



August 15, 2017

**Subject:** MD&A for the financial statements of the 2<sup>nd</sup> quarter of fiscal year 2017 ended as of June 30, 2017

**To:** The President  
The Stock Exchange of Thailand

Aapico Hitech Public Company Limited (“**the Company**”) would like to clarify the consolidated financial statements of the Company for the 2<sup>nd</sup> quarter of fiscal year 2017 ended as of June 30, 2017, which can be summarized as follows:

#### Thailand Automotive Industry

For a period of Q2 2017, **total vehicle production volume** was 465,411 units, which was 4.3% lower than last year’s volume of 486,506 units. This year-on-year decrease was mainly due to lower production for export. **Export volume** declined by 12.2% year-on-year to 252,105 units, compared to 287,063 units in Q2 2016, due to weak demand in export markets. This decreased export volume was partly offset by increased **domestic sales**, which grew year-on-year by 6.6% to 199,490 units, compared to 187,070 units sold in Q2 2016, primarily attributable to recovering domestic consumption, new car model introduction, and some impact from the Bangkok Motor Show in March.

#### Profit & Loss Analysis

(Unit: Million Baht unless otherwise stated )

	Q2 2017	Q2 2016	Change	
			Amount	%
Total Revenues	3,903	3,681	222	6.0%
Sales and service income	3,628	3,588	40	1.1%
Other income	127	92	35	38.0%
Gain on disposal of investment	147	-	147	100%
Cost of sales and services	3,400	3,351	49	1.5%
SG&A expenses	211	186	25	13.4%
Interest and Tax expenses	36	42	(6)	-14.3%
Share of profit from associate and JV	68	31	37	119.4%
Net Profit attributable to equity holders	315	123	192	156.1%

#### Total Revenues

Total revenue in Q2 2017 was Baht 3,903 million, which was 6.0% growth compared to Baht 3,681 million in Q2 2016. The year-on-year sales increase was attributable to a total gain on sale of investment of Baht 147 million from the disposal of investment in Quantum Inventions Pte. Ltd., Singapore (QI), and AAPICO QI SDN. BHD.,

Malaysia (AQI), interest income of Baht 22 million from a synthetic convertible loan to Sakthi Global Auto Holdings Limited (SGAH), as well as higher sales of the automotive parts in China and good car sales in the Malaysian car dealerships. These increases were partly offset by lower revenue of the automotive parts in Thailand, in line with the industry trend.

#### **Cost of sales and services**

Driven by higher sales, **cost of sales and services** increased year-on-year. **Gross profit margin** as a percentage of sales slightly decreased from 6.6% in Q2 2016 to 6.3% in Q2 2017, as improved margins in the automotive parts segment, driven by improved efficiency, was impacted by lower margins in the car dealerships.

#### **Selling and Administrative expenses**

Selling and administrative expenses increased year-on-year, mainly due to one-time expenses related to the acquisition of Sakthi Global Auto Holdings Limited (SGAH).

#### **Net profit attributable to equity holders**

Net profit attributable to equity holders increased significantly compared to last year, primarily attributable to a gain on sale of investment of Baht 147 million from the disposal of investment in Quantum Inventions (QI) and AAPICO SDN BHD (AQI) and interest income of Baht 22 million from loan to Sakthi Global Auto Holdings Limited (SGAH), partly offset by increased expenses related to the acquisition of SGAH. Apart from these extraordinary items, net profit improvement was also attributed to increased share of profit from associate companies, mainly Hyundai, and lower financing costs.

As a percentage of sales, **net profit margin** improved from 3.4% in Q2 2016 to 8.1% of sales in Q2 2017.

(Unit: Million Baht unless otherwise stated )

	Jan-Jun 2017	Jan-Jun 2016	Change	
			Amount	%
Total Revenues	7,849	7,590	258	3.4%
Sales and service income	7,457	7,406	51	0.7%
Other income	245	184	61	33.2%
Gain on disposal of investment	147	-	147	100%
Cost of sales and services	6,933	6,902	31	0.4%
SG&A expenses	409	378	31	8.2%
Loss on disposal of other investment	62	-	62	100%
Interest and Tax expenses	59	70	(11)	-15.7%
Share of profit from associate and JV	177	62	115	185.4%
Net Profit attributable to equity holders	539	269	270	100.4%

For the period of Jan-Jun 2017, **total revenue** was Baht 258 million higher than last year, mainly attributable to gain on sale of investment of Baht 147 million from the disposal of QI and AQI and interest income of Baht 22 million from loan to SGAH. **Sales and service income** grew 0.7% year-on-year, driven by good car sales in the car dealerships in Malaysia and higher sales in China. However, these increase were partly offset by lower sales in Thailand, which was in line with industry trend.

**Net profit attributable to equity holders** increased significantly, from Baht 269 million in Jan-Jun 2016 to Baht 539 million in Jan-Jun 2017, driven by gains on sale of investment of Baht 147 million from the disposal of QI and AQI and interest income of Baht 22 million from loan to SGAH, increased share of profit from associate companies, as well as improved efficiency, on-going cost reductions, and lower financing costs. These increases however were partly offset by a Baht 62 million loss from the disposal of Jackspeed Corporation in Q1 2017 and one-time expenses related to the acquisition of SGAH.

### Financial Position Analysis

( Unit: Million Baht unless otherwise stated )

	June 2017	December 2016	Change	
			Amount	%
Total Assets	14,657	11,113	3,544	+31.9%
Total Liabilities	7,930	4,877	3,053	+62.6%
Total Shareholders' Equity	6,727	6,236	491	+7.9%

Compared to December 2016, the Company's **total assets** increased by Baht 3,544 million, primarily due to the acquisition of 25.1% interest in Sakthi Global Auto Holdings Limited (SGAH) and the synthetic convertible loan to SGAH for a total amount of Baht 3,401 million and the increase of receivables and inventories, partly offset by the decrease in value of fixed assets through depreciation.

**Total liabilities** increased by Baht 3,053 million, driven by the increase of bank loans to finance the investment of SGAH. **Total shareholders' equity** increased by Baht 491 million, attributable to the increase from net profit in the first half of 2017 and partly offset by dividend payment of Baht 104 million.

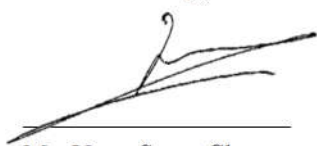
### Key Financial Performance

Driven by a track record of good profits and gains from the disposal of investments in Quantum Inventions, the Company's profitability indicators have continually improved. The Company's **return on equity (ROE)** ratio has improved to 12.9%, compared to 8.1% in Q2 2016. **Return on assets (ROA)** ratio improved to 6.3%, compared to 4.1% in Q2 2016.

The **interest bearing debt to equity (D/E)** ratio has increased, from 0.36 times in Q1 2017 to 0.69 in Q2 2017, due to increased borrowings to finance the investment in SGAH. The D/E ratio was also higher than last year's ratio at 0.51 times, but still below the Company's target of between 0.5-1.0 times. **Total debt to equity** ratio as of June 2017 was 1.12 times, which was also well below the financial covenant target of below 1.75 times.

Please be informed accordingly.

Yours sincerely,



Mr. Yeap Swee Chuan  
President & CEO