



Discussion Material

The New Sub-Lease Agreement of the Central Plaza Lardprao Project

March 2009

Key events of the transaction



- ❑ **The former sub-lease agreement entered into between Central International Development Co., Ltd (“CID” as sub-lessor) and Central Pattana Plc (“CPN” as sub-lessee) had already been expired on 18 December 2008.**
- ❑ **On 9 December 2008, CID entered into new 20-year lease agreement with the State Railway Authority of Thailand (“SRT”).**
 - Effective Date: 19 December 2008 to 18 December 2028.
 - CID is required to submit a certified copy of the new sub-lease agreement between CID and each sub-lessee within 120 days (or by 8 April 2009).
- ❑ **On 9 December 2008, CPN entered into an MOU with CID to preserve its rights to renew the sub-lease agreement.**
 - CPN has made a 300-MB payment as a guarantee.
 - CPN is required to enter into the new sub-lease agreement with CID 110 days (by 28 March 2009).
- ❑ **CID has proposed a 20-year rights to utilize the CentralPlaza Lardprao Project in return to payments of totaling Baht 16,178.3 million* .**
- ❑ **On 20 February 2009, Board of Directors of CPN approved CPN to enter into the new sub-lease agreement after obtaining an approval from the EGM to be held on 25 March 2009.**

* Note: Absolute payment of the total new leasehold payment, including up-front payment and annual lease payment.

The New Sub-Lease Agreement



- ❑ **The new sub-lease agreement will be utilized for 20 years, starting from 19 December 2008 to 18 December 2028.**

- ❑ **The sub-leased assets:**

- 1) Land

- Parcels of land (approximate area of 28 rais) on which CentralPlaza Lardprao Project is located.

- 2) Buildings

Buildings	Gross Leaseable Area (Sq.m)	Net Leaseable Area (Sq.m)	Occupancy Rate (%) As at 31 December 2008
Shopping Plaza	95,000	55,531*	97%
Office Building	23,000	17,719	97%
Parking Building	90,000	-	-
Total	208,000	-	-

* Note: The net leaseable area of the shopping plaza includes the net leaseable areas of movie theatres totaling 7,500 sq.m. and the convention hall totaling 9,000 sq.m.

Summary of CPN's Leasehold Payment



□ Leasehold payment of totaling Baht 16,178.3 million comprises:

- Up-front payment of totaling Baht 2,162.3 million paid in 5 annual installments
- Annual payment of totaling Baht 14,016.0 million

(Baht million)

Date of Payment	Up-front Payment	Annual Lease Payment	Total	Date of Payment	Up-front Payment	Annual Leasehold Payment	Total
Date of signing the new sub-lease agreement	551.41*	86.85	638.26	17 Dec 2018	-	777.68	777.68
17 Dec 2009	368.24	92.07	460.31	17 Dec 2019	-	824.34	824.34
17 Dec 2010	390.34	97.59	487.93	17 Dec 2020	-	873.81	873.81
17 Dec 2011	413.75	103.45	517.20	17 Dec 2021	-	926.23	926.23
17 Dec 2012	438.59	109.65	548.24	17 Dec 2022	-	981.81	981.81
17 Dec 2013	-	581.13	581.13	17 Dec 2023	-	1,040.72	1,040.72
17 Dec 2014	-	616.00	616.00	17 Dec 2024	-	1,103.16	1,103.16
17 Dec 2015	-	652.96	652.96	17 Dec 2025	-	1,169.35	1,169.35
17 Dec 2016	-	692.14	692.14	17 Dec 2026	-	1,239.51	1,239.51
17 Dec 2017	-	733.66	733.66	17 Dec 2027	-	1,313.88	1,313.88
				Total	2,162.33	14,015.98	16,178.31

* Note: The first up-front payment includes CID's operating costs regarding the new lease agreement; leasehold right registration fees, professional fees and interest charged on the first leasehold installment, for instance.

