

**Opinion of the Independent Financial Advisor
Regarding the Proposed Asset Acquisition**

of

SPCG Public Company Limited

Submitted to

**Directors and Shareholders of
SPCG Public Company Limited**

Prepared by

Phillip Securities (Thailand) Public Company Limited

16 August 2011

The English translation of this document is prepared solely for reference for non-Thai shareholders of the Company. It should neither be relied upon as the definitive nor the official document of the Company. The Thai version is the official document and shall prevail in all respects in the event of any inconsistency with the English translation.

Definitions

Unless otherwise specified or defined, the following definitions apply to this report

“SPCG” or the “Company”	refers to	SPCG Public Company Limited
“SPC”		Solar Power Company Limited , a subsidiary company of SPCG
“SPE”		Solar Power Engineering Company Limited, a subsidiary company of SPCG
“SS”		Steel and Solar Roof Company Limited, a subsidiary company of SPCG
“Korat 1 Power Plant” or “SPKR1”		Solar power plant with maximum capacity of 6 Megawatt, located at Donchompu, Non Sung District, Nakhonratchasima, operated by Solar Power (Korat 1) Company Limited.
“Sakon Nakhon 1 Power Plant” or “SPSN1”		Solar power plant with maximum capacity of 6 Megawatt, located at Ban Thon, Sawang Daen Din District, Sakon Nakhon, operated by Solar Power (Sakon Nakhon 1) Company Limited.
“Nakhon Phanom 1 Power Plant” or “SPNP1”		Solar power plant with maximum capacity of 6 Megawatt, located at Ban Phueng, Mueang District, Nakhon Phanom, operated by Solar Power (Nakhon Phanom 1) Company Limited.
“Korat 2 Power Plant” or “SPKR2”		Solar power plant with maximum capacity of 6 Megawatt, located at Donchompu, Non Sung District, Nakhonratchasima, operated by Solar Power (Korat 2) Company Limited.
“Loei 1 Power Plant” or “SPLO1”		Solar power plant with maximum capacity of 6 Megawatt, located at Nong Ya Plong, Wang Saphung District, Loei, operated by Solar Power (Loei 1) Company Limited.
“Khon Kaen 1 Power Plant” or “SPKK1”		Solar power plant with maximum capacity of 6 Megawatt, located at Ban Kho, Mueang District, Khon Kaen, operated by Solar Power (Khon Kaen 1) Company Limited.
“Korat 3 Power Plant” or “SPKR3”		Solar power plant with maximum capacity of 6 Megawatt, located at Sam Mueng, Seda Sub-District, Nakhonratchasima, operated by Solar Power (Korat 3) Company Limited.
“Korat 4 Power Plant” or “SPKR4”		Solar power plant with maximum capacity of 6 Megawatt, located at Dan Kwian, Chok Chai District, Nakhonratchasima, operated by Solar Power (Korat 4) Company Limited.
“Korat 7 Power Plant” or “SPKR 7”		Solar power plant with maximum capacity of 6 Megawatt, located at Ban Prang, Dan Khun Tod District, Nakhonratchasima, operated by Solar Power (Korat 7) Company Limited.
“Korat 8 Power Plant” or “SPKR 8”		Solar power plant with maximum capacity of 6 Megawatt, located at Kood Jok, Bua Yai District, Nakornratchasima, operated by Solar Power (Korat 8) Company Limited.
“5 Power Plants”		5 Solar power plants, SPKK1, SPKR3, SPKR4, SPKR7 and SPKR8, which are in the process of getting approval from the shareholders regarding the asset acquisition.
“IFA” or the “Financial Advisor”		Independent Financial Advisor, mandated to Phillip Securities (Thailand) Public Company Limited
“RATCH”		Ratchaburi Electricity Generating Holding Public Company Limited

“SET”	The Stock Exchange of Thailand
“EGAT”	Electricity Generating Authority of Thailand
“PEA”	Provincial Electricity Authority
“ESCO Fund”	Energy Service Company Fund
“IFC”	International Finance Corporation, one of a member of World Bank. It provides funding to supports the investment for projects which are socially and environmentally beneficial.
“Thai Fa”	Thai Fa Power Company Limited
“MML”	Mott MacDonald Company Limited, the engineering advisor, based in England and has 120 branch networks around the world.
“PPA”	Power Purchase Agreement
“COD”	Commercial Operation Date
“VSPP”	Very Small Power Producer. The manufacturer of electricity from renewable energy that has the capacity not exceeding 10 Megawatt.
“CERs”	Certified Emission Reductions

Date 16 August 2011

Subject: Opinion of the Independent Financial Advisor Regarding the Proposed Asset Acquisition of SPCG Public Company Limited.

To: The Directors and Shareholders of SPCG Public Company Limited.

Reference:

1. Resolution of the Board of Directors meeting of SPCG Plc. No.10/2011 dated 13 June 2011, No.11/2011 dated 27 June 2011, and No. 12/2011 dated 20 July 2011.
2. Disclosure of information on the asset acquisition of SPCG Plc. dated 20 July 2011.
3. Disclosure of Annual Information Form (Form 56-1) of SPCG Plc.
4. Audited financial statements of SPCG Plc. for the year 2008 – 20010 and reviewed consolidated financial statements for the period of 3 months ended 31 March 2011 by S.K. Accountant Services Co.,Ltd.
5. Proforma consolidated financial statements ended 31 December 2010 of SPCG Plc. and Solar Power Co.,Ltd. prepared by S.K. Accountant Services Co.,Ltd.
6. Report of the Technical Advisor for Solar PV Project of Korat 1, Sakon Nakhon1 and Nakhon Phanom 1 Loei 1 and Korat 2 Power Plants prepared by Mott MacDonald Co.,Ltd. as supporting documents for loan application with Kasikorn bank.
7. Power Purchase Agreement signed between Provincial Electricity Authority and Solar Power Co.,Ltd., total of 34 agreements.
8. Financial projections of Loei 1 Power Plant and forecasted energy production of Korat 1 Power Plant prepared by the management of Solar Power Co.,Ltd.
9. Termsheet from the financial institution for the loans of Loei 1 Power Plant
10. Share Purchase Agreement and Shareholder Agreement between Solar Power Company Limited and Ratchburi Holding Public Company Limited

SPCG Public Company Limited (“SPCG” or the “Company”), previously named Steel Intertech Plc., originally had existing paid-up share capital of Baht 50 million at par value of Baht 1 each, engaging in manufacture, distribution and installation of roll forming metal sheet including other roof related and wall materials. As at 28 March 2011, the Company increased its registered capital to Baht 500 million by way of issuing 450 ordinary shares allocated to swap with 45 ordinary shares, at par value of Baht 10 each, of Solar Power Company Limited (“SPC”). The Company, as a result, holds 100% of SPC shares and acquired all SPC’s assets, including its 34 subsidiaries engaging in development of solar-power plants.

The 34 subsidiaries of SPC have entered into power purchase agreements with Provincial Electricity Authority to operate solar-power plants at a capacity of 6 MW each, with the total capacity of 204 MW. Currently, there are 3 power plants that are commercially under operation which are Korat 1 Power Plant (“SPKR1”), Sakon Nakhon 1 Power Plant (“SPSN1”) and Nakhon Phanom 1 Power Plant (“SPNP1”), and 2 power plants under preparation for COD which are Korat 2 Power Plant (“SPKR2”) and Loei 1 Power Plant (“SPLO1”). On 12 May 2011, the Board of Directors’ meeting approved the acquisition of 4 power plants; Burirumm 1 Power Plant (“SPBR1”), Korat 3 Power Plant (“SPKR3”) and Korat 4 Power Plant (“SPKR4”) and acknowledged the acquisition of Khon Kaen 1 Power Plant (“SPKK1”). The source of fund for the investment in these projects would have come from the newly shares of SPCG offered to Thai Fa Power Co., Ltd. (“Thai Fa”). On 10 June 2011, Thai Fa informed SPCG to cancel the Shareholder Agreement due to certain limitations, therefore, the Company cancelled the shareholders meeting to approve such transaction.

The Company has proposed to the shareholders to invest in the other 5 power plants, the 6th – 10th project, of the total development of 34 power plants, which are Khon Kaen 1 Power Plant (“SPKK1”) operated by Solar Power (Khon Kaen 1) Co.,Ltd., Korat 3 Power Plant (“SPKR3”) operated by Solar Power (Korat 3) Co.,Ltd., Korat 4 Power Plant (“SPKR4”) operated by Solar Power (Korat 4) Co.,Ltd., Korat 7 Power Plant (“SPKR7”) operated by Solar Power Plant (Korat 7) Co.,Ltd., and Korat 8 Power Plant (“SPKR8”) operated by Solar Power Plant (Korat 8) Co.,Ltd. As at 4 August 2011, SPKK1 had paid-up capital of Baht 189 million and the other 4 power plants had paid-up capital of Baht 100,000 each.

The Board of Directors’ meeting of SPCG No. 12/2011 held on 20 July 2011 has resolved to approve the acquisition of assets by the 4 subsidiary companies of SPC, which are subsequently declared to be SPKR3, SPKR4,

SPKR7 and SPKR8. The development of 4 solar-power plant projects worth Baht 650 million each, for a total value of not exceeding Baht 2,600 million where the Company will provide the loan to SPC to purchase new shares in each of SPKR3, SPKR4 and SPKR7 in the approximate amount of Baht 117 million each, for a total amount of Baht 351 million, whereby SPC will hold 60% shares in SPKR3, SPKR4 and SPKR7. SPC will invest in SPKR8 in the amount of Baht 195 million, whereby SPC aims to hold 100% in SPKR8. The total investment in 4 projects is Baht 546 million. The Board of Directors' Meeting of SPC on 13 December 2010 passed the resolution to approve the capital increase of SPKK1 in the amount of 18,890,000 shares or Baht 188.9 million and on 9 April 2011 SPKK1 have been obtained from the proceeds from SPC's purchase. The value of SPKK1 project is Baht 630 million. Such transaction incurred within 6 months prior to the Board of Directors' meeting of SPCG approving the investment in the aforementioned 4 subsidiaries, therefore the investment in SPKK1 is considered a part of this proposed asset acquisition (altogether the "Transaction"). At present, SPC has sold 5,670,000 shares in SPKK1 or Baht 56,700,000 equivalent to 30% of the total registered capital of SPKK1 to Thai Fa.

The Transaction is considered as asset acquisition transaction under the Notification of the Stock Exchange of Thailand regarding Disclosure of Information and Act of Listed Companies Concerning the Acquisition and Disposition of Asset B.E. 2547, and the Amendment as per the Notification of the Capital Market Supervisory Board Tor.Jor. 20/2008 Re: Procedure for entering into the material transaction, which is regarded as the Acquisition or Disposal of Assets. The Transaction size based on the basis of total value of consideration payment equals to 83.68%. Therefore, it is considered Type 1 transaction (the size exceeds 50% but is less than 100%), according to the Notification of the Stock Exchange of Thailand (the "SET")

In this regard, SPCG is obliged to disclose a report on the Transaction to the SET and to convene a shareholders' meeting to approve the Transaction with no less than three-fourths of the total votes of shareholders attending the meeting and having voting rights, excluding shareholders with vested interest (if any). The Company needs to define name and number of shares of shareholder who has no right to vote on the Notice of the Shareholders' Meeting (if any). The Company is also obligated to appoint an independent financial advisor to provide an opinion to shareholders on the reasonableness of the Transaction.

The Board of Directors' Meeting of the Company held on 20 July 2011 has passed the resolution approving the increase of the registered capital of the Company from Baht 500 million to Baht 840 million and the allotment of 340 million new ordinary shares with a par value of Baht 1 each to:

- (iii) up to 60,000,000 shares with a par value of Baht 1 each are to be offered to general public, whereby the offering price will be later determined by the person authorised by way of book building and based on the market price of the Company's shares as well as trading conditions in the SET during the time; and
- (iv) up to 280,000,000 shares with a par value of Baht 1 each are reserved for the exercise of up to 280,000,000 warrants

The Board also has passed the resolution approving the issue of free warrant of 280,000,000 to be allotted to:

- (v) up to 30,000,000 warrants are to be offered to general public who subscribes for the Company's newly issued ordinary shares at a ratio of two newly issued shares per one warrant, with the exercise price of Baht 1 per share; and
- (vi) up to 250,000,000 warrants are to be offered to the existing shareholders of the Company in proportion to their shareholdings at a ratio of two existing shares per one warrant, with the exercise price of Baht 1 per share

Miss Wandee Khunchornyakong, the Chairman of the Company, and/or the board of directors and/or any person authorised by the board of directors be empowered to determine, change or modify the terms and conditions in relation to the allocation of such new ordinary shares and warrants.

The funds obtained from the offering will be provided as the loan or inject by way of capital increase the proceeds to SPC for the purchase of capital increase shares issued by the 4 subsidiaries. The 4 subsidiaries including SPKK1 (collectively called the "5 Power Plants") will obtain loans from financial institutions to develop and complete the solar power plant projects.

On 4th August 2011, SPC has signed Share Purchase Agreement and Shareholder Agreement with Ratchaburi Electricity Generating Holding Company ("RATCH") for RATCH to hold 40% in SPKR3, SPKR4 and SPKR7 and SPC will hold 60% of each company.

Phillip Securities (Thailand) Public Company Limited is appointed as the Independent Financial Advisor (the “IFA” or the “Financial Advisor”) to provide the opinion on the Transaction to the Board of Directors and shareholders with knowledge, ability, and carefulness. The opinion of the IFA is based on the referred documents as stated above, including any information in the forms of documents or electronic mail (e-mail) received from SPCG and SPC, SPCG’s and SPC’s management interviews and the information in respect of related industry and relevant economic factors. The opinion given is based on the assumptions that the information received from various sources is complete and accurate prevailed at this period. Any future changes in these circumstances may have certain impacts to the study and opinion of IFA. The financial projections prepared by the IFA were based on the information and documents obtained from SPCG and SPC, including industrial information and general public disclosures, without inspecting the technical and engineering aspects of the 5 Power Plants. In preparing the opinion, neither directly nor indirectly can the IFA certify or guarantee the accuracy or completeness of the information and warranty provided by SPCG and SPC. In addition, the IFA will not be responsible for the profit or loss and any effect from the Transaction. The opinion of the IFA is presented only for the purpose of providing the minority shareholders in respect of rational of the Transaction.

Summary of IFA opinion in respect of the Transaction

The Transaction involves the proposed investment in solar-power plants operated by SPC’s subsidiaries, which are SPKK1, worth approximately Baht 630 million, and SPKR3, SPKR4, SPKR7 and SPKR8 worth approximately Baht 650 million each. The total investment value of the 5 Power Plants is Baht 3,230 million. The Company will lend or inject by way of capital increase the proceeds to SPC to invest in newly issued shares of SPKR3, SPKR4 and SPKR7 for Baht 117 million each, representing 60% of the total paid-up capital of each project. On 4th August 2011, SPC has signed Share Purchase Agreement and Shareholder Agreement with RATCH for RATCH to hold 40% of each project. For SPKR8, SPCG will invest 100% through SPC of Baht 195 million. For SPKK1, of which its Baht 189 million paid-up capital is currently 70% owned by SPC of Baht 132.3 million. The investment value of the 5 Power Plants, calculated based on investment proportion of 60% in SPKR3, SPKR4 and SPKR7 and 100% in SPKR8 and 70% in SPKK1 (the current shareholding), is worth Baht 2,261 million.

The IFA determines the investment return in 2 aspects; (1) The return on investment of overall projects, which are evaluated by Net Present Value (NPV), Internal Rate of Return (IRR) and Payback period approaches. The investment in SPKK1 and the other 4 power plants deems feasible since the projects’ NPV are positive. The NPV of SPKK1 and the other 4 power plants are Baht 215.02 million and Baht 204.94 million each, respectively. In addition, IRRs are higher than weighted average cost of capital with Payback Period around 6 - 7 years. (2) The return on investment of SPCG’s shareholders from investing in SPC’s 5 subsidiaries in form of dividend payment from their operations after deduction of financial reserves. SPCG’s investment in the 5 Power Plants through SPC is considered reasonable since SPKK1 (holding 70%) and the other 3 power plants (holding 60%) and SPKR8 (holding 100%) create the net present value of dividends, less initial investment, of Baht 113.98 million, Baht 87.98 million each and 146.63 million, respectively.

The return on investment of the projects and SPCG’s shareholders are presented in the following table:

Power Plant	Return on investment of the projects			Return on investment to SPCG’s shareholders or the dividend payment from project operations after deduction of financial reserves (Baht million)
	NPV (Baht million)	IRR	Payback period	
SPKK1	215.02	10.59%	6.64 years	113.98
SPKR3, SPKR4 and SPKR7	204.94	10.60%	6.86 years	87.98
SPKR8	204.94	10.60%	6.86 years	146.63

However, as at the date issuing this report, the Transaction incurred several risks, i.e., the risk from uncertainty of source of funds, the delay from capital increase from public offering and uncertainty of fund raising from the public offering of at least Baht 546 million and fund to be provided by financial institution which may be delayed, the risk concerning the changes of financial and project costs due to terms and conditions yet to be agreed with the financial institution(s), the land and construction costs, the fluctuation of interest and exchange rates and the increase of equipment cost, the risk from the delay of construction due to SPC constructing 5 power plants around the same period, the risk concerning the cancel of PPA should SPKK1 could not begin COD according to PEA schedule, and the risk of the actual energy production which could be different from the that of projections since technical reports for the 5 Power Plants have not been completed. Should the Power Plants be able to seek loan support, perform construction and begin COD as expected and be able to operate according to the assumptions, the size of the Company’s business would be increased with stable income throughout life expectancy of the power plants. These would create long-term value-added to the Company’s shareholders. The IFA accordingly deems that the shareholders vote to **approve** the Transaction.

The IFA hereby would like to express the observation that the 3 subsidiaries of SPC (SPKR3, SPKR4 and SPKR7) will allocate its newly issued shares to RATCH to hold shares of 40% each. The fund will be used for investment in power plant projects operated by the 3 subsidiaries. It is expected that RATCH will subscribe each subsidiary's shares at par value. The IFA considers that SPCG may get more beneficial in term of dividend payment if the Company issues more new shares and invest in the whole or nearly whole stakes of the 3 Power Plants. However, if SPCG invest 100% of all SPC's subsidiaries (except for SPKK1), it has to raise fund up to Baht 780 million (except for SPKK1) which would increase the control dilution to existing shareholders. The Company has a risk that the proceeds from public offering are not sufficient due to the offering price is not yet determined. In case shareholders do not approve the acquisition of 5 power plants, the total cost that already invested, including those obligated to make payment are approximately Baht 850 million and the capital increase will not occur. This would adversely affect the financial status of the Company and also the operation of the power plants. However, currently, SPC agreed with RATCH to be co-investor therefore there is no risk from seeking a new investor. RATCH is a listed company and has experience in electricity generating business. On 8 August 2011, RATCH has acquired 40% shareholding in SPKR3, SPKR4 and SPKR7 (share capital of Baht 100,000). The Management informed that on 16 August 2011, SPKR3 has increased its capital to Baht 195 million and paid up of 25% of total registered capital.

