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February 29th, 2024

Subject: Management Discussion & Analysis (MD&A) for the financial statements of fiscal year 2023 ended as of December 31, 2023

To: The President
The Stock Exchange of Thailand

Aapico Hitech Public Company Limited (“the Company”) would like to explain the consolidated financial statements of the Company for the fiscal year 2023 ended as of December 31, 2023, which can be summarized as follows:

1) Profit & Loss Analysis : Q4 2023 (3 Months)

(Unit : Million Baht unless otherwise stated)	Q4 2023	Q4 2022	Change	
			Amount	% Change
Total Revenues	7,226.4	7,878.0	-651.6	-8.3%
Sales and service income	7,131.4	7,792.1	-660.7	-8.5%
Other income	95.0	86.0	9.0	10.5%
Cost of sales and services	6,312.7	6,782.4	-469.7	-6.9%
Gross Profit	818.7	1,009.7	-191.0	-18.9%
Gross Profit Margin (%)	11.5%	13.0%	-1.5%	
SG&A expenses	465.7	409.8	55.9	13.6%
Loss on exchange rate	153.4	237.0	-83.6	-35.3%
Other expenses	71.8	-3.9	75.7	1960.5%
Recycling of translation adjustments of an associate previously recognised through comprehensive income	171.2	0.0	171.2	N/A
EBIT before share of profit (loss) from investment in associates and joint venture	51.5	452.7	-401.1	-88.6%
Share of profit (loss) from investment in associates and joint venture	67.9	95.0	-27.1	-28.6%
EBIT	119.4	547.7	-428.3	-78.2%
Finance Income	5.9	2.5	3.4	135.2%
Finance cost	-137.9	-97.7	-40.2	41.1%
Income tax (expenses)	129.1	-37.8	166.9	-441.6%
Net profit (loss) attributable to equity holders	137.7	410.7	-273.0	-66.5%
Net profit (loss) attributable to equity holders Margin (%)	1.9%	5.2%	-3.3%	
Net profit (loss) attributable to equity holders Exclude Gain (Loss) on exchange rate and one-time expenses	420.6	590.7	-170.2	-28.8%
Net profit (loss) attributable to equity holders Margin (%) Exclude Gain (Loss) on exchange rate and one-time expenses	5.8%	7.5%	-1.7%	

Total revenue decreased by 8.3% year-on-year. Sales and service income decreased by 8.5%, with 7.3% decrease in automotive parts businesses and 11.3% decrease in dealership businesses respectively whilst

Thailand car production decreased by 12.3% in Q4 2023. The decrease in revenue was due to the following reasons:

- 1) **Automotive Parts Business**; Lower volume from customers due to slower production and sales of pickup trucks in Thailand. China and Portugal Operation, on the other hand, recorded a strong growth of 26.8% and 13.7% year-on-year respectively
- 2) **Car Dealerships Business**; Higher sales in the dealership business in Malaysia was offset by lower sales of Thailand Dealership. Slower car sales in Thailand in 2023 was attributable mainly to tighter lending policy of auto financing providers. Domestic car sales reduced by 12.4% in Q4 2023.

Cost of sales and services decreased in accordance with slower sales. Gross profit margin decreased from 13.0% in Q4 2022 to 11.5% in Q4 2023 due to lower production volume of automotive parts manufacturing business. However, Gross profit margin was within our target Gross profit margin of 10-12%

Selling and administrative expenses increased by 13.6% from Baht 409.8 million in Q4 2022 to Baht 465.7 million in Q4 2023 due to the repayment of legal fee from Sakthi Group, following the court's decision in favor of the Company under the English Commercial Court's hearing amount of Baht 57 million in Q4 2022. If we excluded these from SG&A expenses, SG&A expenses in Q4 2022 would be Baht 466.8 million.

Loss on foreign currency exchange rate was Baht 153.4 million in Q4 2023, compared to a loss on foreign currency exchange of Baht 237.0 million in Q4 2022, caused by appreciation of Thai Baht. This loss on foreign currency exchange was mainly associated with the USD loan related to the SGAH transaction and was non-cash in nature.