Conditions under the new sub-lease agreement



- ❑ **The terms and conditions under the new sub-lease agreement are made in reference to those under the new main lease agreement between CID and SRT.**

- ❑ **Essential conditions of the new sub-lease agreement include:**
 - CPN is obligated to make an investment cost of at least Baht 1,382.6 million for asset renovation and such renovation is required to complete by 2013.
 - Any asset renovation or enhancement is required to seek for an approval from SRT.
 - Enhanced assets and parts will be immediately transferred to SRT after completion.
 - There is no Right of First Refusal to renew the sub-lease agreement.

The Independent Appraiser and Financial Advisor



- ❑ **Brooke Real Estate** as an *independent appraiser* to determine the fair value of the sub-leased assets
 - Fair value derived from Income Approach = Baht 9,185 million

- ❑ **Kim Eng Securities (Thailand)** as an *independent financial advisor* to provide the opinion to the Board of Directors and the Shareholders regarding fairness and reasonableness of the connected transaction.



Opinion of the Independent Financial Advisor



Characteristic and Details of the Connected Transaction



Detail and Category of the Connected Transaction	An agreement to sub-lease the land and/or building for the utilization of land on which the Central Plaza Ladprao project is located (the "New Sub-Lease Agreement") from Central International Development Company Limited ("CID"). It is classified as a class-4 connected transaction*.
Counterparties	Sub-Lesser : Central International Development Company Limited ("CID") Sub-Lessee : Central Pattana Public Company Limited ("CPN")
Relationship between CPN and CID	CPN and CID have a common major shareholder, namely the Chirathivat Group, and some common directors who are from the Chirathivat Group as well.
Date of Transaction	CPN shall enter into the New Sub-Lease Agreement with CID after it obtains an approval resolution from the extraordinary shareholders' meeting no. 1/2009 to be held on 25 March 2009
Basis used to determine the value of consideration	Cost Plus Basis See the part of "Basis for calculating the rental payment"
Conditions in Entering into this agreement	<ul style="list-style-type: none"> ▪ Disclose detail of transaction to the SET and SEC ▪ 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 persons

* Class-4 connected transaction regarding assets and services under the Stock Exchange of Thailand Notification Re; Disclosure of Information and Other Acts of Listed Companies concerning the Connected Transactions, 2003 and the amendment as per the Notification of the Capital Market Supervisory Board Tor.Jor 21/2551. Re: Connected Transaction Rules.

Information about CID



Company Name	Central International Development Company Limited (“CID”)										
Address	306 Silom Road, Suriwongse Sub-District, Bangrak District, Bangkok 10500										
Date of Incorporation	10 May 1978										
Type of Business	Property Development										
Paid-up Shares	Baht 370 million										
Directors	<table><tr><td>1. Mr. Vanchai Chirathivat</td><td>2. Mr. Suthiporn Chirathivat</td></tr><tr><td>3. Mr. Suthichai Chirathivat</td><td>4. Mr. Suthikiati Chirathivat</td></tr><tr><td>5. Mr. Suthichart Chirativat</td><td>6. Mr. Sudhisak Chirathivat</td></tr><tr><td>7. Mr. Suthiluck Chirathivat</td><td>8. Mr. Tos Chirathivat</td></tr><tr><td>9. Mr. Prin Chirathivat</td><td></td></tr></table>	1. Mr. Vanchai Chirathivat	2. Mr. Suthiporn Chirathivat	3. Mr. Suthichai Chirathivat	4. Mr. Suthikiati Chirathivat	5. Mr. Suthichart Chirativat	6. Mr. Sudhisak Chirathivat	7. Mr. Suthiluck Chirathivat	8. Mr. Tos Chirathivat	9. Mr. Prin Chirathivat	
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Shareholding Structure	<table><tr><td>Harg Central Department Store Limited (“HCDS”)</td><td>(25.00 %)</td></tr><tr><td>The Chirathivat Group</td><td>(47.75 %)</td></tr><tr><td>Other Shareholders</td><td>(27.25 %)</td></tr></table>	Harg Central Department Store Limited (“HCDS”)	(25.00 %)	The Chirathivat Group	(47.75 %)	Other Shareholders	(27.25 %)				
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Reasonableness and Benefits of the Transaction



