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Opinion of the Independent Financial Advisor  
on an Asset Acquisition and Connected Transaction

of

Siameast Solution Public Company Limited

Presented to

The Shareholders of  
Siameast Solution Public Company Limited



Prepared by



March 29, 2020

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**Abbreviations**

Meaning	Abbreviation
Siameast Solution Public Company Limited	: the Company or the Business or SE or the Buyer
Kessel (Thailand) Company Limited	: KESSEL or Target Company
PPM Engineering Company Limited	: PPM
PPM Engineering Company Limited and Ms. Orasa Vimolchalao Mr. Sittichai Leekasem	: Collectively referred to as "the Sellers"
Ms. Orasa Vimolchalao	: Ms. Orasa
Mr. Sittichai Leekasem	: Mr. Sittichai
Mr. Kirk Leekasem	: Mr. Kirk
Mr. Suwat Mahitiharn	: Mr. Suwat
Crane Co.	: CRANE
Discover Management Company Limited	: IFA or Discover
Allotment of newly issued ordinary shares to existing shareholders in proportion	: RO
Sims Property Consultant Company Limited	: the Appraiser or SIMS
The Securities and Exchange Commission	: SEC
The Stock Exchange of Thailand	: SET
Market for Alternative Investment	: mai
Annual General Meeting	: AGM
Memorandum of Understanding	: MOU
Draft Share Purchase Agreement in Kessel (Thailand) Company Limited between Siameast Solution Public Company Limited and Sellers, drafted on March 27, 2021.	: SPA
Financial and Tax Due Diligence Report of Kessel (Thailand) Co., Ltd. (report on February 12, 2021) prepared by MA Consulting Co., Ltd.	: Financial and Tax Due Diligence Report
Business review report on the purchase of shares in Kessel (Thailand) Co., Ltd. (report of February 27, 2021) prepared by Pisut & Partners Co., Ltd.	: Business Review Report
MA Consulting Company Limited	: MA
Pisut and Partners Company Limited	: P&P
Entering into the Acquisition of Assets and Connected Transactions	: the Transaction

**Opinion of the Independent Financial Advisor on an Asset Acquisition and Connected Transaction  
of Siameast Solution Public Company Limited**

March 29, 2021

No. IMAPDM041/2021

Subject: Opinion of Independent Financial Advisor regarding the Asset Acquisition and Connected Transaction of  
Siameast Solution Public Company Limited

To: The Board of Directors, Audit Committee and the Shareholders of Siameast Solution Public Company Limited

Attachment:

- 1) Summary of details of the Sellers (PPM Engineering Co., Ltd., Ms. Orasa and Mr. Sittichai)
- 2) Summary of details of Siameast Solution Public Company Limited
- 3) Summary of the appraisal of land and buildings in Samut Prakan province of Kessel (Thailand) Co., Ltd. prepared by Sims Property Consultants Co., Ltd.
- 4) Summary of the appraisal of land and buildings in Rayong province of Kessel (Thailand) Co., Ltd. prepared by Sims Property Consultants Co., Ltd.

References:

- 1) Resolutions of the Board of Directors of Siameast Solution Public Company Limited No. 1/2021 dated February 23, 2021.
- 2) Resolutions of the Board of Directors of Siameast Solution Public Company Limited No. 2/2021 dated March 6, 2021.
- 3) Information Memorandum on the Acquisition of Assets and Connected Transactions of Siameast Solution Public Company Limited on February 23, 2021 and March 6, 2021 (including the amendments)
- 4) Annual registration statement (Form 56-1) of Siameast Solution Public Company Limited ended December 31, 2020.
- 5) Annual Report 2020 (Form 56-2) of Siameast Solution Public Company Limited.
- 6) Audited financial statements by the Certified Public Accountant of Siameast Solution Public Company Limited for the 12-month periods ended December 31, 2018 - 2020.
- 7) Audited financial statements by Certified Public Accountant of Kessel (Thailand) Company Limited for the 12-month periods ended December 31, 2018 – 2020.
- 8) The appraisal report of land and buildings of 2 locations prepared by Sims Property Consultants Company Limited dated February 24 - 25, 2021.
- 9) Draft Share Purchase Agreement of KESSEL between the Company and the Sellers

- 10) Financial and Tax Due Diligence Report of Kessel (Thailand) Company Limited (Report on February 12, 2021) prepared by MA.
- 11) Business Review Report about the purchase of shares in the company of Kessel (Thailand) Co., Ltd. (Report on February 27, 2021) prepared by P&P.
- 12) Other related contract documents and staff interviews of the Company

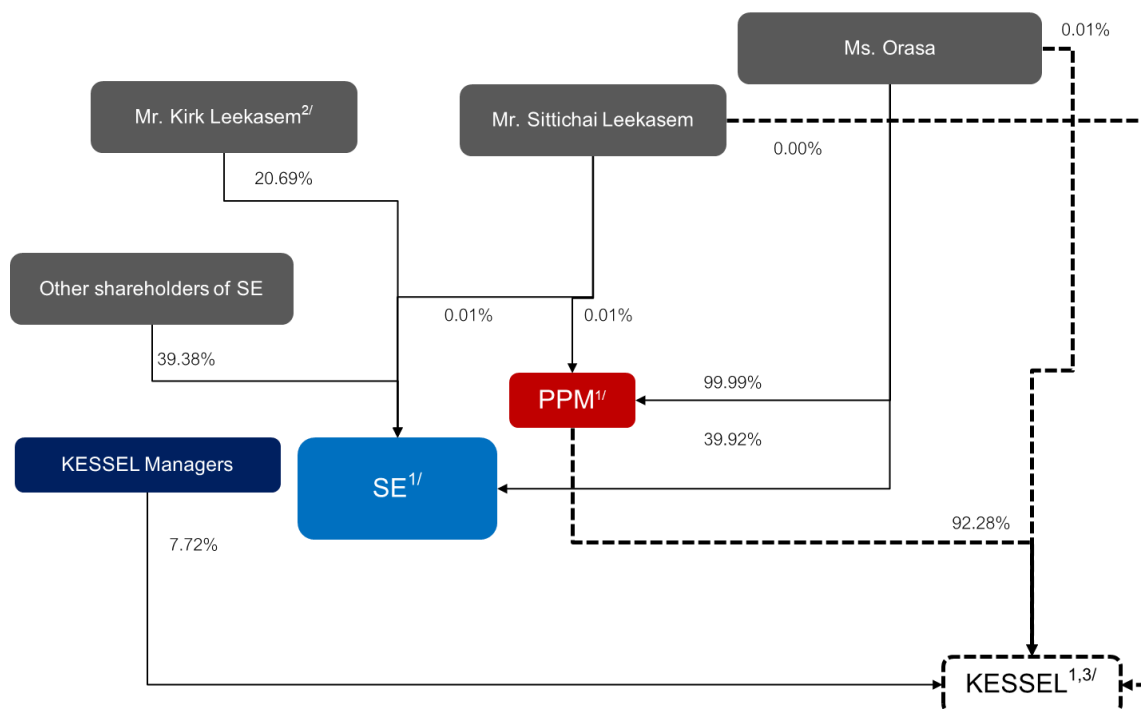
#### Disclaimers

1. In preparing this report, Discover Management Company Limited (“IFA” or “Discover”) has relied on information provided by the information of SE, KESSEL and information disclosed to the public on Securities and Exchange Commission websites (www.sec.or.th), Stock Exchange of Thailand website (www.set.or.th) and the information disclosed to the public of the Company including other public information on other sources and information from interviewing with the management of the Company.
2. IFA conducted studies using knowledge, competence and caution by adhering to the professional basis. However, IFA shall not be responsible for profits or losses and any impacts resulting from the Transaction and
3. IFA considered and provided opinion the prevailing market conditions and currently available information. If market conditions and information change in the future, the results of the study in this report may be affected.
4. Due to the epidemic situation of COVID-19 in Thailand and overseas in which the World Health Organization (“WHO”) has announced that the outbreak of COVID-19 is a pandemic and encouraged all countries to increase measures to prevent and control the spread of the disease, resulting in global control and prevention of the outbreak of COVID-19 by using preventive measures and blocking the infection into the area. In this regard, the lock down and quarantine, which directly affects the operations of the Company. In this regard, IFA made additional assumptions from interviews with the REIT Manager, which at present are uncertain and subject to change. Changes in the situation of COVID-19 may have a significant effect on the interest rates and/or other conditions in requesting for financial assistance from the related person.

***Besides the Thai language version of the Opinion of Independent Financial Advisor, IFA has prepared the English translation solely for the convenience of the foreign trust unitholders. In the event of any inconsistency between the two versions, the Thai language version is the definitive and official document.***

**Executive Summary**

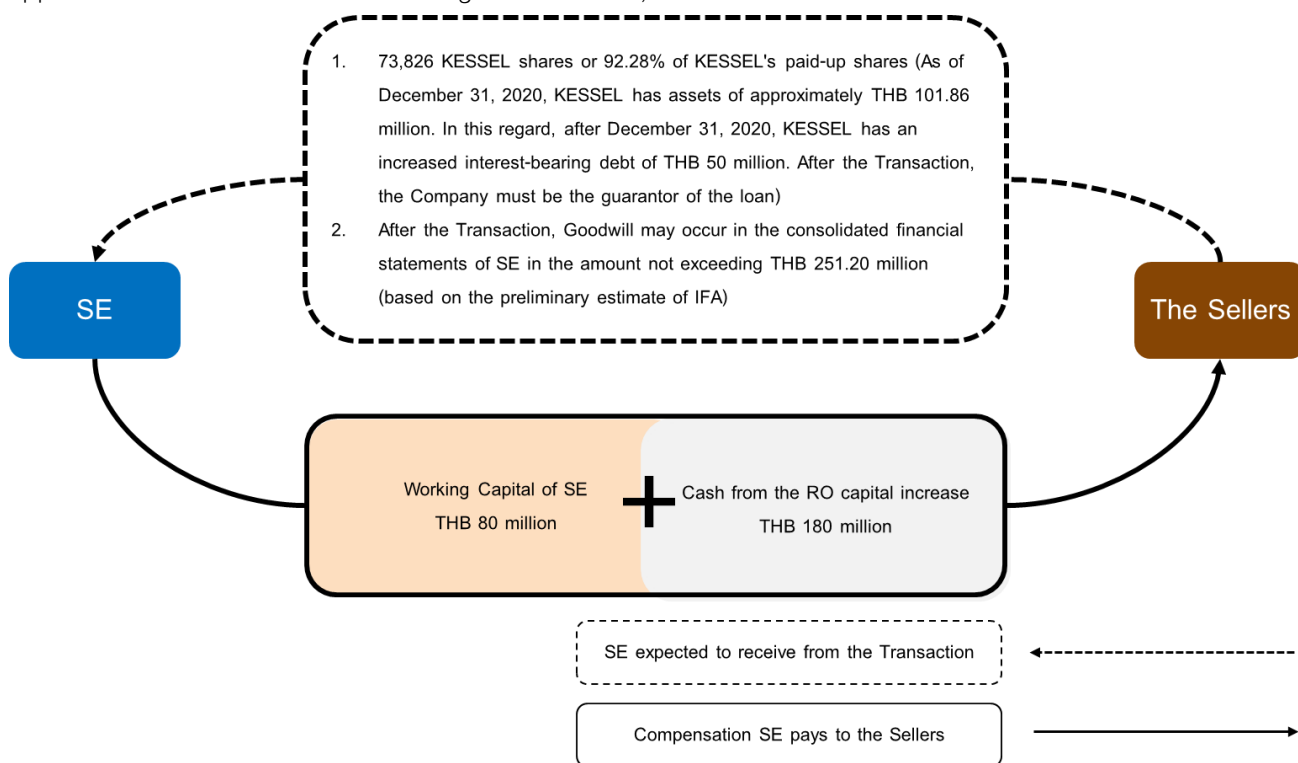
According to the Board of Directors meeting of Siameast Solution Public Company Limited (“SE” or the “Company”) No. 2/2021, which was held on March 6, 2021, a resolution was passed to propose to the shareholders’ meeting to consider approving the acquisition of shares in Kessel (Thailand) Company Limited (“KESSEL”) in the amount of 73,826 ordinary shares or representing 92.28 percent of all paid-up shares in KESSEL at the price of THB 3,521.79 per share, with the total value of THB 260.00 million (the “Transaction”), which came from (1) PPM Engineering Company Limited (“PPM”) 73,820 ordinary shares, (2) Ms. Orasa 5 ordinary shares, and (3) Mr. Sittichai of 1 ordinary share (Collectively referred to as “the Sellers”)<sup>1</sup>. The shareholding structure of SE and KESSEL is detailed as follows:



Remarks: 1/ Companies which Ms. Orasa and Mr. Sittichai are the directors  
 2/ Mr. Kirk is only a director of the Company.  
 3/ As of February 22, 2021, KESSEL has 3 directors: 1) Ms. Orasa, 2) Mr. Sittichai, and 3) Mr. Suwat.

In entering into the Transaction, the Company has to pay a total of THB 260.00 million to the Sellers. The source of funds is from 1) internal working capital amounting to approximately THB 80 million 2) the money received from the capital increase of RO approximately THB 180 million. The compensation for the acquisition of this transaction consists of 1) 73,826 KESSEL shares or 92.28% of KESSEL's paid-up shares (As of December 31, 2020, KESSEL has assets of approximately THB 101.86 million. In this regard, after December 31, 2020, KESSEL has an increased interest-bearing debt of THB 50 million. KESSEL used THB 38.03 million from the loan to pay dividends and used THB 11.97 million as working capital for business operation. After the Transaction, the Company must be the guarantor of the loan) and 2) Goodwill may occur in the consolidated financial statements of SE in the amount not

exceeding THB 251.20 million (based on the preliminary estimate of IFA, where SE has to hire an independent appraiser to assess KESSEL after entering the transaction).



The Transaction is part of the expansion plan for the production and assembly of pipe products for distribution under various trademarks, which is a continuing business from the former business of the Company (current business of the Company have risk from entry of new competitors and have growth limitation). Therefore, the Transaction to acquire KESSEL, which is a manufacturer, supplier, installer, and assembler of pipes in industrial plants under the trademarks XOMOX and Resistoflex. (KESSEL is the sole distributor under the XOMOX and Resistoflex brands in Thailand, XOMOX and Resistoflex are trademarks under the CRANE group, a brand that is trusted by users from all over the world), where both brands have unique properties of chemical and thermal corrosion resistance that are distinguished from current SE products, therefore, the Transaction will be an expansion of the business, develop projects that are related to the Company's core business (boosting income). Since KESSEL is able to use SE's support and after-sales service team, the Transaction should help in reducing the Company's expenses, when compared with the increased income. As a result, the profitability of the Company's business will increase from KESSEL's higher gross margin and net profit margin compared SE. Entering into the Transaction will help the Company operates the business with stability and strong financial status that will benefit the Company and all its shareholders in the long term. In addition, such investments are in line with the Company's policy and also helps the Company eliminate the possibility of a long-term conflict of interest among major shareholders.

Business acquired from entering this transaction have a nature of business that complements the business of the Company. After completing the Transaction, the Company's revenue structure will be significant changed (details in Clause 5.2.1, Impact on Accounting), whereby the Company expects to have an increase in revenue of approximately 25% and a net profit of approximately 75%, which may have an increase in goodwill not exceeding THB 251.20 million (goodwill is estimated by IFA). However, the revenue structure will still come from the product procurement business related to industrial piping system.

The execution of such transaction is regarded as an acquisition of assets pursuant to the Notification of the Capital Market Supervisory Board No. Tor.Jor 20/2551 Re: Rules on Entering into Material Transactions Deemed as Acquisition or Disposal of Assets dated August 31, 2008 (as amended) 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 B.E. 2547 date October 29, 2004 (as amended) (the “**Notifications on Acquisition or Disposal of Assets**”) which must be calculated according to various criteria and apply the maximum value calculated from one of the criteria. Based on the Company’s financial statement for the period ended December 31, 2020, it is calculated that the highest transaction size is equal to 71.84 percent which is more than 50 percent but lower than 100 percent according to the criteria of net profit on operating. As such, this is regarded as a transaction size in type 1. Therefore, the Company is required to disclose the information memorandum on such transaction to the Stock Exchange of Thailand (“**SET**” or “**Stock Exchange**”) and must have approval for such acquisition of assets from the shareholders’ meeting with not less than three-fourths of all votes of the shareholders present at the meeting and is entitled to vote, excluding such votes of the shareholders with interests.

In this regard, since the Company and KESSEL have a common major shareholder and director which the common major shareholder is Ms. Orasa, who is the related person between SE and KESSEL according to the Notification on Connected Transactions, as Ms. Orasa is the major shareholder of SE, holding in an amount of 95,796,400 shares or representing 39.92 percent of all paid-up shares in the Company and also the major shareholder of PPM, holding in an amount of 149,998 shares or representing 99.99 percent of all paid-up share in PPM (PPM holds 92.28 percent of KESSEL shares). Additionally, Ms. Orasa also holds 5 shares of KESSEL or representing 0.01 percent of all paid-up share in KESSEL.

As for the directors of the Company and PPM, there are 2 common directors which are Ms. Orasa and Mr. Sittichai. Therefore, such transaction is regarded as a connected transaction pursuant to the Notification of the Capital Market Supervisory Board No. Tor. Jor. 21/2551 Re: Rules on Connected transactions 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 Connected Transactions B.E. 2546 (“**Notification on Connected Transaction**”). The size of the transaction is equal to 71.14 percent of the Company’s net tangible assets (NTA) as calculated per the Company’s financial statements which had been reviewed by the auditor for the period ending December 31, 2020.

By entering into the acquisition of assets, the Company has a duty to comply with the Public Limited Companies Act and The Notification on Connected Transaction which requires the Company to appoint an independent financial advisor to perform any relevant duties, including giving opinions as specified in the Notification on Connected Transaction by delivering the independent financial advisor’s opinion report to the shareholders for consideration along with sending the invitation letter to the shareholders’ meeting. In this regard, the Company has appointed Discover Management Company Limited (the “**IFA**” or “**Discover**”), a financial advisor approved by the SEC, to be an independent financial advisor to give opinions to shareholders on the transaction to acquire assets which is a connected transaction. The Company must also arrange for the AGM of the Company to approve the acquisition of assets, which is a connected transaction, where the invitation letter of the AGM is delivered to the shareholders at least fourteen days in advance of the AGM date and must be approved by the AGM with a vote of



not less than three-fourths of the total number of votes of the shareholders who attend the meeting and have the right to vote without counting the shareholders with interests.

Discovery Management Company Limited, as an independent financial advisor to the shareholders appointed by the Company has considered information and documents related to the KESSEL share purchase transaction, including interviews with the Company's management, as well as the pricing methods and conditions for entering into the transaction and considered the reasonableness of the transaction together with the benefits, effects, risk factors, advantages and disadvantages of entering into the transaction. In summary, the opinion of the independent financial advisor is as follows:

Entering into the KESSEL share purchase transaction has advantages, disadvantages and risks to the Company and its shareholders as follows:

▪ **Advantages**

1. This is an investment pursuant to the objectives and strategic plan for long-term growth of the Company.
2. The Company can recognize KESSEL's performance in the consolidated financial statements of the Company immediately.
3. The gross profit margin and the net profit margin of the Company would increase.
4. The Company will have more products of pumps, piping systems and related equipment.
5. The Company has more opportunity for new group of customers.
6. The Company will benefit from business cooperation (Synergy).
7. The existing shareholders have an opportunity to maintain their shareholding proportion.
8. It is an investment in a well-known company in the industry.
9. Investment in assets at a reasonable price

▪ **Disadvantages**

1. The Company will have additional liabilities from financial institutions for at least THB 50.00 million in the consolidated financial statements.
2. Shareholders of the Company have a burden to increase capital in order to enter into the KESSEL share purchase transaction.
3. The Company may lose the opportunity to invest in other businesses.

▪ **Risk and Impact**

1. Dilution Effect
2. Impact of goodwill on the financial statements
3. Risk from making a tender offer for all securities of the business.
4. Risk of shareholder not approving for the share purchase transaction of KESSEL.
5. Risk from insufficient working capital.
6. Risk of KESSEL's not being approved to change the guarantor.

7. Risks from KESSEL's future performance.
8. Risk of provisioning or impairment of certain accounting items if there is a change in accounting standards.
9. Risk from product reliance on Crane Resistoflex and the risk of termination of the Technology and Manufacturing Agreement.
10. Risk of entering into the transaction with the shareholders' voting on the Transaction.

■ **Comparing Advantages and Disadvantages between Entering into Connected Transaction and Transactions with the Third Party**

Transactions with the related persons are convenient and fast. However, it may be viewed as a non-transparent transaction and a transfer of benefit. However, when compared to transactions with a third party, the shareholder assumes that the transaction is transparent. But doing transactions with a third party may require a higher investment and negotiations may have different conditions because transactions with related persons can be negotiated more easily.

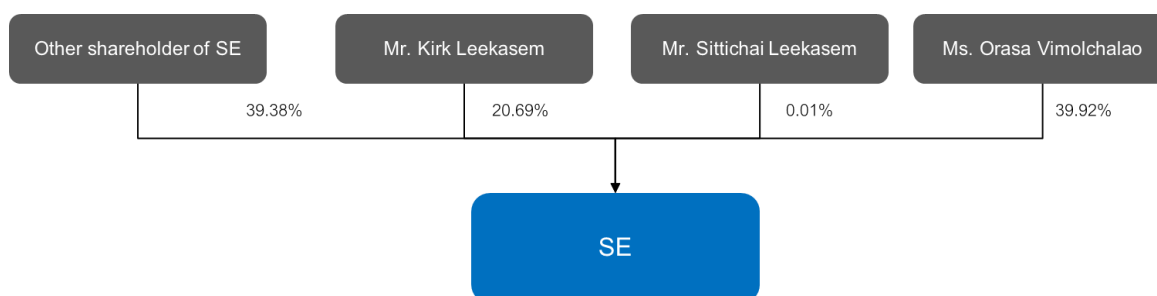
■ **Important Observation of the Transaction**

1) **Relationship of SE, the Sellers and Mr. Kirk Leekasem**

The Buyer	:	Siameast Solution Public Company Limited
The Sellers	:	PPM Engineering Company Limited Ms. Orasa Vimolchalao Mr. Sittichai Leekasem
Relationship	:	Ms. Orasa and Mr. Sittichai are the related person of SE and KESSEL according to the criteria specified in the Notification of the Capital Market Supervisory Board No. Tor. Jor. 21/2551 Re: Rules on Connected transactions 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 Connected Transactions B.E. 2546 (2003) (" <b>Notification on Connected Transaction</b> ")

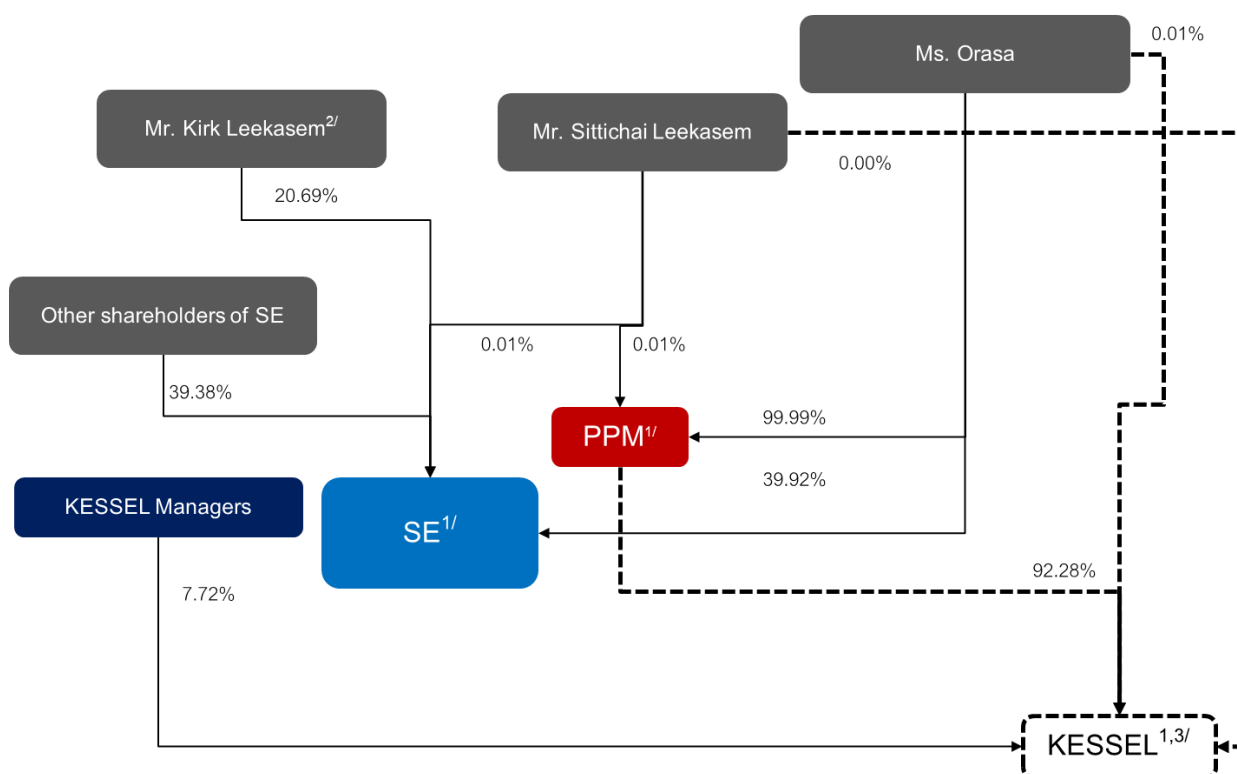
In order to reflect on the relationship between individuals and corporates in connection with the share purchasing of KESSEL, IFA has summarized the information in order to gain a greater understanding of the overall transaction as follows:

**Relationship Structure of the SE Shareholders**



Ms. Orasa, Mr. Sittichai and Mr. Kirk are the Company's directors whereby Ms. Orasa and Mr. Sittichai has the status of husband and wife with Mr. Kirk as their son, which according to Announcement of the Board of Governors of the Stock Exchange of Thailand: Disclosure of Information and Operations of Listed Companies on the Connected Transaction in 2003, Mr. Kirk and Ms. Orasa is considered a close relative according to the definition of such announcement. In this regard, Mr. Kirk is not a director or shareholder in KESSEL. However, according to the resolution of the Board of Directors No. 2/2021 dated March 6, 2021, the Board of Directors is in the opinion that Mr. Kirk is able to vote at the Annual General Meeting of Shareholders to consider entering into KESSEL share purchase transaction under the condition that Mr. Kirk is not under the influence or control of Ms. Orasa and Mr. Sittichai, which may cause dependency in voting to enter or not to enter into the transaction of purchasing KESSEL shares of the Company, which is in line with the Notification of the Stock Exchange of Thailand that the Company must obtained a resolution from the shareholders' meeting for approving to enter into a connected transaction, which requires a vote of not less than three-fourths of the total number of votes of the shareholders who attend the meeting and have the right to vote, without counting the shareholders with interests.

**Relationship Structure of the Shareholders before the Transaction**

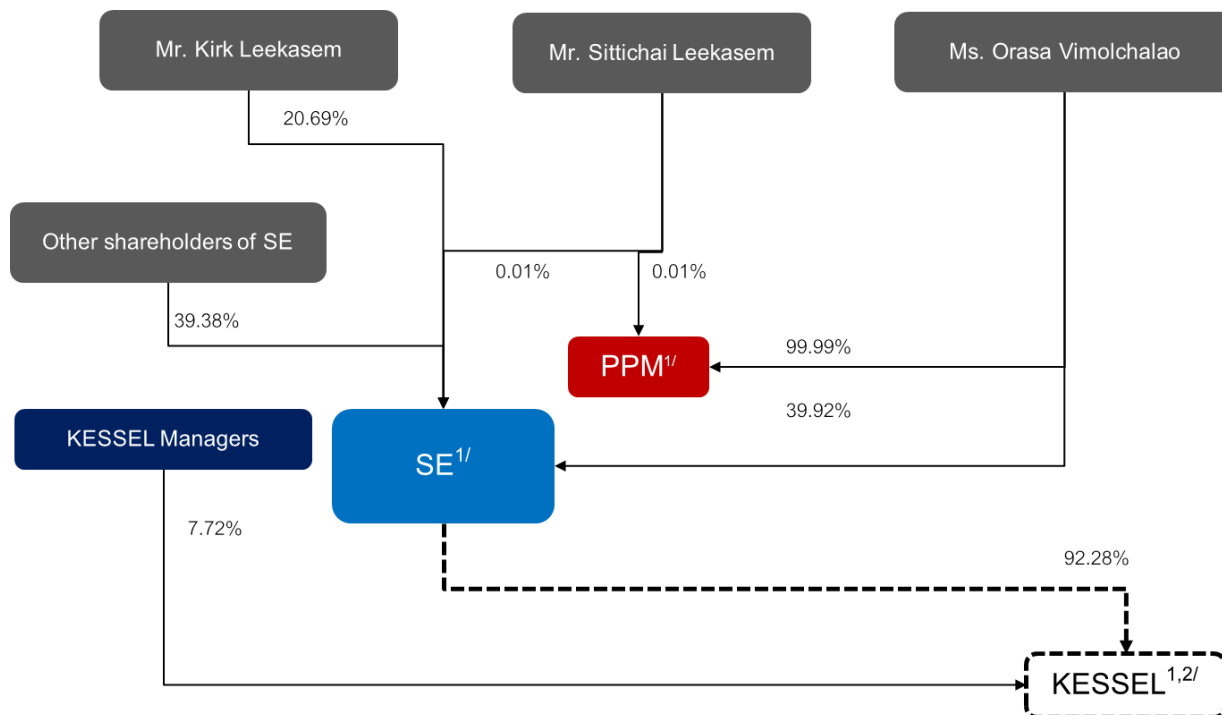


Remarks: 1/ Companies which Ms. Orasa and Mr. Sittichai are the directors

2/ Mr. Kirk is only a director of the Company.

3/ As of February 22, 2021, KESSEL has 3 directors: 1) Ms. Orasa, 2) Mr. Sittichai, and 3) Mr. Suwat.

#### Relationship Structure of the Shareholders after the Transaction



Remarks: 1/ Companies which Ms. Orasa and Mr. Sittichai are the directors

2/ Currently, the Company is considering candidate to appoint as directors of KESSEL.

## 2) Source of Funds for the Transaction

The source of funds for investing in KESSEL's ordinary shares of THB 260,000,000 came from 2 part as follows:

- 1) Cash from the Company's operations in the amount of THB 80,000,000
- 2) The capital increase of THB 180,000,000, which the Company expects to receive from the Allotment of the newly issued ordinary shares to the existing shareholders according to their shareholding proportion (Rights offering: RO), in accordance with the Board of Directors Meeting No. 2/2021 on March 6, 2021, that resolved to propose to the shareholders' meeting to consider offering 360,000,000 newly issued ordinary shares at par value of THB 0.50 per share to the existing shareholders of the Company, in the ratio of 2 existing shares per 3 new shares at the subscription price of THB 0.50 per share. The capital increase to existing shareholders in proportion to their current shareholding will not cause the shareholders to be affected by the voting rights (control dilution) if the shareholders increase the capital proportionally.

In addition, in the case that the Company's cash from operation and the capital increase from RO according to Clause 1) and 2) is not sufficient for the investment in KESSEL's shares amounting to THB 260.00 million, the Company will use additional loans from financial institutions as part of fund to pay for the KESSEL's shares.

However, after the approval of the transaction from the shareholders' meeting, SE has to pay a deposit to the Sellers of THB 80.00 million, which is an event that will occur before the capital increase of the Company, so the Company has not yet received cash from capital increase of THB 180.00 million. According to the financial statements ended December 31, 2020 SE had cash and cash equivalents of THB 68.11 million, therefore, IFA is in the opinion that SE may not have enough cash to pay the deposit. However, from reviewing the Company, the Company believes that when the deposit payment is due to the Sellers, the Company should have enough cash. By considering the Company's second quarter financial statements in the past 3 years (2018-2020), which is a similar period that KESSEL deposit payment is due, the Company had cash and cash equivalents between THB 80.30 - 124.25 million, indicating that during the said period the Company has cash from business operations of more than THB 80.00 million. In addition, in the year 2021, the Company has prepared to retain the Company's cash by paying dividends by shares to shareholders instead of cash dividends as in the past. The Company also has a short-term loan credit from financial institution of approximately THB 130.00 million, which should be sufficient for entering into the transaction and as cash flow in doing business.

### **3) Reliance on Major Shareholders in Conducting Business.**

According to KESSEL's financial statements, between 2018 - 2020, more than 90% of KESSEL's revenues come from Crane Resistoflex products (as detailed in Clause 3.8.2) as Crane Resistoflex products (whether they are products of Resistoflex or XOMOX) is one of the best-known products in the worldwide market. Resistoflex is the world's largest Plastic-Lined Pipe brand since 1953 or for more than 68 years. In addition, XOMOX brand products have been recognized in the industry since 1956. From reviewing the operating methods, merchandising guidelines and relationship management with the product owner, IFA found that most of the customers who order both products are large factories that have machines designed mainly for Crane Resistoflex products. At present, the Company has 4 salespersons. In maintaining the relationship or contact for assistance whether in technical or request for additional discounts, Mr. Suwat (holding 4.66% of shares and a director of KESSEL) is the main liaison contact with Crane Resistoflex.

IFA is in the opinion that Ms. Orasa, although she has played an important role in managing KESSEL and contributes in term of financial, but most of KESSEL's business operations tend to rely on Crane Resistoflex in terms of production technology, training and products.

### **4) This is an investment pursuant to the objectives and strategic plan for long-term growth of the Company**

In the midst of a rapidly changing environment, global economic slowdown and the COVID-19 outbreak has made the Company aware of the possibility of fierce competition in the future. Therefore, the main objective of entering into the KESSEL share purchase transaction is to enable the Company to have access to businesses that are in line with the existing business of the Company. The acquisition of KESSEL shares is in line with business expansion plans for the production and assembly of pipe products for distribution under various trademarks. This is a continuation of the Company's existing business, thus investing in KESSEL, which is a manufacturer, supplier, installer, and assembler of pipes in industrial plants under the trademarks XOMOX and Resistoflex. (KESSEL is the sole distributor under the XOMOX and Resistoflex brands in Thailand). XOMOX and Resistoflex are trademarks under the CRANE group, a brand that is trusted by users from all over the world. Both XOMOX or Resistoflex has been a well-known brand in the heavy industrial market for over 60 years, it offers a unique combination of chemical and

thermal resistance properties products that are unique from the product of SE. Therefore, the acquisition of KESSEL shares will be an extension of the project development business related to the Company's core business and able to reduce costs and increase revenue from related operations and increase the profit potential of the Company's business in the future.

**Reduction in costs:** Because KESSEL products (details figure in Clause 5.3.1.4) are similar to the Company's products, but with better properties, where KESSEL's piping and valves are able to withstand high temperatures. Therefore, the after-sales services of both the Company and KESSEL are similar, resulting in an opportunity for business cooperation by reducing service costs such as

- Opportunity to improve the redundant after-sales service teams of both the Company and KESSEL.
- Opportunities to improve redundant transportation systems for both the Company and KESSEL.
- Opportunity to improve the redundant engineering service center of both the Company and KESSEL.
- Reduce the cost of the sales team.

**Increasing revenue:** Because KESSEL products (detailed figure in Clause 5.3.1.4) are products that the Company's customers must use, but in a different area from the current use of the Company's products (or vice versa, KESSEL customers must also use the Company's products). Therefore, salespersons, whether belonging to the Company or KESSEL, who are already in contact with their customers, will be able to offer cross-sales, which will give both companies a greater opportunity to sell their products.

The acquisition of KESSEL shares should result in the Company reducing expenses and increase income from related operations and increase the profit potential of the Company's business in the future as well as help the Company to continue the business with a strong and more stable financial status, which will benefit the Company and all its shareholders.

**5) The Company will have additional liabilities from financial institutions for at least THB 50.00 million in the consolidated financial statements:**

After December 31, 2020, KESSEL has an increase of debt from financial institutions by THB 50.00 million, which is currently guaranteed by PPM (major shareholder of KESSEL). Therefore, after entering into the KESSEL share purchase transaction, the Company will be the guarantor of such liabilities instead and such liabilities will become a part of the consolidated financial statements of the Company. The debt from financial institutions of THB 50.00 million, KESSEL used to pay dividends of THB 38.03 million and used as working capital for business operation of THB 11.97 million. The loan is currently guaranteed by PPM (KESSEL's major shareholder), having an interest rate of 1.625% per annum and has no payback period. The loan from a financial institution to pay dividends is part of a business deal to acquire KESSEL shares between the Company with the Sellers after entering into the Transaction, the Company has to be the guarantor of such liabilities, which may cause the interest rate of the loan to change depending on the payment capability of the guarantor (SE).

The board of directors is in the opinion that the interim dividend payment of KESSEL before the Company enter into a purchase transaction of KESSEL shares as part of the agreement to enter into a purchase of KESSEL shares between the companies with the Sellers, KESSEL pays dividends to existing shareholders partially using from

the loan from financial institutions, which, in the end of the transaction, may result in the consolidated financial statements of the Company debt to equity ratio increase from 0.00 to 0.09 times. The change in the debt to equity ratio will not have a material effect on the Company's future financing opportunity.

IFA is in the opinion that KESSEL's loan is an integral part of the transaction conditions, which is considered part of the fair value valuation and the value that the Company entered into the Transaction at an appropriate value (the fair value already includes the existing debt burden of KESSEL). After entering the debt transaction by KESSEL, SE may have a reduced credit line with a financial institution, since SE must be a guarantor. However, when considering the increasing debt to equity ratio, IFA is in the opinion that this proportion is unlikely to materially affect the loan credit of the Company, since as of the date of issue of this report, SE has no loans from financial institutions.

As part of debt repayment, if KESSEL wants to repay the liability, regardless of the liability, KESSEL has to use the remaining cash from its operations for the settlement of the debt. In this regard, if considering the operating cash (Free cash flow to the firm: FCFF) under the financial assumptions of IFA in Clause 6.1.6, between 2022 - 2025 KESSEL will have FCFF remaining of THB 25.47 - 31.60 million, which if KESSEL wants to pay off the debt arising from dividend payment (THB 38.03 million), KESSEL will be able to repay the debt to financial institutions in a period of 1 - 1.5 years. However, when considering KESSEL's short-term loan ratio, it was found that it was reasonable to compared the current assets to current liabilities with proportion of 1.19 times (as of December 31, 2020, KESSEL has current assets of THB 76.94 million, which when compared to the ratio of current asset to current liabilities as of December 31, 2020, plus additional liabilities of THB 50.00 million). Theoretically, if current assets and current liabilities have similar proportion, it can be considered that the Company does not have a mismatch fund which corresponds to that proportion of KESSEL. Therefore, the worth of such loan depends on the financial management practices of each business. If current assets are significantly higher than current liabilities, it means that the entity does not have money management that is in line with the theory. Normally, the financial cost of the liability is less than the cost of the shareholders, therefore, the use of current assets from the shareholders' capital makes that entity more effective, having a higher financial cost than taking a loan from a financial institution.

#### **6) Risk from insufficient working capital:**

After the approval of the transaction from the shareholders' meeting, SE has to pay a deposit of THB 80.00 million to the Sellers, which is an event that will occur before the capital increase of the Company, so the Company will not receive cash from capital increase of THB 180.00 million. According to the financial statements ended December 31, 2020 SE had cash and cash equivalents of THB 68.11 million, therefore, IFA is in the opinion that SE may not have enough cash to pay the deposit. However, the Company believes that when the deposit payment is due to the Sellers, the Company should have enough cash. By considering the Company's second quarter financial statements in the past 3 years (2018-2020), which is a similar period that KESSEL deposit payment is due, the Company had cash and cash equivalents between THB 80.30 - 124.25 million, which should be sufficient. In addition, in the year 2021, the Company has prepared to retain the Company's cash by paying dividends by shares to shareholders instead of cash dividends as in the past. The Company also has a short-term loan credit from financial

institution of approximately THB 130.00 million, which should be sufficient for entering into the transaction and as cash flow in doing business.

■ **Appropriateness of the value to enter into the transaction of purchasing KESSEL**

The Independent Financial Advisor has assessed the value of KESSEL's shares in 6 different ways as follows:

(Unit: THB million)

Evaluation Method	Fair Value <sup>1/</sup>	Fair Value at 92.28 percent	Trading Price	Higher (Lower) than Trading Price	Higher (Lower) % than Trading Price
1) Book Value Approach	83.96	77.48	260.00	(182.52)	(70.20)
2) Adjusted Book Value Approach	38.04	35.11	260.00	(224.89)	(86.50)
3) Market Value Approach	N/A				
4) P/BV Approach	34.68 - 40.65	32.00 - 37.51	260.00	(228.00) - (222.49)	(87.69) - (85.57)
5) P/E Approach <sup>1/</sup>	318.18 - 433.57	293.61 - 400.10	260.00	33.61 - 140.10	12.93 - 53.88
6) Discounted Cash Flow Approach <sup>1/2/</sup>	430.72 - 470.26	397.47 - 433.96	260.00	137.47 - 173.96	52.87 - 66.91

Remarks: 1/ Approach that IFA has an opinion that is appropriate for the valuation

2/ KESSEL fair value calculated with WACC between 6.81% - 7.03%

IFA is in the opinion that the most appropriate fair value appraisal in this appraisal of KESSEL is: Price to Earnings Ratio Approach and Discounted Cash Flow Approach, which are popular methods that investors use to evaluate business value and can reflect profitability and cash flow in the future. The value of KESSEL is between THB 3,977.21 - 5,878.28 per share or a company value of THB 318.18 – 470.26 million, and when accounting for 92.28 percent of the total shares of KESSEL, the value is THB 293.61 – 433.96 million. Therefore, IFA is in the opinion that the value of the transaction that does not exceed THB 260.00 million to acquire shares of KESSEL at 92.28 percent is lower than the appropriate price range calculated by IFA.

■ **The appropriateness of the conditions of entering the transaction of purchasing KESSEL**

IFA is in the opinion that the conditions for the KESSEL share purchase transaction that the Company has presented to IFA is appropriate because it is a normal business condition that does not have any conditions that will cause the Company and the shareholders of the Company to lose benefits (details about the appropriateness of the transaction conditions in Section 6, Clause 6.2 of this report)

The opinion of IFA is based on the assumption that the information and documents received at the time of the due diligence and issuance of this report are accurate, truthful and complete. Therefore, when considering the reasonableness of the transaction along with the appropriateness of the price and conditions, IFA is in the opinion that the shareholders should approve the acquisition of assets and the connected transaction at this time. In considering the approval or disapproval of this transaction, the shareholders can consider information, rationale and opinions on various issues presented by IFA in this report.

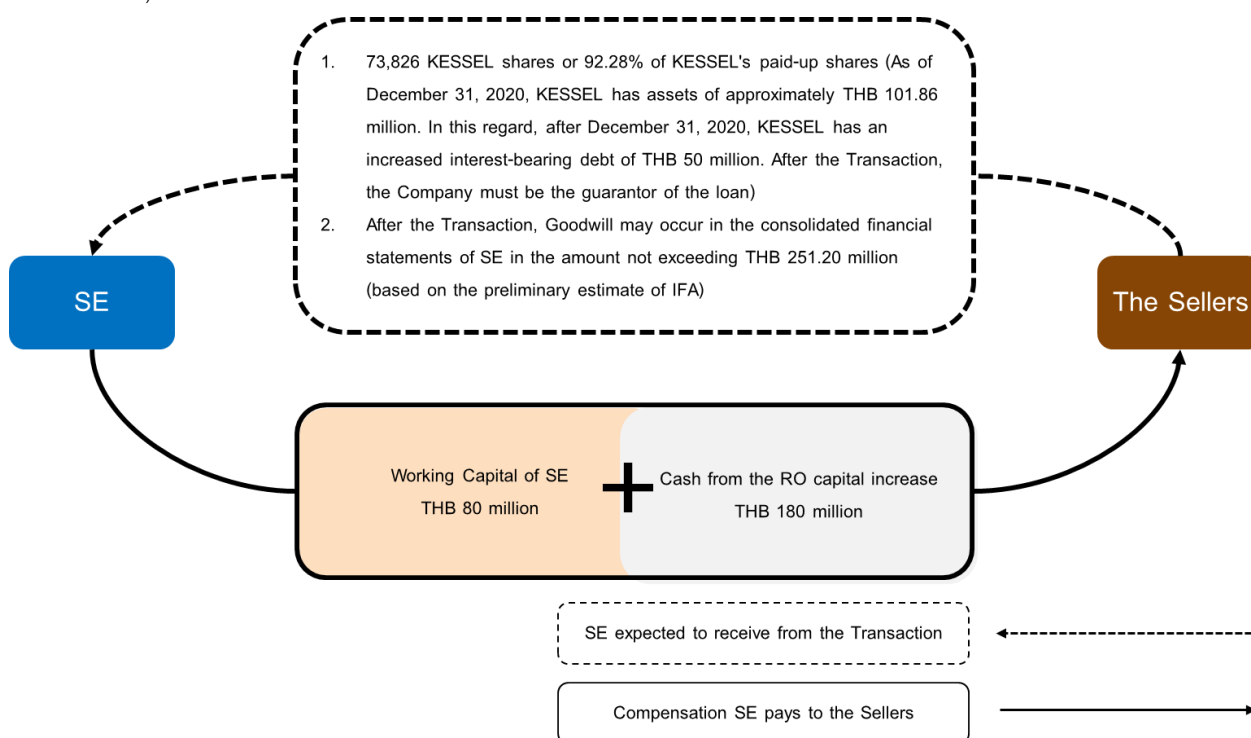


By entering into this transaction, there are still risks that shareholders should consider carefully as such risks that may affect the Company's future performance. In this regard, the decision to vote for approval to enter into the transaction is at the discretion of the Company's shareholders. The shareholders should study the information in the documents attached to the invitation of the Annual General Meeting of Shareholders No. 1/2021 in order to be used in consideration of making decisions and voting appropriately. Details of the opinion of the Independent Financial Advisor can be summarized as follows.

## 1. Characteristic and Details of the Acquisition of Assets and Connected Transaction

### 1.1. Objective and Background of the Transaction

According to the Board of Directors meeting of the Company No. 2/2021, which was held on March 6, 2021, a resolution was passed to propose to the shareholders' meeting to consider approving the acquisition of shares in KESSEL in the amount of 73,826 ordinary shares or representing 92.28 percent of all paid-up shares in KESSEL at the price of THB 3,521.79 per share, with the total value of THB 260.00 million, which came from (1) PPM 73,820 ordinary shares, (2) Ms. Orasa 5 ordinary shares, and (3) Mr. Sittichai 1 ordinary share (Collectively referred to as "the Sellers")



In entering into the Transaction, the Company has to pay a total of THB 260.00 million to the Sellers. The source of funds is from 1) internal working capital amounting to approximately THB 80 million 2) the money received from the capital increase of RO approximately THB 180 million. The compensation for the acquisition of this transaction consists of 1) 73,826 KESSEL shares or 92.28% of KESSEL's paid-up shares (As of December 31, 2020, KESSEL has assets of approximately THB 101.86 million. In this regard, after December 31, 2020, KESSEL has an increased interest-bearing debt of THB 50 million. KESSEL used THB 38.03 million from the loan to pay dividends and used THB 11.97 million as working capital for business operation. After the Transaction, the Company must be the guarantor of the loan) and 2) Goodwill may occur in the consolidated financial statements of SE in the amount not exceeding THB 251.20 million (based on the preliminary estimate of IFA, where SE has to hire an independent appraiser to assess KESSEL after entering the transaction)

The Transaction is part of the expansion plan for the production and assembly of pipe products for distribution under various trademarks, which is a continuing business from the former business of the Company (current business of the Company have risk from entry of new competitors and have growth limitation). Therefore, the Transaction to acquire KESSEL, which is a manufacturer, supplier, installer, and assembler of pipes in industrial plants under the trademarks XOMOX and Resistoflex. (KESSEL is the sole distributor under the XOMOX and

Resistoflex brands in Thailand, XOMOX and Resistoflex are trademarks under the CRANE group, a brand that is trusted by users from all over the world), where both brands have unique properties of chemical and thermal corrosion resistance that are distinguished from current SE products, therefore, the Transaction will be an expansion of the business, develop projects that are related to the Company's core business (boosting income). Since KESSEL is able to use SE's support and after-sales service team, the Transaction should help in reducing the Company's expenses, when compared with the increased income. As a result, the profitability of the Company's business will increase from KESSEL's higher gross margin and net profit margin compared SE. Entering into the Transaction will help the Company operates the business with stability and strong financial status that will benefit the Company and all its shareholders in the long term. In addition, such investments are in line with the Company's policy and also helps the Company eliminate the possibility of a long-term conflict of interest among major shareholders.

Business acquired from entering this transaction have a nature of business that complements the business of the Company. After completing the Transaction, the Company's revenue structure will be significant changed (details in Clause 5.2.1, Impact on Accounting), whereby the Company expects to have an increase in revenue of approximately 25% and a net profit of approximately 75%, which may have an increase in goodwill not exceeding THB 251.20 million (goodwill is estimated by IFA). However, the revenue structure will still come from the product procurement business related to industrial piping system.

