

AAPICO Hitech Public Company Limited and its subsidiaries

Notes to interim consolidated financial statements

For the three-month and six-month periods ended 30 June 2017

1. General information

1.1 Basis for the preparation of interim financial statements

These interim financial statements are prepared in accordance with Thai Accounting Standard No. 34 (revised 2016) 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.

1.2 Basis of consolidation

These interim consolidated financial statements include the financial statements of AAPICO Hitech Public Company Limited (hereinafter called as "the Company") and its subsidiaries (hereinafter called as "the Group") and have been prepared on the same basis as that applied for the consolidated financial statements for the year ended 31 December 2016. During the current period, there was no significant change in the structure of the Group except for the purchase of a non-controlling interest in a subsidiary of the Company, and disposal of an investment in a subsidiary and the purchase of additional share capital of a subsidiary to maintain the proportionate shareholding of the subsidiary held by the Company, as described in Note 7.2 to financial statements.

1.3 New financial reporting standards

During the period, the Group has adopted the revised financial reporting standards and interpretations (revised 2016) and new accounting treatment guidance which is effective for fiscal years beginning on or after 1 January 2017. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of standards. The adoption of these financial reporting standards does not have any significant impact on the Group's financial statements.

1.4 Significant accounting policies

The interim financial statements are prepared using the same significant accounting policies and methods of computation as were used for the financial statements for the year ended 31 December 2016.

2. Current investments

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	30 June	31 December	30 June	31 December
	2017	2016	2017	2016
Held for trade investments				
Unit trusts (fixed income fund)				
- fair value	62,569	202,463	22,500	161,424
Held to maturity investments				
12-month fixed deposit	-	5,136	-	-
Total	62,569	207,599	22,500	161,424

3. Related party transactions

3.1 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 Group and those related parties.

(Unit: Million Baht)

	Consolidated		Separate		Transfer pricing policy
	financial statements		financial statements		
	For the three-month periods ended 30 June				
	2017	2016	2017	2016	
Transactions with subsidiaries					
(eliminated from the consolidated financial statements)					
Sales of goods and services	-	-	37	47	Close to selling price to third party
Dividend Income	-	-	-	8	As declared
Interest income	-	-	32	30	4.03% - 4.39% p.a.
Rental income	-	-	-	1	Close to rental rates for other building in the vicinity
Management fee income	-	-	16	16	Approximate cost
Other income	-	-	5	4	Approximate cost
Purchases of goods and services	-	-	41	63	Cost plus margin, averaging around 3% - 16%
Other expenses	-	-	3	2	Approximate cost
Interest expenses	-	-	3	2	0.05% - 4.39% p.a.
Transactions with associates and joint ventures					
Sales of goods and services	50	54	-	-	Cost plus margin, averaging around 20% - 57%
Dividend income	42	22	42	21	As declared
Interest income	22	-	-	-	4.32% and 20% p.a.
Rental income	2	2	-	-	Close to rental rates for the other building in the vicinity
Management fee income	2	2	2	2	Approximate cost
Other income	3	3	1	1	Approximate cost
Purchases of goods and services	61	57	45	41	Cost plus margin, averaging around 2% - 3% and 10% - 45%

(Unaudited but reviewed)

(Unit: Million Baht)

	Consolidated		Separate		Transfer pricing policy
	financial statements		financial statements		
	For the six-month periods ended 30 June				
	2017	2016	2017	2016	
Transactions with subsidiaries					
(eliminated from the consolidated financial statements)					
Sales of goods and services	-	-	82	99	Close to selling price to third party
Dividend income	-	-	200	208	As declared
Interest income	-	-	58	62	4.03% - 4.39% p.a.
Rental income	-	-	1	2	Close to rental rates for other building in the vicinity
Management fee income	-	-	31	32	Approximate cost
Other income	-	-	10	7	Approximate cost
Purchases of goods and services	-	-	89	170	Cost plus margin, averaging around 3% - 16%
Purchases of machinery and equipment	-	-	2	5	Cost plus margin, averaging around 1% - 35%
Other expenses	-	-	5	5	Approximate cost
Interest expenses	-	-	7	4	0.05% - 4.39% p.a.
Transactions with associates and joint ventures					
Sales of goods and services	105	105	-	1	Cost plus margin, averaging around 20% - 57%
Dividend income	118	98	117	96	As declared
Interest income	22	-	-	-	4.35% and 20% p.a.
Rental income	4	4	-	-	Close to rental rates for the other building in the vicinity
Management fee income	3	3	3	3	Approximate cost
Other income	4	10	2	6	Approximate cost
Purchases of goods and services	140	135	97	91	Cost plus margin, averaging around 2% - 3% and 10% - 45%

3.2 As at 30 June 2017 and 31 December 2016, the balances of the accounts between the Company and those related parties are as follows.

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
Trade and other receivables - related parties (Note 4)				
Subsidiaries	-	-	474,052	419,808
Associates	44,522	41,485	4,588	3,513
Joint ventures	-	13	-	-
Related companies (common shareholder/director)	789	750	-	-
Total	45,311	42,248	478,640	423,321
Trade and other payables - related parties				

(Unaudited but reviewed)

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
Subsidiaries	-	-	39,838	38,170
Associates	66,266	43,361	46,006	26,105
Total	66,266	43,361	85,844	64,275

3.3 As at 30 June 2017 and 31 December 2016, the balances of loans between the Company and those related parties are as follows.

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
Short-term loans to related parties				
Subsidiaries	-	-	401,400	378,600
Total	-	-	401,400	378,600
Long-term loans to related parties				
Subsidiaries	-	-	3,736,285	2,121,346
Associates	1,712,652	-	14,000	-
Total	1,712,652	-	3,750,285	2,121,346
Short-term loans from related parties				
Subsidiaries	-	-	468,368	421,140
Related company (common director)	11,086	4,794	-	-
Total	11,086	4,794	468,368	421,140

3.4 Movements in the loans between the Company and those related parties during the six-month period ended 30 June 2017 are summarised below.

