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**Subject: Analyst Briefing 2Q08**  
**Venue: The Stock Exchange of Thailand**  
**Date: August 21<sup>st</sup>, 2008**

### **Session I: CPN Presentation 2Q08**

A warm welcome to all analysts, fund managers, shareholders, honorable guests, and media

**Speaker: Mr. Naris Cheyklin**  
**(SEVP- Account & Finance, Property Management, CFO of CPN)**

#### **Slide 5**

Toward the beginning of the second quarter of 2008, we have discussed a concern about high inflation resulting from rising oil price. Retail sales experienced a slight lower growth in 2Q08 from 1Q08. Consumer confidence fell from 71.8 in May 2008 to 70.8 in June 2008, which reflected rising cost of living threatened the economy growth. However, we hope for positive factors to remain as Thailand is approaching high season for tourism, the mega project implementation, and government spending as planned. Those important factors to stimulate economy should also improve general sentiment of the country.

#### **Slide 6**

For retail property market in Bangkok, supply has not increased significantly as investors are not confidence in expanding or launching new projects. Most projects launched are community malls around Bangkok. As far as we have seen, there will not be any huge retail project, except for our CentralPlaza Chaengwattana project that will be opened in late November 2008. The construction is on schedule; therefore it will be additional supply coming into the retail property market in Bangkok by the end of this year.

For office property market in Bangkok, supply slightly increased by 18,000 sqm. The occupancy rate improved and vacancy rate for Grade A office fell from 6.6% in 2007 to 6.1% in 1Q08. Grade B office space vacancy rate fell from 14.7% in 2007 to 14.2% in 1Q08. The occupancy rate at CentralWorld's office, Grade A CBD office building, also improved to almost 94% with 45<sup>th</sup> floor, the top floor, almost filled up. Office rental rates increased for both grades. In 1Q08, Grade A rental rate was up 1.6% yoy, and Grade B rate was up 4.8% yoy. It is expected that office supply in Bangkok in 2008 should increase by 3% from last year.

#### **Slide 8**

For the second quarter of 2008, the Company's total revenue grew by 9% yoy, mostly from increased rental revenue from CentralWorld. There will be more shops opened in the third quarter of 2008; namely Cortina Watch and Forever 21. Moreover, Center Point (a new anchor with approximate 10,000 sqm) and the largest iStudio shop, the flagship store of iPod brand in Thailand are expected to open in the fourth quarter of 2008. Furthermore, we plan to open smaller shops and kiosks, which are high-end kiosk unlike those in CentralPlaza, therefore CentralWorld will only have few large vacant spaces left in 7<sup>th</sup> floor, which makes the take up rate at CentralWorld very impressive.

With CentralWorld project already almost fully occupied, we will shift our focus to CentralPlaza Chaengwattana (open in Nov 08) and CentralFestival Pattaya Beach (open in Feb 09). Our staffs are ready to take on new projects at higher speed. In the past we opened one project at a time; however, we are now planning to launch two projects at a time. For example, Chaengwattana and Pattaya Beach projects will be opened in late this year and early next year, respectively. While, Chonburi and Khon Kean projects are scheduled to open next year. So the launch rate for CPN



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should improve from one project per year to two projects per year. However, we will keep our close eye on cannibalization and catchment area and make sure that they do not much overlap each other. We will clarify our new project plans toward the presentation.

For under-development projects, leasing progress for retail space at Chaengwattana and Pattaya Beach projects as at 2Q08 reached 87% and 77%, respectively. The Chaengwattana project should have at least 90% occupancy rate by the time of opening. The Chonburi and Khon Kean projects have already started construction. Leasing progress for retail space for both projects is very impressive despite the fact that they locate in provincial areas.

Even with current economic condition, retailers demand to expand their businesses. Hence, when we launch the new projects, they do not hesitate to come to us. On the other hand, when we pioneered projects in provincial areas in the past, some big retailers refused to join us due to lacking of their management capacities in upcountry market and undeveloped logistic system. However, the local premium brands are now keener to go to big cities as logistic system greatly improved. Furthermore, after joining us in Chiangmai and Pattaya existing projects, our tenants are more confident that the provincial demand is growing, particularly from the mid-end customer groups to higher. Hence, retailers are more eager to go with us to new projects in Chonburi and Khon Kaen. For instance, famous restaurants like Fuji, Zen and MK currently join us in every mall with a more capabilities of expanding in upcountry.

