

-TRANSLATION-

Attached No. 6

DS. 032/2552

30 March 2009

Subject            Opinion on Related Party Transactions  
To                 Shareholders of  
                     Thai Factory Development PCL.

Attachment:      Appraisal report of lease and management contract of buildings of Dindaeng's government housing project 5 provided by Thai Property Appraisal Lynn Phillips Co., Ltd (Registered No. Tor. Por. 09/3/029) on January 22, 2009

As Thai Factory Development PCL ("TFD" or "Seller") has appointed DS Prudential Management Co., Ltd ("DS" or "Financial Advisor") as independent financial advisor to give comments on fair price and reasonability of selling shares of Princeton Park Suites Co., Ltd ("PPS"), TFD's subsidiary, amounting to 69,999,993 shares (100% of paid-up capital) to Vibhavadi Medical Center PCL ("VIBHA" or "Buyer"), a related person, at initial price of THB 273.83 million. This is a related party transaction according to announcement of the Stock Exchange of Thailand ("SET") on disclosure and procedure of related party transaction of listed companies in 2003. Since TFD and VIBHA have directors and shareholders in common and such transaction is worth more than 3% of net tangible assets of the company and its subsidiary based on consolidated financial statements as of December 31, 2008. This needs shareholders' approval for  $\frac{3}{4}$  of total voting rights attending the meeting (excluding rights from shareholders with possible conflict of interest). Moreover, TFD has to appoint independent financial advisor to give comments on fair price and reasonability of transaction to propose to independent directors and shareholders later.

In addition, when calculate size of transaction based on SET's announcement on disclosure and procedure of listed companies regarding acquisition or disposal of assets in 2004, such transaction is classified as transaction type 2, in which size is between 15% to 50%. TFD has to disclose such transaction to the SET and send such information to shareholders within 21 days after disclosing to the SET.

DS as authorized financial advisor, who gets approval from Stock Exchange Committee (SEC) and is independent from the company, has taken following information into consideration: resolution from the board of directors' meeting (3/2552) on March 17, 2009, memorandum of understanding of PPS's share sales on December 29, 2008 and the revised one on March 11, 2009, lease and management contract on of buildings under Princeton Park Suites project (formerly Dindaeng's government housing project 5) with National Housing Authority, appraisal report of lease and management contract of buildings under Princeton Park Suites project provided by Thai Property Appraisal Lynn Phillips Co., Ltd, auditor's financial statements reports, recommendation letter from Commerce Ministry, company's code of conduct, lists of shareholders, company's prospectus (form 56-1), financial

forecast, financial assumptions and other information as well as interview with management and other related officers. We find this related party transaction is useful to TFD in term of:

1. It is a non-core asset disposal in which TFD has no experience in that field. In the past, TFD mostly suffered losses from investment in such non-core assets. Hence, the selling of PPS's shares may help reduce risk from realizing losses from PPS in the future.
2. TFD may realize accounting gain of THB 4.63 million from selling PPS shares.
3. TFD can use money received from selling PPS shares for working capital or investment in future projects that may generate higher return. In all, this helps improve TFD's financial liquidity and reduce financial leverage.
4. This reduces rental expense that TFD has to pay to National Housing Authority for the remaining lease contract of Princeton Park Suites of 23 years and 3 months totaling worth THB 599.81 million.
5. Initial price of PPS that TFD sells to VIBHA is THB 273.83 million. This is fair and reasonable because this is higher than that evaluated by financial advisor of THB 263.38 million by discounted cash flow method.

So DS agrees this related party transaction is reasonable, price is fair and condition is normal. DS recommends shareholders to approve that transaction (see attached document for details). However, the approval of this transaction depends on shareholders' judgment.

Opinion from independent financial advisor is based on assumptions and reliability of information and documents received from TFD and PPS and public information under current situation. Moreover, financial forecast done by DS is the same as that provided by PPS and interview with management of TFD and PPS. Therefore, if there is any significant change in information, assumptions, documents and situations, this may impact opinion of independent financial advisor.

I certify that opinion on related party transaction is done under caution and professional manner by taking shareholders' benefit as a key.

Please take consideration accordingly.

Best regards,

DS Prudential Management Co., Ltd

(Mrs. Benjamas Boonpakong)

Managing Director

## Information

### Financial Advisor's Opinion on Related Party Transactions

#### 1. Types and Details of Related Party Transaction

##### 1.1 *Transaction Date and Related Party*

- **Transaction Date**

After receiving approval from shareholders' meeting held on April 29, 2009

- **Related Party and Type of Relationship**

Seller : Thai Factory Development PCL ("TFD")

Buyer : Vibhavadi Medical Center PCL ("VIBHA")

Type of relationship : Having major shareholders and directors in common

##### 1.2 *Type and Size of Transaction*

TFD plans to sell shares of Princeton Park Suites Co., Ltd ("PPS") of 69,999,993 shares at par value of THB 5 each to VIBHA for THB 273,832,302. This divides into THB 138,900,000 as money that TFD may receive, while the remaining THB 134,932,302 VIBHA will take TFD's liabilities with PPS (See 1.4 Return and Payment for details).

In addition, when calculate size of transaction based on SET's announcement on disclosure and procedure of related party transaction of listed companies in 2003, such transaction is equivalent to 31.14% of net tangible assets of the company and its subsidiary of THB 879,270,727 as of December 31, 2008. This is higher than the minimum requirement of 3% of net tangible assets, so TFD is required to disclose such transaction to the SET and arranges shareholders' meeting to approve that transaction. At least  $\frac{3}{4}$  of total voting rights attending the meeting (excluding rights from shareholders with possible conflict of interest) have to approve.

Moreover, when compare with value of PPS's net tangible assets worth of THB 240,227,602 from consolidated financial statements as of December 31, 2008 in accordance with the SET's announcement on disclosure and procedure of listed companies regarding acquisition or disposal of assets in 2004, such transaction represents 27.32% of net tangible assets from consolidated financial statements as of December 31, 2008. This is classified under asset acquisition or disposal type 2, in

which TFD has to disclose information to the SET and send it to shareholders within 21 days after disclosing to the SET.

### **1.3 Details of Assets Sold**

#### **1.3.1 Details of Princeton Park Suites Co., Ltd (Subsidiary)**

Type of assets sold	: Common shares of Princeton Park Suites Co., Ltd (Subsidiary)
Name of business	: Princeton Park Suites Co., Ltd (“PPS”)
Location	: 3 Mitrmaitree Rd, Din Daeng Sub-district, Din Daeng District, BKK
Registered date	: 8 August 2002
Type of business	: Residential rental and restaurant
Paid-up capital	: THB 350,000,000
Paid-up shares	: 70,000,000 shares
Par value	: THB 5/share
Stake holding	: 100%

#### **1.3.2 Nature of Business**

Princeton Park Suites Co., Ltd (“PPS”) was established on August 8, 2002 with initial paid-up capital of THB 5 million under the name of TFD Assets Co., Ltd as TFD holds 100% of paid-up capital. Objective is to operate residential rental and restaurant service. But on February 25, 2003, name was changed to Princeton Park Suites Co., Ltd. Now PPS operates serviced apartment under “Princeton Park Suites” project. It is the 14-storey buildings located on 3 Mitrmaitree Road, Din Daeng District, Bangkok on 2-2-61 rais. PPS has leased that project from TFD and has renovated buildings and facilities before opening for service since 2006. Details of areas and facilities of that project are shown as follow:

- Floor 1 is lobby, restaurant, main path, office and service department
- Floor 2-3 is parking areas, drivers' room and control room
- Floor 4 is banquet room, seminar room, fitness, spa, Jacuzzi and swimming pool
- Floor 5 is office area, training room and meeting room
- Floor 6-14 is 270 rooms comprising of:

Room Type	Area (square meter)	No. of rooms
Superior	40	126
Deluxe	55	65
Studio	48	12
Premier	55	31
Executive	65	18
Princeton	88	18
Total		270

#### Details of banquet and seminar rooms of PPS

Details	Vibhavadi Grand Ballroom	Din Daeng Grand Ballroom	Mitrmaitree Room	Princeton Meeting Room	Princeton Cafe
Area (sq. m.)	520	110	74.7	80.75	n.a.
Capacity (no. of persons)					
- Banquet	200	100	30	30	200
- Cocktail	350	140	50	50	-
- Seminar	200	80	36	40	-
- VIP room	-	-	-	-	30

#### Marketing and target customers

PPS provides room rental service for short (daily) and long stay (monthly/yearly). Target customers can be classified by type of stay as follows:

Daily type                      - Thai and foreign tourists, and government officers attending seminars in Bangkok.

