

**The Opinion of the Independent Financial Advisor
On the Connected Transaction Regarding the Divestment of
CIMB Securities (Thailand) Company Limited**

by



CIMB Thai Bank Public Company Limited

Proposed to

The Shareholders of CIMB Thai Bank Public Company Limited

by



JayDee Partners Limited

March 29, 2011

29 March 2011

Subject : The Opinion of the Independent Financial Advisor regarding the Connected Transaction and the Disposal of Assets of CIMB Bank Thai Public Company Limited

To : The shareholders of
CIMB Thai Bank Public Company Limited

As of March 16, 2011 whereas the Board of Directors' Meeting of CIMB Thai Bank Public Company Limited ("CIMBT" or "the Bank") has approved on the divestment of its wholly owned subsidiary, CIMB Securities (Thailand) Company Limited ("CIMBS") to CIMB Securities International Pte Ltd. ("CIMBS International"), a wholly owned subsidiary of CIMB Group Sdn Bhd ("CIMB Group"). To complete the proposed divestment transaction, the Bank will sell its current portion of shareholding in CIMBS which comprises of 49,999,993 ordinary shares at a par value of THB 10 per share, representing 99.99% of the total registered and paid-up capital of CIMBS for a cash consideration of THB 510,337,881.85.

The sale of CIMBS shares to CIMBS International by the Bank ("the Transaction") is considered to be a connected transaction as prescribed in the Notification of the Capital Market Supervisory Board Tor Chor 21/2551 re: Related Parties Transactions and the Notification of the Board of Governors of the Securities Exchange of Thailand re: Disclosure of Information and Other Acts of Listed Companies Concerning the Connected Transactions. In addition, the Transaction is as well considered to be a disposal of asset as prescribed in the Notification of the Capital Market Supervision Board Tor Chor 20/2551 re: Disclosure of Information and Other Acts of Listed Company Concerning the Acquisition and Disposition of Assets.

In this regard, the size of the connected transaction, including other connected transactions that have taken place in the past 6 months prior to the Transaction is 4.55% which is higher than 3.00% of net tangible assets ("NTA") of the Bank and its subsidiaries according to the consolidated audited financial statements of the Bank as of December 31, 2010. Therefore, the Bank is required to disclose the details of the Transaction to the Stock Exchange of Thailand ("the SET"), obtain the approval from the Board of Directors' Meeting excluding the votes of directors who has conflict of interest as well as obtain the approval from the Bank's Annual General Meeting No.17/2011 to be held on April 20, 2011 with affirmative votes of not less than three-fourths of the total number of votes of the shareholders attending the meeting and having the right to vote, excluding the votes of the shareholders, who have conflict of interest.

The Bank has approved the appointment of JayDee Partners Limited, the approved financial advisor by the Office of the Securities and Exchange Commission ("the SEC"), as the independent financial advisor ("the Independent Financial Advisor" or "the IFA") of the Bank to render the opinion to the Bank's shareholders as supporting information for their voting consideration in respect to the Transaction.

In rendering the opinion on the fairness and reasonableness of the share price of CIMBS for the Transaction, the IFA has studied and reviewed various sources of information and documents both prepared by the management of the Bank and CIMBS, information disclosed by the Bank to the Stock Exchange of Thailand (the "SET") as well as other information available in public domain. In addition, the IFA has also relied upon the interviews with management, external industry forecasts and information on future economic condition to be used in this analysis. In performing the valuation, the IFA assumed that the aforementioned information and documents are accurate and reliable as of the conduction date of this report. The IFA has not performed a due diligence upon such information and unable to provide any certification or guarantee on the accuracy or the completeness of the information and materials supplied by the Bank and CIMBS. In the event there is any change in business circumstances, the opinion provided by the IFA may differ accordingly.

The IFA certified that this report has been independently prepared with the generally accepted professional standard and that the opinion rendered is based on an unbiased analysis.

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Glossary

CIMBT or the Bank	CIMB Thai Bank Public Company Limited
CIMB Group	CIMB Group Sdn Bhd
CIMBS	CIMB Securities (Thailand) Company Limited
CIMBS International	CIMB Securities International Pte Limited
CIMB Bank	CIMB Bank Berhad
BTSEC	BT Securities Company Limited
CIMB-GK	CIMB-GK Securities (Thailand) Limited
The Transaction	The sale of CIMBS shares to CIMBS International by CIMBT
IFA	Independent Financial Advisor or JayDee Partners Limited
TFEX	Thailand Futures Exchange
SET	Stock Exchange of Thailand
mai	Market for Alternative Investment
SEC	The Office of Securities and Exchange Commission
BOT	The Bank of Thailand
TSD	Thailand Securities Depository
TCH	Thailand Clearing House
KEST	Kim Eng Securities (Thailand) PLC
CGS	Country Group Securities PLC
ASP	Asia Plus Securities PLC
KGI	KGI Securities PLC
FSS	Finansia Syrus Securities PLC
BLS	Bualuang Securities PLC
PHATRA	Phatra Capital PLC
UOBKH	UOB Kay Hian Securities (Thailand) PLC
CNS	Capital Nomura Securities PLC
GBX	Globlex Holding Management PLC
SSEC	Sicco Securities PLC
BSEC	BFIT Securities PLC
TNITY	Trinity Watthana PLC
US	United Securities PLC

Executive Summary

CIMBT intends to divest its investment in CIMBS to CIMBS International. CIMBS operates a securities business by offering a wide range of services from securities brokerage, selling agents, securities underwriting as well as financial advisory services to its retail and institutional clients. According to the Board of Directors’ meeting held on March 16, 2011, where the directors who may be deemed conflicted, Dato’ Robert Cheim Dau Meng and Mr. Kenny Kim, had abstained from voting, the Board of Directors had approved the Transaction and passed the resolution to propose the Transaction to the Bank’s Annual General Shareholders’ Meeting No. 17/2011 to be held on April 20, 2011 to consider and approve.

At present, the Bank’s investment in CIMBS comprises of 49,999,993 ordinary shares at a par value of THB 10 per share, accounting for 99.99% of CIMBS’s total 50,000,000 ordinary shares. As the Transaction entails the Bank to selling its entire shareholding in CIMBS to CIMBS International, a wholly-owned subsidiary of CIMB Group, upon completion of the Transaction, the Bank will no longer hold any shares in CIMBS. Details of the CIMBS shares to be sold to CIMBS International in this divestment transaction are as shown in the following Table.

Table 1 : Details of CIMBS shares to be sold to CIMBS International

Name of shareholders	Before the Transaction		No. of Shares to be Sold		After the Transaction	
	No. of Shares	% of Total	No. of Shares	% of Total	No. of Shares	% of Total
1. CIMB Thai Bank PLC	49,999,993	99.99%	49,999,993	99.99%	-	-
2. Other minority shareholders	7	0.01%	-	-	7	0.01%
3. CIMB Securities International Pte Limited	-	-	-	-	49,999,993	99.99%

The proposed transaction price is THB 510,337,881.85 which is equivalent to THB 10.21 per share in CIMBS. This represents a price-to-book multiple of 1.05x the audited book value of CIMBS as at 31 December 2010. The Bank is expected to receive the payment in cash upon the completion of the Transaction.

Post-Transaction, CIMB Thai and its subsidiaries do not intend to undertake any securities brokerage-related businesses, with the exception of corporate finance advisory, which is proposed to be undertaken at the Bank upon obtaining the necessary approvals from SEC, BOT and other regulators (if required).

In this regard, CIMBS International, as the buyer of CIMBS shares, and the Bank, as the seller of CIMBS shares, are considered connected parties as both parties share a common ultimate shareholder in CIMB Group. As a result, the Transaction is considered a connected transaction as prescribed in the Notification of the Capital Market Supervisory Board Tor Chor 21/2551 re: Related Parties Transactions and the Notification of the Board of Governors of the Securities Exchange of Thailand re: Disclosure of Information and Other Acts of Listed Companies Concerning the Connected Transactions, 2003 (“Notification of Connected Transactions”).

The size of the transaction, including the connected transactions that have taken place in the past 6 months prior to the Transaction at 4.55% of NTA of the Bank and its subsidiaries is higher than the 3.00% threshold, which requires the Bank to seek approval from the shareholders’ meeting with affirmative votes of not less than three-fourths of the total number of votes of the shareholders attending the meeting and having the right to vote, excluding the votes of the shareholders who have conflict of interest. As CIMB Bank, the major shareholder of the Bank and a wholly-owned subsidiary of CIMB Group, is considered a party with conflict of interest, CIMB Bank shall abstain from voting on this agenda.

In addition, the Bank is required to appoint an Independent Financial Advisor (the “IFA”) to provide an opinion regarding the fairness and reasonableness of the transaction price and condition to be presented to the Board of Directors and the shareholders of the Bank. In this regard, the Bank has appointed JayDee Partners Limited, a SEC-licensed financial advisor, to be the IFA in rendering its opinion on the Transaction. The summary of the opinion of the IFA are presented as follows:

1. Opinion on the appropriateness of the Transaction

Based on the IFA’s consideration, the disposal of the entire portion of CIMBS shares currently held by the Bank is appropriate and reasonable due to the following reasons:

- a) Subsequent to the completion of securities brokerage market liberalization in 2012, the industry is expected to be highly competitive and small brokerage companies may potentially encounter tough competition. With that, the Transaction will prevent the Bank from being exposed to future market risk in this area.
- b) In light of regulatory changes, CIMBS may require a further increase in capital to support its growth plans. The divestment will potentially reduce the burden of the Bank to further inject capital into CIMBS in order to maintain CIMBS’s competitiveness upon the liberalization of the industry.
- c) Upon completion of the transaction and obtaining of the necessary licenses / approvals, the corporate finance business undertaken by CIMBS shall be operated at the Bank, which will increase the Bank’s revenue from advisory service / fee income.
- d) The proceeds totaling THB 510,337,881.85 received upon completion of the Transaction may be used to further invest in other businesses (at the portion and condition allowed by relevant authorities such as the BOT) that may potentially yield a higher rate of return. The proceeds may also be used to support the Bank’s core banking business.

2. Opinion on the fairness of the price, terms and conditions of the Transaction

The IFA has evaluated the fair value of CIMBS share as of March 2, 2011. The summary of CIMBS share price derived from the 4 valuation approaches are presented in the following Table.

Table 2 : Fair value of CIMBS shares based on each valuation approach

Valuation Approach	Proposed Transaction Price (THB per share)	Fair Value (THB per Share)	Appropriateness of the Approach	The Proposed Transaction is Higher (Lower) than the Price by IFA (%)
1. Book Value Approach	10.21	9.72	Appropriate	5.04%
2. Precedent Transaction Comparable Approach	10.21	9.72 – 22.16	Appropriate	5.04% - (117.04%)
3. Market Comparable Approach				
Price to Book Value	10.21	6.12 – 9.91	Inappropriate	66.83% - 3.03%
Price to Earnings Ratio	10.21	0.35 – 0.61	Inappropriate	2,817.14% - 1,573.77%
4. Discounted Cash Flow Approach	10.21	n/a	Inappropriate	n/a

The IFA views that the Book Value Approach and Precedent Transaction Comparable Approach are appropriate as methods to evaluate the fair value of CIMBS. Using the Book Value Approach, the IFA views that the lower bound of CIMBS is primarily derived from the value of CIMBS’ net assets.

In addition, the IFA used Precedent Transaction Comparable Approach to determine an upper bound of the appropriate price range as it reflects the premium (from the book value) to be incorporated in the transaction price based on previous acquisition transactions of selected securities firms.

Therefore, the IFA views that the range of fair value for CIMBS share based on Book Value Approach and Precedent Transaction Comparable Approach are deemed to be appropriate and that **the appropriate transaction price should be between THB 9.72 – 22.16 per share**. Since the proposed transaction price is THB 10.21 per share which is 5.04% higher than the lower bound and 117.04% lower than the upper bound. Taking into consideration other qualitative factors such as amongst others profitability, future performance, size of the business and competition, the IFA considers the transaction price to be appropriate, though closer to the lower bound because:

- 1. The proposed transaction price is higher than the book value, which is the lower bound of the appropriate share price by the IFA.

2. Due to the anticipated intense competition subsequent to the liberalization in 2012, the operating performance of CIMBS is expected to decline.
3. The proposed transaction price incorporated higher premium than that of the latest precedent transaction. After the announcement of Ministerial Regulations in 2008, the premium paid has declined since the company intends to operate securities business could file for the license itself as the SEC will no longer limit the number of licenses to operate securities business.

Based on the above rationale, the IFA views that the price and conditions of the Transaction are reasonable and that the shareholders of the Bank will benefit from the Transaction. Therefore, the shareholders of the Bank should vote in favor of the Transaction. Nonetheless, the decision to vote is solely dependable on the consideration and discretion of the shareholders. Shareholders should take into consideration the advantages, disadvantages and the risks of the Transaction as well as carefully consider the attached documents submitted to the shareholders along with the invitation letter to shareholders' meeting so as to make the most appropriate decision.

3. Sources of information

The opinion regarding the reasonableness of the price and condition of the Transaction provided by the IFA are based upon the analysis of the information and data provided by the Bank and CIMBS executives, information from the interviews with CIMBS management as well as relevant documents provided by CIMBS and other publicly available information. In addition, the IFA has incorporated the study of current economic situation into the share valuation. Any significant change in the data and/or information used in the analysis in the future may have a significant impact on the opinion hereby provided in this IFA report. In conducting this IFA report, the IFA has diligently performed the following analysis:

- a) Studied on CIMBS business and its financial statements as well as securities brokerage industry and other publicly available related economic factors;
- b) Compared the operating performance of CIMBS to those of peer comparables in the market through the use of publicly available information;
- c) Reviewed the operating budget of CIMBS during 2011 – 2013 for the purpose of conducting the valuation of CIMBS shares;
- d) Analyzed other financial information as it is considered appropriate and relevant in rendering an appropriate opinion;
- e) Performed the valuation of CIMBS shares using various valuation methods; and
- f) Analyzed the pros and cons of the Transaction and considered the impact of the Transaction to the Bank and its shareholders.

4. Overall Assumptions

The opinion expressed herein has been based on the following assumptions:

- a) All information and documents obtained from CIMBS are complete, adequate and truthful and that the opinion from the interview of the management are reflective of the current situation;
- b) There is no event (which had occurred, is going to occur or is likely to occur) which may materially affect the operating results and financial performances of CIMBS;
- c) All business contracts related to CIMBS business operations with its counterparties are still legal, valid and binding on CIMBS and the counterparties, and have not been amended, revoked or terminated;
- d) According to CIMBS's business plan forwarded to the IFA by CIMBS's management, CIMBS plans to increase its capital to invest in the expansion of its business operation, in order to maintain and increase CIMBS competitiveness after the liberalization in 2012 as well as to meet regulatory requirements. Notwithstanding, as this transaction, if approved by the shareholders of the Bank at the Bank's AGM, shall occur prior to CIMBS's capital increase plan and thus the Bank will no longer need to inject further cash into CIMBS. Thus, the valuation of CIMBS is performed based on CIMBS current status under the assumption that CIMBS is not able to increase its capital as shown in its operating budget.

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and Disposition of Assets of CIMBT

- e) As the Bank is likely to undertake the corporate finance business at CIMB Thai group post-Transaction, the IFA disregarded income and cost from corporate finance business when evaluating the future revenue of CIMBS.
- f) The valuation date of CIMBS shares is as of March 2, 2010;
- g) The valuation conducted is based on the audited financial statements of CIMBS for the year ended December 31, 2008 – 2010.

Section 1 Characteristic and Details of the Transaction

1.1 Details of the Transaction

CIMBT intends to divest its investment in CIMBS to CIMBS International. CIMBS operates a securities business by offering a wide range of services from securities brokerage, selling agents, securities underwriting as well as financial advisory services to its retail and institutional clients. According to the Bank’s Board of Directors meeting held on March 16, 2011, where the directors who may be deemed conflicted had abstained from voting, the Board of Directors had approved the Transaction and passed the resolution to propose to the Bank’s Annual General Shareholders’ Meeting No. 17/2011 to be held on April 20, 2011 to consider and approve.

