

# 3Q 2007

## Investor Newsletter

### CPN Retail Growth Property Fund

Prepared by Central Pattana Public Company Limited, CPNRF Property Manager

14 November 2007

#### SHARE INFO: As of 13 November 07

Unit Price (Bt)	9.40
Shares Outstanding (mln)	1,091.5
Market Capital (Bt mln)	10,260.10
NAV (Bt mln) <sup>/1</sup>	11,086.02
NAV per Unit (Bt) <sup>/1</sup>	10.1567
Premium/ (Discount) <sup>/1</sup>	(7.5%)

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

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Request for additional information should be directed to:

**Jotika Savanananda**  
Fund Manager  
[jotika@tmbam.com](mailto:jotika@tmbam.com)  
(66) 2636-1800

**Napat Sriwanvit**  
Property Manager  
[sraparat@cpn.co.th](mailto:snaparat@cpn.co.th)  
(66) 2667-5555



Central Plaza Rama II

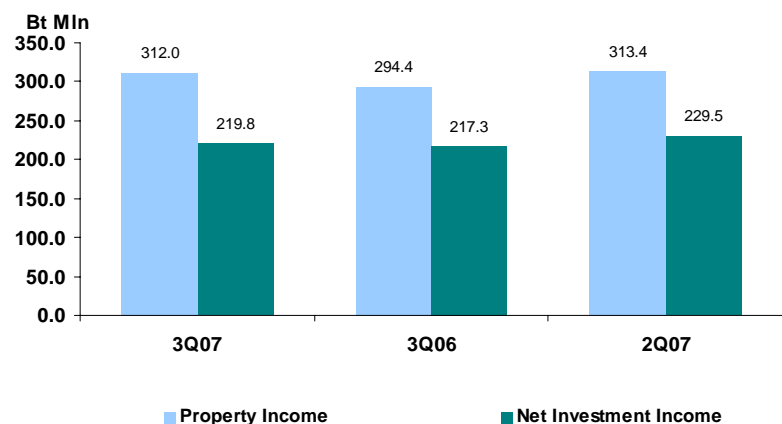


Central Plaza Ratchada-Rama III

**3Q07 net investment income increased by 1.1% YoY.** CPNRF reported net investment income in 3Q07 of Baht 219.8 million, an increase of 1.1% YoY, mainly due to an increase in rental and service income of 5.5%. Despite the recent state of the economy with low consumer confidence, mainly due to soaring oil prices, growth in net investment income was sustained.

**Total income experienced 4.8% growth YoY, while total expenses increased by 14.0% YoY.** Total income for 3Q07 was recorded at Baht 317.1 million, an increase of 4.8% from Baht 302.6 million in 3Q06. Total expenses increased by 14.0% YoY, resulting from higher selling and administrative expenses, required in order to enhance customer demand and traffic, and property management fees.

**NAV up by 1.6% from the IPO.** Net asset value (NAV) as at 30 September 2007 was Baht 11,086.02 million or Baht 10.1567 per unit, an increase of 1.6% over that at the IPO. With adjustment of distribution paid to unitholders since the IPO, NAV would have increased by 16.4% from the IPO.



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

### MANAGEMENT DISCUSSION AND ANALYSIS

#### Total Income

CPNRF recorded 3Q07 total income of Baht 317.1 million, an increase of Baht 14.5 million or 4.8% from Baht 302.6 million in 3Q06. The main factors behind this are the increase in rental and service income of 5.5% and the increase in other income of 15.3% achieved. Interest income was reduced by 38.0% YoY, resulting from lower interest rate.

Compared to the previous quarter, total income is Baht 4.1 million lower than that of 2Q07, representing a decline of 1.3%. This was due to declines in interest income and other income of 34.7% and 8.3% respectively, while rental and service income remained stable in 3Q07. The decrease in interest income was due to decrease in investment in securities, as a result of more cash reserve needed for the asset enhancement, and lower interest rate compared to the previous quarter. Minor differences in individual occupancy rates, which were 98.5% and 95.1% for Central Plaza Rama II and Central Plaza Ratchada-Rama III respectively, represent 0.2% decline from 98.7% for Central Plaza Rama II and 0.2% increase from 94.9% for Central Plaza Ratchada-Rama III. As a result, the occupancy rate of the entire portfolio remained at 97.5%, which was the same as the previous quarter.

