

- Translation -

No. ThorSor. 103/2557

October 22, 2014

Subject: Opinion of Independent Financial Advisor on the price fairness and reasonableness

To: Independent Directors and Shareholders
Rich Asia Steel Public Co., Ltd.

Attachments 1. Salient points of share valuation report
2. Salient points of debt restructuring agreement

Rich Asia Steel Public Co., Ltd. (hereinafter to be referred to as "RICH") has appointed DS Prudential Management Co., Ltd. (hereinafter to be referred to as "DS" or "IFA") as the Independent Financial Advisor to give opinion to the independent directors and shareholders of RICH on the price fairness and reasonableness in an asset disposition transaction, whereby RICH will sell the ordinary shares it holds in Thai National Product Co., Ltd. (hereinafter to be referred to as "TNP") amounting to 18,000,000 shares each of Baht 10.00 par value, representing 66.42% of the paid registered capital of TNP, at the price of Baht 30.00 per share or a total of Baht 540.00million in consideration.

As the IFA, we view that RICH has operated at consecutive losses since 2011. This has accordingly impaired its liquidity and disabled it to settle debts to financial creditors as scheduled while burdening higher financial costs as a result of such debt default. RICH has undergone several rounds of debt restructuring with its financial creditors but has failed to perform in compliance with the conditions under the debt restructuring agreements. Its sale of 18,000,000 ordinary shares of TNP at Baht 30.00 per share would bring in proceeds of Baht 540.00 million. This amount could be used by the Company to settle debts of Baht 450.00 million under the latest debt restructuring agreement with one financial creditor. This share sale transaction would not only help relieve the debt burden with its financial creditor, RICH would also be able to cut down its average financial cost from a rate of as high as 9.02% p.a. or approximately Baht 40.59 million per year. The financial creditor would then release the guarantee obligation of TNP from securing the loans of RICH and the mortgage of collateral assets, i.e. land with construction and machinery owned by TNP, could also be redeemed. TNP should then be able to make use of such assets to benefit its business operation in the future while RICH would also continue benefiting from TNP's business proportionately to its remaining shareholding. The proceeds left after debt settlement to the said financial creditor can also be used as working capital, hence more operational liquidity.

Comparing the share fair price worked out by various valuation methods, we have found that the share price derived by the discounted cash flow approach can better reflect the true value of TNP share than other methods. By this method, the total enterprise value is Baht 679.15 million or Baht 25.06 per share. Therefore, taking into account the benefit obtainable by RICH from the sale of 18,000,000 ordinary shares of TNP at Baht 30.00 per share, totaling Baht 540.00 million, the transaction price is higher than the fair price derived

by the discounted cash flow approach where the share price would be Baht 25.06 per share or a total of Baht 450.08 million. Therefore, the proposed sale of TNP ordinary shares by RICH is considered reasonable, and the shareholders should consider approving the sale of TNP shares amounting to 18,000,000 shares for a total consideration of Baht 540.00 million.

However, in deciding whether to approve this transaction, the shareholders may consider the reasons and opinion given by us, and the final decision should be made by the shareholders at their own discretion. We give the above opinion based on the information, documents and assumptions obtained from RICH, information disclosed to the public, and other relevant information under the current circumstances, including resolutions of the Board of Directors of RICH on such transaction, letters notifying and giving information to the shareholders and the Stock Exchange of Thailand, list of shareholders, list of directors, certificate of corporation, articles of association, financial statements, projections, other information and documents relevant to the transaction, as well as interviews with the management and officers of RICH, and asset appraisal report of independent appraisers. We give our opinion under the assumption that all such information and documents are true and correct. If in any case such information and documents are found untrue or incorrect or if there is any significant change therein, as well as any material change in the current circumstances and assumptions, there may be material impacts on the opinion given herein. Therefore, we may not certify the correctness of the information herein in the event of any such material change. The financial projection and the fair value of the ordinary shares of TNP as prepared by us may not be used as reference for any purpose other than for supporting consideration to approve this transaction.

We, DS Prudential Management Co., Ltd. hereby certify that we have considered and given opinion above with prudence in accordance with the professional standard and practice and with due regards to the interests of the Company.

This is for your information.

Sincerely yours
DS Prudential Management Co., Ltd.

Benchamas Boonprakong

(Miss Benchamas Boonprakong)
Managing Director

Vichit Charoensakkajorn

(Mr. Vichit Charoensakkajorn)
Operational Controller

Opinion of Financial Advisor
Rich Asia Steel Public Company Limited
On the Disposal of Part of Ordinary Shares of Thai National Product Co., Ltd.

1. Nature and Details on the assets to be disposed

1.1. Date of transaction

Rich Asia Steel Public Company Limited (Which The next book called is "RICH or the "Company") plans to dispose of 18,000,000 ordinary shares it holds in Thai National Product Co., Ltd. (Which The next book called is "TNP"), provided that RICH will be able to enter into the transaction upon approval being granted by an extraordinary meeting of shareholders and this transaction is expected to complete within December 31, 2014.

1.2 The transaction assets to be disposed

1.2.1 Parties involved

Seller: Rich Asia Steel Public Company Limited

Buyer: (1) Dr. Phasin Suebsubanunt (2) Mr. Thiti Kittipattananon and
(3) Miss Duendara Limthanakul

(Details of the Buyers of TNP as per attachment)

Relationship between the Buyer and the Seller:

The Buyer and the Seller are not related and not connected persons under the Notification of the Capital Market Supervisory Board Re: Rules on Connected Transactions, Notification of the Board of Governors of the Stock Exchange of Thailand Re: Disclosure of Information and Other Acts of Listed Companies Concerning the Connected Transactions B.E. 2546 (2006) or other relevant laws.

Dr. Phasin Suebsubanunt

Education

- Doctor's degree Management Program Brunel University London
- Diploma on management University of Management London
- Master Degree in MBA of Asian Institute of Technology
- Bachelor Degree in Engineer (honor), major in Electronic Engineering
Chulalongkorn University

Work Experience

- Senior Vice President-South East Asia: Valartis Financial Advisory
Service PTE LTD
- Director of Northern Gulf Petroleum Co., Ltd.
- Assistance to Managing Director in Derivatives and Investment Banking
at CIMB
- President of Structured Finance of ABN AMRO Bank
- Senior Fieldwork engineering at Schlumberger (the United Kingdom and
Australia)

Mr. Thiti Kittipattananon

Education - Bachelor Degree of MBA at Rajamangala University of Technology

Work Experience - TOR Food Company Limited

Miss Duendara Limthanakul

Education - Bachelor Degree, English program at Bangkok University

Work Experience - Advance Orthodontic System Ltd

1.2.2 Information on the transaction and the transaction size

RICH intends to dispose of 18,000,000 ordinary shares of TNP at the par value of Baht 10 per share, representing 66.42 percent of the total issued and paid-up shares, at the price of Baht 30.00 per share. In this regard, RICH will receive a payment of Baht 540 million in cash.

Transaction size:

Net tangible asset basis

= Net tangible assets of TNP x Percentage of the disposal of the ordinary shares of TNP

Net tangible assets of RICH

= 350.06 x 66.42%

224.05

= 103.77%

Net profit basis = NA

Remark: Unable to calculate because RICH's loss

Consideration paid basis = Consideration paid

Assets of RICH

= 540.00

4,116.86

= 13.12%

Issuance of securities basis = None

The financial information as at 30 June 2014 is described below:

Unit : Baht million

	RICH	TNP *
Total assets	4,116.86	555.05
Paid-up registered capital	1,025.64	271.01
Shareholders' equity	224.05	350.06
Net profit (loss) **	- 339.98	33.48

Remark: *On 3 September 2014, TNP increases its capital by 1 million shares at the offering price of Baht 15 per share, totaling Baht 15,000,000. Mr.Kamol Watthanakanin paid for the said share price. Thus, the total assets, the paid-up registered capital, and the shareholders' equity are adjusted accordingly in its financial statements based on the capital increase value received.

**For the period of one year from 1 July 2013 to 30 June 2014.

The transaction size based on the Net tangible asset basis which after 6 months pass, RICH does not have any sale and purchase transaction thus the value constitutes 103.77 percent, being the highest value in comparison with other basis in accordance with the Notification of the Board of Governors the Stock Exchange of Thailand Re: Disclose of Information and Acts by Listed Companies in Acquisition or Disposal of Assets B.E. 2547 (2004) which is categorized as a Type 1 transaction, RICH is required to report and disclose the transaction to the Stock Exchange of Thailand, as well as to convene a shareholders' meeting for seeking approval on entering into the transaction.

1.2.3 Purpose of the Transaction

Due to the fact that RICH has suffered a continued loss in its revenue since 2011, TNP was unable to pay liabilities, including interest charge, to the financial institutions as expected. As of June 30, 2014, RICH was liable for paying debts – worth 2,023.70 million baht in total – to two financial institutions, had undergone debt restructuring for several times, and still failed to clear the debt as stated in the contract. To enable TNP to meet terms and conditions stated in the latest contract, RICH's board of directors proposed in the 2014 Annual General Meeting of Shareholders for approval to sell 18,000,000 shares of TNP's common stock, priced at 30.00 baht each, which would yield TNP 540 million baht in total. The board also proposed for approval on the notion of increasing TNP's registered capital by 1,374,359,502 shares with each priced at 1 baht and offer placed at 0.30 baht, through right offering and private placement, which would yield TNP 412.31 million baht in total. RICH spent the moneys it gained to clear debt of 750 million baht with the two financial institutions as stated in the latest contract. The remaining amount of money – worth approximately 202.31 baht – was saved as circulating fund for running its business. TNP's board set both agendas – selling stock and increasing registered capital – in the 2014 Annual General Meeting of Shareholders under the condition that both of them must be approved in order to be effective. If either one of them is not approved, both of them will become

ineffective and no such agenda will be taken into consideration in the meeting for a second time.

RICH's liability structure of financial institutions and shareholder's equity (separate financial statement) – both prior to and following the sale of TNP's stock and the capital increase – as of June 30, 2014, are as follows:

Item	Million baht	
	Before	After
Liabilities		
Overdraft and short-term loans from financial institutions	701.39	42.99*
Liabilities according to the debt restructuring contract	1,365.30	915.30**
Liabilities to the financial institutions (in total)	1,365.30	958.29
Liabilities Balance (including liabilities to shareholders)	351.24	1,121***

- Note
- * Overdraft and short-term loans from financial institutions under the 658.40-million-baht debt restructuring contract will be cleared after RICH pays the liabilities of 300 million baht, as stated in the contract.
 - ** RICH pays the liabilities of 450 million baht to satisfy the debt restructuring contract.
 - *** RICH made 412.31 million baht by increasing 1,374.36 shares of stock, priced 0.30 baht each, and made 358.40 million baht from pay liabilities under the debt restructuring contract. (Estimations based on *)

1.2.4 Total consideration value

The total consideration value of the disposal of 18,000,000 ordinary shares of TNP at the par value of Baht 10 per share, representing 66.42 percent of the total issued and paid-up issued shares, is Baht 540 million. The Buyer will pay RICH the consideration of Baht 540 million in cash.

1.2.5 Details on assets to be disposed

Asset type	Ordinary shares of Thai National Product Co., Ltd.
Nature of business	Spun pile production
Location	33/3 Moo 4, Bang Bua Thong-Suphan Buri Road, Sai Yai Subdistrict, Sai Noi District, Nonthaburi Province
Directors	Mr. Somkiat Vongsarojana and Mr. Teera Phoncharoensuk
Paid-up issued capital	Baht 271,006,000
Par value	Baht 10 per share
Total ordinary shares	27,100,600 shares*

Disposed shares 18,000,000 shares

Shareholding ratio before disposal 96.31 percent

Shareholding ratio after disposal 29.89 percent of the paid-up registered capital

Remark: Amount of shares as of September 3, 2014

Before Disposal			After Disposal		
Shareholder Name	No. of Shares	%	Shareholder Name	No. of Shares	%
1. RICH	26,100,598	96.31	1.RICH	8,100,598	29.89
2. Mr. Kamol Wantanakanin	1,000,001	3.69	2. Mr. Kamol Wantanakanin	1,000,001	3.69
3. Mr. Somkiat Vongsarojana	1	0.00	3. Mr. Somkiat Vongsarojana	1	0.00
			4. Dr. Phasin Suebsubanunt	6,000,000	22.14
			5. Mr. Thiti Kittipattananon	6,000,000	22.14
			6. Miss Duendara Limthanakul	6,000,000	22.14
Total	27,100,600	100.00	Total	27,100,600	100.00

1.2.6 Expected benefits for RICH from the disposal of the shares of TNP

The disposal of the shares of TNP shall bring about the following benefits to RICH:

- The funds received from the disposal of the shares of TNP will allow the Company to repay the debts and decrease the financial costs of the Company. Therefore, RICH's business operation will be better.
- The funds received from the disposal of the shares will be used as RICH's revolving capital.

2. General Information of Thai National Product Co., Ltd.

2.1 Background and Key Developments

Thai National Product (TNP) Co., Ltd., formerly Thai-Nippon Concrete Co., Ltd., was established on April 17, 1990, as a spun pile manufacturer. With the registered capital of 1,006 million baht, TNP was the co-investment between an advanced concrete pile manufacturer in Thailand and Nippon Concrete Industry Co., Ltd. – a Japanese partner specialized in manufacturing of spun piles. The facility on 108 Rai of land on Km. 50 of Bang Bua Thong – Suphanburi Road has then become the largest and most advanced manufacturing facility of spun piles in South East Asia. With manufacturing capacity of 24,000 tons per month, TNP has supplied its market since May 1991, and has reached 40,000 tons per month by now. Due to the utilization of modern technology and tight quality control of Japanese standards, TNP has been accredited by the Department of Highways, the Expressway & Rapid Transit Authority of Thailand, Thai Industrial Standards Institute, and its clients.

In addition, TNP also provides piling services with modern machines and methodology according to customers' demand and environment. The piling methodology deployed includes Pure Drive, Pre-Boring, Auger-Press with Final Drive, each of which has been developed for maximum efficiency while pollutions such as vibration, dust, and noise are kept at minimum.

Due to the economic crisis in 1997, TNP's asset was outnumbered by its debt, so it had to undergo rehabilitation process according to the ruling of Central Bankruptcy Court which was declared on August 2, 2002. When TNP successfully completed the rehabilitation plan, the rehabilitation process was subsequently terminated by the Court's ruling on December 19, 2007, and TNP changed its name to Thai National Product (TNP) on February 27, 2008.

In 2010, RICH made a purchase of all TNP's common stocks worth 639.48 million baht, turning TNP into RICH's affiliate.

In early 2014, TNP started to produce and market concrete sleepers, with manufacturing capacity of 22,500 pieces per month. TNP also has a plan to increase the capacity to reach 52,500 pieces per month (630,000 pieces per year) by the end of 2014.

2.2 Capital structure and shareholders.

On September 3, 2014 TNP has issued and paid-up share capital Baht 271,006,000 divided to ordinary shares 27,100,600 shares, at par value baht 10 per share. Shareholders name is follows:

Shareholders name	Number of shares	Percentage
1. RICH ¹	26,100,598	96.31
2. Mr. Kamol Wantanakanin	1,000,001	3.69
3. Mr. Somkiat Vongsarojana	1	0.00
Total	27,100,600	100.00

Remark :

¹Major Shareholders as of March 17, 2014 * as follows:

Shareholders name	Number of shares	Percentage
1. Mr. Norong Wangchareonwong	51,646,500	5.04
2. Mr. Silchai Seemawonganant	49,569,070	4.83
3. Miss Angkakarn Tantiviroon	43,550,000	4.25
4. Miss Nada Thepawatanasuk	38,594,690	3.76
5. Mrs. Phimsiri Keeratithiansiri	33,450,000	3.26
6. Seneeprakornkrai Group***	54,169,500	5.28
7. Mr. Krit Purisinsit	19,770,000	1.93
8. Mr. Surapol Tangkaprasert	16,897,070	1.65
9. Mr. Aprichart Chaiporamat	12,862,700	1.25
10. Miss Supinya Leesawadtakul	12,241,500	1.19
Total	332,751,030	32.44

Remark :

* Detail from Website of the Stock Exchange of Thailand.

** Paid-up registered capital of the RICH as of August 22, 2014 has number of shares equal to 1,025,640,498 shares.

*** Seneeprakornkrai Group include

1. Miss Arporn Seneeprakornkrai holds 31,169,500 shares representing 3.04 % of paid-up registered capital.

2. Mr. Anuroj Seneeprakornkrai holds 23,000,000 shares representing 2.24% of paid-up registered capital.

On December 20, 2013, TNP sold the right of claim with absolute assignment over a debtor of TNP to Mr. Kamon Wattanakanin – one of TNP's management – for 15 million baht, and RICH has successfully received the payment. The debtor owed to TNP the original debt of 15.3 million baht and interest charge of 0.31 million baht, making a total of 15.61 million baht. TNP set the allowance for doubtful accounts at 12.49 million baht, and as a result, the debtor's book value was worth 2.81 million baht. TNP also made an agreement with the assignee that he will have the right to purchase TNP's common stock, worth up to the amount of money the assignee paid to fulfill the right assignment deal, before TNP enters into the Stock Exchange of Thailand's list. Under this agreement, the exercise price was set equal to the common stock price on the date the right is claimed, and the P/E ratio was set at 8. Also, unless the assignee claims his right within the deadline, his right will be automatically renounced. On July 15, 2014, the assignee – Mr. Kamon Wattanakanin – claimed his right in purchasing TNP's common stock, the price of which was agreed by both parties at 15 baht per share. The assignee purchased 1,000,000 shares of stock, making it a 15 million baht deal, and the payment has already been made to TNP. TNP also officially made an increase in its registered capital on September 3, 2014.

Note: TNP's net profit from April 1, 2013 to March 31, 2014 is 36.89 million baht; the number of shares prior to the capital increase is 26.10 million; the EPS is therefore 1.41 baht, making the agreed price at 11.28 baht per share.)

2.3 Executive Board

TNP's executive board, as of September 3, 2014, consists of two people:

1. Mr. Somkiat Vongsarojana
2. Mr. Teera Phonchareonsuk

Both of them are responsible for signing and stamping documents of TNP.

2.4 Business Type

2.4.1 Our Business

TNP is a spun pile manufacturer who also provides piling services with modern machines and methodology according to customers' demand and environment. The piling methodology deployed includes Pure Drive, Pre-Boring, Auger-Press with Final Drive, each of which has been developed for maximum efficiency while pollutions such as vibration, dust, and noise are kept at minimum.

TNP specializes in manufacturing spun piles that are three times stronger than the concrete ones. The piles are made by certified technicians using the automatic welding machine or semi automatic welding machine, the advanced technology accepted worldwide.

Recently spun pile has been extensively used for construction, especially construction in a highly-populated community which has limitations on noise and vibration

control, and soil movement. Spun piles can be used in many ways: full driven sand, auger pressin clay with final drive in sand, auger in clay with press sand with base grouting, and full auger in sand with base grouting.

In mid 2013, TNP extended its business to cover the manufacturing of concrete railroad sleepers in response to the government policy that aims to increase the safety by replacing wooden sleepers with concrete ones. TNP also looked to supply concrete sleepers to other projects such as Double Tracks Project, while at the same time making more investments through the expansion of its offices and factories, and the purchase of machinery, as well as testing its new product in late 2013, and then launched the product in January 2014.

