

IDR 03/2020

Date: March 9, 2020

Re: Investment in Tesco Stores (Thailand) Limited and Tesco Stores (Malaysia) Sdn. Bhd.

To: President  
The Stock Exchange of Thailand

Enclosure: Information memorandum regarding the acquisition of assets of the Company in relation to the investment in Tesco Stores (Thailand) Limited and Tesco Stores (Malaysia) Sdn. Bhd.

CP All Public Company Limited (the “**Company**”) would like to inform that the Board of Directors of the Company has resolved to approve the Company to make an investment to acquire shares or economic interest of up to 40 per cent of the total issued shares in (a) Tesco Stores (Thailand) Limited (“**Tesco Thailand**”) holding 99.99 per cent of the shares in Ek-Chai Distribution System Co., Ltd. which operates retail business under Tesco Lotus brand in Thailand; and (b) Tesco Stores (Malaysia) Sdn. Bhd. (“**Tesco Malaysia**”) which operates retail business under Tesco brand in Malaysia (Tesco Thailand and Tesco Malaysia is collectively referred to as “**Tesco Asia Group**”) (the “**Tesco Asia Group Investment Transaction**”). The investment by the Company will be the indirect investment through two special purpose vehicles being C.P. Retail Holding Company Limited (the “**Holding Company**”) which wholly owns the share capital of C.P. Retail Development Company Limited (the “**Acquiring Entity**”). The value of the investment by Company through the Holding Company in relation to the Tesco Asia Group Investment Transaction is approximately USD 3,000 million (or equivalent to Baht 95,981 million)<sup>1</sup>.

However, the details and conditions with respect to the Tesco Asia Group Investment Transaction will be in accordance with the share sale and purchase agreement and subject to the satisfaction of the conditions precedent which include, among others, (a) Tesco PLC, an entity under the seller group, having obtained the approval from its shareholders for the sale of shares in Tesco Asia Group, (b) the Office of Trade Competition Commission, established under the Trade Competition Act, B.E 2560 (2017) having approved the sale of shares in Tesco Thailand by Tesco Holdings Limited to the Acquiring Entity (in case where the approval is required) and (c) Ministry of Domestic Trade and Consumers Affairs of Malaysia having approved the sale of shares in Tesco Malaysia to the Acquiring Entity. Such conditions precedent are expected to be completed within the second half of 2020.

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<sup>1</sup> Applicable exchange rate is USD 1 to Baht 32

The Tesco Asia Group Investment Transaction constitutes an asset acquisition transaction pursuant to the Notification of the Capital Market Supervisory Board No. TorChor. 20/2551 Re: Rules on Entering into Material Transactions Deemed as Acquisition or Disposal of Assets dated 31 August 2008 (as amended) and the Notification of the Board of Governors of the Stock Exchange of Thailand Re: Disclosure of Information and Other Acts of Listed Companies Concerning the Acquisition and Disposition of Assets, B.E. 2547 (2004) dated 29 October 2004, as amended (the “**Notifications on Assets Acquisition or Disposal**”) with the highest transaction value equivalent to 44.5 per cent of the net tangible assets of the Company and its subsidiaries based on the latest audited consolidated financial statements of the Company for the year ended 31 December 2019. There is no asset acquisition transaction by the Company and its subsidiaries which occurred during a period of the past six months. Therefore, the transaction is considered as Class 2 Transaction under the Notifications on Assets Acquisition or Disposal since the highest transaction size is more than 15 per cent but less than 50 per cent and the Company is thus required to disclose the information regarding the asset acquisition of the Company to the Stock Exchange of Thailand and deliver the information memorandum containing the required details to its shareholders within 21 days from the date on which the transaction is disclosed to the Stock Exchange of Thailand.

The Tesco Asia Group Investment Transaction is not considered as a connected transaction pursuant to the Notification of the Capital Market Supervisory Board No. TorChor. 21/2551 Re: Rules on Connected Transactions dated 31 August 2008 (as amended) and the Notification of the Board of Governors of the Stock Exchange of Thailand Re: Disclosure of Information and Other Acts of Listed Companies Concerning the Connected Transaction B.E. 2546 (2003) dated 19 November 2003 (as amended).

Please be informed accordingly.