The execution of such transaction is regarded as an acquisition of assets pursuant to the Notification of the Capital Market Supervisory Board No. Tor.Jor 20/2551 Re: Rules on Entering into Material Transactions Deemed as Acquisition or Disposal of Assets dated August 31, 2008 (as amended) 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 B.E. 2547 date October 29, 2004 (as amended) (the "Notifications on Acquisition or Disposal of Assets") which must be calculated according to various criteria and apply the maximum value calculated from one of the criteria. Based on the Company's financial statement for the period ended December 31, 2020, it is calculated that the highest transaction size is equal to 71.84 percent which is more than 50 percent but lower than 100 percent according to the criteria of net profit on operating. As such, this is regarded as a transaction size in type 1. Therefore, the Company is required to disclose the information memorandum on such transaction to the Stock Exchange of Thailand ("SET" or "Stock Exchange") and must have approval for such acquisition of assets from the shareholders' meeting with not less than three-fourths of all votes of the shareholders present at the meeting and is entitled to vote, excluding such votes of the shareholders with interests.

In this regard, since the Company and KESSEL have a common major shareholder and director which the common major shareholder is Ms. Orasa, who is the related person between SE and KESSEL according to the Notification on Connected Transactions, as Ms. Orasa is the major shareholder of SE, holding in an amount of 95,796,400 shares or representing 39.92 percent of all paid-up shares in the Company and also the major shareholder of PPM, holding in an amount of 149,998 shares or representing 99.99 percent of all paid-up share in PPM (PPM holds 92.28 percent of KESSEL shares). Additionally, Ms. Orasa also holds 5 shares of KESSEL or representing 0.01 percent of all paid-up share in KESSEL.

For the director of the Company and PPM, there are two joint directors which are Ms. Orasa and Mr. Sittichai.

No.	List	Position in SE <sup>1/</sup>	The proportion of holding a share in SE (%) <sup>1/</sup>	Position in PPM <sup>2/</sup>	The proportion of holding a share in PPM (%) <sup>2/</sup>	Position in KESSEL <sup>3/</sup>	The proportion of holding a share in KESSEL (%) <sup>3/</sup>
1	Ms. Orasa	Director	39.92	Director	99.99	Director	0.01
2	Mr. Sittichai	Director	0.01	Director	0.01	Director	0.00

Remarks: 1/ As of March 16, 2021  
2/ As of January 29, 2021  
3/ As of February 22, 2021

Therefore, such transaction is regarded as a connected transaction pursuant to the Notification of the Capital Market Supervisory Board No. Tor. Jor. 21/2551 Re: Rules on Connected transactions 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 Connected Transactions B.E. 2546 (“**Notification on Connected Transaction**”). The size of the transaction is equal to 71.14 percent of the Company’s net tangible assets (NTA) as calculated per the Company’s financial statements which had been reviewed by the auditor for the period ending December 31, 2020. By entering into the acquisition of assets, the Company has a duty to comply with the Public Limited Companies Act and the Notification on Connected Transaction, which requires the Company to comply with:

- 1) Preparing reports and disclose information on the acquisition of assets which is a connected transaction of the Company immediately to the SET with at least the information in accordance with the Notification on Connected Transaction.
- 2) Appointing an independent financial advisor to perform any relevant duties, including giving opinions as specified in the Notification on Connected Transaction. The opinion of IFA must be delivered to the shareholders for consideration, along with an invitation to the AGM. In this regard, the Company has appointed Discover, a financial advisor approved by the SEC, to be an independent financial advisor to give opinions to shareholders on the transaction to acquire assets which is a connected transaction.
- 3) Arranging for the AGM of the Company to approve the acquisition of assets, which is a connected transaction, where the invitation letter of the AGM is delivered to the shareholders at least fourteen days in advance of the AGM date and must be approved by the AGM with a vote of not less than three-fourths of the total number of votes of the shareholders who attend the meeting and have the right to vote without counting the shareholders with interests.

## 1.2. Date of Transaction

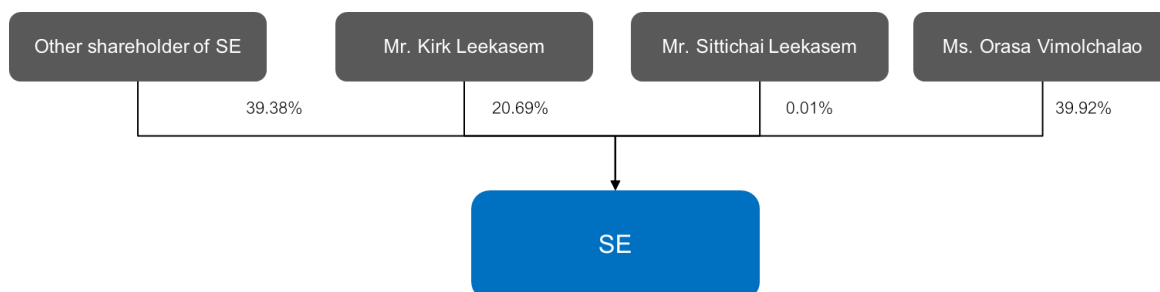
Such transaction will occur within 3 months after obtained approval of the acquisition of assets and connected transaction from the Shareholder’s meeting for year 2021 which shall be held on April 29, 2021.

### 1.3. Parties Involved and Relationship with the Company

The Buyer	:	Siameast Solution Public Company Limited
The Sellers	:	PPM Engineering Company Limited Ms. Orasa Vimolchalao Mr. Sittichai Leekasem
Relationship	:	Ms. Orasa and Mr. Sittichai are the related person of SE and KESSEL according to the criteria specified in the Notification of the Capital Market Supervisory Board No. Tor. Jor. 21/2551 Re: Rules on Connected transactions 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 Connected Transactions B.E. 2546 (2003) (“ <b>Notification on Connected Transaction</b> ”)

In order to reflect on the relationship between individuals and corporates in connection with the share purchasing of KESSEL, IFA has summarized the information in order to gain a greater understanding of the overall transaction as follows:

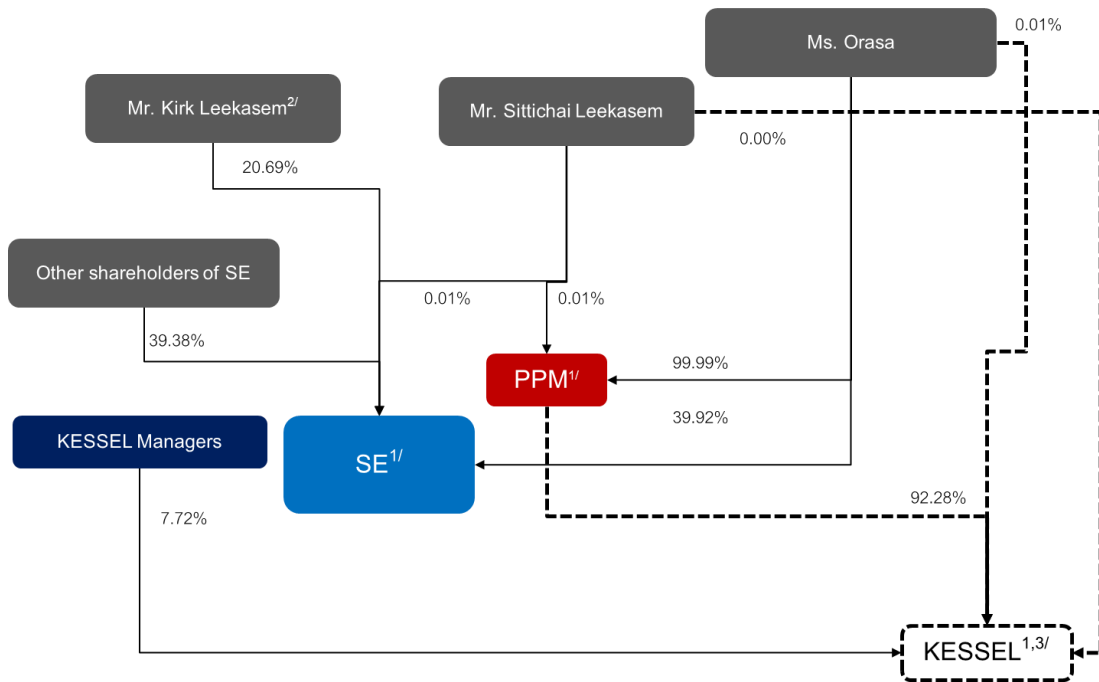
#### Relationship Structure of the SE Shareholders



Ms. Orasa, Mr. Sittichai and Mr. Kirk are the Company's directors whereby Ms. Orasa and Mr. Sittichai has the status of husband and wife with Mr. Kirk as their son, which according to Announcement of the Board of Governors of the Stock Exchange of Thailand: Disclosure of Information and Operations of Listed Companies on the Connected Transaction in 2003, Mr. Kirk and Ms. Orasa is considered a close relative according to the definition of such announcement. In this regard, Mr. Kirk is not a director or shareholder in KESSEL. However, according to the resolution of the Board of Directors No. 2/2021 dated March 6, 2021, the Board of Directors is in the opinion that Mr. Kirk is able to vote at the Annual General Meeting of Shareholders to consider entering into KESSEL share purchase transaction under the condition that Mr. Kirk is not under the influence or control of Ms. Orasa and Mr. Sittichai, which may cause dependency in voting to enter or not to enter into the transaction of purchasing KESSEL shares of the Company, which is in line with the Notification of the Stock Exchange of Thailand that the Company must obtained a resolution from the shareholders' meeting for approving to enter into a connected transaction, which requires a vote

of not less than three-fourths of the total number of votes of the shareholders who attend the meeting and have the right to vote, without counting the shareholders with interests.

**Relationship Structure of the Shareholders before the Transaction**

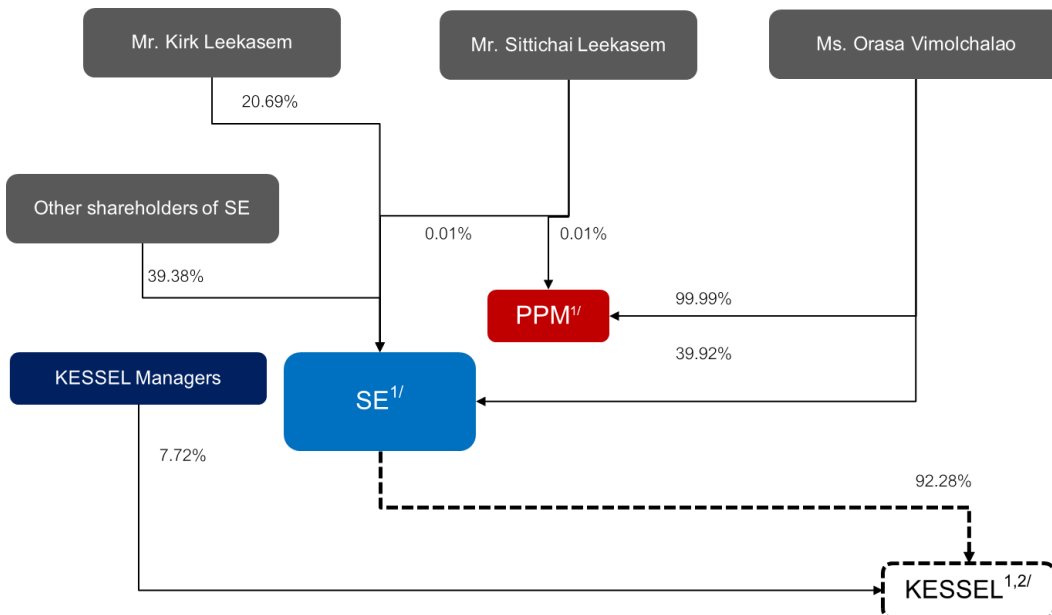


Remarks: 1/ Companies which Ms. Orasa and Mr. Sittichai are the directors

2/ Mr. Kirk is only a director of the Company.

3/ As of February 22, 2021, KESSEL has 3 directors: 1) Ms. Orasa, 2) Mr. Sittichai, and 3) Mr. Suwat.

**Relationship Structure of the Shareholders after the Transaction**



Remarks: 1/ Companies which Ms. Orasa and Mr. Sittichai are the directors

2/ Currently, the Company is considering candidate to appoint as directors of KESSEL.

#### 1.4. Type and Size of the Transaction

The Company wishes to acquire the share in KESSEL in the amount of 73,826 shares or representing 92.28 percent of all paid-up share in KESSEL at the price of THB 3,521.79 per share, the total value of THB 260.00 million, paying by cash.

##### 1.4.1. Acquisition of Asset

Such transaction is regarded as an acquisition of assets pursuant to the Notifications on Acquisition or Disposal of Assets, which must be calculated according to various prescribed criteria and apply the maximum value calculated from one of the criteria. Based on the Company's financial statement for the period ended December 31, 2020, it is shown that the highest transaction value is equal to 71.84 percent, which is more than 50 percent but lower than 100 percent, according to the criteria of net profit on operating. As such, this is regarded as a transaction size in type 1. Therefore, the Company is required to disclose the information memorandum on such transaction to the SET and must have approval for such acquisition of assets from the shareholders' meeting with not less than three-fourths of all votes of the shareholders present at the meeting and entitled to vote, excluding such votes of the shareholders with interests.

The calculation of the transaction size of the acquisition of assets has details as follow:

- Financial Statement of the Company (for the period ended December 31, 2020)

Details	(Unit: THB Million)
Total Assets (1)	477.64
Intangible Assets (2)	-
Total Liabilities (3)	112.18
Total shareholder equity who has no controlling authority (4)	-
Net tangible Assets (NTA = (1) – (2) – (3) – (4))	365.45
Net profits in part of the major shareholder (4 latest quarter) <sup>1/</sup>	40.58

Remark: 1/ Calculated from the Company's financial statement between January 1, 2020 – December 31, 2020.

- Financial Statement of KESSEL (for the period ended December 31, 2020)

Details	(Unit: THB Million)
Total Assets (1)	101.86
Intangible Assets (2)	-
Total Liabilities (3)	17.90
Total equity non-controlling shareholder (4)	-
Net tangible Assets (NTA = (1) – (2) – (3) – (4))	83.96
Net profit in part of the major shareholder (4 latest quarter) <sup>1/</sup>	31.59

Remark: 1/ calculated from KESSEL's financial statement between January 1, 2020 – December 31, 2020.

- Consideration of entering the Transaction

In this transaction, SE must pay in the amount of THB 260.00 million for the consideration of share in the amount of 73,826 shares or representing 92.28 percent of all paid-up shares in KESSEL to the Sellers.

- Calculation of the transaction size based on the comparison calculation criteria.

Criteria	Calculation (THB Million)	Size (%)
1. Net Tangible Assets (NTA)	NTA of assets to be acquired (83.96) <sup>1/</sup> x Shareholding Proportion (92.28%) x 100 /NTA of SE (365.45) <sup>1/</sup>	21.20
2. Net profits from the operation (4 latest quarter)	Net profits from the operation of assets to be acquired (31.59) <sup>1/</sup> x Shareholding Proportion (92.28%) x 100 / Net profits of SE (40.58) <sup>1/</sup>	71.84
3. Total Value of Consideration Paid	Total consideration paid (260.00) / Total assets of SE (477.64) <sup>1/</sup>	54.43
4. Value of Shares Issued for Payment	No new issued share	No new issued share

Remark: 1/ calculated from the KESSEL's financial statement between January 1, 2020 – December 31, 2020.

The Company does not have any other asset acquisition transactions that occurred in the past six months prior to the date of entering into this transaction that has not yet been approved by the shareholders' meeting, resulting in the transaction size of 71.84 percent when calculated with the financial statements of the Company, audited by certified public accountant ended December 31, 2020.

#### 1.4.2. Connected Transaction

As the Company and KESSEL have common major shareholders, which are Ms. Orasa and Mr. Sittichai, therefore, the transaction is regarded as a connected transaction pursuant to the Notification on Connected Transaction. In this regard, there is no connected transaction of the Company over the past six months prior to the approval by the shareholders' meeting. Therefore, the total transaction size is equal 71.14 percent of the Net Tangible assets (NTA) of the Company as calculated per the Company's financial statements which had been reviewed by the auditor for the period ending December 31, 2020, which is considered a significant amount of transaction, where the transaction size is more than THB 20 million and more than 3.00 percent of the Company's Net Tangible Asset (NTA).

Criteria	Calculation (THB Million)	Size (%)
Value of Assets	The total value of the consideration (260.00) /NTA of SE (365.45) <sup>1/</sup>	71.14

Remark: 1/ calculated from the Company's financial statement since January 1, 2020 – December 31, 2020.

Therefore, the Company is required to comply with the Public Limited Companies Act and the Notification on Connected Transactions, which required the Company to comply with:



- 1) Preparing reports and disclose information on the acquisition of assets which is a connected transaction of the Company immediately to the SET with at least the information in accordance with the Notification on Connected Transaction.
- 2) Appointing an independent financial advisor to perform any relevant duties, including giving opinions as specified in the Notification on Connected Transaction. The opinion of IFA must be delivered to the shareholders for consideration, along with an invitation to the AGM. In this regard, the Company has appointed Discover, a financial advisor approved by the SEC, to be an independent financial advisor to give opinions to shareholders on the transaction to acquire assets which is a connected transaction.
- 3) Arranging for the AGM of the Company to approve the acquisition of assets, which is a connected transaction, where the invitation letter of the AGM is delivered to the shareholders at least fourteen days in advance of the AGM date and must be approved by the AGM with a vote of not less than three-fourths of the total number of votes of the shareholders who attend the meeting and have the right to vote without counting the shareholders with interests.

#### **1.5. Total Value of Considerations and the Criteria Used to Determine the Value**

To determine the value of consideration for the purchase of 92.28 percent of KESSEL's ordinary shares, the Company compares the price with the fair value received, which is KESSEL's ordinary shares in the proportion of 92.28 percent of the total number of shares in KESSEL.

The criteria used to determine the fair value of 92.28 percent of KESSEL's ordinary shares from all KESSEL's shares will be evaluated by reference to the Discounted Cash Flow Approach. Since KESSEL operates a business of distribution, assembly, import, installation of pipes, pipe lining, valves or other equipment that is relevant to industrial plants in Thailand, thus, the Company viewed that the Discounted Cash Flow Approach is a method that can reflect KESSEL's ability to generate cash flow and can reflect the true value of KESSEL's shares. The fair value of KESSEL's ordinary shares on information as on December 30, 2020 with 92.28 percent of the total shares of KESSEL are estimated to range between THB 635.96 to 701.03 million, where the transaction price is lower than the value that the Company has evaluated, thus, this transaction would benefit the shareholders.

#### **1.6. Source of Funds for the Transaction**

The source of funds for investing in KESSEL's ordinary shares of THB 260,000,000 is as follows:

- 1) Cash from the Company's operations in the amount of THB 80,000,000
- 2) The capital increase of THB 180,000,000, which the Company expects to receive from the Allotment of the newly issued ordinary shares to the existing shareholders according to their shareholding proportion (Rights offering: RO), in accordance with the Board of Directors Meeting No. 2/2021 on March 6, 2021, that resolved to propose to the shareholders' meeting to consider offering 360,000,000 newly issued ordinary shares at par value of THB 0.50 per share to the existing shareholders of the Company, in the ratio of 2 existing shares per 3 new shares at the subscription price of THB 0.50 per share. The capital increase to existing shareholders in proportion to their

current shareholding will not cause the shareholders to be affected by the voting rights (control dilution) if the shareholders increase the capital proportionally.

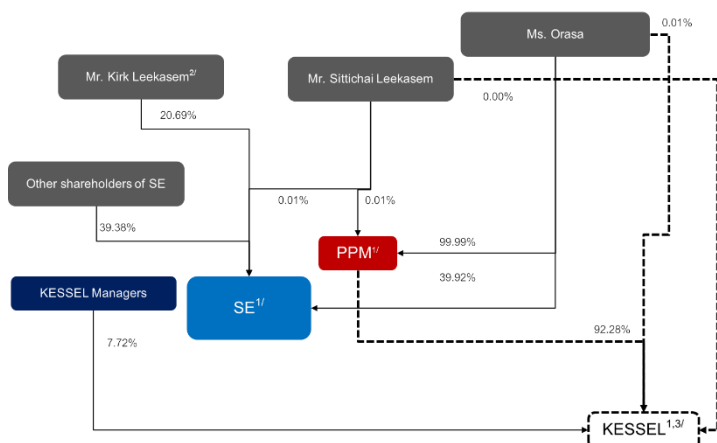
In addition, in the case that the Company's cash from operation and the capital increase from RO according to Clause 1) and 2) is not sufficient for the investment in KESSEL's shares amounting to THB 260.00 million, the Company will use additional loans from financial institutions as part of fund to pay for the KESSEL's shares.

However, after the approval of the transaction from the shareholders' meeting, SE has to pay a deposit to the Sellers of THB 80.00 million, which is an event that will occur before the capital increase of the Company, so the Company has not yet received cash from capital increase of THB 180.00 million. According to the financial statements ended December 31, 2020 SE had cash and cash equivalents of THB 68.11 million, therefore, IFA is in the opinion that SE may not have enough cash to pay the deposit. However, from reviewing the Company, the Company believes that when the deposit payment is due to the Sellers, the Company should have enough cash. By considering the Company's second quarter financial statements in the past 3 years (2018-2020), which is a similar period that KESSEL deposit payment is due, the Company had cash and cash equivalents between THB 80.30 - 124.25 million, indicating that during the said period the Company has cash from business operations of more than THB 80.00 million. In addition, in the year 2021, the Company has prepared to retain the Company's cash by paying dividends by shares to shareholders instead of cash dividends as in the past. The Company also has a short-term loan credit from financial institution of approximately THB 130.00 million, which should be sufficient for entering into the transaction and as cash flow in doing business.

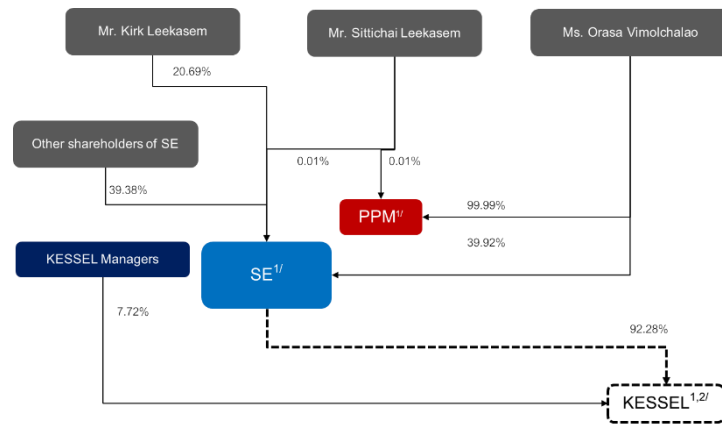
**1.7. Conditions Related to the Transaction**

From entering this transaction, which is an asset acquisition of a listed company, according to the Notifications on Acquisition or Disposal of Assets that is considered as a connected transaction according to the Notification on Connected Transaction, thus, the Company has to be approved on the acquisition of assets and the connected transaction from the shareholders' meeting by receiving a vote of not less than three-fourth of the total number of votes of the shareholders attending the meeting and have the right to vote, excluding the shareholders with the conflicts of interest, and prepare a report on the disclosure of information of such transactions. In this regard, IFA have summarized the Company structure before and after the transaction of acquiring KESSEL shares as follows:

The Company structure before the Transaction



The Company structure after the Transaction



Remarks: 1/ Companies which Ms. Orasa and Mr. Sittichai are the directors

2/ Mr. Kirk is only a director of the Company.

3/ As of February 22, 2021, KESSEL has 3 directors: 1) Ms. Orasa, 2) Mr. Sittichai, and 3) Mr.

Suwat.

### 1.8. KESSEL Share Purchase Agreement Draft between the Sellers and the Company

As of the date that IFA submits this report, KESSEL's share purchase agreement has not been completed. However, from interviews with the Company's management, the completed KESSEL's share purchase agreement is expected to have no significant change, and IFA would like to summarize the KESSEL's share purchase agreement draft as follows:

No.	Topic	Details
1.	Parties Involved	<ol style="list-style-type: none"> <li>PPM Engineering Company Limited, Ms. Orasa and Mr. Sittichai (the Sellers)</li> <li>Siameast Solution Public Company Limited (the Buyer)</li> </ol>
2.	Details of Trading Shares	<p>KESSEL shares: Currently, KESSEL has a paid-up capital of THB 8,000,000, divided into 80,000 ordinary shares with a par value of THB 100.00 per share, with the Sellers holding 73,826 of KESSEL's ordinary shares, accounting for 92.285 percent of the total issued and sold shares of KESSEL ("Trading Shares") which the Sellers intend to sell all Trading Shares to the Buyer, and the Buyer intends to purchase all Trading Shares from the Sellers.</p>
3.	Trading the Trading Shares	<ol style="list-style-type: none"> <li>Under the terms and conditions of this contract, the Sellers agree to sell the Trading Shares, including all rights in the Trading Shares to the Buyer (and / or the person designated by the Buyer) without liability and the Buyer agrees to buy the Trading Shares, where the Buyer has the right to assign any person (whether single or multiple) to be receive the Trading Shares in his/her stead.</li> <li>The Sellers guarantee to the Buyer that they have the right to sell shares and transfer ownership and benefits according to the law on the Trading Shares to the Buyer (and / or the person designated by the Buyer) in accordance with the terms and conditions specified in this agreement.</li> <li>The Buyer (and / or a person designated by the Buyer) purchases the Trading Shares from the Sellers by believing in the assurance of the Sellers as stipulated in this agreement.</li> <li>Trading of the Trading Shares will take place simultaneously in whole amount on the transfer date. If the trading of the Trading Shares cannot occur at the same time as the whole amount on the share transfer date, the Buyer has the right to refuse to trade the Trading Shares for any reason.</li> </ol>
4.	Precedent Conditions	<p>The acquisition of the Trading Shares by the Buyer is subject to the following conditions precedent:</p> <ol style="list-style-type: none"> <li>The Company receives a resignation letter from the director, unless otherwise specified by the Buyer.</li> <li>Arrange for KESSEL to call an extraordinary general meeting of shareholders to consider and approve the revocation of the old articles of association of the company requiring the Civil and Commercial Code on Limited Companies, by approving the adoption of the new regulations protecting the voting rights of the general meeting of shareholders. There must be a requirement for the general meeting to have shareholders attending the meeting in place of not less than 49 percent of the total shares to constitute a quorum. Voting in the ordinary meeting shall be a secret vote, whereby each shareholder has one vote for each share held.</li> <li>Proceeds for the financial institution to have a letter of consent to change the guarantor in all types of debt obligations that the company has to the financial institution before on the date of this agreement, by giving a letter of consent to allow the company to change the original guarantor from PPM to the Buyer.</li> </ol>

No.	Topic	Details
		<p>4. The Buyer receives a resolution from the board of directors meeting and the shareholders' meeting of the Company which approves the purchase of the Trading Shares from the Sellers under this agreement.</p> <p>5. Each party receives all necessary approvals and consents required for the sale of the Trading Shares in this agreement from a government agency, regulators and all parties involved.<sup>1/</sup></p> <p>6. From the date of this agreement until the date of share transfer, the Seller must conduct business as usual and does not cause more expenses than what is agreed upon.</p> <p>7. The Sellers has not breached any obligations or duty of the Sellers under this agreement.</p> <p>8. The Buyer has completed a full due diligence investigation and the results of such due diligence were satisfactory to the Buyer, and there were no issues that could have a material adverse effect on the asset status, operations, financial position and business opportunities of KESSEL.</p> <p>9. KESSEL is required for the MCC Holdings Inc. or Crane Resistoflex to provide written consent for the transfer of shares between the Sellers and the Buyer in accordance with the Technology and Manufacturing Agreement dated February 13, 2017. The condition is that MCC Holdings Inc. or Crane Resistoflex will not exercise its right to terminate the said agreement due to a change in the shareholding structure under this Share Purchase Agreement.</p> <p>10. The purchase price has been set according to the guidelines stipulated in this contract.</p>
5.	Trading Price of the Trading Shares	Both parties agreed that the purchase price of the Trading Shares under this agreement which have a value of THB 3,521.79 per share, or a total trading price of THB 260,000,000 ("Trading Price"), where both parties have determined the Trading Price based on the fair market value by considering income generating assets and KESSEL's land received from the preliminary negotiation of the parties, as well as the information appeared in the consolidated financial statements ended 31 December 2020 which have been reviewed by KESSEL's auditor.
6.	Non-competition and prohibition of solicitation	<p>1. From the date of share transfer until the expiration of one year from when the Sellers, which is Ms. Orasa and Mr. Sittichai, retires from being a major shareholder who has control over the Buyer's business, the Sellers is prohibited from operating a business or business in the same manner or similar to that of the Company except in cases where the Sellers buy shares and / or invest in other juristic persons in a manner that wishes to receive a return on the purchase of such shares and / or investments without management power, either directly or indirectly unless written consent from the Buyer.</p> <p>2. From the date of that the Sellers, which is Ms. Orasa and Mr. Sittichai, including all sellers and related persons sell shares in the Buyer's company, whether in whole or in part, causing such persons to have no control over the Buyer's business until the expiration of one year from such date, the Sellers and related parties will not induce / persuade or trying to induce / persuade, including directly or indirectly, for those related to the Sellers to terminate the technology and manufacturing agreement with MCC Holdings Inc. or Crane Resistoflex or any company.</p>
7.	Execution and non-execution agreements	From the date of this agreement until the date of share transfer, the Sellers guarantees to the Buyer that the Sellers will not negotiate, offer for sale or sale and / or enter into any contract or memorandum with any other person for the sale, disposal, transfer of shares and / or pledge, granting any right to sell or perform any other disposal, whether directly or indirectly and whether in whole or in part, which the Trading Shares or agreed to enter into a transaction that would result in any of the aforementioned results, including strictly follow the requirements in Attachment 6 (Pre-Acquisition of Shares).

No.	Topic	Details
8.	Payment Condition	Payment of a deposit of THB 80.00 million on the date of the share purchase agreement and pay the rest on the transfer date (under the condition that KESSEL must fully comply with the conditions precedent)
9.	Indemnification	The Sellers agrees to protect the Buyer from being damaged as well as compensate the Buyer for any damages incurred by the Company and / or buyer as a result of (1) breach of any contract, condition or warranty of the Sellers as set out in this Agreement and (2) any matter or event specified in the contract resulting from acts of non-acts, sponsorship, or involvement in violation of the law, not obeying the law or not following the law, breach of any contract or agreement of the Company, whether intentionally or through the negligence that occurred before and / or on the transfer date. However, regardless of whether the subject or such events will proceed or exist later after the share transfer date or there will be a claim or dispute after the share transfer date
10.	Governing law	This contract shall be subject to the laws of Thailand.

Remarks: 1/ From an inquiry to P&P clarified that all directors of KESSEL have to resign from the Board of Directors.

2/ Related contracts refers to any other agreement entered into by KESSEL with all counterparties.

3/ The Board of Directors does not think that KESSEL has significant reliance on Ms. Orasa, but KESSEL relies on CRANE in terms of products and technology. However, the contract must be concise and beneficial to the Company, whether the Company would use that benefit or not, it is the duty of the Board of Directors, especially, the Audit Committee should act if such transaction is a connected transaction.

## 2. Details of the Sellers (PPM, Ms. Orasa Vimolchalao and Mr. Sittichai Leekasem)

### 2.1. PPM Engineering Company Limited

#### 2.1.1. General Information

Company Name	:	PPM Engineering Company Limited ("PPM")
Headquarter Location	:	316, 316/1, Soi Ban Lat Dao, Sanphawut Road, Bangna Nuea Subdistrict, Bangna District, Bangkok
Telephone	:	062-180-5111
Type of Business	:	Providing real estate rental services for working office and residence.
Registered Number	:	0105532006198
Website	:	<a href="https://www.ppmospace.com/">https://www.ppmospace.com/</a>
E-mail	:	admin@ppmospace.com
Registered Capital	:	THB 15,000,000.00
Paid-up Capital	:	THB 15,000,000.00
Paid-up Share	:	150,000 shares

#### 2.1.2. Business Characteristic

PPM operates a service apartment building, receiving rents from residents, mostly on a monthly basis. There are 57 rooms in total, divided into Deluxe and Studio room types.

#### 2.1.3. Shareholders

PPM Engineering Company Limited has a registered capital of THB 15,000,000.00 divided into 150,000 shares with a par value of THB 100.00.

Group of shareholders holding shares as of January 31, 2021.

No.	Major shareholders	Number of shares	Percentage
1	Ms. Orasa Vimolchalao	149,998	100.00%
2	Mr. Sittichai Leekasem	1	0.00%
3	Mr. Seri Leekasem	1	0.00%
	Total	150,000	100.00%

#### 2.1.4. Board of Director

List of the Board of Directors of PPM as of January 29, 2021.

Name	Position
1. Ms. Orasa Vimolchalao	Director
2. Mr. Sittichai Leekasem	Director

#### 2.1.5. Relationships with connected persons

*Please consider Clause 1.3. Parties involved and relationship with the Company.*

**2.2. Ms. Orasa Vimolchalao**

Age	67 years
Number of shares held in SE	95,796,400 shares or equivalent to 39.92% of the issued and paid-up shares of SE
Number of shares held in PPM	149,998 shares or equivalent to 100.00% of the issued and paid-up shares of PPM
Educational qualifications	Master of Business Administration, National Institute of Development Administration Bachelor of Engineering (Mechanical), Khon Kaen University
Work experience	Holding a position in a listed company on the SET 2016 - present Director / Chairman of Executive Committee / Chief Executive Officer / Chairman Risk Management Committee Siameast Solution Public Company Limited Positions in other companies / businesses 2016 - present Director V-Care Global Health Company Limited 2004 - present Director Vimolchalao Company Limited 2004 - present Director / Managing Director Siamraj Travel Co., Ltd. 2001 - present Director Utility Business Alliance Company Limited 1994 - present Director / Managing Director Kessel (Thailand) Co., Ltd. 1989 - present Director / Managing Director PPM Engineering Company Limited 1993 - 2016 Director / Chairman of Executive Committee / Chief Executive Officer Siam Ratchathani (Eastern) Co., Ltd.
Family relationship	Spouse of Mr. Sittichai Leekasem Mother of Mr. Kirk Leekasem

**2.3. Mr. Sittichai Leekasem**

Age	60 years
Number of shares held in SE	34,700 shares or equivalent to 0.01% of the issued and paid-up shares of SE
Number of shares held in PPM	1 shares or equivalent to 0.00% of the issued and paid-up shares of PPM
Educational qualifications	Bachelor of Engineering (Electrical), Khon Kaen University
Work experience	Holding a position in a listed company on the SET 2016 - present Director / Managing Director Siameast Solution Public Company Limited Positions in other companies / businesses 2016 - present Director V-Care Global Health Company Limited 2004 - present Director

		Siamraj Travel Co., Ltd.
	1994 - present	Director
		Kessel (Thailand) Co., Ltd.
	1989 - present	Director
		PPM Engineering Company Limited
	1993 - 2016	Director / Managing Director
		Siam Ratchathani (Eastern) Co., Ltd.
Family relationship	Spouse of Ms. Orasa Vimolchalao	
	Father of Mr. Kirk Leekasem	

*Shareholders can consider additional information of the Sellers in Attachment 1.*



### 3. Details of the Asset to be Acquired (KESSEL)

#### 3.1. General Information

Company Name	:	Kessel (Thailand) Company Limited (“KESSEL”)
Headquarter Location	:	128/240, Moo 1, Bang Sao Thong, Bang Sao Thong Samut Prakan 10570
Telephone	:	02-706-4414
Type of Business	:	An importer of pipe, valves and other product parts that is related to the piping system (under the trademark of Resistoflex, XOMOX, and other trademarks under CRANE) for assembly, production and distribution to the customers that are heavy industry, such as petrochemical factory, chemical factory or plastic factory.
Registered Number	:	0105537016078
Website	:	<a href="http://www.kessel.co.th/">http://www.kessel.co.th/</a>
Registered Capital	:	THB 8,000,000.00
Paid-up Capital	:	THB 8,000,000.00
Paid-up Share	:	80,000 shares

#### 3.2. Company Business Information

##### 3.2.1. History

KESSEL is established in 1994, by a joint venture between Kessel (Singapore) Pte (“KS”) Engineering Product Company Limited (“EP”) to operate the business of production, serving and distributing pipes, valves or other equipment relating to the pipe system for industrial plants in Thailand.

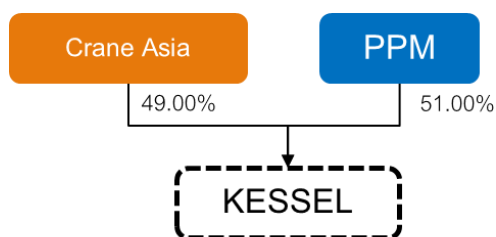
In 1996, Crane Asia Pacific Pte Ltd. (“Crane Asia”) acquired KS, thus making Crane Asia and EP the main shareholder of KESSEL. In this regard, the acquisition by Crane Asia enables KESSEL to hold the right to be an affiliate distributor of CRANE, which is the parent company of Crane Asia and a listed company on the New York Stock Exchange (“NYSE”).

In 2003, PPM, with Ms. Orasa as a major shareholder, has acquired KESSEL from EP for 51.00 percent of KESSEL's paid-up capital.

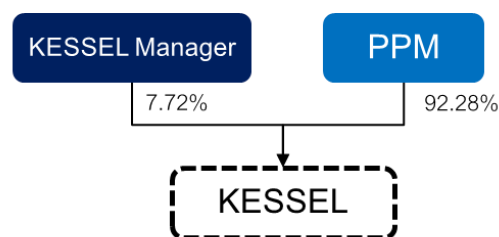
In 2006, KESSEL became the distributor of valves with the purchase trademark XOMOX and in 2008, KESSEL opened a new office in Rayong province to expand and promote the trade in a wider area.

In 2017, in order to improve KESSEL's business operation flexibility and efficiency, a major shareholder change was made, where PPM purchased KESSEL's shares in Crane Asia (49.00 percent). After trading of the shares, Crane Asia and KESSEL agree to enter into a Technology and Manufacturing Agreement with Crane Resistoflex, MCC Holdings, with the main condition that KESSEL will be the only knowledge transfer and right in Thailand for the distribution of Plastic Liners under the Crane Resistoflex trademark from Crane Resistoflex, MCC Holdings, but KESSEL is required to pay royalty fees to Crane Resistoflex, MCC Holdings.

Shareholding Structure of KESSEL  
before December 17, 2017

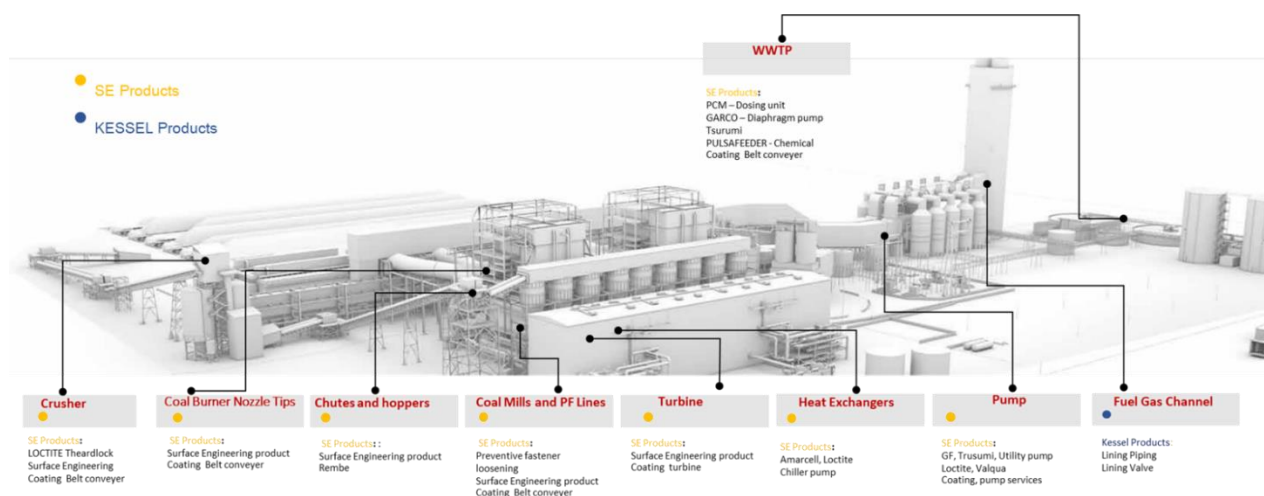


Shareholding Structure of KESSEL  
as of February 22, 2021



However, after PPM has received the 49.00 percent transfer share of KESSEL from Crane Asia, in order to operate the business of KESSEL efficiently and as an incentive to the former management of KESSEL, PPM sells its shares, in total of 7.72 percent of KESSEL's total shares to KESSEL's key management personnel on March 15, 2018, which includes Mr. Suwat Mahitiharn, Ms. Siwanid Thawinchai and Ms. Thanyatorn Pinitpornmontri in the proportion of 4.76, 1.95 and 1.00 percent of all shares of KESSEL, respectively, with a condition that the shares are prohibited from selling to other persons and must be sold back to PPM only. After the sale of shares between the Sellers and Buyer, the employee share resale rights to PPM will be transferred to SE.

3.2.2. Conflict of interest between the major shareholders of SE and KESSEL



From the product description picture (details of KESSEL products is shown in Clause 5.3.1.4), although SE and KESSEL have some of the same customer group because both SE and KESSEL customer groups are large industrial factories (businesses involving machines in large factories generally have some of the same customers group), SE and KESSEL products are considered to be different products because the products of both companies are used in different section of the factory. Example 1 from a coal-fired power plant, it is clarified that SE products are in different parts of the plant, except for the Fuel Gas Channel, which is a part that requires materials that are resistant to high heat (which is KESSEL products). From a reviewed by IFA of both SE and KESSEL, it is found that the two companies did not use personnel to work together, no connected loan transaction and no connected product transaction (SE and KESSEL had only a connected transaction where SE currently leases from KESSEL for storage

and such transactions have been audited by the Audit Committee, both in terms of the rental price and the suitability of the lease). Therefore, in the past there is no transaction related to the business of both companies, resulting in a conflict of interest. Therefore, the Board of Directors does not have measures to prevent conflicts of interest which may arise between the 2 companies. However, IFA has not found any reason to believe that the Audit Committee of the Company neglect or fail to perform a duty to prevent a conflict of interest.

### 3.2.3. Business Characteristic

The main business of KESSEL is an importer of pipe, valves and other product parts that is related to the piping system (under the trademark of Resistoflex, XOMOX, and other trademarks under CRANE) for assembly, production and distribution to the customers that are heavy industry, such as petrochemical factory, chemical factory or plastic factory. The products that KESSEL sells to customers are innovative materials that have a special technology that has been developed continuously for over 60 years by CRANE, enhancing resistance to chemical corrosion and high temperature. It is widely used from customers all over the world. KESSEL is the sole distributor of CRANE products in Thailand. In this regard, KESSEL's income can be divided into 5 main product group and services as follows.

#### 3.2.3.1. Revenue from Distribution of Pipe Lining Product Group

The Pipe Lining product group is a special type of tube with certain plastics such as Teflon covering the inner surface of tubes for use in heavy industries, where conventional pipes cannot withstand. Pipe Lining products have perfect resistant to liquid corrosion and can withstand liquids with temperatures up to 200 degrees Celsius. Resistoflex's products have been invented and improved over 60 years, with Resistoflex products undergoing a unique Thermalok and Swaging process of Resistoflex, by locking the plastic on the inner surface, preventing thermal expansion problems, enabling the product to be used efficiently.

KESSEL is the only company in Thailand that obtains the rights to manufacture and distribute Pipe Lining products under the trademark of Resistoflex, a registered trademark of CRANE, which is a company listed on the New York Stock Exchange.

**CRANE**  
**RESISTOFLEX**



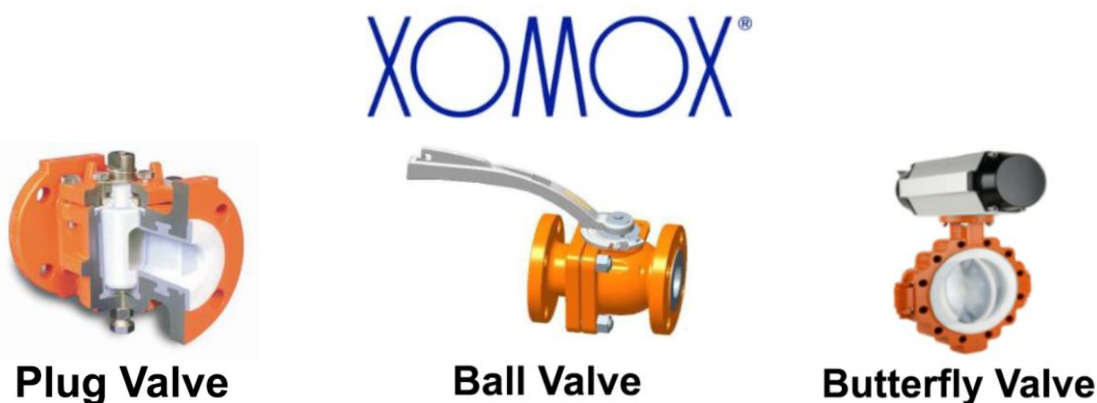
Most of the revenue generated from Pipe Lining products is in the form of project-based contracts, that is, when a customer wants to build a new factory or needs maintenance or needs to replace pipe parts in an industrial

plant, KESSEL customers will order multiple parts and sizes for applications where chemical and thermal corrosion resistance is required in the plant. KESSEL will bring pipes and components ordered from CRANE to design, assemble, modify to suit and comply with the design required by KESSEL customers and deliver to the customer or the customer's contractor to install in the customer's factory.

### 3.2.3.2. Revenue from Distribution of Valve products Group

Valve products group are products used to open and close fluid passages, control fluid flow rate, adjust the liquid flow rate to the desired level, changing the flow direction, prevents backflow and prevents liquids from mixing.

KESSEL is the only company in Thailand that has acquired the right to import, sell and manufacture valve products under the trademark XOMOX under the supervision of CRANE, the same copyright holder with Resistoflex. Valve products under the XOMOX trademark are suitable for use in corrosive and toxic chemical processing applications and has the ability to withstand heat, similar to Pipe Lining products. Kessel valve products have a Teflon inner coating to enhance the durability of the product.



Revenue that is generated from XOMOX product group is in the form of project-based contracts, similar to that of Pipe Lining, that is, when a customer wants to build a new factory or needs maintenance or needs to replace pipe parts in an industrial plant, KESSEL customers will order multiple parts and sizes for applications where chemical and thermal corrosion resistance is required in the plant. KESSEL will bring valve and components ordered from CRANE to design, assemble, modify to suit and comply with the design required by KESSEL customers and deliver to the customer or the customer's contractor to install in the customer's factory.

### 3.2.3.3. Revenue from Distribution of other Product Group

KESSEL is also a leading importer of pipes and other products relating to pipe systems, such as glass-lined pipes or large pipes that are resistant to heat and high pressure under the trademark of De Dietrich, Titan Metal Fabricators, Rosemund and QVF etc.



Revenue from other product groups is income generated from the customer orders for special products such as glass-lined pipes or large pipes that are effective against heat and high pressure. The Company is the importers and distributors directly to the customers.

#### 3.2.3.4. Revenue from Commission

Revenue from commission is the revenue generated from CRANE, the copyright holder of the products under the trademarks Resistoflex, XOMOX, and other products, selling directly to customers in Thailand (trading takes place in a foreign country, both ordering products or payment) whereby the product is a special item or is a large project that KESSEL cannot assemble or manufacture. But KESSEL, as the rightsholder to distribute the products of Resistoflex, XOMOX and others of the CRANE group in Thailand, will be the coordinator for importing the products and deliver products to customers. After the completion of the transaction, KESSEL will receive a commission fee directly from CRANE.

#### 3.2.3.5. Revenue from Services

In addition to KESSEL being an importer of pipe and valve to assemble and produce for distribution, KESSEL also provides chemical corrosion-resistant metal coating services, installing pipe system and other related services as well.

### 3.3. Revenue Structure

KESSEL's main revenue is divided into five categories: revenue from valve product, revenue from Pipe Lining product, revenue from other product, revenue from commission and revenue from services with details of the revenue structure as follows:

Revenue Type (Unit: THB million)	2018		2019		2020	
	Revenue	Portion	Revenue	Portion	Revenue	Portion
Revenue from Valve product	11.50	11.93%	17.18	14.77%	14.60	12.16%
Revenue from Pipe Lining product	78.51	81.42%	84.49	72.63%	93.70	78.03%
Revenue from Other Products	3.60	3.74%	11.12	9.56%	8.34	6.94%
Revenue from Commission	2.93	3.04%	10.55	9.07%	4.39	3.66%
Revenue from Services	0.67	0.70%	0.58	0.50%	3.94	3.28%
<b>Total revenue from sales and services</b>	<b>96.18</b>	<b>99.74%</b>	<b>115.58</b>	<b>99.35%</b>	<b>119.70</b>	<b>99.69%</b>
Other income	0.25	0.26%	0.76	0.65%	0.37	0.31%

Revenue Type (Unit: THB million)	2018		2019		2020	
	Revenue	Portion	Revenue	Portion	Revenue	Portion
Total	96.43	100.00%	116.34	100.00%	120.08	100.00%

Source: KESSEL

### 3.4. KESSEL Shareholders and Board of Directors

#### 3.4.1. Shareholders

Kessel (Thailand) Company Limited has a registered capital of THB 8,000,000.00, divided into 80,000 shares with a par value of THB 100.00, with details of shareholding as follows:

No.	Major Shareholders	Position	Shares	Percentage
1	PPM Engineering Company Limited	-	73,820	92.28%
2	Mr. Suwat Mahitthihan	General Manager and Director	3,811	4.76%
3	Miss Sainit Thawinchai	Sales manager	1,560	1.95%
4	Miss Thanyathom Pinit Pornmontri	Accounting and Human Resources Manager	803	1.00%
5	Ms. Orasa Vimolchalao	Director	5	0.01%
6	Mr. Sittichai Leekasem	Director	1	0.00%
	Total		80,000	100.00%

Remarks: 1/ List of shareholders as of February 22, 2021

#### 3.4.2. KESSEL's shareholding structure and relationship with KESSEL

*Please consider Clause 1.3. Parties involved and relationship with the Company.*

#### 3.4.3. Board of Director of KESSEL

Name	Position
1. Ms. Orasa	Director
2. Mr. Sittichai	Director
3. Mr. Suwat Mahitthihan	Director

Remarks: 1/ List of directors as of February 22, 2021

2/ In signing of the Company's obligation, Ms. Orasa and Mr. Sittichai jointly sign and affix the Company's seal or Mr. Suwat together with Ms. Orasa or Mr. Sittichai, total of 2 people sign and affix the Company's seal.

