

### Section 3 Financial Statements & Performance

#### 13. Financial Highlights

##### Summary of Financial Highlights for 3 Years (2015 – 2017)

	(Unit: Million Baht)		
	2015	2016	2017
<b>ASSETS</b>	<b>25,932.15</b>	<b>31,831.16</b>	<b>32,422.63</b>
CURRENT ASSETS	10,081.70	15,733.34	14,342.08
Cash and cash equivalents	651.10	692.45	1,202.39
Short-term investments	68.91	44.70	9.85
Savings deposit with specific purpose	-	-	-
Trade and unbilled trade account receivables	105.81	93.34	80.10
Inventories - net	268.27	296.01	216.40
Real estate projects for sales under development	8,262.49	13,873.41	12,347.08
Advances to and other current receivables from subsidiaries, joint venture, related company and person	26.06	6.72	38.19
Refundable value added tax	158.08	238.18	84.47
Advance payments for construction	423.39	338.85	117.14
Other current assets	117.60	149.69	246.47
NON-CURRENT ASSETS	15,850.44	16,097.82	18,080.54
Investments in joint ventures - net	-	227.91	6,703.22
Advance payment for purchase of land	-	-	100.00
Restricted savings deposit and current account	226.70	291.04	100.39
Accrued management fee income	-	-	106.47
Interest receivables from subsidiaries, joint venture and related company	-	0.82	302.07
Long-term loans to subsidiaries, joint venture and related company - net	-	75.24	1,741.01

	(Unit: Million Baht)		
	2015	2016	2017
Real estate projects for sales under development	2,365.65	-	-
Deferred loan arrangement fee	65.98	8.20	-
Advance payments for construction	136.59	778.42	312.66
Rights to use assets - net	35.78	46.26	16.12
Land	1,503.39	-	-
Leasehold improvements, sales gallery and equipment - net	477.22	-	-
Construction in progress	3,152.62	-	-
Property, plant and equipment - net	-	7,301.90	3,514.55
Properties for lease - net	1,017.15	691.20	-
Other intangible assets - net	2,592.25	2,292.18	1,981.48
Goodwill - net	3,717.29	3,665.42	2,551.23
Deferred tax assets - net	508.61	564.04	414.55
Other non-current assets - net	51.23	155.17	236.81
<b>LIABILITIES</b>	<b><u>23,804.57</u></b>	<b><u>30,144.65</u></b>	<b><u>30,160.69</u></b>
<b>CURRENT LIABILITIES</b>	<b>18,787.17</b>	<b>21,897.83</b>	<b>19,959.25</b>
Bank overdrafts and short-term borrowings from financial institutions	503.71	1,141.02	4,340.70
Short-term borrowings	2,727.02	4,444.98	698.08
Trade account payables	1,041.72	1,660.24	2,490.23
Payable for purchase of land	101.41	101.41	101.41
Other current payables to subsidiaries, joint ventures and related companies	13.83	23.08	111.70
Other current payables	20.92	32.86	65.52
Current portion of long-term borrowings from financial institutions	8,171.65	9,235.37	4,830.93
Current portion of liabilities under finance lease contracts	3.85	6.14	2.95
Current portion of debentures	2,992.57	1,393.52	4,526.93
Current portion of long-term borrowings from other persons	-	-	30.00

(Unit: Million Baht)			
	2015	2016	2017
Short-term borrowings from related companies and related person and accrued interest	-	-	121.23
Advances and deposits received from customers	2,720.64	3,011.07	1,535.82
Current income tax payable	8.47	9.16	3.07
Current portion of deferred revenue	95.79	2.70	-
Accrued expenses	206.93	467.96	584.24
Accrued construction costs	13.77	48.74	116.92
Other current liabilities	164.89	319.58	399.53
<b>NON-CURRENT LIABILITIES</b>	<b>5,017.36</b>	<b>8,246.82</b>	<b>10,201.44</b>
Deposits received from customers	1,032.99	1,572.44	2,109.12
Other non-current payables to joint ventures	-	-	437.12
Interest payable to joint ventures	-	-	29.25
Accrued interest from related parties	463.17	-	-
Long-term borrowings from joint ventures	-	-	499.79
Long-term borrowings from financial institutions - net	1,143.92	2,513.51	4,714.29
Long-term borrowings from other persons and other companies - net	-	30.00	490.59
Liabilities under finance lease contracts - net	9.73	6.03	3.12
Debentures - net	1,579.96	3,300.86	-
Deferred revenue - net	32.00	-	-
Deferred tax liabilities	734.81	691.20	1,594.22
Non-current provision for employee benefit	9.24	17.48	18.27
Other non-current liabilities	11.53	115.30	305.67
<b>Equity Attributable to Owners of the Parent</b>	<b>2,127.60</b>	<b>1,689.21</b>	<b>2,246.94</b>
Non-controlling interests	0.00	0.00	14.99
<b>Shareholders' Equity - Net</b>	<b><u>2,127.60</u></b>	<b><u>1,689.21</u></b>	<b><u>2,261.93</u></b>

Financial Ratio:	2015	2016	2017
Current Ratio (Times)	0.55	0.72	0.72
Quick Ratio (Times)	0.04	0.04	0.06
Gross Profit Margin (%)	49.54	41.90	32.60
Debt to Equity Ratio* (Times)	11.19	17.84	13.33
Financial Institutions Debt + Bond + B/E to Equity Ratio* (Times)	8.05	13.07	8.94
Book Value per share (Baht)	0.65	0.45	0.60

### Cumulative Sales, Recognized Revenue, and Backlog of all projects

(Unit: million Baht)