Sincerely yours,

(Mr. Kriengchai Boonpoapichart)  
Chief Financial Officer  
Authorized to sign on behalf of the Company

**Information Memorandum Regarding the Acquisition of Assets of the Company in relation to the  
Investment in Tesco Stores (Thailand) Limited and Tesco Stores (Malaysia) Sdn. Bhd.**

The meeting of the Board of Directors of CP All Public Company Limited (the “**Company**”) has resolved to approve the Company to make an investment to acquire shares or economic interest of up to 40 per cent of the total issued shares in (a) Tesco Stores (Thailand) Limited (“**Tesco Thailand**”) holding 99.99 per cent of the shares in Ek-Chai Distribution System Co., Ltd. (“**Ek-Chai**”) which operates retail business under Tesco Lotus brand in Thailand; and (b) Tesco Stores (Malaysia) Sdn. Bhd. (“**Tesco Malaysia**”) which operates retail business under Tesco brand in Malaysia (Tesco Thailand and Tesco Malaysia is collectively referred to as “**Tesco Asia Group**”) (the “**Tesco Asia Group Investment Transaction**”). The investment by the Company will be the indirect investment through two special purpose vehicles being C.P. Retail Holding Company Limited (the “**Holding Company**”) which wholly owns the share capital of C.P. Retail Development Company Limited (the “**Acquiring Entity**”). The value of the investment by Company through the Holding Company in relation to the Tesco Asia Group Investment Transaction is approximately USD 3,000 million (or equivalent to Baht 95,981 million)<sup>1</sup>.

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dated 31 August 2008 (as amended) and the Notification of the Board of Governors of the Stock Exchange of Thailand Re: Disclosure of Information and Other Acts of Listed Companies Concerning the Connected Transaction B.E. 2546 (2003) dated 19 November 2003 (as amended).

#### 1. Transaction Date

The Company has decided to invest in Tesco Asia Group to acquire shares or economic interests of up to 40 per cent of total number of issued shares of Tesco Thailand and Tesco Malaysia, respectively. Such investment is made indirectly through two special purpose vehicles established for the purpose of investment in Tesco Asia Group, as follows:

1. C.P. Retail Holding Company Limited which is a private limited company incorporated under Thai law in which the Company directly holds 40 per cent, Charoen Pokphand Holdings Co., Ltd. directly holds 40 per cent, and C.P. Merchandising Co., Ltd. directly holds 20 per cent of the total number of issued shares, respectively; and
2. C.P. Retail Development Company Limited which is a private limited company incorporated under Thai law in which the Holding Company directly holds 100 per cent of the total issued shares.

The Acquiring Entity has entered into the share sale and purchase agreement dated 9 March 2020 with Tesco Holdings Limited (“**THL**”) and Tesco Holdings B.V. (“**THBV**”) (THL and THBV are collectively referred to as the “**Sellers**”) (the “**SPA**”). The details and conditions with respect to the Tesco Asia Group Investment Transaction will be in accordance with the SPA.

In this regard, the Acquiring Entity will purchase the following shares under the SPA from the Sellers:

- (a) Shares in Tesco Thailand to be purchased from THL, comprising 100 class A ordinary shares, 1 class B preferential share and 490,000 class C preferential shares, totalling 490,101 shares, which are the total number of shares in Tesco Thailand held by THL; it is noted that the said shares in Tesco Thailand to be purchased by the Acquiring Entity from THL have the aggregate voting rights of approximately 86.9 per cent of the total voting rights in Tesco Thailand and are entitled to receive unlimited amount of dividends and capital return upon dissolution (after distribution to the holders of class B preferential shares); whereas the 739,999 class B preferential shares held by the other shareholders of Tesco Thailand are subordinated in respect of their voting rights and are entitled to receive limited amount of dividends and capital return upon dissolution (please see additional details regarding the rights of Tesco Thailand shares below); and

(b) Shares in Tesco Malaysia to be purchased from THBV, comprising 39,200,000 class A ordinary shares and 60,000,000 non-voting preferential shares which are the total number of shares in Tesco Malaysia held by THBV; it is noted that the class A ordinary shares in Tesco Malaysia to be purchased by the Acquiring Entity from THBV have the aggregate voting rights of approximately 70 per cent of the total voting rights in Tesco Malaysia, and the preferential shares to be purchased by the Acquiring Entity from THBV have preferential right to receive dividends and capital return upon dissolution before class A ordinary shares and class B ordinary shares in Tesco Malaysia (please see additional details regarding the rights of Tesco Malaysia shares below).