2.4.2 Revenue Structure

Revenue	Jan-Jun 2014		2013		2012		2011	
	Million baht	%	Million baht	%	Million baht	%	Million baht	%
<u>Product – Pile</u>								
-Sales	81.55	55	264.43	68	203.40	68	111.02	61
-Services	35.02	24	114.99	29	87.75	30	67.21	37
-Total	116.57	79	379.42	97	291.15	98	178.23	98
<u>Product – Sleepers</u>								
-Sales	27.24	18	-		-		-	
Sales & Services	143.81	97	379.42	97	291.15	98	178.23	98
Other	3.58	3	11.01	3	4.66	2	3.00	2
Total	147.39	100	390.43	100	295.81	100	181.23	100

2.4.3 Products

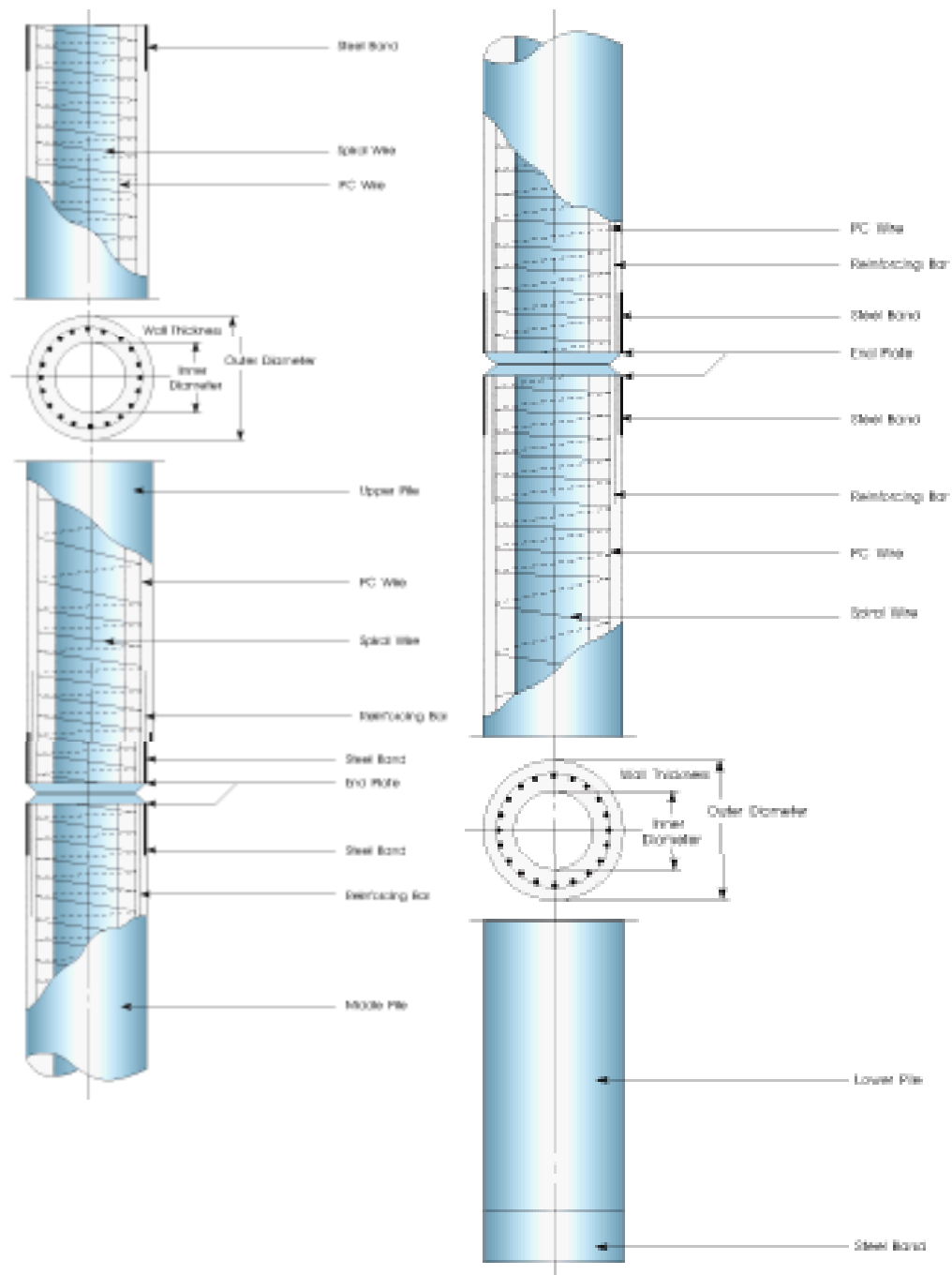
1. Spun pile

TNP is a manufacturer and distributor of pre-stressed spun concrete pile (also known as TNP PC-Pile) of different sizes (diameter: 250, 300, 350, 400, 450, 500, 600, 700 and 800 mm), for the construction of large buildings that need very strong and durable piles.

In 2009, TNP came up with its new spun pile product – the Economic Type (E-Type) for construction of smaller buildings such as single house, condominium, a building up to seven floors, and warehouse. This type of spun pile has a diameter of 300 – 400 mm, with a reduced cost by 15 – 20%, allowing it to compete against other pile types.

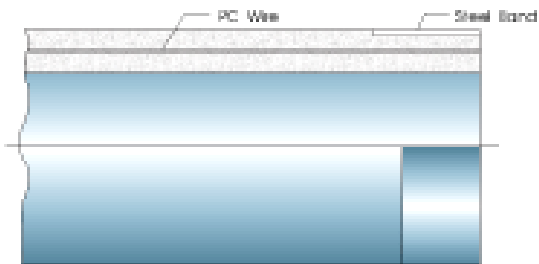
STRUCTUARL DRAWINGS OF TNC PC-PILES

1) TNC PC-PILES STANDARD DETAILS

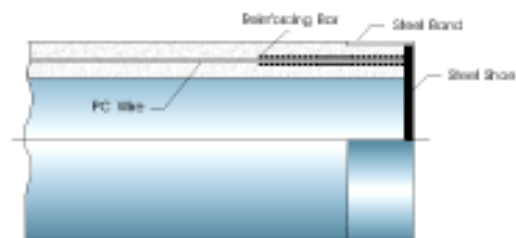


2) SHOE DETAILS

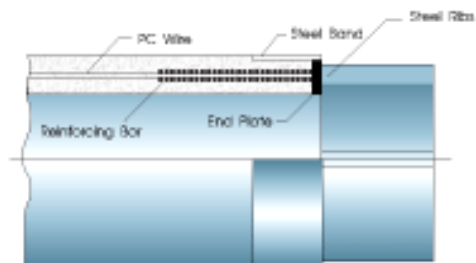
1. STANDARD SHOE



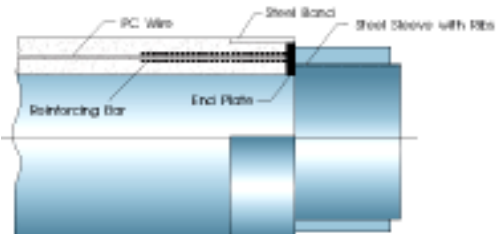
2. STEEL CLOSED SHOE



3. STEEL CROSS SHOE



4. STEEL SLEEVE SHOE



3) TNC'S-WELDING JOINT DETAILS

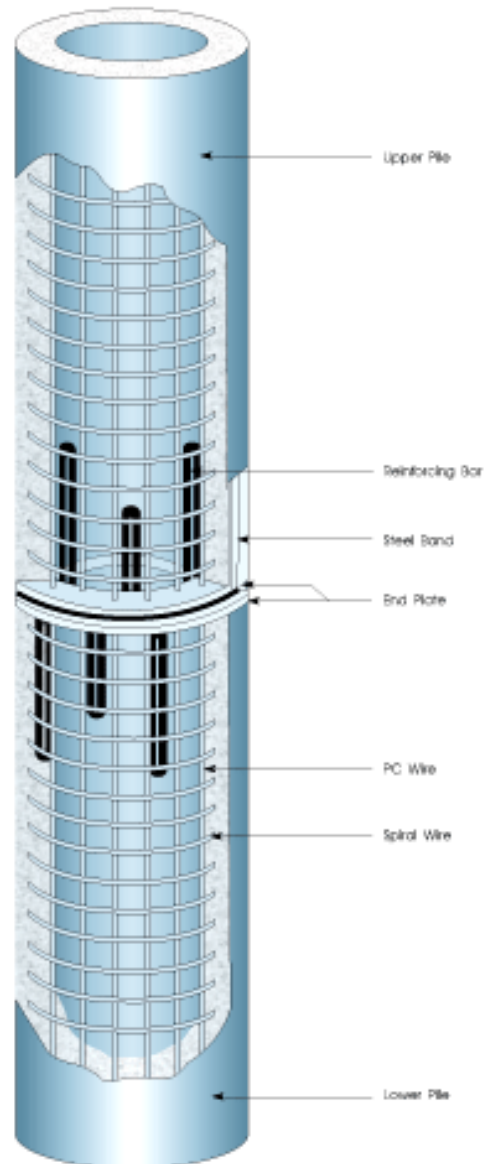
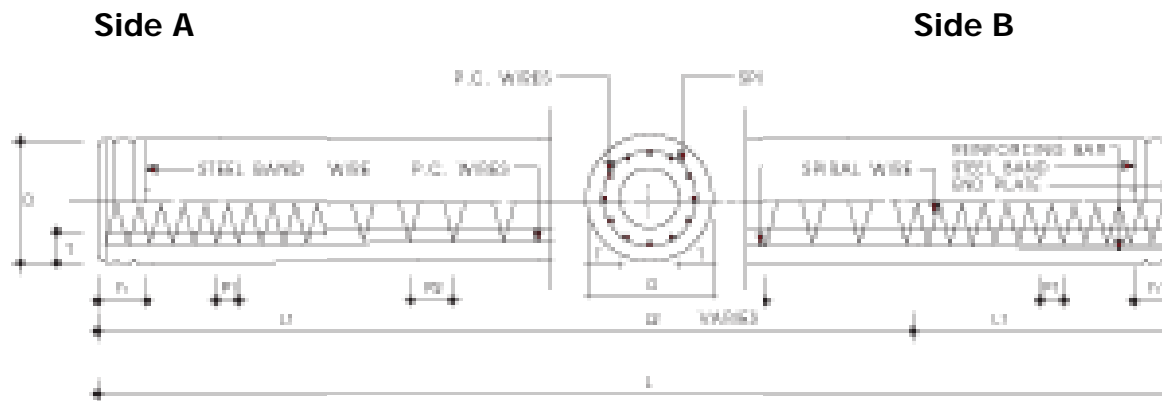
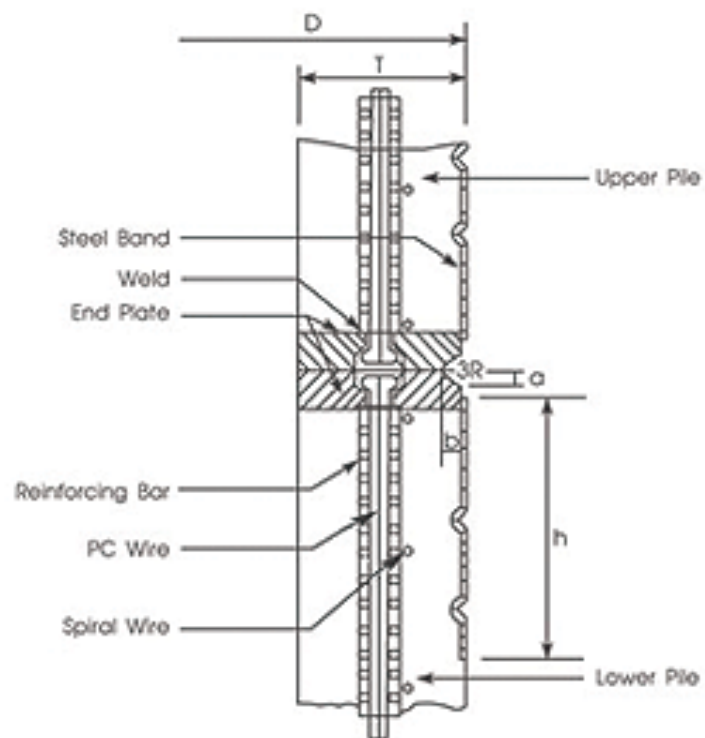


TABLE OF STANDARD DIMENSIONS OF TNC PC-PILES



WELDING JOINT DETAIL



TNP-PC PILES MANUFACTURING PROCESS

2. Piling Service

TNP also provides piling services with modern machines and methodology according to customers' demand and environment. The piling methodology deployed includes Pure Drive, Pre-Boring, Auger-Press with Final Drive, each of which has been developed for maximum efficiency while pollutions such as vibration, dust, and noise are kept at minimum.

1. Pure Drive Method: a common method that employs drop hammer, hydraulic hammer or diesel hammer to reach the required depth or blow count.
2. Pre-bore Method: boring – or enlarging the hole that has already been drilled – is conducted to make a hole of the pile size, 6 – 10 meters deep, before the hammer is used to reach the required depth or blow count.
3. Auger-Press Method: auger drilling is done with a helical screw driven into the ground with rotation while the pile is also pressed down into the hole to the predetermined degree before the driving starts.
4. Full Auger Press Method: the same method with Auger-Press, but without following drilling.

The choice of methods made by our specialists depends on the environment of the construction site, including pressure and vibration that can make an impact to nearby buildings.

Hydraulic Hammers

HYSINC



specifications

Model	HNC-65	HNC-80	HNC-100	HNC-125
Driving System	PATENTED BSP HYDRAULIC SYSTEM			
Ram Weight(T)	6.5	8.0	10.0	12.5
Driving Energy (T-M)	7.80	9.60	12.00	15.00
Blow Rate/ Min	18-70	18-70	18-70	18-70

NISSHA



specifications

Model	NH-40	NH-70	NH-100
Driving System	Hydraulic, Double action		
Ram Weight(T)	4.0	7.0	10.0
Driving Energy (T-M)	6.08	8.96	14.4
Blow Rate/ Min	28-80	25-70	20-56

3. Concrete Railroad Sleeper

As the wooden sleepers in use are rotting and it becomes more difficult to find woods to make sleepers because of the forest protection policy, concrete sleeper has been developed to meet the demand for railroad sleepers. The concrete sleeper is less expensive and can bear more weight than the wooden one. In addition, the use of concrete sleepers in place of wooden sleepers also helps raise the train speed and reduce the noise caused by friction. Concrete sleeper, therefore, has been extensively used in many countries, including Thailand. TNP sees this trend as an opportunity to introduce its concrete sleeper to the market, using its years of experience and expertise in the industry as well as its potential advantages and existing factories to develop the new product.

In 2014, TNP launched a new size of concrete sleeper (27.20 cm in base width, 20.14 cm in height, 14.60 cm in top width, and 200 cm in length) which can bear as much as 11 – 17 tons, for the train that moves at the speed of 160 km/hr. After the State Railway of Thailand has selected TNP's concrete sleeper for its railroad improvement projects, TNP with its manufacturing capacity of 15,000 – 25,000 pieces per month, is constantly improving the capacity to reach 52,500 pieces per month by the end of 2014.

2.4.4 Production

Production Capacity and Capacity Utilization from 2011 to 2013 and the first half of 2014

Production Capacity	January – June 2014	2013	2012	2011
<u>Reinforced concrete pile (in one shift)</u>				
Total Capacity (in ton)	80,000.00	160,000.00	160,000.00	160,000.00
Actual Capacity (in ton)	24,087.07	87,006.20	89,767.03	64,060.37
Utilization Rate (%)	30.11	54.38	56.10	40.04
<u>Concrete sleeper (in one shift)</u>				
Total Capacity (piece)	97,500.00	-	-	-
Actual Capacity (piece)	62,306.00	-	-	-
Utilization Rate (%)	63.90	-	-	-

2.4.5 Spun Piles Manufacturing Process

PC-Wire Processing

- 1) Stretch the pre-stressed concrete wire into a straight line of the required length.
- 2) Keep the wire in stock.
- 3) Put the spiral wire into the required shape.
- 4) Keep the wire in stock.
- 5) Combine the pre-stressed concrete wire with the end plate into the required shape.
- 6) Keep the output in stock.

Molding

- 1) Clean the mold and spray release agent to the mold.
- 2) Put the kept pre-stressed concrete wire into the mold, lock the tension plate and anchor plate. Make sure the wire is straight.
- 3) Put the mold parts together and lock them tight with locking bolt.
- 4) Pull the wire.

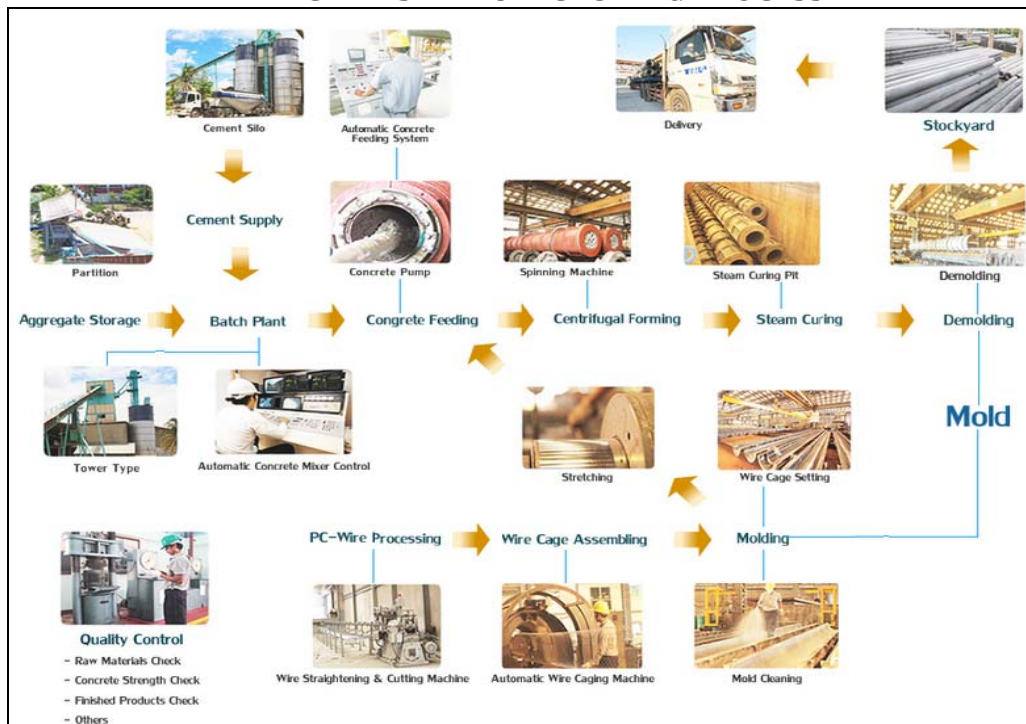
Concrete Making

- 1) Prepare water and substances.
- 2) Mix them together and pour into concrete pump.
- 3) Put the mold with straightened wire onto the injection trolley.
- 4) Set the program according to the mold size.
- 5) Press 'Start' to run the concrete pump.
- 6) Put the mold with concrete into spinning machine and set the forming program according to the mold size.
- 7) After the forming program is finished, put the mold into steam curing pit for 6 - 8 hours. Set the temperature at 70 - 80°C.

Demolding

- 1) Take the mold out of the steam curing pit.
- 2) Unlock the bolt.
- 3) Open the mold and stamp on the pile.
- 4) Take the pile out of the mold.
- 5) Do quality control.
- 6) Keep the pile in stock for distribution.