At present, the Bank’s investment in CIMBS comprises of 49,999,993 ordinary shares at a par value of THB 10 per share, accounting for 99.99% of CIMBS’s total 50,000,000 ordinary shares. As the Transaction entails the Bank selling its entire shareholding in CIMBS to CIMBS International, a wholly-owned subsidiary of CIMB Group, upon completion of the Transaction, the Bank will no longer hold any shares in CIMBS. The details of the CIMBS shares to be sold to CIMBS International in this divestment transaction are as shown in the following Table.

Table 3 : Shareholding structure of CIMBS before and after the Transaction

Name of shareholders	Before the Transaction		No. of Shares to be Sold		After the Transaction	
	No. of Shares	% of Total	No. of Shares	% of Total	No. of Shares	% of Total
1. CIMB Thai Bank PLC	49,999,993	99.99%	49,999,993	99.99%	-	-
2. Other minority shareholders	7	0.01%	-	-	7	0.01%
3. CIMB Securities International Pte Limited	-	-	-	-	49,999,993	99.99%

Post-Transaction, CIMBT and its subsidiaries do not intend to undertake any securities brokerage-related businesses, with the exception of corporate finance advisory, which is proposed to be undertaken at the Bank upon CIMB Thai obtaining the necessary licenses / approvals from SEC, BOT and other regulators (if required).

In this regard, the Transaction is considered a connected party transaction as prescribed in the Notification of Connected Transactions. Furthermore, the Transaction is also considered to be a disposition of assets as prescribed in the Notification of the Capital Market Supervision Board Tor Chor 20/2551 re: Disclosure of Information and Other Acts of Listed Company Concerning the Acquisition and Disposition of Assets, 2004 (“Notification of Acquisition and Disposal of Assets”).

Therefore, the Bank is required to seek approval from its shareholders in the Annual General Meeting No.17/2011 to be held on April 20, 2011 with affirmative votes of not less than three-fourths of the total number of votes of the shareholders attending the meeting and having the right to vote, excluding the votes of the shareholders who have conflict of interest.

In addition, the Bank is required to appoint an IFA to render an opinion regarding the reasonableness and benefits of the Transaction to the Bank, as well as an opinion on the fairness and reasonableness of the transaction price and conditions to be presented to the Bank’s Board of Directors and the shareholders’ meeting. In this regard, the Bank has appointed JayDee Partners Limited, an approved financial advisor by the Office of the SEC, as the IFA of the Bank in rendering an opinion to the shareholders to support their voting consideration with respect to the Transaction.

1.2 Relevant parties and relationship

Buyer : CIMB Securities International Pte Ltd
 Seller : CIMB Thai Bank Public Company Limited
 Relationship : Both CIMBS International and CIMBT have the same ultimate shareholder, CIMB Group (CIMB Group is the indirect major shareholder of the Bank through its shareholding in CIMB Bank)

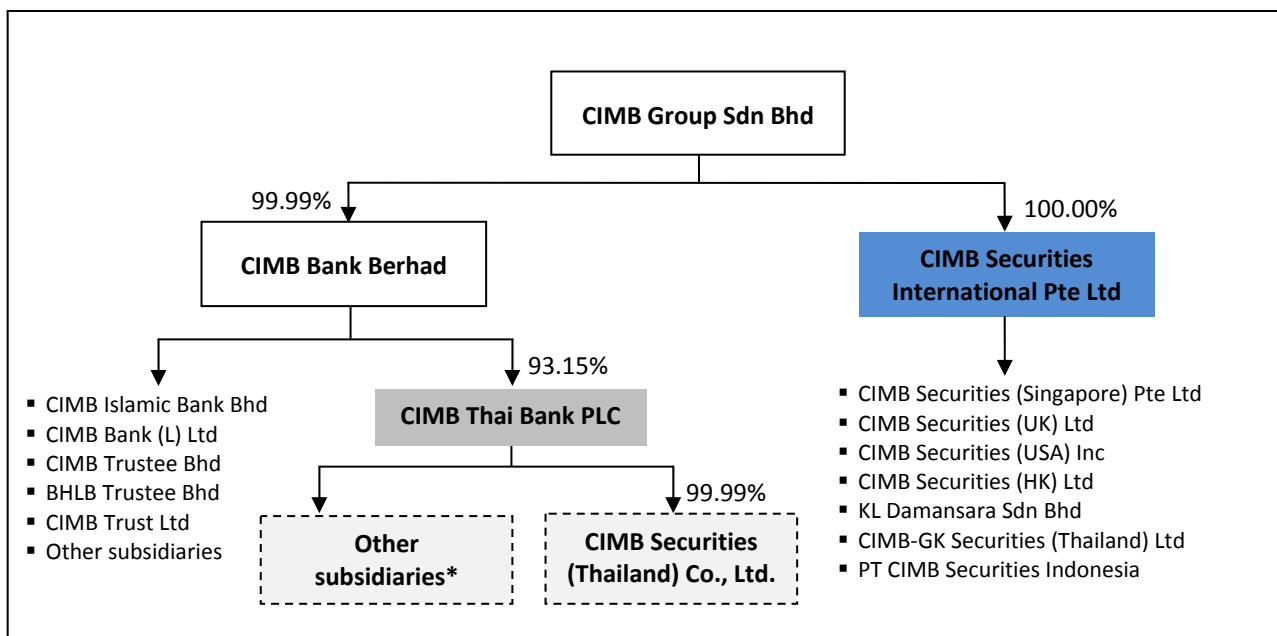
Business overview of CIMB Group

CIMB Group Holdings Berhad, the holding company of CIMB Group, has been listed on the main board of Bursa Malaysia Securities Berhad (the Stock Exchange of Malaysia) since 1987 and is currently the second largest financial service provider in Malaysia in terms of total assets as well as one of Southeast Asia’s leading universal banking groups. CIMB Group offers a wide range of financial products and services through its 3 main brand entities namely CIMB Bank, CIMB Investment Bank and CIMB Islamic. The financial products and services provided include corporate and investment banking, consumer banking, treasury, insurance, asset management and etc.

CIMB Group’s headquarters is located in Kuala Lumpur, Malaysia and currently has its presence across 13 countries both in South East Asia and other major global financial centers. Nonetheless, its main markets comprise of Indonesia, Singapore and Thailand.

Currently, CIMB Group is the single largest indirect shareholder of the Bank through its 99.99% shareholding in CIMB Bank. The summarized organizational structure of CIMB Group with regards to the Transaction is shown in the following Diagram.

Diagram 1 : Summarized Corporate Structure of CIMB Group



Remark * other subsidiaries comprise of BT Leasing Co., Ltd, C.T. Coll Co., Ltd, Worldlease Co., Ltd. and Krungthai Thanakit Pcl.
 Source: www.cimb.com

There are 2 directors who hold positions within CIMB Group and are thus considered to be persons with conflict of interest and had abstained from voting to approve the Transaction in the Board of Directors’ Meeting held on March 16, 2011. The list of directors who are deemed interested in the Transaction are presented in the following Table.

Table 4 : List of directors with deemed interest in the Transaction

Name	Position in		Proportion of shareholding in CIMBT
	CIMBT	CIMB Group	
1. Dato' Robert Cheim Dau Meng	Director	Director in CIMB Group Sdn Bhd	-
2. Mr. Kenny Kim	Director	Group Chief Finance Officer	-

CIMBS International (formerly known as CIMB-GK Pte Ltd) is an entity incorporated in Singapore and currently a holding company that has investment in other securities companies within CIMB Group, which comprises CIMB Securities (Singapore) Pte Limited, CIMB Securities (UK) Limited, CIMB Securities (USA) Inc, CIMB Securities (HK) Limited, KL Damansara Sdn Bhd, CIMB-GK Securities (Thailand) Limited and PT CIMB Securities Indonesia. Such shareholding structure is shown in Diagram 1. Upon completion of the Transaction, CIMB Securities (Thailand) Company Limited will be 99.99% held by CIMBS International.

In this regard, CIMBS International as the buyer of CIMBS shares, and the Bank as the seller of CIMBS shares are considered connected parties as both parties share a common ultimate shareholder in CIMB Group. As such, CIMB Bank, the major shareholder of the Bank, is considered a person with conflict of interest and thus shall abstain from voting on this agenda.

1.3 The proposed transaction value

The proposed transaction price for the sale of CIMBS share is THB 510,337,881.85, which is equivalent to THB 10.21 per share in CIMBS. This represents a price-to-book multiple of 1.05x the audited book value of CIMBS as at 31 December 2010. The Bank is expected to receive the payment in cash upon the completion of the Transaction.

1.4 Date of the Transaction

The Bank will enter into the Transaction after obtaining the approval from the shareholders' meeting No.17/2011 to be held on April 20, 2011 as well as the approval from relevant authorities which includes the BOT (if required).

1.5 Type and size of the Transaction

The sale of CIMBS shares by the Bank to CIMBS International is considered a connected party transaction as prescribed in the Notification of Connected Transactions. The calculation of transaction size according to the Notification of Connected Transactions is illustrated below.

Calculation of transaction size regarding the connected transaction

According to the audited consolidated financial statements of CIMBT for the year ended December 31, 2010, NTA of the Bank and its subsidiaries in Thai Baht term can be calculated as follow:

$$\begin{aligned}
 \text{NTA of the Bank and its subsidiaries} &= \text{Total assets} - \text{Total liabilities} - \text{Intangible assets} - \text{Minority shareholders' equity} \\
 &= 140,476,827,736 - 128,540,994,041 - 451,672,035 - 82,270,655 \\
 &= 11,401,891,005
 \end{aligned}$$

The Bank will receive a total consideration of THB 510,337,881.85 for the sale of its entire shares held in CIMBS. Moreover, the calculation of transaction size includes connected transactions that have taken place in the past 6 months prior to the Transaction, including the in-sourcing of supporting and other services by the Bank to Sathorn Asset Management Co., Ltd. and CIMB-Principal Asset Management Co., Ltd., from which the Bank received service fee of THB 7.00 million and THB 1.65 million respectively.

$$\begin{aligned} \text{Transaction size} &= (\text{Transaction value} + \text{Other connected transactions within the past 6 months}) / \text{NTA of the Bank and its subsidiaries} \\ &= (510,337,881.85 + 7,000,000 + 1,650,000) / 11,401,891,005 \\ &= 4.55\% \end{aligned}$$

From the calculation shown above, the Transaction is a disposal of asset with transaction size according to the Notification of Connected Transaction of 4.55% of NTA in which is greater than the threshold of 3.00% of NTA, above which requires shareholders' approval in a general meeting. As a result, according to the SET's regulation, the Bank is obliged to seek approval from the shareholders' meeting with affirmative votes of not less than three-fourths of the total number of votes of the shareholders attending the meeting and having the right to vote, excluding the votes of the shareholders who have conflict of interest.

In addition, the Transaction is considered a disposal of asset as prescribed in the Notification Acquisition and Disposal of Assets. The calculations of transaction size using 3 methods based on the Notification of Acquisition and Disposal of Assets are illustrated below.

Calculation of the transaction size regarding the disposal of asset

1. Transaction size based on the value of assets disposed

$$\begin{aligned} \text{Transaction size} &= \text{NTA of CIMBS} / \text{NTA of the Bank and its subsidiaries} \\ &= 479,970,376 / 11,401,891,005 \\ &= 4.21\% \end{aligned}$$

2. Transaction size based on value of consideration received

$$\begin{aligned} \text{Transaction size} &= \text{Transaction value} / \text{Total assets of the Bank and its subsidiaries} \\ &= 510,337,881.85 / 140,476,827,736 \\ &= 0.36\% \end{aligned}$$

3. Transaction sized based on net profit of CIMBS

$$\begin{aligned} \text{Transaction size} &= \text{Net profit of CIMBS} / \text{Net profit of the Bank and its subsidiaries} \\ &= 1,260,056 / 828,846,303 \\ &= 0.15\% \end{aligned}$$

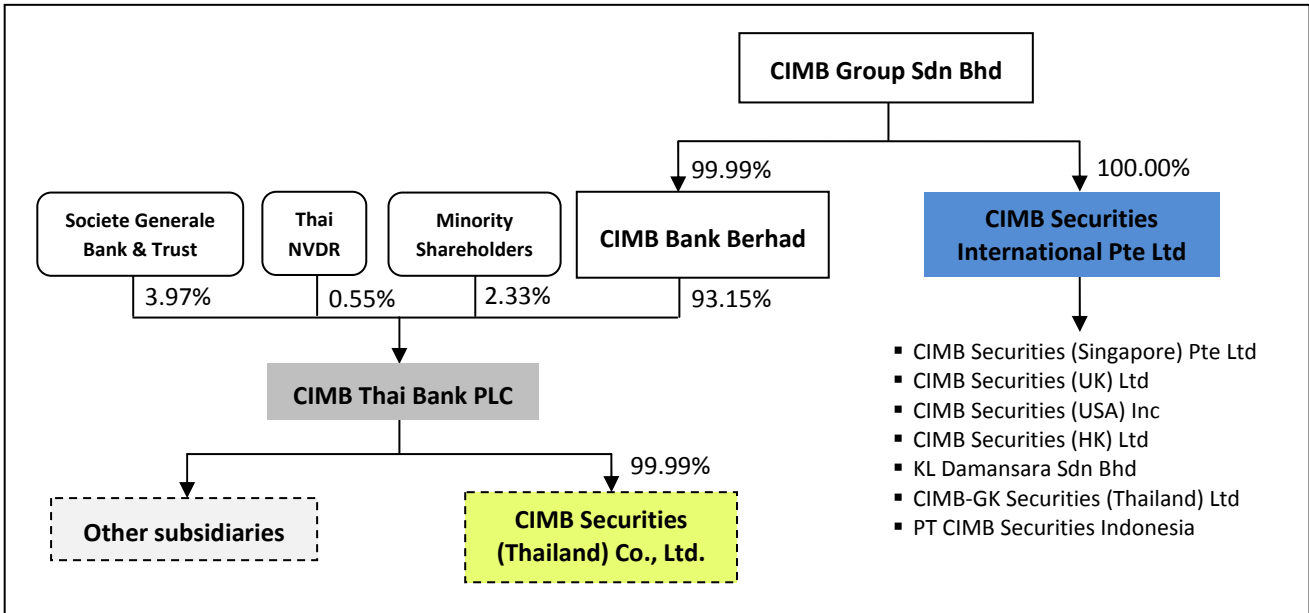
From the above calculation, the highest transaction size is 4.21% of NTA, based on the value of assets disposed. Therefore, the Transaction is considered a disposal of assets class 1 with transaction size less than 15.00% of NTA. According to the SET's regulation, the Bank is not required to seek approval from the Board of Directors' meeting or shareholders of the Bank.

However, as both the Notification of Connected Transactions and the Notification of Acquisition and Disposal of Assets must be taken into consideration, the transaction size based upon the Notification of Connected Transactions is above 3.00% of NTA, as regulated by the SET, the Bank is required to seek approval from the Bank's Board of Directors and the Shareholders' meeting.

