

Sor Lor 008/2020

March 2, 2020

Subject : Management's Discussion and Analysis for the fourth Quarter and twelve-month 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 fourth Quarter period ended December 31, 2019 which compared to the same period of 2018.

For the operating result of fourth Quarter ended December 31, 2019 compared with the same period of 2018. There is a profit on equity holders of the company at the amount of Baht 45.20 million increased compared to the same period of previous year that the company has profit on equity holders at Baht 28.75 million or increased by 57.22%. The Statement of Comprehensive Income in brief is presented as followed:

	Unit: Million Baht		
	October - December		
	2019	2018	Change (%)
Sales revenue	1,089.88	754.18	44.51%
Cost of sales	811.70	475.90	70.56%
Gross profit	278.18	278.28	(0.04%)
Gross profit margin	25.52%	36.90%	(11.38%)
Selling and administrative expenses	246.70	238.39	3.49%
Operating profit (Loss)	31.48	39.89	(21.08%)
Finance cost	10.44	14.46	(27.80%)
Gain (Loss) on exchange rate	28.39	3.46	720.52%
Other items	18.05	4.37	313.04%
Tax income (expenses)	(22.65)	(4.29)	427.97%
Non-controlling interests of the subsidiaries	0.37	(0.22)	(268.18%)
Profit (Loss) on equity holders of the Company	45.20	28.75	57.22%

Pranda Group has revenue of Baht 1,089.88 million compared to the same period of previous year Baht at 754.18 million or increased by 44.51% due to sale from production business increased by 101% compared with same period of previous year which has proportion at 64% of total revenue. As a result of restructuring plan during the year which resulted in customer order directly to production business as well as customer order in this quarter mainly due to postpone order from earlier in the year.

In addition, Pranda Group has new customer with margin lower than standard in fourth quarter which resulted in overall gross profit margin in fourth quarter lower than same period of previous year.

Revenue in distribution business has proportion at 7% of total revenue which decreased by 71% compared with same period of previous year due to declining of world economy and restructuring plan as aforementioned above. 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 plan to downsize subsidiary in France in second quarter of 2019 due to the restructuring of operations which do not generate profitability.

In addition, gross profit margin from distribution business normally higher than gross profit margin from production business. Anyway, as restructure plan during this year, which resulted in decline of sales from distribution business. These lead to overall gross profit margin decreased.

For revenue in retail business increased by 5% in fourth quarter which has proportion at 29% of total revenue as a result of Pranda Group has started to re-strategic plan. In order for customer to acquire service for all 3 brands, PRIMA GOLD, PRIMA DIAMOND, PRIMA ART under "PRIMA" integrated service of fine jewelry chain store, and to expand customer base in Thailand in third quarter 2019.

As a result of overall in fourth quarter has gross profit margin Baht 278.18 million or 25.52% while the same period of previous year was at 36.90%.

Selling and Administrative expense at Baht 246.70 million due to included one-time expense which related to restructuring of operations which do not generate profitability at Baht 36.30 million

If excluding the effect as aforementioned above, Selling and Administrative expense net at Baht 210.40 million or decreased by 11.74% in fourth Quarter 2019.

Normalized Income Statement

Unit: Million Baht

	October - December		
	2019	2018	Change (%)
Sales revenue	1,089.88	754.18	44.51%
Cost of sales	811.70	475.90	70.56%
Gross profit	278.18	278.28	(0.04%)
Gross profit margin	25.52%	36.90%	(11.38%)
Selling and administrative expenses	246.70	238.39	3.49%
<u>Less</u> One-time Expenses			
- Restructuring expense in distribution business	36.30	-	100.00%
	210.40	238.39	(11.74%)
Operating profit (Loss)	67.78	39.89	69.92%

Therefore, Pranda Group has operating profit at Baht 31.48 million compared to the same period of previous year which has operating profit at Baht 39.89 million. However, excluding one-time expenses, Pranda Group has normalized operating profit at Baht 67.78 million as analysis above.

