



No. PACE IR2019/001  
Date: 28 February 2019  
Subject: Explanation of the Operating Results for the year ended 31 December 2018 changing over 20%  
(Revised)  
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 year ended 31 December 2018. The details are as follows:

### **Executive Summary**

The operating results for the year ended 31 December 2018 were that the Company generated total revenues of 8,813 million Baht, a decrease of 457 million Baht or 5% as compared to 2017. This comprises of: (1) revenue from sales of residential condominium units of 6,115 million Baht (69% of total revenue), an increase of 191 million or 3% as compared to 2017 (2) revenue from Food and Beverages of DEAN & DELUCA of 2,434 million Baht (28% of total revenue), a decrease of 708 million Baht or 23% as compared to 2017 and (3) other income including trademark and trade name fees of DEAN & DELUCA of 264 million Baht (3% of total revenue), a significant increase of 76 million Baht or 40% as compared to 2017.

The total gross profits for the year 2018 was 2,863 million Baht (32% of total revenue), a decrease of 270 million Baht or 9% as compared to 2017. This comprises of (1) gross profit from property business of 1,461 million Baht (24% of total revenue from property business), a decrease of 12 million Baht or 1% as compared to 2017 and (2) gross profit from gourmet food and beverage of 1,137 million Baht (47% of total revenue from gourmet food and beverage) a decrease of 346 million Baht or 23% as compared to 2017.

The Company had total sales and administrative expenses of 3,674 million Baht (42% of total revenue), a decrease of 2,282 million Baht or 37% as compared to 2017. This comprises of (1) cost of sales of residential condominium units of 2,146 million Baht, a decrease of 1,158 or 35% as compared to 2017 (2) administrative expenses of 1,528 million Baht, a decrease of 1,124 million Baht or 42% as compared to 2017.

The Company recorded loss from selling of asset with the total of 3,533 million Baht

In 2018, the Company had a total finance cost of 810 million Baht, a decrease of 166 million Baht or 17% as compared to 2017.

## Profit (Loss)

As a result, the Company recorded net loss of 5,153 million Baht (59% of the total revenue), increased by 3,106% as compared to 2017 with net profit of 171 million Baht. The main reason is the effect from the gain of control in subsidiaries in the consolidated statements of comprehensive income for the year ended 31 December 2017 amounting to 7,113 million Baht from the investment made by two investors, namely Apollo Asia Sprint Holding Company Limited and Goldman Sachs Investments Holdings (Asia) Limited in two subsidiaries which were Pace Project One Company Limited. and Pace Project Three Company Limited.

## Summary of Financial Performance

### Analysis of the Operating Results

#### Revenues

For the year ended 31 December 2018, the Company generated revenues of 8,813 million Baht, decreased by 5% as compared to 2017. The details are as follows:

I Property Business: the Company is 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.

Despite the disposal of assets, the Company has remaining backlogs and inventory from the four property development projects in a total of 15,746 million Baht, which are in process of completion and expected to transfer as planned.

1. As of 31 December 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	14,508	209	207*	14,207	99	13,507	April 2016
MahaSamutr - Villa	Company	4,000	80	12	600	18	255	Q4 2017
Nimit Langsuan	Company	8,000	176	166	6,914	91	-	2019
Windshell Naradhiwas	YLP	3,000	36	10	792	28	-	2019

Remark: \* In 2018, there were 75 residences recognized revenue (85 residences in 2017 and 33 residences in 2016). The remaining residences are expected to be transferred in 2019.

From the property development project as described above, the total revenue recognition is 15,746 million Baht. Thus, the Company determines to develop and transfer the on-going projects within one to two years. Moreover, the company considers pursuing further property development projects in accordance with the company's financial position.

### MahaSamutr Project:

The construction in progress of MahaSamutr Villas are 95% completed. In 2018, the Company transferred the ownership of MahaSamutr project totaling of three villas and recognized revenues of 160 million Baht. The Company expects to be able to sell and transfer the remaining villas to its customers in 2019. Meanwhile, MahaSamutr Country Club and Sports Club are currently in the process of restructuring and expected to be completed and operated in 2019.

### Nimit Langsuan and Windshell Naradhiwas Project:

Nimit Langsuan and Windshell Naradhiwas projects are in the process of construction as planned. Also, the Company received credit facilities from its financial institutions which are sufficient to complete the projects, and is expected to transfer the ownership to its customers as well as recognize revenues in the second half of the year 2019.

## II Gourmet Food and Beverage Business

In 2018, the total revenues of DEAN & DELUCA were 2,434 million Baht, decreased by 23% as compared to 2017. This was due to closure of a total of four stores and decrease in the sales of merchandise, gourmet food and beverage in the United States

As of 31 December 2018, the Company has company-operated stores and licensed stores as follows.