TNP-PC PILES MANUFACTURING PROCESS

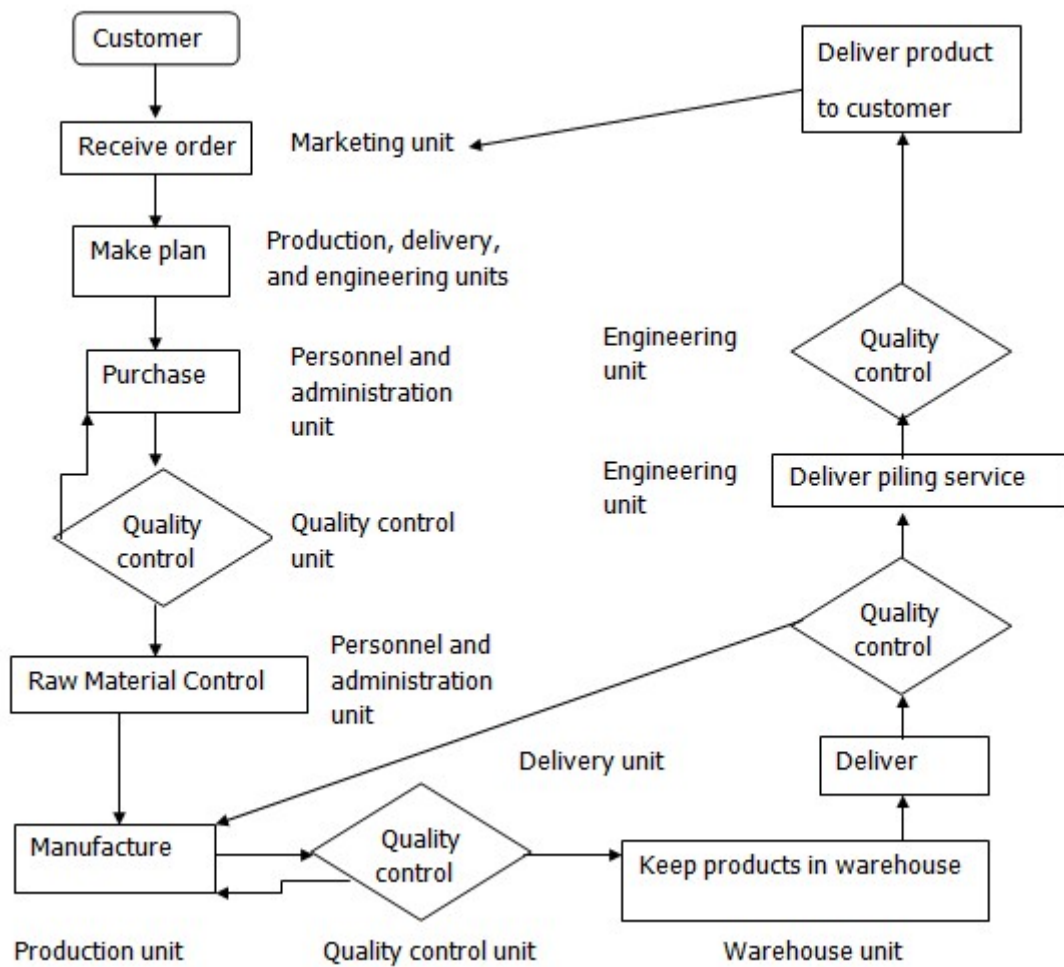


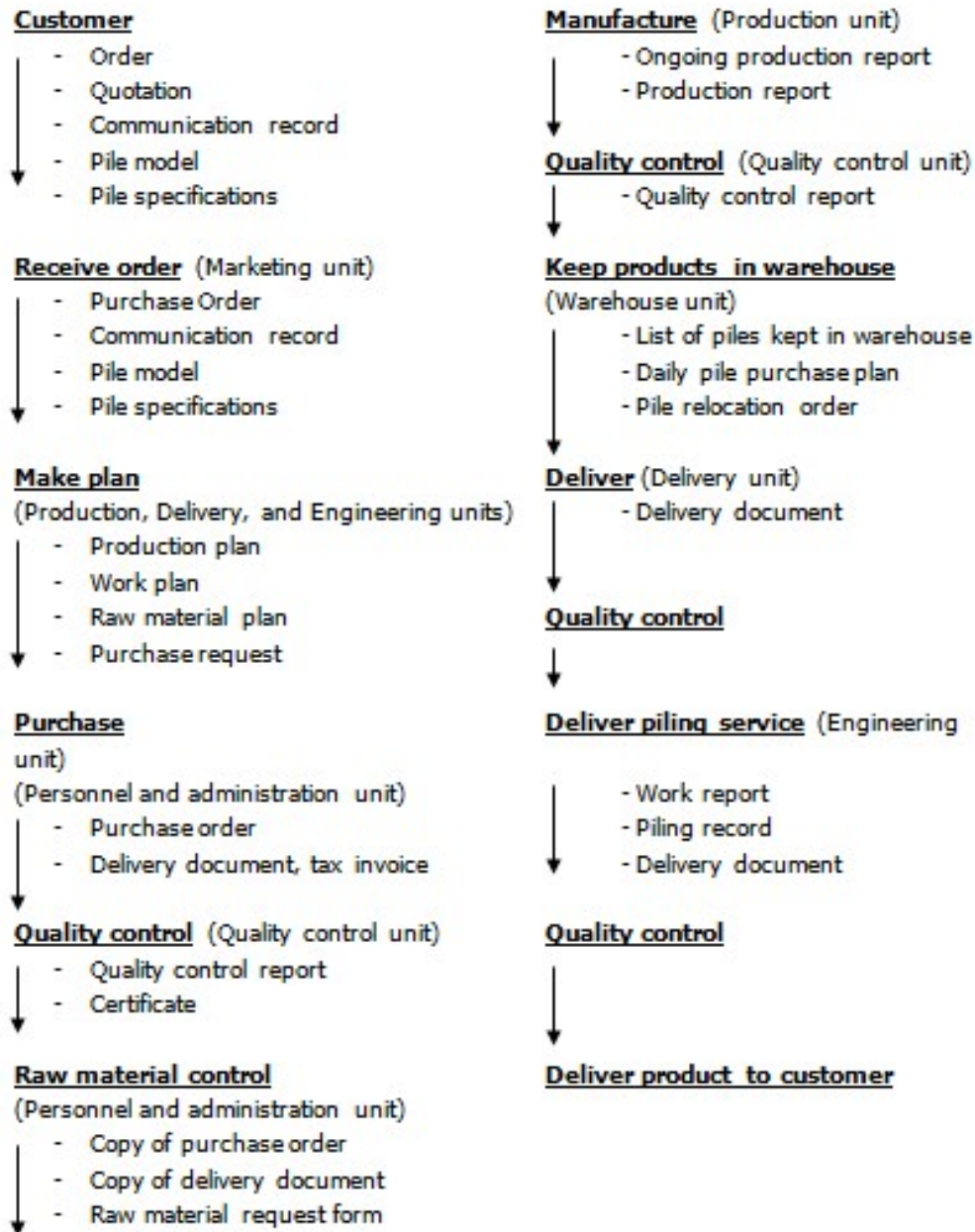
2.4.6 Pile Driving Process

In operation of its business, TNP has:

- 22 cranes
- 21 pile drivers
- 15 electric generators

Flow Process Chart





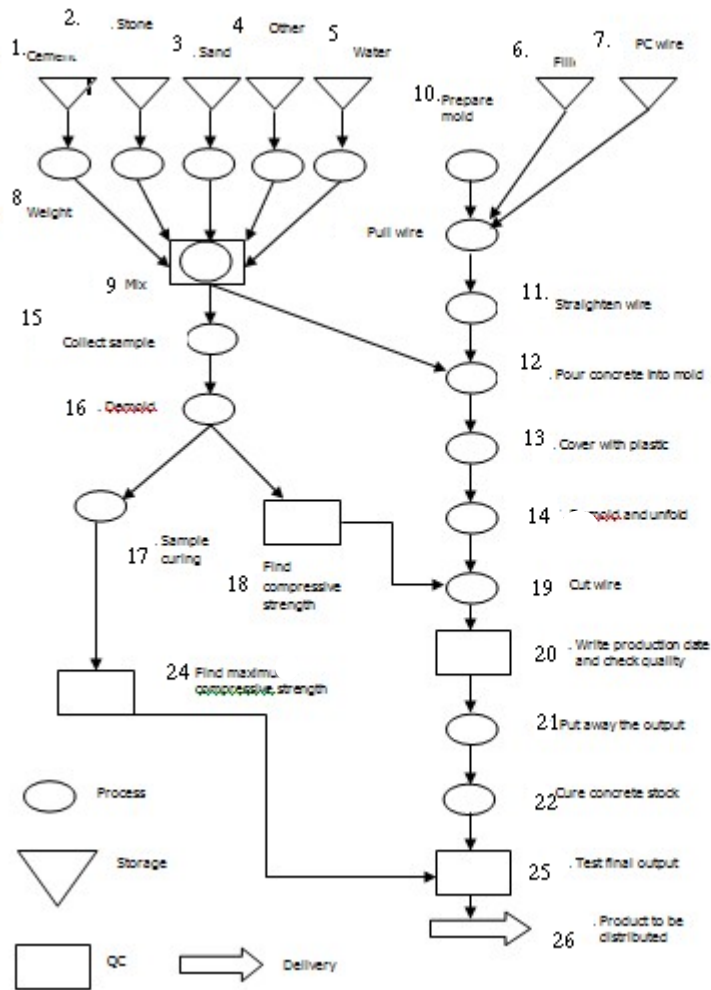
2.4.7 Distribution Process

TNP has two cranes (30 ton and 35 ton) for carrying pile driver to the site. In distributing TNP's products, TNP hires a firm with 15 trailers to take charge.

Below are distribution procedures.

1. Check product delivery process of each project.
2. Check the life span of piles before delivery.
3. Find a suitable trailer and inform all agencies involved.
4. Deliver the pile and make sure that the delivery document is signed properly.
5. Take the signed document back and send it to the agencies involved.

2.4.8 Concrete Sleeper Production



2.4.9 Quality Control

TNP manages to use smart and advanced technology in its production to ensure high quality products, and its products have reached both domestic and international standards. Its quality control inspectors pay close attention in examining every single step, from the selection of raw materials to the customer service, in order to be certain that they best satisfy the customers and their needs. TNP offers spun piles of different sizes with diameter of 250, 300, 350, 400, 450, 500, 600, 700 and 800 mm. Apart from its routine products, TNP also is capable of manufacturing and delivering reinforced spun pile of any kind to satisfy specific needs of different customers. TNP's products have gained endorsement from the Thai Industry Standard Institute and, since 2001, ISO 9001:2008 Certification issued by AJA Registrars Limited for the design and manufacturing of prestressed spun concrete piles.

2.4.10 Raw Materials and Suppliers

Raw materials that are essential for TNP's production include cement, stone, sand, and wire, most of which are purchased from domestic suppliers. Prices and methods of payment may vary, depending on availability of the material. The list of suppliers is as follows.

Raw Material	Suppliers
1. Cement	1. SCG Building Materials Co., Ltd. 2. Jalaprathan Cement Public Co., Ltd.
2. Stone	1. P.A.V. Trading Co., Ltd. 2. Manitnan Transport ** 3. Samainiyom Transport Co., Ltd.**
3. Sand	1. Srisupthongchai Transport Co., Ltd. 2. Sainoi Sandpit
4. Wire	1. Rayong Wire Industries Co., Ltd. 2. Bangkok Steel Wire Co., Ltd. 3. The Siam Industry Wire Co., Ltd.
5. Steel	1. Rich Asia Steel PCL. 2. Sunsteel Group Co., Ltd. 3. Denthai Steel Co., Ltd.
6. Bonding Agent	1. Sika Thailand Co., Ltd. 2. W.R. Grace (Thailand) Ltd.

Note: ** The firm provides both transport service and stone supply.

2.4.11 Target Customer

TNP's concrete spun pile is mostly used in construction industry; therefore TNP's target customer is the construction firms, contractors, and subcontractors from them to use piles in projects such as:

In construction industry: tollway, highway, expressway, sky train, offices, industrial factory, single house, condominium, bridge, power plant, dam, and seaport

In agricultural industry: SILO-Tank Farm

In petrochemical industry: base structure for oil tankage

TNP's target group for concrete sleepers is all the construction firms that are assigned to complete any of the double railroad projects by the state authorities. For example,

- 1) Industrial Ring, contract 1&2 (IRR), Phra Pradaeng District, Samut Prakan
- 2) Bang Phli – Bang Khun Tien Expressway, contract 1,3,4/1,4/2,5
- 3) Suk Sawat Interchange & Sri Nakarin Interchange
- 4) Bang Pakong Dam, Chachoengsao
- 5) Aircraft Maintenance Center, Suvarnbhumi Airport
- 6) Airport Rail Link
- 7) Bang Na – Bang Phli – Bang Pakong Tollway
- 8) Ram Intra – Art Narong Tollway, contract 4,5,6 (Ladprao – Rama IX)
- 9) Ram Intra – The Outer Ring Expressway, Bangkok, contract 3
- 10) Motorway 7, Suvarnbhumi Airport – Chonburi
- 11) MRT Maintenance Center, Rama IX, Bangkok
- 12) ATC Reformer and Aromatics Complex II, Mapthaphut Industrial Estate, Rayong
- 13) BLCP Power Station, Mapthaphut Industrial Estate, Rayong
- 14) Power Station, Bang Bo, Samut Prakan
- 15) Waterworks Authority, Taling Chan, Bangkok
- 16) Water Distribution Station, Bang Khen
- 17) Thai Bridgestone's factories and warehouses in Nong Khae, Saraburi
- 18) Bang Pakong Dam, Chachoengsao
- 19) Baan Laem Sok Seaport, Trat

- 20) Singapore Airshow Building, Singapore
- 21) The Klong Kleun Bridge on Kong Island in Cambodia
- 22) Sihanoukville Port, Cambodia
- 23) Kong Island International Resort, Cambodia

2.5 The Industry and Competition

2.5.1 The Industry

The Construction Industry

According to Kasikornbank, the Thai economy is likely to recover in the second half of 2014. The tendency is signaled by the government's rush in disbursement of budgets of fiscal year 2014 and the budget plan of fiscal year 2015 that was made effective from October 1, 2014, onwards. Another signal is the government's rush in approving projects that have requested for investment support – worth 700 billion baht in total – from BOI. The other signal is the payment – worth 92 billion baht – that has already been made to the farmers who joined the rice scheme. These could help to improve the economy and enable GDP of the second half to reach 4.30%, thus raising GDP of the entire year from 1.80% to 2.30%. Factors that contribute to an increase in GDP include government spending, investments from private sector, and the consumption of public sector. Net exports, or the fourth factor, will finally make it to 3.00%, higher than that of 2013 which stood at -0.20%.

The government spending will have a direct, positive impact on infrastructure businesses. It is anticipated that many of the government projects which account for a total budget of approximately 480 billion baht will involve nationwide transportation improvement, including Suvarnabhumi Phase 2 Project, Don Muang Airport Refurbishment Project, Double Railroad Project, and Sky Train (Green Line) Project. The government spending together with the increasing investor confidence also affects investments from private sector, allowing the real estate sector to make some progress to reach the growth rate at 5.80%. For the second half of this year, the amount of residences in Bangkok Metropolitan area will expand by 3.40%, making a sharp rise from -13.10% of the first half.

This trend is in agreement with the report from Construction Institute of Thailand, stating that the investor confidence has come back after the new government was established. With regard to construction industry in 2014, it is expected to reach the highest rate of expansion in quarter 4. With a large number of pending projects, it is estimated that the government will spend as much as 950 – 960 billion baht upon completion of the projects, which will put the expansion rate at 1.00% when compared to last year's spending worth 952 billion baht. It is also predicted that in 2015 the government spending in construction sector will reach 1 trillion baht for the first time, expanding from that in 2014 by 5 – 6% as many pending projects in early 2014 will be put back into operation again in 2015. In 2015, the government will likely account for 55% of the total investments in construction industry while the other 45% belongs to the private sector, which is different from the conventional ratio at 50:50. The most expanded part of the real estate industry will be the condominium sector, specifically the condominium of more than 30 floors in Bangkok and those of 7 – 8 floors in other cities.

The Double Railroad Industry

The Double Tracks on 8 Routes

1-meter-wide track

Route	Distance (km)	Budget (million baht)	Period of time
Chira – Khon Khaen	185	26,007	2558-2561
Prachuap Khirikhan – Chum Phon	167	17,293	2558-2561
Nakhon Pathom – Hua Hin	165	20,038	2558-2561
Map Kaboa – Nakhon Ratchasima	132	29,855	2559-2563
Lopburi – Pak Nam Pho	148	24,842	2559-2563
Hua Hin – Prachuap Khirikhan	90	9,437	2559-2563

1.435-meter-wide track

Route	Distance (km)	Budget (million baht)
Nong Khai - Nakhon Ratchasima – Laem Chabang Port	737	392,570
Chiang Khong - Den Chai - Baan Pha Chee	655	348,890

According to *Bangkok Biz News* on July 30, 2014, the National Council for Peace and Order (NCPO) has approved the urgent strategic plan for the nationwide transportation development. The plan which will be implemented during fiscal year 2014 – 2015 comprises two main strategies: (1) the development of rail infrastructure and (2) the development of transportation infrastructure to connect major trade cities with Bangkok and the Bangkok Metropolitan area.

The development plan for rail infrastructure will have its focus on developing double railroad on eight routes through two methods. The first method is to turn the existing tracks to double tracks with 1 meter width to ease the traffic jams. Approval has been granted to the double railroad project that covers six routes and a total distance of 887 km, with a budget of 127,472 million baht – namely Chira – Khon Khaen Route (185 km; 26,007 million baht), Prachuap Khirikhan – Chum Phon Route (167 km; 17,293 million baht), Nakhon Pathom – Hua Hin Route (165 km; 20,038 million baht), Map Kaboa – Nakhon Ratchasima Route (132 km; 29,855 million baht), Lopburi – Pak Nam Pho Route (148 km; 24,842 million baht), and Hua Hin – Prachuap Khirikhan (90 km; 9,437 million baht). All these routes will be finished within 2020 and will be able to ease the traffic jams as the number of trains available in one day will increase from 268 to 800.

The two other routes are a part of the development plan for future routes. The standard gauge with a width of 143.5 cm will be laid down to pave two routes with a total distance of 1,392 km and a total budget of 741,460 million baht. The route that connects Nong Khai, Nakhon Ratchasima, Saraburi, Laem Chabang Port, and Mapthaphut together will cover a distance of 737 km with a budget of 392,570 million baht. The other route that connects Chiang Khong, Den Chai, and Baan Pha Chee together will cover a distance of 655 km with a budget of 348,890 million baht.

Both of these routes will be electrical train routes and are expected to connect with those of China and Laos in the future. This development plan was developed by the Office of Transport and Traffic Policy and Planning, who studied the high speed rail project and replaced the high speed rail with electrical train that can speed up to 160 km/hr on the double tracks. The study showed that the electrical train costs less and is more worth

investing than the high speed train as it can carry both passengers and products. In addition, high speed trains in the future can also run on both of these tracks.

Progress of the Double Tracks Projects

Route	Feasibility study, EIA report, and bidding document	EIA report approved by the National Environment Committee	Ready for bidding process
Kaeng Khoi – Klong 19 - Chacheongsao	✓	✓	✓
Chira – Khon Khaen	✓	✓	✗
Prachuap Khirikhan – Chum Phon	✓	✗	✗
Nakhon Pathom – Hua Hin	✓	✗	✗
Map Kaboa – Nakhon Ratchasima	✓	✗	✗
Lopburi – Pak Nam Pho	✓	✗	✗
Nong Khai – Nakhon Ratchasima – Laem Chabang Port	✗	✗	✗
Chiang Khong - Den Chai - Baan Pha Chee	✗	✗	✗

In terms of progress (as of September 24, 2014), there are five routes whose EIA report and bidding document have already been prepared:

1. Chira – Khon Khaen Route
2. Prachuap Khirikhan – Chum Phon Route
3. Nakhon Pathom – Hua Hin Route
4. Map Kaboa – Nakhon Ratchasima Route
5. Lopburi – Pak Nam Pho Route

The EIA report on Chira – Khon Khaen route has already been approved by the National Environment Board and the State Railway of Thailand has also sent the project proposal to Ministry of Transport, waiting for the Cabinet to grant permission. Meanwhile, the other four projects' EIA reports are being considered by the Technical Review Committee whose approval is needed before the reports can be submitted to the National Environment Board for them to consider. For Hua Hin – Prachuap Khirikhan route, the State Railway of Thailand is conducting a study about the project and preparing EIA report and bidding document, expecting to get all of these done within 2016.

