

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Italian – Thai Development Public Company Limited

Qualified Opinion

I have audited the consolidated financial statements of Italian – Thai Development Public Company Limited and its subsidiaries (the “Group”), which comprise the consolidated statement of financial position as at 31 December 2016, the consolidated statements of profit and loss and other comprehensive income, consolidated statement of changes in shareholders’ equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. I have also audited the separate financial statements of Italian – Thai Development Public Company Limited (the “Company”), which comprise the separate statement of financial position as at 31 December 2016, the separate statement of profit and loss and other comprehensive income, separate statement of changes in shareholders’ equity and separate statement of cash flows for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the accompanying consolidated and separate financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2016, and consolidated financial performance and cash flows for the year then ended and the separate financial position as at 31 December 2016, and separate financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

Basis for Qualified Opinion

The basis for my qualified opinion is as follows:

- As at 31 December 2016, the consolidated financial statements include trade accounts receivable and unbilled work in progress of an overseas subsidiary totaling Baht 606.94 million which represent variation orders claims recognized in prior years based on the terms and conditions implicit in the agreements that the subsidiary had with its customers. These claims are technical in nature and are currently subject to an arbitration tribunal. The subsidiary has assessed the realization of these claims based on information from the dispute resolution board, the arbitration tribunal, High Court orders and legal opinion from an independent counsel, however, no allowance for doubtful accounts for such receivables and claims has been recorded in the consolidated financial statements. I am unable to assess the potential impact (if any) to such outstanding balances and the corresponding impact to the consolidated statement of financial position and consolidated results of operations for the current year.
- As at 31 December 2016, the consolidated financial statements include trade accounts receivable of an overseas subsidiary totaling Baht 339.97 million which is presently under negotiation for debt settlement plan. In addition, the consolidated financial statements and separate financial statements include trade accounts receivable and short – term loans to related companies totaling Baht 176.65 million and Baht 103.57 million, respectively, which are presently under the process of project feasibility study and negotiation with strategic investors to join the operations in the future. The Company has not set up an allowance for doubtful accounts for such receivables. I am unable to assess the potential impact (if any) to such outstanding balances and the corresponding impact to consolidated and separate financial position and consolidated and separate results of operations for current year.

In the prior year, the predecessor auditor issued a modified opinion in respect of the realizability of trade accounts receivable and unbilled work in progress of overseas subsidiary which was included in the consolidated financial statements as at 31 December 2015 of Baht 190.66 million because such trade accounts receivable were under negotiation with the debtors or subject matter of litigation. In 2016, the overseas subsidiary recognized an allowance for doubtful accounts in full amounts in the consolidated financial statements for the year ended 31 December 2016. My opinion for the consolidated financial statements of current year is qualified with respect to this matter because of the comparability of the current year and correspondence figures.

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 Federation of Accounting Professions' *Code of Ethics for Professional Accountants* that is 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 qualified opinion.

Emphasis of matters

I draw attention to the following information which does not change my qualified opinion above:

- 1) As discussed in Note 14 to the financial statements, the Company has land lease concessions and costs of projects under development in the Dawei Special Economic Zone totaling Baht 7,558.99 million. This project depends on the cooperation of the governments of Thailand and the Republic of the Union of Myanmar, as the new concessionaires and promoter of the Dawei Project. The Company has the right to reimburse such amount from new partners of each project or else obtain additional right over the procession of land.
- 2) As discussed in Note 15 to the financial statements, a subsidiary company has potash mining rights amounting to Baht 2,293.49 million for which the application for potash mining concessions is in process. The Company's management believes that this project will be approved by the government and will become operational as planned in the near future.

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. In addition to the matters described in the Basis for Qualified Opinion section I have determined the matters described below to be the key audit matters to be communicated in my report.

