

(Translation)

**The Opinion of Independent Financial Advisor**

**Regarding**

**Investment in the 'Super Tower' Project**

**of**



**Grand Canal Land Public Company Limited**

**by**

**Asia Plus Advisory Company Limited**



**17 December 2014**

**Disclaimer**

This report is prepared in Thai and this English version is a translation of the Thai report. While every effort was made to ensure the accuracy of the translation, there could be some inconsistency between the Thai report and the English translation. In any case, the Thai report shall take precedence and be considered the official IFA report over its English translation.

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17 December 2014

Subject The Opinion of Independent Financial Advisor Regarding the Investment in the ‘Super Tower’ Project

To Audit Committee and Shareholders of  
**Grand Canal Land Public Company Limited**

Reference is made to the Board of Director’s Meeting of Grand Canal Land Public Company Limited (“**the Company**” or “**GLAND**”) No.9/2014 dated 14 October 2014 which approve the Company to engage in the development of a 125-storey premium office building on a total area of 19 rai 2 ngan 40.91 sq.w. in the Grand Rama 9 area with a total investment value of Baht 18,000 million (“**the Transaction**”).

The Project to be developed is considered as the Acquisition Transaction Type 4 pursuant to the Notification of the Capital Market Supervisory Board No. Tor Jor 20/2551 Re: Rule of Significant Transaction Constituting an Acquisition or Disposal of Assets and the Notification of the Stock Exchange of Thailand Re: Disclosure of Information and Other Acts of Listed Companies Concerning the Acquisition and Disposition of Assets B.E 2547 (“**the Acquisition and Disposition Notification**”). Based on Total Value of Consideration basis, the Transaction size is 101 percent of the Company’s total assets as of 30 June 2014, which is the latest consolidated financial statements prior to the date of the Board of Directors’ approval of such transaction (or 99 percent of the Company’s total consolidated assets as of 30 September 2014).

In entering into the Transaction, the Company is required to disclose information memorandum regarding the Transaction to the Stock Exchange of Thailand (“**SET**”) and to seek approval from the shareholders’ meeting with affirmative votes of not less than three-fourths of the total number of votes of the shareholders who attend the meeting and are entitled to vote, excluding the shareholders with vested interest. Moreover, the Company is required to circulate the meeting invitation letter to the shareholders at least 14 days prior to the date of the shareholders’ meeting. The Company must also appoint the Independent Financial Advisor to provide an opinion regarding the Transaction to the Company’s Audit Committee and shareholders. In this regard, the Company appointed Asia Plus Advisory Company Limited (“**Independent Financial Advisor**” or “**ASPA**”), who is certified by the SEC and has no relationship with the Company or any of the related companies in this transaction, as an Independent Financial Advisor to provide an opinion on the reasonableness, and the fairness of the price and condition of the Transaction to the Company’s Audit Committee and shareholders for consideration and approval.

In preparing this report, the Independent Financial Advisor has studied the information relevant to the Transaction as publicly disclosed in the Company’s Information Memorandum, and other information provided by the Company, including the Annual Registration Statement (56-1), financial projection and key assumptions used in assessing the project feasibility as well as other documents relating to the Transaction. The Independent Financial Advisor has also relied upon the information gathered from the interview of the Company’s management and relevant persons, as well as the consolidated financial statements reviewed or audited by the auditor, and other public information.

This report is prepared exclusively for the shareholders based on the information and assumptions provided by the Company and/or the management and other external sources which are assumed to be accurate and reliable. The Independent Financial Advisor has used information available and considered the economic environment at the time of this study. If there is any significant change in this information, the opinion of Independent Financial Advisor could be altered.

Nevertheless, the final decision whether to approve the Transaction rests primarily with the individual shareholders. The shareholders should study information contained in this report along with other related information provided, and use his/her own discretionary judgment in making the final decision.

The opinion of the Independent Financial Advisor is summarized as follows:

## Executive Summary

Grand Canal Land Public Company Limited (“**the Company**” or “**GLAND**”) plans to develop the Grand Rama 9 area, located at the intersection of Rama 9 Road and Ratchadapisek Road, into a new central business district (New CBD) of Bangkok, by investing in the real estate projects that can provide sustainable long-term benefit to the Company and its shareholders. The Board of Directors, therefore, passed a resolution approving to alteration of the project development plan on the 19 rai 2 ngan 40.91 sq.w. land area, from the previously-approved plan to build 1) Grade B office building and convention center and 2) Grade A office building (collectively called “**the Former Project**”) into a 125-storey premium office building, conference center and commercial center (“**the New Project**” or “**the Super Tower Project**”) with the Main Tower standing 615-meter tall. Once completed, the Super Tower is expected to be the tallest building in the country and one of the top 10 tallest buildings in the world.

The New Project will be a mixed-use real estate project that integrates hi-end offices, super-luxury hotel, upscale commercial space and convention center, as detailed below:

	The New Project
Project overview	Consists of 3 buildings: <ul style="list-style-type: none"> <li>- 125-storey Main Tower to house offices, hotel, and commercial space</li> <li>- Convention center with 3 sub-buildings</li> <li>- Commercial building consisting of retail and parking space</li> </ul>
Rental area	149,083 sq.m.
Construction area	322,645 sq.m.
Investment cost	Baht 18,000 million

The Super Tower Project has a total investment cost of Baht 18,000 million, covering project construction cost and other expenses related to the development project e.g. design fee, project management fee and construction contingencies. The source of fund for the New Project of approximately Baht 10,800 million (or 60 percent of total investment cost) will come from institutional loan, which has been preliminarily proposed to certain potential lenders, and the remaining portion will come from the Company's internal cash flows from sales of its existing projects. The Company expects the New Project to commence construction after receiving approval from the shareholders' meeting, which is scheduled on 15 January 2015, and expects the construction to complete within 6 years. When completed in 2021, the New Project will bring a total rentable area of 149,083 sq.m. The Company expects the New Project to partially start its operation in the year 2016.

The New Project is considered as the Acquisition Transaction Type 4 under the Acquisition and Disposition Notification. The Transaction size is 101 percent based on the consideration value compared to total assets of the Company as of 30 June 2014, which is the latest consolidated financial statements prior to the Board of Directors' approval of the Transaction (or 99 percent of total consolidated assets as of 30 September 2014.) However, the Transaction is not considered as backdoor listing since it is complied with all exemption criteria in No.24 of the Acquisition and Disposition Notification. Prior to entering into the Transaction, the Company is required to disclose Information Memorandum regarding the Transaction to the Stock Exchange of Thailand

(“SET”) and to seek approval from the shareholders’ meeting with affirmative votes of not less than three-fourths of the total number of votes of the shareholders who attend the meeting and are entitled to vote, excluding the shareholders with vested interest.

#### **The Opinion of the Independent Financial Advisor Regarding Reasonableness of the Transaction**

In assessing the appropriateness of the New Project, Independent Financial Advisor has considered advantages, disadvantages and risk of entering into the Transaction, which can be summarized as follows:

##### ***Benefits and Advantages of Entering into the Transaction***

- 1) To invest in the Project that aligns with the Company’s business plan
- 2) To provide opportunity to generate additional revenue and favorable return in long-term
- 3) To enhance the Company’s competitiveness against domestic and foreign competitors
- 4) To strengthen the Company’s position and create value to the projects in the area
- 5) To diversify the Company’s source of income from sale of real estate projects
- 6) To increase the Company’s business size and opportunity to finance other projects in the future

##### ***Disadvantages and Risks of Entering into the Transaction***

- 1) Risk of inexperience and lack of expertise in managing the project
- 2) Risk in obtaining project modification license
- 3) Risk of construction material price fluctuation and cost overruns
- 4) Risk from litigation and claims during the construction process
- 5) Risk that the project fails to achieve financial target
- 6) Risk of competition among the Company’s projects within the area
- 7) Risk of obtaining capital and decrease in liquidity

The aforementioned risks may cause the investment in the Super Tower Project to fail to provide appropriate return. However, the Company has plans to mitigate the inherent risks to an acceptable level. With experience in developing and managing various real estate projects, coupled with a plan to hire international project consultant with expertise in developing Megatall building, the Company is confident that the project will be completed on-time and within the budget. Furthermore, with the uniqueness of the Super Tower Project and Thailand’s positive economic prospect, especially after an inauguration of the ASEAN Economic Community (“AEC”) in 2015 that is expected to drive the demand for office space in Thailand, the Company expects to receive favorable response from its target clients. Moreover, the New Project will be developed on an attractive piece of property with convenient access to transportation networks and surrounded by various amenities, including shopping mall, conference center, hotel and residential area, which will support the New Project to meet its financial target and provide appropriate return for the Company and its shareholders in long-term.

In evaluating the project in its entirety, the Independent Financial Advisor is of the opinion that, although the Transaction expose the Company to the risks mentioned above, the Company has plans and policy to manage

and mitigate the risks to ensure that the New Project will be successful as planned. Therefore, the Transaction is reasonable and expected to strengthen the Company's position and bring sustainable growth to the Company in long-term.

#### **Opinion of the Independent Financial Advisor Regarding the Fairness of the Transaction Price**

For the total consideration value of the New Project of Baht 21,347 million, comprising construction cost of Baht 18,000 million and the cost of land currently owned by the Company of Baht 3,347 million, the project's internal rate of return (IRR) is 9.69 percent per year, which is higher than its weighted average cost of capital (WACC) of 7.96 percent per year, and the project's net present value (NPV) is Baht 5,509 million with the payback period of 17 years. Such return is calculated exclusively for the Super Tower Project, not accounted for the value added to the Company's other projects in the same area. The Independent Financial Advisor is, therefore, of the opinion that the consideration paid for the project is fair and reasonable.

#### **Opinion of the Independent Financial Advisor Regarding the Fairness of the Transaction Condition**

The Company is in the process of selecting experienced contractor and other service providers for the project and has not entered into construction contract or any contractual obligation with any outside party. However, the Company has a policy to enter into a contract with the condition that it will make disbursements to the contractor and other service providers based on percentage of completion and will not allow payments over actual progress of construction. Such disbursement policy is considered a standard practice for real estate development. Therefore, the Independent Financial Advisor is of the opinion that the condition of the Transaction is fair and reasonable.

#### **Conclusion of the Opinion of the Independent Financial Advisor**

Based on the above assessment, the Independent Financial Advisor is of the opinion that the shareholders should approve the investment in the Super Tower Project, because

- 1) The investment in the New Project is reasonable as it aligns with the Company's strategic plan to develop the Grand Rama 9 area into a new central business district of Bangkok, serving future economic expansion from an inauguration of the AEC in 2015. The unique feature of the Super Tower Project that will be the tallest building in the country and among the top 10 tallest buildings in the world will strengthen the Company's position and supplement long-term value to the Grand Rama 9 project as a whole. The Transaction is, therefore, considered making the most use of the Company's remaining raw land in developing the project with high potential to maximize the benefits of the Company and its shareholders.

Although the investment in the New Project requires significant amount of investment thereby increasing the Company's investment risk, the overall assessment of the project indicates that the benefits that the Company will receive from entering into the Transaction outweigh its disadvantages and risks, therefore, the investment in the Super Tower project will be beneficial and will bring sustainable growth to the Company in long-term.

- 2) The Internal rate of return that the Company expects to receive by investing in the Super Tower Project is 9.69 percent per year, which is higher than the project's weighted average cost of capital of 7.96 percent per year. The return rate of the project is calculated based on the total consideration value of Baht 21,347 million, including the land cost, construction cost, and other expenses related to the development project. Therefore, it can be concluded that the investment in the New Project will be able to generate value added for the Company and provide an appropriate return to the shareholders.
- 3) The Company's disbursement policy based on the percentage of completion is appropriate and under normal contractual term for the real estate development project.

**Nevertheless, the final decision whether to approve the Transaction rests primarily with the individual shareholders. The shareholders should study the information contained in this report along with other related information provided and use his/her own discretionary judgment in making the final decision.**

## 1. Characteristics and Details of the Transaction

### 1.1 Objective and Background of the Transaction

The Board of Director's Meeting of Grand Canal Land Public Company Limited ("**the Company**" or "**GLAND**") No. 9/2014, held on 14 October 2014, has passed a resolution approving the Company to invest in the Super Tower Project, a 125-storey premium office building, to be developed on a land area of 19 rai 2 ngan 40.91 sq.w. (7,840.91 sq.w.) in the Grand Rama 9 Complex at the intersection of Rama 9 Road and Ratchadapisek Road.

The investment plan is an alteration from the previously-approved project plan to build 1) Grade B office building and convention center and 2) Grade A office building (collectively called "**the Former Project**") into the new development of 125-storey mixed-use building that integrates hi-end office, luxury hotel, upscale commercial space, and conference center ("**the New Project**" or "**the Super Tower Project**") as the Board of Directors foresees the potential in developing the area into the new business district of Bangkok. Therefore, The Board of Directors passed a resolution approving the alteration of previous project plan into a more attractive project with unique characteristic capable of yielding higher return.

The Super Tower Project has a total investment cost of Baht 18,000 million consisting of construction cost and other expenses related to the development project (excluding the cost of land owned by the Company of Baht 3,347 million). The Transaction is considered as the Acquisition Transaction Type 4 pursuant to the Notification of the Capital Market Supervisory Board No. Tor Jor 20/2551 Re: Rule of Significant Transaction Constituting an Acquisition or Disposal of Assets and the Notification of the Stock Exchange of Thailand Re: Disclosure of Information and Other Acts of Listed Companies Concerning the Acquisition and Disposition of Assets B.E 2547 ("**the Acquisition and Disposition Notification**"). The Transaction size is 101 percent, calculated based on the consideration value compared to the Company's total assets as of 30 June 2014, which is the latest consolidated financial statements prior to the date of the Board of Directors' approval of the Transaction (or 99 percent of total consolidated assets as of 30 September 2014.)

However, the Transaction is not considered as backdoor listing since it is complied with all exemption criteria in No.24 of the Acquisition and Disposition Notification.

In entering into the Transaction, the Company is required to disclose information memorandum regarding the Transaction to the Stock Exchange of Thailand ("**SET**") and to seek approval from the shareholders' meeting with affirmative votes of not less than three-fourths of the total number of votes of the shareholders who attend the meeting and are entitled to vote, excluding the shareholders with vested interest.

## **1.2 Date of the Transaction**

The Company will enter into the Transaction after the Extraordinary General Shareholders' Meeting No. 1/2015, which will be held on 15 January 2015, passes the resolution to approve the Company to enter into the said Transaction. Subsequent to obtaining approval from the shareholders' meeting, the Company expects to commence the New Project's construction and to complete the construction within 6 years. The Company expects that the Project will partially start its operation in the year 2016.

## **1.3 Parties Involved and Relationship with the Company**

The Hirer	Grand Canal Land Public Company Limited and its subsidiaries
The Hiree	Third parties including contractor, construction material manufacturer or distributor, and other service providers related to developing the New Project such as project consultant and construction management personnel.
Relationship with the Company	The Company is in process of selecting experienced contractor and other service providers and expects no relationship with the hiree. If the hiree is a related party, the Company will disclose information relating to the connected transaction according to relevant rules and regulations.

## **1.4 Details of acquired asset**

The New Project will be developed on 3 plots of land in the Grand Rama 9 area, at the intersection of Rama 9 Road and Ratchadapisek Road, covering a total area of 19 rai 2 ngan 40.91 sq.w. The new development project will be a mixed-use real estate project consisting of 3 buildings including the Main Tower standing 125-storey, conference center, and commercial center.

