

-TRANSLATION-

The English Translation of the Independent Financial Advisor's Opinion has been prepared solely for the convenience of foreign shareholders of Sri Trang Agro-Industry Public Company Limited and should not be relied upon as the definitive and official document. The Thai language version of the Independent Financial Advisor's Opinion is the definitive and official document and shall prevail in all aspects in the event of any inconsistency with this English Translation.

No. 020/2017

February 16, 2017

Subject Opinion of the Independent Financial Advisor concerning Asset Acquisition and Disposition of Sri Trang Agro-Industry Public Company Limited

Attention Shareholders
Sri Trang Agro-Industry Public Company Limited

Supporting Documents:

- 1) Overview of business operation and performance of Sri Trang Agro-Industry Public Company Limited.
- 2) Information on Siam Sempermed Corporation Limited, Semperflex Shanghai Ltd., Shanghai Semperit Rubber & Plastic Products Co., Ltd., Sempermed USA, Inc., Sempermed Singapore Pte. Ltd., and Semperflex Asia Corporation Ltd.
- 3) Summary of contracts concerning asset acquisition and disposition shown in the Information Memorandum Concerning Asset Acquisition and Disposition of Sri Trang Agro-Industry Public Company Limited (Schedule 2) enclosed with the Notice of this Extraordinary General Meeting of Shareholders (Enclosure 2).

- References:
- 1) Resolution of Sri Trang Agro-Industry Public Company Limited's Board of Directors Meeting No. 1/2017 held on January 18, 2017.
 - 2) Information Memorandum Concerning Asset Acquisition and Disposition of Sri Trang Agro-Industry Public Company Limited dated January 18, 2017, and the amendment dated January 19, 2017.
 - 3) Annual registration statement (Form 56-1) of Sri Trang Agro-Industry Public Company Limited for the year ended December 31, 2013, 2014, and 2015.
 - 4) Audited consolidated financial statements of Sri Trang Agro-Industry Public Company Limited for 12-month period ended December 31, 2013 – 2015, and reviewed financial statements for 9-month period ended September 30, 2016.
 - 5) Audited financial statements of Siam Sempermed Corporation Limited, Semperflex Shanghai Ltd., Shanghai Semperit Rubber & Plastic Products Co., Ltd., Sempermed USA, Inc., Sempermed Singapore Pte. Ltd., and Semperflex Asia Corporation Ltd. for 12-month period ended December 31, 2013 – 2015, and management accounts for 9-month period ended September 30, 2016 (prepared by each company).
 - 6) Agreements on demerger of the associated companies and the joint ventures, comprising the Umbrella Agreement with Semperit Technische Produkte Gesellschaft m.b.H., the agreement for the sale and purchase of shares in Siam Sempermed Corporation Limited, the agreement for the sale and purchase of shares in associated companies including Semperflex Shanghai Ltd., Shanghai Semperit Rubber & Plastic Products Co., Ltd., Sempermed USA, Inc., Sempermed Singapore Pte. Ltd. and the agreement on call option to purchase shares in Semperflex Asia Corporation Ltd.
 - 7) Affidavit, Memorandum of Association, other information and documents, as well as interviews with the management and concerned staff of Sri Trang Agro-Industry Public Company Limited, Siam Sempermed Corporation Limited, Semperflex Shanghai Ltd., Shanghai Semperit Rubber & Plastic Products Co., Ltd., Sempermed USA, Inc., Sempermed Singapore Pte. Ltd. and Semperflex Asia Corporation Ltd.
 - 8) Five asset appraisal reports of Siam Sempermed Corporation Limited prepared by First Star Consultant Co., Ltd. which are report No. FSC-59M-12-197, FSC-59M-12-198, FSC-59R-12-3295, FSC-59R-12-3296, and FSC-59R-12-3297, dated December 28, 2016.

Capital Advantage Co., Ltd.

- 9) Two asset appraisal reports of Semperflex Asia Corporation Ltd. prepared by First Star Consultant Co., Ltd., a property appraiser in the Securities and Exchange Commission's approved list, which are report No FSC-59M-12-199 and FSC-59R-12-3298 dated December 28, 2016.
- 10) A Semperflex Shanghai Ltd.'s asset appraisal report No. 16/0767 dated January 6, 2017 prepared by Duff & Phelps Germany GmbH.¹, of which main appraiser is in the approved list of the Royal Institution of Chartered Surveyors (RICS) which is an entity appointing or issuing license to individual to appraise assets globally.
- 11) A Formtech Engineering (M) Sdn. Bhd.'s appraisal report No. 16/0767 dated January 6, 2017 prepared by Duff & Phelps Germany GmbH.

- Disclaimers: 1) Results of the study conducted by Capital Advantage Co., Ltd. ("Independent Financial Advisor" or "IFA" or "CapAd") in this report are based on information and assumptions obtained from the management of Sri Trang Agro-Industry Public Company Limited, Siam Sempermed Corporation Limited, Semperflex Shanghai Ltd., Shanghai Semperit Rubber & Plastic Products Co., Ltd., Sempermed USA, Inc., Sempermed Singapore Pte. Ltd., and Semperflex Asia Corporation Ltd., and publicly disclosed information available from websites of the Office of the Securities and Exchange Commission (www.sec.or.th) and the Stock Exchange of Thailand (www.set.or.th).
- 2) The Independent Financial Advisor assumes no responsibility for profit or loss and impacts arising from the Transactions contemplated herein.
 - 3) The Independent Financial Advisor has conducted this study with the use of knowledge, competence, and due care, based strictly on sound professional practices.
 - 4) The Independent Financial Advisor has considered and rendered opinion based on the situation and information currently available to our knowledge. Should there be any material change in the said situation and information, it could have an effect on the results of the study conducted by CapAd.

The Board of Directors Meeting No. 1/2017 of Sri Trang Agro-Industry Public Company Limited ("STA" or the "Company"), held on January 18, 2017, passed a resolution to enter into the Umbrella Agreement, the Share Sale and Purchase Agreements, and the agreement to give a call option between the Company and Semperit Technische Produkte Gesellschaft m.b.H. ("Semperit"), which collectively is the "Demerger Agreement for all Associated Companies and Joint Ventures", in which the Company has invested with Semperit both locally and abroad². The Company signed the aforementioned agreements on January 18, 2017 and agreed to propose to the Extraordinary General Meeting of Shareholders No. 1/2017, to be held on March 14, 2017, to obtain an approval for the acquisition and disposition of assets, as well as settle all the disputes. Details of the transactions are as follows.

(The Company used exchange rate of USD/Baht 36.50 (as the Company and Semperit agree to settle the transaction in US dollar currency. The Company uses the exchange rate of USD/Baht 36.50 to calculate related taxes under the Umbrella Agreement) and use the exchange rate of CNY/Baht 5.1281 (as they were the exchange rates on January 17, 2017 which is the date prior to the date of the Board of Directors' Meeting No. 1/2017). The Company is of the opinion that such rates are

¹ Duff & Phelps Germany GmbH ("Duff & Phelps") is a world class property appraiser that provide financial advices by experts in asset appraisal in complicated transaction, financial restructuring advice, merger and acquisition, property appraisal, compliance advices, etc. (Please see additional details in www.duffandphelps.com) In February 2015, Duff & Phelps acquired American Appraisal Associates, Inc. (Please see additional details in www.duffandphelps.com/about-us/news/2015/duff-and-phelps-to-acquire-american-appraisal) Therefore, Duff & Phelps is the property appraiser with qualifications under Clause 12 (b) of Notification of Capital Market Supervisory Board No. TorChor. 44/2556 Re: Rules, Conditions and Procedures for Disclosure regarding Financial and Non-financial Information of Securities Issuers, dated October 22, 2013.

² The Demerger Agreement for Associated Companies and Joint Ventures comprises of the Umbrella Agreement with Semperit, the agreement to sale and purchase shares in Siam Sempermed Corporation Limited, the agreements to sale and purchase shares in the associated companies which are Semperflex Shanghai Ltd., Shanghai Semperit Rubber & Plastic Products Co., Ltd. Sempermed USA, Inc., and Sempermed Singapore Pte. Ltd., and the agreement to give a call option to Semperit (or other party determined by Semperit) to purchase shares in Semperflex Asia Corporation Limited ("SAC"). All above agreements specify rights and duties between both parties on various matters, including the acquisition and disposition of assets. Detail is provided in Clause 9 of the Information Memorandum Concerning Acquisition and Disposition of Assets (Schedule 2), enclosed with the Notice of this Extraordinary General Meeting of Shareholders (Enclosure 2). Moreover, some key information is detailed in Section 1, Clause 1.4 of this report.

appropriate and use them in the Notice of the Extraordinary General Meeting of Shareholders and in the Information Memorandum concerning the Asset Acquisition and Disposition of the Company.)

- (1) The purchase of 10,000 ordinary shares of Siam Sempermed Corporation Limited ("SSC")³, with a par value of Baht 10,000.00 per share, representing 50.00% of total issued and paid-up shares of SSC, for a total amount of USD 180.10 million (equivalent to approximately Baht 6,573.65 million) from Semperit, who is the current shareholder in SSC and not a connected person to the Company. ("Asset Acquisition Transaction" or "Transaction No. 1")
- (2) The sale of ordinary shares in associated companies and joint ventures to Semperit (or other person determined by Semperit) who is not a connected person to the Company. Details of the sale are as follows:
 - (2.1) The disposition of investment in Semperfex Shanghai Ltd. ("SSH"), domiciled in the People's Republic of China ("China"). SSH operates a business of producing high pressure hydraulic hose. The Company is to dispose 50.00% of total SSH's share capital for the amount of USD 8.00 million (equivalent to approximately Baht 292.00 million). ("Transaction No. 2")
 - (2.2) The disposition of investment in Shanghai Semperit Rubber & Plastic Products Co., Ltd. ("SRP"), domiciled in China. SRP operates a business of producing hand rail for escalator. The Company is to dispose 10.00% of total SRP's share capital for the amount of USD 4.00 million (equivalent to approximately Baht 146.00 million). ("Transaction No. 3")
 - (2.3) The disposition of ordinary shares of Sempermed USA, Inc. ("SUSA"), domiciled in the United States of America. SUSA operates a business of producing medical and industrial rubber gloves. The Company is to dispose 1,000 shares it directly holds, representing 25.00% of total SUSA's issued and paid-up shares for the amount of USD 6.50 million (equivalent to approximately Baht 237.30 million) ("Transaction No. 4.1").
SSC also agrees to sell 2,000 ordinary shares of SUSA (representing 50.00% of SUSA's total paid-up shares) for the amount of USD 13.00 million (equivalent to approximately Baht 474.50 million). Such transaction is considered the Company's indirect disposition of assets through SSC ("Transaction No. 4.2").
 - (2.4) The disposition of ordinary shares of Sempermed Singapore Pte. Ltd. ("SESI")⁴, a holding company⁴ domiciled in Singapore. The Company is to dispose 4,000,000 shares, representing 50.00% of total SESI's issued and paid-up shares, for the amount of USD 1.00 million (equivalent to approximately Baht 36.50 million). ("Transaction No. 5")
 - (2.5) SSC agrees to sell 100.00% of investment in a subsidiary, Shanghai Sempermed Glove Sales Co., Ltd. ("SSF") located in China, operating import and export of plastic and rubber gloves (currently, SSF does not operate its core business. It has small revenue from provision of rubber gloves inspection service). The value of such disposition is USD 3.20 million (equivalent to approximately Baht 116.80 million). Thus, the transaction is considered as the Company's indirect asset disposition through SSC ("Transaction No. 6").
 - (2.6) The disposition of 1,615,000 ordinary shares of Semperfex Asia Corporation Ltd. ("SAC"), with a par value of Baht 100.00, representing 42.50% of total SAC's issued and paid-up shares, for the amount of USD 51.00 million (equivalent to approximately Baht 1,861.50 million). SAC is headquartered in Hat Yai District, Songkhla Province, and operates a business of producing high-pressured hydraulic hose⁵. Shares to be disposed comprise of (a) 1,425,000 ordinary shares held by the Company, representing 37.50% of total SAC's issued and paid-up shares and amounting to USD 45.00 million (equivalent to approximately Baht 1,642.50 million), and (b) 190,000 ordinary shares held by Rubberland Products Co., Ltd. ("Rubberland"), a subsidiary of the Company, representing 5.00% of total SAC's issued and paid-up shares and amounting to USD 6.00 million (equivalent to approximately Baht 219.00 million). The disposition of shares is in accordance with the

³ SSC is a limited company established under Thai law, with a headquarter located in Hat Yai District, Songkhla Province. It operates a business of producing medical and industrial rubber gloves. The Company holds 40.23% of the issued and paid-up shares of SSC, comprising of 31.50% direct and 8.73% indirect holding. Upon the completion of the transaction, the Company will have direct and indirect holding of 81.50% and 8.73%, respectively, totaling 90.23% of the issued and paid-up shares of SSC.

⁴ SESI invests in 83% of Formtech Engineering (M) Sdn. Bhd. ("FTE"), domiciled in Malaysia, and 100% of Sempermed Brazil Comercio Exterior Ltda. ("SBC"), domiciled in Brazil. FTE operates a business of producing Slip Casted Technical Ceramics for rubber glove production. SBC operates a business of distributing rubber gloves in Brazil. However, SBC has ceased its operation for a period of time.

⁵ Produce and distribute various high-pressured hydraulic hoses including high-quality hydraulic hose for industrial, mining, and specialized use. In addition, it develops various types of small-sized hydraulic hoses for high-end use.

agreement that the Company has given a call option to Semperit to purchase shares from the Company and Rubberland during a period starting from June 30, 2019 to June 30, 2021. ("Transaction No. 7")

Transaction No. 2 – 7 are the Company's direct and indirect asset disposition, collectively called "Asset Disposition Transaction"

- (3) The Company and Semperit agree to settle all the disputes between both parties, regardless of the legal processes in Thai court, foreign courts, and/or arbitration processes abroad, as well as compensation paid by SSC to Semperit in order to settle such disputes. The claim withdrawals payment amounts to USD 15.00 million (equivalent to approximately Baht 547.50 million). (Please see additional details in Part 1 Clause 6.2 of this report)

The Company will make the payment for assets in Transaction No. 1, net of the cash received from the sale of assets in Transaction 2 – 6, and make cash payment for dispute settlement to Semperit.

All above transactions (Transaction No. 1 – 7) fall under the Umbrella Agreement, and the Share Sale and Purchase Agreements between the Company and Semperit, which were approved by the Company's Board of Directors on January 18, 2017. If the sale and purchase of SSC shares (Transaction No. 1) and shares and investments in Transaction No. 2 – 6 cannot be completed within the "Completion Date" due to either party's fault as specified in the Umbrella Agreement, such party has duty to pay USD 15.00 million (equivalent to approximately Baht 547.5 million) Break Fee to the other party. Thus, in the event that the Company's shareholders' meeting does not approve this Assets Acquisition and Disposition Transaction, the Company is obliged to pay a USD 15.00 million Break Fee (equivalent to approximately Baht 547.5 million) to Semperit (not the same amount as item (3) above).

Transaction No. 1 is considered as the acquisition of assets in accordance with the Notification of the Capital Market Supervisory Board No. TorChor. 20/2551 Re: Rules on Entering into Material Transactions Deemed as Acquisition or Disposal of Assets, and the Notification of the Board of Governors of the Stock Exchange of Thailand Re: Disclosure of Information and Actions of a Listed Company Concerning the Acquisition or Disposition of Assets B.E. 2547 ("Notification on Acquisition or Disposition of Assets"). The maximum transaction size is equal to 69.15% based on net profit criteria as of September 30, 2016, and it is classified as Class 1 transaction in accordance with the Notification on Acquisition or Disposition of Assets, where the total value of the transaction equal to or more than 50% but lower than 100%. Transaction No. 2 – 7 are considered as the disposal of assets in accordance with the Notification on Acquisition or Disposition of Assets, with the combined transaction size of 46.46% based on net profit criteria as of September 30, 2016, and are classified as Class 2 transaction, where the transaction size equal to or higher than 15% but lower than 50%. As a result, these transactions do not require shareholders' approval. However, in order for shareholders to be involved in the decision to enter into such disposition of assets, the Company will propose to the meeting of the shareholders to obtain approvals for these transactions, along with the approval of the transaction to acquire asset above.

The Company, therefore, is required to disclose information memorandum concerning the acquisition and disposition of assets to the Stock Exchange of Thailand ("SET") and the shareholders, and to appoint an independent financial advisor to express an opinion to the shareholders and disclose the information related to the transactions to the SET, as well as arrange a shareholders' meeting to obtain approvals for the transactions with no less than 3/4 of total voting rights of shareholders attending the meeting and are eligible to vote, excluding shareholders with conflict of interests⁶.

The Company has appointed Capital Advantage Co., Ltd. as an independent financial advisor ("CapAd" or "Independent Financial Advisor" or "IFA") to express an opinion to the shareholders on rationality, fairness of the prices and other conditions of the transactions. The settlement of all disputes, which is the cause and necessity of these transactions, is also to be considered in this transaction.

⁶ In addition to listing of the Company's securities on the Stock Exchange of Thailand (Trading Symbol: STA), the Company lists its securities on the Singapore Exchange (SGX) under NC2 symbol according to the Secondary Listing (listed company in foreign exchange listed on SGX).

Rules of SGX Section 5 Clause 217, Section 9 Clause 751, and Practice Note 7.2 specify that foreign companies under the Secondary Listing are not required to comply with rules of SGX if disclose information in English at the same time of information disclosure to the SET and comply with rules and regulations of the SET.

(Source: http://rulebook.sgx.com/en/display/display_viewall.html?rbid=3271&element_id=4830&print=1#definition-s)

CapAd has studied the Information Memorandum Concerning the Asset Acquisition and Disposition of the Company, the information obtained from interviews with the executives and management of the Company, documents received from the Company and concerning companies such as financial statements, projection assumptions, business plans, asset appraisal reports, and publicly disclosed information, such as the Annual Information Disclosure Form (Form 56-1), information posted on the websites of the SET and the Securities and Exchange Commission ("SEC"), and financial information from various websites, in order to render its opinion. However, CapAd cannot warrant or assure the accuracy or completeness of the information provided by the Company, Siam Sempermed Corporation Limited, Semperflex Shanghai Ltd., Shanghai Semperit Rubber & Plastic Co., Ltd., Sempermed USA, Inc., Sempermed Singapore Pte. Ltd., and Semperflex Asia Corporation Ltd., and/or executives and/or management of the Company.

The opinion of CapAd in this report is based on the assumption that all the information and documents received are accurate and complete, and reflects the operating environment and most up-to-date information at the time of issuance of this report. However, there may be an incident having a material impact on the business operations and financial projections of the Company, Siam Sempermed Corporation Limited, Semperflex Shanghai Ltd., Shanghai Semperit Rubber & Plastic Products Co., Ltd., Sempermed USA, Inc., Sempermed Singapore Pte. Ltd., and Semperflex Asia Corporation Ltd., as well as decision of the shareholders on the transaction to acquire and dispose assets.

In expressing its opinion in this report, CapAd has considered the appropriateness of the asset acquisition and disposition and the sale and purchase prices of all the shares. In addition, it considered other related factors thoroughly and rationally according to the professional standard.

CapAd has studied the information pertaining to the acquisition and disposition of assets, which can be summarized as follows.

Foreign Exchange Rates Used in This Report

From the first page to the end of Part 2 of this report, the exchange rate is at USD/Baht 36.50 (as the Company and Semperit agree to settle the transaction in US dollar currency and the Company used the exchange rate of USD/Baht 36.50 to calculate related taxes under the Umbrella Agreement and use the exchange rate of CNY/Baht 5.1281 (as they were the exchange rates on January 17, 2017 which is the date prior to the date of the Board of Directors' Meeting No. 1/2017)). The Company is of the opinion that such rates are appropriate and use them in the Notice of the Extraordinary General Meeting of Shareholders and in the Information Memorandum concerning the Asset Acquisition and Disposition of the Company. Thus, the IFA shall use the same exchange rates as the Company's for comparison purpose.

In Part 3 of this report, the IFA used exchange rate of USD/Baht 35.5685, CNY/Baht 5.2181, CNY/USD 0.1467, MYR/Baht 8.0336, and USD/MYR 0.2259 as they are exchange rates as of January 17, 2017, the date of valuation of shares and investment in this report. (Source: average selling rates announced by the Bank of Thailand for January 17, 2017 from www.bot.or.th)

Remark:

- "USD" is United States Dollar
- "CNY" is Chinese Yuan or Renminbi (RMB)
- "MYR" is Malaysian Ringgit

Abbreviation

The "Company" or "STA"	Sri Trang Agro-Industry Public Company Limited
"SSC"	Siam Sempermed Corporation Limited (a joint venture between the Company and Semperit)
"SSH"	Semperflex Shanghai Ltd. (a joint venture between the Company and Semperit)
"SRP"	Shanghai Semperit Rubber & Plastic Products Co., Ltd. (a joint venture of the Company)
"SUSA"	Sempermed USA, Inc. (a joint venture of the Company and Semperit)
"SESI"	Sempermed Singapore Pte. Ltd. (a joint venture between the Company, SSC, and Semperit)
"SAC"	Semperflex Asia Corporation Ltd. (a joint venture between the Company and Semperit)
"SSF"	Shanghai Sempermed Gloves Co., Ltd. (a subsidiary of SSC)
"FTE"	Formtech Engineering (M) Sdn. Bhd. (a subsidiary of SESI)
"SBC"	Sempermed Brazil Comercio Exterior Ltda. (a subsidiary of SESI)
"Rubberland"	Rubberland Products Co., Ltd. (a subsidiary of the Company)
"Semperit"	Semperit Technische Produkte Gesellschaft m.b.H.
"Semperit Group"	Semperit AG Holding (the parent company of Semperit)
"Completion Date"	March 15, 2017, but no later than April 12, 2017 (Longstop Date)
"Call Option Agreement"	Agreement to give call option to Semperit (or other person determined by Semperit) to purchase SAC's shares
"Option Period"	June 30, 2019 to June 30, 2021, according to the Call Option Agreement
"Joint Venture Agreements"	Joint Venture Agreements between the Company and Semperit
"Latexx"	Latexx Partners Berhad
"Independent Property Appraiser"	First Star Consultant Co., Ltd. (an independent property appraiser)
"Duff & Phelps"	Duff & Phelps Germany GmbH (an independent property appraiser)
"Singapore"	Republic of Singapore
"China" or "PRC"	People's Republic of China
"Brazil"	The Federative Republic of Brazil
"USD"	United States Dollar
"CNY"	Chinese Yuan or Renminbi (RMB)
"MYR"	Malaysian Ringgit
"CapAd" or "Independent Financial Advisor" or "IFA"	Capital Advantage Co., Ltd.
"SEC"	Office of the Securities and Exchange Commission
"SET"	The Stock Exchange of Thailand
"Notification on Acquisition or Disposition of Assets"	Notification of the Capital Market Supervisory Board No. TorChor 20/2551 Re: Rules on Entering into Material Transactions Deemed as Acquisition or Disposal of Assets, and Notification of the Board of Governors of the Stock Exchange of Thailand Re: Disclosure of Information and Other Acts of Listed Companies Concerning the Acquisition and Disposition of Assets B.E. 2547 and its amendments
"NTA"	Net Tangible Assets
"WACC"	Weighted Average Cost of Capital

Executive Summary

The Board of Directors Meeting of Sri Trang Agro-Industry Public Company Limited ("the Company" or "STA") No. 1/2017, held on January 18, 2017, passed a resolution to enter in to the Umbrella Agreement, the Share Sale and Purchase Agreements, and the Call Option Agreement between the Company and Semperit Technische Produkte Gesellschaft m.b.H. ("Semperit"), which collectively is "Demerger Agreement for all Associated Companies and Joint Ventures", in which the Company has invested with Semperit both locally and abroad. The Company signed the aforementioned agreements on January 18, 2017 and agreed to propose to the Extraordinary General Meeting of Shareholders No. 1/2017, to be held on March 14, 2017, to obtain an approval for the transactions concerning the acquisition and disposition of assets, as well as the settlement of all disputes. Details of the transactions are as follows:

(The Company used exchange rate of USD/Baht 36.50 (as the Company and Semperit agree to settle the transaction in US dollar currency. The Company uses the exchange rate of USD/Baht 36.50 to calculate related taxes under the Umbrella Agreement) and use the exchange rate of CNY/Baht 5.1281 (as they were the exchange rates on January 17, 2017 which is the date prior to the date of the Board of Directors' Meeting No. 1/2017). The Company is of the opinion that such rates are appropriate and use them in the Notice of the Extraordinary General Meeting of Shareholders and in the Information Memorandum concerning the Asset Acquisition and Disposition of the Company.)

(1) Asset Acquisition Transaction**Transaction No. 1**

The Company is to acquire 10,000 ordinary shares of Siam Sempermed Corporation Limited ("SSC") (currently a joint venture of the Company), with a par value of Baht 10,000.00 per share, representing 50.00% of total SSC's issued and paid-up shares, for the amount of USD 180.10 million (equivalent to approximately Baht 6,573.65 million) from Semperit, who is the current shareholder of SSC and is not a connected party of the Company.

(2) Asset Disposition Transaction of associated companies and joint ventures to Semperit (or other person determined by Semperit), who is not a connected party of the Company, as follows.**Transaction No. 2**

The Company is to dispose investment in Semperflex Shanghai Ltd. ("SSH"), domiciled in the People's Republic of China ("China"). SSH operates a business of producing high pressure hydraulic hose. The Company is to dispose 50.00% of total SSH's share capital for the amount of USD 8.00 million (equivalent to approximately Baht 292.00 million).

Transaction No. 3

The Company is to dispose investment in Shanghai Semperit Rubber & Plastic Products Co., Ltd. ("SRP"), domiciled in China. SRP operates a business of producing hand rail for escalator. The Company is to dispose 10.00% of total SRP's share capital for the amount of USD 4.00 million (equivalent to approximately Baht 146.00 million).

Transaction No. 4.1

The Company is to dispose ordinary shares of Sempermed USA, Inc. ("SUSA"), domiciled in the United States of America. SUSA operates a business of distributing medical rubber gloves in the USA. The Company is to dispose 1,000 shares it directly holds, representing 25.00% of total SUSA's issued and paid-up shares, for the amount of USD 6.50 million (equivalent to approximately Baht 237.25 million).

Transaction No. 4.2

The Company is to dispose 2,000 ordinary shares of SUSA (representing 50.00% of SUSA's total paid-up shares) at the amount of USD 13.00 million (equivalent to approximately Baht 474.50 million). Such transaction is considered as the Company's indirect asset disposition through SSC.

Transaction No. 5

The Company is to dispose 4,000,000 ordinary shares of Sempermed Singapore Pte. Ltd. ("SESI"), domiciled in Singapore, for the amount of USD 1.00 million (equivalent to approximately Baht 36.50 million). SESI is a holding company⁷. The shares to be disposed represent 50.00% of total SESI's issued and paid-up shares.

Transaction No. 6

SSC shall sell 100.00% of investment in a subsidiary, Shanghai Sempermed Glove Sales Co., Ltd. ("SSF") located in China, operating import and export of plastic and rubber gloves (currently,

⁷ Please see Footnote 4.

SSF does not operate its core business. It has small revenue from provision of rubber gloves inspection service). The value of such disposition is USD 3.20 million (equivalent to approximately Baht 116.80 million). Thus, the transaction is considered as the Company's indirect asset disposition through SSC.

Transaction No. 7

The Company is to dispose 1,615,000 ordinary shares of Semperflex Asia Corporation Ltd. ("SAC"), with a par value of Baht 100.00, representing 42.50% of total SAC's issued and paid-up shares, for the amount of USD 51.00 million (equivalent to approximately Baht 1,861.50 million). SAC is headquartered in Hat Yai District, Songkhla Province, and operates a business of producing high-pressured hydraulic hose. Shares to be disposed comprise of (a) 1,425,000 ordinary shares held by the Company, representing 37.50% of total SAC's issued and paid-up shares and amounting to USD 45.00 million (equivalent to approximately Baht 1,642.50 million), and (b) 190,000 ordinary shares held by Rubberland Products Co., Ltd. ("Rubberland"), a subsidiary of the Company, representing 5.00% of total SAC's issued and paid-up shares and amounting to USD 6.00 million (equivalent to approximately Baht 219.00 million). The disposal is in accordance with the Call Option Agreement in which the Company has given a call option to Semperit to purchase shares from the Company and Rubberland during a period starting from June 30, 2019 to June 30, 2021.

(3) Settlement of Disputes

The Company and Semperit agree to settle all the disputes between both parties on the "Completion Date", regardless of the legal processes in Thai court, foreign courts, and/or arbitration processes abroad, as well as compensation paid by SSC to Semperit in order to settle the disputes. The claim withdrawals payment amounts to USD 15.00 million (equivalent to approximately Baht 547.50 million). However, the withdrawal of all disputes from courts and arbitration court must comply with the relevant laws. Hence, some disputes may be terminated after the "Completion Date". Both parties agree to deliver documents relating to the withdrawal and signed power of attorney to the other party on the "Completion Date" for further process after the completion of transactions. (Please see additional details in Part 1 Clause 6.2 of this report) The Company will make the payment for asset in Transaction No. 1, net of the cash received from the sale of assets in Transaction No. 2 – 6, and make cash payment for dispute settlement to Semperit.

The enter into all above transactions (Transaction No. 1 – 7) falls under the Umbrella Agreement and the Share Sale and Purchase Agreements between the Company and Semperit, which were approved by the Company's Board of Directors on January 18, 2017. If the sale and purchase of SSC shares (Transaction No. 1) and shares and investments in Transaction No. 2 – 6 cannot be completed within the "Completion Date" due to either party's fault as specified in the Umbrella Agreement, such party has duty to pay USD 15.00 million (equivalent to approximately Baht 547.5 million) Break Fee to the other party. Thus, in the event that the meeting of the shareholders does not approve the Acquisition and Disposition of Assets, the Company is obliged to pay a USD 15.00 million Break Fee (equivalent to approximately Baht 547.5 million) to Semperit (not the same amount as in item (3) in the previous paragraph).

Transaction No. 1 is considered as the acquisition of assets in accordance with the Notification of the Capital Market Supervisory Board No. TorChor 20/2551 Re: Rules on Entering into Material Transactions Deemed as Acquisition or Disposal of Assets, and the Notification of the Board of Governors of the Stock Exchange of Thailand Re: Disclosure of Information and Actions of a Listed Company Concerning the Acquisition or Disposition of Assets B.E. 2547 ("Notification on Acquisition or Disposition of Assets"). The highest transaction size is equal to 69.15% based on net profit criteria as of September 30, 2016, and it is classified as Class 1 transaction in accordance with the Notification on Acquisition or Disposition of Assets, where the total value of the transaction equal to or higher than 50% but lower than 100%.

Transaction No. 2 – 7 are considered as the disposal of assets in accordance with the Notification on Acquisition or Disposition of Assets, with the combined transaction size of 46.46% based on net profit criteria as of September 30, 2016, and are classified as Class 2 transaction, where the transaction size equal to or higher than 15% but lower than 50%. As a result, these transactions do not require shareholders' approval. However, in order for shareholders to be involved in the decision to enter into the transactions, the Company will propose to the meeting of the shareholders to obtain approvals for these transactions, along with the approval of the transaction to acquire asset above.

The Company, therefore, is required to disclose information memorandum concerning the transactions to acquire and dispose assets to the SET and the shareholders, and to appoint an

independent financial advisor to express an opinion to the shareholders and disclose the information related to the transactions to the SET, as well as arrange a shareholders' meeting to obtain approvals for the transactions with no less than 3/4 of voting rights of shareholders attending the meeting and are eligible to vote, excluding shareholders with conflict of interests⁸.

Capital Advantage Co., Ltd. ("CapAd" or "the Independent Financial Advisor"), as the independent financial advisor appointed by the Company, has considered objectives and necessity of the transactions, together with advantages and disadvantages, benefits, and risks as follows:

The transactions to purchase SSC's shares from Semperit and sell shares and investments in associated companies abroad to Semperit are necessary as they would (a) end the disagreement with Semperit that has been ongoing for more than 5 years, starting from 2011, and the legal dispute with Semperit that has been ongoing for more than 3 years, starting from 2014, so that both parties can separate and do their own businesses without any commitment between each other, except for normal business relationship. In addition, they would help to avoid any risk from the outcome of the legal cases in the event that the court orders the Company, Rubberland, and/or SSC to pay for any damages that would cause direct harm to financial position and operating performance of the Company, Rubberland, and SSC; (b) allow the Company to divest its investment in associated companies abroad, in which the Company has had no direct involvement in management, and instead focuses its attention on business that the Company has expertise to create future growth; (c) the purchase of SSC's ordinary shares will benefit the Company's overall business operation and bring balance to the operating results through the consolidation of SSC's financial performance (as opposed to equity method previously recognized). SSC operates downstream businesses of producing and distributing rubber gloves, which are finished products with high margins. In case the Company's operating performance is volatile, like what has been in the past and likely to be in the future, SSC's operating performance will help balance the operating performance of the group; and (d) the Company will be free to set SSC's policies in operating its businesses as the Company sees fit, including capacity expansion locally and abroad, as well as global marketing activities without any non-competing restrictions.

Advantages and benefits from entering into the transactions comprise of (1) the settlement of all commercial disputes between Semperit and the Company, Rubberland, and SSC; (2) the reduction of any risk that may arise from final verdict handed by the court ordering the Company, Rubberland, and SSC to pay Semperit for damage; (3) no further legal and other expenses related to commercial disputes for the Company and SSC; (4) the termination of agreements on joint ventures between Semperit and the Company, as well as non-competing restriction, allowing the Company to expand production capacity/global marketing activities freely; (5) total control of policies to manage SSC's businesses; (6) the restructuring of the Company's group of companies will allow higher degree of flexibility in setting directions and exercising controls; (7) better operating performance from the recognition of SSC's operating performance in the consolidated financial statements of the Company; (8) the reduction of risk from future investment of Semperit in rubber glove business in Malaysia (Latexx), competing business with SSC; and (9) in case that the Extraordinary General Meeting of Shareholders approves the acquisition and disposition of assets and the settlement of all disputes, the Company shall not pay USD 15 million (equivalent to approximately Baht 547.5 million) Break Fee to Semperit.

However, disadvantages and risks from entering into the transactions consist of (1) marketing risk of SSC from not having Semperit as a partner, and the need to secure new markets to compensate for lower sales which may result from the termination of the joint venture agreements; (2) the increase in borrowings from and interest expenses payable to financial institutions in order to fund the transactions; (3) foreign exchange rate risk arises the payment to Semperit in USD currency; (4) delayed cash received from the disposition of SAC's ordinary shares until Semperit exercises the call option, according to the Call Option Agreement; and incur relatively low risk in (5) and (6) as follows: (5) inadequate SSC's and SAC's cash reserves to pay dividends in accordance with the Umbrella Agreement as the Company will use the cash to fund the transactions; and (6) likelihood of lower SSC's liquidity if the transaction to purchase and sell SSC's shares is not completed within March 15, 2017.

Upon considering the reasons and necessity for entering into the transactions as well as studying and comparing the advantages, benefits, disadvantages, and risks pertaining to the transactions, the Independent Financial Advisor is of the opinion that the proposed **asset acquisition and disposition transactions are reasonable**. The transaction will favorably affect the Company and the shareholders in the long run.

⁸ Please see Footnote 6.

In terms of the appropriateness of prices, the Independent Financial Advisor has evaluated the value of SSC's and other associated companies' shares based on various approaches as follows:

(Regarding the appropriateness of price (and in Part 3 of this report), the IFA used exchange rate of USD/Baht 35.5685, CNY/Baht 5.2181, CNY/USD 0.1467, MYR/Baht 8.0336, and USD/MYR 0.2259 as they are exchange rates as of January 17, 2017, the date of valuation of shares and investment in this report. (Source: average selling rates announced by the Bank of Thailand for January 17, 2017 from www.bot.or.th)

Table comparing acquisition costs and selling prices of ordinary shares to their fair values

	Fair value of entity (USD million)	shareholding of asset acquired / disposed (%)	Fair value of entity, only portion to be acquired / disposed (USD million)	Selling (purchasing) price (USD million)	Gain (Loss) of fair value over purchasing/selling price	
	(1)	(2)	(3) = (1) * (2)	(4)	(5) = (4) - (3)	(6) = (5)/(4)
Asset Acquisition						
SSC (Transaction No. 1, 4.2, and 6)	262.68 - 290.22 ^{1/}	50.00	131.34 - 145.11	(147.55) ^{2/}	(16.21) - (2.44)	(10.99) - (1.65)
Total acquisition	262.68 - 290.22	50.00	131.34 - 145.11	(147.55)	(16.21) - (2.44)	(10.99) - (1.65)
Asset Disposal						
SSH (Transaction No. 2)	13.39 - 18.55	50.00	6.70 - 9.27	8.00	(1.27) - 1.30	(15.91) - 16.29
SRP (Transaction No. 3)	57.32 - 60.98	10.00	5.73 - 6.10	4.00	(2.10) - (1.73)	(52.46) - (43.31)
SUSA (Transaction No. 4.1)	24.12 - 25.56	25.00	6.03 - 6.39	6.50	0.11 - 0.47	1.70 - 7.22
SESI (Transaction No. 5)	5.99 - 6.67	50.00	2.99 - 3.33	1.00	(2.33) - (1.99)	(233.42) - (199.49)
SAC (Transaction No. 7)	88.71 - 97.34 ^{3/}	42.50	37.70 - 41.37	44.49 - 46.32 ^{4/}	3.12 - 8.62	7.01 - 18.16
Total disposal	189.54 - 209.10		59.16 - 66.46	63.99 - 65.82	(2.48) - 6.66	(3.87) - 10.12
Total - net			64.87 - 85.95	(83.56) - (81.73)	(18.68) - 4.22	(22.86) - 5.17

Remark:

- 1/ SSC's value, after paying USD 118.20 million dividend to shareholders (including both parties of the agreement) on the transaction date, under the Umbrella Agreement, the Share Sale and Purchase Agreement of SSC, and other relevant agreements. (Transaction No. 4.2 and 6 are taken into consideration)
- 2/ The USD 180.10 million purchasing price for 50% of SSC's shares from Semperit, plus USD 15.00 million compensation to be paid to Semperit for the settlement of the dispute, and less USD 47.55 million dividend payment to be paid to the Company and Rubberland, as shareholders holding 40.23% of SSC. (Transaction No. 4.2 and 6 are taken into consideration)
- 3/ SAC's value, after paying USD 30.00 million dividend to shareholders (including both parties of the agreement) on the transaction date, under the Umbrella Agreement, the Share Sale and Purchase Agreement of SAC, and other relevant agreements.
- 4/ According to the Call Option Agreement, Semperit has the right to purchase 1,615,000 SAC's shares, or 42.50% of total SAC's issued and paid-up shares, currently held by the Company and Rubberland, for the amount of USD 51.00 million, during a pre-specified period ("Option Period"). Therefore, present value of the selling price of SAC's shares (42.50% of total issued and paid-up shares) is equal to USD 34.32 - 40.93 million⁹ (equivalent to approximately Baht 1,220.77 - 1,455.72 million).

In addition, under the new Joint Venture Agreement (third amendment) to be amended, SAC is required to pay dividend at a rate of 100% of the annual net profit. Therefore, in the event that Semperit exercise the option to purchase SAC's shares from the Company and Rubberland during 2019 - 2021, the Company and Rubberland are entitled to receive dividend paid by SAC before the option is exercised. CapAd estimates the present value of dividends to be received (42.50% of total dividend paid by SAC) before Semperit exercises its right to purchase SAC's shares at approximately USD 5.39 - 10.17 million (present value of dividend paid during 2017 - 2020). Therefore, present value of the future selling price of SAC's shares is equal to USD 44.49 - 46.32 million.

From the table above, the net purchasing price of SSC's shares is equal to USD 147.55 million (comprising of purchasing price of SSC's shares of USD 180.10 million and USD 15.00 million settlement of dispute to be paid to Semperit, offsetting with USD 47.55 million dividend payment to be received by the Company and Rubberland), which is higher than SSC's fair value by USD 2.44 - 16.21 million, or 1.65% - 10.99% higher than the net purchasing price of SSC's shares.

In addition, the combined selling price of SSH's, SRP's, SUSA's, SESI's, and SAC's shares of USD 70.50 million (equivalent to approximately Baht 2,507.58 million), and the estimated dividends to be received from SAC before Semperit exercise the call option (equal to approximately USD 5.39 - 10.17 million) have a present value of USD 63.99 - 65.82 million, higher (lower) than the combined fair values of SSH's, SRP's, SUSA's, SESI's, and SAC's shares to be sold to Semperit by USD (2.48) - 6.66 million, or higher (lower) than the combined selling price of SSH's, SRP's, SUSA's, SESI's, and SAC's shares by (3.87) - 10.12%.

However, entering into this transaction (Transaction No. 1 - 7) requires approval from the shareholders altogether. CapAd, therefore, will consider the total value of asset acquisition and disposition transaction by net purchasing price (net of sale of shares), which is equal to USD 77.05

⁹ CapAd assumes that Semperit exercise the option to purchase SAC's shares during the Option Period (from June 30, 2019 to June 30, 2021) and discounted by WACC which is approximately 9.20% p.a.

million (equivalent to approximately Baht 2,740.49 million), and estimated dividend to be received from SAC before Semperit exercise the call option (approximately USD 5.39 – 10.17 million). Total present value of the net purchasing price is USD 81.73 – 83.56 million (equivalent to approximately Baht 2,907.00 – 2,972.06 million), which is higher (lower) than the net fair value of shares to be acquired and disposed (which is equal to USD 64.87 – 85.95 million) by USD (4.22) – 18.68 million (equivalent to approximately Baht (150.26) – 664.57 million) or higher (lower) by (5.17)% – 22.86% of the net purchasing price. Therefore, CapAd opines that **the purchasing price of SSC's shares and the selling prices of SSH's, SRP's, SUSA's, SESI's, and SAC's shares are inappropriate** because the purchasing price of SSC's shares is higher than the fair value, even though the net selling price may be higher or lower than the fair value of the assets to be acquired and disposed.

In summary, the Asset Acquisition and Disposition Transactions are considered reasonable, even though the transaction prices are inappropriate. The Independent Financial Advisor is of the view that this transaction is necessary in order to settle all the disputes with Semperit, and provide SSC an opportunity to expand its business globally. In addition, the Company will recognize SSC's operating performance and financial position in its consolidated financial statements. As a result, **the Independent Financial Advisor recommends that the shareholders should approve the Company's entry into such asset acquisition and disposition transaction.**

In this respect, the shareholders are recommended to consider the information, rationale and opinion on various issues presented by the Independent Financial Advisor in this report, including the information in all documents attached to the notice of the shareholders' meeting thoroughly and carefully before making decision. However, the decision whether to approve the proposed transaction depends primarily on the shareholders' discretion.

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

Details of the Independent Financial Advisor's opinion are as follows:

Part 1: General Details of the Transaction

1. Characteristic and details of the transaction

1.1 Objectives and background of the transaction

The Board of Directors Meeting No. 1/2017 of Sri Trang Agro-Industry Public Company Limited (the "Company" or "STA"), held on January 18, 2017, passed a resolution to enter into the Umbrella Agreement, the Share Sale and Purchase Agreements, and the Call Option Agreement between the Company and Semperit Technische Produkte Gesellschaft m.b.H. ("Semperit"), which collectively is the "Demerger Agreement for all Associated Companies and Joint Ventures", in which the Company has invested with Semperit both locally and abroad. The Company signed the aforementioned agreements on January 18, 2017 and agreed to propose to the Extraordinary General Meeting of Shareholders No. 1/2017, to be held on March 14, 2017, to obtain an approval for the transactions regarding the acquisition and disposition of assets, as well as the settlement of all disputes.

1.2 Transaction date

The Company will enter into the transaction to acquire SSC's ordinary shares according to Transaction No. 1, dispose investments and ordinary shares of associated companies and joint ventures according to Transaction No. 2 – 7, and settle all disputes after obtaining approval from the Extraordinary General Meeting of the Shareholders No. 1/2017, to be held on March 14, 2017, and all the condition precedents specified in the Umbrella Agreement and other relevant agreements are met, or there is a waiver on the condition precedents (detail in Section 1, Clause 1.11 of this report).

- (a) The Company and Semperit agree to set the Completion Date for the sale and purchase of shares according to Transaction No. 1 and Completion Date for the sale and purchase of investment and shares of associated companies and joint ventures according to Transaction No. 4.1 and 4.2 (SUSA) and Transaction No. 5 (SESI) on March 15, 2017, but no later than April 12, 2017 ("the Completion Date").
- (b) The sale and purchase of shares according to Transaction No. 2 (SSH), Transaction No. 3 (SRP), and Transaction No. 6 (SSF) may complete at a later date than April 12, 2017 due to the limitation regarding time period specified in the laws and regulations of the People's Republic of China ("China"). In any case, they must be completed no later than December 31, 2017.

Therefore, the sale and purchase of shares and investment according to Transaction No. 1 – 6 are expected to complete within the end of 2017.

For Transaction No. 7, the exercise of call option by Semperit (or other person determined by Semperit) to acquire SAC's shares currently held by the Company and Rubberland shall be during the period between June 30, 2019 and June 30, 2021 ("Option Period"). In the event that Semperit exercises the option, the transaction will be carried out in that period.

1.3 Parties involved and relationship with the Company

1.3.1 Asset acquisition transaction

Transaction No. 1: Acquisition of 10,000 ordinary shares of SSC (50%)

Buyer	: Sri Trang Agro-Industry Public Company Limited ("the Company" or "STA")
Seller	: Semperit Technische Produkte Gesellschaft m.b.H. ("Semperit"), a current shareholder of SSC
	Remark: Semperit is a juristic person established in Austria and a company in Semperit AG Holding Group ("Semperit Group") which is a company listed on the Vienna Stock Exchange and a world leading company in high quality rubber products. Semperit is under Sempermed, who is a leading producer of medical and industrial rubber gloves and the largest unit under Semperit Group ^{1/} .
Relationship with the Company	: Semperit has no relationship with the Company.
Remark:	1/ Please see additional information on www.semperitgroup.com and www.sempermed.com

1.3.2 Assets disposition transaction

Transaction No. 2: Disposition of investment in SSH (50%)

Seller	: Sri Trang Agro-Industry Public Company Limited ("the Company" or "STA")
Buyer	: Semperit Technische Produkte Gesellschaft m.b.H. ("Semperit") (or other person determined by Semperit). Semperit is a joint venture partner in SSH.
Relationship with the Company	: Semperit has no relationship with the Company.

Transaction No. 3: Disposition of investment in SRP (10%)

Seller	: Sri Trang Agro-Industry Public Company Limited ("the Company" or "STA")
Buyer	: Semperit Technische Produkte Gesellschaft m.b.H. ("Semperit") (or other person determined by Semperit).

Semperit is a joint venture partner in SRP.
 Relationship : Semperit has no relationship with the Company.
 with the
 Company

Transaction No. 4.1: Disposition of 1,000 ordinary shares of SUSA (25%)

Seller : Sri Trang Agro-Industry Public Company Limited ("the Company" or "STA") for 1,000 shares, and (Siam Sempermed Corporation Limited ("SSC") (a joint venture in which the Company directly and indirectly holds total of 42.50% of total issued and paid-up shares) will sell another 2,000 shares of SUSA at the same time.)
 Buyer : Semperit Technische Produkte Gesellschaft m.b.H. ("Semperit") (or other person determined by Semperit). Semperit is currently a shareholder of SUSA.
 Relationship : Semperit has no relationship with the Company.
 with the
 Company

Transaction No. 4.2: Disposition of 2,000 ordinary shares of SUSA by SSC (50%)

Seller : Siam Sempermed Corporation Limited ("SSC") (a joint venture in which the Company directly and indirectly holds total of 42.50% of total issued and paid-up shares)
 Buyer : Semperit Technische Produkte Gesellschaft m.b.H. ("Semperit") (or other person determined by Semperit). Semperit is currently a shareholder of SUSA.
 Relationship : Semperit has no relationship with the Company.
 with the
 Company

Transaction No. 5: Disposition of 4,000,000 ordinary shares of SESI (50%)

Seller : Sri Trang Agro-Industry Public Company Limited ("the Company" or "STA")
 Buyer : Semperit Technische Produkte Gesellschaft m.b.H. ("Semperit") (or other person determined by Semperit). Semperit is currently a shareholder of SESI.
 Relationship : Semperit has no relationship with the Company.
 with the
 Company

Transaction No. 6: Disposition of ordinary shares of SSF by SSC (100%)

Seller : Siam Sempermed Corporation Limited ("SSC") (a joint venture in which the Company directly and indirectly holds total of 42.50% of total issued and paid-up shares)
 Buyer : Semperit Technische Produkte Gesellschaft m.b.H. ("Semperit") (or other person determined by Semperit). Semperit is a joint venture partner of SSF.
 Relationship : Semperit has no relationship with the Company.
 with the
 Company

Transaction No. 7: Disposition of 1,615,000 ordinary shares of SAC in accordance with the Call Option Agreement (42.50%)

Seller : (1) Sri Trang Agro-Industry Public Company Limited ("the Company" or "STA") for 1,425,000 shares, and (2) Rubberland Products Co., Ltd. ("Rubberland") for 190,000 shares.
 Buyer : Semperit Technische Produkte Gesellschaft m.b.H. ("Semperit") (or other person determined by Semperit). Semperit is currently a shareholder of SAC.
 Relationship : Semperit has no relationship with the Company.
 with the
 Company

Details of shareholding structure before and after the transaction are shown in page 16 - 17 of this report.

1.4 General characteristics of the transaction

The Company will enter into the transaction to acquire ordinary shares of SSC according to Transaction No. 1, and to dispose investments and ordinary shares of associated companies and joint ventures according to Transaction No. 2 – 7, with Semperit under the Share Sale and Purchase Agreement to purchase and sell shares and the Call Option Agreement between the Company and Semperit, as well as the Umbrella Agreement and other relevant agreements. Summary of agreements concerning transaction No. 1 – 7 is as follows:

1.4.1 Asset acquisition transaction

Transaction No. 1: Acquisition of ordinary shares of SSC

Under the Share Sale and Purchase Agreement between the Company and Semperit, the Company agrees to purchase 10,000 ordinary shares of SSC (currently a joint venture of the Company), representing 50.00% of total SSC's issued and paid-up shares, from Semperit. Semperit agrees to sell SSC's shares it currently holds to the Company for the amount of USD 180.10 million

(equivalent to approximately Baht 6,573.65 million), in accordance with the Umbrella Agreement and the agreement to purchase and sell ordinary shares of SSC.

In addition, the Umbrella Agreement, the Share Sale and Purchase Agreement of SSC, and other agreements concerning the purchase and sale of ordinary shares of SSC can be summarized as follows.