Therefore, we are more confident that expansion to major cities can be achieved. We will adjust store pattern and size to fit the cities we are going in. Khon Kean and Chonburi projects, located in a major city in each region, have suitable size for their locations. To illustrate, SM Prime (Philippines) penetrates more extensively into the country's major cities with much smaller stores. When compared Chonburi to their provincial cities in the Philippines, Chonburi market is larger. However, we may scale down our store size in smaller cities as appropriate.

### **Slide 10**

Average occupancy rate for CPN and CPNRF' retail properties stood at 95% and 98%, respectively. The presentation show Pinklao's occupancy rate at 91% in 2Q08, but the rate should improve to 96% by now as new anchors have been opened. As discussed in the last quarter meeting, we closed down a bowling alley and replaced by two anchors; namely SB Furniture with rental space approximately 4,000 sqm and Fitness First. Both stores were recently opened on the fifth floor. Fitness First moved down from office space in Tower A of Plinklao project to retail space. Both anchors opened with each taking up half of the space of the previous bowling alley. Therefore, they now pay higher rate, which brings us more revenue in overall picture. Furthermore, we plan to have a major renovation at Pinklao project, which should start by the end of the year. We do not expect the renovation to disrupt the commercial activities in the mall. The renovation will be done part by part, and CPN may offer tenants small discount to compensate.

For the recent completed enhancement projects; namely CentralPlaza Rattanathibet and CentralPlaza Rattathibet, people traffic flow improved significantly in the second quarter. Consequently, Rattanathibet's rental rate hike has become one of the most profound among the projects in CPN's portfolio because many rental contracts had expired and renewed at higher rates with more than 10% increase. This is due to the Rattanathibet's previous rental rates were quite low, hence CPN tried to raise rate to match with other similar malls like CentralPlaza Rama 2 and CentralPlaza Rama 3 by enhancing the project; for example, we are expanding parking floor up another level due to full utilization. Moreover, the mall is located at the intersection where future red line mass transit will have a "Park and Ride" parking building, in which we plan to make parking deal with the BTS. We are confident that this facility plan will boost mall traffic as this station is the hub station for the red line mass transit.



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### **Slide 11**

The average occupancy rate for office building is at 94%. The occupancy rate of Pinklao office project was also at 94%, but expected to fell slightly in the second half of the year as Fitness First recently moved down to the retail space (CentralPlaza Pinklao). We are trying to fill the vacant spaces with other tenants, particularly tutorial school, musical school, and language school from the retail space, which will improve office occupancy rate. By doing so, we can free up the retail spaces for actual retailers. It is undeniably that school tenants usually cannot afford to pay the same rental rate as the retailers. This is win-win situation where the school tenants get to pay less and we can earn more from renting out the space to those who can pay premium. Residential are considered as our non-core business.

### **Slide 12**

There is no significant change to the contract term.

### **Slide 13**

Effective rental rate in 2007 increased 5% from 2006. In 2Q08, effective rental rate excluding CentralWorld would be up 6% from 2Q07, or up 5% if included.

### **Slide 14**

For traffic flow, we have seen high traffic growth in all properties, particularly at Rattanathibet, Rama 2, Rama 3, and Ramindra.

### **Slide 16**

For the progress of CentralPlaza Chaengwattana, tenants are moving in Chaengwattana project to decorate their shops. The construction progress was 82% completed. The project has 87% of retail space leasing confirmed. As pictures shown in the presentation for retail mall, we have already install escalators. For the office tower, we will install window glass very soon so that when the retail space opens, the tower would look complete from outside, which will improve the project's appearance. However, M&E works at office tower will take some more time to complete. This complex should be comparable with CentralPlaza Ladprao with a full range of many famous shops and restaurants with us. We initially planned to build only 6 floors, but with the surging demand, we decided to add the 7<sup>th</sup> floor.