Projects	Cumulative Sales			Recognized Revenue			Backlog		
	2015	2016	2017	2015	2016	2017	2015	2016	2017
Ficus Lane	891.4	32.8	-	866.9	32.8	-	24.6	-	-
Saladaeng Residences	2,309.8	-	-	2,309.8	-	-	-	-	-
The Ritz-Carlton Residences Bangkok @ MahaNakhon	8,633.0	9,466.9	10,379.5	-	1,342.3	5,827.3	8,633.0	8,124.6	3,209.9
MahaSamutr Villa	-	1,068.5	965.7	-	-	96.5	-	1,068.5	869.2
Nimit Langsuan	5,881.2	6,551.9	6,709.3	-	-	-	5,881.2	6,551.9	6,709.3
Windshell Naradhiwas	-	-	494.0	-	-	-	-	-	494.0
<b>Total</b>	<b>17,715.4</b>	<b>17,120.1</b>	<b>18,548.5</b>	<b>3,176.7</b>	<b>1,375.1</b>	<b>5,923.8</b>	<b>14,538.8</b>	<b>15,745.0</b>	<b>11,282.4</b>

## 14. Management Discussion and Analysis (MD&A)

### The overall business operations and significant changes during 2017:

In 2017, the Company is continually developing its existing real estate projects; MahaNakhon, MahaSamutr and Nimit Langsuan projects. Despite of high competitive in pricing actions and there is no measure from government to stimulate the property sector. The Company was able to handover the residential units of MahaNakhon project throughout the year 2017 with a significant number of 94 residences. The remainder of good quality backlog and unsold units will be expected to transfer and recognized the revenue by 2019. Furthermore, in December 2017, the Company had transferred 2 villas of MahaSamutr project and expected to transfer continuously over year 2018 and 2019. Apart from that, the Company started to develop a project "Windshell Naradhiwas" on Naradhiwas-Rajanakarin road which initially launch in third quarter 2017. The project is expected to be completed and be able to generate revenues by 2019.

In Q1 2017, the Company announced 2 new investment partners: 1) Apollo Asia Sprint Holding Company Limited, and 2) Goldman Sachs Investments Holding (Asia) Limited which own a combined 49 percent stake in The Bangkok Edition Hotel, Rooftop Bar, Observation Deck, and MahaNakhon Cube. The capital increased of total 8,441 Million Baht which split as 7,783 Million Baht equity injection and 658 Million Baht of Financing. The proposed investment has been reserved for the development and completion of the MahaNakhon Project. Some funds have been used to repay loans to financial institution.

Accordingly, the Company engaged an independent financial advisory to evaluate the fair value measurement of the investments by using income approach method and discounted cash flow to present value. As a result, the fair value of the investments were 8,231 million Baht.

Consequently, the Company received the letter from the Securities and Exchange Commission, Thailand (SEC) of the SEC Kor Chor. 2008/2560 dated 16 November 2017 to notify the Company in order to clarify the reasonableness of the assumptions used in the fair value measurement as well as publicly disclose the information. The Company engaged the 2nd independent financial advisory firm to reevaluate the fair value of the investments by using income approach method, discounted cash flow to present value, and Black-Scholes option pricing model. Based on report of the 2nd independent financial advisory firm dated February 2, 2018, the fair value of such investment amounted to 6,487 million Baht and the Company recorded such investment in the consolidated statement of financial position as at 31 December 2017 amounting to 6,487 million Baht and recognized effect from loss of control in subsidiaries in the consolidated statements of comprehensive income for the year ended 31 December 2017 amounting to 7,112.6 million Baht.

(Remark: The fair value of the investments and key assumption used in the evaluation for Pace Project One Co., Ltd. and Pace Project Three Co., Ltd. are in the Notes to Financial Statements FY2017 of the Company.)

In Q4 2017, the Company held the Extraordinary General Meeting of Shareholder No. 1/2017, the main propose of the meeting was to approve the allocation of newly-issued ordinary shares to the existing shareholders of the Company proportionate to respective shareholding (Right Offering) and offering to Private Placement including the issuance of warrants to purchase ordinary Share No.1 and No.2 which will be allocated to the existing shareholders who have subscribed in the proportion of their respective shareholding. The subscription period of newly-issued ordinary shares along with the two series of warrants ("PACE-W1") and ("PACE-W2") will be settled during January – February 2018.

For food and beverage business, Dean & DeLuca, Inc. (DDUS) has continued its efforts to take corrective actions to improve existing store profitability while also keeping its eye on new store development, Consumer Brands product launch and new international franchise opportunities. Financial and Operational controls have been reassessed and repositioned to allow the company to see better returns on existing store profitability. In Consumer Brands Group (CBG), Performance Bars successful launched validated product profitability. In 2017, two new franchise licenses had been signed in Macau and Malaysia. In Japan, Dean & DeLuca Café Japan opened 6 stores while Dean & DeLuca Thailand opened 3 stores and doubling its sales.

#### Industry and Economic Conditions that Affect the Business Operations

In 2017, due to the economic recovery is still weak and the measure of stimulating economy in real estate sector of the government is not much effective and visible results which caused to the real estate investment decelerate and growth under expectation. Moreover, the lending of home loan from financial institutions are more conservative. In addition, the uncertainty of economic policies in United State of America influenced with the world economy and Thailand. The aforementioned factors might currently impact with core two business of the Company; high-end property business and food and beverages business under "Dean & DeLuca" brand name.

#### **Property business;**

In the midst of the high fluctuation and uncertainty in the economic situation which resulted in the overall of real estate operations, the company is one of few real estate developers in developing the high-ended project/ super luxury located in good locations, as well as, targeting for customers who had good financial potential. As a result, the Company is less affected by the economy as compared with other developers. In 2017, it had been proved that the reservation rate was maintainable whereas the cancellation rate was still exceptionally low.

In 2017, the Company emphasized on developing MahaNakhon and MahaSamutr projects as planned and manage the construction operation to be in line the standards set. Having said that, the Company was able to realize the revenue from the residential units transfer over year 2017 and expected to transfer the rest by 2019. For MahaSamutr projects, the 2 villas had been transferred to customers in December 2017 and expected to transfer most of remaining villas and realize the revenue throughout the year 2018.

