

Opinion of the Independent Financial Advisor

The Transaction of Entering into the Agreement to Sub-Lease the Assets of the Central Plaza Ladprao Shopping Complex

Presented to the Shareholders and the Board of Directors of



Central Pattana Public Company Limited

Prepared by



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February 20, 2009

Disclaimer

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No. IB 5/2009

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Subject Opinion of the Independent Financial Advisor on the Connected Transaction and the Asset Acquisition Transaction of Central Pattana Public Company Limited

To The Board of Directors and the Shareholders of Central Pattana Public Company Limited

Reference is made to the resolution of the meeting of the Board of Directors of Central Pattana Public Company Limited (“CPN”) No.1/2009 held on February 20, 2009 that approves CPN to enter into the Agreement to Sub-Lease the Assets of the Central Plaza Ladprao Shopping Complex with Central International Development Company Limited (“CID”) after CPN obtains an approval resolution to enter into such agreement from the Extraordinary Shareholders’ Meeting No.1/2009 to be held on March 25, 2009. CID is regarded as a connected person of CPN by having a common major shareholder and some common directors. The Agreement to Sub-Lease the Assets of the Central Plaza Ladprao Shopping Complex (the “**New Sub-Lease Agreement**”) to be entered into between CPN and CID shall be effective from December 19, 2008 to December 18, 2028.

The transaction that CPN will enter into the New Sub-Lease Agreement with CID is classified as a class-4 connected transaction regarding assets and services under the Stock Exchange of Thailand 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. 21/2008 Re: Connected Transaction Rules. The size of the transaction of entering into the New Sub-Lease Agreement with CID, when combined with the sizes of other connected transactions taking place during six months prior to the day a decision to enter into the New Sub-Lease Agreement is made, exceeds 3 % of the net tangible asset value of CPN that stands at Baht 14,315.24 million as per the latest audited consolidated financial statements as of December 31, 2008. Thus, 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.

The size of the transaction of entering into the New Sub-Lease Agreement with CID, when combined with the sizes of other asset acquisition transactions taking place during six months prior to the day a decision to enter into the New Sub-Lease Agreement is made, is equal to 37.83 % (using the criterion of the total value of consideration paid, compared with the value of assets of CPN and its subsidiaries collectively), thus making the transaction of entering into the New Sub-Lease Agreement be classified as a class-2 transaction under the Notification of the Capital Market Supervisory Board Tor.Jor. 20/2008 regarding Disclosure of Information and Other Acts of Listed Companies concerning the Acquisition and Disposition of Assets and the Notification of the Board of Governors of the Stock Exchange of Thailand Re: Disclosure of Information and Other Acts of Listed Companies concerning the Acquisition and Disposition of Assets,

2004. When there is a decision to enter into a class-2 transaction, CPN is required to serve a written notice of its decision to enter into a class-2 transaction on its shareholders within 21 days from the date of disclosure of information to the Stock Exchange of Thailand. However, given the size of the connected transaction requires an approval from the meeting of shareholders, CPN will ask for an approval to enter into the asset acquisition transaction on the date of March 25, 2009 that is the same as the date of shareholders' meeting in which CPN will ask for approval to enter into the connected transaction.

In this regard, CPN appoints Kim Eng Securities (Thailand) Public Company Limited (the "**Independent Financial Advisor**") as an independent financial advisor to provide the opinion for the Board of Directors and the shareholders regarding fairness and reasonableness of these connected transaction and asset acquisition transaction.

Kim Eng Securities (Thailand) Public Company Limited as the Independent Financial Advisor shall provide an opinion on the transaction in the following matters:

1. Type and Details of the Connected Transaction and the Asset Acquisition Transaction
2. Reasonableness and Benefits of Entering into the Connected Transaction and the Asset Acquisition Transaction
3. Fairness on Price of the Connected Transaction and the Asset Acquisition Transaction
4. Fairness on Conditions of the Connected Transaction and the Asset Acquisition Transaction
5. Opinion of the Independent Financial Advisor on the Resolution of the Shareholders' Meeting

To provide an Independent Financial Advisor opinion, the Independent Financial Advisor made a study from the auditor's report, financial statements of CPN, annual disclosure form of CPN (Form 56-1), information and documents of CPN, interviews with the management of CPN, appraisal report of the Central Plaza Ladprao Project as prepared by two independent asset appraisers employed by the State Railway of Thailand (the "**SRT**"), appraisal report of the assets of the Central Plaza Ladprao Project that CPN will sub-lease from CID dated January 20, 2009 as prepared by Brooke Real Estate Co., Ltd. (the "**Independent Asset Appraiser of CPN**"), the 20-Year Agreement Granting the Right to Utilize the Shopping Center Located in the Area of Paholyothin Delta entered into between CID and the SRT that is effective from December 19, 2008 to December 18, 2028 (the "**New Main Lease Agreement**") and the draft of the Agreement to Sub-Lease the Assets of the Central Plaza Ladprao Shopping Complex (the "**New Sub-Lease Agreement**") to be later entered into between CPN and CID. In providing the Independent Financial Advisor opinion, the Independent Financial Advisor has taken into account and evaluated relevant industry-specific and macroeconomic factors as well.

The opinion of the Independent Financial Advisor presented is based on the assumption that information and documents provided are true and correct, whereas the analysis is conducted based on the economic condition and the information at the time of the study. Should there be any future significant changes that may have material impact on this opinion, the Independent Financial Advisor may not be able to substantiate the impact of such significant changes on CPN and its shareholders. Besides, the Independent Financial Advisor provides its opinion on the transaction of entering into the New Sub-Lease Agreement only, and therefore, all other connected transactions and asset acquisition transactions incurred before this transaction are excluded from this opinion.

1. Executive Summary

Central Pattana Public Company Limited (“CPN”) as the sub-lessee will enter into the Agreement to Sub-Lease the Assets of the Central Plaza Ladprao Shopping Complex (the “New Sub-Lease Agreement”) with Central International Development Company Limited (“CID”) as the sub-lessor. The New Sub-Lease Agreement shall be effective from December 19, 2008 to December 18, 2028. The terms and conditions under the New Sub-Lease Agreement are developed with reference to those under the Agreement Granting the Right to Utilize the Shopping Center Located in the Area of Paholyothin Delta (the “New Main Lease Agreement”) entered into between CID and the State Railway of Thailand (the “SRT”). The 20-year New Main Lease Agreement is effective from December 19, 2008 to December 18, 2028. In accordance with the New Main Lease Agreement, within 120 days from the date CID and the SRT signed such agreement or within April 8, 2009, CID shall submit the certified copy of the New Sub-Lease Agreement between CID and each sub-lessee (including CPN, Central Plaza Hotel Plc. (“CENTEL”) and Harn Central Department Store Limited (“HCDS”)) to the SRT.

Rather than directly entering into a long-term lease agreement with the SRT, CPN has to enter into a New Sub-Lease Agreement with CID. This is because CID is the holder of the first right to negotiate with the SRT in extending the land lease agreement in accordance with the former land lease agreement entered into between CID and the SRT that had already been expired in December 2008. In case CID does not exercise such first right, the SRT will open a new round of bidding to look for a new property developer to develop and operate the existing Central Plaza Ladprao Project.

In accordance with the New Sub-Lease Agreement to be entered into between CPN and CID, the assets that CPN will sub-lease from CID for the purpose of running shopping complex and office building businesses include:

The Assets of the Central Plaza Ladprao Project that CPN Will Sub-Lease from CID (the “Assets that CPN Will Sub-Lease from CID” or the “Sub-Leased Assets”)

1) Land			
Some plots of land belonging to the Central Plaza Ladprao Project with the approximate area of 28 rais. The Sub-Leased Assets that are buildings are located on such plots of land.			
2) Buildings			
Building	Gross Leasable Area (SQ.M.)	Net Leasable Area (SQ.M.)	(Occupancy Rate) (%) As of December 31, 2008
1) Shopping Complex and Plaza	95,000	55,531*	97 %
2) Office Building	23,000	17,719	97 %
3) Car Parking	90,000	-	-

* Note: The net leasable area of the Shopping Complex and Plaza includes the net leasable areas of both the theaters totaling 7,500 SQ.M. and the convention hall totaling 9,000 SQ.M.

Source: Central Pattana Public Company Limited

For the whole term of the New Sub-Lease Agreement from December 19, 2008 to December 18, 2028, CPN is obligated to make annual leasehold payment totaling Baht 16,178.32 million to CID. The schedule of making annual leasehold payment is as follows:

Scheduled Annual Leasehold Payment to be Made by CPN to CID throughout the Term of the New Sub-Lease Agreement

Period of Making Annual Leasehold Payment	Annual Leasehold Payment (Millions of Baht)	Period of Making Annual Leasehold Payment	Annual Leasehold Payment (Millions of Baht)
Date of Signing the New Sub-Lease Agreement	638.26 (Including upfront payment of Baht 551.41 million)	December 2018	777.68
December 2009	460.31 (Including upfront payment of Baht 368.24 million)	December 2019	824.34
December 2010	487.93 (Including upfront payment of Baht 390.34 million)	December 2020	873.81
December 2011	517.20 (Including upfront payment of Baht 413.76 million)	December 2021	926.23
December 2012	548.24 (Including upfront payment of Baht 438.58 million)	December 2022	981.81
December 2013	581.13	December 2023	1,040.72
December 2014	616.00	December 2024	1,103.16
December 2015	652.96	December 2025	1,169.35
December 2016	692.14	December 2026	1,239.51
December 2017	733.66	December 2027	1,313.88

Note: After CPN makes annual leasehold payment to CID, CID will make annual leasehold payment to the SRT using the money it will collect from CPN and other sub-lessees including CENTEL and HCDS within 2 business days from the day next to the day it obtains money from lessees.

Source: Central Pattana Public Company Limited



It is of an opinion of the Independent Financial Advisor that the shareholders should approve the transaction that CPN will enter into the New Sub-Lease Agreement with CID, as the purpose for entering into this transaction is reasonable and beneficial while the price, terms and conditions are fair as explained below:

Reasonableness and Benefits of the Transaction

1. Maintaining CPN's Major Source of Revenue

Over the years, the Central Plaza Ladprao Shopping Complex is regarded as a flagship shopping complex of CPN as it is one of existing shopping complexes operated by CPN that has generated substantial amount of rental and services revenues for CPN each year. Revenue from the Central Plaza Ladprao Shopping Complex (including rental & services revenues and others) accounted for approximately 21 % on average of CPN's consolidated revenues excluding share of profits from investments accounted for using the equity method for the Years 2006, 2007 and 2008. Thus, entering into the New Sub-Lease Agreement with CID would help to maintain a major source of revenue for CPN.

2. A Less Risky Investment than Investing in a New Shopping Complex Project

Entering into the New Sub-Lease Agreement with CID, thus allowing CPN to utilize the Sub-Leased Assets until December 2028, is a less risky investment than investing in a new shopping complex project. This is because entering into such sub-lease agreement allows CPN to invest in and operate a shopping complex with a good location, high customer traffic, strong track record as evidenced by its past high occupancy rate and strong future growth potential.

3. Allowing CPN to Maintain Its High Market Share and Its Leading Position in Thailand's Retail Property Business

Entering into the New Sub-Lease Agreement, thus allowing CPN to operate the Central Plaza Ladprao Shopping Complex, allows it to maintain its high market share and leading position in Thailand's retail property business. This would help to sustain CPN's competitive advantages in Thailand's retail property business, its financial credibility as well as its negotiation and bargaining power in the matters regarding bidding and negotiation with authorized authorities for the purpose of developing and operating the retail property project.

4. Ability to Utilize and Create Value-Added for the Central Plaza Ladprao Shopping Complex

With more than 20 years of experience in operating the Central Plaza Ladprao Shopping Complex as well as that gained from running other shopping complexes located in Bangkok and in other provinces in Thailand, CPN will be able to utilize and create value-added for the Central Plaza Ladprao Shopping Complex.

