

## Pranda Jewelry Public Company Limited and its subsidiaries

### Notes to consolidated financial statements

For the year ended 31 December 2018

#### 1. General information

Pranda Jewelry Public Company Limited (“the Company”) is a public company incorporated and domiciled in Thailand. The Company is principally engaged in the manufacture and distribution of jewelry. The registered office of the Company is at 28 Soi Bangna-Trad 28, Bangna Tai Subdistrict, Bangna District, Bangkok. The Company has factories located in Bangkok and Nakhonratchasima.

#### 2. Basis of preparation

2.1 The financial statements have been prepared in accordance with Thai Financial Reporting Standards enunciated under the Accounting Profession Act B.E. 2547 and their presentation has been made in compliance with the stipulations of the Notification of the Department of Business Development dated 11 October 2016, issued under the Accounting Act B.E. 2543.

The financial statements in Thai language are the official statutory financial statements of the Company. The financial statements in English language have been translated from the Thai language financial statements.

The financial statements have been prepared on a historical cost basis except where otherwise disclosed in the accounting policies.

#### 2.2 Basis of consolidation

a) The consolidated financial statements include the financial statements of Pranda Jewelry Public Company Limited (“the Company”) and the following subsidiary companies (“the subsidiaries”):

Company's name	Nature of business	Country of incorporation	Percentage of shareholding	
			<u>2018</u>	<u>2017</u>
			Percent	Percent
<u>Held by the Company</u>				
Primagold International Co., Ltd.	Distribution of jewelry	Thailand	100	100
Crystalline Co., Ltd.	Manufacture and distribution of jewelry	Thailand	96	96
Pranda Lodging Co., Ltd.	Dormitory rental	Thailand	83	83
Pranda North America, Inc.	Distribution of jewelry	U.S.A.	100	100

Company's name	Nature of business	Country of incorporation	Percentage of shareholding	
			2018 Percent	2017 Percent
H.GRINGOIRE s.a.r.l.	Distribution of jewelry	France	100	100
Pranda UK Ltd.	Distribution of jewelry	United Kingdom	100	100
Pranda Vietnam Co., Ltd.	Manufacture and distribution of jewelry	Vietnam	100	100
Pranda & Kroll GmbH & Co. KG	Ceased its operation in 2018 and in the process dissolution	Germany	75	75
Pranda Jewelry Private Limited	Distribution of jewelry	India	51	51
Pranda Trading (Shenzhen) Limited	Ceased its operation in 2015 and in the process dissolution	China	100	100
Guangzhou Pangda Zhubao Shoushi Youxian Gongsi	Ceased its operation in 2013 and dissolution completed in 2018	China	-	100
<u>Held by the subsidiaries</u>				
KSV Brand GmbH (Held by Pranda & Kroll GmbH & Co. KG)	Ceased its operation in 2013 and in the process dissolution	Germany	75	75
PDU (UK) Limited (Held by Pranda UK Limited)	Ceased its operation in 2016	United Kingdom	100	100
<u>Controlled by the subsidiary</u>				
PT Pranda Marketing Indonesia (controlled and had equity interest of 55 percent by Primagold International Co., Ltd.)	Retail jewelry	Indonesia	55	55

On 31 March 2013, Primagold International Co., Ltd., its subsidiary, entered into an agreement with the shareholders of PT Pranda Marketing Indonesia, assigning control over the financial and operating policies of PT Pranda Marketing Indonesia to Primagold International Co., Ltd., through the majority of the Board of Directors of that company including voting power and granting an equity interest of 55 percent in this company, effective from 31 March 2013. Therefore, the Company considered this company as the subsidiary of the group.

- b) The Company is deemed to have control over an investee or subsidiaries if it has rights, or is exposed, to variable returns from its involvement with the investee, and it has the ability to direct the activities that affect the amount of its returns.
- c) Subsidiaries are fully consolidated, on the date which the Company obtains control, and continue to be consolidated until the date when such control ceases.
- d) The financial statements of the subsidiaries are prepared using the same significant accounting policies as the Company.
- e) The assets and liabilities in the financial statements of overseas subsidiary companies are translated to Baht using the exchange rate prevailing on the end of reporting period, and revenues and expenses translated using monthly average exchange rates. The resulting differences are shown under the caption of “Exchange differences on translation of financial statements in foreign currency” in the statement of changes in shareholders’ equity.
- f) Material balances and transactions between the Company and its subsidiaries have been eliminated from the consolidated financial statements.
- g) Non-controlling interests represent the portion of profit or loss and net assets of the subsidiaries that are not held by the Company and are presented separately in the consolidated profit or loss and within equity in the consolidated statement of financial position.

2.3 The separate financial statements present investments in subsidiaries and associated company under the cost method.

### **3. New financial reporting standards**

#### **(a) Financial reporting standards that became effective in the current year**

During the year, the Company and its subsidiaries have adopted the revised financial reporting standards and interpretations (revised 2017) which are effective for fiscal years beginning on or after 1 January 2018. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes and clarifications directed towards disclosures in the notes to financial statements. The adoption of these financial reporting standards does not have any significant impact on the Company and its subsidiaries’ financial statements.

**(b) Financial reporting standards that will become effective for fiscal years beginning on or after 1 January 2019**

The Federation of Accounting Professions issued a number of revised and new financial reporting standards and interpretations (revised 2018) which are effective for fiscal years beginning on or after 1 January 2019. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards clarifying accounting treatment and providing accounting guidance for users of the standards.

The management of the Company and its subsidiaries believe that most of the revised financial reporting standards will not have any significant impact on the financial statements when they are initially applied. However, the new standard involves changes to key principles, as summarised below.

**TFRS 15 Revenue from Contracts with Customers**

TFRS 15 supersedes the following accounting standards together with related Interpretations.

TAS 11 (revised 2017)	Construction contracts
TAS 18 (revised 2017)	Revenue
TSIC 31 (revised 2017)	Revenue - Barter Transactions Involving Advertising Services
TFRIC 13 (revised 2017)	Customer Loyalty Programmes
TFRIC 15 (revised 2017)	Agreements for the Construction of Real Estate
TFRIC 18 (revised 2017)	Transfers of Assets from Customers

Entities are to apply this standard to all contracts with customers unless those contracts fall within the scope of other standards. The standard establishes a five-step model to account for revenue arising from contracts with customers, with revenue being recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model.

The management of the Company and its subsidiaries are currently evaluating the impact of this standard to the financial statements in the year when it is adopted.

**(c) Financial reporting standards related to financial instruments that will become effective for fiscal years beginning on or after 1 January 2020**

During the current year, the Federation of Accounting Professions issued a set of TFRSs related to financial instruments, which consists of five accounting standards and interpretations, as follows:

Financial reporting standards:

TFRS 7	Financial Instruments: Disclosures
TFRS 9	Financial Instruments

Accounting standard:

TAS 32	Financial Instruments: Presentation
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Financial Reporting Standard Interpretations:

TFRIC 16	Hedges of a Net Investment in a Foreign Operation
TFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

These TFRSs related to financial instruments make stipulations relating to the classification of financial instruments and their measurement at fair value or amortised cost (taking into account the type of instrument, the characteristics of the contractual cash flows and the Company's business model), calculation of impairment using the expected credit loss method, and hedge accounting. These include stipulations regarding the presentation and disclosure of financial instruments. When the TFRSs related to financial instruments are effective, some accounting standards, interpretations and guidance which are currently effective will be cancelled.

The management of the Company and its subsidiaries are currently evaluating the impact of these standards to the financial statements in the year when they are adopted.

## **4. Significant accounting policies**

### **4.1 Revenue recognition**

#### *Sales of goods*

Sales of goods are recognised when the significant risks and rewards of ownership of the goods have passed to the buyer. Sales are the invoiced value, excluding value added tax, of goods supplied after deducting discounts and allowances.

#### *Rental and service income*

Rental income is recognised based on an accrual basis on straight-line basis over the lease term. Service revenue is recognised when services have been rendered taking into account the stage of completion.

#### *Interest income*

Interest income is recognised on an accrual basis based on the effective interest rate.

#### *Dividends*

Dividends are recognised when the right to receive the dividends is established.

### **4.2 Cash and cash equivalents**

Cash and cash equivalents consist of cash in hand and at banks, and all highly liquid investments with an original maturity of three months or less and not subject to withdrawal restrictions.

### **4.3 Trade accounts receivable**

Trade accounts receivable are stated at the net realisable value. Allowance for doubtful accounts is provided for the estimated losses that may be incurred in collection of receivables. The allowance is generally based on collection experiences and analysis of debt aging.

### **4.4 Inventories**

Finished goods and work in process are valued at the lower of cost under the weighted average method and net realisable value. The cost of inventories is measured using the standard cost method, which approximates actual cost and includes all production costs and attributable factory overheads.

Raw materials and factory supplies are valued at the lower of weighted average cost or net realisable value and are charged to production costs whenever consumed.

## **4.5 Investments**

- a) Investments in available-for-sale securities are stated at fair value. Changes in the fair value of these securities are recorded in other comprehensive income, and will be recorded in profit or loss when the securities are sold.
- b) Investments in debt securities expected to be held to maturity are recorded at amortised cost. The premium/discount on debt securities is amortised/accreted by the effective rate method with the amortised/accreted amount presented as an adjustment to the interest income.
- c) Investment in associated company is accounted for in the consolidated financial statements using the equity method.
- d) Investments in subsidiaries and associated company are accounted for in the separate financial statements using the cost method.
- e) Investments in non-marketable equity securities, which the Company classifies as other investments, are stated at cost net of allowance for impairment loss (if any).

The fair value of marketable securities is based on the latest bid price of the last working day of the period.

The weighted average method is used for computation of the cost of investments.

In the event the Company reclassifies investments from one type to another, such investments will be readjusted to their fair value as at the reclassification date. The difference between the carrying amount of the investments and the fair value on the date of reclassification are recorded in profit or loss or recorded as other components of shareholders' equity, depending on the type of investment that is reclassified.

On disposal of an investment, the difference between net disposal proceeds and the carrying amount of the investment is recognised in profit or loss.

## **4.6 Investment properties**

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and allowance for loss on impairment (if any).

Depreciation of investment properties is calculated by reference to their costs on the straight-line basis over estimated useful lives of 20 years. Depreciation of the investment properties is included in determining income.

On disposal of investment properties, the difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period when the asset is derecognised.

#### **4.7 Property, plant and equipment/Depreciation**

Land is stated at cost. Plant and equipment are stated at cost less accumulated depreciation and allowance for loss on impairment of assets (if any).

Depreciation of plant and equipment is calculated by reference to their costs on a straight-line basis over the following estimated useful lives:

Land improvements		20 years
Buildings and building improvements		10 - 40 years
Leasehold improvements	period of lease	(2 - 40 years)
Machinery and equipment		3 - 13 years
Furniture, fixtures and office equipment		2 - 20 years
Motor vehicles		2 - 6 years

Depreciation is included in determining income.

No depreciation is provided on land and assets under installation and construction in progress.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on disposal of an asset is included in profit or loss when the asset is derecognised.

#### **4.8 Assets held for sale**

Non-current asset is classified as asset held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use, the asset is available for immediate distribution in its present condition and a sale is considered highly probable. Asset held for sale is not depreciated while it is classified as held for sale and is measured at the lower of the carrying amount and fair value less cost to sell.

#### **4.9 Leasehold rights**

Leasehold rights are stated at cost less accumulated amortisation. Amortisation is calculated by reference to cost on a straight-line basis over the period of the lease. Amortisation is included in determining income.

#### **4.10 Business combination**

Business combinations are accounted for using the acquisition method with the cost of the acquisition being the fair value at the acquisition date of consideration transferred. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.



Goodwill is initially recorded at cost, which equals to the excess of cost of business combination over the fair value of the net assets acquired. If the fair value of the net assets acquired exceeds the cost of business combination, the excess is immediately recognised as gain in profit or loss.

Goodwill is carried at cost less any accumulated impairment losses. Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. An impairment loss is recognised in profit or loss. Impairment losses relating to goodwill cannot be reversed in future periods.

#### **4.11 Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

#### **4.12 Intangible assets**

Intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses (if any).

Intangible assets with finite lives are amortised on a systematic basis over the economic useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method of such intangible assets are reviewed at least at each financial year end. The amortisation expense is charged to profit or loss.

Intangible assets with finite useful lives are computer software which have finite useful lives of 2 - 10 years.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually either individually or at the cash generating unit level. The assessment of indefinite useful lives of the intangible assets is reviewed annually.

#### **4.13 Related party transactions**

Related parties comprise individuals or that enterprises control, or are controlled by the Company, whether directly or indirectly, or which are under common control with the Company.

They also include associated companies and individuals or enterprises which directly or indirectly own a voting interest in the Company that gives them significant influence over the Company, key management personnel, directors and officers with authority in the planning and direction of the Company's operations.

#### **4.14 Long-term leases**

Leases of equipment which transfer substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The outstanding rental obligations, net of finance charges, are included in long-term payables, while the interest element is charged to profit or loss over the lease period. The assets acquired under finance leases are depreciated over the useful life of the asset.

Leases of property, plant or equipment which do not transfer substantially all the risks and rewards of ownership are classified as operating leases. Operating lease payments are recognised as an expense in profit or loss on a straight line basis over the lease term.

#### **4.15 Foreign currencies**

The consolidated and separate financial statements are presented in Baht, which is also the Company's functional currency. Items of each entity included in the consolidated financial statements are measured using the functional currency of that entity.

Transactions in foreign currencies are translated into Baht at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Baht at the exchange rate ruling at the end of reporting period.

Gains and losses on exchange are included in determining income.

#### **4.16 Impairment of assets**

At the end of each reporting period, the Company performs impairment reviews in respect of the property, plant and equipment and other intangible assets whenever events or changes in circumstances indicate that an asset may be impaired. An impairment loss is recognised when the recoverable amount of an asset, which is the higher of the asset's fair value less costs to sell and its value in use, is less than the carrying amount. In determining value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by a valuation model that, based on information available, reflects the amount that the Company could obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal.