### **Slide 17**

For CentralFestival Pattaya Beach project, the construction is 73% completed as scheduled with 77% of retail space leasing confirmed. We have some of the high-end brands at Pattaya Beach project, which are similar to CentralWorld. For example, we planned to sign deal with Zara, which would be its first shop outside Bangkok. At present, we have started construction of the lobby of the hotel. The hotel market in Pattaya is favorable with high occupancy rate. We are currently looking for investors to buy out or invest in hotel business. However, if we cannot find any, CPN will invest in the hotel asset alone.

### **Slide 18**

For CentralPlaza Chonburi project, the construction is 20% completed. The retail leasing progress is now at 58%, considerably impressive given the project will be opened in the mid-2009. The small shop spaces so called Junction X, are sold out within a few days after the launch announcement. We will also have Carrefour joining the project. The shopping mall will be completed with Robinson Department Store in the front and Carrefour in the back, which is similar to CentralWorld model with Zen and Isetan Department Stores on each wing of the mall. This store layout helps boost traffic flow between the two anchored stores. Carrefour already paid deposit, and we are in the process of signing contract and designing layout. We believe that this model is effective in upcountry mall where majority of shoppers still need economized merchandises; therefore having Carrefour with us



could draw in full range of shoppers into the mall. We receive favorable feedback from workers at Amata Nakorn Industrial Estates as they usually have to travel a long way to downtown to spend leisure time over the weekend. In the near future, they could cut their trip short and spend their time at CentralPlaza Chonburi instead. Indeed, we believe Chonburi project could easily be one of our success stories.

#### **Slide 19**

For CentralPlaza Khon Kean, we have 20% of retail space leasing confirmed although we have not finished designing layout yet. Similar to Chonburi project, Junction X has already been fully booked. High take up rate proves that there is high demand for small spaces in upcountry market.

For Rama 9 project, we already started foundation work and should be due to operate around mid-2011. This mall should benefit from rising demand in the area. For example, the Carrefour Rama 9 branch make very good revenue and Robinson Department Store Rama 9 branch is the Robinson's most profitable department store. Truly, I believe Rama 9 is the good location to start a shopping mall. Moreover, Airport Rail Link and many upcoming hotel and office building projects should help boost mall traffic and make Rama 9 road one of the busiest commercial streets in Bangkok. We try to present shoppers with a distinct alternative to existing malls in the area.

#### **Slide 20**

For the Pre-Cadet School (Suanlum), we are still waiting for the land transfer from the Crown Property Bureau. For Chiangmai II project, we already bought a new plot of land and are under designing process. We are sending invitations to retailers who wish to lease space in Chiangmai II to make reservation. We also made similar invitations for our Chonburi and Khon Kean to check demand for the malls prior to the kick-off. It is almost definite now that we could start construction of Chiangmai 2 project in the near future. We already received construction permit approval and now working on the details about the anchor stores and how to differentiate the shopping mall from our existing CentralPlaza Chiangmai Airport.

For the overseas project, we believe that we are right in not rushing into any commitment to the overseas expansion in Vietnam, China, or India. We are currently following up with the market situation as these countries actually have potential growth. However, we believe that the real estate prices may come down along with their stock markets losing almost 50% since the beginning of this year. We will wait for the right price before reconsidering overseas expansion.

#### **Slide 21**

The adjusted Capex may decline slightly from the previous presentation. We plan to have eight new shopping malls and renovations at six existing shopping centers. The estimated Capex will be Bt8.3bn for 2008, Bt6.75bn for 2009, and Bt6.75bn for 2010.

#### **Slide 22**

For the future leaseable area, we estimate that our total leaseable area in 2011 will be 1.17 million sqm., up 30% from the current total leaseable area of 900,000 sqm. This leaseable area expansion will ensure that we will continue to grow at least over the next 4-5 years.

This should conclude the main highlights for operations. We shall move to financial highlight part.