1.6 Shareholding structure before and after entering into the Transaction

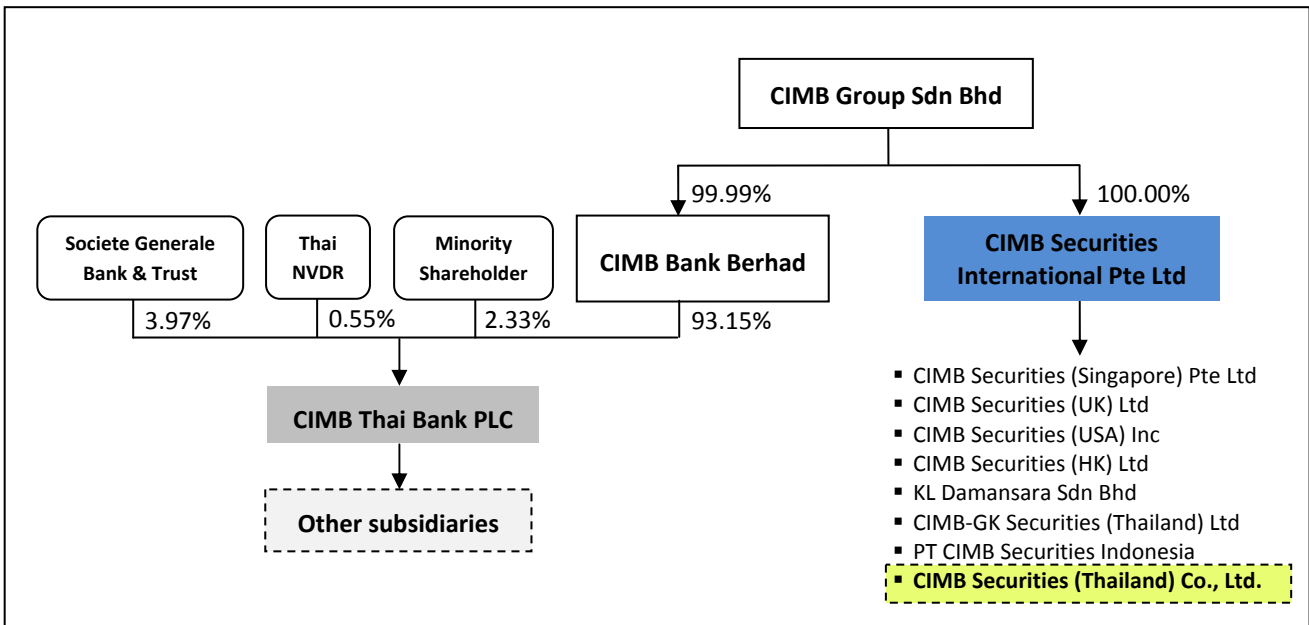
The shareholding structure of CIMBS prior to the Transaction can be shown as follows:

Diagram 2 : Shareholding structure of CIMBS prior to the Transaction



The shareholding structure of CIMBS after the completion of the Transaction can be shown as follows:

Diagram 3 : Shareholding structure of CIMBS after the Transaction



1.7 Future plan of CIMBT after the Transaction

Post-Transaction, CIMB Thai group does not intend to undertake any securities brokerage-related businesses, with the exception of corporate finance advisory, which is proposed to be undertaken at the Bank upon obtaining the necessary licenses / approvals from SEC, BOT and other regulators (if required). In addition, CIMBS does not intend to undertake any corporate finance advisory for the time being.

Section 2 Overview of CIMB Securities (Thailand) Company Limited

2.1 Background

CIMB Securities (Thailand) Company Limited, formerly named Krung Thai Thanakit Securities Company Limited, was established on February 1, 2000 as a result of the separation between securities business and finance business of Krung Thai Thanakit Finance and Securities Company Limited according to the policy of the Ministry of Finance and the SEC. In March 2002, it changed its name to BT Securities Company Limited (“BTSEC”) and was held 99.99% by Bank Thai Public Company Limited (“Bank Thai”), currently known as CIMBT.

At the end of 2008, CIMB Bank, a subsidiary of CIMB Group, acquired Bank Thai and became the major shareholder of Bank Thai. As a result, there are 2 Thai companies operating securities business under CIMB Group which are (1) BTSEC, a wholly owned subsidiary of CIMBT, and (2) CIMB-GK Securities (Thailand) Limited (“CIMB-GK”), a subsidiary of CIMB Securities International Pte Limited. Thereafter, in 2009, CIMB-GK had requested for a suspension of its securities brokerage license and sold most of its fixed assets as well as transferred its employees and clients’ accounts to BTSEC. At present, CIMB-GK is no longer in operation. In September 2009, BTSEC changed its name to CIMB Securities (Thailand) Company Limited.

CIMBS currently offers a wide range of professional securities services as stipulated in the licenses to operate securities business issued by the SEC. An overview of business operation of CIMBS can be summarized in the following Table.

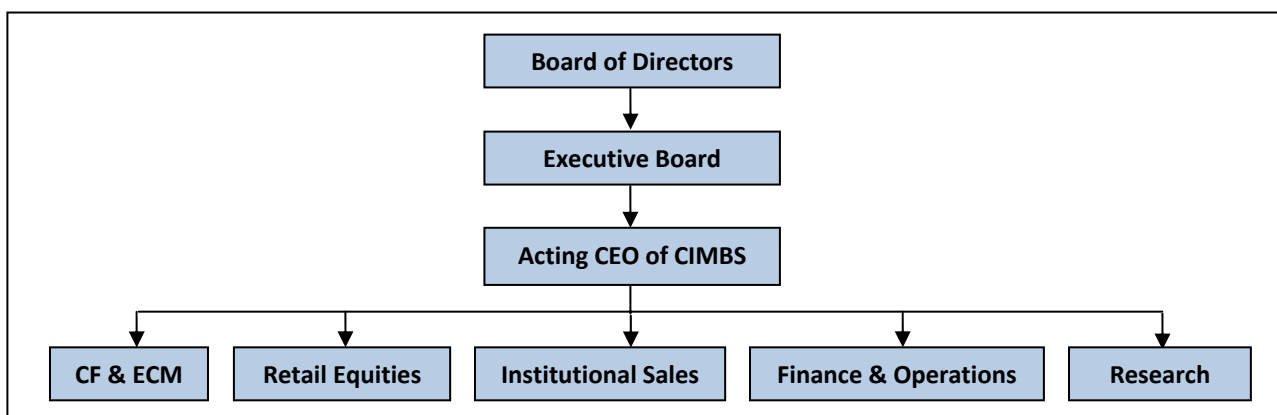
Table 5 : Overview of business operation of CIMBS

Business Operation	Possess the License to Operate	Currently in Operation
1. Securities business		
- Securities brokerage	✓	✓
- Securities dealing	✓	X
- Investment advisory services	✓	✓
- Securities underwriting	✓	✓
- Bond dealer	✓	X
2. Derivatives Broker	✓	✓
3. Financial advisory services	✓	✓
4. Selling agent	✓	✓
5. Member of Thai Bond Market Association	✓	X

Source: CIMBS

Currently, CIMBS operates through 5 Departments: 1) Corporate Finance (“CF”) and Equity Capital Market (“ECM”) 2) Retail Equities 3) Institutional Sales 4) Finance and Operations and 5) Research Department. Organization structure of CIMBS is illustrated in the following Diagram.

Diagram 4 : Organization Structure of CIMBS



2.2 Details of business operation

The details of each service provided by CIMBS to its clients are presented as follows:

Table 6 : Details of services provided by CIMBS

Type of Service Provided	Detail																																																																				
1) Securities brokerage	<p>CIMBS is broker member no. 7 of the SET providing securities brokerage service to both institutional and retail clients with 4 brokerage branches and one headquarter as follows:</p> <ol style="list-style-type: none"> 1) Headquarter located in CIMB Thai Bank Building 2) Sindhorn brokerage branch 3) Sermmitr brokerage branch 4) Pinklao brokerage branch 5) Samut Songkharm brokerage branch <p>To complement its brokerage service, CIMBS has a research team comprising 10 licensed analysts to conduct research on major listed companies. In addition, the research team of CIMBS collaboratively works with CIMB Group’s regional research team in areas such as organizing analyst road shows for clients throughout the region. In 2010, CIMBS has a trading value in both the SET and mai of approximately THB 14,067,895 million, representing a market share of 0.93% (ranked 29th in the market). Further details of CIMBS trading value from 2008 – 2010 is shown in the following Table.</p> <p style="text-align: center;">Table 7 : Details of CIMBS trading value for securities during 2008 – 2010</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="background-color: #000080; color: white;">Item (THB : million)</th> <th style="background-color: #000080; color: white;">2008</th> <th style="background-color: #000080; color: white;">2009</th> <th style="background-color: #000080; color: white;">2010</th> </tr> </thead> <tbody> <tr> <td>SET’s trading value* (1)</td> <td style="text-align: right;">7,839,748</td> <td style="text-align: right;">8,676,958</td> <td style="text-align: right;">13,875,779</td> </tr> <tr> <td>mai’s trading value* (2)</td> <td style="text-align: right;">122,711</td> <td style="text-align: right;">180,999</td> <td style="text-align: right;">192,115</td> </tr> <tr> <td>Total market trading value (3) = (1)+(2)</td> <td style="text-align: right;">7,962,460</td> <td style="text-align: right;">8,857,958</td> <td style="text-align: right;">14,067,894</td> </tr> <tr> <td>CIMBS’ trading value (4)</td> <td style="text-align: right;">72,852</td> <td style="text-align: right;">62,094</td> <td style="text-align: right;">114,625</td> </tr> <tr> <td>Market share of CIMBS (5) = (4)/(3)</td> <td style="text-align: right;">0.91%</td> <td style="text-align: right;">0.72%</td> <td style="text-align: right;">0.93%</td> </tr> <tr> <td>Ranking in the market</td> <td style="text-align: center;">34</td> <td style="text-align: center;">37</td> <td style="text-align: center;">29</td> </tr> </tbody> </table> <p><u>Remark</u> *based on total buy and sell value Source: www.setsmart.com</p> <p>In 2010, the proportion of retail clients to institutional clients of CIMBS based on trading value was 71.82% to 28.18%. CIMBS currently has 89 employees responsible for retail sales and 6 employees responsible for institutional sales with most of its institutional sales derived mainly from regional clients from Singapore, Hong Kong and Malaysia. The breakdown of CIMBS trading value based on type of customers and trading accounts is shown in the following Table.</p> <p style="text-align: center;">Table 8 : Breakdown of the CIMBS average trading value during 2008 – 2010</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="background-color: #000080; color: white;">Item (THB : million)</th> <th style="background-color: #000080; color: white;">2008</th> <th style="background-color: #000080; color: white;">2009</th> <th style="background-color: #000080; color: white;">2010</th> </tr> </thead> <tbody> <tr> <td colspan="4" style="background-color: #e0e0e0;">Trading value by type of customers</td> </tr> <tr> <td>CIMB’s accounts*</td> <td style="text-align: right;">24,205</td> <td style="text-align: right;">282</td> <td style="text-align: right;">57,284</td> </tr> <tr> <td>Institutional clients’ accounts</td> <td style="text-align: right;">2,297</td> <td style="text-align: right;">7,718</td> <td style="text-align: right;">32,285</td> </tr> <tr> <td>Retail clients’ accounts</td> <td style="text-align: right;">46,349</td> <td style="text-align: right;">54,142</td> <td style="text-align: right;">82,274</td> </tr> <tr> <td colspan="4" style="background-color: #e0e0e0;">Trading value by type of accounts</td> </tr> <tr> <td>Cash account</td> <td style="text-align: right;">63,895</td> <td style="text-align: right;">51,632</td> <td style="text-align: right;">154,324</td> </tr> <tr> <td>Credit balance account</td> <td style="text-align: right;">1,555</td> <td style="text-align: right;">1,414</td> <td style="text-align: right;">3,247</td> </tr> <tr> <td>Cash balance account</td> <td style="text-align: right;">135</td> <td style="text-align: right;">153</td> <td style="text-align: right;">561</td> </tr> <tr> <td>Internet account**</td> <td style="text-align: right;">7,266</td> <td style="text-align: right;">8,941</td> <td style="text-align: right;">13,711</td> </tr> </tbody> </table> <p><u>Remark</u> * Proprietary trading ** Internet account includes cash account, credit balance account and cash balance account Source: CIMBS</p>	Item (THB : million)	2008	2009	2010	SET’s trading value* (1)	7,839,748	8,676,958	13,875,779	mai’s trading value* (2)	122,711	180,999	192,115	Total market trading value (3) = (1)+(2)	7,962,460	8,857,958	14,067,894	CIMBS’ trading value (4)	72,852	62,094	114,625	Market share of CIMBS (5) = (4)/(3)	0.91%	0.72%	0.93%	Ranking in the market	34	37	29	Item (THB : million)	2008	2009	2010	Trading value by type of customers				CIMB’s accounts*	24,205	282	57,284	Institutional clients’ accounts	2,297	7,718	32,285	Retail clients’ accounts	46,349	54,142	82,274	Trading value by type of accounts				Cash account	63,895	51,632	154,324	Credit balance account	1,555	1,414	3,247	Cash balance account	135	153	561	Internet account**	7,266	8,941	13,711
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	<p>As of February 2011, CIMBS has a total of approximately 14,000 client accounts, comprising of approximately 4,000 active accounts.</p>																				
<p>2) Securities underwriting and financial advisory service</p>	<p>: CIMBS provides securities underwriting and financial advisory services under the license issued by the SEC with an experienced team comprising investment bankers, financial advisors and administrative officers, totaling 9 persons. The breakdown of revenue from securities underwriting and financial advisory service of CIMBS during 2008 – 2010 is shown in the following Table.</p> <p style="text-align: center;">Table 9 : Breakdown of CIMBS fee and service income during 2008 – 2010</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="background-color: #0056b3; color: white;">Fee and Service Income (THB : 000)</th> <th style="background-color: #0056b3; color: white;">2008</th> <th style="background-color: #0056b3; color: white;">2009</th> <th style="background-color: #0056b3; color: white;">2010</th> </tr> </thead> <tbody> <tr> <td>Underwriting fee</td> <td style="text-align: center;">7,775</td> <td style="text-align: center;">20,624</td> <td style="text-align: center;">26,274</td> </tr> <tr> <td>Financial advisory fee</td> <td style="text-align: center;">5,464</td> <td style="text-align: center;">9,980</td> <td style="text-align: center;">36,642</td> </tr> <tr> <td>Other income</td> <td style="text-align: center;">588</td> <td style="text-align: center;">485</td> <td style="text-align: center;">2,421</td> </tr> <tr> <td>Total</td> <td style="text-align: center;">13,827</td> <td style="text-align: center;">31,089</td> <td style="text-align: center;">65,337</td> </tr> </tbody> </table> <p>Source: CIMBS</p>	Fee and Service Income (THB : 000)	2008	2009	2010	Underwriting fee	7,775	20,624	26,274	Financial advisory fee	5,464	9,980	36,642	Other income	588	485	2,421	Total	13,827	31,089	65,337
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Total	13,827	31,089	65,337																		
<p>3) Future contracts brokerage</p>	<p>: CIMBS was approved by the SEC to be the sale agent of future contracts traded in Thailand Futures Exchange (“TFEX”) on February 11, 2005. Currently, CIMBS has 48 licensed sale agents providing futures contract brokerage services for various types of products available in TFEX such as SET 50 Index futures, SET 50 Index Options, Stock Futures, Gold Futures and Interest Rate Futures. In 2010, the market share of CIMBS based on number of contracts traded was approximately 0.38% with the number of contracts traded of approximately 18,000 contracts in that year. The details of CIMBS future contracts’ traded in TFEX during 2008 – 2010 is presented in the following Table.</p> <p style="text-align: center;">Table 10 : Details of CIMBS futures contracts traded in TFEX during 2008 – 2010</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="background-color: #0056b3; color: white;">Item</th> <th style="background-color: #0056b3; color: white;">2008</th> <th style="background-color: #0056b3; color: white;">2009</th> <th style="background-color: #0056b3; color: white;">2010</th> </tr> </thead> <tbody> <tr> <td>No. of futures contracts traded in TFEX (1)</td> <td style="text-align: center;">2,148,620</td> <td style="text-align: center;">3,075,318</td> <td style="text-align: center;">4,519,436</td> </tr> <tr> <td>No. of futures contracts of CIMBS traded in TFEX (2)</td> <td style="text-align: center;">8,699</td> <td style="text-align: center;">12,656</td> <td style="text-align: center;">18,675</td> </tr> <tr> <td>Market share of CIMBS (3) = (2)/(1)</td> <td style="text-align: center;">0.78%</td> <td style="text-align: center;">0.50%</td> <td style="text-align: center;">0.38%</td> </tr> </tbody> </table> <p>Source: TFEX and CIMBS</p> <p>As of February 2011, CIMBS has approximately 200 clients’ accounts of futures contracts traded in TFEX.</p>	Item	2008	2009	2010	No. of futures contracts traded in TFEX (1)	2,148,620	3,075,318	4,519,436	No. of futures contracts of CIMBS traded in TFEX (2)	8,699	12,656	18,675	Market share of CIMBS (3) = (2)/(1)	0.78%	0.50%	0.38%				
Item	2008	2009	2010																		
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No. of futures contracts of CIMBS traded in TFEX (2)	8,699	12,656	18,675																		
Market share of CIMBS (3) = (2)/(1)	0.78%	0.50%	0.38%																		
<p>4) Investment in securities</p>	<p>: At present, CIMBS has 13 proprietary dealers to undertake proprietary trading on CIMBS’ owned accounts. For the year ended December 31, 2010, CIMBS had a total gain on trading from its proprietary account of THB 29.77 million.</p>																				

2.3 Revenue structure

The revenue structure of CIMBS for the year ended December 31, 2008 – 2010 are presented in the following Table.

