

*(Translation)*

**Annex 3**

**Opinion of the Independent Financial Advisor  
Regarding Acquisition of Assets and Connected Transaction**

**of**



**AEON Thana Sinsap (Thailand) Public Company Limited**

**Prepared by**



**Advisory Plus Company Limited**

**July 11, 2012**

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*This English translation has been prepared solely for the convenience of foreign shareholders of AEON Thana Sinsap (Thailand) Public Company Limited and should not be relied upon as the definitive and official opinions of the Independent Financial Advisor on the connected transaction. The Thai language version of the opinions of the Independent Financial Advisor is the definitive and official document and shall prevail in all respects in the event of any inconsistency with this English translation.*

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AP. 2555/047

July 11, 2012

To Board of Directors and Shareholders

AEON Thana Sinsap (Thailand) Public Company Limited

Subject Opinion of the Independent Financial Advisor on acquisition of assets and connected transaction

The meeting of the Board of Directors of AEON Thana Sinsap (Thailand) Plc. (“Company” or “AEONTS”) No. 4/2012 held on June 25, 2012 passed the resolution to approve the acquisition of issued and paid-up ordinary shares of three related companies owned by ACS Capital Corporation Limited (“Seller” or “ACSC”), details of which are as follows:

1. 5,999,997 shares of ACS Insurance Broker (Thailand) Co., Ltd. (“ACSB”), representing 99.99995% at the price equal to ACSB book value per share according to the audited financial statement as of December 31, 2011 adjusted with any transactions that reflect changes to the total equity of ACSB occurring between January 1, 2012 and the transaction date, whereas the acquisition price shall not exceed Bt. 100 million;
2. 3,999,997 shares of ACS Life Insurance Broker (Thailand) Co., Ltd. (“ACSL”), representing 99.99993% at the price equal to ACSL book value per share according to the audited financial statement as of December 31, 2011 adjusted with any transactions that reflect changes to the total equity of ACSL occurring between January 1, 2012 and the transaction date, whereas the acquisition price shall not exceed Bt. 70 million; and
3. 14,799,997 shares of ACS Servicing (Thailand) Co., Ltd. (“ACSS”), representing 99.99998% at the price equal to ACSS book value per share according to the audited financial statement as of December 31, 2011 adjusted with any transactions that reflect changes to the total equity of ACSS occurring between January 1, 2012 and the transaction date, whereas the acquisition price shall not exceed Bt. 190 million.

The transaction above is considered an acquisition of assets as prescribed in the Notification of the Capital Market Supervisory Board No. ThorChor. 20/2551 Re: Rules on Entering into Material Transactions Deemed as Acquisition or Disposal of Assets and the Notification of the Stock Exchange of Thailand (“SET”) Re: Disclosure of Information and Other Acts of Listed Companies Concerning the Acquisition or Disposition of Assets B.E. 2547 (2004) (“the Acquisition or Disposal Notification”). The transaction size based on the net profit method is not higher than 35.44%, which is more than 15% but less than 50%, hence classified as a Class 2 transaction as prescribed in the Acquisition or Disposal Notification. The Company is thus required to notify the SET and send a circular letter to the shareholders within 21 days from the date of the notification to the SET.

The transaction is also regarded as a connected transaction according to the Notification of the Capital Market Supervisory Board No. ThorChor. 21/2551 Re: Rules for Connected Transactions and the Notification of the SET Re: Disclosure of Information and Other Acts of Listed Companies Concerning the Connected Transactions B.E. 2546 (2003) and its amendment (“the Connected Transaction Notification”) since the Seller is a major shareholder owning 19.20% of the Company’s total shares. The Company and the Seller also have a mutual shareholder, i.e. AEON Credit Services Co., Ltd. (“ACSCS”) which holds a stake of 35.12% in the Company and 48.99% in the Seller. Moreover, AEON Holdings (Thailand) Co., Ltd. (“AHT”), a connected party to the Seller (which owns 49.00% of AHT’s total capital), is a shareholder of the Company with 8.80% shareholding.

The total value of share acquisition from the three companies shall not exceed Bt. 360 million. The transaction size shall not be more than 7.01% of the net tangible assets of the Company and its subsidiaries (totaling Bt. 5,132.63 million according to the consolidated financial statement as of May 20, 2012) and shall not be more than Bt 508.20 million or 9.90% of the net tangible assets of the Company and its subsidiaries when combined with the connected transaction within the last 6 months at the amount of Bt 148.20 million. With the transaction size of more than Bt. 20 million or 3% of the net tangible assets of the Company and its subsidiaries, the Company is required to obtain approval from the shareholders’ meeting with a vote of not less than three-fourths of total votes of the shareholders attending the meeting and having the right to vote, excluding the shareholders having a conflict of interest. The meeting invitation letter to be sent to the shareholders must be accompanied by opinion of an independent financial advisor on (1) reasonableness and benefit of the transaction to the listed company, (2) fairness of price and conditions for the transaction, and (3) recommendation as to whether the shareholders should vote for or against the transaction together with the rationales. In this respect, the Company has appointed Advisory Plus Co., Ltd. as the independent financial advisor (“IFA”) to provide such opinion for the Company’s shareholders.

In providing our opinion, we have studied and analyzed the information available from the Company’s management including AEONTS’ board resolution passed at meeting No. 4/2012 held on June 25, 2012, the information disclosed to the SET on June 25, 2012, the audited consolidated financial statement as of February 20, 2012, the audited consolidated financial statement for the 3-month period ended May 20, 2012, the audited financial statements of ACSB, ACSL and ACSS as of December 31, 2011, the annual registration statement (Form 56-1) as of February 20, 2012, financial projection of ACSB, ACSL and ACSS, draft Share Sale and Purchase Agreement between the Company and the Seller, the information available on the websites of the SET and the Office of the Securities and Exchange Commission (“SEC”), the relevant documents and information derived from the Company and from interview with the Company’s management, as well as the publicly disclosed information.

The opinion given is based on the assumption that the information and documents available from the Company and from the interview with the Company’s management are true and accurate. We have considered such information thoroughly and reasonably in line with the professional standards and based only on the economic environment and the information perceivable at the time of preparing this study. As such, if there is any significant change in these factors, it will likely pose an impact on our opinion.

Our opinion on the entering into the connected transaction of the Company can be summed up as follows:

## Executive Summary

The Company intends to acquire issued and paid-up ordinary shares of three related companies held by ACS Capital Corporation Limited (“the Seller” or “ACSC”) as follows:

1. 5,999,997 shares of ACS Insurance Broker (Thailand) Co., Ltd. (“ACSB”), representing 99.99995%, at the acquisition price equal to ACSB book value per share according to the audited financial statement as of December 31, 2011, adjusted with any transactions that reflect changes to the total equity occurring between January 1, 2012 and the transaction date, whereas the total acquisition price shall not exceed Bt. 100 million;
2. 3,999,997 shares of ACS Life Insurance Broker (Thailand) Co., Ltd. (“ACSL”), representing 99.99993%, at the acquisition price equal to ACSL book value per share according to the audited financial statement as of December 31, 2011, adjusted with any transactions that reflect changes to the total equity occurring between January 1, 2012 and the transaction date, whereas the total acquisition price shall not exceed Bt. 70 million; and
3. 14,799,997 shares of ACS Servicing (Thailand) Co., Ltd. (“ACSS”), representing 99.99998%, at the acquisition price equal to ACSS book value per share according to the audited financial statement as of December 31, 2011, adjusted with any transactions that reflect changes to the total equity occurring between January 1, 2012 and the transaction date, whereas the total acquisition price shall not exceed Bt. 190 million.

The total transaction value above is not exceeding Bt. 360 million. Combined with the connected transactions over the 6-month period of 2012 in the amount of Bt. 148.20 million, the aggregate transaction value is not more than Bt. 508.20 million, representing 9.90% of the net tangible assets of the Company and its subsidiaries.

The transaction described above falls into the category as regulated by the SEC as follows:

1. The transaction is deemed as an asset acquisition or disposal transaction according to the SET Notification regarding Disclosure of Information and Other Acts of Listed Companies Concerning the Acquisition or Disposition of Assets B.E. 2547 (2004) (“the Acquisition or Disposal Notification”). The transaction size under the net profit method is not higher than 35.44%, which is more than 15% but less than 50%, hence classified as a Class 2 transaction as prescribed in the Acquisition or Disposal Notification. The Company is thus required to notify the SET and send a circular letter to the shareholders within 21 days from the date of the notification to the SET.
2. The transaction is deemed as a connected transaction according to the Notification of the Capital Market Supervisory Board No. ThorChor. 21/2551 Re: Rules for Connected Transactions and the Notification of the SET Re: Disclosure of Information and Other Acts of Listed Companies Concerning the Connected Transactions B.E. 2546 (2003) and its amendment (“the Connected Transaction Notification”) since the Seller is a major shareholder owning 19.20% of the Company’s total shares. The Company and the Seller

also have a mutual shareholder, i.e. AEON Credit Services Co., Ltd. (“ACSCS”) which holds a stake of 35.12% in the Company and 48.99% in the Seller. Moreover, AEON Holdings (Thailand) Co., Ltd. (“AHT”), a connected party to the Seller (which owns 49.00% of AHT’s total capital), is a shareholder of the Company with 8.80% shareholding. The total acquisition price for shares in the three companies is not exceeding Bt. 360 million. Combined with the connected transactions over the 6-month period of 2012, the aggregate transaction value is not more than Bt. 508.20 million, representing not more than 9.90% of the net tangible assets of the Company and its subsidiaries (the net tangible assets of the Company and its subsidiaries according to the consolidated statement of financial position as of May 20, 2012 were Bt. 5,132.63 million), which exceeds Bt. 20 million or 3% of the net tangible assets of the Company and its subsidiaries. Therefore, the Company is required to obtain approval for such transaction from the shareholders’ meeting with a vote of not less than three-fourths of total votes of the shareholders attending the meeting and having the right to vote, excluding the shareholders having a conflict of interest.

Advisory Plus Co., Ltd., as the independent financial advisor to the shareholders, has considered the relevant information and documents of the Company, ACSB, ACSL and ACSS, the draft Terms Sheet and Conditions of the transaction, the nature and scope of interest of the connected parties, reasonableness of the transaction, and appropriateness of the acquisition price of the three companies. The Company and the Seller mutually agree to the acquisition price per share for this transaction set at equal to the book value per share according to the audited financial statement as of December 31, 2011, adjusted with any transactions that reflect changes to the total equity occurring between January 1, 2012 and the transaction date.

We are of the opinion that the Company’s acquisition of the entire shares in ACSB, ACSL and ACSS held by the Seller is reasonable and beneficial to the Company as this transaction will help to increase the net profit of the Company and its subsidiaries. Compared with the Company’s consolidated financial statement ended February 20, 2012 and the financial statements of ACSB, ACSL and ACSS for the year ended December 31, 2011, the Company’s consolidated net profit will surge by Bt. 78.77 million. Besides, the transaction will enable an expansion of the scope of business operation and diversity of services to the Company’s customers. The Company can use its existing customer database for additionally delivering life and non-life insurance brokerage services and debt collection services in order to fully serve its customers’ needs, thereby benefiting the Company and its shareholders in terms of profit growth in the future. Moreover, after the three companies become AEONTS’s subsidiaries, the transactions deemed as connected transactions will be reduced.

In our view, the share valuation by the market comparable approach is not suitable because none of the SET-listed entities are comparable to ACSB, ACSL and ACSS in terms of the type of business and revenue structure. As for the discounted cash flow approach, the shares are valued based on an estimation of the three companies’ future performance, whereas the business operation of the three companies will almost entirely rely on AEONTS’s client base. As such, it is not appropriate to value the acquired shares in the three companies by incorporating their projected future performance, which must be reliant on the Company’s capability, into the selling price at which to sell for the Company.

We deem it appropriate and reasonable to determine the acquisition price for the shares of ACSB, ACSL and ACSS by basing upon the three companies' book value derived from their audited financial statements as of December 31, 2011, adjusted with any transactions that reflect changes to the total equity occurring between January 1, 2012 and the transaction date. This is because such price determination is based on the shareholders' equity appearing in the financial statements that reflect past operations without taking into account future operating performance. The determination of total acquisition price of the three companies at not exceeding Bt. 360 million is also deemed reasonable when compared with the total shareholders' equity derived from their unaudited/unreviewed internal financial statements as of May 31, 2012, which was Bt. 298.27 million and which, by aggregating with the amount up to the transaction date and given there is no incident causing an unusual increase in the three companies' working results, will be about the same as the estimated transaction value of not higher than Bt. 360 million.

We therefore recommend that **the shareholders approve** the asset acquisition and connected transaction proposed herein. Nonetheless, the decision whether to approve or reject the said transaction primarily rests at the shareholders' discretion.



## 1. Nature and details of the transaction

The Company intends to acquire issued and paid-up ordinary shares of three related companies held by ACS Capital Corporation Limited (“the Seller”) as follows:

1. 5,999,997 shares of ACS Insurance Broker (Thailand) Co., Ltd. (“ACSB”), representing 99.99995%: ACSB provides non-life insurance brokerage service via telemarketing and face-to-face sales. It also offers consultancy and advisory services on insurance policies as well as claim services to corporate clients. At present, ACSB has a registered and paid-up capital of Bt. 60,000,000, divided into 6,000,000 shares at par value of Bt. 10 per share. The acquisition price shall equal ACSB book value per share according to the audited financial statement as of December 31, 2011, adjusted with any transactions that reflect changes to the total equity of ACSB occurring between January 1, 2012 and the transaction date, whereas the total acquisition price shall not exceed Bt. 100 million.
2. 3,999,997 shares of ACS Life Insurance Broker (Thailand) Co., Ltd. (“ACSL”), representing 99.99993%: ACSL provides life insurance brokerage service via telemarketing and face-to-face sales. It also offers consultancy and advisory services on life insurance policies as well as claim services to corporate clients. At present, ACSL has a registered and paid-up capital of Bt. 40,000,000, divided into 4,000,000 shares at par value of Bt. 10 per share. The acquisition price shall equal ACSL book value per share according to the audited financial statement as of December 31, 2011, adjusted with any transactions that reflect changes to the total equity of ACSL occurring between January 1, 2012 and the transaction date, whereas the total acquisition price shall not exceed Bt. 70 million.
3. 14,799,997 shares of ACS Servicing (Thailand) Co., Ltd. (“ACSS”), representing 99.99998%: ACSS provides fully integrated debt management services for all businesses including debt collection service for the Company and other companies in various industries such as banks, financial institutions, hire purchase businesses, etc. Currently, ACSS has a registered and paid-up capital of Bt. 148,000,000, divided into 14,800,000 shares at par value of Bt. 10 per share. The acquisition price shall equal ACSS book value per share according to the audited financial statement as of December 31, 2011, adjusted with any transactions that reflect changes to the total equity of ACSS occurring between January 1, 2012 and the transaction date, whereas the total acquisition price shall not exceed Bt. 190 million.

Therefore, the total value of share acquisition from the three related companies shall not exceed Baht 360 million.

### 1.1 Type and size of the acquisition transaction and the connected transaction

#### 1.1.1 *Size of the transaction – Acquisition of assets*

The calculation of the transaction size pursuant to the Acquisition or Disposal Notification and based on the Company’s consolidated financial statement as of May 20, 2012 and the financial statements of the three related companies as of December 31, 2011 is shown below:

(Unit : Bt. million)

	AEONTS <sup>1/</sup>	ACSB <sup>2/</sup>	ACSL <sup>2/</sup>	ACSS <sup>2/</sup>
Total assets	45,433.85	166.82	109.41	217.04
Less Intangible assets	(739.51)	(8.39)	(2.64)	(88.16)
Deferred income tax	(541.06)			
Total liabilities	(39,020.56)	(104.03)	(66.74)	(63.17)
Non-controlling interest	(0.09)			
Net tangible assets (NTA)	5,132.63	54.40	40.03	65.71
Net profit attributable to owners of AEONTS (latest 4 quarters)	222.25	-	-	-
Net profit	-	27.61	21.85	29.31

Note: 1/ Reviewed consolidated financial statement of AEONTS for a three-month period ended May 20, 2012

2/ Audited financial statement of each related company for the year ended December 31, 2011

The calculation according to the Acquisition or Disposal Notification and based on the Company's consolidated financial statement as of May 20, 2012 and the financial statement of each related company as of December 31, 2011, using four methods is as follows:

	ACSB <sup>2/</sup>	ACSL <sup>2/</sup>	ACSS <sup>2/</sup>	Total
Proportion of shares acquired	99.9995%	99.9993%	99.9998%	
Acquisition value – at maximum (Bt. million)	100.00	70.00	190.00	360.00
NTA method	1.06%	0.78%	1.28%	3.12%
Net profit method	12.42%	9.83%	13.19%	35.44%
Value of consideration paid method	0.22%	0.15%	0.42%	0.79%
Value of issued securities method	- No issue of new shares -			

The transaction is considered the acquisition of assets in accordance with the Notification of the Capital Market Supervisory Board No. ThorChor. 20/2551 Re: Rules on Entering into Material Transactions Deemed as Acquisition or Disposal of Assets and the Notification of the SET Re: Disclosure of Information and Other Acts of Listed Companies Concerning the Acquisition or Disposition of Assets B.E. 2547 (2004) (“the Acquisition or Disposal Notification”). The transaction size based on the net profit method is 35.44%, which is more than 15% but less than 50% of total net assets of the Company and its subsidiaries, hence classified as a Class 2 transaction as prescribed in the Acquisition or Disposal

Notification. Therefore, the Company is required to notify the SET and send a circular letter to the shareholders within 21 days from the date of the notification to the SET.

#### 1.1.2 Size of the transaction – Connected transaction

The calculation of the transaction according to the Connected Transaction Notification and based on the consolidated financial statement of the Company as of May 20, 2012 and the financial statements of the three related companies as of December 31, 2011 is shown below:

	ACSB	ACSL	ACSS	Total
Size of the transaction – Not more than 3% of the NTA of AEONTS				153.98
Acquisition value, at maximum (Bt. Million)	100.00	70.00	190.00	360.00
Size of the connected transaction as % of NTA	*1.95	*1.36	*3.70	*7.01

Note: \* % of NTA of AEONTS which amounted to Bt. 5,132.63 million (data from the reviewed consolidated financial statement of AEONTS as of May 20, 2012)

In addition, the meeting of the Company's Board of Directors No. 1/2012 held on February 17, 2012 resolved for the Company to enter into the connected transaction as summarized below:

Connected party	Description	Value (Bt. million)
1. The Seller, ACSB, ACSL and ACSS	AEONTS receives management fee income.	43.20
2. AEON Credit Technology Systems (Philippines) Inc.	AEONTS entered into outsource service agreement to develop and maintain the credit card system.	26.00
3. AEON Credit Service Co., Ltd.	AEONTS entered into an overseas technical assistance agreement and pays a consultant fee.	42.00
4. AEON Credit Service Co., Ltd.	AEONTS sold 550 shares in ACS Credit Management Co., Ltd. (ACMC) at Yen 153,083 per share, amounting to Bt. 37 million.	37.00
<b>Total</b>		<b>148.20</b>
<b>Size of the connected transaction as % of NTA of AEONTS</b>		<b>2.89</b>

The above transaction is regarded as a connected transaction according to the Notification of the Capital Market Supervisory Board No. ThorChor. 21/2551 Re: Rules for Connected Transactions and the Notification of the SET Re: Disclosure of Information and Other Acts of Listed Companies Concerning the Connected Transactions B.E. 2546 (2003) and its amendment ("the Connected Transaction

Notification”) since the Company and the related companies have a mutual major shareholder, i.e. ASC Capital Corporation Ltd. The transaction size is not over Bt. 360 million, representing 7.01% of the net tangible assets of the Company and its subsidiaries. Combined with the connected transactions over the 6-month period of 2012 in the amount of Bt. 148.20 million, the aggregate transaction value is not more than Bt. 508.20 million, representing 9.90% of the net tangible assets of the Company and its subsidiaries, which exceeds Bt. 20 million or 3% of the net tangible assets of the Company and its subsidiaries.

### 1.1.3 Conditions precedent

By entering into the said transaction, the Company is required to prepare and disclose a report on the transaction to the SET and to seek approval from the shareholders’ meeting subject to a vote of at least three-fourths of the total votes of the shareholders attending the meeting and having the right to vote, excluding the shareholders with a conflict of interest.

## 1.2 Value of consideration

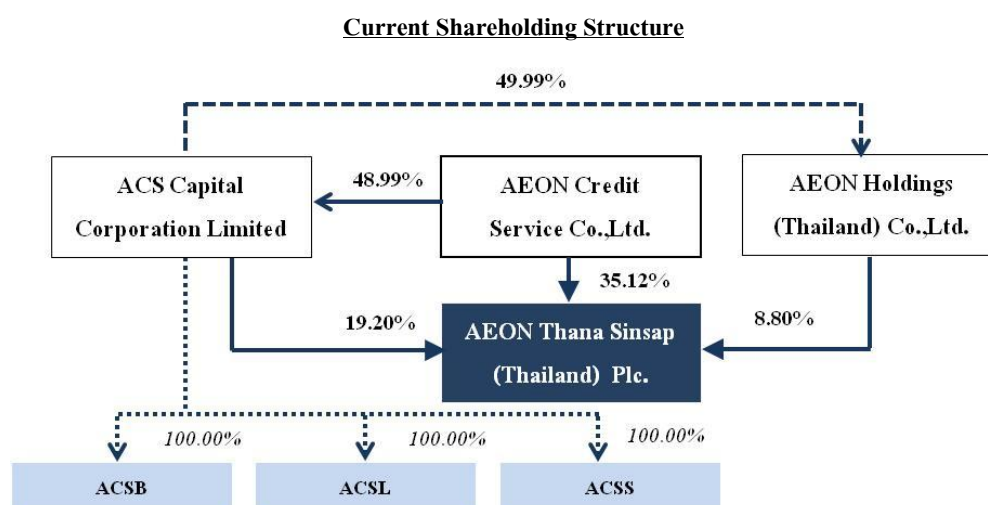
The Company shall make cash payment to the Seller in the amount of not more than Bt. 360 million.

## 1.3 Details of the connected parties

### 1.3.1 *Parties*

Seller	ACS Capital Corporation Limited
Acquirer	AEON Thana Sinsap (Thailand) Plc.
Relationship	ACS Capital Corporation Limited is a shareholder of the Company and the two parties have common directors.

### 1.3.2 *Nature and scope of interest of the connected parties*



- (1) ACS Capital Corporation Co., Ltd. (“the Seller”) which sells shares of ACSB, ACSL and ACSS to the Company is a shareholder of the Company holding 48,000,000 shares, representing 19.20% of the Company’s issued and paid-up shares.
- (2) AEON Credit Service Co., Ltd. (“ACS”)
  - A shareholder of the Company holding 87,800,000 shares, representing 35.12% of the Company’s issued and paid-up shares; and
  - A shareholder of the Seller holding 2,944,000 shares, representing 48.99% of the Seller’s issued and paid-up shares.
- (3) AEON Holdings (Thailand) Co., Ltd. (“AHT”)
  - A shareholder of the Company holding 22,000,000 shares, representing 8.80% of the Company’s issued and paid-up shares; and
  - Having a common shareholder with the Company, i.e. the Seller, which holds 4,999 shares in AHT, representing 49.99% of AHT’s issued and paid-up shares.

The above three companies are considered as persons with a conflict of interest and, thus, not entitled to cast vote on this transaction.

- (4) Persons who are common directors of AEONTS and the related companies

Common directors of AEONTS and related companies and their shareholding are as follows:

Related company	Common directors	Shareholding in related company	Shareholding in AEONTS
ACS Capital Corporation Limited	1. Mr. Yasuhiko Kondo	3 shares (0.00005%)	100,000 shares (0.04%)
	2. Ms. Kannika Kursirikul	-	50,000 shares (0.02%)
	3. Mr. Jun Suzuki	-	-
AEON Credit Service Co., Ltd.	1. Mr. Kazuhide Kamitani	15,245 shares(0.0105%)	500,000 shares (0.20%)
	2. Mr. Yasuhiko Kondo	10,452 shares(0.0072%)	100,000 shares (0.04%)
AEON Holdings (Thailand) Co., Ltd.	1. Mr. Noppun Muangkote	26 shares (0.26%)	130,000 shares (0.05%)
ACSB	1. Mr. Yasuhiko Kondo	1 share (0.0001%)	100,000 shares (0.04%)
	2. Ms. Suporn Wattanavekin	1 share (0.0001%)	200,000 shares (0.08%)
ACSL	1. Mr. Yasuhiko Kondo	1 share (0.0001%)	100,000 shares (0.04%)
	2. Ms. Suporn Wattanavekin	1 share (0.0001%)	200,000 shares (0.08%)
ACSS	1. Mr. Yasuhiko Kondo	1 share (0.00002%)	100,000 shares (0.04%)
	2. Mr. Shiro Ishida	-	12,000 shares (0.0048%)

The above persons are considered as persons with a conflict of interest and, thus, not entitled to cast vote on this transaction

- (5) Persons who are shareholders of the Company and considered as connected person.

Name	Relationship	Shareholding in AEONTS
Mr. Masao Mizuno	Director of Aeon Credit Service	1,485,000 shares(0.59%)

Name	Relationship	Shareholding in AEONTS
	Co.,Ltd., a shareholder of the Company	
Mr. Motoya Okada	Director of Aeon Co.,Ltd., indirect shareholder of the Company	1,500,000 shares(0.60%)
Mr. Tayuka Okada	Founder of Aeon Co.,Ltd.	1,000,000 shares(0.40%)
Mr. Yoshiki Mori	Director and Management of Aeon Credit Service Co.,Ltd., a shareholder of the Company	1,402,600 shares(0.56%)

The above persons are considered as persons with a conflict of interest and, thus, not entitled to cast vote on this transaction.

## 2. Details of the assets being acquired

### 2.1 ACS Insurance Broker (Thailand) Co., Ltd. ("ACSB")

#### 2.1.1 *Background and business overview*

ACS Insurance Broker (Thailand) Co., Ltd. ("ACSB") was registered as a limited company on January 26, 2005 to provide non-life insurance brokerage service via telemarketing and face-to-face sales and to offer consultancy and advisory services on insurance policies including claim services to corporate clients. ACSB commenced its operation on May 16, 2005.

It is headquartered at No. 159/22 Sermmitr Tower Building, 14th Floor, Sukhumvit 21 (Asok) Road, Khlong Toei Nua, Watthana, Bangkok.

The Registration No. is 0105548012265 (formerly 0107554802436).

#### 2.1.2 *Capital structure (as of June 25, 2012)*

##### (1) Issued and paid-up share capital

Paid-up registered capital of Bt. 60 million, divided into 6,000,000 ordinary shares at par value of Bt. 10 per share.

##### (2) Major shareholder

ACS Capital Corporation Ltd. owning a stake of 99.99995%.

#### 2.1.3 *Board of Directors*

The Board of Directors of ACSB as of June 28, 2012 consisted of:

No.	Name	Position
1	Mr. Yasuhiko Kondo	Director
2	Ms. Suporn Wattanavekin	Director
3	Mr. Sakarabhop Theewarakorn	Director
4	Ms. Kasama Akkhasethang	Director

#### 2.1.4 *Operating results and financial position of ACSB during 2009-2011*

##### **Statements of income**

	2009		2010		2011	
	Bt. Million	%	Bt. Million	%	Bt. Million	%
<b>Revenues</b>						
Commission income	64.97	69.41	70.96	71.25	91.16	72.50
Other income	28.63	30.59	28.63	28.75	34.58	27.50
<b>Total Revenues</b>	93.60	100.00	99.59	100.00	125.73	100.00

	2009		2010		2011	
	Bt. Million	%	Bt. Million	%	Bt. Million	%
<b>Expenses</b>						
Cost of services	<sup>1/</sup> 46.90	50.11	47.21	47.41	58.17	46.27
Selling and administrative expenses	<sup>1/</sup> 21.19	22.64	23.89	23.98	27.95	22.23
<b>Total Expenses</b>	68.09	72.75	71.10	71.39	86.12	68.50
Profit before income tax expenses	25.51	27.26	28.49	28.61	39.61	31.51
Income tax expenses	7.19	7.68	8.32	8.36	12.00	9.54
<b>Net Profit</b>	<b>18.33</b>	<b>19.58</b>	<b>20.17</b>	<b>20.25</b>	<b>27.61</b>	<b>21.97</b>

Note: The financial statements for 2009-2011 were audited by Mr. Niti Jungnitnirunda of Deloitte Touche Tohmatsu Jaiyos Audit Co., Ltd.

1/ Being re-classified according to the 2011 financial statement for comparative and analytical purpose.

#### **Statements of financial position**

	2009		2010		2011	
	Bt. Million	%	Bt. Million	%	Bt. Million	%
<b>Assets</b>						
<b>Current assets</b>						
Cash and cash equivalents	58.00	35.52	77.84	46.93	71.69	42.97
Trade accounts receivable and other receivables	<sup>1/</sup> 101.27	62.02	76.49	46.11	81.36	48.77
Other current assets	<sup>1/</sup> -	-	0.00	-	0.36	0.22
<b>Total current assets</b>	159.27	97.54	154.33	93.04	153.41	91.96
<b>Non-current assets</b>						
Fixed deposits at bank	1.00	0.61	1.50	0.91	1.50	0.90
Equipment – net	2.02	1.24	1.81	1.09	3.52	2.11
Intangible assets – net	0.98	0.61	8.23	4.96	8.39	5.03
<b>Total non-current assets</b>	4.00	2.46	11.54	6.96	13.41	8.04
<b>Total assets</b>	<b>163.27</b>	<b>100.00</b>	<b>165.87</b>	<b>100.00</b>	<b>166.82</b>	<b>100.00</b>
<b>Liabilities and shareholders' equity</b>						
<b>Current liabilities</b>						
Trade accounts payable and other payables	<sup>1/</sup> 110.47	67.65	88.97	53.64	95.76	57.41
Accrued income tax	2.58	1.58	3.10	1.87	4.83	2.90



	2009		2010		2011	
	Bt. Million	%	Bt. Million	%	Bt. Million	%
Other current liabilities	<sup>1/</sup> 1.22	0.75	4.64	2.79	3.44	2.06
<b>Total current liabilities</b>	114.26	69.98	96.70	58.30	104.03	62.37
<b>Total liabilities</b>	<b>114.26</b>	<b>69.98</b>	<b>96.70</b>	<b>58.30</b>	<b>104.03</b>	<b>62.37</b>
<b>Shareholders' equity</b>						
Share capital						
Authorized share capital						
1,000,000 ordinary shares at par value of Bt. 10 each	10.00	-	10.00	-	10.00	-
Paid-up share capital	-	-	-	-	-	-
1,000,000 ordinary shares	-	-	-	-	-	-
Paid-up at Bt. 4 each	4.00	2.45	4.00	2.41	4.00	2.40
1,000,000 ordinary shares	-	-	-	-	-	-
Paid-up at Bt. 6 each (fully paid)	-	-	-	-	6.00	3.60
Retained earnings						
Appropriated	-	-	-	-	-	-
Legal reserve	-	-	-	-	1.00	0.60
Unappropriated	45.01	27.57	65.17	39.29	51.78	31.04
<b>Total shareholders' equity</b>	<b>49.01</b>	<b>30.02</b>	<b>69.17</b>	<b>41.70</b>	<b>62.78</b>	<b>37.63</b>
<b>Total liabilities and shareholders' equity</b>	<b>163.27</b>	<b>100.00</b>	<b>165.87</b>	<b>100.00</b>	<b>166.82</b>	<b>100.00</b>

Note: The financial statements for 2009-2011 were audited by Mr. Niti Jungnitnirunda of Deloitte Touche Tohmatsu Jaiyos Audit Co., Ltd.

1/ Being re-classified according to the 2011 financial statement for comparative and analytical purpose.

#### **Key financial ratios**

<b>Financial ratios</b>		<b>2009</b>	<b>2010</b>	<b>2011</b>
Current ratio	time	1.39	1.60	1.47
Quick ratio	time	1.39	1.60	1.47
Trade accounts receivable turnover	time	6.82	8.05	8.18
Average debt collection period	day	53	45	44
Trade accounts payable turnover	time	6.61	6.50	5.29
Debt repayment period	day	54	55	68

<b>Financial ratios</b>		<b>2009</b>	<b>2010</b>	<b>2011</b>
Gross profit margin	%	27.82	33.46	36.18
Operating profit margin	%	27.26	28.61	31.51
Net profit margin	%	19.58	20.25	21.96
Return on equity	%	45.99	34.13	41.85
Return on assets	%	11.71	12.25	16.60
Return on fixed assets	%	441.92	331.48	280.01
Asset turnover	time	0.60	0.61	0.76
Debt to equity	time	2.33	1.40	1.66
Dividend payout	%	-	-	144.85
Basic earnings per share	Bt.	18.33	20.17	27.61

***Analysis of operating results and financial position***

**Operating results in 2009-2011**

Total revenues of ACSB in 2009-2011 amounted to Bt. 93.60 million, Bt. 99.59 million and Bt. 125.73 million respectively, up by Bt. 5.98 million or 6.39% in 2010 and Bt. 26.14 million or 26.25% in 2011. The total revenues were mainly from brokerage service, making up 69.41 – 72.50% of total revenues, while the remainder was service income.