Monthly/Yearly type        - Foreign executives working in Thailand, and general customers.

Main customers of PPS are foreign tourists. In 2008, 63% of PPS' total room rental service revenue comes from foreign tourists.

The buildings Princeton Park Suites (formerly Din Daeng's government housing project 5) is belonged to National Housing Authority (NHA), in which TFD has signed lease and management contract with NHA on April 9, 2002 for 15 years with extended term for another 30 years due on March 31, 2032 (see details in 1.3.3 on source and information of lease and management contract). However, on October 1, 2002, PPS has engaged the sub-lease contract from TFD for another 2

years and 6 months. And latest extension is made again on April 1, 2008 for another 3 years ending March 31, 2011.

In August 2007, PPS invested in Hua Hin Heritage project by buying land in Khao Tao area, Paknampran Sub-district, Pranburi District, Prachuapkhirikhan Province for 9-0-42.3 rais at THB 118.4 million to develop residential condominium project for sales.

TFD's management has planned to sell Princeton Park Suites project to persons who are interested in serviced apartment business as this project suffering TFD with losses. TFD will use money from selling that project as working capital or as further investment in its core business, industrial estate development and residential project for sales, in which TFD has experience and expertise leading into higher & faster rate of return to TFD eventually.

On December 29, 2008, TFD signed memorandum of understanding to sell PPS shares of 69,999,993 shares to VIBHA for room service section only of Princeton Park Suites. On December 26, 2008, TFD received assets, liabilities and obligations of PPS's Hua Hin Heritage project worth of THB 200 million (vs. book value as shown in PSS's financial statement of THB 203.8 million) in exchange. On accounting side, TFD books PPS as accounts payable for THB 200 million.

### *1.3.3 Source and Information of Lease and Management Contract*

The buildings of Princeton Park Suites are located on Mitrmaitree Road which is convenient for transportation, only 30 minutes to Suvarnabhumi Airport or only just 15 minutes to city areas like Sukhumvit, Ratchadapisek, Pratunam and Siam Paragon. Such buildings are close to leading government agencies like Bangkok Governance House 2 at Din Daeng District, Labor Ministry, Din Daeng's police station and schools like University of Thai Chamber of Commerce, Surasak Montri School, Jakkaphongpuvanatr College, Chamnong Commerce School etc. So TFD's management has decided to modify that project into serviced apartment or hotel to serve foreign managements who rent TFD's factory, tourists and government officers who visit government offices and/or arrange seminars in Bangkok.

TFD has engaged lease and management contract with National Housing Authority for 30 years and engaged sub-lease contract of buildings to PPS, TFD's a wholly-owned subsidiary, to take full responsibility on that project. In addition, TFD takes no additional charge from sub-leasing to PPS.

Details of lease and management contract of Princeton Park Suites project

Start date	:	9 April 2002
Lessor	:	National Housing Authority
Lessee	:	Thai Factory Development PCL
Lease term	:	30 years (due on March 31, 2032)
Rental rate	:	For the year 1-3, THB 1,240,000 per month For the year 4-6, THB 1,300,000 per month For the year 7-9, THB 1,430,000 per month For the year 10-12, THB 1,573,000 per month For the year 13-15, THB 1,731,000 per month For the year 16-18, THB 1,905,000 per month For the year 19-21, THB 2,150,000 per month For the year 22-24, THB 2,420,000 per month For the year 25-27, THB 2,730,000 per month For the year 28-30, THB 3,080,000 per month
Location	:	3, 3/1 - 3/270 Mitmaitree Rd, Din Daeng Sub-district, Din Daeng District, Bangkok
Area	:	2-2-61 rais
Type of buildings	:	Residential and commercial buildings for 14 floors
Used area	:	Floor 1 commercial area 1,524 sq.m. Floor 2-5 parking area 10,421 sq.m. Floor 6-14 residential area 13,608 sq.m. (270 rooms)
Sub-lease	:	Lessor allows lessee to bring this buildings for sub-lease with retail lessee, in which such sub-lease does not result in termination of lease contract.

#### 1.3.4 Revenue Structure

Revenue structure of PPS during the past three years:

Type of Business	2006		2007		2008	
	Million Baht	%	Million Baht	%	Million Baht	%
1. Revenue from selling condominium *	0.00	0%	0.00	0%	200.00	68%
2. Revenue from residential rental	49.43	59%	56.64	57%	51.97	18%
3. Revenue from food & beverage	30.09	36%	38.79	39%	35.82	12%
4. Revenue from store rental & other service	2.03	2%	2.07	2%	2.20	1%
5. Other service revenue	1.56	2%	1.93	2%	1.97	1%
6. Other revenue	0.14	0%	0.13	0%	0.09	0%
<b>Total</b>	<b>83.24</b>	<b>100%</b>	<b>99.56</b>	<b>100%</b>	<b>292.05</b>	<b>100%</b>

Note: \* In 2007, PPS bought land in Khao Tao area, Paknampran Sub-district, Pranburi District, Prachuapkhirikhan Province, worth of THB 118.4 million to develop residential condominium project under Hua Hin Heritage project. Land development had been made partially. But on December 26, 2008, PPS sold the project to TFD at price of THB 200 million.

#### .3.5 Shareholders Structure

Below is the list of shareholders of PPS as of January 25, 2008:

Name of Shareholders	No. of shares	%
1. Thai Factory Development PCL	69,999,993	100.00
2. Mr. Apichai Taechaubol	2	0.00
3. Mr. Thavatchai Jiaravudthi	1	0.00
4. Mr. Gumpol Tiyarat	1	0.00
5. Mr. Suchart Pornpatcharapong	1	0.00
6. Mrs. Wilai Sae-ngao	1	0.00
7. Mrs. Siriporn Pinprayong	1	0.00
<b>Total</b>	<b>70,000,000</b>	<b>100.00</b>



### 1.3.6 *The Board of Directors*

As of February 25, 2009, PPS has three directors:

<u>Name-Surname</u>	<u>Position</u>
1. Mr. Thavatchai Jiaravudthi	Director
2. Mr. Anukul Ubonnuch	Director
3. Mr. Gumpol Tiyarat	Managing Director

At least two third of directors have to sign names and stamp the company's seal before making contract effective.

