

The Opinion of Independent Financial Advisor

Regarding Connected Transaction

of

Eastern Water Resources Development and Management Plc.



Presented to

Shareholders of

Eastern Water Resources Development and Management Plc.

By

Asia Plus Advisory Company Limited



30 June 2015

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June 30, 2015

Subject: Independent Financial Advisor's Opinion on the Connected Transaction of Eastern Water Resources Development and Management Public Company Limited

To: Shareholders
Eastern Water Resources Development and Management Public Company Limited

Important Note:

This report was prepared in Thai and this English version is a translation of the Thai report. While every effort was made to ensure the accuracy of the translation, there could be some inconsistency between the Thai report and the English translation. In any case, the Thai report shall take precedence and be considered the official IFA report over its English translation.

Regarding the resolutions from the Board of Directors' meeting of Eastern Water Resources Development and Management Public Company Limited ("EASTW") No. 8/2015 on 17 June 2015, there is the Board's resolution to approve the subsidiary company, Universal Utilities Company Limited ("UU") to purchase 25,597,096 shares of Egcom Tara Company Limited ("EGCOM") represents 74.19% of total registered and paid-up capital of 1,600 million Baht from Egco Engineering and Services Company Limited ("ESCO"), held 100% by Electricity Generating Public Company Limited ("EGCO").

This transaction is not classified as the asset acquisition transaction that require disclosure and not need shareholders' approval according to Notification of the Capital Market Supervisory Board No Tor Jor 20/2008 Re: Rules on Entering into Material Transactions Deemed as Acquisition or Disposal of Assets dated 31 August 2008 (as amended) and Notification of the Board of Governors of the Stock Exchange of Bor Jor/Por 21-01 Re: Disclosure of Information and other Acts of Listed Companies concerning the Acquisition and Disposition of Assets, 2004 dated 29 October 2004 (as amended) because the transaction maximum size calculated by procedure prescribed is 10.03% of total asset value of EASTW (referred to EASTW financial statement as of 31 March 2015), which is not more than 15% of asset value according to regulation.

This transaction is considered to be the connected transaction since the transaction is between EASTW's subsidiary and a subsidiary of a major shareholder of EASTW, which have a same director with EASTW, according to Notification of the Capital Market Supervisory Board Tor Jor

21/2008 Re: Connected Transaction Rules dated 31 August 2008 (as amended) and Notification of the Board of Governors of the Stock exchange of Thailand Re: Disclosure of Information and Other Acts of Listed Companies concerning the Connected Transactions, 2003 dated 19 November 2003 (as amended) (or "Notification of Connected Transaction"). The transaction is considered to be an asset or service connected transaction that needs the shareholders' approval because the transaction size is 18.29% of net tangible asset of EASTW (referred to EASTW financial statement as of 31 March 2015), which exceeds 20 million Baht or more than 3.00% of net tangible asset according to the regulation. Therefore, this transaction needs shareholders' approval before the execution and needs the shareholders' resolution not less than three-fourth of total shareholders and proxies who have the voting right and come to the meeting, exclude the connected person. EASTW must proceed with notice delivering to shareholders 14 days before the shareholder meeting and list the shareholders with no voting right include number of shares held in the notice of invitation. EASTW also needs to appoint the independent financial advisor to give an opinion on reasonableness of transaction and fairness of price as well as condition attached to provide information to shareholders of EASTW for further approval of this transaction.

The Board of Directors' meeting of EASTW No.8/2015 dated 17 June 2015 has resolution to set up the Extraordinary General meeting of Shareholders No.1/2015 to be on 10 August 2015 to approve on this transaction, and to appoint Asia Plus Advisory Co., Ltd. ("Independent Financial Advisor") as an independent financial advisor to give an opinion on the transaction for EASTW shareholders in this approval process. The study and opinion in this report was formed on the basis of information, assumption and interview session provided by EASTW including the public information available. The Independent Financial Advisor will not certify the accuracy and completeness of information provided by EASTW and/ or management of EASTW.

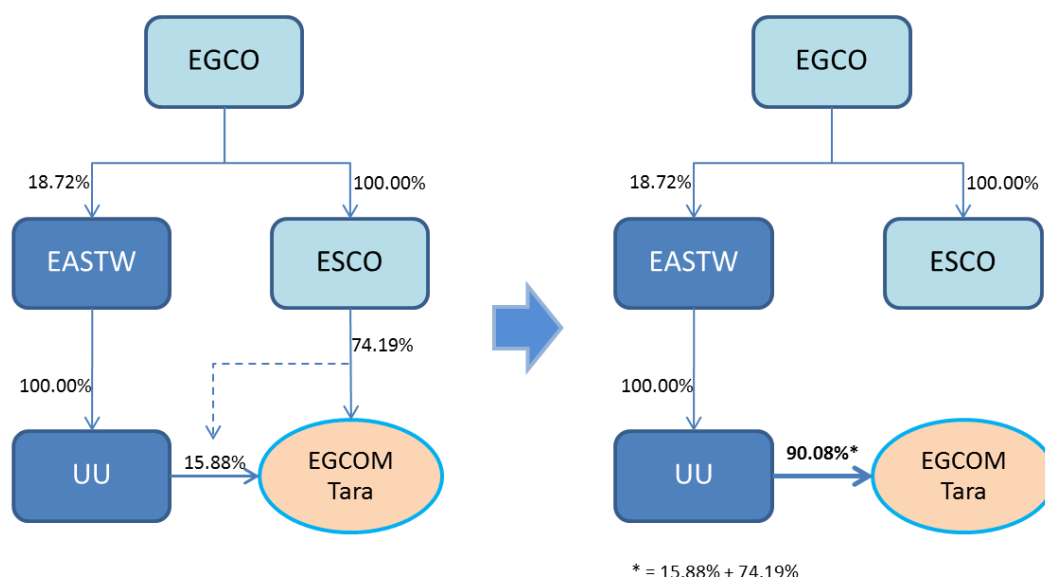
Besides, the Independent Financial Advisor is a qualified Financial Advisor under the supervision of the Securities and Exchange Commission and has no relationship with either the EASTW or any of the related parties to this Transaction.

This report of opinion on the transaction is prepared in order to provide an opinion to shareholders on the reasonableness of the Transaction only. Nevertheless, the final decision depends on individual discretion of shareholders, so the shareholders should thoroughly study this report and other related documents attached with the notice of invitation before giving a vote. The opinion of Independent Financial Advisor is summarized as follows.

Executive Summary

The Board of Directors' Meeting No. 8/2015 of Eastern Water Resources Development and Management Public Company Limited ("the Company" or "EASTW") held on 17 June 2015 resolved to grant approval for Universal Utilities Company Limited ("UU"), the Company's subsidiary, to acquire 25,597,096 shares of EGCOM Tara Company Limited ("EGCOM"), or equivalent to 74.19% of the total number of the paid up capital, from EGCO Engineering and Service Company Limited ("ESCO"), the subsidiary of Electricity Generating Public Company Limited ("EGCO") at the total amount of 1,600.00 Million Baht ("the Transaction"). The Transaction will expand its tap water business operation of the EASTW group by investing in the profitable company with stable revenue streams for long term.

Overview of the structure before the Transaction



The Transaction is classified as a connected transaction according to the Notification of Capital Market Supervisory Board Tor.Jor. 21/2008 RE: Connected Transactions Rules dated 31 August 2008 (as amended) and the Notification of the Board of Governors of the Stock Exchange of Thailand Re: Disclosure of Information and Other Acts of Listed Companies Concerning the Connected Transactions B.E. 2546 (2003) dated 19 November 2003 (as amended) because UU, the subsidiary of EASTW, will purchase shares of EGCOM from ESCO, the subsidiary of EGCO which is also a shareholder of EASTW holding 18.29% of the total issued. The total size of the Transaction is 1,600.00 Million Baht or equivalent to 18.29% of the net tangible assets of the Company which exceeds 20 Million Baht or 3% of the net tangible assets of the Company. Therefore, before executing the Transaction, EASTW shall require approval of the shareholders' meeting by not less than three-fourths of all votes of the shareholders or proxies (if any) attending the meeting and having

the voting right, excluding the votes by the interested shareholders. Additionally, EASTW is required to engage an independent financial advisor to provide opinions on justification of executing the Transaction, and justification of fair price and submit to shareholders for consideration in advance.

The Board of Directors' Meeting No. 8/2015 held on 17 June 2015 resolved to appoint Asia Plus Advisory Co., Ltd. ("Independent Financial Advisor" or "IFA") as the Independent Financial Advisor of the Transaction to provide opinions on justification of executing the Transaction, and reasonableness of transaction price and submit to shareholders for consideration in advance.

According to The IFA reviewed the relevant information, justification of executing the Transaction, reasonableness of fair price, and the terms and conditions of the Transaction, the IFA has following opinions:

Entering into this transaction is appropriate with several advantages for the Company. The Transaction supports the EASTW Group's waterworks business expansion plan because EGCOT is the profitable company with stable revenue streams for long term. EGCOT entered into 30 years Water Purchase Agreement for selling treated water to PWA that expires in 2031 (approximated 16 years remaining operation period). EGCOT also has high dividend payout ratio without any commitments on long-term debt. Moreover, since the Board of Directors of UU already approved to purchase 15.88% of total shares of EGCOT held by EASTW, UU will hold 90.08% of total issued which leads to controlling power in EGCOT after the Transaction. On the other hand, disadvantage of entering into the Transaction is an increase amount of loan from financial institution for executing the Transaction. However, after discussion with the management, the loan amount is expected to be lower because EASTW has a plan to spin-off UU and raise capital for repaying debt from the initial public offering process (IPO).

With regards to the reasonableness of the Transaction price, the IFA has calculated the fair value of EGCOT based on the general accepted valuation approaches. Since the Transaction will give UU a controlling power in EGCOT, the IFA is of an opinion that Discounted Cash Flow Approach is suitable for the Transaction. The fair value of the Transaction is 1,799.96 Million Baht which is more than the total value of Transaction. Consequently, the IFA is of an opinion that the Transaction price is reasonable.

With all of the above reasons, the IFA is of the opinion that the shareholders should vote in favor of approving the Transaction. Nevertheless, the final decision rests primarily with the individual shareholders. The shareholders should study the information contained in this report along with other related information provided and use his/her own judgement in making the final decision.

1. Characteristics and Details of the Transaction**1.1. Characteristics of the Transaction**

The Board of Directors' Meeting No. 8/2015 of Eastern Water Resources Development and Management Public Company Limited ("the Company" or "EASTW") held on 17 June 2015 resolved to grant approval for Universal Utilities Company Limited ("UU"), the Company's subsidiary, to acquire 25,597,096 shares of EGCOT Tara Company Limited ("EGCOT"), or equivalent to 74.19% of the total number of the paid up capital, from EGCO Engineering and Service Company Limited ("ESCO"), the subsidiary of Electricity Generating Public Company Limited ("EGCO") at the total amount of 1,600.00 Million Baht ("the Transaction").

On 1 April 2015, EASTW sent a letter to EGCO stated intention to acquire 74.19% of the total number of the paid up capital of EGCOT from ESCO at the total amount of 1,600.00 Million Baht. EGCO replied back to EASTW dated 18 May 2015 that EGCO's Investment Committee resolved to approve the EASTW's proposal, and the Transaction has to be proceeded in compliance with legal requirement and guideline of the Stock Exchange of Thailand with the target of completion within Year 2015. EASTW later informed EGCO on 28 May 2015 that UU would replace EGCO as the buyer of the Transaction.

The Transaction is classified as a connected transaction because EGCO, the parent company of ESCO, was a major shareholder of EASTW held 18.29% of the total issued as of the latest share registration book closing date on 29 May 2015. In addition, both EGCO and EASTW have the co-director namely Mr. Sahast Pratuknukul. The total size of the Transaction is 1,600.00 Million Baht or equivalent to 18.29% of the net tangible assets of the Company which exceeds 20 MB or 3% of the net tangible assets of the Company. Therefore, before executing the Transaction, the Company shall require approval of the shareholders' meeting by not less than three-fourths of all votes of the shareholders or proxies (if any) attending the meeting and having the voting right, excluding the votes by the interested shareholders, EGCO, because EGCO is the major shareholder of EASTW and considered as a connected person that has interest in the Transaction. EGCO is not entitled to vote the approval of the Transaction since EGCO holds 311,443,190 shares of EASTW or equivalent to 18.72% of the fully paid capital. The Board of Directors of EASTW also resolved to schedule the Extraordinary General Meeting No. 1/2015 on 10 August 2015 to seek approval for the Transaction.

In addition, according to the Articles of Association of EGCOT, it divides group of shareholders into 3 groups; 1) ESCO, 2) EASTW (At present, EGCOT shares of EASTW is acquired by UU, but the transaction is in the same shareholder group because UU is a subsidiary of EASTW)

and 3) Individual shareholders. Since the Transaction is occurred among different groups of EGCOT shareholders group, the Articles of Association of EGCOT requires the seller group of EGCOT shares to inform and offer by written to the other group of shareholder who is able to exercise right to buy the offered shares of the seller based on the percentage of shares held. Consequently, with reference to the Transaction, ESCO shall send letter to inform the other group of shareholder which is the Individual shareholders group prior to the Transaction. If the Individual shareholders group rejects the offer or replies back to ESCO after the given due date (within 60 days after receiving the offer), ESCO is then able sell the whole amount of shares to UU. If the Individual shareholders group chooses to exercise the right to buy EGCOT shares of ESCO, the amount of shares in the Transaction would be changed accordingly.

