

PO No 038/2016

30 May 2016

President

The Stock Exchange of Thailand

**Re: Notification of the acquisition of business (Amendment)**

As The International Engineering Public Company Limited (the “Company” or “IEC”) has acquired 75% of total common issued shares of Kaewlumduan Power Supply Limited (currently named IEC Sakaeo 1 Company Limited or “SK 1”), SK 1 has currently been supported of Adder system in which electricity selling rate is THB 3.20 per kWh. This causes of suffering in loss for many power producers according to unreasonable return on investment. Therefore, on 11 March 2016 the National Energy Policy Council or NEPC acknowledged the principle for employing a new Feed-in Tariff (FiT) which replaces the former adder program. Electricity selling rate for FiT system is THB 4.54 per kWh which is higher than Adder for THB 1.34 per kWh or 41%. While now the transferring process is on progress.

In this case, SK 1 obtains Power Purchase Agreement (PPA) from Provincial Electricity Authority (PEA) in Adder system. Then, SK 1 has started commercial operations dated (COD) on 10 April 2013 which is 3 years and 2 months. If the principle from NEPC as mentioned previously is acknowledged formally and SK 1 is approved to transfer from Adder to be FiT, the revenue will be increased for THB 7 million per month through the project life – 16 years 10 months. Therefore, the company will purchase 25% more of ordinary shares of SK 1 contributes to IEC’s 100% of SK 1 shareholding proportion.

The Company’s Board of Directors Meeting No. 6/2016, held on May 30, 2016, approved the acquisition of business of Sakaeo 1 Power Plant by purchasing 25% more of ordinary shares of IEC Sakaeo 1 Co., Ltd. (SK 1), equivalent to 1,000,000 shares, worth the total value of THB 100,000,000 (one hundred million baht) (the Transaction), with the acquisition price of THB 100 per share, *of which considers as appropriate purchasing.*

This transaction is considered an acquisition of assets according to the Notification of the Capital Market Supervisory Board No. TorChor 20/2551 (2008), 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 Other Acts of Listed Companies Concerning the Acquisition and Disposition of Assets, B.E. 2547 (2004) and its amendments (collectively called Acquisition or Disposition Notifications). In this regard, the Transaction is a sequel transaction of “the enter into the transaction to purchase ordinary shares of Kaewlamduan Power Supply Co., Ltd.”, on September 26, 2014, which is required to constitute all of the ordinary shares, resulting in the size of transaction

in accordance with the criteria of net tangible asset of 24.32% and the total value of consideration of 15.27%. Therefore, when combined with the Company's six-month cumulative transactions, the maximum calculated size of the Transaction, based on the total value of consideration, reaches 42.05% which exceeds 15% but less than 50%.

However, since the Company has already disclosed the information of 5 transactions in the past 6 months and notified its shareholders by letter within 21 days from the date the respective information was disclosed and this transaction to purchase 25% more of ordinary shares of SK 1 has the calculated size of not exceeding 15%, the Company is not required to notify its shareholders by letter about this Transaction.

Details regarding the Transaction are as follows.

### 1. Date of Transaction

The Company will complete the transaction of purchasing 25% more or ordinary shares of SK 1 by the third quarter of 2016.

### 2. Parties Involved and Relationship with the Listed Company

Buyer	:	The International Engineering Public Company Limited
Seller	:	1. Mr. Suthin Jaithum 2. Mr. Jarin Phusanaphibankhup 3. Mrs. Sam-aang Phusanaphibankhup 4. Mrs. Janpen Darapon 5. Mrs. Janjira Phukongnam (collectively called Mr. Suthin Group)
Relationship with the Listed Company	:	The sellers and the buyer have no relationship and are not connected to each other.

### 3. General Information of the Transaction

The Company will enter into a transaction to purchase 1,000,000 ordinary shares of IEC Sakaeo 1 Co., Ltd. (SK 1), or 25% more of the issued and paid-up shares, worth the total value of THB 100,000,000 (one hundred million baht) (the Transaction), with the acquisition price of THB 100 per share, [of which considers as appropriate purchasing](#). In this regard, the acquisition of 100% of the issued and paid-up shares will allow the management of the subsidiary to be more efficient.

#### 4. Calculation for the Size of Transaction

Details of the calculation of the transaction size according to the Acquisition or Disposition Notifications are as shown below.

