



Presentation Material

The Transaction of Entering into A 30-Year Land Lease Agreement

For

***Analyst Meeting of
Central Pattana Public Company Limited***

11 December 2012



CPN

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Transaction Details

CPN



Central Pattana Public Company Limited (“**CPN**”) plans to enter into a 30-year land lease agreement with Vantage Ground Company Limited (“**Vantage**”) to let land plots with approximate areas of 98 rais, 1 ngan and 96.1 sq.wah or 39,396.1 sq.wah. Vantage is CPN’s connected person.

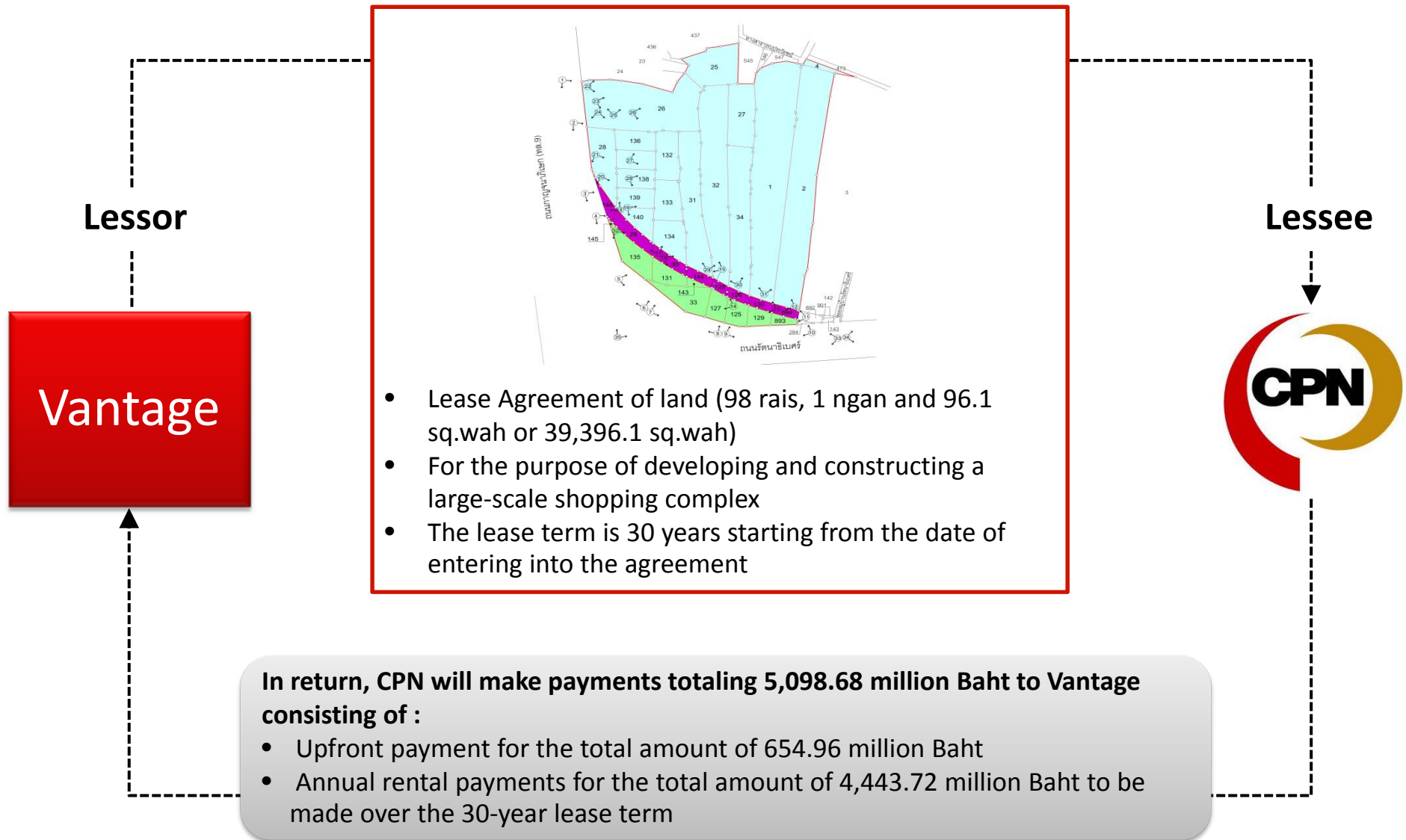
Such land plots are located at the intersection between Kanjanaphisek Road and Rattanathibet Road in Nonthaburi Province.