In addition, the purchase of shares in Tesco Malaysia will be subject to the condition under the SPA which stipulates that THBV will procure the sale by Sime Darby Allied Products Berhad ("**Sime Darby AP**") to the Acquiring Entity of its 16,800,000 class B ordinary shares with the aggregate voting rights of approximately 30 per cent of the total voting rights in Tesco Malaysia whereby the Acquiring Entity is obliged to purchase the said number of shares from Sime Darby AP. The consideration for these shares has already been included in the consideration which the Acquiring Entity will pay to the Sellers under the Tesco Asia Group Investment Transaction.

Key rights in respect of the shares in Tesco Thailand and Tesco Malaysia and the shareholding structure of Tesco Thailand and Tesco Malaysia before and after the completion of the Tesco Asia Group Investment Transaction are as below:

## Key Rights of Shares in Tesco Thailand

Key Rights of Shares in Tesco Thailand						
Type of Shares	THL	Other shareholders	Total Number of Shares	Par Value (THB)	Voting Right	Benefits
Class A ordinary shares	100	-	100	10	1 vote per 1 ordinary share held	<ul style="list-style-type: none"> <li>• Right to receive prorated dividends which are accumulated in respect of class A ordinary shares</li> <li>• Right to receive capital return distribution upon dissolution before class B and class C shareholders, and right to receive any sum remaining after the prorated capital return distribution.</li> </ul>
Class B preferential shares	1	739,999	740,000	10	1 vote per 10 preferential shares	<ul style="list-style-type: none"> <li>• Right to receive dividends at 10 per cent of the paid-up value of class B shares and the dividends are accumulated in respect of class B preferential shares</li> <li>• Right to receive capital return distribution upon dissolution after class A shareholders and before class C shareholders, but have no right to receive any sum remaining after the capital return distribution.</li> </ul>
Class C preferential shares	490,000	-	490,000	10	1 vote per 1 preferential share	<ul style="list-style-type: none"> <li>• Right to receive prorated dividends which are accumulated in respect of class C preferential shares</li> <li>• Right to receive capital return distribution upon dissolution after class A shareholders and class B shareholders, and have the right to receive any sum remaining after the capital return distribution.</li> </ul>

Key Rights of Shares in Tesco Thailand						
Type of Shares	THL	Other shareholders	Total Number of Shares	Par Value (THB)	Voting Right	Benefits
Total number of shares (share)	490,101	739,999	1,230,100			
Shareholding ratio (per cent)	39.8	60.2	100			
Voting rights (votes)	490,100	73,999	564,099			
Voting rights (per cent)	86.9	13.1	100			
Right to receive benefits	100.0%	Baht 739,999				

