



No. PACE 201711/01
Date: 14 November 2017
Subject: Explanation of the Operating Results for the Third Quarter of the Year 2017 (Q3 2017)
Changing over 20%
To: The President
The Stock Exchange of Thailand

PACE Development Corporation Public Company Limited (“the Company”) would like to report the operating results for the third quarter of the year 2017 ended 30 September 2017 (Q3 2017). The details are following below.

Executive Summary

For the third quarter of 2017, 3-month operating period ended 30 September 2017 (“Q3 2017”), the total revenues of the Company was recorded 2,132 Million Baht, increasing by 168% as compared to Q3 2016 of 796 Million Baht. This was mainly due to the increasing revenue from property business, specifically The Ritz-Carlton Residences, Bangkok (“RCR”) of 1,360 Million Baht (64% of total revenues) from the transfer of 27 residences, and also the increasing revenue from Food and Beverages of DEAN & DELUCA of 702 Million Baht (33% of total revenues), and also the increasing revenue from other income, including trademark and trade name fees of DEAN & DELUCA of 70 Million Baht.

The total gross profits in Q3 2017 was 597 Million Baht or 29% of the total revenue, improved greatly 308 Million baht or 86%. The rise was primarily contributed by property business. The gross profit from property business in Q3 2017 was recorded 290 Million Baht or 21% of revenue from property business which rose significantly than that of Q3 2016. This was due to the fact that the 27 residences were transferred and recognized income in Q3 2017 as compared to only 2 residences transferred in Q3 2016.

In the meantime, the gross profit from food & beverages business in Q3 2017 was 307 Million Baht or 44% of revenue from food & beverages business which slightly decreased from 11% in Q3 2016.

Total expenses were 1,371 Million Baht or 64% of total revenues, comprising of selling expenses of 924 Million Baht, administrative expenses of 434 Million Baht and also other expenses of 13 Million Baht.

As a result, the Company recorded net Loss of 996 Million Baht.

Financial Summary

Statement of Financial Performance

Revenues

For Q3 2017 fiscal year ended 30 September 2017, the Company had total revenues of 2,132 Million Baht, increasing by 168% from Q3 2016 of 1,336 Million Baht. Major sources of revenues arose from the following:

I Property Business: the Company will be able to recognize revenues only when the construction is completed and the ownership of such construction project has been transferred to the customers.

1. As of 30 September 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	155*	10,043	75	6,156	April 2016
MahaSamutr - Villa	Company	4,000	80	22	1,113	28	-	Q1'18
Nimit Langsuan	Company	8,000	179	168	6,709	94	-	2018
Windshell Naradhiwas	YLP	3,000	36	N/A	N/A	N/A	-	2019

Remark: * In Q3 2017, there were 27 residences recognized revenue (54 residences in 2017, and 24 residences in 2016). The remaining residences are expected to be transferred by Q1 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 Q3 2017, there were 27 residences transferred of which were approximately 1,360 Million Baht, increased to 21 % as compared to the same quarter last year of 71 Million Baht. In addition, the Company is in the process of executing the Memorandum of Understanding (MOU) with Sansiri Public Company Limited ("SIRI") for negotiation on the sale and due diligence of the Nimit Langsuan Project and the remaining 53 residences in the Ritz-Carlton Residences, Bangkok. This execution is expected to be completed in the beginning of next year

MahaSamutr Project:

The construction of MahaSamutr project – villa is in the process of infrastructure and will be completed soon. The Company expects to be able to transfer some villas to the customers during Q1 2018. MahaSamutr Country Club and Sports Club are currently in the process of infrastructure including exterior and interior decoration.

Nimit Langsuan Project:

The construction of Nimit Langsuan project is in the process of tower core slip form casting reaching level 11, the floor slab of level 9 is fully completed, and continually to level 10 respectively.

II Foods and Beverages Business

The total revenues of DEAN & DELUCA in Q3 2017 were 702 Million Baht or increase 1 %, compared to Q3 2016 of 696 Million Baht. The growth on sales were primarily from DEAN & DELUCA (THAILAND) (DDTH) two new stores open in Q3 2017, which are Silom Soi 1 and Suvarnabhumi Airport 2.

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

Country	Company-operated Stores	Licensed Stores	Total
United States	10	-	10
United States (Hawaii)	-	1	1
Thailand	13	-	13
Japan	15 (50% JV)	16	31
South Korea	-	2	2
Singapore	-	3	3
Kuwait	-	1	1
UAE	-	1	1
Philippines	-	2	2
Macao	-	1	1
Total	38	27	65

Gross Profits

In Q3 2017, total gross profits from property, food & beverages business were 597 Million Baht or 29% of the total revenues. Details are as follows:

I Property Business.