An impairment loss is recognised in profit or loss.

In the assessment of asset impairment if there is any indication that previously recognised impairment losses may no longer exist or may have decreased, the Company estimates the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The increased carrying amount of the asset attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

#### **4.17 Employee benefits**

##### ***Short-term employee benefits***

Salaries, wages, bonuses and contributions to the social security fund are recognised as expenses when incurred.

##### ***Post-employment benefits and other long-term employee benefits***

###### *Defined contribution plans*

The Company and its employees have jointly established a provident fund. The fund is monthly contributed by employees and by the Company. The fund's assets are held in a separate trust fund and the Company's contributions are recognised as expenses when incurred.

###### *Defined benefit plans and other long-term employee benefits*

The Company and its subsidiaries have obligations in respect of the severance payments they must make to employees upon retirement under labor law of each country. The Company and its subsidiaries treat these severance payment obligations as a defined benefit plan. In addition, the Company and local subsidiaries provide other long-term employee benefit plan.

The obligation under the defined benefit plan and other long-term employee benefit plans is determined by a professionally qualified independent actuary based on actuarial techniques, using the projected unit credit method.

Actuarial gains and losses arising from post-employment benefits are recognised immediately in other comprehensive income.

Actuarial gains and losses arising from other long-term benefits are recognised immediately in profit and loss.

Past service costs are recognised in profit or loss on the earlier of the data of the plan amendment or curtailment and the data that the Company recognises restructuring-related costs.

#### **4.18 Convertible debentures**

Disclosure and Presentation of Financial Instruments requires the entity to make the decision at the time the instrument is initially recognised according to the substance of the contract and the definitions of financial liability and equity instrument.

The convertible debentures are presented at amortised cost until the conversion or maturity of the debentures. The options are presented at fair value until exercise of conversion right to ordinary shares.

Expenses for issuance debentures were deducted from convertible debentures and amortised over the life of the debentures.

#### **4.19 Treasury shares**

Treasury shares are stated at cost and presented as a deduction from shareholders' equity. If the selling price of treasury shares is greater than the purchase price of treasury shares, the Company recognises the difference under the caption of "Premium on treasury shares". If the selling price of treasury shares is less than the purchase price of treasury shares, the difference is initially deducted from premium on treasury shares, with the remainder deducted against retained earnings.

#### **4.20 Share-based payment**

Issues and offerings of equity instruments of the Company to various parties (including employees) are recognised as share-based payment transactions, unless the issuance is clearly for a purpose other than payment for goods or services supplied to the Company.

The Company records the excess of the fair value of the shares at the transfer date over the transfer price as an expense in profit or loss, and as surplus on for share-based payment transactions in shareholder's equity.

#### **4.21 Provisions**

Provisions are recognised when the Company and its subsidiaries has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

## **4.22 Income tax**

Income tax expense represents the sum of corporate income tax currently payable and deferred tax.

### **Current tax**

Current income tax of the Company and its subsidiaries (in Thailand) are provided in the accounts at the amount expected to be paid to the taxation authorities, based on taxable profits determined in accordance with tax legislation.

Income tax of overseas subsidiaries are provided in accordance with tax legislation and tax rates mandated by the tax laws of those countries.

### **Deferred tax**

Deferred income tax is provided on temporary differences between the tax bases of assets and liabilities and their carrying amounts at the end of each reporting period, using the tax rates enacted at the end of the reporting period.

The Company and its subsidiaries recognise deferred tax liabilities for all taxable temporary differences while they recognise deferred tax assets for all deductible temporary differences and tax losses carried forward to the extent that it is probable that future taxable profit will be available against which such deductible temporary differences and tax losses carried forward can be utilised.

At each reporting date, the Company and its subsidiaries review and reduce the carrying amount of deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

The Company and its subsidiaries record deferred tax directly to shareholders' equity if the tax relates to items that are recorded directly to shareholders' equity.

## **4.23 Fair value measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between buyer and seller (market participants) at the measurement date. The Company and its subsidiaries apply a quoted market price in an active market to measure their assets and liabilities that are required to be measured at fair value by relevant financial reporting standards. Except in case of no active market of an identical asset or liability or when a quoted market price is not available, the Company and its subsidiaries measure fair value using valuation technique that are appropriate in the circumstances and maximises the use of relevant observable inputs related to assets and liabilities that are required to be measured at fair value.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy into three levels based on categorise of input to be used in fair value measurement as follows:

Level 1 - Use of quoted market prices in an observable active market for such assets or liabilities

Level 2 - Use of other observable inputs for such assets or liabilities, whether directly or indirectly

Level 3 - Use of unobservable inputs such as estimates of future cash flows

At the end of each reporting period, the Company and its subsidiaries determine whether transfers have occurred between levels within the fair value hierarchy for assets and liabilities held at the end of the reporting period that are measured at fair value on a recurring basis.

## **5. Significant accounting judgements and estimates**

The preparation of financial statements in conformity with financial reporting standards at times requires management to make subjective judgements and estimates regarding matters that are inherently uncertain. These judgements and estimates affect reported amounts and disclosures; and actual results could differ from these estimates. Significant judgements and estimates are as follow:

### **Allowance for doubtful accounts**

In determining an allowance for doubtful accounts, the management needs to make judgement and estimates based upon, among other things, past collection history, aging profile of outstanding debts and the prevailing economic condition.

### **Allowance for diminution in value of inventory**

The determination of allowances for diminution in the value of inventory, requires management to make judgements and estimates. The allowance for decline in net realisable value is estimated based on the selling price expected in the ordinary course of business less the estimated costs to complete the sales; and provision for obsolete, slow-moving and deteriorated inventories that is estimated based on the approximate aging of each type of inventory.

### **Property, plant and equipment/Depreciation**

In determining depreciation of plant and equipment, the management is required to make estimates of the useful lives and residual values of the plant and equipment and to review estimate useful lives and residual values when there are any changes.

In addition, the management is required to review property, plant and equipment for impairment on a periodical basis and record impairment losses when it is determined that their recoverable amount is lower than the carrying amount. This requires judgements regarding forecast of future revenues and expenses relating to the assets subject to the review.

### **Post-employment benefits under defined benefit plans and other long-term employee benefits**

The obligation under the defined benefit plan and other long-term employee benefit plans is determined based on actuarial techniques. Such determination is made based on various assumptions, including discount rate, future salary increase rate, mortality rate and staff turnover rate.

### **Tax assessments by the Revenue Department and litigation**

The subsidiary has contingent liabilities as a result of tax assessments by the Revenue Department and contingent liabilities as a result of litigation. The management has used judgement to assess of the results of the litigation and believes that no loss will result. Therefore no contingent liabilities are recorded as at the end of reporting period.

### **Deferred tax assets**

Deferred tax assets are recognised for deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the temporary differences and losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of estimate future taxable profits.

### **Impairment of investments in subsidiaries**

Impairment testing on investments in subsidiaries requires management to make estimates of the cash flows to be generated by the subsidiaries and to determine an appropriate discount rate to calculate the present value of those cash flows.

## 6. Related party transactions

During the years, the Company and its subsidiaries had significant business transactions with related parties. Such transactions, which are summarised below, arose in the ordinary course of business and were concluded on commercial terms and based agreed upon between the Company and those related parties.

(Unit: Million Baht)

	Consolidated		Separate		Transfer pricing policy
	financial statements		financial statements		
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	
<u>Transactions with subsidiaries</u>					
(eliminated from the consolidated financial statements)					
Sales of goods	-	-	690	985	Normal business price close to those charged to other customers
Purchases of goods and raw materials	-	-	230	280	With reference to market price
Loan interest income	-	-	3	4	Per loan agreement
Guarantee fee income	-	-	4	4	At 1 percent per annum
Service income	-	-	9	17	Agreed between the parties
Management fee income	-	-	22	27	Agreed between the parties
Service expenses	-	-	2	3	Agreed between the parties
Commission payments	-	-	2	3	Agreed between the parties
Purchases of machinery and equipment	-	-	-	2	Agreed between the parties
<u>Transactions with associated company</u>					
Purchases of raw materials	98	171	98	171	With reference to market price
Service income	1	1	1	1	Agreed between the parties
<u>Transactions with the Company's directors/ related companies</u>					
Sales of goods	24	13	13	8	Normal business price close to those charged to other customers
Purchase of goods	57	58	3	1	With reference to market price
Loan interest income	3	2	-	-	Per loan agreement
Service income	1	1	1	1	Agreed between the parties
Service expenses	-	1	-	-	Agreed between the parties
Loan interest expenses	4	-	4	-	Per loan agreement
Purchases of machinery and equipment	1	1	-	-	Agreed between the parties



As at 31 December 2018 and 2017, the balances of the accounts between the Company and those related parties are as follows:

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
<b><u>Trade accounts receivable - related parties (Note 8)</u></b>				
Subsidiaries	-	-	681	785
Related companies (related by common directors)	45	37	44	36
Total	45	37	725	821
Less: Allowance for doubtful accounts	(33)	(29)	(274)	(212)
Total trade accounts receivable - related parties, net	<u>12</u>	<u>8</u>	<u>451</u>	<u>609</u>
<b><u>Other receivables - related parties (Note 8)</u></b>				
Subsidiaries	-	-	54	223
Related companies (related by common directors)	2	2	2	1
Subsidiary and related company's directors	13	11	8	5
Total	15	13	64	229
Less: Allowance for doubtful accounts	(2)	(1)	(26)	(180)
Total other receivables - related parties, net	<u>13</u>	<u>12</u>	<u>38</u>	<u>49</u>
<b><u>Accrued interest income - related parties (Note 8)</u></b>				
Subsidiaries	-	-	30	28
Related company (related by common directors)	1	-	-	-
Total	1	-	30	28
Less: Allowance for doubtful accounts	-	-	(27)	(25)
Total accrued interest income - related parties, net	<u>1</u>	<u>-</u>	<u>3</u>	<u>3</u>
<b><u>Amounts due from related parties</u></b>				
Subsidiary and related company's directors	5	8	5	8
Total amounts due from related parties, net	<u>5</u>	<u>8</u>	<u>5</u>	<u>8</u>
<b><u>Trade and other payables - related parties (Note 21)</u></b>				
Subsidiaries	-	-	32	35
Related companies (related by common directors)	23	26	-	-
Total trade and other payables - related parties	<u>23</u>	<u>26</u>	<u>32</u>	<u>35</u>

During the year 2018, the Company has recorded reversal of allowance for doubtful accounts for its trade and other receivables - related parties in the income statement of the separate financial statements for the year 2018, a total of Baht 90 million (2017: recorded allowance for doubtful accounts Baht 143 million).

#### Loans to related parties

As at 31 December 2018 and 2017, the balances of loans between the Company and those related parties and the movement are as follows:

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
<b><u>Short-term loans to related parties</u></b>				
Subsidiaries	-	-	62	48
Related companies (related by common directors)	42	26	-	-
Total	42	26	62	48
Less: Allowance for doubtful accounts	-	-	(19)	(20)
Total short-term loans to related parties, net	<u>42</u>	<u>26</u>	<u>43</u>	<u>28</u>
<b><u>Long-term loans to related parties</u></b>				
<u>Subsidiaries</u>				
Long-term loans	-	-	527	561
Less: Allowance for doubtful accounts	-	-	(205)	(218)
Long-term loans, net of current portion	<u>-</u>	<u>-</u>	<u>322</u>	<u>343</u>

During the year 2018, movements of loans to related parties were as follow:

(Unit: Million Baht)

		Consolidated financial statements				
Short-term loans	Related by	Balance as at 31 December 2017	Increase during the year	Decrease during the year	Unrealised gain on Exchange rate	Balance as at 31 December 2018
A-List Corporate Co., Ltd.	The Director related to the Company's director	23	-	-	-	23
Supree Holding Co., Ltd.	Shareholders related to the Company's director	3	-	-	-	3
PT Sumberkreasi Ciptalogam	The Director is the subsidiary's director	-	15	-	1	16
<b>Total short-term loans</b>		<b>26</b>	<b>15</b>	<b>-</b>	<b>1</b>	<b>42</b>

(Unit: Million Baht)

		Separate financial statements				
Short-term loans	Related by	Balance as at 31 December 2017	Increase during the year	Decrease during the year	Unrealised loss on Exchange rate	Balance as at 31 December 2018
Pranda & Kroll GmbH & Co. KG	Subsidiary	20	-	-	(1)	19
H. GRINGOIRE s.a.r.l.	Subsidiary	28	-	-	(1)	27
PT Pranda Marketing Indonesia	Subsidiary	-	16	-	-	16
<b>Total short-term loans</b>		<b>48</b>	<b>16</b>	<b>-</b>	<b>(2)</b>	<b>62</b>

(Unit: Million Baht)

		Separate financial statements				
Long-term loans	Related by	Balance as at 31 December 2017	Increase during the year	Decrease during the year	Unrealised loss on Exchange rate	Balance as at 31 December 2018
Pranda & Kroll GmbH & Co. KG	Subsidiary	27	-	-	(1)	26
Pranda UK Ltd.	Subsidiary	338	-	-	(23)	315
H. GRINGOIRE s.a.r.l.	Subsidiary	196	-	-	(10)	186
<b>Total long-term loans</b>		<b>561</b>	<b>-</b>	<b>-</b>	<b>(34)</b>	<b>527</b>

## **Short-term loans to related parties**

### **Consolidated financial statements**

As at 31 December 2018, a local subsidiary (Pranda Lodging Co., Ltd.) granted short-term loans of Baht 23 million (2017: Baht 23 million), to a related company, A-List Corporate Co., Ltd., and these loans are subject to interest at the rate of 7 percent per annum, secured by the director of this related company and repayable on demand. In addition, the subsidiary granted a short-term loan of Baht 3 million (2017: Baht 3 million), to a related company, Supree Holding Co., Ltd, and this loan is subject to interest at the rate of 7 percent per annum, unsecured and repayable on demand.

