



Maybank

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Opinion of the Independent Financial Advisor
Regarding the Asset Acquisition Transaction and Connected Transaction

April 2015

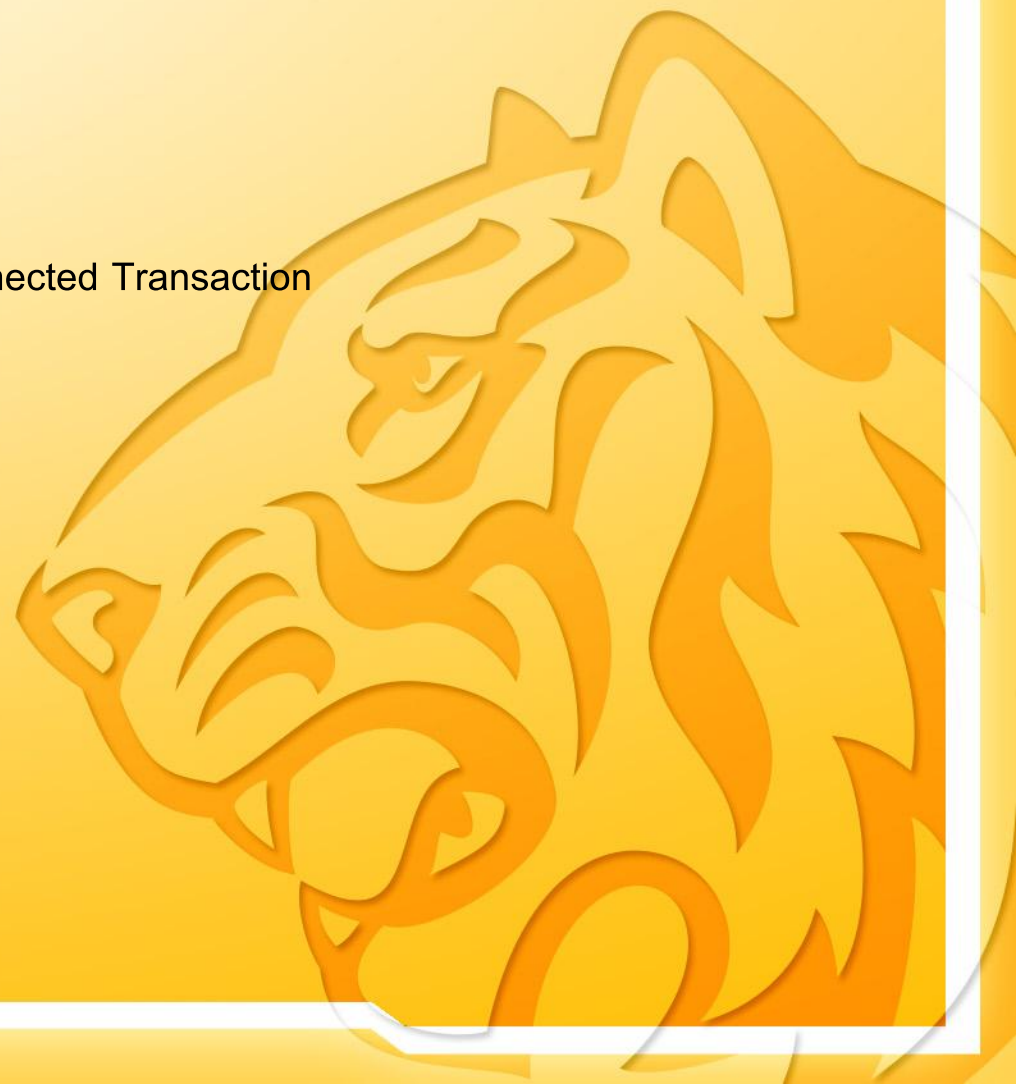


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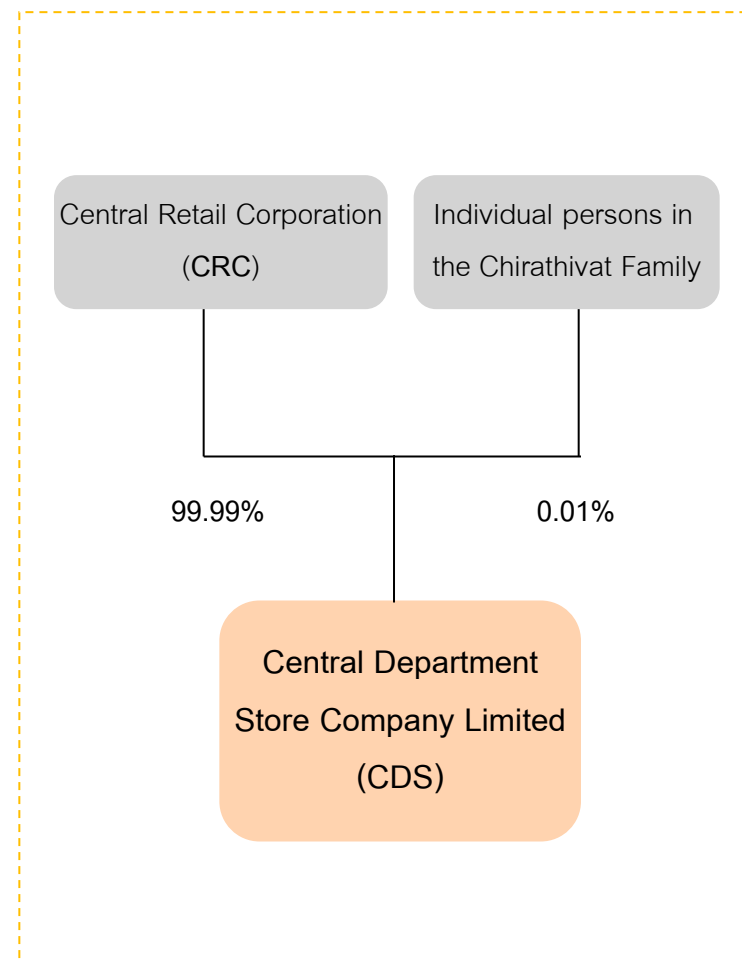


Summary of the Transaction of Investing in the Properties of Central Festival Phuket 1

Details of the Transaction	CPN will invest in the properties of Central Festival Phuket 1. This transaction is regarded as an asset acquisition transaction and connected transaction in accordance with relevant notifications of the Capital Market Supervisory Board.
Parties	The Lessor : Central Department Store Company Limited (“CDS”) which is a company in the Central Group which is CPN’s major shareholder and controlling person The Lessee : Central Pattana Public Company Limited (“CPN”)
Tentative Investment Period	After obtaining an approval to enter into the transaction from the annual general meeting of shareholders of the Year 2015
Characteristics of Investment	<ul style="list-style-type: none">• CPN will sublease some parts of the land on which Central Festival Phuket 1 is currently situated for the period of approximately 41 years. Total size of land CPN will sublease is 25 rais and 37 sq.wah.• CPN will lease certain parts of Central Festival Phuket 1 Shopping Complex and accept delivery of possession right associated with utilities systems, furniture and equipment belonging to parts of Central Festival Phuket 1 Shopping Complex CPN will lease.
Compensation to CDS	Compensation to CDS comprises: <ol style="list-style-type: none">1) Leasehold compensation for Central Festival Phuket 1 Shopping complex and its utilities systems, furniture and equipment for the amount of Baht 5,630 million2) Leasehold compensation for land plots on which Central Festival Phuket 1 is located for the amount of Baht 3,436 million
Conditions Precedent	<ul style="list-style-type: none">• Disclosing the transaction to the SEC and the SET• Obtaining an approval from the meeting of shareholders to enter into the transaction

