



Serm Suk Public Company Limited

Opinion of independent financial adviser

Acquisition of Assets and Connected Transaction

1 December 2014

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1 December 2014

Re: The Independent Financial Advisor's Opinions on Disposal of Assets and Connected Transaction

Attention: The Audit Committee and the Shareholders
Sermasuk Public Company Limited

According to the Board of Directors' Meeting of Sermasuk Plc ("SSC" or the "Company") No. 12/2557 dated 20 November 2014, the meeting passed a resolution to approve amendment to the material content of the resolution of the Board of Directors' Meeting No. 10/2557 (Special) dated 27 October 2014 regarding disposal of "est" trademark and the resolution to approve the Company (or its subsidiary) to enter into a transaction for disposal of "est" trademark to Super Brands Company Pte Ltd ("Super Brands"), a connected person of the Company, as an unconditional disposal transaction whereas the Company holds 100% of the shares in Great Brands Limited ("GBL"), the owner of "est" trademark which is incorporated in Hong Kong Special Administrative Region of the People's Republic of China and GBL has licenced the Company to use such trademark for manufacturing, marketing and sale, advertising, and distribution of Cola beverage and other carbonated beverages that are manufactured and distributed by the Company.

Such transaction is deemed as disposal of asset in accordance with the Notification of the Capital Market Supervisory Board No. TorJor.20/2551 re: Rules on Entering into Material Transactions Deemed as Acquisition or Disposal of Asset dated 31 August 2008, and the Notification of The Board of Governors of The Stock Exchange of Thailand No. BorJor/Por 21-01 re: Disclosure of Information and Other Acts of Listed Companies Concerning the Acquisition and Disposition of Assets B.E. 2547 dated 29 October 2004, and related notifications. According to the calculation of the transaction value, the highest value calculated based on total value of consideration was 11.99% of total assets of the Company and its subsidiary. When combining the transactions for disposal of assets during the past six months, including disposal of land and buildings which was approved by the Board of Directors' Meeting No. 8/2557 (Special) with the transaction size equal to 14.40% of total assets of the Company and its subsidiary, the total value of the disposal transactions of the Company was equal to 26.39% of total assets of the Company and its subsidiary. Therefore, the transaction for disposal of asset is classified as the transaction in Category 2 with the value of consideration to be paid when compared to the total assets of the Company and its subsidiary, equal to or higher than 15% but less than 50% and as

a result the Company is required to make a disclosure regarding such transaction to the Stock Exchange of Thailand and send a notice to the shareholders.

Furthermore, disposal of “est” trademark is deemed as connected transaction in accordance with the Notification of the Capital Market Supervisory Board No. TorJor. 21/2551 Re: Rules on Connected Transactions dated 31 August 2008, and the Notification of The Securities and Exchange Commission, Thailand No. BorJor/Por 22-01 re: Disclosure of Information and Other Acts of Listed Companies Concerning Connected Transactions B.E. 2546 dated 19 November 2003, with the transaction size equal to 1,560 million Baht or 19.75% of net tangible assets of the Company which is greater than 20 million Baht and higher than 3% of net asset value of the Company. When combining the connected transactions during the past six months, including the disposal of land and buildings which was approved by the Board of Directors’ Meeting No. 8/2557 (Special) with the transaction size equals to 23.72% of net tangible assets of the Company, the total transaction size equals to 43.47% of net tangible assets of the Company which is greater than 3% of net tangible assets of the Company. Therefore, the Company is required to make a disclosure regarding such transaction to the Stock Exchange of Thailand and request for approval from the shareholders’ s meeting with a minimum three fourth of total votes of the eligible shareholders who are present in the meeting excluding the vote of the shareholders who has interest in the Company. In relation to this, the Board of Directors’ Meeting appointed Grant Thornton Services Ltd. (“GTSL” or the “Independent Financial Advisor”) as the Independent Financial Advisor to give opinions on such transaction (the “Connected Transaction”).

GTSL as an independent financial advisor approved by The Securities and Exchange Commission of Thailand and is independent from the company, has considered and studied the information regarding the transaction including the Company’s and related companies’ disclosure to the Stock Exchange of Thailand, public disclosure, the audited financial statements of the Company and related companies, information from the Company’s advisor, and the Company’s management and related officers interview. The opinions of the Independent Financial Advisor are based on the assumption that the received information and documents are complete, correct and true and based on the condition and the current available information. Any material change and/or occurrence and/or false information may materially affect the operation and the financial estimates of the Company which may also affect the Independent Financial Advisor’s opinion. The Independent Financial Advisor has no obligations to update, review or confirm the Independent Financial Advisor’s opinions. Since the carbonated beverage business is highly competitive, financial data and marketing information are important to the business and



confidential. According to the Company's management interview, the Company has entered into manufacturing and distribution agreements with several customers and the agreements specify confidentiality condition. Therefore, the Independent Financial Advisor is restricted in disclosing such information.

The Independent Financial Advisor considered and study the information with prudence and exercise reasonable judgment according to the professional conduct. Appendices attached here are deemed as part of the Independent Financial Advisor's Opinions and they shall be considered by the Audit Committee and the shareholders in conjunction with this report.

The Independent Financial Advisor's Opinions on the transaction for which it is appointed to provide an independent opinion to the shareholders for consideration in passing the resolution in the extraordinary meeting of shareholders No. 1/2557 are summarized below.

1. Executive Summary

Referred to the Board of Directors' Meeting of Sermsuk Plc ("SSC" or the "Company") No. 12/2557 on 20 November 2014, the meeting passed a resolution to approve amendment to the material content of the resolution of the Board of Directors' Meeting No. 10/2557 (Special) on 27 October 2014 regarding disposal of "est" trademark and the resolution to approve the Company (or its subsidiary) to enter into a transaction for disposal of "est" trademark to Super Brands Company Pte Ltd ("Super Brands"), a connected person of the Company, as an unconditional disposal transaction. The Company holds 100% of the shares in Great Brands Limited ("GBL"), the owner of "est" trademark which is incorporated in Hong Kong Special Administrative Region of the People's Republic of China. GBL has licenced the Company to use such trademark for manufacturing, marketing and sale, advertising, and distribution of Cola beverage and other carbonated beverages that are manufactured and distributed by the Company.

The material content of the transaction is that the buyer will make payment for "est" trademark in the amount of 1,300 million Baht as at the date of execution of the Sale and Purchase Agreement of "est" Trademark whereas in the 2nd year and the 3rd year following the date of execution of the Sale and Purchase Agreement of "est" Trademark, the buyer will make payment to the Company for consultancy services in the amount of 130 million Baht per annum which results in the total value of consideration of 1,560 million Baht.

In addition to the disposal of such trademark, the Company is entering into a manufacturing and distribution agreement with the buyer or the person designated by the buyer with consideration in the amount being proportionate to the actual sale volume. The Company is proposing to the Board of Directors' Meeting for consideration and approval of the manufacturing and distribution agreement, the terms of which are based on the Company's ordinary course of business under the same conditions as entered into with other companies or parties in accordance with the Notification of the Capital Market Supervisory Board No. TorJor. 21/2551, Clause 3. Rules on Connected Transaction.

Such transaction is deemed as disposal of asset in accordance with the Notification of the Capital Market Supervisory Board No. TorJor.20/2551 re: Rules on Entering into Material Transactions Deemed as Acquisition or Disposal of Asset dated 31 August 2008 and the Notification of The Board of Governors of The Stock Exchange of Thailand No. BorJor/Por 21-01 re: Disclosure of Information and Other Acts of Listed Companies Concerning Acquisition or Disposal of Assets B.E. 2547 dated 29 October 2004 and related notifications. According to the calculation of the transaction value, the highest value calculated based on total value of consideration was 11.99% of total assets of the Company and its subsidiary. When combining the transactions for disposal of assets during the past six months, including disposal of land and buildings which was approved by the Board of Directors' Meeting No. 8/2557 (Special) with the transaction size equal to 14.40% of total assets of the Company and its subsidiary, the total transaction size was 26.39% of total assets of the Company and its subsidiary. Therefore, the transaction for disposal of asset is classified as a transaction in Category 2 with the value of consideration to be paid when compared to the total assets of the Company and its subsidiary, equal to or higher than 15% but less than 50% . As a result the Company is required to make a disclosure regarding such transaction to the Stock Exchange of Thailand and send a notice to the shareholders.

Furthermore, disposal of “est” trademark is deemed as connected transaction in accordance with the Notification of the Capital Market Supervisory Board No. TorJor. 21/2551 Re: Rules on Connected Transactions dated 31 August 2008, and the Notification of The Board of Governors of the Stock Exchange of Thailand No. BorJor/Por 22-01 re: Disclosure of Information and Other Acts of Listed Companies Concerning Connected Transactions B.E. 2546 dated 19 November 2003, with the transaction size equal to 1,560 million Baht or 19.75% of net tangible assets of the Company which is greater than 20 million Baht and higher than 3% of net asset value of the Company. When combining the connected transactions during the past six months, including the disposal of land and buildings which was approved by the Board of Directors’ Meeting No. 8/2557 (Special) with the transaction size equals to 23.72% of net tangible assets of the Company, the total transaction size equals to 43.47% of net tangible assets of the Company which is greater than 3% of net tangible assets of the Company.

Therefore, the Company is required to appoint an independent financial advisor to give opinion to the shareholders and make disclosure of the disposal of asset and the connected transaction to the Stock Exchange of Thailand (“SET”), send an invitation for a meeting to the shareholders together with related documents at least 14 days before the meeting date. Such transaction must receive approval from the shareholders’ s meeting with a minimum three fourth of total votes of the eligible shareholders who are present in the meeting excluding the vote of the shareholders who has interest in the Company.

The Independent Financial Advisor’s opinions are summarized below:

- 1) Sale of “est” trademark to Super Brands, a company in ThaiBev group will reduce expense in relation to brand building while generating income from sale of the trademark which brings fund for development of other aspects of the business particularly improvement in distribution and manufacturing which is the strength of the Company. It will also give an opportunity for the Company to get a support in terms of network of distribution and marketing from ThaiBev especially market expansion for the products under “est” trademark at regional level which will make the trademark widely known.
- 2) The company wants to expand the trademark “est” at regional level which can increase sale but that will require a lot of capital especially in terms of distribution network. Therefore, selling “est” trademark to ThaiBev will reduce expense in relation to distribution network as ThaiBev have distribution network in various countries and have the potential to do so.
- 3) After the sale of “est” trademark to Super Brands, the Company will have no rights in the management of “est” trademark and the brand image that are important to the sale volume of the product and revenue of the company. However, ThaiBev group is highly experienced and expert in managing brands of several beverages and therefore, it is believed that they are capable of managing “est” trademark and thus can create higher sale volume for the product.
- 4) According to the comparison between entering into the transaction with a connected person and entering into the transaction with a third party, sale of “est” trademark to a connected person will benefit the Company because ThaiBev group is a manufacturer and distributor of leading beverages with distribution network of various goods in many countries and they also have expertise and experience in managing trademark of beverage products. In addition, Thai Beverage Logistics Co., Ltd., the major shareholder of the Company

which is holding 64.66% of the shares is also a company in ThaiBev group. As such, ThaiBev group has interest in the Company's result of operation and therefore, they are motivated to develop "est" trademark and increase the sale volume to add value to the Company.

On the other hand, sale of the trademark to third party may be difficult because "est" trademark has high value and it is not easy to find other buyers since it is required large capital. At the same time, the sale territory of "est" trademark is still limited and this is considered a new trademark when compared with the trademarks of other brand of carbonated beverages. If other interested party makes an offer, the Company may receive less attractive benefit than the benefit received from sale of the trademark to ThaiBev group because the third party may not possess the same qualification or potential as ThaiBev group or may specify less beneficial terms of sale of trademark than the terms of sale proposed by ThaiBev group. (Summary of advantages and disadvantages between entering into transaction with connected person and entering into transaction with third party mentioned in 4.3 which compared advantages and disadvantages between entering into transaction with connected person and entering into transaction with third party.)

- 5) Entering into such transaction may entail risks such as risk in negotiation of manufacturing and distribution fee, risk from decrease in gross profit. The Company expects to provide manufacturing and distribution service mainly for ThaiBev group where the Company's policy specifies the terms of manufacturing and distribution based on an ordinary course of business under the same terms as entered into with other companies or parties. Furthermore, once the Company has disposed of the trademark and become manufacturer and a distributor, the Company will not be required to pay a royalty fee and the marketing expenses will significantly decreased. Therefore, it is anticipated that the Company may be able to maintain the profit from operation.
- 6) When considered the draft of Manufacturing and Distribution Agreement which is effective for the period of 3 years from the date of signing the contract and will continue for another 3 years after the contract expired unless the parties in the contracts have notice 6 months in advance prior to the end of the contract, there is a risk that ThaiBev will terminate the contract. However, ThaiBev is the major shareholders of company which has controlling interests and are motivated to push the company as a subsidiary of the company and as a manufacturer and distributor of products. The company have experienced in manufacturing and distributing product under "est" trademark and other carbonated and non-carbonated beverages under various trademark.
- 7) Such transaction is exposed to the risk of shortage of fund from the buyer and the risk on the brand image which is the main factors that effects the company sale volume and revenue. However, given that Super Brands is a company in ThaiBev group that is a group of high experience in beverage business such as spirit, beer, and non-alcohol beverages, as well as experience in brand management for potential beverages and that it is a strong company and should have sufficient capital, such risk should decrease significantly. Other risk includes a risk in change of terms and conditions of related agreements which the management views that such change shall not be material.

- 8) To consider the appropriate price and terms and conditions, the Independent Financial Advisor valued the fair value of “est” trademark, using different methods including cost-based method, comparable transaction method, and royalty relief method. The Independent Financial Advisor views that the most appropriate method to valuated the fair value of “est” trademark is the royalty relief method because it reflects the sale volume estimate under “est” trademark and the future royalty fees. The fair value is 1,420.74 million Baht based on the corporate income tax rate of 20% throughout the year of estimates with the price range of 1,288.10 - 1,582.39 million Baht.
- 9) The buyer will make payment for “est” trademark in the amount of 1,300 million Baht as at the date of executive of the Sale and Purchase Agreement of “est” Trademark whereas the buyer will pay the remaining as consultancy services amount of 260 million bath in installment of 130 million Bath in the first quarter of 2015 and in the first quarter of 2016 respectively which have to considered the Time value of money. Independent Financial Advisor calculated the present value of transaction which is equal to 1,516.20 million Bath. According to the sensitivity analysis, the fair value is lower than the present value of the transaction which is 1,516.20 million Baht (total value of consideration is 1,560 million Baht). Therefore, the sale price is appropriate.

Table 1-1: Summary of Valuation of Fair Value of “est” trademark

Valuation Method	Valuation Price	Present Value of Value of consideration	Sale Price – Valuated Price
	(million Baht)	(million Baht)	(million Baht)
Cost-based method	1,606.62	1,516.20	(90.42)
Comparable transaction method	1,519.75	1,516.20	(3.55)
Royalty relief method			
Value based on normal circumstance (corporate income tax rate of 20% throughout the year of estimates)	1,420.74	1,516.20	95.46
Sensitivity analysis	1,288.10 – 1,582.39	1,516.20	(66.19) - 228.10

Remark: Details of Calculation in 5. Appropriate Price and Terms and Conditions

Due to the above reasons, the Independent Financial Advisor views that disposal of “est” trademark to Super Brands will be more beneficial to the Company since it reduces expenses in relation to brand building while generating income from sale of the trademark which brings fund for development of other aspects of the business. It will also give an opportunity for the Company to expand market of “est” trademark under network of distribution of ThaiBev which will help to increase sale volume and revenue. Such agreements is beneficial to the company as compared between entering into the transaction with a connected person and entering into the transaction with a third party, since ThaiBev group is a manufacturer and distributor of leading beverages with distribution network of various goods in many countries, ThaiBev is likely to build potential for products under “est” trademark and promote the products to be more widely known which will increase the sale volume in the future. Regarding the appropriate price and terms and conditions, the Independent Financial Advisor valued the fair value of “est” trademark, using cost-based method based at 1,420.74 million Baht with the corporate tax rate of 20% throughout the year of estimates and the price range of 1,288.10 - 1,582.39 million Baht from sensitivity

analysis, the sensitivity analysis shows that the fair value is lower than the present value of the transaction which is 1,516.20 million Baht (total value of consideration is 1,560 million Baht). Therefore, the sale price is appropriate.

The Independent Financial Advisor views that the shareholders should pass a resolution to approve this connected transaction.

Since the carbonated beverage business is highly competitive, financial data and marketing information are important to the business and confidential. According to the Company's management interview, the Company has entered into manufacturing and distribution agreements with several customer and the agreements specify confidentiality condition. Therefore, the Independent Financial Advisor is restricted in disclosing such information.

The shareholders should note that the validity and the Independent Financial Advisor's opinions are based on an assumption that the information, documents, drafts, the management and related persons interview are true, complete, and correct as well as the terms and conditions of the transaction at present. The Independent Financial Advisor considers that the assumption used for preparation of the financial estimates is reasonable and consistent with the economic condition and only used the information available at the time of study. Any change in the future may affect the Independent Financial Advisor's opinion. However, the decision to approve the transaction is principally based on the shareholders' discretion.

2. Practice and Information used in Preparation of the Independent Financial Advisor's Opinions

Grant Thornton Services Co., Ltd. as an independent financial advisor have been approved from Securities and Exchange Commission and is independent from the Company, has considered and study information in relation to the transaction, information about the Company and related companies, and other related information received from the Company and public disclosure including:

- Resolutions of the Board of Directors' Meeting and related reports
- Annual Disclosure (Form 56-1)
- Auditor's Report and Financial Statements
- Financial estimates and assumptions used to prepare financial estimates
- Agreements and related drafts
- Statistics from the Stock Exchange of Thailand, economics conditions, and related industries
- Interview of the management and related officers of the Company and related companies

The Independent Financial Advisor's opinions are based on the assumption that information, documents, agreements and draft agreements, and interview of the management and related officers of the Company and related companies are true and correct. The Independent Financial Advisor considered and study the information with prudence and exercise reasonable judgment according to the professional conduct. In additions, The Independent Financial Advisor also deems that the agreements, the draft agreements, and business arrangements are effective and legally binding with absence of information or incident or conditions that may affect the transaction. There is no probable causes for the Independent Financial Advisor to believe that such information is materially incomplete which may materially affect the validity of each information.

The Independent Financial Advisor's opinions on the transaction is expressed based on the current economic conditions and other factors at the time of the preparation. Such information may be materially changed in the future which may affect The Independent Financial Advisor's opinion. However, The Independent Financial Advisor has no obligations to update, review or confirm the Independent Financial Advisor's opinion.

