

Sor Lor 020/2020

May 14, 2020

Subject : Management's Discussion and Analysis for the first 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 first Quarter period ended March 31, 2020 which compared to the same period of 2019.

For the operating result of first Quarter ended March 31, 2020 compared with the same period of 2019. There is a loss on equity holders of the company at the amount of Baht 30.22 million decreased compared to the same period of previous year that the company has loss on equity holders at Baht 71.37 million or decreased by 57.66%. The Statement of Comprehensive Income in brief is presented as followed:

	Unit: Million Baht		
	January - March		Change (%)
	2020	2019	
Sales revenue	599.33	569.33	5.27%
Cost of sales	457.61	420.57	8.81%
Gross profit	141.72	148.76	(4.73%)
Gross profit margin	23.65%	26.13%	(2.48%)
Selling and administrative expenses	198.90	197.78	0.57%
Operating profit (Loss)	(57.18)	(49.02)	16.65%
Finance cost	18.39	14.54	26.48%
Gain (Loss) on exchange rate	45.61	(16.87)	(370.36%)
Other items	7.75	9.37	(17.29%)
Tax income (expenses)	(17.78)	(4.65)	282.37%
Non-controlling interests of the subsidiaries	9.77	4.34	125.12%
Profit (Loss) on equity holders of the Company	(30.22)	(71.37)	(57.66%)

Pranda Group has revenue of Baht 599.33 million compared to the same period of previous year Baht at 569.33 million or increased by 5.27% due to sale from production business increased by 37% compared with same period of previous year which has proportion at 64% of total revenue. As, first quarter 2019, declining of world economy impacted to our key customer of production base that cause of sale decreased. As a result of restructuring plan which do not generate profitability in distribution business that resulted in customer order more directly to production business.

While revenue in distribution business has proportion at 7% of total revenue which decreased by 42% 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 16% which has proportion at 34% of total revenue. As a result of effect of the epidemic situation of the Corona virus 2019 (COVID-19) which has spread throughout the world. In first quarter 2020, subsidiary in Vietnam has been impacted since 22 January 2020 and 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 22 March 2020 and in Vietnam effective since 27 March 2020 which resulted in decreasing on sales accordingly.

As a result of overall in first quarter 2020 has gross profit Baht 141.72 million or 23.65% while the same period of previous year was at 26.13%.

In first quarter 2020, Pranda Group recognized expenses which related to financial instruments Baht 2.00 million and expense related to lease contract expense Baht 0.15 million due to adoption of new financial reporting standards related to financial instruments (IFRS9), lease (IFRS16) accordingly.

Pranda Group has finance cost at Baht 18.39 million compared to the same period of previous year at Baht 14.54 million or increased by 26.48% which mainly due to loan outstanding balance as at March 31, 2020 higher than the same period of previous year. In addition, Pranda Group recognized expense related to lease contract Baht 2.45 million as adoption of new financial reporting standards related to financial instruments - lease contract (IFRS16) accordingly.

In first Quarter, Pranda Group has gain on exchange rate at the amount of Baht 45.61 million compared to the same period of previous year which had loss on exchange rate at Baht 16.87 million due mainly to depreciation on Baht which mainly came from unrealized gain on exchange rate of working capital in subsidiary in foreign country.

Pranda Group has tax expense Baht 17.78 million while the same period of previous year had tax expense Baht 4.65 million as a result of first quarter 2020 Pranda Group has taxable profit higher than first quarter 2019 which are all related to Pranda separate financial statements.

In summary, Pranda Group has made loss on equity holders of the company at Baht 30.22 million compared with the same period of previous year which had made loss Baht 71.37 million.

For the operating result of separate financial statement in first Quarter ended March 31, 2020 compared with the same period of 2019. There is net loss at the amount of Baht 13.92 million decreased compared to the same period of previous year that the company has net loss at Baht 51.60 million or decreased by 73.02%. The Statement of Comprehensive Income in brief is presented as followed:

	Unit: Million Baht		
	January - March		
	2020	2019	Change (%)
Sales revenue	516.66	390.74	32.23%
Cost of sales	428.31	338.32	26.60%
Gross profit	88.35	52.42	68.54%
Gross profit margin	17.10%	13.42%	3.68%
Selling and administrative expenses	83.55	93.01	(10.17%)
Operating profit (Loss)	4.80	(40.59)	(111.83%)
Finance cost	11.17	9.87	13.17%
Gain (Loss) on exchange rate	1.94	(15.25)	(112.72%)
Other items	8.10	13.81	(41.35%)
Tax income (expenses)	(17.59)	0.30	(5,963.33%)
Net Profit (Loss)	(13.92)	(51.60)	(73.02%)

Pranda has revenue in first quarter 2020 at Baht 516.66 million compared to the same period of previous year Baht at 390.74 million or increased by 32.23%. As first quarter 2019, declining of world economy impacted to our key customer of production base that cause of sale decreased. As a result of restructuring plan which do not generate profitability in distribution business that resulted in customer order more directly to production business.

