**Thai Rubber Latex Corporation (Thailand)  
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 Thai Rubber Latex Corporation (Thailand) Public Company Limited**

*Opinion*

I have audited the consolidated and separate financial statements of Thai Rubber Latex Corporation (Thailand) Public Company Limited and its subsidiaries (the “Group”) and of Thai Rubber Latex Corporation (Thailand) Public Company Limited (the “Company”), respectively, which comprise the consolidated and separate statements of financial position as at 31 December 2018, the consolidated and separate 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 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 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.

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| **Recognition of deferred tax assets** | |
| Refer to Notes 4(v) and 21 to the consolidated and separate financial statements | |
| **The key audit matter** | **How the matter was addressed in the audit** |
| The Group/Company has recognised deferred  tax assets for unused tax losses that it believes  are sufficient to utilise. The recognition of deferred tax assets is dependent on the Group’s/Company’s ability to generate future taxable profits that are sufficient to utilise tax losses (before the tax losses expire).  The assessment of future taxable profits and the recognition of deferred tax assets requires judgment and estimates and is the focus area in my audit. | My audit procedures included the following :   * Inquiring the management who is responsible for preparing the Group’s/Company’s future taxable profits; * Assessing the management’s judgments and assumptions used by evaluating the reasonableness of the historical projection prepared by management’s experiences and comparing with the actual operating results and the operation’s plan and using my understanding of the Group/Company and the Group’s/Company’s industry; * Verifying the mathematical accuracy of budgeted future taxable profits; and * Considering the disclosures in accordance with Thai Financial Reporting Standards. |

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| **Impairment testing of rubber plantation development costs and investment in subsidiaries** | |
| Refer to Notes 4(g), 4(k), 4(l), 12 and 20 to the consolidated and separate financial statements | |
| **The key audit matter** | **How the matter was addressed in the audit** |
| As the current economic over the rubber industry in Thailand has significant impact on rubber prices and the operating results of Thai Rubber Land and Plantation Co., Ltd. and Thai Rubber H P N R Co., Ltd. The management determined the impairment indicator in rubber plantation development costs in the consolidated financial statements and investment in subsidiaries in the separate financial statements and it resulted to impairment assessment of the assets.  The impairment testing of assets involves significant judgment by management to identify any indicators of impairment and recoverable amount. Judgmental aspects include estimate and assumptions which includes the future cash flows forecasts according to the operating plan. I considered this as key audit matter. | My audit procedures included the following :   * Assessing the reasonableness of impairment indicator; * Assessing the discounted cash flows prepared by the management and the key assumptions which underpin management’s forecast on the assessment of recoverable amount of the assets with reference to current market situations, its operating plan, my knowledge of the business, other information obtained during the audit and performing trend analysis; * Evaluating the reasonableness of the historical projection prepared by management’s experiences, compared with the actual operating result; * Verifying the mathematical accuracy of the impairment calculation; and * Considering the disclosures in accordance with Thai Financial Reporting Standards. |

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| **Fair value measurement of investment properties** | |
| Refer to Notes 4(h) and 15 to the consolidated and separate financial statements | |
| **The key audit matter** | **How the matter was addressed in the audit** |
| Investment properties are measured at fair value. The fair value of investment properties was determined by independent property valuers on an annual basis.  As at 31 December 2018, the Group/Company revalued the fair value of its investment properties by independent property valuers hired by the management which used the valuation techniques of market comparison and replacement costs.  Determining the fair value requires a number of significant judgments and estimates. Since the carrying value of the assets is significant, this is the focus area of my audit. | My audit procedures included the following:   * Understanding the process and controls of the valuation process; * Evaluating the qualifications, competence and independence of the Group’s/Company’s external appraisal valuers; * Using the work of expert engaged by KPMG to assess the appropriateness of the key assumptions and the valuation methodology; and * Considering the disclosures in accordance with Thai Financial Reporting Standards. |

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| **Acquisition of business** | |
| Refer to Notes 4(a) and 5(a) to the consolidated financial statements | |
| **The key audit matter** | **How the matter was addressed in the audit** |
| On 1 September 2018, the Group obtained control of assets, transferred trademark and employees in production and distribution of pillow and mattress produced from rubber from a company in Thailand, the transaction is accounted for as a business acquisition. During 2018, the Group had completed assessing the fair value of the net assets acquired resulting in the recording of goodwill of Baht 12.3 million in the consolidated statement of financial position as at 31 December 2018.  I considered this as the key audit matter because the accounting for the business combination is complex and the identification and fair value measurement of assets acquired requires significant judgment and the amount of this business combination is significant. | My audit procedures included the following:   * Reading the sale and purchase agreement and analysis memorandum of the business combination prepared by its subsidiary to understand key terms and conditions; * Evaluating the assessment by the Group of identification of all the assets acquired and consideration transferred; * Evaluating the qualifications and independence of the independent valuer of the Group; * Evaluating the assumptions and methodologies underpinning the valuations; * Consulting the valuation expert engaged by my firm and involved KPMG valuation specialist to evaluate the appropriateness of key financial parameters, financial methodologies and valuation methodology used and calculation rational; and * Considering the adequacy of disclosures in accordance with the Thai Financial Reporting Standards. |

*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 therein, I am required to communicate the matter to those charged with governance and request that the correction be made.

*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.

(Yoottapong Soontalinka)

Certified Public Accountant

Registration No. 10604

KPMG Phoomchai Audit Ltd.

Bangkok

22 February 2019