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**Speaker: Ms. Naparat Sriwanvit (Vice President- Finance of CPN)**

**Slide 24**

Overall financial performance in the second quarter has shown improvements in both revenue and profit. The revenue was up by 9%yoy and profit grew by 19%yoy. The growth was driven by higher contribution from CentralWorld project, both from higher rental rates and elevated occupancy rates. Moreover, the Rattanathibet and Ramindra projects have increased their rental rate and occupancy rate in the second quarter, benefited from asset enhancement. However, the 2Q08 net profit fell from the 1Q08 because we have delayed much of marketing expenses from 1Q08 to 2Q08 due to the mourning for the princess's pass away in 1Q08. The net profit for the first half of 2008 grew 34% yoy, due to aforementioned reasons.

**Slide 25**

For the revenue breakdown, retail revenue growth of 10%yoy was driven by rental rate hike and improved occupancy rate at CentralWorld, Ramindra and Rattanathibet projects. Moreover, CPN also raised CAM charge rate in January 2008.

Office revenue increased by 7%yoy, mainly driven by improved performance of the Offices at CentralWorld which had rental rate increased from renewal contracts in December 2007 and January 2008.

Food and beverage revenue increased by 25%yoy, due to opening of Food Park in CentralPlaza Rama 3 and CentralPlaza Pinklao in the second quarter of 2008.

**Slide 26**

Cost for retail business increased by 4%yoy. The growth was slower than the revenue growth rate due to depreciation, which accounted for approximately 40% of CPN's total cost, stayed relatively fixed. Cost for office rental business fell 7%yoy, due to energy saving campaign which yielded good outcome. The cost of food and beverage business grew in line with the business revenue growth.

**Slide 27**

Rising selling and administration expenses were driven by rising personal and marketing expenses. Personnel expenses grew 20%yoy as CPN required more staffs to support new project launches. SG&A expenses in the second quarter of 2008 increased by 30%yoy, however SG&A expenses for the first half of 2008 increased 13%yoy. It is noted that CPN manages to keep marketing expenses to revenue ratio not exceed 5% for 2008.

**Slide 28**

For key financial ratio, gross profit margin improved from 41.4% in the second quarter of 2007 to almost 45% in the second quarter of 2008. For business breakdown, gross profit margin for retail business improved to 47.2% and the office rental business to 38.5%, mainly due to improved occupancy rate and increased revenue. On the other hand, gross profit margin for food and beverage business fell from last year as CPN has stopped selling alcohol beverage according to the Company's corporate governance policy.

**Slide 29**

For the capital structure, net interest-bearing debt to equity ratio increased to 0.8 times in 2Q08. CPN could manage the ratio within the Company's policy level at 1.0 time. The increase was mainly driven by investments in new projects such as Cheangwattana and Pattaya Beach.





### **Slide 30**

Majority of our debt comprised of long-term loans, both in the form of bonds and property fund type-4. The funding cost during the second quarter of 2008 remains at 5.1% despite rising interest rate trend due to 70% of debt portfolio are fixed rate. Therefore, an increase in market interest rate does not affect CPN's overall funding cost significantly.

### **Slide 31**

We maintain our dividend payout policy at 40% of normal net profit.

This comes to the end of CPN presentation. We shall go through CPNRF presentation.

## **Session II: CPNRF Presentation 2Q08**

***Speaker: Mr. Phiphat Phisanuwongrak  
(Senior Fund Manager of TMB Asset Management)***

Greetings to all investors and analysts, I would like to start with the performance of CPNRF.

### **Slide 1**

As Khun Naris mentioned previously, improved traffic flow in CentralPlaza Rama 2 and CentralPlaza Rama 3 resulted increased revenue and performance.

### **Slide 5**

For the operating result in 2Q08, the fund will pay distribution of Baht 0.2155 per unit, a 2.5% increase from the same period last year but slightly declined from the previous quarter. With net investment income of Baht 235 million, the fund will distribute Baht 235.2 million for distribution, or Baht 0.2155 per unit. When compared with the market closing price of 14 August 2008 at Baht 9.70 per unit, annualized yield was approximately 8.9%. However, the yield might be around 9% as of yesterday's closing price.

