

Section 1 Overview of Business

1. Policy and Overview of Business

1.1 Vision and Mission

PACE is the leader in Thai super luxury property development, hospitality, and lifestyle retail businesses. With core strengths in understanding the high-end consumers, PACE also delivers innovation in the retail market with a strategy to build a portfolio of global food and beverages. Each element of PACE features world-class design and premium quality, by introducing new trends, improving the landscape and enhancing people's lives.

Vision

PACE focuses on creating design-driven properties hospitality, and gourmet food and beverages lifestyle retail business which match the needs of discerning and affluent individuals. With a strong team of dedicated staff and a wide-network in luxury real estate and lifestyle industries, PACE has continued to create developments and introducing new trends to the market while delivering sustainable social contribution activities, redefining and enhancing the people's standards of living.

Mission

- Create team and networks that truly understand discerning customers' needs and lifestyle.
- Bring new trends to real estate and gourmet food and beverage lifestyle retail businesses.
- Improving the landscape of developments areas through world class architectural and interior design leadership.
- Deliver the highest quality standard property with finest top-end specifications and construction control.
- Providing customers with the world's finest gourmet products including food and beverages.
- Enhance standards of living of Thai people through social contribution activities and laborers' care program in the construction areas.

1.2 Significant Changes and Development

PACE Development Corporation Public Company Limited ("the Company") has its main business in the high-end real estate development and gourmet food and beverages lifestyle retail. As of December 31st, 2014, the Company's registered capital and paid capital is 2,054.3 MB (Million Baht). The Company has its head office situated at 87/2 CRC Tower, All Seasons Place, 45th Floor, Wireless Road, Lumpini, Pathumwan, Bangkok.

The Company was founded on September 1st, 2003, under the name “Cinkara Company Limited” with fully paid capital of 2 MB and on November 6th, 2003, Mr. Sorapoj Techakraisri and the Company increased its capital to fully paid 10 MB. The Company started its real estate development business by launching first development, Ficus Lane, a residential project situated on Sukhumvit 44/1 Road. Thereafter, Mr. Sorapoj Techakraisri founded related companies to develop other projects with the aim of becoming the leader in the luxury real estate business targeting high-end consumers. Mr. Sorapoj together with his group of companies has achieved important milestones as follows:

2003 Founded Cinkara Company Limited.

2004 Commenced development of “Ficus Lane”.

2007 Founded YLP Company Limited with fully paid-up registered capital of 50 MB, to develop a condominium under the name “Saladaeng Residences”.

2007 Mr. Sorapoj Techakraisri and his group founded PACE Project One Company Limited (“PACE One”) with fully paid-up registered capital of 10 MB to develop the mixed-use MahaNakhon Development.

2008 Industrial Buildings Corporation Company Limited (IBC Thailand) and IDJ Holding Company Limited became partners of MahaNakhon Development through acquiring a part of Mr. Sorapoj’s stake in MahaNakhon. The Company restructured MahaNakhon Development by establishing the group of companies with a goal to manage different business components of MahaNakhon as follows:

- Increased the registered and fully paid capital of PACE One to be 200 MB to operate Bangkok Edition Hotel.
- Founded PACE Project Two Company Limited (“PACE Two”) with fully paid registered capital of 200 MB to develop long-term leased residential real estate under the name “The Ritz-Carlton Residences, Bangkok”.
- Founded PACE Project Three (“PACE Three”) with fully paid registered capital of 100 MB to operate the shopping centre with 3 components: Retail Cube, Retail Hill and Sky Observation Deck.
- Founded PACE Real Estate Company Limited (“PRE”) with fully paid registered capital of 10 MB as a holding company to hold shares in PACE One, PACE Two and PACE Three in the proportion of 50% each respectively.

2009 Officially launched Saladaeng Residences.

2010 The Company opened the sales gallery and sample unit of The Ritz-Carlton Residences, Bangkok at MahaNakhon Development.

- 2011 The Company restructured ownership portions within the group to prepare for listing in the Stock Exchange of Thailand (SET). The Company increased fully paid-up registered capital to 1,454.3 MB to acquire shares 99.99% in YLP, 25% each in PACE One, PACE Two and PACE Three respectively and 50% in PRE.

The Company completed the process of converting into a public company by issuing a capital increase of 600 MB for public offering. After the capital increase, the Company's registered capital became 2,054.3 MB and the Company is renamed PACE Development Corporation Public Company Limited (PACE).

- 2012 Construction of MahaNakhon Development progresses significantly following completion of piling and commencement of construction of core structure.

- 2013 The Company launched MahaSamutr, a Luxury mixed-use Development in Hua Hin with Thailand's first private Country Club and Villas.

The Company is listed in the Stock Exchange of Thailand (SET) with a registered capital of 2,054.3 MB fully paid-up.

The Company bought shares and shareholder loans of the jointly controlled entities from IBC Thailand and IDJ Holdings Co., Ltd., resulting in PRE, PACE One, PACE Two and PACE Three becoming subsidiaries of the Company with the following ownership proportions (direct and indirect):

- PRE 67.68%
- PACE One 67.84%
- PACE Two 67.84%
- PACE Three 67.84%

The Company commenced construction of MahaSamutr Development, Hua Hin.

- 2014 The Company bought land and successfully changed the proprietary right in MahaNakhon from leasehold to freehold.

Founded PACE Country Club Co., Ltd. with registered capital of 1 MB
(10,000 common stocks, valued 100 baht each)

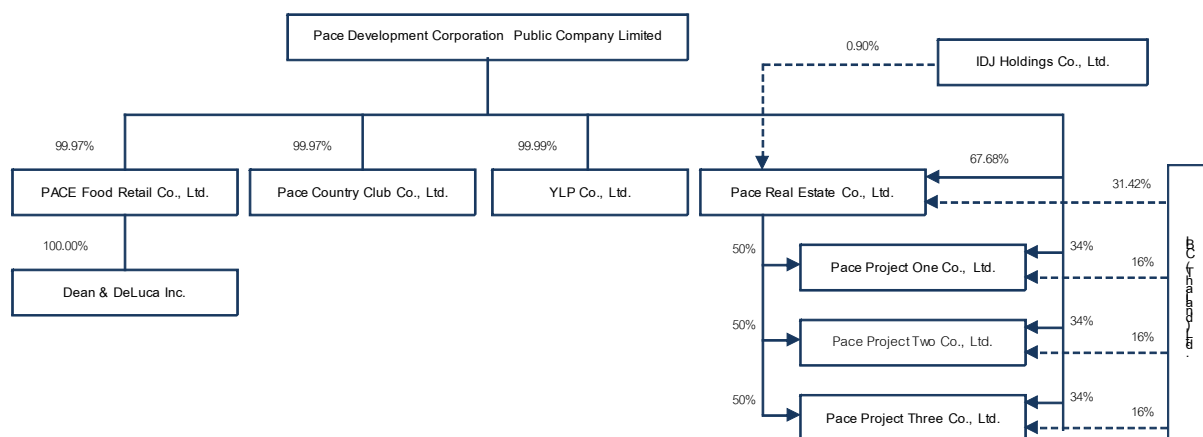
Founded PACE Food Retail Co., Ltd. with registered capital of 1 MB
(10,000 common stocks, valued 100 baht each) and increased registered capital to 810.95 MB
(8,109,500 common stocks, valued 100 baht each)

Acquired Dean and DeLuca, the world's iconic gourmet food and beverages brand valued USD 140 million.

1.3 Overview of Business and Subsidiaries

As of December 31st, 2014, the Company has 8 subsidiaries which are: YLP Co., Ltd. (YLP); PACE Real Estate Company Limited (PRE); PACE Project One Co., Ltd (PACE One); PACE Project Two Co., Ltd. (PACE Two); PACE Project Three Co., Ltd. (PACE Three) including new subsidiaries of: PACE Country Club Co., Ltd., operating real estate development and management; PACE Food Retail Co., Ltd., operating food and beverages business; and Dean & DeLuca, Inc, operating high-end supermarket and gourmet food and beverages retailing business.

The structure of the Company and subsidiaries is shown below:



Note :

- IBC (Thailand) Ltd. is an Israeli company registered in Israel. It is a company under the group of Industrial Buildings Corporation Ltd. (IBC), a company listed in Tel-Aviv Stock Exchange in Israel
- IDJ Holdings Co., Ltd. is a Thai company registered in Thailand as an investment partner in the MahaNakhon Project
- The total of direct and indirect shareholding proportions in the diagram above is reflected in the table shown in the timeline section year 2013. i.e. $34\% + (50\% \times 67.6751\%) = 67.84\%$

As of December 31st, 2014, the Company and its subsidiaries have a total of 4 developments which two are finished and two are on-going, consisting of Ficus Lane, Saladaeng Residences, MahaNakhon and MahaSamutr.

Project Name	Owner	Project Characteristic	Construction period
1. Ficus Lane	PACE	Two 7-storey residential buildings, with 70 units in total, situated on Sukhumvit 44/1 Rd.	2004-2006
2. Saladaeng Residences	YLP	132 units, super-luxury residential building in Soi Saladaeng with 25 floors above ground and 5 underground floors	2008-2011
3. MahaNakhon		Mixed-use development adjacent to Chongnonsri BTS Station, Narathiwas Rajanagarindra Rd.	