Pranda Group has finance cost at Baht 10.44 million compared to the same period of previous year at Baht 14.46 million or decreased by 27.80% which mainly due to loan outstanding balance as of ended in fourth quarter in 2019 lower than the same period of previous year.

In fourth Quarter, Pranda Group has gain on exchange rate at the amount of Baht 28.39 million compared to the same period of previous year at Baht 3.46 million due mainly to depreciation on Baht which mainly came from unrealized gain on exchange rate of working capital in subsidiary in foreign country.

In fourth Quarter 2019, Pranda Group has tax expense Baht 22.65 million while the same period of previous year had tax expense Baht 4.29 million as a result of fiscal year 2019 Pranda Group has operating profit higher than previous year. Including Pranda Group has profit on tax based which received 50% reduction of corporate income tax on income derived from the promoted operation. Combined with gain on liquidation of subsidiaries.

In summary, Pranda Group has made profit on equity holders of the company at Baht 45.20 million compared with the same period of previous year which had made profit Baht 28.75 million.

For the operating results of twelve-month period ended December 31, 2019, Pranda Group has made loss on equity holders of the company at the amount of Baht 241.41 million compared with previous year that Pranda Group has made profit on equity holders of the company at the amount of Baht 167.67 million with the Statement of Comprehensive Income presented as below.

	Unit: Million Baht		
	January - December		
	2019	2018	Change (%)
Sales revenue	2,984.76	2,793.85	6.83%
Cost of sales	2,201.26	1,912.54	15.10%
Gross profit	783.50	881.31	(11.10%)
Gross profit margin	26.25%	31.54%	(5.29%)
Selling and administrative expenses	940.50	907.37	3.65%
Operating profit (Loss)	(157.00)	(26.06)	502.46%
Finance cost	54.07	71.38	(24.25%)
Gain (Loss) on exchange rate	(73.46)	(61.69)	19.08%
Other items	47.34	369.45	(87.19%)
Tax income (expenses)	(16.25)	(72.89)	(77.71%)
Non-controlling interests of the subsidiaries	12.03	30.24	(60.22%)
Profit (Loss) on equity holders of the Company	(241.41)	167.67	(243.98%)

Pranda Group has revenue of Baht 2,984.76 million compared to previous year that Pranda Group has revenue of Baht 2,793.85 million or increased by 6.83% due to sale in production business increased by 36% which has proportion at 64% of total revenue due to restructuring plan during year which resulted in customer order directly to production business.

In addition, Pranda Group has new customer with margin lower than standard in 2019 which resulted in overall gross profit margin in this year lower than previous year. If excluding the effect from past service cost on Long-term employee benefit in production line that included in cost of goods sold at Baht 48.60 million which is one-time expense, leading to gross profit margin increased from previous year.

However, revenue from distribution business which has proportion at 7% of total revenue decreased by 58% compared with previous year due to declining of world economy compared with previous year which not effect 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 plan to downsize subsidiary in France in second quarter of 2019 due to the restructuring of operations which do not generate profitability.

In addition, gross profit margin from distribution business normally higher than gross profit margin from production business. Anyway, as restructure plan during this year, which resulted in decline of sales from distribution business. These lead to overall gross profit margin decreased.

For revenue in retail business which has proportion at 29% of total revenue decreased by 5% from previous year due to Thailand market decelerated and reduced spending in fine jewelry products. However, Pranda Group has started to re-strategic plan. In order for customer to acquire service for all 3 brands, PRIMA GOLD, PRIMA DIAMOND, PRIMA ART under "PRIMA" integrated service of fine jewelry chain store, and to expand customer base in Thailand in third quarter 2019. These a resulted of sales growth in fourth quarter as aforementioned above.

As a result of overall in 2019 has gross profit margin Baht 783.50 million or 26.25% while previous year was at 31.54%. However, gross profit in 2019 would be 27.88%, if excluding the effect from one-time expenses that included in cost of goods sold.