Key information concerning the purchase and sale of ordinary shares of SSC	
1.	Both parties agree to have SSC make dividend payment to all of its shareholders (including both parties of the agreement) on the transaction date in Thai Baht currency equivalent to USD 118.20 million (equivalent to approximately Baht 4,314.30 million). The Company, a shareholder holding 31.50% stake in SSC, and Rubberland, a shareholder holding 8.73% stake in SSC, are entitled to receive a combined dividend amount of USD 47.55 million (equivalent to approximately Baht 1,735.60 million). Moreover, Semperit is entitled to received USD 59.10 million (equivalent to approximately Baht 2,157.20 million) of dividend from SSC.
2.	Both parties agree to set the tentative "Completion Date" on March 15, 2017, but no later than April 12, 2017 (Longstop Date). In the event that the transaction to purchase and sell ordinary shares of SSC is not completed within March 15, 2017 for whatever reasons, except in the case that Semperit's Supervisory Board does not approve the transaction, both parties agree to have SSC make additional dividend payment to its shareholders in Thai Baht currency equivalent to USD 1,000,000 (equivalent to approximately Baht 36.50 million) every 7 days after March 15, 2017.
3.	The transaction to purchase and sell shares of SSC is completed only when the condition precedents are fulfilled. Condition precedents comprise of: (a) Semperit gets an approval from its Supervisory Board to sell all of SSC's shares it currently holds to the Company and to acquire all shares and investments specified in transaction No. 2 – 7 from the Company (in Semperit's case), and (b) The Company gets an approval from its shareholders to purchase all SSC's shares from Semperit, and dispose shares and investments specified in transaction No. 2 – 7 to Semperit (in the Company's case).
4.	In the event that the purchase and sale of SSC's shares and other shares and investments specified in Transaction No. 2 – 6 is not completed within the "Completion Date" due to the fault of either party as specified in the Umbrella Agreement, the party who fail to comply with the agreement has a duty to pay USD 15.00 million (equivalent to approximately Baht 547.5 million) Break Fee to the other party.
5.	Both parties agree to end the shareholders' agreement, other corresponding commitments that are effective after the termination of shareholders' agreement, as well as agreements between SSC and/or shareholders of SSC and Semperit (such as Technical Assistance Agreement, Product Distribution Agreement, and Trademark and Name Licensing Agreement, etc.). Termination of such agreements shall be on the "Completion Date".
6.	Both parties agree to end all disputes, regardless of legal processes in Thai court, foreign court, or arbitration process abroad.
7.	SSC agrees to (a) dispose 100% investment in Shanghai Sempermed Glove Sales Co., Ltd. ("SSF"), a subsidiary domiciled in China, for the amount of USD 3.20 million (equivalent to approximately Baht 116.80 million) to Semperit (or other person determined by Semperit) (Transaction No. 4.2). SSF operates export and import business of plastic and rubber gloves. (Currently, SSF does not operate the main business but generates small revenues from providing rubber glove quality inspection services); and (b) dispose 2,000 ordinary shares of SUSA (representing 50.00% of total SUSA's issued and paid-up shares) for the amount of USD 13.00 million (equivalent to approximately Baht 474.50 million) (Transaction No. 6) to Semperit (or other person determined by Semperit).

Shareholding structure of SSC upon the completion of this transaction is as follows:

	Shareholders of SSC	No. of shares	%
1.	Sri Trang Agro-Industry Public Company Limited	16,300	81.50
2.	Rubberland Products Co., Ltd.	1,746	8.73
3.	Sri Trang Holdings Co., Ltd.	1,200	6.00
4.	Ms. Poonsuk Cherdkiatkamchai	746	3.73
5.	Mr. Somwang Sincharoenkul	2	0.01
6.	Mr. Viyavood Sincharoenkul	2	0.01
7.	Mr. Kitichai Sincharoenkul	2	0.01
8.	Mr. Veerasith Sincharoenkul	2	0.01
	Total	20,000	100.00

Remark: Shareholder lists of STA and Sri Trang Holding Co., Ltd. are in Clause 5.4.3 of Information Memorandum Concerning Asset Acquisition and Disposition (Schedule 2) enclosed with the Notice of this Extraordinary General Meeting of Shareholders (Enclosure 2).

1.4.2 Assets Disposition Transaction

Transaction No. 2: Disposition of ordinary shares of SSH

Under the Umbrella Agreement and other relevant agreements, the Company agrees to dispose investment in Semperflex Shanghai Ltd. ("SSH") to Semperit (or other person determined by Semperit) and Semperit agrees to purchase the investment from the Company, totaling 50.00% of SSH's share capital, for the amount of USD 8.00 million (equivalent to approximately Baht 292.00 million). Upon the completion of this transaction, the Company will no longer have any investment in SSH.

Transaction No. 3: Disposition of ordinary shares of SRP

Under the Umbrella Agreement and other relevant agreements, the Company agrees to dispose investment in SRP to Semperit (or other person determined by Semperit) and Semperit agrees to purchase the investment from the Company, totaling 10% of SRP's share capital, for the

amount of USD 4.00 million (equivalent to approximately Baht 146.00 million). Upon the completion of this transaction, the Company will no longer have any investment in SRP.

Transaction No. 4.1: Disposition of ordinary shares of SUSA

Under the Umbrella Agreement and other relevant agreements, The Company agrees to dispose 1,000 shares of SUSA it currently holds (representing 25.00% of total SUSA's issued and paid-up shares) for the amount of USD 6.5 million (equivalent to approximately Baht 237.25 million) to Semperit (or other person determined by Semperit). In addition, Semperit agrees to purchase SUSA's shares from the Company. Upon the completion of this transaction, the Company will no longer hold any shares in SUSA.

Transaction No. 4.2: Disposition of ordinary shares of SUSA by SSC

Under the Umbrella Agreement and other relevant agreements, the Company agrees to cooperate with Semperit in order to make SSC sell 2,000 SUSA's shares, representing 50% of SUSA's total paid-up shares, at the amount of USD 13.00 million (equivalent to approximately Baht 474.50 million). Total shares of SUSA to be disposed to Semperit (or other person determined by Semperit) equal to 3,000 shares (representing 75.0% of SUSA's total issued and paid-up shares). Semperit agrees to purchase SUSA's shares from SSC. Such transaction is considered as the Company's indirect asset disposition through SSC. Thus, after this transaction, SSC shall no longer hold shares in SUSA.

Transaction No. 5: Disposition of ordinary shares of SESI

Under the Umbrella Agreement and other relevant agreements, the Company agrees to dispose 4,000,000 shares of SESI (representing 50.00% of total SESI's issued and paid-up shares) to Semperit (or other person determined by Semperit) and Semperit agrees to purchase such shares of SESI from the Company for the amount of USD 1.00 million (equivalent to approximately Baht 36.50 million).

Upon the completion of this transaction, the Company will no longer hold any shares in SESI, as well as Formtech Engineering (M) Sdn. Bhd. ("FTE") and Sempermed Brazil Comercio Exterior Ltd. ("SBC"), in which SESI hold the shares.

Key information concerning the purchase and sale of shares and investment in Transaction No. 2 – 6 in the Umbrella Agreement and other relevant agreements can be summarized as follows:

Key information concerning the purchase and sale of shares in Transaction No. 2 – 6	
1.	Both parties agree to set the date of purchase and sale of shares and investments specified in Transaction No. 2 – 6 to be the same as the "Completion Date". However, the disposal of investment in SRP, SSF, and SSH may be completed at a later date than April 12, 2017 due to restriction on time period in accordance with laws and regulations of the People's Republic of China. The transaction shall be completed no later than December 31, 2017.
2.	The purchase and disposal of shares in Transaction No. 2 – 6 shall be completed only when all condition precedents specified in relevant agreements are fulfilled.
3.	Both parties agree to terminate shareholders' agreements concerning SSH, SRP, SUSA, and SESI between themselves, as well as other commitments that become effective after the termination of shareholders' agreements, and other agreements between SSH, SRP, SUSA, or SESI (including subsidiaries of SESI) and Semperit or the Company or any company under the Company's group and SSC (such as Technical Assistance Agreement, Product Distribution Agreement, and Trademark and Name Licensing Agreement, etc.).

Transaction No. 6: Disposition of ordinary shares of SSF by SSC

Under the Umbrella Agreement and other relevant agreements, the Company agrees to cooperate with Semperit in order to make SSC sell 100% of SSF's shares at the amount of USD 3.20 million (equivalent to approximately Baht 116.80 million). Such transaction is considered as the Company's indirect asset disposition through SSC. Thus, after this transaction, SSC shall no longer hold shares in SSF.

Transaction No. 7: Disposition of ordinary shares of SAC in accordance with the Call Option Agreement

Under the Umbrella Agreement and other relevant agreements, the Company and Rubberland agree to grant Semperit (or other person nominated by Semperit) a Call Option to purchase 1,615,000 shares of SAC currently held by the Company and Rubberland (representing 42.50% of total SAC's issued and paid-up shares) for the amount of USD 51.00 million (equivalent to approximately Baht 1,861.50 million) during the period between June 30, 2019 and June 30, 2021 ("Option Period"). If Semperit exercises the Call Option, the Company will no longer holds any shares in SAC.

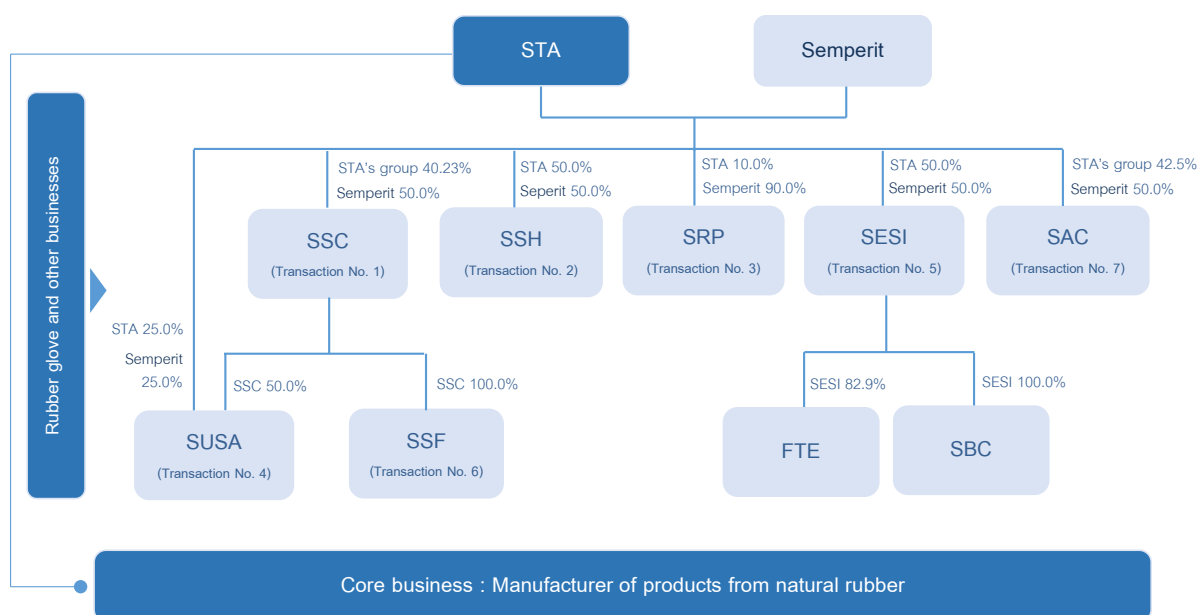
Key information concerning the purchase and sale of SAC's shares between the Company, Rubberland, and Semperit as specified in the Call Option Agreement and the Umbrella Agreement can be summarized as follows:

Key information concerning the purchase and sale of SAC's shares	
1.	Both parties agree to have SAC pay USD 30 million dividend (equivalent to approximately Baht 1,095.00 million) to its shareholders (including both parties of the agreement) on the "Completion Date". The Company and Rubberland together hold 1,615,000 shares of SAC (representing 42.50% of total SAC's issued and paid-up shares), and are entitled to receive USD 12.75 million in dividend (equivalent to approximately Baht 465.375 million). Semperit is entitled to receive USD 15.00 million in dividend (equivalent to approximately Baht 547.50 million).
2.	During the Option Period, the Company and Rubberland (including other shareholders of SAC, except Semperit) agree not to sell, transfer, or create any commitment on SAC's shares.
3.	According to the Call Option Agreement, the purchase and sale of SAC's shares is under some condition precedents, such as the approval of relevant authority (if any).

The Call Option Agreement is the agreement between the Company, Rubberland, and other shareholders of SAC excluding Semperit, collectively holding 50.00% of total SAC's issued and paid-up shares, and Semperit. The agreement grant a Call Option to Semperit (or other person nominated by Semperit) to purchase all 1,900,000 shares of SAC currently held by the Company and Rubberland (as well as other shareholders in SAC, excluding Semperit), representing 50% of total SAC's issued and paid-up shares, during the period between June 30, 2019 and June 30, 2021 ("Option Period") for the amount of USD 60 million (equivalent to approximately Baht 2,190.00 million).

Shareholding structures of the Company in companies relating to this transaction to acquire and dispose assets, before and after the transaction, are as follows:

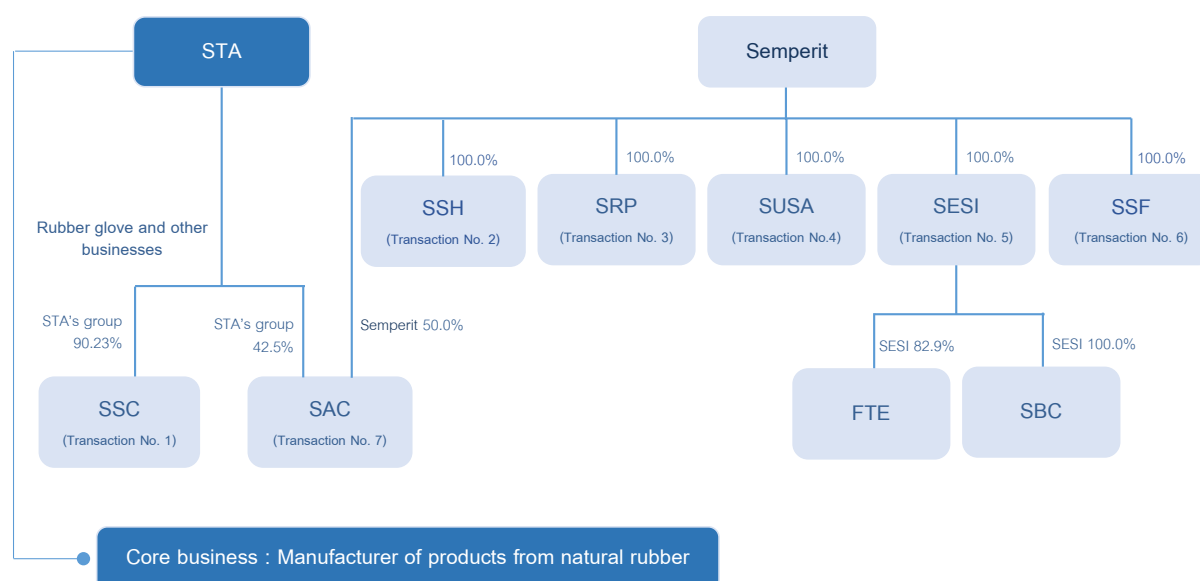
a) Shareholding structure of the Company before the transaction.



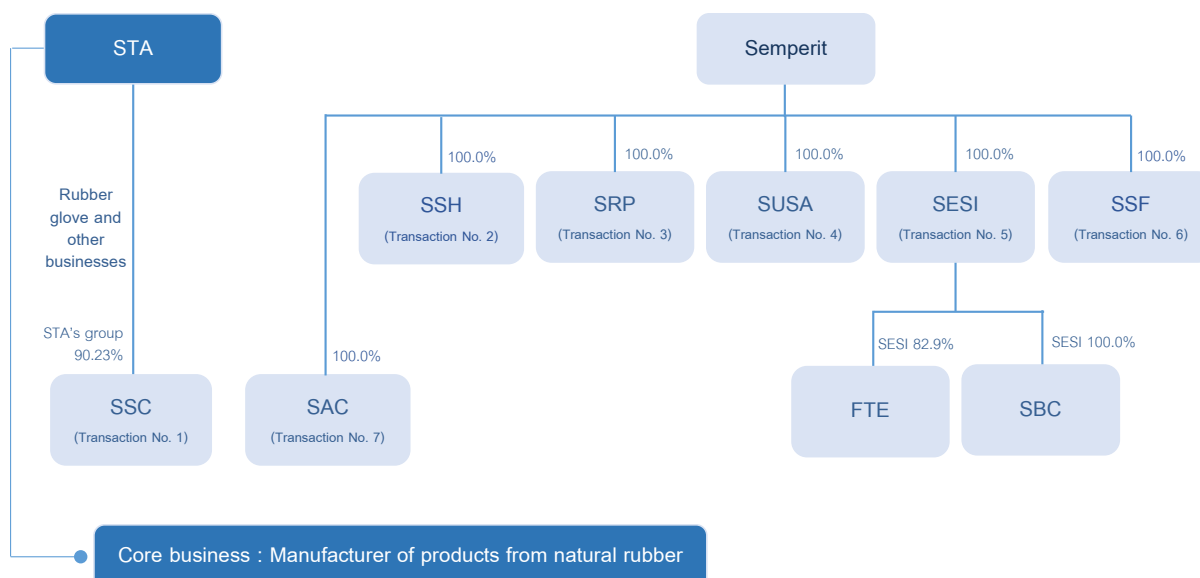
Remark:

- Other shareholders of SSC are Sri Trang Holdings Co., Ltd. (1,200 shares or 6.00%), Ms. Poonsuk Cherdkiatkamchai (746 shares or 3.73%), Mr. Somwang Sincharoenkul (2 shares or 0.01%), Mr. Viyavood Sincharoenkul (2 shares or 0.01%), Mr. Kitichai Sincharoenkul (2 shares or 0.01%), and Mr. Veerasith Sincharoenkul (2 shares or 0.01%).
- Other shareholders of SAC are Sri Trang Holdings Co., Ltd. (190,000 shares or 5.00%), Paktai Rubber Industries Limited Partnership (94,986 shares or 2.50%), Mr. Chaiyos Sincharoenkul (2 shares or 0.00005%), Mrs. Promsuk Sincharoenkul (2 shares or 0.00005%), Mr. Somwang Sincharoenkul (2 shares or 0.00005%), Mr. Viyavood Sincharoenkul (2 shares or 0.00005%), Ms. Poonsuk Cherdkiatkamchai (2 shares or 0.00005%), Mr. Anan Prueksanusak (2 shares or 0.00005%), and Mr. Prasit Panichkul (2 shares or 0.00005%).
- Other shareholders of FTE are Mr. Dietmar Trumm (800,000 shares or 11.43%) and Mr. Valluvan A. Peramuthu (400,000 shares or 5.71%).

b) Shareholding structure of the Company after the transaction, but before the exercise of Call Option by Semperit.



c) Shareholding structure of the Company after the transaction and the exercise of Call Option by Semperit.



1.5 Type and size of the transaction

1.5.1 Asset acquisition transaction

The acquisition of 10,000 shares of SSC, or 50.00% of total SSC's issued and paid-up shares, from Semperit for the amount of USD 180.10 million, equivalent to approximately Baht 6,573.65 million, is classified as Acquisition of Asset, according to the Notification on Acquisition or Disposition of Assets. The highest size of the transaction is equal to 69.15%, according to net profit criteria calculated based on reviewed consolidated financial statements as of September 30, 2016 and the management accounts of SSC ended September 30, 2016. The Board of Directors of the Company is of the view that the management accounts of SSC for the period ended September 30, 2016 has been prepared in accordance with the international accounting standards, is trustworthy, and reflects the book value of SSC. This transaction is classified as Class 1 transaction in accordance with the Notification on Acquisition or Disposition of Assets, with the transaction size equal to or higher than 50% but lower than 100%.

Criteria	Calculation	Transaction size
1. Net tangible assets (NTA) criteria	$[8,053.66 / 20,445.98 \text{ (Baht million)}]^{1/2} \times 50\%$	19.69%
2. Net profit criteria	$[663.58 / 479.80 \text{ (Baht million)}]^{2/3} \times 50\%$	69.15%
3. Value of consideration criteria	$7,121.15 / 46,522.15^{3/4} \text{ (Baht million)}$	15.31%
4. Value of securities issued criteria	Not applicable as the Company does not issue any securities for the payment of SSC's shares.	

Remark:

- 1/ (Value of net tangible assets of SSC as of September 30, 2016) / (Value of net tangible assets of the Company as of September 30, 2016).
- 2/ The Company's and SSC's net profit of 4 consecutive quarters, starting from the fourth quarter of 2015 to the third quarter of 2016.
- 3/ (Value of consideration + USD 15 million compensation that SSC shall pay to Semperit for dispute settlement) / (Total assets of the Company according to consolidated financial statements as of September 30, 2016) = (6,573.65 + 547.50) / Baht 46,522.15 million. The Company used foreign exchange rate of USD/Baht 36.50 for the calculation of the value of consideration which is the exchange rate that the Company and Semperit used in calculation of relevant taxes according to the Umbrella Agreement.

The Company, therefore, is required to disclose information concerning the transactions to the SET, as well as arranges a shareholders' meeting to obtain the approval to enter into the transactions to acquire the asset with no less than 3/4 of voting rights of shareholders attending the meeting and are eligible to vote, excluding shareholders with conflict of interests. The Company must distribute notice of shareholders' meeting, together with the opinion of the independent financial advisor, to the shareholders at least 14 days before the meeting date. The meeting of the Company's Board of Directors passed the resolution to hold the Extraordinary General Meeting of Shareholders No. 1/2017 on March 14, 2017, to consider such transactions.

1.5.2 Asset disposition transactions

The disposal of shares and investments in associated companies, as well as shares of SAC in accordance with the Call Option Agreement, according to Transaction No. 2 – 7 are considered as the disposal of assets in accordance with the Notification on Acquisition or Disposition of Assets, with the combined transaction size of 46.46% according to net profit criteria calculated based on the Company's reviewed consolidated financial statements for period ended September 30, 2016 and the management accounts of SSH, SRP, SUSA, SESI, and SAC for the period ended September 30, 2016. The Board of Directors of the Company is of the opinion that the management accounts has been prepared in accordance with the international accounting standards, is trustworthy, and reflects the book value of those companies. The transactions are classified as Class 2 transaction, where the total transaction size is equal to or higher than 15% but lower than 50%. Details of transaction size calculation are as follows:

Criteria	Calculation	Transaction size
Transaction No. 2: SSH		
Highest transaction size is equal to 3.78%, based on net profit criteria.		
1. Net tangible assets (NTA) criteria	$[582.90 / 20,445.98 \text{ million Baht}]^{1/2} \times 50\%$	1.43%
2. Net profit criteria	$[36.30 / 479.80 \text{ million Baht}]^{2/3} \times 50\%$	3.78%
3. Value of consideration criteria	USD 8.0 million (equivalent to approximately Baht 292.00 million ^{3/}) / Baht 46,522.15 million	0.63%
4. Value of securities issued criteria	Not applicable as the Company issued no new securities.	
Transaction No. 3: SRP		
Highest transaction size is equal to 3.41%, based on net profit criteria.		
1. Net tangible assets (NTA) criteria	$[899.54 / 20,445.98 \text{ million Baht}]^{1/2} \times 10\%$	0.44%
2. Net profit criteria	$[163.50 / 479.80 \text{ million Baht}]^{2/3} \times 10\%$	3.41%
3. Value of consideration criteria	USD 4.0 million (equivalent to approximately Baht 146.00 million ^{3/}) / Baht 46,522.15 million	0.31%
4. Value of securities issued criteria	Not applicable as the Company issued no new securities.	
Transaction No. 4.1: The Company Sells SUSA's Shares		
Highest transaction size is equal to 3.90%, based on net profit criteria.		
1. Net tangible assets (NTA) criteria	$[765.56 / 20,445.98 \text{ million Baht}]^{1/3} \times 25\%$	0.94%
2. Net profit criteria	$[74.80 / 479.80 \text{ million Baht}]^{3/4} \times 25\%$	3.90%
3. Value of consideration criteria	USD 6.5 million (equivalent to approximately Baht 237.25 million ^{3/}) / Baht 46,522.15 million	0.51%
4. Value of securities issued criteria	Not applicable as the Company issued no new securities.	
Transaction No. 4.2: SSC Sells SUSA's Shares		
Highest transaction size is equal to 3.14%, based on net profit criteria.		
1. Net tangible assets (NTA) criteria	$[765.56 / 20,445.98 \text{ million Baht}]^{1/3} \times 40.23\%^{4/} \times 50\%$	0.75%
2. Net profit criteria	$[74.80 / 479.80 \text{ million Baht}]^{3/4} \times 40.23\%^{4/} \times 50\%$	3.14%
3. Value of consideration criteria	USD 13 million (equivalent to approximately Baht 474.50 million ^{3/}) x 40.23% ^{4/} / Baht 46,522.15 million	0.41%
4. Value of securities issued criteria	Not applicable as the Company issued no new securities.	
Transaction No. 5: SESI		
Highest transaction size is equal to 0.16%, based on net tangible assets criteria.		
1. Net tangible assets (NTA) criteria	$[63.77 / 20,445.98 \text{ million Baht}]^{1/3} \times 50\%$	0.16%
2. Net profit criteria	Not applicable as SESI generates loss from operation.	
3. Value of consideration criteria	USD 1.0 million (equivalent to approximately Baht 36.50 million ^{3/}) / Baht 46,522.15 million	0.08%
4. Value of securities issued criteria	Not applicable as the Company issued no new securities.	
Transaction No. 6: SSC Sells SSF's Shares		
Highest transaction size is equal to 0.49%, based on net profit criteria.		

Criteria	Calculation	Transaction size
1. Net tangible assets (NTA) criteria	$[116.91 / 20,445.98 \text{ million Baht}]^{1/2} \times 40.23\%^{4/} \times 100\%$	0.23%
2. Net profit criteria	$[5.82 / 479.80 \text{ million Baht}]^{2/} \times 40.23\%^{4/} \times 100\%$	0.49%
3. Value of consideration criteria	USD 3.20 million (equivalent to approximately Baht 116.80 million ^{3/} / Baht 46,522.15 million	0.10%
4. Value of securities issued criteria	Not applicable as the Company issued no new securities.	
Transaction No. 7: SAC		
Highest transaction size is equal to 31.75%, based on net profit criteria.		
1. Net tangible assets (NTA) criteria	$[1,858.65 / 20,445.98 \text{ million Baht}]^{1/} \times 42.5\%$	3.86%
2. Net profit criteria	$[358.40 / 479.80 \text{ million Baht}] \times 42.5\%$	31.75%
3. Value of consideration criteria	USD 51.0 million (equivalent to approximately Baht 1,861.50 million ^{3/} / Baht 46,522.15 million	4.00%
4. Value of securities issued criteria	Not applicable as the Company issued no new securities.	

Remark:

- 1/ (Value of net tangible assets of SSH, SRP, SUSA, SESI, SAC, and SSF as of September 30, 2016) / (Value of net tangible assets of the Company as of September 30, 2016).
- 2/ The Company uses foreign exchange rate of CNY/Baht 5.2181, which is the exchange rate on January 17, 2017, to calculate net tangible assets and net profit of SSH, SRP, and SSF (net profit of 4 consecutive quarters from Q4-2015 to Q3-2016).
- 3/ The Company uses foreign exchange rate of USD/Baht 36.50, which is the exchange rate that the Company and Semperit used in calculation of relevant taxes under the Umbrella Agreement, to calculate the net tangible assets and net profit of SUSA and SESI (net profit of 4 consecutive quarters from Q4-2015 to Q3-2016) and total value of consideration of Transaction No. 2 - 7.
- 4/ Shareholding of the Company and Rubberland in SSC.

Transaction No. 2 – 6 are considered as the disposition of assets with the highest combined transaction size of 46.46% based on net profit criteria, and classified as Class 2 transaction, where the total value of the transaction equal to or higher than 15% but lower than 50%. Consequently, the Company is obliged to prepare a report and disclose the information on the transactions to the SET immediately, at a minimum information according to the schedule (1) attached to the Notification on Acquisition or Disposition of Assets, and send the report to the shareholders within 21 days from the date the information is disclosed to the SET. The transactions are not classified as the Company's Asset Disposition Transaction, which requires shareholders' approval before entering into the transactions. However, in order for shareholders to participate in the decision to enter into the transactions, the Company will propose to the meeting of the shareholders to obtain approvals for these transactions.

The Company, therefore, is required to disclose information concerning the transactions to the SET, and obtain an approval from the shareholders' meeting with no less than 3/4 of voting rights of shareholders (or proxies, if any) attending the meeting and are eligible to vote, excluding shareholders with conflict of interests. The Company is also required to distribute invitations for the shareholders' meeting, together with the opinion of the independent financial advisor, to the shareholders at least 14 days prior to the meeting date. The meeting of the Company's Board of Directors passed a resolution to propose to the Extraordinary General Meeting of Shareholders No. 1/2017, to be held on March 14, 2017, to consider such transactions.

1.6 Details of the acquired and disposed assets

Details of the acquired and disposed assets, such as information on the companies, list of shareholders, list of directors, and financial statements, are shown in Clause 1.4.4 of the Information Memorandum Concerning Asset Acquisition and Disposition (Schedule 2), enclosed with the Notice of the Extraordinary General Meeting of Shareholders (Enclosure 2).

1.7 Summary of key information of the Umbrella Agreement, Share Sale and Purchase Agreements between the Company and Semperit, and other relevant agreements

Details are shown in Clause 9 of the Information Memorandum Concerning Asset Acquisition and Disposition (Schedule 2), enclosed with the Notice of the Extraordinary General Meeting of Shareholders (Enclosure 2). Some key information is shown in Section 1, Clause 1.4 of this report.

1.8 Total value of acquired and disposed assets, payment of consideration, and criteria for determining the value of acquired and disposed assets and the consideration value

1.8.1 Total value of acquired and disposed assets

Total value of acquired asset

Value of acquired asset in Transaction No. 1, consisting of 10,000 ordinary shares of SSC with a par value of Baht 10,000.00 per share, is equal to USD 180.10 million or equivalent to approximately Baht 6,573.65 million (or USD 18,010.00 per share, equivalent to approximately Baht 657,365.00 per share). Shareholders' equity of SSC is equal to Baht 8,106.27 million, or book value of Baht 405,313.53 per share, based on management accounts of SSC for the period ended September

30, 2016. The Company will pay for the ordinary shares of SSC with cash, after netting with cash received from the disposition of assets in Transaction No. 2 – 6.

Total value of disposed assets

Values of disposed assets in 6 transactions are shown in the table below.

Disposed assets	Selling price		Book Value (Baht million) ^{1/2/}
	(USD million)	(Baht million)	
Transaction No. 2: Disposition of investment in SSH, 50% of SSH's share capital	8.00	292.00	291.45
Transaction No. 3: Disposition of investment in SRP, 10% of SRP's share capital	4.00	146.00	90.82
Transaction No. 4.1: Disposition of ordinary shares of SUSA, 25% of SUSA's share capital	6.50	237.25	204.38
Transaction No. 4.2: Disposition of ordinary shares of SUSA, 50% of SUSA's share capital ^{3/}	5.23	190.89	164.44
Transaction No. 5: Disposition of ordinary shares of SESI, 50% of SESI's share capital	1.00	36.50	31.88
Transaction No.6: Disposition of investment in SSF, 100% of SSF's share capital ^{3/}	1.29	46.99	47.03
Total Transaction No. 2 – 6	26.02	949.63	830.00
Transaction No. 7: Disposition of ordinary shares of SAC (Call Option Agreement) 42.50% of SAC's share capital, comprising	51.00	1,861.50	789.93
- Disposition of ordinary shares of SAC, currently held by the Company	45.00	1,642.50	697.00
- Disposition of ordinary shares of SAC, currently held by Rubberland	6.00	219.00	92.93
Total transaction 2 – 7	77.02	2,811.13	1,619.93

Remark:

1/ Book value of disposed assets, as a proportion to investment or shareholding, based on Management Accounts for each company for the period ended September 30, 2016.

2/ Reference from the exchange rate of USD/Baht 36.50 and CNY/Baht 5.2181.

3/ According to shareholding of the Company in SSC which equal to 40.23%.

1.8.2 Payment of consideration

The Company will make the payments to Semperit as follows:

Item	Cash paid by the Company to Semperit		Cash paid by the Company to SSC on behalf of Semperit ^{1/}		Cash outflows from the Company	
	(USD million)	(Baht million)	(USD million)	(Baht million)	(USD million)	(Baht million)
1. The Company pays for ordinary shares of SSC (Transaction No. 1, 4.2, and 6) at the amount of USD 180.10 million	172.00 ^{2/}	6,278.00	8.10 ^{2/}	295.65	180.10	6,573.65
2. The Company receives payment for the disposition of shares and investments (Transaction No. 2 – 5)	- 19.50	- 711.75	-	-	- 19.50	- 711.75
Net cash to be settled	152.50	5,566.25	8.10	295.65	160.60	5,861.90
3. The Company makes Claim Withdrawals Payment	15.00	547.50	-	-	15.00	547.50
Total payment - net	167.50	6,113.75	8.10	295.65	175.60	6,409.40
- The Company and Rubberland receive dividends from SSC					- 47.55	- 1,735.64
- The Company and Rubberland received dividends from SAC					- 12.75	- 465.38
Total cash payment - net					115.30	4,208.38

Remark: In addition, in case Semperit agrees to exercise the Call Option to purchase ordinary shares of SAC (Transaction No. 7) at the amount of USD 51.00 million (equivalent to approximately Baht 1,861.50 million) during the Option Period (from June 30, 2019 to June 30, 2021), Semperit will pay cash to the Company and Rubberland. The Company will disclose such transaction via the SET system in due time.

1/ Semperit is obliged to compensate SSC for SUSA and SSF at the amount of USD 16.20 million (equivalent to approximately Baht 591.30 million), part of which shall be paid to SSC by Semperit at the amount of USD 8.10 million (equivalent to approximately Baht 295.65 million) from the dividends received from SSC. Semperit shall pay the remaining balance of USD 8.10 million (equivalent to approximately Baht 295.65 million) to SSC.

2/ The Company agrees to purchase 50% of SSC's ordinary shares from Semperit at the amount of USD 180.10 million. However, instead of transferring USD 180.10 million payment to Semperit abroad and Semperit transfers USD 8.10 million back to SSC (according to Remark 1/ under the above table), the Company and Semperit agree that the Company shall transfer only USD 172.00 million to Semperit abroad and pay to SSC on behalf of Semperit at the amount of USD 8.10 million which is domestic money transfer.

1.8.3 Criteria for determining the value of acquired and disposed assets

The determination of value of each transaction depends on the negotiation between seller and buyer, and will be considered together with other factors including value of share or investment recommended by the Company's financial advisor and book value of each company.

1.9 Sources of funds for asset acquisition transaction

The Company will pay for ordinary shares of SSC with cash from the following sources:

- (1) Borrowing from a financial institution, approximately Baht 4,500 million credit facilities. At present, the Company received a Term Sheet from and is in a negotiation with a financial institution.
- (2) Dividends received from SSC and SAC, on the date the transaction to purchase and sell shares of SSC is completed.
- (3) Cash received from the disposition of the Company's assets in Transaction No. 2 – 5, totaling USD 19.50 million (equivalent to approximately Baht 711.75 million).
- (4) Cash flow from operations. As of September 30, 2016, cash on hand and cash equivalent on the Company's separate financial statement was equal to Baht 318.78 million.

Sources of funds to acquire shares of SSC	(USD million) ^{1/}	(Baht million) ^{1/}
Borrowing from a financial institution ^{2/}	115.30	4,208.38
Dividends received from SSC ^{3/}	47.55	1,735.64
Dividends received from SAC	12.75	465.38
Cash received from the disposition of the Company's assets	19.50	711.75
Total	195.10	7,121.15

Remark:

1/ Pre-tax amount.

2/ The Company plans to borrow short-term loan from financial institution to support this transaction. After the completion of transaction, the Company shall have control in SSC, thus, it shall have SSC borrow long-term loan from financial institution and pay dividend to the Company. The Company shall then use such amount of dividend received to repay short-term loan to financial institution. Then, the Company (on the Company only financial statement) shall no longer have any borrowing from this transaction, and SSC shall have long-term loan in which it shall repay by its future cash flows from operations.

At present, the Company has been offered Baht 4,500 million credit facility from a financial institution to acquire ordinary shares of SSC from Semperit. The facility can be drawn down only once within a specified period and the Company has to repay such facility within December 29, 2017. The facility has a condition that the Company use no less than Baht 3,400 million of dividends received from SSC (not the same amount as shown in the table above) to repay the facility. Baht 4,500 million credit facility is considered a Bridging Loan to pay for SSC's shares to Semperit. The Company expects to drawdown more than Baht 4,208.38 million as specified in the table above because it needs to pay relevant taxes and fees for advisors.

In addition, SSC has currently been offered Baht 4,410 million credit facility from the same financial institution to do a Debt Push-down through dividend payment to its shareholders (including the Company). Repayment for the loan is no later than June 2023.

3/ SSC will make a USD 118.20 million (equivalent to approximately Baht 4,314.30 million) dividend payment to its shareholders on the Completion Date. Based on the financial report as of September 30, 2016, SSC's cash and deposits at financial institutions amounted to Baht 3,793.06 million. SSC expects to have adequate cash to make such dividend payment as it will generate additional cash from the operations during October 1, 2016 – March 15, 2017 (Completion Date).

1.10 Use of proceeds from the disposition of assets

The disposition of the Company's assets, according to Transaction No. 2 – 6, generates proceeds of USD 19.50 million (equivalent to approximately Baht 711.75 million) (excluding proceeds from the sale of SAC's shares as Semperit has not exercised the Call Option to purchase SAC's shares), of which the Company can use to pay to Semperit for the acquisition of SSC's shares.

1.11 Conditions precedent

The transaction to acquire ordinary shares of SSC according to Transaction No. 1 and the transactions to dispose assets according to Transaction No. 2 – 7 will be completed only when all the following conditions are fulfilled.

(1) Semperit obtains an approval from its Supervisory Board to sell all shares of SSC that Semperit currently owns to the Company, and to acquire shares and investments specified in Transaction No. 2 – 7 (in Semperit's case), and

(2) The Company obtains an approval from its shareholders to acquire all SSC's shares currently held by Semperit and to sell shares and investment as specified in Transaction No. 2 – 7 to Semperit (in the Company's case).

The Company will propose to the Extraordinary General Meeting of Shareholders No. 1/2017, to be held on March 14, 2017, to approve the entry into Transaction No. 1 – 7. Moreover, the Board of Directors' Meeting No. 1/2017 of the Company, held on January 18, 2017, approved the signing of the Umbrella Agreement, Share Sale and Purchase Agreements, and the Call Option Agreement between the Company and Semperit, as well as other relevant agreements. The Company and Semperit already signed such agreements on January 18, 2017.

In the event that as of March 15, 2017, the Company and Semperit are able to fulfill (1) and (2) of aforementioned conditions precedent:

- (a) The Company and Semperit agree to set the tentative sale and purchase date of SSC's shares according to Transaction No. 1 and investments and ordinary shares of affiliates and joint ventures according to Transaction No. 4.1 and 4.2 (SUSA) and Transaction No. 5 (SESI) to be on March 15, 2017 but no later than April 12, 2017 ("Completion Date")

- (b) The sale and purchase of investments according to Transaction No. 2 (SSH), Transaction No. 3 (SRP), and Transaction No. 6 (SSF) may complete later than April 12, 2017 (Longstop Date) due to limitation regarding rules and regulations of the People's Republic of China ("China"). However, such transactions must be completed no later than December 31, 2017.

The Company shall pay to or receive payment from Semperit for each transaction when the transfer of shares and/or investment in each transaction is completed.

In the event that as of March 15, 2017, the Company and/or Semperit are unable to fulfill (1) and/or (2) of aforementioned conditions precedent but the Company and Semperit are able to fulfill (1) and (2) of aforementioned conditions precedent within April 12, 2017 (Longstop Date), the Company and Semperit shall sell and purchase shares and investments according to (a) and (b). Neither the Company nor Semperit is obliged to pay USD 15.00 Break Fee to the other party.

In the event that Semperit is unable to fulfill (1) of conditions precedent or the Company is unable to fulfill (2) of conditions precedent within April 12, 2017 (Longstop Date), the party who fail to comply with such conditions precedent shall USD 15.00 million (equivalent to approximately Baht 547.5 million) Break Fee to the other party. The Umbrella Agreement, Share Sale and Purchase Agreements, Call Option Agreement between the Company and Semperit and other relevant agreements shall be terminated.

2. Information on Sri Trang Agro-Industry Public Company Limited

Details are shown in Clause 5 of the Information Memorandum Concerning Asset Acquisition and Disposition (Schedule 2), enclosed with the Notice of the Extraordinary General Meeting of Shareholders (Enclosure 2).

3. Information on Siam Sempermed Corporation Limited ("SSC"), which is the acquired asset

Details of acquired and disposed assets, such as company information, list of shareholders, list of directors, and financial statements, are shown in Clause 1.4.4 of the Information Memorandum Concerning Asset Acquisition and Disposition (Schedule 2), enclosed with the Notice of the Extraordinary General Meeting of Shareholders (Enclosure 2).

3.1 Main assets of SSC

Main assets of SSC, as presented in the financial statements, consist of land, buildings, and equipment for rubber glove production business, including 2 rubber glove production plants with 98 production lines located in Hat Yai District, Songkhla Province, and Muang District, Surat Thani Province. Book value of the assets, based on the audited financial statements for the year ended December 31, 2015, amounted to Baht 2,841.61 million. Details of each plant are as follows:

- Rubber glove production plant No. 1 comprises of 3 factory buildings with 84 production lines and an office building located at 110 Moo 8, Kanchanawanit Road (km 1274), Phatong Sub District, Hat Yai District, Songkhla Province.
- Rubber glove production plant No. 2 comprises of a factory building with 14 production lines and an office building located at 2/2 Soi Krungthep Kreetha 8 Yaek 5, Krungthep Kreetha Road, and 189 Moo 7 Surat Thani – Nakhon Si Thammarat Road, Phaiwat Sub District, Kanchanadit District, Surat Thani Province.

3.2 Nature of business and product

SSC produces high quality powdered and powder free rubber gloves for medical use and other industrial sectors.

3.3 Marketing plan

Marketing activities will be carried out by the Company's marketing teams, who cover European countries and the USA. Teams have been established since 2014 and 2012, respectively. Overview of previous activities are as follows:

- Attend Trade Shows and customer visits globally, as well as launch promotional campaign in each target market.
- Build a database for targeting potential customers and future business development.
- Expand market share by setting up additional units, led by experienced staff.
- Clearly separate each working team into team responsible for export markets with sale quantity targets and team responsible for product distribution in each country.

The Company has prepared a marketing plan to replace Semperit and SUSA. Quantity of sale may be lower right after the completion of the transaction.

However, the Company is confident that, with high quality raw material and efficient production process, SSC can maintain long-term market share of medical rubber gloves and generate good returns for the Company as always.

Since 2014, the Company is a large distributor of SSC's products, with 47% and 51% of SSC's total sales in 2015 and 2016, respectively, while Semperit and SUSA contributed 35% and 18% of SSC's total sales in 2015, and 32% and 18% of SSC's total sales in 2016, respectively.

4. Information on Semperflex Shanghai Ltd., Shanghai Semperit Rubber & Plastic Products Co., Ltd., Sempermed USA, Inc., Sempermed Singapore Pte. Ltd., and Semperflex Asia Corporation Ltd., which are disposed assets

Details are shown in Clause 1.4.4 of the Information Memorandum Concerning Asset Acquisition and Disposition (Schedule 2), enclosed with the Notice of the Extraordinary General Meeting of Shareholders (Enclosure 2).

5. Impacts that may arise from the transactions

5.1 Impact from conditions in the Umbrella Agreement and the Share Sale and Purchase Agreements between the Company and Semperit

The Board of Directors' Meeting No. 1/2017 of the Company, held on January 18, 2017, approved the Company to sign the Umbrella Agreement, the Share Sale and Purchase Agreements, and the Call Option Agreement between the Company and Semperit, as well as other relevant agreements. The Company and Semperit have already signed such agreements, in which key matters are the entry into transaction to acquire and dispose assets and the settlement of all disputes. Condition precedents of the transaction are (1) Semperit obtains an approval from its Supervisory Board to enter into this transaction, and (2) the Company obtains an approval from its shareholders' meeting to enter into this transaction. If the transaction to purchase and sell shares in this Asset Acquisition and Disposition transaction does not happen within the "Completion Date" (which, according to the agreement, is March 15, 2017), the party that fail to comply with the agreement has a duty to compensate the other party the USD 15 million (equivalent to approximately Baht 547.5 million) Break Fee, without any exception.

Therefore, in the event that the Extraordinary General Meeting of Shareholders of the Company No. 1/2017, to be held on March 14, 2017, **does not approve** the agenda on Asset Acquisition and Disposition and Settlement of Disputes, **the Company must pay a Break Fee at the amount of USD 15 million (equivalent to approximately Baht 547.5 million) to Semperit, as specified in the conditions under the Umbrella Agreement and the Share Sale and Purchase Agreements between the Company and Semperit, which have already been signed.**

In addition, other impacts, in case the Extraordinary General Meeting of Shareholders does not approve the transactions, are as follows:

- The settlement of all disputes will also end and both parties continue on with the legal processes, unless the Company and Semperit renegotiate the terms and conditions afterward. Result of the renegotiation is uncertain.
- In the event that the purchase and sale of SSC's shares does not happen within March 15, 2017, regardless of the reason except for the reason that Semperit's Supervisory Board does not approve the transaction, SSC shall make additional dividend payment to its shareholders at the amount of USD 1,000,000 (equivalent to approximately Baht 36.5 million) every 7 days after March 15, 2017 but no later than April 12, 2017 (Longstop Date).

5.2 Impact on overall financial statements of the Company

The entry into the transaction to acquire ordinary shares of SSC will turn the Company into major shareholder with control in SSC. Therefore, the Company has a duty to prepare the consolidated financial statements in accordance with the Thai Financial Reporting Standards 10 Re: Consolidated Financial Statements (SSC changes the status from being an associated company to a subsidiary of the Company). For transactions to dispose ordinary shares of or investments in SSH, SRP, SUSA, SESI, SAC, and SSF, the Company or SSC will recognize gain (loss) from the transactions.

In order for the shareholders to see the overview of the financial statements upon the completion of the transactions, the Company has prepared the financial statements (only key items) showing the effect from the transactions, based on the Company's and SSC's audited financial statements of for the year ended December 31, 2015 (latest audited financial statements) and adjusted by relevant items related to this transaction such as additional acquisition of SSC's shares, disposition of investments and ordinary shares of affiliates and joint ventures, borrowing from financial institution, and recognition of SSC's operating performance in consolidated financial statements. Key concepts of the adjustment are as follows:

- (a) Sum similar items of the Company's and SSC's assets, liabilities, shareholders' equity, revenue, expenses, and cash flows.

- (b) Offsetting investment of the Company in SSC and SSC's shareholders interest, leading to goodwill.
- (c) Subtract related transactions between the Company and SSC.
- (d) Adjust investments in affiliates and joint ventures and profit sharing from investment in affiliates and joint ventures.

However, the Company's auditor shall consider the appropriateness and details for accuracy and transparency. Actual figures as of the Completion Date may differ from those used in the preparation of this financial statement.

(Unit: Baht million)

2015 Pro-Forma Consolidated Financial Statement of the Company	Before the Transaction	After the Transaction	Increase (Decrease)	% Change
Current assets	21,530.63	24,768.44 ^{1/}	3,237.81	15%
Non-current assets	22,348.00	27,974.05 ^{2/}	5,626.05	25%
Total assets	43,878.63	52,742.49	8,863.86	20%
Current liabilities	17,835.55	18,685.12 ^{3/}	849.46	5%
Non-current liabilities	4,709.17	10,481.58 ^{4/}	5,772.42	123%
Total liabilities	22,544.72	29,166.60	6,621.88	29%
Shareholders' equity	21,333.91	23,575.89	2,241.98	11%
Book value per share	16.67	18.42	1.75	11%
Revenue	61,291.78	65,319.83 ^{5/}	4,028.05	7%
Gross profit	3,521.19	5,085.64 ^{5/}	1,564.45	44%
Profit sharing	648.82	111.59 ^{6/}	(537.23)	-83%
Net profit	1,118.03	1,737.92	619.88	55%
Net profit margin	1.8%	2.7%	-	0.8%

Source: Prepared by the Company

Remark:

- 1/ Comprises of (1) sum of cash and cash equivalents, account receivables, inventories, and other current assets of SSC; (2) cash and cash equivalents is the item adjusted by relevant items to this transaction which are the amount paid by the Company as payment for SSC's shares (after the offsetting), borrowing from financial institution, SSC's dividend payment, and sale of SUSA's and SSF's ordinary shares by SSC.
- 2/ Comprises of (1) sum of land, buildings and equipment, net intangible assets, deferred tax asset, and other non-current assets of SSC; (2) adjustment of investment in affiliates and joint ventures and long-term investments. Only investments in affiliates and joint ventures of the Company and its subsidiaries remain including investment in SAC according to the Call Option Agreement; (3) purchase of additional SSC's shares shall create approximately Baht 6,355.57 million of goodwill which derived from the settlement of investment of the Company in SSC and shareholders' equity of SSC. Such amount of goodwill may change depending on actual figures on the Completion Date.
- 3/ Derived from sum of non-current liabilities of SSC which are account payable, deferred tax liabilities, and other non-current liabilities.
- 4/ Comprises of (1) sum of non-current liabilities of SSC including approximately Baht 1,200 million loan from financial institution used in this transaction; (2) approximately Baht 4,500 million loan from financial institution of the Company which will be used in this transaction.
- 5/ Sum of SSC's operating performance.
- 6/ Only profit sharing in affiliates and joint ventures of the Company and its subsidiaries remain including investment in SAC according to the Call Option Agreement.

6. Other key information

6.1 Summary of Joint Venture Agreements between Semperit and the Company

SSC Joint Venture Agreement

(In this transaction, both parties agree to end the shareholders' agreement concerning SSC between themselves, other commitments that become effective after the termination of the shareholders' agreement, as well as agreements among SSC, Semperit, and the Company (such as Technical Assistance Agreement, Product Distribution Agreement, Trademark and Name Licensing Agreement, etc.)).

The SSC Joint Venture Agreement was signed at the inception of the business to produce medical rubber gloves in 1989. Key details of the agreement are as follows:

- Separation of scope of work: The Company is responsible for raw material procurement, marketing activities, and appointment of managing director. Semperit provides technological support and is responsible for marketing activities and appointment of Chairman of the Board of Directors. Furthermore, Semperit is given the exclusive rights to sell products in European countries, including Turkey, Middle-East countries, and South Africa, as well as the right to jointly sell products in other countries.
- Sale of products under "Sempermed" trademark.