Basis	Formula	Transaction Size (%)
1. NTA Basis	$\frac{(\text{NTA of Investment Fund} \times \text{Ratio acquired})}{\text{NTA of the Company}}$	24.32
2. Net Profit Basis	$\frac{(\text{Net Profit of Investment Fund} \times \text{Ratio acquired})}{\text{Net Profit of the Company}}$	Not applicable due to SK 1 operating losses.
3. Value of Consideration Basis	$\frac{\text{Value of acquired Transaction}}{\text{Total Assets of the Company}}$	15.27
4. Share Capital Basis	$\frac{\text{No. of Shares Issued for Asset Payment}}{\text{No. of Issued \& Sold Shares of the Company}}$	Not Available as no shares are issued for asset purchase.

Based on the above calculation, the size of transaction in accordance with the criteria of net tangible asset of 24.32% and the total value of consideration of 15.27%, when combined with the Company's six-month cumulative transactions, the maximum calculated size of the Transaction based on the total value of consideration reaches 42.05% which exceeds 15% but less than 50%. However, since the Company has already disclosed the information of 5 transactions in the past 6 months and notified its shareholders by letter within 21 days from the date the respective information was disclosed and this transaction to purchase 25% more of ordinary shares of SK 1 has the calculated size of not exceeding 15%, the Company is not required to notify its shareholders by letter about this Transaction.

#### 5. Details of Assets to be Acquired

##### 5.1) Total value of issued and paid-up ordinary shares of SK 1

SK 1 issued and paid-up ordinary shares of 1,000,000 shares, or equivalent to 25%, from Mr. Suthin Group, worth the total value of THB 100,000,000 (one hundred million baht) (the Transaction), with the par value of THB 100 per share, of which the value is deemed appropriate, plus IEC's existing 75% of SK 1 shareholding proportion, makes this transaction reach 100% of SK 1 shareholding proportion.

Name list of Shareholders and Directors of IEC Sakaeo 1 Company Limited prior to the transaction date, is as follows:

Order No.	Shareholders' Name	Number of Shares	Shareholding Ratio (%)
1.	The International Engineering Public Co., Ltd.	3,000,000	75.0000
2.	Mr. Suthin Jaithum	999,600	24.9900
3.	Mr. Jarin Phusanaphibankhup	100	0.0025
4.	Mrs. Sam-aang Phusanaphibankhup	100	0.0025
5.	Mrs. Janpen Darapon	100	0.0025
6.	Mrs. Janjira Phukongnam	100	0.0025
	<b>Total</b>	<b>4,000,000</b>	<b>100.0000</b>

Order No.	Name List of Directors of IEC Sakaeo 1 Co., Ltd.
1	Dr. Bhusana Premanode
2	Mrs. Sunjutha Witchawut
3	Mr. Narong Ongartmaneerut
4	Dr. Attawooth Laohapakdee
5	Mr. Somchai Lertwisettheerakul
6	Mr. Chanchai Khemwichien
7	Mr. Suthin Jaithum
8	Ms. Charuwan Phusanaphibankhup

The authorized signatory includes Mr. Bhusana Premanode, Mr. Narong Ongarjmaneerat, Mr. Chanchai Khemwichien, and Mr. Suthin Chaitham, two of the four directors, co-sign and the seal of the Company.

Name list of Shareholders and Directors of IEC Sakaeo 1 Company Limited after the transaction date, is as follows:

Order No.	Shareholders' Name	Number of Shares	Shareholding Ratio (%)
1.	The International Engineering Public Co., Ltd.	4,000,000	100.00
	<b>Total</b>	<b>4,000,000</b>	<b>100.00</b>

Order No.	Name List of Directors of IEC Sakao 1 Co., Ltd.
1	Dr. Bhusana Premanode
2	Mrs. Sunjutha Witchawut
3	Mr. Narong Ongartmaneerut
4	Dr. Attawooth Laohapakdee
5	Mr. Somchai Lertwisettheerakul
6	Mr. Chanchai Khemwichien

The authorized signatory includes two of the four directors, co-sign and the seal of the Company.

