

**Syntec Construction Public Company Limited
and its Subsidiaries**

Financial statements for the year ended
31 December 2018
and
Independent Auditor's Report

Independent Auditor's Report

To the shareholders of Syntec Construction Public Company Limited

Opinion

I have audited the consolidated and separate financial statements of Syntec Construction Public Company Limited and its subsidiaries (the Group), and of Syntec Construction Public Company Limited (the Company), respectively, which comprise the consolidated and separate statements of financial position as at 31 December 2018, and the consolidated and separate statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, including a summary of significant accounting policies and other explanatory information.

In my opinion, the accompanying consolidated and separate financial statements present fairly, in all material respects, the financial position of Syntec Construction Public Company Limited and its subsidiaries and of Syntec Construction Public Company Limited, respectively, as at 31 December 2018, and their financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards (TFRSs).

Basis for Opinion

I conducted my audit in accordance with Thai Standards on Auditing (TSAs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements section of my report. I am independent of the Group and the Company in accordance with the Code of Ethics for Professional Accountants issued by the Federation of Accounting Professions that are relevant to my audit of the consolidated and separate 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 opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, were 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.

Key Audit Matters	Audit Responses
<p>Recognition of revenue from construction</p> <p>The Company has operated construction business and recognized contract revenues based on the percentage of completion under contract. The percentage of completion is calculated by comparing the construction cost of the work completed up to the present with the estimated total construction cost including the additional and deductible work. The process of determining state of completion each project requires the management and project manager to apply significant judgement in considering carefully to estimate project cost for each project including the trend of changes in construction material price, labour, expenses relating to construction, the probability of construction work delayed, and barriers to construct which may cause the Company's burden. In 2018, the Group and the Company had contract revenues amounted to Baht 6,789 million and Baht 6,816 million (accounting for 91 percent and 95 percent, respectively of total revenues), contract costs amounted to Baht 5,757 million and Baht 5,784 million (accounting for 86 percent and 91 percent, respectively of total expenses), unbilled construction in progress amounted to Baht 730 million and Baht 730 million (net amount was 7 percent and 9 percent, respectively of total assets), and provisions such as the estimated costs of rectification in the period of guarantee work or the expected project losses or penalties of delay etc. totaled to Baht 8 million and Baht 23 million (accounting for 0.19 percent and 1 percent, respectively of total liabilities).</p> <p>Therefore, key audit matter is the recognition of contract revenues by percentage of completion, estimate of total construction cost of each project to assessing percentage of completion of each project, the estimate of expected project losses from construction and other provisions. These transactions impact to the Group's and the Company's financial statements.</p> <p>Accounting policies were disclosed in notes 3, 11 and 33, respectively.</p>	<p>Key audit procedures included:</p> <ul style="list-style-type: none"> • Understand the process of construction contracting, hiring subcontractors about a details of contract, estimate of construction cost, estimate of rectification cost in the period of guarantee work, payment and process of accounting records, authorization including related internal control procedures; • Review the design and implementation of such internal control procedures; • Perform the operating effectiveness testing over the internal control procedures related to estimating construction costs, procurement of construction materials, payment of labour, and hiring cost of subcontractors, etc; • Perform substantive testing as follows: <ul style="list-style-type: none"> - Review the terms of construction contracts and variation order occurring during year; - Review the method used by the management to monitor and consider the reasonableness of the evaluation of state of completion, revision of estimating construction costs, estimation of cost of rectification in the period of guarantee work, authorization and sampling test on related documents; - Test calculating percentage of completion of each project; - Test the accuracy of purchasing construction materials, payment of labour and remuneration to subcontractors, and related expenses against supporting documents - Observe the projects in progress at the year-end including inquiry of engineers / supervisors who were responsible, and understand the approach used in assessing the stage of completion of work - Send the confirmation requests to project managers and customers's project consultants with respect to the stage of completion of work - Review the adequacy of disclosures in note to the financial statements.

