

# TRITON

No. 015/2560

27 September 2017

Subject: Collateral Valuation Report

To: Directors and Managers  
The Stock Exchange of Thailand

Refer to:

1. The requested letter of clarification of Financial Statement of the Year Ended 31 December 2016 dated 20 March 2017
2. The letter of notification of Triton Holding Public Company Limited No.007/2560 dated 31 March 2017

According to the case of Lucent Energy Company Limited, a subsidiary of Strega Public Company Limited which is altogether called “consortium”, has paid the deposit of ordinary shares to the seller with the amount of 120 million Baht regarding the Share Trading Agreement with pre-requisites (the Agreement). The seller has pledged shares of the 4 renewable energy companies which were Mekhong Green Power Company Limited (MGP), Udon Thani Solar Power Company Limited (UPS), Mekhong Solar Power Company Limited (MSP) and Sansang Company Limited (SS) as collateral of the Share Trading Agreement. The agreement expired on 6<sup>th</sup> February 2017; however, the Company was acknowledged full allowance of impairment because it is possible that the group of companies will not receive the deposit back. Because of acknowledging the full allowance of impairment, it significantly affects the financial status and the operation of the Company. Therefore, the Stock Exchange of Thailand (the “SET”) requests Triton Holding Public Company Limited to elaborate the additional information on the case of the acknowledgment of impairment allowance with the amount of 120 million Baht. Moreover, the Company has completed providing explanation through Electronic Company Information Disclosure of the SET. The details can be found in the attached reference No.1 and No. 2 respectively.

However, there are some points which had to be reported the progress to the SET and the investors, followed after the previous explanation that is the collateral valuation case (the amount of ordinary shares of the 4 renewable energy companies which are pledged by the seller as collateral).

According to what the Company has informed that the Company employed ACAP Corporate Services Co., Ltd. (ACAP) to be the assessor of the collateral. Presently, the assessor has completed the valuation and transferred the report to the Company. Regarding the valuation no. ACS/004/2560 dated 22 May 2017, the collateral amount evaluated by the assessor with the ordinary shares that the seller pledged as collateral is approximately 115 million Baht. The assessor values the value by applying the Discounted Cash Flow approach (DCF) which is suggested to be the most suitable solution because, it is considerate to overall operation, competence in generating revenue and future company profit together with the reasonable value.

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Nevertheless, the Company nowadays applies the policy to make a demand to get back the deposit together with the interests and the process is being taken into legal action. If there is any progress, the Company will inform the SET and the investors continually.

However, the assessor has valued the ordinary shares of MGP, UPS, MSP and SS with different approaches which are book value approach, market approach and discounted cash flow approach. The company has concluded the share valuation of MGP, UPS, MSP and SS with the mentioned approaches and set the hypothesis on discounted cash flow approach. The results of business valuation by different approaches are as follows;

Value Approach	Share Value (in Million Baht)			
	MGP	UPS	MSP	SS
1) Book Value Approach	41.53	44.10	12.89	8.16
2) Market Comparable Approach				
2.1 Price to Book Value Approach	107.59 – 116.75	114.25 – 123.98	33.39 -36.24	21.14 – 22.94
2.2 Price to Earnings Ratio Approach	125.60 -129.05	153.05 – 157.25	Can't be valued	7.07 – 7.26
3) Discounted Cash Flow Approach - DCF	57.72	66.54	77.43	In case of adder 63.97
				In case of FIT 22.15

According to the aforementioned share valuation summary with different approaches, the financial advisor has suggested that;

1. Book Value Approach is not suitable because the true values of all items in financial statement are disregarded. Some assets, liabilities and equities of shareholders do not reflect the present value which could increase or decrease. Moreover, valuating shares regarding the book value approach does not reflect the company's potential and turnover in the future.

2. Price to Book Value Approach is not suitable because each company's book value that is used as reference could not reflect the true value. It could affect stock prices which are valued to be incorrect from the book value and liquidity of stock that is brought to be compared. As a result, the valued stock price could not reflect the reasonable price.