### 1.3.7 *Summary of Financial Status and Operating Performance*

Unit : Million Baht

Item	2006	2007	2008
<b>Operating Performance</b>			
Revenue from selling condominium	-	-	200.00
Revenue from residential rental	49.43	56.64	51.97
Revenue from food & beverage	30.09	38.79	35.82
Revenue from store rental & other service	2.03	2.07	2.20
Other service revenue	1.56	1.93	1.97
Other revenue	0.14	0.13	0.09
Total Revenue	83.24	99.56	292.05
Cost of sales of condominium project	-	-	203.80
Cost of sales and services	38.84	46.68	48.03
Buildings rental	15.60	15.60	16.77
Depreciation	14.15	14.83	14.86
Selling & administrative expense	15.17	19.43	30.02
Total Expense	83.75	96.54	313.48
Profit (Loss) before interest expense	(0.51)	3.01	(21.43)
Interest expense	(0.01)	(0.02)	(0.02)
<b>Net profit (loss)</b>	<b>(0.52)</b>	<b>3.00</b>	<b>(21.45)</b>
<b>Financial Status</b>			
Current Assets			
Cash & cash equivalent	3.89	3.72	3.68
Trade Accounts Receivable with others – Net	4.71	4.14	2.86
Trade Accounts Receivable with related parties	0.01	0.01	200.05
Deposit at parent company	4.00	-	-
Loans to related parties and accrued interest receivable	-	12.00	-
Inventory – for residential rental business	0.90	1.35	1.27
Other current assets	0.70	0.73	2.34
Total Current Assets	14.20	21.95	210.20

Item	2006	2007	2008
<b>Non-current Assets</b>			
Long-term deposit with obligation	0.15	0.91	1.24
Renovation of leased buildings & equipment – Net	123.97	115.67	105.30
Assets under development or for sales	-	128.12	-
Other non-current assets			
Deposit under lease contract with related parties	6.16	6.16	6.16
Other deposit	0.10	0.26	0.10
Withholding tax	0.15	0.18	2.11
Total Non-current Assets	130.53	251.29	114.91
<b>Total Assets</b>	<b>144.73</b>	<b>273.24</b>	<b>325.12</b>
<b>Liabilities and Equity</b>			
<b>Current Liabilities</b>			
Trade Accounts Payable	1.50	3.90	10.08
Long-term financial lease due within a year	0.13	0.39	0.24
Borrowing from related parties and accrued interest payable	-	-	60.76
Accrued Expense	6.24	3.96	8.67
Deposit and advance payment from customers	1.57	1.37	1.94
Other current liabilities	1.43	1.67	3.19
Total Current Liabilities	10.87	11.30	84.88
<b>Non-current Liabilities</b>			
Account payable under financial lease – Net	0.17	0.26	0.01
Total Non-current Liabilities	0.17	0.26	0.01
Total Liabilities	11.04	11.56	84.89
<b>Shareholders' Equity</b>			
Capital			
Registered capital			
Common shares of 70,000,000 shares @ THB 5 par	225.00	350.00	350.00
Paid-up capital			
Common shares of 70,000,000 shares @ THB 5 par	225.00	350.00	350.00
Retained losses - Unappropriated	(91.32)	(88.32)	(109.77)
Total Shareholders' Equity	133.68	261.68	240.23
<b>Total Liabilities and Shareholders' Equity</b>	<b>144.73</b>	<b>273.24</b>	<b>325.12</b>
<b>Financial Ratio</b>			
Gross Profit Margin (%)	53.27	53.05	47.77
Net Profit Margin (%)	(0.62)	3.01	(7.35)
Debt to Equity (times)	0.08	0.04	0.35
Debt to Assets (times)	0.08	0.04	0.26
<b>Earnings per share</b>			
Earnings per share (Baht)	(0.01)	0.06	(0.31)
Weighted average number of shares (shares)	45,000,000	51,027,397	70,000,000

## Operating and Financial Analysis

### - Operating Results

Over the past 3 years, PPS had experienced volatile performance. In 2007, total revenue was THB 99.56 million, a 19.61% increase from 2006, due to a rise in amount of foreign tourists pushing occupancy rate to increase to 74.0% from 67.5% in 2006. But in 2008, tourism industry was hit hard from local political turmoil especially the closure of Suvarnabhumi's national airport during the high season in the fourth quarter of 2008, resulting in tourism clash and cancellation. PSS's occupancy rate was down to only 40%, compared the same period with average of 70-80%, resulted in 2008's reduced to 66.7%. Total revenue (excluding revenue from selling condominium project) in 2008 was down to just THB 92.05 million.

Cost of sales and selling & administrative expense of PPS during 2006-2008 had been increasing continuously. In 2008, cost of sales (excluding cost of sales of Hua Hin Heritage project) was THB 48.03 million, accounting for 52% of revenue, compared with 49% average during 2006-2008. This was due to sky-rocketing in oil prices in 2008 causing rising in raw material, fuel & energy costs. Selling and administrative expense in 2008 was THB 30.02 million, an increase of THB 10.59 million from 2007 mainly from expense related to condominium Hua Hin Heritage project. Selling and administrative expense for Princeton Park Suites in 2008 was THB 19.85 million, accounting for 22% of total revenue, compared with 18% average during 2006-2008. Such increase was because of employee's salary and incentive hike.

From the above reasons, PPS recorded a net loss of THB 21.45 million in 2008 (vs. net profit of THB 3.00 million in 2007). This divided into loss from condominium project of THB 13.93 million and loss from residential rental business of THB 7.52 million.

### - Financial Status

PPS's total assets increased from THB 144.73 million in 2006 to THB 273.24 million in 2007 and THB 325.12 million in 2008. Significant change in assets during 2007 was PSS invested in land to develop residential condominium project for sales at Kao Tao, Paknampran Sub-district, Pranburi District, Prachuapkhirikhan Province under "Hua Hin Heritage" project worth of THB 118.4 million. During that year, PPS also built office and club house. In December 2008, PPS transferred that project to TFD at price of THB 200 million (compared with latest book value on transaction date of THB 203.8 million) and booked TFD as accounts receivable in PPS's financial statements of THB 200 million.

Major change in liabilities during 2006-2008 was in 2008 PPS borrowed THB 60 million from TFD with aim to develop Hua Hin Heritage project. At the end of 2008, PPS had total liabilities of THB 84.89 million, an increase of THB 11.56 million from 2007.

Shareholders' equity in 2007 was THB 261.68 million, an increase of THB 128.00 million from 2006, because 1) PPS raised its capital from THB 225.00 million to THB 350.00 million on October 5, 2007, with aim to use money for land purchase and development of Hua Hin Heritage project and 2) PPS made net profit of THB 3.00 million in 2007. While in 2008, PPS suffered net loss of THB 21.45 million resulting in a decline in shareholders' equity to THB 240.23 million at the end of 2008.

#### Outlook for Room Service Industry

Key factor affecting PPS's performance is number of foreign tourists. According to tourism industry analysis prepared by economic department of Bank of Thailand, it estimates that there will be 12.8 million foreign tourists visiting Thailand, representing a 8.8% drop from 2008 of 14.0 million tourists. All segments are down especially those from East Asia. Tourism revenue is estimated at THB 484,000 million, a 14.1% drop from 2008, due to external's world economic slump and internal's political unrest. The closure of national airport has hit Thailand's tourism industry hard with estimated opportunity loss of THB 140,000 million for tourism industry and aggregated loss of THB 290,000 million to the country as a whole.

However, situation has been improved after new government in charge. The country's reputation has improved significantly as foreign tourists feel safer travelling in Thailand. Moreover, government has issued series of tourism stimulus packages including public advertising, VISA fee exception for foreign tourists and airport's landing fee reduction by 20-50%. All these measures are believed to recover Thailand's tourism industry in second half of 2009, resulting in just small drop in number of foreign tourists from 2008.

### **1.4 Return and Payment**

#### **1.4.1 Return**

Initial price that TFD may receive from selling PPS's shares is THB 273,832,302. Calculation details are as follow:

	Unit : Baht
Value of assets sold and received cash payment	138,900,000
<u>Plus</u> Account Receivables of TFD taken by VIBHA *	134,932,302
<b>Initial agreed price</b>	<b><u>273,832,302</u> **</b>

Note: \* Based on PPS's audited financial statements as of December 31, 2008. PPS has unsettled trade accounts receivables totaling of THB 200,051,221. On the other side, by deducting loans and interest that PPS has not paid to TFD, as well as other debts of THB 65,118,919, there remains a net liability VIBHA will take TFD's liabilities amounting to THB 134,932,302.