Business Information of CDS

Company Name	Central Department Store Company Limited (“CDS”)
Registered Address	1027 Central Chidlom Tower Building, 7 th Floor Ploenchit Road, Lumpini Sub-District, Pathumwan District, Bangkok 10330
Date of Incorporation	26 April 1974
Nature of Business	Department Store
Registered Capital (Millions of Baht)	3,335 million baht
Major Shareholder and % of Stake	Central Retail Corporation Co.,Ltd. (99.99%) Individual persons in the Chirathivat Family (0.01%)
Key Management	1) Mr.Tos Chirathivat 2) Mr.Prin Chirathivat



Information regarding the Properties of Central Festival Phuket 1

Nature of the Asset

Central Festival Phuket 1 is a full-scale shopping complex, comprising variety of well-selected retail outlets.

Terms of the Sub-Lease Agreement

Approximately 41 years
(Expired in June 2056)

Location

Vichit Sub-District, Muang District, Phuket
(at the intersection between Thep Kasatree Road and Vichit Songkram Road)



Year of Operation Commencement

2004

Total Land Size to be Sub-Leased from CDS

25 rais and 36.8 sq.wah. All plots of land are located in Vichit Sub-District, Muang District, Phuket.

Area in the Shopping Complex to be Leased

- Gross Floor Area: 69,091 sq.m.
- Total Leasable Area: 44,347 sq.m. (Excluding area belonging to Central Department Store)
- Parking Area: 37,300 sq.m.



Value creation for CPN and its shareholders

1.

Conformance to CPN's long-term strategic plan and revenue enhancement in the long-run

- The properties of Central Festival Phuket 1 is a full-scale shopping complex located in Phuket. It has been in operation for more than 10 years.
- CPN will develop Central Festival Phuket 2 on the opposite side of the current location of the properties of Central Festival Phuket 1. Central Festival Phuket 2 is expected to start operation in 2017. Managing both assets under CPN would help to create potential synergies in their operations, thus benefiting CPN's business operations.

2.

Allowing CPN to obtain leasehold right associated with the asset with good location and sound potential

- The properties of Central Festival Phuket 1 is located at the intersection between Thap Kasatree Road and Vichit Songkram Road. The project is easily accessible via various transportation modes.
- It comprises tenants such as food hall, movies theatre, fashion outlets, restaurants and etc.
- The project is located in Phuket, one of the most famous tourism provinces of Thailand.

3.

Diversification of Business Risk

- Investing in the properties of Central Festival Phuket 1 helps to diversify CPN's business risk as its rental and service revenues will come from more number of shopping complexes under its management.
- Investing in the properties of Central Festival Phuket 1 which is in operation for more than 10 years will have a lower risk than developing a new shopping complex from the beginning.

4.

Economies of Scale in CPN's Operation

- Increasing number of shopping complexes in the CPN Group would help it to achieve economies of scale in its operation in the area of marketing and PR activities, tenants procurement and etc.



Risk Factors and Mitigation Strategies

Risk Factors	Mitigation Strategies
<p>1 Risk that actual rental and service revenues may be lower than projected ones</p>	<ul style="list-style-type: none">■ Appropriate tenant mix to diversify risk of reliance on a particular tenant or those engaging in the similar business and to make the properties of Central Festival Phuket 1 more attractive■ Appropriate zoning arrangement and use of proper marketing and PR campaigns to attract more tenants and shoppers■ Development and management of the properties of Central Festival Phuket 1 and Central Festival Phuket 2 under CPN would help to create operating synergies between those two assets, thus benefiting CPN's operation in the long run.
<p>2 Competition Risk</p>	<ul style="list-style-type: none">■ CPN would apply its expertise and various strategies that were applied successfully with CPN's other projects to the properties of Central Festival Phuket 1 and Central Festival Phuket 2 to ensure their long-term success.■ Proper refurbishment of the properties of Central Festival Phuket 1
<p>3 Risk of Refurbishment of the Properties of Central Festival Phuket 1</p>	<ul style="list-style-type: none">■ Prior to any major refurbishment or renovation of the properties of Central Festival Phuket 1, CPN will conduct necessary feasibility studies to ensure doing so would help to create value-added for the asset and enhance return to the Company.■ Refurbishment of the asset will be conducted on a part-by-part basis to minimize potential impact to its operation.
<p>4 Risk that tenants may be unable to pay rentals when due</p>	<ul style="list-style-type: none">■ Ask for lease deposit equivalent to 3-4 months of rentals from each tenant