The Independent Financial Advisor's Opinions is prepared for the shareholders' use and benefits. Decision to approve or disapprove the transaction is subject to the shareholders' discretion. The shareholders should study the information attached to this meeting invitation letter before making a vote in order to exercise discretion in the decision for appropriate resolution.

3. Details and nature of the Transaction

According to the Board of Directors' Meeting of Sermasuk Plc ("SSC" or the "Company") No. 12/2557 on 20 November 2014, the meeting passed a resolution to approve amendment to the material content of the resolution of the Board of Directors' Meeting No. 10/2557 (Special) on 27 October 2014 regarding disposal of "est" trademark and the resolution to approve the Company (or its subsidiary) to enter into a transaction for disposal of "est" trademark to Super Brands Company Pte Ltd (Super Brands Company Pte Ltd: Super Brands), a connected person of the Company, as an unconditional disposal transaction,

The material content of the transaction is that the buyer wishes to make payment for "est" trademark in the amount of 1,300 million Baht as at the date of execution of the Sale and Purchase Agreement of "est" Trademark whereas in the 2nd year and the 3rd year following the date of execution of the Sale and Purchase Agreement of "est" Trademark, the buyer will make payment to the Company for consultancy services in the amount of 130 million Baht per annum which results in the total value of consideration of 1,560 million Baht.

In addition to the disposal of such trademark, the Company is entering into a manufacturing and distribution agreement with the buyer or the person designated by the buyer with consideration in the amount being proportionate to the actual sale volume. The Company is proposing to the Board of Directors' Meeting for consideration and approval of the manufacturing and distribution agreement, the terms of which are based on the Company's ordinary course of business under the same conditions as entered into with other companies or parties in accordance with the Notification of the Capital Market Supervisory Board No. TorJor. 21/2551, Clause 3. Rules on Connected Transaction.

Such transaction is deemed as disposal of asset in accordance with the Notification of the Capital Market Supervisory Board No. TorJor.20/2551 re: Rules on Entering into Material Transactions Deemed as Acquisition or Disposal of Asset dated 31 August 2008, and the Notification of The Board of Governors of The Stock Exchange of Thailand No. BorJor/Por 21-01 re: Disclosure of Information and Other Acts of Listed Companies Concerning Acquisition or Disposal of Assets B.E. 2547 dated 29 October 2004, and related notifications. According to the calculation of the transaction value, the highest value calculated based on total value of consideration was 11.99% of total assets of the Company and its subsidiary. When combining transactions for disposal of assets entered into during the six months preceding the date of disposal of "est" trademark including disposal of land and buildings which was approved by the Board of Directors' Meeting No. 8/2557 (Special) with the transaction size equal to 14.40% of total assets of the Company and its subsidiary, the total value of the disposal transaction of the Company was equal to 26.39% of total assets of the Company and its subsidiary. Therefore, the transaction for disposal of asset is classified as the transaction in Category 2 with the value of consideration to be paid when compared to the total assets of the Company and its subsidiary, equal to or higher than 15% but less than 50% and as a result the Company is required to make a disclosure regarding such transaction to the Stock Exchange of Thailand and send a notice to the shareholders.

Furthermore, disposal of “est” trademark is deemed a connected transaction in accordance with the Notification of the Capital Market Supervisory Board No. TorJor. 21/2551 Re: Rules on Connected Transactions dated 31 August 2008, and the Notification of The Board of Governors of The Stock Exchange of Thailand No. BorJor/Por 22-01 re: Disclosure of Information and Other Acts of Listed Companies Concerning Connected Transactions B.E. 2546 dated 19 November 2003. According to the Company’s comprehensive financial statements as at 30 September 2014, the transaction size equals to 1,560 million Baht or 19.75% of net tangible assets of the Company which is greater than 20 million Baht and higher than 3% of net asset value of the Company. When combining the connected transactions entered into during the six months preceding the date of disposal of “est” trademark including disposal of land and buildings which was approved by the Board of Directors’ Meeting No. 8/2557 with the transaction size of 23.72% of net tangible assets of the Company, the total transaction size equals to 43.47% of net tangible assets of the Company which is greater than 3% of net tangible assets of the Company.

Therefore, the Company is required to appoint an independent financial advisor to give opinion to the shareholders and make disclosure of the disposal of asset and the connected transaction to the Stock Exchange of Thailand (“SET”), send an invitation for a meeting to the shareholders together with related documents at least 14 days before the meeting date. Such transaction must receive approval from the shareholders’ s meeting with a minimum three fourth of total votes of the eligible shareholders who are present in the meeting excluding the vote of the shareholders who has interest in the Company.

After the disposal of “est” trademark, the Company expects the model of manufacturing and distribution of “est” products as follows:

Table 3-1: Operation Model after the Disposal of “est” Trademark

Company	Operation
Super Brands/ThaiBev	Supply concentrate and materials to SSC
SSC (Co-packer)	Produce finished goods
SSC (Distributor)	Distribute finished goods to the market
ThaiBev	Manage brand; marketing; quality control for raw material and products, packaging; conduct production planning, distribution planning and distribution channel

3.1. Transaction Date

The Company will enter into this transaction after the approval of the Extraordinary General Meeting of Shareholders No. 1/2557 which will be held on 23 December 2014.

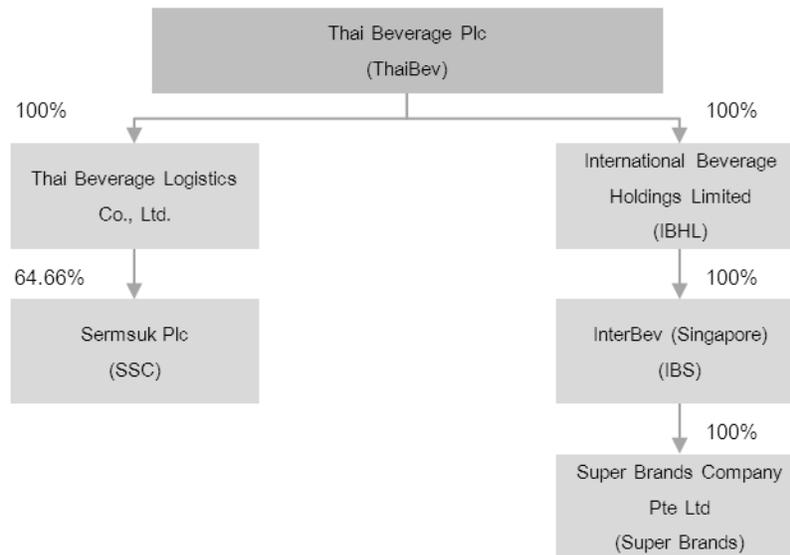
3.2. Parties and Relationship

Table 3-2: Related Parties and Relationship

	Description
Seller	Serm Suk Plc (the “Company ”) or Great Brand Limited, SSC’s a wholly owned subsidiary and the owner of “est” trademark.
Buyer	Super Brands Company Pte Ltd (Super Brands Company Pte Ltd)
Assets under the Transaction	“est” trademark

	Description
Relationship	The buyer is a subsidiary in which InterBev (Singapore) Limited (“IBS”) holds 100% of the shares. IBS is a subsidiary in which International Beverage Holdings Limited (“IBHL”) holds 100% of the shares. IBHL holds 100% of the shares in Thai Beverage Plc (“ThaiBev”).

Figure 3-1: Shareholding structure of ThaiBev in SSC and Super Brands



3.3. Calculation of Transaction Size

3.3.1. Details of Disposed Assets

The transaction is deemed as disposal of asset in accordance with the Notification of the Capital Market Supervisory Board No. TorJor.20/2551 re: Rules on Entering into Material Transactions Deemed as Acquisition or Disposal of Asset dated 31 August 2008 and the Notification of The Board of Governors of the Stock Exchange of Thailand No. BorJor/Por 21-01 re: Disclosure of Information and Other Acts of Listed Companies Concerning Acquisition or Disposal of Assets B.E. 2547 dated 29 October 2004 and related notifications. According to the calculation of the transaction value based on the specified criteria, the highest value of the transaction is 11.99% based on the total value of consideration as described below.

Table 3-3: Calculation of the Transaction Size for Disposal of Asset

Calculation Method	Description	Calculation ¹ (million Baht)	Transaction size %
1. Net asset value (NTA)	<u>%NTA of the assets</u> %NTA of the Company	Not applicable because this is a disposal of trademark.	
2. Net profit	<u>Net profit from market of the assets</u> Net profit from the Company's business in an ordinary course	Not applicable because this is a disposal of trademark.	
3. Total value of consideration	<u>Total value of consideration as payment for the assets</u> ² Total assets of the Company	<u>1,560</u> 13,014.99	11.99%
4. Equity Value	<u>Number of shares issued as payment for the assets</u> Number of issued and paid-up shares	Not applicable because this is a disposal of trademark.	

Remark: 1. The transaction size is calculated, using the interim financial statements of the Company and its subsidiary for the nine-month period ended 30 September 2014 as reference.

2. Total value of consideration as payment for "est" trademark equals to 1,560 million Baht.

When combining transaction for disposal of assets entered into during the six months preceding the date of disposal of "est" trademark including disposal of land and buildings which was approved by the Board of Directors' Meeting No. 8/2557 (Special) dated 29 September 2014 with the transaction size equal to 14.40% of total assets of the Company and its subsidiary, the total transaction size for the transaction for disposal of asset equals to 26.39% of total assets of the Company and its subsidiary as described below.

Table 3-4: Calculation of the transaction size for Disposal of Asset during the six months preceding the date of disposal of "est" trademark

Date of the Board of Directors' Meeting	Description	Total considerations (million Baht)	Transaction size Based on the total value of consideration (%)
29 September 2014	Disposal of land and buildings	1,874.14	14.40%
20 November 2014	Disposal of "est" trademark	1,560	11.99%
Total transaction size			26.39%

Remark: Transaction value consists of sale price of the land including title transfer fee and specific business tax.

The Board of Directors' Meeting No. 12/2557 held on 20 November 2014 passed a resolution to approve amendment to the resolution of the Board of Directors' Meeting No. 10/2557 (Special) held on 27 October 2014 re: a transaction for disposal of "est" trademark

The disposal of "est" trademark will be tax exempt. GBL, the Seller, is a company established in Hong Kong Special Administrative Region of the People's Republic of China. Income from disposal of such trademark is considered as offshore income which will be tax exempt.

Since the transaction size of the transaction for disposal of asset is equal to or higher than 15% but less than 50%, it is classified as the transaction in Category 2.

3.3.2. Connected transaction

Disposal of "est" trademark is deemed as connected transaction of a listed company in accordance with the Notification of the Capital Market Supervisory Board No. TorJor. 21/2551 Re: Rules on Connected Transactions and the Notification of The Board of Governors of The Stock Exchange of Thailand No. BorJor/Por 22-01 re: Disclosure of Information and Other Acts of Listed Companies Concerning Acquisition or Disposal of Assets B.E.

2546 dated 19 November 2003 with the total size of connected transactions of 1,560 million Baht or 19.75% of net tangible assets of the Company which is greater than 20 million Baht and higher than 3% of net asset value as described below.

Table 3-5: Calculation of the size of connected transactions

Calculation Method	Description	Calculation ¹ (million Baht)	Transaction size %
1. Offering Price	<u>Transaction value according to the offering price</u>	<u>1,560</u>	19.75%
	%NTA ² of the Company	7,900.04	

Remark: 1. The transaction size is calculated, using the interim financial statements of the Company and its subsidiary for the nine-month period ended 30 September 2014 as reference.

2. Net tangible assets (NTA) is total assets – intangible assets – total liabilities – equity of the minor shareholders

When combining connected transactions entered into during the six months preceding the date of disposal of “est” trademark including disposal of land and buildings which was approved by the Board of Directors’ Meeting No. 8/2557 (Special) on 29 September 2014 with the transaction size equal to 23.72% of net tangible assets of the Company, the total transaction size was 43.47% of net tangible assets of the Company which is greater than 3% of net tangible assets of the Company.

Table 3-6: Calculation of the size of connected transactions entered into during the six months preceding the date of disposal of “est” trademark

Date of the Board of Directors’ Meeting	Description	Total Considerations (million Baht)	Transaction Size (%)
29 September 2014	Disposal of land and buildings	1,874.14	23.72%
20 November 2014	Disposal of “est” trademark	1,560	19.75%
Total transaction size			43.47%

Remark: The Board of Directors’ Meeting No. 12/2557 held on 20 November 2014 passed a resolution to approve amendment to the resolution of the Board of Directors’ Meeting No. 10/2557 (Special) on 27 October 2014 re: disposal of “est” trademark

According to the Notification of the Securities and Exchange Commission, Thailand No. BorJor/Por 22-01 re: Disclosure of Information and Other Acts of Listed Companies Concerning Acquisition or Disposal of Assets B.E. 2546 dated 19 November 2003, the Company is required to obtain approval from the Board of Directors, make a disclosure to the SET, and obtain approval for entering into a connected transaction from the shareholders’ meeting with the minimum vote of three fourth of total votes of the eligible shareholders or the proxies (if any) who are present in the meeting excluding the vote of the shareholders who has interest in the Company.

3.4. Details of Disposed Assets

The Company launched “est” trademark in November 2012 and the trademark has been used for the Company’s business for approximately 24 months. In August 2557, “est” had the market share of 12% of the carbonated beverages market.

The value of assets and service to be disposed is 1,560 million Baht. The buyer is making payment for “est” trademark in the amount of 1,300 million Baht as at the date of executive of the Sale and Purchase Agreement of “est” Trademark whereas in the 2nd year and the 3rd year following the date of execution of the Sale and

Purchase Agreement of “est” Trademark, the buyer will make payment to the Company for technical and expert assistance in the amount of 130 million Baht per annum,

3.5. Total value of consideration and Basis for Determination of Value of consideration

Total value of consideration of 1,560 million Baht was calculated based on three valuation methods and concluded that the Income Based Method is the most appropriate method for valuation. The terms of payment is over the period of three years. This method used the sale estimate as a basis for calculation of the Royalty Rate and discounted to the present value.

3.6. Sources of Fund

Super Brands receives financial support from ThaiBev, the parent company who funds this transaction, using its working capital to pay for the royalty fee.

3.7. Use of Proceeds from Disposal of the Asset

The Company plans to use the proceeds from the disposal of the asset for operation and investment in infrastructure for the business such as investment in production line e.g. improvement of machinery and equipment for bottling process; and logistics such as development of system and IT which is related to transportation and distribution of products. This is to strengthen the business and increase potential in distribution and manufacturing.

3.8. Directors who has interest in the Transaction

The Board of Directors’ Meeting No. 10/2557 (Special) held on 27 October 2014 passed a resolution to approve the Company to enter into a transaction for disposal of “est” trademark with International Beverage Holding Limited (IBHL), a connected person and the Board of Directors’ Meeting No. 12/2557 held on 20 November 2014 considered and passed a resolution to amend the resolution of the Board of Directors’ Meeting No. 10/2557 (Special) held on 27 October 2014 to approve the Company to enter into a transaction for disposal of “est” trademark between the Company (or its subsidiary) and Super Brands or its affiliates, a connected person.

Name	Relationships
1) Mr. Chotiphat Bijananda	Director of Southeast Group
2) Mr. Thapana Sirivadhanabhakdi	Director of companies in ThaiBev Group
3) Mr.Sithichai Chaikriangkrai	Director of companies in ThaiBev Group
4) Mr. Marut Buranasetkul	Director of companies in ThaiBev Group

Remark: No directors mentioned above are the Company’s shareholders. They were absent from the Board of Directors’ meeting and did not voted for the agenda.

3.9. Summary of the Material Content of the Connected Transaction

The agreements/draft agreements related to the connected transaction are Trademark License Agreement, draft Sale Agreement of “est” Trademark, Consultancy Services Agreement, and Manufacturing and Distribution Agreement. The important details are as follows:

Table 3-7: Summary of Material Content of Trademark License Agreement

The Company entered into the Trademark Licence Agreement with GBL, a subsidiary and the owner of “est” trademark, details of which are as follows:

Date of Agreement	2 November 2012
Licensor	Great Brands Limited (Great Brands Limited), a subsidiary of Sermsuk Plc
“Licensee”	Sermsuk Plc
Terms and Conditions of Licence	<ul style="list-style-type: none"> – The Licensor agrees that the Licensee may use the trademark in production, packaging, marketing, advertising, and distribution of the products such as Cola drink and other carbonated beverages manufactured (or to be manufactured) and distributed (or to be distributed) under the trademark. – The Licensor will register the trademark as requested by the Licensee. The Licensor shall pay for the fees, costs and related expenses. – If the trademark is updated, changed or amended, the Licensor will register such update, change or amendment as requested by the Licensee. The Licensor shall pay for the fees, costs and related expenses.
Term of Agreement	<ul style="list-style-type: none"> – The Trademark Licence Agreement is valid for five years from 2 November 2012. – The Trademark Licence Agreement shall continue to be effective for another five years after the expiry unless either party sends a notice of termination at least six months before expiry of the agreement.
Fees and Payment Conditions	<ul style="list-style-type: none"> – The Licensee agrees to pay the royalty fee at 3% of the wholesale price of products net of excise tax (excluding VAT) to the Licensor. – The royalty fee is paid quarterly.

Table 3-8: Summary of Draft Material Content of Sale Agreement of “est” Trademark

Date of the Draft	21 November 2014
Seller	Great Brands Limited its subsidiary of Sermsuk Plc
Buyer	Super Brands Company Pte Ltd
Objective	The buyer wishes to acquire the title in “est” trademark for manufacturing and distribution of the products and the seller agrees to sell and transfer the title in the trademark and the production formula to the buyer.
Value of consideration	Total value of consideration is 1,300 million Baht excluding VAT. The buyer will pay the sale price upon registration of the transfer of title in the trademark in Thailand and upon registration of transfer of title or notice or notification of such transfer of title in the trademark in other countries.
Title Transfer	Title of the trademark will be transferred to the buyer upon payment of the above sale price.
Taxes and Duties	<p>The buyer is responsible for all income taxes and withholding tax.¹</p> <p>The buyer and the seller will pay for duty stamps, registration fee, and related fees equally.</p> <p>After the date of title transfer, the buyer will be responsible for expenses in relation to application for licence, registration, notice or notification regarding the trademark in Thailand and other countries.</p>
Requirement	The Seller shall neither use nor sell trademark or any similar trademark directly or indirectly that is related to the products, services, or business which may cause misunderstanding about the trademark or the products.

Remark: ¹ The disposal of “est” trademark will be tax exempt. GBL, the Seller, is a company established in Hong Kong Special Administrative Region of the People’s Republic of China. Income from disposal of such trademark is considered as offshore income which will be tax exempt.