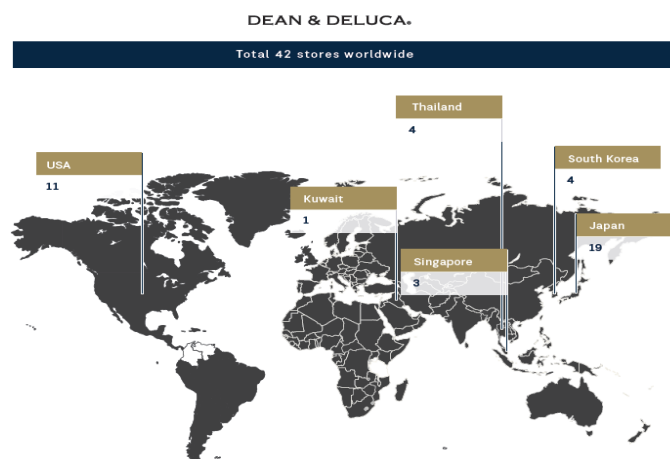
3.1 Bangkok Edition Hotel	PACE One	159 rooms, 5-star luxury boutique hotel	2011-2016
3.2 The Ritz-Carlton Residences, Bangkok	PACE Two	207 residences, super-luxury residences	2011-2016 (Partially finished in 2015)
3.3 Lifestyle Retail	PACE Three	Luxury lifestyle retail center	
3.3.1 MahaNakhon CUBE (Retail CUBE)		Approximate total leasable area of 5,003 sq.m.	2011-2014
3.3.2 MahaNakhon Tower (Retail Hill and Sky Observation Deck)		Approximate total leasable area of 2,434 sq.m. Approximate observation area of 2,139 sq.m.	2011-2016
4. MahaSamutr	PACE	80 Luxury Villas and Country Club located at Soi 112, Hua Hin, Prachuabkhirikhan	2013-2016 (Partially finished in 2015)

In early December 2014, the company has acquired the world's most iconic gourmet food and beverages brand, Dean & DeLuca as well as its global business and assets for USD 140 million or approximately Bth 4,550 million.

Business	Owner	Business Characteristic	Start
1. Dean & DeLuca	PACE	operating high-end supermarket and gourmet food and beverages retailing business	2014

Currently, Dean & DeLuca has a total of 11 outlets which are 5 restaurants and 6 supermarkets and 2 commissaries in the United States. For international operations, D&D has been operating under licensing agreements which has a total of 31 international stores in Japan, Singapore, South Korea, Thailand and Kuwait. The Company is planning for the store expansion locally and internationally as well as the licensee expansion in new countries.

Photo shows the locations of D&D worldwide



2. Operation of Business

2.1 Characteristics of Products and Services

The Company and subsidiaries generate revenues from the following projects:

(Unit: Million Baht)

Revenue Type	Operated	2012		2013		2014	
	by	Revenue	%	Revenue	%	Revenue	%
1. Ficus Lane	PACE	24.6	2.3	42.3	12.3	34.0	5.6
2. Saladaeng Residences	YLP	914.3	83.9	245.1	71.0	-	-
Total operating revenues		938.9	86.2	287.4	83.3	34.0	5.6
3. Revenues from Dean & DeLuca*		-	-	-	-	468.6	77.1
4. Other revenues							
Revenues from leases and services		1.9	0.2	3.9	1.1	39.3	6.5
Gain on sale of land held for sale		-	0	-	-	30.6	5.0
Interest income		104.4	9.6	32.3	9.4	3.8	0.6
Management fees		30	2.8	15	4.3	-	-
Profit (loss) from foreign exchange		0.5	0	-	-	4.4	0.7
Other**		-	-	-	-	-	-
Other income		13.2	1.2	6.6	1.9	27.0	4.4
Total other revenues		150	13.8	57.8	16.7	105.1	17.3
Total revenues		1,088.90	100	345.2	100	607.7	100

* Revenue recognition started from 4 December 2014, since the company acquired Dean & DeLuca business

** Includes profits from equipment sales, income from compensations and indemnities, reverse transfer of advances, reverse transfer of construction payables, and reverse transfer of retention payables

The main business of the Company and subsidiaries is high-end real estate development and gourmet food and beverages lifestyle retail business that match the needs of discerning and affluent individuals and lifestyles. Details of the Company's projects are described below:

Past Projects

1. Ficus Lane

Ficus Lane is the Company's first residential condominium project. Its construction started in 2004 and completed in 2006. The project's detailed information is shown below.

Project Detail (As of December 31st, 2014)

Location: Soi Sukhumvit 44/1(Pichaisawat) Sukhumvit Road, Klong-Toei District, Bangkok

Project's characteristics

โครงการในอดีต

FICUS LANE
Condominium
รายละเอียดโครงการ (ณ วันที่ 31 ธันวาคม 2557)



โครงการฟิคัส เลน (FICUS LANE)


Total area	2-3-57 Rai (1,157 sq.wah)
Sale area	Approximately 12,109.8 sq.m.
Average sale price per sq.m.	Approximately 75,000 Baht/sq.m.
Project's detail	Two 7-storey residential buildings
Project's features	<ul style="list-style-type: none"> • Prime location in Soi Sukhumvit 44/1, adjacent to Phrakhanong BTS station • High level of privacy and security
Number of units	70 residential units, categorized into three types: <ul style="list-style-type: none"> • Residential units with 1-3 bedrooms: 60 units • Residential units with 3-4 bedrooms: 6 units • Penthouse: 4 units
Project value	Approximately 900 MB.
Construction period	2004 – 2006
Sale period	2004 - present*
Progress on construction	100% (construction completed)
Progress on sale	Units sold and under contracts equal to 99.1% of total sales area
Recognizable portion	99.0% (69 units)

Note: As of December 31st, 2014, Ficus Lane has one 366.6 sq.m. residential unit whose sale agreement has been signed but ownership transfer has not been completed and one unsold units with a total area of 113.4 sq.m.

2. Saladaeng Residences

Details of the project are shown below:

Project Detail (As of December 31st, 2014)

Location	Soi Saladaeng 1, Silom Road, Silom Sub-district, Bang-rak District, Bangkok
Project's characteristics	<p style="text-align: center;">SALADAENG RESIDENCES</p> <p style="text-align: right;">รายละเอียดโครงการ (ณ วันที่ 31 ธันวาคม 2557)</p>  <p style="text-align: center;">โครงการศาลาแดง เรสซิเดนซ์ (SALADAENG RESIDENCES)</p>
Total area	584 sq.wah
Sale area	Approximately 13,087.9 sq.m.
Average sale price per sq.m.	Approximately 180,000 Baht/sq.m.
Project's detail	A residential building with 25 floors above ground and 5 floors below ground
Project's features	<ul style="list-style-type: none"> • Prime location in Soi Saladaeng 1, accessible by 3 main roads: Silom Rd., Sathorn Rd., and Rama IV Rd. • Close to Saladaeng BTS station and Lumpini MRT station • Close to Lumpini Park, a sizable public recreational park in Bangkok • Fully equipped amenities • High level of privacy and security
Number of units	<p>132 residential units, categorized into four types:</p> <ul style="list-style-type: none"> • 1- bedroom residential units with total area of 60-66 sq.m.: 50 units • 2- bedroom residential units with total area of 89-121 sq.m.: 67 units • 3- bedroom residential units with total area of 161-206 sq.m.: 12 units • Penthouses with total area of 211-393 sq.m.: 3 units
Project value	Approximately 2,310 MB.
Construction period	2008 - 2011
Sales period	Quarter 4/2008 – present*
Progress on construction	100% (construction completed)
Progress on sales	Units sold and under contracts equal to 100.0% of total sales area
Recognizable portion	95.28% (127 units)

As of December 31st, 2014 Saladaeng Residences has five residential units remaining with total area of 689.11 sq.m., whose ownership transfer has not been completed.

Ongoing Projects

1. MahaNakhon Development

MahaNakhon is a mixed-use development with unique architectural design that consists of:

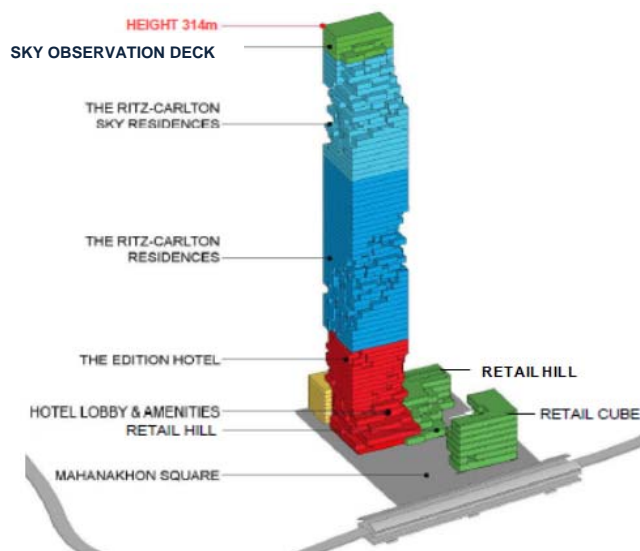
1. One super-luxury residential condominium under the brand “the Ritz-Carlton Residences, Bangkok”

2. One 5 star luxury boutique hotel under the brand “Bangkok Edition”, managed by The Ritz-Carlton Hotel Company
3. Lifestyle retails, including “MahaNakhon CUBE”, “Retail Hill”, and “Sky Observation Deck”

MahaNakhon development comprises of “MahaNakhon Square” a public area; “MahaNakhon CUBE”, a 10,000 sq.m. lifestyle retail center including restaurants, café and gourmet market; “The Ritz-Carlton Residences, Bangkok”, 207 extraordinary homes, each offering the atmosphere of a skybox penthouse, managed by The Ritz-Carlton with five-star amenities for all residents. “Bangkok Edition Hotel” managed by The Ritz-Carlton in collaboration of Marriott International and the famous hotelier Ian Schrager. Sky Observation Deck will be situated on the top terrace of MahaNakhon.

Currently, MahaNakhon development is under-construction. The construction phases of MahaNakhon divided into 2 phases; MahaNakhon CUBE which has been completed and opened at the end of 2014; residential, hotels and beyond are expected to be completed in 2016.

