

Sor Lor 032/2020

August 14, 2020

Subject : Management's Discussion and Analysis for the second Quarter 2020

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, 2020 which compared to the same period of 2019.

For the operating result of second Quarter ended June 30, 2020 compared with the same period of 2019. There is a loss on equity holders of the company at the amount of Baht 123.77 million decreased compared to the same period of previous year that the company has loss on equity holders at Baht 209.74 million or decreased by 40.99%. The Statement of Comprehensive Income in brief is presented as followed:

	Unit: Million Baht		
	April - June		
	2020	2019	Change (%)
Sales revenue	486.32	506.15	(3.92%)
Cost of sales	438.96	403.59	8.76%
Gross profit	47.36	102.56	(53.82%)
Gross profit margin	9.74%	20.26%	(10.52%)
Selling and administrative expenses	124.89	280.03	(55.40%)
Operating profit (Loss)	(77.53)	(177.47)	(56.31%)
Finance cost	12.73	15.70	(18.92%)
Gain (Loss) on exchange rate	(53.83)	(43.30)	24.32%
Other items	1.86	14.13	(86.84%)
Tax income (expenses)	16.14	10.09	59.96%
Non-controlling interests of the subsidiaries	2.32	2.51	(7.57%)
Profit (Loss) on equity holders of the Company	(123.77)	(209.74)	(40.99%)

The Group has revenue of Baht 486.32 million compared to the same period of previous year Baht at 506.15 million or decreased by 3.92% due to sale from production business increased by 11% compared with same period of previous year which has proportion at 60% of total revenue. As a result of the Group was impacted from the epidemic situation of the Corona virus 2019 (COVID-19) that has been spread throughout the world. Mainly customer groups requested to delay and postpone the delivery schedule. However, in the production base, raw materials are sold during this period for convert to cash flow during the quarter, resulting of higher revenue.

While revenue in distribution business has proportion at 6% of total revenue which decreased by 57% compared with same period of previous year due to restructuring plan as restructuring of operations which do not generate profitability compared with sales from same period of previous year which has not effect plan to downsize subsidiary in France in second quarter of 2019.

For revenue in retail business decreased by 11% which has proportion at 34% of total revenue which impacted from the epidemic situation of the Corona virus 2019 (COVID-19) that has spread throughout the world. Continually from first quarter 2020, many countries throughout the world have announcement from government agencies to the company that operate in department store to temporarily close. In Thailand, it has effective since March 22, 2020 and in Vietnam effective since March 27, 2020. After the first unlock period in Vietnam and Thailand, the retail business are able to operate normally on April 23, 2020 and May 17, 2020 which resulted in decreasing on revenue.

As a result of overall in second quarter 2020 has gross profit Baht 47.36 million or 9.74% while the same period of previous year was at 20.26%. The Group has temporarily closed certain section and reduced working hours. While, the Group still has to pay certain fixed cost with minimal orders. Including, raw material sold in production base for cash flow management lead to revenue with low gross margin.

Selling and administrative expenses of the Group are at Baht 124.89 million or decreased by 55.40%, due to postpone expense policy and temporarily closed operation in certain section as effected from COVID-19 which resulted in decreased on related expenses. In addition, compared with same period of previous year had one-time expense at Baht 36.23 million which consists of long-term employee benefit which not related to production line Baht 24.90 million and impairment loss on leasehold right Baht 11.33 million.

The Group has finance cost at Baht 12.73 million compared to the same period of previous year at Baht 15.70 million or decreased by 18.92% which mainly due to loan outstanding balance as at June 30, 2020 less than the same period of previous year.

In second Quarter, Pranda Group has loss on exchange rate at the amount of Baht 53.83 million compared to the same period of previous year which had loss on exchange rate at Baht 43.30 million mainly came from depreciation on Baht compared with US dollars and Euro by 2.18% and 3.10% respectively which mainly due to unrealized loss on exchange rate of working capital in subsidiary in foreign country.

Other items at Baht 1.86 million while second quarter in 2020 had other items at Baht 14.13 million decreased by 86.84% mainly came from lodging business in the Group reduced lodging fee for customer in order to mitigate the effect of the epidemic situation of the Corona virus 2019 (COVID-19) as well as the Group received payment from customer which ever set provision Baht 4.8 million in second quarter in 2019.

Group has tax income Baht 16.14 million while the same period of previous year had tax income Baht 10.19 million as a result of second quarter 2020, the Group has taxable profit higher than second quarter 2019 which are all related to the Company financial statements.

In summary, Pranda Group has made loss on equity holders of the company at Baht 123.77 million decreased compared with the same period of previous year which had made loss Baht 209.74 million.