Growth of brokerage income in 2010 of Bt. 5.98 million was attributed to the increase of brokerage income from miscellaneous insurance of 133.02% or Bt. 10.18 million resulting from change of agreement conditions of an insurance company. However, brokerage income from personal accident insurance dropped by Bt. 5.55 million or 21.47% as an insurance company ceased to offer this type of insurance to new clients and accepted only insurance renewal of the existing clients. In 2011, such income rose by Bt. 20.20 million due mostly to the offering of new personal accident insurance products by an insurance company in addition to the existing dental insurance, cancer insurance and hospital benefit insurance.

Other income which derived from marketing support service increased by Bt. 2.03 million in 2010 from miscellaneous insurance. Nevertheless, other income dropped by Bt. 1.11 million as ACSB cancelled the agreement with an insurance company and entered into agreement with another company, income from which remained lower than that from the former client. In 2011, other income moved up by Bt. 5.95 million due mainly to income from marketing support service to an insurance company which additionally offered personal accident insurance product.

During 2009-2011, ACSB recorded total expenses in the amount of Bt. 68.09 million, Bt. 71.10 million and Bt. 86.12 million, up by Bt. 3.01 million or 4.42% in 2010 and Bt. 15.02 million or 21.13% in 2011. The total expenses mostly included cost of services and selling and administrative expenses.

Cost of services moved up slightly by Bt. 0.31 million in 2010 and sharply by Bt. 10.96 million or 23.22% in 2011 due to an increase of advertising expenses of Bt. 1.48 million from ACSB's placement of pamphlet advertising jointly with the Company and expansion of advertising size and time as well as radio advertising. Meanwhile, incentives and wages for temporary staff rose by Bt. 8.04 million from sales stimulation through telemarketing for an insurance company.

Selling and administrative expenses increased by Bt. 2.70 million in 2010 due to a rise in personnel expenses of Bt. 1.43 million and consultant fees of Bt. 0.7 million. The increase of Bt. 4.06 million in 2011 came from rising personnel expenses and office rental for branch expansion at MaxValu and depreciation of recording and telephone equipment. Other office expenses and computer expenses also rose from an increase of such equipment.

During 2009-2011, ACSB posted a net profit of Bt. 18.33 million, Bt. 20.17 million and Bt. 27.61 million respectively, representing 19.58%, 20.25% and 21.97% respectively.

#### **Financial position as of December 31, 2009-2011**

As of the end of 2009-2011, ACSB had total assets of Bt. 163.27 million, Bt. 165.87 million and Bt. 166.82 million respectively, growing Bt. 2.60 million in 2010 and Bt. 0.95 million in 2011. Most of the total assets were cash and cash equivalents, trade accounts receivable and other receivables, representing 97.54%, 93.04% and 91.96% of total assets respectively.

Growth of assets in 2010 was mainly attributable to an increase of non-current assets in the amount of Bt. 8.49 million from expansion of telephone numbers, purchase of telephone sets, accessories and receipt printers, as well as investment in software development. In 2011, the asset growth resulted from an increase of non-current assets in the amount of Bt. 3.14 million from purchase of recording machines, recording program, website development and office decoration. However, trade accounts receivable and other receivables decreased by Bt. 21.41 million in 2010 and Bt. 4.87 million in 2011 as insurance companies had a policy requiring ACSB to accelerate the remittance of collected premiums, and the Seller which was a debtor of ACSB from its purchase of car insurance had speeded up its debt repayment.

During 2009-2011, total liabilities stood at Bt. 114.26 million, Bt. 96.70 million and Bt. 104.03 million respectively, up (down) by Bt. (17.56) million in 2010 and Bt. 7.33 million in 2011. The total liabilities mostly came from trade accounts payable and other account payables which amounted to Bt. 110.19 million, Bt. 88.97 million and Bt. 95.76 million, representing 67.65%, 53.64%, 57.41% respectively.

Decrease of liabilities in 2010 resulted from reduction of insurance premiums payable of Bt. 23.64 million caused by change of payment term to a shorter period. In 2011, the rise in liabilities was due to an increase in other payables of Bt. 8.35 million, which came mostly from accrued expenses on office decoration and advertising payables. ACSB required the creditor to submit the invoice before the end of the year to enable the use of yearly budget for advertising.

As of the end of 2009-2011, ACSB recorded shareholders' equity of Bt. 49.01 million, Bt. 69.17 million and Bt. 62.78 million, up (down) by Bt. 20.16 million in 2010 and Bt. (6.39) million in 2011. The increase in equity as of December 31, 2010 resulted from operating profit for the year, while the decrease in equity at the end of 2011 was caused by the dividend payment in the amount of Bt. 40 million announced to be paid on December 23, 2011.

#### **Events after the financial statement**

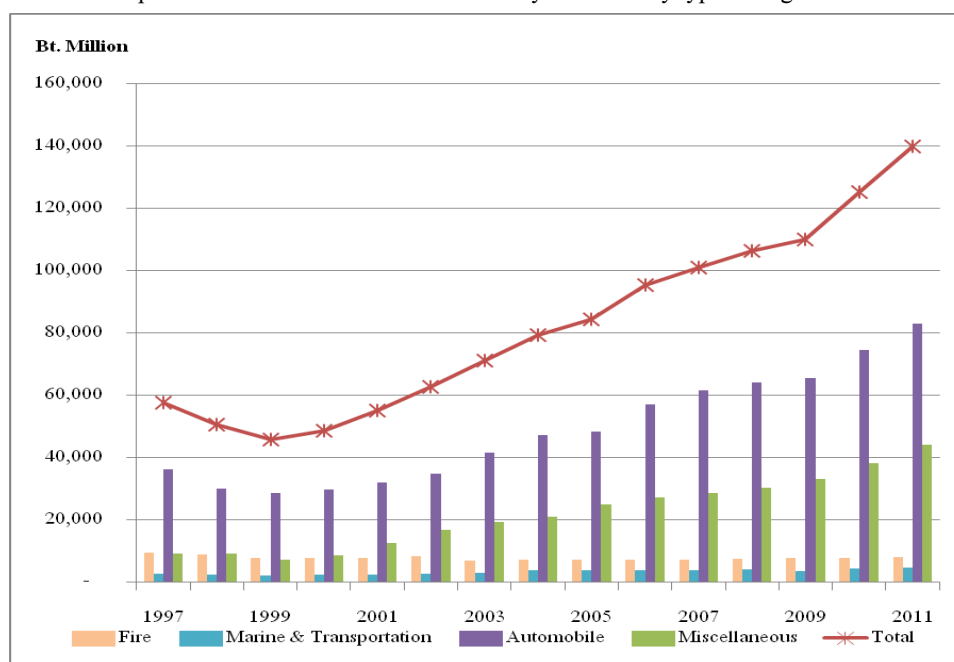
After closing the financial statement of ACSB as of December 31, 2011, there are the important events after closing the financial statement as follows:

1. ACSB has resolved to pay dividend to shareholders amounted Bt. 50 million as the resolution of the Board of Directors Meeting No. 1/2012 on April 20, 2012 and the Annual General Meeting of the Shareholders for the year 2012 on April 30, 2012.
2. ACSB has resolved to increase the registered share capital from the existing registered share capital of Bt. 10 million divided into 1 million shares at the par value of Bt. 10 per share to be new registered share capital of Bt. 60 million divided into 6 million shares at the par value of Bt. 10 per share. The newly issued shares were offered to existing shareholders whose names were recorded in the shareholder register book as of May 3, 2012 in proportion to their current shareholding. However, the shareholders namely Mr. Yasuhiko Kondo, Mrs. Suporn Wattanavekin and Mr. Sakarabhop Dhivarakara did not wish to subscribe for the new shares. Whilst ACS Capital Corporation Limited, the major shareholder, subscribed for all of the newly issued ordinary shares as resolution of the Board of Directors Meeting No. 3/2012 on May 15, 2012 and the Extraordinary Shareholders' Meeting No. 1/2012 on June 15, 2012.

### 2.1.5 Industry situation and competition

In 2011, the non-life insurance industry was insignificantly affected by the flood crisis. Direct premiums totaled Bt. 139,835 million, up by 11.87%. The slower growth was in line with the shrinking economic condition in agriculture, industry and tourism sectors caused by the flood crisis in late 2011. The expansion of direct non-life insurance in 2011 was attributed mainly to growth in voluntary car insurance of 12.56% and in miscellaneous insurance, which comprised growth in risk insurance of 18.87%, personal accident insurance of 24.48% and health insurance of 20.88%, compared with 2010.

Direct premiums for non-life insurance industry classified by type during 1997-2011



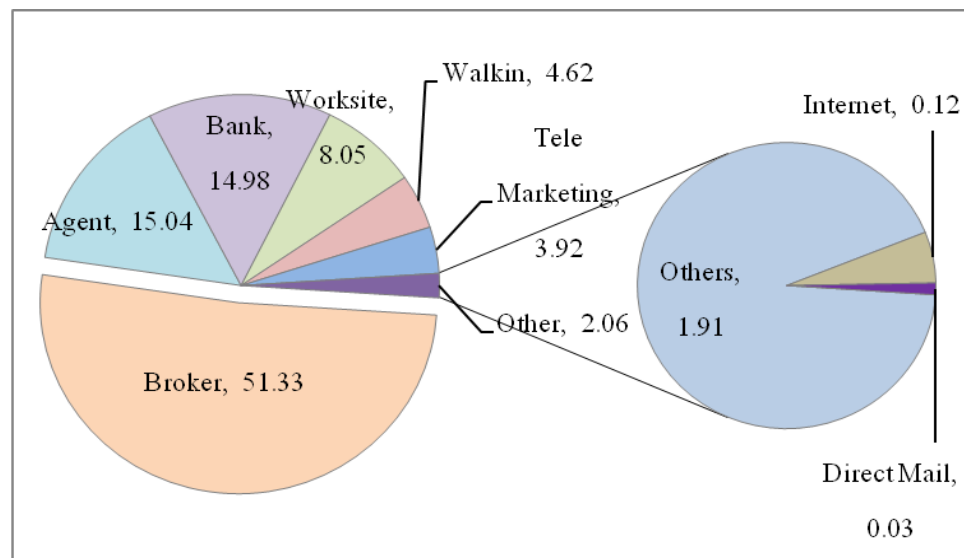
Source: [www.oic.or.th](http://www.oic.or.th)

At the end of 2011, the number of non-life insurance policies totaled 41,978,569, growing by 11.62% and representing 64.19% against the number of population. The expansion of non-life insurance compared to the previous year came mostly from growth in fire insurance of 46.46%, miscellaneous insurance i.e. personal accident insurance, growing by 25.11%, and health insurance, up by 65.18%.

According to the statistics, the non-life insurance industry continued to expand strongly in 2011. The Office of Insurance Commission (“OIC”) took proactive measures to strengthen non-life insurance system in Thailand and enhance non-life insurance knowledge among the public. Non-life insurance programs were initiated to enable access by people across the country with improvement of distribution channels, provision of fully-integrated services and development of non-life insurance products to meet the demand and purchasing power of the people.

The statistical report of January-February 2012 indicated that the top three distribution channels for direct premiums were brokers, banks and agents. Brokers had more advantages than other channels as they can compare the offers and conditions of various leading insurance companies and then select a reasonably-priced program for the clients. They also can give professional advice and recommendation on appropriate non-life insurance and process the policy issuance and contract examination, thus enhancing convenience for the clients to select non-life insurance that could best match their purchasing power and requirements.

Direct premiums for non-life insurance industry classified by distribution channels  
in Jan.-Feb. 2012



Source: [www.oic.or.th](http://www.oic.or.th)

Non-life insurance industry in 2012 is projected to grow continuously as the flood crisis in 2011 has boosted demand for non-life insurance, especially flood insurance among the people who earlier paid much more attention to fire insurance. However, significant growth will be seen in car insurance in line with the increasing car volume. The Cabinet's approval of first-car tax refund, taking effect from October 1, 2011 to December 31, 2012, will also help to drive growth of automobile industry. Car sales in 2012 are expected to increase by 500,000 units. By the end of 2012, approximately 2 million cars will be delivered.

## 2.2 ACS Life Insurance Broker (Thailand) Co., Ltd. (“ACSL”)

### 2.2.1 Background and business overview

ACS Life Insurance Broker (Thailand) Co., Ltd. (“ACSL”) was registered as a limited company on October 11, 2006 to provide life insurance brokerage service via telemarketing and face-to-face sales and to offer consultancy and advisory services on life insurance policies including claim services to corporate clients. ACSL started its operation on December 12, 2006.

It is headquartered at No. 159/22 Sermmitr Tower Building, 14th Floor, Sukhumvit 21 (Asok) Road, Khlong Toei Nua, Watthana, Bangkok.

The Registration No. is 0105549121696.

### 2.2.2 Capital structure (as of June 25, 2012)

#### (a) Issued and paid-up share capital

Paid-up registered capital of Bt. 40 million, divided into 4 million ordinary shares at par value of Bt. 10 per share.

#### (b) Major shareholder

ACS Capital Corporation Ltd. owning a stake of 99.99993%.

### 2.2.3 Board of Directors

The Board of Directors of ACSL as of June 28, 2012 is listed below:

No.	Name	Position
1	Mr. Yasuhiko Kondo	Director
2	Ms. Suporn Wattanavekin	Director
3	Mr. Sakarabhop Theewarakorn	Director
4	Ms. Kasama Akkhasetthang	Director

### 2.2.4 Operating results and financial position of ACSL during 2009-2011

#### Statements of income

	2009		2010		2011	
	Bt. Million	%	Bt. Million	%	Bt. Million	%
<b>Revenues</b>						
Brokerage income	36.72	66.98	41.95	66.60	57.02	80.35
Other income	18.10	33.02	21.03	33.40	13.94	19.65
<b>Total revenues</b>	<b>54.82</b>	<b>100.00</b>	<b>62.98</b>	<b>100.00</b>	<b>70.97</b>	<b>100.00</b>

	2009		2010		2011	
	Bt. Million	%	Bt. Million	%	Bt. Million	%
<b>Expenses</b>						
Cost of services	<sup>1/</sup> 18.97	34.60	19.13	30.37	15.51	21.86
Selling and administrative expenses	<sup>1/</sup> 14.70	26.82	18.35	29.14	24.05	33.89
<b>Total expenses</b>	<b>33.67</b>	<b>61.42</b>	<b>37.48</b>	<b>59.51</b>	<b>39.56</b>	<b>55.75</b>
Profit before finance cost and income tax	21.15	38.58	25.50	40.49	31.41	44.25
Income tax	5.82	10.62	7.42	11.79	9.56	13.46
<b>Net profit</b>	<b>15.33</b>	<b>27.96</b>	<b>18.08</b>	<b>28.70</b>	<b>21.85</b>	<b>30.79</b>

Note: The financial statements for 2009-2011 were audited by Mr. Niti Jungnitirunda of Deloitte Touche Tohmatsu Jaiyos Audit Co., Ltd.

1/ Being re-classified according to the 2011 financial statement for comparative and analytical purpose.

#### Statements of financial position

	2009		2010		2011	
	Bt. Million	%	Bt. Million	%	Bt. Million	%
<b>Assets</b>						
<b>Current assets</b>						
Cash and cash equivalents	36.61	42.47	51.26	48.50	47.33	43.26
Trade accounts receivable and other receivables	<sup>1/</sup> 46.97	54.48	51.77	48.98	55.78	50.99
Other current assets	<sup>1/</sup> -	-	0.08	0.08	0.68	0.62
<b>Total current assets</b>	<b>83.58</b>	<b>96.95</b>	<b>103.11</b>	<b>97.56</b>	<b>103.79</b>	<b>94.87</b>
<b>Non-current assets</b>						
Fixed deposit at bank	1.00	1.16	1.00	0.95	1.00	0.91
Equipment – net	0.81	0.94	0.63	0.60	1.98	1.81
Intangible assets - net	0.82	0.95	0.94	0.89	2.64	2.41
<b>Total non-current assets</b>	<b>2.63</b>	<b>3.05</b>	<b>2.57</b>	<b>2.44</b>	<b>5.62</b>	<b>5.13</b>
<b>Total assets</b>	<b>86.21</b>	<b>100.00</b>	<b>105.68</b>	<b>100.00</b>	<b>109.41</b>	<b>100.00</b>
<b>Liabilities and shareholders' equity</b>						
<b>Current liabilities</b>						
Trade accounts payable and other payables	<sup>1/</sup> 44.89	52.07	45.73	43.27	62.17	56.82
Accrued income tax	2.57	2.98	3.11	2.94	4.07	3.72
Other current liabilities	1.02	1.18	1.03	0.98	0.50	0.47



	2009		2010		2011	
	Bt. Million	%	Bt. Million	%	Bt. Million	%
<b>Total current liabilities</b>	48.48	56.23	49.87	47.19	66.74	61.01
<b>Total liabilities</b>	<b>48.48</b>	<b>56.23</b>	<b>49.87</b>	<b>47.19</b>	<b>66.74</b>	<b>61.01</b>
<b>Shareholders' equity</b>						
Share capital						
Authorized share capital						
1,000,000 ordinary shares at par value of Bt. 10 each	10.00	-	10.00	-	10.00	-
Issued and paid-up share capital						
1,000,000 ordinary shares						
Paid-up at Bt. 5 each	5.00	5.80	5.00	4.73	5.00	4.57
1,000,000 ordinary shares						
Paid-up at Bt. 5 each (fully paid)	-	-	-	-	5.00	4.57
Retained earnings						
Appropriated	-	-	-	-	-	-
Legal reserve	-	-	-	-	1.00	0.91
Unappropriated	32.73	37.97	50.81	48.08	31.67	28.94
<b>Total shareholders' equity</b>	<b>37.73</b>	<b>43.77</b>	<b>55.81</b>	<b>52.81</b>	<b>42.67</b>	<b>38.99</b>
<b>Total liabilities and shareholders' equity</b>	<b>86.21</b>	<b>100.00</b>	<b>105.68</b>	<b>100.00</b>	<b>109.41</b>	<b>100.00</b>

Note: The financial statements for 2009-2011 were audited by Mr. Niti Jungnitirunda of Deloitte Touche Tohmatsu Jaiyos Audit Co., Ltd.

1/ Being re-classified according to the 2011 financial statement for comparative and analytical purpose.

#### **Key financial ratios**

Financial ratios		2009	2010	2011
Current ratio	time	1.72	2.07	1.56
Quick ratio	time	1.72	2.07	1.54
Trade accounts receivable turnover	time	6.00	5.77	7.38
Average debt collection period	day	60	62	49
Trade accounts payable turnover	time	16.21	9.96	2.87
Debt repayment period	day	22	36	125
Gross profit margin	%	32.38	36.23	58.50
Operating profit margin	%	38.58	40.49	44.26

Financial ratios		2009	2010	2011
Net profit margin	%	27.96	28.70	30.79
Return on equity	%	25.49	19.33	22.19
Return on assets	%	19.22	18.84	20.32
Return on fixed assets	%	567.94	718.60	557.72
Asset turnover	time	0.69	0.66	0.66
Debt to equity	time	1.28	0.89	1.56
Dividend payout	%	-	-	183.05
Basic earnings per share	Bt.	15.33	18.08	21.85

### *Analysis of operating results and financial position*

#### **Operating results in 2009-2011**

Total revenues of ACSL in 2009-2011 amounted to Bt. 54.82 million, Bt. 62.98 million and Bt. 70.97 million respectively, growing by Bt. 8.16 million or 14.89% in 2010 and Bt. 7.99 million or 12.68% in 2011. The total revenues were mainly from revenue from brokerage service which stood at Bt. 36.72 million, Bt. 41.95 million and Bt. 57.02 million during 2009-2011 respectively, while the remainder was other income.

Brokerage income increased by Bt. 5.23 million or 14.23% in 2010 and by Bt. 15.08 million or 35.94% in 2011 mostly from health insurance and accident insurance. ACSL penetrated corporate group market by offering coverage for hospitalization on a case-by-case basis and coverage in case of death caused by illness and accident.

Other income grew by Bt. 2.93 million in 2010, of which Bt. 2.85 million came from issue of insurance policies, advertising and public relations, and marketing support service. In 2011, other income dropped by Bt. 7.09 million due mostly to a decrease of income from marketing support service caused by an insurance company's unuse of this service.

During 2009-2011, ACSL recorded total expenses in the amount of Bt. 33.67 million, Bt. 37.48 million and Bt. 39.56 million, up by Bt. 3.81 million or 11.32% in 2010 and Bt. 2.08 million or 5.55% in 2011. The total expenses mostly were cost of services, amounting to Bt. 18.97 million or 34.60% of total expenses in 2009 and Bt. 19.13 million or 30.37% in 2010. For 2011, most of the expenses were selling and administrative expenses, which stood at Bt. 24.05 million or 33.89%.

Cost of services in 2010 moved up only by Bt. 0.16 million, owing to an increase of expense to stimulate sales by Bt. 2.76 million. Meanwhile, wages for temporary staff dropped by Bt. 1.92 million due to termination of contracts with some insurance companies which relatively lowered manpower demand.

Selling and administrative expenses in 2010 increased by Bt. 3.65 million due to a rise in personnel expenses of Bt. 3.45 million to penetrate corporate group market. In 2011, this item increased by Bt. 5.70 million, resulting from rising personnel expenses of Bt. 3.65 million after recruitment of a new sales team in the middle of 2010. The personnel expenses for this team were fully incurred in 2011, leading to an increase in office expenses of Bt. 1.08 million from a rise in computer expenses and other office expenses.

During 2009-2011, ACSL posted a net profit of Bt. 15.33 million, Bt. 18.08 million and Bt. 21.85 million respectively, representing 27.96%, 28.70% and 30.79% of revenues respectively.

#### **Financial position as of December 31, 2009-2011**

As of the end of 2009-2011, ACSL had total assets of Bt. 86.21 million, Bt. 105.68 million and Bt. 109.41 million respectively, growing by Bt. 19.47 million or 22.58% in 2010 and Bt. 3.73 million or 3.53% in 2011. Most of the total assets were cash and cash equivalents, trade accounts receivable and other receivables, representing 96.95%, 97.48% and 94.25% of total assets respectively.

Growth of assets in 2010 was mainly attributable to an increase in cash and cash equivalents in the amount of Bt. 14.65 million and in trade accounts receivable and other receivables in the amount of Bt. 4.8 million. In 2011, the asset growth resulted from an increase in trade accounts receivable and other receivables of Bt. 4.01 million, driven by an increase in income from an insurance company for which ACSL has helped to stimulate sales since 2010. Moreover, ACSL recorded an increase in fixed assets, i.e. recording back-up machine, computer network and electricity system, office construction at Sermmitr Tower totaling Bt. 1.91 million, and intangible assets, i.e. ACSL website development and recording system totaling Bt. 2.34 million.

During 2009-2011, total liabilities stood at Bt. 48.48 million, Bt. 49.87 million and Bt. 66.74 million respectively, up by Bt. 1.39 million or 2.87% in 2010 and Bt. 16.87 million or 33.82% in 2011. The total liabilities mostly came from trade accounts payable and other payables which represented 52.06%, 43.27%, and 56.82% of total liabilities and shareholders' equity respectively.

The liabilities in 2010 grew slightly from the previous year. In 2011, the increase in total liabilities was due mostly to an increase in trade accounts payable and other payables of Bt. 16.44 million, resulting partly from remittance of a greater amount of insurance premiums, caused by the special growth in income in December, and partly from accrued expenses incurred on the office relocation and decoration.

At the end of 2009-2011, ACSL recorded shareholders' equity of Bt. 37.73 million, Bt. 55.81 million and Bt. 42.67 million respectively, up (down) by Bt. 18.08 million or 47.92% in 2010 and Bt. (13.14) million or (23.54)% in 2011. The increase in equity as of December 31, 2010 came from operating profit for the year, while the decrease at the end of 2011 was caused by the dividend payment in the amount of Bt. 40 million announced to be paid on December 23, 2011.

**Events after the statement of financial position**

After closing the financial statement of ACSL as of December 31, 2011, there are the important events after closing the financial statement as follows:

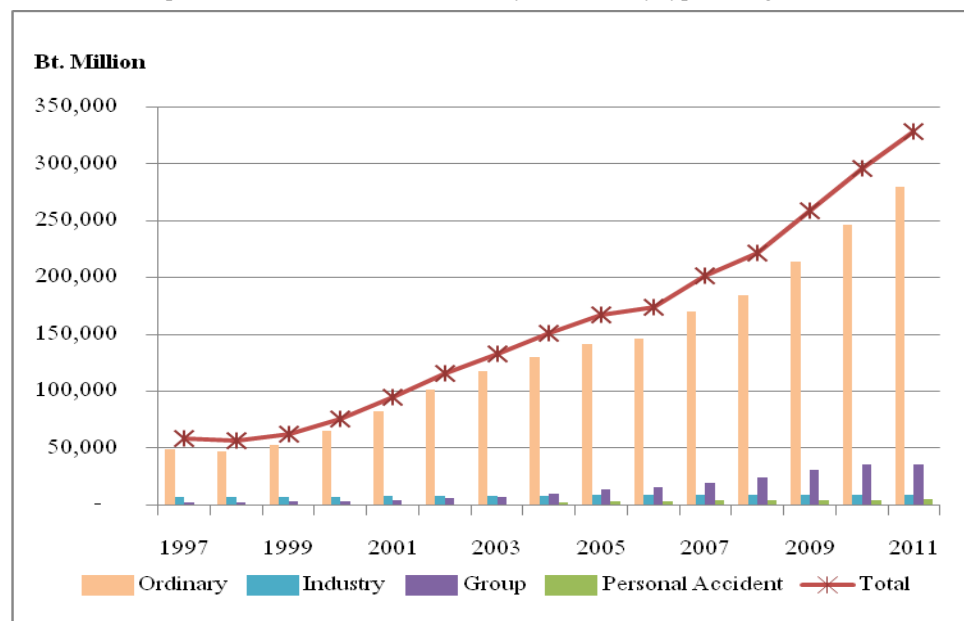
1. ACSL has resolved to pay dividend to shareholders amounted Bt. 30 million as the resolution of the Board of Directors Meeting No. 1/2012 on April 20, 2012 and the Annual General Meeting of the Shareholders for the year 2012 on April 30, 2012.
2. ACSL has resolved to increase the registered share capital from the existing registered share capital of Bt. 10 million divided into 1 million shares at the par value of Bt. 10 per share to be new registered share capital of Bt. 40 million divided into 4 million shares at the par value of Bt. 10 per share. The newly issued shares were offered to existing shareholders whose names were recorded in the shareholder register book as of May 3, 2012 in proportion to their current shareholding. However, the shareholders namely Mr. Yasuhiko Kondo, Mrs. Suporn Wattanavekin and Mr. Sakarabhop Dhivarakara did not wish to subscribe for the new shares. Whilst ACS Capital Corporation Limited, the major shareholder, subscribed for all of the newly issued ordinary shares as resolution of the Board of Directors Meeting No. 3/2012 on May 15, 2012 and the Extraordinary Shareholders' Meeting No. 1/2012 on June 15, 2012.

***2.2.5 Industry situation and competition***

The flood crisis in 2011 had a slight impact on life insurance industry. Direct premiums totaled Bt. 139,835 million, growing by 14.57%. Such slower growth was in line with the contraction of agriculture, industry and tourism sectors caused by the flood crisis in late 2011. The expansion of direct life insurance in 2011 was attributable largely to growth in ordinary life insurance of 13.24% and personal accident insurance of 9.97% from the previous year.

At year-end of 2011, life insurance policies totaled 19,489,205, up by 7.81% and representing 29.80% against the number of population. The expansion of life insurance compared to the previous year was ascribed mostly to the 8.82% growth of ordinary life insurance, with whole life insurance at top ranking, followed by savings insurance.

Direct premiums for life insurance industry classified by type during 1997-2011

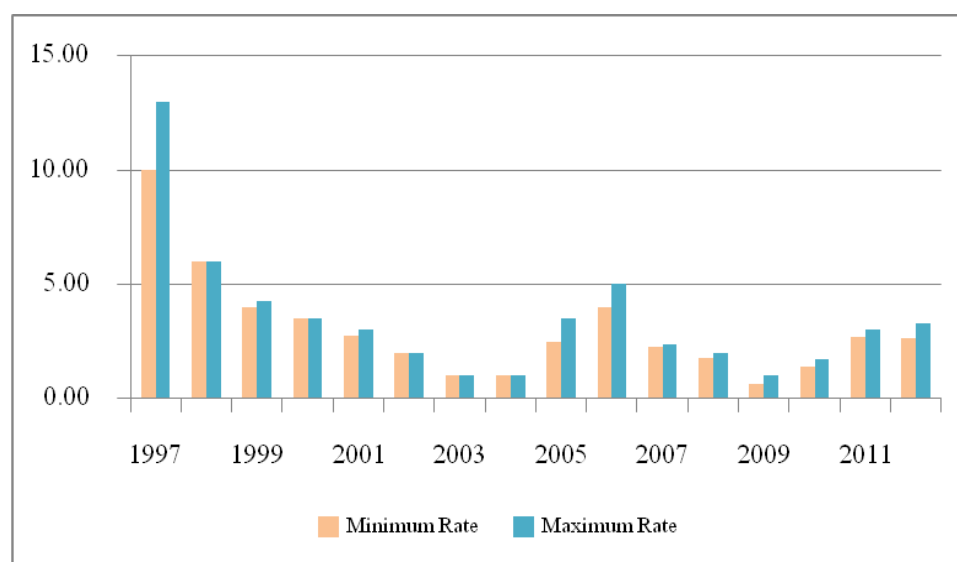


Source: [www.oic.or.th](http://www.oic.or.th)

Life insurance industry enjoyed continuous growth, thanks to the favorable internal and external factors including the OIC's proactive measures to strengthen Thai insurance system through implementation of insurance programs aiming at enhancing insurance knowledge among the people nationwide, improving distribution channels, providing fully-integrated services and developing life insurance products to meet the demand and purchasing power of the people. The government's policy to boost income by raising salary and minimum wage for state employees and basic minimum wage has helped to boost income and purchasing power of the people.

The consequent expansion of potential client base helps raise demand for life insurance amid the global economic recovery. However, when having excess income, people usually prefer savings to life insurance. Thus, another key factor is bank deposit rate. The deposit rate in the first 5 months of 2012 remained stable compared to the hike in 2011. Moreover, under the Deposit Protection Agency Act, B.E. 2551 (2008), the coverage of deposit protection will, as from August 11, 2012, be reduced to the limit of not more than Bt. 1 million per account per bank. This will be an opportunity to sell savings life insurance as another interesting option.

Deposit rate for 1 year at the end of 1997-2011 and end of April 2012

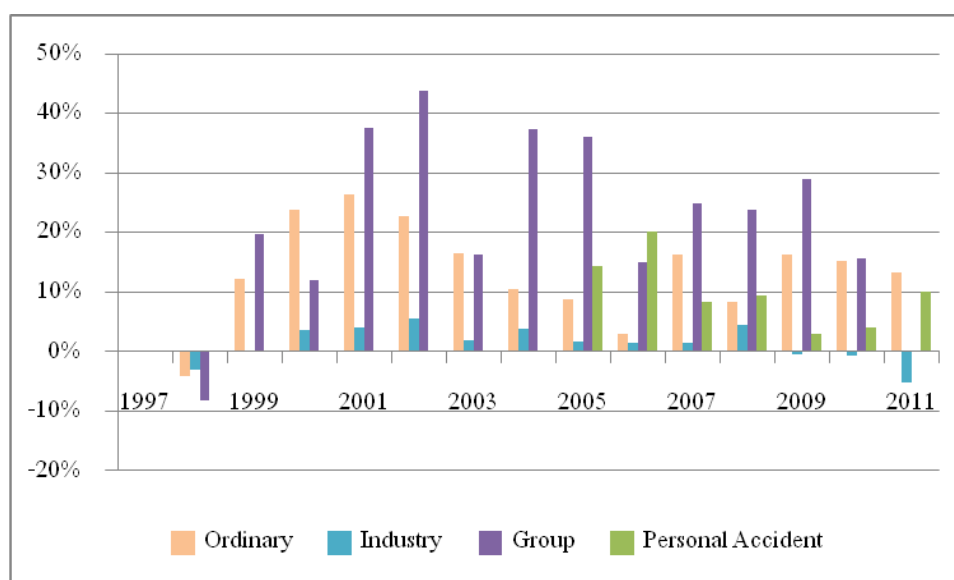


Source: [www.bot.or.th](http://www.bot.or.th)

The maximum amount of life insurance premiums deductible from taxable income has been raised to Bt. 100,000 for a policy of 10 years or more and Bt. 200,000 for annuity life insurance. With the life expectancy of Thai population tending to increase and the aging society expected in the near future decades, annuity life insurance is likely to expand consistently. These can be considered tax incentives. On August 1, 2011, the OIC adopted the 2008 mortality rate as a replacement for the 1997 rate. To ensure that insurance premiums are in line with the changing environment, life insurance premiums have been reduced by 20%. Some types of life insurance also offer interim dividend, thus giving higher yields than bank deposits. As such, people are more interested in buying life insurance, particularly encouraged by the tax privilege. Nonetheless, if focusing mainly on tax privilege, annuity life insurance is suitable for taxpayers who are subject to personal income tax rate of 20% or higher.

