

Information Memorandum which is disclosed additionally as required pursuant to the Notifications on Acquisition or Disposal of Assets and Notifications on Connected Transactions (as per the Schedule (2))

1. The Information Memorandum Disclosed Pursuant to Clause 13 of 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 and Disposition of Assets, B.E. 2547 (2004)

Please refer to the Information Memorandum as per the Schedule (1), details as set out in Enclosure 13 of the Invitation to the Extraordinary General Meeting of Shareholders No. 1/2021.

2. Responsibilities of the Board of Directors with respect to the information memorandum in the documents delivered to the shareholders.

The Board of Directors authorized the Executive Chairman and President to undertake any act relevant to the entering into the asset acquisition transactions and connected transactions, which includes the preparation of this Information Memorandum, in order for the information contained herein to be accurate, complete, true, and not misleading or lacking any material information which is required to be disclosed.

3. Qualifications of the Asset Appraiser and the Independent Financial Advisor, who provided the opinions on the entering into of the Share Purchase Transaction

- 3.1. Asset Appraiser:

The Company has appointed Sims Property Consultant Co., Ltd. as the appraiser of the value of land and buildings (the "Independent Assets Appraisal" or "SIMS"), appraisal dated on February 18, 2021 for the public purpose of appraisal of assets for entering into the KESSEL Share Purchase Transaction, which is classified as an asset acquisition transactions and connected transactions of the Company, to propose to the shareholders of the Company.

In this regard, the Asset Appraiser holds no shares in the Company, and has no relationships with the Company. The Asset Appraiser has consented for the Company to disclose the Valuation of Assets Report, dated 24-25 February 2021. The details of the valuation of each asset are as follows:

Asset	Valuation Date	Value (THB)
Land and building, Samut Prakan	18 February 2021	45,480,000.00
Land and building, Rayong	18 February 2021	4,068,500.00

- 3.2. Independent Financial Advisor

The Board of Directors has appointed Discovery Management Company Limited as the independent financial advisor ("IFA" or "Independent Financial Advisor"), a financial advisor approved by the Securities and

Exchange Commission (“SEC”), to provide and prepare the opinions on the reasonableness and fairness of the price and the relevant conditions, as well as to provide the opinions on the vote casting of the shareholders and supporting reasons which relate to the entering into of the Share Purchase Transaction, which are classified as asset acquisition transactions and connected transactions of the Company, to propose to the shareholders of the Company.

In this regard, the Independent Financial Advisor holds no shares in the Company and has no relationships with the Company. The Independent Financial Advisor has consented for the Company to disclose the Independent Financial Advisor’s Report, dated March 29, 2021 (the “**Independent Financial Advisor’s Report**”), details as set out in **Enclosure 15** of the Invitation to the Annual General Meeting of Shareholders No. 1/2021.

#### 4. All indebtedness of the Company currently present and to be incurred in the future

##### 4.1. Total amount of issued and unissued debt instruments of the Company

-none-

##### 4.2. Total amount of loans with specified repayment terms, and liability to place assets as collateral of the Company

As of December 31, 2020, the Company’s amount of loans with specified repayment terms and the amount of assets placed as collateral are as follows:

##### 4.2.1. Long-term loans

-None-

##### 4.2.2. Lease Liabilities

The amounts carried forward of lease liabilities and the movements for the period ended December 31, 2020 are presented below.

	Financial statements in which the equity method is applied 2020	Unit : Baht Separate financial statements 2020
The amount to be paid under lease contract	17,185,112.02	17,185,112.02
Less Deferred interest expenses	(5,123,173.08)	(5,123,173.08)
Less Suspended input tax	(21,715.92)	(21,715.92)
Total	12,040,223.02	12,040,223.02

Less Current portion of lease liabilities	(1,378,872.08)	(1,378,872.08)
Net	<u>10,661,350.94</u>	<u>10,661,350.94</u>

The following are the amounts for as at ended December 31, 2020 recognized in profit or loss :

	Unit : Baht	
	Financial statements in which the equity method is applied 2020	Separate financial statements 2020
Depreciation of right-of-use assets	(4,556,442.81)	(4,556,442.81)
Interest paid from lease liabilities	(693,108.90)	(693,108.90)
Total	<u>(5,249,551.71)</u>	<u>(5,249,551.71)</u>

The Company entered into land lease agreement for building construction as office building and showroom for term of lease 20 years, ended on December 31, 2035 and for vehicle lease agreement will be ended in 2023 and 2024.