Entering into the sub-lease agreement will benefit CPN's overall business as follows:

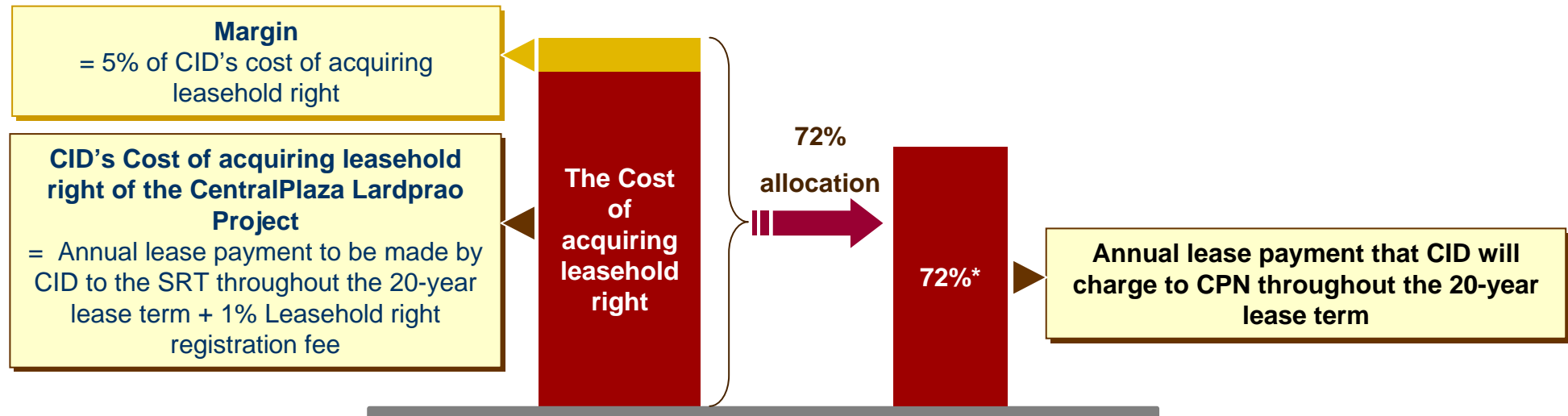


Basis for Calculating Annual Lease Payment



Concept of Annual lease payment base to be charged to CPN and other sub-lessees.

Proportion of the annual rental payment base which CID will charge to CPN



* Equivalent to the proportion of the appraised value of the sub-leased assets to the total appraised value of the CentralPlaza Lardprao Shopping Project

It is reasonable because

✓ CID's costs of acquiring the leasehold right comprising of annual lease payment made by CID to SRT throughout the lease term, and the registration fee which are actual traceable costs.

✓ Margin of 5% as a compensation to CID can be explained by: CID's effort in negotiation with the SRT for extension of the main lease agreement, CID held the First Right of Refusal to renew the main lease agreement, CID is the counterparty to SRT in the main lease agreement, and CID incurred costs and expenses necessary for acquiring the leasehold right.

✓ The basis for allocating the annual lease payment is equivalent to the proportion of the appraised value of the sub-leased assets to the total appraised value of the Central Plaza Lardprao Shopping Project appraised by independent appraiser.