In addition, there are certain conditions favorable to Semperit but unfavorable to the growth and expansion of the Company's and SSC's businesses, namely (1) the Company can only produce rubber glove products through SSC, but cannot produce them by itself or through a company or a person within the group, while Semperit has the same restriction only in Thailand, and (2) there is no restriction on Semperit to invest in other rubber glove business (in 2012, Semperit invested in Latexx

Partners Berhad (“Latexx”), who operates the same business as SSC). (Please see additional details in Section 2, Clause 2.1 (8) of this report.)

Remark: Though the Joint Venture Agreement that SSC signed since 1989 specifies that Semperit shall provide technological support to SSC, presently SSC has not relied on technology from Semperit for over 10 years. New technology for rubber production is mostly from machine distributor in Malaysia, center of the world’s rubber production. In addition, Premier System Engineering Co., Ltd. (a subsidiary in which the Company holds total of 99.99% shares directly and indirectly) operates engineering service, design, produce, install, and maintenance machines. Such company has expertise and experience in design, produce, and install machines for rubble production.

Other Joint Venture Agreements

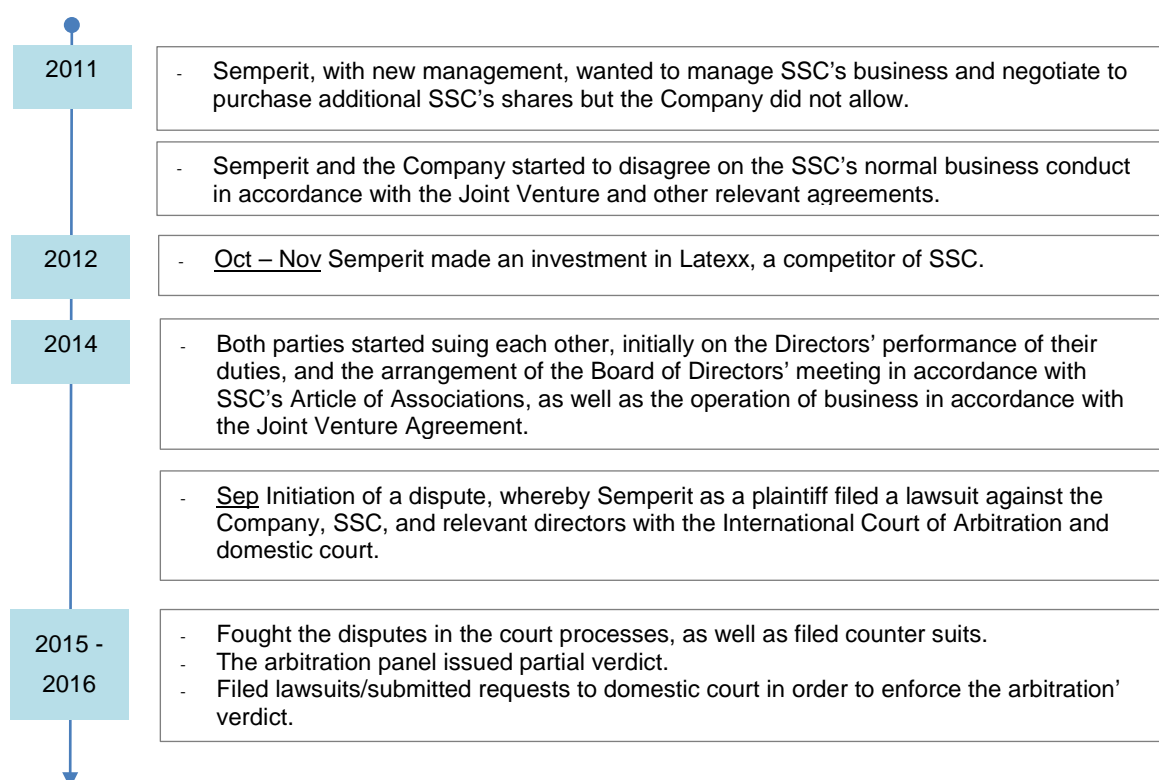
(In this transaction, both parties agree to end the shareholders’ agreement concerning SSH, SRP, SUSA, and SESI between themselves, other commitments that become effective after the termination of the shareholders’ agreement, as well as agreements among SSH, SRP, SUSA, or SESI (including subsidiaries of SESI), Semperit, and the Company (such as Technical Assistance Agreement, Product Distribution Agreement, and Trademark and Name Licensing Agreement, etc.)).

Other joint venture agreements, namely SSH, SRP, SUSA, and SESI (including subsidiaries of SESI) Joint Venture Agreements, comprise of small key agreements, such as Technical Assistance Agreement, Product Distribution Agreement, and Trademark and Name Licensing Agreement. Key details of the agreements are as follows:

- Semperit has the right to appoint the Chairman of the Board of Directors in SUSA and SSH.
- Semperit takes full control in managing SRP, including production, production technology, and marketing.
- For SAC, the Company has the right to appoint managing director, while Semperit provides technological support and has the right to appoint Chairman of the Board of Directors.

6.2 Summary of commercial disputes concerning the Joint Venture Agreement

Summary of background and overview of the disputes



The Company and Semperit agree to settle all disputes on the “Completion Date”, regardless of the legal processes in Thai court, foreign courts, and/or arbitration processes abroad. In addition, SSC agrees to pay USD 15.00 million (equivalent to approximately Baht 547.50 million) Claim Withdrawals Payment to Semperit in order to settle all disputes between the parties. However, the withdrawal of all disputes from processes of the courts and arbitration court must be in accordance with relevant laws. Thus, some of the disputes may end after the “Completion Date”. Both parties

agree to deliver documents relating to the withdrawal and signed power of attorney to the other party on the "Completion Date" for further process after the completion of transactions.

Besides the disputes regarding lawsuits filed by Semperit against the Company, Rubberland, SSC, and the Company's directors in Clause 7 of the Information Memorandum Concerning Asset Acquisition and Disposition (Schedule 2) enclosed with the Notice of the Extraordinary General Meeting of Shareholders (Enclosure 2), there are 10 lawsuits (with no amount claimed) that SSC's directors (Thai) filed against SSC, SSC's directors (Semperit), and Semperit and 2 lawsuits (with no amount claimed) that SSC's directors (Semperit) filed against SSC's director (Thai).

6.3 In the event that Semperit does not exercise the Call Option

In the event that Semperit does not exercise the Call Option during the Option Period, joint venture between the Company's group and Semperit remains the same. However, the Company and Semperit (including other shareholders in SAC) agree to amend some details in the Joint Venture Agreement and SAC's Articles of Association on the Completion Date which shall be before the exercise of the Call Option by Semperit. Purpose of the amendment is to for transparency and reduction of conflict in management and business operation in the future. They also agree to fully pay dividend from SAC's total annual profit (except the shareholders' meeting of SAC resolves otherwise).

The Company and Rubberland expect to receive returns on the investment as usual. The Company maintains the right to appoint managing director and is responsible for day-to-day operation, general administration, current production lines, and financial issues, while Semperit is responsible for technological issues and product development. Therefore, if there is a change in technology or new products are required to meet market demand, Semperit's expertise and support are still necessary. Without cooperation from Semperit, SAC's long-term competitiveness may be affected.

Maintaining the partnership with Semperit in SAC, in which there is no dispute between both parties, may continue to generate good returns on investment. The signing of the Umbrella Agreement may be a signal from Semperit to purchase shares of SAC later. In addition, as SAC shows good operating performance and Semperit is currently not responsible for day-to-day operation, it would take time for Semperit to prepare for running SAC by itself in the future. This is different from other companies, including SSC, where the Company is presently responsible for business management, so the Company is ready to enter into the transactions right away.

Part 2: Opinion of the Independent Financial Advisor Concerning the Reasonableness of the Asset Acquisition and Disposition Transaction**1. Rationale and Necessity of the Transaction**

1.1 To end all disputes that have lasted for more than 5 years and legal cases that have lasted for more than 3 years with Semperit and reduce the expenses related to the legal cases in domestic and foreign courts.

Due to the disputes between the Company, Rubberland, SSC and Semperit, and the disputes between Semperit and SSC, in which Semperit is an investor, as well as other affiliates abroad involved in this transaction, all of which have been initiated since 2014, the Company has negotiated and tried to solve the problems all along but is unsuccessful. Finally, the Company and Semperit agree to settle all the disputes in order for both parties to break up and continue its own business, without any further obligation between each other except for normal business contact. In addition, the Company will dispose shares and investments in various affiliates abroad, in which the Company has no involvement in management.

At the end of 2016, Semperit sued the Company, Rubberland, and SSC, for a combined damage of Baht 4,103 – 4,436 million¹⁰. Currently, the legal cases are still pending in court. However, in some cases, the arbitration court has issued partial verdicts, but the timing and outcome of these cases cannot be identified. Since the initiation of the cases up to the end of 2016, the Company and SSC have spent approximately Baht 389 and 126 million on legal expenses, respectively. The amounts comprise of expenses for legal advisor, experts, document preparation, and management's travel (because the dispute was filed with the arbitration court in Switzerland), etc. Furthermore, this has not taken into account opportunity costs from the Company's management and staff traveling abroad to defend the cases, as well as SSC's opportunity to expand its business due to disagreement between the Company and Semperit. In addition, the joint venture agreement restricts the Company to enter into a business that may compete with Semperit's locally and abroad; therefore, the settlement of all the legal disputes will help the Company focuses on growing its business, as well as remove any risk from the pending legal cases. In the event that the Company, Rubberland, and/or SSC lose the cases and have to responsible for the damages from the lawsuits, the financial performance and position of the Company, Rubberland, and SSC might be impacted.

Therefore, the entry into this Asset Acquisition and Disposition transaction is part of the process to end such disputes. One key condition under the Share Sale and Purchase Agreement between the Company and Semperit states that, upon the completion of the share purchase and sale, both parties agree to withdraw all legal cases and end all disputes (including disputes between SSC, directors of SSC, and both parties), regardless of where the legal cases have been proceeded (under Thai court or arbitration court abroad).

1.2 The Company can focus on operating businesses on which it has expertise in order to generate future growth.

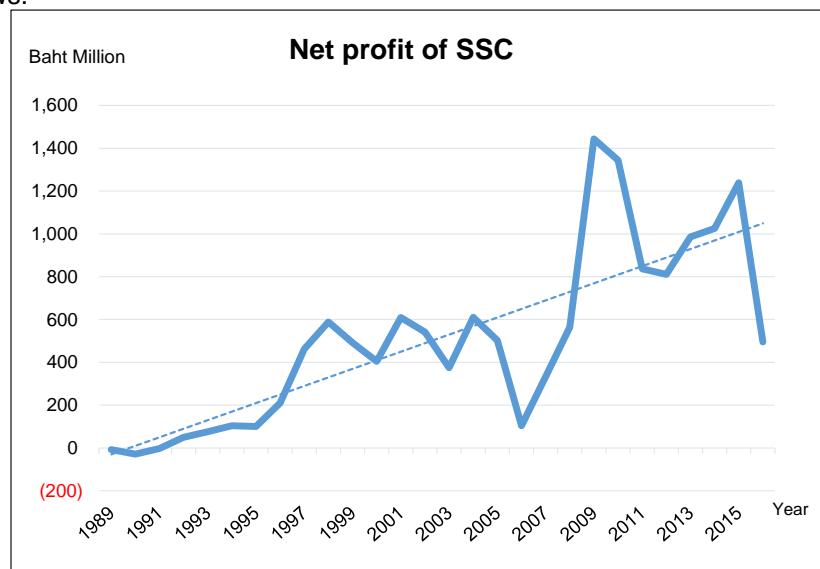
The acquisition of ordinary shares of SSC, which is a company with high revenue generating potential and consistently good performance over the past 28 years since its inception, will allow the Company and Rubberland (a subsidiary of the Company) to increase their combined stake in SSC from 40.23% to 90.23%, and let the Company solely set policies to manage SSC, become more flexible in managing SSC, and help SSC realize its potential to expand rubber glove business in the future, which is in line with the Company's strategy and policies. By becoming the major shareholder in medical rubber glove production and distribution business which is a downstream product using latex concentrate that the Company has been producing as raw material, the Company adds value to its overall businesses, as well as creates synergies among the Company's businesses of producing upstream all the way to downstream products from natural rubber.

The acquisition of ordinary shares of SSC will benefit the Company's business as it makes operating performance more balance through the consolidation of SSC's financial position and performance. Before the acquisition, the Company recognized the investment in SSC by equity method.

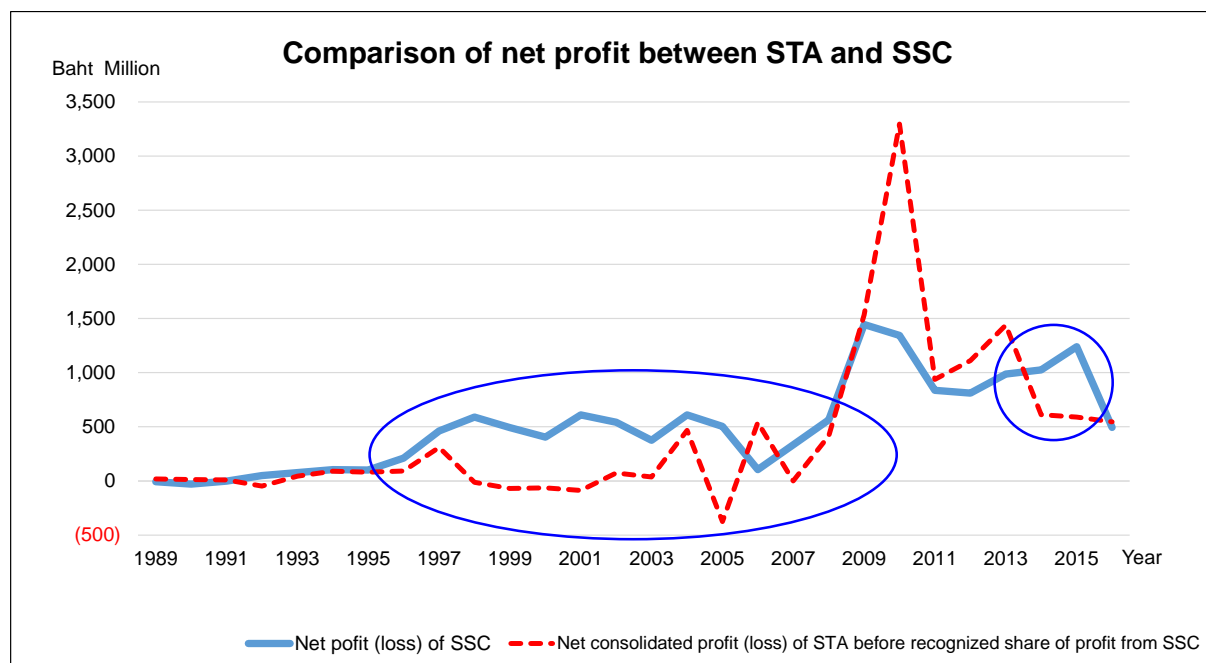
Furthermore, downstream products from natural rubber and distribution of rubber glove are high margin businesses. If the Company's operating performance is volatile, like it has been in the past and will be in the future, SSC's performance will help to balance it out (please see following

¹⁰ As of December 30, 2016, claim for damages from the Company amounted to Baht 3,985 – 4,317 million, and from SSC amounted to Baht 1,674 – 2,339 million. However, total claim is equal to Baht 4,103 – 4,436 million because the Company is not responsible for the full amount of claim on SSC's damage. Please see more detail in Clause 7 of the Information Memorandum Concerning Asset Acquisition and Disposition (Schedule 2), enclosed with the Notice of the Extraordinary General Meeting of Shareholders (Enclosure 2).

diagram). The Company generates more than 90% of its revenue from producing and distributing natural rubber products, with the majority of revenue coming from the sale of block rubber, smoked rubber sheet, and latex concentrate, respectively. The Company started out with the upstream business, growing rubber plants in Thailand. Then it moved further down to middle-stream business, producing and distributing products from natural rubber, whose prices were volatile as they were commodities. The performance of the Company's group was quite volatile and in some years turned into losses as a result of the volatility of rubber prices. During the same period, SSC's business, which is a downstream business, has produced consistent profit from its operation due to the necessity of its products in the healthcare industry, as well as in other industries and households. Since the Company invested in SSC, it has recognized its share of profit from the investment throughout the investing period, as follows.



Remark: Net profit of SSC in 2016 based on net profit of the first 3 quarter of 2016 and annualized to calculate annual profit. Net profit for 2016 decreased dramatically from that of 2015 as a result of conflict in price setting between the Company and Semperit.



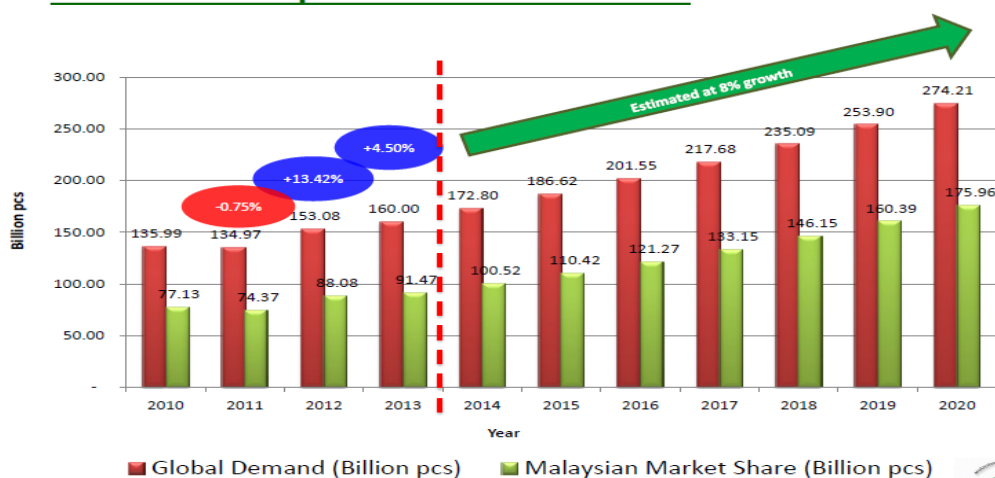
Source: Form 56-1 and the Company

Remark: Net profit of SSC and the Company in 2016 based on net profit of the first 3 quarter of 2016 and annualized to calculate annual profit.

In addition, global demand for rubber glove increased consistently, growing 7% p.a. on average during 2010 – 2014. Forecasted demand for rubber gloves in 2014 was approximately 178.60 billion units and it was expected to grow 8 – 10% p.a. (source: *International Rubber Glove Conference & Exhibition, The State of Glove Affair* by Mr. Lim Kwee Shyan, MARGMA President,

November 3, 2014). Therefore, the investment in SSC provides the Company an opportunity to generate revenue and good returns in the long run.

Forecasted Export Growth vs Actual



Source: International Rubber Glove Conference & Exhibition, The State of Glove Affair by Mr. Lim Kwee Shyan, MARGMA President, November 3, 2014.

1.3 The Company will dispose non-core assets which generate small profit

When considering the 5 items of disposed assets (Transaction No. 2 – 6), they all are joint ventures between the Company and Semperit who manages all affiliates abroad which are SSH, SRP, SUSA, SESI, and SSF. Semperit is responsible for technology, production, marketing, and distribution while the Company has no involvement in managing those affiliates abroad.

- (a) SSH, SUSA, and SSF generate slight profits: SSH produces high-pressured hydraulic hose in China which is not related to core business of the Company and does not use natural rubber as raw material, SUSA produces SSC's rubber gloves in USA, and SSF operates import and export of plastic gloves and rubber gloves in China. Currently, SSF does not operate its core business. It generates small revenue from the provision of rubber gloves inspection service.
- (b) SESI generates loss: SESI invests in FTE which is producer and distributor of ceramic molds for rubber glove production in Malaysia, and SBC who is a distributor of rubber glove in Brazil. Currently, SBC has cease its operation for a period of time
- (c) SRP generates generous profit but the Company holds only 10% of SRP's shares: SRP produces of hand rail for escalator in China which is the business not related to core business of the Company and does not use natural rubber as raw material.

SAC (Transaction No. 7), the producer of high-pressured hydraulic hose in Songkhla Province, generates generous amount of profit and the Company is actively involved in production management. But SAC's business is not related to core business of the Company and does not use natural rubber as raw material. In addition, it still relies on production technology, marketing, and distribution from Semperit.

Therefore, the Company decides to sell all affiliates abroad and SAC in Thailand to Semperit which is in accordance with the Demerger Agreement.

Furthermore, another key condition in the Share Sale and Purchase Agreement, which is a part of the Demerger Agreement, is the termination of the Joint Venture Agreements and any other agreements between both parties. As a result, the Company can operate SSC's business freely as it sees fit, including capacity expansion domestically and internationally, and global market expansion without any restriction from the non-competing condition.

Having considered the reasons to enter into transaction above, if the Company decides not to enter into the transaction, it may lose the opportunity to negotiate the purchase of ordinary shares of SSC from Semperit and end all disputes between both parties, as well as the restructuring of the Company's investments. The Company would like to focus on its core and other related businesses and maintain only businesses that are in accordance with its core business or those that are supportive to improvement of the Company's future potential.

2. Comparison of advantages and disadvantages of the transaction

2.1 Advantages and benefits from the transaction

(1) The transaction leads to an end of all commercial disputes between Semperit and the Company, Rubberland, and SSC.

Please see details in Part 2, Clause 1.1 of this report.

(2) Reduce the risk that may arise from unfavorable final verdict from the courts, ordering the Company, Rubberland, and SSC to compensate Semperit for damages.

Total claim that the Company, Rubberland, and SSC are liable for is approximately Baht 4,103 – 4,436 million (Semperit reserves the right to file for additional claim later). The Company and its legal advisor have always insisted that (1) the Company has no obligation to such claim as the Company and Rubberland have not been in any violation of the Joint Venture Agreements and other agreements concerning Semperit, and (2) the arbitration court's verdict in Switzerland is beyond its jurisdiction¹¹.

However, the Independent Financial Advisor is of the view that the outcome of the arbitration case depends solely on the opinion of the arbitration court, which cannot be assessed. As long as no final verdict has been reached, the Company, Rubberland, and SSC still risk having to pay for such claim of approximately Baht 4,103 – 4,436 million, or approximately 18 – 19% and 9 – 10% of current assets and total assets of the Company, respectively, based on consolidated financial statements for the 9-month period ended September 30, 2016. This would have an effect on liquidity of the Company, Rubberland, and SSC. Nonetheless, this transaction covers the settlement of all legal disputes, for which SSC has to pay USD 15 million (equivalent to Baht 547.50 million).

(3) The Company and SSC no longer have expenses related to the defense of the commercial disputes

During the past 3 – 4 years of defending the commercial disputes with Semperit, the Company and SSC has spent USD 10.65 and 3.46 million (equivalent to approximately Baht 389.00 and 126.24 million), respectively (the number as of the end of 2016), comprising of expenses for legal advisors, experts, document preparation, and travel, etc. More than 98% of the expenses are legal advisor fee. Unless all disputes end, the Company and SSC will continue to pay for such expenses which are expected to be no less than Baht 210 million per year (based on the average amount of the past 2 years). This will lower the Company's and SSC's cash flow and net profit.

(4) Termination of Joint Venture Agreements between Semperit and the Company, including the non-competing restriction, giving SSC the freedom to expand production capacity and market globally.

According to the Joint Venture Agreements signed with Semperit since the inception of SSC in 1989 to operate the business of producing and distributing rubber glove for healthcare industry, there is one key condition barring the Company from competing with Semperit in European and Middle-east countries¹². This condition has been one of the disputes and allows the Company to produce rubber gloves at only 2 plants.

Therefore, upon the completion of this transaction, all Joint Venture Agreements, condition on non-competing business, other commitments that become effective after the shareholders' agreement, as well as all agreements between SSC and/or shareholders of SSC and Semperit will end. That results in the followings.

- The Company and SSC can freely expand their domestic and international production capacity (currently, SSC is almost at its full capacity). The Malaysian Rubber Gloves Manufacturers Association (MARGMA) forecasts demand for rubber gloves to grow at a rate of 6 – 8% p.a., or expected global demand for rubber gloves of 190 billion units in 2016. Therefore, as one of leading producers of rubber glove for healthcare industry, SSC can expand its production capacity and increase its competitiveness from economy of scale.
- The Company and SSC can expand into other types of rubber gloves for healthcare industry, as well as market their products in any country in the world without any restriction.

In addition, Thailand is a country with potential to compete, in comparison to Malaysia who is the market leader, because (1) Thailand produces its own latex concentrate which is raw material in rubber glove production, while Malaysia has to import some of latex concentrate from Thailand (as it mainly produces rubber sheet), (2) there is a labor shortage in Malaysia, and (3) removal of subsidization of power expenses from the Malaysian government, resulting in higher cost of production for Malaysian rubber glove manufacturers.

¹¹ Please see additional details in Clause 7 of the Information Memorandum on Asset Acquisition and Disposition (Schedule 2) enclosed with the Notice of the Extraordinary General Meeting of Shareholders (Enclosure 2).

¹² The areas in which Semperit claims to have exclusive rights to sell rubber gloves produced by SSC.

(5) The Company can freely set policies in managing SSC business.

Please see details in Part 2, Clause 1.2 of this report.

(6) The restructuring of the Company's group helps to streamline its business direction and put all companies under the control of the Company.

According to the Demerger Agreement, the Company will increase its holding in SSC, making it the only major shareholder in SSC. The Company will also sell investments or ordinary shares in SSH, SRP, SUSA, SESI, SSF, and SAC because they are businesses in which the Company has no expertise. Those companies have been under Semperit's management (except SAC) and rely on production technology, marketing, and personnel from Semperit. Therefore, after the transaction, structure of the Company's group shall comprise only of businesses related to the Company's core business, namely Full Supply Chain of product from natural rubber covering upstream business of growing rubber plants in Thailand, mid-stream business of producing and distributing natural rubber products, and downstream business of producing and distributing rubber gloves which are finished products. In addition, all the subsidiaries are controlled by the Company, who can solely set policies and direction of the business, and work in unity for the benefit of the Company's group in the long run.

(7) The Company will recognize financial position and operating performance of SSC in the consolidated financial statements.

Before the transaction, the Company directly holds 31.50% of total SSC's issued and paid-up shares, and indirectly holds 8.73% through Rubberland (a subsidiary of the Company). SSC is considered an affiliate of the Company, which recognizes SSC's operating performance using equity method on the consolidated financial statements. Upon the completion of the transaction to purchase and sell ordinary shares of SSC, the Company and Rubberland (a subsidiary of the Company) will increase the shareholding in SSC by 40.23% to 90.23% of total SSC's issued and paid-up shares. SSC will turn into a subsidiary of the Company and the Company will consolidate SSC's operating performance in its consolidated financial statements. This will result in stronger financial position and better operating performance of the Company's group. During 2013 – 2015 and the first 9 months of 2016, SSC's net profit amounted to Baht 986.09 million, 1,025.58 million, 1,238.66 million, and 371.44 million respectively.

(8) The transaction reduces risk that may arise from Semperit's investment in rubber glove production business in Malaysia (Latexx), virtually competing with SSC.

Semperit started investing in Latexx Partners Berhad ("Latexx") located in Malaysia in November 2012 with an initial investment amount of EUR 121.0 million, or 86% of Latexx's paid-up capital at the end of 2012. Then it increased the shareholding to 98.46% of Latexx's paid-up capital at the end of 2015. Latexx is operating rubber glove production business, same as SSC's, in Malaysia with production capacity of 12,000 million units per year¹³. Such investment in Latexx together with commercial dispute concerning SSC's business are therefore considered as risk in the future if Semperit decides to focus on distributing products or developing markets for Latexx to replace SSC. Therefore, the decision to enter into this transaction will benefit the Company's group and reduce problem that may arise in the future.

Semperit's main revenue (approximately 43% of total revenues in 2015¹⁴) is derived from SSC's and Latexx's businesses (production of rubber gloves for healthcare industry). This is another reason why Semperit has tried its best to support Latexx instead of SSC, in which several commercial disputes are pending.

(9) In the event that the Extraordinary General Meeting of Shareholders approves the Asset Acquisition and Disposition transaction and the settlement of all disputes, the Company will not have to pay the Break Fee of USD 15 million (equivalent to approximately Baht 547.5 million) to Semperit.

Please see details in Part 1, Clause 5.1 of this report.

2.2 Disadvantages and risks from the transaction

(1) Without Semperit as a partner, SSC may be at risk in marketing and needs to find new markets to compensate for lower sale from the termination of the joint venture agreements.

Under the Joint Venture Agreements signed in 1989, Semperit is the sole distributor of SSC's products in European countries, Turkey, Middle-east countries, and South Africa. It later distributes products through SUSA in the USA and through SBC in Brazil¹⁵. In addition, it has the rights to co-distribute SSC's products in other countries in addition to the countries above under "Sempermed"

¹³ Please see additional information on Latexx on http://www.semperitgroup.com/index.php?eID=tx_nawsecuredl&u=0&file=fileadmin/img/holding/SECURE_DOWNLOADS/Geschaeftsberichte/Geschaeftsbericht_2012_EN.pdf&t=1485953283&hash=6106174584ab1a1847e49721911fd3f0025fb18d.

¹⁴ Source: www.semperitgroup.com/fileadmin/img/holding/pdf_dateien/Geschaeftsberichte/2015-GB_Semperit_EN.pdf.

¹⁵ It currently does not operate any business.

trademark. Proportion of sale in European countries and the USA is 35% and 18% of total sale in 2015, respectively.

SSC's sale quantity by geography during the past 3 years is as follows:

SSC's sale contribution (%)	2013	2014	2015	2016 ^{1/}
Europe and USA ^{2/}	72%	58%	53%	49%
Other countries ^{3/}	28%	42%	47%	51%
Total sale quantity	100%	100%	100%	100%

Source: SSC

Remark: 1/ Preliminary calculation. Sale contribution in 2016 may be slightly adjusted.

2/ Through Semperit and SUSA.

3/ Through Sri Trang Argo-Industry Public Company Limited.

Upon the completion of the transaction, the Company will be the only major shareholder of SSC and will operate SSC's business without Semperit as a partner. The Company will no longer be able to use "Sempermed" trademark. Right after the completion of the transaction, the Company's group may be affected from the loss of Semperit's sale orders (Sales order from Semperit and SUSA shall not dramatically drop as they still rely on SSC's supply during the first 3 years). It may incur risk of continuation of marketing activities in international markets as Semperit has been responsible for marketing in European and the USA markets. The Company's existing staffs will be responsible for other operation such as procurement of raw material, production technology, financial and other administrative functions. Furthermore, SSC will change its name and market its products under the new company name and brand to create acceptance in the market of rubber glove for healthcare industry.

The Company has studied and conducted marketing activities in foreign markets for an extended period. It is confident that it will meet demand in Europe and the USA markets with its high quality products, using competitive pricing strategy, and securing new markets whenever possible. In addition, it has prepared and built marketing teams to support the rubber glove business in order to reach the customer base and maintain its sale volume. The Company's marketing teams, previously working outside Semperit's and SUSA's territories, have good understanding in products and competitive environment of rubber glove business. In addition, rubber glove sales of SSC through the Company are OEM which does not require "Sempermed" trademark. SSC has not relied on technology from Semperit for over 10 years since new technology for rubber production is mostly from machine distributor in Malaysia, center of the world's rubber production. Therefore, the Company believes that, with high quality raw material and efficient production process, its rubber gloves for healthcare industry will be of high quality which enable it to maintain sale level within the first 2 – 3 years and continue to maintain sales in the long run. It will continue to generate good returns for the Company, as it always has been.

(2) Increase of borrowing from and interest expenses paid to a financial institution to fund the transaction

The Company will use cash flow from operation (net of any liabilities and dividends received from SSC and SAC), totaling Baht 4,208.38 million (may be higher than Baht 4,208.38 million due to related tax liabilities and fee for advisors), and borrowing from a financial institution to fund the transaction. Currently, the Company receives offer of Baht 4,500 million credit facility from a financial institution. Therefore, the transaction will increase the Company's liabilities and interest expenses. As of September 30, 2016, total liabilities and shareholders' equity equal to Baht 25,280.48 million and 21,241.68 million, respectively. Debt to Equity ratio was equal to 1.19 times. If the Company drawdowns the full amount of the credit facility, debt to equity ratio will increase to 1.40 times. Such ratio does not exceed financial covenants as identified by financial institution and credit facilities and existing debenture of the Company. SSC shall use its cash flows from operations to repay the borrowing and expects that cash flow amount is adequate for loan repayment.

(3) Risk from foreign exchange rate

According to the SSC Share Sale and Purchase Agreement and agreements to purchase and sell share of other affiliates abroad, the Company and Semperit agree to settle the payment in USD currency. The Company plans to manage the foreign exchange risk by entering into Forwards Contract in order to mitigate the risk from the fluctuation of foreign exchange rate. However, if the foreign exchange rate on the Completion Date is different from that on the Forwards Contract, there will be accounting gain/loss from the exchange rate.

(4) The disposition of ordinary shares of SAC is under the Call Option Agreement. The Company will not receive cash until Semperit exercises the option.

The disposition of SAC's shares is under the Call Option Agreement, in which the Company and Rubberland agree to give Semperit (or other person nominated by Semperit) a call option to purchase SAC's shares during the period from June 30, 2019 to June 30, 2021 ("Option Period"). The Company and Rubberland will get USD 51.00 million (equivalent to approximately Baht 1,861.50

million) as a compensation. Therefore, the Company and Rubberland will receive the cash from the disposition of SAC during the Option Period if Semperit exercises the option. However, in the event that Semperit does not exercise Call Option, the Company and Rubberland will still receive dividend from SAC as may be announced in the coming years.

Risks that are considered relatively low according to (5) and (6) as follows:

(5) Risk from inadequate level of SSC's and SAC's cash to make dividend payment under the Umbrella Agreement as the Company will use such cash as part of the source of funds for the transaction

On the transaction date, SSC will make a dividend payment to its shareholders (including the Company and Semperit) at the amount of USD 118.20 million (equivalent to approximately Baht 4,314.30 million). The Company and Rubberland, as shareholders holding 31.50% and 8.73% in SSC, respectively, are entitled to receive a combined amount of USD 47.55 million (equivalent to approximately Baht 1,735.64 million), while Semperit is entitled to receive USD 59.10 million (equivalent to approximately Baht 2,157.15 million).

On the transaction date, SAC will make a dividend payment to its shareholders (including the Company and Semperit) at the amount of USD 30.00 million (equivalent to approximately Baht 1,095.00 million). The Company and Rubberland, as shareholders holding 37.50% and 5.00% in SAC, are entitled to receive a combined amount of USD 12.75 million (equivalent to approximately Baht 465.38 million), while Semperit is entitled to receive USD 15.00 million (equivalent to approximately Baht 547.50 million).

Considering cash flow from operation for 2015 and 9-month period of 2016, , SSC's Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA) amounted to Baht 1,797.22 million and 913.40 million, respectively, and SAC's EBITDA amounted to Baht 445.43 million and 382.35 million, respectively. As of September 30, 2016, SSC's and SAC's cash and cash equivalent amounted to Baht 3,793.06 million and 1,101.45 million, respectively.

(Unit: Baht million)	SSC		SAC	
	If EBITDA is at the same level as 2015 ^{1/}	If EBITDA is at the same level as 2016 ^{2/}	If net profit is at the same level as 2015 ^{1/}	If net profit is at the same level as 2016 ^{2/}
EBITDA for the year 2015	1,797.22		445.43	
EBITDA for 9-month period ended September 30, 2016		913.40		382.25
Monthly EBITDA	149.77	101.49	37.12	42.47
EBITDA during October 1, 2016 – March 15, 2017 (5.5 months)	823.72	558.19	204.16	233.60
Cash as of September 30, 2016	3,793.06	3,793.06	1,101.45	1,101.45
Total cash reserve for dividend payment	4,616.79	4,351.25	1,305.61	1,335.05
Dividend to be paid^{3/}	4,314.30		1,095.00	

Remark:

1/ If monthly EBITDA during October 1, 2016 – March 15, 2017 (Completion Date) is at the same level as 2015.

2/ If monthly EBITDA during October 1, 2016 – March 15, 2017 (Completion Date) is at the same level as 2016.

3/ Based on the foreign exchange rate of USD/Baht 36.50.

Therefore, risk concerning this issue is considered low and should not significantly affect the Company because the Company expects to have adequate cash for such dividend payment as SSC and SAC should generate additional cash flow from operation during October 1, 2016 – March 15, 2017 (Completion Date). Therefore, it will not impact to liquidity of SSC and STA.

(6) Risk from SSC's lower liquidity if the transaction to purchase and sell SSC's shares is not happened within March 15, 2017

If the sale of SSC's shares is not completed within March 15, 2017 for whatever reasons, except Semperit's Supervisory Board does not approve such transaction, both parties agree to have SSC make additional USD 1,000,000 (equivalent to approximately Baht 36.50 million) dividend payment to its shareholders every 7 days after March 15, 2017, but no later than April 12, 2017 (Longstop Date).

(Unit: Baht million)	SSC	
	In case EBITDA is at the same level as 2015 ^{1/}	In case EBITDA is at the same level as 2016 ^{2/}
EBITDA for the year 2015	1,797.22	
EBITDA for 9-month period ending September 30, 2016		913.40
Weekly EBITDA	34.56	31.50
Weekly dividend payment, equal to USD 1 million ^{3/}	36.50	36.50
Cash flow is adequate (inadequate) for weekly dividend payment	(1.94)	(5.00)
Cash flow is adequate (inadequate) for maximum dividend payment (between March 15 – April 12, 2017, or approx. 4 weeks)	(7.75)	(20.01)

Remark:

- 1/ If weekly EBITDA after March 15, 2017 (Completion Date) is at the same level as weekly EBITDA in 2015.
- 2/ If weekly EBITDA after March 15, 2017 (Completion Date) is at the same level as weekly EBITDA in 2016.
- 3/ Based on the foreign exchange rate of USD/Baht 36.50

Therefore, in the event that the transaction to purchase and sell shares of SSC is not happened within March 15, 2017, there may be a risk on SSC's liquidity but it will not have a material impact on the Company and SSC.

4. Summary of the Independent Financial Advisor's opinion on the reasonableness of the Asset Acquisition and Disposition transaction

The transactions to purchase SSC's shares from Semperit and sell shares and investments in affiliates abroad to Semperit are necessary as they would (a) end the disagreement with Semperit that has been ongoing for more than 5 years, starting from 2011, and the legal dispute with Semperit that has been ongoing for more than 3 years, starting from 2014, so that both parties can separate and do their own businesses without any commitment between each other, except for normal business relationship. In addition, they would also help to avoid any risk from the outcome of the legal cases in the event that the court orders the Company, Rubberland, and/or SSC to pay for any damages that would cause direct harm to financial position and operating performance of the Company, Rubberland, and SSC; (b) the Company shall dispose shares and investments in affiliates abroad, in which the Company has had no direct involvement in management, enabling it to focus attention on business in which the Company has expertise to create growth in the future; (c) the purchase of SSC's ordinary shares will benefit the Company's overall business operation and bring balance to the operating results through the consolidation of SSC's financial performance (as opposed to equity method previously recognized). SSC operates downstream businesses of producing and distributing rubber gloves, which are finished products with high margins. In case the Company's operating performance is volatile, like what has been in the past and likely to be in the future, SSC's operating performance will help balance the operating performance of the group; and (d) the Company will be free to set SSC's policies in business operation as the Company sees fit, including capacity expansion locally and abroad, as well as global marketing activities without any non-competing restrictions.

Advantages and benefits from entering into the transactions comprise of (1) the settlement of all commercial disputes between Semperit, Rubberland and SSC; (2) the reduction of any risk that may arise from final verdict handed by the court ordering the Company, Rubberland, and SSC pay Semperit for damage; (3) no further legal and other expenses related to commercial disputes for the Company and SSC; (4) the termination of Joint Ventures Agreements between Semperit and the Company, as well as non-competing restriction, allowing the Company to expand production capacity/global marketing activities freely; (5) total control of policies to manage SSC's businesses; (6) the restructuring of the Company's group that will allow higher degree of flexibility in setting directions and exercising controls; (7) better operating performance from the recognition of SSC's operating performance in the consolidated financial statements of the Company; (8) the reduction of risk from future investment of Semperit in rubber glove business in Malaysia (Latexx) which operate competing business with SSC; and (9) avoidance of USD 15 million (equivalent to approximately Baht 547.5 million) Break Fee, payable to Semperit, if the Extraordinary General Meeting of Shareholders approve the Asset Acquisition and Disposition transactions and settlement of all disputes.

However, disadvantages and risks from entering into the transactions consist of (1) marketing risk of SSC from not having Semperit as a partner, and the need to secure new markets to replace those that may be lower due to the termination of the joint venture agreements; (2) the increase in borrowings from and interest expenses payable to financial institutions in order to fund the transactions; (3) foreign exchange rate risk from the payment to Semperit in USD currency; (4) delayed cash received from the disposition of SAC's ordinary shares until Semperit exercises the call option; and risks that are considered relatively low in (5) and (6) as follows: (5) risk of inadequate SSC's and SAC's cash reserves to pay dividends in accordance with the Umbrella Agreement as the Company will use the cash to fund the transactions; and (6) risk of lower SSC's liquidity if the transaction to purchase and sell SSC's shares is not completed within March 15, 2017. Having considered the reasonableness and necessity, as well as studying and comparing advantages, benefits, disadvantages, consequences, and risks of the transaction, the Independent Financial Advisor views that this **Asset Acquisition and Disposition Transaction is reasonable** and will benefit the Company and its shareholders in the long run.

Part 3: Opinion of the Independent Financial Advisor on the Appropriateness of the Purchase Price and Conditions of the Acquiring Assets and the Selling Price of the Disposing Assets

In Part 3 of this report: The Independent Financial Advisor used exchange rate of USD/Baht 35.5685, CNY/Baht 5.2181, CNY/USD 0.1467, MYR/Baht 8.0336, and USD/MYR 0.2259 as they are exchange rate on January 17, 2017, the date of valuation of shares and investments in this report. (Source: average selling rate announced by the Bank of Thailand for January 17, 2017 from www.bot.or.th)

CapAd evaluated the appropriateness of the purchase price of the acquiring assets and the selling prices of the disposing assets. The transactions are as follows;

- (1) The acquisition of 10,000 shares of Siam Sempermed Corporation Ltd. ("SSC") (equivalent to 50.00% of total issued and paid-up shares of SSC) from Semperit Technische Produkte Gesellschaft m.b.H. ("Semperit"). ("Transaction 1")
- (2) The disposal of the investment in Semperflex Shanghai Ltd. ("SSH") (equivalent to 50.00% of total capital of SSH) to Semperit (or a person designated by Semperit). ("Transaction 2")
- (3) The disposal of the investment in Shanghai Semperit Rubber & Plastic Products Co., Ltd. ("SRP") (equivalent to 10.00% of total capital of SRP) to Semperit (or a person designated by Semperit). ("Transaction 3")
- (4) The disposal of 1,000 shares of Sempermed USA, Inc. ("SUSA") (equivalent to 25.00% of total issued and paid-up shares of SUSA) to Semperit (or person designated by Semperit). ("Transaction 4.1")
SSC shall also sell 2,000 shares of SUSA (equivalent to 50.00% of total issued and paid-up shares of SUSA) to Semperit (or person designated by Semperit). ("Transaction 4.2")
- (5) The disposal of 4,000,000 shares of Sempermed Singapore Pte. Ltd. ("SESI") (equivalent to 50.00% of total issued and paid-up shares of SESI) to Semperit (or a person designated by Semperit). ("Transaction 5")
- (6) The disposal of investment in Shanghai Sempermed Glove Sales Co., Ltd. ("SSF") equivalent to 100.00% of capital of SFF to Semperit (or person designated by Semperit). ("Transaction 6")
- (7) The disposal of all 1,615,000 shares of Semperflex Asia Corporation Ltd. ("SAC") held by the Company and Rubberland Products Co., Ltd., a subsidiary of the Company ("Rubberland") (equivalent to 42.50% of total issued and paid-up shares of SAC), to Semperit (or a person designated by Semperit). ("Transaction 7")

CapAd has used information obtained from the Company, SSC, SSH, SRP, SUSA, SESI, SSF, and SAC, interview with the managements of the Company, SSC, SSH, SRP, SUSA, SESI, SSF, and SAC, documents received from the Company, SSC, SSH, SRP, SUSA, SESI, SSF, and SAC such as property appraisal reports prepared by the independent appraisers, relevant agreements to this transaction and other relevant documents including publicly-disclosed information.

CapAd's opinion based mainly on the assumptions that information and documents provided are complete and accurate. The opinion also based on current situation and available information at present. Therefore, any change of such information may significantly affect business operations and financial projection of SSC, SSH, SRP, SUSA, SESI, SSF, and SAC as well as the shareholders' decision regarding the appropriateness of the purchase price of the acquiring assets and the selling prices of the disposing assets.

Purchase price and selling prices of investments or shares in companies abroad are determined in USD. Thus, in this report, we apply USD as a currency for the consideration of the fair values of the assets to be acquired and disposed. The local currencies such as Chinese Yuan (CNY), Malaysian Ringgit (MYR) and Thai Baht are used as reference only.

CapAd applied 6 approaches in evaluating the fair value of shares of SSC, SSH, SRP, SUSA, SESI, SSF, and SAC, namely:

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

However, the IFA did not use the Market Value Approach to evaluate share prices of SSC, SSH, SRP, SUSA, SESI, SSF and SAC because SSC, SSH, SRP, SUSA, SESI, SSF and SAC are not listed on the SET or any stock exchanges and, hence, there is no reference market price

available. Therefore, only 5 approaches are applied for share valuation of SSC, SSH, SRP, SUSA, SESI, SSF and SAC.

1. Share Value of Siam Sempermed Corporation Ltd. ("SSC")

1.1 Book Value Approach

This approach demonstrates book value of SSC shares at a certain point in time. Shares are appraised based on the book value of SSC according to the latest financial statements as at December 31, 2015 which is audited by a certified public accountant who is not in an approved list by the SEC¹⁶. The book value of SSC shares can be calculated based on the said financial statements as follows:

(Unit: Baht million)

Issued and paid-up capital	200.00
Retained earnings	
- Appropriated for legal reserve	24.45
- Unappropriated	7,505.49
Other components of shareholders' equity	4.89
Shareholders' Equity	7,734.83
No. of paid-up shares as of December 31, 2015 (shares)	20,000 ¹⁷
Book value per share (Baht)	386,741.30

Remark: 1/ The par value at Baht 10,000.00 each.

The value of SSC's shares based on this approach is **Baht 386,741.30 per share**, or equivalent to firm value of **Baht 7,734.83 million**.

1.2 Adjusted Book Value Approach

By this approach, the share value is derived from total assets, deducted by total liabilities including commitments and contingent liabilities as shown in the latest financial statements as of December 31, 2015, audited by a certified public accountant who is not in an approved list by the SEC, and adjusted by items occurred after the end of accounting period or the items that may reflect the actual value of assets and liabilities. The adjustment items may include unrealized gain or loss from assets revaluation, contingent liabilities, and/or event after financial statement date. Consequently, the adjusted book value is divided by total number of SSC's paid-up shares.

In deriving the value of SSC's shares, CapAd adjusted the book value as shown in the latest financial statements as of December 31, 2015 by the following significant adjustments:

1.2.1 Gain (loss) from Asset Appraisal

SSC's glove factories are located in 2 locations at Hat Yai District in Songkhla Province and Kanchanadit District in Surat Thani Province. Details of the appraisal are as follows;

1.2.1.1 Land, building and other improvements – Factory 1

1.2.1.1.1 Land – Hat Yai District in Songkhla Province

First Star Consultant Co., Ltd. ("Independent Property Appraiser"), an independent property appraiser approved by the SEC, has been appointed by SSC to appraise value of land, buildings, and other improvements. The Independent Property Appraiser had surveyed assets on December 13, 2016, and conducted the appraisal on December 28, 2016, with the public purpose, based on the report dated December 28, 2016 (No. FSC/59R-12-3295), by using Depreciated Replacement Cost Approach. Details of the assets appraisal are summarized below:

Appraised assets	Details	Appraisal price (Baht mn.)
Land – Factory 1, Hat Yai District in Songkhla Province	Title deed No.	Land - group 1 : 176718, 196 ^{1/2} , 10017 ^{1/} , 10524 ^{1/2} , NorSor 3 Kor 1352 and NorSor 3 Kor 2072
		Land - group 2 : 63780 ^{3/}
	Land No.	Land - group 1 : 108, 106 ^{1/2} , 107 ^{1/} , 105 ^{1/2} , 83 and 945
		Land - group 2 : 64
	Survey page	Land - group 1 : 3008, 127 ^{1/2} , 443 ^{1/} , 454 ^{1/2}
		Land - group 2 : 2087

¹⁶ An auditor who is recognized by Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H., which is the auditor of Semperit who used such financial statements in the preparation of Semperit's financial statements. Semperit is a listed company in Vienna Stock Exchange, Austria.

Also an auditor who is recognized by PricewaterhouseCoopers ABAS Ltd. which is the auditor of the Company that used such financial statements in the preparation of the Company's financial statements. The Company is a listed company in the SET and SGX.

Appraised assets	Details		Appraisal price (Baht mn.)
	Appraised areas	93-1-59.1 rai (93.39775 rai), comprised of <u>Land - group 1</u> : 81-1-59.1 rai (82.22275 rai) <u>Land - group 2</u> : 12 rai	
	Total area under the title deeds	94-0-89.1 rai (94.22275 rai), comprised of <u>Land - group 1</u> : 82-0-89.1 rai (82.22275 rai) <u>Land - group 2</u> : 12 rai	
	Location	110 Moo 8, Kanjanavanich Road (km 1274) Patong Sub-district, Hat Yai District, Songkhla Province	
	Owner	Siam Sempermed Co., Ltd.	
	Mortgage	None	
	Valuation Methodology	Depreciated Replacement Cost Approach by applying Market Comparison Approach	
	Survey date	December 13, 2016	
	Date of valuation and report date	December 28, 2016	

Source: The appraisal report prepared by First Star Consultant Co., Ltd., No. FSC/59R-12-3295, dated December 28, 2016.

Remark:

- 1/ Stamped title deed.
- 2/ The independent property appraiser has not appraised part of the title deed No. 196 and 10524 with total areas of 3 ngan 30 sq.wah. due to such areas were become part of Kanjanavanich Road.
- 3/ Group 2 Land is not situated next to main road but currently used as construction workers' housing.
- 4/ The appraisal price of group 1 land is Baht 146.52 million (@ Baht 1.80 million/rai), and the appraisal price of group 2 land is Baht 8.40 million (@ Baht 0.70 million/rai).

