

Pranda Jewelry Public Company Limited and its subsidiaries

Notes to interim consolidated financial statements

For the three-month period ended 31 March 2020

1. General information

1.1 Corporate 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 and its registered address is 28 Soi Bangna-Trad 28, Bangna Tai Subdistrict, Bangna District, Bangkok. The Company has factories located in Bangkok and Nakhonratchasima.

1.2 Coronavirus disease 2019 Pandemic

The Coronavirus disease 2019 pandemic is continuing to evolve, resulting in an economic slowdown and adversely impacting most businesses and industries. This situation may bring uncertainties and have an impact on the environment in which the Group operates. The Group’s management has continuously monitored ongoing developments and assessed the financial impact in respect of the valuation of assets, provisions and contingent liabilities, and has used estimates and judgement in respect of various issues as the situation has evolved.

As a result of the above situation, the Company plans to temporarily suspend some of the operations arising from force majeure from 16 May 2020 to 31 July 2020.

1.3 Basis of preparation of interim financial statements

These interim financial statements have been prepared in accordance with Thai Accounting Standards No. 34 Interim Financial Reporting, with the Company choosing to present condensed interim financial statements. However, the Company has presented the statements of financial position, income statement, comprehensive income, changes in shareholders’ equity and cash flows in the same format as that used for the annual financial statements.

The interim financial statements are intended to provide information additional to that included in the latest annual financial statements. Accordingly, they focus on new activities, events and circumstances so as not to duplicate information previously reported. These interim financial statements should therefore be read in conjunction with the latest annual financial statements.

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

1.4 Basis of consolidation

These interim consolidated financial statements include the financial statements of the Group and have been prepared on the same basis as that applied for the consolidated financial statements for the year ended 31 December 2019. There were no changes in the composition of the Group during the current period.

1.5 New financial reporting standards that became effective in the current period

During the period, the Group has adopted the revised (revised 2019) and new financial reporting standards and interpretations which are effective for fiscal years beginning on or after 1 January 2020. 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 adoption of these financial reporting standards does not have any significant impact on the Group's financial statements. However, the new standard involves changes to key principles, which are summarised below:

Financial reporting standards related to financial instruments

A set of TFRSs related to financial instruments 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 |
|--------|-------------------------------------|

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.

The impact of the adoption of these standards on the Group's financial statements is as follows.

- Recognition of credit losses - The Group is to recognise an allowance for expected credit losses on its financial assets, and it is no longer necessary for a credit-impaired event to have occurred. The Group applies the simplified approach to consider impairment of trade receivables.
- Recognition of initial measurement and subsequent measurement - The Group is to initially recognise a prepaid rental deposit at difference value between their present value of deposit and cash paid and amortise rental deposit by the effective rate method and amortise prepaid rental on a straight-line basis.
- Classification and measurement of investments in equity instruments of non-listed companies - The Group measures investments in equity instruments of non-listed companies at fair value and classifies the investments as financial assets at fair value, through other comprehensive income.

The Group adopted these financial reporting standards which the cumulative effect is recognised as an adjustment to the retained earnings as at 1 January 2020, and the comparative information was not restated.

The cumulative effect of the change is described in Note 2.

TFRS 16 Leases

TFRS 16 supersedes TAS 17 Leases together with related Interpretations. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases, and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is low value.

Accounting by lessors under TFRS 16 is substantially unchanged from TAS 17. Lessors will continue to classify leases as either operating or finance leases.

The Group adopted these financial reporting standards using the modified retrospective method of initial adoption of which the cumulative effect is recognised as an adjustment to the retained earnings as at 1 January 2020, and the comparative information was not restated.

The cumulative effect of the change is described in Note 2.

Accounting Guidance on Temporary Relief Measures for Accounting Alternatives in Response to the Impact of the Covid-19 Pandemic

The Federation of Accounting Professions announced Accounting Guidance on Temporary Relief Measures for Accounting Alternatives in Response to the Impact of the Covid-19 Pandemic. Its objectives are to alleviate some of the impact of applying certain financial reporting standards, and to provide clarification about accounting treatments during the period of uncertainty relating to this situation.

On 22 April 2020, the Accounting Treatment Guidance was announced in the Royal Gazette and it is effective for the financial statements prepared for reporting periods ending between 1 January 2020 and 31 December 2020.

The Group has elected to apply the following temporary relief measures on accounting alternatives:

- Not to take into account forward-looking information when determining expected credit losses, in cases where the Group uses a simplified approach to determine expected credit losses.
- Not to account for any reduction in lease payments by lessors resulting from the COVID-19 situation as a lease modification, with the lease liabilities that come due in each period reduced in proportion to the reduction and depreciation of right-of-use assets and interest on lease liabilities recognised in each period reversed in proportion to the reduction, with any differences then recognised in profit or loss.

1.6 Significant accounting policies

The interim financial statements are prepared by using the same accounting policies and methods of computation as were used for the financial statements for the year ended 31 December 2019 except the changes in accounting policies related to financial instruments and leases.

1.6.1 Financial instruments

Classification and measurement

Financial assets that are debt instruments are measured at fair value through profit or loss, fair value through other comprehensive income, or amortised cost. Classification is driven by the Group's business model for managing the financial assets and the contractual cash flows characteristics of the financial assets.

Financial assets that are equity instruments are measured at fair value through profit or loss. In certain cases, the Group makes an election to measure them at fair value through other comprehensive income, with no subsequent recycling to profit or loss.

Financial liabilities are classified and measured at amortised cost. The Group has elected to measure liabilities at fair value through profit or loss when stipulated conditions are met.

Derivatives are classified and measured at fair value through profit or loss

Impairment of financial assets

The Group recognises an allowance for expected credit losses on its financial assets measured at amortised cost without requiring a credit-impaired event to have occurred prior to the recognition. The Group accounts for changes in expected credit losses in stages, with differing methods of determining allowance for credit losses and the effective interest rate applied at each stage. An exception from this approach is that for trade receivables that do not contain a significant financing component, the Group applies a simplified approach to determine the lifetime expected credit losses.

1.6.2 Leases

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised through initial measurement, initial direct costs incurred, and lease payments made at or before the commencement date, less any lease incentives received.

Unless the Group is reasonably certain that it will obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis from the commencement date of the lease to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of the lease payments to be made over the lease term, discounted by the interest rate implicit in the lease or the Group's incremental borrowing rate. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification or reassessment.

Short-term leases and Leases of low-value assets

Payments under leases that, have a lease term of 12 months or less at the commencement date, or are leases of low-value assets, are recognised as expenses on a straight-line basis over the lease term.

2. Cumulative effects of changes in accounting policies due to the adoption of new financial reporting standards

As described in Note 1.5 to the financial statements, during the current period, the Group has adopted financial reporting standards related to financial instruments and TFRS 16. The cumulative effect of initially applying these standards is recognised as an adjustment to retained earnings as at 1 January 2020. Therefore, the comparative information was not restated.