For the other two routes, Office of Transport and Traffic Policy and Planning has made a request for the project budget adjustments in order to conduct study, make definitive design, EIA report and bidding document.

From the aforementioned information, the development plan for transportation infrastructure from year 2015 to 2022 will cover the development of double tracks on eight routes with a total distance of 2,279 km and will need a total of 3.8 million railroad sleepers. (1,667 sleepers for 1 km)

2.5.2 Competition

There are four competitors of TNP in the reinforced spun pile markets: Pathumthani Concrete Co., Ltd. (PACO), Southern Concrete Pile Co., Ltd., Nippon Hume Concrete (Thailand) Co., Ltd., and United Construction Material Co., Ltd. These four companies account for approximately 65% of the market share while TNP alone accounts for

the rest. This means that TNP has gained quite a lot of trust from the customers, which is due to the fact that TNP has always successfully delivered high quality products, sufficient supplies, and tailor-made concrete spun pile to fulfill different needs of its customers.

List of Competitors

Reinforced concrete spun pile market	Estimated market share (%)
1. Pathumthani Concrete Co., Ltd.	25
2. Southern Concrete Pile Co., Ltd.	20
3. Nippon Hume Concrete (Thailand) Co., Ltd.	12
4. United Construction Material Co., Ltd.	8

Source: Estimation made by TNP

The demand for reinforced concrete spun pile tends to increase for a couple of years in response to the massive stimulus measures by the government. The level of threat from newcomers is moderate because the barrier to entry is low and the business does not require very advanced technology. There are key players who have different amounts of market share, while newcomers appear from time to time, most of which disappear when difficult times come.

In the railroad sleeper market, there are four key competitors of TNP: Italian-Thai Development PCL., Singh Sila Concrete Co., Ltd., Thaipicon & Industry Co., Ltd., and N.E.C. Concrete Co., Ltd.

It is expected that there will be new players in the market after the National Council for Peace and Order has approved the budget plan for rail development project which focuses on double tracks development.

List of Competitors

Concrete railroad sleeper market	Estimated manufacturing capacity (pieces/month)
1. Italian-Thai Development PCL.	60,000
2. Singh Sila Concrete Co., Ltd.	60,000
3. Thaipicon & Industry Co., Ltd.	60,000
4. N.E.C. Concrete Co., Ltd.	30,000

2.5.3 Competitive Strategy

1. TNP has a higher manufacturing capacity than its competitors, with modern tools and advanced technology, and is able to produce tailor-made products. TNP also has several types of screw drivers, enabling it to provide a wider range of piling services.

2. TNP's products are high quality, meeting both domestic and international standards, and are guaranteed by the ISO 9001:2008 certification.

3. TNP has hired an outsourced logistics provider with 15 trailer trucks to be responsible for goods shipping.

4. TNP's factory is located in Bangkok Metropolitan Area where the demand for these products is high, and this helps save some transportation cost and time.

2.5.4 Pricing Policy and Strategy

TNP employs the cost-plus pricing method while also taking into consideration related factors such as its readiness to provide piling service for the time being and punctual delivery of its products to satisfy the terms and conditions. TNP has no policy to undersell. TNP aims only at delivering quality services within the deadline.

2.5.5 Distribution and Channel of Distribution

TNP's concrete products are sold directly to the customers, most of which are subcontractors that are known within the construction industry such as Sino-Thai Engineering & Construction PCL. and Toyo-Thai Corporation PCL. TNP's railroad sleepers are sold to Assawa-angkul Part Ltd. and Sermsa-nguan Construction Co. Ltd., both of which have won the bid for concrete sleeper development project.

2.6 Revenue Structure

Unit : Million Baht

Item	Jan – Jun 2014		2013		2012		2011	
	Million Baht	%	Million Baht	%	Million Baht	%	Million Baht	%
Revenue from sales	108.7	73.81	264.4	67.73	203.4	68.7	111.0	61.2
Revenue from services	35.02	23.76	114.9	29.45	87.75	29.6	67.21	37.0
Other	3.58	2.43	11.01	2.82	4.66	1.57	3.00	1.66
Total	147.3	100.0	390.4	100.0	295.8	100.	181.2	100.

2.7 Financial Position and Operating Performance

FINANCIAL POSITION

Unit : Million Baht

STATEMENTS OF FINANCIAL POSITION	2014 (Jun.)	2013	2012	2011
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	5.07	1.42	3.80	0.23
Trade receivables	64.71	68.47	89.50	78.53
Short-term loans to related parties	121.60	53.86	48.47	-0-
Short-term loans to employee	-0-	-0-	-0-	0.37
Inventories	103.15	114.58	58.27	48.73
Other current assets	8.54	2.73	8.44	12.60
Total Current Assets	303.07	241.06	208.48	140.46
NON-CURRENT ASSETS				
Bank deposit pledged as collateral	5.54	5.47	2.41	4.13
Investment property	0.98	1.11	1.36	1.74
Property, plant and equipment-net	205.58	183.40	128.65	138.18
Retention receivable	18.30	35.08	14.14	11.78
Deferred tax assets	3.53	2.41	2.69	-0-
Other-non current assets	3.05	0.96	1.06	2.91
Total non-current assets	236.98	228.43	150.31	158.74
TOTAL ASSETS	540.05	469.49	358.79	299.20
LIABILITIES				
CURRENT LIABILITIES				
Short-term loans from financial institutions	53.59	14.98	23.91	3.72
Trade payables	127.44	92.12	40.99	24.73
Short-term loans from others	4.23	4.22	-0-	-0-
Short-term loans from related parties	5.00	5.00	5.00	4.18
Current portions of liabilities under finance lease agreement	0.44	0.46	0.08	0.08
Income tax payable	8.98	10.27	0.29	1.17
Other current liabilities	1.81	11.00	6.58	1.78
Total current liabilities	201.49	138.05	76.85	35.66
NON-CURRENT LIABILITIES				
Deferred tax liabilities	0.06	-0-	-0-	-0-
Liabilities under finance lease agreement	0.21	0.41	0.08	0.16
Employee benefit obligations	3.23	2.10	1.98	1.85
Total non-current liabilities	3.50	2.51	2.06	2.01
TOTAL LIABILITIES	204.99	140.56	78.91	37.67
SHAREHOLDERS' EQUITY				
Issued and fully paid-up share capital	261.01	261.01	261.01	261.01
Retained earning (deficit)	74.05	67.92	18.87	0.52
Total Shareholders' equity	335.06	328.93	279.88	261.53
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	540.05	469.49	358.79	299.20

Operating Performance

Unit : Million Baht

INCOME STATEMENT	2014 (Jan.-Jun.)	2013	2012	2011
REVENUES				
Revenue from sales	108.79	264.43	203.40	111.02
Revenue from services	35.02	114.99	87.75	67.21
Other incomes	3.58	11.01	4.66	3.00
Total Revenues	147.39	390.43	295.81	181.23
EXPENSES				
Cost of sales	94.15	217.25	184.01	125.21
Cost of services	29.66	88.14	76.73	58.89
Selling expenses	1.56	5.44	0.75	2.28
Administrative expenses	11.92	13.69	16.72	15.63
Finance costs	1.29	3.59	1.30	1.37
Total Expenses	138.58	328.11	279.51	203.38
Profit (Loss) before income tax	8.81	62.32	16.30	(22.16)
Tax expenses	1.92	13.27	4.03	-0-
Profit for the period	6.89	49.05	12.27	(22.16)

Unit : Million Baht

STATEMENTS OF CASH FLOWS	2014 (Jan.-Jun.)	2013	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before income tax	8.81	62.33	16.30	(22.16)
Adjustments for				
Depreciation	6.50	8.30	10.45	18.02
Doubtful accounts	4.45	(0.64)	3.40	0.03
(Gain)Loss from declining in value of inventories	-0-	0.89	(2.64)	0.30
(Reversal)				
Unrealized (gain) loss from exchange rate	(0.53)	1.09	-0-	-0-
(Gain)Loss on sale investment property	-0-	(5.68)	-0-	-0-
Others	0.27	0.47	0.15	4.14
Interest income	(2.31)	(3.42)	(1.03)	(0.31)
Interest expenses	1.21	3.43	1.04	1.03
Profit (loss) from operating activities before change in operating assets and liabilities	18.41	66.77	27.68	1.05
Decrease (Increase) in operating assets				
Trade receivables	0.42	20.69	(17.82)	65.81
Inventories	11.43	(57.20)	(6.90)	(16.84)
Other current assets	(5.81)	4.60	4.53	(8.97)
Retention receivables	16.78	(20.94)	(2.36)	9.79
Other non-current assets	(2.10)	0.06	1.82	11.13
Increase (Decrease) in operating liabilities				
Trade payables	9.53	51.81	20.09	(65.26)
Advance receive	(8.55)	3.93	-0-	-0-

STATEMENTS OF CASH FLOWS	2014 (Jan.-Jun.)	2013	2012	2011
Other current liabilities	(0.65)	0.48	-0-	(3.93)
Cash generated (paid) from operation	39.46	70.21	31.85	(7.22)
Cash received from interest income	0.08	0.06	0.28	-0-
Cash payment from income tax	(4.07)	(1.91)	(1.51)	(4.08)
Net Cash Provided by (Used in) from Operating Activities	35.46	68.36	30.62	(11.30)
CASH FLOWS FROM INVESTING ACTIVITIES				
Bank deposits pledged as collateral	(0.07)	(3.06)	1.73	(4.13)
Cash payment for short-term loans to employee	-0-	-0-	-0-	(0.37)
Cash received from short-term loans to related parties	53.08	191.95	39.13	36.58
Cash payment for short-term loans to related parties	(120.82)	(197.34)	(87.60)	(36.58)
Cash payment for purchase of fixed assets	(1.08)	(60.32)	(0.55)	(3.83)
Cash received from interest	-0-	-0-	-0-	14.13
Cash received from sale of fixed assets	-0-	0.13	-0-	0.23
Cash received from sale of property investment	-0-	5.68	-0-	-0-
Net Cash Provided by (Used in) from Investing Activities	(68.89)	(62.96)	(47.29)	6.03
CASH FLOWS FROM FINANCING ACTIVITIES				
Increase in short-term loans from financial institutions	38.61	(8.93)	20.19	3.72
Cash received from short-term loans to other parties	-0-	8.03	-0-	(0.37)
Cash payment from short-term loans to other parties	-0-	(4.01)	-0-	0
Cash received from short-term loans to related parties	-0-	5.00	50.43	24.95
Cash payment from short-term loans to related parties	-0-	(5.00)	(49.61)	(26.08)
Cash payment for liabilities under finance lease agreement	(0.27)	0.71	(0.08)	(0.10)
Cash payment for interest expenses	(1.26)	(3.58)	(0.69)	(1.01)
Net Cash Provided (Used in) from Financing Activities	37.08	(7.78)	20.24	1.48
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3.65	(2.39)	3.57	(3.79)
Cash and Cash Equivalents - Beginning of Period	1.42	3.80	0.23	4.02
CASH AND CASH EQUIVALENTS-END OF PERIOD	5.07	1.42	3.80	0.23

Remarks : Financial Statement January-June 2014 reviewed by Mr. Boonlert Kaewphanpurk from BPR Audit and Advisory Co.,Ltd.
Financial Statement 2012-2013 reviewed by Mr. Naris Saowalagsakul from BPR Audit and Advisory Co.,Ltd.
Financial Statement 2011 by Mr. Naris Saowalagsakul from S.K. Accountant Service Co.,Ltd.

Financial Ratio

Summary of Financial Ratios	2014 (Jan.-Jun.)	2013	2012	2011
<u>Liquidity Ratio</u>				
Current Ratio (Times)	1.50	1.75	2.71	3.94
Quick Ratio or Acid Test Ratio (Times)	0.35	0.51	1.21	2.21
Account Receivable Turnover (Times)	2.64	3.18	2.36	1.22
Average Collection Period (Days)	136	113	152	295
Inventory Turnover (Times)	6.00	6.53	5.98	5.70
Average Inventory Period (Days)	60	55	60	63
Account Payable Turnover (Times)	2.26	4.59	7.93	3.72
Average Payment Period (Days)	160	78	45	97
Cash Cycle	37	90	167	262
<u>Profitability Ratio</u>				
Gross Profit Margin (%)	13.90	19.51	10.45	-3.29
Operating Profit Margin (%)	3.64	13.52	4.00	-14.12
Other Profit Margin (%)	2.43	2.82	1.57	1.66
Operating Cash Flow to Operating Profit Ratio Margin (%)	677.42	133.22	262.98	44.92
Net Profit Margin (%)	4.68	12.56	4.15	-12.23
Return On Equity (%)	2.08	16.11	4.53	-8.13
<u>Efficiency Ratio</u>				
Return On Asset (Times)	2.73	11.84	3.73	-6.43
Return On Fixed Asset (Times)	13.79	36.78	17.05	-2.78
Total Assets Turnover (Times)	0.58	0.94	0.90	0.53
<u>Financial Policy Ratio</u>				
Debt to Equity Ratio (Times)	0.61	0.43	0.28	0.14
Interest Coverage (Times)	28.47	20.03	24.55	-7.24
Debt Service Coverage - cash basis (Times)	1.11	0.97	-1.51	7.65
Dividend Payout (%)	-0-	-0-	-0-	-0-

Management Discussions and Analysis

Operating Results

Overview

Thai National Product Co., Ltd. (“TNP”) engages in manufacturing of reinforced spun piles together with provision of transportation and piling services. Its customers are mainly construction sub-contractors, revenues from whom represent around 85.00% of its total revenues from sales and services. The remaining 15.00% revenues come from factories, hospitals, department stores, hotels and government agencies.

TNP is a leading manufacturer with state-of-the-art production technology and piling machines suited for multi-dimension piling works. This has contributed to its competitive advantage over its competitors. However, for the past years, TNP has been in lack of working capital which has disabled it to serve large-scale projects, thus disrupting its growth of income generation and profitability.

TNP recorded total revenues of Baht 181.23 million, Baht 295.81million, Baht 390.43 million and Baht 147.39 million during 2011 - 2013 and in 1H/2014 respectively. The revenue drop in 1H/2014 was owing to the prevailing political conflicts and hence delaying large construction projects. Of the total revenues, revenues from sales and services accounted for 97.18% in 2013 and 97.57% in 1H/2014. This slight improvement in 1H/2014 resulted from the sales of concrete sleepers, a new product launched in January 2014.

TNP's gross profit from operation amounted to Baht -5.87 million, Baht 30.41 million, Baht 74.03 million and Baht 20.00 million during 2011 - 2013 and in 1H/2014 respectively, with gross profit margin of -3.29 %,19.51%,and 13.91% respectively. Meanwhile, its net profit was posted at Baht -22.16 million, Baht 12.27 million, Baht 49.05 million and Baht 6.89 million respectively, with net profit margin of -12.23%, 4.15%, 12.56% and 4.68% respectively. Higher net profit and net profit margin in 2013 was driven by recognition of income from large-scale projects, i.e. power generation plant project and electric train project.

In 2014, TNP has started to produce and distribute concrete sleepers. It is regarded a horizontal integration of business, with development of a new product from the existing concrete products to penetrate a new customer base. Concrete products are considered a promising business on which TNP has expertise in term of both raw material procurement and production. Its production capacity in 1H/2014 is 97,500 units generating revenues of Baht 27.24 million.

TNP has currently been contracted to produce reinforced concrete sleepers for railway improvement projects covering routes from Thungsong station to Kantang station, from Khao Chumthong Intersection station to Nakhon Si Thammarat station, and from Hat Yai Intersection station to Sungai-Kolok station. Job value for reinforced concrete sleepers only for the railway is Baht 125 million. Additional revenues are also expected from reinforced concrete sleepers for the dual track railway construction and infrastructure construction projects under the government's accelerated development.

TNP's operating result was as follows:

Revenues from sales and services

TNP recognized revenues from sales of spun piles in its statement of income with transfer of risk and return in material aspect as the owner of the products to the buyers. It would not be able to recognize revenues if the management still control or manage the product sold, or there is any material uncertainty in obtaining benefit from the account item, or no reliable measurement of the amount of revenues and costs incurred could be made, or there is some possibility of return of goods. Revenues from services were recognized when services are provided, i.e. recognition of piling service upon completion of the piling work.

Table exhibiting revenues and revenue structure

Particulars	Jan-Jun 2014			2013			2012			2011		
	Baht million	% *	% **	Baht million	% *	% **	Baht million	% *	% **	Baht million	% *	% **
<u>Product – spun piles</u>												
Revenues from sales	81.55	70	55	264.43	70	68	203.40	70	68	111.02	62	61
Revenues from services	35.02	30	24	114.99	30	29	87.75	30	30	67.21	38	37
Total revenues from spun piles	116.57	100	79	379.42	100	97	291.15	10	98	178.23	100	98
							0					
<u>Product - Concrete sleepers</u>												
Revenues from sales	27.24		18	-			-			-		
Revenues from sales and services	143.81		97	379.42		97	291.15		98	178.23		98
Other revenues	3.58		3	11.01		3	4.66		2	3.00		2
Total revenues	147.39		100	390.43		100	295.81		100	181.23		100

Notes * % of revenues from spun piles
 ** % of total revenues

TNP recorded revenues from sales and services of spun piles of Baht 178.23million, Baht 291.15million, Baht 379.42million and Baht 116.57million during 2011-2013 and in 1H/2014. The revenue growth recorded every year was attributable to product price increase in line with the rise in costs of raw materials and labor. As for sales volume, sales volume in 2013 improved from 2012 and 2011. In 1H/2014, TNP's sales volume dropped from the same period of the previous year due to the political conflicts from the end of 2013 through early 2014. In 2013, TNP sold spun piles to a large contractor which generated 65.48% of its revenues from spun pile sales and services. In 1H/2014, it sold the product to a large contractor contributing to 37.36% of its revenues from spun pile sales and services.

As raw material orders, production process, distribution, piling service and delivery are time consuming, and the projects with demand for TNP spun piles have mostly been large projects, its requirement for working capital has all along been huge while it has not yet been ready to service such large projects, TNP has tried to reduce its use of working capital and boost income through a launch of new product which involves a shorter production and delivery process. In 2014, TNP has commenced manufacturing concrete sleepers. The new product is another concrete product, of which the raw material preparation and production line are close to that of the existing product, but it can be delivered to customers in a shorter

process. To date, TNP has recorded revenues from sales of concrete sleepers of Baht 27.24 million, all of which came from one sole customer which is a construction contractor.

During 2012-2013, TNP's revenues from sales and services of spun piles represented 98% and 97% of total revenues respectively. Since its launch of concrete sleepers, a new product, in early 2014, the sales proportion of spun piles has dropped to 79% of total revenues, and that of concrete sleepers has been 18%. TNP expects revenues from sales of concrete sleepers to grow further viewing that its concrete sleepers are of good quality well accepted by the customers and demand from the customers has been on an upward trend.

TNP has recorded revenues from piling service and sales of spun piles in a proportion of 30% and 70% of total revenues from spun piles respectively. It is a proportion not changed so much from the past years as the sales of spun piles are normally accompanied by the piling service.

Other incomes

Other incomes are composed of rental income, income from disposal of supplies, gains on disposal of assets, foreign exchange gains, and interest receivable. During 2011-2013 and in 1H/2014, TNP had other incomes of Baht 3.00 million, Baht 4.66 million, Baht 11.01 million, and Baht 3.58 million respectively.