Country	Company-operated Stores	Licensed Stores	Total
United States	6	-	6
United States (Hawaii)	-	2	2
Thailand	12	-	12
Japan	24 (50% JV)	19	43
South Korea	-	2	2
Singapore	-	3	3
Kuwait	-	2	2
UAE	-	1	1
Philippines	-	3	3
Macao	-	1	1
Bahrain	-	1	1
Hong Kong	-	2	2
Malaysia	-	1	1
<b>Total</b>	<b>42</b>	<b>37</b>	<b>79</b>

In the future, the Company plans to focus on lower investment in projects and maximize brand value. For example, the Company focuses on franchising businesses to grow the brand both domestically and internationally. This attempt has been reflected in the entering into the agreement on franchising business model with various strategic partners in Europe and Asia in order to maximize its growth opportunity in highly competitive market.

### III Other income

In 2018, other income including trademark and trade name fees of DEAN & DELUCA of 264 million Baht, an increase of 76 million Baht or 40% as compared to the year 2017. This is from an increase in interest income of 46 million Baht and revenue from additional interior service of 22 million Baht from MahaNakhon project, ICONSIAM project and Singha Complex project.

### **Selling and administrative expenses**

In 2018, The Company had total expenses of 3,674 million Baht (42% of total revenues) a decrease of 2,194 million Baht or 37% as compared to 2017. This comprises of selling expense of 2,146 million Baht, a decrease of 1,158 or 35% and administrative expenses of 1,528 million Baht, a decrease of 1,124 million Baht or 42% as compared to 2017. Selling and administrative expenses from gourmet food and beverage business decreased significantly in comparison to the previous year as a result of decrease in number of management and administrative staffs as well as a tighter control of marketing budget.

### **Asset impairment and loss from selling assets**

In 2018, the Company recorded loss from investments and selling asset of 3,533 million Baht an increase of 1,314 million Baht or 59% as a result of allowance for impairment loss on investment in shares of subsidiary. The company recorded earning before interest and tax loss of 4,345 million Baht (49% of total revenue), decreased by 14% as compared to 2017.

### **Finance Costs**

In 2018, the Company had total interest paid of 810 million Baht, a decrease of 166 million Baht or 17% as compared to 2017. The decrease in finance cost was due to repayments in various of debt instruments as a result of capital increase during the first quarter and proceeds from disposition of assets in the following quarter in 2018.

### **Profit and Loss Results**

In 2018, the Company recorded net loss of 5,153 million Baht (59% of total revenue), increased by 3,106% as compared to 2017 with net profit of 171 million Baht. This was due to the Company recognized the effect from loss of control in its subsidiaries and recorded a total of 7,113 million Baht in the Consolidated Financial Statements by two investors, namely Apollo Asia Sprint Holding Company Limited and Goldman Sachs Investments Holdings in two of the Company subsidiaries, Pace Project One Company Limited and Pace Project Three Company Limited.

### **Statement of Financial Position**

#### **Assets**

As at 31 December 2018, the total assets were 21,612 million Baht, a decrease of 10,811 million Baht or 33% as compared to 2017. This was due to transfer of the property development projects with a total of 2,791 million Baht and disposition of assets includes hotel, observation deck and retail cube building to King Power Mahanakhon Company Limited. As a result, the Company purchased shares in the subsidiaries, Pace Project One Company Limited and Pace Project Three Company Limited back from the two investors. The investment in shares of the joint venture, therefore, decreased by 6,441 million Baht.

The main assets, cash and cash equivalent of 1,278 million Baht, real estate projects for sales under development of 9,556 million Baht, Account Receivable of 887 million Baht, building improvement, sales gallery, and equipment in a total of 3,616 million Baht, Moreover, the goodwill incurred mainly from DEAN & DELUCA acquisition was 2,444 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 1,870 million Baht. The main assets were 91% of the total assets.

### **Liabilities**

As at 31 December 2018, the total liabilities were 20,347 million Baht, a significant decrease of 9,814 million Baht or 33% as compared to 2017. As a result of loans repayment to financial institutions and to other persons and other companies in a total of 6,592 million Baht and deferred income tax liability of 1,412 million Baht. Major items of liabilities include short-term loans from financial institutions of 3,059 million Baht, current portion of long-term loans from financial institutions of 8,063 million Baht.

the remaining amount of debenture is 1,253 million baht, advances and deposits received from customers of 3,134 million Baht and trade and other payables of 2,648 million Baht. These items are accounted for 89% of the total assets.

### **Shareholders' Equity**

As at 31 December 2018, the total shareholder's Equity of the Company were 1,256 million Baht, a decrease of 997 million Baht or 44% as compared to 2017. This was due to the capital increase via private placement and rights offering in the second quarter of the year as well as the disposition of three assets includes hotel, observation deck and retail cube building. As a result, the Company recognized the effect from loss on disposal of assets in the investment in shares of the joint venture which negatively affected shareholder's equity.

### **Appropriateness of the Funding Structure**

In 2018, the Company had total debt to equity ratio of 16.1 times, as compared to 13.3 times in 2017. The interest-bearing debt to equity ratio was 10.8 times as compared to 8.9 times in 2017.

Please be informed accordingly.

Yours Faithfully,

(Ms. Natha Kittiaksorn)

Chief Financial Officer

PACE Development Corporation Public Company Limited