The impacts on the beginning balance of retained earnings of 2020 from changes in accounting policies due to the adoption of these standards are presented as follows:

(Unit: Thousand Baht)

| | Consolidated financial statements | | | |
|--|-----------------------------------|---|----------|-------------------|
| | The impacts of | | | 1 January 2020 |
| | 31 December 2019 | Financial reporting standards related to financial instruments | TFRS 16 | |
| Statement of financial position | | | | |
| Assets | | | | |
| Current assets | | | | |
| Current investments | 575 | (575) | - | - |
| Trade and other receivables | 440,850 | (10,961) | - | 429,889 |
| Other current financial assets | - | 575 | - | 575 |
| Non-current assets | | | | |
| Other non-current financial assets | - | 24,353 | - | 24,353 |
| Other long-term investments | 16,083 | (16,083) | - | - |
| Leasehold rights | 13,200 | - | (13,200) | - |
| Property, plant and equipment | 596,032 | - | 215,072 | 811,104 |
| Other non-current assets | 21,895 | (9,410) | - | 12,485 |

(Unit: Thousand Baht)

Consolidated financial statements

| | The impacts of | | | 1 January 2020 |
|---|---------------------|---|---------|-------------------|
| | 31 December 2019 | Financial reporting standards related to financial instruments | TFRS 16 | |
| Liabilities and shareholders' equity | | | | |
| Current liabilities | | | | |
| Trade and other payables | 749,803 | - | (226) | 749,577 |
| Current portion of lease liabilities | - | - | 30,161 | 30,161 |
| Non-current liabilities | | | | |
| Lease liabilities, net of current portion | - | - | 169,590 | 169,590 |
| Other non-current financial liabilities | 706 | - | 2,347 | 3,053 |
| Shareholders' equity | | | | |
| Retained earnings - unappropriated | 953,653 | (12,101) | - | 941,552 |

(Unit: Thousand Baht)

Separate financial statements

| | The impacts of | | | 1 January 2020 |
|--|---------------------|---|---------|-------------------|
| | 31 December 2019 | Financial reporting standards related to financial instruments | TFRS 16 | |
| Statement of financial position | | | | |
| Assets | | | | |
| Current assets | | | | |
| Trade and other receivables | 544,834 | (10,961) | - | 533,873 |
| Non-current assets | | | | |
| Other non-current financial assets | - | 14,943 | - | 14,943 |
| Other long-term investments | 14,943 | (14,943) | - | - |

(Unit: Thousand Baht)

| | Separate financial statements | | | |
|---|---|----------|-------|-------------------|
| | The impacts of | | | 1 January 2020 |
| 31 December 2019 | Financial reporting standards related to financial instruments | TFRS 16 | | |
| Liabilities and shareholders' equity | | | | |
| Current liabilities | | | | |
| Trade and other payables | 579,722 | - | (226) | 579,496 |
| Current portion of lease liabilities | - | - | 226 | 226 |
| Shareholders' equity | | | | |
| Retained earnings - unappropriated | 1,021,985 | (10,961) | - | 1,011,024 |

2.1 Financial instruments

Details of the impact on retained earnings as at 1 January 2020 due to the adoption of financial reporting standards related to financial instruments are presented as follows:

| | (Unit: Thousand Baht) | |
|---|---|-------------------------------------|
| | Consolidated financial statements | Separate financial statements |
| Recognition of an allowance for expected credit losses in financial assets | (12,101) | (10,961) |
| Impacts on retained earnings due to the adoption of financial reporting standards related to financial instruments | (12,101) | (10,961) |

The classifications, measurement basis and carrying values of financial assets in accordance with TFRS 9 as at 1 January 2020, and with the carrying amounts under the former basis, are as follows:

(Unit: Thousand Baht)

| | Consolidated financial statements | | | |
|--|---|--|--|------------------|
| | Carrying amounts under the former basis | Classification and measurement in accordance with TFRS 9 | | |
| | | Fair value through profit or loss | Fair value through other comprehensive income | Amortised cost |
| Financial assets as at 1 January 2020 | | | | |
| Cash and cash equivalents | 547,748 | - | - | 547,748 |
| Trade and other receivables | 429,889 | - | - | 429,889 |
| Short-term loans to related parties | 44,596 | - | - | 44,596 |
| Other current financial assets | 575 | - | - | 575 |
| Other current assets | 39,988 | - | - | 39,988 |
| Restricted bank deposits | 31,845 | - | - | 31,845 |
| Other non-current financial assets | 24,353 | - | 14,943 | 24,353 |
| Amounts due from related parties | 1,586 | - | - | 1,586 |
| Other non-current assets | 12,485 | - | - | 12,485 |
| Total financial assets | 1,133,065 | - | 14,943 | 1,118,122 |

(Unit: Thousand Baht)

Separate financial statements

| Carrying amounts under the former basis | Classification and measurement in accordance with TFRS 9 | | | |
|---|--|--|------------------|------------------|
| | Fair value through profit or loss | Fair value through other comprehensive income | Amortised cost | Total |
| Financial assets as at 1 January 2020 | | | | |
| Cash and cash equivalents | 388,392 | - | 388,392 | 388,392 |
| Trade and other receivables | 533,873 | - | 533,873 | 533,873 |
| Short-term loans to related parties | 14,943 | - | 14,943 | 14,943 |
| Other current assets | 9,504 | - | 9,504 | 9,504 |
| Restricted bank deposits | 26,476 | - | 26,476 | 26,476 |
| Other non-current financial assets | 14,943 | 14,943 | - | 14,943 |
| Amounts due from related parties | 1,586 | - | 1,586 | 1,586 |
| Long-term loans to related parties | 45,308 | - | 45,308 | 45,308 |
| Other non-current assets | 363 | - | 363 | 363 |
| Total financial assets | 1,035,388 | 14,943 | 1,020,445 | 1,035,388 |

As at 1 January 2020, the Group has not designated any financial liabilities at fair value through profit or loss except derivative liabilities of which fair value is Baht 4,333 million (Separate financial statements: Baht 4,333 million)

2.2 Leases

Upon initial application of TFRS 16 the Group recognised lease liabilities previously classified as operating leases at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at 1 January 2020. For leases previously classified as finance leases, the Group recognised the carrying amount of the right-of-use assets and lease liabilities based on the carrying amounts of the lease assets and lease liabilities immediately before the date of initial application of TFRS 16.

| | (Unit: Thousand Baht) | |
|--|---|-------------------------------------|
| | Consolidated financial statements | Separate financial statements |
| Operating lease commitments as at 31 December 2019 | 68,209 | 117 |
| Less: Short-term leases and leases of low-value assets | (3,584) | (117) |
| Add: Estimated to extend lease term | 166,983 | - |
| Less: Deferred interest expenses | (32,083) | - |
| Increase in lease liabilities due to TFRS 16 adoption | 199,525 | - |
| Liabilities under finance lease agreements as at 31 December 2019 | 226 | 226 |
| Lease liabilities as at 1 January 2020 | <u>199,751</u> | <u>226</u> |
| Comprise of: | | |
| Current lease liabilities | 30,161 | 226 |
| Non-current lease liabilities | 169,590 | - |
| | <u>199,751</u> | <u>226</u> |

The adjustments of right-of-use assets due to TFRS 16 adoption as at 1 January 2020 are summarised below:

| | (Unit: Thousand Baht) | |
|---|--------------------------------------|----------------------------------|
| | Consolidated financial statements | Separate financial statements |
| Buildings | 9,611 | - |
| Office condominium units and improvements | 189,864 | - |
| Total right-of-use assets | <u>199,525</u> | <u>-</u> |

3. Related party transactions

During the periods, the Group 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 bases agreed upon between the Company and those related parties.