	Unit : Baht			
	Financial statements in which the equity method is applied and Separate financial statements 2020			
	Less than 1 year	1 – 5 years	Over 5 years	Total
Future minimum lease payments	1,980,412.00	5,916,412.00	9,288,288.02	17,185,112.02
Deferred interest expenses	(600,532.40)	(1,897,022.38)	(2,625,618.30)	(5,123,173.08)
Suspended input tax	(6,482.92)	(15,233.00)	0.00	(21,715.92)
Present value of future minimum lease payment	<u>1,373,396.68</u>	<u>4,004,156.62</u>	<u>6,662,669.72</u>	<u>12,040,223.02</u>

**4.3. Total value of debts in other categories, including overdrafts, and liability to place assets as collateral of the Company**

-None-

**4.4. Indebtedness to be incurred in the future**

As of December 30, 2020, the Company has indebtedness to be incurred in the future as follows:

#### 4.4.1. Provision for long-term employee benefits

Changes in the provision for long-term employee benefits as of December 31, 2020.

	Financial statements in which the equity method is applied 2020	Unit : Baht Separate financial statements 2020
Defined benefit obligations plan as at the beginning of the year	9,762,248.00	9,762,248.00
Current service cost	2,676,566.46	2,676,566.46
Interest cost	227,423.74	227,423.74
Actuarial less recognized in other comprehensive income	209,388.45	209,388.45
Adjust employee benefit by 400 days	0.00	0.00
Employee benefit paid	(208,257.00)	(208,257.00)
Defined benefit obligations plan as at the end of the year	<u>12,667,369.65</u>	<u>12,667,369.65</u>

#### 4.4.2. Commitments

- 1) As at December 31, 2020 and 2019, the Company had Letter of Credit, Trust Receipt, Promissory Note and Forward contract from 2 commercial banks in amount of THB 62.79 million and THB 72.79 million, respectively, secured by deposit at bank and as at December 31, 2020 and 2019, the Company had no forward contract.
- 2) As at December 31, 2020, the Company had contingent liabilities from Letter of Guarantee of selling goods to customers issued by 2 commercial banks in amount of THB 27.42 million and as at December 31, 2019, the Company has contingent liabilities from Letter of Guarantee issued by 2 commercial banks in amount of THB 16.13 million and USD 2,635.00.
- 3) As at December 31, 2020 and 2019, the Company had commitments and contingent liabilities arising from receiving deposits from customers, with a total value of purchase order amounting to THB 15.72 million and THB 18.81 million, respectively. The Company has already received deposits in amount of THB 4.64 million THB 2.24 million, respectively.

- 4) As at December 31, 2020 and 2019, the Company has commitments in the future to pay for security contract ended on April 30, 2021 in amount of THB 0.24 million and THB 0.22 million, respectively.
- 5) As at December 31, 2020 and 2019, the Company has commitments in the future to pay for consultant fee contract ended on September 30, 2021 and 2020, respectively, in amount of THB 0.34 million.

## 5. Important Information of the Company

### 5.1. Information on nature of business and business trends of the Company and its subsidiaries

#### 5.1.1. Nature of business of the Company and its subsidiaries

The Company engages in the business of procurement and distribution of industrial products and provides various services related to industrial plants, which are divided into 4 product groups as follows Pumping System Technology Division, Process and Piping Solution Division, Innovative Material Division and Service Business. Currently, the company supplies and sells more than 3,500 industrial products under leading international brands, which can serve the diverse needs of industrial plants that utilize industrial products in manufacturing processes, utilities, piping and maintenance work.

#### Associated Company

Utility Business Alliance Company Limited (“UBA”), located at 123 Sun Tower A Building, 21<sup>st</sup> Floor, Vibhavadi Rangsit Road, Chomphon, Chatuchak, Bangkok 10900 with a registered capital of THB 40.00 million, which is an associated company that the Company Holding 40% of the shares, the main business operation is the provision of comprehensive water and wastewater management services.

#### 5.1.2. Business trends of the Company and its subsidiaries

The company plans to look for new business opportunities by accepting partners or partners to venture into or expand the business that yields the most beneficial results, such as finding investment opportunities in innovative companies and finding investment opportunities in products that are different from the previous business in order to increase income and diversify risks.