(Unit: Thousand Baht)

Short-term loans to related parties	Consolidated	Separate
	financial statements	financial statements
Balance as at 1 January 2017	-	378,600
Increase during period	-	394,000
Decrease during period	-	(371,200)
Balance as at 30 June 2017	-	401,400

	(Unaudited but reviewed)	
	(Unit: Thousand Baht)	
<u>Long-term loans to related parties</u>	Consolidated financial statements	Separate financial statements
Balance as at 1 January 2017	-	2,121,346
Increase during period	1,715,723	2,712,594
Decrease during period	-	(1,072,225)
Unrealised loss	(3,071)	(11,430)
Balance as at 30 June 2017	<u>1,712,652</u>	<u>3,750,285</u>

	(Unit: Thousand Baht)	
	Consolidated financial statements	Separate financial statements
Balance as at 1 January 2017	4,794	421,140
Increase during period	6,335	1,803,772
Decrease during period	-	(1,756,544)
Unrealised loss	(43)	-
Balance as at 30 June 2017	<u>11,086</u>	<u>468,368</u>

3.5 Directors and management's benefits

During the three-month and six-month periods ended 30 June 2017 and 2016, the Group had employee benefit expenses payable to their directors and management as below.

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	For the three-month periods ended 30 June			
	2017	2016	2017	2016
Short-term employee benefits	7,330	8,172	7,330	8,172
Post-employee benefits	44	42	44	42
Total	<u>7,374</u>	<u>8,214</u>	<u>7,374</u>	<u>8,214</u>

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	For the six-month periods ended 30 June			
	2017	2016	2017	2016
Short-term employee benefits	14,660	15,288	14,660	15,288

(Unaudited but reviewed)

Post-employee benefits	89	85	89	85
Total	<u>14,749</u>	<u>15,373</u>	<u>14,749</u>	<u>15,373</u>

3.6 Guarantee obligations with related parties

The Company has outstanding guarantee obligations with its related parties, as described in Note 19.5 to financial statements.

4. Trade and other receivables

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
Trade receivables - related parties				
Aged on the basis of due dates				
Not yet due and past due				
not over 3 months	38,105	35,892	29,758	28,963
Total trade receivables - related parties	<u>38,105</u>	<u>35,892</u>	<u>29,758</u>	<u>28,963</u>
Trade receivables - unrelated parties				
Aged on the basis of due dates				
Not yet due and past due				
not over 3 months	1,853,166	1,780,541	278,126	191,737
Past due 3 - 12 months	14,491	690	98	12
Past due more than 12 months	3,558	3,329	173	199
Total	<u>1,871,215</u>	<u>1,784,560</u>	<u>278,397</u>	<u>191,948</u>
Less: Allowance for doubtful accounts	<u>(3,001)</u>	<u>(3,044)</u>	<u>(14)</u>	<u>(14)</u>
Total trade receivables - unrelated parties, net	<u>1,868,214</u>	<u>1,781,516</u>	<u>278,383</u>	<u>191,934</u>
Total trade receivables - net	<u>1,906,319</u>	<u>1,817,408</u>	<u>308,141</u>	<u>220,897</u>
Other receivables				
Advances - related parties	6,184	5,193	4,538	3,513
Advances - unrelated parties	11,408	18,607	4	-
Interest receivable - related parties	50	-	432,362	379,968
Accrued income	13,133	23,406	-	-
Others - related parties	972	1,163	11,982	10,877
Others - unrelated parties	260,842	15,036	2,305	1,535
Total other receivables - net	<u>292,589</u>	<u>63,405</u>	<u>451,191</u>	<u>395,893</u>
Total trade and other receivables - net	<u>2,198,908</u>	<u>1,880,813</u>	<u>759,332</u>	<u>616,790</u>

(Unaudited but reviewed)

5. Inventories

Movements in the allowance for reduction of cost of inventories to net realisable value account during the six-month period ended 30 June 2017 are summarised below.

	(Unit: Thousand Baht)	
	Consolidated financial statements	Separate financial statements
Balance as at 1 January 2017	90,609	17,376
Add: Reduction of inventory cost to net realisable value	5,753	3,409
Balance as at 30 June 2017	<u>96,362</u>	<u>20,785</u>

As at 30 June 2017, certain subsidiaries have pledged finished goods of approximately Baht 169 million (31 December 2016: Baht 158 million) to secure loans from banks.

6. Investments in associates

6.1 Details of investments in associates

		(Unit: Thousand Baht)					
		Consolidated financial statements					
Company	Nature of business	Shareholding percentage		Cost		Carrying amounts based on equity method	
		30 June 2017	31 December 2016	30 June 2017	31 December 2016	30 June 2017	31 December 2016
		(%)	(%)				
Associates in Thailand							
Able Sanoh Industries (1996) Company Limited	Manufacture and distribution of autoparts	46	46	30,700	30,700	538,977	508,899
Sanoh Industries (Thailand) Company Limited	Manufacture and distribution of autoparts	20	20	29,250	29,250	86,170	78,073
MINTH AAPICO (Thailand) Company Limited	Manufacture and distribution of autoparts	40	40	151,400	151,400	131,623	135,406
Thai Takagi Seiko Company Limited	Distribution of dies	49	49	49,587	49,587	20,526	31,486
Hyundai Motor (Thailand) Company Limited	Distribution of vehicles and parts	30	30	120,000	120,000	503,506	474,828
Edscha AAPICO Automotive Company Limited	Manufacture and distribution of autoparts	49	49	25,480	25,480	51,091	44,534
Sumino AAPICO (Thailand) Company Limited	Manufacture and distribution of autoparts	49	49	147,000	147,000	115,362	115,546
Associates in overseas							
Quantum Inventions Pte., Ltd. (25% held by AAPICO Investment Pte., Ltd.)	Manufacture of car navigation systems	-	25	-	76,085	-	82,311
Sakthi Global Auto Holdings Limited (24.1% held by the Company and 1% held by AAPICO Investment Pte., Ltd.)	Holding company	25.1	-	1,702,423	-	1,702,423	-
Total				<u>2,255,840</u>	<u>629,502</u>	<u>3,149,678</u>	<u>1,471,083</u>