(Unit: Million Baht)

| | For the three-month periods ended 31 March | | | | Transfer pricing policy |
|--|--|----------------------|----------------------|----------------------|---|
| | Consolidated | | Separate | | |
| | financial statements | financial statements | financial statements | financial statements | |
| | <u>2020</u> | <u>2019</u> | <u>2020</u> | <u>2019</u> | |
| <u>Transactions with subsidiaries</u> | | | | | |
| (eliminated from the consolidated financial statements) | | | | | |
| Sales of goods | - | - | 158 | 137 | Normal business price close to those charged to other customers |
| Purchases of goods and raw materials | - | - | 85 | 62 | With reference to market price |
| Loan interest income | - | - | - | 1 | Per loan agreements |
| Guarantee fee income | - | - | 1 | 1 | 1 percent per annum |
| Service income | - | - | 2 | 2 | Agreed between the parties |
| Management income | - | - | - | 5 | Agreed between the parties |
| Service expenses | - | - | - | 1 | Agreed between the parties |
| <u>Transactions with associated company</u> | | | | | |
| Purchases of raw materials | 19 | 24 | 19 | 24 | With reference to market price |
| <u>Transactions with the Company's directors/related companies</u> | | | | | |
| Sales of goods | 13 | 3 | 13 | 2 | Normal business price close to those charged to other customers |
| Purchases of goods | 12 | 14 | 6 | - | With reference to market price |
| Loan interest income | 1 | 1 | - | - | Per loan agreements |
| Loan interest expenses | - | 1 | - | 1 | Per loan agreements |
| Purchases of machinery and equipment | - | 1 | - | - | Agreed between the parties |

(Unaudited but reviewed)

As at 31 March 2020 and 31 December 2019, the balances of the accounts between the Company and those related parties are as follows:

| | (Unit: Million Baht) | | | |
|--|----------------------|----------|----------------------|-------|
| | Consolidated | | Separate | |
| | financial statements | | financial statements | |
| 31 March | 31 December | 31 March | 31 December | |
| 2020 | 2019 | 2020 | 2019 | |
| <u>Trade accounts receivable - related parties (Note 4)</u> | | | | |
| Subsidiaries | - | - | 751 | 704 |
| Related companies (related by common directors) | 51 | 46 | 50 | 45 |
| Total | 51 | 46 | 801 | 749 |
| Less: Allowance for doubtful accounts | (40) | (37) | (549) | (525) |
| Total trade accounts receivable - related parties, net | 11 | 9 | 252 | 224 |
| <u>Other receivables - related parties (Note 4)</u> | | | | |
| Subsidiaries | - | - | 78 | 76 |
| Related companies (related by common directors) | 2 | 2 | 3 | 2 |
| Subsidiary and related company's directors | 19 | 15 | 13 | 11 |
| Total | 21 | 17 | 94 | 89 |
| Less: Allowance for doubtful accounts | (3) | (2) | (71) | (54) |
| Total other receivables - related parties, net | 18 | 15 | 23 | 35 |
| <u>Accrued interest income - related parties (Note 4)</u> | | | | |
| Subsidiaries | - | - | 29 | 28 |
| Related company (related by common directors) | 2 | 2 | - | - |
| Total | 2 | 2 | 29 | 28 |
| Less: Allowance for doubtful accounts | - | - | (28) | (27) |
| Total accrued interest income - related parties, net | 2 | 2 | 1 | 1 |
| <u>Amounts due from related parties</u> | | | | |
| Subsidiary and related company's directors | - | 2 | - | 2 |
| Total amounts due from related parties - net | - | 2 | - | 2 |
| <u>Trade and other payables - related parties (Note 15)</u> | | | | |
| Subsidiaries | - | - | 33 | 55 |
| Related companies (related by common directors) | 18 | 17 | - | - |
| Total trade and other payables - related parties | 18 | 17 | 33 | 55 |

(Unaudited but reviewed)

Loans to related parties

As at 31 March 2020 and 31 December 2019, 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 | |
| | 31 March 2020 | 31 December 2019 | 31 March 2020 | 31 December 2019 |
| <u>Short-term loans to related parties</u> | | | | |
| Subsidiaries | - | - | 61 | 57 |
| Related companies (related by common directors) | 46 | 45 | - | - |
| Total | 46 | 45 | 61 | 57 |
| Less: Allowance for doubtful accounts | - | - | (45) | (42) |
| Total short-term loans to related parties, net | 46 | 45 | 16 | 15 |
| <u>Long-term loans to related parties</u> | | | | |
| <u>Subsidiaries</u> | | | | |
| Long-term loans | - | - | 515 | 495 |
| Less: Allowance for doubtful accounts | - | - | (469) | (450) |
| Long-term loans, net of current portion | - | - | 46 | 45 |

During this period, 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 2019 | Increase during the period | Decrease during the period | Unrealised gain on exchange | Balance as at 31 March 2020 |
| A-List Corporate Co., Ltd. | The Director related to the Company's director | 30 | - | - | - | 30 |
| PT sumberkreasi Ciptalogam | The Director is the Subsidiary's director | 15 | - | - | 1 | 16 |
| Total short-term loans | | 45 | - | - | 1 | 46 |

A local subsidiary (Pranda Lodging Co., Ltd.) granted a short-term loans to a related company, A-List Corporate Co., Ltd. These loans are subject to interest at rate of 7.5 percent per annum and secured by the director of the Company.

(Unaudited but reviewed)

An overseas subsidiary (PT Pranda Marketing Indonesia) granted a short-term loan to a related company, PT Sumberkreasi Ciptalogam. This loan is subject to interest at rate of 7.5 percent per annum and unsecured.