Necessity of Entering into the Transaction with CDS (1/2)

Rationale and Necessity

- 1 Create operating synergies between the properties of Central Festival Phuket 1 and Central Festival Phuket 2

Supporting Reasons

- The completely developed Central Festival Phuket which will comprise the properties of Central Festival Phuket 1 and Central Festival Phuket 2 will be a full-scale and one of the largest shopping complexes in Phuket and the southern parts of Thailand. With its good location and proper tenant mix, Central Festival Phuket would attract strong interests from tenants and shoppers
- CPN would develop and manage those two assets together, and this would allow them to create operating synergies, thus benefiting CPN's business in the long-run.
- CPN would construct a skywalk to link the properties of Central Festival Phuket 1 and Central Festival Phuket 2, thus facilitating commuting between those two assets.



Necessity of Entering into the Transaction with CDS (2/2)

Rationale and Necessity	Supporting Reasons
<p>2 Eradication of Potential Conflict of Interest between the Properties of Central Festival Phuket 1 and Central Festival Phuket 2</p>	<ul style="list-style-type: none">▪ Developing and managing the properties of Central Festival Phuket 1 and Central Festival Phuket 2 under CPN would not only create operating synergies in terms of marketing and PR activities, procurement of tenants, financing and etc but also get rid of potential conflict of interest in their operations.
<p>3 Allow CPN to invest in the properties of a shopping complex which has been in operation for more than 10 years, with a lease term of 41 years. This would expose CPN to a low risk of investing.</p>	<ul style="list-style-type: none">▪ CDS already renewed the Main Land Lease Agreement with the original landlords, thus allowing it to obtain the total land lease term of 41 years.▪ Central Festival Phuket 1 has been in operation since 2004 and its existing occupancy rate is 95%.▪ CPN could apply its operating and marketing strategies that it has used successfully with other projects to the properties of Central Festival Phuket 1 and Central Festival Phuket 2.

Opinion of Price - Approach 1 : Key Assumptions and Appraised Value by Independent Asset Appraisers

Key Assumptions	S.L. Standard Appraisal Co., Ltd.	Thai Property Appraisal Lynn Phillips Co., Ltd.
Leasable Area	Leasable area of 44,347 sq.m.	Leasable area of 44,347 sq.m.
Occupancy Rate	Occupancy rate of 95.0% – 100.0% depending on rental area category	Occupancy rate of 92.0% – 100.0% depending on rental area category
Retail Space Rental Rate	Retail space rental rate as of 2015 at 1,200 Baht/sq.m./month ⁽¹⁾	Retail space rental rate as of 2015 at 1,450 Baht/sq.m./month ⁽¹⁾
Rental Growth Rate	Rental growth rate of retail rental space at 5.0% per year and rental growth rate of Anchor tenant space at 10.0% for every 3 years	Rental growth rate of retail rental space at 5.0% per year and rental growth rate of Anchor tenant space and ATM space at 3.0% per year
Ratio of Direct Cost and Expenses to Revenue (including the Reserve for Capital Expenditure)	An average of the ratio of direct cost and expenses to revenue over 41 years equals to 41.7%. The figure includes the capital expenditure reserve at 3.0 % of total revenue per year	An average of the ratio of direct cost and expenses to revenue over 41 years equals to 42.8%. The figure includes the capital expenditure reserve at 3.0 % of total revenue per year
Discount Rate	Discount rate at 10.0%	Discount rate at 10.5%
Appraised Value	Forecast Period 17 years : 5,550 million Baht Forecast Period 41 years : 7,550 million Baht	Forecast Period 17 years : 5,535 million Baht Forecast Period 41 years : 7,625 million Baht