Table 11 : Revenue structure of CIMBS for the year ended December 31, 2008 – 2010

(Unit : THB '000)	2008		2009		2010	
	Revenue	%	Revenue	%	Revenue	%
Brokerage fee from securities trading	117,601	49.31%	149,410	72.28%	234,161	66.62%
Brokerage fee from future contract trading	6,343	2.66%	6,012	2.91%	5,325	1.51%
Fee and service income	13,827	5.80%	31,089	15.04%	65,337	18.59%
Profit (loss) from securities trading	10,439	4.38%	2,913	1.41%	29,777	8.47%
Interest and dividend income	31,702	13.29%	16,676	8.07%	13,621	3.88%
Other income	5,705	2.39%	605	0.29%	3,274	0.93%
Reversal of loss on impairment of investments in securities	52,881	22.17%	-	0.00%	-	0.00%
Total	238,498	100.00%	206,705	100.00%	351,491	100.00%

Source: CIMBS

As CIMBS is a securities company with its core business of providing securities brokerage service, its revenue stream comprises mainly of brokerage fee from securities trading in which accounted for 49.31%, 72.28% and 66.62% of total revenue from 2008 – 2010, respectively. Another main source of revenue for CIMBS is from fee and service income in which CIMBS mostly obtained from providing underwriting and financial advisory services. Fee and service income accounted for 5.80%, 15.04% and 18.59% of total revenue from 2008 – 2010, respectively.

2.4 Cost structure

Cost structure of CIMBS for the year ended December 31, 2008 – 2010 are presented in the following Table.

Table 12 : Cost structure of CIMBS for the year ended December 31, 2008 – 2010

(Unit : THB '000)	2008		2009		2010	
	Expenses	%	Expenses	%	Expenses	%
Expense on borrowing	17,122	8.57%	5,985	2.72%	9,186	2.62%
Fees and service expenses	10,537	5.28%	11,207	5.09%	20,373	5.82%
Reversal of allowance for doubtful accounts	-12,029	-6.02%	-6,414	-2.91%	-14,339	-4.09%
Reversal of allowance for impairment of investment in receivables	-2,702	-1.35%	-521	-0.24%	-219	-0.06%
Operating expenses	186,747	93.52%	210,126	95.34%	335,231	95.72%
Total	199,675	100.00%	220,383	100.00%	350,231	100.00%

Source: CIMBS

The nature of securities business requires well educated and capable human resources to conduct research, provide financial advice as well as execute tasks for clients. As a result, CIMBS cost structure comprises mainly of personnel expenses which are from salary and commission expenses, accounted for more than 50% for each of years 2008, 2009 and 2010, respectively.

2.5 Registered and paid-up capital

As of December 31, 2010, CIMBS had a registered and fully paid-up capital of THB 500 million comprising of 50 million ordinary shares at a par value of THB 10 per share.

2.6 Shareholders

The major shareholders of CIMBS as of March 2, 2011 are listed in the following Table.

Table 13 : List of major shareholders of CIMBS as of March 2, 2011

Name of shareholders	Shareholding	
	Number of Shares	% of Total
1. CIMB Bank Thai PCL	49,999,993	99.99%
2. Minority Shareholders	7	0.01%
Total	50,000,000	100.00%

Source: CIMBS

2.7 The Board of Directors

The Board of Directors of CIMBS as of March 2, 2011 is listed in the following Table.

Table 14 : Board of Directors of CIMBS as of March 2, 2011

Name	Position
1. Mr. Kittisak Amornchairojkul	Acting Chief Executive Officer
2. Mr. Kasem Prunratnamala	Director
3. Ms. Yuwana Ratanawichien	Director
4. Mrs. Julia Hashim	Director
5. Mrs. Chan Yuen May	Director
6. Mr. Lee Tek Seng	Director

Source: CIMBS

2.8 Management

The management of CIMBS as of March 2, 2011 are listed in the following Table.

Table 15 : The management of CIMBS as of March 2, 2011

Name	Position
1. Mr. Kittisak Amornchairojkul	Head of Retail Equities
2. Mr. Kasem Prunratnamala	Head of Research
3. Ms. Yuwana Ratanawichien	Head of Finance and Operation
4. Mr. Sittichai Mahaguna	Head of Investment Banking and Equity Capital Market
5. Ms. Kanyarat Kallayawarat	Co-Head of Sales
6. Mr. Sansern Nilrat	Head of Compliance and Legal

Source: CIMBS

2.9 Historical financial information

The summarized audited financial statements of CIMBS for the year ended December 31, 2008 – 2010 are presented in the following Table.

Table 16 : Summary of financial status of CIMBS for the year ended December 31, 2008 – 2010

(Unit : THB '000)	2008	2009	2010
Assets			
Cash and cash equivalents	163,514	337,713	382,323
Long-term deposits at financial institutions	30,076	45,079	45,080
Investments in debt and equity securities - net	504,579	31,033	71,979
Investment in receivables - net	11,643	11,581	8,205
Receivable from clearing house	108,243	206,238	216,334
Securities and derivatives business receivables - net	130,972	355,393	330,065
Building and equipment - net	33,472	40,531	40,213
Intangible assets - net	7,226	6,024	6,066
Other assets	55,796	43,338	73,818
Total assets	1,045,520	1,076,930	1,174,084
Liabilities and shareholders' equity			

(Unit : THB '000)	2008	2009	2010
Liabilities			
Borrowings	85,000	55,000	125,000
Securities sold under repurchased agreement	323,258	-	-
Payable to clearing house	8	32,472	467
Securities and derivatives business payables	144,148	384,707	383,214
Subordinated debentures	-	95,569	100,347
Other liabilities	18,326	30,892	79,019
Total liabilities	570,740	598,640	688,048
Shareholders' equity			
Registered capital	1,200,000	500,000	500,000
Issued and paid-up capital	1,200,000	500,000	500,000
Unrealized gain (loss) on change in fair value of available for sale investments	-3,898	13,289	19,775
Retained earnings (loss)	-721,322	-34,999	-33,739
Total shareholders' equity	474,780	478,289	486,036
Total liabilities and shareholders' equity	1,045,520	1,076,930	1,174,084

Source: CIMBS

**Table 17 : Summary of operating performance of CIMBS
For the year ended December 31, 2008 – 2010**

(Unit : THB '000)	2008	2009	2010
Revenue			
Brokerage fees	123,945	155,422	239,486
Fees and service income	13,827	31,089	65,337
Interest and dividend	17,511	5,740	5,441
Interest on margin loans	14,191	10,936	8,180
Other income	69,025	3,519	33,046
Total revenue	238,499	206,706	351,491
Expenses			
Expenses on borrowing	17,122	5,985	9,186
Fees and service expenses	10,537	11,207	20,373
Reversal of allowance for doubtful accounts	-12,029	-6,414	-14,339
Reversal of allowance for impairment of investment in receivables	-2,702	-521	-219
Operating expenses	186,748	210,126	335,230
Total expenses	199,676	220,383	350,231
Net income (loss) for the year	38,822	-13,677	1,260

Source: CIMBS

Table 18 : Summary of cash flow statement of CIMBS for the year ended December 31, 2008 – 2010

(Unit : THB '000)	2008	2009	2010
Cash flows from (used in) operating activities	62,364	-191,167	-29,020
Cash flows from (used in) investing activities	20,697	301,343	3,630
Cash flows from (used in) financing activities	-	64,023	70,000
Net increase (decrease) in cash equivalents	83,061	174,200	44,610

Source: CIMBS

Table 19 : Analysis of CIMBS operating performance and operating results for 2008 – 2011

Financial Ratio	2008	2009	2010
Profitability Ratio			
Net profit margin	16.28%	-6.62%	0.36%
Return on equity	8.18%	-2.86%	0.26%
Efficiency Ratio			
Return on assets	3.71%	-1.27%	0.11%
Asset turnover ratio	0.23	0.19	0.30
Financial Policy Ratio			
Debt to Equity ratio	1.20	1.25	1.42

Operating performance of CIMBS

Revenue

Total revenue of CIMBS for the year ended December 31, 2008 – 2010 were THB 238.50 million, THB 206.71 million and 351.49 million, respectively. Major source of revenue for CIMBS were revenue from brokerage fees from securities and futures contracts trading which were THB 123.94 million, THB 155.42 million and THB 239.49 million for 2008 – 2010, respectively. The drastic increase in brokerage fees by THB 31.48 million and THB 84.06 million, representing a growth rate of 25.40% and 54.09% in 2009 and 2010 accordingly were due to an increase in CIMBS trading value as the overall market trading value rise. Another source of revenue of CIMBS was from fees and service income which were in total of THB 13.83 million, THB 31.09 million and 65.34 million for 2008 – 2010, respectively. These fees and service income were derived from underwriting and financial advisory services provided to clients. The substantial rise in fees and service income during 2009 and 2010 representing a growth rate of 124.85% and 110.16% were from the increasing amount of deals as well as deal's value undertaken by CIMBS. Other income of CIMBS comprised mainly of gain on trading securities from its owned proprietary accounts which were THB 10.44 million, THB 2.91 million and 29.77 million accounted for 4.38%, 1.41% and 8.47% of total revenue for 2008 – 2010, respectively.

Cost and expenses

Total cost of CIMBS for the year ended December 31, 2010 were THB 199.68 million, THB 220.38 million and THB 350.23 million, respectively. Major item in the cost structure of CIMBS was personnel expenses. The notable rise of total expenses in 2010 was due to an increasing number of its employees that were transferred from CIMB-GK as well as new employees were hired by CIMBS. Another source of expenses of CIMBS were operating expenses, mainly from premises and equipment expenses in which accounted for THB 43.52 million, THB 41.30 million and THB 45.08 million for 2008 – 2010, respectively. Such expenses comprise mainly of rental paid for its office and other brokerage branches as well as depreciation and amortization expenses.

Profit

In 2008, net income of CIMBS was THB 38.82 million. Thereafter, CIMBS incurred a net loss of THB 13.68 million in 2009 and earned a net profit again in 2010 at THB 1.26 million. These reflected a net profit margin of 16.28% in 2008, a net loss margin of 6.62% in 2009 and a net profit margin of 0.36% in 2010. The fluctuation of net income of CIMBS was due primarily to the fluctuation in stock market in which consequently caused the fluctuation in CIMBS revenue stream derived from brokerage fees, together with the lower amount of gain from securities trading. Return on equity of CIMBS for the year ended 2008 – 2010 were 8.18%, -2.86% and 0.26%, respectively. The negative return on equity during 2009 was because CIMBS incurred an operating loss in such period.

Financial position of CIMBS

Total assets

For the year ended December 31, 2008 – 2010, total assets of the Company were THB 1,045.52 million, THB 1,076.93 million and THB 1,174.08 million, respectively. Major current assets of CIMBS were cash and cash equivalents which were THB 163.51 million, THB 337.71 million and THB 382.32 million for 2008 – 2010, respectively accounted for 15.64%, 31.36% and 32.56% of total assets each year. The high level of cash held by CIMBS was due to the requirement of Thailand Securities Depository ("TSD") and Thailand Clearing House ("TCH") for the brokers to maintain its Net Capital Ratio (the ratio of net liquid assets to total liabilities) and cash available on hand at a certain level. In the event such ratio does not conform with TSD and TCH's requirement, they will require some cash contribution from brokers to cover such risk. The increase in cash and cash equivalents during 2009 by THB 174.20 million was due to the proceeds received from the sale of its investment in Bank Thai and from the issuance of subordinated debentures. Another main item of total assets of CIMBS was net securities and derivative business receivables and receivables from clearing house which were altogether THB 239.22 million, THB 561.63 million and THB 546.40 million, respectively. The significant increase in total receivables in 2009 and 2010 were due to the increase in CIMBS trading value with the rising stock market. As for the decrease in net investments in debt and equity securities by THB 473.55 million in 2009, it was from the sale of all debt securities at the amount of THB 323.26 million to CIMBT according to the policy of CIMB Group.

Total liabilities

Total liabilities of CIMBS for the year ended December 31, 2008 – 2010 were THB 570.74 million, THB 598.64 million and THB 688.05 million, respectively. The main item in total liabilities of CIMBS were securities and derivatives business payables which were THB 144.15 million, THB 384.71 million and THB 383.21 million for 2008 – 2010, respectively or representing 25.26%, 64.26% and 55.70% of total liabilities of CIMBS each year. The increase of such item in 2009 and 2010 were due to the increase in CIMBS trading value. In addition, CIMBS had the outstanding amount of borrowings from CIMBT at THB 85.00 million, THB 55.00 million and THB 125.00 million for 2008 – 2010, respectively in a form of promissory notes which will be matured in 2012 with an objective of borrowing to support CIMBS business operation. Moreover, CIMBS had issued subordinated debentures in 2009 to CIMB-GK with a face value of THB 120.00 million to be matured in 2014.

Shareholders' equity

As of December 31, 2008 – 2010, shareholders' equity of CIMBS were THB 474.78 million, THB 478.29 million and THB 486.04 million, respectively. As of December 31, 2008, the company had a total paid-up capital of THB 1,200 million comprising of 120 million ordinary shares at a par value of THB 10 per share. Later on in 2009, CIMBS had decreased its registered and paid – up capital to THB 500 million comprising of 50 million ordinary shares at a par value of THB 10 per share. The decrease in registered capital of CIMBS was with the objective to offset the retained loss in which was THB 721.32 million in 2008.

In 2010, CIMBS had retained losses of THB 33.74 million decreased from a retained loss at the end of 2009 of THB 35.00 million. This was due to a net income of THB 1.26 million generated by CIMBS during 2010.

Capital structure

Debt to equity ratio of CIMBS as of the end of 2008 – 2010 were 1.20, 1.25 and 1.42 times respectively. CIMBS did not issue new shares during such period and that the source of fund for CIMBS was mainly from cash flows from financing activities. For 2009 – 2010, net cash flows from financial activities were THB 64.02 million and THB 70.00 million for 2009 – 2010, respectively. Such cash flows from financing were mainly used as CIMBS' working capital.

2.10 Future investment plan

Based on our interviews with CIMBS management, CIMBS plans to expand its business operation via, amongst others, investment in increasing number of brokerage branches in order to strengthen its competitiveness in preparation for industry liberalization in 2012. Therefore, CIMBS is expected to increase its capital to meet the minimum requirement by SEC / SET in the near future.