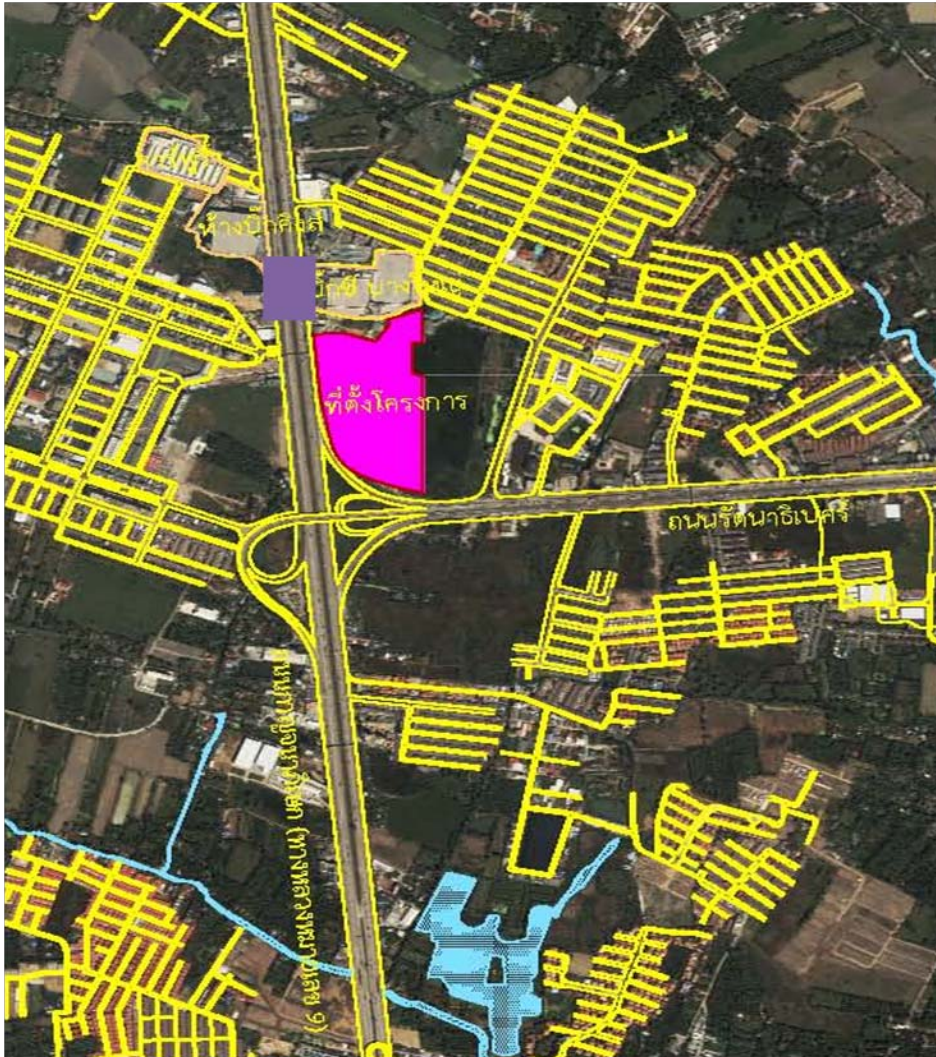
The purpose of entering into such long-term land lease agreement is to secure land plots for developing and constructing a large-scale shopping complex.

The transaction in which CPN will enter into a 30-year land lease agreement with Vantage is regarded as a connected transaction related to asset or service and an asset acquisition transaction.

CPN’s BOD meeting no.6/2012 held on 9 November 2012 considered and approved CPN to enter into the 30-year land lease agreement with Vantage, subject to an approval from the EGM No.1/2013 to be held on 18 January 2013.

CPN will enter into such long-term land lease agreement after it obtains an approval to do so from the EGM No.1/2013.





Location

Sao Thong Hin Sub-District, Bangyai District, Nonthaburi

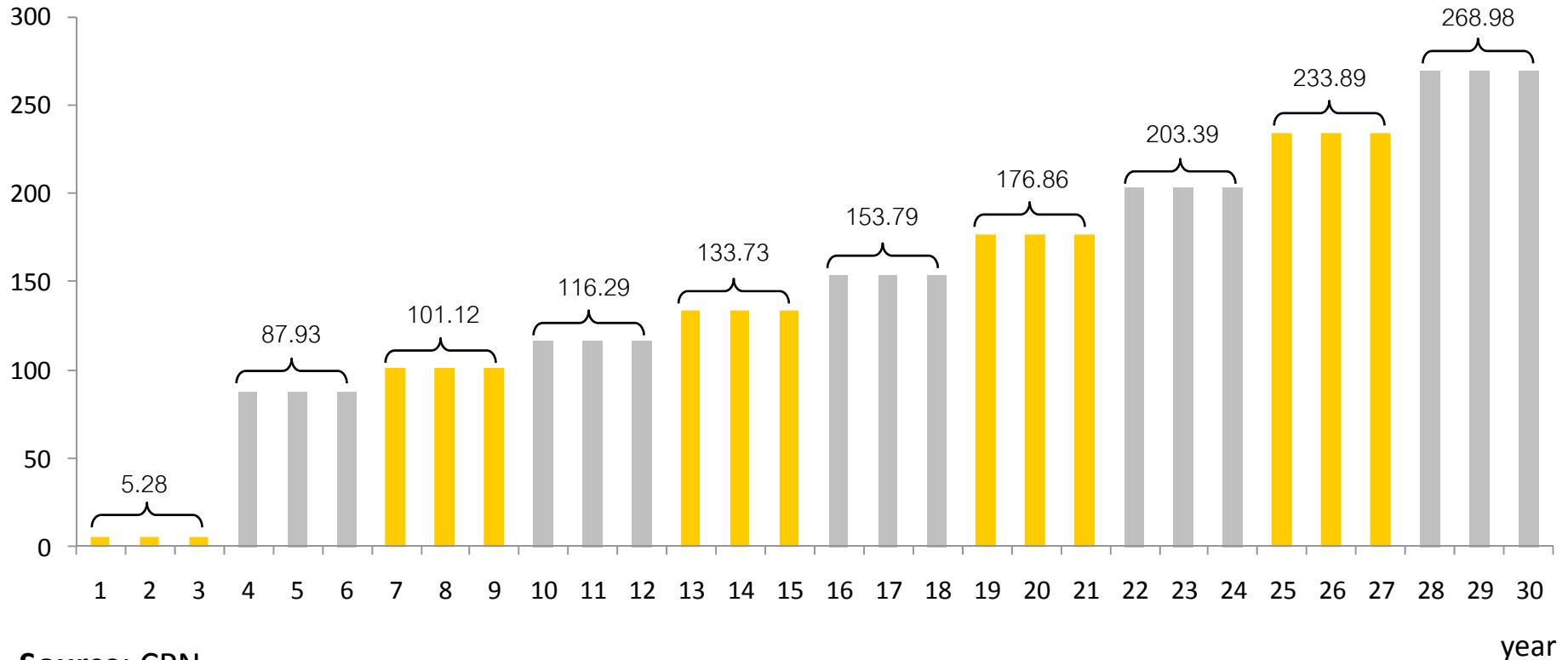
Total Leased Areas

98 rais 1 ngan and 96.1 sq.wah (39,396.1 sq.wah)