□ **Risk from Entering into the New Sub-Lease Agreement**

In entering into the New Sub-Lease Agreement, CPN may face some potential risks that management and shareholders should take into account. They are as follows:

1. **Risk that Actual Rental and Services Revenues May Be Lower than Projected**

Entering into the New Sub-Lease Agreement with CID, CPN is obligated to make scheduled annual leasehold payment to CID throughout the new sub-lease term, fulfill its obligations under the New Sub-Lease Agreement and bear scheduled renovation and maintenance expenses in relation to the Sub-Leased Assets. Main source of cash flows to be used for making scheduled annual leasehold payment and paying renovation and maintenance expenses are from CPN's operating cash flows to be generated by rental and services revenues from operating the Central Plaza Ladprao Shopping Complex. Thus, CPN is exposed to the risk that actual operating revenue it will earn from running the Central Plaza Ladprao Shopping Complex may be lower than projected due to uncontrollable factors such as intensifying competition in the retail property business, economic slowdown and change in customer lifestyle, thus making actual rental and services revenue it will earn from the Central Plaza Ladprao Shopping Complex lower than projected. In case actual rental and services revenues from the Central Plaza Ladprao Shopping Complex are lower than projected whereas annual leasehold payment to be made to CID is already determined and fixed, CPN's ability to make annual leasehold payment and pay for required renovation and maintenance expenses may be adversely affected. Investment return from the Central Plaza Ladprao Shopping Complex may also be lower than projected.

2. **Risk that the New Main Lease Agreement May Be Terminated by the SRT due to Fault or Negligence of CID or Other Sub-Lessees**

In entering into the New Sub-Lease Agreement with CID, CPN may be exposed to the risk that CID may breach conditions or requirements under the New Main Lease Agreement and/or other sub-lessees may breach conditions or requirements under the New Sub-Lease Agreement, both of which may result in termination of the New Main Lease Agreement by the SRT. Termination of the New Main Lease Agreement by the SRT results in automatic termination of the New Sub-Lease Agreement CID will enter into with each sub-lessee as well. However, in case the New Main Lease Agreement is terminated without fault or negligence of CPN, CPN shall not bear any costs or damages incurred. In case the New Main Lease Agreement is terminated due to fault or negligence of CID, CPN is allowed to sue and ask for compensation from CID.

□ **Fairness on Price**

In regard to fairness of the stream of annual leasehold payment CPN is obligated to make to CID, the Independent Financial Advisor will provide its opinion regarding:

1. Fairness and reasonableness of the methodology used to determine the stream of annual leasehold payment to be made by CPN to CID;
2. Fairness and reasonableness regarding the stream of annual leasehold payment to be made by CPN to CID

1. **Reasonableness of the Methodology Used to Determine the Stream of Annual Leasehold Payment**

It is of the opinion of the Independent Financial Advisor that the cost plus Basis, the method used to determine the stream of annual leasehold payment to be made by CPN to CID is reasonable and applicable. This is because it takes into account the cost of acquiring leasehold right of the Central Plaza Ladprao Project as actually incurred by CID plus an appropriate profit margin.

- The actual cost of acquiring the leasehold right of the Central Plaza Ladprao Project was fairly determined. Such cost consisting of annual leasehold payment to be made by CID to the SRT that is specified and fixed in the New Main Lease Agreement and leasehold right registration fee equal to 1 % of the sum of annual leasehold payment to be made by CID to the SRT throughout the term of the New Main Lease Agreement is actually incurred expenditure. Annual leasehold payment to be made by CID to the SRT was determined based on the leasehold value of the Central Plaza Ladprao Project as appraised by two independent asset appraisers employed by the SRT.
- A profit margin of approximately 5 % of the total cost of leasehold right acquisition is fair as it is the compensation for CID as:
 - CID plays an important role in initiating and negotiating with the SRT for extension of the Main Lease Agreement for the purpose of running the Central Plaza Ladprao Project;
 - CID is the holder of the first right to negotiate with the SRT for extending the Main Lease Agreement for the purpose of running the Central Plaza Ladprao Project;
 - CID as the lessee directly enters into the New Main Lease Agreement with the SRT as the lessor. Although responsibilities and obligations under the New Main Lease Agreement will be assigned to each sub-lessee via the New Sub-Lease Agreement each of them will enter into with CID, CID as the direct counter party to the SRT under the New Main Lease Agreement is still obligated to fully comply with the terms and conditions and fulfill its responsibilities under such agreement. In case any of the sub-lessee fails to comply with the terms and conditions under the New Sub-Lease Agreement, thus resulting in breach of terms and conditions under the New Main Lease Agreement, CID is obligated to bear all costs and



damages incurred as a result of such non-compliance by sub-lessee and make required compensation to the SRT.

- CID incurred some costs and expenses necessary for acquiring leasehold right of the Central Plaza Ladprao Project such as legal, financial advisory and asset appraisal fee and etc.
- Annual leasehold payment to be made by CPN to CID accounts for approximately 72 % of the sum of the cost of acquiring leasehold right of the Central Plaza Ladprao Project as actually incurred by CID and a profit margin of approximately 5 % of the cost of acquiring leasehold right. This is fair as such proportion of 72 % is determined based upon the proportion of the appraised leasehold value of the Sub-Leased Assets to the total leasehold value of the Central Plaza Ladprao Project as appraised by two independent asset appraisers employed by the SRT.

2. Reasonableness of the Stream of Annual Leasehold Payment to be Made by CPN to CID

As the New Sub-Lease Agreement to be entered into between CPN and CID is a long-term lease agreement in which CPN as the sub-lessee is obligated to make annual leasehold payment to CID as the sub-lessor on an installment basis throughout the term of the New Sub-Lease Agreement, in providing its opinion regarding fairness on the stream of annual leasehold payment to be made by CPN to CID, the Independent Financial Advisor will provide the opinion in two aspects:

1. Fairness of the implied interest rate of the annual leasehold payment. In providing the opinion, the Independent Financial Advisor will make the comparison between the financing cost associated with the stream of annual leasehold payment to be made for the Sub-Leased Assets and the cost of long-term debt financing of CPN;
2. Fairness on the leasehold value of the Sub-Leased Assets to be used as the basis for determining annual leasehold payment. In providing the opinion, the Independent Financial Advisor will make the comparison between the leasehold value of the Sub-Leased Assets that will be used as the basis for determining annual leasehold payment to be made by CPN to CID and the fair leasehold value of the Sub-Leased Assets as appraised by the Independent Asset Appraiser of CPN.

Fairness on the Financing Cost Associated with the Stream of Annual Leasehold Payment to be Made for the Sub-Leased Assets

The Independent Financial Advisor made a comparison between the financing cost associated with the stream of annual leasehold payment to be made by CPN throughout the term of the New Sub-Lease Payment and CPN's cost of long-term debt financing. This is because stream of annual leasehold payment to be made by CPN to CID is made in reference to that to be made by CID to the SRT, both of which are



made on an installment basis throughout the term of the long-term lease agreement. Thus, making leasehold payment on an annual basis is similar to making leasehold payment on an installment basis throughout the lease term, with cost of financing associated with such stream of annual leasehold payment equal to the discount rate that when used to discount such stream of annual leasehold payment will make the sum of the discounted annual leasehold payment equal to the leasehold value of the Sub-Leased Assets of Baht 9,185 million that was appraised by the Independent Asset Appraiser of CPN.

The Independent Financial Advisor determines that the discount rate that equates the sum of the discounted annual cash flows in the form of annual leasehold payment to be made by CPN to CID throughout the term to the appraised leasehold value of the Sub-Leased Assets of Baht 9,185 million is 5.62 %, with duration of the stream of annual leasehold payment to be made by CPN throughout the sub-lease term equal to 9.42 years. Thus, the cost of financing (implied interest rate) associated with the stream of annual leasehold payment to be made by CPN throughout the sub-lease term is 5.62 %. Such implied interest rate of 5.62 % is regarded as the cost of financing CPN has to bear in exchange for the leasehold right in the Sub-Leased Assets while CPN is allowed to make annual leasehold payment to CID on an installment basis.

When comparing the cost of financing (implied interest rate) associated with the stream of annual leasehold payment to be made by CPN for the Sub-Leased Assets (approximately 5.62 %) with CPN's cost of long-term debt financing that falls in the range between 5.0 % and 5.7 % (Determined based upon CPN's weighted average cost of interest for the Years 2006 and 2007 and for the first nine months of 2008 and average yield on debentures with term to maturity of more than 5 years and with the credit rating of A+ that is the same as credit rating of CPN), the Independent Financial Advisor found that CPN's cost of financing associated with the stream of annual leasehold payment to be made by CPN to CID for the Sub-Leased Assets falls within the range of CPN's cost of long-term debt financing. Thus, it is the opinion of the Independent Financial Advisor that CPN's cost of financing (implied interest rate) associated with the stream of annual leasehold payment to be made throughout the sub-lease term for the Sub-Leased Assets as well as the stream of annual leasehold payment is reasonable.

Fairness on the Leasehold Value of the Sub-Leased Assets that to Be Used as the Basis for Determining Annual Leasehold Payment

In providing the opinion regarding fairness on the leasehold value of the Sub-Leased Assets that will be used as the basis for determining annual leasehold payment to be made to CID, the Independent Financial Advisor will make the comparison between such leasehold value and its fair value. The leasehold value of the Sub-Leased Assets that will be used as the basis for determining annual leasehold payment, determined based on the cost plus basis, is the sum of:



- The leasehold value of the Central Plaza Ladprao Project of Baht 11,580 million as appraised by the independent asset appraisers employed by the SRT;
- Leasehold right registration fee equivalent to 1 % of the sum of the annual leasehold payment to be made by CID to the SRT throughout the 20-year term of the New Main Lease Agreement;
- A profit margin of approximately 5 %

From the sum of the three figures above, CID will allocate approximately 72 % of the sum (that is the proportion of the appraised value of the Sub-Leased Assets to the total appraised value of the Central Plaza Ladprao Project) as the annual leasehold payment to be made by CPN to it throughout the term of the New Sub-Lease Agreement. Such determination indicates that the leasehold value of the Sub-Leased Assets that will be used as the basis for determining annual leasehold payment to CID is Baht 8,900 million. On the other hand, the fair leasehold value of the Sub-Leased Assets as appraised by the Independent Asset Appraiser of CPN is Baht 9,185 million.

Making comparison between the leasehold value of the Sub-Leased Assets that will be used as the basis for determining annual leasehold payment (Baht 8,900 million) with the fair leasehold value of the Sub-Leased Assets (9,185 million) indicates that CPN will earn benefits from entering into this transaction.

Fairness of Conditions of the Connected Transaction

It is of the opinion of the Independent Financial Advisor that the conditions under the New Sub-Lease Agreement to be entered into between CPN and CID are fair and do not put CPN in a disadvantaged position. This is because major conditions under the New Sub-Lease Agreement are made in reference to those under the New Main Lease Agreement.

Allowing CPN to make annual leasehold payment to CID on an installment basis will also help to relieve CPN's financial burden that may result from one-time lease payment. Allowing CPN to make annual leasehold payment on an installment basis will also allow CPN to match its stream of annual cash outflows in the form of annual leasehold payment with future cash inflows in the form of annual rental and services revenues generated by the Sub-Leased Assets. CPN's cost of financing (implied interest rate) associated with the stream of annual leasehold payment to be made throughout the sub-lease term also falls in the range of CPN's cost of long-term debt financing. In regard to sharing of common expenses, they will be allocated to each sub-lessee on a fair basis.



2. Characteristics and Details of the Connected Transaction and the Asset Acquisition Transaction

The details of the transaction of entering into the Agreement to Sub-Lease the Assets of the Central Plaza Ladprao Shopping Complex are as follows:

2.1 **Date of the Transaction and the Involved Parties**

2.1.1 ***Date of the Transaction***

The meeting of the Board of Directors of Central Pattana Public Company Limited No.1/2009 held on February 20, 2009 reached a resolution to approve the Company to enter into the Agreement to Sub-Lease the Assets of the Central Plaza Ladprao Shopping Complex after it obtains an approval resolution from the Extraordinary Shareholders' Meeting No.1/2009 to be held on March 25, 2009.

