



No. PACE IR2018/013
Date: 15 May 2018
Subject: Explanation of the Operating Results for the three-month period ended 31 March 2018 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 three-month period ended 31 March 2018. The details are as follows:

Executive Summary

The operating results of the first quarter of 2018, for the three-month period ended March 31, 2018 (“Q1 2018”), the Company generated total revenues of 1,235 million Baht; or decrease of 51% as compared with the total revenues for Q1 2017 of 2,496 million Baht, comprising of: (1) revenue from sales of residential condominium units of 541 million Baht (44% of total revenues); decreasing by 69% as compared to Q1 2017 of 1,761 million Baht. The significant decrease was mainly due to the transfer of The Ritz-Carlton Residences, Bangkok at MahaNakhon in Q1 2018 is only 6 residences which lower than that of 21 residences in Q1 2017, however, the Company was able to recognize revenue from transfer 1 villa of MahaSamutr project, (2) revenue from Food and Beverages of DEAN & DELUCA of 636 million Baht (52% of total revenues); slightly decreased by 10% as compared to Q1 2017 of 702 million Baht, (3) other income including trademark and trade name fees of DEAN & DELUCA of 58 million Baht (5% of total revenues); significantly increased by 278% as compared to Q1 2017 of 15 million Baht.

The total gross profits for Q1 2018 was 474 million Baht (38% of total revenues); decreased by 46% as compared to Q1 2017 of 817 million Baht, comprising of: (1) gross profit from property business of 156 million Baht (29% of total revenues from property business); significantly decreased by 70% as compared to Q1 2017 of 519 million Baht. The significant decrease was primarily due to the transfer of The Ritz-Carlton Residences, Bangkok at MahaNakhon totaling of only 6 residences as compare to Q1 2017, (2) gross profit from gourmet food and beverage of 318 million Baht (50% of total revenues from gourmet food and beverage); slightly decreased by 10% as compared to Q1 2017 of 352 million Baht.

The Company had total expenses and impairment loss of 4,325 million Baht (350% of total revenues); increased by 235% as compared to the year of 1,291 million Baht. This comprised of: (1) selling expenses of 454 million Baht ; decrease by 28% as compared to the same period of last year of 634 million Baht, (2) administrative expenses of 471 million Baht; increased by 28% as compared to the same period of last year of 657 million Baht, (3) impairment loss of 3,400 million Baht.

In Q1 2018, the Company had a total finance costs of 264 million Baht; increased by 55% as compared to Q1 2017 of 171 million Baht.

Despite, 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 proceed was used for the debenture dues in Jan 2018 and partially repaid the short-term loans to financial institutions.

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 which effected to the Company losses control in Pace Project One Co.,Ltd and Pace Project Three Co.,Ltd. Accordingly, the Company engaged independent financial advisory firms to measure fair values of investments in these 2 subsidiaries amount to 6,487 million Baht and recorded such investments in the consolidated statement of financial positions as at December 31, 2017 and recognized effect from loss of control in the consolidated statement of comprehensive income amounted 7,113 million Baht for the year ended December 31,2017.

Subsequently, on April 2018, the Company entered to Assets Sell Purchase Agreement on Pace Project One Co.,Ltd and Pace Project Three Co.,Ltd to King Power Mahanakorn Co.,Ltd with the total value of not exceeding 14,000 million Baht; in the meantime, the Company entered into Investment Buy-Out Agreement with Apollo Asia Sprint Company Limited and Goldman Sachs Investments Holding (Asia) Limited (Investors) to purchase shares in total amount of not exceeding 320 million USD.

As aforementioned transactions, The Company recognized the effect on investment between the fair value from financial independent advisory firm with the actual transactions and consequently recorded the impairment of investments in subsidiaries of Baht 3,400 million in the first quarter of 2018.

As a result, the Company recorded net Loss of 4,086 million Baht.

Summary of Financial Performance

Analysis of the Operating Results

Revenues

For the first quarter of 2018, the three-month period ended March 31, 2018, the Company generated revenues of 1,235 million Baht; decreased by 69% as compared to Q1 2017 of 2,496 million Baht. The details are as follows:

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.

1. As of 31 March 2018, 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	157*	10,182	75	7,753	April 2016
MahaSamutr - Villa	Company	4,000	80	18	905	22	155	Q4 2017
Nimit Langsuan	Company	8,000	187	171	6,914	91	-	2019
Windshell Naradhiwas	YLP	3,000	36	10	792	28	-	2019

Remark: * In 2018, there were 6 residences recognized revenue (94 residences in 2017, 24 residences in 2016). The remaining residences are expected to be transferred in 2018.

MahaNakhon Project:

Currently, the Company sold all its assets in part of the Bangkok Edition hotel and MahaNakhon Observatory Deck under MahaNakhon project to King Power Mahanakorn Co.,Ltd. Some portion of proceed was well-received in April 2018 and the rest expect to be received by end of May 2018 as agreed in agreement. Meanwhile, the Company is continually transferring the Ritz-Carlton Residences, Bangkok to the customers by 2018.

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 Q1 2018, there was 1 villa of MahaSamutr project transferred and recognized revenue of 58 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 10 is fully completed, and continually to level 11 respectively.