Project Characteristics






Development's History

The Company co-founded PRE, PACE One, PACE Two and PACE Three with IBC Thailand Ltd., a subsidiary of Industrial Buildings Corporation Co., Ltd. (IBC) which is listed in the Tel Aviv Stock Exchange in Israel. IBC is a sizable real estate development company under the Fishman Group, one of Israel's largest private investment groups specializing in investing in real estates, retail stores, media, and telecommunication businesses. PRE, PACE One, PACE Two and PACE Three were established with a common purpose which is to develop MahaNakhon. Spearheaded by PACE's executive team, the development is situated on a 9-Rai-1-Ngan-51.1-sq.wah land plot in Bangkok's business area between Silom Rd. and Sathorn Rd. and is adjacent to Chongnonsri BTS station. MahaNakhon is created to be a mixed-use development with unique architectural design. MahaNakhon development consists of two buildings as follows:

Building	Height	Area Utilization	Construction period
1. MahaNakhon Tower	77 floors*	<ul style="list-style-type: none"> Retail Hill (1st-5th Floor) Hotel (1st-20th Floor)* Residential area (23rd-73rd Floor) Sky Observation Deck (74th-77th Floor) 	2011-2016 (partially finished in 2015)
2. MahaNakhon CUBE	7 floors	<ul style="list-style-type: none"> Lifestyle retail 	2011-2014

**The floor numbers were assigned by the project's sales department, who omits 21st and 22nd Floors as they are middle layers between hotel and residential zones. Six transfer floors were also counted as three, resulting in MahaNakhon having 72 floors, which is consistent with the number of floors defined in the application for construction permit given to Bangkok Metropolitan Administration.*

The buildings will host three different functions: 5 star luxury boutique hotel, super-luxury residences, and retail center consisting of several world-leading brand-named shops and the Sky Observation Deck. Details of the each function are shown below.

Hotel	Residential Building	Lifestyle Retail Center
Bangkok Edition Hotel	The Ritz-Carlton Residences, Bangkok	MahaNakhon CUBE Retail Hill Sky Observation Deck
		
- A super-luxury boutique hotel under a new brand of Marriott Group and is managed by The Ritz-Carlton Hotel Company	<p>- A super-luxury residential development under an internationally recognizable brand</p> <p>- Residents will enjoy a legendary service by The Ladies and Gentlemen of The Ritz-Carlton</p>	- A lifestyle retail center that hosts world-famous gourmet food and beverages offering pleasing food-bon-vivant experiences, such as Vogue Lounge, L'Atelier de Joël Robuchon and Dean & DeLuca, to satisfy gastronomic lifestyles of the dwellers and the neighboring office workers

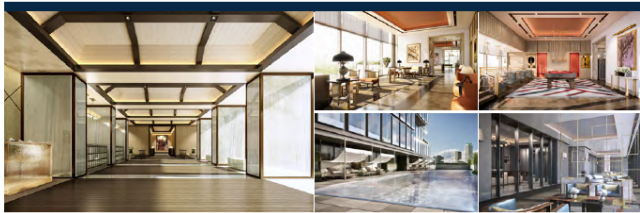
MahaNakhon Development Details

Location	On Narathiwas Rajanagarindra Road, Bangrak District, Bangkok
Total area	9 Rai 1 Ngan 51.1 sq.wah
Development's detail	<p>Three buildings;</p> <ol style="list-style-type: none"> 1. MahaNakhon Tower: high-rise building to be developed as super luxury freehold residences with facilities, a luxury boutique hotel and a lifestyle retail space 2. MahaNakhon CUBE: low-rise building to be developed as a lifestyle retail center 3. Parking building
Construction period	<ol style="list-style-type: none"> 1. MahaNakhon Tower 2011-2016 (partially finished in 2015) 2. MahaNakhon CUBE 2011-2014 3. Parking building 2014 -2015
Sales period	<ol style="list-style-type: none"> 1. MahaNakhon Tower 2009 - 2016 2. MahaNakhon CUBE 2012 - 2014
Development's features	<ul style="list-style-type: none"> • Location: Situated on Narathiwas Rajanagarindra Road, adjacent to Chongnonsri BTS station • Building characteristics: The building is designed under "the Pixel Concept"; the building is surrounded by perceptual 3-dimension glass ribbons. This enables dwellers to have panoramic view. It is also designed to be the tallest edifice in Thailand. • Project mixed-use facilities: consisting of <ol style="list-style-type: none"> 1. Hotel: A 5 star luxury boutique hotel under a new brand of Marriott Group and managed by The Ritz-Carlton Hotel Company 2. Residential building: A super-luxury residential development under an internationally

	recognizable brand "The Ritz-Carlton Residences, Bangkok"
	3. Retail center: A shopping center with leading brands, offering a variety of high-end dining outlets. The retail center consists of two zones: Retail CUBE, which is connected to Chongnonsri BTS station by a skywalk, and Main Tower, in which Retail Hill and Sky Observation Deck are situated.
Progress on construction (As of December 31 st , 2014)	1. MahaNakhon Tower 55% 2. MahaNakhon CUBE 100% 3. Parking building – Bored pile construction 100%

Details of each component in MahaNakhon

MahaNakhon Tower (Residential zone: The Ritz-Carlton Residences)

Location	Approximately 93,612 sq.m. (including allotted areas for parking space and building system work)
Project's characteristics	 <p>MahaNakhon tower (Hotel)</p>
Sale area	Approximately 48,000 sq.m.
Average sale price per sq.m.	Approximately 300,000 Baht/sq.m.
Target customers	Thai and foreign investors
Number of units	<p>Approximately 207 residences, categorized into</p> <ul style="list-style-type: none"> Residential units with 3-5 bedrooms and total area of 274-728 sq.m. (The Ritz-Carlton Sky Residences): 33 residences Residential units with 2-3 bedrooms and total area of 125-310 sq.m. (The Ritz-Carlton Tower Residences): 174 residences
Progress on sales	The number of residences under sales agreements is 129 residences, or 54.6% of the total sales area
Payment conditions	<p>Subscription deposit, contract payment, and down payment: Subscription deposit and contract payment are approximately 15% of the unit price. Down-payment is 20% of the unit price</p> <p>Installment for down payment: 1 - 36 installments depending on the remaining project development period</p> <p>Transfer payment: Approximately 65% of the unit value</p>

* As of December 31st, 2014, there were 129 residences of The Ritz-Carlton Residences, Bangkok under sales contracts, equivalent to 26,187.86 sq.m., or 54.6% of the sales space of 48,000 sq.m, totaling 7,126.7 MB. of the sales contract value. Furthermore, there are 7 residences under reservation, equivalent to 1,494 sq.m., or 3.1% of the sales area, totaling 271.9 MB. of the reservation value. In summary, there were 136 residences under signed contracts and reservation, equivalent to 27,681.9

sq.m., or 57.7% of the sales area, totaling 7,398.6 MB. of the total contract value. Note that as of December 31st, 2014, PACE has not recognized revenue on the sold long-term leases and reservation. The Company will start recognizing revenue when the construction and the ownership transfer are completed.

*On Feb 7th, 2014, the Company's subsidiaries bought a land plot in MahaNakhon Project and already changed the ownership structure in MahaNakhon Project from leasehold to freehold.

MahaNakhon tower (Hotel)

Total area	Approximately 39,682 sq.m.(including allotted areas for parking space and building system work)
Number of rooms	159 rooms
Target customers	Thai and foreign travelers and businessmen

MahaNakhon tower (Retail Hill and Sky Observation Deck)

Total area	Approximately 10,624 sq.m. (including allotted areas for parking space and building system work)
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Project's characteristics



MahaNakhon tower (Retail Hill and Sky Observation Deck)

Leasable area	2,434 sq.m. (Retail Hill) 2,139 sq.m. (Sky Observation Deck)
Target customers	Residents in the hotel and the residential building of MahaNakhon Development and the neighboring areas, such as The Infinity Condominium, and The Met, and workers in the adjacent offices, such as Asia Center, Empire Tower and Bangkok City Tower

MahaNakhon CUBE (Lifestyle Retail Center)

Total area Approximately 9,852 sq.m. (including allotted areas for parking space and building system work)

Project's characteristics



MahaNakhon CUBE (Lifestyle Retail Center)

Leasable area 5,003 sq.m.

Average lease payment Leasable rate for Retail Hill and Retail Cube is 2,500 sq.m./month per sq.m.

Target customers Residents in The Ritz-Carlton and guests from the hotel in the MahaNakhon Tower and its neighboring areas, such as The Infinity Condominium, and The Met, and workers in the adjacent offices, such as Asia Center, Empire Tower and Bangkok City Tower

Example of other projects in the same area

- Q House Lumpini Life Center
- City Viva

2. MahaSamutr Development

Situated in an upper market beach resort town, MahaSamutr Hua Hin consists of luxury resort-style villas and a luxurious Country Club set around Asia's largest man-made clear water lagoon and beach that offer breezy yet ritzy environment in a safe atmosphere, suitable for family gatherings and recreational activities. The 800-meter-long lagoon, situated on the 72,000-sq.m. lot, is visible and accessible from all villas, making the stay very much pleasant and packed with fun activities, such as swimming, paddle-boarding, diving, and other water sports.

With the latest technology from Crystal Lagoons Corporations, the color and the quality of the water is tested and carefully monitored to ensure a total environment reservation and energy saving.

MahaSamutr Development Details (As of December 31st, 2014)

Location Soi 112 Hua-Hin District, Prachuabkhirikhan Province

Project's characteristics

MAHASAMUTR
COUNTRY CLUB | LUXURY VILLAS
HUA HIN

as of December 31st, 2014



MahaSamutr Development

Total area	Approximately 128 Rai 2 Ngan 84.9 sq.wah	
No. of villas	80 luxury villas	
Sales price	Approximately 40 million baht/ villa	
Project details	Residential units: MahaSamutr Villa (Approximately 80 resort-style villas) Country Club: Hua Hin Country Club, managed by PACE and supported by ILC (for members and residents)	
Project value	Approximately 3,200 MB.* (excluding the value of the Country Club)	
Construction period	Construction started in Quarter 3/2013 – 2016, expect to start ownership transfer in Quarter 4/2015	
Sales period	Sales to start and opening of sales office in the first half of the year 2015	
Project features	The 800-meter-long lagoon with the total area of 72,000 sq.m.	
	<u>Country Club</u>	<u>Villas</u>
Progress on construction	<ul style="list-style-type: none"> Earth work 100% 	Earth work and retaining wall 100%
(as of December	<ul style="list-style-type: none"> Lagoon system 97% 	Infrastructure 15%
31 st , 2014)	<ul style="list-style-type: none"> Crystal lagoon 85% 	
	<ul style="list-style-type: none"> Infrastructure 8% 	

Company's New Business

COMPANY'S NEW BUSINESS

DEAN & DELUCA®



“Dean & DeLuca”, the world’s famous gourmet food and beverages brand, is the Company’s latest business which includes the supply chain and operations of eleven outlets and two commissaries in the United States as well as the licensing agreements in 31 international locations in Thailand, Japan, Singapore, South Korea, and Kuwait.