Costs of sales and gross profit

Costs of sales are composed of raw materials, labor cost and production expenses. Meanwhile, costs of services are composed of cost of pile transportation service, moving expenses of materials and equipment, cost of piling service, personnel expenses, depreciation and service expenses. During 2011-2013 and in 1H/2014, TNP recorded revenues from sales, costs of sales, gross profit from sales, revenues from services, costs of services, and gross profit from services, as below:

Particulars	Jan – Jun 2014		2013		2012		2011	
	Baht million	%	Baht million	%	Baht million	%	Baht million	%
<u>Product – spun piles</u>								
Revenues from sales	81.55	100.00	264.43	100.00	203.40	100.00	111.02	100.00
Costs of sales	73.24	89.81	217.25	82.16	184.01	90.47	125.21	112.78
Gross profit (loss) from sales	8.31	10.19	47.18	17.84	19.39	9.53	-14.19	-12.78
Revenues from services	35.02	100.00	114.99	100.00	87.75	100.00	67.21	100.00
Costs of services	29.66	84.69	88.14	76.65	76.73	87.44	58.89	87.62
Gross profit (loss) from services	5.36	15.31	26.85	23.35	11.02	12.56	8.32	12.38
Total revenues – spun piles	116.57	100.00	379.42	100.00	291.15	100.00	178.23	100.00
Total costs – spun piles	102.90	88.27	305.39	80.49	260.74	89.56	184.10	103.29
Gross profit (loss) – spun piles	13.67	11.73	74.03	19.51	30.41	10.44	-5.87	-3.29
<u>Product - Concrete sleepers</u>								
Revenues from sales	27.24	100.00	-	-	-	-	-	-
Costs of sales	20.91	76.76	-	-	-	-	-	-
Gross profit (loss) from sales	6.33	23.24	-	-	-	-	-	-

During 2011-2013 and in 1H/2014, costs of sales of spun piles amounted to Baht 125.21 million, Baht 184.01 million, Baht 217.25 million and Baht 73.24 million respectively. Around 70-75% of costs of sales came from raw material costs. This resulted in a gross profit (loss) from sales of spun piles in the amount of Baht -14.19 million, Baht 19.39 million, Baht 47.18 million and Baht 8.31million respectively, or gross profit (loss) margin of -12.78%, 90.53%, 17.84% and 10.19% respectively. The loss posted in 2011 was caused by the prolonged flood crisis toward the year-end which accordingly dampened the manufacturing sector amid the surge in demand for raw materials for repair and reconstruction works, hence a sharp hike in raw material prices. In 2013, TNP recorded a gross profit margin of as high as 17.84% as it had been awarded contracts for the power generation plant and the electric train project, which are large-scale, long-term projects. This attributed to its higher revenues and profit margin from sales of spun piles in 2013 compared with a year earlier.

TNP had costs of services of Baht 58.89 million, Baht 76.73 million, Baht 88.14 million and Baht 29.66 million during 2011-2013 and in 1H/2014 respectively. Around 75-80% of costs of services came from pile transportation costs, piling expenses, personnel expenses, repair and maintenance expenses, and depreciation of piling equipment.

Costs of sales and services of spun piles amounted to Baht 184.10 million in 2011, Baht 260.74 million in 2012, Baht 305.39 million in 2013, and Baht 102.90 million in 1H/2014. Costs of sales and services in 2012 went up from the foregoing year by 41.63% due to a 40.13% increase in production output. In 2013, TNP's costs of sales and services were 17.12% higher than those a year earlier. In the corresponding period, TNP's production output declined by 3.08% as affected by the minimum daily wage rate of Baht 300 from the beginning of 2013, hence higher production costs against the declining production output. However, TNP raised its selling price per unit to cover the rising labor cost, resulting in gross profit from spun piles in the amount of Baht -5.87 million, Baht 30.41 million, Baht 74.03 million and Baht 13.67 million, which represented -3.29%, 10.44%, 19.51% and 11.73% of total revenues during 2011-2013 and in 1H/2014 respectively. Gross profit margin of spun piles for the entire year of 2014 is expected close to that in 1H/2014 as TNP has already recognized the higher raw material prices as resulted from the increased minimum wage rate since 2013 and raised its selling price to cover the cost hike.

Concrete sleepers are a type of concrete products like spun piles, but require less production technology and machinery. Around 70-75% of costs of sales came from raw material costs. In 1H/2014, TNP's costs of sales of concrete sleepers amounted to Baht 20.91 million. It posted a gross profit of Baht 6.33million, or a gross profit margin of 23.24 % of revenues. In the future, TNP has a policy to raise its production capacity of concrete sleepers to create economy of scale, which would lower its production cost per unit and hence possible increase in the gross profit margin of its concrete sleepers.

Expenses

TNP's selling expenses, administrative expenses, financial cost, and percentage against total revenues during 2011-2013 and in 1H/2014 were as shown below:

Particulars	Jan-Jun 2014		2013		2012		2011	
	Baht million	%	Baht million	%	Baht million	%	Baht million	%
Selling expenses	1.56	1.06	5.44	1.39	0.75	0.25	2.28	1.26
Administrative expenses	11.92	8.09	13.69	3.51	16.72	5.65	15.63	8.62
Financial cost	1.29	0.88	3.59	0.92	1.30	0.44	1.37	0.76

Selling expenses comprised personnel expenses in a proportion of around 70-75%, advertising and PR expenses 3-5% and other expenses 20%. Administrative expenses were composed of personnel expenses in a proportion of around 40%, office expenses 25-30% and depreciation 10%, etc.

Financial cost amounted to Baht 1.37 million, Baht 1.30 million and Baht 3.59 million during 2011-2013 respectively. Financial cost proportion was rather high as most of the working capital came from short-term loans in such types as factoring, cheque discount and bills of exchange, without any long-term financial sources. In 2013, TNP's financial cost moved up from the foregoing year due to an increase in short-term loans to finance production of spun piles for a large-scale customer. In 1H/2014, its financial cost amounted to Baht 1.29 million, representing 0.88% of total revenues.

Net profit and net profit margin

TNP posted net profit of Baht -22.16 million, Baht 12.27 million, Baht 49.05 million, Baht 6.89 million, with net profit margin of -12.23%, 4.15%, 12.56% and 4.68% during 2011-2013 and in 1H/2014. Its net loss in 2011 was a result of the prolonged, devastating flood crisis toward the year-end which pushed up prices of raw materials in line with the surge in market demand, while TNP failed to deliver and provide piling service to the customers. In 2013, TNP posted a significantly higher net profit as it was awarded contracts of large-scale customers and raised the selling price of spun piles to cover the increase in minimum wage rate. In 1H/2014, TNP was affected by the persisting political impasse from the end of 2013, resulting in sluggish sales. However, with the political situation returning to normalcy, orders for concrete piles have been rising.

Return on fixed assets (ROA)

TNP's ROA was -2.78 times, 17.05 times, 36.78 times and 13.79 times during 2011-2013 and in 1H/2014 respectively. Such ratio has been on an uptrend as TNP has been able to enhance its operating profitability while its fixed assets have been on a decline due to depreciation.

Return on equity (ROE)

TNP's ROE was -8.13%, 4.53%, 16.11% and 2.08%, based on the equity amount of Baht 261.53 million, Baht 279.88 million, Baht 328.93 million and Baht 335.06 million during 2011-2013 and in 1H/2014. TNP recorded retained earnings of Baht 18.87 million, Baht 67.92 million and Baht 74.05 million during 2012-2013 and in 1H/2014 respectively. It has not yet had a policy to pay dividend to its shareholders due to its requirement to fund the working capital.

Financial Status

Assets

As of December 31, 2011-2013 and as of June 30, 2014, TNP's total assets amounted to Baht 299.20 million, Baht 358.79 million, Baht 469.49 million and Baht 540.05 million respectively. Details of assets with material changes are as below:

- Cash and cash equivalents

As of December 31, 2011-2013 and as of June 30, 2014, TNP's cash and cash equivalents amounted to Baht 0.23 million, Baht 3.80 million, Baht 1.42 million and Baht 5.07 million respectively, being in form cash, saving bank deposits and current bank deposits.

- Trade and other receivables and doubtful accounts

As of December 31, 2011-2013 and as of June 30, 2014, TNP recorded trade and other receivables as follows:

Particulars of Trade and other receivables	Jun 30, 2014		Dec 31, 2013		Dec 31, 2012		Dec 31, 2011	
	Baht million	%	Baht million	%	Baht million	%	Baht million	%
Receivables of others	58.17	90	64.17	94	88.55	99	78.32	100
Receivables of related parties	6.54	10	4.31	6	0.95	1	0.21	-
Total trade and other receivables	64.71	100	68.48	100	89.50	100	78.53	100

Receivables of others comprised trade and other receivables, mostly trade receivables which during 2011-2013 and in 1H/2014 amounted to Baht 72.57 million, Baht 80.86 million, Baht 59.37 million and Baht 51.19 million respectively, while other receivables comprising Revenue Department receivables, accrued income and other receivables accounted for Baht 5.75 million, Baht 7.69 million, Baht 4.80 million and Baht 6.98 million during the corresponding period respectively.

Credit term policy of TNP for its customers is around 60-90 days. During 2011-2013 and in 1H/2014, TNP's collection period was in an average of 295 days, 152 days, 113 days and 136 days respectively, which is considered normal for this type of business where most customers are sub-contractors and hence debts have to be collected in steps from parties involved. Nevertheless, TNP's debt collection is considered more efficient than in the past.

Trade receivables of others as of the end of fiscal period classified by ageing are shown here:

Ageing	Jun 30, 2014		Dec 31, 2013		Dec 31, 2012		Dec 31, 2011	
	Baht	%	Baht	%	Baht	%	Baht	%
Not yet due	39.27	41	44.29	44	50.59	42	40.16	36
Less than 3 months	4.70	5	4.39	4	7.17	6	6.32	6
Between 3 – 6 months	4.67	5	5.80	6	19.93	16	0.67	1
Between 6 – 12 months	2.87	3	2.65	3	0.08	0	25.45	23
More than 12 months	44.30	46	42.41	43	43.90	36	37.36	34
Total	95.81	100	99.53	100	121.67	100	109.97	100
<u>Less</u> Allowance for doubtful	(44.62)	46	(40.17)	40	(40.81)	34	(37.40)	34

Trade receivables of others - net	51.19	54	59.37	60	80.86	66	72.57	66
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As of December 31, 2011-2013 and as of June 30, 2014, TNP had trade receivables in a total of Baht 109.97 million, Baht 121.67 million, Baht 99.53 million and Baht 95.81 million respectively. After deducting allowance for doubtful accounts, the remaining trade receivables amounted to Baht 72.57 million, Baht 80.56 million, Baht 59.37 million and Baht 51.19 million respectively. TNP has projected allowance for doubtful accounts from receivables with ageing over 12 months and with debt servicing record of each customer taken into account. Stability of end-users of TNP's products is also factored in. For example, if end-users are government agencies or big private entities, risks of bad debts should be small. In this regard, TNP has also adequately set aside allowance for doubtful accounts. As of June 31, 2014, the proportion of receivables with ageing more than 12 months has slightly risen from that as of the end of 2013 due to a decrease in revenues in 1H/2014. According to its policy to take care of customers with default of payment, TNP mainly takes into consideration the stability of each buyer before contracting the job, and will negotiate and follow up closely in case of any default of payment.

Receivables of related parties comprised other receivables, such as accrued interest receivable from rendering of loans, and no trade receivables. As of December 31, 2011-2013 and as of June 30, 2014, TNP's other receivables amounted to Baht 0.21million, Baht 0.95 million, Baht 4.31 million and Baht 6.54 million respectively. Debt collectible of 6.54 million would be paid to TNP by 2014.

- *Short-term loans (related parties)*

TNP has rendered loans to Rich Asia Steel Public Co., Ltd. ("RICH"), its parent company holding 100% of TNP's registered capital. The outstanding loan amount and interest rate receivable are presented below:

Short-term loans	Jun 30, 2014	Dec 31, 2013	Dec 31, 2012	Dec 31, 2011
Outstanding loans (Baht million)	121.60	53.86	48.47	-
Interest rate (%) per annum	6.75 – 6.88	6.75 – 7.13	6.87 – 7.25	-

As of June 30, 2014, TNP had outstanding short-term loans of Baht 121.60 million, which would be due for payment to TNP within 6 months.

- *Inventories* comprised finished goods, goods in process, raw materials, goods in transit and supplies. As of December 31, 2011-2013 and as of June 30, 2014, TNP's inventories amounted to Baht 48.73 million, Baht 58.27million, Baht 114.58 million and Baht 103.15 million, representing 16.29%, 16.24%, 24.40% and 19.10% of total assets respectively. Sales turnover period was 63 days, 60 days, 55 days and 60 days respectively. The increase in inventories as of December 31, 2013 stemmed from goods in transit, a portion of which was the spun piles already produced by TNP but being under transportation and piling works before delivery to customers, and the other portion was the pending orders of raw materials for further production of spun piles to meet orders of customers in 2014. TNP has also ordered raw materials in addition to its normal procurement to produce concrete sleepers, its new product line launched in early 2014. As of June 30, 2014, orders of TNP's spun piles and concrete sleepers have increased from the slowdown earlier of the year when there were political conflicts. TNP has thus additionally prepared raw materials for its production. Details of inventories as of the end of the fiscal period are shown below:

Unit: Baht million

Particulars	Jun 30, 2014	Dec 31, 2013	Dec 31, 2012	Dec 31, 2011
Finished goods	35.23	47.34	46.20	41.04
Goods in process	0.46	0.27	0.42	0.85
Raw materials	66.69	37.61	9.88	7.42
Goods in transit	-	28.74	-	-
Supplies	6.39	6.24	6.50	6.78
Total	108.77	120.20	63.00	56.09
<u>Less</u> Allowance for declining in value of inventories	(5.62)	(5.62)	(4.73)	(7.36)
Inventories - net	103.15	114.58	58.27	48.73

TNP has a policy to set aside allowance for declining in value of inventories with calculation by the cost method or net value receivable, whichever is lower. Cost of goods is calculated by the moving average method whereby net value receivable is the projected selling price in normal course of business deducted by projected cost of production and cost of sales, deteriorating goods and obsolete goods, taking into account useful life of goods and inspection of conditions of goods. As of December 31, 2011-2013 and as of June 30, 2014, TNP set aside allowance for declining in value of inventories in the amount of Baht 7.36 million, Baht 4.73 million, Baht 5.62 million and Baht 5.62 million respectively. TNP has considered such allowance for declining in value of inventories adequate.

- *Bank deposit pledged as collateral* As of December 31, 2011-2013 and as of June 30, 2014, TNP had bank deposits in the types of saving deposit account and time deposit account amounting to Baht 4.13 million, Baht 2.41 million, Baht 5.47 million and Baht 5.54million respectively placed as collateral to secure credit facility in the type of letter of guarantee for sales of products.

- *Property, plant and equipment* As of December 31, 2011-2013 and as of June 30, 2014, TNP had property, plant and equipment accounting for Baht 138.18 million, Baht 128.65 million, Baht 183.40 million and Baht 205.58 million, representing 46.18%, 35.86%, 39.01% and 38.07% of total assets respectively. The major item was property valued Baht 94.89 million. The increase in the value of property, plant and equipment in 2013 and 1H/2014 was attributable to the fact that TNP invested in the production line of concrete sleepers at Baht 62.14 million in 2013 and another amount of Baht 28.63 million in 1H/2014. An additional amount of Baht 40 million is expected to be invested in 2H/2014 to complete the production line of concrete sleepers.

As of June 30, 2014, part of the property, plant and equipment with book value of Baht 101.08 million has been mortgaged as collateral to secure credit facility for RICH.

- *Retention receivables* As of December 31, 2011-2013 and as of June 30, 2014, TNP recorded retention receivables amounting to Baht 11.78 million, Baht 14.14 million, Baht 35.08 million and Baht 18.30 million respectively. TNP agrees for the contracting party to deduct 5-10% of contract price in each installment as a retention fund. As of the end of 2013, TNP had placed retention fund with N.L. Development Public Co., Ltd., Exsilon Co., Ltd., Ritta Co., Ltd., PAR Joint Venture, Sino-Thai Engineering and Construction Public Co., Ltd., and Power Line Engineering Public Co., Ltd., collection of which to be made by 2015. As of June

30, 2014, TNP had placed retention fund with N.L. Development Public Co., Ltd., Exsilon Co., Ltd., Ritta Co., Ltd., Sino-Thai Engineering and Construction Public Co., Ltd., Power Line Engineering Public Co., Ltd., and Toyo-Thai Corporation Public Co., Ltd., collection of which to be made by 2016.

- *Deferred tax assets*

As of December 31, 2011-2013 and as of June 30, 2014, TNP recorded deferred tax assets comprising allowance for doubtful accounts, allowance for loss from declining in value of goods and employee benefit obligations in the amount of Baht 2.69 million, Baht 2.41 million and Baht 3.53 million respectively.

- *Other non-current assets* comprising retention receivables and other deposits, e.g. electricity use deposits and intangible assets. As of December 31, 2011-2013 and as of June 30, 2014, TNP had other non-current assets of Baht 2.91 million, Baht 1.06 million, Baht 0.96 million and Baht 3.05 million respectively.

Liabilities

As of December 31, 2011-2013 and as of June 30, 2014, TNP's total liabilities amounted to Baht 37.67million, Baht 78.91 million, Baht 140.56 million and Baht 204.99 million respectively. Details of liabilities with material changes are shown below:

- *Short-term loans from financial institutions* As of December 31, 2011-2013 and as of June 30, 2014, TNP had outstanding short-term loans from financial institutions amounting to Baht 3.72 million, Baht 23.91million, Baht 14.98 million and Baht 53.59 million, representing 1.24%, 6.67%, 3.19% and 9.92% of total assets respectively. In 2012 and 2013, such short-term loans were fully in factoring thereby TNP sold cheques received from customers after delivery of jobs at discounts, with guarantee provided by RICH and directors of TNP in full. As of June 30, 2014, short-term loans were mostly bills of exchange.

- *Trade and other payables (others)* As of December 31, 2011-2013 and as of June 30, 2014, trade and other payables with other parties amounted to Baht 24.58 million, Baht 38.61 million, Baht 91.72 million and Baht 125.78 million respectively. Trade and other payables (others) during 2011-2013 were mainly trade payables. For 1H/2014, trade payables accounted for 73.35% and other payables 26.65% of trade and other payables with other parties. Other payables comprised asset investment payables, Revenue Department payables, accrued public utility payables, etc.

TNP's debt repayment period is 90 days. In fiscal periods of 2011-2013 and 1H/2014, debt repayment period was 97 days, 45 days, 78 days and 160 days respectively. The high debt repayment period in 1H/2014 was because TNP recorded with inclusion of other payables. If other payables are excluded and there remain only trade payables, TNP's debt repayment period as of June 30, 2014 would be 141 days. Such payables were raw material cost payables brought forward from the previous year due to lack of liquidity. However, TNP has a policy to gradually make settlement to the trade creditors upon receiving customers' payments for products and services. Its outstanding balance would then be declining.

- *Trade and other payables (related parties).* As of December 31, 2011-2013 and as of June 30, 2014, TNP had trade and other payables with related parties in the amount of Baht 0.16 million, Baht 2.38 million, Baht 0.39 million and Baht 1.66 million respectively.

- *Short-term loans for use as working capital.* As of June 30, 2014, TNP had a short-term loan (other party) accounting for Baht 4.23 million which would be due for payment by September 15, 2014, interest-free and collateral-free. Such debt was incurred in 2013. TNP also had a long-term loan granted by the major shareholder amounting to Baht 5.00 million to be due for payment by November 30, 2014, carrying interest rate of 12.00% per annum, for which TNP has placed its investment real estate, i.e. condominium, as loan security.

- *Employee benefit obligations.* Since January 1, 2011, TNP has adopted an accounting standard: TAS No. 19 regarding employee benefits. Based on actuarial calculation of employee benefit obligations, the management has recorded liabilities and benefits relating to employees incurred before 2011 adjusted by accumulated loss as of the beginning date of fiscal year 2011 according to such accounting standard. As of December 31, 2011-2013 and as of June 30, 2014, TNP recorded employee benefit obligations of Baht 1.85 million, Baht 1.98 million, Baht 2.10 million and Baht 3.23 million respectively.