### 5.2. Summary of Financial Statements in the past three years and the period ended December 31, 2020, as well as the Management Discussion and Analysis and risk factors that may affect the Company’s profits

#### 5.2.1. Summary of financial statements for the past 3 years ended December 31, 2020

##### Statement of financial position

(Unit : THB million)

Item	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 assets</b>	<b>199.55</b>	<b>235.42</b>	<b>246.66</b>
<b>Non-current assets</b>			
Restricted bank deposits	8.80	8.80	3.80
Investments in associated	144.97	151.78	167.15
Long-term loans to associates	12.62	-	-
Building, plant and equipment	11.03	12.25	7.66
Assets on a long-term lease area	41.91	38.77	-
Right-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
Current portion of liabilities under financial leases	-	0.43	-
Current portion of lease liabilities	-	-	1.38
<b>Total current liabilities</b>	<b>100.62</b>	<b>101.21</b>	<b>88.85</b>
<b>Non-current liabilities</b>			
Liabilities under financial leases	-	1.09	-
Lease liabilities	-	-	10.66
Non-current provision for employee benefit	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>			
Authorized share capital			
240,000,000 common shares of THB 0.50 each,	120.00	120.00	120.00
Issued and paid-up share capital			
240,000,000 common shares of THB 0.50 each,	120.00	120.00	120.00
Premium on common shares	121.00	121.00	121.00

(Unit : THB million)

Item	2018	2019	2020
Retained earnings			
Legal reserve	6.09	7.52	8.78
Unappropriated	64.09	88.52	115.67
<b>Total shareholders' equity</b>	<b>311.19</b>	<b>337.04</b>	<b>365.45</b>
<b>Total liabilities and shareholders' equity</b>	<b>420.68</b>	<b>449.10</b>	<b>477.64</b>

Statement of comprehensive income

(Unit: THB Million)

Item	2018	2019	2020
<b>Revenues</b>			
Revenues from sales and services	405.40	474.95	449.28
Cost of sales of goods and rendering of services	(296.20)	(344.50)	(328.48)
<b>Gross profit</b>	<b>109.20</b>	<b>130.45</b>	<b>120.80</b>
Other revenues	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>Profit (loss) before finance costs and income tax</b>	<b>24.76</b>	<b>35.58</b>	<b>29.18</b>
Financial cost	(0.01)	(0.03)	(0.69)
Profit sharing from investment in associated	6.79	6.80	17.37
<b>Profit before income tax</b>	<b>31.54</b>	<b>42.34</b>	<b>45.86</b>
Income tax expense	(4.98)	(6.89)	(5.29)
<b>Profit for the year</b>	<b>26.56</b>	<b>35.45</b>	<b>40.58</b>

Statement of cash flow

(Unit: THB Million)

Item	2018	2019	2020
Net cash 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 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 year	95.89	85.69	78.87
<b>Cash and cash equivalents at the end of the year</b>	<b>85.69</b>	<b>78.87</b>	<b>68.11</b>

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 (days)	65.79	66.90	94.88
Average sales period (days)	33.95	40.12	45.55
Average repayment period (days)	70.68	66.99	68.14
Cash cycle (days)	29.06	40.04	72.30

**5.2.2. Management Discussion and Analysis for the Financial Position and Operating Results****1) Overview of past operations**2018

From the operating results of the year 2018, the company had sales and service income of THB 405.40 million, an increase from 2017 by THB 2.23 million or 0.55 percent, divided into revenue from 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 Service Business THB 44.62 million in 2018, the company received foreign orders and long delivery period Therefore, the revenue 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



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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 a 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.

## **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	98.60
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.

### 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
Total revenue from sales and services	405.40	100.00	474.95	100.00	449.28	100.00

#### - 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).

#### - **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.

#### - **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.

**- 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.

**- 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

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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.

#### 4) 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

Cost of sales and services	2018	2019	2020
	THB million	THB million	THB million
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>
Revenue from sales and services	405.40	474.95	449.28
<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) 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.

### **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.

### 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.

### 8) Balance Sheet Analysis

#### - Asset

#### 2018



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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.

### - 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.

### - 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.

### - 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.

### - 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.

#### - 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

### 5.2.3. Risk factors that may affect the profits of the Company

#### 1) Marketing and Competition Risk

##### - Risk of losing the status of being a distributor

The Company is a supplier and distributor of industrial products which is divided into 3 product groups: product and pump technology, piping and process management products, and innovative material products, with the Company being a distributor of more than 40 internationally renowned manufacturers. If the Company lose the status of being a distributor in the main trademarks, it may affect the ability to generate income of the Company.

However, throughout the business of more than 27 years, the Company has a good relationship, strictly follow the commercial terms, co-organizing marketing activities that have gained the trust of the brand owner to be

a distributor of products all along. Moreover, the Company is also well known to the customers of the industrial factory which is the main customer group. There is a team of sales engineers who have the knowledge, experience and ability, thus gaining the credibility of customers in distribution of products and services.

Therefore, the Company has confidence in the potential of doing business and will gain the trust of the brand owner in being a distributor of that product in the future.