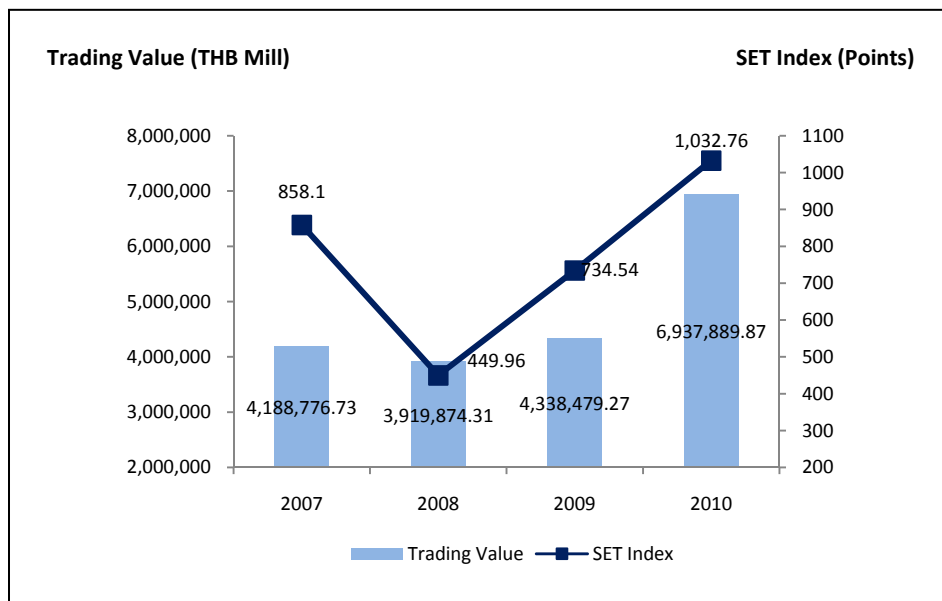
2.11 Industry Overview

2.11.1 Securities brokerage service

During the fourth quarter of 2008 to the first quarter of 2009, the world economy was largely impacted by subprime crisis originally started in the US. The crisis is a significant factor contributing to a decline in consumers' as well as investors' confidence which precipitated the decline of major stock market as well as the Stock Exchange of Thailand. This is evidenced by the historically low Price to Earnings Ratio ("PER") of the SET in 2008 at 6 times with the SET index at its bottom of 384.15 points on October 29, 2008.

Nonetheless, with the stimulus package from the Federal Reserve and the Central Bank of many countries, together with the stimulus package from the Thai government itself, the Thai economy started to show a strong sign of recovery from the first quarter of 2009 onwards. Such economic recovery was reflected in the stock market as the SET index increased from its all-time low and closed at 734.54 points at the end of 2009 with trading value of THB 4,338,479 million, representing a growth rate of 10.68% from the same period last year which was at THB 3,919,874 million.

Diagram 5 : SET Index movement from 2007 – 2010



Source: www.setsmart.com

In 2010, even with the intense political situation during the second quarter, the volatility of Thai Baht as well as the natural disaster at the end of the year, Thai economy still expanded at the growth rate of 8.00% due to other positive factors such as increase in exports as well as domestic consumption and private investments. Therefore, the performance of SET index was outstanding with its all-time high at 1,049.79 points as of November 8, 2010. The summary of the performances of the SET and mai are shown in the following Table.

Table 20 : Summary of SET and mai from 2007 – 2010

Items	2007	2008	2009	2010
SET				
SET index (as of the end of the year)	858.10	449.96	734.54	1,032.76
SET's trading value (THB mill)*	4,188,777	3,919,874	4,338,479	6,937,890
Average trading value per day (THB mill)*	17,097	15,870	17,854	28,669
Dividend yield (%)	3.31	6.57	3.65	2.92
PER (times)	17.03	7.01	25.56	15.35
mai				
mai index (as of the end of the year)	272.37	162.93	215.30	272.79
mai's trading value (THB mill)*	83,043	61,356	90,500	96,058
Average trading value per day (THB mill)*	339	248	372	397
Dividend yield (%)	3.22	7.29	4.32	3.11
PER (times)	19.30	7.50	22.74	18.39
No. of brokerage companies	38	38	38	35

Remark *based on sell value

Source: www.setsmart.com

For the total trading value of SET and mai in 2010, 62.46% of total trading value was from local investors who are retail investors and 7.70% was from local institutes. The remaining portion was from proprietary trading and foreign investors at the total amount of 29.85%. The details of trading value classified by type of investors is shown as follow:

**Table 21 : Proportion of trading value classified by type of investors
For both SET and mai from 2007 – 2010**

Items	2007	2008	2009	2010
Local institutes	6.86%	6.47%	6.69%	7.70%
Proprietary trading	7.36%	9.83%	12.91%	12.03%
Foreign investors	31.72%	31.17%	19.01%	17.82%
Local investors	54.06%	52.53%	61.39%	62.46%

Remark *based on sell value

Source: www.setsmart.com

As for the stock market outlook in 2011, it is anticipated to carry on with its bullish trend from a continuously growing economy due to the positive drive from increasing domestic consumption and private investment, together with the expectation that the fund flows from foreign investment will be higher due to the persistently weak economy in Europe and US causing foreign investors to invest in Asian market including Thailand to earn a relatively high expected return. Nonetheless, even with the positive stock market outlook, it is also expected that market volatility will be high as there are various risk factors influencing market sentiment such as political instability in Thailand, impact from the tighten monetary policy in China and the second round of economic stimulus package by the Federal Reserve in the US.

In terms of the competition within securities brokerage industry, there are a total of 35 companies providing brokerage services in 2010 with Kim Eng Securities (Thailand) PCL as the market leader having a total market share of 12.76%. The details of the top 10 players with the highest trading value in 2010 are shown in the following Table.

Table 22 : List of top 10 brokerage companies and CIMBS in SET and mai in 2010

Ranking	Name	Symbol	Trading Value (THB mill)*	Market Share (%)*
1	Kim Eng Securities (Thailand) PCL	KEST	1,579,681	12.76
2	Country Group Securities PCL	CGS	735,437	5.94
3	Asia Plus Securities PCL	ASP	650,855	5.26
4	KGI Securities (Thailand) PCL	KGI	575,664	4.65
5	Phillip Securities (Thailand) PCL	PST	570,890	4.61
6	KT Zmico Securities PCL	KTZ	569,681	4.60
7	Finansia Syrus Securities PCL	FSS	560,482	4.53
8	Thanachart Securities PCL	TNS	557,730	4.51
9	Bualuang Securities PCL	BLS	540,634	4.37
10	Phatra Capital PCL	PHATRA	519,503	4.20
29	CIMB Securities (Thailand) Co.,Ltd.	CIMBS	114,625	0.93

Remark * based on buy and sell value excluding proprietary trading

Source: www.setsmart.com

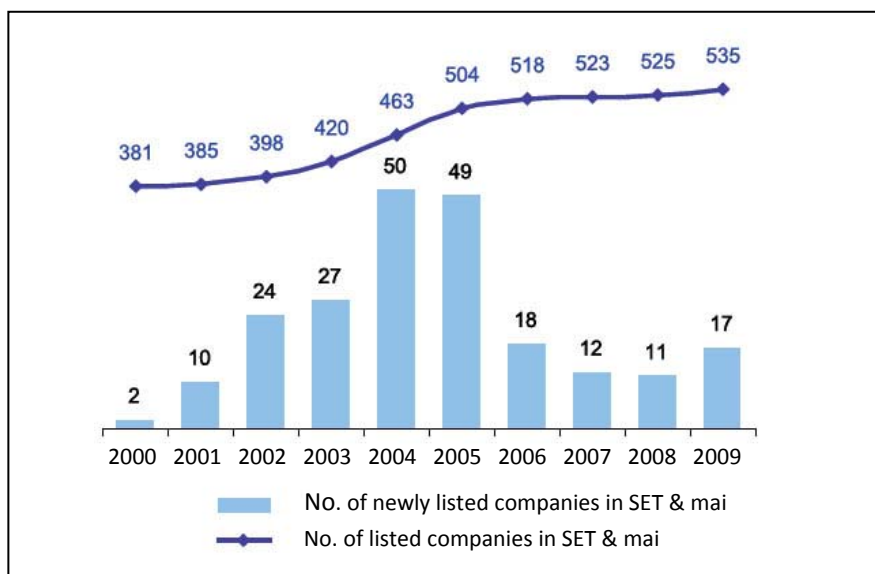
According to the SEC's announcement, the securities brokerage industry will be fully liberalized in 2012, with the deregulation of brokerage fee and the withdrawal of the regulation that only a limited the number of securities companies may operate a brokerage business in Thailand. As such, the industry is expected to be determined by market forces, with brokerage fees to be determined by the level of demand and supply prevailing in the market.

With the possibility of new players entering the market subsequent to the liberalization, while the amount of active trading accounts is anticipated to stay at the same level, the highly competitive environment is expected to be seen in the near future. Survival strategies currently being employed by securities companies are 1) complementing its main revenue stream from brokerage fee with revenue from providing other type of services such as investment banking and financial advisory services and 2) the merger with other larger player.

2.11.2 Securities underwriting and financial advisory service

There are many factors contributing to the decision of companies to be listed in the Stock Exchange such as economic environment, stock market condition, political instability of the country as well as the readiness of the company to be listed itself. Furthermore, the incentive provided by the SET such as tax reduction for listed companies commenced in 2007 is also a major factor influencing such decision. At present, there are in total of 41 securities companies awarded with the underwriting licenses issued by the SEC. The detail of newly listed companies in the SET and mai and the number of securities underwriting companies for 2007 – 2010 are as follows:

Diagram 6 : Detail of newly listed companies from 2001 – 2009



Source: the SET

Table 23 : Details of newly listed companies for 2007 – 2010

Items	2007	2008	2009	2010
Number of newly listed companies in SET*	6	8	6	4
Number of newly listed companies in mai*	6	3	11	7
Total amount of capital raised (THB mill)	11,552	18,764	6,169	6,717
No. of listed companies in SET and mai	523	525	535	540

Remark *excluding the companies that were relisted as a result of organization restructure or that there was no capital being raised

Source: www.set.or.th

As for financial advisory service, competition within the industry is expected to become more intense as more securities companies are now also providing financial advisory services to complement its core business of securities brokerage as well as the existence of many other small and large financial advisory companies within the market. As of March 2, 2011 there are in total of 74 companies with financial advisory licenses issued by the SEC to operate such business.

In addition, due to the expected economic growth, it is anticipated that the number of IPO deal as well as other type of financial advisory deal such as equity and debt financing will increase during 2011 – 2012. Therefore, financial advisory firms that are subsidiaries of commercial banks will have a huge advantage over the other as the Bank could provide such firms with more deals.

2.11.3 Futures contract brokerage service

The Thailand Future Exchange (“TFEX”) was firstly opened in April 28, 2006 with the continuously growing trading value and number of futures contracts traded onwards. In 2010, the growth rate was substantially high

as there were new products launched in TFEX such as Mini Gold Futures as well as Interest Rate Futures. Further details of TFEX for 2007 – 2010 is shown in the following Table.

Table 24 : Summary of TFEX during 2007 – 2010

Items	2007	2008	2009	2010
TFEX				
Number of contracts traded	1,236,884	2,148,620	3,075,318	4,519,436
Average number of contracts per day	5,049	8,699	12,656	18,675

Source: www.set.or.th

In terms of the competition within futures contracts brokerage industry, there are in total of 37 licensed derivatives brokers by the SEC. In addition, there are also gold dealers participated in the market such as Ausiris Futures Co., Ltd. The details of the top 10 players with the highest volume of contracts traded during January 1, 2011 to March 2, 2011 is as shown in the following Table.

Table 25 : List of top 10 future contracts brokerage service provider in 2011

Ranking	Name	Symbol	Contract Volume (No. of Contracts)	Market Share (%)
1	Globlex Securities Co., Ltd.	GBS	278,549	13.12
2	Phillip Securities (Thailand) PCL	PST	238,097	11.22
3	Kim Eng Securities (Thailand) PCL	KEST	152,444	7.18
4	Trinity Watthana PLC	TNITY	119,379	5.62
5	KGI Securities (Thailand) PCL	KGI	94,639	4.46
6	KT Zmico Securities PCL	KTZ	91,253	4.30
7	Country Group Securities PCL	CGS	89,733	4.23
8	MTS Gold Future Co., Ltd.	MTSGF	82,548	3.89
9	Ausiris Futures Co., Ltd.	AFC	76,818	3.62
10	Phatra Capital PCL	PHATRA	75,783	3.57

Source: www.tfex.co.th

As for the tendency of TFEX in 2011, the growth is expected to continue from 2010 both in terms of the number of futures contracts traded and TFEX's trading value. This is because investors are becoming more interested in using futures contracts as risk management tool when investing in a highly volatile stock market. Moreover, TFEX has announced that it will launch another two new products which are Silver Futures and Oil Futures during the second and fourth quarter of 2011. These could be significant factors that will further stimulate the growth of TFEX in the future. In addition, to prevent the decline in TFEX's trading value during the bullish time of stock market, it is expected that the brokerage fee for trading in TFEX for 2011 will be in a form of sliding scale to stimulate TFEX's trading volume.

Section 3 Overview of CIMB Thai Bank Public Company Limited

3.1 Background

CIMB Thai Bank Public Company Limited (“CIMBT” or “the Bank”), previously known as Bank Thai Public Company Limited, was established in 1998 as a result of the consolidation among Union Bank Plc, 12 foreclosed finance companies and Krungthai Thanakit Finance PLC according to the Ministry of Finance and the BOT’s announcement of the restructuring policy for financial sector on August 14 1998, the Cabinet resolution in October 1998 and the announcement of the Ministry of Finance on December 22, 1998. Consequently, the new commercial bank was established and renamed as “Bank Thai Co., Ltd.” on December 21, 1998 with Financial Institutions Development Fund (“FIDF”) as its major shareholder. Later on, Bank Thai submitted its proposal to list its shares on the SET and the SET approved the proposal on March 30, 2001 and that its trading symbol was “BT”.

On November 5, 2008, CIMB Bank Berhad, on behalf of CIMB Group, the leading financial institution in Southeast Asia, offered to purchase ordinary shares of Bank Thai from the FIDF. Afterwards, CIMB Bank became the major shareholder of Bank Thai by holding 42.13% of total paid-up capital of Bank Thai. On May 4, 2009, Bank Thai Co., Ltd. was renamed to “CIMB Thai Bank Public Company Limited” and its trading symbol was changed to “CIMBT”. As of February 15, 2011, CIMB Bank held in total of 15,198,418,595 shares in CIMBT, accounted for 93.15% of total issued and paid-up capital.

CIMBT is licensed by the Ministry of Finance and related authorities to engage in commercial banking, which constitutes primary businesses of the Bank. Main businesses of CIMBT can be summarized as follows:

- (i) Commercial banking: the Bank provides a full suite of commercial banking products and services, such as deposits, loans, discounting, aval/acceptance of bills of exchange, letters of guarantee, foreign exchange trading, letter of credit, tele-banking and ATM services;
- (ii) Insurances: life and non-life insurance brokerage with license issued by the Office of Insurance Commission, Ministry of Finance;
- (iii) Securities businesses and other related businesses as licensed by the SEC and/or Ministry of Finance such as:
 - (a) Financial advisory;
 - (b) Registrar and paying agent services
 - (c) Debt securities dealing and underwriting
 - (d) Bondholders’ representative
 - (e) Brokerage, dealing and underwriting of investment unit trusts
 - (f) Custodian services and
 - (g) Derivatives dealing;
- (iv) Business consultancy; and
- (v) Asset management

Revenue structure of the Bank and its subsidiaries for the year ended December 31, 2008 – 2010 are presented in the following Table.

