

Section 1 *Overview of Business*

1. Policy and Overview of Business

1.1 Vision and Business Strategy

Pace Development Corporation Public Company Limited (PACE) is a leader in Thai luxury property, hospitality and retail. With core strengths in understanding the high-end consumer, PACE delivers innovation using world-class design and standards, enhancing people's lives by introducing new trends to the market in the most sought-after locations.

The Company works with leading global suppliers and partners, creating award-winning luxury property and hospitality. Ownership of gourmet food and beverage brand DEAN & DELUCA is a platform for expansion globally, providing another recurring stream of revenue for PACE.

Vision

PACE's vision is to be a leader in premium quality lifestyles through creating design-driven properties, hospitality, and retail concepts in the world's most sought-after locations. Through architectural leadership, PACE provides world-class design and premium quality, introducing new trends, improving the landscape and enhancing people's lives. PACE creates a full range of lifestyle property developments which will continue to meet the needs of our clients, both today and in the future. PACE delivers innovation in the retail market with a strategy to build a portfolio of global food & beverage brands, including ownership of the global brand DEAN & DELUCA. Our dedicated team provides the highest levels of service, and contributes in a positive way to the communities in which we do business.

Our Mission

- Creating the finest luxury property, hospitality and retail using world-class design
- Innovating and introducing new market-leading concepts through understanding our customers' needs and lifestyles both for today and the future
- Consistently delivering the highest standards of quality, architecture, locations and service
- Building a dedicated team and network who make a positive social contribution, enhancing the landscape and places where we do business
- Embedding the sustainability mindset in business objectives and daily operations

Business Strategy

PACE specializes in serving the needs of our high-end client base through active engagement and consumer insights which enable the Company to be a leader in property development, hospitality and retail. The business strategy of PACE features the following categories:

- **High-end residential development**

PACE's core value in real estate development focuses on delivering high quality, providing innovative market leading properties which provide outstanding functionality and practicality in prime locations. Using world-class design, each development features finest specifications and well controlled execution, resulting in premium standards which have gained trust and credibility from customers and shareholders. As a result, PACE properties remain highly sought after, and are able to command higher prices than other high-end developments at comparable locations. The Company targets to develop 1 - 2 residential projects per year.

- **Lifestyle businesses that generate recurring income**

PACE integrates lifestyle elements into its property development business, not only to enhance the quality of life for residents, but also to add recurring income streams to strengthen shareholder and investor trust. These include hospitality and retail operations. In addition, PACE is the owner of New York's iconic food and beverage retail brand DEAN & DELUCA.

These income streams balance against residential development where revenue is recognized only when the project is fully completed and transferred to customers. PACE's lifestyle businesses are shown below, including "MahaNakhon", which consists of hotel, observatory and lifestyle retail elements; "MahaSamutr", a Country Club membership concept embracing hospitality and dining.



The diagram of PACE's business strategy

The gourmet F&B business arm reflects the synergy of lifestyle and property. As a property developer, the PACE ownership of DEAN & DELUCA utilizes the Company's existing knowledge of the high-end sector combined with strengths in construction and execution for expansion of the brand, while also enabling greater consumer insights through wider market appeal on a global level. This knowledge will enhance PACE's ability to expand abroad as well as bring new trends from around the globe into the Thai real estate market.

PACE's business direction is illustrated as steps of business development in the chart below:



PACE's stages of development

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, lifestyle business, and gourmet food and beverage retail worldwide under the "DEAN & DELUCA" brand, where it became the owner of the stores in the U.S.A. and Thailand, and co-owner of the stores in Japan in a joint venture agreement. As of December 31st, 2017, the Company's registered capital and paid up capital is 3,758 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 in order to engage in the real estate development business sector.

Year	Significant changes within the year
2003	Founded Cinkara Company Limited.
2004	Commenced development of "Ficus Lane".
2007 -	Founded YLP Company Limited to develop a condominium under the name "Saladaeng Residences".
2008	Founded Pace Project One Company Limited ("Pace One"), founded Pace Project Two Company Limited ("Pace Two"), founded Pace Project Three ("Pace Three") to develop the mixed-use MahaNakhon Development, and founded Pace Real Estate Company Limited ("PRE") as a holding company to hold shares in Pace One, Pace Two and Pace Three in the proportion of 50% each respectively.
2011	The Company restructured ownership portions within the group to prepare for listing in the Stock Exchange of Thailand (SET). The Company completed the process of converting into a public company by issuing a capital increase of 600 MB for public offering. The Company is renamed Pace Development Corporation Public Company Limited (PACE).
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

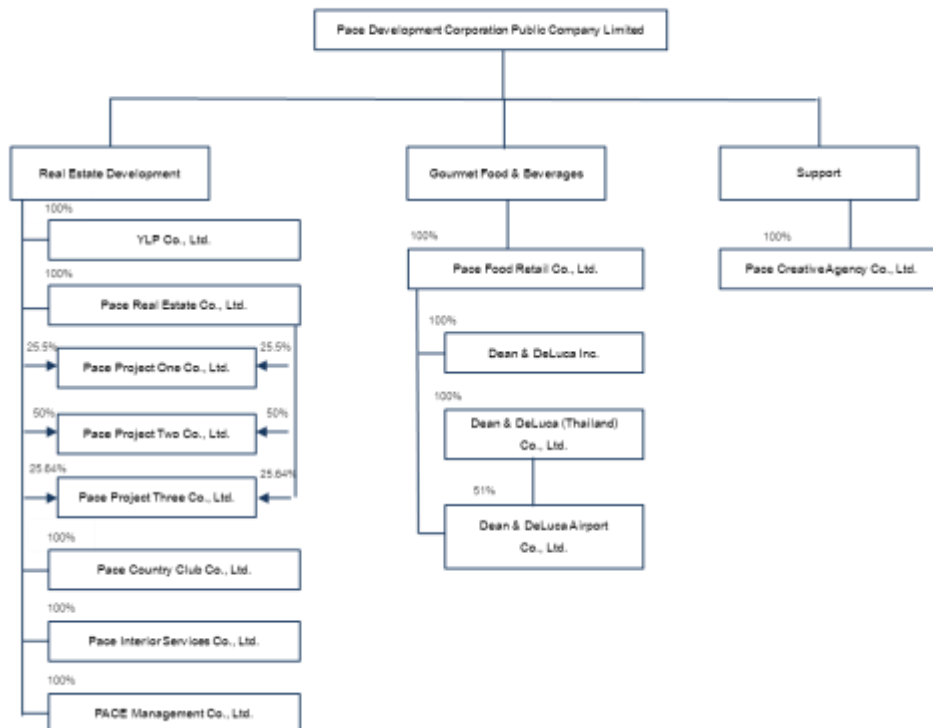
Year	Significant changes within the year
2014	Holdings Co., Ltd., resulting in PRE, Pace One, Pace Two and Pace Three becoming subsidiaries of the Company with the following ownership proportions (direct and indirect) approximately 68%.
	The Company commenced construction of MahaSamutr Development, Hua Hin.
	The Company bought land and successfully changed the proprietary right in MahaNakhon from leasehold to freehold.
	Founded Pace Country Club Co., Ltd. and Pace Food Retail Co., Ltd.
2015	Acquired DEAN & DELUCA, the world's iconic gourmet food and beverages brand valued USD 140 million.
	Officially launched and sold out 90%+ of Nimit Langsuan project.
	Bought the rest of the shares of Pace One, Pace Two, Pace Three, and PRE from IBC Thailand and IDJ Holdings Co., Ltd.
	Allocated ordinary shares for private placement totally 542.7 million shares for IBC Thailand Ltd. and IDJ Holding Co., Ltd. at THB 3.39 per share.
2016	Acquired ordinary shares and assignment of the rights to receive a repayment of the outstanding shareholder loan of Dean and DeLuca (Thailand) Company Limited ("D&D Thailand") from Mr. Sorapoj Techakraisri with total consideration of THB 240 million by issuing 64,690,027 new ordinary shares at an offer price of THB 3.71 per share in order to repay to Khun Sorapoj Techakraisri.
	Increased the capital by issuing newly ordinary shares by General Mandate to offer to the existing shareholders in proportion to their shareholding (Right Offering), in an amount of not exceeding 600 million shares with the par value of Baht 1 per share.
	Construction loan received from a Thailand's Financial institution for a development of "Naradhiwas" project with the total amount of THB 1,090 million.
	Launched MahaSamutr Villa & Country Club Project under the theme of "The Sound of MahaSamutr", including "MahaSamutr Villas", the luxury freehold villas, and "MahaSamutr Country Club" surrounded by MahaSamutr Lagoon - Asia's largest man-made lagoon.
	Registered for a joint venture company "Dean & DeLuca Café Japan Co., Ltd."
	Founded Pace Management Co., Ltd.
	Commenced construction for a new super luxury development "Nimit Langsuan" on Langsuan Road.
	Founded 2 new subsidiaries of D&D Mount Limited and D&D Fourteen Limited.
	Loans received from Thailand's Financial Institutions for expanding DEAN & DELUCA with the total amount of THB 1.1 Billion.
	Allocated newly-issued ordinary shares of 176.3 million shares at THB 3.00 per share to Bell Investments Limited and Asension Trading Limited which are the specific investors (Private Placement) in exchange for the land in Niseko Sub-district, Hokkaido Prefecture, Japan, instead of cash payment.
2017	Allocated the newly-issued ordinary shares of 320 million shares at THB 3.00 per share with the total amount of THB 960 million for international private placement investors.
	Grand opening "MahaNakhon" Project under the theme of "MahaNakhon Bangkok Rising: The Night Of Lights", officially Thailand's tallest building at 314 meters and 77 storeys.
	Founded Dean & DeLuca Small Format Lq. LLC, a subsidiary of Dean & DeLuca Inc.
	Founded Dean & DeLuca Airport Company Limited.
	Received the total investment of 8,441.2 million Baht from Apollo Asia Sprint Holding Company Limited, Goldman Sachs Investments Holdings (Asia) Limited, and Mercer Investments (Singapore) Pte. Ltd. by issuing ordinary shares

