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Central Pattana Public Company Limited

The New Sub-Lease Agreement of the CentralPlaza Lardprao Project

Analyst Briefing Transcript

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Corporate Participants

Kobchai Chirathivat

Central Pattana – President & CEO

Naris Cheyklin

Central Pattana – SEVP of Finance, Accounting, and Property Management & CFO

Guest Speaker

Wantana Petlerkwong

Kim Eng Securities (Thailand) – SVP, Investment Banking Division

As Independent Financial Advisor

Presentation

Moderator:

Good day analysts and fund managers and welcome to the CPN's analyst briefing regarding the New Sub-Lease Agreement of CentralPlaza Lardprao. I would like to introduce our management who attend the meeting today. The first is Mr. Kobchai Chirathivat, the President & Chief Executive Officer of CPN. The second is Mr. Naris Cheyklin, the Senior Executive Vice President & Chief Financial Officer of CPN. The last one is the independent financial advisor from Kim Eng Securities (Thailand) Plc., Ms. Wantana Petlerkwong, the Senior Vice President of the Investment Banking Division.

Speaker: Kobchai Chirathivat, President & CEO of CPN

Slide 2

Good afternoon, all analysts and honorable guests. I would now like to give you the summary of the Agreement. The first agreement is the new Sub-Lease Agreement between Central International Development Co., Ltd., or CID who is the sub-lessor and Central Pattana Plc., or CPN who is the sub-lessee. The previous agreement had been expired on December 18, 2008. In the new 20-year Lease Agreement entered into between the State Railway of Thailand ("SRT") as the lessor and CID as the lessee on December 9, 2008, it shall be effective from December 19, 2008 to December 18, 2028. CID is obligated to submit a certified copy of the New Sub-Lease Agreement it will enter into with each sub-lessee within 120 days from the date of signing the New Lease Agreement with the SRT, or within April 8, 2009. On December 9, 2008, CPN signed a Memorandum of Understanding ("MOU") with CID to preserve its rights to renew the Sub-Lease agreement. On that date, CPN paid total Baht 300 million as a deposit for preserving its right to renew the Sub-Lease Agreement. CPN is required to sign the New Sub-Lease Agreement with CID within 110 days, or by March 28, 2009.

In exchange for the 20-year leasehold right in the CentralPlaza Lardprao Shopping Complex and the Office Building, CPN is obligated to make total leasehold payment of Baht 16,178.3 million to CID.

On February 20, 2009, the Board of Directors of CPN approved CPN to enter into the New Sub-Lease Agreement with CID and pending for shareholders' approval on the Extraordinary General Shareholders' Meeting to be held on March 25, 2009.

Slide 3

According to the New Sub-Lease Agreement, the term will be 20 years from December 19, 2008 to December 18, 2028. According to the New Sub-Lease Agreement, the Sub-Leased assets shall include;

1. Land with the approximate area of 28 rais on which the CentralPlaza Lardprao Shopping Complex and the Office Building are located.
2. Building assets comprising of
 - 2.1 Shopping plaza with gross area of 95,000 square meters that includes walkway and common area. The net leasable area is 55,531 square meters. As of December 31, 2008, the occupancy rate of the Shopping Complex was approximately 97 %.
 - 2.2 Office building with gross leaseable area of 23,000 square meters. The net leasable area of the Office Building is 17,719 square meters. The occupancy rate as of December 31, 2008 of the Office Building was approximately 97 %
 - 2.3 Parking building with the total approximately area of 90,000 square meters.

Total gross leaseable areas of the building assets (including the Shopping Complex, the Office Building and the parking building) are 208,000 square meters. It is noted that these areas include net leaseable area of movie theatres, which occupied approximately 7,500 square meters and the convention hall, which occupied approximately 9,000 square meters.

Slide 4

On the next page, this is the detail about series of leasehold payment.

Total leasehold payment to be made under this New 20-year Sub-Lease will be Baht 16,178.3 million, which comprises of:

1. The first portion is an up-front payment totaling Baht 2,162.3 million to be paid in five annual installments. You can see details regarding the upfront-payment to be made in the table. The first up-front payment is Baht 551.41 million to be paid on the date CPN signs the New Sub-Lease Agreement with CID. The second up-front payment is Baht 368.24 million to be paid by December 17, 2009. The third up-front payment is Baht 390.34 million to be paid by December 17, 2010. The fourth up-front payment is Baht 413.75 million to be paid by December 17, 2011. The fifth and final up-front payment is Baht 438.59 million to be paid by December 17, 2012.
2. The annual leasehold payment will be paid in installment over the 20-year lease term with details indicated in same table. The annual leasehold payment together with the up-front

payment will make up a total of Baht 16,178.32 million to be made by CPN to CID. These are the details of leasehold payment.

