**To the Shareholders of Italian – Thai Development Public Company Limited**

*Qualified Opinion*

I have audited the consolidated and separate financial statements of Italian – Thai Development Public Company Limited and its subsidiaries (the “Group”), which comprise the consolidated and separate statement of financial position as at 31 December 2019, the consolidated and separate statements of profit and loss and other comprehensive income, changes in shareholders’ equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, except for the possible effects of the matters described under the Basis for Qualified Opinion paragraph, the accompanying consolidated and separate financial statements present fairly, in all material respects, the consolidated financial position of Italian – Thai Development Public Company Limited and its subsidiaries as at 31 December 2019, and its consolidated and separate financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

*Basis for Qualified Opinion*

The bases for my qualified opinion are as follows:

* As discussed in Note 8 to the financial statements, as at 31 December 2019, the consolidated financial statements include trade accounts receivable of an overseas subsidiary of Baht 238.46 million (net allowance for impairment of Baht 46.04 million) which is in the process of collection under a debt settlement plan. The Company’s management believes that such amount can be realized and that the allowance for impairment recognized in the financial statements based on the discounted cash flows from the collection plan of such receivable is adequate and appropriate. I am unable to assess the potential impact (if any) to such outstanding balances and cannot determine the effect to the consolidated financial statements.
* As discussed in Note 8 to the financial statements, as at 31 December 2019, the consolidated financial statements include trade accounts receivable and earned revenues not yet billed of an overseas subsidiary of Baht 121.55 million and Baht 63.48 million, respectively, representing receivable from and work done for a customer presently facing liquidity constraints. The subsidiary’s management has been negotiating/discussing with the customer for debt collection and believes that such amount can be realized in full. The subsidiary company therefore does not set up allowance for impairment of receivable in the financial statements. I am unable to assess the potential impact (if any) to such outstanding balances and cannot determine the effect to the consolidated financial statements.
* As discussed in Note 15 to the financial statements, during the year, an overseas subsidiary increased its shares capital by issuing new common shares at par value to the Company and new investors totaling Baht 1,286.68 million. As a consequence of the restructuring of shareholders and the completeness of shares capital increase, the Company losses control, but still has significant influence over such subsidiary. The management therefore classified the retaining interest in such company as investment in associated company and recognizes the initial value of investment by using the book value of net assets at the date that the Company lost control from the change in shareholding interest. The subsidiary’s management is in process of determining the fair value of the subsidiary’s net assets to assess the possible impact from change in status of such investment which difference in fair value has to be recognized in the consolidated statement of profit or loss for the year. In addition, the subsidiary’s management must determine whether such increase of shares capital is considered a share-based payment under TFRS 2 “Share-based Payments” or not. The Company is unable to assess the potential impact (if any) to the consolidated financial statements from such matter which outcome cannot presently be concluded.
* As discussed in Note 15.3 to the financial statements, the consolidated financial statements for the year ended 31 December 2019 included investment in joint venture accounted for by the equity method of Baht 179.33 million in the consolidated statements of financial position and included share profit accounted for under the equity method of Baht 64.97 million in the consolidated statement of profit or loss. Such financial statements were based on the financial information compiled by the management of the joint venture which had not been audited by the auditor since the joint venture and its employer have disputed regarding the termination of construction contract and are in process of negotiation for the realizable value of assets and current obligation in liabilities and contingent liabilities. The Joint Venture’s management is unable to assess the potential impact (if any) from the termination of such construction contract which outcome cannot presently be concluded.

I conducted my audit in accordance with Thai Standards on Auditing. My responsibilities under those standards are further described under 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 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 Matter*

I draw attention to the information discussed in detail in Note 47 to the financial statements, that the Company received a notice from a State Enterprise, the employer of a construction project, in January 2020 claiming for penalty charges for the delay of construction work from the key completion date and the end date of the construction contract. However, the Company opposed to the claims by submitting letters declaring the causes of the delays that need the Company to request for the extension of the completion dates as initial determined in the contract with the employer. Such declarations are concerned with many cases and events which impact the delay of construction work. The Company has obtained the consent from the project consultant of the employer agreeing the extension of some key dates and the end date affecting by some issues. However, there are still some pending cases and events which have not been concluded. I do not qualify my reporting opinion regarding this matter.