1.2. Date of the Transaction

UU will acquire EGCOT shares from ESCO after the approval of the shareholders in the Extraordinary General Meeting No. 1/2015 which will be held on 10 August 2015. The Transaction is expected to be completed within the 3rd quarter of 2015.

1.3. Parties Involved and Relationship within the Company

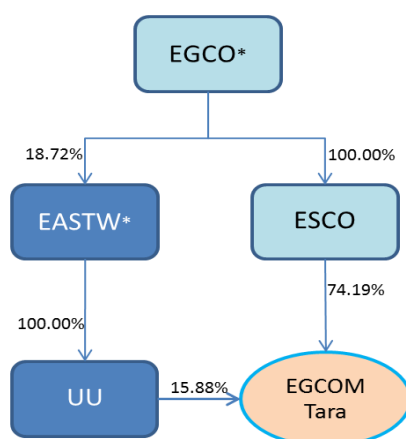
Buyer : Universal Utilities Company Limited ("UU") (with reference to the letter of EASTW that UU will replace EASTW as the buyer of the Transaction)

Seller : EGCOT Engineering and Service Company Limited ("ESCO")

1.4. Details of assets acquired

UU shall purchase 25,597,096 common shares of EGCOT or equivalent to 74.19% of the fully paid capital.

1.5. Nature of relationship of the connected persons



* Mr. Sahust Pratuknukul is a co-director.

UU, the wholly owned subsidiary of EASTW, and ESCO are considered as connected persons of EASTW because ESCO is the wholly owned subsidiary of EGCO. EGCO is also a major shareholder of EASTW since EGCO holds 18.72% shares of EASTW. Moreover, both EGCO and EASTW have co-director namely Mr. Sahust Pratuknukul, the president and the authorized director of EGCO.

As EGCO is the major shareholder of EASTW and considered as a connected person that has interest in the Transaction, it is not entitled to vote the approval of the Transaction. EGCO holds 311,443,190 shares of EASTW or equivalent to 18.72% of the fully paid capital.

1.6. Type and Size of the Transaction

The Transaction is not classified as a significant acquisition under Notification of the Capital Market Supervisory Board Tor.Jor. 20/2008 Re: Rules on Entering into Material Transactions deemed as Acquisition or Disposal of Assets dated 31 August 2008 (as amended) and Notification of the Board of Governors of the Stock exchange of Thailand Re: Disclosure of Information and Other Acts of Listed Companies concerning the Acquisition and Disposal of Assets, 2004 dated 29 October 2004 (as amended) since the size of the Transaction was calculated at 10.03% of the total assets of EASTW based on the total value of consideration criteria. However, the Transaction is classified as a connected transaction of listed companies regarding assets and services that needs to be approved by the general meeting of the shareholders under the Notification of the Capital Market Supervisory Board Tor.Jor. 21/2008 Re: Connected Transaction Rules dated 31 August 2008 (as amended) and Notification of the Board of Governors of the Stock exchange of Thailand Re: Disclosure of Information and Other Acts of Listed Companies concerning the Connected Transactions, 2003 dated 19 November 2003 (as amended). The size of this Transaction was calculated at 18.29% of Net tangible assets ("NTA") of EASTW according to the reviewed financial statements for the 3 month period ending 31 March 2015, which is the latest reviewed financial statement as of the date of the Board of Directors' Meeting. The size of the connected transaction and the size of the assets acquisition transaction can be calculated as follows.

1.6.1. Size of the Assets Acquisition Transaction

The size of the asset acquisition transaction was calculated based on the figures from the reviewed consolidated financial statements of EASTW and its subsidiaries as of 31 March 2015, which is the latest reviewed financial statements as of the date of the Board of Directors' Meeting, according to the following criteria:

Criteria	Calculation	Transaction size (%)
1. Value of Assets	$= \frac{\% \text{ Shareholding} \times \text{NTA of EGCOR}}{\text{NTA of EASTW}}$ $= \frac{74.19\% \times 534.71^{(1)}}{8,747.73^{(2)}}$	4.54
2. Net Profit	$= \frac{\% \text{ Shareholding} \times \text{Net profit of EGCOR}}{\text{Net profit of EASTW}}$ $= \frac{74.19\% \times 178.29}{1,371.28^{(3)}}$	9.65
3. Value of Total Consideration	$= \frac{\text{Value of total consideration}}{\text{Total assets of EASTW}}$ $= \frac{1,600.00}{15,959.30}$	10.03
4. Value of Securities Issued in Consideration of the Acquisition of Assets	- Not applicable since this Transaction involves no issuing of securities in consideration -	

Remark: (1) NTA of EGCOR = Total assets – Total liabilities – Intangible assets which do not generate a core revenue – Non controlling interest (579.90 – 45.19 – 0 – 0)

(2) NTA of EASTW included right from service concession arrangements of tap water business which the EASTW Group received from entering into the agreement with the Ministry of Natural Resources and Environment and the Provincial Waterworks Authority amounting to THB 1,559.5 million. NTA of EASTW = Total assets – Total liabilities – Intangible assets which do not generate a core revenue – Non controlling interest (15,959.30 – 7,034.08 – (1,707.42 – 1,559.50) – 29.57)

(3) Net profit of EASTW = Net profit in Q1/2015 + Net profit in Q2/2014 to Q4/2014 (408.94 + 962.34)

From the table above, the size of the Transaction calculated according to the Value of Total Consideration criteria is 10.03% of total assets of EASTW, which is less than 15.00%. As such, the Transaction is not classified as a significant acquisition under Notification of the Capital Market Supervisory Board Tor.Jor. 20/2008 Re: Rules on Entering into Material Transactions deemed as Acquisition or Disposal of Assets dated 31 August 2008 (as amended) and Notification of the Board of Governors of the Stock exchange of Thailand Re: Disclosure of Information and Other Acts of Listed Companies concerning the Acquisition and Disposition of Assets, 2004 dated 29 October 2004 (as amended).

1.6.2. Size of the Connected Transaction

The size of the connected transaction was calculated based on the figures from the reviewed consolidated financial statements of EASTW and its subsidiaries as of 31 March 2015, which is the latest audited financial statements as of the date of the Board of Directors' Meeting, according to the following criteria:

Criteria	Calculation	Transaction size (%)
1. Value of Total Consideration	$= \frac{\text{Value of total consideration}}{\text{NTA of EASTW}}$ $= \frac{1,600.00}{8,747.73^{(1)}}$	18.29
2. Book value of assets	$= \% \text{ Shareholding} \times \text{Book value of EGCOM}$ $= \frac{\text{NTA of EASTW}}{74.19\% \times 534.71}$ $= \frac{74.19\% \times 534.71}{8,747.73^{(1)}}$	4.54
3. Market value of assets	- Not applicable as market value of EGCOM is unavailable -	

Remark: (1) NTA of EASTW included right from service concession arrangements of tap water business which the EASTW Group received from entering into the agreement with the Ministry of Natural Resources and Environment and the Provincial Waterworks Authority amounting to THB 1,559.5 million. NTA of EASTW = Total assets – Total liabilities – Intangible assets which do not generate a core revenue – Non controlling interest (15,959.30 – 7,034.08 – (1,707.42 – 1,559.50) – 29.57)

From the table above, the size of the Transaction calculated according to the Value of Total Consideration criteria is 18.29% of NTA of EASTW. As such, the Transaction is classified as a connected Transaction of listed companies regarding assets and services that needs to be approved by the general meeting of the shareholders under the Notification of the Board of Governors of the Stock exchange of Thailand Re: Disclosure of Information and Other Acts of Listed Companies concerning the Connected Transactions, 2003 dated 19 November 2003 (as amended) since the Transaction value is greater than THB 20.00 million or 3.00% of NTA, whichever is higher. NTA of EASTW is based on the reviewed consolidated financial statements for the 3 month period ending 31 March 2015, which is the latest reviewed financial statement as of the date of the Board of Directors' Meeting.

1.7. Value of consideration

UU shall purchase common shares of EGCOM from ESCO, a connected person of EASTW, at the total value of consideration amounts to 1,600.00 Million Baht paid in cash for the whole amount.

1.8. Source of fund

UU will enter into a loan agreement with financial institutions for the total amount of the Transaction. On 17 June 2015, UU sent letter to 15 commercial banks to offer credit facility agreement for the Transaction within the given due date of 28 July 2015. However, as of the date of preparing the IFA report, neither contract nor written agreement was made for the Transaction.

1.9. Terms and conditions of entering into the Transaction

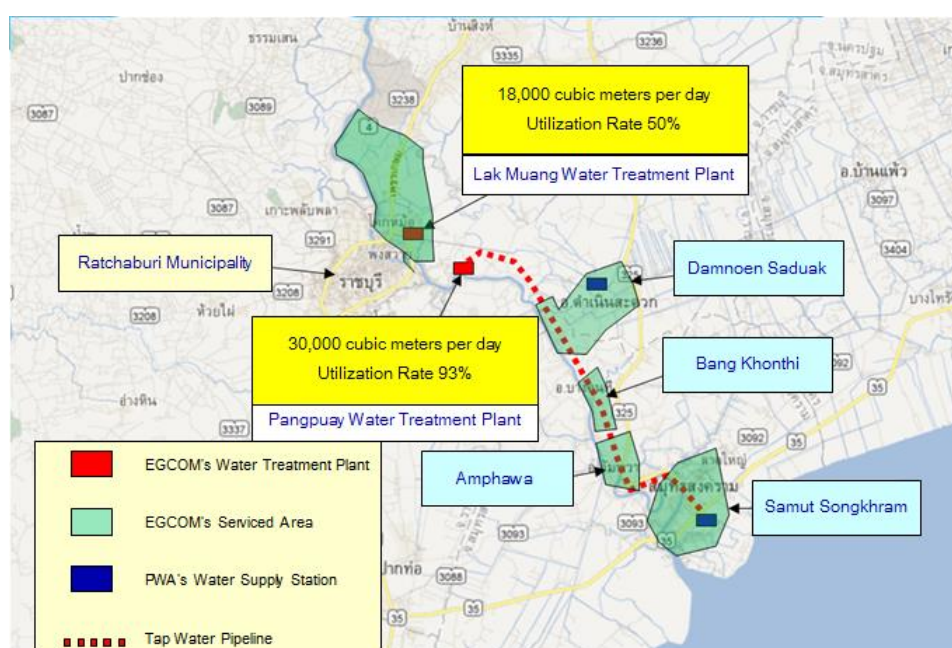
With reference to the EGCO's letter of approval on the Transaction that replied back to EASTW, the Transaction shall be executed in compliance with legal requirement and guideline of the Stock Exchange of Thailand with the target of completion in 2015.

2. Overview of EGCOT Tara Co., Ltd. ("EGCOM")

2.1. Nature of Business Operations

EGCOM was registered as a company limited on 23 April 2009 with fully-paid registered capital of 345 MB. Its primary business operation is the manufacturer and distributor of treated water according to Thailand Industrial Standard of the safe drinkable water for the Provincial Waterworks Authority ("PWA"). In addition, PWA supports tap water usage in replacement of ground water in order to resolve water quality problem and minimize consequential land subsidence. EGCOM has sold treated water to PWA office in Ratchaburi and Samut Songkhram provinces according to the 30 years Water Purchase Agreement ("PWA Contract") that expires in 2031. The nature of contract is Build-Own-Operate ("BOO") basis, namely, EGCOM constructs the tap water production and distribution system, but the ownership shall not be transferred to PWA at the end of the contract.

There are 2 water treatment plants operated by EGCOM. Pangpuay water treatment plant has maximum production capacity at 30,000 cubic meters per day, and Lak Muang water treatment plant has maximum production capacity at 18,000 cubic meters per day. Under the PWA Contract, EGCOM has sold treated water to PWA offices in Ratchaburi and Samut Songkhram by distributing treated water to 3 water supply stations which are Lak Muang water supply station, Damnoen Saduak water supply station, and Samut Songkhram water supply station in Ratchaburi and Samut Songkhram provinces. EGCOM supplied 36,277 cubic meters per day on average in 2014, but the maximum capacity can be extended to 48,000 cubic meters per day.