Slide 5

Now we will move to next slide.

The key conditions under the New Sub-lease Agreement are made in reference to those under the Main Lease Agreement entered into between CID and the SRT.

Other key conditions under the New Sub-Lease Agreement include:

- CPN is obligated to renovate the Shopping Complex. The required investment amount is at least Baht 1,382 million. Renovation must be completed by 2013.
- Any renovation must be approved by the SRT
- All renovated assets and parts shall be immediately transferred to the SRT upon completion of renovation. CPN will obtain the right to utilize those assets.
- Finally, there is no right of first refusal to renew this sub-lease agreement.

Slide 6

Next we will discuss about our independent asset appraiser and financial advisor.

CPN has appointed Brooke Real Estate Co., Ltd. as an independent asset appraiser to appraise the fair value of the Sub-Leased Assets. Brooke Real Estate employed the income approach to appraise the Sub-Leased Assets and derived its fair value of Baht 9,185 million.

CPN has appointed Kim Eng Securities (Thailand) Plc. as an independent financial advisor to provide the opinion to the Board of Directors and the shareholders regarding fairness and reasonableness of this transaction.

Slide 7

For the details of the connected transaction, I would like to hand over to Ms. Wantana- an IFA.

***Speaker: Wantana Petlerkwong, Senior Vice President of the Investment Banking Division.
Kim Eng Securities (Thailand)***

Good afternoon all analysts and fund managers. We will now discuss about the opinion of the independent financial advisor regarding this transaction. Now we will go on to Slide 8.

Slide 8

This page contains the summary of this transaction before we will go into details regarding our opinion.

As this transaction is considered a connected transaction between two connected persons, which are Central International Development, or CID, and Central Pattana, or CPN, where both entities have a common major shareholder and some common directors. Thus, this is the transaction that requires shareholders' approval. For this transaction, CID is the sub-lessor and CPN is the sub-lessee.

Once shareholders approve the transaction, CPN will enter the New Sub-Lease Agreement with CID. The methodology used to determine the value of the transaction is based on the cost plus basis. More details will be given in the coming slides.

As pre-conditions for entering into this agreement, as we have mentioned earlier, this is the connected transaction. So CPN is required to disclose details of the transaction and arrange for opinion of the independent financial advisor. Prior to entering into the transaction, CPN is required to seek for an approval resolution from the shareholders' meeting with the vote of at least three-fourths of the total number of votes of the shareholders or their proxies (if any) who attend the meeting and have the right to vote, excluding the connected shareholders who have conflict of interest.

Slide 9

I would like to discuss briefly about CID.

CID is founded in May 1978. It had entered into the previous Lease Agreement with the SRT. CID had the right of first refusal, in which it had already entered into the New Lease Agreement with the SRT on December 19, 2008. CID has a registered capital of Baht 370 million. Most of directors are from the Chirathivat Group. Harn Central Department Store Limited holds a 25% stake in CID, the Chirathivat Group holds another 47.75% stake and other shareholders hold the remaining stake of 27.75%.

Slide 10

Next is the opinion of the independent financial advisor regarding the transaction. The independent financial advisor will provide opinion about reasonableness and fairness of this transaction, the pricing or annual leasehold payment that CPN has to make to CID according to the New Sub-Lease Agreement, the required conditions, as well as whether shareholders should vote in favor of this connected transaction.

In the first part, we will discuss about the rationales and benefits that CPN will gain from entering into this transaction. The advisor deems that entering into this transaction will help to maintain CPN's major source of revenue that comes from the Central Plaza Lardprao Shopping Complex. This shopping complex is one of the highest revenue generators among all of the shopping complex projects of CPN, in which we believe it is reasonable for CPN to continue to maintain operation of this new shopping complex.

If we would consider this as an investment, this investment is less risky investment than development of a new shopping center project. We can see that CPN has successfully operated this shopping center project to achieve consistently high occupancy rate of over 90% over the last couple of years, and CPN can raise lease/rental rate favorably. Therefore, we deem that this is low risk investment.

Moreover, by entering into this transaction, CPN can maintain its high market share in Thailand retail property market. Moreover, this transaction will enable CPN to maintain a strategic location. CPN can create value added and achieve economies of scale by securing this shopping center project. CPN's operating costs can be spread over every shopping center it has operated. Thus, if CPN can maintain its high revenue center, it will be able to generate revenue on the ongoing basis.