2.1.2 ***Involved Parties***

Sub-Lessor: Central International Development Company Limited (“CID”)

Sub-Lessee: Central Pattana Public Company Limited (“CPN”)

2.1.3 ***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. The Chirathivat Group holds a shareholding stake in both companies as follows:
 - 1) Directly and indirectly holding a 59.89 % stake in CPN
 - 2) Directly and indirectly holding a 100.00 % stake in CID

- CPN and CID have some common directors as follows:
 - 1) Mr. Vanchai Chirathivat
 - 2) Mr. Suthichai Chirathivat
 - 3) Mr.Suthikiati Chirathivat
 - 4) Mr.Suthichart Chirathivat
 - 5) Mr.Sudhisak Chirathivat
 - 6) Mr. Prin Chirathivat



2.2 **Characteristics of the Transaction**

2.2.1 ***Category of the Transaction***

The transaction in which CPN as the sub-lessee will enter into the Agreement to Sub-Lease the Assets of the Central Plaza Ladprao Shopping Complex (the “**New Sub-Lease Agreement**”) with CID as the sub-lessor is classified as a 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. 21/2008. Re: Connected Transaction Rules. The main purpose of entering into the New Sub-Lease Agreement is to extend the original Agreement to Sub-Lease the Assets of the Central Plaza Ladprao Shopping Complex (the “**Original Sub-Lease Agreement**”) that was expired on December 18, 2008 so that CPN could continue operating the Central Plaza Ladprao Shopping Complex that is currently one of the largest shopping complexes in Bangkok and one of CPN’s existing flagship shopping complexes. The transaction is also categorized as a class-2 transaction under the Notification of the Capital Market Supervisory Board Tor.Jor. 20/2008 regarding Disclosure of Information and Other Acts of Listed Companies concerning the Acquisition and Disposition of Assets and the Notification of the Board of Governors of the Stock Exchange of Thailand Re: Disclosure of Information and Other Acts of Listed Companies Concerning the Acquisition and Disposition of Assets, 2004.

In December 2008, CPN had entered into a memorandum of understanding (“**MOU**”) with CID to confirm and preserve its right for the New Sub-Lease Agreement. In doing so, CID required CPN to make a payment of Baht 300 million to it as a guarantee for the right to sub-lease land and buildings of the Central Plaza Ladprao Shopping Complex on the date that CID entered into the New Main Lease Agreement with the SRT. The conditions of such guarantee are as follows:

1. In case that the meeting of CPN shareholders does not approve the entering into the New Sub-Lease Agreement with CID or CPN and CID cannot finalize the terms and conditions of the New Sub-Lease Agreement, CID will repay all of the guarantee with interest at the Minimum Lending Rate (MLR) to CPN.
2. In case that the meeting of CPN shareholders approves the entering into the New Sub-Lease Agreement with CID, the guarantee will be returned to CPN. Subsequently, CPN shall make scheduled annual leasehold payment to CID in accordance with the New Sub-Lease Agreement.

CPN had already informed and disclosed the transactions of entering into the MOU with CID to confirm and preserve its right for entering into the New Sub-Lease Agreement and of making a payment of Baht 300 million to CID as a guarantee for the right to sub-lease land and buildings of the Central Plaza Ladprao Shopping Complex to the Stock Exchange of Thailand on December 9, 2008.



2.2.2 Transaction Size

For the whole term of the New Sub-Lease Agreement, the total amount of annual leasehold payment to be made by CPN to CID is Baht 16,178.32 million. The transaction of entering into the New Sub-Lease Agreement with CID, when combined with the sizes of other connected transactions taking place during six months prior to the day a decision to enter into the New Sub-Lease Agreement is made, will make the combined transaction size equal to Baht 16,565.32 million that accounts for 115.72 % of the net tangible asset value of CPN of Baht 14,315.24 million as per the latest audited consolidated financial statements as of December 31, 2008. Given the transaction size exceeds Baht 20 million and 3 % of the net tangible asset value of CPN as per the latest audited consolidated financial statements, 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.

The size of the transaction of entering into the New Sub-Lease Agreement with CID, when combined with the sizes of other asset acquisition transactions taking place during six months prior to the day a decision to enter into the New Sub-Lease Agreement is made, is equal to 37.83 % (using the criterion of the total value of consideration paid that is equal to Baht 16,565.32 million, compared with the value of assets of CPN and its subsidiaries collectively that is equal to Baht 43,783.78 million), thus making the transaction of entering into the New Sub-Lease Agreement be classified as a class-2 transaction under the Notification of the Capital Market Supervisory Board Tor.Jor. 20/2008 regarding Disclosure of Information and Other Acts of Listed Companies concerning the Acquisition and Disposition of Assets and the Notification of the Board of Governors of the Stock Exchange of Thailand Re: Disclosure of Information and Other Acts of Listed Companies concerning the Acquisition and Disposition of Assets, 2004. When there is a decision to enter into a class-2 transaction, CPN is required to serve a written notice of its decision to enter into a class-2 transaction on its shareholders within 21 days from the date of disclosure of information to the Stock Exchange of Thailand. However, given the size of the connected transaction requires an approval from the meeting of shareholders, CPN will ask for an approval to enter into the asset acquisition transaction on the date of March 25, 2009 that is the same as the date of shareholders' meeting in which CPN will ask for approval to enter into the connected transaction.

2.2.3 Details of the Sub-Leased Assets

In accordance with the New Sub-Lease Agreement to be entered into between CPN and CID, the assets that CPN will sub-lease from CID for the purpose of running shopping complex and office building businesses include:

The Assets of the Central Plaza Ladprao Project that CPN Will Sub-Lease from CID

1) Land			
Some plots of land belonging to the Central Plaza Ladprao Project with the approximate area of 28 rais. The Sub-Leased Assets that are buildings are located on such plots of land.			
2) Buildings			
Building	Gross Leasable Area (SQ.M.)	Net Leasable Area (SQ.M.)	(Occupancy Rate) (%) As of December 31, 2008
1) Shopping Complex and Plaza	95,000	55,531*	97 %
2) Office Building	23,000	17,719	97 %
3) Car Parking	90,000	-	-

*Note: The net leasable area of the Shopping Complex and Plaza includes the net leasable areas of both the theaters totaling 7,500 SQ.M. and the convention hall totaling 9,000 SQ.M.

Source: Central Pattana Public Company Limited

2.3 The Basis Used to Determine the Value of Consideration

The amount of annual leasehold payment to be made by CPN to CID is determined based on the cost plus basis. The basis for determining the amount of such annual leasehold payment is that it will be determined based upon the sum of the cost of acquiring leasehold right of the Central Plaza Ladprao Project as actually incurred by CID and a profit margin of 5 % of such leasehold right acquisition cost. The cost of acquiring leasehold right of the Central Plaza Ladprao Project as actually incurred by CID consists of stream of annual leasehold payment to be made by CID to the SRT throughout the term of the New Main 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 Main Lease Agreement.

From the sum of the cost of acquiring leasehold right of the Central Plaza Ladprao Project as actually incurred by CID and the profit margin of 5 % of such leasehold right acquisition cost, approximately 72 % of the sum will be allocated as annual leasehold payment to be made by CPN to CID. Such 72 % figure is determined based upon the proportion of the appraised leasehold value of the Sub-Leased Assets to the total appraised leasehold value of the entire Central Plaza Ladprao Project that is approximately 72 % as well.

3. Profile of Central International Development Company Limited

Company Name	: Central International Development Company Limited (“CID”)
Date of Incorporation	: May 10, 1978
Registered Address	: 306 Silom Road, Suriwongse Sub-District, Bangrak District, Bangkok 10500
Type of Business	: Property Development

Shareholding Structure

As of April 30, 2008, the shareholders of CID consist of:

Shareholder	% of Shareholding
Harg Central Department Store Limited (“HCDS”) (The Chirathivat Family holds a 100 % stake in HCDS.)	25.00 %
The Chirathivat Family	75.00 %

Source: Business Online (<http://www.bol.co.th>)

Business Overview

Central International Development Company Limited (“CID”) was incorporated in 1978 to enter into a 30-year land lease agreement with the State Railway of Thailand (“SRT”) for the purpose of construction, development and operation of the Central Plaza Ladprao Project. Such 30-year land lease agreement was expired on December 18, 2008. CID entered into the 20-year Agreement Granting the Right to Utilize the Shopping Center Located in the Area of Paholyothin Delta (the “**New Main Lease Agreement**”) with the SRT in December 2008. The New Main Lease Agreement shall be effective from December 19, 2008 to December 18, 2028. CID will later enter into a New Sub-Lease Agreement with each sub-lessee consisting of Central Pattana Public Company Limited (“CPN”), Central Plaza Hotel Plc. (“CENTEL”) and Harg Central Department Store Limited (“HCDS”).

The Board of Directors

As of April 30, 2008, the Board of Directors of CID consists of:

Director	Position
Mr.Vanchai Chirathivat	Director
Mr.Suthiporn Chirathivat	Director
Mr.Suthichai Chirathivat	Director
Mr.Suthikiati Chirathivat	Director
Mr.Suthichart Chirathivat	Director
Mr.Sudhisak Chirathivat	Director
Mr.Suthiluck Chirathivat	Director
Mr.Tos Chirathivat	Director
Mr.Prin Chirathivat	Director

Source: Business Online (<http://www.bol.co.th>)

Financial Performance and Condition

CID's Financial Performance and Condition for the Years Ended December 31, 2004-2007

Unit: Baht	2004	2005	2006	2007
Total Revenue	17,835,484.12	16,486,598.05	17,524,293.39	20,073,171.31
EBIT	7,083,162.68	4,149,357.73	6,277,547.74	2,207,109.54
Net Profit	4,952,515.96	2,527,078.87	4,393,609.20	846,483.67
Total Assets	366,298,622.83	366,246,718.14	369,262,036.75	368,906,379.99
Total Liabilities	6,970,516.28	4,391,532.72	3,013,242.13	1,811,101.70
Paid-up Shares	370,000,000.00	370,000,000.00	370,000,000.00	370,000,000.00
Total Shareholders' Equity	359,328,106.55	361,855,185.42	366,248,794.62	367,095,278.29

Note: CID will record leasehold right to land and buildings of the Central Plaza Ladprao Project it obtained from entering into the New Main Lease Agreement with the SRT in its 2008 financial statements. Such leasehold right will be amortized on a straight-line basis over the period of 20-year New Main Lease Agreement.

Source: Business Online (<http://www.bol.co.th>)

4. Summary of the New Sub-Lease Agreement and Opinion of the Independent Financial Advisor on the Transaction

Table 1 Major Terms and Conditions under the New Sub-Lease Agreement

Involved Parties	Central International Development Company Limited (“CID”) as the sub-lessor Central Pattana Public Company Limited (“CPN”) as the sub-lessee
Sub-Lease Term	The term of the New Sub-Lease Agreement shall begin from December 19, 2008 and ends on December 18, 2028.
Scheduled Annual Leasehold Payment	Throughout the term of the New Sub-Lease Agreement, CPN is obligated to make annual leasehold payment totaling Baht 16,178.32 million to CID.
Right and Obligations of the Sub-Lessee under the New Sub-Lease Agreement	<ul style="list-style-type: none"> ● CPN shall have the right to allow other tenants to rent/lease the area in the Sub-Leased Assets in accordance with the specified terms and conditions under the New Sub-Lease Agreement. ● CPN shall be obligated to renovate, maintain, improve or repair the Sub-Leased Assets and other supporting/utilities systems in the Sub-Leased Assets to ensure their good conditions at its own expenses. ● CPN shall arrange for required insurance policies on an annual basis and implement safety measures throughout the term of the New Sub-Lease Agreement.
Ownership in the Sub-Leased Assets	Upon completion of renovation, improvement, construction, addition, repairing or maintenance of the Sub-Leased Assets, the SRT shall be granted ownership in such renovated, improved, constructed, added, repaired or maintained assets with no compensation from either CID or the SRT.
Expiration of the New Sub-Lease Agreement	<p>If any of the following events occurs, the New Sub-Lease Agreement shall be immediately expired:</p> <ul style="list-style-type: none"> ● Failure of CPN to make annual leasehold payment to CID in accordance with the annual leasehold payment schedule; ● The expiration of the New Sub-Lease Agreement; ● Confiscation or freeze of leasehold right granted under the New Sub-Lease Agreement; ● CPN being adjudicated bankrupt under any insolvency law; ● CPN entering into business rehabilitation process under the bankruptcy law except in case CPN is still able to make annual leasehold payment and fulfill its obligations under the New Sub-Lease Agreement without transferring its right, obligation or duty under the New Sub-Lease Agreement to another party;

	<ul style="list-style-type: none"> ● Dissolution of CPN <p>In addition to the events as showed above, CID shall also reserve the right to terminate the New Sub-Lease Agreement in case CPN breaches any of the material terms, conditions or obligations under the agreement, and CPN fails to cure such breach within 20 days from the date CID provides written notice informing CPN’s breach of such material terms, conditions or obligations under the agreement.</p>
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4.2 **Opinion of the Independent Financial Advisor**

4.2.1 **Rationales and Necessity for Entering into the Transaction with the Connected Person**

The terms and conditions under the original Agreement to Sub-Lease the Assets of the Central Plaza Ladprao Shopping Complex (the “**Original Sub-Lease Agreement**”) that was effective from April 2, 1984 to December 18, 2008 were developed in reference to those under the original Agreement Granting the Right to Utilize the Shopping Center Located in the Area of Paholyothin Delta (the “**Original Main Lease Agreement**”) dated December 19, 1978. Such Original Main Lease Agreement, entered into between CID as the lessee and the SRT as the lessor, was expired on December 18, 2008 as well.