**- Risk of entry of new competitors**

The sourcing and distribution business is a business with no operational complexity and does not require a lot of capital, thus enabling new entrepreneurs to enter the market. The entry of new competitors may result in increased competition which will affect the competitiveness and performance of the Company in the future.

However, the Company operates the business of supplying and distributing water and liquid pumps, processing and consumable equipment used in the production and maintenance of more than 3,500 different types. Thus, it can serve the various needs of industrial plants. The Company has good relationships with the business partners, customers, product manufacturer and distributors. In addition, the Company has a team of sales engineers that is knowledgeable, expertise and experienced in giving advice to customers in selecting suitable products for maximum efficiency of use. The aforementioned factors are what builds the reliability of the quality of products and services of the Company. Therefore, the Company has earned the trust of customers in ordering products and services continuously.

**- Risk of brand owners coming into the market by themselves**

In the event that a foreign brand owner wishes to enter the market and operate their own business in Thailand without the Company may expose the Company with risk of being terminated as a business partner in the distribution of such products and the Company's business may have to compete with the company that owns the brand as well.

However, the risk that foreign brand owners will enter the market is unlikely. This is because operating this business needs to have a wide variety of products to be able to serve various customer needs as well. In the past, customers have been considering the convenience of ordering products with a wide variety of vendors. But the brand owner only sells the products that they produce. As a result, the entry into the market of the brand owner may not be as successful as expected, as well as the sales engineer team has the knowledge, experience and expertise in advising customers on choosing a suitable product category used in order to achieve the highest efficiency and safety. The Company has always earned the trust of customers in the distribution of products and services.

**2) Financial Risk**

**- Risk from exchange rate fluctuation**

Products that the Company orders and sales to customers are mostly imported goods, which have to be paid for in the country-specific currency of the supplier, such as US Dollars, Singapore dollar, Japanese yen, euro, etc., while all the Company's products sales are domestic sales, so the Company may be exposed to foreign exchange risk on the payment date in case the US Dollars, the Singapore dollar, the Japanese yen and the euro rises, which cause foreign exchange losses. Sometimes, the Company cannot adjust the product prices to be in line with the fluctuation of the exchange rate immediately.

However, the Company realizes the importance of preventing such risks by closely monitoring the news and movements of foreign exchange rates and has a policy to enter into a forward contract with a financial institution, which is a credit line that covers the amount of foreign trade payables during that period. Moreover, the Company is in the process of considering opening a foreign currency account. However, this also depends on the customer paying in a foreign currency, it is expected to be able to reduce the risk of exchange rate fluctuation.

- **Liquidity risk**

The situation of COVID 19 may affect the payment of goods. Customers have an extended credit period, which may cause the business to lack liquidity. At present, the Company has carefully considered customer credit limit and the payment inquiries of the customers are closely monitored, thus the Company has little impact on the payment of the customers. At the same time, the Company is also requesting to extend the credit period for payment of debts from trade payable to have a longer repayment period. This will allow the company to reduce the risk of the lack of liquidity.

- **Risk from changes in accounting standards**

New accounting standard, effective January 1, 2019

"IFRS 15" regarding revenue from contracts with customers, the Company recognizes revenue when the customer has control over the product in the product or services with an amount that reflects the compensation that the Company is expected to be eligible for and judgments are used in determining the timing of the delivery of controls. This is to assess whether the revenue will be recognized at a particular time and IFRS 15 does not have any material impact on the Company's financial statements.

New accounting standard Effective January 1, 2020

"IFRS 9" on Financial Instruments Principles of classification and measurement and impairment of the allowance for doubtful accounts to accommodate the damage expected in the future. Currently, the Company has considered setting the allowance for doubtful accounts. According to the new accounting standard IFRS 9, this may increase the accounting cost estimation, but it does not affect the cash flow statement of the Company.

"IFRS 16" regarding the lease agreement, the Company recognizes the leased assets as

rights of use assets and is gradually amortized according to the lease life. The Company recognizes interest expenses and is gradually reduced according to the payment period.

- **Credit risk**

The Company is exposed to credit risk primarily with respect to trade and other current receivables and deposit with the bank by the maximum amount.

Trade and other current receivables

The Group manage risk by applying appropriate credit control policies and procedures. Therefore, no significant financial losses are expected to occur. In addition, the Group has a regular follow-up of the trade accounts receivable balances. The credit provision of the Group is not concentrated because the Group has a large and diversified customer base.

The Group considers impairment at the end of every reporting period and calculate the provisioning rate of expected credit losses from the aging of the debt outstanding from the due date. The calculation of the expected credit impairment loss takes into account reasonable and supportable information available at the reporting date of past events, current conditions and forecast of future economic conditions. Generally, the Group will write off trade and other current receivables from the accounts in accordance with the Group's policy on consideration as appropriate.