Main assumptions of the Independent Property Appraiser

Land – Group 1

By using the Market Comparison Approach, the Independent Property Appraiser had conducted survey on market information of assets regarding the selling price of assets at coincide time and in adjacent area which possess similar characteristics as the appraised asset for comparison and analysis. With this regards, there were 4 selected data of vacant land located next to Kanjanavanich Road for comparison with the offering/selling price during Baht 2.00 – 4.50 million per rai. Then, factors affecting land value including location, shape and size of land, physical characteristics, type, and their potential as well as time consuming were evaluated by applying Weighted Quality Score (WQS). Details of the assets appraisal are summarized below:

Market data of lands for the appraisal of land price by the Independent Property Appraiser

	Appraised Assets	Data 1	Data 2	Data 3	Data 4
Assets Type	Land with building and improvements	Vacant land	Vacant land	Vacant land	Vacant land
Location	110/1 Moo 8, Kanjanavanich Road (K.M.1274), Patong Sub-district, Hat Yai District, Songkhla Province	Kanjanavanich Road (K.M.1273-1274), Patong Sub-district, Hat Yai District, Songkhla Province	Kanjanavanich Road (K.M.1275-1276), Phang La Sub-district, Sadao District, Songkhla Province	Kanjanavanich Road (K.M.1303-1304), Samnak Kham Sub-district, Sadao District, Songkhla Province	Kanjanavanich Road (K.M.1291-1292), Sadao Sub-district, Sadao District, Songkhla Province
Land area	82-0-89.1 rai	42-2-0 rai	54-3-0 rai	25 rai	10 rai
Land shape	Close to rectangular	Close to rectangular	Polygon	Polygon	Close to rectangular
Land width	240.0 m.	200.0 m.	100.0 m.	200.0 m.	90.0 m.
Land level	Ground level balance with the main load	Lower than the main load by 0.5 m.	Lower than the main load by 1.0 m.	High –Low based on its landscape	Lower than the main load by 0.5 m.
Road type and width	4 lanes/asphalt	4 lanes/asphalt	4 lanes/asphalt	4 lanes/asphalt	4 lanes/asphalt
Utilities	Electricity, Groundwater and Telephone	Electricity and Telephone	Electricity and Telephone	Electricity and Telephone	Electricity and Telephone
City zone	Outside city zone	Outside city zone	Outside city zone	Outside city zone	Outside city zone
Optimal use of land	Industrial	Industrial	Residential	Industrial	Commercial
Date to offer for sales		December 2016	December 2016	December 2016	December 2016
Offering price (Baht/rai)		4,500,000	2,000,000	3,000,000	2,500,000
Adjusted offering price (Baht/rai)		3,075,000	1,750,000	2,200,000	2,075,000

Weighted Quality Score for the appraisal of land by the Independent Property Appraiser

	Weight	Appraised Assets	Data 1	Data 2	Data 3	Data 4
Location	25%	8	8	7	7	6
Environment	25%	7	7	6	6	6
Utilities	0%	7	7	7	7	7
Transportation	0%	8	8	8	8	8
Major road in front of the assets	0%	9	9	9	9	9
Land shape	25%	4	7	7	8	9
Use of land	25%	4	7	7	8	9
WQS Score						
Score		5.75	7.25	6.75	7.25	7.50
Adjusted Ratio		1.00	0.79	0.85	0.79	0.77
Indicated Price			2,438,793	1,490,741	1,744,828	1,590,833
% comparable			25%	30%	25%	20%
Market price of land (Baht/rai)		1,811,294				
Or Rounding (Baht/rai)		1,800,000				

Source: The appraisal report prepared by First Star Consultant Co., Ltd., No. FSC/59R-12-3295 dated December 28, 2016.

Thus, the market value of appraised land – group 1 by the Independent Property Appraiser is Baht 1.80 million per rai.

Land – Group 2

By using the Market Comparison Approach, the Independent Property Appraiser had conducted survey on market information of assets regarding the selling price of assets at coincide time and in adjacent area which possess similar characteristics as the appraised asset for comparison and analysis. With this regards, there were 4 selected data of vacant land located next to Public Soi around Kanjanavanich Road or rural road SorKhor 1059 for comparison with the offering/selling price during Baht 0.80 – 0.96 million per rai. Then, factors affecting land value including location, shape and size of land, physical characteristics, type, and their potential as well as time consuming were evaluated by applying Weighted Quality Score (WQS). Details of the assets appraisal are summarized below:

Market data of lands for the appraisal of land price by the Independent Property Appraiser

	Appraised Assets	Data 6	Data 7	Data 8	Data 9
Assets Type	Land with building and improvements (workers' accommodation and other improvements)	Vacant land	Vacant land	Vacant land	Vacant land
Location	110/1 Moo 8, Kanjanavanich Road (K.M.1274), Patong Sub-district, Hat Yai District, Songkhla Province	Public Soi, Kanjanavanich Road (TL.4), Ban Pru Sub-district, Hat Yai District, Songkhla Province	Public Soi, apart from Klong Pom Road in Kanjanavanich Road (TL.4), Ban Pru Sub-district, Hat Yai District, Songkhla Province	Public Soi, Industry Estate STA Road, Kanjanavanich Road (TL.4), Patong Sub-district, Hat Yai District, Songkhla Province	Rural Road SorKhor 1059, Phang La Sub-district, Sadao District, Songkhla Province
Land area	12 rai	22 rai	20 rai	29-2-67.2 rai	10-3-89 rai
Land shape	Polygon	Polygon	Polygon	Close to rectangular	Polygon
Land width	75.0 m.	100.0 m.	80.0 m.	130.0 m.	100.0 m.
Land level	Ground level balance with the main load	Lower than the main load by 1.0 m.	Ground level balance with the main load	Ground level balance with the main load	Lower than the main load by 0.5 m.
Road type and width	4 lanes/asphalt	5 m./gravel	4 m./gravel	5 m./gravel	6 m./asphalt
Utilities	Electricity, Groundwater and Telephone	Electricity and Telephone	None	Electricity and Telephone	Electricity and Telephone
City zone	Outside city zone	Outside city zone	Outside city zone	Outside city zone	Outside city zone
Optimal use of land	Industrial	Industrial	Industrial	Industrial	Commercial
Date to offer for sales		December 2016	December 2016	December 2016	December 2016
Offering price (Baht/rai)		800,000	700,000	980,024.27	500,000
Adjusted offering price (Baht/rai)		800,000	500,000	850,000.00	525,000

Weighted Quality Score for the appraisal of land by the Independent Property Appraiser

	Weight	Appraised Assets	Data 6	Data 7	Data 8	Data 9
Location	15%	6	5	5	5	7
Environment	10%	6	5	5	5	7
Utilities	15%	6	5	2	5	6
Transportation	15%	4	5	5	5	7
Major road in front of the assets	15%	4	5	5	5	7
Land shape	15%	6	6	5	6	7
Use of land	15%	6	6	6	6	7
WQS Score						
Score		5.40	5.30	4.70	5.30	6.85
Adjusted Ratio		1.00	1.02	1.15	1.02	0.79
Indicated Price			815,094	574,468	866,038	413,869
% comparable			30%	25%	30%	15%
Market price of land (Baht/rai)		710,037				
Or approximately (Baht/rai)		700,000				

Source: The appraisal report prepared by First Star Consultant Co., Ltd. No. FSC/59R-12-3295 dated December 28, 2016.

Thus, the market value of appraised land – group 2 by the Independent Property Appraiser is Baht 0.70 million per rai.

The IFA is of an opinion that Market Comparison Approach is an appropriate valuation for assets that have comparable selling or purchasing prices. Information on land is market prices of those located in adjacent area to the appraised land. In addition, the Independent Property Appraiser has adjusted the market data of comparable land to make them mostly similar to the assets to be acquired in order to closely reflect the fair market value.

Based on the appraisal report prepared by the Independent Property Appraiser No. FSC/59R-12-3295 dated December 28, 2016, by the Market Comparison Approach, the total market value of the land – Factory group 1 at Hat Yai District in Songkhla Province, comprised of the market value of land - group 1 of Baht 146.52 million, and land - group 2 of Baht 8.20 million, is Baht 154.92 million.

1.2.1.1.2 Building and Other improvements

The Independent Property Appraiser had surveyed the assets on December 13, 2016 and conducted the appraisal of the assets with the public purpose on December 28, 2016 (No. FSC/59R-12-3295 dated December 28, 2016). The Independent Property Appraiser determined market value of the appraised assets by applying the Replacement Cost Approach only as the assets were constructed for a specific use and there were no information in relation to selling or purchasing price of similar assets and detail of comparable assets.

The appraised assets are building and other improvements which are glove factory 1 and office building located at 110 Moo 8, Kanjanavanich Road (km 1274), Patong Sub-district, Hat Yai District, Songkhla Province. Summary of appraised price of the assets based on Cost Approach are as follows:

No.	Details	Usable areas (sq.m.)	Replacement cost ^{1/} (Baht mn.)	Age of the assets (years)	Depreciation ^{1/} (%)	Value at current condition (Baht mn.)
1	Rubber glove factory with office (SSC 1) - Office - Manufacturing - Packing - Open areas with roof	 2,770 14,850 5,200 3,575	 23.55 96.52 36.40 7.15	 27 27 27 27	 44% 44% 44% 44%	 13.19 54.05 20.38 4.00
	Total SSC 1	26,395	163.62			91.63
2	Rubber glove factory with office (SSC 2) - Office - Manufacturing - Open areas with roof - Building constructed on other's land ^{1/}	 12,000 7,800 2,100 3,200	 102.00 50.70 4.20 27.20	 18 18 18 27	 26% 26% 26% 44%	 75.48 37.52 3.11 15.23
	Total SSC 2	25,100	6.21			131.34
3	Rubber glove factory with office (SSC 3) - Office - Manufacturing - Warehouse - Open areas with roof	 11,250 13,485 2,480	 95.63 87.65 12.40	 10 10 10	 10% 10% 10%	 86.06 78.89 11.16

No.	Details	Usable areas (sq.m.)	Replacement cost ^{1/} (Baht mn.)	Age of the assets (years)	Depreciation ^{2/} (%)	Value at current condition (Baht mn.)
		5,880	11.76	10	10%	10.58
	Total SSC 3	33,095	207.44			186.69
4	Wood Boiler Building 1 (20 tons)	4,500	27.00	5	5%	25.65
5	Wood Boiler Building 2 (Old building 10 tons)	3,240	19.44	1	1%	19.25
6	Wood Boiler Building 3 (New building)	1,584	9.50	1	1%	9.41
7	Warehouse and 2-storey office building					
	- Warehouse	2,880	12.96	6	6%	12.18
	- 2-storey office	100	0.50	6	6%	0.47
	- Open areas with roof (storage areas)	720	2.16	6	6%	2.03
	- Open areas with roof	550	0.83	6	6%	0.78
	Total warehouse and office building	4,250	16.45			15.46
8	Oil Boiler and Engineering Building					
	- Engineering	900	6.75	25	40%	4.05
	- Oil boiler building constructed on other's land ^{2/}	600	4.50	25	40%	2.70
	Total Oil Boiler and Engineering Building	1,500	11.25			6.75
9	Electrical engineering department building (SSC 2)	311	2.18	18	26%	1.61
10	2-storey chemist house (5 rooms)	550	3.58	27	44%	2.00
11	Maintenance and electrical generating control building (SSC 1)	480	2.10	16	22%	1.64
12	Chemical tank storage building (SSC 1)	759	4.55	14	18%	3.73
13	Compressor building (SSC 3)	95	0.67	10	10%	0.60
14	Other improvements					
	- Open areas with roof 1 (walkway)	336	0.50	6	6%	0.47
	- Open areas with roof 2 (parking)	660	0.99	10	10%	0.89
	- Open areas with roof 3 (multipurpose)	200	0.30	17	24%	0.23
	- Open areas with roof 4 (air pump)	100	0.30	17	24%	0.23
	- Open areas with roof 5 (waste water treatment system)	100	0.30	4	4%	0.29
	- Open areas with roof 6 (water treatment system)	450	1.35	14	18%	1.11
	- Concrete tank (4 tanks)	400	1.20	14	18%	0.98
	- Toilet 1	100	0.50	6	6%	0.47
	- Toilet 2	21	0.07	16	22%	0.06
	- Guard house	18	0.13	18	26%	0.09
	- Water tank 1	225	1.13	10	10%	1.01
	- Water tank 2	225	1.13	10	10%	1.01
	- Water tank 3	12	0.06	18	26%	0.04
	- Water tank 4	100	0.50	27	44%	0.28
	- Concrete road and yard	38,696	38.70	17	24%	29.41
	- Expenses for drilling of underground water (SSC 3)	3 sets	6.80	9	9%	6.19
	- Fence and gate (SSC 3): length 508 m, height 3 m.	1,524	2.13	10	10%	1.92
	- Fence and gate (SSC 1): length 240 m, height 3 m.	720	1.01	10	10%	0.91
	Total other improvements	43,887	57.09			45.59
	Total building and other improvements		708.96			541.35

Source: The appraisal report prepared by First Star Consultant Co., Ltd. No. FSC/59R-12-3295 dated December 28, 2016.

Remark:

1/ In determination of value of building and other improvements, the Independent Property Appraiser used standard construction costs and depreciation of The Valuers Association of Thailand in 2016 and the database of the Independent Property Appraiser as reference.

2/ Part of the building is situated on Rubberland Products Co., Ltd., the subsidiary of STA.

The IFA is of an opinion in the same view as the Independent Property Appraiser that the Replacement Cost Approach is an appropriate valuation method for the valuation of building and other improvements as the assets are constructed for specific use. In addition, the Independent Property Appraiser has adjusted value of assets to reflect current conditions. The assumptions on construction cost and depreciation of the assets are based on the standard construction costs of The Valuers Association of Thailand in 2016 and the database of the Independent Property Appraiser who is an expert in its field Based on the appraisal report prepared by the Independent Property Appraiser No. FSC/59R-12-3295 dated December 28, 2016, value of the building and improvements is equal to Baht 541.35 million.

1.2.1.2 Land, building and other improvements – Factory 2

1.2.1.2.1 Land – Surat Thani Province

First Star Consultant Co., Ltd. ("Independent Property Appraiser"), an independent property appraiser approved by the SEC, has been appointed by SSC to appraise value of land, buildings and other improvements. The Independent Property Appraiser had surveyed land on December 13, 2016, and conducted the appraisal on December 28, 2016, with the public purpose, based on the report dated December 28, 2016 (No. FSC/59R-12-3297), by using the Market Comparison Approach. Details of the assets appraisal are summarized below:

Appraised assets	Details		Appraisal price (Baht mn.)
Land – Factory 2 in Surat Thani Province (17 title deeds)	Title deed No.	40264, 40265, 40266, 40267, 40269, 40286, 40287, 40288, 40289, 40290, 40291, 40296, 43193, 43194, 43195, 43196, and Nor.Sor.3Kor 1408	58.13 ^{2/3}
	Land No.	9, 8, 10, 12, 34, 25, 24, 23, 22, 21, 50, 14, 53, 53, 55, 56 and 94	
	Survey page	3975, 3976, 3977, 3978, 3980, 3997, 3998, 3999, 4000, 4001, 4002, 4219, 4476, 4477, 4479 and 4480	
	Appraised areas	149-1-31 rai (149.3275 rai) ^{1/} consisted of 1. Land with full ownership, total areas of 143-2-41 rai (143.6025 rai) 2. Infringe land from high voltage power line with total areas of 5-2-90 rai (5.7250 rai)	
	Total area under the title deeds	149-1-80 rai (149.4500 rai)	
	Location	189 Moo 7, Surat Thani-Nakhon Sri Thammarat Road, Plaiwat Sub-district, Kanchanadit District, Surat Thani Province	
	Owner	Siam Sempermed Corporation Ltd.	
	Mortgage	None	
	Valuation Methodology	Depreciated Replacement Cost Approach by applying Market Comparison Approach	
	Survey date	December 13, 2016	
	Date of valuation and report date	December 28, 2016	

Source: The appraisal report prepared by First Star Consultant Co., Ltd., No. FSC/59R-12-3297 dated December 28, 2016.

Remark:

1/ Deducted approximately 49 sq.wah (0.1225 rai) for areas infringed from high voltage power line.

2/ The appraisal price for plots of land with full ownership, total areas of 143-2-41 rai (143.6025 rai), is Baht 0.40 million per rai, or equivalent to Baht 57.441 million.

3/ The appraisal price for plots of land infringed from high voltage power line, total areas of 5-2-90 rai (5.7250 rai), is Baht 0.12 million per rai, or equivalent to Baht 0.687 million.

Main assumptions of the Independent Property Appraiser

By using the Market Comparison Approach, the Independent Property Appraiser had conducted survey on market information of assets regarding the selling price of assets at coincide time and in adjacent area which possess similar characteristics as the appraised asset for comparison and analysis. With this regards, there were 4 selected data of vacant land along Surat Thani-Nakhon Sri Thammarat Road for comparison with the offering/selling price during Baht 0.60 – 1.50 million per rai. Then, factors affecting land value including location, shape and size of land, physical characteristics, type, and their potential as well as time consuming were evaluated by applying Weighted Quality Score (WQS). Market data of lands for comparison and appraisal value according to Market Comparison Approach can be summarized as follows:

Market data of lands for the appraisal of land price by the Independent Property Appraiser

	Appraised Assets	Data 1	Data 2	Data 3	Data 4
Assets Type	Land with building and improvements	Vacant land	Vacant land	Vacant land	Vacant land
Location	Surat Thani-Nakhon Sri Thammarat Road (TL.401), km 183+50	Surat Thani-Nakhon Sri Thammarat Road (TL.401), km 193-194	Surat Thani-Nakhon Sri Thammarat Road (TL.401), km 181-182	Surat Thani-Nakhon Sri Thammarat Road (TL.401), km 180-181	Surat Thani-Nakhon Sri Thammarat Road (TL.401), km 177-178
Land area	- Full ownership 143-2-41 rai - Infringe land 5-2-90 rai	23-2-68.5 rai	11-1-48 rai	46-0-13 rai	76-0-13 rai
Land shape	Polygon	Polygon	Polygon	Polygon	Polygon
Land width	120.0 m.	68.0 m.	120.0 m.	80.0 m.	80.0 m.
Land level	Ground level balance with the main load	Lower than the main load by 1.5 m.	Lower than the main load by 1.5 m.	Lower than the main load by 1.5 m.	Lower than the main load by 1.5 m.

	Appraised Assets	Data 1	Data 2	Data 3	Data 4
Road type and width	16 m./asphalt	16 m./asphalt	16 m./asphalt	16 m./asphalt	16 m./asphalt
Utilities	Electricity, Water and Telephone	Electricity, Water and Telephone	Electricity, Water and Telephone	Electricity, Water and Telephone	Electricity, Water and Telephone
City zone	Outside city zone	Outside city zone	Outside city zone	Outside city zone	Outside city zone
Optimal use of land	Industrial	Industrial	Industrial	Industrial	Industrial
Date to offer for sales		December 2016	December 2016	December 2016	December 2016
Offering price (Baht/rai)		1,500,000	1,400,000	955,850	600,000
Adjusted offering price (Baht/rai)		1,100,000	1,200,000	700,000	600,000

Weighted Quality Score for the appraisal of land by the Independent Property Appraiser

	Weight	Appraised Assets	Data 1	Data 2	Data 3	Data 4
Location	10%	7	8	7	7	8
Environment	10%	7	8	7	7	8
Utilities	0%	8	8	8	8	8
Transportation	0%	8	8	8	8	8
Major road in front of the assets	0%	8	8	8	8	8
Land shape	40%	2	7	8	7	6
Use of land	40%	3	7	8	7	6
WQS Score						
Score		3.40	7.20	7.80	7.00	6.40
Adjusted Ratio		1.00	0.47	0.44	0.49	0.53
Indicated Price			519,444	523,077	340,000	318,750
% comparable			25%	15%	25%	35%
Market price of land (Baht/rai)		404,885				
Or Rounding (Baht/rai)		400,000				

Source: The appraisal report prepared by First Star Consultant Co., Ltd. No. FSC/59R-12-3297 dated December 28, 2016.

Thus, the market value of appraised land – Factory 2 at Surat Thani Province by the Independent Property Appraiser is Baht 0.40 million per rai.

The IFA is of an opinion that Market Comparison Approach is an appropriate valuation for assets that have comparable selling or purchasing prices. Information on land are market prices of those located in adjacent area to the appraised land at current period. In addition, the Independent Property Appraiser has adjusted the market data of comparable land to make them mostly similar to the assets to be acquired in order to closely reflect the fair market value.

Based on the appraisal report prepared by First Star Consultant Co., Ltd. No. FSC/59R-12-3297 dated December 28, 2016, by the Market Comparison Approach, the total market value of the land – Factory 2 at Surat Thani Province is Baht 58.13 million.

1.2.1.2.2 Building and Other improvements

The Independent Property Appraiser had surveyed the assets on December 13, 2016 and conducted the appraisal of the assets with the public purpose on December 28, 2016 (No. FSC/59R-12-3297). The Independent Property Appraiser determined the market value of the appraised assets by applying the Replacement Cost Approach only as the assets were constructed for a specific use and there were no information in relation to selling or purchasing price of similar assets and retail of comparable assets.

The appraised assets are glove factory 2 located on land title deed No. 252994 at 189 Moo 7, Surat Thani-Nakhon Sri Thammarat Road, Plaiwat Sub-district, Kanchanadit District, Surat Thani Province. Summary of appraised price of the assets based on Cost Approach are as follows;

No.	Details	Usable areas (sq.m.)	Replacement cost ^{1/} (Baht mn.)	Age of the assets (years)	Depreciation ^{1/} (%)	Value at current condition (Baht mn.)
1	Factory with office 3-storey					
	- Manufacturing	6,710	57.04	6	6%	53.61
	- Office	7,643	84.07	6	6%	79.03
	- Wet scrubber	549	1.37	6	6%	1.29
	- Chiller room	250	1.50	6	6%	1.41
	- Air compressor room	300	1.80	6	6%	1.69
	- Condensate puddle (5 m. depth)	100	0.75	6	6%	0.71
	- Finished goods areas	1,012	5.06	6	6%	4.76
	- Finished goods areas (extension)	1,128.5	5.64	2	2%	5.53
	Total factory and office areas	17,692.5	157.23			148.02
2	Public relation building					

No.	Details	Usable areas (sq.m.)	Replacement cost ^{1/} (Baht mn.)	Age of the assets (years)	Depreciation ^{1/} (%)	Value at current condition (Baht mn.)
	- Office	90	0.81	6	6%	0.76
	- Office (extension)	49.5	0.45	1	1%	0.44
	- Ramp	660	4.95	6	6%	4.65
	Total public relation building	799.5	6.21			5.86
3	Engineering building					
	- Office	810	6.48	6	6%	6.09
	- Storage	675	4.39	6	6%	4.12
	- Open areas with roof (extension)	566.5	1.42	2	2%	1.39
	Total engineering building	2,051.5	12.28			11.60
4	Power generator building 1					
	- Power generating room	72	0.40			
	- MDB room	81	0.44			
	- Base for supporting transformers	41	0.04			
	Total power generator building 1	194	0.88	6	6%	0.83
5	Power generator building 2					
	- Power generating room	72	0.50			
	- MDB room	81	0.57			
	- Base for supporting transformers	41	0.04			
	Total Power generator building 2	194	1.11	6	6%	1.05
6	Medical room building	112	0.84	6	6%	0.79
7	Canteen building					
	- VIP room	100	0.85			
	- Kitchen	100	0.65			
	- Canteen	640	3.20			
	- Toilet	140	0.91			
	Total canteen building	980	5.61	6	6%	5.27
8	9 Townhouses	1,155	7.64	5	5%	7.26
9	2-storey house	180	1.79	5	5%	1.70
10	Wood chip storage building	2,636	13.79	6	6%	12.96
11	Boiler building (40 x 40 m.)	3,200	14.40	6	6%	13.54
12	Maintenance building	300	4.13	6	6%	3.88
13	Tower tank building	750	4.13	6	6%	3.88
14	Filler tank building	364	1.82	6	6%	1.71
15	Garage 1	934.4	2.34	6	6%	2.20
16	Garage and rest pavilion	491	1.15	6	6%	1.08
17	Water plant 1					
	- Water pump building (3 buildings)	24	0.17			
	- 2 reservoirs (size 8.3x12.7 m. with 4 m. Depth)	211	3.16			
	Total water plant 1	235	3.33	6	6%	3.13
18	Water plant 2					
	- Water pump building (3 buildings)	66	0.23			
	- Reservoir with 1.8 m depth	66	0.30			
	Total water plant 2	132	0.53	6	6%	0.50
19	5 workers' houses, 24 units each (old building)	839 m. x 5 houses	19.21 (3.84 per house)	5	5%	18.25
20	5 workers' houses, 24 units each (extension)	839 m. x 5 houses	19.21 (3.84 per house)	5	5%	18.25
21	4 workers' houses, 10 units each	520 m. x 4 houses	12.56 (3.14 per house)	5	5%	11.93
22	Boiler building (20x40.82 m.)	1,632.8	7.35	2	2%	7.20
23	Vehicle maintenance building	450	1.35	1	1%	1.34
24	Mixing tank building	738	2.58	2	2%	2.53
25	Colleen storage building	62.66	0.19	2	2%	0.18
26	Fuel department office building	27	0.09	1	1%	0.09
27	Worker's house	30	0.08	0	0%	0.08
28	Toilet	9	0.05	6	6%	0.04
29	BOD ONLINE building	18	0.12	6	6%	0.11
30	Customers pavilion	15	0.06	1	1%	0.06
31	Garage 2	240	0.60	6	6%	0.56
32	Garage 3	100	0.25	6	6%	0.24
33	Other improvements					
	- Road and concrete courtyard (0.15-0.20 m. Thickness)	19,680	21.65	6	6%	20.35
	- Fence (1,754 m. Long and 1.50	2,631	3.95	6	6%	3.71

No.	Details	Usable areas (sq.m.)	Replacement cost ^{1/} (Baht mn.)	Age of the assets (years)	Depreciation ^{1/} (%)	Value at current condition (Baht mn.)
	m. high)					
	- Reinforced concrete puddle (0.60 - 0.62 m.) (104 puddles)	104	0.26	6	6%	0.24
	- Reinforced concrete puddle (0.95 – 1.00 m.) (30 puddles)	30	0.11	6	6%	0.10
	- Reinforced concrete puddle (1.15 – 1.20 m.) (13 puddles)	13	0.06	6	6%	0.05
	- Reinforced concrete puddle (1.36 m.) (5 puddles)	5	0.03	6	6%	0.03
	- Reinforced concrete puddle (1.61 m.) (20 puddles)	20	0.15	6	6%	0.14
	- Reinforced concrete pipe 0.40 m. (813 m./pipe)	813	0.24	6	6%	0.23
	- Reinforced concrete pipe 0.60 m. (302 m./pipe)	302	0.15	6	6%	0.14
	- Reinforced concrete pipe 0.80 m. (66 m./pipe)	66	0.05	6	6%	0.04
	- Reinforced concrete pipe 1 – 1.2 m. (160 m./pipe)	160	0.19	6	6%	0.18
	- Fence with 47.945 m. long and 1.8 m. high	86.3	0.13	2	2%	0.13
	- Barbed wire fence with 450 m. long and 1.5 m. high	6,750	5.40	2	2%	5.29
	- Playground (Worker's house)	1,334	1.33	2	2%	1.31
	Total other improvements		33.69			31.95
	Total building and other improvements		336.60			318.07

Source: The appraisal report prepared by First Star Consultant Co., Ltd. No. FSC/59R-12-3297 dated December 28, 2016.

Remark: 1/ In determining value of building and other improvements, the Independent Property Appraiser used standard construction costs and depreciation of The Valuers Association of Thailand in 2016 and the database of the Independent Property Appraiser as reference.

Parts of building and other improvements are situated on land leased from Mr. Viyavood Sincharoenkul with total areas of 16-3-53 rai and land leased from Mr. Kitichai Sincharoenkul with total areas of 17-3-62 rai for an 8-year lease period from November 13, 2010 – November 12, 2018. Under the land lease agreements, SSC has a right to purchase such land plots at Baht 1.18 million from Mr. Viyavood Sincharoenkul and Baht 1.25 million from Mr. Kitichai Sincharoenkul. (The purchase prices are relatively low comparing to the market price of such land plots.) SSC has intended to purchase such land plots but unable to do so as they cannot be sold at the present since the land plots cannot be transferred within 10 years from November 12, 2008 (generally called “Red Title Deed”) (Please see more detail in Part 3 Clause 1.2.2). Thus, CapAd has also considered the value of building and other improvements situated on such leased land plots.

The IFA is of an opinion in the same view as the Independent Property Appraiser that the Replacement Cost Approach is an appropriate valuation method for building and other improvements as due to the assets were constructed with special characteristic and specific uses. The Independent Property Appraiser has also adjusted appraised value to reflect current condition of the assets. The assumptions on construction cost and depreciation of the assets are based on the standard construction costs of The Valuers Association of Thailand in 2016 and the database of the Independent Property Appraiser who is a professional in its field Based on the appraisal report prepared by the Independent Property Appraiser No. FSC/59R-12-3297 dated December 28, 2016, value of the building and improvements is equal to Baht 318.07 million.

Total appraised value of lands, building and improvements – Factory 2 at Surat Thani Province prepared by the Independent Property Appraiser according to the appraisal report No. FSC/59R-12-3297 dated December 28, 2016 by the Cost Approach is Baht 367.20 million.

1.2.1.3 Land, building and other improvements – Workers’ houses

1.2.1.3.1 Land – Workers’ houses

First Star Consultant Co., Ltd. (“Independent Property Appraiser”), an independent property appraiser approved by the SEC, has been appointed by SSC to appraise value of land, building, and improvements. The Independent Property Appraiser had surveyed assets on December 13, 2016, and conducted the appraisal on December 28, 2016, with the public purpose, based on the report dated December 28, 2016 (No. FSC/59R-12-3296), by using the Depreciated Replacement Cost Approach. Details of the assets appraisal are summarized below:

Appraised assets	Details		Appraisal price (Baht mn.)
Land – Workers' houses	Title deed No.	119388 and 119926	38.39 (@ Baht 1.40 million/rai)
	Land No.	57 and 56	
	Survey page	5569 and 5496	
	Appraised areas	27-1-69 rai (27.4225 rai)	
	Total area under the title deeds	27-1-69 rai (27.4225 rai)	
	Location	164/25 Moo 8, Soi Thetsaban 73, Kanjanavanich Road, Patong Sub-district, Hat Yai District, Songkhla Province	
	Owner	Siam Sempermed Corporation Ltd.	
	Mortgage	None	
	Valuation	Depreciated Replacement Cost Approach by applying Market	
	Methodology	Comparison Approach	
	Survey date	December 13, 2016	
	Date of valuation and report date	December 28, 2016	

Source: The appraisal report prepared by First Star Consultant Co., Ltd. No. FSC/59R-12-3296 dated December 28, 2016.

Main assumptions of the Independent Property Appraiser

By using the Market Comparison Approach, the Independent Property Appraiser had conducted survey on market information of assets regarding the selling price of assets at coincide time and in adjacent area which possess similar characteristics as the appraised asset for comparison and analysis. With this regards, there were 4 selected data of vacant land located in soi from Kanjanavanich Road for comparison with the offering/selling price during Baht 0.80 – 2.00 million per rai. Then, factors affecting land value including location, shape and size of land, physical characteristics, type, and their potential as well as time consuming were evaluated by applying Weighted Quality Score (WQS). Thus, the market value of appraised land using such valuation method is Baht 1.40 million per rai.

Based on the appraisal report prepared by First Star Consultant Co., Ltd. No. FSC/59R-12-3296 dated December 28, 2016, by the Market Comparison Approach, total value of the land – workers' house is Baht 38.39 million.

1.2.1.3.2 Building and Building Improvements

The Independent Property Appraiser had surveyed the assets on December 13, 2016 and conducted the appraisal of the assets with the public purpose on December 28, 2016 (No. FSC/59R-12-3296). The Independent Property Appraiser determined the market value of the appraised assets by applying the Replacement Cost Approach only as the assets were constructed for a specific use and there were no information in relation to selling or purchasing price of similar assets and retail of comparable assets.

The appraised assets, workers' houses, are located at 164/25 Moo 8, Soi Thetsaban 73, Kanjanavanich Road, Patong Sub-district, Hat Yai District, Songkhla Province. Summary of appraised price of the assets based on Cost Approach are as follows:

No.	Details	Usable areas (sq.m.)	Replacement cost ^{1/} (Baht mn.)	Age of the assets (years)	Depreciation ^{1/} (%)	Value at current condition (Baht mn.)
1	Workers' houses No. 1 – 10 (10 houses)	5,880	20.58	9	9%	18.73
2	Workers' houses No. 11 – 12 (2 houses)	1,176	4.12	5	5%	3.91
3	Workers' houses No. 13 – 16 (4 houses)	2,352	8.23	3	3%	7.99
4	Workers' houses No. 17 (1 unit)	294	1.03	3	3%	1.00
5	Workers' houses No. 18 (24 units)	588	2.06	4	4%	1.98
6	Employees' houses (Resort style for 10 houses)	240	2.16	13	16%	1.81
7	Room 1	72	0.43	13	16%	0.36
8	Room 2	192	1.15	13	16%	0.97
9	Room 3	200	1.08	13	16%	0.91
10	Room 4	192	1.15	13	16%	0.97
11	Shared bathroom building (2 buildings)	192	0.96	13	16%	0.81
12	Canteen and multipurpose building	1,195	7.08	13	16%	5.94
13	Convenient store	120	0.84	1	1%	0.83
14	Other improvements					
	- Restroom building 1 – 4	72	0.22	9	9%	0.20
	- Restroom building 5 – 7	108	0.32	9	9%	0.29
	- Restroom building 8 – 9	36	0.11	9	9%	0.10
	- Restroom building 10 – 11	72	0.22	9	9%	0.21
	- Restroom building 12	18	0.05	9	9%	0.05
	- Guard house (new)	15	0.12	9	9%	0.11
	- Guard house (old)	16	0.13	9	9%	0.11

No.	Details	Usable areas (sq.m.)	Replacement cost ^{1/} (Baht mn.)	Age of the assets (years)	Depreciation ^{1/} (%)	Value at current condition (Baht mn.)
	- Electrical control room	36	0.11	9	9%	0.10
	- Retail shops (4 buildings)	60	0.42	9	9%	0.35
	- Water tank	1 tank	0.65	9	9%	0.59
	- Reinforced concrete water tank	12.5	0.20	9	9%	0.17
	- Road and concrete courtyard (old)	1,500	2.25	9	9%	2.05
	- Road and concrete courtyard (new)	2,556	3.83	9	9%	3.79
	- Fence and gate (644 m. wide, 2 m. high)	1,288	1.55	9	9%	1.30
	Total other improvements	5,790	10.17			9.42
	Total building and other improvements		61.04			55.62

Source: The appraisal report prepared by First Star Consultant Co., Ltd. No. FSC/59R-12-3296 dated December 28, 2016.

Remark: 1/ In determining value of building and other improvements, the Independent Property Appraiser used standard construction costs and depreciation of The Valuers Association of Thailand in 2016 and the database of the Independent Property Appraiser as reference.

The IFA is of an opinion in the same view as the Independent Property Appraiser that the Replacement Cost Approach is an appropriate valuation method for evaluation of building and other improvements value as the assets were constructed with special characteristic and specific uses. The replacement cost was then adjusted to reflect current conditions of the assets. The assumptions on construction cost and depreciation of the assets are based on the standard construction costs of The Valuers Association of Thailand in 2016 and the database of the Independent Property Appraiser who is an expert in its field. Based on the appraisal report prepared by the Independent Property Appraiser No. FSC/59R-12-3296 dated December 28, 2016 by the Cost Approach, value of the building and improvements is equal to Baht 55.62 million.

1.2.1.4 Machinery and Equipment

First Star Consultant Co., Ltd. ("Independent Property Appraiser"), an independent property appraiser approved by the SEC, has been appointed by SSC to appraise value of machinery and equipment used in SSC's rubber glove production plants. The Independent Property Appraiser had surveyed assets on December 12, 2016 and December 13, 2016, and conducted the appraisal on December 28, 2016, with the public purpose, based on the report dated December 28, 2016 (No. FSC-59M-12-197 and FSC-59M-12-198). The Independent Property Appraiser applied the Replacement Cost Approach where the fair market value is the replacement cost of new assets with similar capability to the appraised assets and adjusted by physical, functional, and external obsolescence. Details of the valuation are as follows;

1.2.1.4.1 Machinery and Equipment – Factory 1

The machinery and equipment owned by SSC are located at 110 Moo 8, Kanjanavanich Road (K.M. 1274), Patong Sub-district, Hat Yai District, Songkhla Province. Summary of appraised price of the assets are as follows

No.	Details	Amount (items)	Replacement costs ^{5/} (Baht million)	Remaining life of the asset (years)	Market value (Baht million)
1	Machinery for rubber glove manufacturing – SSC 1	40	680.28	0 ^{1/2/}	198.51
2	Machinery for rubber glove manufacturing – SSC 2	20	689.74	0 ^{1/2/}	279.39
3	Machinery for rubber glove manufacturing – SSC 3	24	1,060.24	8 - 12 ^{1/}	470.69
4	Steam & Wood Boiler	26	455.41	0 ^{2/} – 14 ^{1/}	218.68
5	Heat Recovery System	3	111.12	0 ^{1/2/}	37.65
6	Tank	3	189.84	0 ^{1/2/}	62.54
7	Powder Free	3	561.58	0 ^{1/2/}	120.66
8	Plastic Injection Molding Machine	1	7.97	0 ^{2/} – 12 ^{1/}	4.78
9	Wood Chip Machine	2	30.15	12 – 14 ^{1/}	25.15
10	Generator	1	26.00	0 ^{2/} – 5 ^{1/}	5.31
11	Electrical Distribution System	5	148.95	0 ^{2/} – 18 ^{3/}	42.90
12	Water Chiller System	4	114.05	0 ^{2/} – 5 ^{1/} 17 – 18 ^{3/}	48.12
13	Water Treatment System	1	35.08	0 ^{2/3/}	7.72
14	Waste Water Treatment System	2	22.97	9 – 17 ^{3/}	13.24
15	Deep well Pump	2	19.67	0 ^{2/} – 19 ^{3/}	9.36
16	Air Supply System	5	122.76	10 – 19 ^{3/}	59.77
17	Calibration Equipment	2	4.04	0 ^{2/} - 9.09 ^{4/}	2.05

No.	Details	Amount (items)	Replacement costs ^{5/} (Baht million)	Remaining life of the asset (years)	Market value (Baht million)
18	Inkjet Printer	1	9.32	0 ^{1/2/}	1.58
19	Multi Vac Machine	1	9.60	0 ^{1/2/}	0.67
20	Laboratory Equipment	1	20.67	0 ^{2/} – 14.59 ^{1/}	6.09
21	Checker Power Department	3	8.85	2 – 5 ^{1/}	1.37
22	Other Machinery	1	34.10	n.a.	11.15
23	Premix Machine	1	0.36	n.a.	0.18
24	Turbo Mill	1	8.92	4 – 16 ^{3/}	3.28
25	Tool & Equipment	1	306.84	n.a.	61.37
26	Machinery under installation	1	85.64	n.a.	85.64
Total Machinery and equipment – Factory 1		156	4,764.15		1,777.84

Source: The appraisal report prepared by First Star Consultant Co., Ltd. No. FSC-59M-12-197 dated December 28, 2016.

Remark:

- 1/ Useful life of assets is around 15 years.
- 2/ When machinery has been used over the physical useful life of the asset, the market value of the asset shall not be lower than 20% of the replacement cost of the asset if the asset has been regularly maintained, or the market value of the asset shall be lower than 20% of the replacement cost if the asset has not been maintained. Thus, the market value of the asset is based on its condition on the survey date.
- 3/ Useful life of assets is around 20 years.
- 4/ Useful life of assets is around 10 years.
- 5/ The replacement cost is derived from documents in relation to the appraised machinery and equipment such as sell-purchase contracts, invoices, receipts from suppliers and database of the Independent Property Appraiser and other information from direct inquiry with suppliers if there is current market price of such machinery available, and then adjusted with the Machinery Price Index if there is no current market price of such machinery available.

The IFA is of an opinion in the same view as the Independent Property Appraiser that the Replacement Cost Approach is an appropriate valuation method for the evaluation of machinery and equipment values. Assumptions on the replacement cost and the depreciation of the assets are based on the usage of the assets because the assets were constructed with special characteristic and specific uses. Then, the replacement cost was adjusted to reflect current conditions of the assets. Based on the appraisal report prepared by the Independent Property Appraiser No. FSC-59M-12-197 dated December 28, 2016, value of the machinery and equipment is equal to Baht 1,777.84 million.

1.2.1.4.2 Machinery and Equipment – Factory 2

The machinery and equipment owned by SSC are located at 189 Moo 7, Surat Thani-Nakhon Sri Thammarat Road, Plaiwat Sub-district, Kanchanadit District, Surat Thani Province. Summary of appraised price of the assets are as follows:

No.	Details	Amount (items)	Replacement costs ^{3/} (Baht million)	Remaining life of the asset (years)	Market value (Baht million)
1	Glove Making Machine	14	795.49	9 – 13 ^{1/}	518.74
2	Steam & Wood Boiler	3	189.45	9 – 13 ^{1/}	120.94
3	Heat Recovery System	1	56.99	10 ^{1/}	38.28
4	Wood Chip Machine	4	6.76	5 – 9 ^{1/}	3.28
5	Tank	1	62.57	9 ^{1/}	40.98
6	Ultrasonic Cleaner	1	1.85	11.5 ^{1/}	1.33
7	Tumbling Dryer	2	0.94	11 – 13 ^{1/}	0.67
8	Generator	1	2.74	8 ^{1/}	1.81
9	Electrical Distribution System	1	69.69	15 ^{2/}	47.86
10	Water Chiller System	1	58.08	13 ^{1/}	38.72
11	Water Treatment System	1	24.87	10 ^{1/}	16.63
12	Deepwell Pump	1	12.20	18 ^{2/}	8.81
13	Air Supply System	1	32.47	10 ^{1/}	22.20
14	Inkjet Printer	1	5.15	10 ^{1/}	3.39
15	Laboratory Equipment	1	9.93	10 ^{1/}	6.38
16	Checker Power Department	1	5.43	8.9 ^{1/}	3.84
17	Other Machinery	1	5.17	10 ^{1/}	3.54
18	Tool & Equipment	1	58.82	10 ^{1/}	40.49
19	Machinery under installation	1	7.67	15 ^{1/}	7.67
Total Machinery and equipment – Factory 2		38	1,406.25		925.54

Source: The appraisal report prepared by First Star Consultant Co., Ltd. No. FSC-59M-12-198 dated December 28, 2016.

Remark:

- 1/ Useful life of assets is around 15 years.
- 2/ Useful life of assets is around 20 years.
- 3/ The replacement cost derived from documents in relation to the appraised machinery and equipment such as sell-purchase contracts, invoices, receipts from suppliers and database of the Independent Property Appraiser and other information from direct inquiry with suppliers if there is current market price of such machinery available, and then adjusted with the Machinery Price Index if there is no current market price of such machinery available.

The IFA is of an opinion in the same view as the Independent Property Appraiser that the Replacement Cost Approach is an appropriate valuation method for the evaluation of machinery and equipment value. The assumptions on the replacement cost and the depreciation of the assets are based on the usage of the assets because the assets were constructed with special characteristic and specific uses. Then, the replacement cost was adjusted to reflect current conditions of the assets. Based on the appraisal report prepared by the Independent Property Appraiser No. FSC-59M-12-198 dated December 28, 2016, value of SSC's machinery and equipment is equal to Baht 925.54 million.

Comparison of appraised value to book value of fixed assets of SSC can be summarized as follows:

(Unit: Baht million)

Fixed assets of SSC	Book value as of November 30, 2016 ^{6/}	Appraised value	Appraised value higher (lower) than book value (2) - (1)
	(1)	(2)	(2) - (1)
Appraised assets			
1 Land – Hat Yai	107.48	193.31 ^{1/2/}	85.82
2 Building and other improvements – Hat Yai	473.65	596.97 ^{1/2/}	123.32
3 Land – Surat Thani	43.77	58.13 ^{3/}	14.36
4 Building and other improvements – Surat Thani	316.46	318.07 ^{3/}	1.61
5 Machinery and equipment – Hat Yai	915.61	1,777.84 ^{4/}	862.23
6 Machinery and equipment – Surat Thani	621.45	925.54 ^{5/}	304.09
Total appraised fixed assets	2,478.43	3,869.86	1,391.43
Fixed assets – not appraised	110.33		
Total fixed assets	2,588.76		
Less: Deferred tax liabilities			(278.29) ^{7/}
Adjustment to shareholders' equity			1,113.14

Remark:

1/ The appraisal report prepared by First Star Consultant Co., Ltd. No. FSC/59R-12-3295 dated December 28, 2016.

2/ The appraisal report prepared by First Star Consultant Co., Ltd. No. FSC/59R-12-3296 dated December 28, 2016.

3/ The appraisal report prepared by First Star Consultant Co., Ltd. No. FSC/59R-12-3297 dated December 28, 2016.

4/ The appraisal report prepared by First Star Consultant Co., Ltd. No. FSC-59M-12-197 dated December 28, 2016.

5/ The appraisal report prepared by First Star Consultant Co., Ltd. No. FSC-59M-12-198 dated December 28, 2016.

6/ Comparing to book value as of November 30, 2016 due to it is closest date to the appraisal date.

7/ CapAd assumed deferred tax liabilities at 20% of unrealized gains from the appraised value higher (lower) than the book value of the appraised assets.

Thus, in order to reflect fair value of the fixed assets, CapAd has adjusted the shareholders' equity of SSC - net of deferred tax liabilities by Baht 1,113.14 million.

1.2.2 Right to purchase plots of land

Land Lease Agreements between SSC and (1) Mr. Viyavood Sincharoenkul with total areas of 16-3-53 rai and (2) Mr. Kitichai Sincharoenkul with total areas of 17-3-62 rai, have 8-year lease period from November 13, 2010 – November 12, 2018. Under the Land Lease Agreements, SSC has a right to purchase such land plots at Baht 1.18 million from Mr. Viyavood Sincharoenkul and Baht 1.25 million from Mr. Kitichai Sincharoenkul. SSC intends to purchase such land plots after expiration of Land Lease Agreements.

Based on the appraisal report prepared by First Star Consultant Co., Ltd. No. FSC/59R-12-3297 dated December 28, 2016, total value of the land owned by Mr. Viyavood Sincharoenkul with total areas of 16-3-53 rai (16.8825 rai) is Baht 6.75 million, and total value of the land owned by Mr. Kitichai Sincharoenkul with total areas of 17-3-62 rai (17.9050 rai) is Baht 6.45 million, which are higher than the future purchase prices of such lands. Therefore, CapAd views that SSC shall promptly recognize gain from fair value of lands higher than the purchase price of land at the end of lease period.

(Unit: Baht million)

	Appraised value	Purchase prices based on land lease agreements	Rental expenses during 1/1/17 – 12/11/18	Appraisal price higher than purchase prices at the end of the land lease agreements (1) - (2) - (3)
	(1)	(2)	(3)	(1) - (2) - (3)
Lands owned by Mr. Viyavood Sincharoenkul (16-3-53 rai)	6.75 ^{1/}	1.18 ^{2/}	0.31 ^{2/}	5.26
Lands owned by Mr. Kitichai Sincharoenkul (17-3-62 rai)	6.46 ^{2/}	1.25 ^{3/}	0.33 ^{3/}	4.88
Total leased lands	13.22	2.43	0.64	10.15
Less: Deferred tax liabilities				(2.03) ^{4/}
Adjustment to shareholders' equity				8.12

Remark:

- 1/ The appraisal report prepared by First Star Consultant Co., Ltd. No. FSC/59R-12-3297 dated December 28, 2016.
- 2/ Land lease agreement between SSC and Mr. Viyavood Sincharoenkul dated November 13, 2010.
- 3/ Land lease agreement between SSC and Mr. Kitichai Sincharoenkul dated November 13, 2010.
- 4/ CapAd assumed deferred tax liabilities at 20% of unrealized gains from the appraised value higher (lower) than the book value of the appraised assets.

Thus, CapAd has adjusted the shareholders' equity of SSC to reflect value of right to purchase plots of land in the future by Baht 8.12 million.

1.2.3 Additional expenses from legal disputes

Reference is made to the notes to financial statements of SSC for the year ended December 31, 2015.

On September 5, 2014, Semperit Technische Produkte Gesellschaft m.b.H. ("Semperit") filed requests for arbitration to the International chamber of Commerce (ICC) in Switzerland, alleging that SSC had breached the Joint Venture Agreement (to which SSC is not a counter party) and other commercial agreements between and SSC and Semperit. Semperit claimed initial damages of approximately EUR 3 million (equivalent to approximately Baht 119 million). Semperit submitted a full statement of claim on June 8, 2015.

The dispute arose because the parties to the Joint Venture Agreement by which the Company was established, Sri Tang Agro-Industry PCL., Rubberland Products Co., Ltd., and other Thai shareholders on the one side and Semperit on the other side, did not agree on the business plan of SSC in order to maintain and enhance its business competitiveness.

Based on the review of the statement of claim, the management of SSC believes that there are reasonable grounds on which SSC can resist Semperit's claims from damages in the Arbitration. The management of SSC believes, therefore, that the result of the dispute should not have any material impact upon the operation and financial position of SSC.

SSC has already filed a statement of defense. The dispute is under consideration of the arbitral tribunal.

In 2015 and 2016, legal expenses in relation to the legal disputes were around Baht 54.80 million and Baht 59.62 million, respectively.

However, both parties agree to settle all pending disputes between each other if these transactions are approved by the Extraordinary General Meeting of Shareholders and conditions of the Share Purchase Agreement and related agreements are completed. Therefore, CapAd has not set aside additional reserve for legal dispute with Semperit, but SSC still has to pay legal expenses as long as the legal disputes exist. CapAd has adjusted the shareholders' equity of SSC for additional legal expenses incurred in year 2016 by Baht 59.62 million.

(Please see more details about legal disputes in Clause 7 of the Information Memorandum on Acquisition and Disposition of Assets (Schedule 2), which is enclosed to the Notice of the Extraordinary General Meeting of Shareholders (Enclosure 2).

1.2.4 Sell of investments in SSF and SUSA to Semperit

Under this transaction, SSC agrees to sell 2,000 ordinary shares of Sempermed USA, Inc. ("SUSA") (equivalent to 50% of SUSA's paid-up capital) to Semperit at USD 13.00 million and to sell its investment in Shanghai Sempermed Gloved Sales Co., Ltd. ("SSF") to Semperit (or Semperit's designated person) at USD 3.20 million.