3. Price to Earnings Ratio Approach is not suitable because most of the investors give precedence to long-term turnover and/or future turnover and/or the prosperity of businesses they use as reference. While, earnings per share nowadays does not present potential in operation and long-term turnover as stated. As a result, the valued stock price by this approach could not reflect the proper price.

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4. Discounted Cash Flow Approach (DCF) is suitable because overall operation, competence in generating revenue and future company profit are considered which means the value is suitable for the shareholders of each business mentioned above.

However, the seller has put up collateral with companies regarding the shareholding proportion. When calculating by applying discounted cash flow approach regarding the shareholding proportion the companies has receive as collateral, the result can be concluded as in the table.

	<u>MGP</u> (in Mill. Baht)	<u>UPS</u> (in Mill. Baht)	<u>MSP</u> (in Mill. Baht)	<u>SS</u> (in Mill. Baht)	<u>Total business valuation</u>
Business valuation calculated with total company's shares (100%)	57.72	66.54	77.43	Adder 63.97 FIT 22.15	
Shareholding proportion as collateral (%)	51%	51%	37.87%	100%	
Business valuation with shareholding proportion as collateral	29.44	33.94	29.27	Adder 63.97 FIT 22.15	<ul style="list-style-type: none"> <li>● In case of SS receive adder, the total business valuation as collateral is 223.84 million Baht.</li> <li>● In case of SS receive FIT, the total business valuation as collateral is 115 million Baht.</li> </ul>

Considering the above table, it shows that if SS receives the adder, the total business valuation as collateral is 223.84 million Baht. On the other hand, if SS receives FIT, the total business valuation as collateral is 115 Million Baht. Therefore, the company choose the total business valuation as collateral of 115 million Baht because the company applies Conservative principle to report information to the shareholders and investors.

For the valuation, the assessor has applied Discounted Cash Flow Approach with the use of financial projection hypothesis. The details are mentioned as follows:

## **Hypothesis on Financial Projection of Mekhong Green Power Company Limited (MGP)**

### 1. Revenue

- Actual power generated

Hypothesis or factors which significantly affect the quantity of electrical unit generated from Solar Cell are as follows:

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Operation Day	365-366 days/year
Commercial Operation Date: COD	8 September 2014
Generating Period	2014 – 2039 (25 years)
Installed Capacity	0.9961 Megawatt
Performance Ratio	80.75%

- The power generation period that MGP is able to generate is from 8:00 am until 4:00 pm which in total is 8 hours/day.
- Time of Use Rate chart



**อัตราค่าไฟฟ้าขายส่ง**  
**สำหรับ การไฟฟ้านครหลวง (กฟน.) และ การไฟฟ้าส่วนภูมิภาค (กฟภ.)**  
 ตั้งแต่ค่าไฟฟ้าประจำเดือนพฤศจิกายน 2558

**1 อัตราค่าพลังงานไฟฟ้า** ประกอบด้วย

**1.1 อัตราค่าไฟฟ้าขายส่งตามช่วงเวลาของการใช้ (Time of Use : TOU Rate)**

(บาท/หน่วย)

ระดับแรงดันไฟฟ้า	ค่าผลิตไฟฟ้า		ค่าบริการระบบส่ง		อัตราขายส่งรวม	
	Peak	Off-Peak	Peak	Off-Peak	Peak	Off-Peak
230 กิโลโวลต์	3.1192	2.3316	0.2730	-	3.3922	2.3316
69-115 กิโลโวลต์	3.1286	2.3341	0.4913	-	3.6199	2.3341
ณ ปลายสายส่ง 69 ,115 กิโลโวลต์*	3.1948	2.3555	0.8528	-	4.0476	2.3555
11-33 กิโลโวลต์	3.2017	2.3567	1.0226	-	4.2243	2.3567

\* รวมทั้งสถานีไฟฟ้าแรงสูง 115:115 และ 69:69 กิโลโวลต์

ช่วง Peak : เวลา 09.00 - 22.00 น. วันจันทร์ - วันศุกร์

ช่วง Off-Peak : เวลา 22.00 - 09.00 น. วันจันทร์ - วันศุกร์

: เวลา 00.00 - 24.00 น. วันเสาร์ - วันอาทิตย์ วันแรงงานแห่งชาติ และ

วันหยุดราชการตามปกติ (ไม่รวมวันหยุดชดเชยและวันพืชมงคล)

