

Sor Lor 012/2018

February 26, 2018

Subject : Management's Discussion and Analysis for the fourth Quarter and twelve-month period of 2017

To : The President

The Stock Exchange of Thailand (SET)

Pranda Jewelry Public Company Limited would like to notify the operating result stated in consolidated financial statements for the fourth Quarter and twelve-month period ended December 31, 2017 of which has changed over 20% compared to the same period of 2016.

For the operating result of fourth Quarter ended December 31, 2017 which changes more than 20% compared to the same period of 2016. There is a loss on equity holders of the company at the amount of Baht 33.61 million in comparison to the same period of previous year which has a gain on equity holders of the company at Baht 2.65 million. The Statement of Comprehensive Income in brief is presented as followed:

Unit: Million Baht

	October - December		
	<u>2017</u>	<u>2016</u>	<u>Change (%)</u>
Sales revenue	713.79	878.86	(18.78%)
Cost of sales	461.12	595.19	(22.53%)
Gross profit	252.67	283.67	(10.93%)
Gross profit margin	35.40%	32.28%	
Selling and administrative expenses	266.73	292.30	(8.75%)
Operating profit (Loss)	(14.06)	(8.63)	62.88%
Finance cost	20.66	21.13	(2.22%)
Gain (Loss) on exchange rate	(13.19)	(11.79)	11.88%
Other items	10.35	35.36	(70.73%)
Tax income (expenses)	1.15	(1.27)	(190.27%)
Non-controlling interests of the subsidiaries	2.80	10.11	(72.31%)
Profit (Loss) on equity holders of the Company	(33.61)	2.65	(1370.04%)

Pranda Group has made revenue of Baht 713.79 million decreased by Baht 165.08 million or 18.78% when compared to same period of last year. This was due to the fact that there were significant amount of orders from customers for Production base during the same period of previous year. Nonetheless, the Group has seen an improvement on its gross profit margin from 32.28% to 35.40% considering the Group's better control on its cost of production.

Selling and Administrative expenses decreased by Baht 25.57 million or 8.75% as a result of the group's ability to control and manage both its selling and administrative expenses more efficiently.

Pranda Group has made loss on exchange rate at Baht 13.19 million or increased by 11.88% in view of the Thai Baht appreciation, which has led to an increase in the loss on exchange rate when compared to same period of the previous year whereby the loss on exchange rate was at Baht 11.79 million.

Other items declined by Baht 25.01 million or 70.73% as last year, Pranda Group has made gain on sales of fixed assets (office suites) of Baht 14 million as well as gain on the fluctuation of gold rate during the period.

In summary, Pranda Group has made loss on equity holders of the company at Baht 33.61 million, declined from previous year which has gain of Baht 2.65 million.

For the operating results of twelve-month period ended December 31, 2017 which changes more than 20% compare to the same period of 2016, Pranda Group has made loss on equity holders of the company at the amount of Baht 161.32 million, or decreased by 43.05% with the Statement of Comprehensive Income presented as below.

Unit: Million Baht

January - December

	<u>2017</u>	<u>2016</u>	<u>Change (%)</u>
Sales revenue	2,912.86	2,831.44	2.88%
Cost of sales	2,084.36	2,045.16	1.92%
Gross profit	828.50	786.28	5.37%
Gross profit margin	28.44%	27.77%	
Selling and administrative expenses	951.09	1,018.67	(6.63%)
Operating profit (Loss)	(122.59)	(232.39)	(47.25%)
Finance cost	84.26	76.00	10.87%
Gain (Loss) on exchange rate	(15.09)	(90.02)	(83.24%)
Other items	39.32	85.32	(53.91%)
Tax income (expenses)	2.43	(1.60)	(251.52%)
Non-controlling interests of the subsidiaries	18.87	31.44	(39.97%)
Profit (Loss) on equity holders of the Company	(161.32)	(283.25)	(43.05%)

With regards to the table above, there was sales revenue of Baht 2,912.86 million for the twelve-month period ended 31 December 2017, increased from same period of the previous year by Baht 81.42 million or 2.88% due to growth in sales revenue of the group's Retail Base and Distribution base as a result of the economic recovery both in America and England.

