

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Preecha Group Public Company Limited

Opinion

I have audited the consolidated and separate financial statements of Preecha Group Public Company Limited and its subsidiaries ("the Group") and of Preecha Group Public Company Limited ("the Company"), which comprise the consolidated and separate statements of financial position as at 31 December 2017, and the consolidated and separate statements of comprehensive income, consolidated and separate statements of changes in shareholders' equity and consolidated and separate statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying consolidated and separate financial statements present fairly, in all material respect, the consolidated and separate financial position of Preecha Group Public Company Limited and its subsidiaries and of Preecha Group Public Company Limited as at 31 December 2017, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

Basis for Opinion

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

Key Audit Matters

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

Impairment of Cost of Property Development, Land Held for Development and Investment Properties

As discussed in Notes 3, 8, 11 and 12 to the financial statements regarding accounting policies and details of cost of property development, land held for development and investment properties, the balances of those assets are significance to the consolidated and separate financial statements. I considered the impairment relevant to such assets is a key audit matter as it required significant judgments and assumptions of Group's management and the independent appraiser in valuation of assets, which may cause the risk about the adequacy of the allowance for impairment of assets.

I evaluated the qualification of the independent appraiser, read the valuation reports of the independent appraiser and reviewed the reasonableness of the methodology and assumptions adopted in the valuation, and performed analytical review of the relevant information. In addition, I also considered the completeness and accuracy of the disclosures in notes to the financial statements.

Valuation of Deferred Tax Assets

As discussed in Notes 3, 14 and 23 to the financial statements regarding accounting policies and details of deferred tax assets, the Company recognised deferred tax assets for the temporary differences to the extent that it is probable that the reversal of temporary differences will occur in the future. As a result, it is necessary to use significant management judgment and estimation, and may relate to the management decision of the events in the future in order to support the recognition of such transactions. Therefore, this matter is considered as a key audit matter because it requires the reasonableness of the management judgment in the estimation based on assumptions in respect of the future events.

I evaluated the reasonableness of assumptions used in the estimation inclusive of Company's future business plan to consider whether it is sufficient to utilise temporary differences for tax deductions by considering the possibility of property development plan and future business plan based on the evidences of the Company's current operations such as reading minutes and other related documents, etc.

Contingent Liabilities

As discussed in Notes 3 and 26 to the financial statements regarding accounting policies and details of contingent liabilities, the Company has a lawsuit under the consideration of the court which the outcome is not yet predictable. Therefore, it is necessary to use the management judgment in determining the adequacy of the provision. Because of the uncertainty of such lawsuit, it is considered as the key audit matter.

I reviewed the Company's lawyer confirmation and evaluated the outcome of the said confirmation and inquired the management of the details of the progress of the lawsuit as well as relevant information, including the methods used in assessment and determination of any liabilities arising from these lawsuits. In addition, I considered the completeness and accuracy of the disclosures in notes to the financial statements.

Other Information

Management is responsible for the other information. The other information comprises information including in annual report but does not include the consolidated and separate financial statements and my auditor's report thereon, which is expected to be made available to me after that date.

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

In connection with my audit of the consolidated and separate financial statements, my responsibility is to read the other information identified above 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 materially misstate.

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

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

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

In preparing the consolidated and separate financial statements, management is responsible for assessing the Group and Company'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 and Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

My objectives are to obtain reasonable assurance about whether the consolidated and separate 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 consolidated and separate financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated and separate 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 and Company'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 and Company'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 consolidated and separate 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 and Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate 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 consolidated and separate 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.