Year	Significant changes within the year
	of the Company's two subsidiaries namely Pace Project One Company Limited ("Pace One") and Pace Project Three Company Limited ("Pace Three") totaling of 7,783.2 million Baht in the form of equity, and received 658 million Baht in the form of loan, in relation to the development and completion of the MahaNakhon project.

1.3 Overview of Business of the Company and subsidiaries

The Company was founded on September 1st, 2003, under the name "Cinkara Company Limited", and started its real estate development business by launching the first project called "Ficus Lane". With a passion for leadership in high-end property development, the Company has continually expanded its development business and client base. Recently, the Company has entered into the retail food and beverage business, a new line of business featuring "DEAN & DELUCA", an iconic global food and beverage brand. As a result, the Company currently generates revenue primarily from real estate development and the gourmet food and beverage business. As of December 31st, 2017, the Company has 34 subsidiaries and 3 joint venture companies which can be categorized into the following business lines as follows below:

The Organization Structure of the Company and subsidiaries



Name of the company	Business	Type of Business	Proportion of Shareholder (%)
Pace Development Corporation Public Company Limited	Property Development and management, and manage its subsidiaries	Develop real estate projects such as MahaSamutr Villas, Nimit Langsuan, etc.	-
YLP Co., Ltd.	Property development and management	Develop real estate projects such as Saladaeng Residences and Windshell Naradhiwas on Naradhiwas-Rajanakarin Road, which is expected to be launched in 2018	100
Pace Real Estate Co., Ltd.	Property development and management	A holding company to hold shares in MahaNakhon project	100
Pace Project One Co., Ltd.	Hotel	Develop a 5-star luxury boutique hotel under a new brand of Marriott Group, managed by the Ritz-Carlton Hotel Company called "The Bangkok Edition" located in MahaNakhon tower	25.50+25.50 ¹⁾
Pace Project Two Co., Ltd.	Property development and management	Develop super-luxury residences under the internationally recognizable brand "The Ritz-Carlton Residences, Bangkok"	50 + 50
Pace Project Three Co., Ltd.	Lifestyle retail	Develop lifestyle retail such as MahaNakhon CUBE, Retail Hill, and Sky Observation Deck located in MahaNakhon tower	25.64+25.64 ¹⁾
Pace Country Club Co., Ltd.	Property Development and management	Develop and manage a luxury real estate project "MahaSamutr Country Club in Hua Hin"	100
Pace Food Retail Co., Ltd.	Gourmet food & beverages	A holding company to hold shares in gourmet food and beverage business under brand Dean & DeLuca in U.S.A., and Thailand	100
Pace Interior Services Co., Ltd.	Design and interior design	Provide services of design and interior design to support PACE businesses	100
Pace Creative Agency Co., Ltd.	Graphic design and creative	Provide creative and graphic design services for advertising and marketing communications	100
Pace Management Co., Ltd.	Property development and management	Provide services for property development management of housing estates and condominiums	99.97
Dean & DeLuca (Thailand) Co., Ltd.	Gourmet food & beverages	Operate gourmet food and beverage business, premium supermarket under brand "Dean & DeLuca" in Thailand	100
Dean & DeLuca Inc.	Premium supermarket, and Food and Beverages	Operate premium supermarket, and provide gourmet food and beverage brand "DEAN & DELUCA" worldwide, as the owner of the store in the U.S.A.	100 ²⁾
Dean & DeLuca Airport Co., Ltd.	Gourmet food & beverages	Operate gourmet food and beverage business, premium supermarket under brand "Dean & DeLuca" in the Airport	51 ³⁾

Remark:

¹⁾ Proportion of share held (Indirect) by Pace Real Estate Co., Ltd.

²⁾ Dean and DeLuca Inc., (Registered in the U.S.) shares held (indirect) by Pace Food Retail Co, Ltd. with the proportion of 100% in 2016 and 2017 which is the same type of business – gourmet food and beverages, totaling of 23 subsidiaries and 1 affiliate (joint venture): Dean & DeLuca Inc., Dean & DeLuca Brands, Inc., Dean & DeLuca Marketing, LLC, Dean & DeLuca Atlanta, LLC, Dean & DeLuca Markets, LLC, D&D Cafes of NC, LLC, Dean & DeLuca Georgetown, Inc., Dean & DeLuca Imports, Inc., Dean & DeLuca Call Center, Inc., Dean & DeLuca New York, Inc., Dean & DeLuca Espresso, Inc., Dean & DeLuca Madison Avenue, Inc., Gaetano & Barteau, Inc., Dean & DeLuca International, LLC, Dean & DeLuca Brands Hawaii, LLC, Dean & DeLuca, Incorporated, Dean & DeLuca Espresso D.C., Inc. Dean & DeLuca Productions, LLC., Dean & DeLuca New Jersey, Inc., Dean & DeLuca Small Format, LLC, Dean & DeLuca Small Format, Lq. LLC, Dean & DeLuca Fourteen Ltd., Dean & DeLuca Mount Ltd., and Dean & DeLuca Café Japan Co., Ltd. (joint venture).

³⁾ Dean and DeLuca Airport Co., Ltd. shares held (indirect) by Dean and DeLuca (Thailand) Co., Ltd. with the proportion of 51% in 2017.

As of December 31st, 2017, the Company and its subsidiaries have developed real estate projects that are currently under construction and in selling process totaling 4 projects: (1) MahaNakhon, (2) MahaSamutr, (3) Nimit Langsuan, and (4) Windshell Naradhiwas projects.

In addition, the Company operates the world's iconic gourmet food and beverage brand called "DEAN & DELUCA". As of December 31st, 2017, the Company owns 10 stores in the U.S.A., 11 stores in Thailand, and owns 17 stores only café format in Japan, registered within a joint venture company "Dean & DeLuca Café Japan Co., Ltd." with a Japanese partner. Moreover, the Company also operates the licensing agreements in 30 stores in Japan (only market format), Singapore, South Korea, Philippines, Kuwait, United Arab Emirates (UAE), Hawaii (U.S.A.), Macao, and Bahrain.

1.4 The relationship between the business and major shareholder (If any)

The Company has no significant relationship or relevance to the business operation of a major shareholder.

