

(Translation)

# The Report Regarding the Opinion of the Independent Financial Advisor on Asset Acquisition

of



บริษัท สากล เอนเนอจี้ จำกัด (มหาชน)  
SAKOL ENERGY PUBLIC COMPANY LIMITED

## Sakol Energy Public Company Limited

Prepared by



CAPITAL LINK  
ADVISORY LIMITED

Capital Link Advisory Limited

27 March 2018

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*(Translation)*

*This English translation has been prepared solely for the convenience of the foreign shareholders of Sakol Energy Public Company Limited and should not be relied upon as the definitive and official report regarding the opinion of the Independent Financial Advisor on Asset Acquisition. The Thai version of The Report Regarding the Opinion of the Independent Financial Advisor on Asset Acquisition is the definitive and official document of the Advisor and shall prevail in all respects in the event of any inconsistency with this English translation.*

Ref Kor.Aor. 019/2561

27 March 2018

Subject The Opinion of the Independent Financial Advisor on Asset Acquisition of Sakol Energy Public Company Limited

To Shareholders  
Sakol Energy Public Company Limited

As the Meeting of the Board of Directors of Sakol Energy Public Company Limited (“the Company” or “SKE”) No. 2/2018, held on 23 February 2018, resolved to approve the Company to invest in biomass power plant project for generating the electricity on the size capacity of 9.90 MW and sell at the maximum capacity of 8.00 MW to the Provincial Electricity Authority at Moo 3, Ban Mae Krating, Paitoan Sub-district, Rongkwang District, Phrae Province. Due to the policy of purchasing the electricity from the small power producer (for power generated from renewable energy), Mae Krating Power Company Limited (“MKP”) has entered into sale and purchase agreement with the Provincial Electricity Authority # VSPP-PEA-011/2014 on 23 June 2014 and the amendment of VSPP-PEA-011/2014 No.1 which the investment amount of 798,840,000 Baht is divided into:

- 1) The Company will buy 2,000,000 ordinary shares of MKP (at par value of 10 Baht each) from STFE Company Limited (“STFE”) which equal to 80 per cent of registered and paid-up capital of 25,000,000 Baht at the amount of 80,000,000 Baht.
- 2) After completion of procedure in No. 1, MKP will increase its share capital by 25,730,000 shares (at par value of 10 Baht each) totaling to 257,300,000 Baht by way of Right Offering. The Company

will subscribe the shares to preserve the shareholding right of 80 per cent at 10 Baht per share, totaling to 205,840,000 Baht.

After completion of procedure in No. 1 and No. 2, MKP will has registered and paid-up capital of 28,230,000 shares which the Company holds 22,584,000 shares (80 per cent).

- 3) Additional investment for biomass power plant project and its working capital will be 513,000,000 Baht.

Hereby, STFE Company Limited, the existing shareholder of MKP is not related party with the Company ("the Transaction")

The mentioned Transaction is constituted as an asset acquisition transaction under the Notification of The Capital Market Supervisory Board, Tor.Jor. 20/2008 Re: Rules on Entering into Material Transactions Deemed as Acquisition or Disposal of Assets (including the amendment of the announcement), and the Notification of the Board of Governors of The Stock Exchange of Thailand Re: Disclosure of Information and Other Acts of Listed Companies Concerning the Acquisition or Disposition of Assets, 2004 (including the amendment of the announcement) ("The Notification of the Acquisition or Disposition"). When calculated according to the criteria from the mentioned announcement, the maximum transaction size equal to 76.74 per cent regarding the criteria on total value of consideration, which is in reference to the consolidated financial statements of the Company ended 31 December 2017, and such transaction size together with the acquisition of assets during the past 6 months regarding the criteria on total value of consideration equal to 11.54 per cent, causes the transaction size equal to 88.28 per cent which is considered as Class 1.

Therefore, the Company is responsible to disclose the mentioned Transaction to the SET, and request for an approval to enter into the Transaction from the shareholders' meeting of the Company with affirmative votes of not less than three-fourth of the votes attending the meeting and having the right to vote, excluding the votes from the shareholders who have conflict of interest. In addition, the Company is required to appoint an Independent Financial Advisor to give opinion regarding the rationale of the Transaction, the fairness of the price and the conditions of the Transaction, and present to the shareholders of the Company for consideration.

To be consistent with such criteria, the Board of Directors of the Company resolved to appoint Capital Link Advisory Limited as an Independent Financial Advisor for preparing the opinion report on the acquisition of such assets and proposing to the meeting of shareholders for approval.

The Independent Financial Advisor has prepared this opinion report by studying the information from the following sources:

1. Information and documents received from the Company including the interview with management and employees of the Company.
2. Information and the auditor's report of the Company.
3. Minutes of the Board of Directors' meeting of the Company.
4. Information and documents received from Mae Krating Power Company Limited including the interview with employees of Mae Krating Power Company Limited.
5. Information and the auditor's report of Mae Krating Power Company Limited.
6. Information and documents received from Advance Power Conversion Company Limited including the interview with management and employees of Advance Power Conversion Company Limited  
The Legal Audit Report of Mae Krating Power Company Limited and Phrae Green Power Company Limited prepared by The Juris Company Limited including the interview with management and employees of The Juris Company Limited.
7. The Power Plant Technical Report of Mae Krating Power Company Limited prepared by Green Grow Energy Company Limited including the interview with management and employees of Green Grow Energy Company Limited.
8. Agreements in relation to the Transaction.
9. Information and documents disclosure to the public, such as information from The Stock Exchange of Thailand, The Securities and Exchange Commission, news from newspaper, and economic and relevant industrial information, etc.

The Independent Financial Advisor had used the aforementioned information as a base for considering and preparing the opinion of the Independent Financial Advisor by assuming that all the aforementioned information is completed and accurate, and has no event that will significantly affect to the business operation of the Company. In addition, the Independent Financial Advisor could not certify or guarantee either directly or indirectly or be responsible for the correctness of the information and any certifications of the Company.

In giving the opinion to the shareholders this time, the Independent Financial Advisor has considered the rationale of the Transaction and appropriateness of the purchasing price along with the relevant factors so that the shareholders could decide to "approve" or "disapprove" on the Transaction, which could be summarized as follows:

## Definitions

APCON	Advance Power Conversion Company Limited
COD	Commercial operation date
FIT	Feed in Tariff
MKP	Mae Krating Power Company Limited
PGP	Phrae Green Power Company Limited
SCOD	Scheduled commercial operation date
PEA	Provincial Electricity Authority
SET	The Stock Exchange of Thailand
Independent Financial Advisor	Capital Link Advisory Limited
Legal Advisor	The Juris Company Limited
The Company or SKE	Sakol Energy Public Company Limited
PTT	PTT Public Company Limited
The Transaction	Asset Acquisition Transaction
SEC	Securities and Exchange Commission
STFE	STFE Company Limited

## Executive Summary

As the Meeting of the Board of Directors of Sakol Energy Public Company Limited (“the Company” or “SKE”) No. 2/2018, held on 23 February 2018, resolved to approve the Company to invest in biomass power plant project for generating the electricity on the size capacity of 9.90 MW and sell at the maximum capacity of 8.00 MW to the Provincial Electricity Authority at Moo 3, Ban Mae Krating, Paitoan Sub-district, Rongkwang District, Phrae Province. Due to the policy of purchasing the electricity from the small power producer (for power generated from renewable energy), Mae Krating Power Company Limited (“MKP”) has entered into sale and purchase agreement with the Provincial Electricity Authority # VSPP-PEA-011/2014 on 23 June 2014 and the amendment of VSPP-PEA-011/2014 No.1 which the investment amount of 798,840,000 Baht is divided into:

- 1) The Company will buy 2,000,000 ordinary shares of MKP (at par value of 10 Baht each) from STFE Company Limited which equal to 80 per cent of registered and paid-up capital of 25,000,000 Baht at the amount of 80,000,000 Baht.
- 2) After completion of procedure in No.1, MKP will increase its share capital by 25,730,000 shares (at par value of 10 Baht each) totaling to 257,300,000 Baht by way of Right Offering. The Company will subscribe the shares to preserve the shareholding right of 80 per cent at 10 Baht per share, totaling to 205,840,000 Baht.  
After completion of procedure in No.1 and No.2, MKP will has registered and paid-up capital of 28,230,000 shares which the Company holds 22,584,000 shares (80 per cent).
- 3) Additional investment for biomass power plant project and its working capital will be 513,000,000 Baht.

The mentioned Transaction is constituted as an asset acquisition transaction under the Notification of The Capital Market Supervisory Board, Tor.Jor. 20/2008 Re: Rules on Entering into Material Transactions Deemed as Acquisition or Disposal of Assets (including the amendment of the announcement), and the Notification of the Board of Governors of The Stock Exchange of Thailand Re: Disclosure of Information and Other Acts of Listed Companies Concerning the Acquisition or Disposition of Assets, 2004 (including the amendment of the announcement) (“The Notification of the Acquisition or Disposition”). When calculated according to the criteria from the mentioned announcement, the maximum transaction size equal to 76.74 per cent regarding the criteria on total value of consideration, which is in reference to the consolidated financial statements of the Company ended 31 December 2017, and such transaction size together with the acquisition of assets during the past 6

months regarding the criteria on total value of consideration equal to 11.54 per cent, causes the transaction size equal to 88.28 per cent which is considered as Class 1.

Therefore, the Company is responsible to disclose the mentioned Transaction to the SET, and request for an approval to enter into the Transaction from the shareholders' meeting of the Company with affirmative votes of not less than three-fourth of the votes attending the meeting and having the right to vote, excluding the votes from the shareholders who have conflict of interest. In addition, the Company is required to appoint an Independent Financial Advisor to give opinion regarding the rationale of the Transaction, the fairness of the price and the conditions of the Transaction, and present to the shareholders of the Company for consideration.

The Independent Financial Advisor opines that the objective of entering into the Transactions; (1) diversification of the Company's business and (2) the Company will earn an adequate return on investment, profit to the Company, and also an appropriate return to shareholders in long term.

There are advantages in entering into such Transaction for the Company, which are (1) expanding investment into recurring income business and reduce the risk of dependency on PTT gas station. (2) receiving special tax privileges from the Board of Investment (BOI) (3) generating appropriate returns on investment and (4) increasing opportunity for energy business. However, there are also disadvantages, which are (1) investing in business which is not expertise and (2) the burden of debt and interest will increase substantially.

There are advantages in not entering into the Transaction which are (1) the Company will have no additional debt and interest burden from borrowing and (2) the remaining capital from IPO can invest in other projects. However, there is also a disadvantage which is the Company will lose the opportunity to generate return on investment in biomass power plant.

Risk of entering into the Transaction which are (1) risk from investing in business which is not expertise (2) risk from inadequacy of biomass fuel (3) risk of volatility of the price of biomass fuel (4) risk from heating value of biomass fuel (5) risk from relying on Advance Power Conversion Company Limited (6) risk from project delay (7) risk of not being able to sell electricity at the time indicated in the PPA (8) risk from lack of source of funds (9) risk of not receiving special tax privileges from BOI (10) risk of entrance and exit to power plant and (11) risk from changes to project value

In addition, when considering the appropriateness of the value of investments, the Project IRR in range of 11.05 -13.27 per cent, Project payback period in range of 7.46 – 8.24 years and Project NPV in range of 167.21 – 309.53 Million Baht. Equity IRR in range of 13.97 – 17.72 per cent, Equity payback period in range of 7.08 – 8.00 years and Equity NPV in range of 94.34 – 190.41 Million Baht. Thus, the investment in biomass project of MKP could generate appropriate return.



Therefore, the Independent Financial Advisor is of the opinion that the shareholders should **approve** the Company to entering into the transaction of asset acquisition this time. Moreover, the Independent Financial Advisor suggests the shareholders to consider other factors that may affect the decision making, such as the conditions of the transaction, advantages and disadvantages of entering into the transaction, and the risks of the transaction.

In considering on approval or disapproval on such Transaction this time, the shareholders could consider the rationale and the opinions, of which the Independent Financial Advisor has presented in this report. Nevertheless, the shareholders could decide to “approve” or “disapprove” on the Transaction, mainly depending on the judgment of the shareholders.

## 1. Characteristics of Asset Acquisition Transaction

### 1.1 Date of the Transaction

The Company will invest in MKP within quarter 2 this year after the General Meeting of Shareholders of the Company for 2018, held on 19 April 2018, resolves to approve to enter into the Transaction.

### 1.2 Details of Buyer and Seller

Buyer : Sakol Energy Public Company Limited  
 Seller : STFE Company Limited (“STFE”)  
 Relationship with the registered company : The seller is not a related party with the Company.

List of Shareholders of STFE and companies that hold shares in STFE

No.	Name	STFE	Renewable Energy and Sustainability Co., Ltd.	Energy Development Co., Ltd.	BMG Energy Pcl.
1	Renewable Energy and Sustainability Company Limited	60.00	-	-	-
2	Energy Development Company Limited	14.41	-	-	-
3	BMG Energy Public Company Limited	-	22.29	-	-
4	Sri U-Thong Company Limited (Hong Kong)	-	33.33	-	-
5	<u>Cholvanich Group</u>	23.50	40.77	45.00	28.59
	Mr. Pattanapong Cholvanich	23.50	-	15.00	-
	Mr. Napol Cholvanich	-	14.69	-	8.69
	Mr. Suppawat Cholvanich	-	14.69	-	8.69
	Ms. Viravadee Cholvanich	-	11.39	-	8.69
	Mr. Sukrit Cholvanich	-	-	15.00	-
	Mr. Nuttapon Cholvanich	-	-	15.00	-
	Mr. Veerawat Cholvanich	-	-	-	2.52
6	<u>Aiem-Charoenying Group</u>	-	-	-	7.50
	Mr. Narongrit Aiem-Charoenying	-	-	-	3.21
	Ms. Yaninee Aiem-Charoenying	-	-	-	1.43
	Ms. Pailin Aiem-Charoenying	-	-	-	1.43
	Mr. Mano Aiem-Charoenying	-	-	-	1.43
7	<u>Prapasirikul Group</u>	-	-	-	6.09
	Mrs. Roongrat Prapasirikul	-	-	-	3.59
	Mr. Taveerat Prapasirikul	-	-	-	2.50

No.	Name	STFE	Renewable Energy and Sustainability Co., Ltd.	Energy Development Co., Ltd.	BMG Energy Pcl.
8	<u>Mahittivanich Group</u>	-	-	-	5.63
	Ms. Kanya Mahittivanich	-	-	-	2.50
	Mr. Tunwa Mahittivanich	-	-	-	2.50
	Mr. Pittaya Mahittivanich	-	-	-	0.63
9	<u>Er-karawa Group</u>	-	-	-	5.58
	Mr. Chatchai Er-karawa	-	-	-	2.79
	Mrs. Nunsiri Er-karawa	-	-	-	2.79
	Others				
10	Mrs. Sirisook Riewruengsook	-	-	20.00	-
11	Mr. Tulyawat Kulkiatvanich	-	-	20.00	-
12	Mrs. Punrapee Soothiwan	-	-	15.00	-
13	Mr. Chamni Chanchai	-	-	-	38.13
14	V & V Management Consultant Company Limited	-	-	-	8.50
15	Other shareholders	2.09	3.61	-	-
	Total	100.00	100.00	100.00	100.00

### 1.3 General Characteristics and Size of the Transaction

The Company will invest in the business of power plant and sell out the electricity which investment amount of 798,840,000 Baht is divided into:

- 1) The Company will buy 2,000,000 ordinary shares of MKP at a price of 40 Baht per share (at par value of 10 Baht each) from STFE Company Limited which equal to 80 per cent of registered and paid-up capital of 25,000,000 Baht at the amount of 80,000,000 Baht.
- 2) After completion of procedure in No.1, MKP will increase its share capital by 25,730,000 shares (at par value of 10 Baht each) totaling to 257,300,000 Baht by way of Right Offering. The Company will subscribe the shares to preserve the shareholding right of 80 per cent at 10 Baht per share, totaling to 205,840,000 Baht.

After completion of procedure in No.1 and No.2, MKP will has registered and paid-up capital of 28,230,000 shares which the Company holds 22,584,000 shares (80 per cent).

- 3) Additional investment for biomass power plant project and its working capital will be 513,000,000 Baht.

MKP has entered into the power purchase agreement from the small power producer (for power generated from renewable energy) with the Provincial Electricity Authority # VSPP-PEA-011/2014 on 23 June 2014 and its amendment No.1.

After investment of the Company, MKP will sign contract with Advance Power Conversion Company Limited ("APCON") for turnkey construction of power plant project including construction work, building work, system work, machinery installation & testing and others which is expected to spend approximately 14 months.

#### 1.4 The Calculation of the Size of the Transaction

The mentioned Transaction is constituted as an asset acquisition transaction under the Notification of The Capital Market Supervisory Board, TorJor. 20/2008 Re: Rules on Entering into Material Transactions Deemed as Acquisition or Disposal of Assets (including the amendment of the announcement), and the Notification of the Board of Governors of The Stock Exchange of Thailand Re: Disclosure of Information and Other Acts of Listed Companies Concerning the Acquisition or Disposition of Assets, 2004 (including the amendment of the announcement) ("The Notification of the Acquisition or Disposition"). When calculated according to the criteria from the mentioned announcement, the maximum transaction size equal to 76.74 per cent regarding the criteria on total value of consideration, which is in reference to the consolidated financial statements of the Company ended 31 December 2017, and such transaction size together with the acquisition of assets during the past 6 months regarding the criteria on total value of consideration equal to 11.54 per cent, causes the transaction size equal to 88.28 per cent which is considered as Class 1.

#### The Calculation of the Size of the Transaction

Unit : Million Baht

Financial Information	The Company <sup>1</sup>	MKP <sup>2</sup>
Total assets	1,040.95	13.10
Intangible assets	3.89	-
Total liabilities	155.03	0.02
Minority interest	-	-
<b>Net tangible assets (NTA)</b>	<b>882.04</b>	<b>13.08</b>
Registered and paid-up capital	465.00	15.00
Net profit for the year	73.02	(1.35)

Unit : Million Baht

Financial Information	The Company <sup>1</sup>	MKP <sup>2</sup>
Total consideration	798.84	-

Remark: <sup>1</sup>The consolidated financial statements of the Company ended 31 December 2017

<sup>2</sup>The consolidated financial statements of MKP ended 31 December 2017

Details of the calculation of the transaction size are as follows:

Calculation Method	Size of the Transaction
1. Criteria on net tangible assets	1.19%
2. Criteria on net profit from operation	Cannot be calculated
3. Criteria on total value of consideration <sup>1</sup>	76.74%
4. Criteria on total value of capital shares	No new shares issued

Remark: <sup>1</sup> Criteria on total value of consideration calculated from (1) Value from purchase existing shares and increase shares of 285.84 Million Baht and (2) 513 Million Baht of Loans from the financial institutions

Therefore, the Transaction will have the maximum transaction size based on the criteria on total value of consideration equal to 76.74 per cent. When added by the value of acquisition of assets for the past 6 months equal to 11.54 per cent, the transaction size equal to 88.28 per cent regarding the criteria on total value of consideration, the size of which will be greater than 50 per cent but not exceed 100 per cent, and that is considered as the Acquisition of Assets Class 1. Therefore, the Company is responsible to disclose the Information Memorandum of the Acquisition of Assets to the SET, and request for an approval to enter into the Transaction from the shareholders' meeting of the Company with affirmative votes of not less than three-fourth of the votes attending the meeting and having the right to vote, excluding the votes from the shareholders who have conflict of interest. In addition, the Company is required to appoint an Independent Financial Advisor to give opinion regarding the rationale of the Transaction, the fairness of the price and the conditions of the Transaction, and present to the shareholders of the Company for consideration.

### 1.5 Total Value of Consideration and Criteria to Determine the Value of Consideration

- 1) The purchase price of MKP ordinary shares from STFE Company Limited amounting of 80,000,000 Baht is the agreed price between the buyer and the seller. The Company considers from the return on total project investment. Which is consisted of:

Purchase of MKP shares from STFE: 80,000,000 Baht

Increase of registered capital in MKP: 205,840,000 Baht

Investment for biomass power plant project and its working capital 513,000,000 Baht

The Company expects to receive an approximately return as following:

Project Returns (IRR): 12.54%

Return on Equity (EIRR): 16.92%

Net Present Value (NPV): 361,000,000 Baht

Payback Period (PB): 6.82 years

Average Debt Repayment (AVG:DSCR) 1.88 times

- 2) Capital Increase in MKP amounting to 205,840,000 Baht by 80 per cent of registered and paid up capital.
- 3) Additional investment for biomass power plant project and its working capital will be 513,000,000 Baht.

Sum of total value of consideration from No. 1) – 3) equal to 798,840,000 Baht.

Remark: The remaining amount of investment in biomass power plant project amounting of 51,460,000 Baht will come from capital increase by MKP's existing shareholder.

### 1.6 The Benefits Expected to be Received by the Company

To invest in biomass power plant project for generating and selling the electricity on the size capacity of 9.90 MW which promoted and supported by the government, the company will benefit from the diversification and can generate profit continuously in the future. Moreover, the shareholders would gain profitable returns in the long term.

### 1.7 Source of Fund

For entering into the Transaction, the Company will get the fund from the following sources:

- The paid-up capital of MKP from the existing ordinary shares and initial public offering shares (IPO) totaling to 285,600,000 Baht

- The remaining amount of investment in biomass power plant project and current working capital amounting to 513,000,000 Baht will be borrowed from financial institutions which the Company, in the name of MKP, already has an offering from the financial institution.

#### 1.8 The Condition to Enter into the Transaction

To enter into the Transaction, the Company must obtain approval from the shareholders' meeting of the Company with affirmative votes of not less than three-fourth of the votes attending the meeting and having the right to vote, excluding the votes from the shareholders who have conflict of interest. However, there is no shareholder with conflict of interest to be entitled to vote for the Transaction. In addition, the Board of Directors of the Company appointed Capital Link Advisory Limited to be an Independent Financial Advisor to give opinion to the shareholders of the Company when considering approval for the Transaction.

#### 1.9 Summary of Important Contract and Draft of Agreement Related to the Transaction

##### a) Power purchase agreement

Topic	Details
Contract Party	Purchaser: Provincial Electricity Authority (PEA) Seller: Mae Krating Power Company Limited
Date the contract was signed	23 June 2014 and amended (first amendment) on 8 July, 2015 to change from adder to feed-in tariff (FiT) system
Purchase agreement	PEA agrees to buy and MKP agrees to sell at maximum 8 MW of electrical power. The schedule commercial operation date (SCOD) is 29 September 2018.
Term of contract	The term of the contract is 20 years from the date of commercial operation date (COD) and will be effective until termination under the following conditions:  1) The electricity producer formally submits a written letter to PEA for termination of the PPA.  2) If either party does not follow the conditions set forth in the contract, the injured party may submit a notification to the opposing party. If there is no remedy, the injured party has right to terminate the contract.