During the current year, the Company granted a short-term loan to a subsidiary, PT Pranda Marketing Indonesia amounting to USD 0.5 million or approximately Baht 16 million and the subsidiary granted a short-term loan to a related company, PT Sumberkreasi Ciptalogam amounting to USD 0.5 million or approximately Baht 15 million. The loan granted to the related company is unsecured and subject to interest at rate of 7.5 percent per annum. This loan is repayable within December 2019.

### **Separate financial statements**

#### **Short-term loans to subsidiaries**

As at 31 December 2018, the Company granted a short-term loan to a subsidiary, Pranda & Kroll GmbH & Co. KG, of EUR 0.5 million or approximately Baht 19 million (2017: EUR 0.5 million or approximately Baht 20 million). This loan is subject to interest at the rate of 7.5 percent per annum. This loan is unsecured and principal and interest are payable within March 2019. However, the Company has considered to fully record allowance for doubtful accounts for its short-term loans and accrued interest income.

As at 31 December 2018, the Company granted a short-term loan of EUR 0.7 million or approximately Baht 27 million (2017: EUR 0.7 million or approximately Baht 28 million), to its subsidiary, H.GRINGOIRE s.a.r.l.. This loan carries interest at 7.5 percent per annum and unsecured. Principal and interest are repayable within 2019.

## **Long-term loans to related parties**

### **Consolidated financial statements**

As at 31 December 2018, a local subsidiary granted a long-term loan of USD 2 million, or approximately Baht 65 million (2017: USD 2 million or approximately Baht 65 million), to PT Pranda Marketing Indonesia, a subsidiary company. The loan is subject to interest at the rate of 7.5 percent per annum, has a term of 10 years (maturity in 2021 and 2025), and is secured by the pledge of some shares of this company.

The loan agreement grants the subsidiary the option to have PT Pranda Marketing Indonesia, makes loan repayment in cash, or to convert part or all of the unpaid loan to the newly issued shares of the company, provided these do not exceed up to 55 percent of total shares. The conversion ratio is set at the par value of that company's shares.

In 2017, the subsidiary has ceased to calculate the said interest income of long-term loans because of the uncertainty in receiving repayments. The subsidiary has considered recording the allowance to be at the anticipated repayment amount of long-term loans and accrued interest income. (A total of Baht 10 million of interest income under the long-term loan agreements were not recognised as income. Interest income for the year 2018 and 2017 amounting to Baht 5 million and Baht 5 million, respectively).

During the year 2018, the subsidiary has considered recording an allowance for doubtful debts at the recoverable amount. The local subsidiary recorded the allowance for doubtful debts of Baht 17 million in the income statement of the subsidiary's separate financial statements for the year 2018.

#### Separate financial statements

The Company granted a long-term loan of EUR 4.9 million and USD 0.2 million (2017: EUR 4.9 million and USD 0.2 million), to its subsidiary, H.GRINGOIRE s.a.r.l.. This loan carry interest at 7.5 percent per annum, have terms of 10 years and are unsecured.

The Company granted a long-term loan of GBP 3.9 million (2017: GBP 3.9 million), to a subsidiary, Pranda UK Ltd. This loan carry interest at 7.5 percent per annum, have terms of 10 years and are unsecured. In addition, the Company granted the long-term loan of GBP 3.8 million (2017: GBP 3.8 million), is repayable the principle and interest payment within December 2020.

The long-term loan of EUR 0.7 million (2017: EUR 0.7 million), granted to a subsidiary, Pranda & Kroll GmbH & Co. KG, is unsecured and repayable quarterly within 3 years, from March 2015 to April 2018. Interest was payable quarterly at a rate of 7.5 percent per annum. However, the Company has considered to fully record allowance for doubtful accounts for its long-term loans and accrued interest income, as described in Note 12.1 to the financial statements.

During the current year, the Company and its subsidiary, Pranda & Kroll GmbH & Co. KG, made an agreement to cease interest calculation of all loans which the Company granted to the subsidiary. This agreement became effective since 1 April 2018 onwards.

Long-term loans to its three subsidiaries were subject to interest rate of 7.5 percent per annum. During the year 2016, the Company ceased to calculate the said interest income of long-term loans because of the uncertainty in receiving repayments. The Company considered recording the allowance to be at the anticipated repayment amount of long-term loans and accrued interest income. (A total of Baht 107 million of interest income under the long-term loan agreements were not recognised as income. Interest income for the year 2018 and 2017 amounting to Baht 39 million and Baht 42 million, respectively).

### **Short-term loans from related parties**

As at 31 December 2018, the Company had short-term loans from the Company's directors amounting to Baht 50 million. These loans are unsecured, and subject to interest at rate of 7.5 percent per annum. These loans are repayable within June 2019.

### **Directors and management's benefits**

During the years ended 31 December 2018 and 2017, the Company and its subsidiaries had employee benefit expenses of their directors and management as below.

(Unit: Million Baht)

	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Short-term employee benefits	71	62	31	27
Post-employment benefits	2	1	1	1
Other long-term benefits	2	1	-	-
<b>Total</b>	<b>75</b>	<b>64</b>	<b>32</b>	<b>28</b>

### **Guarantee obligations with related parties**

The Company has outstanding guarantee obligations with its related parties, as described in Note 36.3.1 to the financial statements.

## **7. Cash and cash equivalents**

(Unit: Thousand Baht)

	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Cash	17,961	15,325	616	1,618
Bank deposits	378,887	202,702	254,544	106,368
<b>Total</b>	<b>396,848</b>	<b>218,027</b>	<b>255,160</b>	<b>107,986</b>

As at 31 December 2018, bank deposits carried interests between 0.10 to 0.85 percent per annum (2017: between 0.10 to 0.85 percent per annum).

## 8. Trade and other receivables

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
<u>Trade accounts receivable - related parties</u>				
Aged on the basis of due dates				
Not yet due	902	717	37,903	119,816
Past due				
Up to 3 months	6,201	2,864	81,386	83,791
3 - 6 months	778	2,100	84,447	128,599
6 - 12 months	2,899	1,433	188,640	90,133
Over 12 months	34,618	29,833	332,656	398,775
Total	45,398	36,947	725,032	821,114
Less: Allowance for doubtful debts	(32,811)	(28,671)	(273,641)	(212,391)
Total trade accounts receivable - related parties, net (Note 6)	<u>12,587</u>	<u>8,276</u>	<u>451,391</u>	<u>608,723</u>
<u>Trade accounts receivable - unrelated parties</u>				
Aged on the basis of due dates				
Not yet due	246,553	195,416	104,644	88,243
Past due				
Up to 3 months	122,630	142,318	87,977	24,610
3 - 6 months	4,381	16,851	64	6,436
6 - 12 months	23,070	12,424	-	233
Over 12 months	28,252	46,357	22,793	28,373
Total	424,886	413,366	215,478	147,895
Less: Allowance for doubtful debts	(36,564)	(44,176)	(23,873)	(28,373)
Total trade accounts receivable - unrelated parties, net	<u>388,322</u>	<u>369,190</u>	<u>191,605</u>	<u>119,522</u>
Total trade accounts receivable, net	<u>400,909</u>	<u>377,466</u>	<u>642,996</u>	<u>728,245</u>

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
<u>Other receivables</u>				
Other receivables - related parties (Note 6)	15,317	12,532	64,101	229,101
Other receivables - unrelated parties	16,889	14,166	572	692
Accrued interest income - related parties (Note 6)	1,011	-	29,868	27,983
Accrued interest income	2,321	2,260	2,177	2,120
Total	35,538	28,958	96,718	259,896
Less: Allowance for doubtful debts	(5,486)	(4,794)	(54,642)	(207,437)
Total other receivables, net	30,052	24,164	42,076	52,459
Total trade and other receivables, net	430,961	401,630	685,072	780,704

## 9. Inventories

(Unit: Thousand Baht)

	Consolidated financial statements					
	Cost		Reduce cost to net realisable value		Inventories - net	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Finished goods	1,233,185	1,292,907	(108,247)	(122,383)	1,124,938	1,170,524
Work in process	192,003	280,571	-	-	192,003	280,571
Raw materials	449,641	496,330	(91,798)	(95,902)	357,843	400,428
Factory supplies	12,914	14,089	(9)	-	12,905	14,089
Goods in transit	17,783	2,179	(10,640)	-	7,143	2,179
Total	1,905,526	2,086,076	(210,694)	(218,285)	1,694,832	1,867,791



(Unit: Thousand Baht)

	Separate financial statements					
	Cost		Reduce cost to net realisable value		Inventories - net	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Finished goods	293,538	283,815	(72,378)	(68,097)	221,160	215,718
Work in process	183,439	271,766	-	-	183,439	271,766
Raw materials	432,018	478,010	(89,645)	(93,990)	342,373	384,020
Factory supplies	8,594	9,225	-	-	8,594	9,225
Goods in transit	-	61	-	-	-	61
Total	<u>917,589</u>	<u>1,042,877</u>	<u>(162,023)</u>	<u>(162,087)</u>	<u>755,566</u>	<u>880,790</u>

During the current year, the Company and its subsidiaries reduced cost of inventories by Baht 12 million (2017: Baht 26 million) (The Company only: Baht 4 million 2017: Baht 6 million), to reflect the net realisable value. This was included in cost of sales. In addition, the Company and its subsidiaries reversed the write-down of cost of inventories by Baht 20 million (2017: Baht 10 million) (The Company only: Baht 4 million and 2017: Baht 6 million), and reduced the amount of inventories recognised as expenses during the year.

As at 31 December 2018, the Company has pledged most of the Company's inventories to secure credit facilities from commercial banks amounting to Baht 500 million. In addition, an overseas subsidiary company has pledged inventories of IDR 3,000 million or approximately Baht 7 million to secure credit facilities from an overseas commercial bank as described in Note 19 and Note 23 to the financial statements.

#### **10. Assets held for sale**

On 7 November 2017, the Company's Board of Directors passed a resolution for the Company to enter into a sale and purchase agreement for certain land held for development with an unrelated party. The Company received deposits on the same date. The management expects to transfer the ownership of the land held for development within 6 months from the agreement date.

Subsequently on 8 May 2018, the Company sold, transferred ownership of totaling of Baht 443 million and redeemed the land held for development pledged to secure credit facility from a commercial bank.

## 11. Restricted bank deposits

The outstanding balances represented the Company's deposits with bank pledged to secure the credit facilities, and the subsidiaries' deposits with banks, pledged to secure the bank overdraft, and the letters of guarantee issued by banks on behalf of subsidiaries for electricity use.

## 12. Investments in subsidiaries

12.1 Details of investments in subsidiaries as presented in separate financial statements are as follows:

(Unit: Thousand Baht)

Company's name	Paid-up capital		Currency	Shareholding percentage		Cost	
	2018	2017		2018	2017	2018	2017
				(Percent)	(Percent)		
Pranda North America, Inc.	2	2	Thousand USD	100	100	120,283	120,283
H.GRINGOIRE s.a.r.l.	5	5	Million EUR	100	100	344,423	344,423
Pranda UK Ltd.	0.5	0.5	Million GBP	100	100	28,973	28,973
Pranda Vietnam Co., Ltd.	1.5	1.5	Million USD	100	100	48,180	48,180
Primagold International Co., Ltd.	200	200	Million Baht	100	100	200,000	200,000
Crystalline Co., Ltd.	100	100	Million Baht	96	96	96,000	96,000
Pranda Lodging Co., Ltd.	50	50	Million Baht	83	83	41,125	41,125
Guangzhou Pangda Zhubao Shoushi							
Youxian Gongsi	-	3.35	Million USD	-	100	-	112,523
Pranda & Kroll GmbH & Co. KG	14.96	14.96	Million EUR	75	75	573,303	573,303
Pranda Jewelry Private Limited	150	150	Million Indian Rupee	51	51	213,439	44,255
Pranda Trading (Shenzhen) Limited	0.55	0.55	Million USD	100	100	17,437	17,437
Total						1,683,163	1,626,502
Less: Allowance for impairment of investments						(1,015,591)	(975,237)
Investments in subsidiaries, net						667,572	651,265

During 2018, no dividend income was received from its investments in subsidiaries.

During the current year, the Company record the impairment loss on investment in subsidiaries of Baht 153 million in the income statement (2017: Baht 3 million).

### **Subsidiary - Pranda & Kroll GmbH & Co. KG**

On 13 February 2018, a meeting of the Company's Board of Directors passed a resolution to dissolve a subsidiary, Pranda & Kroll GmbH & Co. KG, since 13 February 2018 onwards. At present, the subsidiary is in the process of liquidation. This subsidiary is not a significant segment of the Group, therefore, there is no significant impact on the consolidated financial statements. As at 31 December 2017, the Company has made allowance for impairment loss on assets of this subsidiary totaling of Baht 386 million.

### **Subsidiary - Guangzhou Pangda Zhubao Shoushi Youxian Gongsi**

On 27 September 2013, a meeting of the Company's Board of Directors passed a resolution to dissolve a subsidiary, Guangzhou Pangda Zhubao Shoushi Youxian Gongsi, on 27 September 2013. This subsidiary is not a significant segment of the Group, therefore, there is no significant impact on the consolidated financial statements. In addition, the Company has made full allowance for impairment loss on investment in this subsidiary.

Subsequently on 27 June 2018, the subsidiary was liquidated. The Company recorded loss on write-off net investment in this subsidiary in the separate income statement, and recorded gain on liquidation of subsidiary company of Baht 2 million in the consolidated income statement.

### **Subsidiary - Pranda Jewelry Private Limited**

On 27 December 2018, an Indian subsidiary, Pranda Jewelry Private Limited, issued and offered to the Company 34,000,000 units of fully compulsorily convertible debentures, unsubordinated and unsecured, with a par value of Indian Rupee 10 each, or a total of Indian Rupee 340 million. All Debentures are to be converted into fully paid up equity shares of the subsidiary on the expiry of 5 years from the date of issue of debenture. The conversion ratio will be calculated in accordance with related regulations in India.