### **Slide 6**

In the second quarter of 2008, we reported property income of Baht 326 million and interest income of Baht 6.8 million. The interest income decline was attributed to declining deposit interest rate. However, the interest income should improve in the third quarter as the fund can invest available cash at higher return. The fund reported total income of Baht 333 million and property expenses of Baht 80 million. Other management fees and amortization expenses are similar to the previous quarter's figures. Total expenses were at Baht 98 million and net investment income was at Baht 235 million.

The amortization of deferred expenses should be over by the third quarter. Therefore, from the fourth quarter onward, the distribution will be derived solely from fund's operation.

### **Slide 7**

There is no significant change in the balance sheet from the last quarter because the appraised value of property remained the same. The property will be re-appraised annually, so the changes in property value will be reflected in the balance sheet of the fourth quarter. There may be some adjustments to the deposits, as according to the number of tenants. Net asset was at Baht 11,192 million with NAV per unit of Baht 10.2536.

### **Slide 8**

This page shows the yield spread between CPNRF and alternative investments. From the chart, it can be seen that CPNRF's yield is 406 bps over 10-year government bond yield.



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### **Slide 9**

This slide shows the historical distribution in the past. The actual yield for 2007 was over 8%, and the annualized yield from the distribution for the first half of 2008 is 8.9%. We expect this distribution trend to continue to improve. The announced XD date is on 26 August 2008, book closure date will be on 29 August 2008, and distribution payments will be on 15 September 2008.

This should conclude the main highlights for financial part. We shall move to operation part.

***Speaker: Mr. Thanasombat Sanitwongse  
(Vice President- Property Operation Area of CPN)***

### **Slide 11**

Occupancy rate for CentralPlaza Rama 3 in the second quarter of 2008 has improved from the previous quarter due to the opening of Food Park, which occupied 1,600 sqm on the sixth floor. As a result, the occupancy rate improved from 94.1% in the first quarter of 2008 to 96.3% in the second quarter of 2008. CPNRF's overall occupancy rate improved from 98.0% to 98.1%. There will be renovation in Junction X and IT zones in the fourth quarter, in which there will be a new design. We will not close any shop during the renovation, so the income will remain intact, and we will be able to raise rental rate after the works have been completed.

### **Slide 12**

From the beginning of the year to the second quarter of 2008, there were 103 contract renewals and new leases combined, of which 79 are from CentralPlaza Rama 2, where the rental rate of renewed or newly leased area increased approximately by 5.5%. There were 24 contract renewals and new leases in CentralPlaza Rama 3, which brought rental rate of those areas up by 6.3%. The overall rental rate increase was 5.9%. After the contract expiration, we will adjust the merchandising mix to provide better zoning in every floor. The improved zoning will also allow us to raise rental rate as well.

### **Slide 13**

In the second half of 2008, 24% and 6% of the contracts at CentralPlaza Rama 2 and CentralPlaza Rama 3, respectively, will expire. We will raise rental rate for the area with expired contract and adjust zoning for some shops.

### **Slide 14**

The rental structure was similar to the first quarter. 58.2% of occupied area are under fixed rental structure and the remaining 41.8% under consignment. Most of the tenants pay fixed rent and only 4.6% pay consignment rent.

### **Slide 15**

The trade mix has not change significantly. There is a good mix of merchandise at CentralPlaza Rama 2, and only 1% of leasable area is vacant. For CentralPlaza Rama 3, there is a small increase in food and beverage sector from the new Food Park, and there will be more from the tenant mix adjustment next year. With vacant space of 4% at CentralPlaza Rama 3, CPNRF has total vacancy rate of approximately 2%.

### **Slide 16**

We have many anchor tenants with us, occupying 44.2% of total leasable area. There is no change in anchor tenants from the previous quarter, and none of their contracts are expiring anytime soon.



### **Slide 17**

Traffic flow for CentralPlaza Rama 2 has improved from 135,000 visitors per day in the first quarter to 164,000 visitors per day in the second quarter. The similar trend was observed in CentralPlaza Rama 3, where the traffic flow improved from 75,000 to 82,000 over the same period. The improvement was driven by the opening of Food Park on the 6<sup>th</sup> floor and various marketing activities. Moreover, the “Crab Festival at Central Park” at CentralPlaza Rama 2 had drawn a lot of traffic into the mall.