### 3.5. Reliance on Major Shareholders in Conducting Business.

According to KESSEL's financial statements, between 2018 - 2020, more than 90% of KESSEL's revenues come from Crane Resistoflex products (as detailed in Clause 3.8.2) as Crane Resistoflex products (whether they are products of Resistoflex or XOMOX) is one of the best-known products in the worldwide market. Resistoflex is the world's largest Plastic-Lined Pipe brand since 1953 or for more than 68 years. In addition, XOMOX brand products have been recognized in the industry since 1956. From reviewing the operating methods, merchandising guidelines and relationship management with the product owner, IFA found that most of the customers who order both products are large factories that have machines designed mainly for Crane Resistoflex products. At present, the Company has 4 salespersons. In maintaining the relationship or contact for assistance whether in technical or request for additional

discounts, Mr. Suwat (holding 4.66% of shares and a director of KESSEL) is the main liaison contact with Crane Resistoflex.

IFA is in the opinion that Ms. Orasa, although she has played an important role in managing KESSEL and contributes in term of financial, but most of KESSEL's business operations tend to rely on Crane Resistoflex in terms of production technology, training and products.

### 3.6. Technology and Manufacturing Agreement

No.	Topic	Details
1.	Parties involved	<ol style="list-style-type: none"> <li>1. MCC Holding, Inc, d/b/a Crane Resistoflex</li> <li>2. KESSEL</li> </ol>
2.	Territory	Thailand; and KESSEL have no right to sell out of the territory unless there is written permission from Crane Resistoflex.
3.	Trading Price	The sale price includes the cost + wages + overhead expenses and KESSEL is required to pay the import duty and other applicable taxes.
4.	License	Crane Resistoflex entitles KESSEL to use the knowledge of building, marketing and selling Plastic Liner acquired from Crane Resistoflex.
5.	Quality Control	<ol style="list-style-type: none"> <li>1. KESSEL production must be done according to Crane Resistoflex standard.</li> <li>2. KESSEL must have adequate staff training.</li> <li>3. KESSEL must maintain ISO 9001.</li> <li>4. KESSEL is required to promptly report any complaints from customers.</li> <li>5. If KESSEL fails to maintain the quality, Crane Resistoflex has the right to cancel this contract within 60 days.</li> </ol>
6.	Reports	KESSEL is responsible for providing Crane Resistoflex with sales, production, service and marketing information on a regular basis.
7.	Inventory	KESSEL must have enough inventory in the warehouse.
8.	Intellectual Property	KESSEL does not have any intellectual property rights of Crane Resistoflex.
9.	Termination	<p>The term of this contract is subject to KESSEL's review of annual sales.</p> <p>Additionally, Crane Resistoflex may terminate this contract if KESSEL does the following:</p> <ol style="list-style-type: none"> <li>1. Breach of this agreement</li> <li>2. Corrupt</li> <li>3. Sales continued to decline</li> <li>4. Sell competitors' products</li> <li>5. Violation of confidentiality</li> <li>6. Cannot produce or sell products</li> <li>7. Unable to pay debts or bankrupt</li> <li>8. Expropriated by the government.</li> <li>9. Change in shareholder structure without CRANE's permission.</li> </ol>

3.7. Financial StatementsBalance Sheet

(Unit: THB million)

List	Ending December 31, 2018 (Audited)	Ending December 31, 2019 (Audited)	Ending December 31, 2020 (Audited)
<b>Asset</b>			
<b>Current Asset</b>			
Cash and cash equivalent	30.89	17.91	38.46
Trade and other receivables	14.55	28.61	14.03
Inventories	18.52	27.75	24.17
Other current asset	0.03	0.36	0.27
<b>Total current asset</b>	<b>63.99</b>	<b>74.63</b>	<b>76.94</b>
<b>Non-current asset</b>			
Restricted bank deposits	0.05	0.06	0.06
Building, plant and equipment	25.90	26.03	24.70
Other non-current asset	0.16	0.16	0.16
<b>Total non-current asset</b>	<b>26.12</b>	<b>26.25</b>	<b>24.92</b>
<b>Total asset</b>	<b>90.10</b>	<b>100.88</b>	<b>101.86</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other current payables	8.40	10.87	9.82
Income tax payable	3.61	3.34	4.39
Other current liabilities	0.61	1.56	0.70
<b>Total current liabilities</b>	<b>12.62</b>	<b>15.77</b>	<b>14.91</b>
<b>Non-current liabilities</b>			
Long-term employee benefits	2.10	2.74	2.99
<b>Total non-current liabilities</b>	<b>2.10</b>	<b>2.74</b>	<b>2.99</b>
<b>Total liabilities</b>	<b>14.73</b>	<b>18.51</b>	<b>17.90</b>
<b>Shareholders' Equity</b>			
Issued and paid-up share capital	8.00	8.00	8.00
Legal reserve	0.8	0.8	0.8
Unappropriated	66.58	73.57	75.16 <sup>1/</sup>
<b>Total shareholders' equity</b>	<b>75.38</b>	<b>82.37</b>	<b>83.96</b>

Remarks 1 / On February 5, 2021, the shareholders' meeting of KESSEL passed a resolution approving the allocation of net profits by paying dividends amounting to THB 38.50 million and on February 22, 2021, the shareholders' meeting of KESSEL passed a resolution to allocation of net profit by dividend payment of THB 36.66 million. Therefore, including the approval of the dividend payment, the total amount is THB 75.16 million.



Income statement

(Unit: THB million)

Item	Ending December 31, 2018 (Audited)	Ending December 31, 2019 (Audited)	Ending December 31, 2020 (Audited)
<b>Revenue</b>			
Revenue from sales and services	96.18	115.58	119.70
Cost of sales and services	(50.40)	(66.04)	(64.45)
<b>Gross Profit</b>	<b>45.79</b>	<b>49.53</b>	<b>55.25</b>
Other income	0.25	0.76	0.37
<b>Profit before expenses</b>	<b>46.03</b>	<b>50.29</b>	<b>55.63</b>
Selling expenses	(5.94)	(6.08)	(6.85)
Administrative expenses	(8.59)	(10.30)	(9.10)
<b>Total expenses</b>	<b>(14.53)</b>	<b>(16.37)</b>	<b>(15.95)</b>
<b>Profit (loss) before interest and tax expense</b>	<b>31.50</b>	<b>33.92</b>	<b>39.67</b>
Financing cost	0.00	0.00	0.00
<b>Profit (loss) before tax expense</b>	<b>31.50</b>	<b>33.92</b>	<b>39.67</b>
Tax income (expense)	(6.34)	(6.93)	(8.09)
<b>Profit (loss) for the year</b>	<b>25.16</b>	<b>26.99</b>	<b>31.59</b>

**3.8. Management Discussion and Analysis****3.8.1. Overview of the Past Operation**2018

From the performance of the year 2018, KESSEL has revenue from sales and service of THB 96.18 million, an increase from 2017 by THB 15.70 million or an increase of 19.51 percent, which can be divided into THB 11.50 million from valve products, THB 78.51 million from Pipe Lining products, THB 2.93 million from other products, THB 0.67 million from commissions and THB 2.56 from services. The main reason for the increase in sales was an increase in pipe lining income which increased by THB 24.06 million or 44.19% compared to the previous year. In the same year, many of KESSEL customers opened a new petrochemical factory in Thailand and many customers increased their orders from KESSEL. In addition, KESSEL has accrued jobs in 2017, where revenue is recognized when the job is completed in 2018. However, revenue from the valve products in that year decreased from the previous year by THB 5.25 million, or 31.32%, as KESSEL customers ordered products to replace wear parts decreased from 2017. Revenue from valve products fluctuate due to the nature of customer orders that are ordered to replace worn out valves, resulting in an unstable order volume depending on the service period of each plant. The commission income decreased by THB 1.21 million, or 64.32% compared to the previous year, due to the delays in construction or repairs of many projects CRANE has done with customers in Thailand. Originally, such revenue will be recognized in 2018, but it has been postponed, resulting in a delay in CRANE payments to KESSEL as well.

2019

From the performance of the year 2019, KESSEL has revenue from sales and service of THB 115.58 million, an increase from 2018 by THB 19.39 million or an increase of 20.16 percent, which can be divided into THB 17.18 million from valve products, THB 84.49 million from Pipe Lining products, THB 10.58 million from other products, THB

0.58 from commissions and THB 2.78 million from services. Compared with the revenue in 2018, revenue from all types of products has grown (except for commissions), especially in revenue from valve product, an increase of THB 5.68 million or 49.34% from the previous year, and from other products, an increase of THB 7.62 million or 259.77% from the previous year. Revenue from valve and other product groups increased significantly as KESSEL received additional new projects from clients.

### 2020

From the performance of the year 2020, KESSEL has revenue from sales and service of THB 119.70 million, an increase from 2019 by THB 4.13 million or an increase of 3.57 percent, which can be divided into THB 14.60 million from valve products, THB 93.70 million from Pipe Lining products, THB 4.39 million from other products, THB 3.94 million from commissions and THB 3.07 million from services. Compared to revenue in 2019, revenue from the valve product declined by 15.04% from the previous year as KESSEL customers ordered fewer products to replace wear and tear from 2019. There is fluctuation due to the nature of customer orders that are ordered to replace worn out valves, resulting in an unstable order volume depending on the service period of each plant. In addition, the competition in trade with competitors has increased from the past year, thus, number of jobs are reduced. Revenue from other product groups declined by 25.05% as KESSEL customers ordered lesser other product. However, Pipe Lining and service revenue grew by 10.90% and 10.44%, respectively.

### **3.8.2. Past Performance Analysis**

KESSEL's total revenues in 2018, 2019 and 2020 consist of revenue sales and service and other incomes amounted to THB 96.43 million, THB 116.34 million and THB 120.08 million, respectively.

Revenue Type (Unit: THB million)	2018		2019		2020	
	Revenue	Portion	Revenue	Portion	Revenue	Portion
Revenue from Valve <sup>1/</sup>	11.50	11.93%	17.18	14.77%	14.60	12.16%
Revenue from Pipe Lining <sup>1/</sup>	78.51	81.42%	84.49	72.63%	93.70	78.03%
Revenue from Other Products	3.60	3.74%	11.12	9.56%	8.34	6.94%
Revenue from Commission	2.93	3.04%	10.55	9.07%	4.39	3.66%
Revenue from Services	2.56	2.66%	2.78	2.39%	3.07	2.56%
<b>Total revenue from sales and services</b>	<b>96.18</b>	<b>99.74%</b>	<b>115.58</b>	<b>99.35%</b>	<b>119.70</b>	<b>99.69%</b>
Other income	0.25	0.26%	0.76	0.65%	0.37	0.31%
<b>Total</b>	<b>96.43</b>	<b>100.00%</b>	<b>116.34</b>	<b>100.00%</b>	<b>120.08</b>	<b>100.00%</b>

Remarks: 1/ Products of Crane Resistoflex

### **3.8.3. Revenue from sale and services**

Revenue from sales and services of KESSEL is divided into five revenue type, with details as follows:

#### **3.8.3.1. Revenue from Valve products**

Revenue from the valve product between 2018 - 2020 accounted for 11.93%, 14.77% and 12.16% of KESSEL's total revenue, respectively. Although, the annual revenue fluctuates due to the nature of customer

orders that are ordered to replace worn out valves, resulting in an unstable order volume depending on the service period of each plant. However, KESSEL can continuously sell the product every year. Details of the increase or decrease in revenue from the valve product each year are as follows:

#### 2018

In 2018, KESSEL had revenue from valve product of THB 11.50 million, or 11.93 percent of total revenue. Revenue from valve products in 2018 decreased from 2017 by THB 5.25 million or 31.32 percent from the previous year, since in 2017, KESSEL received two more projects from customers, whereas normally there are no such project.

#### 2019

In 2019, KESSEL had revenue from valve product of THB 17.18 million, or 14.77 percent of total revenue. Revenue from valve products in 2019 increased from 2018 by THB 5.68 million or 49.34 percent from the previous year, since in 2019, KESSEL received two big projects from customers.

#### 2020

In 2020, KESSEL had revenue from valve product of THB 14.60 million, or 12.16 percent of total revenue. Revenue from valve products in 2020 decreased from 2019 by THB 2.68 million or 15.04 percent from the previous year, due to the higher competition in the trade with competitors, thus reducing the incoming jobs.

### **3.8.3.2. Revenue from Pipe Lining Product**

Revenue from Pipe Lining products between 2018 - 2020 accounted for 81.42%, 72.63% and 78.03% of KESSEL's total revenues, respectively, which is regarded as the main revenue for KESSEL. Revenue from Pipe Lining grows every year, especially in 2018, with a 44.19 percent growth from 2017. The cause of such significant increase is because in 2018, KESSEL customers opened a new petrochemical plant in Thailand and many customers have significantly increased orders for products from KESSEL. This is coupled with KESSEL's accrual jobs in 2017, where revenue is recognized when completed in 2018. However, by considering only the revenue growth in 2019 and 2020, KESSEL still has a continuous growth revenue from Pipe Lining products. The details of the increase or decrease in revenue from Pipe Lining products each year are as follows:

#### 2018

In 2018, KESSEL had revenue from Pipe Lining product of THB 78.51 million, or 81.42 percent of total revenue. Revenue from Pipe Lining products in 2018 increased from 2017 by THB 24.06 million or 44.19 percent from the previous year, since KESSEL has outstanding work (not yet completed) in 2017, which was later completed in 2018, totaling THB 23.00 million, resulting in higher sales. In this regard, many of KESSEL's customers launch new petrochemical factory in Thailand, and many of them continuously order products from KESSEL.

#### 2019

In 2019, KESSEL had revenue from Pipe Lining product of THB 84.49 million, or 72.63 percent of total revenue. Revenue from Pipe Lining products in 2019 increased from 2018 by THB 5.98 million or 7.62 percent

from the previous year. Since in 2019, KESSEL received a big project from a customer at the amount of THB 12.70 million.

#### 2020

In 2020, KESSEL had revenue from Pipe Lining product of THB 93.70 million, or 78.03 percent of total revenue. Revenue from Pipe Lining products in 2020 increased from 2019 by THB 9.21 million or 10.90 percent from the previous year due to a big project received from a customer at the amount of THB 9.30 million.

#### **3.8.3.3. Revenue from Other Products**

Revenue from other products between 2018 - 2020 accounted for 3.04%, 9.07% and 3.66% of KESSEL's total revenue, respectively. Revenue from other products in each year fluctuates because it is a special income. For example, revenue from tank work, coating work and QVF that each year KESSEL will receive from a variety of number from different projects. Details of revenue from other products for each year are as follows:

#### 2018

In 2018, KESSEL had revenue from other product of THB 2.93 million, or 3.04 percent of total revenue. Revenue from other products in 2018 decreased from 2017 by THB 6.35 million or 68.41 percent from the previous year. Since in 2017, there is a total of THB 3.19 million in tanks, coating and QVF projects, but in 2018 KESSEL has no project of tank or coating work, therefore sales are reduced.

#### 2019

In 2019, KESSEL had revenue from other product of THB 10.55 million, or 9.07 percent of total revenue. Revenue from other products in 2019 increased from 2018 by THB 7.62 million or 259.77 percent from the previous year, due to receiving a big project from a customer in the amount of THB 6.50 million.

#### 2020

In 2020, KESSEL had revenue from other product of THB 4.39 million, or 3.66 percent of total revenue. Revenue from other products in 2020 decreased from 2019 by THB 6.15 million or 58.35 percent from the previous year, due to the impact of KESSEL in 2020, the COVID-19 epidemic resulted in no project revenues, tank work, coating, or special works in that year.

#### **3.8.3.4. Revenue from Commissions**

Revenue from commission between 2018 - 2020 accounted for 0.70%, 0.50% and 3.28% of KESSEL's total income, respectively. The revenue from commission in 2018 - 2019 is low compared to the year 2017 and 2020 due to the delay of CRANE's project completion in Thailand between 2018 and 2019, but the delayed project was subsequently completed in 2020. CRANE paid for KESSEL's delayed job commission in 2020 totaling THB 3.61 million, resulting in a significant increase in revenue from commission in 2020. Details of the increase or decrease in commission income each year are as follows:

#### 2018

In 2018, KESSEL had revenue from commission of THB 0.67 million, or 0.70 percent of total revenue. Revenue from commission in 2018 decreased from 2017 by THB 1.21 million or 64.32 percent from the previous

year. Since in 2018, CRANE has delayed project work in Thailand that is not completed in the year. As a result, the recognition of commission income in the said project has been postponed.

#### 2019

In 2019, KESSEL had revenue from commission of THB 0.58 million, or 0.50 percent of total revenue. Revenue from commission in 2019 decreased from 2018 by THB 0.10 million or 14.31 percent from the previous year. Since in 2019, CRANE has delayed project work in Thailand that is not completed in the year. As a result, the recognition of commission income in the said project has been postponed.

#### 2020

In 2020, KESSEL had revenue from commission of THB 3.94 million, or 3.28 percent of total revenue. Revenue from commission in 2020 increased from 2019 by THB 3.37 million or 583.91 percent from the previous year. Since CRANE has unfinished projects in Thailand from 2018 - 2019 which were later completed in 2020, totaling THB 3.61 million, resulting in a significantly higher commission income.

#### **3.8.3.5. Revenue from Services**

Revenue from services between 2018 - 2020 accounted for 2.66%, 2.39% and 2.56% of KESSEL's total revenue, respectively. The service business is a new business group that KESSEL began to recognize in 2018. Service income has a relatively stable percentage of total income each year. Details of the increase or decrease of service income each year are as follows:

#### 2018

In 2018, KESSEL had revenues from the services of THB 2.56 million or 2.66 percent of total revenues. Year 2018 was the first year that KESSEL started earning revenue from the service.

#### 2019

In 2019, KESSEL had revenues from the services of THB 2.78 million or 2.39 percent of total revenues, increased from the services revenue in 2018 by THB 0.22 million, or by 8.43 percent when compared to the previous year.

#### 2020

In 2020, KESSEL had revenues from the services of THB 3.07 million or 2.56 percent of total revenues, increased from the services revenue in 2019 by THB 0.29 million, or by 10.49 percent when compared to the previous year.

#### **3.8.3.6. Other Income**

In 2018, 2019 and 2020, KESSEL earned THB 0.25 million, THB 0.76 million and THB 0.37 million or 0.26 percent, 0.65 percent and 0.31 percent of the total revenue, respectively.

#### **3.8.4. Cost of Sales and Service**

Cost of sales and services of KESSEL can be divided into 4 product groups, namely valve products, Pipe Lining product, other product and services. This can account for 52.40% to 57.14% of KESSEL's revenue

from sales and services. Cost of sales and services of each product, when compared to the income of each product, will have a relatively stable proportion. Details of cost of sales and services for each year are as follows:

#### 2018

In 2018, KESSEL had cost of sales and services of THB 50.40 million or 52.40 percent of the revenue from sales and services, increased from the year 2017 by THB 4.27 million, or by 9.27 percent, which is in lined with the increase in sales.

#### 2019

In 2019, KESSEL had cost of sales and services of THB 66.04 million or 57.14 percent of the revenue from sales and services, increased from the year 2018 by THB 15.65 million, or by 31.04 percent, which is in lined with the increase in sales.

#### 2020

In 2020, KESSEL had cost of sales and services of THB 64.45 million or 53.84 percent of the revenue from sales and services, decreased from the year 2019 by THB 1.59 million, or by 2.41 percent, because KESSEL has been trying to control costs and sell products and services with lower costs than in 2019.

#### **3.8.4.1. Selling Expenses**

Selling expenses each year can account for 5.22% to 6.16% of KESSEL's total revenue, which is relatively stable. This is because most of the selling expenses are increased in lined with the annual increase in gross income. The details of the selling expenses for each year are as follow:

#### 2018

In 2018, KESSEL had selling expenses of THB 5.94 million, increased from the year 2017 by THB 0.82 million, or by 16.03 percent when compared to the previous year, due to the increase in salary, pay more employee bonuses and began to pay royalty fees to companies that hold copyrights of the XOMOX and RESISTOFLEX trademark.

#### 2019

In 2019, KESSEL had selling expenses of THB 6.08 million, increased from the year 2018 by THB 0.14 million, or by 2.33 percent when compared to the previous year, due to the increase in salary, pay more employee bonuses and pay more commissions to the sales staff.

#### 2020

In 2020, KESSEL had selling expenses of THB 6.85 million, increased from the year 2019 by THB 0.77 million, or by 12.65 percent when compared to the previous year, due to the increase in salary, pay more commissions to the sales staff and employing an additional sale staff.

#### **3.8.4.2. Administrative Expenses**

Administrative expenses for each year can account for 7.58% to 8.91% of KESSEL's total income, which is relatively stable. This is because most of the administrative expenses are increased with the annual increase in gross income and there is little fluctuation from payment and cancellation of rental fees and IT services. The details of the administrative expenses for each year are as follows:

### 2018

In 2018, KESSEL had administrative expenses of THB 8.59 million, increased from the year 2017 by THB 1.20 million, or by 16.28 percent when compared to the previous year, due to the increase in salary, pay more employee bonuses and setting up additional employee benefit cost.

### 2019

In 2019, KESSEL had administrative expenses of THB 10.30 million, increased from the year 2018 by THB 1.71 million, or by 19.86 percent when compared to the previous year, due to KESSEL's rental and services of information technology systems increased by THB 1.80 million from the year 2018, that does not have such item.

### 2020

In 2020, KESSEL had administrative expenses of THB 9.10 million, decreased from the year 2019 by THB 1.19 million, or by 11.57 percent when compared to the previous year, because KESSEL has canceled the rental and service of information technology systems that exist in the year 2019 since the expenses is not worth the benefits from the information technology systems.

### **3.8.5. Net Profit**

KESSEL has a steady net profit because the products that KESSEL sells are innovative materials products. They are unique, good quality, wear-resistant, and customers can trust Resistoflex, XOMOX, etc. KESSEL is the only company that has the right to use the trademark from CRANE for distribution in Thailand. KESSEL's net profit margin over the past three years was between 23.20% and 26.31%, demonstrating KESSEL's consistent profitability despite the impact of the COVID-19 in 2020. The details of the increase or decrease in net profit each year are as follows:

#### 2018

In 2018, KESSEL had net profit of THB 25.16 million or a net profit margin of 26.09 percent, increased from the year 2017 by THB 7.49 million, or by 42.39 percent when compared to the previous year, due to the increase in repair work and repair of problematic products of RESISTOFLEX products, which these jobs have a higher gross margin than company's normal business.

#### 2019

In 2019, KESSEL had net profit of THB 26.99 million or a net profit margin of 23.20 percent, increased from the year 2018 by THB 1.83 million, or by 7.28 percent when compared to the previous year, due to the increase in sales. However, in 2019, KESSEL has no repair work and repair of problematic products of RESISTOFLEX products, thus causing the net profit margin to be lower than in 2018.

#### 2020

In 2020, KESSEL had net profit of THB 31.59 million or a net profit margin of 26.31 percent, increased from the year 2019 by THB 4.60 million, or by 17.02 percent when compared to the previous year, since in 2020, the commission income is 3.90 million, including the repair work and repair of problematic products of RESISTOFLEX products, which these jobs have a higher gross margin than company's normal business.

### **3.8.6. Balance Sheet Analysis**

#### **3.8.6.1. Asset**

The total asset value of KESSEL is increasing year by year. The result of the increase in operating results are mainly affected by cash and cash equivalents, trade accounts receivable and inventories. The details for each year are as follows:

##### 2018

As of December 31, 2018, KESSEL has total assets of THB 90.10 million, an increase from December 31, 2017 by THB 17.29 million or 23.74 percent, mainly due to an increase in cash and cash equivalents.

##### 2019

As of December 31, 2019, KESSEL has total assets of THB 100.88 million, an increase from December 31, 2018 by THB 10.78 million or 11.96 percent, mainly due to an increase in trade accounts receivable and an increase in inventories.

##### 2020

As of December 31, 2020, KESSEL has total assets of THB 101.86 million, an increase from December 31, 2019 by THB 0.98 million or 0.97 percent, mainly due to an increase in cash and cash equivalents. However, trade accounts receivable and other receivables decreased significantly by THB 14.57 million from the previous year due to KESSEL's improved ability to accept payments from the sale of more products and services from customers.

#### **3.8.6.2. Liabilities**

The total liabilities of KESSEL fluctuate every year. This was mainly due to the fluctuation of trade and other current payable. However, KESSEL systematically monitors and controls the aging of trade receivables, but such fluctuations depend on the agility of payments and the number of customers in that year. The details for each year are as follows:

##### 2018

As of December 31, 2018, KESSEL has total liabilities of THB 14.73 million, a decrease from December 31, 2017 by THB 2.38 million or 13.89 percent, mainly due to a decrease in trade payables and other current payables.

##### 2019

As of December 31, 2019, KESSEL has total liabilities of THB 18.51 million, an increase from December 31, 2018 by THB 2.38 million or 13.89 percent, mainly due to an increase in trade payables and other current payables.

##### 2020

As of December 31, 2020, KESSEL has total liabilities of THB 17.90 million, a decrease from December 31, 2019 by THB 0.61 million or 3.30 percent, mainly due to a decrease in trade payables and other current payables.



### 3.8.6.3. Shareholders' Equity

KESSEL's shareholder equity increases yearly due to KESSEL's retained earnings, driven by yearly profitability. The details for each year are as follows:

#### 2018

As of December 31, 2018, KESSEL has total equity of THB 75.38 million, an increase from December 31, 2017 by THB 19.60 million or 35.29 percent.

#### 2019

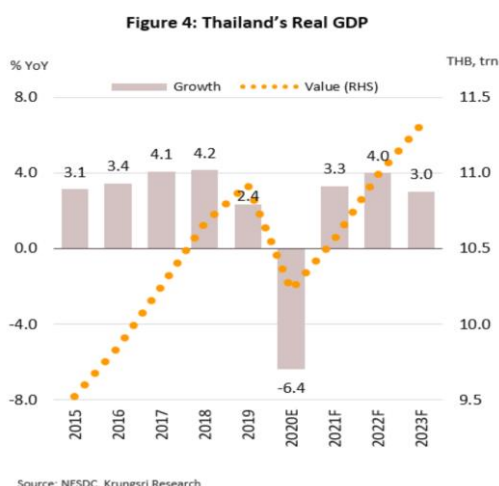
As of December 31, 2019, KESSEL has total equity of THB 82.37 million, an increase from December 31, 2018 by THB 6.99 million or 9.28 percent.

#### 2020

As of December 31, 2020, KESSEL has total equity of THB 83.96 million, an increase from December 31, 2019 by THB 1.59 million or 1.93 percent.

## 3.9. Factors and Major Incident that may Affect the Future Operations or Financial Position

### 3.9.1. Expansion of Thailand's Economy



From the Krungsri Research, Bank of Ayudhya Public Company Limited: It is expected that the Thai economy is projected to expand by an average of 3.4% annually over the next 3 years. Factors supporting economic growth in the coming period will include the following. (1) The latest wave of COVID-19 cases in the country is expected to be contained by 2Q21 given quick measures, experience from handling the first wave, and the availability of vaccines. This means the government should be able to relax pandemic control measures then, allowing the economy to return to near-normal and boosting sentiment in private-sector businesses. (2) Business operations and consumer behavior have adapted rapidly to changing circumstances, with a surge in numbers working from home and online shopping. (3) The export sector will rebound premised on a cyclical recovery in the economy and improving global trade, helped by easing of lockdown measures and rollout of extensive stimulus packages in major economies that lean heavily on both fiscal and monetary levers. (4) Thailand is beginning to relax travel restrictions, and now permits entry for selected persons, including film crew, trade show participants, high-income earners, and those with 'Special Tourist Visas' (STVs). International travel should also pick-up gradually, possibly from the second half of 2021. The mass COVID-19 vaccination programs worldwide will encourage international tourism and tourist arrivals in Thailand

should recover. (5) Government efforts to kickstart the economy will help to sustain greater levels of spending. They include measures to stimulate consumption and reduce cost of living, accelerated disbursement of the annual budget, an emergency decree allowing the government to borrow THB1trn to counter the impacts of the coronavirus disease, and using state enterprise funds to invest in infrastructure projects. Other measures include offering soft loans and financial assistance to businesses affected by the pandemic, through the Bank of Thailand (BOT) and the Thai Credit Guarantee Corporation's Portfolio Guarantee Scheme.

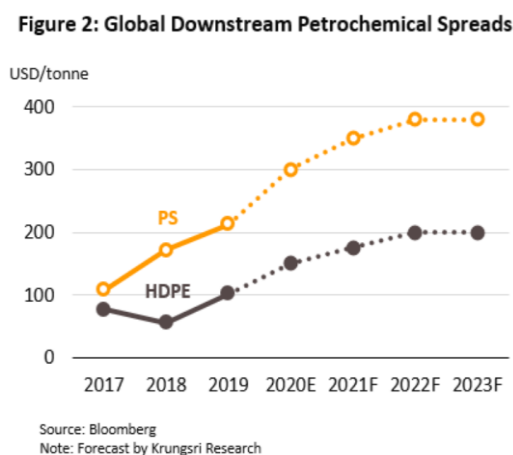
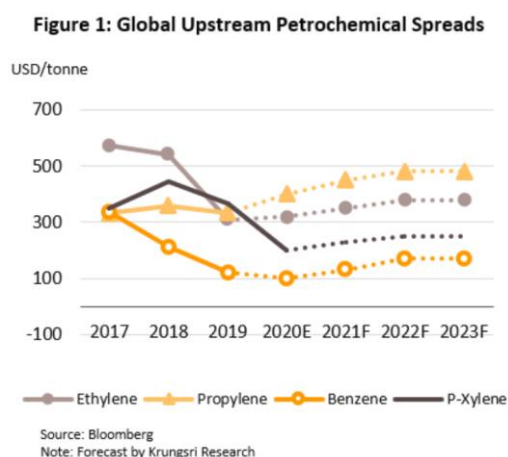
### 3.9.2. Petrochemical Industry Outlook

#### Situation in 2020

In 10M20, world demand for petrochemical products shrank due to the COVID-19-induced global recession. This pulled down prices and squeezed spreads for most upstream and downstream products, with the exception of some olefins for which spreads widened with greater demand for use in manufacturing packaging and medical goods. Naphtha prices averaged USD376.1/ton, down 27.0% YoY on lower crude prices. Prices should average USD380/ton in 2020.

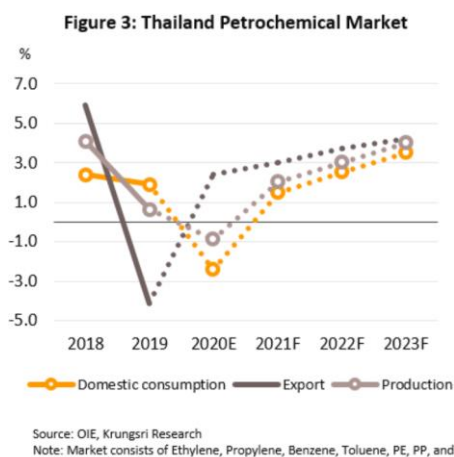
Upstream petrochemicals: Spreads for ethylene averaged USD290.7/ton, down from USD331.1 in 10M19, while that for benzene averaged USD103.8 compared to USD123.3 a year earlier. For 2020, spreads are forecast to average USD320 and USD100/ton, respectively.

Downstream petrochemicals: Polyethylene (PE) spreads averaged USD147.3/ton, up from USD99.9 in 10M20, and polystyrene (PS) spreads rose to USD292.1 from USD213.2. For 2020, PE and PS spreads are expected to average USD150 and USD300 per ton, respectively.



Domestic demand for petrochemicals fell 3.3% YoY in 10M20, declining for most categories as downstream demand contracted sharply with the lockdown. For the rest of 2020, the situation should improve with a rebound in industrial activity, and for the year, demand is forecast to slip by 2.4%.

Prices for upstream and downstream goods will weaken in 2020. This will pressure operators' revenues because the majority operate across the supply chain. However, prices for aromatics will fall faster and take longer to recover than olefins.

Industry Outlook 2021 – 2023

A recovery in the global economy will lift demand, and in turn, prices and spreads.

Prices for naphtha will rise to USD 420-480/ton driven by: (1) higher crude prices; and (2) opening of new petrochemical facilities and a South Korean plant resuming production (that uses naphtha as input). Ethylene spreads will widen to USD350-380/ton, but new production capacity coming onstream in 2021 and high inventory levels in China will keep benzene spreads at USD130-170/ton. Spreads for polyethylene will widen but new capacities in China and Southeast Asia will cap these at USD175-200/ton. Polystyrene spreads would rise to USD350-380/ton.

Stronger spreads for main products will boost operators' earnings, while higher demand for plastic resins by downstream industries, including auto parts & assembly, construction and medical supplies, is expected to raise domestic and export demand by 1.5-3.5% and 3.0-4.2% p.a., respectively.

Source: <https://www.krungsri.com/th/research/industry/Industry-Horizon/industry-summary-outlook-2021-2023> Krungsri Research

#### 4. Details and Important Information of the Company (SE)

*Details in Attachment 2*

## **5. Opinion of Independent Financial Advisor on Reasonableness of the Asset Acquisition and the Connected Transaction.**

### **5.1. Objective and Necessity for Entering into Transaction**

Although over the past five years, SE has continued to grow in revenue from its normal business operations and the operating results have a steady net profit. The Company plans to expand the business related to the production and assembly of pipe products for distribution under various trademarks, which is the original business from the former business of the Company. It will focus on investing in good projects with potential for further growth from now, which only includes the business of procurement and distribution of industrial products in the products and technology of pumps, piping systems and related innovative materials alone. The current business of the Company bear risk to of new competitors entering, therefore, the Company intends to acquire the ordinary shares of KESSEL's business, which operates the business of producing and assembling pipe products for distribution under various trademarks to expand the business of developing projects that are related to the main business of the Company along with being able to reduce expenses and increase income from related operations, and to increase profitability of the Company's business in the future, as well as help the Company to continue to operate with stability and have a stronger and more stable financial status, which will bring benefits to the Company and all its shareholders.

### **5.2. Impact from Entering into Transaction**

#### **5.2.1. Impact on SE's Accounting**

After entering into the KESSEL share purchase transaction, the Company is required to prepare a consolidated financial statement which includes the assets and liabilities acquired from this transaction together with the Company. Therefore, the Company has prepared a pro forma statement of financial position based on the reviewed consolidated financial statements of the Company as of December 31, 2020, as if the Company held KESSEL shares and adjusted for related transactions in the acquisition of assets and connected transactions. The key assumptions in detail are as follows: (Pro forma financial statements prepared by MA on February 12, 2021, an audit and tax consultant, with KESSEL's financial statements revised to be Public Accountable Entities (PAE) for the Company to be able to prepare a consolidated statement between KESSEL and the Company)

- 1) Make assumptions about transactions from year 2019.
- 2) The Company's shareholders' equity increased from the increase of capital to existing shareholders in proportion to the rights offering (RO) of THB 180 million.
- 3) The Company's cash paid to enter into KESSEL share purchase transactions amounting to THB 260 million.
- 4) Kessel's acquisition transaction, MA preliminarily estimated that it may result in goodwill in the Company of approximately THB 184.62 million (Trading Price of THB 260.00 million – Book value as of January 1, 2019 equals to THB 75.38 million)
- 5) Adjustment of working capital of the Company from the related transaction between SE and KESSEL.

- 6) Short-term borrowing of the Company from financial institutions amounting to THB 20.00 million to be used as working capital within the Company.

### Balance Sheet

Item (THB million)	Ending on December 31, 2019			Ending on December 31, 2020		
	SE	Kessel	Consolidated	SE	Kessel	Consolidated
<b>Asset</b>						
<b>Current assets</b>						
Cash and cash equivalents	18.87	17.91	36.78	8.11	38.46	46.58
Trade and other current receivables	100.13	28.97	129.07	150.28	14.30	164.54
Inventories	56.42	27.75	84.17	28.27	24.17	52.44
<b>Total current assets</b>	<b>175.42</b>	<b>74.63</b>	<b>250.02</b>	<b>186.66</b>	<b>76.94</b>	<b>263.56</b>
<b>Non-current assets</b>						
Restricted bank deposits	8.80	0.06	8.86	3.80	0.06	3.86
Investments in associated	151.78	-	151.78	167.15	-	167.15
Investments in subsidiaries	260.00	-	-	260.00	-	-
Building, plant and equipment	12.25	26.03	38.28	7.66	24.70	32.36
Goodwill	-	-	184.62	-	-	184.62
Right-of-use assets	38.77	-	38.77	49.06	-	49.06
Deferred tax assets	2.07	-	2.07	3.29	-	3.29
Other non-current assets	0.02	0.16	0.18	0.01	0.16	0.18
<b>Total non-current assets</b>	<b>473.69</b>	<b>26.25</b>	<b>424.56</b>	<b>490.97</b>	<b>24.92</b>	<b>440.52</b>
<b>Total assets</b>	<b>649.10</b>	<b>100.88</b>	<b>674.58</b>	<b>677.64</b>	<b>101.86</b>	<b>704.08</b>
<b>Liabilities</b>						
<b>Current liabilities</b>						
Short-term loans from financial institutions	20.00	-	20.00	20.00	-	20.00
Trade and other current payables	100.78	15.77	116.52	87.48	14.91	102.35
Current portion of liabilities under financial leases	0.43	-	0.43	1.38	-	1.38
<b>Total current liabilities</b>	<b>121.21</b>	<b>15.77</b>	<b>136.95</b>	<b>108.85</b>	<b>14.91</b>	<b>123.73</b>
<b>Non-current liabilities</b>						
Liabilities under financial leases	1.09	-	1.09	10.66	-	10.66
Non-current provision for employee benefit	9.76	2.74	12.50	12.67	2.99	15.66
<b>Total non-current liabilities</b>	<b>10.85</b>	<b>2.74</b>	<b>13.59</b>	<b>23.33</b>	<b>2.99</b>	<b>26.32</b>
<b>Total liabilities</b>	<b>132.06</b>	<b>18.51</b>	<b>150.55</b>	<b>132.18</b>	<b>17.90</b>	<b>150.05</b>
<b>Shareholders' equity</b>						
Issued and paid-up share capital	300.00 <sup>1/</sup>	8.00	300.00 <sup>1/</sup>	300.00 <sup>1/</sup>	8.00	300.00 <sup>1/</sup>
Premium on common shares	121.00	-	121.00	121.00	-	121.00
Legal reserve	7.52	0.80	7.52	8.78	0.80	8.78
Unappropriated	53.07	46.58	53.07	75.26	43.57	75.26
Profit for the year	35.45	26.99	40.36	40.41	31.59	44.47
Non-controlling interests	-	-	2.08	-	-	4.52
<b>Total shareholders' equity</b>	<b>517.04</b>	<b>82.37</b>	<b>524.04</b>	<b>545.45</b>	<b>83.96</b>	<b>554.03</b>
<b>Total liabilities and shareholders' equity</b>	<b>649.10</b>	<b>100.88</b>	<b>674.58</b>	<b>677.64</b>	<b>101.86</b>	<b>704.08</b>

Source : The Company

Remarks: 1/ the Company's issued and paid-up capital after increasing capital with RO of THB 180.00 million by issuing THB 360.00 million shares at par value of THB 0.50 per share.

#### Income Statement

Item (THB million)	Ending on December 31, 2019			Ending on December 31, 2020		
	SE	Kessel	Consolidated	SE	Kessel	Consolidated
Revenues from sales and services	474.95	115.58	590.49	449.28	119.70	568.98
Cost of sales of goods and rendering of services	(344.50)	(66.04)	(410.51)	(328.48)	(64.45)	(392.93)
<b>Gross profit</b>	<b>130.45</b>	<b>49.53</b>	<b>179.98</b>	<b>120.80</b>	<b>55.25</b>	<b>176.05</b>
Other income	5.20	0.76	5.79	4.38	0.37	4.58
Selling expenses	(54.80)	(6.08)	(60.88)	(43.41)	(6.85)	(50.25)
Administrative expenses	(45.26)	(10.30)	(55.39)	(52.59)	(9.10)	(61.52)
Share of profit from investments in associates	6.80	-	6.80	17.37	-	17.37
<b>Total expenses</b>	<b>(88.07)</b>	<b>(15.61)</b>	<b>(103.68)</b>	<b>(74.24)</b>	<b>(15.58)</b>	<b>(89.82)</b>
Profit (loss) before finance costs and income tax	42.38	33.92	76.30	46.56	39.67	86.23
Financial cost	(0.03)	-	(0.03)	(0.69)	-	(0.69)
Profit before income tax	42.34	33.92	76.26	45.86	39.67	85.54
Income tax expense	(6.89)	(6.93)	(13.82)	(5.29)	(8.09)	(13.37)
<b>Profit for the year</b>	<b>35.45</b>	<b>26.99</b>	<b>62.44</b>	<b>40.58</b>	<b>31.59</b>	<b>72.16</b>

Source: The Company

#### Pro Forma Statement Analysis

In the preparation of MA pro forma statements, most of the accounting items on the balance sheet and income statements are directly added to the accounting items and deducted by the related transactions between SE and KESSEL. However, some accounting items was significantly changed as a result of the acquisition of KESSEL's shares. For the shareholders of SE to understand the change in accounting transactions, IFA analyzes and explains additional reasons for the change in the significant accounting transactions as follows:

- Investments in subsidiaries as shown in the separate financial statements of SE, an increase of THB 260.00 million, where previously, there was none. It is the value of the investment that SE will enter into this transaction, which will appear in SE's separate financial statements only, but in the consolidated financial statements will not appear in accordance with accounting standards.
- Goodwill as shown in the consolidated financial statements, an increase of THB 184.62 million, where previously, there was none. It is the value derived from the estimation by MA, which is the difference from the investment value and the book value of KESSEL (the trading value of THB 260.00 million - the book value as of January 1, 2019 equals to THB 75.38 million).
- Issued and paid capital before entering the transaction, SE has a paid-up capital of THB 120.00 million, but due to this transaction, SE will increase the registered capital to THB 180.00 million to be used as a source of funds for the acquisition of KESSEL shares. Therefore, if the resolution of the AGM of year 2021 approves the capital increase and approve entering into the Transaction will cause SE to have a registered capital of THB 300.00 million (the paid-up capital according to the virtual budget prepared

by MA does not include the effect of capital increase arising from the payment of dividends in shares according to the resolution of the Board of Directors No. 1 as of February 23, 2021 and No.2 on March 6, 2021)

- Revenue from sales and services of SE in the pro forma statement year 2019 and 2020 will increase by THB 115.54 million and THB 119.70 million or 24.33% and 26.64%, respectively, when compared with SE's separate financial statements as a result from KESSEL's revenue recognition from the sale of products and services such as pipe lining, valves and so on. In this regard, SE's revenue structure after recognizing KESSEL's revenues is likely to change significantly, with the Company expecting an approximate 25% increase in revenue and net profit of approximately 75%. However, the revenue structure will still come from the procurement business related to industrial piping.
- Cost of sales and services of SE in the pro forma statements of 2019 and 2020 will increase by THB 66.04 million and THB 64.45 million or 19.16% and 19.62%, respectively, when compared with SE's separate statements as a result of the KESSEL's cost from the sale of products and services such as pipe lining, valve, and so on.
- Selling expenses of SE in the pro forma statement year 2019 and 2020 will increase by THB 6.08 million and THB 6.84 million, or 11.09% and 15.76%, respectively, when compared with SE's separate financial statements as a result from recognize selling expenses such as employee salaries, commission, shipping, maintenance, royalty fees payable to CRANE, etc.
- Administrative expenses of SE in the pro forma year 2019 and 2020 will increase by THB 10.13 million and THB 8.93 million, or 22.38% and 16.98%, respectively, when compared with SE's separate financial statements as a result from recognizing sales expenses such as employee salaries, transportation costs, maintenance costs, etc.
- Net profit of SE in the pro forma year 2019 and 2020 will increase by THB 26.99 million and THB 31.58 million, or 76.14% and 77.82%, respectively, when compared with SE's separate financial statements as a result from KESSEL having a higher gross margin and net profit margin than SE. Shareholders can consider the gross margin and net profit of SE and KESSEL in Clause 5.3.1.3. The gross profit margin and the net profit margin of the Company would increase.

#### **5.2.2. Impact from the Recognition of Goodwill from the Company's Entering into the Transaction of Purchasing KESSEL's Shares**

After this transaction, the Company shall comply with financial reporting standard No. 3 (Revised 2016), consolidation of business. The Company shall accept the transfer of KESSEL's assets and liabilities, and record goodwill generated from the transaction of KESSEL shares, which is considered to be a combination of business by goodwill due to the difference in the trading price and the fair market value minus the liabilities of KESSEL on the transaction date. The Company will hire an independent appraiser with expertise to assess the fair value of the assets and the total liabilities transferred from KESSEL in order to prepare consolidated financial statements in accordance with the purchase price allocation (PPA) method. Initially, IFA estimated that the goodwill of this transaction should not exceed THB 251.20 million, which is higher than estimation by MA (Trading Price at THB 260.00 million – book

value ending 2020 after KESSEL's dividend payment remains THB 8.80 million), since in February 5, 2021 and February 22, 2021, there is dividend payments of THB 38.50 million and THB 36.66 million, respectively, resulting in the year 2021, KESSEL paid a total dividend of THB 75.16 million and increased liabilities by THB 50.00 million, which is a loan to pay dividends to shareholders of KESSEL amounting to THB 38.03 million and used as working capital for operation of THB 11.97 million, which showed that the trading price was higher than the net fair value of the assets and the total liabilities acquired. IFA is in the opinion that goodwill will be worth not more than THB 251.20 million due to the fair value valuation by that expert. It is assessed primarily based on KESSEL's operating results, profit and loss and business cash flow. And if KESSEL continues to operate in normal conditions, KESSEL's fair value is likely to be higher than the book value. In addition, the Company's goodwill occurring from this transaction is in line with accounting standards and is an event that can normally happen when a listed company invests in other businesses.

The goodwill appraisal from the transaction must be calculated from the difference between the trading value and the net fair value of the assets and liabilities transferred as of the business transfer date. The goodwill arising from this transaction has no age limit (Infinite Life), therefore, such goodwill must be revalued at fair value every year. If KESSEL's appraisal result is lower than Goodwill, the Company will have to amortize the expense items in the Company's financial statements for that year.

### 5.2.3. Dilution Effect:

Since entering the KESSEL share purchase transaction, the Company will conduct an Allotment of 360,000,000 newly issued ordinary shares to the existing shareholders in proportion ("RO") (in the ratio of 2 existing shares per 3 new shares) at the par value of THB 0.50 per share at the subscription price of THB 0.50 per share, totaling to THB 180.00 million, as part of payment of compensation which if the existing shareholders of the Company fails to subscribe for newly issued shares, there will be price dilution, EPS dilution, and control dilution effect with details as follows

#### ■ Price Dilution

Price Dilution	=	$(\text{Market Price Before Offering} - \text{Market Price After Offering}) / \text{Market Price Before Offering}$
Market Price Before Offering	=	Weighted average price of the Company's shares in the period of 15 business days prior to the Board of Directors' Meeting resolved to propose the right offering to the AGM No. 1/2021 which is between February 1, 2021 to February 22, 2021 which equals THB 1.49 per share.
Market Price After Offering	=	$(\text{Market Price} \times \text{Existing Paid-up Share}) + (\text{Offering Price} \times \text{Total Offering Shares}) / (\text{Existing Paid-up Shares} + \text{Total Offering shares})$
	=	$(1.49 \times 240,000,000) + (0.50 \times 24,000,000^{1/}) + (0.50 \times 360,000,000) / (240,000,000 + 24,000,000^{1/} + 360,000,000)$
	=	0.88
Price Dilution	=	40.95 %

Remarks: 1/ Number of stock dividends paid according to the resolution of the first Board of Directors on February 23, 2021.

#### ■ Control Dilution

Control Dilution	=	$\text{Total Offering Shares} / (\text{Existing Paid-up Shares} + \text{Total Offering Shares})$
	=	$360,000,000 / (240,000,000 + 24,000,000^{1/} + 360,000,000)$



= 57.69 %

Remarks: 1/ Number of stock dividends paid according to the resolution of the first Board of Directors on February 23, 2021.