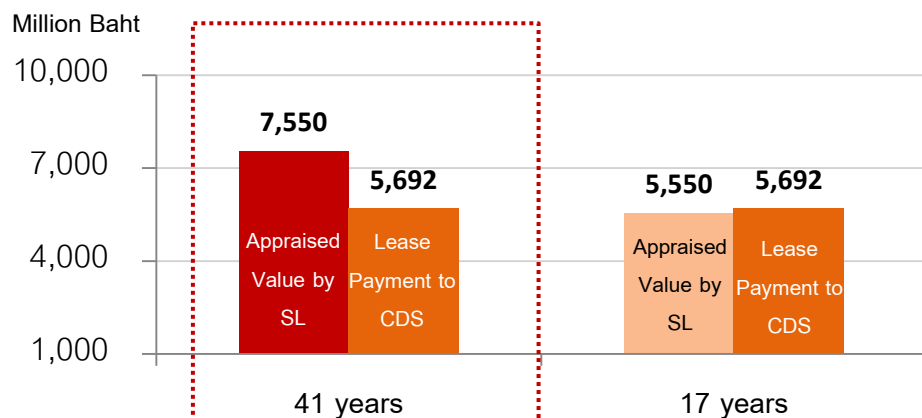
Remark : (1) Retail rental space at 1,200 Baht/sq.m./month assumed by S.L. Standard Appraisal Co., Ltd. Is the average rental rate of 3 rental area category including Retail space of 24,890 sq.m., Theater space of 4,635 sq.m., and Food court 1,801 sq.m.. Since the rental rate of Theater and Food court are lower than the normal Retail space rental rate, the average rate used by S.L. Standard Appraisal Co., Ltd. is lower than the average rental rate used by Thai Property Appraisal Lynn Phillips Co., Ltd..

Opinion on Price – Approach 1 : Comparison between Lease Value payable to CDS and Appraised Values

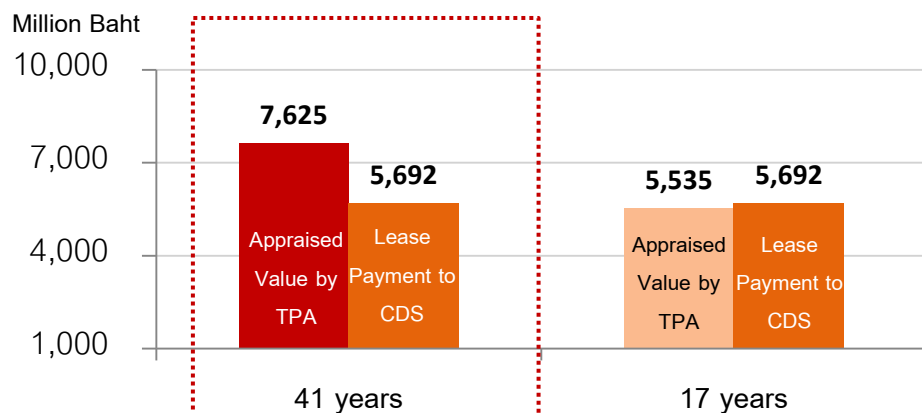
Approach 1

Comparing the building lease and transfer of utilities system value payable to CDS with appraised values

Comparing lease payment to CDS with appraised value by S.L. Standard



Comparing lease payment to CDS with appraised value by TPA Lynn Phillips



Remark : the building lease and transfer of utilities system value to be paid to CDS is at the amount of 5,630 million Baht. It is subject to relevant transaction fee of 1.1%, increasing the total value to 5,691.9 million Baht



