

Sor Lor 028/2021

August 16, 2021

Subject : Management's Discussion and Analysis for the second Quarter 2021

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, 2021 which compared to the same period of 2020.

For the operating result of second Quarter ended June 30, 2021 compared with the same period of 2020. There is a loss on equity holders of the company at the amount of Baht 56.85 million compared to the same period of previous year that the company has loss on equity holders at Baht 123.76 million or decreased by 54.06%. The Statement of Comprehensive Income in brief is presented as followed:

	Unit: Million Baht		
	April - June		
	2021	2020	Change (%)
Sales revenue	542.56	486.32	11.56%
Cost of sales	462.46	438.96	5.35%
Gross profit	80.10	47.36	69.13%
Gross profit margin	14.76%	9.74%	5.02%
Selling and administrative expenses	139.96	124.89	12.07%
Operating profit (Loss)	(59.86)	(77.53)	(22.79%)
Finance cost	8.70	12.73	(31.66%)
Gain (Loss) on exchange rate	27.84	(53.83)	151.72%
Other items	(10.71)	1.86	(675.81%)
Tax income (expenses)	(8.56)	16.15	(153.00%)
Non-controlling interests of the subsidiaries (loss)	(3.14)	(2.32)	35.34%
Profit (Loss) on equity holders of the Company	(56.85)	(123.76)	54.06%

Pranda Group has revenue of Baht 542.56 million compared to the same period of previous year Baht at 486.32 million or increased by 11.56%

The increase in revenue is mainly due to sale from production business, which account for 75% of total revenue, increased by 38% compared with same period of previous year. As key oversea customers recover from COVID-19 economic impact and resume order. In addition, the revenue in second quarter of 2020 included revenue from selling raw material in production business. Excluding the raw material sales portion, the revenue from production in second quarter in 2021 increased by 156%.

While revenue in distribution business, which account for 4% of total revenue, decreased by 20% compared with same period of previous year due to restructuring plan of loss making operations.

Revenue from retail business, which contributes 21% of total revenue decreased by 30%. As in second quarter in 2020 the government agencies order closure of shopping malls and department stores to prevent COVID-19 epidemic. In Thailand, it was effective from 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 thus resulted in loss of revenue. In addition, the second quarter of 2020 included revenue from selling raw material from retail business. If excluding the revenue from selling raw material in second quarter 2020, revenue in retails business in second quarter 2021 increased by 15%.

However, It is worth nothing that the retail business in Thailand has been greatly affected by the 3rd round of COVID-19 epidemic situation which has started from April 2021 and still currently ongoing at the time of this letter publication. The retail business in Vietnam also face similar challenges due to increased government policy to prevent epidemic of COVID-19 including temporarily closed department stores in Ho Chi Minh City since 31 May 2021.

As a result of overall in second quarter 2021 the company has gross profit of Baht 80.10 million or 14.76% while the same period of previous year was at 9.74%. In second quarter 2020, gross profit margin was lower than normal level come from retail business and production business had revenue from selling raw material. Also, production business has temporarily closed operation in certain parts. While, the Group still has to pay certain fixed cost with minimal orders which resulted in low gross margin in 2020.

However, gross profit margin at 14.76% in second quarter in 2021 is lower than first quarter 2021 mainly due to sales proportion of retail business which has high gross profit margin accounted for 21% of total revenue lower than first quarter 2021 which accounted for 36% of total revenue.

Also, gross profit margin in production business decreased as presented in separate financial statement has gross profit margin at 6.75% which mainly come from high cost of production as high quantity of raw material purchased during quarter and US dollars currency appreciated by 3.63% compared with first quarter 2021 resulted in high cost of direct raw material which is major cost of production after converting to Thai Baht. In addition, production business has certain customers with low gross profit margin in order to utilize available capacity.

These factors will bring gross profit margin in next quarter back closer to normal performance when work in process items are finished and realize as revenue.

In second quarter 2021, Pranda Group has selling and administration expense at Baht 139.96 million increased by 12.07% due to postpone expense policy and temporarily closed operation in production business in certain section in Thailand as effected from 1st round of COVID-19.

Pranda Group has finance cost at Baht 8.70 million compared to the same period of previous year at Baht 12.73 million or decreased by 31.66% which mainly due to loan outstanding balance as at June 30, 2021 lower than the same period of previous year.

In second Quarter, Pranda Group has gain on exchange rate at the amount of Baht 27.84 million compared to the same period of previous year which had loss on exchange rate at Baht 53.83 million due to depreciation on Baht which mainly came from unrealized gain on exchange rate of working capital in subsidiary in foreign country.

Other items has at Baht (10.71) million compared to the same period of previous year at Baht 1.86 million or decreased by 675.81% which mainly came from unrealized loss on market price of raw material which increased as at ended of quarter compared with previous year.