Dean & DeLuca offers world’s best epicurean treats from supply chain around the globe, consists of sales through retailers and e-commerce business in the United States.

2.2 Marketing and Competition

2.2.1 Market Condition

The Company and subsidiaries mutually determined the group’s competitive strategies in residential, retail, hotel, and gourmet food and beverages businesses as follows:

Residential Business

Competitive Strategy

Location

The Company places high emphasis on selecting the right locations for its projects, as location is a main key driver for the success of the real estate business. The Company will choose locations in the business center areas that are close to transit systems and highly accessible. For example, the location of Saladaeng Residences is in Saladaeng Soi 1 among the central business district and embassies while MahaNakhon development is situated between Silom and Sathorn Roads and adjacent to Chongnonsri BTS station. This is the area with continuous expansion of office space and new residential facilities and it is expected to host a high-purchasing-power community in the near future.

Aside from selecting the best locations in Bangkok's city center, the Company is also interested in investing in prime locations in tourist destinations. For instance, it bought the land in Hua Hin, Prachuabkhirikhan Province to develop resort-style villas and Hua Hin's first Country Club development named "MahaSamutr".

Product

The Company eminently focuses on developing the right types of projects that are suitable for each location. PACE doesn't restrict its investment universe to only residential developments, though; if the acquired land is suitable for other types of developments, the Company will not hesitate to adjust its objective to bring out the best use of the location. For example, MahaNakhon is designed to be a mixed-use development that incorporates Luxury Residences with a high-end boutique hotel and lifestyle retail center in one place. This is just to ensure maximum utilization of the prime location in the city center.

Apart from a novel design suited to each location, another equally important success factor is the quality of the project. As the Company's target customers are in the upper market segment (high-purchasing-power group), in which super-luxury exclusivity is highly valued, expectation towards superior quality is very high. The Company, therefore, put in place strict quality-control measures under the "Zero Defect" policy to be followed before delivering projects. Indeed, this policy has been highly blessed by PACE customers, including those of Saladaeng Residences Project.

Target Customer

Recognizing varieties of customer segments and their distinctive needs and wants, the Company constantly carries studies on customers' preferences and designs its project to match customers' expectations for better understanding and serve its customers accordingly. Before the start of MahaNakhon, for example, the Company devoted its resource to study target customers: Thai people dwelling in the city center, tourists, and foreign investors who enjoy convenient and modern lifestyles. Such study led to the choosing of the brands "Bangkok

Edition Hotel” and “The Ritz-Carlton Residences, Bangkok”, a 5 star luxury boutique hotel and an international residence under the Marriott Group both managed by The Ritz-Carlton Hotel Company.

Pricing

The Company has policy concerning the pricing of its developments in a competitive range when compared to market prices of the projects of similar nature. In practice, it considers several factors, such as project architectural features, the brands of the projects, projects’ amenities, visual features of the residences, project cost, and required rate of return. Nevertheless, its main consideration in project pricing is the relative quality-to-price rate.

Operation

The Company places high importance on professionalism. It also selects high-profile outsourced administrative teams to manage some of its projects.

Marketing and Public Relations

The Company’s marketing and public relations policies focus on getting access to the upper-class customers efficiently through various marketing means. Such means are, for example, direct marketing, in which the marketing messages are sent effectively to the target customers with lower marketing budget compared to other approaches, and mock-up room, in which customers can expose themselves to the layout of the room, the material used in the room, and the atmosphere of the project. This allows the customers to decide on their purchase more quickly and confidently.

In addition, the Company also organizes project road shows for target customers in other countries to convey marketing messages and provide detailed information to foreign customers directly.

Distribution and distribution channels

The Company’s sales force is highly professional, effective, and deeply knowledgeable in the products they sell. For The Ritz-Carlton Residences, Bangkok, the Company specially handpicked the sales team that had experiences living in foreign countries in order to properly communicate with the clients and perform after-sales services. In general, the sales team is responsible for accommodating customers who visit sales offices to see sample rooms at the site. Prospective customers can also find projects’ detailed information at website www.pacedev.com.

Furthermore, the Company also outsources professional sales representatives to help administer the distribution of the projects. For example, it hired C.B. Richard (Thailand) Co., Ltd., a leading sales representative agent in Thailand, to help distribute residential units in Ficus Lane, Saladaeng Residences, and The Ritz-Carlton Residences, Bangkok.

Retail Center Business

Competitive Strategy

Location

Situated in a business center area, PACE's lifestyle retail center (MahaNakhon CUBE) is surrounded by main business streets, such as Silom Rd. Narathiwas Rajanagarindra Rd. and Sathorn Rd. The lifestyle retail center's main attraction is its several world-class shops, most of which have no existing branches in Thailand, and its extensive area coverage. To popularize it even more, the Company plans to directly connect MahaNakhon CUBE, to Chongnonsri BTS Station. A survey done by DTZ Research-Thailand indicated that there is more than 1,400,000 sq.m. of office spaces in Silom, Sathorn and other neighboring zones around MahaNakhon . Such office spaces as Empire Tower and Sathorn City Tower. There are several residential facilities for example Empire Place, The Met, and Sukhothai Residences. Being able to commute conveniently by the BTS, potential customers are expected to pay frequent visits to the shopping center and significantly fuel the success of MahaNakhon CUBE and Sky Observation Deck.

Product

Zoning and tenant mix are the heart and soul of any retail center. Retailers are also important players who contribute to its success. The Company's lifestyle retail center is divided into 3 zones: Food and Beverages Zone, Services Zone (including supermarket, drug stores, etc) and Recreational Zone (including spa, fitness, etc.).

The Company uniquely designs its lifestyle retail center to stand out from others by a distinctive architectural design, well-known shops, and various interior components, such as walkways and courtyards. All of the architectural components are carefully formed to create pleasant shopping atmosphere and mood.

Target Customer

Anchor tenants are expected to draw customers' attention to the shopping center. Therefore, the Company plans to engage several magnet shops, such as "Dean and DeLuca" Gourmet Food Hall, the world's first "VOGUE Lounge", and the French Michelin star restaurant "L'Atelier de Joël Robuchon", etc. PACE will select only well-qualified anchor tenants who can attract potential customers to increase spending and traffic.

Pricing

The Company's lease rate is slightly higher than that of competitors to account for a more convenient location and higher-than-average purchasing power of the surrounding potential customers.

Operation

The Company has a policy to carefully select participating retailers by appointing Husband Retail Consulting, a professional retail business consultant, to handle the design of a proper retail mix that truly matches the lifestyles of the residents and the office workers in the surrounding areas.

Marketing and Public Relations

The Company focuses on delivering marketing messages to and having marketing activities with target customers, including residents of The Ritz-Carlton and The Bangkok Edition's hotel guests as well as high-purchasing-power office workers and residents in residential buildings, and hotels in the nearby locations such as:

- Residents in approximately ten neighboring leading hotels, such as Sukhothai Hotel, Dusit-Thani Hotel, and W Hotel
- High-income dwellers in neighboring residential projects, such as Empire Place, Sky Villas, Sukhothai Residences, Infinity Condominium, and the Met
- Workers in the nearby office buildings, such as Empire Tower, Sathorn City Tower, Sathorn Thani I and II Tower, and Sathorn Square Tower

Hotel Business

Competitive Strategy

Location

The Company's hotel is situated in the business center area surrounded by main business streets, such as Silom Rd., Sathorn Rd. and Narathiwas Rajanagarindra Rd., and is adjacent to Chongnonsri BTS Station. The hotel's main attraction is its unique architectural features of the building that is designed to be the tallest building in Thailand.

Product

The hotel's main selling point is the reputation of the hotel itself and of its management team. The Company strategically chose the brand "Edition", a new 5 star luxury boutique hotel brand under Marriott Group managed by The Ritz-Carlton Hotel Company. It is a co-creation of Mr. Bill Marriott, CEO of Marriott, and Mr. Ian Schrager, a renowned hotelier specialized in boutique hotel service design. Indeed, the design of "Edition" hotel most resonates with the style and features of MahaNakhon Project. In addition, choosing Marriott's brands means that the most efficient hotel reservation system will be used in Bangkok Edition, as the hotel can utilize Marriott's world-wide network. This actually is one of the reasons that make customers over the world trust the brand. The hotel is positioned to accommodate businessmen seeking for a pleasant and convenient stay that, at the same time, offers modern and cutting edge atmosphere.

Characteristics of Target Customers

The hotel's target customers are foreign businesspersons, foreign travelers, high-purchasing-power Thai businesspersons, and other retail clients who visit the hotel's restaurants and banquet rooms.

Pricing

To determine its room rates and service rates, the Company takes into accounts many factors, including market rates, seasons, clients' demand, and costs, to ensure that the rates are consistent with the hotel's quality of services and reputation.

Operation strategy

For its operation strategy, the Company focuses on having professional management team in place. In so doing, The Ritz-Carlton Hotel Company, a hotel management company under Marriott Group, was chosen to manage Bangkok Edition.

Marketing and Public Relations

Main distribution channels consist of direct marketing system, world-wide sales representative offices, and an internet-based reservation system. Moreover, to enhance the hotel's image and increase its brand awareness, the hotel also regularly advertises through printing media and launches promotion plans for the ultimate purpose of boosting sales of Marriott system.

Gourmet Food and Beverages Business

Competitive Strategy

Dean & DeLuca operates gourmet food markets that sell a diversified assortment of gourmet food and food related merchandise, as well as smaller format gourmet cafes that focus on fresh food, beverages, and a smaller assortment of merchandise. Additionally, Dean & DeLuca operates a robust direct channel business in the United States that serves corporate, wholesale, and consumers with its signature products. Dean & DeLuca has 11 retail locations in the United States, and over 30 locations in 5 international markets through brand license arrangements in each country. In operation since 1977, Dean & DeLuca has earned a reputation as a trusted prestige brand in all markets in which it operates.