Under the debentures agreement, the subsidiary will pay interest on a quarterly basis at rates of 7.5 percent per annum. Moreover, the subsidiary has the right, under the agreement, to buy back the converted equity shares from the Company on or after the conversion date. In any case, if the subsidiary is unable to buy back such shares from the Company, the Company will offer some of the converted equity shares to the minority shareholder of the subsidiary in order to maintain the holding structure of the Company and the minority shareholder of the subsidiary.

However, the Company has considered to record this transaction for investments in subsidiaries because the debentures held by the investors shall automatically be converted into equity shares on the conversion date.

## 12.2 Details of investments in subsidiaries that have material non-controlling interests

(Unit: Million Baht)

Company's name	Proportion of equity interest held by non-controlling interests		Accumulated balance of non-controlling interests		Loss allocated to non-controlling interests during the year	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	(%)	(%)				
Pranda & Kroll GmbH & Co. KG	25	25	(147)	(139)	(8)	(10)

## 12.3 Summarised financial information that based on amounts before inter-company elimination about subsidiaries that have material non-controlling

### Summarised information about financial position

(Unit: Million Baht)

	Pranda & Kroll GmbH & Co. KG	
	<u>2018</u>	<u>2017</u>
Current assets	18	53
Non-current assets	-	1
Current liabilities	234	230
Non-current liabilities	-	24

### Summarised information about comprehensive income

(Unit: Million Baht)

	For the year ended 31 December	
	Pranda & Kroll GmbH & Co. KG	
	<u>2018</u>	<u>2017</u>
Revenue	56	61
Loss	(26)	(36)
Other comprehensive income	-	-
Total comprehensive income	(26)	(36)

## Summarised information about cash flow

(Unit: Million Baht)

		For the year ended 31 December	
		Pranda & Kroll GmbH & Co. KG	
		<u>2018</u>	<u>2017</u>
Cash flow from (used in) operating activities		(1.9)	0.7
Cash flow from investing activities		2.6	-
Cash flow used in financing activities		(0.2)	(0.1)
Net increase in cash and cash equivalents		<u>0.5</u>	<u>0.6</u>

### 13. Investments in associated company

#### 13.1 Details of associated company:

(Unit: Thousand Baht)

			Consolidated financial statements			
Company's name	Nature of business	Country of incorporation	Shareholding		Investment value	
			Percentage		- equity method	
			<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
			(Percent)	(Percent)		
KZ-Pranda Co., Ltd.	Import and distribution of raw materials - precious metals	Thailand				
- Cost			40	40	3,600	3,600
- Accumulated share of profit					6,547	5,379
Total carrying amounts based on equity method					<u>10,147</u>	<u>8,979</u>

(Unit: Thousand Baht)

			Separate financial statements							
Company's name	Nature of business	Country of incorporation	Shareholding		Cost		Allowance for impairment of investment		Carrying amounts based on cost method - net	
			percentage		<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
			(Percent)	(Percent)						
KZ-Pranda Co., Ltd.	Import and distribution of raw materials - precious metals	Thailand	40	40	<u>3,600</u>	<u>3,600</u>	<u>(3,600)</u>	<u>(3,600)</u>	<u>-</u>	<u>-</u>

### 13.2 Share of comprehensive income and dividend received

During the years, the Company recognised its share of profit from investment in associated company in the consolidated financial statements and dividend income in the separate financial statement as follows:

(Unit: Thousand Baht)

Company's name	Consolidated financial statements	
	Share of profit from investment in associated company during the year	
	<u>2018</u>	<u>2017</u>
KZ-Pranda Co., Ltd.	1,168	1,475

### 13.3 Summarised financial information about material associated company

Financial information of the associated company is summarised below.

(Unit: Million Baht)

Company's name	Paid-up capital		Currency	Total assets		Total liabilities		Total revenues for the years ended		Profit for the years ended	
	as at			as at		as at		ended		ended	
	31 December			31 December	31 December	31 December	31 December	31 December	31 December	31 December	31 December
	<u>2018</u>	<u>2017</u>		<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
KZ-Pranda Co., Ltd.	9	9	Million Baht	166	172	140	149	1,865	2,207	3	4

### 14. Other receivables

Other receivable is the promissory note totaling USD 1.55 million that were issued by overseas company. This promissory note is repayable in five years (maturity in April 2019), with no interest.

The outstanding balances as at 31 December 2018 and 2017 are presented below.

(Unit: Thousand Baht)

	Consolidated / Separate financial statements	
	<u>2018</u>	<u>2017</u>
Promissory note	50,191	50,568
Less: Allowance for devaluation	(50,191)	(50,568)
Other receivable, net	-	-

## 15. Other long-term investments

Other long-term investments as at 31 December 2018 and 2017 are summarised below:

(Unit: Thousand Baht)

	Consolidated financial statements			
	2018		2017	
	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value
<b>Available-for-sale securities</b>				
Overseas marketable equity securities	97,979	12,126	97,979	35,677
Less: Deficit on changes in value of investments in securities available for sales	(85,853)		(62,302)	
	<u>12,126</u>		<u>35,677</u>	
<b>Other investments</b>				
Overseas non-marketable equity securities	14,490		14,490	
Less: Impairment loss on other long-term investments	(13,350)		-	
	<u>1,140</u>		<u>14,490</u>	
Total other long-term investments	<u>13,266</u>		<u>50,167</u>	

(Unit: Thousand Baht)

	Separate financial statements			
	2018		2017	
	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value
<b>Available-for-sale securities</b>				
Overseas marketable equity securities	97,979	12,126	97,979	35,677
Less: Deficit on changes in value of investments in securities available for sales	(85,853)		(62,302)	
	<u>12,126</u>		<u>35,677</u>	
<b>Other investments</b>				
Overseas non-marketable equity securities	13,350		13,350	
Less: Impairment loss on other long-term investments	(13,350)		-	
	<u>-</u>		<u>13,350</u>	
Total other long-term investments	<u>12,126</u>		<u>49,027</u>	

## 16. Investment properties

The net book value of investment properties as at 31 December 2018 and 2017 is presented below.

(Unit: Thousand Baht)

	Consolidated financial statements			Separate financial statements		
	Land held for development	Land and building for rent	Total	Land held for development	Land and building for rent	Total
<u>31 December 2018:</u>						
Cost	576,952	67,498	644,450	576,952	9,476	586,428
<u>Less: Accumulated depreciation</u>	-	(55,264)	(55,264)	-	(8,876)	(8,876)
Net book value	<u>576,952</u>	<u>12,234</u>	<u>589,186</u>	<u>576,952</u>	<u>600</u>	<u>577,552</u>
<u>31 December 2017:</u>						
Cost	576,952	67,498	644,450	576,952	9,476	586,428
<u>Less: Accumulated depreciation</u>	-	(54,877)	(54,877)	-	(8,876)	(8,876)
Net book value	<u>576,952</u>	<u>12,621</u>	<u>589,573</u>	<u>576,952</u>	<u>600</u>	<u>577,552</u>

A reconciliation of the net book value of investment properties for the years 2018 and 2017 is presented below.

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Net book value at beginning of year	589,573	680,851	577,552	667,981
Transfer to assets held for sale (Note 10)	-	(90,429)	-	(90,429)
Depreciation during the year	(387)	(849)	-	-
Net book value at end of year	<u>589,186</u>	<u>589,573</u>	<u>577,552</u>	<u>577,552</u>



The fair value of the investment properties stated below:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Land held for development	609,000	609,000	609,000	609,000
Land and building for rent	98,919	98,919	44,679	44,679

The fair values of the land held for development, land and building for rent have been determined based on valuations performed by an accredited independent valuer using the market approach.

The Company has mortgaged investment properties of the Company and a local subsidiary with a total net book value as at 31 December 2018 of approximately Baht 587 million (2017: Baht 588 million) as collateral against credit facilities which the Company received from commercial banks (The Company only: Baht 577 million, 2017: Baht 577 million).

## 17. Property, plant and equipment

(Unit: Thousand Baht)

	Consolidated financial statements								
	Land	Land improvements	Buildings and building improvements	Leasehold improvements	Machinery and equipment	Furniture, Fixtures and office equipment	Motor vehicles	Assets under installation and under construction	Total
<b>Cost:</b>									
1 January 2017	94,669	16,586	822,556	44,143	245,954	565,290	35,262	542	1,825,002
Additions	-	55	41	219	12,229	16,584	1,305	7,519	37,952
Disposals / write-off	-	-	(2,143)	(5,304)	(3,246)	(30,159)	(3,066)	-	(43,918)
Transfers	-	326	4,618	-	-	1,340	-	(6,284)	-
Translation adjustment	-	-	(5,749)	(306)	(1,938)	(3,434)	(358)	-	(11,785)
31 December 2017	94,669	16,967	819,323	38,752	252,999	549,621	33,143	1,777	1,807,251
Additions	-	-	-	267	933	12,880	148	3,186	17,415
Disposals / write-off	-	-	(180)	-	(31)	(11,479)	(1,446)	-	(13,136)
Transfers	-	-	338	-	-	4,285	-	(4,623)	-
Translation adjustment	-	-	(3,677)	(992)	(470)	(3,607)	(168)	-	(8,914)
31 December 2018	94,669	16,967	815,804	38,027	253,431	551,700	31,678	340	1,802,616

## 17. Property, plant and equipment (continued)

(Unit: Thousand Baht)

### Consolidated financial statements

	Land	Land improvements	Buildings and building improvements	Leasehold improvements	Machinery and equipment	Furniture, fixtures and office equipment	Motor vehicles	Assets under installation and under construction	Total
<b>Accumulated depreciation:</b>									
1 January 2017	-	8,611	350,605	29,538	221,770	425,134	30,188	-	1,065,846
Depreciation for the year	-	496	23,943	2,434	12,524	37,441	2,104	-	78,942
Depreciation on disposals / write-off	-	-	(129)	(5,301)	(3,169)	(29,916)	(2,321)	-	(40,836)
Translation adjustment	-	-	(3,568)	(274)	(712)	(2,482)	(1,265)	-	(8,301)
31 December 2017	-	9,107	370,851	26,397	230,413	430,177	28,706	-	1,095,651
Depreciation for the year	-	495	22,669	3,163	7,952	31,376	1,709	-	67,364
Depreciation on disposals / write-off	-	-	(90)	-	(30)	(11,086)	(1,318)	-	(12,524)
Translation adjustment	-	-	(504)	(629)	(452)	(2,553)	(142)	-	(4,280)
31 December 2018	-	9,602	392,926	28,931	237,883	447,914	28,955	-	1,146,211
<b>Allowance for impairment loss:</b>									
31 December 2017	-	-	-	-	-	11,833	-	-	11,833
31 December 2018	-	-	-	-	-	11,833	-	-	11,833
<b>Net book value:</b>									
31 December 2017	94,669	7,860	448,472	12,355	22,586	107,611	4,437	1,777	699,767
31 December 2018	94,668	7,365	422,878	9,096	15,548	91,953	2,723	340	644,572
<b>Depreciation for the year</b>									
2017 (Baht 37 million included in manufacturing cost, and the balance in selling and administrative expenses)									78,942
2018 (Baht 31 million included in manufacturing cost, and the balance in selling and administrative expenses)									67,364

## 17. Property, plant and equipment (continued)

(Unit: Thousand Baht)

	Separate financial statements							Total
	Land	Land improvements	Buildings and building improvements	Machinery and equipment	Furniture, fixtures and office equipment	Motor vehicles	Assets under installation and under construction	
<b>Cost:</b>								
1 January 2017	94,669	16,587	692,513	228,874	340,827	23,739	138	1,397,347
Additions	-	55	-	11,042	6,257	-	1,980	19,334
Disposals / write-off	-	-	(2,144)	(138)	(14,751)	-	-	(17,033)
Transfers	-	326	236	-	-	-	(562)	-
31 December 2017	94,669	16,968	690,605	239,778	332,333	23,739	1,556	1,399,648
Additions	-	-	-	765	4,259	3	324	5,351
Disposals / write-off	-	-	(180)	(31)	(3,436)	(514)	-	(4,161)
Transfers	-	-	338	-	1,202	-	(1,540)	-
31 December 2018	94,669	16,968	690,763	240,512	334,358	23,228	340	1,400,838
<b>Accumulated depreciation:</b>								
1 January 2017	-	8,611	295,237	203,477	247,503	18,765	-	773,593
Depreciation for the year	-	496	19,225	12,571	18,833	1,535	-	52,660
Depreciation on disposals /write-off	-	-	(130)	(138)	(14,568)	-	-	(14,836)
31 December 2017	-	9,107	314,332	215,910	251,768	20,300	-	811,417
Depreciation for the year	-	495	18,745	8,019	17,419	1,357	-	46,035
Depreciation on disposals /write-off	-	-	(90)	(30)	(3,337)	(386)	-	(3,843)
31 December 2018	-	9,602	332,987	223,899	265,850	21,271	-	853,609

## 17. Property, plant and equipment (continued)

(Unit: Thousand Baht)

	Separate financial statements							Total
	Land	Land improvements	Buildings and building improvements	Machinery and equipment	Furniture, fixtures and office equipment	Motor vehicles	Assets under installation and under construction	
<b>Allowance for impairment loss:</b>								
31 December 2017	-	-	-	-	11,833	-	-	11,833
31 December 2018	-	-	-	-	11,833	-	-	11,833
<b>Net book value:</b>								
31 December 2017	94,669	7,861	376,273	23,868	68,732	3,439	1,556	576,398
31 December 2018	94,669	7,366	357,776	16,613	56,675	1,957	340	535,396
<b>Depreciation for the year</b>								
2017 (Baht 27 million included in manufacturing cost, and the balance in selling and administrative expenses)								52,660
2018 (Baht 22 million included in manufacturing cost, and the balance in selling and administrative expenses)								46,035

As at 31 December 2018, certain plant and equipment items of the Company and its subsidiaries have been fully depreciated but are still in use. The gross carrying amount before deducting accumulated depreciation and allowance for impairment loss of those assets amounted to approximately Baht 891 million (2017: Baht 857 million) (The Company only: Baht 689 million, 2017: Baht 662 million).