The decision of shareholders to votes to approve the Company to enter the Transaction shall be with their own discretion.

1. Characteristics and Details of the Transaction

1.1 Type and value of the Transaction

The Board of Directors' Meeting of SPCG No. 12/2011 held on 20 July 2011 has resolved to approve the asset acquisition by SPC, a subsidiary of the Company, for development of 4 solar-power plants; SPKR3, SPKR4, SPKR7 and SPKR8 worth Baht 650 million each for a total value of not exceeding Baht 2,600 million where the Company will provide the loan or inject by way of capital increase the proceeds to SPC to purchase new shares in the 4 subsidiaries; for SPKR3, SPKR4 and SPKR7, SPC will hold 60% of each in the approximate amount of Baht 117 million each for a total amount of Baht 351 million. The Company will hold 100% in SPKR8 of Baht 195 million. The total investment in 4 projects is Baht 546 million. In addition, the Board of Directors' Meeting of SPC dated 13 December 2010 passed the resolution to approve the capital increase of SPKK1 in the amount of 18,890,000 shares or Baht 188.9 million. Currently, SPC sold out 5.67 million shares or Baht 56.7 million or 30% of total registered capital of SPKK1 to co-investor. The construction of solar power plant worth approximately Baht 630 million, therefore the investment in SPKK1 is considered a part of this proposed asset acquisition.

The value of the Transaction is evaluated from 3-month period consolidated financial statements of SPCG ended 31 March 2011 (latest financial statement prior to the BOD meeting), on the following basis:

- The value of assets acquired

Shareholder's Equities of the parent company of SPCG	Baht	571.13	million
<u>Less</u> Intangible assets	Baht	<u>11.96</u>	million
Net tangible assets	Baht	559.15	million

Net acquired assets are normally calculated from net tangible assets of SPC's subsidiaries. However, the 5 Power Plants have yet to operate, so the net tangible assets are considered as their paid-up capital as at 4 August 2011.

Paid-up capital of SPKK1	Baht	189.00	million
Paid-up capital of the other 3 power plants, totaling	Baht	<u>0.40</u>	million
Total of net acquired assets	Baht	189.40	million

The value of the Transaction applying the value of assets basis is $189.40/559.15 = 33.87\%$

- The net after tax profit from the normal course of business operations

- None due to no net profit from operation of subsidiaries -

- The total value of consideration payment

The total value of consideration for payment calculated from the investment cost of each project based on the assumption that SPC's held 100% shares in SPKK1 and 60% shares in SPKR3, SPKR4 and SPKR7, and 100% in SPKR8.

Investment value in SPKK1 (100%)	Baht	630.00	million
Investment value in other 3 power plants (60%), totaling	Baht	1,071.00	million
Investment value in SPKR8 (100%)	Baht	<u>650.00</u>	million

Total investment value	Baht	2,460.00	million
Total assets of SPCG	Baht	2,927.82	million

The value of the Transaction applying the total value of consideration payment basis is $2,460 / 2,927.82 = 83.68\%$

- The total value of securities (the value of securities issued by the listed company as consideration payment for the assets acquired)
- None due to no securities issued as considerations for the asset acquired -

The value of the Transaction based on the total value of consideration payment is the largest, equivalent to 83.68%. The Transaction is deemed a type 1 transaction (Transaction size higher than 50% but less than 100%) under the Notification of the Stock Exchange of Thailand regarding Disclosure of Information and Act of Listed Companies Concerning the Acquisition and Disposition of Asset B.E. 2547, and the Amendment as per the Notification of the Capital Market Supervisory Board Tor.Jor. 20/2008 Re: Procedure for entering into the material transaction, which is regarded as the Acquisition or Disposal of Assets.

Thus, the Company is required to appoint the IFA to provide the opinion concerning the Transaction including to disclose the information regarding the Transaction to the SET. The Company is also required to convene a shareholders' meeting to approve the Transaction with no less than three-fourths of the total votes of shareholders attending the meeting and having voting rights, excluding interested shareholders' equity.

1.2 The consideration value

The Transaction concerns the investment in solar-power plants operated by SPC's subsidiaries, which are SPKK1, worth approximately Baht 630 million, and other 4 power plants worth approximately Baht 650 million each. The total investment value of the 5 Power Plants is Baht 3,230 million. The Company will lend or inject by way of capital increase the proceeds to SPC to invest in newly issued shares of SPKR3, SPKR4 and SPKR7 for Baht 117 million each, representing 60% of the total paid-up capital of each project. The Company will then seek for co-investors to invest in the rest 40%. (As at 4 August 2011, SPC and RATCH has signed Share Purchase Agreement and Shareholders Agreement). For SPKR8, SPC will hold 100% or Baht 195 million. The total investment in 4 power projects is Baht 546 million. For SPKK1, of which its Baht 189 million paid-up capital is currently 70% owned by SPC, and the co-investor is Thai Fa who holds 30%, whereby SPC will maintain holding 70% of the shares.

The investment value of the 5 Power Plants, calculated based on investment proportion of 60% in SPKR3, SPKR4 and SPKR7 and 100% in SPKR8 and 70% in SPKK1, is worth Baht 2,261 million.

1.3 Date, month, and year of the Transaction

The Company increased capital in SPKK1 on 9 April 2011 and planned to increase capital of the 4 power plants of SPKR3, SPKR4, SPKR7 and SPKR8. The Extraordinary General Meeting of shareholders No.2/2011 will be held on 6 September 2011 to approve the Transaction and the capital increase with no less than three-fourths of the total votes of shareholders or proxy (if any) attending the meeting and having voting rights, excluding shareholders with vested interest.

1.4 Nature of the Company's business

1.4.1 Business overview of the Company and subsidiaries

• SPCG Public Company Limited

SPCG Public Company Limited was initially incorporated on 6 August 1993 under the name of Thitipat Serve-point Company Limited. It was renamed to Steel Intertech Company Limited on 8 December 1994, and on 17 June 2011 it was changed its company name to SPCG Plc after the acquisition of SPC. Currently it engages in manufacture, distribution and installation of roll forming metal sheet including other roof related and wall materials. SPCG also invest 100% in Solar Power Co., Ltd. to operate power plants. The Company's products include:

(1) Roll forming metal sheet, color-coated and non color-coated, the key product of the Company under the brand name of "ROLLFORM", which is made of cold-rolled sheet coated with composition of aluminum and zinc (Aluzinc). Roll forming metal sheet is leakage proof, erosion resistance, light weight, long usage life with the maximum warranty up to 30 years. In addition to its main application as roofing material, the material can also be applied as building supplement such as wall, spandrel, fence, and louver.

(2) High Strength Purlins of C and Z channel which are made of zinc coated high tensile metal, suitable for both roof supporting and wall supporting structure. Their weight is lighter than that of the normal purlins.

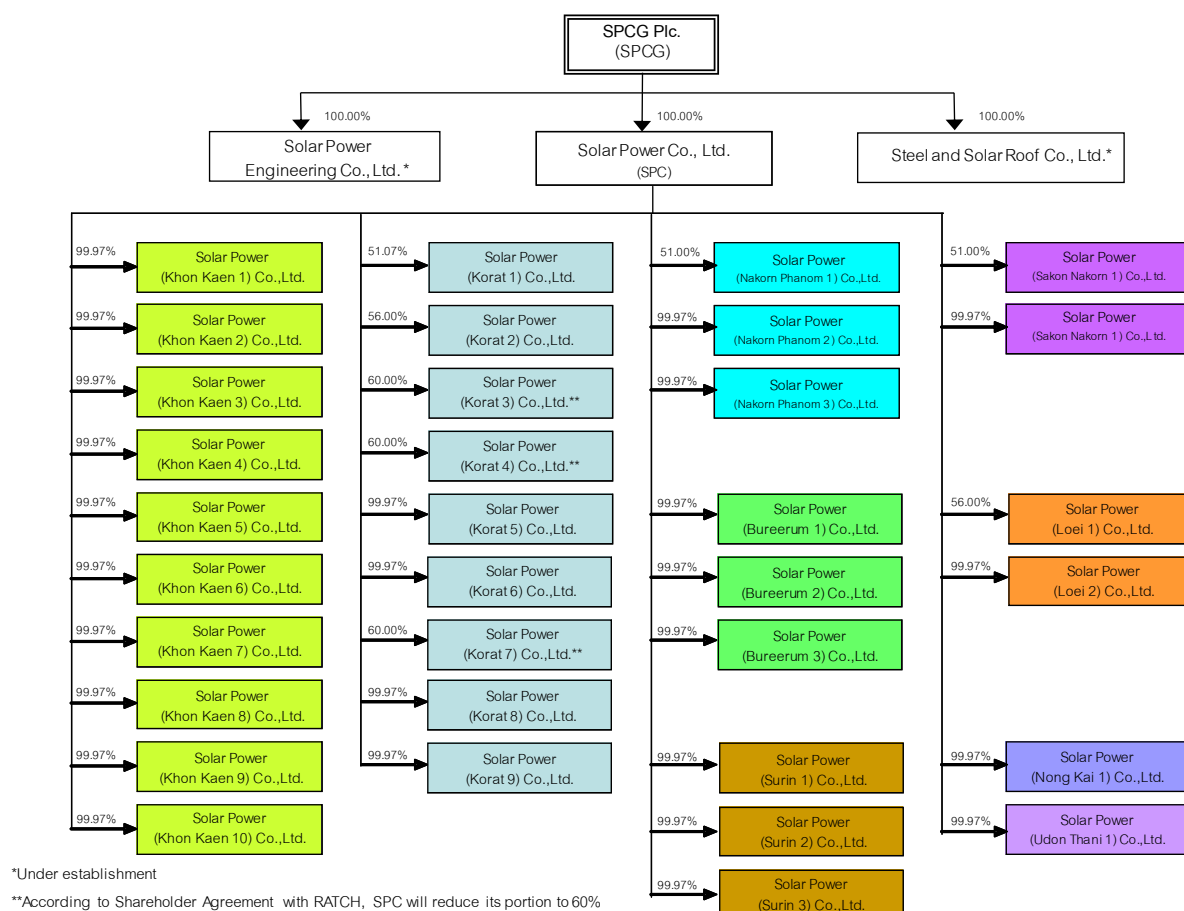
(3) Other products complement to the core products which consist of:

- SKYLIGHT translucent roofing sheet for the building that requires natural sunlight.
- Complementary products such as insulation material, screw, etc.
- Pre-Engineered building (PEB), which is designed following the customers' need and delivered to all plants as a set. Each part of fabrics are designed by seizing with anchor bolts.

The Company offers installation for all products supplied by the Company nationwide through subcontractors under quality control of overall installation by the Company's engineer.

SPCG is listed in the Market for Alternative Investment on 20 December 2005 with paid-up capital of Baht 50 million, par value of Baht 1 each. On 28 March 2011, the Company increased its registered capital to Baht 500 million by way of issuing 450 ordinary shares allocated to swap with 45 ordinary shares, at par value of Baht 10 each, of Solar Power Company Limited ("SPC"). The Company, as a result, holds 100% of SPC shares and acquired all SPC's assets, including its 34 subsidiaries. Ms.Wandee Khunchornyakong's Group became a major shareholder of SPCG. The total assets acquired exceeded 100% of total value of securities of the Company; therefore, such transaction was considered a Backdoor Listing. The Board of Directors' meeting No.9/2011 on 3 July 2011 approved the establishment of 2 subsidiaries companies which are Solar Power Engineering Co., Ltd. ("SPE") to provide advisory and (engineering, procurement and construction: EPC) services for solar farm development and Steel and Solar Roof Co., Ltd. ("SS") to engage with roll forming metal sheet and steel structure business. (Currently, both companies are being registered with the Ministry of Commerce)

The shareholding structure as of 8 August 2011 is presented as follows:



• Solar Power Company Limited and its subsidiaries

Solar Power Public Company Limited (“SPC”) operation is engaged in 34 solar farms or solar-power plants which operate under subsidiaries, engineering, procurement and construction services (EPC) of solar farms both domestically and internationally and operating, maintaining and monitoring solar farms services (OMM) for SPC and EPC clients.

SPC was incorporated on 20 August 1996 with registered capital of Baht 10 millions. SPC started operating its business on 1 June 2008 by seeking authorization to sell electricity from the Provincial Electricity Authority (“PEA”) as a renewable energy operator per PEA’s Announcement No. 2 dated 20 May 2008 Re. Determination of Adder for Renewable Energy Power Producer. Such announcement set Adder of 8 Bath per kWh for 10 years since the commercial operation date (“COD”) for very small solar power producer without having to pay any deposit (as per Announcement No. 3). Consequently, SPC has been granted with permits to construct 34 solar farms with the capacity of 6 MW each, total capacity of 204 MW. Currently, it has commercially operated 3 solar farms under the subsidiaries, namely Solar Power Ltd. (Korat 1), Solar Power Ltd. (Sakon Nakhon 1), and Solar Power Ltd. (Nakhon Phanom 1) which are the operator of Korat 1 (“SPKR1”), Sakon Nakhon 1 (“SPSN1”), and Nakhon Phanom 1 (“SPNP1”) power plants, respectively, and the commercial operation dates are on 21 April 2010, 9 February 2011 and 22 April 2011, respectively.

*Translation of Opinion of the Independent Financial Advisor Regarding the Proposed Asset Acquisition
of SPCG Public Company Limited.*

Details of the 34 subsidiaries of SPC are as the followings:

List	Name of SPC's subsidiaries	Location	Paid-up Capital (Baht)	Interest of SPC (%)	PPA date	COD under PPA
		Province				
1	Solar Power (Korat 1) Co., Ltd	Nakhon Ratchasima	280,000,000	51.07%	15 May 2009	21 Apr 2010*
2	Solar Power (Sakon Nakhon 1) Co., Ltd	Sakon Nakhon	189,000,000	51.00%	19 Jun 2009	9 Feb 2011*
3	Solar Power (Nakhon Phanom 1) Co., Ltd	Nakhon Phanom	189,000,000	51.00%	18 Jun 2009	22 Apr 2011*
4	Solar Power (Korat 2) Co., Ltd	Nakhon Ratchasima	189,000,000	56.00%	27 Jul 2009	30 Sep 2011
5	Solar Power (Loei 1) Co., Ltd	Loei	189,000,000	56.00%	29 Jul 2009	30 Sep 2011
6	Solar Power (Khon Kaen 1) Co., Ltd	Khon Kaen	189,000,000	70.00%	28 Jul 2009	30 Sep 2011
7	Solar Power (Korat 3) Co., Ltd**	Nakhon Ratchasima	48,750,000	60.00%	8 Jan 2010	31 Oct 2013
8	Solar Power (Korat 4) Co., Ltd	Nakhon Ratchasima	100,000	60.00%	8 Jan 2010	31 Oct 2013
9	Solar Power (Korat 5) Co., Ltd	Nakhon Ratchasima	100,000	99.97%	8 Jan 2010	31 Oct 2013
10	Solar Power (Korat 6) Co., Ltd	Nakhon Ratchasima	100,000	99.97%	8 Jan 2010	31 Oct 2013
11	Solar Power (Korat 7) Co., Ltd	Nakhon Ratchasima	100,000	60.00%	8 Jan 2010	31 Oct 2013
12	Solar Power (Korat 8) Co., Ltd	Nakhon Ratchasima	100,000	99.97%	8 Jan 2010	31 Oct 2013
13	Solar Power (Korat 9) Co., Ltd	Nakhon Ratchasima	100,000	99.97%	8 Jan 2010	31 Oct 2013
14	Solar Power (Khon Kaen 2) Co., Ltd	Khon Kaen	100,000	99.97%	8 Jan 2010	31 Oct 2013
15	Solar Power (Khon Kaen 3) Co., Ltd	Khon Kaen	100,000	99.97%	8 Jan 2010	31 Oct 2013
16	Solar Power (Khon Kaen 4) Co., Ltd	Khon Kaen	100,000	99.97%	8 Jan 2010	31 Oct 2013
17	Solar Power (Khon Kaen 5) Co., Ltd	Khon Kaen	100,000	99.97%	8 Jan 2010	31 Oct 2013
18	Solar Power (Khon Kaen 6) Co., Ltd	Khon Kaen	100,000	99.97%	8 Jan 2010	31 Oct 2013
19	Solar Power (Khon Kaen 7) Co., Ltd	Khon Kaen	100,000	99.97%	8 Jan 2010	31 Oct 2013
20	Solar Power (Khon Kaen 8) Co., Ltd	Khon Kaen	100,000	99.97%	8 Jan 2010	31 Oct 2013
21	Solar Power (Khon Kaen 9) Co., Ltd	Khon Kaen	100,000	99.97%	8 Jan 2010	31 Oct 2013
22	Solar Power (Khon Kaen 10) Co., Ltd	Khon Kaen	100,000	99.97%	8 Jan 2010	31 Oct 2013
23	Solar Power (Loei 2) Co., Ltd	Loei	100,000	99.97%	8 Jan 2010	31 Oct 2013
24	Solar Power (Nakhon Phanom 2) Co., Ltd	Nakhon Phanom	100,000	99.97%	8 Jan 2010	31 Oct 2013
25	Solar Power (Nakhon Phanom 3) Co., Ltd	Nakhon Phanom	100,000	99.97%	8 Jan 2010	31 Oct 2013
26	Solar Power (Buri Ram 1) Co., Ltd	Buri Ram	100,000	99.97%	8 Jan 2010	31 Oct 2013
27	Solar Power (Buri Ram 2) Co., Ltd	Buri Ram	100,000	99.97%	8 Jan 2010	31 Oct 2013
28	Solar Power (Buri Ram 3) Co., Ltd	Buri Ram	100,000	99.97%	8 Jan 2010	31 Oct 2013
29	Solar Power (Sakon Nakhon 2) Co., Ltd	Sakon Nakhon	100,000	99.97%	8 Jan 2010	31 Oct 2013
30	Solar Power (Surin 1) Co., Ltd	Surin	100,000	99.97%	8 Jan 2010	31 Oct 2013
31	Solar Power (Surin 2) Co., Ltd	Surin	100,000	99.97%	8 Jan 2010	31 Oct 2013
32	Solar Power (Surin 3) Co., Ltd	Surin	100,000	99.97%	11 Mar 2010	31 Oct 2013
33	Solar Power (Nong Khai 1) Co., Ltd	Nong Khai	100,000	99.97%	8 Jan 2010	31 Oct 2013
34	Solar Power (Udon Thani 1) Co., Ltd	Udon Thani	100,000	99.97%	8 Jan 2010	31 Oct 2013

Note: * The actual COD

** SPKR3 increased its registered capital to Baht 195 million and paid up 25% on 16 August 2011.

The statuses of SPC's subsidiaries which 10 companies already have operated are as following table.