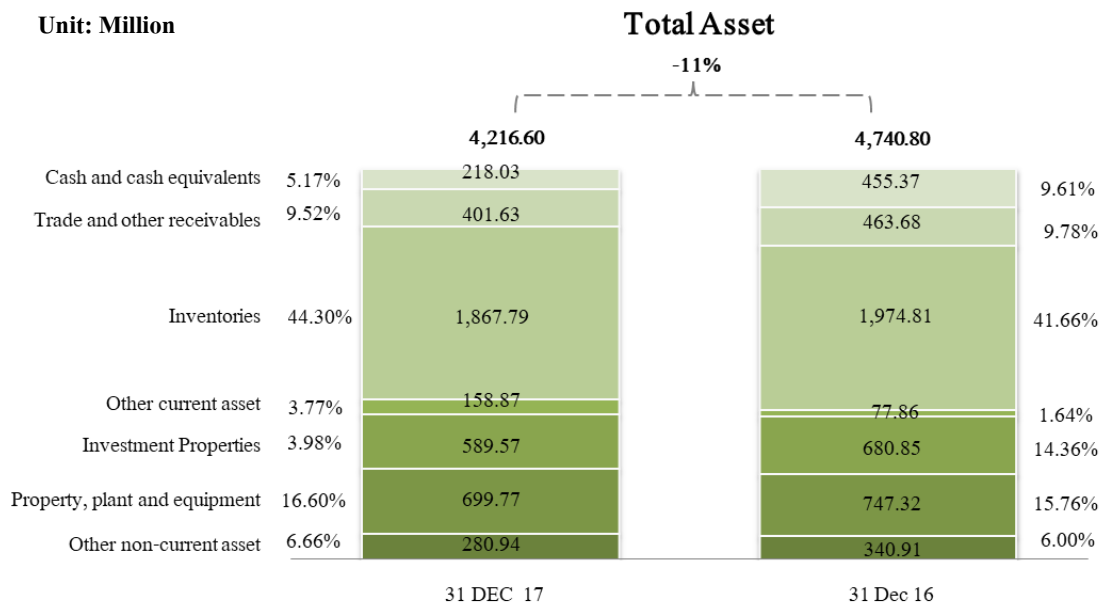
Gross profit margin is at 28.44%, slightly higher when compared to the previous year which has a gross profit margin of 27.77%.

Pranda Group has made operating loss of Baht 122.59 million or decreased by 47.25% compared to last year; correspond to higher gross profit and the better efficiency in controlling and managing both Selling and Administrative expenses.

Finance cost has risen by 10.87% due to the increase in short-term loan interest rates.

Pranda Group has made loss on exchange rate at Baht 15.09 million, while last year the group has made loss on exchange rate of Baht 90.02 million which was affected by the devaluation in Pound Sterling due to the impact from Brexit in Year 2016.

Other items had reduced by Baht 46.0 million or 53.91%, as there was a gain from sales of fixed asset (office suites) of Baht 14 million, gain on liquidation of subsidiary company of Baht 12 million as well as gain from the fluctuation of gold rate during last year. Therefore has led to a loss on equity holders of the company at Baht 161.32 million.



