

## **Information Memorandum in relation to the Allotment and Offering of Newly Issued Ordinary Shares to Investors in Private Placement**

According to the Board of Directors Meeting of Thai Factory Development Public Company Limited (the “Company”) No. 3/2017, held on March 6, 2017, has resolved to approve for submission to the Shareholders meeting for consideration and approval of the allotment of capital increase ordinary shares of the Company in the amount not exceeding 400,000,000 shares, with the par value of Baht 1.00 per share for offering in entirety or in portions for offering in lots from time to time to investors in private placement categorized under the Notification of the Capital Market Supervisory Board No. Tor Jor. 72/2558 Re: Approval for the Listed Companies to Offer Newly Issued Shares to Investors in Private Placement which such persons are not connected persons of the Company, whereby the Board of Directors of the Company or the person who designated by the Board of Directors of the Company shall have the authority to determine the offering price of the shares at the best market price in accordance with the market condition during the offering period and shall not lower than Baht 2.00 per share to the investor(s).

Therefore, the Company has prepared the Information Memorandum in relation to the Allotment and Offering of Newly Issued Ordinary Shares to Investors in Private Placement which consists of the important information effected to the decision of shareholders for consideration and approval of the increase of registered capital of the Company and the allotment and offering of newly issued ordinary shares to investors in private placement as follows:

### **1. Details of offering of newly issued ordinary shares to investors in private placement**

The Board of Directors Meeting of the Company No. 3/2017 has resolved to approve for the allotment of capital increase ordinary shares of the Company in the amount not exceeding 400,000,000 shares, with the par value of Baht 1.00 per share for offering in entirety or in portions for offering in lots from time to time to investors in private placement categorized under the Notification of the Capital Market Supervisory Board No. Tor Jor. 72/2558 Re: Approval for the Listed Companies to Offer Newly Issued Shares to Investors in Private Placement which such persons are not connected persons of the Company according to the Notification of the Capital Market Supervisory Board No. Tor Jor. 21/2551 Re: Rules on Connected Transactions 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) and amended, whereby the Board of Directors and/or the Executive Committee and/or Executive Chairman and/or Managing Director and/or the person(s) who is authorized by the Board of

Directors and/or the Executive Committee and/or Executive Chairman and/or Managing Director shall have the authority to determine the offering price of the shares at the best market price in accordance with the market condition during the offering period to the investor(s) which shall not lower than Baht 2.00 per share and shall not lower than the following price:

- (1) The weighted average of share price trading on the Stock Exchange of Thailand ("SET") for not lower than 7 consecutive trading days but not exceeding 15 consecutive trading days prior to the determination date of the offering price of such shares in each time ("Market Price"), whereby such weighted average of share price is required to use the average price of shares trading in each day. Provide that, the determination date of offering price is required to backward not exceeding 3 trading days prior to the first date of offering shares to the investor(s). However, the Board of Directors of the Company may determine the discount on the offering price but shall not exceed 10% of such Market Price.
- (2) The price which is determined by the book building method surveyed by the securities company.

In this regard, the Board of Directors and/or the Executive Committee and/or Executive Chairman and/or Managing Director and/or the person(s) who is authorized by the Board of Directors and/or the Executive Committee and/or Executive Chairman and/or Managing Director shall offer the entire shares within the period not exceeding 12 months from the date of the Shareholders meeting of the Company has resolved for the approval of such offering shares.

For the allotment and offering of capital increase ordinary shares of the Company above, the Board of Directors and/or the Executive Committee and/or Executive Chairman and/or Managing Director and/or the person(s) who is authorized by the Board of Directors and/or the Executive Committee and/or Executive Chairman and/or Managing Director shall have the authorities to consider the fixing of other details regarding the allotment and offering of capital increase ordinary shares, such as searching of investors in private placement; fixing of the terms, conditions and details regarding the allotment and offering of capital increase ordinary shares and/or allot newly issued ordinary shares as consideration for the acquisition; negotiation, entry into agreement and execution of relevant documents and agreements regarding the allotment and offering of capital increase ordinary shares; and execution of applications for permission and necessary and relevant evidence regarding such allotment and offering of capital increase ordinary shares, including determining other conditions and details in issuing and offering of such increased shares as deemed appropriate, as well as the authority to correct wording or contents for minutes of shareholders' meeting or Memorandum of Association and/or others application and/or the various actions necessary in compliance with the order of Registrar in relation to the registration of

registered capital increase and paid-up capital with Department of Business Development, Ministry of Commerce from time to time in accordance with the payments of the subscriber(s) in each time, including listing the increased shares in the Stock Exchange of Thailand and submission of information and documents to the Securities and Exchange Commission, the Stock Exchange of Thailand, Ministry of Commerce or other relevant authorities.