List	Name of SPC's subsidiaries	Operation status
1	Solar Power (Korat 1) Co., Ltd	Commercially sell electricity to PEA.
2	Solar Power (Sakon Nakhon 1) Co., Ltd	
3	Solar Power (Nakhon Phanom 1) Co., Ltd	
4	Solar Power (Korat 2) Co., Ltd	During preparation to COD around August 2011
5	Solar Power (Loei 1) Co., Ltd	
6	Solar Power (Khon Kaen 1) Co., Ltd	Already procure land and preparing for construction
7	Solar Power (Korat 3) Co., Ltd	
8	Solar Power (Korat 4) Co., Ltd	During land procurement and expected to start construction upon approval of shareholders in the Extraordinary General Meeting on 6 September 2011
9	Solar Power (Korat 7) Co., Ltd	
10	Solar Power (Korat 8) Co., Ltd	

The remaining 24 subsidiaries companies have not been activated.

SPC has plans to construct solar farms according to the PPA schedule by the year 2013. Project construction sequence depends mainly on land sourcing. In the case of delay, the extension COD is possible and such extension depends on the approval of the Provincial Electricity Authority on a case-by-case basis. Normally, PEA will consider the progress of land procurement and fund raising as well as the construction development.

- **Solar Power Engineering Company Limited**

Solar Power Engineering Co., Ltd. (“SPE”) will provide advisory and engineering, procurement and construction (EPC) services for solar farm development for SPC in the future. Its registered capital will be Baht 10 million and will be held 99.99% by SPCG.

- **Steel and Solar Roof Company Limited**

Steel and Solar Roof Co., Ltd. (“SS”) will engage with roll forming metal sheet and steel structure business. SS is under new registered company process. Its registered capital will be Baht 10 million and will be held 99.99% by SPCG. Steel business will transfer to SS and SPCG will become a holding company. The Company will announce to the Public when they transfer its business to SS. After that SPCG will become a holding company and SPCG has to adjust its management structure and comply with the holding company’s rules according to the SET’s regulations.

1.4.2 The participation of new shareholders of SPC’s subsidiaries

SPC has policy to invest in its subsidiaries not less than 51% of paid-up capital of each project. Currently, projects that are already COD include SPKR1, SPSN1, SPNP1 and projects under construction are SPKR2 and SPLO1. The share ownerships of each project as of 8 August 2011 are as following:

Shareholder	SPKR1		SPSN1		SPNP1		SPKR2		SPLO1		SPKK1		SPKR3,4,7*	
	Million shares	%	Million shares	%	Million shares	%	Million shares	%	Million shares	%	Million shares	%	Million shares	%
SPC	14.30	51.07	9.64	51.00	9.64	51.00	10.58	56.00	10.58	56.00	13.23	70.00	11.70	60.00
Thai Fa	4.20	15.00	5.67	30.00	5.67	30.00	8.32	44.00	8.32	44.00	5.67	30.00	-	-
IFC	5.50	19.64	1.70	9.00	1.70	9.00	-	-	-	-	-	-	-	-
ESCO Fund	4.00	14.29	1.89	10.00	1.89	10.00	-	-	-	-	-	-	-	-
RATCH	-	-	-	-	-	-	-	-	-	-	-	-	7.80	40.00
Total	28.00	100.0	18.90	100.0	18.90	100.0	18.90	100.0	18.90	100.0	18.90	100.0	19.50	100.0

Note: Par value at Baht 10 per share

*Currently SPKR3, SPKR4 and SPKR7 have its registered capital of Baht 100,000 each, divided into 10,000 shares at par value of Baht 10 each. According to Shareholder Agreement, RATCH will hold 40% of each company and each company will increase its capital to Baht 195 million and SPC and RATCH will take their shareholding at 60:40, whereby on 16 August 2011, SPKR3 increased its registered capital to Baht 195 million with 25% paid-up.

(1) IFC or the International Finance Corporation

IFC is an financial institution of World Bank (as of June 2010, shareholders consisted of member from 182 countries and its major shareholders are the U.S.A. of 24.03%, Japan of 5.96%, Germany of 5.44%, France of 5.11% and the U.K. of 5.11%) with the head office in Washington D.C. IFC policy is to support and invest in private sectors of developing countries worldwide, emphasizing the projects which are socially and environmentally beneficial through both lending and equity participating. IFC has been in Thailand since 1959 to support financial sector and participating in the government infrastructure projects as well as to assist private sectors. IFC had been providing funding to projects in Thailand of Baht 3 billion for 65 companies (Source: www.ifc.org as at 3 September 2010).

Beside the investment in such power plants, IFC entered to the Investment Framework Agreement with SPC, Ms. Wandee Khunchornyakong and Mr. Chanchai Kultavarakorn, dated 7 June 2010 under the condition that IFC reserves the right, without any obligation, to purchase newly issued shares of any power plant, which are subsidiaries of SPC or the Company, at par value, not exceeding 20% of the capital of each power plant. IFC will consider the joint investment in other power plants within 30 days after the date SPC submitting the investment plan to IFC.

(2) ESCO Fund or the Energy Service Company Fund

ESCO Fund established under the Energy Conservation Support Act. B.E.2535 to support the preservation and development of renewable energy with policy of joint investment in renewable energy project for 10-15% of equity participation, or not higher than Baht 50 million. The Fund also encourages the procurement of the sale of carbon credit. Energy for Environment Foundation (E for E) is the fund manager of ESCO Fund. E for E is an independent

non-profit organization, established to promote and distribute technologies related to environment-conservation and renewable energy. E for E manages several energy-related projects, such as ESCO fund and Biomass Support Center, etc.

(3) Thai Fa or Thai Fa Power Company Limited

Thai Fa was established on 28 July 2010 with registered capital of Baht 500 million for 5 million shares each at par value of Baht 100. The board of directors consists of Mr. Suchart Seathiwan, Mr. Pongchai Seathiwan, Mr. Chockchai Seathiwan, and Ms. Vipar Pinthusophon., not the connected persons of SPCG and SPC. The business objective is to provide construction and installation services regarding renewable power, including operation and management (Source: Department of Business Development and www.bol.co.th). However, the current business of Thai Fa is the investment holding in renewable power plants, especially solar-power plants. It invested in the aforementioned 5 power plants, the subsidiaries of SPC, at par value.

(4) RATCH or Ratchburi Electricity Generating Holding Public Company Limited

RATCH is a listed company and was established on 7 March 2000. Its current registered and issued capital of Baht 14,500 million. Its major shareholder is EGAT. RATCH is a holding company which invests in electricity generating business. It has 7 subsidiaries companies; Ratchburi Electricity Generating Co., Ltd. , Ratchaburi Energy Co., Ltd., Ratchburi Gas Co., Ltd., Ratch Udom Power Co., Ltd., Ratchaburi Alliances Co., Ltd, RATCH-LAO Services Co., Ltd. and RH International Corporation. RATCH is not the connected person of SPCG and SPC. (Source: www.set.or.th and www.ratch.co.th). On 4 August 2011, SPC and RATCH has signed Share Purchase Agreement and Shareholder Agreement to co-invest in SPKR3, SPKR4 and SPKR7 in the proportion of 60:40 (SPC:RATCH). On 8 August 2011, RATCH has acquired 40% shareholding in SPKR3, SPKR4 and SPKR7. The Management informed that on 16 August 2011, SPKR3 has increased its capital to Baht 195 million and paid up of 25% of total registered capital.

1.4.3 The technical report of the power plants

SPC appointed Mott MacDonald Company Limited (“MML”), an engineering consultancy firm from England to provide an independent technical consultant of SPKR1, SPSN1, SPNP1, SPKR2 and SPLO1. The result of this engineering consult was for the technical reports to support the loan application to KBank. The first technical report, dated 10 January 2010, was for the development of SPKR1, of which the main scope of work includes:

- (1) Project Description, describing the site location and the technical appropriateness of such location.
- (2) Key Solar Technologies Review, including characteristics of solar module, inverter, equipment and efficiency, monitoring and measurement for the electricity, etc.
- (3) Energy Production Assessment, evaluating the energy production for the financial forecast in order to propose for a project financing by considering the irradiance and other factors causing production loss.
- (4) Project Design Review of the solar module structure, electrical layout and grid connection, civil design, subcontractor from SPC’s EPC contract. The report indicated that J-Pen Co.,Ltd was the main subcontractor of the project, responsible for civil, mechanical and electrical works. MML evaluated that the overall construction of a power plant, from land improvement until COD, would take approximately 24 – 26 weeks.
- (5) Contract Review, including EPC and OMM contracts between SPC as a contractor and the power plant as an owner.
- (6) Technical Input of Financial Model Review, including the feasibility of the financial projections of the power plant and reasonableness of each assumption, with the concern of Thai’s photovoltaic industry and the comparison to similar projects in other countries.

For the construction of SPSN1 and SPNP1, MML’s technical report, dated 10 September 2010, and subsequent report dated May 2011 to support SPKR2 and SPLO1, evaluated the energy production differently compared to that of SPKR1 due to different location and project design. The other subjects such as details of solar module, inverter and contracts, were not reviewed due to the similarities to those of SPKR1.

MML opinion supported the 4 power plants in respect of the quality and price of the construction and major materials such as solar module, inverter, and transformer, etc., of which the procurements were from reliable sources. The output of power proposed by SPC would be achievable, and the financial projections of the power plants were feasible on reasonable assumptions. SPC management informed that the procurement and construction conditions, including the financial assumptions of the 5 Power Plants that are during construction plan are close to that of SPLO1. MML will also perform feasibility studies for such projects as a support document for project financing. MML has to complete prior to the approval of project financing.

1.4.4 Shareholders of the Company

As of 30 May 2011 which was the latest closing date of shareholders' registered book, the 10 major shareholders of the Company are as follow:

List	Shareholders	No. of shares	% of paid-up capital
1	Khunchornyakong Family: consists of	304,000,700	60.80
	Ms. Wandee Khunchornyakong	263,050,700	52.61
	Mrs. Prakhong Khunchornyakong	21,600,000	4.32
	Mr. Somsak Khunchornyakong	9,000,000	1.80
	Ms. Sompong Khunchornyakong	9,000,000	1.80
	Ms. Kanokporn Khunchornyakong	1,350,000	0.27
2	Mr. Chanchai Kultavarakorn	54,000,000	10.80
3	Ounvorawong Family: consists of	22,300,000	4.46
	Mr. Prasit Ounvorawong *	12,192,100	2.44
	Mrs. Rossukon Ounvorawong *	9,807,900	1.96
	Mr. Nontakorn Ounvorawong	100,000	0.02
	Mr. Nuttakon Ounvorawong	100,000	0.02
	Ms. Panchanit Ounvorawong	100,000	0.02
4	Mr. Kevin Gerald Parnell	13,820,000	2.76
5	Mr. Witoon Manomaikul	12,860,000	2.57
6	Mr. Anthony Parnell	12,829,000	2.57
7	Mr. Ian Lancaster	9,999,500	2.00
8	Kyocera Corporation	9,000,000	1.80
9	Ms. Chuttanunt Thanasinwiwat	6,430,000	1.29
10	Mr. Kan Preechasart	6,357,100	1.27
11	Others	48,423,700	9.68
Total		500,000,000	100.00

1.4.5 Directors of the Company

As of 8 August 2011, the Company has 9 directors consisting of following:

List	Name	Position
1.	Ms. Wandee Khunchornyakong	Chairman of the Board of Directors
2.	Mr. Prasit Ounvorawong	Director
3.	Mr. Chanchai Kultavarakorn	Director
4.	Mr. Somsak Khunchornyakong	Director
5.	Mr. Jirakom Padumanon	Director
6.	Mr. Kevin Gerald Parnell	Director
7.	Mr. Kiattichai Pongpanich	Chairman of the Audit Committee and Independent Director
8.	Dr. Arjong Chumsai Na Ayuttaya	Audit Committee and Independent Director
9.	Dr. Siripong Preutthipan	Audit Committee and Independent Director

Authorized signatories for the Company are Ms. Wandee Khunchornyakong co-signs with Mr. Prasit Ounvorawong or Mr. Chanchai Kultavarakorn or Mr. Somsak Khunchornyakong with the company seal of the Company.

Executive directors and management of the Company

As of 8 August 2011, the executive board and management of the Company as following:

Executive Board

No.	Name	Position
1.	Mr. Chanchai Kultavarakorn	Chairman of the Executive Board
2.	Ms. Wandee Khunchornyakong	Member of the Executive Board
3.	Mr. Somsak Khunchornyakong	Member of the Executive Board
4.	Mr. Prasit Ounvorawong	Member of the Executive Board
5.	Mr. Kevin Gerald Parnell	Member of the Executive Board

Management (the first 4 levels in organization chart according to SEC's definition)

No.	Name	Position
1.	Ms. Wandee Khunchornyakong	Chairman and Chief Executive Officer
2.	Mr. Prasit Ounvorawong	President of Steel Business
3.	Mr. Chanchai Kultavarakorn	President of Investment
4.	Ms. Nuchanat Sangchat	Chief Financial Officer
5.	Mr. Chaiwat Tungsuwanpanit	Vice President of Account, Finance and Administration.
6.	Mr. Supote Wannarote	Vice President of Sales and Marketing
7.	Mr. Somchai Vongratanavichit	Vice President of Operation

1.4.6 Operating performance and financial status

- The Company's financial statements**

The Company's performance and financial status are based on the audited financial statements for the year ended 31 December 2008 – 2010 and the reviewed financial statements as at 30 June 2011.

Balance Sheet (Company Only) Unit: Baht million	2008		2009		2010		30 June 2011	
	Amount	%	Amount	%	Amount	%	Amount	%
Assets								
Current Assets								
Cash and cash equivalents	13.27	6.52%	4.80	2.50%	10.87	6.66%	14.62	1.01%
Account receivable and notes receivable-net	40.71	20.01%	37.69	19.62%	31.80	19.49%	41.54	2.86%
Unbilled Receivables	7.16	3.52%	20.01	10.42%	10.63	6.51%	24.08	1.66%
Inventories - net	47.35	23.27%	41.04	21.37%	20.27	12.43%	35.65	2.45%
Other current assets	4.15	2.04%	3.88	2.02%	3.33	2.04%	1.75	0.12%
Total Current Assets	112.64	55.36%	107.42	55.93%	76.90	47.14%	117.64	8.10%
Non-Current Assets								
Investment in subsidiaries	-	-	-	-	-	-	1,251.00	86.13%
Property, plant, and equipment - net	88.73	43.61%	80.81	42.08%	81.06	49.69%	79.33	5.46%
Intangible assets - net	0.51	0.25%	0.48	0.25%	0.35	0.21%	0.29	0.02%
Total Non-Current Assets	90.82	44.64%	84.63	44.07%	86.24	52.86%	1,334.81	91.90%
Total Assets	203.46	100.00%	192.04	100.00%	163.14	100.00%	1,452.45	100.00%
Liabilities and Shareholders' Equities								
Current Liabilities								
Short-term loans from financial institutions	8.00	3.93%	10.00	5.21%	-	-	-	-
Trade account payable	54.63	26.85%	50.49	26.29%	37.43	22.95%	58.23	4.01%
Current portion of long term loans	3.04	1.49%	3.04	1.58%	2.32	1.42%	-	-
Current portion of liabilities under financial lease	0.93	0.46%	1.59	0.83%	1.83	1.12%	1.84	0.13%
Other current liabilities	17.88	8.79%	27.82	14.49%	18.79	11.52%	37.36	2.57%
Total Current Liabilities	84.48	41.52%	92.94	48.39%	60.37	37.01%	97.43	6.71%
Non-Current Liabilities								
Provision for employee benefit	-	-	-	-	-	-	0.39	0.03%
Long term loan from financial institution	13.84	6.80%	10.80	5.63%	5.29	3.24%	-	-
Liabilities under financial lease agreement-net	3.67	1.80%	1.63	0.85%	4.34	2.66%	4.84	0.33%
Total Non-Current Liabilities	17.51	8.61%	12.44	6.48%	9.63	5.90%	5.23	0.36%
Total Liabilities	101.99	50.13%	105.37	54.87%	70.00	42.91%	102.66	7.07%
Shareholders' Equity							-	
Paid-up share capital	50.00	24.58%	50.00	26.04%	50.00	30.65%	500.00	34.42%
Premium on share capital	25.87	12.72%	25.87	13.47%	25.87	15.86%	826.87	56.93%
Retained earning – legal reserve	5.42	2.66%	5.42	2.82%	5.42	3.32%	5.42	0.37%
Retained earning - unappropriated	20.18	9.92%	5.38	2.80%	11.86	7.27%	17.51	1.21%
Total Shareholders' Equities	101.46	49.87%	86.67	45.13%	93.14	57.09%	1,349.80	92.93%
Total Liabilities and Shareholders' Equities	203.46	100.00%	192.04	100.00%	163.14	100.00%	1,452.45	100.00%

*Translation of Opinion of the Independent Financial Advisor Regarding the Proposed Asset Acquisition
of SPCG Public Company Limited.*

Income Statements (Company Only) Unit: Baht million	2008		2009		2010		6 months 2011	
	Amount	%	Amount	%	Amount	%	Amount	%
Revenues								
Revenue from sales	223.17	61.42%	148.32	50.14%	145.11	45.88%	82.88	49.19%
Revenue from sales and installation	136.95	37.69%	144.81	48.96%	166.33	52.59%	82.10	48.73%
Total Revenues from main operations	360.12	99.10%	293.13	99.10%	311.44	98.48%	164.98	97.92%
Cost and expenses							-	
Cost of sales	181.08	49.83%	127.42	43.08%	123.24	38.97%	71.58	42.48%
Cost of sales and installation	114.05	31.39%	121.35	41.03%	132.01	41.74%	63.12	37.46%
Total Cost	295.12	81.22%	248.77	84.11%	255.24	80.71%	134.70	79.95%
Gross Profit	65.00	18.05%	44.35	15.13%	56.19	18.04%	30.28	18.35%
Other income	3.25	0.90%	2.65	0.90%	4.82	1.52%	3.51	2.08%
Selling and administrative expenses	40.11	11.04%	39.99	13.52%	47.02	14.87%	24.97	14.82%
Interest and financial expenses	1.71	0.47%	1.73	0.58%	1.48	0.47%	0.46	0.27%
Profit before corporate income tax	26.43	7.27%	5.29	1.79%	12.51	3.96%	8.36	4.96%
Corporate income tax	6.27	1.72%	1.58	0.53%	3.54	1.12%	2.71	1.61%
Net Profit	20.17	5.55%	3.70	1.25%	8.97	2.84%	5.66	3.36%

Financial Status

The Company's total assets at the end of 2010 were Baht 163.14 million, consisting of current assets and non-current assets, representing 47.14% and 52.86% of total assets, respectively. The key current assets were (1) cash and cash equivalent of Baht 10.87 million, increasing from 2009 due to the increase of cash flow from operating. (2) Trade receivables of Baht 31.80 million, decreasing from 2009 due to the improvement of average collection period. (3) Unbilled receivables of Baht 10.63 million, decreasing from 2009 due to the shorten delivery and collection period. (4) Inventories of Baht 20.27 million, decreasing from 2009 due to the adjustment of inventory management to balance with cost of good sold. (5) Other current assets of Baht 3.33 million which was closed to those of 2009. Non-current assets at the end of 2010 were Baht 86.24 million which was closed to those of Baht 84.81 million in 2009 due to a few increases of property, plant, and equipment. As of 30 June 2011, total assets were Baht 1,452.45 million consisting (1) current assets of Baht 117.64 million which increased by 52.97% from that of 2010 due to the increase of cash flow from operating and inventories due to huge booking from clients causing the Company to increase inventory (2) non-current assets of Baht 1,334.81 million which increased significantly from that of 2010 due to the investment in subsidiaries, according to the merger with SPC, of Baht 1,251.00 million.