*Key Audit Matters*

Key audit matters are those matters that, in my professional judgment, are 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** | **How the matter was addressed in the audit** |
| --- | --- |
| **Revenue recognition for construction contract**  The Group and the Company have revenues from construction services for the year ended 31 December 2019 of Baht 55,458.59 million and Baht 41,696.65 million, respectively. Revenue recognition for construction services requires significant judgment and assumption to assess the appropriateness of the estimation of transaction relating to the revenue recognition in each contract.  Revenues from construction services of the Group are recognized over time by measuring the progress of construction work by contract, by the percentage of cumulative costs incurred with total costs budget estimation until the completion of the project. The estimation of costs budget, including the provision for loss on construction project, requires significant judgment of the management which continuous reviewed throughout the construction periods and the estimates need to be adjusted as necessary. In addition, the revenues from contract modification which have not yet been determined for the corresponding change in price requires significant judgment of the management to estimates the change to transaction prices and amounts which the Group will be entitled to receive.  Revenues from construction services are material and have a significant impact to accounting transactions which are related to the construction contract, including earned revenues not yet billed, receipts in excess of contracted work in progress and costs of construction.  The Group and the Company disclosed accounting policies relating to revenue recognition, detail of revenues from construction services and balance of accounting transactions relating to revenue recognition in Notes 4, 12 and 38 to financial statements. | My audit procedures are summarized below:   * Obtained an understanding the process and internal control for the preparation of reports and budgets estimation used for the determination of the percentages of completion of construction projects of the Group and the Company. * Sampling tested cost budgets estimation for construction projects by making inquiry of responsible executives and assessed the appropriateness of estimation. * Tested and assessed the reasonableness of changes in estimated costs during the year. * Verified the actual costs with supporting documents and assessed the reasonableness of estimated costs to complete the construction for selected projects. * Compared gross profit from the start of projects  up to date to assess the appropriateness of estimated costs. * Evaluated the possible losses on construction projects from the review of actual costs incurred and assessed the reasonableness of the estimated costs to complete for the construction of selected projects. * Sampling tested contracts with changed orders during the year with supporting documents and assessed the reasonableness of consideration which the Group and the Company will be entitled to receive from the contract modification which prices have not yet been fixed. * Tested the bills for payment from customer during the year with construction contracts and customers’ acceptance documents to determine the appropriateness of earned revenues not yet billed and receipts in excess of contracted work in progress. * Sampling visited sites for significant projects and, obtained understanding of the progress of projects work by discussion with responsible engineers and compared the percentages of physical completion of construction as determined by engineers, with percentages of completion based on accounting method to ensure that the revenues and costs recognition are made correspondingly. * Assessed the adequacy of the Group’s and the Company’s disclosure for revenues recognition. |
| **Impairment of trade and other accounts receivable**  The Group and the Company have trade and others accounts receivable, net of allowance for doubtful accounts, as at 31 December 2019 of Baht 16,924.00 million and Baht 16,525.03 million, respectively. The Group and the Company recognized allowance for doubtful accounts during the year of Baht 89.18 million and reversal of allowance for doubtful accounts of Baht 5.49 million, respectively. The estimation of allowance for doubtful accounts is to reflect realizable of receivables that may result from non-collection. Management is required to use judgment to assess the appropriateness of estimation and 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 8 and 9 to financial statements. | My audit procedures are summarized below:   * Obtained an understanding of the internal controls and procedures for the assessment of recoverable amount from the collection of trade and other accounts receivable to determine the appropriateness of management estimates for the realization. * Reviewed the status of receivables that have been long outstanding and developed expectation of 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. * Assessed the 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. * Assessed the adequacy of the Group’s and the Company’s disclosure for trade accounts receivable and allowance for doubtful accounts. |