.. Partners of the contract has to agree to adjust the value to the book value as of June 30, 2009 by July 31, 2009, following the audited financial statement and/or get approval from the management level of both parties.

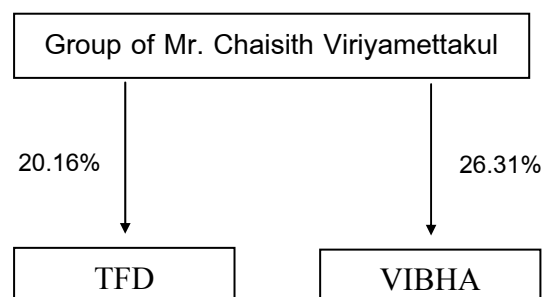
#### 1.4.2 Payment

In exchange for PPS' shares, VIBHA will pay TFD totaling of THB 273,832,302 divided into:

1. Cash payment of THB 138,900,000 divided into:
  - 1.1 THB 26,000,000 paid by cash on transaction date (December 29, 2008)
  - 1.2 THB 57,000,000 paid by cash within 3 days after shareholders' meeting of TFD and VIBHA approves that transaction on selling PPS shares
  - 1.3 THB 55,900,000 paid by promissory note issued by VIBHA to TFD due on June 30, 2009, in which VIBHA will send promissory note to TFD the same date as mentioned in 1.2
2. The remaining of THB 134,932,302 (the value will be adjusted to the book value as of June 30, 2009. See details in 1.4.1 Return), VIBHA will take TFD's liabilities with PPS as of June 30, 2009. PSS will issue debt deleverage document and circulate to TFD on June 30, 2009.
3. Once VIBHA finishes 1 & 2, TFD will transfer PPS's shares to VIBHA right away.

#### 1.5 *Related Persons*

##### 1.5.1 Shareholder Structure



Below is detail of group of Mr. Chaisith Viriyamettakul holding stake in TFD and VIBHA

Name - Surname	TFD *		VIBHA **	
	(as of March 13, 2009)		(as of February 27, 2009)	
	No. of shares	%	No. of shares	%
1. Mr. Chaisith Viriyamettakul	36,200,000	5.68	89,800,010	13.94
2. Mr. Pisut Viriyamettakul	57,000,000	8.94	24,000,040	3.73
3. Mr. Pichit Viriyamettakul	20,000,000	3.14	21,300,040	3.31
4. Mr. Pipat Viriyamettakul	6,600,000	1.04	5,830,000	0.91
5. Mr. Pichit Viriyamettakul	5,600,000	0.88	12,480,500	1.94
6. Ms. Niramol Viriyamettakul	3,050,000	0.48	15,900,060	2.47
7. Mrs. Sukanya Viriyamettakul	100,000	0.02	150,000	0.02
<b>Total</b>	<b>128,550,000</b>	<b>20.16</b>	<b>169,460,650</b>	<b>26.31</b>

**Note:** \* TFD has paid-up capital of 637,598,035 shares

\*\* VIBHA has paid-up capital of 644,148,500 shares

#### 1.5.2 *Management Structure*

Director Name	TFD	VIBHA
Mr. Chaisith Viriyamettakul	Director	Managing Director

#### 1.5.3 *Related Persons with No Voting Right (as of March 13, 2009)*

Name of Shareholders	Relationship with Mr. Chaisith	TFD (as of March 13, 2009)	
		No. of shares	%
1. Mr. Chaisith Viriyamettakul		36,200,000	5.68
2. Mr. Pisut Viriyamettakul	Son	57,000,000	8.94
3. Mr. Pichit Viriyamettakul	Son	20,000,000	3.14
4. Mr. Pipat Viriyamettakul	Son	6,600,000	1.04
5. Mr. Pichit Viriyamettakul	Son	5,600,000	0.88
6. Ms. Niramol Viriyamettakul	Sister	3,050,000	0.48
7. Mrs. Sukanya Viriyamettakul	Sister	100,000	0.02
<b>Total</b>		<b>128,550,000</b>	<b>20.16</b>

To approve such related party transaction, the company needs approval from shareholders with voting rights of at least  $\frac{3}{4}$  of total voting rights attending meeting (excluding rights from shareholders with possible conflict of interest).

In addition, names and number of shares of related persons may differ from list of shareholders as of April 2, 2009, the closing date for registration to determine shareholders who have right to attend the 2009's annual shareholders' meeting.

## **1.6 Details of Memorandum of Understanding**

Seller	: Thai Factory Development PCL ("TFD")
Buyer	: Vibhavadi Medical Center PCL ("VIBHA")
Shares to buy/sell	: Common shares of Princeton Park Suites Co., Ltd ("PPS")
MOU date	: December 29, 2008 and March 11, 2009 and revised version
No. of shares to buy/sell	: TFD agrees to sell PPS's shares of 69,999,993 to VIBHA
Transaction Value	: Related parties agree in initial price of THB 138,900,000 that VIBHA has to pay to TFD plus value of shareholders' equity after deducting value renovation of leased buildings and equipment (net) of PPS's Princeton Park Suites project based on PPS's audited financial statements as of December 31, 2008. In all, total transaction is worth THB 273,832,302.  In addition, related parties agree that selling price is set on cash paid by VIBHA at THB 138,900,000 plus value of shareholders' equity after deducting value renovation of leased buildings and equipment (net) of PPS's Princeton Park Suites project based on PPS's audited financial statements as of June 30, 2009.
Payment Conditions	: In exchange for PPS's shares, VIBHA will pay TFD with: <ul style="list-style-type: none"> <li>1) THB 26,000,000 paid by cash on transaction date (December 29, 2008)</li> <li>2) THB 57,000,000 paid by cash within 3 days after shareholders' meeting of TFD and VIBHA approves that transaction on selling PPS shares</li> <li>3) THB 55,900,000 paid by promissory note issued by VIBHA to TFD due on June 30, 2009, in which VIBHA will send promissory note to TFD the same date as mentioned in 2).</li> <li>4) For the remaining (the difference between actual price and accumulative payment under 1), 2) &amp; 3)), VIBHA will take TFD's liabilities with PPS as of June 30, 2009. PSS will issue debt deleverage document and circulate to</li> </ul>

TFD on June 30, 2009.

5) Two related parties (TFD and VIBHA) agree to adjust that value to be as of June 30, 2009 once financial statements are audited or approved by management of those two companies. Deadline, however, is set on July 31, 2009.

MOU Objective : Buyer and seller agree that VIBHA will buy PPS's assets only for Princeton Park Suites located on 3, Mitrmaitree Rd, Din Daeng District, Bangkok and including sub-lease right on that buildings that TFD has leased from National Housing Authority.

Delivery : 1) Once VIBHA finishes payment conditions from 1 to 4, TFD will transfer PPS's shares to VIBHA right away.

However, before transaction done, PPS's assets and liabilities are under responsibility of TFD. After transaction is completed, all assets and liabilities will be under responsibility of VIBHA.

Lastly, TFD guarantees to take care PPS's assets like in was before during the transition period.

2) To deliver PPS to VIBHA, TFD will submit hotel license to VIBHA too and will procedure to make PPS (instead of TFD) as counter party with National Housing Authority. This supposes to finish by June 30, 2009.

Required Conditions : 1) Both TFD's board of directors and shareholders have to approve the selling of PPS shares, in which deadline is on April 30, 2009.