#### Total Expenses

Total expenses in 3Q07 were Baht 97.3 million, an increase of Baht 12.0 million or 14.0% from Baht 85.3 million in the same period of last year. This was mainly due to significant increase in selling and administration expenses of 34.7%, largely from rising advertising and promotion expenses in order to boost customer demand and increase traffic. Additionally, property income growth contributed to the 13.1% increase in performance-related property management fee.

In comparison to the previous quarter, total expenses increased by Baht 5.6 million or 6.1%. This was mainly due to Baht 3.7 million rise in selling and administrative expenses, 20.9% higher than that of 2Q07. An increase of Baht 1.9 million in property management fee represents 4.8% growth from the previous quarter, resulting from leasing commission associated with greater number of lease renewals and new leases. Higher advertising and promotion expenses accounted for most of the increase in selling and administrative expenses, which covered various marketing events and activities throughout 3Q07. Cost of rental and services and other property expenses experienced small decline, while other fund expenses were slightly higher than the previous quarter.

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

In 3Q07, net investment income was recorded at Baht 219.8 million, translating to income available for distribution of Baht 232.0 million, increases of 1.1% and 1.1% YoY, respectively.

Compared to the previous quarter, net investment income and income available for distribution declined by 4.3% and 4.0% QoQ respectively. Whereas rental and service income was relatively stable, the lack of customer spending and traffic has hindered the performance of tenants, which required supporting advertising and promotion activities to stimulate consumer demand. However, the management believes that this would only be temporary and is optimistic about the future economic growth after the election in December, which will improve consumer confidence.

### **Balance Sheet Movement**

As of 30 September 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 11,086.0 million or Baht 10.1567 per unit as at 30 September 2007, slightly down by 0.2% QoQ due to a reduction in retained earnings used for asset enhancement.

### **Profitability**

Net property income margin and net investment income margin decreased from 77.0% and 73.8% respectively in 3Q06 to 74.4% and 70.4% respectively in 3Q07, representing decreases of 3.3% and 4.6% YoY, respectively. These mainly resulted from higher growth of property expenses compared to property income.

Compared to those in 2Q07, net property income margin and net investment income margin decreased by 2.4% and 3.8% QoQ, respectively. These were due to negative growth in income, resulting from declining interest and other income, while necessary property expenses continued to escalate.

FINANCIAL SUMMARY

Income Statement

Unit: Baht Million	3Q07	3Q06	Change YoY	2Q07	Change QoQ
<i>Property income</i>	312.0	294.4	6.0%	313.4	(0.5%)
Rental and service income	296.2	280.7	5.5%	296.2	0.0%
Other income	15.8	13.7	15.3%	17.2	(8.3%)
Interest income	5.1	8.3	(38.0%)	7.8	(34.7%)
<b>Total income</b>	<b>317.1</b>	<b>302.6</b>	<b>4.8%</b>	<b>321.2</b>	<b>(1.3%)</b>
<i>Property expenses</i>	79.9	67.8	17.7%	74.5	7.2%
Cost of rental and service	16.3	14.7	11.2%	16.4	(0.4%)
Selling and administrative expenses	21.4	15.9	34.7%	17.7	20.9%
Property management fee	42.1	37.2	13.1%	40.2	4.8%
Other expenses	0.0	0.0	(82.8%)	0.2	(97.3%)
Other management fees and expenses	5.2	5.3	(0.7%)	5.1	2.3%
Amortisation of deferred expenses	12.2	12.2	0.0%	12.1	1.1%
<b>Total expense</b>	<b>97.3</b>	<b>85.3</b>	<b>14.0%</b>	<b>91.7</b>	<b>6.1%</b>
<b>Net investment income</b>	<b>219.8</b>	<b>217.3</b>	<b>1.1%</b>	<b>229.5</b>	<b>(4.3%)</b>
Net unrealised gain (loss) from changes in investment value	(7.5)	(0.1)	n.a.	(16.6)	n.a.
<b>Net increase in net assets from operations</b>	<b>212.2</b>	<b>217.2</b>	<b>(2.3%)</b>	<b>212.9</b>	<b>(0.3%)</b>
<b>Income available for distribution</b>	<b>232.0</b>	<b>229.5</b>	<b>1.1%</b>	<b>241.6</b>	<b>(4.0%)</b>
<b>Distribution</b>	<b>n.a.</b>	<b>217.0</b>	<b>n.a.</b>	<b>229.6</b>	<b>n.a.</b>
<b>Distribution per unit (in Baht)</b>	<b>n.a.</b>	<b>0.1988</b>	<b>n.a.</b>	<b>0.2103</b>	<b>n.a.</b>
Net property income margin	74.4%	77.0%	(3.3%)	76.2%	(2.4%)
Net investment income margin	70.4%	73.8%	(4.6%)	73.2%	(3.8%)

