

Quality Construction Products Public Company Limited and its Subsidiary

Financial statements for the year ended
31 December 2020
and
Independent Auditor's Report

Independent Auditor's Report

To the Shareholders of Quality Construction Products Public Company Limited

Opinion

I have audited the consolidated and separate financial statements of Quality Construction Products Public Company Limited and its subsidiary (the "Group") and of Quality Construction Products Public Company Limited (the "Company"), respectively, which comprise the consolidated and separate statements of financial position as at 31 December 2020, the consolidated and separate income statements and statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising 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 the Group and the Company, respectively, as at 31 December 2020, 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 is 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.

Valuation of inventories	
Refer to Notes 4 and 8 to the consolidated and separate financial statements.	
The key audit matter	How the matter was addressed in the audit
I focused on this area because the Group's and the Company's main market is domestic which is high competition, so the selling price can be subject to market situation and be a result of the Group's and the Company's inventories are required to be stated at the lower of cost and net realizable value. The Group and the Company are to measure their inventories at net realizable value by comparing the cost of inventories against net realizable value to consider the allowance for decline in value which involve management's judgment which is based on market's situation. In addition, inventory is a significant balance in the consolidated and separate financial statements, this is as area of focus in my audit.	My audit procedures included inquiring of the management who is responsible for this area to obtain an understanding of the Group's and the Company's policy to measure the net realizable value of inventories. I assessed the Group's and the Company's compliance with their accounting policy. Apart from this, my procedures included testing the calculation of the measurement of net realizable value of inventories by comparing the cost of inventories against expected net realizable value (i.e. selling price in the latest invoice less the estimated costs necessary to make the sale) as well as recalculating the mathematical accuracy of the measurement in the inventory report and also sampling check with related supporting document. I also considered the adequacy of disclosures in relation to inventory in the consolidated and separate financial statements.

The impairment testing of investment property and property, plant and equipment	
Refer to Notes 4, 11 and 12 to the consolidated and separate financial statements.	
The key audit matter	How the matter was addressed in the audit
<p>I focused on this area because the current economic condition over the building-materials sector's situation in Thailand has significantly impacted on the current operating result of the Group and the Company and that the carrying amount of assets may exceed its recoverable amount and therefore may require a write off as a result of impairment.</p> <p>The impairment testing of investment property and property, plant and equipment are considered to be a risk area due to the fact that it involves significant judgment by management to identify any indication of impairment. The recoverable amount of assets are based on value in use and/or fair value less cost of disposal, whichever is higher. The value in use is derived from discounted cash flow. Judgmental aspects include assumptions of future profitability, revenue growth, margins and forecast cash flows, and the selection of appropriate discount rates as well as the size of investment property and property, plant and equipment are significant to the consolidated and separate financial statements, this is an area of focus in my audit.</p>	<p>My audit procedures focused on assessing the reasonableness of impairment indicator and the key assumption which underpins management's forecast.</p> <p>I evaluated the appropriateness of identification of CGU by management and valuation mythology, reasonableness of impairment indicator with reference to current market situations and its operating environment, my knowledge of the business, and other information obtained during the audit.</p> <p>I tested significant assumptions which supported discounted cash flows projection by comparing the key assumptions with internal and external sources of information, appropriateness of the valuation methodology, and sensitivity analysis to determine the effect of changes in the significant assumptions by management concerning recent performance, trend analysis, and tested the mathematical accuracy of the recoverable amount and impairment calculations. Moreover, I evaluated the reasonableness of the forecasting of financial performances by comparing historical forecasts to the actual operating results.</p> <p>I also considered the adequacy of the Group's and the Company's disclosures in accordance with the financial reporting standard.</p>

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.

My opinion on the consolidated and separate financial statements does not cover the other information and I do 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 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. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

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 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 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.

(Thanyalux Keadkeaw)
Certified Public Accountant
Registration No. 8179

KPMG Phoomchai Audit Ltd.
Bangkok
9 February 2021