The tap water production system of both EGCOT's water treatment plants is made of surface water, mainly from the Mak Klong River which is natural resource and incurs no cost. EGCOT also commits to ensure that its production is environmental friendly without any pollution because it recycles polluted water back to the production system. The production process is summarized as below:

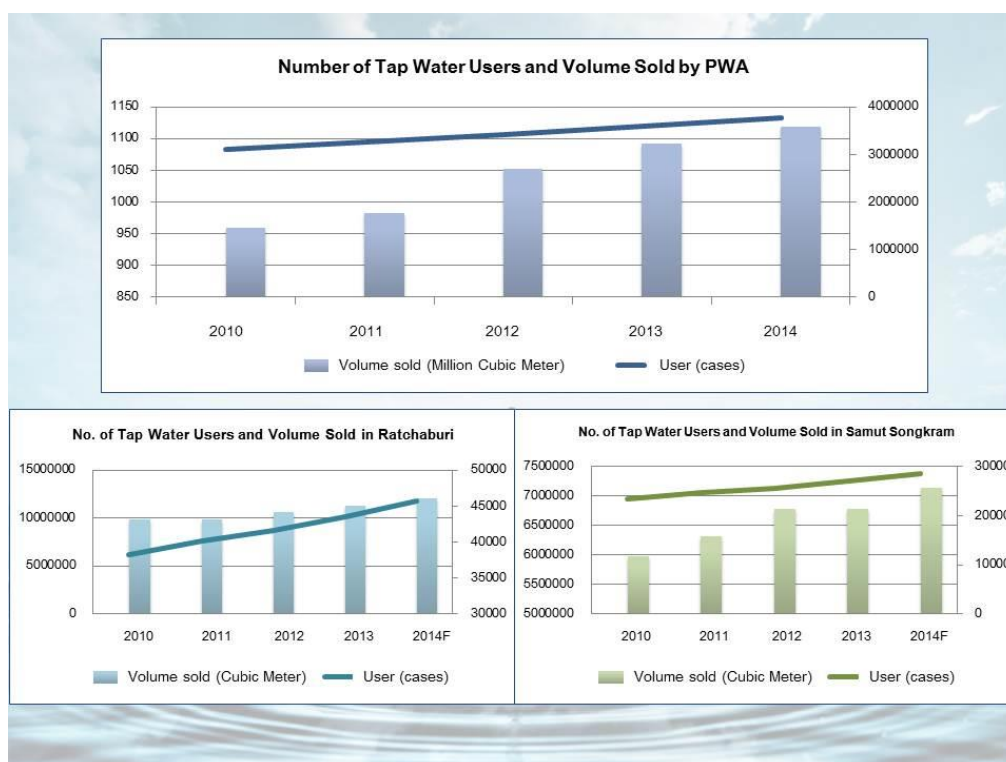
1. Raw water pumping from the Mae Klong River
2. Chemical addition in the static mixer
3. Sedimentation
4. Filtration
5. Storage in clear water tank
6. Chlorination
7. Transport to PWA, ready for distribution



Tendency of Tap Water Sold in Serviced Area of EGCOT

Below chart shows tap water users and tap water volume sold in PWA's Serviced Areas, Ratchaburi and Samut Songkhram from 2010 to 2014. Tap water users and tap water volume sold also increased for Ratchaburi and Samut Songkhram provinces which areas are serviced by EGCOT. These increasing trends of both users and volume tap water sold support future revenue of EGCOT under the current agreement and provide opportunities for additional agreements with PWA to service nearby areas in the future especially Lak Muang water treatment plant.

Chart 1: Consumption and sale amount of tap water in PWA's servicing areas, Ratchaburi and Samut Songkhram from 2010 to 2014



Source: PWA with compilation by National Statistical Office of Thailand ("NSO")

* Water consumption and amount of tap water sold in Ratchaburi and Samut Songkram provinces in 2014 was estimated from 5 year cumulative annual average growth rate

2.2. List of shareholders

As of 16 June 2015, the shareholders of EGCOM are as follows:

No.	Names	No. of Shares	%
1	EGCO Engineering & Service CO., LTD.	25,597,096	74.19
2	Universal Utilities Co., Ltd.	5,479,140	15.88
3	Mr. Somphob Somprasong	1,724,994	5.00
4	Mr. Jaturong Saduakarn	1,424,025	4.13
5	Mr. Rachada Vanichkit	60,630	0.18
6	Mr. Chanruang Luangnimitmas	60,600	0.18
7	Mr. Essana Yoocharoen	60,600	0.18
8	Mr. Winai Chukhwan	32,500	0.09
9	Miss Oraphin Kaewnoppakul	32,500	0.09
10	Mr. Jirasak Vanichkit	27,910	0.08
11	Mr. Damrong Wongwattananant	1	0.00
12	Mr. Thochathorn Thimthong	1	0.00
13	Mr. Thana Thian-a-riya	1	0.00

No.	Names	No. of Shares	%
14	Mr. Theerarat Pandarasoot	1	0.00
15	Miss Busakorn Jaruwachirathanakul	1	0.00
Total		34,500,000	100.00

2.3. Board of Directors

At present, The Board of EGCOT consists of 7 following directors:

No.	Names	Position
1	Mr. Witchaya Prasertlarp	President
2	Mr. Thongchai Chotkhajornkiat	Director
3	Miss Piyanont Watthanachanya	Director
4	Mr. Dnuja Simasathian	Director
5	Mr. Chinnawut Liwrungrueng	Director
6	Mr. Namsak Wanwisutr *	Director
7	Mr. Chareonsuk Worapansopak *	Director

Remark: Mr. Namsak Wanwisutr and Mr. Chareonsuk Worapansopak were appointed by EASTW

2.4. Revenue Breakdown

Sources of revenue of EGCOT are mainly from manufacturing and distributing tap water under the PWA Contract for PWA offices in Ratchaburi and Samut Songkhram. During 2012 to 2014, the tap water income represents 98.39%, 98.50%, and 98.73% of total revenue as shown in Table 1.

Table 1: Revenue Breakdown of EGCOT

Unit: MB	2012	%	2013	%	2014	%
Tap Water Income	290.54	98.39	308.76	98.50	317.42	98.73
Interest Income	4.75	1.61	4.69	1.50	4.08	1.27
Total Income	295.29	100.00	313.45	100.00	321.50	100.00

2.5. Operating Performance and Financial Position

2.5.1. Financial Highlight

Key items in the financial statements for the year ended 31 December 2012, 2013, and 2014 are as shown in the table below:

Statement of Financial Position	Unit	Year-ended 31 December		
		2012	2013	2014
Assets				
Current Assets				
Cash and cash equivalent	MB	34.10	35.20	47.11
Temporary Investment	MB	110.99	122.82	135.96
Trade accounts receivable	MB	22.80	22.91	26.68
Spare material	MB	0.46	0.46	0.46
Other current assets	MB	1.09	1.52	1.22
Total Current Assets	MB	169.44	182.91	211.43
Non-Current Assets				
Property, Plant and Equipment-net	MB	310.11	313.61	316.22
Intangible assets-net	MB	58.83	55.52	52.23
Other non-current assets	MB	0.02	0.02	0.02
Total Non-Current Assets	MB	368.96	369.15	368.47
Total Assets	MB	538.40	552.06	579.90
Liabilities and Shareholders' Equity				
Current Liabilities				
Trade accounts payable related	MB	10.49	11.61	12.15
Other payable	MB	0.10	2.34	2.40
Accounts payable related	MB	0.54	-	-
Corporate income tax payable	MB	21.00	18.09	20.70
Other current liabilities	MB	2.76	2.43	2.33
Total Current Liabilities	MB	34.89	34.47	37.58
Non-Current Liabilities				
Employee benefit obligations	MB	0.65	-	-
Deferred tax liabilities-net	MB	6.36	6.98	7.60
Total Non-Current Liabilities	MB	7.01	6.98	7.60
Total Liabilities	MB	41.90	41.45	45.18
Shareholders' Equity				
Authorized share capital	MB	345.00	345.00	345.00
Issued and paid-up share capital	MB	345.00	345.00	345.00
Retained earnings	MB	151.50	165.61	189.72
Total Shareholders' Equity	MB	496.50	510.61	534.72
Total Liabilities and Shareholders' Equity	MB	538.40	552.06	579.90

Statements of Comprehensive Income	Unit	Year-ended 31 December		
		2012	2013	2014
Revenues				
Tap water income	MB	290.54	308.76	317.42
Interest income	MB	4.75	4.69	4.08
Total Revenues	MB	295.29	313.45	321.50
Expenses				
Cost of sales	MB	81.14	86.41	89.23
Administrative expenses	MB	14.20	20.08	9.41
Total Expenses	MB	95.34	106.49	98.64
Income taxes	MB	45.93	41.39	44.57
Net Income for the Year	MB	154.02	165.57	178.29

Statements of Cash Flows	Unit	Year-ended 31 December		
		2012	2013	2014
Net cash flows from operating activities	MB	161.43	186.58	191.18
Net cash flows used in investing activities	MB	(10.83)	(34.03)	(25.09)
Net cash flows used in financing activities	MB	(158.01)	(151.46)	(154.18)

Financial Ratios	Unit	Year-ended 31 December		
		2012	2013	2014
Liquidity Ratios				
Current ratio	time	4.86	5.31	5.62
Quick ratio	time	4.86	5.31	5.62
Accounts receivable turnover	time	13.83	13.51	12.80
Average collection period	day	26.39	27.02	28.52
Payable turnover	time	8.04	7.82	7.51
Average number of days payable outstanding	day	45.40	46.68	48.60
Cash Cycle	day	(19.01)	(19.66)	(20.08)
Profitability ratios				
Gross profit margin	%	72.07	72.01	71.89
Operating profit margin	%	66.10	64.53	68.05
Other profit margin	%	1.61	1.50	1.27
Cash to profit margin	%	82.70	92.24	87.38
Net profit margin	%	53.01	53.62	56.17

Financial Ratios	Unit	Year-ended 31 December		
		2012	2013	2014
Return on equity	%	31.02	32.43	33.34
Efficiency ratios				
Return on assets	%	28.61	29.99	30.74
Return on fixed assets	%	52.59	57.26	60.96
Asset turnover	time	53.96	55.93	54.74
Financial Leverage ratios				
Debt to equity ratio	time	0.08	0.08	0.08
Commitment coverage ratio (cash basis)	time	0.87	0.99	1.04
Dividend payment	%	102.59	91.48	86.48

Remark: Financial Statements for the year 2012, 2013, and 2014 were audited by PricewaterhouseCoopers ABAS Limited

There is no interim financial statement of EGCOT because it is not registered in the Stock Exchange of Thailand.

2.5.2. Analysis of Operating Performance

Sales revenue

Sales of EGCOT increased consecutively during 2012 to 2014 from 290.54 MB to 308.76 MB and 317.42 MB respectively. The income growth rate in 2013 was equal to 6.27% because of increasing volume of tap water sold to the PWA branches and higher selling rate adjusted annually based on the PWA contract. On the other hand, the income growth rate was decreased to 2.80% because of the annual selling rate adjustment solely, but less tap water volume sold in comparison with previous year.

Gross profit margin

The gross profit margins of EGCOT during 2012 to 2014 were equal to 209.40 MB, 222.35 MB, and 228.19 MB, equivalent to gross profit margin of 72.07%, 72.01%, and 71.89% respectively. The gross profit margin was stable during the period because its cost of goods sold increased in consistent with the sales amounts. Based on the production contract that EGCOT had with UU, they applied the same calculation on buying rate between EGCOT and UU as selling rate in the PWA contract, so the gross margin remained constant. EGCOT's cost of goods sold was equal to 81.14 MB, 86.41 MB, and 89.23 MB during 2012 to 2014, equivalent to an increase of 6.50%, and 3.26% in 2012 and 2013 respectively.

Net Operating Margin

EGCOT's management expenses from 2012 to 2014 were equal to 14.20 MB, 20.08 MB, and 9.41 MB respectively. The expenses increased in 2013 due to loss on impairment of equipment at

the factories equivalent to 9.52 MB. However, in 2014, EGCOT cancelled a large portion of personnel and transportation expenses of management level together with no impairment loss in the period resulting in large reduction of the expense. The net operating margins of EGCOT from 2012 to 2014 were equal to 199.95 MB, 206.96 MB, and 222.86 MB respectively, equivalent to an increase of 3.51% in 2013 and 7.68% in 2014.

Net Profit

Net profits of EGCOT from 2012 to 2014 were equal to 154.02 MB, 165.57 MB, and 178.29 MB, equivalent to the net profit margin of 53.01%, 53.62%, and 56.17% consecutively. In 2013, the net profit increased because of lower corporate income tax expenses. Since its applicable tax rate was changed from 23% in 2012 to 20% in 2013, its corporate income tax expenses decreased 9.87%. However, as a result of tap water sales increased in 2014, the corporate income tax expenses increased 7.69%.

Assets

As of 31 December 2012, 2013, and 2014, total assets of EGCOT were equal to 538.40 MB, 552.06 MB, and 579.90 MB respectively, increasing 2.54% in 2013 and 5.04% in 2014. An increasing of total assets in both years was mainly from short-term investment on promissory notes and cash from increasing of tap water sales after dividend payments as shown in the cash flow from investing activities of each year. Moreover, EGCOT has more trade accounts receivable in 2014 because of its increasing in tap water revenues.

Liabilities

Total liabilities as of 31 December 2012, 2013, and 2014 were equal to 41.91 MB, 41.45 MB, and 45.18 MB respectively. In 2013, total liabilities decreased 1.10% from previous year because of its corporate income tax payable reduced in accordance with lower applicable tax rate. In contrast, its total liabilities increased 9.00% in 2014 because of increasing in trade accounts payable – related party, corporate income tax payable, and deferred tax liabilities in respect of sales amount increased.

Shareholders' Equities

Shareholders' equities as of 31 December 2012, 2013, and 2014 were equal to 496.50 MB, 510.61 MB, and 534.72 MB respectively, equivalent to an increase of 2.84% in 2013 and 4.72% in 2014 as a result of net profit was increasing continuously.

