

Rayong Purifier Public Company Limited  
and its subsidiaries  
Audit report and consolidated financial statements  
31 December 2012

## **Independent Auditor's Report**

To the Shareholders of Rayong Purifier Public Company Limited

I have audited the accompanying consolidated financial statements of Rayong Purifier Public Company Limited and its subsidiaries, which comprise the consolidated statement of financial position as at 31 December 2012, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, and have also audited the separate financial statements of Rayong Purifier Public Company Limited for the same period.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these 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.

### **Auditor's Responsibility**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Thai Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

However, with respect to the matter discussed in the basis for disclaimer of opinion paragraph, there is currently still no evidence to provide a basis for my audit opinion.

### **Basis for Disclaimer of Opinion**

As discussed in Notes 1.2 and Note 37.4 a) to the financial statements, in 2009 and 2010 the Company became involved in a significant commercial dispute and outstanding litigation with its major raw material supplier. At present, the commercial dispute is under formal arbitration proceedings, and the outstanding litigation is being considered by the Civil Court, meaning their outcomes cannot be determined and depend on the future judicial process. As a consequence of the dispute, the major raw material supplier stopped delivering raw materials to the Company in February 2012, and this forced the Company to cease production, since it has been unable to find new suppliers of these raw materials, while some of its subsidiaries that operate in a related business have had to cease operation. This matter raises substantial doubt about the ability of the Company and some of its subsidiaries to continue as going concerns, and this depends on the outcome of the commercial dispute and outstanding litigation, efforts to find a new source of raw materials, as well as the feasibility of relocating the plant to be close to this new source, the sale of assets and the search for new business opportunities. I did not express an opinion on the consolidated financial statements and separate financial statements for the year 2011. In the current year, the issue has not been resolved, the outstanding litigation is still being considered by the Court and the core operations of the Company and its subsidiaries are still suspended.

### **Disclaimer of Opinion**

Because the matter described in the Basis for Disclaimer of Opinion paragraph materially affects the consolidated financial statements of Rayong Purifier Public Company Limited and its subsidiaries and the separate financial statements of Rayong Purifier Public Company Limited for the year ended 31 December 2012, I do not express an opinion on these financial statements.

### **Emphasis of Matter**

I draw attention to Note 40 to the financial statements. In order to comply with TAS 36 (revised 2009) Impairment of Assets, the Company has prepared and presents herein revised consolidated and separate financial statements for the year 2012 for reissue. In preparing these statements the Company changed the method used to measure the recoverable amount of factory buildings, machinery and factory equipment from the depreciated replacement cost approach to fair value less cost to sell approach. In addition, the Company reestimated the recoverable amounts of short-term loan to a subsidiary and

investment in that subsidiary that are presented in the separate financial statements, with reference to the results of the estimation of the recoverable amounts of the subsidiary's factory buildings, machinery and factory equipment determined using the mentioned method. The amendment has no impact to the net book values of the factory buildings, machinery and factory equipment of the Company and its subsidiary as presented in the previously issued consolidated statement of financial position and separate statement of financial position as at 31 December 2012. In addition, the amendment has no impact to the book values of the short-term loan to a subsidiary and investment in that subsidiary as presented in the previously issued separate statement of financial position as at 31 December 2012. Because the recoverable amounts of the reappraised assets estimated using the new approach are higher than their previously reported net book values, allowance for impairment of the assets is not required. My report on the consolidated financial statements and separate financial statements for the year 2012 is not changed as a result of these matters.

#### **Other Matter**

I previously reported that I did not express an opinion on the consolidated financial statements and separate financial statements for the year 2012, under my report dated 18 February 2013, and included an explanatory paragraph regarding the material misstatement in the consolidated financial statements and separate financial statements relating to the basis used to estimate the recoverable amounts of the factory buildings, machinery and factory equipment of the Company and its subsidiary as presented in the consolidated statement of financial position and separate statement of financial position as at 31 December 2012, and the Company not having recorded allowance for impairment for the short-term loan to a subsidiary and investment in that subsidiary as presented in the separate statement of financial position as at 31 December 2012. However, the Company has corrected these items and reissued the financial statements for the year 2012, as discussed in the Emphasis of Matter paragraph. Therefore, my report differs from that previously issued, with no explanatory paragraph relating to the above matters. However, I still do not express an opinion on the consolidated financial statements and separate financial statements for the year 2012, as discussed in Disclaimer of Opinion paragraph.

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Ernst & Young Office Limited  
Bangkok: 28 March 2013