The Company and its subsidiaries have mortgaged their property, plant and equipment with a total net book value as at 31 December 2018 amounting to approximately Baht 431 million (2017: Baht 458 million) as collateral against credit facilities received from commercial banks (The Company only: Baht 374 million, 2017: Baht 393 million).

## 18. Intangible assets

The net book value of intangible assets as at 31 December 2018 and 2017 is presented below.

(Unit: Thousand Baht)

	Consolidated financial statements			Separate financial statements		
	Computer software	Brand names	Total	Computer software	Brand names	Total
<b>Cost:</b>						
As at 1 January 2017	70,923	3,402	74,325	40,316	3,402	43,718
Additions	3,621	-	3,621	2,441	-	2,441
Translation adjustment	147	-	147	-	-	-
As at 31 December 2017	74,691	3,402	78,093	42,757	3,402	46,159
Additions	4,472	-	4,472	1,500	-	1,500
Disposals	(171)	-	(171)	-	-	-
Translation adjustment	(1,483)	-	(1,483)	-	-	-
As at 31 December 2018	77,509	3,402	80,911	44,257	3,402	47,659
<b>Accumulated amortisation:</b>						
As at 1 January 2017	40,771	-	40,771	18,363	-	18,363
Amortisation during the year	4,497	-	4,497	1,478	-	1,478
Translation adjustment	147	-	147	-	-	-
As at 31 December 2017	45,415	-	45,415	19,841	-	19,841
Amortisation during the year	5,239	-	5,239	3,043	-	3,043
Amortisation on disposals	(142)	-	(142)	-	-	-
Translation adjustment	(1,363)	-	(1,363)	-	-	-
As at 31 December 2018	49,149	-	49,149	22,884	-	22,884
<b>Allowance for impairment loss:</b>						
31 December 2017	-	-	-	-	-	-
31 December 2018	-	3,302	3,302	-	3,302	3,302
<b>Net book value:</b>						
31 December 2017	29,276	3,402	32,678	22,916	3,402	26,318
31 December 2018	28,360	100	28,460	21,373	100	21,473

## 19. Bank overdrafts and short-term loans from financial institutions

(Unit: Thousand Baht)

	Interest rate		Consolidated		Separate	
	(percent per annum)		financial statements		financial statements	
	2018	2017	2018	2017	2018	2017
Bank overdrafts	3.35	MOR	1,498	15,160	-	15,160
Short-term loans from financial institutions	MLR - 2.75, 2.80 - 3.00, 5.25, 10.25	MLR - 2.50, 2.90, 5.50, 11.25	348,302	296,008	261,307	179,800
Total			349,800	311,168	261,307	194,960

Bank overdrafts and some part of short-term loans from financial institutions of the Company are secured by pledges most of inventories of the Company, mortgage of the Company's land with structures thereon, investment properties, and by the guarantee of the Company's directors.

Bank overdrafts and short-term loans from financial institutions of a local subsidiary company are guaranteed by the Company.

Bank overdrafts of a local subsidiary company are secured by fixed deposits pledged with the bank.

Short-term loan from financial institution of an overseas subsidiary is secured by pledges of some inventories of the subsidiary company, some assets of the subsidiary's director and a building of the non-controlling interest of the subsidiary company.

## 20. Bills of exchange

	(Unit: Thousand Baht)	
	Consolidated financial statements	Separate financial statements
Balance as at 1 January 2018	213,816	163,985
Add: Issuance of bills of exchange	180,000	100,000
Add: Amortisation of prepaid interest expenses	10,060	8,160
Less: Repayment	(280,000)	(180,000)
Less: Prepaid interest expenses	(6,942)	(4,509)
Balance as at 31 December 2018	<u>116,934</u>	<u>87,636</u>

Bills of exchange of the Company are subject to interest at rate of 7.75 percent to 8.25 percent per annum (2017: 6.75 percent to 8.25 percent per annum) and mature in January to July 2019 mortgage of the Company's land and a local subsidiary's investment properties, and the guarantee of the Company's director.

Bills of exchange of a local subsidiary company are subject to interest rate at 4.30 percent per annum (2017: 4.30 percent per annum) and mature in July 2019. There are no collateral on the bills of exchange.

## 21. Trade and other payables

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Trade and other payables - related parties (Note 6)	23,005	26,061	31,847	35,422
Trade payables - unrelated parties	610,847	478,665	442,869	335,677
Other payables - unrelated parties	17,151	27,269	4,305	10,791
Accrued expenses	63,127	61,096	25,874	19,691
Total trade and other payables	<u>714,130</u>	<u>593,091</u>	<u>504,895</u>	<u>401,581</u>

## 22. Short-term loans from unrelated individuals

Short-term loans from unrelated individuals of the Company as at December 2017 comprise short-term loans from individuals totaling Baht 50 million. These loans are subject to interest at rate of 7 percent per annum. The loans are secured by the guarantee of the Company's director. However, the Company made the repayment of these short-term loans during the first quarter of 2018.

## 23. Long-term loans

(Unit: Thousand Baht)

Loan	Interest rate (percent per annum)	Repayment schedule	Consolidated		Separate	
			financial statements	financial statements	financial statements	financial statements
			<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
1	MLR - 1.00	Quarterly installment as from April 2017 to July 2019	31,527	365,600	31,527	365,600
2	MLR - 0.50	Quarterly installment as from November 2012 to February 2019	20,000	64,800	20,000	64,800
3	MLR - 0.50	Quarterly installment as from October 2013 to April 2019	14,150	49,550	14,150	49,550
4	MLR - 1.25	Monthly installment as from July 2016 to June 2022	116,600	149,960	-	-
5	14.15 (2017: 13.25)	Monthly installment as from September 2013 to January 2029 (Indian Rupee loan)	11,491	13,094	-	-
6	10.25 (2017: 11.25)	Monthly installment as from June 2017 to May 2020 (Indonesian Rupiah loan)	4,280	6,860	-	-
Total			198,048	649,864	65,677	479,950
Less: Deferred financial service fee			(1,479)	(1,901)	(429)	(543)
Total loans, net			196,569	647,963	65,248	479,407
Less: Current portion of long-term loans			(101,085)	(515,264)	(65,248)	(479,407)
Long-term loans, net of current portion			95,484	132,699	-	-



Movement of the long - term loan account during the year ended 31 December 2018 are summarised below:

	(Unit: Thousand Baht)	
	Consolidated	Separate
	financial statements	financial statements
Balance as at 1 January 2018	647,963	479,407
Less: Repayment	(451,816)	(414,273)
Add: Amortisation of deferred financial service fee	422	114
Balance as at 31 December 2018	<u>196,569</u>	<u>65,248</u>

The long-term loans of the Company are secured by pledges most of inventories of the Company, mortgage of land with structures, and investment properties, and by fixed deposits pledged with the bank and the guarantee of the Company's directors. The loan agreements contain covenants as specified in the agreements that, among other things, require the Company to maintain certain debt to equity ratio and debt service coverage ratio (DSCR) prescribed in the agreements.

Since 31 December 2017, the Company was unable to maintain a debt service coverage ratio in accordance with the agreements. As a result, the lender has the right to call the loans on demand and the Company has classified the full balance as current portion of long-term loans. Subsequently in April 2018, the Company obtained a letter granting a waiver for some conditions as at 31 December 2017 from the lender.

However, as at 31 December 2018, the Company was unable to maintain a debt service coverage ratio in accordance with the agreements. As a result, the lender has the right to call the loans on demand and the Company is currently asking for a letter granting a waiver for some conditions from the lender.

Long-term loan of a local subsidiary company were granted by a local commercial bank. Such loan is secured by the mortgage of its office condominium units, and by the guarantees of the Company. The loan agreement contains covenants as specified in the agreement that, among other things, require the subsidiary to maintain certain debt to equity according to the agreement.

Long-term loan of an overseas subsidiary company, Pranda Jewelry Private Limited, was granted by an Indian financial institution. Such loan is secured by the mortgage of a building of this subsidiary.

Long-term loan of an overseas subsidiary company, PT Pranda Marketing Indonesia, was granted by an overseas commercial bank for credit facilities. Such loan is secured by pledges of some inventories of the subsidiary company, some assets of the director of the subsidiary company, and a building of non-controlling interest of the subsidiary company.

## 24. Convertible debentures/Options

On 29 January 2018, the Extraordinary Shareholder's Meeting of the Company passed a resolution to approve on issuance and offering of the convertible debentures on a private placement basis in the amount of not exceeding Baht 500 million to Advance Opportunities Fund I. Details of the Company's convertible debentures are as follows:

Issuer of convertible debentures	Pranda Jewelry Public Company Limited
Total Principal amount of convertible debentures	Not exceeding Baht 500 million divided into 3 tranches as follows: <ol style="list-style-type: none"><li>1) Tranche 1 Convertible debentures in the amount of not exceeding Baht 100 million divided into 20 equal sub-tranches, each of which is Baht 5 million.</li><li>2) Tranche 2 Convertible debentures in the amount of not exceeding Baht 200 million divided into 40 equal sub-tranches, each of which is Baht 5 million.</li><li>3) Tranche 3 Convertible debentures in the amount of not exceeding Baht 200 million divided into 20 equal sub-tranches, each of which is Baht 10 million.</li></ol>
Issuance of convertible debentures	The period to issue the convertible debentures pursuant to the relevant rules is one year from the date the shareholders' meeting approves to issue the convertible debentures. The Company will issue the convertible debentures when the Company has sold the redeemed shares not having been sold under the share redemption project disseminated by the Company on 14 October 2015 or upon expiration of the period of sale of the said redeemed shares.
Interest rate	1 percent per annum.
Maturity	Each tranche of the convertible debentures will have the period of 3 years upon the issuing date of the convertible debentures or any other period as determined by the Chairman of the Executive Committee or the person assigned by the Chairman of the Executive Committee depending on the market conditions at the time of issuing and offering of the convertible debentures each time.

Principal Repayment	Repayment in installments or in one installment upon maturity in accordance with the terms and conditions of the convertible debentures.
Conversion Price	90 percent of weighted average price per share of the Company shares for not less than 7 consecutive business days but not exceeding 15 consecutive business days immediately preceding the relevant exercise date.

During the current year, the Company issued and offered the Convertible Debentures to Advance Opportunities Fund I and Advance Credit Fund SPC - Golden Fund SP in the amount of Baht 50 million and Baht 50 million, respectively. These funds exercised the conversion rights under the Convertible in the amount of Baht 40 million. The number of shares to be issued for the exercise of conversion rights is 15,110,788 shares at the par value of Baht 1 each, so the total paid up capital to be increased for exercises of conversion rights is Baht 15,110,788 and the Company has registered the increase of the paid-up capital with the Ministry of Commerce.

The convertible debentures and options are summarised below.

	(Unit: Thousand Baht)
Nominal value of issue of convertible debentures	100,000
Less: Transaction costs	(16,341)
Less: Exercise of conversion rights	(35,778)
Add: Amortised - transaction cost	4,605
Balance as at 31 December 2018	<u><u>52,486</u></u>

	(Unit: Thousand Baht)
Nominal value of options	11,111
Less: Exercise of conversion rights	(4,444)
Balance as at 31 December 2018	<u><u>6,667</u></u>

Subsequently on 11 and 20 February 2019, Advance Opportunities Fund I exercised the conversion rights under the convertible in amount of Baht 1 million and Baht 1 million. The number of shares to be issued for the exercise of conversation rights is 1,054,239 shares at the par value of Baht 1 each, so the total paid up capital to be increased for exercises of conversion rights is Baht 1,054,239.

## 25. Provision for long-term employee benefits

Provision for long-term employee benefits was as follows:

(Unit: Thousand Baht)

	Consolidated financial statements					
	Post-employment		Other long-term		Total	
	benefits from		employee benefits plan			
	employee's retirement					
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
<b>Defined benefit obligation at beginning</b>						
<b>of year</b>	187,385	177,694	12,801	13,154	200,186	190,848
Included in statement of income:						
Current service cost	11,193	10,625	1,272	1,241	12,465	11,866
Past service cost	(12,707)	-	1,282	-	(11,425)	-
Interest cost	4,356	4,180	277	290	4,633	4,470
Actuarial (gain) loss arising from						
Demographic assumptions charges	-	-	303	-	303	-
Financial assumptions changes	-	-	(1,907)	-	(1,907)	-
Experience adjustments	-	-	(341)	-	(341)	-
Included in other comprehensive income:						
Actuarial (gain) loss arising from						
Demographic assumptions charges	(953)	-	-	-	(953)	-
Financial assumptions changes	(5,091)	-	-	-	(5,091)	-
Experience adjustments	3,754	43	-	-	3,754	43
Benefits paid during the year	(4,541)	(5,157)	(1,588)	(1,884)	(6,129)	(7,041)
<b>Provision for long-term employee</b>						
<b>benefits at end of year</b>	<u>183,396</u>	<u>187,385</u>	<u>12,099</u>	<u>12,801</u>	<u>195,495</u>	<u>200,186</u>

(Unit: Thousand Baht)

	Separate financial statements					
	Post-employment		Other long-term		Total	
	benefits from		employee benefits plan			
	employee's retirement					
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
<b>Defined benefit obligation at beginning</b>						
<b>of year</b>	174,790	161,013	11,793	12,125	186,583	173,138
Included in statement of income:						
Current service cost	9,885	9,644	1,050	1,024	10,935	10,668
Past service cost	(12,660)	-	1,281	-	(11,379)	-
Interest cost	4,054	3,900	258	271	4,312	4,171
Transferred employee from its subsidiary	-	4,206	-	142	-	4,348
Actuarial (gain) loss arising from						
Demographic assumptions charges	-	-	328	-	328	-
Financial assumptions changes	-	-	(1,811)	-	(1,811)	-
Experience adjustments	-	-	(183)	-	(183)	-
Included in other comprehensive income:						
Actuarial (gain) loss arising from						
Demographic assumptions charges	(2,255)	-	-	-	(2,255)	-
Financial assumptions changes	(4,669)	-	-	-	(4,669)	-
Experience adjustments	4,900	-	-	-	4,900	-
Benefits paid during the year	<u>(3,164)</u>	<u>(3,973)</u>	<u>(1,446)</u>	<u>(1,769)</u>	<u>(4,610)</u>	<u>(5,742)</u>
<b>Provision for long-term employee</b>						
<b>benefits at end of year</b>	<u>170,881</u>	<u>174,790</u>	<u>11,270</u>	<u>11,793</u>	<u>182,151</u>	<u>186,583</u>

The Company and its subsidiaries expect to pay Baht 10 million of long-term employee benefits during the next year (Separate financial statements: Baht 10 million) (2017: Baht 13 million, separate financial statements: Baht 10 million).