Topic	Details
	3) At the maturity of the project according to the support period, which is in line with the conditions set forth in the notification of the Energy Regulatory Commission. 4) If there is no commencement of electricity distribution within 12 months from SCOD, the contract would be terminated (the SCOD date is 29 September 2018).
Termination of contract	1) The electricity producer formally submits a written letter to PEA for termination of the PPA. 2) If either party does not follow the conditions set forth in the contract, the injured party may submit a notification to the opposing party. If there is no remedy, the injured party has right to terminate the contract.

Independent Financial Advisor has considered the power purchase agreement, and found that the conditions are normal for power purchase agreement with PEA. In case of not being able to sell electricity to the PEA, there is no penalty for such case.

Therefore, the MKP's risk of causing a condition for termination of contract with PEA is that MKP must commence commercial operations date before 28 September 2019 (12 months from SCOD) in order not to face the cancellation of the power purchase agreement with PEA in case no SCOD extension allowed. In combination with the construction plan which indicates that the construction will be completed by June 2019, the Independent Financial Advisor is of the opinion that MKP will be able to commence the commercial operation on time.

b) Draft of share purchase contract of Mae Krating Power Company Limited

Topic	Details
Contract Party	Buyer: Sakol Energy Public Company Limited Seller : STFE Company Limited
Value	80,000,000 Baht
Details of assets acquired	2,000,000 ordinary shares of Mae Krating Power Company Limited (at par value of 10 Baht each) equal to 80 per cent of registered and paid-up capital of 25,000,000 Baht



Topic	Details
Payment term	1) Cash pledged in amount of 40,000,000 Baht (Deposit) 2) Remaining amounts will be paid on the date of share transfer in amount of 40,000,000 Baht  Thus, Buyer and Seller will have to process within 10 days after the date of signing the contract.
Precedent Condition	<u>Purchase</u> 1) Must be approved by the Board and shareholders meeting of the Company.  <u>Seller</u> 1) Mae Krating Power Company Limited will entered into share purchase agreement of Phrae Green Power Company Limited with the proportion of 60.00 per cent of registered paid-up capital. 2) Revise the lease agreement between Phrae Green Power Company Limited and Mrs. Siriwan Pasajarksathru to rent the land along the road from Mrs. Siriwan's land 3) MKP has permission to use of the land for electrical wiring with an approval by all relevant agencies.
Subsequent Condition	<u>Seller</u> 1) Issue and deliver the land title deed within 6 months since the land title while making the contract is Nor. Sor.3 No.78 located at Moo 3 Paitoan Sub-district, Rongkwang District, Phrae Province within 6 months. 2) The seller must not compete with the Company in Phrae Province for 3 years from the completion of share purchase agreement.
Termination of Contract	1) The party who breach the contract does not proceed to remedy the terms and conditions as agreed in this contract within 30 days from the date received the notice from the injured party. The injured party has the right to terminate the contract, resulting in immediate termination of the contract.  2) If share purchase of Mae Krating Power Company Limited or Phrae Green Power Company Limited is not completed, the

Topic	Details
	purchaser has right to terminate the contract, resulting in immediate termination of the contract.
Responsible of seller	<ol style="list-style-type: none"> <li>1) Repayment of deposit and the remaining amount to purchaser within 7 business days from the date of the contract termination and compensate for any other damages that may occur.</li> <li>2) If the seller fails to repay deposit as scheduled, purchaser is entitled to charge interest on the default amount at rate of 15.00 per year until receiving the payment from seller.</li> </ol>

Independent Financial Advisor considered the draft of share purchase contract of Mae Krating Power Company Limited and found that the conditions are in accordance with the ordinary share purchase agreement which has precedent and subsequent conditions to reduce the risk of business and be responsible when it is not in accordance with the agreement.

According to the precedent condition, the seller must proceed to obtain a license for electricity wiring from related government agencies. Currently, the process is under consideration by the Board of Directors of the relevant agencies. After an approval from the Board of Director, then the condition in this contract is completed.

Subsequent condition in case of land title deeds, Independent Financial Advisor is of the opinion that it should be precedent condition.

For the risk of subsequent condition of land title deed, MKP purchased land from Mrs. Siriwan Pasajarksathru at the beginning of 2018. At present, the right to occupy the land is Nor.Sor.3 in the total area of 34-1-36 Rai. According to Legal Due Diligence Report there was an evidence of certificate of tread on land in 1930. Later in 1955, the Department of Land issued a notification of land acquisition (Sor.Kor.1). Later in 1964, the Department of Land issued a certificate of utilization (Nor.Sor.3), which has issued prior the Ministerial Regulation affected on the right of possession of land in 1967. Therefore, Legal Advisor is of the opinion that the land title deed can be issued because the land where the project located has been occupied and utilized before the announcement of the Ministerial Regulation.

Independent Financial Advisor is of the opinion that risk of an issuance of land title deed is low. Currently, the process of applying for a title deed is subject to approval by the relevant governmental committees. MKP's plan expected to receive an approval by May. However, if the

land title deed cannot be issued, it will be considered as breaching subsequent condition. The seller agrees to pay back the deposit and the total selling price of 80 Million Baht to the buyer within 7 working days from the contract expiration date. Moreover, seller will compensate for any other damages that may occur which are specified in the contract.

For risk of withdrawing loan from financial institution, the title deed MKP's land must be issued prior to withdrawing loan from the financial institution. Furthermore, the proceeds of capital increase from MKP's shareholders should be utilized before the loan can be withdrawn. According to the plan of MKP, issuing process will be completed within May. Thus, Independent Financial Advisor is of the opinion that MKP should be able to withdraw loan from financial institution as mentioned above. For the construction of the power plant, MKP can carry out the construction on such land without waiting for issuance of the title deed.

In case that title deed shall not probably be issued within the period of withdrawing loan from the financial institution, MKP has risk management approaches as follows: 1) Negotiation with the existing financial institution to amend the condition, 2) Contact other financial institutions that have no concern about land title deed condition, and 3) The Company will issue debentures for the investment of MKP.

Independent Financial Advisor is of the opinion that the approaches of risk management as mentioned have high possibility. When the Transaction is completed, MKP will be a subsidiary of the Company, which is listed on SET. The Company debt to equity ratios are relatively low at 0.17 times based on the statement of financial position as at 31 December 2017. Moreover, MKP has the power purchase agreement and receives FIT purchase rate, which causes high reliability in terms of revenue.

For conditions that the seller must not compete with the Company in Phrae Province for 3 years from the completion of trading, it is a condition of non-competitive business in general and appropriate period. Thus, MKP will be able to establish relationships with suppliers and the chance of establishing new power plants in the area is low since currently, there is only Sakdaporn Energy Company Limited's 8 MW power plant located in Denchai District, Phrae Province undergoing public hearing, no construction process and SCOD must be commenced by 15 August 2017. Moreover, in case of construction of a new power plant in the area, there must be a study on adequacy of raw materials including demand for raw materials of the MKP power plant. Thus, it will not cause competition in purchasing raw material.

c) Draft of Machinery purchase and installation contract and building construction contract

Topic	Details
Contract Party	Owner: Mae Krating Power Company Limited Contractor: Advance Power Conversion Company Limited
Terms of hire	APCON will be responsible for the design, supply of materials and equipment, logistics, construction, and installation of all machinery for the power plant. APCON will have to make sure that the plant is operational from the date of first payment and MKP transfer of the property under APCON's responsibility.
Price of product and payment terms	The contract price of the project is 669 Million Baht (exclude VAT). payment plan can be identified as follows: <ul style="list-style-type: none"> <li>- Advance payment of 15 per cent for the materials and equipment.</li> <li>- Payment of 5 per cent within 15 days of APCON's submission of the plant's blue prints.</li> <li>- Payment of 70 per cent monthly as the project progresses within 15 days.</li> <li>- Payment of 10 percent within 15 days of COD.</li> </ul>
Contract enforcement	<ul style="list-style-type: none"> <li>- Performance Bond APCON agrees to submit a performance bond to the owner in the amount of 10 per cent of the contract value with a commercial bank to guarantee their work until the project has been accepted by the owner.</li> <li>- Maintenance Bond APCON agrees to submit a maintenance bond to the owner in the amount of 10 per cent of the contract value with a commercial bank to guarantee their work for a period of two years after the project has been accepted and MKP issues receipt document.</li> </ul>
Extension of the work	In the case of unexpected events, APCON must formally notify MKP of the event within 15 days. MKP will consider the impact of the event in order to grant an extension to the deadline as unexpected event impacted.

Topic	Details
Breach of contract	<p>1) If APCON cannot finish the project by the deadline, MKP can end the contract immediately. If MKP does not end the contract, APCON agrees to let MKP to impose the following:</p> <ul style="list-style-type: none"> <li>- Fine APCON 0.07 per cent of the total contract value per day, from the date the deadline was missed. The total fine will not exceed 10 per cent of the contract value (66.90 Million Baht).</li> <li>- Collect pledged money from the bank (value of pledge is 66.90 Million Baht)</li> <li>- Allow MKP to hire a new contractor and APCON will compensate for the all additional costs incurred.</li> </ul> <p>2) If APCON cannot deliver the quality of the project of specified in the contract, APCON allows MKP to charge as follows:</p> <ul style="list-style-type: none"> <li>- MKP will charge APCON 50,000 Baht/kW if the guaranteed net plant power output is not as specified in the contract.</li> <li>- MKP will charge APCON 50,000 Baht/kJ/kWh if the guaranteed net plant heat rate is not as specified in the contract.</li> </ul> <p>Nonetheless, the total fine will not exceed 10 per cent of the contract value (66.90 Million Baht).</p> <p>3) Both parties agree to commence the contract by 1 June 2018 and electricity distribution must be completed within 14 months. In case of the delay from the contractor, which is promised not to be completed later than 29 September 2019 and if the contractor cannot complete until resulting in termination of the contract, the contractor is responsible for all damages unless such delay is not the contractor's fault.</p>

Independent Financial Advisor considered the draft of machinery purchase and installation contract and building construction contract and found that the conditions are the usual conditions in such contract. The construction period of 14 months is possible based on APCON's work experience and the amount of penalties imposed on breaching of the contract. Independent Financial Advisor is of the opinion that penalties amount is covered the value of the damage that may occur. According to the statement of financial position and operating result from Business

Online Database, APCON has a paid-up capital of 1,050 Million Baht, total assets of 1,753.37 Million Baht, total shareholders' equity of 898.58 Million Baht, total revenue of 1,264.40 Million Baht and net profit of 135.65 Million Baht.

d) Draft of operation and maintenance contract

Topic	Details															
Contract Party	Owner: Mae Krating Power Company Limited Contractor: Advance Power Conversion Company Limited															
Term of contract	5 years after COD															
Term of hire	APCON will be responsible for sourcing all materials, equipment, and chemicals necessary to operate and maintain the power plant and finding competent staff to operate and maintain the power plant. In addition, APCON will inspect quality control of raw materials used in the production process. APCON will manage the environment inside and outside of the power plant and coordinate with the PEA in recording the electricity units sold, and also coordinate with relevant government authorities to make sure that the plant operates smoothly and effectively.															
Payment term	1) 3 months preparation period before COD (Pre-COD) in amounts of 4,500,000 Baht 2) Operating expenses of 1,500,000 Baht per month 3) Annual repair and maintenance fee of 10,400,000 Baht per year Maintenance fee will be agreed 3 months in advance before the contract was expired.															
Billing and payment	Payment within 15 days after the billing date for each month															
Guarantee, fines and bonus	APCON agrees to guarantee that it can produce and sell 60,192,000 units of electricity to PEA per year. If APCON's operation leads to electricity production of more than the guarantee amount above, owner will compensate the bonus rate agreed as follows: <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Electric power (MW)</th> <th>Annual electricity production (kWh)</th> <th>Bonus rate (%)</th> </tr> </thead> <tbody> <tr> <td>7.65</td> <td>60,588,000</td> <td>+1.25</td> </tr> <tr> <td>7.70</td> <td>60,984,000</td> <td>+2.50</td> </tr> <tr> <td>7.75</td> <td>61,380,000</td> <td>+3.75</td> </tr> <tr> <td>7.80</td> <td>61,776,000</td> <td>+5.00</td> </tr> </tbody> </table>	Electric power (MW)	Annual electricity production (kWh)	Bonus rate (%)	7.65	60,588,000	+1.25	7.70	60,984,000	+2.50	7.75	61,380,000	+3.75	7.80	61,776,000	+5.00
Electric power (MW)	Annual electricity production (kWh)	Bonus rate (%)														
7.65	60,588,000	+1.25														
7.70	60,984,000	+2.50														
7.75	61,380,000	+3.75														
7.80	61,776,000	+5.00														

Topic	Details		
	Electric power (MW)	Annual electricity production (kWh)	Bonus rate (%)
	7.85	62,172,000	+6.25
	7.90	62,568,000	+7.50
	7.95	62,964,000	+8.75
	8.00	63,360,000	+10.00
<p>If APCON's operation leads to electricity production of less than the guarantee amount above, the contractor will compensate the owner at the fine rate agreed as follows:</p>			
	Electric power (MW)	Annual electricity production (kWh)	Fines rate (%)
	7.55	59,796,000	-1.25
	7.50	59,400,000	-2.50
	7.45	59,004,000	-3.75
	7.40	58,608,000	-5.00
	7.35	58,212,000	-6.25
	7.30	57,816,000	-7.50
	7.25	57,420,000	-8.75
	7.20	57,024,000	-10.00

Independent Financial Advisor considered draft of operation and maintenance contract, and found that the conditions of operation and maintenance is normal for this type of business except operating fee and bonus, which are negotiated between MKP and APCON. The term of contract is appropriate for MKP's staff to learn about electricity generation business and covers the major overhaul.

Independent Financial Advisor is of the opinion that bonus from guarantee of operation and sale of electricity to PEA is inappropriate because MKP's power plant will generate electricity to sell PEA for the maximum electricity at 8.0 MW. Therefore, APCON should guarantee electricity generation at 8.0 MW and there will be a fine if the power plant cannot generate electricity to sell PEA less than 8.0 MW.

e) Land lease agreement

Topic	Details
Contract party	Lessor: Mrs. Siriwan Pasajarksathru Lessee: Phrae Green Power Company Limited Mrs. Siriwan Parajarksathru is mother of Mr. Parl Pasajarksathru who is the director and shareholders of MKP.
Term of contract	20 years from the date of lessee submits the notice of the lease term to lessor at least 30 days in advance.
Rental rate	30,000 Baht per month (360,000 Baht per year)
Term of payment	The lessee will have to pay the rent in advance throughout the year. Payment will be paid at the contract commenced date of every year until the lease term expires.
Essence of contract	1) Lessor agrees to lease the land and buildings as follows: <ul style="list-style-type: none"> <li>1.1) Certificate of Utilization (Nor.Sor. 3) No. 1017 Book 11Kor Page 17 Land No. 153 section with aerial photographs name Amphur Rongkwang No. 5054 I. Located at Paitoan Sub-district, Rongkwang District, Phrae Province total areas of 29-1-20 Rai include buildings.</li> <li>1.2) Title deed No.19009 Land No.9 Survey page 132 Paitoan Sub-district, Rongkwang District, Phrae Province total areas of 35-0-54 Rai</li> <li>1.3) Title deed No.19008 Land No.18 Survey page 131 Paitoan Sub-district, Rongkwang District, Phrae Province total areas of 29-3-55 Rai</li> </ul> 2) Lessor agrees to let lessee or other party whom lessor agree to use of land specified in No.1.2 and 1.3 to connect the public road and transport biomass fuel to Mae Krating power plant.
Termination of contract	In case one party breaks the agreement, another party has right to terminate the agreement by submitting a notice at least 45 days in advance. If there is any damage, the default party has to be responsible for charges based on actual damage amount to the other party.

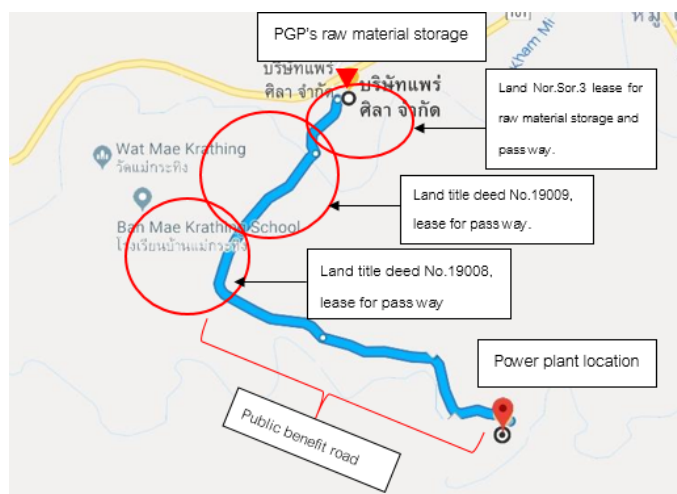


Independent Financial Advisor considered land lease agreement and found that the terms and conditions are in accordance with general commercial terms and the terms of contract covers the power purchase agreement for 20 years period.

PGP has long-term land lease agreement for three land plots as mentioned above which have connected territory. The lands adjacent to main road and public road through the land of MKP power plant project. Since public road to access to the project has to pass through Mae Krating Village road where road conditions are inappropriate for transportation of raw materials with large vehicles.

Moreover, area of raw material storage and purchasing field of MKP power plant is not enough. Therefore, there must have more raw material storage which is located not far from power plant. PGP has land lease agreement for 20 years in Nor.Sor.3 Kor with total area of 29-1-120 Rai, located 2.1 kilometers away from MKP's power plant which can use as raw material storage and purchasing field.

PGP will purchase raw material from retailers who deliver by small vehicle resulting in a lot of workload. Therefore, MKP will purchase only in big lot in order to avoid the difficulty.



f) Sell and purchase agreement of biomass fuel (wood chips, bamboo scarps and bamboo chopped)

Topic	Details
Contract party	Buyer: Mae Krating Power Company Limited Seller: B.P.15 Company Limited
Date of contract was signed	19 October 2017

Topic	Details
Term of contract	5 years (effective date on 1 June 2019 to 31 May 2024)
Amount purchase	Seller agrees to sell wood chips, bamboo scraps and bamboo chopped not less than 140 tons per day.
Agree price	Trading price will depend on the market price and market condition. The trading price is based on market price of the seller nearby area or power plant's purchase price (if any). The buyer must inform seller in written notice at least one month in advance.
Product Condition	Trade goods (2 inches wide and 2 inches long approximately or less) have moisture content at destination of the following types of goods: 1) Wood chopped products moisture content no more than 50 per cent by fresh weight. 2) Bamboo products moisture content no more than 50 per cent by fresh weight.
Term of payment	Buyer agrees to pay seller within 15 days from the date that seller delivers goods at the destination.
Fines	Seller - In case the seller does not complete the order during purchase cycle, the buyer is damaged by lack of fuel in the production process. The seller agrees to pay a fine of 50 Baht per ton by fresh weight. Buyer - If the buyer refuses to receive the goods under the order. The seller cannot sell the goods prepared for the buyer during the purchase cycle, the buyer agrees to pay a fine of 50 Baht per ton by fresh weight and freight cost that the seller actually paid.
Termination of contract	1) If either party fails to comply with one of the terms in the contract which causes damage to the other party. The injured party must notify the other party in written notice to solve the damages not less than 30 days. If no proceeding within the specific period, parties have the right to terminate the contract and be responsible for any other damages that may occur. 2) If either party wishes to prematurely terminate the contract, the party have to notify in written notice not less than 60 days.

Topic	Details
	<p>3) In the event that buyer ceases to engage in business during the contract period or operate other types of business different from current business. Buyer can immediately terminate the contract.</p> <p>4) If other party is a bankrupt or seized by the official receiver. The termination of the above agreement does not affect the right of the party who does not breach the contract to claim damages from breaching of contract or not comply with the terms of contract of the other party.</p>

Remark: Mr. Rapeepat Sumethchotimetha holds 88.18 per cent of B.P. 15 Company Limited's shares is son of Mr. Chatchai Sumethchotimetha the Executive Directors and Chief Executive Officer of the Company and in the same group of major shareholders of the Company.

Independent Financial Advisor considered the sell and purchase agreement of biomass fuel contract with B.P. 15 Company Limited and found that setting of the price and quantity is clear. Thus, MKP can manage the risk of volatility in price of raw material at the market price based on selling price in nearby area or power plant's purchase price. Moreover, MKP can claim for damages if the other party fail to comply with the contract.

If the seller prematurely terminate the contract, it will be in a written notice not less than 60 days. It is a sufficient period for MKP to contact another local raw material seller in the area including large vendors from other area to reduce the risk of premature termination.

## 2. Details of the Purchased Assets

### 2.1 Details of the Purchased Assets

MKP operates as power plant who generate electricity according to biomass power plant project on the size capacity of 9.90 MW and sell electricity at the maximum capacity of 8.00 MW to the Provincial Electricity Authority. The Company will buy MKP shares from STFE Company Limited and subscribe the increased share in order to preserve the shareholding right.

#### 2.1.1 Details of Mae Kraing Power Company Limited

Company name : Mae Krating Power Company Limited

Address : 388, 2<sup>nd</sup> Floor, SP Building, Phaholyothin Road, Samsennai Subdistrict, Phayathai District, Bangkok

Registered and paid-up capital : 25,000,000 Baht, divided into 2,500,000 shares at par value of 10.00 Baht each

Board of Directors : Before the Transaction  
Mr. Parl Pasajarksathru

After the Transaction  
Mr. Parl Pasajarksathru and four representative persons from the Company

List of shareholders before and after the Transaction

No.	Name	Before Transaction		After Transaction <sup>1</sup>	
		No. of shares	%	No. of shares	%
1	STFE Company Limited	2,000,000	80.00	-	-
2	Mr. Parl Pasajarksathru	498,500	19.94	5,629,062	19.94
3	Mr. Prasong Limsirichai	1,500	0.06	16,938	0.06
4	Sakol Energy Public Company Limited	-	-	22,584,000	80.00
	Total	2,500,000	100.00	28,230,000	100.00

Remark: <sup>1</sup>MKP will increase the registered share capital by 25.73 Million Shares.