Table 3-9: Summary of Draft Material Content of Consultancy Services Agreement

Date of the Draft	21 November 2014
Provider	Sermsuk Plc
Customer	Super Brands Company Pte Ltd

Material Content	The Provider agrees to give advice to the customer within the specified period mutually agreed between the parties.
Definition of Consulting Service	Consulting service means giving advice based on business skill, expertise, and experience in business. The service includes but not limited to giving advice and acting as an advisor for management, coordination, legal and regulations matters, accounting system, financial management, and other services for operation of the Employer's Cola drink and carbonated beverages, its subsidiary, related companies, and parent company outside Thailand excluding giving advice in manufacturing and distribution.
Consulting Fee	The fixed fee of 260 million Baht excluding VAT shall be charged to the service receiver in two instalments at 130 million Baht in each year. The provider shall be paid such fee in all cases.
Payment	Payment is required by 31 March of the next calendar year following the date of agreement.
Term of Agreement	The agreement is valid for two calendar years following the date of agreement.

Table 3-10: Summary of Draft Material Content of Manufacturing and Distribution Agreement

Date of the Draft	19 November 2014
Employer	Super Brands Company Pte Ltd or its subsidiary
Distributor	Sermsuk Plc
Distributor Appointment	<ul style="list-style-type: none"> – The Employer appoints the distributor to be the exclusive distributor of the products Cola dink and carbonated beverages manufactured and distributed under “est” trademark in Thailand. – The distributor shall not establish or operate a business or warehouse or solicit customers or assign others to act as a distributor of the products outside Thailand unless the Employer has given a written consent.
Term of Agreement	<ul style="list-style-type: none"> – The agreement is valid for three years from the date of the agreement. – The agreement shall continue to be effective for another three years after the expiry unless either party sends a notice of termination at least six months before expiry of the agreement.

3.10. Benefits from the Transaction

- The Company will be a manufacturer and distributor of product “est” for ThaiBev group. The management expects that earnings before taxes will increase by approximately 4% of total revenue since the Company will not bear marketing expenses for products “est”, accounting approximately 9% of total revenue. Although the costs of goods sold may increase by 5% of total revenue, its operating profit will be increased.
- The Company will recognize profit from sale of asset for 1,300 million Baht through its subsidiary (GBL), and revenue from consulting services for 130 million per year for the period of 2 years.
- The Company expects an increase in revenue from sales as brand “est” becomes more popular through ThaiBev's distribution network as well as larger market.
- The Company will have proceeds for development in other aspects. The Company plans to use the proceeds from the disposal of the asset for operation and investment in infrastructure for the business such as investment in production line e.g. improvement of machinery and equipment for bottling process; and logistics such as development of system and IT which is related to transportation and distribution of products. This is to strengthen the business and increase potential in distribution and manufacturing.

3.11. The Board of Directors' Opinion on the Transaction

Brand building takes time and large capital. If the Company invests in brand building in the highly competitive environment, it will reduce the opportunity to make profit in the market. If the Company decides not to sell "est" trademark, the Company will carry the loss. The Company has appointed a consultant who is an expert and experienced in the business to conduct a feasibility study. It can be concluded that disposal of "est" trademark as amended in the resolution of the Board of Directors' Meeting No. 12/2557 on 20 November 2014 is the most appropriate strategy for Sermsuk Plc given the existing limitation.

The preliminary action is consistent with the Company's business plan that has been approved by the shareholders' meeting in 2011.

The Board of Directors gave a comment, recommending disposing "est" trademark as amended in the resolution of the Board of Directors' Meeting No. 12/2557 on 20 November 2014 because such option will maximize the benefits for the Company and the shareholders.

3.12. The Audit Committee's Opinion on the Transaction

No member of the Audit Committee or the Board of Directors has different opinion from the Board of Director's Opinion.

4. Reasonableness of the Transaction

4.1. Objective and reasonableness of the Transaction

With reference to the Board of Directors' Meeting of the Company No. 12/2557 held on 20 November 2014 during which the meeting passed a resolution to approve amendment to the material substances of the resolution of the Board of Directors' Meeting No. 10/2557 (Special) held on 27 October 2014 regarding sale transaction of "est" trademark. The meeting approved the Company (or its subsidiary) to enter into the sale transaction of "est" trademark as an unconditional transaction to Super Brands Company Pte Ltd ("Super Brands") or the company under its group, which is a connected person of the Company.

The material substance of the sale transaction of "est" trademark is the following. The Purchaser will make payment to the Seller for "est" trademark for 1,300 million Baht upon signing of the Sale and Purchase Agreement of "est" Trademark. In the 2nd year and 3rd year after the agreement date, the Purchaser will pay the Company for its technical support and assistance, and knowledge and expertise for 130 million Baht per year. The total value of consideration is 1,560 million Baht

Brand building involves a huge investment of time and money. The sale of "est" trademark will provide the Company with the capital to invest in increasing its maximum capability (best-in-class) in terms of sales and distribution while securing an agreement to manufacture and distribute products under "est" trademark without a need to allocate a huge amount of capital for brand building.

4.2. Advantages and disadvantages of entering and not entering into the Transaction

4.2.1. Advantages of entering into the Transaction

1) Reduction in expenses in relation to brand building

In 2012 – 2013, marketing expense of the Company grew significantly. This was obvious in 2012 where the Company started to sell products under "est" trademark. The expense was also used to develop and promote "est" to be well-known and popular in the market. When the Company sell "est" trademark to Super Brands, this expense, therefore, will significantly decrease (marketing expense for "est" accounted for 70% of total marketing expense in 2013) while the Company will secure an agreement to be a manufacturer and distributor of products under "est" trademark.

Table 4-1: Marketing expense of the Company in 2010 – 2013

	2010	2011	2012	2013
Marketing expense (million Baht)	457.95	497.31	843.98	1,020.22
Growth rate (%)		8.60%	69.71%	20.88%

Source: Consolidated financial statement for the year ended 31 December 2010 – 2013

Marketing expense in 2012 increased by 69.71% as advertising and sale promotion expenses were paid for launching "est" in November 2012

2) Recognition of profit from sale of asset ("est" trademark)

Entering into this Transaction, the Company will recognise profit from sale of "est" trademark in consolidated financial statement through its subsidiary (Great Brand Limited "GBL") by 1,300 million Baht. The Company will

also recognise revenue from consulting of 260 million Baht which will be paid by 130 million Baht per instalment in the 1st quarter of 2015 and the 1st quarter of 2016.

3) Receipt of funds for the development in other aspects

Brand building requires a huge amount of time and investment. The sale of “est” trademark will initially provide the company with 1,300 million Baht and subsequently 260 million Baht which will be paid in 2 instalments by 130 million Baht each in the 1st quarter of 2015 and the 1st quarter of 2016. Thus, the Company can use that proceeds for the development in other aspects. It plans to use the proceeds from sale of asset to develop its infrastructure in order to strengthen the Company’s capabilities in distribution and manufacturing. Such development includes improvement of machinery and equipment for bottling process as well as development of system and IT which is related to transportation and distribution of products.

4) Support for the expansion of “est” trademark in a regional scale

The Company aspires to expand “est” brand in a regional scale. However, to introduce “est” products in foreign countries, the Company requires a huge amount of money to establish network in such countries. Furthermore, the expansion may not be successful as the Company has to control marketing plan in both domestic and foreign markets together. Meanwhile, ThaiBev has more capability to achieve such expansion with its owned distribution network in foreign countries, such as Laos, Cambodia, Myanmar and Vietnam etc. As “est” products became more well-known and popular, it will be an opportunity for the Company to increase sales.

4.2.2. Disadvantages of entering into the Transaction

1) Loss in a right to manage “est” trademark

After the sale of “est” trademark, the Company will a manufacturer and distributor of “est” products for ThaiBev group. The Company will not have a right to manage brand or brand image which is one of key factors that affect purchasing decision of consumers. Changes of brand image will have an impact on sales and revenue of the Company.

However, ThaiBev group is a leading manufacturer and distributor of beverages and manages various beverage brands, such as “Chang”, “Sang Som” and “Oishi” etc. ThaiBev, therefore, has expertise and experience to manage brands of alcoholic and non-alcoholic beverages. In addition, as ThaiBev is the largest shareholder of the Company, it is the Company’s direct stakeholder and has incentive to support the Company to develop the brand and increase sales.

4.2.3. Advantages of not entering into the Transaction

1) Ability to manage brand image of “est”

In case that the Company does not enter into this Transaction, the Company will have a right to manage brand and brand image of “est” which is one of key factors that affect purchasing decision of consumers as well as the Company’ sales and revenue

However, to successfully build the brand, the Company requires a huge amount of time and funds for marketing cost. If the Company does sale “est” trademark, the Company has to bear such cost.

4.2.4. Disadvantages of not entering into the Transaction

1) Bearing costs for brand building

If the Company does not enter into the Transaction, the Company will have high cost to develop the brand. In 2012 – 2013, and the first 9 months ended 30 September 2014, the Company's expenses kept increasing. It accounted for 13.89%, 25.75% and 27.20% of total revenue in 2012, 2013 and the first 9 months of 2014, respectively. The Company suffered from net loss in 2013 and the first 9 months of 2014 due to an increase in marketing and personnel expenses. As soft drink market is highly competitive, the Company has to heavily promote the brand to compete with other players. Thus, if the Company does not sell “est” trademark, this expense is likely to increase, affecting the performance of the Company in the future.

2) Loss in capital to invest in other aspects

The sale of “est” trademark will provide the Company a capital to invest in other aspects such as an improvement in manufacturing and distribution.

3) Loss in opportunity to expand the market through ThaiBev's distribution and marketing network

The Company is eager to expand the market of “est” brand in order to increase sale and revenue. However, a successful expansion as well as launching a product in foreign market requires huge investment in manufacturing and distribution network. If the Company does not sell “est” trademark to ThaiBev, which currently owns distribution network in many countries, the Company may have difficulty to achieve its aspiration.

4.3. Advantages and Disadvantages of entering into the Transaction with a connected person and entering into the Transaction with other persons

The sale of “est” trademark to ThaiBev group which is a connected person will allow a Company to expand its products under “est” brand in regional level. ThaiBev is a leading manufacturer and distributor of beverage with a distribution network in many countries. It also has expertise and experience to manage various beverage brands. Furthermore, as ThaiBev is the Company's largest shareholder with 64.66% of total shares, therefore, it has a stake in the Company's performance as well as an incentive to support the brand and increase the Company's sale

Entering into this transaction with other persons may be difficult, or entails risks that the transaction may not be settled, or cause a delay in negotiation regarding price and conditions because other persons may not possess the same qualifications or potential as ThaiBev group.

Table 4-2: Summary of Advantages and Disadvantages of entering into the Transaction with a connected person and entering into the Transaction with other persons

Entering into the Transaction with the connected person		Entering into the Transaction with other persons	
Advantages	Disadvantages	Advantages	Disadvantages
1. The connected person has a distribution network in many countries, allowing the Company to expand “est” brand, which helps increase sale and revenue	1. Entering into the Transaction with the connected person may entail a concern on transparency. However, the Company disclosed the material information regarding	1. To enter into the Transaction with other persons, the Company will negotiate and protect benefits of the Company	1. Other persons may not possess the same potential to expand “est” brand as the connected person As the trademark has a large

Entering into the Transaction with the connected person		Entering into the Transaction with other persons	
Advantages	Disadvantages	Advantages	Disadvantages
<p>2. The connected person is the Company's major shareholder. With its stake in the Company, It has an incentive to develop the brand and increase the Company's sale</p> <p>3. The connected person is a large group that operates in beverage market. Therefore, it possesses potential to purchase "est" trademark</p>	<p>this information, and will convene a shareholder meeting to approve this transaction</p>		<p>transaction value, entering into the Transaction with other persons may be difficult, or have risk that the asset could not be sold.</p>

4.4. Risks from entering into the Transaction

1) Risk from shortage of fund of the buyer

The sale of "est" trademark has the total value of consideration of 1,560 million Baht. The Company may be exposed to the risk from shortage of fund of the buyer. However, according to ThaiBev's consolidated financial position statement as of 30 September 2014, ThaiBev has cash and cash equivalents of 1,910.45 million Baht. In addition, the buyer will pay 1,300 million Baht for "est" trademark upon signing of the Sale and Purchase Agreement of "est" Trademark, and 260 million Baht for consulting service. The payment for consulting services will be paid in the 1st quarter of 2015 and the 1st quarter of 2016 for 130 million Baht each. Therefore, ThaiBev is likely to have sufficient funds to purchase the trademark.

2) Risk from negotiation of manufacturing and distribution fee

Currently, the Company manufacture and distribute its owned products under "est" trademark. Meanwhile, its subsidiary, GBL, is an owner of the trademark and receives royalty fee from the Company. When, the Company sell the trademark, it will turn to be a manufacturer and distributor of products under the terms and conditions in the Manufacturing and Distribution Agreement. Since the Company does not currently have such agreement for "est" product, the manufacturing and distribution fee will be upon the negotiation between the 2 parties. However, according to the management, the Company has a policy to determine the terms and conditions on an arm's length basis, and in the same manner that the Company carries out with other companies or contractual parties e.g. calculation of fee and responsibilities of contractual parties

Currently, the Company is also a manufacturer and distributor of non-carbonated drinks under various brands, including Oishi, Lipton and Gatorade. The management expects that the Company will receive significantly more revenue from being a manufacturer and distributor of "est" products. Furthermore, the Company is currently negotiating with ThaiBev group on manufacturing and distribution of other products within the group.

3) Risk from a decrease in profit margin

After the sale of the trademark, the Company will be a manufacturer and distributor of products. The Company may have lower gross profit and operating profit margins compared with manufacturing and distributing "est" product itself. Due to high competition and confidentiality of the information, the IFA has a limitation to disclose

such information. However, after the sale of the trademark, the Company will not be required to pay royalty fee of 3% of gross sale (after excise tax and interior tax) as well as marketing expense, accounting for 9% of the Company's total revenue in 2013. Although, the Company's cost of goods sold is expected to increase by 5% of total revenue, the Company will earn higher profit before tax by 5% of total revenue

4) Risk from changes of terms and conditions of the related agreements

The terms and conditions under draft Sale and Purchase Agreement of "est" Trademark, draft Consultancy Service Agreement and draft Manufacturing and Distribution Agreement shown in 3.9 Summary of material contents of the related agreements, are only draft. Therefore, the terms and conditions may be subject to change. However, the management expects such change may not be material.

5) Risk from termination of Manufacturing and Distribution Agreement

According to the draft Manufacturing and Distribution Agreement received, the agreement shall be effective for 3 years from the sign date of the agreement. Should there be no termination notice from either party at least 6 months prior to the expiration of such term, this agreement shall be deemed extended automatically for 3 year each. Thus, the Company has a risk that ThaiBev may terminate the agreement after its term of 3 years expires. The Company may lose revenue from being a manufacturer and distributor of "est" products, which accounts for approximately 50% of total revenue.

However, as ThaiBev is the Company's major shareholder and has a stake in the Company, it has an incentive to appoint the Company as a manufacturer and distributor of "est" products. In addition, the Company has experience in manufacture and distribute "est" products as well as other carbonated and non-carbonated beverages under various brands.

Currently, the Company is a manufacturer and distributor of several beverages, such as drinking water and soda water "Crystal", ready-to-drink green tea in returnable bottle "Oishi", ready-to-drink tea in returnable bottle "Lipton", sport drink "Gatorade" and "Power Plus", and energy drink "Wrangyer". The Company is also a distributor of food and beverages, such as ready-to-drink green tea in can and PET bottle "Oishi", deep-fried seaweed "Onori", and ready-to-drink black tea in can and PET bottle "Lipton". In case that ThaiBev does not renew the Manufacturing and Distribution Agreement after its expiry, the Company still have earnings from such operation.

6) Risk of brand image of "est" trademark

Brand image is one of key factors that affect consumers' decisions to buy. After entering into the Transaction, the Company will lose its right to manage "est" brand. Thus, the company is exposed the risk from change of the brand image, which may affect the Company's sales and revenue

5. Appropriateness of the consideration and conditions of the Transaction

To evaluate the fair value of “est” trademark, the IFA applies the Cost Based Method, the Comparable Transaction Method and the Royalty Relief method. The purpose of this valuation is solely to determine the appropriateness of the price of the transaction. If there are unexpected changes in economic and other external factors which significantly affect the operation of “est” trademark, the valuation result may change accordingly.

5.1. Cost Based Method

The Cost Based Method determines the fair value of “est” trademark by accumulating the costs that have been incurred to build and develop the trademark. Those costs include research and development cost, and advertising and sale promotion cost (deducted by tax benefit) incurred during 2012 – 31 October 2014.

Table 5-1: Valuation of trademark “est” by Cost Based Method

Million Baht	2012	2013	Jan – Oct 2014
Advertising and Sale Promotion Cost	350.68	983.57	791.95
Effective tax rate	17.58%	31.47%	20.00%
Tax Adjusted Advertising and Sales promotion Cost	289.03	674.03	633.56
Research & Development Cost	10.00		
Total cost incurred (2012 – 31 October 2014)			1,606.62

Note: Effective tax rate is the tax rate at which the Company earned income is taxed. It can be calculated as tax expense / income before tax expense

Based on Cost Based Method, the fair value of “est” trademark is 1,606.62 million Baht.