(Unaudited but reviewed)

(Unit: Thousand Baht)

Company	Separate financial statements							
	Shareholding percentage		Cost		Allowance for impairment		Carrying amounts based on cost method - net	
	30	31	30	31	30	31	30	31
	June	December	June	December	June	December	June	December
	2017	2016	2017	2016	2017	2016	2017	2016
	(%)	(%)						
Associates in Thailand								
Able Sanoh Industries (1996) Company Limited	46	46	30,700	30,700	-	-	30,700	30,700
Sanoh Industries (Thailand) Company Limited	20	20	29,250	29,250	-	-	29,250	29,250
MINTH AAPICO (Thailand) Company Limited	40	40	151,400	151,400	-	-	151,400	151,400
Thai Takagi Seiko Company Limited	49	49	49,587	49,587	-	-	49,587	49,587
Hyundai Motor (Thailand) Company Limited	30	30	120,000	120,000	-	-	120,000	120,000
Edscha AAPICO Automotive Company Limited	49	49	25,480	25,480	-	-	25,480	25,480
Sumino AAPICO (Thailand) Company Limited	49	49	147,000	147,000	-	-	147,000	147,000
Associates in overseas								
Sakthi Global Auto Holdings Limited	24.1	-	1,668,450	-	-	-	1,668,450	-
Total			<u>2,221,867</u>	<u>553,417</u>	<u>-</u>	<u>-</u>	<u>2,221,867</u>	<u>553,417</u>

6.2 Changes in investments in associates

The Company and a subsidiary

In June 2017, the Group acquired 25.1% (24.1% held by the Company and 1% held by AAPICO Investment Pte., Ltd.) of the registered and paid-up share capital of Sakthi Global Auto Holdings Limited ("SGAH"), which was incorporated in the United Kingdom and is the holding company of a group companies engaged in the manufacture of automotive parts in India, Portugal, the United States and China with a value of USD 50 million. The value of the 25.1% interest in SGAH is in a range of USD 50 million and USD 100 million, depending on SGAH's future financial performance over the next 2 years. The structure of the investment is as follows:

- a. A USD 50 million investment in 2,510 newly issued ordinary shares of SGAH with a par value of USD 1 each, representing 25.1% of the total registered and paid-up share capital of SGAH.
- b. A USD 50 million synthetic convertible loan from the Company, carrying interest at a rate of 20% per annum, due and payable in full on 31 March 2020 and secured by directors of SGAH's parent company, the parent company of SGAH and the pledge of shares in SGAH's subsidiary in the United States.

The objective of this investment structure is that the synthetic convertible loan will form part of the purchase price of the 25.1% interest acquired, if conditions stipulated in the relevant agreement are fully met or waived. The conversion of the loan is dependent on the value of SGAH's shares, calculated on the basis of SGAH's future financial performance. The synthetic convertible loan is to be converted to 1 ordinary share (equivalent to 0.01% of total registered and paid-up shares of SGAH) on 31 March 2020 and this share has no special rights and is merely a consideration used to void the synthetic convertible loan for SGAH if it is able to meet the profit targets under the conversion conditions in the next 2 years. After the conversion, the Company's shareholding in SGAH will be 25.11%.

In June 2017, the Company paid SGAH USD 50 million for the purchase of the investment and provided a loan to SGAH of USD 50 million through AAPICO Investment Pte., Ltd., the Company's subsidiary in Singapore, or a total of USD 100 million, equivalent to Baht 3,404 million. The Company would recognise the excess of the purchase price over the fair value of the net assets acquired as goodwill which record as a part of investments in associates. However, some tangible assets is in process of appraisal by third parties in order to allocate the fair value associated with the assets. The Company expects to obtain this appraisal and complete the purchase price allocation by the end of December 2017.

Subsidiaries

In June 2017, AAPICO Investment Pte., Ltd. ("AIPL"), the Company's subsidiary, entered into an agreement to sell a 25% investment in Quantum Inventions Pte., Ltd. ("QI"), an associated company, to an unrelated company ("buyer"). The Company's share of the proceeds from the sale after deducting related transaction fees was SGD 8.91 million. In accordance with a condition precedent specified in the agreement, the buyer is to complete the purchase of the remaining 20% of the non-controlling interest of PT Quantum Inventions Indonesia ("PTQI"), a subsidiary of QI, by 31 August 2018 before it is entitled to receive the remaining proceeds from the sale of approximate SGD 0.34 million. Due to the uncertainty regarding the proceeds that will be received given this condition, AIPL has therefore recorded only SGD 8.91 million of the proceeds in the current period's financial statements.

Under the agreement, AAPICO ITS Company Limited, the Company's subsidiary, was required to sell its 60% interest in AAPICO QI SDN., BHD. to the buyer, with a value of SGD 0.45 million.

These sales of investments are made at the behest of the founders and major shareholders of QI, who are not related parties to the Group, who wants to sell the whole business to the buyer. The subsidiaries of the Company received the proceeds from disposals of the investments in July 2017.

(Unaudited but reviewed)

6.3 Share of comprehensive income and dividend income

During the periods, the Group has recognised its share of comprehensive income from investments in associates in the consolidated financial statements and the Company recognised dividend income in the separate financial statements as follows.

