



No. NPPGR1.068/2561

October 11, 2018

Re: Notification of Resolutions of the Board of Directors' Meeting No. 10/2018 on Approval for the Company to entering into the Assets Sale and Purchase Agreement for Kitchen Plus Restaurant Franchise Business with Kitchen Plus 999 Co., Ltd. ([Amendment](#))

Attn.: President
The Stock Exchange of Thailand

NPPG (Thailand) Public Company Limited (the "**Company**") hereby notifies The Stock Exchange of Thailand that the Board of Directors' Meeting No. 10/2018, held on October 11, 2018, resolved to grant approval for NPP Food Incorporation Company Limited. ("**Buyer**"), a subsidiary of the Company, to enter into an agreement for acquisition of assets with Kitchen Plus 999 Co., Ltd. (the "**Seller**") whereby Buyer will acquire the franchise business of Kitchen Plus restaurant and Baan Krua Thai restaurant (the "**Asset Acquisition Agreement**"). Following the execution of such Assets Sale and Purchase Agreement, Buyer will be the business owner of Kitchen Plus and Baan Krua Thai restaurants and in its capacity as the franchise owner will have the rights and obligations under the franchise agreements for the Kitchen Plus and Baan Krua Thai restaurant business, executed with the franchisees, including assets, other rights and obligations under the related agreements (the "**Restaurant Franchise Business Acquisition Transaction**").

Following the resolution granting such approval from the Board of Directors, Buyer and the Seller duly signed the Assets Sale and Purchase Agreement on October 11, 2018.

Such Restaurant Franchise Business Acquisition Transaction is regarded as an acquisition of assets pursuant to the Notification of the Capital Market Supervisory Board No. TorJor. 20/2551 Re: Rules on Entering into Material Transactions Deemed as Acquisition or Disposal of Assets dated August 31, 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 Acquisition and Disposition of Assets B.E. 2547 (2004) dated October 29, 2004 (as amended) (the "**Notifications on Acquisition or Disposal of Assets**"). Upon calculation of the transaction size based on the rules under the Notifications on Acquisition or Disposal of Assets, the highest value thereof based on the total value of consideration in comparison with the assets of the Company and its



subsidiaries amounts to 5.38 percent of the total assets of the Company and its subsidiaries, according to the consolidated financial statements of the Company, which were reviewed by the auditor as at June 30, 2018. Upon combination of the transactions on acquisition of assets by the Company for the past six months, the highest value of all the transactions amounts to 17.60 percent based on the total value of consideration, which is equal to 15 percent or higher, but lower than 50 percent of the Restaurant Franchise Business Acquisition Transaction, which constitutes a Type 2 transaction under the Notifications on Acquisition or Disposal of Assets, therefore, the Company is required to comply with the Notifications on Acquisition or Disposal of Assets accordingly. The significant details on calculation of the size of the Restaurant Franchise Business Acquisition Transaction are as follows:

Information Memorandum according to List 1

1. Transaction Date

The Board of Directors passed its resolution on October 11, 2018 to grant approval for Buyer to negotiate and enter into the Assets Sale and Purchase Agreement with the Seller, and on October 11, 2018, the date of disclosure of this Information Memorandum, Buyer has signed the Assets Sale and Purchase Agreement with the Seller.

2. Related Parties and Relationship with the Company

Buyer : NPP Food Incorporation Company Limited

Seller : Kitchen Plus 999 Co., Ltd.

Relationship with the Listed Company : The Seller is a limited company incorporated under Thai laws, whose shares are held by three individual shareholders, all of whom are directors authorized to sign and bind the Company, namely, Mr. Suntorn Jantranusorn, Mrs. Boonrueang Jantranusorn and Mrs. Panida Laorsuwan, who have no relationship with the Buyer and the Company, and are not connected persons of the Company or the Buyer as (1) directors and management of the Company; (2) authorized controllers; (3) major shareholders; (4) persons to be nominated as management or authorized controllers; or (5) other



companies having such persons per (1), (2) or (3) as major shareholders or authorized controllers. Therefore, the Seller is not a connected person of the Company under the Notification of the Capital Market Supervisory Board No. TorJor. 21/2551 Re: Rules on Connected Transactions dated August 31, 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 November 19, 2003 (as amended).

3. General Description of the Transaction and Transaction Size

3.1 General Description of the Transaction

The Seller operates a restaurant franchise business, namely, Kitchen Plus and Baan Krua Thai, currently with a total of 63 branches throughout Thailand, comprising 61 branches of Kitchen Plus restaurant, and 2 branches of Baan Krua Thai restaurant. The majority of the branches of Kitchen Plus restaurant are located in HomePro stores of 41 branches and PTT gas stations of 7 branches, whereas the two branches of Baan Krua Thai restaurant are located in PTT gas stations while the rest are located on other locations.

