

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 2017, consolidated statement 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 2017, 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 2017, and its consolidated financial performance and cash flows for the year then ended and the separate financial position as at 31 December 2017, and its 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 2017, the consolidated financial statements include trade accounts receivable of an overseas subsidiary totaling Baht 308.70 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 178.96 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 allowances 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, I had expressed a modified opinion on the consolidated financial statements in respect of the realizability of trade accounts receivable and unbilled work in progress of an overseas subsidiary which was included in the consolidated financial statements as at 31 December 2016 of Baht 606.94 million. These transactions represented variation orders claims recognized in prior years base on the terms and conditions implicit in the agreement that the subsidiary had with its customer. These claims are technical in nature and subject to an arbitration tribunal. During the year 2017, the management of the overseas subsidiary has assessed the recoverability of such balances and has recognized an allowance for doubtful accounts of trade accounts receivable and unbilled work in progress in full amounts which affects the consolidated financial statements for the year ended 31 December 2017. My opinion on the current year's consolidated financial statements is also modified because of the effect of this matter on the comparability of the current year's figures and the corresponding 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 Consolidated and Separate 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 15 to the financial statements, the Company has land lease concessions in the Dawei Special Economic Zone that it has incurred projects development costs totaling Baht 7,651.76 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 16 to the financial statements, a subsidiary company has acquired potash mining rights for a value of 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 as the process for concessionaire application has been completed.

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 year. 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 procedures
<p data-bbox="352 378 879 407">Revenue recognition for construction contract</p> <p data-bbox="352 497 879 1346">The Group and the Company have revenues from construction services for the year ended 31 December 2017 of Baht 50,202.49 million and Baht 36,610.42 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 earned revenues not yet billed, receipts in excess of contracted work in progress, and costs of construction. The percentage of completion requires management's judgement and continuous review of estimated revenues and cost budget throughout the construction periods and the estimate needs to be adjusted as necessary.</p> <p data-bbox="352 1435 879 1547">The Group and the Company disclosed accounting policies for revenue recognition for construction in Note 3 to financial statements.</p>	<p data-bbox="906 378 1385 407">My audit procedures are summarized below:</p> <ul data-bbox="906 497 1452 1883" style="list-style-type: none"> - 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 2017 - Verified the actual cost and reliability of estimated costs to complete the project construction. Tested the estimate costs with related documents - Tested the revenue recognition during the year with construction contracts and customers' acceptance documents - Assessed the reasonableness of estimates with actual costs in line with construction contracts - Tested and assessed the appropriateness of changes in estimated costs during the year - 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 - Tested actual costs during the year and collection from customers for determination of appropriateness of earned revenues not yet billed and receipts in excess of contracted work in progress - 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 - Assessed the adequacy of the Group's and the Company's disclosure for revenue recognition

Key audit matters	Audit procedures
<p data-bbox="352 439 820 468">Impairment of trade accounts receivable</p> <p data-bbox="352 555 880 1240">As at 31 December 2017, the Group and the Company have trade accounts receivable of Baht 10,758.46 million and Baht 10,369.16 million, respectively. During the year, the Group and the Company recognized allowance for doubtful accounts of Baht 764.06 million and Baht 464.47 million, respectively. The estimation of allowance for doubtful accounts is to reflect impairment of receivables that may result from non-collection. Management is required to 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. The Group and the Company disclosed balance of trade accounts receivable in Notes 6 and 7 to financial statements.</p>	<p data-bbox="904 439 1385 468">My audit procedures are summarized below:</p> <ul data-bbox="904 555 1452 1364" style="list-style-type: none"> <li data-bbox="904 555 1452 707">- 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="904 719 1452 1032">- 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="904 1043 1452 1240">- 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="904 1252 1452 1364">- 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 procedures
<p data-bbox="352 439 880 510">Impairment of investment in subsidiaries and goodwill</p> <p data-bbox="352 595 880 952">The Company has investments in subsidiaries of Baht 6,878.19 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="352 1039 880 1111">The Company disclosed detail of investment in subsidiaries in Note 13 to financial statements.</p> <p data-bbox="352 1198 880 1760">The Company has goodwill of Baht 942.11 million as at 31 December 2017 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="352 1848 880 1919">The Group disclosed information of goodwill in Note 22 to financial statements.</p>	<p data-bbox="904 439 1385 468">My audit procedures are summarized below:</p> <ul data-bbox="904 595 1452 1693" style="list-style-type: none"> - Obtained an understanding of the process for assessment of recoverable amounts of investments in subsidiaries and group of business units - Considered the indication of impairment for investments in subsidiaries and goodwill of each business unit - Considered the reasonableness of management's assumptions and procedures for calculation of cash flow projections - 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 assess the appropriateness of discount rate used by management - Tested calculation for the recoverable amounts from investments - Considered the key drivers as the sensitivity analysis and the impact to recoverable amounts - 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 procedures
<p>Impairment of project costs on investments in projects development</p> <p>As at 31 December 2017, 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 are Baht 14,663.74 million and Baht 6,870.40 million, respectively.</p> <p>The assessment of the realizable value of the investments 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>The details of the investments are disclosed in Notes 15, 16, 17 and 23.</p>	<p>My audit procedures are summarized below:</p> <ul 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 project costs on investments in projects development - 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 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 2018