2.6. Summary of Material Agreements

EGCOM has 2 main agreements related to its operations as follows:

2.6.1. Essence of the 30 Years Water Purchase Agreement for PWA offices in Ratchaburi and Samut Songkram ("PWA Contract")

Parties	<ul style="list-style-type: none"> - Provincial Waterworks Authority ("PWA") - EGCOM Tara Co., Ltd. ("EGCOM")
Date	23 June 2009
Objectives	PWA has agreed to hire EGCOM for manufacturing and distributing tap water covers Samut Songkhram PWA office, Damnoensaduak PWA office, and Paktho PWA office (Lakmuang PWA region) in Ratchaburi and Samut Songkhram.
Contractual Length	<p>30 years as from the actual commencement date (7 April 2001)</p> <p>As of 30 April 2015, the remaining operation period was 15 years 11 months.</p>
Minimum tap water purchasing volume	35,400 cubic meters per day since 2012 until the end of agreement
Tap water selling rate	<p>25.64 Baht per cubic meter in 2015. If the tap water volume is over minimum guarantee, it shall be sold at 50% discount.</p> <p>Selling rate shall be adjusted on 1 January each year according to below formula:</p> $P_{n+1} = P_n \times \left(1 + \left(\frac{CPI_n - CPI_{n-1}}{CPI_{n-1}} \right) + k \right)$ <p>For P_{n+1} is tap water selling rate at 1 January of year n+1</p> <p>P_n is tap water selling rate at 1 January of year n or the actual commence date depending on circumstances</p> <p>CPI_{n-1} is Consumer Price Index of central region, Thailand of July year n-1</p> <p>CPI_n is Consumer Price Index of central region, Thailand of July year n</p> <p>k is fix value of selling rate adjustment based on the PWA contract</p> <p>n is prior year before adjusting the new selling rate</p>
Other conditions	<ul style="list-style-type: none"> - When EGCOM has operated under the PWA contract not less than 25 years (or 7 April 2026 onwards), PWA shall consider extending the agreement for EGCOM only if EGCOM has to request to PWA to extend

	<p>agreement periods within 2 years as of 7 April 2026 onwards.</p> <ul style="list-style-type: none"> - If EGCOT does not want to continue its operation at the end of the PWA contract, EGCOT shall propose to PWA for selling its tap water manufacturing and distributing system as stated in the PWA contract. The valuation of tap water production system shall be assessed by independent engineers, and the disposition process shall proceed from 28th year onwards (or since 7 April 2029)
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2.6.2. Essence of the Production and Distribution of Tap Water and Providing Maintenance

Services for the Tap Water production system and all subsequent amendments

Parties	<ul style="list-style-type: none"> - EGCOT Tara Co., Ltd. ("EGCOT") - Universal Utilities Co., Ltd. ("UU")
Date	4 April 2013
Objectives	<p>EGCOT has agreed to hire UU for covering below activities:</p> <ol style="list-style-type: none"> 1. Manufacturing and distributing tap water and providing maintenance services for the tap water production system and other related activities as stated in the agreement by EGCOT. 2. Looking after assets and factories, providing support to EGCOT and related activities under the PWA contract as stated in the agreement by EGCOT.
Contractual Length	<p>6 years since 7 April 2013, the agreement shall be ceased if any of following occasions is happened:</p> <ol style="list-style-type: none"> 1. EGCOT solely cancel the agreement without any misconducts or uncompleted actions of the counterparty. EGCOT shall compensate the cancellation of agreement based on Civil and Commercial Code and Labor law. 2. EGCOT cancel the agreement due to misconduct or uncompleted actions by UU causing significant damage to its operations. EGCOT shall not compensate any to UU. <p>As of 30 April 2015, the remaining contractual period was 3 years 11 months.</p>
Minimum tap water production volume	35,400 cubic meters per day equivalent to the minimum tap water purchasing volume as stated on the PWA contract
Tap water buying rate	<p>5.044 Baht per cubic meter in 2014</p> <p>Parties have agreed to apply the same calculation rule as tap water selling rate adjustment in the PWA contract. However, the buying rate adjustment</p>

	shall be made on 7 April annually. The initial buying rate was set at 4.955 Baht per cubic meter in the first year of agreement (2013) and would be used as calculation base for the first adjustment as stated on the contract.
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3. Overview of Eastern Water Resources Development and Management Plc. ("EASTW")

3.1. Nature of Business and Operations of EASTW and Subsidiary

Eastern Water Resources Development and Management Plc. ("the Company" or "EASTW") was established by cabinet resolution enacted on 12 September 1992 with the main responsibilities to develop and maintain the water pipe network in the Eastern Seaboard, which covers Chonburi, Rayong, Chachoengsao, Prachinburi, Sa-Kaew, Chantaburi and Trad. EASTW had initial registered share capital totaling of 10 MB, which was fully held by the Provincial Waterworks Authority ("PWA"). EASTW consequently went public and was listed on the Stock Exchange of Thailand. Presently, EASTW has issued and paid-up capital of 1,663,725,149 shares with par of 1.00 Baht amounting to 1,663,725,149 Baht.

EASTW has primary business operation on selling raw water and providing related services for domestic consumption, agriculture, or industrial processes. Its current service areas are in Chonburi, Rayong, and Chachoengsao provinces. Furthermore, EASTW has expanded its operations to other water related businesses, such as tap water business, waste water treatment as shown in following table and structure:

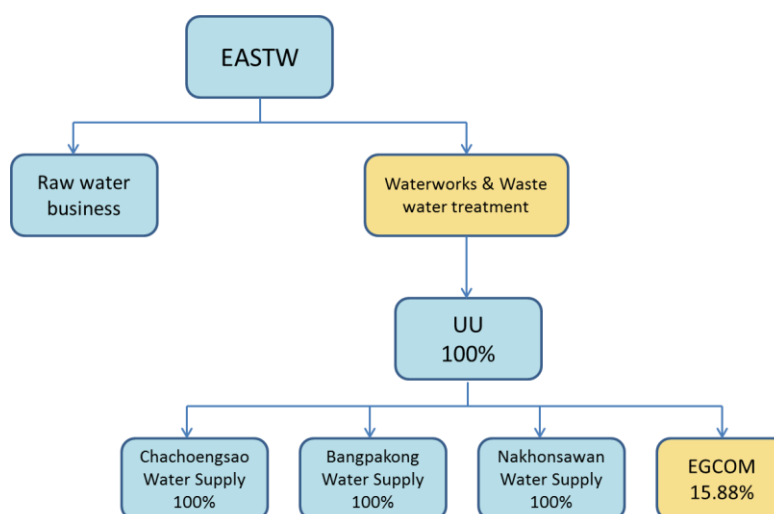
Company's name	Total paid-up capital as of 31 December 2014	Percentage of shareholding	Nature of business
Universal Utilities Co., Ltd.* ("UU")	510 MB	100.0%	Production and supply of tap water, waste water treatment, and providing engineering, consulting and construction services for water pipeline systems.
Bangpakong Water Supply Co., Ltd.**	40 MB	99.0%	Production and supply of tap water in Tahsa-arn Municipality and Bangwua Municipality in Bangpakong District.
Chachoengsao Water Supply Co., Ltd.**	100 MB	99.0%	Production and supply tap water in Muang District, Chachoengsao and Suwintawong District, Bangkok.

Company's name	Total paid-up capital as of 31 December 2014	Percentage of shareholding	Nature of business
Nakhonsawan Water Supply Co., Ltd.**	40 MB	100.0%	Production and supply tap water in Nongpling Municipality and Nongben Municipality, Nakhonsawan Province.

Remark: * held by EASTW

** held by UU

Business structure of EASTW



Remark: UU acquired 15.88% shares of paid-up capital of EGCOM from EASTW on 15 June 2015.

The main businesses of EASTW group are classified based on product and service as follows:

3.1.1 Raw water business

EASTW has primary business operation in selling raw water and providing related services for domestic consumption, agriculture, or industrial processes. Its current service areas are in Chonburi, Rayong, and Chachoengsao provinces. In Chonburi and Rayong, EASTW has extracted the raw water from four reservoirs of the Royal Irrigation Department's (RID), which are Nong Kho Reservoir, Dok Krai Reservoir, Nong Pla Lai Reservoir, and Pra Sae Reservoir. EASTW has also pumped raw water from Rayong River and Bangpakong River through water pipeline networks leased from the Ministry of Finance ("MOF") and its own water distribution networks. Water distribution in each service area can be classified as follows:

1) Rayong area through the main pipeline networks namely Dokkrai-Mabtaphut-Sattahip pipeline, Nongplalai-Mabtaphut pipeline, and Nongplalai-Mabtaphut III

2) Chonburi area through Nongkho-LaemChabang-Pattaya pipeline from Nong Kho Reservoir, Nong Pla Lai Reservoir, and Bangpakong River

3) Borwin-Pluakdang area, Chonburi through Nongplalai-Nongkho pipeline from Nong Pla Lai Reservoir in Rayong province, and

4) Chachoengsao area by pumping raw water from Bangpakong River and distributing through Chachoengsao water pipeline for selling and for reserve purpose in Bang Pra Reservoir to support Chonburi customers.

There are 3 main groups of customer that EASTW has purchase agreement for raw water; Industrial Estates, Industrial Plants and Factories, and Household Consumers.

EASTW entered into an agreement with MOF for management and operation of the major water distribution pipeline systems in the Eastern Seaboard area with following detail:

Parties	<ul style="list-style-type: none"> - Ministry of Finance ("MOF") - Eastern Water Resources Development and Management PCL.
Contract Length	30 years from 1 January 1994 to 31 December 2023
Content of the agreement	To transfer right to utilize the major water distribution pipeline systems in Eastern Seaboard area from MOF to EASTW
Pipeline Networks	Nongkho-LaemChabang pipeline, LaemChabang-Pattaya pipeline, Dokkrai-Mabtaphut pipeline, and Mabtaphut-Sattahip pipeline
Payment Terms and Conditions	<ol style="list-style-type: none"> 1. EASTW is required to pay a minimum of 2 MB per annum to MOF <u>or</u> 2. In any years when EASTW's revenues from the sales of raw water exceed 200 MB, it is required to pay MOF a shared profit at a rate of 1 percent of sale of raw water from Nong Kho and Dok Krai reservoirs <u>and</u> 3. When EASTW's annual rate of return on equity ("ROE") exceeds 20 percent, an additional sharing benefit at the rate of 15 percent of the return in excess of the paid 20 percent is to be paid to MOF. Nevertheless, the total shared profit must not exceed 6 percent of the real value of the assets leased from MOF.

3.1.2 Tap water business

UU, the wholly owned subsidiary of EASTW, was established to operate and produce tap water as well as waste water treatment management. UU was registered as a company limited on 15 December 1998 with initial registered capital of 50 MB. Its major business operations can be described as below:

1) Tap water production UU produces tap water with 2 main production processes; natural process and reversed osmosis process (for serviced areas in Koh Lan and Koh Samui). There are 3 main products in this segment:

- Tap water
- Industrial use water, which use natural filtering method similar to tap water production but there is no disinfection procedure
- Chilled Water; for only 1 customer

2) Waste water treatment that UU provides service in industrial estate area

As of 31 December 2014, UU and its subsidiaries sell tap water to 11 PWA offices which are Sattahip, Bangpakong, Chachoengsao, Nakhonsawan, Borwin, Koh Samui, Koh Lan, Rayong, Chonburi, Nongkham and Huaror. UU also has a contract to supply chilled water for a private entity.

As of December 31, 2014, UU's tap water production capacity is up to 115.22 million cubic meters per year. UU operational and financial figures in 2013 and 2014 are summarized in below table:

Significant financial figure ^{2/}	2014	2013	Change	%
Production capacity (m ³ /day)	315,660.00	284,710.00	30,950.00	10.87%
Operating revenue (MB) ^{1/}	1,276.10	1,099.49	176.61	16.06%
Net income (MB)	118.58	76.21	42.37	55.60%
Total asset (MB)	2,157.68	1,985.62	172.06	8.67%
Total liabilities (MB)	996.52	918.54	77.98	8.49%
Paid-up capital (MB)	510.00	510.00	0.00	0.00%
Retained profit (MB)	651.17	557.08	94.08	16.89%

^{1/} Operating revenue = total revenue

^{2/} Annual Financial performance as of December 31

3.2. List of shareholders

As of share registration book closing date on 29 May 2015, EASTW has 10 largest shareholders as follows:

No.	Shareholder Name	Amount	% Share
1	PROVINCIAL WATERWORKS AUTHORITY	668,800,000	40.20
2	ELECTRICITY GENERATING PCL	311,443,190	18.72
3	NORBAX INC.,	113,457,900	6.82
4	INDUSTRIAL ESTATE AUTHORITY OF THAILAND	76,000,000	4.57
5	BNP PARIBAS SECURITIES SERVICES, LONDON BRANCH	44,592,900	2.68
6	NORTRUST NOMINEES LTD-CL AC	42,184,575	2.54
7	ABERDEEN GROWTH FUND	27,903,500	1.68
8	THAI NVDR CO., LTD.	26,809,420	1.61
9	ABERDEEN LONG TERM EQUITY FUND	26,033,400	1.56
10	ABERDEEN SMALL CAP FUND	25,133,300	1.51
	Total shares of 10 Largest Shareholders	1,362,358,185	81.89

3.3. Board of Directors

As of 17 June 2015, The Board of EASTW consists of 11 following directors:

No.	Names	Position
1	Mr. Vitthya Chaisuwan	Chairman
2	Mr. Maitree Inthusut	Director
3	Mr. Amorn Laohamontri	Director
4	Mr. Phaiboon Siriphanusathien	Director
5	Mr. Chanin Thinnachot	Director
6	Pol.Maj.Gen Wichai Sangprapai	Director
7	Colonel Premjiras Tanathaipakdee	Director
8	Mrs. Thatda Jitmahawong	Director
9	Mr. Weeraphong Chaiperm	Director
10	Mr. Sahat Prathaknukun	Director
11	Mr. Somnuk Limthongsitthikhun	Director

3.4. Revenue Breakdown

Raw water revenue breakdown of EASTW and its subsidiaries based on serviced area:

Raw Water Revenue	2012		2013		2014	
	Thousand Baht	%	Thousand Baht	%	Thousand Baht	%
Dokkrai-Mabtaphut-Sattahip	942,670	34.13	944,469	33.09	803,166	28.57
Nongplalai-Mabtaphut	812,134	29.41	788,297	27.62	943,126	33.55
Nongkho-LaemChabang-Pattaya-Bangpra	759,079	27.49	782,532	27.42	710,296	25.27
Nongplalai-Nongkho	223,287	8.09	236,649	8.29	230,549	8.20
Chachoengsao	24,435	0.88	102,180	3.58	123,595	4.41
Total Raw Water Revenue	2,761,605	100.00	2,854,127	100.00	2,810,732	100.00

Revenue breakdown of EASTW and its subsidiaries based type of revenue:

Revenue	2012		2013		2014	
	Thousand Baht	%	Thousand Baht	%	Thousand Baht	%
Raw Water Revenue	2,612,221	70.11	2,694,295	68.11	2,768,376	64.31
Tap Water Revenue	841,602	22.59	876,385	22.15	988,739	22.97
Construction Revenue Under Concession Agreement**	-	-	139,782	3.53	268,923	6.25
Rental and Service Revenue	223,588	6.00	189,171	4.78	216,202	5.02
Other Revenue	48,538	1.30	56,288	1.43	62,520	1.45
Total Revenue	3,725,949	100.00	3,955,921	100.00	4,304,760	100.00

Remark: * Other revenue consists of interest revenue, dividend revenue, and etc.