**1.2 อัตราค่าการปรับอัตราค่าไฟฟ้าโดยอัตโนมัติ (F<sub>t</sub> ขายส่ง)**

F<sub>t</sub> ขายส่ง ตามสูตรการปรับอัตราค่าไฟฟ้าโดยอัตโนมัติ ซึ่งจะมีการปรับอัตราค่าพลังงานไฟฟ้าต่อหน่วย ตามการเปลี่ยนแปลงของค่าเฉลี่ยค่าซื้อไฟฟ้า ในส่วนของ กฟน. และค่าใช้จ่ายตามนโยบายของรัฐ

**2 อัตราค่าตัวประกอบกำลังไฟฟ้า (Power Factor Charge)**

อัตราค่าตัวประกอบกำลังไฟฟ้า 18.68 บาท/กิโลวาร์/เดือน สำหรับกิโลวาร์ส่วนเกินเมื่อค่าตัวประกอบกำลังไฟฟ้าต่ำกว่า 0.875 (Lagging)

- Energy charge

MGP has been supported with Adder at the price of 6.50 Baht/unit (Kilowatt hour) for 10 years starting from 2014 and ending in 2024. After the adder, the power charge will vary on tariff and Ft surcharge rate according to the Time of Use Rate chart above.

## 2. Cost

The main cost in generating power of MGP consists of depreciation, operational expense in terms of wages, and rent. The Financial advisor projects the wages and personnel to have the growth rate as same as the previous average inflation rate of Thailand in 2016 which is 2.49% per year. Moreover, the depreciation is a part the production cost which will be cut according to MGP's accounting policy.

## 3. Sales and administration expenses

Most of the sales and administration expenses are stable; for example, public utility expense, fees, maintenance expense and other expenses. The expenses are set to have the growth rate as same

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as the previous average inflation rate of Thailand in 2016 which is 2.49% per year. Moreover, the depreciation of present assets is a part of sales and administration expenses which the depreciation will be cut according to MGP's accounting policy.

#### 4. Hypothesis on Corporate tax rate

MGP has been given privilege and supported by Board of Investment (BOI) which exception on collecting corporate income tax occurring from the net profit from power charge within 8 years from 2014 until 2022 is granted. Then, the company is given 50% corporate income tax deduction for 5 year starting from 2022 until 2027.

	<b>2014 – 2022</b> <b>(the first 8 years)</b>	<b>2022 – 2027</b> <b>(the next 5 years)</b>	<b>2027 – 2040</b> <b>(the remaining years)</b>
Corporate income tax	Corporate tax exception	10%	20%

#### 5. Hypothesis on additional investment expense

MGP does not have any future plan for additional investment.

#### 6. Discount Rate Hypothesis

The discount rate that is used to calculate for discounted cash flow of the business. The projection can be done by applying Weighted Average Cost of Capital (WACC) formula as follows:

WACC =  $Ke \times (E/V) + Kd \times (1-T) \times (D/V)$  where:

Ke = Return On Equity or ROE which comes from the calculation of Capital Asset Pricing Model (CAPM) according to the later details

Kd = Cost of debt before taxes. At present, MGP carry liability on lease Agreement with the interest rate of 4.54% and loan burden with the interest rate of 12%. The mentioned burdens have to be paid on different due dates. The Financial advisor has calculated the weighted average interest rate based on the type of liability and period of time as the following chart:

T = in accordance with corporate income tax rate supported by BOI

E = shareholders' equity

D = debt

V = shareholders' equity + debt

Moreover, CAPM theory will be applied to calculate for Return On Equity or ROE as follows:

Ke =  $Rf + \text{Beta} \times (Rm - Rf)$

Rf = the risk-free rate of interest which arises from government bonds under the hypothesis that MGP will be able to operate for 25 years of the solar cell lifespan. The details are as follows:

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Rf	3.39%
Period of government bond investment	23 years (in accordance with period revenue projection)
Referred from www.thaibma.or.th dated	31 March 2017