Shareholders' equity

As of December 31, 2011-2013 and as of June 30, 2014, TNP recorded shareholders' equity of Baht 261.53 million, Baht 279.88 million, Baht 328.93 million and Baht 335.06 million, representing 87.41%, 78.00%, 70.06% and 62.04% of total assets respectively. This was attributable to the increase in its retained earnings posted at Baht 18.87 million in 2012, Baht 67.62 million in 2013, and Baht 74.05 million in 1H/2014. No dividend payment was made during such periods.

Despite the consistent increase in shareholders' equity, TNP's liabilities to equity ratio which was 0.14 time, 0.28 time, 0.43 time and 0.61 time as of December 31, 2011-2013 and as of June 30, 2014 has been moving up continuously. This has resulted from TNP's increase in liabilities in a larger proportion than the increase in shareholders' equity following its delay in debt settlements to trade creditors in order to maintain its liquidity.

Moreover, in 2013, TNP entered into an agreement to transfer the right to debt claim in relation to sales of spun piles together with piling service from one customer under a book value of Baht 2.81 million (trade payables debt of Baht 15.30 million less allowance for doubtful accounts of Baht 12.49 million) to Mr. Kamol Watthanakanin, an executive of TNP (transferee) at the transfer price of Baht 15.00 million. Under the agreement, TNP entitles the transferee to purchase new ordinary shares of TNP before listing on the Stock Exchange of Thailand in the amount of shares valued up to the price settled under such transfer of right to debt claim agreement. The exercise price is determined based on the price to earning ratio of 8 times. If the transferee fails to exercise the right within the prescribed period, it shall be deemed that the transferee has abandoned the right to purchase the new ordinary shares. On September 2, 2014, the transferee exercised the right to invest in TNP amounting to 1,000,000 shares worth Baht 15.00 million, and TNP registered the capital increase on September 3, 2014.

Liquidity

- *Cash flows*

Net cash flows (Baht	Jun 30, 2014	Dec 31, 2013	Dec 31, 2012	Dec 31, 2011
From operating activities	35.46	68.36	30.62	2.84
From investing activities	(68.89)	(62.96)	(47.29)	(6.03)
From financing activities	37.08	(7.78)	20.24	1.48

TNP had net cash flows from operating activities during fiscal years 2011-2013 and in 1H/2014 in the amount of Baht 2.84 million, Baht 30.62 million, Baht 68.36 million and Baht 35.46 million respectively. Its cash flows obtained from operating activities have been on a rising trend every year thanks to its higher sales capability and profitability compared with each foregoing year and capable management of such operating assets as receivables, inventories, retention fund and payables, hence increase in cash flows. However, TNP recorded rather high net cash flows used in investing activities, mostly for short-term lending to RICH and investment in production line of concrete sleepers from which some

income can be generated at present. TNP thus recorded net cash flows used in investing activities of Baht -6.03 million, Baht -47.29 million, Baht -62.69 million and Baht -68.89 million during fiscal years 2011-2013 and in 1H/2014. In addition, in fiscal year 2012 and 1H/2014, TNP's short-term loans from financial institutions went up, resulting in net cash flows from financing activities of Baht 1.48 million, Baht 20.24 million, Baht -7.78 million and Baht 37.08 million respectively in the corresponding period.

- *Liquidity ratios.* As of December 31, 2011-2013 and as of June 30, 2014, TNP had current assets of Baht 140.46 million, Baht 208.48 million, Baht 241.06 million and Baht 303.07 million respectively. The increase was principally attributable to short-term loans to RICH and raw material reserves for production. Current liabilities accounted for Baht 35.66 million, Baht 76.85 million, Baht 138.05 million and Baht 201.49 million respectively, coming mostly from the increase in short-term loans from financial institutions and trade payables. Current liabilities moved up in a larger proportion than the rise in current assets, resulting in TNP's declining liquidity. Current ratio was 3.94 times, 2.71 times, 1.75 times and 1.50 times respectively, and quick current ratio was 2.21 times, 1.21 times, 0.51 times and 0.35 times respectively in the corresponding period. Considering cash cycle of 262 days, 167 days, 90 days and 37 days respectively, TNP has improved in its management of current assets and liabilities arising from the normal course of business operation, comprising receivables, inventories and payables. Looking forward, TNP may need to seek additional cash flows to support its liquidity.

- *Maturity of short-term loans.* As of June 30, 2014, TNP had short-term loans from financial institutions of Baht 53.59 million, comprising discounted promissory notes of Baht 1.48 million, factoring facilities of Baht 3.90 million and short-term bills of exchange of Baht 48.21 million (bills of exchange of Baht 50.00 million, with discount for bills payable of Baht 1.79 million) under private placement for four investors, collateral-free, with maturity in December 2014, and a discount rate of 8.50%. TNP believes that negotiation can be made to roll over the bills for at least another 6 months.

For fiscal years 2011-2013 and in 1H/2014, TNP had financial cost of Baht 1.37 million, Baht 1.30 million, Baht 3.59 million and Baht 1.29 million respectively, without any long-term loans. Its debt servicing capability was thus -7.24 times, 24.55 times, 2.03 times and 28.47 times respectively. Viewing this, TNP's liabilities bore low financial cost compared with its profitability. Sources of working capital mainly came from trade payables and other payables.

Capital expenditure

TNP started construction of its production line of concrete sleepers in 3Q/2013 with investment of Baht 62.14 million. Production has been commenced with production capacity of 97,500 units in 1H/2014, bringing in revenues of Baht 27.24 million. It additionally invested Baht 28.63 million in 1H/2014, and has planned to invest another Baht 40 million in 2H/2014 to boost its production capacity to 630,000 units per year.

Sources of funds

As of December 31, 2011-2013 and as of June 30, 2014, TNP's liabilities to equity ratio was 0.14 time, 0.28 time, 0.43 time and 0.61 time respectively. The ratio has been on the rise for the past years due to the increase in current liabilities, short-term loans and other payables in a greater proportion than the increase in shareholders' equity. However, the ratio is considered within the normal criteria. During such period, there was no capital increase and no dividend payment.

Major factors and influence on the operating results and financial status in the future

TNP engages in production of spun piles and concrete sleepers. Both products have future growth prospects with high and consistent demand. Market capitalization would also move up in line with the government's investments in infrastructure projects and rail sleeper transform project where wood sleepers would be changed to concrete sleepers for the railway across the country. TNP is a large producer fully equipped with a large factory, reliable production technology, high production capacity and machinery and equipment availability for piling work, as well as good product quality well accepted in the construction industry. Thus, TNP's profitability has been growing continuously.

The production process of TNP, i.e. raw material preparation, production and storage of goods, involves the processes that require a definite duration of time to ensure high product quality, hence huge working capital. Moreover, some machinery and equipment have long been in use, so they need modification, improvement or replacement for more efficient production. This inevitably requires a materially greater amount of working capital to support such tasks.

As TNP has provided guarantee and mortgaged its assets, comprising land with construction and machinery, to secure loans for RICH against financial creditors, and also rendered short-term loans to RICH, this has made it hard for TNP to access additional financial support from financial institutions as they are not confident whether TNP would pass on the loans to RICH or not. Furthermore, TNP has delayed debt payment to trade creditors in order to maintain liquidity for use as working capital. Trade creditors may lose trust in TNP and no more debt payment relaxation may be granted. This may consequently cause TNP to fall short of working capital and be unable to generate income. Therefore, in the event of no change to solve these problems, TNP may encounter difficulties in its operation to the extent that it may have to cease operation.

2.8 Lawsuits and legal disputes

According to the legal audit as of July 10, 2014 by the legal audit Nitisareechon, TNP had two legal disputes in process as of June 30, 2014 as below:

- Civil case at Meenburi Court between TNP ("plaintiff") and SPS Global Corporation Co., Ltd. ("defendant") regarding an offense under Cheques and Bills of Exchange Act, involving capital amount of Baht 7,399,049.62. Plaintiff and defendant made a compromise agreement before the Court on June 11, 2013 thereby defendant agrees to pay debts as filed, with request to make 6 installment payments within the prescribed period. So far Baht 6,699,549 has been paid, with Baht 699,500 remaining unsettled despite cheques handed in. Execution of the case is now under preparation for further proceeding with a criminal suit as regards the unsettled portion.

- Civil case at Surat Thani Provincial Court between TNP ("plaintiff") and Mongkhon Larp Construction Co., Ltd. ("defendant") regarding sale and purchase, involving capital amount of Baht 619,415.19 Plaintiff and defendant made a compromise agreement before the Court on November 6, 2012 thereby defendant agrees to pay debts as filed, with request to make 30 installment payments of Baht 588,096.45 within the prescribed period. Installment payments are underway.

2.9 Projects that TNP has signed contracts already

1) Reinforced concrete piles

No.	Customer Name	Project / Location	Period	Value of piles (millions THB)	Project progress * (%)	Revenue Recogniti on in 2013 (millions THB)	Estimated Revenue Recognitio n in 2014 (millions THB)
1	Sino-Thai Engineering & Construction Public Co.,Ltd.	Construction of the Blue Line Metro Extension in Contract No. 4 (Depot)	Jul 12 -Jun 14	98.02	94.48	59.95	5.41
2	Toyo-Thai Corporation Public Company Limited	Small Power Plant. Lardkrabang. Lardkrabang industrial estate, Bangkok.	Dec 13 - 14	40.00	83.07	0.03	39.97
3	Krunghthon Engineers Co., Ltd.	Construction of Highway bridge No. 3414 Buddha Monthon 5	Jan - May 14	4.62	87.48	-	4.62
4	Noneprasrikeeridham Dhamma Retreat	Dhamma Retreat at Noneprasrikeeridham, Ta Praya District, Sa Kaew.	Mar 14	0.94	20.51	-	0.94
5	Nantawan Co., Ltd.	Thai Seisen New Factory. Bangpu industrial estate. Samutprakarn.	Mar 14	4.35	33.84	-	4.35
6	Thai Shimizu Co.,Ltd.	G-Tec Gateway Factory Phase 2 (The pile extension with transportation)	May 14	0.76	10.06	-	0.76
7	K.SONGSERM Co., Ltd.	Construction of 5-floor-multipurpose Building. Pathum Thani Kindergarten, BangPro, Pathum Thani District, Pathum Thani.	May 14	2.06	-	-	2.06
8	Sino-Thai Engineering & Construction Public Co., Ltd.	Construction of the Blue Line Metro Extension in Contract No. 4 (GIS Terminal) Tapra junction.	May 14	1.16	-	-	1.16
9	Sino-Thai Engineering & Construction Public Co., Ltd.	Sri Rat – Outer Ring Road Expressway. Taling Chan, Bangkok.	Jun - Dec 14	91.00	-	-	91.00

No.	Customer Name	Project / Location	Period	Value of piles (millions THB)	Project progress * (%)	Revenue Recognition in 2013 (millions THB)	Estimated Revenue Recognition in 2014 (millions THB)
10	Toyo-Thai Corporation Public Company Limited	Bangpu Power Plant. Bangpu industrial estate, Samutprakarn.	May 14	77.57	-	-	77.57
Total				320.48		59.97	227.85

Remark: *Summary of project progress as of May 2014

2) Concrete railway sleepers

No.	Customer Name	Project / Location	Period	Value of Concrete sleeper (million THB)	Quantity (EA)	Estimated Revenue Recognition in 2014 (million THB)	Estimated Revenue Recognition in 2015 (million THB)
1	Assawa Angkul Partnership Limited	Track Strengthening from Thung Song Junction to Kantang (Kantang line)	Feb – May 14	15.91	29,308	15.91	-
2	Assawa Angkul Partnership Limited	Track Strengthening from Khao Chum Thong Junction to Nakhon Srithammaraj (Nakhon Srithammaraj line)	Apr 14 - Oct 15	31.16	58,607	31.16	-
3	Suem Snguan Costruct Co., Ltd.	Track Strengthening from Hat Yai to Su-ngai kolok	Jul 14 – Sep 15	78.00	150,000	22.50	55.50
Total				125.07	237,915	69.57	55.50

Remark: Data as of July 2014

3. The advantages and disadvantages of the transaction and the impact when the transaction does not proceed.

3.1 The advantages of the transaction

1) Able to comply with the debt restructuring agreement - RICH has been done many debt restructuring with financial institutions, but it did not comply with the conditions specified in the debt restructuring agreement. So the sale of 18,000,000 shares by the TNP at a price of 30.00 baht per share will let RICH get the amount of 540.00 million baht. Next, RICH will repayments the amount of 450.00 million baht to financial institutions in order to comply with the debt restructuring agreement. This will improve RICH's reliability.

2) Reduce debt from financial institutions – The repayment of 450.00 million baht to financial institutions (from money received from the sale of TNP) will make debt reduction. And the ratio of RICH's debt to equity as of June 30, 2014, went down from 8.06 times to 7.07 times.

3) Reduce cost of debt – While there was an increase of 9.02 per year in the RICH's cost of debt that has been restructured with a financial institution, the repayment to the financial institution will allow RICH to reduce their cost of debt at the amount of 40.59 million baht per year.

4) Increase financial liquidity - RICH can use the remaining 90.00 million baht from the repayments to financial institution, to boost their financial liquidity.

5) Gain from Sales of Investments – The selling of 18,000,000 TNP's shares at a price of 30.00 baht per share, totaling 540.00 million baht (while the cost of acquisition in 2010 was 24.50 baht per share, totaling 441.00 million baht), will allow RICH to gain a profit of 99.00 million baht.

3.2 The disadvantages of the transaction

1) Reduce their stake in TNP - The sales of 18,000,000 TNP's shares (or 66.42% of paid registered capital), will affect RICH to remain 8,100,598 TNP's shares (or 29.89% of paid registered capital).

2) Lose the right to absolutely control – After RICH sales TNP's shares, they will remain 29.89% of paid registered capital in TNP's shares. As a result, RICH will lose the absolute control in TNP such as voting, control or appointment of the board member. It is based on their stake, RICH can control only the action of TNP that require the approval from the shareholders' meeting which are not less than 75.00% of paid registered capital such as the increase or decrease of capital. RICH have to accept those actions before the shareholder can approve.

3) The preparation of consolidated financial statements – After RICH sales TNP's shares, they will remain 29.89% of paid registered capital in TNP's shares. Thus, TNP is no longer a subsidiary of RICH. Therefore, RICH did not need to include TNP financial statement in their consolidated financial statements. However, RICH will only recognize their share of profits from only investments in proportion to their shareholders. It also makes changed to the income structure of RICH. The shareholders can view details of income structure of RICH from information memorandum which enclosure with notice of the shareholders meeting.

3.3 The impact on RICH when the transaction is not proceeded.

If RICH cannot sales the TNP's shares, they will continue to conduct business as usual. As a result, RICH are unable to meet the debt restructuring agreement with a financial institution again, because they are unable to pay their debt to the institution. Moreover, the financial costs would remain high. These will affect the operations and investment projects in TNP's Concrete railway sleepers on the lack of funding and lack of liquidity due to RICH are unable to provide additional financial support to the TNP. In addition, putting up the land and buildings and other proprietary of TNP as collateral for loan with the financial institution by RICH, will made the TNP procurement in financial loan from financial institutions more difficult. This may reduce the value of investments in TNP and RICH may verify the impairment of the investment.

4. Summary of the Terms and Conditions.

RICH and the buyer have signed a contract to buy and sell on October 6, 2014. The essence of the contract is summarized below.

4.1 The contract was made between RICH as the seller and Dr. Phasin Suebsubanunt, Mr. Thiti Kittipattananon and Miss Duendara Limthanakul as the buyer.

4.2 The buyer will buy the share regarding the contract condition on the date that the transaction is completed and RICH will not give any confirmations or guarantees regarding the status and / or condition of the share.

4.3 RICH will not allow TNP to increase any additional debt, except the debt increasing from normal business operations and the debt of 220 million baht for the operation of the TNP.

4.4 On the date that transaction is complete, the buyer will agree to pay RICH with the share price under the contract at a price of 3.00 baht per share, totaling 540 million baht. Moreover, each parties will bear the stamp duty equally.

4.5 The buyers will provide the Thailand bank guarantee as the collateral for the payment of 54 million baht. The buyer will send the bank guarantee to RICH within November 6, 2014. After that, if the buyers have a breach in the essence of the contract, RICH will seize the collateral of the buyer. And RICH have already noticed the buyer to correct, but the buyer does not take corrective action within 15 days after receiving the notice. In addition, the buyer will be responsible for overall fees or costs that was occurred.

4.6 Both the buyers and RICH will first accept the payment and share transfer depending on the conditions precedents. The deal and share transfer must be made within 15 days from the date that the Conditions Precedents were fulfilled and treated properly.

4.7 RICH will conduct TNP to launch the meeting of directors or shareholders to approve the change of directors and the name of the authorized signatory regarding the shareholding and comply with the notice that will be inform by the buyers.

4.8 The conditions precedents are as follows; RICH will conduct themselves to launch the meeting of directors or shareholders to approve the sales of share to the buyers regarding the contract under the Securities and Exchange Act 1992, Companies Act 1992, as well as regulations relating to the Securities and Exchange Commission and the Stock Exchange of Thailand. In

addition, RICH will notify the buyers immediately in writing when conditions precedents were fulfilled successfully.

4.9 The contract parties have the right to terminate the contract in the event that any party has a breach in the essence of the contract where the other party has already noticed to correct it, but the party who has a breach in contract does not take corrective action within 15 days after receiving the notice. Or there are the laws or regulations of the Government that lead to be unable to meet any terms in the essence of the contract, or unable to buy or sell regarding the terms and conditions in the contract.

5. Fairness of price and conditions

5.1 Suitability of price

To consider the suitability of the TNP's shares price, the independent financial adviser evaluates the TNP's shares price based on the following methods.

5.1.1 *Book Value Approach*

This valuation method will assess the value of the total assets in the financial statements of TNP as of June 30, 2014 that has been reviewed by the TNP authorized auditors. In addition, this will include the financial adjustment from the issue of the new additional common stock that offered to the shareholders of 1,000,000 shares in September 2014, at a price of 15.00 baht per shares, totaling 15.00 million baht. This will affect the book value of TNP to increase from their financial statements as of June 30, 2014, which will be changed from 335.06 million baht to 350.06 million baht. And then it will be divided by the number of shares sold (including the number of new common stock issued in September 2014). The details of this calculation are as follows.

	details	value	
Total assets		540.05	million baht
<u>Deduct</u> liabilities		204.99	million baht
Shareholders' equity as of 30 June 2014		335.06	million baht
<u>adjust</u> amount from the capital increase		<u>15.00</u>	million baht
Shareholders' equity after the capital increase		350.06	million baht
<u>divide</u> by number of shares sold		27,100,600	shares baht
Book value		12.92	baht/share
Number of TNP shares to be sold at this time		18,000,000	shares
Book value regarding the ratio of offering share		232.56	million baht

From the table above, the price of TNP's shares regarding the Book Value Approach equal to 12.92 baht per share or equal to 232.56 million bath of book value regarding the ratio of offering share. This price is lower than the offering price of 307.44 million baht or lower than the offering price of 56.93 percent. The independent financial adviser suggest that price which is calculated from the book value approach, is just the price at the specified period. Which may not reflect the current market value of assets, the ability to increase profits in the future, or events that occur after the date in the financial statements. As a result, the independent financial adviser considers that the book value approach is not suitable to determine the value of TNP's shares.

5.1.2 Adjusted Book Value Approach

This valuation method will assess the value of the total assets in the financial statements of TNP as of June 30, 2014 that has been reviewed by the TNP authorized auditors. In addition, this will include the financial adjustment from the issue of the new additional common stock that offered to the shareholders in September 2014 and adjust by the increase or decrease in the value of some asset items which are assessed by an independent appraiser. Then it is divided by the number of shares sold (including the number of new common stock issued in September 2014).

RICH hired Bangkok Valuation and Consultant Co., Ltd., operated by Mr.Komsun Ketsarapong who is the main appraiser for public propose no. vt.233. This is the independent appraisal company that has been approved by the Securities and Exchange Commission. This valuation was made on 22 August 2014. The valuated assets included land, buildings, machinery and equipment. These assets had the market value of 605.00 million baht, while the book value as of 30 June 2014 was 204.36 million baht. The details of the calculation of book value after the adjustment are as follows.