2. Operation of Business

2.1 Characteristics of Products and Services

The Company and subsidiaries generate revenues primarily from real estate development for sale, as well as the gourmet food and beverage business, summarized for the last 3 years below:

(Unit: million Baht)

Business	Operated by	% of the Company's Shareholders	2015		2016		2017	
			Revenue	%	Revenue	%	Revenue	%
Revenue from high-end real estate development	The Company and subsidiaries	100	109.0	3.1	1,375.1	25.1	5,923.8	63.9
Revenue from DEAN & DELUCA*	Subsidiaries	100 and 51	3,338.0	95.0	4,006.8	73.3	3,173.8	34.2
Other revenues	The Company and subsidiaries	100	65.3	1.9	84.9	1.6	173.3	1.9
Total revenues			3,512.3	100.0	5,466.8	100.0	9,270.9	100.0

* Revenue from DEAN & DELUCA* consisted of: Dean & DeLuca Inc. (U.S.A.) and Dean & DeLuca (Thailand) Co., Ltd. of which are 100% of the Company's shareholders, and Dean & DeLuca Airport Co., Ltd. of which is 51% of the Company's shareholders.



In 2017, the Company generated revenue from sales and transfer of residential condominium units of the MahaNakhon project's "The Ritz-Carlton Residences, Bangkok" and MahaSamutr Villas project in Hua Hin; totaling 5,923.8 million Baht, or an increase of 330.8% as compared with the revenue from sales and transfer of residential condominium units in 2016 of 1,375.1 million Baht. The significant increase was mainly due to the ability to continually transfer The Ritz-Carlton Residences, Bangkok at MahaNakhon which started since Q2 2016, and to recognize revenue from transfer of MahaSamutr Villas in December 2017.

The revenue from the Food and Beverage business "DEAN & DELUCA" is 3,141.7 million Baht, which decreased 21.6% as compared with the year 2016, which had recorded a revenue of 4,006.8 million Baht. This was mainly due to the expansion of DEAN & DELUCA stores owned by the Company continually and a joint venture company "Dean & DeLuca

Café Japan Co., Ltd.” registered in 2016, and revenue from sales of DEAN & DELUCA’s licensing expanded overseas such as in Macau and Bahrain.

The revenue from rental and service income is 16.7 million Baht, an increase of 68.8% as compared with the year 2016 of 53.5 million Baht. This was mainly due to the investment that the Company received from Apollo Asia Sprint Holding Company Limited, Goldman Sachs Investments Holdings (Asia) Limited, and Mercer Investments (Singapore) Pte. Ltd. investing in the Company’s subsidiaries namely Pace Project One Company Limited (“Pace One”) and Pace Project Three Company Limited (“Pace Three”) in Q1/2017. Therefore, the Company’s consolidated financial statements for the year ended December 31, 2017, have been prepared based on loss of control of its 2 subsidiaries since the Interim Financial Information for the three-month and six-month periods ended June 30, 2017 onwards. As a result, the revenue from rental and service income in the year 2017 declined.

In addition, the Company generated other revenues including revenue from trademark and tradename fees totaling of 188.7 million Baht, or a decrease of 76.5% as compared with the year 2016 of 802.7 million Baht. This was mainly due to the Company’s subsidiary entered into a Joint Venture Agreement with the current licensee Japan Partner, Dean and DeLuca Japan Co., Ltd. for conducting the café business in Japan under the newly formed joint venture namely Dean & DeLuca Café Japan Co., Ltd. It also terminated the existing fixed-term License and Distribution Agreement and provided a perpetual Trademark License Agreement, granted a perpetual Trademark License Agreement, and received cash for one-time non-refundable royalty payment in 2016.

The Company and its subsidiaries had 2 completed developments: Ficus Lane project and Saladaeng Residences project. As of December 31st, 2017, the Company and its subsidiaries has 4 on-going developments: MahaNakhon, MahaSamutr, Nimit Langsuan, as well as Windshell Naradhiwas projects. The summary of all the projects are as follows.

Project	Location	Type of project	No. of units	Sale area (sq.m.)	Project value for sale (million Baht)	Recognizable Portion (%)	Construction Period
<u>Completed Projects:</u>							
1. Ficus Lane	Sukhumvit 44/1 Road	Condominium	70 residences	12,109.8	900	100	2004 – 2006
2. Saladaeng Residences	Saladaeng Soi 1, Silom Road	Condominium	132 residences	13,087.9	2,310	100	2008 – 2011
<u>Developing Projects:</u>							
3. MahaNakhon:	Naradhiwas-Rajanakarin Road.	Mixed-use	-	-	-	-	2011 – 2018
3.1 The Bangkok Edition		5-star luxury boutique hotel	155 keys	Area for services 14,696.64	-	-	2011 – 2018
3.2 The Ritz-Carlton Residences, Bangkok		Super luxury residences	209 residences	47,725.44	15,000	75*	2011 – 2018
3.3 Lifestyle retail:				Area for services			

Project	Location	Type of project	No. of units	Sale area (sq.m.)	Project value for sale (million Baht)	Recognizable Portion (%)	Construction Period
- MahaNakhon CUBE		Lifestyle retail	-	5,672.41	-		2011 – 2014
- Podium Experience		Lifestyle retail	-	2,949	-		2011 – 2018
- MahaNakhon Observation Deck		Viewpoint area	-	1,736	-		2011 – 2018
4. MahaSamutr	Soi 112 Hua-Hin District, Prachuabkhirikhan Province	Luxury resort-style villas and private club					2013 – 2018 (some parts to be finished in 2016)
4.1 Luxury Villa		Luxury resort-style villas	80 villas	-	4,000	24*	2013 – 2018
4.2 Country Club		Luxurious Country Club	-	-	-	-	2013 – 2018
5. Nimit Langsuan	Langsuan Road	Super luxury condominium	176 residences	25,325	8,000	94*	2016 – 2019
6. Windshell Naradhiwas	Naradhiwas-Rajanakar Road	High-rise Residence	36 residences	18,538	3,000	17*	2016 – 2019

Remark: % of total unit sold.

The main target group for the Company's real estate development is high purchasing power Thais and foreigners seeking leading quality, prime locations and design-driven functionality. Given this respect, the Company considers and sets the selling price per square meter appropriate for each project based on location and project concept. For lifestyle retail MahaNakhon CUBE, MahaNakhon Observation Deck and Experience, and roof top bar, the main target group includes tourists both domestic and international, residents in the surrounding neighborhood, hotel guests, owners and residents of the residential building of MahaNakhon development, as well as management and workers in the Bangkok CBD and nearby offices.

The target audience for gourmet food and beverage business under DEAN & DELUCA brand are quality conscious consumers wanting premium ready-to-eat food and beverages as well as ingredients and retail items. DEAN & DELUCA is operated by the Company under 3 subsidiaries, and 1 joint venture company:

Subsidiaries	by	Type of Business	Started since
1. Dean & DeLuca Inc. (U.S.A.)	Company	Premium supermarket and gourmet food and beverage in the U.S.A.	December, 2014 (since acquired)
2. Dean & DeLuca (Thailand) Co., Ltd.	Company	Premium supermarket and gourmet food and beverage in Thailand	April, 2015 (since acquired)
3. Dean & DeLuca Café Japan Co., Ltd.	Dean & DeLuca Japan Co., Ltd. (DDJ) (50%)	Premium supermarket and gourmet food and beverage in Japan	March, 2016 (since the joint venture agreement)
4. Dean & DeLuca Airport Co., Ltd.	Shareholding (indirect) by Dean & DeLuca (Thailand) Co., Ltd. (51%)	Premium supermarket and gourmet food and beverage in Suvarnabhumi Airport, Thailand.	January, 2017 (since registered a subsidiary)

The completed real estate developments are Ficus Lane, which is the Company's first residential condominium project, and Saladaeng Residences project.