Land of power plant location

MKP purchased land from Mrs. Siriwan Pasajarksathru at the beginning of 2018. At present, the right to occupy the land is Nor.Sor.3 with total area of 34-1-36 Rai. According

to Legal Due Diligence Report there was an evidence of certificate of tread on land in 1930. Later in 1955, the Department of Land issued a notification of land acquisition (Sor.Kor.1). Later in 1964, the Department of Land issued a certificate of utilization (Nor.Sor.3).

At present, mapping process of land is completed and application process for a title deed is subject to be approved by the relevant governmental committees.

#### Important business license

- 1) Factory license (Ror.Ngor.4) – MKP received the license on 2 August 2017.
- 2) Building license (Aor.1) – MKP received the license on 20 April 2016. MKP will proceed to extend the building license.
- 3) Energy business license – Since the power plant is currently under preparation, MKP does not have such a license yet.
- 4) Investment promotion card – MKP has applied for investment promotion and pending for approval from the Board of Investment Committee.

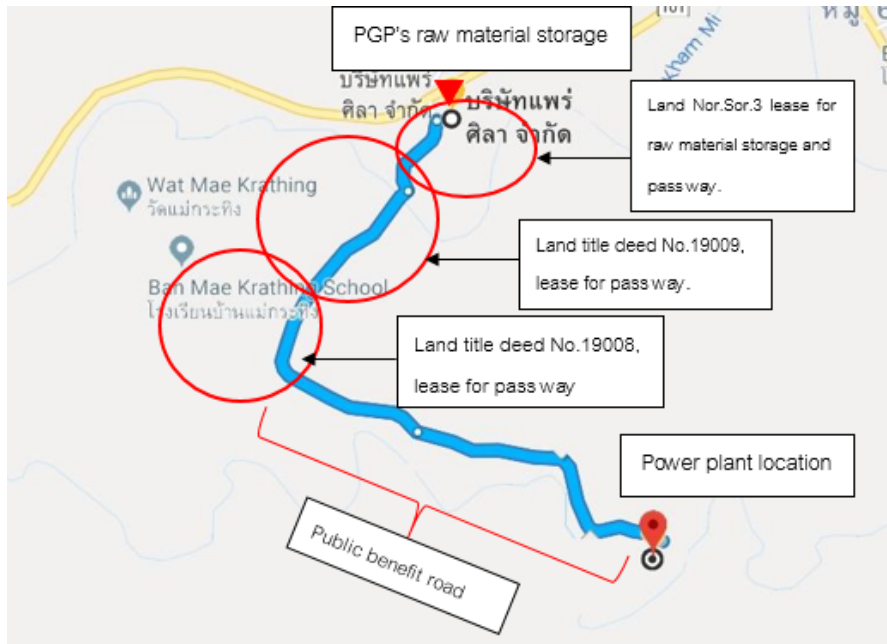
MKP will invest in Phrae Green Power Company Limited (“PGP”) according to the precedent condition of the agreement to buy and sell shares of MKP. Hereby, PGP have registered and paid-up capital of 5,000,000 Baht (par value at 100 Baht each) and MKP will hold 60 per cent of shareholding. The other 40 per cent will be hold by (1) Miss Kamonwan Karthongthung for 10 per cent (2) Mr. Worachart Tavichai for 10 per cent and (3) Miss Varanya Wiangthong for 10 per cent and (4) Mr. Sarakorn Suklor for 10 per cent.

At present, MKP use staff from STFE Company Limited and hired as consultants to coordinate with agencies in Phrae province.

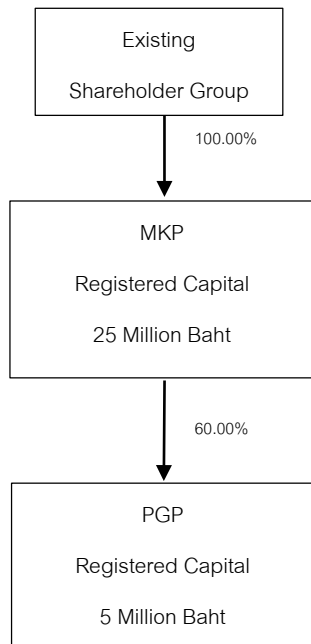
PGP aims to purchase raw materials which mostly are corncobs from retailers, then grind and store raw material. All of raw materials will be sold to MKP at market price based on market price from Suchin’s corn purchasing field and Somchai’s corn purchasing field who are the main sellers, and in general trade terms.

Since the space of biomass power plant, storage, and purchasing field of MKP is not enough and location of power plant is inconvenience to directly purchase raw materials from retailers. Hence, MKP has to look for additional space which should not far from the existing plant. PGP owns the area of 29-1-20 Rai, which is only 2.1 kilometers away from the existing plant. The land is leased for 20 years which is relevant to term indicated in sale and purchase agreement of

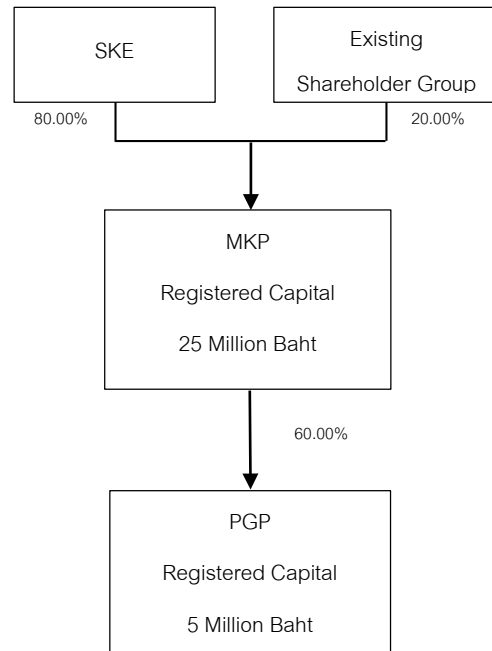
electricity. There is no raw material storage on rental area. PGP will build raw material storage when it starts to purchase from retailers. At present, PGP does not operate in any business.



Shareholder Structure before the Transaction



Shareholder Structure after the Transaction



2.1.2 Details of Phrae Green Power Company Limited

- Company name : Phrae Green Power Company Limited
- Address : 128/16 Moo 2 MuangMor Sub-district, Phrae District, Phrae Province
- Registered and paid-up capital : 5,000,000 Baht, divided into 50,000 shares at par value of 100.00 Baht each
- Relationship : List of shareholders holding of 40 per cent of paid-up capital as follows:
- 1) Miss Kamonwan Karthongthung proportion of 10 per cent
  - 2) Mr. Worachart Tavichai proportion of 10 per cent
  - 3) Miss Varanya Wiangthong proportion of 10 per cent
  - 4) Mr. Sarakorn Suklor proportion of 10 per cent
- There is no relationship with the Company and MKP's shareholders.

2.2 The Summary of Financial Position and Operating ResultMae Krating Power Company Limited

The financial statement of Mae Krating Power Company Limited as of 31 December 2015, 31 December 2016 and 31 December 2017 were audited by the certified auditor of MKP.

## (1) Statement of Financial Position

Unit: Thousand Baht

Statement of Financial Position	For the year ended 31 December		
	2015	2016	2017
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	61.90	45.47	2.60
Short-term loans to directors	75.00	-	-
Other current assets	21.42	787.84	853.28
<b>Total current assets</b>	<b>158.32</b>	<b>833.31</b>	<b>855.88</b>
<b>Non-current assets</b>			
Project Development Fee Before Implementation	-	11,867.09	12,246.20
<b>Total non-current assets</b>	<b>-</b>	<b>11,867.09</b>	<b>12,246.20</b>
<b>Total assets</b>	<b>158.32</b>	<b>12,700.40</b>	<b>13,102.08</b>

Unit: Thousand Baht

Statement of Financial Position	For the year ended 31 December		
	2015	2016	2017
<b>Liabilities and shareholders' equity</b>			
<b>Liabilities</b>			
<b>Current liabilities</b>			
Advances from related companies	6.00	11,666.84	-
Short-term borrowings from directors	-	370.01	-
Accrued expenses	10.00	228.62	17.00
Other current liabilities	-	1.50	-
<b>Total current liabilities</b>	<b>16.00</b>	<b>12,266.97</b>	<b>17.00</b>
<b>Total liabilities</b>	<b>16.00</b>	<b>12,266.97</b>	<b>17.00</b>
<b>Shareholders' equity</b>			
<b>Share capital</b>			
<b>Registered share capital</b>			
Ordinary shares, 100,000 shares at par value of 10.00 Baht each	1,000.00	1,000.00	-
Ordinary shares, 1,500,000 shares at par value of 10.00 Baht each	-	-	15,000.00
<b>Issued and fully paid-up share capital</b>			
Ordinary shares, 100,000 shares at par value of 5.00 Baht each	500.00	-	-
Ordinary shares, 100,000 shares at par value of 10.00 Baht each	-	1,000.00	-
Ordinary shares, 1,500,000 shares at par value of 10.00 Baht each	-	-	15,000.00
Retained earnings (deficit)	(357.68)	(566.57)	(1,914.92)
<b>Total shareholders' equity</b>	<b>142.32</b>	<b>433.43</b>	<b>13,085.08</b>
<b>Total liabilities and shareholders' equity</b>	<b>158.32</b>	<b>12,700.40</b>	<b>13,102.08</b>



## (2) Statement of Comprehensive Income

Unit: Thousand Baht

Statement of Comprehensive Income	For the year ended 31 December		
	2015	2016	2017
Revenues	-	-	-
Administrative expenses	(178.94)	(208.89)	(1,348.36)
<b>Profit (loss) before finance costs and income tax</b>	<b>(178.94)</b>	<b>(208.89)</b>	<b>(1,348.36)</b>
Finance costs	-	-	-
<b>Profit (Loss) before income tax</b>	<b>(178.94)</b>	<b>(208.89)</b>	<b>(1,348.36)</b>
Income tax	-	-	-
<b>Net profit (Loss)</b>	<b>(178.94)</b>	<b>(208.89)</b>	<b>(1,348.36)</b>

Phrae Green Power Company Limited

The financial statement of Phrae Green Power Company Limited as of 31 December 2014, 31 December 2015 and 31 December 2016 were audited by the certified auditor of PGP.

## (1) Statement of Financial Position

Unit: Thousand Baht

Statement of Financial Position	Statement of Financial Position		
	2014	2015	2016
<b>Asset</b>			
<b>Current assets</b>			
Cash and cash equivalents	972.00	968.00	968.00
Trade and other receivables	9.17	89.17	149.17
Short-term loans	4,000.00	4,000.00	4,000.00
<b>Total current assets</b>	<b>4,981.17</b>	<b>5,057.17</b>	<b>5,117.17</b>
<b>Total assets</b>	<b>4,981.17</b>	<b>5,057.17</b>	<b>5,117.17</b>
<b>Liabilities and shareholders' equity</b>			
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	4.00	4.00	8.00
<b>Total current liabilities</b>	<b>4.00</b>	<b>4.00</b>	<b>8.00</b>
<b>Total liabilities</b>	<b>4.00</b>	<b>4.00</b>	<b>8.00</b>
<b>Shareholders' equity</b>			
Share capital			
Registered share capital			

Unit: Thousand Baht

Statement of Financial Position	Statement of Financial Position		
	2014	2015	2016
Ordinary shares, 50,000 shares at par value of 100.00 Baht each	5,000.00	5,000.00	5,000.00
Issued and fully paid-up share capital			
Ordinary shares, 50,000 shares at par value of 100.00 Baht each	5,000.00	5,000.00	5,000.00
Retained earnings (deficit)	(22.83)	53.17	109.17
<b>Total shareholders' equity</b>	<b>4,977.17</b>	<b>5,053.17</b>	<b>5,109.17</b>
<b>Total liabilities and shareholders' equity</b>	<b>4,981.17</b>	<b>5,057.17</b>	<b>5,117.17</b>

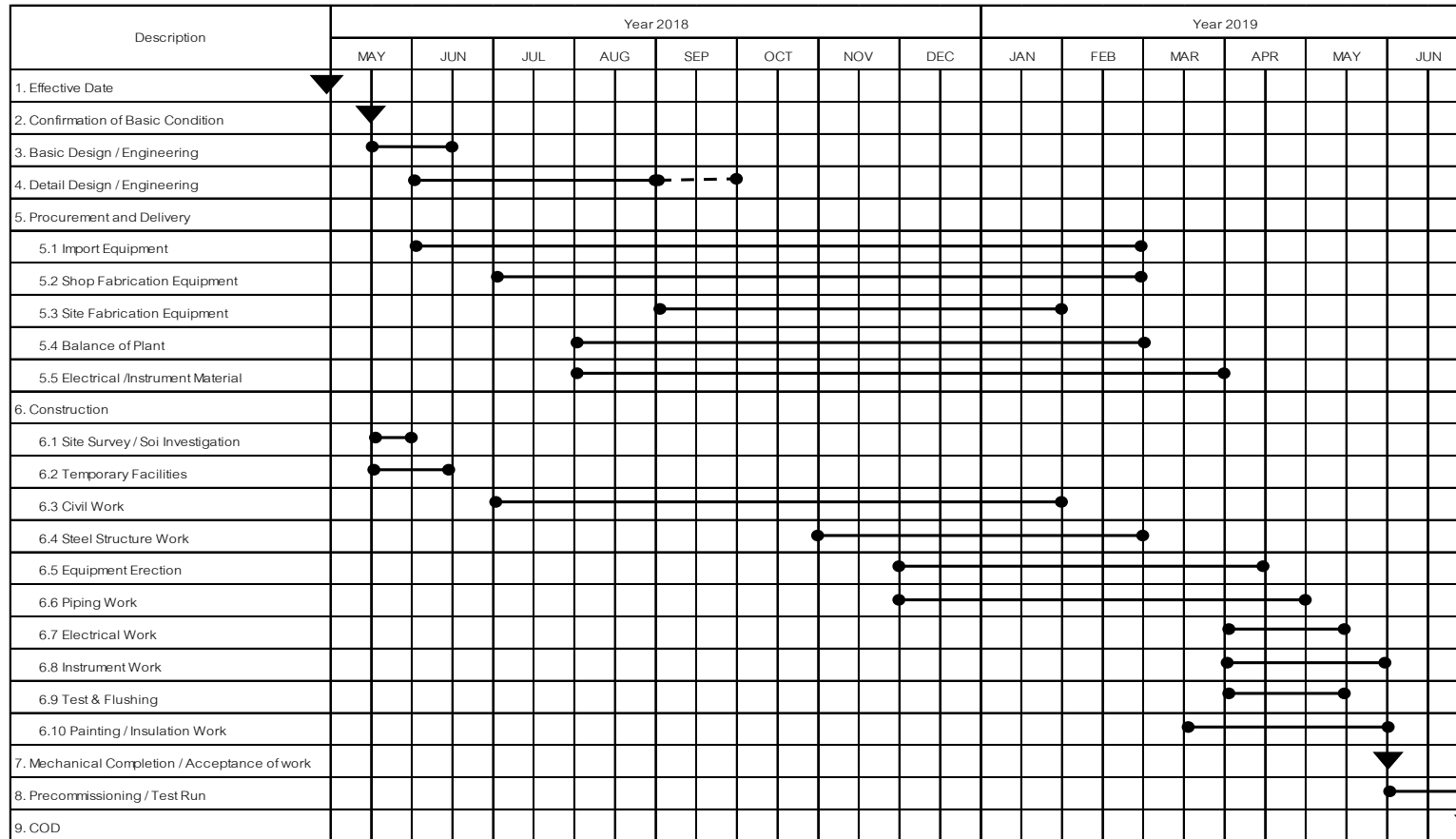
## (2) Statement of Comprehensive Income

Unit: Thousand Baht

Statement of Comprehensive Income	For the year ended 31 December		
	2014	2015	2016
Revenues	9.17	80.00	60.00
Administrative expenses	32.00	4.00	4.00
<b>Profit (loss) before finance costs and income tax</b>	<b>(22.83)</b>	<b>76.00</b>	<b>56.00</b>
Finance costs	-	-	-
<b>Profit (Loss) before income tax</b>	<b>(22.83)</b>	<b>76.00</b>	<b>56.00</b>
Income tax	-	-	-
<b>Net profit (Loss)</b>	<b>(22.83)</b>	<b>76.00</b>	<b>56.00</b>

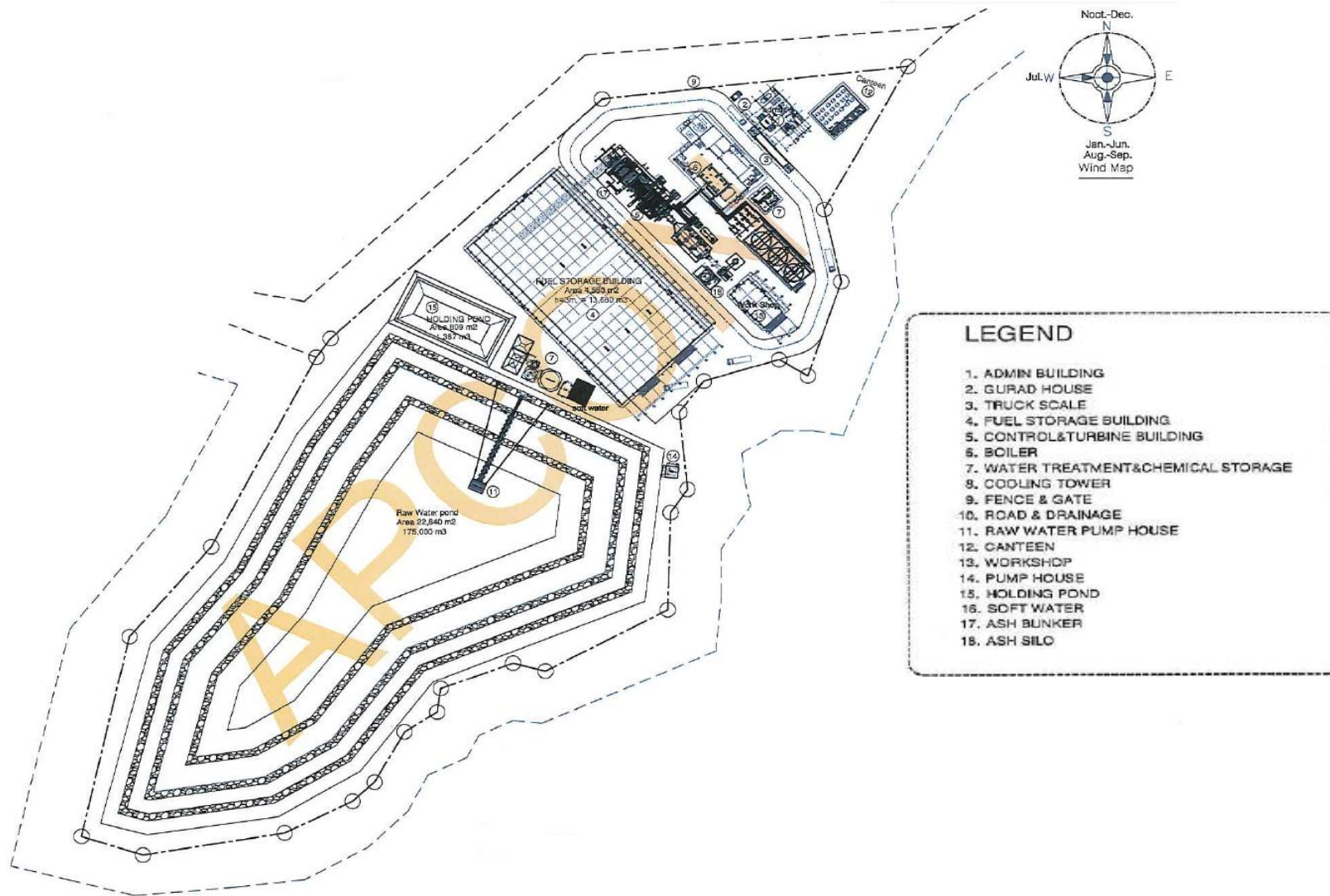
2.3 Construction Plans

A time frame of 14 months is required to construct MKP's biomass power plant, APCON has prepared the following plans.



MKP has signed an MOU with APCON to build the power plant and install all equipment on 6 November 2017 and MKP will sign the actual contract with APCON after receiving approval from shareholders at the Annual General Meeting for the year 2018 on 19 April 2018. Therefore, the power plant is expected to be completed by June 2019.

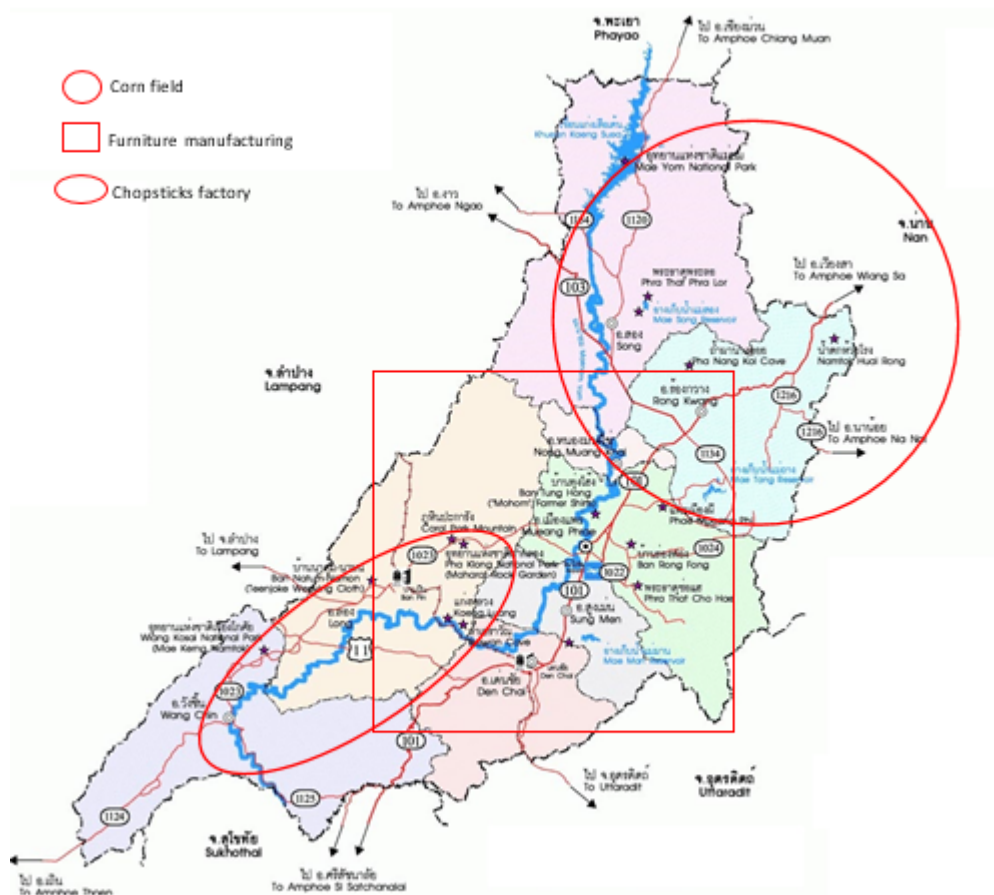
Plan of MKP's biomass power plant



2.4 Details of Fuel Adequacy

MKP's power plant use wood chips as main raw material and peel and corncobs and bamboo scraps as supplementary raw material. Biomass power plant is located in Phrae Province which is manufacturer of wooden, chopsticks and maize. From an interview with APCON, the designer and installer of machine specify amount of raw materials used by the power plant are comprised of 40 per cent (140 tons per day) of wood chips will be used and the remainder of 60 per cent (210 tons per day) will be mixed between peel and corncobs, and bamboo scraps. In total fuel used per day is 350 tons per day. Currently, technology of machine can support use of peel and corncobs and bamboo scraps proportion of 100 per cent. However, some types of fuel burns contain chemicals that are produced by combustion. The chemical in peel and corncobs and bamboo scraps from the combustion are difference from chemicals in wood chips. This will affects the efficiency of the machine such as boiler or pipe, etc. Therefore, the proportion of fuel consumption in the above mentioned proportions is appropriate. The details are as follows.