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

Balance Sheet

Unit: Baht Million	3Q06	4Q06	1Q07	2Q07	3Q07
<i>Investment at fair value</i>	11,107.0	11,398.2	11,272.2	11,422.2	11,321.6
Central Rama II	5,958.0	6,038.9	6,038.9	6,038.9	6,038.9
Central Rama III	4,749.0	4,733.3	4,733.3	4,733.3	4,733.3
<i>Total investment in properties</i>	<i>10,707.0</i>	<i>10,772.2</i>	<i>10,772.2</i>	<i>10,772.2</i>	<i>10,772.2</i>
Investment in securities	400.0	626.0	500.0	650.0	549.4
Cash on hand and at banks	278.2	140.5	243.7	87.5	175.1
Other assets	166.9	143.1	168.5	151.0	148.1
<b>Total assets</b>	<b>11,552.1</b>	<b>11,681.8</b>	<b>11,684.5</b>	<b>11,660.8</b>	<b>11,644.8</b>
Deposits received from customers	411.8	421.3	422.7	422.1	423.7
Other liabilities	76.3	153.0	148.3	135.3	135.1
<b>Total liabilities</b>	<b>488.0</b>	<b>574.3</b>	<b>570.9</b>	<b>557.4</b>	<b>558.8</b>
<b>Net Asset</b>	<b>11,064.1</b>	<b>11,107.5</b>	<b>11,113.5</b>	<b>11,103.4</b>	<b>11,086.0</b>
Capital received from unitholders	10,915.0	10,915.0	10,915.0	10,915.0	10,915.0
Retained earnings	149.1	192.5	198.5	188.4	171.0
<b>NAV per unit (in Baht)</b>	<b>10.1366</b>	<b>10.1763</b>	<b>10.1819</b>	<b>10.1725</b>	<b>10.1567</b>

Source: CPNRF. Based on interim financial statements and review report of Certified Public Accountant for 3Q06, 1Q07, 2Q07 and 3Q07 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	31 Dec 06	31 Mar 07	30 Jun 07	30 Sep 07
Rama II	251,182	93,567	99.0%	99.0%	98.7%	98.5%
Rama III	169,740	39,201	95.4%	95.1%	94.9%	95.1%
CPNRF Portfolio	420,922	132,768	98.0%	97.9%	97.5%	97.5%

Source: CPN

**II. Renewals and New Leases**

	From 1 January to 30 September 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	61	5,545	5.9%	5.7%
Rama III	49	7,260	18.5%	9.3%
CPNRF Portfolio	110	12,805	9.6%	7.7%

Note:

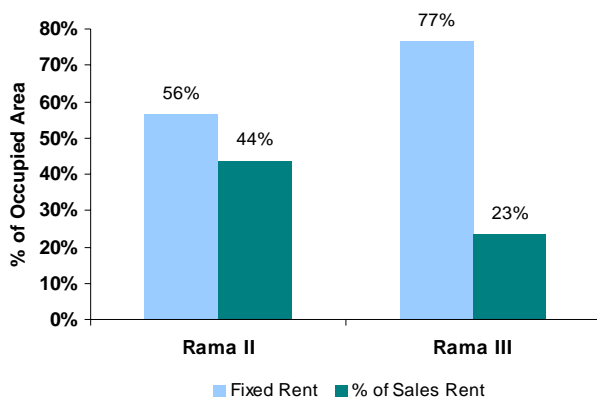
<sup>1</sup> Exclude rental agreements < 1 year