Details of the Project (As of December 31 st , 2016)		
	Ficus Lane	Saladaeng Residences
		
Location	Soi Sukhumvit 44/1 (Pichaisawat), Sukhumvit Road, Klong-Toei district, Bangkok	Soi Saladaeng 1, Silom Road, Silom sub-district, Bang-Rak district, Bangkok
Project area	2-3-57 Rai (1,157 sq.w.)	584 sq.w.
Project details	Two 7-storey residential buildings with 7 floors above ground and 1 floor below ground [CHECK]	One residential building with 25 floors above ground and 5 floors below ground
No. of unit	70 residences	132 residences
Project value for sale	Approx. 900 million Baht	Approx. 2,310 million Baht
Year of completion	2006	2011
Recognizable portion	100%	100.0%

Presently, the Company is developing high-end projects MahaNakhon, MahaSamutr, Nimit Langsuan, and Windshell Naradhiwas. The details of all projects are as follows:

MahaNakhon Project



"MahaNakhon", the most significant complex of contemporary architecture with mixed-use functionality that consists of hotel, residences, and lifestyle retail. The details of the project are summarized as follows:

Details of the Project (As of December 31 st , 2017)			
	Hotel	Residences	Lifestyle retail
Location	On Naradhiwas-Rajanakarin Road, Bangrak District, Bangkok		
Project Area	9 Rai 1 Ngan 51.1 sq.w.		
Sales area / Rental area (sq.m.)	Approx. 14,696.64	Approx. 47,725.44	Retail CUBE: 5,672.41 Podium Experience: 2,949 MahaNakhon Observation Deck: 1,736
Average sales price / sq.m.	Approx. 7,500 Baht / night	Approx. 312,603 Baht / sq.m.	Average Approx. 1,300 - 1,500 Baht / sq.m.
Project details	<p>The Bangkok Edition Hotel (1 – 20/F*)</p>  <p>- A super-luxury boutique hotel under a new brand of Marriott Group and is managed by The Ritz-Carlton Hotel Company</p>	<p>The Ritz-Carlton Residences, Bangkok (23 – 73/F)</p>  <p>- A super-luxury residential development under an internationally recognizable brand - Residents enjoy the legendary service of The Ladies and Gentlemen of The Ritz-Carlton</p>	<p>MahaNakhon CUBE (B1 – 7/F) Retail Hill (1-4/F) MahaNakhon Observation Deck (74 – 75/F, 78/F)</p>  <p>- A lifestyle retail center that hosts world-famous gourmet food and beverage providing Bangkok's leading dining experience, including Vogue Lounge, L'Atelier de Joël Robuchon, Morimoto, M Krub and DEAN & DELUCA. - World-class observatory providing views and experience from the highest building and viewing point in Bangkok, with associated Thai showcase experience and retail</p>
No. of unit	- 155 keys	- 209 residences	-
Project value for sale	-	Approx. 15,000 million Baht	-
Year of completion	2011 – 2018	2011 – 2018	2011 – 2018
Target group	Businessmen and both Thai and foreign tourists	High purchasing power group including Thai and foreign investors	Residents in the hotel and the residential building of MahaNakhon development and the neighboring areas including residents and workers in the adjacent offices. International and domestic tourists (Observation Deck)

* The floor numbers were assigned by the project's sales department. 21st and 22nd Floors are omitted as service zones segregating 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.

MahaSamutr Project



Situated in an upper market beach resort town, MahaSamutr Hua Hin consists of luxury resort-style villas and a luxurious private members' Country Club set around Asia's largest man-made clear water lagoon and beach. The development provides an exclusive, private environment with a secluded elegant atmosphere, suitable for holidays, relaxation, family gatherings and recreational activities. The 800-meter-long lagoon, situated on the 72,000-sq.m. lot, is visible and directly accessible from all villas, providing fun activities, such as swimming, paddle-boarding, diving, and other water sports. Using the latest technology from leading global company Crystal Lagoons Corporation, the color and the quality of the water is tested and carefully monitored to ensure the highest standards of cleanliness, while also minimizing impact on the environment reservation and using energy saving measures.

Details of the Project (As of December 31st, 2017)

Location	Soi 112 Hua-Hin District, Prachuabkhirikhan Province
Project area	Approximately 129 Rai 3 Ngan 17.3 sq. w.
No. of villas	80 luxury Villas
Sales price	Approx. 50 million Baht / Villa
Project details	Residential units: MahaSamutr Villas Country Club: Hua Hin Country Club, managed by PACE and supported by ILC (for members and residents) Beach Club: MahaSamutr Beach Club, managed by PACE and supported by ILC (for residents)
Project value for sale*	Approx. 4,000 million Baht (Villa component only)
Construction period	Construction Q3 2013 – 2018, ownership transfer commencing in the late of 2017
Sales period	Sales office open Q2 2016, official sales commence Q2 2016
Project features	800-meter-long man-made lagoon (total area 72,000 sq.m.); artificial beach; gated secure community
Progress on construction (as of December 31 st , 2017)	100% completed villa, and it's currently under construction and decoration of the country club which is about 77% completed, and the sport club is about 91% completed.

Nimit Langsuan Project



NIMIT Langsuan, a super-luxury 54-storey residential freehold development, centrally located on Langsuan Road and within walking distance to Lumpini Park. Designed and built to the highest international standards, the tower is seemingly made entirely of amber glass, a result of the state-of-the-art façade, wrapping the building in three-dimensional molded glass to create a timeless and elegant architectural statement. NIMIT Langsuan features homes, ranging from 77 - 640 square meters and offering two - four bedroom layouts, with views overlooking Lumpini Park, Royal Bangkok Sports Club, Langsuan Village and Chidlom. Residents enjoy a wide range of facilities with the lush garden entrance providing a unique greeting upon arrival.

Details of the Project (As of December 31st, 2017)

Location	Soi Langsuan
Project area	Approx. 2 Rai 2 Ngan 40.2 sq. w.
Sales area	Approx. 25,325 sq.m.
Sales price	Approx. 300,000 Baht / sq.m.
Project details	A super luxury residential building with 54 floors, not exceeding 176 residences
Project value for sale	Approx. 8,000 million Baht
Construction period	2016 – 2019
Project features	<ul style="list-style-type: none"> Lush Garden – Ground floor Amenities 10th floor Parking 100%
Progress on construction	Already received EIA and in construction process
(as of December 31 st , 2017)	

Windshell Naradhiwas Project

WINDSHELL NARADHIWAS

Windshell Naradhiwas is a high-rise residential project with the concept of a tropical stacking home for urban living. Combining the best elements of a house and a condominium for a tropical home in the sky, it provides space, volume, and natural cross-ventilation, featuring both indoor and outdoor living with options of a 455 or 564 square meter duplex. Maximizing privacy, the project has only 36 units, with 2 units per floor and separate lifts. The cross-ventilation design enables natural air flow. Moreover, the project offers customization of interior styles by the sale of bare shell units.

Details of the Project (As of December 31st, 2017)

Location	On Naradhiwas-Rajanakarin Road
Project area	2 Rai 87.4 sq.w.
Sales price	Starting from 180,000 Baht / sq.m.
Project details	Condominium with 28 floors and 36 residential units
Size	2 sizes : Small 455 sq.m. and Large 564 sq.m. with options of combining spaces horizontally and vertically of 3,000 sqm.
Project value for sale	Approx. 3,000 million Baht
Construction period	2016-2019
Project features	Floor 1 Lobby and Garden Floors 2-9 Car park Floors 10-27 Residences Floor 28 Swimming pool, kids' pool, steam room, communal kitchen, multi-purpose room, fitness, garden, common living area
Progress on construction (as of December 31st, 2017)	Already received EIA and in the construction process of MEP1.

As of December 31st, 2017, the Company owns 10 stores in U.S.A., 11 stores in Thailand, and is co-owner of 17 stores in Japan in a joint venture agreement with a partner in Japan for café format; totaling 38 stores. Additionally, the Company has sold licenses to officially operate DEAN & DELUCA abroad for licensees including Japan (only Supermarket format), Singapore, South Korea, Philippines, Kuwait, United Arab Emirates (UAE), Hawaii (U.S.A.), Macau, and Bahrain totaling a further 30 stores worldwide. As at year end 2017 the total number of DEAN & DELUCA stores worldwide is 68. The Company plans to continue to expand the number of stores both in Thailand and other countries directly, as well as continuing to sell licenses and the trade name to its licensees.