2) Both VIBHA's board of directors and shareholders have to approve the buying of PPS shares, in which deadline is on April 30, 2009.

3) TFD transfers PPS's assets in the segment of condominium project for sale at Kao Tao, Paknampran Sub-district, Pranburi District, Prachuapkhirikhan Province. (As of now, TFD has already received such asset transfer from PPS.)

4) VIBHA and TFD agree to appoint individual independent financial advisor to give comments to shareholder of each company to approve PPS's transaction.

Other Conditions : 1) If party can not comply with those required conditions mentioned above, TFD have to return money back to VIBHA plus interest charged at the same rate as VIBHA's cost of funds, within 3 days after knowing that the company can not comply with those required conditions and both parties have no claims to ask from each other.



- 2) TFD is responsible for all related expenses including duty stamp, service fee, transferring fee and registration fee, etc.
- 3) TFD certifies that PPS's assets and liabilities are in accordance with financial statements reviewed by reliable audit firm.
- 4) Each party agrees that if there is any claims or obligations related to tax happening before transaction date that PPS is forced to pay, TFD (instead of PPS) has to take care that portion. In opposite, if PPS receives tax refund, such revenue is belonged to TFD.

## 2 Transaction Reasonability

### 2.1 Objective and Necessity

The original objective of establishing PPS was because TFD wants to diversify its business into serviced apartment to serve foreign management who work at plants in TFD's industrial estates with aim to create new source of revenue and to support TFD's core business to be more integrated services. Unfortunately, TFD lacks of experts who have direct experience in that field, this resulted in fewer numbers of clients interested. TFD then decided to appoint CB Richard Ellis (Thailand) Co., Ltd as selling agent to handle customer's account and do marketing management. But it still didn't work, so TFD terminated contract with CB Richard Ellis (Thailand) Co., Ltd in 2004 and sent its own management to work there. TFD has changed its strategy to focus on daily room rental, instead of monthly or yearly done before. Hence, targeted clients have shifted to group tours, walk-in customers and local people who travel and/or have seminar in Bangkok. TFD has signed contracts with various tourism/travel agencies and is open for online reservation by joining hands with leading tourism websites. This seems successful, resulting in an increase in number of PPS's customers especially from group tours. Occupancy rate rose from 60.59% in 2005 to 73.97% in 2007. Moreover, TFD has adjusted its business model to be half-hotel services making PPS to charge room service at higher rate. PPS's performance has improved significantly since then and report net profit for the first time in 2007.

However, political turmoil and the closure of national airport and government house in 2008, this destroyed confidence and hurt tourism industry as a whole. PPS's occupancy rate also fell to 66.67% in 2008 and definitely turning red again with net loss of THB 21.45 million in 2008.

#### Occupancy Rate and Operating Performance of PSS during 2005-2008

Unit : Million Baht

	2005	2006	2007	2008
Occupancy Rate (%)	60.59	67.50	73.97	66.67
Net profit (loss)	(16.86)	(0.52)	3.00	(21.45) *
Retained losses	(90.80)	(91.32)	(88.32)	(109.77)

Note: \* Including loss from condominium project of THB 13.93 million and loss from residential rental business of THB 7.52 million.

Given prolonged world economic crash and local political turmoil, this may have negative impact to tourism industry as a whole and definitely to PPS's performance. PPS is expected to suffer more losses in 2009, so there is no dividend contribution from PPS to TFD in the foreseeable future. TFD then has decided to sell PPS in the segment of room service business which is not TFD's core business and TFD has no expertise in to others.

Hence, the sales of PPS's shares to VIBHA seems reasonable because this not only helps TFD to reduce risk on realizing losses from PPS, but also helps boost TFD's financial liquidity as well as reduce financial aid that may need to support PPS's business. TFD may use money from this transaction as working capital or investment in other projects that TFD has experience and expertise leading into higher & faster rate of return to TFD eventually.

## 2.2 Pros & Cons of Do & Don't

### Pros and Cons of taking action

#### Pros of taking action

##### 1. Reduce risk from realizing possible losses from PPS in the future

In the past, PPS mostly suffered losses from operation, despite strategy change and focus shift (see details in 2.1). Below is the summary of PPS's performance during 2004-2008.

Details	2004		2005		2006		2007		2008 *	
	Million	%	Million	%	Million	%	Million	%	Million	%
Occupancy rate (%)	64.05%		60.59%		67.50%		73.97%		66.67%	
Total revenue	65.13	100%	65.24	100%	83.24	100%	99.56	100%	92.05	100%
Total expense	82.99	127%	82.10	126%	83.76	101%	96.56	97%	99.57	108%
Net profit (loss)	-17.86	-27%	-16.86	-26%	-0.52	-1%	3.00	3%	-7.52	-8%
Retained losses **	-73.94		-90.80		-91.32		-88.32		-109.77	

หมายเหตุ : \* excluding revenue and expense from condominium project

\*\* retained losses in 2008 includes loss of THB 13.93 million from condominium project

In addition, PPS's operating expense is under booked as part of expense related one management and three staffs (head accounting department and another two staffs) that TFD has sent to run PPS has been booked under TFD's expense since 2004. Hence, if such expense is booked under PPS, figures in PPS's financial statements seem even weaker than presented (i.e. higher operating losses in profit & loss statement and higher retained losses in balance sheet).

From above reasons, there is a little chance that TFD may turn positive and is able to wipe out retained losses paving the way for dividend payment to TFD in the foreseeable future. So selling

of PPS shares may help reduce risk of realizing losses from PPS in the future. In other words, TFD's operation will improve significantly if this deal is done.

## 2. *Realize gain from selling PPS shares*

The selling of PPS's shares may lead to a capital gain of THB 4.63 million. This may book as investment gain in the year 2009. Details are as follow:

Value of PSS's shares that TFD sells to VIBHA	273.83 million baht
<u>Less</u> - Value of PSS's investment based on TFD	
financial statements as of December, 31, 2008 *	261.68 million baht
- Difference between shareholders' equity and renovation of	
Leased buildings and equipment of PPS that TFD forecast to happen	
in the future during Jan 1, 2009 to Jun 30, 2009 **	1.67 million baht
- Selling expense ***	<u>5.85</u> million baht
Net gain from selling PPS shares	<u>4.63</u> million baht

Note: \* PPS's book value as of December 31, 2008 was THB 240.23 million. But TFD booked investment in PPS at THB 261.68 million as of December 31, 2008 as it doesn't take PPS's 2008 net loss of THB 21.45 million into account. According to memorandum of understanding on December 29, 2008, and its first revision on March 11, 2009, initial price for this transaction is THB 273.83 million, in which it is higher than PPS's book value. Since there is a sign TFD may book gain from selling investment in PPS, TFD then reports no investment devaluation in line with accounting standard No. 36 regarding asset devaluation.

\*\* Calculate from estimated losses from PPS' operations of THB 9.00 million and depreciation of building renovation and equipment of THB 7.33 millions, for which TFD has anticipated to incur in the first 6-month installation of Year 2009.

\*\*\* TFD has estimated expenses incurred from this PPS share sales to be THB 5.85 millions, consisting of fees relating to transfer of rental rights, shares, and the application of hotel business license of THB 4.55 millions, and other expenses of THB 1.30 millions.

## 3. *Reduce rental obligation in the future*

As TFD has signed lease and management contract with National Housing Authority (NHA) and sub-leased that contract to PPS to operate residential rental services of Princeton Park Suites project in which lease term will end March 31, 2032, TFD, as of December 31, 2008, had future

obligation to pay rental fee to NHA for the remaining years throughout the contract of THB 599.81 million (see details in 1.3.3 regarding sources and information of lease and management contract). Moreover, TFD has guarantee obligations from complying with the contract of THB 6.16 millions.