■ EPS Dilution

EPS Dilution	=	$((\text{Net Profit/No. of Shares Before Offering}) - (\text{Net Profit/ No. of Shares After Offering}))/(\text{Net Profit/No. of Shares Before Offering})$
Net profit according to the consolidated financial statements of the Company for the period ended 31 December 2020 (THB million)	=	THB 40.58 million
No. of Shares Before Offering	=	264,000,000 Shares
No. of Shares After Offering	=	624,000,000 Shares
EPS Dilution	=	$((40.58/264,000,000^{1/}) - (40.58/624,000,000 ))/ (40.58 /264,000,000)$
	=	57.69 %

Remarks: 1/ Number of stock dividends paid of 24,000,000 shares according to the resolution of the first Board of Directors on February 23, 2021.

However, the Company set the share price for capital increase at THB 0.50 per share, which is equal to the par price of the Company and is lower than the current market price of THB 1.49 - 1.53 per share (weighted average price of the Company's ordinary shares in the SET of 7 - 15 days prior to the date that the Board of Directors resolved to propose the agenda to the AGM No. 1/2021 which is dated February 23, 2021) by THB (0.99) – (1.03) per share or (67.33) - (66.55) percent lower, which the minor shareholders should be interested in subscribing to the Company's newly issued shares.

### 5.3. Advantages and Disadvantages of Entering into Transaction

#### 5.3.1. Advantages of Entering into Transaction

##### 5.3.1.1. This is an investment pursuant to the objectives and strategic plan for long-term growth of the Company:

In the midst of a rapidly changing environment, global economic slowdown and the COVID-19 outbreak has made the Company aware of the possibility of fierce competition in the future. Therefore, the main objective of entering into the KESSEL share purchase transaction is to enable the Company to have access to businesses that are in line with the existing business of the Company. The acquisition of KESSEL shares is in line with business expansion plans for the production and assembly of pipe products for distribution under various trademarks. This is a continuation of the Company's existing business, thus investing in KESSEL, which is a manufacturer, supplier, installer, and assembler of pipes in industrial plants under the trademarks XOMOX and Resistoflex. (KESSEL is the sole distributor under the XOMOX and Resistoflex brands in Thailand). XOMOX and Resistoflex are trademarks under the CRANE group, a brand that is trusted by users from all over the world. Both XOMOX or Resistoflex has been a well-known brand in the heavy industrial market for over 60 years, it offers a unique combination of chemical and thermal resistance properties products that are unique from the product of SE. Therefore, the acquisition of KESSEL

shares will be an extension of the project development business related to the Company's core business and able to reduce costs and increase revenue from related operations and increase the profit potential of the Company's business in the future.

**Reduction in costs:** Because KESSEL products (details figure in Clause 5.3.1.4) are similar to the Company's products, but with better properties, where KESSEL's piping and valves are able to withstand high temperatures. Therefore, the after-sales services of both the Company and KESSEL are similar, resulting in an opportunity for business cooperation by reducing service costs such as

- Opportunity to improve the redundant after-sales service teams of both the Company and KESSEL.
- Opportunities to improve redundant transportation systems for both the Company and KESSEL.
- Opportunity to improve the redundant engineering service center of both the Company and KESSEL.
- Reduce the cost of the sales team.

**Increasing revenue:** Because KESSEL products (detailed figure in Clause 5.3.1.4) are products that the Company's customers must use, but in a different area from the current use of the Company's products (or vice versa, KESSEL customers must also use the Company's products). Therefore, salespersons, whether belonging to the Company or KESSEL, who are already in contact with their customers, will be able to offer cross-sales, which will give both companies a greater opportunity to sell their products.

The acquisition of KESSEL shares should result in the Company reducing expenses and increase income from related operations and increase the profit potential of the Company's business in the future as well as help the Company to continue the business with a strong and more stable financial status, which will benefit the Company and all its shareholders.

**5.3.1.2. The Company can recognize KESSEL's performance in the consolidated financial statements of the Company immediately:**

KESSEL has continued revenue and operating profit. Therefore, entering into the KESSEL share purchase transaction will result in the Company recognizing KESSEL's revenues and profits in the consolidated financial statements of the Company immediately after entering the transaction. When comparing between the income statements of the company (separated statement) and consolidated income statement (pro forma statements as detailed in Clause 4.2.1), the Company will gain an increase in sales and service income of THB 119.69 million and profit of THB 31.59 million, accounting for 26.64 percent and 77.85 percent in 2020, respectively.

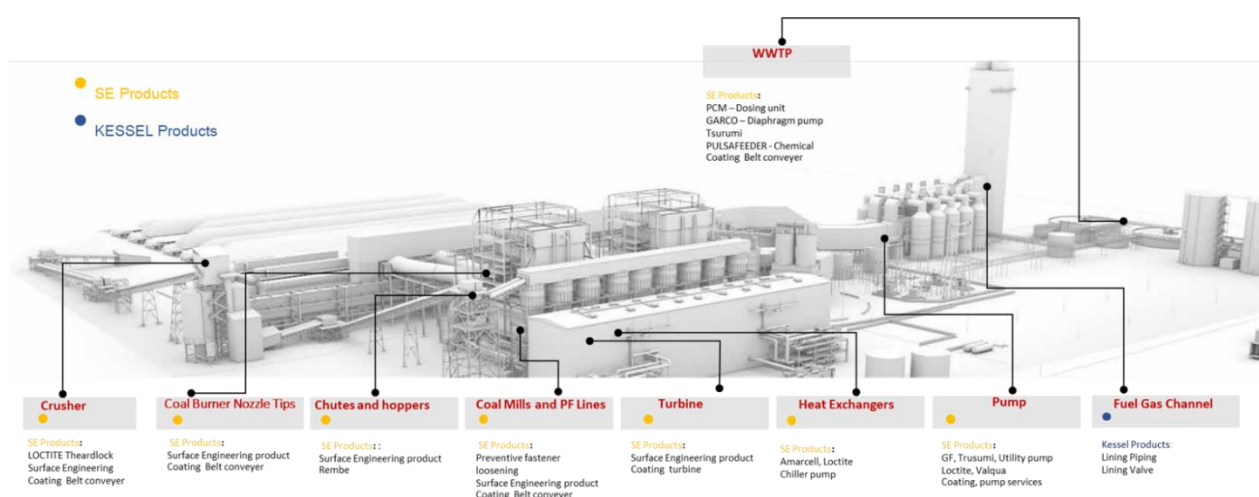
**5.3.1.3. The gross profit margin and the net profit margin of the Company would increase:**

As the products that KESSEL sells are innovative, copyrighted materials and have been developed continuously and for a long time from CRANE, they are unique and have characteristics that go beyond the competition. This is a product that has higher specifications than SE products, which, due to these characteristics, directly resulted in KESSEL being able to sell more expensive and have a higher gross profit than SE. In this regard, from the operating results of the year 2019 - 2020, KESSEL has a 42.86 and 46.16 percent gross profit margin and a 23.20 and 26.31 percent net profit margin, respectively. In comparison in between 2019 -2020, SE has a gross profit

margin of 27.47 and 26.89 percent and net profit margin of 7.38 and 8.95 percent, respectively. KESSEL's gross profit margin and net profit margin is significantly higher than the Company. Therefore, after entering the KESSEL share purchase transaction, if the performance of SE and KESSEL does not change, the gross profit margin and the net profit margin of the Company will have a tendency to increase.

Item (THB million)	Ending on December 31, 2019			Ending on December 31, 2020		
	SE	Kessel	Consolidated	SE	Kessel	Consolidated
Revenues from sales and services	474.95	115.58	590.49	449.28	119.70	568.98
Cost of sales of goods and rendering of services	(344.50)	(66.04)	(410.51)	(328.48)	(64.45)	(392.93)
<b>Gross profit</b>	<b>130.45</b>	<b>49.53</b>	<b>179.98</b>	<b>120.80</b>	<b>55.25</b>	<b>176.05</b>
Other income	5.20	0.76	5.79	4.38	0.37	4.58
Selling expenses	(54.80)	(6.08)	(60.88)	(43.41)	(6.85)	(50.25)
Administrative expenses	(45.26)	(10.30)	(55.39)	(52.59)	(9.10)	(61.52)
Share of profit from investments in associates	6.80	-	6.80	17.37	-	17.37
<b>Total expenses</b>	<b>(88.07)</b>	<b>(15.61)</b>	<b>(103.68)</b>	<b>(74.24)</b>	<b>(15.58)</b>	<b>(89.82)</b>
Profit (loss) before finance costs and income tax	42.38	33.92	76.30	46.56	39.67	86.23
Financial cost	(0.03)	-	(0.03)	(0.69)	-	(0.69)
Profit before income tax	42.34	33.92	76.26	45.86	39.67	85.54
Income tax expense	(6.89)	(6.93)	(13.82)	(5.29)	(8.09)	(13.37)
<b>Profit (loss) for the year</b>	<b>35.45</b>	<b>26.99</b>	<b>62.44</b>	<b>40.58</b>	<b>31.59</b>	<b>72.16</b>
<b>Gross profit margin</b>	<b>27.47%</b>	<b>42.85%</b>	<b>30.48%</b>	<b>26.89%</b>	<b>46.16%</b>	<b>30.94%</b>
<b>Net profit margin</b>	<b>7.38%</b>	<b>23.20%</b>	<b>10.47%</b>	<b>8.95%</b>	<b>26.31%</b>	<b>12.58%</b>

#### 5.3.1.4. The Company will have more products of pumps, piping systems and related equipment:



Although currently SE and KESSEL are selling related or similar products, since it is an equipment and a component in utilities related to liquids, but if the properties of the product are analyzed in detail, there are significant differences, because SE's products are industrial products in the category of pipe pumping pumps and process equipment fluids conventional piping systems without special properties. But KESSEL's product are pipe and valve equipment with resistant to corrosion, chemicals or heat. These special properties are the highlights of KESSEL

products, resulting in KESSEL having a higher gross margin than SE. Therefore, after the Transaction, the Company will be a distributor of industrial products such as pumps, water and liquid piping systems and related equipment, in a more comprehensive manner.

**5.3.1.5. The Company has more opportunity for new group of customers:**

Because the customer groups of SE and KESSEL are both similar and different (they may have the same customers, but each customer buys different products), where most of the customers of both companies are high potential customers, or large industrial plants. After entering this transaction, both SE and KESSEL should be able to increase distribution channels of products and services both directly and indirectly through sharing customer databases of both companies. Therefore, SE and KESSEL have the opportunity to increase sales, especially KESSEL customers, will likely increase after the acquisition of SE (a listed company) shares, which should improve KESSEL's credibility and inevitably result in total sales and profits of SE to rise significantly.

**5.3.1.6. The Company will benefit from business cooperation (Synergy):**

The Company and KESSEL operate related and connected businesses, which after entering into the KESSEL share purchase transaction, the Company expects to have business cooperation as follows:

- The Company and KESSEL can use the engineering service center (Workshop), machinery and equipment together to cover the service to customers before and after the sale. Additionally, human resources can also be used by sharing personnel with knowledge, capability, transportation system and procurement together to reduce the cost of doing business.
- Increase market value and return on the Company's shareholders in the long run. KESSEL has been a company that has performed well since the past. In 2018 - 2020, KESSEL had an ROE of 38.39%, 34.22% and 37.98%, respectively, but for SE, it only had an ROE of 8.70%, 10.94% and 11.55%, respectively.

**5.3.1.7. The existing shareholders have an opportunity to maintain their shareholding proportion:**

For this transaction of the KESSEL share purchase, the Company will use cash from the right offering capital increase as one of the main sources of funding, with new shares allocated at the Company's par price (par price = THB 0.5 per share), which is lower than the market price (weighted average price 7–15 days prior to the first meeting of the Board of Directors on February 23, 2021) at THB 1.49 - 1.53 per share by THB (0.99) - (1.03) per share or (67.33) - (66.55) percent lower. The issuance of capital increase shares by right offering and at a price lower than the market price gives the existing shareholders the opportunity to maintain their shareholding and gain access to the capital increase shares that will be used to increase the Company's net profit at a price lower than the market price.

**5.3.1.8. It is an investment in a well-known company in the industry.**

Entering into the Transaction is the acquisition of KESSEL, the only company that has the right to sell and manufacture products under the trademark Resistoflex and XOMOX from CRANE in Thailand. Resistoflex and

XOMOX products are well-known copyrighted products. It has long been a popular and internationally recognized product, Resistoflex is the number one product in the world in the piping segment and valve industry for more than 68 years. In addition, KESSEL has been a distributor and manufacturer of Resistoflex and XOMOX in Thailand for over 27 years. KESSEL personnel have knowledge, capabilities and expertise in installation technology and product maintenance. Therefore, the acquisition of KESSEL shares should help generate income for the Company in the future.

#### **5.3.1.9. Investment in assets at a reasonable price**

The Company will enter into a transaction to acquire KESSEL this time in the amount of not exceeding THB 260.00 million which such price is lower than the fair value assessed by IFA at THB 293.61 – 433.96 million. Therefore, IFA is in the opinion that this transaction value is appropriate.

### **5.3.2. Disadvantages of Entering into Transaction**

#### **5.3.2.1. The Company will have additional liabilities from financial institutions for at least THB 50.00 million in the consolidated financial statements:**

After December 31, 2020, KESSEL has an increase of debt from financial institutions by THB 50.00 million, which is currently guaranteed by PPM (major shareholder of KESSEL). Therefore, after entering into the KESSEL share purchase transaction, the Company will be the guarantor of such liabilities instead and such liabilities will become a part of the consolidated financial statements of the Company. The debt from financial institutions of THB 50.00 million, KESSEL used to pay dividends of THB 38.03 million and used as working capital for business operation of THB 11.97 million. The loan is currently guaranteed by PPM (KESSEL's major shareholder), having an interest rate of 1.625% per annum and has no payback period. The loan from a financial institution to pay dividends is part of a business deal to acquire KESSEL shares between the Company with the Sellers after entering into the Transaction, the Company has to be the guarantor of such liabilities, which may cause the interest rate of the loan to change depending on the payment capability of the guarantor (SE).

The board of directors is in the opinion that the interim dividend payment of KESSEL before the Company enter into a purchase transaction of KESSEL shares as part of the agreement to enter into a purchase of KESSEL shares between the companies with the Sellers, KESSEL pays dividends to existing shareholders partially using from the loan from financial institutions, which, in the end of the transaction, may result in the consolidated financial statements of the Company debt to equity ratio increase from 0.00 to 0.09 times. The change in the debt to equity ratio will not have a material effect on the Company's future financing opportunity.

IFA is in the opinion that KESSEL's loan is an integral part of the transaction conditions, which is considered part of the fair value valuation and the value that the Company entered into the Transaction at an appropriate value (the fair value already includes the existing debt burden of KESSEL). After entering the debt transaction by KESSEL, SE may have a reduced credit line with a financial institution, since SE must be a guarantor. However, when considering the increasing debt to equity ratio, IFA is in the opinion that this proportion is unlikely to materially affect the loan credit of the Company, since as of the date of issue of this report, SE has no loans from financial institutions.

As part of debt repayment, if KESSEL wants to repay the liability, regardless of the liability, KESSEL has to use the remaining cash from its operations for the settlement of the debt. In this regard, if considering the operating cash (Free cash flow to the firm: FCFF) under the financial assumptions of IFA in Clause 6.1.6, between 2022 - 2025 KESSEL will have FCFF remaining of THB 25.47 - 31.60 million, which if KESSEL wants to pay off the debt arising from dividend payment (THB 38.03 million), KESSEL will be able to repay the debt to financial institutions in a period of 1 - 1.5 years. However, when considering KESSEL's short-term loan ratio, it was found that it was reasonable to compare the current assets to current liabilities with proportion of 1.19 times (as of December 31, 2020, KESSEL has current assets of THB 76.94 million, which when compared to the ratio of current asset to current liabilities as of December 31, 2020, plus additional liabilities of THB 50.00 million). Theoretically, if current assets and current liabilities have similar proportion, it can be considered that the Company does not have a mismatch fund which corresponds to that proportion of KESSEL. Therefore, the worth of such loan depends on the financial management practices of each business. If current assets are significantly higher than current liabilities, it means that the entity does not have money management that is in line with the theory. Normally, the financial cost of the liability is less than the cost of the shareholders, therefore, the use of current assets from the shareholders' capital makes that entity more effective, having a higher financial cost than taking a loan from a financial institution.

#### **5.3.2.2. Shareholders of the Company have a burden to increase capital in order to enter into the KESSEL share purchase transaction:**

Entering into this transaction, the Company will use the cash from the capital increase by right offering as one of the main sources of funds, with the allocation of new shares in the ratio of 2 existing shares to 3 newly issued ordinary shares, because the Company wants to give the existing shareholders an opportunity to maintain their shareholding percentage. However, the issuance of capital increase shares (Right offering: RO) causes the shareholders who wish to maintain their shareholding to have the burden of financing according to the shareholding ratio. The Company has set the offering price for the capital increase shares equal to the par value of the Company (par value = THB 0.5 per share), which is lower than the current market price of THB 1.49 - 1.53 per share (weighted average price of the Company's ordinary shares in the SET of 7 - 15 days prior to the date that the Board of Directors resolved to propose the agenda to the AGM No. 1/2021, which is dated February 23, 2021) by THB (0.99) - (1.03) per share or (67.33) - (66.55) percent lower, which the minor shareholders should be interested in subscribing to the Company's newly issued shares.

#### **5.3.2.3. The Company may lose the opportunity to invest in other businesses:**

Entering into the KESSEL share purchase transaction at THB 260.00 million may cause the Company to lose the opportunity to invest or expand the business in other areas that may yield higher returns than the purchase of KESSEL shares. However, the nature of the business of the Company and KESSEL is similar and consistent with the Company's business expansion policy which should lead to business cooperation and will result in the Company having more income and lower expenses. In addition, the Company has no plans to change the Company's core business and there are no plans to expand investment in other businesses in the near future.

### 5.3.3. Risks from Entering into the Transaction

#### 5.3.3.1. Risk from making a tender offer for all securities of the business:

Entering into this transaction of KESSEL shares, there is an issuance RO capital increase in the ratio of 2 existing shares per 3 new shares at an exercise price of THB 0.50 per share, provided that the existing shareholders are able to reserve shares in excess of their rights. In this regard, if there are any shareholder over-subscribe of his or her shares until the point of triggering a tender offer (Trigger Point), that shareholder has to make a tender offer for all securities of the Company in accordance with the Notification of the Capital Market Supervisory Board No. Tor Jor. 12/2554 Re: Rules, Conditions and Procedures for Acquisition of Securities for Business Takeover dated May 13, 2011 (including the amendments).

#### List of persons who have the right to make a tender offer for all securities of the business

No.	Name	Shareholding Proportion As of March 15, 2021	Next Trigger point	The proportion of the remaining shares that will trigger the next trigger point.
1.	Ms. Orasa Vimolchalao	39.92%	50%	10.08%
2.	Mr. Kirk Leekasem	20.69%	25%	4.31%
3.	Mr. Saengpet Tantaatipanit	9.07%	25%	15.93%
4.	Other shareholders <sup>1/</sup>	0 - 1.30%	25%	23.70% - 25.00%

Remarks: 1/ Due to this issuance of RO capital increase shares, the shareholders can purchase excess shares, so one or more shareholders can purchase more than their rights and have a chance to trigger Tender point.

From the list of shareholders, according to the register book closed as of March 15, 2021, persons eligible to make a tender offer for all securities of the business if there is a subscription for the newly issued shares in excess of their rights, resulting in an acquisition, which holds the Company's shares crossing the next Trigger point, is possible for every shareholder, as this issuance of RO shares stipulates that all the shareholders can purchase excess shares. Therefore, shareholders from 1 share can purchase more than their rights and have the opportunity to trigger Tender point, if other shareholders do not want their share portion. However, there are 3 shareholders: 1) Ms. Orasa, 2) Mr. Kirk, and 3) Mr. Saengpet Tantaatipanit which qualifies as a major shareholder and have the opportunity to pass through the Trigger point easily. However, if a tender offer for all shares of the business is made in the future. Shareholders of the Company have the right to sell or not sell their shares to the Tender Offeror's. The Company must appoint an independent financial advisor to provide opinions on the Tender Offeror's policy and the appropriateness of the tender offer price to the Company's shareholders in the future.

#### 5.3.3.2. Risk of shareholder not approving for the share purchase transaction of KESSEL:

Because entering this transaction is an acquisition of assets and a connected transaction, the Company must obtain approval to acquire assets and connected transactions from the Company's shareholders' meeting with at least three-four votes of the total number of shareholders attending the meeting and having the right to vote without counting the equity of the shareholders with interests. If the Company does not have sufficient support from shareholders, the Company will not be able to enter into the transaction. However, in this transaction, KESSEL shares were studied in all aspects such as legal status checks, accounting and finance status check, preparation of a share

purchase agreement, etc. At the same time, the Company must present the agenda for the acquisition of such assets and connected transactions for approval from the Company's shareholders' meeting, where there are expenses in such actions, for example, the legal consultant fees, the accounting consultant fees, independent financial advisors fees, delivery fees, and so on, regardless of whether the Company's shareholders' meeting consider to approves or disapproves of the acquisition of such assets and connected transactions. In addition, if the shareholder does not approve the transaction to purchase KESSEL shares, but approves the Company to increase the capital in proportion to the right offering (RO) of THB 180.00 million. The Company will have cash from the increase of shareholders' capital by THB 180 million (assuming a full capital increase) without a fixed investment project, which will result in a significant decrease in the Company's EPS rate.

#### **5.3.3.3. Risk from insufficient working capital:**

After the approval of the transaction from the shareholders' meeting, SE has to pay a deposit of THB 80.00 million to the Sellers, which is an event that will occur before the capital increase of the Company, so the Company will not receive cash from capital increase of THB 180.00 million. According to the financial statements ended December 31, 2020 SE had cash and cash equivalents of THB 68.11 million, therefore, IFA is in the opinion that SE may not have enough cash to pay the deposit. However, the Company believes that when the deposit payment is due to the Sellers, the Company should have enough cash. By considering the Company's second quarter financial statements in the past 3 years (2018-2020), which is a similar period that KESSEL deposit payment is due, the Company had cash and cash equivalents between THB 81.31 - 124.25 million, which should be sufficient. In addition, in the year 2021, the Company has prepared to retain the Company's cash by paying dividends by shares to shareholders instead of cash dividends as in the past. The Company also has a short-term loan credit from financial institution of approximately THB 130.00 million, which should be sufficient for entering into the transaction and as cash flow in doing business.

#### **5.3.3.4. Risk of KESSEL's not being approved to change the guarantor:**

Because KESSEL has loans from financial institutions, in particular, the loan that KESSEL has brought in to pay dividend and used as working capital of THB 50.00 million, which is currently guaranteed by PPM (KESSEL's major shareholder). In this regard, changing of guarantor of such loan must obtained consent from the commercial bank and if the commercial banks do not allow the change of guarantor, KESSEL will be unable to comply with the conditions precedent in the draft share purchase agreement. If the Company waiver this conditions precedent and purchase KESSEL share, the guarantee item will be considered a financial assistance from the related person. If the transaction size is more than THB 20 million or more than 3.00 percent of the net tangible assets (NTA) according to the Company's consolidated financial statements, the Company might have to present the matter to the shareholders for approval in accordance with the Notification on Connected Transaction.

#### **5.3.3.5. Risks from KESSEL's future performance:**

KESSEL's business operation is mainly a project base sale, not selling products for general maintenance in the factory. This can be seen from the top ten customers, where most of them are companies that provide



engineering, procurement and construction services (“EPC”). Therefore, if there is a decrease in construction project in the future, it will directly affect the Company's operating results. However, with economic conditions that need to grow, project level construction, regardless of whether it being a repair work, large-scale production improve for efficiency, or the construction of additional factories, these should continuously appear, which is proven from the past where it can be seen that KESSEL's revenues and profits have grown steadily.

**5.3.3.6. Risk of provisioning or impairment of certain accounting items if there is a change in accounting standards:**

At present, KESSEL prepares its financial statements using the Financial Reporting Standards for Non-Public Entities (NPAEs). After the completion of the acquisition of KESSEL's shares, if SE wants to change the accounting standard of KESSEL to meets Financial Reporting Standards for Publicly Accountable Entities (PAEs) to facilitate the preparation of the consolidated financial statements, KESSEL may need to set provision or impaired in certain accounting items such as inventory, provisions for employee benefits or other items, etc., which may have a significant impact on KESSEL's income statement. In this regard, IFA has reviewed the auditing and tax report (“Financial and Tax Due Diligence Report”) of Kessel (Thailand) Company Limited prepared by MA and did not find any accounting items that may be impaired or have significant impact on KESSEL's accounting, except for inventories over the age of 5, which are valued at THB 1.50 million only.

**5.3.3.7. Risk from product reliance on Crane Resistoflex and the risk of termination of the Technology and Manufacturing Agreement.**

As detailed in Clause 3.8.2, more than 90% of KESSEL's revenues come from the sale of Crane Resistoflex products. Therefore, if KESSEL is unable to sell Crane Resistoflex products, whether due to Crane Resistoflex termination of the Technology and Manufacturing Agreement, or Crane Resistoflex allowing other partners to access the product and technology like KESSEL, there will have a significant impact on KESSEL's revenue and profit. However, KESSEL and Crane Resistoflex have been in a strong relationship over the past five years, which can be seen that KESSEL's sales and profits have continued to increase, which the increase in sales is a factor in the renewal of the Technology and Manufacturing Agreement. Therefore, entering into the Transaction will provide KESSEL with a distribution channel and serve more customers, which should have a positive effect on KESSEL's sales in the long run.

**5.3.3.8. Risk of entering into the transaction with the shareholders' voting on the Transaction.**

From the invitation letter to the Annual General Meeting of Shareholders for the year 2021, IFA found that the agenda for the approval of the shareholders related to the acquisition of KESSEL shares may have risks from the unrelated agenda where Agenda 1) increasing the Company's registered capital to offer to existing shareholders in proportion to their shareholding (Right Offering) in the amount of THB 180 million (the Company expects to use the fund from capital increase in the acquisition of KESSEL shares) and Agenda 2) The acquisition of assets and a connected transaction (the Transaction), which should be a related agenda, but instead, the Company split the agenda for both shareholders' approval to be independent, in which setting the agenda in this manner could produce results in 4 cases as shown in the table below:

Cases	Shareholders' Voting Results		
	Capital increase agenda (3 in 4 votes of shareholders who attend the meeting and have the right to vote)	Agenda for acquisition of KESSEL shares (3 out of 4 votes of the shareholders who attend the meeting and have the right to vote where the shareholders with interest have no voting rights <sup>1/</sup> )	Results according to the opinion of the Company
1	Shareholders approve	Shareholders approve	The Company is able to enter into the transaction and has sufficient funds to purchase KESSEL shares.
2	Shareholders approve	Shareholders do not approve	The Company was able to increase capital but was unable to enter into the transaction to purchase KESSEL shares.
3	Shareholders do not approve	Shareholders approve	It is unlikely that Ms. Orasa (holding 39.92% of the issued and paid-up shares of the Company) has to vote against the agenda of the capital increase.
4	Shareholders do not approve	Shareholders do not approve	It is unlikely that Ms. Orasa (holding 39.92% of the issued and paid-up shares of the Company) has to vote against the agenda of the capital increase.

Remarks: 1/ Ms. Orasa (holding 39.92% of the issued and paid-up shares of the Company) and Mr. Sittichai (holding 0.01% of the issued and paid-up shares of the Company) have no rights in voting because they are shareholders with interest.

From the table above, it can be seen that the risk of the Company proposing to the shareholders to approve Agenda 1) increasing the Company's registered capital to offer to existing shareholders in proportion to their shareholding (Right Offering) in the amount of THB 180.00 million and Agenda 2) The acquisition of assets and a connected transaction (the Transaction) is independent of each other, which may cause the Company a risk from the shareholders approving Agenda 1) allowing the Company to increase capital in the amount of THB 180.00 million but cannot invest in KESSEL as planned. However, IFA has further reviewed the possibility in case of the second case and the management approach if such an event occurs. The Company is in the opinion that if the shareholders pass a resolution only approving the capital increase to be offered to existing shareholders according to their shareholding proportion (Right Offering), the Company will continue to implement the Company's objectives and strategic plans for long-term growth by acquiring other businesses that will increase the Company competitiveness in the long run. However, IFA is in the opinion that if the outcome of the shareholders' vote is in case 2 (shareholders approve the Company increase capital for offering to existing shareholders in proportion to their shareholding but did not approve the transaction to buy KESSEL shares), on the subscription date for proportional capital increase (Right Offering), the major shareholder may not subscribe for his or her proportional shares because they know for sure that the Company cannot invest in KESSEL.

#### 5.4. Advantages and Disadvantages between Connected Transaction and Transactions with the Third Party

##### 5.4.1. Advantages of Entering into a Connected Transaction

###### 5.4.1.1. Entering into the transaction is convenient and fast:

Since the Company and KESSEL have common major shareholders and directors, therefore, negotiating the conditions is swift, which enable the Company to call for a shareholders' meeting in time, to approve transactions in the AGM 2021. In the situation that the Company decided to acquire a business from a third party, it may take time for negotiation and due diligence, which may result in the negotiation not going as expected.

##### 5.4.2. Disadvantages of Entering into a Connected Transaction

###### 5.4.2.1. It may be viewed as a non-transparent transaction and a transfer of benefits:

Entering into a transaction with a related person may be considered a non-transparent transaction and a transfer of benefits from the Company to the person who is connected, since the buyer and the seller have the same major shareholder, which is Ms. Orasa.

##### 5.4.3. Advantages of Entering into a Transaction with the Third Party

###### 5.4.3.1. The shareholder will assume that the transaction is transparent:

By entering into a transaction with the third party, the shareholders will make an assumption that this transaction of the Company is a transparent transaction and there is no transfer of benefit out of the Company since the two parties do not have a connection. Therefore, in the negotiation of both the buyer and the seller is most likely to protect their own benefits.

##### 5.4.4. Disadvantages of Entering into a Transaction with the Third Party

###### 5.4.4.1. May require a more duration and negotiation may have additional conditions:

By entering into a transaction with the third party, both parties must try to negotiate in order to protect their own benefits in the best interest of their own. Therefore, it may cause the Company to take more time, resources and negotiations on various conditions, in order to complete the transaction.

## 6. Opinion of Independent Financial Advisor on the Appropriateness of the Price and Conditions of the Transaction

### 6.1. Evaluation of the Fair Value of Assets to be Acquired from the Transaction

IFA considers the appropriateness of price of KESSEL's share based on information and assumption of business operation, received from KESSEL, audited financial statement, internal financial statements, business plan, marketing information, financial estimates and assumptions, interview from executives and related officer, site visit and information that published to the public.

However, the opinion of IFA is based on the assumption that all the information and important document, are complete and true, along with observing the current situation and currently available information. If there is any significant change in those factors, it may impact the Company operation and the shareholders' decision.

Discover consider the appropriateness of KESSEL's share by 6 following approaches which are;

1. Book Value Approach
2. Adjusted Book Value Approach
3. Market Price Approach
4. Price to Book Value Ratio Approach: P/BV Ratio
5. Price to Earnings Ratio Approach: P/E Ratio
6. Discounted Cash Flow Approach

After receiving information and document of KESSEL, along with other relevant information, IFA can summarize the appropriate price of KESSEL's shares as follows:

#### 6.1.1. Book Value Approach

In this valuation approach, it shows the company's value of KESSEL as shown in financial statement at a certain moment in time, which appears on the audited financial statement as of December 31, 2020, which has been audited by a certified public accountant which has been approved by the SEC, which is DIA International Audit Company Limited, and is the latest financial statement, before dividing by the number of shares. The details are as follows:

No.	Details	Value (THB million)
1.	Assets	101.86
2.	Liabilities	17.90
3.	Paid-up Capital	8.00
4.	Retained earnings (losses)	75.96
5.	<b>Total equity of KESSEL (5) = (3) +(4)</b>	<b>83.96</b>
6.	Number of shares issued and fully paid-up (shares) <sup>1/</sup>	80,000.00
7.	<b>Book value per share (THB/share)</b>	<b>1,049.48</b>

Remark: 1/ Par value per share is 100.00 THB/share

According to this valuation approach, KESSEL value is **THB 1,049.48 per share or equal to THB 83.96 million, and when accounting for 92.28 percent of the total shares of KESSEL, the value is THB 77.48 million.** However, this approach only measures the accounting value of KESSEL financial statement as of the date of valuation, without considering expectations of future operating performance, industry trends, and fair value of

KESSEL's assets and liabilities. Therefore, IFA is in the opinion that this approach is not an appropriate valuation approach for KESSEL.

#### 6.1.2. Adjusted Book Value Approach

By this approach, the share value is derived from KESSEL's total assets, reduced by total liabilities including commitments and contingent liabilities as shown in the financial statements as of December 31, 2020, and adjusted by the items occurred after the end of accounting period or the items that may reflect the actual value of KESSEL such as asset revaluation or impairment, reversal of allowance for doubtful account or bad debt, business licenses, goodwill, patent, brand value, dividend payment, losses carried forward, etc., to reflect prevailing market value of net assets and then divided by total number of paid-up shares of the Company to arrive at per share value.

In this approach of valuation of KESSEL's shares, IFA has used the book value which appears in the latest financial statement as of December 31, 2020, audited by a certified auditor and adjusted with dividend payment and the premium or discount of the new appraised value of the fixed asset according to the asset appraisal report, prepared by SIMS, an independent asset valuer approved by the Valuers Association of Thailand ("VAT") and is a capital market asset appraisal company which has been approved by the SEC. The shareholders can consider details of additional asset valuation report in Attachment 3 and Attachment 4. In this regard, IFA is in the opinion that the method and value used by the independent property appraiser is appropriate and therefore is used as a reference for the valuation of shares by this method.

Due to the time constraints on the transaction, KESSEL has assigned SIMS to assess the critical portion of KESSEL's assets and will likely only have a significant increase or decrease in the asset's value, which is the land, buildings and building improvements located in Samut Prakan and Rayong provinces where the book value of land, buildings and building improvements equals to THB 18.80 million or accounted for 76.13% of the total fixed assets. As for other fixed assets that is not appraised, including office equipment, tools, equipment and vehicles, which have a book value of THB 5.90 million, accounting for 23.87 percent of the total fixed assets, they are assets that are continuously used, where the auditor of KESSEL has continuously amortized the expenses. Additionally, if the appraiser assesses the value of other assets to reflect the market value or the new replacement value, it can be time consuming and if such asset have no additional depreciation, there will be no changes to the value of that asset.

In this regard, the valuation of the land, buildings and building improvements are located in Samut Prakan and Rayong provinces, where SIMS has chosen the Cost Approach as a basis for building valuation and select the Market Approach to analyze and determine the land value by selecting the market data of the land with potential near the land of the business to be used for comparative analysis. IFA has reviewed the information in the asset appraisal report of the independent appraiser, valuation method and various assumptions, and found that asset appraisal is for a public purpose. Each method of asset valuation is appropriate in accordance with the principles of asset valuation and there is no suspected cause that the independent asset appraiser is not working to the best of his ability and not relying on a professional basis. Therefore, IFA has adjusted the book value from the asset appraisal report of the independent appraiser and can be summarized and compared with the book value of the company as of December 31, 2020.

No.	List	Book Value as of Dec. 31, 2020 (THB million)	Value appraise by the asset appraiser (THB million)	Increase (decrease) (THB million)
1	Land	11.24	30.68	19.44
2	Buildings and building improvement	7.56	18.87	11.31
3	Other asset that is not appraised	5.90	-	-
<b>Total value of land, building, and equipment</b>		<b>24.70</b>	<b>49.55</b>	<b>30.75</b>

Therefore, from the valuation of shares by adjusting book value approach by taking the items mentioned above into consideration, the value of KESSEL's shares will be as follows:

No.	Details	Value (THB million)
1	Shareholder Equities	83.96
2	Add - Premium (Discount) from appraisal report <sup>1/</sup>	30.75
3	Minus – Dividend Payment <sup>2/</sup>	(75.16)
4	Minus - Inventories that may be impaired <sup>3/</sup>	(1.50)
5	<b>Shareholder Equities after Adjustment</b>	<b>38.04</b>
6	Total No. of Shares (shares) <sup>4/</sup>	80,000.00
7	<b>Adjusted Book Value per Share (THB)</b>	<b>475.56</b>

Remarks: 1 / Details in Attachment 3 Summary of the appraisal of land and buildings Samut Prakan Province of KESSEL by SIMS

2 / At the KESSEL Extraordinary General Meeting of Shareholders No. 2 on February 5, 2021, the shareholders approved a dividend payment of THB 38.50 million and at the Extraordinary General Meeting No. 3 of KESSEL on February 22, 2021, the shareholders approved a dividend payment of THB 36.66 million. By including these two dividends, this amounts to THB 75.16 million.

3/ According to the Financial and Tax Due Diligence Report provided by MA, KESSEL does not have a policy to set an allowance for obsolete products for non-moving items or long outstanding items. As of December 31, 2020, KESSEL has items age over 5 years, the amount of THB 1.50 million. In this regard, from inquiries to the manager of accounting department found that such products are still usable and have no expiration date. Most of them are product groups used in piping systems. However, IFA has made a conservation valuation of KESSEL's company, thus deduct the total amount of inventories that have an outstanding age longer than 5 years. IFA has disclosed the risk of impairment of accounting items in *Clause 5.3.3.6. Risk of provisioning or impairment of certain accounting items if there is a change in accounting standards.*

4/ The par value is equal to THB 100.00 per share.

By using valuation approach, company's value of KESSEL is **THB 475.56 per share or equal to THB 38.04 million, and when accounting for 92.28 percent of the total shares of KESSEL, the value is THB 35.11 million.** However, IFA is in the opinion that this approach does not take into account the profitability, operating performance competitiveness, as well as the performance of the business in the future. So, this valuation approach cannot reflect its true fair value, but it can be used as a reference to determine the value of KESSEL. **Therefore, IFA is in the opinion that this valuation approach is not an appropriate valuation approach for this transaction.**

### 6.1.3. Market Price Approach

This valuation approach uses the weighted average market price of the trading value of securities of the Company through the SET. IFA used the weighted average market closing price of ordinary shares (value traded/volume traded) in the SET over the past period of 7 days, 15 days, 30 days, 60 days, 90 day, 180 days and 360 days, consecutively up until the day that price is determined or the day that board of directors approved the transaction. However, currently KESSEL's share is not in registered and traded in the SET, thus, the trading price is not available. **As a result, IFA is unable to assess the value of KESSEL's shares by this method.**

### 6.1.4. Price to Book Value Ratio Approach : P/BV Ratio

This valuation approach is based on the book value of the KESSEL that is adjusted in Clause 6.1.2 Adjusted Book Value Approach, which is THB 475.56 per share multiplied by median of closing prices to book values (P/BV) of 7 days, 15 days, 30 days, 60 days, 90 days, 120 days, 180 days and 360 days of listed companies with similar business up until February 22, 2020 (one day before the board of directors of SE approve the Transaction). In the method of selecting companies to compare, IFA selects from companies with similar business operations to KESSEL, which operate in the business of procurement, distribution, import, manufacture of products, repair services for pipes, valves or other equipment relating to pipe systems for industrial plants in Thailand, as well as contractors for the construction of pipelines related systems.

IFA chooses five companies listed on the SET that have the most similar business to KESSEL: 1) CAZ (Thailand) Public Company Limited ("CAZ") 2) Hydrotek Public Company Limited ("HYDRO") 3) Siameast Solution Public Company Limited ("SE") 4) Thai-German Products Public Company Limited ("TGPRO") and 5) WIJK Public Company Limited ("WIJK") as a comparative company.

IFA chooses CAZ and HYDRO as the companies to compare because

- 1) Although CAZ and HYDRO do not operate as a direct supplier of pipes or equipment related to piping systems but operates a business related to piping and water systems which is consistent with KESSEL. CAZ is a contractor, construction, assembly and installation of pipelines for customers in the oil, gas and petrochemical industries and HYDRO is a contractor for construction and management of environmental engineering such as water production systems, wastewater treatment systems, etc. These two companies are companies involved in the use of pipe as components in construction.
- 2) To increase the dataset to find the median value, if CAZ is not used as a comparison company, there will be only 2 comparison companies.

Details of comparison companies are as follows:

Full Name	Abbreviation	Stock Exchange	Business Description	Asset (THB million) Dec. 31, 2020	Revenue (THB million) Dec. 31, 2020	Net Profit (THB million) Dec. 31, 2020	Market Capital (THB million) Feb. 22, 2020
1. CAZ (THAILAND) PUBLIC COMPANY LIMITED	CAZ	mai	The company provides services for engineering, procurement and construction and Fabrication works in Oil & Gas, Petrochemical, Chemical, Energy, Power plants. The company's services can be categorized into 4 scopes as following:1. Engineering, Procurement and Construction2. Structural Mechanical Piping and Electrical and Instrument Service3. Civil Construction Service4. Fabrication and Other Service	1,675.02	2,233.06	63.93	509.60
2. HYDROTEK PUBLIC COMPANY LIMITED	HYDRO	mai	The Company operates the construction and environmental engineering management business as follows; 1. Water Treatment Plant such as Portable Water, Demineralization Plant, Desalination Plant, Mobile Water Treatment Plant 2. Wastewater Treatment Plant such as Wastewater Recycle Plant, Wastewater Treatment to achieve standard 3. Solid Waste Treatment Plant 4. Waste to Energy.	427.59	168.37	(74.31)	322.66
3. SIAMEAST SOLUTIONS PUBLIC COMPANY LIMITED	SE	mai	The company distributes industrial products which consist of pumps, process machinery, piping systems, and consumable products for the usages in production process and maintenance as well as provides related services including coating and tailor-made removable insulation jacket services.	477.64	449.28	40.58	355.20
4. THAI-GERMAN PRODUCTS PUBLIC COMPANY LIMITED	TGPRO	SET	Company has operated as the manufacturer and distributor of stainless steel under the TGPRO trademark for using in various manufacturing industries such as Sugar Industry, Food Industry, Chemical Industry, Heat Exchanger Tube, and using in Construction Industry in decorating and furnishing	3,264.72	1,583.10	(58.50)	519.14
5. WIJK PUBLIC COMPANY LIMITED	WIJK	SET	The Company manufactures, distributes, provides consulting services on installation	2,524.50	1,621.79	109.34	1,374.28



Full Name	Abbreviation	Stock Exchange	Business Description	Asset (THB million) Dec. 31, 2020	Revenue (THB million) Dec. 31, 2020	Net Profit (THB million) Dec. 31, 2020	Market Capital (THB million) Feb. 22, 2020
			planning of pipe systems, and installation services of HDPE pipe, LDPE pipe, polypropylene pipe, Weholite Spiro pipe, and WehoTank. Its production capacity and quality of products are well known worldwide.				

However, since HYDRO and TGPRO had net losses of THB 74.31 million and THB 58.50 million, respectively, in the latest 4 quarters as of December 31, 2020, IFA did not use HYDRO and TGPRO as comparison companies in the valuation of KESSEL.

The P/BV ratio of comparison listed companies, information up to February 22, 2021, can be summarized as follows:

P/BV: (times)	Average (days)							
	7	15	30	60	90	120	180	360
CAZ	1.01	1.01	1.03	0.99	0.95	0.92	0.91	1.07
SE	1.07	1.02	0.98	0.93	0.91	0.89	0.89	1.04
WIJK	1.38	1.33	1.34	1.26	1.27	1.19	1.06	0.81
Median	1.07	1.02	1.03	0.99	0.95	0.92	0.91	1.04
KESSEL share price (THB/share)	508.17	486.02	487.92	469.37	449.72	439.22	433.47	492.68

Source: 1/ www.setsmart.com

2/ IFA chose to use median instead of mean to reduce the effect of outliers

3/ The period used to calculate the average closing price to book value is the period counting from February 22, 2021 backward.

By using valuation approach, company's value of KESSEL is between THB 433.47 – 508.17 per share or between THB 34.68 - 40.65 million, and when accounting for 92.28 percent of the total shares of KESSEL, the value is THB 32.00 - 37.52 million. However, KESSEL is an importer, assembler and distributor of pipes, valves and related piping products in heavy industrial factories, where the nature of business operation does not directly use assets such as land or concessions as assets for operating a business. Additionally, this method does not reflect the performance of KESSEL and its future business growth potential in the future and industry growth prospects. Therefore, IFA is in the opinion that this valuation approach is not an appropriate valuation approach for this transaction.

In addition, the IFA has determined KESSEL's share value using the price-to-book ratio method by eliminating CAZ from the comparator because CAZ does not operate a business as a direct distributor of pipes or equipment related to piping systems. It operates a plumbing business which is consistent with KESSEL, which is the contractor, construction, assembly and installation of pipelines for customers in the oil, gas and petrochemical

industries. This will leave only two companies for comparison, SE and WIJK. From the mentioned method, the value of KESSEL is between THB 439.93 - 581.54 per share. The total value of KESSEL is between THB 35.19 - 46.52 million and investment in 92.28% of KESSEL's total shares will be valued at THB 32.48 - 42.93 million. The value obtained by eliminating CAZ from comparison companies is not taken into account to determine KESSEL's fair value. However, IFA only wishes to show the shareholders the value of KESSEL in such case.

#### 6.1.5. Price to Earnings Ratio Approach: P/E Ratio

This approach is using earning per share for the last 4 quarters ended December 31, 2020 reviewed by the KESSEL's certified auditor which is THB 394.85 per share multiplied by closing prices to earnings (P/E) of 7 days, 15 days, 30 days, 60 days, 90 days, 120 days, 180 days and 360 days of listed companies operating similar business to the Company in the sector of the Company as specified in Clause 6.1.4 Price to Book Value Approach: P/BV ratio.

Details can be summarized as follows:

P/E: (times)	Average (days)							
	7	15	30	60	90	120	180	360
CAZ	7.82	7.76	7.91	7.61	7.19	6.95	6.65	7.25
SE	13.73	13.12	12.63	11.93	11.34	10.98	10.22	10.07
WIJK	16.66	16.11	16.23	15.30	15.68	14.90	15.12	31.69
Median	13.73	13.12	12.63	11.93	11.34	10.98	10.22	10.07
KESSEL share price (THB/share)	5,419.60	5,181.75	4,987.22	4,711.68	4,476.15	4,334.56	4,035.28	3,977.21

Source: 1/ www.setsmart.com

2/ IFA chose to use median instead of mean to reduce the effect of outliers

3/ The period used to calculate the average closing price to book value is the period counting from February 22, 2021 backward.

By using valuation approach, company's value of KESSEL **is between THB 3,977.21 – 5,419.60 per share or between THB 318.18 – 433.57 million, and when accounting for 92.28 percent of the total shares of KESSEL, the value is THB 293.62 - 400.11 million.** IFA is in the opinion that the valuation of shares by this method is feasible to evaluate the value of the Company's ordinary shares, since the company's share price calculated by this method reflects investor stock needs, investors' views and expectations of each company's future business growth potential based on their performance and business strategies. **Therefore, IFA is in the opinion that the above valuation method is appropriate for this valuation of KESSEL's shares.**

In addition, the IFA has determined KESSEL's share value using the price-to-earnings ratio method by eliminating CAZ from the comparator because CAZ does not operate a business as a direct distributor of pipes or equipment related to piping systems. It operates a plumbing business which is consistent with KESSEL, which is the contractor, construction, assembly and installation of pipelines for customers in the oil, gas and petrochemical industries. This will leave only two companies for comparison, SE and WIJK. From the mentioned method, the value of KESSEL is between THB 5,001.86 - 8,245.74 per share. The total value of KESSEL is between THB 400.15 - 659.66 million and investment in 92.28% of KESSEL's total shares will be valued at THB 369.27 - 608.75 million. The value

obtained by eliminating CAZ from comparison companies is not taken into account to determine KESSEL's fair value. However, IFA only wishes to show the shareholders the value of KESSEL in such case.

#### **6.1.6. Discounted Cash Flow Approach**

This valuation of shares takes into account the performance of the business in the future by calculating the present value of the estimated free cash flow (FCF) with the appropriate discount rate. IFA calculates the Weighted Average Cost of Capital (WACC) to be used as a discount rate and calculate future net cash flow from KESSEL's financial forecast over the next 5 years (2021 - 2025) based on KESSEL's business on going concern basis with no significant changes occurring and under the current economic conditions and situations.

IFA has prepared a financial forecast of KESSEL with reference to information and assumptions received from KESSEL and from interviews with management and relevant officials. If the economic situation, other external factors affecting the operations of KESSEL, or KESSEL's current internal situation has changed significantly from the assumptions made, the value of the shares assessed by this method will change as well, especially in the epidemic situation and the impacts arising from COVID-19, which may have a material effect on the KESSEL operating results. Assumptions about the financial projection of KESSEL can be summarized as follows:

##### **6.1.6.1. Nature of Business and Products that KESSEL Sell**

The main business of KESSEL is an importer of pipe, valves and other product parts that is related to the piping system (under the trademark of Resistoflex, XOMOX, and other trademarks under CRANE) for assembly, production and distribution to the customers that are heavy industry, such as petrochemical factory, chemical factory or plastic factory. The products that KESSEL sells to customers are innovative materials that have a special technology that has been developed continuously for over 60 years by CRANE, making them resistant to chemical corrosion and high temperature. It is widely used from customers all over the world. KESSEL is the sole distributor of CRANE products in Thailand. In this regard, KESSEL's income can be divided into 5 main product group and services as follows.