Unit: million baht

Fixed assets that have been appraised	Book value	appraised value	Difference
Land	94.89	194.71	99.82
Buildings	81.45	104.11	22.66
Machinery and Equipment	28.02	306.05	278.00
Adjust rounding		0.13	0.16
Total appraised assets	204.36	605.00	400.64

details	value	
Shareholders' equity as of 30 June 2014	335.06	million baht
<u>adjust</u> amount from the capital increase	<u>15.00</u>	million baht
Shareholders' equity after the capital increase	350.06	million baht
<u>Plus</u> the diff. in book value of appraised assets	<u>400.64</u>	million baht
Shareholders' equity adjusted by total market value	<u>750.70</u>	Million baht
<u>divide</u> by number of shares sold	27,100,600	shares baht
Book value	27.70	baht/share
Number of TNP shares to be sold at this time	18,000,000	shares
Book value adjusted by total market value regarding the ratio of offering share	498.60	million baht

From the table above, the price of TNP's shares regarding the Adjusted Book Value Approach is equal to 27.70 baht per share or equal to 498.60 million bath of book value regarding the ratio of offering share. This price is lower than the offering price of 41.40 million baht or lower than the offering price of 7.67 percent. However, the independent financial adviser suggest that price which is calculated from this approach, is just the price at the specified period. Although it has reflected the current market value of the assets already, it does not consider the performance and competitiveness in the future. Moreover, it does not concern the overall trend of the economy and

the industry including the ability to make a profit in the future or events that occur after the date on the financial statements. So, the independent financial adviser considers that the Adjusted Book Value Approach is not suitable to determine the value of TNP's shares.

5.1.3 Market Comparable Approach

The valuation using this method will assess the business value, compare with the reference ratio from the registered companies listed in the Stock Exchange of Thailand ("SET") in the building materials section of piles manufacturing and distribution as same as TNP. This will assume that the company with the similar operations is likely to have a similar financial ratio. The ratio commonly used in the comparison are as follows.

- Price to Earning Ratio : PER
- Price to Book Value Ratio : P/BV

In this comparison, the independent financial adviser will choose only the registered companies classified in the building materials section of piles manufacturing and distribution as same as TNP. There are 3 registered companies used for the comparison as follows.

No.	Company name	Abbreviation
1	Dcon Products Public Company Limited	DCON
2	General Engineering Public Company Limited	GEL
3	Southern Concrete Pile Public Co., Ltd.	SCP

1) Price to Earning Ratio Approach: PER

The valuation using this method will assess the price from earning per TNP's share, compare with PER of the registered companies listed in SET the building materials section of piles manufacturing and distribution as same as TNP. The independent financial adviser determines the earning of TNP from previous year as of 30 September 2014 by 1.75 per share. And then multiply by the average PER of the registered company in the specific period since 30 September 2014 onward. Which is the period prior to the RICH Board of Directors has approved the transaction. The independent financial adviser has calculated the average PER of the previous year regarding 7 -360 working days. The details in the calculation of the PER of TNP and the valuation of the common stock regarding the Price to Earning Ratio Approach are as follows.

Earning in 2013	49.05	Million baht
<u>Plus</u> Earning from the first 6 months in 2013	22.47	Million baht
<u>Less</u> Earning from the first 6 months in 2014	6.89	Million baht
Earning from previous year as of 30 June 2014	33.47	Million baht
Number of TNP's shares (as of 30 June 2014)	26.1006	Million shares
Earning per TNP's share	1.28	Baht/share

Abbreviation	7 days	15 days	30 days	60 days	90 days	180 days	360 days
DCON	15.94	15.93	15.94	14.82	13.79	13.02	12.91
GEL	16.91	14.94	13.69	13.09	12.17	10.61	11.98
SCP	8.33	8.38	8.07	7.86	7.51	6.92	8.06
average	13.73	13.08	12.57	11.92	11.16	10.18	10.98
Earning per TNP's share (baht/share)	1.28						
Price (baht/share)	17.57	16.74	16.09	15.26	14.28	13.03	14.05
Total number of share (shares)	27,100,600						
Price (million baht)	476.15	453.66	436.04	413.55	386.99	353.11	380.76
Number of share to be sold (shares)	18,000,000						
Price (million baht)	316.26	301.32	289.62	274.68	257.04	234.54	252.90

Remark : Data in this calculation referenced from www.efinancethai.com as of 30 September 2014

From the table above, the price range of TNP's shares regarding the Price to Earning Ratio Approach are between 13.03 and 17.57 baht per share or between 234.54 and 316.26 million bath of book value regarding the ratio of offering share. This price is lower than the total offering price of 223.74 - 305.46 million baht or lower than the offering price of 41.43 - 56.57 percent. However, the independent financial adviser suggests that price which is calculated from this approach, is just the consideration of shares' market value from the earning comparison at the specified period. In addition, it does not consider the performance and competitiveness in the future. Moreover, it does not concern the overall trend of the economy and the industry including the ability to make a profit in the future or events that occur after the date on the financial statements. So, the independent financial adviser considers that the Price to Earning Ratio Approach is not suitable to determine the value of TNP's shares.

2) Price to Book Value Ratio Approach: P/BV

The valuation using this method will assess the price from earning per TNP's share, compare with P/BV of the registered companies listed in SET the building materials section of piles manufacturing and distribution as same as TNP. The independent financial adviser determines the book value of TNP from previous year regarding the TNP's financial statement as of 30 September 2014. And then adjust with the earning from the new additional common stock that offered to the shareholders in September 2014, totaling 350.06 million baht or 12.92 baht per share. And then multiply by the average P/BV of the registered company in the specific period since 30 September 2014 onward. Which is the period prior to the RICH Board of Directors has approved the transaction. The independent financial adviser has calculated the average P/BV of the previous year regarding 7 - 360 working days. The details in the valuation of the common stock of TNP regarding the Price to Book Value Ratio Approach are as follows.

Abbreviation	7 days	15 days	30 days	60 days	90 days	180 days	360 days
DCON	4.33	4.32	4.33	3.80	3.44	3.09	2.80
GEL	1.20	1.06	0.97	0.92	0.84	0.77	1.36
SCP	2.86	2.88	2.78	2.66	2.53	2.37	2.62
average	2.80	2.76	2.69	2.46	2.27	2.08	2.26
Book value of TNP (baht/share)	12.92						
Price (baht/share)	36.18	35.66	34.75	31.78	29.33	26.87	29.20
Total number of share (shares)	27,100,600						
Price (million baht)	980.50	966.41	941.75	861.26	794.86	728.19	791.34
Number of share to be sold (shares)	18,000,000						
Price (million baht)	651.24	641.88	625.50	572.04	527.94	483.66	525.60

Remark: Data in this calculation referenced from www.efinancethai.com as of 30 September 2014

From the table above, the price range of TNP's shares regarding the Price to Book Value Ratio Approach are between 26.87 and 36.18 baht per share or between 483.66 and 651.24 million bath of value regarding the ratio of offering share. This price is higher than the minimum value of TNP's shares calculated by this approach which is 3.13 per share ($30.00 - 26.87 = 3.13$ baht), totaling 56.34 million baht or higher than the offering price of 10.43 percent. In comparison with the maximum value calculated from this approach, this offering price is lower than 6.18 baht per share ($36.18 - 30.00 = 6.18$ baht), totaling 111.24 million baht or lower than the offering price of 20.60 percent. However, the independent financial adviser suggests that price which is calculated from this approach, is just the consideration of shares' market value from the book value comparison at the specified period. In addition, it does not consider the performance and competitiveness in the future. Moreover, it does not concern the overall trend of the economy and the industry including the ability to make a profit in the future or events that occur after the date on the financial statements. So, the independent financial adviser considers that the Price to Book Value Ratio Approach is not suitable to determine the value of TNP's shares.

5.1.4 Discounted Cash Flow Approach

The valuation using this method will mainly consider the earnings of business in the future which is the calculation of Present Value of Discounted Free Cash Flow.

This financial projection will assume from the actual historical financial information. The assumptions about income and expenses are mainly from the operation information in 2013 and the first 6 months of 2014. This is likely to reflect the financial estimation better than assumption from the operation information in the last 2-3 years. Moreover, the assumption includes information and guidelines for future from interviewing with the management and the related staff of the TNP. The independent financial adviser has adjusted some assumptions to be consistent with the information obtained under current economic conditions. Thus, any future changes in economic conditions and other external factors, would affect the financial projections and business value as well.

The assumptions which are important for providing the financial projection are as follows.

1) Revenues from sales and services include revenues from the sale of prestressed concrete spun piles, concrete railway sleepers, piling rigs and transportation separated by the product of TNP into two type.

- Prestressed concrete spun piles - Sales volume based on the first 6 months of 2014. Nevertheless, during the last 6 months of 2014, there are the sales volume of 41,335 tons. Moreover, the amount of sales are determined to grow by 1.00 percent per year from 2015 to 2021.

- The price of sales, piling rigs and transportation are determined by the actual average price in the first 6 months of year 2014 and determined to increase of 3.00 percent per year in 2015 onwards regarding the construction material price index.

- Concrete railway sleepers - Sales volume based on the TNP production line that has been operated in the first 6 months of 2014. For the last 6 months of 2014, it is estimated that the sales volume are 129,600 pieces. Moreover, from 2015 onwards, it will increase the production line from 3 to 7. Then, the sales volume will be 504,000 pieces or equal to 80.00 percent of the TNP's production capacity of Concrete railway sleepers. The production volume are determined to remain steady in 2016 onwards.

- The sales price of Concrete railway sleepers are determined by the performance of the first 6 months of 2014 and determined to increase of 3.00 percent per year in 2015 onwards regarding the construction material price index.

- Determine the construction material price index to be increased by 3.00 percent per year. This figure is higher than the past three years of 1.52 determined by the Ministry of Commerce. The payment term of sales and services are within 90 days.

2) Cost of sales includes raw materials, labor costs, transportation costs, production overheads and drilling cost as follows.

- Raw material for prestressed concrete spun piles and concrete railway sleepers includes cement, stone, sand, PC wire, Spiral wire, pile-welding steel and other raw materials. These are determined to vary according to sale volume.

- Raw material determined to increase 3.00 percent per year regarding the construction material price index.

- Direct labor are determined to vary according to sale volume and increase 3.00 percent per year regarding the consumer price index.

- Production overheads include equipment cost, energy cost, indirect labor, maintenance cost and plant overheads. These are determined to vary according to sale volume and increase 3.00 percent per year regarding the consumer price index.

- Transportation includes fuel cost, labor, maintenance cost and other expenses. These are determined to vary according to sale volume and increase 3.00 percent per year regarding the consumer price index.

- Drilling cost includes labor, maintenance cost and other expenses. These are determined to vary according to sale volume and increase 3.00 percent per year regarding the consumer price index.

- Depreciation of office building, machinery and equipment at a rate of 5.00 - 20.00 per year

- The consumer price index are determined to increase 3.00 percent per year, which are more than the consumer price index in the last 3 years from Ministry of Commerce that was 2.17. The construction material price index are determined to increase 3.00 percent per year, which are more than the construction material price

index in the last 3 years from Ministry of Commerce that was 1.52. The shelf are 100 days for raw materials, 60 days for finished goods. The payment processing time are 120 days in 2014, 90 days in 2015 and 75 days in 2016 onwards.

3) Interest income from short-term loans to related companies at the rate of 6.75 percent per year throughout the projection period.

4) Cost of sales and services includes the cost of sales, salaries and wages, office equipment, utilities, transportation and travel, and other expenses. These are determined to increase 3.00 percent per year regarding the consumer price index. The depreciation of office equipment and vehicles are 20.00 per year

5) Interest rate of short-term loans from financial institutions are at the rate of 8.75 percent per year. The interest paid on short-term loans from related parties are at the rate of 12.00 percent per year throughout the projection period.

6) Income tax expense are determined at the rate of 20 percent of profit before tax.

7) Investment in assets – The investment in the second half of 2014 are 30.00 million baht for expanding the concrete railway sleeper factory, 22.00 million baht for concrete pile machine and 10.00 baht for concrete railway sleeper mold, totaling 62.00 million baht. In 2015, the investment will be 7.00 million baht for pile production machine and 20.00 million baht for piling machine. In 2016 onwards, the investment will be 20.00 million baht per year for machinery, equipment and piling machine. These are subject to the opinion of the TNP management.

8) The repayment of short-term loans from financial institutions. This regarding the demand for working capital and cash balances at the end of period.

9) The other current assets, other non – current Assets, other current liabilities and employee benefit are remain constant throughout the projection.

10) Terminal Value is calculated from cash flow from the previous year, plus the growth rate, divided by the discount rate and minus the growth rate. The growth rate is determined to be 3.00 percent per year regarding the consumer price index and the construction material price index.

Discount rate

The discount rate used in calculating the present value of discounted cash flow s of TNP will be the Weighted Average Cost of Capital – WACC of RICH. Because TNP is a subsidiary of RICH, so the capital of TNP come from RICH. Moreover, TNP has no long-term debt with financial institutions. As a result, it is the Weighted Average Cost of Capital between the cost of the loan, and the return on equity of RICH's shares of 8.56 percent which is calculated by the following methods.

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

Where

K_e = return on equity of 21.29 percent

K_d = Interest rates on loans from financial institutions with an average of 7.89 percent.

- E/V = Shareholders' equity to total capital at ratio of 15.00 percent as of 30 June 2014
- D/V = Capital from long-term loan with financial institutions to total capital at ratio of 85.00 percent as of 30 June 2014
- t = Tax rate of 20.00 percent

Return on equity (Ke) of 21.29 is calculated as follows.

- Ke = $R_f + \text{Beta} (R_m - R_f)$
- Where
- Rf = Based on 10-year government bond rate, which is equal to 3.47 percent. (Yield Curve bond market as of 30 September 2014
http://www.bex.or.th/th/global_domestic/yield-curve.html)
- Beta = Beta of RICH equal to 2.25*
- Rm = Calculate from the average rate of change of the index of the Stock Exchange for 10 years, which is equal to 11.39 (as of September 30, 2014).

* Reference : Bangkok Biz Newspaper issued on October 6, 2014.

The projection of cash flow is as follows.

Unit : million baht

Period at	Total revenue (Exclude interests received)	Total capital, production cost and expenses (Exclude interests paid)	Discounted cash flow (Exclude interests paid)
Second half/2014	186.81	343.73	-156.92
2015	505.07	506.38	-1.31
2016	579.83	571.39	8.44
2017	617.88	575.15	42.73
2018	639.81	591.84	47.97
2019	662.53	611.71	50.82
2020	686.08	631.86	54.22
2021	710.48	652.74	57.74
Terminal Value			1,069.74
Discount rate	8.56 percent		
Net present value	547.55		

Details	Value	
Present value of discounted cash flow	547.55	million baht
Deduct short-term loans from related person	5.00	million baht
Plus short-term loans from related business	121.60	million baht
Capital increase	15.00	million baht
Present value of discounted cash flow after adjustment	679.15	million baht
<u>divided</u> by number of share sold	27,100,600	shares
Present value of discounted cash flow	25.06	baht/share
Number of TNP shares to be sold at this time	18,000,000	million shares
Book value regarding the ratio of offering share	451.08	million baht

Due to the assumptions for providing the financial projection already used a conservative basis, so independent financial adviser has not provided a sensitivity analysis of the project.

From the table above, the price of TNP's shares regarding the Discounted Cash Flow Approach equal to 25.06 baht per share or equal to 451.08 million bath of value regarding the ratio of offering share. This price is lower than the overall offering price of 88.92 million baht or lower than the offering price of 16.47 percent. Moreover, the independent financial adviser suggests that the Discounted Cash Flow Approach reflects the fair value of the shares better than other approaches. Because, the assumptions are from the actual historical data, adjusted by the actual current data and expected data in the future.

Summary of the fair share price

Valuation approach	Enterprise Value (million baht)	book value per share (baht)	Enterprise value to sales (million baht)
Book Value Approach	350.06	12.92	232.56
Adjusted Book Value Approach	750.70	27.70	498.60
Price to Earning Ratio Approach: PER	353.11 - 476.15	13.03 - 17.57	234.54 - 316.26
Price to Book Value Ratio Approach: P/BV	728.19 - 980.50	26.87 - 36.18	483.66 - 651.24
Discounted Cash Flow Approach	679.15	25.06	451.08

The price comparison, which are calculated from many above approaches, reveal that the fair value of TNP is between 350.06 to 980.50 million baht or 12.92 to 36.18 baht per share. However, when consider the business operation of TNP, which produces the prestressed concrete spun piles and have started manufacturing concrete railway sleepers. As a result, there is investment in land, buildings, machinery, equipment and vehicles. The valuation using Discounted Cash Flow Approach, which reflects the potential in the business of TNP in the future, are likely to reflect the true value of TNP more appropriate than other approaches. The valuation assumptions retrieved from the actual historical data. Then it was adjusted by the actual current data and expected data in future. While the Book Value Approach, the Adjusted

Book Value Approach, the Price to Earning Ratio Approach and the Price to Book Value Ratio Approach are just the price at the specified period. In addition, those do not consider the performance of making a profit in the future. The share price appraised by Discounted Cash Flow Approach are 679.15 million baht or 25.06 baht per share or equal to 451.08 million baht of value regarding the ratio of offering share. This price is lower than the offering price at 30 baht per share or equal to 4.94 per share. Moreover, this price is also lower than the offering price of 16.47 percent, totaling 88.92 million baht.

5.2 Condition of transaction

5.2.1 Condition regarding the Share Purchase Agreement.

The share purchase agreement between RICH and the buyers with the general terms and conditions. Moreover, this is the condition that does not make RICH to loss their benefit. If the buyer cannot carry out the contract, RICH can seize the collateral, which is the bank guarantee of a Thai commercial bank of 54 million baht, and this will not affect the right to claim damages by RICH regarding Share Purchase Agreement.

5.2.2 Approval condition regarding the RICH shareholder meeting.

This selling of TNP's shares of 18,000,000 shares, which are worth 540 million baht by RICH, will force RICH to prepare and publish the report to the Stock Exchange of Thailand. Moreover, RICH have to arrange a meeting of shareholders to get approval from the shareholders' meeting by a vote which are not less than three in four of all votes by shareholders or proxies of the shareholders excluding the Shareholders' Mandate. In addition, the voter have to be present at the meeting and entitled to vote.

Furthermore, the Board of Directors of the RICH No.4/2014 meeting results on October 3, 2014. RICH has passed a resolution on the capital increase in the number of 1,374,359,502 shares at the par value of 1 baht and at the price of Baht 0.30 per share. This is the reservation for allotment to the shareholders regarding Right Offering and Private Placement. Moreover, this is for the purpose of repayment of loan to the financial institution. And the rest will be used as working capital for the business. The resolution of committee set the agenda for the RICH Extraordinary General Meeting of Shareholders No. 1/2014 on the session 2-7. These is a mutual condition. If any session is not approved, the other approved subject will be revoked and will not be considered in the next session. So, both 2 sessions which are the selling of TNP's shares of 18,000,000 shares and the capital increase of the RICH is a mutual condition. If the capital increase session is not approved by the shareholders, the selling of TNP session will not be approved as well. The RICH Extraordinary General Meeting session of Shareholders No. 1/2014 is as follows.

- Session 1 To consider and certify the minutes of the Annual General Meeting of 2014 held on 18 April 2014.
- Session 2 To consider and approve the reduction of the registered capital of Baht 297,272,728 with shares at par value of 1 baht, from the registered capital of 1,322,913,226 to 1,025,640,498 baht by excluding shares that are not issued by the company.
- Session 3 To consider and approve the amendment for the company memorandum of association in clause 4, to be consistent with the reduction of the company registered capital.