ACSL's life insurance products mainly are personal accident insurance and health insurance with 1-year period. Personal clients of ACSL mostly also are clients of the Company. However, ACSL has expanded its target group to corporate clients by directly contacting companies to offer employee health insurance. At present, personal and corporate clients of ACSL are in a ratio of 60% and 40% respectively. During 2009-2011, personal accident insurance grew by 2.96%, 4.12% and 9.97% respectively, while group insurance recorded an increase of 28.90%, 15.72% and 0.04% respectively.

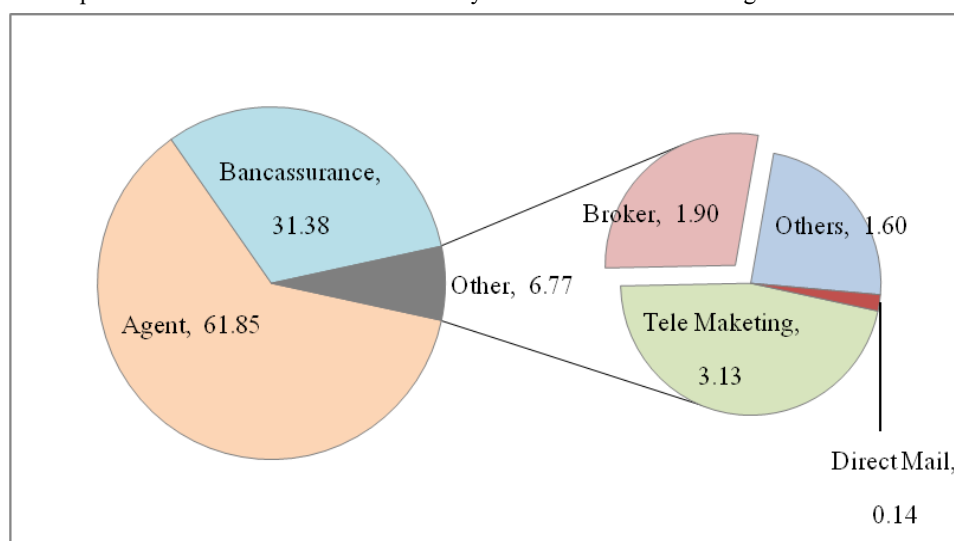
Growth of life insurance industry classified by type during 1997-2011



Source: [www.oic.or.th](http://www.oic.or.th)

All the above-mentioned factors have positive effects on life insurance industry. The economic condition began to improve in early 2012 after the flood crisis was resolved. Therefore, life insurance industry tends to expand if insurance companies continuously adopt business strategies to access various target groups. A proper strategy for life insurance is to boost selling through agents and banks by taking advantage of their client database for business expansion, which is in line with the top three distribution channels, i.e. agents, banks and telemarketing. Nonetheless, telemarketing and agents, which are regular channels of ACSL, captured a market share of 61.85% and 1.90% respectively.

Direct premiums for life insurance classified by distribution channel during Jan. 2011-Feb. 2012



Source: [www.oic.or.th](http://www.oic.or.th)

To ensure readiness of insurance industry and enhance competitiveness against foreign companies upon future liberalization of insurance sector in ASEAN countries and other regions, the OIC announced the criteria and conditions on insurance broker licensing and license renewal for juristic entities B.E. 2554 (2011), effective from January 1, 2012 onwards. The key difference of the new criteria from the previous ones is that a company or juristic person engaging in other business is allowed to operate insurance broker business by submitting an application for insurance broker license and adding this business objective thereto.

However, life insurance broker business is limited only to micro-insurance policies. The insured must directly contact an insurance company. Such deregulation of insurance brokerage service is aimed at enhancing access to life insurance, especially personal insurance policy, by all classes of people. This is in line with the Insurance Development Plan No. 2 (2010-2014) which sets out the guidelines and measures for liberalization of Thai insurance industry and development and monitoring of life insurance brokerage business to comply with the international standards. From these key factors, distribution of life insurance via agents is likely to expand and gain more popularity.

## 2.3 ACS Servicing (Thailand) Co., Ltd. (“ACSS”)

### 2.3.1 *Background and business overview*

ACS Servicing (Thailand) Co., Ltd. (“ACSS”) was registered as a limited company on March 13, 2007 to provide fully-integrated debt management services for all businesses. ACSS commenced its operation on April 30, 2007.

It is headquartered at No. 699 Modernform Tower Building, 12th Floor, Si Nakharin Road, Suan Luang, Suan Luang, Bangkok.

The Registration No. is 0105550028122.

### 2.3.2 *Capital structure (as of June 25, 2012)*

#### a) Issued and paid-up share capital

Paid-up registered capital of Bt. 148 million, divided into 14.8 million ordinary shares at par value of Bt. 10 per share.

#### b) Major shareholder

ACS Capital Corporation Ltd. owning a stake of 99.99998%.

### 2.3.3 *Board of Directors*

The Board of Directors of ACSS as of June 28, 2012 consisted of:

No.	Name	Position
1	Mr. Yasuhiko Kondo	Director
2	Ms. Suriporn Thammawatid	Director
3	Ms. Kanitta Sriphothong	Director



No.	Name	Position
4	Ms. Pawinee Polpiya	Director
5	Mr. Shiro Ishida	Director
6	Mr. Nobuaki Onishi	Director

## 2.3.4 Operating results and financial position of ACSS during 2009-2011

Statements of income

	2009		2010		2011	
	Bt. Million	%	Bt. Million	%	Bt. Million	%
<b>Revenues</b>						
Income from debt collection service	275.56	97.92	267.04	96.04	310.07	96.64
Other income	5.85	2.08	11.02	3.96	10.79	3.36
<b>Total revenues</b>	<b>281.42</b>	<b>100.00</b>	<b>278.06</b>	<b>100.00</b>	<b>320.86</b>	<b>100.00</b>
<b>Expenses</b>						
Cost of services	165.09	58.66	179.43	64.53	190.01	59.22
Selling and administrative expenses	52.85	18.78	61.90	22.26	86.23	26.87
<b>Total expenses</b>	<b>217.94</b>	<b>77.44</b>	<b>241.33</b>	<b>86.79</b>	<b>276.24</b>	<b>86.09</b>
Profit before finance cost and income tax	63.48	22.56	36.73	13.21	44.62	13.91
Finance cost	4.30	1.53	3.32	1.19	2.95	0.92
Income tax	18.23	6.48	10.47	3.77	12.36	3.85
<b>Net profit</b>	<b>40.95</b>	<b>14.55</b>	<b>22.94</b>	<b>8.25</b>	<b>29.31</b>	<b>9.14</b>

Note: The financial statements for 2009-2011 were audited by Mr. Niti Jungnitnirunda of Deloitte Touche Tohmatsu Jaiyos Audit Co., Ltd.

Statements of financial position

	2009		2010		2011	
	Bt. Million	%	Bt. Million	%	Bt. Million	%
<b>Assets</b>						
<b>Current assets</b>						
Cash and cash equivalents	54.84	27.20	6.55	3.42	18.30	8.43
Trade accounts receivable and other receivables	<sup>1</sup> / <sub>36.49</sub>	18.10	28.26	14.77	49.22	22.68
Other current assets	<sup>1</sup> / <sub>3.54</sub>	1.76	0.02	0.01	0.13	0.07
<b>Total current assets</b>	<b>94.87</b>	<b>47.06</b>	<b>34.83</b>	<b>18.20</b>	<b>67.65</b>	<b>31.18</b>

	2009		2010		2011	
	Bt. Million	%	Bt. Million	%	Bt. Million	%
<b>Non-current assets</b>						
Pledged deposits at financial institutions	0.68	0.34	0.21	0.12	0.31	0.14
Equipment – net	42.19	20.93	44.50	23.26	57.61	26.54
Intangible assets – net	62.81	31.15	108.46	56.69	88.16	40.62
Deposits	1.06	0.52	3.32	1.73	3.31	1.52
<b>Total non-current assets</b>	106.74	52.94	156.49	81.80	149.39	68.82
<b>Total assets</b>	<b>201.61</b>	<b>100.00</b>	<b>191.32</b>	<b>100.00</b>	<b>217.04</b>	<b>100.00</b>
<b>Liabilities and shareholders' equity</b>						
Current liabilities						
Trade accounts payable and other payables	33.52	16.62	12.32	6.44	18.65	8.59
Current portion of liabilities under finance lease contracts	18.90	9.37	21.57	11.28	26.36	12.14
Accrued value added tax	-	-	1.19	0.62	0.73	0.34
Accrued income tax	4.78	2.38	-	-	1.35	0.62
<b>Total current liabilities</b>	57.20	28.37	35.08	18.34	47.09	21.69
<b>Non-current liabilities</b>						
Liabilities under finance lease contracts	42.80	21.23	31.68	16.56	16.08	7.41
<b>Total liabilities</b>	<b>100.00</b>	<b>49.60</b>	<b>66.76</b>	<b>34.90</b>	<b>63.17</b>	<b>29.10</b>
<b>Shareholders' equity</b>						
Share capital						
Authorized share capital						
5,000,000 ordinary shares at par value of Bt. 10 each	50.00	-	50.00	-	50.00	-
Paid-up share capital						
5,000,000 ordinary shares at par value of Bt. 10 each						
Fully paid	50.00	24.80	50.00	26.13	50.00	23.04
Retained earnings						
Unappropriated	51.61	25.60	74.56	38.97	103.87	47.86

	2009		2010		2011	
	Bt. Million	%	Bt. Million	%	Bt. Million	%
<b>Total shareholders' equity</b>	<b>101.61</b>	<b>50.40</b>	<b>124.56</b>	<b>65.10</b>	<b>153.87</b>	<b>70.90</b>
<b>Total liabilities and shareholders' equity</b>	<b>201.61</b>	<b>100.00</b>	<b>191.32</b>	<b>100.00</b>	<b>217.04</b>	<b>100.00</b>

Note: The financial statements for 2009-2011 were audited by Mr. Niti Jungnitirunda of Deloitte Touche Tohmatsu Jaiyos Audit Co., Ltd.

1/ Being re-classified according to the financial statements of 2011 for comparative and analytical purpose.

### **Key financial ratios**

Financial Ratio		2009	2010	2011
Current ratio	time	1.66	0.99	1.44
Quick ratio	time	1.60	0.99	1.43
Trade account receivable turnover	time	8.95	8.25	8.00
Average debt collection period	day	40	44	45
Trade accounts payable turnover	time	7.81	12.40	14.41
Debt repayment period	day	46	29	25
Gross profit margin	%	40.09	32.81	41.69
Operating profit margin	%	22.56	13.21	13.91
Net profit margin	%	14.55	8.25	9.04
Return on equity	%	50.48	20.29	20.84
Return on assets	%	23.36	11.68	14.21
Return on fixed assets	%	66.26	44.49	48.37
Asset turnover	time	1.61	1.42	1.57
Debt to equity	time	0.98	0.54	0.41
Basic earnings per share	Bt.	8.19	4.59	5.80

### ***Analysis of operating results and financial position***

#### **Operating results in 2009-2011**

Total revenues of ACSS in 2009-2011 amounted to Bt. 281.42 million, Bt. 278.06 million and Bt. 320.86 million respectively, up (down) by Bt. (3.35) million or (1.19)% in 2010 and Bt. 42.80 million or 15.39% in 2011. The total revenues were mainly from debt collection service, which in 2009-2011 stood at Bt. 275.56 million, Bt. 267.04 million and Bt. 310.07 million, representing 97.92%, 96.04% and 96.64% respectively.

Debt collection income in 2010 dropped by Bt. 8.52 million or 3.09% due to a decrease of Bt. 4.90 million in collection income for 4-month overdue receivables and of Bt. 14.90 million in 6-month overdue receivables which were receivables of the Company and would vary in line with the Company's 4-month overdue receivables. However, collection income from other clients grew by Bt. 10.70 million due to ACSS's expansion of its own client base to lower dependence on the Company's customer base. In 2011, collection income rose by Bt. 43.03 million or 16.11% from growth of Bt. 6.52 million for 4-month overdue receivables and Bt. 5.53 million for 6-month overdue receivables which were receivables of the Company and would vary in line with the Company's 4-month overdue receivables. Collection income from other clients increased by Bt. 31.42 million due to ACSS's expansion of its own client base to lower dependence on the Company's customer base which led to a continuous growth in such income. Other revenues in 2010 rose by Bt. 5.17 million or 88.26% from growth of income from legal service, survey and searching of additional information for debt collection. Other revenues in 2011 dropped by merely Bt. 0.22 million or 2.04% from the previous year.

During 2009-2011, ACSS recorded total expenses in the amount of Bt. 217.94 million, Bt. 241.33 million and Bt. 276.24 million, up by Bt. 23.39 million or 10.73% in 2010 and Bt. 34.91 million or 14.47% in 2011. The total expenses mostly included cost of services which during 2009-2011 stayed at Bt. 165.09 million, Bt. 179.43 million and Bt. 180.80 million, representing 58.66%, 64.53% and 56.35% of total revenues respectively.

Due to constraints on itemization of cost of services and selling and administrative expenses after change of the accounting method in 2011, comparison of such items in 2009-2011 for each expense group was not reasonable. Therefore, the analysis was made on the overall expenses.

In 2010, ACSS's expenses grew by Bt. 23.39 million or 10.73%, comprising personnel expenses of Bt. 6.56 million resulting from the opening of branch office in Khon Kaen in July 2010, office expense of Bt. 4.42 million from office rental in Khon Kaen and rise of head office rent, depreciation of Bt. 1.65 million caused by office improvement, purchase of office equipment and software licenses, travelling expense of Bt. 2.81 million which increased from the management's travelling to monitor branch offices including the new branch in Khon Kaen and staff travelling on legal affairs, computer expense from purchase of computer and telephone system for Khon Kaen branch of Bt. 9.67 million, bad debts caused by unsuccessful debt collection from a company of Bt. 1.27 million, and loss from discontinued use of fixed assets of Bt. 1.13 million due to cancellation of partial office rent which incurred loss on investment in office renovation. However, some of the expenses, i.e. communication expense dropped by Bt. 4.17 million and printing expense by Bt. 1.82 million resulting from reduction of debt collection by post.

The expenses in 2011 increased by Bt. 34.91 million or 14.47%, comprising personnel expenses of Bt. 23.21 million, office expense of Bt. 3.31 million and depreciation of Bt. 2.93 million. This resulted from

the opening of new branch in Khon Kaen in 2010, hence full-year expenses. In August 2011, ACSS also opened its new branch in Hat Yai and incurred computer expense of Bt. 9.91 million from purchase of computer and telephone system for this branch.

During 2009-2011, ACSS posted a net profit of Bt. 40.95 million, Bt. 22.94 million and Bt. 29.31 million respectively, representing 14.55%, 8.25% and 9.14% of total revenues respectively.

**Financial position as of December 31, 2009-2011**

As of the end of 2009-2011, ACSS recorded total assets of Bt. 201.61 million, Bt. 191.32 million and Bt. 217.04 million respectively, increasing (decreasing) by Bt. (10.29) million or (5.11)% in 2010 and Bt. 25.72 million or 13.45% in 2011. Most of the total assets as of December 31, 2009 were cash and cash equivalents, equipment-net and intangible assets-net, making up a total of 79.28%. Meanwhile, total assets at the end of 2010 and 2011 mainly were trade accounts receivable and other receivables, equipment-net and intangible assets-net, representing 94.72% and 89.84% respectively.

The decrease in assets in 2010 resulted primarily from a decrease in cash and cash equivalents of Bt. 48.28 million. The amount was used for office improvement, purchase of office equipment, software licenses and debt repayment. Other current assets dropped by Bt. 3.52 million due to advance for equipment installation which in 2010 was included in cost of communication system. However, non-current assets rose by Bt. 49.75 million due to office improvement and purchase of office equipment and software licenses. The increase of assets in 2011 mostly involved cash and cash equivalents of Bt. 11.76 million and trade accounts receivable of Bt. 20.96 million. This was due to an increase in collection income of Bt. 43.03 million from the previous year and in equipment-net of Bt. 13.11 million caused by branch expansion with additional investment in office equipment. Nevertheless, intangible assets-net dropped by Bt. 20.30 million as depreciation in 2011 was as high as Bt. 25.60 million while intangible assets grew by merely Bt. 5.30 million.

Total liabilities of ACSS at the end of 2009-2011 amounted to Bt. 100 million, Bt. 66.76 million and Bt. 63.17 million respectively, dropping by Bt. (33.24) million or (33.24)% in 2010 and Bt. (3.59) million or (5.37)% in 2011. Most of the total liabilities were liabilities under financial lease contracts. The decrease in liabilities in 2010 was due mainly to a decrease of trade accounts payable and other payables of Bt. 21.20 million which resulted from payment for accrued expenses on software license and recording system, and partly due to a decline in liabilities under financial lease contracts of Bt. 8.44 million from debt repayment according to the contracts. The decrease of liabilities in 2011 mostly came from a decrease of liabilities under financial lease contracts of Bt. 10.82 million from debt repayment according to the contracts. However, trade accounts payable and other payables increased by Bt. 6.33 million due mainly to accrued telephone expense resulting from increase of debt collection by telephone and accrued asset expense.

As of the end of 2009-2011, ACSS recorded shareholders' equity of Bt. 101.61 million, Bt. 124.56 million and Bt. 153.87 million respectively, up by Bt. 22.95 million or 22.58% in 2010 and Bt. 29.31 million or 23.58% in 2011. The increase of shareholders' equity was attributable to the operating profit in each year.

**Events after the statement of financial position**

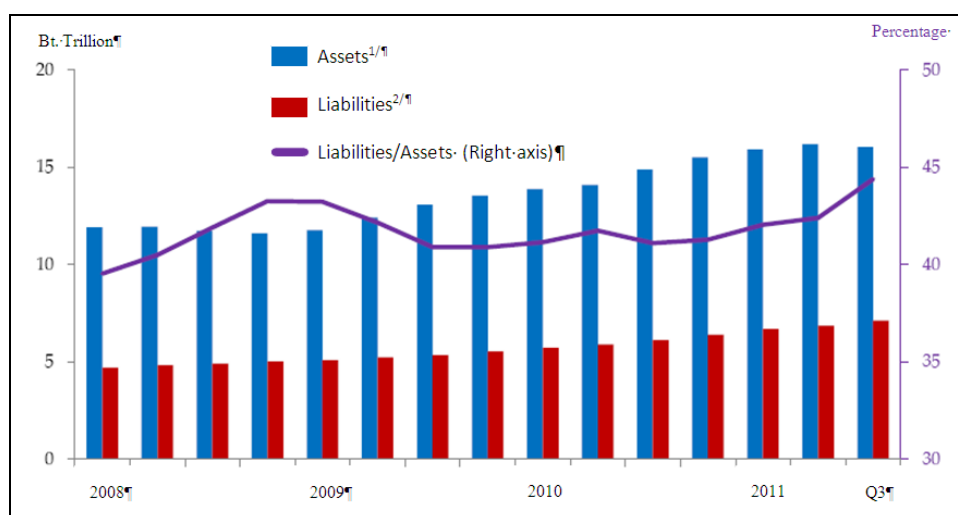
After closing the financial statement of ACSS as of December 31, 2011, there are the important events after closing the financial statement as follows:

1. ACSS has resolved to pay dividend to shareholders amounted Bt. 98 million as the resolution of the Board of Directors Meeting No. 2/2012 on April 20, 2012 and the Annual General Meeting of the Shareholders for the year 2012 on April 30, 2012.
2. ACSS has resolved to increase the registered share capital from the existing registered share capital of Bt. 50 million divided into 5 million shares at the par value of Bt. 10 per share to be new registered share capital of Bt. 148 million divided into 14.8 million shares at the par value of Bt. 10 per share. The newly issued shares were offered to existing shareholders whose names were recorded in the shareholder register book as of May 3, 2012 in proportion to their current shareholding. However, the shareholders namely Mr. Yasuhiko Kondo, Mr. Shigeto Nasu and Miss Suriporn Thammawatid did not wish to subscribe for the new shares. Whilst ACS Capital Corporation Limited, the major shareholder, subscribed for all of the newly issued ordinary shares as resolution of the Board of Directors Meeting No. 4/2012 on May 30, 2012 and the Extraordinary Shareholders' Meeting No. 1/2012 on June 15, 2012.

**2.3.5 *Industry situation and competition***

The flood crisis in late 2011 had heightened goods prices, demand for house repair, and labor lay-offs, thus leading to growth of consumption borrowings and demand for consumer credits, as evidenced from an increase in the household debt to asset ratio. The flood problem has lessened debt service ability, while debts are likely to increase as a result of the government's economic recovery and stimulation measures through, for instance, low-interest loans. These could undermine household financial discipline and likely lead to an increase in defaults on loans which would finally become non-performing loans.

Household financial assets and debts during 2008-2011



Source: [www.bot.or.th](http://www.bot.or.th)

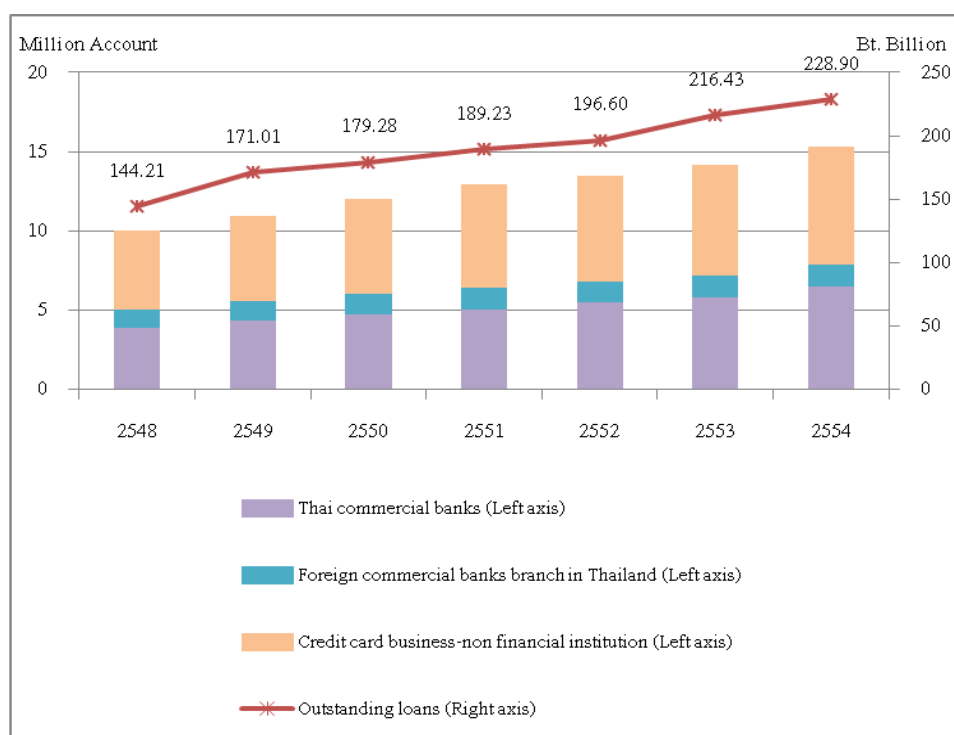
Notes: 1/ Deposits with financial institutions and holding of securities, i.e. debt instruments, equity instruments and life insurance.

2/ Loans from financial institutions and non-bank juristic entities.

From the above effects, banks and financial businesses become the first source of funding that is accessible by household sector, and are the key employer in debt collection business as well as the seller of distressed debts to distressed debt management business. Non-performing loans are classified into two types: consumer loan and corporate loan. The target of ACSS's debt collection or debt management services is consumer loan.

The target groups of ACSS are providers of credit card service, personal loans, hire-purchase, etc. Therefore, from the figures in 2005-2011, the number of credit card accounts with outstanding payment grew continuously at the average rate of 7.38% per year. In 2011, a total of 15.44 million accounts had outstanding payment. In 2005-2011, the amount of outstanding payment also increased consistently at the average rate of 8.12% per year. The outstanding balance in 2011 totaled Bt. 228.90 billion.

Credit card service classified by type during 2005-2011



Source: [www.bot.or.th](http://www.bot.or.th)

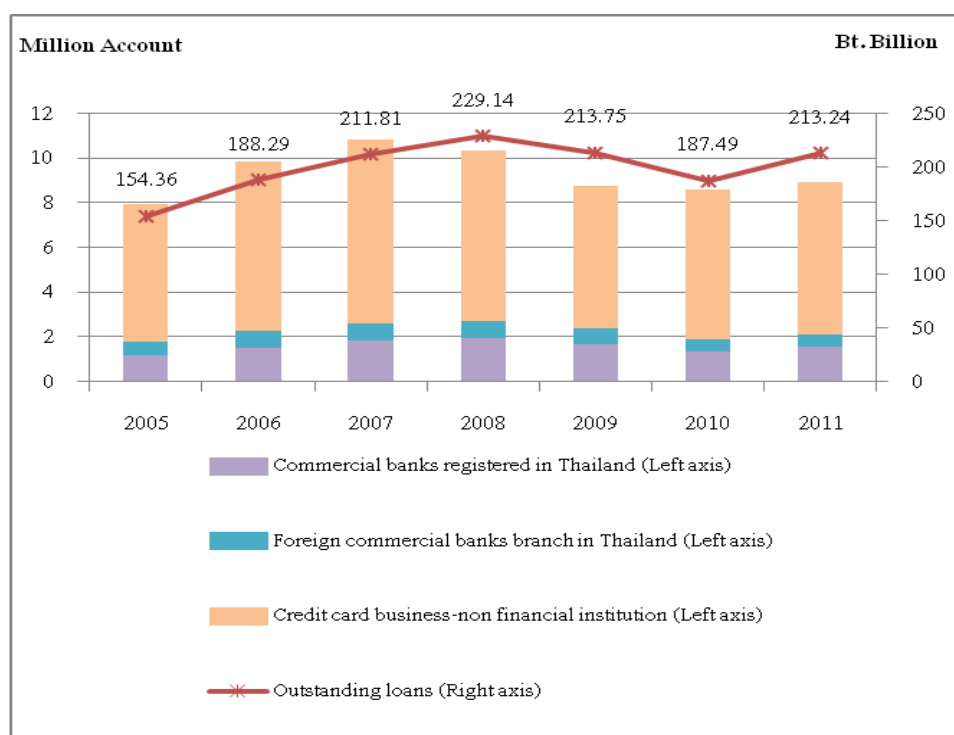
Note: - Number of accounts means the number of credit cardholders who had outstanding balance at the end of period.

Outstanding balance at the end of period.

Growth of personal loan continued during 2005-2007 but slowed down in 2009 due to the economic crisis which prompted financial institutions to be more stringent in their lending. In 2010, the number of accounts and outstanding personal loans declined despite the economic recovery due to the re-grouping of personal loan of some commercial banks registered in Thailand since November 2010, thus lowering the number of accounts and outstanding amount by 1.9% and 12.28% respectively. However, personal loan in 2011 moved up due to several factors including demand for consumer goods, relaxation of loan conditions and decrease of interest rates. As a result, the number of accounts and outstanding balance of personal loan rose by 4.00% and 13.73% respectively. In 2012, it is likely that personal loan will increase in accordance with funding demand for post-flood home repair.



Outstanding balance of personal loan during 2005-2011



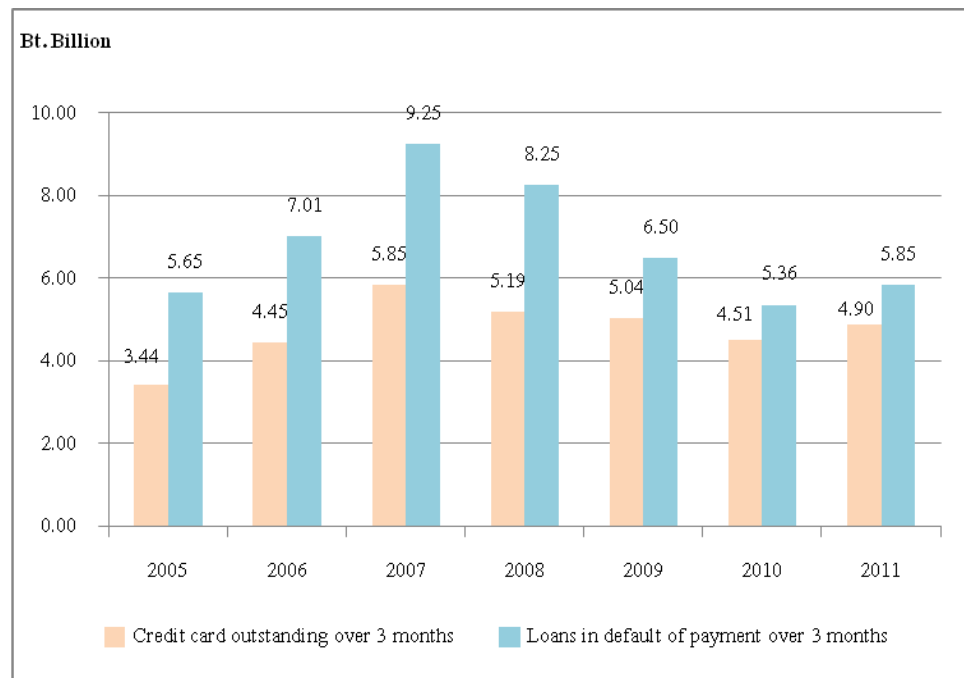
Source: [www.bot.or.th](http://www.bot.or.th)

- Notes:
- Number of accounts means the number of personal loan accounts under supervision with outstanding amount at the end of period.
  - Outstanding balance means outstanding balance for the principal portion (after deferred income) at the end of the month of report.

Debt collection that clients assign to ACSS mostly involves credit outstanding for more than 3 months. In 2005-2011, the number of credit card accounts with outstanding balance increased continuously at the average rate of 7.38% per year. Credit outstanding at the end of period grew by an average 8.12% per year and credit outstanding for more than 3 months increased by 7.46%. In 2008-2010, credit outstanding for more than 3 months decreased by 11.26%, 2.85% and 10.51% respectively and in 2011 increased by 8.46% with outstanding balance of Bt. 4.9 billion, compared to the previous year.

During 2005-2011, number of personal loan accounts grew by 7.38% per year and outstanding balance of personal loan as at the end of period increased at the average rate of 6.23% per year while outstanding of personal loan for more than 3 months expanded by 2.58% per year on average. Nonetheless, in 2008-2010, outstanding of personal loan for more than 3 months decreased by 10.76%, 21.25% and 17.54% respectively and in 2011 rose by 9.11% from the previous year with outstanding balance of Bt. 5.85 billion.

Credit card and personal loan outstanding for more than 3 months



Source: [www.bot.or.th](http://www.bot.or.th)

Competition in debt collection business is rather keen due to a large number of players competing in price and service quality, which could have an impact on the image of the employer and the service provider itself. Therefore, the operators must place an importance on debt collection process. Moreover, the Ministry of Finance is considering the enactment of fair debt collection act (“the Act”) requiring debt collection companies to install a sound recording system to record their conversation with the debtors. As such, companies having adequate funds for compliance with the Act will have advantages in managing non-performing loans and strengthening clients’ confidence in their service standard. In this regard, ACSS has already put in place the sound recording system as required by the Act.

### **3. Brief information of the Company**

#### **3.1 Background**

AEON Thana Sinsap (Thailand) Plc. (“the Company”) was incorporated on September 18, 1992 under the name Thai Credit Service Co., Ltd. with a registered capital of Bt. 1 million. The Company commenced its hire purchase business in December 1992 through collaboration with Japanese department stores in Thailand, with its name changed to Siam NCS Co., Ltd. and the registered capital increased to Bt. 10 million. It was renamed AEON Thana Sinsap (Thailand) Plc. in October 1994. On August 7, 2001, the Company registered a conversion to a public limited company with the Ministry of Commerce and changed the par value from Bt. 10 per share to Bt. 5 per share. The registered capital was increased from Bt. 200 million to Bt. 250 million through issue of 10 million new ordinary shares, comprising 9,800,000 shares for offering to the public and 200,000 shares to its staff. The Company was listed on the SET on December 11, 2001.

AEON Credit Service Co., Ltd. (“AEON Credit Service”), the major shareholder of the Company, was established in Japan and currently provides financial services, including credit card, personal loan, and other services. Following its success in the Japanese market and as a company listed on Tokyo Stock Exchange, AEON Credit Service has expanded its business to other Asian countries such as Hong Kong, Thailand, Malaysia, Taiwan, China (Shenzhen), Indonesia, Vietnam, the Philippines and Cambodia respectively. Its financial services are provided on the basis of geographical segmentation to avoid a conflict of interest.

#### **3.2 Business operation overview**

The Company’s principal business activity is the provision of retail finance services, including credit card, hire purchase, and personal loan. The core activities, which were the Company’s main income earners in 2011, were personal loan and credit card, representing 44% and 40% of total revenues respectively, while the hire purchase business made up 5% of total revenues.

As of February 20, 2012, the number of active billing amounted to 2.85 million accounts (including those related to securitization transactions) and the total number of credit cards reached 2.01 million cards.