To sum these points all up, we expect that this transaction will generate value to the shareholders of the Company.

Slide 11

As the Independent Financial Advisor already explained the rationales behind this transaction, we also assess the reasonableness of the series of annual leasehold payment to be made to CID using a couple of methods to derive the leasehold value.

First we look at the method for calculating annual leasehold payment. We explained earlier that CID used the cost-plus method to calculate the annual leasehold payment to be made by CPN to it. The Independent Financial Advisor evaluated the reasonableness of the cost-plus basis. Then we evaluated the series of annual leasehold payment to be made throughout the 20-year term. We calculated the implied interest rate associated with this transaction, and see where it is stand compared to CPN's cost of long-term debt financing. So if the implied interest rate is close to CPN's cost of long-term debt financing, then we will consider series of annual leasehold payment to be made to CID throughout the term of the New Sub-Lease Agreement is reasonable.

On slide 11, the left diagram with the label "the Cost of Acquiring Leasehold Right" is the cost of leasehold right acquisition of CID as actually incurred in relation to the CentralPlaza Lardprao project, which can be decomposed into two portion, namely stream of annual leasehold payment to be made by CID to the SRT throughout the term of the New Lease Agreement and the leasehold right registration fee equal to 1 % of the total amount of such annual leasehold payment to be made by CID to the SRT throughout the term of the New Lease Agreement.

The other portion is the profit margin of 5 %, which is calculated on top of the cost of leasehold right acquisition that includes annual leasehold payment and leasehold right registration fee. We note that the New Lease Agreement that CID signed with the SRT is for the entire CentralPlaza Lardprao Project which comprises of the department store, the shopping complex, the hotel and the office building. CPN will sub-lease from CID only two out of four parts, which are the shopping complex and the office building. Therefore, other portions will be taken up by other sub-lessees. So when we know the cost as actually incurred by CID in acquiring the leasehold right of the CentralPlaza Lardprao Project and the profit margin of 5 % to be added up to the cost of leasehold right acquisition, we will allocate 72 % of the sum of the cost of acquiring leasehold right of the CentralPlaza Lardprao Project and the profit margin as leasehold payment to be made by CPN to CID. The Independent Financial Advisor sees that such 72 % figure makes sense as it is the proportion of the appraised leasehold value of the assets to

be sub-leased by CPN to the total leasehold value of the entire Central Plaza Lardprao Project as appraised by two independent asset appraisers employed by the SRT. While we already discuss about the cost, now we will now discuss about the 5% profit margin. The financial advisor deems that such 5% profit margin is reasonable as every business should earn some profit when doing business. While there is no clear benchmark for what the profit margin should be like, the market profit margin could be higher or lower than 5%. But in this case, the Independent Financial Advisor deems that the 5% margin is reasonable because it is the compensation for CID as it negotiated with the SRT over the last few years for extension of the Lease Agreement prior to the contract expiration. CID has the first right of refusal to negotiate with the SRT. We believe that this right prevents the SRT from opening a bidding to look for new developers to develop and operate the Central Plaza Lardprao Project. Therefore, we believe this exclusive right is the key reason why CID can renew this Lease Agreement.

In this transaction, CID entered into the Lease Agreement with the SRT. Therefore, it is CID who is obligated to fulfill terms and conditions under the Lease Agreement. Although CID will assign the right under the Lease Agreement to all sub-lessees, it is CID who is ultimately obligated to honor the obligation with the SRT.

There are other costs associated with the renewal of the Lease Agreement.. While the series of annual leasehold payment and leasehold right registration fee are the visible costs, there are also other costs incurred during the negotiation process, in which we believe these costs should be covered by a reasonable profit margin. Overall, the Independent Financial Advisor deems that the 5% cost-plus margin is reasonable.

Slide 12

Next we will discuss about the annual leasehold payment that CPN is obligated to make to CID. Simply put, the annual leasehold payment to be made by CPN to CID is determined based on the sum of the cost of acquiring leasehold right of the Central Plaza Lardprao Shopping Complex as actually incurred by CID and an appropriate profit margin of 5%. Based on the Baht 9,185 million fair value of the Sub-Leased Assets as appraised by Brooke Real Estate Co., Ltd., the independent asset appraiser of CPN, and the stated annual leasehold payment to be made by CPN to CID throughout the term of the New Sub-Lease Agreement, we have derived an implied interest rate of 5.6%. Then we consider CPN's cost of long-term debt financing. CPN's cost of long-term debt financing falls in the range between 5.0% and 5.6%.

