



No. PACE IR 2020/01

Date: 25 August 2020

Subject: Explanation of the Operating Results for the three-month period ended 30 September 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 year ended 31 December 2019. The details are as follows:

Exhibit 1: Earnings Result

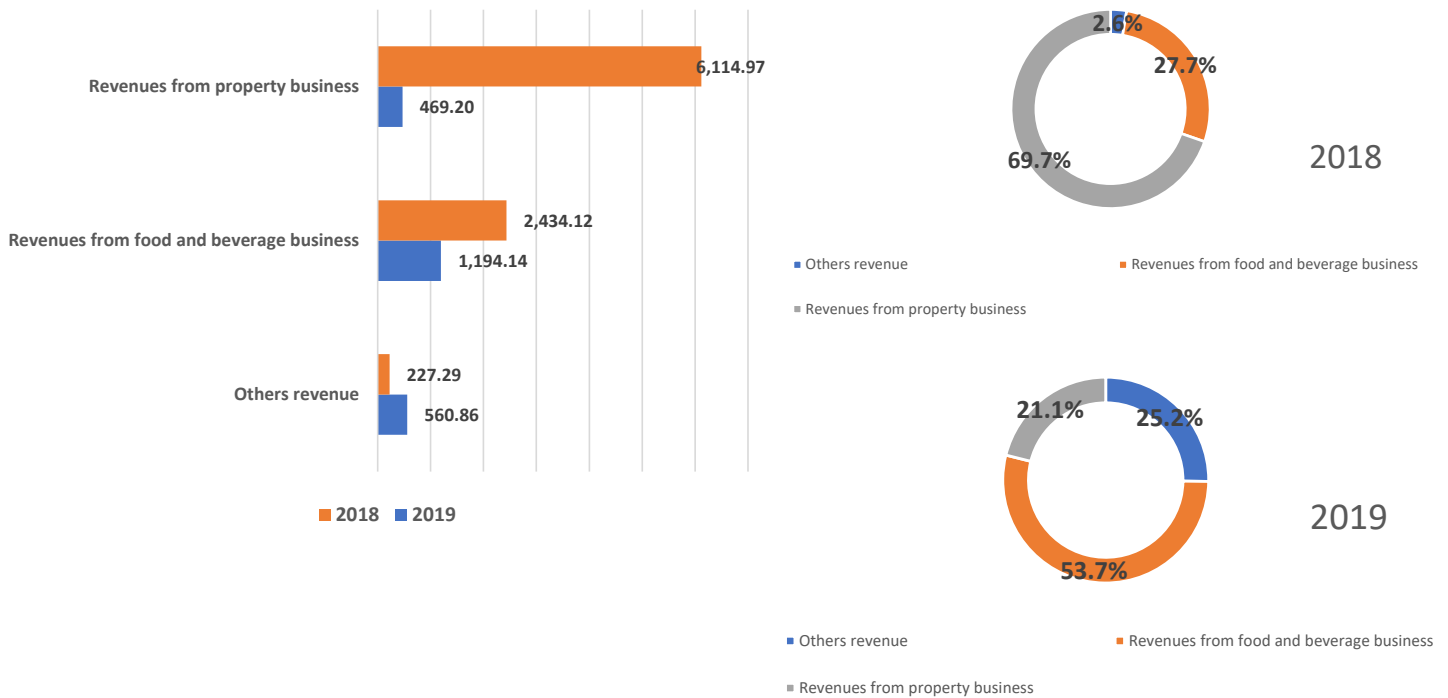
Profit and Loss	2019	2018	Change	
	mb	mb	mb	(%)
Revenues				
Revenue from sales of land and houses and residential condominium units	469.20	6,114.97	(5,645.77)	-92%
Revenue from sales of merchandises, foods and beverages	1,194.14	2,434.12	(1,239.98)	-51%
Revenue from trademark and trade name fees	48.29	43.63	4.66	11%
Interest income	7.23	146.42	(139.19)	-95%
Interior service income	148.69	23.89	124.80	522%
Management fee income	0.60	3.17	(2.57)	-81%
Other income				
<i>Procurement income from disposal of assets</i>	-	-	-	n.a.
<i>Reversal of net impairment in subsidiaries</i>	-	-	-	n.a.
<i>Gain on disposal of investment in subsidiary</i>	34.73	-	34.73	n.a.
<i>Operating gain (loss) of a subsidiary disposed during the year</i>	76.16	-	76.16	n.a.
<i>Gain on disposal of investments in joint venture</i>	35.65	-	35.65	n.a.
<i>Gain on debt deduction</i>	179.20	-	179.20	n.a.
<i>Others</i>	30.31	47.11	(16.80)	-36%
Total revenues	2,224.20	8,813.31	(6,589.11)	-75%
Expenses				
Cost of sales of land and houses and residential condominium units	420.51	4,654.00	(4,233.48)	-91%