The map below shows the locations of DEAN & DELUCA stores worldwide:



2.2 Marketing and Competition

2.2.1 Competitive Strategy and Product Distribution

Real Estate Development Business

PACE and its subsidiaries focus on high-end residential development, lifestyle retail business, and hospitality as its key segments. The “Zero Defect” policy provides strict real estate development quality control measures combined with innovation, dedication and leadership in design, to match the needs of high-end consumers.

The Company sets pricing based on market conditions comparable to other competitors in the same industry with premiums for innovative designs, prime locations, high standards of facilities, services integration and mixed-use convenience where possible. Through service and quality delivered to its customers, the Company has also built brand loyalty which enables a further premium in pricing for each property.

Gourmet Food and Beverages

Gourmet Food and Beverages

DEAN & DELUCA offers a wide variety of specialty and gourmet foods such as butcher products; seafood and shellfish products; hors d'oeuvres and appetizers; bread and bakery items; cheeses; pastas, rice, and grains; salts and seasonings; coffees, teas, and beverages; desserts and snacks; jams, syrups, and honey; oil, vinegar, and condiments; and kitchen and dining ware. The Company offers a wide variety of both local classics as well as international ingredients and dishes. DEAN & DELUCA offers these products through its stores.

Customers have the option to shop on DEAN & DELUCA's online catalog, which includes many of the same seasonal and year-round selections available in store. Customers' purchases are shipped directly to them, letting them escape the hassle of running to the store. In most cases, orders are shipped the same day the order is placed.

DEAN & DELUCA also offers catering services for both private and corporate events in many of its locations. Catering menus vary by store location, but all offer the same quality food and service clients expect from DEAN & DELUCA.

DEAN & DELUCA offers a wide variety of gifting solutions for both private and corporate clients. Gift orders can be placed online and will be delivered directly to the recipient's door. Customers can shop DEAN & DELUCA's wide assortment of pre-made gift baskets or make their own custom gift basket from Dean & DeLuca's wide offerings. For corporate clients, DEAN & DELUCA offers customized, full-service corporate gifting plans designed to meet client's particular gifting needs.

The corporate clients business consists of 3 distinct distribution channels: Corporate Gifting (sales to corporate customers), Hospitality (sales to hotels for mini-bars and airlines for in-flight consumption), and Wholesale (sales to select high end boutique retailers of gourmet food products).

DEAN & DELUCA's international business consists of licensing the brand and operation to international multi-channel operators. Revenue streams consist of a sales-based royalty, initial licensee fees and an up charge on products sold by DEAN & DELUCA in the U.S. to the international operators.

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

DEAN & DELUCA's founding philosophy is to introduce consumers to high quality food products and prepared foods that are authentic "old world" culinary traditions and were unfamiliar, at that time, in the United States marketplace. Since then,

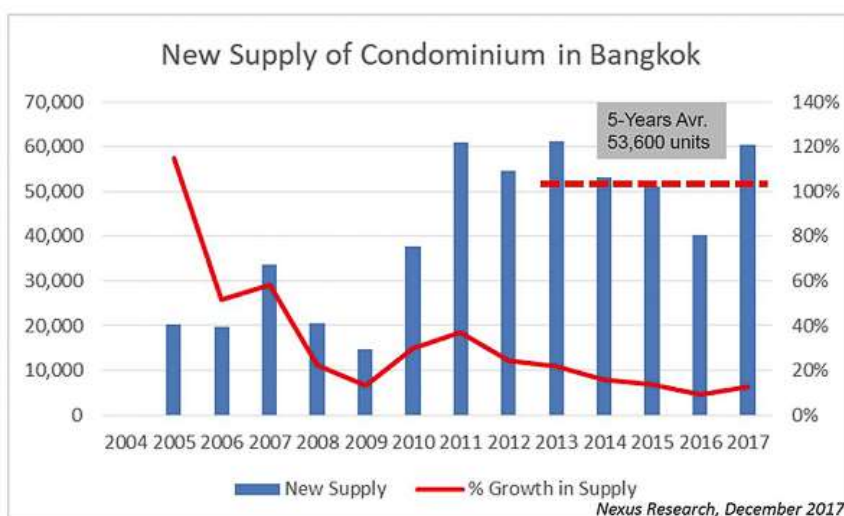
it has evolved into a mission to introduce consumers to culinary trends or products that may be exciting, unfamiliar or noteworthy, and the brand is now truly global in its reach.

2.2.2 Market Conditions and Competition

Real Estate Development Business

Condominiums were considered as the most popular real estate in 2017. According to Nexus Property Marketing research, the number of new condominium supply launched in 2017 totals 62,700 units from 128 projects, hitting a new high record in 10 years. The number of new condominium supply launch is 15% higher than the average number in the past 5 years (the average number of new condominium supply launched in 2013-2017 is approximately 53,600 units per year). The number of the new supply launch is derived by both large and new developers that continue developing new projects. They also develop many big projects, as a result, an accumulative number of condominium supply in the market totals 550,000 units and continued expanding to locations surrounding the inner city. Top 3 locations where the highest number of condominium supply increases are: 1. Phra Khanong—Suan Luang with 14,400 units or a rise of 23%; 2. Phaya Thai—Ratchadaphisek with 13,200 units and an increase of 21%; and 3. Thon Buri—Petchakasem with 8,900 units or a growth of 14%. The total number of new supply in these 3 locations accounts for 58% of the total number of new condominium supply launched in Bangkok.

Overall demand in 2017 continues to grow. New demand for condominium sales in the market totals 57,300 units, which is 14% higher than average sales in the past 5 years (the average sales of condominium in 2012-2016 was approximately 50,400 units per year). However, the total condominium sales rate in the market stands at 90% (the accumulative sales of condominium in the market rises to 496,100 units). Currently, the total number of condominiums for sales remaining in the market is around 53,900 units.



Source: Nexus Research, December 2017

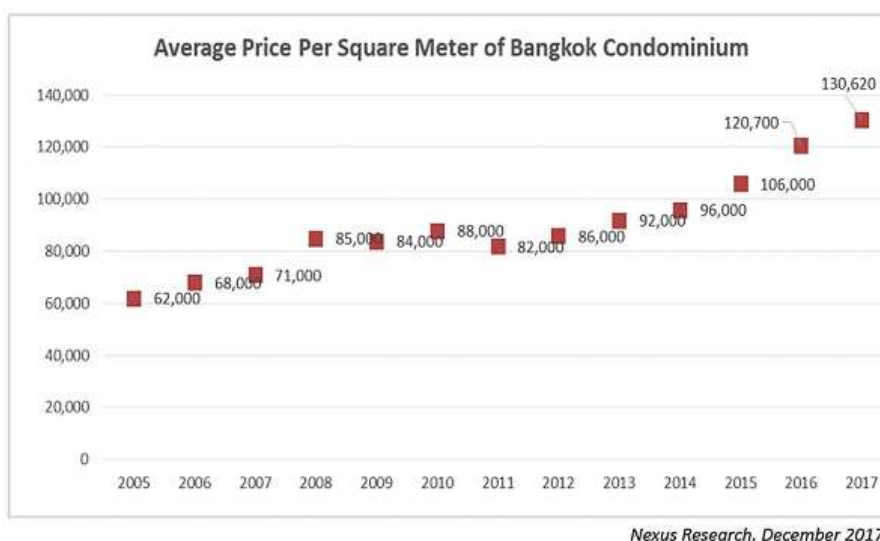


ที่มา: Nexus Research, ธันวาคม 2560

Source: Nexus Research, December 2017

In 2017, an average sales rate of new condominiums launched in the market is approximately 62%. Top 3 locations where the number of condominium units sold is the highest are 1. Phra Khanong—Suan Luang 2. Phaya Thai—Ratchadaphisek 3. Pathumwan—Ratchathewi. The Phra Khanong—Suan Luang area is still a popular location with a great number of new condominium supply launched each year and a consecutive high sales rate as well. The Pathumwan—Ratchathewi area is a location where a sales rate of new condominium launched is the highest at 88%.