Summary of financial information and operating performance of SK 1 is as follows.

unit: THB	December 31, 2015*	March 31, 2016**
<i>Assets</i>		
<i>Current assets</i>		
Cash and cash equivalents	186,991	5,996,488
Trade account receivables	-	11,914,208
Other receivables	15,520,812	55,880,266
Advance payment for raw materials and fuels	63,618,063	-
Inventories	11,853,495	6,984,327
Total current assets	91,179,361	80,775,289
<i>Non-current assets</i>		
Investment property	7,220,000	7,220,000
Land, building & equipment	792,228,636	782,368,892
Other non-current assets-net	-	8,000
Total non-current assets	799,448,636	789,596,892
<b>Total assets</b>	<b>890,627,997</b>	<b>870,372,181</b>
<b>Liabilities and shareholders' equity</b>		

unit: THB	December 31, 2015*	March 31, 2016**
<b><i>Current liabilities</i></b>		
Bank overdraft and short-term loans from financial institutions	29,455,046	24,166,617
Trade account payables	14,248,158	10,025,044
Other payables	10,481,662	14,690,303
Current portion of long-term liabilities	-	72,431,884
Short-term loans	82,100,000	89,000,000
Current portion of long-term loans	57,840,000	-
<b>Total current liabilities</b>	<b>194,124,866</b>	<b>210,313,848</b>
<b><i>Non-current liabilities</i></b>		
Long-term loan	433,640,206	420,780,206
Employee benefit obligations	763,320	888,443
Advance cash receipts from sales of property	6,859,000	-
Other non-current liabilities	4,000	6,858,000
<b>Total non-current liabilities</b>	<b>441,266,526</b>	<b>428,526,649</b>
<b>Total liabilities</b>	<b>635,391,392</b>	<b>638,840,497</b>
<b><i>Shareholders' equity</i></b>		
Share capital		
Registered capital	400,000,000	400,000,000
Issued and paid-up share capital	400,000,000	400,000,000
Retained earnings (loss)	(144,763,395)	(168,468,317)
<b>Total shareholders' equity</b>	<b>255,236,605</b>	<b>231,531,683</b>
<b>Total liabilities and shareholders' equity</b>	<b>890,627,997</b>	<b>870,372,181</b>

Source: \*Audited financial statements.

\*\*Reviewed financial statements.

**Income Statement of 2015 and the Quarter Ending March 31, 2016**

unit: THB	December 31, 2015*	March 31, 2016**
<b>Revenues</b>		
Revenue from sales	105,131,857	35,155,059
Revenue from adder	10,105,447	3,440,175
Other revenues	1,396,035	3,146,678
<b>Total revenues</b>	<b>116,633,339</b>	<b>41,741,911</b>
<b>Expenses</b>		
Cost of sales	105,295,323	32,607,354
Selling expenses	2,769,934	745,467
General and administrative expenses	39,796,382	22,299,178
Finance costs	37,785,846	9,794,834
<b>Total expenses</b>	<b>185,647,485</b>	<b>65,446,833</b>
<b>Earnings (loss) before income tax</b>	<b>(69,014,146)</b>	<b>(23,704,922)</b>
Other comprehensive earnings (loss)	-	-
<b>Net profit (loss)</b>	<b>(69,014,146.00)</b>	<b>(23,704,922)</b>

Source: \*Audited financial statements.

\*\*Reviewed financial statements.

## 6. Total Consideration Value and Criteria to Determine Consideration Value

### 6.1) Total value of consideration

1,000,000 ordinary shares, or equivalent to 25% of the registered and paid-up capital of IEC Sakaeo 1 Co., Ltd. (SK 1), worth the total value of THB 100,000,000 (one hundred million baht).

### 6.2) Criteria to determine the value of consideration

Acquisition of common shares of SK 1 for 1,000,000 shares with the acquisition price of THB 100 per share, worth the total value of THB 100,000,000 (one hundred million baht) which is the price that sellers offered and company agreed to invest on since the acquisition price of additional common shares is lower than the previous acquisition had been done in October 2016, which is THB 155 per share. However, for higher discretion in this investment, the share price was also evaluated by an independent financial advisor, JVS Financial Advisory Co., Ltd (the "FA") on 8 May 2015. As a result, the share price would be in the range of THB 132 - 152. Thus, the purchased share price of THB 100 is lower than the range of evaluation. The FA had also evaluated an internal rate of return (IRR) of this project based on a discount cash flow (DCF) method resulting in 12.71%. Moreover, the company had also evaluated the common share price and project IRR found that the reasonable share price

would be THB 141 and reasonable project IRR would be 13.12%, which is acceptable comparing to FA's evaluation. This acquisition has been approved by the company's risk management committee (RMC) resulting in acceptable risk level. Recently, SK 1 has also been shut down for machinery maintenance and improvement which cause of operating loss and decreased equity value. However, this improvement effects on higher efficiency electrical generation to meet 8 MW as shown in PPA. In March 2016, SK 1 had revenue from sell for THB 17,000,000, selling cost and expense for THB 13,000,000 and operating profit (EBIT) for THB 4,000,000, which is closed to the FA's evaluation.