(Unit: Million Baht)

| | | Separate financial statements | | | | |
|-------------------------------|------------|-------------------------------|------------|------------|------------|---------------|
| | | Balance as at | Increase | Decrease | Unrealised | Balance as at |
| | | 31 December | during | during | gain on | 31 March |
| Short-term loans | Related by | 2019 | the period | the period | exchange | 2020 |
| Pranda & Kroll GmbH & Co. KG | Subsidiary | 17 | - | - | 1 | 18 |
| H.GRINGOIRE s.a.r.l. | Subsidiary | 25 | - | - | 2 | 27 |
| PT Pranda Marketing Indonesia | Subsidiary | 15 | - | - | 1 | 16 |
| Total short-term loans | | 57 | - | - | 4 | 61 |

The short-term loans to three subsidiaries were unsecured and subject to interest at rate of 7.5 percent per annum. However, the Company has considered to fully record allowance for doubtful account for short-term loans and accrued interest income to Pranda & Kroll GmbH & Co. KG and H. GRINGOIRE s.a.r.l.. In addition, the Company considered recording the allowance to be at the anticipated repayment amount of short-term loan and accrued interest income to PT Pranda Marketing Indonesia because the subsidiary requested that the principal payment be rescheduled. The management is currently amending the short-term loan agreement. This loan is repayable within December 2020.

In addition, In 2019, the Company made an agreement with H. GRINGOIRE s.a.r.l. and the Company ceased interest calculation of loans which the Company granted to the subsidiary. This agreement became effective since 1 October 2019 onwards.

(Unit: Million Baht)

| | | Separate financial statements | | | | |
|------------------------------|------------|-------------------------------|------------|------------|------------|---------------|
| | | Balance as at | Increase | Decrease | Unrealised | Balance as at |
| | | 31 December | during | during | gain on | 31 March |
| Long-term loans | Related by | 2019 | the period | the period | exchange | 2020 |
| Pranda & Kroll GmbH & Co. KG | Subsidiary | 23 | - | - | 2 | 25 |
| Pranda UK Ltd. | Subsidiary | 303 | - | - | 6 | 309 |
| H.GRINGOIRE s.a.r.l. | Subsidiary | 169 | - | - | 12 | 181 |
| Total long-term loans | | 495 | - | - | 20 | 515 |

(Unaudited but reviewed)

The long-term loans to three subsidiaries were unsecured and carries interest at 7.5 percent per annum. However, the Company has considered to fully record allowance for doubtful account for short-term loans and accrued interest income to Pranda & Kroll GmbH & Co. KG and H. GRINGOIRE s.a.r.l. because of the uncertainty in receiving repayments.

In 2018, the Company made an agreement with Pranda & Kroll GmbH & Co. KG and the Company ceased interest calculation of loans which the Company granted to the subsidiary. This agreement became effective since 1 April 2018 onwards.

Directors and management's benefits

During the three-month period ended 31 March 2020 and 2019, the Group had employee benefit expenses of their directors and management as below.

(Unit: Million Baht)

| | For the three-month periods ended 31 March | | | |
|------------------------------|--|-------------|----------------------|-------------|
| | Consolidated | | Separate | |
| | financial statements | | financial statements | |
| | <u>2020</u> | <u>2019</u> | <u>2020</u> | <u>2019</u> |
| Short-term employee benefits | 10.7 | 14.6 | 7.2 | 7.1 |
| Post-employment benefits | 0.1 | 15.1 | - | 15.1 |
| Total | <u>10.8</u> | <u>29.7</u> | <u>7.2</u> | <u>22.2</u> |

Guarantee obligations with related parties

The Company has outstanding guarantee obligations with its related parties, as described in Note 25.2.1 to the financial statements.

(Unaudited but reviewed)

4. Trade and other receivables

| | (Unit: Thousand Baht) | | | |
|---|-----------------------|-------------|----------------------|-------------|
| | Consolidated | | Separate | |
| | financial statements | | financial statements | |
| | 31 March | 31 December | 31 March | 31 December |
| | 2020 | 2019 | 2020 | 2019 |
| <u>Trade accounts receivable - related parties</u> | | | | |
| Aged on the basis of due dates | | | | |
| Not yet due | 1,824 | 775 | 46,324 | 54,673 |
| Past due | | | | |
| Up to 3 months | 752 | 2,569 | 23,172 | 35,244 |
| 3 - 6 months | 2,788 | 3,885 | 30,658 | 19,242 |
| 6 - 12 months | 4,286 | 176 | 66,414 | 83,244 |
| Over 12 months | 41,522 | 38,258 | 634,430 | 557,375 |
| Total | 51,172 | 45,663 | 800,998 | 749,778 |
| Less: Allowance for doubtful debts | (40,423) | (37,158) | (549,222) | (525,388) |
| Total trade accounts receivable - related parties, net (Note 3) | 10,749 | 8,505 | 251,776 | 224,390 |
| <u>Trade accounts receivable - unrelated parties</u> | | | | |
| Aged on the basis of due dates | | | | |
| Not yet due | 161,816 | 350,853 | 99,889 | 242,247 |
| Past due | | | | |
| Up to 3 months | 59,386 | 49,492 | 53,063 | 39,124 |
| 3 - 6 months | 4,638 | 3,043 | 2,455 | 133 |
| 6 - 12 months | 7,983 | 7,725 | 1,842 | 1,951 |
| Over 12 months | 31,637 | 25,069 | 22,843 | 20,002 |
| Total | 265,460 | 436,182 | 180,092 | 303,457 |
| Less: Allowance for doubtful debts | (46,931) | (30,618) | (35,883) | (20,002) |
| Total trade accounts receivable - unrelated parties, net | 218,529 | 405,564 | 144,209 | 283,455 |
| Total trade accounts receivable, net | 229,278 | 414,069 | 395,985 | 507,845 |
| <u>Other receivables</u> | | | | |
| Other receivables - related parties (Note 3) | 20,611 | 17,495 | 93,877 | 89,040 |
| Other receivables - unrelated parties | 7,322 | 10,584 | 231 | 389 |
| Accrued interest income - related parties (Note 3) | 2,203 | 2,021 | 29,331 | 27,793 |
| Accrued interest income - unrelated parties | 1,282 | 1,097 | 1,140 | 1,054 |
| Total | 31,418 | 31,197 | 124,579 | 118,276 |
| Less: Allowance for doubtful debts | (4,782) | (4,416) | (100,262) | (81,287) |
| Total other receivables, net | 26,636 | 26,781 | 24,317 | 36,989 |
| Total trade and other receivables, net | 255,914 | 440,850 | 420,302 | 544,834 |

5. Reduce cost to net realisable value of inventories

Movements in the reduce cost to net realisable value of inventories account for the three-month period ended 31 March 2020 are summarised below.

| | (Unit: Thousand Baht) | |
|---|-----------------------------|-----------------------------|
| | Consolidated | Separate |
| | <u>financial statements</u> | <u>financial statements</u> |
| Balance as at 1 January 2020 | 217,367 | 175,190 |
| Add: Reduce cost to net realisable value of inventories | 6,363 | 1,511 |
| Balance as at 31 March 2020 | <u>223,730</u> | <u>176,701</u> |

As at 31 March 2020, the Company has pledged most of the Company's inventories to secure credit facilities from commercial banks amounting to Baht 477 million. In addition, a local subsidiary has pledged inventories of Baht 219 million and an overseas subsidiary has pledged inventories of IDR 3,000 million or approximately Baht 6 million to secure credit facilities from an overseas commercial bank as described in Note 13 and Note 16 to the financial statements.