For statement of financial position as at December 31, 2017, changes as compared to the previous year are as followed

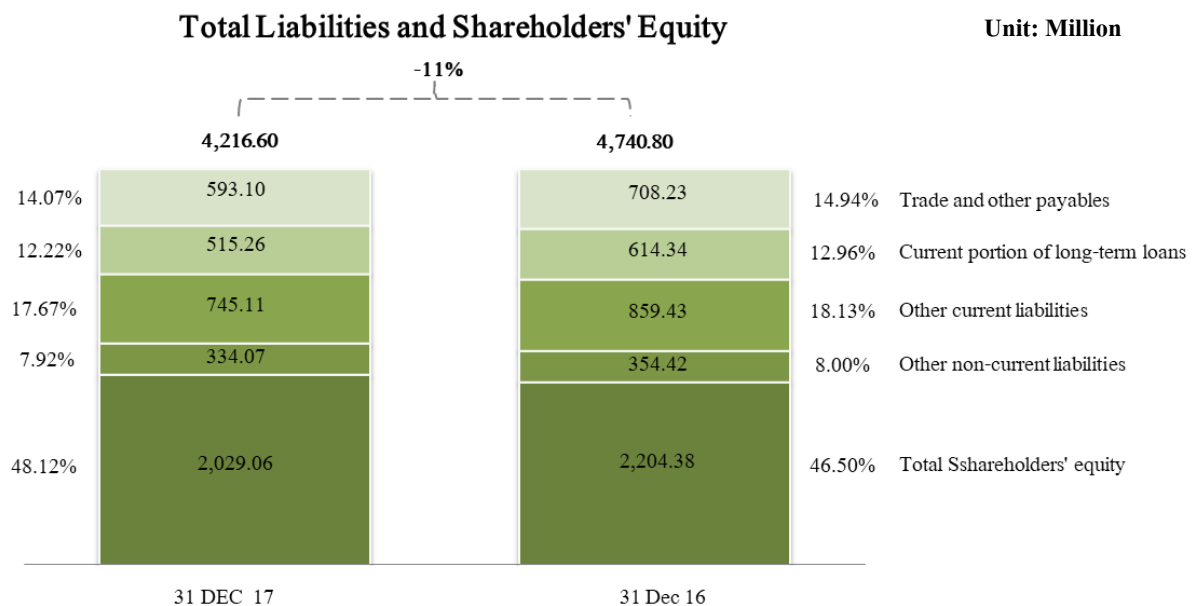
The group's total asset as of December 31, 2017 has decreased by Baht 524.40 million or 11.06% as compared to December 31, 2016. This was mainly due to the decreased in cash and cash equivalents as well as other non-current asset, the details as follow

Current asset decreased by Baht 325.40 million or 10.95% as the result of:

- The decrease in cash and cash equivalents of Baht 237.34 million or 52.12% in line with the repayment of short-term loans (Promissory Notes and Bills of Exchange) as well as the repayment of long-term loans.
- Trade and other receivables has decreased by Baht 62.05 million or 13.38% as the group is able to collect its receivables on term, along with the appreciation in Thai Baht which has resulted in the decrease in Trade and other receivables.

Investment properties decreased by Baht 91.28 or 13.41% due to the fact that the Company has planned on selling certain land held for development. The aforesaid property, therefore, has been reclassified into Assets held for sale, of which is part of current asset.

Other non-current asset decreased by Baht 59.97 million or 17.59% as the Company has sold its Government Bond during the past year along with the decrease in Amounts due from related parties.



The group's total liabilities as of December 31, 2017 was at Baht 2,187.53 million, decreased by Baht 348.88 million or 13.75% as compared to December 31, 2016 details as follow

Trade and other payables have decreased by Baht 115.14 million or 16.26% in regards with the appreciation in Thai Baht as well as the significant decrease in Trade payables.

Other current Liabilities decreased by Baht 114.31 million or 13.30% considering the repayments in short-term loans and Bills of Exchange.

Total shareholders' equity as of December 31, 2017 was at Baht 2,029.06 million or decreased by Baht 175.32 million or 7.95% as compared to December 31, 2016 mainly due to the net loss for the year 2017.