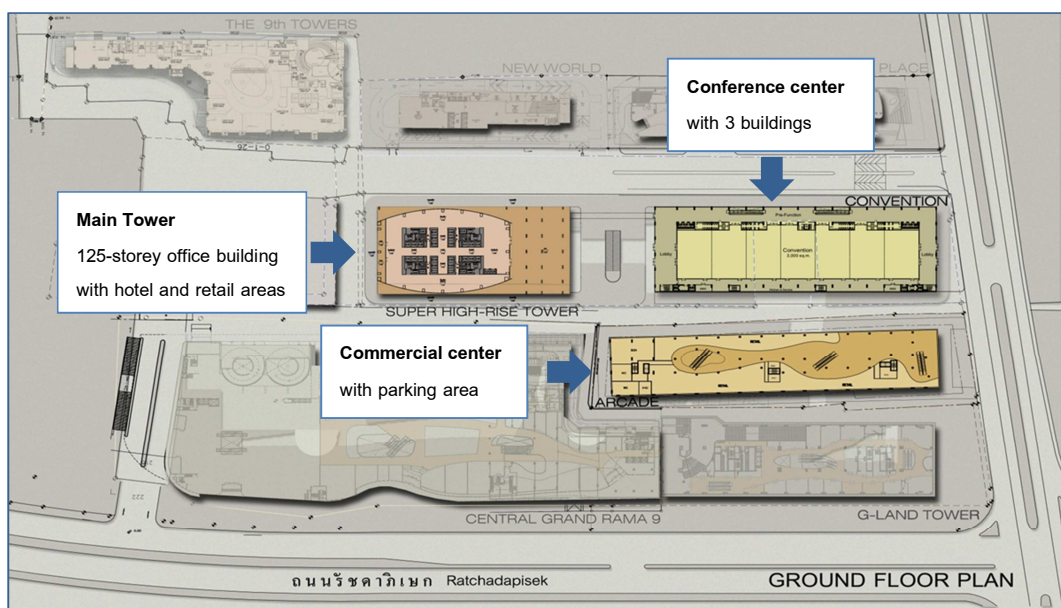
The New Project has a total construction area of 322,645 sq.m. with a total investment cost as estimated by the Company's project consultant of Baht 18,000 million, consisting of construction cost and other expenses related to the development project e.g. design fee, project management fee, and other contingencies (excluding the cost of land owned by the Company of Baht 3,347 million).

The New Project's construction and operation are scheduled as follows:

The New Project	Usage type	Construction period	Expected operating date
1) Main Tower (125-storey)	<ul style="list-style-type: none"> <li>- Premium office space</li> <li>- 6-star hotel</li> <li>- Rental commercial area</li> </ul>	6 Years	Quarter 1 of 2021
2) Conference Center	<ul style="list-style-type: none"> <li>- Conference area, convention area and exhibition center</li> <li>- Rental commercial area</li> </ul>	2 Years	Quarter 1 of 2017
3) Commercial Center	<ul style="list-style-type: none"> <li>- Rental commercial area</li> <li>- Parking area</li> </ul>	1.5 Years	Quarter 3 of 2016

Remark: the aforementioned information is based on the Company's preliminary project plan. The final detail of the New Project is subject to change in accordance with the change in permit status and economic condition, and may result in the change in the project's characteristic, construction period, and/or investment required, for the maximum benefit of the Company and its shareholders.

### Project Location and Floor plan



Source: Grand Canal Land Public Company Limited

### The Super Tower Project Perspective



Source: Grand Canal Land Public Company Limited

The New Project to be developed is located in the heart of Bangkok at the intersection of Rama 9 Road and Ratchadapisek Road with convenient access to the main roads, express ways, MRT and Airport Rail Link stations. The unique characteristic of the Project is the Main Tower that stands 615-meter tall and expected to be the tallest building in the country and ranked among top 10 tallest buildings in the world.

In developing the project, the Company had conducted studies in order to design the project's space function that can fulfill the needs of both business and leisure customers, and dwellers in the nearby area. The net lettable area for the office, conference center, hotel and retails is 149,083 sq.m., with the details of each area, based on the draft version of the project plan, as follows:

- 1) *Office Area* – designed to be a premium-graded office in the 125-storey Main Tower, offered a total rental area of 107,000 sq.m.
- 2) *Hotel* – a 6-star super luxury hotel located on the upper floors of the Main Tower with 230 rooms, comprising of 160 standard rooms and 70 suites, managed by a well-known international hotel management company.
- 3) *Commercial Area* – located in the Main Tower, conference center and commercial center with a total leasable area of 22,683 sq.m. The Company has a policy to select a diverse group of tenants, including banks, retail shops, restaurants and convenience stores, to accommodate daily needs of

the tenants and local residents. The top floors of the Main Tower are allocated to luxury restaurants or Sky Lounge to offer panoramic view of Bangkok.

- 4) *Conference Center* – comprising of 3 sub-buildings, located in front of the Main Tower, to accommodate conferences, exhibitions, and in-door and out-door events, with the total rentable area of 3,400 sq.m.

### 1.5 Key Terms and Conditions of the Transaction

According to the Company's policy, the disbursement of construction cost by contractor and other service providers is limited to the percentage of completion. The Company has a clear policy that the disbursement shall not exceed the completed work.

### 1.6 Consideration and Basis Used in Determining Value of Consideration

The New Project has a total investment cost as estimated by the Company's project consultant of Baht 18,000 million (excluding the cost of land owned by the Company of Baht 3,347 million). The estimated investment cost comprises of construction cost and other expenses related to the development project on the total construction area of 322,625 sq.m., resulting in an average project cost of Baht 55,790 per sq.m., as detailed below:

		Amount (million Baht)
Construction cost	<ul style="list-style-type: none"> <li>- Structural work</li> <li>- Engineering and elevators</li> <li>- Utilities</li> <li>- Landscaping, furnishing and decorating</li> </ul>	15,254
Other expenses related to the development project	<ul style="list-style-type: none"> <li>- Design fee</li> <li>- Consultant fees</li> <li>- Construction management fee</li> <li>- Contingency</li> </ul>	2,746
Total investment cost		18,000
Land cost	- Total Area of 7,840.91 sq.w.	3,347
Total consideration value		21,347

The Company is in process of selecting international consultant with expertise in Megatall structure. The Company has a policy to make disbursements to its contractor and other service providers in cash installments based on a percentage of completion.

### 1.7 Transaction Size

The New Project requires an investment of Baht 18,000 million. Based on the Value of Total Consideration basis, the Transaction size is 101 percent of the Company's total assets as of 30 June 2014, which is the latest consolidated financial statements prior to the date of the Board of Directors'

approval of the Transaction, or 99 percent of the Company's total consolidated assets as of 30 September 2014. Therefore, the Company is required to seek approval from the shareholders' meeting prior to entering into the Transaction.

### **1.8 Benefits of the Transaction**

The investment in the New Project aligns with the Company's business plan to develop the Grand Rama 9 area into a new central business district of Bangkok, which offer a full range of business and leisure amenities, including office space, residential area, hotel, conference, and retail shopping centers. The unique feature of the Main Tower that stands 615-meter tall will serve as a centerpiece of the Grand Rama 9 Complex, making the area a more attractive business district and enabling the Company to capture more market share from foreign demands for office space in Thailand. The strategic benefits from the development project can be summarized as follows:

- 1) To create a sustainable revenue and higher return opportunities as the Project is expected to generate positive net cash flows with an internal rate of return (IRR) higher than the Company's weighted average cost of capital (WACC)
- 2) To increase competitive edge against domestic and foreign competitors
- 3) To support and create value to the Company's other projects in the area

### **1.9 Source of Funds**

The Company will finance the project by bank loans (approximately 60 percent of construction value), and its internal cash flows which include proceeds from sales of its existing projects. The Company expects the funds to be sufficient to complete the Project.

## 2. Company Profile

### 2.1 Company Background

Grand Canal Land Public Co., Ltd. (“**the Company**” or “**GLAND**”) or formerly known as Media of Medias Public Company Limited was established on 22 April 1985 with the initial register capital of 200,000 Baht. The Company was operating in the TV production industry and was listed on the Stock Exchange of Thailand since 8 February 1996.

The Company underwent a major change in its operation according to the Extraordinary General Meeting of Shareholders No. 1/2009 held on 17 December 2009. The shareholders meeting passed a resolution of approving the transaction to acquire assets from real estate development business via the Entire Business Transfer (EBT) from the Grand Canal Land Company Limited, a company under the Charernkit Group, and from the Ratanarak Group. The transaction indirectly listed the business on SET and considered to be a Backdoor Listing. The Charernkit Group became a major shareholder and management of the Company, and changed the Company’s business from TV production to real estate development. On 21 January 2010, the Company received an approval from SET to list its common shares and to change the business listing category.

To align the Company’s operation to the new management’s experience and to the Company’s new primary business, the Extraordinary General Meeting of Shareholders 1/2010 on 26 March 2010 passes a resolution to sell all of the Company’s Media Studio shares to Stronghold Asset Company Limited. The transaction shifts the Company’s business operations to the real estate development and golf course industries. On 6 May 2010, the Company changed its name to Grand Canal Land Public Company Limited and its trading symbol to “GLAND”.

On 28 April 2011, the Annual General Meeting of Shareholders passed a resolution to sell its 70.28 percent shares of the Khao Kheow Country Club Co., Ltd, a subsidiary company operating in golf course business, to BBTV Equity Co., Ltd. The transaction allows the Company to focus its resources to its only business in real estate development industry. On 3 November 2011, the Extraordinary General Meeting of Shareholders 1/2011 passed a resolution approving the purchase of land around the Grand Rama 9 area and land around the Grand Canal Don Muang area through acquisitions of all of Sterling Equity Co., Ltd common shares, the newly issue shares of Tonson Plenchit Co., Ltd (now known as Belle Asset Co., Ltd), and empty land around Grand Canal Don Muang Phase 8 and 9, with financing from the Company’s internal cash flows and capital raised by offering 232.96 million shares at 2.56 Baht per share to the Bangkok Broadcasting & TV Co., Ltd.

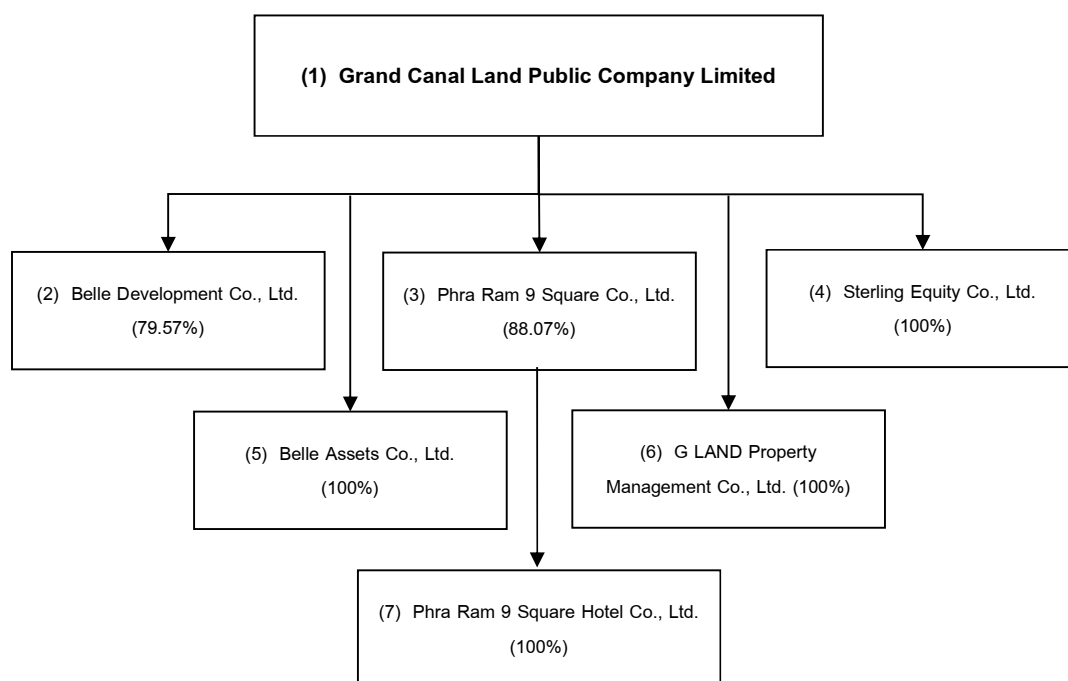
The 2013 Annual General Meeting of Shareholders on 25 April 2013 passed a resolution of approving the purchase of additional land around the Grand Rama 9 through the purchase of all of BBTB Marketing Co., Ltd (now known as G Land Property Management Co., Ltd) shares.

As of 30 September 2014, the Company has registered capital of Baht 5,919 million with the fully paid capital of Baht 5,529 million.

## 2.2 Business Overview

The Company and its subsidiaries are in the real estate development business. The development projects can be categorized into residential and commercial real estate developments. The Company and its subsidiaries earn revenue through sales from for-sale projects, rental income from for-rent projects and management fee from providing property management service.

### Company Structure



### Projects Overview

The Company is in the process of developing the Grand Rama 9 project, a large real estate project on 73 rai property located on the intersection of Rama 9 Road and Ratchadapisek Road, into the new central business district of Bangkok. The project will include office area, commercial space, conference center, hotel and residential area.

Projects	Project Owner	Project Type	Project Status As of 30 Sept 14
The Belle Grand Rama 9	Belle Development Co., Ltd	Residential	Operational (89 percent reservation rate)
The Ninth Towers Grand Rama 9	Grand Canal Land Pcl	Office	Operational (96 percent reservation rate for office area)
Unilever Grand Rama 9	Sterling Equity Co., Ltd	Office	Expect to begin operating in the 1 <sup>st</sup> quarter of 2015 (100 percent reservation rate for office area)
G Land Towers Grand Rama 9	Phra Ram 9 Square Co., Ltd	Office	Expect to begin operating in 2016
The Super Tower (with conference center and commercial center)	Phra Ram 9 Square Co., Ltd GLAND Property Management Co., Ltd	Office	To be developed
Future hotel under the Grand Rama 9	Sterling Equity Co., Ltd	Hotel	To be developed

In addition to aforementioned projects, the Shoppes Grand Rama 9 will be located on the underground floor, first floor, and/or second floor of every project in the Grand Rama 9 project to provide retail shopping space, commercial space and restaurant space.

In 2011, the Central Plaza Shopping Center, located on the Ratchadapisek Road side of the Grand Rama 9, was developed and sold to the Central Pattana Nine Square Co., Ltd.

*Illustration: the Grand Rama 9*



## Companies and Projects

### 1) Grand Canal Land Public Company Limited (“GLAND”)

As of 30 September 2014, the Company has registered and paid-up capital in the amount of Baht 5,529 million divided into 5,529 million shares at par value of Baht 1. The Company is in the process of developing a for-rent project, namely the Ninth Towers Grand Rama 9, and a for-sale project, namely Belle Sky Condominium. The Company also provides selling service, marketing service, construction service, and residential property management service.

#### *The Ninth Towers Grand Rama 9*

The Ninth Towers Grand Rama 9 is a Grade B+ to A- for-rent real estate project that provides office space and retail shopping space consisting of 36-storey Tower A and 34-storey Tower B with connected underground level and parking space. The project is located on the intersection of Rama 9 Road and Ratchadapisek Road near Central Plaza Grand Rama 9.

The project has the total construction value of Baht 3,600 million and the total construction area of approximately 130,000 sq.m., allocated into 60,465 sq.m. of office rental space, 5,920 sq.m. of retail shopping space, 3,068 sq.m. of conference center, 24,431 sq.m. of common area, and 33,228 sq.m. of parking space. As of 30 September 2014, the office rental space is fully operational with reservation rate of 96 percent of the total office area. The retail shopping space is partially operational with reservation rate of 90 percent of the shopping area.

The attractive features of the project are the location, located on the intersection of Rama 9 Road and Ratchadapisek Road near expressway, near Mass Rapid Transit (MRT) station and Airport Rail-Link, and the mid-level rental fee rate, appropriate for the project's target clients.

*Illustration: The Ninth Towers Grand Rama 9*



*Belle Sky Condominium*

The Belle Sky Condominium Project is a residential condominium project, with the total construction area of 94,951 sq.m. or 1,856 units, that locates on Kamphaeng Phet Road 6 near Miracle Grand Convention Hotel. The attractive features of the project are location, located near Chaeng Watthana Government Complex, and convenient transportation access, access to Uttaraphimuk Tollway (Don Muang Tollway) and SRT Dark Red Line Project. The project is currently constructing sales office, and expects to begin the project construction and pre-sale in 2015.

*Property Management Service: Grand Canal Don Muang Phase 1 and Phase 2*

The Grand Canal Don Muang Phase 1 and Phase 2 projects are residential housing projects locating in the Don Muang area near Grand Canal train station, Sirat Expressway, and Uttaraphimuk Tollway. Phase 1 and Phase 2 of the project consists of 194 plots and 199 plots of land, respectively, with the sizes of land area ranging from 73 to 250 sq.w.

The attractive features of the projects are the high quality of single-detached house, convenient and fully equipped common areas, and the design that aims to capture the romantic atmosphere of Venice, Italy, to appeal to the medium to high income targets.

The Company is currently holding the rights and receiving revenue from providing property management service, marketing service, and selling service for the projects.

## 2) Belle Development Co., Ltd. (“Belle”)

Belle Development Co., Ltd was established in 1994 and as of 30 September 2014 has registered and paid-up capital in the amount of Baht 2,064 million on 20.64 million shares at par value of Baht 100 per share. Currently, Belle is developing for-sale real estate project, namely the Belle Grand Rama 9, and for-rent retail shopping space project, namely the Shoppes @ Belle.