6. 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 letter of guarantee issued by bank on behalf of subsidiary for electricity use.

7. Other non-current financial assets

Other non-current financial assets as at 31 March 2020 are summarised below:

| | (Unit: Thousand Baht) | |
|--|-----------------------------|-----------------------------|
| | Consolidated | Separate |
| | <u>financial statements</u> | <u>financial statements</u> |
| Investments in equity - fair value | 6,593 | 6,593 |
| Deposits | 9,466 | - |
| Total other non-current financial assets | <u>16,059</u> | <u>6,593</u> |

8. Investments in subsidiaries

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

(Unit: Thousand Baht)

| Company's name | Cost | |
|---|---------------|------------------|
| | 31 March 2020 | 31 December 2019 |
| | | (Audited) |
| Pranda North America, Inc. | 120,283 | 120,283 |
| H.GRINGOIRE s.a.r.l. | 344,423 | 344,423 |
| Pranda UK Ltd. | 28,973 | 28,973 |
| Pranda Vietnam Co., Ltd. | 48,180 | 48,180 |
| Primagold International Co., Ltd. | 200,000 | 200,000 |
| Crystalline Co., Ltd. | 96,000 | 96,000 |
| Pranda Lodging Co., Ltd. | 41,125 | 41,125 |
| Pranda & Kroll GmbH & Co. KG | 573,303 | 573,303 |
| Pranda Jewelry Private Limited | 213,439 | 213,439 |
| Total | 1,665,726 | 1,665,726 |
| Less: Allowance for impairment of investments | (1,092,618) | (1,092,618) |
| Investments in subsidiaries, net | 573,108 | 573,108 |

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.

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.

(Unaudited but reviewed)

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.

9. Investment in associated company

(Unit: Thousand Baht)

| Company's name | Consolidated financial statements | |
|---|-----------------------------------|------------------|
| | Investment value - equity method | |
| | 31 March 2020 | 31 December 2019 |
| | | (Audited) |
| KZ-Pranda Co., Ltd. | | |
| - Cost | 3,600 | 3,600 |
| - Accumulated share of profit | 4,941 | 6,490 |
| Total carrying amounts based on equity method | 8,541 | 10,090 |

(Unit: Thousand Baht)

| Company's name | Separate financial statements | | | | | |
|---------------------|-------------------------------|-------------|--|-------------|---|-------------|
| | Cost | | Allowance for impairment of investment | | Carrying amounts based on cost method - net | |
| | 31 March | 31 December | 31 March | 31 December | 31 March | 31 December |
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| | | | | | (Audited) | |
| | | | | | (Audited) | |
| KZ-Pranda Co., Ltd. | 3,600 | 3,600 | (3,600) | (3,600) | - | - |

The share of profit from investment in associated company included in the consolidated income statements have been calculated from the financial statement prepared by management of this company but is not reviewed by its auditor. However, the Company's management believes that there would be no material difference if this financial statement had been reviewed by its auditor.

(Unaudited but reviewed)

10. Other receivables

The outstanding balances as at 31 March 2020 and 31 December 2019 are presented below.

| | (Unit: Thousand Baht) | |
|---------------------------------|-------------------------|------------------|
| | Consolidated / Separate | |
| | financial statements | |
| | 31 March 2020 | 31 December 2019 |
| | | (Audited) |
| Promissory note | 46,595 | 46,595 |
| Less: Allowance for devaluation | (46,595) | (46,595) |
| Other receivable, net | - | - |

11. Investment properties

Movements of the investment properties account during the three-month period ended 31 March 2020 are summarised below.

| | (Unit: Thousand Baht) | |
|-------------------------------------|-----------------------|----------------------|
| | Consolidated | Separate |
| | financial statements | financial statements |
| Net book value as at 1 January 2020 | 587,308 | 577,552 |
| Depreciation for the period | (84) | - |
| Net book value as at 31 March 2020 | 587,224 | 577,552 |

The Company has mortgaged investment properties of the Company and a local subsidiary with a total net book value as at 31 March 2020 of approximately Baht 587 million (31 December 2019: Baht 587 million) as collateral against credit facilities which the Company received from commercial banks (The Company only: Baht 577 million (31 December 2019: Baht 577 million)).

(Unaudited but reviewed)

12. Property, plant and equipment

Movements of the property, plant and equipment account during the three-month period ended 31 March 2020 are summarised below.

| | (Unit: Thousand Baht) | |
|--|--------------------------------------|----------------------------------|
| | Consolidated financial statements | Separate financial statements |
| Net book value as at 31 December 2019 | 596,032 | 500,933 |
| Adjustments of right-of-use assets | | |
| due to TFRS 16 adoption | 215,072 | - |
| Acquisitions during the period - at cost | 5,194 | 2,184 |
| Write-off during the period - net book value | | |
| as at write-off date | (30) | (30) |
| Depreciation for the period | (23,607) | (9,357) |
| Translation adjustment during the period | 2,691 | - |
| Net book value as at 31 March 2020 | <u>795,352</u> | <u>493,730</u> |

The Group has mortgaged its property, plant and equipment with a total net book value as at 31 March 2020 amounting to approximately Baht 426 million (2019: Baht 429 million) as collateral against credit facilities received from commercial banks (The Company only: Baht 374 million, 2019: Baht 378 million).

13. Short-term loans from financial institutions

| | (Unit: Thousand Baht) | | | | | |
|---|-----------------------|---------------------|----------------------|---------------------|----------------------|---------------------|
| | Interest rate | | Consolidated | | Separate | |
| | (percent per annum) | | financial statements | | financial statements | |
| | 31 March 2020 | 31 December 2019 | 31 March 2020 | 31 December 2019 | 31 March 2020 | 31 December 2019 |
| | | (Audited) | | (Audited) | | (Audited) |
| Short-term loans from financial institutions | 2.50 - 10.25 | 2.75 - 10.25 | <u>518,992</u> | <u>491,399</u> | <u>410,000</u> | <u>391,400</u> |
| Total | | | <u>518,992</u> | <u>491,399</u> | <u>410,000</u> | <u>391,400</u> |

Bank overdrafts and 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, and investment properties and guaranteed by the Company's directors.

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

(Unaudited but reviewed)

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.