Key Audit Matters	Audit Responses
<p>Allowance for doubtful accounts</p> <p>The adequacy of allowance for doubtful accounts is one of key matters that the management is required to make significant judgement in determining the recoverable amount of receivable (“trade accounts receivable, retention receivables under construction contracts, and unbilled construction in progress”), which is an inherently uncertainty involving various factors including the current status of receivables, the payment histories, liquidity, expected ability of debtors’ payment, collateral value and the effect from economic fluctuations. Also, as at 31 December 2018, the Group and the Company had those receivables totalling Baht 2,674 million and Baht 2,672 million, respectively, and allowance for doubtful accounts totalling Baht 41 million and Baht 41 million, respectively. (net amount was 26 percent and 34 percent of total assets, respectively)</p> <p>Therefore, I pay particular attention to the adequacy of allowance for doubtful accounts of those receivables.</p> <p>Accounting policies and details of trade accounts receivable, retention receivables under construction contracts and unbilled construction in progress were disclosed in notes 3, 8, 10 and 11, respectively.</p>	<p>Key audit procedures included:</p> <ul style="list-style-type: none"> • Understand the process of accounting records, contracting, issuing invoice, authorization of transactions, following – up debts, collection of debts, estimate of allowance for doubtful accounts and related internal control procedure; • Review the design and implementation of such internal control procedures; • Perform the operating effectiveness testing over the internal control procedures; • Perform substantive testing as follows: <ul style="list-style-type: none"> - Send the confirmation of requests to trade accounts receivable and retention receivables under construction contracts at the end of year; - Verify the analytical receivables aging report of trade accounts receivable, retention receivables under construction contracts and unbilled construction in progress to corroborate on whether each receivable was classified in the appropriated arrear bracket, and the method of computation of the allowance for doubtful accounts; - Verify subsequent collection from receivables after the reporting period; - Review the litigation report with respect to receivables and opinion of internal legal consultant of the Company including review the appropriate of collateral value; - Review the financial position of long-term overdue receivables based on the latest financial statements and other information to be necessary in order to consider the ability to make payment; - Review the adequacy of disclosures in note to financial statements.

Key Audit Matters	Audit Responses
<p>Examination of the accumulating financial information process of the Group/the Company</p> <p>The Company mainly operates business in construction and real estate development for room service which separately accumulates and records data into two sections and many projects. Also, five subsidiaries operate in businesses service apartment or real estate apartment to rental and personnel management of which businesses are managed by other companies. Those subsidiaries separately accumulate and record data in separated sections with different accumulating financial information process. In addition, they have various accounting policies with respect to revenue recognition, and a number of documents which the management or person with duty to keep accounts and bookkeeper needs to accumulate data precisely, accurately and update.</p> <p>Therefore, I pay particular attention to the process of accumulating, recording, processing summarizing, reporting and disclosing information in accordance with Thai Financial Reporting Standards.</p>	<p>Key audit procedures included:</p> <ul style="list-style-type: none"> • Understand the process of accounting records, examining, authorizing, preparing, classifying, preparing financial statements and eliminating intergroup transactions both internal and external, including related internal control of the Group/the Company; • Review the design and implementation of such internal control procedures of the Group/the Company; • Perform in operating effectiveness testing over the internal control procedures of the Group/the Company including information of technology system related to the recording; • Perform substantive testing of the Group/the Company as follows: <ul style="list-style-type: none"> - Verify the schedules against the general ledger of each section; - Verify the accuracy of amount of internal revenues and expenses transactions to be billed among construction projects; - Examine the classifying types of transaction recorded to financial statements of each section that were prepared in compliance with same accounting principle, including eliminating intersection transactions; - Examine the accuracy of preparing financial statements of the Group/the Company and consolidated financial statements including eliminating intergroup transactions.

Other matters

The consolidated and separate statements of Syntec Construction Public Company Limited and its subsidiaries, and of Syntec Construction Public Company Limited, respectively, for the year ended 31 December 2017, which are included as a comparative information, were audited by another auditor in the same office who expressed an unmodified opinion on those financial statements in her report dated 28 February 2018.

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 consolidated 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 thereon, I am required to communicate the matter to those charged with governance and request further appropriate corrections.

Responsibilities of Management and Those Charged with Governance for the Consolidated and Separate Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with TFRSs, and for such internal control as management determines is 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 and the Company'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 the Group and the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the the Group's and the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated and Separate 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 TSAs 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 TSAs, 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 and the Company'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 and the Company'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 and the Company 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.

(Chaikrit Warakitjaporn)
 Certified Public Accountant
 Registration Number 7326

NPS Siam Audit Limited
 Bangkok
 28 February 2019