Key audit matters	Audit response
<p data-bbox="338 405 815 432">Revenue recognition for construction contract</p> <p data-bbox="338 488 866 1155">The Group and the Company has revenue from construction services for the year ended 31 December 2016 of Baht 45,190.16 million and Baht 26,465.75 million, respectively. Revenue recognition for construction services requires significant judgement and estimates to assess the appropriateness assessment of revenue relating to construction services under the contract. The Group's and Company's revenues are recognized based on the percentage of completion. Such revenues from construction services are material and have a significant impact to related accounting transactions including unbilled revenues, receipts in excess of contracted work in progress, and costs of construction. The percentage of completion requires management's judgement and continuous review throughout the construction period and the estimate needs to be adjusted as necessary.</p> <p data-bbox="338 1211 866 1317">The Group and the Company disclosed accounting policies for revenue recognition for construction in Note 3 to financial statements.</p>	<p data-bbox="890 405 1305 432">My audit procedures are summarized below:</p> <ul data-bbox="890 488 1437 1682" style="list-style-type: none"> <li data-bbox="890 488 1437 674">- Obtained an understanding and testing the process for the preparation of reports and budgets used for the determination of the percentage of completion for selected projects outstanding as at 31 December 2016 <li data-bbox="890 685 1437 790">- Verified the actual cost and reliability of estimated costs to complete the project construction. Tested the estimate costs with related documents <li data-bbox="890 801 1437 907">- Tested the revenue recognition during the year with construction contracts and customers' acceptance documents <li data-bbox="890 918 1437 987">- Assessed the reasonableness of estimates with actual costs in line with construction contracts <li data-bbox="890 999 1437 1068">- Tested and assessed the appropriateness of changes in estimated costs during the year <li data-bbox="890 1079 1437 1207">- Compared gross profit from the start of project up to the end of the year for analysis and assessment for the appropriateness of estimated costs <li data-bbox="890 1218 1437 1346">- Tested actual costs during the year and collection from customers for determination of appropriateness of unbilled income and receipts in excess of contracted work in progress <li data-bbox="890 1357 1437 1597">- Performed site visit for significant projects, inquired the progress of projects from engineers and compared and assessed the appropriateness of the percentages of completion of construction projects for comparison with accounting percentage of completion <li data-bbox="890 1608 1437 1682">- Assessed the adequacy of the Group's and the Company's disclosure for revenue recognition

Key audit matters	Audit response
<p data-bbox="338 405 754 432">Impairment of trade accounts receivable</p> <p data-bbox="338 488 866 994">As at 31 December 2016, the Group and the Company have trade accounts receivable of Baht 8,679.73 million and Baht 7,846.66 million, respectively. During the year, the Group and the Company recognized allowance for doubtful accounts of Baht 160.72 million and Baht 97.27 million, respectively. The estimation of allowance for doubtful accounts is to reflect impairment of receivables that may result from non-collection. Management is required use judgement to assess the estimation using assumption, including the probability for collection based on circumstances, except for the matters discussed under the basis for qualified opinion.</p> <p data-bbox="338 1055 866 1155">The Group and the Company disclosed balance of trade accounts receivable in Notes 6 and 7 to financial statements.</p>	<p data-bbox="890 405 1305 432">My audit procedures are summarized below:</p> <ul data-bbox="890 488 1436 1249" style="list-style-type: none"> <li data-bbox="890 488 1436 633">- Obtained an understanding of the internal controls and procedures for impairment testing for trade accounts receivable to determine the appropriateness of management estimates <li data-bbox="890 651 1436 920">- Reviewed the periods of receivables that have been long outstanding and developed allowance for doubtful accounts based on the circumstances for comparison with the allowance for doubtful accounts recognized by the Group and the Company. Considered the reason for the differences and the appropriateness of allowance for doubtful accounts <li data-bbox="890 938 1436 1122">- Assessed the net realizable values of receivables including subsequent collection testing together with the assessment of the cash flows projection of debtors to assess their ability to settle their accounts in the future <li data-bbox="890 1140 1436 1249">- Assessed the adequacy of the Group’s and the Company’s disclosure for trade accounts receivable and allowance for doubtful accounts