5.2. Comparable Transaction Method

The Comparable Transaction Method determines the fair value of “est” trademark by applying appropriate financial ratios associated with comparable buy-and-sale transactions of trademarks. In this valuation, the IFA uses trademark value to revenue ratio of the following comparable transactions:

Table 5-2: Summary of comparable transactions for fair valuation of trademark “est”

Year	Description	Acquirer	Target	Currency	Trademark value (1)	Revenue (2)	Trademark Value/ Revenue (Times) (1) / (2)
2010	Britvic Plc acquired Fruité Entreprises SA	Britvic Plc together with its subsidiaries manufactures and distributes soft drinks in the United Kingdom, the Republic of Ireland and France. The company offers soft drinks primarily under the Robinsons, Tango, J2O, Drench, MiWadi, Ballygowan, Teisseire, Fruité, Club and Pressade trademark names. It also	Fruité Entreprises S.A. manufactures and distributes fruit juices and yoghurts under the trademarks Fruité Pressade, Récré and Sambo.	Million EUR	72.20 ^A	256.30 ^{B 1}	0.28

Year	Description	Acquirer	Target	Currency	Trademark value (1)	Revenue (2)	Trademark Value/ Revenue (Times) (1) / (2)
		produces and sells soft drinks under the Pepsi, 7UP and Mountain Dew Energy trademarks.					
2011	Lassonde Industries Inc acquired Clement Pappas & Co Inc	Lassonde Industries Inc. manufactures and distributes various fruit and vegetable juices and drinks primarily in Canada and the United States. It also offers specialty food products, such as sauces, etc. In addition, the company imports wines from various countries. The company sells its products under their own trademark and other companies trademarks.	Clement Pappas & Co Inc. processes, distributes, and sells cranberry sauces and beverages under private labels primarily to chain store in the United States.	Million USD	50.00 ^C	390.00 ^{D 2}	0.13
2011	CCHBC Group acquired MS Foods UAB	CCHBC Grouping Inc. operates as a subsidiary of The Coca- Cola Company.	MS Foods UAB is a producer of fruit juice in Belarus.	Million EUR	0.20 ^E	1.30 ^{E 3}	0.15
2013	Cott Beverage acquired Calypso Soft Drinks	Cott Beverages Inc. produces, packages, and distributes beverages. Its product lines include carbonated soft drinks, beverages, juices, bottled water, energy beverages, and iced teas. It has beverage manufacturing facilities in the United States, Canada, United Kingdom and Mexico.	Calypso Soft Drinks Ltd. produces and supplies fruit juices and soft drinks in the United Kingdom. In addition, the company produces mineral water, ice cubes freezepops and smoothies.	Million USD	3.00 ^F	30.70 ^{F 4}	0.10
2014	Ichitan Group Public Company Limited acquired right in Bireley's trademark from Sunny Herb	Ichitan Group Public Company Limited manufactures and sells green tea ready to drink, functional drink, black tea ready to drink, green tea herbal drink, and low sugar	Sunny Herb International Beverage Co. Ltd. owns trademark and produces fruit juices under trademark Bireley's	Million Baht	240.00 ^G	200.00 ^{G 5}	1.20

Year	Description	Acquirer	Target	Currency	Trademark value (1)	Revenue (2)	Trademark Value/ Revenue (Times) (1) / (2)
	International Beverage Co. Ltd.	drink under brands Ichitan Green Tea, Ichitan Double Drink, Ichitan Dragon Black Tea, Yen Yen by Ichitan, and Ichitan Selected.					
Average trademark value / revenue							0.37

Source:

A Britvic Plc Annual Report 2010

E CCHBC Grouping Inc. Annual Report 2013

B Announcement of Britvic Plc on acquisition of Fruité Entreprises S.A.

F Cott Beverage Annual Report 2013

C Lassonde Industries Inc. Message to Shareholders

G Analyst Report by Phillip Group Securities

D Announcement of Lassonde Industries Inc. on merger with Clement Pappas & Co Inc.

Note:

1 Revenue of Fruité Entreprises S.A. in 2009.

4 Revenue of Calypso Soft Drinks Ltd. in 2013.

2 Revenue of Clement Pappas & Company Inc. in 2010.

5 Sales forecast of Bireley's product in the first year by Ichitan group public company limited, the total revenue in 2013 amounted to 35.59 million baht.

3 Revenue of MS Foods UAB in 2011.

Based on comparable transactions above, the average trademark value to revenue ratio is 0.37 time. The IFA discounts the ratio by 10% to reflect the size and risk of the region (estimated from the difference between the portions of carbonated soft drink in non-alcoholic beverage market sizes in Thailand and the United States). The adjusted trademark value to revenue ratio for fair valuation of "est" trademark is as follows:

Table 5-3: Valuation of "est" trademark by Comparable Transaction Method

Trademark value / revenue (1)	0.34
Revenue of "est" trademark FY 2013 (Million Baht) (2)	4,535.70
Value of "est" trademark (Million Baht)	1,519.75

Note: Revenue from sales of products under "est" trademark deducted by excise tax and interior tax.

Based on Comparable Transaction Method, the fair value of "est" trademark is 1,519.75 million Baht. The IFA considered that the comparable transactions were the sale and purchase of non-carbonated drink trademarks, mostly fruit juices. The characteristics of those may be differed from carbonated-drinks. Differences in economic situation and industry during 2010-2014 may be affected to those transactions. The valuation by using such method is inappropriate due to those circumstances.

5.3. Royalty Relief Method

The Royalty Relief Method determines the value of "est" trademark by considering the present value of royalty fees payable by the Company to the trademark owner. In this valuation, the IFA adopts key assumptions based information from interviews of management and related officers, financial data and projection, Trademark License Agreement and other related documents. Moreover, the IFA also studies related industry information for conservative purpose.

However, this valuation is prepared based on the assumptions that business operates on a going concern basis and under the current economy, industry and available information. Should there be any other external factors that affect the operation, including material adverse changes in the business as deviating from assumptions, the valuation results may change accordingly.

5.3.1. Assumptions in preparing financial projections

7) Forecast revenue

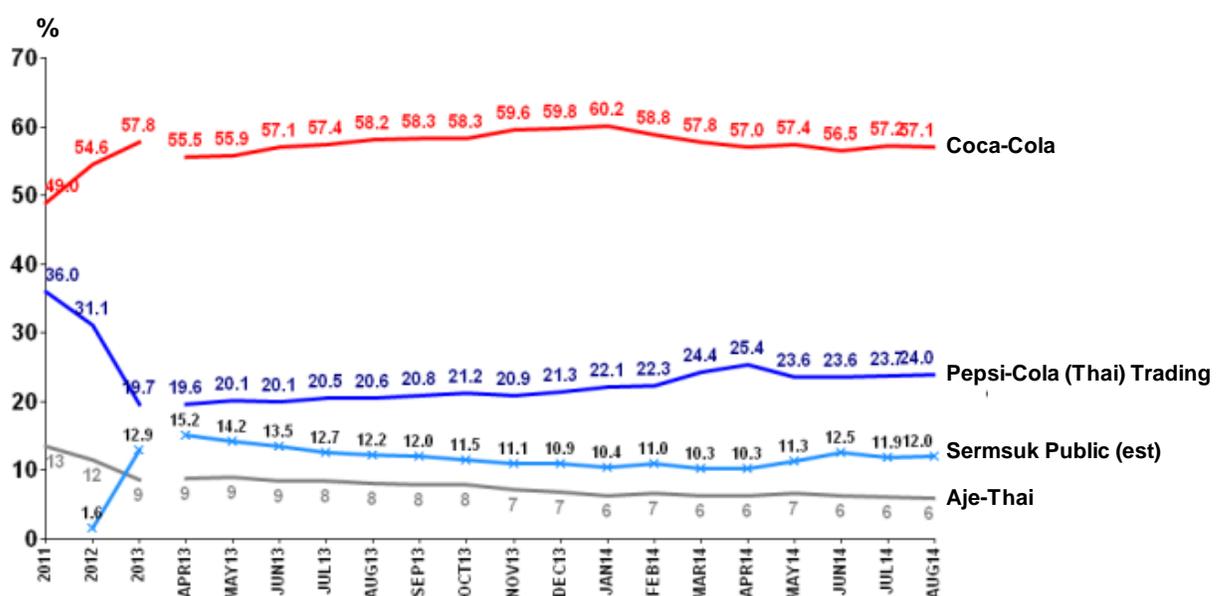
Products under the "est" trademark consist of soft drinks under "est" trademark, IFA estimated the revenues from sale of products under the "est" trademark in 2014 – 2019 based on the projection by the Company's management. The forecast revenue from sale of "est" products can be summarized below:

Table 5-4: Forecast revenue of "est"

	2013A	2014F	2015F	2016F	2017F	2018F	2019F
Revenue (Million Baht)	5,815.00	4,786.20	5,954.16	6,996.14	7,695.75	8,465.33	9,311.86
Growth rate (%)		-17.7%	24.4%	17.5%	10.0%	10.0%	10.0%

From the forecast revenue, if the market size of soft drink in Thailand is assumed to grow at 7.2% based on the projected growth rate of soft drink market in Thailand until 2018 (Source: Business Monitor, an expert in market analysis and projection). The product under "est" will have market share of 10.34% – 14.12% in 2014 – 2019. The Company could achieve that level in the past as can be seen from market share of "est" in Thailand during April 2013 to August 2014. (Data from the Nielsen Company (Thailand) Limited which is a company who offers a wide range of data and assessments and a leading marketing research). The Company had the highest market share of 15.2% in April 2013.

Figure 5-1: Market share of soft drinks in Thailand in 2011 - 2013 and April 2013 - August 2014



Source: The Nielsen Company (Thailand) Limited

Table 5-5: Market size of soft drinks in Thailand and Market share of “est”

	2013A	2014F	2015F	2016F	2017F	2018F	2019F
Market size of soft drink in Thailand (Million Baht)	45,900	46,300	49,634	53,207	57,038	61,145	65,547
Market share of “est” (%)	12.67%	10.34%	12.00%	13.15%	13.49%	13.84%	14.21%

Note: Market size of soft drinks in 2013 and 2014 based on market data of soft drinks in Thailand as of August 2014 by The Nielsen Company (Thailand) Limited. The total sale revenue of soft drinks in September - December 2014 is assumed to be the same as in the same period of previous year.

8) Royalty fee

The IFA determines royalty fee based on Trademark License Agreement as follows:

$$\text{Royalty fee} = 3\% \times [\text{Gross revenue} - \text{Excise tax and Interior tax}]$$

The excise tax and interior tax of soft drinks equal to 22% of gross revenue.

9) Corporate Income Tax Rate

The IFA assumes tax rate in 2 cases:

- Case 1: Equal to 20% in 2014 and 2015 and increase to 30% in 2016 onwards.
- Case 2: Equal to 20% throughout the forecast period.

5.3.2. Terminal Value

Terminal value calculated from growth rate of free cash flow for the operation after the projection period by using terminal growth rate. IFA set terminal growth rate to be equal to 3% based on the growth rate of GDP in the year 2011- 2013. (Data from office of the national economic and social development)

The terminal value is calculated based on the growth rate of free cash flows after the forecast period (terminal growth rate). The IFA assumes the terminal growth rate to be 3% based on the average growth rate of gross domestic product (GDP) in 2011- 2013. (Data from Office of the National Economic and Social Development Board)

5.3.3. Discount Rate

The IFA calculated the discount rate used in calculating the present value of royalty fee deducted by corporate income tax by using cost of equity (K_E) as brand building is normally funded by company-owned capital in initial state. According to management, SSC also used to its owned capital to establish trademark “est”

K_E can be calculated by from Capital Asset Pricing Model (“CAPM”) as follows:

$$K_E = R_F + \beta \times (R_M - R_F) + a$$

By:

R_F	Risk free rate referring from 10-year government bond yield as of 31 October 2014 at 3.24%
Beta (β)	The Beta (β) is the variance between the average market return with the return of the shares of companies in the beverage business in emerging markets, which equals to 0.78. The figure is from Damodaran (http://people.stern.nyu.edu/adamodar/). The source uses the average Beta of 33 companies in non-alcoholic beverage business in emerging markets including Serm Suk Public Company Limited and Haad Thip Public Company Limited.

R _M	Market return, calculated from average total return of investing in SET during the past 10 years at 13.45% p.a.
a	Company specific risk premium is based on a qualitative analysis of the inherent risk factors relevant to company's cash flow projections. IFA applied 2% company specific risk premium to reflect high projected revenue growth and the ability of "est" to maintain its market share in the future.

From the assumptions of discount rate above, the cost of equity are as follows:

	Discount rate
– Case 1: Corporate income tax equal to 20% in 2014 and 2015 and increased to 30% in 2016 onwards.	13.13%
– Case 2: Corporate income tax equal to 20% throughout the year of estimate.	13.23%

5.3.4. Discounting royalty fee after corporate income tax

Based on the assumptions above, the project of royalty fee after corporate income tax and the present value of royalty fee after corporate income tax for fair valuation of "est" trademark in case 1 and case 2 are as follows:

Table 5-6: Forecast royalty fee after corporate income tax (case 1)

Million Baht	2014F (Nov-Dec)	2015F	2016F	2017F	2018F	2019F
Trademark revenue	949.46	5,954.16	6,996.14	7,695.75	8,465.33	9,311.86
<u>Less</u> Excise tax and Interior tax	(208.88)	(1,309.91)	(1,539.15)	(1,693.07)	(1,862.37)	(2,048.61)
Trademark Revenue after excise tax and Interior tax	740.58	4,644.24	5,456.99	6,002.69	6,602.95	7,263.25
Royalty fee (3%)	22.22	139.33	163.71	180.08	198.09	217.90
<u>Less</u> Corporate income tax	(4.44)	(27.87)	(49.11)	(54.02)	(59.43)	(65.37)
Royalty fee after corporate income tax	17.77	111.46	114.60	126.06	138.66	152.53
Terminal value (TV)						1,551.03
Royalty fee after corporate income tax + TV	17.77	111.46	114.60	126.06	138.66	1,703.56
Fair value of "est" trademark	1,270.46					

Note: Case 1: Corporate income tax equal to 20% in 2014 and 2015 and increased to 30% in 2016 onwards.

Table 5-7: Forecast royalty fee after corporate income tax (case 2)

Million Baht	2014F (Nov-Dec)	2015F	2016F	2017F	2018F	2019F
Trademark revenue	949.5	5,954.2	6,996.1	7,695.8	8,465.3	9,311.9
<u>Less</u> Excise tax and Interior tax	(208.88)	(1,309.91)	(1,539.15)	(1,693.07)	(1,862.37)	(2,048.61)
Trademark Revenue after excise tax and Interior tax	740.58	4,644.24	5,456.99	6,002.69	6,602.95	7,263.25
Royalty fee (3%)	22.22	139.33	163.71	180.08	198.09	217.90
<u>Less</u> Corporate income tax	(4.44)	(27.87)	(32.74)	(36.02)	(39.62)	(43.58)
Royalty fee after corporate income tax	17.77	111.46	130.97	144.06	158.47	174.32
Terminal value (TV)						1,755.01
Royalty fee after corporate income tax + TV	17.77	111.46	130.97	144.06	158.47	1,929.33
Fair value of "est" trademark	1,420.74					

Note: Case 2: Corporate income tax equal to 20% throughout the year of estimate

Based on the Royalty Relief Method, the fair value of "est" trademark is 1,270.46 million Baht in case 1 and 1420.74 million Baht in case 2.

5.3.5. Sensitivity analysis

IFA performs the Sensitivity Analysis by varying key assumptions including corporate tax rate after 2558 under the two cases and discount rate.

Table 5-8: Sensitivity Analysis of “est” trademark

		Case 1: Corporate income tax equal to 20% in 2014 and 2015 and increased to 30% in 2016 onwards	Case 2: Corporate income tax equal to 20% throughout the projection period
Changes in discount rate	+ 1.00%	1,152.02	1,288.10
	0.00%	1,270.46	1,420.74
	- 1.00%	1,415.07	1,582.39

Based on the sensitivity analysis, the fair value of “est” trademark ranges from 1,152.02 - 1,582.39 million Baht.

5.4. Conclusion of valuation results regarding asset disposal

According to the announcement regarding change in corporate income tax rate by the Federation of Accounting Professions (“FAP”) which mentioned that the Cabinet approved a reduction in the corporate income tax rate on 10 November 2011 to increase competitiveness, to encourage and promote domestic investment and to attract foreign investors. The Royal Decree under the Revenue Code Regarding the Reduction and Exemption of Income Taxes (No. 530) in 2011 was issued to lower corporate income tax rate to 20% of net income for fiscal years beginning on or after January 1 2013 onwards. It is believed that the government will proceed to amend the legislation to provide tax rate no higher than 20% for fiscal years beginning on or after January 1 2015 since the corporate income tax rate of 30% is significantly higher than other countries in the region. Thus, the FAP considers that the tax rate that should be used to measure assets and liabilities and deferred tax should be 20% from the year 2013 onwards.

For this reason, the IFA focuses on the fair value of the “est” trademark which is calculated by royalty relief method under case 2: corporate income tax rate equal to 20% throughout the forecast period.

The total value of consideration to be paid is 1,560 million Baht. The company will pay 1,300 million Baht for trademark and 260 million Baht for consulting services. The payment for consulting services will be paid in the 1st quarter of 2015 and the 1st quarter of 2016 for 130 million Baht each. Considering the time value of money of the payments, the IFA calculated the present value of such payments by using the same discount rate as the one used in fair valuation of trademark.

Table 5-9: Calculation of present value of total value of consideration paid

Million Baht	2014F	2015F	2016F
Total value of consideration paid	1,300	130	130
Discount rate (%)	13.23%		
Present value of total value of consideration paid	1,516.20		

Thus, the present value of total value of consideration is 1,516.20 million Baht.

Valuation results of fair value of “est” trademark by various methods can be summarized as follows:

Table 5-10: Valuation results of fair value of “est” trademark by various methods

Valuation method	Total value of consideration paid (1)	Estimated value (2)	(1) – (2)
	(Million Baht)	(Million Baht)	(Million Baht)
Cost based method	1,516.20	1,606.62	(90.42)
Comparable transaction method	1,516.20	1,519.75	(3.55)
Royalty relief method			
Base case under the under the assumption that corporate income is tax rate of 20% throughout the forecast period	1,516.20	1,420.74	95.46
Sensitivity analysis	1,516.20	1,288.10 – 1,582.39	228.10 - (66.19)

Table 5-11: Advantages and Disadvantages of valuation of fair value of “est” trademark

Valuation method	Advantages and Disadvantages
Cost based method	The method reflects the actual cost to create the trademark but it does not reflect the true economic value.
Comparable transaction method	The method shows the ability to generate revenue in particular period of time by comparing trademark value to revenue of the previous transactions. However, it does not reflect the industry in the future, characteristics of the products under trademarks and the ability to generate revenue.
Royalty relief method	The method reflects the royalty fee that a buyer will not need to pay or royalty income that a seller will not be eligible after the sale of trademark. The method involves with the assumptions about the ability to generate revenue of the trademark under the future condition of the industry. Therefore, the method can reflect the intrinsic value of share to a good extent

For the reasons above, IFA has the opinion that the Royalty Relief Method is the most appropriate method for determining the fair value of "est" trademark. The fair value is 1,420.74 million Baht under the assumption that the corporate income tax rate is 20% throughout the forecast period. Based on the sensitivity analysis, the price ranges from 1,288.10 million Baht to 1,582.39 million Baht.

