

Central Plaza Hotel Public Company Limited
and its subsidiaries
Report and consolidated financial statements
31 December 2019

Independent Auditor's Report

To the Shareholders of Central Plaza Hotel Public Company Limited

Opinion

I have audited the accompanying consolidated financial statements of Central Plaza Hotel Public Company Limited and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2019, and the related consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and have also audited the separate financial statements of Central Plaza Hotel Public Company Limited for the same period.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Central Plaza Hotel Public Company Limited and its subsidiaries and of Central Plaza Hotel Public Company Limited as at 31 December 2019, their financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

Basis for Opinion

I conducted my audit in accordance with Thai Standards on Auditing. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Group in accordance with the Code of Ethics for Professional Accountants as issued by the Federation of Accounting Professions as relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with the Code. 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 judgement, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

I have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report, including in relation to these matters. Accordingly, my audit included the performance of procedures designed to respond to my assessment of the risks of material misstatement of the financial statements. The results of my audit procedures, including the procedures performed to address the matters below, provide the basis for my audit opinion on the accompanying financial statements as a whole.

Key audit matters and how audit procedures respond to each matter are described below.

Revenue recognition

Revenue from hotel operations and food and beverage are significant accounts in the financial statements and represents 96.9 percent of consolidated total revenue. The revenue from hotel operations are recognised as income when services have been rendered and goods supplied. The revenue from food and beverage are recognised as income when goods supplied to customers. The revenue is derived from recurring daily transactions and the amounts recorded directly impact the Group's annual profit and loss. Moreover, the Group has numerous customers in various categories with whom different commercial terms and conditions are applied. I have therefore focused on the Group's revenue from hotel operations and food and beverage recognition.

I evaluated the revenue recognition by assessing and testing the internal controls with respect to the revenue cycle by making enquiry of responsible executives, gaining an understanding of the controls and selecting representative samples to test the operation of the designed controls. I applied a sampling method to select revenue transactions occurring during the year and near the end of accounting period to examine the supporting documents, and I also reviewed credit notes issued after year-end. I circularised, on a sampling basis, request for confirmation of accounts receivable balances at the year-end, whereby for confirmation request that no reply had been received, I had performed alternative procedures. In addition, I performed analytical procedures on disaggregated data to detect possible irregularities in revenue transactions throughout the year, particularly for accounting entries made through journal vouchers.

Impairment on investments in associate, subsidiaries and joint venture; and loans to subsidiaries and joint venture and goodwill

I have focused my audit on the consideration of impairment on investments in associate, subsidiaries and joint venture and loans to subsidiaries and joint venture and goodwill, as discussed in Note 6, 12, 13, 14 and 17 and accounting policies Note 4.5 and 4.11 to the financial statements. This is due to the risk in respect of the possible impairment due to inability to achieve the expected profits of certain entities in the Group, which might affect to the recoverable amounts of the investments in an associate, subsidiaries and joint venture and loans to subsidiaries and joint venture. In addition, the Group has goodwill amounting to Baht 315 million, arising from an indirect interest in a company. The Group has a risk of impairment of goodwill as future cashflows of the underlying business may not reach expectations. Due to the judgements involved in the assessment of the recoverable amount of investments, loans to, and goodwill required a high degree of judgement in estimating the cash inflows that are expected to be generated from that group of assets in the future including assumption the management's used in review. I have therefore focused on the Group's impairment on investments in associate, subsidiaries and joint venture; and loans to subsidiaries and joint venture and goodwill.

In performing the impairment of investment in the associate, the recoverable amount is estimated by using the net asset value. The valuation of the investment in properties, given it represents the majority of the net assets of the associate, is evaluated by an independent valuer engaged by the associate, by considering the present value of the projected cash flows expected to be generated. I assessed net assets value per unit and valuation report of investment in properties for investment in such associate by evaluating the qualifications, competency and independence of the independence of valuer. I also consider the assumption and valuation methodologies used in determining fair value of the investment in properties. I assessed the appropriateness of discount rate used by comparing to available comparable industry data and considered the adequacy in disclosures of in accordance with Thai Financial Reporting Standard.

In performing the impairment of investments in and loans to subsidiaries and joint venture, the recoverable amounts are estimated by using the projected cash flows, approved by the management and assumptions used by the management. I assessed the process for identifying impairment indicator and gained understanding of impairment assessment. I assessed the appropriateness of the input data used in preparing cash flow projection. I also asses the appropriateness key assumption against external and internal data of the Group. I also evaluated the discount rate applied by management through analysis of the weighted average finance costs of the Company and of the industry. I considered the adequacy in disclosures of in accordance with Thai Financial Reporting Standard.

In performing the impairment review of goodwill, I assessed the identification of cash generating units and the financial models selected by management by gaining an understanding of management's decision-making process and assessing whether the decisions made were consistent with how assets are utilised. In addition, I tested the significant assumptions applied by management in preparing estimates of the cash flows expected to be realised from the assets, by comparing those assumptions with information from both internal and external sources and comparing past cash flow projections to actual operating results in order to evaluate the exercise of management judgement in estimating the cash flow projections. I also evaluated the discount rate applied by management through analysis of the moving average finance costs of the Company and of the industry and involving internal expert to assist in the assessment of this information by comparing it to external sources based on an expert's knowledge and past experience, tested the calculation of the realisable values of the assets using the selected financial model and considered the impact of changes in key assumptions on those realisable values, especially changes in the discount rate and long-term revenue growth rates. Moreover, I reviewed the disclosures made with respect to the impairment assessment for goodwill, as well as sensitivity of the impact of changes in key assumptions to the cash flow projections.

Other Information

Management is responsible for the other information. The other information comprise the information included in annual report of the Group, but does not include the financial statements and my auditor's report thereon. The annual report of the Group is expected to be made available to me after the date of this auditor's report.

My opinion on the 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 financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

When I read the annual report of the Group, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance for correction of the misstatement.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Thai Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group'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 or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the 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 Thai Standards on Auditing 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 financial statements.

As part of an audit in accordance with Thai Standards on Auditing, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the 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 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 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 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 to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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 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.

I am responsible for the audit resulting in this independent auditor's report.

Wichart Lokatekrawee
Certified Public Accountant (Thailand) No. 4451

EY Office Limited
Bangkok: 26 February 2020