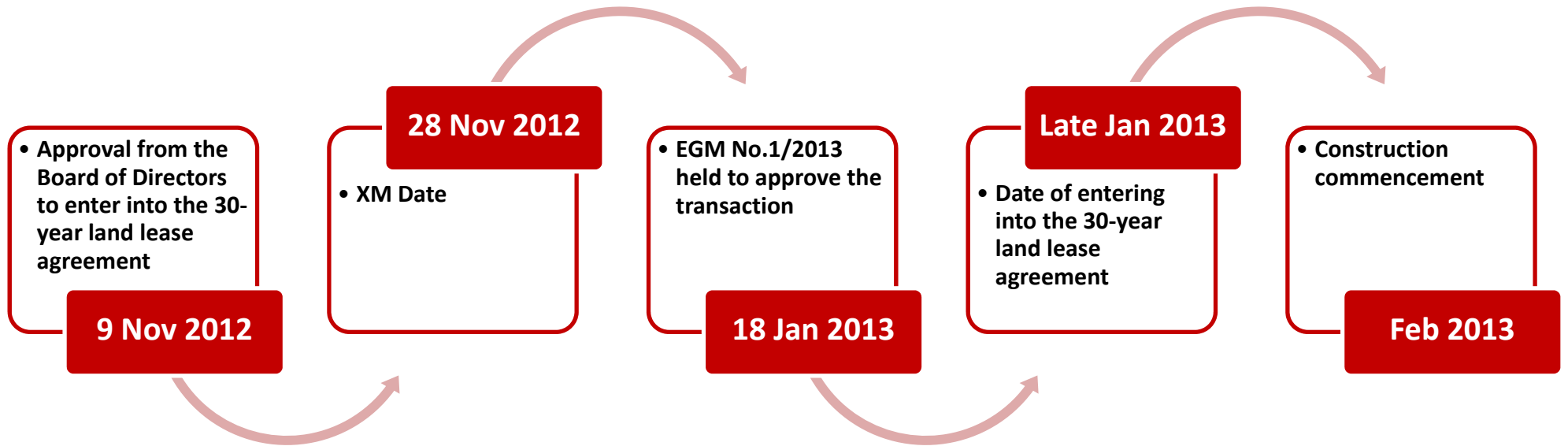
Source: CPN

Over the entire 30-year lease term, CPN will make total annual rental payments of 4,443.72 million Baht.

Annual Rental Payment
(Unit: Millions of Baht)



Source: CPN



Independent Financial Advisor Report

CEN



Details of the transaction

CPN will enter into a 30-year land lease agreement with its connected person for the purpose of developing a new shopping complex. This transaction is regarded as a connected transaction and an asset acquisition transaction.

Relevant parties

Lessor : Vantage Ground Company Limited (“**Vantage**”)
a company in the Central Group which is CPN’s major shareholder and controlling person.
Lessee : Central Pattana Public Company Limited (“**CPN**”)

Period CPN will enter into the contract

After obtaining an approval from the Extraordinary General Meeting of Shareholders No.1/2013 to be held in January 2013

Major terms and conditions

- CPN may commence construction of the shopping complex after it enters into the land lease agreement with Vantage.
- CPN may let areas in the shopping complex to one or several tenants throughout the lease term.

Lease payment to Vantage

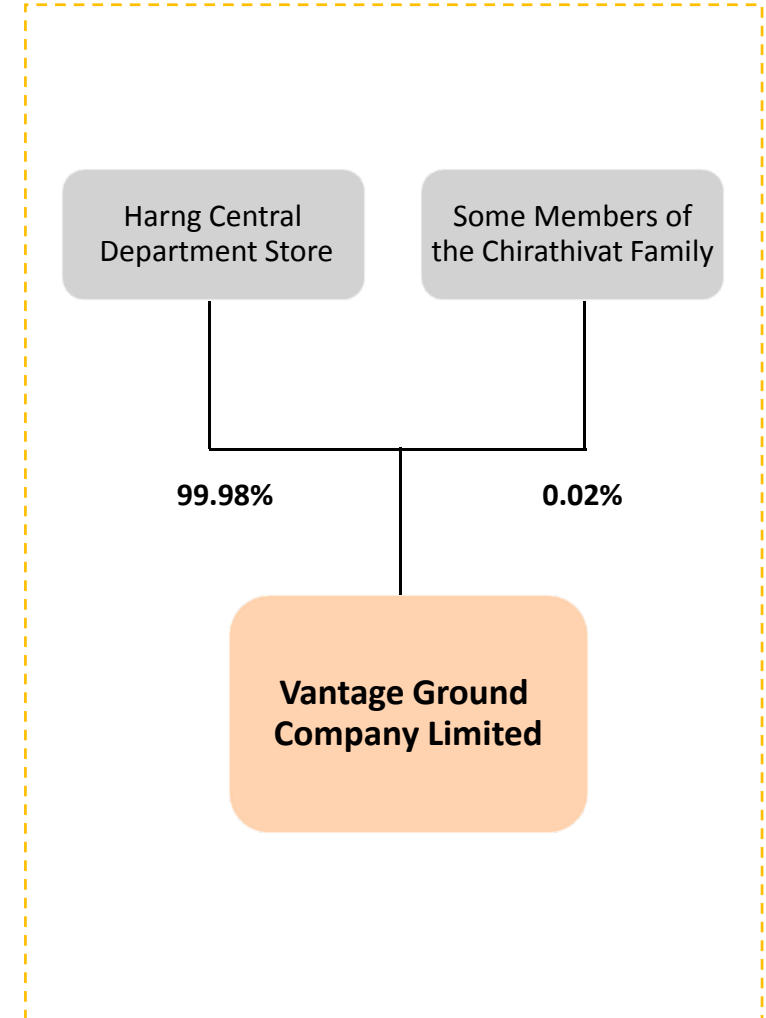
Lease payment that CPN will make to Vantage consists of:
1) Upfront Fee: The total amount of which is 654.96 million Baht.
2) Annual Rental Fee: The total amount to be made throughout the 30-year lease term is 4,443.72 million Baht.