### *The Belle Grand Rama 9*

The Belle Grand Rama 9 is a for-sale residential condominium project with for-rent retail shopping space. The residential portion consists of 8 buildings, with 1,991 units, which stand on a 6-storey podium including an underground floor. The podium is allocated for retail shopping and parking spaces. The project is located near the intersections of Rama 9 Road and Ratchadapisek Road, and the MCOT intersection, approximately 400 meters from the Rama 9 MRT Station.

The attractive features of the project are the resort-style characteristics with a large high-rise common area, the location at the heart of Bangkok, the convenient access to transportation networks, and the ease of access to office areas, shopping areas and the Central Plaza Grand Rama 9. The project targets individuals with medium income level and up.

The project’s unit size ranges from 43 to 320 sq.m., and sold 1,487 units or 89 percent of listed units as of 30 September 2014.

Belle plans to develop the retail shopping areas with the characteristics of Urban Oasis or urban nature. The project partially begins operating on 9 October 2013 and has reserved space of 10,621 sq.m. or 87 percent of the total retail shopping areas as of 30 September 2014.

*Illustration: Belle Grand Rama 9*



**3) Phra Ram 9 Square Co., Ltd. (“Phra Ram 9”)**

Phra Ram 9 was established in 1995 and has registered and paid-up capital in the amount of Baht 1,100 million on 11 million shares at par value of Baht 100 per share as of 30 September 2014. Phra Ram 9 is currently developing a for-rent office project, namely the G Land Towers Grand Rama 9.

*G Land Towers Grand Rama 9*

G Land Towers Grand Rama 9 is a Grade A rental real estate project with office area and retail shopping areas, locating on 33-year land lease with 10-year extension right at the end of the initial lease. The project has the total office and shopping area of 70,000 sq.m. The building is designed to shape like the letter “G” consisting of 2 buildings, 36-storey and 26-storey buildings, standing on a 14-storey podium. The project is locating near the intersection of Rama 9 Road and Ratchadapisek Road, next to the Central Plaza Grand Rama 9, and has access to Rama 9 MRT Station.

The total construction value is Baht 3,800 million and Phra Ram 9 expects the project to begin operating in 2016.

*Illustration: G Land Towers Grand Rama 9*



In addition, Phra Ram 9 is the primary operator of the Main Tower and the conference center under the Super Tower Project.

#### **4) Sterling Equity Co., Ltd (“Sterling”)**

Sterling Equity Co., Ltd was established on 22 April 1996 and as of 30 September 2014 has registered and paid-up capital in the amount of Baht 280 million on 2.8 million shares at par value of Baht 100 per share. Sterling is currently developing for-rent office project, namely the Unilever Grand Rama 9.

##### *Unilever Grand Rama 9*

Unilever Grand Rama 9 is a 12-storey Grade A real estate project with rental office and retail shopping areas, locating near the intersection of Rama 9 Road and Ratchadapisek Road. The project has the total construction value of Baht 1,600 million and total construction area of 46,290 sq.m., with 22,000 sq.m. allocated to the rental office and retail shopping areas.

As of 30 September 2014 the project has the total reserved space of 100 percent of rental office space. Sterling expects the project to begin operating in the first quarter of 2015.

Sterling has a 20-year lease-agreement with Unilever Thailand to occupy the entire building at the rental and service rate of 640 Baht per sq.m. with scheduled 12.5 percent upward adjustment every 3 years.

*Illustration: Unilever Grand Rama 9*



#### **5) Belle Assets Co., Ltd. (“Belle Assets”)**

Belle Assets Co., Ltd (formerly known as Tonson Plenchit Co., Ltd) was established in 2002 and has registered and paid-up capital in the amount of Baht 11 million on 1.1 million shares at par value of

Baht 10 as of 30 September 2014. Belle Assets is holding 54-2-66.3 rai of properties near the Grand Canal Don Muang that are waiting to be developed.

**6) G LAND Property Management Co., Ltd. (“G Land Property”)**

G LAND Property Management Co., Ltd (formerly known as BBTV Marketing Co., Ltd) was established in 1995 and acquired by the Company in 2013. As of 30 September 2014, G Land Property has registered and paid-up capital in the amount of Baht 5 million on 50,000 shares at par value of Baht 100. Its primary asset is the land near the Grand Rama 9 area, which is where the conference center and the commercial center of the Super Tower Project will be located.

**7) Phra Ram 9 Square Hotel Co., Ltd (“Phra Ram 9 Hotel”)**

Phra Ram 9 Square Hotel Co., Ltd was established in 1995 and has registered and paid-up capital in the amount of Baht 16 million on 1 million shares at par value of Baht 16 as of 30 September 2014. Phra Ram 9 Hotel is not currently under operation but in the process of feasibility study on the future hotel project on the intersection of Rama 9 Road and Ratchadapisek Road.

**2.3 Revenue Structure**

Business Type	Operated by	Percent owned by the Company 30 Sept 2014	31 Dec 2011		31 Dec 2012		31 Dec 2013		30 Sept 2014	
			MB	%	MB	%	MB	%	MB	%
Real Estate Business - For-Sale	Belle Development	79.57%	-	-	983.2	89.50	3,287.6	95.23	2,872.8	91.01
	Sterling Equity	100.00%	-	-	-	-	6.5	0.19	18.2	0.58
Real Estate Business - For-Rent	GLAND	-	28.3	28.47	2.6	0.24	13.9	0.40	149.5	4.73
	Belle Development	79.57%	-	-	-	-	1.9	0.06	22.0	0.70
	Sterling Equity	100.00%	-	-	-	-	1.2	0.04	1.4	0.05
	G Land Property	100.00%	-	-	-	-	-	-	0.8	0.03
Real Estate Business - Property Mgmt	GLAND	-	38.8	39.13	106.3	9.68	74.1	2.14	40.1	1.27
Profit from asset disposition	Belle Development	79.57%	-	-	-	-	58.4	1.69	-	-
Other Revenue		-	32.2	32.40	6.5	0.58	8.8	0.25	51.7	1.63
<b>Total</b>			<b>99.3</b>	<b>100.00</b>	<b>1,098.6</b>	<b>100.00</b>	<b>3,452.4</b>	<b>100.00</b>	<b>3,156.5</b>	<b>100.00</b>

## **2.4 Industry**

### **2.4.1 Residential Real Estate Industry**

In 2013, the residential property sector expanded from the previous year with a total of 417 launched projects, with the total of 131,645 units, an increase of 15 percent and 29 percent from the previous years, respectively. The total value of the projects launched in 2013 was Baht 385,447 million.

In 2013, the average selling price of residential property was Baht 2.927 million per unit, which was a slight decrease when compared to the average selling price of Baht 2.937 Million in the previous year. The decrease was because most launched projects were medium size projects with reasonably cheap prices, located near the BTS expansions, such as Bangyai – Bangsue, Bearing – Samutprakarn, and Mo Chit – Sapan Mai.

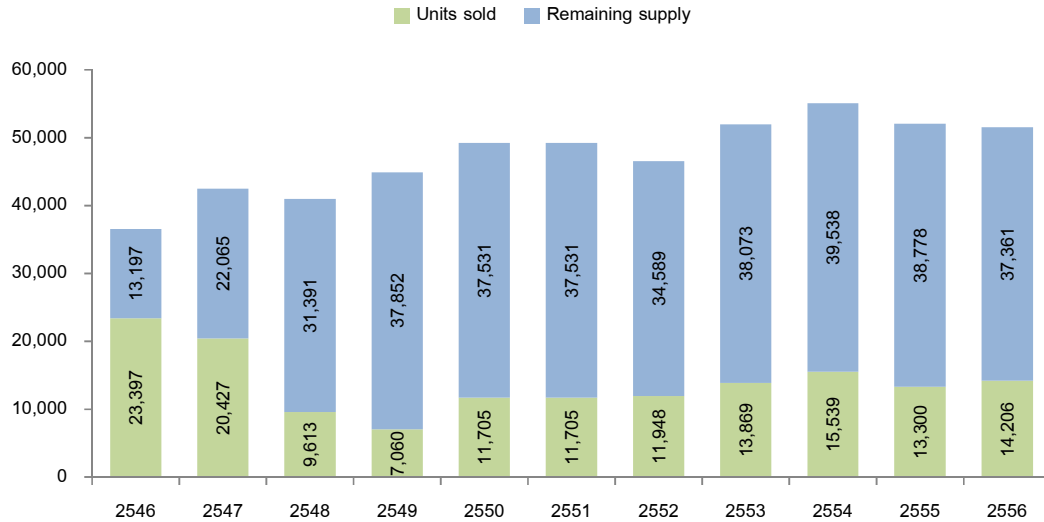
During mid-2014, the consumer confidence has rise from the first quarter the year, following the May 22nd coup. However, the slowdown in sales, new launches and resale in the overall condominium market has persisted.

Real estate development of the residential sector can be divided into two categories: horizontal projects (single detached houses, semi-detached houses, and town houses) and vertical projects (condominiums).

#### *Horizontal Projects (Single detached houses and town houses)*

The sales of single detached houses in 2013 totaled to 14,206 units, a slight increase from 2012 with the total sales of 13,300 units. The slight increase is calculated to be 6.81 percent. The sales of town houses stabilized at 22,025 units, a small decrease from 23,593 units in the previous year. Overall sales of horizontal projects remained stable between 2012 and 2013.

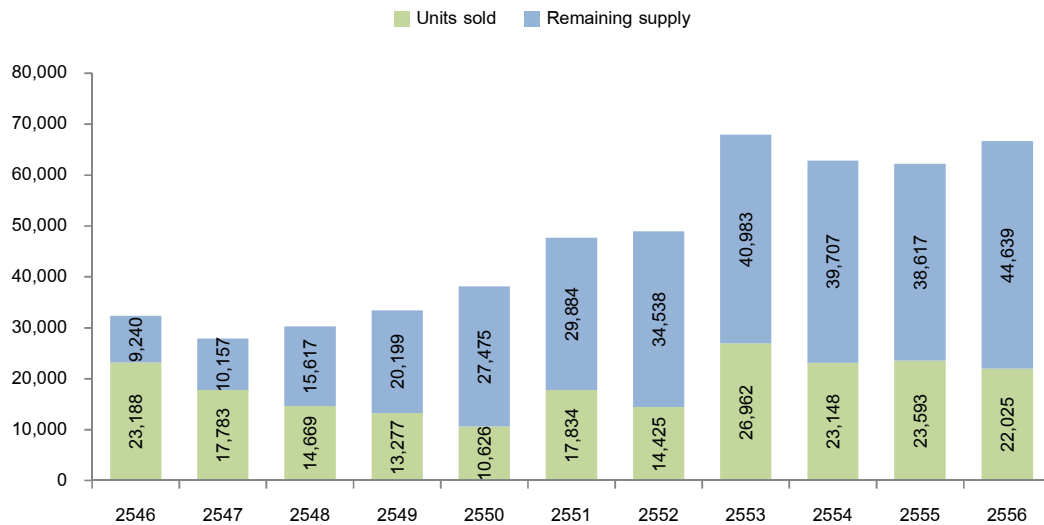
*Units sold and remaining supply of single detached houses*



Source: Agency for the Real Estate Affairs Co., Ltd.

The accumulative supply of single detached houses and town houses in 2013 changed inversely to their respective sales. The single detached houses total to 37,361 units representing a decrease of 3.7 percent due to the small number of projects launched in 2013 while town houses rose up to 15.6 percent due to new project launches. This demonstrated that the new projects are smaller and cheaper houses.

*Units sold and remaining supply of town houses*



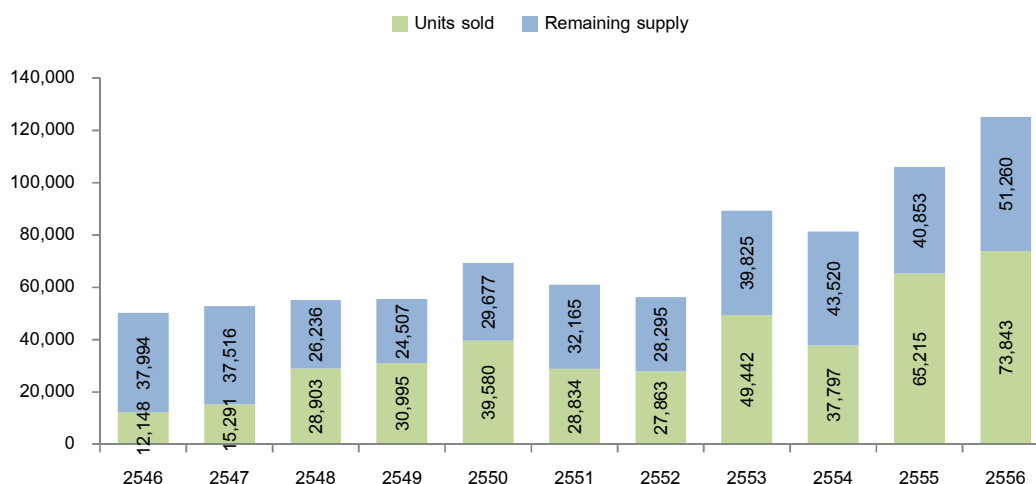
Source: Agency for the Real Estate Affairs Co., Ltd.

### Vertical Projects (Condominiums)

In 2013 condominium projects decreased slightly but maintained their popularity, as demonstrated by the sales of 73,843 units, an increase of 13.2 percent from 65,215 units in 2012. The sale in 2012 also increased slightly from 2011.

The remaining supply of condominiums in 2013 increased to 51,260 units, a 25.5 percent increase from 2012, due to new project launches of approximately 80,000 units. The popular condominium projects were priced in the middle-range, and located near sky train or subway lines.

*Number of units sold and the accumulated remaining units of the residential sector for condominiums*



Source: Agency for the Real Estate Affairs Co., Ltd.

The condominium sector of real estate industry in 2014 is estimated to experience less growth than 2013 because there were numerous project launches in 2013. Most of the new projects have not commenced construction. Major developers may to expand their investment into provincial regions in response to the AEC inauguration in 2015. Provinces locating near the borders between Thailand and neighboring countries may become the focal point of new projects, such as Ubon Ratchathani, Chiangmai, Nakhon Ratchasima, and Chiangrai, despite the forecasted decline in demand due to the political crisis, which has a direct impact to the purchasing power of consumers.

The price of residential real estate in 2014 is expected to increase due to an increase in the costs of lands, especially lands along the border, construction materials, and labor wage. The developers will continue to encounter the shortage of labors which might cause difficulty for large-scale development projects such as skyscraper projects.

## 2.4.2 Commercial Real Estate Industry

The commercial real estate can be categorized into 2 main categories: office spaces and retail spaces.

### *Office Buildings*

The demand in office buildings has increased while the supply was still limited. The supply of office building spaces in Bangkok at the end of 2013 totaled to 8.11 million sq.m., a slight increase of 0.21 percent from 2012 where the total supply of office building spaces was 8.09 million sq.m. The increase was due to the completion of Siam Cement Public Company Limited's office in Bang Sue area, while the rental rate increased from 87.9 percent in 2012 to 90.4 percent in 2013.

At the end of the second quarter of 2014, the total supply of office in Bangkok increased to 8.23 million sq.m., an increase of 0.12 million sq.m. from the end of 2013. Part of the increase in supply came from the completion of the Ninth Towers Grand Rama 9.

CB Richard Ellis (Thailand) Co., Ltd estimates 400,000 sq.m. of new office space will be completed between 2014 – 2019. Grade A office space will account for 57.1 percent and only 29.7 percent will be located in the CBD, the Silom, Sathorn, Rama 4, or Ploenchit area.

*Rate of supply, demand and availability of office space in Bangkok and surrounding provinces*



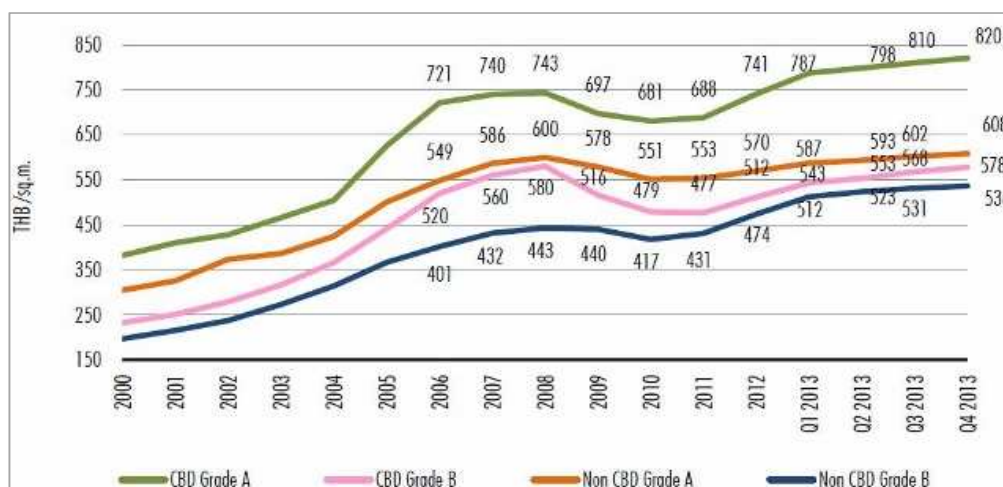
Source: CB Richard Ellis (Thailand) Co., Ltd.