Net profit (loss) attributable to equity holders was Baht 137.7 million, as compared to net profit of Baht 410.7 million in Q4 2022. Net profit margin decreased from 5.2% in Q4 2022 to 1.9% in Q4 2023 mainly due to the following reasons:

- 1) Recycling of translation adjustments of an associate previously recognised through comprehensive income amount of Baht 171.2 million. (One-Time item)
- 2) Accounting adjustment of AAPICO Avee's amount of approximately Baht 26.5 million. (One-Time item)
- 3) Impairment on loan given to joint venture company amount of Baht 76 million (AH hold 40%) (One-Time item)
- 4) Decreased profit sharing from associates and joint ventures from Baht 95.0 million in Q4 2022 to Baht 67.9 million in Q4 2023.

Net profit (loss) attributable to equity holders excluding gain (loss) on foreign currency exchange rate and one-time expenses (Core net profit) was Baht 420.6 million, compared to Baht 590.7 million in Q4 2022. Excluding gain (loss) on foreign exchange and extraordinary items, net profit margin decreased from 7.5% in Q4 2022 to 5.8% in Q4 2023.

2) Profit & Loss Analysis : 12 Months

(Unit : Million Baht unless otherwise stated)	2023	2022	Change	
			Amount	% Change
Total Revenues	30,389.5	28,348.1	2,041.4	7.2%
Sales and service income	30,033.9	27,967.2	2,066.7	7.4%
Gains on exchange rate	0	63.1	-63.1	-100.0%
Other income	355.6	317.8	37.8	11.9%
Cost of sales and services	26,521.5	24,776.6	1,744.9	7.0%
Gross Profit	3,512.4	3,190.6	321.8	10.1%
Gross Profit Margin (%)	11.7%	11.4%	0.3%	
SG&A expenses	1,781.0	1,672.1	108.9	6.5%
Loss on exchange rate	8.6	0.0	8.6	N/A
Other expenses	99.6	-6.0	105.6	1753.4%
Recycling of translation adjustments of an associate previously recognised through comprehensive income	171.2	0.0	171.2	N/A
EBIT before share of profit (loss) from investment in associates and joint venture	1,807.5	1,905.3	-97.8	-5.1%
Share of profit (loss) from investment in associates and joint venture	303.3	451.5	-148.2	-32.8%
EBIT	2,110.8	2,356.9	-246.1	-10.4%
Finance income	17.0	9.0	8.0	88.3%
Finance cost	463.5	341.9	121.6	35.6%
Income tax (expenses)	-81.8	-177.1	95.3	-53.8%
Net profit (loss) attributable to equity holders	1,610.4	1,823.6	-213.2	-11.7%
Net profit (loss) attributable to equity holders Margin (%)	5.3%	6.4%	-1.1%	
Net profit (loss) attributable to equity holders Exclude Gain (Loss) on exchange rate and one-time expenses	1,762.5	1,703.5	59.0	3.5%
Net profit (loss) attributable to equity holders Margin (%) Exclude Gain (Loss) on exchange rate and one-time expenses	5.8%	6.0%	-0.2%	

Total revenue increased by 7.2% year-on-year. Sales and service income increased by 7.4%, with 6.9% increase in automotive parts businesses and 8.6% increase in dealership businesses respectively. Increase in total revenue of automotive parts businesses was attributable to increase in customer orders from existing clients and new products for the first 9 months. Increase in total revenue of Dealership businesses was mainly came from growth in Malaysian Dealership while no growth from Thailand dealership.

Cost of sales and services increased in accordance with higher sales. Gross profit increased by 10.1% from Baht 3,190.6 million in 2022 to Baht 3,512.4 million in 2023. Gross profit margin slightly increased from 11.4% in 2022 to 11.7% in 2023 due to an increase of revenue from automotive parts businesses and product mix.

Selling and administrative expenses increased by 6.5% from Baht 1,672.1 million in 2022 to Baht 1,781 million in 2023. However, it is noteworthy that there was a repayment of legal fee received in Q4 2022 from Sakthi Group, following the court's decision in favor of the Company under the English Commercial Court's hearing. If these were excluded, SG&A expenses in 2022 would be Baht 1,729.1 million or an increase of 3% in SG&A expenses in 2023 while total revenue increased by 7.2%.

Loss on foreign currency exchange rate was at Baht 8.6 million in 2023, compared to a gain on exchange rate of Baht 63.1 million in 2022. Loss on exchange rate was caused by appreciation of Thai Baht at the end of 2023 vs. year-end 2022. Loss on exchange rate was non-cash and mainly associated with the USD loan related to the SGAH transaction.