### **Session III: Q & A Session for CPN**

Q: Where is iStudio, which zone? And will there be any tenants to take up vacant spaces in Zone A at CentralWorld?

A: K.Naris: iStudio is at Zone F. There are only 3-4 vacant shops in Zone A that we reserve specifically for premium brands. There is a premium brand that is about to enter Thailand, in which we should have them occupied the currently vacant spaces. We are quite selective on brands to open in such a prime area. We would have rent out the space long time ago if we are keen to have the spaces filled up. At Zone A, Cortina Watch is opened and should help improve traffic. Newly opened Mandarin Duck reported to have very good sales. Top Shop & Top Man also made great sales, we just recently allowed them to add more spaces.

Q: When does CPN think it could eliminate all discounts?

A: K.Naris: I cannot tell when we will be able to eliminate all discounts, but I am confident that the discount will fall to the normal level by next year, which is around 5% on average.

Q: Regarding Capex plan, what does Capex for three tentative projects include?

A: K.Naris: One of them is Chiangmai II project. For the other two tentative projects, details cannot be disclosed as of now.

Q: Does CPN need to offer discounts to the four new projects? If it does, how much discount does CPN offer and how long will the discount stay?

A: K.Naris: All four projects should receive normal treatment of 10-20% discount during the first year of operation. The discount should fall to 5% during the second year and none thereafter.

Q: Is there comparable rental rate for the new projects?

A: K.Naris: Rental rates of Chaengwattana and Pattaya Beach projects should be similar to those of CentralPlaza Bangna and CentralPlaza Rama 2, but CentralFestival Pattaya Beach project's rental rate should be around 10 % higher than that of Chaengwattana project.

Q: Please explain more about Chaengwattana project that CPN adds 7<sup>th</sup> floor, so does the leaseable area in the presentation already include the additional leaseable area from the 7<sup>th</sup> floor?

A: K.Naris: Yes, we made decision to add 7<sup>th</sup> floor a long time ago because we have to plan construction for it. So the leaseable area figure in the presentation already includes the area on the 7<sup>th</sup> floor.

Q: For the second quarter of 2008, marketing expenses to revenue ratio exceed 5%. How confident does CPN think it could keep the marketing expenses to revenue ratio within 5% target? What should be the ratio for the second half of the year?

A: K.Napat: The marketing expense to revenue ratio was at 4.7% for the first half of the year. The increase in the second quarter 2008 was boosted by delayed spending from the first quarter 2008. CPN remains the marketing expense to revenue ratio target at 5% for 2008. Moreover, the





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increased revenue in the second half of 2008 should also keep the ratio intact even if the marketing expenses stay high.

Q: Will the opening of Chaengwattana require more marketing expenses, which may cause CPN to spend beyond its budget.

A: K.Naris: There will be additional marketing expenses used during Chaengwattana opening. But even with the additional expenses, I still believe that the marketing expenses for the whole year should be within the 5% target. The ratio should be down from 7% of last year.

Q: What is the progress of Suan Lum Night Bazaar, What is the development plan? Will the project have an office building?

A: K.Naris: We are still waiting for the land transfer from the Crown Property Bureau. For the development plan, there is high demand for office building, supported by many investors who are keen to co-invest with us due to its prime location for office building.

Q: Is CentralPlaza Ladprao's renewal land and building lease agreement a done deal?

A: K.Naris: The deal has not been concluded yet.

Q: If the CentralPlaza LadPrao renewal lease agreement could be extended at a much higher price, how will it affect CPN's operations?

A: K.Naris: Although we are still unclear of how much will we have to pay for the renewal lease, but it should not significantly affect our profits based on our estimates. It can be explained by the revenue from our four new projects in 2009. Their contribution should be in time to prevent any significant earning drop due to increased expenses. Therefore, CPN's growth should not be significantly affected.

Q: From the experience with the leasehold project format, CPN would face significant uncertainty upon the contract renewal. What format (leasehold/freehold) does CPN prefer to operate its future projects?