The allocation of newly issued ordinary shares to investors in private placement above in any case shall not enable any investors to hold the Company's shares in an increasing nature reaching or crossing the point where a tender offer must be made, as prescribed in the Notification of the Capital Market Supervisory Board No. Tor Jor. 12/2554 Re: Rules, Conditions and Procedures for the Acquisition of Securities for Business Takeovers, or in violation of the foreign limit as specified in the Company's Articles of Association.

**2. Objectives of issuance of capital increase shares and plans for utilizing the capital increase fund**

To reserve for investment in existing business of the Company and its subsidiaries and to expand investment in new projects such as industrial estate project and residential condominium projects etc. According to the Company's business plan, in year 2017, the Company and its subsidiaries needed to invest and develop projects of approximately Baht 2,000 million, by 70% of its investment would be loans from financial institutions and/or issuance of debentures, the rest will be cash flow from the projects, for example; money from reservation and deposit including working capital of the Company and its subsidiaries. However, in order to reduce risk of inadequate investment in the development of the projects, the Company has a policy to use money that receive from the offering of newly issued ordinary shares to investors in private placement to invest in the development of the projects other than to repayment debt and/or to use as working capital in business of the Company and its subsidiaries. In this regards, the Company expects that the capital received from the capital increase at this time will help strengthen the financial stability of the Company and when combined with the Company's existing assets and the revenue generated from the current business operations of the Company, will enable the Company to achieve its objectives and its specified plans for utilizing the fund.

**3. Effect to existing shareholders which may occur from the offering of newly issued ordinary shares to investors in private placement**

Effect to existing shareholders which may occur from the offering of newly issued ordinary shares to investors in private placement are as follows:

(1) Price Dilution

The Price Dilution could not yet be calculated since the offering price is not yet to be determined to investors in private placement, whereby the Board of Directors and/or the Executive Committee and/or Executive Chairman and/or Managing Director and/or the person(s) who is authorized by the Board of Directors and/or the Executive Committee and/or Executive Chairman and/or Managing Director shall have the authority to determine the offering price of the shares at the best market price in accordance with the market condition during the offering period to the investors. Therefore, if calculate from an offering price to investors in private placement of minimize not lower than Baht 2.00 per share, the Price Dilution will be as follows:

$$= \frac{(\text{Market price before offering} - \text{Market price after offering}^*)}{\text{Market price before offering}}$$

By which

$$\begin{aligned} \text{* Market price after offering} &= \frac{(\text{Market price} \times \text{Paid-up shares}) + (\text{PP price} \times \text{Shares offering to PP})}{(\text{Paid-up shares} + \text{Shares offering to PP})} \end{aligned}$$

$$= \frac{(2.09 \times 1,630,915,888) + (2.00 \times 400,000,000)}{1,630,915,888 + 400,000,000}$$

$$= \text{Baht 2.07 per share}$$

$$= \frac{(2.09 - 2.07)}{2.09}$$

$$= 0.96\%$$

Therefore, if calculate from an offering price to investors in private placement of minimize not lower than Baht 2.00 per share, the Price Dilution will be dilute by 0.96%.

(2) Control Dilution

$$\begin{aligned}
 &= \frac{\text{Shares offering to PP}}{(\text{Paid-up shares} + \text{Shares offering to PP})} \\
 &= \frac{400,000,000}{(1,630,915,888 + 400,000,000)} \\
 &= 19.70\%
 \end{aligned}$$

Therefore, the private placement will reduce the voting rights of shareholders by 19.70%.

(3) Earnings Per Share Dilution

$$= \frac{\text{Earnings Per Share before offering} - \text{Earnings Per Share after offering}}{\text{Earnings Per Share before offering}}$$

By which

$$\begin{aligned}
 \text{Earnings Per Share before offering} &= \text{Net Profits} / \text{Total issued shares before offering} \\
 \text{Earnings Per Share after offering} &= \text{Net Profits} / \text{Total issued shares after offering}
 \end{aligned}$$

This offering has no effect on EPS dilution due to the Company has net loss.