(Unit: Thousand Baht)								
For the three-month periods ended 30 June								
Company	Consolidated financial statements						Separate financial statements	
	Share of profit (loss)		Share of other comprehensive income		Dividend income		Dividend income	
	2017	2016	2017	2016	2017	2016	2017	2016
Associates in Thailand								
Able Sanoh Industries (1996) Company Limited	24,545	15,075	-	-	41,884	14,176	41,884	14,176
Sanoh Industries (Thailand) Company Limited	2,355	1,878	-	-	-	-	-	-
MINTH AAPICO (Thailand) Company Limited	(1,135)	(964)	-	(241)	-	-	-	-
Thai Takagi Seiko Company Limited	(8,474)	61	-	-	-	-	-	-
Hyundai Motor (Thailand) Company Limited	48,678	17,254	-	-	-	-	-	-
Edscha AAPICO Automotive Company Limited	2,954	1,823	-	-	-	6,533	-	6,533
Sumino AAPICO (Thailand) Company Limited	(525)	(7,859)	-	-	-	-	-	-
Associates in overseas								
Quantum Inventions Pte., Ltd.	(217)	3,608	-	39	-	990	-	-
Sakthi Global Auto Holdings Limited	-	-	-	-	-	-	-	-
Total	68,181	30,876	-	(202)	41,884	21,699	41,884	20,709
(Unit: Thousand Baht)								
For the six-month periods ended 30 June								
Company	Consolidated financial statements						Separate financial statements	
	Share of profit (loss)		Share of other comprehensive income		Dividend income		Dividend income	
	2017	2016	2017	2016	2017	2016	2017	2016
Associates in Thailand								
Able Sanoh Industries (1996) Company Limited	71,962	54,389	-	-	41,884	14,176	41,884	14,176
Sanoh Industries (Thailand) Company Limited	8,097	3,782	-	-	-	-	-	-
MINTH AAPICO (Thailand) Company Limited	(3,784)	(3,254)	-	(241)	-	-	-	-
Thai Takagi Seiko Company Limited	(10,960)	(11,569)	-	-	-	-	-	-
Hyundai Motor (Thailand) Company Limited	103,678	23,974	-	-	75,000	75,000	75,000	75,000
Edscha AAPICO Automotive Company Limited	6,557	4,836	-	-	-	6,533	-	6,533
Sumino AAPICO (Thailand) Company Limited	(184)	(12,759)	-	-	-	-	-	-
Associates in overseas								
Quantum Inventions Pte., Ltd.	1,939	2,517	(498)	1,821	929	1,981	-	-
Sakthi Global Auto Holdings Limited	-	-	-	-	-	-	-	-
Total	177,305	61,916	(498)	1,580	117,813	97,690	116,884	95,709

7. Investments in subsidiaries

7.1 Details of investments in subsidiaries

Investments in subsidiaries as presented in the separate financial statements are as follows.

Company	Paid-up capital		Shareholding percentage		(Unit: Thousand Baht) Cost	
	30 June	31 December	30 June	31 December	30 June	31 December
	2017	2016	2017	2016	2017	2016
			(%)	(%)		
Subsidiaries in Thailand						
New Era Sales Company Limited	Baht 20 million	Baht 20 million	100	100	20,000	20,000
AAPICO Amata Company Limited	Baht 800 million	Baht 800 million	100	100	1,164,139	1,164,139
Able Motors Company Limited	Baht 20 million	Baht 20 million	100	100	19,999	19,999
AAPICO Engineering Company Limited	Baht 10 million	Baht 10 million	100	100	10,000	10,000
AAPICO Hitech Parts Company Limited	Baht 120 million	Baht 120 million	100	100	120,000	120,000
AAPICO Hitech Tooling Company Limited	Baht 65 million	Baht 65 million	100	100	65,000	65,000
AAPICO Forging Public Company Limited	Baht 500 million	Baht 500 million	100	100	1,823,907	1,823,907
AAPICO Structural Products Company Limited	Baht 200 million	Baht 200 million	100	100	200,000	200,000
AAPICO Technology Company Limited	Baht 0.25 million	Baht 0.25 million	100	100	250	250
AAPICO Training Center Company Limited	Baht 3 million	Baht 3 million	100	100	3,000	3,000
AAPICO Venture Company Limited	Baht 20 million	Baht 20 million	100	100	20,000	20,000
Foton Passenger Vehicles Distribution (Thailand) Company Limited	Baht 25 million	Baht 25 million	97	97	24,250	24,250
AERP Company Limited	Baht 1.25 million	Baht 1.25 million	94	88	1,175	1,100
Katsuya (Thailand) Co., Ltd.	Baht 28.5 million	Baht 28.5 million	76	76	15,675	15,675
AAPICO Lemtech (Thailand) Company Limited	Baht 40 million	Baht 40 million	60	60	24,000	24,000
AAPICO ITS Company Limited	Baht 100 million	Baht 100 million	60	60	62,175	62,175
AAPICO Mitsuike (Thailand) Company Limited	Baht 8.25 million	Baht 8.25 million	51	51	4,208	4,208
Subsidiaries in overseas						
Kunshan Chaitai-Xincheng Precision Forging Co., Ltd.	USD 8.1 million	USD 8.1 million	100	100	277,426	277,426
AAPICO Investment Pte., Ltd.	SGD 6.97 million	SGD 6.97 million	100	100	167,950	167,950
Tenaga Setia Resources SDN. BHD.	RM 6 million	RM 6 million	49	49	31,393	31,393
New Era Sales (M) SDN. BHD.	RM 1.5 million	RM 1.5 million	49	49	8,263	8,263
Total					4,062,810	4,062,735
Less: Allowance for impairment					(1,336,608)	(1,336,608)
Net					2,726,202	2,726,127

7.2 Changes in investments in subsidiaries

The Company

In June 2017, the Company purchased additional shares from the unrelated existing shareholders of AERP Company Limited. The additional investment increased the Company's shareholding from 88% to 94%.

Subsidiaries

- a. In April 2017, the Board of Directors of AAPICO Forging Public Company Limited approved to purchase additional share capital increase of Baht 55 million of AAPICO Precision Company Limited, of which 25% of par value was initially called-up, totaling Baht 13.75 million, in order to maintain its percentage shareholding. The subsidiary paid in the additional share capital amounting to Baht 13.75 million in May 2017.
- b. Disposal of investment in a subsidiary of AAPICO ITS Company Limited, as described in Note 6.2 to financial statements.