The occupancy rate of office buildings at the end of 2013 was 90.4 percent. This was the first time since 2000 that the rate exceeds 90 percent and the trend appears to continue to increase, especially for Grade A office building due to the flow of tenants to Sathorn Square Building.

The occupancy rate of office spaces in CBD and non-CBD increased to 89.6 percent and 91.2 percent respectively, CBRE expected the occupancy rate will continue to increase.

The rental rates of office spaces in the area of CBD and non-CBD for the second quarter of 2014 appear to continue to increase. The average rental rates of Grade A office spaces in CBD and non CBD are Baht 837 and Baht 626 per sq.m. per month while the rates of Grade B office spaces in CBD and non-CBD are Baht 596 and Baht 549 per sq.m. per month. In this respect, CBRE expects that the rental rate of office spaces will increase steadily at a lower rate.

*Rental rate of office space in Bangkok and its surrounding provinces*



Source: CB Richard Ellis (Thailand) Co., Ltd.

### Retail Space

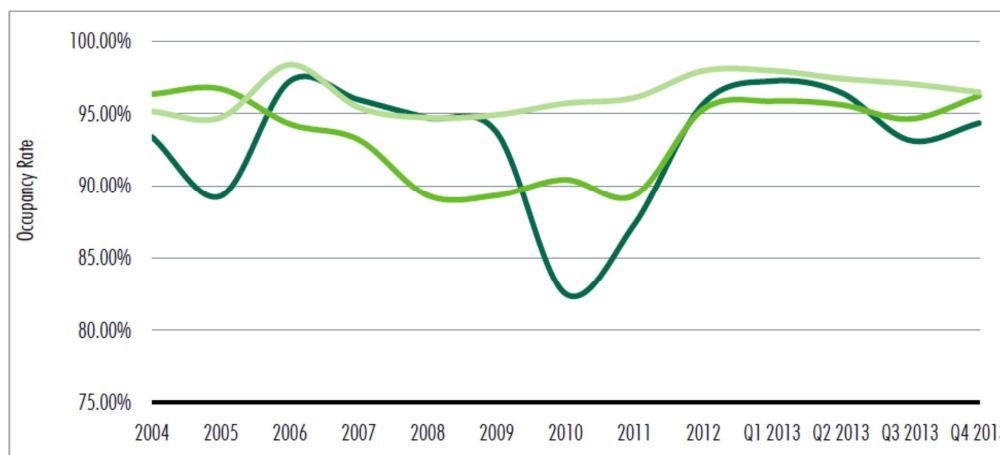
At the end of 2013, the retail spaces in Bangkok has the total area of 6.3 million sq.m., an increase of 18 percent from the previous year. Many major developers are planning to develop big shopping centers and community malls around sub-urban areas, such as Bang Yai, Salaya, Pathumthani and Rangsit. On the other hand, there are many economic indicators showing the decrease in customer's purchasing power due to additional debt from the First Car Project and the political situation during the year.

The total retail space in Bangkok as of second quarter of 2014 equals to 6.5 million sq.m. with an occupancy rate of 94 percent, with the Central Embassy as a notable project completion.

CBRE forecasts the retail spaces to continue to expand steadily, an additional of 1.4 million sq.m. in retail space, which will increase the total retail space area in Bangkok to 7.9 million sq.m.. Community mall projects with the total area of 314,411 sq.m. are expected to be completed by the end of 2014. Most of these projects are locating in the city center or sub-urban areas.

The occupancy rate for retail spaces at the end of 2013 was 95.93 percent, a slight reduction from the previous year. The occupancy rate in sub-urban areas was relatively high due to renovation projects of retail spaces in the city, and the new project openings in 2013. In this connection, projects with the highest occupancy rate at 99 percent were department stores, while the community mall and shopping mall occupancy rate were at 95 percent and 93 percent, respectively.

*Rental rate of retail space in Bangkok and its surrounding provinces*



Source: CB Richard Ellis (Thailand) Co., Ltd.

The rental rate has a tendency to increase, especially for shopping malls at inner Bangkok. The rental rate for retail space in sub-urban areas was still the lowest rate compared to other areas. Currently, the rental rate for the ground floor is the highest rate.

The rental rates of retail spaces in the city center and sub-urban areas remained consistent while the rental rate of retail spaces at outer Bangkok increases with the maximum rate of Baht 4,000 per sq.m. per month.

*The rental rate of retail spaces (Year 2014)*

Area	Ground floor (Baht/sq.m./Month)	Upper floors (Baht/sq.m./Month)
<i>Inner Bangkok</i> – Silom, Sathorn, Ratchadamri, the beginning of Sukhumvit		
Commercial Building	1,200 – 2,500	700 – 1,000
Shopping Mall	1,800 – 4,000	1,520 – 2,600
Large Super Center	1,000 – 1,500	800 – 1,200
<i>Outer Bangkok</i> – Ladprao, the end of Sukhumvit, Ramkhamhaeng, Bangkok, Jatujak	1,500 – 2,800	1,040 – 2,100
<i>Suburban Area</i> – Laksi, Don Muang, Rangsit, Ramintra, Sukhapiban, Bangna Trad	1,200 – 3,300	800 – 1,100

Source: CB Richard Ellis (Thailand) Co., Ltd.

## **2.5 Business Risk**

### **2.5.1 Real Estate Development Business Risk**

#### *1) Risk of Insufficient Fund to Develop Projects*

The real estate development industry requires a significant amount of capital to purchase land and develop projects. Therefore, it relies on institutional financing as a primary source of fund. If the Company cannot acquire a sufficient amount of financing to develop projects as planned, the Company may experience delays and negative impact on the financial statement.

However, the Company has always been well supported by the financial institutions in the past and has established good relationships with the institutions; therefore, the Company has always been able to acquired financing for projects before it begins constructions. Additionally, the Company's status as a listed company on SET helps improve the creditability and helps expand the Company's financing options. Furthermore, the Company's managements are reputable individuals with experience in the industry; therefore the Company is confident that it will be able to obtain the necessary financing.

#### *2) Risk of Interest Rate Fluctuation and Commercial Banks' Policies on Mortgage Loan*

The increase in the interest rate may directly impact cost of project development because the Company uses debt as a part of project financing. However, the Company has assessed an appropriate level of Project Finance for its development projects to control the cost and maximize the effectiveness. The Company is able to obtain favorable interest rate from financial institutions due to the competitiveness of its projects and the Company's reputation.

Furthermore, an increase in interest rate will decrease individual customers' purchasing power and their ability to make payments. Based on the Company's research, it finds that the relationship between an increase in interest rate and increase in customers' interest burden is not sufficient to significantly decrease the target customer's purchasing power. The Company's target customers are the middle to upper class and are not severely impacted by the fluctuation in interest rate.

The Loan-to-Value criterion for single-homes and town-homes, passed in 2013, mandates that the loan amount cannot exceed 95 percent of the asset value or the borrower must make at least a 5 percent down payment on the asset. The criterion does not materially impact the Company's revenue because the target customers are the middle to upper class. Additionally, there are other factors that help the real estate industry, including the de-regulations intended to improve the people and the businesses' welfare, and the government policies to stimulate the real estate industry by lowering the interest rate thus increasing the competition among the commercial banks. The Company has been monitoring the economy and the commercial banks' policies in granting loans that may affect the Company's operation, and allow the Company to formulate plans to react to potential changes.

3) *Risk of Low Quality Contractor and Labor*

The Company has a policy to emphasize on the quality of its products to ensure the highest customers satisfaction, therefore it is important to properly manage and control the construction process to maintain the Company's standard on construction quality. In addition to contractor and labor, the Company also hires reputable architects, engineering consultants, and engineering supervisors to assist the construction project to ensure project is completed with the Company's standard, on-time, and on-budget. The Company may have difficulties finding high quality contractor and labor during economic growth due to the high demand for their services, thus the Company may not be able to deliver projects with the Company's standard, on-time, or on-budget. These factors may impact the Company's financial performance.

It is the Company's risk management policy to establish ties with its high quality and experienced contractors to ensure projects they deliver will be of the Company's standard and on-time. It is also the Company's policy to pay its contractors on a percentage of project completion basis and does not allow disbursements over the completed portion, to reduce the risk of contractors abandoning construction projects. The policy allows the company to assess construction quality and contractors' ability to deliver as planned. If the Company assesses that a contractor may not be able to deliver as planned, the Company will send specialized labor to support and ensure the project completes on-time. The Company routinely inspects statuses of projects by sending project managers, project engineers, and construction supervisors to ensure the contractor conforms to the construction standard and minimized the risk of lower standard.

4) *Risk of Construction Material Price Fluctuation*

The price of construction material is the primary cost for real estate development industry. Over the past years, the prices of various construction materials have been on the rise from the expansion in the real estate development industry. The residential projects along the BTS line, various government projects, and economic recovery results in more demand for construction material, which affects the participants in the real estate development industry. The budget forecast may become inaccurate and affect future financial performance.

The Company transfers exposure of price risk to contractors via contractual agreement that specifies prices, specifications, quantities, and deliverables. The Company provides some of the construction materials, such as steel and concrete, because it purchases the materials in large quantity and can negotiate favorable terms from the sellers. Purchasing raw material in large quantity allows the Company to make a more accurate estimates on costs and able to determine appropriate prices for projects.

To reduce the risk of cost overrun, the Company implements the Value Engineering technique in designing and constructing projects. The technique helps the Company reduce construction costs while maintaining the Company's standards.

5) *Risk from the Company Policy on Land Acquisition*

The Company does not have a policy to acquire land that is not ready to be developed. The Company plans its asset acquisitions to align with project development cycle, and selectively match each property to potential customers before developing projects. Therefore, the Company does not accumulate land that is not ready to be developed. The Company is confident in its ability to acquire land for future developments because it has survey teams to seek out prospective land to propose to the managements and also the amount of prospective land owned by its shareholders.

6) *Risk of Delayed Revenue Recognition and Low Profitability at the Beginning of the Operation*

The for-rent projects, namely the Ninth Towers Grand Rama 9, G Land Towers Grand Rama 9, and U Place Grand Rama 9, are in the construction stages thus the Company may not be able to recognize revenue during the early stages of the projects.

To stabilize the Company's stream of revenue, the Company plans to engage in multiple types of real estate development, including single-home and condominium, which can recognize revenue within a short period of time. The Company is also earning stable revenue from property management service from the Grand Canal Don Muang Phase 1 and Phase 2.

7) *Risk of Changes in Regulations in the Real Estate Industry*

The changes in rules and regulations relating to the real estate industry will directly affect the Company's operating costs. Notable regulations that may affect the Company's financial performance are the Floor-Area-Ratio of the zoning regulations, policies mandating common areas, and the Environmental Impact Assessment.

The Company closely monitors the changes in regulations to be aware of any potential change and to be able to formulate action plan on a timely basis. The Company has always been developing projects in compliance to applicable rules and regulations; as a result, the Company is able to minimize any exposure that may occur.

8) *Risk of Developing Projects on Land Lease*

G Land Towers Grand Rama 9, operated by the Company's subsidiary Phra Ram 9 Square Co., Ltd, is developing on a 33-year land lease with a 10-year extension right. Although the agreement is long-term in nature, there is an early cancellation clause on the agreement. The Company must be cautious not to violate the agreement that may trigger the cancellation clause or be penalized.

9) *Risk of Natural Disaster*

The flooding at the end of 2011 affects customers' preference in selecting location of residential properties. The Company has minimally experience the shift in the customers' preference. While the Grand Rama 9 did not experience the flooding, the Company made improvements to its development projects to prevent potential flooding risk, such as land filling to increase the elevation and to reinforce the land, improve the drainage systems, and design projects with embeded flooding counter measure.

## 2.6 Board of Directors, Major Shareholders and the Managements

### 2.6.1 Board of Directors

As of 30 September 2014, the Board of Directors comprise of 9 members as follows:

1.	Mr. Yotin	Boondicharearn	Chairman
2.	Asso. Prof. Prapanpong	Vejjajiva	Director
3.	Mr. Jatesiri	Boondicharearn	Director
4.	Mr. Jarern	Jirawisan	Director
5.	Mr. Mongkol	Pao-in	Director
6.	Ms. Romani	Boondicharearn	Director
7.	Mr. Nipon	Wisityuthasart	Independent Director and Chairman of the Audit Committee
8.	Mr. Banphot	Hongthong	Independent Director and Audit Committee
9.	Ms. Jitmanee	Suwannapool	Independent Director and Audit Committee

### 2.6.2 Major Shareholders

The Company's top 10 major shareholders as of 18 November 2014

Names of major shareholders	Number of shares held	Percent
1. Charernkit Enterprise Co., Ltd. Group	2,837,136,703	51.31
1.1. Charernkit Enterprise Co., Ltd. <sup>/1</sup>	1,876,551,761	33.94
1.2. Bell Park Residence Co., Ltd. <sup>/2</sup>	247,546,609	4.48
1.3. Mr. Jatesiri Boondicharearn	238,462,967	4.31
1.4. Ms. Romani Boondicharearn	215,142,967	3.89
1.5. Mr. Jatemongkol Boondicharearn	215,142,967	3.89
1.6. Grand Fortune Co., Ltd. <sup>/3</sup>	44,289,432	0.80
2. Bangkok Broadcasting & Television Co., Ltd. Group <sup>/4</sup>	1,523,202,758	27.55
2.1 Bangkok Broadcasting & Television Co., Ltd.	1,015,202,661	18.36
2.2 Great Fortune Equity Co., Ltd.	260,955,397	4.72
2.3 BBTB Asset Management Co. Ltd.	131,063,628	2.37
2.4 GL Assets Co. Ltd.	107,046,882	1.94
2.5 BBTB Satelvision Co., Ltd.	8,934,190	0.16

Names of major shareholders	Number of shares held	Percent
3. KR & Associates Co., Ltd. <sup>/5</sup>	349,601,602	6.32
4. Kim Eng Securities (Hong Kong) Limited	170,909,924	3.09
5 Mr. Chatri Sophonpanich	156,000,000	2.82
6. Thai NVDR Co., Ltd.	42,232,835	0.76
7. Mr. Kiat Srichomkwan	29,517,608	0.53
8. Ms. Kanthong Udommahuntisuk	15,550,000	0.28
9. BTS Group Holding Pcl.	14,565,690	0.26
10. Mr. Prakrit Laovisit	12,577,467	0.23
<b>Total</b>	<b>5,151,294,587</b>	<b>93.17</b>

Remark /1 List of shareholders of Charernkit Enterprise Co., Ltd is as follows

No.	Name	Percent
1	Mr. Yotin Boondicharearn	43.22
2	Topline Asset Ltd.	32.22
3	Skyway Realty Co., Ltd. <sup>/1</sup>	17.18
4	Towson Enterprise Co., Ltd.	7.38
	<b>Total</b>	<b>100.00</b>

/2 wholly owned by Charernkit Enterprise Co., Ltd.