Location

Dean & DeLuca seeks placement of locations in high visibility, upper income trade areas that can draw combinations of residential, office, and tourist consumers to its locations. Locations are assessed on demographic factors, store sizes, permitted zoning uses, unit economics, visibility, retail adjacencies with both complementary and competitive retailers, and foot and vehicle traffic density, among other qualitative factors.

Product

Dean & DeLuca's founding philosophy was to introduce consumers to high quality food products and prepared foods that were authentic "old world" culinary traditions and were unfamiliar, at that time, in the United States marketplace. Since then, it has evolved into a mission to introduce consumers to any culinary trend or product that may be exciting, unfamiliar or noteworthy, and the brand is now more global in its reach. The locations are designed to provide a curated assortment of fresh and non-perishable foods in an environment that is distinctively classic, and provides a product experience that can deliver anything from the essential to the unusual at the higher end of the quality range.

Target Customer

Dean & DeLuca seeks to appeal to people passionate about high quality food products and food experiences and care about choice amongst the finest producers, ingredients and prepared foods that the company can source on their behalf. We strive to cater to a knowledgeable consumer with the personal income to seek out and pay for high quality ingredients and food experiences. Given the company's offering of market and café formats, the brand offers equal opportunity for time-pressured consumers to have a high quality convenience coffee and meal, or a home chef seeking broad ingredients for their own preparation purposes.

Pricing

As a pioneer of import and selective sourcing, Dean & DeLuca has established a price point that reflects the time, effort, and product quality one would expect from a small batch, authentic producer of gourmet quality foods. Additionally, as a premium priced retailer with a global brand footprint, Dean & DeLuca also draws attention from producers and customers alike that aspire to participate in the brand experience and appeal to the demographic that we serve.

Operation Strategy

Dean & DeLuca has established a successful multi-location, multi-format retail footprint in the United States market, a diversified direct channel distribution strategy to consumers and corporate customers, and a successful license model that has allowed it to develop multi-channel operations in 5 countries across over 30 store locations. Dean & DeLuca continues to develop a unique infrastructure to allow it manage a complex distribution model for its brand and its products, and maintain its position as a market leader in the gourmet food experience segment.

Marketing & Public Relations

Due to the original uniqueness of the Dean & DeLuca brand heritage, the business has historically required modest marketing and public relations support to successfully expand in both domestic U.S. and international markets. Marketing and public relations enhancement strategies that have been selectively used to launch

segments, locations, products, and brand stories have been refined by the company and will be used more aggressively to differentiate the Dean & DeLuca brand experience from other high end food retail offerings or gourmet-style grocers.

Industry Analysis and Competition

Overview of Real Estate Development Industry

Real estate trends in 2015 reviewed by various real estate organizations such as Real Estate Information Center, The Government Housing Bank, Thai Real Estate Association and real estate businesses agreed that in 2015, Thai real estate market is expected to grow continuously with average growth rate at 5% and will reach the highest growth at 10% under the condition of non political issue and global economic crises that will affect Thai economic.

As a result of expansion of sky train infrastructure into outer Bangkok and AEC to be opening in 2015, demand in Thai real estate market will be increased especially in condominium market which expected to reach 50% of total real estate supply. Around 70,000 – 80,000 new units will be opened in 2015, higher than 2014 at 65,000 – 68,000 units. While the sale in 2015 is expected to remain 2014 sale, 2015 will be the golden year of real estate as the highest growth in 16 – 20 years.

Risk Factors

- The use of appraisal values in the guideline for 2012- 2015 that may increase the housing cost for home buyers
- Interest rate which expected to increase in 2016 will affect developers and consumers, especially the purchasing power. Currently, while the interest rate is lower leads to the positive effect to real estate market.
- A possible increase of the price of construction materials due to rising in domestic demand that may affect the cost of construction
- A rapid increase of land prices in many areas, especially those in the business center areas in Bangkok

Supporting Factors

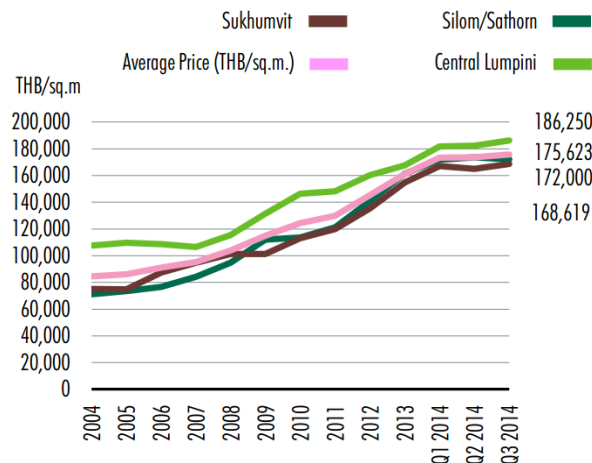
- The government's infrastructure investment, especially the expansion of sky train system
- The opening of AEC
- The stability of political and economic situation as well as government's distinctive country reformation plan

Competition

Residential Business

Currently, price competition of downtown residential project is obvious which cause the average selling prices per square meter higher. According to CBRE Research Centre, the report in the Bangkok property market shows that average selling prices of over 4 downtown projects are higher than THB 300,000 / sq.m. and their selling prices will continue to rise steadily. This was due to the higher land prices and increasing construction costs.

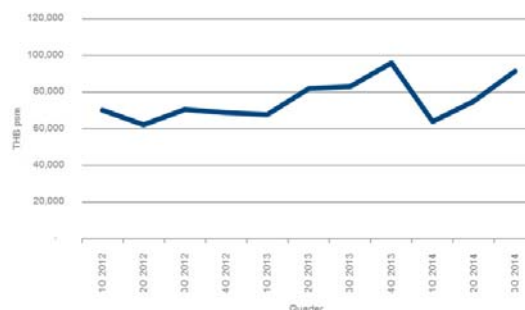
Figure 2: Average Re-sales Prices of Downtown Completed Freehold Units (High End and above)



Source: CBRE Research, Q3 2014

Moreover, the report of Colliers International Thailand Research in quarter 3/2014 proved that the average selling price of the new condominium units launched in the second quarter and the third quarter in 2014 increased accordingly. The average selling price of completed condominium units will increase over than 3 – 5% which reflects the increasing demand for housing and buyers are likely to find shelter at a larger size or condominium units with 2-3 bedrooms due to the large number of foreigners living in Bangkok increased.

Average selling prices of newly launched projects by location as of 3Q2014



Source: Colliers International Thailand Research

Source: Colliers International Thailand Research

As considering the price and quality of other downtown projects, The Ritz-Carlton Residences, Bangkok can compete on price with other competitors in the same class. Thanks to MahaNakhon Project already changed the ownership structure from leasehold to freehold since the beginning of the year 2014; this resulted in sales of residential unit increased. In addition, there are over hundred units for luxury 2 – 3 bedrooms at MahaNakhon project selling of which are the best selling units. The highlights of MahaNakhon project consists of a mixed-use development with unique architectural design, prime location property that is easy to access to sky train transportation - Chongnonsri BTS station, World class 5-star brand hotel, and quality of the project that is widely recognized internationally.

Hotel business

For Bangkok area, most of hotels are using International brands and the owner of the brands will be responsible for business management since reputation and services of International brands are recognized worldwide. Moreover, International brands also have broad customer database, so they have well understanding about customers' needs. As a result, the hotel is highly recognized and accepted by the customer.

For the International companies that operate the hotel business in Thailand are for instance, International Hotels Group: IHG which operates Intercontinental, Holiday Inn, Meridian which operates highly reputable hotels such as Westin and Sheraton, and Accor which operates different brands of hotels categorized by the level of luxury and price such as Sofitel, Grand Mercure, and Novotel. Nevertheless, 5-star International hotel chains which are located in business center such as Renaissance Bangkok Ratchaprasong Hotel, Siam Kempinski Hotel, St. Regis Bangkok Hotel, and The Okura Prestige Bangkok are considered to be main competitors of Bangkok Edition hotel in MahaNakhon project.

Retail business

For Bangkok area, retail sector is currently in the upward trend, so the shopping mall development and management business is also expanding in the same direction. Current retail business operators consistently plan to expand their branches. For example, Tesco Lotus and Big C plan to increase their branches in the stand alone format which they have an expertise and are currently operating. As at the end of Quarter 4, 2013, total retail areas in Bangkok were 2.44 million sq.m. divided into shopping mall of 1.40 sq.m. and community mall of 0.84 million sq.m. (Community mall in business center started to operate during 2009-2012).

The future business trend will be focused on the opening of outdoor and open air malls for different kinds of products such as Community Center, Power Center, Lifestyle Center, Factory Outlet Center following the different demands of the consumer in Bangkok and other provinces nationwide especially Community Center which its number are still few in provincial area.

Gourmet Food & Beverages Business

Due to the unique nature of Dean & DeLuca's business, heritage, brand recognition, and multiple formats the company has few true direct competitors, but there are competitors within overlapping segments of the Dean & DeLuca business, in segments including:

- High end grocery – in the U.S. market, chains such as Whole Foods, The Fresh Market, Natural Grocers, and Wegmans comprise regional and national competition for higher end food products, although none of them emulate Dean & DeLuca's focus on gourmet as much as they emphasize higher end mass market brands and products.
- Coffee bar – entrenched chains such as Starbucks, Costa Coffee, and many of the "third wave" coffee shops offer a higher end coffee experience, although without the other retail and food product offerings that Dean &

DeLuca offers. Typically, coffee shop brands are not known for high quality food products and prepared foods offerings, although consumers have demonstrated a willingness to purchase both from a single store that can produce them at a certain level of quality.