##### **3.2.1 *Credit card***

The Company provides two types of services as follows

##### **a) Credit Purchase**

The Company’s cardholders can use their credit cards to purchase merchandises from member stores, with the Company to pay the sales amount of the products to those stores.

##### **b) Cash Advance**

The Company's cardholders can use their credit cards to obtain cash advances from the ATMs of the Company. As of February 20, 2012, the Company had a total of 340 ATMs in Bangkok and its vicinities and the provinces.

Credit cards issued by the Company are categorized into two types as follows:

1. AEON International Card

The Company is issuing AEON MasterCard, AEON VISA Card and AEON JCB Card co-branded with MasterCard Worldwide, VISA Worldwide, and JCB International Co., Ltd. respectively. The MasterCard credit card, VISA credit card, and JCB credit card can be used at member stores located worldwide. Beside the Company's cash dispensing machine, the cardholders can use these cards for cash advance through CIRRUS and PLUS network at domestic and overseas.

2. International Co- branded Card and Affinity Card

The Company issues international co-branded cards and affinity cards with other companies in several businesses. The cards provide additional exclusive privileges for its cardholders.

Name of credit card	Co-brand	Type of business
Tang Hua Seng Visa Card	Tang Hua Seng Department Store Co Ltd.	Retail department store
TDP Visa Card	Thai Department Stores Pool	Retail department store
Club Thailand MasterCard	Atlas Trading & Property (Thailand) Co., Ltd.	Service
Giffarine Visa Card	Skyline Unity Co., Ltd.	Cosmetics manufacturing and distribution
MAX MasterCard	Jay Mart Plc.	Mobile phones and accessories
B-Quik Visa Card	B-Quick Co., Ltd.	Auto tire and accessories
Photo Hut Visa Card	Photo Hut Co., Ltd.	Camera and accessories

On February 28, 2009, Jusco Visa Card and Jusco MasterCard issued with AEON Thailand Co., Ltd. (engaging in retail department store) were canceled and changed to AEON Card since Siam Jusco Co., Ltd. changed its name to AEON (Thailand) Co., Ltd.

Moreover, the Company launched AEON Gold Card with several privileges i.e. getting one happy point on every Bt. 20 spending and special discount in birth month, etc. The Company also issued corporate cards for an organization in order to manage employee spending, which mainly is for traveling and entertainment for the

corporate purpose. This can help the organization to reduce potential misuse and fraud and also to manage the business expenses efficiently. The Company offers the corporate card services to the strategic partners and Japanese companies in Thailand.

Income from credit card comprises interest, revolving fee, collection fee, and other fees such as annual fee, cash advance fee, merchant discount fee from participating stores, etc.

### 3.2.2 *Hire Purchase*

Hire purchase is a form of finance whereby ownership of the merchandise is vested in the Company and the Company hires the merchandise to the borrower for a fixed term for which the Company offers from 6 months to 48 months. When all conditions are fulfilled, the Company transfers the ownership of the merchandise to the borrower. The income generated from this service includes interest received from installment and penalty fee. Once the merchandise is delivered to a customer, the member store will submit the sales slip to the Company and the Company pays the sales amount to such member store.

### 3.2.3 *Personal Loan*

Personal loan is a form of finance to lend cash to customers, including cash loan and purposed loan e.g. loans for buying electrical appliances, home decorative items, office equipment, mobile phones, IT products, etc., provided through over 15,400 member dealer stores all over the country and in department stores such as The Mall, department stores under AEON Group Japan (Jusco & MaxValu), Tesco Lotus, Makro, Big C, Power Buy, Home Pro, etc. The customers may apply for the loan through its 90 branches or by submitting applications with supporting documents via mail or through the internet. Income from personal loan includes interest received, minimum payment fee, handling fee, and penalty fee. Since July 1, 2005, hire purchase and personal loan businesses have been controlled by the Ministry of Finance and the Bank of Thailand (“BOT”) has capped an aggregate of the interest rates, fines, service fees, and other operation fees for the personal loan at 28% per annum (effective rate).

For the AEON members having good payment record, the Company has issued AEON Member Card for them in order to provide convenience for loan services. The AEON Member Card has the database of all cardholders that will allow them to use AEON services faster and more efficiently.

In June 2006, the Company launched “Your Cash” or a revolving loan service to customers with good payment history, who could promptly withdraw a revolving loan or credit line from any AEON’s ATM and KBank’s ATM and repay the loan by installments at any time as they desire.

Currently, the Company has increased Electronic Data Capture (EDC) machines at department stores and member shops to enhance a speedy credit approval process as well as to lower total cost including personnel expense under the purposed loan contract.

### 3.3 Revenue structure of the Company and its subsidiaries

The revenue structure during 2009-2011 and Q1 of 2012 is tabulated below:

Fiscal year	2009		2010		2011		Q1/2012	
Type of business	Bt. mil.	%	Bt. mil.	%	Bt. mil.	%	Bt. mil.	%
1. Credit card	3,353.83	35.67	4,030.35	40.02	4,256.07	39.92	1,096.07	39.28
2. Hire purchase	1,172.77	12.47	1,352.59	13.43	<sup>1/</sup> 557.63	5.23	<sup>1/</sup> 62.87	2.25
3. Personal loan	4,073.14	43.33	3,765.21	37.38	4,683.48	43.93	1,436.05	51.46
4. Others	801.50	8.53	923.33	9.17	1,164.67	10.92	195.63	7.01
<b>Total</b>	<b>9,401.23</b>	<b>100.00</b>	<b>10,071.48</b>	<b>100.00</b>	<b>10,661.85</b>	<b>100.00</b>	<b>2,790.62</b>	<b>100.00</b>

Note: - The Company's accounting period ends on February 20 of each year.

- 1/ Since January 21, 2011, new installment products (except motorcycle) have been engaged under the purposed loan contract instead of hire purchase contract.

### 3.4 Shareholders

Top 10 major shareholders as of May 20, 2012 were as listed below:

No.	Name	No. of shares	%
1	AEON Credit Service Co., Ltd. / Japan	87,800,000	35.12
2	ACS Capital Corporation Limited	48,000,000	19.20
3	Thai NVDR Co. Ltd.	23,309,723	9.32
4	AEON Holdings (Thailand) Co., Ltd.	22,000,000	8.80
5	Mr. Chatchaval Jiaravanon	15,000,000	6.00
6	BNP Paribas Securities Services Luxembourg	9,711,900	3.88
7	BNP Paribas Securities Services London Branch	6,342,700	2.54
8	TFB For MFC-Thai Fund Investment Plan	3,737,500	1.50
9	BNP Paribas Securities Services Singapore Branch	3,256,200	1.30
10	Aberdeen Long-term Equity Fund	3,166,500	1.27

Source: AEON Thana Sinsap (Thailand) Public Company Limited

Shareholders from AEON Group are as follows:

No.	Shareholder/ Location	Relationship	No. of shares	%
1	AEON Credit Service Co., Ltd./Japan	AEON Co., Ltd. (Japan) is the major shareholder.	87,800,000	35.12
2	ACS Capital Corporation Ltd./Thailand	AEON Credit Service Co., Ltd. is the major shareholder.	48,000,000	19.20
3	AEON Holding (Thailand) Co., Ltd./Thailand	AEON Co., Ltd. (Japan) is the major shareholder.	22,000,000	8.80
<b>Total shareholding in AEONTS by AEON Group</b>			<b>157,800,000</b>	<b>63.12</b>

### 3.5 Board of Directors of the Company

As of June 14, 2012, the Board of Directors of the Company was composed of 12 members as follows:

No.	Name	Position
1	Mr. Kazuhide Kamitani <sup>1</sup>	Chairman of the Board
2	Mr. Yasuhiko Kondo <sup>1</sup>	Vice Chairman of the Board and Managing Director
3	Mrs. Suporn Wattanavekin	Director
4	Ms. Kannika Kursirikul	Director
5	Mrs. Jiraporn Kongcharoenwanich	Director
6	Mr. Jun Suzuki <sup>2</sup>	Director
7	Mr. Shiro Ishida <sup>2</sup>	Director
8	Mr. Chatchaval Jiaravanon	Director
9	Mr. Noppun Muangkote	Independent Director and Chairman of Audit Committee
10	Mr. Dej Bulsuk	Independent Director and Audit Committee Member
11	Mr. Shunichi Kobayashi	Independent Director and Audit Committee Member
12	Dr. Sucharit Koontanakulvong	Independent Director

- Note:
1. The authorized signatory of the Company is either Mr. Kazuhide Kamitani or Mr. Yasuhiko Kondo, with the Company's seal affixed.
  2. Mr. Jun Suzuki and Mr. Shiro Ishida were appointed as director of the Company on June 14, 2012, replacing Mr. Mitsuhiro Yashiro and Mr. Masao Mizuno who resigned as director of the Company on March 31, 2012 and June 14, 2012 respectively.

3.6 Operating results and financial position of the Company during 2009-2011 and the first quarter of 2012**Statements of comprehensive income**

Consolidated financial statements	2009		2010		2011		Q1 of fiscal year 2012	
	Bt. Million	%	Bt. Million	%	Bt. Million	%	Bt. Million	%
<b>Revenues</b>								
Credit card income	3,353.83	35.67	4,030.35	40.02	4,256.07	39.92	1,096.07	39.28
Loan income	4,073.14	43.33	3,765.21	37.38	4,683.48	43.93	1,436.05	51.46
Hire purchase income	1,172.77	12.47	1,352.59	13.43	<sup>1/</sup> 557.63	5.23	<sup>1/</sup> 62.87	2.25
Other income	801.50	8.53	923.33	9.17	1,164.67	10.92	195.63	7.01
<b>Total revenues</b>	<b>9,401.23</b>	<b>100.00</b>	<b>10,071.48</b>	<b>100.00</b>	<b>10,661.85</b>	<b>100.00</b>	<b>2,790.62</b>	<b>100.00</b>
<b>Expenses</b>								
Operating and administrative expenses	3,469.07	36.90	3,654.56	36.29	3,960.76	37.15	1,048.27	37.56
Directors and managements remuneration	49.10	0.52	56.35	0.56	56.88	0.53	21.71	0.78
Bad debts and doubtful accounts	2,802.80	29.81	3,309.17	32.86	4,530.13	42.49	916.24	32.83
Finance cost	1,691.44	17.99	1,653.88	16.42	1,655.48	15.53	430.50	15.43
<b>Total expenses</b>	<b>8,012.41</b>	<b>85.22</b>	<b>8,673.96</b>	<b>86.13</b>	<b>10,203.25</b>	<b>95.70</b>	<b>2,416.71</b>	<b>86.60</b>
Income before income tax	1,388.82	14.77	1,397.52	13.88	458.60	4.30	373.91	13.40
Income tax expense	404.53	4.30	405.54	4.03	297.49	2.79	87.01	3.12
<b>Net profit for the year</b>	<b>984.29</b>	<b>10.47</b>	<b>991.98</b>	<b>9.85</b>	<b>161.11</b>	<b>1.51</b>	<b>286.90</b>	<b>10.28</b>

Note: The financial statements for 2009-2011 were audited and for Q1/2012 were reviewed by Mr. Niti Jungnitnirunda of Deloitte Touche Tohmatsu Jaiyos Audit Co., Ltd., an SEC-approved auditor.

1/ Since January 21, 2011, new installment products (except motorcycle) have been engaged under the purposed loan contract instead of hire purchase contract.

**Statements of financial position**

Consolidated financial statements	2009		2010		2011		Q1 of fiscal year 2012	
	Bt. Million	%	Bt. Million	%	Bt. Million	%	Bt. Million	%
<b>Assets</b>								
<b>Current assets</b>								
Cash and cash equivalents	1,520.50	3.88	1,873.95	4.59	1,638.84	3.76	1,927.27	4.24
Bills of exchange	-	-	-	-	250.00	0.57	312.50	0.69



Consolidated financial statements	2009		2010		2011		Q1 of fiscal year 2012	
	Bt. Million	%	Bt. Million	%	Bt. Million	%	Bt. Million	%
Accounts receivable and other receivables - net	32,460.14	82.93	32,857.27	80.43	35,657.72	81.77	37,045.57	81.54
Participation amount in Special Purpose Vehicle for Securitization due within one year	-	-	-	-	-	-	-	-
Subordinated lending due within one year	217.04	0.56	124.37	0.30	592.53	1.36	579.88	1.28
Receivables per currency swap contracts	538.63	1.38	541.63	1.33	222.26	0.51	222.15	0.49
Other current assets	240.55	0.61	38.25	0.09	41.06	0.09	40.52	0.09
<b>Total current assets</b>	<b>34,976.85</b>	<b>89.36</b>	<b>35,435.47</b>	<b>86.74</b>	<b>38,402.41</b>	<b>88.06</b>	<b>40,127.88</b>	<b>88.32</b>
<b>Non-current assets</b>								
Accounts receivable - net	1,132.40	2.89	1,220.55	2.99	944.38	2.17	904.73	1.99
Investments in subsidiaries	-	-	-	-	-	-	-	-
Other long-term investments	118.75	0.30	64.17	0.16	43.55	0.10	43.55	0.10
Participation amount in Special Purpose Vehicle for Securitization	-	-	-	-	-	-	-	-
Subordinated lending	744.00	1.90	2,107.68	5.16	1,438.00	3.30	1,438.00	3.17
Equipment - net	406.60	1.04	456.06	1.12	485.29	1.11	452.36	1.00
Intangible assets - net	872.25	2.23	783.67	1.92	786.97	1.80	739.51	1.63
Receivables per currency swap contracts	776.88	1.98	374.72	0.92	835.33	1.92	1,066.50	2.35
Deferred tax assets - net	-	-	274.48	0.67	551.66	1.26	541.06	1.19
Other non-current assets	115.35	0.30	129.10	0.32	122.17	0.28	120.26	0.26
<b>Total non-current assets</b>	<b>4,166.24</b>	<b>10.64</b>	<b>5,410.42</b>	<b>13.26</b>	<b>5,207.36</b>	<b>11.94</b>	<b>5,305.97</b>	<b>11.68</b>
<b>Total assets</b>	<b>39,143.09</b>	<b>100.00</b>	<b>40,845.89</b>	<b>100.00</b>	<b>43,609.77</b>	<b>100.00</b>	<b>45,433.85</b>	<b>100.00</b>
<b>Liabilities and shareholders' equity</b>								
<b>Current liabilities</b>								
Short-term loans from financial institutions	4,846.23	12.38	630.00	1.54	610.00	1.40	883.20	1.94

Consolidated financial statements	2009		2010		2011		Q1 of fiscal year 2012	
	Bt. Million	%	Bt. Million	%	Bt. Million	%	Bt. Million	%
Accounts payable and other payable	532.57	1.36	1,318.99	3.23	1,233.17	2.83	1,699.92	3.74
Current portion of long-term loans	9,279.24	23.70	6,540.13	16.01	10,733.07	24.61	9,034.84	19.89
Accrued income tax	201.09	0.51	258.20	0.63	354.64	0.81	422.82	0.93
Payable per currency swap contracts	61.23	0.16	74.03	0.18	225.74	0.52	168.70	0.37
Other current liabilities	568.81	1.45	53.58	0.13	31.38	0.07	17.80	0.04
<b>Total current liabilities</b>	<b>15,489.16</b>	<b>39.56</b>	<b>8,874.94</b>	<b>21.72</b>	<b>13,188.01</b>	<b>30.24</b>	<b>12,227.28</b>	<b>26.91</b>
<b>Non-current liabilities</b>								
Long-term loans	16,193.66	41.37	23,610.50	57.80	22,571.76	51.76	25,053.18	55.14
Long-term debentures	1,535.30	3.92	1,595.04	3.91	1,663.62	3.81	1,696.32	3.73
Payables per currency swap contracts	68.77	0.18	258.08	0.63	34.97	0.08	15.73	0.03
Employee benefit obligation	-	-	18.77	0.05	26.21	0.06	28.05	0.06
<b>Total non-current liabilities</b>	<b>17,797.73</b>	<b>45.47</b>	<b>25,482.39</b>	<b>62.39</b>	<b>24,296.56</b>	<b>55.71</b>	<b>26,793.28</b>	<b>58.97</b>
<b>Total liabilities</b>	<b>33,286.89</b>	<b>85.03</b>	<b>34,357.33</b>	<b>84.11</b>	<b>37,484.58</b>	<b>85.95</b>	<b>39,020.56</b>	<b>85.88</b>
<b>Shareholders' equity</b>								
Issued and paid-up share capital	250.00	0.64	250.00	0.61	250.00	0.57	250.00	0.55
Premium on ordinary share capital	478.00	1.22	478.00	1.17	478.00	1.10	478.00	1.05
Retained earnings from variation of investment value	57.42	0.15	-	-	-	-	-	-
Retained earnings	-	-	-	-	-	-	-	-
Appropriated	-	-	-	-	-	-	-	-
Legal reserve	25.00	0.07	25.00	0.07	25.00	0.06	25.00	0.06
Reserve for business expansion	3,750.00	9.58	4,250.00	10.40	4,650.00	10.66	4,650.00	10.23
Unappropriated	1,295.72	3.31	1,485.48	3.64	721.93	1.66	1,008.79	2.22
Other components of equity – Exchange difference from financial statements currency conversion	-	-	-	-	0.18	-	1.41	-
Equity attributable to owners of the parent	5,856.14	14.97	6,488.48	15.89	6,125.10	14.05	6,413.20	14.12
Non-controlling interests	0.06	-	0.09	-	0.09	-	0.09	-
<b>Total equity</b>	<b>5,856.20</b>	<b>14.97</b>	<b>6,488.57</b>	<b>15.89</b>	<b>6,125.19</b>	<b>14.05</b>	<b>6,413.29</b>	<b>14.12</b>

Consolidated financial statements	2009		2010		2011		Q1 of fiscal year2012	
	Bt. Million	%	Bt. Million	%	Bt. Million	%	Bt. Million	%
Total liabilities and shareholders' equity	39,143.09	100.00	40,845.90	100.00	43,609.77	100.00	45,433.85	100.00

Note: The financial statements for 2009-2011 were audited and for Q1/2012 were reviewed by Mr. Niti Jungnitirunda of Deloitte Touche Tohmatsu Jaiyos Audit Co., Ltd., an SEC-approved auditor.

### **Cash flows**

Unit: Bt. million

Statements of cash flows	2009	2010	2011	Q1 of fiscal year2012
Cash flows from (used in) operating activities	(3,670.01)	1,354.21	(2,289.88)	(583.82)
Cash flows from (used in) investing activities	(450.06)	(347.03)	(734.49)	(117.00)
Cash flows from (used in) financing activities	3,480.16	(653.73)	2,789.25	739.25
Net increase (decrease) in cash and cash equivalents	(639.90)	353.46	(235.11)	38.43
Cash and cash equivalents at beginning of the year	2,160.40	1,520.50	1,873.95	1,638.84
Cash and cash equivalents at the end of the year	1,520.50	1,873.95	1,638.84	1,677.27

### **Key financial ratios**

Financial ratios		2009	2010	2011	Q1 of fiscal year2012
<b>Profitability ratios</b>					
Gross profit margin *	%	33.58	31.98	20.38	32.92
Net profit margin	%	10.47	9.85	1.51	10.28
Return on equity	%	17.53	16.07	2.55	4.58
Interest income	%	23.19	23.35	23.75	5.87
Finance cost	%	4.83	4.66	4.4	1.09
Interest spread	%	18.36	18.69	19.35	4.78
<b>Efficiency ratios</b>					
Net interest income to assets	%	14.15	16.15	16.81	4.23
Return on assets	%	2.53	2.48	0.38	0.64
Assets turnover	time	0.24	0.25	0.25	0.06
<b>Financial policy ratios</b>					
Debt to equity	time	5.68	5.3	6.12	6.08

Financial ratios		2009	2010	2011	Q1 of fiscal year 2012
Lending to borrowing	%	105.08	115.05	114.5	114.92
Lending to deposit	%	N/A	N/A	N/A	N/A
Deposit to total liabilities	%	N/A	N/A	N/A	N/A
Dividend payout	%	53.34	52.92	325.85	-
<b>Asset quality</b>					
Provision for doubtful debt to total loans	%	2.56	3.32	6.44	6.02
Bad debts to total loans	%	7.39	7.38	7.23	2.18
NPLs to total loans	%	2.25	1.86	3.49	3.84
Accrued interest income to total loans	%	5.21	4.45	3.16	2.89

Note: \*Calculation of gross profit margin is adjusted by incorporating bad debts and doubtful accounts into the calculation.

### ***Analysis of operating results and financial position***

#### **Operating results in fiscal year 2009-2011**

##### **Revenues**

In the fiscal year 2009-2011, total revenues of the Company and its subsidiaries amounted to Bt. 9,401 million, Bt. 10,071 million and Bt. 10,662 million respectively, increasing by Bt. 670 million or 7% in the fiscal year 2010 and Bt. 590 million or 6% in the fiscal year 2011. This was due to the economic growth during the fiscal year 2010 and the first half of 2011, hence boosting the total revenues after the economic slowdown. Most of the revenues were from credit card and loan which amounted to Bt. 7,427 million, Bt. 7,796 million and Bt. 8,940 million respectively or represented 79%, 77% and 84% of total revenues respectively. At the end of fiscal year 2011, the Company has ID base of 1.92 million IDs, from Bangkok 41%, and upcountry 59%. Details of each business can be described as follows:

##### **Credit cards**

Credit card turnover in the fiscal year 2009-2011 was somewhat stable, representing 42-45% of total turnovers. Revenue from credit card was in line with the economic condition, decreasing during the downturn and growing during the recovery. Changes of revenue from credit card in the fiscal year 2009-2011 were as follows:

The revenue, compared to the previous year, dropped by 3% to Bt. 3,354 million in 2009 and rose by 20% to Bt. 4,030 million in the fiscal year 2010 and rose by 6% to Bt. 4,256 million in the fiscal year 2011. Over the 3-year period, the Company issued co-branded credit cards with its business alliances to provide additional exclusive privileges and discount for its cardholders such as B-Quik, Jaymart, Photo Hut and others. In addition, the Company still emphasized on new credit card customer acquisition in Bangkok and provincial areas. During the economic recovery period, the Company collaborated with leading hypermarkets and department stores such as Big C and Jusco/MaxValu as well as PTT gas station. It also developed card recruitment channels, and enhanced

corporate card and gold card privileges. As a result, number of credit cards at the end of the fiscal year 2009-2011 increased continuously as detailed below:

The number of credit cards rose year on year by 80,000 cards or 5% in the fiscal year 2009, 72,000 cards or 4% in the fiscal year 2010 and 94,000 cards or 5% in the fiscal year 2011.

### **Loans**

For the fiscal year 2009-2011, loans shared 40%, 36% and 49% of total turnovers respectively. The Company's loans comprised personal loan which remained rather stable at 22-26%, and purposed loans which stood at 14% in the fiscal year 2009-2010 but soared to 29% in the fiscal year 2011.

During the period of the fiscal year 2009-2011, revenue from loans totaled Bt. 4,073 million, Bt. 3,765 million and Bt. 4,683 million, (down) by (6)%, (8)% and up by 24% respectively. The decrease in revenue in the fiscal year 2009-2011 was because the economic condition affected demand for loans and employment of industrial factories around Bangkok, causing the Company to stay cautious about loan approval in order to maintain the quality of portfolio. The increase in revenue in the fiscal year 2011 was mainly due to migration of new installment loan contracts under the purposed loan program since January 2011 and growth of revolving loan 'Your Cash,' which provides more convenience to customers and helps save the Company's operation cost, allowing AEON members to utilize the revolving loan service through any of AEONTS's ATMs and Kasikornbank's ATMs since the third quarter of 2011. However, under given economic condition, the Company continues to launch relief loan programs with special interest and extended payment period to cope with the customer situation and collaborate with BOT's guidelines.

Moreover, the Company has implemented systems for efficient approval via Electronic Data Captures (EDC) machines and Interactive Voice Response (IVR) to drive turnovers and accelerate personal loan transactions.

### **Hire purchase**

In the fiscal year 2009-2011, hire purchase represented 17%, 17% and 5% of total turnovers. The revenue from hire purchase accounted for Bt. 1,173 million, Bt. 1,353 million and Bt. 558 million, decreasing by 12%, increasing by 15% and decreasing by 59% respectively.

The Company provided a variety of promotions with hypermarkets, department stores, retail shops and leading manufacturers to boost the turnovers. It also implemented systems for efficient approval via Electronic Data Captures (EDC) machines and Interactive Voice Response (IVR) to drive turnovers and speed up the approval process similar to the credit card service. However, the revenue considerably dropped in the fiscal year 2011 due to migration of new installment loan contracts to purposed loan contracts since January 2011.

### **Other income**

Other income during the fiscal year 2009-2011 was Bt. 801 million, Bt. 923 million and Bt. 1,165 million respectively. The majority of other income came from bad debt recovery. In the last quarter of the fiscal year

2010, the Company recorded gain on disposal of investment in AEON Credit Service (M) Bhd. in the amount of Bt. 51 million and gains on disposal of fixed assets of Bt. 21 million. In the fiscal year 2011, the Company had income from sales of written-off receivables to JMT Network Services Co., Ltd. of Bt. 297 million (excluding VAT).

### **Expenses**

The Company and its subsidiaries recorded total expenses in 2009-2011 of Bt. 8,012 million, Bt. 8,674 million and Bt. 10,203 million respectively, up by Bt. 662 million or 8% in 2010 and Bt. 1,529 million or 18% in 2011. The expenses mainly consisted of operating and administrative expenses and bad debts and doubtful accounts, which were Bt. 6,272 million, Bt. 6,964 million and Bt. 8,491 million in fiscal year 2009-2011 respectively or 67%, 69% and 80% of total expenses respectively. Details of the expenses can be described as follows:

#### **Operating and administrative expenses**

In fiscal year 2009-2011, the Company's operating and administrative expenses were Bt. 3,518 million, Bt. 3,711 million and Bt. 4,018 million respectively. Percentage of operating and administrative expenses to total revenues was about the same at 37% in the fiscal year 2009-2010 and 38% in the fiscal year 2011, mainly resulting from a continued implementation of cost control policy.

#### **Bad debts and doubtful accounts**

In the fiscal year, the Company posted bad debts and doubtful accounts of Bt. 2,803 million, Bt. 3,309 million and Bt. 4,530 million respectively, representing 30% and 33% of total revenues in the fiscal year 2009-2010 respectively. However, this percentage rose to 42% in the fiscal year 2011 resulting from the Company's increase of allowance for doubtful accounts of Bt. 1,107 million under its rigid risk management policy to cover the defaulting customers hit by flood situation in the fiscal year 2011.

#### **Finance cost**

For the fiscal year 2009-2011, the Company's finance cost was recorded at Bt. 1,691 million, Bt. 1,654 million and Bt. 1,655 million, representing 18% of revenues in the fiscal year 2009 and 16% of revenues in the fiscal year 2010-2011. The decline in finance cost since the fiscal year 2010 was attributed to the Company's policy to control liquidity risk and interest rate risk by increasing the proportion of long-term borrowing and maintaining it in the fiscal year 2011.

#### **Net income**

For the fiscal year 2009-2011, the net income of the Company and its subsidiaries (excluding non-controlling interest) was Bt. 984 million, Bt. 992 million and Bt. 161 million, representing net profit margin of 10% in the fiscal year 2009-2010 and 2% in the fiscal year 2011 due to extra reserve for bad debts and doubtful accounts set aside in the third quarter of the fiscal year 2011.

## **Financial position in fiscal year 2009-2011**

### **Total assets**

As of February 20, 2010-2012, the total assets of the Company and its subsidiaries were Bt. 39,143 million, Bt. 40,846 million and Bt. 43,610 million respectively, an increase of Bt. 1,703 million or 4% in fiscal year 2010 and Bt. 2,764 million or 7% in fiscal year 2011. Most of the assets were accounts receivable and other receivables-net, representing 83%, 80% and 82% of total assets respectively.

### **Accounts receivable**

At the end of fiscal year 2009-2011, the Company's consolidated gross accounts receivable (both current assets and non-current assets) amounted to Bt. 34,474 million, Bt. 35,015 million and Bt. 38,705 million respectively. The Company categorized its accounts receivable by business type into credit card receivables, loan receivables and hire purchase receivables. The increase in accounts receivable primarily came from credit card receivables and loan receivables. However, the hire purchase receivables decreased particularly at the end of fiscal year 2011 by 77% due to migration of installment loan contracts since January 2011 to be under loan receivables. The Company provided allowance for doubtful accounts of Bt. 881 million, Bt. 1,162 million and Bt. 2,494 million as of the end of fiscal year 2009-2011 respectively. Its net accounts receivable amounted to Bt. 33,593 million, Bt. 33,852 million and Bt. 36,211 million at the end of fiscal year 2009-2011, representing 86%, 83% and 83% of total assets respectively.

### **Liabilities**

As of February 20, 2010-2012, total liabilities amounted to Bt. 33,287 million, Bt. 34,357 million and Bt. 37,485 million respectively, an increase of Bt. 1,070 million and Bt. 3,128 million or 3% and 9% respectively. Total liabilities mostly were long-term loans under the policy to control liquidity risk and interest rate risk, representing 41%, 58% and 52% respectively.

### **Shareholders' equity**

As of February 20, 2010-2012, shareholders' equity of the Company and its subsidiaries was Bt. 5,856 million, Bt. 6,488 million and Bt. 6,125 million respectively, up by Bt. 632 million or 11% in 2011 and (down) by Bt. (363) million or (6)% in 2012. The increase in 2010 was due to the net profit and dividends paid of Bt. 525 million during the year. In 2011, the Company paid dividends of Bt. 525 million while recording the net profit of Bt. 161 million, hence a decrease of shareholders' equity by Bt. 363 million from 2010. Consequently, book value at the end of fiscal year 2009-2011 was Bt. 23.4 per share, Bt. 26.0 per share and Bt. 24.5 per share respectively.

Debt to equity ratio in the fiscal year 2011 increased to 6.1 times from 5.3 times in the fiscal year 2010. Return on equity and return on assets equaled 2.6% and 0.4%, respectively.

## **Liquidity**

At the end of fiscal year 2009-2011, the Company and subsidiaries recorded cash balance of Bt. 1,520 million, Bt. 1,874 million and Bt. 1,639 million respectively. Cash balance in 2011 can be broken down as follows:

- net cash used in operating activities of Bt. 2,289.88 million mainly resulting from an increase in accounts receivable and other receivables;
- net cash used in investing activities of Bt. 734.49 million mainly resulting from investment in software, notes receivable and fixed assets; and
- net cash provided from financing activities of Bt. 2,789.25 million mainly resulting from long-term loans and debentures.

Taking into account the net decrease in cash and cash equivalents of Bt. 235.11 million and the beginning cash balance of Bt. 1,873.95 million, the Company had a cash balance at the end of the fiscal year 2011 of Bt. 1,638.84 million accordingly.

## **Operating results in the 3-month period of fiscal year 2012**

### **Revenues**

In the first quarter of the fiscal year 2012, the Company and its subsidiaries recorded total revenues of Bt. 2,791 million, increasing by 13% from the same period of the previous year due to growth of the core business income. As of May 20, 2012, the Company has ID base of 1.96 million IDs, from Bangkok 41% and upcountry 59%. Details of each business can be described as follows:

### **Credit cards**

Credit card turnover in the first quarter of fiscal year 2012 was 42% of total turnovers. Revenues from credit cards were Bt. 1,096 million, increasing by 6% from the same period of the previous year and representing 39% of total revenues. The Company continued offering new promotions to enhance privileges of its customers and AEON cardholders such as AEON Match 2012, refund and cash coupon for spending with AEON card at supermarkets, including co-branded and gold card privileges. In addition, the Company still focused on new credit card member acquisition by developing a variety of card recruitment channels, establishing booths in community areas, enabling card application on the Company's website and expanding space for accepting application forms at ID outlets across the country. As a result, number of credit cards as of May 20, 2012 increased by 105,000 cards or 5% from the same period of the previous year .

### **Loans**

In the first quarter of fiscal year 2012, loans shared 54% of total turnovers. Of the total loans, 25% were personal loans and 29% were purposed loans for mobile phones, IT products, electrical appliances, etc. provided at more than 15,500 department stores and dealers nationwide. The Company recorded revenue from loans of Bt. 1,436



million, increasing by 39% from the same period of the previous year due to growth of “Your Cash” revolving loan from 54% in the previous year to around 78% of total personal loan turnovers in the first quarter of fiscal year 2012. Providing more convenience to customers and saving the Company’s operation cost, AEON members can utilize the revolving loan service through AEONTS’s ATMs and Kasikornbank’s ATMs since the third quarter of 2011. However, the Company remained stringent about personal loan approval in order to maintain the quality of portfolio. The increase of loans resulted from a launch of various promotion campaigns with special interest rate particularly for electronic and home appliances at hypermarkets and department stores. As of May 20, 2012, number of member cards grew by 8% or by 328,000 cards from the same date of previous year.

#### **Hire purchase**

Hire purchase in the first quarter of fiscal year 2012 represented 1% of total loans. Revenue from hire purchase was Bt. 63 million, decreasing by 72% from the same period of previous year, and representing 2% of total revenues. To enhance convenience of the customers and streamline the operating process of shops, new hire purchase contracts since January 21, 2011 have been migrated to installment loan contracts, hence a decrease of hire purchase in the first quarter of fiscal year 2012. However, the Company still offered exclusive promotions with leading motorcycle manufacturers such as Honda motorcycle, and increased motorcycle distribution channels through its 34 branches.