Cost of sales of merchandises, foods and beverages	567.41	1,297.55	(730.14)	-56%
Cost of interior service	134.48	9.33	125.15	1342%
Selling expenses	1,070.20	2,128.81	(1,058.61)	-50%
Administrative expenses	1,398.55	1,503.72	(105.17)	-7%
Loss on impairment of	-	-	-	n.a.
Other receivable - subsidiary	-	-	-	n.a.
Long-term loans to subsidiaries and interest receivables	-	-	-	n.a.
Investments in subsidiaries	-	-	-	n.a.
Advance payment for purchase of land	100.00	-	100.00	n.a.
Leasehold improvement, equipment and computer softwares	181.71	1.97	179.74	9124%
Operating loss of subsidiary disposed during the year	-	36.93	(36.93)	n.a.
Loss on transfer of asset for debt settlement	8.57	-	8.57	n.a.
Loss on disposal of assets	-	3,532.84	(3,532.84)	-100%
Loss on guarantee of subsidiary's loans	-	-	-	n.a.
Total expenses	3,881.43	13,165.14	(9,283.71)	-71%
Loss before share of loss from investments in joint ventures, finance cost and income tax	(1,657.23)	(4,351.83)	2,694.60	n.a.
Share of loss from investments in joint ventures	(4.00)	(46.70)	42.70	n.a.
Loss before finance cost and income tax	(1,661.23)	(4,398.53)	2,737.30	n.a.
Finance cost	(876.10)	(809.57)	(66.53)	8%
Loss before income tax	(2,537.34)	(5,208.10)	2,670.77	n.a.
Income tax	115.89	55.29	60.59	110%
Minority interests	-	2.70	(2.70)	-100%
Loss for the year	(2,421.45)	(5,155.51)	2,734.07	n.a.