- **Market risk**

The Group is exposed to interest rate risk in relation to their deposits at banks, lease liabilities, financial assets and liabilities. Analysis of the effects of changes in interest rates effect on the Group's earnings before tax on reasonable changes in asset interest rates.

- **Liquidity risk**

As of December 31, 2020, the Group has approximately 11.45% of liabilities that are due within one year, compared to the book value of those liabilities shown in the financial statements (2019: 28.44%). The concentration of risks associated with borrowing to repay existing liabilities and concluded that such risks are low. The Group has sufficient ability to access the source of diversified funds.

- **Foreign exchange risk**

The Group is exposed to foreign currency risk as a result of the purchase and sale of foreign currency products, the Group places a credit line for trading foreign exchange forward rates to be used as a hedging tool

Analysis of the effects of exchange rate changes

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The Group has no material impact on pre-tax earnings from changes in the fair value of monetary assets and liabilities that may arise from changes in exchange rates of foreign currency assets and liabilities.

### 3) Operational Risk

#### - Risk from the Company's purchasing and inventory management system

The Company sells more than 3,500 industrial products, including three product groups, namely product and technology group, mechanical pump system, process management and pipeline system and innovative material products. Products that are in inventory are mostly innovative material products, which are consumables for factories in manufacturing and maintenance. Some types of inventory, the Company needs to stock to meet the needs of customers, so when the Company don't have enough stock, the Company may lose opportunity in the sales business and may not be able to maintain their customer base. At the same time, some inventory that cannot be distributed in a long term, may lead to product obsolescence or long life and cost.

However, the Company realizes the risk of such inventory by planning orders and determining the frequency of orders that need to be reserved for sale in accordance with sales targets and estimates of the needs of the customer. The Company has reviewed the plan to order such products every month in order to keep the information as updated as possible. The Company has a staff to control, store, inspect and manage the inventory that has been reserved for sale regularly and control the product with a computer program that can record details of the movement of the product accurately and precisely so that the Company have enough products that can serve customers' needs immediately and not to keep an excess of inventory that creates a cost burden.

#### - Risk of Corruption

The Company is a distributor of products that must be imported from abroad, including distributing to private companies, government agency, which may cause corruption in various processes such as customs clearance, job bidding, as well as high-value project proposals or neglect of non-compliance with the Company's internal control regulations such as reimbursement of expenses, procurement, or control of goods or assets.

- The Company has a Risk Management Committee to monitor the internal control system and have an audit from an external auditor that is effective, as well as, internal quality audits in accordance with ISO 9001: 2015 quality standards.
- The Company has an anti-corruption policy and provide a channel for complaints and whistleblowing.

#### 4) Other risk

- **Risk of having a major shareholder holding more than 50% of the shares**

On May 27, 2020, Ms. Orasa Vimochela's family holds 145,486,800 shares in the Company, holding 60.62% of the issued and paid-up capital, thus Ms. Orasa Vimochela's family can control the resolutions of the shareholders' meeting, regardless of whether it is an appointment of a director or requesting for resolutions on other matters requiring a majority vote of the shareholders' meeting, except legal matters or the regulations of the Company that is required to have three-fourths of the votes in the shareholders' meeting. Therefore, other shareholders may not be able to collect votes to check and balance the matters proposed by the major shareholders.

However, the Company has established the organizational structure and guidelines for the board of directors by establishing a mechanism to check and balance the power of the stakeholders by appointing the Audit Committee to perform the audit, consider and scrutinize the matter of operational transparency. Moreover, the Company has policy for connected transaction.

- **Security risks of personal information**

According to the Personal Data Protection Act will come into effect on May 27, 2020, the Company realizes the importance, and therefore has sent employees who are responsible to training with various departments to disseminate knowledge and develop information management systems to be suitable in line with business operations. The Company has announced the privacy policy of the Company as of March 1, 2021 and has completely published the information on the website of the Company.

- **Risk from external factors**

It is a risk that affects the global economy, resulting in the coronavirus outbreak. The Company must assess the situation in order to plan its business operations appropriately.



The Company realizes the important changes; thus the Company have used this crisis to adapt the business and create value for sustainability and the team has learned a new way of working and adapted the Company into a digital organization. The Company is also seeking opportunities to adapt new business models according to the future of the world that in line with the growing government's economic trend, to focus on investing to find more markets and new products in the country.

