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March 3, 2020

Subject: Management Discussion & Analysis (MD&A) for the financial statements of fiscal year 2019 ended as of December 31, 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 fiscal year 2019 ended as of December 31, 2019, which can be summarized as follows:

Thailand Automotive Industry

Total vehicle production volume for the year 2019 dropped by 7.10% to 2,013,710 units, compared to 2,167,694 units in 2018. Export volume dropped by 7.59% to 1,054,103 units, compared to 1,140,640 units in 2018 due to the trade war between China and USA that put pressure on the overall global economy and trade. Appreciation of THB also affect the export volume. Domestic volume also dropped by 3.28% to 1,007,552 units, compared to 1,041,739 units in 2018 even though there was an increase in domestic demand in first half of the year.

Profit & Loss Analysis

(Unit : Million Baht unless otherwise stated)	2019	2018	Change	
			Amount	% Change
Total Revenues	19,304	17,738	1,566	8.83%
Sales and service income	18,389	16,738	1,651	9.86%
Gains on changes in interests in investments in associate and joint venture	151	-	151	N/A
Interest income	195	368	-173	-47.12%
Other income	570	631	-61	-9.73%
Cost of sales and services	16,704	15,464	1,240	8.02%
Gross Profit	1,685	1,275	410	32.17%
Gross Profit Margin (%)	9.16%	7.62%		
SG&A expenses	1,091	854	237	27.72%
Loss on exchange rate	189	16	174	1120.52%
Loss on change in status of investment	564	-	N/A	N/A
Doubtful debts (reversal)	508	-1	508	-92825%
Loss on impairment of investments	11	-	N/A	N/A
EBIT before share of profit from investment in associates and joint venture	237	1,405	-1,168	-83.13%
Share of profit from investment in associates and joint venture	115	104	11	10.70%
EBIT	352	1,509	-1,156	-76.65%
Finance cost	296	197	99	50.02%
Income tax expenses	224	-30	254	-849.98%

(Unit : Million Baht unless otherwise stated)	2019	2018	Change	
			Amount	% Change
Net profit (Loss) attributable to equity holders	-181	1,299	-1,480	-113.94%
Net profit attributable to equity holders (Exclude other expenses)*	902	1,299	-397	-30.58%
Net profit attributable to equity holders margin (Exclude other expenses)* (%)	4.67%	7.32%		

* Other expenses included loss on change in status of investment, doubtful accounts and loss on impairment of investments

Total revenue grew by 8.83% year-on-year, driven by higher sales from the automotive parts segment and sale contribution of AAPICO Maia which the company acquired in Q4 2019. 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 treatment since Q2 2019. Sales of automotive parts grew by 21.23% year-on-year, driven by growth in automotive parts segments, tooling sales to overseas customers and sale contribution from AAPICO Maia. The car dealerships sales dropped by 9.92% year-on-year, mostly due to a decrease in Honda sales.

Cost of sales and services slightly increased in accordance with higher sales. **Gross profit margin** as percentage of sales improved from 7.62% in 2018 to 9.16% in 2019. This year-on-year improvement was mainly attributable to higher sales from automotive parts, improved efficiency, increase of gross profit from tooling sales and AAPICO Maia higher gross profit margin.

Selling and administrative expenses were higher than last year, due mainly to professional fees related to SGAH and higher provisions due to the changes in the Labor Protection Act.

Loss on foreign currency exchange rate increased, mainly due to appreciation of THB against USD which affected loan given to SGAH, amounting to Baht 189 million.

Other expenses included several one-time expenses. There were losses on change in status of investment, in the amount of Baht 564 million and provision of doubtful account of Baht 508 Million, which mainly includes liabilities between AH (including subsidiaries) and SAGUSA. The latter is in the process of liquidation.

Share of profit from associate and JV increased from Baht 104 million in 2018 to Baht 115 million in 2019 due to lower loss sharing from SGAH, despite Hyundai declaring lower profits.

Net profit attributable to equity holders was minus Baht 181 million compared to Baht 1,299 million in 2018. Even though the gross profit for 2019 has improved from Baht 1,275 million to Baht 1,685 million, the following reasons has attributed to the significant decrease in net profit.

1. Decrease in profit sharing from Hyundai Motor (Thailand) Company Limited due to competitors introducing similar model into the Thai Market since Q3 2019
2. Stopped interest income recognition on the loan to SGAH since Q2 2019
3. Loss on change in status of investment in SGAH totaling of Baht 564 million which is non-cash expense
4. Doubtful account which mainly includes liabilities between AH (including subsidiaries) and SAGUSA for an estimated amount of Baht 508 million
5. Higher Income tax expenses, mainly from income tax on interest income. Even though we have stopped recognizing interest income on the loan to SGAH, the Company still need to pay tax according to the rule of the revenue department. However, there is a possibility to convert this as a tax credit in future.

The positive impact on net profit on the other hand include an increase of sales and service income from the automotive parts segment amounting to Baht 2,259 million.

Financial Position Analysis

(Unit : Million Baht)	Year 2019	Year 2018	Change	
			Amount	% Change
Total Assets	21,246	17,891	3,355	18.75%
Total Liabilities	13,766	9,945	3,822	38.43%
Total Equities	7,480	7,947	-467	-5.88%

In 2019, the Company's **total assets and total liabilities** increased by Baht 3,355 million and Baht 3,822 million respectively, largely attributable to the consolidation of AAPICO Maia. **Total shareholders' equity** decreased by Baht 467 million, caused by loss in 2019.

Key Financial Performance

	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019
Return on equity (ROE)	17.70%	14.40%	12.38%	11.04%	-2.43%
Return on asset (ROA)	8.20%	6.80%	5.73%	5.01%	-0.86%
Interest bearing Debt / Equity (IBD/Equity)	0.80	0.80	0.83	0.77	1.11

Return on equity (ROE) and Return on assets (ROA) as at end of 2019 are at -2.43% and -0.86% respectively. The Company's profitability indicators were negative this year due to the net loss, caused by the reasons explained above. Interest bearing debts to equity (IBD/Equity) ratio was higher than 2018 of 0.80 vs 1.11 in 2019, This change was caused by including 3 months profits in Q4 2019 of Aapico Maia but consolidating the full year debt level.

In conclusion, by Q4 2019, the Company has a clearer direction regarding the Sakthi's transaction. For the year 2018 until Q3 2019, the Company was not able to address the Sakthi Investment with any clarity. Going forwards the horizon ahead is quite clear. The Company has appropriated 100% of SGAH (Holding Company in UK) and own 77% of SACL (India) although the AAPICO Board is not fully install to gain full control of SACL (India). SAGUSA, the USA operation is now in receivership and all reasonable provisions have been made in 2019. The Company also acquired 100% of Sakthi Portugal and they are showing better results in Q4 2019.

Except for the many one-time provisions made this year, the Company's overall performance going forward should be on the mend.

Yours sincerely,



Mr. Yeap Swee Chuan
President & CEO