Opinion of Independent Financial Advisor

- Based on the draft contract between CPN and CDS, the lease tenure is approximately 41 years. Thus the Independent Financial Advisor believes that it is more appropriate to compare the transaction value with Fair Market Value for 41-year Tenure than with Fair Market Value for 17-year Tenure.
- The building lease payment and transfer of utilities system payable to CDS at 5,691.9 million Baht is 24.6% less than the fair market value appraised by S.L. Standard Appraisal Co., Ltd.
- The building lease payment and transfer of utilities system payable to CDS at 5,691.9 million Baht is 25.4% less than the fair market value appraised by Thai Property Appraisal Lynn Phillips Co., Ltd.



Opinion of Price - Approach 2 : Assessing Expected Benefits to CPN over 41-year Tenure

Approach 2

Independent Financial Advisor determines the returns to CPN over the 41-year tenure by assessing Net Cash Flows

Key Assumptions used to Forecast Net Free Cash Flows

Net Leasable Area and Occupancy Rate	44,347 sq.m. with the Occupancy Rate at approximately 95.0% of total Net Leasable Area
Average Retail Rental Rate	Average Retail Rental Rate at 1,378.5 Baht/sq.m./month
Average Rental Growth Rate	At 3.0% - 5.0% per annum depending on the rental space category
Direct Cost	Total cost equals to 28% of total revenue. The total cost comprises common area maintenance, insurance cost, property taxes and other rental related cost.
Expense	Expenses are assumed to be 12.0% of total revenue. The expenses consists of personnel expense, administration expense, marketing expense and management fee.
Reserve for Capital Expenditure	Reserve of capital expenditure is assumed to be 1.0% of total construction cost occurred during 2001 – 2002. The construction cost is adjusted with 3.0% annual growth rate.

Summary of Expected Return to CPN over 41-year Tenure

Net Present Value (NPV)	<u>Pre-tax</u>	2,263.9 million Baht ⁽¹⁾
	<u>Post-tax</u>	486.5 million Baht ⁽¹⁾
Internal Rate of Return (IRR)	<u>Pre-tax</u>	12.2%
	<u>Post-tax</u>	10.2%

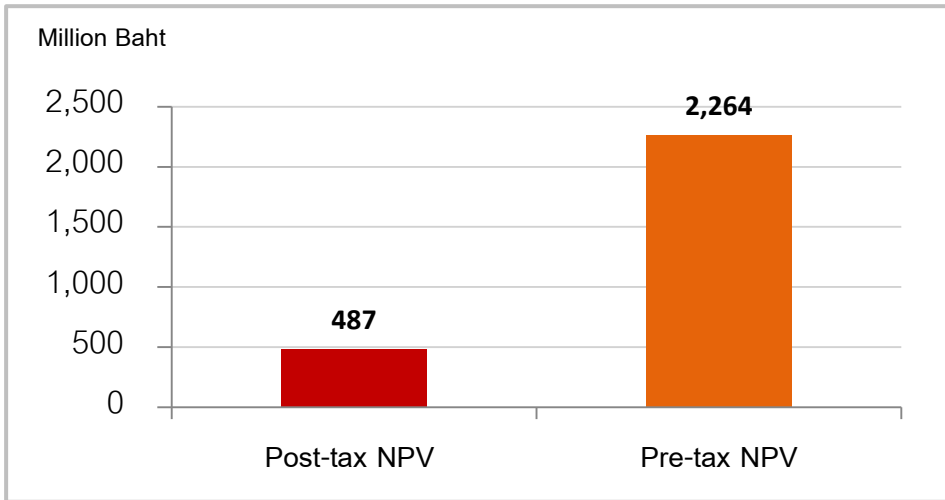
Remark : (1) discounted with WACC of CPN at 9.66%, which is calculated from the following :