Fairness regarding the Implied Interest Cost of Annual Lease Payment Stream



Implied Interest Cost of Annual Lease Payment Stream

- Implied interest cost equals to a discount rate at which the sum of the PV of the annual lease payment stream made by CPN to CID throughout the 20-year term equals to appraised value of the leasehold right of the sub-leased assets

- Calculation is based on PV of the sum of annual lease payment made by CPN to CID

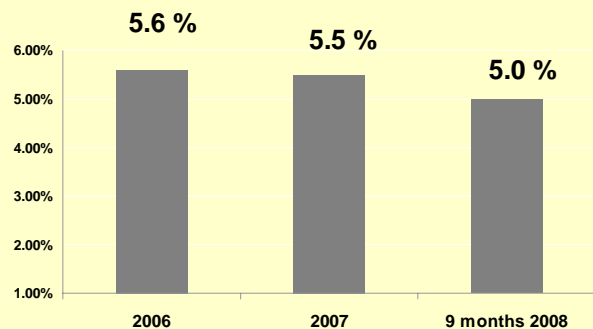
$$\sum_{i=0}^{19} \frac{\text{Annual lease payment } i}{(1+r)^i} = \text{Appraised value of the leasehold right of the sub-leased assets}$$

Annual lease payment i = Annual lease payment CID will charge to CPN in period i
 Appraised value of the leasehold right = Baht 9,185 million (Appraised by Brooke Real Estate)

From the above equation, implied interest cost (r) = 5.62%

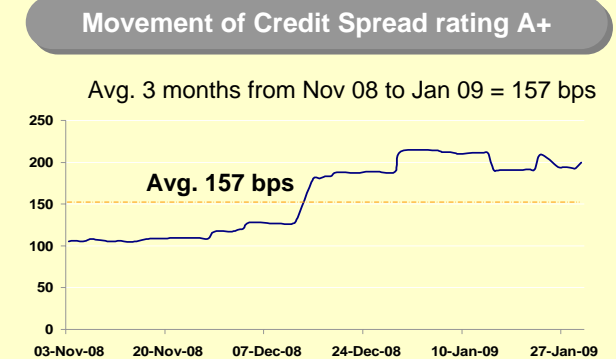
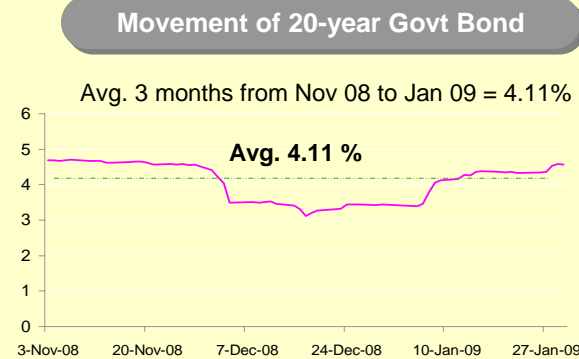
Cost of Long-term Debt (Assumed to use for financing the rental payment)