- Gourmet shops – brands such as EATALY (from Italy), Jones the Grocer (from Australia), Carluccio's (from the U.K.) offer a combination of dine-in food and high end food products, but currently none compare with Dean & DeLuca's global footprint and have other factors that limit their comparison to Dean & DeLuca in other ways – by example, EATALY and Carluccio's both sell almost exclusively Italian food products.

In the US, competitive forces in food retail can be characterized by a few key factors:

1. While overall food retail is growing at roughly 1.3% over the next five years (IBIS research), the natural and organic segment of the food retail industry is where consumers are moving to for two reasons: (1) growth in disposable income in the higher end segment of the market and stabilization of the economy, and (2) health and food sourcing concerns driving people to products that, while more expensive, are more highly valued by consumers focused on health and healthful products. U.S. organic food product sales increased 12.0% in 2013 alone, according to IRI. While Dean & DeLuca is not an organic food retailer per se, our products will benefit from favorable consumption trends of this type as people seek less "processed" goods.
2. The food retail market is becoming significantly more competitive at the mass market end of the spectrum with notable retailers such as Target, Costco, Sam's Club, and Wal-Mart making substantial inroads over a relatively short entry period and taking significant market share on the back of their pre-existing retail footprint and brand awareness. While this will put pressure on profit that will ultimately benefit the consumer, and the competition will be at the opposite end of the spectrum in which Dean & DeLuca is positioned. Additionally, this competition should narrow operating margins in the lower end of the segment, and allow specialty product retailers to retain some pricing power in the market for more valued, specialized goods.
3. Urban populations in the U.S. market, and globally, are expected to increase more than any other geographic segment of developed world economies. As people urbanize, they tend to frequent pure play food retailers and not the alternative competitors that are taking share in suburban and rural markets. Additionally, urbanization tends to raise awareness of more sophisticated food trends and healthier lifestyles. As Dean & DeLuca is an urban brand concept, and provides products that are minimally processed and authentically prepared, this combination of circumstances should provide a favorable global environment for the brand's expansion through the developed world's urban markets.

Famous globally for outstanding cuisine, the year 2014 has seen Thailand expanding internationally, but more importantly embracing high-end international dining in Bangkok. Consumer tastes have shown a distinct and major shift in the market towards more international brands, café and western dining as well as consolidation within the market in terms of operators and brands. For landlords, the growth in dining concepts beyond Thailand's typical lunch and dinner trade are offering improving rental yields, enabling a new food-centric shopping centre to take the stage for Bangkok dining.

As part of a shift away from typical large enclosed air-conditioned shopping centers towards community lifestyle malls and new retail space concepts such as MahaNakhon CUBE, the amount of retail space providing high-end dining in a single location has continued to intensify within the inner Bangkok CBD.

Together with the growth of retail lifestyle space in Bangkok, the number of international gourmet food and beverage brands targeting the upper market consumer has increased, driven through growth in suitable retail spaces, increasing spending power of Bangkok consumers and the expectation of future growth with the introduction of AEC in 2015. While a number of locally developed brands continue to offer international dining, 2014 saw leading dining concepts from around the globe entering the Thai market successfully. If the first wave of new brands were American fast-food and Asian all-day dining; 2014 is now seeing the growth in high end Michelin star concepts coming in from around the globe, adding to Bangkok's burgeoning dining scene.

Key success factors of outlets that have achieved high sales in 2014 are as follows:

- Globally recognized international brand with clear market positioning
- Strong local team executing high quality of food and service as per global position
- Optimal locations (often outside typical shopping centers)
- Creative marketing, public relations and engagement with local community

The first wave of international food was Japanese and Chinese. Now increasingly we see European food as the growing market category, particularly in the all-day dining so typical for Thailand where dishes are shared and eaten throughout the day.

Renovation of existing shopping centers to offer dining as an anchor rather than a service to support traditional retail, and new retail spaces offering indoor/outdoor spaces has shifted dining habits, with sales throughout the day rather than relying on lunch/evening trade only, increasing ability to achieve market rentals through enhanced turnover. For landlords, the percentage set aside for dining remains high at an average 20% of net leasable area; however in seeing the trend of fine dining taking hold, some centers including MahaNakhon CUBE have been able to increase percentage of dining as a proportion of total retail space to well over 50%.

The growth and success in international dining concepts such as Dean & DeLuca which offer breakfast, lunch, dinner and dining between major meals, is changing the landscape for retail operations. Through improving footfall throughout the day and extending operating hours, the traditional hours of a shopping center are being pushed at both ends, ensuring successful operations requires clear attention to the tenant mix with all dining concepts grouped together. At the high end of the market, the integration of evening dining and nightlife is enabling an increase in evening operating hours.

Price elasticity at the high end has been shown to be remarkably recession resistant, with leading international outlets showing no difficulty in securing ever higher prices; in fact while Thai cuisine may have a natural price cap historically, 2014 has demonstrated no such restriction appears in place for international brand name dining.

Just as luxury fashion has seen consolidation, within the Bangkok market we are now seeing the same trend where retail concepts are clustering within a single location, often managed through a single operator.

Globally, we are seeing convergence between retail, hospitality and property development, with future minded firms expanding into a full lifestyle platform that provides a full 360 degree customer experience. For dining, this means leveraging the expertise of retail operations and customer insights with a new revenue stream that integrates into the existing business platform.

Savvy retailers integrating with property developers and vice versa ensures that the two complimentary businesses provide sustainable revenue streams with considerable synergies between them. The future for Bangkok retail and Thailand overall will see the strongest conglomerates leveraging their brand portfolios across both businesses, to secure optimum retail space, tenant mix and negotiation power. For new developments, the integration of a full brand portfolio makes mixed-use a more logical concept than ever before.

2.4 Undelivered units as of December 31st, 2014

Project name	Project type	Land size	Total units/ Transferred units or recognizable units	% Completion	Undelivered sold or leased units		Sales period	Construction period	Transfer of ownership or lease starts from:
					number (unit)	Value (MB)			
Ficus Lane	Residential condominium	1,157 sq.wah	70 units / 69 units	100.0	1	24.6 (Sales value) 14.5 (Book value)	2004 – Present	2004-2006	Transfer of ownership started from 2006
Saladaeng Residences	Residential condominium	584 sq.wah	132 units / 127 units	100.0	5	109.0 (Sales value) 85.2 (Book value)	Quarter 4/2008-Present	2008-2011	Transfer of ownership started from quarter3/2011
MahaNakhon	Mixed-use project consisting of residential condominium, hotel, and lifestyle retail center	9 Rai 1 Ngan 51.1 sq.wah	1. Hotel 159 rooms 2. Residential condo 207 residences 3. Lifestyle retail center approximately 9,826 sq.m. - Retail Hill and Sky Observation Deck - MahaNakhon CUBE	55 100	129*	Subsidiaries' net investment in the project's freehold rights and construction cost of 5,125.3 MB	2009-2016	2011-2016 (some parts to be finished in 2015)	From end of 2015

Project name	Project type	Land size	Total units/ Transferred units or recognizable units	% Completion	Undelivered sold or leased units		Sales period	Construction period	Transfer of ownership or lease starts from:
					number (unit)	Value (MB)			
MahaSamutr	Luxury villas and country club	128 Rai 2 Ngan 84.9 sq.wah	80 villas and country club membership	2016	2013 – 2016 (some parts to be finished in 2015)	From end of 2015

* Information as of December 31st, 2014

3. Risk Factors

Strategic Risk Factors

Risks arising from the land acquisition policy for future development projects

Pace Development Corporation Public Company Limited (PACE) and its subsidiaries (totally called “the Company”) generally do not have the policy to buy and hold lands for future projects (except some lands that offer exceptionally high potentials for development and high return on investment) because the Company wants to avoid incurring unnecessary financial burden, changes in city plans, changes in expropriation areas, and devaluation of lands due to the cancelation or the delay of adjacent mass transportation systems. In so doing, the Company faces the risk of being unable to buy lands in the desired locations and/or the risk of buying lands in an exaggerated price. These risks may affect the Company’s abilities to acquire the land in advantageous locations and may also impair its financial performance should it choose to purchase the lands with higher costs.

Nevertheless, the Company has put in place a strategic plan to seek for and seize the lands to match with its planned investment each year. To ensure land availability of all time, the Company formed a meticulous approach to trace, track, and monitor detailed information on lands. This enables the Company to forecast the trends and growth potentials of lands in many locations, based on the expansion of residential area, and outlook on city expansion and developmental path. Before acquiring the target lands, the Company estimates city expansion directions, explores regulation constraints, and also scrupulously examines land ownership to reduce any possible risks. It also surveys the target lands and assesses financial feasibility and marketability of the land before acquisition.

The Company acquires its lands by itself and through brokers/dealers, who have constantly reached out to the Company for the past years. The Company, however, tries to contact and negotiate with the land owners directly. This allows the Company to better control acquisition costs to ensure that the developed land will generate proper profit margin.

Risks arising from concentrated reliance on MahaNakhon Project

MahaNakhon is a sizeable project compared to the Company’s past project as well as its assets. The structure of the project is complex and involves various stakeholders. Its success quintessentially and directly affects the health of the Company. Nevertheless, MahaNakhon is not the only project under PACE’s development; PACE has completed 2 previous projects: Ficus Lane and Saladaeng Residences of which totaling project value of 3,210 MB. MahaNakhon is the third project that PACE co-developed with its partner. In addition, the Company is currently developing 2 new projects: “MahaSamutr” and a new project in Soi Langsuan with total project value of 10,400 MB (excluding the value of Country Club project). MahaNakhon is thus not the only project that influences the

performance of PACE; other projects also contribute to the health of the Company and so the risk of excessive reliance on one big project is actually diversified.

Moreover, the agreement that the Company acquired “Dean & DeLuca”, the world’s iconic gourmet food and beverages brand, will contribute revenue and help reduce the risk of reliance for MahaNakhon Project.