In addition, TFD has to procedure to make PPS (instead of TFD) as the counter party of NHA. Hence, after selling PPS shares to VIBHA, PPS's obligations will not related to TFD anymore.

#### *4. Boost financial liquidity and reduce financial leverage*

During 2005-2007, TFD had sold land and rental factory, so new investment is needed to support long-term growth. TFD's financial leverage has increased as the company needs to borrow more money to invest in new projects in both industrial estate development and residential project development. As of December 31, 2008, TFD had total liabilities of THB 1,811.43 million, an increase of 194% from 2007 and had debt to equity ratio of 1.82 times in 2008 (vs. just 0.71 times in 2007).

In exchange for PPS's sales to VIBHA, TFD may receive cash of THB 138.90 million (while the remaining of THB 134.93 million, VIBHA may take responsibility on TFD's debts to PPS. See details in 1.4 on Return and Payment), in which TFD can use money as working capital and/or to repay debts and reduce interest burden and/or to invest in other projects like industrial estate development or residential project development in which TFD has experience and expertise leading into higher & faster rate of return to TFD rather than investment in PPS. This may result in performance improvement and is good for TFD's shareholders in the future.

#### *5. Reduce financial aid to PPS that might happen in the future*

In the past, PPS mostly suffered operating losses. As of December 31, 2008, PPS had retained losses of THB 109.77 million. If PPS is still in negative territory, TFD may have to give financial aid to PPS (either to lend money or to subscribe new shares). Moreover, with nature of residential rental service, major renovation is made for every 5-10 years. According to interview with management, serviced apartment or hotel business has to set reserve of 3% of total revenue for renovation and decoration. So once TFD sells PPS share, TFD will have no burden to finance PPS business anymore.

### Cons of taking action

#### *1. Obligation from signing MOU*

According to Memorandum of Understanding (MOU), TFD has obligation to respond for expense and fee related to PPS share sales amounting to THB 5.85 million.

2. *Timing of selling PPS's share may not be proper*

Sales of PPS's shares during economic crisis may not get appropriate price as expected. If TFD can wait until economy recovers and PPS's performance improves, price may be higher and better.

**Cons of not taking action**

1. *TFD may face liquidity problem*

In 2008, TFD expanded investment in new projects to replace those sold during 2005-2007 and TFD had to borrow more. As of December 31, 2008, TFD's debt to equity ratio increased to 1.82 times which was higher than industry average. TFD might need more money to finance TFD's project in 2009, resulting in rising interest burden, if TFD still holds shares in PPS. Moreover, some borrowing contracts require TFD to maintain debt to equity ratio at the certain level, if TFD can't comply with that requirement, TFD may face liquidity problem as financial institutions may reject to lend more.

2. *To realize the devaluation in PPS's investment*

PPS's book value as shown in financial statements as of December 31, 2008, was THB 240.23 million, a decline from 2007 of THB 261.68 million. This was because PPS reported a net loss of THB 21.45 million in 2008. However, TFD doesn't realize such investment devaluation into account. Since there is a sign that TFD may book gain from selling investment in PPS, TFD then reports no investment devaluation in line with accounting standard No. 36 regarding asset devaluation. Hence, if shareholders don't approve this transaction on PPS's share sales to VIBHA, TFD must have to report loss from investment devaluation in PPS at THB 21.45 million in TFD's income statement in 2009.

**2.3 Related Party Transaction Comparison**

TFD has policy to restructure the company's business by selling its non-core assets that making losses and then use that money to develop new projects like industrial estate development and residential project for sales, in which TFD has experience and expertise leading into higher & faster rate of return than investment in residential project for rent. Therefore, TFD has plan to sell PPS shares, while VIBHA as buyer is about to diversify into hotel business in order to make VIBHA one-stop hospitality service. VIBHA then submitted proposal to TFD and TFD is happy with the offered price as it is higher than PPS's current book value. Given VIBHA is one of leading firms with strong

financial position, default risk for TFD is low. Moreover, it is quite difficult to find other buyers who are interested in residential rental service given unfavorable economic conditions. There is no guarantee that offered price will be higher than that offered by VIBHA, so TFD decided to sell PPS shares to VIBHA, in which VIBHA is related party to TFD.

### 3. Fairness of Price and Conditions

#### 3.1 *Appropriate Price*

To calculate fair price of PPS's shares, financial advisor has used various methodology to evaluate PPS shares as follow:

##### 3.1.1 Book Value Approach

This approach is based on PPS's net asset value as of December 31, 2008, and then divided by number of paid-up capital. Price from this method may not reflect the current market price of assets and may not reflect the company's profitability in the future. Details are as follow:

Shareholders' Equity (as of December 31, 2008)	240.23 million baht
<u>Divided by</u> No. of paid-up capital	<u>70</u> million shares

<b>Book Value</b>	<b>3.43 Baht/Share</b>
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##### 3.1.2 Adjusted Book Value Approach

This approach is based on PPS's net asset value as of December 31, 2008 and then adjusted with increase/decrease of some assets evaluated by independent appraisal and then divided by number of paid-up capital. Price from this method will reflect current value of net assets which is better than the book value approach. However, this method does not take the company's earnings potential, economic outlook and industry competition into consideration.

On January 22, 2009, TFD has hired Thai Property Appraisal Lynn Phillips Co., Ltd to appraise value of fixed assets of PPS used to operate serviced apartment business under lease and management contract of Princeton Park Suites. Appraised value at market price is worth THB 138.00 million, compared with book value of THB 105.30 million. Details are as follow:

Shareholders' Equity (as of December 31, 2008)	240.23 million baht
<u>Plus</u> Incremental from asset appraisal	<u>32.70</u> million baht
Adjusted book value by net market price	272.93 million baht
<u>Divided by</u> No. of paid-up capital	<u>70</u> million shares

<b>Adjusted Book Value by Net Market Price</b>	<b>3.90 Baht/Share</b>
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### 3.1.3 *Market Comparable Approach*

This method is based on comparison ratios with listed companies in the same industry as PPS does.

Comparison ratios are:

- Price to Earnings Ratio (PER)
- Price to Book Value Ratio (P/BV)

Below are names of listed companies that operate business similar to PPS does. And those stocks are supposed to have ample trading liquidity as follow:

Company	PER (times)	P/BV (times)
1. Central Plaza Hotel PCL ("CENTEL")	12.51	0.66
2. The Erawan Group PCL ("ERAWAN")	36.97	0.79
3. Laguna Resorts & Hotels PCL ("LRH")	3.56	0.21
<b>Average</b>	<b>17.68</b>	<b>0.55</b>

Note: Based on information from [www.efinancethai.com](http://www.efinancethai.com) as of March 16, 2009

Details are as follow:

#### 1) Price to Earnings Ratio Approach (PER)

This method is based on closing price divided by earnings per share of PPS and then compares with PER of listed firms who are in the same industry as PPS. But since PPS reported losses in 2008, PER for PPS is not applicable.

#### 2) Price to Book Value Ratio Approach (P/BV)

This method is based on PPS's book value as of December 31, 2008 of THB 3.43/share and then multiply with average P/BV of listed companies, in which P/BV is based on data on March 16, 2009, the date before TFD's board of directors approved such transaction. Calculation is as follow:



Book value	3.43 Baht/Share
<u>Multiply by</u> average P/BV of listed firms mentioned above	<u>0.55</u> times

Value under P/BV Approach	1.89 Baht/Share
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#### 3.1.4 *Discounted Cash Flow Approach (DCF)*

This method is based on assumptions that PPS's business is going on in tandem with determined fundamentals and assumptions. Use discount rate to discount cash flow to generate in the future from use of asset, Princeton Park Suites, to get present value of cash flow throughout the remaining lease term of 23 years and 3 months.