In 2017, average selling price of condominium in Bangkok rises in a decreasing rate at 8% or from 121,000 Baht per square meter in 2016 to 130,620 Baht per square meter in 2017. This increase is close to an average increase of condominium price in the past 5 years at 9% per year.



Source: Nexus Research, December 2017

Super-Luxury Condominium Market Overview

Since 2015, there has been a substantial increase in new supply of super-luxury condominiums from the effect of household debt of the lower and middle-classes. Many developers turned to upper-class segments which customers have more purchasing power by launching new projects, priced over 300,000 baht per sq.m., and located in prime inner city or special locations like riverside, with high quality fit outs, extensive facilities and amenities, combined with professional management.

Currently, there is a total of 3,625 units of super-luxury condominium. 50% of which located in the inner area of Sukhumvit from Asoke to Thonglor, followed by Lumpini Park. For Chaophraya River location has fewer newly launched projects due to the land shortage and farther distance from sky train. Number of new supply continues to decrease from 2016 to the first 7 months of 2017.

The sales rate of super-luxury condominium is approximately 65%, replicates the existing demand and potential growth of this segment. Average sales occurred in inner city locations of Sukhumvit and Lumpini, while Chao Phraya River received fewer feedback due to the leasehold conditions.

The majority of super-luxury condominium buyers are Thai. However, with the unstable economy in 2017, Thai buyers with high purchasing power slowed their buying decisions. All developers moved the target to more foreigners to fulfill the portion of Thais, but the ratio for foreign buyers in this market is approximately less than 20%.

Land Pricing Analysis

According to Agency for Real Estate Affairs, the average land price in greater Bangkok rose 4% in 2017 with an uneven increase in each area. The most increased land prices are the plots along Bangkok Skytrain. While the most expensive locations are Siam Square, Chidlom, Ploenchit and Sukhumvit with an average price of 2.13 million baht per sq.w. Land plots in these locations are now very limited, most of these plots are bought by developers who intend to build luxury condominiums. It is anticipated that reduction in suitable plots for high rise developments combined with demand for land will continue to drive up the cost of land in prime locations in 2018.

Ranking	Zone	Price (baht/sq w)	% (yoy)
1	Siam Square	2,000,000	5
2	Sukhumvit, Time Square	1,950,000	5
3	Silom	1,700,000	6
4	Wireless Road	1,600,000	7
5	Sathon	1,500,000	7
6	Sukhumvit 21, Asoke	1,400,000	27
7	Yaowarat	1,250,000	4
8	Sukhumvit, Ekamai	1,000,000	5
9	Phaya Thai	900,000	6
10	Phahon Yothin (beginning)	850,000	6

Source: Agency for Real Estate Affairs

POSTgraphics

Source: Agency for Real Estate Affairs, May 2017

Gourmet Food and Beverages Business

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 base 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.

As a pioneer of importing and selective sourcing, DEAN & DELUCA has established a price point that reflects the product differentiation and considers its competitors. The customers will recognize the materials and products that have been carefully selected and prices at comparable quality.

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 over 46 store locations. DEAN & DELUCA focuses on offering high quality food products, providing good service and impressive experiences, treating its customers, employees, and partners with integrity. As well as it develops good relationships within the organization; including operation and excellent brand management.

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.

2.2.3 Marketing Research and Communications

Real Estate Development Business

The Company's pricing model for its developments is based on market research in a competitive range when compared to projects of similar nature.

Super-luxury development pricing is highly customized, and the Company uses a strategy of constant review and adjustment to ensure that pricing achieves corporate objectives, while maintaining customer satisfaction levels and staying in line with changes in market conditions. Sales are created using both a direct sales force along with a network of leading agents, and marketing generates leads and visits for both sales channels.

Marketing communications and public relations aims to connect with affluent customers efficiently and effectively through various marketing channels. Marketing tools including direct marketing, focused events, partnerships with key 3rd parties and customer relations management enable marketing messages to reach targeted high-end customer audiences. Show units present high quality standards of materials and strengths of the project, enhancing guidance for buyer's decision making and confidence. PACE uses extensive digital marketing platforms including websites and social media applications - Facebook, Instagram, YouTube - to share relevant information quickly at low cost to clients in Thailand and around the globe.

PACE also organizes project road shows locally and abroad as well as a network of agents and other channels including project reviews and listings on different online property portals. Traditional advertising media such as print media, magazines, newspapers, and billboards are also used to create brand awareness and generate additional leads for each project.

Importantly, PACE has a reputation built through creating leading luxury developments in the past, so the Company focuses heavily on maintaining strong relationships with existing clients, to create cross-sell and repeat purchase opportunities with each new development.

2.3 Supply of Products or Services

Real Estate Retail Business

Situated in a business center area, PACE's lifestyle retail center (MahaNakhon CUBE) is situated in the middle of large office buildings and residences with direct BTS access at Chongnonsi targeting to open in 2018. As the entire MahaNakhon development reaches full operations, it is expected that retail leasing rates will continue to increase, reflecting strong trading and traffic.

CUBE provides the finest world-class fine dining in Bangkok; including, the world's first "VOGUE Lounge", and French Michelin Star Chef concept "L'Atelier de Joël Robuchon", South East Asia's first "Morimoto", modern Chinese "M Krub", and "DEAN & DELUCA" Gourmet Food Hall. Lifestyle services include "Verita Health MahaNakhon", PACE's own client service sales gallery, quality shoes "Don's Footwear", and premium "MahaNakhon Bespoke Tailoring".

Real Estate Hotel Business

MahaNakhon also features the "Bangkok Edition" a new 5-star luxury boutique hotel brand under Marriott Group managed by The Ritz-Carlton Hotel Company, a co-creation of Bill Marriott, CEO of Marriott International, and Ian Schrager, a renowned hotelier specialized in boutique hotel service design. Chosen for its reputation and management team, Marriott's brands provide access to the world's leading hotel reservation system, and will target businessmen, Thai, and foreign tourists with high-purchasing power.

Moreover, the Company also provides hospitality services at MahaSamutr Country Club Hua Hin, with a wide-range of facilities, sports, dining, and accommodation for members in the township's first Country Club.

Gourmet Food and Beverages Business

DEAN & DELUCA has a diversified direct channel distribution models that includes the stores by its investment and by its licensees worldwide, e-commerce, and international business-to-business that the Company foresees great growth opportunities in the future.

1. Expanding store locations by the Company's investment in the United States and international markets as well as signing with new licensees.
2. Investment in brand could impact worldwide recognition of DEAN & DELUCA and help driving expansion in all channels.
3. The attention from a landlord with DEAN & DELUCA which could have a result in a power to negotiate for store expansion.
4. The performance of online sales from orders across the United States and some orders from worldwide stores indicates that DEAN & DELUCA has a strong brand and becomes the needs of the market. Besides, the Company recognizes the importance of the increasing internet users and smart phones help contribute the growth of business; therefore, the Company intends to use technology to boost sales performance more in the future.

2.4 Undelivered units as of December 31st, 2017

Project name	Project type	Land size	Total residences	% Completion	Undelivered sold or leased units		Sales period	Construction period	Transfer of ownership or lease starts from:
					number (unit)	Value (MB)			
MahaNakhon	Mixed-use project consisting of residential condominium, hotel, and lifestyle retail center	9 Rai 1 Ngan 51.1 sq.w	Residential condo 209 residences	96	38	3,209.9	2009 – 2018	2011 – 2018	From Q2 2016 onwards
MahaSamutr	Luxury villas and country club	129 Rai 3 Ngan 17.3 sq.w	80 villas and country club membership	- Villa 65 - Country Club 77 - Sport Club 91	17	869.2	2015 – 2018	2013 – 2018 (some parts to be finished in 2015)	From 2017 onwards
Nimit Langsuan	A super luxury residential freehold development	2 Rai 2 Ngan 40.2 sq.w	176 residences	21	166	6,709.3	2015 – 2019	2016 – 2019	From 2019 onwards
Windshell Naradhiwas	A super luxury residential freehold development	2 Rai 87.4 sq.w.	36 residences	20	6	494	2017 - 2019	2016 – 2019	From 2019 onwards

3. Risk Factors

Risk management is integral to supporting and enabling the Company's strategic objectives. The Executive Committee and the Risk Management Committee are responsible for assessing, controlling, and advising on enterprise risks in PACE's property, hospitality, and food & beverage businesses. In 2017, the Risk Management Committee started to revise the internal risk assessment process by recategorizing risks in order to ensure a complete and long-term view of necessary mitigation measures to support strategic objectives and improve performance.