Rm = expected market return since the establishment of SET (information from SETSMART system by SET)

Period of the expected market return from SET	April 1975 – March 2016
Rm	14.70%

Beta = the correlation coefficient of stock price and SET Index. Beta that includes influence of company's liability (leverage Beta). Due to the fact that MGP is not a registered company, the financial advisor therefore applied the use of Leverage Beta in the average of the past 3 years of a registered company which is similar to MGP. However, Thai Solar Energy Company Limited (TSE) has registered and started stockbroking since 30 October 2014 resulting without Beta information of the past 3 years. Therefore, the financial advisor does not take TSE for the calculation but calculates it as Unlevered Beta with the following formula:

Bu =  $Beta / (1 + (1-TAX) \times (D/E))$  where

Bu = Beta which influence of company's liability has been removed (Unlevered Beta)

TAX = in accordance with the hypothesis of corporate income tax supported by BOI

D/E = ratio of debt per equity

Sequence	Stock	Average Levered Beta rate in the last 3 years	Ratio of debt with interest per equity	Unlevered Beta
1	SPCG	0.766	1.09	0.41
2	SUPER	0.969	1.92	0.38
Average				0.40

The average Unlevered Beta is taken as a substitute for Unlevered Beta of MGP and calculated backward to find the Beta of MGP by the same formula. It reflects the variables of ratio of debt with interest per equity of MGP which has been decreasing due to liquidation. Moreover, the cost of debt before tax that has changing in accordance with the decreasing in liability. The results from WACC formula are as follows:

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Year	2017	2018	2019	2020	2021	2022	2023	2024-2039
WACC	8.26%	8.20%	8.14%	8.08%	8.01%	7.93%	7.88%	7.87%

The ordinary share valuation by the Discounted Cash Flow approach can be concluded that the share value of MGP, valued by the Discounted Cash Flow approach, is 57.72 million Baht.

## Hypothesis on Financial Projection and Valuation of Udon Thani Solar Power Company Limited (UPS)

### 1. Revenue

- Actual power generated

Hypothesis or factors which significantly affect the quantity of electrical unit generated from Solar Cell are as follows:

Operation Day	365-366 days/year
Commercial Operation Date: COD	1 October 2014
Generating Period	2014 – 2039 (25 years)
Installed Capacity	0.9954 Megawatt
Performance Ratio	77.54%

- The power generation period that MGP is able to generate is from 8:00 am until 4:00 pm which in total is 8 hours/day.
- Energy charge  
UPS has been supported with Adder at the price of 6.50 Baht/unit (Kilowatt hour) for 10 years starting from 2014 and ending in 2024. After the adder, the power charge will vary on tariff and Ft surcharge rate according to the aforementioned UPS Discounted Cash Flow approach.

### 2. Cost

The main cost in generating power of UPS consists of depreciation, operational expense in terms of wages, and rent. The Financial advisor projects the wages and personnel to have the growth rate as same as the previous average inflation rate of Thailand in 2016 which is 2.49% per year. Moreover, the depreciation is a part the production cost which will be cut according to UPS's accounting policy.

### 3. Sales and administration expenses

Most of the sales and administration expenses are stable; for example, public utility expense, fees, maintenance expense and other expenses. The expenses are set to have the growth rate as same as the previous average inflation rate of Thailand in 2016 which is 2.49% per year. Moreover, the depreciation of present assets is a part of sales and administration expenses which the depreciation will be cut according to UPS's accounting policy.

### 4. Hypothesis on Corporate tax rate

UPS has been given privilege and supported by Board of Investment (BOI) which exception on collecting corporate income tax occurring from the net profit from power charge within 8 years from

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2014 until 2022 is granted. Then, the company is given 50% corporate income tax deduction for 5 years starting from 2022 until 2027.

	2014 – 2022 (the first 8 years)	2022 – 2027 (the next 5 years)	2027 – 2040 (the remaining years)
Corporate income tax	Corporate tax exception	10%	20%

## 5. Hypothesis on additional investment expense

UPS does not have any future plan for additional investment.