Cash flow statement for the twelve-month period ended December 31, 2017, Pranda Group has cash and cash equivalents decrease Baht 237.34 million details as follow

Unit: Million Baht

January - December

	<u>2017</u>	<u>2016</u>
Cash Flow from Operating Activities	11.54	(112.32)
Cash Flow from Investing Activities	43.57	(77.60)
Cash Flow from Financing Activities	(309.69)	222.38
Increase in Translation Adjustment	17.24	64.69
Net Cash Flow	(237.34)	97.15

Company's Cash Inflow from Operating Activities during Year 2017 is at Baht 11.54 million, improved from last year as a result of lower Operating Loss as well as better management on the Company's working capital, both its Trade and other receivables and its Inventories.

Cash Inflow from Investing Activities during Year 2017 is at Baht 43.57 million as the Company has received deposits on the sale of certain land held for development along with the cash receipt from withdrawal of government bond with maturity. While during the same period of the previous year, there was cash outflow from investing activities in line with the opening of flagship shop in Paris, France.

Cash Outflow from Financing Activities during Year 2017 is at Baht 309.69 million while last year, the Company has cash inflow from financing activities at Baht 222.38 million mainly due to several debt repayments, including bills of exchange, as well as other long-term loans. This cash outflow from financing activities during Year 2017 has significantly impacted the Company's overall cash flow. However, the Company is in the process of negotiating with financial institutions to refinance its financial credit facilities. During the past 12 months the Company is able to repay debts per its terms and conditions.

Event after the reporting period

On 29 January 2018, the Extraordinary Shareholder's Meeting of the Company passed a resolution to approve the following matters.

- 1) Approval on issuance and offering of the convertible debentures on a private placement basis in the amount of not exceeding baht 500 million to Advance Opportunities Fund I.
- 2) Approval on issuance and offering of the warrants to purchase ordinary shares of the Company No. 2 (PDJ-W2) to the existing shareholders at the total number of 25,595,562 units to maintain the shareholding proportion of the existing shareholders at the ratio of 16 existing ordinary shares to 1 unit of warrant at no cost, with the exercise price of Baht 1 per share and with the term not exceeding 1 year from issuance date of the warrant.
- 3) Approval on issuance and offering of the warrants to purchase ordinary shares of the Company No. 3 (PDJ-W3) to the existing shareholders at the total number of 25,595,563 units to maintain the shareholding proportion of the existing shareholders at the ratio of 16 existing ordinary shares to 1 unit of warrant at no cost and with the exercise price of Baht 1 per share and with the term not exceeding 2 year from issuance date of the warrant.
- 4) Approval issuance and offering of the warrants to purchase ordinary shares of the Company No. 4 (PDJ-W4) to the existing shareholders at the total number of 51,191,125 units to maintain the shareholding proportion of the existing shareholders at the ratio of 8 existing ordinary shares to 1 unit of warrant at no cost and with the exercise price of Baht 1 per share and with the term not exceeding 3 year from issuance date of the warrant.
- 5) Approval issuance and offering of the warrants to purchase ordinary shares of the Company to its directors and employees of the Company and its subsidiaries No. 2 at the total number of 20,476,450 unit at no cost and with the exercise price of Baht 4 per share and with the term not exceeding 3 year from issuance date of the warrants for Directors and Employees No. 2.
- 6) Approval on the increase of the registered capital from the existing registered capital of Baht 409,529,000 to the new registered capital of Baht 634,769,950 by issuing 225,240,950 newly issued ordinary shares at the par value of Baht 1 per share. Subsequently, the Company has registered to increase the registered capital with the Ministry of Commerce, on 7 February 2018.

Subsidiary - Pranda & Kroll GmbH & Co. KG

On 13 February 2018, a meeting of the Company's Board of Directors passed a resolution to dissolve a subsidiary, Pranda & Kroll GmbH & Co. KG, from 13 February 2018. At present, the subsidiary is in the process of liquidation. This subsidiary is not a significant segment of the Group, therefore, there is no significant impact on the consolidated financial statements. During the current year, the Company recorded impairment loss on assets of the subsidiary, Pranda & Kroll GmbH & Co. KG, of Baht 386 million.

Please be informed accordingly.

Yours Sincerely

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Chairman of Finance & Risk Management Committee

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