Net profit (loss) attributable to equity holders was Baht 1,610.4 million (5.3%) in 2023, compared to net profit of Baht 1,823.6 million (6.4%) in 2022. The lower net profit in 2023 was caused by the following:

- 1) A swing of Baht 71.7 million between loss on foreign currency exchange rate amount of Baht 8.6 million vs gain on foreign exchange rate of Baht 63.1 million in 2022
- 2) Recycling of translation adjustments of an associate previously recognised through comprehensive income amount of Baht 171.2 million. (One-Time item)
- 3) Accounting adjustment of AAPICO Avey's amount of approximately Baht 26.5 million. (One-Time item)
- 4) Impairment on loan given to joint venture company and impairment on investment of associate company amount of Baht 90 million (One-Time item)
- 5) Decreased profit sharing from associates and joint ventures from Baht 451.5 million in 2022 to Baht 303.3 million in 2023.

Net profit (loss) attributable to equity holders excluding gain (loss) on foreign currency exchange rate and one-time expenses (Core net profit) was Baht 1,762.5 million (5.8%) in 2023, compared to Baht 1,703.5 million (6%) in 2022, representing a 3.5 % increase year-on-year.

3) Financial Position Analysis

(Unit : Million Baht)	December		Change	
	2023	2022	Amount	% Change
Total Assets	25,293.3	25,469.0	-175.7	-0.7%
Total Liabilities	13,976.7	15,539.5	-1,562.8	-10.1%
Total Equities	11,316.6	9,929.5	1,387.1	14%

For Q4 2023, the Company's **total assets** slightly decreased by Baht 87.1 million. **Total liabilities** decreased by Baht 1,474.2 million, due to continued decrease in long term loan and debentures. **Total shareholders' equity** increased by Baht 1,387.1 million from net profit during the period.

4) Key Financial Performance

	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023
Return on equity (ROE)	20.1%	20.7%	20.3%	18.7%	15.8%
Return on asset (ROA)	7.7%	8.1%	8.1%	7.3%	6.2%
Interest bearing Debt / Equity (IBD/Equity)	0.8	0.7	0.6	0.6	0.5

Return on equity (ROE) and Return on assets (ROA) as of Q4 2023 were at 15.8% and 6.2% respectively. Interest bearing debts to equity (IBD/Equity) ratio decreased from 0.8 times as at Q4 2022 to 0.5 times as at Q4 2023.

5) Thailand Automotive Industry

(Unit: Cars)	Quarter 4			January – December		
	2023	2022	% Change	2023	2022	% Change
Production	455,715	519,478	-12.3%	1,841,686	1,883,515	-2.2%
Domestic	188,910	215,701	-12.4%	775,780	849,388	-8.7%
Export	295,640	293,812	0.6%	1,117,539	1,000,256	11.7%

Total vehicle production volume in Q4 2022 decreased by 12.3% to 455,715 units, compared to 519,478 units for the same period last year, mainly due to a decrease in production of pickup trucks which was linked to financial institutions' tightening lending practice especially for the pickup truck segment due to rising problem loans. Domestic car sales decreased by 12.4% to 188,910 units as a result. Export volume increased by 0.6% to 295,640 units.

For the period of January to December, total vehicle production volume decreased by 2.2% year-on-year to 1,841,686 units. Domestic demands decreased by 8.7% to 775,780 units. Export volume increased by 11.7% to 1,117,539 units.

In 2024, the Federation of Thai Industries (FTI) forecast the car production to be at 1,900,000 units or increased by 3.2% from 2023, which were divided into production for exporting of 1,150,000 units and production for domestic sale of 750,000 units.

Looking back, 2023 was a challenging year for Thailand auto industry as illustrated by decrease in overall production and weaker domestic demand for cars due to overall economic environment. Despite rather challenging environment, we reported a satisfactory performance in 2023 with revenue and core net profit of Baht 30,410.2 million and Baht 1,762.5 million reflecting growth of 7.2% and increase of 3.5% from those of 2022 respectively. Our revenue growth outperformed Thailand auto industry production thanks to our geographically diversified businesses which saw growth in our China, Portugal and Malaysia contributing to the growth. In addition, our financial health and balance sheet remain very strong with continued improvement in leverage from debt repayments.

Yours sincerely,



(Mr. Yeap Swee Chuan)
Chairman and President