** Revenue from construction under concession is applied according to financial accounting and reporting standard IFRIC 4 and 12, effective on 1 January 2014, while amount of 2013 was restated for comparable basis.

3.5. Operating Performance and Financial Position

3.5.1. Financial Highlight

Key items in the financial statements for the year ended 31 December 2012, 2013, and 2014 and the quarter ended 31 March 2015 are as shown in the table below:

Statement of Financial Position (Unit: Million Baht)	Year-ended 31 December			Quarter-ended 31 March 2015
	2012	2013	2014	
Assets				
Current Assets				
Cash and cash equivalent	238.47	243.31	112.86	386.89
Short-term investments	96.31	86.88	55.07	55.66
Trade and other receivables	473.96	410.18	420.59	480.93
Water loss treatment service income receivable - related party	7.68	4.10	-	-
Inventories	7.75	10.54	9.23	8.83
Other current assets	23.86	45.64	61.06	52.23
Non-current assets held for sale	-	-	57.68	57.50
Total Current Assets	848.03	800.65	716.49	1,042.04
Non-Current Assets				
Other long-term investments	91.47	91.47	91.47	91.47
Investment property - net	236.77	227.99	224.62	223.06
Property, plant and equipment - net	9,223.38	10,284.15	11,747.78	12,282.00
Intangible assets - net	1,475.32	1,533.16	1,725.36	1,707.42
Deferred tax assets	13.04	10.74	12.69	13.06
Other non-current assets	555.44	532.31	725.03	600.25
Total Non-Current Assets	11,595.42	12,679.82	14,526.95	14,917.26
Total Assets	12,443.45	13,480.47	15,243.44	15,959.30
Liabilities and Shareholders' Equity				
Current Liabilities				
Short-term borrowings from financial institutions	111.00	156.00	233.00	1,055.00
Trade accounts payable	157.56	144.15	130.00	150.16
Payable for purchase of fixed assets	38.47	264.23	479.05	24.72
Current portion of long-term liabilities under finance lease agreements	2.02	0.30	2.01	2.08
Current portion of long-term borrowings from financial institutions	737.69	568.61	563.28	660.00
Corporate income tax payable	135.65	131.52	129.53	216.51
Accrued expenses	120.00	133.16	155.04	76.20

Statement of Financial Position (Unit: Million Baht)	Year-ended 31 December			Quarter-ended 31 March 2015
	2012	2013	2014	
Other current liabilities	55.85	57.28	49.16	51.57
Liabilities included with asset classified as held-for-sale	-	-	0.27	0.24
Total Current Liabilities	1,358.24	1,455.25	1,741.34	2,236.48
Non-Current Liabilities				
Long-term liabilities under finance lease agreements	0.30	-	3.14	2.59
Long-term borrowings from financial institutions	3,456.28	3,841.75	4,648.72	4,464.00
Deferred tax liabilities	30.31	36.44	42.45	43.99
Employee benefit obligations	89.39	91.42	104.43	107.03
Long-term provisions	27.91	22.78	13.24	15.28
Other non-current liabilities	182.88	130.89	173.05	164.72
Total Non-Current Liabilities	3,787.07	4,123.28	4,985.03	4,797.61
Total Liabilities	5,145.31	5,578.53	6,726.37	7,034.09
Shareholders' Equity				
Share capital	1,663.73	1,663.73	1,663.73	1,663.73
Registered share capital	1,663.73	1,663.73	1,663.73	1,663.73
Share premium	2,138.52	2,138.52	2,138.52	2,138.52
Retained earnings - appropriated legal reserve	166.50	166.50	166.50	166.50
Retained earnings - unappropriated	3,294.10	3,875.02	4,493.85	4,902.79
Other components of equity	31.75	28.36	24.96	24.11
Non-controlling interests	3.52	29.80	29.51	29.57
Total Shareholders' Equity	7,298.12	7,901.93	8,517.07	8,925.22
Total Liabilities and Shareholders' Equity	12,443.43	13,480.45	15,243.45	15,959.30

Statements of Comprehensive Income (Unit: Million Baht)	Year-ended 31 December			Quarter- ended 31 March 2015
	2012	2013	2014	
Revenues				
Sales - raw water	2,612.22	2,694.30	2,768.38	741.31
Sales - tap water	841.60	876.38	988.74	256.14
Construction revenue under concession agreement	-	139.78	268.92	15.30
Rental and service income	223.59	189.17	216.20	66.06
Other income	48.54	56.29	62.52	10.51
Total Revenues	3,725.95	3,955.92	4,304.76	1,089.32
Expenses				
Cost of sales - raw water	881.19	940.44	1,039.69	244.58
Cost of sales - tap water	456.69	523.74	590.12	147.18
Construction cost under concession agreement	-	139.78	268.92	15.30
Costs of rental and services	201.30	181.13	198.91	59.66
Selling expenses	53.02	17.49	14.15	2.46
Administrative expenses	439.03	374.76	398.09	80.23
Total Expenses	2,031.23	1,177.34	2,509.88	549.41
Earnings Before Interest and Taxes	1,694.72	1,778.58	1,794.88	539.31
Finance costs	(89.99)	(115.21)	(121.23)	(32.19)
Earnings Before Income Tax	1,604.73	1,663.37	1,673.65	507.72
Income taxes	(364.56)	(351.14)	(339.20)	(32.19)
Net Income for the Year	1,240.17	1,312.23	1,334.45	409.00

Statements of Cash Flows (Unit: Million Baht)	Year-ended 31 December			Quarter- ended 31 March 2015
	2012	2013	2014	
Net cash flows from operating activities	1,635.21	1,625.14	1,833.39	537.38
Net cash flows used in investing activities	(2,017.28)	(1,174.21)	(2,124.91)	(954.18)
Net cash flows from (used) in financing activities	491.85	(446.10)	161.07	(690.83)

Financial Ratios	Year-ended 31 December			Quarter-ended 31 March 2015
	2012	2013	2014	
Liquidity Ratios				
Current ratio (times)	0.62	0.55	0.41	0.47
Quick ratio (times)	0.60	0.51	0.34	0.41
Cash ratio (times)	1.25	1.16	1.15	1.08
Accounts receivable turnover (times)	8.24	8.81	10.20	9.56
Average collection period (days)	43.71	40.87	35.30	37.66
Payable turnover (times)	11.70	11.83	15.30	13.33
Average number of days payable outstanding (days)	30.78	30.42	23.53	27.01
Cash Cycle (days)	12.93	10.44	11.78	10.64
Profitability ratios				
Gross profit margin (%)	59.46	55.67	52.03	57.71
Operating profit margin (%)	46.08	45.61	42.31	50.05
Cash to profit margin (%)	96.49	91.37	102.15	99.53
Net profit margin (%)	33.28	33.17	31.00	37.55
Return on equity (%)	17.43	17.27	16.25	18.76
Efficiency ratios				
Return on assets (%)	11.16	10.12	9.29	10.49
Return on fixed assets (%)	17.18	16.74	15.16	16.25
Asset turnover (times)	0.34	0.31	0.30	0.28
Financial leverage ratios				
Debt to equity ratio (times)	0.71	0.71	0.79	0.79
Interest coverage ratio (times)	15.39	11.05	10.62	19.21
Commitment coverage ratio (cash basis) (times)	0.38	0.53	0.25	0.13
Dividend payment (%)	67.08	55.82	53.64	0.02

Remark: Financial statements as of year-end 2012 – 2014 were audited by PricewaterhouseCoopers ABAS Ltd.

Financial statements as of quarter-ended 31 March 2015 were reviewed by PricewaterhouseCoopers ABAS Ltd.

3.5.2. Analysis of Operating Performance

In 2014, the total revenue of EASTW increased by 348.84 MB or 8.82% from year 2013. In comparison with last year, total volume sold of raw water decreased by 0.32% because of

uncertainty of economic conditions and political situation in Thailand resulting in lower production capacity and demand by some industrial water users. However, the increase of raw water revenue of 2.75% was mainly due to an increase of raw water tariff according to the tariff adjustment policy in 2013. Tap water revenue also increased by 12.82% YoY because of the completion of extension of waterworks pipeline in 13 concessionary areas especially in Sattahip, which project was completed in February 2014 and domestic population growth in Borwin service area.

Followings are recent significant events affecting business operation in 2014. Relating to raw water business, EASTW signed contract to construct the pumping stations and pipeline from private pond in Chonburi at amount of 244.00 MB in order to serve higher water demand in Chonburi and Chachoengsao and adjustment of water tariff rate of each customer segment. For tap water business, on 9 October 2014, the Board of Directors resolved to approve the sale of subsidiary's shares, Samed Utilities Co., Ltd., (55% held by EASTW) to a private company. The divestment was made in accordance with risk management and long-term investment plan. On 7 April 2015, EASTW entered into an agreement with a private company to sell all shares of aforementioned subsidiary totaling 32.0 MB. The settlement will be completed within 60 days after the agreement date. Consequently, as of 31 March 2015, the investment in Samed Utilities Co., Ltd. was recorded as non-current asset held for sale reported at 57.5 MB. Besides, UU expanded its tap water business to Huaror Sub-district area, Phitsanulok, and expanded into other related water business, such as a contract with a private company to supply chilled water for air conditioning system.

Revenue

Raw water revenue of EASTW represented 67.65% of total revenue on average for previous 3 years.

Raw water revenue during 2012 to 2014 and 1st quarter of 2015 was equal to 2,612.22 MB, 2,694.30 MB, 2,768.38 MB, and 741.31 MB respectively. It increased by 3.14% YoY in 2013 and 2.75% YoY in 2014. Total volume sold of raw water was 256.77 million cubic meters in 2013 and 257.09 million cubic meters in 2014 (excluding internal usage for tap water production.) In 2013, the raw water volume sold decreased by 6.46 million cubic meters or 2.45% YoY because of heavy rainfall resulting in weaker demand of raw water in 4th quarter of 2013. However, it increased by 0.32 million cubic meters or 0.13% YoY in 2014. The average raw water tariff was Baht 10.49 and Baht 10.77 per cubic meter in 2013 and 2014 respectively. The rate increased by Baht 0.28 per cubic meter or 2.62% YoY in accordance with the tariff adjustment policy. The main customer of EASTW was industrial estate which was accounted for 66% of total raw water revenue. Gross profit of raw water business was equal to 62.44% of raw water revenue in 2014.

Tap water revenue was considered as secondary source of income of EASTW after its raw water revenue. Tap water revenue during 2012 to 2014 and 1st quarter of 2015 was equal to 841.60 MB, 876.38 MB, 988.74 MB, and 256.14 MB respectively. It represented 22.80% of total EASTW's revenue on average of previous 3 years. Revenue from tap water segment grew steadily as it increased by 4.13% YoY in 2013 and 12.82% YoY in 2014. Total volume sold of tap water was equal to 68.39 million cubic meters in 2013 and increased to 75.61 million cubic meters in 2014 mainly from rising demand of tap water after completion of Sattahip-Pattaya pipeline extension in February 2014 and growth in domestic consumption in Borwin area from the expansion of industrial estates. The average tap water tariff was Baht 12.81 and Baht 13.08 per cubic meter in 2013 and 2014 respectively. The rate increased by Baht 0.22 per cubic meter or 1.73% YoY in 2013 and Baht 0.26 per cubic meter or 2.06% YoY in 2014.

Cost of Sales and Services and Expenses

Cost of sales and services of EASTW were classified into 4 categories based on its business segment; raw water, tap water, rental and services, and construction costs under concession agreement. Total cost of sales and services during 2012 to 2014 and 1st quarter of 2015 was equal to 1,539.18 MB, 1,785.09 MB, 2,097.64 MB, and 466.72 MB respectively. It is accounted for 41.86%, 45.78%, 49.45%, and 43.26% of total revenue correspondingly. An increase in 2013 was mainly from an increase of depreciation expenses of Nongplalai-Mabtaphut III pipeline, investment in new technology for tap water production at Chonburi Waterworks, and higher maintenance cost of Bangpakong-Chonburi and Nongkho-LaemChabang. Also, an increase in 2014 was due to an increase of electricity cost by 61.62 MB because of higher electricity tariff and electricity used for pumping raw water from Bangpakong River due to rainfalls shortage.

Gross profit of EASTW during 2012 to 2014 and 1st quarter of 2015 was 58.14%, 54.22%, 50.55%, and 56.74% respectively. An increase of gross profit of 1st quarter of 2015 was due to lower electricity tariff as compared to 2014.

