

Sor Lor 009/2021

March 1, 2021

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

For the operating result of fourth Quarter ended December 31, 2020 compared with the same period of 2019. There is a profit on equity holders of the company at the amount of Baht 2.34 million decreased compared to the same period of previous year that the company has profit on equity holders at Baht 45.20 million or has profit decreased by 94.82%. The Statement of Comprehensive Income in brief is presented as followed:

	<i>Unit: Million Baht</i>		
	<b>October - December</b>		
	<b>2020</b>	<b>2019</b>	<b>Change (%)</b>
Sales revenue	785.02	1,089.88	(27.97%)
Cost of sales	587.24	811.70	(27.65%)
Gross profit	197.78	278.18	(28.90%)
Gross profit margin	25.19%	25.52%	(0.33%)
Selling and administrative expenses	204.82	246.70	(16.98%)
Operating profit (Loss)	(7.04)	31.48	(122.36%)
Finance cost	10.76	10.44	3.07%
Gain (Loss) on exchange rate	1.70	28.39	(94.01%)
Other items (expenses)	(41.09)	18.05	(327.65%)
Tax income (expenses)	114.51	(22.65)	605.56%
Non-controlling interests of the subsidiaries (Loss)	54.98	(0.37)	14,959.46%
Profit (Loss) on equity holders of the Company	2.34	45.20	(94.82%)

The Group has revenue of Baht 785.02 million compared to the same period of previous year Baht at 1,089.88 million or decreased by 27.97% due to sale from production business decreased by 34% compared with same period of previous year which has proportion at 67% of total revenue. As a result of the Group has impacted from the epidemic situation of the Corona virus 2019 (COVID-19) that has been spread throughout the world.

For revenue in retail business decreased by 17% which has proportion at 29% of total revenue.

As fourth quarter in each year is high season, but in fourth quarter in 2020 it has impacted from the epidemic situation of the Corona virus 2019 (COVID-19) second round in Thailand in December 2020 which continually from first quarter 2020 that many countries throughout the world have announcement from government agencies to the company that operate in department store to temporarily close. In Thailand and Vietnam, it had temporarily close department store during 22 March – 16 May 2020 and 27 March – 22 April 2020 respectively.

While revenue in distribution business has proportion at 4% of total revenue which has sales proportion decreased compared with same period of previous year and align with plan.

As a result of overall in fourth quarter 2020 has gross profit Baht 197.78 million or 25.19% similar to previous year.

In the fourth quarter 2020, selling and administrative expenses of the Group are at Baht 204.82 million or decreased by 16.98%, 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, the Group has one-time expense which related to restructuring expense in distribution business Baht 7.23 million. And mainly non-cash expenses such as long-term employee benefit expenses Baht 5.17 million and depreciation and amortization expense Baht 12.59 million. If excluding the effect as aforementioned above, Selling and Administrative expense net at Baht 166.56 million.

### Operating profit (Loss) excluded One-time expenses and Non-cash expenses

	<i>Unit: Million Baht</i>		
	October - December		
	<b>2020</b>	<b>2019</b>	<b>Change (%)</b>
Sales revenue	785.02	1,089.88	(27.97%)
Cost of sales	587.24	811.70	(27.65%)
Gross profit	197.78	278.18	(28.90%)
Gross profit margin	25.19%	25.52%	(0.33%)
Selling and administrative expenses	204.82	246.70	(16.98%)
<u>Less</u> One-time Expenses and Non-cash expenses			
- Restructuring expense in distribution business	7.23	36.30	(80.08%)
- Long-term employee benefit expenses	20.91	77.37	(72.97%)
- Depreciation and Amortization expense	25.86	16.70	54.80%
	166.56	186.82	(10.84%)
Operating profit (Loss)	31.21	91.35	(65.83%)

Therefore, Pranda Group has operating loss at Baht 7.04 million compared to the same period of previous year which has operating profit at Baht 31.48 million. However, excluding one-time expenses and non-cash expenses, Pranda Group has operating profit at Baht 31.21 million as analysis above.

In fourth Quarter, Pranda Group has gain on exchange rate at the amount of Baht 1.70 million compared to the same period of previous year which had gain on exchange rate at Baht 28.39 million mainly came from depreciation on Baht in each quarter which mainly due to unrealized gain on exchange rate of working capital in subsidiary in foreign country.

Other items at Baht (41.09) million while previous year had other items at Baht 18.05 million because subsidiary in Germany finalized liquidation therefore the Group realized loss on liquidation in fourth quarter 2020.

Group has tax income Baht 114.51 million while the same period of previous year had tax expense Baht 22.65 million as a result of fourth quarter 2020, the Group has high taxable loss than the same period of previous year. And recognized deferred tax income as accumulated loss expect to has benefit in future of the company and the subsidiary.