## 6. Discount Rate Hypothesis

The discount rate that is used to calculate for discounted cash flow of the business. The projection can be done by applying Weighted Average Cost of Capital (WACC) formula as follows:

WACC =  $K_e \times (E/V) + K_d \times (1-T) \times (D/V)$  where:

$K_e$  = Return On Equity or ROE which comes from the calculation of Capital Asset Pricing Model (CAPM) according to the later details

$K_d$  = Cost of debt before taxes. At present, UPS carry liability on lease Agreement with the interest rate of 4.54% and loan burden with the interest rate of 12%. The mentioned burdens have to be paid on different due dates. The Financial advisor has calculated the weighted average interest rate based on the type of liability and period of time as the following chart:

T = in accordance with corporate income tax rate supported by BOI

E = shareholders' equity

D = debt

V = shareholders' equity + debt

Moreover, CAPM theory will be applied to calculate for Return On Equity or ROE as follows:

$K_e$  =  $R_f + \text{Beta} \times (R_m - R_f)$

$R_f$  = the risk-free rate of interest which arises from government bonds under the hypothesis that UPS will be able to operate for 25 years of the solar cell lifespan. The details are as follows:

$R_f$	3.39%
Period of government bond investment	23 years (in accordance with period revenue projection)
Referred from <a href="http://www.thaibma.or.th">www.thaibma.or.th</a> dated	31 March 2017

$R_m$  = expected market return since the establishment of SET (information from SETSMART system by SET)



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Period of the expected market return from SET	April 1975 – March 2016
Rm	14.70%

Beta = the correlation coefficient of stock price and SET Index. Beta that includes influence of company's liability (leverage Beta). Due to the fact that UPS is not a registered company, the financial advisor therefore applied the use of Leverage Beta in the average of the past 3 years of a registered company which is similar to UPS. However, Thai Solar Energy Company Limited (TSE) has registered and started stockbroking since 30 October 2014 resulting without Beta information of the past 3 years. Therefore, the financial advisor does not take TSE for the calculation but calculates it as Unlevered Beta with the following formula:

Bu = Beta / (1 + (1-TAX) x (D/E) where

Bu = Beta which influence of company's liability has been removed (Unlevered Beta)

TAX = in accordance with the hypothesis of corporate income tax supported by BOI

D/E = ratio of debt per equity

Sequence	Stock	Average Levered Beta rate in the last 3 years	Ratio of debt with interest per equity	Unlevered Beta
1	SPCG	0.766	1.09	0.41
2	SUPER	0.969	1.92	0.38
Average				0.40

The average Unlevered Beta is taken as a substitute for Unlevered Beta of UPS and calculated backward to find the Beta of UPS by the same formula. It reflects the variables of ratio of debt with interest per equity of UPS which has been decreasing due to liquidation. Moreover, the cost of debt before tax that has changing in accordance with the decreasing in liability. The results from WACC formula are as follows:

Year	2017	2018	2019	2020	2021	2022	2023	2024-2039
WACC	8.26%	8.20%	8.14%	8.08%	8.01%	7.93%	7.88%	7.87%

The ordinary share valuation by the Discounted Cash Flow approach can be concluded that the share value of UPS, valued by the Discounted Cash Flow approach, is 66.54 million Baht.

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## Hypothesis on Financial Projection and Valuation of Mekhong Solar Power Company Limited

### (MSP)

#### 1. Revenue

- Actual power generated

Hypothesis or factors which significantly affect the quantity of electrical unit generated from Solar Cell are as follows:

Operation Day	365-366 days/year
Commercial Operation Date: COD	9 December 2015
Generating Period	2015 – 2040 (25 years)
Installed Capacity	0.9845 Megawatt

- The power generation period that MSP is able to generate is from 8:00 am until 4:00 pm which in total is 8 hours/day.
- Energy charge  
MSP has been supported with Adder at the price of 8.00 Baht/unit (Kilowatt hour) for 10 years starting from 2015 and ending in 2025. After the adder, the power charge will vary on tariff and Ft surcharge rate according to the aforementioned MSP Discounted Cash Flow approach.