Selling and administration expenses in 2014 increased compared with previous year mainly from salary increase, business development expenses in both domestic and foreign countries, and the compensation for Sattahip-Pattaya Waterworks amounting to 30.34 MB that EASTW could not supply tap water to meet minimum guarantee as stated in the agreement. However, if excluding the aforementioned compensation expense, selling and administrative expenses in 2014 would be at the same level as 2013.

Net Profit

During 2012 to 2014 and 1st quarter of 2015, EASTW has net profit margin of 33.28%, 33.17%, 31.00%, and 37.55% respectively. Net profit margin of 1st quarter of 2015 was better than 2014.

Assets

As of 31 December 2012, 2013, and 2014, total assets of EASTW were equal to 12,443.45 MB, 13,480.47 MB, and 15,243.44 MB respectively, and as of 31 March 2015, its total assets were 14,917.26 MB. Total assets of EASTW increased gradually especially for property, plant and equipment, intangible assets from pipeline extension projects, and advance payment of reservoir pipeline project.

Liabilities

Total liabilities, as of 31 December 2012, 2013, and 2014, were equal to 5,145.31 MB, 5,578.53 MB, and 6,726.37 MB respectively, and as of 31 March 2015, they were 7,034.09 MB. An increase was mainly from short-term loan due to financing activities, payable for purchase of fixed assets, and long-term loan from financial institutions from loan drawdown for construction projects. The debt to equity ratio increases from 0.71 times as of year-ended 2013 to 0.79 times as of 1st quarter ended 2015, but the interest coverage ratio remains strong at 19.21 times which is higher than year-ended 2013 and 2014.

Shareholders' Equities

Shareholders' equities as of 31 December 2012, 2013, and 2014 were 7,298.12 MB, 7,901.93 MB, and 8,517.07 MB respectively, and as of 31 March 2015, they were 8,925.22 MB. An increase of shareholders' equities was mainly from net profit and dividend income of each operating year.

3.6. Industry Overview and Competition

Overview of Water Demand in Thailand

Thailand has total area of 512,000 square kilometers approximately and 25 river basins. The rainy season usually starts in the middle of May until the middle of October, and the period is longer in the southern region. The average total rainfall in Thailand is approximately 1,700 millimeters per year.

The water shortage problem is becoming more serious because of limited natural water resources, diminishing usable water, and declining quality of water. In order to supply clean water for community and resolve land subsidence problem from over usage of underground water, Department of Water Resources ("DWR"), Ministry of Natural Resources and Environment, established the tap water business in response to the increasing of quality water demand.

According to the information of DWR, underground water usage in Thailand is more than 10 million cubic meters per day. Bangkok Metropolitan region is an area with the most underground water usage at daily amount of 2.3 million cubic meters or 50 liter per day per person. This can be divided into 0.9 million cubic meters for household consumption and 1.4 million cubic meters for industrial. The excess use of underground water causes land subsidence problem as the water infiltrating back to underground was only at 1.25 million cubic meters per day. In order to resolve the problem, the usage of underground water has to be more conservative and economical including encouraging using more tap water as a substitution.

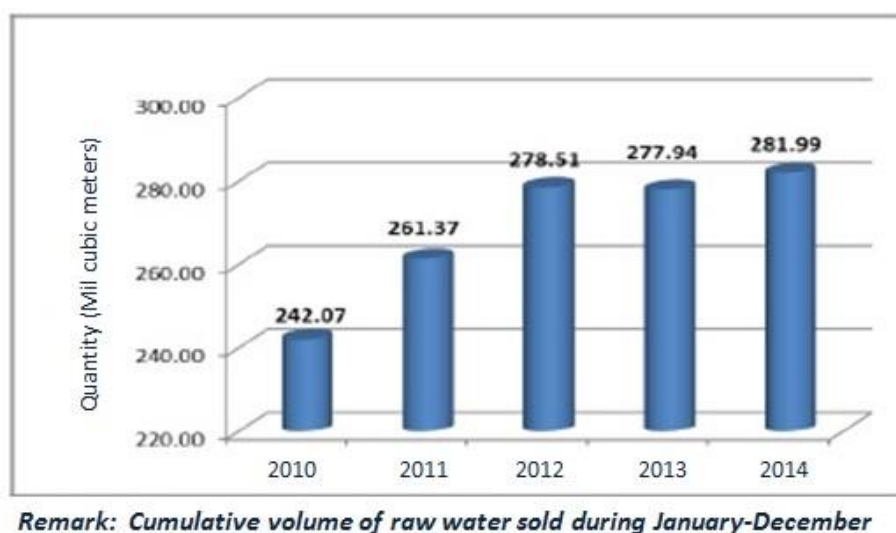
Market and competition for raw water business

In the past, water resources management in eastern region was responsible by numerous authorities resulting in unclear responsibility on managing pipeline network in the area. Established in 1992 following a Cabinet resolution, EASTW was given a mandate to be responsible for the development and management of raw water distribution systems in seven provinces in the Eastern Seaboard. There is no direct competitor and strong barrier to entry into raw water business because the concession nature of business that EASTW is the sole concessionaire to utilize the water in reservoirs under RID supervision. Additionally, the important impediment to the new entry is the high level of capital expenditure required and the permission must be granted from government agencies for the installation work. Therefore, EASTW has competitive advantage in terms of governmental support i.e. from RID, from Department of Highways, etc. because it is set up by the cabinet resolution. However, EASTW may face to following indirect competitors:

- 1) Raw water reserve or substituted water resources; for instance, recycling waste water, drilling own well or reservoir.
- 2) Water supplied by private companies; however its cost is high with limited service area.
- 3) Natural water resource that can be pumped only in rainy season

EASTW sells raw water to customers directly through its own pipeline networks mainly in wholesale term. Industrial estates that purchases raw water from EASTW will then sell to industrial plants in their area. PWA purchases raw water for tap water production and later sell tap water for

household consumption. Regarding contract, there is no time period specified, but there are conditions on minimum and maximum water purchasing volume that EASTW uses for its production planning that minimizes a variability of demand from other substitution. In addition, EASTW reserves the right to adjust water tariff rate deem appropriated. Below figure shows historical statistics of raw water sold by EASTW in each operating year:



Major customers of EASTW include Industrial Estate Authority of Thailand (“IEAT”) and PWA. Other customers are private industrial estates, factories, government authorities and private entities.

Seasonal effect on raw water business

Seasonal factor has an effect to EASTW's operation mainly on household consumption side that water demand in drought season is generally higher than other seasons. There is not much impact from industrial sector on seasonal factor. However some customers may reserve water in rainy season in their own storage to be a substitution to EASTW supply. Impact to EASTW on the decreased amount of water in the reservoir during drought season is limited since EASTW has never experienced this problem of raw material shortage to produce water to customers.

Overview of tap water business in year 2013 and 2014

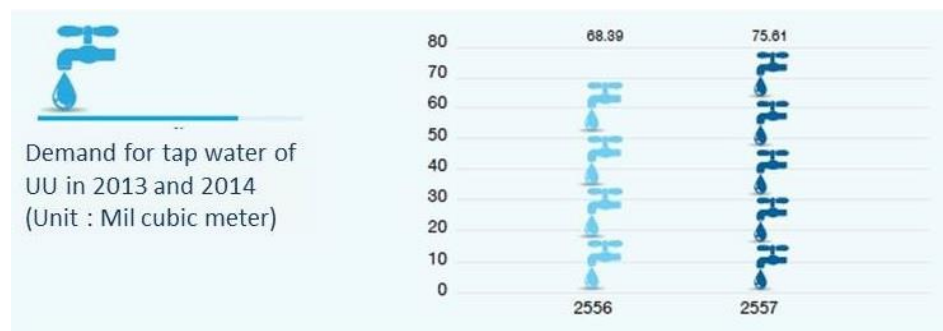
Demand for tap water in each region depends on size and growth of population and economic growth rate, which drives the demand in industrial sector. According to PWA's annual report of 2013, 4.2 million households had no access to tap water, representing 18% of total population of 40.7 households in Thailand. PWA plans to expand the service coverage to alleviate the problem in the foreseeable future.

According to statistics of tap water consumption and volume sold during 2010 to 2014 from PWA, the demand was increasing every year with average annual growth rate of 5.02%, which was coincide with the increasing volume of tap water sold, substantiated by average growth rate of 3.92% per year.

Trend of tap water sale in service area of UU

The total amount of tap water sold of UU was equal to 75.6 million cubic meters, representing a 10.5% increase from 2013. It increased in every area especially in Sattahip-Pattaya area after the company had completed the expansion of water distribution project in February 2014, and in Bowin area due to the expansion of industrial estates. The amount of tap water sold in both Sattahip-Pattaya area and Bowin area significantly increased more than 20% from 2013.

Chart 2: Company's Tap Water Demand in 2013 and 2014



Source: EASTW's Annual Report 2014

Water and demand situations in 2015

In 2014, natural water resources for tap water production was lower than average because of drought. However the water situation has improved due to rainfall in October and November that neutralized the problem.

For the water situation in 2015, Thai Meteorological Department ("TMD") and many organizations both domestically and internationally statistically analyzed the data and expected a mild El Nino phenomenon is probable. As a result, the temperature in summer and winter would increase, but the amount of rainfalls will remain in normal level.

From the expectation of economic recovery in 2015, it is expected to see an increasing demand for tap water with growth rate roughly 7% to 8% compared to the year 2014.

(Source: EASTW's Annual Report 2014)

4. The Opinion of the Independent Financial Advisor**4.1. Appropriateness of the Transaction****4.1.1. The Objectives of the Transaction**

According to the resolution of the Board of Directors meeting No. 8/2015 on June 17, 2015, the board of directors has approved an acquisition transaction that Universal Utilities Co., Ltd. ("UU") will acquire Egcom Tara Co., Ltd. ("EGCOM") share of 25,597,096 shares amounting to 74.19% of total paid-up capital from Egco Engineering and Services Co., Ltd. ("ESCO"), which is the connected party EASTW. ESCO is a subsidiary of Electricity Generating PCL. ("EGCO"), the major shareholder of EASTW, and there is a co-director for EASTW and EGCO. The Transaction is to expand and enhance business competitiveness of UU waterworks business with aspiration for future opportunities as well as increasing efficiency and financial performance, which finally enhance company value before being listed in the Stock Exchange of Thailand.

4.1.2. The Reasonableness of the Conditions of the Transaction

Referred to the acceptance letter of EGCOM share buying issued by EGCO to EASTW dated May 18, 2015 has specified that the Transaction has to be proceeded in compliance with legal requirement and guideline of the Stock Exchange of Thailand with the target of completion within year 2015.

Financial advisor provides opinion on the condition of the Transaction to be reasonable in terms of time period of this process since this transaction is the connected transaction of EASTW, which is listed company and the transaction has to be approved by shareholders. The Extraordinary General Meeting of Shareholders No. 1/2015 of EASTW will be held on August 10, 2015 in order to approve the transaction. The selection of meeting date is according to rule of meeting arrangement and will leave an adequate time for following activities in case of getting approval. Additionally, UU also considers the appropriate timing to be in Q3 of 2015. As the time slot is proper and follows EGCO schedule, therefore the time line condition of the transaction is reasonable condition.

4.1.3. Advantages and disadvantages from entering and not entering into the Transaction**4.1.3.1. Advantages from entering into the Transaction****1) Enlarge waterworks business of the EASTW Group**

EGCOM is the producer and distributor of tap water to the Provincial Waterworks Authority in Ratchaburi and Samut Songkhram with 30 years contract (as of 2015, the remaining

period is about 16 years). The contract contains the minimum buying volume that PWA has committed, which create the sustainable and profitable financial return to EGCOT. The revenue shows continually growth every year with 2014's revenue figure of 317.42 million Baht and net profit of 178.29 million Baht. Thereby, this transaction will enlarge the tap water business of the group from increased revenue, profit and operating asset, which will strengthen the EASTW Group ("the Group") profitability.

2) EASTW Group gains more control and higher return on investment

EGCOM has a strong financial position with no debt and large portion of cash and short-term securities as well as stable and high dividend pay-out record. Therefore, this transaction will make the UU ownership on EGCOT to rise to 90.08% of total shares outstanding, which will enable UU to gain significant control over EGCOT operation and policy. Thus, EASTW group will gain return in forms of revenue, cash flow, profit sharing and dividend, which will enhance the investment opportunities in the future.

3) Business opportunities and other benefit to the Group

- The Group could utilize the unused capacity of EGCOT to generate incremental revenue because currently EGCOT has maximum production capacity of 48,000 cubic meters/day but the average sale and production volume are around 36,270 cubic meters/day.

- After the Transaction execution, EASTW group can manage internal operation of EGCOT to create more efficiency by reducing staff due to UU has proficiency and experience in waterworks business so that the cost and expenses management will be more efficient. Consequently, EGCOT's financial performance will be improved.

- With majority control over EGCOT from this transaction, the Group could more efficiently manage EGCOT business and increase return to shareholders, such as managing EGCOT's cash and short-term investment to generate more returns (as of year-end 2014, EGCOT's cash and short-term investment are 183 million Baht) that they can pay out more dividend or invest more in required business asset, etc..

4) Increase business opportunity

EASTW group can leverage on EGCOT to expand their waterworks business or other related area of business in the future.