/3 List of shareholders of Grand Fortune Co., Ltd. is as follows

No.	Name	Percent
1	Charernkit Enterprise Co., Ltd.	39.45
2	Great Fortune Equity Co., Ltd.	30.00
3	Great Luck Equity Co., Ltd.	30.00
4	Belle Park Residence Co., Ltd.	0.49
5	Mr. Yotin Boondicharearn	0.06
6	Mr. Jareern Jirawisan	0.0001
7	Mr. Tavepol Kongseri	0.0001
	<b>Total</b>	<b>100.00</b>

/4 Ratanarak Group is a major shareholder for each company in the BBTB Group

/5 Owned by Mr. Krit Ratanarak

### 2.6.3 Managements

As of 30 September 2014, the Company's managements comprised of 7 members as follows:

1.	Mr. Yotin	Boondicharearn	Chief Executive Officer
2.	Mr. Jatesiri	Boondicharearn	Managing Director
3.	Ms. Romani	Boondicharearn	Deputy Managing Director of Accounting and Finance Group
4.	Mr. Vira	Tanakornpakdi	Deputy Managing (Acting) and Assistant Managing Director of Project Management Group
5.	Mr. Jatamongkol	Boondicharearn	Senior Assistant Managing Director of CEO Office
6.	Mr. Surakit	Thantananont	Senior Assistant Managing Director of Accounting and Finance Group
7.	Mr. Sakol	Pao-in	Senior Assistant Managing Director of Legal Division

## 2.7 Operating Results and Financial Positions

The Company's consolidated financial positions as of 2011 - 30 September 2014

Financial Positions	31 Dec 2011		31 Dec 2012		31 Dec 2013		30 Sept 2014	
	MB	%	MB	%	MB	%	MB	%
<b>Assets</b>								
Cash and cash equivalents	137.4	1.4	129.8	0.9	381.9	2.2	973.7	5.4
Current investments	-	-	40.1	0.2	39.2	0.2	39.9	0.2
Trade and other receivables	29.5	0.3	73.6	0.6	46.3	0.3	114.9	0.6
Project development costs	5,370.2	53.3	6,268.1	44.2	5,298.5	30.8	4,223.1	23.3
Advance payment to contractors	235.9	2.3	359.9	2.6	297.5	1.7	147.7	0.8
Other current assets	18.5	0.2	24.0	0.1	46.4	0.3	63.5	0.4
<b>Total current assets</b>	<b>5,791.5</b>	<b>57.5</b>	<b>6,895.5</b>	<b>48.6</b>	<b>6,109.8</b>	<b>35.5</b>	<b>5,562.9</b>	<b>30.7</b>
Restricted bank deposits	44.4	0.4	67.6	0.5	89.2	0.5	90.4	0.5
Other long-term investments	104.5	1.0	104.5	0.8	104.5	0.6	104.5	0.6
Investment properties	3,854.5	38.2	6,753.9	47.6	10,405.5	60.4	11,842.8	65.4
Property, plant and equipment	17.6	0.2	24.6	0.1	124.3	0.7	131.9	0.7
Land leasehold right from related parties	169.3	1.7	159.7	1.1	150.4	0.9	143.5	0.8
Deferred tax assets	74.0	0.8	159.8	1.1	190.9	1.1	169.9	0.9
Intangible assets	7.0	0.1	8.3	0.1	7.7	0.1	5.9	0.1
Other non-current assets	15.9	0.1	14.1	0.1	40.4	0.2	53.4	0.3
<b>Total non-current assets</b>	<b>4,287.2</b>	<b>42.5</b>	<b>7,292.5</b>	<b>51.4</b>	<b>11,112.9</b>	<b>64.5</b>	<b>12,542.4</b>	<b>69.3</b>
<b>Total assets</b>	<b>10,078.7</b>	<b>100.0</b>	<b>14,188.0</b>	<b>100.0</b>	<b>17,222.7</b>	<b>100.0</b>	<b>18,105.3</b>	<b>100.00</b>
<b>Liabilities</b>								
Short-term loans from financial institutions	715.9	7.1	694.6	4.9	1,345.5	7.8	1,762.7	9.7
Trade and other payables	630.8	6.3	1,573.7	11.1	1,304.4	7.6	1,290.1	7.1
Retention payable	64.9	0.6	164.3	1.2	265.8	1.6	315.9	1.7
Short-term loans from related parties	-	-	416.1	2.9	1,780.3	10.3	1,533.3	8.5
Current portion of long-term loan from related party	100.0	1.0	-	-	100.0	0.6	-	-
Current portion of long-term loans from financial institutions	747.4	7.4	1,424.2	10.0	853.4	4.9	155.0	0.9
Deposits and advance received from customers	647.3	6.4	855.8	6.0	567.8	3.3	345.9	1.9
Corporate income tax payable	1.6	0.0	97.0	0.7	95.6	0.6	11.6	0.1
Other current liabilities	9.7	0.1	20.3	0.2	30.3	0.2	35.1	0.2
<b>Total current liabilities</b>	<b>2,917.6</b>	<b>28.9</b>	<b>5,246.0</b>	<b>37.0</b>	<b>6,343.1</b>	<b>36.9</b>	<b>5,449.6</b>	<b>30.1</b>
Long-term loan from related party	-	-	100.0	0.7	-	-	100.0	0.6
Long-term loans from financial institutions – net of current portion	843.9	8.4	2,005.6	14.2	3,225.2	18.7	4,197.1	23.2
Provision for long-term employee benefits	1.6	0.0	4.0	0.0	5.3	0.0	6.3	0.0
Other non-current liabilities	6.4	0.1	15.6	0.1	91.9	0.5	159.9	0.9
<b>Total non-current liabilities</b>	<b>851.9</b>	<b>8.5</b>	<b>2,125.2</b>	<b>15.0</b>	<b>3,322.4</b>	<b>19.2</b>	<b>4,463.3</b>	<b>24.7</b>
<b>Total liabilities</b>	<b>3,769.5</b>	<b>37.4</b>	<b>7,371.2</b>	<b>52.0</b>	<b>9,665.5</b>	<b>56.1</b>	<b>9,912.9</b>	<b>54.8</b>

Financial Positions	31 Dec 2011		31 Dec 2012		31 Dec 2013		30 Sept 2014	
	MB	%	MB	%	MB	%	MB	%
<b>Equity</b>								
Share capital issued and fully paid	4,930.6	48.9	5,163.9	36.4	5,317.6	30.9	5,529.2	30.5
Share premium	1,168.9	11.6	1,532.3	10.8	1,532.3	8.9	1,532.3	8.5
Adjustment to present assets purchased under common control at book value	(423.2)	(4.2)	(423.2)	(3.0)	(423.2)	(2.4)	(423.2)	(2.3)
Adjustment of equity interests under reverse acquisition	230.2	2.3	183.1	1.3	(129.3)	(0.7)	(129.3)	(0.7)
<b>Total equity interests</b>	<b>5,906.5</b>	<b>58.6</b>	<b>6,456.1</b>	<b>45.5</b>	<b>6,297.4</b>	<b>36.7</b>	<b>6,509.0</b>	<b>36.0</b>
Share subscription received in advance	-	-	-	-	0.8	0.0	-	-
Retained earnings								
Appropriated - statutory reserve	9.4	0.1	15.0	0.1	21.1	0.0	41.1	0.2
Unappropriated	(191.4)	(1.9)	(240.4)	(1.7)	530.5	3.1	798.9	4.4
Other components of shareholders' equity	-	-	0.1	0.0	(13.7)	(0.1)	(13.1)	(0.1)
<b>Equity attributable to owners of the Company</b>	<b>5,724.5</b>	<b>56.8</b>	<b>6,230.8</b>	<b>43.9</b>	<b>6,836.1</b>	<b>39.7</b>	<b>7,335.9</b>	<b>40.5</b>
Non-controlling interests of the subsidiaries	584.7	5.8	586.0	4.1	721.1	4.2	856.5	4.7
<b>Total shareholders' equity</b>	<b>6,309.2</b>	<b>62.6</b>	<b>6,816.8</b>	<b>48.0</b>	<b>7,557.2</b>	<b>43.9</b>	<b>8,192.4</b>	<b>45.2</b>
<b>Total liabilities and shareholders' equity</b>	<b>10,078.7</b>	<b>100.0</b>	<b>14,188.0</b>	<b>100.0</b>	<b>17,222.7</b>	<b>100.0</b>	<b>18,105.3</b>	<b>100.0</b>

The Company's consolidated operating performance as of 2011 - 2013 and 9 month of 2013 - 2014

Financial Performance	31 Dec 2011		31 Dec 2012		31 Dec 2013		30 Sept 2013		30 Sept 2014	
	MB	%	MB	%	MB	%	MB	%	MB	%
<b>Revenues</b>										
Revenues from sales of real estate	-	-	983.2	89.5	3,294.1	95.4	2,220.1	96.7	2,891.0	91.6
Rental and service income	67.1	34.2	109.0	9.9	91.1	2.6	70.4	3.1	213.8	6.8
Gain on sales of investment	17.4	8.9	0.2	0.0	-	-	-	-	-	-
Gain on sales of assets	-	-	-	-	58.4	1.7	-	-	-	-
Reversal of provision for impairment of investment property	79.4	40.5	-	-	-	-	-	-	-	-
Other income	32.2	16.4	6.3	0.6	8.8	0.3	5.3	0.2	51.7	1.6
<b>Total revenues</b>	<b>196.1</b>	<b>100.0</b>	<b>1,098.7</b>	<b>100.0</b>	<b>3,452.4</b>	<b>100.0</b>	<b>2,295.8</b>	<b>100.0</b>	<b>3,156.5</b>	<b>100.0</b>
<b>Expenses</b>										
Cost of sales of real estate	-	-	666.1	60.6	2,001.1	57.9	1,337.1	58.2	1,510.8	47.9
Cost of rent and services	60.2	30.7	73.9	6.7	103.9	3.0	53.1	2.3	194.3	6.2
Selling expenses	7.8	4.0	65.7	6.0	195.5	5.7	120.1	5.2	171.9	5.4
Administrative expenses	110.1	56.1	146.6	13.4	210.9	6.1	138.1	6.0	224.9	7.1
Loss on write offs and sales of assets	-	-	-	-	20.1	0.6	-	-	-	-
Impairment loss on assets	-	-	-	-	21.5	0.6	30.8	1.4	-	-
<b>Total expenses</b>	<b>178.1</b>	<b>90.8</b>	<b>952.3</b>	<b>86.7</b>	<b>2,553.0</b>	<b>73.9</b>	<b>1,679.2</b>	<b>73.1</b>	<b>2,101.9</b>	<b>66.6</b>

Financial Performance	31 Dec 2011		31 Dec 2012		31 Dec 2013		30 Sept 2013		30 Sept 2014	
	MB	%	MB	%	MB	%	MB	%	MB	%
<b>Profit before finance cost and income tax expenses</b>	<b>18.0</b>	<b>9.2</b>	<b>146.4</b>	<b>13.3</b>	<b>899.4</b>	<b>26.1</b>	<b>616.6</b>	<b>26.9</b>	<b>1,054.6</b>	<b>33.4</b>
Finance cost	(16.9)	(8.6)	(43.1)	(3.9)	(150.3)	(4.4)	(95.1)	(4.2)	(219.3)	(6.9)
<b>Profit before income tax expenses</b>	<b>1.1</b>	<b>0.6</b>	<b>103.3</b>	<b>9.4</b>	<b>749.1</b>	<b>21.7</b>	<b>521.5</b>	<b>22.7</b>	<b>835.3</b>	<b>26.5</b>
Income tax expenses	(33.5)	(17.2)	(42.9)	(3.9)	(162.6)	(4.7)	(119.0)	(5.2)	(188.2)	(6.0)
<b>Profit (loss) for the period from continuing operations</b>	<b>(32.4)</b>	<b>(16.6)</b>	<b>60.4</b>	<b>5.5</b>	<b>586.5</b>	<b>17.0</b>	<b>402.5</b>	<b>17.5</b>	<b>647.1</b>	<b>20.5</b>
Profit for the period from discontinuing operations	5.8	3.0	-	-	-	-	-	-	-	-
<b>Profit (loss) for the period</b>	<b>(26.6)</b>	<b>(13.6)</b>	<b>60.4</b>	<b>5.5</b>	<b>586.5</b>	<b>17.0</b>	<b>402.5</b>	<b>17.5</b>	<b>647.1</b>	<b>20.5</b>
<b>Other comprehensive income:</b>										
Gain (loss) on changes in value of available-for-sale investments, net of income tax	(0.6)	(0.3)	0.1	0.0	(0.7)	(0.0)	(0.8)	(0.0)	0.6	0.0
Actuarial loss arising from post-employment benefits	-	-	(1.5)	(0.1)	-	-	-	-	-	-
<b>Other comprehensive income for the period</b>	<b>(0.6)</b>	<b>(0.3)</b>	<b>(1.4)</b>	<b>(0.1)</b>	<b>(0.7)</b>	<b>(0.0)</b>	<b>(0.8)</b>	<b>(0.0)</b>	<b>0.6</b>	<b>0.0</b>
<b>Total comprehensive income for the period</b>	<b>(27.2)</b>	<b>(13.9)</b>	<b>59.0</b>	<b>5.4</b>	<b>585.8</b>	<b>17.0</b>	<b>401.7</b>	<b>17.5</b>	<b>647.7</b>	<b>20.5</b>
<b>Profit (loss) attributable to:</b>										
Equity holders of the Company	(28.8)	(14.8)	58.9	5.4	464.5	13.5	318.4	13.9	501.2	15.9
Non-controlling interests of the subsidiaries	2.2	1.2	1.5	0.1	122.0	3.5	84.1	3.6	145.9	4.6
<b>Profit (loss) for the period</b>	<b>(26.6)</b>	<b>(13.6)</b>	<b>60.4</b>	<b>5.5</b>	<b>586.5</b>	<b>17.0</b>	<b>402.5</b>	<b>17.5</b>	<b>647.1</b>	<b>20.5</b>

The Company's consolidated cash flows as of 2011 – 2013 and 9 month of 2013 - 2014

Cash Flows	2011	2012	2013	9 month of 2013	9 month of 2014
	MB	MB	MB	MB	MB
Cash flows provided by (used in) operating activities	(942.8)	(386.9)	1,024.6	575.0	1,623.4
Cash flows provided by (used in) investing activities	(598.3)	(1,465.3)	(2,266.7)	(1,652.6)	(1,462.7)
Cash flows provided by (used in) financing activities	1,443.9	1,844.6	1,494.2	1,225.0	431.1
<b>Net cash and cash equivalent increased (decreased)</b>	<b>(97.2)</b>	<b>(7.6)</b>	<b>252.1</b>	<b>147.4</b>	<b>591.8</b>
Cash and cash equivalent at the beginning of the period	234.6	137.4	129.8	129.8	381.9
Cash and cash equivalent at the ending of the period	137.4	129.8	381.9	277.2	973.7

The Company's key financial ratios for 2011 – 2013 and 9 month of 2013 - 2014

Financial Ratio	Unit	2011	2012	2013	9 month of 2013	9 month of 2014
<b>Liquidity Ratio</b>						
Current Ratio	Times	1.98	1.31	0.96	1.03	1.02
Quick Ratio	Times	0.05	0.04	0.07	0.06	0.21
<b>Profitability Ratio</b>						
Gross Profit Margin	Percent	10.26	32.24	37.82	39.30	45.08
Net Profit Margin	Percent	(13.58)	5.50	16.99	17.53	20.50
Return on Equity	Percent	(0.46)	0.92	8.16	5.67	8.22
<b>Efficiency Ratio</b>						
Return on Assets	Percent	(0.30)	0.50	3.74	3.49	4.88
Return on Fixed Assets	Percent	0.43	1.74	7.33	6.98	8.94
Total Assets Turnover	Times	0.02	0.09	0.22	0.15	0.18
<b>Financial Policy Ratio</b>						
Debt to Equity Ratio	Times	0.60	1.08	1.28	1.25	1.21
Book Value per Share	Baht	1.28	1.36	1.43	1.39	1.48
Earnings per Share	Baht	(0.006)	0.012	0.088	0.0605	0.093
Dividend per Share	Baht	0.03	-	0.04	-	-

## 2.7.1 Analysis of Financial Performance

### Operating Revenue

The overall operating performance from 2011 – 2013 indicates that the Company's main source of revenue shifts from the television and golf course businesses into the real estate development business. The consolidated total revenues from 2011 – 2013 are Baht 196.1 million, Baht 2,098.7 million, and Baht 3,452.4 million respectively.

The consolidated total revenue in 2011 does not reflect income from the real estate development business, which is the current primary business, and still include golf course revenue, now discontinued business. Other revenues include gain on sales of investment in shares of Khao Kheow Country Club Co., Ltd in the amount of Baht 16.3 million, reversal of provision for impairment of the Ninth Towers Grand Rama 9 in the amount of Baht 79.4 million, gain under other income from transferring Central Plaza Grand Rama 9 in the amount of Baht 16.4 million, gain on sales of investment in shares of BEC World Public Company Limited in the amount of Baht 1.1 million and gain under other income from selling assets with no developmental plan in the amount of Baht 10.2 million.

The consolidated total revenue in 2012 increases from 2011 by Baht 902.6 million or an increase of 460.28 percent because a subsidiary company begins recognizing revenue from sales of real estate

project, namely the Belle Grand Rama 9 which accounts for Baht 983.2 million, and also an increase in the rental and service income by Baht 41.9 million, while other income decreases by Baht 122.5 million.