As at 31 December 2018, the weighted average duration of the liabilities for long-term employee benefit is 10 - 18 years (Separate financial statements: 10 years) (2017: 10 - 17 years, separate financial statements: 10 years).

Key actuarial assumptions used for the valuation are as follows:

	Consolidated financial statements		Separate financial statements	
	2018	2017	2018	2017
	(Percent per annum)	(Percent per annum)	(Percent per annum)	(Percent per annum)
Discount rate	1.60 - 8.75	1.60 - 7.50	2.75	2.50
Salary increase rate	0.50 - 10.00	0.50 - 10.00	5.00	5.00

The result of sensitivity analysis for significant assumptions that affect the present value of the long-term employee benefit obligation under post-employment benefits from employee's retirement as at 31 December 2018 and 2017 are summarised below:

(Unit: million Baht)

	As at 31 December 2018			
	Consolidated financial statements		Separate financial statements	
	Increase 0.5 - 1%	Decrease 0.5 - 1%	Increase 0.5%	Decrease 0.5%
Discount rate	(9)	10	(9)	9
	Increase 1%	Decrease 1%	Increase 1%	Decrease 1%
Salary increase rate	22	(22)	21	(21)

(Unit: million Baht)

	As at 31 December 2017			
	Consolidated financial statements		Separate financial statements	
	Increase 0.5 - 1%	Decrease 0.5 - 1%	Increase 0.5%	Decrease 0.5%
Discount rate	(8)	9	(7)	8
	Increase 1%	Decrease 1%	Increase 1%	Decrease 1%
Salary increase rate	23	(20)	21	(19)

On 13 December 2018, The National Legislative Assembly passed a resolution approving the draft of a new Labour Protection Act, which is in the process being published in the Royal Gazette. The new Labour Protection Act stipulates additional legal severance pay rates for employees who have worked for an uninterrupted period of twenty years or more. Such employees are entitled to receive compensation at a rate of not less than 400 day's compensation at the latest wage rate. This change is considered a post-employment benefits plan amendment and the Company and its subsidiaries have additional liabilities for long-term employee benefits of Baht 46 million (The Company only: Baht 43 million). The Company and its subsidiaries will reflect the effect of the change by recognising past services costs as expenses in the income statement of the period in which the law is effective.

## **26. Warrants to purchase new ordinary shares of the Company**

### **26.1 Warrants to purchase new ordinary shares to existing shareholders**

On 29 January 2018, the Extraordinary Shareholder's Meeting of the Company passed a resolution to approve the following matters.

- 1) Approval on issuance and offering of the warrants to purchase ordinary shares of the Company No.2 (PDJ-W2) to the existing shareholders at the total number of 25,595,562 units to maintain the shareholding proportion of the existing shareholders at the ratio of 16 existing ordinary shares to 1 unit of warrant at no cost, with the exercise price of Baht 1 per share. Subsequently on 8 February 2018, the Company issued the 25,594,557 units of PDJ-W2 to the existing shareholders of the Company. The warrants have an exercise period of 1 year from the date of issue, and are exercisable for one time on the date of the first anniversary of the issuance of the warrants. The first and the last exercise dates are on 7 February 2019.
- 2) Approval on issuance and offering of the warrants to purchase ordinary shares of the Company No.3 (PDJ-W3) to the existing shareholders at the total number of 25,595,563 units to maintain the shareholding proportion of the existing shareholders at the ratio of 16 existing ordinary shares to 1 unit of warrant at no cost and with the exercise price of Baht 1 per share. Subsequently on 8 February 2018, the Company issued the 25,594,557 units of PDJ-W3 to the existing shareholders of the Company. The warrants have an exercise period of 2 years from the date of issue, and are exercisable for one time on the date of the second anniversary of the issuance of the warrants. The first and the last exercise dates are on 7 February 2020.
- 3) Approval issuance and offering of the warrants to purchase ordinary shares of the Company No.4 (PDJ-W4) to the existing shareholders at the total number of 51,191,125 units to maintain the shareholding proportion of the existing shareholders at the ratio of 8 existing ordinary shares to 1 unit of warrant at no cost and with the exercise price of Baht 1 per share. Subsequently on 8 February 2018, the Company issued the 51,190,390 units of PDJ-W4 to the existing shareholders of the Company. The warrants have an exercise period of 3 years from the date of issue, and are exercisable for one time on the date of the third anniversary of the issuance of the warrants. The first and the last exercise dates are on 7 February 2021.

## 26.2 Warrants to purchase new ordinary shares of the Company issued to the directors and employees of the Company (ESOP)

On 29 January 2018, the Extraordinary Shareholder's Meeting of the Company passed a resolution to approve issuance and offering of the warrants to purchase ordinary shares of the Company to its directors and employees of the Company No.2 at the total number of 20,476,450 units at no cost and with the exercise price of Baht 4 per share and with the term not exceeding 3 years from issuance date of the warrants.

On 14 August 2018, the Board of Director Meeting of the Company passed a resolution to approve the allocation and determine any other detail regarding the issuance of the warrants to purchase ordinary shares of the Company to its directors and employees of the Company (PDJ ESOP-2). Details of the warrants are summarised below.

Warrants issuing date	14 August 2018
Term of warrants	3 years from the issuance date
Warrants expiring date	14 August 2021
Amount of warrants (Units)	20,476,450
Exercise ratio	One unit of the Warrants for one ordinary share
Exercise price	Baht 4 per share unless the exercise ratio is otherwise adjusted pursuant to the conditions concerning the right adjustment.
Exercise period	Once a year on the date of each anniversary of the issuance of the Warrants.
First Exercise date	14 August 2019
Last Exercise date	14 August 2021
Proportion for Exercise	<p>The First Exercise: To exercise the accrued right not exceeding 25 percent of the Warrants which allocated to each holder by the Company.</p> <p>The Second Exercise: To exercise the accrued right not exceeding 50 percent of the Warrants which allocated to each holder by the Company (inclusive of first and second exercises).</p> <p>The Third Exercise: To exercise the accrued right not exceeding 100 percent of the Warrants which allocated to each holder by the Company. (inclusive of first to third exercises)</p>



The average estimated fair value of each warrant granted is Baht 0.153. This was calculated by applying the Black-Scholes-Merton formula. The model inputs were the share price at price determination date of Baht 2.803, exercise price of Baht 4, expected volatility of 28.065 percent, contractual life of three years, and a risk-free interest rate of 1.578 - 1.961 percent.

As at 31 December 2018, the Company has the unissued warrants of ESOP totaling 627,500 units.

## 27. Share capital

On 29 January 2018, the Extraordinary Shareholder's Meeting of the Company passed a resolution to approve on the increase of the registered capital from the existing registered capital of Baht 409,529,000 to the new registered capital of Baht 634,769,950 by issuing 225,240,950 newly issued ordinary shares at the par value of Baht 1 per share for offering of the convertible debentures, warrants No.2, No.3, No.4 and warrants for its directors and employees No.2. The Company registered to increase the registered capital with the Ministry of Commerce on 7 February 2018.

### Reconciliation of number of ordinary shares

During the current period, the movements of number of ordinary shares, paid-up capital and premium on ordinary shares of the Company are as follows:

	Number of ordinary shares <u>(Thousand shares)</u>	Paid-up capital <u>(Thousand Baht)</u>	Share premium <u>(Thousand Baht)</u>
<u>Issued and paid-up share capital</u>			
As at 1 January 2018	409,529	409,529	786,855
Increase in capital from exercising of the rights of the convertible debenture	<u>15,111</u>	<u>15,111</u>	<u>25,111</u>
As at 31 December 2018	<u><u>424,640</u></u>	<u><u>424,640</u></u>	<u><u>811,966</u></u>

## 28. Statutory reserve

Pursuant to Section 116 of the Public Limited Companies Act B.E. 2535, the Company is required to set aside to a statutory reserve at least 5 percent of its net profit after deducting accumulated deficit brought forward (if any), until the reserve reaches 10 percent of the registered capital. The statutory reserve is not available for dividend distribution. At present, the statutory reserve has fully been set aside.

## 29. Treasury shares/ appropriated retained earnings for treasury shares reserve

On 14 October 2015, the Board of Directors of the Company approved a program with a budget of up to Baht 50 million, to repurchase no more than 10,600,000 shares (par value of Baht 1 each), which accounts for not more than 2.59 percent of the total number of shares in issue, for financial management purposes. The shares are to be repurchased on the Stock Exchange of Thailand from 28 October 2015 to 27 April 2017. The share resale period is determined after 6 months from the completion date of share repurchase but no later than 3 years. The Company has purchased of treasury shares since 28 October 2015. Until 27 April 2017, the end of the share repurchase period, treasury shares have been purchased back by the Company was 10,581,800 shares (par value of Baht 1 each), or 2.58 percent of total number of shares in issue, a total of Baht 49 million and the Company has already appropriated the required amount of retained earnings to a reserve for the treasury shares amounting to Baht 49 million.

According to letter No. Gor Lor Tor. Chor Sor. (Vor) 2/2548 of the Office of the Securities and Exchange Commission, dated 14 February 2005, concerning the acquisition of treasury shares, a public limited company may buy back treasury shares in an amount not exceeding the amount of its retained earnings and is to appropriate an equal amount of retained earnings to a reserve for treasury shares, which must be maintained until the Company either sells the treasury shares or reduces its paid up share capital by an amount equal to the value of the treasury shares which it could not sell.

During 24 January 2018 to 1 February 2018, the Company has sold all of the treasury shares, amounting to Baht 43 million and recognised deficit on treasury shares of Baht 6 million.

## 30. Expenses by nature

Significant expenses classified by nature are as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Salaries and wages and other employee benefits	955,953	1,020,092	681,920	723,446
Depreciation and amortisation	76,906	86,773	49,077	54,138
Raw materials and consumables used and purchase				
of finished goods	1,046,405	1,231,638	1,013,416	1,165,158
Changes in inventories of finished goods and work				
in process	148,290	53,337	78,604	53,556
Decrease of inventory to net realisable value (reversal)	(7,591)	16,166	(64)	(155)
Doubtful accounts (reversal)	(3,157)	21,359	(110,700)	212,888
Commission and sales promotion expenses	67,915	66,072	8,728	10,913
Rental expenses from operating lease agreements	70,201	71,874	409	272

### 31. Income tax

Tax expenses (income) for the years ended 31 December 2018 and 2017 are made up as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
<b>Current income tax:</b>				
Current income tax charge for the year	25,897	4,545	17,843	-
Adjustment in respect of income tax of previous year	10,604	-	10,604	-
<b>Deferred tax:</b>				
Relating to origination and reversal of temporary differences	36,388	(6,975)	36,870	(6,859)
<b>Tax expense (income) reported in the statements of income</b>	<u>72,889</u>	<u>(2,430)</u>	<u>65,317</u>	<u>(6,859)</u>

The amounts of income tax relating to each component of other comprehensive income for the years ended 31 December 2018 and 2017 are as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Deferred tax relating to actuarial gains (loss)	458	(11)	405	-

The reconciliation between accounting loss and income tax expenses is shown below:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Accounting gain (loss) before tax	210,328	(182,626)	113,672	(426,107)
Applicable tax rate	15% - 33%	15% - 40%	20%	20%
Accounting gain (loss) before tax multiplied by income tax rate	17,204	(49,355)	22,734	(85,221)
Adjustment in respect of current income tax of previous year	10,604	-	10,604	-
Deferred tax assets which were not recognised during the year	34,393	55,942	18,561	89,041
Deferred tax assets which were not recognised in the previous year	-	(9,672)	-	(9,672)
Effects of changes in the tax rate	-	(113)	-	-
Effect of elimination entries on the consolidated financial statements	(2,225)	2,296	-	-
Effects of:				
Promotional privileges (Note 32)	(21,242)	-	(21,242)	-
Non-deductible expenses	35,604	1,674	35,574	1,607
Additional expense deductions allowed	(1,749)	(3,127)	(1,275)	(2,605)
Others	300	(75)	361	(9)
Total	12,913	(1,528)	13,418	(1,007)
Tax expenses (income) reported in the statements of income	72,889	(2,430)	65,317	(6,859)

The components of deferred tax assets and deferred tax liabilities are as follows:

	(Unit: Thousand Baht)	
	Consolidated financial statements	
	<u>2018</u>	<u>2017</u>
<b>Deferred tax assets</b>		
Allowance for doubtful accounts	1,113	1,119
Reduce cost of inventories to net realisable value	500	500
Provision for long-term employee benefits	38,802	39,758
Difference between tax and accounting of revenue recognition	951	710
Unused tax loss	6,549	19,966
Unrealised profit from inter-sales transactions	7,485	7,279
Allowance for impairment of investments in subsidiaries	-	22,505
<b>Total</b>	<b>55,400</b>	<b>91,837</b>
<b>Deferred tax liabilities</b>		
Deferred financial service fee	779	371
<b>Total deferred tax assets, net</b>	<b>54,621</b>	<b>91,466</b>

	(Unit: Thousand Baht)	
	Separate financial statements	
	<u>2018</u>	<u>2017</u>
<b>Deferred tax assets</b>		
Allowance for doubtful accounts	1,054	1,053
Provision for long-term employee benefits	36,430	37,317
Unused tax loss	6,549	19,966
Allowance for impairment of investments in subsidiaries	-	22,505
<b>Total</b>	<b>44,033</b>	<b>80,841</b>
<b>Deferred tax liabilities</b>		
Deferred financial service fee	575	108
<b>Total deferred tax assets, net</b>	<b>43,458</b>	<b>80,733</b>

As at 31 December 2018, the Company has deductible temporary differences totaling Baht 1,924 million (2017: Baht 1,831 million), on which deferred tax assets have not been recognised as the Company believes future taxable profits may not be sufficient to allow utilisation of the temporary differences.