##### **1) Revenue from Distribution of Pipe Lining Product Group**

The Pipe Lining product group is a special type of tube with certain plastics such as Teflon covering the inner surface of tubes for use in heavy industries, where conventional pipes cannot withstand. Pipe Lining products have perfect resistant to liquid corrosion and can withstand liquids with temperatures up to 200 degrees Celsius. Resistoflex's products have been invented and improved over 60 years, with Resistoflex products undergoing a unique Thermalok and Swaging process of Resistoflex, by locking the plastic on the inner surface, preventing thermal expansion problems, enabling the product to be used efficiently.

KESSEL is the only company in Thailand that obtains the rights to manufacture and distribute Pipe Lining products under the trademark of Resistoflex, a registered trademark of CRANE, which is a company listed on the New York Stock Exchange.

# CRANE RESISTOFLEX®



Most of the revenue generated from Pipe Lining products is in the form of project-based contracts, that is, when a customer wants to build a new factory or needs maintenance or needs to replace pipe parts in an industrial plant, KESSEL customers will order multiple parts and sizes for applications where chemical and thermal corrosion resistance is required in the plant. KESSEL will bring pipes and components ordered from CRANE to design, assemble, modify to suit and comply with the design required by KESSEL customers and deliver to the customer or the customer's contractor to install in the customer's factory.

## 2) Revenue from Distribution of Valve products Group

Valve products group are products used to open and close fluid passages, control fluid flow rate, adjust the liquid flow rate to the desired level, easily changing the flow direction, prevents backflow and prevents liquids from mixing.

KESSEL is the only company in Thailand that has acquired the right to import, sell and manufacture valve products under the trademark XOMOX under the supervision of CRANE, the same copyright holder with Resistoflex. Valve products under the XOMOX trademark are suitable for use in corrosive and toxic chemical processing applications and has the ability to withstand heat, similar to Pipe Lining products. Kessel valve products have a Teflon inner coating to enhance the durability of the product.

# XOMOX®



**Plug Valve**



**Ball Valve**



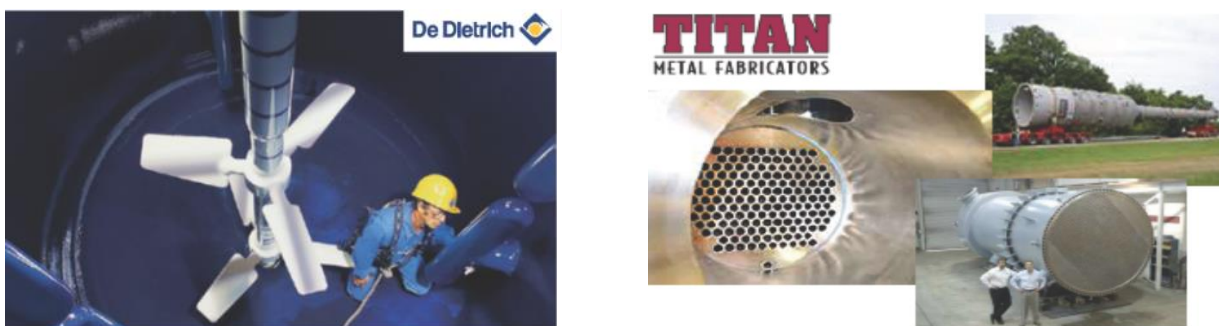
**Butterfly Valve**

Revenue that is generated from XOMOX product group is in the form of project-based contracts, similar to that of Pipe Lining, that is, when a customer wants to build a new factory or needs maintenance or needs to replace

pipe parts in an industrial plant, KESSEL customers will order multiple parts and sizes for applications where chemical and thermal corrosion resistance is required in the plant. KESSEL will bring valve and components ordered from CRANE to design, assemble, modify to suit and comply with the design required by KESSEL customers and deliver to the customer or the customer's contractor to install in the customer's factory.

### 3) Revenue from Distribution of other Product Group

KESSEL is also a leading importer of pipes and other products relating to pipe systems, such as glass-lined pipes or large pipes that are resistant to heat and high pressure under the trademark of De Dietrich, Titan Metal Fabricators, Rosemund and QVF etc.



Revenue from other product groups is income generated from the customer orders for special products such as glass-lined pipes or large pipes that are effective against heat and high pressure. The Company is the importers and distributors directly to the customers.

### 4) Revenue from Commission

Revenue from commission is the revenue generated from CRANE, the copyright holder of the products under the trademarks Resistoflex, XOMOX, and other products, selling directly to customers in Thailand (trading takes place in a foreign country, both ordering products or payment) whereby the product is a special item or is a large project that KESSEL cannot assemble or manufacture. But KESSEL, as the rightsholder to distribute the products of Resistoflex, XOMOX and others of the CRANE group in Thailand, will be the coordinator for importing the products and deliver products to customers. After the completion of the transaction, KESSEL will receive a commission fee directly from CRANE.

### 5) Revenue from Services

In addition to KESSEL being an importer of pipe and valve to assemble and produce for distribution, KESSEL also provides chemical corrosion-resistant metal coating services, installing pipe system and other related services as well.

#### 6.1.6.2. Revenue from sales and services

In general, the standards for preparing IFA report are based on financial projections. IFA will determine the income based on the quantity and the average price per quantity. But because KESSEL's product have various sizes

and lengths that can be modified according to customer requirements, moreover, the nature of KESSEL's work is a project base contract, KESSEL records income based on the number of jobs or projects contracted by the customer, which includes the imported goods, overhead and assembly costs, together as one whole work. Therefore, for the financial projection of KESSEL, IFA has created an income estimate based on the average value per project to be consistent with the nature of KESSEL's business operations.

KESSEL's pricing of products and services will be priced at Cost-Plus Pricing, which means that KESSEL's historical gross profit in normal operations will not significantly change. The assumptions for revenue from sales and service of each product group are as follows:

- Revenue from Pipe Lining product is KESSEL's main source of income, currently accounting for 78 percent of total revenue, with continuous revenue growth year-over-year. During the years 2016 - 2020, revenue from Pipe Lining products have a growth of 44.19, 7.62 and 10.90 percent per year, respectively. In 2018, revenue from Pipe Lining grew significantly compared to other years, since KESSEL customers opened a new petrochemical plant in Thailand and many customers increased their product orders from KESSEL. In addition, KESSEL has accrued jobs in 2017, revenue recognition was realized when completed in 2018, and customers in this group have continued ordering products from KESSEL up until now. But due to the situation of the COVID-19 epidemic, which affects the economy of Thailand, especially in the industry in the long run. Therefore, IFA has estimated the income of the Pipe Lining product line by using a conservative basis, whereby in the year 2021 – 2025, Pipe Lining products has a growth rate of the number of jobs at 2.50 percent per year from the previous year (which is a significant downgrade from KESSEL's growth forecast) based on Thai business and industry trends: Petrochemical industry from 2021 to 2023 prepared by Krungsri Research Department, Bank of Ayudhya Public Company Limited that stated that between 2021-2023, domestic petrochemical industry demand is expected to grow 1.5-3.5 percent per year. IFA uses the growth rate of the petrochemical industry to determine the growth rate of the number of Pipe Lining jobs as KESSEL's main customers are in the petrochemical industry, which should have a consistent growth rate. The project value of Pipe Lining in 2021 - 2025 has been increased by 0.56 percent per year based on the Bank of Thailand's core inflation.
- Revenue from Valve product group currently accounted for 12 percent of total revenue. Between 2018 and 2020, revenue from valve product group grew at (31.32), 49.34 and (15.04) percent per year, respectively. Revenue from value product fluctuate due to the nature of customer orders that are ordered to replace worn out valves, resulting in an unstable order volume depending on the service period. However, revenue from valve products remain KESSEL's second-largest revenue stream in 2017 - 2020, fluctuating between THB 11.50 - 17.18 million. Therefore, IFA estimates the income of the valve product by using a conservative basis. The number of jobs of the valve product has no growth rate throughout the forecast period. (This is a significant downgrade from KESSEL's growth forecast) and that the project value of the valve portfolio in 2021 - 2025 is increased by 0.56 percent per year based on the Bank of Thailand's core inflation rate. Throughout the forecast period, the valve group revenue will be THB 14.68 - 15.01 million per year, which is still within the average of the historical valve revenue during 2017 - 2020 at THB 15.01 million.

- Other product groups: For other product groups growth was quite volatile due to the number of purchases that is uncertain and is not the main product that KESSEL sells. In this regard, due to the situation of the COVID-19 epidemic, which may affect the economy of Thailand, especially the industrial sector in the long run, IFA has therefore estimated the income of other product groups by using a conservative basis, assumes that the number of other product groups project has no growth rate throughout the forecast period (this is a significant downgrade from KESSEL's growth forecast) and that the project values of the other product lines in 2021 - 2025 are increase by 0.56 percent per year based on Bank of Thailand's core inflation rate averaged 5 years of the Bank of Thailand.
- Revenue from commissions is the revenue generated from CRANE, the copyright holder of the products under the trademarks Resistoflex, XOMOX, and other products, selling directly to customers in Thailand, whereby the product is a special item or is a large project that KESSEL cannot assemble or manufacture. In 2020, KESSEL earns revenue from commission of THB 3.94 million or 3.63% of the revenue from Pipe Lining products and valve products, significantly higher than in 2018 – 2019, which accounted for 0.75% and 0.57% of the revenue from pipe lining and valve products, respectively, as there are many projects that CRANE expects to be completed in 2018 - 2019, but such projects have construction delays, causing a y delay on CRANE payments to KESSEL as well. Therefore, the revenue recognition in 2020, if considered with the commission income in 2017 as well, can be seen that the revenue in that year amounted to THB 1.89 million or equivalent to 2.65 percent of the revenue from sales, which is higher than in 2018 - 2019 as well. Therefore, IFA determines that the revenue from commission over the projection period is 1.65% of the revenue from pipe lining and valve products based on the ratio of revenue from commission to average sales revenue of the past three years (2018-2020), which should be appropriate and reduce the fluctuation of revenue recognition from commissions.
- Revenue from services: IFA determines that KESSEL's revenue from service over the projection period is 2.61 percent of revenue from sales based on the proportion of revenue from service to average revenue from sales over the past three years. IFA believes that revenue from service for the past 3 years (2018 – 2020) has low volatility, which should be appropriate to reflect KESSEL's revenue from service in the future.

### 6.1.6.3. Other Income

Other income consists of interest income and others income. IFA based the assumption on the historical average of the past 3 years (2018 – 2020) which equals to 0.28 percent of revenue from sales and services and stipulated for it to remain constant throughout the projection period.

(Unit: THB million)

Revenue	2017A	2018A	2019A	2020A	2021F	2022F	2023F	2024F	2025F
<b>Revenue from Pipe Lining Products</b>									
Revenue	54.45	78.51	84.49	93.70	96.58	99.54	102.60	105.76	109.01
Growth rate per year (%)	-	44.19	7.62	10.90	3.07	3.07	3.07	3.07	3.07
<b>Revenue from Valves Products</b>									
Revenue	16.75	11.50	17.18	14.60	14.68	14.76	14.84	14.93	15.01

Growth rate per year (%)	-	(31.32)	49.34	(15.04)	0.56	0.56	0.56	0.56	0.56
<b>Revenue from Other products</b>									
Revenue	7.39	2.93	10.55	4.39	4.42	4.44	4.47	4.49	4.52
Growth rate per year (%)	-	(60.35)	259.77	(58.35)	0.56	0.56	0.56	0.56	0.56
<b>Revenue from Commissions</b>									
Revenue	1.89	0.67	0.58	3.94	1.84	1.89	1.94	1.99	2.05
Portion to the revenue from sales (%)	2.65	0.75	0.57	3.64	1.56	1.57	1.57	1.57	1.57
<b>Revenue from services</b>									
Revenue	0.00	2.56	2.78	3.07	3.07	3.15	3.24	3.32	3.41
Portion to the revenue from sales (%)	-	2.74	2.47	2.63	2.61	2.61	2.61	2.61	2.61
<b>Total revenue from sale and services</b>	<b>80.48</b>	<b>96.18</b>	<b>115.58</b>	<b>119.70</b>	<b>120.58</b>	<b>123.79</b>	<b>127.09</b>	<b>130.50</b>	<b>134.00</b>
Other income	0.39	0.25	0.76	0.37	0.34	0.34	0.35	0.36	0.37
Portion of other income to revenue from sales and services (%)	0.49	0.26	0.66	0.31	0.28	0.28	0.28	0.28	0.28
<b>Total Revenue</b>	<b>80.87</b>	<b>96.43</b>	<b>116.34</b>	<b>120.08</b>	<b>120.92</b>	<b>124.13</b>	<b>127.45</b>	<b>130.86</b>	<b>134.37</b>

#### 6.1.6.4. Costs of Sales

Cost of sales consists of cost of goods, labor and expenses related to employees, production overhead and other expenses.

- The main products that KESSEL sells are: Resistoflex and XOMOX proprietary heat and chemical corrosion resistant pipes and valves where KESSEL has a Cost-Plus pricing policy. Therefore, the ratio of product cost to income of each type has low fluctuations. IFA stipulates that the cost of each type of product throughout the projection period is equal to the proportion of product cost to revenue averaged during 2018 - 2020, which is likely to best reflect KESSEL's current costs and business operations.
- Production overheads and other costs, in the part of variable cost is determined to be equal to a portion of the revenue of each type of product over the forecast period, based on the historical average of 2018 - 2020, which should best reflect KESSEL's current costs and business operations.
- Direct labor in production (fixed cost) are mostly employee expenses. In the year 2021 - 2025, the employee's wages increased at a rate of 5.00 percent per year, based on KESSEL's hiring policy, which IFA considers reasonable, as it is KESSEL's salary growth policy in the past to present.

(Unit: THB million)

Cost of Sales	2017A	2018A	2019A	2020A	2021F	2022F	2023F	2024F	2025F
Cost of sales and services	46.12	50.40	66.04	64.45	66.48	69.11	71.48	73.44	75.47
Portion to revenue from sales and services (%)	57.31	52.40	57.14	53.84	55.13	55.83	56.24	56.27	56.32

#### 6.1.6.5. Selling Expense

Selling expenses consist of (1) wages, salaries and employee-related expenses as fixed expenses (2) commissions fee, maintenance cost, utilities fee, transportation fees, royalty fees, and other expenses is directly proportional to revenue from sales and services. The details of the assumptions are as follows.



- IFA determines that from 2021 onwards, wages, salaries and employee-related expenses (fixed cost) has increased at a rate of 5.00 percent from the previous year based on KESSEL's average wage increase policy, which IFA considers reasonable, as it is KESSEL's salary growth policy in the past to present.
- IFA set the commission fee, maintenance cost, utilities, transportation fees, royalty fees, and other expenses (variable cost) from 2021 onwards are based on the proportion of expenses to revenue from sales and service in the past 3 years (2018-2020) and are fixed throughout the period of making financial projection.

(Unit: THB million)

Selling Expense	2017A	2018A	2019A	2020A	2021F	2022F	2023F	2024F	2025F
Selling Expense	5.12	5.94	6.08	6.85	7.12	7.40	7.70	8.01	8.34
Portion to revenue from sales and services (%)	6.36	6.17	5.26	5.72	5.90	5.98	6.06	6.14	6.22

#### 6.1.6.6. Administrative Expenses

Administrative expenses consist of (1) wages, salaries and employee-related expenses as fixed expenses (2) maintenance cost, utilities fee, transportation fees, and other expenses which is directly proportional to revenue from sales and services. The details of the assumptions are as follows.

- IFA determines that from 2021 onwards, wages, salaries and employee-related expenses (fixed cost) will have an increased at a rate of 5.00 percent from the previous year based on KESSEL's average wage increase policy, which IFA considers reasonable, as it is KESSEL's salary growth policy in the past to present.
- IFA set the maintenance cost, utilities fee, transportation fees, and other expenses (variable cost) from 2021 onwards are based on the proportion of expenses to revenue from sales and services in the past three years (2018-2020) and are fixed throughout the period of making financial projection.

(Unit: THB million)

Administrative Expenses	2017A	2018A	2019A	2020A	2021F	2022F	2023F	2024F	2025F
Administrative Expenses	7.39	8.59	10.30	9.10	10.25	10.68	11.14	11.62	12.12
Portion to revenue from sales and services (%)	9.18	8.93	8.91	7.61	8.50	8.63	8.76	8.90	9.04

#### 6.1.6.7. Capital Expenditure

IFA stipulates that throughout the financial projection period KESSEL will have capital expenditures for the factory building, machinery and equipment, and vehicles to operate in normal conditions based on KESSEL information as follows:

(THB million)	2021F	2022F	2023F	2024F	2025F
Capital Expenditure	(1.70)	(6.70)	(1.70)	(1.70)	(1.70)

Remarks: In 2022, the capital expenditure is THB 6.70 million, which is higher than other years due to KESSEL's maintenance plan for major improvements to machinery, buildings and factories.

IFA is in the opinion that the annual investment expenditure is reasonable, possible and consistent with KESSEL's historical 3-year historical investment data.

#### 6.1.6.8. Depreciation

Depreciation consists of depreciation on the old assets and new assets from additional investments. IFA stipulate that each type of asset is depreciated at a fixed rate on a straight-line method. The depreciation of each asset is calculated differently according to accounting standards with details as follows:

Asset	Depreciation period (years)
Factory buildings and building improvements	20
Electrical system	20
Decoration and office supplies	5
Vehicles	5

#### 6.1.6.9. Corporate Income Tax

The corporate income tax is 20.00 percent of income before tax.

#### 6.1.6.10. Loans from Financial Institutions

According to KESSEL's management interview and internal financial information as of February 22, 2021, KESSEL has a short-term loan from a financial institution amounting to THB 50.00 million at an interest rate of 1.625% per annum with PPM as the cash guarantee. From entering into the transaction, KESSEL has to change the loan guarantor in order to prevent the occurrence of a connected transaction according to the announcement of the Stock Exchange of Thailand, which could lead to a change in the type of loan and the interest rate. KESSEL expects to convert the short-term loan into a long-term loan. The interest rate initially negotiated with commercial banks is at MLR - 0.50%, which equals to 4.75% per annum, based on the MLR loan rate based on the minimum loan rate charged by the bank from the prime lending customers (MLR) as of February 22, 2021 from the Bank of Thailand. IFA sets a loan repayment in 2022 and 2023 of THB 10.00 million per year, totaling THB 20.00 million, and for the remaining THB 30 million, KESSEL will use as a working capital for business operations with a guideline to maintain the current asset-to-current liability ratio of more than 1x but not more than 2x (IFA adheres to the principles of conservative money management). However, KESSEL loans are subject to change depending on future circumstances and business operations.

#### 6.1.6.11. Other Ratios on the Balance Sheet

Determined by using the historical average of KESSEL from 2018 to 2020, since the data for this period was similar and there was relatively low fluctuation and is likely to reflect the data to the future. (The collection period of trade accounts receivable is between 55.36 - 68.15 days, the inventory period is between 124.22 - 147.02 days and the trade accounts payable payment period is between 53.25 - 70.35 days). From an interview with management, if business practice remains the same, the trade receivables, inventory and trade payables are likely to remain the same as well. IFA has considered the appropriateness of the balance sheet ratios and considers that the use of such estimates is appropriate. Therefore, the estimates throughout the projection period are as follows:

Trade receivables	averaged at 62.84 days
Inventory	averaged at 133.04 days

Trade payables averaged at 60.73 days

From the above assumptions, the financial projections of KESSEL for the year 2018 - 2025 can be summarized as follows:

(THB million)	2018A	2019A	2020A	2021F	2022F	2023F	2024F	2025F
Total asset	90.10	100.88	101.86	106.43	102.64	99.09	105.66	112.34
Total liabilities	14.73	18.51	17.90	68.93	59.56	50.34	51.09	51.84
Shareholders' Equity	75.38	82.37	83.96	37.51	43.08	48.75	54.57	60.50
Total revenue	96.43	116.34	120.08	120.92	124.13	127.45	130.86	134.37
Cost of sale	50.40	66.04	64.45	66.48	69.11	71.48	73.44	75.47
Selling expense	5.94	6.08	6.85	7.12	7.40	7.70	8.01	8.34
Administrative expense	8.59	10.30	9.10	10.25	10.68	11.14	11.62	12.12
Interest paid	0.00	0.00	0.00	(1.19)	(2.14)	(1.66)	(1.43)	(1.43)
<b>Net profit (loss)</b>	<b>25.16</b>	<b>26.99</b>	<b>31.59</b>	<b>28.71</b>	<b>27.84</b>	<b>28.37</b>	<b>29.09</b>	<b>29.62</b>
EBIT (1)				18.54 <sup>1/</sup>	36.94	37.13	37.79	38.45
Tax (2)				(3.59) <sup>1/</sup>	(6.96)	(7.09)	(7.27)	(7.41)
Depreciation (3)				1.24 <sup>1/</sup>	3.08	3.33	3.10	2.85
Capital expenditure (4)				(0.85) <sup>1/</sup>	(6.70)	(1.70)	(1.70)	(1.70)
Changes in working capital (5)				(2.88) <sup>1/</sup>	(0.88)	(0.66)	(0.56)	(0.60)
<b>Free Cash Flow to Firm= 1-(2)+(3)-(4)+(5)</b>				<b>12.46<sup>1/</sup></b>	<b>25.47</b>	<b>31.01</b>	<b>31.36</b>	<b>31.60</b>

Remarks: 1/ In 2021, IFA only calculates KESSEL's free cash flow during 1 July - 31 Dec 2021, which is the period after which SE is expected to complete the Transaction.

#### 6.1.6.12. Terminal Value

IFA determines the terminal value has a growth rate of 0.56% per year according to 5-year average core inflation from Bank of Thailand which is under a conservative basis.

#### 6.1.6.13. Discount Rate

The discount rate used to calculate the net present value of cash flows was obtained from calculating the Weighted Average Cost of Capital (WACC) based on KESSEL's capital structure, where IFA calculated WACC from the weighted average of cost of debt ( $K_d$ ) and cost of KESSEL's capital ( $K_e$ ), where IFA assumes for KESSEL that there was no capital increase during the projection period. Details of the projection of the discount rate are as follows:

$$\text{WACC} = K_e * E / (D+E) + K_d * (1-T) * D / (D+E)$$

Whereas

$K_e$	=	Cost of equity or shareholders' required rate of return ( $R_e$ )
$K_d$	=	Cost of debt or loan interest rate
T	=	Corporate income tax rate
E	=	Total shareholders' equity

D = Interest-bearing debt

Cost of equity (Ke) or the required rate of return for shareholders (Re) is derived from the Capital Asset Pricing Model (CAPM) as follows:

$$K_e \text{ (or } R_e) = R_f + \beta (R_m - R_f)$$

whereby

Risk Free Rate ( $R_f$ ) = Based on 15- year government bond yield which is equal to 1.98 percent per year (information as of February 22, 2021 from ThaiBMA). The Risk Free Rate is based on the lowest risk rate for Thailand, so if using the short-term (1-2-year) government bond yields, the interest rate is lower than the long-term government bond (15-20 years). It may not be a substitute for a national risk because the duration is too short. By using the yield of short-term government bonds is therefore intended to reduce the risk in calculating the risk free rate. The IFA uses the yield of a 15-year government bond to reflect the market yield that IFA chooses to use.

Beta ( $\beta$ ) = Beta referencing from the three comparison companies which are CAZ, SE and WIJK (Beta of CAZ, SE and WIJK are equal to 0.36, 0.72 and 0.38, respectively) that operate in similar business with KESSEL which operate in the business of procurement, distribution, import, manufacture of products, repair services for pipes in industrial plants as well as contractors for the construction of pipelines related systems that was in the SET (according to company comparison on Clause 6.1.4. Price to Book Value Ratio Approach: P/BV Ratio) for the past 2 years, up until February 22, 2021 to calculate the average unleveraged Beta which is equal to 0.49 (Source: Efinance). Then calculates the leveraged beta of KESSEL based on the debt-to-equity ratio of the business, the beta value was between 0.68 - 1.01 during the projection period. Beta ( $\beta$ ) is an index value used to measure the price movement of a security relative to the price movement of the SET. This indicates the investment risk reflected in the price of that security in the past, and IFA chose to use the information during the past two years because usually any price movement of any securities will arise from the situation, events and factors in that period (1-2 years period). By consideration of the price of a security relative to the movement of a market index over a long period of time (eg. 15 years), in addition to being unable to compare the price consistency with the market index, it may also cause conformity errors. IFA believes that the 2-year period is a suitable time for the Company's share price comparison with the index price to reflects the performance, changes in company events, market conditions, economy, the COVID-19 epidemic, and investor risks.

Market Risk ( $R_m$ ) = Rate of returns on investment in the SET over the past 15 years during year 2006 – February 2021 which is 11.26 per year. IFA chooses to use the average period of the past 15 years because if the period is too long, the stock market's economy, as well as companies listed

on the stock exchange, may not be consistent with the current situation, which results in a different investors' expectations from the current economic conditions. IFA is in the opinion that using the average rate of return on investment in the stock market over the past 15 years is a reasonable period that should reflect the returns that investors are expecting well and is still in line with the current economic conditions.

- $K_d$  = Estimated loan interest rate of KESSEL is equal to 4.75 per year
- D/E Ratio = Estimated interest-bearing debt to equity ratio for each year, which is 0.50 - 1.33 due to the liability and equity change every year. Therefore, IFA uses an estimate of the debt bearing interest to equity ratio for each year based on the financial projections provided to best reflect KESSEL's capital structure in each year.
- T = Corporate income tax rate p.a., which is equal to 20% of the income before tax.

Based on the above information,  $K_e$  is calculated between 8.31 – 11.34 per year throughout the projection period.

From mentioned information for calculation, WACC of the KESSEL can be summarized as follows:

	2021F	2022F	2023F	2024F	2025F
WACC (%)	7.03%	6.95%	6.86%	6.83%	6.81%

Free Cash Flow of the Company can be summarized as follows:

(THB million)	2021F	2022F	2023F	2024F	2025F
Free cash flow of KESSEL	12.46	25.47	31.01	31.36	31.60
Present value of the free cash flow	12.05	23.02	26.23	24.83	23.42
Cash flow of the terminal value					508.46
Present value of terminal value					376.85

(Unit: THB million)

Present value of terminal value	376.85
<b>Total PV of Free Cash Flow</b>	<b>486.39</b>
Add: Cash and cash equivalent as of February 22, 2021 <sup>1/</sup>	13.31 <sup>1/</sup>
Less: Interest-bearing liabilities as of February 22, 2021	(50.00)
<b>Net PV of Free Cash Flow</b>	<b>449.70</b>
Number of paid-up shares (share)	80,000.00
<b>Net PV of Free Cash Flow per share (THB/Share)</b>	<b>5,621.24</b>

Remarks: 1 / The cash balance in the financial statements ended December 31, 2020 is after adjustment of 1) dividend paid on February 5, 2021, the shareholders' meeting of KESSEL passed a resolution to approve the allocation of net profit by dividend payment at THB 38.50 million and on February 22, 2021, the shareholders' meeting of KESSEL approved the allocation of net profit by paying dividends of THB 36.66 million, totaling THB 75.16 million and 2) loans from financial institutions in the amount of THB 50.00 million.

In addition, IFA has conducted a sensitivity analysis of the share value by adjusting the value of the discount rate or WACC from the original, increase and decrease approximately by 0.25 percent per year. IFA is view that such value is appropriate because the past business operations have been relatively stable at all time, including the constant dividend payout. IFA believes that the expectations of current shareholders are unlikely to change significantly.

	Discount Rate: WACC (percent per year)		
	+0.25%	0%	-0.25%
KESSEL share price (THB/share)	5,383.99	5,621.24	5,878.28
Company Value (THB million)	430.72	449.70	470.26
Company Value at 92.28 percent (THB million)	397.47	414.98	433.96

Results from sensitivity analysis by changing the discount rate, the value of KESSEL's shares is THB 5,383.99 - 5,878.28 per share or a company value of THB 430.72 – 470.26 million, and when accounting for 92.28 percent of the total shares of KESSEL, the value is THB 397.47 – 433.96 million.

Discounted cash flow approach, which reflects profitability and the ability to generate cash flows of the business that will be received in the future, the valuation is based on the present value of KESSEL's expected future cash flow based on the past operations which is assumed from the economic trend and the operations of the business in the future. In addition, the discounted cash flow approach is the only way that IFA can adjust assumptions about the current situation that could materially affect the profitability of the business in the future. In addition, the present value of the cash flow method also reflects KESSEL's current liabilities (interest-bearing liabilities) which will be deducted through the calculations.

Due to the epidemic situation of COVID-19 both at domestically and abroad, the World Health Organization ("WHO") has declared the COVID-19 outbreak a pandemic and encouraged all countries to increase measures to prevent and control the spread of disease, requiring the world to control and prevent the spread of COVID-19 by using preventive measures and to block the introduction of infection into the area and increase measures to stop outbreaks within the area ("Lock Down") and quarantine, which directly affects the operations of the business. Therefore, this valuation approach is likely to best reflect the true value of the business. Therefore, IFA is in the opinion that such valuation approach is appropriate for this KESSEL share valuation.

#### 6.1.7. Summary of the Independent Financial Advisor's Opinion on the Fair Value of KESSEL

Summary table comparing the company value according to the share valuation by various methods with the Trading Price.

(Unit: THB million)

Evaluation Method	Fair Value <sup>1/</sup>	Fair Value at 92.28 percent	Trading Price	Higher (Lower) than Trading Price	Higher (Lower) % than Trading Price
1) Book Value Approach	83.96	77.48	260.00	(182.52)	(70.20)
2) Adjusted Book Value Approach	38.04	35.11	260.00	(224.89)	(86.50)
3) Market Value Approach			N/A		

Evaluation Method	Fair Value <sup>1/</sup>	Fair Value at 92.28 percent	Trading Price	Higher (Lower) than Trading Price	Higher (Lower) % than Trading Price
4) P/BV Approach	34.68 - 40.65	32.00 - 37.51	260.00	(228.00) - (222.49)	(87.69) - (85.57)
5) P/E Approach <sup>1/</sup>	318.18 - 433.57	293.61 - 400.10	260.00	33.61 - 140.10	12.93 - 53.88
6) Discounted Cash Flow Approach <sup>1/2/</sup>	430.72 - 470.26	397.47 - 433.96	260.00	137.47 - 173.96	52.87 - 66.91

Remarks: 1/ Approach that IFA has an opinion that is appropriate for the valuation

2/ KESSEL fair value calculated with WACC between 6.81% - 7.03%

These share evaluation approaches have its different advantages and disadvantages reflecting the appropriateness of the calculated share prices as follows:

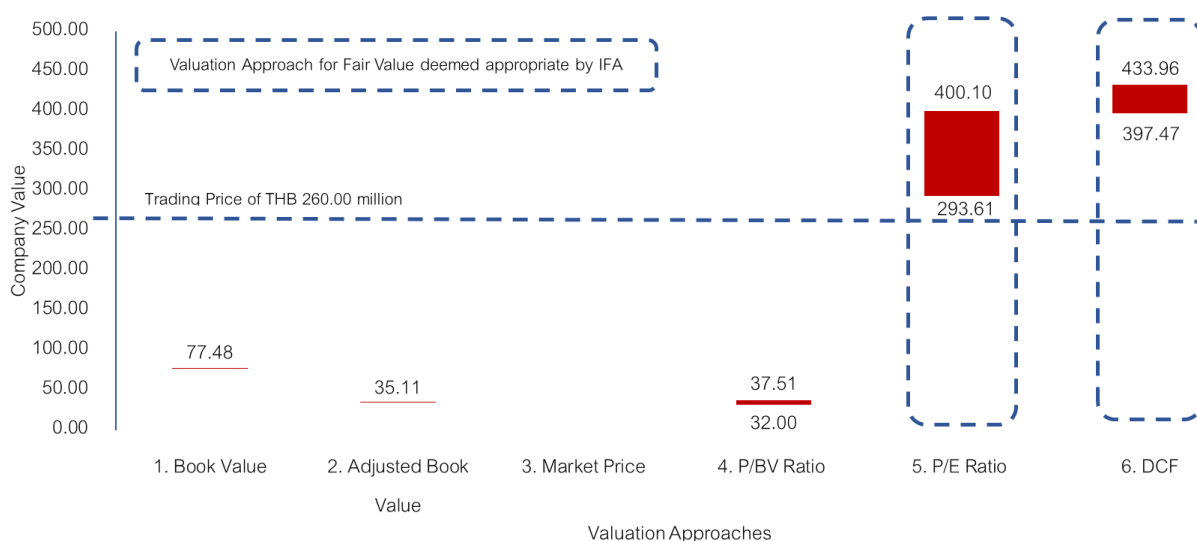
- 1) **Book Value Approach:** only reflects financial position at a certain moment in time according to the value booked. It does not consider the ability to earn profit in the future, the competitiveness of the business, economy outlook and industry overview. Therefore, IFA is in the opinion that the valuation of shares by this method is inappropriate to be used as a basis for the fair valuation of the Company's ordinary shares, because book value may not reflect the true value of the business.
- 2) **Adjusted Book Value Approach:** can better reflect net asset value than share valuation by book value approach since it is the book value as valuated in clause 1, adjusted by the new appraised value of the land, buildings and machinery, goodwill, patent, dividend and brand value, etc. in order to calculate the market price or fair price, then divided by the number of shares. However, this approach does not take into account the profitability and future performance of the business. Therefore, IFA is in the opinion that this approach may not reflect the true price of KESSEL's total shareholders' equity but can be used as a base price in determining KESSEL's value.
- 3) **Market Price Approach:** Market price is a mechanism that is determined by the supply and demand of investors towards the Company's shares, which can reflect the stock's value at that time as well as reflect the fundamentals and the needs of general investors to the potential and growth of a company in the future at a reasonably good accuracy. The historical market price of a stock can therefore be used as a reference price to reflect the true value or price of a company's shares. However, since KESSEL's shares are not listed on the SET, it is not possible to estimate the share price by this method.
- 4) **Price to Book Value Ratio Approach:** will take into account the financial position at any given moment by comparing with the aforementioned average ratio of the comparison companies. The valuation of a company by this method assumes that a company will have profit potential that is similar to that of other companies in the group, regardless of the profitability and performance of the company in the future. In this regard, a group of companies that IFA used to compare are these 3 companies: CAZ, SE and WIIK. Although these companies are in the similar and consistent business with KESSEL, but KESSEL is an importer and distributor of pipes, valves and piping related products in heavy industrial factories, which the nature of this business operation does not directly use assets such as land or concessions as assets for operation. Additionally, this method does not reflect the performance of KESSEL and its future

business growth potential in the future and industry growth prospects. Therefore, IFA is in the opinion that this valuation approach is not an appropriate valuation approach for this transaction.

- 5) **Price to Earnings Ratio Approach:** is a method that takes into account the profitability of a company by comparing it with the average of the aforementioned average ratio of the comparison companies. This is considered a fairly popular valuation method. In this regard, the valuation of KESSEL by this method assumes that KESSEL will have profit potential that is similar to that of other companies in the group. In this regard, a group of companies that IFA used to compare are these 3 companies: CAZ, SE and WIJK. IFA is in the opinion that the valuation of shares by this method is feasible to evaluate the value of the Company's ordinary shares, since the company's share price calculated by this method reflects investor stock needs, investors' views and expectations of each company's future business growth potential based on their performance and business strategies. Therefore, IFA is in the opinion that the above valuation method is appropriate for this valuation of KESSEL's shares.
- 6) **Discounted Cash Flow Approach:** is a method that reflects profitability and the ability to generate cash flows of the business that will be received in the future, the valuation is based on the present value of KESSEL's expected future cash flow based on the past operations which is assumed from the economic trend and the operations of the business in the future. (KESSEL is currently in a period of expansion and ongoing investment). Therefore, the discounted cash flow approach should best reflect the true value of the business. In addition, the discounted cash flow approach is the only way that IFA can adjust assumptions about the current situation of COVID-19 which is a situation that the world has never experienced before. However, the forecasts for the impact of COVID-19 on KESSEL could be changed significantly if the situation of COVID-19 has changed and resulted in the economy of the world and Thailand to changed significantly as well.

In conclusion, Discover found that the discounted cash flow approach is the most appropriate to use in valuation of KESSEL's value at 92.28 percent.

Summary of the Valuation of KESSEL





IFA is in the opinion that the most appropriate fair value appraisal in this valuation of KESSEL is: Price to Earnings Ratio Approach and Discounted Cash Flow Approach, which are popular methods that investors use to evaluate business value and can reflect profitability and cash flow in the future. The value of KESSEL is between THB 3,977.21 - 5,878.28 per share or a company value of THB 318.18 – 470.26 million, and when accounting for 92.28 percent of the total shares of KESSEL, the value is THB 293.61 – 433.96 million. Therefore, IFA is in the opinion that the value of the transaction that does not exceed THB 260.00 million to acquire shares of KESSEL at 92.28 percent is lower than the appropriate price range calculated by IFA.

#### 6.1.8. Summarize the appropriateness of the value to enter into the transaction

In this acquisition of KESSEL shares, the Company will pay compensation to the Sellers for the KESSEL shareholding of 92.28 percent at a price not exceeding THB 260.00 million. In this regard, because the value of the transaction that does not exceed THB 260.00 million is lower than the fair value assessed by IFA which is between THB 293.61 – 433.96 million, therefore, IFA is in the opinion that the value of this transaction is reasonable.

#### 6.2. Assessing the Appropriateness of the Conditions of Entering the Transaction

From the share purchase agreement between SE and PPM, the acquisition of KESSEL's shares has conditions for entering into the transaction that are appropriate and beneficial to SE, so IFA is in the opinion that the conditions of this transaction are appropriate.

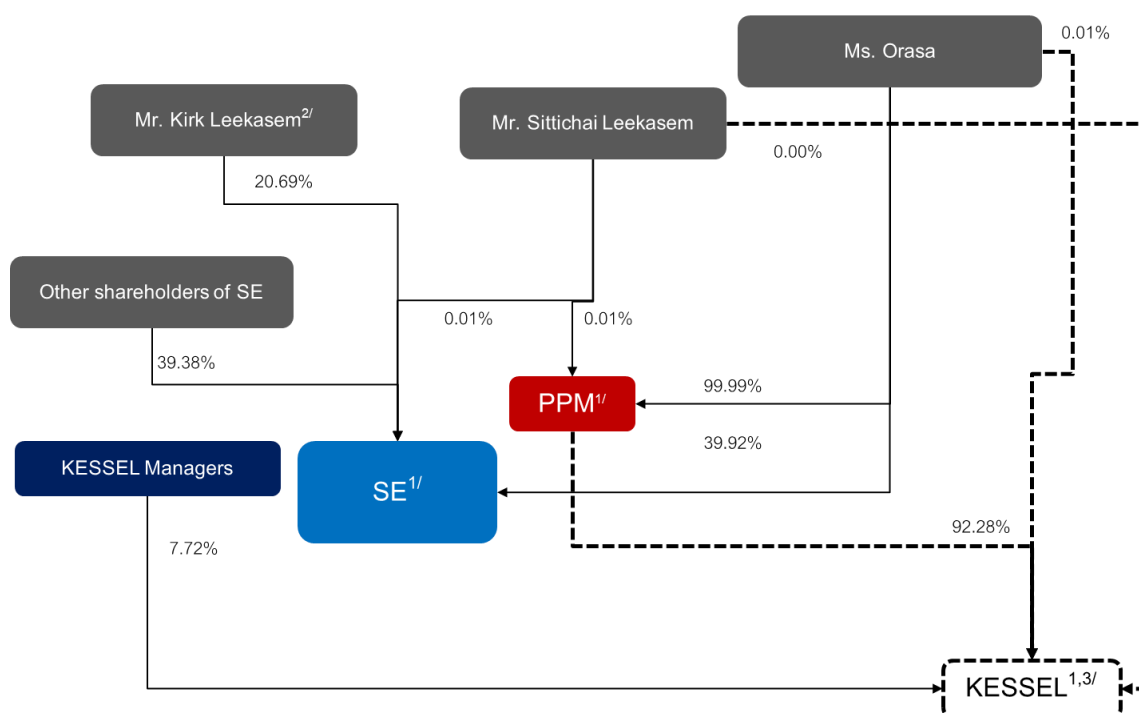
Important conditions	Appropriateness
1) Must be approved for the transaction from the Board of Directors' Meeting and the AGM of SE and KESSEL	In accordance with the announcement and the regulations of the SET
2) The lending bank has given consent to change its major shareholder of KESSEL.	It is a general commercial term.
3) PPM must certify in the share purchase agreement as the real shareholder of KESSEL without any obligation of KESSEL shares or without mortgaging KESSEL's shares with any person.	It is a general commercial term and is beneficial to SE.
4) Must comply with other precedent conditions specified in the share purchase agreement.	It is a general commercial term and is beneficial to SE.
5) Prohibition of competing businesses and prohibition of persuasion	It is a general commercial term and is beneficial to SE.
6) Payment terms <ul style="list-style-type: none"> <li>- Pay a deposit of THB 80.00 million on the date of signing the share purchase agreement.</li> <li>- Pay the rest on the transfer date (under the condition that KESSEL must fully comply with the conditions precedent)</li> </ul>	IFA is in the opinion that the above payment terms are normal commercial terms. There is a deposit of approximately 30 percent of the transaction value (30.77 deposit) and also set important conditions before PPM receives full payment after KESSEL fulfills the conditions precedent which is considered to protect the interests of the Company's shareholders. Additionally, the prior deposit is considered part of the turnover and can be recovered if the entry into the transaction is not successful due to KESSEL's fault.

**6.2.1. Summary of the appropriateness of the conditions of entering the transaction**

Considering the conditions of the transaction, advantages, disadvantages, impacts and risks that may arise from entering the transaction, in particular, the financial risks and future profits from the operations of KESSEL, **IFA is in the opinion that benefits that will occur in the future and the conditions of the acquisition of assets and the connected transaction are appropriate** especially because most of conditions of this transactions are normal business conditions similar to general transactions. There are no conditions that will make the Company and its shareholders lose benefits.

## 7. Summary of Opinion of Independent Financial Advisor

According to the Board of Directors meeting of Siameast Solution Public Company Limited (“SE” or the “Company”) No. 2/2021, which was held on March 6, 2021, a resolution was passed to propose to the shareholders' meeting to consider approving the acquisition of shares in Kessel (Thailand) Company Limited (“KESSEL”) in the amount of 73,826 ordinary shares or representing 92.28 percent of all paid-up shares in KESSEL at the price of THB 3,521.79 per share, with the total value of THB 260.00 million (the “Transaction”), which came from (1) PPM Engineering Company Limited (“PPM”) 73,820 ordinary shares, (2) Ms. Orasa 5 ordinary shares, and (3) Mr. Sittichai of 1 ordinary share (Collectively referred to as “the Sellers”)<sup>1</sup>. The shareholding structure of SE and KESSEL is detailed as follows:



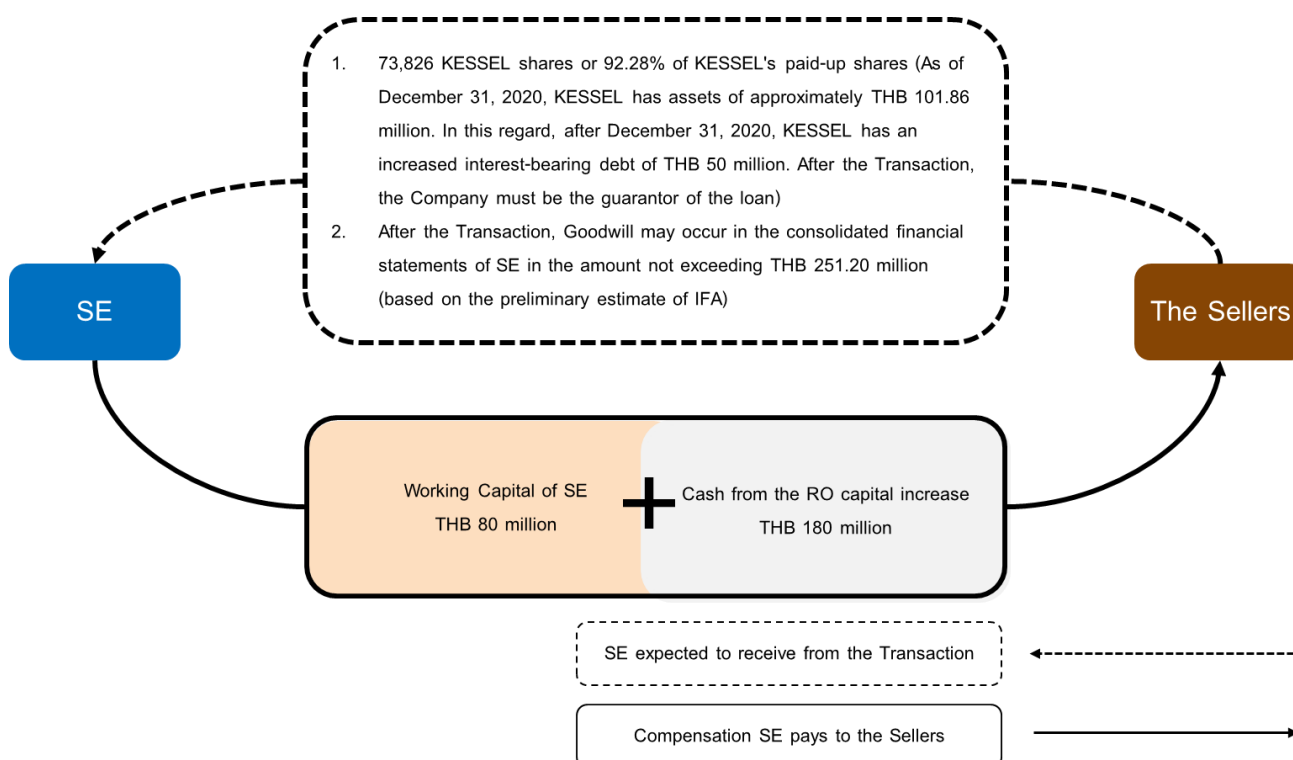
Remarks: 1/ Companies which Ms. Orasa and Mr. Sittichai are the directors

2/ Mr. Kirk is only a director of the Company.

3/ As of February 22, 2021, KESSEL has 3 directors: 1) Ms. Orasa, 2) Mr. Sittichai, and 3) Mr.

Suwat.

In entering into the Transaction, the Company has to pay a total of THB 260.00 million to the Sellers. The source of funds is from 1) internal working capital amounting to approximately THB 80 million 2) the money received from the capital increase of RO approximately THB 180 million. The compensation for the acquisition of this transaction consists of 1) 73,826 KESSEL shares or 92.28% of KESSEL's paid-up shares (As of December 31, 2020, KESSEL has assets of approximately THB 101.86 million. In this regard, after December 31, 2020, KESSEL has an increased interest-bearing debt of THB 50 million. KESSEL used THB 38.03 million from the loan to pay dividends and used THB 11.97 million as working capital for business operation. After the Transaction, the Company must be the guarantor of the loan) and 2) Goodwill may occur in the consolidated financial statements of SE in the amount not exceeding THB 251.20 million (based on the preliminary estimate of IFA, where SE has to hire an independent appraiser to assess KESSEL after entering the transaction).



The Transaction is part of the expansion plan for the production and assembly of pipe products for distribution under various trademarks, which is a continuing business from the former business of the Company (current business of the Company have risk from entry of new competitors and have growth limitation). Therefore, the Transaction to acquire KESSEL, which is a manufacturer, supplier, installer, and assembler of pipes in industrial plants under the trademarks XOMOX and Resistoflex. (KESSEL is the sole distributor under the XOMOX and Resistoflex brands in Thailand, XOMOX and Resistoflex are trademarks under the CRANE group, a brand that is trusted by users from all over the world), where both brands have unique properties of chemical and thermal corrosion resistance that are distinguished from current SE products, therefore, the Transaction will be an expansion of the business, develop projects that are related to the Company's core business (boosting income). Since KESSEL is able to use SE's support and after-sales service team, the Transaction should help in reducing the Company's expenses, when compared with the increased income. As a result, the profitability of the Company's business will increase from KESSEL's higher gross margin and net profit margin compared SE. Entering into the Transaction will help the Company operates the business with stability and strong financial status that will benefit the Company and all its shareholders in the long term. In addition, such investments are in line with the Company's policy and also helps the Company eliminate the possibility of a long-term conflict of interest among major shareholders.

Business acquired from entering this transaction have a nature of business that complements the business of the Company. After completing the Transaction, the Company's revenue structure will be significant changed (details in Clause 5.2.1, Impact on Accounting), whereby the Company expects to have an increase in revenue of approximately 25% and a net profit of approximately 75%, which may have an increase in goodwill not exceeding THB 251.20 million (goodwill is estimated by IFA). However, the revenue structure will still come from the product procurement business related to industrial piping system.

The execution of such transaction is regarded as an acquisition of assets pursuant to the Notification of the Capital Market Supervisory Board No. Tor.Jor 20/2551 Re: Rules on Entering into Material Transactions Deemed as

Acquisition or Disposal of Assets dated August 31, 2008 (as amended) 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 B.E. 2547 date October 29, 2004 (as amended) (the “**Notifications on Acquisition or Disposal of Assets**”) which must be calculated according to various criteria and apply the maximum value calculated from one of the criteria. Based on the Company’s financial statement for the period ended December 31, 2020, it is calculated that the highest transaction size is equal to 71.84 percent which is more than 50 percent but lower than 100 percent according to the criteria of net profit on operating. As such, this is regarded as a transaction size in type 1. Therefore, the Company is required to disclose the information memorandum on such transaction to the Stock Exchange of Thailand (“**SET**” or “**Stock Exchange**”) and must have approval for such acquisition of assets from the shareholders’ meeting with not less than three-fourths of all votes of the shareholders present at the meeting and is entitled to vote, excluding such votes of the shareholders with interests.