Buyer wishes to acquire such franchise business from the Seller, and has thus entered into the Assets Sale and Purchase Agreement with the Seller on October 11, 2018 (the "Signing Date"), with the essence as follows:

- Contractual Parties** : NPP Food Incorporation Company Limited, as Buyer
Kitchen Plus 999 Co., Ltd., as Seller
- Acquired Assets** : (1) 11 branches of Kitchen Plus restaurant, which are being operated by the Seller or its agents which consist of kitchen systems, utensils, electrical appliances, office equipment, furniture, decorations and tools used in Kitchen Plus;

- (2) All rights and obligations of the Seller under the franchise agreements, in the capacity of the franchise owner of Kitchen Plus of 50 branches and the rights and obligations of the Seller under the franchise agreements of Baan Krua Thai restaurants of 2 branches (the “Franchise Agreements”) executed by the Seller with the franchisees for the total of 52 branches, as well as other rights and obligations under the related agreements;
- (3) Trademark/Service Mark under the name “Kitchen Plus”.

Acquisition Price : Eighty Million Baht (THB 80,000,000)

Key Conditions Precedent : The Assets Sale and Purchase Agreement requires the Buyer to pay the acquisition price under this Agreement upon fulfillment of all conditions precedent or by the closing date of the transaction. Key conditions precedent are as follows:

- The board of directors’ meeting and the shareholders’ meeting of the Seller shall have granted approval for the transfer of the acquired assets to the Buyer, and for the execution of the Agreement and performance of the relevant contractual provisions. The Seller has delivered the documents thereof to the Buyer on the date of entering into the Assets Sale and Purchase Agreement.
- If any lease agreements are to expire before the closing date of the transaction, the Seller shall have renewed such lease agreements for three (3) years, provided that such renewed agreements must be subject to the terms and conditions equivalent to the existing agreements, particularly the rent. The Seller has completed its obligation on the day of entering into the Assets Sale and Purchase

Agreement.

- The Seller shall have signed and had the relevant parties sign the relevant agreements, i.e. assignment agreements for assign all rights under the 52 franchising agreements in order to transfer all rights and obligations under the relevant agreements to the Buyer in order for the Buyer to become a party to such agreements in place of the Seller which expected to be completed by October 31, 2018

3.2 Calculation of the Transaction Size

The Restaurant Franchise Business Acquisition Transaction is regarded as an acquisition of assets under the Notifications on Acquisition or Disposal of Assets. Upon calculation of the transaction value based on the rules under the Notifications on Acquisition or Disposal of Assets, the highest value of the transaction based on the total value of consideration in comparison with the total assets of the Company and its subsidiaries amounts to 5.38 percent of the total assets of the Company and its subsidiaries according to the consolidated financial statements of the Company, which were reviewed by the auditor as at June 30, 2018. The details on calculation of the value of the asset acquisition transaction are described below.

Basis	Formula	Calculation Size	
1. Net tangible asset – NTA)	$\frac{\text{NTA of assets acquired} \times \text{proportion of assets acquired} \times 100.0}{\text{NTA of the Company}}$	This cannot be calculated as this is the Company's purchase of assets transaction	
2. Net operating profits	$\frac{\text{Net operating profits of assets acquired} \times \text{proportion of assets acquired} \times 100.0}{\text{Net profits of the Company}}$	This cannot be calculated as this is the Company's purchase of assets transaction.	
3. Total value of consideration	$\frac{\text{Value of transaction received} \times 100}{\text{Total assets of the Company}}$	$\frac{80 \times 100}{1,487.73}$	5.38 %

Basis	Formula	Calculation Size
4. Value of equity shares issued for payment of assets	<u>Equity shares issued for payment of assets x 100</u> Issued and paid-up shares of the Company	This cannot be calculated as the Company has not issued any security which to be used as consideration in exchange for the acquisition of the assets

Upon combination of the transactions on acquisition of assets by the Company for the past six months, the highest value of all the transactions amounts to 17.60 percent based on the total value of consideration, which is equal to 15 percent or higher, but lower than 50 percent of the Restaurant Franchise Business Acquisition Transaction, which constitutes a Type 2 transaction under the Notifications on Acquisition or Disposal of Assets, therefore, the Company is required to comply with such Notifications accordingly. In this regard, the Company is required to prepare a report and disclose such transaction to the Stock Exchange of Thailand forthwith, which at least contains such information memorandum according to List (1) attached to the Notifications on Acquisition or Disposal of Assets, and send notice to the shareholders within 21 days from the disclosure of such information to the Stock Exchange of Thailand, at least according to List (2) 1, 2, 3, 5(3), 7 and 8 attached to the Notifications on Acquisition or Disposal of Assets.