As at 31 December 2018, the subsidiaries have deductible temporary differences and unused tax losses totaling Baht 1,542 million (2017: Baht 1,579 million), on which deferred tax assets have not been recognised as the subsidiaries believe future taxable profits may not be sufficient to allow utilisation of the temporary differences and unused tax losses.

The Company and its subsidiaries had the unused tax losses amounting to Baht 167 million (the Company only: nil) which will expire by 2023.

### 32. Promotional privileges

32.1 The Company has received promotional privileges from the Board of Investment for the manufacture of jewelry for its factory located in Suranaree Industries Estate Zone in Nakorn Rachasima province, pursuant to the promotion certificate No.1616(2)/2553 issued on 14 June 2010. Subject to certain imposed conditions, the privileges include an exemption from corporate income tax on income derived from the promoted operations for a period of 8 years from the date the promoted operations commenced generating revenues (4 January 2011) and a 50% reduction of corporate income tax on income derived from the promoted operations for a period of 5 years after the tax-exemption period ends.

The Company's operating revenues for the years ended 31 December 2018 and 2017, divided between promoted and non-promoted operations, are summarised below.

	(Unit: Thousand Baht)					
	Promoted operations		Non-promoted operations		Total	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Sales						
Domestic sales	410,492	122,584	578,837	777,065	989,329	899,649
Export sales	45,723	144,544	1,008,221	1,165,555	1,053,944	1,310,099
Total sales	<u>456,215</u>	<u>267,128</u>	<u>1,587,058</u>	<u>1,942,620</u>	<u>2,043,273</u>	<u>2,209,748</u>

32.2 A subsidiary company (Pranda Vietnam Company Limited) was granted tax privileges by the Government of Vietnam for the manufacture of gold and silver jewelry. Subject to certain imposed conditions, the privileges include a reduction of corporate income tax from 20% to 15% on income derived from the promoted operations for a period of 40 years from the date the promoted operations commenced generating revenues.

### 33. Earnings per share

Basic earnings per share is calculated by dividing profit (loss) for the period attributable to equity holders of the Company (excluding other comprehensive income) by the weighted average number of ordinary shares in issue during the year.

Diluted earnings per share is calculated by dividing profit (loss) for the period attributable to equity holders of the Company (excluding other comprehensive income) by the weighted average number of ordinary shares in issue during the year plus the weighted average number of ordinary shares which would need to be issued to convert all dilutive potential ordinary shares into ordinary shares. The calculation assumes that the conversion took place either at the beginning of the year or on the date the potential ordinary shares were issued.

The following tables set forth the computation of basic and diluted earnings per share:

Consolidated financial statements					
For the periods ended 31 December					
Profit (loss) for the period		Weighted average number		Earnings (loss) per share	
		of ordinary shares			
<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
(Thousand Baht)	(Thousand Baht)	(Thousand shares)	(Thousand shares)	(Baht)	(Baht)
<b>Basic earnings per share</b>					
Profit (loss) attributable to equity holders of the Company					
167,682	(161,322)	417,867	398,947	0.4013	(0.4044)
<b>Effect of potential ordinary shares</b>					
-	-	14,648	-		
-	-	14,648	-		
-	-	29,297	-		
(582)	-	51,342	-		
(582)	-	109,935	-		
<b>Diluted earnings per share</b>					
Profit (loss) of ordinary shareholders assuming the conversion of warrants to ordinary shares and convertible debentures					
167,100	(161,322)	527,802	398,947	0.3166	(0.4044)

Separate financial statements					
For the periods ended 31 December					
Profit (loss) for the period		Weighted average number		Earnings (loss) per share	
		of ordinary shares			
<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
(Thousand Baht)	(Thousand Baht)	(Thousand shares)	(Thousand shares)	(Baht)	(Baht)
<b>Basic earnings per share</b>					
Profit (loss) attributable to equity holders of the Company					
48,355	(419,248)	417,867	398,947	0.1157	(1.0509)
<b>Effect of potential ordinary shares</b>					
Warrants (PDJ-W2)	-	-	14,648	-	-
Warrants (PDJ-W3)	-	-	14,648	-	-
Warrants (PDJ-W4)	-	-	29,297	-	-
Convertible debentures	(582)	-	51,342	-	-
	(582)	-	109,935	-	-
<b>Diluted earnings per share</b>					
Profit (loss) of ordinary shareholders assuming the conversion of warrants to ordinary shares and convertible debentures					
47,773	(419,248)	527,802	398,947	0.0905	(1.0509)

An exercise price of the warrants to purchase ordinary shares of the Company to its directors and employees of the Company (PDJ ESOP-2) were higher than the average market price of the Company's shares for 2018. Therefore, the Company has not included the conversion of these warrants in the calculation of diluted earnings per share.

### 34. Segment information

Operating segment information is reported in a manner consistent with the internal reports that are regularly reviewed by the chief operating decision maker in order to make decisions about the allocation of resources to the segment and assess its performance. The chief operation decision maker has been identified as Board of Executive Directors.

For management purposes, the Company and its subsidiaries are organised into business units based on its business activities and have three reportable segments as follows:

- 1) Production of jewelry
- 2) Distribution of jewelry
- 3) Retail jewelry



Other segments are dormitory rental in Thailand, investment and dormant companies.

The Company and its subsidiaries are organised into business units based on its business activities. During the current year, the Company and its subsidiaries have not changed the organisation of their reportable segments.

The basis of accounting for any transactions between reportable segments is consistent with that for third party transactions.

Inter-segment revenues are eliminated on consolidation.

The following tables present revenues and profit (loss) information regarding the Company's and its subsidiaries' operating segments for the years ended 31 December 2018 and 2017.

(Unit: Million Baht)

	Production		Distribution		Retail		Others		Total Segments		Eliminations		Consolidated	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
<b>For the years ended 31 December</b>														
<b>Revenues</b>														
Revenues from external customers	1,402	1,282	476	683	916	948	-	-	2,794	2,913	-	-	2,794	2,913
Revenues from intersegment	671	964	5	1	200	243	-	5	876	1,213	(876)	(1,213)	-	-
<b>Total revenues</b>	<u>2,073</u>	<u>2,246</u>	<u>481</u>	<u>684</u>	<u>1,116</u>	<u>1,191</u>	<u>-</u>	<u>5</u>	<u>3,670</u>	<u>4,126</u>	<u>(876)</u>	<u>(1,213)</u>	<u>2,794</u>	<u>2,913</u>
<b>Results</b>														
Segment profit (loss)	49	33	(81)	(140)	46	28	(8)	(12)	6	(91)	48	56	54	(35)
<b>Unallocated revenues and expenses</b>														
Interest income													4	4
Other income													38	34
Gain on sales of assets held for sales													334	-
Gain on liquidation of subsidiary													2	-
Loss on exchange													(62)	(15)
Share of profit from investment in associated company													1	1
Depreciation and amortization													(77)	(87)
Impairment loss on other long-term investments													(13)	-
Finance cost													(71)	(84)
Profit (loss) before income tax expenses													210	(182)
Tax income (expenses)													(73)	2
<b>Profit (loss) for the year</b>													<u>137</u>	<u>(180)</u>

## Geographic information

Revenue from external customers is based on locations of the customers.

	(Unit: Thousand Baht)	
	Consolidated	
	financial statements	
	<u>2018</u>	<u>2017</u>
<b>Revenue from external customers</b>		
Thailand	1,379,297	1,250,891
United States of America	421,320	610,972
Germany	77,343	175,150
Others	915,888	875,845
Total	<u>2,793,848</u>	<u>2,912,858</u>

	(Unit: Thousand Baht)	
	Consolidated	
	financial statements	
	<u>2018</u>	<u>2017</u>
<b>Non-current assets</b>		
<b>(other than financial instruments and deferred tax assets)</b>		
Thailand	1,283,268	1,373,441
Others	94,873	105,372
Total	<u>1,378,141</u>	<u>1,478,813</u>

## Major customers

For the year 2018, the Group has revenue from one major customers in totaling amount of Baht 511 million, arising from sales by the production segment (2017: Baht 668 million derived from two major customers, arising from sales by the production and distribution segment).

## 35. Provident fund

The Company and its employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. Both employees and the Company contribute to the fund monthly, at the rate of 3 to 5 percent of basic salary. The fund, which is managed by TMB Bank Public Company Limited, will be paid to employees upon termination in accordance with the fund rules. During the year 2018, the Company contributed Baht 14 million to the fund (2017: Baht 14 million).

## 36. Commitments and contingent liabilities

### 36.1 Capital commitments

As at 31 December 2018, an oversea subsidiary company had capital commitments of Baht 1 million and INR 1 million, totaling of Baht 2 million relating to acquisition of building construction and building improvements (The Company only: Baht 1 million).

### 36.2 Operating lease commitments

The subsidiaries have entered into several operating lease and service agreements in respect of the lease of office building space, factories, department store space, motor vehicles, and equipment. The terms of the agreements are generally between 1 and 30 years.

Future minimum lease payments required under these operating leases contracts were as follows:

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	As at 31 December		As at 31 December	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Payable:				
In up to 1 year	35	36	-	-
In over 1 and up to 5 years	25	21	-	-
In over 5 years	6	8	-	-

### 36.3 Guarantees

36.3.1 The Company has issued guarantees to secure bank overdrafts and credit facilities of its subsidiaries. As at 31 December 2018, there were outstanding guarantees of Baht 281 million and USD 6 million (2017: Baht 381 million and USD 6 million), totaling of Baht 475 million (2017: Baht 577 million).

36.3.2 As at 31 December 2018, there were outstanding bank guarantees of Baht 7.9 million (2017: Baht 7.9 million) issued by banks on behalf of the Company and its subsidiaries to guarantee purchase of goods, electricity use, among others. (The Company only: Baht 7.7 million (2017: Baht 7.7 million)).

36.3.3 As at 31 December 2018, the Company and its subsidiaries have outstanding standby-letters of credit of USD 17.5 million, or approximately Baht 566 million (2017: USD 14 million, or approximately Baht 441 million) (The Company only: USD 12.5 million, totaling Baht 405 million (2017: USD 7.5 million or approximately Baht 245 million)).

## **36.4 Litigations**

### **36.4.1 Tax assessment by the Revenue Department**

In 2012, the Company received a corporate income tax assessment letter from the Revenue Department covering the years 2004 - 2006 and 2008 - 2010, assessing tax totaling approximately Baht 18 million (including surcharges). However, the Company submitted a letter of appeal to the Tax Appeal Committee seeking to have the assessment revoked. In November 2014, the Tax Appeal Committee rejected the Company's appeal to revoke this assessment by the official, and ordered the Company to pay the tax and surcharges to the Revenue Department. The Company, therefore petitioned the Central Tax Court to revoke this tax assessment on 25 December 2014 and provided a bank guarantee of approximately Baht 21 million issued by a bank on behalf of the Company to the Revenue Department in relation to the tax assessment.

On 9 December 2015, the Central Tax Court announced its judgement in the Company's favour, revoking all of the assessment made by the Revenue Department and the Tax Appeal Committee's decision. On 7 March 2016, the Revenue Department submitted an appeal to the Supreme Court, Department of Taxation, and on 8 April 2016, the Company submitted a response to the appeal to the Supreme Court.

On 25 June 2018, the Supreme Court of tax department issued a judgement in the Revenue Department's favour, and ordered the Company to pay the tax amounting to Baht 11 million and surcharges amounting to Baht 10 million, totaling of approximately Baht 21 million to the Revenue Department. The Company recorded these expenses for this tax assessment in its account.

Subsequently on 24 August 2018, the Company paid the tax to the Revenue department and redeemed a bank guarantee issued by a bank on behalf of the Company in relation to the tax assessment on 27 September 2018.

### **36.4.2 Litigation of an overseas subsidiary**

In December 2015, an overseas subsidiary company in France was jointly sued for infringement of models and unfair competition by two companies incorporated in Switzerland, claiming compensation of EUR 1.02 million, or approximately Baht 40 million.

In March 2018, the Court in France issued a judgement that the subsidiary was guilty of unfair competition and dismissing the lawsuit relating to infringement of models, ordering the subsidiary to pay Euro 50,000 or approximately Baht 2 million in compensatory damages to the two companies incorporated in Switzerland. The subsidiary recorded provision for these damages in its accounts.

Later, in September 2018, the subsidiary paid the compensatory damages ordered by the France court. Two companies incorporated in Switzerland have submitted an appeal to the France court, to order prohibited the subsidiary to cease commercial activities and destroy all jewelry, production equipment and drawings which relate to disputed models and ordered the insertion of the judgement to come in publication. In December 2018, the subsidiary submitted an appeal with the Court in France.

As at 31 December 2018, this case is under the consideration of the Court in France. The management of the subsidiary believes that no material damages will affect the subsidiary. The subsidiary therefore does not record any provision for damages in its accounts.

