



No. PACE IR2019/007
Date: 15 August 2019
Subject: Explanation of the Operating Results for the three-month period ended 30 June 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 30 June 2019. The details are as follows:

Executive Summary

The operating results of the second quarter of 2019, for the three-month period ended June 30, 2019 (“Q2 2019”), the Company generated total revenue of 485 million Baht, decreased by 91% as compared with the total revenues for 2Q 2018 of 5,335 million Baht, comprising of (1) revenue from Food and Beverages of DEAN&DELUCA of 441 million Baht (91% of total revenue), decreased by 22% as compared to 2Q 2018 of 568 million Baht, (2) other income including trademark and trade name fees of DEAN & DELUCA of 12.34 million Baht (3% of total revenue); significantly decreased by 49% as compared to 2Q 2018 by 4 million Baht, interior service income of 21.34 million Baht, other income of 8.20 million Baht and interest income 2.64 million Baht.

In 2Q 2019 the Company does not recognize revenue from the property development business which results in the significant decrease in total revenue.

The total gross profits for 2Q 2019 was 234 million Baht (48% of total revenue), decreased by 83% as compared to 2Q 2018 of 1,118 million Baht. Given the Company does not recognize revenue from the property development business the total gross profits from the food and beverage decreased by 13% or by 36 million Baht as compared to 2Q 2018.

The total gross profits margin for the food and beverage business for 2Q 2019 was 53%; as compared to 2Q 2018 of 47%.

The Company’s total expenses of 862 million Baht (177% of total revenue), comprising of: (1) selling expenses of 346 million Baht, decreased by 59% as compared to the same period of last year of 494 million Baht, (2) administrative expenses of 515 million Baht, increased by 66% as compared to the same period of last year of 201 million Baht as a result of impairment of fixed asset of 113 million Baht, provision regarding closure of one store in the United States and another in Thailand and severance pay of 21 million Baht.

In 2Q 2019, the Company had a total finance costs of 187 million Baht; decreased by 6% as compared to 2Q 2018 of 198 million Baht.

Profit (Loss)

In 2Q 2019 The Company recorded a net loss of 726 million Baht (150% of total revenue) as compared to 2Q 2018 with a net profit of 217 million Baht. The main reason of the significant loss in 2Q 2019 was the absence of revenue from the property development business and increase in administrative expense as explained above.

Summary of Financial Performance

Analysis of the Operating Results

Revenues

For the second quarter of 2019, the three-month period ended June 30, 2019, the Company generated revenues of 485 million Baht as compared to 2Q 2018 of 5135 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.

- 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	13	610	15	256	4Q 2017

Nimit Langsuan	Company	8,000	187	171	7,030	93	-	2Q 2020
Windshell Naradhiwas	YLP	3,000	36	12	947	28	-	4Q 2020

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 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 for Windshell Naradhiwas and by first half of 2020 for Nimit Langsuan.

II Gourmet Food and Beverage Business

In 2Q 2019, the total revenues of DEAN&DELUCA were 441 million Baht; decreased by 22% as compared to the Q2 2018 of 127 million Baht. This was due to closure of two stores in the United States and in Thailand and also decrease in the sales of merchandise, gourmet food and beverage in the United States.

In 2Q 2019, the Company has entered into Global Strategic Partnership Agreement with Lagardere Travel Retail after entered into the Agreement with Lagardere Travel Retail in 2018. While the Company has managed to expand additional five stores in Thailand during 2Q 2019 which will open from 3Q 2019. Two of the stores are franchised stores in Phuket and the rest are company owned stores in Bangkok.

As of 30 June 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	11*	-	12
Japan	-	47	47
South Korea	-	2	2
Singapore	-	2	2
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

*As of 30 June 2019, the Company is undergoing strategies through cost control which includes closing of additional stores in the United States. As a result, the impairment of fixed assets and provision regarding stores closure have been taken in account of the 2Q 2019 financial statement.

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

In 2Q 2019, The Company had total expenses of 857 million Baht (177% of total revenues), decreased by 25% as compared to 2Q 2018 of 293 million Baht. This comprised of: (1) administrative expense of 508 million Baht, increased by 66% as compared to 2Q 2018 of 201 million Baht, (2) selling expenses of 349 million Baht, decreased by 59% as compared to 2Q 2018 of 494 million Baht.

The decreasing of selling expenses from property development business were as result of the absence revenue from the property development business.

The Company recorded negative earnings before interest and taxes of 584 million Baht (120% of total revenue) in contrast to the 2Q 2018 with profit before finance cost and income tax of 628 million Baht.

Finance Costs

In 2Q 2019, the Company had total interest paid of 187 million Baht, decreased by 6% as compared to 2Q 2018 of 198 million Baht.

Profit and Loss Results

In 2Q 2019, the Company had net loss of 726 million Baht or 150 % of total revenues compared to 2Q 2018 with net profit of 217 million Baht. This was due to the significant loss in the quarter from the absence of revenue from the property development business and increase in administrative expense as explained above.

Statement of Financial Position

Assets

As at 30 June 2019, the total assets were 21,704 million Baht; decreased by 538 million Baht or 2% from 1Q 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 262 million Baht. At the same time, the real estate project under development increases by 604 million Baht.

The main assets comprised of cash and cash equivalent of 454 million Baht, real estate projects for sales under development of 10,159 million Baht, Account Receivable of 584 million Baht, building improvement, sales gallery, and equipment of 3,408 million Baht, Moreover, the goodwill incurred mainly from DEAN&DELUCA acquisition was 2,316 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 1,742 million Baht. The main assets were 89% of the total assets.

Liabilities

As at 30 June 2019, the total liabilities were 20,819 million Baht; increased by 472 million Baht, or 2% from 1Q 2018. The increasing of total liabilities comprises of the increase of liabilities from Bill of Exchange of 140 million Baht, increase of loans from financial institution for the completion of Windshell Naradhiwas of 241 million Baht, increase of account payable of 101 million Baht.

The main liabilities include short-term loans from financial institutions of 3,041 million Baht, current portion of long-term loans from financial institutions of 7,984 million Baht, the remaining amount of debenture is 1,399 million Baht, advances and deposits received from customers of 3,104 million Baht, and account payable of 2,719 million Baht. The main liabilities are accounted for 8% of the total asset.

Shareholders' Equity

As at 30 June 2019, the total shareholder's Equity of the Company were 255 million Baht, decreased by 80% or by 1010 million Baht as compared to the previous quarter. This was mainly due to the six month net loss of -1,043 million Baht and the effect of the changes in accounting polices due to the adoption of TFRS 15 of 124 million Baht as well as loss from exchange rate of -91 million Baht.

Appropriateness of the Funding Structure

In 2Q 2019, the Company had total debt to equity ratio of 81.6 times increased from 1Q 2018 at 16.1 times. The interest-bearing debt to equity ratio was 54.7 times increased from 1Q 2018 at 10.8 times. The Company is undergoing its capital increase through a Rights offering (RO) thus will positively affect the current debt to equity ratio.

Please be informed accordingly.

Yours Faithfully,

(Mr. Prajak Jangsongtong)

Chief Financial Officer

PACE Development Corporation Public Company Limited