Conditions for entering into the transaction

- Disclose the transaction to the SEC and the SET
- Obtain an approval to enter into the transaction from the meeting of shareholders. At least three-fourths of total number votes of all shareholders who attend the meeting and who have the right to vote are required.

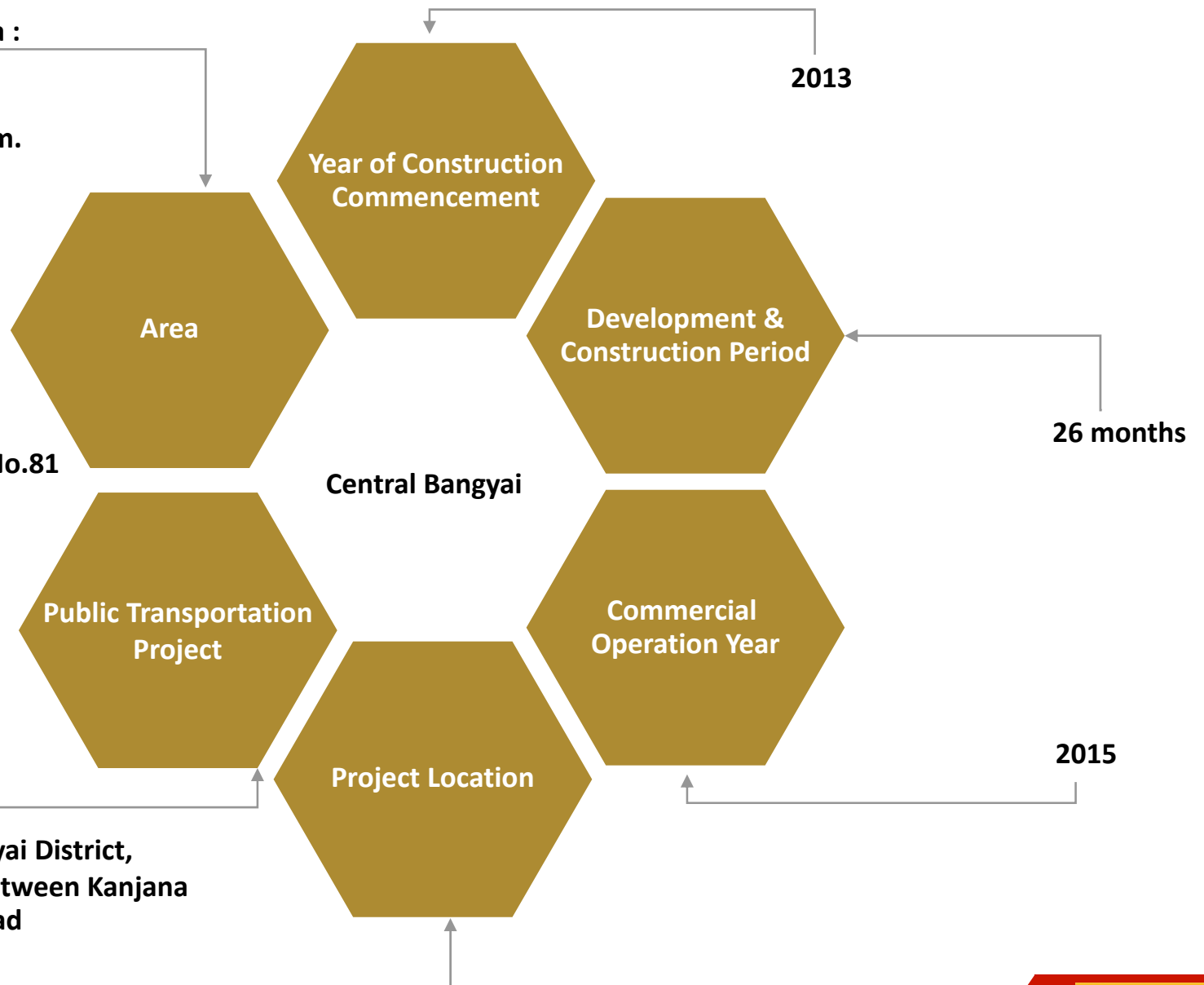
Business Information

Company Name	Vantage Ground Company Limited (“Vantage”)
Registered Address	No. 306 Silom Road, Suriwongse Sub-District, Bangrak District, Bangkok
Date of Incorporation	9 December 1991
Nature of Business	Acquire, sell and let land and properties
Paid-up Capital (Millions of Baht)	85 million baht (consisting of 850,000 paid-up shares with a par value of 100 baht each)
Major Shareholder and % of Stake	Harng Central Department Store Company Limited (99.98 %) Some members of the Chirathivat Family (0.02 %)
Board of Directors	Some members of the Chirathivat Family



Key Details regarding the Shopping Complex

- Gross Floor Area + Parking Area : 333,000 sq.m.
- Net Rentable Area (excluding department store) : 75,000 sq.m.