#### 2. Cost

The main cost in generating power of MSP consists of depreciation, operational expense in terms of wages, and rent. The Financial advisor projects the wages and personnel to have the growth rate as same as the previous average inflation rate of Thailand in 2016 which is 2.49% per year. Moreover, the depreciation is a part the production cost which will be cut according to MSP's accounting policy.

#### 3. Sales and administration expenses

Most of the sales and administration expenses are stable; for example, public utility expense, fees, maintenance expense and other expenses. The expenses are set to have the growth rate as same as the previous average inflation rate of Thailand in 2016 which is 2.49% per year. Moreover, the depreciation of present assets is a part of sales and administration expenses which the depreciation will be cut according to MSP's accounting policy.

#### 4. Hypothesis on Corporate tax rate

MSP has not been given privilege and supported by Board of Investment (BOI). Therefore, the corporate income tax is at 20% throughout the projection.

#### 5. Hypothesis on additional investment expense

MSP does not have any future plan for additional investment.

#### 6. Discount Rate Hypothesis

The discount rate that is used to calculate for discounted cash flow of the business. The projection can be done by applying Weighted Average Cost of Capital (WACC) formula as follows:

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WACC	=	$K_e \times (E/V) + K_d \times (1-T) \times (D/V)$ where:
$K_e$	=	Return On Equity or ROE which comes from the calculation of Capital Asset Pricing Model (CAPM) according to the later details
$K_d$	=	Cost of debt before taxes. At present, MSP carry liability on loan with the interest rate of 9.00%. The Financial advisor has projected that the debt shall be paid off within 2018 from MSP cash flow. Once the debt burden is paid in full, $K_d$ will become zero and affect the WACC calculation which will be later mentioned.
T	=	Corporate income tax rate of 20%
E	=	shareholders' equity
D	=	debt
V	=	shareholders' equity + debt

Moreover, CAPM theory will be applied to calculate for Return On Equity or ROE as follows:

$K_e$	=	$R_f + \text{Beta} \times (R_m - R_f)$
$R_f$	=	the risk-free rate of interest which arises from government bonds under the hypothesis that UPS will be able to operate for 25 years of the solar cell lifespan. The details are as follows:

$R_f$	3.42%
Period of government bond investment	24 years
Referred from <a href="http://www.thaibma.or.th">www.thaibma.or.th</a> dated	31 March 2017

$R_m$	=	expected market return since the establishment of SET (information from SETSMART system by SET)
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Period of the expected market return from SET	April 1975 – March 2016
$R_m$	14.70%

Beta	=	the correlation coefficient of stock price and SET Index. Beta that includes influence of company's liability (leverage Beta). Due to the face that MSP is not a registered company, the financial advisor therefore applied the use of Leverage Beta in the average of the past 3 years of a registered company which is similar to MSP. However, Thai Solar Energy Company Limited (TSE) has registered and started stockbroking since 30 October 2014 resulting without Beta information of the past 3 years. Therefore, the financial advisor does not take TSE for the calculation but calculates it as Unlevered Beta with the following formula:
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Bu	=	Beta / (1 + (1-TAX) x (D/E) where
Bu	=	Beta which influence of company's liability has been removed (Unlevered Beta)
TAX	=	corporate income tax rate
D/E	=	ratio of debt per equity

Sequence	Stock	Average Levered Beta rate in the last 3 years	Ratio of debt with interest per equity	Unlevered Beta
1	SPCG	0.766	1.09	0.41
2	SUPER	0.969	1.92	0.38
Average				0.40

The average Unlevered Beta is taken as a substitute for Unlevered Beta of MSP and calculated backward to find the Beta of MSP by the same formula. It reflects the variables of ratio of debt with interest per equity of MSP which has been decreasing due to liquidation. Moreover, the cost of debt before tax that has changing in accordance with the decreasing in liability. The results from WACC formula are as follows:

Year	2017	2568 - 2040
WACC	9.33%	7.88%

The ordinary share valuation by the Discounted Cash Flow approach can be concluded that the share value of MSP, valued by the Discounted Cash Flow approach, is 77.43 million Baht.