For the operating result of six-month period ended June 30, 2020 compared with the same period of 2019. There is a loss on equity holders of the company at the amount of Baht 153.99 million decreased compared to the same period of previous year that the company has loss on equity holders at Baht 281.11 million or decreased by 45.22%. The Statement of Comprehensive Income in brief is presented as followed:

	Unit: Million Baht		
	January - June		Change
	2020	2019	(%)
Sales revenue	1,085.65	1,075.48	0.95%
Cost of sales	896.57	824.16	8.79%
Gross profit	189.08	251.32	(24.77%)
Gross profit margin	17.42%	23.37%	(5.95%)
Selling and administrative expenses	314.59	477.81	(34.16%)
Operating profit (Loss)	(125.51)	(226.49)	(44.58%)
Finance cost	31.12	30.24	2.91%
Gain (Loss) on exchange rate	(8.22)	(60.17)	(86.34%)
Other items	0.41	23.50	(98.26%)
Tax income (expenses)	(1.64)	5.44	(130.15%)
Non-controlling interests of the subsidiaries	12.09	6.85	76.50%
Profit (Loss) on equity holders of the Company	(153.99)	(281.11)	(45.22%)

Pranda has revenue in six-month 2020 at Baht 1,085.65 million compared to the same period of previous year at Baht 1,075.48 million or increased by 0.95% mainly came from sales in production business increased by 24% compared with same period of previous year which has proportion 60% of total revenue. Since first quarter 2019, declining of world economy directly impacted to our key customer of production base that cause of sale decreased. Also, as a result of restructuring plan which do not generate profitability in distribution business that resulted in customer order more directly to production business as well as large impact of epidemic of COVID-19 throughout the world. Mainly customer groups requested to delay and postpone the delivery schedule. However, in the production base, raw materials are sold during this period for convert to cash flow during the quarter, resulting of higher revenue.

Meanwhile, revenue in distribution business which has proportion 7% of total revenue decreased by 50% compared with same period or previous year due to restructuring plan as restructuring of operations which do not generate profitability compared with sales from same period of previous year which has not effect plan to downsize subsidiary in France in second quarter of 2019.

For revenue in retail business decreased by 11% which has proportion 33% of total revenue. which impacted from the epidemic situation of the Corona virus 2019 (COVID-19) which has spread throughout the world. Since in first quarter 2020, many countries throughout the world have announcement from government agencies to the company that operate in department store to temporarily close. In Thailand, it has effective since March 22, 2020 and in Vietnam effective since March 27, 2020. After the first unlock period in Vietnam and Thailand, the retail business are able to operate normally on April 23, 2020 and May 17, 2020 which resulted in decreasing on revenue.

As a result of overall in six-month 2020 has gross profit Baht 189.08 million or 17.42% while the same period of previous year was at Baht 23.37%.

The Group has temporarily closed certain section and reduced working hours. While, the Group still has to pay certain fixed cost with minimal orders. Including, raw material sold in production base for cash flow management lead to revenue with low gross margin.

Selling and administrative expenses of the Group are at Baht 314.59 million decreased by 34.16%, due to postpone expense policy and temporarily closed operation in certain section as effected from COVID-19 which resulted in decreased on related expenses. In addition, compared with same period of previous year had one-time expense at Baht 36.23 million which consists of long-term employee benefit which not related to production line Baht 24.90 million and impairment loss on leasehold right Baht 11.33 million.

In six-month period 2020, the Group has loss on exchange rate at the amount of Baht 8.22 million decreased that compared to the same period of previous year which had loss on exchange rate at Baht 60.17 million mainly came from depreciation on Baht compared with Pound Sterling and Euro by 2.02% and 0.25% respectively which mainly due to unrealized loss on exchange rate of working capital in subsidiary in foreign country.

Other items at Baht 0.41 million decreased by 98.26% compared to the same period of previous year which had other items at Baht 23.50 million mainly came from lodging business in the Group reduced lodging fee for customer in order to mitigate the effect of the epidemic situation of the Corona virus 2019 (COVID-19) as well as Pranda received payment from customer which ever set provision Baht 4.8 million in second quarter in 2019.

The Group has tax expense Baht 1.64 million while the same period of previous year had tax income Baht 5.44 million as a result of second quarter 2020 the Group has taxable profit higher than second quarter 2019 which mostly related to the Company financial statement.

In summary, the Group has made net loss at Baht 153.99 million compared with the same period of previous year which had made net loss Baht 281.11 million.

For statement of financial position as at June 30, 2020, changes as compared to December 31, 2019 are as followed:

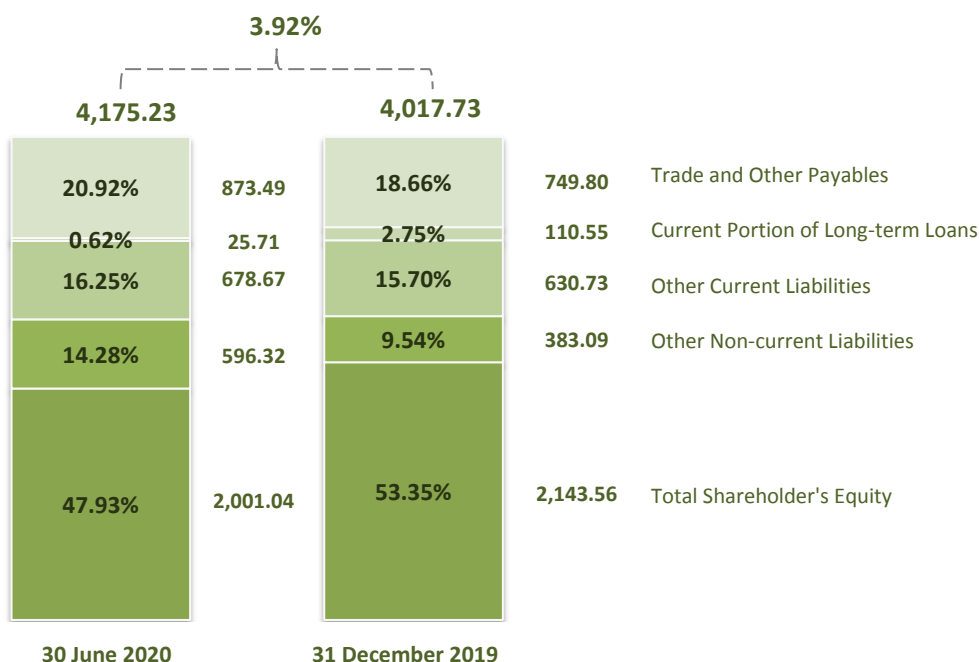
	Total Asset		Unit : Million Baht	
	3.92%			
	4,175.23		4,017.73	
Cash and cash equivalents	15.97%	666.70	13.63%	547.75
Trade and other receivables	5.99%	250.26	10.97%	440.85
Inventories	39.48%	1,648.53	39.26%	1,577.44
Other current asset	2.23%	93.30	2.12%	85.16
Investment Properties	14.06%	587.14	14.62%	587.31
Property, plant and equipment	18.33%	765.32	14.84%	596.03
Other non-current asset	3.93%	163.98	4.56%	183.19
	30 June 2020		31 December 2019	

The group's total asset as of June 30, 2020 was at Baht 4,175.23 million which has increased by Baht 157.50 million or 3.92% as compared to December 31, 2019. The increasing of total assets mainly come from initial adoption of new financial reporting standards related to financial instruments (TFRS9) and lease (TFRS16) which the cumulative effect is recognized as an adjustment to the retained earnings as at 1 January 2020 resulted in decreasing in financial instruments assets transaction Baht 12.10 million and recognized assets related to lease which increased by Baht 201.87 million.

In addition, increasing in inventory come from finish goods on hand to be send to customer in foreign countries due to postponement to receive goods as lockdown measurement as well as increasing on inventory in retail business due to effect from Corona virus 2019 (COVID-19) which resulted in revenue lower than projection.

Total Liabilities and Shareholders' Equity

Unit : Million Baht



The group's total liabilities and shareholders' equity as of June 30, 2020 has at Baht 4,175.23 million, increased by Baht 157.50 million or 3.92% as compared to December 31, 2019, mainly come from initial adoption of new financial reporting standards related to financial instruments (TFRS9) and lease (TFRS16) which the cumulative effect is recognized as an adjustment to the retained earnings as at 1 January 2020 resulted in recognized liabilities related to lease which increased by Baht 201.87 million and decreased on shareholder's equity Baht 12.10 million.

In addition, increasing in trade payables and other payables, current and non-current liabilities as a result of cooperation from various suppliers. These comply with postpone expense policy as effected from COVID-19.

Cash flow statement for six-month period ended June 30, 2020, the Group has cash and cash equivalents at Baht 118.95 million while same period of previous year had cash and cash equivalents at Baht (70.02) million as details as follow:

	Unit: Million Baht	
	January - June	
	2020	2019
Cash Flow from Operating Activities	105.39	(78.07)
Cash Flow from Investing Activities	(9.99)	(7.88)
Cash Flow from Financing Activities	10.70	(58.49)
Increase in Translation Adjustment	12.85	74.42
Net Cash Flow	<u>118.95</u>	<u>(70.02)</u>

The Company's Cash inflow from Operating Activities for six-month period ended June 30, 2020 is at Baht 105.39 million, mainly due to the Group has loss from operation after adjustment to reconcile of non-cash transaction Baht 45.13 million, received payment from trade and other receivables Baht 175.19 million and account payable and other payable increased by Baht 115.12 million as well as cash outflow used in inventory which increased by Baht 78.94 million.

Cash Outflow used in Investing Activities for six-month period ended June 30, 2020 is at Baht 9.99 million generally due to purchasing fixed assets for operating working capital in the Group.

Cash Inflow from Financing Activities for six-month period ended June 30, 2020 is at Baht 10.70 million; The group received short-term loans from financial institutions amount Baht 19.59 million and proceeds ordinary shares issuance from exercised warrants at the amount of Baht 24.31 million as well as the Group still repay its debt on schedule.



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Translation adjustment for six-month period ended June 30, 2020 at Baht 12.85 million mainly came from depreciation on Baht compared with US dollars, Pound Sterling and Euro by 5.51%, 1.75% and 4.93% respectively which resulted in unrealized gain on exchange rate from translation adjustment of subsidiary.

Please be informed accordingly.

Yours Sincerely

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