The consolidated total revenue in 2013 increases from 2012 by Baht 2,353.7 million or an increase of 214.23 percent because the subsidiary company continues to recognize revenue from sales of Belle Grand Rama 9 Phase 1 and Phase 2, totaling Baht 3,294.1 million. Additionally, the Company earns Baht 58.4 million from gain on sales of asset by acting as selling agents for condominium units.

During the first 9 month of 2014, the Company earns revenue from sales of residential condominium in the amount of Baht 2,891.0 million, and rental and service income in the amount of Baht 213.8 million. The increase in revenue over the 9-month period is due to the larger number of condominium unit sold and an upward adjustment of unit price.

### **Summary of Costs and Expenses**

The costs of sales and rental services from 2011 to the 9 month of 2014 are Baht 60.2 million, Baht 740.0 million, Baht 2,105.0 million, and Baht 1,705.1 million respectively. The gross profit margins for 2011 – 9 month of 2014 are 10.26 percent, 32.24 percent, 37.82 percent, and 45.08 percent respectively. The increase in selling and rental costs from 2012 – 9 month of 2014 is due to expense recognition in cost of developing the residential real estate project, and an increase in direct cost from providing rental services, which matches the increase in sales and rental revenues. The increase in gross profit margin during the 9 month of 2014 is due to an upward adjustment in condominium price.

The consolidated selling and administrative expenses for 2011 – 9 month of 2014 are Baht 117.9 million, Baht 212.3 million, Baht 406.4 million, and Baht 396.8 million, respectively. During the first 9-month of 2014, the Company records penalty expense in the amount of Baht 30 million due to the late delivery of office space to a client.

### **Summary of Profit (Loss) from Operation and Net Profit (Loss)**

The consolidated net profit (loss) for 2011 – 9 month of 2014 are Baht (26.6) million, Baht 60.4 million, Baht 586.5 million, and Baht 647.1 million, at the net profit (loss) margin of (13.58) percent, 5.50 percent, 16.99 percent, and 20.50 percent, respectively. The increase in net profit (loss) margin in 2011 is due to the Company entering into the real estate development industry and not able to recognizable revenue. The increase in net profit margin in 2012 is because the subsidiary company begins to recognize revenue from sales of units in Belle Grand Rama 9, which continues throughout 2013, causing the gross profit margin to increase from 32.25 percent to 39.25 percent from 2012 – 2013. The increase in net profit from 2013 to 9 month of 2014 is due to the increase in gross profit from Baht 883.0 million to Baht 1,380.0 million, an increase in gross profit margin from 39.25 percent to 47.74 percent.

The loss on write offs and sales of assets in the amount of Baht 20.1 million, and impairment loss on assets of Baht 21.5 million during 2013 are losses from the original equipment installed in the Ninth Towers Grand Rama 9, such as the elevator, air-conditioning, and electrical systems, that the Company replaced to more efficient and effective systems. The Ninth Towers Grand Rama 9 begins operating since the first quarter of 2014.

## **2.7.2 Analysis of Financial Positions**

### **Assets**

The total assets as of 2011 – third quarter of 2014 are Baht 10,078.7 million, Baht 14,188.0 million, Baht 17,222.7 million, and Baht 18,105.3 million, respectively. Significant portions of the Company and its subsidiaries assets are project development costs and investment properties, accounting for 88.74 – 91.78 percent of the total assets.

The Company's project development costs as of third quarter of 2014 decrease from 2013 by Baht 1,075.4 million because the Company incurred more cost of sales of real estate than the cost to develop project during the first 9 month of 2014. The Company recognizes the development costs when it begins constructing projects and stops recording the asset once the construction is completed. The Company recognizes the cost of sales of real estate in proportion to the sold portion of the project.

The Company's investment properties as of third quarter of 2014 increased from 2013 by Baht 1,437.3 million from the increase in project development cost.

The Company's total asset during the 9-month of 2014 increases from 2013 in the amount of Baht 882.6 million from an increase in investment properties, and an increase in cash and cash equivalents from selling real estate projects.

### **Liabilities**

The consolidated total liabilities as of 2011 – third quarter of 2014 are Baht 3,769.5 million, Baht 7,371.2 million, Baht 9,665.5 million, and Baht 9,912.9 million, respectively. The increased in liabilities between the third quarter of 2014 and 2013 amounts to Baht 247.4 million, a significant portion of the increase comes from loans from financial institutions. The significant portions of the consolidated total liabilities consists of loans from financial institutions at 61.7 percent, loans from related parties at 16.5 percent, and trade and other payables at 13 percent. The increase in loans from financial institutions is to finance project developments.

## Equity

The equity attributable to owners of the Company from 2011 – third quarter of 2014 are Baht 6,309.2 million, Baht 6,816.8 million, Baht 7,557.2 million, and Baht 8,192.4 million, respectively. The increase in the equity between the third quarter of 2014 and 2013 is Baht 635.2 million.

The increase in the total shareholders' equity at the end of 2013 of Baht 740.4 million comes from the Exercise of Warrants (GLAND-W1 and GLAND-W2) into 153.7 million shares at the exercise price of Baht 1.00 with the total consideration of Baht 153.7 million and from the 2013 net profit of Baht 586.5 million.

The increase in the total shareholders' equity at the end of third quarter of 2014 from 2013 of Baht 635.2 million comes from the Exercise of Warrants (GLAND-W1 and GLAND-W2) into 211.6 million shares at the exercise price of 1.00 Baht with the total consideration of Baht 211.6 million and from the 9 month of 2014 profit of Baht 647.1 million.

The overall changes in financial ratios between 2013 and the third quarter of 2014 are an increase in Current Ratio from 0.96 to 1.02, and a decrease in Debt to Equity Ratio from 1.28 to 1.21, with the financial standings in cash and cash equivalents of Baht 973.7 million, and cash flows from operation of Baht 1,623.4 million. The changes in the financial ratios and financial positions indicate improvements from the prior period because of the higher sales of condominium units and the Ninth Towers Grand Rama 9 is now operational.

### **3. The Opinion of Independent Financial Advisor Regarding Reasonableness of the Transaction**

In assessing the reasonableness of the Transaction, the Independent Financial Advisor takes into account the following matters;

#### **3.1 Objective and Necessity of the Transaction**

The investment in the New Project aligns with the Company's business plan to develop the Grand Rama 9 area into a new central business district of Bangkok. The Company has a policy to develop project suitable for a particular land plot in order to maximize long-term benefits for the Company and its shareholders.

The Board of Directors determines that the 3 undeveloped plots of land in the Grand Rama 9 area under the Former Project Plan can be developed into a more prosperous project. The Board of Directors, therefore, passed a resolution approving new development of a large-scale and special priority project that integrates office area, commercial space, hotel, and conference center, to cater to the needs of domestic and foreign clients. With the distinctive height of the Main Tower standing 615-meter tall that, once completed, will be recorded as the tallest building in the country and one of the top 10 tallest buildings in the world, will transform the Grand Rama 9 area into a more attractive business and commercial district serving rising demand for office space in Thailand after an inauguration of the AEC in year 2015.

#### **3.2 Advantages, Disadvantages and Risks of Entering into the Transaction**

Based on the data from the Company and other reliable sources, the advantages, disadvantages and risks from entering into the Transaction can be summarized as follows;

##### **3.2.1 Benefits and Advantages of Entering into the Transaction**

- 1) To invest in the Project that aligns with the Company's business plan

The investment in the New Project aligns with the Company's business plan to develop real estate projects in the Grand Rama 9 area for the maximum benefit of the Company and its shareholders, by investing in a large-scale property project with unique characteristic that, once completed, will transform the Grand Rama 9 area into an attractive business district that offers a full range of amenities including office complex, residential area, hotel, conference, and retail shopping centers. The new development will therefore enhance the Company's competitiveness against its competitors for long-term sustainable growth.

- 2) To provide opportunity to generate additional revenue and favorable return in long-term

The investment in the New Project enables the Company to generate additional cash flows from rental revenue in addition to sales of property projects. If the project can achieve its financial target, the Company will be able to receive favorable return throughout the project's period, leading to sound commercial turnover and profitability of the Company in long-term. Based on the feasibility

study undertaken for the project, the project has a positive net present value, and internal rate of return higher than the weighted average cost of capital, and higher return than the Former Project.

- 3) To enhance the Company's competitiveness against domestic and foreign competitors

The New Project to be developed in the Grand Rama 9 area is located at the intersection of Rama 9 and Ratchadapisek Road that is easily accessible to the main roads, and close to MRT and Airport-Link stations. Its strategic location is witnessed by an increase in business office relocation into the area including the SET office. Therefore, the area has demonstrated high potential to be developed into a new central business district of Bangkok in the near future. The Company, thus, decided to alter its investment plan into a new project with unique characteristic that combines the usage of office area, hotel, conference center, and rental commercial space, to effectively meet the needs of target clients for the highest interest of the Company and its shareholders.

- 4) To strengthen the Company's position and create value to the projects in the area

The mixed-use 125-storey structure with 615-meter tall, expected to be the tallest building in the country and one of the top 10 tallest buildings in the world will enhance the attractiveness of the Grand Rama 9 area and increase the demand for office and commercial spaces of the Company's other projects that are located in the same area e.g. the Ninth Tower project and G-Land Tower project. Furthermore, it provides an opportunity for the Company to raise the rental rate of those projects in the future, which will subsequently improve the Company's revenue and profitability in the long-run.

- 5) To diversify the Company's source of income from sale of real estate projects

During the past years, the Company's primary source of revenue was from sales of real estate projects, which accounted for approximately 91 percent of the total revenue, while rental revenue was only 5 percent of the total revenue. The Company may be exposed to the risk during the contraction of demand in residential property which may adversely affect the Company's financial performance. The investment in such rental project will help diversify the Company's source of income by increasing additional revenue from leased properties. If the project can achieve financial target as planned, the Company will be able to receive a stable and high return throughout the project period, which will support the Company's future performance.

- 6) To increase the Company's business size and opportunity to finance other projects in the future

The investment in the New Project, which is a large real estate project, that once completed, will increase the Company's asset value at least Baht 18,000 million, by not considering the value added to the Company's other projects in the area. After the project's completion, the Company will earn additional operating revenue and income from the lease of office spaces and related services, thus enhancing the Company's business size, cash flows, and business capabilities in long term.

### 3.2.2 Disadvantages and Risks of Entering into the Transaction

1) Risk of inexperience and lack of expertise in managing project

*Risk of inexperience and lack of expertise in constructing Megatall project*

The development of a 125-storey or 615-meter tall building is different from an ordinary building construction because it requires specific machines, equipment, construction materials and technique, to ensure stability and safety of the building. Since the New Project will be the first Megatall construction project in Thailand where such specialized technique has never been employed in the country, the Company is exposed to the risk from the lack of experience and expertise in developing and constructing the super high-rise building, which may jeopardize the safety of the environment, personnel relating to the development or residing in the area. If the risk is materialized, the Company may experience the construction delay, which subsequently reduces investment return.

However, the Company plans to hire internationally reputable consultant with experience and expertise in Megatall building construction in other country to provide construction consulting service. The consultation will cover architectural design, materials and technology used, such as structural foundation and wall bearings, to ensure the building's safety in order to earn tenants' confidence. The Company also plans to hire an experienced construction management company with expertise in similar project, and will consider track record, reputation, and related fee to ensure timely construction and operation within the budget. The Company is confident that it will be able to develop the project as planned.

*Risk of inexperience and lack of expertise in managing mixed-use real estate project*

The New Project will be a mixed-use real estate project that integrates hi-end office, hotel, conference, and commercial centers. While the Company's previous experience involved the development of residential and office projects, the Company is, therefore, exposed to the risk of lacking experience in managing hotel and conference properties.

However, to reduce exposure from the lack of experience in managing hotel, the Company plans to hire a qualified hotel management company with an internationally-reputable brand in order to ensure clients' satisfaction. For the conference center, the Company plans to engage a long-term lease agreement with its tenants. With the project's uniqueness and the rental fee that is relatively lower than the market rate, the Company expects to receive favorable feedback from the potential clients.

2) Risk in obtaining project modification license

The investment in the New Project is a modification of the Former Project on the Company's land with construction permitted under Section 39 (bi). Such permit exempted the Company from preparing the Environmental Impact Assessment: (EIA) as the requirement was enacted subsequent to the permit's issuance date. However, since the New Project is materially changed from the former

approved project plan, the Company is required to submit a notice of modification to the government agencies. Additionally, the quality of the land must be taken into account because it will have to withstand the weight of the Main Tower that is expected to weight significantly more than an ordinary building. The quality of the land determines the required depth and type of piling for the project's foundation to be able to support the building on top. At present, the Company has engaged an expert in the field to survey the land and soil layer around the construction area and expects the survey to complete in March of 2015, and will be used as part of the certification of project's civil engineerings. Moreover, if the Company is unable to include the hotel as a part of the approved permit, the Company may be required to prepare the Environmental Impact Assessment separately for the hotel.

The Company is, therefore, exposed to risk of construction delay from the lengthy inspection process by the relevant agencies, risk of altering the project plan to be in compliance with the changing rules and regulations in the future, and risk of not being able to obtain construction permit for the hotel area. The risks may adversely affect the development of the project, recognition of revenue, and the expected investment return.

Presently, the Company has submitted the project modification notice to the local authorities and received submission confirmation letter, thus, the Company can commence the construction prior to obtaining a formal permit. Such practice is allowable under the Section 39 (bi) of the Plants Act, and is considered a general practice for a large project development to reduce the delay from the lengthy governments' process. In case that the Company fails to receive construction permit for the hotel, the Company plans to convert the hotel area into office rental space.

3) Risk of construction material price fluctuation and cost overruns

Construction material is a primary cost of real estate development project, particularly for a large project with 615-meter tall that specifically requires high-quality materials to meet Megatall structure standards, such as the bored pile for deep foundation to ensure that the building can withstand natural disasters and hazards. If the specialized materials are shortage or prices are fluctuated, the cost of the project may be increased, which will result in a decrease in investment return.

To mitigate the risk of raw material price volatility and to manage the construction costs within the budget, the Company plans to negotiate turn-key construction contract covering pre-agreed price, quantities and specification of raw materials to be used as part of the contractor agreement. The Company has also reserved 5 percent of construction cost as contingency for any possible causes of cost overrun. Additionally, the Company can increase the rental price in the future to reflect the increase in construction cost in order to maintain an appropriate return.

4) Risk from litigation and claims during the construction process

Real estate development project can generally cause damages to environment and individuals, specifically for the larger and taller project having a higher probability of causing such damage than smaller project. The Company is, therefore, exposed to litigation risk from third party during the construction process. To manage the risk, the Company establishes preventive measures to deter and minimize damage and harm from the accidents, such as falling objects, dust hazard, and noise hazard, through closely monitoring of the project manager. The Company plans to have insurance coverage for any damage and risk during the construction, as being its standard practice in developing real estate projects.

5) Risk that the project fails to achieve financial target

The competition in real estate market and increase in future supply of rental space from other developers may expose the Company to the risk of not being able to acquire tenants as targeted, resulting in revenue and earnings lower than expectation.

*Office Area*

The management is confident that the unique characteristic of the Main Tower that stands 615-meter tall, expected to be one of the top ten highest structures in the world, combined with its convenient location and transportation access as located adjacent to the main roads and close to the MRT station, as well as the AEC inauguration in 2015, will boost up the demand for office space from foreign companies seeking to establish offices as a hub of their regional headquarters in Thailand. Although the New Project rental rate is higher than the market rate of other projects in the same area, the rate is still comparable to the market rate for office space in the central business district of Bangkok and lower than the rental rate of the office of the same grade in other countries, such as Singapore and Malaysia. Therefore, the Company expects the New Project's will be well-received by the clients and will have the number of target tenants as planned.

*Hotel*

Although the competition in the hotel business is on the rise, the Company believes that the AEC inauguration in 2015 will help promote tourism industry and international trade. The hotel occupancy rate is increasing steadily along with the number of foreign tourists visiting Thailand. The management believes that the tourism industry will continue to grow in the future with continuing support from the government. Hence, the management views that the AEC inauguration in 2015, coupled with the uniqueness of the building that provides panoramic view of Bangkok from the highest point of Thailand, will support the New Project to be able to achieve the occupancy rate as planned.

#### *Conference Center*

The management believes that the market for conference and exhibition center is on a rising trend, in line with the tourism industry that continues to receive support from the government. Since there are fewer operators in the market and the project's rental rate is significantly lower than the market rate, the Company believes that the project will be well-received by its target clients.