6. Conclusion of the independent financial adviser's opinion

Based on the study of the relevant information, including precedent condition of the Transaction, advantages and disadvantages of entering into the Transaction with the connected person and with the third party, risks associated with the Transaction as well as value of consideration and conditions of the Transaction, the IFA's opinion can be summarised as follows:

- 1) Sale of “est” trademark to Super Brands, a company in ThaiBev group will reduce expense in relation to brand building while generating income from sale of the trademark which brings fund for development of other aspects of the business particularly improvement in distribution and manufacturing which is the strength of the Company. It will also give an opportunity for the Company to get a support in terms of network of distribution and marketing from ThaiBev especially market expansion for the products under “est” trademark at regional level which will make the trademark widely known.
- 2) The company wants to expand the trademark “est” at regional level which can increase sale but that will require a lot of capital especially in terms of distribution network. Therefore, selling “est” trademark to ThaiBev will reduce expense in relation to distribution network as ThaiBev have distribution network in various countries and have the potential to do so.
- 3) After the sale of “est” trademark to Super Brands, the Company will have no rights in the management of “est” trademark and the brand image that are important to the sale volume of the product and revenue of the company. However, ThaiBev group is highly experienced and expert in managing brands of several beverages and therefore, it is believed that they are capable of managing “est” trademark and thus can create higher sale volume for the product.
- 4) According to the comparison between entering into the transaction with a connected person and entering into the transaction with a third party, sale of “est” trademark to a connected person will benefit the Company because ThaiBev group is a manufacturer and distributor of leading beverages with distribution network of various goods in many countries and they also have expertise and experience in managing trademark of beverage products. In addition, Thai Beverage Logistics Co., Ltd., the major shareholder of the Company which is holding 64.66% of the shares is also a company in ThaiBev group. As such, ThaiBev group has interest in the Company's result of operation and therefore, they are motivated to develop “est” trademark and increase the sale volume to add value to the Company.

On the other hand, sale of the trademark to third party may be difficult because “est” trademark has high value and it is not easy to find other buyers since it is required large capital. At the same time, the sale territory of “est” trademark is still limited and this is considered a new trademark when compared with the trademarks of other brand of carbonated beverages. If other interested party makes an offer, the Company may receive less attractive benefit than the benefit received from sale of the trademark to ThaiBev group because the third party may not possess the same qualification or potential as ThaiBev group or may specify less beneficial terms of sale of trademark than the terms of sale proposed by ThaiBev group. (Summary of advantages and disadvantages between entering into transaction with connected person and entering into

transaction with third party mentioned in 4.3 which compared advantages and disadvantages between entering into transaction with connected person and entering into transaction with third party.)

- 5) Entering into such transaction may entail risks such as risk in negotiation of manufacturing and distribution fee, risk from decrease in gross profit. The Company expects to provide manufacturing and distribution service mainly for ThaiBev group where the Company's policy specifies the terms of manufacturing and distribution based on an ordinary course of business under the same terms as entered into with other companies or parties. Furthermore, once the Company has disposed of the trademark and become manufacturer and a distributor, the Company will not be required to pay a royalty fee and the marketing expenses will significantly decreased. Therefore, it is anticipated that the Company may be able to maintain the profit from operation.
- 6) When considered the draft of Manufacturing and Distribution Agreement which is effective for the period of 3 years from the date of signing the contract and will continue for another 3 years after the contract expired unless the parties in the contracts have notice 6 months in advance prior to the end of the contract, there is a risk that ThaiBev will terminate the contract. However, ThaiBev is the major shareholders of company which has controlling interests and are motivated to push the company as a subsidiary of the company and as a manufacturer and distributor of products. The company have experienced in manufacturing and distributing product under "est" trademark and other carbonated and non-carbonated beverages under various trademark.
- 7) Such transaction is exposed to the risk of shortage of fund from the buyer and the risk on the brand image which is the main factors that effects the company sale volume and revenue. However, given that Super Brands is a company in ThaiBev group that is a group of high experience in beverage business such as spirit, beer, and non-alcohol beverages, as well as experience in brand management for potential beverages and that it is a strong company and should have sufficient capital, such risk should decrease significantly. Other risk includes a risk in change of terms and conditions of related agreements which the management views that such change shall not be material.
- 8) To consider the appropriate price and terms and conditions, the Independent Financial Advisor valued the fair value of "est" trademark, using different methods including cost-based method, comparable transaction method, and royalty relief method. The Independent Financial Advisor views that the most appropriate method to valued the fair value of "est" trademark is the royalty relief method because it reflects the sale volume estimate under "est" trademark and the future royalty fees. The fair value is 1,420.74 million Baht based on the corporate income tax rate of 20% throughout the year of estimates with the price range of 1,288.10 - 1,582.39 million Baht.
- 9) The buyer will make payment for "est" trademark in the amount of 1,300 million Baht as at the date of executive of the Sale and Purchase Agreement of "est" Trademark whereas the buyer will pay the remaining as consultancy services amount of 260 million bath in installment of 130 million Bath in the first quarter of 2015 and in the first quarter of 2016 respectively which have to considered the Time value of money. Independent Financial Advisor calculated the present value of transaction which is equal to 1,516.20 million

Bath. According to the sensitivity analysis, the fair value is lower than the present value of the transaction which is 1,516.20 million Baht (total value of consideration is 1,560 million Baht). Therefore, the sale price is appropriate.

Due to the above reasons, the Independent Financial Advisor views that disposal of “est” trademark to Super Brands will be more beneficial to the Company since it reduces expenses in relation to brand building while generating income from sale of the trademark which brings fund for development of other aspects of the business. It will also give an opportunity for the Company in terms of network of distribution and marketing from ThaiBev especially market expansion for the products under “est” trademark at regional level. According to the comparison between entering into the transaction with a connected person and entering into the transaction with a third party, since ThaiBev group is a manufacturer and distributor of leading beverages with distribution network of various goods in many countries, ThaiBev is likely to build potential for market expansion for products under “est” trademark and promote the products to be more widely known which will increase the sale volume in the future. Regarding the appropriate price and terms and conditions, the Independent Financial Advisor valued the fair value of “est” trademark, using cost-based method based on normal circumstance at 1,420.74 million Baht with the corporate tax rate of 20% throughout the year of estimates and the price range of 1,288.10 - 1,582.39 million Baht from sensitivity analysis, the sensitivity analysis shows that the fair value is lower than the present value of the transaction which is 1,516.20 million Baht (total value of consideration is 1,560 million Baht). Therefore, the sale price is appropriate.

The Independent Financial Advisor views that the shareholders should pass a resolution to approve this connected transaction.

Since the carbonated beverage business is highly competitive, financial data and marketing information are important to the business and confidential. According to the Company’s management interview, the Company has entered into manufacturing and distribution agreements with several customer and the agreements specify confidentiality condition. Therefore, the Independent Financial Advisor is restricted in disclosing such information.

However, the decision to vote for or against the transactions rests primarily with the justification of shareholders. The shareholders should consider all documents attached to this meeting invitation letter in order to come up with own justification for making appropriate decision.

Yours faithfully,

Monvalai Rachatakul

Supervisor

Grant Thornton Services Ltd.

Julaporn Namchaisiri

Managing Director, Corporate Finance

Grant Thornton Services Ltd.

7. Attachments

Attachment 1: Sermsuk Plc company

1.1. Background and major development

Sermsuk Plc (“SSC” or “the Company”) was established to operate the beverage business by a group of 7 founders who tendered an application to register the Company with start-up capital of 8 million Baht. The Company commenced operation on 18 April 1952.

Currently, Sermsuk Plc has a registered capital of 265.90 million Baht and paid-up capital of 265.90 million Baht with 265.90 million ordinary shares at the par value of 1 Baht.

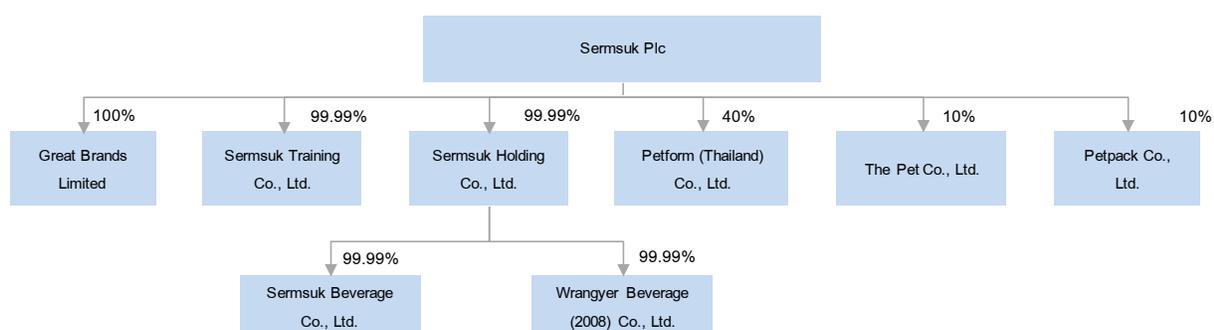
Major Change and Development

Year	Description
2003	– The Company was granted a patent for manufacturing and distribution of “Gatorade” sports drinks for Strokely Van Camp Inc., the United States.
2005	– The Company entered into a distributor agreement for “Oishi” drink with Oishi Trading Co., Ltd.
2006	– The Company entered into a distributor agreement for bottled “Tropicana Twister” juice with Pepsi-Cola (Thai) Trading Co., Ltd.
2012	<ul style="list-style-type: none"> – The Company terminated the distribution of “Carabao Dang” and other beverage products under the trademarks of Pepsi-Cola (Thai) Trading Co., Ltd. which are Pepsi, Mirinda, 7-up, and Tropicana Twister. – Production and distribution of “est” beverage commenced on 2 November 2012. – Sermsuk Holding Co., Ltd. acquired Wrangyer Beverage (2008) Co., Ltd. to produce and sell “Wrangyer”, “Power Plus”, and other drinks for the Company.
2013	– The Company added two packaging for “est” beverages which include 250 ml. can and 850 ml. glass bottle, commenced production and distribution of “est” orange, strawberry, cream soda, and lemon lime flavours, added 1L PET bottle packaging for “Crystal” drinking water, commenced distribution of “Wrangyer” energy drink and “Onori” fried seaweed.
2014	– The Company commenced production and distribution of “est free” carbonated sugar-free, calorie-free drink in July.

1.2. Shareholding structure

The Company is primarily owned by two companies which are Thai Beverage Logistic Co., Ltd. and SS National Logistics Co., Ltd. The Company also has an affiliated company, Sermsuk Beverage Co., Ltd. (an indirect subsidiary) which manufactures and co-packs Lipton Ice Tea, and sells them directly to the Company and or through Pepsi-Cola (Thai) Trading Co., Ltd. who sells the products to the Company for distribution. Currently, 99.99 percent of Sermsuk Beverage Co., Ltd. shares are held by Sermsuk Holdings Co., Ltd. (a direct subsidiary), established on 23 November 2006 with the main objectives to hold shares and manage investments in Sermsuk subsidiaries.

Sermsuk Plc holds 40 percent of shares in Petform (Thailand) Co., Ltd., a manufacturer and distributor of plastic preform for use in production of PET bottles and plastic closures. Additionally, Sermsuk Holding Co., Ltd. (direct subsidiary) acquired Wrangyer Beverage (2008) Co., Ltd. to produce and sell “Wrangyer” energy drink, “Power Plus” sports drink and others for the Company’s distribution.

Figure 7-1: Shareholding structure of SSC

1.3. Business overview

The Company engages in beverage business as a manufacturer and a distributor or a sole distributor for various products including est beverage, Crystal drinking water, Crystal soda, Oishi beverage, Lipton Ice Tea, Gatorade sports drink, Wrangyer energy drink, and Power Plus sports drink.

Semsuk Plc's investment in direct and indirect subsidiary companies is summarized as follows:

Table 7-1: Type of Business in Semsuk Group of Companies

Company	Type of Business
• Semsuk Holding Co., Ltd.	Shareholding and investment management
• Semsuk Training Co., Ltd.	Human resource and corporate development
• Great Brands Limited	Brand management
• Petform (Thailand) Co., Ltd.	Manufacture and distribution of plastic preform for production of PET bottles and plastic closures
• The Pet Co., Ltd.	Manufacture and distribution of plastic and PET bottles
• Petpack Co., Ltd.	Manufacture and distribution of plastic and PET bottles
• Semsuk Beverage Co., Ltd. (indirect subsidiary)	Manufacture and distribution of beverages
• Wrangyer Beverage (2008) Co., Ltd. (indirect subsidiary)	Manufacture and distribution of energy drinks

Source: Annual Disclosure (Form 56-1)

Table 7-2: Income Structure of SSC

Revenues	2011		2012		2013	
	Million Baht	%	Million Baht	%	Million Baht	%
Revenue from carbonated soft drinks	13,981	65.24%	14,672	64.30%	5,814	52.04%
Revenue from non-carbonated soft drink	7,450	34.76%	8,149	35.70%	5,358	47.96%
Total	21,431	100.00%	22,821	100.00%	11,172	100.00%

Source: Annual Disclosure (Form 56-1)

Products

The Company's products and services are divided into 4 major businesses as follows:

- Manufacture and distribution of carbonated beverages
 - Carbonated beverages under the “est” trademark.

- Manufacture and distribution of beverages
 - Drinking water and soda water under the “Crystal” trademark.
- Manufacture and distribution of non-carbonated beverages
 - Ready-to-drink green tea in returnable bottles: honey lemon flavor under the “Oishi” trademark.
 - Ready-to-drink black tea in returnable bottles: lemon flavor under the “Lipton” trademark.
 - Sports drinks under the “Gatorade” trademark.
 - Energy drinks under the “Wrangyer” trademark.
 - Sports drinks under the “Power Plus” trademark.
- Food and beverage distributor
 - Ready-to-drink green tea in cans and PET bottles under the “Oishi” trademark.
 - Fried seaweed under “Onori” trademark for Oishi Trading Co., Ltd.
 - Ready-to-drink black tea in cans and PET Bottles under “Lipton” trademark for Pepsi Lipton International Co., Ltd.

Products and Services Sources

Sources of key raw materials are as follows

- Concentrates for est Cola, Orange, Cream Soda, Strawberry and Lemon Lime are sourced from local distributors who import the concentrates.
- Concentrates for Wrangyer energy drink are sourced from local distributors who import the concentrates.
- Concentrates for Lipton tea are sources from Pepsi-Cola (Thai) Trading Co., Ltd., an importer.
- Concentrates for Oishi Green Tea in returnable bottles are sourced directly from Oishi Group Plc, a local producer.
- Concentrates and ingredients for Gatorade are sourced directly from Pepsi-Cola (Thai) Trading Co., Ltd., an importer.
- Products distributed by the Company such as Oishi Green Tea are sourced directly from the manufacturers and product owners.
- Other raw materials for production such as sugar, CO₂, various chemicals, glass bottles, crown seals, screw caps, plastic cases, PET bottles, cans, and cardboard boxes are sourced locally.

With the exception of concentrates that are supplied by the brand owners, the Company sources other raw materials and packing materials from 3-4 suppliers in order to ensure continual supply of raw materials and packing materials at reasonable prices.

Table 7-3: Location of Manufacturing Facilities of SSC

Facilities	Province	Location
Pathumthani Plant	Pathumthani	63 Moo 3 Bangkhayaeng, Mueang, Pathum Thani
Nakhon Ratchasima Plant	Nakhon Ratchasima	211 Moo 4 Pruyai, Mueang, Nakhon Ratchasima
Nakhon Sawan Plant	Nakhon Sawan	72 Soi Wat Chomkhiri Nakprot, Nakhon Sawan Aok, Mueang, Nakhon Sawan
Surat Thani Plant	Surat Thani	111 Moo 5 Ta Rong Chang, Pupun, Surat Thani
Chonburi Plant	Chonburi	700/369 Moo 6 Nong Mai Daeng, Mueang, Chonburi

Source: Annual Disclosure (Form 56-1)

In addition to the five plants, the Company has two subsidiaries with manufacturing facilities which are Sermsuk Beverage Co., Ltd. located in the Amata City Industrial Estate at 700/368 Moo 6 Nong Mai Daeng, Mueang, Chonburi and Wrangyer Beverage (2008) Co., Ltd. located at 63 Moo 3 Phrapratone-Baanpaew Road, Thanonkhad, Mueang, Nakhon Pathom.

Table 7-4 “Carbonated beverages” Production Capacity and Production Volume of SSC

Description	2010	2011	2012	2013
Full capacity (Unit: million cases per annum)	141,411	141,411	141,411	141,411
Actual production volume (Unit: million cases per annum)	86,358	74,605	76,680	35,866
Average utilization per annum (%)	61.09%	52.76%	54.22%	25.30%
Increase (decrease) in production volume (%)	2.95%	(13.61)%	2.77%	(53.23)%

Source: Annual Disclosure (Form 56-1)

1.4. Structure of shareholders

As at 11 November 2014, the date of collection of name list of shareholders as prescribed in Section 225 of the Securities and Exchange Act B.E. 2535 (as amended) which is the date of the last closing of the register and suspension of share transfer, the Company had a registered capital of 265.90 million Baht and paid-up capital of 265.90 million Baht with 265.90 million ordinary shares at the par value of 1 Baht. The names and proportion of shares held by shareholders are as follows:

Table 7-5 Major Shareholders of SSC

ลำดับ	Major Shareholder	No of shares	%
1	Thai Beverage Logistics Co., Ltd.	171,923,138	64.66%
2	SS National Logistics Co., Ltd.	56,199,807	21.14%
3	DBS Vickers Securities (Singapore) Pte Ltd	12,500,000	4.70%
4	UBS AG Singapore Branch	10,800,000	4.06%
5	UOB Kay Hian (Hong Kong) Limited	7,200,000	2.71%
6	Mrs. Duangkew Trakulpipat	576,500	0.22%
7	Captain Narong Phatralaoha	508,600	0.19%
8	Miss Nanthana Yaemmanas	300,000	0.11%
9	SS Integration Co., Ltd.	214,900	0.08%
10	Other Shareholders	5,677,539	2.14%
	Total	265,900,484	100.00%

Source: Annual Disclosure (Form 56-1)

1.5. The board of directors and the executive committee

Table 7-6 Board of directors of SSC

No	Name	Position
1	Mr. Photipong Lamsam	Chairman and Independent director
2	Mr. Suchin Wanglee	Vice Chairman No. 1, Independent Director and Chairman of Compensation Committee and Member of Audit Committee
3	Mr. Chotiphat Bijananda	Vice Chairman No. 3, Executive director, Member of Compensation Committee and Member of Risk Management Committee
4	Mr. Thapana Sirivadhanabhakdi	Vice Chairman No 4. Chairman of Executive Committee No. 1, Chairman of Nominating and Corporate Governance Committee, Member of Compensation Committee and Member of Risk Management Committee
5	Mr. Somchai Bulsook	Director, Chairman of Executive Committee and CEO, Member of Nominating and Corporate Government Committee and Member of Risk Management
6	Mr. Dhitivute Bulsook	Director, Executive Director Member of Risk Management Committee and President
7	Professor Khunying Suchada Kiranandana	Independent Director, Chairman of Audit Committee and Vice Chairman of Risk Management Committee
8	Mr. Pramoad Phornprapha	Director
9	Honorary Professor Rawat Chamchalerm	Independent Director
10	Mr. Sakchai Thanaboonchai	Director
11	Mr. Rangsang Thammaneeuwong	Director
12	Mr. Sithichai Chaikriangkrai	Director, Vice Chairman of Executive Committee No.2 and Member of Risk Management Committee
13	Mr. Marut Buranasetkul	Director and Executive Director
14	Mrs. Siripen Sitasuwan	Independent Director and Member of Audit Committee

Source: Annual Disclosure (Form 56-1)

Any one of the following four directors - Mr. Somchai Bulsook, Mr. Thapana Sirivadhanabhakdi, Mr. Thitiwut Bulsook, Mr. Sakchai Thanaboonchai, together with any one of the following four directors – Mr. Chotiphat Bijananda, Mr. Rangsang Thammaneeuwong, Mr. Sithichai Chaikriangkrai, and Mr. Marut Buranasetkul, may sign and affix the Company seal to legally bind upon the Company.