Financial advisor uses weighted average cost of capital (WACC) as discount rate. Assumptions are based on historical financial data of PPS including rental rate, occupancy rate, marketing data and other information got from TFD and PPS to project cash flow statement.

Projected cash flow is used to appraise value of PPS for the consideration of TFD's shareholders to approve this Transaction. However, if situations change either externally or internally, this may affect assumptions and projected cash flow and so DCF approach. This cash flow projection is used for this purpose only. Below is summary of key assumptions for PPS.

##### A) Revenue Structure

Assumptions used to estimate revenue for Princeton Park Suites are as follow:

##### ■ Revenue from Room Rental

This revenue comprises of room rental for both short-term (daily) and long-term contract and service charge. Financial advisor estimates room rental revenue based on historical data and information got from TFD and PPS. Key assumptions are:

##### 1) Rental Rate

Rental rate for the first projection year 2009 is THB 823/day with assumed 4% growth every year going forward. Such growth rate is based on PPS's historical rental rate change and PPS's rental fee paid to under lease and management contract with National Housing Authority.

## 2) Occupancy Rate

Occupancy rate in 2009 is set at 60%, a decline from 66.67% in 2008, due to world economic slump hitting number of foreign tourists to drop 8.8% in 2009 (reference : Bank of Thailand's Analysis of Thailand Tourism Industry Outlook). This is in line with PPS's occupancy rate for the first two months of this year at just 50-55%, compared with 2008's average of 85%. However, situation seems improving as government has launched economic stimulus package to boost tourism industry and political tension seems relaxed after new government takes charge. So tourism industry may recover in the second half of this year. We, therefore, assume 2009's average occupancy rate at 60% for PPS.

Apart from 2008 that PPS's business was hit hard by political unrest, PPS's occupancy rate had improved continuously from 60.59% in 2005 to 73.97% in 2007, translating into average growth rate of 6.70% per annum. Based on conservative assumptions, financial advisor assumes 5% growth per annum in occupancy rate during 2010-2013 and constant at 80% for the remaining years.

### ■ Revenue from Food & Beverage

Revenue from food and beverage comes from outside clients (restaurant and banquet) and from inside clients / hotel guest (breakfast attached with room rate charge) and service charge from restaurant. Financial advisor assumes that revenue from food and beverage accounts for 70% of residential rental revenue, which is in line that in the past three years (61% in 2006, 68% in 2007 and 69% in 2008).

### ■ Other Revenue

Other revenue comprises of telephone service, internet service, laundry service and rental service, etc. Financial advisor assumes other revenue accounts for 8.5% of residential rental revenue by using historical data as benchmark.

## B) Cost of Sales Structure

Assumptions used to estimate revenue for Princeton Park Suites are as follow:

### ■ Residential Rental Business

Cost of residential rental business comprises of: 1) room cost, 2) labor cost, 3) service charge cost and 4) others. To determine room cost, financial advisor uses historical data to set following assumptions:

- Room cost accounts for 17% of revenue from room service revenue.
- Service charge & other costs represent 5.50% of room service revenue.
- Labor cost in 2009 is estimated to be the same as that in 2008 and increase 4% per annum after that.

### ■ Food & Beverage

Cost of food & beverage comprises of: 1) raw material & fuel cost, 2) labor cost, 3) service charge cost and 4) others. To determine F&B cost, financial advisor uses historical data to set following assumptions:

- Raw material cost accounts for 30.50 of F&B revenue.
- Service charge & other costs represent 18.50% of F&B revenue.
- Labor cost in 2009 is estimated to be the same as that in 2008 and increase 4% per annum after that.

### ■ Other Revenue

Based on historical data, cost of other revenue assumes at 32% of other revenue.

## C) Selling & Administrative Expense

Selling & administrative expense is forecast based on historical data. Details are as follow:

- Personnel expense in 2009 is estimated to be the same as that in 2008 and increase 4% per annum after that.
- Additional personnel expense is expense from sending four TFD's management and employees to manage PPS (see details in cons of taking action). It costs THB 2.5 million per annum and assumes to increase 4% per annum every year.
- Service charge & other expenses represent 7.5% of total revenue.
- Selling and PR expenses account for 3.5% of total revenue.
- Maintenance expense represents 0.75% of total revenue.

D) Property Tax

This is equivalent to 12.5% of room rental revenue and use 50% occupancy rate to calculate room rental revenue. This is based on historical data.

E) Insurance Premium

This is equivalent to THB 0.275 million per year and constant going forward.

F) Rental fee from Lease and Management contract

Rental fee that TFD has to pay to National Housing Authority for lease and management contract of Princeton Park Suites is mentioned in 1.3.3. on the topic of source and information of lease and management contract.

G) Depreciation

Depreciation is calculated based on straight-line method, in which depreciation will be booked equally throughout life time of assets as follow:

- Renovation of leased buildings - Deferred facilities      25 years
- Renovation of leased buildings – Deferred decoration    8 years
- Deferred decoration equipment                                      5 years

H) Interest expense

Fixed rate charge at 6.875% per annum

I) Income tax

Paid at 30%

J) Investment Expenditure

Set investment reserve for major renovation at 3% of total revenue, projected by PPS's management

K) Current Asset and Liability Turnover Ratio

- Average Collection Period                                      20 days
- Average Selling Period    10 days
- Average Payment Period                                        30 days

L) Discount Rate

Discount rate used to calculate discounted cash flow (DCF) is based on weighted average cost of capital (WACC). See formula below:

$$\begin{aligned}\text{WACC} &= D/V (K_d) + E/V (K_e) \\ &= 7.17\%\end{aligned}$$

whereas  $D/V$  = Ratio of Debt to Total Debts & Equity, 42%  
 $E/V$  = Ratio of Equity to Total Debts & Equity, 58%  
 $K_e$  = Expected Return to Shareholders, 8.95% \*  
 $K_d$  = TFD's Cost of Borrowings x (1-Tax Rate), 4.726% (based on weighted average cost of long term debts as shown in TFD's financial statements as of December 31, 2008)

\* Ke Calculation

To calculate cost of equities, financial advisor uses "Capital Asset Pricing Model (CAPM)". Details are as follow:

$$\begin{aligned}K_e &= R_f + \beta (R_m - R_f) \\ &= 8.95\%\end{aligned}$$

whereas  $R_f$  : Risk free rate derived from 23-year government bond yield as of February 17, 2009, equivalent to 5.32% (Reference : [www.thaibma.or.th](http://www.thaibma.or.th))  
 $R_m$  : Market return from investment in Stock Exchange of Thailand derived from average return of SET Index during the past 23 years (from February 1987 to February 2009) equivalent to 11.47% (Reference : [www.set.or.th](http://www.set.or.th))  
 $\beta$  : Reflect volatility between market return and TFD's share price, equivalent to 0.590 (Reference : [www.bloomberg.com](http://www.bloomberg.com) as of March 11, 2009)

From above assumptions, financial advisor calculates DCF of Princeton Park Suites at THB 263.38 million. (Details of the calculation are shown in Financial Forecast Table.) Details are as follow:

Present Value of Princeton Park Suites	124.08 million baht
<u>Plus</u> Trade Accounts Receivables - TFD (as of December 31, 2008)*	200.05 million baht
<u>Less</u> Borrowings from TFD (as of December 31, 2008)*	<u>60.75</u> million baht
Net Present Value of Princeton Park Suites	<u>263.38</u> million baht
<u>Divided by</u> No. of paid-up capital	<u>70</u> million shares

Discounted Cash Flow (DCF)	3.76 Baht/Share
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Note : \* Financial Advisor has not included such items in the preparation of financial forecast because they are not operating assets and liabilities. These items will be used to adjust to the present values so as to work out the real business value of PPS.