CPN's Weighted Average Interest Cost



CPN's weighted average interest cost is around 5.0% - 5.6%

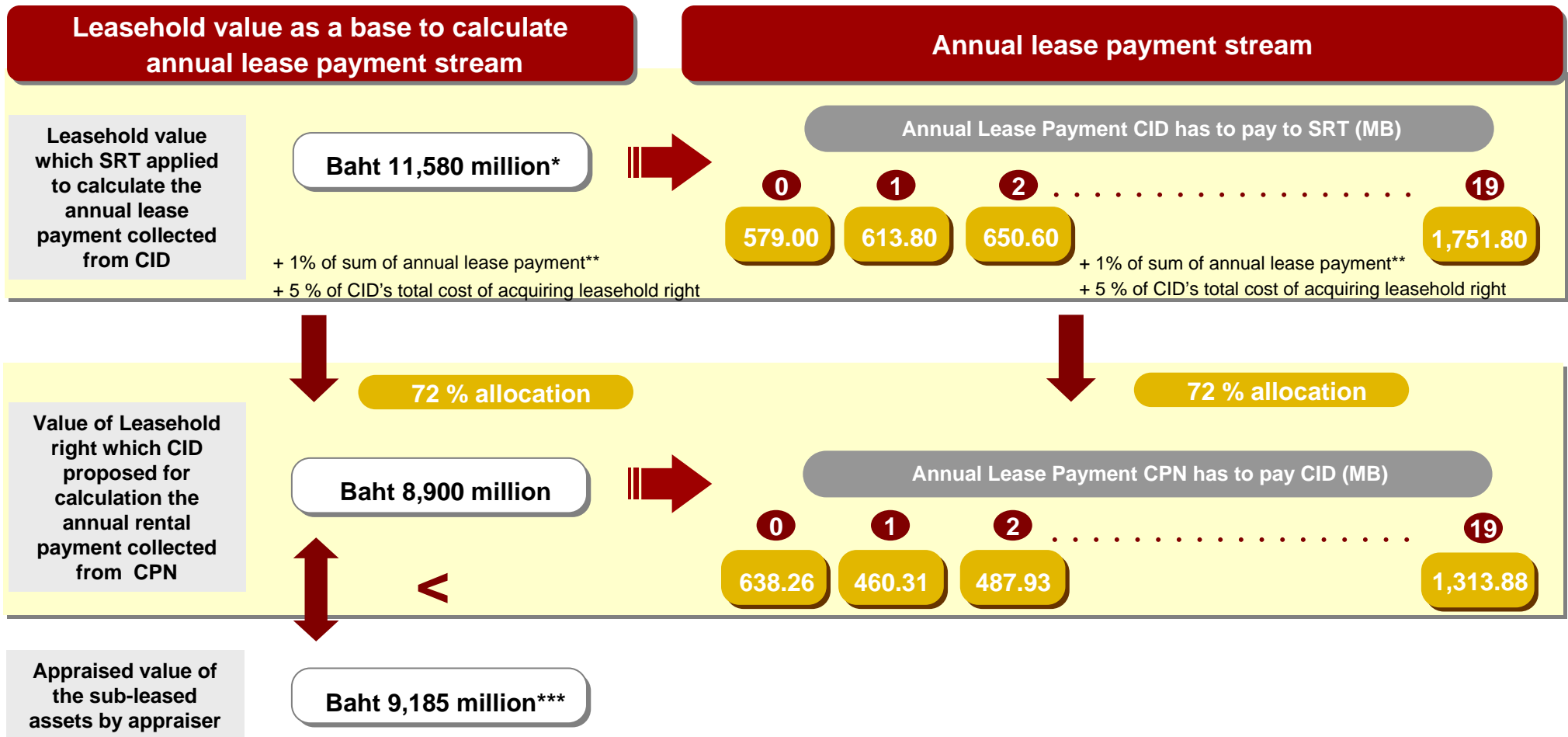
Return from Corporate Bond: Rating A+ and Term to Maturity of more than 5 years



Return from Corporate Bond: Rating A+ and Time to Maturity of 20 years = 5.7%

Annual lease payment that CPN has to pay to CID throughout the lease term is reasonable because the implied interest cost of annual sub-lease payment to be made for the sub-leased assets is 5.62% which falls in the range of the cost of long-term debt of CPN between 5.0%-5.7%

Fairness regarding the value of the sub-leased assets



- From the analysis above, IFA can conclude that the value of the leasehold right CID has applied to calculate the annual rental payment collected from CPN (= 8,900 MB) < Appraised value of the sub-leased assets (= 9,185 MB) by independent value appraiser. Therefore, CPN will benefit from entering into the reciprocal sub-lease agreement.