7.3 Dividend income from subsidiaries

(Unit: Million Baht)

Company	Separate financial statements			
	For the three-month periods ended 30 June		For the six-month periods ended 30 June	
	2017	2016	2017	2016
AAPICO Structural Products Company Limited	-	-	200	200
Tenaga Setia Resources SDN. BHD.	-	6	-	-
New Era Sales (M) SDN. BHD.	-	2	-	-
Total	-	8	200	200

8. Investments in joint ventures

8.1 Details of investments in joint ventures

Investments in joint ventures represent investments in entities which is jointly controlled by the Group and other companies. Detail of these investments are as follows.

(Unit: Thousand Baht)

		Consolidated financial statements					
Joint venture	Nature of business	Shareholding percentage		Cost		Carrying amounts based on equity method	
		30 June 2017	31 December 2016	30 June 2017	31 December 2016	30 June 2017	31 December 2016
		(%)	(%)				
Joint ventures in Thailand							
AAPICO Sodecia (Thailand) Company Limited	Manufacture and distribution of autoparts	50	50	82,500	82,500	73,994	74,068
AAPICO Electronics Company Limited	Distribution of electronics equipment in vehicle	51	-	12,750	-	12,682	-
Mappico Company Limited (50% held by AAPICO Venture Company Limited)	Technology services	-	50	-	200	-	196
Total				95,250	82,700	86,676	74,264

(Unit: Thousand Baht)

		Separate financial statements			
Joint venture		Shareholding percentage		Carrying amounts based on cost method	
		30 June 2017	31 December 2016	30 June 2017	31 December 2016
		(%)	(%)		
Joint ventures in Thailand					
AAPICO Sodecia (Thailand) Company Limited		50	50	82,500	82,500
AAPICO Electronics Company Limited		51	-	12,750	-
Total				95,250	82,500

8.2 Changes in investments in joint ventures

The Company

In April 2017, the Company purchased a 51% interest in AAPICO Electronics Company Limited, a newly established company in Thailand, which is 100% called-up, totaling Baht 12.75 million. This company has a registered share capital of Baht 25 million.

Subsidiary

In May 2017, AAPICO Venture Company Limited disposed of 2,000 shares of Mappico Company Limited, representing 50% interest, to an unrelated person at the price of Baht 0.2 million.

(Unaudited but reviewed)

8.3 Share of comprehensive income and dividend income

During the periods, the Group recognised its share of comprehensive income from investments in joint ventures in the consolidated financial statements and the Company recognised dividend income in the separate financial statements as follows.

(Unit: Thousand Baht)

For the three-month periods ended 30 June

Joint venture	Consolidated financial statements				Separate financial statements	
	Share of loss		Share of other comprehensive income		Dividend income	
	2017	2016	2017	2016	2017	2016
AAPICO Sodecia (Thailand) Company Limited	13	152	-	-	-	-
AAPICO Electronics Company Limited	67	-	-	-	-	-
Total	80	152	-	-	-	-

(Unit: Thousand Baht)

For the six-month periods ended 30 June

Joint venture	Consolidated financial statements				Separate financial statements	
	Share of loss		Share of other comprehensive income		Dividend income	
	2017	2016	2017	2016	2017	2016
AAPICO Sodecia (Thailand) Company Limited	75	325	-	-	-	-
Mappico Company Limited	17	-	-	-	-	-
AAPICO Electronics Company Limited	67	-	-	-	-	-
Total	159	325	-	-	-	-

9. Other long-term investments

(Unit: Thousand Baht)

	Consolidated financial statements	
	30 June 2017	31 December 2016
Investments in available-for-sale securities		
Marketable equity securities	-	160,666
Allowance for change in value and exchange difference on translation of financial statements in foreign currency	-	(72,260)
	-	88,406
Other investment		
Equity securities	11,375	11,375
Total	11,375	99,781

(Unaudited but reviewed)

During the current period, a subsidiary sold all of its available-for-sale securities to an unrelated individual at a price of Baht 105 million (net of share transferring fees and other related expenses). The subsidiary transferred loss previously recognised in other comprehensive income to the income statement amounting to Baht 62 million. The subsidiary transferred the securities to the unrelated individual, and received the payment in May 2017.

10. Property, plant and equipment

Movements in the property, plant and equipment account during the six-month period ended 30 June 2017 are summarised below.

	(Unit: Thousand Baht)	
	Consolidated	Separate
	financial statements	financial statements
Net book value as at 1 January 2017	5,298,283	1,144,424
Acquisitions during period - at cost	92,891	12,144
Transfers from inventories	19,659	-
Transfers to intangible assets	(9,431)	(9,431)
Capitalised interest	291	2
Decrease from disposal of a subsidiary	(426)	-
Disposals/write-off during period - net book value at disposal/write-off date	(13,577)	(7)
Depreciation for the period	(307,680)	(59,520)
Exchange differences on translation of financial statements in foreign currency	(14,467)	-
Net book value as at 30 June 2017	<u>5,065,543</u>	<u>1,087,612</u>

During the six-month period ended 30 June 2017, borrowing costs of Baht 0.3 million (2016: Baht 0.1 million) was capitalised as cost of work under construction.

As at 30 June 2017, the Group had machinery, motor vehicles and equipment under finance lease agreements with net book values amounting to Baht 21 million (31 December 2016: Baht 18 million) (the Company only: Baht 5 million (31 December 2016: Baht 4 million)).

Certain subsidiaries have mortgaged their building, machinery and factory equipment with a total net book value as at 30 June 2017 of Baht 76 million (31 December 2016: Baht 80 million) to secured the credit facilities granted by banks.

(Unaudited but reviewed)

11. Leasehold rights

A subsidiary has pledged its land leasehold right with a net book value as at 30 June 2017 of Baht 76 million (31 December 2016: Baht 77 million) to secured the credit facilities granted by banks.