| **Investments in subsidiaries and goodwill, and investments in associated companies**  *Investment in subsidiaries and goodwill*  As at 31 December 2019, the Company has investments in subsidiaries net of allowance for impairment of investment of Baht 11,895.42 million. The Company recognizes allowance for impairment of investment during the year of Baht 2,448.65 million. In addition, the Company has goodwill of Baht 855.07 million which arose from the acquisition of investments in Potash mining, cement business in Thailand and construction business in India.  *Investments in associated companies*  As at 31 December 2019, the Group and the Company have investments accounted by the equity method in the consolidated financial statements totaling of Baht 1,400.60 million, which has been recorded at cost of Baht 1,702.01 million in the separate financial statements  In consideration of the recoverable amount of investments in subsidiaries and associated companies, including the impairment test of goodwill, management is required to use highly judgment for the assessment of appropriate estimates and significant assumptions relating to the subsidiaries and associated companies’ ability to operate profitably, including their future cash flows projection and expenses from the continuing operations of such businesses and the use of the appropriate discount rate to discount cash flows projection used for the calculation of recoverable amount.  The Group and the Company disclosed accounting policies and detail of investments in subsidiaries, associated companies and goodwill in Notes 3, 15 and 24 to financial statements. | My audit procedures are summarized below:   * Obtained an understanding of the process for assessment of recoverable amounts of investments in subsidiaries, associated companies and group of business units. * Considered the indication of impairment for investments in subsidiaries, associated companies, and goodwill of each business unit. * Considered the reasonableness of management’s assumptions and procedures for calculation of cash flow projections including the tests of 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 rates used by management for the recoverable amounts from investments in subsidiaries and goodwill. * Assessed the appropriateness of the management estimates by reviewing the actual operating results to the estimates in the prior year. * Considered the key drivers as the sensitivity analysis and the impact to recoverable amounts of investments in subsidiaries, and goodwill. * Considered the recoverable amounts of investments in projects under development which the Company invested through the associated companies by assessing project feasibility study and considered developing the discount rate through analysis of the average costs of capital and others information with other comparable companies, then developing audit expectation testing the calculation of the recoverable amounts of investments in associated companies using the selected financial model. * Considered the adequacy of the Group’s and Company’s disclosures for investments in subsidiaries, associated companies, and goodwill. |
| **Investments in projects under development**  The Group and the Company have significant investments in projects with local and overseas Government Agencies which are in stages of project development. The total amount of the investments in the consolidated and separate financial statements as of 31 December 2019 are as follows:   * Development costs for concession right - Dawei project of Baht 7,804.17 million and Baht 5,205.96 million, respectively. * Potash mining right of Baht 2,293.49 million and deferred exploration and development costs of Baht 951.45 million. * Deferred concession costs and costs of project under development in Mozambique of Baht 2,108.93 million and Baht 1,921.19 million, respectively.   The assessment of the realizable value of the investments in such projects, requires management high judgment about the future project feasibility, forecasted cash flows and expenses from operations in such projects.  The details of the investments in project under development are disclosed in Notes 17, 18, 19 and 25. | My audit procedures are summarized below:   * Obtained an understanding of the process for assessment of recoverable amounts of projects under development which the Group and the Company have invested. * Considered the feasibility of projects and assessed the progress of the projects in various sides which the Group’s and the Company’s executive management have periodically discussed with the project owners and Government Agencies along with the review of supporting evidences. * Considered the reasonableness of management’s assumptions and procedures used for calculation of cash flows projection including the review of documents supporting the best estimates  of management, especially the projected revenues, gross margins and operating profits from the projects which the Group and the Company invested. * Considered the discount rate through analysis of the average costs of capital and others information with other comparable companies along with testing the calculation of the recoverable amount of investments in projects under development using the selected financial model. * Considered the adequacy of the Group’s and Company’s disclosures for investments in projects under development. |

*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 to me after the date of this auditor's report.

My opinion on the consolidate and separate financial statements does not cover the other information and I 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 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 communicate the matter to those charged with governance and revised a material misstatement.

However, as described under the Basis for Qualified Opinion section with respect to the uncertainty in the collection of trade accounts receivable and earned revenues not yet billed of overseas subsidiaries and the matters which cannot be concluded regarding to the fair value of net assets of an overseas subsidiary and possible impact from termination of contract between the joint venture and the employer, 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 from such matters.

*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

2 March 2020