The construction progress of Nimit Langsuan projects slightly deviated from their original plans as the projects are very detailed and complicated in terms of quality control and inspection. Having said that, in 2017, the Company also emphasized in developing the project as planned. In addition, the Company started to sell residences of Windshell Naradhiwas project in Q3/2017, and it is expected that the project will be completed and able to transfer to the customers in the year 2019 onwards.

**Food and Beverages business;**

According to overall economic in 2017, there were two main factors that could affect to food and beverage business (Dean & DeLuca) which were labor shortage and increasing in competitors. First, labor shortage might be the primary reason that drive up production costs to compete with the market. Second, higher number of competitors, with the ease to enter into the business of food & beverage so there are many super markets, restaurants, and cafés opened closed to Dean & DeLuca's stores as the result the market were shared to the competitors. Therefore, marketing promotions and campaigns were implemented to maintain existing customers and attract the new one.

Explanation of the Company's submission of financial statements for the year ended December 31, 2017 with Disclaimer of Conclusion on the Consolidated Statements of Comprehensive Income and with Qualified Opinion on Consolidated Statement of Financial Position

Pace Development Corporation Public Company Limited (the Company) submit the interim financial statements for the year ended December 31, 2017 (Revision regarding the reevaluation of the fair value of the investments). The auditor of Baker Tilly Audit and Advisory Services (Thailand) Ltd. disclaim the conclusion on the consolidated statements of comprehensive income and qualified conclusion on the consolidated statement of financial position as at December 31, 2017 according to the limitation by circumstance of estimation of income of observation deck that are divided into 2 basis of opinion as below.

1. Basis for Disclaimer of Conclusion on the Consolidated Statement of Comprehensive Income for the year ended December 31, 2017

As discussed in Note 1 to the interim financial statements, in accordance with the order of the Office of the Securities and Exchange Commission dated November 16, 2017 No. KorLorTor. KorChor. 2008/2560, the Company engaged the 2nd independent financial advisory firm to remeasure fair value of investment in Pace Project Three Co., Ltd. by using income approach method, discounted cash flow to present value, and Black-Scholes option pricing model. Based on report of the 2nd independent financial advisory firm dated February 2, 2018, the fair value of such investment amounted to Baht 6,487 million and the Company recorded such investment in the consolidated statement of financial position as at December 31, 2017 amounting to Baht 6,487 million and recognized effect from loss of control in subsidiaries in the consolidated statements of comprehensive income for the year ended December 31, 2017 amounting to Baht 7,112.6 million. Regarding the limitation by circumstance, the auditor cannot reach a conclusion on

the Consolidated Statement of Comprehensive Income for the year ended December 31, 2017. Based on the facts that the construction has not completed yet, no actual commercial operations to be compared, and this is the new business in Thai market; therefore, the auditor was unable to reach a conclusion on a result of the reviews on the Consolidated Statements of Comprehensive Income for the year ended December 31, 2017.

## 2. Basis for Qualified Conclusion on the Consolidated Statement of Financial Position

From the matter described in the Basis for Disclaimer of Conclusion on the Consolidated Statement of Comprehensive Income paragraph, nothing has come to causes the auditor to believe that the accompanying consolidated statement of financial position as at December 31, 2017 does not present fairly.

Nevertheless, the Company has compared the fair value of investment in Pace Project Three Co., Ltd., between the report by the 1st independent financial advisor firm and the report by 2nd independent financial advisor firm by using income approach method, discounted cash flow to present the fair value. Moreover, the 2nd independent financial advisor firm uses the Black-Scholes Model or the option pricing model to repurchase the shares in Pace Project Three Co., Ltd. in order to consider the fair value of such investment. The Company also clarified the details as in the letter of the Clarification of the reasonableness and disclosure of the assumptions regarding the fair value of the investments as the SEC notified as of February 9, 2018. However, if the construction is completed and able to be operated, the Company will be able to generate income as closely as the estimation in the assumption.

## Significant Change in Accounting Policy

In Q2 2017, the Company has changed the accounting policy on valuation method of land from cost model to revaluation model based on the appraisal report of an independent appraisal firm in ensured that the carrying amount of these assets does not differ materially from that of fair value at the statement of financial position date. An asset's carrying amount is increased as a result of a revaluation, the increase is recognized in other comprehensive income and accumulated in equity under the heading "Revaluation surplus of land". As the revaluation of land, the Company realized the effect from change in accounting for land in consolidated financial statements in totaling of 210 Million Baht.

## Summary of Financial Performance

### **Analysis of the Operating Results**

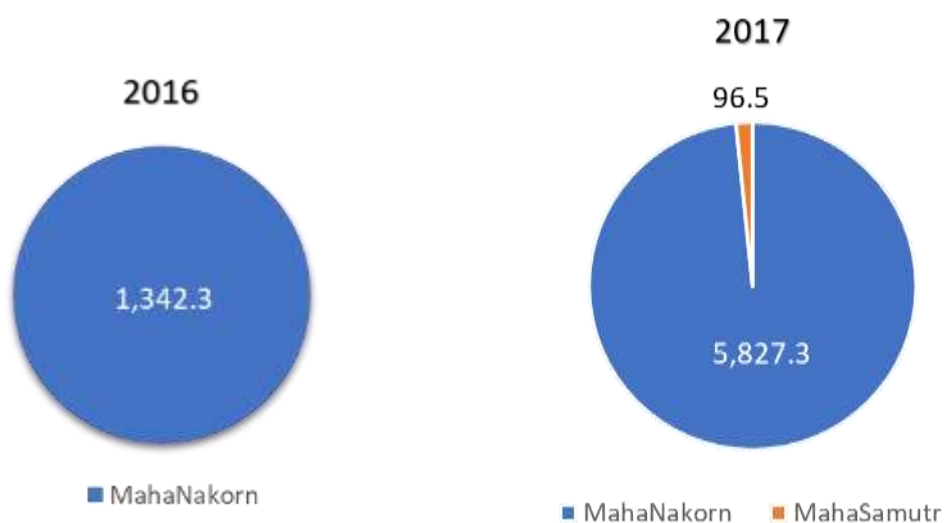
#### **Revenues**

For the year ended 31 December 2017, the Company generated revenues of 9,271 million Baht; increased by 69.6% as compared to last year of 5,467 million Baht. The details are as follows:



I Property Business: the Company will be able to record the revenue from sales of residential condominium units in the statement of comprehensive income when the real estate project has been completed and transferred to the customers after completion of the payment.