Selling and Administrative expense at Baht 940.50 million due to included one-time expense at Baht 110.02 million consist of Long-term employee benefit expenses which not related to production line at Baht 28.77 million and related to restructuring of operations which do not generate profitability in France which consist of loss on sales of leasehold right Baht 11.27 million and restructuring expense in distribution business Baht 69.98 million.

If excluding the effect as aforementioned above, Selling and Administrative expense net at Baht 830.48 million or decreased by 6.72% in 2019.

Normalized Income Statement

Unit: Million Baht

	January - December		
	2019	2018	Change (%)
Sales revenue	2,984.76	2,793.85	6.83%
Cost of sales	2,201.26	1,912.54	15.10%
<u>Less</u> One-time Expenses			
- Long-term employee benefit expenses	48.60	-	100.00%
	2,152.66	1,912.54	12.56%
Gross profit	832.10	881.31	(5.58%)
Gross profit margin	27.88%	31.54%	(3.66%)
Selling and administrative expenses	940.50	907.37	3.65%
<u>Less</u> One-time Expenses			
- Long-term employee benefit expenses	28.77	3.73	671.31%
- Loss on sales of leasehold right	11.27	-	100.00%
- Restructuring expense in distribution business	69.98	-	100.00%
- Provision for the litigation of an overseas subsidiary	-	2.69	(100.00%)
- Expenses incurred from tax assessment	-	10.60	(100.00%)
	830.48	890.35	(6.72%)
Operating profit (Loss)	1.62	(9.04)	117.92%

Therefore, Pranda Group has operating loss at Baht 157.00 million compared with previous year which has operating loss at Baht 26.06 million. However, after net one-time expense, Pranda Group has normalized operating profit at Baht 1.62 million while previous year had normalized operating loss at Baht 9.04 million as analysis above.

Pranda Group has finance cost at Baht 54.07 million compared with previous year at Baht 71.38 million or decreased by 24.25% which mainly due to loan outstanding balance as at period ended December 31, 2019 lower than the same period of previous year.

In 2019, Pranda Group has loss on exchange rate at the amount of Baht 73.46 million compared with previous year at Baht 61.69 million or increased by 19.08% 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 Baht 47.34 million compared with previous year at Baht 369.45 million or decreased by 87.19% as a result of Pranda Group had gain on sales of land Baht 334.57 million as of second quarter in 2018.

Pranda Group has tax expense Baht 16.25 million while previous year had tax expense Baht 72.89 million which is owing to the tax on profit made by the Company and in 2018 had expenses occurring from the tax assessment by the Revenue Department.

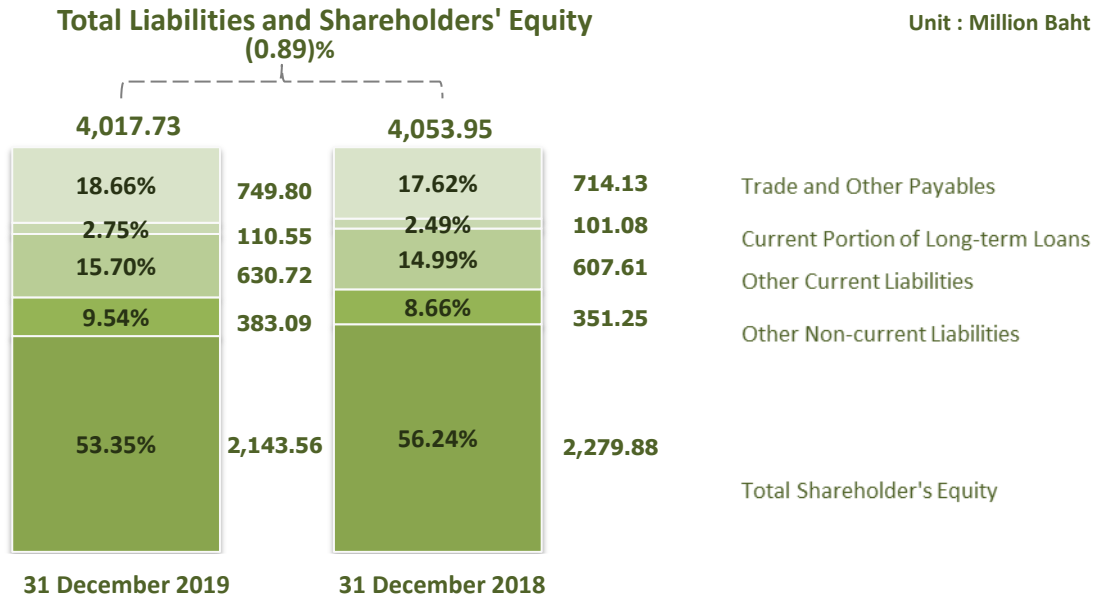
Pranda Group has non-controlling interests of the subsidiaries at Baht 12.03 million while previous year had at Baht 30.24 million as a result of operating loss from distribution business.