In this regard, since the Company and KESSEL have a common major shareholder and director which the common major shareholder is Ms. Orasa, who is the related person between SE and KESSEL according to the Notification on Connected Transactions, as Ms. Orasa is the major shareholder of SE, holding in an amount of 95,796,400 shares or representing 39.92 percent of all paid-up shares in the Company and also the major shareholder of PPM, holding in an amount of 149,998 shares or representing 99.99 percent of all paid-up share in PPM (PPM holds 92.28 percent of KESSEL shares). Additionally, Ms. Orasa also holds 5 shares of KESSEL or representing 0.01 percent of all paid-up share in KESSEL.

As for the directors of the Company and PPM, there are 2 common directors which are Ms. Orasa and Mr. Sittichai. Therefore, such transaction is regarded as a connected transaction pursuant to the Notification of the Capital Market Supervisory Board No. Tor. Jor. 21/2551 Re: Rules on Connected transactions 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 Connected Transactions B.E. 2546 (“**Notification on Connected Transaction**”). The size of the transaction is equal to 71.14 percent of the Company’s net tangible assets (NTA) as calculated per the Company’s financial statements which had been reviewed by the auditor for the period ending December 31, 2020.

By entering into the acquisition of assets, the Company has a duty to comply with the Public Limited Companies Act and The Notification on Connected Transaction which requires the Company to appoint an independent financial advisor to perform any relevant duties, including giving opinions as specified in the Notification on Connected Transaction by delivering the independent financial advisor’s opinion report to the shareholders for consideration along with sending the invitation letter to the shareholders’ meeting. In this regard, the Company has appointed Discover Management Company Limited (the “**IFA**” or “**Discover**”), a financial advisor approved by the SEC, to be an independent financial advisor to give opinions to shareholders on the transaction to acquire assets which is a connected transaction. The Company must also arrange for the AGM of the Company to approve the acquisition of assets, which is a connected transaction, where the invitation letter of the AGM is delivered to the shareholders at least fourteen days in advance of the AGM date and must be approved by the AGM with a vote of not less than three-fourths of the total number of votes of the shareholders who attend the meeting and have the right to vote without counting the shareholders with interests.

Discovery Management Company Limited, as an independent financial advisor to the shareholders appointed by the Company has considered information and documents related to the KESSEL share purchase transaction, including interviews with the Company's management, as well as the pricing methods and conditions for entering into the transaction and considered the reasonableness of the transaction together with the benefits, effects, risk factors, advantages and disadvantages of entering into the transaction. In summary, the opinion of the independent financial advisor is as follows:

Entering into the KESSEL share purchase transaction has advantages, disadvantages and risks to the Company and its shareholders as follows:

▪ **Advantages**

1. This is an investment pursuant to the objectives and strategic plan for long-term growth of the Company.
2. The Company can recognize KESSEL's performance in the consolidated financial statements of the Company immediately.
3. The gross profit margin and the net profit margin of the Company would increase.
4. The Company will have more products of pumps, piping systems and related equipment.
5. The Company has more opportunity for new group of customers.
6. The Company will benefit from business cooperation (Synergy).
7. The existing shareholders have an opportunity to maintain their shareholding proportion.
8. It is an investment in a well-known company in the industry.
9. Investment in assets at a reasonable price

▪ **Disadvantages**

1. The Company will have additional liabilities from financial institutions for at least THB 50.00 million in the consolidated financial statements.
2. Shareholders of the Company have a burden to increase capital in order to enter into the KESSEL share purchase transaction.
3. The Company may lose the opportunity to invest in other businesses.

▪ **Risk and Impact**

1. Dilution Effect
2. Impact of goodwill on the financial statements
3. Risk from making a tender offer for all securities of the business.
4. Risk of shareholder not approving for the share purchase transaction of KESSEL.
5. Risk from insufficient working capital.
6. Risk of KESSEL's not being approved to change the guarantor.
7. Risks from KESSEL's future performance.
8. Risk of provisioning or impairment of certain accounting items if there is a change in accounting standards.

9. Risk from product reliance on Crane Resistoflex and the risk of termination of the Technology and Manufacturing Agreement.
10. Risk of entering into the transaction with the shareholders' voting on the Transaction.

■ **Comparing Advantages and Disadvantages between Entering into Connected Transaction and Transactions with the Third Party**

Transactions with the related persons are convenient and fast. However, it may be viewed as a non-transparent transaction and a transfer of benefit. However, when compared to transactions with a third party, the shareholder assumes that the transaction is transparent. But doing transactions with a third party may require a higher investment and negotiations may have different conditions because transactions with related persons can be negotiated more easily.

■ **Important Observation of the Transaction**

1) **Relationship of SE, the Sellers and Mr. Kirk Leekasem**

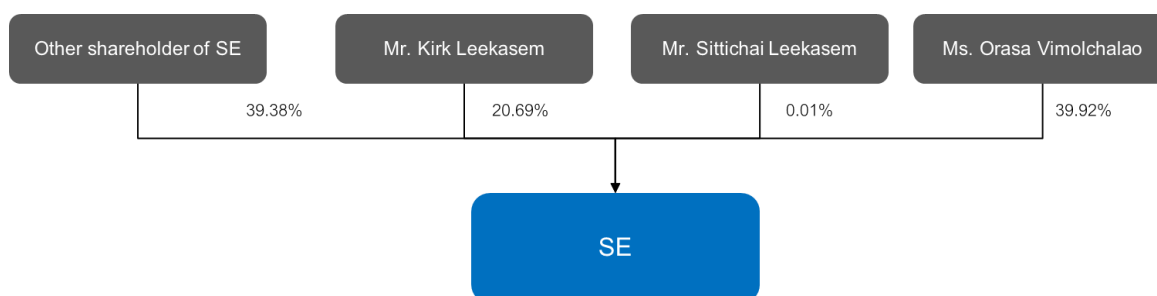
The Buyer : Siameast Solution Public Company Limited

The Sellers : PPM Engineering Company Limited  
Ms. Orasa Vimolchalao  
Mr. Sittichai Leekasem

Relationship : Ms. Orasa and Mr. Sittichai are the related person of SE and KESSEL according to the criteria specified in the Notification of the Capital Market Supervisory Board No. Tor. Jor. 21/2551 Re: Rules on Connected transactions 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 Connected Transactions B.E. 2546 (2003) ("**Notification on Connected Transaction**")

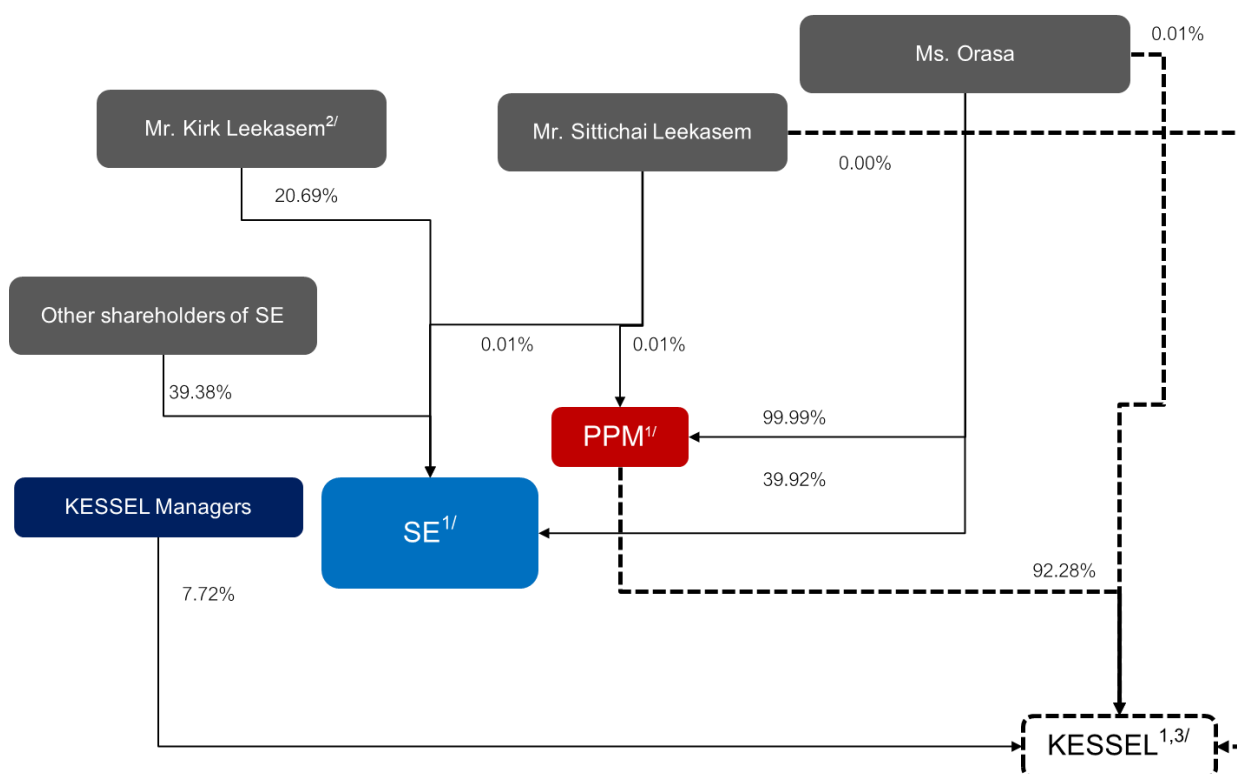
In order to reflect on the relationship between individuals and corporates in connection with the share purchasing of KESSEL, IFA has summarized the information in order to gain a greater understanding of the overall transaction as follows:

**Relationship Structure of the SE Shareholders**



Ms. Orasa, Mr. Sittichai and Mr. Kirk are the Company's directors whereby Ms. Orasa and Mr. Sittichai has the status of husband and wife with Mr. Kirk as their son, which according to Announcement of the Board of Governors of the Stock Exchange of Thailand: Disclosure of Information and Operations of Listed Companies on the Connected Transaction in 2003, Mr. Kirk and Ms. Orasa is considered a close relative according to the definition of such announcement. In this regard, Mr. Kirk is not a director or shareholder in KESSEL. However, according to the resolution of the Board of Directors No. 2/2021 dated March 6, 2021, the Board of Directors is in the opinion that Mr. Kirk is able to vote at the Annual General Meeting of Shareholders to consider entering into KESSEL share purchase transaction under the condition that Mr. Kirk is not under the influence or control of Ms. Orasa and Mr. Sittichai, which may cause dependency in voting to enter or not to enter into the transaction of purchasing KESSEL shares of the Company, which is in line with the Notification of the Stock Exchange of Thailand that the Company must obtained a resolution from the shareholders' meeting for approving to enter into a connected transaction, which requires a vote of not less than three-fourths of the total number of votes of the shareholders who attend the meeting and have the right to vote, without counting the shareholders with interests.

**Relationship Structure of the Shareholders before the Transaction**



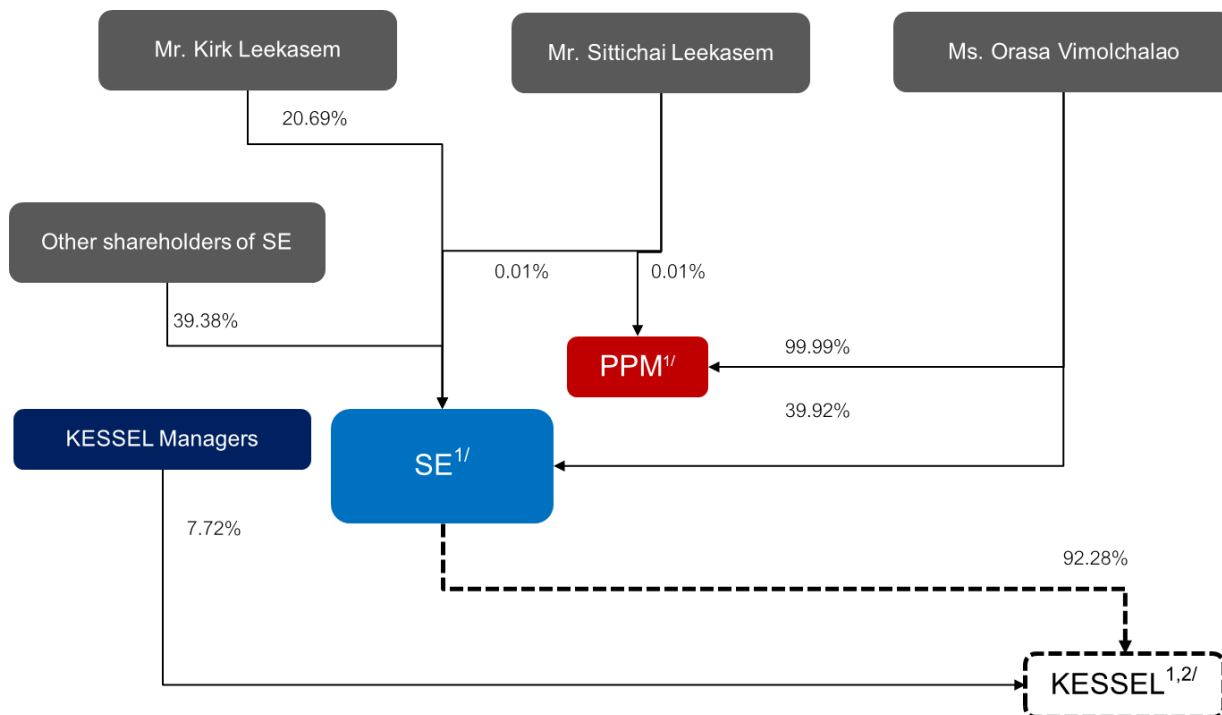


Remarks: 1/ Companies which Ms. Orasa and Mr. Sittichai are the directors

2/ Mr. Kirk is only a director of the Company.

3/ As of February 22, 2021, KESSEL has 3 directors: 1) Ms. Orasa, 2) Mr. Sittichai, and 3) Mr. Suwat.

#### Relationship Structure of the Shareholders after the Transaction



Remarks: 1/ Companies which Ms. Orasa and Mr. Sittichai are the directors

2/ Currently, the Company is considering candidate to appoint as directors of KESSEL.

## 2) Source of Funds for the Transaction

The source of funds for investing in KESSEL's ordinary shares of THB 260,000,000 came from 2 part as follows:

- 1) Cash from the Company's operations in the amount of THB 80,000,000
- 2) The capital increase of THB 180,000,000, which the Company expects to receive from the offering of the newly issued ordinary shares to the existing shareholders according to their shareholding proportion (Rights offering: RO), in accordance with the Board of Directors Meeting No. 2/2021 on March 6, 2021, that resolved to propose to the shareholders' meeting to consider offering 360,000,000 newly issued ordinary shares at par value of THB 0.50 per share to the existing shareholders of the Company, in the ratio of 2 existing shares per 3 new shares at the subscription price of THB 0.50 per share. The capital increase to existing shareholders in proportion to their current shareholding will not cause the shareholders to be affected by the voting rights (control dilution) if the shareholders increase the capital proportionally.

In addition, in the case that the Company's cash from operation and the capital increase from RO according to Clause 1) and 2) is not sufficient for the investment in KESSEL's shares amounting to THB 260.00 million, the Company will use additional loans from financial institutions as part of fund to pay for the KESSEL's shares.

However, after the approval of the transaction from the shareholders' meeting, SE has to pay a deposit to the Sellers of THB 80.00 million, which is an event that will occur before the capital increase of the Company, so the Company has not yet received cash from capital increase of THB 180.00 million. According to the financial statements ended December 31, 2020 SE had cash and cash equivalents of THB 68.11 million, therefore, IFA is in the opinion that SE may not have enough cash to pay the deposit. However, from reviewing the Company, the Company believes that when the deposit payment is due to the Sellers, the Company should have enough cash. By considering the Company's second quarter financial statements in the past 3 years (2018-2020), which is a similar period that KESSEL deposit payment is due, the Company had cash and cash equivalents between THB 80.30 - 124.25 million, indicating that during the said period the Company has cash from business operations of more than THB 80.00 million. In addition, in the year 2021, the Company has prepared to retain the Company's cash by paying dividends by shares to shareholders instead of cash dividends as in the past. The Company also has a short-term loan credit from financial institution of approximately THB 130.00 million, which should be sufficient for entering into the transaction and as cash flow in doing business.

### **3) Reliance on Major Shareholders in Conducting Business.**

According to KESSEL's financial statements, between 2018 - 2020, more than 90% of KESSEL's revenues come from Crane Resistoflex products (as detailed in Clause 3.8.2) as Crane Resistoflex products (whether they are products of Resistoflex or XOMOX) is one of the best-known products in the worldwide market. Resistoflex is the world's largest Plastic-Lined Pipe brand since 1953 or for more than 68 years. In addition, XOMOX brand products have been recognized in the industry since 1956. From reviewing the operating methods, merchandising guidelines and relationship management with the product owner, IFA found that most of the customers who order both products are large factories that have machines designed mainly for Crane Resistoflex products. At present, the Company has 4 salespersons. In maintaining the relationship or contact for assistance whether in technical or request for additional discounts, Mr. Suwat (holding 4.66% of shares and a director of KESSEL) is the main liaison contact with Crane Resistoflex.

IFA is in the opinion that Ms. Orasa, although she has played an important role in managing KESSEL and contributes in term of financial, but most of KESSEL's business operations tend to rely on Crane Resistoflex in terms of production technology, training and products.

### **4) This is an investment pursuant to the objectives and strategic plan for long-term growth of the Company**

In the midst of a rapidly changing environment, global economic slowdown and the COVID-19 outbreak has made the Company aware of the possibility of fierce competition in the future. Therefore, the main objective of entering into the KESSEL share purchase transaction is to enable the Company to have access to businesses that are in line with the existing business of the Company. The acquisition of KESSEL shares is in line with business expansion plans for the production and assembly of pipe products for distribution under various trademarks. This is a continuation of the Company's existing business, thus investing in KESSEL, which is a manufacturer, supplier, installer, and assembler of pipes in industrial plants under the trademarks XOMOX and Resistoflex. (KESSEL is the sole distributor under the XOMOX and Resistoflex brands in Thailand). XOMOX and Resistoflex are trademarks under the CRANE group, a brand that is trusted by users from all over the world. Both XOMOX or Resistoflex has been a well-known brand in the heavy industrial market for over 60 years, it offers a unique combination of chemical and

thermal resistance properties products that are unique from the product of SE. Therefore, the acquisition of KESSEL shares will be an extension of the project development business related to the Company's core business and able to reduce costs and increase revenue from related operations and increase the profit potential of the Company's business in the future.

**Reduction in costs:** Because KESSEL products (details figure in Clause 5.3.1.4) are similar to the Company's products, but with better properties, where KESSEL's piping and valves are able to withstand high temperatures. Therefore, the after-sales services of both the Company and KESSEL are similar, resulting in an opportunity for business cooperation by reducing service costs such as

- Opportunity to improve the redundant after-sales service teams of both the Company and KESSEL.
- Opportunities to improve redundant transportation systems for both the Company and KESSEL.
- Opportunity to improve the redundant engineering service center of both the Company and KESSEL.
- Reduce the cost of the sales team.

**Increasing revenue:** Because KESSEL products (detailed figure in Clause 5.3.1.4) are products that the Company's customers must use, but in a different area from the current use of the Company's products (or vice versa, KESSEL customers must also use the Company's products). Therefore, salespersons, whether belonging to the Company or KESSEL, who are already in contact with their customers, will be able to offer cross-sales, which will give both companies a greater opportunity to sell their products.

The acquisition of KESSEL shares should result in the Company reducing expenses and increase income from related operations and increase the profit potential of the Company's business in the future as well as help the Company to continue the business with a strong and more stable financial status, which will benefit the Company and all its shareholders.

**5) The Company will have additional liabilities from financial institutions for at least THB 50.00 million in the consolidated financial statements:**

After December 31, 2020, KESSEL has an increase of debt from financial institutions by THB 50.00 million, which is currently guaranteed by PPM (major shareholder of KESSEL). Therefore, after entering into the KESSEL share purchase transaction, the Company will be the guarantor of such liabilities instead and such liabilities will become a part of the consolidated financial statements of the Company. The debt from financial institutions of THB 50.00 million, KESSEL used to pay dividends of THB 38.03 million and used as working capital for business operation of THB 11.97 million. The loan is currently guaranteed by PPM (KESSEL's major shareholder), having an interest rate of 1.625% per annum and has no payback period. The loan from a financial institution to pay dividends is part of a business deal to acquire KESSEL shares between the Company with the Sellers after entering into the Transaction, the Company has to be the guarantor of such liabilities, which may cause the interest rate of the loan to change depending on the payment capability of the guarantor (SE).

The board of directors is in the opinion that the interim dividend payment of KESSEL before the Company enter into a purchase transaction of KESSEL shares as part of the agreement to enter into a purchase of KESSEL shares between the companies with the Sellers, KESSEL pays dividends to existing shareholders partially using from

the loan from financial institutions, which, in the end of the transaction, may result in the consolidated financial statements of the Company debt to equity ratio increase from 0.00 to 0.09 times. The change in the debt to equity ratio will not have a material effect on the Company's future financing opportunity.

IFA is in the opinion that KESSEL's loan is an integral part of the transaction conditions, which is considered part of the fair value valuation and the value that the Company entered into the Transaction at an appropriate value (the fair value already includes the existing debt burden of KESSEL). After entering the debt transaction by KESSEL, SE may have a reduced credit line with a financial institution, since SE must be a guarantor. However, when considering the increasing debt to equity ratio, IFA is in the opinion that this proportion is unlikely to materially affect the loan credit of the Company, since as of the date of issue of this report, SE has no loans from financial institutions.

As part of debt repayment, if KESSEL wants to repay the liability, regardless of the liability, KESSEL has to use the remaining cash from its operations for the settlement of the debt. In this regard, if considering the operating cash (Free cash flow to the firm: FCFF) under the financial assumptions of IFA in Clause 6.1.6, between 2022 - 2025 KESSEL will have FCFF remaining of THB 25.47 - 31.60 million, which if KESSEL wants to pay off the debt arising from dividend payment (THB 38.03 million), KESSEL will be able to repay the debt to financial institutions in a period of 1 - 1.5 years. However, when considering KESSEL's short-term loan ratio, it was found that it was reasonable to compare the current assets to current liabilities with proportion of 1.19 times (as of December 31, 2020, KESSEL has current assets of THB 76.94 million, which when compared to the ratio of current asset to current liabilities as of December 31, 2020, plus additional liabilities of THB 50.00 million). Theoretically, if current assets and current liabilities have similar proportion, it can be considered that the Company does not have a mismatch fund which corresponds to that proportion of KESSEL. Therefore, the worth of such loan depends on the financial management practices of each business. If current assets are significantly higher than current liabilities, it means that the entity does not have money management that is in line with the theory. Normally, the financial cost of the liability is less than the cost of the shareholders, therefore, the use of current assets from the shareholders' capital makes that entity more effective, having a higher financial cost than taking a loan from a financial institution.

#### **6) Risk from insufficient working capital:**

After the approval of the transaction from the shareholders' meeting, SE has to pay a deposit of THB 80.00 million to the Sellers, which is an event that will occur before the capital increase of the Company, so the Company will not receive cash from capital increase of THB 180.00 million. According to the financial statements ended December 31, 2020 SE had cash and cash equivalents of THB 68.11 million, therefore, IFA is in the opinion that SE may not have enough cash to pay the deposit. However, the Company believes that when the deposit payment is due to the Sellers, the Company should have enough cash. By considering the Company's second quarter financial statements in the past 3 years (2018-2020), which is a similar period that KESSEL deposit payment is due, the Company had cash and cash equivalents between THB 80.30 - 124.25 million, which should be sufficient. In addition, in the year 2021, the Company has prepared to retain the Company's cash by paying dividends by shares to shareholders instead of cash dividends as in the past. The Company also has a short-term loan credit from financial

institution of approximately THB 130.00 million, which should be sufficient for entering into the transaction and as cash flow in doing business.

■ **Appropriateness of the value to enter into the transaction of purchasing KESSEL**

The Independent Financial Advisor has assessed the value of KESSEL's shares in 6 different ways as follows:

(Unit: THB million)

Evaluation Method	Fair Value <sup>1/</sup>	Fair Value at 92.28 percent	Trading Price	Higher (Lower) than Trading Price	Higher (Lower) % than Trading Price
1) Book Value Approach	83.96	77.48	260.00	(182.52)	(70.20)
2) Adjusted Book Value Approach	38.04	35.11	260.00	(224.89)	(86.50)
3) Market Value Approach	N/A				
4) P/BV Approach	34.68 - 40.65	32.00 - 37.51	260.00	(228.00) - (222.49)	(87.69) - (85.57)
5) P/E Approach <sup>1/</sup>	318.18 - 433.57	293.61 - 400.10	260.00	33.61 - 140.10	12.93 - 53.88
6) Discounted Cash Flow Approach <sup>1/2/</sup>	430.72 - 470.26	397.47 - 433.96	260.00	137.47 - 173.96	52.87 - 66.91

Remarks: 1/ Approach that IFA has an opinion that is appropriate for the valuation

2/ KESSEL fair value calculated with WACC between 6.81% - 7.03%

IFA is in the opinion that the most appropriate fair value appraisal in this appraisal of KESSEL is: Price to Earnings Ratio Approach and Discounted Cash Flow Approach, which are popular methods that investors use to evaluate business value and can reflect profitability and cash flow in the future. The value of KESSEL is between THB 3,977.21 - 5,878.28 per share or a company value of THB 318.18 – 470.26 million, and when accounting for 92.28 percent of the total shares of KESSEL, the value is THB 293.61 – 433.96 million. Therefore, IFA is in the opinion that the value of the transaction that does not exceed THB 260.00 million to acquire shares of KESSEL at 92.28 percent is lower than the appropriate price range calculated by IFA.

■ **The appropriateness of the conditions of entering the transaction of purchasing KESSEL**

IFA is in the opinion that the conditions for the KESSEL share purchase transaction that the Company has presented to IFA is appropriate because it is a normal business condition that does not have any conditions that will cause the Company and the shareholders of the Company to lose benefits (details about the appropriateness of the transaction conditions in Section 6, Clause 6.2 of this report)

The opinion of IFA is based on the assumption that the information and documents received at the time of the due diligence and issuance of this report are accurate, truthful and complete. Therefore, when considering the reasonableness of the transaction along with the appropriateness of the price and conditions, IFA is in the opinion that the shareholders should approve the acquisition of assets and the connected transaction at this time. In considering the approval or disapproval of this transaction, the shareholders can consider information, rationale and opinions on various issues presented by IFA in this report.

By entering into this transaction, there are still risks that shareholders should consider carefully as such risks that may affect the Company's future performance. In this regard, the decision to vote for approval to enter into the transaction is at the discretion of the Company's shareholders. The shareholders should study the information in the documents attached to the invitation of the Annual General Meeting of Shareholders No. 1/2021 in order to be used in consideration of making decisions and voting appropriately.

Discover Management Company Limited as Independent Financial Advisor hereby certifies that the opinions have prudently been provided in compliance with the professional standards and principles, with due regard to the shareholders' benefits.

Yours sincerely,

Discover Management Company Limited

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(Mr. Vuthichai Tumasaroj)

Director

---

(Miss Kanokporn Pongjetanapong)

Director

(Mr. Natthawut Ananthanawat)

Supervisor

Contact: Discover Management Co., Ltd.

02-651-4447

info@discoverym.com

## Attachment 1

### Summary of Details of the Sellers

PPM Engineering Company Limited, Ms. Orasa Vimolchalao and Mr. Sittichai Leekasem

#### 1. PPM Engineering Company Limited

##### 1.1. General Information

Company Name	:	PPM Engineering Company Limited (“PPM”)
Headquarter Location	:	316, 316/1, Soi Ban Lat Dao, Sanphawut Road, Bangna Nuea Subdistrict, Bangna District, Bangkok
Telephone	:	062-180-5111
Type of Business	:	Providing real estate rental services for working office and residence.
Registered Number	:	0105532006198
Website	:	<a href="https://www.ppm-space.com/">https://www.ppm-space.com/</a>
E-mail	:	admin@ppm-space.com
Registered Capital	:	THB 15,000,000.00
Paid-up Capital	:	THB 15,000,000.00
Paid-up Share	:	150,000 shares

##### 1.2. Company Business Information

###### 1.2.1. History

PPM Engineering Co., Ltd. was established on January 20, 1989 and has been operating the business for 33 years, with the key management being Ms. Orasa Vimolchalao, starting from the trading business of pumps and valves. But currently, the business has changed to providing real estate service.

###### 1.2.2. Business Characteristic

PPM operates a service apartment building, receiving rents from residents, mostly on a monthly basis. There are 57 rooms in total, divided into Deluxe and Studio room types.

##### 1.3. Shareholders and Board of Directors

###### 1.3.1. Shareholders

PPM Engineering Company Limited has a registered capital of THB 15,000,000.00 divided into 150,000 shares with a par value of THB 100.00.

Group of shareholders holding shares as of January 31, 2021.

No.	Major shareholders	Number of shares	Percentage
1	Ms. Orasa Vimolchalao	149,998	100.00%
2	Mr. Sittichai Leekasem	1	0.00%



No.	Major shareholders	Number of shares	Percentage
3	Mr. Seri Leekasem	1	0.00%
	<b>Total</b>	<b>150,000</b>	<b>100.00%</b>

### 1.3.2. Board of Director

List of the Board of Directors of PPM as of January 29, 2021.

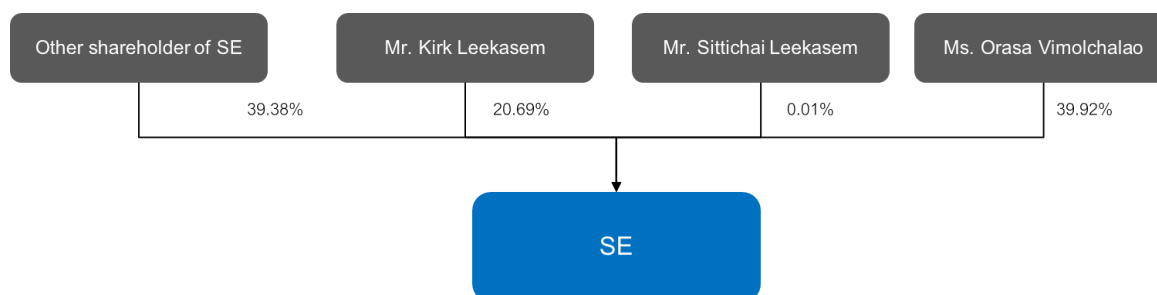
Name	Position
1. Ms. Orasa Vimolchalao	Director
2. Mr. Sittichai Leekasem	Director

### 1.3.3. Relationships with connected persons

Relationship : Miss Orasa Vimolchalao and Mr. Sittichai Leekasem is the connected person of SE and KESSEL according to the criteria specified in the Notification of the Capital Market Supervisory Board No. Tor. Jor. 21/2551 Re: Rules on Connected transactions 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 Connected Transactions B.E. 2546 (2003) (“Notification on Connected Transaction”)

In order to reflect on the relationship between individuals and corporates in connection with the share purchasing of KESSEL, IFA has summarized the information in order to gain a greater understanding of the overall transaction as follows:

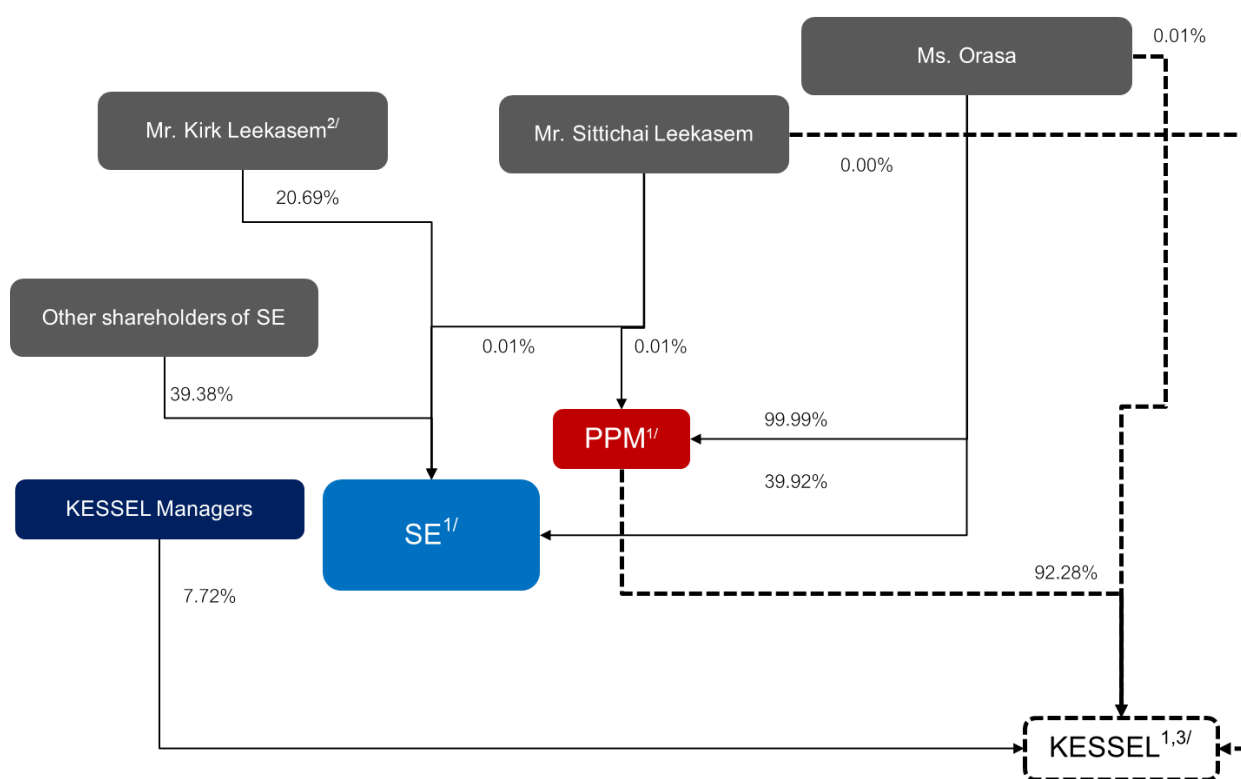
#### Relationship Structure of the SE Shareholders



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according to the resolution of the Board of Directors No. 2/2021 dated March 6, 2021, the Board of Directors is in the opinion that Mr. Kirk is able to vote at the Annual General Meeting of Shareholders to consider entering into KESSEL share purchase transaction under the condition that Mr. Kirk is not under the influence or control of Ms. Orasa and Mr. Sittichai, which may cause dependency in voting to enter or not to enter into the transaction of purchasing KESSEL shares of the Company, which is in line with the Notification of the Stock Exchange of Thailand that the Company must obtained a resolution from the shareholders' meeting for approving to enter into a connected transaction, which requires a vote of not less than three-fourths of the total number of votes of the shareholders who attend the meeting and have the right to vote, without counting the shareholders with interests.

**Relationship Structure of the Shareholders before the Transaction**

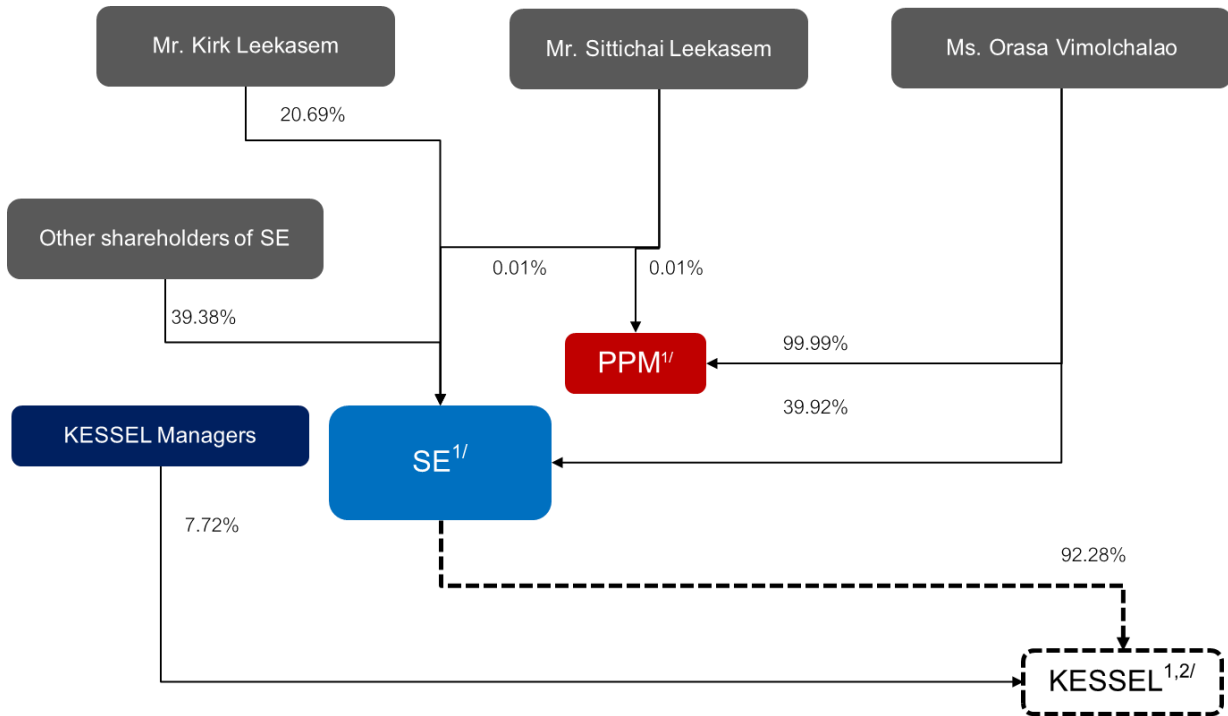


Remarks: 1/ Companies which Ms. Orasa and Mr. Sittichai are the directors

2/ Mr. Kirk is only a director of the Company.

3/ As of February 22, 2021, KESSEL has 3 directors: 1) Ms. Orasa, 2) Mr. Sittichai, and 3) Mr. Suwat.

**Relationship Structure of the Shareholders after the Transaction**



Remarks: 1/ Companies which Ms. Orasa and Mr. Sittichai are the directors

2/ Currently, the Company is considering candidate to appoint as directors of KESSEL.

**1.4. Financial Statements**

**1.4.1. Balance Sheet**

(Unit: THB million)

List	2018	2019	2020
<b>Asset</b>			
<b>Current assets</b>			
Cash and cash equivalents	0.74	0.19	0.30
Trade and other current receivables	1.29	3.85	3.07
Inventories - net	1.04	1.04	1.04
Other current financial assets	4.09	4.03	3.84
<b>Total current asset</b>	<b>7.16</b>	<b>9.11</b>	<b>8.25</b>
<b>Non-current asset</b>			
Other long-term capital	67.48	67.48	132.48
Advanced capital paid	22.00	22.00	31.22
Long-term loans to related parties	-	2.40	44.70
Investment property	136.49	122.46	106.45
Property, plant and equipment	16.86	15.33	16.20
Other non-current assets	0.27	0.35	0.43

List	2018	2019	2020
<b>Total non-current assets</b>	243.10	230.02	331.47
<b>Total assets</b>	250.27	239.13	339.73
<b>Liabilities</b>			
<b>Current liabilities</b>			
Short-term loans from financial institutions	-	-	-
Trade and other current payables	0.79	0.30	0.20
Income tax payable	9.02	-	-
Other current liabilities	0.70	0.74	0.73
<b>Total current liabilities</b>	10.51	1.05	0.93
<b>Non-current liabilities</b>			
Long-term loans from related parties	70.03	71.22	158.84
Provision for employee benefits	0.44	0.44	0.44
<b>Total non-current liabilities</b>	70.47	71.66	159.28
<b>Total liabilities</b>	80.98	72.70	160.21
<b>Shareholders' Equity</b>			
Share capital			
Registered and paid-up capital			
150,000 shares at a par value of THB 100 per share	15.00	15.00	15.00
Retained earnings			
Legal reserve	1.50	1.50	1.50
Unappropriated	152.79	149.93	163.02
<b>Total shareholders' equity</b>	169.29	166.43	179.52
<b>Total liabilities and equity</b>	250.27	239.13	339.73

#### 1.4.2. Income statement

(Unit: THB million)

List	2018	2019	2020
<b>Income</b>			
Revenue from sales and services	0.02	3.92	3.58
Income from sale of investment	139.07	-	-
Revenue from sale of property	-	-	1.07
Dividend income	5.50	18.46	27.68
Other income	0.52	0.50	2.05
<b>Total income</b>	145.11	22.87	34.38
<b>Expenses</b>			
Cost of service	16.78	18.77	15.45
Investment cost	21.80	-	-

List	2018	2019	2020
Service expenses	16.12	2.47	1.64
Administrative expenses	5.70	4.49	4.16
<b>Total expenses</b>	<b>60.40</b>	<b>25.73</b>	<b>21.25</b>
<b>Profit (loss) before interest and tax expense</b>	<b>84.71</b>	<b>(2.86)</b>	<b>13.13</b>
Financing cost	0.81	0.00	0.00
<b>Profit (loss) before tax expense</b>	<b>83.90</b>	<b>(2.86)</b>	<b>13.13</b>
Tax expense	15.80	-	-
<b>Profit (loss) for the year</b>	<b>68.10</b>	<b>(2.86)</b>	<b>13.13</b>

## 1.5. Management Discussion and Analysis

### 1.5.1. Overview of the Past Operation

#### 2018

From the performance of the year 2018, PPM had revenue from sales and service of THB 145.11 million, which can be divided into THB 0.02 million from revenue from services, THB 139.07 million from income from sale of investment, THB 5.50 million from dividend income and THB 0.52 million from other income. Revenue from sales and service increased from the year 2017 by THB 98.40 million or an increase of 210.69%, because PPM sold 1,599,998 shares in Utility Business Alliance Company Limited and 6,171 shares in Kessel (Thailand) Company Limited.

#### 2019

From the performance of the year 2019, PPM had revenue from sales and service of THB 22.87 million, which can be divided into THB 3.92 million from revenue from services, THB 18.46 million from dividend income and THB 0.50 million from other income. Revenue from sales and service decreased from 2018 by THB 122.24 million or by 84.24 percent. In the year 2019, PPM only has main income from operations and return on investment.

#### 2020

From the performance of the year 2020, PPM had revenue from sales and service of THB 34.38 million, which can be divided into THB 3.58 million from revenue from services, THB 1.07 million from sale of property, THB 27.68 million from dividend income and THB 2.05 million from other income. Revenue from sales and services increased from 2019 by THB 11.51 million or by 50.31 percent, because in the year 2020, PPM had income from return on investment increased by THB 9.22 million and other income increased from interest income from third parties.

### **1.5.2. Costs and expenses**

#### 2018

In 2018, PPM had cost and expenses of THB 60.40 million or 41.63 percent of the revenue, divided into service costs THB 16.78 million, investment costs THB 21.81 million, service expenses THB 16.12 million and administrative expenses THB 5.70 million, increased from the year 2017 by THB 58.33 million, due to the depreciation of investment assets, the cost of selling investment and investment consulting fee in various businesses.

#### 2019

In 2019, PPM had cost and expenses of THB 25.73 million or 112.50 percent of the revenue, divided into service costs THB 18.77 million, service expenses THB 2.47 million, and administrative expenses THB 4.49 million, decreased from the year 2018 by THB 34.67 million, because in this year, there are no investment expenses.

#### 2020

In 2020, PPM had cost and expenses of THB 21.25 million or 61.82 percent of the revenue, divided into service costs THB 15.45 million, service expenses THB 1.64 million, and administrative expenses THB 4.16 million, decreased from the year 2019 in the amount of THB 4.48 million due to the reducing number of employees, as a response to the economic conditions caused by the impact of the COVID-19 outbreak.

### **1.5.3. Net Profit**

#### 2018

In 2018, PPM had net profit of THB 68.10 million or a net profit margin of 46.93 percent, increased from the year 2017 by THB 23.47 million, or by 52.59 percent when compared to the previous year.

#### 2019

In 2019, PPM had net loss of THB 2.86 million or a net loss margin of 12.50 percent.

#### 2020

In 2020, PPM had net profit of THB 13.13 million or a net profit margin of 68.89 percent.

### **1.5.4. Asset**

#### 2018

As of December 31, 2018, PPM has total assets of THB 250.27 million, decreased by THB 6.06 million or 2.37 percent from December 31, 2017, mainly due to the decrease in other long-term funds.

#### 2019

As of December 31, 2019, PPM has total assets of THB 239.13 million, decreased by THB 11.13 million or 4.45 percent from December 31, 2018, mainly due to the decline in investment properties.

## 2020

As of December 31, 2020, PPM has total assets of THB 339.77 million, increase by THB 100.63 million or 42.08 percent from December 31, 2019, mainly due to an increase in other long-term investments and long-term loans to related parties.

### **1.5.5. Liabilities**

## 2018

As of December 31, 2018, PPM has total liabilities of THB 80.98 million, a decrease from December 31, 2017 by THB 74.16 million or 47.80 percent, mainly due to the decrease in long-term borrowings from financial institutions and long-term loans from related parties.

## 2019

As of December 31, 2019, PPM has total liabilities of THB 72.70 million, a decrease from December 31, 2018 by THB 8.28 million or 10.22 percent, mainly due to the decrease in income tax payable.

## 2020

As of December 31, 2020, PPM has total liabilities of THB 160.21 million, an increase from December 31, 2019 by THB 87.51 million or 120.36 percent, mainly due to an increase in long-term loans from related parties.

### **1.5.6. Shareholders' Equity**

## 2018

As of December 31, 2018, PPM has total equity of THB 169.29 million, where the shareholders' equity consists of paid-up capital and retained earnings.

As of December 31, 2018, PPM has an increase of total equity from end of the year 2017 by THB 68.10 million or 67.30 percent, due to an increase from operating profit during the year.

## 2019

As of December 31, 2019, PPM has total equity of THB 166.43 million, where the shareholders' equity consists of paid-up capital and retained earnings.

As of December 31, 2019, PPM has a decrease of total equity from end of the year 2018 by THB 2.86 million or 1.69 percent, due to a decrease from operating loss during the year.

## 2020

As of December 31, 2020, PPM has total equity of THB 179.56 million, where the shareholders' equity consists of paid-up capital and retained earnings.

As of December 31, 2020, PPM has an increase of total equity from end of the year 2019 by THB 13.13 million or 7.89 percent, due to an increase from operating profit during the year.

## 2. Ms. Orasa Vimolchalao

Age	67 years
Number of shares held in SE	95,796,400 shares or equivalent to 39.92% of the issued and paid-up shares of SE
Number of shares held in PPM	149,998 shares or equivalent to 100.00% of the issued and paid-up shares of PPM
Educational qualifications	Master of Business Administration, National Institute of Development Administration Bachelor of Engineering (Mechanical), Khon Kaen University
Training history	<p>Training courses of the Thai Institute of Directors Association (IOD)</p> <ul style="list-style-type: none"> <li>- Director Accreditation Program (DAP) Course, Class SEC / 2015</li> </ul> <p>Other courses</p> <ul style="list-style-type: none"> <li>- Training Dynamic Leadership course</li> <li>- eLogistic Summit 2019 program course</li> <li>- Chief Transformation Officer (CTO) course</li> <li>- Predictive Index course</li> <li>- Course on criminal liability for directors and corporate representatives: is the new law really better?</li> <li>- Course on individual personnel development planning to be effective and meet the organization's needs.</li> <li>- Basic Valuation for IR</li> <li>- Corporate Social Responsibility for Corporate Sustainability, Class 3</li> <li>- Orientation Course-CFO Focus on financial reporting, Class 6</li> </ul>
Work experience	<p>Holding a position in a listed company on the SET</p> <p>2016 - present    Director / Chairman of Executive Committee / Chief Executive Officer / Chairman Risk Management Committee Siameast Solution Public Company Limited</p> <p>Positions in other companies / businesses</p> <p>2016 - present    Director V-Care Global Health Company Limited</p> <p>2004 - present    Director Vimolchalao Company Limited</p> <p>2004 - present    Director / Managing Director Siamraj Travel Co., Ltd.</p> <p>2001 - present    Director Utility Business Alliance Company Limited</p> <p>1994 - present    Director / Managing Director</p>



	<p>Kessel (Thailand) Co., Ltd.</p> <p>1989 - present Director / Managing Director</p> <p>PPM Engineering Company Limited</p> <p>1993 - 2016 Director / Chairman of Executive Committee / Chief Executive Officer</p> <p>Siam Ratchathani (Eastern) Co., Ltd.</p>
Family relationship	<p>Spouse of Mr. Sittichai Leekasem</p> <p>Mother of Mr. Kirk Leekasem</p>

### 3. Mr. Sittichai Leekasem

Age	60 years
Number of shares held in SE	34,700 shares or equivalent to 0.01% of the issued and paid-up shares of SE
Number of shares held in PPM	1 shares or equivalent to 0.00% of the issued and paid-up shares of PPM
Educational qualifications	Bachelor of Engineering (Electrical), Khon Kaen University
Training history	<p>Training courses of the Thai Institute of Directors Association (IOD)</p> <p>- Director Accreditation Program (DAP) Course, Class 127 / 2016</p>
Work experience	<p>Holding a position in a listed company on the SET</p> <p>2016 - present Director / Managing Director</p> <p>Siameast Solution Public Company Limited</p> <p>Positions in other companies / businesses</p> <p>2016 - present Director</p> <p>V-Care Global Health Company Limited</p> <p>2004 - present Director</p> <p>Siamraj Travel Co., Ltd.</p> <p>1994 - present Director</p> <p>Kessel (Thailand) Co., Ltd.</p> <p>1989 - present Director</p> <p>PPM Engineering Company Limited</p> <p>1993 - 2016 Director / Managing Director</p> <p>Siam Ratchathani (Eastern) Co., Ltd.</p>
Family relationship	<p>Spouse of Ms. Orasa Vimolchalao</p> <p>Father of Mr. Kirk Leekasem</p>

## Attachment 2

### Summary of details of Siameast Solution Public Company Limited Business overview and Result of Operations

#### 1. General Information

Company Name	: Siameast Solution Public Company (the “Company” or “SE”) SIAMEAST SOLUTIONS PUBLIC COMPANY LIMITED
Headquarter Location	: 15/1 Highway - Rayong No. 3191 Rd., Huey Pong, Muang Rayong, Rayong 21150
Telephone	: 0-3868-2540-2
Fax	: 0-3868-2539
Type of Business	: The company distributes industrial products which consist of pumps, process machinery, piping systems, and consumable products for the usages in production process and maintenance as well as provides related services including coating and tailor-made removable insulation jacket services.
Registered Number	: 0107559000061
Website	: <a href="http://www.siameastsolutions.com/">http://www.siameastsolutions.com/</a>
Registered Capital	: THB 120,000,000
Paid-up Capital	: THB 120,000,000 บาท
Paid-up Share	: 240,000,000 shares

#### 2. Company Business Information

Siameast Solution Public Company Limited engages operate the business of supplying and distributing industrial products and providing various industrial related services, which could be dividing into 4 product groups: Pumping System Technology Division, Process and Piping Solution Division, Innovative Material Division, and Service Business. At present, the Company supplies and distributes more than 3,500 industrial products under leading international brands. Moreover, a product which can serve the various needs of industrial plants that take advantage of industrial products in the production process, utilities, plumbing and maintenance work.