#### Key Rights of Shares in Tesco Malaysia

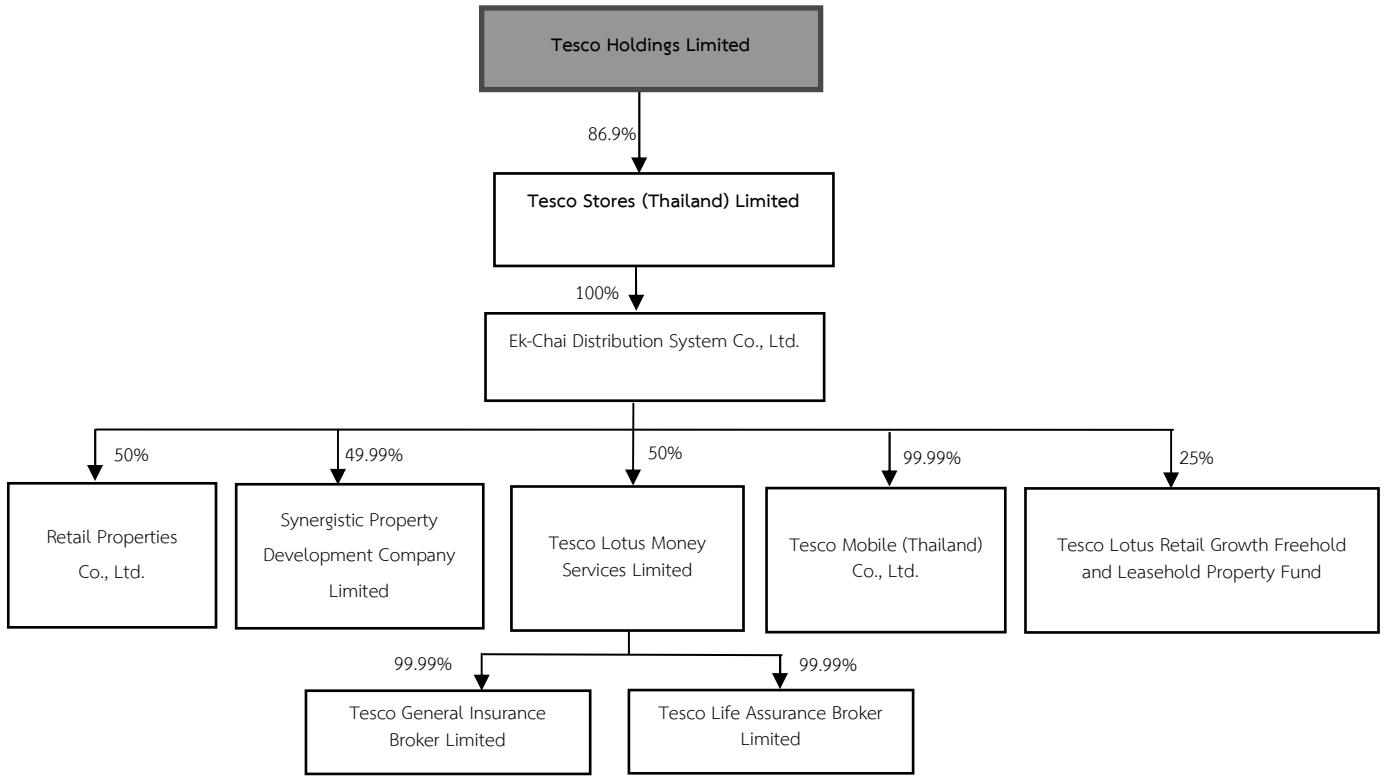
Key Rights of Shares in Tesco Malaysia						
Type of Shares	THBV	Sime Darby AP	Total Number of Shares	Par Value (Ringgit)	Voting Right	Benefits Received
Class A and Class B Ordinary shares	39,200,000	16,800,000	56,000,000	1	1 vote per 1 ordinary share	Right to receive prorated dividends
Preferential shares	60,000,000	-	60,000,000	10	No voting right except for certain matters stipulated under constitutional	<ul style="list-style-type: none"> <li>Right to receive non-cumulative dividends before holders of ordinary shares in the amount determined by the Board of Directors</li> </ul>

**Key Rights of Shares in Tesco Malaysia**

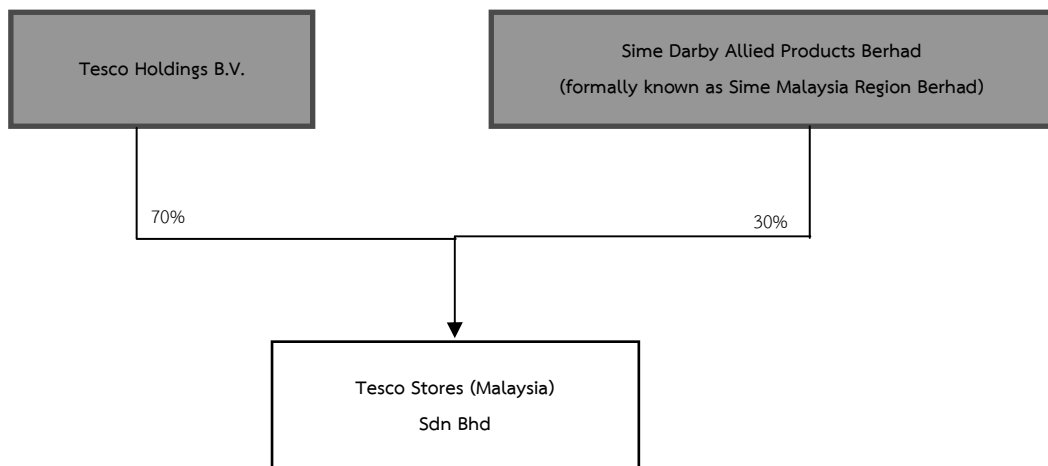
Type of Shares	THBV	Sime Darby AP	Total Number of Shares	Par Value (Ringgit)	Voting Right	Benefits Received
					documents of Tesco Malaysia	(Board reserved matter) <ul style="list-style-type: none"> <li>Right to receive capital return distribution upon dissolution before holders of ordinary shares, but have no right to receive any sum remaining after the capital return distribution.</li> </ul>
Total number of shares (shares)	99,200,000	16,800,000	116,000,000			
Shareholding ratio (per cent)	85.52	14.48	100			
Voting rights (votes)	39,200,000	16,800,000	56,000,000			
Voting rights (per cent)	70.0	30.0	100			