II Gourmet Food and Beverage Business

In Q1 2018, the total revenues of DEAN & DELUCA were 636 million Baht; slightly decreased by 10 % as compared to the Q1 2017 of 702 million Baht. This was the result 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 30 April 2018, 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	2
Thailand	11	-	11
Japan	20 (50% JV)	18	38
South Korea	-	2	2
Singapore	-	3	3
Kuwait	-	1	1
UAE	-	1	1
Philippines	-	3	3
Macao	-	1	1
Bahrain	-	1	1
Total	41	32	73

Gross Profits

In Q1 2018, total gross profits from property and food & beverage businesses were 474 million Baht or 38% of the total revenues; decreased by 46% as compared to Q1 2017 of 871 million Baht. Details are as follows:

I Property Business:

The gross profit of the property business in Q1 2018 was 156 million Baht ; decreased by 70% as compared to Q1 2017 of 519 million Baht. This was mainly due to the significant decrease of the transfer of 6 residences of MahaNakhon project in Q1 2018 whereas Q1 2017, the high transfer of the 21 residences. Furthermore, the Company had gross profit 11 million Baht from the transfer of 1 villa of MahaSamutr project in February 2018.

II Gourmet Food & Beverage business

The total gross profit of gourmet food and beverage business was 318 million Baht or 50% of revenue which slightly decrease by 10% as compared to Q1 2017 of 352 million Baht. This was due to a challenging US retail environment of higher food costs, changing product mix and supplier issues. Corrective actions and controls are in place to improve forecasting, commissary and purchasing practices.

Selling and administrative expenses and impairment loss

In Q1 2018, The Company had total expenses and impairment loss of 4,325 million Baht (350% of total revenues); increased by 235% as compared to Q1 2017 of 1,291 million Baht. This comprised of: (1) the selling expense of 454 million Baht; decreased by 28% as compared to Q1 2017 of 634 million Baht, (2) administrative expenses of 471 million Baht; decreased by 28% as compared to Q1 2017 of 657 million Baht, (3) impairment loss of 3,400 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 702 million Baht; decreased by 10% as compared to Q1 2017 of 776 million Baht. The decrease was attributed to less number of executives and manpower at corporate level and less marketing spent.

Finance Costs

In Q1 2018, the Company had total interest paid of 304 million Baht, decreased by 26% as compared to Q1 2017 of 383 million Baht. This comprised of financing costs of 264 million Baht and capitalized interest of 171 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 Q1 2018, the Company had net loss of 4,086 million Baht or 331 % of total revenues; compared to Q1 2017 of 574 million Baht. This was due to the Company recognized the impairment loss in investment and recorded a total of 3,400 million Baht in the Consolidated Financial Statements.

Statement of Financial Position

Assets

As at 31 March 2018, the total assets were 28,045 million Baht; decreased by 592 million Baht; or 14% from as at 31 December 2017 of 32,423 million Baht. The main assets comprised of investment in shares of joint venture of 3,240 million Baht, cash and cash equivalent of 865 million Baht, and long-term loans to related party of 2,067 million Baht which was mainly from fund flow of Apollo’s deal, real estate projects for sales under development of 12,181 million Baht, Account Receivable of 99 million Baht, Inventory of 207 million Baht, building improvement, sales gallery, and equipment of 3,438 million Baht, Moreover, the goodwill incurred mainly from DEAN & DELUCA acquisition was 1,875 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 2,435 million Baht. The main assets were 98% of the total assets.

Liabilities

As at 31 March 2018, the total liabilities were 26,050 million Baht; decreased by 4,111 million Baht, or 14% from as at 31 December 2017 of 30,161 million Baht. The main liabilities included: short-term loans from financial institutions of 2,824 million Baht, short-term loans from other parties of 661 million Baht, current portion of long-term loans from financial institutions of 7,068 million Baht, long-term loans from financial institutions (net) of 2,273 million Baht, the remaining amount of debenture is 2,507 million Baht, advances and deposits received from customers of 3,666 million Baht, and deferred income tax liability of 1,573 million Baht. Total interest bearing debts equaled to 16,315 million Baht.



Shareholders' Equity

As at 31 March 2018, the total shareholder's Equity of the Company were 1,978 million Baht; decreased by 12% as compared to the year 2017 of 2,262 million Baht. This was mainly due to the proceeds from the capital increase of 3,894 million Baht. However, in Q2 2018, the Company sold its assets in joint venture in total value of 14,000 million Baht. As a result, the reconciliation of the impairment loss on the deal must be suddenly recorded in Q1 2018 and consequently to the decrease of the shareholder equity.

Appropriateness of the Funding Structure

In Q1 2018, the Company had total debt to equity ratio of 13.2 times slightly decreased as compared to 13.3 times in 2017. The interest-bearing debt to equity ratio was 8.2 times compare to 8.9 times in 2017.

Since 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), 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. However due to the assets selling of joint venture in April 2018, the Company recognize unavoidably the impairment loss in investment in Q1 2018 which caused negatively to the equity. Nevertheless, the Company will record cash inflow from the deal book in Q2 2018 and able to reduce short term loan from institution. The remainder will be reserved for Bill of Exchange and the debenture due in late 2018. Besides, if the Company will be able to transfer the remaining backlog residences of MHNK project and MHSM Project to the customers and recognize continuously the revenues as planned and the fund from warrant. The Debts position of the Company will be reduced further by repaying the loans of financial institutions and Bond which will reflect to the debt to equity ratio decreasing significantly by the end of the year 2018.

Please be informed accordingly.

Yours Faithfully,

(Ms. Natha Kittiaksorn)

Chief Financial Officer

PACE Development Corporation Public Company Limited