Map showing the source of raw materials of MKP



Phrae Province has 8 districts, divided into 3 areas as follows:

- 1) The upper area is corn field.
- 2) The central area is furniture manufacturing.
- 3) The lower area is chopstick and stick factory.

(1) Wood chips

Phrae is one of the country's large source of teakwood furniture. In the process of producing furniture, there will be wood chips which would be the raw material for the power generation of the MKP's power plant. According to the strategic plan of Phrae Province from 2015 to 2018, Phrae Province aims to generate income from golden teakwood furniture industry has grown to 12,000 Million Baht per year. The current trade value is 5,000 Million Baht per year and in 2018, the targeted revenue increased to 20,000 Million Baht per year. Considering land used in Phrae Province, Agricultural area, Type of perennial reference to summary of land used from Land Development Department, Ministry of Agriculture and Cooperatives, It is found that the amount of teak planting on the Agricultural area, Type of perennial is on average proportion of 87.41 per cent. Details are as shown in the following table:

Unit : Rai

Wood	2007	Proportion (%)	2009	Proportion (%)	2012	Proportion (%)	2016	Proportion (%)
Teakwood	160,667	89.16	163,062	88.89	197,931	86.37	258,786	85.20
Miscellaneous wood	19,371	10.75	20,229	11.03	31,047	13.55	43,761	14.41
Other wood	165	0.09	149	0.08	189	0.08	1,189	0.39
Total	180,203	100.00	183,440	100.00	229,167	100.00	303,736	100.00

Source: Summary of land used from Land Development Department, Ministry of Agriculture and Cooperatives, Phrae Province for year 2007 - 2016

Sources of furniture factories' teakwood come from 2 major sources: 1. Private forest plantation and 2. Forest plantation of Forest Industry Organization.

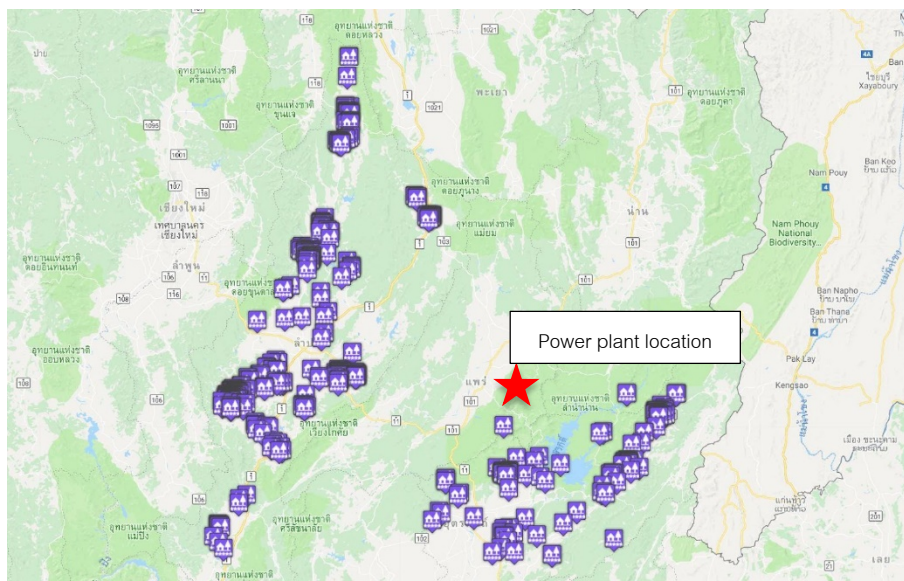
1. Private forest plantation

Private forest plantation in Lampang Province and Uttaradit Province area has 3,324 Rai, which is mostly teak. Details are as shown in the following table:

Province	Area for the year 2016 (Rai-Ngan- Sq.wah.)
Lampang	1,888-0-87.7
Uttaradit	1,435-3-98.0
Total	3,324-0-85.7

Source: Information Center Office of Planning and Information, the Royal Forest Department.

Map of private forest plantation



Source: Information Center Office of Planning and Information, The Royal Forest Department

2. Forest plantation of Forest Industry Organization

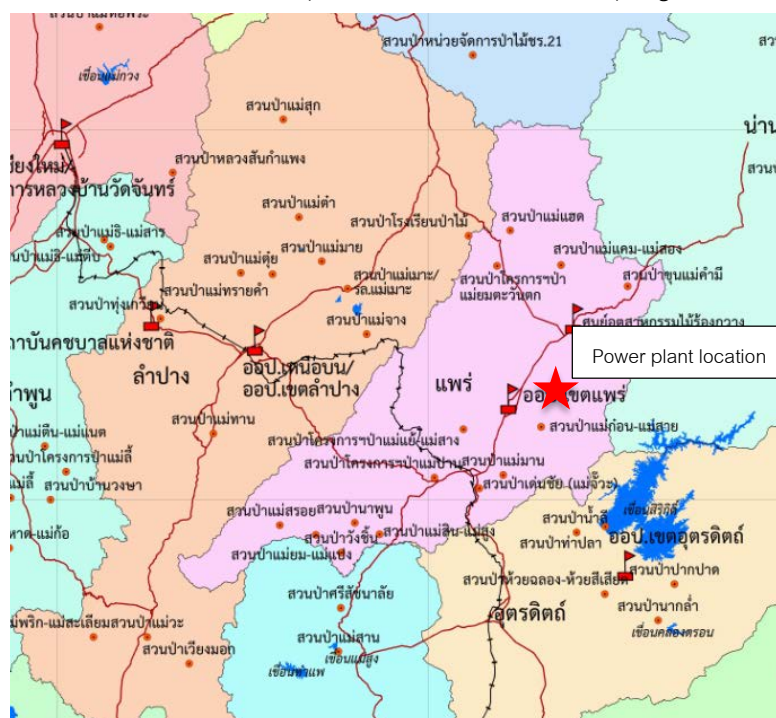
The Northern Forestry Industry Organization is responsible for the Forestry Industry Organization. There are 6 provinces in the Northern region including Phrae, Nan, Chiang Rai, Lamphun, Chiang Mai and Mae Hong Son. The produce area is near the power plant. Details are as shown in the following table:

Area	Produce area for the year 2016 (Rai)
Lampang	93,361
Phrae	98,658
Total	192,019

Source: The Northern Forestry Industry Organization



Picture of location of forest plantation in Phrae and Lampang Province



Source: The Northern Forestry Industry Organization

MKP has a contract to sell and purchase agreement of biomass fuel in types of wood chips and bamboo chopped with B.P. 15 Company Limited with sales volume of not less than 140 tons per day at market price.

B.P. 15 Company Limited was established on 15 March 2014 with registered capital of 110 Million Baht and paid-up capital of 65 Million Baht conducts business operation in production of wood pallets and wood chips from teak wood and other wood chips. Thus, MKP has signed agreement to procure raw materials for the production of MKP.

The supply of raw materials of B.P. 15 Company Limited comes from various types of wood such as logs, logs from the teak processing industry, sawdust from teak processing, bamboo scraps from the processing industry in making chopsticks and stick. The average volume of 200 tons per day is composed of 120 tons of timber and 80 tons of sawdust.

Hence, sawdust will be compressed in packaged as fuel briquette and sold to the Electricity Generating Authority of Thailand which is the main customer also processed into wood chips sold to power plants in nearby area. The Company also received raw materials from the purchase field network as follows: 1) Chok Boon Mark Limited Partnership with the average sawdust purchase volume of 65 tons per day and the average purchase



quantity of wood bark 40 ton per day. 2) Sri Nuan Limited Partnership located near the Phrae district. The main types of wood purchased are teak, which could purchase at an average of 50 tons per day. Total purchase of wood at 235 tons, where three locations are located in Sung Men District and nearby which is a large furniture manufacture in Phrae Province.

The quantity of the purchase can be increased according to the needs of customers. Logs are purchased at the factory and purchasing field network will be brought into the woodworking machine to sale as wood chips. At present, the production capacity is 120 tons per day (in capacity of 15 tons per hour and 8 hours operation per day) and can be increased capacity in the future according to customer demand by investing on woodworking machines. Currently, wood chips are sold to the Clover power plant in Wang Chin District, Phrae Province.

B.P. 15 Company Limited's factory



Wood from B.P. 15 Company Limited's factory



Wood slab field from Chok Boon Mark Limited Partnership



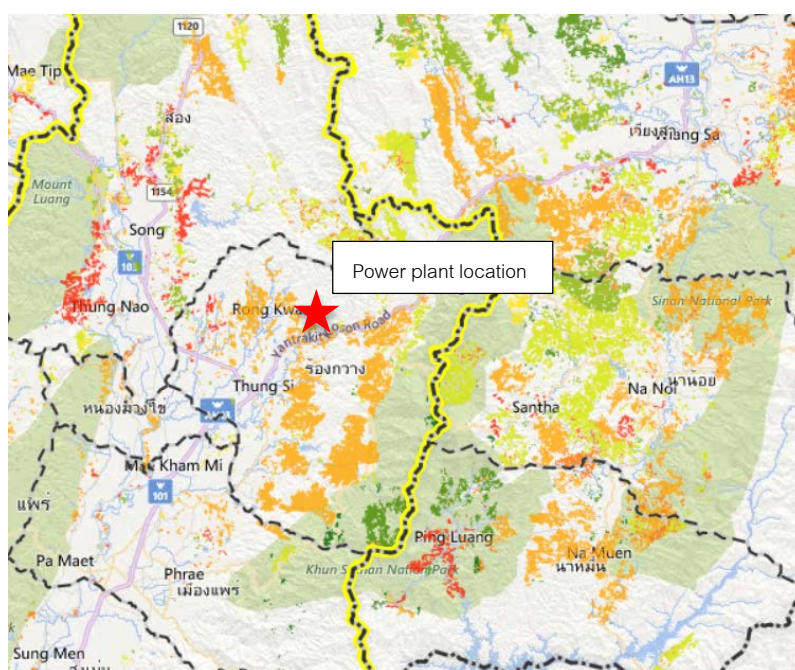
Wood slab field from Sri Nuan Limited Partnership



(2) Peel and corncobs

The maize is grown in Rong Kwang District, Phrae Province, which is the location of power plant. In Na Muen, Na Noi and Wiang Sa, Nan Province, which is adjacent to power plant.

Picture of the area planted with maize



Source: Geo-Informatics and Space Technology Development Agency (Public Organization)

The maize will be divided into 2 versions. The second version will only grow in irrigated areas. Productivity in production year 2014/2015 and 2015/2016. Details are as shown in the following table:

Province	Year of cultivation Productivity (Tons)	
	2014/2015	2015/2016
Phrae		
Version 1	173,628	170,437
Version 2	20,942	20,180
<b>Total</b>	<b>194,570</b>	<b>190,617</b>
Nan		
Version 1	488,403	460,195
Version 2	29,146	15,151
<b>Total</b>	<b>517,549</b>	<b>475,346</b>

Source: Ministry of Agriculture and Cooperatives

MKP has contacted with Suchin's corn purchasing field and Somchai's corn purchasing field to purchase peel and corncobs. In each season, Suchin's corn purchasing field and Somchai's corn purchasing field will purchase altogether at least 40,000 tons per year which is comprised of 10,000 tons per year and 30,000 tons per year respectively. There are peel and corncobs leftover from corn coloring process at least



60,000 tons per year which is divided into 15,000 tons per year and 45,000 tons per year respectively. In addition of two aforementioned purchasing fields, there is PGP's purchasing field that purchase peel and corncobs from farmers in nearby area which has their own corn and do not color the corn at a purchasing field. Therefore, the residue of peel and corncob can be sold to PGP who is responsible for purchasing raw material for MKP based on the market price.

MKP does not sign sell and purchase agreement of biomass fuel with two purchasing fields because corn is a seasonal agricultural product. However, the peel and corncobs can be kept for 2-3 years, making it available for sale all year. From the two aforementioned purchasing fields, the quantity of peel and corncob is not less than 60,000 tons per year (164 tons per day). Nevertheless, the amount of peel and corncobs can be extended further since there are peel and corncobs from leftover of corn coloring process in the field and burned or a field that does not take advantage of peel and corncobs. (In the production season 2015/2016, there are corns in Phrae and Nan Province approximately 660,000 tons, which was peel and corncobs 400,000 tons or an average of 1,100 tons per day).

Currently, there is a sole buyer of peel and corncobs in Phrae Province, which is the Clover power plant. It is located about 96 kilometers away from the MKP's power plant that has a total usage of 160 - 220 tons of peel and corncobs per day. In case of additional buyers, the two purchasing fields will buy peel and corncobs from farmers to sell to MKP power plant, which will be sufficient for both power plants.

Suchin's corn purchasing field





Somchai's corn purchasing field



(3) Bamboo scraps

MKP will purchase bamboo scraps from Phrae Thanarat chopstick factory. The nature of business is Phrae Thanarat will let villagers used their machine to produce chopsticks and stick. Then the factory buy back the sticks and bamboo scraps left over from chopsticks production at the purchasing field located at Wang Chin District and the factory in Denchai District. There are average bamboo scraps total of 100 - 200 tons per day throughout the year from two purchasing fields.

Currently, there is power plant located in Lampang Province where is a buyer of bamboo scraps. Meanwhile, the distance is quite far and the Clover power plant's machine does not support the use of bamboo scraps. Therefore, MKP power plant can buy chopped bamboo scraps from the Phrae Thanarat chopstick factory that there are 100 - 200 tons of bamboo scraps per day available to be used as fuel, alternating with peel and corncobs.

MKP does not sign sell and purchase agreement of biomass fuel with Phrae Thanarat chopstick factory. Since there are few buyers and excess supply and bamboo scraps is leftover from chopsticks production, there is not necessary to sign an agreement.

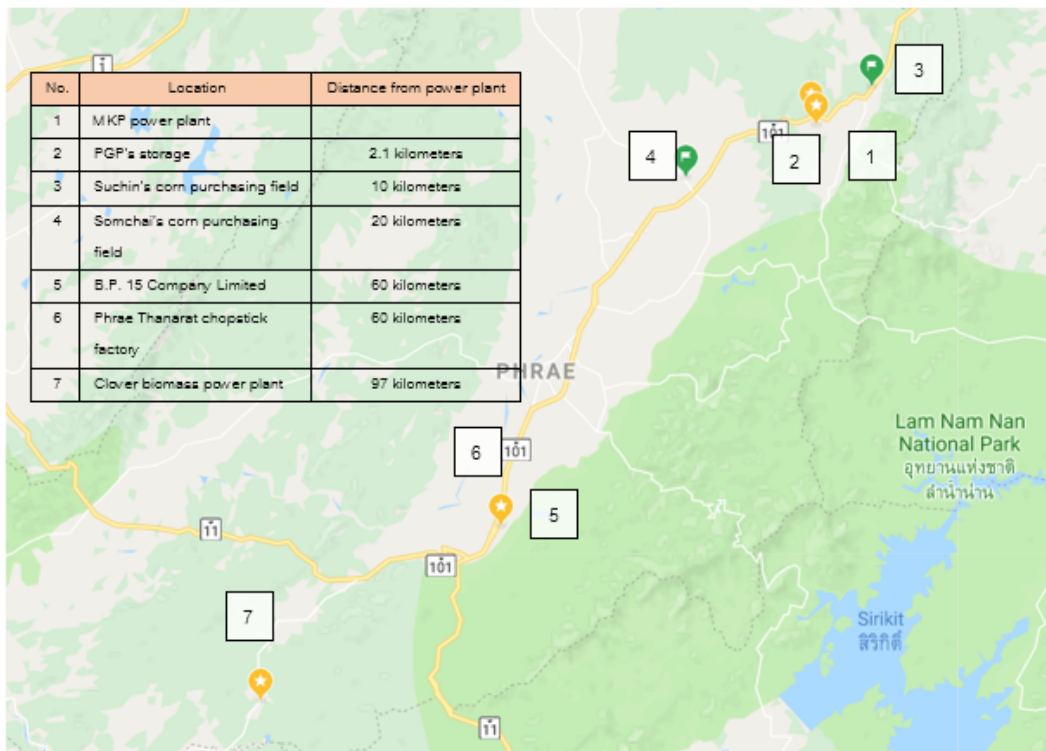


Table show quantity and ability to supply raw materials of suppliers

Unit: Tons per day

Raw Material	Quantity of raw materials in area	Ability to supply raw materials of suppliers (A)	Fuel consumption per day of MKP (B)	Proportion of fuel consumption of MKP to ability to supply raw materials of suppliers B/A (%)
1. Wood chips	No information from government agencies	210 <sup>1</sup>	140	66.67
2. Peel and corncobs	400,000 (tons per year)	164 <sup>2</sup>	105	64.02
3. Bamboo scraps	No information from government agencies	100 – 200 <sup>3</sup>	105	52.50 – 105.00
Total			350	

Remark: 1. Ability to supply raw material of wood chips consists of:

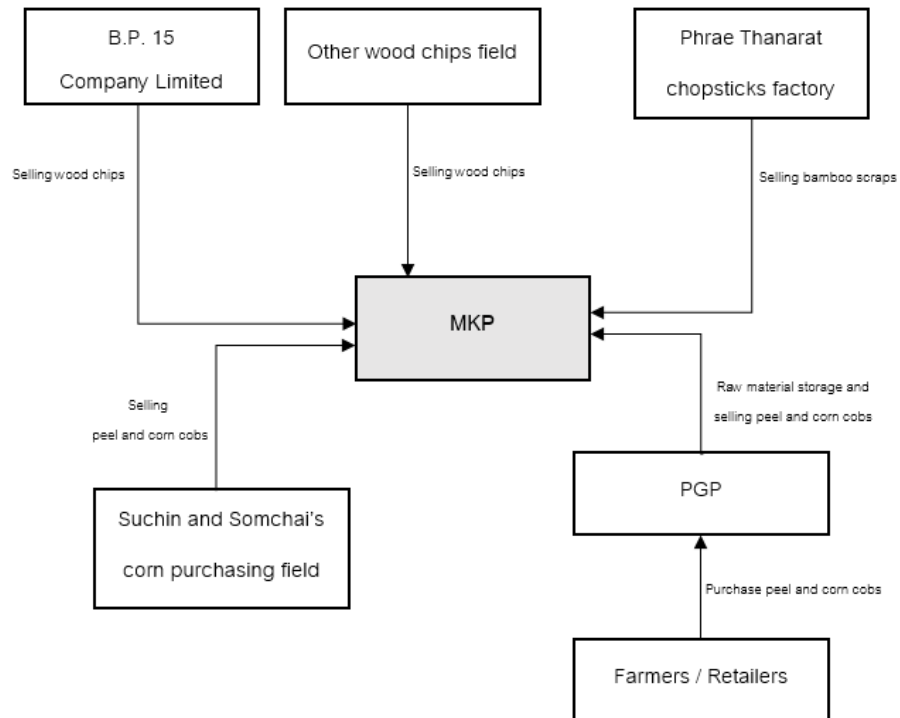
- 1.1 B.P. 15 Company Limited total of 120 ton with production capacity at 120 tons per day (in capacity of 15 tons per hour and 8 hours operation per day) and can increase capacity in the future according to customer demand by investing on woodworking machines.
- 1.2 Purchasing field network include Chok Boon Mark Limited Partnership and Sri Nuan Limited Partnership has total ability to supply raw material of 40 tons per day and 50 tons per day respectively totaling to 90 tons per day.

2. Ability to supply raw material of peel and corncobs supplier consists of:

- 2.1 Suchin's purchasing field and Somchai's purchasing field has ability to supply raw material of 15,000 tons per year and 45,000 tons per year respectively totaling to 60,000 tons per year (Average 164 tons per day)
- 2.2 Currently, PGP does not operate and will purchase raw material from retailers as supplement for item 2.1.

3. Ability to supply raw material from Phrae Thanarat chopsticks factory is 100 – 200 tons per day.

MKP raw material procurement diagram





### 3. Opinion of Independent Financial Advisor

#### 3.1 Reasonableness and Benefits of the Transaction to the Listed Company

The acquisition of this asset is an investment in the MKP's biomass power plant project, which the Company will hold 80 per cent of share capital with a production capacity of 9.90 MW and enter into sale and purchase agreement with the Provincial Electricity Authority, VSPP-PEA-011/2014 by way of the Feed in Tariff (FiT) rate with the Provincial Electricity Authority. The contract period is 20 years from commercial operation date (COD) with maximum power generation capacity of 8.00 MW and the revenue from electricity sales is expected to be recognized in July 2019.

The investment in this project is diversifying the business risk of the Company. Currently, the Company operates its main business as the PTT Station for the transportation of natural gas to NGV stations outside the gas pipeline or sub-station, as well as improvement of the Private Mother Station (PMS) by providing natural gas compression service to natural transportation vehicles, which is considered as energy business as same as the project.

The biomass power plant business has potential to grow in the future, create stable and recurring income from electricity power production. Investing in the project, the Company is expected to receive return on investment and generate profit for the Company continuously in the future as well as generate return to shareholders of the Company in the long term.