#### **Other income**

Other income in the first quarter of fiscal year 2012 was Bt. 196 million, increasing by 10% from the same period of previous year. The majority of other income came from bad debt recovery of Bt. 148 million.

#### **Expenses**

In the first quarter of fiscal year 2012, the Company had total consolidated expenses of Bt. 2,417 million, increasing by 13% from the same period of previous year. The Company’s expenses mainly consisted of operating and administrative expenses, bad debts and doubtful accounts, and finance cost. Details of total expenses can be described as follows:

##### **Operating and administrative expenses**

The Company’s operating and administrative expenses in the first quarter of fiscal year 2012 were Bt. 1,048 million, increasing by 11% from the same period of previous year. The percentage of operating and administrative expenses to total revenues was 38% in this period, which was close to that of the previous year due to a continued implementation of cost management and control policy.

##### **Bad debts and doubtful accounts**

The Company posted bad debts and doubtful accounts of Bt. 916 million in the first quarter of fiscal year 2012, increasing by 14% from the same period of previous year. The bad debts and doubtful accounts increased in the same direction as accounts receivable, or by 10% from the corresponding period of fiscal year 2011.

### **Finance cost**

For the first quarter of fiscal year 2012, the Company's finance cost was recorded at Bt. 430 million, the same level as the same period of last year, representing 15% of total revenues. Despite an increase in borrowings, interest cost went down by 0.17% from 4.29% to 4.12% from the first quarter of fiscal year 2011, due to the Company's policy to control liquidity risk and interest rate risk by increasing the proportion of long-term borrowing, which was greater than 70% of total borrowings in this period.

### **Net income**

The net income of the Company and its subsidiaries for the period was Bt. 287 million, increasing by Bt. 61 million or 27% from the corresponding period of previous year, representing earnings per share of Bt. 1.15 or accounting for 10% of total revenues.

### **Financial position as of May 20, 2012**

#### **Total assets**

As of May 20, 2012, total assets of the Company and its subsidiaries were Bt. 45,434 million, an increase of Bt. 1,824 million or 4% from Bt. 43,610 million as of February 20, 2012. This was primarily due to an increase in net accounts receivable which represented 83% of total assets.

#### **Accounts receivable**

As of May 20, 2012, total accounts receivable (both current assets and non-current assets) amounted to Bt. 40,119 million, increasing by 4% from Bt. 38,705 million as of February 20, 2012. The Company's accounts receivable can be broken down by business type as follows: credit card receivables of Bt. 12,364 million, increasing by 5%, loan receivables of Bt. 26,685 million, increasing by 4%, and hire purchase receivables of Bt. 1,070 million, decreasing by 16% mainly due to migration of installment loan contracts since January 21, 2011 to be under loan receivables.

As of May 20, 2012, the Company and its subsidiaries provided allowance for doubtful accounts of Bt. 2,417 million or 6.02% of total accounts receivable, decreasing from Bt. 2,494 million or 6.44% of total accounts receivable at the end of the fiscal year 2011.

#### **Total liabilities**

As of May 20, 2012, total liabilities of the Company and its subsidiaries amounted to Bt. 39,021 million, an increase of Bt. 1,536 million or 4% from the end of the fiscal year 2011. This was mainly due to an increase in total borrowings of Bt. 1,089 million. As of May 20, 2012, short-term and long-term borrowings totaled Bt. 36,668 million, compared with Bt. 35,578 million as of February 20, 2012.

### **Shareholders' equity**

As of May 20, 2012, shareholders' equity of the Company and its subsidiaries was Bt. 6,413 million, an increase of Bt. 288 million or 5% from the end of the previous fiscal year. The increase was mainly due to the net income of Bt. 287 million which led to the book value of Bt. 25.7 per share at the end of the first quarter of fiscal year 2012. Debt to equity ratio was 6.1 times. Return on equity and return on assets equaled 18.3% and 2.6%, respectively.

### **Liquidity**

As of May 20, 2012, the Company and its subsidiaries recorded a cash balance of Bt. 1,677.27 million, broken down as follows:

- net cash used in operating activities of Bt. 583.82 million mainly resulting from an increase in accounts receivable and other receivables;
- net cash used in investing activities of Bt. 117 million mainly resulting from investment in software, notes receivable and fixed assets; and
- net cash provided from financing activities of Bt. 739.25 million mainly resulting from long-term loans and disposal of bad debts.

Taking into account the net decrease in cash and cash equivalents of Bt. 38.43 million and the beginning cash balance of Bt. 1,638.84 million, the Company had a cash balance as of May 20, 2012 of Bt. 1,677.27 million.

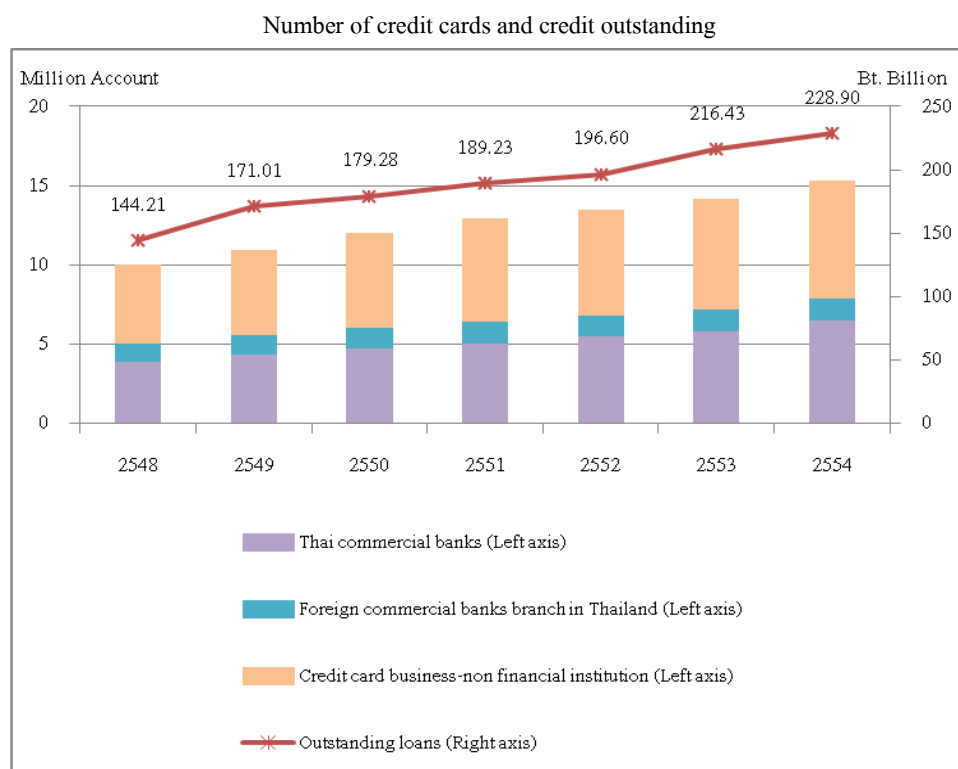
### **3.7 Overview of industry related to the Company's business**

#### **Overview of business and household credit**

The overall business credit in 2011 increased in line with demand for working capital, investment in fixed assets and stock of inventories. Household credit, including housing loan, credit card loan and others, during the first to the third quarters of 2011 also expanded. Demand for housing loan increased due to relaxation of borrowing conditions and improved consumer confidence, while demand for credit card loan and other loans was boosted by improved consumer confidence and general consumer spending. Demand for housing and credit card loans declined in the last quarter of 2011, ascribed to a decrease in ownership transfer transactions and shrinking demand for durable goods and eroding consumer confidence during the flood crisis. However, demand for other household loans expanded according to consumer spending on basic goods, relaxation of lending conditions and lower interest rates.

#### **Credit cards**

The major competitors are commercial banks and other non-bank credit card operators.



Source: Bank of Thailand

Note: Total number of accounts refers to number of accounts of credit card loans outstanding as at the end of period.

Total credit outstanding refers to amount outstanding as at the end of period.

Credit card business in Thailand continually grew with the average number of credit card growth of 9.03% a year or about 0.99 million accounts per year during 2005-2008. However, as a result of economic downturn, annual growth in total number of credit cards was 3.99% in 2009 and improved to 5.18% in 2010 amid economic recovery.

At the end of 2011, the total number of credit cards increased by 8.03% or 1.14 million accounts, comprising 7.43 million accounts from non-banks (growth 5.39%), 1.44 million accounts from foreign bank branches in Thailand (growth 6.67%), and 6.45 million accounts from commercial banks registered in Thailand (growth 11.40%). Meanwhile, total credit outstanding at the end of 2011 amounted to Bt. 228.90 billion, increasing by 5.76% from the end of previous year. This included Bt. 90.13 billion from non-banks, increasing 0.97%, Bt. 37.98 billion from foreign bank branches, increasing 2.34%, and Bt. 100.97 billion from commercial banks registered in Thailand, increasing 11.93% from the same period of previous year. Although the largest portion of total number of credit cards was mainly from non-banks, representing 48.44% of total portfolio, growth of credit card spending was mainly driven by commercial banks registered in Thailand. Total credit outstanding from commercial banks registered in Thailand has increased consecutively over the past years, representing 44.03% of total credit outstanding in 2011.

Currently, Thailand's credit card market started to saturate especially in Bangkok and vicinity areas. With the intense competition in the credit card business, the operators tend to focus on expanding customer base as well as spurring customer spending. However, the government policy to raise the minimum wage to Bt. 300 per day and the minimum salary for bachelor degree graduates to Bt. 15,000 per month will enhance the expansion of credit card and member card customer base.

#### **Hire purchase**

Hire purchase business is a form of financial service which, unlike banks and finance companies, is not regulated by the Bank of Thailand. Hire purchase operators are categorized to two types: providers of hire purchase installment loans for their own products and providers of hire purchase loans through their partners. The Company falls into the latter category.

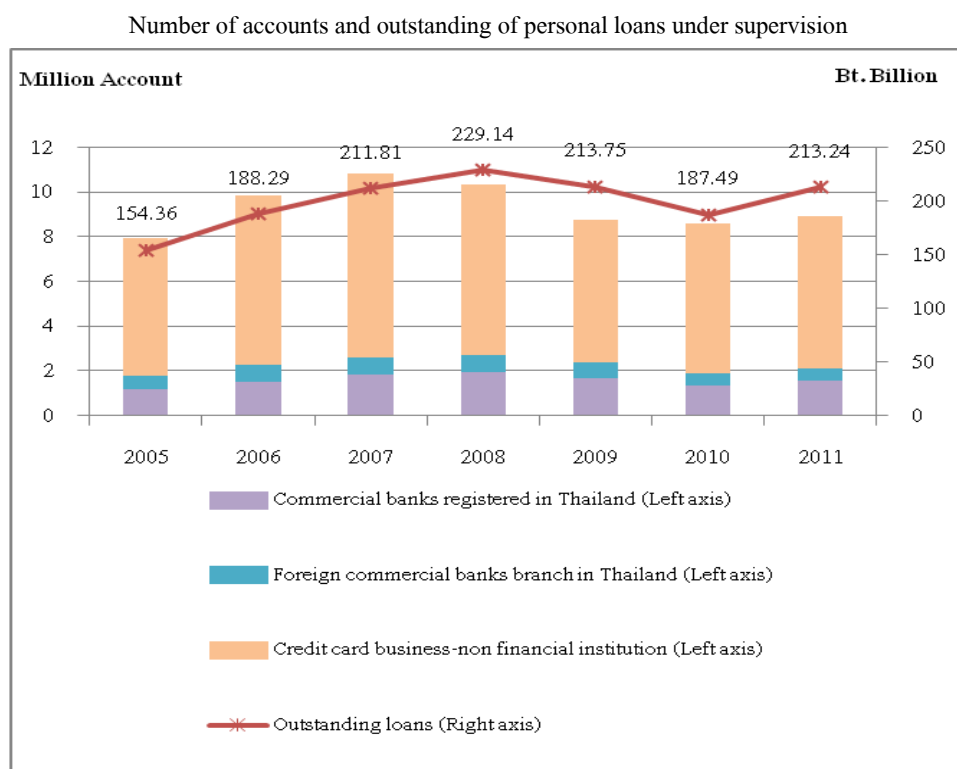
Currently, the Company mainly focuses on motorcycle hire purchase financing for low- to middle-income earners using motorcycle as their vehicle. The popular brands are mainly Honda, Yamaha, Suzuki and Kawasaki. The competitors in this business are Thitikorn Plc., High-Way Co., Ltd. and Thanabun Co., Ltd.

According to the statistics from Department of Land Transport, the number of newly registered motorcycles has consecutively grown over the past years, with an increase of 1.52 million units in 2009, 1.84 million units in 2010 and 2.0 million units in 2011, representing a growth rate of 21% in 2010 and 9% in 2011. The slower growth in 2011 was attributable to the flood crisis at the end of the year resulting in a delay in motorcycle purchase in that period, despite the growth of more than 15% during the first nine months of the year due to economic expansion as well as new products and attractive promotions continuously launched by motorcycle manufacturers.

However, the motorcycle market is expected to grow in 2012 according to the government policy to boost consumer spending by increasing income of farmers and low-income earners, who are the target group of the motorcycle market.

#### **Personal loans**

The major competitors are commercial banks and non-banks such as Ayudhya Capital Services Co., Ltd., Easy Buy Plc, and Promise (Thailand) Co., Ltd.



Source: Bank of Thailand

- Note: - Personal loans under supervision refer to uncollateralized personal loans, hire purchases, and leasing loans on goods of which the licensed lenders are usually not in the business of selling. Excluded from this category are Loans for hire purchases and leasing of automobiles and motorcycles, Loans for education, Loans for working abroad, Loans for medical care and Loans pertaining to employee benefits under an agreement between the employers and the lenders.
- Total number of accounts refers to number of accounts of only personal loans under supervision outstanding at the end of period.
  - Total personal loan outstanding includes only the principal (less deferred revenue) at the end of period.
  - From November 2010 onwards, some commercial banks registered in Thailand have reclassified the personal loan type which resulted in a decrease of personal loans under supervision.

Number of personal loan accounts under supervision in Thailand continually grew during 2005-2007. However, as a result of economic crisis in 2008, financial institutions have tightened their credit standards, thereby affecting the growth in number of personal loan accounts. Although, the economy is on an upward trend, total number of accounts and outstanding of personal loans under supervision at the end of 2010 declined from the end of previous year because of the personal loan type reclassification by some commercial banks registered in Thailand since November 2010. As a result, the number of accounts of personal loans under supervision at the end of 2010 decreased by 2% and the personal loan outstanding dropped by 12% from previous year.

In 2011, despite the effect from flood crisis during October - November, personal loan business expanded with an increase in the number of accounts of personal loans under supervision of 4% from

8.6 million accounts in the previous year to 8.9 million accounts. The number of accounts from commercial banks registered in Thailand and non-banks increased by 17% and 2% respectively. Meanwhile, the number of accounts from foreign bank branches in Thailand decreased by 7%. In addition, personal loan outstanding at the end of 2011 expanded by 14% from the end of the previous year to Bt. 213 billion, which was attributed to commercial banks registered in Thailand of Bt. 86 billion, increasing by 27%, foreign bank branches in Thailand of Bt. 19 billion, or up by 1%, and non-banks of Bt. 108 billion, or up by 7%.

In 2012, personal loan business growth will likely be driven by economic recovery and government policy to boost people's income. However, the operators will remain stringent in loan approval by mainly focusing on quality customers. Moreover, banks and non-banks will concentrate more on the personal loan segment since it is a large market, and will compete in offering competitive promotion in terms of price, services, access to customer, etc. in order to increase their market share.

#### **Outlook for business and household credit**

According to the survey on lending by financial institutions and non-banks in April 2012, the BOT projects that demand for business credit of all types will expand in the second quarter of 2012 due to funding needs for post-flood rehabilitation. The key factors driving credit expansion are loan demand from sectors such as construction materials, automobiles, foods and drinks, and wholesale and retail. Household loan demand is also expected to grow in line with the rising consumption demand.

Non-bank operators could offer a wide variety of retail financial services to customers. The basic qualifications required of retail finance customers are the age of 20 years or over, earning a regular income, having a secure job, etc. From the December 2011 Labor Force Survey by the National Statistical Office of Thailand (NSO), Ministry of Information and Communication Technology, there were 54.24 million people aged 15 years and over or at working age. Among them, 39.78 million were in the labor force (ready to work) or accounted for 73.3% of total working-aged people (39.49 million were employed, 120,000 were seasonally inactive labor force, and 172,000 were unemployed). Compared with the same period last year, the number of employment increased by roughly 0.3 million persons. The employed persons were in agriculture sector and non-agriculture sector at a ratio of 42.5% : 57.5% respectively.

In addition, the NSO Household Socio-economic Survey for 2011 from the sampling of some 52,000 households showed that the average total household income was Bt. 23,326 per month, which was mainly earned from wages and salaries from business and agriculture sectors. Based on the said data, there will be a lot more potential customers for the Company when compared with the current number of financial service customers, thus giving it an opportunity of business expansion in the future.

#### 4. Reasonableness of the transaction

##### 4.1 Objectives and necessity of the transaction

The Company's principal business activity is the provision of a variety of retail finance services, including credit card, hire purchase, and personal loan. The core business is credit card and personal loan business, representing 40% and 44% of total revenues in 2011 respectively. Its related companies are (1) ACSB which is a non-life insurance broker, giving recommendations and advice and performing as intermediary to negotiate deals between its clients and insurance companies for a suitable policy, and selling policies through telemarketing and face-to-face sales as well as providing claim services to corporate clients; (2) ACSL which is a life insurance broker, giving recommendations and advice and performing as intermediary to negotiate deals between its clients and insurance companies for a suitable policy, and selling policies through telemarketing and face-to-face sales as well as providing claim services to corporate clients; and (3) ACSS which provides professional debt collection services through phone calls and also offers legal consulting and enforcement services to various leading companies in hire purchase, banking, credit card, personal loan, mobile phone businesses, etc.

Therefore, the Company intends to acquire ordinary shares of the said three related companies to expand the business scope and diversify its retail finance services to boost profit. The Company will apply its existing database for non-life and life insurance brokerage services as well as debt collection service to better meet the customers' requirements. This will enhance benefits of the Company and the shareholders through growth of profit in the future.

##### 4.2 Advantages and disadvantages of entering into the transaction

###### 4.2.1 Advantages of entering into the transaction

###### a) Increase of net profit

After the share acquisition, the operating results of the three related companies will be consolidated in the Company's financial statements, thereby helping to grow the Company's profit from its holding of 100% of registered and paid-up share capital of ACSB, ACSL and ACSS. Based on its consolidated financial statements as of February 20, 2012, its net profit by Bt. 78.77 million. Details are shown in the table below:

###### Net profit

	Before acquisition	After acquisition
AEONTS <sup>1/</sup>	<sup>3/</sup> 161.11	<sup>3/</sup> 161.11
ACSB <sup>2/</sup>	-	27.61
ACSL <sup>2/</sup>	-	21.85
ACSS <sup>2/</sup>	-	29.01
<b>Total</b>	<b><sup>3/</sup>161.11</b>	<b>239.58</b>

Note: 1/ Consolidated financial statements audited by CPA ended February 20, 2012.



- 2/ Financial statements audited by CPA ended December 31, 2011.
- 3/ In the fiscal year 2011, the Company has provided extra bad debt provision reserved under the risk management policy to cover the customers who have been affected by flooding in FY2011 of 1,107 million baht.

In addition, ACSB, ASCL and ACSS are secured businesses that consistently earn a profit from the operation (except for ACSS which incurred a net loss of Bt. 13.81 million in 2007, which was the first year of its establishment when investments were required in assets such as computers, equipment and software). ACSB, ASCL and ACSS recorded retained earnings in 2011 of Bt. 51.62 million, Bt. 74.56 million and Bt. 103.87 million respectively, totaling Bt. 230.05 million.

Therefore, the acquisition of ordinary shares in the said three companies will generate more revenues and net profit to the Company. These companies are secured and have consistently recorded earnings from the operation.

b) Expansion and diversification of business

The Company's core business activity is the provision of retail finance services, including credit card, hire purchase and personal loan. As of May 20, 2012, It currently operates a total of 2.91 million active billing accounts and 2.04 million credit cards, with 90 branches nationwide. The acquisition will enable the Company to expand its business, using the existing retail finance customer base for non-life insurance business through ACSB and life insurance business through ASCL. The Company's distribution channels can be used for the business expansion such as sales at branches, sales along with other promotions of credit card, hire purchase and personal loan. The Company will be able to offer a variety of fully-integrated services including non-life and life insurance to its customers. For example, in case of motorcycle hire purchase, the Company will provide non-life insurance through ACSB, its subsidiary company.

Meanwhile, after credit provision, there may be bad debts or outstanding credits arising. The Company will then have ACSS as its collection arm. ACSS offers fully-integrated debt collection service through professional teams and modern technology. Apart from the Company, ACSS is well trusted by leading companies in hire purchase, banking, credit card, personal loan, mobile phone businesses, etc. to render debt collection service to these companies.

Therefore, the acquisition of ACSB, ASCL and ACSS ordinary shares will enable the Company to expand and diversify its business to better respond to the customers' demand by efficiently maximizing the existing customer base for more benefits to the Company.

c) Reduction of a conflict of interest and connected transactions

At present, there are several related party transactions between AEONTS and the three related companies, i.e. provision of management, accounting, personnel and computer system services, etc. Moreover, the business operation of the three related companies relies on the resources of AEONTS, including sale channel and premium payment through AEONTS branches or credit cards, while the Company itself is a key customer of ACSS's debt collection service.

The acquisition of the three related companies will eliminate the connected transactions and any potential conflict of interest once the three related companies have become the subsidiaries of AEONTS.

d) Overall cost reduction

The acquisition of shares in the three companies will benefit the Company in terms of the economies of scale. The Company and the related companies are providers of personal loan, non-life and life insurance and debt collection services to customers. After the acquisition, the related companies will become subsidiaries of the Company. According to its business plan, the Company will implement a joint marketing campaign and offer its services together with those of the related companies to ensure diverse and fully-fledged services. While the related companies will perform the marketing in the field of their respective expertise, the back-office resources such as accounting, personnel management and computer system will be shared under the management of the Company. Consequently, the Company and its subsidiaries will be able to reduce the cost and enhance their competitiveness in the future.

4.2.2 *Disadvantages of entering into the transaction*

a) Decrease in cash and cash equivalents due to the share acquisition

To acquire shares of the three related companies, the Company is required to make cash payment in the amount of not exceeding Bt. 360 million which will come from its working capital. This may affect the Company's liquidity in its business operation.

However, the Company gained a net profit over the past three years, accounting for Bt. 984.26 million in 2009, Bt. 991.94 million in 2010, Bt. 161.07 million in 2011 and Bt. 286.87 million in the first three months of 2012. According to the audited separate financial statement of the Company as of May 20, 2012, it had cash and cash equivalents of Bt. 1,613.64 million. Therefore, such acquisition of shares by cash payment of not exceeding Bt. 360 million will have no material effect on the Company's liquidity.

b) Uncertainty of operating results of ACSB, ACSL and ACSS

After the share acquisition, the three related companies will become subsidiaries of the Company. Consequently, the Company will have to recognize operating profits of these companies according to the shareholding proportion. In 2011, ACSB, ACSL and ACSS recorded net profit of Bt. 27.61 million, Bt. 21.53 million and Bt. 29.31 million respectively. If their operating results do not come out as expected, the overall performance of the Company could be affected.

However, these companies have a strong status with an uninterrupted operation and a consecutive profit. As of December 31, 2011, ACSB, ACSL and ACSS reported retained earnings of Bt. 51.62 million, Bt. 74.56 million and Bt. 103.87 million respectively, totaling Bt. 230.05 million. It is believed that the acquisition of shares in these companies will improve the overall financial position and operating results of the Company.

#### 4.3 Advantages and disadvantages of not entering into the transaction

##### 4.3.1 *Advantages of not entering into the transaction*

###### a) No decrease in cash and cash equivalents

If the Company does not purchase shares of the three related companies, its cash and cash equivalents will not decrease and its favorable liquidity and working capital will be maintained.

Nonetheless, the share acquisition to be paid by cash in the amount not exceeding Bt. 360 million will have no material impact on the Company's liquidity as the Company posted a net profit from the operation over the past three years and the first three months of 2012, and has adequate cash and cash equivalents.

###### b) No risk from operation of ACSB, ACSL and ACSS

If not entering into the transaction, the Company is not required to consolidate the financial statements with the three related companies. Thus, the financial position and operating results of these companies will not affect the consolidated financial statements of the Company.

##### 4.3.2 *Disadvantages of not entering into the transaction*

###### a) Loss of opportunity to expand business and recognize higher revenues and profit

Without the share acquisition, the Company will not be able to apply its retail finance customer base for diversifying into the non-life and life insurance businesses so as to offer fully-integrated services to its customers, hence a loss of opportunity to increase the revenues and net profit.

###### b) No elimination of conflict of interest

Currently, the Company and the related companies have entered into related party transactions, whereby the Company provides them with services such as accounting, personnel, computer system, etc. Moreover, the business operation of the three related companies relies on the resources of AEONTS, including sale channel and premium payment through AEONTS branches or credit cards, whereas the Company is a key customer of ACSS's debt collection service.

Therefore, without the acquisition of shares, the connected transactions will continue and the conflict of interest will not be eliminated.

4.4 Advantages and disadvantages between entering into the transaction with a connected party and with a third party, necessity for making the transaction with a connected party and reasons for not making the transaction with a third party

To acquire shares of the three related companies, AEONTS will enter into the transaction with the Seller, which is a connected party, instead of a third party. This is because, as a major shareholder of AEONTS, the Seller has good relationship with the Company and well understands the work and business culture. It has also taken part in the management of the Company and the three related parties for a long time. Thus, negotiation and study of information for the transaction can be quickly completed. In addition, the Seller understands and views that the transaction will benefit the Company and the shareholders as a whole, enabling expansion of business and service to better meet the customers' demand. The Company will be able to utilize its retail finance customer database to enhance the business efficiency and variety of services. As such, negotiation for the transaction can be more easily agreed upon than one made with a third party.

Furthermore, the acquisition price for this transaction is determined by the book value method based on the audited financial statements as of December 31, 2011, adjusted with any transactions that reflect changes to the total equity of each company occurring between January 1, 2012 and the transaction date. Such acquisition price is fair to both the Acquirer and the Seller. However, if entering into the transaction with a third party, the acquisition price may not be determined by such method. The study and negotiation will be more time-consuming as the parties are not acquainted with each other. Each party will make the best effort to protect its own benefit and ensure the best deal in their favor.

## 5. Reasonableness of price and conditions for the transaction

### 5.1 Appropriateness of transaction price

#### 5.1.1 *ACS Insurance Broker (Thailand) Co., Ltd. (ACSB)*

The Company intends to acquire the entire 5,999,997 shares in ACSB held by ACSC at the acquisition price which is set to be equal to the number of shares in ACSB held by ACSC times the total book value of ACSB according to its audited financial statements as at December 31, 2011, adjusted with any transactions that may affect the total equity of ACSB occurring between January 1, 2012 and the Transaction Date which is initially expected to be August 31, 2012. However, the acquisition price for those shares shall not exceed Bt. 100.00 million.

We have valued ACSB shares by the following approaches as a basis for determining appropriateness of the acquisition price:

- (a) Market Price Approach
- (b) Book Value Approach
- (c) Adjusted Book Value Approach
- (d) Price to Book Value Approach
- (e) Price to Earnings Ratio Approach
- (f) EV/EBITDA Approach
- (g) Discounted Cash Flow Approach

#### Details of share valuation

##### (a) **Market Price Approach**

Since ACSB shares are not listed on the SET, the market price of the shares is not available, hence, the valuation of ACSB shares by this approach cannot be calculated.

##### (b) **Book Value Approach**

Under this method, the shares are valued from a net book value of assets (total assets less total liabilities), or equivalent to shareholders' equity of ACSB, divided by total number of shares to derive the book value of shares, in reference to ACSB's financial statements as at December 31, 2011, which was audited by Mr. Niti Jungnitnirunda of Deloitte Touche Tohmatsu Jaiyos Audit Co., Ltd., and adjustment for major events after the date of the financial statements which are (1) the meeting of ACSB's Board of Directors No. 1/2012 on April 20, 2012 has approved dividend payment for the total amount of Bt. 50.00 million, also the Annual General Meeting of ACSB's shareholders for the year 2012 has approved the same on April 30, 2012 and the dividend has already been paid since June 22, 2012; and (2) the meeting of ACSB's Board of Directors No. 3/2012 on May 15, 2012 has approved to increase ACSB's share capital

from Bt. 10.00 million to Bt. 60.00 million, and the Extraordinary General Meeting of ACSB's shareholders No. 1/2012 on June 15, 2012 has already approve the same, and ACSB has already registered the capital increase since June 25, 2012. Here is outcome of the share valuation:

<b>Particulars</b>	<b>Amount (Bt. million)</b>
Issued and paid-up capital as at December 31, 2011	10.00
Capital Increase on June 25, 2012	50.00
Retained earnings (deficits)	
- Appropriated – legal reserve	1.00
- Unappropriated	51.78
Dividend payment on June 22, 2012	(50.00)
<b>Total shareholders' equity of ACSB</b>	<b>62.78</b>
Number of paid-up shares (million shares) as at December 31, 2011	1.00
Increase in paid-up shares (million shares) as at June 25, 2012	5.00
<b>Total number of paid-up shares</b>	<b>6.00</b>
<b>Par value per share (Bt.)</b>	<b>10.00</b>
<b>Book value per share (Bt.)</b>	<b>10.46</b>

The share valuation by this approach only reflects ACSB's financial position as at December 31, 2011 adjusting with major events occurring up until June 30, 2012, but could not reflect either the present market value of the assets or ACSB's profitability in the future. By this method, ACSB shares are valued at Bt. 10.46 per share. Thus, the acquisition of 5,999,997 shares in ACSB from ACSC is valued at Bt. 62.78 million in total.

(c) **Adjusted Book Value Approach**

By this method, the shares are valued from ACSB's total assets less total liabilities as at December 31, 2011, adjusted with commitments and contingent liabilities, a revaluation surplus or deficit in market price of fixed assets as reappraised by an independent valuer, changing market value of securities, etc., and then divided by total number of ACSB shares.

We have not measured ACSB's value by the adjusted book value approach due to the fact that its non-current assets mainly comprise computer software and telephone system, which have not been revalued accordingly. Moreover, these assets have a short useful life of 1-5 years and any damaged items will always be replaced. Therefore, their book value could still reflect the market value to a certain extent. At the same time, accounts receivable of ACSB mostly are undue accounts and thus need not to be adjusted. Accordingly, there is not any item requiring book value adjustment.

**(d) Price to Book Value Approach**

By this approach, the shares are valued by taking the book value of ACSB shares as at December 31, 2011 adjusted with events after the date of the financial statements until June 30, 2012 as in Item 5.1.1 (b), which is Bt. 10.46 per share, multiplied by an average price to book value ratio (P/BV) of comparable companies that are listed on the SET. There are not any listed entities operating insurance brokerage service similar to ACSB. However, to provide some information to the shareholders, we have selected the listed companies in the SET's Insurance Sector that engage in non-life insurance business and offer the same types of policy as those sold by ACSB to its existing customers, including 15 companies as follows:

- 1.) Sri Ayudhya Capital Plc. ("AYUD")
- 2.) Bangkok Insurance Plc. ("BKI")
- 3.) Bangkok Union Insurance Plc. ("BUI")
- 4.) Charan Insurance Plc. ("CHARAN")
- 5.) Indara Insurance Plc. ("INSURE")
- 6.) Muang Thai Insurance Plc. ("MTI")
- 7.) The Navakij Insurance Plc. ("NKI")
- 8.) Nam Seng Insurance Plc. ("NSI")
- 9.) The Siam Commercial Samaggi Insurance Plc. ("SCSMG")
- 10.) Syn Mun Kong Insurance Plc. ("SMK")
- 11.) Thai Reinsurance Plc. ("THRE")
- 12.) Thai Insurance Plc. ("TIC")
- 13.) Dhipaya Insurance Plc. ("TIP")
- 14.) The Thai Setakij Insurance Plc. ("TSI")
- 15.) Thaivivat Insurance Plc. ("TVI")

The average P/BV ratio of the above 15 peer companies prevailing in the retroactive one month, three months, six months, nine months and 12 months up to June 22, 2012 (one business day before the Company's Board of Directors considered the acquisition of 5,999,997 shares in ACSB from ACSC) can be shown in the table below:

Symbol	Average historical P/BV <sup>1/</sup>				
	1 month	3 months	6 months	9 months	12 months
AYUD	1.10	1.07	0.95	0.90	0.90
BKI	0.90	0.97	0.96	0.94	0.95
BUI	0.49	0.50	0.52	0.54	0.54
CHARAN	0.54	0.54	0.50	0.49	0.49

Symbol	Average historical P/BV <sup>1/</sup>				
	1 month	3 months	6 months	9 months	12 months
INSURE	2.66	4.04	N/A	N/A	N/A
MTI	1.28	1.17	1.07	1.03	1.08
NKI	0.93	0.93	0.90	0.89	0.91
NSI	0.45	0.50	0.48	0.47	0.49
SCSMG	2.90	3.07	2.62	2.44	2.45
SMK	2.03	2.19	2.11	2.08	2.10
THRE	2.07	12.80	8.10	6.02	5.15
TIC	0.61	0.63	0.62	0.60	0.60
TIP	1.90	1.91	1.73	1.70	1.73
TSI	2.45	1.72	1.19	0.98	0.90
TVI	0.72	0.74	0.76	0.75	0.74
<b>Average <sup>2/</sup></b>	<b>1.25</b>	<b>1.23</b>	<b>1.11</b>	<b>1.06</b>	<b>1.07</b>

Source: www.setsmart.com

Note: <sup>1/</sup> N/A refers to a peer whose P/BV is not available due to non-trading of its shares during the given period.