Two of the following eight directors – Mr. Somchai Bulsook, Mr. Thapana Sirivadhanabhakdi, Mr. Thitiwut Bulsook, Mr. Sakchai Thanaboonchai, Mr. Chotiphat Bijananda, Mr. Rangsang Thammaneeuwong, Mr. Sithichai Chaikriangkrai, and Mr. Marut Buranasetkul may sign and affix the Company seal to legally bind upon the Company in an application form for permits or for submission of documents to the Revenue Department, the Customs Department, Department of Business Development under Ministry of Commerce, Office of Foreign Workers under the Immigration Bureau, the Department of Skill Development under Ministry of Industry, Ministry of Public Health, and other related government agencies related to tax filing, import and export filing, amendments to corporate registration, visa renewal, an application for permits related to the Company's business.

ตารางที่ 7-7: Executive Committee of SSC

No	Name	position
1	Mr. Somchai Bulsook	Chairman of Executive Committee
2	Mr. Thapana Sirivadhanabhakdi	Vice Chairman of Executive Committee No.1
3	Mr. Sithichai Chaikriangkrai	Vice Chairman of Executive Committee No. 2
4	Mr. Dhitivute Bulsook	Executive Director
5	Mr. Chotiphat Bijananda	Executive Director
6	Mr. Marut Buranasetkul	Executive Director

Source: Annual Disclosure (Form 56-1)

1.6. Financial position and performance

Table 7-8: Statement of financial position of SSC

	31 December 2011 (Restated)		31 December 2012 (Restated)		31 December 2013		30 September 2014	
	Million Baht	%	Million Baht	%	Million Baht	%	Million Baht	%
Cash and cash equivalents	976.48	7.26%	1,544.54	11.36%	186.26	1.47%	155.88	1.20%
Current investments	12.00	0.09%	-	-	-	-	-	-
Trade account receivables	990.09	7.36%	735.62	5.41%	489.73	3.86%	554.34	4.26%
Other receivables from related parties	9.97	0.07%	64.95	0.48%	23.07	0.18%	38.48	0.30%
Other receivables	499.86	3.72%	406.16	2.99%	147.70	1.16%	199.34	1.53%
Inventories	2,274.85	16.92%	2,018.77	14.85%	2,226.29	17.53%	2,312.44	17.77%
Prepaid excise taxes	391.97	2.92%	188.52	1.39%	92.17	0.73%	81.44	0.63%
Other current assets	37.55	0.28%	148.98	1.10%	164.81	1.30%	163.12	1.25%
Total Current Assets	5,192.77	38.63%	5,107.54	37.57%	3,330.03	26.22%	3,505.04	26.93%
Restricted deposits at financial institution	2.44	0.02%	2.49	0.02%	0.83	0.01%	0.50	0.00%
Investment in associates	18.38	0.14%	195.07	1.43%	276.31	2.18%	342.65	2.63%
Other long term investment	126.17	0.94%	214.10	1.58%	174.45	1.37%	172.60	1.33%
Advance payment to related parties	0.09	0.00%	0.09	0.00%	-	-	-	-
Long-term loans to related parties	5.00	0.04%	5.00	0.04%	3.00	0.02%	3.00	0.02%
Investment properties-net	29.65	0.22%	33.16	0.24%	232.15	1.83%	232.15	1.78%
Property, plant and equipment	8,003.89	59.54%	7,983.37	58.73%	8,636.65	68.00%	8,716.97	66.98%
Intangible assets	39.90	0.30%	19.06	0.14%	21.32	0.17%	15.47	0.12%
Deferred tax assets	1.28	0.01%	2.69	0.02%	3.97	0.03%	7.15	0.05%
Other non-current assets	23.84	0.18%	31.03	0.23%	22.29	0.18%	19.47	0.15%
Total non-current assets	8,250.63	61.37%	8,486.06	62.43%	9,370.95	73.78%	9,509.96	73.07%
Total assets	13,443.41	100.00%	13,593.59	100.00%	12,700.98	100.00%	13,014.99	100.00%
Trade account payables	1,369.18	10.18%	1,237.51	9.10%	766.24	6.03%	985.41	7.57%
Other payables to related parties	26.23	0.20%	50.25	0.37%	24.66	0.19%	8.02	0.06%
Other payables	369.25	2.75%	438.60	3.23%	331.44	2.61%	317.05	2.44%
Short-term borrowings from related parties	129.60	0.96%	-	-	-	-	-	-
Short-term loan from financial institutions	-	-	-	-	700.00	5.51%	1,400.00	10.76%
Accrued expenses	369.35	2.75%	755.24	5.56%	447.80	3.53%	503.12	3.87%

	31 December 2011 (Restated)		31 December 2012 (Restated)		31 December 2013		30 September 2014	
	Million Baht	%	Million Baht	%	Million Baht	%	Million Baht	%
Income tax payable	14.30	0.11%	-	-	-	-	-	-
Dividend payable	74.88	0.56%	75.03	0.55%	73.59	0.58%	73.47	0.56%
Refundable Deposits	851.55	6.33%	691.83	5.09%	522.18	4.11%	489.28	3.76%
Other current liabilities	78.17	0.58%	59.44	0.44%	43.47	0.34%	56.64	0.44%
Total current liabilities	3,282.52	24.42%	3,307.89	24.33%	2,909.38	22.91%	3,832.97	29.45%
Deferred tax liabilities	449.70	3.35%	453.37	3.34%	463.46	3.65%	286.32	2.20%
Employee benefit obligations	1,155.35	8.59%	1,102.90	8.11%	925.55	7.29%	980.19	7.53%
Long-term provisions	9.97	0.07%	-	-	-	-	-	-
Total non-current liabilities	1,615.02	12.01%	1,556.27	11.45%	1,389.00	10.94%	1,266.50	9.73%
Total liabilities	4,897.54	36.43%	4,864.16	35.78%	4,298.39	33.84%	5,099.48	39.18%
Authorized share capital	265.90	1.98%	265.90	1.96%	265.90	2.09%	265.90	2.04%
Issued and paid up share capital	265.90	1.98%	265.90	1.96%	265.90	2.09%	265.90	2.04%
Premium (Discount) on share capital	1,342.45	9.99%	1,342.45	9.88%	1,342.45	10.57%	1,342.45	10.31%
Retained earnings-legal and statutory reserves	26.80	0.20%	26.80	0.20%	26.80	0.21%	26.80	0.21%
Retained earnings-general reserves	3,089.00	22.98%	3,089.00	22.72%	2,785.00	21.93%	2,285.00	17.56%
Retained earnings-unappropriated	678.22	5.04%	1,081.41	7.96%	555.95	4.38%	572.09	4.40%
Other components of equity	3,123.36	23.23%	2,923.87	21.51%	3,426.50	26.98%	3,423.29	26.30%
Equity attributable to equity holder of parent	8,525.72	63.42%	8,729.43	64.22%	8,402.59	66.16%	7,915.52	60.82%
Non-controlling interests	20.15	0.15%	-	-	-	-	-	-
Total equity	8,545.87	63.57%	8,729.43	64.22%	8,402.59	66.16%	7,915.52	60.82%
Total equity and total liabilities	13,443.41	100.00%	13,593.59	100.00%	12,700.98	100.00%	13,014.99	100.00%

Assets

As at 31 December 2012, the Company had total assets of 13,593.59 million Baht which reflected an increase by 151.10 million Baht or 1.12% from the previous year due to additional investment in affiliated companies where Sermasuk Holdings Co., Ltd. acquired Wrangyer Beverage (2008) to manufacture and distribute “Wrangyer” energy drink, “Power Plus” sports drink, and other drinks. The Company’s long-term investment also increased because it commenced production and sale of “est” carbonated beverages.

As at 31 December 2013, the Company had total assets of 12,700.98 million Baht which reflected a decrease by 892.61 million Baht or 6.57% from the previous year as a result of a decrease in the current assets primarily due to a decrease in cash and cash equivalent and trade account receivables.

As at 30 September 2014, the Company had total assets of 13,014.99 million Baht which reflected an increase by 314.01 million Baht or 2.47% from 31 December 2013 which was primarily due to an increase in trade account receivables and investment in affiliated companies. The investment in the affiliated companies increased because such affiliated companies made a net profit which resulted in an increase according to the equity method.

Liabilities

As at 31 December 2012, the Company had total liabilities of 4,864.16 million Baht which reflected a decrease by 33.38 million Baht or 0.68% from the previous year which was primarily due to short-term borrowing from related companies and a decrease in deposits for bottles and cases.

As at 31 December 2013, the Company had total liabilities of 4,298.39 million Baht which reflected a decrease by 565.77 million Baht or 11.63% from the previous year which was primarily due to payment to trade account payables and accrued expenses.

As at 30 September 2014, the Company had total liabilities of 5,099.48 million Baht which reflected an increase by 801.09 million Baht or 18.64% from 31 December 2013 due to increase in short-term borrowing from financial institutions.

Shareholders' Equity

As at 31 December 2012 the Company had total shareholders' equity of 8,729.43 million Baht which reflected an increase by 183.56 million Baht or 2.15% from the previous year because the Company had more retained earnings.

As at 31 December 2013 the Company had total shareholders' equity of 8,402.59 million Baht which reflected an increase by 326.84 million Baht or 3.74% from the previous year. The Company's accumulated profit decreased due to the net loss.

As at 30 September 2014 the Company had total shareholders' equity of 7,915.52 million Baht which reflected an increase by 487.08 million Baht or 5.80% from 31 December 2013. The Company's accumulated profit decreased due to the net loss.

Table 7-9: Statement of comprehensive income of SSC

	As of 31 December						9 month period ended	
	2011 (Restated)		2012 (Restated)		2013		Jan – Sep 2014	
	Million Baht	%	Million Baht	%	Million Baht	%	Million Baht	%
Revenue from sale of goods and rendering of services	21,430.54	98.94%	22,820.68	98.34%	11,171.99	97.51%	7,789.41	98.83%
Other income	230.06	1.06%	385.81	1.66%	285.54	2.49%	91.83	1.17%
Total Revenue	21,660.60	100.00%	23,206.49	100.00%	11,457.53	100.00%	7,881.24	100.00%
Cost of sale of goods and rendering of services	17,349.06	80.10%	18,219.78	78.51%	8,114.74	70.82%	5,728.93	72.69%
Selling expenses	2,867.20	13.24%	3,222.92	13.89%	2,949.97	25.75%	2,143.67	27.20%
Administrative expenses	1,077.43	4.97%	1,206.74	5.20%	1,024.90	8.95%	763.58	9.69%
Finance Cost	1.72	0.01%	5.49	0.02%	9.56	0.08%	26.82	0.34%
Total Expenses	21,295.41	98.31%	22,654.92	97.62%	12,099.17	105.60%	8,662.99	109.92%
Share of profit of an associate, net of income tax	(196.27)	-0.91%	176.69	0.76%	162.24	1.42%	124.36	1.58%
Profit (loss) before tax expense	168.92	0.78%	728.26	3.14%	(479.40)	-4.18%	(657.39)	-8.34%
Income tax benefit (expenses)	(106.56)	-0.49%	(128.04)	-0.55%	150.87	1.32%	173.26	2.20%

	As of 31 December						9 month period ended	
	2011 (Restated)		2012 (Restated)		2013		Jan – Sep 2014	
	Million Baht	%	Million Baht	%	Million Baht	%	Million Baht	%
Profit (Loss) for the period	62.36	0.29%	600.23	2.59%	(328.53)	-2.87%	(483.87)	-6.14%
Other comprehensive income:								
Foreign currency translation differences for foreign operations	-	-	(0.22)	0.00%	11.01	0.10%	(1.73)	-0.02%
Net change in fair value of available for sale investments	2.58	0.01%	40.86	0.18%	(26.35)	-0.23%	(1.85)	-0.02%
Revaluation of land	-	-	0.46	0.00%	641.65	5.60%	-	-
Retirement benefit plan actuarial gain (loss)	34.21	0.16%	(2.61)	-0.01%	204.00	1.78%	-	-
Income tax on other comprehensive income	-	-	(7.74)	-0.03%	(163.86)	-1.43%	0.37	0.00%
Other comprehensive income (loss) for the period, net of income tax	36.79	0.17%	30.76	0.13%	666.45	5.82%	(3.21)	-0.04%
Total comprehensive income (loss) for the period	99.15	0.46%	630.98	2.72%	(337.92)	-2.95%	(487.08)	-6.18%

Revenue

During 2011 – 2013 and the first nine month of 2014, Sermsuk Plc's revenue from sale and service was accounted for 98.94%, 98.34%, 97.51% and 98.83% of total revenue, respectively whereas other income during 2011 – 2013 and the first nine month of 2014 was accounted for 1.06%, 1.66%, 2.49% and 1.17% of total revenue.

In 2012, the Company's revenue increased by 1,545.89 million Baht or 7.14% from 2011 due to higher production volume.

In 2013, the Company's revenue decreased by 11,749 million Baht or 50.63% from 2012 due to suspension of production of carbonated beverages and energy drinks under the old brands after the expiry of the agreements in the end of 2012 (Carabao Dang energy drink and drinks of Pepsi-Cola (Thai) Trading Co., Ltd. including Pepsi, Mirinda, 7-up, Tropicana Twister) before commencing distribution of carbonated beverages and energy drink under new brands (est and Wrangyer).

During the first nine month of 2014, the Company's revenue decreased by 1,167.58 million Baht or 12.90% as compared to the same period of previous year due to high competition in the category of products sold by the Company and due to economic slowdown.

Expenses

Major expenses of Sermsuk Plc are as follows:

- Cost of sales

In 2012, cost of sale increased by 870.71 million Baht or 5.02% from 2011. An increase in cost of sale was less than an increase in revenue partly because of a decrease in the price of concentrate.

In 2013, cost of sale decreased by 10,105 million Baht or 55.46% from 2012. A decrease in cost of sale was higher than a decrease in revenue mainly because of better efficiency in cost management for each product and the effect from recognition of allowance of diminution in value of returned glass bottles which could not be used in the previous year.

During the first nine month of 2014, the Company's cost of sale decreased by 689.88 million Baht or 10.75% as compared to the same period of previous year. A decrease in cost of sale was less than a decrease in revenue mainly because of changed in proportion of product.

- Selling and administrative expenses

In 2012, the Company's selling and administrative expenses were 4,429.66 million Baht which reflected an increase by 485.03 million Baht or 12.30% from the previous year due to an increase in selling expenses and marketing expenses for "est" carbonated beverage product launch.

In 2013, the Company's selling and administrative expenses were 3,974.87 million Baht which reflected a decrease by 454.78 million Baht or 10.27% from the previous year. A decrease in selling and administrative expenses was less than a decrease in revenue because the Company continues to incur selling and promotional and marketing expenses for "est" carbonated beverage product launch and the Company was also affected by the new minimum wage policy.

During the first nine month of 2014, the Company's selling and administrative expenses were 2,907.25 million Baht which reflected a decrease by 130.70 million Baht or 4.30% as compared to the same period of previous year. A decrease in selling and administrative expenses was less than a decrease in the revenue because certain expenses were fixed and not variable to decrease in sale volume.

- Financial cost

In the past three years and during the first nine months of 2014, the Company incurred financial cost of 1.72 million Baht, 5.49 million Baht, 9.56 million Baht, and 26.82 million Baht, respectively. An increase in financial cost was due to additional borrowing for business expansion.

Table 7-10: Cash flow Statement of SSC

Million Baht	As of 31 December			9 month period ended
	2011 (Restated)	2012 (Restated)	2013	Jan – Sep 2014
Net cash provided by (used in) operating activities	793.51	1,720.99	(863.32)	(306.63)
Net cash provided by (used in) investing activities	(916.71)	(818.57)	(523.16)	(395.15)
Net cash provided by (used in) financing activities	(335.00)	(334.36)	28.20	673.13
Net increase (decrease) in cash and cash equivalents	(458.20)	568.06	(1,358.28)	(28.64)

In 2012, the Company's net cash increased by 568.06 million Baht. The net cash provided by operating activities was 1,720.99 million Baht, most of which came from the net profit. The net cash used in investment activities was 818.57 million Baht, most of which was used in investment activities including acquisition of subsidiaries and land, building, and equipment. The net cash used in financing activities was 334.36 million Baht which had obligations for interest payment, and dividend payment to shareholders as well as repayment for short-term borrowing.

In 2013, the Company's net cash decreased by 1,358.28 million Baht. The net cash used in operating activities was 863.32 million Baht, most of which was the net loss and payment for accrued expenses. The net cash used in investment activities was 523.16 million Baht, most of which was used to purchase land, building, and equipment, and other long-term investments. The majority of such expenses was for purchase of machines and equipment for manufacturing, machine and equipment improvement for expansion of manufacturing facility and branches including investment in marketing tools to promote sale and distribution. The net cash provided by financing activities was 28.20 million Baht which came from short-term borrowing from financial institutions.

During the first nine months of 2014, the Company's net cash decreased by 28.64 million Baht. The net cash used in operating activities was 306.63 million Baht which was due to the net loss. The net cash used in investment activities was 395.15 million Baht which was used for additional purchase of land, building, and equipment. The net cash provided by financing activities was 673.13 million Baht which came from additional short-term borrowing from financial institutions.

Table 7-11: Financial ratio of SSC

Million Baht	As of 31 December			9 month period ended
	2011	2012	2013	Jan – Sep 2014
Liquidity ratio				
Current ratio (times)	1.58	1.54	1.14	0.91
Cash ratio (times)	0.30	0.47	0.06	0.04
Account receivable turnover (times)	15.24	16.86	11.97	14.30
Average collection period (days)	24	22	31	26
Inventory turnover (times)	7.40	8.49	3.82	3.37
Average inventory period (days)	49.32	43.01	95.47	108.44
Account payable turnover (times)	9.57	10.44	5.70	6.28
Average payable period (days)	38	35	64	58
Profitability ratio				
Gross profit (%)	19.05%	20.16%	27.37%	26.45%
Operating profit margin (%)	0.64%	0.75%	-8.21%	-10.87%
Net profit margin (%)	0.29%	2.63%	-2.94%	-6.21%
Return on equity (%)	0.60%	6.83%	-3.84%	-7.91%
Efficiency ratio				
Return on assets (%)	0.46%	4.44%	-2.50%	-5.02%
Return on fixed assets (%)	0.77%	7.17%	-3.68%	-6.83%
Asset turnover (times)	1.58	1.69	0.85	0.81
Solvency ratio				
Debt to equity (times)	0.57	0.56	0.51	0.64

Analysis of Financial Condition and Result of Operation

During 2011 – 2013, the Company's liquidity ratio was 1.14 – 1.58 times whereas during the first nine months of 2014, the liquidity ratio decreased to 0.91 times due to additional borrowing from financial institutions.