Total liabilities at the end of 2010 were Baht 70.00 million which decreased by Baht 35.37 million from 2009, consisting current liabilities and non-current liabilities of Baht 60.37 million and Baht 9.63 million, respectively. The current liabilities decreased Baht 32.57 million from 2009 due to the decrease of trade account payables of Baht 13.06 million according to the adjustment of inventories to balance with cost of goods sold, and the repayment of short-term loan from financial institution of Baht 10.00 million. Non-current liabilities decreased Baht 2.81 million from 2009 due to the repayment of long-term loan from financial institution. As of 30 June 2011, SPCG had total liabilities of Baht 102.66 million which were (1) current liabilities of Baht 97.43 million, increased by 61.38% from that of 2010 due to the increase of account payables approximately 55.54% and (2) non-current liabilities of Baht 5.23 million, decreased from that of 2010 due to the decrease of long-term loan from financial institution.

Shareholders' equities at the end of 2010 were Baht 93.14 million, increased Baht 6.47 million from 2009 due to the increase of net profit whereas the dividend paid was merely Baht 2.5 million. As of 30 June 2011, SPCG had shareholder's equities of Baht 1,349.80 million due to the capital increase from Baht 50 million to Baht 500 million to purchase SPC's shares and the recognition of premium on share capital of Baht 801.

Operating Results

SPCG's total revenues of 2010 were Baht 311.44 million, equivalent to 6.25% increased from those of 2009 due to the recovery of economic in the second half of the year and the investment of private sector in fixed assets. Total revenues consisted of revenue from sales, revenue from sales with installation service, and other revenues. SPCG's aforesaid revenues of 2010 were Baht 145.10 million, Baht 166.33 million, and Baht 4.82 million, respectively, representing 45.88%, 52.59%, and 1.52% of total revenues, respectively. Revenue from sales decreased by 2.17% while revenue from sales with installation service increased by 14.86% due to the concentration of the Company on project clients with target to increase the sales with installation service due to averagely higher profit margin. For 6-month period of 2011, SPCG's total revenues were Baht 168.49 million, equivalent to 2.98% increased from those of the same period of 2010. SPCG had revenue from sales of Baht 82.88 million, revenue from sales and installation service of Baht 82.10 million, and other revenues of Baht 3.51 million, representing 49.19%, 48.73%, and 2.08% of total revenues, respectively.

Total cost of 2010 was Baht 255.24 million, representing gross margin of 18.04%, which increased from that of 15.13% in 2009 or equivalent to 26.69% increased from that of 2009 due to the fluctuation of material price and result of Thai Baht appreciation. Total cost consisted of cost of sales and cost of sales with installation service which equaled to Baht 123.24 million and Baht 132.01 million, respectively, representing 38.97% and 41.74% of total revenues, respectively. The key cost was raw material ordered from Blue Scope Steel (Thailand) Company Limited, which fluctuated according to the market price of such raw material. For 6-month period of 2011, SPCG had total cost of Baht 134.70 million, representing gross profit margin of 17.97%, which increased from that of the same period of 2010 of 17.05%. Total cost consisted of cost of sales and cost of sale and installation service of Baht 71.58 million and Baht 63.12 million, respectively.

Selling and administrative expenses of 2010 were Baht 47.02 million, equivalent to 17.59% increased from those of 2009. The proportion of selling and administrative expenses to total revenues increased from 13.52% in 2009 to 14.87% in 2010. Such expenses consisted of selling expenses and administrative expenses, which mostly were the management remuneration, fee, and other expenses, and the increase of provision of doubtful debt of Baht 1.59 million. For 6-month period of 2011, SPCG had selling and administrative expenses of Baht 24.97 million, equivalent to 9.75% increased from those of the same period of 2010 due to the expenses from asset acquisition and management remuneration.

SPCG's net profit of 2010 was Baht 8.97 million, representing net profit margin of 2.84%, which increased from that of 1.25% in 2009. Such increase came from the increase of project clients together with the fluctuation of raw material price which resulted to the higher selling price. For 6-month period of 2011, SPCG had net profit of Baht 5.66 million, representing net profit margin of 3.36%, which increased from that of the same period of 2010 due to the increase of revenue and gross profit margin.

• **Consolidated Financial Statement**

Consolidated financial statements of 2010 referred to proforma financial statements ended 31 December 2010 reviewed by S.K. Accountant Services Company Limited, prepared on the basis of combining the interest of SPCG Public Company Limited and SPC. The assets, liabilities, and shareholders' equities of each company are combined at the book value and deducted the significant connected transactions between SPC and its subsidiaries, including the deduction of investment in subsidiaries, and the Company's registered capital. There was no consideration of goodwill from the acquisition. The consolidated financial statements after the acquisition and the recognition of transaction may be different from the proforma financial statements since such acquisition will be considered as a reverse takeover.

The consolidated financial statements for 6-month period ended 30 June 2011 were based on the Company's consolidated financial statements reviewed by S.K. Accountant Services Company Limited. The Company had acquired assets of SPC on 28 March 2011 and prepared the consolidated financial statements following a reverse acquisition method under the name of SPCG Public Company Limited, which is the legal parent, but considered to be the acquiree for accounting purposes. Therefore, SPC would be considered as the parent company whereas SPCG would be considered as the subsidiary for the process of preparing consolidated financial statements under the Accounting Standard No.43 (Amendment 2007) Subject: Business Combination.

The main differences between consolidated financial statements of 2010 and 6-month period of 2011 can be summarized as follows:

(1) The revenue recognition in profit and loss statements

The proforma consolidated financial statements of 2010 were prepared on the assumption that the merger was complete since the beginning of the period. The revenue of SPCG and SPC were fully recognized after deducted with important connected transactions between SPC and its subsidiaries. For the consolidated financial statements of 6-month period of 2011, which were prepared according to a reverse takeover format, it is, on accounting propose, assumed that SPC acquired SPCG's business on 28 March 2011. Thus, the profit and loss statements would present mainly the revenue from SPC and its subsidiaries (after deducted with connected transactions) and recognize SPCG's revenue that incurred during 28 March 2011 – 30 June 2011.

(2) Goodwill

The proforma financial statements of 2010 were not recognized the goodwill from merger. However, the consolidated financial statements of 6-month period of 2011 booked a goodwill of Baht 11.29 million. The goodwill was calculated from subtracting the fair value of SPCG's shares before merging (the former Steel Intertech Plc.) with the acquirer's or SPC's interest. (The investor may study the calculation of goodwill in the note to financial statements of SPCG ended 30 June 2011, clause 3.4.

Balance Sheet Unit: Baht million	Proforma Financial Statements 2010		Consolidated Financial Statements 30 June 2011	
	Amount	%	Amount	%
<u>Assets</u>				
<u>Current assets</u>				
Cash and cash equivalent	56.90	2.61%	201.47	4.92%
Investment in securities available for sale	20.01	0.92%	25.56	0.62%
Account receivable and notes receivable - net	51.72	2.37%	91.32	2.23%
Unbilled Receivables	10.63	0.49%	24.08	0.59%
Materials pending for transfer to work in progress	25.11	1.15%	-	-
Inventories - net	21.74	1.00%	38.81	0.95%
Other assets	43.01	1.97%	71.13	1.74%
Total current assets	229.12	10.51%	452.38	11.04%
<u>Non-current Assets</u>				
Property, plant, and equipment - net	879.52	40.34%	3,217.32	78.49%
Construction in progress	940.81	43.15%	343.83	8.39%
Goodwill	-	-	11.29	0.28%
Pledged deposit by guarantee obligation and restriction	119.39	5.48%	60.18	1.47%
Other non-current assets	11.65	0.53%	13.90	0.34%
Total non-current assets	1,951.37	89.49%	3,646.51	88.96%
Total assets	2,180.48	100.00%	4,098.89	100.00%
<u>Liabilities and shareholders' equities</u>				
<u>Current liabilities</u>				
Short-term loans from financial institutions	-	-	132.20	3.23%
Trade account payable	37.43	1.72%	167.79	4.09%
Account payable for construction and equipment	822.53	37.72%	1,421.89	34.69%
Current portion of long-term loan from financial institution	48.37	2.22%	148.80	3.63%
Current portion of liabilities under financial lease agreement	3.24	0.15%	3.67	0.09%
Other current liabilities	28.98	1.33%	57.59	1.41%
Total current liabilities	940.55	43.13%	1,931.94	47.13%
<u>Non-current liabilities</u>				
Provision for employee benefits	-	-	2.80	0.07%
Long-term loan from financial institution - net	361.35	16.57%	1,023.54	24.97%
Liabilities under financial lease agreement - net	8.16	0.37%	9.57	0.23%
Subsidiary's shares to be bought back	80.12	3.67%	83.11	2.03%
Subsidiary's shares hold put option to sell back	90.69	4.16%	94.97	2.32%
Total non-current liabilities	540.32	24.78%	1,214.00	29.62%
Total liabilities	1,480.87	67.91%	3,145.94	76.75%
<u>Shareholders' equities</u>				
Paid-up capital	500.00	22.93%	500.00	12.20%
Premium on share capital	25.87	1.19%	89.00	2.17%
Discount from change of interest in subsidiary companies	(6.73)	-0.31%	(6.63)	-0.16%
Retained (losses) earning – legal reserve	5.42	0.25%	-	-
Retained (losses) earning - unappropriated	3.96	0.18%	(22.72)	-0.55%
Total shareholders' equities of parent company	528.52	24.24%	559.65	13.65%
Non-controlling interests	171.09	7.85%	393.29	9.60%
Total shareholders' equities	699.61	32.09%	952.94	23.25%
Total liabilities and shareholders' equities	2,180.48	100.00%	4,098.89	100.00%

Income Statement Unit: Baht million	Proforma Financial Statements 2010		Consolidated Financial Statements 30 June 2011	
	Amount	%	Amount	%
Operating income				
Core revenues				
Revenue from sales	227.39	55.77%	153.66	83.35%
Revenue from sales and installation	166.33	40.79%	52.35	28.40%
Revenue from services	1.55	0.38%	-	-
Other revenues	6.06	1.49%	2.96	1.60%
Gain on foreign currency exchange	6.40	1.57%	(24.62)	-13.35%
Total revenues	407.73	100.00%	184.35	100.00%
Operating expenses				
Cost of good sold				
Cost of sales	143.97	35.31%	68.10	36.94%
Cost of sales and installation	132.01	32.38%	41.18	22.34%
Cost of services	1.86	0.46%	-	-
Selling and administrative expenses	78.62	19.28%	42.76	23.19%
Total expenses	356.46	87.43%	152.03	82.47%
Profit before financial cost and corporate income tax	51.27	12.57%	32.32	17.53%
Financial cost	16.41	4.03%	28.44	15.42%
Corporate income tax	13.13	3.22%	19.43	10.54%
Net profit (loss)	21.72	5.33%	(15.54)	-8.43%
Profit attribution to equity holder of the Company	12.76	3.13%	(18.71)	-10.15%

	Proforma Financial Statements 2010	Consolidated Financial Statements 6 months 2011
Cash flow from operating activities (Baht million)	28.61	(57.27)
Cash flow from investing activities (Baht million)	(413.26)	(183.84)
Cash flow from financing activities (Baht million)	427.03	396.55
Current Ratio (times)	0.24	0.23
Debt to Equity Ratio (times)	2.12	3.30
Earning per share (baht) – Parent Company	0.03	(0.04)

Financial Status

Proforma consolidated financial statements ended 31 December 2010 appeared that total assets of the Company were Baht 2,180.48 million which mostly were non-current assets, representing 89.49% of total assets. The key non-current assets were property, plant and equipment, including construction in progress, total of Baht 1,820.33 million, which mostly are assets of SPKR1, SPSN1, and SPNP1. As of 30 June 2011, the group of Company had total assets of Baht 4,098.89 million, which mostly were non-current assets, representing 88.96% of total assets. Property, plant, and equipment, including construction in progress increased to Baht 3,217.32 million due to the progress of construction of SPSN1 and SPNP1, including construction of SPKR2 and SPLO1 as well. As of 28 March 2011, SPCG acquired SPC's shares of 450 million shares at par value of Baht 10 per share which resulted to the recognition of goodwill of Baht 11.29 million, evaluating from asset price of both tangible and intangible assets, liabilities, and possible liabilities to obtain the fair value at the acquisition date in order to compare to cost of business combination. The difference will be recognized as goodwill from share swap. The goodwill recorded is required to be tested for impairment in the future.

Total liabilities were Baht 1,480.87 million, consisting current liabilities and non-current liabilities of Baht 940.55 million and Baht 540.32 million, respectively. The key current liabilities were account payable for construction and equipment of Baht 822.53 million, which were the account payables of equipment for the solar-power plants. The group of Company had long-term loan from financial institution for power plant construction projects of Baht 409.72 million which were the non-current liabilities of Baht 361.35 million. Other non-current liabilities were subsidiaries' shares to be bought back and subsidiaries' shares under put option, total of Baht 170.81 million, which were the share portion that the investors had right to sell back to the Company in the future. As of 30 June 2011, the group of Company had total liabilities of Baht 3,145.94 million. Account payable for construction and equipment increased to Baht 1,421.89 million from the progress of construction and long-term loan increased to Baht 1,172.35 million.

As of 31 December 2010, the Company's shareholders' equities were Baht 528.52 million. The group of Company had paid-up capital of Baht 500 million and premium on share capital of Baht 25.87 million from SPCG's listed in the stock market. As of 30 June 2011, shareholders' equities increased to Baht 559.65 million due to the recognition of premium on share capital of Baht 89.00 from asset acquisition resulting to debt to equity (D/E) ratio of 3.30 times. The group of Company's D/E was quite high due to the Company's operation as project financing; SPKR1 was granted the D/E ratio at 60:40 while SPSN1, SPNP1, SPKR2 and SPLO1 were granted the D/E ratio at 70:30.

Operating Results

In 2010, the group of Company had total revenues of Baht 407.73 million, reference to proforma consolidated financial statements. Revenues from SPCG former business, were Baht 311.44 million and revenues from solar power plant business were Baht 83.83 million, representing 76.38% and 20.56% of total revenues, respectively. Aforesaid solar power plant business came from selling electricity of SPKR1 only, COD on 21 April 2010, and revenues from consultant fee of SPC

For 6-month period of 2011, the Company prepared the consolidated financial statements as considered SPC to be the parent company and SPCG to be the subsidiary following the Accounting Standard Subject: Business Combination. Therefore, the income statements for 6-month period of consolidated financial statements mainly indicated revenues and expenses of SPC and its subsidiaries since it is considered, as an accounting purpose, that SPC purchased SPCG's business as of 28 March 2011. For 6-month period of 2011, the group of Company had total revenues of Baht 184.35 million which mostly are revenues from electricity sales of SPKR1, SPSN1 and SPNP1 already COD.

Total cost of 2010 was Baht 277.84 million, representing gross profit margin of 29.71% which was the combination of gross profit margin of SPCG and SPC. For 6-month period of 2011, the group of Company had total cost of Baht 109.27 million, representing gross profit margin of 36.44% which mainly indicated the gross profit margin of power plant operation. Selling and administration expenses for 2010 and 6-month period of 2011 were Baht 78.62 million and 42.76 million, respectively, representing 19.28% and 23.19% of total revenues, respectively. For 6-month period of 2011, the proportion of selling and administration expenses to total revenues increased due to the expenses from asset acquisition and expenses for the planning of other power plant construction. In 2010, the group of Company had net profit of Baht 21.72 million, representing gross profit margin of 5.33%. For 6-month period of 2011, the group of Company had net loss of Baht 15.54 million due to the significant increase of selling and administration expenses.

Liquidity

In 2010, the group of Company had cash flow from operating activities of Baht 28.61 million due to the profit from operation. Cash flow from investing activities was Baht (413.26) million, mostly were the investment for assets of power plants and cash flow from financing activities was Baht 427.03 million, mostly were cash received from loan from financial institution and capital increasing of Baht 100 million. For 6-month period of 2011, the group of company had cash flow from operating activities of Baht (57.27) million due to losses from operation and the increase of account receivables. Cash flow from investing activities was Baht (183.84) million which the key item were the investment in assets of Baht (280.31) million, net cash received from investment in securities for sales of Baht 13.32 million, and the decrease of pledged deposit by guarantee obligation and restriction of Baht 59.21 million. Cash flow from financing activities was Baht 396.55 million which increased from short-term and long-term loan from financial institution and cash received from selling of investment in subsidiaries.

1.4.7 Industry Outlook and Competition

• Steel industry in 2010 and trend of 2011

The Office of Industrial Economics reported overall outlook of steel in 2010 compared to the same period of the prior year that the manufacturing increased by 17.10%, the domestic consumption increased by 44.33% due to demand chained continued industry such as automobile and electric appliances industries as a result of the production to increase the inventory level. The import value and volume increased by 60.32% and 52.29%, respectively. Such report conformed to the report of Office of the National Economic and Social Development Board that Thai economic in 2010 grew 7.8%. The production of steel in the first quarter of 2011 compared to the same period of previous year has decreased by 9.09% due to an import from China and release inventory. This cause the reduction of production and domestic consumption reduced by 4.15% since the construction industry still constant and infrastructure projects have no significant progress. The import value and volume increased by 0.49% and 10.43%, respectively.

Moreover, the Office of Industrial Economics expected that the overall outlook of domestic steel industry in 2011 would expand as a result of the expansion of construction business due to the investment from government in

infrastructure projects and the expansion of manufacturing sector, conforming to the report of Office of the National Economic and Social Development Board that Thai economy would increase by 3.5% - 4.5% in 2011 (source: Bangkok Post, 24 May 2011).

However, the Company's business of roll forming metal sheet for roofing and wall material is classified to be in sector of steel industry of which the key clients are industrial plants, both new industrial plants and existing ones in search of substitute roofing material, and government project bidders. The Company expected that the market of roll forming metal sheet would be able to expand in the future as the key clients would expand in the same direction of Thailand economic expansion in 2011.