In fourth Quarter, Pranda Group has non-controlling interests of the subsidiaries increased compared with same period of previous year.

In summary, Pranda Group has made profit on equity holders of the company at Baht 2.34 million decreased compared with the same period of previous year which had made profit Baht 45.20 million.

For the operating result of twelve-month period ended December 31, 2020 compared with the same period of 2019. There is a loss on equity holders of the company at the amount of Baht 95.10 million decreased compared to the same period of previous year that the company has loss on equity holders at Baht 241.41 million or decreased by 66.61%. The Statement of Comprehensive Income in brief is presented as followed:

	<i>Unit: Million Baht</i>		
	January - December		
	2020	2019	Change (%)
Sales revenue	2,462.30	2,984.76	(17.50%)
Cost of sales	1,912.76	2,201.26	(13.11%)
Gross profit	549.54	783.50	(29.86%)
Gross profit margin	22.32%	26.25%	(3.93%)
Selling and administrative expenses	675.93	940.50	(28.13%)
Operating profit (Loss)	(126.39)	(157.00)	(19.50%)
Finance cost	52.66	54.07	(2.61%)
Gain (Loss) on exchange rate	59.66	(73.46)	(181.21%)
Other items (expenses)	(30.40)	47.34	(164.22%)
Tax income (expenses)	96.28	(16.25)	692.49%
Non-controlling interests of the subsidiaries (Loss)	41.59	(12.03)	445.72%
Profit (Loss) on equity holders of the Company	(95.10)	(241.41)	(60.61%)

Pranda has revenue at Baht 2,462.30 million compared to the previous year at Baht 2,984.76 million or decreased by 17.50% mainly came from sales in production business decreased by 21% compared with the previous year which has proportion 61% of total revenue. Since 2019, declining of world economy directly impacted to our key customer of production base that cause of sale decreased. Also, the Group has large impacted of epidemic of COVID-19 throughout the world as mainly customer groups requested to delay order schedule.

For revenue in retail business decreased by 5% which has proportion 34% of total revenue which impacted from the epidemic situation of the Corona virus 2019 (COVID-19) that 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 respectively. In addition, retail business has impacted from the epidemic situation of the Corona virus 2019 (COVID-19) second round in Thailand in December 2020 which resulted in decreasing on retail business revenue.

Meanwhile, revenue in distribution business which has proportion 5% of total revenue decreased by 35% compared with the previous year due to restructuring plan as restructuring of operations which do not generate profitability compared with sales from the previous year which has not effect plan to downsize subsidiary in France in second quarter of 2019.

As a result of overall in 2020 has gross profit Baht 549.54 million or 22.32% while the previous year was at 26.25%.

As, 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 together with increasing on promotional advertising campaign to generate revenue in retail business which resulted in low gross margin.

Selling and administrative expenses of the Group has at Baht 675.93 million decreased by 28.13%, 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, the Group had one-time expense in previous year at Baht 110.02 million which consists of long-term employee benefit which not related to production line 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.

In 2020, the Group has gain on exchange rate at the amount of Baht 59.66 million while compared to the same period of previous year which had loss on exchange rate at Baht 73.46 million mainly came from depreciation on Baht compared with US Dollar and Pound Sterling by 6.98% and 4.25% respectively which mainly due to unrealized gain on exchange rate of working capital in subsidiary in foreign country.

Other items of the Group at Baht (30.40) million decreased by 164.22% compared to the previous year which had other items at Baht 47.34 million mainly came from subsidiary in Germany finalized liquidation therefore the Group realized loss on liquidation at Baht 71.87 million in fourth quarter 2020.

The Group has tax income Baht 96.28 million while the previous year had tax expense Baht 16.25 million as a result of fourth quarter 2020, the Group has high taxable loss than the previous year. And recognized deferred tax income as accumulated loss expect to has benefit in future of the company and the subsidiary.

In summary, Pranda Group has made loss on equity holders of the company at Baht 95.10 million decreased compared with the previous year which had made loss Baht 241.41 million.