14. Bills of exchange

| | (Unit: Thousand Baht) |
|--|--------------------------------------|
| | Consolidated financial statements |
| Balance as at 1 January 2020 | 49,035 |
| Add: Amortisation of prepaid interest expenses | 520 |
| Balance as at 31 March 2020 | <u>49,555</u> |

Bills of exchange of a local subsidiary company are subject to interest rate at 4.30 percent per annum (31 December 2019: 4.30 percent per annum) and mature in June 2020. There are no collateral on the bills of exchange.

15. Trade and other payables

| | (Unit: Thousand Baht) | | | |
|--|-----------------------|----------------|----------------------|----------------|
| | Consolidated | | Separate | |
| | financial statements | | financial statements | |
| | 31 March | 31 December | 31 March | 31 December |
| | 2020 | 2019 | 2020 | 2019 |
| Trade and other payables - related parties (Note 3) | 17,941 | 17,472 | 33,067 | 54,956 |
| Trade payables - unrelated parties | 623,931 | 668,858 | 343,041 | 504,526 |
| Other payables - unrelated parties | 8,547 | 13,192 | 3,640 | 4,496 |
| Accrued expenses | 50,308 | 50,281 | 21,319 | 15,744 |
| Total trade and other payables | <u>700,727</u> | <u>749,803</u> | <u>401,067</u> | <u>579,722</u> |

(Unaudited but reviewed)

16. Long-term loans

The outstanding balances of long-term loans as at 31 March 2020 and 31 December 2019 are as follows:

| | (Unit: Thousand Baht) | | | |
|--|-----------------------|---------------------|----------------------|---------------------|
| | Consolidated | | Separate | |
| | financial statements | | financial statements | |
| | 31 March 2020 | 31 December 2019 | 31 March 2020 | 31 December 2019 |
| | | | | |
| | (Audited) | | (Audited) | |
| Long-term loans - net of deferred financial service fee | 152,965 | 169,258 | 67,500 | 75,000 |
| Less: Current portion - net | (102,446) | (110,553) | (67,500) | (75,000) |
| Long-term loans - net of current portion - net | <u>50,519</u> | <u>58,705</u> | <u>-</u> | <u>-</u> |

Movements in the long-term loans account during the three-month period ended 31 March 2020 are summarised below.

| | (Unit: Thousand Baht) | |
|--|-----------------------|----------------------|
| | Consolidated | Separate |
| | financial statements | financial statements |
| Balance as at 1 January 2020 | 169,258 | 75,000 |
| Less: Repayment | (16,566) | (7,500) |
| Add: Amortisation of deferred financial service fee | 74 | - |
| Difference on translation of financial statements in foreign currency | 199 | - |
| Balance as at 31 March 2020 | <u>152,965</u> | <u>67,500</u> |

Loans of the company

In 2019, the Company entered into a long-term loan agreement with a local commercial bank for credit facility of Baht 90 million, with a term of 3 years. This loan is subjected to an interest at a rate of MLR - 0.5 percent per annum and the principal is repayable every 3 months and the interest is payable monthly. The Company is not allowed to use some of the Company's land and its subsidiary's investment properties that secure the bills of exchange after the redemption to incur obligations.

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.

However, since 31 December 2019, the Company was unable to maintain a debt service coverage ratio (DSCR) 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 2020, the Company obtained a letter granting a waiver for some conditions from the lender.

Loans of the subsidiaries

Long-term loan of a local subsidiary company, Primagold International Co., Ltd., was 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.

17. 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: 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. 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. 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. |
| 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. |

(Unaudited but reviewed)

| | |
|------------------|---|
| 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. |
|------------------|---|

In 2018, 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 61 million. The number of shares to be issued for the exercise of conversion rights is 28,280,336 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 28,280,336 and the Company has registered the increase of the paid-up capital with the Ministry of Commerce.

In 2019, the Annual General Meeting of the Company's Shareholders passed a resolution approving issuance and offering of the convertible debentures on a private placement basis in the amount of not exceeding Baht 115 million to Advance Opportunities Fund I.

Movements of the convertible debentures and options for consolidated and separate financial statements are summarised below.

| | |
|---|-----------------------|
| | (Unit: Thousand Baht) |
| Nominal value of issue of convertible debentures as at 1 January 2020 | 36,164 |
| Less: Exercise of conversion rights | - |
| Add: Amortised - transaction cost | 554 |
| Balance as at 31 March 2020 | <u>36,718</u> |

| | |
|---|-----------------------|
| | (Unit: Thousand Baht) |
| Nominal value of options as at 1 January 2020 | 4,333 |
| Less: Exercise of conversion rights | - |
| Balance as at 31 March 2020 | <u>4,333</u> |

(Unaudited but reviewed)

18. Liabilities under lease agreements

| | (Unit: Thousand Baht) | |
|--|-----------------------|----------------------|
| | Consolidated | Separate |
| | financial statements | financial statements |
| | 31 March 2020 | 31 March 2020 |
| Liabilities under lease agreements | 223,778 | 172 |
| Less: Deferred interest expenses | (30,518) | (38) |
| Total | 193,260 | 134 |
| Less: Portion due within one year | (31,331) | (134) |
| Liabilities under lease agreements - net of current portion | 161,929 | - |

19. Provision for long-term employee benefits

Provision for long-term employee benefits, which represents compensation payable to employees after they retire, was as follows:

(Unit: Thousand Baht)

| | Consolidated financial statements | | |
|---------------------------------|-----------------------------------|-----------------|---------|
| | Post-employment | Other long-term | |
| | benefits from | employee | |
| | employee's retirement | benefits plan | Total |
| Balances as at 1 January 2020 | 271,498 | 11,684 | 283,182 |
| Current service cost | 3,504 | 258 | 3,762 |
| Interest cost | 1,634 | 63 | 1,697 |
| Benefits paid during the period | (1,869) | (27) | (1,896) |
| Balances as at 31 March 2020 | 274,767 | 11,978 | 286,745 |

(Unit: Thousand Baht)

| | Separate financial statements | | |
|---------------------------------|-------------------------------|-----------------|---------|
| | Post-employment | Other long-term | |
| | benefits from | employee | |
| | employee's retirement | benefits plan | Total |
| Balances as at 1 January 2020 | 257,989 | 10,832 | 268,821 |
| Current service cost | 3,103 | 214 | 3,317 |
| Interest cost | 1,587 | 60 | 1,647 |
| Benefits paid during the period | (1,869) | - | (1,869) |
| Balances as at 31 March 2020 | 260,810 | 11,106 | 271,916 |

20. Warrants to purchase new ordinary shares of the Company

20.1 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.