## Hypothesis on Financial Projection and Valuation of Sansang Company Limited (SS)

At present, SS has not started generate power from the use of solar cell yet because in the past SS confronted with a problem of construction delay due to the opposition of those who live around the construction area. As a result, the financial advisor does not have enough information on power generating quantity, cost and other related expenses in the past. Moreover, the construction delay results in not having the right to receive the adder at 8 Baht/unit. As mentioned, SS shall be able to generate power by 31 December 2010 so that SS would receive the adder. Presently, SS in the process of taking a legal action to find the final conclusion whether SS would receive the mentioned adder. If SS is not able to receive the adder, SS will have to sell the energy under the Feed in Tariff system by the Provincial Electricity Authority. Therefore, the financial advisor has valued SS on 2 hypotheses on income which are 1. SS receives the adder or 2. SS is under Feed in Tariff system.

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## 1. Revenue

- Actual power generated

Because SS has not started generating power, the financial advisor does not have significant information to project the quantity that SS can actually generate such as number of solar cell plates, capacity to convert energy from the sun into electricity and the quantity power generated in the past. Therefore, the financial advisor calculates the quantity of power can be generated in a year by subtracting the quantity from the depreciation rate of solar cell MGP which can generate 1.35 million kilowatt hour/year. The projection on hypothesis and supporting reason that these 2 plants are similar because they are located in nearby province which means the plants receive the same amount of the solar irradiance from the sun.

### Power plant comparison

List	MGP	SS
Installed Capacity	0.9954 Megawatt	0.998 Megawatt
Location	Nong Khai district, Nong Khai	Phu Ruea district, Loei

Hypothesis or factors which significantly affect the quantity of electrical unit generated from Solar Cell are as follows:

Operation Day	365-366 days/year
Commercial Operation Date: COD	Assigned SS to generate starting from 1 January 2018
Generating Period	2018 – 2042 (25 years)
Installed Capacity	0.9980 Megawatt

- The power generation period that SS is able to generate is from 8:00 am until 4:00 pm which in total is 8 hours/day.
- Energy charge  
As aforementioned, the financial advisor has projected the energy charge into 2 categories which are:
  - SS receive the adder at 8 Baht/unit for the first 10 years. After the adder ends, energy charge will vary according to Tariff and Ft surcharge rate at the moment.
  - SS receives energy charge in terms of Feed in Tariff which energy charge is stable at 5.66 Baht/unit throughout the 25-year project

## 2. Cost

The main cost in generating power of SS consists of depreciation, operational expense in terms of wages, and rent. The Financial advisor projects the costs of SS referred from the cost of MGP under

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the hypothesis of nearby area and specifies the costs to be as same as the previous average inflation rate of Thailand in 2016 which is 2.49% per year. Moreover, the depreciation is a part the production cost which will be cut according to the accounting policy.

### 3. Sales and administration expenses

Most of the sales and administration expenses are projected according to MGP costs, specifying the growth rate to be as same as the previous average inflation rate of Thailand in 2016 which is 2.49% per year. Moreover, the depreciation will be cut according to the accounting policy.

### 4. Hypothesis on Corporate tax rate

SS has not been given privilege and supported by Board of Investment (BOI); therefore, the corporate income tax stays at 20% for the whole projection period.

### 5. Hypothesis on additional investment expense

From the latest financial statement dated the end of 2015, there is no record about assets relating to power generating operation. Therefore, the financial advisor specify SS to invest 60 million Baht in solar cell energy generation in 2017 to 2018. The investment reference is taken from MGP and UPS. After that, SS is specified not have any future plan for additional investment.

The references of additional investment in the amount of 60 million Baht are from:

- A. Increasing capital with the amount of 19.5 million Baht. From the latest financial statement of 2015, SS has authorized capital of 25 million Baht with paid-up capital of 7.50 million Baht; therefore, SS has to add another 19.5 million Baht to fulfil the authorized capital.
- B. SS has short-term loan as asset with the amount of 7.40 million Baht regarding the latest financial statement of 2015. The financial advisor assigns SS to revoke the debt to spend on power plant construction.
- C. Long-term loan from financial institutes with the amount of 33.10 million Baht. 10 years of repayment is set with the interest rate that is equivalent to Minimu Loan Rate from 4 banks including Bangkok Bank, Kasikorn Bank, Siam Commecial Bank and Krung Thai Bank, is equal to 6.26% (reference: [www.bot.or.th](http://www.bot.or.th)).