Key audit matters	Audit response
<p data-bbox="338 405 863 472">Impairment of investment in subsidiaries and goodwill</p> <p data-bbox="338 524 863 954">The Company has investments in subsidiaries of Baht 6,635.36 million. During the year, the Company recognized allowance for impairment of investments in the separate financial statement of Baht 99.17 million. In consideration of allowance for impairment of investment, management is required to use judgement for the assessment of appropriate estimates and significant assumptions relating to the subsidiaries' ability to operate profitably, their cash flows and discount rates used for the calculation of net realizable values.</p> <p data-bbox="338 1010 863 1077">The Company disclosed detail of investment in subsidiaries in Note 12 to financial statements.</p> <p data-bbox="338 1133 863 1603">The Company has goodwill of Baht 942.11 million as at 31 December 2016 which arose from the acquisition of investments in Potash mining, cement business in Thailand and construction business in India. According to Thai Financial Reporting Standard, the Company has to annually test impairment of goodwill. Goodwill impairment requires management to make significant judgement, which is complicate, and use of assumptions about cash flows projection and expenses from the continuing operations of such business units and the use of the appropriate discount rate to discount cash flows projection.</p> <p data-bbox="338 1659 863 1727">The Group disclosed information of goodwill in Note 22 to financial statements.</p>	<p data-bbox="895 405 1305 427">My audit procedures are summarized below:</p> <ul data-bbox="895 524 1436 1413" style="list-style-type: none"> <li data-bbox="895 524 1436 629">- Obtained an understanding of the process for assessment of recoverable amounts of investments in subsidiaries and group of business units <li data-bbox="895 645 1436 750">- Considered the indication of impairment for investments in subsidiaries and goodwill of each business unit <li data-bbox="895 766 1436 871">- Considered the reasonableness of management's assumptions and procedures for calculation of cash flow projections <li data-bbox="895 887 1436 1037">- Examined the documents supporting the best estimates of management, especially the projected growth in revenues, gross margins and operating net income of subsidiaries and business units <li data-bbox="895 1052 1436 1120">- Tested the calculation and assess the appropriateness of discount rate used by management <li data-bbox="895 1135 1436 1202">- Tested calculation for the recoverable amounts from investments <li data-bbox="895 1218 1436 1285">- Considered the key drivers as the sensitivity analysis and the impact to recoverable amounts <li data-bbox="895 1301 1436 1413">- Considered the adequacy and appropriateness of the Group's disclosures for investment in subsidiary, allowance for goodwill and investments in subsidiaries

Key audit matters	Audit response
<p data-bbox="336 405 865 472">Impairment of project costs on investments in projects development</p> <p data-bbox="336 524 865 837">As at 31 December 2016, the Group and Company have a number of significant investment projects in various locations which are in various stages of completion. The total amount of the investments in the Group and Company financial statements is Baht 12,155.21 million and Baht 5,025.20 million, respectively. In addition, the Company has recorded unbilled revenues amounting to Baht 1,909.20 million.</p> <p data-bbox="336 889 865 1122">The assessment of the realizable value of the investment in such projects requires significant judgement about the future project feasibility, forecasted cash flows and expenses from operations in such projects and the use of the appropriate discount rate to discount cash flows projection.</p> <p data-bbox="336 1173 865 1240">The details of the investments are disclosed in Notes 14, 15, 16 and 23.</p>	<p data-bbox="888 405 1305 432">My audit procedures are summarized below:</p> <ul data-bbox="888 524 1436 1301" style="list-style-type: none"> - Obtained an understanding of the process for assessment of recoverable amounts of investments and group business units - Considered indication of impairment of investments in subsidiaries and goodwill of business units - Considered the reasonableness of management's assumptions and procedures used for calculation of cash flows projection. - Examined the documents supporting the best estimates of management, especially the projected growth in revenues, gross margins and operating net income of subsidiaries and business units - Tested the calculation and assessed the appropriateness of discount rate used by management - Tested the calculation for the recoverable amounts of projects under development - Considered the adequacy and appropriateness of the Group's and Company's disclosures for investments in projects and intangible assets

Other matters

The consolidated statement of financial position of Italian-Thai Development Public Company Limited and its subsidiaries and the separate statement of financial position of Italian-Thai Development Public Company Limited as at 31 December 2015, presented as comparative information, were audited by another auditor in the same office as mine, who issued his audit report dated 29 February 2016 and expressed a qualified opinion thereon with respect to the uncertainty in the collection of trade accounts receivable and unbilled work in progress of overseas subsidiary which have been under the judicial process and negotiation with the customers. The report also emphasized on 1) the Company's changes in accounting policies from the adoption of new financial reporting standards 2) the land lease concessions and projects under development in the Dawei Special Economic Zone which the Company has rights to reimburse the costs from the Special Purpose Vehicle after the completion of the due diligence and 3) the Company's investment in a potash mining project which the application for potash mining concession from the government is still in process.

Other Information

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

My opinion on the consolidated and separate 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 consolidated and separate financial statements, my responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

When I read the annual report, if I conclude that there is a material misstatement therein, I am required to request management and those charged with governance to correct the material misstatement.

However, as described in the Basis for Qualified Opinion section with respect to the uncertainty in the collection of trade accounts receivable and unbilled work in progress of overseas subsidiaries and trade accounts receivable of the Company, my opinion is qualified. Therefore, should the management prepare other information based on financial statements that is different from such fact, other information will be materially misstated with respect to the value and other information in annual report which will impact by the uncertainty in the collection of such accounts receivable and unbilled accrued income.

Responsibilities of Management and Those Charged with Governance for the preparation of 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 necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate 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 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'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 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 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.

Mr. Somckid Tiatragul

Certified Public Accountant

Registration No. 2785

Grant Thornton Limited

Bangkok

28 February 2017