Gross profit from transferred residences was recorded 290 Million Baht or 21% of the revenue. The gross profit of the property business was greater than that of past transferring period as the most of residences transferred consistently in 2017. The Company expected that the remaining residences of MahaNakhon project for sale will be handover to the customers by Q1 2018; as well as maintain the construction cost, the gross profit margin will be relatively high in 2017.

II Food & beverages business

Total Gross Profit was 307 Million Baht or 45% of revenue which slightly decrease 11 Million Baht. Gross Profit for DDUS was 260 Million Baht representing 7% decrease in gross profit versus prior year due to a challenging US retail environment higher food costs, changing product mix and 2017 carry over benefit of \$700K from Japan perpetual license deal. Corrective actions and controls are in place to mitigate rising labor costs and improve forecasting and purchasing practices.

Selling and Administrative Expenses

In Q3 2017, selling and administrative expenses were 1,371 Million Baht or 64% of total revenues. The selling expenses were 924 Million Baht, increased 353 Million Baht or 62% from Q3 2016. The administrative expenses were 434 Million Baht, decreased 40 Million Baht or 8% from Q3 2016.

For property business, the increase in selling expenses contributed to selling and marketing strategies which include sales promotion, the communication to the public through social media for MahaNakhon, MahaSamutr and Nimit Langsuan Projects.

For food and beverages business, the total SG&A costs were 1,074 Million Baht, an increase of 12% versus prior year. The increase is attributed to marketing activations at the PGA tour event to launch Consumer Brand Group DEAN & DELUCA Performance Bar and US Open sponsorship.

Finance Costs

In Q3 2017, total interest paid equaled to 436 Million Baht, comprising of financing costs of 260 Million Baht and capitalized interest of 176 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 while 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 Q3 2017, the Company had net loss of 996 Million Baht or 47% of total revenues as the majority of the loss of 875 Million Baht from foods and beverages sector.

Statement of Financial Position

Assets

As at 30 September 2017, the total assets were 36,201 Million Baht, increased 4,370 Million Baht or 14% from as at 31 December 2016.

The main assets comprised of investment in shares of joint venture of 8,455 Million Baht, cash and cash equivalent of 1,536 Million Baht and long-term loans to related party of 2,418 Million Baht which was mainly from fund flow of Apollo’s deal, real estate projects for sales under development of 12,582 Million Baht, Account Receivable of 112 Million Baht. Additionally, there were building improvement, sales gallery and equipment of 3,538 Million Baht. Moreover, the goodwill incurred from DEAN & DELUCA acquisition was 3,105 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 2,051 Million Baht. The main assets were 90% of the total assets.

Liabilities

As at 30 September 2017, the total liabilities were 30,299 Million Baht, rose slightly 157 Million Baht or 1% from as at 31 December 2016.

The main liabilities were short-term loans from financial institutions of 1,130 Million Baht, short-term loans from other parties of 2,099 Million Baht, current portion of long-term loans from financial institutions of 8,375 Million Baht, long-term loans from financial institutions (net) of 1,963 Million Baht, current portion of debentures of 3,817 Million Baht, debentures (net) of 1,805 Million Baht and advances and deposits received from customers of 3,845 Million Baht, deferred tax liability on gain from JV transaction of 2,205 Million Baht. Total interest bearing debts equaled to 20,336 Million Baht.

Shareholders’ Equity

As at 30 September 2017, the total shareholder’s Equity of the Company were 5,902 Million Baht, mainly due to the recognition value of joint venture of the Apollo’s deal and realized gain from the re-measurement of the remaining investment at fair values since Q2 2017.



Appropriateness of the Funding Structure

At the end of the year 2016, the Company recorded total debt to equity ratio of 17.8 times. The interest bearing debt to equity ratio was 13.1 times. As of 30 September 2017, total debt to equity ratio was reduced greatly at 5.1 times. Also, interest bearing debt to equity ratio was reduced positively at 3.5 times. This was due to the fact that net loans decreased while shareholder equity increased.

The significant decrease of total debt to total equity ratio of the Company was due to the ability of revenue recognition from The Ritz-Carlton Residences, Bangkok ("RCR") which is a part of MahaNakhon project. As a result, the Company was able to repay loans during the period. Apart from that, the capital increase from the investment of Apollo had resulted in the ability to terminate the outstanding debts to financial institutions as well.

However, if the Company can transfer the remaining backlog residences of MHNK project to the customers and recognize continuously the revenues as planned and also the proceeds from selling the available unsold units of RCR and Nimit's Project to potential purchaser. The Company will reduce further its debts by repaying to the financial institutions. In addition, 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 by year end 2017.

Please be informed accordingly.

Yours Faithfully,

(Ms. Natha Kittiamsorn)

Chief Financial Officer

PACE Development Corporation Public Company Limited