4.1.3.2. Disadvantages from entering into the Transaction**1) Increase in debt obligation of the Group**

Since UU will fund this transaction by borrowing from financial institution, this will increase debt and interest payment in consolidated financial statement. Nevertheless, there will be dividend received from EGCOR, therefore the net effect to net profit will not be significant as described below:-

Additional financing cost is approximately 62 million Baht per year, which is computed from bank loan rate in UU previous contract of MLR – 2.65% p.a. which is around 3.86% p.a. (average MLR of 4 largest commercial banks equal to 6.51%). On the other hand, the average dividend from EGCOR will be paid at approximately 93.52% of net profit of each year. In case of UU holds EGCOR up to 90.08%, UU will be entitled to receive dividend from EGCOR of around 156 million Baht (calculated from dividend payout ratio at 93.52% of the forecast net profit (Y2015) of 185 million Baht). As shown above, the dividend received is higher than financing cost from the transaction. However, the calculate figures are based on historical data of UU and EGCOR that are the main sources of the estimation conducted by the Independent Financial Advisor.

Additionally, the increased debt burden will inflate the debt to equity ratio and reduce debt service coverage ratio. The debt to equity ratio of EASTW as of 31 March 2015 is 0.79 times. With the additional debt to finance the transaction of about 1,600 million Baht and increased shareholders' equity from consolidation of 90.08% of EGCOR of roughly 482 million Baht, EASTW adjusted debt to equity ratio will be 0.92 times^{1/}. However, this worsen financial figure is at acceptable level and will not be prolonged since the debt and financing cost would be reduce dramatically in the early stage due to UU intends to repay significant portion of loan by proceed from fund raising through its initial public offering (IPO). The remaining portion of loan will be repaid and reduced along the term until maturity, which will also reduce such impact on EASTW balance sheet.

^{1/} Remark: The calculation of debt to equity ratio of EASTW after entering into the Transaction is estimated from last updated information and is not taken into account the profit sharing and/or other effects from this transaction, so the above figures should be used as an indication.

4.1.3.3. Advantages of not entering into the Transaction

Not engaging in the Transaction, there will not be any effects of increasing debt and financing cost to EASTW consolidated financial statements. Also, there is no effect to debt to equity ratio and debt service ability of EASTW.

4.1.3.4. Disadvantages of not entering into the Transaction

1) Waterworks business scale remains as ever

Not entering into the Transaction will wipe out the opportunity to expand the Group waterworks business including the future opportunities and growth.

2) EASTW opportunity cost

EASTW will lose the opportunity to be entitled for the stable dividend payment from EGCOR each year, which will result in higher revenue, net profit and investment value as well. Thus, this is an opportunity cost for EASTW if they miss this opportunity.

4.1.4. Advantages and disadvantages of entering into the Transaction with connected persons

4.1.4.1. Advantages of entering into the Transaction with connected persons

1) Negotiation process would be convenient

The Transaction is dealing with ESCO, who is subsidiary of EGCO, the majority shareholder of EASTW. Consequently, the information request for consideration offer, understanding in business and objective of each party will be effortless.

2) Higher possibility of success for the Transaction

There are a few companies operating in tap water business. EGCOR is one of the companies, which has operated in this business for a long time with stable financial performance and has same core business with UU. Moreover, EGCOR's size is affordable for UU to invest. Therefore, it is suitable for UU to invest in EGCOR. Normally, it is quite difficult for unknown investor to invest in such high potential company like EGCOR. Consequently, the Transaction with connected person in this case provides more chance of success.

4.1.4.2. Disadvantages of entering into the Transaction with connected persons

Disclosure requirement and regulation enforcement

Since UU, the buyer, is a subsidiary of EASTW and ESCO, the seller, is a subsidiary of EGCO, who is the major shareholder of EASTW (holds 18.72%), so ESCO is the connected person to EASTW. The Transaction is classified as a connected transaction which required EASTW has to disclose all relevant information to the Stock Exchange of Thailand and to get approval from shareholders' meeting. In addition, EASTW is obliged to seek an opinion from an independent financial advisor to provide an opinion on appropriateness of the Transaction and condition attached and reasonableness of price to submit to EASTW shareholders.

4.1.5. Risk associated with the Transaction

1) Risk of funding from financial institution

As UU needs funding from bank financing to afford the Transaction, in case of unfavorable event turns down this source of fund, the Transaction will be ceased. Notwithstanding, on 17 June 2015, UU has sent out letters to 15 commercial banks to offer credit facility for the Transaction within the given due date to offer of 28 July 2015.

2) Risk of unpredictable business performance

According to the estimation of return on investment of the Transaction, UU has made key assumptions to do the financial projection for determining the Transaction price. Thus, in case of some assumptions is not as expected, the return on investment may be changed, for example, missed target water sold, unexpected additional capital expenditure such as overhaul and maintenance cost, other unforeseeable additional cost and expenses, etc.

3) Risk of lack of absolute control over EGCOM

Referred to EGCOM's articles of association no. 9 and 10, if any shareholder group is willing to sell part or all of their shares, the seller group must offer to sell to the remaining shareholder by written, with the same price and conditions with the amount in proportionated to percentage of shareholding, before selling to the buyer group. Currently the shareholders of EGCOM are divided into 3 groups, which are 1) ESCO 74.19% 2) EASTW (currently is held by UU) 15.88% and 3) the individual shareholders 9.93%.

For the Transaction, ESCO has to submit the offer to sell share letters to other shareholders which is the Group 3 mentioned above. If that group is willing to buy EGCOM share up to their rights, the proportion of share UU can buy will decrease to 45.66% for this transaction. Considering the former share acquisition, total shares held by UU will be 61.54% compared to the intention to buy EGCOM shares of 90.08%. The decreasing proportion of shares held will limit UU control and authorization to influence the significant managerial decisions. However, for the Group 3 to buy share, the cash outlay is estimated to be around 615 million Baht, which seems considerably high. From management interview, ESCO will submit the offering letter to the Group 3 around late June 2015 and the Group 3 have to reply back no later than 60 days. In case of ESCO sends out offering letter on late June 2015, the deadline will be on late August 2015, which is within an acceptable timeline for UU to complete the buying transaction, determined to be within 2015.

4) Negative impact in case of extending the time to be listed in the Stock Exchange of Thailand beyond expected date.

If UU have completed the share buying transaction, but could have not been listed in the Stock Exchange of Thailand and could have not raised fund from the initial public offering (IPO) before the loan maturity come due. This will push UU to negotiate with financial institution to extend loan term or change the condition. EASTW may have to give financial support to UU. As of end of Q1'2015, EASTW has 386 million Baht cash on hand. On the other hand, EASTW could borrow short term loan or issue bond to finance UU for this circumstance. However, this scenario is a short term impact because if UU can finally raise fund by IPO, it will pay back loan to EASTW.

4.2 The Reasonableness of the Price

This part of the report explains how the IFA derives the opinion regarding the reasonableness of the price in this Transaction, which is the acquisition of 25,597,096 EGCOM's shares from ESCO (74.19% of total common shares). For the valuation of the fair value of the Transaction, the IFA used the generally accepted valuation approach as follow.

- 1) Market Comparable Approach
 - Price to Earnings Ratio Approach ("P/E")
 - Enterprise Value to EBITDA Ratio Approach ("EV/EBITDA")
 - Price to Book Value Ratio Approach ("P/BV")
- 2) Book Value Approach
- 3) Discounted Cash Flow Approach ("DCF")

The calculation of each approach are as per below.

4.2.1 Market Comparable Approach

Using Market Comparable approach to evaluate the fair value of EGCOM involved comparing key trading multiples of EGCOM with those of the listed companies in the same business sector. For the valuation of EGCOM, the IFA used 2 companies listed in the SET and the MAI in the energy and utilities sector with significant portion of revenue from manufacture and sale of tap water. The comparable companies are as follows.:

Company	Ticker
Eastern Water Resources Development and Management PCL.	EASTW
TTW PCL.	TTW

From Market Comparable approach, the IFA has chosen 3 valuation approaches strongly supported by financial theories. They are as follows:

- Price to Earnings Ratio Approach ("P/E")
- Enterprise Value to EBITDA Ratio Approach ("EV/EBITDA") and
- Price to Book Value Ratio Approach ("P/BV")

4.2.1.1 Price to Earnings Ratio Approach

Though ignoring the book value, Price to earnings ratio methodology reflects the profitability. The valuation by this methodology was calculated by multiplying 2014 earnings of EGCOM to the average price to earnings (P/E) multiples of its peers over the periods of 30 days, 60 days, 90 days and 120 days prior to 17 June 2015. Details are as follows:

Historical Price to Earnings Multiples

Unit: Times

Company	30 days prior	60 days prior	90 days prior	120 days prior
EASTW	13.93	13.84	13.88	13.98
TTW	15.10	15.21	15.96	16.42
Average	14.51	14.52	14.92	15.20

Source: SETSMART

However, EGCOM is not a listed company like its peers. IFA, therefore, discounted the EGCOM's equity value by Marketability Discount at 25%.¹ From the average P/E multiples of the

¹ Marketability Discount at 25% referring to the average of general Marketability Discount of 20% – 30% regarding Investment Valuation (2nd edition) by Aswath Damodaran

peers above, the IFA finds the equity value of EGCOR and the Transaction value (74.19% of total common shares) as follows:

Unit: THB million

	30 days prior	60 days prior	90 days prior	120 days prior
Equity value	2,587.70	2,589.07	2,660.91	2,710.52
Equity value (25% discount)	1,940.78	1,941.80	1,995.68	2,032.89
Transaction value	1,439.95	1,440.71	1,480.69	1,508.29

From the average P/E multiples of the peers above, the IFA chose to calculate the value of EGCOR using the averages from the period of 30 days prior to the 17 June 2015 since they reflect the current conditions better than those from the longer periods. The Transaction value estimated by this approach is THB 1,439.95 million.

4.2.1.2 Enterprise Value to EBITDA Ratio Approach

Although ignoring the book value, this methodology reflects the cash earning capacity. The Enterprise Value ("EV") of EGCOR was calculated by multiplying its 2014 EBITDA by the average EV/EBITDA multiple of its peers. The equity value is defined as Enterprise value + Cash and cash equivalent – Interest bearing debt. The average EV/EBITDA multiples of its peers over the periods of 30 days, 60 days, 90 days and 120 days prior to 17 June 2015 are as follows:

Historical EV/EBITDA Multiples

Unit: Times

Company	30 days prior	60 days prior	90 days prior	120 days prior
EASTW	10.53	10.44	10.47	10.55
TTW	11.02	11.09	11.41	11.51
Average	10.78	10.76	10.94	11.03

Source: SETSMART

However, EGCOR is not a listed company like its peers. IFA, therefore, discounted the EGCOR's equity value by Marketability Discount at 25%. From the average EV/EBITDA multiples of the peers above, the IFA finds the equity value of EGCOR and the Transaction value (74.19% of total common shares) as follows:

Unit: THB million

	30 days prior	60 days prior	90 days prior	120 days prior
Equity value	2,767.74	2,764.93	2,805.96	2,828.32
Equity value (25% discount)	2,075.80	2,073.70	2,104.47	2,121.24
Transaction value	1,540.13	1,538.57	1,561.40	1,573.84

From the average EV/EBITDA multiples of the peers above, the IFA chose to calculate the value of EGCOM using the averages from the period of 30 days prior to the 17 June 2015 since they reflect the current conditions better than those from the longer periods. The Transaction value estimated by this approach is **THB 1,540.13 million.**

4.2.1.3 Price to Book Value Ratio Approach

Although reflecting the book value, the methodology ignores the profitability. By this methodology, the equity value of EGCOM was calculated by multiplying its book value (as of 31 December 2014) by the average closing price to book value (P/BV) multiples of its peers over the periods of 30 days, 60 days, 90 days and 120 days prior to 17 June 2015. Details are as follows:

Historical P/BV Multiples

Unit: Times

Company	30 days prior	60 days prior	90 days prior	120 days prior
EASTW	2.16	2.16	2.17	2.18
TTW	4.15	4.08	4.19	4.22
Average	3.16	3.12	3.18	3.20

Source: SETSMART

However, EGCOM is not a listed company like its peers. IFA, therefore, discounted the EGCOM's equity value by Marketability Discount at 25%. From the average P/BV multiples of the peers above, the IFA finds the equity value of EGCOM and the Transaction value (74.19% of total common shares) as follows:

Unit: THB million

	30 days prior	60 days prior	90 days prior	120 days prior
Equity value	1,688.45	1,669.87	1,700.87	1,711.29
Equity value (25% discount)	1,266.34	1,252.40	1,275.65	1,283.46
Transaction value	939.55	929.21	946.46	952.26

From the average P/BV multiples of the peers above, the IFA chose to calculate the value of EGCOM using the averages from the period of 30 days prior to the 17 June 2015 since they reflect the current conditions better than those from the longer periods. The Transaction value estimated by this approach is **THB 939.55 million.**

4.2.2 Book Value Approach

Book Value methodology takes into accounts neither the future profitability nor market value of assets. It only reflects the book value of the net asset at a point in time. Using this methodology, EGCOM was valued at its net asset value (total assets minus total liabilities), equivalent to its

shareholders' equity, from the financial statements for the year ending 31 December 2014. Details are as follows:

Unit: THB million

Item	Amount
Total assets	579.90
<u>Less</u> Total liabilities	45.19
Net asset value or Equity value	534.71
Transaction value	396.73

4.2.3 Discounted Cash Flow Approach

The discounted cash flow methodology reflects the fundamental value of a company by estimating the present value of free cash flow from the projected financial model. This approach principally focuses on future operating prospects. To utilize this approach, various assumptions have to be made in order to prepare a financial forecast. As such, any material changes from the assumptions in the economic conditions and other external factors impacting operations or positions of EGCOR will lead to material change in the values estimated by this approach as well.