Moreover, bond yield with equivalent A+ rating to CPN but has term to maturity of more than 5 years is at 5.7%. In all, we can conclude that CPN's cost of long-term debt financing is between 5.0 and 5.7%. When compared to the 5.6% implied interest rate of the annual leasehold payment over the 20-year Lease Agreement, we can conclude that the implied interest rate of 5.6% associated with the annual leasehold payment to be made by CPN to CID falls in the range of CPN's cost of long-term debt financing. The Independent Financial Advisor thus concludes that the annual leasehold payment scheme is reasonable.

Slide 13

On the next slide, we work the other way round by making a comparison between the leasehold value to be used as the basis for determining annual leasehold payment and the leasehold value of the Sub-Leased Assets of Baht 9,185 million as appraised by Brooke Real Estate Co., Ltd. As we mentioned earlier that CID charged CPN based on the cost-plus basis, the leasehold value of the entire Central Plaza Lardprao Project is Baht 11,580 million, as appraised by the independent asset appraiser employed by the SRT. Based on the cost-plus basis, the Independent Financial Advisor calculated the leasehold value to be used as the basis for determining the annual leasehold payment. We derived the value by using Baht 11,580 million adding leasehold right registration fee of 1% of the sum of the annual leasehold payment to be made throughout the Lease Agreement and a 5% profit margin. Then we allocate 72% of the sum of the three items to obtain Baht 8,900 million. So we can see that this Baht 8,900 million is lower than the fair leasehold value of Baht 9,185 million as appraised by the Independent Asset Appraiser of CPN.

Therefore, from both methodologies we employed, we believe that the annual leasehold payment that CPN has to make to CID throughout the term of the New Sub-Lease Agreement is reasonable, where CPN should benefit from this transaction.

Slide 14

I would like to conclude our opinion regarding the reasonableness of this transaction. The Independent Financial Advisor deems that the shareholders should gain benefits from entering into the New Sub-Lease Agreement by CPN. CPN currently operates the CentralPlaza Lardprao Shopping Complex and earns rental and services revenue from doing so. Therefore, if CPN does not renew the New Sub-Lease Agreement, CPN would lose revenue stream from this shopping complex, which account for almost 20% on average of CPN's revenue over the last three years. Moreover, CPN has to return deposits to tenants if their rental/lease contracts were to be cancelled in the event that the New Sub-Lease Agreement would not be renewed or extended. Therefore, the transaction is reasonable and CPN should earn benefits from this transaction.

For pricing, we deem that the 5% profit margin and the annual leasehold payment are reasonable. Moreover, the fact that CPN does not have to pay leasehold payment for the full amount in one time on the date of entering into the New Sub-Lease Agreement will reduce CPN's financial burden and match with stream of rental/services revenues to be earned throughout the term of the New Sub-Lease Agreement.

Lastly, for the conditions under the New Sub-Lease Agreement that CPN will enter into with CID, the Independent Financial Advisor believes that those conditions are reasonable because most of them are derived based on those under the Lease Agreement stipulated by the SRT. For cost allocation method among sub-lessees in the CentralPlaza Lardprao Project, the allocation method and criteria are clear and fair to all sub-lessees, which are to be allocated according to the benefit and responsibility of each sub-lessee.

The Independent Financial Advisor thus concludes that this transaction is reasonable and should provide benefits CPN and its shareholders. The Independent Financial Advisor believes that the shareholders should approve CPN to enter into the transaction.

Slide 15

The next slide is the key dates concerning shareholders' approval process to approve the sub-lease agreement transaction. We will close shareholder register book on March 6, 2009.

Then we will arrange the Extraordinary General Shareholders' Meeting No. 1/2009 on March 25, 2009. CPN is required to seek for an approval resolution from the shareholders' meeting with the vote of at least three-fourths of the total number of votes of the shareholders or their proxies (if any) who attend the meeting and have the right to vote, excluding the connected shareholders who have conflict of interest.

For more information, please contact CPN Investor Relations: ir@cpn.co.th

Choenporn Subhadhira

Tel: +66(0) 2667-5555 Ext.1614

Email: suchoenporn@cpn.co.th

Kalvalee Thongsomaung

Tel: +66(0) 2667-5555 Ext.1669

Email: thkalvalee@cpn.co.th