Cost of Equity	13.5%
Cost of Debt	4% (pre-tax cost of debt)
Corporate Tax	20%
D/A	37.3% of Total Asset
E/A	62.7% of Total Asset

D/A refers to the 5-year average (2010 – 2014) of the ratio of interest bearing debt and deposit over total asset

Opinion on Price - Approach 2 : Analyze and Compare Expected Project Return with 3 Benchmarks

Net Present Value of the Project over 41-year Tenure is positive



By discounting the forecasted net Free Cash Flows with 9.66% discount rate (WACC of CPN), both Pre-tax and Post-tax NPV of the investment is positive.

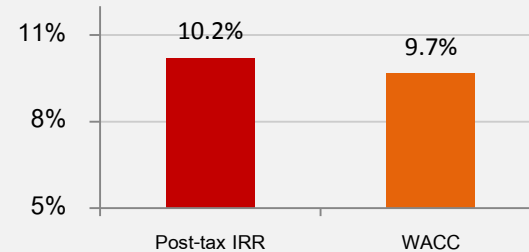


Opinion of Independent Financial Advisor

- The decision to invest in the project will create an incremental value to CPN as the NPV is positive.
- Pre-tax IRR of the project at 12.2% is comparable to the required pre-tax IRR policy of CPN for an investment in commercialized project at 12.0%. Investing in a commercialized project does not have a development risk / construction risk.

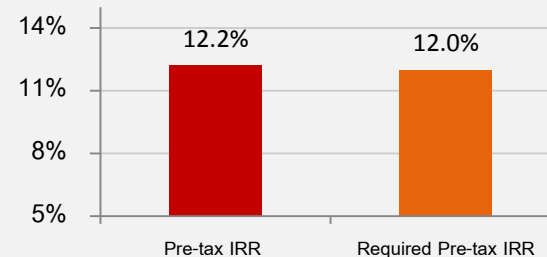
Comparing IRR with 3 Benchmarks

Comparing with CPN's WACC



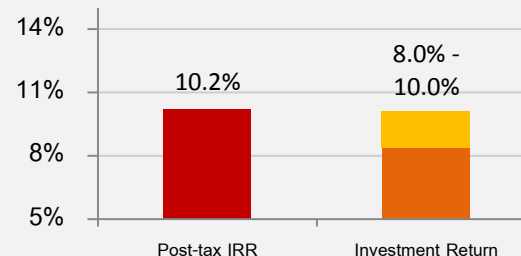
Post-tax IRR at 10.2% is greater than CPN's WACC at 9.7%

Comparing with CPN's Required Pre-tax IRR



Pre-tax IRR of the project at 12.2% is comparable to the required pre-tax IRR policy of CPN for an investment in commercialized project at 12.0%.

Comparing with Average Return on Shopping Mall Investment



Post-tax IRR at 10.2% is higher than the average return on investment in shopping mall outside Bangkok Metropolitan in 2013 at 8.0% - 10.0% according to Thai Appraisal Foundation

Key Terms and Conditions in Relevant Agreements (1/2)