Sao Thong Hin Sub-District, Bangyai District, Nonthaburi at the intersection between Kanjana Pisek Road and Rattanathibet Road



Value Creation for CPN and Its Shareholders

1.

Conformance to Long-Term Plan and Increase in CPN's Revenue

- CPN will develop a large-scale shopping complex on land plots it will let from Vantage. This will help to generate sound revenue growth and investment return for CPN in the long-term.
- Total areas CPN will let from Vantage can also be used for the expansion phase of the shopping complex. In developing the expansion phase, CPN will take into account all relevant factors and key issues prior to doing so.

2.

Acquisition of Leasehold Right Associated with Strong Commercial Potential Land Plot

- Land plots that CPN will let from Vantage is located in the highly populated area with good commercial potential. They are appropriate for developing a large-scale shopping complex.
- Such land plots are also located close to the MRT Purple Line and the Motor Way No.81, thus making them good for developing a large-scale shopping complex.

3.

Diversification of Business Risk

- Developing and running a new shopping complex will help to diversify CPN's business risk. This is because its rental and service revenues will come from a larger number of shopping complexes, thus reducing risk of relying on a few number of large shopping complexes in generating a majority of revenue.

4.

Economies of Scale in terms of Operation

- Larger number of shopping complexes in the CPN Group would help to create economies of scale for CPN in terms of common use of PR and marketing activities in the group and in securing tenants for areas in CPN shopping centers.

Risk Factors	Mitigation Strategies
<p>1 Risk that CPN May Not Be Able to Let Areas in the Shopping Complex as Targeted</p>	<ul style="list-style-type: none"> ▪ Modern trade, shopping centers and department stores located in the nearby area do not directly compete with CPN’s new shopping complex which will be developed to be a large-scale one. ▪ CPN will leverage its experience and expertise which it has gained from developing previous shopping center projects in developing and constructing the new shopping complex as well as optimizing its merchandising mix to enhance its occupancy rate. ▪ CPN’s operating and marketing synergies with the Central Group would help to secure and attract various tenants to the new shopping complex.
<p>2 Risk that the Land Plots on which CPN Will Develop the Shopping Complex May Face Flooding in the Future</p>	<ul style="list-style-type: none"> ▪ CPN will develop and implement several measures to prevent or minimize flooding impact during both development and operation phases. ▪ CPN will arrange for necessary insurance policies.
<p>3 Risk that the Land Plots on which CPN Will Develop the Shopping Complex Are Located Close to the State’s Infrastructure Projects (i.e. the MRT Purple Line and the Motorway No.81)</p>	<ul style="list-style-type: none"> ▪ CPN will develop and construct the shopping complex on the unexpropriated land plots. It obtained an approval from the Mass Rapid Transit Authority of Thailand to get access to some parts of the expropriated areas to facilitate development and construction of its new shopping complex. ▪ The land plots are not affected by the development and construction of the Motorway No.81.

Risk Factors	Mitigation Strategies
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- | | |
|---|--|
| 4 | <p>Risk that CPN May Fail to Meet Construction & Development Schedule and Budget</p> <ul style="list-style-type: none"> CPN has gained experience and expertise in developing and constructing several shopping complexes with similar nature and scale in recent years. CPN was able to meet their development & construction schedules and budgets although some of which are large-scale projects (i.e. CentralPlaza Rama 2). |
| 5 | <p>Risk that Revenues from Some of CPN's Existing Shopping Centers May Be Cannibalized by the Launch of the New Shopping Complex</p> <ul style="list-style-type: none"> As the three shopping complexes are located in different areas of Nonthaburi and all of which have their own target clients, risk of cannibalization is projected to be minimal. |

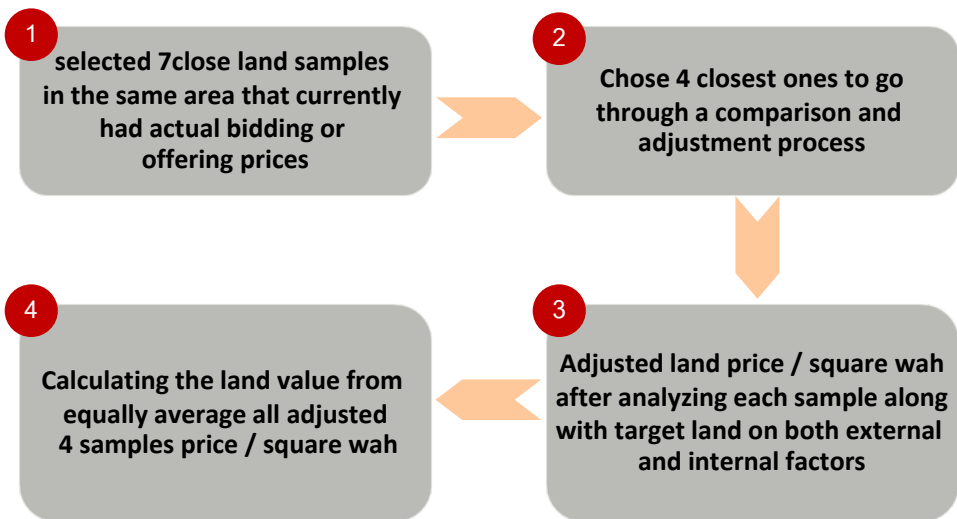


CPN's Shopping Complexes In Nonthaburi

- 1
centralplaza
 CHANGWATTANA
- 2
centralplaza
 RATTANATHIBET
- 3
Central Bangyai