<sup>2/</sup> The average P/BV calculation here does not include 1) P/BV of INSURE because of its thin trading in the past 12 months, 2) P/BV of THRE because it is considered an outlier, and 3) N/A figures.

Here is the formula for share valuation by this method:

<b>ACSB share value = P/BV ratio of peer group × Book value of ACSB as at December 31, 2011</b>
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Conclusion of the valuation of ACSB shares by the P/BV ratio approach:

Retroactive period	P/BV of peer group (time)	Book value of ACSB as at Dec 31, 2011*	Share value (Bt./share)	No. of shares held by ACSC (shares)	Total acquisition value
		(Bt./share)			(Bt. million)
1 month	1.25	10.46	13.08	5,999,997	78.48
3 months	1.23	10.46	12.87	5,999,997	77.22
6 months	1.11	10.46	11.62	5,999,997	69.72
9 months	1.06	10.46	11.09	5,999,997	66.54
12 months	1.07	10.46	11.20	5,999,997	67.20

Remark: \* adjusted with events after the date of the financial statements until June 30, 2012



The share valuation by this approach reflects the operating performance and financial position of ACSB at a certain point of time, but could not reflect the present market value of assets and the future profitability prospect.

Under this approach, ACSB shares are valued in a range of Bt. 11.09 – 13.08 per share. Thus, the acquisition of 5,999,997 shares in ACSB from ACSC is valued at Bt. 66.54 – 78.48 million in total.

Since ACSB shares are not listed on the SET and, thus, have no trading liquidity, we have revised the said appraised share value down by 10% to a range of Bt. 9.98 – 11.77 per share, bringing the total acquisition price of ACSB shares from ACSC down to a range of Bt. 59.87 – 70.62 million.

(e) **Price to Earnings Ratio Approach**

By this approach, the share value is measured from ACSB's earnings per share over the past 12 months up to December 31, 2011, equal to Bt. 4.60 per share (Net income for the fiscal year 2011 amounting for Bt. 27.61 million divided by total number of shares after the capital increase on June 25, 2012 of 6.00 million shares), multiplied by the average of price to earnings ratio (P/E) of peer group in the retroactive one month, three months, six months, nine months and 12 months.

The average P/E of the above-mentioned 15 peer companies in the retroactive one month, three months, six months, nine months and 12 months up to June 22, 2012 (one business day before the Company's Board of Directors considered the acquisition of 5,999,997 shares in ACSB from ACSC) is shown in the below table:

Symbol	Average historical P/E <sup>1/</sup>				
	1 month	3 months	6 months	9 months	12 months
AYUD	N/A	N/A	12.38	12.57	13.38
BKI	N/A	357.65	187.19	119.44	90.48
BUI	63.69	55.06	34.27	25.61	21.11
CHARAN	N/A	N/A	15.17	16.81	20.65
INSURE	N/A	N/A	N/A	N/A	N/A
MTI	72.96	74.35	41.29	29.15	24.15
NKI	N/A	N/A	8.62	9.61	10.37
NSI	12.40	7.02	4.94	4.18	3.93
SCSMG	N/A	N/A	10.43	11.43	12.68
SMK	10.89	11.08	9.18	8.31	8.28
THRE	N/A	N/A	9.97	9.53	10.56
TIC	N/A	N/A	4.96	5.08	5.62
TIP	463.89	282.44	156.97	108.13	84.16
TSI	N/A	N/A	N/A	N/A	N/A
TVI	6.18	10.28	14.17	13.24	12.38
<b>Average <sup>2/</sup></b>	<b>9.82</b>	<b>9.46</b>	<b>9.98</b>	<b>10.08</b>	<b>10.87</b>

Source: www.setsmart.com

Note: <sup>1/</sup> N/A refers to a peer which operated at a loss or whose shares were not traded during the given period.

<sup>2/</sup> The average P/E calculation here does not include 1) P/E of INSURE because of its thin trading in the past 12 months, 2) P/E of BKI, BUI, MTI and TIP because they are considered an outlier, and 3) N/A figures.

Here is the formula for share valuation by this method:

$\text{ACSB share value} = \text{P/E ratio of peer group} \times \text{Earnings per share of ACSB in the retroactive 12 months}$
--

Conclusion of the valuation of ACSB shares by the P/E ratio approach:

Retroactive period	P/E of peer group (time)	Earnings per share		No. of shares	Total
		of ACSB as at Dec	Share value	held by ACSC	acquisition
		31, 2011* (Bt./share)	(Bt./share)	(shares)	value (Bt. million)
1 month	9.82	4.60	45.17	5,999,997	271.02
3 months	9.46	4.60	43.52	5,999,997	261.12
6 months	9.98	4.60	45.91	5,999,997	275.46
9 months	10.08	4.60	46.37	5,999,997	278.22
12 months	10.87	4.60	50.00	5,999,997	300.00

Remark: \* adjusted with events after the date of the financial statements until June 30, 2012

The share valuation by this approach focuses on profitability in the last 12 months but does not take into account of long-term potential and profitability prospect of ACSB in the future. Besides, due to the variation in nature of business and financial structure of the selected comparable companies which leads to a difference in working performance and profitability of the individual companies, the share value derived from this method might not fairly reflect the true value or price of ACSB shares.

Under this approach, ACSB shares are valued in a range of Bt. 43.52 – 50.00 per share. Thus, the acquisition of 5,999,997 shares in ACSB from ACSC is valued at Bt. 261.12 – 300.00 million in total.

Since ACSB shares are not listed on the SET and, thus, have no trading liquidity, we have revised the said appraised share value down by 10% to a range of Bt. 39.17 – 45.00 per share, bringing the total acquisition price of ACSB shares from ACSC down to a range of Bt. 235.02 – 270.00 million.

(f) **EV/EBITDA Approach**

By this approach, the shares are appraised from the average EV/EBITDA of peer group, multiplied by EBITDA of ACSB less interest-bearing debts and minority interest and plus cash of ACSB.

ACSB recorded EBITDA in the last 12 months ended December 31, 2011, based on the audited financial statements for 2011, of Bt. 40.58 million and had cash and cash equivalent items as at December 31, 2011 of Bt. 71.69 million (According to the events after the date of the financial statements: (1) dividend payment of Bt. 50 million and (2) capital increase of Bt. 50 million, there is no adjustment to be made to ACSB's cash.), but had no interest-bearing debts and no minority interest. Thus, ACSB shares can be valued by this approach as follows:

$$\text{EV of ACSB} = \text{Average EV/EBITDA of peer group} \times \text{EBITDA}$$

Where:

$$\text{EV} = \text{Market cap} + \text{Minority interest} + \text{Interest-bearing debts} - \text{Cash}$$

$$\text{Market cap} = \text{Share price} \times \text{Total paid-up shares of ACSB}$$

$$\begin{aligned} \text{ACSB share price} = & \{(\text{Average EV/EBITDA of peer group} \times \text{EBITDA}) - \text{Minority} \\ & \text{interest} - \text{Interest-bearing debts} + \text{Cash (incl. current investments)}\} \\ & / \text{Total paid-up shares} \end{aligned}$$

The average EV/EBITDA of the above-mentioned 15 peer companies in the retroactive one month, three months, six months, nine months and 12 months up to June 22, 2012 (one business day before the Company's Board of Directors considered the acquisition of 5,999,997 shares in ACSB from ACSC) is shown in the below table:

Symbol	Average historical EV/EBITDA <sup>1/</sup>				
	1 month	3 months	6 months	9 months	12 months
AYUD	N/A	N/A	N/A	N/A	N/A
BKI	144.13	145.62	141.92	139.50	143.12
BUI	4.21	4.30	4.37	4.58	5.03
CHARAN	1.28	1.24	1.40	1.47	1.63
INSURE	5.12	6.70	N/A	N/A	N/A
MTI	N/A	N/A	N/A	N/A	N/A
NKI	N/A	N/A	N/A	N/A	N/A
NSI	5.27	6.01	5.80	5.63	5.75
SCSMG	N/A	N/A	N/A	N/A	N/A
SMK	5.28	5.30	5.04	4.90	4.93
THRE	N/A	N/A	N/A	N/A	N/A
TIC	N/A	N/A	N/A	N/A	N/A
TIP	12.79	12.24	11.08	11.30	12.40
TSI	N/A	N/A	N/A	N/A	N/A
TVI	N/A	N/A	N/A	N/A	N/A
Average <sup>2/</sup>	5.77	5.82	5.54	5.58	5.95

Source: [www.setsmart.com](http://www.setsmart.com) and calculation by IFA

Note: <sup>1/</sup> N/A refers to a peer which reported a negative EBITDA or whose shares were not traded during the given period.

<sup>2/</sup> The average EV/EBITDA calculation here does not include 1) EV/EBITDA of INSURE because of its thin trading in the past 12 months, 2) EV/EBITDA of BKI because it is considered an outlier, and 3) N/A figures.

Conclusion of the valuation of ACSB shares by the EV/EBITDA approach:

<b>Retroactive period</b>	<b>EV/EBITDA of peer group (time)</b>	<b>EBITDA of ACSB as at Dec 31, 2011 (Bt. million)</b>	<b>Share value (Bt./share)</b>	<b>No. of shares held by ACSC (shares)</b>	<b>Total acquisition value (Bt. million)</b>
1 month	5.77	40.58	50.94	5,999,997	305.64
3 months	5.82	40.58	51.30	5,999,997	307.80
6 months	5.54	40.58	49.40	5,999,997	296.40
9 months	5.58	40.58	49.66	5,999,997	297.96
12 months	5.95	40.58	52.18	5,999,997	313.08

The share valuation by this approach focuses on profitability in the retroactive 12 months but does not take into account of long-term potential and profitability prospect of ACSB in the future. Therefore, the share value derived from this method might not fairly reflect the true value or price of ACSB shares.

Under this approach, ACSB shares are valued in a range of Bt. 49.40 – 52.18 per share. Thus, the acquisition of 5,999,997 shares in ACSB from ACSC is valued at Bt. 296.40 – 313.08 million in total.

Since ACSB shares are not listed on the SET and, thus, have no trading liquidity, we have revised the said appraised share value down by 10% to a range of Bt. 44.46 – 46.96 per share, bringing the total acquisition price of ACSB shares from ACSC down to a range of Bt. 266.76 – 281.76 million.

**(g) Discounted Cash Flow Approach**

This approach focuses on ACSB's future performance by estimating the present value of free cash flow expected under financial projection of ACSB on a going concern basis, given there are not any material changes thereof. The projection is also based on the current economic conditions and circumstances where the business operation is under oversight of the current management team, taking no account of any plan or change that might be set out by the Company in the future.

The financial projection and assumptions have been prepared by us for an estimation of free cash flow from a forecasted performance of ACSB in the future. Such assumptions are derived from the actual historical financial data or ratios and the publicly available information of the Company such as an auditor report, financial statements, and information obtained from the Company and ACSB, as well as information obtained from interviews with the management of the Company and ACSB.

The said assumptions are established under the current economic situation. Thus, given there is any crucial change from the assumptions in the economic condition and other external factors that could affect ACSB's operation, as well as in ACSB's status, the share value measured by this approach will change accordingly.

Here are the key assumptions used for preparing the financial projection:

### **Insurance sales**

ACSB provides insurance brokerage services for a number of insurance firms and generates income from brokerage fees earned in percentage of policy sales. There are two types of insurance coverage sold by ACSB: (1) car insurance covering all kinds of motor vehicles, including compulsory motor insurance and motorcycle insurance, and (2) other insurance services such as personal accident insurance, fire insurance, marine insurance, and so on.

ACSB's car insurance sales have grown consistently. Thus, we estimate its car insurance sales to increase constantly at a rate, close to the average historical growth rate, of 5.00% per year throughout the projection period.

Sales of other insurance services dropped steadily because ACSB has slowed the sales of products with low brokerage fees and focused more on those yielding higher fees. Particularly, it stopped selling the personal accident insurance to new customers in 2010-2011 and has maintained only existing customers through policy renewal.

In 2010-2011, ACSB launched new policies covering dental treatment, cancer, and hospital benefit insurance, all of which earn a brokerage fee at a considerably higher rate than the personal accident insurance. As a result, the decrease rate of its sales has narrowed and it is expected that the growth rate of its new products will ultimately compensate for the decline in its sales of the personal accident insurance and further help to enhance its future growth. We therefore forecast that sales of other insurance services will grow by 3.00% per year from 2012 until the end of the projection period.

Unit: Bt. million	Historical			Projected				
	2009	2010	2011	2012	2013	2014	2015	2016
1. Car insurance	203.43	216.23	225.80	237.10	248.95	261.40	274.47	288.19
<i>Growth rate</i>	<i>N/A</i>	<i>6.3%</i>	<i>4.4%</i>	<i>5.0%</i>	<i>5.0%</i>	<i>5.0%</i>	<i>5.0%</i>	<i>5.0%</i>
2. Other insurance	903.67	787.13	767.73	790.76	814.49	838.92	864.09	890.01
<i>Growth rate</i>	<i>N/A</i>	<i>-12.9%</i>	<i>-2.5%</i>	<i>3.0%</i>	<i>3.0%</i>	<i>3.0%</i>	<i>3.0%</i>	<i>3.0%</i>

### **Income from insurance brokerage fees**

In 2009-2011, brokerage fees from car insurance stayed at a relatively stable rate of 14.80% – 15.40% of total car insurance sales. Hence, car insurance brokerage fees are projected, close to the average of the past three years, at 15.00% of total car insurance sales throughout the projection period.

As regards other insurance services, ACSB has, as described earlier, switched from low-yield products to those giving a higher brokerage fee. Therefore, to reflect the current sales structure of ACSB, we assume its brokerage fee from other insurance services to be at a stable rate of 7.50% of its total sales of other insurance products throughout the projection period.

Unit: Bt. million	Historical			Projected				
	2009	2010	2011	2012	2013	2014	2015	2016
1. Car insurance	31.40	32.67	33.34	35.56	37.34	39.21	41.17	43.23
<i>Brokerage fee</i>	<i>15.4%</i>	<i>15.1%</i>	<i>14.8%</i>	<i>15.0%</i>	<i>15.0%</i>	<i>15.0%</i>	<i>15.0%</i>	<i>15.0%</i>
2. Other insurance	33.57	38.29	57.82	59.55	61.34	63.18	65.07	67.03
<i>Brokerage fee</i>	<i>3.7%</i>	<i>4.9%</i>	<i>7.5%</i>	<i>7.5%</i>	<i>7.5%</i>	<i>7.5%</i>	<i>7.5%</i>	<i>7.5%</i>

### **Other revenues**

Other revenues include income from policy issuance service, income from marketing subsidy receivable from other insurance companies, etc. Based on historical data, ACSB in 2011 recorded an increase of Bt. 5.95 million in other revenues, which came from an increase in income from marketing subsidy received from sales of new insurance products in that year. However, the percentage of other revenues to total brokerage fee income has decreased continuously as brokerage fees grew faster than other revenues. Therefore, to reflect the most current change in revenue structure of ACSB, we estimate the percentage of other revenues at a stable rate, close to the 2011 level, of 38.00% of its total brokerage fee income throughout the projection period.

Unit: Bt. million	Historical			Projected				
	2009	2010	2011	2012	2013	2014	2015	2016
Other revenues	28.63	28.63	34.58	36.14	37.50	38.91	40.37	41.90
<i>As % of brokerage fee income</i>	<i>44.1%</i>	<i>40.3%</i>	<i>37.9%</i>	<i>38.0%</i>	<i>38.0%</i>	<i>38.0%</i>	<i>38.0%</i>	<i>38.0%</i>

### **Cost of services**

Cost of services rose every year due to an increase in advertising and PR expenses and in compensation for temporary staff hired to boost sales for an insurance company. However, the percentage of cost of services to total revenues dropped continually due to a robust growth in sales of such insurance company, which gave a high commission fee, thereby leading total revenues to increase at a much faster rate than service cost. Therefore, to reflect the most current change in revenue and cost structure of ACSB, we estimate the percentage of cost of services at a stable rate, close to the 2011 level, of 46.00% of its total revenues throughout the projection period.

Unit: Bt. million	Historical			Projected				
	2009	2010	2011	2012	2013	2014	2015	2016
Cost of services	46.90	47.21	58.17	60.38	62.64	65.00	67.44	69.99
<i>As % of total revenues</i>	<i>50.1%</i>	<i>47.4%</i>	<i>46.3%</i>	<i>46.0%</i>	<i>46.0%</i>	<i>46.0%</i>	<i>46.0%</i>	<i>46.0%</i>

### **Selling and administrative expenses**

Selling and administrative expenses can be broken down into two categories:

(1) Fixed costs:

- Personnel expenses are set to grow 5.00% per year, based on the average pay increase rate in general.
- Professional fees are composed of marketing service fees, consulting fees and audit fees. Professional fees increased substantially in 2009-2011, coming from a hiring of marketing consultant, starting in mid-2010, involving a fee of Bt. 0.10 million per month which is a new expense category, and the contract still remains effective and is expected to continue throughout the projection period. However, no further increase in expense category, other than the existing expenses categories, is anticipated, , throughout the projection period. We therefore assume selling and administrative expenses to increase by 3.00%, close to the inflation rate, until the end of the projection period.

- (2) Variable costs: Although the percentage of variable costs to total revenues went up in 2011, such increase resulted from an expense on ACSB website creation of around Bt. 2.00 million, which was one-time expense incurred in 2011 only. We therefore estimate variable costs from 2012 onwards to be 7.00% of total revenues, close to the actual percentage in 2009-2010.

Unit: Bt. million	Historical			Projected				
	2009	2010	2011	2012	2013	2014	2015	2016
1. Fixed costs								
1.1 Personnel expenses	9.78	11.21	11.39	11.96	12.56	13.18	13.84	14.54
<i>Growth rate</i>	<i>N/A</i>	<i>14.6%</i>	<i>1.6%</i>	<i>5.0%</i>	<i>5.0%</i>	<i>5.0%</i>	<i>5.0%</i>	<i>5.0%</i>
1.2 Professional fees	4.20	4.90	5.40	5.67	5.95	6.25	6.56	6.89
<i>Growth rate</i>	<i>N/A</i>	<i>16.7%</i>	<i>10.2%</i>	<i>3.0%</i>	<i>3.0%</i>	<i>3.0%</i>	<i>3.0%</i>	<i>3.0%</i>
2. Variable costs	6.17	6.95	10.19	9.19	9.53	9.89	10.26	10.65
<i>As % of total revenues</i>	<i>6.6%</i>	<i>7.0%</i>	<i>8.1%</i>	<i>7.0%</i>	<i>7.0%</i>	<i>7.0%</i>	<i>7.0%</i>	<i>7.0%</i>



**Corporate income tax**

Corporate income tax of ACSB is expected at 23.00% of pre-tax profit in 2012 and at 20.00% from 2013 until the end of the projection period.

**Capital expenditure**

In 2010-2011, the yearly turnover of ACSB's equipment and intangible assets such as computer software steadied at around 7.50 times on average. Thus, we expect ACSB to continue investments in these assets in order to maintain such turnover rate throughout the projection period. The yearly investment can be summed up below:

Unit: Bt. million	Projected				
	2012	2013	2014	2015	2016
Capital expenditure	1.92	1.80	2.02	2.27	2.54

The above investments are subject to depreciation of five years on average.

**Turnover rate of current assets and current liabilities**

Projection is made based on the average of the past three years, remaining stable throughout the projection life, as follows:

- Insurance premiums receivable      approx.    23 days
- Brokerage fees receivable              approx.    70 days
- Insurance premiums payable        approx.    30 days
- Other trade accounts payable        approx.    60 days
- Accrued income tax period           approx.    138 days

**Terminal value**

Terminal value is projected, by the perpetuity growth model and the conservative approach, to grow 0.00% per year after the projection period.

Based on the above assumptions, we have estimated the present value of free cash flow expected from the forecasted performance and financial position of the Company and its subsidiaries in a five-year period (2012-2016), using a proper discount rate. Since ACSB carries no financial debts, we have adopted the cost of equity (Ke), equal to 7.55% per year, as a discount rate. The calculation of Ke is as follows:

$$K_e = R_f + \beta(R_m - R_f)$$

Where:

Risk free rate (Rf) is derived from the average bid yield on the government bond with a maturity of 20 years, which as at June 22, 2012 was 4.26% per year (available from [www.thaibma.or.th](http://www.thaibma.or.th)). We have selected bond with such long maturity period because it could reflect investment condition in different time periods better than shorter term data.

Beta ( $\beta$ ) is the variance between market return and closing price of the comparable companies. Here, we have used the average beta in the past three years of the 15 non-life insurance companies, equal to 0.52 (from Bloomberg, as at June 22, 2012).

Rm is based on the average rate of return on the SET over the past 20 years, a period that could reflect the investment condition in different time periods better than the shorter term data (from SET data for 1992-2012), equivalent to 10.59% per year.

Under the assumptions above, we have arrived at a fair value of ACSB shares of Bt. 98.75 per share in the base case scenario and the total acquisition price for 5,999,997 shares in ACSB from ACSC of Bt. 591.42 million, as illustrated in the table below:

Unit: Bt. million	2012	2013	2014	2015	2016
EBIT	42.92	44.17	45.45	46.75	48.08
Add Depreciation	1.14	1.32	1.53	1.75	2.01
Less Income tax	(9.87)	(8.83)	(9.09)	(9.35)	(9.62)
Change in working capital-net					
Insurance premiums receivable	(2.57)	(2.24)	(2.32)	(2.41)	(2.50)
Brokerage fees receivable	0.93	(0.68)	(0.71)	(0.74)	(0.77)
Insurance premiums payable	2.73	2.92	3.03	3.14	3.26
Other trade accounts payable	0.32	0.57	0.60	0.62	0.65
Accrued corporate income tax	(1.10)	(0.39)	0.10	0.10	0.10
Capital expenditure	(1.92)	(1.80)	(2.02)	(2.27)	(2.54)
Free cash flow to firm	32.58	35.04	36.55	37.60	38.67
Terminal value					512.46
Total cash flow	32.58	35.04	36.55	37.60	551.13
Discount rate	7.55%	7.55%	7.55%	7.55%	7.55%
Discount period (year)	0.50	1.50	2.50	3.50	4.50
Discount factor	0.96428	0.89663	0.83372	0.77522	0.72083
PV of cash flow	31.41	31.42	30.48	29.15	397.28
Enterprise value	519.74				

Unit: Bt. million	2012	2013	2014	2015	2016
<u>Add</u> Cash*	71.69				
<u>Less</u> Interest-bearing debts*	-				
Total value of equity	591.43				
Total number of paid-up shares (million shares)	6.00				
<b>ACSB share value (Bt./share)</b>	<b>98.57</b>				
Total number of shares acquired from ACSC (shares)	5,999,997				
<b>Total acquisition value</b>	<b>591.42</b>				

\* In reference of ACSB's financial statements as at December 31, 2011, adjusting with events after the date of the financial statements, i.e. (1) dividend payment of Bt. 50.00 million and (2) capital increase by Bt. 50.00 million as previously being discussed.

We have additionally conducted a sensitivity analysis of the share valuation to see the effect of a 10% increase/decrease in Ke from the base case. The outcome is as follows:

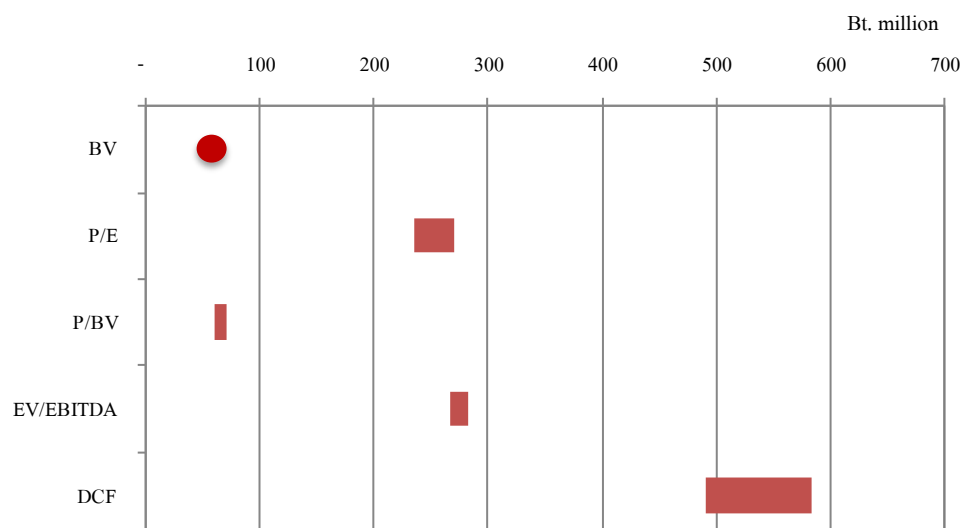
Ke	-10.00%	Base Case	+10.00%
	6.79%	7.55%	8.30%
Share price (Bt./share)	108.05	98.57	90.82
Total acquisition value (Bt. million)	648.30	591.42	544.92

From the above sensitivity analysis with changing Ke, the value of ACSB shares is in a range of Bt. 90.82 – 108.05 per share and the total acquisition price for 5,999,997 shares in ACSB from ACSC is Bt. 544.92 – 648.30 million.

Since ACSB shares are not listed on the SET and, thus, have no trading liquidity, we have revised the said appraised share value down by 10% to a range of Bt. 81.74 – 97.25 per share, bringing the total acquisition price of ACSB shares from ACSC down to a range of Bt. 490.44 – 583.47 million.

#### Conclusion of the IFA's opinion on the valuation of the acquisition of ACSB shares

The diagram below presents a comparison of the acquisition price for ACSB shares as measured by different approaches:



The above valuation approaches have different strengths and weaknesses in identifying reasonableness of the share price, as described below:

The market comparable approach, whether P/E ratio or P/BV ratio or EV/EBITDA, may not genuinely reflect the value of ACSB because the share value is measured based on the ratios of SET-listed insurance companies whose securities have higher trading liquidity than ACSB shares which are not traded on the SET. Moreover, these comparable companies have different nature of business and revenue structure from ACSB which generates only brokerage fee income from sales of policies for such comparable companies. The ratios of some comparable companies vary substantially from the rest and to exclude these outlier ratios from the calculation will lead to a smaller number of comparable companies, thus relatively causing the derived share value to fail to truly reflect the value or price of ACSB shares.

The discounted cash flow approach, which takes into account ACSB's operation and profitability prospect in the future, values the shares by an estimation of present value of free cash flow expected in the future based on its past operation, trend of economic condition and future operation of ACSB. As such, the derived share value could more genuinely reflect the value of ACSB than other approaches. Nonetheless, the future potential of ACSB will almost totally hinge on the Company's capability in terms of reliance on the Company's customer base, hiring of the Company to handle its accounting, and having common management team with the Company. Therefore, in the acquisition of 5,999,997 shares in ACSB from ACSC, the future performance of ACSB which will rely on the Company's customer base should not be incorporated into the selling price at which will be used for selling back to the Company. Based on these reasons, the share valuation by the discounted cash flow approach is not suitable for identifying a fair value for the acquisition of ACSB shares.

We are of the opinion that the best method for determining a fair value for the acquisition of ACSB shares is the book value approach. Although this approach focuses on financial position at a certain point of time, as

well as on the book value of assets, and does not reflect the true market value of assets and the future profitability, this then becomes a strength of the book value approach for valuing the shares of ACSB whose future prospect will hinge on the Company's capability as described above, while this method takes no account of future operational potential. Therefore, **the determination of acquisition price by the book value approach is deemed reasonable.**

According to conditions for the transaction, the acquisition price of shares between AEONTS and ACSC is set to be equal to the proportion of 5,999,997 shares in ACSB held by ACSC times the total book value of ACSB according to its audited financial statements as at December 31, 2011, adjusted with any transactions that may affect the total equity of ACSB occurring between January 1, 2012 and the Transaction Date. However, the acquisition price for those shares shall not exceed Bt. 100.00 million. Here is our opinion regarding the said condition for determination of the acquisition price:

- (1) The adjustment of book value as at December 31, 2011 with any transactions that reflect changes to the total equity of ACSB occurring between January 1, 2012 and the Transaction Date, which is expected to be on August 31, 2012. During such period business operations of ACSB is still performed under the current management team and under current shareholders. Hence, **the book value adjustment until the Transaction Date is a condition that is fair to both parties and is deemed reasonable accordingly.**
- (2) The acquisition price set at not exceeding Bt. 100.00 million is considerably high when compared with the book value as at December 31, 2011 derived from ACSB's audited financial statements of Bt. 62.78 million. The maximum acquisition price of Bt. 100.00 million is aimed to provide for an increase in the book value of ACSB since ACSB has been operating at a profit and the effective acquisition price must yet be subject to adjustment of the book value as at December 31, 2011 with any transactions that reflect changes to the total equity of ACSB occurring until the Transaction Date. According to ACSB's unaudited internal financial statements as at May 31, 2012, ACSB's book value is Bt. 82.36 million. It is then possible that its book value will rise close to the maximum acquisition price of Bt. 100.00 million. Therefore, **the determination of the acquisition price at not exceeding Bt. 100.00 million is considered reasonable.**

5.1.2 *ACS Life Insurance Broker (Thailand) Co., Ltd. (ACSL)*

The Company intends to acquire the entire 3,999,997 shares in ACSL held by ACSC at the acquisition price which is set to be equal to the proportion of shares in ACSL held by ACSC times the total book value of ACSL according to its audited financial statements as at December 31, 2011, adjusted with any transactions that reflect changes to the total equity of ACSL occurring between January 1, 2012 and the Transaction Date, which is expected to be on August 31, 2012. However, the acquisition price for those shares shall not exceed Bt. 70.00 million.

We have valued ACSL shares by the following approaches as a basis for determining appropriateness of the acquisition price:

- (a) Market Price Approach
- (b) Book Value Approach
- (c) Adjusted Book Value Approach
- (d) Price to Book Value Approach
- (e) Price to Earnings Ratio Approach
- (f) EV/EBITDA Approach
- (g) Discounted Cash Flow Approach

Details of share valuation

(a) **Market Price Approach**

Since ACSL shares are not listed on the SET, the market price of the shares is not available, hence, the valuation of ACSL shares by this approach cannot be calculated.

(b) **Book Value Approach**

Under this method, the shares are valued from a net book value of assets (total assets less total liabilities), or equivalent to shareholders' equity of ACSL, divided by total number of shares to derive the book value of shares, in reference to ACSL's financial statements as at December 31, 2011, which was audited by Mr. Niti Jungnitnirunda of Deloitte Touche Tohmatsu Jaiyos Audit Co., Ltd., and adjustment for major events after the date of the financial statements which are (1) the meeting of ACSL's Board of Directors No. 1/2012 on April 20, 2012 has approved dividend payment for the total amount of Bt. 30.00 million, also the Annual General Meeting of ACSL's shareholders for the year 2012 has approved the same on April 30, 2012 and the dividend has already been paid since June 22, 2012; and (2) the meeting of ACSL's Board of Directors No. 3/2012 on May 15, 2012 has approved to increase ACSL's share capital from Bt. 10.00 million to Bt. 40.00 million, and the Extraordinary General Meeting of ACSL's shareholders No. 1/2012 on June 15, 2012 has already approved the same, and ACSL has already registered the capital increase since June 25, 2012. Here is outcome of the share valuation:

<b>Particulars</b>	<b>Amount (Bt. million)</b>
Issued and paid-up capital as at December 31, 2011	10.00
Capital Increase on June 25, 2012	30.00
Retained earnings (deficits)	
- Appropriated – legal reserve	1.00
- Unappropriated	31.66
Dividend payment on June 22, 2012	(30.00)
<b>Total shareholders' equity of ACSL</b>	<b>42.66</b>
Number of paid-up shares (million shares) as at December 31, 2011	1.00
Increase in paid-up shares (million shares) as at June 25, 2012	3.00
<b>Total number of paid-up shares</b>	<b>4.00</b>
<b>Par value per share (Bt.)</b>	<b>10.00</b>
<b>Book value per share (Bt.)</b>	<b>10.67</b>

The share valuation by this approach only reflects ACSL's financial position as at December 31, 2011 adjusting with with major events occurring up until June 30, 2012, but could not reflect either the present market value of the assets or ACSL's profitability in the future. By this method, ACSL shares are valued at Bt. 10.67 per share. Thus, the acquisition of 3,999,997 shares in ACSL from ACSC is valued at Bt. 42.66 million in total.

