

RISK FACTORS

The potential risk factors that may occur from the business operations of Country Group Development Public Company Limited ("the Company" or "CGD") and might significantly affect the return on investment can be summarized together with mitigation as follows;

Risks of Real Estate Business

Risks of Chao Phraya Estate Project

1) Risk on adequate source of fund for utilizing on the project development.

The Chao Phraya Estate is a massive project which requires a large capital investment from various sources of fund such as loan from financial institutions, underlying share sales, and the circulating fund from the sales of pre-completion of condominium units. If the Company could not arrange adequate source of fund as estimated for project development, the operating plan and the financial performance might be affected.

However, the executives' expresses confidence to supply the cost as expected, since it has gained the financial support from the Export Import Bank of China for the whole construction cost. In addition, the Company has implemented a strict financial policy regarding circulating cash fund within the project and has always been evaluating the potential to find sources of fund. Moreover, the Company has planned to manage the circulating fund by starting condominium construction and open a sale of the project before its completion. As a result, the Company would have sufficient circulating fund for condominium construction and the revenue from the Residences will be then utilized as the cost for hotel construction.

2) Risk on fluctuation on the construction cost

Even though the Company has already estimated the cost of the project, the cost can be changed if the construction could not be finished by the period of 4 years as planned. As a result, the profit value and the expected rate of return could be affected.

However, the Company has set the estimated value for additional cost that may increase. The executives express high confidence that the capital is not greater than estimated as the Company has fixed the price of some construction materials specified in the contract. Additionally, the Company has compared the price with other distributors for other materials and fixed the price when signing a contract to ensure the best price and conditions.

3) Risk on the delay and construction quality of the contractor

The Company has hired the external contractor to develop the project. If the construction is delayed or finished with the quality that does not meet with the Company's standards, the Company could not be able to control the cost and the project will not reach the standard of luxurious hotel and condominium.

However, the Company has a policy to hire the contractor with experience and expertise in the field by choosing from their previous work performance and pay installments according to percentage of the actual task completion and conditions specified in the contract. Additionally, the Company has hired the experienced construction supervisor and the project manager to inspect and control the construction to ensure the quality of each contractor. With continuous inspection, the construction period, capital management and project's quality are thus assured.

4) Risk on underestimated sale of the project

The Company has drawn up the estimation of the condominium project sale and fixed the room rates for both hotels. If the number of sales or the selling price does not reach the goal, the project's operating plan might be affected.

However, for the condominium project, the Company has planned to collaborate with top real estate agencies having both domestic and international customer based network together with sales team full of experience and proficiency. It is thus believed that the number of condominium sold could reach its estimated target. In regard to the hotel sales, the executives express confidence that the hotels have their own potentials to attract more guests because each hotel offers its distinctive design with reasonable selling price for the target group of customers. In addition, the hotels have high capabilities to manage the hotels and maintain the firm customer base which can contribute to the estimated sale volume of the rooms.

5) Risk in hotel and tourism industry

Due to the fact that hotel business is related to the number of local and foreign tourists, the external risk factors which lead to the uncontrollable fluctuation of tourism industry such as terrorism, the spread of acute contagious disease, natural disasters, turmoil and global recession, would make the direct impact on the number of local and foreign tourists planning to visit Thailand.

However, the executives still express high confidence over the capability of the Company's business operation. Because of the world renowned executives specializing in hotel management, prime location of the project and outstanding selling points, it is certain that the project will be popular and receive nice feedbacks even in such the time of economic slowdown.

Risks of Elements Srinakarin Project

1) Risk on adequate source of fund for utilizing on the project development

The Company needs a large capital investment for developing the Elements Srinakarin Project. If the Company could not arrange adequate source of fund as planned, it might affect the operating plan and the financial performance.

However, the Company has managed such risk by dividing construction task into sub projects and continuously providing working capital to reduce such a risk at the certain level.

2) Risk from fluctuation on the construction cost

As the price of construction material is the main cost of the project, the Company has managed such risk by fixing the price of construction materials in the contract. In addition, the Company has the policy to pay installments to the contractor for the construction expenses according to the percentage of the actual task completion and conditions specified in the contract. Therefore,

the Company expresses confidence to control the cost including construction period and the quality of construction.

3) Risk on the delay and construction quality of the contractor

The Company has hired the external contractor to develop the project. If the construction is delayed or finished with the quality that does not meet with the Company's standards, the Company might not be able to control the cost.

However, the Company has policy to hire the contractor with experience and expertise in the field by choosing from their previous work performance and pay installments according to the conditions specified in the contract. Besides, the Company has hired the experienced construction supervisor and the project manager to inspect and control the construction to ensure the quality of each contractor.

4) Risk on underestimated sale of the project

The Elements Srinakarin Project has fixed the selling price and duration of sale in each sub project according to the construction of each project. If the number of sales could not reach the goal, the construction of other sub projects might be halted.

However, the management team expresses high confidence that the Elements Srinakarin Project would receive the continuous good response from customers due to the appropriate selling point and plan for the target customers. Furthermore, due to its prime location of Srinakarin under the concept of modern simplicity, the estimated number of sales has potentials to reach the goal. After the Project is opened for sales, the response from customers of whom visited the sales gallery have been positive, resulting in continuous sales volume growth. In addition, the adjustment for advertisement plan, publicizing, and promotions are modified regularly aiming to meet changing trends and requirements of our consumers.

Risks of Economic, Finance and Public Sector Policy

1) Risk of fluctuation of interest rate

Change of interest rate would affect to the Company. If interest rate is increased, the customer may slow down their property purchase and the Company has increase cost from project development because the Company receives the loan from finance institutions for project construction.

However, the Company has strong relationships with many commercial banks, investors and property funds to compare credit facilities term and condition in order to receive the most beneficial deals. Furthermore, the Company is listed company in the Stock Exchange of Thailand (SET), therefore, the Company is able to benefit from fundraising in this manner.

2) Risk of change in laws, rules and regulations of property business

Change in laws, rules, and ministerial regulation of property business would directly affect to cost and expense for the project operation.

However, the Company has mitigated the risk by continuously surveying and studying on limitations, laws, rules, and regulations of property business in order to be prepared for incoming change and set up the operation plan for maximizing future benefits to the Company.