Rationale for the Transaction	Supporting Reasons
<p>1 Acquisition of Leasehold Right Associated with Land Plots Which Are Appropriate for Developing A Shopping Complex</p>	<ul style="list-style-type: none"> ▪ Entering into the long-term land lease agreement to obtain land plots with total areas of 98 rais, 1 ngan and 96.1 sq.wah (39,396.1 sq.wah) which are located in Nonthaburi allows CPN to obtain land plots which are good for developing a large-scale shopping complex thanks to their good strategic location. ▪ Such land plots which are in the highly populated area are also situated close to the MRT Purple Line. ▪ Developing and constructing a shopping complex on those land plots will help to create value-added and sound long-term return for CPN and its shareholders.
<p>2 Alleviate the Risk that CPN May Not Be Able to Procure Sufficient Land Plots with Sound Commercial Potential at A Reasonable Price</p>	<ul style="list-style-type: none"> ▪ Entering into the 30-year land lease agreement with Vantage allows CPN to obtain land plots which are good for developing and constructing a large-scale shopping complex. ▪ The term of the lease agreement is sufficient for CPN to develop and operate the shopping complex. ▪ Major terms and conditions stipulated in the draft land lease agreement are conducted on an arm's length basis.
<p>3 Mitigate the Risk that CPN May Not Be Able to Collect Sufficient Land Plots for the Purpose of Developing and Constructing a Large-Scale Shopping Complex</p>	<ul style="list-style-type: none"> ▪ Total land plots which CPN will let from Vantage are sufficient for developing and constructing a shopping complex in both Initial Phase and Expansion Phase. ▪ CPN management conducted feasibility study related to developing and operating the new shopping complex and they deem that doing so would help to generate sound return for CPN and its shareholders over the long-run.

The value of land on freehold interest using market approach



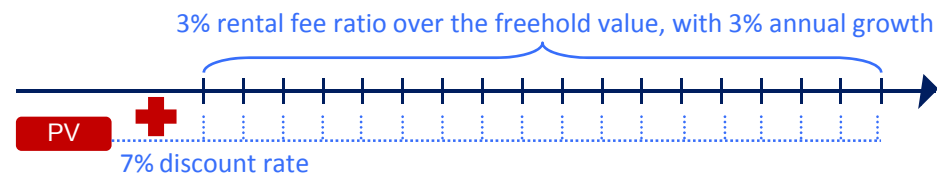
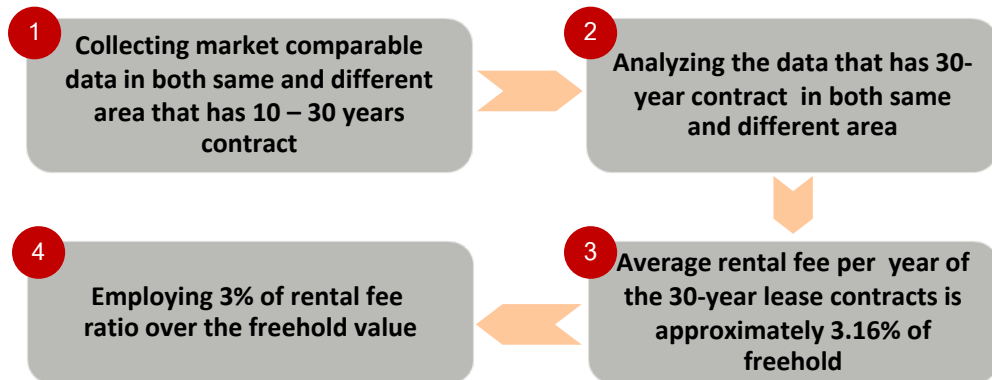
Market Approach	Approximate Value (Baht)
Value / Square wah	93,000
Asset Value(39,391.1 square wah)	3,663,800,000

Independent Financial Advisor Opinion :

The method employed by 15 Business Advisory to derive the freehold value is appropriate. Since the samples included the land situated in the same area with the appraised asset and all of the fair prices are referred from the actual bidding and offering price occurring in the market. Moreover, 15 Business Advisory also made adjustments on the samples to make them be so close to the appraised land that the fair price of the land piece can be identified.

The value of 30-year land lease using income approach

Annual Rental Fee = average rental fee ratio over the appraised freehold value



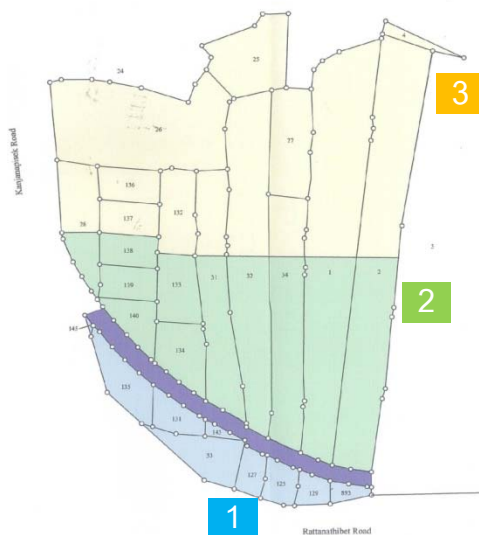
Market value of 30-year leasehold rights = 1,871,000,000 Baht

Independent Financial Advisor Opinion :

The valuation method employed is reasonable since it referred to both of the actual information in the market nearby the land CPN rent from Vantage and long-term leases example in other areas. This method allows the closest market value of the land to be identified given that the location, commercial utilization possibility and contract life have been considered. Moreover, the rental cash flows over 30 years are also discounted to gain a present value, which means that the time value of money has been taken into the consideration.