The Independent Financial Advisor is of the opinion that the objective of entering into the transaction this time is reasonable and appropriate.

#### 3.2 Advantages and Disadvantages of the Transaction

##### 3.2.1 Advantages in entering into the transaction

- (1) Diversification of the Company's business into an industry with recurring income and reduce risk of dependency on revenue from PTT gas station operation

Investment in MKP's biomass power plant project is an investment in the power generation business that has stable and recurring income from electricity power production which has Purchase Power Agreement for 20 years starting from COD.

Reduce the risk of the Company's main business, which is the PTT Station for the transportation of natural gas to NGV stations outside the gas pipeline or substation, as well as improvement of the Private Mother Station (PMS) by providing natural gas compression service to natural transportation vehicles. Moreover, the Company has operated in energy business industry as same as the project.

Therefore, this business will increase value and return of the Company in the long term.

(2) Receiving special tax privileges from the Board of Investment (BOI)

Biomass power projects receive tax exemption on net profit from the BOI for 8 years, and an additional 5 years at 50 per cent corporate income tax as well as other benefits.

At present, MKP's approval from the Board of Investment is pending. It is expected to be approved within the third quarter of 2018. After BOI has approved MKP project proposal, profitability of the investment will be further enhanced.

(3) Reasonable return on investment

According to projection of Independent Financial Advisor, the investment in biomass power plant project has a Project IRR in range of 11.05 – 13.27 per cent, Project NPV in range of 167.21 – 309.53 Million Baht, an Equity IRR in range of 13.97 – 17.72 per cent, and an Equity NPV in range of 94.34 – 190.41 Million Baht.

(4) Increase in opportunities for expansion in energy business

The Company has studied and bided for the biomass power plants, which is the business the Company is interested in 3 southern provinces and 4 districts in Songkhla Province on behalf of Sakol Energy Biomass Power 15 Company Limited, but was not selected.

Investment in biomass power plant projects shall cause the Company to operate in electricity production and distribution business, which will create opportunities for further investment in alternative energy in the future.

### 3.2.2 Disadvantages in Entering into the Transaction

- (1) The investment in the business that the Company is lack of proficiency

The Company's main business is the PTT Station for the transportation of natural gas to NGV stations outside the gas pipeline or sub-station, as well as improvement of the Private Mother Station (PMS) by providing natural gas compression service to natural transportation vehicles. Therefore, investment in biomass power plant is investment in new business and the Company is lack of proficiency.

However, the company has studied and bided for the biomass power plant project and entered to agreement to hire APCON for operation and maintenance of power plants (Operation & Maintenance). The contract period is 5 years after the COD.

Thus, this will help the Company to learn and gain more experience and proficiency in operation of power plant projects.

- (2) The burden of debt and interest expenses rising in consolidated financial statement

Approximately 770.00 Million Baht will be invested the project as follows:

- 1) Loan from financial institutions amounting to 513.00 Million Baht.
- 2) Proceed after the capital increase of MKP totaling 257.00 Million Baht.

According to the consolidated financial statements as of 31 December 2017, the Company and its subsidiaries had total debt bearing interest of 98.83 Million Baht, with a debt to equity ratio of 0.17 times. Hence, increase in loan, will impact on the consolidated financial statements of the Company and its subsidiaries resulting in the debt to equity ratio to be increased to 0.75 times and the overall burden of interest expenses expense to financial institutions increase. The loan of MKP is not limited to the dividend payment of the Company.

### 3.3 Advantages and Disadvantages of not Entering into the Transaction

#### 3.3.1 Advantages of not entering into the transaction

- (1) The Company will have no additional burden of debt and interest expense

There will be a loan of 513.00 Million Baht and interest expenses on loan from investment in such project. If there is no investment in such project, there will be no burden of debt and interest expense on this project.

- (2) The proceed remaining from IPO can be invested in other projects

The proceeds in acquiring existing share and capital increase shall come from proceeds of issuing initial public offering (IPO) amounting to 285.84 Million Baht. If the Company does not enter into the transaction, the company can spend the proceeds to invest in other projects that may be less risk and/or has opportunities to receive better returns.

#### 3.3.2 Disadvantage of not entering into the transaction

- (1) The company will lose the opportunity to generate return on investment in biomass power plants.

MKP has a power purchase agreement with PEA by way of FiT. The term of the agreement is 20 years from COD with maximum power generation capacity of 8.00 MW. Therefore, if the Company does not invest in this biomass power plant project, the Company will lose the opportunity to generate revenue and long term return for the Company in the future. In addition, the Company cannot diversify its risk of core business.

### 3.4 Risk of Entering into the Transaction

- (1) Expansion into new business without proficiency

Although the Company have studied and bided for the biomass power plant project, the Company has not yet operated a biomass power plant and the Company's main business is the PTT Station for the transportation of natural gas to NGV stations outside the gas pipeline or sub-station, as well as improvement of the Private Mother Station (PMS) by

providing natural gas compression service to natural transportation vehicles. Therefore, investment in biomass power plant is investment in new business and the Company is lack of proficiency.

However, the company has entered to agreement to hire APCON for operation and maintenance of power plants (Operation & Maintenance). The contract period is 5 years after the commercial operation date (COD). Thus, this will help the Company to learn and gain more experience and proficiency in operation of power plant projects.

(2) Risks related to the adequacy of raw materials used in production

Raw materials are the most important factor in the operation of biomass power plants. If a biomass power plant cannot find enough fuel and cannot secure a continuous supply of fuel, it will not be able to operate at an optimum level which will affect the project's revenue and profits.

The fuel used in the production are wood chips, peel and corncobs, and bamboo scraps. In Phrae and neighboring provinces, such materials are sufficient for fuel production on the daily demand basis of biomass power plants. There is only one biomass power plant, named Clover Power Plant located in at Nopphon Sub-district, Wang Pim District, Phrae Province, which has the main fuel consumption. The main fuel of Clover Power Plant is rice husk. Therefore, there are difference in fuel requirements, machine used in operation, and technology used in manufacturing.

The Company has entered into sell and purchase agreement of raw material in type of wood chips in amount of not lower than 140 tons per day with local fuel suppliers (refer to Section 1.9 f) Biomass fuel contract in type of wood chips, bamboo scraps, bamboo chopped) Meanwhile, corn, which is the seasonal agricultural product, will be purchased from the two corn purchasing yards (Suchin's corn purchasing field and Somchai's corn purchasing field), which have production capacity of peel and corncobs is not less than 60,000 tons per year (164 tons per day) for fuel supply of MKP. Other purchasing fields, as well as bamboo residue from the production of chopsticks in approximate amount of 100 - 200 tons of chopstick production per day from Phrae Thanarat chopstick factory (Other chopsticks factories excluded) to be used as a fuel alternating with peel and corncobs will be purchased. (For more details, refer to Section 2.4 Details of Fuel's Adequacy).

Independent Financial Advisor is of the opinion that the project has a high level of risk from the adequacy of fuel.

(3) Risk of volatility of the price of biomass fuel

The cost of fuel for biomass power plants is approximately 36 per cent of sales revenue. Therefore, if the price of biomass were to increase, the profits from operation will be negatively affected. Main fuels used by MKP are wood chips, peel and corncobs, and bamboo scraps.

MKP has prepared several types of machinery and equipment to support various types of biomass fuels. Therefore, if biomass fuel price increase, MKP can use alternative fuels and not cause any damage. Moreover, there are constant track changes in fuel prices including the age of fuel; for example, peel and corncobs can be stored for approximately 2-3 years in the shade. If biomass fuels price are lower, it will be purchased to collect in order to reduce the risk of fluctuations in biomass fuel prices. Raw materials of peel and corncobs, and bamboo scraps are considered as raw materials residue from the production. If the raw materials residue are not used as fuel for electricity generation, it will be burned resulting in low the volatility of the price.

Independent Financial Advisor is of the opinion that risk of volatility of the price of biomass fuel is not high.

(4) Risk of fluctuations in thermal energy from biomass fuels

In the projection of the Independent Financial Advisor, there are assumptions for the heating value derived from each type of biomass fuel which the heat of biomass fuels may not be as projected that will affect the amount of electricity produced.

However, MKP has defined the quality of biomass fuels. If the fuel meets the required quality, it will be purchased. There is also the construction of a fuel storage facility. During the rainy season, it can reduce the fluctuation of the heat energy from the fuel.

(5) Risk from relying on Advance Power Conversion Company Limited

Since biomass power plant is a new type business, the Company is lack of proficiency in operation and maintenance of power plants (Operation & Maintenance) and management of relating expense. MKP is of an opinion to hire APCON in operation and maintenance. The contract period is 5 years resulting in relying on APCON in operation of power plants significantly.

When the contract is expired and no renewal of the contract, MKP will transfer the employees by voluntary to the Company's employees in order for continuity of operation. The Company can learn, gain more experience and expertise in an operation of power plant and there are employees who readiness to operate and maintain power plant which can reducing risk operation and maintenance of power plants.

(6) Risk from power plant project delay

The construction of biomass power plants can be delayed due to various reasons such as the delay in hiring a complete contractor or natural factors, etc., which could affect COD and cost to be higher than estimated. As a result, return on investment may not be as projected.

However, considering the past performance of APCON's management, it is estimated that the construction period of biomass power plants that are similar to MKP is approximately 9 - 14 months. Independent Financial Advisor is of the opinion that the biomass power plant project will be completed by the deadline set by APCON.

(7) Risk of not being able to sell electricity at the time indicated in the PPA

According to the Power Purchase Agreement with the SCOD of 29 September 2018, the power plant will be completed and commence to sell electricity in July 2019 based on consideration of construction plan. Thus, it will not be able to sell electricity as indicated in the PPA based on SCOD. However, the PPA contract contains the clause indicated that "If there is no electricity sale within 12 months from COD. Therefore, the agreement is terminated". Therefore, the last date to begin COD is 28 September 2019, but it expected to begin COD in July 2019. The Company is confident that the biomass power plant of the MKP can be COD before the last day of the contract.

(8) Risk from lack of source of funds

Source of fund on investment of approximately 770 Million Baht will come from:

- 1) Loan from financial institutions amounting to 513.00 Million Baht.
- 2) Proceeds from the capital increase of MKP amounting to 257.00 Million Baht.

For loans from financial institutions amounting to 513.00 Million Baht, MKP receives an offer (Term Sheet) from a local financial institution with the estimated amount of loan as mentioned above. The repayment period is no more than 10 years, which is expected to be approved by the financial institution in the second quarter of 2018. However, if the loan

is not approved by the financial institution. As a result, there is a risk of borrowing from financial institutions that will be used as a source of funding for the construction of the power plant.

For the risk of subsequent condition of land title deed, MKP purchased land from Mrs. Siriwan Pasajarksathru at the beginning of 2018. At present, the right to occupy the land is Nor.Sor.3 in the total area of 34-1-36 Rai. According to Legal Due Diligence Report there was an evidence of certificate of tread on land in 1930. Later in 1955, the Department of Land issued a notification of land acquisition (Sor.Kor.1). Later in 1964, the Department of Land issued a certificate of utilization (Nor.Sor.3), which has issued prior the Ministerial Regulation affected on the right of possession of land in 1967. Therefore, Legal Advisor is of the opinion that the land title deed can be issued because the land where the project located has been occupied and utilized before the announcement of the Ministerial Regulation.

Independent Financial Advisor is of the opinion that risk of an issuance of land title deed is low. Currently, the process of applying for a title deed is subject to approval by the relevant governmental committees. MKP's plan expected to receive an approval by May. However, if the land title deed cannot be issued, it will be considered as breaching subsequent condition. The seller agrees to pay back the deposit and the total selling price of 80 Million Baht to the buyer within 7 working days from the contract expiration date. Moreover, seller will compensate for any other damages that may occur which are specified in the contract.

For risk of withdrawing loan from financial institution, the title deed MKP's land must be issued prior to withdrawing loan from the financial institution. Furthermore, the proceeds of capital increase from MKP's shareholders should be utilized before the loan can be withdrawn. According to the plan of MKP, issuing process will be completed within May. Thus, Independent Financial Advisor is of the opinion that MKP should be able to withdraw loan from financial institution as mentioned above. For the construction of the power plant, MKP can carry out the construction on such land without waiting for issuance of the title deed.

In case that title deed shall not probably be issued within the period of withdrawing loan from the financial institution, MKP has risk management approaches as follows: 1)



Negotiation with the existing financial institution to amend the condition, 2) Contact other financial institutions that have no concern about land title deed condition, and 3) The Company will issue debentures for the investment of MKP.

Independent Financial Advisor is of the opinion that the approaches of risk management as mentioned have high possibility. When the Transaction is completed, MKP will be a subsidiary of the Company, which is listed on SET. The Company debt to equity ratios are relatively low at 0.17 times based on the statement of financial position as at 31 December 2017. Moreover, MKP has the power purchase agreement and receives FIT purchase rate, which causes high reliability in terms of revenue.

(9) Risk of not receiving special tax privileges from the Board of Investment (BOI)

Since the biomass power plant project is project promoted by BOI which is exempted from corporate income tax for the net profit derived from the operation for a total of 8 years and exempted for half of the corporate income tax rate at that time for an additional 5 years including other benefits under the conditions specified.

Currently, MKP is on waiting for approval from the BOI. It is expected to be approved by the third quarter of 2018 after being approved for investment by the shareholders' meeting.

(10) Risk of the power plant's entrance

Because public road for entrance and exit of the Mae Krating power plant has to pass through Mae Krating village, where road conditions and zone are unsuitable for transportation of raw materials by large vehicles. However, PGP, which MKP holds 60.00 per cent of paid-up capital, already made the long-term lease of land from Mrs. Siriwan Pasajarksathru who is mother of Mr. Parl Pasajarksathru.

(11) Risk from changes to project value

In conducting the feasibility study of MKP's project, information received from MKP, APCON, Technical Report of Power Plant, and the company's management was used in the Assumption. Therefore, if the variables change from the financial projection, it may affect the cost and performance as well as return on investment.

#### 4. Appropriateness of the Price

The Independent Financial Advisor estimates the appropriateness of the share valuation by Discounted Cash Flow Approach. The Independent Financial Advisor estimated value of MKP's business without estimating PGP's business because currently PGP is not operate in any business. When the power plant start to operate, PGP will purchase peel and corncobs from local and sell it to MKP. However, based on the assumptions of the Independent Financial Advisor that a purchase of peel and corncobs is a direct purchase from two major cornfields, so the Independent Financial Advisor is not estimate value of PGP.

The Independent Financial Advisor does not choose other valuation approaches such Investment Valuation Ratios, Adjusted Book Value Approach, etc. Since MKP has not yet achieved any operating results and there is no building on MKP's land. MKP's land title is currently a Nor.Sor 3 Kor which is not a title deed.

##### Discounted Cash Flow Approach

The valuation of share under this approach concerns the future operating performance of the company by calculating the net present value of projected free cash flow with Weighted Average Cost of Capital (WACC) as the discount rate.

The project is expected to begin commercial operation date (COD) in July 2019 to June 2039 after the completion of construction within 14 months which the project terms is 20 years.

The Independent Financial Advisor estimated cash flow that MKP will receive from the production of electricity from biomass with a production capacity of 9.90 MW and will supply electrical power of 8.00 MW under the program of Feed-in Tariff (FiT). Therefore, net cash flow that will be used to evaluate the return on investment will be derived from three factors as follows;

- (1) Internal Rate of Return (IRR) is the rate of return on the project that all investment amount at present is equal to the present value of future cash flows or Net Present value (NPV) is equal to zero.
- (2) Payback period (payback) is a period of time that the project could reach breakeven point by calculating from cumulative cash flow of project that will receive in the future in which the breakeven point is the situation that cumulative cash flow is equal to zero.

- (3) Net Present Value (NPV) is the present value of net cash flow by having present value of net cash inflow deducting net present value of cash outflow and discounted by the weighted average cost of capital.

The Independent Financial Advisor has constructed the financial forecast for MKP based on information and assumptions from the Company and MKP, such as interviews with the management and relevant officers. The sole objective of the financial forecast is to evaluate the rate of return on project and consider the reasonableness of operating biomass power plant. However, if overall economic conditions and other external factors that affect the operation of MKP, which are uncontrollable situation, including internal situation of MKP change significantly and affect the defined assumption, the rate of return on project assessed by this method may change in the future as well.

The Independent Financial Advisor prepares the consolidated financial projection of the company under the following assumptions:

1) Revenue

(a) Electricity production

MKP has generate revenue from electricity distribution to PEA. MKP will produce electricity 8.90 MW-Hour divided into sell to PEA total of 8.00 MW-Hour and internal use total of 0.90 MW-Hour.

(b) Electricity purchase rate from PEA

There are three elements of revenue according to the aforementioned agreement and the defined equation as stated in the power purchase agreement (PPA) is as follows:

- (1) FiT fixed ( $FiT_F$ ) is the rate calculated from the cost of power plant construction and the cost of operation and maintenance (O&M) throughout its lifetime by determining that the rate is fixed throughout the period of project support.
- (2) FiT Variables ( $FiT_V$ ) is the rate calculated from the cost of raw materials used to generate electricity which can increase over time. This rate will increase steadily in accordance with core inflation for biomass fuel only.
- (3) FiT Premium is the rate of electricity purchase added to the normal FiT rate. It is supported for 8 years start from the date of COD.

Total electricity purchase rate =  $FiT_F + FiT_V + FiT$  Premium (only first eight years of sale of electricity)

Electricity purchase rate in terms of FiT announced in 2015 for VSPP biomass projects.

Production capacity (MW)	FiT (Baht/Unit)			Supporting period (years)	FiT Premium (Baht/Unit) (first 8 years)
	FiT <sub>F</sub>	FiT <sub>V</sub>	FiT		
> 3MW	2.39	1.85	4.24	20	0.30

The Independent Financial Advisor has used increased rates of FiT<sub>V</sub> equal to core inflation during 15 years (2012-2017), which is equivalent to 1.22 percent over the projection period by increasing of Baht 1.85 per unit in 2017. This rate was announced to become effective in 2017.

However, according to the Notification of Energy Regulatory Commission RE: The purchase of electricity from renewable energy (power plant project using biomass fuels) during the transition from FiT to Adder in 2016, electricity generator who has PPA in excess of 1 MW at the point of electricity purchase, electricity will be subtracted 2 percent of the sales volume of electricity sold to PEA more than VSPP for administration cost of electricity purchase from VSPP.

(c) Maintenance of power plants.

- Total annual maintenance 35 days per year (including major maintenance every 4 years)  
According to the estimated shutdown of the power plant by APCON, the power plant scheduled to be shutdown 30 days a year, divided into 1) maintenance shutdown of 24 days per year 2) alternative maintenance plan of 6 days per year. Independent Financial Advisor use projections with conservative approach so power plant shutdown for maintenance scheduled for 35 days per year.
- Operating 24 hours per day and total number of electricity production is 330 – 331 days per year

Revenue from sales of electricity

Unit: Million Baht

Items	2018	2019*	2020	2021	2022	2023	2024	2025
Number of days of electricity production – net (days)	-	184	331	330	330	330	331	330
Number of hours produce per day (hours per day)	-	24	24	24	24	24	24	24
Total of production hours (hours per year)	-	4,416	7,944	7,920	7,920	7,920	7,944	7,920
Electricity produce for sale (kW)	-	35,328,000	63,552,000	63,360,000	63,360,000	63,360,000	63,552,000	63,360,000
Revenue from sales of electricity								

Unit: Million Baht

Items	2018	2019*	2020	2021	2022	2023	2024	2025
Rate purchase : FiT Fix (Baht – kW)	2.39	2.39	2.39	2.39	2.39	2.39	2.39	2.39
Rate purchase : FiT Variable (Baht – kW)	1.87	1.90	1.92	1.94	1.97	1.99	2.01	2.04
Rate purchase : FiT Premium (Baht – kW)	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30
Revenue from FiT Fix	-	84.43	151.89	151.43	151.43	151.43	151.89	151.43
Revenue from FiT Variable	-	66.96	121.94	123.05	124.56	126.08	128.01	129.18
Revenue from FiT Premium (first 8 years)	-	10.60	19.07	19.01	19.01	19.01	19.07	19.01
<b>Total revenue from sale of electricity</b>	-	<b>162.00</b>	<b>292.89</b>	<b>293.49</b>	<b>294.99</b>	<b>296.52</b>	<b>298.96</b>	<b>299.62</b>
Less : Administration cost of electricity purchase from VSPP	-	3.24	5.86	5.87	5.90	5.93	5.98	5.99
<b>Total revenue from sale of electricity - net</b>	-	<b>158.76</b>	<b>287.03</b>	<b>287.62</b>	<b>289.09</b>	<b>290.59</b>	<b>292.98</b>	<b>293.63</b>

Unit: Million Baht

Items	2026	2027	2028	2029	2030	2031	2032	2033
Number of days of electricity production – net (days)	330	330	331	330	330	330	331	330
Number of hours produce per day (hours per day)	24	24	24	24	24	24	24	24
<b>Total of production hours (hours per year)</b>	<b>7,920</b>	<b>7,920</b>	<b>7,944</b>	<b>7,920</b>	<b>7,920</b>	<b>7,920</b>	<b>7,944</b>	<b>7,920</b>
Electricity produce for sale (kW)	63,360,000	63,360,000	63,552,000	63,360,000	63,360,000	63,360,000	63,552,000	63,360,000
<b>Revenue from sales of electricity</b>								
Rate purchase : FiT Fix (Baht – kW)	2.39	2.39	2.39	2.39	2.39	2.39	2.39	2.39
Rate purchase : FiT Variable (Baht – kW)	2.06	2.09	2.11	2.14	2.17	2.19	2.22	2.25
Rate purchase : FiT Premium (Baht – kW)	0.30	0.30	-	-	-	-	-	-
Revenue from FiT Fix	151.43	151.43	151.89	151.43	151.43	151.43	151.89	151.43
Revenue from FiT Variable	130.76	132.36	134.38	135.61	137.27	138.95	141.07	142.36
Revenue from FiT Premium (first 8 years)	19.01	9.50	-	-	-	-	-	-
<b>Total revenue from sale of electricity</b>	<b>301.20</b>	<b>293.29</b>	<b>286.27</b>	<b>287.04</b>	<b>288.70</b>	<b>290.38</b>	<b>292.96</b>	<b>293.79</b>

Unit: Million Baht

Items	2026	2027	2028	2029	2030	2031	2032	2033
Less : Administration cost of electricity purchase from VSPP	6.02	5.87	5.73	5.74	5.77	5.81	5.86	5.88
<b>Total revenue from sale of electricity - net</b>	<b>295.17</b>	<b>287.43</b>	<b>280.54</b>	<b>281.30</b>	<b>282.93</b>	<b>284.57</b>	<b>287.10</b>	<b>287.92</b>

Unit: Million Baht

Items	2034	2035	2036	2037	2038	2039*
Number of days of electricity production – net (days)	330	330	331	330	330	146
Number of hours produce per day (hours per day)	24	24	24	24	24	24
<b>Total of production hours (hours per year)</b>	<b>7,920</b>	<b>7,920</b>	<b>7,944</b>	<b>7,920</b>	<b>7,920</b>	<b>3,504</b>
Electricity produce for sale (kW)	63,360,000	63,360,000	63,552,000	63,360,000	63,360,000	28,032,000
<b>Revenue from sales of electricity</b>						
Rate purchase : FiT Fix (Baht – kW)	2.39	2.39	2.39	2.39	2.39	2.39
Rate purchase : FiT Variable (Baht – kW)	2.27	2.30	2.33	2.36	2.39	2.42
Rate purchase : FiT Premium (Baht – kW)	-	-	-	-	-	-
Revenue from FiT Fix	151.43	151.43	151.89	151.43	151.43	67.00
Revenue from FiT Variable	144.10	145.87	148.10	149.45	151.28	67.75
Revenue from FiT Premium (first 8 years)	-	-	-	-	-	-
<b>Total revenue from sale of electricity</b>	<b>295.53</b>	<b>297.30</b>	<b>299.99</b>	<b>300.88</b>	<b>302.71</b>	<b>134.74</b>
Less : Administration cost of electricity purchase from VSPP	5.91	5.95	6.00	6.02	6.05	2.69
<b>Total revenue from sale of electricity - net</b>	<b>289.62</b>	<b>291.35</b>	<b>293.99</b>	<b>294.87</b>	<b>296.66</b>	<b>132.05</b>

Remark: \*COD on July 2019, ended on June 2039

## 2) Production costs and expenses

(a) Fuel cost

Biomass power plant of MKP uses wood chips, peel and corncobs and bamboo scraps as main fuel, approximately by 40.00 per cent, 30.00 per cent and 30.00 per cent respectively. However, employed machines and technology can use other additional fuel

such as bagasse, cassava root, fiber palm fruit bunches. In this case, APCON will modify the machines to support the use of biomass fuel with the humidity of up to 60 per cent.