STRATEGIC

Property & Hospitality Business:

Market volatility, political instability, and increased competition in the property and hospitality business may affect purchasing decisions of both local and international customers. As a luxury property developer, PACE caters to the top market segment of affluent clientele with sustained purchasing power by selecting prime locations, premium quality materials, products, and services. Our continuous development of design-driven luxury experience and strategic partnerships with reputable global brands and operators differentiate our world-class brand and marketing.

Food & Beverage Business:

The Company aimed to expand DEAN & DELUCA in the US, Thailand and internationally with the build out of new stores, the launch of a new food concept, market consumer products, and signing international licensing in new territories. As expansion requires sufficient capital, the Company focused on proper recapitalization by combination of restructuring the Company's liabilities to stabilize its operations and obtain sufficient capital. Moreover, to continuously strengthen the strategy in a competitive environment, the Company has been identifying the right locations that will allow for successful opening of new stores, strengthening new consumer product offerings by continuing to reinforce its core value and find appropriate distribution channels, as well as improving the operations by simplifying its business structure to reduce unnecessary costs, increase margins and maximize operational efficiency through organizational restructuring, improvement in inventory and cash flow management, and closure of non-performing stores.

OPERATIONAL

Property & Hospitality Business:

Project Delay

The large-scale construction of our real estate projects features world-class design and global standard premium quality, using construction management and contractor teams that require a high degree of teamwork. The risk of project delay lies in the planning, communication, and review process of construction. In response to the delay, the Company has conducted weekly meetings to address and solve issues immediately, strengthened relationships with customers by updating information and responding to inquiries and feedback, and managing financial costs associated.

Cost Increase

The majority of the cost of construction consists of the cost of labor and construction materials. The risk of cost increase would affect the overall construction cost and profitability. The Company mitigates this risk by selecting and maintaining strong relationships with reputable contractors and suppliers with long-term contracts.

Terrorism

Given the on-going issue of terrorist attacks in the popular tourist destinations around the world, the hospitality business must consider risk and mitigation. As the owner of one of the tallest buildings in the region soon to be launched as a tourist destination, the Company recognizes the risk exposure and has developed emergency and business continuity plans as well as communication channels with its operating business partners and related parties.

Risk of Majority Shareholders

As a large portion of shares (43.27%) and votes carried by them are held by the Techakraisri family, the majority shareholders could exercise rights for their own benefit through directing the Company's policies and business decisions. However, according to the Notification of the Capital Market Supervisory Board No. TorChor. 7/2552 Re: Acting in concert as a result of the nature of a relationship or behavior, the Company has put in place a preventive structural mechanism against related party transactions, consisting of the Board of Directors, the Audit Committee, the Risk Management Committee, and the Nomination and Remuneration Committee, clearly defining the level of control of each director of the Board. The Audit Committee comprises three independent directors with skills and experience in budgeting and other financial reporting, which are essential for the structure of the Board to be effective, transparent, and accountable. Moreover, the Board of Directors continuously support of the development of the Company's internal controls for good corporate governance.

Food & Beverage Business:**Human Resources to Support Business Expansion**

The competitive food business environment could lead to the inability to fill required positions effectively to meet the expected growth and strategic objectives of DEAN & DELUCA operations and expansion plans. New federal labor requirements in the US may lead to higher human capital costs for US operations.

To reduce risks, the Company is developing a new human resource strategy to be relevant among the labor pool. The Company is also implementing organizational restructuring and balancing the criteria for required skills with the labor cost.

FINANCIAL**Ability to Pay Debt**

In 2017, investor confidence in the market for short and long-term bonds was affected by the risk of various companies' inability to meet covenants. This also impacted investor confidence in PACE, which has issued a Bill of Exchange and corporate bonds. PACE's high level of debt was also a concern for investors in terms of not being able to pay debt like other companies. Nonetheless, PACE's real estate projects, such as MahaNakhon (with revenue recognition since 2016)

and MahaSamutr Villas, are near completion and ready to be transferred to customers. Moreover, PACE is also in the process of completing the construction of Nimit Langsuan and Windshell Naradhiwas for sales, as well as MahaSamutr Country Club, the Bangkok EDITION, and the MahaNakhon Observation Deck for the launch of services. The total value of PACE's projects far exceeds the total debt.

The Company has been working closely with financial institutions to mitigate the risk of not meeting debt covenants. Furthermore, the Company planned to increase capital via a Rights Offering (RO) not exceeding 7,516,056,394 shares and a Private Placement (PP) not exceeding 1,500,000,000 shares. If completed, the debt to equity ratio would decrease.

Ability to Pay Dividend

The Company is in the process of developing large real estate projects such as MahaNakhon, MahaSamutr, Nimit Langsuan, and Windshell Naradhiwas, with the total value of approximately THB 30 billion. The revenue recognition for MahaNakhon started in 2016 and will be completed in 2018. The revenue recognition for MahaSamutr Villas started in 2017 and will also be completed in 2018. The remaining two projects are expected to be completed in 2019, which may result in showing a net loss and inability to pay dividend. Nevertheless, if the Company is able to recognize revenue from MahaNakhon and MahaSamutr, and successfully increase capital according to plan, it is expected to be profitable and pay out dividend based on retained earnings. If the Company posts a profit and is not restricted to obligations with financial institutions, it would be able to pay dividend according to the company policy.

COMPLIANCE

Building Permits

Property development requires relevant construction and building permits throughout the project process. The risk of not obtaining necessary permits would affect the project timeline, customer satisfaction, revenues, and stakeholder trust. The Company ensures compliance and timely processing of permit application and approval by studying and monitoring regulations and changes, engaging with related government agencies and consultants, and integrating necessary tasks and resources to project planning and progress review.

Corruption

In engaging with various government agencies as a property developer, bribery and corruption are a risk to non-compliance. The Company has signed a declaration to participate in Thailand's Private Sector Collective Action Coalition Against Corruption (CAC) and has been conducting self-evaluation to further improve its internal controls and processes to prevent illegal and unethical conduct. It provides anti-corruption training among employees annually to strengthen understanding and foster an anti-corruption corporate culture. The Company also has a whistleblowing mechanism in place for both internal and external stakeholders to anonymously report any suspicious activity.

ENVIRONMENTAL

Climate Change

Climate Change, observed as increasingly unpredictable and severe weather events, as well as more frequent natural disasters, could affect supply chain and operations of all our businesses. PACE's real estate projects have previously been affected by heavy rains, flooding, and landslides. The Company works closely with contractors and suppliers to ensure supply and project progress by maintaining preventive mechanisms.

Environment, Health, and Safety

Accidents and environmental impact at and around construction sites, including noise and dust, are a risk to workers, surrounding communities, and the natural habitat. To minimize our environmental impact, PACE and our reputable contractors not only comply with local laws and regulations, but also to international standards and best practices by closely monitoring work progress and its impact on stakeholders and natural surroundings. We have also strengthened our grievance mechanism and stakeholder engagement to provide relevant and timely information, using feedback to continuously improve our process and maintain stakeholder relationships.

4. Operating Assets

As of December 31st, 2017, the Company has the following operating assets:

4.1 Characteristics of Main Operating Assets

4.1.1 MahaNakhon Project – net

Company	Project	Location	Size	Book Value as of 31 Dec 2017 (MB)	Appraisal Value (MB)	Contingent Liability as of 31 Dec 2017 (MB)
PACE Two	MahaNakhon	Next to Chongnonsri BTS station, on Naradhiwas Rajanagarindra Rd.	9 Rai 1 Ngan 51.1 sq.w.	4,912.5	4,486.6*	Mortgaged with Siam Commercial Bank PCL.