SSC will recognize gain from sale of SSF's and SUSA' shares as follows:

	Book value of investment in subsidiary as of December 31, 2015 (Baht million) (1)	Selling price of shares to Semperit (USD million) (2)	Selling price of shares to Semperit (Baht million) (3) = (2) * FX ^{1/}	Gain (Loss) from selling of shares (Baht million) (3) - (1)
SUSA ^{2/}	86.32	13.00	462.39 ^{1/}	376.07
SSF	45.24	3.20	113.82 ^{1/}	68.58
Total	131.56	16.20	576.21	444.65
Less: Deferred tax liabilities				(88.93)
Adjustment to shareholders' equity				355.72

Remark:

- 1/ CapAd applied average exchange rate of USD/Baht 35.5685 announced by the Bank of Thailand dated January 17, 2017. (Source: www.bot.or.th)
- 2/ Majority of SUSA's fixed assets are building, equipment, furniture and fixture with the book value around 2% of total assets as of December 31, 2015. Therefore, there is no appraisal of its fixed assets by the Independent Property Appraiser.

Thus, CapAd has adjusted the shareholders' equity of SSC with net gain from selling of SSF's and SUSA's shares to Semperit by Baht 355.72 million.

1.2.5 Dividend Payments

Under the Umbrella Agreement and other related agreements to this transaction, Semperit and STA agree that SSC will make a dividend payment of USD 118.20 million (equivalent to approximately Baht 4,204.20 million). (Please see more details in Information Memorandum on Acquisition and Disposition of Assets (Schedule 2) enclosed with Notice of the Extraordinary General Meeting of Shareholders (Enclosure 2))

Thus, CapAd has lowered shareholders' equity of SSC by the dividend payments of Baht 4,204.20 million.

Summary of adjustment to book value of SSC

The summary of adjustment items that shall affect book value of SSC's shares are as follows:

(Unit: Baht million)

Shareholders' equity as of December 31, 2015	7,734.83
Adjustments	
Increase (decrease) in the value of fixed assets	1,113.14 ^{1/}
Gain from the appraisal price of land over purchase price of land	8.12 ^{2/}
Legal expenses from legal disputes	(59.62) ^{3/}
Gain from sale of SSF's and SUSA's shares to Semperit	355.72 ^{4/}
Dividend payments	(4,204.20) ^{5/}
Net adjusted shareholders' equity	4,947.99
No. of paid-up shares (shares) as of December 31, 2015	20,000 ^{6/}
Adjusted book value per share (Baht)	247,399.25

Remark:

1/ Please see details in Part 3 Clause 1.2.1 of this report.

2/ Please see details in Part 3 Clause 1.2.2 of this report

3/ Please see details in Part 3 Clause 1.2.3 of this report

4/ Please see details in Part 3 Clause 1.2.4 of this report

5/ Please see details in Part 3 Clause 1.2.5 of this report

6/ Par value of Baht 10,000.00 per share

The value of SSC's shares after dividend payment based on this approach is Baht 247,399.25 per share, or equivalent to firm value of Baht 4,947.99 million.

1.3 Price to Book Value Ratio Approach: P/BV Ratio

In this approach, CapAd evaluated SSC's shares by using book value per share of SSC as shown in the latest financial statements as of December 31, 2015, audited by a certified public accountant who is not in an approved list by the SEC, which was Baht 386,741.30 per share and multiplied by the median of P/BV Ratios of 4 comparable listed companies in Bursa Malaysia: MYX that operate the business of manufacturing and distribution of rubber gloves similar to SSC. The information is for the period up to January 13, 2017. The details are summarized below:

SSC	Historical P/BV Ratio (time)							
	7 days	15 days	30 days	60 days	90 days	120 days	180 days	360 days
Hartalega Holdings Bhd.	0.96	0.96	0.96	0.96	0.95	0.95	0.94	1.01
Kossan Rubber Industries Bhd.	1.62	1.62	1.62	1.62	1.61	1.60	1.59	1.53
Top Glove Corporation Bhd.	1.52	1.52	1.52	1.48	1.47	1.46	1.44	1.91
Supermax Corp. Bhd.	1.54	1.54	1.54	1.54	1.54	1.53	1.54	1.54
Median of 4 companies	1.53	1.53	1.53	1.51	1.50	1.49	1.49	1.53
SSC's share value (Baht million/share)	0.59	0.59	0.59	0.58	0.58	0.58	0.58	0.59
Firm value of SSC (Baht million)	11,819.20	11,819.20	11,819.20	11,695.06	11,635.73	11,552.25	11,526.45	11,845.29

Source: Bloomberg

Remark: Such 4 companies are among the top-5 manufacturer and distributor of rubber gloves (Production capacity of Top Glove is around 46.7 billion pieces per year, Kossan's around 22 billion pieces per year, Supermax's around 23.1 billion pieces per year, and Hartalega's around 20 billion pieces per year). There is no listed company in the SET having similar business and size comparing to those of SSC.

The value of SSC's shares based on this approach is Baht 576,322.64 – 592,264.33 per share, or equivalent to firm value of Baht 11,526.45 – 11,845.29 million.

1.4 Price to Earnings Ratio Approach: P/E Ratio

In this approach, CapAd evaluated earnings per share of SSC by using net profit of SSC for the last 12 months period ended December 31, 2015 as specified in consolidated financial statement, audited by a certified public accountant who is not in an approved list by the SEC, and multiplied by the median of P/E Ratios of 4 comparable listed companies in Bursa Malaysia: MYX that operate the

business of manufacturing and distribution of rubber gloves similar to SSC. The information is for the period up to January 13, 2017. The details are summarized below:

SSC	Historical P/E Ratio (time)							
	7 days	15 days	30 days	60 days	90 days	120 days	180 days	360 days
Hartalega Holdings Bhd.	30.00	29.84	29.84	30.08	30.00	29.54	28.67	30.95
Kossan Rubber Industries Bhd.	23.03	22.95	22.89	23.45	23.05	22.49	21.70	23.75
Top Glove Corporation Bhd.	21.71	21.64	21.19	19.27	18.45	17.28	16.78	18.66
Supermax Corp. Bhd.	17.13	17.04	17.04	17.42	16.82	16.14	15.36	14.90
Median of 4 companies	22.37	22.29	22.04	21.36	20.75	19.89	19.24	21.20
SSC's share value (Baht million/share)	1.39	1.38	1.37	1.32	1.29	1.23	1.19	1.31
Firm value of SSC (Baht million)	27,707.86	27,612.92	27,300.48	26,455.16	25,704.35	24,633.20	23,833.43	26,263.82

Source: Bloomberg

The value of SSC's shares based on this approach is Baht 1,191,671.36 – 1,385,393.22 per share, or equivalent to firm value of Baht 23,833.43 – 27,707.86 million.

1.5 **Discounted Cash Flow Approach**

This valuation approach takes into account SSC's future operating performance by deriving present value of future cash flow stream using an appropriate discount rate. The Independent Financial Advisor calculated the Weighted Average Cost of Capital (WACC) to be used as the discount rate and constructed a 10-year forecast of SSC's cash flow (2016 - 2025) based on an assumption that SSC's operation is on a going concern basis without any significant changes and is under the current economic conditions and circumstances. However, CapAd considers affects from this transaction and termination of Joint Venture Agreement and relevant agreements between the Company and Semperit such as Distribution Agreement, Latex Purchase Agreement and Technical Assistance Agreement.

CapAd constructed the financial forecast for SSC based on information and assumptions from the Company and SSC and interviews with the managements and relevant officers. The objectives of the financial forecast are to evaluate the fair value of SSC's shares. If there is any change in overall economic outlook and other internal and external factors that materially affect SSC's business operation or assumptions used herein, the fair value derived from the financial projection may change accordingly.

Due to SSC held 50% of SUSA and 100% of SSF, CapAd has applied sum-of-the-part approach for the valuation of SSC.

1.5.1 **Cash Flow from Operation of SSC (only)**

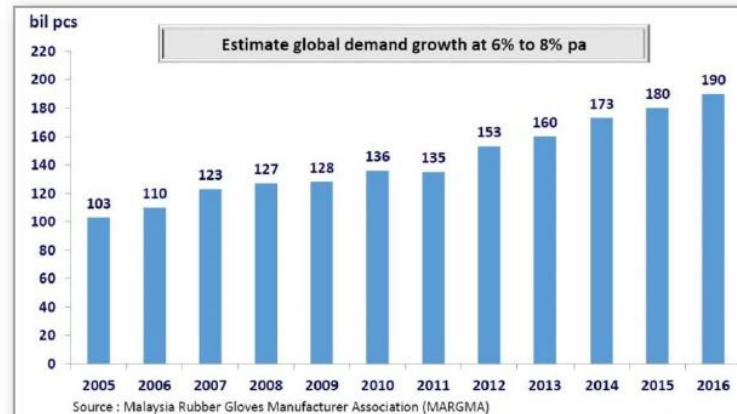
The assumptions for SSC's financial forecast can be summarized as follows:

Revenue from Sales

SSC is a manufacturer and distributor of rubber medical glove with production capacity ranked in top-5 globally. SSC exports around 60% of its sales to USA and Europe and 30% to other countries, while the remaining of approximately 10% is sold domestically.

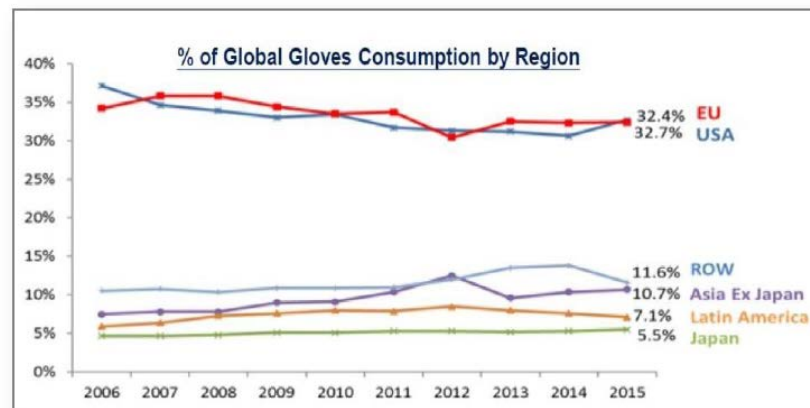
At the present, SSC sold products through main 3 agents, namely (1) Semperit, (2) SUSA, the subsidiary of SSC with 50% shareholdings, and (3) STA.

Based on the Malaysian Rubber Gloves Manufacturers Association (MARGMA), demands for rubber gloves since 2005 have been increased by 5.74% per annum on average. Demand is expected to grow successively, driven from many factors such as population growth and increase of medical safety standards in many countries.



Global demand for rubber glove was around 190 million pieces in 2016. The Malaysian Rubber Gloves Manufacturers Association (MARGMA) estimated global demand for rubber gloves to grow at 6 % to 8 % per annum.

Major importers of rubber gloves are USA (around 33%), Europe (32%), Japan (6%) and Latin America (7%). The current rubber gloves consumption in developed markets is greater than in developing countries, for which shall be an opportunity to expand the market vastly in the future.



The glove producers are mainly in Asia; approximately 63% of rubber gloves production in 2013 are from Malaysia, 19% from Thailand, and 12% from Indonesian. The 4 top producers are Malaysian suppliers with total production capacity of around 111.70 billion pieces per year, consisted of Top Glove (production capacity of around 46.7 billion pieces per year), Kossan (production capacity of around 22 billion pieces per year), Supermax (production capacity of around 23.1 billion pieces per year), and Hartalega (production capacity of around 20 billion pieces per year). (Source: *International Rubber Glove Conference & Exhibition, The State of Glove Affair* by Mr. Lim Kwee Shyan, MARGMA President, November 3, 2014, and *Glove Division Marketing Plan* of STA)

Summary of estimated revenue from sales of rubber gloves are as follows:

SSC	Unit	2013A	2014A	2015A	9M2016F	2016F	2017F	2018F
Installed capacity	million pieces	14,567	15,137	15,137	11,353	15,137	15,137	15,137
Capacity utilization	%	77.84%	88.85%	86.57%	87.69%	87.69%	85.81%	74.97%
Sales volume								
- Europe ^{1/}	million pieces	5,031	5,196	4,548	3,279	4,372	3,279	1,530
- USA ^{1/}	million pieces	3,162	2,607	2,371	1,619	2,159	1,619	756
- Other countries ^{2/4/}	million pieces	2,245	4,557	4,676	3,753	5,004	6,005	6,726
- Thailand ^{2/}	million pieces	901	1,088	1,510	1,304	1,739	2,086	2,337
Total sales volume	million pieces	11,339	13,449	13,104	9,955	13,274	12,990	11,348
% growth of sales volume	%	n.a.	18.60%	(2.56)%	1.30% ^{3/}	1.30%	-2.14%	-12.64%
Average selling price	Baht/piece	0.83	0.79	0.78	0.68	0.69	0.78	0.78
% growth of avg. price	%	n.a.	(4.91)%	(2.91)%	(12.21)% ^{1/}	-10.45%	11.97%	1.00%
Sales Revenue	Baht million	9,449.33	10,656.29	10,156.19	6,774.05	9,212.34	10,094.08	8,906.78

SSC	Unit	2019F	2020F	2021F	2022F	2023F	2024F	2025F
Installed capacity	million pieces	15,137	15,137	15,137	15,137	15,137	15,137	15,137
Capacity utilization	%	74.49%	72.44%	76.79%	81.40%	83.84%	86.35%	88.94%
Sales volume								
- Europe ^{1/}	million pieces	656	0	0	0	0	0	0

SSC	Unit	2019F	2020F	2021F	2022F	2023F	2024F	2025F
- USA ^{1/}	million pieces	324	0	0	0	0	0	0
- Other countries ^{2/4/}	million pieces	7,398	8,138	8,626	9,144	9,418	9,701	9,992
- Thailand ^{2/}	million pieces	2,571	2,828	2,997	3,177	3,272	3,371	3,472
Total sales volume	million pieces	10,948	10,966	11,624	12,321	12,691	13,071	13,463
% growth of sales volume	%	-3.52%	0.16%	6.00%	6.00%	3.00%	3.00%	3.00%
Average selling price	Baht/piece	0.79	0.80	0.81	0.82	0.82	0.83	0.84
% growth of avg. price	%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
Sales revenue	Baht million	8,678.83	8,779.42	9,399.25	10,062.84	10,468.37	10,890.24	11,329.12

Remark:

1/ Through Semperit and SUSa

2/ Through STA (Please see remark 4/)

3/ Annualized

4/ Since 2017, sales to Europe and USA are included after termination of Joint Venture Agreement and related agreements.

In 2013 – 2015, SSC's sales revenue were Baht 9,449.33 million, Baht 10,656.29 million and Baht 10,156.19 million, respectively, or increased by 12.77% in 2014 and decreased by 4.69% in 2015. Decrease in sales in 2015 was mainly due to conflict between major shareholders of SSC, namely Semperit and STA. Semperit alleged that SSC had breached the Joint Venture Agreement, causing sales of rubber gloves to Europe and USA to drop.

During 9 months of 2016, SSC's sales revenue was Baht 6,774.05 million, or decreased by 13.92% comparing to the same period of last year, mainly due to decrease in sales volume and sales price.

Sales volume of rubber gloves

In this financial forecast, CapAd assumes sales volume in 2016 of 13,274 million pieces, which is equivalent to the annualized sale volume during the first 9 months of 2016. Sales volumes in 2017 – 2020 are 12,999 million pieces 11,348 million pieces 10,948 million pieces and 10,966 million pieces, respectively, or decreased by 2.14% from 2016, 12.64% from 2017, 3.52% from 2018, and increased by 0.16% from 2019. The decrease in sales volume is mainly from sales through Semperit and SUSa will gradually decrease, while STA has to find other distribution channels to replace.

After this transaction, it is assumed that Semperit and SUSa will gradually lower purchase of rubber gloves from SSC. Purchase in 2017 will decrease by 25% from sales volume in 2016, purchase in 2018 will decrease by 40% from sales volume in 2016, and purchase in 2019 – 2020 will decrease by 15% – 20% from sales volume in 2016. Then, from 2021 onward, there will be no sales through Semperit and SUSa according to marketing plan of the Company and adjusted by CapAd.

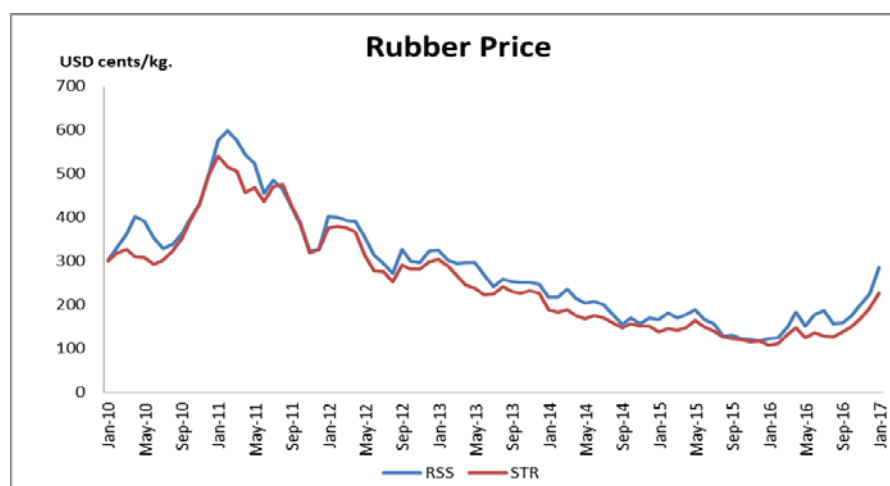
After termination of Joint Venture Agreement and other related agreements, STA will be able to sell rubber gloves to Europe and USA markets. Currently, STA has prepared marketing plans for rubber glove products to sustain its market share and growth of rubber glove business including strategies to cope with a decrease in sales volume to Europe and USA market as an impact from termination of Joint Venture Agreement. Since 2014, STA has continued marketing in international markets. STA is confident that it should be able to succeed in Europe and USA markets with its quality products, competitive price and right distribution channel. STA has planned to form additional marketing team in order to maintain its market shares and capture new customers.

In the past 3 years (2013 – 2015), sales volume of rubber gloves through STA have been successively increased by 23.72%, 79.41% and 9.57%. In 2016, it was increased by around 9% (annualized). CapAd, therefore, assumes that sales volume through STA increase by 20% in 2017, 10% - 12% in 2018 - 2020 (CapAd adjusts percentage growth of sales volume through STA from the marketing plan for rubber glove business of STA),

Besides, CapAd assumes sales volume in 2021 – 2022 to increase by 6% per annum based on the average growth of global demand in the past 10 years, and assumes 3% increase in sales volume per annum from 2023 onwards.

Average selling price

In 2013 – 2015, average selling price was Baht 0.83, Baht 0.79 and Baht 0.78, respectively, or decreased by 4.91% and 2.19%, respectively. During the first 9 months of 2016, average selling price was Baht 0.68 or 12.21% decrease from 2015, due to lower average material costs and different product mix in each year.



Source: http://www.sgx.com/wps/portal/sgxweb/home/products/derivatives/commodities/rubber/sicom-rubber/data_statistics#daily_settlement_price

In this financial forecast, CapAd assumes that the average selling prices in 4th quarter of 2016 is Baht 0.73 per piece, which is equivalent to the average actual selling price in the 4th quarter of 2016. It was increased due to raw material costs have been steadily increased since September 2016. However, CapAd applies the average selling price of 2013 – 2016 as the reference price for this financial forecast as rubber price has been rather volatile in the past. Thus, the average selling prices in 2017 is assumed at Baht 0.78 per piece, which is equivalent to the average actual selling price in 2013 – 2016. Besides, it is assumed that average selling price increase by 1% per annum from 2018 onwards, based on conservative basis and STA's view on rubber price. Management of STA views that rubber price was bottomed out during the end of 2015 to early of 2016. (Please see historical rubber price in the chart above.)

Cost of Sales

Cost of sales consist of raw material costs, direct labor costs, manufacturing supplies, costs of molds, repair and maintenance expenses, indirect labor costs, depreciation expenses, reserves for obsolesces and spoilages, and other expenses.

In 2013 – 2015, SCC's cost of sales were Baht 8,227.09 million, Baht 9,162.68 million and Baht 8,591.74 million, respectively, or equivalent to average gross profit margin of 12.93%, 14.02% and 15.40% of revenue from sales, respectively. Gross profit margin was increased due to decrease in raw material costs.

During the first 9 months of 2016, cost of sales were Baht 6,125.30 million, or equivalent to gross profit margin of 9.58% of revenue from sales, which was lower than the gross profit margin of 2015 because selling price decreased at higher rate than cost of raw material and fixed manufacturing costs, and reserve for obsolesces and spoilages increase.

In this financial forecast, CapAd assumes that variable costs, such as raw material costs, variable manufacturing costs and other expenses, are based on the average historical ratio of each expense item to sales revenue and trend of such costs in order to decide appropriate reference rate and reflect current cost structure of SSC. Fixed costs will increase by the estimated inflation rate or the historical growth rate of salary. Details are as follows:

- Raw material costs in 4th quarter of 2016 and year 2017 – 2025 are assumed at 63.40% of sales revenue, which is equivalent to the average ratio of raw material costs to sales revenue in 2013 – 2015 and the first 9 months of 2016.
- Variable costs such as direct labor costs, manufacturing supplies, costs of molds, and repair and maintenance expenses in 4th quarter of 2016 and year 2017 – 2025 are assumed at 10.30% of sales revenue, which is equivalent to the average ratio of variable costs to sales revenue in 2013 – 2015 and the first 9 months of 2016.
- Fixed manufacturing costs are indirect labor costs and other expenses. It is assumed that indirect labor costs is assumed to grow at 5% per annum, and other expenses is assumed to increase at 3% per annum based on inflation rate.
- Other expense are reserves for obsolesces and spoilages, investment for repairs and other expenses. Other expenses in 4th quarter of 2016 and year 2017 – 2025 are assumed at 1.43% of sales revenue, which is equivalent to the average ratio of other expenses to sales revenue in 2013 – 2015 and the first 9 months of 2016.

Summary of estimated cost of sales are as follows;

(Unit: Baht million)

SSC	2013A	2014A	2015A	9M2016F	2016F	2017F	2018F
Raw material costs	6,243.42	6,764.78	6,157.58	4,287.81	5,833.55	6,399.65	5,646.90
Variable costs	857.32	1,053.99	1,070.99	781.29	1,034.10	1,039.69	917.40
Fixed costs	992.76	1,213.23	1,217.01	945.52	1,253.05	1,320.41	1,360.78
Other costs	133.59	130.67	146.16	110.68	145.78	144.17	127.21
Total cost of sales	8,227.09	9,162.68	8,591.74	6,125.30	8,266.48	8,903.91	8,052.29
% cost of sales to sales revenue (%)	87.07%	85.98%	84.60%	90.42%	89.73%	88.21%	90.41%
% cost of sales to sales revenue (excl. depreciation) (%)	82.32%	81.15%	79.13%	84.09%	83.52%	82.16%	83.42%

(Unit: Baht million)

SSC	2019F	2020F	2021F	2022F	2023F	2024F	2025F
Raw material costs	5,502.38	5,566.15	5,959.12	6,379.84	6,636.95	6,904.41	7,182.66
Variable costs	893.92	904.28	968.12	1,036.47	1,078.24	1,121.70	1,166.90
Fixed costs	1,310.59	1,222.67	1,111.36	1,159.20	1,207.62	1,268.63	1,332.01
Other costs	123.95	125.39	134.24	143.72	149.51	155.54	161.81
Total cost of sales	7,830.84	7,818.49	8,172.85	8,719.23	9,072.33	9,450.27	9,843.38
% cost of sales to sales revenue (%)	90.23%	89.05%	86.95%	86.65%	86.66%	86.78%	86.89%
% cost of sales to sales revenue (excl. depreciation) (%)	84.00%	84.26%	84.02%	83.78%	83.79%	83.81%	83.82%

Other incomes

Other incomes consisted of gain from foreign exchanges, refundable tax, interest incomes, rental incomes, sales of raw materials and spoilages, and other incomes.

In 2013 – 2015 and during the first 9 months of 2016, other incomes were Baht 172.91 million, Baht 153.60 million, Baht 257.06 million, and Baht 103.06 million, respectively, or equivalent to 1.83%, 1.44%, 2.53% and 1.52% of sales revenue, respectively. Increase of other incomes in 2015 was mainly from gain from foreign exchanges.

In this financial forecast, CapAd assumes that variable incomes, such as refundable tax, interest incomes and sales of raw materials and spoilages, are based on the average historical ratio of each income item to sales revenue and trend of such incomes in order to reflect current revenue structure of SSC. The fixed incomes such as rental incomes will be increased by the estimated inflation rate. Details are as follows:

- Gain from foreign exchanges in 2016 was equivalent to that in the first 9 months of 2016, and there is no gain (loss) from foreign exchanges in 2017 – 2025.
- Revenue from refundable taxes is assumed at 0.25% of sales revenue, which is equivalent to the ratio of revenue from refundable taxes to sales revenue in 2013 – 2015 and the first 9 months of 2016.
- Interest incomes is assumed at 0.20% of sales revenue, which is equivalent to the ratio of interest incomes to sales revenue in 2013 – 2014. In 2015 and during the first 9 months of 2016, interest incomes were relatively high as SSC had a lot of cash on hand in such period. However, SSC's cash on hand shall drop in 2017 as it will make a dividend payment of USD 118.20 million according to the relevant agreements of this transaction.
- Revenue from sales of raw materials and spoilages is assumed at 0.35% of sales revenue, which is equivalent to the ratio of revenue from sales of raw materials and spoilages to sales revenue in 2013 – 2015 and during the first 9 months of 2016.
- Rental incomes in 2016 is assumed to equal to the annualized rental income during the first 9 months of 2016, and rental incomes in 2017 – 2025 are assumed to grow at 3% per annum based on estimated inflation rate.

Summary of estimated other incomes are as follows;

(Unit: Baht million)

SSC	2013A	2014A	2015A	9M2016F	2016F	2017F	2018F
Gain from foreign exchanges	12.85	46.18	167.13	2.66	2.66	-	-
Refundable taxes	25.66	25.76	25.46	17.08	23.03	25.64	22.63
Interest incomes	14.73	19.78	32.20	38.75	52.70	20.19	17.81
Sales of raw material and spoilages	45.51	52.70	26.27	35.73	44.45	35.26	31.11
Rental incomes	4.75	5.67	5.99	4.11	5.48	5.65	5.82
Other incomes	67.79 ^{1/}	3.51 ^{1/}	0.02 ^{1/}	4.73 ^{1/}	4.73 ^{1/}	-	-
Total other incomes	171.30	153.60	257.06	103.06	133.05	86.74	77.37
% of other incomes to sales revenue	1.83%	1.44%	2.53%	1.52%	1.44%	0.86%	0.87%

Remark: 1/ Most of other incomes are compensation for property damaged and Business Interruption

(Unit: Baht million)

SSC	2019F	2020F	2021F	2022F	2023F	2024F	2025F
Gain from foreign exchanges	-	-	-	-	-	-	-
Refundable taxes	22.05	22.30	23.88	25.56	26.59	27.66	28.78
Interest incomes	17.36	17.56	18.80	20.13	20.94	21.78	22.66
Sales of raw material and spoilages	30.32	30.67	32.83	35.15	36.57	38.04	39.58
Rental incomes	5.99	6.17	6.35	6.55	6.74	6.94	7.15

SSC	2019F	2020F	2021F	2022F	2023F	2024F	2025F
Other incomes	-	-	-	-	-	-	-
Total other incomes	75.71	76.70	81.86	87.38	90.84	94.43	98.16
% of other incomes to sales revenue	0.87%	0.87%	0.87%	0.87%	0.87%	0.87%	0.87%

Selling and Administrative Expenses

▪ **Selling Expenses**

Selling expenses consist of freight, forwarding and lorry, employee expenses, commission, sales promotion, insurance expenses and other selling expenses.

In 2013 – 2015 and during the first 9 months of 2016, selling expenses were Baht 136.96 million, Baht 193.78 million, Baht 141.93 million, and Baht 111.72 million, respectively, or equivalent to 1.45%, 1.82%, 1.40% and 1.65% of sales revenue, respectively. Selling expenses decreased in 2015 due to the transfer of SSC's sales personnel to STA.

In this financial forecast, CapAd assumes that selling expenses, which are variable expenses, are based on the average historical ratio of each expense item to sales revenue and trend of such expense in order to reflect current cost structure of SSC. Details are as follows:

- Freight expenses in 4th quarter of 2016 and year 2017 – 2025 are assumed at 0.30% of sales revenues, which is equivalent to the average ratio of freight expenses to sales revenues in 2014 – 2015 and the first 9 months of 2016. Such ratio should reflect current sales structure of SSC.
- Forwarding and lorry expenses in 4th quarter of 2016 and year 2017 – 2025 are assumed at 1.03% of sales revenues, which is equivalent to the average ratio of forwarding and lorry expenses to sales revenues in 2015 and during the first 9 months of 2016. Such ratio should reflect current sales structure of SSC.
- Insurance expenses in 4th quarter of 2016 and year 2017 – 2025 are assumed at 0.13% of sales revenues, which is equivalent to the average ratio of insurance expenses to sales revenues from sales in 2015 and during the first 9 months of 2016.
- Other expenses in 4th quarter of 2016 and year 2017 – 2025 are assumed at 0.06% of sales revenues, which is equivalent to the average ratio of other expenses to sales revenues in 2015 and the first 9 months of 2016.

Summary of estimated selling expenses are as follows:

(Unit: Baht million)

SSC	2013A	2014A	2015A	9M2016F	2016F	2017F	2018F
Freight	19.61	28.59	29.24	21.56	28.90	30.28	26.72
Forwarding and lorry	72.16	96.02	97.17	75.41	100.63	103.97	91.74
Insurance	12.79	13.84	12.03	8.93	12.10	13.12	11.58
Other selling expenses	3.82	8.97	3.59	5.82	7.31	6.06	5.34
Salary and employee expenses	19.95	30.88	-	-	-	-	-
Commission	5.25	10.37	-	-	-	-	-
Sales promotion	3.38	5.10	-	-	-	-	-
Total selling expenses	136.96	193.78	141.93	111.72	148.96	153.43	135.38
% of selling expenses to sales revenue	1.45%	1.82%	1.40%	1.65%	1.62%	1.52%	1.52%

(Unit: Baht million)

SSC	2019F	2020F	2021F	2022F	2023F	2024F	2025F
Freight	26.04	26.34	28.20	30.19	31.41	32.67	33.99
Forwarding and lorry	89.39	90.43	96.81	103.65	107.82	112.17	116.69
Insurance	11.28	11.41	12.22	13.08	13.61	14.16	14.73
Other selling expense	5.21	5.27	5.64	6.04	6.28	6.53	6.80
Salary and employee expenses	-	-	-	-	-	-	-
Commission	-	-	-	-	-	-	-
Sales promotion	-	-	-	-	-	-	-
Total selling expenses	131.92	133.45	142.87	152.96	159.12	165.53	172.20
% of selling expenses to sales revenue	1.52%	1.52%	1.52%	1.52%	1.52%	1.52%	1.52%

▪ **Administrative Expenses**

Administrative expenses consist of employee expenses, land rental fees, bank charge, depreciation and amortization expenses, repair and maintenance, office expenses, auditor fee, advisor fees, other fees, penalty charge, loss from selling of assets, and other expenses.

In 2013 – 2015 and the first 9 months of 2016, administrative expenses were Baht 141.80 million, Baht 186.50 million, Baht 245.83 million and Baht 163.61 million, respectively, increased by 31.52%, 31.71% and 11.19% (Annualized) when compared with previous years, respectively. In 2014, administrative expenses increased mainly from penalty taxes from utilizing of BOI's tax privileges, legal expenses and other fees. In 2015, administrative expenses increased mainly from legal expenses from legal disputes with Semperit (Please see more details in Part 3 Clause 1.2.3 of this

report.). During the first 9 months of 2016, administrative expenses decreased as a result of refund of penalty taxes.

In this financial forecast, CapAd realizes that most of administrative expenses are not varied to sales revenue. Therefore, CapAd considers growth of each expense item based on expected inflation rate, or average historical growth, or trend of such expenses accordingly. Details of our assumption are as follows:

- Employee expense in 2016 is equivalent to the annualized employee expenses of the first 9 months of 2016. Employee expenses in 2017 – 2025 are assumed to increase by 5% per annum, which is equivalent to average growth of employee expense in 2014 – 2015 and the first 9 months of 2016.
- Office expenses in 2016 is equivalent to the annualized office expenses of the first 9 months of 2016. Office expenses in 2017 – 2025 are assumed to increase by 3% per annum, based on estimated inflation rate.
- Legal expenses in 2016 are assumed at Baht 59.62 million, based on actual expenses. In 2017, legal expenses are assumed at Baht 20 million, or equivalent to legal expense in the 1st quarter of 2017. However, CapAd assumes decreasing legal expenses as after this transaction SSC should be able to settle the legal disputes with Semperit.
- Bank charge in 2016 – 2025 are assumed at 0.07% of sales revenues, or equivalent to the average ratio of bank charge to sales revenues in 2014 – 2015 and the first 9 months of 2016.
- Other administrative expenses in 2016 are equivalent to the annualized of such expenses in the first 9 months of 2016. In 2017 – 2025, other administrative expenses are assumed to increase by 3% per annum based on estimated inflation rate.

Summary of estimated administrative expenses are as follows;

(Unit: Baht million)

SSC	2013A	2014A	2015A	9M2016F	2016F	2017F	2018F
Employee expenses	89.11	94.58	99.82	76.02	101.36	106.42	111.74
Office expenses	12.09	15.98	27.78	21.72	28.96	29.83	30.73
Legal expenses	3.13	9.44	55.02	52.95	59.62	20.00	-
Bank charge	8.33	8.30	7.30	4.78	6.50	7.41	6.54
Depreciation and amortization	4.62	4.62	3.83	3.18	4.27	4.62	4.60
Penalty tax	1.49	17.28	1.23	(18.48) ^{1/}	(18.48) ^{1/}	-	-
Other administrative expenses	23.02	36.30	50.65	23.44	30.04	31.01	31.71
Total administrative expenses	141.80	186.50	245.63	163.61	212.26	199.29	185.32
% of administrative expenses to sales revenue	1.50%	1.75%	2.42%	2.42%	2.30%	1.97%	2.08%

(Unit: Baht million)

SSC	2019F	2020F	2021F	2022F	2023F	2024F	2025F
Employee expenses	117.33	123.20	129.36	135.83	142.62	149.75	157.24
Office expenses	31.65	32.60	33.57	34.58	35.62	36.69	37.79
Legal expenses	-	-	-	-	-	-	-
Bank charge	6.37	6.45	6.90	7.39	7.69	8.00	8.32
Depreciation and amortization	3.82	2.97	1.95	2.04	2.13	2.29	2.46
Penalty tax	-	-	-	-	-	-	-
Other administrative expenses	32.58	33.53	34.59	35.69	36.78	37.90	39.05
Total administrative expenses	191.75	198.75	206.38	215.53	224.83	234.62	244.85
% of administrative expenses to sales revenue	2.21%	2.26%	2.20%	2.14%	2.15%	2.15%	2.16%

Remark: 1/ Tax refund from penalty paid.

Financial Costs

At the present, SSC has no obligation from borrowing and interest bearing debt.

Corporate Income Tax

Corporate income tax rate of 20% was assumed for the Factory 1 in Songkhla Province. Most of the remaining BOI privileges are from the Factory 2 in Surat Thani Province, with the exemption from corporate income tax for 8 years (2018 - 2022) and 50% reduction in corporate income tax for 5 years (2023 – 2027).

Capital Expenditures

Capital expenditures are expenditure for regular replacement and maintenances, excluding capital expenditure for expansion. In 2016 – 2017, capital expenditure are at Baht 298.64 million and Baht 214.14 million, respectively, based on actual amount for 2016 and SSC's budget for 2017. In 2018, capital expenses are Baht 282.29 million, equivalent to the average capital expenditures in 2015 - 2017. Capital expenditures are expected to increase by 3% per annum from 2019 onwards.

Current assets and current liabilities turnover

Based on SSC's historical data of 2015 and the first 9 months of 2016 and considered the suitability of the ratios, current assets and current liabilities turnover ratios throughout the projection period are as follows:

Trade and other account receivables	4.00	Days on averages
Trade and other account receivables – related parties	51.00	Days on averages
Inventory	42.00	Days on averages
Trade and other account payables	28.00	Days on averages
Trade and other account payables – related parties	4.00	Days on averages

Summary of financial projection of 2016 - 2025 is as follows:

(Unit: Baht million)

SSC	2016F	2017F	2018F	2019F	2020F
Income Statements					
Sales revenue	9,212.34	10,094.08	8,906.78	8,678.83	8,779.42
Gross profits	945.86	1,190.17	854.49	847.99	960.93
EBIT	717.69	924.18	611.16	600.03	705.44
EBITDA	1,293.87	1,539.82	1,237.66	1,144.77	1,129.27
Net profits	612.08	788.18	521.23	511.74	601.63
Statement of Financial Positions					
Assets ^{1/}	9,169.61	10,013.68	10,460.25	10,952.57	11,553.12
Liabilities	822.71	878.59	803.93	784.52	783.43
Shareholders' equity ^{1/}	8,346.91	9,135.09	9,656.32	10,168.06	10,769.69

(Unit: Baht million)

SSC	2021F	2022F	2023F	2024F	2025F
Income Statements					
Sales revenue	9,399.25	10,062.84	10,468.37	10,890.24	11,329.12
Gross profits	1,226.40	1,343.61	1,396.04	1,439.97	1,485.74
EBIT	959.01	1,062.51	1,102.93	1,134.25	1,166.86
EBITDA	1,236.97	1,353.35	1,405.70	1,459.97	1,516.22
Net profits	817.89	906.16	911.49	937.37	964.32
Statement of Financial Positions					
Assets ^{1/}	12,402.08	13,356.14	14,298.59	15,269.09	16,267.87
Liabilities	814.50	862.40	893.36	926.49	960.96
Shareholders' equity ^{1/}	11,587.58	12,493.74	13,405.23	14,342.60	15,306.92

Remark: 1/ The dividend payment by USD 118.20 million based on the Umbrella Agreement is not included.

▪ **Terminal Value**

Terminal value is assumed at 0% p.a. under conservative basis.

▪ **Discount Rate**

The discount rate applied to the calculation of the present value of free cash flow is the Weighted Average Cost of Capital (WACC), which is derived from the weighted average of Cost of Debt (K_d) and Cost of Equity (K_e) based on the following formula:

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

K_e	=	Cost of equity or shareholders' required rate of return (R_e)
K_d	=	Cost of debt or interest rate on loan of the Company
T	=	Corporate income tax rate
E	=	Total shareholders' equity
D	=	Interest-bearing debt

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

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

Where

Risk Free Rate (R_f) = 3.46% per annum based on 30-year government bond yield (information as of January 17, 2017), which is currently the longest government bond that is regularly issued or offered for sale by the Government, assuming that its operation is on an going concern basis.

Beta (β) = 1.201 times based on unlevered beta of STA (1-year historical data until January 17, 2017) and then adjusted with estimated D/E ratio of STA after these transactions.

Market Risk (R_m) = 15.22% per annum, which is the 32-year average rate of monthly return from the investment in market portfolio of the Stock Exchange of Thailand (January 1985 – December 2016). However, CapAd did not take into account market returns during 1975 – 1984 because they were returns during the establishment of the Stock Exchange when few companies were listed and trading volume was limited. Therefore, they may not reflect the actual market return.

K_d = 4.00% per annum, which was equivalent to current interest rate on loans of the Company.

D/E Ratio = 1.40 times, equivalent to estimated D/E ratio of STA after these transactions.

T = Estimated corporate income tax rate of 20% per annum.

Therefore, the discount rate or WACC is equal to **9.20% per annum**.

By using above information and assumptions, SSC's future cash flow is as follows:

(Unit: Baht million)

SSC	2016F	2017F	2018F	2019F	2020F
EBIT	717.69	924.18	611.16	600.03	705.44
Corporate income taxes	(105.61)	(135.99)	(89.93)	(88.29)	(103.80)
Depreciation and amortization	576.18	615.64	626.50	544.74	423.83
Working capital	19.53	(150.33)	202.24	40.42	(14.82)
Capital expenditures	(298.64)	(241.14)	(282.29)	(290.76)	(299.48)
Free Cash Flow to Firm	909.16	1,012.35	1,067.68	806.14	711.17
PV of Free Cash Flow to Firm	909.16	927.06	895.36	619.07	500.13

(Unit: Baht million)

SSC	2021F	2022F	2023F	2024F	2025F
EBIT	959.01	1,062.51	1,102.93	1,134.25	1,166.86
Corporate income taxes	(141.12)	(156.35)	(191.44)	(196.88)	(202.54)
Depreciation and amortization	277.95	290.85	302.77	325.72	349.37
Working capital	(103.11)	(114.96)	(70.78)	(73.93)	(76.90)
Capital expenditures	(308.46)	(317.72)	(327.25)	(337.07)	(347.18)
Free Cash Flow to Firm	684.28	764.32	816.23	852.10	889.61
PV of Free Cash Flow to Firm	440.67	450.76	440.81	421.42	402.90

SSC	Baht million
PV of Cash Flow	6,007.33 ^{1/}
PV of Terminal Value	4,379.31
Present Value of Free Cash Flow	10,386.64
Add: Cash and cash equivalent as of December 31, 2015	3,158.94 ^{2/}
Less: Outstanding interest bearing debts as of December 31, 2015	-
Net present value of cash flow of SSC as of December 31, 2015	13,545.58
No. of paid-up shares (shares) as of December 31, 2015 ^{3/}	20,000.00
NPV of cash flow per share of SSC as of December 31, 2016 (Baht per share)	677,279.10

Remark:

1/ Including free cash flow to firm in 2016

2/ Cash and cash equivalent of Baht 3,158.94 million from the latest financial statements as of December 31, 2015, audited by an auditor who is not in the approved list of the SEC.

3/ Par value of Baht 10,000.00 per share.

Using this valuation approach, value of SSC (only)'s shares is Baht 677,279.10 per share, or equivalent to firm value of SSC (only) Baht 13,545.58 million (equivalent to approximately USD 380.83 million).

In addition, CapAd has conducted a sensitivity analysis based on adjusting the discount rate or WACC increased (decreased) by 5.00% of the calculated discount rate mentioned above.

SSC (only)	Unit	Discount Rate (% per annum)		
		9.66%	9.20%	8.74%
Share value of SSC (only)	Baht/share	654,632.52	677,279.10	702,337.79
Firm value of SSC (only)	Baht million	13,092.65	13,545.58	14,046.76
	USD million	368.10	380.83	394.92

As shown in the above table, the share value of SSC (only) is in the range of Baht 654,632.52 – 702,337.79 per share, or equivalent to firm value of SSC (only) of Baht 13,092.65 – 14,046.76 million (equivalent to approximately USD 368.10 – 394.92 million).

1.5.2 Fair value of investment in SUSANA and SSF

SSC holds 50% of SUSANA and 100% of SSF. Fair value of SUSANA and SSF evaluated by CapAd (Please see details in Part 3 Clause 4 and Clause 7 of this report), are as follows;

(Unit: USD million)

Company	Fair Value	% hold by SSC	Fair Value of investments by SSC
	(1)	(2)	(3) = (1) * (2)
SUSANA	24.12 – 25.56 ^{1/}	50%	12.06 – 12.78
SSF	3.22 ^{2/}	100%	3.22

Remark:

1/ Fair value of SUSANA derived from the discounted cash flow approach (Please see details in Part 3 Clause 4 of this report.)

2/ Fair value of SSF derived from the book value approach (Please see details in Part 3 Clause 7 of this report.)

As shown in the above table, the fair values of SSC's investment in SUSANA and SSF are USD 12.06 – 12.78 million and USD 3.22 million, respectively.

Conclusively, when combine the fair value of SSC (only) derived from Part 3 Clause 1.5.1 above and the fair value of investment in SUSANA and SSF from Part 3 Clause 1.5.2, fair value of SSC (consolidated) are as follows;

(Unit: USD million)

SSC (including investment in SUSANA and SSF)	Fair value of SSC + SUSANA + SSF
SSC	368.10 – 394.92
SUSANA	12.06 – 12.78
SSF	3.22
Firm value of SSC (including investment in SUSANA and SSF)	382.38 – 410.92
Less: Dividend payments of SSC	(118.20) ^{1/}
Less: Deferred tax liabilities	(2.50) ^{2/}
Firm value of SSC (including investment in SUSANA and SSF) – net (USD million)	262.68 – 290.22
Firm value of SSC (including investment in SUSANA and SSF) – net (Baht million)	9,343.09 – 10,322.66^{3/}
No. of paid-up shares (shares) as of December 31, 2015 ^{4/}	20,000.00
Share value of SSC (including investment in SUSANA and SSF) – net (Baht/share)	467,154.28 – 516,132.90

Remark:

- 1/ Under the Umbrella Agreement and other related agreements to this transaction, Semperit and STA agree that SSC will make a dividend payment in Thai Baht equivalent to USD 118.20 million. (Please see more details in Part 3 Clause 1.2.5 of this report.)
- 2/ CapAd assumed deferred tax liabilities at 20% of unrealized gains from the selling price of investments in SUSA and SSF to Semperit to the book value of the investments in SUSA and SSF. The estimated deferred tax liabilities are Baht 88.93 million, or approximately USD 2.50 million. (Please see more details in Part 3 Clause 1.2.4 of this report.)
- 3/ CapAd applied the average exchange rates announced by the Bank of Thailand dated January 17, 2017 at USD/Baht 35.5685 (Source: www.bot.or.th).
- 4/ Par value of Baht 10,000.00 per share.

Therefore, the value of SSC's shares including investment in SUSA and SSSF based on this approach is Baht 467,154.28 – 516,132.90 per share, or equivalent to firm value of Baht 9,343.09 – 10,322.66 million (equivalent to approximately USD 262.68 – 290.22 million).

The preparation of financial projection is based on assumptions provided by SSC and under the current economic conditions and circumstance. If there is any change in the business plan, policy, and economic condition that will materially affect the assumptions and variables used herein, the future operating results of SSC might not be as projected and the value of the SSC's share price may change accordingly.

1.6 Summary of opinion of the IFA on the fair value of SSC's shares

CapAd applied the average exchange rates announced by the Bank of Thailand dated January 17, 2017, at USD/Baht 35.5685, or CNY/Baht 5.2181, or CNY/USD 0.1467 (Source: www.bot.or.th)

The value of SSC's share price derived from various valuation approaches can be summarized in the table below:

SSC	Share value of SSC ^{1/} (Baht/share)	Firm value of SSC (Baht million)	Firm value of SSC (USD million)	Suitability of the Valuation Approach
	(1)	(2)	(3) = (2) * FX ^{3/}	
Book Value Approach	386,741.30	7,734.83	217.46	Not suitable
Adjusted Book Value Approach ^{2/}	247,399.25	4,947.99	139.11	Not suitable
P/BV Ratio Approach	576,322.64 – 592,264.33	11,526.45 – 11,845.29	324.06 – 333.03	Not suitable
P/E Ratio Approach	1,191,671.36 – 1,385,393.22	23,833.43 – 27,707.86	670.07 – 779.00	Not suitable
Discounted Cash Flow Approach ^{2/}	467,154.28 – 516,132.90	9,343.09 – 10,322.66	262.68 – 290.22	Suitable

Remark:

1/ Par value of Baht 10,000.00 per share

2/ Firm value of SSC after dividend payments to shareholders (including counter parties of the agreement). SSC will make a dividend payment in Thai Baht equivalent to USD 118.20 million (equivalent to approximately Baht 4,204.20 million) (Please see details in Part 3 Clause 1.2.4 of this report).

3/ The average exchange rates announced by the Bank of Thailand dated January 17, 2017 were USD/Baht 35.5685, or CNY/Baht 5.2181, or CNY/USD 0.1467 (Source: www.bot.or.th)

From the summary table above, the value of SSC's share under various valuation approaches is in the range of Baht 247,399.25 - 1,385,393.22 per share, or equivalent to firm value of Baht 4,947.99 - 27,707.86 million (equivalent to approximately USD 139.11 - 779.00 million).

The Book Value Approach reflects the operating results and status of SSC at any given period without taking into account its real asset value and future profitability, as well as the overall economic and industry outlook. Thus, valuation of SSC's shares using this approach could not reflect the current financial position and share value of SSC.

The Adjusted Book Value Approach reflects market value of SSC's assets better than the Book Value Approach. The share value based on this approach can reflect market value of SSC's assets, future liabilities, and impacts from some conditions of this transaction. Though share valuation based on Adjusted Book Value Approach could reflect fundamental value of SSC's assets at a certain period, however, this approach could not reflect the future operating performance of SSC.

The Price to Book Value Ratio Approach and the Price to Earnings Ratio Approach estimated value of SSC's shares using book value as of December 31, 2015 and net profit for 12-month period ended December 31, 2016 to compare with the P/BV ratio and P/E ratio of 4 comparable listed companies in Bursa Malaysia: MYX that operate business of manufacturing and distribution of rubber gloves similar to SSC. The information is for the period up to January 13, 2017. Though CapAd selected 4 largest rubber glove producers listed in MYX as comparable companies, CapAd views that using only 4 comparable companies as benchmark give limited results. In addition, such comparable companies have main operation in Malaysia, of which many factors affecting financial position and performance may be different from Thailand such as economic condition, stock market condition, and exchange rate. Thus, valuation of SSC's shares using these approaches might not be used as criteria in determining fair value of SSC.

The Discounted Cash Flow Approach is the method that considers the historical operating results, future growth prospects, and affect from termination of agreements with Semperit. The valuation is based on assumptions provided by SSC and under the current economic conditions and circumstances. If there is any significant change that will materially affect the assumptions and variables used herein, future operating results of SSC might not be as projected and the value of the SSC's share evaluated by this approach may change accordingly.

CapAd is of the opinion that the most appropriate approach to value SSC's shares is the Discount Cash Flow Approach as it reflects future operating performance of SSC and impacts from termination of Joint Venture Agreement with Semperit. **Conclusively, the Fair Value of SSC is Baht 9,343.09 – 10,322.66 million** (equivalent to approximately USD 262.68 – 290.22 million).

2. Share Value of Semperfex Shanghai Ltd. ("SSH")

SSH is a joint venture between the Company and Semperit incorporated in the Republic of China on July 14, 2005 with the objective to manufacture high pressure hydraulic hoses. The Company and Semperit each hold 50% of the shares of SSH.

2.1 Book Value Approach

This approach demonstrates the book value of SSH shares at a certain point in time. Shares are appraised based on the book value of SSH according to the financial statements for the latest accounting period as at December 31, 2015, audited by a certified public accountant registered in China (Grant Thornton, Shanghai, China)¹⁷. The book value of SSH shares can be calculated based on the said financial statements as follows:

	(Unit: CNY million)
Issued and paid-up capital	119.63
Retained losses	(15.08)
SSH's Shareholders' Equity as of December 31, 2015	104.55

The firm value of SSH based on this approach is CNY 104.55 million.