- Session 4 To consider and approve the capital increase for the company registered capital in the amount of 1,374,359,502 baht, from the as-is registered capital of 1,025,640,498 baht to 2,400,000,000 baht by the issue of common shares of 1,374,359,502 shares, at par value of 1 baht.
- Session 5 To consider and approve the amendment for the company memorandum of association in clause 4 to be consistent with the capital increase of the company.
- Session 6 To consider and approve the allotment of the company common shares for the capital increase.
- Session 7 To consider and approve the sale of share of Thailand National Product Co., Ltd. a subsidiary of the company of 18,000,000 shares.

In addition, the details about the RICH Extraordinary General Meeting of Shareholders No. 1/2014 are presented in the invitation letter for the meeting of shareholders.

6. The reasonableness of the transaction.

As from the performance of RICH in 2011 onwards, their loss continually increase. The total losses from the year 2011 to the first half of 2014 amounted to 1,221 million baht, which affect their liquidity to repay the debt for financial institutions on time. Moreover, there is financial burden of higher cost in debt which occurred from the overdue payment. RICH has restructured several times with a financial institution. However, they cannot comply with the conditions specified in the restructuring agreement. As a result, there is a consideration to sell part of their investment in TNP's shares, to use as a repayment for the latest restructuring agreement with a financial institution. RICH can get the money from the sale of TNP's shares of 18,000,000 shares, at the price of Baht 30.00 per share, totaling Baht 540.00 million. RICH will bring the amount of 450.00 million to repay the debt for financial institutions. Not only, this will reduce the burden of loans from financial institution, but also reduce the financial cost, which yield an average of 9.02 percent per year, representing a cost of about 40.59 million baht per year. Furthermore, according to the debt restructuring agreement with the financial institution, the payables (Financial institutions) will release the guarantee of TNP's loans by RICH. And this will release the mortgage of collateral in land with buildings which are the proprietary of TNP. This will allow TNP to utilize and benefit from these assets. As a result, there will be an impact on the operation of TNP in the future, where RICH will continue to benefit from their stake with the remaining percentage of 29.89 of the total TNP's paid registered capital. Moreover, RICH will spend the remaining money from the sale of TNP's share of approximately 90.00 million baht as working capital to boost their liquidity. After considering the benefits that RICH will gain, DS as an independent financial adviser suggest that the sale of investments in shares of the TNP is reasonable and beneficial to RICH.

7. Conclusion of the independent financial adviser.

DS Prudential Management Co., Ltd., as the independent financial adviser suggest that RICH continuously have lost in their business operation performance continuously since 2011. As a result, this affect the liquidity for operations and disable RICH to make debt repayments to financial institutions on time. Moreover, there is financial burden of higher cost in debt which occurred from the overdue payment. RICH has restructured several times with a financial institution. However, they cannot comply with the conditions specified in the restructuring agreement. Thus, the sale of TNP's shares of 18,000,000 shares, at the price of Baht 30.00 per share, totaling 540.00 million baht, will enable RICH to bring the amount of 450.00 million to repay the debt for financial institutions. Not only, this will reduce the burden of loans from financial institution, but also reduce the financial

cost, which yield an average of 9.02 percent per year, representing a cost of about 40.59 million baht per year. Moreover, the payables (Financial institutions) will release the guarantee of TNP's loans by RICH. And this will release the mortgage of collateral in land with buildings which are the proprietary of TNP. This will allow TNP to utilize and benefit from these assets. As a result, there will be an impact on the operation of TNP in the future, where RICH will continue to benefit from their stake. Moreover, RICH will spend the remaining money from the repayment as working capital to boost their liquidity.

The price comparison, which are calculated from many approaches, reveal that the valuation using Discounted Cash Flow Approach, are likely to reflect the true value of TNP more appropriate than other approaches. The share price appraised by this approach are 679.15 million baht or 25.06 baht per share or equal to 451.08 million baht of value regarding the ratio of offering share. The independent financial adviser suggests that after considering the benefits that RICH will gain from the sale of TNP's shares of 18,000,000 shares, at the price of 30.00 baht per share, totaling 540.00 million baht, which is higher than the fair value appraised regarding discounted cash flow approach, this selling of TNP's shares is reasonable and deems appropriate to propose to the shareholders' meeting for approving the disposal of the 18,000,000 shares in TNP, totaling 540,000,000 million baht in this time.

Summary of the appraisal report

Appraiser company	Bangkok Valuation and Consultant Co., Ltd.
Name of appraiser	Mr.Komsun Ketsarapong, the main appraiser for public propose no. wt.233.
Appraising date	22 August 2014.
Propose	For public propose.
Asset type	Land, buildings, other controlling within the asset, registered and unregistered machinery.
Appraised asset	5 plots of land, which have title deed No. 5969, 5970, 5971, 47479, 47480 47480. The appraised land value 108-0-69.0 Rai (42-0-27 acres) or 43,269.0 square Wah (173,100 square meters) including 24 items of buildings and 5 items of machinery and equipment classified as concrete product, spun and concrete railway sleepers, totaling 3,338 items including <ol style="list-style-type: none"> 1) 94 Registered machineries 2) 233 Machineries and equipment 3) 116 Heavy machineries 4) 2,883 Tools and forms 5) 12 Vehicles
Asset location	33/3 Moo 4 Bang Buathing-Supanburi Road, (Highway 340), tambon Saiyai, Sainoi district, Nonthaburi province.
Asset obligations	Land, buildings and other controlling within the asset, mortgage as guarantee with a financial institution. Registered machineries mortgage as guarantee with a financial institution. The rest are owned by the company.
Appraisal criteria	The appraiser has considered the standard of the appraisal from Thai Valuers Association. The appraisal criteria of this asset regarding this purposes is to determine market value.
Terms and conditions	Regarding the appraisal of this asset, the term and conditions are the valuation of assets based on the current conditions at the date of survey. Moreover, the asset appraisal is generally subject to the general term and conditions in asset valuations.
Special/other assumption	Bangkok Valuation and Consultant Co., Ltd has no special, other assumption, or any mandatory condition regarding this appraisal from the employer.
Appraisal approach	Bangkok Valuation and Consultant Co., Ltd chooses Cost Approach as the suitable approach for this asset, and suggests to summarize the valuation of assets as follows.

Appraisal summary **Cost Approach**

Asset details	Asset value (baht)
Land with appraised area of 108-0-69.0 Rai (42-0-27 acres) or 43,269.0 square Wah (4,500.00 baht per square Wah)	194,710,500
Total buildings	104,111,002
Total value of Machinery and equipment	<u>306,050,000</u>
Total asset appraisal value	<u>604,871,502</u>
Summarize total market value of asset (rounded)	<u>605,000,000</u>

Appraisal Criteria

The analysis of asset value by Bangkok Valuation and Consultant Co., Ltd is based on the international practice of valuation. And under the regulations of Association of the Valuers Association of Thailand. There are 2 criteria used to evaluate the asset value, which are "Appraisal Criteria for market value determination" and "Appraisal Criteria for non-market value determination" described in brief as follows.

Appraisal Criteria for "market value" determination".

This means the asset appraisal that can refer transactions which occur in the market, which will be available in sufficient numbers to be compared and determined the market value of such asset. The Market Value is defined as "The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion" market value generally will not consider the cost or the cost of purchase or any fees or taxes.

Appraisal Criteria for "non-market value" determination.

This means the appraisal of certain asset that have special characteristics, which are seldom traded or no trading yet, or have insufficient market information to be compared and determined the market value.

The appraised value based on the criteria for non-market value determination are including Investment Value, Value in Use, Going Concern Value, Insurable Value, Assessed or Taxable Value, Special Value, Forced Sale Value, Salvage Value and Depreciated Replacement Cost and so on.

For the universal appraisal approach, there are 3 approaches as described in brief as follows.

Cost Approach

The basic is "the price someone should pay for a piece of property = the cost that should not exceed what someone would have to pay to build an equivalent building." In cost approach pricing, the market price for the property is equivalent to the cost of land plus cost of construction, less depreciation. This method is mostly used for the specific purposed buildings such as plant. However, the Market Approach is more suitable for the housing estate. Moreover, when there is a slump in asset price, while the buildings material price increase, the calculated value are sometimes higher than market value. So, this approach may deviate from reality.

Market Approach

This is the best and most accurate approach because the market approach is a business valuation method that can be used to calculate the value of property or as part of the valuation process for a closely held business. The basic is "Our asset value = the price of other sold asset that are similar". A property's value can be estimated by looking at the comparables: recently sold properties that are similar in size and features that are located within a close geographic proximity to the property being valued. And then analyze the asset value using the suitable technique such as Sale Adjustment-Grid Method, Weighted Quality Score (WQS) and so on.

Income Approach

This is an analysis method of the income of the asset and suitable for the Income Producing Property. The basic is "Present value = sum of upcoming net income in the future until the end of life". Assets are valuable because they can make money. Property that have higher income may have higher value (better location or quality). The procedures in brief is are as follows.

1) Estimate incomes from all sources and determine by comparing with market and actual income.

- 2) Less the unused or bad debt from the fact and compare the trends in the market. Then we get the actual income
- 3) Then deduct certain expenses such as costs of taxes, insurance, maintenance costs, etc. Then we get the net income.
- 4) Use the net income with the formula $V = I / R$, where V is the value of Asset, I is net income and R is the capitalization rate.

The Income Approach has 2 methods, which are Direct Capitalization and Discounted Cash Flow. The use is based on assumptions of future income. If the property has changed rarely or no change, the Direct Capitalization will be used. If the expected future incomes fluctuate with changes regarding market conditions, the Discounted Cash Flow will be used. Because the Direct Capitalization calculate from the net income of 1 year, so this method should be use when the market condition is normal or have no significant fluctuation in demand and supply or income. Since this valuation assumes that year to represent total income in future years. Generally, it is appropriate for a small asset such as condominium. Office buildings, Commercial buildings, etc.

For the Discounted Cash Flow, it estimates income from the property in the future regarding the aging of the property and decrease to their present value. The key is that the future income will fluctuate regarding the market conditions, inflation, interest rate, etc. Therefore, it is necessary to have an understanding of the nature of the property, by estimating future income to be close to reality as possible. In addition, there should be sufficient related financial knowledge such as Net Present Value (NPV), Internal Rate of Return (IRR), Discount Rate and other. Apart from the above 3 methods, currently there are methods adjusted from the 3 methods above as follows.

Hypothetical Development Method or Residual Method.

This is the assessment method for land or project under construction by considering the potential of land or project with the Highest and Best Use assumptions regarding the market conditions at that time. The assumption is required to comply with legal, financial, marketing and physical of land. And then reduce development costs, including buildings to exist only the land, or value of the project that has been completed. The formula is "value of the project - construction costs - other costs = value of land (cost of land that can be developed)."

Computer-Assisted Mass Appraisal.

CAMA is a branch of the assessment by the Market Approach, using statistical modeling like the MRA (Multiple Regression Analysis) to assist. It is mostly applied in evaluating the use of many hundreds or thousands plot of land to convert at the same time, such as to the expropriation, land readjustment, etc.

The analysis summary of the asset value.

In general asset, it may use Market Approach or Cost Approach. However, if the property has a high value or complex, it may require the 3 methods or other methods that are more advanced methods. And after each use, the appraiser will use the result to summarize the suggestion for the reasonable value. The analysis summary involves checking each process in each approach. After review, it may be adjusted regarding appropriateness. Then it may weigh the credibility of each method and combine with the experience and opinion of the appraiser. Finally, it can conclude the explainable value.

General terms and condition of asset valuation

Report of asset valuations and assessed value are limited in terms and responsibilities as follows:

1. A report or copy of the appraisal report of this property is the rights of Bangkok Valuation and Consultant Co., Ltd. (hereinafter referred to as the Company). The occupier has no right to publish in a publication or broadcast in any form, or may not be used for any other purpose without obtaining the prior written consent of the Company. And the completed valuation report of the company must be embossed with the stamp of the company in the signatory page and an appraiser signing page.

2. The appraisal report will not be used for other purposes not listed in this report, except with prior written consent from the company and company's responsibility. This limit to those customers who have been mentioned in the appraisal report only, and not cover the other parties that make use of this report.

3. Assets value, which are analyzed and presented in this report, derived from an analysis of the current situation and environment, and receiving plan and design. This analysis cannot be applied to the appraisal of any other property apart from this report.

4. The Company is committed to their customers that the appraisal report is considered confidential. The Company will not publish except obtaining the prior written consent from the customer that the valuation is a valuation for public purposes.

5. The Company and appraiser confirmed that they do not have a stake of the appraised asset. Moreover, the employment in the valuation of property and wages received are totally not a condition that affects the value and appraisal of property in this report.

6. In case of the employer need to refer the Company to the court or testifying against various government officials regarding the valuation of this property, the Company is willing to cooperate after the notice was written before hiring to assess property value. And the employer have to pay an additional fee apart from the normal appraisal services fee, usually a minimum of 10,000 baht in Bangkok and perimeter, and 20,000 baht in other provinces.

7. The information and opinions that were used in this appraisal, has come from reliable sources. And it was believed to be correct as of the valuation date. For which information that come from anonymous parties, or did not specify the phone number, means these data were retrieved from the database, research, monitoring, contact from the agency, related resources in both public and private. The opinions obtained from these data, are the individual opinions of the appraiser.

8. The Company and appraiser believe that the property has an ownership or possession by laws correctly and can be traded without any legal obligation that will affect the value of assets, other than those listed in the report. Moreover, the Company could not investigate the obligations of the property, which was not registered with the Department of Lands.

9. The appraiser assessed the value of the property and believed that the legal rights and restrictions of the property is accurate. We have checked the permissions appear as details in the report. And found that the significant content are the same except there are any note in the report without checking whether documents are forged or not.

10. The appraiser believe that the property owner has the legal right correctly and can be traded without any legal obligations that affect the property value other than as noted in the report.

11. In case of the Leasehold, appraiser believe that the information about the leases that have been partially or completely received, were absolutely legitimate without conditions or obligations that is advantage or disadvantage than those specified in the report, which may affect the value of the assessed property. The appraiser did not audit the financial condition of tenants or who are going to rent. And there is the assumption that tenants can fulfill their obligations under the lease without arrears of lease or action that violates the lease before.

12. The investigation of land, whether it refers from the detected landmark pin, map sheet of land and the document of land remaining and the land surrounding, the questionnaires from nearby resident, the navigation or using the map to locate the land granted by the employer, are just the refer from the official documents or received documents and map creation to show the estimated location and distance of the land.

13. The appraiser did not conduct the survey of land to confirm the characteristic of the land, texture, level, and region. Moreover, the appraiser did not explore suitability of land conditions for the development of the project. In addition, the soil subsidence was not tested, as well as the potentially toxic.

14. In case of the deed type is n.s. 3, Aug1, p.b.t. 11, n.s. 2 or other deed types that may not be verifiable for the location of land regarding the official document, and there may be the incorrectness in the land, region, and etc., so for the benefit of all stakeholders on the report before the significant act regarding the land, the land surveyors should earlier surveyed the area to confirm the authenticity in location of land, texture, region, level and more.

15. The appraiser has initially conducted the specific survey of buildings and other improvements, as well as water supply systems, electrical systems and other systems according to the general usage only. In addition, this survey was exclude the engineering survey or test of buildings and other improvement regarding strength, security, settlement of the structure, the use materials that are potentially toxic in the building, or the testing in utilities efficiency in the buildings. However, appraiser have carefully examined the general state of the building.

16. The appraiser cannot confirm that the buildings and other improvements, were constructed in accordance with the approved construction or not. And the appraiser cannot confirm that the actual area of the building with space conform to the received or estimated calculation or not.

17. The appraiser believe that the buildings and other improvements, were built accurately regarding the regulation of comprehensive plan, building law and other related laws unless otherwise noted in the report.

**Summary of the RICH's debt restructuring agreement
with 2 financial institutions**

1. Debt restructuring agreement with the financial institution No.1

Agreement date 30 May 2014

Contractual debt 1,031.36 million baht

Collateral Mortgage of land with buildings, and machinery in RICH proprietary
Mortgage of land of a private company and
Mortgage of land with buildings, and machinery in TNP proprietary

Bondsman 1 RICH former Director
1 private company and
TNP

Debt and terms of repayment are as follows.

- 1.1 Financial amount No. 1, debt amount 274.04 million baht, SPR + 1.25% per year, monthly installment repayment for the financial institution No. 1, totaling 165 month or within 31 December 2027 (SPR on 30 September 2014 equal to 8.00 per year)
- 1.2 Financial amount No. 2, debt amount 195.50 million baht SPR + 1.00% per year monthly installment repayment for the financial institution No. 1, totaling 165 month or within 31 December 2027 (SPR on 30 September 2014 equal to 8.00 per year)
- 1.3 Financial amount No. 3 debt amount 373.73 million baht SPRL+ 1.00% per year monthly installment repayment for the financial institution No. 1, totaling 165 month or within 31 December 2027 (SPRL on 30 September 2014 equal to 7.75 per year)
- 1.4 Financial amount No. 4 debt amount 188.09 million baht SPR+ 1.25% per year monthly installment repayment for the financial institution No. 1, totaling 165 month or within 31 December 2027 (SPR on 30 September 2014 equal to 8.00 per year)

In addition, the debt restructuring agreements requiring RICH to pay the debt to the financial institution at no less than 450 million baht within 31 January 2017. This will pay accrued profit, suspend profit, normal profit clearing and capital of credit account in all financial amounts. This will be allocated to each account as follows. Financial amount No. 1 with amount of 119.60 million baht, Financial amount No. 2 with amount of 85.30 million baht, Financial amount No. 3 with amount of 163.10 million baht and Financial amount No. 4 with amount of 82.00 million baht. After RICH have paid debt of 450 million baht, then the financial institution No.1 will mortgage land with building in RICH proprietary and mortgage land of a private company and included in the original loan amount. And after that, the financial institution will release the guarantee of TNP and release the mortgage in the collateral of land with buildings and other TNP proprietary.

2. Debt restructuring agreement with the financial institution No.2

Agreement date 17 October 2014

Contractual debt 319.48 million baht

Bondsman 1 RICH former Director

Debt and terms of repayment are as follows.

RICH agreed to extend the period of repayment of the outstanding amount of 319.48 million baht of debt restructuring agreement dated 28 July 2014 from the original due date, September 2014 to within December 2014. The terms of repayment are as follows.

- within June 2014 pay amount of 19,481,744.05 baht
- within September 2014 pay amount of 10,000,000.00 baht
- within October 2014 pay amount of 7,500,000.00 baht
- within November 2014 pay amount of 7,500,000.00 baht
- within December 2014 pay amount of 275,000,000.00 baht

Apart from the repayment of principal amount, RICH and / or the surety agreed to repay loan debt to financial institution No.2, is called " the increase amount of principle," The details are as follows

a. From September 2013 to January 2014, the increase amount of principle are equal to the interest rate in MLR per year, which is calculated from the principal amount of 363.00 million baht. The principal amount in this calculation will be reduced regarding the repayment. (On 30 September 2014, MLR equal to 6.75 per year)

b. From February 2014 to June 2014, the increase amount of principle are equal to the interest rate of 4 per year, which is calculated from the principal amount of 319.48 million baht. The principal amount in this calculation will be reduced regarding the repayment.

c. From July 2014 to September 2014, the increase amount of principle are equal to the interest rate of 4 per year, which is calculated from the principal amount of 300.00 million baht. The principal amount in this calculation will be reduced regarding the repayment.

d. From October 2014 onwards the increase amount of principle are equal to the interest rate of 5 per year, which is calculated from the principal amount of 290.00 million baht. The principal amount in this calculation will be reduced regarding the repayment.

Moreover, RICH and the surety agreed to allocate the repayment of the increase amount of principle as follows.

- From period October 2013 to period December 2013, pay at the amount, which are equal to the rate of 2 per year. The payment will be occur at the end of each month.

- In June 2014, pay amount of 13.43 million baht
- In September 2014, pay amount of 3.02 million baht
- In December 2014, pay the total remaining amount, excluding the amount that have been paid to the bank.