12. Goodwill

(Unit: Thousand Baht)

Goodwill from purchase of subsidiaries	Consolidated financial statements	
	30 June 2017	31 December 2016
AAPICO Amata Company Limited	229,368	229,368
AAPICO Forging Public Company Limited	1,152,332	1,152,332
Other companies	5,162	5,162
Total	1,386,862	1,386,862
Less: Allowance for impairment	(1,152,332)	(1,152,332)
Net	234,530	234,530

13. Bank overdrafts/short-term loans and long-term loans from banks

Movements in the long-term loans from banks account during the six-month period ended 30 June 2017 are summarised below.

(Unit: Thousand Baht)

Movement	Consolidated financial statements	Separate financial statements
Balance as at 1 January 2017	1,096,422	968,800
Addition during period	6,922	-
Repayments during period	(359,488)	(345,200)
Exchange differences on translation of financial statements in foreign currency	(1,576)	-
Balance as at 30 June 2017	742,280	623,600
Less: Portion due within one year	(413,598)	(400,000)
Portion due more than one year	328,682	223,600

The Company

The Company's short-term loans from banks are clean loans, while long-term loans from banks are clean loans with a negative pledge of assets belonging to the Company and its subsidiaries.

The loan agreements contain covenants relating to various matters specified in the agreements, including restrictions on providing loans other than loans to intercompany and covenants relating to the shareholding of the major shareholders, and the maintenance of certain financial ratios.

The subsidiaries

Certain subsidiaries' bank overdrafts, short-term loans and long-term loans from banks are secured by the pledge of inventories, land leasehold right, buildings, machinery and factory equipment, a letter of guarantee, a letter of credit, and guarantees provided by the Company or subsidiaries, with a negative pledge of assets by the Group.

14. Debentures

The Company issued the unsecured, senior, name-registered debentures and offered them to institutional and large investors by private placement as detailed below.

(Unit: Thousand Baht)					
Consolidated/Separate					
financial statements					
Debentures	Interest rate (% p.a.)	Term (years)	Due date	30 June 2017	31 December 2016
Debentures No. 1/2015	4.34	3	29 April 2018	800,000	800,000
Debentures No. 1/2016	3.10	3	11 June 2019	300,000	300,000
Total debentures, at face value				1,100,000	1,100,000
Less: Deferred debenture issuing costs				(843)	(1,251)
Debentures - net				1,099,157	1,098,749
Less: Portion due within one year				(799,444)	-
Portion due more than one year				299,713	1,098,749

The debentures contain terms of issue relating to the transfer or disposal of assets that need to be used in or maintained for the operation of the business, negative pledges of assets and the maintenance of a certain financial ratio at the end of each quarter.

15. Treasury shares

On 26 February 2016, the Company's Board of Directors' meeting passed a resolution to approve a share repurchase program for financial management purposes for the amount not exceeding Baht 150 million. The number of ordinary shares to be repurchased did not exceed 14.5 million shares, with a par value of Baht 1 per share, equivalent to 4.5% of paid-up capital of the Company. The Company repurchased its ordinary shares through the Stock Exchange of Thailand from 15 March 2016 to 14 September 2016 and will resell these shares through the Stock Exchange of Thailand. Treasury shares could not be counted in determining a quorum and there were no voting or dividend rights.

As of the end of the repurchase period, the Company repurchased 6,007,700 of its shares under the share repurchase program, equivalent to 1.9% of its paid-up capital, at a total cost of Baht 76 million. At the same time, an equivalent amount was appropriated from retained earnings to treasury share reserve.

On 28 February 2017, the Company's Board of Directors' meeting passed a resolution to approve treasury shares sales through the Stock Exchange of Thailand from 15 March 2017 to 13 September 2019. If there are remaining treasury shares after the end of sales period, the Company will register the decrease in its share capital with the Ministry of Commerce equivalent to the remaining balance of treasury shares.

As at 30 June 2017, the Company has yet to sell any treasury shares under the program.

16. Income tax

Income tax expenses for the three-month and six-month periods ended 30 June 2017 and 2016 are made up as follows.

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	For the three-month periods ended 30 June			
	2017	2016	2017	2016
Current income tax				
Interim corporate income tax charge	5,974	8,584	-	-
Deferred tax				
Relating to origination and reversal of temporary differences	(1,834)	(1,165)	-	-
Income tax expenses reported in the statement of income	4,140	7,419	-	-

(Unaudited but reviewed)

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	For the six-month periods ended 30 June			
	2017	2016	2017	2016
Current income tax				
Interim corporate income tax charge	12,971	13,285	-	-
Deferred tax				
Relating to origination and reversal of temporary differences	(938)	187	-	-
Income tax expenses reported in the statement of income	<u>12,033</u>	<u>13,472</u>	<u>-</u>	<u>-</u>

The Company was not liable to corporate income tax for the three-month and six-month periods ended 30 June 2017 and 2016 due to tax losses brought forward from previous years in excess of its estimated profit of the non-promoted operations after adding back certain expenses which are disallowable for tax computation purposes, and deducting expenses that are tax-deductible at a greater amount for tax computation purpose.

17. Earnings per share

Basic earnings per share is calculated by dividing profit 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, net of treasury shares held by the Company as follows.