2.2 Adjusted Book Value Approach

By this approach, the share value is derived from total assets, deducted by total liabilities including commitments and contingent liabilities as shown in the latest financial statements as of December 31, 2015 audited by a certified public accountant in China, and adjusted by items occurred after the end of accounting period or the items that may reflect the actual value of assets and liabilities. The adjustment items may include unrealized gain or loss from assets revaluation and event after financial statement date. Consequently, the adjusted book value is divided by total number of SSH's paid-up shares. In deriving the value of SSH's shares, CapAd adjusted the book value as shown in the latest financial statements as of December 31, 2015 by the following significant adjustments:

2.2.1 Gain (loss) from Asset Appraisal

SSH's hydraulic hose factory is located at 1255 Cangong Road, Shanghai Chemical Industrial Park, Fengxian District, Shanghai, the People's Republic of China ("China" or the "PRC"). Details of the appraisal are as follows:

2.2.1.1 Land Leasehold Rights

Duff & Phelps Germany GmbH¹⁸ ("Duff & Phelps") is appointed by the Company to appraise value of SSH's building and improvements. Duff & Phelps had surveyed assets and conducted the appraisal on December 28, 2016, according to appraisal report No. 16/0767 dated January 6, 2017, in order to identify the market value of the assets to comply with certain requirements laid out by the Thai Securities and Exchange Commission. Duff & Phelps applied Direct Comparison Method for valuation of land use rights. Details of the assets appraisal are summarized below:

Appraised assets	Details		Appraisal price (CNY million)
Land leasehold rights	Title Deed No.	Hu Fang Di Feng Zi (2007) Di No. 014546	17.80 (@ CNY 620 per sq.m.)
	Location	1255 Cangong Road, Shanghai Chemical Industrial Park, Fengxian District, Shanghai, the People's Republic of China	
	Owner	Semperfex Shanghai Ltd.	
	Total Area	28,708 sq.m.	
	Term of Land Use Rights	October 27, 2055	
	Remaining Term	38.91 years	
	Valuation Methodology	Cost Approach	

Source: The appraisal report prepared by Duff & Phelps Germany GmbH No. 16/0767 dated January 6, 2017.

By using the Direct Comparison Method, Duff & Phelps had conducted survey on market information of assets regarding the selling price of assets at coincide time and in adjacent area which possess similar characteristics as the appraised asset for comparison and analysis. With this regards, there were 3 selected data of land leasehold rights in Fengxian District for comparison with the rental of CNY 445 – 533 per sq.m. with lease period of 20 years. Details of the comparable lands are tabulated below:

¹⁷ Please see Footnote 16.

¹⁸ Please see Footnote 1.

	Comparable 1	Comparable 2	Comparable 3
Location	Plot C12-2, C12-3, Zhuangxing Town, Fengxian District	C06-06, Biological Technical Zone, Fengxian District	Plot 05-01, Zhuangxing Town, Fengxian District
Current status	Vacant land	Vacant land	Vacant land
Transaction type	Private Treaty Grant by Listing	Private Treaty Grant by Listing	Private Treaty Grant by Listing
Site area	21,962 sq.m.	15,658 sq.m.	45,854.6 sq.m.
Permitted use	Industrial	Industrial	Industrial
Tenure (years)	20 years	20 years	20 years
Date	November 22, 2016	October 19, 2016	August 22, 2016
Land price	CNY 9,890,000	CNY 8,340,000	CNY 20,400,000
Site unit rate	CNY 450 per sq.m.	CNY 533 per sq.m.	CNY 445 per sq.m.

Source: The appraisal report prepared by Duff & Phelps Germany GmbH No. 16/0767 dated January 6, 2017.

Value of Comparable land parcels are analyzed and carefully adjusted against all factors such as location, size and shape of land, characteristics, development and time in order to arrive at a fair comparison of land values. Thus, the appraised value of land leasehold rights prepared by Duff & Phelps by using such valuation approach is CNY 620 per sq.m.

CapAd views that the Direct Comparable Method is an appropriate valuation method for land leasehold right because this method is suitable for valuing comparable properties that are sold and purchased or offered for sale and purchase and sufficient comparative market data are available. Besides, Duff & Phelps adjusted the market data of comparable land leasehold right to have a similar characteristic to appraised assets and closely reflect market value of assets.

Based on the appraisal report prepared by Duff & Phelps No. 16/0767 dated January 6, 2017, by the Direct Comparison Method, value of the leasehold right is CNY 17.80 million.

2.2.1.2 Buildings and land improvements

Based on the appraisal report prepared by Duff & Phelps No. 16/0767 dated January 6, 2017, Duff & Phelps applied the Cost Approach for valuation of buildings and land improvements. Details are as follows;

No.	Details	Structure	Gross Floor Area (sq.m.)	No. of storey	Year built	Replacement cost (CNY million)	Value at current condition (CNY million)
1	Workshop	Steel	11,605.75	1	2006		
2	Liquefied gas warehouse	Brick mix	6.36	1	2006		
3	Guard house	Brick mix	36.00	1	2006		
4	Liquefied gas warehouse	Brick mix	6.57	1	2006		
Total Buildings and land improvements			11,654.68			42.00	33.40^{1/2/}

Source: The appraisal report prepared by Duff & Phelps Germany GmbH No. 16/0767 dated January 6, 2017.

Remark:

- 1/ The buildings have been used for around 10 years and maintained in general conditions. Considering a normal economic life of 40 - 50 years and the remaining life of the land leasehold rights, depreciation is estimated at about 20% - 25%.
- 2/ Other improvements, which were completed in 2006 – 2013, have been used for about 3 – 10 years and are maintained in general conditions. Considering a normal economic life of 20 years, depreciation is estimated at about 15% - 50%.
- 3/ Replacement costs were based on the original cost data.

The IFA is of an opinion in the same view as Duff & Phelps that the Replacement Cost Approach is an appropriate valuation method for buildings and land improvements as the assets were constructed with special characteristic and specific uses. Then, the replacement cost was adjusted to reflect current conditions of the assets and economic obsolescence factor. Based on the appraisal report prepared by Duff & Phelps Germany GmbH No. 16/0767 dated January 6, 2017 by the Replacement Cost Approach, the appraised value of buildings and improvements is equal to CNY 33.40 million.

2.2.1.3 Machinery and Equipment

Based on the appraisal report prepared by Duff & Phelps No. 16/0767 dated January 6, 2017, Duff & Phelps applied the Cost Approach for valuation of machinery and equipment.

The machinery and equipment considered in this valuation included those fixed assets shown on SSH's assets registration and reconcile the data and confirm with management to ensure that assets registration is updated. Then, new replacement cost is estimated by applying trending method, by which new reproduction cost is estimated by using historical cost and price index as current asset price, then, adjusted by physical deterioration, functional obsolescence, and economic obsolescence. Details are as follows;

No.	Details	Amount (Items)	Purchasing date/	Replacement cost new (CNY mn.)	Indicated market value (CNY mn.)	Concluded market value (CNY mn.)
1	Machinery and Equipment	515	–2006 - 2016	129.46	72.67 ^{1/}	57.81 ^{2/}
2	Motor Vehicles	2	2011	0.60	0.25 ^{1/}	0.20 ^{2/}
3	Machinery under installation		n.a.	0.29	0.29	0.29
Total machinery and equipment						58.30

Source: The appraisal report prepared by Duff & Phelps Germany GmbH No. 16/0767 dated January 6, 2017.

Remark:

- 1/ Duff & Phelps estimated normal useful lives of machinery and equipment at 3 – 18 years, vehicles at 8 years, and office equipment at 3 – 12 years.
- 2/ Duff & Phelps adjusted for economic obsolescence at around 20.4% from indicated value, which was estimated from comparing the discounted cash flows derived from utilizing of the appraised assets with the appraised value derived from the cost approach.

The IFA is of an opinion in the same view as Duff & Phelps that the Replacement Cost Approach is an appropriate valuation method for machinery and equipment as the assets were constructed with special characteristic and specific use. Then, the replacement cost was adjusted to reflect current conditions of the assets. Based on the appraisal report prepared by Duff & Phelps Germany GmbH No. 16/0767 dated January 6, 2017, the appraised value of machinery and equipment is equal to CNY 58.30 million.

Comparison of appraised value and book value of fixed assets of SSH can be summarized as follows:

(Unit: CNY million)			
Fixed assets of SSH	Book value as of November 30, 2016 ^{2/}	Appraised value ^{1/}	Appraised value higher (lower) than the book value (3) = (2) - (1)
	(1)	(2)	
1 Building and land improvement	31.23	51.20 ^{3/}	19.97
2 Machinery and equipment	48.83	57.77	8.93
3 Vehicles	0.01	0.25	0.24
4 Machinery under installation	0.29	0.29	0.00
Total fixed assets	80.36	109.50	29.15
Less: Deferred tax liabilities			(7.29) ^{4/}
Adjustment to shareholders' equity			21.86

Remark:

- 1/ The appraisal report prepared by Duff & Phelps Germany GmbH No. 16/0767 dated January 6, 2017.
- 2/ Comparing to book value as of November 30, 2016 as it is closed to the appraisal date.
- 3/ The appraised value of land leasehold right is CNY 17.80 million, and building and land improvements is CNY 33.40 million.
- 4/ CapAd assumed deferred tax liabilities at 25% of unrealized gains from the appraised value higher (lower) than the book value of the appraised assets.

Thus, in order to reflect fair value of the fixed assets, CapAd has adjusted the shareholders' equity of SSH - net of deferred tax liabilities by CNY 21.86 million.

Summary of adjustment to book value of SSH

The summary of adjustment items that shall affect the book value of SSH's shares are as follows:

(Unit: CNY million)	
Shareholders' equity as of December 31, 2015	104.55
Adjustment	
Increase (decrease) in the value of fixed assets	21.86 ^{1/}
Net adjusted shareholders' equity	126.41

Remark: 1/ Please see details in Part 3 Clause 2.2.1 of this report.

The firm value of SSH based on this approach is CNY 126.41 million.

2.3 Price to Book Value Ratio Approach: P/BV Ratio

In this approach, CapAd evaluated SSH's shares by using book value of SSH as shown in the latest financial statements as of December 31, 2015 audited by a certified public accountant registered in China, where book value of SSH was CNY 104.55 million, and multiplied by the median of P/BV Ratios of 4 comparable listed companies in New York Stock Exchange (NYSE), Vienna Stock Exchange (ATX) and Tokyo Stock Exchange (TSE) that operate the business of manufacturing and distribution of capital goods similar to SSH. The information is for the period up to January 23, 2017. Details are summarized below:

SSH	Historical P/BV Ratio (time)							
	7 days	15 days	30 days	60 days	90 days	120 days	180 days	360 days
Eaton Corporation PCL. (ETN:US)	1.99	1.99	2.00	1.95	1.93	1.95	1.91	1.81
Parker-Hannifin Corporation (PH:US)	4.13	4.10	4.09	3.96	3.83	3.78	3.56	3.24
Semperit AG Holding (SEM:AV)	1.64	1.58	1.52	1.48	1.46	1.50	1.55	1.66
Sumitomo Riko Co., Ltd. (5191:JP)	0.78	0.80	0.80	0.75	0.73	0.71	0.67	0.64
Median of 4 companies	1.81	1.78	1.76	1.72	1.70	1.72	1.73	1.73
Firm value of SSH (CNY million)	189.75	186.47	184.05	179.49	177.38	179.99	181.05	181.36

Source: Bloomberg

The firm value of SSH based on this approach is in the range of CNY 177.38 – 189.75 million.

2.4 Price to Earnings Ratio Approach: P/E Ratio

In this approach, CapAd evaluated earnings per share of SSH by using net profit of SSH as specified in consolidated financial statements for the last 12 months period ended December 31, 2015 audited by a certified public accountant registered in China, where net profit of SSH was CNY 0.90 million, and multiplied by the median of P/E Ratios of 4 comparable listed companies in New York Stock Exchange (NYSE), Vienna Stock Exchange (ATX), and Tokyo Stock Exchange (TSE) that operate the business of manufacturing and distribution of capital goods similar to SSH. The information is for the period up to January 23, 2017. Details are summarized below:

SSH	Historical P/E Ratio (time)							
	7 days	15 days	30 days	60 days	90 days	120 days	180 days	360 days
Eaton Corporation PCL. (ETN:US)	15.27	15.24	15.30	14.97	14.78	14.86	14.45	13.15
Parker-Hannifin Corporation (PH:US)	22.24	22.09	22.04	21.33	20.62	20.26	19.65	17.59
Semperit AG Holding (SEM:AV)	20.47	19.73	19.06	18.50	17.60	16.98	16.31	16.18
Sumitomo Riko Co., Ltd. (5191:JP)	28.71	29.28	29.21	27.64	28.07	28.52	29.18	29.57
Median of 4 companies	21.36	20.91	20.55	19.91	19.11	18.62	17.98	16.89
Firm value of SSH (CNY million)	19.20	18.80	18.47	17.90	17.18	16.74	16.16	15.18

Source: Bloomberg

The firm value of SSH based on this approach is in the range of CNY 15.18 – 19.20 million.

2.5 Discounted Cash Flow Approach

This valuation approach takes into account SSH's future operating performance by deriving present value of future cash flow stream using an appropriate discount rate. The Independent Financial Advisor calculated the Weighted Average Cost of Capital (WACC) to be used as the discount rate and constructed a 40-year forecast of SSH's cash flow (2016 - 2055) to be in line with remaining license period. The approval authority in China approved the establishment of SSH with the operating term of 50 years from July 14, 2005. Such term may be extended if SSH files for the extension in 180 days prior to the expiration of the first term. If the extension is not approved, SSH shall be liquidated at the expiration of the license period. Cash received from liquidation shall be paid to shareholders after repayment of liabilities. It is assumed that SSH's operation is on a going concern basis until the end of the approved license period without any significant changes under the current economic conditions and circumstances. However, CapAd does not take into account impacts from this transaction to future cash flow of SSH.

CapAd constructed the financial forecast for SSH based on information and assumptions from the Company and SSH and interviews with the managements and relevant officers. The objective of the financial forecast is to evaluate the fair value of SSH's shares. If there is any change in overall economic outlook and other internal and external factors that materially affect SSH's business operation or assumptions used herein, fair value derived from the financial projection may change accordingly.

The assumptions for SSH's financial forecast can be summarized as follows:

Sales Revenue

SSH is a manufacturer of high pressure hydraulic hoses with European quality standards for the Chinese market. However, sales in China were lower than expected, and it has operated at losses. Semperit has changed marketing strategy from focusing on China market to start exporting to Europe and USA and other countries since 2013. In 2015, SSH exported to Europe at around 45%, to USA and other countries around 25%, while the domestic sales was around 30% of production and sales volume.

Summary of estimated sales revenue are as follows:

SSH	Unit	2011A	2012A	2013A	2014A	2015A	9M2016A	2016F	2017F
Installed capacity	Mn. meters	7.00	7.00	12.00	12.00	12.00	9.00	12.00	12.00
Capacity utilization	%	88.38%	74.37%	46.42%	83.19%	76.87%	86.64%	85.54%	82.23%
Sales volume									
- Europe	Mn. meters	0.53	0.51	2.41	4.09	4.12	4.48	5.67	4.73
- USA and other countries	Mn. meters	0.94	0.64	0.05	2.54	2.45	1.16	1.71	2.18

SSH	Unit	2011A	2012A	2013A	2014A	2015A	9M2016A	2016F	2017F
- China	Mn. meters	4.72	4.06	3.12	3.35	2.65	2.15	2.89	2.96
Toil manufacturing	Mn. meters	6.19	5.21	5.57	9.98	9.22	7.80	10.26	9.87
Trading - China	Mn. meters	0.40	0.14	0.16	0.17	0.14	0.13	0.17	0.16
Total sales volume	Mn. meters	6.59	5.34	5.73	10.15	9.37	7.93	10.43	10.03
% growth of sales volume	%	n.a.	-18.92%	7.23%	77.14%	-7.72%	12.86% ^{1/}	11.41%	-3.89%
Average selling price	CNY/m.	12.40	12.37	11.19	10.14	9.67	9.83	9.83	9.97
% growth of average selling price	%	n.a.	-0.24%	-9.49%	-9.43%	-4.66%	1.72%	1.70%	1.44%
Sales revenue	CNY mn.	81.70	66.09	64.14	102.90	90.53	77.95	102.58	100.00
% growth of sales revenue	%	n.a.	-19.11%	-2.95%	60.44%	-12.03%	14.80% ^{1/}	13.31%	-2.51%

SSH	Unit	2018F	2019F	2020F	2021F	2022F	2023F	2024F – 2054F	2055F ^{2/}
Installed capacity	Mn. meters	12.00	12.00	12.00	12.00	12.00	12.00	12.00	6.00
Capacity utilization	%	83.47%	84.72%	85.99%	87.28%	88.59%	89.92%	89.92%	89.92%
<u>Sales volume</u>									
- Europe	Mn. meters	4.80	4.87	4.95	5.02	5.10	5.17	5.17	2.59
- USA and other countries	Mn. meters	2.21	2.25	2.28	2.32	2.35	2.39	2.39	1.19
- China	Mn. meters	3.00	3.05	3.09	3.14	3.18	3.23	3.23	1.62
Toil manufacturing	Mn. meters	10.02	10.17	10.32	10.47	10.63	10.79	10.79	5.39
Trading - China	Mn. meters	0.16	0.17	0.17	0.17	0.17	0.18	0.18	0.09
Total sales volume	Mn. meters	10.18	10.33	10.49	10.64	10.80	10.97	10.97	5.48
% growth of sales volume	%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	0.00%	-50.00%
Average selling price	CNY/m.	10.12	10.27	10.43	10.58	10.74	10.90	11.07 - 17.30	17.56
% growth of average selling price	%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
Sales revenue	CNY mn.	103.03	106.14	109.35	112.65	116.06	119.57	121.36 – 189.69	96.27
% growth of sales revenue	%	3.02%	3.02%	3.02%	3.02%	3.02%	3.02%	1.50%	-49.25%

Remark: 1/ Annualized.

2/ Operate until July 13, 2055.

In 2013 – 2015, SSH's sales revenue were CNY 64.14 million, CNY 102.90 million, and CNY 90.53 million, respectively, or increased by 60.44% in 2014 and decreased by 12.03% in 2015. The increase of sales revenue in 2014 was mainly due to an increase in revenues from export to Europe and USA and other countries while the domestic sales slightly increased. Sales revenues in 2015 decreased mainly from declining of domestic sales.

In the first 9 months of 2016, revenue from sales was CNY 77.95 million or increased by 14.80% (annualized) from the year 2015, due mainly to higher export sales to Europe.

Sales Volume

CapAd assumes that sales volume in the 4th quarter of 2016 is equivalent to 2.51 million meters. Sales volume in 2017 is at 10.03 million meters based on the average sales volume of 2014 – 2015 and during the first 9 months of 2016. In 2018 – 2023, sales volumes are expected to increase by 1.5% per annum, and the maximum capacity utilization shall not exceed 90%. In 2024 – 2055, there is no growth in sales volumes.

Average Selling Price

In 2013 – 2015 and the first 9 months of 2016, average sales price per meter were CNY 11.19, CNY 10.14, CNY 9.87, and CNY 9.83, respectively. The selling price will vary with raw material prices and product mix in each year. Declining of the average selling price in 2015 - 2016 was mainly due to decreasing of raw material prices.

In this financial forecast, CapAd assumes the average selling price in the 4th quarter of 2016 at CNY 9.83 per meter, which is equivalent to the average selling price in the first 9 months of 2016. In addition, CapAd assumes that the average selling price in 2017 – 2055 slightly increase by 1.5% per annum, close to growth rate of average selling price in the first 9 months of 2016.

Cost of Sales

Cost of sales consist of raw material costs, cost of trading goods, direct labor costs, energy costs, repair and maintenance expenses, indirect labor costs, depreciation expenses and other expenses.

In 2013 – 2015 and during the first 9 months of 2016, SSH's cost of sales were CNY 64.81 million, CNY 89.21 million, CNY 78.10 million and CNY 62.85 million, respectively, or equivalent to 98.60%, 84.95%, 83.88% and 78.76% of sales revenue, respectively. Decrease in cost of sales was mainly from revenue from sales was increased while the fixed costs was not significantly increased.

In this financial forecast, CapAd assumes that:

- Raw material costs in the 4th quarter of 2016 and 2017 - 2055 is at 47.80% of sales revenue, which is equivalent to the average ratio of raw material costs to sales revenue in 2014 – 2015 and the first 9 months of 2016. Such rate should reflect the current costs structure and product mix of SSH.
- Cost of trading goods in the 4th quarter of 2016 and 2017 - 2055 is at 78.70% of sales revenue from trading goods, which is equivalent to the average ratio of cost of trading goods to sales revenue from trading goods in 2015 and the first 9 months of 2016, which should be able to reflect the current costs structure. (CapAd has not used the ratio of cost of trading goods to sales revenue from trading goods of 2014 for consideration as it was significantly lower than those of 2015 and the first 9 months of 2016.)
- Variable costs such as direct labor costs, energy costs, and repair and maintenance expenses in the 4th quarter of 2016 and 2017 - 2055 is at 15.76% of sales revenue, which is equivalent to the average ratio of raw material costs to sales revenue in 2014 – 2015 and the first 9 months of 2016.
- Other expenses (fixed costs – excluding depreciation expenses) in 2016 are CNY 10.07 million, which is the annualized of the other expenses of the first 9 months of 2016. In 2017 – 2055, other expenses are assumed to grow by 3% per annum.

Summary of estimated cost of sales are as follows;

(Unit: CNY million)

SSH	2011A	2012A	2013A	2014A	2015A	9M2016A	2016F	2017F
Raw material costs	36.08	30.16	30.43	46.04	41.63	34.37	45.52	45.28
Cost of trading goods	8.78	4.32	4.85	4.64	4.12	3.33	4.35	4.15
Variable costs	7.68	8.68	9.76	14.43	14.16	11.52	15.20	14.93
Fixed costs	4.54	6.34	6.78	10.95	10.08	7.55	10.07	10.37
Depreciation expenses	9.28	11.21	13.00	13.15	8.11	6.08	8.18	9.05
Total costs of sales	66.37	60.72	64.81	89.21	78.10	62.85	83.32	83.78
% cost of sales to sales revenue (%)	79.06%	89.61%	98.60%	84.95%	83.88%	78.76%	79.32%	81.74%
% cost of sales to sales revenue (excl. depreciation) (%)	68.01%	73.06%	78.82%	72.43%	75.17%	71.14%	71.53%	72.91%

(Unit: CNY million)

SSH	2018F	2019F	2020F	2021F	2022F	2023F	2024F – 2054F	2055F ^{2/}
Raw material costs	46.65	48.06	49.51	51.01	52.55	54.14	54.95 – 85.89	43.59
Cost of trading goods	4.28	4.41	4.54	4.68	4.82	4.97	5.04 – 7.88	4.00
Variable costs	15.38	15.84	16.32	16.82	17.33	17.85	18.12 – 28.32	14.37
Fixed costs	10.68	11.00	11.33	11.67	12.02	12.38	12.75 – 30.95	15.94
Depreciation expenses	9.63	10.25	10.59	10.95	11.00	11.09	8.15 – 7.03	5.54
Total costs of sales	86.62	89.56	92.30	95.12	97.71	100.42	99.01 – 160.07	83.44
% cost of sales to sales revenue (%)	82.02%	82.32%	82.35%	82.38%	82.14%	81.94%	79.59% - 82.33%	84.56%
% cost of sales to sales revenue (excl. depreciation) (%)	72.90%	72.90%	72.90%	72.90%	72.89%	72.89%	73.04% - 78.71%	78.94%

Remark: 1/ Operate until July 13, 2055.

Selling and Administrative Expenses

Selling Expenses

Selling expenses consist of freight, FOB cost, sales tax, and other selling expenses.

In 2013 – 2015 and the first 9 months of 2016, selling expenses were CNY 2.19 million, CNY 3.75 million, CNY 3.66 million, and CNY 2.85 million, respectively, or equivalent to 3.33%, 3.57%, 3.93% and 3.58% of sales revenue, respectively.

In this financial forecast, it is assumed that selling expenses in the 4th quarter 2016 and year 2017 – 2055 is at 3.70% of sales revenue, which is equivalent to the average ratio of selling expenses to sales revenue in 2014 – 2015 and the first 9 months of 2016. Such rate should reflect the current sale structure of SSH.

Administrative Expenses

Administrative expenses consist of employee expenses, office expenses, provisions, bank charges, management fee, depreciation and amortization expenses and other expenses.

In 2013 – 2015 and the first 9 months of 2016, administrative expenses were CNY 6.77 million, CNY 9.82 million, CNY 8.91 million and CNY 7.13 million, respectively, increased by 45.16% in 2014, and decreased by 9.32% in 2015, and increased by 6.81% in the first 9 months of 2016 (annualized) respectively.

In this financial forecast, CapAd assumes that administrative expenses are equivalent to the annualized expenses of the first 9 months of 2016 (Annualized), and the administrative expenses are to grow by 3% per annum in 2017 – 2055, based on estimated inflation rate.

Summary of estimated selling and administrative expenses are as follows;

(Unit: CNY million)

SSH	2011A	2012A	2013A	2014A	2015A	9M2016A	2016F	2017F
Selling expenses	1.45	2.15	2.19	3.75	3.66	2.85	3.76	3.70
Administrative expenses	6.77	7.91	6.77	9.82	8.91	7.13	9.42	9.70
% of selling expenses to sales revenue	1.73%	3.17%	3.33%	3.57%	3.93%	3.58%	3.58%	3.70%
% of administrative expenses to sales revenue	8.29%	11.97%	10.55%	9.54%	9.84%	9.15%	9.18%	9.70%

(Unit: CNY million)

SSH	2018F	2019F	2020F	2021F	2022F	2023F	2024F – 2054F	2055F ^{2/}
Selling expenses	3.81	3.93	4.05	4.17	4.29	4.42	4.49 – 7.02	3.56
Administrative expenses	9.99	10.29	10.60	10.91	11.24	11.58	11.93 – 28.95	17.89
% of selling expenses to sales revenue	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%
% of administrative expenses to sales revenue	9.70%	9.69%	9.69%	9.69%	9.69%	9.68%	9.83% - 15.26%	18.59%

Remark: 1/ Operate until July 13, 2055

Financial Costs

Current interest bearing debt of SSH is long term loans from related company (SSF) of CNY 20 million with the interest rate of 5.50% per annum and the maturity of the loans is September 21, 2017.

Corporate Income Tax

Corporate income tax rate of 25% was assumed.

Capital Expenditure

Capital expenditure is assumed at CNY 3.15 million in 2017 and CNY 3.00 million in 2018, based on SSH's capital expenditure plan. In addition, it is assumed that the capital expenditure in 2019 - 2053 is to increase by 3.0% per annum, and drop to CNY 4.35 million in 2054 and no capital expenditure in 2055.

Current assets and current liabilities turnover

Based on SSH's historical data of 2014 - 2015 and the first 9 months of 2016 and considered the suitability of the ratios, turnover ratios throughout the projection period are assumed as follows:

Trade and other account receivables	80.00	Days on averages
Inventory	82.00	Days on averages
Trade and other account payables	52.70	Days on averages

Dividend payout ratio

CapAd assumes the dividend payout ratio of 90% per annum.

Summary of financial projection in 2016 - 2055 is as follows;

(Unit: CNY million)

SSH	2016F	2017F	2018F	2019F	2020F	2021F	2022F	2023F	2024F	2025F
Income Statements										
Sales revenue	102.58	100.00	103.03	106.14	109.35	112.65	116.06	119.57	121.36	123.18
Gross profits	21.30	18.29	18.54	18.78	19.31	19.86	20.75	21.62	24.87	28.41
EBIT	9.40	4.89	4.74	4.56	4.67	4.78	5.21	5.61	8.45	11.57
EBITDA	16.60	14.24	14.67	15.11	15.56	16.03	16.51	17.00	16.89	16.77
Net profits	8.30	4.07	3.70	3.42	3.50	3.58	3.91	4.21	6.34	8.68
Statement of Financial Positions										
Assets	148.22	132.65	133.43	134.20	134.95	135.71	136.48	137.29	137.72	138.34
Liabilities	35.61	15.98	16.39	16.81	17.21	17.62	17.99	18.38	18.18	17.93
Shareholders' equity	112.61	116.68	117.05	117.39	117.74	118.10	118.49	118.91	119.54	120.41

(Unit: CNY million)

SSH	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	2034F	2035F
Income Statements										
Sales revenue	125.03	126.90	128.81	130.74	132.70	134.69	136.71	138.76	140.84	142.95
Gross profits	28.61	28.81	28.99	29.18	29.36	29.53	29.70	29.86	30.01	31.74
EBIT	11.33	11.08	10.80	10.51	10.21	9.88	9.53	9.16	8.77	9.94
EBITDA	16.64	16.49	16.33	16.15	15.96	15.76	15.53	15.29	15.03	14.76
Net profits	8.50	8.31	8.10	7.89	7.65	7.41	7.15	6.87	6.58	7.46

SSH	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	2034F	2035F
Statement of Financial Positions										
Assets	139.44	140.52	141.58	142.63	143.65	144.66	145.65	146.62	147.56	148.37
Liabilities	18.18	18.43	18.68	18.94	19.20	19.47	19.74	20.02	20.31	20.37
Shareholders' equity	121.26	122.09	122.90	123.69	124.46	125.20	125.91	126.60	127.26	128.00

(Unit: CNY million)

SSH	2036F	2037F	2038F	2039F	2040F	2041F	2042F	2043F	2044F	2045F
Income Statements										
Sales revenue	145.10	147.28	149.48	151.73	154.00	156.31	158.66	161.04	163.45	165.90
Gross profits	32.02	32.15	32.27	32.38	32.49	32.58	32.67	32.74	32.80	32.85
EBIT	9.64	9.18	8.70	8.19	7.65	7.08	6.49	5.87	5.21	4.53
EBITDA	14.46	14.15	13.81	13.45	13.07	12.67	12.24	11.79	11.32	10.81
Net profits	7.23	6.89	6.52	6.14	5.74	5.31	4.87	4.40	3.91	3.39
Statement of Financial Positions										
Assets	149.37	150.36	151.32	152.25	153.14	154.00	154.82	155.60	156.34	157.03
Liabilities	20.64	20.95	21.25	21.57	21.89	22.21	22.55	22.89	23.24	23.59
Shareholders' equity	128.72	129.41	130.07	130.68	131.25	131.78	132.27	132.71	133.10	133.44

(Unit: CNY million)

SSH	2046F	2047F	2048F	2049F	2050F	2051F	2052F	2053F	2054F	2055F
Income Statements										
Sales revenue	168.39	170.92	173.48	176.09	178.73	181.41	184.13	186.89	189.69	196.27
Gross profits	32.89	32.92	32.93	32.93	32.91	32.88	32.83	32.76	33.55	14.82
EBIT	3.81	3.05	2.26	1.44	0.57	(0.33)	(1.27)	(2.26)	(2.42)	(6.63)
EBITDA	10.28	9.72	9.13	8.51	7.86	7.18	6.46	5.70	4.91	(0.84)
Net profits	2.86	2.29	1.70	1.08	0.43	(0.33)	(1.27)	(2.26)	(2.42)	(6.63)
Statement of Financial Positions										
Assets	157.68	158.27	158.82	159.31	159.75	159.82	158.95	157.11	154.98	121.36
Liabilities	23.95	24.32	24.70	25.08	25.47	25.87	26.28	26.70	26.99	0.00
Shareholders' equity	133.73	133.96	134.13	134.23	134.28	133.95	132.67	130.41	127.99	121.36

- Terminal Value

CapAd assumes that SSH shall liquidate its business at the end of leasehold right in July 2055, thus, terminal value is assumed to equal to book value of fixed assets as of the liquidation date.

- Discount Rate

Discount rate or WACC is equal to 9.20% per annum. (Please see more details in Part 3 Clause 1.5 of this report)

By using above information and assumptions, calculation of SSC's future cash flow and value are as follows;

(Unit: CNY million)

SSH	2016F	2017F	2018F	2019F	2020F	2021F	2022F	2023F	2024F	2025F
EBIT	9.40	4.89	4.74	4.56	4.67	4.78	5.21	5.61	8.45	11.57
Corporate income tax	0.00	0.00	(1.04)	(1.14)	(1.17)	(1.19)	(1.30)	(1.40)	(2.11)	(2.89)
Depreciation and amortization	8.48	9.35	9.93	10.55	10.89	11.25	11.30	11.39	8.45	5.20
Working capital	(11.19)	(0.64)	(0.93)	(0.96)	(1.03)	(1.06)	(1.14)	(1.17)	(1.00)	(1.05)
Capital expenditure	(2.07)	(3.15)	(3.00)	(3.09)	(3.18)	(3.28)	(3.38)	(3.48)	(3.58)	(3.69)
Free Cash Flow to Firm	4.62	10.45	9.70	9.92	10.18	10.50	10.69	10.96	10.20	9.14
PV of Free Cash Flow to Firm	4.62	9.57	8.13	7.62	7.16	6.76	6.30	5.92	5.04	4.14

(Unit: CNY million)

SSH	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	2034F	2035F
EBIT	11.33	11.08	10.80	10.51	10.21	9.88	9.53	9.16	8.77	9.94
Corporate income tax	(2.83)	(2.77)	(2.70)	(2.63)	(2.55)	(2.47)	(2.38)	(2.29)	(2.19)	(2.49)
Depreciation and amortization	5.31	5.41	5.53	5.64	5.76	5.88	6.00	6.13	6.26	4.82
Working capital	(0.58)	(0.58)	(0.59)	(0.60)	(0.61)	(0.62)	(0.62)	(0.63)	(0.64)	(0.88)
Capital expenditure	(3.80)	(3.91)	(4.03)	(4.15)	(4.28)	(4.41)	(4.54)	(4.67)	(4.81)	(4.96)
Free Cash Flow to Firm	9.43	9.22	9.01	8.77	8.53	8.27	7.99	7.70	7.39	6.44
PV of Free Cash Flow to Firm	3.91	3.50	3.13	2.79	2.49	2.21	1.95	1.72	1.52	1.21

(Unit: CNY million)

SSH	2036F	2037F	2038F	2039F	2040F	2041F	2042F	2043F	2044F	2045F
EBIT	9.64	9.18	8.70	8.19	7.65	7.08	6.49	5.87	5.21	4.53
Corporate income tax	(2.41)	(2.30)	(2.17)	(2.05)	(1.91)	(1.77)	(1.62)	(1.47)	(1.30)	(1.13)
Depreciation and amortization	4.82	4.96	5.11	5.27	5.42	5.59	5.75	5.93	6.10	6.29
Working capital	(0.68)	(0.66)	(0.67)	(0.68)	(0.69)	(0.70)	(0.71)	(0.72)	(0.73)	(0.73)
Capital expenditure	(5.11)	(5.26)	(5.42)	(5.58)	(5.75)	(5.92)	(6.10)	(6.28)	(6.47)	(6.66)
Free Cash Flow to Firm	6.27	5.93	5.54	5.14	4.72	4.28	3.82	3.33	2.82	2.28
PV of Free Cash Flow to Firm	1.08	0.93	0.80	0.68	0.57	0.47	0.39	0.31	0.24	0.18

(Unit: CNY million)

SSH	2046F	2047F	2048F	2049F	2050F	2051F	2052F	2053F	2054F	2055F
EBIT	3.81	3.05	2.26	1.44	0.57	(0.33)	(1.27)	(2.26)	(2.42)	(6.63)
Corporate income tax	(0.95)	(0.76)	(0.57)	(0.36)	(0.14)	0.00	0.00	0.00	0.00	0.00
Depreciation and amortization	6.48	6.67	6.87	7.08	7.29	7.51	7.73	7.96	7.33	5.79
Working capital	(0.74)	(0.75)	(0.76)	(0.77)	(0.78)	(0.79)	(0.80)	(0.81)	(0.94)	59.87
Capital expenditure	(6.86)	(7.07)	(7.28)	(7.50)	(7.73)	(7.96)	(8.20)	(8.44)	(4.35)	0.00
Free Cash Flow to Firm	1.72	1.14	0.52	(0.12)	(0.79)	(1.57)	(2.54)	(3.55)	(0.38)	59.03
PV of Free Cash Flow to Firm	0.12	0.07	0.03	(0.01)	(0.04)	(0.07)	(0.11)	(0.14)	(0.01)	1.99
SSH							CNY million			
PV of Terminal Value							0.24 ^{1/}			
Present Value of Free Cash Flow							97.43 ^{2/}			
Add: Cash and cash equivalent as of December 31, 2015							17.16 ^{3/}			
Less: Outstanding interest bearing debts as of December 31, 2015							(20.00) ^{3/}			
Net present value of cash flow as of December 31, 2015							94.59			

Remark:

1/ Present value of PP&E as of the business liquidation date.

2/ Including free cash flow to firm of 2016

3/ Cash and cash equivalent of CNY 17.16 million and long-term borrowing from related company of CNY 20.00 million from SSH's latest financial statements as of December 31, 2015, audited by a certified auditor.

The firm value of SSH based on this approach is CNY 94.59 million (or equivalent to approximately USD 13.88 million).

In addition, CapAd has conducted a sensitivity analysis by adjusting the discount rate or WACC increased (decreased) by 5.00% of the calculated discount rate mentioned above.

SSH	Unit	Discount Rate (% per annum)		
		9.66%	9.20%	8.74%
Firm value of SSH	CNY million	91.30	94.59	98.11
Firm value of SSH	USD million	13.39 ^{1/}	13.88 ^{1/}	14.39 ^{1/}

Remark: 1/ CapAd uses average exchange rates announced by the Bank of Thailand dated January 17, 2017 which are CNY/Baht 5.2181 or CNY/USD 0.1467, as the reference. (Source: www.bot.or.th)

As shown in the table above, the firm value of SSH is in the range of CNY 91.30 – 98.11 million (or equivalent to approximately USD 13.39 – 14.39 million).

The preparation of financial projection is based on assumptions provided by SSH and under the current economic conditions and circumstance. If there is any change in the business plan, policy, and economic condition that will materially affect the assumptions and variables used herein, the future operating results of SSH might not be as projected and the value of the SSH's share price evaluated by this approach may change accordingly.

2.6 Summary of opinion of the IFA on the fair value of SSH's shares

CapAd applied the average exchange rates announced by the Bank of Thailand dated January 17, 2017, at USD/Baht 35.5685 or CNY/Baht 5.2181, or CNY/USD 0.1467. (Source: www.bot.or.th)

The value of SSH's share price derived from various valuation approaches can be summarized in the table below;

SSH	Firm value of SSH (CNY million)	Firm value of SSH (USD million)	Suitability of the Valuation Approach
	(1)	(2) = (1) * FX ^{1/}	
Book Value Approach	104.55	15.34	Not suitable
Adjusted Book Value Approach	126.41	18.55	Suitable
P/BV Ratio Approach	177.38 – 189.75	26.02 – 27.84	Not suitable
P/E Ratio Approach	15.18 – 19.20	2.23 – 2.82	Not suitable
Discounted Cash Flow Approach	91.30 – 98.11	13.39 – 14.39	Suitable

Remark: 1/ CapAd applied the average exchange rates announced by the Bank of Thailand dated January 17, 2017 of USD/Baht 35.5685, or CNY/Baht 5.2181, or CNY/USD 0.1467. (Source: www.bot.or.th)

From the summary table above, SSH's firm value is in the range of CNY 15.18 – 189.75 million (equivalent to approximately USD 2.23 – 27.84 million).

The Book Value Approach reflects the operating results and status of SSH at any given period without taking into account its real asset value and future profitability, as well as the overall economic and industry outlook. Thus, valuation of SSH's shares using this approach could not reflect the current financial position and share value of SSH.

The Adjusted Book Value Approach reflects the market value of SSH's assets better than the Book Value Approach. The share value based on this approach can reflect market value of SSH's assets, future liabilities, and impacts from some conditions of this transaction. Though the Adjusted Book Value Approach could reflect fundamental value of SSH's assets at a certain level, however, it could not reflect the future operating performance of SSH.

The Price to Book Value Ratio Approach and Price to Earnings Ratio Approach estimated the value of SSH's shares use book value as of December 31, 2015 and net profit per share for 12-month period ended December 31, 2015 to compare with the selected industrial average of 4 comparable listed companies in New York Stock Exchange (NYSE), Vienna Stock Exchange (ATX) and Tokyo Stock Exchange (TSE) that operate the business of manufacturing and distribution of capital goods similar to SSH. The information is for the period up to January 23, 2017. However, CapAd views that using only 4 comparable companies located in various countries as benchmark yields limited results as there may be factors affecting financial position and business operation such as economic conditions, stock market conditions, foreign exchange rate, which may be different from China. Thus, value of SSH's shares using these approaches may not be used as criteria in determining fair value of SSH.

The Discounted Cash Flow Approach is the method that considers the historical operating results and the future growth prospects. This approach determines value of shares from estimating free cash flow based on assumptions provided by SSH and is assumed under the current economic conditions and circumstances. If there is any change in the business plan, policy, and economic condition that will materially affect the assumptions and variables used herein, the future operating results of SSH might not be as projected and the value of the SSH's share price evaluated by this approach may change accordingly.

CapAd is of the opinion that the most appropriate approaches to value SSH's shares are the Adjusted Book Value Approach and Discount Cash Flow Approach. The Adjusted Book Value Approach is the fundamental value of SSH, while the Discounted Cash Flow Approach could reflect the future operating performance of SSH under current circumstance. Conclusively, CapAd views that **Fair Value of SSH is USD 13.39 – 18.55 million** (equivalent to approximately CNY 91.30 – 126.41 million or Baht 476.42 – 659.63 million).

3. Share Value of Shanghai Semperit Rubber & Plastic Products Co., Ltd. ("SRP")

3.1 Book Value Approach

The business valuation by this approach reflects SRP's book value at a certain point in time. In this study, the business valuation is based on SRP's book value shown on its financial statement for the year ended December 31, 2015, which was audited by a certified public accountant, Ernst & Young Hua Ming LLP Shanghai Branch¹⁹, and is the most recent financial statement of SRP. SRP's book value can be calculated based on the said financial statement as follows:

SRP	Unit: CNY million	Unit: USD million
Paid-up capital	24.65	3.62 ^{1/}
Capital surplus	0.02	0.00 ^{1/}
Excess reserve	12.32	1.81 ^{1/}
Retained earnings - unappropriated	111.04	16.29 ^{1/}
Total shareholders' equity or book value	148.02	21.72^{1/}
Disposal proportion	10.00%	10.00%
Book value pro rata to disposal proportion	14.80	2.17^{1/}

Remark: 1/ Based on an average selling rate announced by the Bank of Thailand as at January 17, 2017 of CNY/Baht 5.2181 and USD/Baht 35.5685 or USD/CNY 0.1467.

Under this approach, SRP's appraised value is at CNY 148.02 million (equivalent to approximately USD 21.72 million) and SRP's value pro rata to the disposal proportion is equal to CNY 14.80 million (equivalent to approximately USD 2.17 million).

3.2 Adjusted Book Value Approach

Under this method, SRP's total assets is deducted by total liabilities and commitments and contingent liabilities derived from the financial statement for the year ended December 31, 2015, and then adjusted with transactions arising after the date of such financial statement or any transactions that will more accurately reflect the book value such as unrealized gain or loss from asset revaluation and incidents after the date of the financial statement, etc.

However, since the Company holds only 10% of SRP's total capital, which is a share proportion without management control, the Company therefore has limited access to SRP's information. Besides, SRP does not have its assets revalued and, hence, there is no additional information for the book value adjustment. CapAd accordingly has not evaluated SRP's firm value by this approach.

3.3 Price to Book Value Ratio Approach (P/BV Ratio)

CapAd has appraised SRP's business value by taking its book value from the financial statement for the year ended December 31, 2015, which was audited by a certified public accountant, Ernst & Young Hua Ming LLP Shanghai Branch, and is the most recent financial statement of SRP, equal to CNY 14.80 million or USD 2.17 million, multiplied by a median of P/BV ratio of 4 companies listed on New York Stock Exchange (NYSE), USA, Vienna Stock Exchange (Austrian Traded Index - ATX), Austria, and Tokyo Stock Exchange (TSE), Japan, which operate similar business to SRP. The derived data, as at January 23, 2017, are as shown below:

SRP	Historical Average P/BV ratio (unit: times)							
	7 days	15 days	30 days	60 days	90 days	120 days	180 days	360 days
Eaton Corporation PCL. (ETN:US)	1.99	1.99	2.00	1.95	1.93	1.95	1.91	1.81
Parker-Hannifin Corporation (PH:US)	4.13	4.10	4.09	3.96	3.83	3.78	3.56	3.24
Semperit AG Holding (SEM:AV)	1.64	1.58	1.52	1.48	1.46	1.50	1.55	1.66
Sumitomo Riko Co., Ltd. (5191:JP)	0.78	0.80	0.80	0.75	0.73	0.71	0.67	0.64
Median of 4 companies	1.81	1.78	1.76	1.72	1.70	1.72	1.73	1.73
Firm value of SRP (CNY million)	268.64	264.01	260.57	254.12	251.13	254.83	256.32	256.76
Firm value of SRP (USD million)	39.41	38.73	38.23	37.28	36.84	37.38	37.60	37.67
Firm value of SRP pro rata to disposal proportion (10%) (USD million)	3.94	3.87	3.82	3.73	3.68	3.74	3.76	3.77

Source: Bloomberg

Under this approach, SRP's firm value is in a range of CNY 251.13 million – 268.64 million (equivalent to approximately USD 36.84 million – 39.41 million) and SRP's firm value pro rata to the disposal proportion is equal to CNY 25.11 million – 26.86 million (equivalent to approximately USD 3.68 million – 3.94 million).

¹⁹ Please see Footnote 16.

3.4 Price to Earnings Ratio Approach (P/E Ratio)

CapAd has evaluated SRP's ordinary shares by using its earnings per share shown on the financial statement for the year ended December 31, 2015, which was audited by a certified public accountant, Ernst & Young Hua Ming LLP Shanghai Branch, and is the most recent financial statement of SRP, equal to CNY 37.80 million or USD 5.55 million, multiplied by a median of P/E ratio of 4 companies listed on New York Stock Exchange (NYSE), USA, Vienna Stock Exchange (Austrian Traded Index - ATX), Austria, and Tokyo Stock Exchange (TSE), Japan, that operate similar business to SRP. The derived data, as at January 23, 2017, are as shown below:

SRP	Historical Average P/E ratio (unit: times)							
	7 days	15 days	30 days	60 days	90 days	120 days	180 days	360 days
Eaton Corporation PCL. (ETN:US)	15.27	15.24	15.30	14.97	14.78	14.86	14.45	13.15
Parker-Hannifin Corporation (PH:US)	22.24	22.09	22.04	21.33	20.62	20.26	19.65	17.59
Semperit AG Holding (SEM:AV)	20.47	19.73	19.06	18.50	17.60	16.98	16.31	16.18
Sumitomo Riko Co., Ltd. (5191:JP)	28.71	29.28	29.21	27.64	28.07	28.52	29.18	29.57
Median of 4 entities	21.36	20.91	20.55	19.91	19.11	18.62	17.98	16.89
Firm value of SRP (CNY million)	807.23	790.43	776.64	752.74	722.35	703.86	679.65	638.26
Firm value of SRP (USD million)	118.43	115.96	113.94	110.43	105.97	103.26	99.71	93.64
Firm value of SRP pro rata to disposal proportion (10%) (USD million)	11.84	11.60	11.39	11.04	10.60	10.33	9.97	9.36

Source: Bloomberg

Under this approach, SRP's firm value is in a range of CNY 638.26 million - 807.23 million (equivalent to approximately USD 93.64 million - 118.43 million) and SRP's firm value pro rata to the disposal proportion is equal to CNY 63.83 million - 80.72 million (equivalent to approximately USD 9.36 million - 11.84 million).

3.5 Discounted Cash Flow Approach

This approach focuses on future business performance of SRP through estimation of present value of projected free cash flow with a proper discount rate. CapAd has calculated the Weighted Average Cost of Capital (WACC) to be used as a discount rate for estimating the net free cash flow based on financial projection of SRP over the next 29 years (2017 - May 10, 2045) according to the remaining license period. SRP has obtained a license to operate business in the People's Republic of China for a period of 50 years from May 10, 1995. Within 180 days before the end of such 50-year period, SRP may apply for extension of the license period from the concerned authority. If its request is declined, SRP will be liquidated when the license expires, whereby proceeds from disposal of its assets will be allocated to its shareholders after debt repayment to creditors. Assumptions used in such financial projection are prepared on a going concern basis according to the business license and without any significant change taking place, and also based on the current economic condition and prevailing circumstances.

However, since the Company holds only 10% of SRP's total capital, which is a share proportion without management control, the access to SRP's information is limited. Besides, the Company has not closely involved in the management of companies in Semperit Group's located overseas. Thus, the financial projection of SRP has been prepared based on historical financial data and ratio, assumptions obtained from the Company, and interviews with the Company's management and concerned staffs, in order to determine a fair value of SRP in this study. Any material change in economic condition and other external and internal factors that have an effect on SRP's operation that affect the assumptions used herein will cause SRP's firm value appraised by this approach to change accordingly.

SRP was established in the People's Republic of China on May 10, 1995 to produce escalator handrails. The Company and Semperit hold 10% and 90% of shares in SRP respectively.

Major assumptions for the financial projection of SRP are as follows:

Revenues and costs of sales

(1) Sales Revenue

Sales Revenue is projected based on sales volume and selling price. SRP's sales volume of escalator handrails is forecast to be 1.50 million meters/year during 2016 - 2045, which is close to its average annual sales volume of 1.52 million meters during 2013 - 2015. Selling price in 2016 is assumed to be CNY 95/meter, according to the average selling price in 2015, and will not increase throughout the projection period considering that SRP's selling price has been on the decline from 2012 onwards.

SRP	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Sales volume (million meters)	1.43	1.51	1.63	1.52	1.50	1.50	1.50	1.50	1.50	1.50	1.50
Selling price (CNY/meter)	102.0	97.7	94.5	94.5	95.0	95.0	95.0	95.0	95.0	95.0	95.0
Sales revenue (CNY million)	146.04	147.35	153.86	143.39	142.50	142.50	142.50	142.50	142.50	142.50	142.50

SRP	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Sales volume (million meters)	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
Selling price (CNY/meter)	95.0	95.0	95.0	95.0	95.0	95.0	95.0	95.0	95.0	95.0	95.0
Sales revenue (CNY million)	142.50	142.50	142.50	142.50	142.50	142.50	142.50	142.50	142.50	142.50	142.50

SRP	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045 ^{1/}
Sales volume (million meters)	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	0.50
Selling price (CNY/meter)	95.0	95.0	95.0	95.0	95.0	95.0	95.0	95.0	95.0	95.0	95.0
Sales revenue (CNY million)	142.50	142.50	142.50	142.50	142.50	142.50	142.50	142.50	142.50	142.50	47.50

Remark: 1/ During January 1 - May 10, 2045

(2) Other income

Other income, which is interest income, is projected at 0.80% of sales revenue, based on the average ratio of other income to sales revenue in 2013 - 2015 and the first 9 months of 2016.