Operational Risks

Risks related to cost management

1. Risks of construction delays and quality of the projects

The Company hires outsourced contractors to construct its real estate projects. Having no in-house construction team may expose the Company to the risk of uncontrollable construction delays due to contractors’ unprofessional management or insufficient labors. In addition, even if the delivery is on-time, the quality of the delivered project may be considered sub-standard. These issues may result in a failure to timely deliver projects to the customers, and/or ineffective cost control. To prevent the said adverse outcomes, PACE has taken the following measures:

- Tracking and controlling purchases to match the defined budget

The Company has a strict policy to appoint well-known quantity-surveyor companies, such as Langdon & Seah Thailand Co., Ltd., to estimate budgets for bigger projects, such as MahaNakhon Project, to make sure that the budget is estimated with precision and thoroughness. In the contractor hiring process, the Company applies bidding procedure, in which it will select contractors that are suitable for the project not only in terms of construction capability and techniques, but also in terms of team capacity, and available fund size. This is done to avoid project cost overrun.

- Controlling construction period to match the defined timeline

To effectively control construction period, the Company not only utilize its own highly-experienced in-house team, but also has a policy to hire professional project managers to make sure that the construction is timely completed with high quality. Furthermore, PACE utilizes updated software packages to design and monitor the building process to reduce errors and lessen the time to fix the work.

2. Risks arising from volatility in construction material prices

Most of the main construction works, including structural work, system work, and building-surface work, in PACE’s ongoing projects, such as MahaNakhon Project, have reached and completed the hiring process. These main works account for approximately 75% of the construction value; the remaining works are interior design and landscape design, whose budgets are being adjusted by the Company. In addition to the budget for the said works, the Project has set aside contingency cost to account for any unplanned but necessary expenses.

PACE believes that a sensible and practical projection of construction material prices is essential for the feasibility of its future projects. It, therefore, places great emphasis on selecting the right quantity-surveyor companies. Furthermore, it focuses on maintaining good relationships with all suppliers and contractors, resulting in an impressive creditability that its trade partners place on PACE. In addition, the Company continually seizes updated information on the market condition of construction materials and their alternatives in order to keep up with the dynamic of the market.

Risks of legal dispute arising from construction

The risk of damaging surrounding buildings is a common risk facing development and construction companies. Therefore, most companies, including PACE, generally manage to have insurance policy in place. This insurance not only transfer risk to insurance companies, who are responsible to pay damage compensation covered by the policy, it can also help prevent possible legal disputes that come with the damage. Furthermore, the Company also enforces the following preventive measures on site supervision:

- Prevention of falling material from the site: by ensuring that the site is organized, trashes and garbage are removed from the site on a daily basis, and the detailed safety net is properly installed to contain falling materials
- Reduction of construction dust: by wetting trashes and garbage before removing them from the site
- Reduction of construction noise: by operating only in permitted time period and informing surrounding neighbors in case of over-time operation
- Reduction of construction vibration: by selecting barrette pile and bored pile systems to decrease vibration and by using diaphragm wall in underground work to reduce soil slide when removing sheet piles in a very deep soil level compared to normal soil level or when removing sheet piles is expected to damage surrounding buildings

In addition, PACE requires that contractors and site supervisors visit neighboring households to determine any problem created by its construction. If such problems occur, actions must be immediately taken. If there is any request from such households to fix small problem, contractors and site supervisors should be willing to assist. Moreover, PACE requires contractors and site supervisors to intermittently check with district offices for any complaint against project construction so as to provide immediate remedies to the affected parties.

Risks arising from major competitors in main business line

1. Risks from competitors in super-luxury residential real estate business

Competition among super-luxury residential real estate companies is more competitive in the Bangkok area. The Current demand of super-luxury condominium for the upper-class such as businessman, entrepreneur, or foreigner has been increasing. Since 2014, many listed company launched their new projects targeting super-luxury class

and most of them located in the center of Bangkok which provide convenient access to BTS stations such as on Sathorn and Sukhumvit Road. The average sale price per square meter starts at 250,000 Baht per sq.m. Some projects, such as MARQUE Sukhumvit, GALERIE rue de39 and 185Rajadami could sale more than 300,000 Baht per sq.m. and each project tends to mark-up the price when the project is nearly finished.

In middle of 2014, the Company renovated a sample room of The Ritz-Carlton Residence Bangkok to 3 bedrooms to make the best experience for buyers and investors. This happens to be another success after the good feedback of the 2 bedrooms sample rooms. After launching the new rooms, the company's circulation increased rapidly.

2. Risks from competitors in hotel business

There has been heightened competition from hotel business; many hotels focus on serving high-net-worth customers, potentially deteriorating Bangkok Edition Hotel's revenue and profit. With close monitoring and supervision from its executives and clear marketing strategies supporting the well-known "Bangkok-Edition" trademark under Marriott Group, the hotel, however, is able to stand strong among fierce competition. World-class management services from The Ritz-Carlton Hotel Company, a management company known for its superiority in reservation management system, reassure that customers will have convenient stays. Moreover, Marriott's domestic and international client database will support the hotel's strategy to expand its recognition among upper-class customers.

3. Risks from competitors in retail business

Competition from retailers in the forms of modern trade retailers and community malls may put downward pressure on rental rates and service fees and also take away qualified renters in PACE's life-style centers. PACE strategically placed its life-style centers in MahaNakhon project to attract high-purchasing-power buyers. The Company appointed Husband Retail Consulting Co., Ltd, a consulting company specialized in retail business, to give recommendations on retail mix (a proper combination of retailers) in order to provide legitimate and thorough services needed in everyday life, especially food and beverages services (such as Dean & DeLuca Café and Gourmet Market). Life-style center's uniqueness will constantly bring in shoppers. Patrons include dwellers in the Ritz-Carlton Residences Bangkok and other residential buildings, travelers who stay in Bangkok Edition Hotel and adjacent accommodations, and workers in neighboring offices. With accumulated experiences in retail-mix planning, the Company is positive that its life-style center will be successful at attracting and maintaining client traffic and spending.

4. The Risk and Competition in Food and Beverage Business

Food and beverage business is a challenging and highly competitive business because of many factors such as different of taste, pricing, quality, value, service and location. These factors are risks for the entrepreneurs who must also compete against other business owners. Recently, consumers are interested in new things and more foreign

food and beverage brand are introducing more options to satisfy many kinds of taste. The Company seeks for opportunities to reach high-end customer so the Company choose "Dean & DeLuca" to fulfill their lifestyles. Moreover, the Company also did studies and strategic plans for right of license under "Dean & DeLuca" brand for the oversea market in order to create more revenue.

Strategic Risk Factors

Dean & DeLuca represents a brand that has a nascent global footprint with commonly owned operations in the U.S. and Thailand, and licensed operations in Asia and the Middle East. The Company has not reached critical geographic penetration of any of the markets in which the brand currently operates, nor maturity in any distribution channel through which it sells. However, the Company prepared the strategic plan to focus on increasing the number of licensee to other countries.

Expanding the retail footprint of the brand may be adversely affected by varying market factors including:

- Vastly different product importation rules can affect the integrity and consistency of the products and offerings in stores around the world
- A network of different licensed operators can create inconsistency in the execution of the brand in different markets
- Different markets may provide different demands of the brand and the stores that may weaken the integrity of the brand and the global consistency of the retail formats and offerings
- Multiple segments in which the business operates, specifically high end food products and coffee sales, have robust competition from global brands, and sophisticated operators that can hamper Dean & DeLuca's ability to successfully expand
- Capital constraints could adversely affect the ability of the brand to expand to a critical mass of operational cash flow and efficiency in owned and/or licensed markets

Operational Risk Factors

There are number of operational risks that could affect the success of Dean & DeLuca's operation, including:

- Sourcing – Dean & DeLuca relies partly on a broad base of smaller international producers that may struggle to supply a significantly larger global network of stores and prevent the company from realizing cost efficiencies with its supplier base.
- Marketing costs – as global competition intensifies for gourmet, organic, and higher end food retailers, Dean & DeLuca may have to dedicate more marketing resources to build and defend its brand position, which could adversely affect its financial performance.
- Real estate costs – as Dean & DeLuca is predominantly an urban brand, and global urbanization trends are set to continue, the availability of appropriate urban real estate for locations may become more competitive, and adversely affect the profitability of the retail model.

- Labor cost – Dean & DeLuca requires retail service and management professionals in a competitive industry, which could drive employment costs higher in periods of scarce labor supply and competitive food retail expansion in certain markets.
- Commodity costs – Dean & DeLuca relies of many global commodity products as inputs for its own, or purchase, goods from suppliers, including coffee, wheat, corn, rice and other crops. Should price shocks affect any of these input costs significantly, it could adversely affect the ability of Dean & DeLuca to deliver appropriate operating margins on one, or several, of its product categories.
- Inventory obsolescence – Dean & DeLuca invests in certain non-perishable inventories that may turn more slowly than planned, and create working capital burdens on the business that may weaken its ability to operate efficiently.

Dean & DeLuca is an internationally recognized lifestyle brand and a symbolic of high quality gourmet food and finest seasoning nearly 40 years and well-known for an outstanding organization with the knowledge of the staff. The Company will also retain the current management team of Dean & DeLuca to collaborate with the Company's management team. The Company believes that it can manage food and beverages business along with the expansion its business worldwide as planned successfully.

Financial Risks

Risks arising from interest rate volatility

As of December 31st, 2014, the Company has long-term loans from financial institutions for the purpose of MahaNakhon Project construction with the interest rate of MLR-0.25% and overdraft facility for the purpose of MahaNakhon Project development with the interest rate of MOR, between PACE's jointly-controlled entity and two commercial banks. In addition, it has entered into a Credit Facility Agreement for the purpose of purchasing lands for MahaSamutr Project with the interest rate of MLR-0.25% with one commercial bank. Moreover, the Company also has 3 months loan for acquiring "Dean & DeLuca" 1,154.3 MB or equals to USD 35 million which use London Interbank Offered Rate: LIBOR +4%. If the interest rate rises, it will increase the Company's cost of funds, inevitably affecting the Company's future performance and its financial status.