In first quarter 2020, Pranda recognized expenses which related to financial instruments Baht 2.00 million due to adoption of new financial reporting standards related to financial instruments -lease contract (IFRS16) accordingly.

As a result of overall in first quarter 2020 has operating profit Baht 4.80 million while the same period of previous year had operating loss at Baht 40.59 million.

Pranda has finance cost at Baht 11.17 million compared to the same period of previous year at Baht 9.87 million or increased by 13.17% which mainly due to loan outstanding balance as at March 31, 2020 higher than the same period of previous year.

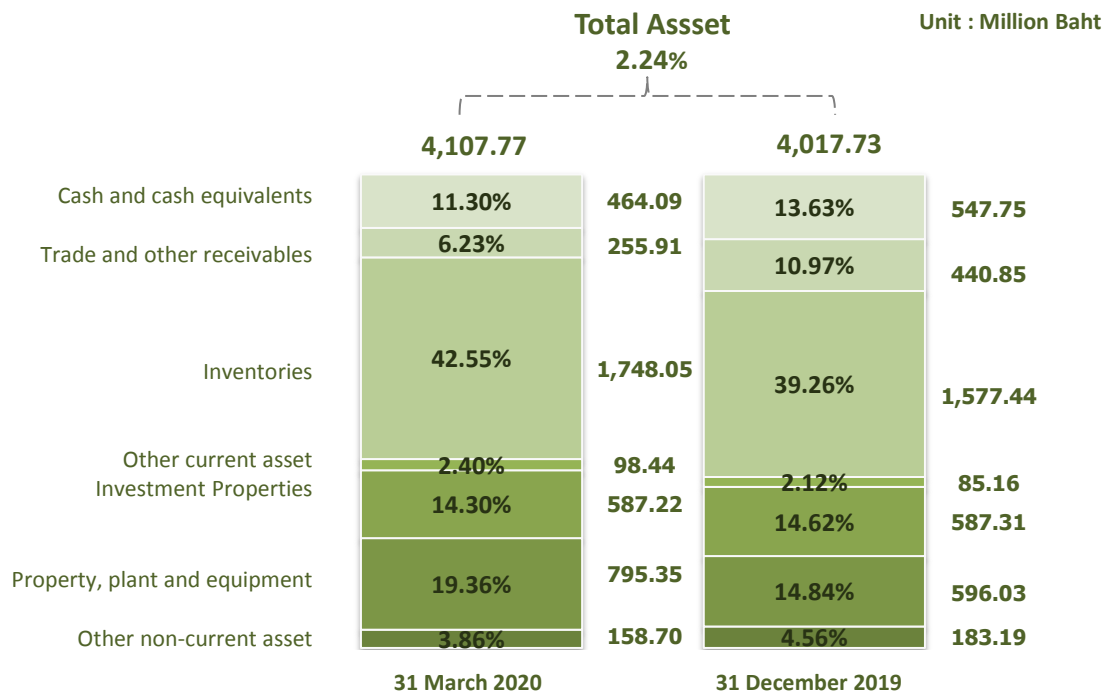
In first Quarter, Pranda has gain on exchange rate at the amount of Baht 1.94 million compared to the same period of previous year which had loss on exchange rate at Baht 15.25 million due mainly to depreciation on Baht which mainly came from unrealized gain on exchange rate of working capital in subsidiary in foreign country.

Other items at Baht 8.10 million compared to the same period of previous year which had other items at Baht 13.81 million or decreased by 41.35% mainly due to changing on intercompany transaction policy to align with strategic plan of Pranda Group.

Pranda has tax expense Baht 17.59 million while the same period of previous year had tax income Baht 0.30 million as a result of first quarter 2020 Pranda Group has taxable profit higher than first quarter 2019 which mostly due to unrealized gain on exchange rate which came from translation of related transaction at period ended of accounting period which is tax income for non-BOI business at Baht 62.00 million.

In summary, Pranda Group has made net loss at Baht 13.92 million compared with the same period of previous year which had made net loss Baht 51.60 million.