Terms and Conditions	Opinion of the Independent Financial Advisor
<p>1 Terms of the Sub-Lease Agreement and the Building Lease Agreement are 41 years from the date of entering into respective agreements to 6 June 2056.</p>	<p>Tenor of each agreement is equivalent to that of the Main Land Lease Agreement entered into between CDS and the original landlords.</p>
<p>2 When CDS and/or a company under its control obtains an option and/or renew the Main Land Lease Agreement with the original land owners, CDS and/or the company under its control agrees to grant the right of first refusal to CPN.</p>	<p>Inclusion of this condition in relevant agreements benefits CPN's business operation. CDS and CPN agree to negotiate terms and pricing of the relevant agreements prior to their renewal.</p>
<p>3 The parties agree to register sub-leasehold right and leasehold right with competent authorities on the date and time that CPN will later notify CDS.</p>	<p>The purpose of this clause is to ensure CPN and CDS will comply with applicable laws so that the Sublease Agreement and the Building Lease Agreement are legally valid.</p>
<p>4 CPN agrees to utilize all leased assets in relation to the business of shopping complex, department store, retail outlet, office building, hotel, any related businesses, any businesses as deemed appropriate by CPN, businesses that are operated by CPN's subsidiaries or any businesses in accordance with the business objective (s) of CPN.</p>	<p>This condition is stipulated in relevant agreements to ensure that CPN will utilize all leased assets for the purpose of running CPN's main businesses or related ones.</p>
<p>5 Throughout the tenors of the Sublease Agreement and the Building Lease Agreement, CPN agrees to observe all terms and conditions under both agreements.</p>	<p>This condition is included in relevant agreements to ensure that CPN will observe their key terms and conditions, thus allowing CDS to comply with the Main Land Lease Agreement as well.</p>

Key Terms and Conditions in Relevant Agreements (2/2)

Terms and Conditions

Opinion of the Independent Financial Advisor

6 Prior to investing in the subleased land by CPN, CDS as the holder of leasehold right associated with land plots on which Central Festival Phuket 1 Shopping Complex is currently located will proceed to ask for permission from the original land owners such that in case the Main Land Lease Agreement will be terminated or cancelled in the future due to violation or non-conformance by CDS, CPN can replace CDS as a party in such agreement. CPN does not have to bear any additional expenses associated with this.

CPN benefits from inclusion of this clause in the Sublease Agreement. Inclusion of this clause also helps to protect CPN from any damages that may occur due to termination of the Main Land Lease Agreement which is not according to the fault of CPN.

7 The Sublease Agreement and the Building Lease Agreement may be terminated under the following events:

Such terms and conditions are normal ones under long-term land and building lease agreements.

- In case CDS violates or fails to comply with key terms and conditions in relevant agreements, and CDS cannot cure such default within specified period;
- In case CDS is under receivership or is declared bankrupt by a court order;
- In case CPN violates or fails to comply with key terms and conditions in relevant agreements, and CPN cannot cure such default within specified period;
- Mutual agreement by both parties to terminate relevant agreements



It is of the opinion of the Independent Financial Advisor that the transaction of investing in the properties of Central Festival Phuket 1 makes sense and would generate long-run benefits for CPN due to the following reasons:

1 Benefits to CPN

- ✓ Conformance to CPN's long-term strategic plan which aims to expand its shopping mall business to regions with sound business potential.
- ✓ Allowing CPN to acquire leasehold rights associated with a shopping mall with good location and sound long-term commercial potential.
- ✓ CPN could manage the properties of Central Festival 1 along with Central Festival Phuket 2, thus creating operating synergies between those two assets which will eventually benefit CPN's operation.
- ✓ Business diversification

2 Fair Pricing Terms

- ✓ The amount of 5,691.9 million Baht payment payable to CDS for the building lease tenure of 41 years and utilities system transfer are at 24% - 25% discount from appraised values.
- ✓ The after-tax NPV of the investment is 486.5 million Baht, thus the decision to invest in the project will create incremental value to CPN.
- ✓ The IRR of the projected cash flows is greater than WACC of CPN and is comparable to required rate of return for CPN to invest in commercialized project .

3 Fairness of conditions

- ✓ Terms and conditions stipulated under draft of relevant agreements are fair and on arm's length basis.
- ✓ Allowing CPN to replace CDS as the party in the Main Land Lease Agreement in case CDS violates or fails to conform to major terms and conditions in such agreement makes sense and help to prevent serious damages to CPN's business due to early termination of the contract.
- ✓ Giving right of first refusal in relation to the properties of Central Festival Phuket 1 to CPN would provide benefits to CPN's business operation.