Risks arising from revenue instability and loss at the beginning of the developmental phase

As of December 31st, 2014, PACE has 2 completed projects that are in the process of ownership transfer: Ficus Lane and Saladaeng Residences. Ficus Lane Project has 2 units in the sale process with the total book value of 21.3 MB (equivalent to sales value of 33.6 MB). And Saladaeng Residences Project currently has 5 residences remaining with the total book value of 85.2 MB (equivalent to sales value of 109.0 MB) and expected to be transferred and recognizable in 2015.

It is usual for real estate development companies, including PACE, to face revenue instability since they generally start recognizing revenues only when the construction and the ownership transfer of the real estate are completed. So, the Company decided to takeover “Dean & DeLuca” gourmet food and beverages retailing business in late December, 2014 to strengthen the Company’s business by diversifying to other business to support our own super luxury brand property business.

In addition, the Company could recognize revenue partially from MahaNakhon Cube, a lifestyle retail that is a part MahaNakhon project. MahaNakhon Cube completed since the beginning of 2014 with total area of 5,003 sq.m. For revenue recognition of MahaNakhon project, the Company expects to recognize revenue from sale residential condominium units of The Ritz-Carlton Residence, Bangkok in late 2015. In addition, the Company expects to generate income from hotel business, “the Bangkok Edition”, and from retail business: rental income from “Retail Hill” and Sky Observation Deck” of which are in MahaNakhon Tower in 2016. However, revenue for Sky Observation Deck is uncertain because it depends on the number of tourists in Thailand, as well as PACE’s marketing and advertising abilities to draw attention to the place. Therefore, the Company invested in the land to develop MahaSamutr Project in Hua Hin, which has a total project value of 3,200 MB (excluding the value of the Country Club), expecting to be completed in 2016. The Company is expecting to recognize revenue from luxury villa in the second half of 2015 after the Company plans to introduce luxury villa and Country Club membership in the first half of 2015.

Moreover, in the first quarter of 2015, the Company also plans to launch a new project “Nimit Langsuan” which has a total project value of approximately 7,200 MB; expected to be completed and to recognize revenue in the year of 2018.

Political Risk

Risks arising from riots, terrorism, and political manifestation

The Company has insurance policy that covers damages arising from riots, terrorism, and political manifestation. However, the incidences, should they occur, may post damages to MahaNakhon Project in the amount greater than the insurance limit and may also weaken the confidence of other stakeholders, such as joint-ventures and financial institutions, threatening the success of the Company’s future projects.

In addition to general insurance for every project, PACE has arranged to have a special policy offered from ACE INA Oversea Insurance Co., Ltd. for MahaNakhon Cube, which is situated on the high risk area (Silom Road and Narathiwas Rajanagarindra Road). The policy will cover damages from Terrorism & Sabotage with insurance limit of 778.4 MB. (The policy expires on January 22nd, 2015).

Risk related to investment of securities holders

Risk related to ability to pay dividend

PACE expect that their two big projects, MahaNakhon and MahaSamutr Project, with their approximate value of residence more than 17,780 MB will start to recognize some part of revenue in late 2015. The Company's consolidated financial statements may show losses, and its unconsolidated financial statements may be negatively impacted, possibly further affecting the Company's ability to pay dividend. However, when MahaNakhon and MahaSamutr project are fully completed and its revenue becomes recognizable in 2015, PACE expects to generate profits and, as such, be able to significantly pay dividends to its shareholders. Since dividends will be paid out of retained earnings in unconsolidated financial statement only, the Company, therefore, started other projects to realize some revenues before the completion of MahaNakhon such as the new project at Langsuan which will be introduced to the public and sales in the first quarter of 2015. The Company expects to recognize revenue after the transfer of ownership in 2018 and plans to pre-sale MahaSamutr project in the first half of 2015, as well as expects to complete and transfer the villa to recognize revenue in late 2015. If the Company is profitable and has no constraints on dividend payment that may be attached to the loan agreements with financial institutions for the purpose of financing project development, PACE will be able pay dividends to its shareholders based on its dividend policy.

4. Operating Assets

As of December 31st, 2014, the Company has the following operating assets:

4.1 Characteristics of Main Operating Assets

4.1.1 Inventory

Project Name / Location	Type of Asset	Company	Type of Ownership	Book Value as of 31 Dec 2014 (MB)	Appraisal Value (MB)				Contingent Liability as of 31 Dec 2014 (MB)
					Appraisal Value before Adjustment (MB)	Adjust with Additional Construction Costs	Adjust with Accumulated Cost of Sales Portion	Appraisal Value after Adjustment (MB)	
Ficus Lane Project	1 residential condominium unit ¹ with total area of 113.4 sq.m.	PACE	Owner	6.8	10.2 (Appraisal Date 16 Dec 2014)	-	-	10.2	1 residential condominium unit with total area of 113.4 sq.m. mortgaged with The Siam Commercial Bank PCL.
Ficus Lane Project	1 residential condominium unit ² with total area of 366.6 sq.m. (Sale contract is signed but payment is not completed)	PACE	Owner	14.5	36.7 (Appraisal Date 16 Dec 2014)	-	-	36.7	-
Saladaeng Residences Project	5 residential condominium units ³ with total area of 689.11 sq.m. ³	YLP	Owner	85.2	142.9 (Appraisal Date 6 Dec 2556)	-	-	142.9	Mortgaged with The Siam Commercial Bank PCL.
Total				106.5					

Note:

¹ One residential condominium unit with the area of 113.4 sq.m. The appraisal value was 10.2 MB (estimated from average sale price per sq.m. of 90,000 baht/sq.m.) based on Market Comparison Approach for the purpose of public interest as of December 16th, 2014. The appraisal was done by General Valuation and Consultant

Co., Ltd. (GVC), an appraisal company approved by Securities and Exchange Commission (SEC).

² One residential condominium unit with total area of 366.6 sq.m and appraisal value of 36.7 MB (estimated from average sale price per sq.m of 100,000 baht/sq.m.) based on Market Comparison Approach for the purpose of public interest. The appraisal was done by GVC on December 16th, 2014. The Company completed sale contract and the buyer move into the unit. However, the Company has not received full payment from the buyer and has not transferred the ownership of the unit to the buyer. As of December 31st, 2014, the buyer paid 19.1 MB to the Company and still owed the Company 5.5 MB. The Company recorded the paid amount as "advanced revenue" in Consolidated Statement of Financial Position as of December 31st, 2014.

³ Five residential condominium units with total area of 689.11 sq.m. and appraisal value of 142.9 MB (estimated from average sale price of 180,000 to 220,000 baht/sq.m.). The appraisal value was estimated using Market Comparison Approach for the purpose of public interest by GVC on December 6th, 2013.

4.1.2 Freehold Land of MahaNakhon Project – Net

Company	Project	Location	Size	Book Value as of 31 Dec 2014 (MB)	Appraisal Value (MB)	Contingent Liability as of 31 Dec 2014 (MB)
• PACE One				1,003.9		Agreement on conditional transfer of leasehold with Siam Commercial Bank PCL. and Tisco Bank Public Company Limited
	MahaNakhon	Next to Chongnonsri BTS station, on Narathiwas Rajanagarindra Rd.	9 Rai 1 Ngan 51.1 sq.w.*		4,446.4*	
• PACE Two				2,391.0		
• PACE Three				511.7		
Total				3,906.6		

Note: The freehold land of MahaNakhon project value was appraised by Sims Property Consultant Co., Ltd. based on Market Comparison Approach and Income Approach/Discounted Cash Flow Approach (DCF) on November 26th, 2013 and on December 8th, 2010. According to the appraiser, the appraisal value of the land was

4,078 Million Baht (7 land plots with the total area of 7-3-37.1 rai or 3,137.1 square wah) and 368.4 Million Baht (4 land plots with the total area of 1-2-14.0 rai or 614 square wah) respectively for the public purpose to support in the consideration of selling and buying lands under freehold ownership structure.

4.1.3 Land of MahaSamutr Project

Project	Company	Location	Size	Book Value as of 31 Dec 2014 (MB)	Appraisal Value (MB)	Contingent Liability as of 31 Dec 2014 (MB)
MahaSamutr	PACE	Soi 112 Hua Hin, Prachuabkhirikhan	128 Rai 2 Ngan 84.9 sq.w.	-	-	Mortgaged with The Siam Commercial Bank PCL.
• Villa			19,560 sq.w.	217.8		
• Country Club			31,996 sq.w.	271.0		
Total				488.8		

4.2 Policy of investment in subsidiaries and affiliates

The Company has a policy to invest in high-potential, stable-profit businesses that prove to be feasible and able to create proper returns with acceptable risk level. PACE always sends its representatives to sit in the Board of Director of the target companies and reports their performance in the meeting of PACE's Board of Director every quarter.

PACE also has a policy to reduce investment risk for projects with investment amount of more than 3,000 MB. by co-investing with well-known, highly-experienced, high-capital partners. The form of co-investment ranges from subsidiaries, affiliates, and other forms, depending on the results of negotiation and mutual agreement between the Company and interested investors. Nevertheless, to make a decision to co-invest, the Company will study for the needs, potential benefits, positive and negative consequences, and will present the results of the study to the Board of Directors before co-investing with any partners.

5. Legal Dispsutes

As of 31 December 2014, the Company has no legal disputes.

In light of the dispute mentioned in Annual Report 2013 concerning the Company being sued and requested for the compensation under Bangkok Southern Civil Court in the black case no. 7417/2548 and the red case no. 5963/2549 by UPS Parcel Delivery Service Ltd., as the plaintiff. The Plaintiff filed the lawsuit against the Company as the first defendant and Intarachai Development Co., Ltd. as the second defendant in Bangkok Southern Civil Court on 13 September 2005. On 15 May 2014, the Superme Court sentenced in accordance with the contract of compromise as agreed by the parties. The cases is therefore final.

6. General Information and Important Information

Thai Company Name	PACE Development Corporation Public Company Limited (the "Company") (formerly named Cinkara Company Limited)
Nature of Business	High-end sector of Thailand's real estate development business and gourmet food and beverage lifestyle retail
Head Office Location	87/2 CRC Tower, All Seasons Place, 45th Floor Unit 3, Wireless Road, Lumpini, Pathumwan, Bangkok 10330 Thailand
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