Machines in this project is guarantee at thermal energy of 14,500 kilojoules (kJ) for the production of electricity of one kilowatt (kWh). However, when machines are used, the efficiency of generation will decrease according to features of machines in which installer has set up an increase of 0.25 percent of degradation per year. From the starting year of 14,500 kJ per kilowatt has reduced from degradation, which the last year's heat consumption will be 15,242 kilojoules per kilowatt.

Besides, each type of fuels have different calorific value from the combustion according to the features of employed fuel and heat rate of main fuel determined by APCON. The power plant will use the fuel types consist of wood chips, peel and corncobs and bamboo scarps, and calorific value from the combustion as follows:

Fuel	Calorific (kj per kilogram)	Moisture level (%)	Proportion (%)
Wood chips	6,823	55.00	40.00
Peel and corncobs	8,300	40.00	30.00
Bamboo scarps	12,300	30.00	30.00
<b>Average calorific value (kJ per kilogram)</b>			<b>8,909.20</b>

Remark: \* Test Report from APCON

\*\*Average calorific value calculated from Sum of (Calorific x Proportion use of each fuel)

Main fuels consist of wood chips, peel and corncobs and bamboo scarps. Most of wood chip is a by-product from furniture factory in Phrae Province with the costs of 1,050 Baht per ton. According to the average price of wood chips in the past five years (2012 - 2017) at 990 Baht per ton and freight cost at 50 Baht per ton. The movement of the price of wood chips is in ranges of 900 to 1,030 Baht per ton.

Peel and corncobs is a by-product from leftover of corn seeds with the costs of 650 Baht per ton and bamboo scarp is a by-product from chopstick and stick manufacturing with the costs of 650 Baht per ton. Since peel and corncobs and bamboo scarps are the leftover of corn seeds. If there is no such buyer, it will be burned. The purchase price peel and corncobs and bamboo scarps by inquiries of suppliers in Phrae Province In the past

year, the price is not changing at 650 Baht per ton. Thus, the Independent Financial Advisor determine the cost of fuel increasing at 1.22 per cent per year according to average 15 years of core inflation.

## Cost of fuels

Unit: Million Baht

Items	2018	2019*	2020	2021	2022	2023	2024	2025
<b>Fuel costs</b>								
Wood chips	-	26.87	49.04	49.61	50.34	51.09	51.99	52.60
Peel and corncobs	-	12.47	22.77	23.03	23.37	23.72	24.14	24.42
Bamboo scarps	-	12.47	22.77	23.03	23.37	23.72	24.14	24.42
<b>Total fuel costs</b>	-	51.81	94.58	95.68	97.09	98.52	100.28	101.45
<b>Cost of fuels (Baht per ton)</b>								
Wood chips	1,050.00	1,050.00	1,062.81	1,075.78	1,088.90	1,102.19	1,115.63	1,129.24
Peel and corncobs	650.00	650.00	657.93	665.96	674.08	682.31	690.63	699.06
Bamboo scarps	650.00	650.00	657.93	665.96	674.08	682.31	690.63	699.06
<b>Amount of fuel needed (Unit : ton)</b>								
Wood chips	-	25,586.35	46,142.69	46,118.29	46,233.59	46,349.17	46,605.85	46,581.21
Peel and corncobs	-	19,189.76	34,607.02	34,588.72	34,675.19	34,761.88	34,954.39	34,935.91
Bamboo scarps	-	19,189.76	34,607.02	34,588.72	34,675.19	34,761.88	34,954.39	34,935.91
Total amount of electricity produced (kilowatt)	-	39,302,400	70,701,600	70,488,000	70,488,000	70,488,000	70,701,600	70,488,000
Net plant heat rate (kJ/kW)	-	14,500.00	14,536.25	14,572.59	14,609.02	14,645.54	14,682.16	14,718.86
Hate rate used in production (tJ)	-	569,884.80	1,027,736.13	1,027,192.77	1,029,760.75	1,032,335.15	1,038,052.10	1,037,503.28

Unit: Million Baht

Items	2026	2027	2028	2029	2030	2031	2032	2033
<b>Fuel costs</b>								
Wood chips	53.38	54.16	55.13	55.77	56.59	57.43	58.45	59.13
Peel and corncobs	24.78	25.15	25.59	25.89	26.27	26.66	27.14	27.45
Bamboo scarps	24.78	25.15	25.59	25.89	26.27	26.66	27.14	27.45
<b>Total fuel costs</b>	<b>102.94</b>	<b>104.46</b>	<b>106.32</b>	<b>107.56</b>	<b>109.14</b>	<b>110.75</b>	<b>112.72</b>	<b>114.04</b>
<b>Cost of fuels (Baht per ton)</b>								
Wood chips	1,143.02	1,156.96	1,171.08	1,185.37	1,199.83	1,214.47	1,229.28	1,244.28
Peel and corncobs	707.58	716.22	724.95	733.80	742.75	751.81	760.98	770.27
Bamboo scarps	707.58	716.22	724.95	733.80	742.75	751.81	760.98	770.27
<b>Amount of fuel needed (Unit : ton)</b>								



Unit: Million Baht

Items	2026	2027	2028	2029	2030	2031	2032	2033
Wood chips	46,697.66	46,814.41	47,073.66	47,048.77	47,166.39	47,284.31	47,546.16	47,521.03
Peel and corncobs	35,023.25	35,110.81	35,305.24	35,286.58	35,374.79	35,463.23	35,659.62	35,640.77
Bamboo scarps	35,023.25	35,110.81	35,305.24	35,286.58	35,374.79	35,463.23	35,659.62	35,640.77
Total amount of electricity produced (kilowatt)	70,488,000	70,488,000	70,701,600	70,488,000	70,488,000	70,488,000	70,701,600	70,488,000
Net plant heat rate (kJ/kW)	14,755.66	14,792.55	14,829.53	14,866.61	14,903.77	14,941.03	14,978.38	15,015.83
Heat rate used in production (tJ)	1,040,097.04	1,042,697.28	1,048,471.61	1,047,917.28	1,050,537.08	1,053,163.42	1,058,995.71	1,058,435.82

Unit: Million Baht

Items	2034	2035	2036	2037	2038	2039*
<b>Fuel costs</b>						
Wood chips	60.00	60.88	61.97	62.69	63.61	28.56
Peel and corncobs	27.86	28.27	28.77	29.11	29.54	13.26
Bamboo scarps	27.86	28.27	28.77	29.11	29.54	13.26
<b>Total fuel costs</b>	<b>115.72</b>	<b>117.42</b>	<b>119.51</b>	<b>120.90</b>	<b>122.69</b>	<b>55.08</b>
<b>Cost of fuels (Baht per ton)</b>						
Wood chips	1,259.46	1,274.83	1,290.38	1,306.12	1,322.06	1,338.18
Peel and corncobs	779.67	789.18	798.81	808.55	818.42	828.40
Bamboo scarps	779.67	789.18	798.81	808.55	818.42	828.40
<b>Amount of fuel needed (Unit : ton)</b>						
Wood chips	47,639.83	47,758.93	48,023.41	47,998.02	48,118.02	21,341.80
Peel and corncobs	35,729.87	35,819.20	36,017.56	35,998.52	36,088.51	16,006.35
Bamboo scarps	35,729.87	35,819.20	36,017.56	35,998.52	36,088.51	16,006.35
Total amount of electricity produced (kilowatt)	70,488,000	70,488,000	70,701,600	70,488,000	70,488,000	31,185,600
Net plant heat rate (kJ/kW)	15,053.37	15,091.00	15,128.73	15,166.55	15,204.47	15,242.48
Heat rate used in production (tJ)	1,061,081.91	1,063,734.61	1,069,625.45	1,069,059.93	1,071,732.58	475,345.88

Remark: \*COD on July 2019, ended on June 2039

\*\*Calculation :

- 1) Amount of fuel need (ton) = 
$$\frac{\left( \frac{\text{Heat rate used in production} \times 1,000,000}{\text{Average calorific value (8,909.20)}} \right) \times \text{Proportion use of each fuel}}{1,000}$$
- 2) Total amount of electricity produced (kilowatt) = Electricity produced per hour (8,900) x Total of production hours per year
- 3) Heat rate used in production (tJ) = 
$$\frac{\text{Total amount of electricity produced} \times \text{Net Plant Heat Rate}}{1,000,000}$$

(b) Cost of operation and maintenance (O&M)

At the beginning of operation, APCON, machines builder and installer, will oversee and operate the project by charging the costs of operating and maintenance staff of power plant system such as managers in different divisions, chief controller of divisions, technician, and staff including training costs to develop skills of staff in different divisions. (Refer to section 1.9 d) Draft of operation and maintenance contract)

In this case, APCON will start operating in three months before COD by receiving project advisor expenses amounts of 4.50 Million Baht and operation and management fee amounts of 19.80 Million Baht per year. (Calculated from operation and management fee amounts of 18.00 Million Baht including bonus rate of 10.00 per cent per year). The operation and maintenance fee is fixed for the first five year of contract period start from COD. In year 2024, Independent Financial Advisor determined that MKP will continue to hire APCON to operate and maintenance after the contract was expired with an increasing rate of 2.30 per cent according to an inflation rate.

(c) Cost of general repair and maintenance of plant

Independent Financial Advisor determine general repair and maintenance of plant cost equal to 11.44 Million Baht per year. (Calculated from general repair and maintenance cost amounts of 10.40 Million Baht per year including bonus rate of 10.00 per year.) (Refer to section 1.9 d) Draft of operation and maintenance contract). The general repair and maintenance of plant cost is fixed for the first five year of contract period start from COD. In year 2024, Independent Financial Advisor determined that MKP will continue to hire APCON to operate and maintenance after the contract was expired with an increasing rate of 2.30 per cent according to an inflation rate.

(d) Other related production expenses

- 1) Quality of life improvement fund in communities adjacent to power plant expenses equal to Baht 0.01 per unit of electricity sold per year according to the Ministry of Energy. PEA will be responsible for the costs.

- 2) Diesel fuel for equipment, other vehicles in plant, and expenses for water pumped into the pond equal to 5.50 Million Baht per year with an increasing rate of 2.30 per cent per year according to an inflation rate.
- 3) Ashes removal expense equal to 0.72 Million Baht per year with an increasing rate of 2.30 per cent per year according to an inflation rate.
- 4) Chemical are parts of improvement the water expense equal to 0.50 Million Baht per year with an increasing rate of 2.30 per cent per year according to an inflation rate.
- 5) Insurance expense equal to 2.50 Million Baht per year which is approximately at 0.37 per cent of value of property, plant and equipment.
- 6) Standby power expense equal to 2.40 Million Baht per year for power reserve to the plant in case of necessary.
- 7) Other expenses amount of 3.95 Million Baht per year such as employee benefits, utility expenses, audit fees and social expenses around the power plant area (CSR) with an increasing rate of 2.30 per cent per year according to an inflation rate

## Expenses

Unit: Million Baht

Items	2018	2019*	2020	2021	2022	2023	2024	2025
Operation and maintenance	-	14.40	19.80	19.80	19.80	19.80	20.26	20.72
General repair and maintenance of plant	-	5.72	11.44	11.44	11.44	11.44	11.70	11.97
Costs of quality of life improvement fund in communities adjacent to power plant	-	0.35	0.64	0.63	0.63	0.63	0.64	0.63
Other related production expenses	-	7.78	15.93	16.29	16.67	17.05	17.44	17.84
<b>Total expenses</b>	-	<b>28.26</b>	<b>47.80</b>	<b>48.17</b>	<b>48.54</b>	<b>48.92</b>	<b>50.04</b>	<b>51.17</b>

Unit: Million Baht

Items	2026	2027	2028	2029	2030	2031	2032	2033
Operation and maintenance	21.20	21.69	22.18	22.69	23.22	23.75	24.30	24.86
General repair and maintenance of plant	12.25	12.53	12.82	13.11	13.41	13.72	14.04	14.36
Costs of quality of life improvement fund in communities adjacent to power plant	0.63	0.63	0.64	0.63	0.63	0.63	0.64	0.63

Unit: Million Baht

Items	2026	2027	2028	2029	2030	2031	2032	2033
Other related production expenses	18.25	18.67	19.10	19.54	19.99	20.45	20.92	21.40
<b>Total expenses</b>	<b>52.33</b>	<b>53.52</b>	<b>54.74</b>	<b>55.98</b>	<b>57.26</b>	<b>58.56</b>	<b>59.89</b>	<b>61.25</b>

Unit: Million Baht

Items	2034	2035	2036	2037	2038	2039*
Operation and maintenance	25.43	26.01	26.61	27.22	27.85	14.24
General repair and maintenance of plant	14.69	15.03	15.37	15.73	16.09	8.23
Costs of quality of life improvement fund in communities adjacent to power plant	0.63	0.63	0.64	0.63	0.63	0.28
Other related production expenses	21.90	22.40	22.91	23.44	23.98	12.27
<b>Total expenses</b>	<b>62.65</b>	<b>64.07</b>	<b>65.54</b>	<b>67.03</b>	<b>68.55</b>	<b>35.02</b>

Remark: \*COD on July 2019, ended on June 2039

(e) Depreciation

Depreciation is calculated by straight-line method in which the depreciation period of plant and related equipment is 20 years according to the period of PPA and spare parts from minor & major maintenance of 10 years.

(f) Loan and financial cost

For this project, MKP will receive loan from a financial institution for machines purchase and construction. The loan is a long-term loan for plant construction, machines purchase and working capital, which is equal to 513 Million Baht with repayment period of 10 years. Interest rate calculated from THBFIX 6M + 3.70%. (Based on interest rate of THBFIX 6M as of 9 February 2018 is 1.10 per cent per year.) MKP has received grace period for principal repayment. In addition, MKP will start to pay an installment 6 months after COD, which it is the first quarter of 2020.

Unit: Million Baht

Items	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Repayment of long-term loans	-	-	53.90	56.55	59.32	62.23	65.29	68.49	71.85	75.38

(g) Capital expenditure after commercial operation date

This amount is the cost of overhaul and inspection to maintain machines in good condition regularly invest every 4 years. The overhaul is mainly in the part of boiler and engine turbine.

Unit: Million Baht

Items	2018	2019	2020	2021	2022	2023	2024	2025
Capital expenditure	-	-	-	-	14.73	-	-	-

Unit: Million Baht

Items	2026	2027	2028	2029	2030	2031	2032	2033
Capital expenditure	15.46	-	-	-	16.23	-	-	-

Unit: Million Baht

Items	2034	2035	2036	2037	2038	2039
Capital expenditure	17.05	-	-	-	-	-

(h) Corporate income tax and benefits from the promotion of BOI

Nowadays corporate income tax rate is equal to 20 percent per year, but since MKP could receive promotion from the Board of Investment (BOI). MKP will receive corporate income tax exemption benefit for 8 years from the COD and in year 9-13 (totaling 5 years) will receive a corporate income tax deduction of 50 per cent. After that, MKP is expected to have a 20 per cent corporate income tax according to the current rate.

(i) Investment structure

Biomass power plant project has investment in both construction machine purchase and equipment including pre-construction cost. This can be summarized as follows:

Use of funds	Unit: Baht
Construction cost	669,000,000
Land improvement and extend of electric pole line	16,600,000
Working capital	35,000,000
Other expenses	49,000,000

Use of funds	Unit: Baht
Premium of MKP's paid-up capital purchased by the Company	60,000,000
Total	829,600,000

(j) Working Capital

- Average collection days 60 days
- Average raw material inventory days 2 days
- Average raw material payment days 0 days
- Average operation and maintenance payment days 15 days

Independent Financial Advisor determine average raw material inventory days at 2 days as MKP's planned. Thus, MKP's raw material storage can be store up to 14 days. But MKP is planned for 2 days in order to manage cash flow.

From sell and purchase agreement of biomass fuel with B.P. 15 Company Limited has 15 days collection period. However, most of transaction is cash payment for purchasing from purchasing field and retailer in the area. Independent Financial Advisor determine average raw material payment days at 0 days.

(k) Discount rate

In order to value the company using the Discounted Cash Flow Approach, free cash flow of the company will be discounted by the Weighted Average Cost of Capital (WACC). The Weighted Average Cost of Capital of MKP to be used as a discount rate can be calculated as follows:

$$\text{Weighted Average Cost of Capital (WACC)} = (D/V) * K_d * (1-T) + (E/V) * K_e$$

Where;

D/V = Proportion of interest bearings debt from financial institutions to interest bearings debt from financial institutions and shareholders' equity

- $E/V$  = Proportion of shareholders' equity to interest bearings debt from financial institutions and shareholders' equity
- $T$  = Corporate income tax
- $K_d$  = Average cost of total interest bearing debt or equal to 4.80 per cent according to THBFIX 6 M + 3.70% (based on THBFIX 6M interest rate as of 9 February 2018 at 1.10 per cent per year)
- $K_e$  = Rate of return of the shareholders' equity, which can be calculated using the Capital Asset Pricing Model (CAPM). It is equal to 12.60 per cent, calculated using the formula below:

$$\text{Cost of Equity (MKP)} = R_f + (R_m - R_f) * \beta$$

Where;

- $R_f$  = The risk free rate of return refers from [www.thaibma.or.th](http://www.thaibma.or.th) as of 28 February 2018, which is at 3.30 per cent per year. The specified rate is the return from the investment in the 30-year government bond which is a usual government bond rate. The terms is long enough to reflect the project free return on investment.
- $R_m$  = Expected rate of return from the investment in The Stock Exchange of Thailand inclusive of dividend yield between 28 February 2008 and 28 February 2018, which is at 12.31 per cent per year.
- $\beta$  = Coefficient, which represents the risk of return of MKP to the return from the investment in The Stock Exchange of Thailand or SET Index. Since MKP is not a listed company in the SET and operate as thermal power plant and steam turbine in generating electricity by having fuel to boil water and get steam at high pressure. Therefore, the Independent Financial Advisor uses the average value of coefficients from the listed companies in the SET that engage in renewable energy business by selecting 2-years historical Leverage Beta adjusted to Unleveraged Beta in reference to Bloomberg as of 1 March 2018 then calculated for Levered Beta ( $\beta$ ) of MKP by
- $$\text{Levered Beta } (\beta) \text{ of MKP} = \text{Unlevered Beta} \times [1 + ((1 - \text{Tax}) \times D/E)]$$

The listed companies in The Stock Exchange of Thailand that are selected for calculation include:

Company	Abbr.	Levered Beta
Sahacogen (Chonburi) Public Company Limited	SCG	0.3189
Electricity Generating Public Company Limited	EGCO	0.3919
Ratchaburi Electricity Generating Holding Public Company Limited	RATCH	0.3148
Glow Public Company Limited	GLOW	0.7726
Global Power Synergy Public Company Limited	GPSC	1.1750
CK Power Public Company Limited	CKP	1.3656
TPC Power Holding Public Company Limited	TPCH	1.4399

Unit: Million Baht

Items	SCG	EGCO	RATCH	GLOW	GPSC	CKP	TPCH
Revenue	4,037.01	38,058.71	46,890.80	52,537.32	21,289.96	6,960.99	1,121.47
Net Profit	299.35	11,818.28	6,106.70	8,953.13	3,174.58	158.77	208.11
Total Assets	7,159.13	200,322.54	94,224.83	106,030.89	59,968.43	60,461.60	5,142.62

Remark: Data from statement of financial position as at 31 December 2017 and performance result for the year ended 2017

Considering listed companies in SET used for calculated Unlevered Beta of MKP. TPCH has a nature of business and business size similar to MKP. However, TPCH's Beta, which reflects the expectation of its performance and the return of investors. In the past, TPCH has COD two additional power plants, two under construction power plant, and continued to bid for investment in power plant business. Currently, TPCH has four COD projects which has electricity for sale of 34.40 MW. Independent Financial Advisor is of the opinion that to adjust the expected return and business risk. Independent Financial Advisor has selected 6 companies that listed in SET and operating in energy business as listed in the table above which have risk of business in raw materials (Different from solar power plants) and similar production method.

From the assumption, when calculated the weight average cost of capital (WACC) based on the proportion of liabilities and equity in each projection period. Resulting of WACC calculation is between 7.68 – 8.75 per cent per year. Thus, WACC is vary from year to year as the project's capital structure.



