

REPORT OF THE INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

TO THE SHAREHOLDERS AND BOARD OF DIRECTORS STARK CORPORATION PUBLIC COMPANY LIMITED

Opinion

We have audited the consolidated financial statements of Stark Corporation Public Company Limited and its subsidiaries (the “Group”) and the separate financial statements of Stark Corporation Public Company Limited (the “Company”), which comprise the consolidated and separate statements of financial position as at December 31, 2020, and the related consolidated and separate statements of profit or loss and other comprehensive income, changes in shareholders’ equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated and separate financial statements present fairly, in all material respects, the financial position of Stark Corporation Public Company Limited and its subsidiaries and of Stark Corporation Public Company Limited as at December 31, 2020, and financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards (“TFRSs”).

Basis for Opinion

We conducted our audit in accordance with Thai Standards on Auditing (“TSAs”). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated and Separate Financial Statements section of our report. We are independent of the Group in accordance with the Federation of Accounting Professions’ Code of Ethics for Professional Accountants together with the ethical requirements that are relevant to the audit of the consolidated and separate financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 2.5 to the financial statements, the Group has adopted group of Financial Instruments Standards, Thai Financial Reporting Standard No. 16 “Leases” and Accounting Treatment Guidance on “The temporary relief measures for additional accounting alternatives to alleviate the impacts from COVID-19 outbreak” which become effective in the current period. Our opinion is not modified in respect of these matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	Audit Responses
<p>Goodwill impairment</p> <p>The Group recorded goodwill of Baht 893 million as a result of the acquisition of a subsidiary in 2015. The Company's management has to exercise a high degree of judgement in estimating the future cash inflows, and setting an appropriate discount rate and terminal growth rate. The assessment of the impairment thus directly affects the balance of goodwill presented at period-end.</p> <p>Therefore, key audit matter is whether valuation of goodwill is presented in accordance with Thai Financial Reporting Standards.</p> <p>Accounting policies of goodwill and details of goodwill are disclosed in the Notes 3.10 and 1.2 to the financial statements, respectively.</p>	<p>Key audit procedures were included:</p> <ul style="list-style-type: none"> • Understood the impairment consideration process and related internal control procedures on the recognition of impairment of goodwill. • Evaluated the design and implementation of the Company's internal control procedures on the recognition of impairment of goodwill. • Performed substantive testing as follows: <ul style="list-style-type: none"> - Evaluated appropriateness of valuation method, significant assumptions used in the estimated future cash flows using our valuation specialists to independently develop expectations, run sensitivity analysis for the key assumptions driving the analysis and comparing those assumptions with information from both internal and external sources in order to evaluate the management judgement in estimating the estimated future cash flow. Evaluating the discount rate applied by management through analysis of the average costs of capital and others information with other comparable companies, as well as testing the calculation of the recoverable amount of the assets using the selected financial model. - Examined the presentation and related disclosures.

Key Audit Matters	Audit Responses
<p>Business acquisitions</p> <p>In year 2020, the Group acquired subsidiaries at the amount of 6,526 million. Key audit matter is whether the acquisition assets and liabilities at the acquisition date has been recognized in accordance with TFRSs including related disclosures. At the reporting date, the Group is still in the process of appraising the fair value of the identifiable assets acquired and liabilities assumed and the fair value allocation at the business acquisition date.</p> <p>Accounting policies of the consolidated financial statement preparation basis and details of the business acquisition were disclosed in the Notes 3.1 and 1.2 to the financial statements, respectively.</p>	<p>Key audit procedures were included:</p> <ul style="list-style-type: none"> • Understood the Company's business acquisition process and related internal control procedures. • Evaluated the design and implementation of the Company's internal control procedure on the business acquisition. • Performed substantive testing as follows: <ul style="list-style-type: none"> - Examined the terms and conditions of Business Transfer Agreement payment documents and related supporting documents. - Examined details of assets and liabilities of subsidiaries at the acquisition date which consists of the examination of existence, rights and obligations, valuation of assets and liabilities. - Examined the presentation and related disclosures.
<p>Revenue recognition from bill-and-hold arrangements</p> <p>A subsidiary has revenue transactions from sales of goods which the subsidiary has billed customers and recognized revenue from sales in the financial statements, but goods are not transferred to the customers according to delivery arrangement between the customers and the subsidiary. The management determines when the company has satisfied its performance obligation to transfer goods by evaluating when the customer obtain control of those goods.</p> <p>Therefore, key audit matter is whether revenues from bill-and-hold arrangement have been occurred and recognized in accordance with Thai Financial Reporting Standards.</p> <p>Accounting policies of revenue recognition and details of revenue from sale of goods are disclosed in the Notes 3.17 and 32 to the financial statements, respectively.</p>	<p>Key audit procedures included:</p> <ul style="list-style-type: none"> • Understood the revenue recognition from bill-and-hold arrangements process and related internal control procedures. • Evaluated the design and implementation, and testing operating effectiveness of the internal control procedures on the revenue recognition from bill-and-hold arrangements. • Performed substantive testing as follows: <ul style="list-style-type: none"> - Examined terms and condition of the sales agreements. - Examined revenue recognition from bill-and-hold arrangements occurring during the year with supporting documents. - Examined revenue from bill-and-hold arrangement by sending confirmation letter for goods which the subsidiary has billed customers but goods are not transferred to the customers. - Observed physical checking of goods which the subsidiary has billed customers but goods are not transferred. Such goods must be identified separately as belonging to the customers and ready for physical transfer to the customers, and the subsidiary cannot have the ability to use the goods or to direct it to another customer. - Performed analysis procedures on financial information relating to revenue from sales. - Examined the presentation and related disclosures.

Other Information

Management is responsible for the other information. The other information comprises information in the annual report, but does not include the consolidated and separate financial statements and our auditor's report thereon, which is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and the management of the Company for correction of the misstatement.

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 Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

Our 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 our 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, we exercise professional judgment and maintain professional skepticism throughout the audit. We 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 our 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 we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our 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 the 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. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We 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 we identify during our audit.

We also provide those charged with governance with a statement that we 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 our independence, and where applicable, related safeguards.

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From the matters communicated with those charged with governance, we 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. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BANGKOK

February 23, 2021

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