#### **36.4.3 Tax assessments of an overseas subsidiary**

In 2017, the Indian tax authorities assessed sales tax of approximately INR 31 million or approximately Baht 14 million (including interest), covering the years 2010 - 2011, against the subsidiary company in India. The subsidiary appealed this assessment.

On 30 October 2017, Deputy Commissioner rejected the subsidiary's appeal against the official's assessment, and ordered the subsidiary to pay the tax and interest to the Indian tax authorities. Later, on 7 December 2017, the subsidiary therefore filed an appeal with the Tribunal petitioning to revoke this assessment, on the basis of a legal advisory's opinion to explain the tax assessments. However, the subsidiary placed a bond of 10 percent of the assessed sale tax amounting to INR 1.5 million or approximately Baht 0.8 million. The appeal is currently under the consideration of the Tribunal.

During the current year, Indian tax authorities assessed sales tax of approximately INR 2 million or approximately Baht 0.9 million (including penalty land interest), covering the years 2014 - 2016 against the subsidiary in India. The management of the subsidiary is in the process of filing an appeal with the Tribunal.

The management of the subsidiary believes that no material losses will incur. The subsidiary therefore does not record any provision for the tax assessment.

#### **36.5 Service commitments**

In 2017, the Company has entered into service agreement hiring a financing consultant. Under the conditions of the service agreement, the Company is to pay a service fee as stipulated in the agreement within 5 days from the date that the Company enter into the financial support agreement that binds a source of funds introduced by the consultant.

#### **36.6 A commitment under trade credit insurance policy**

The Company has entered into a commitment under trade credit insurance policy with an insurance company in which the Company is to pay the minimum insurance premium amounting to approximately Baht 1 million in 2018.

### 37. Fair value hierarchy

As at 31 December 2018 and 2017, the Company and its subsidiaries had the assets and liabilities that were measured at fair value using different levels of inputs as follows:

(Unit: Million Baht)

Consolidated Financial Statements			
As at 31 December 2018			
	Level 1	Level 2	Total
<b>Assets measured at fair value</b>			
Held for trade investments			
Equity instruments	12	-	<b>12</b>
<b>Assets for which fair value are disclosed</b>			
Investment property	-	708	<b>708</b>
<b>Liabilities measured at fair value</b>			
Options	7	-	<b>7</b>

(Unit: Million Baht)

Consolidated Financial Statements			
As at 31 December 2017			
	Level 1	Level 2	Total
<b>Assets measured at fair value</b>			
Held for trade investments			
Equity instruments	36	-	<b>36</b>
<b>Assets for which fair value are disclosed</b>			
Investment property	-	708	<b>708</b>

(Unit: Million Baht)

	Separate Financial Statements		
	As at 31 December 2018		
	Level 1	Level 2	Total
<b>Assets measured at fair value</b>			
Held for trade investments			
Equity instruments	12	-	12
<b>Assets for which fair value are disclosed</b>			
Investment property	-	654	654
<b>Liabilities measured at fair value</b>			
Options	7	-	7

(Unit: Million Baht)

	Separate Financial Statements		
	As at 31 December 2017		
	Level 1	Level 2	Total
<b>Assets measured at fair value</b>			
Held for trade investments	36	-	36
Equity instruments			
<b>Assets for which fair value are disclosed</b>			
Investment property	-	654	654

## 38. Financial instruments

### 38.1 Financial risk management

The Company and its subsidiaries' financial instruments, as defined under Thai Accounting Standard No. 107 "Financial Instruments: Disclosure and Presentations", principally comprise cash and cash equivalents, trade and other receivables, loans, investments, short-term loans and long-term loans. The financial risks associated with these financial instruments and how they are managed is described below.

#### ***Credit risk***

The Company and its subsidiaries are exposed to credit risk primarily with respect to trade and other receivables and loans. The Company and its subsidiaries manage the risk by adopting appropriate credit control policies and procedures and therefore do not expect to incur material financial losses. In addition, the Company and its subsidiaries do not have high concentrations of credit risk since they have a large customer base. The maximum exposure to credit risk is limited to the carrying amounts of trade and other receivables and loans as stated in the statement of financial position.



## Interest rate risk

The Company and its subsidiaries' exposure to interest rate risk relate primarily to bank deposits, investments, loans to related parties, trade and other payables, bank overdrafts, bills of exchange, short-term loans and long-term loans which are subject to interest. Most of the financial assets and liabilities bear floating interest rates or fixed interest rates which are close to the market rate.

Significant financial assets and liabilities classified by type of interest rate are summarised in the table below, with those financial assets and liabilities that carry fixed interest rates further classified based on the maturity date, or the repricing date if this occurs before the maturity date.

(Unit: Million Baht)

Consolidated financial statements as at 31 December 2018

	Fixed interest rates			Floating interest rate	Non-interest bearing	Total	Interest rate (% per annum)
	Within 1 year	1-5 years	Over 5 years				
<b>Financial assets</b>							
Cash and cash equivalents	1	-	-	170	226	397	0.10 - 0.85
Current investments - deposits with financial institutions	3	-	-	-	-	3	1.35
Trade and other receivables	6	-	-	-	425	431	8.00
Amount due from related parties	-	-	-	-	5	5	-
Short-term loans to related parties	42	-	-	-	-	42	7.00, 7.50
Restricted bank deposits	32	-	-	-	-	32	0.80 - 1.35
Other long-term investments	-	-	-	-	13	13	-
<b>Total</b>	<b>84</b>	<b>-</b>	<b>-</b>	<b>170</b>	<b>669</b>	<b>923</b>	
<b>Financial liabilities</b>							
Bank overdrafts and short-term loans							
from financial institutions	228	-	-	122	-	350	(1)
Bills of exchange	117	-	-	-	-	117	4.30 - 8.25
Trade and other payables	534	-	-	-	180	714	2.20
Short-term loan from related party	50	-	-	-	-	50	7.50
Long-term loans	3	5	8	181	-	197	(2)
Convertible debentures	-	52	-	-	-	52	1.00
<b>Total</b>	<b>932</b>	<b>57</b>	<b>8</b>	<b>303</b>	<b>180</b>	<b>1,480</b>	

(1) MLR - 2.75, 2.80 - 3.35, 5.25, 10.25

(2) MLR - 0.50, MLR - 1.00, MLR - 1.25, 10.25, 14.15

(Unit: Million Baht)

## Consolidated financial statements as at 31 December 2017

	Fixed interest rates					Total	Interest rate (% per annum)
	Within	1-5	Over	Floating	Non-interest		
	1 year	years	5 years	interest rate	bearing		
<b>Financial assets</b>							
Cash and cash equivalents	1	-	-	138	79	218	0.10 - 0.85
Current investments - deposits with							
financial institutions	1	-	-	-	-	1	1.80
Trade and other receivables	4	-	-	-	398	402	8.00
Amount due from related parties	-	-	-	-	8	8	-
Short-term loans to related parties	26	-	-	-	-	26	7.00
Restricted bank deposits	31	-	-	-	-	31	0.55 - 1.80
Other long-term investments	-	-	-	-	50	50	-
<b>Total</b>	<b>63</b>	<b>-</b>	<b>-</b>	<b>138</b>	<b>535</b>	<b>736</b>	
<b>Financial liabilities</b>							
Bank overdrafts and short-term loans							
from financial institutions	236	-	-	75	-	311	(1)
Bills of exchange	214	-	-	-	-	214	4.30 - 8.25
Trade and other payables	374	-	-	-	219	593	2.20
Short-term loan from related party	50	-	-	-	-	50	7.50
Short-term loan from unrelated parties	49	-	-	-	-	49	7.00
Long-term loans	3	7	10	628	-	648	(2)
<b>Total</b>	<b>926</b>	<b>7</b>	<b>10</b>	<b>703</b>	<b>219</b>	<b>1,865</b>	

(1) MOR, MLR - 2.50, 2.90, 5.50, 11.25

(2) MLR - 0.50, MLR - 1.00, MLR - 1.25, 11.25, 13.25

(Unit: Million Baht)

## Separate financial statements as at 31 December 2018

	Fixed interest rates			Floating interest rate	Non-interest bearing	Total	Interest rate (% per annum)
	Within 1 year	1-5 years	Over 5 years				
<b>Financial assets</b>							
Cash and cash equivalents	-	-	-	91	164	255	0.10 - 0.85
Trade and other receivables	-	-	-	-	685	685	-
Amounts due from related parties	-	-	-	-	5	5	-
Short-term loans to related parties	43	-	-	-	-	43	7.50
Long-term loans to related parties	-	-	322	-	-	322	7.50
Restricted bank deposits	26	-	-	-	-	26	1.30
Other long-term investments	-	-	-	-	12	12	-
<b>Total</b>	<b>69</b>	<b>-</b>	<b>322</b>	<b>91</b>	<b>866</b>	<b>1,348</b>	
<b>Financial liabilities</b>							
Bank overdrafts and short-term loans							
from financial institutions	139	-	-	122	-	261	(1)
Bills of exchange	88	-	-	-	-	88	7.75 - 8.25
Trade and other payables	379	-	-	-	126	505	2.20
Short-term loans from related parties	50	-	-	-	-	50	7.50
Long-term loans	-	-	-	65	-	65	(2)
Convertible debentures	-	52	-	-	-	52	1.00
<b>Total</b>	<b>656</b>	<b>52</b>	<b>-</b>	<b>187</b>	<b>126</b>	<b>1,021</b>	

(1) MOR, MLR - 2.5, 5.5

(2) MLR - 0.50, MLR - 1.00

(Unit: Million Baht)

## Separate financial statements as at 31 December 2017

	Fixed interest rates					Total	Interest rate (% per annum)
	Within	1-5	Over	Floating	Non-interest		
	1 year	years	5 years	interest rate	bearing		
<b>Financial assets</b>							
Cash and cash equivalents	-	-	-	103	5	108	0.10 - 0.85
Trade and other receivables	-	-	-	-	781	781	-
Amounts due from related parties	-	-	-	-	8	8	-
Short-term loans to related parties	28	-	-	-	-	28	7.50
Long-term loans to related parties	-	-	343	-	-	343	7.50
Restricted bank deposits	26	-	-	-	-	26	1.30
Other long-term investments	-	-	-	-	49	49	
<b>Total</b>	<b>54</b>	<b>-</b>	<b>343</b>	<b>103</b>	<b>843</b>	<b>1,343</b>	
<b>Financial liabilities</b>							
Bank overdrafts and short-term loans							
from financial institutions	120	-	-	75	-	195	(1)
Bills of exchange	164	-	-	-	-	164	7.50 - 8.25
Trade and other payables	249	-	-	-	153	402	2.20
Short-term loans from related parties	50	-	-	-	-	50	7.50
Short-term loans from unrelated parties	49	-	-	-	-	49	7.00
Long-term loans	-	-	-	479	-	479	(2)
<b>Total</b>	<b>632</b>	<b>-</b>	<b>-</b>	<b>554</b>	<b>153</b>	<b>1,339</b>	

(1) MOR, MLR - 2.5, 5.5

(2) MLR - 0.50, MLR - 1.00

**Foreign currency risk**

The Company and its subsidiaries' exposure to foreign currency risk arise mainly from trading transactions and borrowings that are denominated in foreign currencies. The Company and its subsidiaries seek to reduce this risk by entering into forward exchange contracts when they consider appropriate. Generally, the forward contracts mature within one year.

The balances of financial assets and liabilities denominated in foreign currencies are summarised below.

(Unit: Million)

Foreign currencies	Consolidated financial statements				Separate financial statements				Average exchange rate	
	Financial assets		Financial liabilities		Financial assets		Financial liabilities		as at 31 December	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	(Baht per 1 foreign currency unit)									
US dollar	9	6	17	12	28	33	12	8	32.40	32.64
Euro	-	-	-	-	10	10	-	-	37.07	38.98
Pound Sterling	-	-	-	-	10	9	-	-	41.00	43.92

Foreign exchange contracts outstanding are summarised below.

Consolidated financial statements as at 31 December 2017

Foreign currencies	Amount	Contractual exchange rate	Contractual maturity date
<u>Forward contracts to "Sell"</u>			
US dollar	1,354,119	32.47 - 33.40 Baht per US dollar	April - June 2018
<u>Forward contracts to "Buy"</u>			
US dollar	95,362	0.93 Euro per US dollar	March 2018

Separate financial statements as at 31 December 2017

Foreign currencies	Amount	Contractual exchange rate	Contractual maturity date
<u>Forward contracts to "Sell"</u>			
US dollar	1,354,119	32.47 - 33.40 Baht per US dollar	April - June 2018

As at 31 December 2018, the Company and its subsidiaries had no outstanding balance of forward contract to hedged foreign exchange risk.

In addition, the Company and its subsidiaries are exposed to foreign exchange risk on their investments in overseas subsidiaries. These investments are currently not hedged by derivative financial instruments.

## **38.2 Fair values of financial instruments**

Since the majority of the Company's and its subsidiaries' financial instruments, except for available-for-sale investments, are short-term in nature or carrying interest at rates close to the market rates, their fair value is not expected to be materially different from the amounts presented in the statement of financial position.

## **39. Capital management**

The primary objective of the Company's capital management is to ensure that it has appropriate capital structure in order to support its business and maximise shareholder value. As at 31 December 2018, the Group's debt-to-equity ratio was 0.78:1 (2017: 1.08:1) and the Company's debt-to-equity ratio was 0.45:1 (2017: 0.61:1).

## **40. Subsequent Events**

On 7 February 2019, PDJ-W2 warrant holders exercised 24,586,765 warrants to purchase 24,586,765 newly issued ordinary shares with a par value of Baht 1, at an exercise price of Baht 1 per share. The Company received the cash of Baht 24,586,765 from the exercise of the warrants, and the Company registered the corresponding increase in its paid-up capital with the Ministry of Commerce on 15 February 2019.

## **41. Approval of financial statements**

These financial statements were authorised for issue by the Company's Board of Directors on 27 February 2019.