In 2017, the Company recognized revenues from sales of residential condominium units of 5,924 million Baht (64% of total revenues); increasing by 330.8% as compared to the year 2016 of 1,375 million Baht. The significant increase was mainly due to the ability to continually transfer of The Ritz-Carlton Residences, Bangkok at MahaNakhon totaling of 94 residences, and to recognize revenue from transfer 2 villas of MahaSamutr project.



## II Gourmet Food and Beverage Business

In 2017, the total revenues of DEAN & DELUCA were 3,142 million Baht; slightly decreased by 2.9 % as compared to the year 2016 of 3,236 million Baht. This was the fact that retail stores sales in United State were decrease, however, there were significantly revenue increase from three new stores opened in Thailand which are Silom Soi 1, Suvarnabhumi Airport 1, and Suvarnabhumi Airport 2.

As of 31 December 2017, the Company has company-operated stores and licensed stores as follows.

Country	Company-operated Stores	Licensed Stores	Total
United States	10	-	10
United States (Hawaii)	-	2	1
Thailand	11	-	11
Japan	17 (50% JV)	17	34
South Korea	-	2	2
Singapore	-	3	3
Kuwait	-	1	1
UAE	-	1	1
Philippines	-	2	2
Macao	-	1	1
Bahrain	-	1	1
<b>Total</b>	<b>38</b>	<b>30</b>	<b>68</b>

### Gross Profits

In 2017, total gross profits from property and food & beverage businesses were 2,956 million Baht or 32% of the total revenues; increased by 53% as compared to the year 2016 of 1,932 million Baht. Details are as follows:

#### I Property Business:

Gross profit from the transfer of residences of MahaNakhon project was recorded 1,473 million Baht or 25% of the revenue. The gross profit of the property business in 2017 increased by 326% as compared to the year 2016 of 346 million Baht. This was mainly due to the significant increase of the transfer of the residences of MahaNakhon project in 2017 whereas the year 2016, the transfer of the residences just started in April. Furthermore, the Company had gross profit from the transfer of 2 villas of MahaSamutr project in December. In addition, the Company also maintained the construction costs of all projects; hence, the gross profit of the year 2017 was greater than the year 2016.

## II Gourmet Food & Beverage business

The total gross profit of gourmet food and beverage business was 1,483 million Baht or 47% of revenue which slightly decrease by 6.5% as compared to the year of 1,586 Million Baht. This was due to a challenging US retail environment higher food costs, changing product mix. Corrective actions and controls are in place to mitigate rising labor costs and improve forecasting and purchasing practices.

### **Selling and administrative expenses and impairment loss**

In 2017, The Company had total expenses and impairment loss of 8,175 million Baht (88% of total revenues); increased by 83.7% as compared to the previous year of 4,450 million Baht. This comprised of: (1) cost of sales of residential condominium units of 3,304 million Baht; increased by 40.2 as compared to the previous year of 2,357 million Baht, (2) administrative expenses of 2,508 million Baht; increased by 35.4% as compared to the previous year of 1,852 million Baht, (3) impairment loss of 2,304 million Baht; increased by 1,156.1% as compared to the previous year of 183 million Baht.

The increasing selling expenses from property business were due to the results of selling and marketing strategies which included sales promotion, the communication to the public through social media for MahaNakhon, MahaSamutr and Nimit Langsuan Projects.

The increasing selling and administrative expenses from gourmet food and beverage business of 4,847 million Baht; increased by 48.9% as compared to the year 2016 of 3,255 million Baht. The increase was due to the attribution on marketing activations at the PGA tour event to launch Consumer Brand Group DEAN & DELUCA Performance Bar and US Open sponsorship and the impairment of assets.

### **Finance Costs**

In 2017, the Company had total interest paid of 1,458 million Baht, increased by 12.8% as compared to the year 2016 of 1,293 million Baht. This comprised of financing costs of 976 million Baht and capitalized interest of 482 million Baht. The rise in the costs was due to increased loans funding the construction of “MahaSamutr” and “Nimit Langsuan” projects and the expansion of DEAN & DELUCA in the United States. Meanwhile, the Company has continued to pay back the loan for “MahaNakhon” project since it started recognizing revenue in April 2016.

### **Profit and Loss Results**

In 2017, the Company had net loss of 171 million Baht or 1.8 % of total revenues; compared to the year 2016 of 2,326 million Baht. This was due to the Company recognized the effect from loss of control in its subsidiaries and recorded a total of 7,112.6 million Baht in the Consolidated Financial Statements.

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## Statement of Financial Position

### Assets

As at 31 December 2017, the total assets were 32,423 million Baht; increased by 592 million Baht; or 1.9% from as at 31 December 2016 of 31,831 million Baht. The main assets comprised of investment in shares of joint venture of 6,703 million Baht, cash and cash equivalent of 1,202 million Baht, and long-term loans to related party of 1,741 million Baht which was mainly from fund flow of Apollo's deal, real estate projects for sales under development of 12,347 million Baht, Account Receivable of 80 million Baht, Inventory of 216 million Baht, property plant, and equipment of 3,515 million Baht. Moreover, the goodwill incurred mainly from DEAN & DELUCA acquisition was 2,551 million Baht. Also, the intangible assets arising from DEAN & DELUCA's business; for example, trade mark, trade name, copyrights, etc. of the DEAN & DELUCA brand were 1,981 million Baht. The main assets were 94% of the total assets.