(3) Costs of sales

Costs of sales consist of cost of raw materials, production staff expense, production expense, depreciation cost, etc. In 2013 - 2015 and the first 9 months of 2016, costs of sales were at 57.90%, 56.90%, 52.20% and 54.30% of sales revenue respectively. For 2016 - 2045, the average ratio of costs of sales to sales revenue is projected at 55.32%, based on the average of such ratio in 2013 - 2015 and the first 9 months of 2016. The IFA uses historical ratio of cost of sales to sales revenue due to the limitations of information access as the Company holds only 10% in SRP.

(4) Operating expenses and selling and administrative expenses

Operating expenses and selling and administrative expenses are estimated at 18.60% of sales revenue, based on the average ratio of operating expenses and selling and administrative expenses to sales revenue in 2015 and the first 9 months of 2016. The IFA uses historical average ratio of operating expenses and selling and administrative expenses due to the limitations of information access as the Company holds only 10% in SRP.

(Unit: CNY million)

SRP	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Operating expenses and selling & administrative expenses	22.30	22.08	28.15	24.23	26.51	26.51	26.51	26.51	26.51	26.51	26.51
Operating expenses and selling & administrative expenses as % of sales revenue	15.27%	14.98%	18.30%	16.90%	18.60%	18.60%	18.60%	18.60%	18.60%	18.60%	18.60%

(Unit: CNY million)

SRP	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Operating expenses and selling & administrative expenses	26.51	26.51	26.51	26.51	26.51	26.51	26.51	26.51	26.51	26.51	26.51
Operating expenses and selling & administrative expenses as % of sales revenue	18.60%	18.60%	18.60%	18.60%	18.60%	18.60%	18.60%	18.60%	18.60%	18.60%	18.60%

(Unit: CNY million)

SRP	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045
Operating expenses and selling & administrative expenses	26.51	26.51	26.51	26.51	26.51	26.51	26.51	26.51	26.51	26.51	8.84
Operating expenses and selling & administrative expenses as % of sales revenue	18.60%	18.60%	18.60%	18.60%	18.60%	18.60%	18.60%	18.60%	18.60%	18.60%	18.60%

▪ Corporate income tax

SRP's corporate income tax is set at 25% throughout the projection period.

▪ Capital expenditure

For 2016 - 2043, capital expenditure is estimated at 4% of sales revenue, based on the average ratio of capital expenditure in 2013 - 2015. It consists of expenses on repair and maintenance of machinery.

▪ Current assets and current liabilities turnover

Projection is made based on the average of historical data in 2014 - 2015 and the first 9 months of 2016 and as deemed appropriate, as follows:

Trade receivable	average of	74 days
Inventories	average of	62 days
Trade payable	average of	45 days

Summary of financial projection for 2013 - 2045 is as tabulated below:

(Unit: CNY million)											
SRP	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Sales revenue	146.04	147.35	153.86	143.39	142.50	142.50	142.50	142.50	142.50	142.50	142.50
Costs of sales	84.52	83.87	80.33	79.33	78.84	78.84	78.84	78.84	78.84	78.84	78.84
Tax and related fees	0.81	0.61	0.84	0.57	0.57	0.57	0.57	0.57	0.57	0.57	0.57
Gross profit	60.72	62.87	72.69	63.49	63.09	63.09	63.09	63.09	63.09	63.09	63.09
Other income	0.09	2.22	3.20	1.15	1.14	1.14	1.14	1.14	1.14	1.14	1.14
Other operating profit	0.85	1.25	1.41	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86
Operating expenses and selling & administrative expenses	22.30	22.08	28.15	24.23	26.51	26.51	26.51	26.51	26.51	26.51	26.51
Profit before interest expense and income tax	39.36	44.26	49.14	41.26	38.58	38.58	38.58	38.58	38.58	38.58	38.58
Income tax	10.92	11.69	11.46	10.32	9.65	9.65	9.65	9.65	9.65	9.65	9.65
Net profit	28.44	32.58	37.68	30.95	28.94	28.94	28.94	28.94	28.94	28.94	28.94

(Unit: CNY million)											
SRP	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Sales revenue	142.50	142.50	142.50	142.50	142.50	142.50	142.50	142.50	142.50	142.50	142.50
Costs of sales	78.84	78.84	78.84	78.84	78.84	78.84	78.84	78.84	78.84	78.84	78.84
Tax and related fees	0.57	0.57	0.57	0.57	0.57	0.57	0.57	0.57	0.57	0.57	0.57
Gross profit	63.09	63.09	63.09	63.09	63.09	63.09	63.09	63.09	63.09	63.09	63.09
Other income	1.14	1.14	1.14	1.14	1.14	1.14	1.14	1.14	1.14	1.14	1.14
Other operating profit	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86
Operating expenses and selling & administrative expenses	26.51	26.51	26.51	26.51	26.51	26.51	26.51	26.51	26.51	26.51	26.51
Profit before interest expense and income tax	38.58	38.58	38.58	38.58	38.58	38.58	38.58	38.58	38.58	38.58	38.58
Income tax	9.65	9.65	9.65	9.65	9.65	9.65	9.65	9.65	9.65	9.65	9.65
Net profit	28.94	28.94	28.94	28.94	28.94	28.94	28.94	28.94	28.94	28.94	28.94

(Unit: CNY million)											
SRP	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045
Sales revenue	142.50	142.50	142.50	142.50	142.50	142.50	142.50	142.50	142.50	142.50	47.50
Costs of sales	78.84	78.84	78.84	78.84	78.84	78.84	78.84	78.84	78.84	78.84	26.28
Tax and related fees	0.57	0.57	0.57	0.57	0.57	0.57	0.57	0.57	0.57	0.57	0.19
Gross profit	63.09	63.09	63.09	63.09	63.09	63.09	63.09	63.09	63.09	63.09	21.03
Other income	1.14	1.14	1.14	1.14	1.14	1.14	1.14	1.14	1.14	1.14	0.38
Other operating profit	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.29
Operating expenses and selling & administrative expenses	26.51	26.51	26.51	26.51	26.51	26.51	26.51	26.51	26.51	26.51	8.84
Profit before interest expense and income tax	38.58	38.58	38.58	38.58	38.58	38.58	38.58	38.58	38.58	38.58	12.86
Income tax	9.65	9.65	9.65	9.65	9.65	9.65	9.65	9.65	9.65	9.65	3.22
Net profit	28.94	28.94	28.94	28.94	28.94	28.94	28.94	28.94	28.94	28.94	9.65

▪ Terminal value

There is no terminal value projection because SRP's 50-year license to operate business in the People's Republic of China will expire on May 10, 2045.

▪ Discount rate

Discount rate, or WACC, is equal to 9.20% per year (Please see assumptions for discount rate calculation in Part 3 Clause 1.5 of this report).

Based on the above data and assumptions, free cash flow to SRP can be estimated as follows:

SRP (Unit: CNY million)	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
EBIT	41.26	38.58	38.58	38.58	38.58	38.58	38.58	38.58	38.58	38.58
Corporate income tax	10.32	9.65	9.65	9.65	9.65	9.65	9.65	9.65	9.65	9.65
Depreciation and amortization	3.40	4.31	5.43	6.48	7.62	8.76	8.76	8.76	8.76	8.76
Working Capital	(16.88)	0.21	-	-	-	-	-	-	-	-
Capital Expenditure	(1.37)	(5.70)	(5.70)	(5.70)	(5.70)	(5.70)	(5.70)	(5.70)	(5.70)	(5.70)
Free cash flow to firm	16.10	27.75	28.67	29.72	30.86	32.00	32.00	32.00	32.00	32.00
PV of cash flow	16.10	25.41	24.04	22.82	21.70	20.61	18.88	17.29	15.83	14.50

SRP (Unit: CNY million)	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
EBIT	38.58	38.58	38.58	38.58	38.58	38.58	38.58	38.58	38.58	38.58
Corporate income tax	9.65	9.65	9.65	9.65	9.65	9.65	9.65	9.65	9.65	9.65
Depreciation and amortization	8.76	8.76	8.76	8.76	8.76	8.76	8.76	8.76	7.56	5.70
Working Capital	-	-	-	-	-	-	-	-	-	-
Capital Expenditure	(5.70)	(5.70)	(5.70)	(5.70)	(5.70)	(5.70)	(5.70)	(5.70)	(5.70)	(5.70)
Free cash flow to firm	32.00	32.00	32.00	32.00	32.00	32.00	32.00	32.00	30.79	28.94
PV of cash flow	13.28	12.16	11.13	10.20	9.34	8.55	7.83	7.17	6.32	5.44

SRP (Unit: CNY million)	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045
EBIT	38.58	38.58	38.58	38.58	38.58	38.58	38.58	38.58	38.58	12.86
Corporate income tax	9.65	9.65	9.65	9.65	9.65	9.65	9.65	9.65	9.65	3.22
Depreciation and amortization	5.70	5.70	5.70	5.70	5.70	5.70	5.70	5.70	4.56	3.42
Working Capital	-	-	-	-	-	-	-	-	-	31.05
Capital Expenditure	(5.70)	(5.70)	(5.70)	(5.70)	(5.70)	(5.70)	(5.70)	(5.70)	-	-
Free cash flow to firm	28.94	28.94	28.94	28.94	28.94	28.94	28.94	28.94	33.50	47.54
PV of cash flow	4.98	4.56	4.18	3.83	3.50	3.21	2.94	2.69	2.85	3.92

SRP	(CNY million)
PV of free cash flow to firm	325.27 ^{1/}
Add: Cash and cash equivalent as at December 31, 2015	77.53
Free cash flow to equity	402.80
Proportion of disposal of investment in SRP	10.00%
Free cash flow to equity pro rata to proportion of disposal of investment in SRP	40.28
Free cash flow to equity pro rata to proportion of disposal of investment in SRP (USD million)	5.91

Remark: 1/ Including free cash flow to firm in 2016.

By this approach, SRP's firm value pro rata to the disposal proportion is equal to CNY 40.28 million (equivalent to approximately USD 5.91 million).

CapAd has also conducted a sensitivity analysis on the firm value by adjusting the discount rate or WACC up and down by 5% per year from the base case.

	Unit	Discount rate (% per year)		
		9.66%	9.20%	8.74%
SRP's firm value	CNY million	390.75	402.80	415.69
SRP's firm value pro rata to disposal proportion (10%)	CNY million	39.08	40.28	41.57
SRP's firm value pro rata to disposal proportion (10%)	USD million	5.73	5.91	6.10

Remark: 1/ Based on an average selling rate announced by the Bank of Thailand as at January 17, 2017 of CNY/Baht 5.2181 and USD/Baht 35.5685 or USD/CNY 0.1467.

From the sensitivity analysis with a changing discount rate, SRP's firm value pro rata to the disposal proportion is in a range of CNY 39.08 million - 41.57 million (equivalent to approximately USD 5.73 million - 6.10 million).

3.6 Summary of the IFA's opinion on fair value of SRP shares

SRP's firm values appraised by different approaches are shown in the table below:

SRP	SRP's firm value	SRP's firm value	SRP's firm value pro rata to disposal proportion	Suitability of valuation approach
	(CNY million)	(USD million)	(USD million)	
	(1)	(2) = (1) * FX ^{1/}	(3) = (2) * 10%	
Book value approach	148.02	21.72	2.17	Not suitable
Price to book value ratio approach	251.13 – 268.64	36.84 – 39.41	3.68 – 3.94	Not suitable
Price to earnings ratio approach	638.26 – 807.23	93.64 – 118.43	9.36 – 11.84	Not suitable
Discounted cash flow approach	390.75 - 415.69	57.32 – 60.98	5.73 – 6.10	Suitable

Remark: 1/ Based on an average selling rate announced by the Bank of Thailand as at January 17, 2017 of USD/Baht 35.5685 or CNY/Baht 5.2181 or CNY/USD 0.1467 (source: www.bot.or.th).

From the above table, SRP's firm value appraised by various approaches is in a range of CNY 148.02 million - 807.23 million or approximately USD 21.72 million - 118.43 million.

The Book Value Approach reflects the operating result and status of SRP at any certain period without taking into account its real asset value and future profit, as well as the overall economic and industry outlook. Thus, valuation of SRP's firm value using this approach could not reflect the current financial position and fair share value of SRP.

The Price to Book Value Ratio Approach and Price to Earnings Ratio Approach estimated the value of SRP using book value as of December 31, 2015 and net profit per share for 12-month period ended December 31, 2015 to compare with the P/BV Ratio of 4 comparable listed companies which produces industrial products and its shares are listed in New York Stock Exchange, USA (NYSE), Vienna Stock Exchange, Austria (ATX), Tokyo Stock Exchange, Japan (TSE). The information is for the period up to January 23, 2017. However, CapAd views that using only 4 comparable companies located in various countries as benchmark yields limited results as there may be factors affecting financial position and business operation such as economic conditions, stock market conditions, foreign exchange rate, which may be different from China. Thus, value of SRP' shares derived from these approaches may not be used as criteria in determining fair value of SRP.

The Discounted Cash Flow Approach is the method that considers the historical operating results and the future growth prospects. The valuation derived from the Discounted Cash Flow Approach based the projection of future cash flow on assumptions provided by SRP and under the current economic conditions and circumstances. If there is any change in that materially affect the assumptions and variables used herein, the future operating results of SRP might not be as projected and SRP's firm value evaluated by this approach may change accordingly.

CapAd is of the opinion that the most suitable approach to evaluate SRP's shares is the Discounted Cash Flow Approach since it could reflect long-term profitability prospect. CapAd also views that a fair SRP's firm value should be in a range of CNY 390.75 million - 415.69 million (equivalent to approximately USD 57.32 million – 60.98 million).

4. Share Value of Sempermed USA, Inc. ("SUSA")

4.1 Book Value Approach

The share valuation by this approach reflects SUSA's book value at a certain point in time. In this study, the share valuation is based on SUSA's book value shown on its financial statement for the year ended December 31, 2015, which was audited by a certified public accountant, Clifton Larson Allen LLP²⁰, and is the most recent financial statement of SUSA. Its book value can be calculated based on the said financial statement as follows:

SUSA	Unit: USD million
Capital stock	0.004
Paid-up capital	4.161
Retained earnings	16.816
Total shareholders' equity or book value	20.981
Disposal proportion	25.00%
Book value pro rata to disposal proportion	5.245

Appraised by this method, SUSA's firm value is equal to USD 20.98 million and SUSA's share value pro rata to the disposal proportion is equal to USD 5.25 million.

4.2 Adjusted Book Value Approach

Under this method, SUSA's firm value is evaluated from its total assets, deducted by total liabilities and commitments and contingent liabilities derived from financial statement for the year ended December 31, 2015, and then adjusted with transactions arising after the date of such financial statement or any transactions that will more accurately reflect the book value such as unrealized gain or loss from asset revaluation, contingent liabilities, and incidents taking place after the date of the financial statement, etc.

However, since the Company has not closely involved in management of SUSA, the access to SUSA's information is limited. Moreover, book value of fixed assets of SUSA which composed of buildings, equipment, furniture and fixtures as of December 31, 2015 accounted for only 2% of total assets. Besides, SUSA does not have its assets revalued and, hence, there is no additional information for the book value adjustment. CapAd accordingly has not evaluated SUSA's firm value by this approach.

4.3 Price to Book Value Ratio Approach (P/BV Ratio)

CapAd has appraised SUSA's firm value by taking its book value from the financial statement for the year ended December 31, 2015, which was audited by a certified public accountant, Clifton Larson Allen LLP, and is the most recent financial statement of SUSA, equal to USD 5,245.32 per share, multiplied by a median of P/BV ratio of 4 comparable companies listed on Malaysian Stock Exchange (Bursa Malaysia: MYX) who are producers and distributors of rubber gloves, relating business to SUSA's business. The derived data, as at January 13, 2017, are as shown below:

SUSA	Historical Average P/BV ratio (unit: times)							
	7 days	15 days	30 days	60 days	90 days	120 days	180 days	360 days
Hartalega Holdings Bhd.	0.96	0.96	0.96	0.96	0.95	0.95	0.94	1.01
Kossan Rubber Industries Bhd.	1.62	1.62	1.62	1.62	1.61	1.60	1.59	1.53
Top Glove Corporation Bhd.	1.52	1.52	1.52	1.48	1.47	1.46	1.44	1.91
Supermax Corp. Bhd.	1.54	1.54	1.54	1.54	1.54	1.53	1.54	1.54
Median of 4 companies	1.53	1.53	1.53	1.51	1.50	1.49	1.49	1.53
Share value of SUSA (USD million)	32.06	32.06	32.06	31.72	31.56	31.34	31.27	32.13
SUSA's share value pro rata to disposal proportion (25%) (USD million)	8.02	8.02	8.02	7.93	7.89	7.83	7.82	8.03

Source: Bloomberg

By this approach, SUSA's total firm value is in a range of USD 31.27 million – 32.13 million and SUSA's share value pro rata to the disposal proportion is equal to USD 7.82 million – 8.03 million.

4.4 Price to Earnings Ratio Approach (P/E Ratio)

CapAd has evaluated SUSA's ordinary shares from its earnings per share shown on the financial statement for the year ended December 31, 2015, which was audited by a certified public accountant, Clifton Larson Allen LLP, and is the most recent financial statement of SUSA, equal to USD 353.73 per share, multiplied by a median of P/E ratio of 4 comparable companies listed on

²⁰ Please see Footnote 16.

Malaysian Stock Exchange (Bursa Malaysia: MYX) who are producers and distributors of rubber gloves, relating to SUSA's business. The derived data, as at January 13, 2017, are as shown below:

SUSA	Historical Average P/E ratio (unit: times)							
	7 days	15 days	30 days	60 days	90 days	120 days	180 days	360 days
Hartalega Holdings Bhd.	30.00	29.84	29.84	30.08	30.00	29.54	28.67	30.95
Kossan Rubber Industries Bhd.	23.03	22.95	22.89	23.45	23.05	22.49	21.70	23.75
Top Glove Corporation Bhd.	21.71	21.64	21.19	19.27	18.45	17.28	16.78	18.66
Supermax Corp. Bhd.	17.13	17.04	17.04	17.42	16.82	16.14	15.36	14.90
Median of 4 companies	22.37	22.29	22.04	21.36	20.75	19.89	19.24	21.20
Share value of SUSA (USD million)	31.65	31.54	31.18	30.22	29.36	28.14	27.22	30.00
SUSA's share value pro rata to disposal proportion (25%) (USD million)	7.91	7.89	7.80	7.55	7.34	7.03	6.81	7.50

Source: Bloomberg

By this approach, SUSA's total firm value is in a range of USD 27.22 million – 31.65 million and SUSA's share value pro rata to the disposal proportion is equal to USD 6.81 million – 7.91 million.

4.5 Discounted Cash Flow Approach

This approach focuses on future business performance of SUSA through estimation of present value of projected free cash flow with a proper discount rate. CapAd has calculated the Weighted Average Cost of Capital (WACC) to be used as a discount rate for estimating the net free cash flow based on financial projection of SUSA for the next 6 years (2016 - 2021). Assumptions used in such financial projection are prepared under on going concern basis and without any significant change taking place, and also based on the current economic condition and prevailing circumstances.

However, since the Company has not closely involved in the management of SUSA, the access to SUSA's information is limited. Thus, the financial projection of SUSA has been prepared based on historical financial data and ratio, assumptions obtained from the Company, and interviews with the Company's management and concerned staffs, in order to determine a fair value of SUSA in this study only. Any material change in the economic condition, other external and internal factors that have an impact on SUSA's operation which affect the assumptions used herein will cause SUSA's firm value appraised by this approach to change as well.

SUSA is STA's associated company, established in the USA on April 2, 1998 to distribute medical gloves in the USA. The Company, SSC and Semperit hold 25%, 50% and 25% of shares in SUSA respectively.

Major assumptions for the financial projection of SUSA are as follows:

Revenues and costs of sales

▪ Sales revenue

SUSA's sales revenue is projected based on annual sales volume of gloves and selling price. Sales volume for 2016 is estimated by annualizing sales volume of the first 9 months of 2016 to derive the full year sales of 3.20 million boxes, which will rise to 3.25 million boxes in 2017 and 3.30 million boxes in 2018 and then increase by 3% per year from 2019 onwards. Selling price is projected, based on SUSA's business plan, to be USD 29.09 per box in 2016, USD 27.18 per box in 2017 and USD 27.18 per box in 2018 and assumed to increase by 3% per year from 2019 onwards.

SUSA	2016	2017	2018	2019	2020	2021
Sales volume (million boxes)	3.20	3.25	3.30	3.40	3.50	3.61
Selling price (USD/box)	29.09	27.18	27.18	27.99	28.83	29.70
Sales revenue (USD million)	93.10	88.33	89.69	95.15	100.94	107.09

▪ Gross profit margin

In 2013-2015 and the first 9 months of 2016, SUSA recorded a gross profit margin of 15.0%, 16.5%, 16.4% and 20.9% respectively. For 2016 - 2021, gross profit margin is estimated at an average of 17.2%, based on the average of gross profit margin in 2013 - 2015 and the first 9 months of 2016.

▪ Operating expenses

Operating expenses are assumed to be 14.20% of sales revenues, based on the ratio of operating expenses to revenues in 2013 - 2015 and the first 9 months of 2016 which equal to 12.1%, 12.8%, 14.1% and 17.6% respectively.

▪ Other expenses

As itemized in SUSA's financial statement, finance cost is included in other expenses. Finance cost, which arises from bank charge, is estimated to be 0.1% of sales revenue, based on the average ratio of other expenses to sales revenue in 2013 - 2015 and the first 9 months of 2016.

- Corporate income tax

SUSA's corporate income tax is set to be 38% throughout the projection period.

- Capital expenditure

Capital expenditure for 2016 - 2017 is estimated based on SUSA's investment budget of USD 95,324 and USD 517,350 respectively. From 2018 onward, it is projected to be 0.10% of sales revenue according to the average ratio of capital expenditure in 2013 - 2015 and the first 9 months of 2016. The sharp increase in capital expenditure in 2017 is in line with SUSA's plan to invest in improvement of its IT system.

- Current assets and current liabilities turnover

Projection is made based on the average of historical data in 2014 - 2015 and the first 9 months of 2016, as follows:

Trade receivable	average of	36 days
Inventories	average of	45 days
Trade payable	average of	4 days

Summary of financial projection for 2013 - 2021 is as tabulated below:

SUSA (Unit: USD million)	2013	2014	2015	2016	2017	2018	2019	2020	2021
Sales revenue	151.74	127.03	115.81	93.10	88.33	89.69	95.15	100.94	107.09
Costs of sales	129.00	106.13	96.82	77.10	73.15	74.28	78.80	83.60	88.69
Gross profit	22.74	20.90	18.99	16.00	15.18	15.41	16.35	17.35	18.40
Operating expenses	18.36	16.31	16.33	13.18	12.51	12.70	13.47	14.29	15.16
Other expenses	0.10	0.09	0.18	0.10	0.05	0.09	0.10	0.10	0.11
Earnings before interest expense and income tax	4.29	4.49	2.47	2.72	2.62	2.62	2.78	2.95	3.13
Income tax	1.67	1.75	1.06	1.03	1.00	1.00	1.06	1.12	1.19
Net profit	2.62	2.74	1.41	1.68	1.63	1.63	1.73	1.83	1.94

- Terminal value

Terminal value is projected at 0% on a conservative basis.

- Discount rate

Discount rate, or WACC, is equal to 9.20% per year (Please see assumptions for discount rate calculation in Part 3 Clause 1.5 of this report).

Based on the above data and assumptions, SUSA's free cash flow can be estimated as follows:

SUSA (USD million)	2016	2017	2018	2019	2020	2021
EBIT	2.72	2.62	2.62	2.78	2.95	3.13
Corporate income tax	1.03	1.00	1.00	1.06	1.12	1.19
Depreciation and amortization	0.19	0.29	0.31	0.32	0.34	0.20
Working Capital	0.23	0.58	(0.16)	(0.66)	(0.70)	(0.74)
Capital Expenditure	(0.10)	(0.52)	(0.08)	(0.08)	(0.09)	(0.09)
Free cash flow to firm	2.01	1.98	1.69	1.31	1.38	1.30
PV of cash flow	2.01	1.81	1.42	1.00	0.97	0.84

SUSA	(USD million)
PV of cash flow	8.05 ^{1/}
PV of terminal value	9.13
PV of free cash flow to firm	17.18
Add: Cash and cash equivalents as at December 31, 2015	7.62
Free cash flow to equity	24.80
Proportion of disposal of investment in SUSA	25.00%
Free cash flow to equity pro rata to proportion of disposal of investment in SUSA	6.20

Remark: 1/ Including free cash flow to firm in 2016.

By this approach, SUSA's total firm value is at USD 24.80 million and SUSA's share value pro rata to the disposal proportion is equal to USD 6.20 million.

CapAd has also conducted a sensitivity analysis on the share value by adjusting the discount rate or WACC up and down by 5% per year from the base case.

	Unit	Discount rate (% per year)		
		9.66%	9.20%	8.74%
SUSA's firm value	USD million	24.12	24.80	25.56

From the sensitivity analysis with a changing discount rate, SUSA's firm value will be in a range of USD 24.12 million - 25.56 million.

4.6 **Summary of the IFA's opinion on fair value of SUSA shares**

SUSA's firm values appraised by different approaches are shown in the table below:

SUSA	SUSA's firm value (USD million)	Suitability of valuation approach
Book value approach	20.98	Not suitable
Price to book value ratio approach	31.27 – 32.13	Not suitable
Price to earnings ratio approach	27.22 – 31.65	Not suitable
Discounted cash flow approach	24.12 – 25.56	Suitable

From the above table, SUSA's firm value from various approaches is in a range of USD 20.98 million - 32.13 million and its share value pro rata to the disposal proportion is equal to USD 5.25 million - 8.03 million.

The Book Value Approach reflects the operating result and financial position of SUSA at any given period without taking into account its real asset value and future profit, as well as overall economic and industry outlook. Thus, valuation of SUSA's firm value using this approach could not reflect the current financial position and fair share value of SUSA.

The Price to Book Value Ratio Approach and Price to Earnings Ratio Approach estimated the value of SUSA using book value as of December 31, 2015 and net profit per share for 12-month period ended December 31, 2015 to compare with the P/BV Ratio of 4 comparable listed companies which produces latex gloves and its shares are listed in Malaysia Stock Exchange, Malaysia (MYX). The information is for the period up to January 23, 2017. However, CapAd views that though it selects 4 largest rubber gloves producers listed on MYX as benchmark in the comparison, it still believe that there may be factors affecting financial position and business operation such as economic conditions, stock market conditions, foreign exchange rate in Malaysia which are different from Thailand. Thus, value of SUSA's shares derived from these approaches may not be used as criteria in determining fair value of SUSA.

The Discounted Cash Flow Approach is the method that considers the historical operating results and the future growth prospects. The valuation derived from the Discounted Cash Flow Approach based the projection of future cash flow which is estimated under assumptions provided by SUSA and under the current economic conditions and circumstances. If there is any change that materially affect the assumptions and variables used herein, the future operating results of SUSA might not be as projected and SUSA's firm value evaluated by this approach may also change accordingly.

CapAd is of the opinion that the most suitable approach to evaluate SUSA's shares is the Discounted Cash Flow Approach since it could reflect long-term profitability prospect. CapAd views that SUSA's fair firm value should be in a range of USD 24.12 million - 25.56 million.

5. Share Value of Sempermed Singapore Pte. Ltd. ("SESI")

5.1 Book Value Approach

The valuation by this approach shows SESI's book value at a certain point in time. In this study, the business valuation is based on SESI's book value shown on its financial statement for the year ended December 31, 2015, which was audited by a certified public accountant, Audit Alliance LLP²¹, and is the most recent financial statement of SESI. SESI's book value can be calculated based on the said financial statement as follows:

SESI	Unit: USD million
Paid-up capital	8.00
Retained earnings (loss)	(6.09)
Total shareholders' equity or book value	1.91
Disposal proportion	50.00%
Book value pro rata to disposal proportion	0.96

By this method, SESI's firm value is at USD 1.91 million and its share value pro rata to the disposal proportion is equal to USD 0.96 million.

5.2 Adjusted Book Value Approach

Under this method, SESI's firm value is evaluated from its total assets, deducted by total liabilities and commitments and contingent liabilities derived from the financial statement for the year ended December 31, 2015, and then adjusted with transactions arising after the date of such financial statement or any transactions that will more accurately reflect the book value such as unrealized gain or loss from revaluation of assets, contingent liabilities, and incidents taking place after the date of the financial statement, etc.

SESI is a holding company that invests in two subsidiaries. One of them is Formtech Engineering (M) Sdn. Bhd. ("FTE") in which SESI holds 82.90% of FTE's total paid-up shares. FTE is registered in Malaysia as a producer of ceramic rubber glove molds. The other one is Sempermed Brazil Comércio Exterior Ltda. ("SBC") which is wholly owned by SESI. SBC is registered in Brazil, engaging in distribution and marketing of medical rubber gloves in Brazil. However, SBC has discontinued business operation since 2013 due to a dispute about import tariff on medical rubber gloves.

In share valuation by this approach, CapAd has adjusted book value of assets to reflect the present value of SESI's assets, most of which are investments in its two subsidiaries, i.e. FTE and SBC. Meanwhile, all of its liabilities are current liabilities, which are other payables. CapAd does not adjust liabilities because they are debts owed to outsiders in the course of business operation and have already been recorded at the actual value.

The Company assigned Duff & Phelps Germany GmbH ("Duff & Phelps") as an independent appraiser to appraise FTE's fixed assets which include factory, machinery, tools and factory equipment, office equipment, furniture and fixture, and vehicles, according to the appraisal report dated January 6, 2017 (reference No. 16/0767). The purpose of such appraisal of a fair value of those fixed assets was to comply with the SEC's guideline.

The assets appraisal can be summarized as follows:

Duff & Phelps appraised a fair value of the factory, machinery, tools and factory equipment, office equipment, furniture and fixture, and vehicles by the Cost Approach, based on information from the asset registration obtained from FTE. The information from the asset registration was reconciled with FTE's management to determine whether the asset registration was updated. After that, it measured the Replacement Cost New by the trending method through projection of the Reproduction Cost New, using historical cost and price index as the current price of assets, deducted by physical deterioration, functional obsolescence and economic/external obsolescence of the appraised assets. Summary of asset appraised is as follows:

No.	Details	Amount (Items)	Year of construction / Year of acquisition	Replacement Cost (MYR million)	Appraised Value (MYR million)
1	Machinery	84	-2011 - 2016	6.99	5.37 ^{1/}
2	Tools	104	2011 - 2016	0.85	0.64 ^{1/}
3	Office and Factory Equipment	165	2011 - 2016	1.30	0.73 ^{1/}
4	Fixtures and Fittings	193	2011 - 2016	0.92	0.35 ^{1/}
5	Vehicles	1	2016	0.20	0.19 ^{1/}
	Total				7.29

²¹ Please see Footnote 16.

Source: Asset appraisal report by Duff & Phelps Germany GmbH No. 16/0767 dated January 6, 2017

Remark: 1/ Duff & Phelps Germany GmbH has determined useful life of machinery at 12-15 years, tools at 12 years, office and factory equipment at 5-12 years and vehicles at 10 years.

The IFA agreed with Duff & Phelps that Cost Approach is an appropriate valuation method for plant and machinery, tools, office equipment, furniture and fixtures and vehicles since the appraised items are for special use and no market data are available for the comparison.

From such appraisal, the assets were appraised at MYR 7.29 million in total. When compared with the book value of MYR 5.41 million, there is a revaluation surplus of MYR 1.88 million. Taking into account SESI's stake of 82.90% of total paid-up shares of FTE, *CapAd has therefore recognized a revaluation surplus on those assets at the amount of MYR 1.56 million or equivalent to USD 0.35 million.*

FTE (SESI's subsidiary) (Unit: MYR million)	Book value	Appraised value	Appraised value higher than book value
Machinery	4.49	5.37	0.88
Tools	0.13	0.64	0.52
Office equipment and factory equipment	0.31	0.73	0.43
Furniture and fixture	0.30	0.35	0.04
Vehicles	0.19	0.19	0.01
Total	5.41	7.29	1.88

Summary of adjustment to book value of SESI's shares is as follows:

SESI	Unit: USD million
Paid-up capital	8.00
Retained earnings (loss)	(6.09)
Add Revaluation surplus on FTE's assets in a proportion of 82.9%	0.35 ^{1/}
Less Deferred tax liabilities	(0.08) ^{2/}
Adjusted book value	2.18
Disposal proportion	50.00%
Book value pro rata to disposal proportion	1.09

Remark:

1/ Based on an average selling rate announced by the Bank of Thailand as at January 17, 2017 of MYR/Baht 8.0336 and USD/Baht 35.5685 or USD/MYR 0.2259.

2/ Deferred tax liabilities at tax rate of 24% of the difference between appraised value and book value of assets, based on corporate income tax rate of FTE.

By this approach, SESI's total firm value is at USD 2.18 million and its share value pro rata to the disposal proportion is equal to USD 1.09 million.²²

5.3 Price to Book Value Ratio Approach (P/BV Ratio)

CapAd has appraised SESI's business value by taking its book value from the financial statement for the year ended December 31, 2015, which was audited by a certified public accountant, Audit Alliance LLP, and is the most recent financial statement of SESI, equal to USD 0.24 per share, multiplied by a median of P/BV ratio of 4 companies listed on Malaysian Stock Exchange (Bursa Malaysia: MYX), which are producers and distributors of rubber gloves, relating to SESI's business (and FTE which is a subsidiary of SESI). The derived data, as at January 13, 2017, are as shown below:

SESI	Average P/BV ratio in different retroactive time horizons (unit: time)							
	7 days	15 days	30 days	60 days	90 days	120 days	180 days	360 days
Hartalega Holdings Bhd.	0.96	0.96	0.96	0.96	0.95	0.95	0.94	1.01
Kossan Rubber Industries Bhd.	1.62	1.62	1.62	1.62	1.61	1.60	1.59	1.53
Top Glove Corporation Bhd.	1.52	1.52	1.52	1.48	1.47	1.46	1.44	1.91
Supermax Corp. Bhd.	1.54	1.54	1.54	1.54	1.54	1.53	1.54	1.54
Median of 4 companies	1.53	1.53	1.53	1.51	1.50	1.49	1.49	1.53
Share value of SESI (USD million)	2.93	2.93	2.93	2.90	2.88	2.86	2.85	2.93
SESI's share value pro rata to disposal proportion (50%) (USD million)	1.46	1.46	1.46	1.45	1.44	1.43	1.43	1.47

²² The adjusted book value of SESI above does not include contingent liabilities of SBC, which is 100% owned by SESI. This is because SBC has ceased operation since 2013 due to a dispute about import tariff on medical rubber gloves. SBC originally imported the products, free of duty, for distribution in Brazil, which was in line with the objective of joint venture between the Company and Semperit to have SESI acquire shares in SBC from a Brazilian businessman. Later, SBC had a dispute about import duty with Brazil's revenue department which construed that SBC was not exempted from such import tariff. Therefore, SBC would be subject to tax calculation retroactive to its inception, i.e. for a period of 2008-2012. As estimated by its legal counselor, SBC is to pay such tax plus penalty fee at a total amount of around BRL 41.40 million or equivalent to approximately Baht 462.85 million (based on exchange rate of BRL/Baht 11.18 as at February 1, 2017, source: www.google.com). Thus, if SBC makes a retroactive tax payment in such amount, the business value of SESI appraised by this approach will turn negative, hence, appraisal SESI's firm value is not possible.

Source: Bloomberg

By this approach, SESI's total firm value is in a range of USD 2.85 million - 2.93 million and its share value pro rata to the disposal proportion is equal to USD 1.43 million - 1.47 million.

5.4 Price to Earnings Ratio Approach (P/E Ratio)

Under this method, SESI's ordinary shares are evaluated from its earnings per share shown on the financial statement for the year ended December 31, 2015, which was audited by a certified public accountant, Audit Alliance LLP, and is the most recent financial statement of SESI. However, since SESI generated a net loss of USD (0.22) per share, the IFA cannot appraise a fair value of SESI's shares by this approach.

5.5 Discounted Cash Flow Approach

This approach focuses on future business performance of SESI through estimation of present value of projected free cash flow with a proper discount rate. CapAd has calculated the Weighted Average Cost of Capital (WACC) to be used as a discount rate for estimating the net free cash flow based on financial projection of FTE, an 82.90%-owned subsidiary of SESI, for the next 6 years (2016 - 2021). Assumptions used in such financial projection are prepared under on going concern basis and without any significant change taking place, and also based on the current economic condition and prevailing circumstances.

However, since the Company has not involved in management of SESI and its subsidiaries, i.e. FTE and SBC, the access to SESI's information is somewhat limited. Thus, the financial projection of SESI, which is the projection of future cash flow of FTE which is SESI's only subsidiary that is still operative at present, has been prepared based on historical financial data and ratio, assumptions obtained from the Company, and interviews with the Company's management and concerned staffs, with SESI's cash incorporated into FTE's business value, in order to determine a fair value of SESI in this study only. Any material change in the economic condition and other external and internal factors that have an impact on SESI's operation leading to change of the assumptions used herein will cause SESI's firm value appraised by this approach to change as well.

CapAd has prepared the financial projection of FTE based on information and assumptions received from the Company and FTE and from interviews with the Company's management and staffs in order to determine a fair value of SESI through its shareholding in FTE only. Given that there is any material change in the economic condition and other external factors that have an effect on business operation of SESI and FTE and also change in internal situation of SESI and FTE from the assumptions used herein, SESI's firm value appraised by this approach will change accordingly.

SESI is STA's associated company, established in Singapore on May 12, 2008, in which the Company and Semperit equally hold shares on a 50:50 basis. SESI was established to hold 100% of shares in SBC, which was founded in Brazil to engage in distribution and marketing of medical gloves in Brazil (SBC has ceased operation since early 2013), and also to hold shares in FTE, which was established in Malaysia to produce and distribute rubber glove molds. FTE is the Company's indirect associated company (the Company holds shares in FTE through its shareholding in SESI). SESI and Malaysian individuals hold shares in FTE in a proportion of 82.90% and 17.10% respectively. SESI's total firm value is derived from sum of present value of FTE's free cash flow and SESI's cash.

Major assumptions for the financial projection of FTE are as follows:

Revenues and costs of sales

▪ Sales revenue

FTE's sales revenue is projected based on annual sales volume of rubber glove molds and selling price. Sales volume for 2016 is estimated by annualizing sales volume of the first 9 months of 2016 to derive the full year sales of around 0.96 million pieces, representing a growth rate of about 10% from 2015. Sales volume is projected to increase by 3% in 2017 - 2021 based on estimated GDP growth. Average selling price in 2017 - 2021 is expected to increase by 2% per year which is in line with selling price growth rate in 2015.

FTE	2016	2017	2018	2019	2020	2021
Sales volume (million pieces)	0.96	0.98	1.01	1.04	1.08	1.11
Selling price (MYR/piece)	18.45	18.82	19.20	19.58	19.97	20.37
Sales revenue (MYR million)	17.64	18.53	19.47	20.46	21.49	22.58

▪ Gross profit margin

In 2013-2015 and the first 9 months of 2016, FTE recorded a gross profit margin of 28.1%, 23.3%, 28.9% and 19.0% respectively. For 2016 - 2021, gross profit margin is estimated at an

average of 24.8%, based on the average of gross profit margin in 2013 - 2015 and the first 9 months of 2016.

▪ Operating expenses

Operating expenses are assumed to be 13.6% of sales revenue, based on the ratio of operating expenses to revenues in 2013 - 2015 and the first 9 months of 2016.

▪ Corporate income tax

FTE has received a tax privilege whereby maximum of 70% of total profit before income tax shall be exempted from income tax for five years from May 1, 2012 - April 30, 2017. After the end of such period, FTE will bear corporate income tax of 24% throughout the projection period.

▪ Capital expenditure

Capital expenditure for 2016 - 2021 is estimated based on FTE's investment budget, mainly for repair and maintenance of machinery, factory tools and equipment to ensure they remain continuously functional. Capital expenditure is projected at MYR 1.80 million per year, except in 2017 when FTE plans to invest in enhancement of production efficiency and in 2020 when FTE plans on factory relocation.

(Unit: MYR million)

FTE	2016	2017	2018	2019	2020	2021
Capital expenditure	2.86	3.72	1.80	1.80	4.30	1.82

▪ Current assets and current liabilities turnover

Projection is made based on the average of historical data in 2014 - 2015 and the first 9 months of 2016, as follows:

Trade receivable	average of	37 days
Inventories	average of	64 days
Trade payable	average of	6 days

Summary of financial projection for 2013 - 2021 is as tabulated below:

FTE (Unit: MYR million)	2013A	2014A	2015A	2016F	2017F	2018F	2019F	2020F	2021F
Sales revenue	10.82	14.23	16.84	17.64	18.53	19.47	20.46	21.49	22.58
Costs of sales	7.77	10.92	11.97	12.78	13.42	14.10	14.81	15.56	16.35
Gross profit	3.04	3.31	4.87	4.87	5.11	5.37	5.64	5.93	6.23
Operating expenses	1.75	1.95	2.27	2.40	2.53	2.65	2.79	2.93	3.08
Finance cost	(0.02)	(0.03)	(0.03)	-	-	-	-	-	-
Earnings before interest expense and income tax	1.27	1.34	2.58	2.46	2.59	2.72	2.86	3.00	3.15
Income tax	-	-	-	-	(0.41)	(0.65)	(0.69)	(0.72)	(0.76)
Net profit	1.27	1.34	2.58	2.46	2.17	2.07	2.17	2.28	2.40

▪ Terminal value

Terminal value is projected at 0% on a conservative basis.

▪ Discount rate

Discount rate, or WACC, is equal to 9.20% per year (Please see assumptions for discount rate calculation in Part 3 Clause 1.5 of this report).

Based on the above data and assumptions, free cash flow to FTE can be estimated as follows:

FTE (Unit: MYR million)	2016	2017	2018	2019	2020	2021
EBIT	2.46	2.59	2.72	2.86	3.00	3.15
Corporate income tax	-	0.41	0.65	0.69	0.72	0.76
Depreciation and amortization	1.54	2.05	2.15	2.45	3.31	3.10
Working Capital	(1.48)	(0.20)	(0.21)	(0.22)	(0.23)	(0.24)
Capital Expenditure	(2.86)	(3.72)	(1.80)	(1.80)	(4.30)	(1.82)
Free cash flow to firm	(0.33)	0.31	2.21	2.60	1.05	3.43
PV of cash flow	(0.33)	0.28	1.85	1.99	0.74	2.21

FTE	MYR million
PV of cash flow	6.74 ^{1/}
PV of terminal value	24.01
PV of free cash flow to firm, including FTE	30.75
Add: Cash and cash equivalents as at December 31, 2015 of FTE	1.68
FTE's firm value (MYR million)	32.44
FTE's firm value (USD million)	7.33^{2/}

Remark:

1/ Including free cash flow to firm in 2016.

2/ Based on an average selling rate announced by the Bank of Thailand as at January 17, 2017 of MYR/Baht 8.0336 and USD/Baht 35.5685 or USD/MYR 0.2259.

Then, CapAd has estimated SESI's firm value, based on FTE's firm value pro rata to SESI's shareholding of 82.90% of the total registered and paid-up capital of FTE, as follows:

SESI	USD million
FTE's firm value pro rata to SESI's shareholding	6.07 ^{1/}
Add: Cash and cash equivalents as at December 31, 2015 of SESI	0.24
SESI's firm value (USD million)	6.31^{2/}

Remark: 1/ FTE's firm value is equal to MYR 32.44 million or approximately USD 7.33 million, and value SESI's shareholding of 82.90% of registered and paid-up capital of FTE is equal to USD 6.07 million.

By this approach, SESI's total share value is at USD 6.31 million and its share value pro rata to the disposal proportion is equal to USD 3.16 million.²³

CapAd has also conducted a sensitivity analysis on the share value by adjusting the discount rate or WACC up and down by 5% per year from the base case.

	Unit	Discount rate (% per annum)		
		9.66%	9.20%	8.74%
SESI's firm value	USD million	5.99	6.31	6.67
SESI's firm value pro rata to disposal proportion (50%)	USD million	2.99	3.16	3.33

From the sensitivity analysis with a changing discount rate, SESI's firm value will be in a range of USD 5.99 million - 6.67 million and its share value pro rata to the disposal proportion (50%) will be USD 2.99 million - 3.33 million.

²³ Please see Footnote 22.

5.6 Summary of the IFA's opinion on fair value of SESI shares

SESI's firm value derived from different approaches is shown in the table below:

SESI	SESI's firm value (USD million)	SESI's firm value pro rata to disposal proportion (USD million)	Suitability of valuation approach
	(1)	(2) = (1) * 50%	
Book value approach	1.91	0.96	Not suitable
Adjusted book value approach	2.18	1.09	Not suitable
Price to book value ratio approach	2.85 – 2.93	1.43 – 1.47	Not suitable
Discounted cash flow approach	5.99 – 6.67	2.99 – 3.33	Suitable

From the above table, SESI's firm value derived from various approaches is in a range of USD 1.91 million - 6.67 million and its share value pro rata to the disposal proportion is equal to USD 0.96 million - 3.33 million.

The Book Value Approach reflects the operating result and status of SESI at any given period without taking into account its real asset value and future profit, as well as the overall economic and industry outlook. Thus, valuation of SESI's firm value using this approach could not reflect the current financial position and fair share value of SESI.

The Adjusted Book Value Approach reflects the market value of SESI's assets better than the Book Value Approach. The firm value based on this approach can reflect market value of SESI's assets and contingent liability and event after date of the financial statement. However, the valuation of SESI using this approach could not reflect the future profitability of SESI. However, the valuation of SESI by using the Adjusted Book Value Approach reflects the fundamental value of SESI's assets at a certain level.

The Price to Book Value Ratio Approach and Price to Earnings Ratio Approach estimated the value of SESI using book value as of December 31, 2015 and net profits for 12 months period ended December 31, 2015 to compare with the P/BV Ratio and P/E Ratio of 4 comparable listed companies in MYX who operate rubber glove production and distribution business, relating to SESI's business (and business of FTE, a subsidiary of SESI). Such information is historical information up to January 23, 2017. Though the IFA has selected 4 largest rubber gloves producers as the benchmark in comparison, it views that comparable companies are in Malaysia where factors affecting financial position and operational performance, economic condition, stock market conditions, foreign exchange, are different from those in Thailand. Thus, share values derived from these 2 approaches may not be used as criteria in determining fair value of SESI's shares.

The Discounted Cash Flow Approach is the method that considers the historical operating results and the future growth prospects. Under the Discounted Cash Flow Approach, future cash flow is forecasted based on assumptions provided by SESI and under the current economic conditions and circumstances. If there is any change in that materially affect the assumptions and variables used herein, the future operating results of SESI might not be as projected and SESI's firm value evaluated by this approach may change accordingly.

CapAd is of the opinion that the most suitable approach to evaluate SESI's shares is the Discounted Cash Flow Approach since it could reflect long-term profitability prospect. CapAd also views that fair SESI's firm value should be in a range of USD 5.99 million - 6.67 million and its share value pro rata to the disposal proportion should be USD 2.99 million - 3.33 million.²⁴

²⁴ Please see Footnote 22.

6. Share Value of Shanghai Sempermed Glove Sales Co., Ltd. ("SSF")

SSF, a subsidiary of SSC, was incorporated in China and currently act as an agent for the import and export of plastic gloves and rubber gloves. In the past, SSF manufactured vinyl gloves, but SSF has stopped the manufacturing of vinyl gloves. It generates only small income from glove inspection services.

Most of SSF's assets are loan to related company (SSH), and cash and cash equivalent. Therefore, CapAd will only apply the Book Value Approach for evaluation of fair value of SSF.

The Book Value Approach demonstrates book value of SSF's shares at a certain point in time. In this case, shares are appraised based on the book value of SSC according to its latest financial statements as at December 31, 2015, audited by a certified public accountant register in foreign country²⁵. The book value of SSF shares can be calculated based on the said financial statements as follows:

(Unit: CNY million)	
Issued and paid-up capital	8.29
Retained earnings	
- Appropriated for legal reserve	24.40
- Unappropriated	(10.74)
Shareholders' Equity of SSF	21.95

The value of SSF derived from this approach is CNY 21.95 million (equivalent to approximately USD 3.22 million or Baht 114.53 million).

Under the Umbrella Agreement, Share Sale and Purchase Agreement and other related agreements, SSC agrees to sell its shares and investment in SSF to Semperit on the Completion Date at a price of USD 3.20 million (or equivalent to approximately Baht 113.82 million).

CapAd is of the opinion that the selling price of SSF's shares to Semperit at USD 3.20 million is appropriate as it is equivalent to the book value of SSF.

²⁵ Please see Footnote 16.

7. Share Value of Semperflex Asia Corporation Ltd. ("SAC")

7.1 Book Value Approach

This approach demonstrates the book value of SAC shares at a certain point in time. In this case, shares are appraised based on book value of SAC according to the latest financial statements as at December 31, 2015, audited by a certified public accountant who is not in an approved list by the SEC²⁶. The book value of SSC's shares can be calculated based on the said financial statements as follows:

(Unit: Baht million)	
Issued and paid-up capital	380.00
Retained earnings	
- Appropriated for legal reserve	38.00
- Unappropriated	1,167.73
Other components of shareholders' equity	(1.49)
Shareholders' Equity of SAC	1,584.24
No. of paid-up shares as of December 31, 2015 (shares)	3.80 ^{1/}
Book value per share (Baht)	416.90

Remark: 1/ Par value of Baht 100.00 per share

Value of SAC's shares derived from this approach is Baht 416.90 per share, or equivalent to firm value of Baht 1,584.24 million.

7.2 Adjusted Book Value Approach

By this approach, the share value is derived from total assets, deducted by total liabilities including commitments and contingent liabilities as shown in the latest financial statements as of December 31, 2015, audited by a certified public accountant who is not in an approved list by the SEC, and adjusted by items occurred after the end of accounting period or the items that may reflect the actual value of assets and liabilities. The adjustment items may include unrealized gain or loss from assets revaluation, contingent liabilities, and/or event after financial statement date. Consequently, the adjusted book value is divided by total number of SAC's paid-up shares.