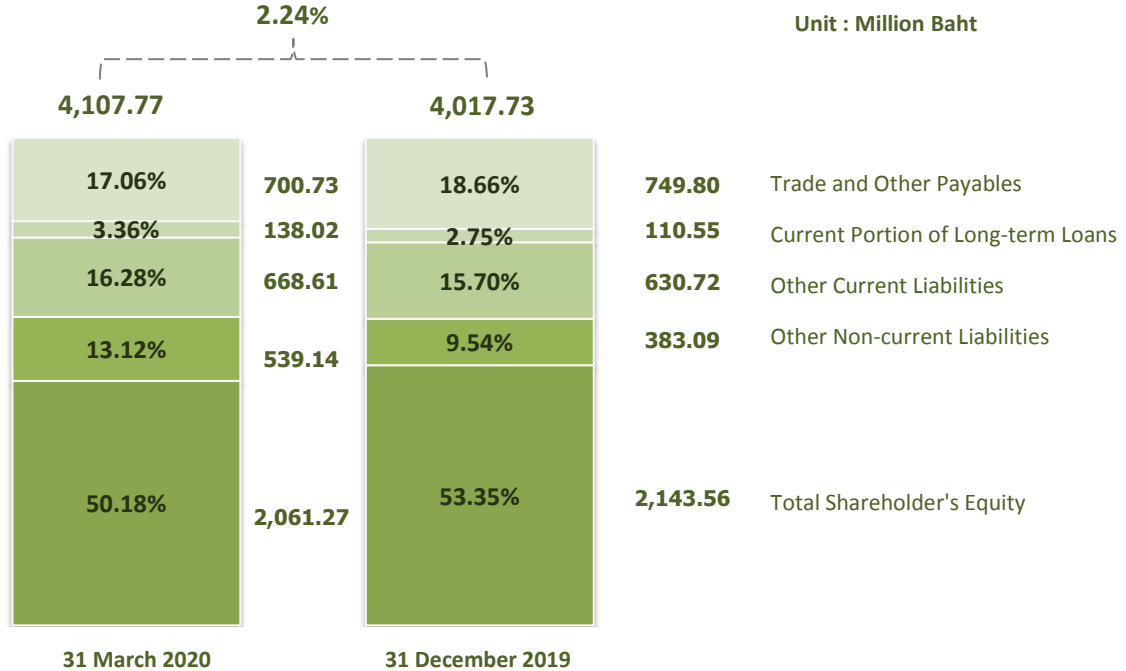
For statement of financial position as at March 31, 2020, changes as compared to December 31, 2019 are as followed:



The group's total asset as of March 31, 2020 was at Baht 4,107.77 million which has increased by Baht 90.04 million or 2.24% 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 sales lower than projection.

Total Liabilities and Shareholders' Equity



The group's total liabilities and shareholders' equity as of March 31, 2020 has at Baht 4,107.77 million, increased by Baht 90.04 million or 2.24% 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.

Cash flow statement for the period ended March 31, 2020, Pranda Group has cash and cash equivalents at Baht (83.65) million while same period of previous year had cash and cash equivalents at Baht 20.29 million as details as follow:

	Unit: Million Baht	
	January - March	
	2020	2019
Cash Flow from Operating Activities	(52.07)	63.70
Cash Flow from Investing Activities	(9.29)	(4.50)
Cash Flow from Financing Activities	25.80	(53.11)
Increase in Translation Adjustment	(48.09)	14.20
Net Cash Flow	<u>(83.65)</u>	<u>20.29</u>

The Company's Cash Outflow used in Operating Activities period ended March 31, 2020 is at Baht 52.07 million, mainly due to Pranda Group has profit from operation after adjustment to reconcile of non-cash transaction Baht 64.26 million, received payment from trade and other receivables Baht 182.28 million as well as cash outflow used in inventory which increased by Baht 176.97 million and account payable and other payable decreased by Baht 85.30 million.

Cash Outflow used in Investing Activities period ended March 31, 2020 is at Baht 9.29 million generally due to purchasing fixed assets for operating working capital in Pranda Group.

Cash Inflow from Financing Activities period ended March 31, 2020 is at Baht 25.80 million; The group received short-term loans from financial institutions amount Baht 27.59 million and proceeds ordinary shares issuance from exercised warrants at the amount of Baht 24.31 million as well as Pranda Group still repays its debt on schedule.

Translation adjustment for period ended March 31, 2020 at Baht 48.09 million mainly came from depreciation on Baht compared with US dollars, Pound Sterling and Euro by 3.36%, 2.92% and 3.03% respectively which resulted in unrealized gain on exchange rate from translation adjustment of subsidiary.

Please be informed accordingly.

Yours Sincerely

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Chairman of Finance & Risk Management Committee

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