### 5.3. Current financial projections

- None-

### 5.4. List of management and shareholders of the company

#### 5.4.1. Board of Directors

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

Name	Position
1. Dr. Thanachat Numnon	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 Chief Executive Officer
3. Mr. Sithichai Leekasem	Company Directors Executive Director
4. Mrs.Chanchira Samakthai	Independent Director, Director Audit Committee Chairman of the Nomination and Remuneration Committee
5. Ms. Jiranat Sumannont	Independent Director, Director Member of the Nomination and Remuneration Committee
6. Mr. Kirk Leekasem	Company Directors Executive Director Deputy Chief Executive Officer
7. Ms. Nitkamol Wongpipat	Company Directors

Name	Position
	Member of the Nomination and Remuneration Committee
8. Mr. David Somyaporn	Company Directors

## 5.5. Senior Management Team

### 5.5.1. List of the senior managers team as of March 16, 2021

ชื่อ	ตำแหน่ง
1. Ms. Orasa Vimolchalao	Chief Executive Officer
2. Mr. Kirk Leekasem	Assistant Chief Executive Officer
3. Mrs. Sitta Saetiao	Support manager
4. Mrs. Malee Inthara	Sales manager Piping and Process Management Products Group
5. Mrs. Supathida Limsamphancharoen	Sales manager Innovative material product range
6. Mrs. Pimchanok Khamin	Sales manager Bangkok Office
7. Mr. David Somyaporn	Chief Financial Officer
8. Mr. Sittichai Leekasem	Executive Director
9. Mr. Pornchai Tantusuntharodom	Chief Sales and Marketing Officer

### 5.5.2. Share Holders

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. Saengpet Tantaatipanit	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 Srimuninnimit	3,112,100	1.30%

No.	Major shareholders	Number of shares	%
5	Mr. Nuttapon Engmaneeprasert	3,000,000	1.25%
6	Mrs. Jidapa Kantasusira	1,450,000	0.60%
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>

**5.6. Other information that may materially affect the decision of investors.**

- None -

**6. Opinion of the Board of Directors on the sufficiency of working capital**

The board of directors is in the opinion that 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 80,000,000 baht
- 2) The capital increase of 180,000,000 baht, 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 aforementioned 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, the Company has no long-term debt burden from financial institutions but there is a loan limit of approximately 130.00 million baht, which is still full in amount. The Board of Directors is in the opinion that this acquisition of KESSEL shares will not affect the Company's financial liquidity management.

**7. Lawsuits or claims with material pending**

- None -

8. Related party transaction of 2019 – 2020, including but not limited to the connected transaction entered into between the Company and the directors, executives and shareholders directly or indirectly holding 10% or more of the shares.

8.1. Transactions between person / juristic person who may have conflicts of interests

Connected transactions that the Company enters into transactions with persons/juristic persons that may have conflicts for the fiscal year of 2019 and 2020 are as follows:

8.1.1. The Company has related transactions with Mr. Kirk Leeksem, details as follows:

Transaction Type	Transaction Value (THB)		Necessity and reasonableness of the transaction
	Jan - Dec 2019	Jan - Dec 2020	
<u>Land for rent in Rayong</u>			
Amortization - Use rights assets	-	423,796.48	In 2020, the Company's liability is recognized in accordance with IFRS 16 Leases at the present value of the remaining finance lease payments discounted at the Company's incremental borrowing rate on January 1, 2020 for leases that were previously classified as finance leases. The Company recognizes the carrying amounts of lease assets and liabilities at their original carrying amounts prior to the date of first application of IFRS 16.
Lease liabilities	-	7,748,040.43	
Interest expense	-	468,982.64	
Land rental	720,629.40	-	In 2016, the Company rented 1 plot of land with an area of 2,000 square meters with Mr. Kirk Leekasem for the location of the office building and warehouse building in Rayong Province. The Company entered into this land lease agreement with Mr. Kirk Leekasem for 20 years since January 1, 2016 to December 31, 2035. The rental fee is THB 45,000 per month and the rental rate is increased by 10% every 3 years. Rental and growth rates are based on an appraisal by Sims Property Consultants Co., Ltd. (The main appraiser is Mr. Worasak Chotichalemsakulchai), an independent appraiser approved by the SEC. The independent appraiser has appraised the land rental price using the market data comparison method, based on the assumption of the 20-year land lease, the buildings located on the land are owned by the Company and the Company does not use the land and buildings to be used for renting to other persons. Therefore, the Company does not receive any benefits other than the location of the Company's own office buildings and warehouse buildings. This rental fee is based on the lease of land only.
Other liabilities	668,517.60	-	

