

Sor Lor 034/2019

August 13, 2019

Subject : Management's Discussion and Analysis for the second Quarter period of 2019

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 second Quarter period ended June 30, 2019 which compared to the same period of 2018.

For the operating result of second Quarter ended June 30, 2019 compared to the same period of 2018. There is a loss on equity holders of the company at the amount of Baht 209.74 million increased by compared to the same period of previous year at Baht 478.60 million or 178.01%. The Statement of Comprehensive Income in brief is presented as followed:

	Unit: Million Baht		
	April - June		Change
	2019	2018	(%)
Sales revenue	506.15	616.50	(17.90%)
Cost of sales	403.59	419.78	(3.86%)
Gross profit	102.56	196.72	(47.86%)
Gross profit margin	20.26%	31.91%	(11.65%)
Selling and administrative expenses	280.03	231.70	20.86%
Operating profit (Loss)	(177.47)	(34.98)	407.35%
Finance cost	15.70	18.69	(16.00%)
Gain (Loss) on exchange rate	(43.30)	15.58	(377.92%)
Other items	14.13	346.53	(95.92%)
Tax income (expenses)	10.09	(51.44)	119.62%
Non-controlling interests of the subsidiaries	2.51	11.86	(78.84%)
Profit (Loss) on equity holders of the Company	(209.74)	268.86	(178.01%)

Pranda Group has revenue of Baht 506.15 million decreased by compared to the same period of previous year Baht 616.35 million or 17.90% due to declining of world economy which directly affect to key customer of Pranda Group. Sale in distribution business decreased by 57% from the same period of previous year due to the restructuring of operations which do not generate profitability. These includes the sales decrease resulted from ceased operation of subsidiary in Germany which begin since first quarter of 2018, downsizing of subsidiary operation in USA in second quarter of 2018 and planning to downsize subsidiary in France in first quarter of 2019. For sale in retail business decreased by 12% due to Thailand market decelerated and reduced spending in fine jewelry products. However, sale in production business increased by 7% compared with the same period of previous year due to restructuring plan as aforementioned above. So customers order to production business unit directly.

Gross profit margins decreased from 31.91% to 20.26% in second Quarter 2019. However, if excluding the effect from past service cost on Long-term employee benefit in production line due to new law which included in cost of goods sold at Baht 42.49 million which is one-time expense, gross profit margin slightly decreased by 3.25% at 28.66% in second Quarter 2019 as table below.

Normalized Income Statement

Unit: Million Baht

	April - June		
	2019	2018	Change (%)
Sales revenue	506.15	616.50	(17.90%)
Cost of sales	403.59	419.78	(3.86%)
<u>Less</u> One-time Expenses			
- Long-term employee benefit expenses	42.49	-	100.00%
	361.10	419.78	(13.98%)
Gross profit	145.05	196.72	(26.27%)
Gross profit margin	28.66%	31.91%	(3.25%)
Selling and administrative expenses	280.03	231.70	20.86%
<u>Less</u> One-time Expenses			
- Long-term employee benefit expenses	24.90	-	100.00%
- Impairment loss on leasehold right	11.33	-	100.00%
	243.80	231.70	(5.22%)
Operating profit (Loss)	(98.75)	(34.98)	182.31%

Selling and Administrative expense increased by THB 48.33 million due to included one-time expense at THB 36.23 million which consist of Long-term employee benefit expenses which not related to production line at THB 24.90 million and impairment loss on leasehold right THB 11.33 million.

If excluding the effect as aforementioned above, Selling and Administrative expense increased net by THB 12.10 million or 5.22% in second Quarter 2019.

Therefore, Pranda Group has operating loss at Baht 177.47 million compared to the same period of previous year which has operating loss at Baht 34.98 million. However, without one-time expenses, Pranda Group has normalized operating loss at Baht 98.75 million as analysis above.

Pranda Group has finance cost at Baht 15.70 million decreased by compared to the same period of previous year Baht 2.99 million or 16.00% which mainly due to loan outstanding balance as of ended in second quarter in 2019 lower than the same period of previous year.

In second Quarter, loss on exchange rate at the amount of Baht 43.30 million while the same period of previous year which has gain on exchange rate at 15.58 million due to appreciation on Baht which mainly came from unrealized loss on exchange rate of working capital in subsidiary in foreign country.

Other items has at THB 14.13 million decreased by THB 332.4 million or 95.92% as a result of gain on sales of land of THB 334.57 million in six-month period in 2018.

Pranda Group has tax income THB 10.09 million while the same period of previous year had tax expense THB 51.44 million which is owing to the tax on profit made by the Company and expenses occurring from the tax assessment by the Revenue Department.

In summary, Pranda Group has made loss on equity holders of the company at Baht 209.74 million while the same period of previous year had made profit THB 268.86 million.