Detail of assets acquisition by the Company for the past six months

BOD approved	Detail of assets acquisition	Transaction value (MB)	Size of transaction
26 April 2019	Investment in Siam Gateway Co., Ltd.	24.50	1.88% calculated based on the total value of consideration basis
16 July 2019	Joint investment in food business expansion with Shanghai Kinghill Company Limited	5.03	0.36% calculated based on net tangible assets basis

			(NTA)
26 July 2019	Acquisition of exclusive franchise right to open and operate Dean & DeLuca Cafés and Dean & DeLuca Markets	125	9.98% calculated based on the total value of the consideration basis

4. Details of Acquired Assets

The assets acquired under the Assets Sale and Purchase Agreement are listed below:

- 1) 11 branches of Kitchen Plus restaurant, which are being operated by the Seller or its agent which consist of kitchen systems, utensils, electrical appliances, office equipment, furniture, decorations and tools used in Kitchen Plus restaurants.
- 2) All rights and obligations of the Seller under the Franchise Agreements executed by the Seller with the franchisees at all 52 branches, as well as other rights and obligations under the related agreements;
- 3) Trademark/Service Mark under the name "Kitchen Plus";

5. Total Value of Consideration

5.1 Total Value of Consideration and Valuation Method for the Determination of the Value of Consideration

The total value of consideration of the Restaurant Franchise Business Acquisition Transaction amounts to THB 80,000,000 (Eighty Million Baht), subject to the conditions and price negotiated and mutually agreed upon between the Seller and Buyer under the Asset Acquisition Agreement. The Board of Directors has considered such price reasonable in comparison with the expected benefits in the future, based on the Discounted Cash Flow and the Precedent Transaction Comparables.

The preliminary assumptions used in the valuation based on the Discounted Cash Flow are as follows:



- Number of years used for financial valuation** : 10 years as it is considered as appropriate period for financial projection that can provide an accurate and precise result.
- Total number of branches in 2018** : 11 branches of the restaurant, which are being operated by the Seller or its agent (the “Self-operate Restaurants”);
52 branches of the restaurant under franchise (the “Franchisees’ Restaurants”).
- Revenue Estimates of the 1st year operation** : The 1st year revenue (“Total Revenue”) in the financial valuation consist of:
- (1) Revenue generated from Self-operate Restaurants of 11 branches totaling THB 44 Million per year, based on the result of accounting and financial due diligence on the average historical record of financial information of Kitchen Plus for the years 2016 – 2017 and the first 6 months of 2018.¹
 - (2) Revenue generated from franchise fee of THB 12 Million per annum based on the result of accounting and financial due diligence on the average historical record of financial information of Kitchen Plus for the years 2016 – 2017 and the first 6 months of 2018.²
- Growth Rate of Revenues per year** : 2.5% of each year commencing from the 2nd year referring to the inflation rate in Thailand.

¹ The historical financial statement information of Kitchen Plus restaurant of Kitchen Plus for the year 2016 – 2017 and the first 6 months of 2018 are treated as confidential information of the 11 branches of Kitchen Plus restaurants’ previous owners. The Company has entered into the transaction in October 2018 and entered into the Non-Confidentiality Agreement with the Seller. As such, the historical information thereof shall be treated as a trade secret which cannot be disclosed in this information memorandum.

² The historical financial information of Kitchen Plus 999 Co., Ltd. for the year 2016 – 2017 and the first 6 months of 2018 demonstrate that it has only generated the revenue from franchise business only. Kitchen Plus 999 Co., Ltd. is still engaging in the franchise business as well as other types of businesses under the same company’s name. In entering into the transaction, the Buyer and the Seller have entered into the Non-Confidentiality Agreement, thus, the Company cannot disclose the historical information of Kitchen Plus 999 Co., Ltd. in this information memorandum.



Cost Estimates : It comprises of 95% of raw materials, labor and other costs of the Self-operate Restaurants and 8% of selling and administrative expenses of the total revenue in each year, based on the result of the accounting and financial due diligence on the average historical financial information of the Kitchen Plus Restaurants from 2016 to 2017 and the period of the first 6 months of the year 2018.