Chompoonuch Saetae
Certified Public Accountant
Registration Number 8382

PV Audit Co., Ltd.
Bangkok, 22 February 2018

PREECHA GROUP PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017

PREECHA GROUP PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

		Baht			
		Consolidated financial statements		Separate financial statements	
Note		2017	2016	2017	2016
ASSETS					
Current assets					
	3				
Cash and cash equivalents	5	78,431,273.72	79,285,818.29	67,503,311.95	73,025,241.64
Current investments	6	55,150,854.32	54,413,375.50	55,150,854.32	54,413,375.50
Other receivables	4, 7	1,775,592.74	1,872,880.34	1,740,098.64	1,797,263.57
Cost of property development	8	258,207,133.48	284,694,187.73	244,888,136.72	269,326,683.16
Other current assets		1,538,581.79	1,632,630.64	1,258,233.91	1,269,785.16
Total current assets		<u>395,103,436.05</u>	<u>421,898,892.50</u>	<u>370,540,635.54</u>	<u>399,832,349.03</u>
Non-current assets					
Restricted bank deposits	9	954,920.00	954,920.00	954,920.00	954,920.00
Investments in subsidiaries	4, 10	-	-	130,092,967.61	131,278,262.03
Land held for development	11	30,000,000.00	30,000,000.00	30,000,000.00	30,000,000.00
Investment properties	12, 27	141,297,004.45	151,181,984.98	138,821,104.37	148,499,759.92
Building and equipment	13	2,266,531.40	2,916,225.45	2,266,351.40	2,915,831.27
Intangible assets		80,158.39	74,257.64	80,151.39	74,250.64
Deferred tax assets	14	9,262,619.41	6,536,188.78	9,195,902.75	6,471,138.62
Other non-current assets	4	8,123,634.10	7,100,301.36	8,080,921.14	7,094,878.04
Total non-current assets		<u>191,984,867.75</u>	<u>198,763,878.21</u>	<u>319,492,318.66</u>	<u>327,289,040.52</u>
Total assets		<u><u>587,088,303.80</u></u>	<u><u>620,662,770.71</u></u>	<u><u>690,032,954.20</u></u>	<u><u>727,121,389.55</u></u>

PREECHA GROUP PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Note	Baht			
		Consolidated financial statements		Separate financial statements	
		2017	2016	2017	2016
LIABILITIES AND SHAREHOLDERS' EQUITY	3				
Current liabilities					
Trade and other payables	4, 15	9,992,951.94	9,905,881.60	13,758,342.91	13,711,183.27
Current portion of liabilities	17	10,243,423.68	10,360,766.77	10,243,423.68	10,360,766.77
Short-term loans from related parties	4	-	-	118,916,758.07	120,916,758.07
Income tax payable		257,152.90	-	-	-
Estimate project cost		1,964,818.13	5,776,699.58	1,847,783.33	5,277,204.24
Provision	26	19,235,999.00	5,465,800.00	19,235,999.00	5,465,800.00
Other current liabilities		7,546,811.06	699,927.83	10,067,164.21	3,838,827.10
Total current liabilities		49,241,156.71	32,209,075.78	174,069,471.20	159,570,539.45
Non-current liabilities					
Long-term loans from financial institutions	16	32,426,571.75	42,373,691.69	32,426,571.75	42,373,691.69
Long-term liability under finance lease		-	296,303.75	-	296,303.75
Employee benefit obligations	18	1,720,707.74	1,843,467.27	1,524,764.74	1,671,143.10
Other non-current liabilities		2,513,811.79	1,582,054.79	2,513,811.79	1,582,054.79
Total non-current liabilities		36,661,091.28	46,095,517.50	36,465,148.28	45,923,193.33
Total liabilities		85,902,247.99	78,304,593.28	210,534,619.48	205,493,732.78
SHAREHOLDERS' EQUITY					
Share capital					
Authorized share capital					
336,000,000 ordinary shares, Baht 1 par value		336,000,000.00	336,000,000.00	336,000,000.00	336,000,000.00
Issued and paid-up share capital					
336,000,000 ordinary shares, fully paid-up		336,000,000.00	336,000,000.00	336,000,000.00	336,000,000.00
Premium on share capital	19	88,750,822.16	88,750,822.16	88,750,822.16	88,750,822.16
Retained earnings					
Appropriated - legal reserve	20	13,287,118.97	13,287,118.97	13,287,118.97	13,287,118.97
Unappropriated		63,148,114.68	104,320,236.30	41,460,393.59	83,589,715.64
Total shareholders' equity		501,186,055.81	542,358,177.43	479,498,334.72	521,627,656.77
Total liabilities and shareholders' equity		587,088,303.80	620,662,770.71	690,032,954.20	727,121,389.55

The accompanying notes are an integral part of these financial statements.