### Liabilities

As at 31 December 2017, the total liabilities were 30,161 million Baht; slightly increased by 19 million Baht, or 0.1% from as at 31 December 2016 of 30,142 million Baht. The main liabilities included: short-term loans from financial institutions of 4,341 million Baht, short-term loans from other parties of 698 million Baht, current portion of long-term loans from financial institutions of 4,831 million Baht, long-term loans from financial institutions (net) of 4,714 million Baht, the remaining amount of debenture is 4,527 million baht, advances and deposits received from customers of 3,645 million Baht, and deferred income tax liability of 1,594 million Baht. Total interest bearing debts equaled to 20,229 million Baht.

### Shareholders' Equity

As at 31 December 2017, the total shareholder's Equity of the Company were 2,262 million Baht; increased by 33.9% as compared to the year 2016 of 1,689 million Baht. This was mainly due to gain from effect from loss of control in subsidiaries.

### The Ability for Assets Management

Trade account receivables:

As of 31 December 2017 and 2016, the Company had trade account receivables totaling of 80.1 Million Baht and 93.3 Million Baht, respectively. Its average collection period in 2017 was 5 days improving from 2016 of 6 days. Due to the nature of Dean & DeLuca business of which most sales are changed the payment method in cash basis, there were minimal trade account receivables.

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**Inventories:**

At the end of the year 2017, the Company had ending inventories of 216.4 Million Baht. Most were related to Dean & DeLuca business of 179.3 Million Baht. The inventory turnover was 7.4 times in 2017 compared to 6.2 times in 2016.

**Real estate project under development for sales:**

At the end of the year 2017, the Company had Real estate project under development for sales of 12,347 Million Baht ; Comprising of 1) Projects complete for sales of 8,324 Million Baht mainly from MahaNakhon project of 4,913 Million Baht and MahaSamutr Project of 3,411 Million Baht, decreased 21 percent from 2016 of 10,554 Million baht and 2) Projects under development of 4,023 Million Baht primarily from Nimit Langsuan project of 2,846 Million Baht , Windshell Narathiwas project of 696 Million Baht and Niseko Project of 481 Million Baht , increased 21 percent from 2016 of 3,319 Million Baht

**Shares investment, Goodwill and Impairment Loss**

At the end of the year 2017, the Company had impairment loss of 2,314 million Baht; increased by 1,161.5 percent as compared to previous year of 183 million Baht. Due to the fact that the Company had impairment loss of loan on Joint venture of 1,634 million Baht , Impairment loss in real estate project under development for sales of 109 Million Baht, Impairment loss on goodwill of Foods and Beverages business of 476 Million Baht and Impairment loss from amortization of goodwill MahaNakhon project of 85 Million Baht as compared to that in 2016 , the Company had only impairment loss from Franchise of Foods and Beverages business of 154 Million Baht and impairment loss from amortization of goodwill MahaNakhon project of 29 Million Baht.

**Source of Funds**

At the end of 2017, the Company had total current asset of 14,342.1 Million Baht, total current liabilities of 19,959.3 Million Baht. The current ratio was 0.7 approximately the same as last year's. The current assets drop by 1,391 Million Baht owing mainly to the decreasing real estate projects for sales of MahaNakhon which realized the cost of goods sales during the year. Additionally, the current liabilities decreased by 1,936 Million Baht due to the decrease current portion long term loans from financial institutions of 4,405 Million Baht mainly for the ability to repay the outstanding loan when transferring the residential unit of MahaNakhon projects over the year and also from the investment funds of Apollo's deal. Additional to that advances and deposits received from customers of 1,536 Million Baht decreased 1,474 Million Baht from 2016, whereas, the bank overdraft and short-term loan of Promissory Note issuance of 4,341 Million Baht, rose significantly 3,200 Million Baht from 2016. Due mainly to the fact that the Company had entered to credit facilities from financial institution for Bills of Exchange and Bond repayment on maturity date.

### Appropriateness of the Funding Structure

In 2017, the Company had total debt to equity ratio of 13.3 times as compared to 17.8 times in 2016. The interest bearing debt to equity ratio was 8.9 times compare to 13.1 times in 2016. This was mainly due to the decrease in net loans while the shareholder equity was increased.

The significant decrease of total debt to total equity ratio of the Company was primarily due to the ability to transfer and to recognize revenue from The Ritz-Carlton Residences, Bangkok ("RCR") of MahaNakhon project as well as the ability to repay loans during the year. Furthermore, the investments from Apollo had resulted in the ability to terminate the outstanding debts to financial institutions.

Additionally, the Company issued newly ordinary shares and warrants totally worth 3,894 million baht to its existing shareholders as well as to the specific investor (Private Placement) in Q1/2018, and the process was completed in February 2018. The proceeds from the capital increase was used for repaying the short-term loans to financial institutions and the debentures due in January 2018. Besides, if the Company is able to transfer the remaining backlog residences of MHNK project and MHSM Project to the customers and recognize continuously the revenues as planned, the Company will reduce further its debts by repaying to the financial institutions including the fund from the newly share capital increase including the issuance of warrant will be used for future repayment of Bond in upcoming maturity which will reflect to the debt to equity ratio decreasing significantly by the end of the year 2018.

### Obligations on Liabilities and Management of Off-balance Sheet Liabilities.

As of 31 December 2017, and 2016, Pace Development Corporation had an obligation and commitment to complete projects on hand. The value of sales already contracted was 18,549 Million Baht and 17,087.3 Million Baht or 61.9 percent and 64.3 percent of total sales of projects on hand.