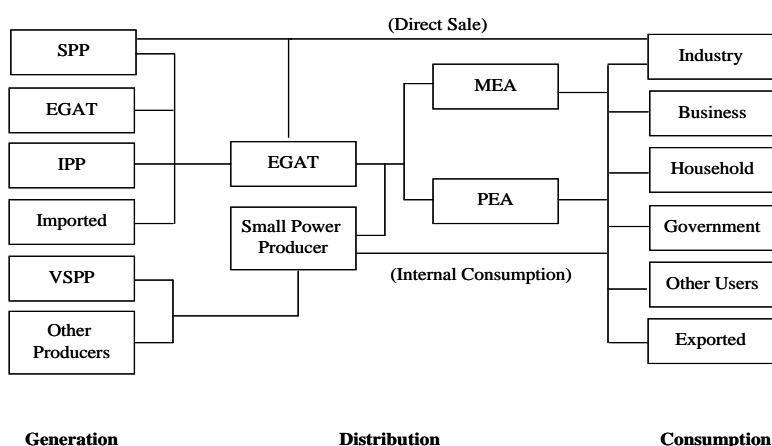
The late business of SPCG, there is various types of competitors in the roll forming metal sheet industry. The direct competitors are distributors, which are traders and manufacturers. For the distributor that is also the manufacture, there are 3 major players share 52% of the total market. Medium-scale manufacturers including the Company possessed market share of 18% and small-scale manufacturers hold 30% of the share. In addition, indirect competitors from substitution products are asbestos tiles, concrete tiles, and coated steel sheet, etc. The strength of the Company's product is safety, durability, and light weight which could save the construction cost more than substitution products. However, the Company believes that its competitive advantage to general competitors who are medium- and small-scale manufacturers are 16-year of experiences, "ROLLFORM" patented brand name, being granted the referral of Blue Scope who is the product manufacturer, 30 authorized dealers in various regions, and fast services to satisfy the clients' need (source: 56-1 of SPCG for the year 2010).

- **The industry relating the electricity demand and generating in Thailand**

The electricity generating and supply in Thailand involves the Electricity Generating Authority of Thailand (EGAT) and many players which are categorized to 3 segments:

1. Generating segment includes 6 groups of suppliers which are 1. EGAT, 2. the independent power producer (IPP), 3. the small power producer (SPP), 4. the very small power producer (VSPP), 5. other supplies, including some government agencies such as the Department of Renewable Energy Development and Preservation which operates 22 small hydro power dams, and 6. the import.
2. Distribution channels include 1. EGAT, 2. the Metropolitan Electricity Authority (MEA) and 3. the PEA.
3. Consumption segment includes 17 million units of electricity consumers from the industry, business, household, government, the export, and others.

Electricity generating and distribution structure



Source: Article of Dr. Teanchai Jongpepean <http://www.eppo.go.th>

The above diagram indicates that the procurement and distribution of Thai electricity is relatively complicated due to the various types of players. The role of the small power producers would increase from the support of the government to replace conventional fuels. The generating of electricity in Thailand comparatively relies on the gas supply. As of May 2011, the sources of fuel for electricity generating were proportionately divided to 68% from natural gas, 20% from coal and lignite, 4% from hydro power, 8% from imported and other sources, and 0.4% from oil.

The industry of the electricity generated by the renewable energy and the solar power

The draft PDP 2010 indicated the plan of the government to undertake the renewable energy development as a national policy to continuously promote and research all types of renewable energy. The development of Renewable Energy Development and Preservation determined the 15-year plan of the renewable energy development (2008-2022) with an aim to increase the consumption of the renewable energy to 20% of the total use of national energy by 2022.

As of March 2011, total applications of solar power were 714, with different types of solar power technologies such as Photovoltaic (PV) type, or the Thermal, etc. If all were completed, total installed capacity would reach 3,184 MW. As of March 2011, the operators who committed the COD were 77 with total installed capacity of 43.62 MW, all are the PV type.

The suppliers of electricity generated from the PV were located in different provinces nation wide. The applications with the PEA as of March 2011 were 424 projects, if all completed, the total installed capacity would reach 1,797.82 MW. The applications of SPC are the highest of 34 projects with total capacity of 201.78 MW or equivalent to 11.22% of total installed capacity of all applicants (Energy Policy and Planning Office, Ministry of Energy)

The government passed a decree to support the VSPP, of which all projects at SPC were under such category, with the MEA and PEA by announcing the Adder pricing and supported period of various renewable energy. The solar power producer is granted the Adder at the rate of Baht 8.0 per Kilowatt-hour for a period of 10 years for the projects with PPA before 21 July 2010. Afterwards, the National Energy Policy Council had changed the policy of supporting the renewable energy project from Adder basis to Feed-in-tariffs. Thus, the government subsidy for new projects is at the rate of Baht 6.50 per Kilowatt-hour.

However, in the case that the power generators are unable to COD within the date specified in the PPA, which may affect the PEA's operation and procurement plan of electricity, the PEA may consider terminating the PPA or allowing the delay for a reasonable period under the condition of monitoring the progress of the projects. If the delayed COD is still not complied, the PEA reserves the right to terminate the PPA.

The outlook of the electricity generated from the renewable energy and solar power

The electricity generated by the renewable energy of the developing country, which is proofed to reduce the gas emission of Greenhouse Gas would obtain the CERs from the CDM. The CERs is, then, credited against the volume gas emission generated from the developed country. Therefore, the developed country demands to buy the CERs to achieve the commitment to reduce the gas emission. However, the project of electricity generated from the renewable energy need to obtain the CERs. The overall process to obtain the CERs in Thailand would take around 1.5 – 2 years. As at 7 July 2011, there were 5 projects granted the issuance of CERs.

The process to trade the CERs consists of 3 major steps as the followings:

1. Application to obtain Letter of Approval (LoA) from the organization managing the gas emission, e.g. Thailand Greenhouse Gas Management Organization.
2. Registration with CDM Executive Board (CDM EB).
3. The application to obtain the CERs.

1.5 Nature of the assets to be acquired

Details of the Transaction can be described as the followings:

(1) Investment in SPKK1

Currently, SPC holds Baht 132.3 million or 70% shareholding in SPKK1 with the total paid up capital of Baht 189 million. Thai Fa Power Co., Ltd. already invest 30% in SPKK1 in the amount of Baht 56.70 million. The Board of Directors approved the construction of the 6 MW solar power plant with the value approximately Baht 630 million. The Company will own SPKK1 in proportion of shareholding of Baht 441 million. The Company has disclosed in the information memorandum regarding the acquisition of asset that SPKK1 is seeking loans from financial institution.

(2) Investment in the other 4 solar-power plants

The 4 subsidiaries of SPC plan to develop and operate 4 solar power plants. They are Solar Power (Korat 3) Co., Ltd. and Solar Power (Korat 4) Co., Ltd., Solar Power (Korat 7) Co., Ltd. and Solar Power (Korat 8) Co., Ltd. to operate SPKR3, SPKR4, SPKR7 and SPKR8 respectively. As of 4 August 2011, SPC holds 99.97% in those subsidiaries and each subsidiary has its paid up capital of Baht 100,000. Board of Director has approved the acquisition of assets by the 4 subsidiary companies of SPC, which are subsequently declared to be SPKR3, SPKR4,

SPKR7 and SPKR8 for development of 4 solar-power plant projects, The Company will seek for source of fund by issues of new shares to the public, loans from financial institution and/or other source of fund to invest these 4 projects.

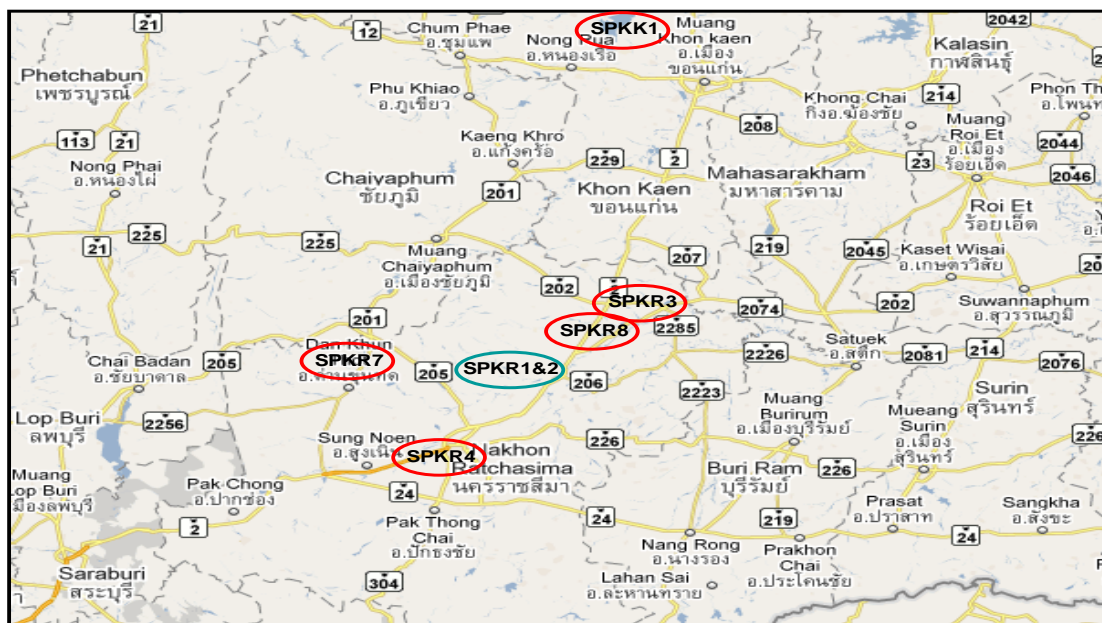
The 4 solar-power plant projects worth Baht 650 million each, for a total value of not exceeding Baht 2,600 million where the Company will provide the loan or inject capital increase to SPC to purchase new shares in each of SPKR3, SPKR4 and SPKR7 in the approximate amount of Baht 117 million each, for a total amount of Baht 351 million, whereby SPC aims to hold 60% shares in SPKR3, SPKR4 and SPKR7. On 4 August 2011, SPC has signed Share Purchase Agreement and Shareholder Agreement with RATCH that RATCH will take 40% of the 3 projects. SPC will invest in SPKR8 in the amount of Baht 195 million, whereby SPC aims to hold 100% in SPKR8, The total value of the 4 projects (of SPC's portion) is Baht 1,820 million. When combining SPKK1, the total value will be Baht 2,261 million.

The 3 solar-power plants (except SPKK1 and SPKR3) operated by these subsidiaries are currently in the process of procuring site locations. The management may change or choose different locations which are considered more appropriated. The change of location may affect cost of each project (See more details in 2.5 Risks associated with entering the Transaction)

All 5 Power Plants are based on multi-crystalline silicon cell technology to generate direct-current electricity from solar radiation and inverted to alternated current by the inverter with the increased power by medium-voltage transformer to be distributed to 22 KV grid of PEA. Currently, the solar power plants are under preparation of construction. However, SPC's management has an experience in construction and operation with the COD of the previous 3 solar plants which are SPKR1, SPSN1 and SPNP1 and other 2 solar plants are under preparation to COD which are SPSR2 and SPLO1. The nature of construction, operation, contractor, and supply contract would have similar term to those of the previous 3 power plants in operation.

1.5.1 General information

SPKK1, SPKR3, SPKR4, SPKR7 and SPKR8 each, will have maximum capacity of 6.12 MW and the offering capacity to the PEA for each plant is 5.88 MW. Each project will use solar modules of 210 Watt capacity, in a total number of 29,160 modules. Each project area will require land space not less than 80 Rais. Preliminary locations of the projects according to the PPAs, are as the following:



Progress of the 5 Power Plants (as of 15 August 2011)

List	Name of SPC's subsidiaries	Operation status
6	Solar Power (Khon Kaen 1) Co., Ltd	Land transfered and under construction and seeking for project financing
7	Solar Power (Korat 3) Co., Ltd	Signed land purchase agreement and preparing for construction and

List	Name of SPC's subsidiaries	Operation status
		seeking for project financing
9	Solar Power (Korat 7) Co., Ltd	Already procure land and preparing for construction and seeking for project financing
8	Solar Power (Korat 4) Co., Ltd	During land procurement and seeking for project financing
10	Solar Power (Korat 8) Co., Ltd	

1.5.2 Investment cost and capital structure

The investment of SPKK1 is estimated at Baht 630 million and the investment value of the other 4 power plants will be Baht 650 million each. SPC management forecasts the cost for procurement of equipment, land, land improvement and construction of around Baht 610 million for each. The remaining portion is reserved for possible increasing cost of land and land improvement, foreign exchange, electricity equipment for construction of Baht 40 million for each project. The 5 Power Plants are under planning for construction and seeking credit facilities. The management expects to obtain an approval for bank loan under the same conditions as those of SPLO1 that the Company has to maintain its debt to equity ratio at 70:30 which will reflect the capital structure as below:

Estimated Investment Cost (Baht million)	SPKK1	SPKR3,4,7,8
Equipment and Construction cost	580	580
Land and land improvement	50	30
Reserves	-	40
Total investment	630	650
Capital Structure (Baht million)		
Share equity (share capital)	189	195
Long term loan	441	455

Note: SPKK1 has already invested in land, solar power modules and cost of land and land improvement of SPKK1 of which Baht 41.26 million is higher than other plants.

Currently, financial institution acknowledges a new development of the 5 power plants and considers the feasibility study of the plan in order to provide financial support or bank loan to achieve their targets.

1.5.3 Construction plan

The construction plan of solar-power plant includes site preparation, infrastructure work, installation of solar modules and invertors, wiring, transformer completion, electricity power distribution line, testing and connecting to PEA's grid. The COD of SPKK1 is expected in December 2011, and the other 4 plants on 1 April 2012. Each plant will have their own construction team and to be mainly based on local staffs. SPC will monitor and supervise the construction as planned. Main works of construction of power plant include site preparation, foundation, installation of solar modules and invertors, wiring, transformer completion, electricity power distribution line, testing and connecting to PEA's grid.

1.5.4 Income structure

Revenue structures of the power plants are divided into 3 main items as the followings:

(1) Revenue from electricity sale to the PEA

In 2009, SPC signed the PPAs with the PEA to sell 5.88 MW of electricity each of 34 projects (including these 4 projects) for a period of 5 years with the obliging extension of every 5 years, subject to the termination of the seller. SPC can transfer the rights of the PPAs to its subsidiaries of which SPC owns more than 51%, and currently SPC already transferred the rights to its subsidiaries.

(2) Revenue from the mark-up of the electricity price (the "Adder")

Electricity generated from solar-power is a type of renewal energy subsidized in the form of the Adder at the price of Baht 8 per Kilowatt-hour for a period of 10 years from the COD. The power plants will receive Adder at the price of Baht 8 per Kilowatt-hour because SPC had signed the PPAs from PEA prior the announcement to reduce Adder to Baht 6.5 per Kilowatt-hour by Ministry of Energy on 21 July 2010.

(3) Revenue from the sales of Carbon Credit or the CERs

Carbon Credit means the reduction of "Greenhouse gas" through the process of the Clean Energy Development (the "CDM"), of which the operation of clean energy supply registers the project with the CDM Board to apply for

the certificate of the reduction of the Greenhouse gas emission, or so called the Certified Emission Reductions (“CERs”). Therefore, the operator would be able to sell the CERs to the developed country.

The electricity generated by the renewable energy, which is proofed to reduce the gas emission of Greenhouse Gas would obtain the CERs from the CDM. Therefore, SPC tenders to register with CDM Executive Board to get CERs, the process which normally takes 1.5-2 years for approval (source: Thailand Greenhouse Gas Management Organization). SPC get the preliminary offer from an international energy trading broker in England on dated 5 November 2010 that an offer to buy CERs at 8 Euro / Ton CO₂ / year.

1.5.5 BOI privileges

SPKK1 obtains the privileges from the Board of Investment (BOI) through the exemption of corporate income tax from net profit of the promoted business for 8 years from the date of COD. Thereafter, the privilege allows 50 percent corporate income tax exemption for another 5 years. Tax rates of SPKK1 are as the following:

<u>Year</u>	<u>Corporate Income Tax Rate</u>	<u>Tax exempt rate</u>	<u>Corporate Income Tax Payment Rate for SPKK1</u>
1 – 8	30%	100%	0%
9 - 13	30%	50%	15%
14 onward	30%	0%	30%

The other 4 power plants submitted the applications to obtain the privileges from the BOI and SPC expected the plants would get the approval from the BOI prior to the COD.

1.5.6 Raw material procurement

SPC would undertake turnkey construction of solar-power plant (Engineering, Procurement and Construction: EPC) for all 34 plants to be operated by subsidiary companies of SPC, SPKR1, SPSN1 and SPNP1, which were already completed and COD. SPC sources out the important raw materials such as solar module, inverter, cable wire, steel structure, etc. SPC will hire subcontractor for construction work. The plants would purchase land, land improvement, raw materials. Regarding the new power plants, SPC will negotiate with bank to amend conditions of EPC that SPC to provide full turnkey including procurement and purchase of raw materials, subcontractor and provide long term warranty. The power plant will involve only land and land improvement. Currently, SPC has not signed EPC contracts for new power plants since they are under negotiation for the amended conditions.

Details of raw materials procurements are the followings:

Solar Module

The Company orders solar modules from Kyocera, a well-known and experienced manufacturer of solar cell and module from Japan to supply solar modules under a 20-year efficiency guarantee of power output rate, with degradation less than 20% of the capacity of 210 Watt-peak.

SPC and Kyocera agreed in the MOU on 1 February 2010 to procure solar modules with the capacity of 204 MW from Kyocera, without the detail of price and delivery plan. However, as at 1 April 2010, Kyocera had signed the Supply Agreement for the capacity of 198 MW with the detail of price and delivery plan during 2010 - 2013. In 2011 and 2012, Kyocera will deliver solar modules of 36 MW and 72 MW, respectively, which are sufficient for 6 solar-power plants in 2011 and 2 plants in 2012. SPC and its subsidiaries obtain credit term of 6 months term purchasing to payment of solar modules.

Inverter

To be supplied by SMA Solar Technology AG, Germany, self-claimed the world largest manufacturer of inverter for solar energy with the period of product guarantee for 10 years. Operating lifetime of inverter is expected for 30 years with regular change of parts.

SPC signed a contract with SMA regarding the General Agreement for SMA Photovoltaic – Products on 19 July 2010 to purchase the inverter for 204 MW within 36 months, ending 30 July 2013. The contract specifies price list and the General Terms and Conditions of Delivery requiring SPC to send 3-month forecast to SMA to produce and transport to the plant. The delivery process takes approximately 3 months from the date that SMA receives the letter of credit from the bank. In case that COD starts in December 2011, SPC has to send an order to SMA in early September 2011.

1.5.7 Construction of the power plants

Previously, SPC hired J-Pen Company Limited as a subcontractor to build SPC’s plants. MML, an engineering consultancy firm, reported that only the project director* of J-Pen Company Limited has a direct experience in construction of solar power plant.

Remark: *Mr. Jirakom Padumanon, the project director and 10% shareholders of J-Pen Company Limited and Ms. Piyarat Suksombat (connected person to Mr. Jirakom) holds 70% in J-Pen, who is considered the connected person with the Company since he holds 0.20% shares of SPCG and is a director of the Company.

Regarding construction of these 5 Power Plants, SPC will provide documents for auction, Terms of Reference (TOR) to the bidders to know the qualifications of subcontractor including type construction work. The criteria for selection of subcontractor are the followings;

Criteria	Weighted score (%)	Rational
Price	40	Price is a major factor because it will affect directly to cost of project. SPC will compare price of various subcontractors against the mean collected from construction of other power plants.
Conceptual Design	30	The bidder must submit the Conceptual Design Drawing which shows its experience and expert in design and construction of solar power plant.
Past experience in relevant projects	10	SPC will hire a subcontractor who is keen on solar power plant and has past records to ensure that the subcontractor can deliver on time without delay.
Financial status	10	SPC will consider the capital including sufficient and working capital of subcontractor to evaluate its financial strength of the bidder.
Personnel and working experience	10	SPC will consider the organization structure, management experience of the bidder to ensure that they have sufficient employee and capability to complete the project.
	100	

The Company has begun the open auction process, including evaluation of the subcontractors according to criteria indicated in the above table for SPKR2 and SPLO1, which were the 4th - 5th project of the Company. For the 5 Power Plants, the similar process will be performed with addition of the announcement for the open auction via the Company's website, www.solarpower.co.th. The process and quotation will be publicly disclosed with comparison of at least 2 bidders according to the procurement procedure for maximum benefit of the shareholders.

