fund Information

<b>Name</b>	CPN Retail Growth Leasehold Property Fund (“CPNRF”)
<b>Property Manager</b>	Central Pattana Public Company Limited (“CPN”)
<b>Fund Manager</b>	SCB Asset Management Company Limited
<b>Trustee</b>	Kasikorn Bank Public Company Limited
<b>Registrar</b>	Siam Commercial Bank Public Company Limited
<b>Assets</b>	CentralPlaza Rama II, CentralPlaza Ratchada-Rama III, CentralPlaza Pinklao
<b>Type</b>	Property Fund Type I (Indefinite Life)
<b>Total Fund Size</b>	Baht 15,764 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 4 November 2009 for CentralPlaza Pinklao
<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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