



No. PACE IR2019/004
Date: 15 May 2019
Subject: Explanation of the Operating Results for the three-month period ended 31 March 2019 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 2019. The details are as follows:

Executive Summary

The operating results of the first quarter of 2019, for the three-month period ended March 31, 2019 (“Q1 2019”), the Company generated total revenue of 794 million Baht; or decrease of 36% as compared with the total revenues for Q1 2019 of 441 million Baht, comprising of: (1) revenue from sales of residential condominium units of 59 million Baht (7.4% of total revenues); decreasing by 89% as compared to Q1 2018 of 482 million Baht. The significant decrease was mainly due to the transfer of The Ritz-Carlton Residences, Bangkok at MahaNakhon in Q1 2019 of 2 residences which lower than that of 6 residences and the transfer of 1 MahaSamutr villa in Q1 2018 (2) revenue from Food and Beverages of DEAN&DELUCA of 489 million Baht (61.6% of total revenue); decreased by 23% as compared to Q1 2018 of 147 million Baht, (3) other income including trademark and trade name fees of DEAN & DELUCA of 246 million Baht (31% of total revenue); significantly increased by 324% as compared to Q1 2018 of 188 million Baht. The increase in other income was a result of debt abatements of the Dean & DeLuca Inc. with a total of 179 million Baht.

The total gross profits for Q1 2019 was 263 million Baht (33% of total revenue); decreased by 45% as compared to Q1 2018 of 211 million Baht, comprising of: (1) gross profit from property business of 9 million Baht (14.5% of total revenues from property business); significantly decreased by 95% as compared to Q1 2018 of 147 million Baht. The significant decrease was primarily due to the transfer of The Ritz-Carlton Residences, Bangkok at MahaNakhon totaling of only 2 residences as compare to Q1 2018 of 6 residences, (2) gross profit from gourmet food and beverage of 254 million Baht (52% of total revenues from gourmet food and beverage); slightly decreased by 20% as compared to Q1 2018 of 64 million Baht.

The total gross profits margin for Q1 2019 was 33%; decreased by 38% as compared to Q1 2018 of 38%, comprising of: (1) gross profit margin from property business of 14% as compared to Q1 2018 of 29% as a result of the 2 units transfer were sold at the time of price per square meter were at lower rate. (2) gross profit margin from gourmet food and beverage of 52% as compared to Q1 2018 of 50%

The Company had total expenses and impairment loss of 698 million Baht (88% of total revenues); decreased by 84% as compared to the year of 3,627 million Baht. This comprised of: (1) selling expenses of 314 million Baht ; decrease by 31% as compared to the same period of last year of 140 million Baht, (2) administrative expenses of 377 million Baht; increased by 20% as compared to the same period of last year of 92 million Baht, (3) impairment loss of 3,400 million Baht which result in significant decrease in Q1 2019 total expense and impairment loss.

In Q1 2019, the Company had a total finance costs of 159 million Baht; increased by 40% as compared to Q1 2018 of 264 million Baht. This is a result of a decrease in interest bearing debt from a total amount of 16.31 billion Baht in Q1 2018 to 13.69 billion Baht in Q1 2019.

Profit (Loss)

In Q1 2019 The Company recorded a net loss of 317 million Baht (40% of total revenue), decreasing by 3,769 million Baht as compared to Q1 2018 of 4,086 million Baht. The main reason of the significant loss in Q1 2018 was from a record of the impairment of investments in subsidiaries of 3,400 million Baht.

Summary of Financial Performance

Analysis of the Operating Results

Revenues

For the first quarter of 2019, the three-month period ended March 31, 2019, the Company generated revenues of 794 million Baht; decreased by 36% as compared to Q1 2017 of 441 million Baht. The details are as follows:

I Property Business: The Company is 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 sales of assets in the previous year there are remaining backlog and inventories awaiting to transferred at a total value of 15,686 million Baht. The pending amount are to be recognized as planned.

1. As of 31 March 2019, 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	14,241	99	13,566	April 2016
MahaSamutr - Villa	Company	4,000	80	12	610	15	256	Q4 2017
Nimit Langsuan	Company	8,000	187	171	7,030	93	-	Q4 2019
Windshell Naradhiwas	YLP	3,000	36	10	792	28	-	Q4 2019

From the current residential projects above, it is clear that the value after deducting the recognized revenue of the transferred units equals to 1.57 billion Baht. The Company aims to develop and transfer the remaining units within the next 1-2 years. Moreover, it is in the interest of The Company in pursuing with property development projects that aligns to the cash flow of The Company.