## 8.1.2. The Company has connected transactions with KESSEL, details as follows:

Transaction Type	Transaction Value (THB)		Necessity and reasonableness of the transaction
	Jan - Dec 2019	Jan - Dec 2020	
<u>Sell products</u>			
Revenue from sales and services	31,100.00	9,120.00	In 2020 and 2019, the Company sells supplies to Kessel, but the gross margin is similar to that of sales to general customers.
Accounts receivable	-	8,667.00	
<u>Office space rental</u>			
Office rental and service fees	164,141.28	164,141.28	In 2020, the Company has office rental and service fees of THB 164,141.28 since 2019 has renewed the land lease and service agreement with Kessel. The lease period is 3 years from January 1, 2019 to December 31, 2021, with the total rental and service rates of THB 13,678.44 per month, referring to the appraisal by market comparison method.
Other payables	29,296.12	30,515.92	
<u>Phone usage and utility bills</u>			
Phone bills	3,600.00	3,618.00	Since the Company has leased office space from Kessel, located in Bang Sao Thong district, Samut Prakan province, for use as a Bangkok office, Kessel has given the Company the use of phone numbers and electricity bills registered on behalf of Kessel, whereby Kessel charges incurred expenses based on actual usage.
Electricity cost	-	5,550.00	

8.1.3. The Company has related transactions with Utility Business Alliance Company Limited (“UBA”)  
details as follows:

Transaction Type	Transaction Value (THB)		Necessity and reasonableness of the transaction
	Jan - Dec 2019	Jan - Dec 2020	
<u>Sell products</u>			
Revenue from sales and services	241,900.00	15,756,615.00	<p>In 2020, the Company submitted a total of 60 quotations worth THB 62.91 million, with the total gross margin of 14.65% and the price close to the sale of goods to the general customer, receiving 18 orders worth THB 10.73 million. Remaining 32 quotations worth THB 40.92 million UCA will not place orders and 10 quotations worth THB 11.26 million are pending. The sale is a sales price that is comparable to that of a third party.</p> <p>In the year 2019, the Company submitted a total of 51 quotations with a total value of THB 163.72 million. The average gross profit margin was 16.36% and the price was similar to selling products to general customers. Received 8 orders, valued at THB 0.20 million, the remaining 7 quotes, valued at THB 10.42 million, UBA would not order. And 36 more quotations worth THB 153.10 million are under consideration. However, the Company has a need to reduce the selling price of products lower than normal sales of products to have the ability to compete in price with competitors and will result in the Company having a reference work with the Bangkok Wastewater Treatment Unit and is an opportunity to access jobs, procurement and distribution of other industrial products to the Bangkok Wastewater Treatment Unit and other government agencies as well as the opportunity to receive maintenance services and replacement of spare parts and equipment in the future.</p>
Accounts receivable	17,120.00	8,913,849.00	
<u>Interest Income Loans</u>			
Interest income	383,882.07	-	<p>In 2019, the interest rate on the loan amounted to THB 0.384 million, increased from the fixed deposit rate received under the interest rate of 1.4% per annum and has paid interest on loans reaching the contract period on October 31, 2019.</p>

8.1.4. The Company has connected transactions with PPM, details are as follows:

Transaction Type	Transaction Value (THB)		Necessity and reasonableness of the transaction
	Jan - Dec 2019	Jan - Dec 2020	
<u>Other expenses</u>			
Accommodation and meals	18,915.53	27,448.50	In the year 2020 and 2019, the Company has rented a meeting room to be a venue for the board meeting and the Board of Directors' meetings because the Company is located in Rayong Province but most committees have the convenience of meeting in Bangkok, so the Company needs to rent meeting rooms to be a meeting place. The rental price of a meeting room at PPM building. The price is lower than the price of renting a meeting room in another nearby location.

8.1.5. The Company has transactions between Akharawin Co., Ltd. as follows:

Transaction Type	Transaction Value (THB)		Necessity and reasonableness of the transaction
	Jan - Dec 2019	Jan - Dec 2020	
<u>Sell products</u>			
Revenue from sales and services	1,800.00	188,320.00	In 2020 and 2019, the company sells fire-proof cloth, glue and chemical protective clothing to Akharawin Co., Ltd. and a gross margin that is close to selling products to general customers.
Accounts receivable	1,926.00	3,852.00	
<u>Service Expenses</u>			
Service Fee	999,092.00	-	In 2020 and 2019, the Company has hired Akharawin Co., Ltd. for renovation work in the area of the building and the area beside the office building in Rayong Province, the Company is required to hire the renovation and repair work of the area because Akharawin is a contractor for the construction of the Company's office buildings from the beginning as a contractor who knows the structure and working system very well, the Company has already compared the hire price with the price of other contractors.
Accounts receivable	180,928.44	-	
Other expenses	-	7,500.00	