During 2011 – 2013, the Company's average collection period was 22 – 31 days whereas during the first nine months of 2014, the Company's average collection period decreased to 26 days.

In 2013, the Company had negative operating profit margin because of suspension of distribution of carbonated beverages and energy drinks under the old brands due to the expiry of the agreements in the end of 2012 (Carabao Dang energy drink and drinks of Pepsi-Cola (Thai) Trading Co., Ltd. including Pepsi, Mirinda, 7-up, Tropicana Twister), after which the distribution of carbonated beverages and energy drink under the new brands (est and Wrangyer) commenced which incurred substantial sales promotion expenses and marketing expenses for new product launch and resulted in negative net profit margin ratio and return on equity ratio. During the first nine months of 2014, the Company continued to incur net loss and the sale revenue also decreased and, therefore, when compared to 2013, the net profit margin ratio, return on equity ratio, return on assets ratio, and return on fixed assets were negative.

During 2011 – 2013, the Company's debt to equity ratio was 0.51 – 0.57 times whereas during the first nine months of 2014, the debt to equity ratio increased to 0.64 times due to additional borrowing from financial institutions.

1.7. Industry overview and competition

The carbonated beverages manufacturing and distribution industry is a large industry which requires modern technology in production and quality control as well as labour in transportation and distribution of products to consumers. It is also a business that supports other industries such as sugar industry, glass bottle industry, plastic bottle industry, plastic case industry. Competition in plastic goods, plastic cases etc. and competition in carbonated beverages occur all year round. Although there are new market entrants, the growth in carbonated beverages business is not relatively high because of several other types of drinks that have entered the market and change in consumer trend such as drinking water, fruit juice, mineral water, and milk, which resulted in aggressive competition in carbonated beverages business. Success factors in this industry include quality products, good service, and fast response to customer needs. Opportunity in beverage business depends on distribution channel to reach consumers, expansion of customers' business such as large retailers, supermarkets, restaurants, fast food shops etc. while the growth of the customers' industry will largely depend on the basic economic factors of the country.

Carbonated beverages sector in Thailand is divided into brands: "Coke", "est", "Pepsi" and "Big Cola". It consists of Thai Namthip Co., Ltd., the manufacturer and distributor of Coca-Cola; Semsuk Plc, the manufacturer and distributor of "est", Pepsi-Cola (Thai) Trading Co., Ltd., the manufacturer and distributor of Pepsi; and RJ Group Co., Ltd, the manufacturer and distributor of "Big Cola". In addition, Green Spot (Thailand) Co., Ltd., Baile Co., Ltd. are also the competitors. The carbonated beverages business is highly competitive and each competitor aims to increase their market share and therefore, they focus on ongoing advertising and sale promotion activities throughout the year. In the past, many sale promotion activities and new product launch were organized to boost



the need and add more choices for consumers. The Company's marketing strategy focuses on sale promotion activities and creative advertising.

Attachment 2: Thai Beverage Plc

1.1. Background and major development

Thai Beverage Plc (“ThaiBev”) was established in Thailand in October 2003 with a registered capital of 20,000 million Baht. In December of the same year, the registered capital was increased to 22,000 million Baht. The Company’s objective is to consolidate a number of leading spirits and brewery business in Thailand which belong to the founding shareholders and other investors. On 30 May 2006, ThaiBev was listed in Singapore Exchange (“SGX”) during which the Company was able to raise fund of approximately 1,574 million Singapore Dollar or approximately 38,000 million Baht. The Company used part of the proceeds from the public offering to repay short-term borrowing.

As at 31 December 2013, Thai Beverage Plc had a registered capital of 29,000 million Baht. The paid-up capital was 25,110.025 million Baht which was divided into 25,110.025 million ordinary shares at the par value of 1 Bath.

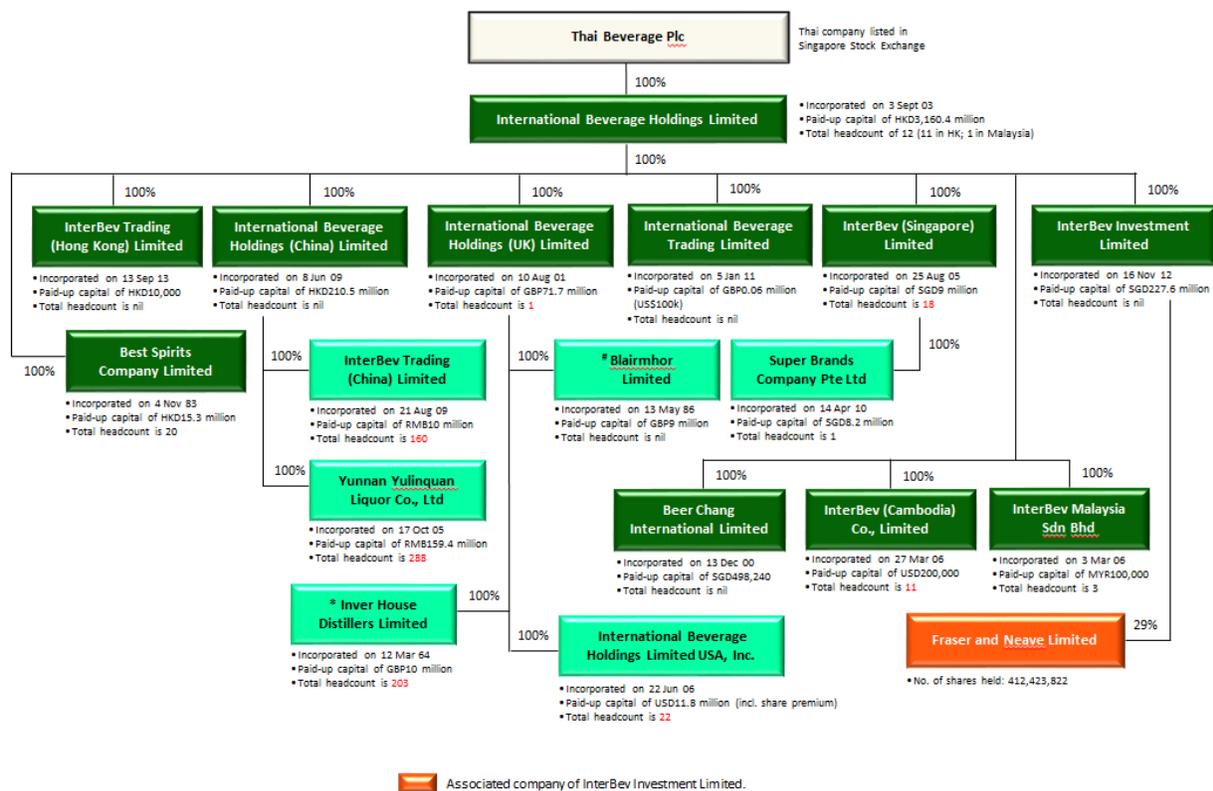
Major Change and Development

Year	Description
2003	– ThaiBev’s manufacturing facility was constructed and commenced operation.
2004	– Archa Beer was launched in July. – Alcohol used in the industry was manufactured by Thai Alcohol Co., Ltd. to manufacture ethanol for mixing with benzene octane 91 to make gasohol. ThaiBev commenced production of ethanol since September.
2006	– ThaiBev was listed in the Singapore Exchange. – ThaiBev acquired distillery facility of Sin Surang Karn Sura Co., Ltd. the manufacturer of Sua Khao spirit, Pacific Spirits (UK) Ltd., the owner of Inver House Distillery in Scotland, and Best Spirits Co., Ltd.
2007	– ThaiBev acquired United Products Co., Ltd. and SPM Foods and Beverages Co., Ltd., the manufacturer of Mee Khao spirit and other products. – Federbrau beer was launched.
2008	– ThaiBev acquired energy drinks and ready-to-drink coffee from Wrangyer Beverage (2008) Co., Ltd. – ThaiBev acquired shares in Oishi Group Plc and sold all shares to Thai Alcohol Plc.
2009	– ThaiBev acquired investment in Yunnan Yulinquan Liquor Co., Ltd., the owner of white spirit in China. – “Meridian”, V.S.O.P. finely distilled brandy was launched.
2010	– The first distribution center commenced operation in Nakon Ratchasima in June followed by the opening of Chonburi Distribution Center and Surat Thani Distribution Center in August.
2011	– ThaiBev made additional investment in Balblair distillery to expand malt whiskey production capacity. – ThaiBev acquired 64.66% of shares in Sermsuk Plc.
2012	– Oishi launched fried seaweed snack under the brand “Onori”. – ThaiBev acquired shares in Fraser & Neave Ltd. (“F&N”), the manufacturer and distributor of drinks, real estate operator, and leading printing house of Singapore which resulted in F&N becoming an affiliated company of ThaiBev. – Oishi joined Sermsuk Plc in launching of Oishi Green Tea in glass bottle. – Beer Thai (1991) Plc change type of fuel for boilers from fuel oil to solid fuels to save energy and preserve environment. – Sermsuk Plc launched “est” carbonated beverages.
2013	– Sermsuk Plc launched Wrangyer energy drink. – CAC Co., Ltd. was established for excellence building and exchange of knowledge in business, art, and

Year	Description
	<p>culture among ASEAN countries.</p> <ul style="list-style-type: none"> Oishi expanded its export business and made cooperation with F&N in distribution of Oishi ready-to-drink green tea through 7-11 in Malaysia.
2014	<ul style="list-style-type: none"> Sermasuk Plc commenced operation and distribution of “est free” sugar-free and calorie-free carbonated beverages in July.

1.2. Shareholding structure

Figure 7-2: Shareholding Structure of ThaiBev in Super Brands



Regarding the shareholding structure of ThaiBev in International Beverage Holdings Limited, Super Brands Company Pte Ltd that acquired the trademark “est” is a subsidiary of ThaiBev due to the indirect shareholding through International Beverage Holdings Limited and InterBev (Singapore) Limited. ThaiBev is holding 100% of shares in International Beverage Holdings Limited and InterBev (Singapore) Limited is holding 100% of shares in Super Brands Company Pte Ltd.

1.3. Business overview

ThaiBev was established in Thailand in 2003 with the objective to consolidate a number of leading spirits and brewery business in Thailand which belong to the founding shareholders and other investors. In 2006, ThaiBev was listed in the Singapore Exchange (“SGX”), after which ThaiBev expanded its business from alcohol beverages to non-alcohol beverage business for more product variety, better efficiency in transportation, and risk diversification. ThaiBev has 4 business sectors: spirit, beer, non-alcohol beverages, and food.

ThaiBev’s business group is divided into 11 product lines as follows:

- Brewery Group
- Distillery Group
- Related Business Group
- Marketing Group
- International Business Group
- Sale Group
- Non-alcohol beverage group
- Sole Agent group
- Group of Listed Companies on the Stock Exchange of Thailand
- Trademark Group
- Others

Products

The Company's products and services are divided as follows:

- Beer manufacturing and distribution
 - Beer under the trademarks “Chang”, “Archa” and “Federbrau”
- Spirits manufacturing and distribution
 - Spirits under the trademarks “Mangkorn Thong”, “Hong Thong”, “Sangsom Gold Medallian”, “Blend 285 Signature”, “Mekhong”, “Phraya”, “Crown 99”, and “Drummer”.
- Non-alcohol beverages manufacturing and distribution
 - Soda and drinking water under the trademarks “Chang Drinking Water”, and “Chang Soda”.
- Japanese Restaurants
 - Japanese restaurants under the trademarks “Oishi Grand”, “Oishi Buffet”, “Oishi Ramen”, “Shabushi”, “Nikuya Japanese BBQ Buffer”, “Kazokutei”, “Kakashi”, and “Oishi Delivery”.

In addition, ThaiBev also has related businesses such as oak barrels, and products made from produced from waste of alcohol beverage production such as light-weight concrete blocks, fertilizer, and beverages under international brands.

Table 7-1 Sale Volume of ThaiBev

Product	2010	2011	2012	2013
Spirit (Unit: million litres)	552	570	561	552
Beer (Unit: million litres)	613	643	585	613
Non-alcohol beverage (Unit: million litres)	519	1,005	1,326	519

Source: Annual Report 2013

1.4. Structure of shareholders

As at 31 December 2013, ThaiBev had a registered capital of 29,000 million Baht and paid-up capital of 25,110.025 million Baht with 25,110.025 million ordinary shares at the par value of 1 Baht.

Table 7-2 Major Shareholders of ThaiBev

No.	Major Shareholders	No. of shares	%
1	Siriwana Co., Ltd.	11,368,060,000	45.27%
2	The Central Depository (Pte) Limited	8,169,719,364	32.54%
3	Maxtop Management Corp.	3,694,675,000	14.71%
4	Nexus Power Investment Limited	420,514,080	1.67%
5	Mr. Thapana Sirivadhanabhakdi	107,000,000	0.43%
6	Mrs. Thapanee Techajareonvikul	107,000,000	0.43%
7	Mr. Panote Sirivadhanabhakdi	107,000,000	0.43%
8	Mrs. Wallapa Traisorat	107,000,000	0.43%
9	Mrs. Atinant Bijananda	88,000,000	0.35%
10	Mr. Natthavat Tejapaibul	72,377,500	0.29%
11	Others shareholders (apart from major shareholder listed above)	868,679,056	3.45%
	Total	25,110,025,000	100.00%

Source: Annual report 2013

Table 7-3 Major Shareholders under The Central Depository (Pte) Limited

No.	Major Shareholders	No. of shares	%
1	Citibank Nominees Singapore Pte Ltd	2,320,069,894	28.4%
2	United Overseas Bank Nominees (Private) Limited	1,633,470,515	19.99%
3	DBS Nominees (Private) Limited	1,456,543,392	17.83%
4	DBSN Services Pte Ltd	1,092,713,430	13.38%
5	HSBC (Singapore)Nominees Pte Ltd	356,166,128	4.36%
6	UOB KayHian Private Limited	320,048,000	3.92%
7	LIM & TAN Securities Pte Ltd	102,765,000	1.26%
8	Mr. Vivat Tejapaibul	100,000,000	1.22%
9	Raffles Nominees (Pte) Limited	79,243,743	0.97%
10	BNP Paribas Securities Services Singapore Branch	62,450,262	0.76%
11	Others	646,249,000	7.91%
	Total	8,169,719,364	100.00%

Source: Annual report 2013

1.5. The board of directors and the executive committee

Table 7-4: Board of Directors of ThaiBev

No	Name	Position
1	Mr. Charoen Sirivadhanabhakd	Chairman
2	Khunying Wanna Sirivadhanabhakd	Vice Chairman
3	Mr. Narong Srisa-an	Vice Chairman
4	Mr. Komen Tantiwiwatthanaphan	Vice Chairman
5	Mr. Puchchong Chandhanakij	Director
6	Ms. Kanoknart Rangsihienchai	Director
7	Mr. Prasit Kovilaikool	Independent Director and Audit Committee Chairman
8	Prof. Kanung Luchai	Independent Director and Audit Committee Chairman
9	Mr. Manu Leoparote	Independent Director and Audit Committee Chairman

No	Name	Position
10	Mr. Ng Tat Pun	Independent Director and Audit Committee Chairman
11	Mr. Michael Lau Hwai Keong	Independent Director
12	Prof. Pornchai Matangkasombu	Independent Director
13	Dr. Sakthip Krairiksh	Independent Director
14	Gen. Dr. Choo-Chat Kambhu Na Ayudhya	Independent Director
15	Mr. Vivat Tejapaibul	Director
16	Mr. Panote Sirivadhanabhakdi	Director
17	Mr. Thapana Sirivadhanabhakdi	President and CEO
18	Mr. Ueychai Tantha-Obhas	Director and Executive Vice President
19	Mr. Sithichai Chaikriangkrai	Director and Executive Vice President
20	Dr. Pisanu Vichiensanth	Director and Senior Vice President

Source: Annual report 2013

Table 7-5 Executive Committee of ThaiBev

No	Name	Position
1	Mr. Charoen Sirivadhanabhakdi	Executive Chairman
2	Khunying Wanna Sirivadhanabhakdi	1st Executive Vice Chairman
3	Mr. Narong Srisa-an	2nd Executive Vice Chairman
4	Mr. Komen Tantiwattathanaphan	3rd Executive Vice Chairman
5	Mr. Puchchong Chandhanakij	4th Executive Vice Chairman
6	Ms. Kanoknart Rangsihienchai	5th Executive Vice Chairman
7	Mr. Thapana Sirivadhanabhakdi	President and CEO
8	Mr. Ueychai Tantha-Obhas	Director and Executive Vice President
9	Mr. Sithichai Chaikriangkrai	Director and Executive Vice President
10	Dr. Pisanu Vichiensanth	Director and Senior Vice President
11	Mr. Prapakon Thongthepairot	Senior Vice President
12	Mr. Marut Buranasetkul	Senior Vice President
13	Mr. Jean Lebreton	Senior Vice President
14	Mr. Kosit Suksingha	Senior Vice President
15	Mr. Vichate Tantiwanich	Senior Vice President
16	Ms. Vaewmanee Soponpinij	Senior Vice President

Source: Annual report 2013

1.6. Financial position and performance

Table 7-6: Statement of financial position of ThaiBev

	31 December 2554		31 December 2555		31 December 2556		30 September 2557	
	Million Baht	%	Million Baht	%	Million Baht	%	Million Baht	%
Cash and cash equivalents	3,442.42	3.46%	4,544.97	2.19%	5,101.57	2.78%	1,910.45	1.10%
Current investments	12.80	0.01%	2.29	0.00%	6.79	0.00%	3.04	0.00%
Trade account receivables	3,618.53	3.64%	3,582.91	1.73%	3,890.63	2.12%	2,680.54	1.54%
Other receivables	962.74	0.97%	898.57	0.43%	614.92	0.34%	684.55	0.39%
Current portion of long-term loans	-	-	27.56	0.01%	2.25	0.00%	0.24	0.00%
Short-term loans to and other receivables from related parties	2,289.74	2.30%	1,246.31	0.60%	248.77	0.14%	51.89	0.03%
Inventory	30,552.27	30.75%	32,972.44	15.88%	34,836.91	19.00%	37,875.84	21.73%
Other current assets	4,297.83	4.33%	3,874.07	1.87%	5,022.14	2.74%	3,604.53	2.07%