Pranda Group has tax expense Baht 8.56 million while the same period of previous year had tax income Baht 17.78 million as a result of second quarter 2021 Pranda Group has taxable profit higher than second quarter 2020.

In summary, Pranda Group has made loss on equity holders of the company at Baht 56.85 million compared with the same period of previous year which had made loss Baht 123.76 million.

For the operating result of six-month period ended June 30, 2021 compared with the same period of 2020. There is a loss on equity holders of the company at the amount of Baht 5.98 million compared to the same period of previous year that the company has loss on equity holders at Baht 153.99 million or decreased by 96.12%. The Statement of Comprehensive Income in brief is presented as followed:

	Unit: Million Baht		
	January - June		Change
	2021	2020	(%)
Sales revenue	1,048.43	1,085.65	(3.43%)
Cost of sales	830.69	896.57	(7.35%)
Gross profit	217.74	189.08	15.16%
Gross profit margin	20.77%	17.42%	3.35%
Selling and administrative expenses	294.54	314.59	(6.37%)
Operating profit (Loss)	(76.80)	(125.51)	(38.81%)
Finance cost	19.48	31.12	(37.40%)
Gain (Loss) on exchange rate	69.77	(8.22)	(948.78%)
Other items (expenses)	33.69	0.41	8,117.07%
Tax income (expenses)	(19.06)	(1.64)	1,062.20%
Non-controlling interests of the subsidiaries (Loss)	(5.90)	(12.09)	(51.20%)
Profit (Loss) on equity holders of the Company	(5.98)	(153.99)	96.12%

Pranda has revenue at Baht 1,048.43 million compared to the previous year at Baht 1,085.65 million or decreased by 3.43%.

Key factors mainly came from sales in production business, which contributes 67% of total revenue increased by 8% compared with the previous year. As key oversea customers recover from COVID-19 economy impact and resume to order together with revenue in second quarter in 2020 included revenue from selling raw material in production business. If excluding, revenue from raw materials, the revenue of six-month in 2021 increased by 78% compare to prior year.

Meanwhile, revenue in distribution business which has proportion 5% of total revenue decreased by 32% compared with the previous year due to restructuring plan of loss marking operations.

For revenue in retail business, which contributes 28% of total revenue, decreased by 18% as second quarter in 2020 included revenue from selling raw material in retail business. If excluding the raw materials sales, revenue in retail business in first-half of 2021 is approximately the same level with 2020.

As a result of overall in first-half of 2021 has gross profit Baht 217.74 million or 20.77% higher than previous year which had gross profit margin at 17.42% due to first-half of 2020 retail business and production business had temporarily closed operation in certain area while the Group still has to pay certain fixed cost with minimal orders.

However, gross profit margin at 20.77% in first-half of 2021 lower than previous performance as aforementioned earlier in second quarter performance.

Selling and administrative expenses of the Group has at Baht 294.54 million decreased by 6.73% due to restructuring plan as restructuring of operations which do not generate profitability in distribution business as well as reducing selling and administration expense in production business and retail business as effect of the epidemic situation on 3rd round in second quarter in 2021.

Pranda Group has finance cost at Baht 19.48 million compared to the same period of previous year at Baht 31.12 million or decreased by 37.40% which mainly due to loan outstanding balance as at June 30, 2021 lower than the same period of previous year.

In six-month 2021, the Group has gain on exchange rate at the amount of Baht 69.77 million while compared to the same period of previous year which had loss on exchange rate at Baht 8.22 million mainly came from depreciation on Baht during the quarter which mainly due to unrealized gain on exchange rate of working capital in subsidiary in foreign country.

Other items of the Group at Baht 33.69 million compared to the previous year which had other items at Baht 0.41 million or increased by 8,117.07% mainly came from unrealized gain on market price of raw material which decreased as at ended of quarter compared with same period of previous year.

The Group has tax expense Baht 19.06 million while second quarter in 2020 had tax expense Baht 1.64 million as a result of second quarter 2021, the Group has high taxable profit higher than second quarter in 2020.

In summary, Pranda Group has made loss on equity holders of the company at Baht 5.98 million while same period of previous year made loss on equity holders of the company at Baht 153.99 million.