The value of 30-year land lease using market approach

1 Dividing the land into 3 parts for the purpose of valuation because it will allow Brooke Real Estate to adjust the comparable data in many perspectives to make it closest to the land being valued that the value can be referred.



2 Collecting market comparables whose characteristics are close to the target land. Those characteristics include size, general quality and location.

3 Selecting 5 data with 30-year lease contract or have been offered a 30-year rental agreement.

5 Calculating the Weighted Quality Score (WQS) of each land from the formula $\sum(A*B)$.

4 Evaluating each 5 market comparables and the land being valued by scoring them in the range of 1 (Poor) – 5 (Very Good) upon the weighted perspectives listed below:

Market data	#1	#2	#3	#4	#5
Location					
Transportation	Each sample will be scored upon the lists of the left. The scores are denoted as (B)				
Facilities					
Potential					
Physical	Each has its own weight used to calculate WQS denoted as (A)				
Size					

6 Adjusting rental value / offering rent value according to the ratio of land being appraised WQS over each market comparable's WQS

7 Calculating the rental value of the land CPN is going into the lease contract from the adjusted rental value / offering rent value of all 5 market comparables.

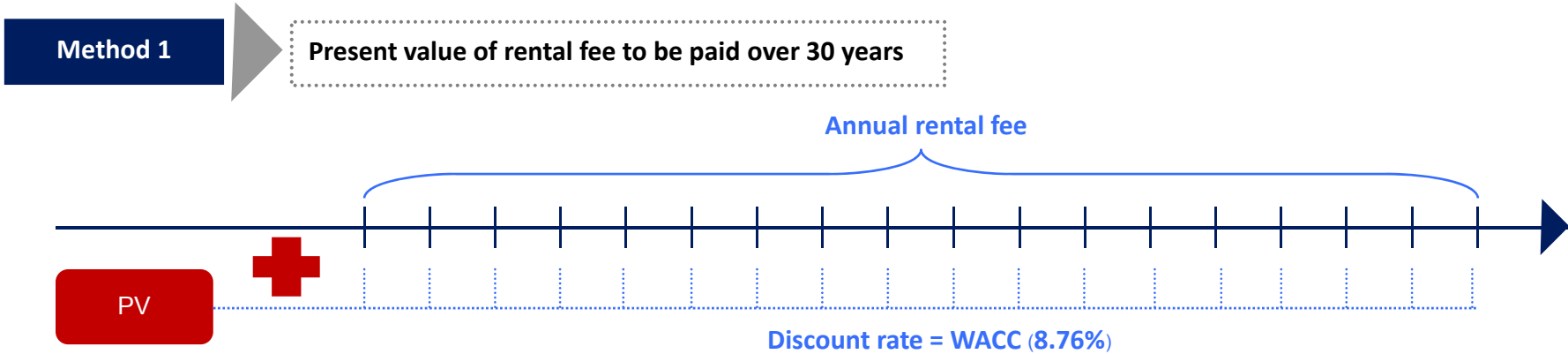
8 Doing step 4-7 twice more to identify the 30-year rent value of all 3 parts of land.

Independent Financial Advisor Opinion :

the independent financial advisor believes that the method is reasonable since it integrated all of the related factors affecting the land rental value. Moreover, Brooke Real Estate has also adjusted the market comparable rental value as they seem applicable in each affecting factors. All of these further support the independent financial advisor to agree that the 30-year rental value is referable.

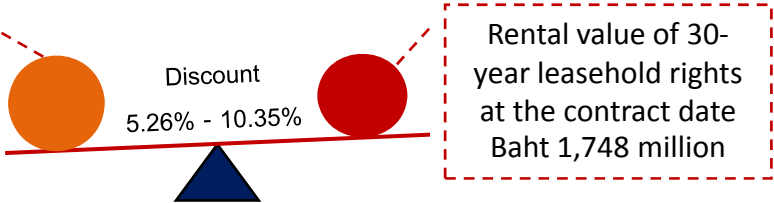


Method to verify the reasonableness of the rental fee CPN agreed to pay to Vantage for this related transaction



Rental value of 30-year leasehold rights at the contract date = 1,748,053,734 Baht

Market value of 30-year leasehold rights appraised by 2 independent appraisers at Baht 1,871 million and Baht 1,978 million consecutively