	31 December 2554		31 December 2555		31 December 2556		30 September 2557	
	Million Baht	%	Million Baht	%	Million Baht	%	Million Baht	%
Total current assets	45,176.33	45.47%	47,149.10	22.70%	49,723.98	27.12%	46,811.09	26.86%
Investment in associate	149.16	0.15%	104,319.64	50.23%	75,558.20	41.21%	68,855.42	39.51%
Other long-term investments	233.84	0.24%	319.79	0.15%	273.79	0.15%	271.90	0.16%
Long-term loans to and other receivables from related parties	53.46	0.05%	57.39	0.03%	73.49	0.04%	77.20	0.04%
Other long-term loans	-	-	2.22	0.00%	-	-	-	-
Investment properties	678.27	0.68%	858.72	0.41%	1,014.97	0.55%	1,010.64	0.58%
Properties, plant and equipment	43,367.42	43.65%	45,320.06	21.82%	46,827.20	25.54%	47,617.16	27.32%
Goodwill	7,033.92	7.08%	7,038.30	3.39%	7,052.10	3.85%	7,048.05	4.04%
Intangible assets	171.11	0.17%	158.69	0.08%	160.49	0.09%	144.54	0.08%
Leasehold rights	191.67	0.19%	174.17	0.08%	171.73	0.09%	160.23	0.09%
Deferred tax assets	341.09	0.34%	397.38	0.19%	391.90	0.21%	426.39	0.24%
Other non-current assets	1,965.37	1.98%	1,890.33	0.91%	2,081.65	1.14%	1,842.99	1.06%
Total non-current assets	54,185.31	54.53%	160,536.69	77.30%	133,605.51	72.88%	127,454.52	73.14%
Total assets	99,361.64	100.00%	207,685.79	100.00%	183,329.49	100.00%	174,265.61	100.00%
Bank overdrafts and short-term loan from financial institutions	5,226.90	5.26%	11,334.95	5.46%	2,166.84	1.18%	4,018.33	2.31%
Trade account payable	5,297.25	5.33%	5,108.14	2.46%	5,202.48	2.84%	4,031.64	2.31%
Other payables	3,685.93	3.71%	4,213.19	2.03%	3,939.23	2.15%	4,588.06	2.63%
Current portion of long-term loans from financial institutions	1,800.00	1.81%	4,672.28	2.25%	10,189.87	5.56%	10,417.56	5.98%
Short-term loans from and other payables to related parties	145.91	0.15%	302.86	0.15%	237.73	0.13%	231.81	0.13%
Income tax payable	2,925.76	2.94%	2,814.99	1.36%	2,647.14	1.44%	1,626.48	0.93%
Short-term provisions	44.96	0.05%	39.04	0.02%	22.09	0.01%	21.08	0.01%
Other current liabilities	2,112.48	2.13%	2,107.49	1.01%	1,824.83	1.00%	1,586.84	0.91%
Total current liabilities	21,239.19	21.38%	30,592.94	14.73%	26,230.20	14.31%	26,521.80	15.22%
Long-term loans from and other payables to related parties	0.45	0.00%	0.11	0.00%	0.10	0.00%	0.10	0.00%
Debentures	-	-	-	-	1,000.00	0.55%	1,000.00	0.57%
Long-term loans from financial institutions	11,200.00	11.27%	88,146.18	42.44%	54,342.86	29.64%	42,473.47	24.37%
Deferred tax liabilities	1,252.19	1.26%	1,374.05	0.66%	1,314.81	0.72%	1,089.35	0.63%
Employee benefit obligation	2,340.53	2.36%	2,437.45	1.17%	2,313.71	1.26%	2,444.36	1.40%
Other non-current liabilities	126.92	0.13%	163.68	0.08%	134.70	0.07%	148.61	0.09%
Total non-current liabilities	14,920.09	15.02%	92,121.47	44.36%	59,106.19	32.24%	47,155.90	27.06%
Total liabilities	36,159.28	36.39%	122,714.41	59.09%	85,336.40	46.55%	73,677.69	42.28%
Authorized share capital	29,000.00	29.19%	29,000.00	13.96%	29,000.00	15.82%	29,000.00	16.64%
Issued and paid up capital	25,110.03	25.27%	25,110.03	12.09%	25,110.03	13.70%	25,110.03	14.41%
Difference arising from common control transaction	(19,732.32)	-19.86%	(19,718.44)	-9.49%	(19,718.44)	-10.76%	(19,718.44)	-11.32%
Premium on ordinary shares	17,215.74	17.33%	17,215.74	8.29%	17,215.74	9.39%	17,215.74	9.88%
Retained earnings-appropriated-legal reserve	2,900.00	2.92%	2,900.00	1.40%	2,900.00	1.58%	2,900.00	1.66%
Retained earnings-unappropriated	32,956.59	33.17%	52,399.13	25.23%	63,010.73	34.37%	66,919.38	38.40%

	31 December 2554		31 December 2555		31 December 2556		30 September 2557	
	Million Baht	%	Million Baht	%	Million Baht	%	Million Baht	%
Other components of equity	1,300.27	1.31%	3,469.59	1.67%	5,768.06	3.15%	4,659.32	2.67%
Non-controlling interest	3,452.06	3.47%	3,595.35	1.73%	3,706.97	2.02%	3,501.89	2.01%
Total Equity	63,202.36	63.61%	84,971.39	40.91%	97,993.09	53.45%	100,587.91	57.72%
Total liabilities and equity	99,361.64	100.00%	207,685.79	100.00%	183,329.49	100.00%	174,265.61	100.00%

Assets

As at 31 December 2012 ThaiBev had total assets of 207,685.79 million Baht which reflected an increase by 108,324.16 million Baht or 109.02% from the previous year due to additional investment in affiliated companies where ThaiBev acquired shares in Fraser & Neave Ltd ("F&N"), the manufacturer and distributor of drinks, real estate operator, and leading printing house in Singapore. The Company's inventory and land and equipment also increased.

As at 31 December 2013 ThaiBev had total assets of 183,329.49 million Baht which reflected a decrease by 24,356.31 million Baht or 11.73% from the previous year due to a decrease in investment in associate which is F&N, an affiliated company, in July 2013.

As at 30 September 2014, ThaiBev had total assets of 174,265.61 million Baht which reflected a decrease by 9,063.88 million Baht or 4.94% from 31 December 2013 which was primarily due to a decrease in trade account receivables and further decrease in investment in associate which is F&N in February 2014.

Liabilities

As at 31 December 2012, ThaiBev had total liabilities of 122,714.41 million Baht which reflected an increase by 86,555.13 million Baht or 239.37% from the previous year due to an increase in long-term borrowing from financial institutions for investment in affiliated companies.

As at 31 December 2013, ThaiBev had total liabilities of 85,336.40 million Baht which reflected a decrease by 37,378.01 million Baht or 30.46% from the previous year due to repayment of the long-term borrowing from financial institutions. The company use cash received from investment in F&N's to pay off the long-term borrowing from financial institutions.

As at 30 September 2014, ThaiBev had total liabilities of 73,677.69 million Baht which reflected a decrease by 11,658.70 million Baht or 13.66% from 31 December 2013 due to additional repayment of the long-term borrowing from financial institutions.

Shareholders' Equity

As at 31 December 2012, ThaiBev had the shareholders' equity of 84,971.39 million Baht which reflected an increase by 21,769.03 million Baht or 34.44% from the previous year due to an increased in retained earnings.

As at 31 December 2013, ThaiBev had the shareholders' equity of 97,993.09 million Baht which reflected an increase by 13,021.70 million Baht or 15.32% from the previous year due to an increased in retained earnings and profit from sale of number of shares in Oishi less dividend payment.

As at 30 September 2014, ThaiBev had the shareholders' equity of 100,587.91 million Baht which reflected an increase by 2,594.82 million Baht or 2.65% from 31 December 2013 due to an increased in retained earnings.

Table 7-7: Statement of comprehensive income of ThaiBev

	As of 31 December						9 month period ended	
	2011		2012		2013		Jan – Sep 2014	
	Million Baht	%	Million Baht	%	Million Baht	%	Million Baht	%
Revenue from sale of goods	132,186.53	99.40%	161,043.75	99.48%	155,770.54	99.28%	116,343.65	99.56%
Dividend income	0.84	0.00%	6.14	0.00%	22.74	0.01%	4.06	0.00%
Interest income	37.55	0.03%	73.99	0.05%	68.17	0.04%	96.16	0.08%
Net gain on foreign exchange	83.59	0.06%			259.57	0.17%	50.65	0.04%
Other income	672.31	0.51%	756.88	0.47%	772.26	0.49%	360.42	0.31%
Total revenue	132,980.82	100.00%	161,880.75	100.00%	156,893.28	100.00%	116,854.94	100.00%
Cost of sale of goods	97,453.29	73.28%	115,621.97	71.42%	112,033.20	71.41%	81,927.48	70.11%
Selling expenses	8,276.59	6.22%	12,231.71	7.56%	12,590.44	8.02%	9,443.61	8.08%
Administrative expenses	9,155.31	6.88%	10,386.17	6.42%	10,146.80	6.47%	7,802.94	6.68%
Net Loss on foreign exchange	-	-	1,945.52	1.20%	-	-	-	-
Loss from natural disaster	160.28	0.12%	-	-	-	-	-	-
Finance cost	454.77	0.34%	1,401.36	0.87%	2,318.69	1.48%	1,146.67	0.98%
Total expenses	115,500.23	86.85%	141,586.73	87.46%	137,089.13	87.38%	100,320.70	85.85%
Share of profit of associates, net of tax	(196.64)	-0.15%	922.75	0.57%	3,434.03	2.19%	1,916.57	1.64%
Profit before gain of purchase of investment in associate and income tax expenses	17,283.95	13.00%	21,216.78	13.11%	23,238.18	14.81%	18,450.80	15.79%
Gain on purchase of investment in associate	-	-	12,688.35	7.84%	-	-	-	-
Profit (loss) before income tax expenses	17,283.95	13.00%	33,905.12	20.94%	23,238.18	14.81%	18,450.80	15.79%
Income tax expenses	(5,317.35)	-4.00%	(5,145.58)	-3.18%	(4,236.37)	-2.70%	(3,397.74)	-2.91%
Profit (loss) for the period	11,966.60	9.00%	28,759.54	17.77%	19,001.81	12.11%	15,053.07	12.88%

Revenue

During 2011 – 2013 and the first nine month of 2014, ThaiBev's sale revenue was 99.40%, 99.48%, 99.28% and 99.56% of total revenue, respectively.

In 2012, ThaiBev's revenue increased by 28,899.93 million Baht or equal to 21.73% from 2011 due to an increase in sale revenue from distillery business, brewery business, non-alcohol beverage business, and food business.

In 2013, ThaiBev's revenue decreased by 4,987.48 million Baht or equal to 3.08% from 2012. This was primarily due to a decrease in sale revenue from brewery business, and non-alcohol beverage business particularly a decrease in sale revenue of Sermsuk Plc after suspension of distribution of products under the old brands after the expiry of the agreements in the end of 2012 and commencement of distribution the products under new brands.

During the first nine month of 2014, ThaiBev's revenue increased by 5,825.61 million Baht or 5.25% as compared to the same period of previous year due to an increase in revenue in distillery business, brewery business, and food business. However, revenue from non-alcohol beverage business decreased year on year.

Expenses

Major expenses of ThaiBev are as follows:

- Cost of Sale

In 2012, ThaiBev's cost of sale increased by 18,168.68 million Baht or equal to 18.64% from 2011 whereas in 2013, cost of sale decreased by 3,588.77 million Baht or equal to 3.10% from 2012 according to the sale volume.

During the first nine month of 2014, ThaiBev's cost of sale increased by 1,970.58 million Baht or 2.46% as compared to the same period of previous year.

- Selling and Administrative Expenses

In 2012, ThaiBev's selling and administrative expenses were 22,617.88 million Baht which reflected an increase by 5,185.98 million Baht or equal to 29.75% of the previous year according to an increase in the sale volume.

In 2013, the selling and administrative expenses were 22,737.24 million Baht which slightly increased by 119.36 million Baht or equal to 0.53% due to increase in selling expenses, part of which was additional sale promotion expenses, and marketing expense of Sermasuk Plc for "est" beverage product launch.

During the first nine months of 2014, ThaiBev's selling and administrative expenses were 17,246.55 million Baht which reflected an increase by 135.05 million Baht or equal to 0.79% as compared to the same period of previous year.

- Financial Cost

In the past three years and during the first nine months of 2014, ThaiBev incurred financial cost of 455.77 million Baht, 1,401.36 million Baht, 2,318.69 million Baht, and 1,146.67 million Baht, respectively. In 2013, the financial cost increased substantially because of substantial increase in borrowing for investment in affiliated companies.

In 2012, ThaiBev's net cash increased by 245.35 million Baht. The net cash provided by operating activities was 19,725.75 million Baht, most of which came from the net profit. The net cash used in investment activities was 94,897.10 million Baht which was mainly used in investment in affiliated companies and purchase of land, building, and equipment. The net cash provided by financing activities was 75,416.70 million Baht which was mainly bank overdrafts and additional borrowing from financial institutions.

Table 7-8: Cash flow statement of ThaiBev

Million Baht	As of 31 December			9 month period ended
	2011	2012	2013	Jan – Sep 2014
Net cash provided by (used in) operating activities	12,147.10	19,725.75	18,086.83	14,635.06
Net cash provided by (used in) investing activities	(11,892.37)	(94,897.10)	32,797.76	3,775.43
Net cash provided by (used in) financing activities	(377.26)	75,416.70	(51,148.31)	(21,537.77)

Million Baht	As of 31 December			9 month period ended
	2011	2012	2013	Jan – Sep 2014
Net increase (decrease) in cash and cash equivalents	(122.53)	245.35	(263.72)	(3,127.29)

In 2012, ThaiBev's net cash increased by 245.35 million Baht. The net cash provided by operating activities was 19,725.75 million Baht, most of which came from the net profit. The net cash used in investment activities was 94,897.10 million Baht which was mainly used in investment in affiliated companies and purchase of land, building, and equipment. The net cash provided by financing activities was 75,416.70 million Baht which was mainly bank overdrafts and additional borrowing from financial institutions.

In 2013, the net cash decreased by 263.72 million Baht. The net cash provided by operating activities was 18,086.83 million Baht, most of which came from the net profit. The net cash provided by investment activities was 32,797.76 million Baht, most of which came from sale of shares in Oishi and decrease in capital of affiliated companies. The net cash used in financing activities was 51,148.31 million Baht which was due to decrease in bank overdrafts, borrowing from financial institutions, and dividend payment.

During the first nine months of 2014 ThaiBev's net cash decreased by 3,127.29 million Baht. The net cash provided by operating activities was 14,635.06 million Baht. The net cash provided by investment activities was 3,775.43 million Baht which mainly came from a decrease in capital in affiliated companies. The net cash used in financing activities was 21,537.77 million Baht, most of which was repayment for short-term and long-term borrowings from financial institutions.

Table 7-9: Financial ratio of ThaiBev

Million Baht	As of 31 December			9 month period ended
	2011	2012	2013	Jan – Sep 2557
Liquidity ratio				
Current ratio (times)	2.13	1.54	1.90	1.77
Cash ratio (times)	0.16	0.15	0.19	0.07
Account receivable turnover (times)	26.76	25.56	29.72	37.97
Average collection period (days)	14	14	12	10
Inventory turnover (times)	3.38	3.64	3.30	3.00
Average inventory period (days)	108	100	110	121
Account payable turnover (times)	12.91	12.63	12.14	12.30
Average payable period (days)	28	29	30	30
Profitability ratio				
Gross profit (%)	26.28%	28.20%	28.08%	29.58%
Operating profit margin (%)	13.09%	14.16%	13.48%	14.76%
Net profit margin (%)	9.00%	17.77%	12.11%	12.94%
Return on equity (%)	20.04%	38.82%	20.77%	20.21%
Efficiency ratio				
Return on assets (%)	13.57%	18.73%	9.72%	11.23%
Return on fixed assets (%)	30.50%	64.86%	41.24%	42.50%

Million Baht	As of 31 December			9 month period ended
	2011	2012	2013	Jan – Sep 2557
Asset turnover (times)	1.50	1.05	0.80	0.87
Solvency ratio				
Debt to equity (times)	0.57	1.44	0.87	0.73

Analysis of Financial Position and Result of Operation

During 2011 – 2013, ThaiBev' liquidity ratio was 1.54 – 2.13 times whereas the first nine months of 2014 liquidity ratio slightly decreased to 1.77 times due to a decrease in current assets which was primarily due to decrease in cash and cash equivalent and trade account receivables.

During 2011 – 2013, ThaiBev's average collection period was 12 – 14 days whereas, the average collection period during the first nine months of 2014 was 10 days.

In 2013, the operating profit margin and the net profit decreased due to a decrease in sale volume particularly in sale revenue of Sermsuk Plc due to suspension of production of carbonated beverages and energy drinks under the old brands after the expiry of the agreements in the end of 2012 and commencement of distribution of the products under new brands which also resulted in a decrease in return on equity. During the first nine months of 2014, the operating profit margin and the net profit increased when compared to 2013, part of which was due to an increase in gross profit in brewery business as a result of increase in sale volume and lower price of raw materials.

During 2011 – 2013, the debt to equity ratio was 0.57– 1.44 times whereas during the first nine months of 2014, the debt to equity ratio decreased to 0.73 times due to a decrease in borrowings from financial institutions and an increase in retained earnings.

1.7. Industry overview and competition

Kasikorn Research Center forecast that the domestic beverage market in 2013 would be approximately 4.1 - 4.2 hundred billion Baht with 4% - 5% expansion which showed a slow down when compared to the previous year in which the growth was 8%. Although in the second half of the year, the beverage market is still facing challenges particularly in quarter 3 due to seasonal factors and a decrease in consumer confidence, beverage business operators' adaptation of strategy will continue to drive the competition. It is therefore anticipated that the beverage business will continue to grow due to the sale in the first half of the year.

At present, alcohol beverage business is facing pressure from market competition from domestic operators and imported alcohol beverage, limited domestic market growth as well as strict alcohol measures within the country.

1.5. The board of directors

As of 25 June 2014, Super Brands' board of directors is as follows:

- 1) Mr. Thapana Sirivadhanabhakdi
- 2) Mr. Prapakon Thongtheppairot
- 3) Mr. Ho Eng Seng David
- 4) Ms. Tan Yen Hoon
- 5) Ms. Ong Hwee Lin Gene



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