

AAPICO Hitech Public Company Limited
and its subsidiaries
Report and consolidated financial statements
31 December 2018

Independent Auditor's Report

To the Shareholders of AAPICO Hitech Public Company Limited

Qualified Opinion on the Consolidated Financial Statements

I have audited the accompanying consolidated financial statements of AAPICO Hitech Public Company Limited and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2018, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and have also audited the separate financial statements of AAPICO Hitech Public Company Limited for the same period.

In my opinion, except for the possible effects on the matter described in the *Basis for Qualified Opinion on the Consolidated Financial Statements* section on my report, the financial statements referred to above present fairly, in all material respects, the financial position of AAPICO Hitech Public Company Limited and its subsidiaries and of AAPICO Hitech Public Company Limited as at 31 December 2018, and their financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

Basis for Qualified Opinion on the Consolidated Financial Statements

The Company's investment in Sakthi Global Auto Holdings Limited, an overseas associate and accounted for under the equity method, is carried at Baht 2,077 million on the consolidated statement of financial position as at 31 December 2018, the Company's share of associate's net loss of Baht 411 million is included in the consolidated statement of income and the share of associate's net loss on translation adjustment of Baht 111 million is included in the consolidated statement of comprehensive income for the year then ended. The investment in the associate accounted for under the equity method was valued based on the associate's management accounts. The auditor of the associate is in the process of performing the audit of the associate's financial statements and has not yet reached a conclusion. I was therefore unable to obtain an auditor report on the financial statements of this associate for the year ended 31 December 2018 from the associate's auditor and was also unable to apply other audit procedures to satisfy myself regarding the financial position and the financial performance of the associate. Consequently, I was unable to determine whether any and to what extent adjustments to these amounts, including any relevant impact as a result of such adjustments, were necessary. This is a limitation of audit scope imposed by circumstance.

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

Emphasis of Matter

I draw attention to Note 11 to the financial statements regarding the acquisition of investment in an associate during the year 2017. The Company arranged for the measurement of the fair value at the acquisition date of the identifiable assets acquired and the liabilities assumed and this was completed during the current year. My opinion is not modified in respect of this matter.

Key Audit Matters

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

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

In addition to the matter described in the *Basis for Qualified Opinion on the Consolidated Financial Statements* section, key audit matters and how audit procedures respond for each matter are described below.

Revenue recognition

The Group is principally engaged in the manufacture and distribution of automobile parts, molds, dies and jigs, sales of automobiles, and the provision of automobile repair services. The Group's revenue was mainly derived from sales of automobile parts, which were significant in terms of volume and value, accounting for 59% of total revenues. As this revenue had a direct impact on the Group's operating performance, I focused on the recognition of revenue from sales of automobile parts, especially the timing of such recognition.

I have assessed and tested the Group's internal controls with respect to the revenue cycle by making enquiry of responsible executives, gaining an understanding of the controls and selecting representative samples to test the operation of the designed key controls. In addition, on a sampling basis, I examined supporting documents for sales transactions occurring during the year and near the end of the accounting period, reviewed credit notes that the Group issued after the period-end and performed analytical procedures on revenue from sales accounts.

Impairment of plant and equipment in the consolidated financial statements and impairment of investment in a subsidiary and allowance for doubtful accounts for loans to and interest receivable from a subsidiary in the separate financial statements

As disclosed in Note 12 to the financial statements, a subsidiary has a capital deficit which the Group's management is implementing financial and operational measures to improve the subsidiary's future performance and this subsidiary's operating results have been improved since prior year. This subsidiary has plant and equipment used in its operations with a net book value of Baht 877 million as at 31 December 2018, which was included in the property, plant and equipment account in the Group's consolidated financial statements. In addition, as of 31 December 2018, the Company's separate financial statements included net investment in this subsidiary of Baht 542 million and loans provided to the subsidiary, which including interest receivable amounted to Baht 2,244 million. I have paid particular attention to the determination of impairment loss on plant and equipment of the subsidiary in the consolidated financial statements, impairment of investment in subsidiary and the allowance for doubtful accounts with respect to loans to and interest receivable from the subsidiary in the separate financial statements. Since these accounts required the exercise of significant management judgement with respect to projections of the future operating performance of the subsidiary, and the determination of an appropriate discount rate and key assumptions, there is thus a risk with respect to the amount of impairment loss and the allowance for doubtful accounts.

I assessed the management's identification of cash-generating units. I also gained an understanding of and assessed the cash flow projections of the subsidiary, based on the understanding I gained of the process by which management arrived at the figures, comparison of past cash flow projections with actual operating results in order to assess the exercise of management judgement in preparing the cash flow projections, comparison of the long-term growth rate with economic and industry forecasts and assessment of the discount rate based on comparison of the average cost of capital and other data with those used by comparable organisations in the same industry.

Other Information

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

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

Sumalee Reewarabandith
Certified Public Accountant (Thailand) No. 3970

EY Office Limited
Bangkok: 28 February 2019