### 6. Discount Rate Hypothesis

The discount rate that is used to calculate for discounted cash flow of the business. The projection can be done by applying Weighted Average Cost of Capital (WACC) formula as follows:

WACC =  $K_e \times (E/V) + K_d \times (1-T) \times (D/V)$  where:

$K_e$  = Return On Equity or ROE which comes from the calculation of Capital Asset Pricing Model (CAPM) according to the later details

$K_d$  = Cost of debt before taxes. At present, UPS carry liability on lease Agreement with the interest rate of 4.54% and loan burden with the interest rate of 12%. The mentioned burdens have to be paid on different due dates. The Financial advisor has calculated the weighted average interest rate based on the type of liability and period of time as the following chart:

T = 20% corporate income tax rate

E = shareholders' equity

D = debt

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V = shareholders' equity + debt

Moreover, CAPM theory will be applied to calculate for Return On Equity or ROE as follows:

Ke = Rf + Beta x (Rm – Rf)

Rf = the risk-free rate of interest which arises from government bonds under the hypothesis that SS will be able to operate for 25 years of the solar cell lifespan. The details are as follows:

Rf	3.44%
Period of government bond investment	25 years)
Referred from www.thaibma.or.th dated	31 March 2017

Rm = expected market return since the establishment of SET (information from SETSMART system by SET)

Period of the expected market return from SET	April 1975 – March 2016
Rm	14.70%

Beta = the correlation coefficient of stock price and SET Index. Beta that includes influence of company's liability (leverage Beta). Due to the face that SS is not a registered company, the financial advisor therefore applied the use of Leverage Beta in the average of the past 3 years of a registered company which is similar to MSP. However, Thai Solar Energy Company Limited (TSE) has registered and started stockbroking since 30 October 2014 resulting without Beta information of the past 3 years. Therefore, the financial advisor does not take TSE for the calculation but calculates it as Unlevered Beta with the following formula:

Bu = Beta / (1 + (1-TAX) x (D/E) where

Bu = Beta which influence of company's liability has been removed (Unlevered Beta)

TAX = corporate income tax rate

D/E = ratio of debt per equity

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Sequence	Stock	Average Levered Beta rate in the last 3 years	Ratio of debt with interest per equity	Unlevered Beta
1	SPCG	0.766	1.09	0.41
2	SUPER	0.969	1.92	0.38
Average				0.40

The average Unlevered Beta is taken as a substitute for Unlevered Beta of SS and calculated backward to find the Beta of SS by the same formula. It reflects the variables of ratio of debt with interest per equity of SS which has been decreasing due to liquidation. Moreover, the cost of debt before tax that has changing in accordance with the decreasing in liability. The results from WACC formula are as follows:

- WACC ration in case of adder

Year	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027-2042
WACC	7.90%	8.21%	8.16%	8.11%	8.07%	8.03%	8.00%	7.97%	7.94%	7.92%	7.90%

- WACC ratio in case of FIT

รายการ	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027-2042
WACC	7.90%	8.24%	8.21%	8.18%	8.15%	8.12%	8.08%	8.04%	8.00%	7.95%	7.90%

Conclusion of ordinary share valuation by the Discounted Cash Flow approach

The share value of SS valued by the Discounted Cash Flow approach in case of receiving the adder and FIT is 63.97 million Baht and 22.15 million Baht respectively.

However, as mentioned earlier, the financial advisor is lack of significant information to valuate. Consequently, once SS starts to operate and generate power, the quantity that SS can actually generate, energy charge rate or costs and other related expenses may not go according to what the financial advisor has projected. The share value of SS's shareholders that was supposed to be might significantly differ from the value that has been projected by the financial advisor.

Please be informed accordingly.

Yours sincerely,

(Mr.Chuchai Wanichruangchai)

Chief Financial Officer