* Appraised value of the leasehold right of CentralPlaza Lardprao Project appraised by the SRT's two independent appraisers
 ** Leasehold right registration fee = 1% of sum of lease payment that CID has to pay to SRT throughout the 20-year lease term
 *** Appraised by Brook Real Estate

IFA's Opinion regarding the voting of shareholders



It is of an opinion of **IFA** that the Shareholders should approve CPN to engage in the Connected Transaction supported by the following reasons:

Reasonableness of the Connected Transaction	Reasonableness of the Basis for calculating the Annual Rental Payment and the Annual Rental Payment		Reasonableness of Terms and Conditions
Benefits to CPN's Business Operation	1. Basis for calculating Annual Rental Payment	2. Fair Annual Lease Payment	Fair Terms and Conditions
<ul style="list-style-type: none"> ✓ Maintaining the major source of revenue of CPN ✓ A less risky investment than investment in a new developing shopping center project ✓ Help CPN to Maintain its market share and its leading position in Thailand's retail property business ✓ Ability to utilize and create value-added from the Central Plaza Lardprao Project 	<ul style="list-style-type: none"> ✓ The sum of CID's Cost of acquiring leasehold right and the Margin allocated for the annual rental payment charged to CPN at the proportion equals to proportion of the appraised value of the sub-leased assets to the total appraised value of the Central Plaza Lardprao Shopping Project 	<ul style="list-style-type: none"> ✓ The cost of financing of annual lease payment to be made for the sub-leased assets is 5.62% which falls in the range of the cost of long-term debt between 5.0% - 5.7 % ✓ The value of the leasehold right CID used as a base to calculate the annual lease payment charged to CPN (= 8,900 MB) < Appraised value of the sub-leased assets by independent appraiser (= 9,185 MB) 	<ul style="list-style-type: none"> ✓ Major terms and conditions are made based on those in the main lease agreement ✓ Allowing CPN to make an annual lease payment in yearly term basis will reduce CPN's financial burden from the lease payment obligation and match with future income stream ✓ In terms of sharing incurred expenses, CID will be allocated to each sub-lessee on a fair basis

Shareholders' approval



9 March 2009

Closed Shareholder Register Book

25 March 2009

Extraordinary General Shareholder's Meeting No.1/2009

To approved the transaction with the vote of not less than three-fourths of the total 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 conflicts of interest.

If CPN not entering into the transaction?



In accordance with the main lease agreement, CID is allowed to sub-lease the leased assets to Harnng Central Department Store (“HCDS”), Central Plaza Hotel (“CENTEL”) and CPN without further approval from SRT, and required to submit a certified copy of the new sub-lease agreement with each sub-lessee within 8 April 2009. **If CPN fails in extension of the new sub-lease agreement, there is a high possibility that HCDS will enter into such sub-lease agreement.**

- ❑ **Loss of major source of revenue and business advantages.**
 - Loss of major source of revenue in form of rental and service income.
 - Loss of market share and leading status in Thailand retail property business.
 - Loss of current prime location and customer base which will cause loss of competitive advantage.
- ❑ **Incurrence of costs and expenses.**
 - Returning lease deposits to all tenants.
 - Return NPI during the extension period to CID.
- ❑ **Negative impact to CPN’s credit rating and ability to raise fund.**

If CPN entering into the transaction?



- ❑ **Maintaining CPN's major source of revenue, high market share and leading status in Thailand retail property business.**
- ❑ **Less risky investment.**
 - If investing in new replacement project on new location, CPN will required a large investment cost of development and promotion to gain image and reputation with uncertainty of success.
- ❑ **Creating economy of scale from business operation.**
 - Personnel expenses of back office.
 - Corporate marketing and promotion expenses.
 - Financing costs.
- ❑ **Ability to create value-added for CentralPlaza Lardprao Project and surrounding community.**



Appendix

The Independent Appraiser and its assumptions



- ❑ **Brooke Real Estate** as an *independent appraiser* to determine the fair value of the sub-leased assets
 - Fair value derived from Income Approach = Baht 9,185 million
 - Assumptions on asset appraisal are below:

	Shopping Plaza	Office Building
Leasable area (sq.m)	55,531	17,719
Occupancy rate (%)	82%-95%	90%-99%
Rental growth rate (%)	Year 1 st -10 th at 15% per 3-year period Year 11 th -20 th at 4% p.a.	Year 1 st -10 th at 10% per 3-year period Year 11 th -20 th at 3% p.a.
Discount rate (%)	12%	12%