In accordance with the Agreement to Sub-Lease the Assets of the Central Plaza Ladprao Shopping Complex (the “**New Sub-Lease Agreement**”) to be entered into between CPN as the sub-lessee and CID as the sub-lessor, the assets CPN will sub-lease from CID shall consist of land and buildings with details as follows:

Table 2 The Assets of the Central Plaza Ladprao Project that CPN Will Sub-Lease from CID (the “Assets that CPN Will Sub-Lease from CID” or the “Sub-Leased Assets”)

1) Land			
Some plots of land belonging to the Central Plaza Ladprao Project with the approximate area of 28 rais. The Sub-Leased Assets that are buildings are located on such plots of land.			
2) Buildings			
Building	Gross Leasable Area (SQ.M.)	Net Leasable Area (SQ.M.)	(Occupancy Rate) (%) As of December 31, 2008
1) Shopping Complex and Plaza	95,000	55,531*	97 %
2) Office Building	23,000	17,719	97 %
3) Car Parking	90,000	-	-

* **Note:** The net leasable area of the Shopping Complex and Plaza includes the net leasable areas of both the theaters totaling 7,500 SQ.M. and the convention hall totaling 9,000 SQ.M.

Source: Central Pattana Public Company Limited

The New Sub-Lease Agreement shall be effective from December 19, 2008 to December 18, 2028. Note that rather than directly entering to a long-term lease agreement with the SRT, CPN will enter into a New Sub-Lease Agreement with CID. This is because in accordance with the Original Main Lease Agreement CID entered into with the SRT, CID holds the first right to negotiate with the SRT in extending the land lease agreement. In case CID does not exercise such first right, the SRT will open a new round of bidding to look for a new property developer to develop and operate the existing Central Plaza Ladprao Project. CID already entered into the new 20-year Agreement Granting the Right to Utilize the Shopping Center Located in the Area of Paholyothin Delta (the “**New Main Lease Agreement**”) with the SRT in December 2008. The New Main Lease Agreement shall be effective from December 19, 2008 to December 18, 2028. In accordance with the New Main Lease Agreement within 120 days from the date CID and the SRT signed the New Main Lease Agreement or within April 8, 2009, CID shall submit the certified copy of the New Sub-Lease Agreement between CID and each sub-lessee (including CPN, Central Plaza Hotel Plc. (“**CENTEL**”) and Harng Central Department Store Limited (“**HCDS**”)) to the SRT.

Nevertheless, as entering into the New Sub-Lease Agreement with CID is regarded as CPN’s connected transaction in relation to assets and services, this requires CPN to obtain an approval resolution from the shareholders’ meeting prior to doing so. Due to such time constraint, CPN could not complete extension of the New Sub-Lease Agreement by the time the Original Sub-Lease Agreement was expired on December 18, 2008. Thus, in December 2008, CPN had entered into a memorandum of understanding (“**MOU**”) with CID to confirm and preserve its right for the New Sub-Lease Agreement. In doing so, CID required CPN to make a payment of THB 300 million to it as a guarantee for the right to sub-lease land and buildings of the Central Plaza Lardprao Shopping Complex on the date that CID entered into the New Main Lease Agreement with the SRT. The conditions of such guarantee are as follows:

1. In case that the meeting of CPN shareholders does not approve the entering into the New Sub-Lease Agreement with CID or CPN and CID cannot finalize the terms and conditions of the New Sub-Lease Agreement, CID will repay all of the guarantee with interest at the Minimum Lending Rate (MLR) to CPN.
2. In case that the meeting of CPN shareholders approves the entering into the New Sub-Lease Agreement with CID, the guarantee will be returned to CPN. Subsequently, CPN shall make scheduled annual leasehold payment to CID in accordance with the New Sub-Lease Agreement.

During the period in which the Original Sub-Lease Agreement was expired and the New Sub-Lease Agreement has yet to be entered into, CID had agreed to allow CPN to utilize the land and buildings of the Central Plaza Lardprao Shopping Complex further until all required process is completed, subject to the following conditions

1. In case that CPN and CID enter into the New Sub-Lease Agreement, CPN shall be entitled to income from operations generated by the Sub-Leased Assets as showed in Table 2
2. In case that CPN and CID do not enter into the New Sub-Lease Agreement, any income less relevant operating expenses obtained by CPN after December 18, 2008 and until the date of the conclusion of the negotiation shall be returned to CID or treated in other manners to be agreed upon between CPN and CID.

CPN had already informed and disclosed the transactions of entering into the MOU with CID to confirm and preserve its right for entering into the New Sub-Lease Agreement and of making a payment of THB 300 million to CID as a guarantee for the right to sub-lease land and buildings of the Central Plaza Ladprao Shopping Complex to the Stock Exchange of Thailand on December 9, 2008.

4.2.2 Reasonableness and Benefits of the Transaction

Entering into the New Sub-Lease Agreement with CID, thus allowing CPN to utilize land and buildings of the Central Plaza Ladprao Shopping Complex, provides benefits for the Company and other involved parties as follows:

4.2.2.1 Maintaining CPN's Major Source of Revenue

Over the years, the Central Plaza Ladprao Shopping Complex that is one of the largest shopping complexes in Bangkok and one of the existing flagship shopping complexes currently run by CPN has generated substantial amount of rental and services revenues for CPN each year. Revenue from the Central Plaza Ladprao Shopping Complex (including rental & services revenues and others) accounted for approximately 21 % on average of CPN's consolidated revenues excluding share of profits from investments accounted for using the equity method for the Years 2006, 2007 and 2008. This is because the Central Plaza Ladprao Shopping Complex is located in one of the prime areas of Bangkok, with its existing location close to three main roads of Bangkok (i.e. Wipawadee Rangsit Road, Ladprao Road and Paholyothin Road). With its existing location in the area that is regarded as one of the main business, education and living areas of Bangkok, the Central Plaza Ladprao Shopping Complex is able to attract millions of its target customers such as working people, students and residents of the surrounding communities each year, thus increasing customer traffic in the shopping complex. This will help to attract variety of businesses such as restaurants, fashion, IT, entertainment & recreation, banking & financial services and etc to lease/rent areas in the shopping complex for their operations. With its good location that will be able to attract millions of visiting customers each year, the occupancy rate in the Central Plaza Ladprao Shopping Complex has been higher than 90 % over the last few years.

4.2.2.2 A Less Risky Investment than Investing in A New Shopping Complex

Entering into the New Sub-Lease Agreement with CID, thus allowing CPN to utilize the assets of the Central Plaza Ladprao Shopping Complex for its operation until December 2028, is a less risky investment than investing in a new shopping complex. Although development and operation of a new shopping complex will allow CPN to expand its market and get access to new target customers, investment in a new shopping complex is also a risky investment thanks to high amount of capital requirement and many uncertainties associated with the project. On the contrary, investment in the existing shopping complex with good location, strong past track record as evidenced by its past high occupancy rate and strong growth potential like the Central Plaza Ladprao Shopping

Complex is a less risky investment compared to investing in a new shopping complex project with no past track record.

4.2.2.3 Maintaining CPN's High Market Share and Leading Position in the Thai Retail Property Business

Over the years, CPN has been regarded as one of the market leaders in Thailand's retail property business. It has operated many fully integrated shopping complexes in Bangkok and in other provinces in Thailand such as the Central Plaza Ladprao Shopping Complex, the Central Plaza Ramindra Shopping Complex, the Central City Bangna Shopping Complex, the Central Plaza Pinklao Shopping Complex, the Central World Shopping Complex and etc. Its leading position as well as its high market share in the Thai retail property business has helped to create competitive advantages for CPN as follows:

1. Create CPN's good image as one of the market leaders in Thailand's retail property business in the eyes of domestic and foreign investors, thus facilitating the Company in fund-raising activities;
2. Help to enhance CPN's bargaining and negotiation power in the matters regarding bidding and negotiation with relevant authorities for the purpose of developing and operating the retail property project;
3. Help to enhance CPN's strong growth potential, with support from strong expertise and experience of its human resources and optimal level of operating and financing costs.

4.2.2.4 Ability to Utilize and Create Value-Added for the Central Plaza Ladprao Shopping Complex

Prior to entering into the New Sub-Lease Agreement, CPN has operated the Central Plaza Ladprao Shopping Complex for more than 20 years. Over the period in which CPN has operated the Central Plaza Ladprao Shopping Complex, the Company continued to renovate, maintain, improve and develop such shopping complex. The Central Plaza Ladprao Shopping Complex has been successful and generated substantial amount of rental and services revenues for CPN each year. The Central Plaza Ladprao Shopping Complex has also continually brought about developments and created jobs for the surrounding communities. With its experience in running the Central Plaza Ladprao Shopping Complex as well as that gained from running other shopping complexes such as the Central City Bangna Shopping Complex, the Central Plaza Pinklao Shopping Complex, the Central Plaza Rama 2 Shopping Complex, the Central Plaza Rama 3 Shopping Complex, the Central World Shopping Complex and etc, CPN should be able to apply them in creating value for the Central Plaza Ladprao Shopping Complex. This will allow such shopping complex to increase its customer traffic, create and maintain stable source of income for CPN and create economy of scale from its business operation.

4.2.3 Disadvantages from Failure to Enter into the Transaction

Failure to enter into the New Sub-Lease Agreement may result in some disadvantages as follows:

4.2.3.1 Loss of Major Source of Revenue and Business Advantages

Should CPN fail to enter into the New Sub-Lease Agreement and thus not be allowed to operate the Central Plaza Ladprao Shopping Complex, it will lose its major source of revenue in the form of rental and services revenues. Although CPN continues to initiate and develop some new shopping complexes in Bangkok and in other provinces, it may take years to develop and construct such projects and it is still uncertain whether revenues from such new projects can compensate for revenue loss caused by CPN's failure to enter into the New Sub-Lease Agreement.

In case CPN fails to enter into the New Sub-Lease Agreement for the purpose of running the Central Plaza Ladprao Shopping Complex, it is likely that the Company will lose its market share and leading status in the Thai retail property business. CPN's may lose benefit in the form of economy of scale from operation, as it cannot allocate some fixed costs (i.e. SG&A and financing costs) to the Central Plaza Ladprao Shopping Complex. Thus, its profit margin will be adversely affected.