As at December 31, 2017 and 2016, the Pace Development Corporation Group had commitments under various operating lease agreements covering the retail rental agreements, warehouse and office premises for the periods from 12 months to 193 months. In addition, the Pace Development Corporation Group had commitments under sponsorship agreements with internationally known events in the United States of America. The totals of future minimum lease payments under non-cancellable operating leases and the commitments under the Sponsorship Agreements for each period are as follows

	In Million Baht	
	2017	2016
Not later than 1 year	1,033.7	986.5
Later than 1 year and not later than 5 years	3,789.3	4,290.1
Later than 5 years	2,006.2	2,976.4
<b>Total</b>	<b>6,829.2</b>	<b>8,253.0</b>

In 2017, the Company had the obligation and commitment of 6,829 Million Baht decreased 1,424 Million Baht from 2016. The decrease was from the retail rental of agreements from many stores were expired in 2017 and are on the process of renewal agreements. Besides, the conditions of some agreement is being considered which reflect the decrease of obligation, on the other hand, this will be good in the long term of the Company.

### 2018 Management Outlook and Strategy

- As of 31 December 2017, Details and progress of the Company's residential projects are as follows:

Project	Operated By	Project Value (MB)	Total Units	Sales Progress			Cumulative Transferred Value (MB)	Start of Transfer in Year
				No. of Sold Units	Million Baht	% (unit)		
MahaNakhon - The Ritz-Carlton Residences, Bangkok	Pace Project Two	15,000	209	156*	10,379.5	75	7,170	April 2016
MahaSamutr - Villa	Company	4,000	80	19	966	24	96.5	Q4/2017
Nimit Langsuan	Company	8,000	176	166	6,709	94	-	2019
Windshell Naradhiwas	YLP	3,000	36	6	494	17	-	2019

Remark: \* In 2017, there were 94 residences recognized revenue (24 residences in 2016). The remaining residences are expected to be transferred in 2018.

#### MahaNakhon Project:

Currently, the progress construction of MahaNakhon project is still under construction and interior decoration of the Bangkok Edition hotel and MahaNakhon Observatory Deck. They are expected to be completed by Q2/2018. Meanwhile, the Company is continually transferring the Ritz-Carlton Residences, Bangkok to the customers. In 2017, there were 94 residences transferred of which were approximately 5,827 million Baht; increased by 334.1% as compared to the year 2016 of 1,342 million Baht.

**MahaSamutr Project:**

The construction of MahaSamutr project – villas are completed of infrastructure process and in the process of interior decoration which will be completed soon. In December 2017, there were 2 villas of MahaSamutr project transferred and recognized revenue of 96 million Baht. The Company expects to be able to transfer the rest of the villas to the customers in 2019. Besides, MahaSamutr Country Club and Sports Club are currently in the process of infrastructure including interior and exterior decoration.

**Nimit Langsuan Project:**

The construction of Nimit Langsuan project is in the process of tower core slip form casting reaching level 12, the floor slab of level 9 is fully completed, and continually to level 10 respectively.

**Profit generation capability & expansion plan of DEAN & DELUCA****United State**

For food and beverage business, Dean & DeLuca, Inc. (DDUS) has continued its efforts to take corrective actions to improve existing store profitability while also keeping its eye on new store development, Consumer Brands product and new international franchise opportunities. Financial and Operational controls have been reassessed and repositioned to allow the company to see better returns on existing store profitability. In Consumer Brands Group (CBG), it successfully launched its Performance Bars in Q3/2017. In 2017, Dean & DeLuca International signed two license agreements for Macau and Malaysia.

**Consumer Brands Group:**

The launch of the Consumer Brands Group represented the first new Dean & DeLuca consumer product sold in stores and outlets not owned by Dean & DeLuca. The Performance Bars was launched at the in Q3/2017 in greater New York City.

The following are key initiatives and strategies to improve performance of existing operations:

**Product Assortment:**

- Merchant Core - Review all existing products, reducing SKUs and cutting off the unproductive tail of products, and developing new core assortment to reflect market trends which will lead to improved sales and margin.
- Review new system and reporting platform to improve visibility and analysis across all categories and consolidate the planning and open-to-buy process.
- Review of private label assortments to refresh current offerings and sourced for better high quality and relevant ingredients.



- Research new products.

#### Catering:

- New recipes, leadership and marketing strategies have yielded repeat orders and new customer contracts
- Catering operations have moved to NYC Commissary which has improved operations, quality, and capacity Social catering program has launched and has seen strong traction

#### Sales and Marketing:

- Revised Sales and Marketing plan underway to better position as Luxury brand
- Leveraging new partnership with social media agency to spur interest across multiple platforms which has created engagement in store and through e-commerce.

#### Direct Channels (B2B & B2C):

- Updated assortment and content to cater to market trends and to spur higher Average Order Value (AOV) and improve sales
- Renegotiated new freight prices through alternate supplier and packing optimization resulting in significant initial savings

### International

As of December 31, 2017, licensed stores totaled 41 stores. Total licensed stores in 2016 was 30 stores. In this year, there were two new franchise partners officially signed agreement in 2017 which are Macau opened first location in Galaxy Mall and Malaysia which first café expected to open in the prestigious Pavilion Shopping Center, Kuala Lumpur, in 2018. And in Q4/2017, there was first café store opened in Bahrain.

### Japan

As of December 31, 2017, Dean & DeLuca Café Japan, a joint venture café business with our Japanese licensed partner, had 17 Cafes in operation. Totaled new café stores opened in 2017 were 6 stores. In addition, our licensed partner opened a fine dining concept called The Artisan Table in Akasaka, Tokyo. This concept falls under the D&D Japan Market store operations. To follow the effective expansion plan, the focused location will be continued in urban areas which are high traffic or transportation hub in the major cities. With the experiencing in products assortment, selectiveness of locations and more, these could bring JV café business continuing increase sales and margin.