(c) **Adjusted Book Value Approach**

By this method, the shares are valued from ACSL's total assets less total liabilities as at December 31, 2011, adjusted with commitments and contingent liabilities, a revaluation surplus or deficit in market price of fixed assets as reappraised by an independent valuer, changing market value of securities, etc., and then divided by total number of ACSL shares.

We have not measured ACSL's value by the adjusted book value approach due to the fact that its non-current assets mainly comprise computer software and telephone system, which have not been revalued accordingly. Moreover, these assets have a short useful life of 1-5 years and any damaged items will always be replaced. Therefore, their book value could still reflect the market value to a certain extent. At the same time, accounts receivable of ACSL are mostly undue accounts and thus need not to be adjusted. Accordingly, there is not any item requiring book value adjustment.

(d) **Price to Book Value Approach**

By this approach, the shares are valued by taking the book value of ACSL shares as at December 31, 2011 adjusted with events after the date of the financial statements until June 30, 2012 as in Item 5.1.2 (b), which is Bt. 10.67 per share, multiplied by an average price to book value ratio (P/BV) of

comparable companies that are listed on the SET. There are not any listed entities operating life insurance brokerage service similar to ACSL. However, to provide some information to the shareholders, we have selected the listed companies in the SET's Insurance Sector that engage in life insurance business and offer the same types of policy as those sold by ACSL to its existing customers, including two companies as follows:

- a. Bangkok Life Assurance Plc. ("BLA")
- b. Siam Commercial Life Insurance Plc. ("SCBLIF")

The average P/BV ratio of the above two peer companies prevailing in the retroactive one month, three months, six months, nine months and 12 months up to June 22, 2012 (one business day before the Company's Board of Directors considered the acquisition of 3,999,997 shares in ACSL from ACSC) can be shown in the table below:

Symbol	Average historical P/BV				
	1 month	3 months	6 months	9 months	12 months
BLA	3.61	3.94	4.13	4.21	4.44
SCBLIF	4.55	4.41	4.12	4.04	4.16
Average	4.08	4.18	4.13	4.13	4.30

Source: [www.setsmart.com](http://www.setsmart.com)

Here is the formula for share valuation by this method:

$\text{ACSL share value} = \text{P/BV ratio of peer group} \times \text{Book value of ACSL as at December 31, 2011}$
--

Conclusion of the valuation of ACSL shares by the P/BV ratio approach:

Retroactive period	P/BV of peer group (time)	Book value of ACSL as at Dec 31, 2011* (Bt./share)	Share price (Bt./share)	No. of shares held by ACSC (shares)	Total acquisition value (Bt. million)
1 month	4.08	10.67	43.53	3,999,997	174.12
3 months	4.18	10.67	44.60	3,999,997	178.40
6 months	4.13	10.67	44.07	3,999,997	176.28
9 months	4.13	10.67	44.07	3,999,997	176.28
12 months	4.30	10.67	45.88	3,999,997	183.52

Remark: \* adjusted with events after the date of the financial statements until June 30, 2012

The share valuation by this approach reflects the operating performance and financial position of ACSL at a certain point of time, but could not reflect the present market value of assets and the future profitability prospect.



Under this approach, ACSL shares are valued in a range of Bt. 43.53 – 45.88 per share. Thus, the acquisition of 999,997 shares in ACSL from ACSC is valued at Bt. 174.12 – 183.52 million in total.

Since ACSL shares are not listed on the SET and, thus, have no trading liquidity, we have revised the said appraised share value down by 10% to a range of Bt. 39.18 – 41.29 per share, bringing the total acquisition price of ACSL shares from ACSC down to a range of Bt. 156.72 – 165.16 million.

(e) **Price to Earnings Ratio Approach**

By this approach, the share value is measured from ACSL's earnings per share over the past 12 months up to December 31, 2011, equal to Bt. 5.46 per share (Net income for the fiscal year 2011 amounting for Bt. 21.58 million divided by total number of shares after the capital increase on June 25, 2012 of 4.00 million shares), multiplied by the average of price to earnings ratio (P/E) of peer group in the retroactive one month, three months, six months, nine months and 12 months.

The average P/E of the above-mentioned two peer companies in the retroactive one month, three months, six months, nine months and 12 months up to June 22, 2012 (one business day before the Company's Board of Directors considered the acquisition of 3,999,997 shares in ACSL from ACSC) is shown in the below table:

Symbol	Average historical P/E				
	1 month	3 months	6 months	9 months	12 months
BLA	16.33	16.37	14.68	14.13	14.95
SCBLIF	15.85	14.89	13.71	13.32	13.58
Average	16.09	15.63	14.20	13.73	14.27

Source: [www.setsmart.com](http://www.setsmart.com)

Here is the formula for share valuation by this method:

$\text{ACSL share value} = \text{P/E ratio of peer group} \times \text{Earnings per share of ACSL in the retroactive 12 months}$
--

Conclusion of the valuation of ACSL shares by the P/E ratio approach:

Retroactive period	P/E of peer group (time)	Earnings per share of ACSL as at Dec 31, 2011* (Bt./share)	Share price (Bt./share)	No. of shares held by ACSC (shares)	Total acquisition value (Bt. million)
1 month	16.09	5.46	87.85	3,999,997	351.40

Retroactive period	P/E of peer group (time)	Earnings per share	Share price (Bt./share)	No. of shares held by ACSC (shares)	Total
		of ACSL as at Dec			acquisition
		31, 2011* (Bt./share)			value (Bt. million)
3 months	15.63	5.46	85.34	3,999,997	341.36
6 months	14.20	5.46	77.53	3,999,997	310.12
9 months	13.73	5.46	74.97	3,999,997	299.88
12 months	14.27	5.46	77.91	3,999,997	311.64

Remark: \* adjusted with events after the date of the financial statements until June 30, 2012

The share valuation by this approach focuses on profitability in the last 12 months and does not take into account of long-term potential and profitability prospect of ACSL in the future. Besides, due to the variation in financial structure of the selected comparable companies which leads to a difference in working performance and profitability of the individual companies, the share value derived from this method might not fairly reflect the true value or price of ACSL shares.

Under this approach, ACSL shares are valued in a range of Bt. 74.97 – 87.85 per share. Thus, the acquisition of 999,997 shares in ACSL from ACSC is valued at Bt. 299.88 – 351.40 million in total.

Since ACSL shares are not listed on the SET and, thus, have no trading liquidity, we have revised the said appraised share value down by 10% to a range of Bt. 67.47 – 79.07 per share, bringing the total acquisition price of ACSL shares from ACSC down to a range of Bt. 269.88 – 316.28 million.

(f) **EV/EBITDA Approach**

By this approach, the shares are appraised from the average EV/EBITDA of peer group, multiplied by EBITDA of ACSL less interest-bearing debts and minority interest and plus cash of ACSL.

ACSL recorded EBITDA in the last 12 months ended December 31, 2011, based on the audited financial statements for 2011, of Bt. 31.73 million and had cash and cash equivalent items as at December 31, 2011 of Bt. 47.34 million (According to the events after the date of the financial statements: (1) dividend payment of Bt. 30 million and (2) capital increase of Bt. 30 million, there is no adjustment to be made to ACSL's cash), but had no interest-bearing debts and no minority interest. Thus, ACSL shares can be valued by this approach as follows:

$$\text{EV of ACSL} = \text{Average EV/EBITDA of peer group} \times \text{EBITDA}$$

Where:

$$\text{EV} = \text{Market cap} + \text{Minority interest} + \text{Interest-bearing debts} - \text{Cash}$$

$$\text{Market cap} = \text{Share price} \times \text{Total paid-up shares of ACSL}$$

$$\text{ACSL share price} = \frac{\{(\text{Average EV/EBITDA of peer group} \times \text{EBITDA}) - \text{Minority interest} - \text{Interest-bearing debts} + \text{Cash}\}}{\text{Total paid-up shares}}$$

The average EV/EBITDA of the above-mentioned two peer companies in the retroactive one month, three months, six months, nine months and 12 months up to June 22, 2012 (one business day before the Company's Board of Directors considered the acquisition of 3,999,997 shares in ACSL from ACSC) is shown in the below table:

Symbol	Average historical EV/EBITDA				
	1 month	3 months	6 months	9 months	12 months
BLA	11.13	11.31	11.39	11.38	11.73
SCBLIF	9.82	8.43	7.26	6.72	6.65
Average	10.48	9.87	9.33	9.05	9.19

Source: [www.setsmart.com](http://www.setsmart.com) and calculation by the IFA

Conclusion of the valuation of ACSL shares by the EV/EBITDA approach:

Retroactive period	EV/EBITDA of peer group (time)	EBITDA of ACSL as at Dec 31, 2011 (Bt. million)	Share price (Bt./share)	No. of shares held by ACSC (shares)	Total acquisition value (Bt. million)
1 month	10.48	31.73	94.97	3,999,997	379.88
3 months	9.87	31.73	90.13	3,999,997	360.52
6 months	9.33	31.73	85.84	3,999,997	343.36
9 months	9.05	31.73	83.62	3,999,997	334.48
12 months	9.19	31.73	84.73	3,999,997	338.92

The share valuation by this approach focuses on profitability in the retroactive 12 months and takes no account of long-term potential and profitability prospect of ACSL in the future. Therefore, the share value derived from this method might not fairly reflect the true value of ACSL shares.

Under this approach, ACSL shares are valued in a range of Bt. 83.62 – 94.97 per share. Thus, the acquisition of 3,999,997 shares in ACSL from ACSC is valued at Bt. 334.48 – 379.88 million in total.

Since ACSL shares are not listed on the SET and, thus, have no trading liquidity, we have revised the said appraised share value down by 10% to a range of Bt. 75.26 – 85.47 per share, bringing the total acquisition price of ACSL shares from ACSC down to a range of Bt. 301.04 – 341.88 million.

(g) **Discounted Cash Flow Approach**

This approach focuses on ACSL's future performance by estimating the present value of free cash flow expected under financial projection of ACSL on a going concern basis, given there are not any

material changes thereof. The projection is also based on the current economic condition and circumstances where the business operation is under oversight of the current management team, taking no account of any plan or change that might be set out by the Company in the future.

The financial projection and assumptions have been prepared by us for an estimation of free cash flow from a forecasted performance of ACSL in the future. Such assumptions are derived from the actual historical financial data or ratios and the publicly available information of the Company such as an auditor report, financial statements, and information obtained from the Company and ACSL, as well as information obtained from interviews with the management of the Company and ACSL.

The said assumptions are established under the current economic situation. Thus, given there is any crucial change from the assumptions in the economic condition and other external factors that could affect ACSL's operation, as well as in ACSL's status, the share value measured by this approach will change accordingly.

Here are the key assumptions used for preparing the financial projection:

#### **Life insurance sales**

ACSL provides life insurance brokerage services for a number of insurance firms and generates income from brokerage fees earned in percentage of policy sales. Its insurance products are sold via three channels: (1) telemarketing, (2) face-to-face sales, and (3) corporate sales.

Telemarketing sales have declined continuously due to market saturation for this channel, increasing competition in life insurance brokerage business, and a decrease in sales success rate propelling by consumers' increasing negative feelings towards sales via this channel. Therefore, telemarketing sales are assumed to continue shrinking at a rate of 5.00% per year.

To compensate for the declining telemarketing sales, ACSL is looking to boost the face-to-face sales through the Company's countrywide branch network, beginning with set-up of additional selling points at MaxValu in 2011. With this strategy, face-to-face sales are expected to grow 10.00% a year until the end of the projection period, slightly higher than the 2011 growth rate.

ACSL has since 2011 considerably succeeded in its corporate sales from its advantage of having a broad variety of life insurance policies available from various life insurance companies, which enables it to make the best offer to its customers and, thus, gives it a superior benefit in attracting new clients, particularly those who directly buy insurance from insurance companies that could offer a less diverse type of policies. Moreover, if ACSL is able to retain those corporate customers, its premium income is likely to increase in line with growth of such customers. If there is an increase in claims by their employees, their premiums will relatively scale up in the following years. In view of these factors, corporate sales are projected to grow continually by 15.00% per year until the end of the projection

period, which is based on the compound annual growth rate (CAGR) of Thailand's group life insurance direct premiums over the past three years.

Unit: Bt. million	Historical			Projected				
	2009	2010	2011	2012	2013	2014	2015	2016
1. Telemarketing	484.45	429.57	433.70	412.02	391.41	371.84	353.25	335.59
<i>Growth rate</i>	-16.7%	-11.3%	1.0%	-5.0%	-5.0%	-5.0%	-5.0%	-5.0%
2. Face-to-face sales	69.90	95.26	102.35	112.59	123.85	136.23	149.86	164.84
<i>Growth rate</i>	68.6%	36.3%	7.4%	10.0%	10.0%	10.0%	10.0%	10.0%
3. Corporate sales	30.69	42.54	131.37	151.07	173.73	199.79	229.76	264.23
<i>Growth rate</i>	97.3%	38.6%	208.8%	15.0%	15.0%	15.0%	15.0%	15.0%

### **Income from life insurance brokerage fees**

ACSL has, during these past years, sought to negotiate for an increase in brokerage fees for life insurance sales via all the three channels, as well as to reduce sales of policies with a low brokerage fee and to form alliance with some insurance companies. By doing so, its brokerage fees have increased steadily. Thus, to suit with the most current brokerage fee structure of ACSL, we assume the brokerage fees of ACSL for all of its distribution channels to remain close to the 2011 level throughout the projection period.

Unit: Bt. million	Historical			Projected				
	2009	2010	2011	2012	2013	2014	2015	2016
1. Telemarketing	24.99	26.13	30.69	28.84	27.40	26.03	24.73	23.49
<i>Brokerage fee</i>	5.2%	6.1%	7.1%	7.0%	7.0%	7.0%	7.0%	7.0%
2. Face-to-face sales	9.79	11.73	16.75	18.58	20.44	22.48	24.73	27.20
<i>Brokerage fee</i>	14.0%	12.3%	16.4%	16.5%	16.5%	16.5%	16.5%	16.5%
3. Corporate sales	1.94	4.08	9.98	11.33	13.03	14.98	17.23	19.82
<i>Brokerage fee</i>	6.3%	9.6%	7.6%	7.5%	7.5%	7.5%	7.5%	7.5%

### **Other revenues**

Other revenues include income from policy issuance service, income from marketing subsidy receivable from other insurance companies, etc. The percentage of other revenues in 2011 dropped sharply because ACSL in late 2010 signed a brokerage service contract with an insurance company which offers no marketing subsidy, but will instead increase the brokerage fee for ACSL. In 2011, the percentage of sales for such insurance company grew dramatically, leading to a decline in the percentage of other revenues to total brokerage fee income. Therefore, to reflect the most current

change in revenue structure of ACSL, we estimate the percentage of other revenues at a stable rate, close to the 2011 level, of 24.00% of its total brokerage fee income throughout the projection period.

Unit: Bt. million	Historical			Projected				
	2009	2010	2011	2012	2013	2014	2015	2016
Other revenues	18.10	21.03	13.94	14.10	20.31	20.31	20.31	20.31
<i>As % of total brokerage fees</i>	<i>49.3%</i>	<i>50.1%</i>	<i>24.3%</i>	<i>24.0%</i>	<i>24.0%</i>	<i>24.0%</i>	<i>24.0%</i>	<i>24.0%</i>

### **Cost of services**

The percentage of cost of services to total revenues of ACSL dropped continuously because ACSL in 2010-2011 slowed down the business transacted with two insurance companies, thus saving cost arising from wage payments to temporary staff of such companies hired to help sell policies for ACSL and relatively resulting in a consistent decrease in its labor cost. Therefore, to reflect the most current change in cost structure of ACSL, we estimate the percentage of cost of services at a stable rate, close to the 2011 level, of 27.00% of its total revenues throughout the projection period.

Unit: Bt. million	Historical			Projected				
	2009	2010	2011	2012	2013	2014	2015	2016
Cost of services	18.97	19.13	15.51	15.86	16.43	17.14	18.01	19.04
<i>As % of total revenues</i>	<i>51.7%</i>	<i>45.6%</i>	<i>27.0%</i>	<i>27.0%</i>	<i>27.0%</i>	<i>27.0%</i>	<i>27.0%</i>	<i>27.0%</i>

### **Selling and administrative expenses**

Selling and administrative expenses can be broken down into two categories:

#### **(1) Fixed costs**

- Personnel expenses increased continually due to recruitment of new sales teams for the expansion of its corporate customer base since mid-2010 (salaries paid for these staffs for half year in 2010 and full year in 2011). Presently, there is no plan for any additional staff recruitment. Thus, from 2012 until the end of the projection period, personnel expenses are set to grow 5.00% per year, based on the average pay increase rate in general.
- Professional fees are composed of marketing service fees, consulting fees and audit fees. We assume selling and administrative expenses to increase by 3.00%, close to the inflation rate, until the end of the projection period.

- #### **(2) Variable costs:** Based on historical data, the percentage of variable costs to total revenues of ACSL has been somewhat stable. We therefore estimate variable costs from 2012 onwards to be 11.00% of total revenues, close to the actual percentage in 2009-2011.

Unit: Bt. million	Historical			Projected				
	2009	2010	2011	2012	2013	2014	2015	2016
1. Fixed costs								
1.1 Personnel expenses	2.52	5.97	9.62	10.10	10.60	11.13	11.69	12.27
<i>Growth rate</i>		137.3%	61.1%	5.0%	5.0%	5.0%	5.0%	5.0%
1.2 Professional fees	7.50	7.51	7.55	7.93	8.33	8.75	9.18	9.64
<i>Growth rate</i>		0.2%	0.6%	3.0%	3.0%	3.0%	3.0%	3.0%
2. Variable costs	4.35	4.51	6.55	6.46	6.70	6.98	7.34	7.76
<i>As % of total revenues</i>	11.8%	10.8%	11.4%	11.0%	11.0%	11.0%	11.0%	11.0%

**Corporate income tax**

Corporate income tax of ACSL is expected at 23.00% of pre-tax profit in 2012 and at 20.00% from 2013 until the end of the projection period.

**Capital expenditure**

In 2009-2010, the yearly turnover of ACSL's equipment and intangible assets such as computer software steadied at around 25.00 times on average. Thus, we expect ACSL to continue investments in these assets in order to maintain such turnover rate throughout the projection period. The yearly investment can be summed up below:

Unit: Bt. million	Projected				
	2012	2013	2014	2015	2016
Capital expenditure	-	-	0.52	1.33	1.69

The above investments are subject to depreciation of five years on average.

**Turnover rate of current assets and current liabilities**

Projection is made based on the average of the past three years, remaining stable throughout the projection life, as follows:

- Insurance premiums receivable approx. 28 days
- Brokerage fees receivable approx. 48 days
- Insurance premiums payable approx. 29 days
- Other trade accounts payable approx. 20 days
- Accrued income tax period approx. 157 days

**Terminal value**

Terminal value is projected, by the perpetuity growth model and the conservative approach, to grow 0.00% per year after the projection period.

Based on the above assumptions, we have estimated the present value of free cash flow expected from the forecasted performance and financial position of the Company and its subsidiaries in a five-year period (2012-2016), using a proper discount rate. Since ACSL carries no financial debts, we have adopted the cost of equity (Ke), equal to 8.21%, as a discount rate. The calculation of Ke is as follows:

$$K_e = R_f + \beta(R_m - R_f)$$

Where

Risk free rate (Rf) is derived from the average bid yield on the government bond with a maturity of 20 years, which as at June 22, 2012 was 4.26% per year (available from [www.thaibma.or.th](http://www.thaibma.or.th)). We have selected bond with such long maturity period because it could reflect investment condition in different time periods better than shorter term data.

Beta ( $\beta$ ) is the variance between market return and closing price of the comparable companies. Here, we have used the average beta in the past three years of the two comparable life insurance companies, equal to 0.63 (from Bloomberg, as at June 22, 2012).

Rm is based on the average rate of return on the SET over the past 20 years, a period that could reflect the investment condition in different time periods better than the shorter term data (from SET data for 1992-2012), equivalent to 10.59% per year.

Under the assumptions above, we have arrived at a fair value of ACSL shares of Bt. 108.80 per share in the base case scenario and the total acquisition price for 3,999,997 shares in ACSL from ACSC of Bt. 435.20 million, as illustrated in the table below:

Unit: Bt. million	2012	2013	2014	2015	2016
EBIT	31.66	38.28	38.86	39.58	40.57
Add Depreciation	0.83	0.83	0.93	1.20	1.54
Less Income tax	(7.28)	(7.66)	(7.77)	(7.92)	(8.11)
Change in working capital-net					
Insurance premiums receivable	(2.47)	(1.02)	(1.45)	(1.92)	(2.44)
Brokerage fees receivable	(1.30)	(0.28)	(0.35)	(0.42)	(0.50)
Insurance premiums payable	(0.30)	1.06	1.50	1.99	2.53
Other trade accounts payable	(5.97)	0.09	0.11	0.12	0.14
Accrued corporate income tax	(0.94)	0.16	0.05	0.06	0.08
Capital expenditure	-	-	(0.52)	(1.33)	(1.69)
Free cash flow to firm	14.22	31.47	31.36	31.37	32.11
Terminal value					391.06
Total cash flow	14.22	31.47	31.36	31.37	423.17



Discount rate	8.21%	8.21%	8.21%	8.21%	8.21%
Discount period (year)	0.50	1.50	2.50	3.50	4.50
Discount Factor	0.96	0.89	0.82	0.76	0.70
PV of cash flow	13.67	27.95	25.75	23.80	296.70
Enterprise value	387.87				
Add Cash*	47.34				
Less Interest-bearing debts*	-				
Total value of equity	435.20				
Total number of paid-up shares (million shares)	4.00				
<b>ACSL share value (Bt./share)</b>	<b>108.80</b>				
Total number of shares acquired from ACSC (shares)	3,999,997				
<b>Total acquisition value (Bt. million)</b>	<b>435.20</b>				

\* In reference of ACSL's financial statements as at December 31, 2011, adjusting with events after the date of the financial statements, i.e. (1) dividend payment of Bt. 30.00 million and (2) capital increase by Bt. 30.00 million as previously being discussed.

We have additionally conducted a sensitivity analysis of the share valuation to see the effect of a 10% increase/decrease in Ke from the base case. The outcome is as follows:

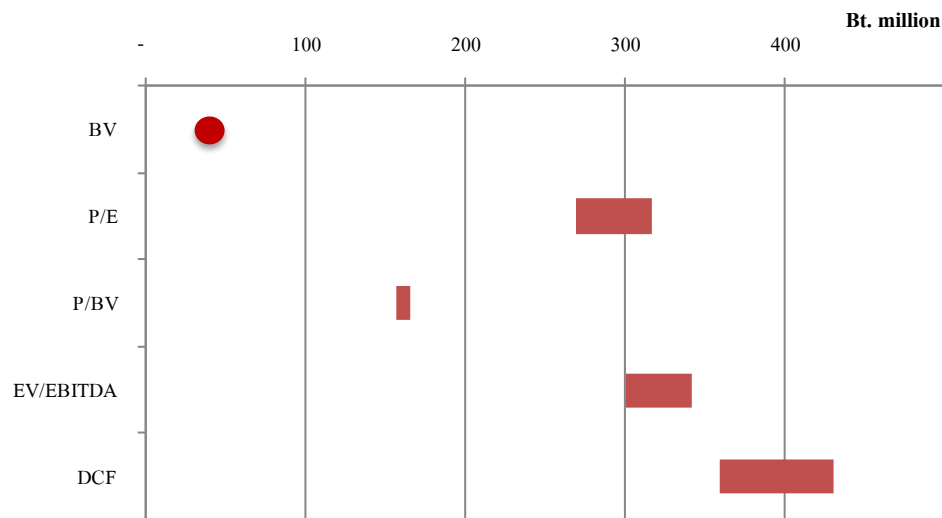
Ke	-10.00%	Base Case	+10.00%
	7.39%	8.21%	9.03%
Share price (Bt./share)	119.65	108.80	99.93
Total acquisition value (Bt. million)	478.60	435.20	399.72

From the above sensitivity analysis with changing Ke, the value of ACSL shares is in a range of Bt. 99.93 – 119.65 per share and the total acquisition price for 3,999,997 shares in ACSL from ACSC is Bt. 399.72 – 478.60 million.

Since ACSL shares are not listed on the SET and, thus, have no trading liquidity, we have revised the said appraised share value down by 10% to a range of Bt. 89.94 – 107.69 per share, bringing the total acquisition price of ACSL shares from ACSC down to a range of Bt. 359.76 – 430.74 million.

#### **Conclusion of the IFA's opinion on the valuation of the acquisition of ACSL shares**

The diagram below presents a comparison of the acquisition price for ACSL shares as measured by different approaches:



The above valuation approaches have different strengths and weaknesses in identifying reasonableness of the share price, as described below:

The market comparable approach, whether P/E ratio or P/BV ratio or EV/EBITDA, may not genuinely reflect the value of ACSL because the share value is measured based on the ratios of SET-listed companies whose securities have much higher trading liquidity than shares of ACSL which is a private company. Moreover, these comparable companies have different nature of business and revenue structure from ACSL which generates only brokerage fee income from sales of policies for such comparable companies. As such, the derived share value could not truly reflect the value or price of ACSL shares.

The discounted cash flow approach, which takes into account ACSL's operation and profitability prospect in the future, values the shares by an estimation of present value of free cash flow expected in the future based on its past operation, trend of economic condition and future operation of ACSL. As a result, the derived share value could more genuinely reflect the value of ACSL than other approaches. Nonetheless, the future potential of ACSL will almost totally hinge on the Company's capability in terms of reliance on the Company's customer base, hiring of the Company to handle its accounting, and having common management team with the Company. Therefore, in the acquisition of 3,999,997 shares in ACSL from ACSC, the future performance of ACSL which will rely on the Company's capability should not be incorporated into the selling price at which will be used for selling back to the Company. Based on these reasons, the share valuation by the discounted cash flow approach is not suitable for identifying a fair value for the acquisition of ACSL shares.

We are of the opinion that the best method for determining a fair value for the acquisition of ACSL shares is the book value approach. Although this approach focuses on financial position at a certain point of time, as well as on the book value of assets, and does not reflect the true market value of assets and the future profitability, this then becomes a strength of the book value approach for valuing the shares of ACSL whose

future prospect will hinge on the Company's capability as described above, while this method takes no account of future operational potential. Therefore, **the determination of acquisition price by the book value approach is deemed reasonable.**

According to conditions for the transaction, the acquisition price of shares between AEONTS and ACSC is set to be equal to the proportion of 3,999,997 shares in ACSL held by ACSC times the total book value of ACSL according to its audited financial statements as at December 31, 2011, adjusted with any transactions that may affect the total equity of ACSL occurring between January 1, 2012 and the Transaction Date. However, the acquisition price for those shares shall not exceed Bt. 70.00 million. Here is our opinion regarding the said condition for determination of the acquisition price:

- (1) The adjustment of book value as at December 31, 2011 with any transactions that reflect changes to the total equity of ACSL occurring between January 1, 2012 and the Transaction Date, which is expected to be on August 31, 2012 During such period business operations of ACSL is still performed under the current management team and under current shareholders. Hence, **the book value adjustment until the Transaction Date is a condition that is fair to both parties and is deemed reasonable accordingly.**
- (2) The acquisition price set at not exceeding Bt. 70.00 million is considerably high when compared with the book value as at December 31, 2011 derived from ACSL's audited financial statements of Bt. 42.66 million. The maximum acquisition price of Bt. 70.00 million is aimed to provide for an increase in the book value of ACSL since ACSL has been operating at a profit and the effective acquisition price must yet be subject to adjustment of the book value as at December 31, 2011 with any transactions that reflect changes to the total equity of ACSL occurring until the Transaction Date. According to ACSL's unaudited internal financial statements as at May 31, 2012, ACSL's book value is Bt. 53.58 million. It is then possible that its book value will rise close to the maximum acquisition price of Bt. 70.00 million. Therefore, **the determination of the acquisition price at not exceeding Bt. 70.00 million is considered reasonable.**

5.1.3 *ACS Servicing (Thailand) Co., Ltd. (ACSS)*

The Company intends to acquire the entire 14,799,997 shares in ACSS held by ACSC at the acquisition price which is set to be equal to the number of shares in ACSS held by ACSC times the total book value of ACSS according to its audited financial statements as at December 31, 2011, adjusted with any transactions that may affect the total equity of ACSS occurring between January 1, 2012 and the Transaction Date which is initially expected to be August 31, 2012. However, the acquisition price for those shares shall not exceed Bt. 190.00 million.

We have valued ACSS shares by the following approaches as a basis for determining appropriateness of the acquisition price:

- (a) Market Price Approach
- (b) Book Value Approach
- (c) Adjusted Book Value Approach
- (d) Price to Book Value Approach
- (e) Price to Earnings Ratio Approach
- (f) EV/EBITDA Approach
- (g) Discounted Cash Flow Approach

Details of share valuation

(a) **Market Price Approach**

Since ACSS shares are not listed on the SET, the market price of the shares is not available, hence, the valuation of ACSS shares by this approach cannot be calculated.

(b) **Book Value Approach**

Under this method, the shares are valued from a net book value of assets (total assets less total liabilities), or equivalent to shareholders' equity of ACSS, divided by total number of shares to derive the book value of shares, in reference to ACSS's financial statements as at December 31, 2011, which was audited by Mr. Niti Jungnitnirunda of Deloitte Touche Tohmatsu Jaiyos Audit Co., Ltd., and adjustment for major events after the date of the financial statements which are (1) the meeting of ACSS's Board of Directors No. 1/2012 on April 20, 2012 has approved dividend payment for the total amount of Bt. 98.00 million and allocation of its retained earnings of Bt. 5.00 million to comply legal reserve, also the Annual General Meeting of ACSS's shareholders for the year 2012 has approved the same on April 30, 2012 and the dividend has already been paid since June 22, 2012; and (2) the meeting of ACSS's Board of Directors No. 4/2012 on May 30, 2012 has approved to increase ACSS's share capital from Bt. 50.00 million to Bt. 148.00 million, and the Extraordinary General Meeting of ACSS's shareholders No. 1/2012 on June 15, 2012 has already approved the same, and ACSS has already registered the capital increase since June 25, 2012. Here is outcome of the share valuation:

<b>Particulars</b>	<b>Amount (Bt. million)</b>
Issued and paid-up capital as at December 31, 2011	50.00
Capital Increase on June 25, 2012	98.00
Retained earnings (deficits)	
- Appropriated – legal reserve	5.00
- Unappropriated	98.87
Dividend payment on June 22, 2012	(98.00)
Total shareholders' equity of ACSS	153.87
Number of paid-up shares (million shares) as at December 31, 2011	5.00
Increase in paid-up shares (million shares) as at June 25, 2012	9.80
Total number of paid-up shares	14.80
Par value per share (Bt.)	10.00
Book value per share (Bt.)	10.40

The share valuation by this approach reflects ACSS's financial position as at December 31, 2011 only, but could not reflect either the present market value of the assets or ACSS's profitability in the future. By this method, ACSS shares are valued at Bt. 10.40 per share. Thus, the acquisition of 14,799,997 shares in ACSS from ACSC is valued at Bt. 153.87 million in total.

**(c) Adjusted Book Value Approach**

By this method, the shares are valued from ACSS's total assets less total liabilities as at December 31, 2011, adjusted with commitments and contingent liabilities, a revaluation surplus or deficit in market price of fixed assets as reappraised by an independent valuer, changing market value of securities, etc., and then divided by total number of ACSS shares.

We have not measured ACSS's value by the adjusted book value approach due to the fact that its non-current assets mainly comprise computer software and telephone system, which have not been revalued accordingly. Moreover, these assets have a short useful life of 1-5 years and any damaged items will always be replaced. Therefore, their book value could still reflect the market value to a certain extent. At the same time, the accounts receivable of ACSS mostly are undue accounts and thus need not to be adjusted. Accordingly, there is not any item requiring book value adjustment.

**(d) Price to Book Value Approach**

By this approach, the shares are valued by taking the book value of ACSS shares as at December 31, 2011 adjusted with events after the date of the financial statements until June 30, 2012 as in Item 5.1.3 (b), which is Bt. 10.40 per share, multiplied by an average price to book value ratio (P/BV) of

comparable companies that are listed on the SET and operate in debt management or debt collection service similar to ACSS's core activity, including three companies as follows:

	Name	Symbol	Type of business
1.	ACAP Advisory Plc.	ACAP	Provision of NPL management services for asset management companies and financial institutions in general; debt collection services; prosecution and collateral enforcement services for further asset management and auctioning, which is its main income earning source; and financial advisory and investment banking services operated through a subsidiary, ACAP Corporate Services Co., Ltd., including debt restructuring, serving as planner and administrator of business reorganization plan.
2.	Business Online Plc.	BOL	Provision of registration information and key data of companies in Thailand and abroad, including information crucial for decision making; special project services using BOL's specialized skills such as database management solution, data verification, IT system development, etc. through both online and offline services including debt collection services. In 2011, BOL generated revenues from other services, inclusive of special project and debt collection services, of Bt. 45.41 million or roughly 14% of its total revenues.
3.	Jay Mart Plc.	JMART	Retailing and wholesaling of mobile phones and related products of all major brands from phone manufacturers and network operators, including retail space rental under the name IT Junction to sublet retail space to mobile phone retailers.  JMART has a subsidiary, JMT Network Services Co., Ltd. ("JMT"), which offers debt collection and asset enforcement services and auctions bad debts from financial institutions and other peers for further management and collection and, in turn, pursuing new profit opportunities. Its revenues from debt collection in 2011 were Bt. 322 million or around 5% of total revenues. In February 2012, JMT bought NPLs worth Bt. 303.86 million from the Company for further management.