4.2.3.2 Incurrence of Costs and Expenses as a result of Failure to Extend the New Sub-Lease Agreement

Should CPN be unable to enter into the New Sub-Lease Agreement for the purpose of running the Central Plaza Ladprao Shopping Complex, apart from loss in rental and services revenues, CPN may have to bear some costs and expenses to be incurred as a result of its failure to continue running the Central Plaza Ladprao Shopping Complex. They include:

1. Lease deposits that CPN, as the operator of the Central Plaza Ladprao Shopping Complex, is required to return to all tenants when the rental/lease contracts are terminated;
2. In case that CPN and CID do not enter into the New Sub-Lease Agreement, any income less relevant operating expenses obtained by CPN after December 18, 2008 and until the date of the conclusion of the negotiation shall be returned to CID or treated in other manners to be agreed upon between CPN and CID. Such condition was disclosed to the Stock Exchange of Thailand on December 9, 2008.

4.2.4 Potential Risk that CPN May Face as a result of Entering into the New Sub-Lease Agreement

Although entering into the New Sub-Lease Agreement with CID will provide benefits to CPN, CPN may be exposed to some potential risks that management and shareholders should take into account. They are as follows:

4.2.4.1 Risk that Actual Rental and Services Revenues May Be Lower than Projected

Entering into the New Sub-Lease Agreement with CID, CPN is obligated to make scheduled annual leasehold payment to CID throughout the new sub-lease term, fulfill its obligations under the New Sub-Lease Agreement and bear scheduled renovation and maintenance expenses in relation to the Sub-Leased Assets. Main source of cash flows to be used for making scheduled annual leasehold payment and paying renovation and maintenance

expenses are from CPN's operating cash flows to be generated by rental and services revenues from operating the Central Plaza Ladprao Shopping Complex. Thus, CPN is exposed to the risk that actual operating revenue it will earn from running the Central Plaza Ladprao Shopping Complex may be lower than projected due to uncontrollable factors such as intensifying competition in the retail property business, economic slowdown and change in customer lifestyle, thus making actual rental and services revenues it will earn from the Central Plaza Ladprao Shopping Complex lower than projected. In case actual rental and services revenues from the Central Plaza Ladprao Shopping Complex are lower than projected whereas annual leasehold payment to be made to CID is already determined and fixed, CPN's ability to make annual leasehold payment and pay for required renovation and maintenance expenses may be adversely affected. Investment return from the Central Plaza Ladprao Shopping Complex may also be lower than projected.

To counter this risk, CPN will implement many strategies and measures aimed to deal with intensifying competition in the retail property business and economic slowdown. They are as follows:

1. **Diversification of Tenant Base:** CPN will diversify tenant base of the Central Plaza Ladprao Shopping Complex in terms of both business type and tenant. This would help to reduce the risk that CPN will rely on particular types of businesses and tenants as well as prevent potential competition among operators of the same type of business.
2. **Arrangement for Anchor Tenants:** Having anchor tenants such as department store, theatre, bowling lawn will help to increase attractiveness of the Central Plaza Ladprao Shopping Complex, thus increasing customer traffic and being able to maintain other tenants.
3. **Advertising & PR Campaigns:** Continuous launch of advertising & PR campaigns will help to increase attractiveness of the Central Plaza Ladprao Shopping Complex, thus increasing customer traffic
4. **Maintaining Existing Tenants and Looking for New Ones:** This will help to reduce unoccupied areas and cost of leasing commission.

Over the years, CPN has succeeded in implementing those strategies as evidenced by high occupancy rate in the Central Plaza Ladprao Shopping Complex.

4.2.4.2 Risk that the New Main Lease Agreement May Be Terminated by the SRT due to Fault or Negligence of CID or Other Sub-Lessees

In entering into the New Sub-Lease Agreement with CID, CPN may be exposed to the risk that CID may breach conditions or requirements under the New Main Lease Agreement and/or other sub-lessees may breach conditions or requirements under the New Sub-Lease Agreement, both of which may result in termination of the New Main Lease Agreement by the SRT. Termination of the New Main Lease Agreement by the SRT results in the termination of the New Sub-Lease Agreement CID will enter into with each sub-lessee as well.

In case the New Main Lease Agreement is terminated without fault or negligence of CPN, CPN shall not bear any costs or damages incurred. In case the New Main Lease Agreement is terminated due to fault or negligence of CID, CPN is allowed to sue and ask for compensation from CID. In case the New Main Lease Agreement is terminated due to breach of conditions/requirements under the New Sub-Lease Agreement by another sub-lessee, CPN is allowed to sue and ask for compensation from the sub-lessee in breach of the New Sub-Lease Agreement.

4.3 **Fairness on Price and Conditions of the Transaction**

4.3.1 ***Some Key Financial Figures to Be Used in Evaluating Fairness of Stream of Annual Leasehold Payment***

In providing the opinion regarding fairness of scheduled annual leasehold payment to be made by CPN as the sub-lessee to CID as the sub-lessor throughout the term of the New Sub-Lease Agreement, the Independent Financial Advisor will show some key financial figures that investors/shareholders should understand about their meanings, interpretations and calculations so that they can understand and comprehend the opinion of the Financial Advisor regarding fairness of the scheduled annual leasehold payment. They are showed in Table 3 below:

Table 3 Some Key Financial Figures to Be Used as Reference in Providing Opinion of the Independent Financial Advisor regarding Fairness of Stream of Annual Leasehold Payment

Key Financial Figure	Amount (Millions of Baht)	Meaning, Interpretation and Calculation
A. Total sum of annual leasehold payment throughout the term of the New Sub-Lease Agreement	16,178.32	<ol style="list-style-type: none"> 1. Being the total sum of annual leasehold payment that CPN as the sub-lessee is obligated to make to CID as the sub-lessor throughout the term of the New Sub-Lease Agreement; 2. Annual leasehold payment to be made by CPN to CID throughout the term of the New Sub-Lease Agreement is specified, fixed and included as a part of the New Sub-Lease Agreement; 3. Total sum of annual leasehold payment to be made by CPN to CID over the term of the New Sub-Lease Agreement is the simple sum (without discounting) of annual leasehold payment.
B. The leasehold value of the Central Plaza Ladprao Project as appraised by the independent asset appraisers of the SRT	11,580	<ol style="list-style-type: none"> 1. Being the sum of the appraised leasehold value of each main asset of the Central Plaza Ladprao Project. Main assets of the Central Plaza Ladprao Project consist of: <ol style="list-style-type: none"> 1) Shopping Complex and Plaza (included car parking) to be sub-leased by CPN; 2) Office Building to be sub-leased by CPN;

Key Financial Figure	Amount (Millions of Baht)	Meaning, Interpretation and Calculation
		<p>3) Hotel to be sub-leased by another sub-lessee;</p> <p>4) Department Store to be sub-leased by another sub-lessee;</p> <p>2. The leasehold value of each main asset was appraised using the income approach, taking into account each main asset's ability to generate Net Operating Income (NOI) over the term of the New Sub-Lease Agreement;</p> <p>3. The appraised leasehold value of the Central Plaza Ladprao Project is the sum of the appraised leasehold value of each main asset. In other words, the appraised leasehold value of the Central Plaza Ladprao Project is the sum of the appraised leasehold value of 1), 2), 3) and 4) in 1;</p> <p>4. The sum of the appraised leasehold values of the Shopping Complex and Plaza (including car parking) and the Office Building, both of which are the assets that CPN will sub-lease from CID in accordance with the New Sub-Lease Agreement, accounts for approximately 72 % of the total appraised leasehold value of the Central Plaza Ladprao Project. In other words, the sum of the appraised leasehold values of 1) and 2) in 1. accounts for 72 % of the sum of the appraised leasehold values of 1), 2), 3) and 4) in 1.</p> <p>The Independent Financial Advisor considered and evaluated set of financial assumptions employed by the independent asset appraisers employed by the SRT for appraising the leasehold value of the Central Plaza Ladprao Project. It is found that the independent asset appraisers employed by the SRT and the Independent Asset Appraiser of CPN used the income approach in appraising the leasehold value of the subject real properties. It is the opinion of the Independent Financial Advisor that the income approach is appropriate for measuring the leasehold value of income-generating real property like the Central Plaza Ladprao Project as the income approach aims to measure the property's ability to generate income in the form of Net Operating</p>

Key Financial Figure	Amount (Millions of Baht)	Meaning, Interpretation and Calculation
		<p>Income (NOI). NOI is the key measure of leasehold value of income-generating real property. In regard to set of financial assumptions as used by the independent asset appraisers employed by the SRT to determine NOI in each year of the Central Plaza Ladprao Project, the Independent Financial Advisor found that by overall there is no significant difference between such set of financial assumptions and set of financial assumptions as used by the Independent Asset Appraiser of CPN to determine NOI as generated by the Sub-Leased Assets in each year.</p>
C. The appraised leasehold value of the Sub-Leased Assets	9,185	<ol style="list-style-type: none"> 1. Details of the Sub-Leased Assets are showed in Table 2; 2. The leasehold value of the Sub-Leased Assets is appraised by Brooke Real Estate Co., Ltd., the Independent Asset Appraiser of CPN; 3. Brooke Real Estate Co., Ltd. uses the income approach to appraise the leasehold value of the Sub-Leased Assets, taking into account their abilities to generate income over the term of the New Sub-Lease Agreement.

Key Financial Figure	Amount (Millions of Baht)	Meaning, Interpretation and Calculation
D. The leasehold value to be used as the basis for determining annual leasehold payment to be made by CPN	8,900	<p>1. The leasehold value to be used as the basis for determining annual leasehold payment to be made by CPN to CID is determined on the cost plus basis. It is the sum of:</p> <ol style="list-style-type: none"> 1) The leasehold value of the Central Plaza Ladprao Project as appraised by the independent asset appraisers of the SRT, standing at Baht 11,580 million (See details in B.); 2) Leasehold right registration fee equal to 1 % of the sum of annual leasehold payment to be made by CID to the SRT throughout the term of the New Main Lease Agreement; 3) A profit margin of 5 % of the sum of 1) and 2) <p>2. 72 % of the sum of 1), 2) and 3) in 1. shall be allocated as the leasehold value to be used as the basis for determining annual leasehold payment to be made by CPN to CID. Such 72 % figure is the proportion of the appraised leasehold value of the Sub-Leased Assets to the appraised leasehold value of the entire Central Plaza Ladprao Project.</p>
E. CPN's cost of long-term debt financing	5.0 %-5.7 %	<p>Consider from</p> <ol style="list-style-type: none"> 1. CPN's weighted average cost of interest for the Years 2006, 2007 and for the first 9 months of 2008 that falls in the range between 5.0 % and 5.6 %; 2. Average yield of debentures with term of more than 5 years issued by firms with the credit rating of A+ (the same credit rating as that of CPN) that is approximately 5.70 %
F. Cost of financing associated with stream of annual leasehold payment (Implied Interest Rate)	5.62 %	<ol style="list-style-type: none"> 1. The discount rate that when used to discount stream of annual leasehold payment that CPN as the sub-lessee is obligated to make to CID as the sub-lessor will make the sum of the discounted annual leasehold payment equal to Baht 9,185 million. Such figure of Baht 9,185 million is the appraised leasehold value of the Sub-Leased Assets.

4.3.2 Reasonableness of Stream of Annual Leasehold Payment to be Made by CPN to CID

4.3.2.1 Opinion of the Independent Financial Advisor regarding the Basis for Determining Annual Leasehold Payment

For the whole term of the New Sub-Lease Agreement from December 19, 2008 to December 18, 2028, CPN is obligated to make total sum of annual leasehold payment of Baht 16,178.32 million to CID. Details regarding scheduled annual leasehold payment are as follows:

Table 4 Scheduled Annual Leasehold Payment to be Made by CPN to CID throughout the Term of the New Sub-Lease Agreement

Period of Making Annual Leasehold Payment	Annual Leasehold Payment (Millions of Baht)	Period of Making Annual Leasehold Payment	Annual Leasehold Payment (Millions of Baht)
Date of Signing the New Sub-Lease Agreement	638.26 (Including upfront payment of Baht 551.41 million)	December 2018	777.68
December 2009	460.31 (Including upfront payment of Baht 368.24 million)	December 2019	824.34
December 2010	487.93 (Including upfront payment of Baht 390.34 million)	December 2020	873.81
December 2011	517.20 (Including upfront payment of Baht 413.76 million)	December 2021	926.23
December 2012	548.24 (Including upfront payment of Baht 438.58 million)	December 2022	981.81
December 2013	581.13	December 2023	1,040.72
December 2014	616.00	December 2024	1,103.16
December 2015	652.96	December 2025	1,169.35
December 2016	692.14	December 2026	1,239.51
December 2017	733.66	December 2027	1,313.88

Note: After CPN makes annual leasehold payment to CID, CID will make annual leasehold payment to the SRT using the money it will collect from CPN and other sub-lessees including CENTEL and HCDS within 2 business days from the day next to the day it obtains money from lessees.