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

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

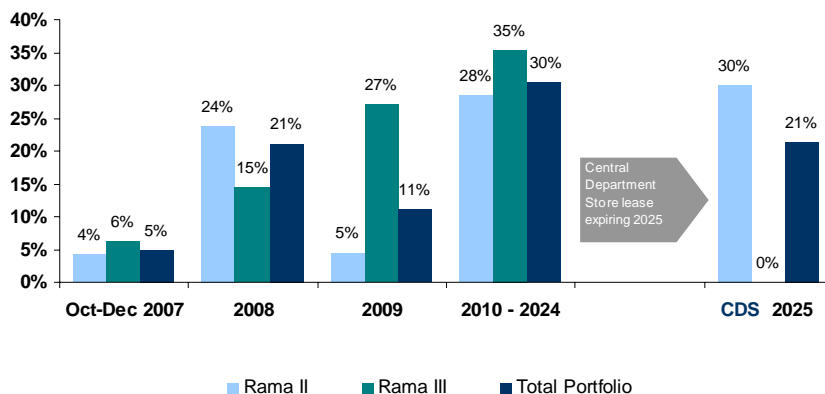
Source: CPN

**III. Rental Structure**



Source: CPN

**IV. Lease Expiry Profile**



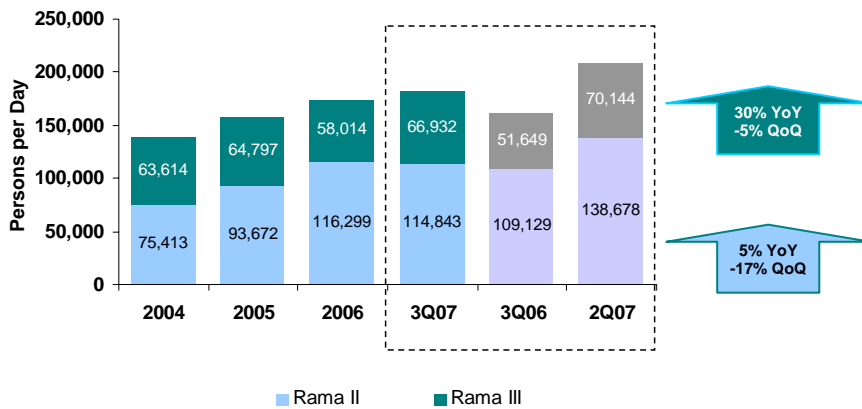
Note:

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

2. Exclude rental agreements < 1 year

Source: CPN

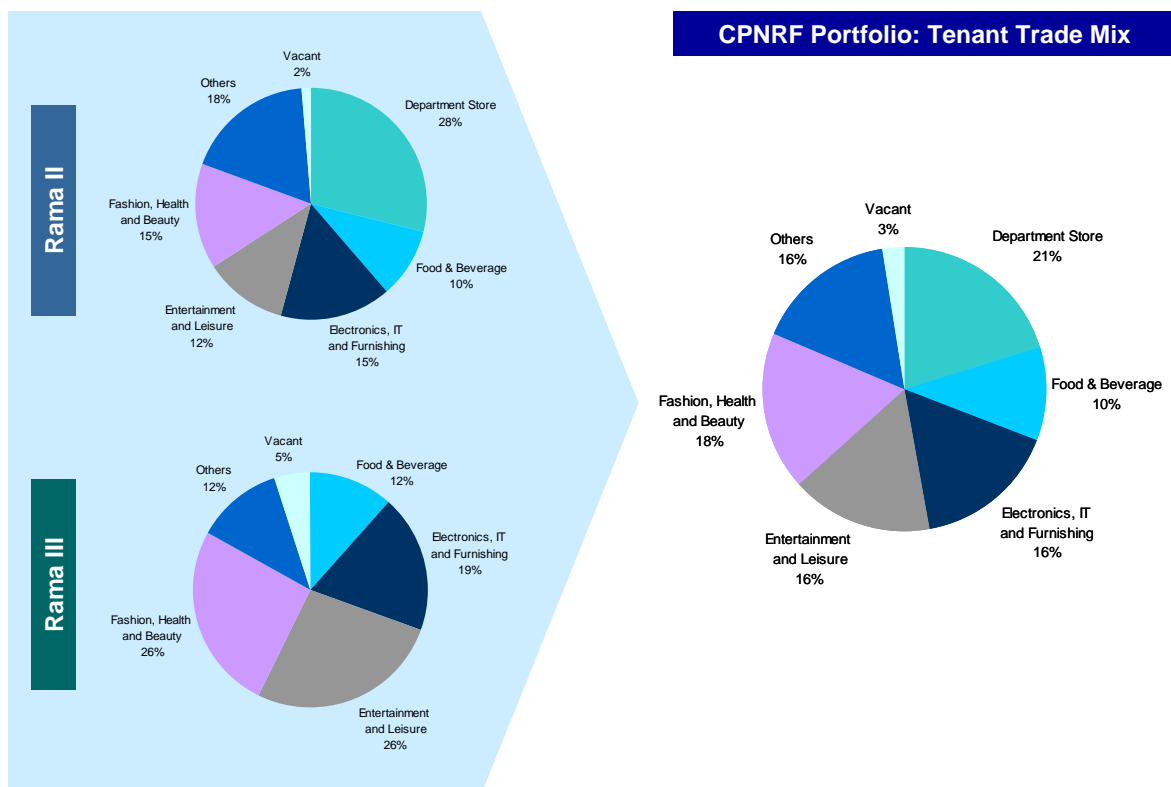
V. Traffic



- 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. Meanwhile, QoQ traffic decrease was seasonal, as school holiday was in the second quarter.
- Rama II: The completion of the pedestrian bridge linking BIGC to the Central Plaza Rama II and expansion of the surrounding community increased traffic YoY. QoQ traffic declined due to normal business cycle, as school holiday was in the second quarter.

Source: CPN estimate

VI. Tenants Trade Mix



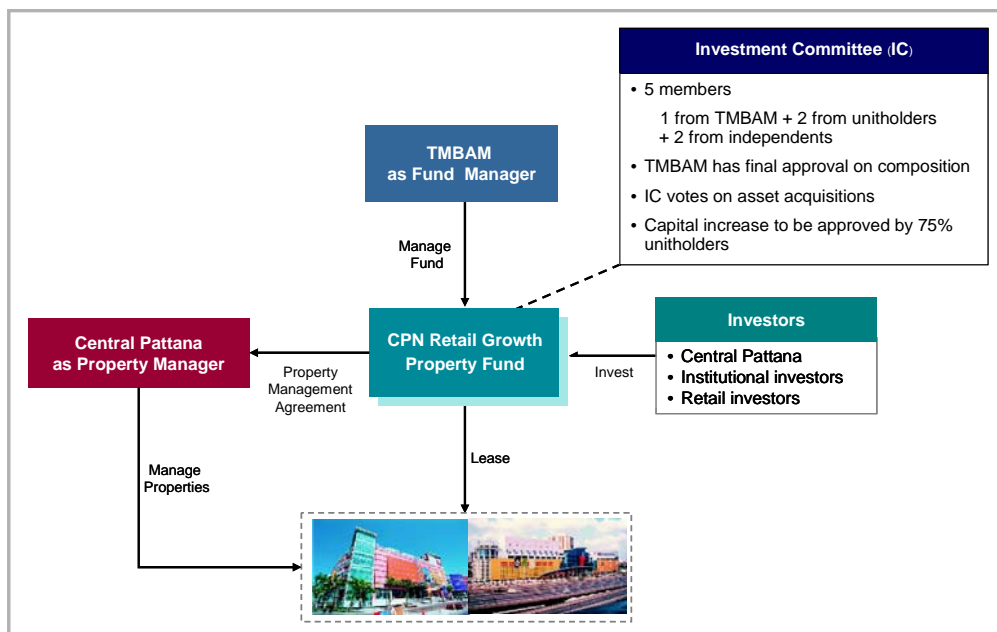
Note: Based on leasable area as at 30 September 2007  
Source: CPN

## 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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