Table 26 : Revenue structure of CIMBT Group for the year ended December 31, 2008 – 2010

(Unit : THB million)	2008		2009		2010	
	Revenue	%	Revenue	%	Revenue	%
1. Interest and dividend income						
1.1) Interest and dividend income						
Loans	6,855.04	104.93	5,470.19	87.35	4,891.11	72.08
Interbank and money market items	798.08	12.22	428.55	6.84	130.05	1.92
Hire purchase and finance lease income	628.98	9.62	536.68	8.57	664.50	9.79
Investments	3,084.75	47.21	1,204.76	19.24	766.00	11.29
Total Interest and Dividend Income	11,366.85	173.98	7,640.18	122.00	6,451.66	95.08
1.2) Interest expenses						

(Unit : THB million)	2008		2009		2010	
	Revenue	%	Revenue	%	Revenue	%
Deposits	(4,883.96)	(74.76)	(2,509.88)	(40.08)	(1,020.55)	(15.04)
Interbank and money market items	(180.49)	(2.76)	(144.61)	(2.31)	(96.55)	(1.42)
Short-term borrowings	(111.35)	(1.70)	(27.99)	(0.45)	(178.52)	(2.63)
Long-term borrowings	(308.43)	(4.72)	(316.57)	(5.05)	(301.67)	(4.45)
Total Interest Expenses	(5,484.23)	(83.94)	(2,999.05)	(47.89)	(1,597.29)	(23.54)
Net interest and dividend income	5,882.62	90.04	4,641.13	74.11	4,854.37	71.54
2. Non-interest income						
Gains on investments	(1,001.02)	(15.32)	640.58	10.23	213.09	3.14
Fees and charges						
Acceptances, aval and guarantees	109.57	1.68	80.53	1.29	98.77	1.46
Others	838.34	12.83	719.70	11.49	916.26	13.50
Gains on exchange / derivatives	279.60	4.28	80.27	1.28	288.95	4.26
Other income	424.12	6.49	100.16	1.60	413.77	6.10
Total non-interest income	650.61	9.96	1,621.24	25.89	1,930.84	28.46
Total income	6,533.23	100.00	6,262.37	100.00	6,785.21	100.00

Source: CIMBT's Form 56-1 as of 2010

The companies that CIMBT directly and indirectly held shares at the proportion of 10% or more of the total issued and paid-up shares as of December 31, 2010 are presented in the following Table.

Table 27 : Subsidiaries of CIMBT in which CIMBT directly and indirectly held shares of 10% or more of the total paid-up shares (as of December 31, 2010)

Company Name	Type of Business	Paid-up Capital (THB million)	%
CIMB Securities (Thailand) Co., Ltd.	Securities	500	99.99
BT Leasing Co., Ltd.	Leasing	525	99.99
CT Coll Co., Ltd.	Consulting	38	99.99
Worldlease Co., Ltd.	Leasing	240	75.04
Krungthai Thanakit Public Co., Ltd.*	Commerce	388	99.10

Remark * under liquidation process

Source: CIMBT's Form 56-1 as of 2010

3.2 Registered and paid-up capital

As of December 31, 2010, the Bank's registered capital was THB 8,157.97 million comprising of 16,315.93 million ordinary shares at a par value of THB 0.50 per share, and paid-up capital was THB 8,157.97 million comprising of 16,315.93 million ordinary shares at a par value of THB 0.50 per share.

3.3 Shareholders

Major shareholders of the Bank as of February 15, 2011 are listed in the following Table.

Table 28 : List of major shareholders of CIMBT as of February 15, 2011

Name of shareholders	Shareholding	
	Number of Shares	% of Total
1. CIMB Bank Berhad	15,198,418,595	93.15
2. Societe Generale Bank & Trust, Singapore Branch	647,452,040	3.97
3. Thai NVDR Company Limited	106,376,077	0.65
4. Minority shareholders	363,688,044	2.23
Total	16,315,934,756.00	100.00

Source: www.set.or.th

3.4 The Board of Directors

The Board of Directors of the Bank as of March 2, 2011 are listed in the following Table.

Table 29 : Board of Directors of CIMBT as of March 2, 2011

Name	Position
1. Mr. Chakramon Phasukavanich	Chairman of the Board
2. Mr. Subhak Siwaraksa	Chief Executive Officer and the President
3. Dato' Robert Cheim Dau Meng	Vice Chairman
4. Mr. Preecha Oonchitti	Director
5. Mr. Kenny Kim	Director
6. Mr. Sukont Kanjana-Huttakit	Independent Director and Chairman of the Audit Committee
7. Dato' Shaarani Bin Ibrahim	Independent Director and Member of the Audit Committee
8. Mrs. Watanan Petersik	Independent Director and Member of the Audit Committee

Source: www.set.or.th

3.5 Historical financial Information

Summarized financial statements of the CIMBT Group for the year ended December 31, 2008 – 2010 based on the audited consolidated financial statements are presented in the following Table.

**Table 30 : Summary of financial status and operating performance of CIMBT Group
For the years ended December 31, 2008 – 2010**

(Unit : THB million)	2008	2009	2010
Financial Performance			
Total Assets	214,051.03	127,019.52	140,476.82
Interbank and money market items	43,367.15	15,369.55	15,242.13
Investment - net	45,520.19	20,714.60	21,631.56
Loans and accrued interest receivables - net	83,656.89	78,298.63	91,386.84
Cash and other assets	41,506.80	12,636.74	12,216.29
Total Liabilities	208,915.80	119,075.39	128,540.99
Deposits	159,777.02	88,398.76	94,663.62
Interbank and money market items	10,249.75	9,947.38	5,867.24
Borrowings	7,069.13	15,192.20	20,392.78
Other liabilities	31,819.90	5,537.05	7,617.35
Shareholders' equity	5,135.23	7,944.13	11,935.83
Issued and paid-up share capital	25,030.13	6,674.70	8,157.97
Premium (discount)	(10,606.99)	-	1,483.27
Retained earnings and other reserves	(8,895.24)	1,199.07	2,212.32
Treasury stocks	(460.38)	-	-
Minority interest	67.71	70.36	82.27
Operating Results			
Interest and dividend income	11,366.85	7,640.18	6,451.66
Interest expenses	(5,484.23)	(2,299.05)	(1,597.29)
Net interest and dividend income	5,882.62	4,641.13	4,854.37
Bad debt and doubtful accounts	650.61	1,621.24	(800.49)
Non-interest income	(6,141.54)	(5,218.73)	1,930.84
Non-interest expenses	(1,923.67)	(124.52)	(5,274.31)
Net income (loss) for the periods before tax	(59.96)	(3.16)	710.41
Corporate income tax	-	132.00	(23.52)
Profit after tax of discontinued operations	-	-	153.90
Net income (loss) for the periods	(1,983.63)	4.32	840.79
Net income (loss) to equity holders of the Bank	(1,989.80)	1.67	828.85
Earning (loss) per share	(0.31)	0.00	0.06
Financial Ratios			
Net interest margin (%)	3.5	3.3	4.1
Return on equity (%)	(68.1)	0.0	8.9
Return on assets (%)	(1.0)	0.0	0.7
Capital fund per risk assets (%)	7.19	11.87	14.94
1 st tier capital funds per risk assets (%)	4.47	5.94	9.26

Source: CIMBT

Operating performance of CIMBT

Overall operating results

For the financial year ended December 31, 2010, the Bank and its subsidiaries (“CIMB Thai Group”) reported a net income attributed to equity holder of the Bank of THB 828.85 million, increased by THB 827.18 million from income attributed to equity holder of the Bank of THB 1.67 million in 2009. The notable improvement was mainly derived from improved net interest and dividend income as well as non-interest income whilst costs and operating expenses remained flat in the current year. In addition, Loan Loss Provisioning was lowered by THB 367.67 million, or 31.47%, which helped boosted the net profit.

Summary of CIMB Thai Group’s income

In 2010, net interest and dividend income and non-interest income of CIMB Thai Group were THB 6.78 billion increased by THB 522.84 million Y-o-Y, represented 8.35% increased from THB 6.26 billion in the previous year. The higher income was attributed to both the improvement in both type of income. As for net interest income, it increased by THB 213.24 million, or 4.62%, largely underlined by loan expansion as well as lower interest expenses. In addition, loan loss provisioning was lowered by THB 367.67 million or 31.47% as mentioned earlier.

In 2010, CIMB Thai Group’s non-interest income increased by THB 309.60 million, or 19.10%. This was largely attributed to the gain from derivatives trading, redemption of the structured deposits, one-off gains from the disposal of the Sathorn building and three subsidiaries – namely, BT Asset Management Co., Ltd, BT Insurance Co., Ltd., and Sathorn Asset Management Co., Ltd (STAMC), - as well as the divestment of minority interests in Worldclass Rent a Car Co., Ltd.

Cost of Funds and Operating Expenses

CIMB Thai Group’s interest expenses for 2010 was THB 1.60 billion, a decline of THB 1.40 billion or 46.74% from 2009. This substantial drop in interest expense was mainly due to the rightsizing of the deposit book as well as managing our deposit costs.

On a Y-o-Y basis, operating expenses were marginally higher by THB 55.58 million, or 1.07%. This was mainly due to the increased personnel costs and marketing expenses. These were however offset by lower Deposits Protection Agency expenses and off balance sheet provisioning in the current year. The cost to income ratio improved to 77.73% in 2010 compared to 83.33% (after restatement of discontinued operations for 2009), boosted by the organisational restructuring and alignment, which resulted in improved operating efficiency.

Net Profit

Net income attributed to equity holder of the Bank for the year ended 2010 was THB 828.85 million compared to THB 1.67 million last year. The increase in the net profit was largely due to rightsizing the deposit book as this lowered the funding costs and helped improve our NIM further, lower loan loss provisioning from a better and more streamlined collection process and higher non-interest income from the one-off gain from the disposal of Sathorn building and disposal of subsidiaries and associate company as mentioned above.

Financial position of CIMBT

Assets

CIMB Thai Group’s primary assets consist of loans, investments, interbank and money market items. As at 31 December 2010, CIMB Thai Group had total assets of THB 140.48 billion showing an increase of THB 13.46 billion or 10.59% as compared to 2009. Net loans outstanding were THB 91.39 billion, an increase of THB 13.09 billion or 16.72%. Net Investments were at THB 21.63 billion, an increase of THB 0.92 billion or 4.43% from 2009. The cash balances and interbank and money market items were THB 2.74 billion and THB 15.24 billion respectively, a drop of THB 77.25 million or 2.74% and THB 127.41 million or 0.83% respectively.

Liabilities and Shareholders' Equity

As at 31 December 2010, CIMB Thai Group had total liabilities of THB 128.54 billion, representing an increase of THB 9.47 billion or 7.95% from 2009. The major component contributing to the increase was the total deposits increased by THB 5.66 billion or 6.40% to THB 94.06 billion, while borrowings increased by THB 5.20 billion or 34.23% to THB 20.39 billion mainly from the short term borrowings and offset by the drop in Interbank and money market liabilities by THB 3.48 billion or 34.95%.

As at 31 December 2010, shareholders' equity stood at THB 11.94 billion representing an increase of THB 3.99 billion or 50.25% compared to December 2009 due to the increasing capital during 2010.

Liquidity

The cash and cash-equivalent items, as indicated in the cash flow statement of the Bank and its subsidiaries at 31 December 2010, were THB 2.74 billion, showing a decrease of THB 77.25 million from 2009. The details of the changes are as follows:

Net cash used in operations in 2010 was THB 8.51 billion. The losses from operations before changes in operating assets and liabilities were THB 6.31 billion including THB 0.85 billion being the net profits for the year while the remaining deficit of THB 7.16 billion resulted from adjustments of non-cash items to net profit, mainly from interest and dividend income and reversal of allowance for doubtful debts from the disposal of subsidiary, offset by bad debts and doubtful accounts and interest expenses. Operating assets for the year increased by THB 10.24 billion due to the increase in loans, but offset by decrease in properties foreclosed, interbank and money market items (asset) and investments held for trading. Meanwhile, operating liabilities increased by THB 3.48 billion resulting from the increased in deposits but offset by decrease in interbank and money market items.

Net cash from investing activities was THB 0.44 billion mainly due to the disposal of investment in subsidiaries and associates coupled with the disposal of premises and equipments, offset by increased net investment for securities held to maturity and available for sale during 2010. The net cash from financing activities was THB 7.99 billion, mainly resulted from increased short-term borrowings and cash received from capital increase.

Section 4 Reasonableness of the Transaction

4.1 Objective and necessity of the Transaction

Subsequent to the completion of securities brokerage market liberalization in 2012, the industry is expected to be highly competitive and small brokerage companies may potentially encounter tough competition. With that, the Transaction will prevent the Bank from being exposed to future market risk in this area. Moreover, CIMBS may require a further increase in capital to support its growth plans. The divestment will potentially reduce the burden of the Bank to further inject capital into CIMBS in order to maintain CIMBS's competitiveness.

With the aforementioned reasons, the Bank intends to dispose its entire investment in CIMBS which comprises of 49,999,993 ordinary shares at a par value of THB 10 per share, representing 99.99% of CIMBS total 50,000,000 paid-up shares. Upon completion of the Transaction, the Bank will no longer hold any stake in CIMBS and shall have no participation in the securities brokerage business. Nonetheless, the Bank intends to undertake the corporate finance advisory business upon obtaining the necessary licenses / approvals from the SEC, BOT and any other regulator (if required).

4.2 Advantages and disadvantages of Transaction

4.2.1 Advantages of entering into the Transaction

a) Reduce risk from potentially intense competition within securities business in the future

According to the SEC's Board of Directors' meeting as of November 2006, there are 3 phases in the liberalization of the brokerage business in Thailand. The first phase which was implemented during January 2007 – 2010, is the phase where a minimum brokerage fee is maintained. The second phase which was implemented in January 2010 till the end of 2011, is the phase where a sliding scale brokerage fee is implemented. As for the third phase which will begin in 2012, it is the phase where brokerage fee will no longer be regulated and the SEC shall no longer limit the number of licenses to operate the brokerage business.

With the increasing open market environment, the level of competition is anticipated to be heightened with an expected increase in number of players. Brokerage fees are expected to be significantly reduced according to market prices in view of greater supply. Consequently, with small retail accounts comprising the main customers' base of CIMBS, and its small current market share, CIMBS could potentially face tough competition in the near future if it is unable to keep up with other leading players within the market. Nonetheless, through the divestment of CIMBS, the Bank will no longer expose itself to the potential loss that could arise from such uncertainty of the business in the future.

b) Reduce the burden of the Bank to inject more capital into CIMBS in order to maintain CIMBS competitiveness

As aforementioned, the brokerage business industry will be fully liberalized in 2012. Therefore, in order to maintain CIMBS' competitiveness as well as market share, the Bank may have to inject the additional investment capital in CIMBS so that the proceeds could be used to support the future growth of CIMBS as well as to prepare CIMBS for a highly competitive environment within the industry in the near future. Such investment can be primarily categorized into 3 areas in which comprise of the expansion in the number of brokerage branches to increase CIMBS market coverage, the expansion in the number of sales and proprietary traders and the investment in a new highly efficient trading platform. With the Transaction, the potential burden of the Bank to allocate financial resources to CIMBS shall be passed on to the incoming shareholder.

c) Reduce the burden of the Bank to inject more capital in CIMBS to maintain the current trading limit of CIMBS proprietary trading

According to the Notification of the Association of Securities Companies re: Guideline for the management of proprietary trading for securities companies in which was enforceable from January

1, 2011 onwards, it stated that securities companies could invest in securities and futures contracts trading (Day Trade) for its owned proprietary accounts at the amount not exceeding 75% of its shareholders' equity based on the latest reviewed financial statements. Therefore, in order to maintain the current level of its trading limit which is higher than CIMBS's regulated amount post expiration of a waiver in June 2011, CIMBS may have to increase its paid-up capital in which CIMBS may have to obtain from its parent company. With the Transaction, the potential burden of the Bank to allocate financial resources shall be passed on to the incoming shareholder.

d) Enable the Bank to concentrate on its core banking business

At present, the Bank is under the consolidated supervision by the BOT which enforces financial institutions to combine all risk assets of the group according to the consolidated financial statements for the purpose of calculating the Capital to Risk Assets Ratio (the ratio that determines the amount of reserves required for the bank to hold). Therefore, the risk committee of the Bank has an obligation to review and monitor the risk assets of CIMBS as well as to undertake supervision on the overall CIMBS risk management, compliance and credit approval policies.

Through the divestment of CIMBS, the Bank will be able to release itself from such burden, allowing the Bank to have greater flexibility operationally. Furthermore, the Bank will be able to concentrate on its core banking business.

e) Proceeds received may be used to support the core banking business or to further invest in other businesses

In the event the Bank successfully completes the Transaction, the Bank will receive the proceeds from the sale of CIMBS shares at the amount of THB 510,337,881.85. Such proceeds may be used as an additional lending capacity of the Bank to directly support its core banking business or to invest in other high potential businesses that may generate a relatively higher return compared to its investment in CIMBS.