In deriving the value of SAC's shares, CapAd adjusted the book value as shown in the latest financial statements as of December 31, 2015 by the following significant adjustments:

7.2.1 Gain (loss) from Asset Revaluation

SAC's hydraulic hose factory is located at 110/1 Private Road next to Kanjanavanich Road, Patong Sub-district, Hat Yai District, Songkhla Province. Details of the appraisal are as follows;

7.2.1.1 Land

First Star Consultant Co., Ltd. ("Independent Property Appraiser"), an independent property appraiser approved by the SEC, has been appointed by SAC to appraise value of land, buildings, and land improvements. The Independent Property Appraiser had surveyed the assets on December 14, 2016, and conducted the appraisal on December 28, 2016, with the public purpose, based on the report dated December 28, 2016 (No. FSC/59R-12-3298), by using the Depreciated Replacement Cost Approach. Details of the assets appraisal are summarized below:

Appraised assets	Details	Appraisal price (Baht million)
Land	Title deed No. 31174, 89889, NorSor 3 Kor. 303 (403) and NorSor 3 Kor. 2074 Land No. 121(21), 120(6), 159 and 944 Survey page 566 and 3556 Appraised areas 16-3-54.1 rai (16.88525 rai) Total area under the title deeds 16-3-54.1 rai (16.88525 rai) Location 110/1 Private Road next to Kanjanavanich Road, Patong Sub-district, Hat Yai District, Songkhla Province Owner Semperflex Asia Corporation Ltd. Mortgage None	11.82 (@ Baht 0.70 million/rai)
	Valuation Methodology Depreciated Replacement Cost Approach by applying Market Comparison Approach Survey date December 14, 2016 Date of valuation and report date December 28, 2016	

Source: The appraisal report prepared by First Star Consultant Co., Ltd. No. FSC/59R-12-3298 dated December 28, 2016.

²⁶ Please see Footnote 16.

Main assumptions of the Independent Property Appraiser

By using the Market Comparison Approach, the Independent Property Appraiser had conducted survey on market information of assets regarding the selling price of assets at coincide time and in adjacent area which possess similar characteristics as the appraised asset for comparison and analysis. With this regards, there were 4 selected data of vacant land located next to Kanjanavanich Road and Rural Road SorKhor 1059 for comparison with the offering/selling price during Baht 0.50 – 0.96 million per rai. Then, factors affecting land value including location, shape and size of land, physical characteristics, type, and their potential as well as time consuming were evaluated by applying Weighted Quality Score (WQS).

Market data of lands for the appraisal of land price by the Independent Property Appraiser

	Appraised Assets	Data 1	Data 2	Data 3	Data 4
Assets Type	Land with building and improvements	Vacant land	Vacant land	Vacant land	Vacant land
Location	110/1 Private Road next to Kanjanavanich Road, Patong Sub-district, Hat Yai District, Songkhla Province	Public Soi, Kanjanavanich Road (TL.4), Ban Pru Sub-district, Hat Yai District, Songkhla Province	Public Soi, Kanjanavanich Road (TL.4), Ban Pru Sub-district, Hat Yai District, Songkhla Province	Public Soi, Industry Estate STA Road, Kanjanavanich Road (TL.4), Patong Sub-district, Hat Yai District, Songkhla Province	Rural Road SorKhor 1059, Phang La Sub-district, Sadao District, Songkhla Province
Land area	16-3-54.1 rai	22 rai	20 rai	29-2-67.2 rai	10-3-90 rai
Land shape	Close to rectangular	Polygon	Polygon	Close to square	Polygon
Land width	215.0 m.	100.0 m.	80.0 m.	130.0 m.	100.0 m.
Land level	Ground level balance with the main load	Lower than the main load by 1.0 m.	Ground level balance with the main load	Ground level balance with the main load	Lower than the main load by 0.5 m.
Road type and width	10 m./concrete	5 m./gravel	4 m./gravel	5 m./gravel	6 m./asphalt
Utilities	Electricity, Groundwater and Telephone	Electricity and Telephone	None	Electricity	Electricity and Telephone
City zone	Outside city zone	Outside city zone	Outside city zone	Outside city zone	Outside city zone
Optimal use of land	Industrial	Industrial	Industrial	Industrial	Industrial
Date to offer for sales		December 2016	December 2016	December 2016	December 2016
Offering price (Baht/rai)		800,000	700,000	960,024.17	500,000
Adjusted offering price (Baht/rai)		800,000	500,000	850,000	525,000

Weighted Quality Score for the appraisal of land by the Independent Property Appraiser

	Weight	Appraised Assets	Data 1	Data 2	Data 3	Data 4
Location	15%	6	5	5	5	7
Environment	10%	6	5	5	5	7
Utilities	15%	6	5	2	5	6
Transportation	15%	4	5	5	5	7
Major road in front of the assets	15%	4	5	5	5	7
Land shape	15%	6	6	5	6	7
Use of land	15%	6	6	6	6	7
WQS Score						
Score		5.40	5.30	4.70	5.30	6.85
Adjusted Ratio		1.00	1.02	1.15	1.02	0.79
Indicated Price			815,094	574,468	866,038	413,879
% comparable			30%	25%	30%	15%
Appraised price of land (Baht/rai)		710,037				
Or Rounding (Baht/rai)		700,000				

Source: The appraisal report prepared by First Star Consultant Co., Ltd. No. FSC/59R-12-3298 dated December 28, 2016.

Thus, the appraised value of land by the Independent Property Appraiser is Baht 0.70 million per rai.

CapAd views that the Market Comparable Approach is an appropriate valuation method because this method is suitable for valuing comparable properties that are sold and purchased or offered for sale and purchase and sufficient comparative market data such as a vacant land is available.

Based on the appraisal report prepared by First Star Consultant Co., Ltd. No. FSC/59R-12-3298 dated December 28, 2016, by the Market Comparison Approach, total appraised value of land is Baht 11.82 million.

7.2.1.2 Building and Other improvements

According to the asset appraisal report No. FSC/59R-12-3298 dated December 28, 2016, the Independent Property Appraiser determined value of building and other improvements by applying the Replacement Cost Approach only as the assets were constructed for a specific use and there were no information in relation to selling /purchasing of similar assets and retail of comparable assets. Details of the appraisal are as follows:

No.	Details	Usable areas (sq.m.)	Replacement cost ^{1/} (Baht mn.)	Age of the assets (years)	Depreciation ^{1/} (%)	Value at current condition (Baht million)
1	3-storey office building	1,410.00	12.69	19	28%	9.14
2	Factory 1					
	- Manufacturing	8,290.00	58.03	19	28%	41.78
	- Manufacturing (Improvements)	1,040.00	5.20	19	19%	4.21
	Total factory 1	9,330.00	63.23			45.99
3	Warehouse with open areas with roof					
	- Warehouse	1,350.00	6.08	10	10%	5.47
	- Open areas with roof	900.00	2.70	10	10%	2.43
	Total warehouse with open areas with roof	2,250.00	8.78			7.90
4	Other improvements					
	- Open areas with roof	32.00	0.05	19	28%	0.03
	- Parking 1	42.00	0.04	19	28%	0.03
	- Parking 2	84.00	0.08	19	28%	0.06
	- Guard house	2.88	0.003	19	28%	0.002
	- Road and concrete yard	1,500.00	2.25	19	28%	1.62
	- Fence	130.00	0.16	19	28%	0.11
	Total other improvements	1,790.88	2.58			1.86
Total building and other improvements			87.28			64.89

Source: The appraisal report prepared by First Star Consultant Co., Ltd. No. FSC/59R-12-3298 dated December 28, 2016.

Remark: 1/ In determining value of buildings and other improvements, the Independent Property Appraiser used standard construction costs and depreciation of The Valuers Association of Thailand in 2016 and the database of the Independent Property Appraiser as reference.

The IFA is of an opinion in the same view as the Independent Property Appraiser that Replacement Cost Approach is an appropriate valuation method for the evaluation of buildings and other improvements as the assets were constructed with special characteristic and specific uses. The assumptions on construction cost and depreciation of the assets are also based on standard construction costs of The Valuers Association of Thailand in 2016 and the database of the Independent Property Appraiser who is an expert in its field. Then, the replacement cost was adjusted to reflect current conditions of the assets. Based on the appraisal report prepared by the Independent Property Appraiser No. FSC/59R-12-3298 dated December 28, 2016, value of building and improvements is equal to Baht 64.89 million.

7.2.1.3 Machinery and Equipment

First Star Consultant Co., Ltd. ("Independent Property Appraiser"), an independent property appraiser approved by the SEC, has been appointed to appraise value of SAC's machinery and equipment. The Independent Property Appraiser had surveyed assets on December 14, 2016, and conducted the appraisal on December 28, 2016, with the public purpose, based on the report dated December 28, 2016 (No. FSC-59M-12-199). The Independent Property Appraiser applied the Replacement Cost Approach in the valuation by considering current cost of new replacement with similar capability to the appraised assets, and then adjusted by physical, functional, and external obsolescence.

The machinery and equipment owned by SAC are located at 110/1 Private Road next to Kanjanavanich Road, Patong Sub-district, Hat Yai District, Songkhla Province. Summary of appraised price of the assets are as follows:

No.	Details	Amount (items)	Replacement costs ^{1/} (Baht million)	Useful life of the assets (years)	Remaining life of the asset (years)	Market value (Baht million)
1	Extrusion machine	6	43.98	20	10-16	21.64
2	Pre cooling machine	1	0.48	15	4	0.10
3	Freezing machine	3	1.13	15	5	0.30
4	Rubber sheet machine	1	2.50	20	5	0.50

No.	Details	Amount (items)	Replacement costs ^{1/} (Baht million)	Useful life of the assets (years)	Remaining life of the asset (years)	Market value (Baht million)
5	Mixing Mill	2	12.27	20	9-11	5.26
6	Vulcanizing machine	3	40.39	20	5-16	19.64
7	Back roll bearing and bearing housing	2	3.45	20	17	2.64
8	High pressure pump	1	1.52	20	17	1.16
9	VMI	1	2.36	20	11	1.04
10	Mandrel welding machine	1	1.45	15	6	0.46
11	Impulse Test machine	4	23.04	20	12-16	12.47
12	Extracting #7	1	22.80	20	16	14.60
13	Set pump control	1	0.90	20	16	0.58
14	Upstream machine	1	24.57	15	11	16.21
15	Screw tank	1	0.36	15	11	0.24
16	Internal mixer	1	28.86	15	11	19.05
17	Motor gear	1	1.64	15	11	1.08
18	Gear box	1	1.64	15	11	1.08
19	Service charge of GE-135	2	1.13	15	12	0.81
20	Spare parts GE-135 Internal mixing	2	3.46	15	13	2.70
21	Grease pump	1	1.09	15	13	0.85
22	Wrapping machine	7	59.42	20	5-17	18.40
23	Crushing machine	1	2.22	20	18	1.80
24	Rolling mill	1	6.21	15	5	1.24
25	Extrusion machine	4	187.67	20	5-9	73.52
26	Braiding machine	29	461.75	20	5-16	152.49
27	Spiral braiding machine	2	103.48	20	5	41.29
28	Extracting machine	12	68.35	20	5	29.04
29	Burst test machine	1	10.69	20	11	4.71
30	Rewinding machine	20	62.59	20		22.89
31	Wire Bobbin Winding MCW4LT6	4	11.50			7.36
32	Tool & Equipment	1	333.56			129.07
33	Machine Under Installation	1	1.06			1.06
Total machinery and equipment			1,527.53			605.28

Source: The appraisal report prepared by First Star Consultant Co., Ltd. No. FSC-59M-12-199 dated December 28, 2016.

Remark: 1/ The replacement cost derived from documents in relation to the appraised machinery and equipment such as sale-purchase contracts, invoices, receipts from suppliers, database of the Independent Property Appraiser, and other information from direct inquiry with suppliers if there is current market price of such machinery available. Machinery Price Index is applied if there is no current market price of such machinery available.

The IFA is of an opinion in the same view as the Independent Property Appraiser that the Replacement Cost Approach is an appropriate valuation method for machinery and equipment as the assets were constructed with special characteristic and for specific uses. Then, the replacement cost was adjusted to reflect current conditions of the assets. Based on the appraisal report prepared by the Independent Property Appraiser No. FSC-59M-12-199 dated December 28, 2016, value of machinery and equipment is equal to Baht 605.28 million.

Comparison of fixed assets' book value and appraised value can be summarized as follows:

(Unit: Baht million)

Fixed assets of SAC	Book value as of November 30, 2016 ^{3/} (1)	Appraised value (2)	Appraised value higher (lower) than book value (3) = (2) - (1)
Revaluated assets			
1 Land	13.21	11.82 ^{1/}	(1.40)
2 Building and other improvements	58.73	64.89 ^{1/}	6.16
3 Machinery and parts	192.15	605.28 ^{2/}	362.96
4 Machinery and equipment	49.11		
5 Machinery under installation	1.06		
Total fixed assets – revalued	314.27	681.99	367.72
Fixed assets – not revalued	10.71		
Total fixed assets	324.98		
Less: Deferred tax liabilities			(73.54)
Adjustment to shareholders' equity			294.18

Remark:

1/ The appraisal report prepared by First Star Consultant Co., Ltd. No. FSC/59R-12-3298 dated December 28, 2016.

2/ The appraisal report prepared by First Star Consultant Co., Ltd. No. FSC -59M-12-199 dated December 28, 2016.

3/ Comparing to book value as of November 30, 2016 due to it is closed to the appraisal date.

4/ CapAd assumed deferred tax liabilities at 20% of unrealized gains from the appraised value higher (lower) than the book value of the appraised assets.

Thus, in order to reflect fair value of the fixed assets, CapAd has adjusted the shareholders' equity of SAC - net of deferred tax liabilities by Baht 294.18 million.

7.2.2 Dividend Payments

Under term and conditions of the Call Option Agreement and the Umbrella Agreement between STA, Rubberland and Semperit, Semperit and STA agree that SAC will make a dividend payment to every shareholders (including both parties of the agreement) in Thai Baht equivalent to USD 30.00 million (equivalent to approximately Baht 1,067.06 million) on the Completion Date. (Please see more details in Information Memorandum on Acquisition and Disposition of Assets (Schedule 2))

Thus, CapAd has lowered the shareholders' equity as a result of dividend payments by Baht 1,067.06 million.

Summary of adjustment to book value of SAC

The summary of adjustment items that shall affect book value of SAC's shares are as follows:

(Unit: Baht million)

Shareholders' equity as of December 31, 2015	1,584.24
Adjustment	
Increase (decrease) in value of fixed assets	294.18 ^{1/}
Dividend payments	(1,067.06) ^{2/}
Net adjusted shareholders' equity	811.36
No. of paid-up shares (shares) as of December 31, 2015	3.80 ^{3/}
Adjusted book value per share (Baht)	213.52

Remark:

1/ Please see details in Part 3 Clause 6.2.1 of this report.

2/ Please see details in Part 3 Clause 6.2.2 of this report.

3/ Par value of Baht 100.00 per share

The value of SAC's shares based on this approach is Baht 213.52 per share, or equivalent to firm value of Baht 811.36 million.

7.3 Price to Book Value Ratio Approach: P/BV Ratio

In this approach, CapAd evaluated SAC's shares by using book value of SAC as shown in the latest financial statements as of December 31, 2015 audited by a certified public accountant who is not in an approved list by the SEC, which was Baht 416.90 per share, and multiplied by the median of P/BV Ratios of 4 comparable listed companies in New York Stock Exchange (NYSE), Vienna Stock Exchange (ATX) and Tokyo Stock Exchange (TSE) that operate the business of manufacturing of industrial goods including high pressure hose. The information is for the period up to January 23, 2017. The details are summarized below:

SAC	Historical P/BV Ratio (times)							
	7 days	15 days	30 days	60 days	90 days	120 days	180 days	360 days
Eaton Corporation PCL. (ETN:US)	1.99	1.99	2.00	1.95	1.93	1.95	1.91	1.81
Parker-Hannifin Corporation (PH:US)	4.13	4.10	4.09	3.96	3.83	3.78	3.56	3.24
Semperit AG Holding (SEM:AV)	1.64	1.58	1.52	1.48	1.46	1.50	1.55	1.66
Sumitomo Riko Co., Ltd. (5191:JP)	0.78	0.80	0.80	0.75	0.73	0.71	0.67	0.64
Median of 4 companies	1.81	1.78	1.76	1.72	1.70	1.72	1.73	1.73
SAC's share value (Baht/share)	756.61	743.56	733.88	715.73	707.30	717.71	721.92	723.17
Firm value of SAC (Baht million)	2,875.11	2,825.53	2,788.76	2,719.77	2,687.75	2,727.31	2,743.30	2,748.04

Source: Bloomberg

The value of SAC's shares based on this approach is Baht 707.30 – 756.61 per share, or equivalent to firm value of Baht 2,687.75 – 2,875.11 million.

7.4 Price to Earnings Ratio Approach: P/E Ratio

In this approach, CapAd evaluated earnings per share of SAC by using earning per share of SAC as shown in the latest financial statement for the last 12 months period ended December 31, 2015 audited by a certified public accountant in China, which was Baht 92.50 per share, and multiplied by the median of P/E Ratios of 4 comparable listed companies in New York Stock Exchange (NYSE), Vienna Stock Exchange (ATX) and Tokyo Stock Exchange (TSE) that operate the business of manufacturing of industrial products including high pressure hose. The information is for the period up to January 23, 2017. The details are summarized below:

SAC	Historical P/E Ratio (times)							
	7 days	15 days	30 days	60 days	90 days	120 days	180 days	360 days
Eaton Corporation PCL. (ETN:US)	15.27	15.24	15.30	14.97	14.78	14.86	14.45	13.15
Parker-Hannifin Corporation (PH:US)	22.24	22.09	22.04	21.33	20.62	20.26	19.65	17.59
Semperit AG Holding (SEM:AV)	20.47	19.73	19.06	18.50	17.60	16.98	16.31	16.18
Sumitomo Riko Co., Ltd. (5191:JP)	28.71	29.28	29.21	27.64	28.07	28.52	29.18	29.57
Median of 4 companies	21.36	20.91	20.55	19.91	19.11	18.62	17.98	16.89

SAC	Historical P/E Ratio (times)							
	7 days	15 days	30 days	60 days	90 days	120 days	180 days	360 days
SAC's share value (Baht/share)	1,975.36	1,934.25	1,900.49	1,842.02	1,767.65	1,722.41	1,663.16	1,561.87
Firm value of SAC (Baht mn.)	7,506.37	7,350.14	7,221.86	6,999.67	6,717.08	6,545.16	6,320.00	5,935.10

Source: Bloomberg

The value of SAC's shares based on this approach is Baht 1,561.87 – 1,975.36 per share, or equivalent to firm value of Baht 5,935.10 – 7,506.37 million.

7.5 Discounted Cash Flow Approach

This valuation approach takes into account SAC's future operating performance by deriving present value of future cash flow stream using an appropriate discount rate. The Independent Financial Advisor calculated the Weighted Average Cost of Capital (WACC) to be used as the discount rate and constructed a 6-year forecast of SAC's cash flow (2016 - 2021) based on an assumption that SAC's operation is on a going concern basis without any significant changes under the current economic conditions and circumstances. However, CapAd does not take into account impacts from this transaction to future cash flow of SAC.

CapAd constructed the financial forecast for SAC based on information and assumptions from the Company and SAC and interviews with the managements and relevant officers. The objective of the financial forecast is to evaluate the fair value of SAC's shares only. If there is any change in overall economic outlook and other internal and external factors that materially affect SAC's business operation or assumptions used herein, the fair value derived from the financial projection may change accordingly.

The assumptions for SAC's financial forecast can be summarized as follows;

Sales revenue

SAC is a manufacturer of hydraulic hoses which are used in the construction and transport industry, mining as well as agricultural machinery. High pressure hydraulic hoses are used for the transmission of pressure and energy in heavy-duty machinery such as excavators and cranes. High pressure hydraulic hoses are considered as industrial product which is exposed to potential economic volatility.

Majority of SAC's products are exported to USA and Europe, which is accounted for approximately 70% - 75% of its sales. Domestic sales are at around 5%, while exporting to other countries is at around 20% - 25%. Most of its sales are through Semperit group which is the world's 3rd leading producer of hydraulic hose.

In 2013 – 2015, SAC's sales revenue were Baht 1,416.00 million, Baht 1,663.59 million and Baht 1,524.16 million respectively, increased by 17.48% in 2014 and decreased by 8.38% in 2015. The increase in revenue from sales in 2014 was mainly due to higher demand in USA and Europe, while the decrease in revenues from sales in 2015 was mainly due to slow economic recovery in USA and Europe and the decreased demand in Asia. Besides, selling price in 2015 was decreased as a result of declining of raw material costs.

In the first 9 months of 2016, sales revenue was Baht 1,078.20 million, which was decreased (annualized) by 5.68% from 2015 due to declining raw material costs.

Summary of estimated sales revenue are as follows;

SAC	Unit	2013A	2014A	2015A	9M2016F	2016F
Installed capacity	million meters	30.60	30.60	30.60	30.60	30.60
Capacity utilization rate	%	82.55%	94.39%	88.32%	88.31%	88.31%
Sales volume						
- Europe and USA	million meters	18.91	23.23	22.04	17.16	22.89
- Other countries	million meters	5.22	4.68	4.00	2.17	2.90
- Thailand	million meters	1.13	0.98	0.99	0.93	1.24
Total sales volume	million meters	25.26	28.88	27.03	20.27	27.02
% growth of sales volume	%	5.15%	14.34%	-6.43%	n.a.	-0.02%
Average selling price	Baht/meter	56.06	57.60	56.39	53.20	53.20
% growth of avg. price	%	-4.91%	2.75%	-2.09%	n.a.	-5.66%
Sales revenue	Baht million	1,416.00	1,663.59	1,524.16	1,078.20	1,437.60
% growth of sales revenue	%	-0.01%	17.48%	-8.38%	n.a.	-5.68%

SAC	Unit	2017F	2018F	2019F	2020F	2021F
Installed capacity	million meters	30.60	30.60	30.60	30.60	30.60
Capacity utilization rate	%	88.28%	88.72%	89.17%	89.61%	90.06%
Sales volume						
- Europe and USA	million meters	23.91	24.03	24.15	24.27	24.40
- Other countries	million meters	2.31	2.32	2.33	2.34	2.35
- Thailand	million meters	0.79	0.80	0.80	0.81	0.81

SAC	Unit	2017F	2018F	2019F	2020F	2021F
Total sales volume	million meters	27.01	27.15	27.29	27.42	27.56
% growth of sales volume	%	-0.03%	0.50%	0.50%	0.50%	0.50%
Average selling price	Baht/meter	53.28	53.54	53.81	54.08	54.35
% growth of avg. price	%	0.14%	0.50%	0.50%	0.50%	0.50%
Sales revenue	Baht million	1,439.23	1,453.66	1,468.23	1,482.95	1,497.82
% growth of sales revenue	%	0.11%	1.00%	1.00%	1.00%	1.00%

Sales Volume

In this financial forecast, CapAd assumes that sales volume in 2016 is 27.02 million meters, which is equivalent to the annualized sales volume of the first 9 months of 2016.

Sales volume in 2017 is estimated at 27.01 million meters, which is based on SAC's budget for 2017 and adjusted to be lower by 3.5% by CapAd on a conservative basis. The estimated sales volume is then closed to the sales volume in 2015 and 2016.

In addition, it is assumed that sales volume in 2018 – 2021 increase by 0.5% from prior year based on conservative basis, and maximum capacity utilization rate shall not exceed 90%.

Average Selling Price

Average selling price per meter in 2013 – 2015 and the first 9 months of 2016 were Baht 56.06, Baht 57.60, Baht 56.39 and Baht 53.20, respectively. The selling price will be variance to raw material prices and product mix in each year. Declining of the average selling price in the past 3 years was mainly due to decreasing of raw material prices.

In this financial forecast, CapAd assumes the average selling price in the 4th quarter of 2016 is at Baht 53.20 per meter, which is equivalent to the average selling price in the first 9 months of 2016. The selling price in 2017 is assumed at Baht 53.28 per meter, which is equivalent to SAC's budget of 2017. In addition, CapAd assumes that the average selling price in 2018 – 2021 slightly increase by 0.5% per annum as the average selling prices in the past 2 years decreased.

Cost of Sales

Cost of sales consist of raw material costs, direct labor costs, energy costs, repair and maintenance expenses, indirect labor costs, depreciation expenses, technical assistant fee and other expenses.

In 2013 – 2015 and the first 9 months of 2016, cost of sales were Baht 1,077.35 million, Baht 1,158.82 million, Baht 1,088.51 million, and Baht 739.26 million, respectively, or equivalent to 76.08%, 69.66%, 71.42%, and 68.56% of sales revenue, respectively.

In this financial forecast, CapAd assumes that variable costs, such as raw material costs, variable manufacturing costs and technical assistant fee, are based on the average historical ratio of each expense item to sales revenue and trend of such costs in order to decide appropriate reference rate and reflect current cost structure of SAC. The fixed costs such as indirect labor costs and other expenses will be increased by the estimated inflation rate.

- Raw material costs in the 4th quarter of 2016 is assumed at 45.92% of sales revenue, which is equivalent to the average ratio of raw material costs to sales revenue in 2013 – 2015 and the first 9 months of 2016. Raw material costs in 2017 – 2021 are assume at 47.02% of sales revenue, which is equivalent to that of SAC's 2017 Budget, which should be able to reflect the current costs structure and product mix of SAC.
- Variable costs such as direct labor costs, energy costs, and repair and maintenance expenses in the 4th quarter of 2016 is assumed at 14.26% of sales revenue, which is equivalent to the average ratio of raw material costs to sales revenue in the first 9 months of 2016. Variable costs in 2017 – 2021 are assume at 14.75% of sales revenue, which is equivalent to that of SAC's 2017 Budget, which should be able to reflect the current costs structure and product mix of SAC.
- Indirect labor costs in 2016 are Baht 47.81 million, which is the annualized indirect labor cost of the first 9 months of 2016. In 2017 – 2021, indirect labor cost is assumed to grow by 3% per annum, based on estimated inflation rate.
- Technical assistant fee is assumed at 1.50% of sales revenues based on Technical Assistant Agreement with Semperit.
- Other expenses in 2016 are Baht 47.81 million, which is the annualized other expenses of the first 9 months of 2016. In 2017 – 2021, other expenses are assumed to grow by 3% per annum, based on estimated inflation rate.

Summary of estimated cost of sales are as follows:

(Unit: Baht million)

SAC	2013A	2014A	2015A	9M2016F	2016F	2017F	2018F	2019F	2020F	2021F
Raw material costs	710.20	760.11	697.19	453.79	618.82	676.77	683.51	690.36	697.28	704.27
Variable costs	186.80	208.45	200.77	153.77	205.03	212.22	214.34	216.49	218.66	220.86
Indirect labor costs	40.95	46.20	47.05	35.85	47.81	49.24	50.72	52.24	53.81	55.42

SAC	2013A	2014A	2015A	9M2016F	2016F	2017F	2018F	2019F	2020F	2021F
Technical consulting fees	19.87	20.28	22.33	15.33	20.72	21.59	21.80	22.02	22.24	22.47
Other expenses	19.07	25.98	30.05	22.48	29.97	30.87	31.80	32.75	33.74	34.75
Depreciation exp.	100.45	97.81	91.11	58.03	77.33	81.44	84.61	71.24	68.50	28.53
Total cost of sales	1,077.35	1,158.82	1,088.51	739.26	999.68	1,072.13	1,086.78	1,085.11	1,094.23	1,066.30
% cost of sales to sales revenue (%)	76.08%	69.66%	71.42%	68.56%	69.54%	74.49%	74.76%	73.91%	73.79%	71.19%
% cost of sales to sales revenue (excl. depreciation) (%)	68.99%	63.78%	65.44%	63.18%	64.16%	68.83%	68.94%	69.05%	69.17%	69.29%

Selling and Administrative Expenses

▪ **Selling Expenses**

Selling expenses consist of freight, forwarding and lorry, commission, sales promotion, insurance expenses and other selling expenses.

In 2013 – 2015 and the first 9 months of 2016, selling expenses were Baht 52.98 million, Baht 55.68 million, Baht 46.49 million, and Baht 29.09 million, respectively, or 3.74%, 3.35%, 3.05%, and 2.70% of sales revenue, respectively. Decrease in selling expenses mainly due to decreasing of freight expenses as agreed with customers.

In this financial forecast, CapAd assumes that variable expenses are based on the average historical ratio of each expense item to sales revenue and trend of such expense in order to reflect current cost and expenses structure of SAC.

- Freight expenses in the 4th quarter of 2016 and year 2017 – 2021 are assumed at 0.16% of sales revenue, which is equivalent to the average ratio of freight expenses to sales revenue in 2014 - 2015 and the first 9 months of 2016 of which should reflect current marketing structure of SAC.
- Forwarding and lorry expenses in the 4th quarter of 2016 and year 2017 – 2021 are assumed at 0.98% of sales revenue, which is equivalent to the average ratio of forwarding and lorry expenses to sales revenue in 2014 - 2015 and the first 9 months of 2016 of which should reflect current marketing structure of SSC.
- Commission expenses in the 4th quarter of 2016 and year 2017 – 2021 are assumed at 1.54% of sales revenues, which is equivalent the average ratio of commission expenses to sales revenue in 2014 - 2015 and the first 9 months of 2016.
- Sales promotion in the 4th quarter of 2016 and year 2017 – 2021 are assumed at 0.14% of sales revenue, which is equivalent to the average ratio of sales promotion to sales revenue in 2014 - 2015 and the first 9 months of 2016.
- Insurance expenses in the 4th quarter of 2016 and year 2017 – 2021 are assumed at 0.16% of sales revenue, which is equivalent to the average ratio of insurance expenses to sales revenue in 2014 - 2015 and the first 9 months of 2016.
- Other expenses in the 4th quarter of 2016 and year 2017 – 2021 are assumed at 0.04% of sales revenues, which is equivalent to the average ratio of other expenses to sales revenue in 2014 - 2015 and the first 9 months of 2016.

Summary of estimated selling expenses are as follows;

(Unit: Baht million)										
SAC	2013A	2014A	2015A	9M2016F	2016F	2017F	2018F	2019F	2020F	2021F
Freight	4.98	6.48	2.72	1.48	2.32	3.38	3.41	3.45	3.48	3.52
Forwarding and lorry	11.72	15.32	13.03	10.55	13.85	13.21	13.34	13.48	13.61	13.75
Commission	32.16	26.90	25.22	14.54	20.07	22.16	22.39	22.61	22.84	23.07
Sales promotion	0.54	3.52	2.45	0.47	0.97	2.00	2.02	2.04	2.06	2.08
Insurance-sale	2.91	2.66	2.41	1.68	2.25	2.27	2.30	2.32	2.34	2.37
Other selling expense	0.68	0.80	0.67	0.37	0.52	0.61	0.62	0.62	0.63	0.63
Total selling expenses	52.98	55.68	46.49	29.09	39.99	43.63	44.07	44.51	44.96	45.41
% of selling expenses to sales revenue	3.74%	3.35%	3.05%	2.70%	2.78%	3.03%	3.03%	3.03%	3.03%	3.03%

▪ **Administrative Expenses**

Administrative expenses consist of employee expenses, office expenses, provisions, bank charges, depreciation and amortization expenses, audit fee, legal fee, transportation expenses and other expenses.

In 2013 – 2015 and the first 9 months of 2016, administrative expenses were Baht 20.13 million, Baht 17.98 million, Baht 21.00 million, and Baht 15.64 million, respectively, decreased by 10.65% in 2014, and increased by 16.75% in 2015, respectively. Decreasing of administrative expenses in 2014 was mainly from lower of provision for impairment of inventory comparing to the prior year. In 2015, administrative expenses were increased mainly due to allowance for doubtful account.

In this financial forecast, CapAd assumes that administrative expenses are equivalent to the annualized expenses of the first 9 months of 2016, and the administrative expenses are to grow by 3% per annum in 2017 – 2021, based on estimated inflation rate.

Summary of estimated administrative expenses are as follows:

(Unit: Baht million)

SAC	2013A	2014A	2015A	9M2016F	2016F	2017F	2018F	2019F	2020F	2021F
Employee exp.	7.20	8.20	8.30	6.90	9.20	9.48	9.76	10.05	10.35	10.67
Office and equipment service	1.60	2.33	1.80	3.00	4.00	4.12	4.24	4.37	4.50	4.64
Provision	7.20	3.12	6.27	2.47	3.29	3.39	3.49	3.60	3.71	3.82
Depreciation and amortization	1.63	2.07	2.84	1.98	2.64	2.87	3.03	2.28	1.57	1.01
Audit and legal fees	0.62	0.69	0.64	0.50	0.67	0.69	0.71	0.73	0.75	0.77
Bank charges	0.83	0.68	0.74	0.43	0.57	0.59	0.61	0.63	0.65	0.66
Other administrative expenses	1.05	0.89	0.41	0.36	0.48	0.49	0.51	0.52	0.54	0.56
Total administrative expenses	20.13	17.98	21.00	15.64	20.85	21.63	22.35	22.18	22.07	22.12
% of administrative expenses to sales revenue	1.42%	1.08%	1.38%	1.45%	1.45%	1.50%	1.54%	1.51%	1.49%	1.48%

▪ Financial Costs

At the present, SAC has no obligation from borrowing and interest bearing debt.

▪ Corporate Income Tax

Corporate income tax rate of 20% was assumed.

▪ Capital Expenditure

Capital expense in 2017 is assumed at Baht 42.00 million, based on SAC's 2017 budget. In 2018 – 2021, CapAd assumes that capital expenses are to grow by 3% per annum from prior year.

In addition, CapAd assumes that capital expenses for intangible assets in 2017 is Baht 0.50 million, which is equivalent to the average of investment in intangible assets of 2013 – 2015 and the first 9 months of 2016. In 2018 – 2021, CapAd assumes that the investments in intangible assets are to grow by 3% per annum from prior year.

▪ Current assets and current liabilities turnover

Based on SAC's historical data of 2013 - 2015 and the first 9 months of 2016 and considered the suitability of the ratios, turnover throughout the projection period are as follows:

Trade and other account receivables	31.10	Days on averages
Trade and other account receivables – related parties	36.90	Days on averages
Inventory	55.90	Days on averages
Trade and other account payables	35.50	Days on averages
Trade and other account payables – related parties	13.00	Days on averages

Summary of financial projection of 2016 - 2021 is as follows;

(Unit: Baht million)

SAC	2016F	2017F	2018F	2019F	2020F	2021F
Income Statements						
Sales revenue	1,437.60	1,439.23	1,453.66	1,468.23	1,482.95	1,497.82
Gross profits	437.92	367.10	366.88	383.12	388.72	431.52
EBIT	410.07	322.05	320.87	337.05	342.52	385.02
EBITDA	490.08	406.36	408.50	410.56	412.59	414.56
Net profits	340.53	257.63	256.68	269.63	274.01	308.01
Statement of Financial Positions						
Assets ^{1/}	2,087.46	2,354.72	2,613.35	2,882.75	3,157.97	3,462.27
Liabilities	162.69	172.32	174.26	174.04	175.25	171.54
Shareholders' equity ^{1/}	1,924.77	2,182.40	2,439.09	2,708.71	2,982.72	3,290.73

Remark: 1/ The dividend payment by USD 30.00 million based on Call Option Agreement and the Umbrella Agreement is not included.

▪ Terminal Value

Free cash flow growth after the forecasting period was estimated at 0% p.a. under conservative basis.

▪ Discount Rate

Discount rate or WACC is equal to 9.20% per annum. (Please see more details in Part 3 Clause 1.5 of this report.)

By using above information and assumptions, calculation of SAC's future cash flow is as follows:

(Unit: Baht million)

SAC	2016F	2017F	2018F	2019F	2020F	2021F
EBIT	410.07	322.05	320.87	337.05	342.52	385.02
Corporate tax	(69.52)	(64.41)	(64.17)	(67.41)	(68.50)	(77.00)
Depreciation and amortization	80.01	84.31	87.63	73.51	70.06	29.54
Working capital	(74.15)	9.07	(2.95)	(5.17)	(3.78)	(8.76)
Capital expenditures	(3.75)	(42.50)	(43.78)	(45.09)	(46.44)	(47.83)
Free Cash Flow to Firm	342.66	308.53	297.61	292.90	293.86	280.97
PV of Free Cash Flow to Firm	342.66	282.54	249.57	224.93	206.66	180.95

SAC	Baht million
PV of Terminal Value	1,966.79
Present Value of Free Cash Flow	3,454.10^{1/}
Add: Cash and cash equivalent as of December 31, 2015	914.01 ^{2/}
Less: Outstanding interest bearing debts as of December 31, 2015	-
Net present value of cash flow – before dividend, as of December 31, 2015	4,368.11
Less: Dividend payments	(1,067.06) ^{3/}
Net present value of cash flow – after adjustment, as of December, 2016	3,301.05
No. of paid-up shares (shares) as of December 31, 2015	3.80 ^{4/}
NPV of cash flow per share – after adjustment (Baht per share)	868.70

Remark:

1/ Including free cash flow to firm of 2016.

2/ Cash and cash equivalent of Baht 914.01 million from SAC's latest financial statements as of December 31, 2015, audited by a certified auditor.

3/ Under term and conditions of Call Option Agreement and Umbrella Agreement between STA, Rubberland and Semperit, Semperit and STA agree that SAC will make a dividend payment in Thai Baht equivalent to USD 30.00 million (equivalent to approximately Baht 1,067.06 million) on the Completion Date.

4/ Par value of Baht 100.00 per share.

The value of SAC's shares is Baht 868.70 per share, or firm value of SAC is Baht 3,301.05 million.

In addition, CapAd has conducted a sensitivity analysis based on adjusting the discount rate or WACC increased (decreased) by 5.00% of the calculated discount rate mentioned above.

SAC	Unit	Discount Rate (% per annum)		
		9.66%	9.20%	8.74%
Share value of SAC	Baht/share	830.30	868.70	911.13
Firm value of SSC	Baht million	3,155.13	3,301.05	3,462.29

As shown in the table above, the share value of SAC is in the range of Baht 830.30 – 911.13 per share, or firm value of SAC is in the range of Baht 3,155.13 - 3,462.29 million.

the preparation of financial projection is based on assumptions provided by SAC and under the current economic conditions and circumstance. If there is any change in the business plan, policy, and economic condition that will materially affect the assumptions and variables used herein, the future operating results of SAC might not be as projected and the value of the SAC's share price evaluated by this approach may change accordingly.

7.6 Summary of opinion of the IFA on the fair value of SAC's shares

CapAd applied the average exchange rates announced by the Bank of Thailand dated January 17, 2017, at USD/Baht 35.5685 or Chinese Yuan (CNY)/Baht 5.2181, or CNY/USD 0.1467. (Source: www.bot.or.th)

The value of SAC's share price derived from various valuation approaches can be summarized in the table below:

SAC	Firm value of SAC (Baht million)	Firm value of SAC (USD million)	Suitability of the Valuation Approach
	(1)	(2) = (1) * FX ^{1/}	
Book Value Approach	1,584.24	44.54	Not suitable
Adjusted Book Value Approach	811.36 ^{2/}	22.81 ^{2/}	Not suitable
P/BV Ratio Approach	2,687.75 – 2,875.11	75.57 – 80.83	Not suitable
P/E Ratio Approach	5,935.10 – 7,506.37	166.86 – 211.04	Not suitable
Discounted Cash Flow Approach	3,155.13 - 3,462.29 ^{2/}	88.71 – 97.34 ^{2/}	Suitable

Remark: 1/ The average exchange rates announced by the Bank of Thailand dated January 17, 2017, at USD/Baht 35.5685 or CNY/Baht 5.2181, or CNY/USD 0.1467. (Source: www.bot.or.th)

2/ Firm value of SAC after dividend payments to shareholders. SAC will make a dividend payment in Thai Baht equivalent to USD 30.00 million (equivalent to approximately Baht 1,067.06 million) on the Completion Date.

From the summary table above, the value of SAC's firm value is in the range of Baht 811.36 – 7,506.37 million (equivalent to approximately USD 88.71 – 97.34 million).

The Book Value Approach reflects the operating result and status of SAC at any given period without taking into account its real asset value and future profitability, as well as the overall economic and industry outlook. Thus, valuation of SAC's shares using this approach could not reflect the current financial position and fair share value of SAC.

The Adjusted Book Value Approach reflects the market value of SAC's assets better than the Book Value Approach. The share value based on this approach can reflect the market value of SAC's assets and impacts from some conditions of this transaction. However, the valuation of SAC's shares using this approach could not reflect the future operating performance of SAC.

The Price to Book Value Ratio and Price to Earnings Ratio Approach estimated the value of SAC's shares using book value as of December 31, 2015 and earnings per share for 12-month period ended December 31, 2015 to compare with P/BV Ratio and P/E Ratio of selected 4 comparable listed companies in New York Stock Exchange (NYSE), Vienna Stock Exchange (ATX), and Tokyo Stock Exchange (TSE) that operate business of manufacturing and distribution of industrial goods including high pressure hydraulic hose. The information is during the period up to January 23, 2017. However, CapAd views that the comparable companies are located in various countries where factors affecting financial position and performance, economic conditions, stock market conditions, and foreign exchange may differ from Thailand. Thus, determining value of shares derived by these approaches may not be used as criteria for fair value of SAC's shares.

The Discounted Cash Flow Approach is the method that considers the historical operating results, the future growth prospects, and impact from termination of Joint Venture Agreement with Semperit. The Discounted Cash Flow Approach determines value of shares by forecasting future cash flows based on assumptions provided by SAC and under the current economic conditions and circumstances. If there is any change in the business plan, policy, and economic condition that will materially affect the assumptions and variables used herein, the future operating results of SAC might not be as projected and the value of the SAC's share evaluated by this approach may change accordingly.

CapAd is of the opinion that the most appropriate approach for the valuation of SAC's shares is the Discount Cash Flow Approach as it could reflect future operating performance of SAC under current circumstance, as well as impacts from dividend payment, which is condition under Call Option Agreement and Umbrella Agreement between STA, Rubberland and Semperit. **Conclusively, CapAd views that Fair Value of SAC is Baht 3,155.13 - 3,462.29 million (equivalent to approximately USD 88.71 – 97.34 million).**

8. Summary of IFA's Opinion on the Appropriateness of the Purchase and Selling Prices of the Assets

CapAd applied the average exchange rates announced by the Bank of Thailand dated January 17, 2017 of USD/Baht 35.5685 or CNY/Baht 5.2181, or CNY/USD 0.1467. (Source: www.bot.or.th)

Summary of Purchase and Selling Price of the Assets are as follows:

- (1) Transaction 1 Acquisition of 10,000 shares of SSC (equivalent to 50.0% of total issued and paid-up shares of SSC) at the price of USD 180.10 million.
In addition, SSC agrees to pay USD 15,000,000 Claim Withdrawals Fee to Semperit.
- (2) Transaction 2 The disposition of investment in SSH (equivalent to 50.0% of total capital of SSH) at the price of USD 8.00 million.
- (3) Transaction 3 The disposition of investment in SRP (equivalent to 10.0% of the total capital of SRP) at the price of USD 4.00 million.
- (4) Transaction 4.1 The disposition of 1,000 shares of SUSA (equivalent to 25.0% of total issued and paid-up shares of SUSA) at the price of USD 6.5 million.
Transaction 4.2 The disposal of 2,000 shares of SUSA by SSC (equivalent to 50.0% of total issued and paid-up shares of SUSA) at the price of USD 13.00 million.
- (5) Transaction 5 The disposition of 4,000,000 shares of SESI (equivalent to 50.0% of total issued and paid-up shares of SESI) at the price of USD 1.00 million.
- (6) Transaction 6 The disposition of investment in Shanghai Sempermed Glove Sales Co., Ltd. ("SSF") by SSC (equivalent to 100% of total capital of SSF) at the price of USD 3.20 million.
- (7) Transaction 7 The disposition of 1,615,000 shares of SAC held by the Company and Rubberland (equivalent to 42.5% of total issued and paid-up shares of SAC) in accordance with the Call Option Agreement. Semperit is granted Call Option to purchase total of 1,651,000 SAC's shares from the Company and Rubberland, equivalent to 42.50% of total paid-up shares of SAC, at the total price of USD 51.00 million during the period between June 30, 2019 and June 30, 2021 (the "Option Period").

CapAd compares the fair value for SSC, SSH, SRP, SUSA, SESI, SSF, and SAC as detailed in Part 3 Clause 1 – 7 of this report to the purchasing-selling price of each company. Summary of the comparison of the purchasing and selling prices of shares to the fair value of the shares are as follows:

follows:

	Fair value of firm	% of shares to be acquired or disposed	Fair value of shares to be acquired or disposed	Selling price (Purchasing Price)	Gain (Loss) from fair value higher/lower than the selling price/ purchasing price	
	(USD million)	(%)	(USD million)	(USD million)	(USD mn.)	(%)
	(1)	(2)	(3) = (1) * (2)	(4)	(5) = (4) – (3)	(6) = (5)/(4)
Acquisition Transaction						
SSC (Transaction 1, 4.2, and 6)	262.68 - 290.22 ^{1/}	50.00	131.34 – 145.11	(147.55) ^{2/}	(16.21) – (2.44)	(10.99) – (1.65)
Total acquisition	262.68 - 290.22	50.00	131.34 – 145.11	(147.55)	(16.21) – (2.44)	(10.99) – (1.65)
Disposition Transaction						
SSH (Transaction 2)	13.39 – 18.55	50.00	6.70 – 9.27	8.00	(1.27) – 1.30	(15.91) – 16.29
SRP (Transaction 3)	57.32 – 60.98	10.00	5.73 – 6.10	4.00	(2.10) – (1.73)	(52.46) – (43.31)
SUSA (Transaction 4.1)	24.12 – 25.56	25.00	6.03 – 6.39	6.50	0.11 – 0.47	1.70 – 7.22
SESI (Transaction 5)	5.99 – 6.67	50.00	2.99 – 3.33	1.00	(2.33) – (1.99)	(233.42) – (199.49)
SAC Transaction 7)	88.71 - 97.34 ^{3/}	42.50	37.70 – 41.37	44.49 – 46.32 ^{4/}	3.12 – 8.62	7.01 – 18.16
Total dispositions	189.54 – 209.10		59.16 – 66.46	63.99 – 65.82	(2.48) – 6.66	(3.87) – 10.12
Total - net			64.87 – 85.95	(83.56) – (81.73)	(18.68) - 4.22	(22.86) – 5.17

Remark:

- 1/ Firm value of SSC after the dividend payment of USD 118.20 million that SSC shall pay to its shareholders (including both parties of the agreement) according to the Umbrella Agreement, Share Sale and Purchase Agreement, and other relevant agreements (taking into consideration of Transaction 4.2 and 6).
- 2/ Consisted of purchase price of SSC's shares (50% of total issued and paid-up shares of SSC) from Semperit at USD 180.10 million plus Claim Withdrawals Fee of USD 15.00 million that shall be paid to Semperit, and less dividends from SSC to STA and Rubberland as 40.23% shareholders of SSC in the total amount of USD 47.55 million (taking into consideration of Transaction 4.2 and 6).
- 3/ Firm value of SAC after making a dividend payment of USD 30.00 million that SAC shall pay to its shareholders (including both parties of the agreement) on the Completion Date according to the Umbrella Agreement, Share Sale and Purchase Agreement, and other relevant agreements.
- 4/ Under the Call Option Agreement, Semperit has an option to purchase SAC's shares from STA and Rubberland totaling of 1,615,000 shares, or equivalent to 42.5% of total issued and paid-up shares of SAC, during the Option Period at the total

purchase price of USD 51.00 million. Therefore, the present value of the purchase price (42.50% of total paid-up shares of SAC) is equivalent to USD 34.32 – 40.93 million²⁷ (equivalent to approximately Baht 1,220.77 - 1,455.72 million).

In addition, under the Joint Venture Agreement (Amendment 3) to be revised, SAC shall pay dividend from all annual profit (100% of annual net profit) to the shareholders. Hence, if Semperit exercise its call options within 2019 – 2021, STA and Rubberland will have a right to receive such dividend during the period prior to the exercise of the call options. CapAd has estimated the present value of the dividend distributed to STA and Rubberland before the exercise of Call Option by Semperit (42.5% of dividend paid by SAC) at USD 5.39 – 10.17 million (Present Value of dividend to STA and Rubberland in 2017 – 2020). Therefore, the present value of selling price of SAC's shares is in the range of USD 44.49 – 46.32 million.

From above table, the net purchasing price of SSC's shares at USD 147.55 million (Purchasing price of shares at USD 180.10 million + Claim Withdrawal Fee of USD 15.00 million - Dividend of USD 47.55 million) is higher than the fair value of SSC's shares by USD 2.44 – 16.21 million, or higher than the net purchase price by 1.65% – 10.99%.

In addition, the present value of total selling prices of SSH, SRP, SUSA, SESI and SAC at USD 70.50 million (equivalent to approximately Baht 2,507.58 million) and the dividend from SAC before the Option Period (estimated dividend payments to STA and Rubberland at USD 5.39 – 10.17 million) equal to USD 63.99 – 65.82 million, which is higher (lower) than the fair value of shares of SSH, SRP, SUSA, SESI and SAC to be sold to Semperit by USD (2.48) - 6.66 million, or higher (lower) than the total selling prices by (3.87)% – 10.12%.

However, entering into Transaction 1 - 7 requires an approval from the meeting of the shareholders altogether. Thus, CapAd shall consider the total value of asset acquisition and disposition transactions. As the net purchasing price (net from selling of shares) is USD 77.05 million (or equivalent to approximately Baht 2,740.49 million) and the future dividend from SAC before the exercise of the Call Option by Semperit (estimated dividend payments to STA and Rubberland at USD 5.39 – 10.17 million), total net present value of purchasing price is in the range of USD 81.73 – 83.56 million (or equivalent to approximately Baht 2,907.00 – 2,972.06 million), which is higher (lower) than the net fair value of shares to be acquired or disposed (the net fair value is USD 64.87 – 85.95 million) by USD (4.22) - 18.68 million (or equivalent to approximately Baht (150.26) – 664.57 million), or higher (lower) than the net purchase price by (5.17)% – 22.86%. Conclusively, CapAd is of the opinion that **the acquisition of SSC's shares and the disposition of SSH's, SRP's, SUSA's, SESI and SAC's shares are inappropriate** because the purchase price of SSC's share is higher than the fair value of SSC's shares even though the net purchase price may be higher or lower than the net fair value of shares to be acquired or disposed.

²⁷ CapAd assumes that Semperit exercises Call Option during the Option Period (from June 30, 2019 to June 30, 2021) and discount at the Company's WACC of 9.20% per annum.

Part 4: Conclusion of the Opinion of the Independent Financial Advisor Concerning the Asset Acquisition and Disposition

Please see the conclusion of the Independent Financial Advisor's opinion in the **Executive Summary** on Page 7 of this report.

However, the final decision shall be at own discretion of the shareholders. The shareholders should consider the information in the notice to the shareholders' meeting and its enclosures before making the decision.

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

Yours sincerely,

Capital Advantage Company Limited

-Patchara Netsuwan-

(Mr. Patchara Netsuwan)
Managing Director