## (l) Projection of operating result

Unit: Million Baht

Items	2018	2019*	2020	2021	2022	2023	2024	2025
Total revenue from sale of electricity - net	-	158.76	287.03	287.62	289.09	290.59	292.98	293.63
Fuel costs	-	(51.81)	(94.58)	(95.68)	(97.09)	(98.52)	(100.28)	(101.45)
Other expenses	-	(28.26)	(47.80)	(48.17)	(48.54)	(48.92)	(50.04)	(51.17)
Depreciation	-	(17.46)	(34.91)	(34.91)	(36.38)	(36.38)	(36.38)	(36.38)
Total expenses	-	(97.53)	(177.29)	(178.76)	(182.01)	(183.82)	(186.70)	(189.00)
Profit before interest and income tax	-	61.23	109.74	108.86	107.08	106.76	106.28	104.62
Financial cost	(14.54)	(24.62)	(23.33)	(20.68)	(17.90)	(14.98)	(11.92)	(8.71)
Profit before income tax	(14.54)	36.61	86.41	88.18	89.18	91.77	94.36	95.91
Income Tax	-	-	-	-	-	-	-	-

Unit: Million Baht

Items	2026	2027	2028	2029	2030	2031	2032	2033
Total revenue from sale of electricity - net	295.17	287.43	280.54	281.30	282.93	284.57	287.10	287.92
Fuel costs	(102.94)	(104.46)	(106.32)	(107.56)	(109.14)	(110.75)	(112.72)	(114.04)
Other expenses	(52.33)	(53.52)	(54.74)	(55.98)	(57.26)	(58.56)	(59.89)	(61.25)
Depreciation	(37.93)	(37.93)	(37.93)	(37.93)	(39.55)	(39.55)	(38.08)	(38.08)
Total expenses	(193.20)	(195.91)	(198.99)	(201.47)	(205.95)	(208.86)	(210.69)	(213.37)
Profit before interest and income tax	101.97	91.52	81.56	79.83	76.97	75.71	76.41	74.55
Financial cost	(5.34)	(1.81)	-	-	-	-	-	-
Profit before income tax	96.63	89.71	81.56	79.83	76.97	75.71	76.41	74.55
Income Tax	-	(8.97)	(8.16)	(7.98)	(7.70)	(7.57)	(15.28)	(14.91)

Unit: Million Baht

Items	2034	2035	2036	2037	2038	2039*
Total revenue from sale of electricity - net	289.62	291.35	293.99	294.87	296.66	132.05
Fuel costs	(115.72)	(117.42)	(119.51)	(120.90)	(122.69)	(55.08)
Other expenses	(62.65)	(64.07)	(65.54)	(67.03)	(68.55)	(35.02)
Depreciation	(39.79)	(39.79)	(38.24)	(38.24)	(38.24)	(20.78)
Total expenses	(218.16)	(221.28)	(223.29)	(226.17)	(229.48)	(110.88)

Unit: Million Baht

Items	2034	2035	2036	2037	2038	2039*
Profit before interest and income tax	71.47	70.07	70.70	68.69	67.18	21.17
Financial cost	-	-	-	-	-	-
Profit before income tax	71.47	70.07	70.70	68.69	67.18	21.17
Income Tax	(14.29)	(14.01)	(14.14)	(13.74)	(13.44)	(4.23)

Remark: \*COD on July 2019, ended on June 2039

## (m) Projection of free cash flow

Unit: Million Baht

Items	2018	2019*	2020	2021	2022	2023	2024	2025
Profit before interest and income tax	-	61.23	109.74	108.86	107.08	106.76	106.28	104.62
Less income tax	-	-	-	-	-	-	-	-
Add depreciation	-	17.46	34.91	34.91	36.38	36.38	36.38	36.38
Change in working capital	0.00	(51.48)	5.06	(0.10)	(0.25)	(0.25)	(0.37)	(0.08)
Capital expenditure	(829.60)	-	-	-	(14.72)	-	-	-
Free cash flow	(829.60)	27.21	149.71	143.67	128.49	142.89	142.30	140.93
Effective tax rate (%)	-	-	-	-	-	-	-	-
WACC (%)	8.75	8.74	8.59	8.45	8.31	8.18	8.05	7.93
Discount factor (times)	0.9196	0.8456	0.7787	0.7180	0.6629	0.6127	0.5671	0.5254
Present value of firm	(762.87)	23.01	116.58	103.16	85.17	87.55	80.69	74.04

Unit: Million Baht

Items	2026	2027	2028	2029	2030	2031	2032	2033
Profit before interest and income tax	101.97	91.52	81.56	79.83	76.97	75.71	76.41	74.55
Less income tax	-	8.97	8.16	7.98	7.70	7.57	15.28	14.91
Add depreciation	37.93	37.93	37.93	37.93	39.55	39.55	38.08	38.08
Change in working capital	(0.23)	1.30	1.15	(0.10)	(0.24)	(0.24)	(0.39)	(0.11)
Capital expenditure	(15.46)	-	-	-	(16.23)	-	-	-
Free cash flow	124.21	121.77	112.48	109.68	92.35	107.45	98.82	97.61
Effective tax rate (%)	-	10	10	10	10	10	20	20
WACC (%)	7.80	7.68	7.68	7.68	7.68	7.68	7.68	7.68
Discount factor (times)	0.4874	0.4526	0.4203	0.3904	0.3625	0.3367	0.3127	0.2904
Present value of firm	60.53	55.12	47.28	42.81	33.48	36.17	30.90	28.34

Unit: Million Baht

Items	2034	2035	2036	2037	2038	2039*
Profit before interest and income tax	71.47	70.07	70.70	68.69	67.18	21.17
Less income tax	14.29	14.01	14.14	13.74	13.44	4.23
Add depreciation	39.79	39.79	38.24	38.24	38.24	20.78
Change in working capital	(0.25)	(0.26)	(0.41)	(0.11)	(0.26)	47.63
Capital expenditure	(17.05)	-	-	-	-	-
Free cash flow	79.67	95.59	94.39	93.08	91.72	85.35
Effective tax rate (%)	20	20	20	20	20	20
WACC (%)	7.68	7.68	7.68	7.68	7.68	7.68
Discount factor (times)	0.2697	0.2504	0.2326	0.2160	0.2006	0.1863
Present value of firm	21.48	23.94	21.95	20.10	18.40	15.90

Remark: \*COD on July 2019, ended on June 2039

The Independent Financial Advisor has assessed the reasonableness of the investment value in the project according to the following approaches

1. Internal Rate of Return (IRR) =  $\sum (CF_t / (1+IRR)^t) = 0$
2. Payback Period (PB)  
= Number of years before payback + (1 - accumulated cash flows in a year of payback / cash flows in a year of payback)
3. Net Present Value (NPV)  
=  $CF_0 + CF_1 / (1+WACC)^1 + CF_2 / (1+WACC)^2 + \dots + CF_n / (1+WACC)^n$

Then calculate IRR, Project Payback and NPV from Free Cash Flows to Firm ("FCFF") and calculate Free Cash Flow to Equity ("FCFE") by bringing FCFF to be subtracted by repayment of loans and interest on loan. Results of calculation based on the assessment approach are as follows:

Items	Project	Equity*
IRR (%)	12.58	16.55
Payback period (years)	7.68	7.52
NPV (Million Baht)	263.75	159.53

Remark: \* Equity IRR is based on the proportion of the Company's investment at 80 per cent.

The Independent Financial Advisor performs the Sensitivity Analysis of the share value by allowing the change in revenue and cost of goods sold, which are the important parts of business performance. Different scenarios are shown below:

Best case: Growth rate of rate purchase FiT Variable increase 0.30 per cent per year from the base case and cost of fuel decrease 0.50 per cent from the base case.

Worst case: Electricity sell to PEA fell to 7.60 MW per hour according to, guarantee of electricity generation from APCON (Refer Section 1.9 d) draft of operation and maintenance contract) Growth rate of rate purchase FiT Variable decrease 0.30 per cent per year from the base case and cost of fuel increase 0.50 per cent from the base case.

Items	Worst case		Base case		Best case	
	Project	Equity*	Project	Equity*	Project	Equity*
IRR (%)	11.05	13.97	12.58	16.55	13.27	17.72
Payback Period (years)	8.24	8.00	7.68	7.52	7.46	7.08
NPV (Million Baht)	167.21	94.34	263.75	159.53	309.53	190.41

Remark: \* Equity IRR is based on the proportion of the Company's investment at 80 per cent.

The valuation of value of the firm by using the Discounted Cash Flow Approach, will has a Project IRR in range of 11.05 – 13.27 per cent, a Project Payback Period in range of 7.46 – 8.24 years and a Project NPV in range of 167.21 – 309.53 Million Baht. Moreover, an Equity IRR in range of 13.97 – 17.72 per cent, an Equity Payback Period in range of 7.08 – 8.00 years and an Equity NPV in range of 94.34 – 190.41 Million Baht. Thus, the investment amount that the Company paid, is appropriate.

## 5. Summary of the Opinion of the Independent Financial Advisor

As the Meeting of the Board of Directors of Sakol Energy Public Company Limited (“the Company” or “SKE”) No. 2/2018, held on 23 February 2018, resolved to approve the Company to invest in biomass power plant project for generating the electricity on the size capacity of 9.90 MW and sell at the maximum capacity of 8.00 MW to the Provincial Electricity Authority at Moo 3, Ban Mae Krating, Paitoan Sub-district, Rongkwang District, Phrae Province. Due to the policy of purchasing the electricity from the small power producer (for power generated from renewable energy), Mae Krating Power Company Limited (“MKP”) has entered into sale and purchase agreement with the Provincial Electricity Authority # VSPP-PEA-011/2014 on 23 June 2014 and the amendment of VSPP-PEA-011/2014 No.1 which the investment amount of 798,840,000 Baht is divided into:

- 1) The Company will buy 2,000,000 ordinary shares of MKP (at par value of 10 Baht each) from STFE Company Limited which equal to 80 per cent of registered and paid-up capital of 25,000,000 Baht at the amount of 80,000,000 Baht.
- 2) After completion of procedure in No.1, MKP will increase its share capital by 25,730,000 shares (at par value of 10 Baht each) totaling to 257,300,000 Baht by way of Right Offering. The Company will subscribe the shares to preserve the shareholding right of 80 per cent at 10 Baht per share, totaling to 205,840,000 Baht.

After completion of procedure in No.1 and No.2, MKP will has registered and paid-up capital of 28,230,000 shares which the Company holds 22,584,000 shares (80 per cent).

- 3) Additional investment for biomass power plant project and its working capital will be 513,000,000 Baht.

The mentioned Transaction is constituted as an asset acquisition transaction under the Notification of The Capital Market Supervisory Board, Tor.Jor. 20/2008 Re: Rules on Entering into Material Transactions Deemed as Acquisition or Disposal of Assets ( including the amendment of the announcement), and the Notification of the Board of Governors of The Stock Exchange of Thailand Re: Disclosure of Information and Other Acts of Listed Companies Concerning the Acquisition or Disposition of Assets, 2004 (including the amendment of the announcement) (“The Notification of the Acquisition or Disposition”). When calculated according to the criteria from the mentioned announcement, the maximum transaction size equal to 76.74 per cent regarding the criteria on total value of consideration, which is in reference to the consolidated financial statements of the Company ended 31 December 2017, and such transaction size together with the acquisition of assets during the past 6 months regarding the criteria on

total value of consideration equal to 11.54 per cent, causes the transaction size equal to 88.28 per cent which is considered as Class 1.

Therefore, the Company is responsible to disclose the mentioned Transaction to the SET, and request for an approval to enter into the Transaction from the shareholders' meeting of the Company with affirmative votes of not less than three-fourth of the votes attending the meeting and having the right to vote, excluding the votes from the shareholders who have conflict of interest. In addition, the Company is required to appoint an Independent Financial Advisor to give opinion regarding the rationale of the Transaction, the fairness of the price and the conditions of the Transaction, and present to the shareholders of the Company for consideration.

The Independent Financial Advisor opines that the objective of entering into the Transactions; (1) diversification of the Company's business and (2) the Company will earn an adequate return on investment and profit to the Company also an appropriate return to shareholders in long term.

There are advantages in entering into such Transaction for the Company, which are (1) expanding investment into recurring income business and reduce the risk of dependency on PTT gas station. (2) receiving special tax privileges from the Board of Investment (BOI) (3) generating appropriate returns on investment and (4) increasing opportunity for energy business. However, there are also disadvantages, which are (1) Investing in business which is not expertise and (2) the burden of debt and interest will increase substantially.

There are advantages in not entering into the Transaction which are (1) the Company will have no additional debt and interest burden from borrowing and (2) the remaining capital from IPO can invest in other projects. However, there is also a disadvantage which is the Company will lose the opportunity to generate return on investment in biomass power plant.

Risk of entering into the Transaction which are (1) risk from investing in business which is not expertise (2) risk from inadequacy of biomass fuel (3) risk of volatility of the price of biomass fuel (4) risk from heating value of biomass fuel (5) risk from relying on Advance Power Conversion Company Limited (6) risk from project delay (7) risk of not being able to sell electricity at the time indicated in the PPA (8) risk from lack of source of funds (9) risk of not receiving special tax privileges from BOI (10) risk of entrance and exit to power plant and (11) risk from changes to project value

In addition, when considering the appropriateness of the value of investments, the Project IRR in range of 11.05 -13.27 per cent, Project payback period in range of 7.46 – 8.24 years and Project NPV in range of 167.21 – 309.53 Million Baht. Equity IRR in range of 13.97 – 17.72 per cent, Equity payback

period in range of 7.08 – 8.00 years and Equity NPV in range of 94.34 – 190.41 Million Baht. Thus, the investment in biomass project of MKP could generate appropriate return.

Therefore, the Independent Financial Advisor is of the opinion that the shareholders should **approve** the Company to entering into the transaction of asset acquisition this time. Moreover, the Independent Financial Advisor suggests the shareholders to consider other factors that may affect the decision making, such as the conditions of the transaction, advantages and disadvantages of entering into the transaction, and the risks of the transaction.

In considering on approval or disapproval on such Transaction this time, the shareholders could consider the rationale and the opinions, of which the Independent Financial Advisor has presented in this report. Nevertheless, the shareholders could decide to “approve” or “disapprove” on the Transaction, mainly depending on the judgment of the shareholders.

Your sincerely,  
Capital Link Advisory Limited

- Mr. Kriangkrai Sriravanichkan -

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(Mr. Kriangkrai Sriravanichkan)  
Authorized Director

- Mr. Dhitiwat Supanpong -

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(Mr. Dhitiwat Supanpong)  
Authorized Director

- Mr. Dhitiwat Supanpong -

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(Mr. Dhitiwat Supanpong)  
Operational Controller



Appendix 1

Important Information of the Company

## Important Information of the Company

### 1.1 History and development

Year	Major events
2008	<ul style="list-style-type: none"> <li>- On October, Thansuwan Company Limited proposed bidding for the establishment of a Private Mother Station in Pathum Thani Province.</li> </ul>
2009	<ul style="list-style-type: none"> <li>- Received the result of the selection for the establishment of a Private Mother Station in Area 1 (Chiang Rak Noi Sub-district, Samkok District, Pathum Thani Province) on 7 January 2009.</li> <li>- Established Sakol Company Limited on 16 January 2009 with the initial registered capital of 80,000,000 Baht divided into 800,000 ordinary shares with a par value of 100 Baht per share and paid-up capital of 25 Baht per share with the total paid-up capital of 20,000,000 Baht.</li> <li>- On March, in order to meet the requirements of the proposed project to establish a Private Mother Station, the joint venture of three following companies occurred.               <ol style="list-style-type: none"> <li>1) Thansuwan Company Limited (Founder of the Company)</li> <li>2) IMI Industries Company Limited (IMI)</li> <li>3) Thai Alternative Energy Group Company Limited (TAE)</li> </ol> </li> <li>- On July, the Company paid additional paid-up capital of 60,000,000 Baht. Thus total registered and paid-up capital of 80,000,000 Baht was fully paid.</li> </ul>
2010	<ul style="list-style-type: none"> <li>- On October, the Company increased additional registered capital of 80,000,000 Baht divided into 800,000 ordinary shares with a par value of 100 Baht per share and paid-up capital of 25 Baht per share. The Company allotted the addition shares to existing shareholders. Therefore, the Company have total registered capital of 160,000,000 Baht divided into 1,600,000 ordinary shares and total paid-up capital of 100,000,000 Baht.</li> <li>- The Company commenced the construction of the second Private Mother Station in Saraburi Province on 15 December 2010.</li> </ul>
2011	<ul style="list-style-type: none"> <li>- On February, the Company paid additional paid-up capital of 60,000,000 Baht. Thus total registered and paid-up capital of 160,000,000 Baht divided into 1,600,000 ordinary shares with a par value of 100 Baht per share was fully paid.</li> </ul>

Year	Major events
2014	<ul style="list-style-type: none"> <li>- On September, established SK 15 Company Limited with initial registered capital of 140,000,000 Baht. The Company holds 99.99 per cent of shareholding to operate the rental of real estate.</li> <li>- On October, established Sakol Biomass Power Company Limited with initial registered capital of 19,000,000 Baht. The Company holds 99.99 per cent of shareholding to operate the production and distribution of electricity.</li> <li>- On October, established Sakol Wind Power Company Limited with initial registered capital of 62,000,000 Baht. The Company holds 99.99 per cent shareholding to operate the production and distribution of electricity.</li> </ul>
2015	<ul style="list-style-type: none"> <li>- On July, IMI Industries Company Limited withdrawal of shares from the Company in amount of 16,000,000 Baht causing total registered capital decreased from 160,000,000 Baht to 144,000,000 บาท</li> <li>- Sakol Wind Power Company Limited change its name to Sakol Energy Biomass Power 15 Company Limited on 26 October 2015.</li> <li>- The Company increased registered capital of 202,400,000 Baht divided into 2,024,000 ordinary shares with a par value of 100 Baht per share and fully paid. Thus total registered and paid-up capital of 346,400,000 Baht divided into 3,464,000 ordinary shares with a par value of 100 Baht per share.</li> </ul>
2016	<ul style="list-style-type: none"> <li>- Sakol Biomass Power Company Limited registered discontinuance of business on 29 July 2016 and finished the liquidation process on 14 December 2016.</li> <li>- The Extraordinary General Meeting of Shareholders No. 1/2016 held on 1 September 2016 passed the following resolutions: <ol style="list-style-type: none"> <li>1) Approved the transformation into a public company and changed its name to Sakol Energy Public Company Limited.</li> <li>2) Approved the change of par value of the Company from 100 Baht to 0.50 Baht per share.</li> <li>3) Approved the increase in registered capital from 346,400,000 Baht to 465,000,000 Baht and allotted by way of Initial Public Offering (IPO) in the amount of not exceeding 237,200,000 shares.</li> </ol> </li> <li>- On 14 September 2016, the Company registered as public limited company.</li> </ul>

Year	Major events
2017	<ul style="list-style-type: none"> <li>- On March, the Company change its shareholders from Thansuwan Company Limited and Thai Alternative Energy Group Company Limited with shareholding of 72.22 per cent and 27.78 per cent respectively to natural person. (Please see details of change of shareholder in Section 2.3.9 Information of securities and shareholders Clause: Shareholder Structure.)</li> <li>- On 22 November 2017 The Stock Exchange of Thailand listed the Company as registered securities.</li> </ul>
2018	<ul style="list-style-type: none"> <li>- On February, the Company acquired 75 per cent of RE Biofuels Company Limited shares to operate the production and distribution of compressed bio-methane gas.</li> </ul>

## 1.2 Shareholding Structure in Subsidiaries and Nature of Business

As of 31 December 2017, the Company has 2 subsidiaries as follows:

No.	Company Name	Share Proportion	Nature of Business
Subsidiaries that the Company holds shares directly			
1.	SK 15 Company Limited Paid up capital of 140 Million Baht	99.99%	Real estate rental business
2.	Sakol Energy Biomass Power 15 Company Limited Paid up capital of 62 Million Baht	99.99%	Under the feasibility study of the biomass power plant business

Currently, the Company and its subsidiaries are operate in 3 types of business as follows:

### (1) Energy Service Business – Operated by Sakol Energy Public Company Limited

The Company operates as service station of PTT Public Company Limited ("PTT") for transportation to NGV service stations outside the gas pipeline or subdivision, as well as the Private Mother Station (PMS) by providing NGV natural gas compression services to its natural gas transportation vehicles. To comply with the standards set by the law of Natural Gas Quality before being used in other parts. There are two main gas stations: 1) the main natural gas station located at Tumbol Chiang Rak Noi, Amphoe Sam Khok,

Pathum Thani Province has maximum natural gas capacity of 350 tons per day and 2) the main natural gas station located at Tumbol Kaengkhoi Amphoe Kaengkhoi, Saraburi Province has the maximum gas compressive capacity of 400 tons per day.

(2) Real Estate Rental Business – Operated by SK 15 Company Limited

SK 15 Company Limited was established on September 11, 2014, holding land in Nakhon Sawan Province total area about 57 Rais. Land has been divided for rent to other parties and the rest of the land has been prepared for development in the future.

(3) Biomass Power Plant Business – Operated by Sakol Energy Biomass Power 15 Company Limited

Sakol Energy Biomass Power 15 Company Limited (formerly Sakol Wind Power Company Limited) established to study the feasibility of biomass power plant business and the head office is located at Tumbol Chiang Rak Noi, Amphoe Sam Khok, Pathum Thani Province. At present, Sakol Energy Biomass Power 15 Company Limited has prepared vacant land total area of 101 Rais in Songkhla Province for future development.