4.2.2 Disadvantages of entering into the Transaction

a) Forgo securities brokerage business

Upon completion of the Transaction, the Bank will no longer participate in the securities businesses and therefore unable to provide brokerage services to clients. In addition, if the Bank continues to hold its stake in CIMBS, the Bank will have CIMBS as one of its business arm lengths to cooperate on certain ground of operation that will mutually benefit both parties such as the cross selling of products or services from both companies.

b) Opportunity cost of further developing securities business

Through the holding and developing CIMBS, the Bank has the opportunity to earn additional return on its investment. According to financial statements of CIMBS as of December 31, 2008 – 2010, it is shown that revenue from its main business which is securities brokerage had significantly increased year on year. Throughout the years 2008 – 2010, revenue from brokerage fees were THB 123.94 million, THB 155.42 million and THB 239.42 million respectively, representing a growth rate of 25.40% in 2009 and 54.09% in 2010 accordingly. If CIMBS brokerage income continues to improve at its persisting trend, while ensuring a reducing cost-to-income ratio, the Bank is expected to earn a higher return in the near future.

Section 5 Fairness of the Transaction Price and Condition

5.1 Appropriateness of the transaction price

To evaluate the appropriateness of the transaction price, the IFA has calculated the fair value of CIMBS shares by employing 4 valuation methods as follows:

- 1) Book Value Approach
- 2) Precedent Transaction Comparable Approach
- 3) Market Comparable Approach
 - a. Price to Book Value Ratio Approach
 - b. Price to Earnings Ratio Approach
- 4) Discounted Cash Flow Approach

The IFA did not use other valuation approaches such as Adjusted Book Value Approach to evaluate the fair value of CIMBS shares as the majority of CIMBS’s assets are current assets with high liquidity such as cash and cash equivalents, long-term deposits in financial institutions, investment in debt and equity security and receivables from security business. In addition, the IFA did not use the Dividend Discounted Model Approach as CIMBS has not paid out dividends, rendering such valuation approach to be inappropriate.

The assumptions applied in performing share valuation are based on the economic conditions as well as information at the time the valuation is being conducted. Should such conditions change significantly, the valuation may be affected to the extent that the IFA’s opinion may be changed accordingly.

The details of the valuation of CIMBS shares are presented as follows:

5.1.1 Book Value Approach

The Book Value Approach evaluates the value of shareholders’ equity of CIMBS at a certain point of time as shown in the financial statement. In this case, the IFA has used CIMBS’s financial statement for the year ended December 31, 2010 audited by PricewaterhouseCoopers ABAS Limited, a SEC approved auditor. Further details of the valuation are presented in the Table below.

Table 31 : Book value of CIMBS as of December 31, 2010

Items	Amount (THB : 000)
Paid – up capital (1)	500,000
Revaluation surplus (deficit) on investments (2)	19,775
Retained earnings (deficit) (3)	-33,739
Total shareholders’ equity (4) = (1) + (2) + (3)	486,036
Number of paid up shares – at par value of THB 10 each (thousand shares) (5)	50,000
Book value per share (THB per share) (6) = (4) / (5)	9.72

Based on the Book Value Approach, the **fair value of an ordinary share in CIMBS is THB 9.72 per share**. Despite the fact that this valuation approach considers only the value of shareholders’ equity at a point of time without taken into account the operating performance in the future nor any event that might occur after the date of the financial statement, nonetheless, the IFA views that the future operating performance of securities companies is uncertain to perform the forecast as they are largely based upon the condition of stock market which is highly volatile as well as many other uncontrollable factors such as the impact from regulation change in which are difficult to gauge.

The value of CIMBS is primarily derived from the value of its current assets such as cash and cash equivalents, investment in debt and equity securities as well as receivables from brokerage businesses. In addition, the IFA views that the appropriate method to ascertain the lower bound of the value of CIMBS is the value of CIMBS’ net assets assuming a liquidation scenario (Book Value Approach - total assets less total liabilities).

5.1.2 Precedent Transaction Comparable Approach

The Transaction Comparable Approach determines the fair value of the transaction taking into consideration similar transactions that have taken place earlier in the market. Key underlying assumption for this valuation approach is that transaction prices of the precedent transactions occurred in the market could reflect the appropriate amount of premium or discount to be incorporated in the Transaction. The IFA has been able to collect 7 publicly disclosed transactions regarding the purchase and sale of securities brokerage companies' shares, to be used as benchmarks. List of comparable transactions is shown in the following Table.

Table 32 : List of comparable transaction in the market during 2004 - 2009

Year	Securities Acquired	Purchaser	Detail of Transaction
2004	Asset Plus Securities PCL ("Asset Plus")	ABN Amro Asia PCL ("ABN Amro")	ABN Amro made a tender offer on 60 million shares of ASP through share swap with the objective to merge. After the merge, the name of newly merged company is Asia Plus PCL ("ASP").
2004	Asset Plus	Kasikorn Bank PCL ("KBANK")	ASP divested its 99.61% investment in Asset Plus to KBANK.
2006	United Securities PCL ("US")	APF Holdings Co., Ltd. ("APF")	APF made a tender offer on 125,893,184 shares of US, representing 74.57% of US's total paid-up shares with the objective to become US's major shareholder.
2006	BNP Paribas Perigrine Securities (Thailand) Co.,Ltd. ("BNPPP")	CIMB-GK Pte Ltd ("CIMB-GK Pte")	CIMB-GK Pte purchased 30 million shares of BNPPP, representing 100% of BNPPP's total paid-up shares.
2008	APEX Securities Co.,Ltd. ("APEX")	Merrill Lynch Holdings (Mauritius) ("ML")	ML purchased 12.05 million shares of APEX, representing 99.99% of APEX's total paid-up shares.
2009	Seamico Securities PCL ("ZMICO")	KTBS Securities Co., Ltd ("KTBS")	KTBS acquired securities businesses, certain parts of operating assets and employees from ZMICO.
2009	Merger between Asia Credit Securities ("ACLS"), Syrus Securities ("SYRUS"), Finansa Securities ("FINANSA")	SYRUS, ACLS and FINANSA	SYRUS bought 100 million shares of ACLS. ACL purchased 79 million newly issued shares of SYRUS after the merger between ACLS and SYRUS. SYRUS purchased assets related to brokerage business from FINANSA as well as employees and clients' accounts. All the transactions were executed at book value.

Source: SEC and SET

Although there were some other transactions that have taken place during the selected period apart from the above, the IFA has disregarded some due to the unavailability of information.

To determine the fair value of the transaction, the multiple of transaction price over the book value for the 7 precedent comparable transactions are calculated. These multiples obtained will reflect the value of premium that the market has given to such transaction. Further details of the valuation using Precedent Transaction Comparable Approach is shown in the following Table.

Table 33 : Share valuation based on Transaction Comparable Approach

Transaction	Transaction period	Transaction Price (1)	Net Total Assets (THB) (2)	Multiple of Transaction Price to Book Value (times) (3) = (1)/(2)
Share Acquisition				
Asset Plus – ABN Amro (Swap Ratio)	Mar. 2004	1 : 1.0833*	1 : 0.9064**	1.20
Asset Plus – KBANK (THB mill)	May. 2004	1,309.82	967.05	1.35
US - APF (THB per share)	Feb. 2006	8.04	6.02	1.30
BNPPP - CIMB-GK Pte (THB mill)	Apr. 2006	581	299	1.94
APEX – ML (THB mill)	Dec. 2007	320.32	140.32	2.28
ACLS - SYRUS (THB per share)	May. 2009	4.58	4.58	1.00
SYRUS - ACL (THB per share)	May. 2009	3.23	3.23	1.00
Asset Acquisition				
ZMICO – KTBS (THB mill)	Feb. 2009	1,169 – 1,188	823	1.42 – 1.44

Transaction	Transaction period	Transaction Price (1)	Net Total Assets (THB) (2)	Multiple of Transaction Price to Book Value (times) (3) = (1)/(2)
FINANSA – SYRUS (THB mill)	May. 2009	148.94	148.94	1.00
Range of multiples (1)				1.00 – 2.28
Book value per share of CIMBS (2)				9.72
Transaction price based on Transaction Comparable Approach (3) = (1)*(2)				9.72 – 22.16

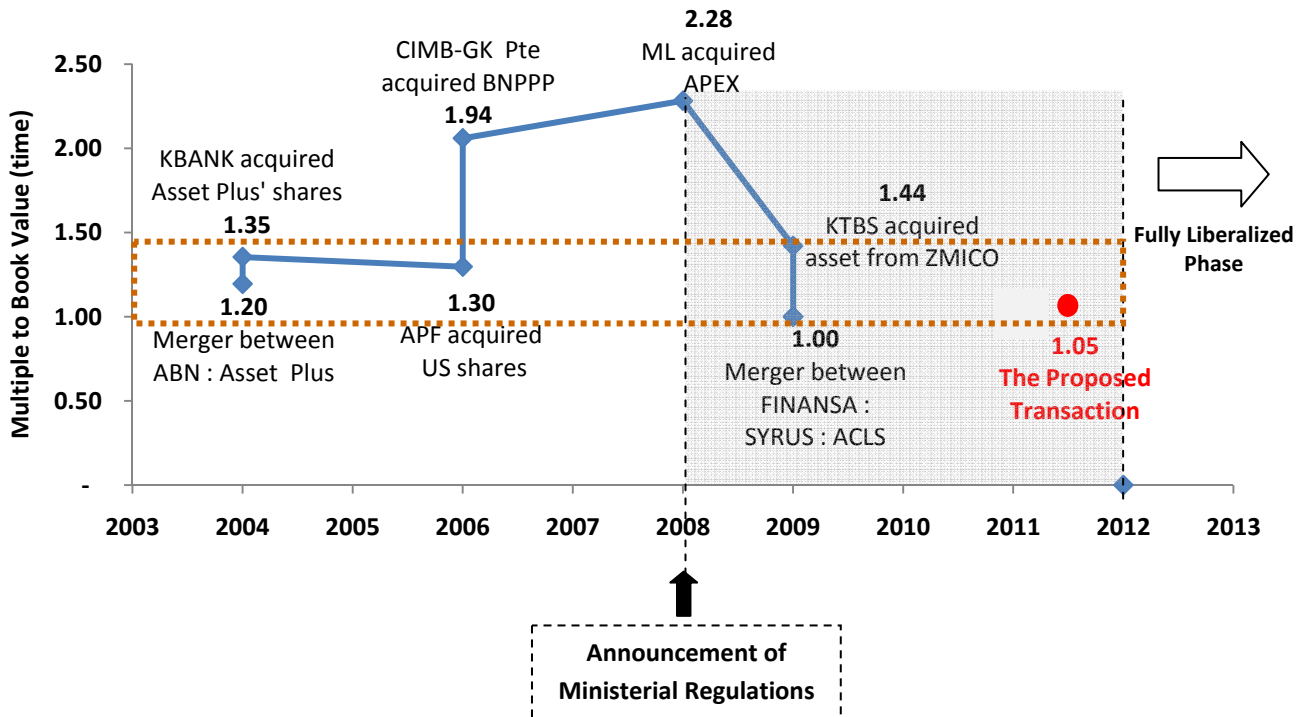
Remark * The transaction was entered into at a swap ratio of 1 share of Asset Plus to 1.0833 shares of ABN Amro
 ** Swap ratio based on book value approach according to Form 250 – 2 is 1 share of Asset Plus to 0.9064 share of ABN Amro

Source: Form 250 – 2 of the tender offerors , IFA reports and financial statements of the parties of each transaction

From the calculation shown in the above Table, the range of multiples is from 1.00 – 2.28 times price-to-book. The IFA applied such range of multiples to the book value of CIMBS as at December 31, 2010. As a result, the **fair value of an ordinary share in CIMBS is THB 9.72 – 22.16 per share**. Despite the wide range of such multiples, post-announcement of the liberalization of the industry, most of the transactions were executed at lower than 1.44 times of book value, in particular, the recent transactions were executed at 1.00x book value.

Nonetheless, there are many factors affecting the price of each precedent transaction such as (1) each securities firm possesses different business model, asset qualification, management team, clientele portfolio as well as potential growth; (2) difference in timing of each transaction; and (3) the necessity of the buyer to enter into the transaction as well as their views regarding the liberalization of the industry.

Diagram 7 Time of Liberalization of the Securities Industry and Each Comparable Transaction



As shown in the above Diagram, after the announcement of Ministerial Regulations regarding the liberalization of the securities industry, premium given to the transaction prices were around 1.00 – 1.44 times over book value, which were in the same range of premium as most of the executed transactions.

The IFA views that this valuation approach is appropriate as it reflects the historical market practices with regards to the value of the premium that should be incorporated in the Transaction price based on the Willing Buyer Willing Seller Approach, which shall be used as an upper bound of CIMBS share price for the Transaction.

5.1.3 Market Comparable Approach

The Market Comparable Approach determines the fair value of CIMBS share by using market ratios of comparable securities brokerage companies listed in the SET, with the underlying assumption that financial ratios such as PER and Price to Book Value Ratio (“P/BV”) of companies within the same industry should possess comparable characteristics.

There are currently 14 securities companies listed in the SET. The details of such companies categorized based on its average trading value per day and ranking in the market for 2010 are presented in the following Table.

Table 34 : List of all securities brokerage companies in the SET categorized based on its average trading value per day and ranking in the market for 2010

No.	Name	Trading Symbol	Ranking by Market Share	Average Trading Value per day (THB million)
1	Kim Eng Securities (Thailand) PLC	KEST	1	6,528
2	Country Group Securities PLC	CGS	2	3,039
3	Asia Plus Securities PLC	ASP	3	2,689
4	KGI Securities PLC	KGI	4	2,379
5	Finansia Syrus Securities PLC	FSS	7	2,316
6	Bualuang Securities PLC	BLS	9	2,234
7	Phatra Capital PLC	PHATRA	10	2,147
8	UOB Kay Hian Securities (Thailand) PLC	UOBKH	16	1,318
9	Capital Nomura Securities PLC	CNS	18	1,217
10	Globlex Holding Management PLC	GBX	20	1,099
11	Sicco Securities PLC	SSEC	24	757
12	BFIT Securities PLC	BSEC	26	594
13	Trinity Watthana PLC	TNITY	27	580
14	United Securities PLC	US	31	428

Source: www.setsmart.com

Nonetheless, taking into consideration the average trading value per day of the listed securities companies, which is significantly higher than those of CIMBS (in 2010, average trading value per day of CIMBS was THB 474 million), the IFA has eliminated securities companies with average trading value per day above THB 2,000 million as well as securities companies that are ranked within the top ten out of the entire sample. As a result, there are in total of 7 securities companies listed in the SET with the closest average trading value per day to those of CIMBS. The list of such companies is presented in the following Table.

Table 35 : List of 7 securities brokerage companies in the SET that has comparable average trading value per day with CIMBS (“the Focus Group”)

No.	Name	Trading Symbol	Ranking by Market Share	Average Trading Volume per day (THB million)
1	UOB Kay Hian Securities (Thailand) PLC	UOBKH	16	1,318
2	Capital Nomura Securities PLC	CNS	18	1,217
3	Globlex Holding Management PLC	GBX	20	1,099
4	Sicco Securities PLC	SSEC	24	757
5	BFIT Securities PLC	BSEC	26	594
6	Trinity Watthana PLC	TNITY	27	580
7	United Securities PLC	US	31	428

Source: www.setsmart.com

For illustration purposes, the IFA has used both the full list of securities companies as well as the Focus Group as benchmarks for share valuation to provide two scenarios of CIMBS share price.