However, although the capital increase and the allotment of the said capital increase shares to investors in private placement will affect the shareholders with the details as prescribed above, the capital increase and the allotment of the said capital increase shares will help strengthen the Company's financial strength and stability including for repayment to debts, resulting in the lower cost of borrowing of the Company in the future and also enables the expansion in the investment and the business operation of the Company to be even more effective.

4. Opinion of the Board of Directors of the Company

(1) Reason and necessity of capital increase

The Board of Directors is of the opinion that the capital increase and the allotment of the said capital increase shares to investors in private placement will expand the capital base of the Company which

will help strengthen the Company's financial strength and stability, as well as enhance the liquidity of the Company including these shall make the Company has lower financial cost. The proceeds to be gained can be used to monetize the investment and develop the Company which will generate returns for the Company and its shareholders in the future. The Company needs to reserve capital for developing projects of the Company and its subsidiaries and/or repayment debt and/or for working capital. Period of the allotment of newly issued ordinary shares to investors in private placement is short and fast. Also, it can be expected the amount of money received more exact than the offering of newly issued ordinary shares to the existing shareholders. Therefore, the offering of some of the capital increase shares to investors in private placement who have potential for capital will allow the Company to receive the required amount of funding and be able to raise funds within a short period of time and it does not burden the existing shareholders too much.

**(2) Feasibility of plans for utilizing the fund received from the offering shares**

The Board of Directors is of the opinion that if the Company can allocate the said capital increase shares to investors in private placement within a short period of time, it will enable the Company to effectively achieve its objective of this capital increase pursuant to financial plan that was specified, which will benefit the business of the Company. However, the capital raising plan from the investors in private placement, the Company will use as a reserve channel to raise funds for developing the projects of the Company and its subsidiaries and/or repayment debt and/or use as working capital. Thus, the allocation of capital increase above the Board of Directors will consider the necessity of using the capital, potential impact on the existing shareholders and the benefits that the Company and the shareholders will receive in the future, etc.

**(3) Reasonableness of the capital increase, plans for utilizing the fund received from the offering shares and project to be operated including sufficiency of source of fund**

The Board of Directors is of the opinion that the Company currently has to borrow from financial institutions and through fundraising by issuing various types of debt securities, resulting that the Company has huge amount of outstanding interest and fees and other relevant cost. This causes the increase in debt-to-equity ratio and affects the Company's ability to make a loan. At December 31, 2016 the Company's debt-to-equity ratio (D/E) was 3.48. The capital increase and the allotment of the said capital increase shares to investors in private placement and the existing shareholders will help the Company to reduce the debt-to-equity ratio (D/E) to 2.54 and 1.99 respectively that strengthen the Company's financial strength and stability and has readiness in carrying out the objectives mentioned above effectively. The Company expects that the amount to be received from the capital increase to investors in private placement and from the capital increase to the existing shareholders including the extension of the proposed debentures to the shareholders will allow the

Company to have sufficient capital to run the business and develop the projects of the Company and its subsidiaries as planned.

- (4) Expected effect incurred to the business operation of the Company, financial status and performance results of the Company due to the capital increase and operation in accordance with the utilizing plan or project

The Board of Directors is of the opinion that the capital increase and the allotment of the said capital increase shares to investors in private placement will be beneficial to the business operation of the Company and will help strengthen the Company's financial strength and stability, as well as enhance the liquidity of the Company including these shall make the Company has lower financial cost. This also enables the expansion in the investment and the business operation of the Company and its subsidiaries. As a result, the business operation of the Company has a tendency to growth in the future. In addition, this capital increase will help reduce the debt-to-equity ratio of the Company and increase the potential for borrowing loans in the future.

5. Certification of the Board of Directors of the Company regarding the capital increase

In the case where the directors of the Company do not perform their duty with honesty and care to preserve the benefit of the Company in relation to the capital increase, If such omission of performance causes damage to the Company, the shareholders are entitled to file a lawsuit to claim for damages from such director on behalf of the Company as specified in Section 85 of the Securities and Exchanges Act B.E. 2535. In addition, if such omission of performance causes a director or his/her related person to obtain undue benefit, the shareholders shall be entitled to file a lawsuit to reclaim for benefits from such director on behalf of the Company as specified in Section 89/18 of the Securities and Exchanges Act B.E. 2535.

The Company hereby certifies that the information contained in this report is accurate and complete in all respects.



Signature \_\_\_\_\_ Authorized Company Director

(Mr. Gumpol Tiyyarat)

Director



Signature \_\_\_\_\_ Authorized Company Director

(Mr. Anukul Ubonnuch)

Director