(Unaudited but reviewed)

On 7 February 2020, PDJ-W3 warrant holders exercised 24,314,017 warrants to purchase 24,314,017 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 24,314,017 from the exercise of the warrants, and the Company registered the corresponding increase in its paid-up capital with the Ministry of Commerce 18 February 2020

Presented below is a summary of movement in the number of warrants as at 31 March 2020.

| | Unit |
|----------------------------------|--------------|
| Outstanding as at 1 January 2020 | 76,784,947 |
| Exercised during the period | (24,314,017) |
| Expired during the period | (1,280,540) |
| Outstanding as at 31 March 2020 | 51,190,390 |

20.2 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 March 2020, the Company has the unissued warrants of ESOP totaling 1,467,500 units.

21. Share capital/Share premium

The movements of number of ordinary shares, paid-up capital and premium on ordinary shares of the Company for the three-month period ended 31 March 2020 and 2019 are as follows:

| | (Unit: Thousand Baht) | | | |
|--|-----------------------|-------------|---------------|-------------|
| | Issued and paid-up | | Share premium | |
| | share capital | | | |
| | <u>2020</u> | <u>2019</u> | <u>2020</u> | <u>2019</u> |
| Balance as at 1 January | 462,396 | 424,640 | 818,138 | 811,966 |
| Increase in capital from exercising of the warrants to purchase ordinary shares to existing shareholders | 24,314 | 24,586 | - | - |
| Increase in capital from exercising of the rights of the convertible debenture | - | 4,166 | - | 4,122 |
| Total | 24,314 | 28,752 | - | 4,122 |
| Balance as at 31 March | 486,710 | 453,392 | 818,138 | 816,088 |

(Unaudited but reviewed)

22. Income tax

Part of the Company's operations has been granted promotional privileges from the Board of Investment, including exemption from corporate income tax on profits for a period of eight years, commencing as from the date of first earnings operating income. The Company has started to receive privileges of certificate No. 1616 (2)/2553 on 4 January 2011 and a 50% reduction of corporate income tax on income derived from the promoted operation for a period of 5 years after the tax-exemption period ends.

Interim corporate income tax of the Company was calculated on profit (loss) before income tax from operations without BOI promotional privileges for the periods, after adding back expenses and deducting income which are disallowable for tax computation purposes, using the estimated effective tax rate for the year.

Interim corporate income tax of the local subsidiaries were calculated on profit (loss) before income tax for the periods, after adding back expenses and deducting income which are disallowable for tax computation purposes, using the estimated effective tax rate for the year.

Interim corporate income tax of the overseas subsidiaries were calculated in accordance with the accounting standards and/or tax law of that company's country of domicile.

Tax expenses (income) for the three-month period ended 31 March 2020 and 2019 are made up as follows:

| | (Unit: Thousand Baht) | | | |
|--|---|--------------|----------------------|--------------|
| | For the three-month period ended 31 March | | | |
| | Consolidated | | Separate | |
| | financial statements | | financial statements | |
| | <u>2020</u> | <u>2019</u> | <u>2020</u> | <u>2019</u> |
| Current income tax: | | | | |
| Interim corporate income tax charge | 18,267 | 2,733 | 18,050 | - |
| Adjustment in respect of income tax of previous year | - | (1,506) | - | (1,506) |
| Deferred tax: | | | | |
| Relating to origination and reversal of temporary differences | (487) | 3,427 | (461) | 1,205 |
| Tax expenses (income) reported in the profit or loss | <u>17,780</u> | <u>4,654</u> | <u>17,589</u> | <u>(301)</u> |

23. Earnings per share

Basic earnings per share is calculated by dividing 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 period.

For comparative purposes, basic earnings per share and diluted earnings per share for the three-month period ended 31 March 2019 have been recalculated as follow;

Basic earnings per share is calculated by dividing 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 multiplied by a factor calculated based on the fair value of ordinary shares before and after the exercise of share subscription rights.

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

| | For the three-month period ended 31 March | | | |
|--|---|-------------|----------------------|-------------|
| | Consolidated | | Separate | |
| | financial statements | | financial statements | |
| | <u>2020</u> | <u>2019</u> | <u>2020</u> | <u>2019</u> |
| Basic earnings per share | | | | |
| Loss attributable to equity holders of the Company | | | | |
| (Thousand Baht) | (30,217) | (71,379) | (13,926) | (51,589) |
| Weighted average number of ordinary shares | 482,216 | 450,346 | 482,216 | 450,346 |
| (Thousand shares) | | | | |
| Loss per share (Baht per share) | (0.0627) | (0.1585) | (0.0289) | (0.1146) |

However, no calculation of diluted earnings per share for the three-month period ended 31 March 2020 and 2019 since the effect of diluted earnings per share is antidilutive.

24. Segment information

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

The following table presents revenues and profit (loss) information regarding the Company's and its subsidiaries' operating segments for the three-month period ended 31 March 2020 and 2019.

(Unit: Million Baht)

For the three-month periods ended 31 March

| | Production | | Distribution | | Retail | | Others | | Total Segments | | Eliminations | | Consolidated | |
|--|-------------|-------------|--------------|-------------|-------------|-------------|-------------|-------------|----------------|-------------|--------------|--------------|--------------|-------------|
| | <u>2020</u> | <u>2019</u> | <u>2020</u> | <u>2019</u> | <u>2020</u> | <u>2019</u> | <u>2020</u> | <u>2019</u> | <u>2020</u> | <u>2019</u> | <u>2020</u> | <u>2019</u> | <u>2020</u> | <u>2019</u> |
| Revenues | | | | | | | | | | | | | | |
| Revenues from external customers | 362 | 265 | 41 | 71 | 196 | 233 | - | - | 599 | 569 | - | - | 599 | 569 |
| Revenues from intersegment | 157 | 134 | - | - | 84 | 59 | - | - | 241 | 193 | (241) | (193) | - | - |
| Total revenues | <u>519</u> | <u>399</u> | <u>41</u> | <u>71</u> | <u>280</u> | <u>292</u> | <u>-</u> | <u>-</u> | <u>840</u> | <u>762</u> | <u>(241)</u> | <u>(193)</u> | <u>599</u> | <u>569</u> |
| Results | | | | | | | | | | | | | | |
| Segment profit (loss) | (6) | (30) | (13) | (24) | (20) | 12 | (1) | (2) | (40) | (44) | (17) | (5) | (57) | (49) |
| Unallocated revenues and expenses | | | | | | | | | | | | | | |
| Interest income | | | | | | | | | | | | | - | 1 |
| Other income | | | | | | | | | | | | | 7 | 8 |
| Gain (loss) on exchange rate | | | | | | | | | | | | | 47 | (17) |
| Share of loss from investment in associated company | | | | | | | | | | | | | (2) | - |
| Finance income | | | | | | | | | | | | | 1 | - |
| Finance cost | | | | | | | | | | | | | (18) | (14) |
| Loss before income tax expenses | | | | | | | | | | | | | (22) | (71) |
| Tax expenses | | | | | | | | | | | | | (18) | (5) |
| Loss for the period | | | | | | | | | | | | | <u>(40)</u> | <u>(76)</u> |

25. Commitments and contingent liabilities

25.1 Capital commitments

As at 31 March 2020, the Company and its oversea subsidiary had capital commitments of Baht 1 million and INR 12 million, totaling of Baht 6 million, relating to acquisition of computer software, building construction and building improvements (The Company only: Baht 1 million).