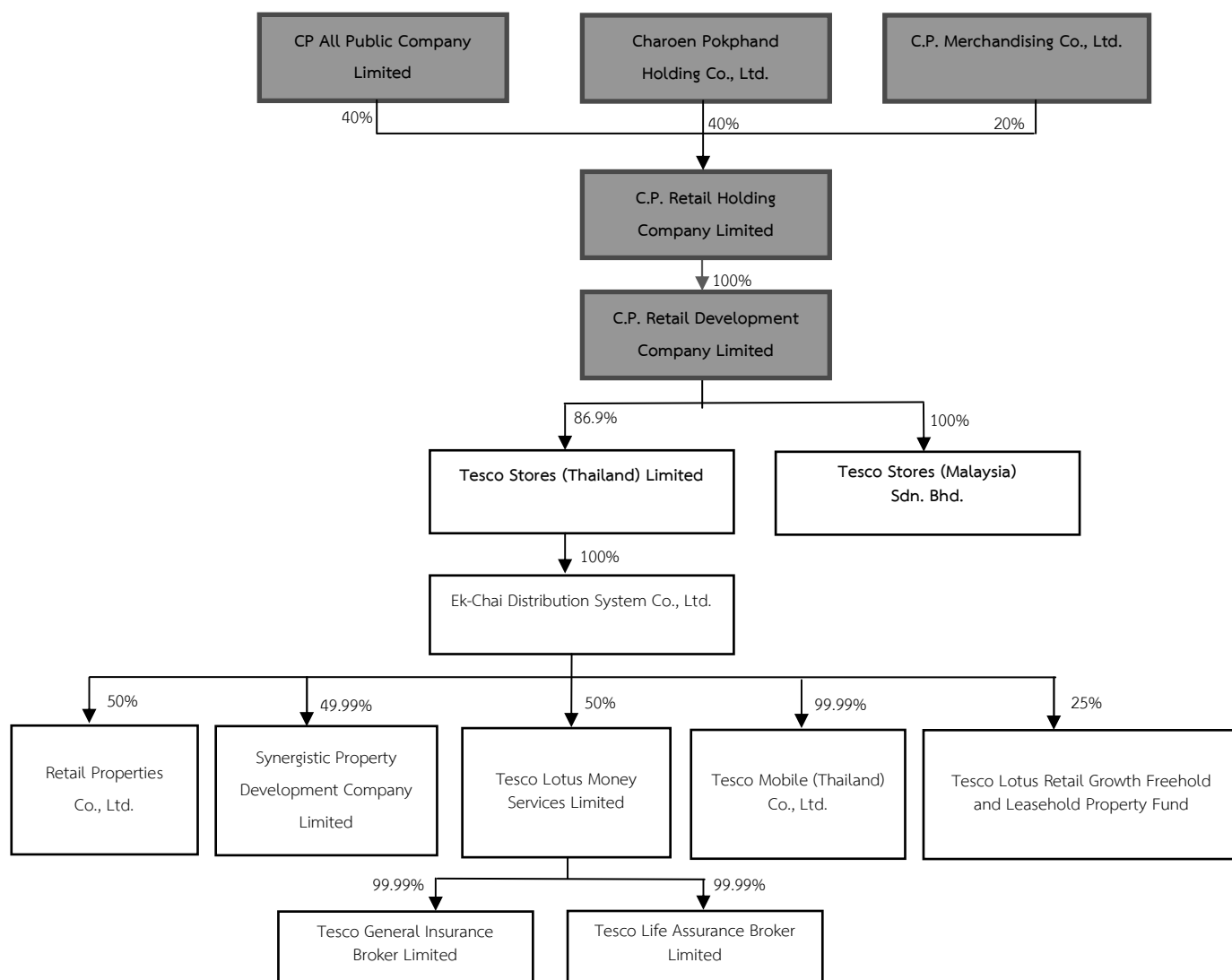
Shareholding structure representing the voting rights of Tesco Thailand before the completion of the Tesco Asia Group Investment Transaction