PREECHA GROUP PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	Baht			
		Consolidated financial statements		Separate financial statements	
		2017	2016	2017	2016
	3				
Revenue from sales and services		61,882,260.98	98,096,829.51	56,373,290.98	98,096,829.51
Cost of sales and services		(45,086,048.58)	(77,237,809.83)	(43,011,902.64)	(77,237,809.83)
Gross profit		16,796,212.40	20,859,019.68	13,361,388.34	20,859,019.68
Other income	4, 21	1,996,914.88	10,975,393.31	1,893,877.19	8,810,309.97
Distribution costs	22	(5,847,175.22)	(7,552,890.94)	(5,504,945.22)	(7,552,890.94)
Administrative expenses	4, 22	(53,762,108.73)	(46,585,179.99)	(51,834,371.09)	(46,121,578.30)
Finance costs		(2,565,886.30)	(3,156,695.92)	(2,565,886.30)	(3,156,695.92)
Loss before income tax		(43,382,042.97)	(25,460,353.86)	(44,649,937.08)	(27,161,835.51)
Tax income (expense)	23	2,373,240.63	(133,716.18)	2,683,934.31	231,721.02
Loss for the year		(41,008,802.34)	(25,594,070.04)	(41,966,002.77)	(26,930,114.49)
Other comprehensive income (loss):					
Items that will never be reclassified to profit or loss					
Defined benefit plan actuarial loss		(204,149.10)	(123,781.97)	(204,149.10)	(89,354.00)
Income tax relating to defined benefit plan actuarial loss	23	40,829.82	24,109.20	40,829.82	17,870.80
Other comprehensive loss for the year - net of tax		(163,319.28)	(99,672.77)	(163,319.28)	(71,483.20)
Total comprehensive loss		(41,172,121.62)	(25,693,742.81)	(42,129,322.05)	(27,001,597.69)
Loss per share					
Basic loss per share	3	(0.12)	(0.08)	(0.12)	(0.08)
Weighted average number of ordinary shares (shares)	3	336,000,000	336,000,000	336,000,000	336,000,000

PREECHA GROUP PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

	Baht					
	Consolidated financial statements					
			Retained earnings		Other components of shareholders' equity	
	Share capital issued and paid-up	Premium on share capital	Appropriated	Unappropriated	Other comprehensive income (loss) Available-for-sale investments	Total shareholders' equity
Balance at 1 January 2016	336,000,000.00	88,750,822.16	13,287,118.97	130,013,979.11	584,880.00	568,636,800.24
Changes in shareholders' equity						
Loss for the year	-	-	-	(25,594,070.04)	-	(25,594,070.04)
Other comprehensive loss for the year	-	-	-	(99,672.77)	-	(99,672.77)
Written off of available-for-sale investments	-	-	-	-	(584,880.00)	(584,880.00)
Ending balance as at 31 December 2016	336,000,000.00	88,750,822.16	13,287,118.97	104,320,236.30	-	542,358,177.43
Changes in shareholders' equity						
Loss for the year	-	-	-	(41,008,802.34)	-	(41,008,802.34)
Other comprehensive loss for the year	-	-	-	(163,319.28)	-	(163,319.28)
Ending balance as at 31 December 2017	336,000,000.00	88,750,822.16	13,287,118.97	63,148,114.68	-	501,186,055.81

The accompanying notes are an integral part of these financial statements.

PREECHA GROUP PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Baht					Total shareholders' equity
	Separate financial statements					
	Share capital issued and paid-up	Premium on share capital	Retained earnings		Other components of shareholders' equity	
			Appropriated	Unappropriated	Other comprehensive income (loss) Available-for-sale investments	
Balance at 1 January 2016	336,000,000.00	88,750,822.16	13,287,118.97	110,591,313.33	584,880.00	549,214,134.46
Changes in shareholders' equity						
Loss for the year	-	-	-	(26,930,114.49)	-	(26,930,114.49)
Other comprehensive loss for the year	-	-	-	(71,483.20)	-	(71,483.20)
Written off of available-for-sale investments	-	-	-	-	(584,880.00)	(584,880.00)
Ending balance as at 31 December 2016	336,000,000.00	88,750,822.16	13,287,118.97	83,589,715.64	-	521,627,656.77
Changes in shareholders' equity						
Loss for the year	-	-	-	(41,966,002.77)	-	(41,966,002.77)
Other comprehensive loss for the year	-	-	-	(163,319.28)	-	(163,319.28)
Ending balance as at 31 December 2017	336,000,000.00	88,750,822.16	13,287,118.97	41,460,393.59	-	479,498,334.72

The accompanying notes are an integral part of these financial statements.