For the operating results of six-month period ended June 30, 2019 which compare to the same period of 2018, Pranda Group has made loss on equity holders of the company at the amount of Baht 281.11 million increased by THB 464.73 million or 253.09% with the Statement of Comprehensive Income presented as below.

	Unit: Million Baht		
	January - June		
	2019	2018	Change (%)
Sales revenue	1,075.48	1,323.60	(18.75%)
Cost of sales	824.16	936.02	(11.95%)
Gross profit	251.32	387.58	(35.16%)
Gross profit margin	23.37%	29.28%	(5.91%)
Selling and administrative expenses	477.81	460.52	3.75%
Operating profit (Loss)	(226.49)	(72.94)	210.52%
Finance cost	30.24	40.89	(26.05%)
Gain (Loss) on exchange rate	(60.17)	(20.54)	192.94%
Other items	23.50	355.19	(93.38%)
Tax income (expenses)	5.44	(56.35)	109.65%
Non-controlling interests of the subsidiaries	6.85	19.15	(64.23%)
Profit (Loss) on equity holders of the Company	(281.11)	183.62	(253.09%)

Pranda Group has revenue of Baht 1,075.48 million decreased by compared to the same period of previous year Baht 248.12 million or 18.75% due to declining of world economy which directly affect to key customer of Pranda Group in production business which resulted in sales decreased by 10%. Sale in distribution business decreased by 49% due to the restructuring of operations which do not generate profitability. These includes the sales decrease resulted from ceased operation of subsidiary in Germany which begin since first quarter of 2018, downsizing of subsidiary operation in USA in second quarter of 2018 and planning to downsize subsidiary in France in first quarter of 2019. For sale in retail business decreased by 12% due to Thailand market decelerated and reduced spending in fine jewelry products.

Gross profit margin has decreased from 29.28% to 23.37% compared with the same period of previous year. However, if excluding the effect from Long-term employee benefit in production line which included in cost of goods sold at Baht 42.49 million which is one-time expense. Gross profit margin has decreased by 1.96% at 27.32% for period six-month 2019 as table below.

Normalized Income Statement

Unit: Million Baht

	January - June		Change (%)
	2019	2018	
Sales revenue	1,075.48	1,323.60	(18.75%)
Cost of sales	824.16	936.02	(11.95%)
<u>Less</u> One-time Expenses			
- Long-term employee benefit expenses	42.49	-	100.00%
	781.67	936.02	(16.49%)
Gross profit	293.81	387.58	(24.19%)
Gross profit margin	27.32%	29.28%	(1.96%)
Selling and administrative expenses	477.81	460.52	3.75%
<u>Less</u> One-time Expenses			
- Long-term employee benefit expenses	24.90	-	100.00%
- Impairment loss on leasehold right	11.33	-	100.00%
	441.58	460.52	(4.11%)
Operating profit (Loss)	(147.77)	(72.94)	102.60%

Selling and Administrative expense increased by THB 17.29 million due to included one-time expense at THB 36.23 million which consist of Long-term employee benefit expenses which not related to production line at THB 24.90 million and impairment loss on leasehold right THB 11.33 million.

If excluding the effect as aforementioned above, Selling and Administrative expense decreased by THB 18.94 million or 4.11% for six-month period in 2019 due to result of expense reduction from the subsidiary in distribution business that is being liquidated.

Therefore, Pranda Group has operating loss at Baht 226.49 million compared to the same period of previous year which has operating loss at Baht 72.94 million. However, after net one-time expense, Pranda Group has normalized operating loss at Baht 147.77 million as analysis above.

Pranda Group has finance cost at Baht 30.24 million decreased by compared to the same period of previous year Baht 10.65 million or 26.05% which mainly due to loan outstanding balance as at period ended in 2019 lower than the same period of previous year.

For six-month period, Pranda Group has loss on exchange rate at the amount of Baht 60.17 million increased by THB 39.69 million or 192.94% compared with the same period of previous year due to appreciation on Baht which mainly came from unrealized loss on exchange rate of working capital in subsidiary in foreign country.

Other items has at THB 23.50 million decreased by THB 331.69 million or 93.38% as a result of Pranda Group had gain on sales of land THB 334.57 million as of six-month period in 2018.

Pranda Group has tax income THB 5.44 million while the same period of previous year had tax expense THB 56.35 million which is owing to the tax on profit made by the Company and expenses occurring from the tax assessment by the Revenue Department.

In summary, Pranda Group has made loss on equity holders of the company at Baht 281.11 million while the same period of period previous year had made profit THB 183.62 million.