1.5.8 Operation, Maintenance and Monitoring

SPC plans to be the operator of the power plants after the COD, and provides staffs to operate and for maintenance services. SPC will monitor the operation direct from head quarter through online system (real time) which will reduce operation staffs. SPC will hire local staffs to work at the site because nature of work is not so complicated.

1.5.9 Preparation of technical study report

MML will provide the technical study report of the 5 Power Plants to support the loan proposal same as those of SPKR1, SPSN1 and SPNP1. The management informed that the 5 Power Plants have similar technical conditions as the recent projects of SPKR2 and SPLO1 such as supply procurement, construction, financial assumptions and projections.

1.6 Source of funds

1.6.1 Source of funds from capital increase of SPC's subsidiaries

Source of funds from capital increase in subsidiary companies of SPC, in total of approximately Baht 546 million will be from the Board's resolution approving the increase of the registered capital of the Company and the allotment of 60,000,000 new ordinary shares and 30,000,000 free warrants to public offering. The Company will seek funds from public offering of its shares, loans from financial institutions and/or from other sources of fund and SPC will use the proceeds from such sources of fund to purchase the newly issued shares of the 4 Subsidiaries.

Whereby the offering price will be later determined by the person authorised as per the details below by way of book building and based on the market price of the Company's shares as well as trading conditions in the SET during the time. The Board Meeting No. 12/2554 dated 20 July 2011 has appointed Miss Wandee Khunchornyakong, the Chairman of the Company, and/or the board of directors and/or any person authorised by the board of directors be empowered to determine, change or modify the terms and conditions in relation to the allocation of such new ordinary shares including allocation of shares at once or in different intervals, offering period, offering price, subscription payment and other details and conditions concerning allocation of the shares.

1.6.2 Source of funds for development of power plant

(1) Source of fund from shareholders' equities

The Company already had a co-investor to invest 30% in SPKK1, whereby SPC will invest 100% in SPKR8. For SPKR3, SPKR4 and SPKR7, SPC has signed Share Purchase Agreement and Shareholder Agreement with RATCH to hold 40% in these 3 companies.

Summary of Share Purchase Agreement

Buyer : Ratchaburi Electricity Generating Holding Public Company Limited

Seller : Solar Power Co., Ltd.

Date : 1 August 2011

Major Conditions : The buyer and the seller agree to buy and sell shares of SPKR3, SPKR4 and SPKR7 (called "Invested companies") for the purpose to produce and sell electricity and carbon credit from solar power plants a number of 4,000 shares each company at par value of Baht 10. The seller will sell at Baht 10 per share (As at the signing date, each Invested company has its registered capital of Bah 100,000). The settlement will be taken place within 19 August 2011. (The settlement has been taken on 8 August 2011)

The Agreement will be effective when the following precedent conditions have to be complied:

1. The Seller obtains an approval from the Board of Director to sell shares in Invested companies to the Buyer (the BOD meeting was held on 20 July 2011)
2. The Seller obtains an approval from the shareholders to approve the following matters on or prior to the selling date (expected to hold a shareholder meeting on 6 August 2011)
 - Approval of the disposal and transfer of shares
 - Approval of the additional director from 2 persons to 5 persons
 - Approval of the amendment of Articles of Association of Invested companies to be in accordance with the conditions in Shareholders Agreement.
 - Approval of new Organization Chart according to mutual agreement as stated in Shareholders Agreement.
3. The Buyer obtains an approval from the Board of Director (RATCH disclosed to the public regarding the co-investment with SPC on 4 August 2011)
 - Approval of the acquisition of shares from the Seller
 - Approval of the signing of the Share Purchase Agreement, Shareholders Agreement and other relevant documents

Summary of Shareholders Agreement

Group A. : Solar Power Co., Ltd.

Group B. : Ratchaburi Electricity Generating Holding Public Company Limited

Date : 4 August 2011

Purpose : Both parties will invest in SPKR3, SPKR4 and SPKR7 ("Invested companies") to produce and sell electricity and carbon credit from solar power plants. Both parties agreed to hold shares in Invested companies in the following proportion:

Shareholding Proportion (%)

Group A	60
Group B	40

In case that International Finance Corporation (IFC) "Group C" will invest in Invested Companies, the shareholding proportion will be changed as follows:

Shareholding Proportion (%)

Group A	51
Group B	30
Group C	19

If Group C does not express its intention to invest in Invested companies within 7 August 2011, it implies that Group C will cancel the investment. (Group C did not express their intention to invest)

Board of Director

The Board of Director consists of 5 persons; Group A can propose 3 persons and Group B can propose 2 persons.

Construction Plan

Both parties agree to hire SPC to design, supervise, consult and undertake engineering, procurement and construction services (EPC of solar-power plant (“EPC Contractor”). Both parties may choose other EPC Contractor if other contractor offer better proposal in both service and pricing.

Share Transfer

The process of shares transfer will be as follows:

(A) Any party would like to transfer or sell its shares in Invested companies of any shares to the third party, it has to offer to other existing shareholder by stating selling price and other conditions.

(B) When the other shareholder receives the offer letter, it has to settle the share payment within 30 days from the date of receiving the offer letter.

(C) If the other shareholder does not accept the offer within 30 days from the date of receiving the offer letter, the party who wants to sell its shares can offer to the third party who wants to buy shares under the same conditions which is not better than offer to other shareholder. The settlement of shares must be completed within 60 days from the date that other shareholder refuse to buy shares.

Termination of agreement

The Agreement will terminate 30 years from the date of the commencement of COD of the last project.

Both parties agree to terminate the agreement when:

- (A) both parties agree to terminate the agreement by written or
- (B) Invested companies can not operate within 3 years from the signing date of the agreement or other agreed conditions or
- (C) both parties sign new Shareholders Agreement or
- (D) Invested companies are closed or dissolved

(2) Source of fund from financial institution

The loan from financial institutions will be provided in form of project financing from financial institution to procure raw materials such as solar module and inverter which are imported. The financial institution will consider company's cash flow projections of each project to evaluate its ability to repay the principal and interest. Project financing facilities included letter of credit for imported equipments, foreign currency forward, bank guarantee, and long-term loan. In addition, SPC is required to meet conditions precedent to loan draw-down, including the following terms to be fulfilled (referred from SPLO1 project).

- Base case financial projections to support the minimum Debt Service Cover Ratio: DSCR, and the maximum gearing ratio. The DSCR shall not lower than 1.1 times, and gearing ratio not higher than 2.5 times
- Fully paid-up capital
- Technical report of project feasibility study by independent technician

Under the normal conditions of project-financing loan, the Company can estimate the amount for equity portion for each power plant by determining share equity of SPKK1 at Baht 189 million from the total project value of Baht 630 million. For the other 4 projects, IFA has estimated Baht 195 million for equity and Baht 650 million for total project each.

SPC is seeking for loan facilities for the procurement of raw material and other equipments and also for share subscription of its subsidiaries, while waiting for the proceeds from shares public offering of SPCG so that the construction and COD will be completed as targeted.

2. The reasonableness of the Transaction

2.1 The objective and necessity of the Transaction

The Transaction represents on-going project development following the Company and its subsidiaries' business plan to complete the solar-power plant of totally 34 projects, with total capacity of 204 MW to be completed within 2013. The new 5 Power Plants to get an approval from the shareholders will be the 6th to 10th out of the total 34 projects. The Company expects to receive stable revenues throughout the project duration.

2.2 The reasonableness and benefit of the Transaction

2.2.1 Firmed client

The 5 Power Plants entered the PPAs with the PEA to sell electricity for a period of 5 years with extension of every 5 years toward the termination by the solar-power plants. Upon the COD, the PEA would purchase any output up to the generating capacity of each solar power plant. Therefore, SPC would have operation with firmed off-take and without marketing risk

2.2.2 Business opportunity arisen from supporting business

SPC will be main contractor to build power plants under the terms of engineering, procurement, and construction (EPC) and to provide management service after COD. In addition, the Company plans to develop steel structure and frame (SPCG's original business before acquisition) to support solar modules and to serve the future business of SPC and its subsidiaries.

2.2.3 Potential income from the sale of CERs

Another source of income would derive from the sale of CERs. Currently, SPC receives the preliminary offer to sell CERs to an international energy trading broker in England and expects to sell after SPC receives an approval of CERs from relevant parties.

2.3 Pros of entering the Transaction

2.3.1 Opportunity for on-going incomes in long term

The solar power plant business can operate long term for 30 years without a risk of marketing and the Company will receive certain cash flow from selling electricity to PEA. Therefore, the investment of 5 plants will create on-going incomes. Based on the projections, the Company would receive total dividends from the 5 projects according to the ownership proportion, 70% in SPKK1, 60% in SPKR3, SPKR4 and SPKR7 and 100% in SPKR8, of Baht 2,847.11 million or equals to the net present value after deduction of initial investment, of Baht 524.54 million which creates value added to investor in long run.

2.3.2 Increase size of business

The Transaction will increase the size of business of which assets will increase from the current position as at 31 March 2011, at which the consolidated total assets were Baht 2,927.82 million. In case that the 5 Power Plants are completed, the total assets will increase approximately by Baht 2,730 million or 93.24%, divided into SPKK1 of Baht 630 million and the other 4 plants of Baht 2,600 million. The acquisition of new assets will also create on-going incomes in long term.

2.3.3 Receive indirect benefits from supporting business

The Company and SPC would have an opportunity to increase its incomes from selling steel structure/frame for installation of solar modules, from provide EPC service and from operation of solar power in long term, which would enhance income structure of the company.

2.4 The weaknesses of entering the Transaction

2.4.1 The control dilution

The Transaction involves the issuing of the Company's new shares under the Public Offering scheme of 60 million shares, with the par value of Baht 1 each, the offering price will be determined from book building and market condition. Therefore, the increase of share capital will result the dilution affect to shareholders. The Company will issue 280 million shares to reserve for the exercise of free warrants of 280 units, divided into 250 million units offered to existing shareholders and 30 million units for investors who subscribe PO shares. IFA has calculated the control dilution as the following:

$$\text{Control Dilution} = 1 - (Q_o / (Q_o + Q_e))$$

- Control dilution from the Public Offering shares

Where as;

$$\begin{aligned} Q_o &= \text{Existing shares (500 million shares).} \\ Q_e &= \text{New shares to be issued (60 million shares)} \end{aligned}$$

$$= 1 - (500 / (500 + 60))$$

$$= 10.71\%$$

- Control dilution from the exercise warrant by Public investors

Where as;

$$\begin{aligned} Q_o &= \text{Existing shares (500 million shares).} \\ Q_e &= \text{Reserved shares for PO warrant (30 million shares)} \\ &= 1 - (500 / (500 + 30)) \\ &= 5.66\% \end{aligned}$$

The above calculations indicate the control dilution of 10.71% for the issue of PO shares and 5.66% dilution to existing shareholders when PO investors exercise warrants or total dilution is 16.37%.

2.4.2 The Price dilution

The offering price to Public Offering has not been determined, therefore IFA assume that there is no discount from market price. The exercise price for warrant has determined at the discount from the market price, therefore there will be a price dilution as follows:

$$\text{Share Price Dilution} = (\text{Po} - \text{Pe}) * Q_e / (Q_o + Q_e) * \text{Po}$$

Where as;

$$\begin{aligned} P_o &= \text{Price of existing share, equivalent to past 7-day weighted average price prior to the Board's resolution to consolidate the business dated 20 July 2011 of Baht 21.51 per share.} \\ P_e &= \text{The offering price of new share at Baht 1.00 each.} \end{aligned}$$

- Price dilution from the exercise of Public investors of 30 million warrants

$$= (21.51 - 1) * 30 / ((560 + 30) * 21.51)$$

$$= 4.85\%$$
- Price dilution from the exercise warrant by existing shareholders of 250 million warrants

$$= (21.51 - 1) * 250 / ((560 + 250) * 21.51)$$

$$= 29.43\%$$

The exercise price of warrant is Baht 1 per warrant would dilute the theoretical price by 34.28%, which gives a 4.85% dilution by Public investors and a 29.43% dilution by existing shareholders. The effect of which would incur when the warrant holders exercise their rights at the last date of the warrant period. The duration of warrant has been fixed for 3 years from the issue date. However, warrants will be traded in the SET and will enhance the warrant's trading liquidity in the market.

IFA cannot give an opinion to the dilution from the increase of number of shares impact on book value per share because the Company has not determine the offering price to the investors.

2.4.3 The increase of liabilities and financing cost

The consolidated financial statements as at 31 March 2011 indicates total liabilities of Baht 2,092.34 million, consisting mainly assets payable of Baht 1,191.54 million and long-term loan from a bank of Baht 553.91 million. Regarding to the construction of the 5 Power Plants, the Company needs to obtain project financing facilities under the bank's support to offer a lower interest rate than that of normal loan facility. The estimated maximum long-term loan amount is Baht 2,261 million and will gradually drawdown in 2011 and fully drawdown within 2012. The Transaction would increase the Company's liabilities and interest expenses incurred in the future. The maximum interest payment would be approximately Baht 105 million per year in case that the Company gets a full drawdown of loan.

However, in term of project financing, bank will consider the credit line from the ability to repay debts from operating cash flow. In the past, bank had provided loan facilities to SPKR1, SPSN1, SPNP1, SPKR2 and SPLO1 which shows that each project has capability to repay principal and interest according to bank conditions.

2.4.4 The Inter-Company loan guarantee

SPKR1, SPSN1 and SPNP1 jointly entered into Inter-Company Support Agreement with KBank, dated 24 January 2011, obliging each project to be responsible for liabilities of one another. Should any project not be able to pay interest and principal of the loan, the others are required to provide financial support in form of inter-company loan. The projects which enter into Inter-Company Support Agreement must have similar shareholding structure.

There is possibility that the power plants may be obliged to enter into an agreement in same terms as stipulated in the Inter-Company Support Agreement, separated into 2 groups; the first group consists of SPKR3, SPKR4 and SPKR7 which have same shareholding structure and the second group consists of SPKK1, SPKR2 and SPLO1

which have similar shareholding structure. As a result, such power plants may incur responsibilities over liabilities of the other power plants. Should any power plants not be able to pay for interest and principal of the loan, the other power plants may be forced to provide financial support or loan. This would affect the future dividend payment of such power plants. However, terms and conditions of the loan, including inter-company support are still under negotiation with the financial institution and can not be clarify at the moment.

2.5 Risks associated with entering the Transaction

2.5.1 Risk associated with securing funds to construct the power plants

- Risk associated with the delay of getting debt financing

SPC has applied for loans from financial institution for funding of the 5 Power Plants. However, SPC and bank is under negotiation of terms and conditions of bank loans. If SPC gets a delay approval of debt financing, thus causing the delay of procurement of major raw material and equipment such as solar module and inverter which require the opening of Letter of Credit for purchase orders. The construction of the projects would be delayed and affect to the projected return of the investment of each project.

Currently, bank acknowledges the new development of the 5 Power Plants and considers the technical study of the plan in order to provide financial support or bank loan to achieve their targets. The Company expects to know the result of the bank approval for SPKK1 by October 2011 and for the 4 projects by November 2011.

- Risk associated with the delay of getting proceeds from public offering

Since the Company will offer new shares by public offering of 60 million shares and has not determined the offering price and offering period. The process of public offering is longer than right issue or private placement. It is possible that the proceeds from capital increase by public offering will be delayed and affect to the capital increase in SPC's subsidiaries and the Company may need bank loan to support the capital increase in advance.

- Risk associated with the unsuccessful of capital increase

The Board of Director has approved to offer new shares by public offering of 60 million shares for the investment in the 4 Power Plants via SPC. There is a risk if shareholders approve the Transaction but not approve the capital increase or in case that shareholder approve the capital increase but cannot mobilize sufficient fund for investment in SPC's subsidiaries since the offering price has not determined. The Company may need more bank loan to support the capital increase in SPC's subsidiaries and will increase its debt to equity ratio from 3.30 times to 3.87 times and will reduce the Company's ability to get more loans in the future.

- Risk associated with not getting shareholders' approval of the Transaction

There is a risk if shareholders approve the Acquisition of 5 Power Plants, the total cost that already invested such as land and land deposit, equipments and other operating costs, including those obligated to make payment are approximately Baht 850 million. If the shareholders do not approve the Transaction, the capital increase will also not occur. This will affect the financial status of the Company and also the operation of the power plants.

2.5.2 Risk associated with the change of cost of funds and project cost

- Risk associated with the change of loan conditions

Currently, the 5 Power Plants are under negotiation with bank and have not yet received an offer of termsheet from bank. IFA appraises the fair value of new solar-power plants, based on the same assumptions of cost of funds conditions that SPLO1 was offered by bank. If the final terms, especially the amount of loan and interest rate, are changed from such indications, the fair value of both projects would be changed accordingly.

- Risk associated with fluctuation of interest rate

Referring to terms and conditions of bank loans of SPLO1, interest rate for long term loan for the 5 Power Plants are THBFIX which is floating rate and varied by the policy rate as announced by the Monetary Policy Committee. According to Kasikorn Research, it is possible that the interest rate trends increase in 2011 as to reduce an inflation rate which is relatively high. (Referred to Kasikorn Research dated 11 July 2011).

3-month THBFIX rate, which is the reference interest rate of most of the loan of power plants, increases continuously during the past 2 years, especially the first half of 2011, as presented:



Source: Reuter

The IFA evaluated the risk from interest rate fluctuation by performing the sensitivity analysis of the project's NPV in the case that interest rate increases and decreases, as indicated in the following table:

Each project's NPV (Baht million)	Interest rate				
	2.96%	3.96%*	4.96%	5.96%	6.96%
SPKK1	252.07	215.02	180.47	148.02	118.03
SPKR3, SPKR4, SPKR7 and SPKR8	240.20	204.94	172.19	141.73	113.39

Remark: *Base case.

SPC's management has not set a policy to mitigate the risk from an increase of interest rate by fixing Interest Rate Swap because at present, a fixed rate is higher than a floating rate. However, the management would consider mitigating the interest rate risk in the future.

- Risk associated with the change of project value

At the date of the issuing of this report, SPC is procuring land to locate the 3 Power Plants (excluding SPKK1 and SPKR3) and has not signed EPC agreement for the 4 Power Plants (excluding SPKK1), and under negotiation with banks to conclude terms and conditions and also has not opened for bidding the project construction. If the cost of EPC or project increases, this would affect to the return of investment.