For statement of financial position as at June 30, 2021, changes as compared to December 31, 2020 are as followed:

Total Assets
2.94%

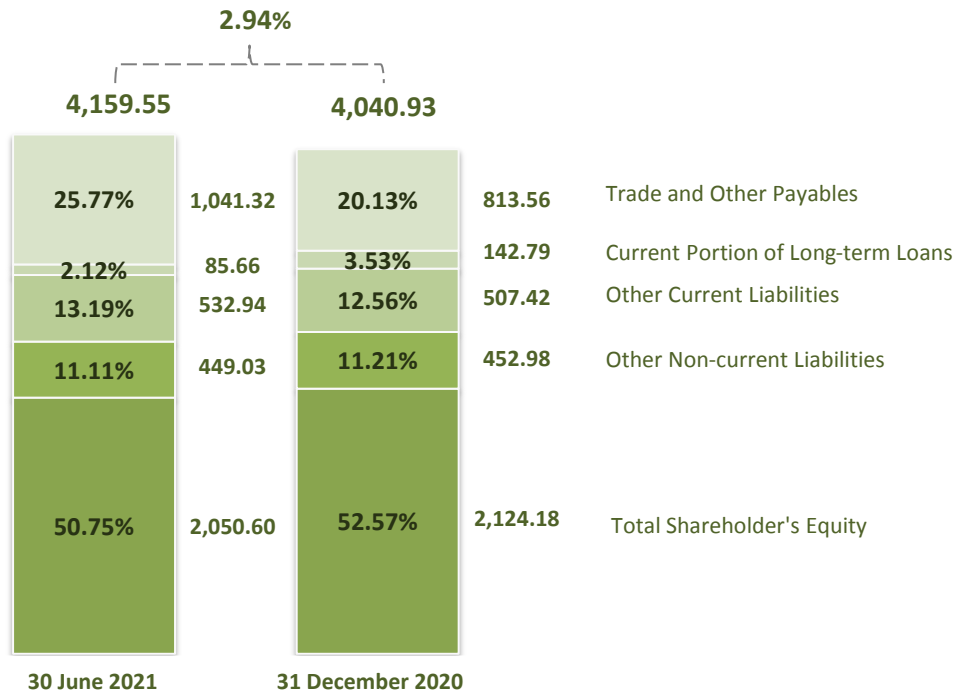
Unit : Million Baht

	30 June 2021		31 December 2020	
	4,159.55		4,040.93	
Cash and cash equivalents	10.20%	412.27	10.97%	443.48
Trade and other receivables	7.15%	288.79	9.68%	391.07
Inventories	44.55%	1,800.04	37.91%	1,532.01
Other current asset	1.93%	77.93	1.58%	63.68
Investment Properties	14.52%	586.80	14.53%	586.97
Property, plant and equipment	17.29%	698.51	17.87%	721.99
Other non-current asset	7.31%	295.21	7.47%	301.73

The group's total asset as of June 30, 2021 was at Baht 4,159.55 million which increased by Baht 118.62 million or 2.94% as compared to December 31, 2020. The increasing of total assets mainly come from increasing on inventory particularly the work in process inventory corresponding to the increased from orders that are due for delivery in third quarter.

Total Liabilities and Shareholders' Equity

Unit : Million Baht



The group's total liabilities and shareholders' equity as of June 30, 2021 has at Baht 4,159.55 million increased by Baht 118.62 million or 2.94% as compared to December 31, 2020, mainly came from increasing on trade and other payables because the group purchase raw material for support order from customers that will deliver in third quarter 2021.

Cash flow statement for the period ended June 30, 2021, Pranda Group has cash and cash equivalents at Baht (31.21) million while same period of previous year had cash and cash equivalents at Baht 118.95 million as details as follow:

	Unit: Million Baht	
	January - June	
	2021	2020
Cash Flow from Operating Activities	124.71	105.39
Cash Flow from Investing Activities	(16.14)	(9.99)
Cash Flow from Financing Activities	(62.04)	10.70
Increase in Translation Adjustment	(77.74)	12.85
Net Cash Flow	(31.21)	118.95

The Company's Cash Inflow from Operating Activities period ended June 30, 2021 is at Baht 124.71 million, mainly due to Pranda Group has profit from operation after adjustment to reconcile of non-cash transaction Baht 90.36 million, received payment from trade and other receivables Baht 118.18 million and account payable and other payable increased by Baht 176.36 million as well as cash outflow used in inventory which increased by Baht 260.47 million.

Net Cash Outflow used in Investing Activities period ended June 30, 2021 is at 16.14 million generally due to purchasing fixed assets for operating working capital in Pranda Group.

Net Cash Outflow from Financing Activities period ended June 30, 2021 is at Baht 62.04 million mainly came from Pranda group repayment of bills of exchange Baht 50.00 million, paid for convertible debentures redemption Baht 35.00 million, repayment loan on schedule Baht 32.60 million and payment dividend Baht 53.90 million. Also, the company has receipt short term loans from financial institution Baht 79.45 million and proceeds from ordinary shares issuance from exercised warrants Baht 47.87 million.



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Translation adjustment for the period ended June 30, 2021 at Baht 77.74 million mainly came from depreciation on Baht compared with US dollars, Pound Sterling and Euro by 2.42%, 8.55% and 3.60% respectively which resulted in unrealized gain on exchange rate from translation adjustment of subsidiary.

Please be informed accordingly.

Yours Sincerely

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