The average P/BV ratio of the above three peer companies prevailing in the retroactive one month, three months, six months, nine months and 12 months up to June 22, 2012 (one business day before the Company's Board of Directors considered the acquisition of 14,799,997 shares in ACSS from ACSC) can be shown in the table below:

Symbol	Average historical P/BV				
	1 month	3 months	6 months	9 months	12 months
ACAP*	0.85	0.89	1.06	1.11	1.18
BOL	4.82	4.50	4.63	4.52	4.51
JMART	2.95	3.28	3.36	2.93	2.64
Average	3.89	3.89	4.00	3.73	3.58

Source: www.setsmart.com

Note: \* P/BV of ACAP is an outlier and is thus excluded from the calculation.

Here is the formula for share valuation by this method:

$$\text{ACSS share value} = \text{P/BV ratio of peer group} \times \text{Book value of ACSS as at December 31, 2011}$$

**Conclusion of the valuation of ACSS shares by the P/BV ratio approach:**

<b>Retroactive period</b>	<b>P/BV of peer group (time)</b>	<b>Book value of ACSS as at Dec 31, 2011* (Bt./share)</b>	<b>Share price (Bt./share)</b>	<b>No. of shares held by ACSC (shares)</b>	<b>Total acquisition value (Bt. million)</b>
1 month	3.89	10.40	40.46	14,799,997	598.81
3 months	3.89	10.40	40.46	14,799,997	598.81
6 months	4.00	10.40	41.60	14,799,997	615.68
9 months	3.73	10.40	38.79	14,799,997	574.09
12 months	3.58	10.40	37.23	14,799,997	551.00

Remark: \* adjusted with events after the date of the financial statements until June 30, 2012

The share valuation by this approach reflects the operating performance and financial position of ACSS at a certain point of time, but could not reflect the present market value of assets and the future profitability prospect.

Under this approach, ACSS shares are valued in a range of Bt. 37.23 – 41.60 per share. Thus, the acquisition of 14,799,997 shares in ACSS from ACSC is valued at Bt. 551.00 – 615.68 million in total.

Since ACSS shares are not listed on the SET and, thus, have no trading liquidity, we have revised the said appraised share value down by 10% to a range of Bt. 33.51 – 37.44 per share, bringing the total acquisition price of ACSS shares from ACSC down to a range of Bt. 495.95 – 554.11 million.

**(e) Price to Earnings Ratio Approach**

By this approach, the share value is measured from ACSS's earnings per share over the past 12 months up to December 31, 2011, equal to Bt. 1.98 per share (Net income for the fiscal year 2011 amounting for Bt. 29.31 million divided by total number of shares after the capital increase on June 25, 2012 of 14.80 million shares), multiplied by the average of price to earnings ratio (P/E) of peer group in the retroactive one month, three months, six months, nine months and 12 months.

The average P/E of the above-mentioned three peer companies in the retroactive one month, three months, six months, nine months and 12 months up to June 22, 2012 (one business day before the

Company's Board of Directors considered the acquisition of 14,799,997 shares in ACSS from ACSC) is shown in the below table:

Symbol	Average historical P/E				
	1 month	3 months	6 months	9 months	12 months
ACAP*	3.28	2.70	2.37	2.25	2.24
BOL	12.15	12.43	12.68	12.51	12.88
JMART	15.56	14.38	14.09	12.48	11.93
Average	13.86	13.41	13.39	12.50	12.41

Source: [www.setsmart.com](http://www.setsmart.com)

Note: \* P/E of ACAP is an outlier and is thus excluded from the calculation.

Here is the formula for share valuation by this method:

$$\text{ACSS share value} = \text{P/E ratio of peer group} \times \text{Earnings per share of ACSS in the last 12 months}$$

Conclusion of the valuation of ACSS shares by the P/E ratio approach:

Retroactive period	P/E of peer group (time)	Earnings per share of ACSS as at Dec 31, 2011*	Share price (Bt./share)	No. of shares held by ACSC (shares)	Total acquisition value (Bt. million)
		(Bt./share)			
1 month	13.86	1.98	27.44	14,799,997	406.11
3 months	13.41	1.98	26.55	14,799,997	392.94
6 months	13.39	1.98	26.51	14,799,997	392.35
9 months	12.50	1.98	24.75	14,799,997	366.30
12 months	12.41	1.98	24.57	14,799,997	363.64

Remark: \* adjusted with events after the date of the financial statements until June 30, 2012

The share valuation by this approach focuses on profitability in the last 12 months but does not take into account of long-term potential and profitability prospect of ACSS in the future. Besides, due to the variation in financial structure of the selected comparable companies which leads to a difference in working performance and profitability of the individual companies, the share value derived from this method might not fairly reflect the true value or price of ACSS shares.

Under this approach, ACSS shares are valued in a range of Bt. 24.57 – 27.44 per share. Thus, the acquisition of 14,799,997 shares in ACSS from ACSC is valued at Bt. 363.64 – 406.11 million in total.



Since ACSS shares are not listed on the SET and, thus, have no trading liquidity, we have revised the said appraised share value down by 10% to a range of Bt. 22.11 – 24.70 per share, bringing the total acquisition price of ACSS shares from ACSC down to a range of Bt. 327.23 – 365.56 million.

(f) **EV/EBITDA Approach**

By this approach, the shares are appraised from the average EV/EBITDA of peer group, multiplied by EBITDA of ACSS less interest-bearing debts and minority interest and plus cash of ACSS.

ACSS recorded EBITDA in the last 12 months ended December 31, 2011, based on the audited financial statements for 2011, of Bt. 63.98 million and had cash and cash equivalent items as at December 31, 2011 of Bt. 18.31 million (According to the events after the date of the financial statements: (1) dividend payment of Bt. 98 million and (2) capital increase of Bt. 98 million, there is no adjustment to be made to ACSS's cash.), with interest-bearing debts from financial lease agreements of Bt. 42.44 million and without minority interest. Thus, ACSS shares can be valued by this approach as follows:

$$\text{EV of ACSS} = \text{Average EV/EBITDA of peer group} \times \text{EBITDA}$$

Where:

$$\text{EV} = \text{Market cap} + \text{Minority interest} + \text{Interest-bearing debts} - \text{Cash}$$

$$\text{Market cap} = \text{Share price} \times \text{Total paid-up shares of ACSS}$$

$$\text{ACSS share price} = \frac{\{(\text{Average EV/EBITDA of peer group} \times \text{EBITDA}) - \text{Minority interest} - \text{Interest-bearing debts} + \text{Cash (incl. current investments)}\}}{\text{Total paid-up shares}}$$

The average EV/EBITDA of the above-mentioned three peer companies in the retroactive one month, three months, six months, nine months and 12 months up to June 22, 2012 (one business day before the Company's Board of Directors considered the acquisition of 14,799,997 shares in ACSS from ACSC) is shown in the below table:

Symbol	Average historical EV/EBITDA				
	1 month	3 months	6 months	9 months	12 months
ACAP*	0.32	0.46	0.55	0.51	0.61
BOL	8.00	7.95	7.74	7.45	7.52
JMART	10.93	9.71	9.43	8.34	7.67
Average	9.47	8.83	8.59	7.90	7.60

Source: www.setsmart.com and calculation by the IFA

Note: \* EV/EBITDA of ACAP is an outlier and is thus excluded from the calculation.

Conclusion of the valuation of ACSS shares by the EV/EBITDA approach:

<b>Retroactive period</b>	<b>EV/EBITDA of peer group (time)</b>	<b>EBITDA of ACSS as at Dec 31, 2011 (Bt. million)</b>	<b>Share price (Bt./share)</b>	<b>No. of shares held by ACSC (shares)</b>	<b>Total acquisition value (Bt. million)</b>
1 month	9.47	63.98	39.31	14,799,997	581.76
3 months	8.83	63.98	36.54	14,799,997	540.81
6 months	8.59	63.98	35.50	14,799,997	525.46
9 months	7.90	63.98	32.52	14,799,997	481.31
12 months	7.60	63.98	31.22	14,799,997	462.12

The share valuation by this approach focuses on profitability in the last 12 months but does not take into account of long-term potential and profitability prospect of ACSS in the future. Therefore, the share value derived from this method might not fairly reflect the true value of ACSS shares.

Under this approach, ACSS shares are valued in a range of Bt. 31.22 – 39.31 per share. Thus, the acquisition of 14,799,997 shares in ACSS from ACSC is valued at Bt. 462.12 – 581.76 million in total.

Since ACSS shares are not listed on the SET and, thus, have no trading liquidity, we have revised the said appraised share value down by 10% to a range of Bt. 28.10 – 35.38 per share, bringing the total acquisition price of ACSS shares from ACSC down to a range of Bt. 415.88 million – 523.62 million.

**(g) Discounted Cash Flow Approach**

This approach focuses on ACSS's future performance by estimating the present value of free cash flow expected under financial projection of ACSS on a going concern basis, given there are not any material changes thereof. The projection is also based on the current economic condition and circumstances where the business operation is under oversight of the current management team, taking no account of any plan or change that might be set out by the Company in the future.

The said assumptions are established under the current economic situation. Thus, given there is any crucial change from the assumptions in the economic condition and other external factors that could affect ACSS's operation, as well as in ACSS's status, the share value measured by this approach will change accordingly.

The financial projection and assumptions have been prepared by us for an estimation of free cash flow from a forecasted performance of ACSS in the future. Such assumptions are derived from the actual historical financial data or ratios and the publicly available information of the Company such as an auditor report, financial statements, and information obtained from the Company and ACSS, as well as information obtained from interviews with the management of the Company and ACSS.

Here are the key assumptions used for preparing the financial projection:

**Total value of collectible debts (excl. debts with collection fee charged per collection)**

ACSS generates income primarily from debt collection fees, which are charged in percentage of debts collected. The debts collected by ACSS come from two sources:

- (1) AEONTS: In 2009-2011, the growth rate of collected debts in this category was rather volatile. However, due to the fact that the amount of collected debts in this category closely relates to lending provided by the Company, we assume that the collected debts in this group will increase 5.00% per year, in line with the Company's loan growth rate.
- (2) Other companies: The collected debts in this group grew sharply from Bt. 52.84 million in 2009 to Bt. 112.50 million in 2010 and to Bt. 185.23 million in 2011, representing a CAGR of 87.23% per year, propelled by an increase in number of contracts signed with new customers, particularly those in the hire-purchase segment. ACSS plans to further expand its services to other groups of customers. However, due to the fact that the collection base has already been at a much more higher than in the past, a forecasted growth rate at the said level may now be unlikely. Thus, we estimate the growth rate for collected debts in this group at a constant rate of 20.00% per year from 2012 onwards, which is in line with the projection by ACSS.

Unit: Bt. million	Historical			Projected				
	2009	2010	2011	2012	2013	2014	2015	2016
1. Collected debts for AEONTS	777.79	764.58	807.42	847.79	890.18	934.69	981.43	1,030.50
<i>Growth rate</i>	32.6%	-1.7%	5.6%	5.0%	5.0%	5.0%	5.0%	5.0%
2. Collected debts for other companies	52.84	112.50	185.23	222.28	266.73	320.08	384.09	460.91
<i>Growth rate</i>	163.1%	112.9%	64.7%	20.0%	20.0%	20.0%	20.0%	20.0%

**Revenues from debt collection service**

Percentage of collection revenue charged by collected amount had been decreasing during 2009 – 2011 as a result of ACSS having expanded its business to capture more and more other customers other than the Company, especially leasing companies. Normally debts from leasing company are collateralized debts, having cars, motorcycles, etc. as collateral. Collection success rate of such debts tends to be higher than that of the Company which are non-secured debts, for debtors are afraid of losing of their belonging assets. ACSS, then, earn lower collection fee from debts in that category. Since it is estimated that collection amount from other companies will grow faster than collection amount from the Company, collection revenue as a percentage of collection amount is expected to slightly decrease throughout the projection period within the narrow range of 28.9 – 29.9 of collection amount.

In mid-2011, ACSS signed a debt collection service agreement with a customer under condition that service fee shall be charged based on number of successful collections at a rate of Bt. 430 per collection. Such agreement is valid on a yearly basis. The customer provides a guaranteed amount of debts for collection of 9,000 contracts/month with allowance of +/- 500 contracts/month. ACSS earned revenues from this service of Bt. 14.44 million in 2011, and expects to be able to continuously renew such agreement with this customer. However, since ACSS has no plan to expand the said service, its revenues from this service are estimated to be Bt. 25.00 million per year from 2012 onwards.

Unit: Bt. million	Historical			Projected				
	2009	2010	2011	2012	2013	2014	2015	2016
1. Collection revenue charged as percentage of collection amount	275.64	267.10	295.82	320.20	343.54	369.52	398.56	431.16
<i>As % of collected debts</i>	33.2%	30.5%	29.8%	29.9%	29.7%	29.4%	29.2%	28.9%
2. Collection revenue charged per number of collection	-	-	14.44	25.00	25.00	25.00	25.00	25.00
<i>Growth rate</i>	N/A	N/A	N/A	73.1%	0.0%	0.0%	0.0%	0.0%

#### Other revenues

Other revenues include revenues from data search service, legal service, documentation service, etc. Other revenues are estimated to be constant at 3.2% of revenues from debt collection service, close to the average historical percentage.

Unit: Bt. million	Historical			Projected				
	2009	2010	2011	2012	2013	2014	2015	2016
Other revenues	5.78	10.96	10.67	11.05	11.79	12.62	13.55	14.60
<i>As % of revenues from debt collection</i>	2.1%	4.1%	3.4%	3.2%	3.2%	3.2%	3.2%	3.2%

#### Total costs and expenses

In 2012, ACSS has adopted a new accounting system, with a reclassification of costs and expenses. Hence, it is not possible to reconcile costs and expenses in 2010 for comparing with the reclassified items in 2011 and 2012. We therefore make an estimate of costs altogether with expenses, which can be broken down into two groups:

(1) Fixed costs:

- Personnel expenses increased continually due to new branch opening in Khon Kaen in 2010 and in Hat Yai in 2011, thereby necessitating recruitment of new staffs. However, since ACSS has no plan for further branch expansion throughout the projection period,

personnel expenses are set to grow 5.00% per year, based on the average pay increase rate in general.

- Professional fees are composed of marketing consultant fees, audit fees and other consulting fees. Such fee kept increasing during 2009 – 2011. However the increase is a result of ACSS having incurred new category of expense it has never had before, i.e. in 2010 ACSS subscribed Japanese newspaper for Bt. 0.18 million, and in 2011 it employed technical support services costing at Bt. 0.20 million per months. It is estimated that there will be no more expense category to be added to the existing ones from now on and throughout the projection period. Therefore, we assume professional fees expenses to increase by 3.00%, close to the inflation rate, until the end of the projection period.

- (2) Variable costs: In 2009-2011, the percentage of variable costs to total revenues from debt collection service of ACSS was in a range of 26.70% – 33.10%. We therefore estimate variable costs from 2012 onwards to be 31.00% of revenues from debt collection service, close to the average of the past three years.

Unit: Bt. million	Historical			Projected				
	2009	2010	2011	2012	2013	2014	2015	2016
1. Fixed costs								
1.1 Personnel expenses	123.21	129.15	152.33	159.94	167.94	176.34	185.16	194.41
<i>Growth rate</i>	<i>N/A</i>	<i>4.8%</i>	<i>17.9%</i>	<i>5.00%</i>	<i>5.00%</i>	<i>5.00%</i>	<i>5.00%</i>	<i>5.00%</i>
1.2 Professional fees	6.32	7.30	8.17	8.41	8.66	8.92	9.19	9.47
<i>Growth rate</i>	<i>N/A</i>	<i>15.5%</i>	<i>11.9%</i>	<i>3.0%</i>	<i>3.0%</i>	<i>3.0%</i>	<i>3.0%</i>	<i>3.0%</i>
2. Variable costs	73.63	88.46	96.39	107.01	114.25	122.30	131.30	141.41
<i>As % of revenues from debt collection</i>	<i>26.7%</i>	<i>33.1%</i>	<i>31.1%</i>	<i>31.0%</i>	<i>31.0%</i>	<i>31.0%</i>	<i>31.0%</i>	<i>31.0%</i>

### **Corporate income tax**

Corporate income tax of ACSS is expected at 23.00% of pre-tax profit in 2012 and at 20.00% from 2013 until the end of the projection period.

### **Capital expenditure**

In 2009-2010, the yearly turnover of ACSS's equipment and intangible assets such as computer software steadied at around 2.20 times on average. Thus, we expect ACSS to continue investments in these assets in order to maintain such turnover rate throughout the projection period. The yearly investment can be summed up below:

Unit: Bt. million	Projected				
	2012	2013	2014	2015	2016
Capital expenditure	34.58	39.07	46.34	54.98	64.96

The above investments are subject to depreciation of five years on average.

#### **Turnover rate of current assets and current liabilities**

Projection is made based on the average of the past three years, remaining stable throughout the projection life, as follows:

- Trade accounts receivable approx. 35 days
- Trade accounts payable approx. 25 days
- Accrued income tax period approx. 45 days

#### **Terminal value**

Terminal value is projected, by the perpetuity growth model and the conservative approach, to grow 0.00% per year after the projection period.

Based on the above assumptions, we have estimated the present value of free cash flow expected from the forecasted performance and financial position of the Company and its subsidiaries in a five-year period (2012-2016), using a proper discount rate, which in this case is the weighted average cost of capital (WACC) of 7.32% per year. The calculation of WACC is as follows:

$$\text{WACC} = K_e (E/V) + K_d (1-t) (D/V)$$

Where:

$K_e$  = Cost of equity of 8.02% per year

$K_d$  = Average cost of debt of ACSS, which is 6.00% per year

$t$  = Average corporate income tax rate of 20.51%, based on the average of tax rates over the projection period

$E$  = Total equity of ACSS as at December 31, 2011 of Bt. 153.87 million

$D$  = Interest-bearing debts of ACSS as at December 31, 2011 of Bt. 42.44 million

$V$  =  $D + E$

$E/V$  = 78.38% based on shareholders' equity shown in the financial statements as at December 31, 2011

$D/V$  = 21.62% based on interest-bearing debts shown in the financial statements as at December 31, 2011

Calculation of  $K_e$ :

$$K_e = R_f + \beta(R_m - R_f)$$

Where:

Risk free rate (Rf) is derived from the average bid yield on the government bond with a maturity of 20 years, which as at June 22, 2012 was 4.26% per year (available from [www.thaibma.or.th](http://www.thaibma.or.th)). We have selected bond with such long maturity period because it could reflect investment condition in different time periods better than shorter term data.

Beta ( $\beta$ ) is the variance between market return and closing price of the comparable companies. Here, we have used the average beta in the past three years of the three peer companies engaging in NPL management or debt collection business which is similar to ACSS's core activity, equal to 0.60 (from Bloomberg, as at June 22, 2012).

Rm is based on the average rate of return on the SET over the past 20 years, a period that could reflect the investment condition in different time periods better than the shorter term data (from SET data for 1992-2012), equivalent to 10.59% per year.

Under the assumptions above, we have arrived at a fair value of ACSS shares of Bt. 39.93 per share in the base case scenario and the total acquisition price for 14,799,997 shares in ACSS from ACSC of Bt. 590.96 million, as illustrated in the table below:

Unit: Bt. million	2012	2013	2014	2015	2016
EBIT	57.43	60.96	65.03	69.77	75.33
Add Depreciation	23.45	28.53	34.55	41.70	50.14
Less Income tax	(12.68)	(11.83)	(12.75)	(13.80)	(15.01)
Change in working capital-net					
Brokerage fees receivable	16.12	(2.24)	(2.49)	(2.78)	(3.13)
Other trade accounts payable	0.21	1.06	1.14	1.24	1.35
Accrued corporate income tax	0.23	(0.11)	0.11	0.13	0.15
Capital expenditure	(34.58)	(39.07)	(46.34)	(54.98)	(64.96)
Free cash flow to firm	50.18	37.29	39.26	41.27	43.86
Terminal value					599.21
Total cash flow	50.18	37.29	39.26	41.27	643.08
Discount rate	7.32%	7.32%	7.32%	7.32%	7.32%
Discount period (year)	0.50	1.50	2.50	3.50	4.50
Discount factor	0.9653	0.8995	0.8381	0.7809	0.7277
PV of cash flow	48.44	33.54	32.90	32.23	467.95
Enterprise value	615.06				

Unit: Bt. million	2012	2013	2014	2015	2016
Add Cash*	18.31				
Less Interest-bearing debts*	(42.44)				
Total value of equity	590.93				
Total number of paid-up shares (million shares)	14.80				
ACSS share value (Bt./share)	39.93				
Total number of shares acquired from ACSC (shares)	14,799,997				
Total acquisition value (Bt. million)	590.96				

In reference of ACSS's financial statements as at December 31, 2011, adjusting with events after the date of the financial statements, i.e. (1) dividend payment of Bt. 98.00 million and (2) capital increase by Bt. 98.00 million as previously being discussed.

We have additionally conducted a sensitivity analysis of the share valuation to see the effect of a 10% increase/decrease in WACC from the base case. The outcome is as follows:

	-10.00%	Base Case	+10.00%
WACC	6.59%	7.32%	8.05%
Share price (Bt./share)	44.42	39.93	36.25
Total acquisition value (Bt. million)	657.42	590.96	536.50

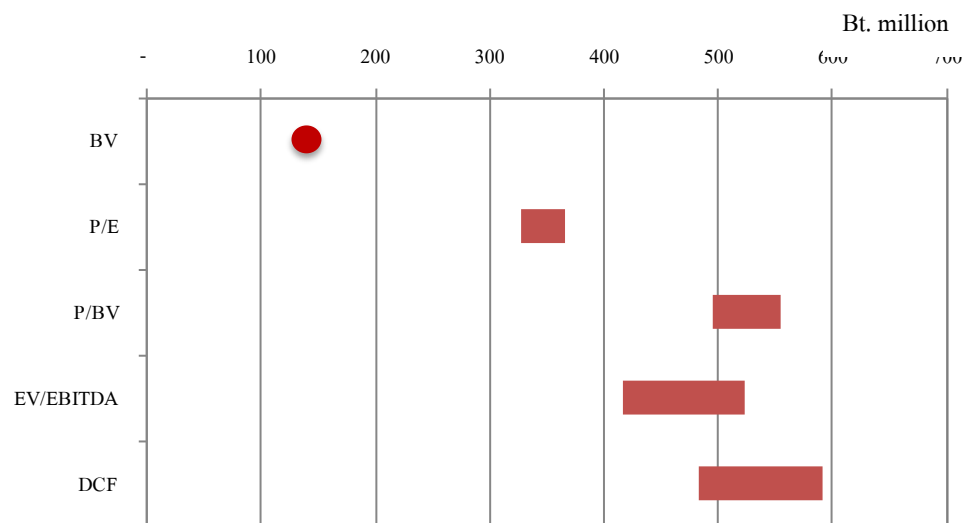
From the above sensitivity analysis with changing WACC, the value of ACSS shares is in a range of Bt. 36.25 – 44.42 per share and the total acquisition price for 14,799,997 shares in ACSS from ACSC is Bt. 536.50 – 657.42 million.

**Since ACSS shares are not listed on the SET and, thus, have no trading liquidity, we have revised the said appraised share value down by 10% to a range of Bt. 32.63 – 39.98 per share, bringing the total acquisition price of ACSS shares from ACSC down to a range of Bt. 482.92 – 591.70 million.**

#### **Conclusion of the IFA's opinion on the valuation of the acquisition of ACSS shares**

The diagram below presents a comparison of the acquisition price for ACSS shares as measured by different approaches:





The above valuation approaches have different strengths and weaknesses in identifying reasonableness of the share price, as described below:

The market comparable approach, whether P/E ratio or P/BV ratio or EV/EBITDA, may not genuinely reflect the value of ACSS because the share value is measured based on the ratios of SET-listed companies whose securities have much higher trading liquidity than the shares of ACSS which is a private company. Moreover, these comparable companies have different revenue structure from ACSS which primarily generates only fee income from debt collection service, while the comparable companies earn revenues from various sources. The ratios of the comparable companies vary substantially and to exclude the outlier ratios from the calculation will lead to a smaller number of comparable companies, thus relatively causing the derived share value to fail to truly reflect the value or price of ACSS shares.

The discounted cash flow approach, which takes into account ACSS's operation and profitability prospect in the future, values the shares by an estimation of present value of free cash flow expected in the future based on its past operation, trend of economic condition and future operation of ACSS. As such, the derived share value could more genuinely reflect the value of ACSS than other approaches. Nonetheless, the future potential of ACSS will mainly hinge on the Company's capability in terms of reliance on the Company's customer base, hiring of the Company to handle its accounting, and having common management team with the Company. Therefore, in the acquisition of 14,799,997 shares in ACSS from ACSC, the future performance of ACSS which will rely on the Company's capability should not be incorporated into the selling price at which will be used for selling back to the Company. Based on these reasons, the share valuation by the discounted cash flow approach is not suitable for identifying a fair value for the acquisition of ACSS shares.

We are of the opinion that the best method for determining a fair value for the acquisition of ACSS shares is the book value approach. Although this approach focuses on financial position at a certain point of time, as

well as on the book value of assets, and does not reflect the true market value of assets and the future profitability, this then becomes a strength of the book value approach for valuing the shares of ACSS whose future prospect will hinge on the Company's capability as described above, while this method takes no account of future operational potential. Therefore, **the determination of acquisition price by the book value approach is deemed reasonable.**

According to conditions for the transaction, the acquisition price of shares between AEONTS and ACSC is set to be equal to the proportion of 14,799,997 shares in ACSS held by ACSC times the total book value of ACSS according to its audited financial statements as at December 31, 2011, adjusted with any transactions that may affect to the total equity of ACSS occurring between January 1, 2012 and the Transaction Date. However, the acquisition price for those shares shall not exceed Bt. 190.00 million. Here is our opinion regarding the said condition for determination of the acquisition price:

- (1) The adjustment of book value as at December 31, 2011 with any transactions that reflect changes to the total equity of ACSS occurring between January 1, 2012 and the Transaction Date, which is expected to be on August 31, 2012. During such period business operations of ACSS is still performed under the current management team and under current shareholders. Hence, **the book value adjustment until the Transaction Date is a condition that is fair to both parties and is deemed reasonable accordingly.**
- (2) The acquisition price set at not exceeding Bt. 190.00 million is rather high when compared with the book value as at December 31, 2011 derived from ACSS's audited financial statements of Bt. 153.87 million. The maximum acquisition price of Bt. 190.00 million is aimed to provide for an increase in the book value of ACSS since ACSS has been operating at a profit and the effective acquisition price must yet be subject to adjustment of the book value as at December 31, 2011 with any transactions that reflect changes to the total equity of ACSS occurring until the Transaction Date. According to ACSS's unaudited internal financial statements as at May 31, 2012, ACSS's book value is Bt. 162.33 million. It is then possible that its book value will rise close to the maximum acquisition price of Bt. 190.00 million. Therefore, **the determination of the acquisition price at not exceeding Bt. 190.00 million is considered reasonable.**

## 5.2 Appropriateness of the Conditions of the Transaction

ACSC and the Company has initially agreed upon terms and conditions specified in the draft of share purchase agreements. Major terms and conditions are summarized as follows:

### 5.2.1 *Consideration*

- a) The Consideration payable by the Company to ACSC for the purchase of shares in ACSB, ACSL, and ACSS shall be calculated by total number of shares held by ACSC in each company multiply by book value as at 30 December 2011 of each company adjusting with items that may affect each company's equity value occurring from 1 January 2012 up until the Transaction Date (which is expected to be on August 31, 2012). However, the consideration for the purchase of share in each company shall not exceed Bt. 100 million, Bt. 70 million, and Bt. 190 million for ACSB, ACSL, and ACSS, respectively.

*The Independent Financial Advisor is of the opinion that:*

- *Since future prospect of all three companies relies heavily (if not solely) to the Company's own capability and prospect, it will not be appropriate to take into account such future prospect which currently belongs to the Company in to the calculation of the consideration and sell it back again to the Company. Therefore, valuation of the consideration based upon book value approach is appropriate (details as having already been discussed in section 5.1.1 – 5.1.3).*
  - *Since the share purchase agreement is expected to officially be signed on 1 September 2012, adjustment of book value as at 31 December 2011 with items that may affect the equity value of each company from 1 January 2012 to 31 August 2012 is deemed appropriate.*
  - *Even though the maximum consideration of Bt. 100 million, Bt. 70 million, and Bt. 190 million for ACSB, ACSL, and ACSS, respectively may significantly deviate from each company's book value as at 31 December 2011, such cap values are set as allowance for the adjustment of book value until the Transaction Date. As at 31 May 2012, book value of each company has already more convert to such cap value. Therefore, terms and conditions relating to the constitution of consideration cap are deemed appropriate (details as having already been discussed in section 5.1.1 – 5.1.3).*
- b) ACSC and the Company shall use their best efforts to conclude and determine final Consideration for the Sale Shares within the 4<sup>th</sup> week of September 2012, but in any case not later than the 28<sup>th</sup> day of September 2012.

*The Independent Financial Advisor deems the constitution of the above terms is appropriated. Since items to be adjusted to each company's book value has been occurring within a fiscal year, the adjustments will never have been reviewed or audited by the auditor(s). Putting a consideration period, consequently, allows both parties to have sufficient period to prudently consider which adjustment items are going to be made.*

5.2.2 *Warranties by ACSC*

If, during 6 months from the date of this Agreement, it is found that there is any significant misstatement of accounting transaction that impacts to the book values of ACSB, ACSL or ACSS, the Seller is obligated to compensate the difference between the Consideration received by it under this Agreement and the Consideration it would have received had there be no such misstatement of accounting transaction.

*The Independent Financial Advisor opines that the above term is appropriate. As the share purchase agreement is expected to be signed on 1 September 2012 and the transaction closure is expected to occur on 1 October 2012, both periods fall within a fiscal year, then the Consideration will have been determined based upon unaudited numbers. Constitution of such term is to make sure that the Company is lawfully entitled to receive compensation in case it would be found later on that the paid consideration is higher than the actual audited book value.*

5.2.3 *Other Terms, for example:*

- a) Warranty of ACSC, that it has lawful power and authority to enter into the share purchase agreement by presenting the certified copy of minutes of its Board of Directors' meeting that approve ACSC to enter to the agreement;
- b) Warranty from ACSC, that it has full legal and beneficial ownership of the sale shares, owns such sale share free of any liens, charges, mortgages or other encumbrances of any kind whatsoever, sells the Sale Shares with full title guarantee and has full and unencumbered power and authority to sell the Sale Shares in accordance with the terms of the share purchase agreement;
- c) Confidentiality;
- d) Each party shall pay its own cost and tax occurring from entering into the transaction; etc.

*The Independent Financial Advisory deems that such terms are constituted in line with general business practices and are appropriate.*

**In all, the Independent Financial Advisor opines that the terms and conditions constituted in the draft of share purchase agreement between ACSC and the Company are deemed appropriate.**

## 6. Conclusion of the Independent Financial Advisor's opinion

We are of the opinion that the acquisition of almost the entire shares in ACSB, ACSL and ACSS held by the Seller will contribute to an increase in net profit of the Company and its subsidiaries. By comparing net profit shown in the Company's consolidated financial statement ended February 20, 2012 and the financial statements of the three companies ended December 31, 2011, the Company's consolidated net profit will surge by Bt. 78.77 million. Another benefit of the said acquisition is to expand the Company's scope of business and service which will help enhance its responsiveness to customers' demand through an efficient use of the Company's customer database.

In addition, the acquisition of the said three related companies will lead them to become subsidiaries of AEONTS, thereby helping to eliminate a conflict of interest and reduce the potential connected transactions. It will also help to create economies of scale through sharing of resources in functions such as marketing promotion, accounting, personnel management, IT, and others.

It is deemed reasonable to determine the acquisition price for shares in ACSB, ACSL and ACSS by basing on the total book value of the three companies according to their audited financial statements as of December 31, 2011, adjusted with any transactions that reflect changes to their total equity occurring between January 1, 2012 and The transaction date. This is because such price determination is based on the shareholders' equity derived from the financial statements that reflect past operations, by taking no account of future operating performance that will mainly hinge on the Company's customer database.

We therefore recommend that the shareholders approve the asset acquisition and connected transaction proposed herein. Nonetheless, the decision whether to approve or reject the said transaction primarily rests at the shareholders' discretion.

We hereby certify that we have rendered opinion on the asset acquisition transaction and the connected transaction above with due care and under professional standards by paying regard to the benefit of the Company's shareholders.

Yours sincerely,

Advisory Plus Company Limited

*Prasert Patradhilok*

.....  
(Prasert Patradhilok)

President

*Vatcharin Lerdsuvankul*

.....  
(Vatcharin Lerdsuvankul)

Supervisor