



Independent Auditor's Report

To the shareholders and the Board of Directors of Sri Trang Agro-Industry Public Company Limited

My opinion

In my opinion, the consolidated financial statements of Sri Trang Agro-Industry Public Company Limited (the Company) and its subsidiaries (the Group) and the separate financial statements of the Company present fairly, in all material respects, the consolidated and separate financial position of the Group and of the Company as at 31 December 2016 and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with Thai Financial Reporting Standards (TFRSs).

What I have audited

I have audited the accompanying consolidated and separate financial statements of the Group and the Company, which comprise the consolidated and separate statements of financial position as at 31 December 2016 and the related consolidated and separate statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

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 Federation of Accounting Professions under the Royal Patronage of his Majesty the King's Code of Ethics for Professional Accountants together with the ethical requirements 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 matter	How my audit addressed the key audit matter
<p><i>Accuracy of estimation from the fire accident at a factory in Indonesia and related consequences</i></p> <p>Refer to Note 41 to the consolidated and separate financial statements.</p> <p>In October 2016, a fire broke out at a block rubber factory in Pontianak, Indonesia. The factory is owned by PT Star Rubber (PTS), an indirect subsidiary of the Group. The fire damage covered raw materials, raw material storage, and part of the production lines. The estimated cost at the book of the damage was Rupiah 90,166 million (approximately Baht 240 million) which was recognised in the statement of comprehensive income in 2016. The production capacity of block rubbers from this factory is approximately 2,000 - 4,000 tons per month, which accounts for less than 5% of total production capacity of the Group.</p> <p>The Group was insured for fire incidents including fixed assets, inventories, and business interruption in full, and was still negotiating with the insurance companies over the amount of the claim.</p> <p>As at 31 December 2016, management had set up an allowance for fire damaged inventories of Rupiah 15,522 million (approximately Baht 42 million) and written off inventories of Rupiah 50,631 million (approximately Baht 135 million), and fixed assets (mainly buildings and machines) Rupiah 24,013 million (Baht 64 million) that were fully damaged. The losses were recognised in the statement of comprehensive income.</p> <p>I focused on this area because the estimation of outstanding damage and claims from insurance companies involves significant judgement. Also, the size of the loss and uncertainties relating to the timing of recognising claims and future payments from the insurance companies.</p>	<p>I reviewed and assessed the work performed by the related subsidiary auditors as well as inquiries made to management on the net realisable value of inventories, allowance for impairment of fixed assets, mainly building and machines, and the claim amount which might have received from the insurance companies and recognised at the end of reporting date.</p> <p>The specific work that the component auditors performed and my work on the assessment of the fire accident at a factory in Indonesia included :</p> <ul style="list-style-type: none"> • Inquired management about the status of current losses incurred and recognised, and progress of claims made to the insurance companies. I also inspected related supporting documents, and management analysis. • Discussed with the related subsidiary auditors on the procedures performed and results regarding the adequacy of loss recognised from the fire, and reviewed related inter-office reports supporting my Group audit. • Assessed the timing and adequacy of the claim income recognition from the insurance companies. The Group had not recognised any claim income as of 31 December 2016 as the loss survey work was still ongoing and there was still uncertainty around the claimed amount. • Assessed with the subsidiary auditors on any other impact including any potential impairment of investment in PTS which might occur. <p>In my view, the related asset write offs and loss recognition from the fire were reasonable and the related disclosure was sufficient. In addition, my work did not show any impairment issue on investment in PTS.</p>



Key audit matter	How my audit addressed the key audit matter
<p><i>Recognition and disclosure of legal claims and litigation on commercial disputes related to the Joint Venture agreement</i></p> <p>Refer to Note 42 and Note 43.1 to the consolidated and separate financial statements for the disclosures of related facts, judgments and estimates.</p> <p>The Company and Rubberland Products Co., Ltd. (Rubberland), a subsidiary, and other shareholders of Siam Sempermed Corp. Ltd. (SSC), a joint venture, are currently being sued by Semperit Group (Semperit), a foreign company investing in SSC, for breaching the Joint Venture Agreement and other related agreements with SSC. SSC is a joint venture engaged in the manufacturing of rubber gloves.</p> <p>The legal claims and litigation under the lawsuit are under arbitration and court proceedings. These are disclosed as contingent liabilities in the notes to the consolidated and separate financial statements as management believes that the Company and its related subsidiary did not breach any provisions under the agreements in such venture company. The Group regularly updates and assesses its legal positions with the use of internal and external legal experts. In addition, the Group estimates and records related accruals at the end of reporting period.</p> <p>I considered the claims and litigation were important given the size and complexity of the claims, and related uncertainty of the outcomes. This matter is also an area of much interest among stakeholders.</p>	<p>I inquired management and evaluated the Group's assessment of the nature and most recent status of the claims and litigation.</p> <p>The specific audit work that I performed during my assessment of the claims and litigation included:</p> <ul style="list-style-type: none">• Read related minutes of meetings of the Board of Directors and the audit committee• Inquired both in-house and external legal counsel concerning the current status, timing and potential outcomes of these claims• Obtained external confirmations on the facts and views in writing from related legal counsels;• Involved my legal experts to assist in evaluating the status, timing and potential outcomes of such claims and litigation, and• Considered the adequacy of the related disclosures and related accruals and provisions. <p>In addition to the above, I highlighted the summary of a significant development in related claims and litigation as disclosed in Note 43.1 - events after the reporting period - the demerger transaction with Semperit. Overall, the parties concerned agreed in principle in January 2017 that they will enter into agreements including the sale and purchase of shares of SSC and related entities. Semperit and all the parties concerned have agreed to end and settle all pending disputes and claims both at arbitration and in the court subject to certain pre-conditions that the parties concerned have to follow in the next few months.</p> <p>I viewed that the disclosures made and related accruals including legal expenses were adequate and sufficient.</p>



Other information

The directors are 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 therein, I am required to communicate the matter to the audit committee.

Responsibilities of the directors for the consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with TFRSs, and for such internal control as the directors determine 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, the directors are responsible for assessing the Group 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 the directors either intend to liquidate the Group and the Company or to cease operations, or has no realistic alternative but to do so.

The audit committee assists the directors in discharging their responsibilities for overseeing the Group 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 scepticism 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 and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.



- Conclude on the appropriateness of the directors' 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 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 the audit committee 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 the audit committee 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 the audit committee, 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.

PricewaterhouseCoopers ABAS Ltd.

A handwritten signature in black ink, appearing to read 'Paiboon Tunkoon'.

Paiboon Tunkoon
Certified Public Accountant (Thailand) No. 4298
Bangkok
28 February 2017