**Thailand**

As of December 31, 2017, DEAN & DELUCA (Thailand) (DDTH) operated 11 stores including 1 flagship store, 3 café restaurants, and 5 cafés. In addition, DDTH had 2 cafés in Suvarnabhumi Airport, which is operating under a joint venture with private individuals. DDTH formed a subsidiary, Dean & DeLuca Airport (DDAP), for the joint venture which we hold 51% interest in the joint venture. DDTH opened 1 stores in 2017 and closed 2 stores while DDAP opened 2 stores.

DDTH consolidated revenues, which included DDAP revenues, for the year end 2017 totaled 471 million Baht. This was an increase of 93% from 244 million Baht in 2016. DDAP revenues totaled 137 million Baht. The consolidated net loss from DDTH and DDAP was 131 million Baht, which include write-off of stores, depreciation expense, interest expense and tax equal to 89 million Baht. Without the write-off of stores, depreciation expense and interest expense, net loss would be 42 million Baht which was an improvement of 34 million Baht from 2016 to 2017.

We are continuing to work on our various offers, focusing on quality, discovery and innovation. We are expanding our prepared food offers in the cafes and continue to enhance our beverage, private label, and retail programs to become leaders in the market with our café restaurants and café stores. DDTH has transferred the kitchen production from the Cube restaurant to a central production facility in Q3/2017. Our aim is to ensure the production of prepared food offerings is consistence and in high quality. We are reviewing sales and cost structures across the board to ensure all stores are profitable and can cover head office costs.

**Factors affecting future performance****Real estate business:**

The rising cost of land become main factor in real estate projects in finding a piece of land in good location with acceptable prices and enable the Company to develop the real estate projects for transferring to the potential customers with reasonable pricing. Moreover, the regulation of tax on land and building is uncontrollable which might affect to the purchase decision or invest in real estate sector. However, the Company has reviewed the trend of high-end real estate business and manage the strategies in penetrating the higher level of customer bases to ensure that the Company is continually recognizing revenues from real estate business in the future

**Food and beverages business:**

The factors that might be impacted to food and beverage business operation in the future are sophisticated in consumer demand, and online business.

Change in consumer demand meaning that customers may require further on healthfulness and quality food and beverage, this change could affect to increase in cost of research and development. However, Dean & DeLuca has already offered Performance Bar which fully of superior nutrition with premium ingredients. Also, the recipe and menu that offered to the customers in the stores have added healthier choices.

The significant growth in online business may reduce the traffic in the stores and shift to e-commerce services. As a result, Dean & DeLuca has a B2C (business to customer) business to capture these target group selling through Dean & DeLuca's website, and other online channels.

No. PACE .IR2018/012.

Date: 30 March 2018

Subject: To clarify more information related to financial statements of Pace Development Corporation Public Company Limited and its subsidiaries for the year ended December 31, 2017

To: the President of the Stock Exchange of Thailand (SET)

CC: The auditor of Baker Tilly Audit and Advisory Services (Thailand) Ltd.

Regarding to the Pace Development Corporation (Public) Co.,Ltd (the Company) submitted the financial statements for the year ended December 31, 2017 dated February 28, 2018, the Company would like to clarify more information related to impairment loss on assets which were recorded in consolidated and separate statement of comprehensive income amounted to THB 2,304,442,746 and 1,976,418,543, respectively, that consists of:

	Consolidated Financial Statements (THB)	Separate Financial Statements (THB)
1. Doubtful account on long term loan to joint venture	1,634,000,000	1,634,000,000
2. Impairment loss on goodwill	561,442,746	-
3. Loss on decline in value of land and related design fee which are located in Niseko, Japan	109,000,000	109,000,000
4. Impairment loss on investment in shares of joint venture and subsidiary	-	205,568,922
5. Write off of long term loan and interest receivable to subsidiary	-	27,849,621
Total	2,304,442,746	1,976,418,543

#### 1. Doubtful account on long term loan to joint venture

The amount of THB 1,634 million is a doubtful account on long term loan to Pace Project One Co.,Ltd. Refer to note to financial statements no.2: basis for preparation of the consolidated and separate financial statements, the consolidated financial statements for the year ended December 31, 2017, have been prepared based on loss of control of the Pace Development Corporation Group in Pace Project One Co.,Ltd (PP1) and Pace Project Three

Co.,Ltd (PP3) after the incremental of share capital to new investors. So, the Pace Development Corporation Group engaged independent financial advisors to measure investments in shares of PP1 and PP3. Based on independent financial advisor's report dated May 12, 2017, the fair values of investment in PP1 is THB (910) million, so the Company recorded allowance for impairment loss on investment in shares of PP1 in separated financial statements and recorded doubtful account on long term loan to PP1 amounted THB 910 million in consolidated and separate statement of comprehensive income for six month period ended June 30, 2017.

Such fair values was measured by using income approach method and discounted cash flow to present value as stated in the independent financial advisors' reports based on the following assumptions:

*Pace Project One Co., Ltd. - Bangkok Edition Hotel*

- Ability of property to generate income over the period of 10 years was based on financial projection of investment period to discounted cash flows.
- Average room rates and occupancy rates from 1st year to 10th year were determined at 60% - 76% based on the comparison of 5 stars hotel in Bangkok.
- Revenue from visitors at sky bar from 1st year to 10th year was determined by number of visitors based on the local leading operation.
- Discounted rate was at 8.5% which was estimated based on input from comparable of local companies operating in the same industry.
- Terminal value at the end of the 10th year was determined at the return of 8.5% with perpetual growth rate of 2.8% from net cash flows of the 10th year.
- Other assumptions were relevant to estimated revenues and expenses determined by the Company's management.

Subsequently on fourth quarter of 2017, the Company reconsidered such fair value based on the up to date of cost to complete of the project and expectation date of opening. The Company determined to record additional doubtful account on long term loan to PP1 amounted to THB 724 million. So, total doubtful account on long term

loan to joint venture which was recorded in consolidated and separate statement of comprehensive income for the year ended December 31, 2017 is THB 1,634 million.