8.1.6. The Company has transactions between BJC Heavy Industries Co., Ltd. Details are as follows:

Transaction Type	Transaction Value (THB)		Necessity and reasonableness of the transaction
	Jan - Dec 2019	Jan - Dec 2020	
<u>Sell products</u>			
Revenue from sales and services	-	24,000.00	In 2020, the Company sold fire-proof cloth consumables to BJC Industry Public Company Limited and the gross margin was similar to that of sales to general customers.
Accounts receivable	-	25,680.00	

8.1.7. Guarantees and mortgages of the Company and persons/juristic persons who may have conflicts as of December 31, 2020, items of guarantees and mortgages of two financial institutions, details as follows

Surety assets : Company fixed deposit

Credit limit : Bank overdrafts, letters of credit and trust receipts, foreign exchange contracts, letter of guarantees

Total loan limit : THB 131,790,000

Necessity and reasonableness of the transaction: The aforementioned guarantees are guarantee for credit lines with financial institutions that support credit facilities for use in the Company's business operations. This is in accordance with the conditions of the financial institution. There is no guarantee for any compensation.

If the company will borrow money or apply for a credit facility with any bank which has conditions guaranteed by the Company's bank deposit.

8.2. Connected persons and / or shareholders with interests

The Company and KESSEL have major shareholders and common directors on the part of the major shareholder, Ms. Orasa Vimonchela is a connected person of SE and KESSEL in accordance with the criteria specified in the Notification of the Connected Transaction. Since Mrs. Orasa Vimonchela is a major shareholder of SE, holding 95,796,400 shares or 39.92 percent of the issued and paid-up shares of the Company being a major shareholder of PPM, holding 149,998 shares or equivalent to 99.99 percent of PPM's issued and paid-up shares, and a shareholder of KESSEL, holding 5 shares or equivalent to 0.01 percent. In respect of the Company's directors and PPM, there are 2 common directors, Ms. Orasa Vimonchela and Mr. Sitthichai Lekasem.



The Company and KESSEL have a common major shareholder and director which the common major shareholder is Miss Orasa Vimolchalao, who is the connected person between SE and KESSEL according to the criteria specified in the Notification on Connected Transactions. As Miss Orasa Vimolchalao 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, Miss Orasa Vimolchalao 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 Miss Orasa Vimolchalao and Mr. Sittichai Leekasem.

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>1/</sup>	Position in KESSEL <sup>3/</sup>	The proportion of holding a share in KESSEL (%) <sup>2/</sup>
1	Miss Orasa Vimolchalao	Director	39.92	Director	99.99	Director	0.01
2	Mr. Sittichai Leekasem	Director	0.01	Director	0.01	Director	0.00

Remark: 1/ As of March 15, 2021  
2/ As of January 29, 2021  
3/ As of February 22, 2021

## 9. Executive Summary of Material Agreements of the Company over the past two years

### 9.1. Share Purchase Agreement

As of the submission date of this information of account 2, the KESSEL share purchase agreement has not been completed. However, the Company The complete KESSEL share purchase agreement is expected to be unlikely to change significantly. The key details of the KESSEL share purchase agreement are as follows:

No.	Topic	Details
1.	Parties Involved	1. PPM Engineering Company Limited, Miss Orasa Vimolchalao and Mr. Sittichai Leekasem (the Sellers) 2. Siameast Solution Public Company Limited (the Buyer)
2.	Details of Trading Shares	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.

No.	Topic	Details
3.	Trading the Trading Shares	<ol style="list-style-type: none"> <li>1. 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>2. 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>3. 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>4. 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>1. The Company receives a resignation letter from the director, unless otherwise specified by the Sellers.<sup>1/</sup></li> <li>2. 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>3. 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> <li>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.</li> <li>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>2/</sup></li> <li>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.</li> <li>7. The Sellers has not breached any obligations or duty of the Sellers under this agreement.</li> <li>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.</li> </ol>

No.	Topic	Details
		<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 <sup>3/</sup>	<p>1. From the date of share transfer until the expiration of one year from when the Sellers, which is Ms. Orasa Vimolchalao and Mr. Sittichai Leekasem, 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 Vimolchalao and Mr. Sittichai Leekasem, 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).
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

No.	Topic	Details
		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.

**10. Proxy Form for shareholders to use in voting with at least one member of the Audit Committee being nominated as proxy of a shareholder**

Details of the proxy form and information of the audit committee nominated by the Company for the shareholders to appoint as a proxy in the supporting documents for the Annual General Meeting of Shareholders No. 1/2021 are set out in in Enclosure 7 of the Invitation of the Annual General Meeting of Shareholders No. 1/2021.