Shareholding structure representing the voting rights of Tesco Malaysia before the completion of the Tesco Asia Group Investment Transaction



Shareholding structure representing the voting rights of Tesco Asia Group after the completion of the Tesco Asia Group Investment Transaction



2. The Parties Involved and the Relationship with the Company

**Buyer:** C.P. Retail Development Company Limited

Relationship with the Company:

The Acquiring Entity is a limited company incorporated under Thai law as the special purpose vehicles established for the purpose of investment in Tesco Asia Group and to be the party in the SPA with the Sellers. The Holding Company wholly owns the share capital of the Acquiring Entity.

The Holding Company is a limited company incorporated under Thai law as another special purpose vehicles established for the purpose of investment in Tesco Asia

Group, in which the Company directly holds 40 per cent, Charoen Pokphand Holdings Co., Ltd. directly holds 40 per cent, and C.P. Merchandising Co., Ltd. directly holds 20 per cent of total number of issued shares of the Holding Company, respectively.

As such the Company indirectly holds shares in the Acquiring Entity through its shareholding in the Holding Company.

**Sellers:** Tesco Holdings Limited and Tesco Holdings B.V.

Relationship with the Company:

The Sellers do not have any relationship with the Company

### 3. General Features, Type and Size of Transaction

The Company has decided to invest in Tesco Asia Group by indirect investment through the Holding Company and the Acquiring Entity to acquire shares or economic interest of up to 40 per cent of total number of issued shares of Tesco Thailand and shares or economic interests of up to 40 per cent of the total number of issued shares of Tesco Malaysia.

Based on the foregoing, the transaction size of investment of the Company in the Tesco Asia Group Investment Transaction pursuant to the Notifications on Assets Acquisition or Disposal based on the audited consolidated financial statements of the Company for the year ended 31 December 2019, and the audited financial statements of Ek-Chai<sup>2</sup> for the year ended 28 February 2019, and the audited financial statements of Tesco Malaysia for the year ended 28 February 2019, is determined as follows:

#### Basis for Determination of the Transaction Size

Basis of Determination	Transaction size(Percentage)
Net Tangible Asset (NTA)	44.5
Net Operating Profit	14.0
Total Value of Consideration	38.9 <sup>3</sup>
Value of shares issued for the payment of assets	No shares are issued

<sup>2</sup> As Tesco Thailand does not prepare the consolidated financial statements, the Company refers to the information from the audited financial statements of Ek-Chai for the year ended 28 February 2019 to determine the transaction size pursuant to the Notifications on Assets Acquisition or Disposal, in order to demonstrate the actual investment value of the Company since Ek-Chai is an operating entity which operates main business within its group in which Tesco Thailand directly holds 99.99 per cent of its shares.

<sup>3</sup> Calculated from the highest value of consideration which the Acquiring Entity pays to the Sellers in relation to the investment of the Company to acquire shares or economic interests of up to 40 per cent of the total number of issued shares of Tesco Thailand and Tesco Malaysia

According to the foregoing transaction size determination basis, the highest transaction size of the Tesco Asia Group Investment Transaction is equivalent to 44.5 per cent of the net tangible asset of the Company and its subsidiaries. There is no asset acquisition transaction by the Company and its subsidiaries which occurred during a period of the past six months. Therefore, the transaction is considered as Class 2 Transaction under the Notifications on Assets Acquisition or Disposal since the highest calculated transaction size is more than 15 per cent but less than 50 per cent, and the Company is thus required to disclose the information memorandum regarding the asset acquisition of the Company to the Stock Exchange of Thailand and deliver the information memorandum containing the required details to its shareholders within 21 days from the date on which the transaction is disclosed to the Stock Exchange of Thailand.

