

Pranda Jewelry Public Company Limited
and its subsidiaries
Report and consolidated financial statements
31 December 2019

Independent Auditor's Report

To the Shareholders of Pranda Jewelry Public Company Limited

Opinion

I have audited the accompanying consolidated financial statements of Pranda Jewelry Public Company Limited and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2019, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and have also audited the separate financial statements of Pranda Jewelry Public Company Limited for the same period.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pranda Jewelry Public Company Limited and its subsidiaries and of Pranda Jewelry Public Company Limited as at 31 December 2019, their financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

Basis for Opinion

I conducted my audit in accordance with Thai Standards on Auditing. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Group in accordance with the Code of Ethics for Professional Accountants as issued by the Federation of Accounting Professions as relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

I have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report, including in relation to these matters. Accordingly, my audit included the performance of procedures designed to respond to my assessment of the risks of material misstatement of the financial statements. The results of my audit procedures, including the procedures performed to address the matters below, provide the basis for my audit opinion on the accompanying financial statements as a whole.

Key audit matters and how audit procedures respond for each matter are described below.

Revenue recognition

Revenue from sales of goods is one of the Group's significant accounts because the amounts of revenue recorded would directly affect the Group's profit or loss for the year. Moreover, the Group is principally engaged in production, distribution and retail of jewelry, the Group has a large number of customers with a variety of different commercial terms. There is therefore a risk with respect to the amount and timing of revenue recognition.

I have examined the Group's revenue recognition by assessing and testing the Group's internal controls with respect to revenue cycle. On a sampling basis, I also examined supporting documents for sales transactions occurring during the year and near the end of the accounting period. In addition, I reviewed credit notes issued by the Group to its customers after the period-end and performed analytical review procedures on the sales account to detect possible irregularities in sales transactions throughout the period.

Provision for diminution in value of inventory

Estimating the net realisable value of inventory, as discussed in the Note 10 to the financial statements, is an area of significant management judgement, particularly with regard to the estimation of provision for diminution in the value of slow-moving and obsolete inventory. This requires detailed analysis of the product life cycle, the competitive environment, economic circumstances and the situation within the industry. There is therefore a risk with respect to the amount of provision set aside for diminution in the value of inventory.

I assessed and tested the Group's internal controls relevant to the determination of provision for diminution in the value of inventory. I assessed the method and the assumption applied by management in determining such provision by gaining an understanding of the basis applied in determining the provision for diminution in value of inventory, and reviewing the consistency of the application of that basis. In addition, I compared the data on inventory turnover and inventory movement to identify product lines with indicators of lower than normal inventory turnover. I also compared details of net amount that an entity expects to realise from the sale of inventory after the date of the financial statements with the cost of inventory for each product line.

Allowance for doubtful accounts for trade and other receivables

In determining an allowance for doubtful accounts for trade and other receivables as discussed in Note 9 and Note 15 to the financial statements, is an area of significant management judgement to make the estimated losses that may be incurred in collection of receivables. There is therefore a risk with respect to the amount of allowance for doubtful accounts for trade and other receivables.

I assessed and tested the Group's internal controls relevant to the determination of allowance for doubtful accounts. I assessed the method and the assumption applied by management in determining such allowance by gaining an understanding of the basis applied in determining the allowance and reviewing the analysis of debt aging. I considered the past collection history, credit term, collection of receivables after the date of the financial statements, and receivables subject to dispute or litigation by the Company and its subsidiaries. I also tested the calculation of the allowance.

Compliance with covenants stipulated in loan agreements

As at 31 December 2019, the Group had long-term loans from financial institutions totaling Baht 169 million (9% of total liabilities) (Separate financial statements: Baht 75 million (5% of total liabilities)) as discussed in Note 23 to the financial statements. Under the loan agreements, the Group needs to comply with certain covenants. If the Group is unable to comply with those covenants, it may result in the loans being called by the lenders, and the reclassification of the liabilities from non-current liabilities to current liabilities, impacting on the going concern of the Company and its subsidiaries.

I read the loan agreements and gained an understanding of and assessed the process by which compliance with the covenants specified in the contracts is monitored by management. I also examined documentation related to compliance with covenants, including testing the financial ratio calculations, and whether they complied with the covenants in the loan agreements. In addition, I reviewed the classification of such loans and the disclosures made in the notes to the financial statements.

Impairment loss on investments in subsidiaries

As discussed in Note 13 to the financial statements, the separate financial statements as at 31 December 2019, the Company had net investments in subsidiaries amounting to Baht 573 million (16% of total assets). In determining the impairment loss on investments in subsidiaries, the management had to exercise significant judgement with respect to the projections of future operating performance, and determination of an appropriate discount rate and key assumptions. There is therefore a risk with respect to the amount of allowance for impairment loss on investments in subsidiaries.

I inquired the management about operation plan for the Group, and reviewed the minutes of meeting which are related to the Company's subsidiaries. In addition, I gained an understanding of and testing the key assumptions applied by the management in preparing estimates of the future cash flows expected to be generated from the investments in subsidiaries and the discount rate applied, making enquiry of responsible executives and comparing details with sources of information about the Group and the industry. I also tested the calculation of the recoverable amount of the investments in subsidiaries based on the above information and assumptions.

Other Information

Management is responsible for the other information. The other information comprise the information included in annual report of the Group, (but does not include the financial statements and the auditor's report thereon). The annual report of the Group is expected to be made available to me after the date of this auditor's report.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

When I read the annual report of the Group, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance for correction of the misstatement.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Thai Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Thai Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Thai Standards on Auditing, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

I am responsible for the audit resulting in this independent auditor's report.

Siraporn Ouaanunkun
Certified Public Accountant (Thailand) No. 3844

EY Office Limited
Bangkok: 28 February 2020