A: K.Naris: CPN actually wants to operate a freehold in every project. However, due to various factors, leasehold is sometimes inevitable. For example, the Suan Lum Night Bazaar land belongs to the Crown Property Bureau and cannot be bought. However, the leasehold contracts for CentralWorld and Suan Lum Night Bazaar projects have specified clear contract extension terms from Crown Property Bureau. Moreover, the lands of CentralPlaza Pinklao and CentralPlaza Ramindra projects are leased from Central Group and are connected transaction. Therefore, we have clear procedure to make the transaction transparent. There will be financial advisor and independent appraiser to appraise the land value and the transactions must be approved by CPN's Board of Director and Shareholders' meeting. Apart from those properties, we might have to negotiate with the land owners of CentralPlaza Rama 2 and Central Center Pattaya projects when the contracts expire.

Q: For the CentralFestival Pattaya Beach hotel, will CPN build the hotel before finding investors?

A: K.Naris: It is the concurrent processes. We already have Hilton as the hotel management. We are now looking for the interested investors to invest in the hotel part.

Q: For CentralPlaza Chonburi project, who pays for the construction in the Carrefour section?

A: K.Naris: CPN sub-leases the land to Carrefour on 25-year term, and Carrefour pays for its own construction.



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Q: Do we have any plan on small-size shopping mall?

A: K.Naris: Yes, CentralPlaza Chonburi and CentralPlaza Khon Kean projects are smaller-sized malls. We plan to launch a smaller-sized mall in Bangkok as well, but we cannot disclose the information at the moment. We might be able to talk about it in the next quarter meeting.

Q: Is Bangkok already fully saturated with malls? Is that why CPN recently focuses only on upcountry markets?

A: K.Naris: I do not think that Bangkok market will be saturated within the next 4-5 years. There are still some areas that CPN could start the malls without causing cannibalization. However, it is undeniably that suitable location in Bangkok become very limited now. As a result, we are focusing more on upcountry markets, and partially on the overseas markets.

Q: For the upcountry mall, will CPN's experience of operating urban malls help operating upcountry malls?

A: K.Naris: Indeed, CPN has experience in upcountry mall business. We actually pioneered CentralPlaza Chiangmai Airport and Central Center Pattaya over 10 years ago, when not many retailers wanted to go with us. However, retailers currently agree to join us in upcountry malls due to the belief that CPN understands the business segment well. We do realize that the purchasing power in upcountry might be weaker than Bangkok's, so we adjust the mall size and investment accordingly. We invest less in the upcountry projects. So while we receive lower rents, the return should not be different from Bangkok projects.

Q: CPN appears to have largest market share of retail space in Bangkok. Is it fair to say that CPN has no competition at all in the provincial area?

A: K.Naris: No, there are the local mall players in many provinces we go in. For example, there are Fairy Mall in Khon Kean province and Kard Suan Kaew mall in Chiangmai province before we launched our shopping malls. However, we target at different customer segmentation. The local players usually have their malls in the heart of the city while we build larger malls at the outskirts of the towns. I believe that there will be competition in the future. For example, Siam Future Development Plc. also opened its mall in Pattaya. However, we could say that we have the largest retail space compare to other players.

Q: How many more shopping malls does CPN think it could be opened in Thailand?

A: K.Naris: I believe that there are a lot more potential sites out there. CPN is not very concern about the mall saturation issue. However, the size may be smaller.

Q: How does CPN think about the community mall? Will CPN focus on them?

A: K.Naris: Yes, we also consider community mall, but it will not be our key strategy. We may announce a new community mall plan next quarter; however, its format will still be larger than normal community malls like Villa or J-Avenue.

Q: Why do you think the department store and hypermarket operators like Robinson Department Store or Carrefour join CPN malls in Khon Kaen province instead of doing a standalone format by themselves? What is the advantage of renting CPN's space?

A: K.Naris: CPN offers shoppers full range of attractions i.e. restaurants, movie theatre, toys, family items and many more, which make our mall a one-stop shopping. Consequently, we believe that this is a key strength over the discount store or hypermarket and the strategy will create synergy benefiting from traffic and they do not need to draw traffic all by themselves. It is noted that CPN opens for any operators; namely Carrefour, BigC or Tesco Lotus.



Q: What does CPN do with the proceeds from divesting assets to CPNRF?