#### *Commercial Area*

The Company has a policy to diversify its tenants to accommodate the lifestyle and convenience of residents in the area. Moreover, the project is located in area that undergoes significant expansion in office and residential projects, and is designed to have sufficient parking space for visitors. Therefore, the Company expects to receive favourable response from its target clients and achieve the occupancy rate as planned.

#### 6) Risk of competition among the Company's projects in the area

Since the New Project will be developed in the same area with the Company's other projects in the Grand Rama 9 Complex, the Company is exposed to a risk of competition among the Company's projects, resulting in an overall decrease in occupancy rate and operating revenue. However, due to the diversified usage of the space and its strategic location in the heart of Bangkok with access to transportation networks, the Company believes that the project will be well-received and able to attract target clients. Furthermore, the Company plans for projects' operations at different time with different target groups. The New Project targets the multinational companies seeking to expand their offices to ASEAN region. While, the Company's other projects focus on the companies looking for office space in prime area in general. Therefore, the Company has carefully considered that the New Project will not materially threaten the Company's other projects.

#### 7) Risk of obtaining capital and decrease in liquidity

##### *Risk of Sourcing Loan*

The New Project is a large real estate project that requires significant amount of investment. The Company expects to fund the project with the borrowings of Baht 10,800 million (or 60 percent of total construction cost) from the financial institutions. If the Company fails to obtain loans with expected terms and conditions (e.g. installment and interest rate), the project's development costs and/or the development period may be affected.

As of 30 September 2014, the Company has cash and cash equivalents, and short-term investments totaling Baht 1,013.6 million, debt to equity ratio of 1.21 times, and interest-bearing debt to equity ratio of 0.95 times. With the Company's financial standing, coupled with its extensive experience in real estate development projects, and the relationships established with major financial institutions, the Company is confident that it will be able to acquire loan for the development project as planned.

In the event that the Company is unable to obtain loan from financial institutions as planned, the Company plans to obtain funding from other sources, such as issuance and offering of bonds or Real Estate Investment Trust (REIT).

*Risk of Insufficient Fund from Internal Cash Flow*

In addition to the bank loan, the remaining required capital will come from expected cash flows from sales of its existing projects, being the Belle Grand Rama 9, and other for-sale projects to be developed in parallel with the New Project. Since the future development projects could be uncertain, or may not perform as expected, the Company is exposed to the risk of insufficient fund from internal cash flows to develop the project.

Although the Company has several future projects in plan, it will prioritize the projects to be developed by selecting the projects with high potential to generate the required cash flows to finance the investment in the Super Tower Project.

*Risk of Liquidity Shrinkage and Interest Burden*

The New Project requires significant amount of investment compared to the Company's total asset or the values of other projects. The required investment cost along with the additional interest burden of Baht 600-700 million per year from the loan of Baht 10,800 million, may cause the Company's liquidity during the development period to decrease materially and may increase the interest-bearing debt to equity ratio after the investment. Such change in the financial standing may be a limitation of the Company's future project investment (as of 30 September 2014, the Company's interest-bearing debt to equity ratio is 0.95 times.)

In developing the real estate project, the construction loans are not typically drawdown in one time, but gradually made over the course of the project to match the progress of construction. Additionally, the Company set a clear policy to manage and ensure that the interest-bearing debt to equity ratio will not exceed 2.0 times. Moreover, the Company expects that the New Project will increase long-term revenue and profit, and the proceeds from its existing projects will gradually add up the Company's equity portion to reduce interest burden and to maintain debt to equity ratio during the development period at an appropriate level so as not to limit other investment opportunity.

### **3.3 Conclusion of the Independent Financial Advisor on the Reasonableness of the Transaction**

The investment in the New Project, a 125-storey premium office building, aligns with the Company's business plan to develop the Grand Rama 9 area into an attractive business and commercial district. With the distinctive characteristic of the Main Tower standing 615-meter tall expected to be one of the top 10 tallest buildings in the world, as well as surrounded facilities, the New Project is expected to add value to the Company's other projects, and increase the competitiveness against other domestic and foreign competitors.

In addition, the management expects the office property market in Bangkok will continue to post positive trend in the future, especially after the AEC inauguration in 2015, the demand for office space is expected to increase further. Therefore, the investment in the New Project will create an opportunity for the Company to generate a steady source of income to support the Company's long-term financial performance.

However, the development project may expose the Company to the risks from internal factors, such as construction delay, cost overruns, project alteration, inability to obtain tenants as targeted, lack of liquidity, or significant increase in interest burden during the development period, and external factors that may affect the success of the project, such as economic conditions, and supply and demand fluctuation in the period the project becomes operational. The risks may alter the investment return, but the Company believes that those risks can be managed to an acceptable level. Moreover, the Company has carefully conducted the project feasibility, accounted for the risks involved, and planned to hire internationally-reputable consultant with an experience in constructing similar structure to manage the project construction to ensure that the project will be completed on time, within budget, and with internationally-accepted safety standards.

Therefore, the Independent Financial Advisor is of the opinion that the Transaction is reasonable and will be able to support the Company's growth in sustainable ways.

#### **4. The Opinion of Independent Financial Advisor Regarding the Fairness of the Transaction Price**

The Independent Financial Advisor assesses the project's ability to generate future free cash flows by assessing the project's Net Present Value (NPV), Payback Period, and Internal Rate of Return (IRR) against the Company's Weighted Average Cost of Capital (WACC). The assessment on the fairness of the Transaction's price is based on the assumption that the assumptions used in preparing financial forecast of the project are reasonable and appropriate throughout the projection period.

##### **Assessment on the Appropriateness of the Project Investment**

The New Project is an investment in the 125-storey premium building that integrates hi-end offices, luxury hotel, upscale commercial space, and conference center. In assessing the appropriateness of the investment, the Independent Financial Advisor assesses the project's free cash flows over the next 46 years, covering the period from year 2014 to 2060. The assessment is based on the Company's investment plan that the project will take 6 years to complete and the operation will partially begin from year 2016.

In evaluating the feasibility of the project, the Independent Financial Advisor reviews the New Project's financial forecasts, prepared by the Company's management based on their experience in the industry, and adjusts certain assumptions to reflect overall market condition, competition, and current economic environment under the conservative basis. Such projection is based on the assumption that the project will continue its operation over the next 40 years without significant changes under the current economic condition and will terminate the operation to sell the land and fixed assets at salvage value at the end of year 40<sup>th</sup> of operation. If the economic condition or other external factors impacting the project operation changes materially, the value of the project assessed will be affected.

Key assumptions used in the financial projection are as follows:

##### **1. Operating Revenues and Expenses**

###### **1.1 Office Area**

###### *Office Rental Revenue*

The New Project will have a net lettable office area of 107,000 sq.m. with the assumed monthly rental fee in the first year of operation (Year 2021) of Baht 1,266 per sq.m. The rate is set based on the rental price of Grade A office building, which is currently at Baht 800 per sq.m., adjusted with 25 percent premium to reflect higher premium grade of the project and adjusted with 3 percent inflation until the year the project becomes operational.

The Company has a policy to adjust rental fee by 12.5 percent every 3 years, which is comparable to the average adjustment rate of other office building. The occupancy rate is assumed at 70 percent in the first year of operation, where the rates in the following years are defined below:

Operating Period	2014-2020	2021	2022	2023	2024 Onwards
Occupancy Rate (Percent)	-	70	80	90	95

The management anticipates the adjustment of 25 percent premium over the current market rate, as the New Project is located in the Grand Rama 9 area that is expected to become Bangkok's new central business district and a hub of ASEAN's economic in the future. The Company expects the rental rate, at the start of the project, at Baht 1,266 per sq.m. (after the 25 percent premium), is competitive with other office buildings in the city center. Based on Jones Lang LaSalle (Thailand) Co., Ltd's recent research, other office buildings' rental rates are starting at Baht 800 per sq.m. with some commanding up to Baht 1,300 per sq.m.

The Company's primary target clients are multinational companies that plan to establish an office in ASEAN country. After comparing the New Project's office rental rate with similar-quality offices around the region, such as the Raffle Place in Singapore, whose current office rental rate is at Singapore Dollar 9.73-10.67 per sq.ft. (approximately Baht 2,700-3,000 per sq.m.) or equivalent to Baht 3,100-3,500 per sq.m. in the next 5 years by applying 3 percent annual growth rate. The rental rate of the New Project is still lower than the alternatives in the region. As a result, the Company expects positive response from its prospective clients and expects to achieve occupancy level as planned. The Independent Financial Advisor determines the Company's assumption on the rental rate to be reasonable.

#### *Operating Expenses*

Expenses associated with office rental operation are defined as a percentage of rental revenue, and are assumed based on the Company's other office project operation as follows:

Operating Expenses – Offices	Percentage of the total revenue
Utility expense	20
Commission fee	7
Marketing expense	2
Security expense	1
Maintenance expense	1
Miscellaneous expenses	1

In order to justify the assumptions used in estimating cash flows from the rental office, the Independent Financial Advisor considers the earnings before interest, income tax, and depreciation and amortization to total revenue (EBITDA Margin) of the project over the forecast period which is averaged at 68 percent of total revenue, as being comparable to the margin of the Company's the Ninth Towers Project and the average margin of the industry at 65-75 percent.

Cash Flows from the operation of rental office space are as follows:

Year of the project	1	2	3	4	5	10	20	30	40	46
(Unit: million Baht)	2015	2016	2017	2018	2019	2024	2034	2044	2054	2060
Rental revenues - rental office	-	-	-	-	-	1,737	2,473	3,961	5,640	7,138
Operating expenses	-	-	-	-	-	(556)	(791)	(1,268)	(1,805)	(2,284)
Operating profit - rental office	-	-	-	-	-	1,181	1,682	2,694	3,835	4,854

## 1.2 Commercial Area

The project will have a total retail area of 22,683 sq.m. which is divided into 2 zones as follows:

	Area (sq.m.)	Expected operating date	Starting rental rate
Sky Lounge (Top floor of the Main Tower)	6,800	Quarter 1 of 2021	5,900
Common Retail Area under:	15,883		2,750
- Main Tower		Quarter 1 of 2021	
- Conference Center		Quarter 1 of 2017	
- Commercial Center		Quarter 3 of 2016	
Total	22,683		

### 1) Common Retail Area

Common retail area is located on the lower floors of the Main Tower, conference center and commercial center with a combined lettable area of 15,883 sq.m., and is expected to begin commercial operation in the third quarter of 2016. The starting monthly rental rate for the area is assumed at Baht 2,750 per sq.m., based on the current market rate in the city center at Baht 2,600 per sq.m., according to the Colliers International (Thailand) Co., Ltd. research, and adjusted with 3 percent inflation per annum to the first year of operation.

### 2) Sky Lounge

Sky Lounge with a total area of 6,800 sq.m. located on the highest floor of the 125-storey Main Tower has an assumed monthly rental rate in the first year of operation (Year 2021) of Baht 5,900 per sq.m., or approximately 70 percent higher than the rate of the common retail area, as the target clients are the luxury restaurants that will provide luxurious dining experience with panoramic view of Bangkok.

The Company has a policy to increase the rental rate for both zones by 12.5 percent every 3 years, which is comparable to adjustment rate of other projects. The occupancy rate is assumed at 70 percent in the first year of operation, with an increase of 10 percent per year until it reaches 90 percent in year 2024, and is assumed to remain constant for the remaining periods. The assumed occupancy rate is comparable to the Company's other projects'. The Company anticipates high demand for the projects retail area as it is located in the attractive 125-storey Main Tower, and is competitively priced. The Company also plans to market and sell the project's rental area in advance during the construction period to ensure occupancy performance.

### Operating Expenses

Operating expenses for retail operation consists of marketing, utility, maintenance, and other operating expenses, which is set based on the management's estimation and experience from the previous projects, as detailed below:

Operating Expenses – Commercial Area	Percentage of rental revenue
Service costs <sup>/1</sup>	10
Utility expense	15
Maintenance expense	1
Marketing expense	3
Miscellaneous expenses	1

<sup>/1</sup> Service costs include expenses for employee compensations, sanitary service, security, related taxes, and other expenses directly related to providing service.

The average EBITDA Margin for retail operation during the forecast period is approximately 70 percent, which is comparable to the industry average of 65-85 percent of the total revenue.

Cash flows from the operation of rental commercial area are as follows:

Year of the project	1	2	3	4	5	10	20	30	40	46
(Unit: million Baht)	2015	2016	2017	2018	2019	2024	2034	2044	2054	2060
Rental revenues - common retail area	-	133	362	407	410	672	956	1,532	2,181	2,760
Rental revenues - Sky Lounge	-	-	-	-	-	489	696	1,115	1,587	2,009
Operating expenses	-	(40)	(109)	(122)	(123)	(348)	(496)	(794)	(1,131)	(1,431)
Operating profit - commercial area	-	93	253	285	287	812	1,157	1,853	2,638	3,339

## 1.3 Hotel

### Room Revenue

The Independent Financial Advisor evaluates the appropriateness of financial assumptions of the hotel business by considering the current market condition of 5-star hotels in Bangkok, such as Dusit Thani Hotel, Centara Grand Hotel, and Millenium Hilton Hotel, instead of the 6-star hotels, the same standard as the Company's project, due to insufficiency of public information.

The New Project will provide a super luxury hospitality service on the upper floors of the Main Tower, with 70 standard rooms and 160 suites with an average room rate in the first year of operation (Year 2021) of Baht 8,385 per night. The rate is determined based on the average 5-star hotel rate of Baht 5,000 per night. However, the statistic shows that the majority of 5-star hotels in Bangkok have the standard to suite room ratio of 90:10. When the rate is adjusted to the project's room ratio of 70:30, it will reflect the current market rate of Baht 6,000 per night. The rate is then adjusted for 15 percent premium reflecting its superior location

on the upper floors of one of the world's tallest buildings. The room rate is set to grow at 3 percent per annum in accordance with Thailand's 10-year inflation rate.

Occupancy rate is assumed at 50 percent in the first year of operation, with a yearly increase of 10 percent, until reaches 70 percent in year 2023 and remains stable for the remaining periods. Such rates are comparable to an average annual occupancy rate of the 5-star hotels in Bangkok.

Operating period	Average daily room rate (Baht)	Annual occupancy rate
2021	8,385	50 Percent
2022	8,636	60 Percent
2023	8,895	70 Percent
2024 Onwards		70 Percent

The Independent Financial Advisor assesses other revenues and expenses of the hotel operation, by considering revenue and cost structures of other 5-star hotels, as detailed below:

#### *Food and Beverage Revenue*

Food and beverage revenue is assumed at 60 percent of room revenue, which is expected to come from hotel clients and dwellers in the Grand Rama 9 area.

#### *Revenue from Other Departments*

Revenue from other departments such as laundry service and telephone service revenue is approximately 8 percent of the room revenue.

#### *Cost of Services*

- 1) *Accommodation cost* equal to 30 percent of room revenue
- 2) *Food and beverage cost* equal to 60 percent of food and beverage revenue
- 3) *Other costs* equal to 60 percent of other department revenue

#### *Operating Expenses*

- 1) *Operating expenses* consist of marketing, utility, maintenance, and reserves for investment in furnitures, fixtures and equipment (FF&E), equal to 18 percent of total hotel revenue.

Operating Expenses – Hotel	Percentage of hotel revenue
Utility expense	5
Maintenance expense	3
Marketing expense	8
Other administrative expenses	2

- 2) *Hotel management fee* equal to 3 percent of total hotel revenue
- 3) *Royalty fee* to be paid to the brand owner equal to 10 percent of gross profit

The assumptions regarding the hotel management and royalty fees are based on the management estimation. The hotel EBITDA Margin is calculated at 31 percent of total revenue, which is comparable to an average performance of other 5-star hotels at 25-35 percent.

Cash flows from the operation of hotel business are as follows:

Year of the project	1	2	3	4	5	10	20	30	40	46
(Unit: million Baht)	2015	2016	2017	2018	2019	2024	2034	2044	2054	2060
Room revenue	-	-	-	-	-	538	724	972	1,307	1,560
Food and beverage revenue	-	-	-	-	-	323	434	583	784	936
Other departments	-	-	-	-	-	43	58	78	105	125
Operating expenses	-	-	-	-	-	(623)	(838)	(1,126)	(1,513)	(1,807)
Operating profit - hospitality service	-	-	-	-	-	281	378	508	682	815

#### 1.4 Conference Center

##### *Rental Revenue*

Conference center has a total rental area of 3,400 sq.m., expected to begin its operation in 2017. Starting monthly rental rate is Baht 757 per sq.m., determined by adjusting the rental rate of the Company's other conference area for 25 percent premium for locating next to the Main Tower with more premium design.