MahaSamutr Project:

The construction of MahaSamutr project – villas are 99% completed. The Company has managed to transfer a total of 5 villas and recognized a total of 256 million Baht. The remaining villas are expected to transfer in 2019 and 2020. While the MahaSamutr Country club project is undergoing a minor redevelopment, which is due to complete in 2019

Nimit Langsuan and Windshell 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 Q1 2019, the total revenues of DEAN&DELUCA were 489 million Baht; slightly decreased by 23% as compared to the Q1 2018 of 147 million Baht. 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 March 2019, 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	-	46	46

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
Total	18	64	82

The Company pursues a new business strategy which focuses on leveraging the brand equity which is through franchise model. Such initiative reflects in the recent partnership with Lagardere travel retail, a pioneering global leader in the travel retail industry including duty free shop and retail stores in airports, train stations and travel hub for Dean&DeLuca stores expansion globally.

Selling and administrative expenses and impairment loss

In Q1 2019, The Company had total expenses and impairment loss of 698 million Baht (88% of total revenues); decreased by 84% as compared to Q1 2018 of 3,627 million Baht. This comprised of: (1) the selling expense of 314 million Baht; decreased by 31% as compared to Q1 2018 of 140 million Baht, (2) administrative expenses of 377 million Baht; decreased by 20% as compared to Q1 2018 of 92 million Baht, (3) impairment loss of 3,400 million Baht which is the main contributor the significant decrease in the selling and administrative expenses as well as asset impairment.

The decreasing of selling expenses from property business were due to a decrease of selling and marketing cost related to the residential project as compared to Q1 2018

The Company recorded negative earnings before interest and taxes of 189 million Baht (24% of total revenue) or decreased by 95% as compared to Q1 2019

Finance Costs

In Q1 2019, the Company had total interest paid of 159 million Baht, decreased by 40% as compared to Q1 2018 of 264 million Baht. The decrease of the finance costs was a result of the Capital increase during Q1 2018 followed by disposal of assets in Q2 2018 which enable The Company to the repayment of several debt instruments.

Profit and Loss Results

In Q1 2019, the Company had net loss of 317 million Baht or 40 % of total revenues; compared to Q1 2018 of 4,086 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 in Q1 2018.

Statement of Financial Position

Assets

As at 31 March 2019, the total assets were 21,507 million Baht; decreased by 105 million Baht; or 0.5% from as at 31 December 2018. This was due to the disposal of shares in DEAN&DELUCA CAFE JAPAN Co. Ltd which decreases



the investment of The Company by 263 million Baht and decreases the account receivables by 210 million Baht. At the same time, the real estate project fro sales under development increases by 463 million Baht.

The main assets comprised of cash and cash equivalent of 1,221 million Baht, real estate projects for sales under development of 10,019 million Baht, Account Receivable of 677 million Baht, building improvement, sales gallery, and equipment of 3,585 million Baht, Moreover, the goodwill incurred mainly from DEAN&DELUCA acquisition was 2,396 million Baht. Also, the intangible assets arising from DEAN&DELUCA's business; for example, trademark, trade name, copyrights, etc. of the DEAN&DELUCA brand were 1,819 million Baht. The main assets were 92% of the total assets.

Liabilities

As at 31 March 2019, the total liabilities were 20,451 million Baht; increased by 104 million Baht, or 1% from as at 31 December 2018 of 50 million Baht. The main liabilities included: short-term loans from financial institutions of 3,052 million Baht, current portion of long-term loans from financial institutions of 8,024 million Baht, the remaining amount of debenture is 1,260 million Baht, advances and deposits received from customers of 3,068 million Baht, and account payable of 2,698 million Baht. The main liabilities is accounted for 89% of the total asset.

Shareholders' Equity

As at 31 March 2019, the total shareholder's Equity of the Company were 1,056 million Baht; decreased by 17% or by 209 million Baht as compared to the year 2018. This was mainly due to the quarter net loss of 317 million Baht and the effect of the changes in accounting polices due to the adoption of TFRS 15 of 124 million Baht

Appropriateness of the Funding Structure

In Q1 2019, the Company had total debt to equity ratio of 19.4 times increased from Q1 2018 at 16.1 times. The interest-bearing debt to equity ratio was 13 times increased from Q1 2018 at 10.8 times.

Please be informed accordingly.

Yours Faithfully,

(Ms. Natha Kittiamsorn)

Chief Financial Officer

PACE Development Corporation Public Company Limited