Source: Central Pattana Public Company Limited

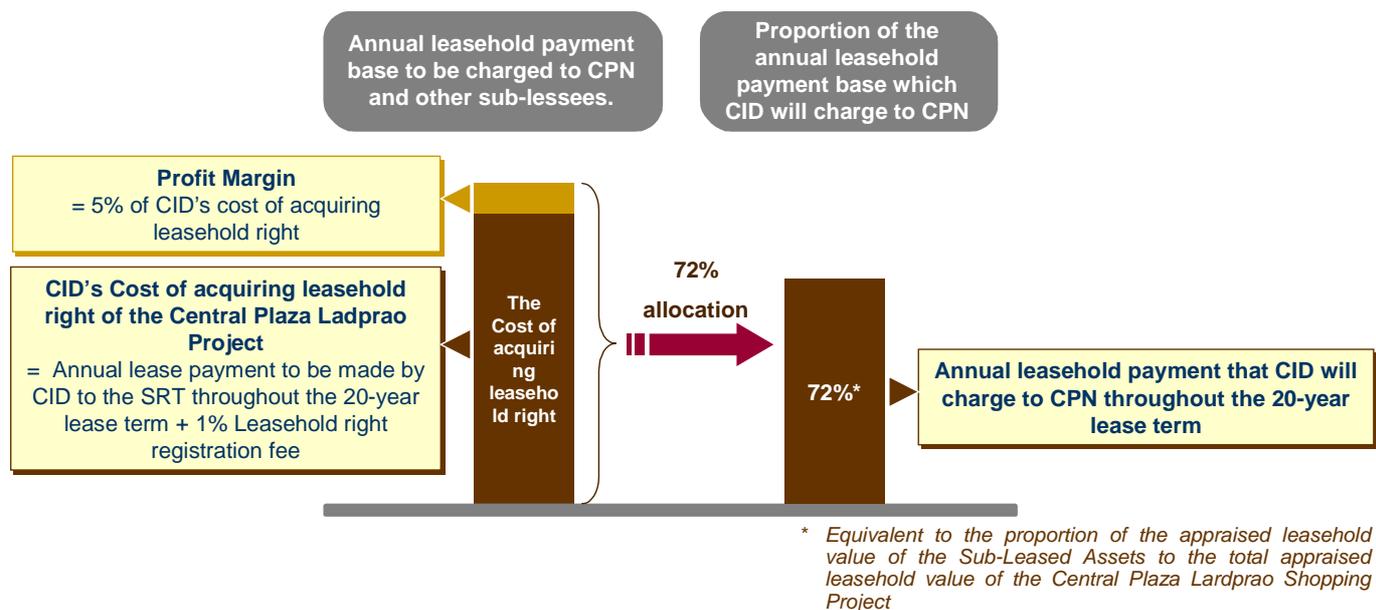
From schedule of annual leasehold payment to be made by CID to CPN as showed in Table 4 above (with total sum of annual leasehold payment to be made throughout the New Sub-Lease Agreement of Baht 16,178.32 million) and information regarding cost of acquiring leasehold right of the Central Plaza Ladprao Shopping Complex consisting of

1. Scheduled annual leasehold payment to be made by CID to the SRT in accordance with the New Main Lease Agreement; and
2. Leasehold right registration fee equal to 1 % of the sum of scheduled annual leasehold payment to be made by CID to the SRT throughout the lease term

The Independent Financial Advisor found that the annual leasehold payment to be made by CPN to CID is determined on the cost plus basis. That is 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 Ladprao Shopping Complex as actually incurred by CID and an appropriate profit margin. Scheduled annual leasehold payment to be made by CID to the SRT that is clearly specified and fixed in the New Main Lease Agreement dated December 9, 2008 entered into between CID and the SRT is determined based on the leasehold value of the Central Plaza Ladprao Project as appraised by two independent asset appraisers employed by the SRT. Those independent asset appraisers appraised the leasehold value of each main asset of the Central Plaza Ladprao Project (consisting the Shopping Complex and Plaza (including car parking), the Department Store, the Office Building and the Hotel) and determined the appraised leasehold value of the entire Central Plaza Ladprao Project by summing the appraised leasehold value of each asset. It is noted that the leasehold value of the Sub-Leased Assets as appraised using the income approach accounts for approximately 72 % of the leasehold value of the entire Central Plaza Ladprao Project appraised using the income approach as well.

Thus, the Independent Financial Advisor found that the stream of annual leasehold payment to be made by CPN to CID will be determined based on the sum of the cost of acquiring leasehold right of the Central Plaza Ladprao Project as actually incurred by CID and an appropriate profit margin of 5 % of the cost of acquiring leasehold right, and 72 % of the sum is allocated as annual leasehold payment to be made by CPN to CID for the Sub-Leased Assets. Such 72 % figure is the proportion of the appraised leasehold value of the Sub-Leased Assets to the appraised leasehold value of the entire Central Plaza Plaza Ladprao Project.

For simplicity, below is the illustration of the basis for determining the stream of annual leasehold payment to be made by CPN to CID:

Figure 1 Illustration of the basis for determining annual leasehold payment to be made by CPN to CID

From the figure as showed above, it is of the opinion of the Independent Financial Advisor that the basis used to determine the stream of annual leasehold payment to be made by CPN to CID is reasonable as it takes into account the cost of acquiring leasehold right of the Central Plaza Ladprao Project as actually incurred by CID plus an appropriate profit margin:

1. The actual cost of acquiring the leasehold right of the Central Plaza Ladprao Project was fairly determined. Such cost consisting of annual leasehold payment to be made by CID to the SRT that is specified and fixed in the New Main Lease Agreement entered into between the SRT and CID in December 2008 and leasehold right registration fee equal to 1 % of the sum of annual leasehold payment to be made by CID to the SRT throughout the term of the New Main Lease Agreement is actually incurred expenditure. Annual leasehold payment to be made by CID to the SRT was determined based on the leasehold value of the entire Central Plaza Ladprao Project as appraised by two independent asset appraisers employed by the SRT using the income approach.
2. A profit margin of approximately 5 % of the total cost of leasehold right acquisition is fair as it is the compensation for CID as:
 - CID plays an important role in initiating and negotiating with the SRT for extension of the Main Lease Agreement for the purpose of running the Central Plaza Ladprao Project;
 - CID is the holder of the first right to negotiate with the SRT for extending the Main Lease Agreement for the purpose of running the Central Plaza Ladprao Project;
 - CID as the lessee directly enters into the New Main Lease Agreement with the SRT as the lessor. Although responsibilities and obligations under the New Main Lease Agreement will be assigned to each sub-lessee via the New Sub-Lease Agreement each of them will enter into with CID, CID as the direct counter party to the SRT under the New Main Lease Agreement is still obligated to fully

comply with the terms and conditions and fulfill its responsibilities under such agreement. In case any of the sub-lessee fails to comply with the terms and conditions under the New Sub-Lease Agreement, thus resulting in breach of terms and conditions under the New Main Lease Agreement, CID is obligated to bear all costs and damages incurred as a result of such non-compliance by sub-lessee and make required compensation to the SRT.

- CID incurred some costs and expenses necessary for acquiring leasehold right of the Central Plaza Ladprao Project such as legal, financial advisory and asset appraisal fee and etc.
3. Annual leasehold payment to be made by CPN to CID accounts for approximately 72 % of the sum of the cost of acquiring leasehold right of the Central Plaza Ladprao Project as actually incurred by CID and a profit margin of approximately 5 % of the cost of acquiring leasehold right. This is fair as such proportion of 72 % is determined based upon the proportion of the appraised leasehold value of the Sub-Leased Assets to the total leasehold value of the Central Plaza Ladprao Project as appraised by two independent asset appraisers employed by the SRT.

4.3.2.2 Opinion of the Independent Financial Advisor regarding Reasonableness of the Stream of Annual Leasehold Payment

In providing the opinion regarding reasonableness and fairness of the stream of annual leasehold payment to be made by CPN to CID, the Independent Financial Advisor will not use conventional project analysis techniques such as NPV and IRR. The main purpose of this opinion report is to evaluate fairness of the stream of annual leasehold payment to be made by CPN, not to evaluate financial feasibility in investing in the Central Plaza Ladprao Shopping Complex.

As the New Sub-Lease Agreement to be entered into between CPN and CID is a long-term lease agreement in which CPN as the sub-lessee is obligated to make annual leasehold payment to CID as the sub-lessor on an installment basis throughout the term of the New Sub-Lease Agreement, in providing its opinion regarding fairness on the stream of annual leasehold payment to be made by CPN to CID, the Independent Financial Advisor will provide the opinion in two aspects:

1. Fairness on the implied interest rate associated with the stream of annual leasehold payment. In providing the opinion, the Independent Financial Advisor will make the comparison between the financing cost associated with the stream of annual leasehold payment to be made for the Sub-Leased Assets and the cost of long-term debt financing of CPN;
2. Fairness on the leasehold value of the Sub-Leased Assets to be used as the basis for determining the stream of annual leasehold payment. In providing the opinion, the Independent Financial Advisor will make the comparison between the leasehold value of the Sub-Leased Assets that will be used as the basis for determining annual leasehold payment to be made by CPN to CID and the fair leasehold value of the Sub-Leased Assets as appraised by the Independent Asset Appraiser of CPN.

1) Fairness of the Financing Cost Associated with the Stream of Annual Leasehold Payment (Implied Interest Rate)

The Independent Financial Advisor made a comparison between the financing cost associated with the stream of annual leasehold payment to be made by CPN throughout the term of the New Sub-Lease Payment and CPN's cost of long-term debt financing. This is because stream of annual leasehold payment to be made by CPN to CID is made in reference to that to be made by CID to the SRT, both of which are made on an installment basis throughout the term of the long-term lease agreement. Thus, making leasehold payment on an annual basis is similar to making leasehold payment on an installment basis throughout the lease term, with cost of financing associated with such stream of annual leasehold payment equal to the discount rate that when used to discount such stream of annual leasehold payment will make the sum of the discounted annual leasehold payment equal to the leasehold value of the Sub-Leased Assets of Baht 9,185 million that was appraised by the Independent Asset Appraiser of CPN.

Thus, in providing its opinion regarding fairness of the stream of annual leasehold payment to be made by CPN throughout the term of the New Sub-Lease Agreement, the Independent Financial Advisor will compare between the discount rate associated with the stream of annual leasehold payment and CPN's cost of long-term debt financing. Should the comparison indicate that the discount rate (or implied interest rate of the stream of annual leasehold payment) be close to or fall in the range of CPN's cost of long-term debt financing, it could be concluded that the stream of annual leasehold payment to be made CPN to CID throughout the term of the New Sub-Lease Agreement is fair. Opinion and analysis of the Independent Financial Advisor regarding this are in Section 4.3.2.2.1, 4.3.2.2.2 and 4.3.2.2.3.

2) Reasonableness of the Leasehold Value to be Used as the Basis for Determining Annual Leasehold Payment

As well, the Independent Financial Advisor will provide its opinion regarding fairness of the leasehold value to be used as the basis for determining the stream of annual leasehold payment to be made CPN to CID. The Independent Financial Advisor will do so based on the comparison between the leasehold value to be used as the basis for determining annual leasehold payment and the fair leasehold value of the Sub-Leased Assets as appraised by the Independent Asset Appraiser of CPN. Should the comparison indicate that the leasehold value to be used as the basis for determining annual leasehold payment to be made by CPN to CID is lower than the fair leasehold value of the Sub-Leased Assets, CPN will earn benefit from entering into the New Sub-Lease Agreement. Opinion and analysis of the Independent Financial Advisor regarding this are in Section 4.3.2.2.4.