In the year 2019 the Company recorded a total loss of Baht 2,421 million, improved from 2018 that recorded a total loss of Baht 5,156 million. This is a result of the disposition of assets and investments in a total of Baht 3,533 million. The following shows analysis of the operating results.

Revenue

In the year 2019 the Company recorded a total revenue of Baht 2,224 million decreased from 2018 by Baht 6,589 million or by 75% with the following reasons

Exhibit 2: Revenue Breakdown 2018 – 2019



Revenue from property development business

- Revenue from property development business of Baht 469.2 million decreased from 2018 by Baht 5,646 million or 92%. The Company had recorded the revenue from sales of the MahaNakhon- The Ritz Carlton residences Bangkok while in 2019 the Company is in the completion process of other property

development projects namely Nimit Langsuan and MahaSamutr Country Club. This results in the significant decline in revenue.

Revenue from gourmet food and beverages business

- Revenue from gourmet food and beverages of Baht 1,194 million decreased from 2018 by Baht 1,240 million or by 51%. This was due to closure of all six DEAN & DELUCA stores in the United States and two stores in Thailand.

Other income

- Revenue from trademark and trade name fees of DEAN & DELUCA, interior service income and other income of Baht 561 million increased from 2018 by Baht 356 million or 63%. This was due to gain on disposal of investment in subsidiary, operating gain of subsidiary disposed during the year, gain on disposal of investment in joint venture and gain on debt deduction of DEAN & DELUCA, Inc.

Exhibit 3: Details and progress of the Company's residential projects

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	14,035	April 2016
MahaSamutr - Villa	Company	4,000	80	13	610	15	256	4Q 2017
Nimit Langsuan	Company	8,000	187	171	7,030	93	-	2021

Gross Profit Margin

Gross profit margin of the property development business decreased from the previous year from 23.9% to 10.4% from sale promotion of the condominium units while gross profit margin of the gourmet food and beverages business improved from 46.7% to 52.5% due to the closure of all DEAN & DELCUA stores in the United States and another two stores in Thailand thus significantly reduced the cost of sales and administrative expenses. Overall gross profit margin improved to 42.3% from 30.7% in 2018

Selling and Administration expenses

The Company recorded selling expense and administration expense (SG&A) of Baht 2,603 million comprising of selling expense of Baht 1,070 million and administration expense of Baht 1,533 million. The decline in SG&A of Baht 1,039 million or by 29% year-on-year results from effective 'rightsized' strategy of the Company that initiated during the previous quarters. However, SG&A to sales at 152%, increased from the previous year at 42%, reflects in the decline in revenue from both businesses in a greater portion in comparison to the decline in expenses

Loss on impairment

The Company recorded loss on impairment of Baht 290 million which consists of advance payment for purchase of land Baht 100 million and leasehold improvement, equipment and computer software Baht 181 million

Finance Costs

In 2019, The Company had total interest paid of Baht 876 million, increased by Baht 67 million or 8% year-on-year. This is from default interest rate of financial institutions

Assets

As at 31 December 2019, the total assets of the Company were Baht 17,860 million, decreased by Baht 3,752 million or by 17.4% year-on-year. The decreasing of total assets comprises of

- cash and cash equivalent of Baht 274 million or 1.5% of total assets decreased Baht 1,004 million or by 78.6% year-on-year
- cost of real estate development for sales Baht 8,045 million or 45% of total assets decreased by 15.8% year-on-year.
- Trade and other receivables of Baht 483 million or 2.7% of total asset decreased 45.5% year-on-year.
- Property, plant and equipment of Baht 2,637 million or 14.9% of total asset decreased 26.1% year-on-year.
- Goodwill incurred mainly from DEAN & DELUCA acquisition of Baht 2,266 million or 12.7% of total assets decreased by 7.3% year-on-year

The main assets were 88.7% of the total assets.

Liabilities

As at 31 December 2019, the total liabilities were Baht 18,439 million decreased by Baht 1,907 million or by 9.4% year-on-year. This decreasing of liabilities comprising of the followings

- bank overdraft and short-term loans from financial institutions of Baht 2,304 million or 12.5% of total liabilities decreased by 24.7% year-on-year
- Trade and other payables of Baht 3,185 million or 17.3% of total liabilities increased by 21.7% year-on-year.
- Long-term loans from financial institutions of Baht 7,928 million or 43% of total liabilities, decreased by 1.7% year-on-year.
- Debentures of Baht 1,291 million or 7% of total liabilities increased by 3.1% year-on-year.
- Advances and deposits received from customers of Baht 2,482 million or 13.5% of total liabilities decreased by 18.6% year-on-year.

The main liabilities are accounted for 93.2% of the total asset.

Shareholders' Equity



As at 31 December 2019, the total shareholder's Equity of the Company were Baht -579 million decreased by Baht 1,844 million as compared to the previous year. This was mainly due to (1) loss for the 2019 fiscal year of Baht 2,424 million (2) Issuance of new ordinary shares of Baht 580 million (3) Cumulative effects of adopt TFRS15 of Baht 124 million and (4) translation adjustment of Baht 121 million.

Yours Faithfully,

(Mr. Prajak Jangsongtong)
Chief Financial Officer
PACE Development Corporation Public Company Limited