Average Free Cash Flow for 10 years : The average free cash flow for the period of 10 years will be THB 9 Million per annum, based on the estimated financial valuation of the Self-operate Restaurants of 11 branches and the Franchisees' Restaurants of 52 branches.

Terminal Value : Calculated by Gordon Growth Model method, which applying the terminal growth at 2.5% of the free cash flow in the 10th year.

Weighted Average Cost of Capital (WACC) : 12.25%

Valuation from Discounted Cash Flow Method : THB 90 Million

The preliminary assumptions used in the valuation based on the Precedent Transaction Comparable are as follows:

Peer Companies on the Stock Exchange of Thailand : Businesses in relation to restaurants, desserts, bakery and beverage which are being engaged by 6 companies

Price to Earning of Peer Companies listed on the Stock Exchange of Thailand : 19 – 21 times



Gross Net Profit Estimate : The gross net profit of the 1st year will be THB 5.33 Million or equivalent to approximately 9.5%

Valuation from Comparable Method : THB 101 – 112 Million

5.2 Payment Method

The Buyer and the Seller agree to divide payment of the acquisition price as follows:

- 1) Deposit in the amount of THB 20,000,000 (Twenty Million Baht), which has been duly paid to the Seller as part of the acquisition price;
- 2) THB 25,000,000 (Twenty-Five Million Baht), which shall be payable on the Signing Date on the condition that the assets required for the operation of the Self-operate Restaurants have been completely transferred to the Seller (October 11, 2018);
- 3) THB 25,000,000 (Twenty-Five Million Baht), which shall be payable within 7 days after the date the Seller has duly and fully transferred its rights and obligations under the related agreements to the Buyer;
- 4) THB 10,000,000 (Ten Million Baht), which shall be payable on the due date after the anniversary of the closing date of the transaction.

In this regard, the aforementioned payment method will help to well mitigate the risk in transferring the assets and relevant agreements to the Buyer as the Buyer will only settle the majority of purchase price of THB70 Million to the Seller once the Seller has transferred all the assets and relevant agreements to the Buyer which expected to be completed within October 31, 2018. In this regard, the Company shall promptly notify to the SEC upon the completion of the assets transfer thereof. The remaining purchase price of THB10 Million shall be payable on the due date after the anniversary of the closing date of the transaction in order to ensure that all assets and relevant agreements which have been transferred to the Buyer are in order and can be used for conducting an ordinary cause of business by the Buyer.



6. Expected Benefits to the Company

- (1) To follow the Company's strategy to focus on creating a brand of restaurant with efficiency and high potential as well as managing the franchise professionally;
- (2) To create the opportunity to boost revenues and appropriate rate of return on a regular basis and to enhance the Company's business competitiveness in the long run;
- (3) To gain confident from the investors of the Company's role in engaging in various types of food segments in a more effective approach.

7. Source of Funds

The Company will utilize the proceeds from its capital increase from the exercise of the warrant issued by the Company (NPPG-W3) for investment in new business expansion and the Restaurant Franchise Business Acquisition Transaction, which shall in no way affect the Company's financial liquidity.

8. Opinion of the Board of Directors on the Transaction

The Board of Directors has considered and viewed that the transaction on acquisition of the franchise of Kitchen Plus Restaurants which includes:

- (1) 11 branches of Kitchen Plus restaurant, which are being operated by the Seller or its agent which consist of kitchen systems, utensils, electrical appliances, office equipment, furniture, decorations and tools used in Kitchen Plus;
- (2) All rights and obligations of the Seller under the franchise agreements of the Kitchen Plus and Bann KruaThai restaurants of 52 branches, as well as other rights and obligations under the relevant agreements;
- (3) Trademark/Service Mark under the name "Kitchen Plus"

is deemed reasonable in term of pricing when compares with the consideration that the Buyer will receive in the future calculated based on the discounted cash flow method and comparable companies in Stock



Exchange of Thailand (SET) who have the similar type of business. Moreover, the conditional payment method will help to well mitigate the risk in transferring the assets and relevant agreements to the Buyer and to ensure that all assets and relevant agreements which have been transferred to the Buyer are in order and can be used for conducting an ordinary cause of business by the Buyer as well as the lifetime ownership of the franchise rights of Kitchen Plus and Baan Krua Thai Restaurants will beneficial to the Company and its shareholders, and also serves as the Company's business expansion to food segment.

9. Opinion of the Audit Committee and/or directors which differ from the opinion of the Board of Directors under Item 8

-None-

The Company hereby certifies that the information in this Information Memorandum is correct and true in all respects.

NPPG (Thailand) Public Company Limited

(Mr. Nakkil Sung)