4.3.2.2.1 The Appraised Leasehold Value of the Sub-Leased Assets

The leasehold value of the Sub-Leased Assets as appraised by the Independent Asset Appraiser of CPN using the income approach stands at Baht 9,185 million. In obtaining the appraised leasehold value of the Sub-Leased

Assets using the income approach, the Independent Asset Appraiser of CPN discounted the stream of Net Operating Income (NOI) generated by the Sub-Leased Assets throughout the term of the New Sub-Lease Agreement using an appropriate discount rate.

The Independent Financial Advisor considers and evaluates set of financial assumptions employed by the Independent Asset Appraiser of CPN in appraising the leasehold value of the Sub-Leased Assets and finds that by overall such financial assumptions are reasonable. In preparing such set of financial assumptions the Independent Asset Appraiser of CPN evaluated and took into account many relevant factors such as appropriateness of the methodology used to appraise the leasehold value of the Sub-Leased Assets, CPN's current and future operating plans for the Central Plaza Ladprao Shopping Complex as well as impact from changes in factors such as economic growth rate, current and future level of competition in the retail property business and etc. Opinion of the Independent Financial Advisor regarding such asset of financial assumptions is as follows:

Table 5 Opinion of the Independent Financial Advisor regarding Set of Financial Assumptions Used by the Independent Asset Appraiser of CPN in Appraising the Leasehold Value of the Sub-Leased Assets

Financial Assumption	Opinion of the Independent Financial Advisor
1. Use of the income approach in appraising the leasehold value of the Sub-Leased Assets	It is of the opinion of the Independent Financial Advisor use of the income approach in appraising the leasehold value of the Sub-Leased Assets is appropriate for appraising leasehold value of income-generating real property like the Shopping Complex and Plaza and the Office Building. This is because the income approach aims to appraise leasehold value of income-generating real assets, taking into account their abilities to generate income in the form of NOI over the term of the lease contract.
2. Net leasable area of each asset <ul style="list-style-type: none"> <li data-bbox="411 1659 740 1738">■ The Shopping Complex and Plaza: 55,531 SQ.M. <li data-bbox="411 1760 740 1839">■ The Office Building: 17,719 SQ.M. 	It is of the opinion of the Independent Financial Advisor that the assumption regarding net leasable area of each asset makes sense because the assumption employed takes into account existing net leasable area of each asset. Future expansion of net leasable of each asset requires an approval by the SRT and needs feasibility study.
3. Occupancy rate of each asset <ul style="list-style-type: none"> <li data-bbox="411 1962 783 1995">■ The Shopping Complex and 	The projected occupancy rate of each asset over the term of the New Sub-Lease Agreement is obtained by taking

Financial Assumption	Opinion of the Independent Financial Advisor
<p>Plaza:</p> <p>Year 1-3: Average occupancy rate of 82 %</p> <p>Year 4-20: Average occupancy rate of 95 %</p> <p>■ The Office Building:</p> <p>Year 1-3: Average occupancy rate of 98 %</p> <p>Year 4-6: Average occupancy rate of 95 %</p> <p>Year 7-20: Average occupancy rate of 90 %</p>	<p>into account each asset's current occupancy rate as well as their projected occupancy rate in the long-run that may be affected by factors such as economic growth, level of competition in the industry as well as change in customers lifestyle.</p> <p>Note that for Years 1-3, the average occupancy rate of the Shopping Complex and Plaza is approximately 82 % that is lower than that for Years 4-20. This is because during such period some areas of the Shopping Complex and Plaza will be under renovation. After completion of renovation, from Year 4 on the average occupancy rate will be 95 % that is close average occupancy rate of the Shopping Complex and Plaza in recent years (See Appendix 1).</p> <p>For the average occupancy rate of the Office Building, it could be seen that when time passes average occupancy rate will decline as the Office Building will age while the competition from new office buildings in the nearby area will intensify.</p>
<p>4. Growth in average rental rate per SQ.M. of the Shopping Complex and Plaza is as follows:</p> <p>Year 1-3: A rental discount of 40 %-50 % to the current rental rate</p> <p>Year 4: An increase by 15 % from the current rental rate</p> <p>Year 5-10: An increase by 15 % every three years</p> <p>Year 11-20: An annual increase of 4 %</p>	<p>For Year 1-3 in which some areas of the Shopping Complex and Plaza are under renovation, CPN will give a rental discount in the range of 40 %-50 % to the current rental rate. However, after completion of renovation, the rental rate in Year 4 will increase by 15 % from the current rental rate.</p> <p>The projected growth in average rental rate per SQ.M. of the Shopping Complex and Plaza is obtained by taking into account conditions in the rental/lease agreements that allow for increase in rental rate and data regarding increase in rental rate in the past. Factors that may affect ability to raise rental rate such as economic condition and future trend of the retail property business are taken into account as well.</p>
<p>5. Growth in average rental rate per SQ.M. of the Office Building that is a</p>	<p>The projected growth in average rental rate per SQ.M. of the Office Building is obtained by taking into account</p>

Financial Assumption	Opinion of the Independent Financial Advisor
<p>growth of 10 % every three years over the first 10 years of the New Sub-Lease Agreement and an average annual growth of 3 % per year for the Years 11-20 of the New Sub-Lease Agreement</p>	<p>conditions in the rental/lease agreements that allow for increase in rental rate and data regarding increase in rental rate in the past. Factors that may affect ability to raise rental rate such as economic condition and future trend of the office building business are taken into account as well.</p>
<p>6. Operating Expense</p> <p>The Shopping Complex and Plaza Year 1-3: Approximately 33 %* Year 4-20: Approximately 19 %* The Office Building Year 1-20: Approximately 29 %*</p> <p>Note: The ratio does not include utility revenue and expense.</p>	<p>The Independent Asset Appraiser of CPN derived this assumption by taking into account past actual operating records of the Central Plaza Ladprao Shopping Complex for the ratio of operating expenses excluding utility expenses to operating revenues excluding utility revenue. Note that the ratio for the Shopping Complex and Plaza for Years 1-3 is higher than the ratio for the remaining life of the New Sub-Lease Agreement as some areas in the Shopping Complex over the period of Year 1-3 are under renovation. Over the period of renovation, some expenses still exist and are high while rental revenues are not obtained.</p>
<p>7. Renovation and Maintenance Expenses (for the Shopping Complex and Plaza and the Office Building) totaling Baht 1,986 million during the first 3 years of the New Sub-Lease Agreement</p>	<p>The Independent Asset Appraiser of CPN derived this assumption by taking into account CPN's renovation and maintenance budget for the Central Plaza Ladprao Shopping Complex.</p>
<p>8. Discount rate of 12 %</p>	<p>The assumption regarding discount rate is derived by the Independent Asset Appraiser of CPN by taking into account some potential risks associated with real properties similar to the Sub-Leased Assets.</p> <p>Such discount rate of 12 % when used to discount the NOI of the Sub-Leased Assets in each year will make the appraised leasehold value of the Sub-Leased Assets equal to Baht 9,185 million</p>

Note: Revenue from the Central Plaza Ladprao Shopping Complex (including rental & services revenues and others with the major portion of more than 50 % being rental revenue) accounts for approximately 21 % on average of CPN's consolidated revenues excluding share of profits from investments accounted for using the equity method for the Years 2006, 2007 and 2008.

4.3.2.2.2 Cost of Financing Associated with Stream of Annual Leasehold Payment

The cost of financing associated with the stream of annual leasehold payment to be made by CPN throughout the term of the New Sub-Lease Agreement (Implied Interest Rate) is the discount rate that when used to discount such stream of annual leasehold payment will equate the sum of the discounted annual leasehold payment to the appraised leasehold value of the Sub-Leased Assets of Baht 9,185 million

In other words, the relationship among the cost of financing associated with the stream of annual leasehold payment (Implied Interest Rate), the fair appraised leasehold value of the Sub-Leased Assets of approximately Baht 9,185 million and the stream of annual leasehold payment that CPN is obligated to made to CID could be illustrated using the following financial equation;

$$\sum_{i=0}^{19} \frac{\text{(Annual Leasehold Payment)}_i}{(1+r)^i} = \text{The Appraised Value of the Sub-Leased Assets} \\ (= \text{Baht 9,185 Million})$$

r = Implied Interest Rate

Annual Leasehold Payment _{i} = Scheduled annual leasehold payment to be made by CPN to CID throughout the term of the New Sub-Lease Agreement

i = 0,1,2,3, ..., 19 (Period of making annual leasehold payment)

The Independent Financial Advisor determines that the discount rate that equates the sum of the discounted annual leasehold payment to be made by CPN to CID throughout the term to the appraised leasehold value of the Sub-Leased Assets of Baht 9,185 million is 5.62 %.

Thus, the cost of financing (implied interest rate) associated with the stream of annual leasehold payment to be made by CPN throughout the sub-lease term is 5.62 % Such implied interest rate of 5.62 % is regarded as the cost of financing CPN has to bear in exchange for the leasehold right in the Sub-Leased Assets while CPN is allowed to make annual leasehold payment to CID on an installment basis. Duration of the stream of annual leasehold payment to be made by CPN to CID is 9.42 years.

4.3.2.2.3 CPN's Cost of Long-Term Debt Financing

In determining CPN's cost of long-term debt financing, the Independent Financial Advisor will consider:

1. Weighted Average Cost of Interest of CPN: It falls in the range between 5.0 % and 5.6 % in the Years 2007 and 2008 and during the first 9 months of 2009 (Source: <http://www.sse.set>). Such weighted average cost of interest is the financing cost associated with CPN's loans with term of less than 10 years;

2. Average Yield of Corporate Bonds Issued by Firms with the Same Credit Rating as that of CPN: The latest company rating as well as issue rating of unsecured bond issued by CPN as assigned by TRIS Rating Co., Ltd. on May 23, 2007 is A+. By considering relevant bond market data, the Independent Financial Advisor found that average bond yield of corporate bonds with term of more than 5 years and rating of A+ for the 3-month period between November 2008 and January 2009 is 5.70 %. Such average yield is obtained by considering:

- 1) Average credit spread of corporate bonds with term of more than 5 years and rating of A+ for the 3-month period between November 2008 and January 2009 that is at 157 bps (Source: <http://www.sse.set>); and
- 2) Average yield on 20-year Thai government bond for the 3-month period between November 2008 and January 2009 that is at 4.11 % (Source: <http://www.thaibma.or.th>)

Taking into account both 1. and 2., the Independent Financial Advisor finds that CPN's cost of long-term debt financing falls in the range between 5.0 % and 5.7 %.

When comparing the cost of financing associated with the stream of annual leasehold payment (5.62 %) and CPN's cost of long-term debt financing (5.0 %-5.7 %), the Independent Financial Advisor finds that CPN's cost of financing associated with the stream of annual leasehold payment to be made by CPN to CID (Implied Interest Rate) for the Sub-Leased Assets falls within the range of CPN's cost of long-term debt financing. Thus, it is the opinion of the Independent Financial Advisor that CPN's cost of financing (implied interest rate) associated with the stream of annual leasehold payment to be made throughout the sub-lease term for the Sub-Leased Assets as well as the stream of annual leasehold payment is reasonable.

4.3.2.2.4 Comparison between the Leasehold Value to be used as the Basis for Determining Annual Leasehold Payment and Appraised Leasehold Value of the Sub-Leased Assets

As mentioned earlier in this Section 4, the basis used to determine the stream of annual leasehold payment to be made by CPN to CID is the cost plus basis based on the sum of the cost of acquiring leasehold right of the Central Plaza Project as actually incurred by CID plus an appropriate profit margin of 5 %.