The Company has a policy to increase rental fee by 12.5 percent every 3 years, in line with the Company's general adjustment rate. The occupancy rate is assumed to be 100 percent throughout the project periods because the Company plans to engage a long-term lease agreement with its tenant. The Company will also market the area during the 2-year construction to ensure target level of tenants. The Company expects the 25 percent premium over the market rate will not materially affect the expected occupancy rate, because the rental rate is moderately lower than the rate of other conference center in the market, allowing the tenants to operate profitably.

##### *Operating Expenses*

Operating expenses for conference center are defined as a percentage of rental revenue, which generally aligns with other building operation as follows:

Operating Expense – Conference Center	Percentage of rental revenue
Service costs <sup>1</sup>	22
Utility expense	10
Marketing expense	2
Other administrative expenses	6

<sup>1</sup> Service costs include expenses for employee compensations, sanitary service, security, related taxes, and other expenses directly related to providing service.

The conference center's EBITDA Margin during the forecast period is approximately 60 percent, which is comparable to the industry average at 40-65 percent of the total revenue.

Cash flows from the operation of conference center are as follows:

Year of the project	1	2	3	4	5	10	20	30	40	46
(Unit: million Baht)	2015	2016	2017	2018	2019	2024	2034	2044	2054	2060
Rental revenues - conference center	-	-	31	31	31	39	56	89	127	161
Operating expenses	-	-	(12)	(12)	(12)	(16)	(22)	(36)	(51)	(64)
Operating profit - conference center	-	-	19	19	19	23	33	53	76	96

## 2. Project Costs

The primary costs of the project comprise of land cost of Baht 3,347 million, construction cost and other expenses related to the development project of Baht 18,000 million, bringing a total investment cost to Baht 21,347 million. The New Project has a total construction area of approximately 322,645 sq.m., resulting in an average construction cost of Baht 55,790 per sq.m.

In estimating the project costs, the Independent Financial Advisor refers to the construction cost estimated by the Company's project consultant. While other expenses associated with the development of the project are estimated based on cost structure of the Company's previous projects and are in line with the relevant expenses of property projects in general. The details are as follows:

- 1) *Design fee* equal to 5 percent of construction cost
- 2) *Construction consulting fee* equal to 5 percent of construction cost
- 3) *Construction management fee* equal to 3 percent of construction cost
- 4) *Construction contingency* equal to 5 percent of construction cost

The project development costs can be allocated to individual buildings as follows:

	Construction area (sq.m.)	Cost per sq.m. (Baht)	Total cost (MB)
Main Tower	201,133	76,000	15,286
Conference Center	49,080	22,335	1,096
Commercial Center	72,432	22,335	1,618
Total	322,645	55,790	18,000
Land cost			3,347
Total project cost			21,347

Payment terms for construction cost are based on the estimated progress of construction as detailed below:

	Value (MB)	Payment period					
		2015F	2016F	2017F	2018F	2019F	2020F
Construction cost <sup>/1</sup>	18,000	2,538	2,607	2,013	5,421	3,097	2,323

<sup>/1</sup> includes design fee, consulting fee, construction management fee, and contingencies.

The estimated construction cost is based on the most-recent building design and preliminary project development plan by the Company. Actual design of the buildings may be altered from the current plan to be in accordance with the permit license and market situation at the time of project development, which may ultimately result in the changes in estimated cost of the project.

### 3. Other Project Overheads

Other project overheads mainly comprise pre-operating expenses and insurance expenses, as detailed below:

- 1) *Pre-operating expenses* cover costs for advertising, promotion, and public relations to promote the launch of new project, which are estimated at 5 percent of construction payment each year.
- 2) *Building insurance expenses* are detailed as follows:

	Percentage of construction cost	Amount (MB/year)
Main Tower	0.5 Percent	77
Conference Center	0.3 Percent	3
Commercial Center	0.3 Percent	5

The insurance expense is set to grow at 3 percent per annum, in line with the long-term inflation rate estimated by the Bank of Thailand. Assumption on the insurance expense is defined based on preliminary offer from the insurance company with its coverage of Baht 18,000 million, which adequately covers the construction value.

#### 4. Capital Expenditure

Apart from the construction cost, capital expenditure includes major renovation and maintenance costs required to maintain the property in the good condition, which is estimated at 5 percent of annual income and scheduled to pay every 5 years starting from year 2024.

#### 5. Terminal Value

The New Project's financial forecast assumes that at the end of 40<sup>th</sup> year of commercial operation, the Company will terminate the project and dispose of the land and buildings at their salvage values. Therefore, the forecasted cash flows in year 2060, the final year of projection, will include the values that the Company expects to receive from selling the land and all buildings, as detailed below:

- 1) Land value in year 2060 is assumed at Baht 13,037 million, calculated by adjusting the Company's land cost of Baht 3,347 million for an increase of 3 percent per annum for 46 years.
- 2) The salvage value of the buildings in year 2060 is projected to be Baht 6,000 million or equivalent to 40 percent of structural construction cost, in line with the remaining building value advised by the Valuers Association of Thailand. The Independent Financial Advisor used the salvage value instead of estimating the market value of the assets, to be in line with the conservative basis.

#### 6. Source of Fund

The project's source of funds will come from institutional loans and the Company's internally-generated cash flows, as detailed below:

	Amount	Percentage of Construction Value
Cash and related party loan (Cost of land)	3,347 MB	16 Percent
Institutional loan (60 percent of construction cost)	10,800 MB	50 Percent
The Company's internal cash flows	7,200 MB	34 Percent
Total cost of the project	21,347 MB	

The interest rates from related party and institutional loans are assumed at MLR-1 and MLR per year, respectively, based on the Company's borrowing rates on long-term loan from financial institutions to develop existing projects. The MLR rate in the projection is estimated by referring to the MLR of 4 large commercial banks as of 18 November 2014, which is equal to 6.75 percent per year.

## 7. Discount Rate

The Independent Financial Advisor considers the project's Weighted Average Cost of Capital (WACC), which derives from the Company's average cost of debt and cost of equity, as the discount rate to calculate the present value of the project's free cash flows.

The Independent Financial Advisor uses the following formula to calculate the weighted average cost of capital:

$$WACC = K_e \cdot (E/A) + K_d \cdot (1-T) \cdot (D/A)$$

$K_e$	=	Cost of equity or shareholders' required rate of return
$K_d$	=	Cost of debt or borrowing rate, equal to 6.75 percent for institutional loan (MLR) and 5.75 percent for loan from related parties (MLR-1)
$T$	=	Corporate income tax rate of 20%
$E/A$	=	Proportion of equity to total invested capital, equal to 44 percent (calculated by dividing funding amount from internal cash flows of Baht 9,427 million by total invested capital of Baht 21,347 million)
$D/A$	=	Proportion of debt to total invested capital, equal to 56 percent (calculated by dividing funding amount from the borrowings of Baht 11,920 million by total invested capital of Baht 21,347 million)

Cost of equity or shareholders' required rate of return ( $K_e$ ) is calculated from Capital Asset Pricing Model (CAPM) as follows:

$$K_e = R_f + \beta(R_m - R_f)$$

$R_f$	=	15-year government bond yield as of 18 November 2014, equal to 3.33 percent
$\beta$ (beta)	=	Correlation coefficient of variation of return of GLAND shares to the return of SET market for the last 3 years (Source: Bloomberg)
$R_m$	=	10-year average rate of return from investment in SET market, equal to 10.82 percent (Source: Bloomberg)

The weighted average cost of capital is equal to 7.96 percent, which is used to discount the project's free cash flows to determine the project's net present value (NPV), payback period and internal rate of return (IRR), as shown below:

## Free Cash Flows of the New Project

Based on the assumptions defined above, the project's free cash flows are as follows:

Year of the Project	1	2	3	4	5	10	20	30	40	46
(Unit: million Baht)	2015	2016	2017	2018	2019	2024	2034	2044	2054	2060
Earnings before Interest and Tax	(127)	(54)	139	4	123	1,942	2,915	4,911	7,175	9,214
Tax	-	-	(26)	(1)	(25)	(388)	(583)	(982)	(1,435)	(1,843)
Depreciation	-	27	63	63	63	498	544	565	594	586
Capital Expenditure	(5,885)	(2,607)	(2,013)	(5,421)	(3,121)	(204)	(287)	(443)	(625)	-
Working Capital	635	10	(162)	849	(581)	(4)	1	(37)	1	1
Salvage Value	-	-	-	-	-	-	-	-	-	19,139
<b>Free Cash Flows</b>	<b>(5,378)</b>	<b>(2,624)</b>	<b>(1,999)</b>	<b>(4,504)</b>	<b>(3,541)</b>	<b>1,844</b>	<b>2,590</b>	<b>4,013</b>	<b>5,710</b>	<b>27,097</b>
Present Value of Free Cash Flows	4,944									
Present Value of Salvage Value	565									
<b>Total Present Value</b>	<b>5,509</b>									
<b>Internal Rate of Return</b>	<b>9.69%</b>									
<b>Payback Period (years)</b>	<b>17</b>									

From the project's free cash flows, the investment return of the New Project can be summarized below:

Internal Rate of Return: IRR	9.69%
Net Present Value: NPV	5,509 million Baht
Payback period	17 years

Based on the above table, the New Project has internal rate of return from the investment of 9.69 percent, which is higher than the project's weighted average cost of capital of 7.96 percent, and has the net present value of Baht 5,509 million. Such return is calculated exclusively for the Super Tower Project, not accounted for the value added to the Company's other projects in the same area.

## Sensitivity Analysis

### 1) Decrease in Occupancy Rate

The Company's New Project may face a risk of increasing competition which possibly causes the project to fail its targeted occupancy rate. The Independent Financial Advisor, therefore, studied the project's feasibility in possible 3 scenarios including the base case, the 10 percent decrease, and the 15 percent decrease in occupancy rate. The hypothesized occupancy rates together with their respective investment returns are as follows:

Occupancy Rate	Office Space	Commercial Area	Hotel	Conference Area	NPV	IRR
Base case	70-95	70-90	50-70	100	5,509 MB	9.69%
10 Percent decrease from the base-case occupancy rate	60-85	60-80	40-60	90	3,018 MB	8.93%
15 Percent decrease from the base-case occupancy rate	55-80	55-75	35-55	85	1,774 MB	8.54%

In case of 10 percent decrease in occupancy rate in all areas, the project will have an internal rate of return of 8.93 percent and net present value of Baht 3,018 million. When there is 15 percent decrease in occupancy rate, the project will result in an internal rate of return of 8.54 percent and the net present value of Baht 1,774 million. However, the Company believes that the demand and occupancy rate will be achieved as planned, with supports from the attractiveness of the project as being one of the top 10 tallest buildings in the world, and the expected economic growth in Thailand subsequent to the AEC inauguration.

## 2) Decrease in Rental Rate

The Company may be in risk of facing competition with other market participants with similar rental projects when it begins commercial operation in the next 6 years. The competition may force the Company to decrease its rental price to attract the target tenants. The Independent Financial Advisor, therefore, analyzes the feasibility of the project in cases of a 10 percent decrease and 25 percent decrease in the rental price.

Rental Rate (in the first year of operation)	Office Space	Commercial Area	Hotel	Conference Area	NPV	IRR
Base case	1,266	2,750	8,385	757	5,509 MB	9.69%
10 percent decrease from the base case rental rate	1,164	2,530	7,656	696	3,918 MB	9.21%
25 percent decrease from the base case rental rate	1,013	2,200	7,291	605	1,530 MB	8.46%

Remark: the unit for the rental rate is Baht per sq.m. per month, with the hotel area using Baht per room per night

When the rental rate is decreased by 25 percent, or equivalent to the case that the rental price is equal to the market price of other Grade A offices, the project's internal rate of return will be 8.46 percent, which is higher than the weighted average cost of capital of 7.96 percent, with the net present value of Baht 1,530 million.

## 3) Construction Delay

During project development phase, the Company may experience construction delay which may cause the project to fail to realize revenue as planned, leading to poor investment return. The Independent Financial Advisor, therefore, conducted further analysis on the project return from the impact of construction delay as follows:

	Construction Period	NPV	IRR
Base case	6 years	5,509 MB	9.69%
Delay by 1 year	7 years	4,516 MB	9.33%
Delay by 2 years	8 years	3,504 MB	9.00%

From the above table, in case that the construction has been delayed by 1-2 years, the project's internal rate of return will still be higher than the weighted average cost of capital with positive net present value.

#### 4) Changing Hotel to Office Area

In the event that the Company is unable to obtain the construction permit from the authorities to build the hotel, the Company plans to change the hotel into office area, which will affect the investment return as follows:

	Office	Hotel	NPV	IRR
Base case	107,000 sq.m.	16,000 sq.m.	5,509 MB	9.69%
Plan alteration – occupancy rate same as the base case	123,000 sq.m. (70-95 Percent)	-	5,059 MB	9.54%
Plan alteration – occupancy rate decreases by 10 percent from the base case	123,000 sq.m. (60-85 Percent)	-	3,682 MB	9.13%

From the above table, if the hotel section has been removed from the construction plan, having only office area, commercial space, and conference center, the investment in the Super Tower Project will still be able to provide appropriate return for the Company. The rate of return on investment will be 9.54 percent per year, which is higher than the weighted average cost of capital, and have the net present value of future cash flows of Baht 5,059 million. In case that the increase in office rental supply causes a decrease in occupancy rate by 10 percent, the project will still have the net present value of Baht 3,682 million.

#### Conclusion of the Independent Financial Advisor's Opinion on the the Fairness of the Transaction Price

Based on the feasibility study of the New Project which is a 125-storey office tower with hotel, commercial area, and conference center, by taking into account land cost and construction costs totaling Baht 21,347 million, the project's internal rate of return and the net present value are acceptable and the project will be able to generate value added to the Company and its shareholders.

Moreover, in cases of a 10-15 decrease in expected occupancy rate, a 10-25 percent decrease in rental rate, or 1-2 years of construction delay, or the change of an entire hotel area into office rental space, the return of the project is still higher than the weighted average cost of capital and have a higher net present value than the Former Project, which has the net present value of Baht 2,089 million.

Therefore, the Independent Financial Advisor is of the opinion that the New Project has potential to supplement long-term value to the Company's entire projects and able to generate favorable long-term return to the shareholders.

## 5. Conclusion of the Independent Financial Advisor's Opinion

Based on the data obtained from the Company and other reliable sources, the Independent Financial Advisor is of the opinion that the development of the Super Tower Project that integrates hi-end office, luxury hotel, commercial space, and conference center is reasonable and able to provide long-term benefits for the Company because:

- 1) The investment in the project is appropriate because it aligns with the Company's business plan to develop the Grand Rama 9 area into a new business district of Bangkok. The unique characteristic of the Main Tower that stands 615-meter tall expected to be one of the 10 tallest buildings in the world will strengthen the Company position and create more sustainable value to entire projects in the Grand Rama 9 area. In addition, it will help diversify the Company's source of income, increasing stability of revenue stream, and generate a favorable return to the Company's shareholders.

However, the Company may be susceptible to the risks from the project development such as the lack of experience and expertise in constructing Megatall building, and the difficulty in licensing process causing the delay in construction and inability to realize commercial revenue as planned, and the inability to obtain project's funding from both external and internal sources. The success of the project further depends on several external factors such as economic and property market condition. If these factors become unfavorable, the Company's overall project may be impacted.

- 2) The investment value of the New Project is appropriate because the project's internal rate of return, calculated by taking into account the land cost, construction cost, and other expenses related to the development project, is 9.69 percent per year, which is higher than the project's weighted average cost of capital of 7.96 percent. Such return, not included the value added to the Company's other projects in the same area, is considered favorable. Thus, it can be concluded that if the project can be completed and operated as planned it will be able to generate long-term value to the Company and its shareholders.
- 3) The Company's construction disbursement policy is appropriate and considered normal contractual term for real estate development project.

Thus, the Independent Financial Advisor is of the opinion that the shareholders should approve the investment in the Super Tower Project.

**Nevertheless, the final decision whether to approve the Transaction depends on the shareholder's own consideration. The shareholders should study the information contained in this report along with other related information provided and use his/her own discretionary judgment in making the final decision.**

Asia Plus Advisory Company Limited, as an Independent Financial Advisor, hereby certified that the report was prepared prudently and in line with professional practice with due regard to the interest of the shareholders.

*-Dr. Kongkiat Opaswongkarn-*

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(Dr. Kongkiat Opaswongkarn)

Director

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