Then, on 12 May 2016, the company also have two accounting and financial experts – Ms. Xanxana Ratanopas, Financial Expert passed Financial Advisory of Association of Thai Securities Companies, and Dr.Narisa Chauvidul, CPA license 4583, to evaluate the share price and project IRR of this acquisition found results are closed to the company and FA's evaluation.

In addition, on 11 March 2016 the National Energy Policy Council or NEPC acknowledged the principle for employing a new Feed-in Tariff (FiT) which replaces the former Adder program resulting in higher selling price per unit for 41% and the project IRR for 21.11%. While now the transferring is on progress. However, the FiT assumption has not been count in the evaluation.

The assumptions and evaluation results are shown in the table below.

Assumption	IEC (Adder)	FA (JVS) (Adder)	Expert 1* (Adder)	Expert 2** (Adder)
Electricity Growth Rate	3%	3%	3%	3%
Operating Time	24 hours per day, 333 days per year	24 hours per day, 335 days per year	24 hours per day, 333 days per year	24 hours per day, 333 days per year
Operating Cost 2016 (Million Baht)	140	152	144	161
Administration Cost 2016 (Million Baht)	13	14	10	14
Project Life (Years)	20	25	20	20
WACC (%)	7.26	8.00 – 9.00	6.78 - 7.62	6.69 - 7.55



Results	IEC (Adder)	FA (JVS) (Adder)	Expert 1* (Adder)	Expert 2** (Adder)
SK 1 's Share Price (THB per share)	141	132 - 152	126 - 140	119 - 134
Project IRR (%)	13.12	12.71	12.41	12.28

Remark: \* Ms. Xanxana Ratanopas

\*\* Dr.Narisa Chauvidul

#### 7. Source of Fund for the Transaction and Term of Payment

The source of fund for the Transaction to purchase 25% more of SK 1 shares from Mr. Suthin Group for the amount of THB 100,000,000 (one hundred million baht) is from the Company's working capital.

#### 8. Benefits Expected from the Transaction

The enter into this transaction to purchase 25% more of ordinary shares of SK 1 from Mr. Suthin Group contributes to IEC's 100% of SK 1 shareholding proportion. This will result in IEC's sole authority in the administration of SK 1, making a better management of operating costs, leading to higher net profit earned from the Project. In addition, IEC will be able to optimize the management of the fuel by lowering the costs while maintaining the same capacity of over 8 MW.

According to the feasibility study of the investment in such project, by developing financial projections for a period of 25 years and calculating the profits to be received from the project base on Internal Rate of Return (Project IRR), the result shows that the Project IRR is approximately 13.12% per year, or an increased income compared to 0.94% prior to the Transaction. At the same time, the payback period is 6.79 years, or a decrease by 0.13 year compared to the payback period prior to the Transaction. As a result, the investment in this project will generate a reasonable return rate to the Company as well as enhance profitability and improve the Company's operating performance, including the cash reserve and liquidity for future growth.

**9. Opinion of the Company's Board of Directors on the Transaction**

The Board of Directors of the Company is of the view that the Transaction complies with the Company's long-term investment plan and the value of transaction is considered reasonable by considering the consideration rate expected to receive from the project which is more than the weighted average finance cost of the Company. Accordingly, the transaction is deemed the opportunity to diversify the Company's investment into a potential business that will generate high revenues and great profits to the Company. The Board of Directors of the Company, therefore, unanimously approved such investment plan.

**10. Opinion of the Audit Committee and/or Directors Different from Those Opinions in Clause 9 Above**

- None -

**11. Responsibility of the Board of Directors over the Information Memorandum**

The Board of Directors is regarded as the subject in responsible for the Information Memorandum as stated herein, prepared in accordance with the Notification of the Board of Governors of the Stock Exchange of Thailand, Re: Disclosure of Information and Other Acts of Listed Companies Concerning the Acquisition and Disposition of Assets, B.E. 2547 (2004) and its amendments. The key information provided herewith constitutes sufficiency, accuracy, transparency, and usefulness for the shareholders.

It is hereby certified the Information Memorandum in this report is accurate and complete in all respects.

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(Dr. Attawooth Laohapakdee)  
Senior Executive Vice President  
Operation Unit 2