##### 2.1 History

Month/ Year	Major changes and developments
August 1993	<ul style="list-style-type: none"><li>● Siam Ratchathani (Eastern) Company Limited was established with registered capital of THB 2.00 million with the objective of procuring and distributing industrial products in 3 product groups:</li></ul>

Month/ Year	Major changes and developments
	<p>product portfolio and pump technology, piping and process management products group and innovative material product groups with a focus on customer groups in Rayong and nearby provinces in the eastern part of the country.</p>
October 2001	<ul style="list-style-type: none"> <li>● The Company increased its registered capital from THB 2.00 million to THB 5.00 million for capital in the business.</li> </ul>
January 2009	<ul style="list-style-type: none"> <li>● The Company has opened an office in Bangkok to display and distribute 3 industrial product groups: product line and pump technology, piping and process management products group and innovative material product groups to customers in Bangkok and other provinces throughout Thailand and for an opportunity to distribute industrial products to overseas customers.</li> </ul>
August 2015	<ul style="list-style-type: none"> <li>● The Company has received the ISO 9001: 2008 standard which certifies the quality in terms of design, distribution, assembly, installation and after-sales service for industrial products used in production processes and maintenance, including pumps and liquid delivery, piping and consumables.</li> </ul>
December 2015	<ul style="list-style-type: none"> <li>● The Company restructured the shareholders and increased the registered capital from THB 5.00 million to THB 90.00 million in order to be working capital in the business and to create long-term financial stability for the Company by issuing new ordinary shares of 850,000 shares with a par value of THB 100.00 per share, offering to the existing shareholders in the amount of 4 persons by offering the newly issued ordinary shares at the par value of THB 100.00 per share to the existing shareholders who subscribe to ordinary shares in proportion to their shareholding and offering the newly issued ordinary shares at fair value to the existing shareholders who subscribe to the ordinary shares in excess of the existing shareholding proportion. In this regard, the existing shareholder, Ms. Orasa Vimolchalao, has transferred some common shares to the new shareholder, Mr. Kirk Leekasem, who has become legal of age. Thus, the Company have 5 shareholders in total.</li> </ul>
March 2016	<ul style="list-style-type: none"> <li>● The Company transformed into a public company and changed the name of the new company to Siameast Solution Public Company Limited</li> <li>● The Company changed the par value of ordinary shares from THB 100.00 per share to THB 0.50 per share.</li> <li>● The Company increased its registered capital from THB 90.00 million to THB 120.00 million by issuing new ordinary shares of 60,000,000 shares with a par value of THB 0.50 per share for the Initial Public Offering, converting to a public company and changed the name of the new company to Siameast Solution Public Company Limited.</li> </ul>
February 2017	<ul style="list-style-type: none"> <li>● On February 9, the Company has registered to increase the paid-up capital of the Company from THB 90,000,000 to THB 120,000,000. The Company has allocated 60,000,000 new ordinary shares with a par value of THB 0.50 per share to the public (Initial Public Offering) at the price of THB 2.45 per share, totaling THB 147,000,000.</li> </ul>

Month/ Year	Major changes and developments
May 2018	<ul style="list-style-type: none"> <li>On 2 May 2018, the Company acquired 1,599,998 ordinary shares of Utility Business Alliance Co., Ltd. ("UBA"), representing 40 percent of the registered and paid-up capital. The total value is THB 135,000,000 or approximately 84.38 baht per share from the existing shareholders, namely PPM Engineering Co., Ltd. ("PPM" or "Seller").</li> </ul>
2018	<ul style="list-style-type: none"> <li>Launched the Engineering Service Center Building to support the expansion.</li> <li>Received the standard of ISO9001: 2015 from TÜVRheinland company for quality assurance in distribution and supply of assembly services, installation and after-sales service for various industries such as pumps, valves, pipelines and consumables.</li> </ul>
2019	<ul style="list-style-type: none"> <li>The Company opened Songkhla office to expand the customer base to the South</li> </ul>

## 2.2 Business Characteristic

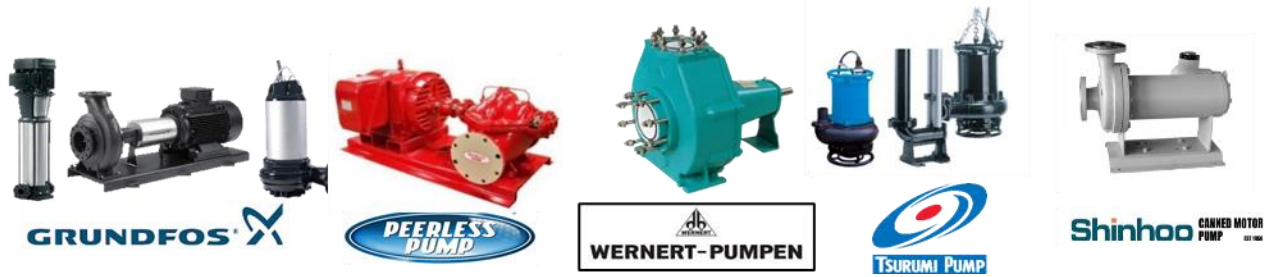
Siameast Solution Public Company Limited operates the business of procuring and distributing industrial products and providing various services, relating to industrial plants, which is divided into 4 product groups as follows,

### 2.2.1 Pumping system technology division

A pump is a fluid pumping device that relies on its source energy to move fluids from one place to another. This can be a movement in the direction from low to higher or a longer distance. The pump which the company supply and distribute is mainly used in utilities and industrial processes. This includes the use of hotels, hospitals, high-rise buildings and government water projects. There are two types of pumps for transporting water and liquids, which are Centrifugal Pumps and Positive Displacement Pumps.

#### 2.2.1.1 Centrifugal Pump

Centrifugal type pump is commonly referred to as spiral pump, it is widely used in industrial plants. The principle of operation is by transferring power from the engine or motor to the pump impeller to produce rotating power which will suck the liquid into the center of the impeller and spun out causing a centrifugal flow from the center of the impeller to the circumference in all directions and flow together in the pump to go out through the supply pipe which will pump the said liquid to the desired destination. Centrifugal pumps are used with clear and low viscosity liquids such as tap water, hot water, cooling water, wastewater, fire water, clear liquids, chemicals, etc., it is mainly used in utility systems and process industry by centrifugal pumps that the Company supply and distribute has a variety of designs to suit the different style of installation and use.



### 2.2.1.2 Positive Displacement Pump

Positive displacement pumps work by creating an expansion cavity inside the pump while the pump rotates or pumps to allow fluid to flow to replaces the cavity inside the pump, after which the fluid is pushed out as the cavity area within the pump decreases from the pump pressure. The liquid will be sent to the desired destination. Positive displacement pumps are for high viscosity fluids, containing sludge contaminants such as vegetable oil, adhesives, foam, asphalt, etc., and can be used with some clear liquids that require high pressure. Most of them are used in process industry by positive displacement pumps that the Company provide and distribute has a variety of design different use.



In addition, the Company also provide and distribute other equipment used in industrial plants, including the Liquid Ring Compressor and Centrifugal Compressor.

The Company has an engineer team who provide engineering services about pump from asking for demand and purpose of use, selection of suitable pump types, assembly of pump equipment and components and giving advice in the installation and commissioning of pump at first run as well as providing knowledge and advice on the use and maintenance of the pump to the operator. In order to use efficiently and with the maximum safety, the company also provides after-sales service, inspect and analyze problems, repair and corrective maintenance to

equipment in the pump system, including Preventive Maintenance service to additionally increase the service life and performance of the pump.

In addition, the Company provides energy efficiency measurement of pump systems (Energy Audit Service) by a team of expert engineers with modern tools and equipment to verify the suitability and energy efficiency of the pump system by measuring various functions such as flow rate, voltage, power consumption, etc., and produce reports with summaries of analyzes and alternative solutions to the customer to improve the efficiency of the process.

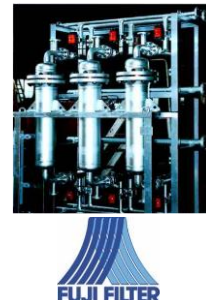
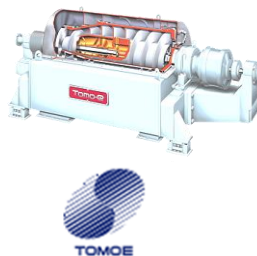
## 2.2.2 Process and piping solution division

### 2.2.2.1 Process Equipment

The Company provide and distribute production process equipment used in industrial plant, which can be categorized according to the purpose of use of various equipment into 5 categories: Separation unit, absorption unit, distillation unit, thermal and combustion unit and air pollution treatment unit as follows:

#### a. Separation Unit

- **Strainer**, filter device to separate solids greater than 25 microns (1 mm equal to 1,000 microns) from a liquid pipeline system such as raw water filtration to remove debris or sand before delivering water without suspended solids into manufacturing process.
- **Filter**, filter the material that is finer than the strainer. It can filter materials smaller than 25 microns, mostly used in Oil Refineries, Gas Separation Plant, Petrochemical Plants, Chemical Factory, Fiber Factory, etc.
- **Decanter Centrifuge**, device which separate solids from liquids by using continuous centrifugal force to deliver contaminants or materials to be precipitated and conveyed.
- **Mist Eliminator**, device to trap liquid vapors from gases to allow the gas to pass through free from pollution vapors or reduce the loss of high-value vapors in the production process. Mostly used in oil and natural gas refineries. Petrochemical plants, chemical plants, etc.



**b. Absorption Unit**

- **Molecular Sieve**, synthetic substance that has the ability to absorb liquids which are unwanted substances from raw materials. It is mostly used in oil and natural gas refineries, petrochemical plants chemical factory, sugar factory, etc.
- **Ceramic Catalyst Bed Support**, nodular ceramic substance that prevents the discharge of the substance during processing to simplify the process of doing the reaction is very efficient and can happen continuously. It is mainly used in oil and gas plants, petrochemical plants, chemical plants, etc.

**c. Distillation Unit**

It is a device in a sequential distillation tower which is the process of separating chemical compounds from each other in the form of each sub-element by using the difference of boiling points. It is mainly used in oil and natural gas refineries, petrochemical plants and chemical plant etc.

**d. Thermal and Combustion Unit**

It is a system of heat transfer devices for increasing the temperature of liquids or gases, such as high-heat furnaces. Flue-tower heat transmitters are mainly used in oil and natural gas refineries. Petrochemical plants Chemical plants, etc.

**e. Air Pollution Treatment Unit**

It is a system for treating toxic vapors from industrial plants through a heat treatment process to convert the vapors into carbon dioxide and water before being released into the atmosphere. It is mainly used in oil and natural gas refineries, chemical plants, coating plants electronics factory, paint factory, etc.

**2.2.2.2 Piping system and related equipment**

**a. Piping system**

- **Pipe**, medium to flow fluid from one location to another which pipes the Company provide and distribution are produced from quality raw materials that can prevent corrosion and rust. It is strong and durable and has a long service life. It can be divided into 3 types, details as follows
- **Plastic Pipe**, pipe made of high quality and lightweight plastic resins, including U-PVC, C-PVC, PP-R and HDPE (High Density Polyethylene). It has a properties of anti-corrosion and rust and is resistant to corrosion from sediment or other solid debris.

- **PE Lined Galvanize Pipe**, galvanized steel pipe which inside lined with PE plastic, thus combining the benefits of plastic and steel to use. With plastic lining inside it reduces the occurrence of rust or slag on the surface of the pipe. The exterior is a steel structure that is strong, durable and can withstand high water pressure utilities such as raw water system, tap water, well water, cold water, hot water, etc.
- **Sprinkle Pipe**, a black steel pipe oil polish certified by FM Approved, which meets the requirements of the international use of fire water pipes, suitable for fire extinguishing systems in factories and buildings.

b. Related equipment

- **Plastic Tank**, device made of HDPE (High Density Polyethylene) plastic for holding water and liquids such as bile, waste water and chemicals. It can be installed both on the soil and underground. It is mostly used in industrial plants and buildings including used as a septic tank.
- **Pressure / Vacuum Release and Control**
  - **Breather Valve**, device for controlling the pressure value within the system to the level that they are mostly fitted to cylinders containing liquids or gases, which prevents the tank from collapsing or expanding as pressure changes when the process fluid is discharged and pumped.
  - **Rupture Disc**, to release the pressure in the event that the pressure and temperature in the system exceeding the limitation. The Rupture Disc installed will burst to release the pressure outside the system. It is a device that helps to protect the safety of systems or other equipment from severe or continuous damage from the pressure that occurs.



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- **Explosion Protection and Suppression System**, system of equipment that is designed and installed to prevent damage from the explosion of process equipment, it is mainly used in industrial applications with high dust particles such as milk powder factory, coffee, pigment,



starch and industries that utilize coal powder such as power plants and cement plants, comprising of:

- **Explosion Vent**, to release the pressure within the device system when an explosion occurs, the discs will break out when the pressure in the system is higher than the rated value to reduce the severe loss of the equipment system in the factory.
- **Flameless Explosion Venting**, a cylindrical grate that is attached to a tank or equipment at risk of explosion. It is a confined device that instantly extinguishes flames to prevent the flame caused by the explosion inside the system from escaping to the outside.
- **Isolation Valve**, serves to prevent the fire caused by the explosion inside the equipment from spreading through the pipes to other points of the system.
- **Explosion Suppression**, able to detect sparks or fires within the system from the beginning by flame sensor sends a signal for the device to work by injecting chemicals to extinguish the fire.

The Company has a team of sales engineers who provide engineering services for process equipment and piping systems from enquiries for the needs and the purpose of use, selecting the right type of equipment, providing installation and testing advice, operation of the device in the first run. (Commissioning) as well as providing knowledge and advice about the operation and maintenance of the equipment to the operators for their efficient use and maximum safety.

### 2.2.3 Innovative material division

The company supplies and distributes consumable product that are used in production processes and maintenance work in industrial plants as per detail below,

#### 2.2.3.1 Adhesive

- a. **Cyanoacrylate** - an adhesive that requires a very short bonding time. Used to attach small work piece and are able used with a variety of materials such as plastic, rubber, metal, leather, paper, glass, ceramics, etc. Mostly are used as a parts in the production line in various industries such as automotive, sports equipment, electronic equipment, etc. including repair and maintenance work of various machineries.
- b. **Anaerobic** - an adhesive that will harden and adhere to work pieces in an airtight condition. It is use for only for metal-to-metal bonding applications. Each type of anaerobic adhesives are as follows.

- Thread Locking
  - Thread Sealing
  - Retaining
  - Gasketing
  - Gasket Sheet
  - Spiral Wound Gasket
- c. **Epoxy** - an ideal adhesive for general repair work in the form of sealing, bonding, sealing and leakage of materials such as wood, steel, aluminum, zinc, concrete, glass, tile, etc.



#### 2.2.3.2 Sealant

Sealant is a material that is used to seal grooves between surface joints to prevent leaks through crevices caused by expansion or deterioration of the surface over time. Each type of sealant has different properties and for different applications.

#### 2.2.3.3 Coating

- a. **Coating Product** - Product for repairing and protecting the surface of metal, concrete and rubber machinery and equipment that has been eroded and damaged to be able to return to work efficiently.
- b. **Rust Treatment** - a coating to stop the spread of rust. It can be used for all types of metal such as pipes, tanks, steel structures, etc.

#### 2.2.3.4 Safety & Protective

##### a. Liquid Cleanser

- **Wiper** a mop material instead of a rag used for cleaning machinery, spare parts and work pieces to be free from water, oil, glue, grease, chemicals or other liquids. It is mainly used in maintenance work, machines and wiping equipment before assembly. For wiping the work piece before importing the production process, the work piece before and after painting and wiping the work piece that requires high cleanliness.

- **Equipment Detergent** - a cleaning solution for dirt stains on tools and machines for heavy industrial work such as oil, grease, etc.
- **Loctite SF7850- Orange Hand Cleaner** - a liquid soap that contains plastic abrasive beads to help in removing oil, grease and stains. That stick on the palm of the hand
- **Gasket Remover** - a solution for stripping or removing old gasket stains and black soot. Due to the carbon in the lubricating oil and the grease that burns on the flange of the machine.

b. Personal Protective Equipment

- **Safety Glasses** an eye protection equipment from the dangers of sparking debris and various rays



- **Safety Gloves** a protection product against injuries to the palm caused by sharp objects and hazardous chemicals during work, such as general mechanic gloves, cut resistant gloves and chemical resistant gloves.
- **Safety Suit** a protective wear product including dust and chemical protection clothing. It can protect the body from dust and chemical mist and firefighting suits that can protect the body from the heat of flames. It is mainly used in steel plants, power plants and heat related work.

c. Industrial safety equipment

- **Fire Blanket** a fabric made from natural glass sand. It has the ability to withstand high heat which helps to prevent sparks from steel welding or steel cutting, used as an insulator by covering machinery and equipment to prevent heat loss, etc.
- **Safety Shield** chemical protection guard will be installed to prevent damage to machinery from exposure to direct chemical mist and prevent the occurrence of danger to those who work in the surrounding area

- **Safety Sight Glass** It is a long, circular glass that is used to measure the level of liquid in a boiler or inside a process tank. They are resistant to extreme temperature and pressure fluctuations.
- **Insulation** a black rubber insulator with low thermal conductivity and can resist the penetration of moisture It is used for cladding to pipes, tanks and various machines to prevent loss of heat, cooling or reducing noise caused by the operation of machinery and equipment.



- **Pipe Repairing Kit** an ideal repair tool for leaking fluid or gas pipelines without interrupting production processes or closing valves for repair.
- **Cutting and Grinding disc** a device used in cutting, polishing, grinding and finishing work. It can be used in conjunction with cutting tools or electric sanders in cutting steel, polishing the work piece surface, pipe welding or other decorative work.

## 2.2.4 Service business

### 2.2.4.1 Coating

The Company provides surface coating services for machinery and equipment to prevent corrosion of chemicals that are acidic or alkaline and increase resistance to shock and abrasion, including repair work on damaged surfaces in order to increase the work efficiency and increase the service life. There is a team of engineers to provide surface coating services for machinery and equipment at the customer's factory or move machinery and equipment to process the surface coating at the area of the Company.

### 2.2.4.2 Removable Insulation Jacket

The Company provides design and sewing service for insulator for covering machinery and equipment for the benefit of preventing loss of heat, cooling or reducing the noise level arising from the work. The company will inquire about the needs of customers, select the appropriate material for sewing and sew the insulation cover as required. The insulation has a waterproof properties, resistant to high temperatures and chemicals that can be hazardous to machinery and equipment. The insulation can be removed from machinery and equipment for cleaning, maintenance and re-encapsulation.

### 2.2.4.3 Piping Installation

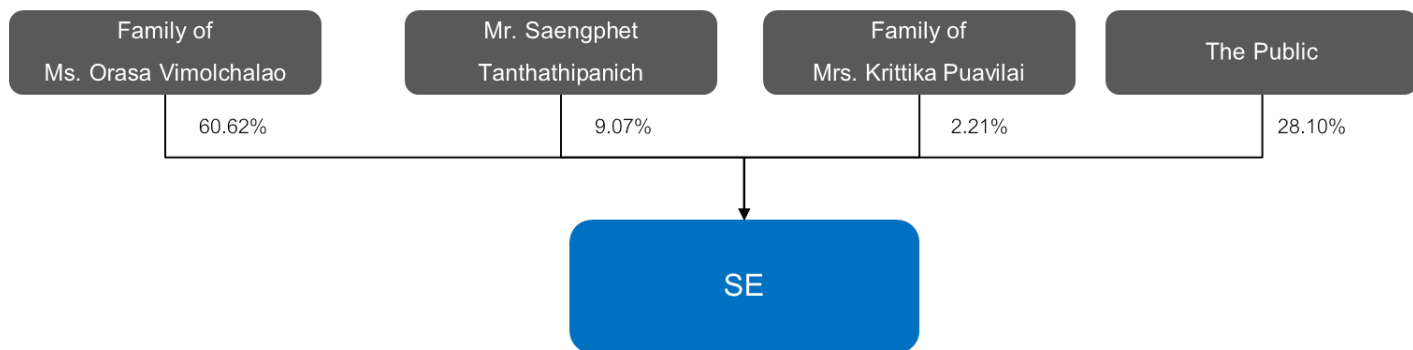
The Company provides dismantling, assembly, installation and testing services for water pipes, air ducts, to replace the old pipe systems that have problems with rust in the pipes and leaking pipes by choosing a material pipe that is different from the general steel pipe, such as steel pipes lined with plastic. PE, PP-R pipe for a durable alternative to the Without the problem of rust, leaking pipes, broken pipes.

#### 2.2.4.4 Pump Service

The Company has a team of skilled engineers and has a huge amount of customer base that uses the company's product. Therefore, ready to provide check and repair services (Check Repair), including installation of a new pump to replace the old, damaged pump or in use for over 10 years and also covers preventive maintenance for the branded pump system that is sold.

### 2.3 Shareholding Structure

SE's shareholding structure as of March 15, 2021 is as follows:



Source: The Company

Ms. Orasa Vimolchalao family consists of

- Ms. Orasa Vimolchalao holds 95,796,400 shares or 39.92 percent of the issued and paid-up capital.
- Mr. Sittichai Leekasem is the unmarried husband of Ms. Orasa Vimolchalao, holding 34,700 shares, representing 0.01 percent of the issued and paid-up capital.
- Mr. Kirk Leekasem is the mature child of Ms. Orasa Vimolchalao and Mr. Sittichai Leekasem, holding 49,655,900 shares or 20.69 percent of the issued and paid-up capital.

Mrs. Krittika Puavilai Family consists of

- Mrs. Krittika Puavilai holds 3,000,000 shares or 1.25 percent of the issued and paid-up capital.
- Mr. Govit Puavilai, husband of Mrs. Krittika Puavilai holds 2,300,000 shares or 0.96 percent of the issued and paid-up capital.

### 2.4 Revenue structure

The main revenue of the company is divided into four categories: revenue from pumping system technology division, revenue from process and piping solution division products, revenue from innovative material division and revenue from services business, with details of revenue proportion as follows:

(Unit: THB million)

Revenue	2018		2019		2020	
	THB million	%	THB million	%	THB million	%
1. Revenue from pumping system technology division	127.50	30.97	163.51	34.05	119.40	26.21
2. Revenue from process and piping solution division	106.44	25.86	142.57	29.69	183.25	40.21
3. Revenue from innovative material division	126.84	30.81	113.43	23.63	112.80	24.75
4. Revenue from service business	44.62	10.84	55.44	11.55	33.84	7.43
<b>Total revenue from sales and services</b>	<b>405.40</b>	<b>98.48</b>	<b>474.95</b>	<b>98.92</b>	<b>449.28</b>	<b>98.60</b>
Other income	6.23	1.52	5.20	1.08	6.38	1.40
<b>Total</b>	<b>412.79</b>	<b>100.00</b>	<b>411.63</b>	<b>100.00</b>	<b>453.66</b>	<b>100.00</b>

Source: Company Annual Report

### 3. Shareholders and Board of Directors

#### 3.1 Shareholders

Siameast Solution Public Company Limited has a registered capital of THB 120,000,000.00, paid-up capital of THB 120,000,000.00, divided into 240,000,000 ordinary shares with a par value of THB 0.50 per share (Fifty Satang)

Top 10 shareholders as of March 15, 2021

No.	Major shareholders	Number of shares	%
1	<b>Ms. Orasa Vimolchalao Family</b>		
	Ms. Orasa Vimolchalao	95,796,400	39.92%
	Mr. Kirk Leekasem	49,655,900	20.69%
	Mr. Sittichai Leekasem	34,700	0.01%
	<b>Total</b>	<b>145,486,800</b>	<b>60.62%</b>
2	Mr. Saengphet Tanthathipanich	21,770,000	9.07%
3	<b>Mrs. Krittika Puavilai Family</b>		
	Mrs. Krittika Puavilai	3,000,000	1.25%
	Mr. Kovit Puavilai	2,300,000	0.96%
	<b>Total</b>	<b>5,300,000</b>	<b>2.21%</b>
4	Mr. Vichian Srimunnimit	3,112,100	1.30%
5	Mr. Nuttapon Engmaneeprasert	3,000,000	1.25%
6	Mrs. Jidapa Kantasusira	1,450,000	0.60%

No.	Major shareholders	Number of shares	%
7	Mr. Vinit Hongnipon	1,400,000	0.58%
8	Mr. Pawawit Klinpratoom	1,260,000	0.53%
9	Mr. Chaiwat Songserpanyakul	1,208,000	0.50%
10	Mr. Petchkasem Uengtrakul	1,200,500	0.50%
11	Other shareholders	54,812,400	22.84%
	<b>Total</b>	<b>240,000,000</b>	<b>100.00%</b>

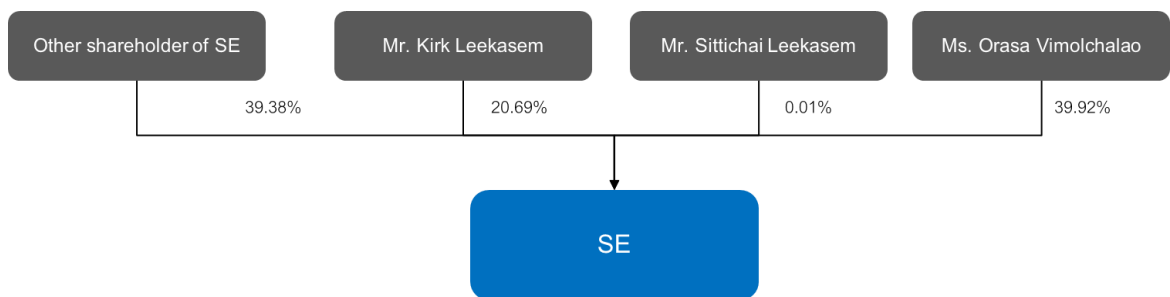
Source: The Company

### 3.2 Relationship with Related Person

Relationship : Miss Orasa Vimolchalao and Mr. Sittichai Leekasem is the connected person of SE and KESSEL according to the criteria specified in the Notification of the Capital Market Supervisory Board No. Tor. Jor. 21/2551 Re: Rules on Connected transactions 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 Connected Transactions B.E. 2546 (2003) (“Notification on Connected Transaction”)

In order to reflect on the relationship between individuals and corporates in connection with the share purchasing of KESSEL, IFA has summarized the information in order to gain a greater understanding of the overall transaction as follows:

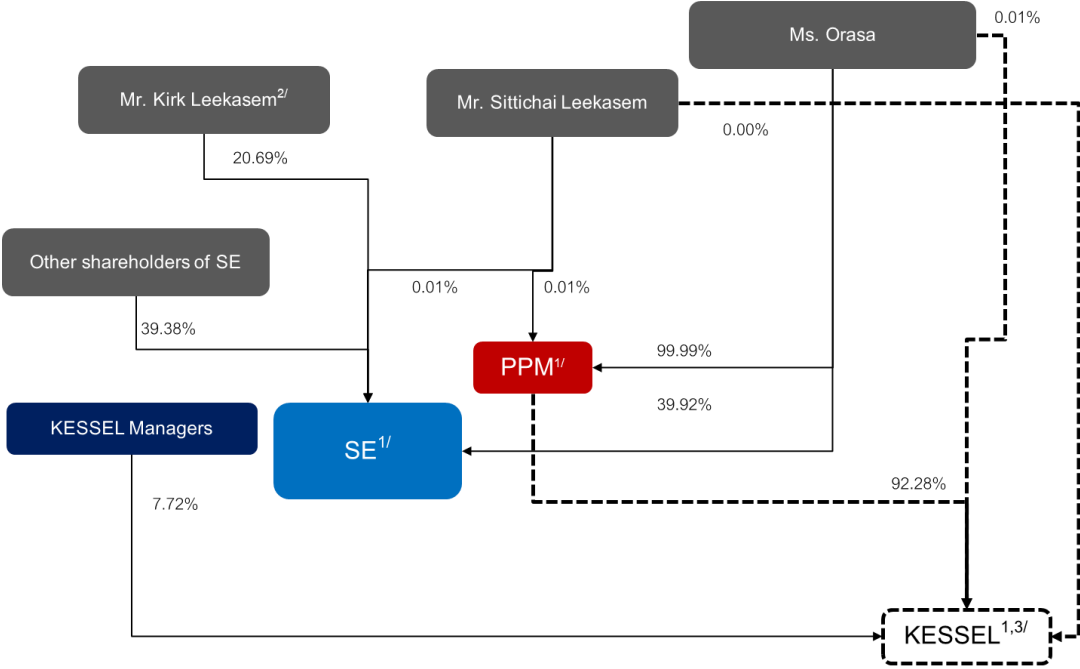
#### Relationship Structure of the SE Shareholders



Ms. Orasa, Mr. Sittichai and Mr. Kirk are the Company's directors whereby Ms. Orasa and Mr. Sittichai has the status of husband and wife with Mr. Kirk as their son, which according to Announcement of the Board of Governors of the Stock Exchange of Thailand: Disclosure of Information and Operations of Listed Companies on

the Connected Transaction in 2003, Mr. Kirk and Ms. Orasa is considered a close relative according to the definition of such announcement. In this regard, Mr. Kirk is not a director or shareholder in KESSEL. However, according to the resolution of the Board of Directors No. 2/2021 dated March 6, 2021, the Board of Directors is in the opinion that Mr. Kirk is able to vote at the Annual General Meeting of Shareholders to consider entering into KESSEL share purchase transaction under the condition that Mr. Kirk is not under the influence or control of Ms. Orasa and Mr. Sittichai, which may cause dependency in voting to enter or not to enter into the transaction of purchasing KESSEL shares of the Company, which is in line with the Notification of the Stock Exchange of Thailand that the Company must obtain a resolution from the shareholders' meeting for approving to enter into a connected transaction, which requires a vote of not less than three-fourths of the total number of votes of the shareholders who attend the meeting and have the right to vote, without counting the shareholders with interests.

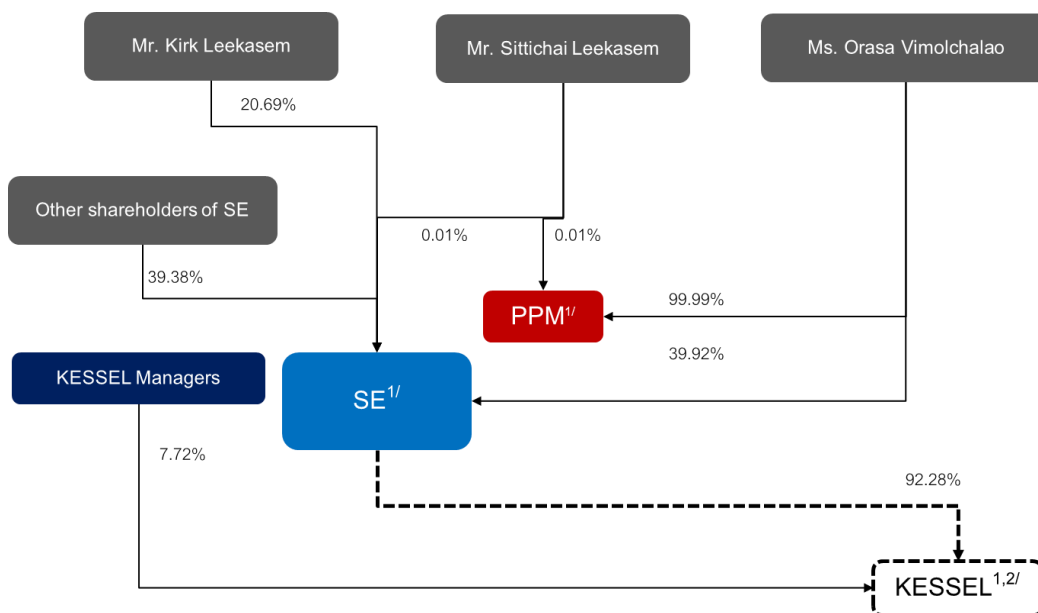
**Relationship Structure of the Shareholders before the Transaction**



- Remarks: 1/ Companies which Ms. Orasa and Mr. Sittichai are the directors
- 2/ Mr. Kirk is only a director of the Company.
- 3/ As of February 22, 2021, KESSEL has 3 directors: 1) Ms. Orasa, 2) Mr. Sittichai, and 3) Mr. Suwat.

**Relationship Structure of the Shareholders after the Transaction**





Remarks: 1/ Companies which Ms. Orasa and Mr. Sittichai are the directors

2/ Currently, the Company is considering candidate to appoint as directors of KESSEL.

### 3.3 Board of Directors

List of the Board of Directors of the Company as of March 16, 2021

Name	Position
1. Dr. Thanachart Numnonda	Chairman of the Audit Committee Chairman of the Board of Directors Independent Director
2. Ms. Orasa Vimolchalao	Company Directors Chairman of the Risk Management Committee Chief Executive Officer Managing Director
3. Mr. Sittichai Leekasem	Company Directors Executive Director
4. Mrs. Chanchira Smakthai	Independent Director Company Directors Audit Committee Chairman of the Nomination and Remuneration Committee
5. Ms. Jiranat Sumanont	Independent Director Company Directors Member of the Nomination and Remuneration Committee
6. Mr. Kirk Leekasem	Company Directors Executive Director Deputy Chief Executive Officer

Name	Position
	Risk Management Committee
7. Ms. Nitkamon Wongpipat	Company Directors Member of the Nomination and Remuneration Committee
8. Mr. David Samanyaporn	Company Directors

Source: The Company

### 3.4 Senior management team

List of senior management team of the Company as of March 16, 2021

Name	Position
1. Ms. Orasa Vimolchalao	Chief Executive Officer
2. Mr. Kirk Leekasem	Deputy Chief Executive Officer
3. Mrs. Sitta Saetiao	Support manager
4. Mrs. Malee Inthara	Sales manager, process management and piping products
5. Mrs. Supathida Limsamphancharoen	Sales manager, innovative material products
6. Mrs. Pimchanok Kham-in	Sales Manager, Bangkok Office
7. Mr. David Samanyaporn	Chief Financial Officer
8. Mr. Pornchai Tanthisuntharodom	Chief Sales and Marketing Officer
9. Mr. Sittichai Leekasem	Executive Director

Source: The Company

## 4. Summary of important items in the financial statements

### 4.1 Balance Sheet

(Unit: THB million)

List	2018	2019	2020
<b>Asset</b>			
<b>Current assets</b>			
Cash and cash equivalents	85.69	78.87	68.11
Temporary investment	-	-	-
Trade and other current receivables	90.20	100.13	150.28
Inventories	23.66	56.42	28.27
<b>Total current asset</b>	<b>199.55</b>	<b>235.42</b>	<b>246.66</b>
<b>Non-current asset</b>			
Deposit with obligation	8.80	8.80	3.80
Investments in associates	144.97	151.78	167.15
Long-term loans to associates	12.62	-	-
Buildings and equipment	11.03	12.25	7.66

List	2018	2019	2020
Assets on long-term lease space	41.91	38.77	-
Rights of use assets	-	-	49.06
Deferred tax assets	1.78	2.07	3.29
Other non-current assets	0.01	0.02	0.01
<b>Total non-current assets</b>	<b>221.12</b>	<b>213.69</b>	<b>230.97</b>
<b>Total assets</b>	<b>420.68</b>	<b>449.10</b>	<b>477.64</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other current payables	100.62	100.78	87.48
Portion of finance lease liabilities due within one year	-	0.43	-
Portion of lease liabilities due within one year	-	-	1.38
<b>Total current liabilities</b>	<b>100.62</b>	<b>101.21</b>	<b>88.85</b>
<b>Non-current liabilities</b>			
Finance lease liabilities	-	1.09	-
Lease liabilities	-	-	10.66
Reserve long-term employee benefits	8.87	9.76	12.67
<b>Total non-current liabilities</b>	<b>8.87</b>	<b>10.85</b>	<b>23.33</b>
<b>Total liabilities</b>	<b>109.49</b>	<b>112.06</b>	<b>112.18</b>
<b>Shareholders' Equity</b>			
Registered capital			
240,000,000 common shares at a par value of THB 0.50 per share	120.00	120.00	120.00
Issued and paid capital			
240,000,000 common shares at a par value of THB 0.50 per share	120.00	120.00	120.00
Share premium	121.00	121.00	121.00
Retained earnings			
Legal reserve	6.09	7.52	8.78
Not appropriated	64.09	88.52	115.67
<b>Total equity</b>	<b>311.19</b>	<b>337.04</b>	<b>365.45</b>
<b>Total liabilities and equity</b>	<b>420.68</b>	<b>449.10</b>	<b>477.64</b>

Source: The Company

#### 4.2 Income statement

(Unit: THB million)

List	2018	2019	2020
<b>Income</b>			
Revenue from sales and services	405.40	474.95	449.28
Cost of sales and services	(296.20)	(344.50)	(328.48)
<b>Gross profit</b>	<b>109.20</b>	<b>130.45</b>	<b>120.80</b>

List	2018	2019	2020
Other income	6.23	5.20	4.38
<b>Profit before expenses</b>	<b>115.43</b>	<b>135.64</b>	<b>125.18</b>
Selling expenses	(47.95)	(54.80)	(43.41)
Administrative expenses	(42.72)	(45.26)	(52.59)
<b>Earning (loss) before interest and tax expense</b>	<b>24.76</b>	<b>35.58</b>	<b>29.18</b>
Financial cost	(0.01)	(0.03)	(0.69)
Profit sharing from associates company	6.79	6.80	17.37
<b>Profit (loss) before tax expense</b>	<b>31.54</b>	<b>42.34</b>	<b>45.86</b>
Tax income (expense)	(4.98)	(6.89)	(5.29)
<b>Profit (loss) for the year</b>	<b>26.56</b>	<b>35.45</b>	<b>40.58</b>

Source: The Company

#### 4.3 Cash flows statement

(Unit: THB million)

List	2018	2019	2020
Net cash flows provided by (used in) operating activities	14.65	(7.40)	1.77
Net cash provided by (used in) investing activities	(10.13)	11.03	1.98
Net cash flows provided by (used in) financing activities	(14.72)	(10.45)	(14.51)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(10.20)</b>	<b>(6.82)</b>	<b>(10.76)</b>
Cash and cash equivalents at the beginning of the period	95.89	85.69	78.87
<b>Cash and cash equivalents at the end of the period</b>	<b>85.69</b>	<b>78.87</b>	<b>68.11</b>

Source: The Company

#### 4.4 Important financial ratios

Financial ratios	2018	2019	2020
Liquidity ratio	1.98	2.33	2.78
Quick Ratio (times)	1.69	1.68	2.39
Average Collection Period (day)	65.79	66.90	94.88
Average Inventory Period (day)	33.95	40.12	45.55
Average Payment Period (day)	70.68	66.99	68.14
Cash Conversion Cycle (day)	29.06	40.04	72.30

Source: The Company

## 5. Management Discussion and Analysis

### 5.1 Overview of the Past Operation

## 2018

From the performance of the year 2018, SE has revenue from sales and service of THB 405.40 million, an increase from 2017 by THB 2.23 million, or an increase of 0.55 percent, which can be divided into pumping system technology division THB 127.50 million, process and piping solution division THB 106.44 million, innovative material division THB 126.84 million and THB 44.62 million from service business. Since in 2018, the Company received orders for products that had to be ordered from abroad and it has long delivery period, therefore the revenue recognition did not happen by 2018.

As of December 31, 2018, the Company has products and services that have received orders but have not yet dispatched (Backlog) of THB 160.00 million increased from 2560 by THB 83.60 million or an increased 109.42 percent. It is expected to be gradually delivered and completed within the third quarter of 2019 and the Company had significant events affecting operations for 2018, whereby the Company has invested in Utility Business Alliance Co., Ltd. at a rate of 39.99 percent to create the potential for relevant business growth and contribute to the Company's business operations.

Utility Business Alliance Co., Ltd. is the leading new concept in water management and water management services leader in water quality improvement system, wastewater treatment system and a complete drainage system. The investment in this project is expected to receive a rate of return by recognizing the net profit of Utility Business Alliance Company Limited at the rate of 39.99 percent in proportion to its shareholding. In 2018, the Company recognize the net profit of THB 6.79 million within 8 months and the Company still has interest income from the connected loan agreements equals to THB 0.80 million.

## 2019

From the performance of the year 2019, SE has revenue from sales and service of THB 474.95 million, an increase from 2018 by THB 69.54 million or an increase of 17.15 percent, which can be divided into pumping system technology division THB 163.51 million, process and piping solution division THB 142.57 million, innovative material division THB 113.43 million, and THB 55.44 million from service business. Since in 2019, SE increased revenues due to the revenues of pumping system technology division and process and piping solution division that received many high-value jobs such as PTT Phenolic Co., Ltd. and PTT Global Chemical Co., Ltd.

As of December 31, 2019, the Company has products and services that have received orders but have not yet dispatched (Backlog) of THB 188.48 million, an increase from the year 2018 by THB 28.48 million or an increase of 17.80 percent, which is expected to gradually deliver and completed by 2020.

In 2019, the Company still recognized the net profit of from associated company, Utility Business Alliance Company Limited, at the rate of 39.99 percent in proportion to its shareholding. In 2019, the Company recognized a net profit of THB 6.80 million.

## 2020

From the performance of the year 2020, SE has revenue from sales and service of THB 449.28 million decreased from 2019 by THB 25.66 million or an decrease of 5.40 percent which can be divided into pumping system technology division THB 119.40 million, process and piping solution division THB 183.25 million, innovative material division THB 112.80 million, and THB 33.84 million from service business. Since in 2020, the lower income was caused by the affected under the situation of the spread of new coronavirus disease 2019 (COVID-19), the customer company cannot operate normal business, causing the shipment to be postponed and will be gradually delivered in 2021 instead.

As of December 31, 2020, the Company has products and services that have received orders but have not yet dispatched (Backlog) amounted to THB 154.50 million, a decrease of THB 33.98 million from 2019 or 18,00 percent, which is expected to gradually be deliver and completed in 2021.

In 2020, the Company still recognized the net profit of an associated company, Utility Business Alliance Company Limited, at the rate of 39.99 percent in proportion to its shareholding. In 2020, the Company recognized a net profit of THB 17.37 million.

## 5.2 Performance Analysis

SE's total revenues in 2018 to 2020 consist of revenue sales and service and other incomes amounted to THB 411.64 million, THB 480.14 million and THB 453.66 million, respectively.

The analysis details and management descriptions are as follows:

Total income	2018		2019		2020	
	THB million	%	THB million	%	THB million	%
Revenue sales and service	405.40	98.49	474.95	98.92	449.28	<b>98.60</b>
Other incomes	6.23	1.51	5.20	1.08	6.38	1.40
Total	411.64	100.00	480.14	100.00	453.66	100.00

Remark: Other income is commission income, promotional income, interest income, etc.

## 5.3 Revenue from sales and services

Revenue structure from sales and services of the Company is divided by 4 product groups: pumping system technology division, process and piping solution division, innovative material division, and service business. Details are as follows:

Total income	2018		2019		2020	
	THB million	%	THB million	%	THB million	%
1. Revenue from pumping system technology division	127.50	31.45	163.51	34.43	119.40	26.58
2. Revenue from process and piping solution division	106.44	26.25	142.57	30.02	183.25	40.79
3. Revenue from innovative material division	126.84	31.29	113.43	23.88	112.80	25.10
4. Revenue from service business	44.62	11.01	55.44	11.67	33.84	7.53
<b>Total revenue from sales and services</b>	<b>405.40</b>	<b>100.00</b>	<b>474.95</b>	<b>100.00</b>	<b>449.28</b>	<b>100.00</b>

### 5.3.1 Revenue from pumping system technology division

#### 2018

In 2018, SE had revenue from pumping system technology division of THB 127.50 million or 31.45 percent of revenue from sales and services. In this regard, revenue from pumping system technology division in 2018 decreased from 2017 by THB 9.52 million or 6.95 percent decrease in income. The main reason is that there are projects that do not deliver products in time as planned by 2018 and will be able to deliver products within the 1<sup>st</sup> – 3<sup>rd</sup> quarter of 2019 and there are main products that do not meet the target, resulting in revenue of year 2018 lower than 2017.

#### 2019

In 2019, SE had revenue from pumping system technology division of THB 163.51 million or 34.43 percent of revenue from sales and services. In this regard, revenue from pumping system technology division in 2019 increased from 2018 by THB 36.01 million or 28.24 percent from the previous year, because there are many valuable jobs taking place in 2019.

#### 2020

In 2020, SE had revenue from pumping system technology division of THB 119.40 million or 26.58 percent of revenue from sales and services. In this regard, revenue from pumping system technology division in 2020 decreased from 2019 by THB 44.11 million or 26.98 percent from the previous year. This decrease is because most of the customers have no demand for the products and some companies reduced the budget due to the inability to operate business as usual due to the situation of the epidemic of new coronavirus disease 2019 (COVID-19).

### 5.3.2 Process and piping solution division

## 2018

In 2018, SE had revenue from process and piping solution division of THB 106.44 million or 26.25 percent revenue from sales and services. In this regard, revenue decreased from 2017 by THB 19.12 million or 15.23 percent from the previous year. The significant decrease in income comes from having a core product that fails to meet the target and having a job where the customer cancels orders because the price of the product does not compete, along with a lower number of sales staffs, leading to a lack of opportunities to find additional jobs, resulting in revenue in 2018 lower than 2017.

## 2019

In 2019, SE had revenue from process and piping solution division of THB 142.57 million or 30.02 percent of revenue from sales and services. In this regard, revenue increased from 2018 by THB 36.13 million or 33.94 percent from the previous year, the significant increase in revenue came from the Company receiving several high-value jobs in 2019.

## 2020

In 2020, SE had revenue from process and piping solution division of THB 183.25 million or 40.79 percent of revenue from sales and services. In this regard, revenue increased from 2019 by THB 40.68 million or 28.54 percent from the previous, this significant increase in revenue came from the Company receiving a high-value job from a petrochemical customer in the 4<sup>th</sup> quarter.

### **5.3.3 Revenue from innovative material division**

## 2018

In 2018, SE had revenue from innovative material division of THB 126.84 million or 31.29 percent revenue from sales and services. In this regard, revenue from innovative material division in 2018 increased from 2017 by THB 3.48 million or 2.82 percent.

## 2019

In 2019, SE had revenue from innovative material division of THB 113.43 million or 23.88 percent of total revenue from sales and services. In this regard, revenue from innovative material division in 2019 decreased from 2018 by THB 13.41 million or 10.57 percent, due to the production capacity of customers in the automotive segment.

## 2020

In 2020, SE had revenue from innovative material division of THB 112.80 million or 23.88 percent of total revenue from sales and services. In this regard, revenue from innovative material division in 2020 decreased from 2019 by THB 0.63 million or 0.56 percent, due to the production capacity of customers in the automotive segment.



#### **5.3.4 Revenue from service business**

##### 2018

In 2018, SE had revenue from revenue from service business of THB 44.62 million or 11.01 percent of total revenue from sales and services Increased from 2017 in the amount of THB 27.38 million or an increase of 158.73 percent in revenues in 2018. The main reason is because the service business is well known, and the availability of location and service expertise has increased.

##### 2019

In 2019, SE had revenue from revenue from service business of THB 55.44 62 million or 11.67 percent of total revenue from sales and services, increased from the year 2018 by THB 10.82 million or 24.25 percent increase in revenue in 2019. The main reason is because the service business is well known, and the availability of location and service expertise has increased.