In estimating the fair value of EGCOR by the DCF approach, the IFA prepared a financial forecast from the beginning of 2015 to the ending of PWA Contract, because EGCOR does not have a quarterly financial statements therefore the latest financial statements is yearly financial statement in 2014, assuming that EGCOR will redeem the remaining cash in last year to shareholders proportionately. However, the fair value of EGCOR by DCF approach will be valued as of 30 June 2015 based on IFA's financial forecast.

Key assumptions in the financial model, such as revenue from sales of tap water; cost of sales; selling, general & administrative expenses were set based on the historical financial statements, budget, interviews with the management and agreements that IFA received from EASTW.

Details of key assumptions for EGCOR are as follows.:

1) Revenue from sales of tap water

- Sales quantity of tap water (minimum guarantee) is constant at 35,400 cubic meter/day until the end of PWA Contract. This is based on information in PWA Contract.
- Sales quantity of tap water (over minimum guarantee) is constant at 929 cubic meter/day until the end of PWA Contract. This is based on the average of total sales

quantity of tap water minus sales quantity of tap water (minimum guarantee) in the past 4 years.

- Selling price of tap water is based on equation in PWA Contract. In this equation, the IFA used growth rate of Consumer Price Index ("CPI") in July at 3.16% p.a., which is the average growth rate of CPI in July in the past 10 years.

2) Cost of sales

- Operating & Maintenance cost ("O&M") is based on equation in the Production and Distribution of Tap Water and Providing Maintenance Services for the Tap Water production system and all subsequent amendments Agreement ("O&M Contract") between EGCOT and UU started 7 April 2013. The growth rate of CPI in July, which will be used for O&M cost calculation, is aligned with PWA Contract.
- Insurance cost for operating assets is 0.14% of beginning net operating asset. This is based on historical information from EGCOT's budget and financial statements in the past 3 years.
- Maintenance cost is THB 13.45 million and will be increased at 3.03% p.a., which is the average growth rate of annual CPI in the past 10 years. This is based on EGCOT's budget and financial statements in 2014.

3) Selling and administrative expenses

- Financial, Advisors & Other expense is THB 3.40 million and will be increased at 3.03% p.a., which is the average growth rate of annual CPI in the past 10 years. This is based on EGCOT's budget and financial statements in 2014.
- Office supplies expense is THB 0.69 million and will be increased at 3.03% p.a., which is the average growth rate of annual CPI in the past 10 years. This is based on EGCOT's budget and financial statements in 2014.
- Office rental & services expense is THB 1.80 million and will be increased at 3.03% p.a., which is the average growth rate of annual CPI in the past 10 years. This is based on EGCOT's budget and financial statements in 2014.
- Other expense is THB 1.14 million and will be increased at 3.03% p.a., which is the average growth rate of annual CPI in the past 10 years. This is based on EGCOT's budget and financial statements in 2014.

4) Working capital

- The collection period is 27 days, which is the average collection period in the past 3 years.
- The payable payment period is 61 days, which is the average payable payment period in the past 3 years.
- Inventory is constant at THB 0.46 million, which has been constant since 2010.

5) Capital expenditure

- Investment for additional tap water pipes and machines is THB 50 million, which will be invested THB 10 million each year during 2015 – 2019. This is based on interview of EASTW management.
- Reserve for reinvestment is 3.00% of net profit in each year. This is based on interview of EASTW management.

6) Source of fund for future investments is operating cash flow.

7) EGCOR will sell all operating assets at its book value at the end of PWA Contract.

In order to calculate present value, the IFA utilized the Weighted Average Cost of Capital ("WACC") as a discount rate. The IFA used β from the same comparable groups used in Market Comparable approach to derive WACC through the following formula:

$$WACC = W_e * K_e + W_d * K_d * (1 - \text{Tax Rate})$$

Whereas:		Assumption (%)
Wd	= Debt to Total Invested Capital Ratio	0.00
We	= Equity to Total Invested Capital Ratio	100.00
Kd	= Before-tax Cost of Debt	0.00
Ke	= Cost of Equity	5.64
Tax Rate	= Corporate Tax Rate	20.00

WACC	= Weighted Average Cost of Capital	5.64
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$$\text{Whereas: } K_e = R_f + \beta * (R_m - R_f)$$

Whereas:		Assumption (%)
Rf ¹	= Risk-free rate	3.56

R_m^2	=	Return on investment in SET	11.66
β^2	=	Measure of the Sensitivity of the Assets' Returns to Market Returns	0.26

Remark: 1. 16 year government bond yield as of 17 June 2015. (Source: www.thaibma.or.th) The IFA chose the bond closest to the remaining year of PWA Contract to be consistent with the DCF approach.

2. Source: Bloomberg (as of 17 June 2015)

β is calculated from re-leveraging the average Unleveraged Beta (β_U) of the comparable group which are EASTW and TTW by EGCOT's capital structure. Unleveraged Beta is a beta adjusted to remove the leveraging effect, i.e., a beta of the company if it has no debt. Unleveraged Beta is calculated from Leveraged Beta (β_L) (5 years historical data from Bloomberg prior to 17 June 2015). The detail of calculation as follows.:

Calculation of Unleveraged Beta (β_U) of comparable group

$$\beta_U = \beta_L / (1 + (1 - \text{Tax Rate}) * D/E)$$

Whereas:		Assumption (EASTW)	Assumption (TTW)
β_L	= Leveraged Beta	0.45	0.49
Tax Rate	= Effective tax rate	20.27%	4.98%
D/E	= Debt to Equity ratio	0.69	1.27
β_U	= Unleveraged Beta	0.29	0.22
Average β_U of comparable group			0.26

Calculation of Leveraged Beta (β) of EGCOT

$$\beta = \beta_U * (1 + (1 - \text{Tax Rate}) * D/E)$$

Whereas:		Assumption (%)
β_U	= Average β_U of comparable group	0.26
Tax Rate	= Corporate Tax Rate	20.00%
D/E	= Debt to Equity ratio of EGCOT	0.00

β	=	Leveraged Beta of EGCOR	0.26
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Based on the assumptions above, the WACC for EGCOR is 5.64%, which will be used as a discounted rate to calculate the present value of EGCOR's free cash flow. Therefore, the Transaction value estimated by this approach is as follows:

Free Cash Flow to the Firm of EGCOR in 2015 - 2031

Unit: THB million

	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total revenue	341	357	371	386	403	417	430	444	459
Total cost of sales	(81)	(83)	(86)	(89)	(91)	(94)	(97)	(100)	(103)
Total selling & admin expenses	(7)	(7)	(7)	(8)	(8)	(8)	(8)	(9)	(9)
Net operating profit after tax	185	195	203	212	222	230	237	245	254
+ Depreciation	22	23	24	25	26	28	28	29	30
- Capital expenditure	(16)	(16)	(16)	(16)	(17)	(7)	(7)	(7)	(8)
+ Change in working capital	1	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Free Cash Flow to Firm (FCFF)	192	201	210	220	231	250	258	266	275

Unit: THB million

	2024	2025	2026	2027	2028	2029	2030	2031
Total revenue	476	490	507	523	542	559	577	157
Total cost of sales	(107)	(110)	(113)	(117)	(121)	(124)	(128)	(34)
Total selling & admin expenses	(9)	(10)	(10)	(10)	(10)	(11)	(11)	(3)
Net operating profit after tax	263	271	280	289	298	305	311	78
+ Depreciation	31	32	34	36	38	42	50	22
- Capital expenditure	(8)	(8)	(8)	(9)	(9)	(9)	(9)	19
+ Change in working capital	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(7)
Free Cash Flow to Firm (FCFF)	286	295	305	315	327	338	350	112

The Estimated Value of EGCOR and the Transaction value from DCF Approach

Unit: THB million

	Value
Present value of free cash flow to firm ⁽¹⁾	2,698.14
<u>Plus</u> Present value of remaining cash of EGCOR at the end of PWA Contract	336.50
<u>Plus</u> EGCOR's cash ⁽²⁾	200.03
<u>Less</u> EGCOR's debt	-
Equity value	3,234.67
<u>Less</u> Marketability Discount (25%)	808.67

Equity value (Post-Marketability Discount)	2,426.00
Transaction value (74.19% of total common shares)	1,799.96

Remark: (1) Calculated from FCFF in 2H/2015 onwards.

(2) Calculated from EGCOT's cash as of 31/12/2015 + Estimated FCFF in 1H/2015 – Dividend paid in 1H/2015
(183.07 + 95.96 – 79.01)

From the table above, IFA calculates the Transaction value using discounted cash flow approach at **THB 1,799.96 million**

Although Discounted Cash Flow approach can take into account specific factors of estimated companies, numerous assumptions need to be set for financial model. The IFA exercised due care and set the assumptions reasonably adhering to professional code. Nonetheless, any material changes from the assumptions in the economic conditions and other external factors impacting operations or positions of EGCOT will lead to material change in the Transaction value.

Summary of valuation of the Transaction

According to the valuation based on various approaches above, the Transaction value and the suitability of each valuation approach for this transaction can be summarized as follows.:

Valuation approach	Equity value of EGCOT (THB million)	Transaction value (THB million)	Suitability of each valuation approach for this transaction
1. Market Comparable Approach			
1.1 P/E Multiple Approach	1,940.78	1,439.95	✗
1.2 EV/EBITDA Multiple Approach	2,075.80	1,540.13	✗
1.3 P/BV Multiple Approach	1,266.34	939.55	✗
2. Book Value Approach	534.71	396.73	✗
3. Discounted Cash Flow Approach	2,426.00	1,799.96	✓

For this transaction, the IFA is of an opinion that Market Comparable Approach, which includes Price to Earnings Multiple Methodology (P/E); Enterprise Value to Earnings before Interest, Tax, Depreciation and Amortization Multiple Methodology (EV/EBITDA); and Price to Book Value Multiple Methodology (P/BV); including with Book Value Approach are not suitable for the valuation of this Transaction due to the following reasons.:

- Market Comparable Approach, which includes Price to Earnings Multiple Methodology (P/E); Enterprise Value to Earnings before Interest, Tax, Depreciation and Amortization

Multiple Methodology (EV/EBITDA); and Price to Book Value Multiple Methodology (P/BV), reflects the firm value for investment as a minority shareholder. However, after this transaction, UU will hold 90.08% shares of EGCOM and will be a majority shareholder of EGCOM embedded with the right of control. Therefore, these approaches are not suitable for the valuation of this transaction.

- Book Value Approach does not reflect future earning capacity and cash flow generating capacity of the firm. Furthermore, it does not reflect the current fair value of the firm because EGCOM does not have any assets reappraisal value.

The IFA is of an opinion that Discounted Cash Flow Approach (DCF) is an appropriate valuation approach for this transaction due to the following reasons.:

- Discounted Cash Flow Approach (DCF) reflects future earning capacity and cash flow generating capacity of the firm. It is also suitable for investment in a whole or majority shares of the company with the right of control. After this transaction, UU will hold 90.08% shares of EGCOM and will be a majority shareholder of EGCOM embedded with the right of control. Therefore, this approach is suitable for the valuation of this transaction.

Conclusion of the IFA's Opinion on the Reasonableness of the Transaction price

With regards to the reasonableness of the Transaction price, the IFA has calculated the fair value of the Transaction at THB 1,799.96 million by multiplying fair value of EGCOM with the percentage of shareholding that UU will buy from ESCO. The Transaction price of THB 1,600.00 million is lower than the fair value by THB 199.96 million or 11.11%. The IFA is of an opinion that the Transaction price is fair and reasonable.

5. Conclusion of the IFA's Opinion

The IFA has reviewed the Transaction from the relevant information which provided by EASTW, management interview, and obtained from public information. The IFA reviewed the advantages and disadvantages from entering into the Transaction, Condition of the Transaction and also potential risks from the Transaction. The IFA has the following opinions:

Entering into this Transaction creates advantages to UU by increasing its % holding in EGCOM to 90.08%. By this majority shareholding, UU will have mostly control over EGCOM which is a strong financial company, no debt with certain and continuing revenue in a long term. The return on such investment for UU will be profit sharing, dividend and also UU can expand its waterworks business through EGCOM base. EASTW can gain the advantages from this Transaction which are increasing of investment value in UU since the Transaction will enlarge UU's business size and profitability and dividend income. The disadvantage from entering into the Transaction is increase in debt of EASTW group due to the loan for executing the Transaction. However, the loan amount is expected to be lower because EASTW has a plan to spin-off UU and raise capital for repaying debt from the initial public offering process (IPO).

From the advantages and disadvantages above, the entering into the Transaction has advantages to both UU and EASTW rather than disadvantage. Accordingly, IFA is of the opinion that entering into this Transaction is appropriate.

With regards to the reasonableness of the Transaction price, the IFA has appraised the fair value of EGCOM which will be transacted and arrives at the fair value of the Transaction at 1,799.96 million Baht. The Transaction price of 1,600.00 million Baht is lower than the appraised fair value by 199.96 million Baht. Therefore, the IFA is of an opinion that the Transaction price is fair and reasonable.

The IFA's opinion is that the shareholders should vote in favor of approving the Transaction. Nevertheless, the final decision rests primarily with the individual shareholders. The shareholders should study the information contained in this report along with other related information provided and use his/her own judgement in making the final decision.

We hereby certify that the report was prepared prudently and in line with professional practice with due regard to the interest of the shareholders.

Yours sincerely,

- Siriporn Laoratanakul -

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