#### 4. Details of Assets to be Acquired

The Tesco Asia Group Investment Transaction which is the indirect investment through the Holding Company and the Acquiring Entity will result in the Company acquiring shares or economic interests up to 40 per cent of the total number of issued shares of Tesco Thailand, and shares or economic interests in a proportion of up to 40 per cent of the total number of issued shares of Tesco Malaysia. The details of the assets to be acquired are as follows:

##### 4.1 General information

##### 4.1.1 General Information of Tesco Thailand

<b>Company Name</b>	Tesco Stores (Thailand) Limited
<b>Business</b>	Investment activities
<b>Registered and paid-up capital</b>	Baht 12,301,000
<b>Board of Directors</b>	1. Mr. Sompong Rungnirattisai 2. Ms. Anusara Chokvanitphong 3. Mr. Sunthorn Arunanondchai

#### 4.1.2. General Information of Subsidiaries of Tesco Thailand

Ek-Chai Distribution System Co., Ltd.

<b>Company Name</b>	Ek-Chai Distribution System Co., Ltd.
<b>Business</b>	Operating stores including discount stores, supercenters and hypermarkets which operate retail trading of consumer products, granting lease of space in shopping malls and providing other services
<b>Registered and paid-up capital</b>	Baht 5,137,500,050
<b>Board of Directors</b>	<ol style="list-style-type: none"> <li>1. Mr. Sompong Rungnirattisai</li> <li>2. Mr. Sunthorn Arunanondchai</li> <li>3. Ms. Anusara Chokvanitphong</li> <li>4. Ms. Salinla Seehaphan</li> <li>5. Mrs. Aurakanda Attavipach</li> </ol>

#### 4.1.3 General Information of Tesco Malaysia

<b>Company Name</b>	Tesco Stores (Malaysia) Sdn. Bhd.
<b>Business</b>	Operating hypermarket stores which operate retail trading of consumer products and granting lease of space in shopping malls
<b>Registered and paid-up capital</b>	Malaysian Ringgit 656,000,000
<b>Board of Directors</b>	<ol style="list-style-type: none"> <li>1. Azliza Baizura Binti Azmel</li> <li>2. Paul Fraser Daley Ritchie</li> <li>3. Datuk Leong Yew Hong</li> <li>4. Mustamir Bin Mohamad</li> <li>5. Thomas Charles Denyard</li> <li>6. Alison Jane Horner Ladycroft</li> <li>7. Yong Yvonne</li> <li>8. Tang Ming Hui Grace</li> </ol>

## 4.2 Business Overview

### 4.2.1 Business Overview of Tesco Thailand and Subsidiaries

Tesco Thailand engages in the business of holding shares in other companies. Ek-Chai is its subsidiary which engages in a range of retail trading formats under the Tesco Lotus brand in Thailand and operates different retail trading stores, granting lease of space in shopping malls and providing other services. Ek-Chai has established itself as a well-known and trusted consumer brand in the Thai retail sector.

Retail stores under Tesco Lotus brand in Thailand include 214 hypermarkets, 179 Talad Lotus and 1,574 Tesco Express as well as leased space in 191 malls (information as of end of August 2019).

### 4.2.2 Business Overview of Tesco Malaysia

Tesco Malaysia operates retail trading business under Tesco brand in Malaysia. It has 46 hypermarkets, 13 supermarkets and 9 convenience stores (information as of end of August 2019) which sell consumer products. At present, Tesco Malaysia has been developed into one of Malaysia's leading retailers of consumer products.

In addition, Tesco Malaysia also operates the business of granting lease of space in 56 shopping malls.

## 4.3 Key Financial Information

### 4.3.1 Key Financial Information of Tesco Thailand

	For accounting period ended 28 February (Unit: Million Baht)		
	2017	2018	2019
Total assets	7,697.1	7,696.4	7,696.1
Total liabilities	0.1	0.1	0.2
Total shareholders' equity	7,697.0	7,696.3	7,695.9
Registered capital	12.3	12.3	12.3
Total income	0.9	0.8	4,401.1

	For accounting period ended 28 February (Unit: Million Baht)		
Total expenses	0.1	0.1	0.2
Net profit (loss)	0.7	0.6	4,400.8

#### 4.3.2 Key Financial Information of Ek-Chai

	For accounting period ended 28 February (Unit: Million Baht)		
	2017	2018	2019
Total assets	131,983.9	137,551.6	139,779.9
Total liabilities	47,453.2	43,392.4	42,201.1
Total shareholders' equity	84,530.7	137,551.6	139,779.9
Registered capital	5,137.5	5,137.5	5,137.5
Total income	218,163.6	196,558.2	188,628.4
Total expenses	207,494.5	184,302.8	178,934.6
Net profit (loss)	9,117.6	9,628.5	7,819.7