25.2 Guarantees

25.2.1 The Company has issued guarantees to secure bank overdrafts and credit facilities of its subsidiaries. As at 31 March 2020, there were outstanding guarantees of Baht 295 million and USD 14.5 million (31 December 2019: Baht 330 million, USD 8.5 million), totaling of Baht 768 million (31 December 2019: Baht 586 million).

25.2.2 As at 31 March 2020, there were outstanding bank guarantees of Baht 9.7 million, (31 December 2019: Baht 9.7 million) issued by banks on behalf of the Group to guarantee purchase of goods, electricity use, among others. (The Company only: Baht 9.5 million (31 December 2019: Baht 9.5 million)).

25.2.3 As at 31 March 2020, the Group has outstanding standby-letters of credit of USD 27.9 million, or approximately Baht 910 million (31 December 2019: USD 26.5 million or totaling Baht 798 million) (The Company only: USD 16 million, totaling of Baht 522 million (31 December 2019: USD 18 million, or approximately Baht 542 million)).

25.3 Litigation

25.3.1 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 paid for these damages in September 2018. Two companies incorporated in Switzerland have submitted an appeal to the French 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.

During the current period, 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 has therefore not record any provision for damages in its accounts.

25.3.2 Tax assessments of an overseas subsidiary

In 2017, the Indian tax authorities assessed sale 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.

In 2018, the Indian tax authorities assessed sales tax of approximately INR 2 million or approximately Baht 0.9 million (including penalty and interest), covering the years 2014 - 2016 against the subsidiary in India. The management of the subsidiary appealed this assessment.

In 2019, the Indian tax authorities assessed sales tax of approximately INR 43.8 million or approximately Baht 19 million (including penalty and interest), covering the years 2012 - 2013 against the subsidiary in India. The management of the subsidiary appealed this assessment. However, the subsidiary placed a bond of 10 percent of the assessed sale tax amounting to INR 2 million or approximately Baht 0.8 million. The appeal is currently under the consideration of the Tribunal.

The management of the subsidiary believes that no material damages will affect the subsidiary. The subsidiary has therefore not recorded any provision for these tax assessments.

26. Fair value hierarchy

As at 31 March 2020 and 31 December 2019, the Group 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 March 2020 | | | |
| Level 1 | Level 2 | Total | |
| Financial assets measured at fair value | | | |
| Investments in equity designed at fair value through profit or loss | 2 | - | 2 |
| Investments in equity designed at fair value through other comprehensive income | 7 | - | 7 |
| Derivative financial instruments | - | 1 | 1 |
| Assets for which fair value are disclosed | | | |
| Investment properties | - | 706 | 706 |
| Liabilities measured at fair value | | | |
| Options | 4 | - | 4 |

(Unit: Million Baht)

| Consolidated Financial Statements | | | |
|--|---------|-------|------------|
| As at 31 December 2019 | | | |
| Level 1 | Level 2 | Total | |
| Assets measured at fair value | | | |
| Held for trade investments | | | |
| Equity instruments | 15 | - | 15 |
| Assets for which fair value are disclosed | | | |
| Investment properties | - | 706 | 706 |
| Liabilities measured at fair value | | | |
| Options | 4 | - | 4 |

(Unaudited but reviewed)

(Unit: Million Baht)

| Separate Financial Statements | | | |
|--|---------|-------|-----|
| As at 31 March 2020 | | | |
| Level 1 | Level 2 | Total | |
| Assets measured at fair value | | | |
| Investments in equity designed at fair value | | | |
| through other comprehensive income | 7 | - | 7 |
| Derivative financial instruments | - | 1 | 1 |
| Assets for which fair value are disclosed | | | |
| Investment properties | - | 654 | 654 |
| Liabilities measured at fair value | | | |
| Options | 4 | - | 4 |

(Unit: Million Baht)

| Separate Financial Statements | | | |
|--|---------|-------|-----|
| As at 31 December 2019 | | | |
| Level 1 | Level 2 | Total | |
| Assets measured at fair value | | | |
| Held for trade investments | | | |
| Equity instruments | 15 | - | 15 |
| Assets for which fair value are disclosed | | | |
| Investment properties | - | 654 | 654 |
| Liabilities measured at fair value | | | |
| Options | 4 | - | 4 |

During the current period, there was no transfer within the fair value hierarchy.

27. Financial instruments

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

(Unit: Million)

| Foreign currencies | Consolidated financial statements | | | | Separate financial statements | | | |
|-----------------------|-----------------------------------|-------------|-----------------------|-------------|-------------------------------|-------------|-----------------------|-------------|
| | Financial assets | | Financial liabilities | | Financial assets | | Financial liabilities | |
| | 31 March | 31 December | 31 March | 31 December | 31 March | 31 December | 31 March | 31 December |
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| US Dollar | 7 | 11 | 17 | 20 | 27 | 30 | 9 | 16 |
| Euro | - | - | - | - | 10 | 10 | - | - |
| Pound Sterling | - | - | - | - | 10 | 10 | - | - |
| Indonesian Rupiah | - | 1 | - | - | - | 1 | - | - |

(Unaudited but reviewed)

| Foreign currencies | Average exchange rate as at | |
|--------------------|------------------------------------|------------------|
| | 31 March 2020 | 31 December 2019 |
| | (Baht per 1 foreign currency unit) | |
| US Dollar | 32.63 | 30.11 |
| Euro | 40.21 | 39.44 |
| Pound Sterling | 35.91 | 33.68 |
| Indonesian Rupiah | 0.0020 | 0.0021 |

The outstanding of forward exchange contracts to hedge foreign exchange risk are organisation below.

Consolidated/Separate financial statements as at 31 March 2020

| Foreign currencies | Amount | Contractual exchange rate | Contractual maturity date |
|-----------------------------------|-----------|------------------------------------|---|
| | (million) | (Baht per 1 foreign currency unit) | |
| <u>Forward contracts to "Buy"</u> | | | |
| US dollar | 2.8 | 31.52 - 32.93 | 25 November 2020 to 21 December 2020 |

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

28. Events after the reporting period

On 28 February 2020, the Board of Directors passed a resolution to propose the payment of a dividend in respect of the 2012 earnings of Baht 0.10 per share, or a total of Baht 48.7 million to its shareholders, be paid from net profit under promotional privileges. The Company will be paid and recorded after being approved by the Annual General Meeting of the shareholders.

29. Approval of interim financial statements

These interim financial statements were authorised for issue by the Company's Board of Directors on 13 May 2020.