(Unit: Thousand Baht/Thousand Shares)

	Consolidated		Separate	
	financial statements		financial statements	
	For the three-month periods ended 30 June			
	2017	2016	2017	2016
Profit attributable to shareholders of the Company	<u>315,033</u>	<u>123,336</u>	<u>23,858</u>	<u>44,133</u>
Number of ordinary shares issued	322,584	322,584	322,584	322,584
Effect of treasury shares	<u>(6,008)</u>	<u>(1,129)</u>	<u>(6,008)</u>	<u>(1,129)</u>
Weighted average number of ordinary shares	<u>316,576</u>	<u>321,455</u>	<u>316,576</u>	<u>321,455</u>
Earnings per share (Baht)	<u>1.00</u>	<u>0.38</u>	<u>0.08</u>	<u>0.14</u>

(Unaudited but reviewed)

(Unit: Thousand Baht/Thousand Shares)

	Consolidated		Separate	
	financial statements		financial statements	
	For the six-month periods ended 30 June			
	2017	2016	2017	2016
Profit attributable to shareholders of the Company	539,064	269,481	329,552	331,145
Number of ordinary shares issued	322,584	322,584	322,584	322,584
Effect of treasury shares	(6,008)	(564)	(6,008)	(564)
Weighted average number of ordinary shares	316,576	322,020	316,576	322,020
Earnings per share (Baht)	1.70	0.84	1.04	1.03

18. Dividend paid

Dividend	Approved by	Dividend per share (Baht)	Dividend paid (Thousand Baht)
Dividend for 2016	The Annual General Meeting of shareholders on 20 April 2017		104,354
Dividend for 2015	The Annual General Meeting of shareholders on 27 April 2016		64,517

19. Commitment and contingent liabilities

19.1 Capital commitments

As at 30 June 2017 and 31 December 2016, the Group had capital commitments relating to the acquisition of machinery from the unrelated parties as follows.

Currencies	Consolidated		Separate	
	financial statements		financial statements	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
	(million)	(million)	(million)	(million)
Baht	2.1	3.5	-	-
RMB	1.1	2.5	-	-
EURO	0.3	-	-	-

(Unaudited but reviewed)

19.2 Uncalled portion of long-term investments

As at 30 June 2017 and 31 December 2016, the Group had outstanding commitment in respect of uncalled portion of investments as follows.

(Unit: Million Baht)

Investment type	Consolidated		Separate	
	financial statements		financial statements	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
Associates	25	25	25	25
Subsidiaries	131	89	89	89
Joint venture	68	68	68	68

19.3 Operating leases and service commitments

The Group has entered into several operating lease agreements in respect of the lease of land, building, office building space, equipment and motor vehicle and service agreements. The terms of the agreements are generally between 1 and 10 years.

As at 30 June 2017 and 31 December 2016, the Group had future minimum payments required under these agreements as follows.

(Unit: Million Baht)

Payable	Consolidated		Separate	
	financial statements		financial statements	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
In up to 1 year	45	59	12	7
In over 1 to up to 5 years	79	73	19	15
In over 5 year	37	43	-	-

19.4 Long-term service commitments

Two subsidiaries have entered into technical assistance agreements with a Japanese company and a German company, under which they have to pay fees at rates stipulated in the agreements, on sales of certain products. The first agreement is for one year and automatically renews annually for a further period of one year, while the other agreement is effective until 2017. Another subsidiary has entered into memorandums with two Japanese companies, under which the subsidiary has to pay royalty fees at certain rates on sales of particular products. These agreements are effective for as long as the products are sold.

The fees for the six-month period ended 30 June 2017 amounting to Baht 12 million (2016: Baht 15 million) were recognised as expenses.

19.5 Guarantees

- a) As at 30 June 2017 and 31 December 2016, the Company had guaranteed bank credit facilities of its foreign subsidiaries amounting to RMB 18 million and its local associate amounting to Baht 100 million.
- b) As at 30 June 2017, two foreign subsidiaries has provided guarantees for bank credit facilities of another foreign subsidiary amounting to RM 12 million and RM 7 million, respectively (31 December 2016: RM 13 million and RM 8 million, respectively).
- c) As at 30 June 2017 and 31 December 2016, there were outstanding bank guarantees issued by banks on behalf of the Group in respect of certain performance bonds as required in the normal course of business as follows.

	Consolidated		Separate	
	financial statements		financial statements	
Letter of guarantee	30 June 2017	31 December 2016	30 June 2017	31 December 2016
Contractual performance	Baht 24 million	Baht 24 million	-	-
Electricity use and others	Baht 30 million	Baht 30 million	Baht 6 million	Baht 6 million
	RM 0.3 million	RM 0.3 million		

(Unaudited but reviewed)

- d) The Company and a subsidiary entered into agreements related to the Supplier Financing Program, as a sponsor, whereby they provide guarantees of credit lines of their suppliers used to purchase raw materials and goods, up to a limited facilities of Baht 200 million. As at 30 June 2017 and 31 December 2016, the Company and a subsidiary had no guarantee liabilities under these agreements.

19.6 Forward foreign exchange contracts

Foreign exchange contracts outstanding as at 30 June 2017 and 31 December 2016 are summarised below.

As at 30 June 2017			
Foreign currency	Sold amount	Contractual exchange rate	Contractual maturity date
	(Million)	(Baht per 1 foreign currency unit)	
US dollar	5.2	34.10 - 34.20	November - December 2017

As at 31 December 2016			
Foreign currency	Sold amount	Contractual exchange rate	Contractual maturity date
	(Million)	(Baht per 1 foreign currency unit)	
US dollar	1.9	35.08 - 35.87	January - September 2017

19.7 Contingent liabilities

A subsidiary in China calculates social welfare payments for its employees based on the minimum rate stipulated by the Labour and Social Security Bureau in the precinct in which it is located. However, according to central government regulations on this issue, the subsidiary should pay social welfare based on the actual salary of staff, if those salaries are between the lowest and highest salary rates stipulated. The subsidiary could therefore potentially be at risk of additional assessment by the Chinese authorities, which the subsidiary's management has assessed, as at 30 June 2017, would not exceed RMB 5.8 million (31 December 2016: not exceed RMB 3.6 million). However, the subsidiary's management believes that the practice is in line with that of other international firms situated in the same precinct, and the likelihood of such assessment is remote.