The management has reserve capital fund of Baht 40 million for each of the 4 power plants, and expects that the fluctuation of project cost are mainly caused by land price, land improvement and construction cost. Therefore, the IFA has appraised the project value by allocating the reserve capital fund for investment in land, land improvement and construction cost into the financial projections. The reserve capital will increase the investment cost as the management has already made the provision on conservative basis and this would reflect the risk from an increase of investment cost.

- Risk associated from fluctuation of foreign exchange

Major equipments for generating electricity by solar power have to be imported, accounting for approximately 70-75% of the total project value. Thus, the fluctuation of foreign exchange would affect significantly to the project value. However, the company has a policy to buy forward contract for all imported equipments to mitigate foreign exchange risk.

- Risk associated from the increase of material price

An increase of major equipments price such as solar modules and inverter, may lead to an increase of project cost, eventually it would result a lower return of investment. However, SPC has signed a purchase agreement for solar modules from Kyocera Asia Pacific Pte. ,Ltd. at the agreed price. For the

purchase of inverter, SPC has been informed the price list but has not yet ordered. SPC still have the risk from the change of inverter's price.

2.5.3 Risk associated from the delay of construction

SPC has provided IFA information regarding the preparation of 2 power plants; Korat 2 and Loei 1 Power Plants, which plan to COD in August 2011 and plan for the construction of 5 new power plants which requires for shareholders' approval. The COD of SPKK1 would be in December 2011 and the other 4 plants would be in April of 2012. The construction of these power plants scheduled to be built around the same period may cause the delay of completion and the COD. In addition, if the 4 power plants (excluding SPKK1) currently seeking for BOI privileges is delayed, it would cause the delay of imported material and equipment, which would affect the construction schedule of the 4 plants.

IFA considers a risk occurred from the delay of the projects, and therefore uses conservative assumptions for the COD by using the actual construction period of SPSN1 and SPNP1, which took 6-7 months from the preparation of land until the COD. MML also provided information that the construction period would take 24-26 weeks. If the 4 Power Plants (excluding SPKK1) commence the construction in September 2011, after getting the shareholders' approval, the completion and IFA assumes conservatively that COD would be around April 2012. The COD of SPKK1 is expected in January 2012.

However, a delay may occurred from other factors such as delay from seeking location, delay from material and equipment purchase, all factors would delay the COD and income recognition. Also, it affects the IFA's assumptions to appraise the return of investment. However, the IFA has considered the effect from delay of the construction beyond one quarter, the return of investment or NPV would not change significantly (less than 2%)

2.5.4 Risk associated from the termination of PPA

According to the PPAs, SPKK1's COD schedule with PEA is 30 September 2011, if they could not COD on time, SPKK1 would not have a right to sell electricity to PEA. However, SPKK1 can apply for a delay of COD which will depend on the PEA's consideration of the progress of the project on case by case.

Normally PEA would consider the progress of land procurement and source of fund for operation. The management expects that PEA would extend the contract to SPKK1.

2.5.5 Risk associated from the unexpected productivity

SPKR4, SPKR7 and SPKR8 are under process of seeking land and not identifying the final locations. The output of production will depend on the location and the uncertainty of the selection of location will make the model difficult to forecast the actual productivity of each plant.

IFA forecasts the output of electricity from the 5 Power Plants to be closed to that of SPKR1 which is located in the nearby area and already in operation from April 2010. However if the location is changed and the output is less than the IFA estimates, the return of investment would reduce accordingly.

3. Fairness of the Price and Conditions of the Transaction

To consider the fairness of the price and conditions of the Transaction, the IFA evaluates the return on investment in 2 aspects, the return on investment of the project and the return on investment of SPCG from investing in the newly issued shares of SPC's subsidiaries whereby such return is in the form of dividends to be received from operating performances of SPC's subsidiaries netting of financial obligations. The details are as following:

3.1 The return on investment of the projects

To evaluate the return on investment of the 5 Power Plants, the IFA performs the financial projections throughout life expectancy of each power plant and derives with the project's future free cash flows. The evaluation of the fairness of the investment or return of the investor is based on the following 3 approaches.

- (1) Net Present value – NPV which determines the present value of net cash flow streams, equivalent to the difference of cash inflows and cash outflows, then discounted by the weighted average cost of capital. The sum of each discounted net cash flow stream is the net present value.
- (2) The Internal Rate of Return – IRR which is to find out the return rate of a project by discounting the Project's net present value to reach zero. The IRR is simply the rate of return at which the investment cost is equivalent to the net return cash, with applying time value of money.
- (3) The Payback Period – PB is to determine the project's break-even point to measure the timing at which the investment period is required to pay back. The calculation of the PB is through the future cash flow streams.

The IFA prepared the financial projection for 30-year period since power purchase agreements allowed the contract to be on-going, renewable every 5 years, without expiration unless the power generator files for cancellation. Hence, the duration of the power plant depends upon life expectancy of power generating equipment, i.e., solar module, structural steel, inverter, cable wire, etc. Under appropriate maintenance, such equipment would have 30-year life span (source: Methodology guidelines on life cycle assessment of photovoltaic electricity, The International Energy Agency).

The 5 Power Plants have not yet entered into any material contracts such as loan agreements, EPC contracts, etc. SPC management informed that terms and conditions of loans, operation management and financial forecasts would be in line with those of SPLO1, which has similar capacity and latest adjustment of financial structure. Thus, the IFA performs the financial projections based on the information of SPLO1, with certain adjustments such as the investment cost of each project, the construction plan and the energy production, etc., to be in accordance with the additional information from the management and current related economic and industrial statistics. Any information that the Company, SPC or the IFA considered potentially to have adverse effect to the firm's competitiveness; for example, the procurement details, prices of the equipment, details of cost structure and details of loan interest rate are not disclosed in this report.

The financial projections were prepared to evaluate the return on investment under current operations and economic circumstance. Should there be any significant change of economic circumstances, other external factors that possibly affect the operating results of the projects, including the Company's operation itself, the return on investment as appraised following this approach would also change. Such projections may not be used as reference for other purposes than mentioned above.

Revenue assumptions

(1) Revenue from electricity sold according to the power purchase agreement

Electricity purchase rate

According to VSPP procedure, the PEA will purchase electricity from power generator of less than 6 Megawatt in 2 rates:

- The rate for the purchase of electricity in the amount that less than or equals to the amount the power generator purchases from the PEA each month. Such amount will be purchased at the retail rate, which is the rate that the PEA sales to the power generator during the month, plus retail Energy Adjustment Charge (Ft).
- The rate for the purchase of electricity in the amount that exceeds the amount the power generator purchases from the PEA each month. Such amount will be purchased at the wholesale rate, which is the rate that the EGAT sales to the PEA, plus wholesale Ft.

Solar power plants purchase electricity from PEA in such insignificant amount compared to its overall electricity generating capacity. Therefore, the electricity sales is determined as follows:

$$\text{Electricity sales} = \text{Wholesale rate based on Time of Use rate (TOU) at the voltage level of 22 Kilovolt} \\ + \text{Variable rate (wholesale Ft)}$$

Table of the electricity purchase rate as of June 2011

Wholesale rate of electricity purchase			Wholesale rate of Ft as at June 2011*
Monday - Friday		Saturday – Sunday and public holidays	
Peak (9.00-22.00)	Off-Peak (22.00-9.00)	Off-Peak (0.00-24.00)	
2.9278	1.1154	1.1154	0.9490

*Source: The Energy Supervisory Board

The increase of wholesale electricity purchase rate and Ft

Wholesale rate of electricity purchase and Ft that the PEA purchases from the power plants are estimated to increase as follows:

- Wholesale rate of electricity purchase during Peak and Off-peak hour increases 4% every 4 years, starting from 2012, throughout the projection period.
- Wholesale rate of Ft increases 4% per annum, starting from 2012, throughout the projection period.

According to the statistics disclosed by the EGAT, the Cabinet would consider and adjust the electricity wholesale rate or base rate, which is derived from fixed cost, every 3 - 5 years. However, the Ft, which is derived from variable cost, would be adjusted every 4 months. During 2001 – 2010, the Ft rate was averagely increased 19% per annum. Mott MacDonald Limited, the independent engineering advisor of SPC, has commented that the estimated increment of electricity rate employed in the projection is considered reasonable.

Energy production

The energy production estimation is derived from the intense of the solar radiation in Thailand calculated from a software program Metronorm V4.0 according to the location of each power plant. However, the monthly energy produced from Korat 1 Power Plant, which operated since April 2010, was 10-15% more than that forecasted by the program in average. SPC management has adjusted the energy forecast of each power plant to be in line with the actual performance of Korat 1 Power Plant, as follows:

Unit: Gigawatt-hour	The energy production of each power plant for the 5 Power Plants
Average yearly energy production	9.78
<u>Less</u> PEA operation fee (2%)	0.20
Net energy output	9.58
Divided into	
Net energy output during Peak hour	5.82
Net energy output during Off-peak hour	3.76

Remark: * The IFA estimates the energy production from the 5 Power Plants based on that of SPKR1 Power Plant since the locations are relatively close.

Degradation rate of solar module

Solar module is gradually deteriorated as aged. As a result, the power output of the module decreases year by year accordingly. The solar module is estimated to have 100% power output during the beginning year and is deteriorated at the rate of 0.5% per annum throughout the projection period, meaning that the power output of the module will decrease by the same rate. During the final year of the projections, the power output of the module will be at 85% of its maximum output.

According to the study from Kyosera Corporation, the supplier of solar module used in the projects, in the 23rd year, the module manufactured by Kyosera has deteriorated merely 8.6% or has power output of 91.4% of its maximum capacity. SPC estimated that in the 23rd year of the energy production, the module would have 89% power output. Thus, the deterioration rate forecasted at 0.5% per annum is considered reasonable.

COD period

SPC management estimates the COD of SPKK1 in December 2011 whereas the COD of the other 4 power plants would be around April 2012. The IFA considers that the COD schedule of SPKR3, SPKR4, SPKR7 and SPKR8 are possible, referred to the actual construction period of SPSN1 and SPNP1, of which the period of land improvement until COD was around 6 - 7 months, including MML's report that the construction of a power plant would take approximately 24 – 26 weeks. However, the IFA conservatively estimates that the COD of SPKK1 would be in January 2012.

Value of electricity sale per annum

It is expected that COD of SPKK1 and the other 4 power plants will be at the beginning of 2012 and April 2012, respectively

The value of electricity sale each year is derived from the electricity purchase rate multiplied by net energy output and by power output of the solar module during the year. The calculation of the sale during 2012 - 2016 is indicated in the following table.

Revenue from electricity sale of each power plant		2012	2013	2014	2015	2016
Net energy output during Peak hour (GWh)	A	5.82				
Net energy output during Off-peak hour (GWh)	B	3.76				
Electricity purchase rate during Peak hour (Baht)	C	3.0499	3.0499	3.0499	3.0499	3.1667
Electricity purchase rate during Off-peak hour (Baht)	D	1.1600	1.1600	1.1600	1.1600	1.2064
Ft rate (Baht)	E	0.9870	1.0264	1.0675	1.1102	1.1546

Revenue from electricity sale of each power plant		2012	2013	2014	2015	2016
Output of solar module (%)	F	100.0	99.5	99.0	98.5	98.0
Electricity sale (Baht million) $((A \times (C+E)) + (B \times (D+E))) \times F$						
- SPKK1		31.54	31.76	31.99	32.23	33.35
- SPKR3, SPKR4, SPKR7 and SPKR8		23.65	31.70	31.93	32.17	33.07

(2) Revenue from Adder

The 5 Power Plants are awarded 8 Baht/Kilowatt-hour adder from the electricity purchase rate for the period of 10 years starting from COD. The calculation of the revenue during 2012 - 2016 is indicated in the following table.

Revenue from Adder of each power plant		2012	2013	2014	2015	2016
Average yearly energy production (GWh)*	A	9.78				
Adder (Baht/KWh)	B	8.00				
Output of solar module (%)	C	100.0	99.5	99.0	98.5	98.0
Revenue from Adder (Baht million) $(A \times B \times C)$						
- SPKK1		76.64	76.25	75.87	75.49	75.10
- SPKR3, SPKR4, SPKR7 and SPKR8		57.48	76.35	75.97	75.58	75.20

Remark: * The revenue from Adder is calculated from total electricity generated without deducting the PEA's operation fee, according to the PEA's procedure.

(3) Revenue from Carbon Credit (CERs)

Revenue from CERs is derived from the amount of green house gas (GHG) that could be reduced from the operation of each power plant. SPC received a preliminary offer, date 5 November 2010 from international energy-wholesaler company located in England, to sell CERs at Euro 8 / ton carbon dioxide per annum. However, SPC is in the process of applying for CERs from relevant agencies, which normally takes approximately 1.5 – 2 years, from COD, to get the approval (source: Thailand Greenhouse Gas Management Organization). The IFA estimates that the 5 Power Plants recognize such revenue from the beginning of 2014 onward. The calculation of the revenue during 2012 - 2016 is indicated in the following table

Revenue from CERs of each power plant		2012	2013	2014	2015	2016
GHG that could be reduced from the operation of the power plant (Ton CO ₂ /year)*	A	5.21				
Market price of CERs** (Baht/Ton CO ₂)	B	341				
Output of solar module (%)	C	100.0	99.5	99.0	98.5	98.0
Revenue from CERs (Baht million) $(A \times B \times C)$						
- SPKK1		-	-	1.81	1.80	1.79
- SPKR3, SPKR4, SPKR7 and SPKR8		-	-	1.36	1.80	1.79

Remark: * Estimated by SPC

** The selling price of CERs is based on the offer price at Euro 8/TonCO₂. The exchange rate is calculated at 1 Euro per Baht 42.6648, based on that disclosed by Bank of Thailand as at 19 July 2011.

The other project operated under SPC's subsidiaries that are commercially operated, SPKR1, SPSN1 and SPNP1, are on the process of getting approval for CERs from relevant organization. The revenue from CERs of those has not been recognized.

(4) Other revenue

Other revenue comes from interest. The interest rate for saving account is estimated at 0.87% per annum (source: deposit rate of Kbank as at 22 July 2011)

Cost and expenses assumptions

Cost and expenses of the power plants are estimated by SPC's management, as followings

- (1) Operation and management of the plant provided by SPC, consisting wages and other operating expenses, according the rate agreed between SPC and the power plant.
- (2) Maintenance cost of the power plant was based on the estimated annual cost for maintenance of the equipment throughout the life expectancy of the power plant.
- (3) Insurance cost, estimated at Baht 1 million per annum
- (4) Other costs such as yearly cost of monitoring, etc.

Tax assumptions

Corporate tax is estimated according to the BOI privilege expected for the 5 power plants as follows:

Year 1 - 8	Corporate tax rate is 0% of the net profit before tax
Year 9 - 13	Corporate tax rate is 15% of the net profit before tax
Year 14 - 30	Corporate tax rate is 30% of the net profit before tax

Capital expenditure and depreciation assumptions

SPKK1 has already invested in land and some equipment. The total investment cost would be Baht 630 million. SPC management estimates the investment of the other 4 power plants at around Baht 650 million each. The costs of equipment, land and land improvement and construction are estimated around Baht 610 million for each power plant. The rest of the investment cost, Baht 40 million each, is the reserved fund for fluctuation of land and land improvement cost, exchange rate and equipment for construction.

The IFA estimates the investment cost of each project based on a conservative basis. The reserved fund of each project is assumed to be mainly invested in land and land improvement because the important equipment, such as solar modules and inverters, has already been agreed under supply agreements and the price has already been informed. Furthermore, the management has policy to purchase forward contract to mitigate exchange rate risk. The IFA estimates the investment cost of each project according to the full value that the Company proposes to the shareholders, as follows:

Investment cost	Estimated by SPC (Baht million)		Estimated by the IFA according to a conservative basis (Baht million)	
	SPKK1*	The other 4 power plants**	SPKK1*	The other 4 power plants**
Equipment and construction	580.00	580.00	580.00	604.00
Land and land improvement	50.00	30.00	50.00	46.00
Reserved fund	-	40.00	-	-
Total investment	630.00	650.00	630.00	650.00

Remark: * SPKK1 has already made some investment, such as land and solar modules. The cost of land and land improvement of SPKK1 is relatively high since the cost of land alone is Baht 41.26 million, which is higher than that of other power plants.

** The investment cost for each power plant.

The depreciation is expected as follows (reference: the Company's financial statements):

- The investment in solar module, depreciated for a period of 30 years.
- The investment in buildings and other structures, depreciated for a period of 25 years.
- The investment in other equipment, depreciated for a period of 20 years.
- Land and land improvement cost, not depreciated.

Working capital assumptions

Some equipment of the power plant receives credit term from suppliers so that the power plant would not have to make all payment in 2011. As at the end of 2011, the payment schedule for the 5 Power Plants would be expected as follow:

Power Plant	Payment schedule for construction (Baht million)		
	2554	2555	Total
SPKK1	570.00	60.00	630.00
SPKR3, SPCR4, SPCR7 and SPCR8	220.00	430.00	650.00

The collection period is estimated at 60 days according to payment term of electricity purchase granted by the PEA and the payment period is estimated at 60 days according to the credit term granted from suppliers.

Financial cost assumptions

SPC management expects that the financial structure to be approved from the financial institution would be in line with that of SPLO1, which is a syndicate loan from local and international financial institution with the payment period of 9-14 year and 70:30 debt to equity ratio. It is expected that the long term loan granted to SPKK1 would be Baht 441 million, whereas those of the other 4 power plants would be Baht 455 million each. The loan would be gradually drawn down in 2011 and fully drawn in 2012.

The interest rate of the syndicate loan consists of both fix and float rates. The proportion of loan that has fixed rate is around 13.5% of the total loan. The payment term and interest payment are summarized as follow (according to those of SPLO1)

Unit: Baht million

Year	SPKK1		SPKR3, SPCR4, SPCR7 and SPCR8	
	Balance at year end	Interest payment	Balance at year end	Interest payment
2011	389.26	4.63	29.93	0.17
2012	404.37	20.50	418.27	21.20
2013	362.95	18.65	375.53	19.29
2014	319.60	16.58	330.81	17.16
2015	274.65	14.43	284.43	14.94
2016	228.23	12.20	236.53	12.64
2017	180.57	9.90	187.37	10.27
2018	131.75	7.51	136.99	7.80
2019	83.61	5.09	87.32	5.30
2020	39.77	2.67	41.42	2.80
2021	18.83	1.16	19.82	1.21
2022	8.00	0.42	8.33	0.44
2023	5.26	0.16	5.51	0.16
2024	2.41	0.10	2.56	0.10
2025	0.00	0.03	0.00	0.03

Remark: The interest rates quoted from local bank and international financial institution are different. The rates consist of both fix and float, which is referred to 3-month THBFIX (Thai Baht Interest Rates Fixing). The IFA referred to the of 3-month THBFIX as at 19 July 2011, which was 3.33808% (Source: Router)

Discount rate assumptions

The discount rate applied to determine present value of the firm's cash flow expected to incur in the future is based on the weighted average cost of capital ("WACC") based on the financial structure of each power plant according to conditions expected from the financial institution with reference to that of SPLO1, of which debt to equity ratio are 70:30. The other assumptions are indicated as the following:

$$WACC = (D/V) * K_d * (1-t) + (E/V) * K_e$$

whereas

$$\begin{aligned} D/V &= \text{Interest-bearing debts} / (\text{Interest-bearing debts} + \text{Shareholders' equities}) \\ &= 70\% \end{aligned}$$

$$\begin{aligned} E/V &= \text{Shareholders' equity} / (\text{Interest-bearing debts} + \text{Shareholders' equities}) \\ &= 30\% \end{aligned}$$

$$t = \text{Corporate tax rate according to the BOI privilege}$$

$$K_d = \text{Cost of interest-bearing debts, referred to average interest rate of the term loan the management expects to be granted to each power plant, which are 3.96\%}$$

$$\begin{aligned} K_e &= \text{Cost of Shareholders' equities, calculated from } R_f + \text{Beta} \times (R_m - R_f) \\ &= 11.06\% \end{aligned}$$

whereas

$$R_f = \text{Return of risk-free debt instrument, based on the yield rate as at 19 July 2011 of 30-year government bonds, which was 4.33\% per annum, according to the assumptions of on-going concern of business (source: www.thaibma.or.th).}$$

Rm = Return of investment from the Stock Exchange of Thailand (1975 – 19 July 2011) equals to 17.28% per annum.