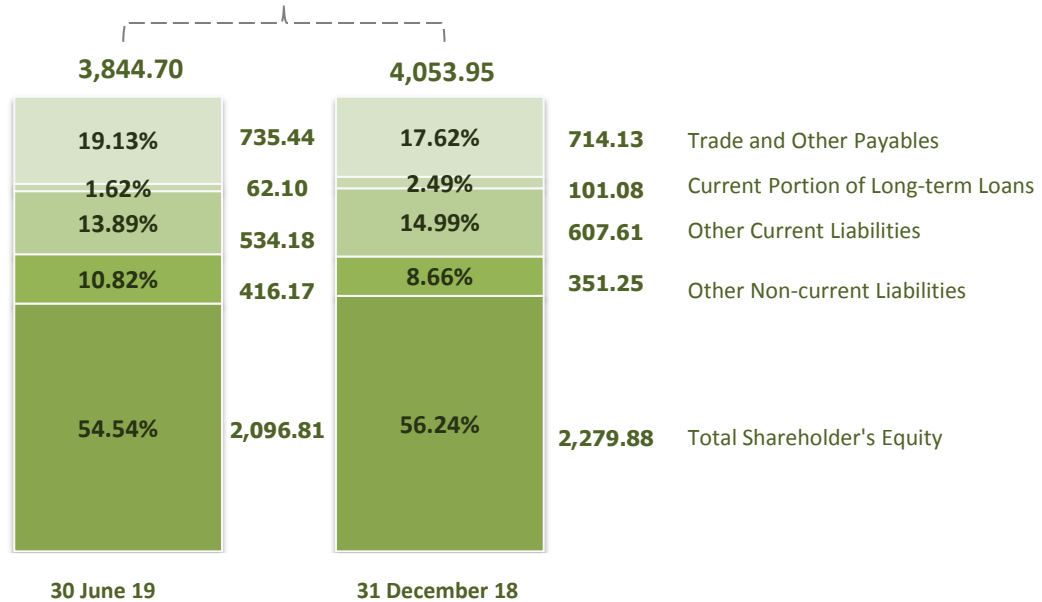
For statement of financial position as at June 30, 2019, changes as compared to December 31, 2018 are as followed:

	Total Asset (5.16)%		Unit : Million Baht	
	30 June 19		31 December 18	
	3,844.70		4,053.95	
Cash and cash equivalents	8.50%	326.83	9.79%	396.85
Trade and other receivables	9.02%	346.72	10.63%	430.96
Inventories	43.77%	1,682.87	41.81%	1,694.83
Other current asset	2.41%	92.84	2.43%	98.55
Investment Properties	15.28%	587.48	14.53%	589.18
Property, plant and equipment	16.11%	619.21	15.90%	644.57
Other non-current asset	4.91%	188.73	4.91%	199.01
	30 June 19		31 December 18	

The group's total asset as of June 30, 2019 was at Baht 3,844.70 million which has decreased by Baht 209.25 million or 5.16% as compared to December 31, 2018 primarily due to decreasing in account receivable as result of lower sales .

**Total Liabilities and Shareholders' Equity
(5.16)%**

Unit : Million Baht



The group's total liabilities as of June 30, 2019 was at Baht 3,844.70 million, decreased by Baht 209.25 million or 5.16% as compared to December 31, 2018 mainly due to loss from operation attribute to equity holders.

Cash flow statement for the period ended June 30, 2019, Pranda Group has cash and cash equivalents decrease by Baht 137.62 million details as follow:

	Unit: Million Baht	
	2019	2018
Cash Flow from Operating Activities	(78.07)	179.65
Cash Flow from Investing Activities	(7.88)	333.57
Cash Flow from Financing Activities	(58.49)	(457.84)
Increase in Translation Adjustment	74.42	12.22
Net Cash Flow	(70.02)	67.60

The Company's Cash outflow used in Operating Activities during the six-month period ended June 30, 2019 is at Baht 78.07 million, decreased as a result of Pranda Group has loss from operation after adjustment to reconcile of non-cash transaction THB 167.16 million mainly due to Pranda Group has account receivable and other receivable decreased by THB 76.09 million and account payable and other payable increased by THB 39.81 million as well as paid for retired employee THB 10.35 million.

Cash Outflow used in Investing Activities during six-month period ended June 30, 2019 is at Baht 7.88 million generally due to fixed assets for operating working capital in Pranda Group.

Cash Outflow used in Financing Activities during six-month period ended June 30, 2019 is at Baht 58.49 million; The group has been repaying its long-term loans amount Baht 73.06 million However, during the period there is cash inflow from proceeds ordinary shares issuance from exercised warrants at the amount of Baht 24.58 million as well as Pranda Group still repays its debt on schedule.

Translation adjustment for the period ended June 30, 2019 at THB 74.42 million mainly came from appreciation on Baht by 6% which resulted in unrealized loss on exchange rate from translation adjustment of subsidiary which main currency was US dollars, Pound Sterling and Euro.

Please be informed accordingly.

Yours Sincerely

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Chairman of Finance & Risk Management Committee

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