Thus, in making a comparison between the leasehold value to be used as the basis for determining annual leasehold payment and the appraised leasehold value of the Sub-Leased Assets, the Independent Financial Advisor will also determine the leasehold value to be used as the basis for determining annual leasehold payment using the cost plus basis. It is the sum of the following financial components:

- The leasehold value of the Central Plaza Ladprao Project of Baht 11,580 million as appraised by the independent asset appraisers employed by the SRT;

- Leasehold right registration fee equivalent to 1 % of the sum of the annual leasehold payment to be made by CID to the SRT throughout the 20-year term of the New Main Lease Agreement; and
- A profit margin of approximately 5 %

From the sum of the three figures above, CID will allocate approximately 72 % of the sum (that is the proportion of the appraised value of the Sub-Leased Assets to the total appraised value of the Central Plaza Ladprao Project) as the annual leasehold payment to be made by CPN to it throughout the term of the New Sub-Lease Agreement.

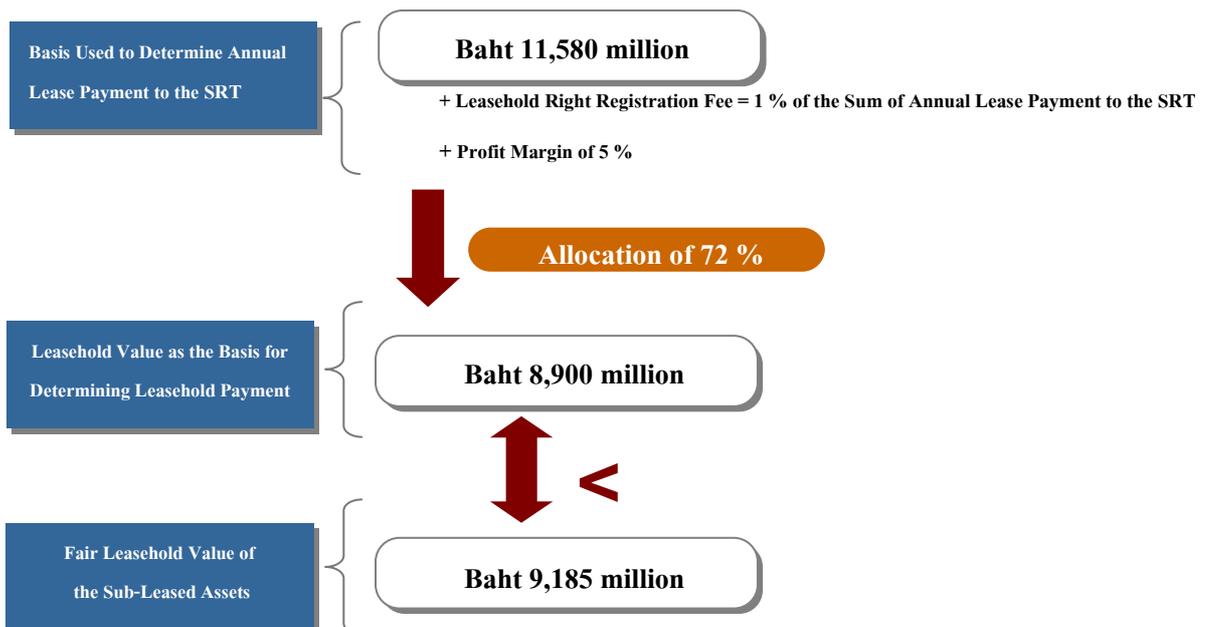
In other words, determination of the leasehold value to be used as the basis for determining annual leasehold payment to be made by CPN to CID could be illustrated using the following equation:

$$\text{Leasehold Value to Be Used as the Basis for Determining Annual Leasehold Payment} = 0.72 \times [\text{The Appraised Leasehold Value of the Central Plaza Ladprao Project (Baht 11,580 million)} + \text{Leasehold Right Registration Fee} + \text{A Profit Margin of 5 \%}]$$

Such determination indicates that the leasehold value of the Sub-Leased Assets that will be used as the basis for determining annual leasehold payment to CID is Baht 8,900 million. On the other hand, the fair leasehold value of the Sub-Leased Assets as appraised by the Independent Asset Appraiser of CPN is Baht 9,185 million.

For purpose of illustration, showed below is the illustration of the basis of determining the leasehold value of the Sub-Leased Assets that will be used as the basis for determining annual leasehold payment:

Figure 2 The Basis of Determining the Leasehold Value of the Sub-Leased Assets to Be Used as the Basis for Determining Annual Leasehold Payment



Making comparison between the leasehold value of the Sub-Leased Assets that will be used as the basis for determining annual leasehold payment (Baht 8,900 million) with the fair leasehold value of the Sub-Leased Assets (9,185 million) indicates that CPN will earn benefits from entering into this transaction.

4.3.3 Summary of the Opinion of the Independent Financial Advisor regarding Fairness of the Stream of Annual Leasehold Payment to be Made by CPN to CID

The Independent Financial Advisor will provide the summary regarding its opinion on the fairness of the stream of annual leasehold payment to be made by CPN to CID in the table below:

Table 6 Summary of the Opinion of the Financial Advisor regarding Fairness of the Stream of Annual Leasehold Payment

Analysis Methodology	Summary of the Opinion
<p>1) Basis for Determining Annual Leasehold Payment to be Made by CPN to CID</p>	<ul style="list-style-type: none"> ■ The basis for determining annual leasehold payment to be made by CPN to CID is reasonable as it takes into account the sum of cost of acquiring leasehold right of the Central Plaza Ladprao Project as actually incurred by CID as the profit margin of 5 %. ■ 72 % of the sum of the cost of acquiring leasehold right of the Central Plaza Ladprao Project and the profit margin is allocated to CPN as annual leasehold payment to be made by CPN to CID throughout the term of the New Sub-Lease Agreement. Such 72 % figure is the proportion of the appraised leasehold value of the Sub-Leased Assets to the appraised leasehold value of the entire Central Plaza Ladprao Project.
<p>2) Comparison between the Cost of Financing (Implied Interest Rate) Associated with the Stream of Annual Leasehold Payment and CPN's Cost of Long-Term Debt Financing</p>	<ul style="list-style-type: none"> ■ The cost of financing (Implied Interest Rate) associated with the stream of annual leasehold payment is 5.62 % that falls in the range of CPN's cost of long-term debt financing that is between 5.0 % and 5.7 %. ■ CPN's cost of financing (implied interest rate) associated with the stream of annual leasehold payment to be made throughout the sub-lease term for the Sub-Leased Assets as well as the stream of annual leasehold payment is reasonable.



Analysis Methodology	Summary of the Opinion
3) Comparison between the Leasehold Value to be Used as the Basis for Determining Annual Leasehold Payment and the Fair Leasehold Value of the Sub-Leased Assets	<ul style="list-style-type: none"> ■ CPN will earn some benefits from entering into the New Sub-Lease Agreement with CID as the fair value of the sub-leased assets as appraised by the Independent Asset Appraiser of CPN (Baht 9,185 million) is higher than the leasehold value to be used as the basis for determining annual leasehold payment to be made by CPN to CID (Baht 8,900 million).

4.3.4 *Opinion of the Independent Financial Advisor on the Conditions of the New Sub-Lease Agreement*

It is of the opinion of the Independent Financial Advisor that the conditions under the New Sub-Lease Agreement to be entered into between CPN and CID are fair and do not put CPN in a disadvantaged position. This is because major conditions under the New Sub-Lease Agreement are made in reference to those under the New Main Lease Agreement.

Allowing CPN to make annual leasehold payment to CID on an installment basis will also help to relieve CPN's financial burden that may result from one-time lease payment. Allowing CPN to make annual leasehold payment on an installment basis will also allow CPN to match its stream of annual cash outflows in the form of annual leasehold payment with future cash inflows in the form of annual rental and services revenues generated by the Sub-Leased Assets. CPN's cost of financing (implied interest rate) associated with the stream of annual leasehold payment to be made throughout the sub-lease term also falls in the range of CPN's cost of long-term debt financing. In regard to sharing of common expenses, they will be allocated to each sub-lessee on a fair basis.

5. Summary of the Opinion of the Independent Financial Advisor

It is of an opinion of the Independent Financial Advisor that the shareholders should approve the transaction that CPN will enter into the New Sub-Lease Agreement with CID, as the purpose for entering into this transaction is reasonable and beneficial while the price, terms and conditions are fair as explained below:

5.1 Reasonableness and Benefits from Entering into the Transaction

The transaction that CPN will enter into the New Sub-Lease Agreement with CID is reasonable and provide benefits to the Company as follows:

- Maintaining CPN's major source of revenue;
- A less risky investment than investing in a new shopping complex project;
- Maintain CPN's leading status and high market share in Thailand's retail property business;
- CPN's ability to utilize and create value-added for the Central Plaza Ladprao Shopping Complex

5.2 Fairness on the Basis Used to Determine Annual Leasehold Payment and on Stream of Annual Leasehold Payment

In regard to the basis used to determine the stream of annual leasehold payment to be made by CPN to CID, it is of the opinion of the Independent Financial Advisor that the basis is reasonable. The basis used is the cost plus method that is the sum of the cost of acquiring leasehold right of the Central Plaza Ladprao Project (consisting of stream of annual leasehold payment to be made by CID to the SRT throughout the term of the New Main Lease Agreement and leasehold right registration fee) and a profit margin of 5 %. 72 % of the sum will be allocated as stream of annual leasehold payment to be made by CPN to CID. Such 72 % figure is determined based on the proportion of the appraised leasehold value of the assets that CPN will sub-lease from CID to the appraised leasehold value of the entire Central Plaza Ladprao Project.

In terms of fairness of stream of annual leasehold payment to be made by CPN to CID, it is the opinion of the Independent Financial Advisor that the stream of annual leasehold payment is reasonable, taking into account the cost of financing (Implied Interest Rate) of 5.62 % associated with the stream of annual leasehold payment that falls in the range of CPN's cost of long-term debt financing in the range between 5.0 % and 5.7 %.

Also, it is found that the leasehold value that will be used as the basis for determining annual leasehold payment to be made by CPN to CID (Baht 8,900 million) is lower than the leasehold value of the Sub-Leased Assets as appraised by the Independent Asset Appraiser of CPN standing at Baht 9,185 million. This will allow CPN to gain benefits from entering into the New Sub-Lease Agreement.



5.3 Fairness of the Conditions of the New Sub-Lease Agreement

It is of the opinion of the Independent Financial Advisor that the conditions under the New Sub-Lease Agreement are fair and do not put CPN in a disadvantaged position. This is because major conditions under the New Sub-Lease Agreement are made in reference to those under the New Main Lease Agreement. Allowing CPN to make annual leasehold payment to CID on an installment basis will also help to relieve CPN’s financial burden that may result from one-time lease payment. Allowing CPN to make annual leasehold payment on an installment basis will also allow CPN to match its stream of annual cash outflows in the form of annual leasehold payment with future cash inflows in the form of annual rental and services revenues generated by the Sub-Leased Assets. CPN’s cost of financing (implied interest rate) associated with the stream of annual leasehold payment to be made throughout the sub-lease term also falls in the range of CPN’s cost of long-term debt financing.

Kim Eng Securities (Thailand) Public Company Limited, the Independent Financial Advisor, hereby certifies that the opinion expressed herein has been prudently made in compliance with the professional standards with due regard to the shareholders’ benefits.

Sincerely yours,

.....
Mr.Montree Sornpaisarn, CFA
Executive Director
Kim Eng Securities (Thailand) Plc.

.....
Mr.Pusit Kaewmongkolsri
Executive Director
Kim Eng Securities (Thailand) Plc.

Appendix A.

Past Occupancy Rate of the Shopping Complex and Plaza and the Office Building for the Years 2005 to 2008

Period	Occupancy Rate of the Shopping Complex and Plaza (%)	Occupancy Rate of the Office Building (%)
1Q05	100 %	98 %
2Q05	100 %	99 %
3Q05	99 %	98 %
4Q05	100 %	98 %
1Q06	100 %	99 %
2Q06	100 %	100 %
3Q06	99 %	100 %
4Q06	100 %	100 %
1Q07	99 %	100 %
2Q07	100 %	97 %
3Q07	100 %	96 %
4Q07	100 %	86 %
1Q08	99 %	95 %
2Q08	99 %	99 %
3Q08	99 %	99 %
4Q08	97 %	97 %

Source: Central Pattana Public Company Limited