*Note: *Value of assets were appraised by Sims Property Consultant Co., Ltd. based on Market Comparison Approach and Income Approach/Discounted Cash Flow Approach (DCF) report dated February 24th, 2016. According to the appraiser, the appraisal value of the land was 4,026.1 Million Baht (7 land plots with the total area of 7-3-37.1 rai or 3,137.1 square wah) and 460.5 Million Baht (4 land plots with the total area of 1-2-14.0 rai or 614 square wah) respectively for the purpose of consideration of impairment of assets per TAS 36. As MahaNakhon is a mixed-used project, this appraisal value includes all land of Pace Project One Co., Ltd. (PP1), Pace Project Two Co., Ltd. (PP2), and Pace Project Three Co., Ltd. (PP3). However, the Company loss of control of PP1 and PP3 since Q2/2017. As a result, the Company deconsolidated both PP1 and PP3.*

4.1.2 MahaSamutr Project - net

Project	Company	Location	Size	Book Value as of 31 Dec 2017 (MB)	Appraisal Value (MB)	Contingent Liability as of 31 Dec 2017 (MB)
MahaSamutr		Soi 112 Hua Hin, Prachuabkhirikhan	129 Rai 3 Ngan 17.3 sq.w.		547.0*	Mortgaged with The Siam Commercial Bank PCL.
• Villa	PACE		22,050.5 sq.w.	204.4		
• Country Club	PACE		29,678.5 sq.w.	547.0		
• Country Club	PACE Country Club		526 sq.w.			
Total				751.4		

Note: *Value of assets were appraised by Sims Property Consultant Co., Ltd. based on Market Comparison Approach report dated August 7th, 2017. According to the appraiser, the appraisal value of the land was 547.0 Million Baht for financial statements purpose per TAS 16.

4.1.3 Nimit Langsuan Project – net

Project	Company	Location	Size	Book Value as of 31 Dec 2017 (MB)	Appraisal Value (MB)	Contingent Liability as of 31 Dec 2017 (MB)
Nimit Langsuan Project	PACE	Langsuan Road, Lumpini, Pathumwan	2 Rai 2 Ngan 40.2 sq.w.	2,845.9	1,979.3*	Mortgaged with The Siam Commercial Bank PCL.

Note: *Value of assets were appraised by Sims Property Consultant Co., Ltd. based on Market Comparison Approach report dated February 23th, 2016. According to the appraiser, the appraisal value of the land was 1,979.3 Million Baht for the purpose of consideration of impairment of assets per TAS 36.

4.1.4 Windshell Naradhiwas Project – net

Project	Company	Location	Size	Book Value as of 31 Dec 2017 (MB)	Appraisal Value (MB)	Contingent Liability as of 31 Dec 2017 (MB)
Windshell Naradhiwas Project	YLP Co., Ltd.	Naradhiwas-Rajanakarin Road	2 Rai 87.4 sq.w.	695.8	470.3	Mortgaged with KASIKORNBANK Public Company Limited

Note: *Value of assets were appraised by General Valuation and Consultant Co., Ltd. based on Market Comparison Approach report dated September 3rd, 2015. According to the appraiser, the appraisal value of the land was 470.3 Million Baht for the purpose of the present value.

4.1.5 Niseko Project – net

Project	Company	Location	Size	Book Value as of 31 Dec 2017 (MB)	Appraisal Value (MB)	Contingent Liability as of 31 Dec 2017 (MB)
Niseko Project	PACE	Niseko Town, Abuta-Gun District, Hokkaido Province, Japan	87 Rai 3 Ngan 33.3 sq.w.	481.7	552	Mortgaged with The Siam Commercial Bank PCL.

Note: *Value of assets were appraised by Sallmanns (Far East) Limited. based on Market Comparison Approach report dated May 9th, 2016. According to the appraiser, the appraisal value of the land was 552 Million Baht for the public purposes

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 Directors 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 Disputes

As of 31 December 2017, there is an unsettled dispute to the Company which may materially affect to the business operation of the Company and the Company's subsidiaries. That is,

Residents around public road nearby MahaNakhon Project brought the lawsuit against Bangkok Metro Metropolitan Administration and Governor of Bangkok and the Defendants requested the Court to summon the Developers to be the interpleaders

In the past, the public road nearby MahaNakhon Project was narrow and the former land owner had a residential business around the located land of MahaNakhon Project. The former land owner had reserved some area of its land in order for a bus could take customers to reside in the rooms of its business as well as posted signboards and made a private road to reserve the rights of the private road. Thereafter, Pace Project One Company Limited ("PP1"), Pace Project Two Company Limited ("PP2") and Pace Project Three Company Limited ("PP3") (collectively, the "Developers") purchased the land from such former land owner and fenced for construction in the land area (the Developers also requested the land office for proceeding the survey for measurement of the land area prior to fencing and starting the project), which caused the public road was returned to be narrow condition same as the fact in the past. On 31 January 2017, 8 residents around public road nearby MahaNakhon Project (the "Plaintiffs") brought the claim against Bangkok Metro Metropolitan Administration and Governor of Bangkok (the "Defendants") to the Central Administrative Court. The grounds of the case are those the Defendants consented or omitted the Developers to invade and construct the project over the public road. This causes the public road became narrower which resulting that the Plaintiffs cannot travel by a car from Silom Soi 9 Road through Naradhiwas Road. In addition, the Defendants also consented or omitted the Developers to drain the waste into the public waterway which causes the flood to the public road and the Plaintiffs' houses.

Therefore, the Plaintiffs submitted the motion to the Administrative Court to render the following orders:

1. To order the Defendants to order the Developers to demolish the wall constructed over the public road;
2. If the Developers do not demolish the wall, to order the 2nd Defendant to lawfully reinforce its power for the Developers to perform such action;
3. If the Developers do not perform it actions according to No.1 and No.2, to order the Defendants to bring the criminal case against the Developers for the offense of the invasion of public area;
4. To order the Defendants to order the Developers to destroy the drainage system which is linked to the public road and make the new drainage system in the area of the project;
5. To order the Defendants to order the Developers to close the door which is linked between the public road and car park building;
6. To order the Defendants to prohibit the Developers to increase the public road into the higher level; and

7. To order the Defendants to revoke any unlawful juristic acts in order to return the road to the public interest.

After the commencement of the court hearing, the Defendants made the request to the court to order PP1, PP2 and PP3 to be the interpleaders because the court judgment may influence to the Developers. At present, the Company has appointed an attorney who has the expertise in the administrative case and has filed an answer to the complaint with the Central Administrative Court.

6. General Information and Important Information

Company Name	PACE Development Corporation Public Company Limited (Formerly name: 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, 45 th Floor Unit 3, Wireless Road, Lumpini, Pathumwan, Bangkok 10330, Thailand
Registration Number	0107554000232
Website	http://www.pacedev.com
Telephone	02 654 3344
Fax	02 654 3323

Other Reference Information

Ordinary share Registrar	Thailand Securities Depository Company Limited 93 The Stock Exchange of Thailand Building Ratchadaphisek Road, Dindaeng, Bangkok 10400 Tel. 02 009 9000 Fax. 02 009 9991
Auditor	Ms. Wimolsri Jongudomsombut Certified Public Accountant, Registration No. 3899 Baker Tilly Audit and Advisory Services (Thailand) Ltd. Level 21/1 Sathorn City Tower 175 South Sathorn Road, Sathorn, Bangkok 10120 Tel. 02 679 5400
Legal Advisor	Weerawong, Chinnavat & Peangpanor Ltd. 22nd Floor, Mercury Tower, 540 Ploenchit Road, Lumpini, Pathumwan, Bangkok 10330 Tel. 02 264 8000 Fax. 02 657 2222
Debenture Registrar	TMB Bank Public Company Limited 3000 Phahonyothin Road, Chom Phon Sub-district, Chatuchak District, Bangkok 10900
Debentures	Debentures represented unsubordinated and unsecured debentures No. 4/2014 Maturity Year 2016 No. 1/2015 Maturity Year 2018 No. 2/2015 Maturity Year 2018 No. 3/2015 Maturity Year 2017 No. 4/2015 Maturity Year 2018 No. 1/2016 Maturity Year 2017 No. 2/2016 Maturity Year 2018