Revenue Structure of the Company's Group during 2015 – 2017

Units : Million Baht

Items	2015		2016		2017	
	Value	%	Value	%	Value	%
1. Revenue from Services	340.36	93.72	385.55	93.04	310.15	92.94
2. Revenue from Financial Lease	19.94	5.49	22.18	5.35	21.43	6.42
3. Other Revenue	2.87	0.79	6.65	1.60	2.12	0.64
Total Revenues	363.17	100.00	414.38	100.00	333.70	100.00

1.3 Major shareholders

The Company has registered capital of 465,000,000 Baht and paid up capital of 465,000,000 Baht divided into 930,000,000 ordinary shares with a par value of 0.50 Baht per share. The list of the 10 major shareholders of the Company, as of 15 March 2018 (most updated) which is the book closing date of the Company are shown as follows:

No.	Name	Number of Shares	% of Shareholding
1.	<u>Sumethchotimetha's Family</u>	500,340,305	53.80
	Mr. Chutchai Sumethchotimetha	289,460,803	31.12
	Mrs. Aree Sumethchotimetha	206,756,858	22.23
	Miss Intira Sumethchotimetha	930,661	0.10
	Mr. Thanapon Sumethchotimetha	930,661	0.10
	Mr. Rapeepat Sumethchotimetha	930,661	0.10
	Mr. Jakkraphong Sumethcotimetha	930,661	0.10
	Miss Ploenpit Sumethcotimetha	200,000	0.02
	Mr. Thanadol Sumethcotimetha	200,000	0.02
2.	<u>Nuntee's Family</u>	192,444,400	20.69
	Mr. Thanakorn Nuntee	57,733,320	6.21
	Mrs. Thanaporn Nuntee	57,733,320	6.21
	Miss Kantanika Nuntee	38,488,880	4.14
	Mr. Thanapat Nuntee	38,488,880	4.14
3.	Thai Life Insurance Public Company Limited	20,006,500	2.15
4.	Mr. Saravut Anakatham	5,400,000	0.58
5.	Mr. Affan Hayeeyusoh	5,130,000	0.55
6.	Miss Lawan Bunajinda	5,065,000	0.54
7.	Mrs. Sujitra Kosrisirikul	5,000,000	0.54
8.	Mr. Panupun Thanasetsakul	4,260,000	0.46
9.	Miss Siriwan Usawaarrakwong	4,000,000	0.43
10.	Mr. Phusit Witayawanitchai	3,036,600	0.33
	<b>Total number of shares of 10 major shareholders</b>	<b>744,682,805</b>	<b>80.07</b>
	Other shareholders	185,317,195	19.93
	<b>Total number of shares</b>	<b>930,000,000</b>	<b>100.00</b>

1.4 Board of Directors of the Company

The list of the Board of Directors of the Company as of 28 February 2018, is shown as follows:

No.	Name	Position
1.	Mr. Direk Lawansiri	Chairman and Independent Director
2.	Mr. Chutchai Sumethchotimetha	Director and Chairman of Executive Committee
3.	Mrs. Aree Sumethchotimetha	Director
4.	Mr. Thanapon Sumethchotimetha	Director
5.	Miss Natthapahtsorn Jiamwijitkul	Director
6.	Mr. Jakkraphong Sumethchotimetha	Director
7.	Mrs. Tanipa Puangjumpa	Director
8.	Pol. Gen. Worapong Chewprecha	Chairman of Audit Committee and Independent Director
9.	Mr. Witoon Simachokedee	Audit Committee and Independent Director
10.	Mrs. Rawittha Pongnuchit	Audit Committee and Independent Director
11.	Mr. Attawoot Papangkorn	Audit Committee and Independent Director

1.5 Management

The list of the management of the Company, as of 28 February 2018, is shown as follows:

No.	Name	Position
1.	Mr. Chutchai Sumethchotimetha	Chief Executive Officer
2.	Mrs. Aree Sumethchotimetha	Senior Executive Vice President
3.	Mr. Thanapon Sumethchotimetha	Managing Director
4.	Mr. Jakkraphong Sumethchotimetha	Chief Operation Officer
5.	Miss Natthapahtsorn Jiamwijitkul	Chief Finance Officer
6.	Miss Peangjai Wongproudmas	Accounting Manager

## 1.6 Summary of Financial Position and Operation Performance

## 1.6.1 Statement of Financial Position

Unit : Million Baht

Statement of Financial Position (Consolidated)	Audited as of 31 December		
	2015	2016	2017
<b>Current assets</b>			
Cash and cash equivalents	12.62	8.57	21.78
Current investments	6.53	96.77	425.40
Trade account receivable	72.82	122.75	57.27
Current portion of financial lease receivable	15.11	20.12	16.70
Other current receivables	1.09	1.18	1.65
Current spare parts and supplies	1.65	0.91	1.26
<b>Total current assets</b>	<b>109.82</b>	<b>250.30</b>	<b>524.07</b>
<b>Non-current assets</b>			
Financial lease receivable	231.90	221.66	210.61
Non-current spare parts and supplies	-	1.29	1.48
Investment properties	-	12.12	171.62
Property, plant and equipment	315.38	273.42	128.31
Intangible asset	0.42	3.38	3.89
Other non-current assets	-	-	0.98
<b>Total non-current assets</b>	<b>547.70</b>	<b>511.87</b>	<b>516.89</b>
<b>Total Assets</b>	<b>657.52</b>	<b>762.18</b>	<b>1,040.95</b>
<b>Current liabilities</b>			
Short-term borrowings from financial institution	-	-	40.00
Trade accounts payable	44.04	31.49	28.80
Other current payables	10.76	14.70	15.85
Current portion of long-term borrowings from financial institution	13.56	14.04	14.68
Current portion of finance lease and hire purchase liabilities	1.57	1.62	1.08
<b>Total current liabilities</b>	<b>69.93</b>	<b>61.85</b>	<b>100.41</b>
<b>Non-current liabilities</b>			
Long-term borrowings from financial institution	70.25	56.25	41.57
Finance lease and hire purchase liabilities	4.21	2.59	1.51
Deferred tax liabilities	9.82	9.80	9.85



Unit : Million Baht

Statement of Financial Position (Consolidated)	Audited as of 31 December		
	2015	2016	2017
Non-current provisions for employee benefit	0.77	1.11	0.60
Provisions for non-current liability	-	-	1.09
<b>Total non-current liabilities</b>	<b>85.05</b>	<b>69.74</b>	<b>54.62</b>
<b>Total liabilities</b>	<b>154.98</b>	<b>131.60</b>	<b>155.03</b>
<b>Shareholders' equity</b>			
Share capital			
<u>Registered share capital</u>			
Ordinary share 1,600,000 shares at par value of 100 Baht per share	-	-	-
Ordinary share 3,464,000 shares at par value of 100 Baht per share	346.40	-	-
Ordinary share 930,000,000 shares at par value of 0.50 Baht per share	-	465.00	465.00
<u>Issued and paid up capital</u>			
Ordinary share 1,600,000 shares at par value of 100 Baht per share	-	-	-
Ordinary share 3,464,000 shares at par value of 100 Baht per share	346.40	-	-
Ordinary share 692,800,000 shares at par value of 0.50 Baht per share	-	346.40	-
Ordinary share 930,000,000 shares at par value of 0.50 Baht per share	-	-	465.00
Share premium on ordinary shares			297.62
Retained earnings			
Appropriated			
Legal reserve	16.00	22.20	26.00
Unappropriated	140.08	261.52	96.40
Other components of shareholders' equity	0.07	0.46	0.90
<b>Total shareholders' equity</b>	<b>502.55</b>	<b>630.58</b>	<b>885.92</b>
<b>Total liabilities and shareholders' equity</b>	<b>657.52</b>	<b>762.18</b>	<b>1,040.95</b>

## 1.6.2 Statement of Comprehensive Income

Unit : Million Baht

Statement of Comprehensive Income (Consolidated)	Audited Annual Year		
	2015	2016	2017
<b>Revenues</b>			
Revenue from rendering of services	340.36	385.55	310.15
Revenue from financial lease	19.94	22.18	21.43
Other income	2.87	6.65	2.12
<b>Total revenues</b>	<b>363.17</b>	<b>414.38</b>	<b>333.70</b>
<b>Expenses</b>			
Cost of rendering of services	199.62	236.63	190.13
Administrative expenses	39.27	47.74	61.25
Finance costs	4.41	4.11	8.35
<b>Total expenses</b>	<b>243.30</b>	<b>288.49</b>	<b>259.73</b>
Profit before income tax expense	119.87	125.89	73.98
Income tax expense	0.86	0.31	0.06
<b>Profit for the year/period</b>	<b>119.01</b>	<b>125.58</b>	<b>73.92</b>
<u>Other comprehensive income</u>			
Profit for the year from discontinued operation – net of tax	(2.44)	2.06	-
<b>Total comprehensive income for the period</b>	<b>116.57</b>	<b>127.64</b>	<b>73.92</b>

## 1.6.3 Statement of Cash Flows

Unit : Million Baht

Statement of Cash Flows (Consolidated)	Audited Annual Year		
	2015	2016	2017
Net cash provided by (used in) operating activities	134.31	74.23	165.10
Net cash provided by (used in) investing activities	56.11	(58.98)	(348.15)
Net cash provided by (used in) financing activities	(184.35)	(19.30)	196.26
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>6.07</b>	<b>(4.05)</b>	<b>13.21</b>
Opening balance of cash and cash equivalents	6.55	12.62	8.57
<b>Closing balance of cash and cash equivalents</b>	<b>12.62</b>	<b>8.57</b>	<b>21.78</b>

## 1.6.4 Financial Ratios

Financial Ratio	2015	2016	2017
<b><u>Liquidity Ratios</u></b>			
Current ratio (times)	1.57	4.05	5.22
Quick ratio (times)	1.32	3.69	5.02
Operating cash flow ratio (times)	2.40	1.13	2.04
Account receivable turnover (times)	5.47	3.94	3.45
Average collection period (days)	65.83	91.31	104.48
Inventory turnover (times)	n/a	n/a	n/a
Days sales of inventory (days)	n/a	n/a	n/a
Account payable turnover (times)	6.15	6.27	6.31
Payment days (days)	58.56	57.45	57.07
Cash cycle (days)	7.27	33.85	47.41
<b><u>Profitability Ratios</u></b>			
Gross profit margin (%)	41.35	38.62	38.70
Operating profit margin (%)	36.51	33.72	26.54
Other margin (%)	0.79	1.60	0.64
Cash to profitability ratio (%)	108.07	57.10	200.56
Net profit margin (%)	32.10	30.80	22.15
Return on equity (%)	22.12	22.53	9.75
<b><u>Efficiency Ratios</u></b>			
Return on assets (%)	17.32	17.98	8.20
Return on fixed assets (%)	21.88	24.78	18.29
Asset turnover (times)	0.54	0.58	0.37
<b><u>Financial Policy Ratio</u></b>			
Debt to equity ratio (times)	0.31	0.21	0.17
Debt service coverage ratio (times)	31.68	19.12	20.79
Financial obligation ratio (times)	0.28	3.53	0.34
Dividend payout ratio (%)	293.56	192.10	-

#### 1.6.5 The Analysis of Financial Position and Performance Results

##### **The Analysis of Financial Position and Performance Results for the year ended 2017**

###### Assets

The main assets of the Company and its subsidiaries consist of property, plant and equipment, financial lease receivable and current investments. Total assets of the Company and its subsidiaries as at 31 December 2017 and 2016 were 1,040.95 Million Baht and 762.18 Million Baht. The total assets had increased by 278.78 Million Baht or 36.58 per cent.

As of 31 December 2017, the Company and its subsidiaries have the total current assets of 524.07 Million Baht increased by 273.76 Million Baht as of 31 December 2016 or representing 109.37 per cent due to the increase in current investment from cash management based on the Group's policy which the significant transaction was fund raising through the initial public offering (IPO). For the non-current assets as of 31 December 2017 is equal to 516.89 Million Baht similar total when compared to year 2016 which was 511.87 Million Baht.

###### Liabilities

Total liabilities of the Company and its subsidiaries as at 31 December 2017 and 2016 were 155.03 Million Baht and 131.60 Million Baht accounting for 14.89 per cent and 17.27 per cent of the total assets. Most of liabilities were in form of trade account payable, short-term borrowings and long-term borrowings from financial institution.

As of 31 December 2017, the Company and its subsidiaries have total current liabilities of 100.41 Million Baht accounting for 64.77 per cent compared to total liabilities whereby the Company and its subsidiaries' current liabilities increased to 38.56 Million Baht or 62.33 per cent from 31 December 2016 due to the increase in short-term borrowings from financial institutions. For the non-current liabilities as of 31 December 2017, it was equal to 54.62 Million Baht decreased 15.12 Million Baht or 21.68 per cent compared to as of 31 December 2016 resulting from the repayment of long-term borrowings from financial institution that was due and payable.

### Shareholders' equity

As at the end of 2017 and 2016, the shareholders' equity of the Company and its subsidiaries were 885.92 Million Baht and 630.58 Million Baht. As at 31 December 2017, the shareholders' equity of Group had increased 255.34 Million Baht or 40.49 per cent from as at 31 December 2016 because of the initial public offering (IPO) which increased the issued and paid-up share capital by 118.60 Million Baht, total of 465.00 Million Baht and incurred share premium on ordinary shares of 297.62 Million Baht. In addition, unappropriated retained earnings of Company and its subsidiaries has decreased due to the dividend payment on 6 March 2017, of which, the shareholders' meeting has resolved to approve the dividend payment in the amount of 0.3406 Baht per share, totaling of 235.97 Million Baht. Such dividend payment is in accordance with the dividend policy of the Group.

### Revenues

#### 1) Revenue from rendering of services

Revenue from rendering of services for the year ending 31 December 2017 amount to 310.15 Million Baht a decrease of 75.40 Million Baht or 19.56 per cent compared to the previous year as a result of 1) a decrease of the revenue from the improvement of quality due to the decrease of volume NGV quality improvement according to PTT's policy 2) the decrease of volume of natural gas compression partially and 3) the decrease of service rate of natural gas compression and the improvement of quality due to the service rate formula.

Nonetheless, since September 2017, the Company increases in volume of natural gas the result from PTT's mother station in Pathumtani Province has been partial temporary close for maintenance for approximately of 12 months. In the result, the total volume of natural gas in September 2017 was higher than the past.

#### 2) Revenue from financial leases

For the year ending 31 December 2017 and 2016, the Company and its subsidiaries generated income from financial leases in the amount of 21.43 Million Baht and 22.18 Million Baht or 6.42 per cent and 5.35 per cent of the total

income. The decrease in revenue from financial leases was due to the normal characteristic of financial lease contract.

3) Other income

The Company and its subsidiaries generated other income including 1) revenue from utility services to lessees including related companies and other companies 2) interest income 3) profit from sale of open-end fund whereby remaining cash was used to invest in liquid and low-risk fixed-income fund and 4) other income such as income from sale of scrap.

For the year ending 31 December 2017 and 2016, other income of the Company and its subsidiaries were equivalent to 2.12 Million Baht and 6.65 Million Baht.

The decrease in other income caused by gain from sale of land in May 2016, however, this year is no sale of land transaction.

Cost of rendering of services

For the year ending 31 December 2017, the Company and its subsidiaries incurred cost of rendering of services in the amount of 190.13 Million Baht a decrease of 46.50 Million Baht or 19.65 per cent which was in line with revenue from rendering of services. In addition, cost of rendering of services was decreased because of the decrease in price of inert gas and the decrease in electricity rate. Moreover, increase in salary in part of cost of rendering of services was due to the annual adjustment of salary and the increase of number of the personnel.

Gross profit

In 2017, the gross profit of the Company and its subsidiaries was 120.02 Million Baht a decrease of 28.89 Million Baht or 19.40 per cent compared to the previous year. The decrease resulted from the decrease in revenue generated from the service of natural gas compression which is due to the volume of natural gas compression service and the volume of inert gas are decreased, however, the gross profit is 38.70 per cent similar to the gross profit of the previous year.

Selling and administrative expenses

In 2017, the selling and administrative expenses of the Company and its subsidiaries was 61.25 Million Baht an increase of 13.51 Million Baht or 28.31 per cent compared to the previous year. The increase resulted from the increase of expense

relating employees due to rising in number of employees hired this year and also annual salary adjustment. Moreover, the Company had expenses from preparation for listing in the Stock Exchange of Thailand such as consultant fee, public relation fee, registration fee and audit fee.

#### Financial costs

For the year 2017 and 2016, the Company and its subsidiaries incurred finance costs of 8.35 Million Baht and 4.11 Million Baht. The increase of financial costs compared to the last year is due to the Company engagement of short-term loan from financial institutions for business operations, which the outstanding balance is 40.00 Million Baht.

#### Net Profit (Loss)

In 2017, the net profit of the Company and its subsidiaries was 73.92 Million Baht a decrease of 53.72 Million Baht or 42.09 per cent compared to the previous year. The decrease resulted from the decrease in revenue from services and the increase in administrative expenses due to additional employment, annual salary adjustment, the office relocation and the expansion of the office space to reserve for the business expansion in the future and the cost of the initial public offering (IPO) process. The net profit margin of the year 2017 is 22.15 per cent decreased when compared to the previous year.

### **The Analysis of Financial Position and Performance Results for the year ended 2016**

#### Assets

Total assets of the Company and its subsidiaries as at 31 December 2015 and 2016 amount of 657.52 Million Baht and 762.18 Million Baht. The total assets had increased by 104.66 Million Baht or 15.92 per cent. The Company and its subsidiaries had current assets of 109.82 Million Baht and 250.30 Million Baht accounting for 16.70 per cent and 32.84 per cent of total assets.

As at 31 December 2015 and 2016, the Group's current assets increased by 140.48 Million Baht or 127.92 per cent due to additional investment in short-term investment by utilizing cash flow from operations through investment in fixed-income fund. In the year 2016, the Group had additional short-term investment of 90.24 Million Baht compared to the year 2015.

As at 31 December 2016 and 31 December 2015, the Company and its subsidiaries non-current assets amount of 547.70 Million Baht and 511.87 Million Baht. The non-current assets had decreased by 35.83 Million Baht or 6.54 per cent due to sale of land in Songkhla Province by the Company's subsidiary.

#### Liabilities

Total liabilities of the Company and its subsidiaries as at 31 December 2015 and 2016 amount of 154.98 Million Baht and 131.60 Million Baht accounting for 23.57 per cent and 17.27 per cent of the total assets. Current liabilities of the Company and its subsidiaries were 61.85 Million Baht and 69.93 Million Baht accounting for 47.00 per cent and 45.12 per cent of the total liabilities.

Current liabilities of the Company and its subsidiaries had decreased by 8.08 Million Baht or 11.55 per cent compared to the year 2015 mainly due to a decrease in trade accounts payable amounting of 12.56 Million Baht and an increase in other payables amounting of 3.94 Million Baht.

As at 31 December 2015 and 2016 Non-current liabilities of the Company and its subsidiaries amount of 85.04 Million Baht and 69.74 Million Baht which decrease 15.30 Million Baht or 17.99 per cent due to partial repayment of long-term loan by the Company and its subsidiaries to financial institution.

#### Shareholders' equity

As at 31 December 2015 and 2016, the shareholders' equity of the Company and its subsidiaries amount of 502.55 Million Baht and 630.58 Million Baht which increase 128.04 Million Baht or 25.48 per cent as a result of increase in net profit for the year ended 2016 of the Company and its subsidiaries which increased the Group's retained earnings.

#### Revenue

##### 1. Revenue from rendering services

Revenue from rendering services for the year ended 31 December 2015 and 2016 amount of 340.36 Million Baht and 385.55 Million Baht increased 45.19 Million Baht or 13.28 per cent comparing to the year 2015 as a result of 1) an increase in the quantity of NGV compression by the Company and 2) the Company earned revenue from improving NGV quality of Pathum Thani Station for the whole year, while in



2015 it benefited from such revenue from improving NGV quality only for 4 months (September to December 2015).

2. Revenue from financial lease

Revenue from financial leases for the year ended 31 December 2015 and 2016 amount of 19.94 Million Baht and 22.18 Million Baht which is 5.49 per cent and 5.35 per cent of the total revenue. Due to the Company's entry into additional contract for improvement of NGV quality at Pathum Thani Station which met conditions of financial lease.

3. Other income

The Company and its subsidiaries generated other income including: 1) revenue from utility services to lessees including related companies and other companies 2) interest income 3) profit from sale of open-end fund whereby remaining cash was used to invest in liquid and low-risk fixed-income fund and 4) other income such as income from sale of scrap.

Other income for the year ended 31 December 2015 and 2016 amount of 2.87 Million Baht and 6.65 Million Baht increased 3.78 Million Baht. As a result of gain from sale of land by the Company's subsidiary amount of 6.56 Million Baht.

Cost of services

Cost of services for the year ended 31 December 2015 and 2016, the Company and its subsidiaries incurred cost of services amount of 199.62 Million Baht and 236.63 Million Baht and increase of 37.02 Million Baht or 18.54 per cent when comparing to the year 2015. As a result of an increase in the quantity of NGV compression and a longer period or whole-year improvement of NGV quality at Pathum Thani Station. The Company and its subsidiaries provided NGV quality improvement service for Pathum Thani Station from September 2015 onwards since PTT changed its natural gas distribution from Western Pipeline Operations to Eastern Pipeline Operations resulting in an increase in heating value of NGV from PTT and the Company has to increased service of NGV quality improvement by filling in inert gas.

Gross Profit

In 2016, gross profit of the Company and its subsidiaries amount of 148.91 Million Baht which increased 8.17 Million Baht or 5.81 per cent compared to the year 2015. The

increase of gross profit was mainly resulted from an increase of revenue from services. Such increase of revenue from services was due to: 1) an increase in the quantity of NGV compression by the Company which resulted in increase of revenue from services and 2) the Company earned revenue from improving NGV quality of Pathum Thani Station for the whole year while in 2015, the Company benefited from such revenue from improving NGV quality only for 4 months (September to December 2015). The gross profit margin for the year 2016 was decreased to 38.62 per cent from year 2015 due to increase in NGV quality improvement service by the Company.

#### Administrative expenses

Administrative expenses for the year ended 31 December 2015 and 2016, the Company and its subsidiaries incurred administrative expenses amount of 39.27 Million Baht and 47.74 Million Baht which increase of 8.47 Million Baht or 21.56 per cent when comparing to the year 2015. Due to an increase in personnel costs, salary, and employee benefits. The base salary had been increased and employee benefits were introduced, and also including an increase in directors' remuneration based on the number of board of directors' meetings and sub-committee meetings during the year 2016. In addition, the Company incurred additional expenses as its subsidiary conducted public hearing on the establishment of a biomass power plant.

#### Financial cost

Financial costs for the year ended 31 December 2015 and 2016, the Company and its subsidiaries incurred finance costs amount of 4.41 Million Baht and 4.11 Million Baht which decreased 0.30 Million Baht or 6.80 per cent when comparing to the year 2015 due to repayment of loan to certain financial institutions.

#### Net Profit (Loss)

Net profit for the year ended 31 December 2015 and 2016, the Company and its subsidiaries had net profit equal to 116.57 Million Baht and 127.64 Million Baht which increase 11.07 Million Baht or 9.50 per cent when comparing to the year 2015. The increase was mainly resulted from an increase in revenue from services.