20. Litigation

In late 2011 a subsidiary in which the Company has an equity interest of 60% was sued for approximately Baht 450 million under civil litigation for copyright infringement related to map data. In 2012, this subsidiary was sued for the same infringement under criminal litigation. In January 2013, the Central Intellectual Property and International Trade Court (“IP&IT Court”) ordered the dismissal of the criminal case. However, the plaintiff has appealed to the Supreme Court. In October 2014, the Supreme Court rendered its judgement in favor of the subsidiary. Therefore, the criminal case was finalised. In the civil case, the IP&IT Court rendered a judgement in favor of the plaintiff and the subsidiary was ordered to pay compensation of approximately Baht 1 million plus interest at a rate of 7.5% per annum from the date the lawsuit was filed until the payment is made. This subsidiary’s management has assessed the circumstances and believes that it will incur losses not exceeding the amount of the award ordered by the IP&IT Court. This subsidiary has therefore recorded provision for compensation claim of Baht 1 million in the 2014 financial statements. Subsequently, in May 2015, the subsidiary appealed this judgement of IP&IT Court to the Supreme Court. As of this report date, the case is being considered by the Supreme Court.

21. Fair value hierarchy

The Group had the financial assets that were measured at fair value using different levels of inputs as follows.

		(Unit: Thousand Baht)					
		Consolidated financial statements					
		Level 1		Level 2		Total	
		30 June 2017	31 December 2016	30 June 2017	31 December 2016	30 June 2017	31 December 2016
Financial assets measured at fair value							
Held for trade investments							
Debt instruments		-	-	62,569	202,463	62,569	202,463
Available-for-sale investments							
Equity instruments		-	88,406	-	-	-	88,406
		(Unit: Thousand Baht)					
		Separate financial statements					
		Level 1		Level 2		Total	
		30 June 2017	31 December 2016	30 June 2017	31 December 2016	30 June 2017	31 December 2016
Financial assets measured at fair value							
Held for trade investments							
Debt instruments		-	-	22,500	161,424	22,500	161,424

(Unaudited but reviewed)

The fair value of investments in debt instruments - unit trust is determined by using the net asset value as published by asset management companies.

The fair value of investments in marketable equity securities is based on the latest bid price of the last working day of the period/year.

During the current period, there were no transfers within the fair value hierarchy.

22. Segment information

The Group is organised into business units based on its products and services. During the current period, the Group has not changed the organisation of its reportable segments.

The following tables present revenue and profit (loss) information regarding the Group's operating segments for the three-month and six-month periods ended 30 June 2017 and 2016.

(Unit: Million Baht)

	For the three-month period ended 30 June 2017					
	Sales of				Adjustments	
	Manufacture of automobiles and the provision of automobiles assembly tools and parts segment	automobiles repair service segment	Others	Total segment	and eliminations	Consolidated
Revenues						
External customers	2,286	1,340	2	3,628	-	3,628
Inter-segment	235	5	3	243	(243)	-
Total revenues	2,521	1,345	5	3,871	(243)	3,628
Operating results						
Segment profit	109	18	15	142	2	144
Gain on disposal of investment in associate						137
Gain on disposal of investment in subsidiary						10
Share of profit from investments in associates and joint ventures						68
Finance cost						(32)
Profit before income tax expenses						327
Income tax expenses						(4)
Profit for the period						323

(Unaudited but reviewed)

(Unit: Million Baht)

For the three-month period ended 30 June 2016

	Sales of					
	Manufacture of automobiles and	the provision				
	automobiles of	of			Adjustments	
	assembly automobiles	automobiles			and	
	tools and repair service	repair service			eliminations	Consolidated
	parts segment	segment	Others	Total segment		
Revenues						
External customers	2,258	1,323	7	3,588	-	3,588
Inter-segment	287	6	5	298	(298)	-
Total revenues	<u>2,545</u>	<u>1,329</u>	<u>12</u>	<u>3,886</u>	<u>(298)</u>	<u>3,588</u>
Operating results						
Segment profit (loss)	113	28	(1)	140	3	143
Share of profit from investments in associates and joint venture						31
Finance cost						(34)
Profit before income tax expenses						140
Income tax expenses						(7)
Profit for the period						<u>133</u>

(Unit: Million Baht)

For the six-month period ended 30 June 2017

	Sales of					
	Manufacture of automobiles and	the provision				
	automobiles of	of			Adjustments	
	assembly automobiles	automobiles			and	
	tools and repair service	repair service			eliminations	Consolidated
	parts segment	segment	Others	Total segment		
Revenues						
External customers	4,756	2,695	6	7,457	-	7,457
Inter-segment	524	13	5	542	(542)	-
Total revenues	<u>5,280</u>	<u>2,708</u>	<u>11</u>	<u>7,999</u>	<u>(542)</u>	<u>7,457</u>
Operating results						
Segment profit	316	33	7	356	4	360
Gain on disposal of investment in associate						137
Gain on disposal of investment in subsidiary						10
Loss on disposal of other long-term investment						(62)
Share of profit from investments in associates and joint ventures						177
Finance cost						(59)
Profit before income tax expenses						563
Income tax expenses						(12)
Profit for the period						<u>551</u>

(Unaudited but reviewed)

(Unit: Million Baht)

For the six-month period ended 30 June 2016

	Manufacture of automobiles and the provision of automobiles assembly tools and parts segment	Sales of automobiles and repair service segment	Others	Total segment	Adjustments and eliminations	Consolidated
Revenues						
External customers	4,874	2,519	13	7,406	-	7,406
Inter-segment	718	11	7	736	(736)	-
Total revenues	<u>5,592</u>	<u>2,530</u>	<u>20</u>	<u>8,142</u>	<u>(736)</u>	<u>7,406</u>
Operating results						
Segment profit (loss)	254	56	(7)	303	7	310
Share of profit from investments in associates and joint venture						62
Finance cost						(70)
Profit before income tax expenses						302
Income tax expenses						(13)
Profit for the period						<u>289</u>

23. Events after the reporting period

On 14 August 2017, the Company's Board of Directors passed a resolution to approve the payment of an interim dividend of Baht 0.60 per share from the profit of the first half of year 2017, or a total of Baht 190 million. The dividend will be paid in September 2017.

24. Approval of interim financial statements

These interim financial statements were authorised for issue by the Company's Board of Directors on 14 August 2017.