##### 2020

In 2020, SE had revenue from revenue from service business of THB 33.84 million or 7.53 percent of total revenue from sales and services, decreased from the year 2019 by THB 21.60 million or 38.97 percent decrease in revenue in 2020. The main reason is because most of the client companies are unable to operate and work on-site because the client companies work from home and postpone their time to work on-site to 2021.

#### **5.4 Other revenues**

##### 2018

In 2018, the Company had other revenues of THB 6.23 million, representing 1.51 percent of total revenue. Other main income includes commission revenue and other income. Details are as follows:

Commission income is income that the Company has receive a share of revenue from product sales between distributors and buyers because the distributor is an overseas company and wants to sell the products directly to buyers in Thailand, whereby the Company is responsible for sourcing customers and coordinating the distribution of products in addition to providing engineering and technical assistance. In 2018, the Company earned a commission income of THB 0.75 million. In the past, recognition of commission income is a normal business operation due to the Company's business opportunities during that time.

The Company has an accounting policy to recognize commission revenue on the day the supplier delivers goods to the customer. The Company receives commission payments from the supplier only if the supplier has

received payment of the item from the customer. However, the Company has accounting and sales departments that regularly track the progress of sales items, delivery of goods and customer payments to vendors.

Other revenues consist of interest income and promotional income. The Company had other income of THB 5.48 million. In 2018, there is an interest income earned on loans to Utility Business Alliance Company Limited, which received an interest rate of 6.50 percent per annum.

#### 2019

In 2019, the Company had other revenues of THB 5.20 million, representing 1.08 percent of total revenue. Commission and other income details are as follows:

Commission income is income that the Company has receive a share of revenue from product sales between distributors and buyers because the distributor is an overseas company and wants to sell the products directly to buyers in Thailand, whereby the Company is responsible for sourcing customers and coordinating the distribution of products in addition to providing engineering and technical assistance. In 2019, the Company earned a commission income of THB 1.53 million. In the past, recognition of commission income is a normal business operation due to the Company's business opportunities during that time.

The Company has an accounting policy to recognize commission revenue on the day the supplier delivers goods to the customer. The Company receives commission payments from the supplier only if the supplier has received payment of the item from the customer. However, the Company has accounting and sales departments that regularly track the progress of sales items, delivery of goods and customer payments to vendors.

Other revenues consist of interest income and promotional income. The Company has other income of THB 3.67 million. In 2019, there is an interest income earned on loans to Utility Business Allinace Co., Ltd, which receives an interest rate of 6.50 percent per annum.

#### 2020

In 2020, the Company had other revenues of THB 6.38 million, representing 1.40 percent of total revenue. Commission and other income details are as follows:

Commission income is income that the Company has receive a share of revenue from product sales between distributors and buyers because the distributor is an overseas company and wants to sell the products directly to buyers in Thailand, whereby the Company is responsible for sourcing customers and coordinating the distribution of products in addition to providing engineering and technical assistance. In 2020, the Company earned a commission income of THB 1.27 million. In the past, recognition of commission income is a normal business operation due to the Company's business opportunities during that time.

The Company has an accounting policy to recognize commission revenue on the day the supplier delivers goods to the customer. The Company receives commission payments from the supplier only if the supplier has received payment of the item from the customer. However, the Company has accounting and sales departments that regularly track the progress of sales items, delivery of goods and customer payments to vendors.

Other income consists of interest income, promotional income, profit from disposal of property and dividend income. The Company has other income of THB 5.11 million in 2020, has promotional income of THB 1.35 million, which is derived from the company's sales target set by the product supplier and dividend income received from Utility Business Alliance Company Limited in proportion to 39.99 percent stake in the amount of THB 2.00 million.

### 5.5 Cost of goods sold and gross profit

Cost of sales and services of the Company can be divided into 4 product groups: product and technology group, piping and process management group, innovation materials group and service business group. The details are as follows

(Unit: THB million)

Cost of sales and services	2018	2019	2020
1. Product and Technology Group	93.89	124.55	91.89
2. Process & Piping Management Group	67.36	92.86	126.04
3. Innovative Materials Group	100.09	87.40	88.65
4. Service business Group	34.86	39.69	21.90
<b>Total cost of sales and services</b>	<b>296.20</b>	<b>344.50</b>	<b>328.48</b>
<b>Revenue from sales and services</b>	<b>405.40</b>	<b>474.95</b>	<b>449.28</b>
<b>Total gross profit</b>	<b>109.20</b>	<b>130.45</b>	<b>120.80</b>
<b>Total gross profit margin (%)</b>	<b>26.94</b>	<b>27.47</b>	<b>26.89</b>

#### 2018

In 2018, the Company had cost of sales and services in the amount of THB 296.20 million or 73.06 percent of the revenue from sales and services, an increase from the year 2017 by THB 13.35 million or an increase of 4.72 percent. The increase in cost of sales and services is caused by some suppliers have increased their product prices, resulting in a decrease in gross profit of 2018 from 2017 by THB 11.12 million or 9.24 percent.

#### 2019

In 2019, the Company had cost of sales and services in the amount of THB 344.50 million or 72.53 percent of the revenue from sales and services, an increase from the year 2018 by 48.30 million baht or 16.31 percent. The

increase in cost of sales and services is in line with the increase in revenues, resulting in the gross profit of 2019 increased from 2018 by THB 21.24 million or 19.45 percent.

#### 2020

In 2020, the Company has cost of sales and services in the amount of THB 328.48 million or 73.11 percent of revenue from sales and services, a decrease from 2019 by THB 16.02 million or 4.65 percent. The decrease in cost of sales and services is in line with lower revenues, resulting in a decrease in gross profit of 2020 from the year 2019 by THB 9.65 million or 7.40 percent.

### **5.5.1 Selling and Administrative expenses**

#### 2018

Selling expenses consist of employee expenses, travelling expenses, marketing expenses and utility expenses, etc. In 2018, there were sales and administrative expenses of THB 90.67 million, an increase from 2017 by THB 6.09 million or 7.20 percent because due to the annual adjustment of the salary base and increase in employee benefits and the Company has paid compensation for employees who resign within the year 2018. There is also an increase in property depreciation due to new building construction and workshop.

#### 2019

Selling expenses consist of employee expenses, travelling expenses, marketing expenses and utility expenses, etc. In 2019, there were sales and administrative expenses of THB 100.07 million, increasing from 2018 by THB 9.39 million or 10.36 percent due to the annual adjustment of the salary base and increase in employee benefits and the employee benefits expenses were adjusted from 300 days to 400 days. In addition, the Company has improved the computer system to be modern and efficient to use.

#### 2020

Selling and administrative expenses consist of employee expenses, travelling expenses, marketing expenses and utility expenses, etc. In 2020, there were sales and administrative expenses of THB 95.99 million, decreasing from 2019 by THB 4.07 million or 4.07 percent. The decrease in selling and administrative expenses is consistent with the lower revenue and the Company has the ability to control expenses better.

### **5.6 Financial cost**

#### 2018

Finance costs consist of interest expenses, short-term loans, and finance leases. In 2018, the Company had finance costs of THB 0.01 million, a decrease of THB 0.01 million from 2017 due to a decrease in car installment interest.

#### 2019

Finance costs consist of interest expenses, short-term loans and finance leases. In 2019, the Company had finance costs of THB 0.03 million, an increase from 2018 by THB 0.02 million, due to increased car installment interest.

#### 2020

Financing costs consist of interest expenses, short-term loans and financial leases. In 2020, the Company had a financial cost of THB 0.69 million. This increased of THB 0.66 million in 2019 due to increased interest on car and land lease liabilities.

### **5.7 Net Profit**

#### 2018

In 2018, the Company had a net operating profit of THB 19.77 million, or the net profit margin of 4.80 percent, a decrease of THB 14.97 million from 2017 or 43.09 percent. The significant decrease is because some products cost increased due to the adjustment of the price of the products of the manufacturers, but the Company was unable to adjust the selling prices due to the impact on competition with competitors and there were products ordered from abroad that has a long delivery period. As a result, the revenue recognition was not shown in 2018 and the Company still had an increase in depreciation due to the building and WORKSHOP completed within 2018 and increased selling and administrative expenses.

#### 2019

In 2019, the Company had a net operating profit of THB 28.65 million, or the net profit margin of 5.97 percent, an increase of THB 8.87 million from 2018, or an increase of 44.88 percent. The significant increase is due to higher sales and service income.

#### 2020

In 2020, the Company had a net operating profit of THB 25.20 million, or the net profit margin of 5.53 percent, an decrease of THB 3.44 million from 2019, or an decrease of 12.02 percent. The significant decrease in sales and service was due to the situation of the COVID-19 epidemic.

### **5.8 Balance Sheet Analysis**

### 5.8.1 Asset

#### 2018

On December 31, 2018, the Company had total assets of THB 413.89 million, an increase of THB 11.10 million from December 31, 2017, mainly due to an increase in trade accounts receivable due to a large number of sales at the end of the year. The debt collection time that was longer than last year also had an increase in borrowing receivables and there are more buildings and equipment from WORKSHOP building to support more services.

#### 2019

On December 31, 2019, the Company had total assets of THB 435.51 million, an increase of THB 21.63 million from December 31, 2018, mainly due to an increase in trade accounts receivable due to a large number of sales at the end of the year that is awaiting delivery in early 2020.

#### 2020

On December 31, 2020, the Company had total assets of THB 448.67 million, an increase of THB 13.16 million from December 31, 2019, mainly due to an increase in trade receivables due to a large number of sales at the end of the year and increased assets.

### 5.8.2 Liabilities

#### 2018

On December 31, 2018, the Company had total liabilities of THB 109.49, an increase of THB 5.71 million from December 31, 2017, mainly due to an increase in trade payable due to the large number of end of the year orders.

#### 2019

On December 31, 2019, the Company had total liabilities of THB 112.06 million, an increase of THB 2.57 million from December 31, 2018, mainly due to an increase in the reserved employee benefit liabilities from 300 days to 400 days and increased finance lease liabilities due to the purchase of cars.

#### 2020

On December 31, 2020, the Company had total liabilities of THB 112.18, an increase of THB 0.12 million, from December 31, 2019, mainly due to an increase in the reserved employee benefit liabilities from the reassessment and increased financial lease liabilities due to the purchase of cars.

### 5.8.3 Equity

#### 2018

On December 31, 2018, the Company had shareholders' equity of THB 304.40 million, with shareholders' equity comprising paid-up capital and retained earnings.

On December 31, 2018, the Company's equity increased from the end of 2017 by THB 5.38 million, or an increase of 1.80 percent due to increase in operating profit during the year and legal reserve set to increase by not less than 5.00 percent of annual net profit.

#### 2019

On December 31, 2019, the Company had shareholders' equity of THB 323.45 million, with shareholders' equity comprising paid-up capital and retained earnings.

As of December 31, 2019, the Company's shareholders' equity increased from the end of 2018 in the of THB 19.05 million or an increase of 6.26 percent, an increase due to operating profit during the year and the legal reserve set to increase by not less than 5.00 percent of the annual net profit.

#### 2020

On December 31, 2020, the Company has shareholders' equity of THB 336.49 million, with shareholders' equity comprising paid-up capital and retained earnings.

On December 31, 2020, the Company's shareholders' equity increased from the end of 2019 to THB 13.04 million, or an increase of 4.03 percent due to increase in operating profit during the year and legal reserve set to increase by not less than 5 percent of annual net profit.

### **5.8.4 Return on Equity**

#### 2018

The Company has a return on equity in 2018 of 6.55 percent, which is in line with the changes of net profit each year, and the Company has paid a dividend to shareholders in 2017 of THB 14.40 million, representing a dividend payment of 71.60 percent.

#### 2019

The Company has a return on equity in 2019 of 9.13 percent, which is in line with the changes of the net profit each year and the Company There was a dividend payment to shareholders in 2018 in the amount of THB 9.60 million, representing a dividend payment rate of 40.06 percent.

#### 2020

The Company has a shareholder return in 2020 equal to 7.64 percent, which is in line with the changes of net profit each year, and the Company has paid a dividend to shareholders in 2019 of THB 12.00 million or equal to the dividend payment is 41.89 percent.

### 5.8.5 Suitability of capital structure

#### 2018

On December 31, 2018, the Company had a debt-to-equity ratio of 0.36 times. In the past, the Company does not borrow long-term loans from financial institutions at all. However, the Company has almost all liabilities from trade and other payable. This is mainly trade payables that circulate based on the sales and credit term received from the supplier.

#### 2019

On December 31, 2019, the Company had a debt-to-equity ratio of 0.35 times. In the past, Company does not borrow long-term loans from financial institutions at all. However, the Company has almost all liabilities from trade and other payable. This is mainly trade payables that circulate based on the sales and credit term received from the supplier.

#### 2020

On December 31, 2020, the Company had a debt-to-equity ratio of 0.33 times. In the past, Company does not borrow long-term loans from financial institutions at all. However, the Company has almost all liabilities from trade and other payable. This is mainly trade payables that circulate based on the sales and credit term received from the supplier.

### 5.9 Liquidity ratio

List	2018	2019	2020
Liquidity ratio	1.98	2.33	2.78
Quick turnover ratio (times)	1.69	1.68	2.39
Average collection period (days)	65.79	66.90	94.88
Average inventory period (days)	33.95	40.12	45.55
Average payable period (days)	70.68	66.99	68.14
Cash Conversion Cycle	29.06	40.04	72.30

The financial statements for the financial statements for the fiscal year 2018 ended December 31, 2018, the financial statements for the fiscal year 2019 ended December 31, 2019 and the financial statements for the fiscal year 2020 ended December 31, 2020 were audited and certified by the auditor of Company already and hereby certify that the Company has not expanded its scope of business to any other business and has not made any significant connected transactions with persons who may have conflicts other than those disclosed in the related



transactions. The results from 2018 to 2020 are in line with the Company's normal business nature, with no significant changes that adversely affect investors' investment decisions, as well as no material information which occurred in the year 2018 until 2020. Investors can see details of the financial statements for the financial statements for the fiscal year 2018 ended December 31, 2018, the financial statements for the fiscal year 2019 ended December 31, 2019 and the financial statements for the fiscal year 2020 ended December 31, 2020 can be found on the website of the Stock Exchange of Thailand [www.set.or.th](http://www.set.or.th) including informing the news through the information disclosed through the system of the Stock Exchange of Thailand.

## **6. The main factors and influences that may affect the operations or financial performance in the future.**

### **6.1 Industrial growth**

The Company provides and distributes industrial products as well as engineering services to the target customers, namely industrial plants, which can accommodate demand for all industries. As a result, business growth factors will depend on overall economic conditions in Q1 2021, and it is expected that all businesses will continue to contract compared to the same period last year due to concerns over the return of the COVID-19 pandemic. However, the International Monetary Fund (IMF) raised its 2021 forecast for the global economy to 5.5 percent from the previous forecast of 5.2 percent and forecast that next year will expand at 4.2 percent. As for Thailand, IMF has reduced the 2021 growth forecast to 2.7 percent from 4 percent, but estimates that in 2022, the Thai economy will expand at 4.6 percent. The Company is also in the eastern economic corridor project area, increasing the number of industrial plants in the east and other regions of Thailand. Therefore, the Company's operations do not rely primarily on a particular industry.

### **6.2 Impact of investment for business expansion**

In the future, the Company may expand its business by investing in assets that benefits the Company to increase revenue and enable the Company to continue to grow in the long run, increasing returns to shareholders, as well as allowing the Company to expand other types of investments in the future. However, as the investment requires funds to operate, it may affect the operating cash flow of the Company and the ability in finding additional sources of funds for investment such as financial institutions or issuing capital increase shares, etc.

Attachment 3

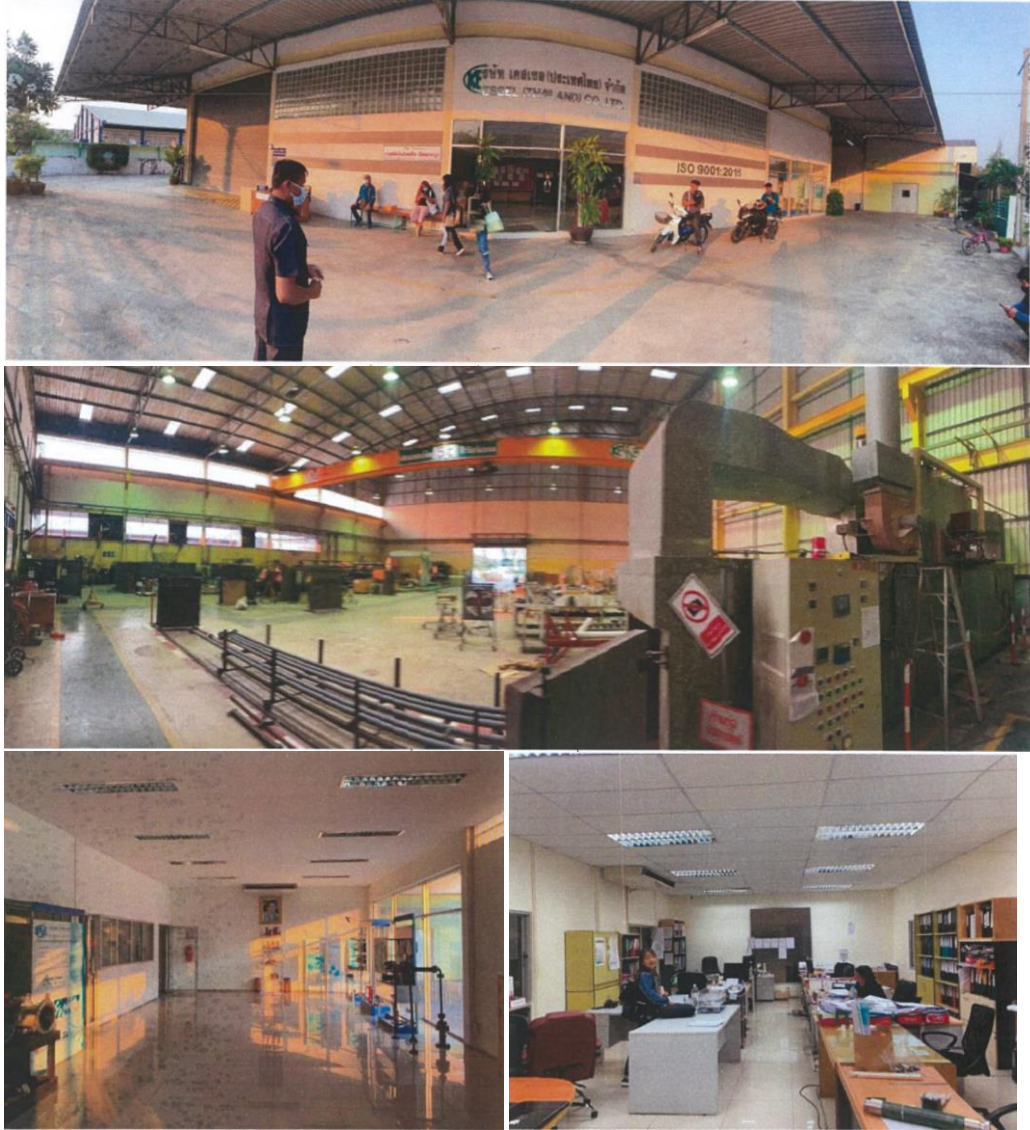
Summary the Appraisal of the Land and Buildings in Samut Prakan Province  
of Kessel (Thailand) Company Limited prepared by Sims Property Consultants Company Limited

In evaluating the value of land and buildings for referencing the value of assets of Kessel (Thailand) Company Limited (“KESSEL”), Siam East Solution Co., Ltd (“SE” or the “Company”) has appointed independent asset appraisers which are Sims Property Consultant Co., Ltd (“SIMS” or the “Independent Appraiser”), which are the assessed property valuer companies in the capital market and accredited by the Valuers Association of Thailand (“VAT”) and are the assessed property valuer companies in the capital market accredited by the SEC to value the land and buildings of the sellers under public purpose objective, with details as follow:

1. Details of Appraised Property

Customer name	Siam East Solution Co., Ltd																																																														
Purpose of valuation	For public purposes																																																														
Report issue date	February 24, 2021																																																														
Type of property	Land and building																																																														
Property location	128/240 Moo 1 Soi Thai Insurance 1/4 Theparak Road (TL.3268) Bang Sao Thong, Bang Sao Thong, Samut Prakan																																																														
GPS	13.587083, 100.772060																																																														
Property details	<p>The appraised assets are 1 plot of land (4 consecutive title deeds), consisting of title deeds number 42588, 42589, 42620 and 42621, with an area of 2-0-00.0 rai or 800.0 square wah.</p> <p>With buildings in the amount of 2 items which are</p> <ol style="list-style-type: none"> <li>1. 2-story factory building with office</li> <li>2. Single story bathroom building</li> </ol> <p>And other buildings in the amount of 2 items which are</p> <ol style="list-style-type: none"> <li>1. Concrete fence</li> <li>2. Concrete patio</li> </ol>																																																														
Land title document	<p>Title deed No. 42588, 42589, 42620 and 42621, total of 4 plots, area of 2-0-00.0 rai or 800.0 square wah.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="7" style="text-align: center;">5136 II 9202-9 and 13</th> </tr> <tr> <th colspan="7" style="text-align: center;">Bang Sao Thong (Bang Sao Thong), Bang Phli (Bang Phli Yai), Samut Prakan</th> </tr> <tr> <th rowspan="2">No.</th> <th rowspan="2">Title Deed No.</th> <th rowspan="2">Land No.</th> <th rowspan="2">Survey No.</th> <th colspan="3">Area of land</th> <th rowspan="2">Owner</th> </tr> <tr> <th>Rai</th> <th>Ngan</th> <th>Wah<sup>2</sup></th> </tr> </thead> <tbody> <tr> <td>1</td> <td>42588</td> <td>247</td> <td>5048</td> <td>0</td> <td>2</td> <td>0.0</td> <td rowspan="4">Kessel (Thailand) Co., Ltd.</td> </tr> <tr> <td>2</td> <td>42589</td> <td>29</td> <td>5049</td> <td>0</td> <td>2</td> <td>0.0</td> </tr> <tr> <td>3</td> <td>42620</td> <td>32</td> <td>5080</td> <td>0</td> <td>2</td> <td>0.0</td> </tr> <tr> <td>4</td> <td>42621</td> <td>33</td> <td>5081</td> <td>0</td> <td>2</td> <td>0.0</td> </tr> <tr> <td colspan="4" style="text-align: center;"><b>Total land by rights document</b></td> <td><b>2</b></td> <td><b>0</b></td> <td><b>00.0</b></td> <td><b>(or 800.0 square wah)</b></td> </tr> </tbody> </table>	5136 II 9202-9 and 13							Bang Sao Thong (Bang Sao Thong), Bang Phli (Bang Phli Yai), Samut Prakan							No.	Title Deed No.	Land No.	Survey No.	Area of land			Owner	Rai	Ngan	Wah <sup>2</sup>	1	42588	247	5048	0	2	0.0	Kessel (Thailand) Co., Ltd.	2	42589	29	5049	0	2	0.0	3	42620	32	5080	0	2	0.0	4	42621	33	5081	0	2	0.0	<b>Total land by rights document</b>				<b>2</b>	<b>0</b>	<b>00.0</b>	<b>(or 800.0 square wah)</b>
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Buildings & other buildings	Details of the buildings and other improvements is shown as follows.																																																														

	No.	Building details	Total usable area (square meter)	The Building Located on the Title Deed No.
	1	2-story factory building with office	3,081.00	Title Deed No. 42588, 42589, 42620 and 42621
	2	Single story bathroom building	15.00	Title Deed No.42588
	3	Other buildings	800.00	Title Deed No. 42588, 42589, 42620 and 42621
Current landowner	Kessel (Thailand) Co., Ltd.			
Mortgage / Collateral	Mortgage as collateral with Bangkok Bank Public Company Limited. <sup>1/</sup>			
Utilization restrictions	Appraised property located in Samut Prakan Province, 2013, indicating in land and building that the appraised property located in the purple area, which is industrial land and warehouse.			
Utilities	Electricity, water supply and telephone systems.			
Current utilization	Utilizing industrial production and distribution of pipe lining and industrial tanks.			
Highest and best use	From considering the appraised land characteristics, such as location, potential for development, and condition of the land in the vicinity. The Independent Appraiser is in the opinion that the use of land in the residential area according to current conditions is the most beneficial use of the appraised land.			
Valuation approaches	Replacement Cost Approach			
Appraised market value	THB 45,480,000 (-forty-five million, four hundred eighty thousand baht only-)			
Fire insurance value	THB 14,050,000 (-fourteen million fifty thousand baht only-)			
Appraiser	Sims Property Consultant Company Limited			
Date of valuation	February 18, 2021			
Location on map				

<p>Location pictures</p>	
<p>Remarks</p>	<p>KESSEL has requested a guarantee limit of THB 30.00 million from Bangkok Bank, by using 4 plots of land as collateral. According to KESSEL management's interview, currently, KESSEL has not used any credit limit.</p>

## 2. Appraisal Approach for Property Market Value

The Independent Appraiser has selected the replacement cost approach as the basis for the appraisal of the assets for the purposes of this report.

### 2.1 Replacement Cost Approach

The principle of the replacement cost approach is that the total capital value of the appraised property is calculated based on the sum of the value of the empty land, derived from direct comparison approach of the market price and the depreciated replacement cost of the buildings on that plot of land. The depreciated replacement cost can be based on the estimate of the new construction cost of the building as of the appraisal date, subtracted by the amount of deterioration incurred, based on the components relating to usage conditions, current physical characteristics and economic obsolescence. This is the method used for a

particular type of property or when trading information of other comparable assets is difficult to obtain, and it can also be used as an inspection method for other methods. Additionally, it can also be used for insurance assessments of buildings. Assets that use this method are industrial plants, warehouses, government buildings, hospitals, etc.




## **2.2 Direct Comparison Approach**

The direct comparison approach is a collection of price data for comparable evidence, which are other assets similar to the appraised property, and is analyzed by comparing in many dimensions such as physical characteristics, location, transportation and ease of entry, distance from community and utilities. Then, adjust the existing differential factor between the appraised property and the comparable property to obtain the market value of the appraised property.

## **3. Direct Comparison Approach**

According to a survey of the trading price or offering price of a generic property in the same area as the property or in the vicinity of the appraised property, there are assets that can be compared to the appraised property to lead to the assumption process for this appraisal as follows:

Comparable market data for property appraisal				
Details	Appraised property	Market data 1	Market data 2	Market data 3
Pictures				
Type of property		Empty land	Empty land	Empty land
Location	Soi Thaiprakan 1/4	Soi Thaiprakan 1/2	Soi Thaiprakan 1/5	Soi Thaiprakan 1/5
GPS	13.587083, 100.772060	13.586674, 100.776099	13.585824, 100.773325	13.585492, 100.774379
Land size (Wah <sup>2</sup> )	800.0 Square wah	400.0 Square wah	1,200.0 Square wah	200.0 Square wah
Land shape	Rectangle	Rectangle	Rectangle	Rectangle
Width on the roadside	The width is about 40.00 meters	The width is about 40.00 meters	The width is about 120.00 meters	The width is about 20.00 meters
Land level	0.30 meters above road level	Same as road level	Same as road level	Same as road level
Utilities	Electricity, water supply, telephone, sewer and lighting	Electricity, water supply, telephone	Electricity, water supply, telephone	Electricity, water supply, telephone
Road surface	Paved road / 18.00 meters wide	Concrete / 6.00 meters wide	Concrete / 6.00 meters wide	Concrete / 6.00 meters wide
City plan restrictions	Purple: warehouse and industry land type	Purple: warehouse and industry land type	Purple: warehouse and industry land type	Purple: warehouse and industry land type
Environment	Residential and industrial	Residential and industrial	Residential and industrial	Residential and industrial
Highest and best use	Industrial	Residential	Residential	Residential
Offer price		THB 42,500 / square wah	THB 48,000 / square wah	THB 40,000 / square wah
Date	February 18, 2021	February 2021	February 2021	February 2021
Contact information	The Company	08-4636-9784	08-6971-9742	08-7037-4857
Remark		-	-	-

Comparable market data for property appraisal				
Details	Appraised property	Market data 4	Market data 5	Market data 6
Pictures				
Type of property		Empty land	Empty land	Empty land
Location	Soi Thaiprakan 1/4	Soi Thaiprakan 1/5	Soi Thaiprakan 2/2	Soi Thaiprakan 1/8
GPS	13.587083, 100.772060	13.585214, 100.775258	13.580291, 100.777586	13.579225, 100.774381
Land size (Rai-Ngan-Wah <sup>2</sup> )	800.0 Square wah	400.0 Square wah	450.0 Square wah	400.0 Square wah
Land shape	Rectangle	Rectangle	Rectangle	Rectangle
Width on the roadside	The width is about 40.00 meters	The width is about 40.00 meters	The width is about 40.00 meters	The width is about 40.00 meters
Land level	0.30 meters above road level	0.50 meters below road level	Same as road level	Same as road level
Utilities	Electricity, water supply, telephone, sewer and lighting	Electricity, water supply, telephone	Electricity, water supply, telephone	Electricity, water supply, telephone
Road surface	Paved road / 18.00 meters wide	Concrete / 6.00 meters wide	Concrete / 6.00 meters wide	Paved road / 6.00 meters wide
City plan restrictions	Purple: warehouse and industry land type	Purple: warehouse and industry land type	Purple: warehouse and industry land type	Purple: warehouse and industry land type
Environment	Residential and industrial	Residential and industrial	Residential and industrial	Residential and industrial
Highest and best use	Industrial	Residential	Residential	Residential
Offer price		THB 40,000 / square wah	THB 32,000 / square wah	THB 35,000 / square wah
Date	February 18, 2021	February 2021	February 2021	February 2021
Contact information	The Company	08-73074857	09-0414-4485	08-7037-4857
Remark		-	-	-

### Analysis of Land Market Value

Since the data of the land compared in market data 5 and 6 are locations that are quite far away from the appraised property, the Independent Appraiser choose only market data 1 to 4 with a location close to the appraised property in consideration of the land valuation, which is likely to be more appropriate.

The property that is analyze for the market price is a rectangular land with the appraised area of 2-0-00.0 rai or 800.0 square wah.

Details	Market data comparable				Appraised property
	1	2	3	4	
Area (Wah <sup>2</sup> )	400.0	1200.0	200.0	400.0	800.0
Market Value (THB/ Wah <sup>2</sup> )	42,500	48,000	40,000	40,000	-
Bargained / appropriate price (THB/ Wah <sup>2</sup> )	40,000	37,000	39,000	39,000	-

### Comparison and weighted quality scores

Factor	Weight	Market data comparable				Appraised property
	%	1	2	3	4	
Location	20	8	7	7	7	7
Access	15	7	7	7	7	7
Land size	15	8	7	8	8	7
Land condition	10	7	7	7	7	7
Environment	10	7	7	7	7	7
Infrastructure	10	7	7	7	7	7
Highest and best use / liquidity	10	8	6	8	8	6
Development trend	5	7	7	7	7	7
Legal restrictions	5	5	5	5	5	5
<b>Weighted Score Total</b>	<b>100</b>	<b>735</b>	<b>680</b>	<b>715</b>	<b>715</b>	<b>680</b>

Factor	Market data comparable				Appraised property
	1	2	3	4	
Land price before adjustment of WQS (THB/ Wah <sup>2</sup> )	40,000	37,000	39,000	39,000	-
Weighted quality score (rating)	735	680	715	715	680
Positive/negative ratio compared to property (%)	-7	0	-5	-5	-
Price after adjustment of WQS (THB/ Wah <sup>2</sup> )	37,007	37,000	37,091	37,091	-
Priority of the comparable data (%)	25	25	25	25	-
Value after comparative rate adjustment (THB/ Wah <sup>2</sup> )	9,252	9,250	9,273	9,273	37,047
<b>Appraised value per square wah (rounded)</b>					<b>37,000</b>

Rating level					
Meaning	Poorest	Poor	Fair	Good	Excellent
Rating level	1 to 2	3 to 4	5 to 6	7 to 8	9 to 10



## Land Value Summary

From the above comparisons, it can be compared to the appraised property, consisting of 1 plot of land (4 consecutive title deeds), total area of 2-0-00.0 rai or 800.0 square wah with rectangular shape. The land conditions have been developed and filled to about 0.30 meters above the road front, with two sides connected with the road, which is the first side of the land area on the south side, next to Soi Thai Prakan 1/4, about 40.00 meters and the second side of the land area on the north side, next to Soi Thai Prakan 1/2, about 40.00 meters. Currently, the land being used for industrial purpose, production and distribution of pipe lining and industrial tanks. This is the utilization that is consistent with the environment and the city plan of Samut Prakan Province but has not yet been used to the highest and best use. Therefore, when using various reduction factors to generate liquidity in trading, appraisal price can be defined where appraisal price for land value is equal to THB 37,000 per square wah or equal to THB 29,600,000 (twenty-nine million, six hundred thousand baht only)

### 4. Depreciated Replacement Cost

In valuation of the buildings, the Independent Appraiser have considered using the method of depreciated replacement costs, reduced by the depreciation according to the condition of each building, where the Independent Appraiser observe the actual condition of the building as well as the use of structural design as well as decoration as a basis to determining the value of the appraised buildings, which are considered only by the structural, architectural and decorative work, as well as system work, which can determine the value of buildings as follows:

No.	Building type	Area (Wah <sup>2</sup> )	Appraisal price (THB / unit)	Building age (year)	New replacement value (THB)	Depreciation (%)	Value by Condition (THB)
1	2-story factory building with office						
	Office area	792.00	12,000.00	28	9,504,000.00	42.00	5,512,320.00
	Factory area	1,728.00	9,000.00	28	15,552,000.00	42.00	9,020,160.00
	Open area covered roof	661.00	3,000.00	28	1,683,000.00	42.00	976,140.00
	<b>Total</b>	<b>3,081.00</b>			<b>26,739,000.00</b>		<b>15,508,620.00</b>
2	Single story bathroom						
	Indoor usable area	15.00	7,500.00	10	112,500.00	10.00	101,250.00
	<b>Total</b>	<b>15.00</b>			<b>112,500.00</b>		<b>101,250.00</b>
3	Other buildings						
	Concrete fence	160.00	3,000	28	480,000.00	79.00	100,800.00
	Concrete patio	800.00	1,000	28	800,000.00	79.00	168,000.00
	<b>Total</b>	<b>960.00</b>			<b>1,280,000.00</b>		<b>268,800.00</b>
	Total building value				28,131,500.00		15,878,670.00
	<b>Total building value (rounded)</b>				<b>28,130,000.00</b>		<b>15,880,000.00</b>
	Total value of buildings used for fire insurance (excluding other buildings)						15,609,870.00
	<u>Less</u> the foundation value of the building at 10.00% of the replacement cost						1,560,987.00
	<b>Total the value of fire insurance (rounded)</b>						<b>14,050,000.00</b>

5. Property value

No.	List		Calculate	Unit
1	Land value	=	29,600,000.00	THB
2	Buildings value	=	15,880,000.00	THB
Property appraisal value				45,480,000.00
(- Forty-five million, four hundred and eighty thousand baht only -)				

Appraisal of the property as mentioned above, the Independent Appraiser appraises on the assumption that no restrictions or special agreements and other non-normal expenses are in place, which is in the best of the Independent Appraiser's knowledge. In this regard, by referencing to the appraisal approaches used and the details of the assumptions listed above, therefore, from the valuation of the land and buildings of the Independent Appraiser, the total value of the property under ownership is THB 45,480,000 (forty-five million, forty-four hundred and eighty thousand baht only).

Attachment 4

Summary the Appraisal of the Land and Buildings in Rayong Province  
of Kessel (Thailand) Company Limited prepared by Sims Property Consultants Company Limited

In evaluating the value of land and buildings for referencing the value of assets of Kessel (Thailand) Company Limited (“KESSEL”), Siam East Solution Co., Ltd (“SE” or the “Company”) has appointed independent asset appraisers which are Sims Property Consultant Co., Ltd (“SIMS” or the “Independent Appraiser”), which are the assessed property valuer companies in the capital market and accredited by the Valuers Association of Thailand (“VAT”) and are the assessed property valuer companies in the capital market accredited by the SEC to value the land and buildings of the sellers under public purpose objective, with details as follow:

1. Details of Appraised Property

Customer name	Siam East Solution Co., Ltd																																																			
Purpose of valuation	For public purposes																																																			
Report issue date	February 25, 2021																																																			
Type of property	Land and building																																																			
Property location	133/226 Phloenchai Village 3, Rayong City Bypass Road (TorLor 364), Thap Ma Subdistrict, Mueang Rayong District, Rayong Province																																																			
GPS	12.701130, 101.223755																																																			
Property details	<p>The appraised assets are 1 plot of land, title deed number 123142, with an area of 0-0-71.9 rai or 71.9 square wah, with buildings in the amount of 1 item as follows:</p> <ol style="list-style-type: none"> <li>1. 2-story residential building</li> </ol> <p>And other buildings in the amount of 2 items as follows:</p> <ol style="list-style-type: none"> <li>1. Concrete fence</li> <li>1. Concrete patio</li> </ol>																																																			
Land title document	<p>Land title deed number 123142, total 1 plot, area 0-0-71.9 rai or 71.9 square wah</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td align="center" colspan="7">5234 III 4004</td> </tr> <tr> <td align="center" colspan="7">Thap Ma Subdistrict, Mueang Rayong District, Rayong Province</td> </tr> <tr> <th>No</th> <th>Title Deed No.</th> <th>Land No.</th> <th>Survey No.</th> <th colspan="3">Land Area</th> <th rowspan="2">Owner</th> </tr> <tr> <th></th> <th></th> <th></th> <th></th> <th>Rai</th> <th>Ngan</th> <th>Wah<sup>2</sup></th> </tr> <tr> <td align="center">1</td> <td align="center">123142</td> <td align="center">1453</td> <td align="center">11413</td> <td align="center">0</td> <td align="center">0</td> <td align="center">71.9</td> <td align="center">Kessel (Thailand) Co., Ltd</td> </tr> <tr> <td align="center" colspan="4"><b>Total land by rights document</b></td> <td align="center">0</td> <td align="center">0</td> <td align="center">71.9</td> <td align="center"><b>(or 71.9 square wah)</b></td> </tr> </table>							5234 III 4004							Thap Ma Subdistrict, Mueang Rayong District, Rayong Province							No	Title Deed No.	Land No.	Survey No.	Land Area			Owner					Rai	Ngan	Wah <sup>2</sup>	1	123142	1453	11413	0	0	71.9	Kessel (Thailand) Co., Ltd	<b>Total land by rights document</b>				0	0	71.9	<b>(or 71.9 square wah)</b>
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Current landowner	Kessel (Thailand) Co., Ltd.																																																			

Mortgage / Collateral	There is no mortgage to any financial institution.
Utilization restrictions	Appraised property is located in Rayong's Combined Urban Planning District, specifies that the appraised property is located in the orange zone, urban community land type.
Utilities	Electricity, water supply and telephone systems.
Current utilization	Residential
Highest and best use	From considering the appraised land characteristics, such as location, potential for development, and condition of the land in the vicinity. The Independent Appraiser is in the opinion that the use of land as residential area according to current conditions is the most beneficial use of the appraised land.
Valuation approaches	Replacement Cost Approach
Appraised market value	THB 4,068,500 (-four million sixty-eight thousand five hundred baht only-)
Fire insurance value	THB 2,504,722.50 (-two million five hundred and four thousand seven hundred twenty-two baht and fifty satang-)
Appraiser	Sims Property Consultant Company Limited
Date of valuation	February 18, 2021
Location on map	
Location pictures	



## 2. Appraisal Approach for Property Market Value

The Independent Appraiser has selected the replacement cost approach as the basis for the appraisal of the assets for the purposes of this report.

### 2.1 Replacement Cost Approach

The principle of the replacement cost approach is that the total capital value of the appraised property is calculated based on the sum of the value of the empty land, derived from direct comparison approach of the market price and the depreciated replacement cost of the buildings on that plot of land. The depreciated replacement cost can be based on the estimate of the new construction cost of the building as of the appraisal date, subtracted by the amount of deterioration incurred, based on the components relating to usage conditions, current physical characteristics and economic obsolescence. This is the method used for a particular type of property or when trading information of other comparable assets is difficult to obtain, and it can also be used as an inspection method for other methods. Additionally, it can also be used for insurance assessments of buildings. Assets that use this method are industrial plants, warehouses, government buildings, hospitals, etc.




### 2.2 Direct Comparison Approach

The direct comparison approach is a collection of price data for comparable evidence, which are other assets similar to the appraised property, and is analyzed by comparing in many dimensions such as physical characteristics, location, transportation and ease of entry, distance from community and utilities. Then, adjust

the existing differential factor between the appraised property and the comparable property to obtain the market value of the appraised property.

### **3. Direct Comparison Approach**

According to a survey of the trading price or offering price of a generic property in the same area as the property or in the vicinity of the appraised property, there are assets that can be compared to the appraised property to lead to the assumption process for this appraisal as follows:

Comparable market data for property appraisal				
Details	Appraised property	Market data 1	Market data 2	Market data 3
Pictures				
Type of property		Empty land	Empty land	Empty land
Location	No. 133/226 Phloen Chit Village 3	Phloen Chai Village 3	Phloen Chai Village 3	Phloen Chai Village 3
GPS	12.701130, 101.223755	12.700903, 101.223718	12.701555, 101.223948	12.701656, 101.223870
Land size (Wah <sup>2</sup> )	71.9 square wah	81.6 square wah	69.9 square wah	69.9 square wah
Land shape	Rectangle	Rectangle	Rectangle	Rectangle
Width on the roadside	The width is 18.00 meters	The width is 18.00 meters	The width is 20.00 meters	The width is 20.00 meters
Land level	Same as road level	Same as road level	Same as road level	Same as road level
Utilities	Electricity, water supply, telephone	Electricity, water supply, telephone	Electricity, water supply, telephone	Electricity, water supply, telephone
Road surface	Concrete / 8.00 meters wide	Concrete / 8.00 meters wide	Concrete / 8.00 meters wide	Concrete / 8.00 meters wide
City plan restrictions	Orange: urban development land type	Orange: urban development land type	Orange: urban development land type	Orange: urban development land type
Environment	Residential	Residential	Residential	Residential
Highest and best use	Residential	Residential	Residential	Residential
Offer price		THB 15,000 / square wah	THB 18,000 / square wah	THB 18,000 / square wah
Date	February 18, 2021	February 2021	February 2021	February 2021
Contact information	The Company	. 08-1783-6065	. 08-1354-1288	. 08-3803-4117
Remark		-	-	-

Comparable market data for property appraisal				
Details	Appraised property	Market data 4	Market data 5	Market data 6
Pictures				
Type of property		Land with a 2-storey commercial building	Land with a 2-storey commercial building	Land with a 2-storey commercial building
Location	No. 133/226 Phloen Chit Village 3	No 133/175 Phloen Chit Village 3	No 133/172 Phloen Chit Village 3	No 133/112 Phloen Chit Village 3
GPS	12.701130, 101.223755	-	-	-
Land size (Rai-Ngan-Wah <sup>2</sup> )	71.9 square wah	20.0 Square wah	20.0 Square wah	20.0 Square wah
Land shape	Rectangle	Rectangle	Rectangle	Rectangle
Width on the roadside	The width is 18.00 meters	-	-	-
Land level	Same as road level	-	-	-
Utilities	Electricity, water supply, telephone	Electricity, water supply, telephone	Electricity, water supply, telephone	Electricity, water supply, telephone
Road surface	Concrete / 8.00 meters wide	Concrete / 8.00 meters wide	Concrete / 8.00 meters wide	Concrete / 8.00 meters wide
City plan restrictions	Orange: urban community land type	Orange: urban development land type	Orange: urban development land type	Orange: urban development land type
Environment	Residential	-	-	-
Highest and best use	Residential	Residential	Residential	Residential
Offer price		THB 15,000 / square wah	THB 15,000 / square wah	THB 10,000 / square wah
Date	February 18, 2021	February 19, 2021	February 19, 2021	February 19, 2021
Contact information	The Company	. 08-1658-6062	08-6416-9171	08-6416-9171
Remark		-	-	-



### Analysis of Land Market Value

Although the data of the land compared in market data 4, 5 and 6 are residential buildings which is the same as the appraised assets, but since market data 4, 5 and 6 has land area that are much smaller than the appraised assets and the construction characteristic of the appraised land is by purchasing the land first and then builds the building later. Therefore, the Independent Appraiser choose only market data 1, 2 and 3 with land size similar to the appraised land to take into consideration of the land valuation, which is likely to be more appropriate.

The property that is analyze for the market price is a rectangular land with the appraised area of 0-0-71.9 rai or 71.9 square wah.

Details	Market data comparable			Appraised property
	1	2	3	
Area (Wah <sup>2</sup> )	81.6	69.9	69.9	71.9
Market Value (THB/ Wah <sup>2</sup> )	15,000	18,000	18,000	-
Bargained / appropriate price (THB/ Wah <sup>2</sup> )	14,500	15,000	15,000	-

#### Comparison and weighted quality score

Factor	Weight	Market data comparable			Appraised property
	%	1	2	3	
Location	20	7	7	7	7
Access	15	7	7	7	7
Land size	15	6	7	7	7
Land condition	10	7	7	7	7
Environment	10	7	7	7	7
Infrastructure	10	7	7	7	7
Highest and best use / liquidity	10	7	7	7	7
Development trend	5	7	7	7	7
Legal restrictions	5	5	5	5	5
<b>Weighted Score Total</b>	<b>100</b>	<b>675</b>	<b>690</b>	<b>690</b>	<b>690</b>

Factor	Market data comparable			Appraised property
	1	2	3	
Land price before adjustment of WQS (THB/ Wah <sup>2</sup> )	14,500	7	15,000	-
Weighted quality score (rating)	675	690	690	690
Positive/negative ratio compared to property (%)	2	0	0	-
Price after adjustment of WQS (THB/ Wah <sup>2</sup> )	14,822	15,000	15,000	-
Priority of the comparable data (%)	30	35	35	-
Value after comparative rate adjustment (THB/ Wah <sup>2</sup> )	4,447	5,250	5,250	14,947
<b>Appraised value per square wah (rounded)</b>				<b>15,000</b>

Rating level					
Meaning	Poorest	Poor	Fair	Good	Excellent
Rating level	1 to 2	3 to 4	5 to 6	7 to 8	9 to 10

#### Land Value Summary

From the above comparisons, it can be compared to the appraised property, consisting of 1 plot of land, title deed number 123142, total area of 0-0-71.9 rai or equal to 71.9 square wah with rectangular shape. The land conditions have been developed and is the same level as the road front, with the boundary line to the east on the road of Phloenchai 3 Village, approximately 18.00 meters. Currently, the land being used for residential purpose. Therefore, when using various reduction factors to generate liquidity in trading, appraisal price can be defined where appraisal price for land value is equal to THB 15,000 per square wah or equal to THB 1,078,500 (one million seventy-eight thousand five hundred baht only)

#### 4. Depreciated Replacement Cost

In valuation of the buildings, the Independent Appraiser have considered using the method of depreciated replacement costs, reduced by the depreciation according to the condition of each building, where the Independent Appraiser observe the actual condition of the building as well as the use of structural design as well as decoration as a basis to determining the value of the appraised buildings, which are considered only by the structural, architectural and decorative work, as well as system work, which can determine the value of buildings as follows:

No.	Building type	Area (Wah <sup>2</sup> )	Appraisal price (THB / unit)	Building age (year)	New replacement value (THB)	Depreciation (%)	Value by Condition (THB)
1	<b>2-story residential building</b>						
	Indoor usable area	230.00	12,000.00	7	2,760,000.00	7.00	2,566,800.00
	Open area covered roof	93.00	2,500.00	7	232,500	7.00	216,225.00
	<b>Total</b>	<b>323.00</b>			<b>2,992,500.00</b>		<b>2,783,025.00</b>
3	<b>Other buildings</b>						
	Concrete fence	68.00	2,500.00	7	170,000.00	16.00	142,800.00
	Concrete patio	97.00	800.00	7	77,600.00	16.00	65,184.00
	<b>Total</b>	<b>165.00</b>			<b>247,600.00</b>		<b>207,984.00</b>
	Total building value				3,240,100.00		2,991,009.00
	<b>Total building value (rounded)</b>				<b>3,240,000.00</b>		<b>2,990,000.00</b>
	Total value of buildings used for fire insurance (excluding other buildings)						2,793,025.00
	<u>Less</u> the foundation value of the building at 10.00% of the replacement cost					10.00	278,302.50
	<b>Total the value of fire insurance (rounded)</b>						<b>2,504,722.50</b>

5. Property value

No.	List		Calculate	Unit
1	Land value	=	1,078,500.00	THB
2	Buildings value	=	2,990,000.00	THB
Property appraisal value				4,068,500.00
(- four million, sixty-eight thousand five hundred baht only -)				

Appraisal of the property as mentioned above, the Independent Appraiser appraises on the assumption that no restrictions or special agreements and other non-normal expenses are in place, which is in the best of the Independent Appraiser's knowledge. In this regard, by referencing to the appraisal approaches used and the details of the assumptions listed above, therefore, from the valuation of the land and buildings of the Independent Appraiser, the total value of the property under ownership is THB 4,068,500.00 (four million, sixty-eight thousand five hundred baht only).