However, the consideration of such doubtful account on long term loan to joint venture shall not relinquish the legal right of the Company. The Company is still entitled to receive the repayment of loan from PP1 provided that PP1 has a good performance in the future.

## 2. Impairment loss on goodwill

Goodwill has been allocated to each cash generating units (CGU). This can be classified as below:

	Million THB		
	Property development business	Premium gourmet and delicatessen business	Total
Net book value as at 1 January 2017	467.3	3,198.1	3,665.4
Currency Translation Difference	-	(284.8)	(284.8)
Allowance for impairment loss on goodwill	(85.2)	(476.2)	(561.4)
Effect from loss of control in subsidiary	(268.0)	-	(268.0)
Net book value as at 31 December 2017	114.1	2,437.1	2,551.2

### 1. Property development business

The Company determined to record impairment loss on property development business based on percentage of cumulative income from sales of residential condominium unit which was recorded in consolidated statement of comprehensive income. The carrying value of goodwill before recognition of impairment.

	Million THB
Beginning net book value as at January 1, 2017	467.3
Additional provided allowance for impairment loss during the year	(85.2)
Effect from loss of control in subsidiary	(268.0)
Ending net book value as at December 31, 2017	114.1

In 2017, the Company recorded impairment loss on goodwill totally THB 85.2 million

## 2. Premium gourmet and delicatessen business (operated in United State of America)

The Company engaged an independent financial advisory firm to test of impairment on goodwill. The recoverable amount of has been determined based on fair values less cost to sell calculation. That calculation use income approach method and discounted cash flow to present value for ten-year period and cost to sell was estimated to be equal to 2 percent of the estimated fair value. The Company allocated goodwill to each cash generating units (CGU) based on significant management's assumptions to measure the value as below.

### 2.1 Direct

Compound annual growth rate of revenue: 14% (for ten-year period) based on management's business plan  
Discount rate: 16% comparing to prior year 12.5%  
Terminal growth rate: 3% that does not exceed long term average growth rate  
Result: the recoverable amount was estimated to be higher than its carrying amount

### 2.2 Retail

Compound annual growth rate of revenue: 28 % ( for ten-year period) based on management's business plan  
Discount rate: 17% comparing to prior year 14.5%  
Terminal growth rate: 3% that does not exceed long term average growth rate  
Result: the recoverable amount was estimated to be lower than its carrying amount

### 2.3 International

Compound annual growth rate of revenue: 19 % ( for ten-year period) based on management's business plan

Discount rate: 15.5% comparing to prior year 17.0%

Terminal growth rate: 3% that does not exceed long term average growth rate

Result: the recoverable amount was estimated to be higher than its carrying amount

Net book value of goodwill before recognition of impairment has been allocated to each CGU as below

Cash Generating Units	Net Book Value of Goodwill (Million USD)	Impairment Loss on goodwill (Million USD)
Direct	4.5	-
Retail	64.7	14.6
International	20.1	-
Total	89.3	14.6

Cash Generating Units	Net Book Value of Goodwill (Million THB)	Impairment Loss on goodwill (Million THB)
Direct	145.7	-
Retail	2,112.1	476.2
International	655.5	-
Total	2,913.3	476.2

Based on a report of the independent financial advisory firm dated February 28, 2018, the recoverable amount of retail unit was estimated to be lower than its carrying amount USD 14.6 million (equivalent to THB 476.2 million). This is due to the fact the Pace Development Corporation Group has financial restructuring, so the company's business plan and expansion plan were changed from the target. The Company record such amount as impairment loss on goodwill in consolidated statement of comprehensive income for the year ended December 31, 2017.



Total impairment loss on goodwill were recorded in consolidated financial statements for the year ended December 31, 2017 amounted to THB 561.4 million

3. Loss on decline in value of land and related design fee which are located in Niseko, Japan

Refer to note to financial statements no. 12: Real estate project for sales under development, the Board of Directors' meeting of the Company held on February 5, 2018, Board of Directors approved the disposal of land plots which are located in Niseko to Richforest International Investment Ltd. (Purchaser) at agreed price of JPY 2,050 million and relevant expenses of JPY 365.8 million. In this regard, the Company has entered into Sell and Purchase Agreement of Real Estate Property with purchaser that affected the Company to recorded loss on decline in value of land and related design fee totalling THB 109 million in consolidated and separate statement of comprehensive income for the year ended December 31, 2017.

4. Impairment loss on investment in shares of joint venture and subsidiary

Based on mention No. 1, the first independent financial advisory report stated that fair value of investment in shares of PP1 is THB (910) million. So, the Company recorded total amount of investment in shares of PP1 THB 195.6 million as impairment loss on investment in shares in separate statement of comprehensive income.

Addition, refer to note to financial statements no.35 : events after the reporting period, the Board of Directors' meeting of the Company held on January 3, 2018 approved the dissolution of the Company's subsidiary, Pace Creative Agency Company Limited which has a registered capital of THB 10 million. The Company recorded impairment loss on investment in such subsidiary in separate statement of comprehensive income.

Total impairment loss on investment in shares of joint venture and subsidiary were recorded in separate statement of comprehensive income amounted to THB 205.6 million

5. Write off long term loan and interest receivables to subsidiary

On December 29, 2017, the management approved the Company to forgive loans and interest receivables to Pace Creative Agency Co., Ltd. totalling Baht 27.9 million. Therefore, the Company recorded this forgiven amounts in the separate statement of comprehensive income for the year ended December 31, 2017.

The Company would like to clarify more information to financial readers to read in conjunction with the financial statements for the year ended December 31, 2017. In this regard, the auditor has read and considered such above additional disclosure and did not find any material inconsistency with the consolidated financial statements of Pace Development Corporation Public Company Limited and the separate financial statements of Pace Development Corporation Public Company Limited for the year ended December 31, 2017.

Please be informed accordingly.

Yours Faithfully,



(Mr. Sorapoj Techakraisri)

Chief Executive Officer

Pace Development Corporation Public Company Limited