Beta = Beta measures relative risk of investment compared to the overall market risk, referenced from the average beta of SPCG, for retrospective 1 year, to obtain the beta value most accurately reflected the relative risk. The beta equal to 0.55 (Source: Bloomberg as at 30 June 2011).

According to the discounted rate assumption, WACC could be calculated as follows:

$$WACC = (D/V) * K_d * (1-t) + (E/V) * K_e$$

WACC will be varied according to corporate tax rate summarized in the table.

Year	Corporate tax rate	WACC
Year 1-8	0%	6.21%
Year 9-13	15%	5.79%
Year 14-30	30%	5.38%

The IFA did not consider adjusting the discount rate for the lack of marketability, provided that the 5 Power Plants' own market liquidity is reflected through its parent company or SPCG, which is the listed company.

The forecasted cash flows are summarized in the following table (unit: Baht million)

SPKK1	2011	2012	2013	2014	2015	2016 - 2041
Revenue from electricity sale	-	108.18	108.01	107.86	107.72	1,499.84
Revenue from CERs	-	-	-	1.81	1.80	29.24
Other revenue	-	0.26	0.35	0.35	0.35	1.74
Total revenue	-	108.44	108.36	110.01	109.86	1,530.82
Cost and expenses	-	(34.16)	(34.47)	(34.67)	(34.87)	(945.20)
Earning before interest and tax	-	74.28	73.89	75.35	75.00	585.62
Less Corporate tax	-	-	-	-	-	(70.46)
Add Depreciation	-	20.63	20.63	20.63	20.63	497.47
Capital expenditure	(630.00)	-	-	-	-	-
Working capital	60.00	(63.53)	(0.01)	(0.31)	(0.01)	(1.57)
Free cash flow	(570.00)	31.38	94.52	95.67	95.62	1,011.05
Discounted cash flow	215.02					

SPKR3, SPKR4, SPKR7 and SPKR8*	2011	2012	2013	2014	2015	2016 - 2041
Revenue from electricity sale	-	81.13	108.05	107.90	107.75	1,526.77
Revenue from CERs	-	-	-	1.36	1.80	29.69
Other revenue	-	0.20	0.33	0.35	0.35	1.83
Total revenue	-	81.33	108.38	109.60	109.90	1,558.29
Cost and expenses	-	(26.46)	(35.52)	(35.74)	(35.94)	(978.69)
Earning before interest and tax	-	54.86	72.86	73.86	73.96	579.59
Less Corporate tax	-	-	-	-	-	(68.26)
Add Depreciation	-	16.32	21.76	21.76	21.76	527.40
Capital expenditure	(650.00)	-	-	-	-	-
Less Working capital	430.00	(432.65)	(0.89)	(0.23)	(0.08)	2.50
Free cash flow	(220.00)	(361.46)	93.73	95.38	95.64	1,041.23
Discounted cash flow	204.94					

Remark: *The table indicates cash flow of each power plant.

From the above assumptions, the IFA considered the reasonableness of the investment value as the followings:

Evaluation methods	Calculation formula	SPKK1	The other 4 power plants
1. Net Present Value	$NPV = CF_0 - CF_1/(1+WACC)^1 + CF_2/(1+WACC)^2 + \dots + CF_n/(1+WACC)^n$	Baht 215.02 million	Baht 204.94 million
2. Internal Rate of	$IRR = \sum (CF_t / (1+IRR)^t) = 0$	10.59%	10.60%

Return			
3. Payback Period	PB = Period before full recovery + (value of cash flows for the uncovered period / value of cash flow of the recovery year)	6.64 years	6.86 years

According to the investment return derived from the above approaches, the IFA considers that the investment in the 5 Power Plants deems reasonable based on the aforementioned assumptions. The projects will create value added to investors (NPV of the projects are positive). With the investment value of Baht 630 million, the NPV of SPKK1 is Baht 215.02 million whereby the NPV of the other 4 power plants, with the investment value of Baht 650 million each, is Baht 204.97 million each. The total NPV of all power plants equals Baht 1,034.77 million. The internal rate of return (IRR) of the 5 Power Plants are higher than the weighted average cost of capital (WACC) of the projects, or higher than 6.21%. The Payback Period of SPKK1 and the other 4 power plants are 6.64 years and 6.86 years, respectively.

3.2 The return on investment of SPCG and to its shareholders

SPCG holds SPKK1 shares through its subsidiary, SPC. The investment cost is Baht 132.30 million, equivalent to 70% of SPKK1 paid-up capital. SPCG also proposed to invest in the other 4 power plants via SPC. Such investment would be in SPKR3, SPKR4 and SPKR7 at the investment value of Baht 117.00 million each, representing 60% of the expected paid-up capital, and in SPKR8 at the investment value of Baht 195.00 million, representing 100% of the expected paid-up capital. SPCG will gain from such investment via dividend received from each power plant through SPC and the shareholders of SPCG will eventually receive the dividend payable from SPCG's profit and loss statements.

With reference to all aforementioned assumptions, the IFA forecasts the investment return of SPCG from the 5 Power Plants, which are cash in-flows from dividends. The appropriateness of the investment is justified by determining the present value of dividend received less SPCG's initial investment in each project. The discount rate is derived from the weighted average cost of capital (WACC) of SPCG to reflect the return based on current financial cost of the Company.

The dividend projections were prepared to evaluate the return on investment of the 4 power plants to SPCG's shareholders under current operations and economic circumstance. Should there be any significant change of economic circumstances, other external factors that possibly affect the operating results of the projects, including the Company's operation itself, the return on investment as appraised would also change. Such projections may not be used as reference for other purposes than mentioned above and SPCG, SPC and other subsidiaries are not obligated to declare dividend as projected.

The additional assumptions to determine SPCG's return on investment are described as follows:

Dividend payment assumptions

The subsidiaries are assumed to pay dividend to shareholders not less than 100% of cash available after deduction of legal reserve, including annual cash and other reserves according terms and conditions of loan agreement.

In order to be able to declare dividend, a power plant has to follow terms and conditions of loan agreement (based on those of SPLO1) as follows:

- DSCR (Debt Service Coverage Ratio) not less than 1.2 times.
Where as $DSCR = \frac{\text{Earning before interest, tax, depreciation and amortization expenses}}{\text{the aggregated amount of principal, interest and other amount due to the lender during such period}}$
- Cash reserve is required in such amount for the payment of principal and interest of long-term loan for at least 2 quarters. According to the calculation from full amount of the long-term loan, the power plant is required to have a maximum reserve of Baht 45 million. The IFA assumes that the power plant reserves such amount until the end of loan payment in 2025 whereby the reserves afterwards will decrease to Baht 1 million for general working capital.

Discount rate assumptions

The discount rate applied to determine present value of the expected future dividend streams payable to SPCG from the 5 subsidiaries is based on the weighted average cost of capital ("WACC") of SPCG determined from

its quarterly consolidated financial statements ended 31 March 2011. The increase of capital and loan according to this Transaction are also included in the structure. Details of assumptions are indicated as the following:

$$WACC = (D/V) * K_d * (1-t) + (E/V) * K_e$$

whereas

$$\begin{aligned} D &= \text{Interest-bearing debts from consolidated financial statements ended 31 March 2011} + \text{Loan incurred from the Transaction} \\ &= 566.17 + (441 + (455 \times 4)) = \text{Baht 2,261.00 million} \end{aligned}$$

$$\begin{aligned} E &= \text{Shareholders' equities from consolidated financial statements ended 31 March 2011} + \text{Fund expected to increase capital in SPKR3, SPKR4, SPKR7 and SPKR8}^{/1} \\ &= 571.13 + 546.00 = \text{Baht 1,170.13 million} \end{aligned}$$

Remark: ^{/1} The IFA conservatively assumed that the total fund SPCG would use to increase capital in the 4 power plants would come from SPCG's shareholders' equities. Nevertheless, the source of fund may be from loan, as a result, the shareholders' equities of SPCG would decrease as well as the estimated WACC.

$$\begin{aligned} D/V &= \text{Interest-bearing debts} / (\text{Interest-bearing debts} + \text{Shareholders' equities}) \\ &= 66.93\% \end{aligned}$$

$$\begin{aligned} E/V &= \text{Shareholders' equity} / (\text{Interest-bearing debts} + \text{Shareholders' equities}) \\ &= 33.07\% \end{aligned}$$

$$t = \text{Corporate tax rate of } 0\%^{/2}$$

Remark: ^{/2} The revenue from dividend is exempted from corporate tax according to the Revenue Code, Section 65 Bis (10) so that there would be no affect on the cost of debt after tax or the cost of interest payment that would be decreased due to tax based on WACC principal. Therefore, the IFA assumes corporate tax rate for calculating investment return of SPCG via dividend payment at 0%

$$K_d = \text{Cost of interest-bearing debts, referred to average interest rate of SPCG's, of which mostly are long-term loan for power plants, that are } 4.55\%$$

$$\begin{aligned} K_e &= \text{Cost of Shareholders' equities, calculated from } R_f + \text{Beta} \times (R_m - R_f) \\ &= 11.45\% \end{aligned}$$

whereas

$$R_f = \text{Return of risk-free debt instrument, based on the yield rate as at 19 July 2011 of 30-year government bonds, which was } 4.33\% \text{ per annum, according to the assumptions of on-going concern of business (source: www.thaibma.or.th).}$$

$$R_m = \text{Return of investment from the Stock Exchange of Thailand (1975 – 19 July 2011) equals to } 17.28\% \text{ per annum.}$$

$$\text{Beta} = \text{Beta measures relative risk of investment compared to the overall market risk, referenced from the average beta of SPCG, for retrospective 1, to obtain the beta value most accurately reflected the relative risk. The beta equaled to } 0.55 \text{ (Source: Bloomberg as at 30 June 2011).}$$

According to the discounted rate assumption, WACC could be calculated as follows:

$$WACC = (D/V) * K_d * (1-t) + (E/V) * K_e = 6.83\%$$

Based on cash flow projections, each power plant would be able to comply with the cash reserve and DSCR conditions and able to declare dividend from 2013 onwards, as presented in the table:

DSCR	2011	2012	2013	2014	2015
SPKK1	n/a	2.04*	1.25	1.60	1.61
SPKR3, SPKR4, SPKR7 and SPKR8	n/a	1.56*	1.62	1.62	1.63

Remark: *The power plants are not able to declare dividend in 2012, despite DSCR more than 1.2 times, since the condition of Baht 45 million cash reserve is not achieved. Such condition will be achieved in 2013

The IFA forecasts annual dividend payment and determine the present value of such dividend based on the Company's weighted average cost of capital (WACC) as the discount rate, as follows:

SPKK1	2011	2012	2013	2014	2015	2016 - 2041
Dividend payment of the power plant	-	-	19.07	35.75	36.24	741.17

SPKK1	2011	2012	2013	2014	2015	2016 - 2041
Dividend payment to SPCG/SPC (70%)	-	-	13.35	25.02	25.36	518.82
Present value of cash flow from dividend to SPC/SPCG	246.28					
Initial investment of SPC/SPCG	(132.30)					
Present value of cash flow less initial investment	113.98					

SPKR3, SPKR4 and SPKR7	2011	2012	2013	2014	2015	2016 - 2041
Dividend payment of the power plant	-	-	34.90	35.45	36.41	702.01
Dividend payment to SPCG/SPC (60%)	-	-	20.94	21.27	21.84	421.20
Present value of cash flow from dividend to SPC/SPCG	204.98					
Initial investment of SPC/SPCG (60%)	(117.00)					
Present value of cash flow less initial investment	87.98					

Remark: *The table indicates cash flow of each power plant.

SPKR8	2011	2012	2013	2014	2015	2016 - 2041
Dividend payment of the power plant	-	-	34.90	35.45	36.41	702.01
Present value of cash flow from dividend to SPC/SPCG	341.63					
Initial investment of SPC/SPCG (51%)	(195.00)					
Present value of cash flow less initial investment	146.63					

According to the tables, the IFA considers that the investment of SPCG in the 5 Power Plants deems reasonable. From Investing in 70% of SPKK1 paid-up capital, SPCG would receive a total stream of dividend of Baht 582.56 million, or equivalent to a present value of cash received, less initial investment, of Baht 113.98 million. From investing in 60% of the paid-up capital of SPKR3, SPKR4 and SPKR7, SPCG would receive a total stream of dividend of Baht 485.26 million for each project, or equivalent to a present value of cash received, less initial investment, of Baht 87.98 million each. And from investing in 100% of the paid-up capital of SPKR8, SPCG would receive a total stream of dividend of Baht 808.77 million, or equivalent to a present value of cash received, less initial investment, of Baht 146.63 million.

Moreover, SPC will be responsible for the construction of the 5 Power Plants as EPC contract and SPCG may develop structural steel to support the construction according to the business plan of the group. The revenue from such construction can not be estimated since SPC is still negotiating for EPC's terms and conditions. The IFA accordingly can not reasonably project the revenue and cost structure of such service at the moment. However, the EPC services for the power plants are expected to generate revenue from supporting business to the group and create value-added to the shareholders.

4. Opinion of the Financial Advisor

The propose of this Transaction is to enable the Company to invest in the 4 Power Plants, SPKR3, SPKR4, SPKR7 and SPKR8, which are the consecutive 6th – 10th project of the total 34 power plants, to be operated by SPC's subsidiaries.

The Company plans to lend or inject by way of capital increase the proceeds to SPC a total of Baht 546 million to invest in newly issued shares of 4 power plants; SPKR3, SPKR4, SPKR7 and SPKR8. The Company will lend to SPC to invest in newly issued shares of SPKR3, SPKR4 and SPKR7 for Baht 117 million each, RATCH will hold 40% of each project. For SPKK1, of which its Baht 189 million paid-up capital is currently 70% owned by SPC. For SPKR8, SPC will invest 100% through SPC or Baht 195 million. The Transaction involves the proposed investment in solar-power plants operated by SPC's subsidiaries, which are SPKK1, worth approximately Baht 630 million, and SPKR3, SPKR4, SPKR7 and SPKR8 worth approximately Baht 650 million each.

To determine the reasonableness of the Transaction, the IFA evaluates the return on investment based on financial conditions of SPLO1, the latest project, and on conservative ground, i.e., the estimation of the investment costs with allowances for fluctuation of land, land improvement and construction costs, the forecast of energy produced from the 5 Power Plants with references from that of SPKR1, of which the locations are close to one another and has already operated since April 2010. The IFA determines the investment return in 2 aspects; (1) The return on investment of overall projects, which is evaluated by Net Present Value (NPV), Internal Rate of Return (IRR) and Payback period approaches. The investment in SPKK1 and the other 4 power plants deems feasible since

the projects' NPV are positive. The NPV of SPKK1 and the other 4 power plants are Baht 215.02 million and Baht 204.94 million each, respectively. In addition, IRRs are higher than weighted average cost of capital with Payback Period around 6 - 7 years. (2) The return on investment of SPCG's shareholders from investing in SPC's 5 subsidiaries in form of dividend payment from their operations after deduction of financial reserves. SPCG's investment in the 5 Power Plants through SPC is considered reasonable since SPKK1 (holding 70%) and the other 3 power plants (holding 60%) and SPKR8 (holding 100%) create the net present value of dividends, less initial investment, of Baht 113.98 million, Baht 87.98 million each and 146.63 million, respectively.

However, as at the date issuing this report, the Transaction incurred several risks, i.e., the risk from uncertainty of source of funds, the delay from capital increase from public offering and uncertainty of fund raising from the public offering of at least Baht 546 million and fund to be provided by financial institution which may be delayed, the risk concerning the changes of financial and project costs due to terms and conditions yet to be agreed with the financial institution(s), the land and construction costs, the fluctuation of interest and exchange rates and the increase of equipment cost, the risk from the delay of construction due to SPC constructing 5 power plants around the same period, the risk concerning the cancel of PPA should SPKK1 could not begin COD according to PEA schedule, and the risk of the actual energy production which could be different from the that of projections since technical reports for the 5 Power Plants have not been completed. Should the Power Plants be able to seek loan support, perform construction and begin COD as expected and be able to operate according to the assumptions, the size of the Company's business would be increased with stable income throughout life expectancy of the power plants. These would create long-term value-added to the Company's shareholders. The IFA accordingly deems that the shareholders vote to **approve** the Transaction.

The IFA hereby would like to express the observation that the 3 subsidiaries of SPC (SPKR3, SPKR4 and SPKR7) will allocate its newly issued shares to RATCH to hold shares of 40% each. The fund will be used for investment in power plant projects operated by the 3 subsidiaries. It is expected that RATCH will subscribe each subsidiary's shares at par value. The IFA considers that SPCG may get more beneficial in term of dividend payment if the Company issues more new shares and invest in the whole or nearly whole stakes of the 3 Power Plants. However, if SPCG invest 100% of all SPC's subsidiaries (except for SPKK1), it has to raise fund up to Baht 780 million (except for SPKK1) which would increase the control dilution to existing shareholders. The Company has a risk that the proceeds from public offering are not sufficient due to the offering price is not yet determined. In case shareholders do not approve the acquisition of 5 power plants, the total cost that already invested, including those obligated to make payment are approximately Baht 850 million and the capital increase will not occur. This would adversely affect the financial status of the Company and also the operation of the power plants. However, currently, SPC agreed with RATCH to be co-investor therefore there is no risk from seeking a new investor. RATCH is a listed company and has experience in electricity generating business.

The decision of shareholders to votes to approve the Company to enter the Transaction shall be with their own discretion.

I hereby certify that in providing the above opinion, careful consideration was taken in accordance with professional standard for the interest of the Company's shareholders.

Sincerely yours,
Phillip Securities (Thailand) Public Company Limited

Vicha Tomana

(Mr.Vicha Tomana)
Licensed Financial Advisor

Prachaya Kulvanichpisit

(Mr.Prachaya Kulvanichpisit)
Managing Director

Steven Kin-Wai Lo

(Mr. Steven Kin-Wai Lo)
Executive Director