### Financial Forecast Summary

Details	Current Year	Year 2009	Year 2010	Year 2011	Year 2012	Year 2013	Year 2014	Year 2015	Year 2016	Year 2017	Year 2018	Year 2019	Year 2020
Net Profit		-18.60	-14.55	-11.25	2.53	8.40	8.33	9.27	8.76	7.48	8.22	11.90	12.23
<u>Plus</u> interest expense		0.49	0.96	0.96	0.48	-	-	-	-	-	-	-	-
Depreciation		15.55	15.27	15.24	6.39	6.24	6.24	6.24	6.24	6.24	6.24	2.62	1.66
Change of current capital		-8.24	-0.37	-0.39	-0.42	-0.45	-0.16	-0.16	-0.17	-0.18	-0.18	-0.19	-0.20
<b>Net cash flow</b>		<b>-10.80</b>	<b>1.31</b>	<b>4.55</b>	<b>8.98</b>	<b>14.19</b>	<b>14.42</b>	<b>15.34</b>	<b>14.83</b>	<b>13.54</b>	<b>14.27</b>	<b>14.33</b>	<b>13.69</b>
Present value of net cash flow	124.08												
<u>Plus</u> Trade Accounts Receivable													
with related parties	200.05												
<u>Less</u> Loans to related parties and accrued interest													
payable	60.76												
<b>Total Current Value</b>	<b>263.38</b>												

Details (continued)	Year 2021	Year 2022	Year 2023	Year 2024	Year 2025	Year 2026	Year 2027	Year 2028	Year 2029	Year 2030	Year 2031	Year 2032
Net Profit	12.96	14.26	13.90	14.74	16.19	15.76	17.01	19.48	18.98	20.01	21.86	5.47
<u>Plus</u> interest expense	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation	1.66	1.66	1.66	1.66	1.66	1.66	1.19	-	-	-	-	-
Change of current capital	-0.21	-0.21	-0.22	-0.23	-0.24	-0.25	-0.26	-0.27	-0.28	-0.29	-0.31	6.12
<b>Net cash flow</b>	<b>14.41</b>	<b>15.70</b>	<b>15.34</b>	<b>16.16</b>	<b>17.61</b>	<b>17.16</b>	<b>17.93</b>	<b>19.21</b>	<b>18.69</b>	<b>19.72</b>	<b>21.55</b>	<b>11.59</b>

### Valuation Summary for PPS

Method	Value (Million Baht)	Price per share (Baht)
1. Book Value	240.23	3.43
2. Adjusted Book Value	272.93	3.90
3. Price to Book Value	132.30	1.89
4. Discounted Cash Flow	263.38	3.76

Based on various methodology presented above, financial advisor decides to use DCF to evaluate PPS's share because this approach reflects PPS's business potential in the future. This takes economic outlook and industry competition into consideration, while other three methods (book value approach, adjusted book value approach and price to book value ratio) reflect financial status at just the point of time and don't take future profitability into account. Hence, financial advisor concludes to use DCF approach to evaluate PPS shares that TFD will sell to VIBHA at THB 273.83 million or THB 3.91/share. This price is reasonable because it is higher than value of PPS based on DCF method at THB 263.38 million or THB 3.76/share.

### **3.2 Proper Conditions**

Financial advisor doesn't see anything wrong on conditions and payment method in the agreement signed between seller and buyer. However, there are some conditions that shareholders have to read closely. Details are as follow:

#### *1. Required Condition*

According to Memorandum of Understanding (MOU), there is a required condition that shareholders of both TFD and VIBHA have to approve this transaction (see details in 1.6 under details of MOU). Hence, if either shareholders of TFD or VIBHA don't approve, TFD has to return THB 26.00 million-deposit plus interest to VIBHA within three days since the date that related party can't comply with required condition.

#### *2. Submit of Hotel License and Transfer Leased Right*

According to MOU, TFD has to submit hotel license to VIBHA and has to procedure to make PPS (instead of TFD) as counter party with National Housing Authority (NHA). Deadline is set on June 30, 2009. If TFD fails to do that, VIBHA has right to cancel that MOU.



Based on information received from interview with TFD's management, TFD is on the process of asking for hotel license and changing counter party with NHA (from TFD to PPS). TFD's management is confident that everything will complete before deadline.

3. *The actual price of selling PPS's shares may differ from that reported in MOU*

The initial price of PPS in MOU is THB 273.83 million. But this is subject to change. TFD and VIBHA agree to adjust price by using PPS's book value as of June 30, 2009 after PPS's financial statements are audited and/or approved from management of those two companies (see details in 1.6 under details of MOU). Hence, the actual price set may differ from that reported in MOU, depending on PPS's performance change during January 1, 2009 to June 30, 2009. Details are as follow:

Cash received from VIBHA	138.90 million baht
<u>Plus</u> PPS's shareholders' equity (as of June 30, 2009)	xxx million baht
<u>Less</u> Book Value of Renovation of lease and management contract – net (as of June 30, 2009)	<u>xxx</u> million baht
Actual price	<u>xxx</u> million baht

### 3. Summary of Financial Advisor Opinion

Financial advisor concludes that TFD's related party transaction is proper and reasonable, in which shareholders should approve this transaction. Below is the summary and reason.

1. It is a non-core asset disposal in which TFD has no experience in that field. In the past, TFD mostly suffered losses from investment in such non-core assets. Hence, the selling of PPS's shares may help reduce risk from realizing losses from PPS in the future.
2. TFD may realize gain of THB 4.63 million from selling PPS shares.
3. TFD may use money received from this transaction as working capital or investment in other projects that may generate higher return. This leads to an increase in financial liquidity and to reduce interest burden.
4. This helps reduce TFD's obligation over rental fee that TFD has to pay to National Housing Authority for lease and management contract of Princeton Park Suites for the remaining 23 years and 3 months for THB 599.81 million.
5. Initial price of PPS shares that TFD will sell to VIBHA is at THB 273.83 million, which is fair and reasonable, because it is higher than DCF calculated by financial advisor of THB 263.38 million.

However, TFD's related party transaction depends on shareholders' judgment.

-TRANSLATION-

THAI PROPERTY APPRAISAL LYNN PHILLIPS CO., LTD.

22 January 2009

Subject            Submit Report of Asset Appraisal  
To                   Managing Director  
                      Thai Factory Development PCL

As Thai Property Appraisal Lynn Phillips Co., Ltd (the Company) has been assigned to appraise assets by Thai Factory Development PCL, the Company has now completed such task. Details shown below include principles, assumptions, conditions and limitations in asset appraisal in this report. Conclusions are as follow:

Customer's Name	Thai Factory Development PCL
Type of Assets	Land & Buildings
Location	3, Mitrmaitree Rd, Din Daeng Sub-district, Huaykwang District, Bangkok
Title Deed	Leased & management contract to manage buildings of Dindaeng's government support housing project 5, area 2-2-61 rais (or 1,061 square wah)
Buildings	14-storey hotel called "PRINCETON PARK SUITES"
Obligation	30-year leased contract
Appraisal Objective	For buy & sell assets (this report is for public purpose)
Appraisal Methodology	Revenue method
Surveying Date	12 January 2009
Appraisal Date	22 January 2009
Revenue Method	THB 138,000,000

Thai Property Appraisal Lynn Phillips Co., Ltd and appraisal person guarantee that we have no conflict of interest over the appraised assets and we do appraisal with caution, standard and ethic.

Please take consideration accordingly.

Best regards,

(Mr. Virach Tritanawat)

Director, Vice President of Asset Appraisal Dept.

Thai Property Appraisal Lynn Phillips Co., Ltd