A: K.Naris: Maximum CPNRF's capital increase will be approximately Baht 11 billion. However, CPN will hold one third of the fund size. Therefore, the net proceeds will be around Baht 4-5 billion. The proceeds will be used to finance CPN's construction of the new projects.

#### **Session IV: Q & A Session for CPNRF**

Q: Regarding CentralPlaza Pinklao renovation, who will be responsible for renovation expenses?

A: K.Naris: CPNRF will be responsible for the renovation expenses, but CPN will guarantee that the income will not be affected by the renovation.

Q: Regarding slide 14 of CPNRF presentation which says 75,710 sqm. is fixed rent, and remaining 54,416sqm is percentage of sales. Would you please explain what are the "percentage of sales" areas composed of because the fund's income seems relatively very stable?

A: K.Naris: McDonald's, some fashion products, and even Major Cineplex are charged base on percentage of sales. There two reasons to explain this stability: the sales may not vary too much from one period to the next, and we charge minimum guarantee on these customers to secure stable income in case the tenants cannot sell up to the agreed amount. Therefore, the significant increase in sales may increase the fund's income.

Q: For the 24% of contracts of CentralPlaza Rama 2 which are due for renewal, how much rental rate increase are you expecting?

A: K.Thanasombat: Most of the contracts at CentralPlaza Rama 2 are renewal by the existing tenants. We expect to raise rental rate by 5-6%.

Q: Is there any delay in CPNRF expansion plan?

A: K.Phipat: No, we plan to enlarge the fund in the fourth quarter of this year. We have already obtained unit holders' approval from the meeting on August 19<sup>th</sup>, 2008 to raise capital to invest in the two projects. The majority of the votes were in favor of the capital increase.

Q: Has CPN already determined the selling price?

A: K.Naris: No, the Company will consider the selling prices again when the time is near base on stock market condition.

Q: During your roadshow, how is the demand for CPNRF?

A: K.Naris: The response is a mixed bag. While some want to increase an additional amount which actually exceeds their holding proportion, a few do not want to increase their position at all. There was even a fund who wanted to take up all of the allotted units and increase their proportion. So there it is neither all-positive nor all-negative response from the investors. I think it will depend on the market condition then. Together with our good past performance, I believe many investors will take up their preempt allotment.

Q: How much of the new allotment will be allotted to existing unit holders and new investors via private placement?

A: K.Phipat: We are studying both market condition and demand before we can reach any conclusion. However, the unit holders' resolution stated that the existing unit holders will receive no less than 50% of the new allotments. We will notify the unit holders again when the XR date come close.

K.Naris: The roadshow I mentioned just now refer to the roadshow that I went to notify existing unit holders about the Unitholder Meeting on August 19<sup>th</sup>, 2008. So I did not get to meet any interested prospects. We might do the roadshow on the prospects again when the time come close.



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Q: When was the last asset appraisal for CPNRF?

A: K.Phipat: At the end of last year. We will do the appraisal at the end of every year.

Q: Has CPNRF used any leverage for this new acquisition?

A: K.Phipat: We have not used any leverage yet. However, we have already obtained approval to use leverage. Hence, if we want to take out a loan in the future, we can do so. We have not used any in the coming capital raising.

Q: How much leverage is CPNRF allowed?

A: K.Phipat: The regulations prescribed by the SEC are very broad. There are many criteria that we must discuss with the SEC and, particularly, the banks, mainly to see if they can accept our conditions. Some of the criteria are that the fund must only obtain clean loan with no collateral, our current 90% payout ratio policy, and other details that we still need to discuss with the relevant parties.

K.Naris: Leverage is a new issue for the REIT. I still think that once all the issues have been sought out, leverage should prove to be effective tool to improve yield for the unit holders. The fund could borrow up to 10% of NAV.

**Thank you for your attention in our second quarter 2008 results analyst meeting. For more information on CPN and CPNRF, please visit CPN and CPNRF corporate websites at [www.cpn.co.th](http://www.cpn.co.th) and [www.cpnrf.com](http://www.cpnrf.com), respectively, and please contact our Investor Relations Division directly for any enquiries. Have a great day.**