PREECHA GROUP PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

	Baht			
	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
Cash flows from operating activities:				
Loss before income tax	(43,382,042.97)	(25,460,353.86)	(44,649,937.08)	(27,161,835.51)
Adjustments to reconcile loss before income tax to net cash provided by (used in) operating activities				
Depreciation and amortization	11,051,013.38	11,028,705.91	10,844,480.22	10,821,679.02
Interest income	(955,950.98)	(882,326.50)	(929,041.75)	(854,072.77)
Interest expenses	2,565,886.30	3,156,695.92	2,565,886.30	3,156,695.92
Reversal of doubtful debts	-	(441,583.00)	-	-
Loss on impairment	-	7,600.00	1,185,294.42	3,236,071.95
Gain on disposal of assets	(89,707.63)	(2,966,649.51)	(89,713.63)	(2,007,348.00)
Income from written off of liabilities	(229,431.33)	(2,783,568.19)	(41,111.33)	(1,958,275.69)
Provision for litigation and claims	13,770,199.00	5,465,800.00	13,770,199.00	5,465,800.00
Employee benefit obligations	178,091.37	166,232.30	154,472.54	154,205.10
Loss from operating activities before changes in operating assets and liabilities	(17,091,942.86)	(12,709,446.93)	(17,189,471.31)	(9,147,079.98)
Changes in operating assets (increase) decrease				
Restricted bank deposits	-	2,253,045.50	-	2,253,045.50
Other receivables	(18,633.74)	637,799.36	(25,818.59)	315,568.38
Cost of property development	26,487,054.25	29,506,869.94	24,438,546.44	29,506,869.94
Other current assets	94,048.85	(622,565.33)	11,551.25	(440,932.76)
Other non-current assets	(123,427.25)	570,560.00	(9,000.00)	36,800.00
Changes in operating liabilities increase (decrease)				
Trade and other payables	(141,155.87)	(8,349,496.66)	(369,386.57)	(8,305,006.93)
Estimate project cost	(3,811,881.45)	2,665,995.14	(3,429,420.91)	3,130,274.80
Other current liabilities	6,846,883.23	(18,806.21)	6,228,337.11	(698,475.06)
Other non-current liabilities	931,757.00	(628,300.00)	931,757.00	(628,300.00)
Cash generated from operations	13,172,702.16	13,305,654.81	10,587,094.42	16,022,763.89
Interest received	957,034.50	1,062,228.71	930,125.27	1,033,974.98
Income tax paid	(840,274.95)	(1,605,331.68)	(895,143.10)	(1,373,534.17)
Net cash provided by operating activities	13,289,461.71	12,762,551.84	10,622,076.59	15,683,204.70

The accompanying notes are an integral part of these financial statements.

PREECHA GROUP PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

	Baht			
	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
Cash flows from investing activities:				
Increase in current investments	(737,478.82)	(3,306,551.56)	(737,478.82)	(3,306,551.56)
Purchases of investment properties	(265,827.35)	-	(265,827.35)	-
Purchases of equipment	(208,274.20)	(1,167,391.10)	(208,274.20)	(1,167,391.10)
Purchases of intangible assets	(48,150.00)	-	(48,150.00)	-
Proceeds from sales of assets	89,719.63	7,722,590.00	89,719.63	7,722,590.00
Net cash provided by (used in) investing activities	(1,170,010.74)	3,248,647.34	(1,170,010.74)	3,248,647.34
Cash flows from financing activities:				
Repayments of short-term loans from related parties	-	-	(2,000,000.00)	(1,500,000.00)
Repayment of loans from financial institutions	(9,932,854.45)	(9,915,556.63)	(9,932,854.45)	(9,915,556.63)
Repayment of liability under finance lease	(427,912.33)	(408,847.57)	(427,912.33)	(408,847.57)
Interest paid	(2,613,228.76)	(3,210,887.71)	(2,613,228.76)	(3,210,887.71)
Net cash used in financing activities	(12,973,995.54)	(13,535,291.91)	(14,973,995.54)	(15,035,291.91)
Net increase (decrease) in cash and cash equivalents	(854,544.57)	2,475,907.27	(5,521,929.69)	3,896,560.13
Cash and cash equivalents at the beginning of year	79,285,818.29	76,809,911.02	73,025,241.64	69,128,681.51
Cash and cash equivalents at the end of year	78,431,273.72	79,285,818.29	67,503,311.95	73,025,241.64