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

		<b>Total Assets</b>			
		<b>0.58%</b>			
		<b>4,040.93</b>		<b>4,017.73</b>	
Cash and cash equivalents	<b>10.97%</b>	443.48		<b>13.63%</b>	547.75
Trade and other receivables	<b>9.68%</b>	391.07		<b>10.97%</b>	440.85
Inventories	<b>37.91%</b>	1,532.01		<b>39.26%</b>	1,577.44
Other current asset	<b>1.58%</b>	63.68		<b>2.12%</b>	85.16
Investment Properties	<b>14.53%</b>	586.97		<b>14.62%</b>	587.31
Property, plant and equipment	<b>17.87%</b>	721.99		<b>14.84%</b>	596.03
Other non-current asset	<b>7.47%</b>	301.73		<b>4.56%</b>	183.19
		<b>31 December 2020</b>		<b>31 December 2019</b>	

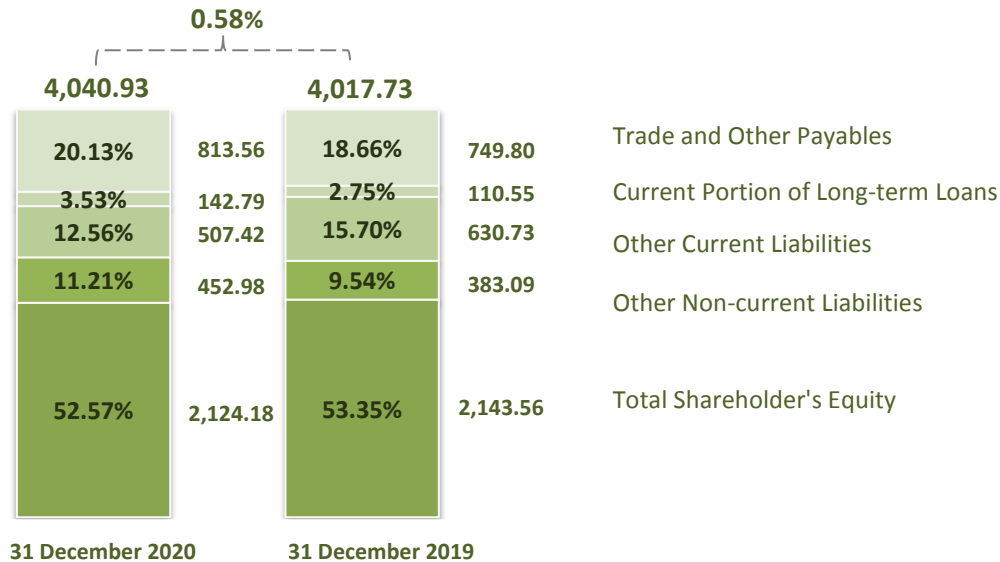
The group's total asset as of December 31, 2020 was at Baht 4,040.93 million which increased by Baht 23.20 million or 0.58% as compared to December 31, 2019. The increasing of total assets mainly come from initial adoption of new financial reporting standards related to financial instruments (TFRS9) 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, decreasing in inventory come from efficiency on inventory management as well as decreasing in account receivable as received payment from customer.



**Total Liabilities and Shareholders' Equity**

Unit : Million Baht



The group's total liabilities and shareholders' equity as of December 31, 2020 has at Baht 4,040.93 million, increased by Baht 23.20 million or 0.58% 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 31 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 due to increasing on raw material account payable. However, long-term loan decreased due partial repayment plan.

Cash flow statement for the period ended December 31, 2020, the Group has cash and cash equivalents at Baht (104.26) million while the previous year had cash and cash equivalents at Baht 150.91 million as details as follow:

	<i>Unit: Million Baht</i>	
	<b>January - December</b>	
	<b>2020</b>	<b>2019</b>
Cash Flow from Operating Activities	157.50	50.71
Cash Flow from Investing Activities	(61.74)	(20.27)
Cash Flow from Financing Activities	(153.02)	25.81
Increase (decrease) in Translation Adjustment	(47.00)	94.66
Net Cash Flow	<u>(104.26)</u>	<u>150.91</u>

The Company's Cash inflow from Operating Activities for the period ended December 31, 2020 is at Baht 157.50 million, mainly due to the Group has profit from operation after adjustment to reconcile of non-cash transaction Baht 99.87 million, received payment from account receivable and other receivable Baht 26.50 million, inventory decreased by Baht 44.57 million and account payable and other payable increased by Baht 73.71 million as well as cash paid for long-term employee benefits Baht 14.82 million

Cash Outflow used in Investing Activities for the period ended December 31, 2020 is at Baht 61.74 million generally due to purchasing fixed assets and intangible assets for operating working capital in the Group.

Cash Outflow from Financing Activities for twelve-month period ended December 31, 2020 is at Baht 153.02 million mainly due to the Group repayment short-term loans from financial institutions amount Baht 151.40 million and partial repayment loan and promissory note on schedule as well as proceeds ordinary shares issuance from exercised warrants at the amount of Baht 24.31 million.

Translation adjustment for the period ended December 31, 2020 at Baht (47.00) million mainly came from depreciation on Baht compared with US dollars, Pound Sterling and Euro by 1.11%, 3.74% and 8.88% respectively which resulted in unrealized gain 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