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August 14, 2019

Subject: Management Discussion & Analysis (MD&A) for the financial statements of the 2nd quarter of fiscal year 2019 ended as of June 30, 2019

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 2nd quarter of fiscal year 2019 ended as of June 30, 2019, which can be summarized as follows:

Thailand Automotive Industry

	Q2			January – June		
	2019	2018	% Change	2019	2018	% Change
Production	504,458	516,879	-2.40%	1,065,945	1,056,569	0.89%
Domestic	260,221	252,025	3.25%	523,770	489,118	7.08%
Export	260,020	266,730	-2.52%	559,861	561,960	-0.37%

Total vehicle production volume in Q2 2019 dropped by 2.40% compared to last year. Export Volume dropped by 2.52% due to the global economic slowdown as overall economy may be affected by the international trade war. Domestic demands on the opposite slightly increased, reflecting the increase of the purchasing power in durable goods and the effect from new model launch from many brands.

For the period of January to June, total vehicle production volume grew by 0.89% year-on-year, attributable to increased demands in domestic market while export volume slightly dropped by 0.37% year-on-year.

Profit & Loss Analysis

(Unit : Million Baht unless otherwise stated)	Quarter 2		Change	
	2019	2018	Amount	% Change
Total Revenues	4,759	4,283	476	11.11%
Sales and service income	4,613	4,004	610	15.23%
Other income	140	195	-55	-28.20%
Interest income	5	84	-79	-93.78%
Cost of sales and services	4,258	3,744	514	13.72%
SG&A expenses	341	197	144	73.37%
Interest and Tax expenses	89	66	23	34.53%
Share of profit from associates and JV	68	39	29	75.16%
Net profit attributable to equity holders	140	305	-164	-53.94%

Total revenue grew by 11.1% year-on-year, driven by higher sales from the automotive parts segment. Interest income on the other hand has decreased due to the fact that the company has stopped recognizing interest income on the loan to SGAH for conservative reasons. Sales of automotive parts grew by 25.3%, driven by growth in automotive parts segments in Thailand and tooling sales from overseas customers. The car dealerships sales dropped by 3.1%, due to lower car sales of Thailand dealership and even though the Malaysia dealership sales figures has increased, due to THB strengthening, the total revenue decrease after conversion to THB during consolidation.

Cost of sales and services increased in accordance with higher sales. **Gross profit margin** as percentage of sales improved from 6.5% in Q2 2018 to 7.7% in Q2 2019 even when there was higher staff expenses to adhere to the changes in the Labor Protection Act (amount of Baht 36 million). This year-on-year improvement was mainly attributable to higher sale from automotive parts, improved efficiency and increases of gross profit from tooling sales.

Selling and administrative expenses were Baht 144 million higher than last year, due to unrealized loss on foreign currency exchange rate (amount of Baht 76 million) mainly related to the loan given to SGAH, professional fee related to legal process related to SGAH shares enforcement (amount of Baht 44 million) and higher staff expenses to adhere to the changes in the Labor Protection Act (amount of Baht 6 million).

Net profit attributable to equity holders is Baht 140 million compared to Baht 305 million in Q2 2018. The major decreased in the profit is due to unrealized loss on foreign currency exchange (amount of Baht 76 million) and non-recurring expenses such as the professional fee related to the appropriation and receivership of SGAH (amount of Baht 44 million) and higher staff expenses due to the changes in the Labor Protection Act (amount of Baht 42 million), totaling of Baht 162 million. If adjusted by adding these expenses to Baht 140 million, result in a figure of Baht 302 million. This is an increase of 16.4% year-on-year, from Baht 260 million (after adjust exchange rate gain of Baht 45 million) to Baht 302 million. This improvement is largely attributable to increased earnings from operations driven by higher sales and improved efficiency and lower losses sharing from SGAH. This improvement, however, was partly offset by lower share of profit from Hyundai and the Company stopping the interest income recognition on the loan to SGAH.

In summary, Q2 2019 performed better than Q2 2018, if not for unrealized loss on foreign currency exchange and non-recurring expenses of Baht 162 million.

1st half 2019 performance

(Unit : Million Baht unless otherwise stated)	January to June		Change	
	2019	2018	Amount	% Change
Total Revenues	9,237	8,745	492	5.63%
Sales and service income	8,843	8,268	576	6.96%
Other income	274	314	-40	-12.62%
Interest income	120	164	-44	-26.82%
Cost of sales and services	8,113	7,700	413	5.36%
SG&A expenses	597	401	196	48.84%
Interest and Tax expenses	215	126	90	71.40%
Share of profit from associates and JV	43	198	-155	-78.46%
Net profit attributable to equity holders	357	702	-345	-49.14%

For the period of January to June, **total revenue** grew by 5.6% year-on-year, driven by higher sales. The year-on-year sales increase was driven by sales growth in automotive parts segment.

Net profit attributable to equity holders decreased to Baht 357 million, as compared to net profit of Baht 702 million in 1H 2018. Similar to the above reasons for Q2, the profit is effected by unrealized loss on foreign currency exchange rate and non-recurring expenses such as the professional fee related to SGAH and higher staff expenses due to the changes in the Labor Protection Act in 1H 2019. If adjusted for these expenses, net profit for 1H 2019 was Baht 551 million, decreased by Baht 140 million year-on-year, from Baht 691 million. The main reason is due to the Company cease recognizing interest income on loan to SGAH for Q2 2019 (3 Months) and lower shared of profit from associates.

Financial Position Analysis

(Unit : Million Baht unless otherwise stated)	June	December	Change	
	2019	2018	Amount	% Change
Total Assets	18,987	17,891	1,096	6.12%
Total Liabilities	10,783	9,944	839	8.44%
Total Equities	8,203	7,947	256	3.23%

For the period of January to June 2019, the Company's **total assets** increased by Baht 1,096 million, mainly driven by the increase of investment in JV, receivables and inventories. **Total liabilities** increased by Baht 839 million, mainly by an issuance of debentures in March and June 2019 with total amount of Baht 1,300 million. **Total shareholders' equity** increased by Baht 256 million, driven by increase of profit during the period, partly offset by dividend payment.

Key Financial Performance

	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019
Return on equity (ROE)	18.90%	19.80%	17.70%	14.40%	12.38%
Return on asset (ROA)	9.00%	9.20%	8.20%	6.80%	5.73%
Interest bearing Debt / Equity (IBD/Equity)	0.56	0.62	0.80	0.80	0.83

Return on equity (ROE) and Return on assets (ROA) as of Q2 2019 were at 12.4% and 5.7% respectively. The Company's profitability indicators were lower than Q2 2018, mainly due to new investments which had not yet generated return and unrealized loss on foreign currency exchange and non-recurring expenses at the 1st half of the year. Interest bearing debts to equity (IBD/Equity) ratio was slightly higher than Q2 2018 at 0.83 times, primarily due to increased debt level but still below the Company's target of below 1.0 times.

Please be informed accordingly.

Yours sincerely,

Mr. Yeap Swee Chuan
President & CEO