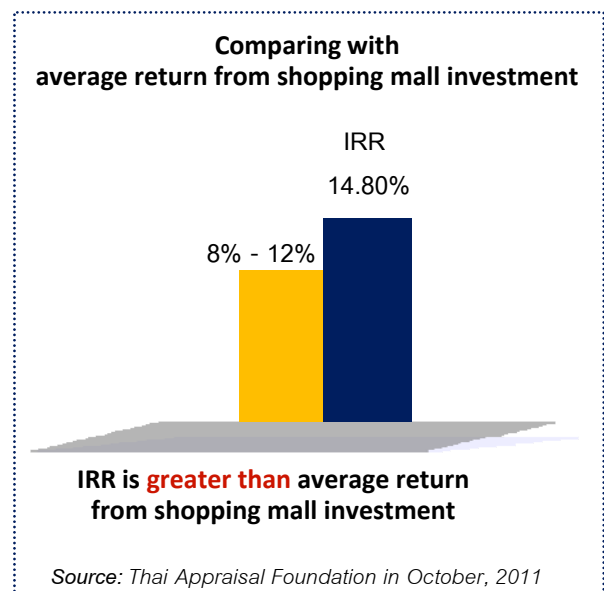
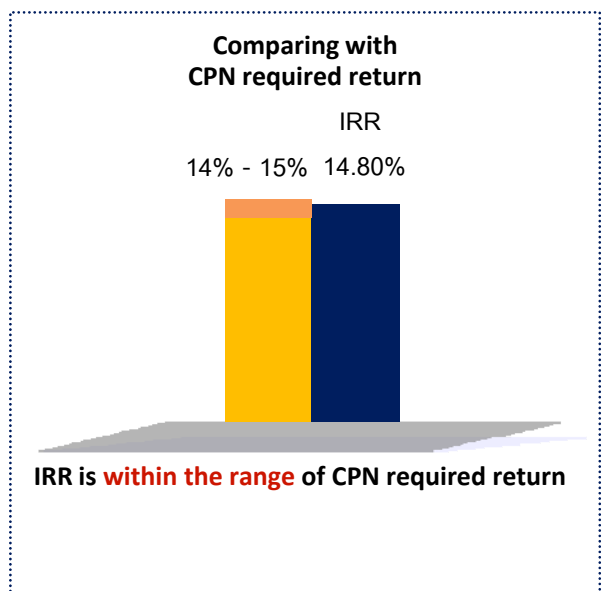
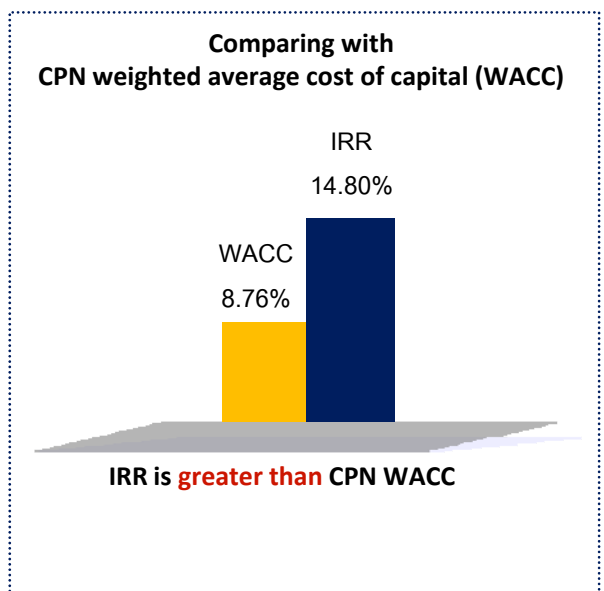
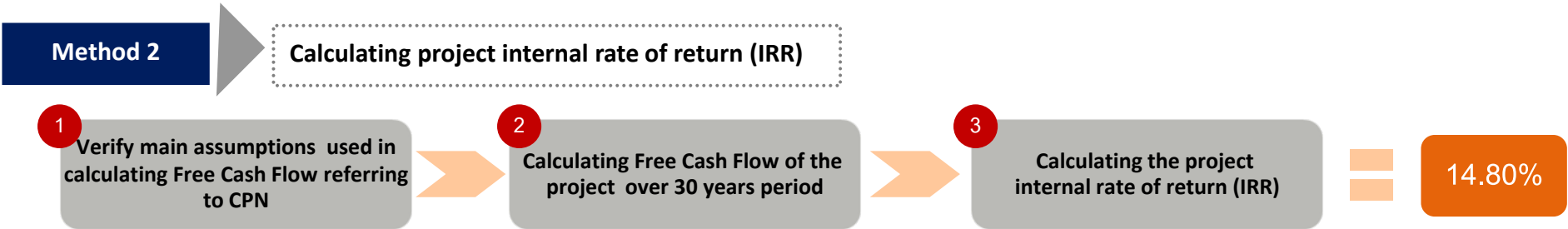
The rental value of 30-year leasehold rights calculated by the independent financial advisor is **LOWER** than the market values appraised by 2 independent asset appraisers. However, the fairness of rental value should also be verified by method 2 which trying to derive the benefit and investment return of entering into the transaction.

Weighted Average Cost of Capital (WACC)

Ke	Cost of Equity 10.35%
Kd	Cost of Debt 5%
T	Corporate Tax Rate 20%
E/A	75% of investment cost*
D/A	25% of investment cost *

Note : Referring from the ratio of interest bearing debts over the equity as appeared on CPN Financial Statements at the end of 2011. The equity has been adjusted to reflect the market value of investment properties.

Method to verify the reasonableness of the rental fee CPN agreed to pay to Vantage for this related transaction



The independent financial advisor believes that the rental payment scheme CPN has to pay to Vantage is **REASONABLE**

It is of the opinion of the Independent Financial Advisor that the transaction in which CPN will enter into the 30-year land lease agreement with Vantage for the purpose of developing and constructing a new shopping complex is fair, creates business benefits for CPN and does not cause any unfair advantages to any parties as:

1 The transaction has provided benefits to CPN

- ✓ Allow CPN to obtain leasehold right associated with land plots with sound commercial potential
- ✓ Enhance CPN's revenue and help to generate sound return for the company in the long-run
- ✓ Diversify CPN's business risk as its rental and service revenues will come from larger number of shopping complexes

2 Fair Pricing

- ✓ Rental payment that CPN will make to Vantage is lower than those as appraised by two independent asset appraisers by 5% -10%.
- ✓ Project IRR indicates that developing and operating such project will allow CPN and its shareholders to obtain a sound long-term return

3 Major terms and conditions are fair

- ✓ Major terms and conditions in the draft land lease agreement are fair and do not yield any unfair advantages to any particular party
- ✓ Major terms and conditions are conducted on an arm's length basis
- ✓ Allowing CPN to make annual rental payments rather than a lump sum one helps to relieve CPN's financial burden.