In summary, Pranda Group has made loss on equity holders of the company at Baht 241.41 million while previous year had made profit Baht 167.67 million.

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

	Total Assset (0.89)%		Unit : Million Baht	
	4,017.73		4,053.95	
Cash and cash equivalents	13.63%	547.75	9.79%	396.85
Trade and other receivables	10.97%	440.85	10.63%	430.96
Inventories	39.26%	1,577.44	41.81%	1,694.83
Other current asset	2.12%	85.16	2.43%	98.55
Investment Properties	14.62%	587.31	14.53%	589.18
Property, plant and equipment	14.84%	596.03	15.90%	644.57
Other non-current asset	4.56%	183.19	4.91%	199.01
	31 December 2019		31 December 2018	

The group's total asset as of December 31, 2019 was at Baht 4,017.73 million which has decreased by Baht 36.22 million or 0.89% as compared to December 31, 2018 primarily due to decreasing in inventory as a result of efficiency on inventory management.



The group's total liabilities and shareholders' equity as of December 31, 2019 has at Baht 4,017.73 million, increased by Baht 36.22 million or 0.89% as compared to December 31, 2018 mainly due to reduction on shareholders' equity as a result of loss from operation.

Cash flow statement for the period ended December 31, 2019, Pranda Group has cash and cash equivalents at Baht 150.90 million while same period of previous year had cash and cash equivalents at Baht 178.82 million as details as follow:

	Unit: Million Baht	
	January - December	
	2019	2018
Cash Flow from Operating Activities	50.71	229.72
Cash Flow from Investing Activities	(20.27)	324.56
Cash Flow from Financing Activities	25.81	(425.65)
Increase in Translation Adjustment	94.66	50.18
Net Cash Flow	150.90	178.82

The Company's Cash Inflow from Operating Activities during the twelve-month period ended December 31, 2019 is at Baht 50.71 million, decreased as a result of Pranda Group has loss from operation after adjustment to reconcile of non-cash transaction Baht 24.54 million mainly due to Pranda Group has inventory decreased by Baht 116.10 million and account payable and other payable increased by Baht 51.82 million as well as paid for retired employee Baht 15.71 million.

Cash Outflow used in Investing Activities during twelve-month period ended December 31, 2019 is at Baht 20.27 million generally due to purchasing fixed assets for operating working capital in Pranda Group.

Cash Inflow from Financing Activities during twelve-month period ended December 31, 2019 is at Baht 25.81 million; The group has been repaying its long-term loans amount Baht 116.74 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 twelve-month period ended December 31, 2019 at Baht 94.66 million mainly came from appreciation on Baht compared with US dollars, Pound Sterling and Euro by 7.72%, 7.75% and 10.61% respectively which resulted in unrealized loss on exchange rate from translation adjustment of subsidiary.

Please be informed accordingly.

Yours Sincerely

Chanat Sorakraikitikul
Chairman of Finance & Risk Management Committee

Corporate Secretary Office
Tel. 02-769-9999 Ext. 431, 403, 436
Fax: 02-398-2141