#### 4.3.3 Key Financial Information of Tesco Malaysia

	For accounting period ended 28 February (Unit: Million)					
	2017		2018		2019	
	Ringgit	Baht*	Ringgit	Baht*	Ringgit	Baht*
Total assets	3,957.1	30,293.5	3,940.4	30,165.8	3,964.9	30,535.1
Total liabilities	3,924.6	30,045.1	3,832.6	29,340.4	3,897.4	29,836.5
Total shareholders' equity	32.5	248.5	107.8	825.4	67.5	516.6

	For accounting period ended 28 February					
	(Unit: Million)					
Registered capital	556.0	4,256.5	606.0	4,639.2	606.0	4,639.2
Total income	4,321.7	33,085.0	4,369.9	33,453.5	4,382.7	33,551.8
Total expenses	4,444.1	34,021.5	4,392.6	33,627.5	4,432.1	33,930.3
Net profit (loss)	(136.7)	(1,046.6)	22.8	174.6	(44.3)	(339.1)

\* Applicable exchange rate is Ringgit 1 to Baht 7.6555

## 5. Total Value of Consideration

The total initial consideration which the Acquiring Entity agrees to pay the Sellers for the Tesco Asia Group Investment Transaction is approximately USD 10,576 million (or equivalent to Baht 338,445 million) calculated on a cash and debt free basis. However, such total consideration value may be adjusted in accordance with the conditions set out in the SPA.

In this regard, 40 per cent of the total initial consideration value which the Acquiring Entity agrees to pay to the Sellers is approximately USD 4,231 million (or equivalent to Baht 135,378 million).

## 6. Value of Assets to be Acquired

The total initial value of the assets to be acquired by the Acquiring Entity in respect of the Tesco Asia Group Investment Transaction is approximately USD 10,576 million (or equivalent to Baht 338,445 million). In this regard, 40 per cent of the total value of the assets to be acquired by the Acquiring Entity is approximately USD 4,231 million (or equivalent to Baht 135,378 million).

## 7. Criteria for Determination of the Consideration Value

Value of the consideration in respect of the Tesco Asia Group Investment Transaction will be as negotiated and agreed with the Sellers on the basis of valuation of business in accordance with the following approaches:

- (a) Discount Cash Flow Approach - DCF;
- (b) Trading Comparable Approach where valuation of listed companies operating the same or similar business is compared; and
- (c) Precedent Transactions Comparable Approach where past acquisition of the comparable business are used to evaluate the business at present.



## **8. Expected Benefits to the Company**

The Company believes that the investment in Tesco Asia Group will be beneficial to the Company and its shareholders as follows:

- The Company will own a complementary retail business in Thailand which offers a range of retail store formats that complement the Company's different existing formats with favourable operating results, and will enable the Company to operate a wider range of outlets, including wholesale cash-and-carry, and retail formats (hypermarkets, supermarkets and convenience stores);
- It will enhance innovative consumer solutions with opportunity in new economy business; and
- The business acquisition in Malaysia will offer an entry into Malaysia's major retail markets.

## **9. Source of Funds**

The Company will use cash flow from the group companies and the loans.

## **10. Conditions of the Transaction**

The investment in Tesco Asia Group is subject to the conditions precedent as stipulated under the SPA including

1. Tesco PLC, an entity under the seller group, having obtained the approval from its shareholders for the sale of shares in Tesco Asia Group;
2. The Office of Trade Competition Commission, established under the Trade Competition Act, B.E 2560 (2017) having approved the sale of shares in Tesco Thailand by THL to the Acquiring Entity (if required); and
3. Ministry of Domestic Trade and Consumers Affairs of Malaysia having approved the sale of shares in Tesco Malaysia to the Acquiring Entity.

These conditions precedent are expected to be completed within the second half of 2020.

## **11. Opinion of the Board of Directors Regarding the Transaction**

The Board of Directors' Meeting of the Company has considered and is of the view that the transaction is reasonable and is for the interest of the Company as mentioned in Section 8.

## **12. The Opinion of the Audit Committee and/or the Directors of the Company which is different from the Board of Directors' Opinion as specified in 11**

None.