5.1.3.1 Price to Book Value Ratio Approach

Based on the Price to Book Value Ratio Approach, the IFA has determined the cut-off date for the calculation of average historical P/BV to be on March 2, 2011. In addition, the IFA has calculated the historical 15, 30, 60, 90, 180, 240 and 360 business day average P/BV for all listed securities companies and the Focus Group which can be summarized as follows:

Table 36 : Average historical P/BV of all listed securities companies

All Listed Securities Companies (Trading Symbol)	Period (Number of Business Days)						
	15 days	30 days	60 days	90 days	180 days	240 days	360 days
KEST	1.83	1.87	1.95	2.00	1.92	1.80	1.75
CGS	0.70	0.71	0.73	0.76	0.77	0.83	1.00
ASP	1.45	1.43	1.45	1.48	1.33	1.24	1.16
KGI	1.15	1.13	1.14	1.16	0.95	0.83	0.74
FSS	0.87	0.88	0.86	0.87	0.79	0.76	0.79
BLS	2.11	2.08	2.02	2.01	1.84	1.74	1.68
PHATRA	n/a	n/a	1.51	1.60	1.46	1.36	1.30
UOBKH	0.61	0.62	0.62	0.62	0.62	0.62	0.62
CNS	0.53	0.54	0.56	0.58	0.58	0.59	0.55
GBX	0.73	0.76	0.82	0.87	0.93	0.95	1.07
SSEC	0.63	0.63	0.65	0.66	0.70	0.68	0.69
BSEC	0.79	0.80	0.68	0.62	0.55	0.54	0.54
TNITY	0.54	0.54	0.54	0.54	0.54	0.53	0.55
US	0.63	0.65	0.57	0.54	0.50	0.48	0.49
Average of All Securities Companies	0.97	0.97	1.01	1.02	0.96	0.92	0.92
Average of the Focus Group	0.64	0.65	0.63	0.63	0.63	0.63	0.64

Source: www.setsmart.com as of March 2, 2011

Thereafter, the IFA applied such market multiple of P/BV to the Book Value of CIMBS as of December 31, 2010 in order to obtain the fair price of CIMBS share based on Price to Book Value Approach. Share valuation based on the two scenarios are presented as follows:

Scenario 1: Share valuation based on average P/BV of all listed securities companies

Table 37 : Share Valuation Based on average P/BV of all listed securities companies

Period	Average P/BV (times) (1)	Book Value per Share* (THB/share) (2)	Price (THB/share) (3) = (1)*(2)
15 business days	0.97	9.72	9.43
30 business days	0.97	9.72	9.43
60 business days	1.01	9.72	9.82
90 business days	1.02	9.72	9.91
180 business days	0.96	9.72	9.33
240 business days	0.92	9.72	8.94
360 business days	0.92	9.72	8.94
Range of value per share (THB per share)			8.94 – 9.91

Remark * Book value per share is calculated by dividing book value based on the financial statement as of December 31, 2010 which is THB 486.04 million by number of outstanding shares of CIMBS which is 50 million shares.

Scenario 2: Share valuation based on average P/BV of the Focus Group

Table 38 : Share Valuation Based on average P/BV of the Focus Group

Period	Average P/BV (times) (1)	Book Value per Share* (THB/share) (2)	Price (THB/share) (3) = (1)*(2)
15 business days	0.64	9.72	6.18
30 business days	0.65	9.72	6.32
60 business days	0.63	9.72	6.12
90 business days	0.63	9.72	6.12
180 business days	0.63	9.72	6.12
240 business days	0.63	9.72	6.12
360 business days	0.64	9.72	6.24
Range of value per share (THB per share)		6.12 – 6.32	

Remark * Book value per share is calculated by dividing book value based on the financial statement as of December 31, 2010 which is THB 486.04 million by number of outstanding shares of CIMBS which is 50 million shares.

Based on the Price to Book Value Ratio Approach, the **fair value of CIMBS share is between THB 6.12 – 9.91 per share**. Nonetheless, this approach has some constraints as there are several factors that significantly affect the real transaction price such as difference in size of business being operated, trading liquidity, clientele portfolio and correlation with the market among those peer comparables, despite operating in the same industry.

It appears that market ratio being used in this valuation approach takes into account the expectation of investors regarding the increased competitiveness within the industry upon the market liberalization in the future. Such expectation is reflected in the P/BV of small brokerage companies, who have less competitive advantage.

The IFA views that such valuation approach is appropriate for regular shares trading in the stock market. Nonetheless, it is inappropriate for the valuation of the acquisition of majority stakes in a company. The aforementioned statement is evidenced by the transaction price of other similar acquisition transactions of securities houses in the market, in which none of them is occurred below the book value of equity as illustrated in Section 5.1.2 Precedent Transaction Comparable Approach. Moreover, the valuation result obtained from this valuation approach is much lower than the book value, which the IFA has set as lower bound of appropriate transaction price, based on liquidation scenario.

5.1.3.2 Price to Earnings Ratio Approach

Based on the Price to Earnings Ratio Approach, the IFA has determined the cut-off date for the calculation of average historical PER to be on March 2, 2011. In addition, the IFA has calculated the historical 15, 30, 60, 90, 180, 240 and 360 business day average PER for all listed securities companies and the Focused Group which can be summarized as follows:

Table 39 : Average historical PER of all listed securities companies

All Listed Securities Companies (Trading Symbol)	Period (Number of Business Days)						
	15 days	30 days	60 days	90 days	180 days	240 days	360 days
KEST	10.56	10.79	11.26	11.68	11.02	10.45	11.27
CGS	9.81	9.85	10.17	11.07	11.78	40.44	40.44
ASP	9.41	9.30	9.39	10.08	9.42	9.05	10.85
KGI	8.56	8.37	8.48	9.27	8.91	8.84	11.89
FSS	8.89	9.11	8.96	10.01	12.02	17.64	17.64
BLS	8.31	8.62	8.56	8.63	8.31	8.48	10.61
PHATRA	n/a	n/a	7.51	8.54	8.73	8.74	26.58

All Listed Securities Companies (Trading Symbol)	Period (Number of Business Days)						
	15 days	30 days	60 days	90 days	180 days	240 days	360 days
UOBKH	10.17	10.44	10.46	10.45	10.01	9.93	12.77
CNS	14.43	14.56	15.91	16.99	17.67	18.37	21.69
GBX	32.62	33.98	36.47	65.51	78.88	65.28	63.70
SSEC	17.43	18.05	18.71	20.71	23.45	23.74	23.84
BSEC	113.30	114.56	97.76	93.23	78.33	99.65	157.46
TNITY	20.42	20.58	20.44	22.19	23.26	22.95	22.95
US	n/a	n/a	n/a	n/a	40.25	163.79	174.94
Average of All Securities Companies	11.80	11.97	11.81	12.69	13.14	13.82	17.01
Average of the Focus Group	15.61	15.91	16.38	17.58	18.60	18.75	20.31

Source: www.setsmart.com as of March 2, 2011

From the Table above, there appears to be a wide range of average PER as some companies have PER higher than 30 times, such as BSEC, CGS, GBX and US. Therefore, to be conservative, the IFA has not incorporated these high PER in the calculation of average PER to prevent overestimation from such outliers. The details of data elimination is as shown in the above Table.

Thereafter, the IFA applied such market multiple of PER to the earnings per share of CIMBS as at December 31, 2010 in order to obtain the fair price of CIMBS share. The share valuations based on the two scenarios are presented as follows:

Scenario 1: Share valuation based on average PER of all listed securities companies

Table 40 : Share valuation based on average of all listed securities companies

Period	Average PER (times) (1)	Earnings per Share* (THB/share) (2)	Price (THB/share) (3) = (1)*(2)
15 business days	11.80	0.03	0.35
30 business days	11.97	0.03	0.36
60 business days	11.81	0.03	0.35
90 business days	12.69	0.03	0.38
180 business days	13.14	0.03	0.39
240 business days	13.82	0.03	0.41
360 business days	17.01	0.03	0.51
Range of value per share (THB per share)		0.35 – 0.51	

Remark * Earnings per share is calculated by dividing total earnings based on the financial statement as at December 31, 2010 which is THB 1.26 million by number of outstanding shares of CIMBS which is 50 million shares.

Scenario 2: Share valuation based on average PER of the Focused Group

Table 41 : Share Valuation Based on average PER of the Focused Group

Period	Average PER (times) (1)	Earnings per Share* (THB/share) (2)	Price (THB/share) (3) = (1)*(2)
15 business days	15.61	0.03	0.47
30 business days	15.91	0.03	0.48
60 business days	16.38	0.03	0.49
90 business days	17.58	0.03	0.53
180 business days	18.60	0.03	0.56
240 business days	18.75	0.03	0.56
360 business days	20.31	0.03	0.61

Period	Average PER (times) (1)	Earnings per Share* (THB/share) (2)	Price (THB/share) (3) = (1)*(2)
Range of value per share (THB per share)		0.47 - 0.61	

Remark * Earnings per share is calculated by dividing total earnings based on the financial statement as of December 31, 2010 which is THB 1.26 million by number of outstanding shares of CIMBS which is 50 million shares.

Based on the Price to Earnings Ratio Approach, the **fair value of an ordinary share in CIMBS is between THB 0.35 – 0.61 per share**. Nonetheless, this approach has similar constraints as that of Price to Book Value Ratio Approach such as difference in size of business being operated, trading liquidity, clientele portfolio and correlation with the market among those peer comparables, despite being operated in the same industry.

Furthermore, this valuation method takes into account only the earnings of CIMBS at a point in time without taking into consideration of CIMBS current assets and the ability of such assets to generate revenue and return for CIMBS in the future. In addition, this approach has similar constraints as that of Price to Book Value Ratio Approach.

5.1.4 Discounted Cash Flow Approach

The Discounted Cash Flow Approach evaluates the fair value of CIMBS share taking into consideration the generating capability of CIMBS’s cash flows in the future. Such free cash flows will then be discounted with an appropriate discount rate or the weighted average cost of capital (“WACC”) to derive the present value.

The IFA has performed a financial projection over a 5-year period from 2011 – 2015 with the underlying assumptions that CIMBS will operate its business as a going concern and that there will be no significant changes that would adversely affect its operations. To perform the forecast, the IFA relies upon historical data as well as interview with the management of CIMBS and its operating budget. In addition, competition within the industry and overall economic condition are also taken into consideration to create the most likely scenario of CIMBS performance.

To perform the valuation, the IFA has also assumed that there will be no capital increase during the projected period. As a result, under this scenario, CIMBS will be unable to invest according to the operating budget of its management which includes the investment to expand its infrastructure, to recruit more sales personnel and to acquire new Management Information System (MIS). Without a capital increase, it is unlikely that CIMBS will be ready for the industry liberalization in 2012. Nonetheless, the IFA chose to perform the Discounted Cash Flows Approach based on such scenario because the objective of the valuation is to find the value of CIMBS without taking into consideration the impact of a capital increase.

The key financial assumptions underlying the financial projection are shown as follow:

Assumptions regarding the revenue of CIMBS

Table 42 : Financial assumptions regarding the revenue of CIMBS

Details	Unit	Actual			Forecast				
		2008	2009	2010	2011	2012	2013	2014	2015
No. of trading days	Days/Year	247	243	242	245	245	245	245	245
SET&mai average trading value per day	THB Mill	16,118	18,226	29,066	27,000	27,000	27,000	27,000	27,000
Market share of CIMBS (Include CIMB-GK)	%	1.25%	0.82%	0.93%	1.00%	1.00%	1.00%	1.00%	1.00%
CIMBS average trading value per day in SET&mai (Include CIMB- GK)	THB Mill	406	290	474	540	540	540	540	540
Average commission	% of trading value	0.24%	0.24%	0.20%	0.18%	0.15%	0.12%	0.12%	0.12%
TFEX’s average trading per day	contract	8,837	12,771	18,676	20,000	22,000	24,200	26,620	29,282
Market share of CIMBS	%	0.78%	0.50%	0.38%	0.50%	0.50%	0.50%	0.50%	0.50%

Details	Unit	Actual			Forecast				
		2008	2009	2010	2011	2012	2013	2014	2015
Derivatives contracts traded per day of CIMBS	contract	68	63	71	100	110	121	133	146
Average commission fee	THB/contract	379	393	309	309	309	309	309	309
Fee and service income	THB '000	13,827	31,089	65,337	45,320	-	-	-	-
Other income	THB '000	47,847	20,194	46,774	42,585	34,585	34,585	34,585	34,585

- **The SET's and mai's trading value per day** – The IFA has forecasted the SET's and mai's trading value per day based on the forecast of CIMBS research team of THB 27,000 million per day for 2011 – 2015.
- **Market share of CIMBS in securities brokerage** – Market share of CIMBS in SET and mai were 1.25%, 0.82% and 0.93% of total trading value in 2008 – 2010, respectively. Therefore, the IFA has estimated that the projected market share of CIMBS in securities brokerage in 2011 – 2015 will average 1.00% of total trading value each year.
- **Brokerage fee for securities trading** – The IFA has forecasted the brokerage fees from securities trading based upon operating budget and management opinion at 0.18% of total trading value during 2011 and continuously decline to 0.15% in 2012 and 0.12% from 2013 onwards, to reflect the expectation of the market towards the industry liberalization which shall commence on January 1, 2012.
- **Number of futures contracts traded in TFEEX per day** – According to the forecast of TFEEX, the average number of futures contracts traded per day will be approximately 20,000 in 2011. From 2012 onwards, the IFA has estimated that the number of future contracts traded per day will increase at a growth rate of 10% per year to reflect the increasing popularity among retail investors in using futures contracts as their risk management tools and the increasing variety of financial products offered in TFEEX.
- **Market share of CIMBS for futures contracts brokerage** – The market share of CIMBS in TFEEX were 0.78%, 0.50% and 0.38% of total future contracts traded in 2008 – 2010, respectively. The IFA has estimated that the market share of CIMBS in 2011 - 2015 will be 0.50% of total futures contracts traded each year.
- **Fees and service income** – Due to CIMB Thai's future plan to undertake the corporate finance advisory business upon completion of the Transaction, the IFA has estimated that CIMBS will no longer have any revenue from fees and service income from 2012 – 2015 to be zero. As for 2011, the IFA has estimated that CIMBS will still have revenue from fees and service income for the first half of the year based on the interviews with CIMBS management.
- **Other income** – Other income comprises of profit from security trading, interest and dividend income, interest income from margin loan and other income, of which the IFA has estimated based on historical performance as well as the opinion of CIMBS management.

Assumptions regarding the cost and expenses of CIMBS

Table 43 : Financial assumptions regarding the cost and expenses of CIMBS

Details	Unit	Actual			Forecast				
		2008	2009	2010	2011	2012	2013	2014	2015
Fee and service expense	THB '000	10,537	11,207	20,373	22,476	20,738	19,296	19,621	19,978
Operating expense	THB '000	156,669	174,324	293,006	285,731	282,435	289,516	299,505	306,025
Taxes, duties and other expense	THB '000	30,079	35,802	42,224	53,199	44,769	36,356	36,554	36,772
Capital expenditure	THB '000	2,378	18,835	9,280	5,000	5,000	5,000	5,000	5,000

- **Fee and service expense** – Fee and service expenses comprise fee paid to the SET, the SEC, clearing house and others which are mainly calculated based on the volume traded of CIMBS each year.
- **Operating expenses** – Operating expenses comprise of personal expense, premises and equipment expenses and Depreciation & Amortization of building and equipment and amortization of CIMBS intangible assets which the IFA has estimated such expenses in 2011 – 2015 based on the figure in 2010 and for commission fees, they were estimated based on trading value of CIMBS each year
- **Capital expenditure** – IFA estimated such item based on the opinion of CIMBS management.

The IFA applied WACC as a discount rate to calculate the present value of free cash flows to CIMBS. WACC can be calculated based on the following equation.

$$WACC = Ke*[E/(D+E)] + Kd*(1 - t)*[D/(D+E)]$$

Nonetheless, cost of equity (“Ke”) is necessary in order to calculate WACC. Ke can be derived from Capital Asset Pricing Model (CAPM) based on the following equation.

$$Ke = Rf + \beta(Rm - Rf)$$

Where

- Rf = The risk free rate based on the 30-year Government Bond Yield as of March 2, 2011 which is the date the IFA prepared this report, equals to 4.37% (Source: www.thaibma.or.th).
- β = Beta co-efficient between return on CIMBS share price and the change in the SET index (“Beta”). The IFA estimated CIMBS beta based on average historical beta over 3-consecutive years of all listed securities companies which is 1.01. (Source: Bloomberg and the IFA estimates).
- Rm = The market return in which the IFA estimated to be 14.99% per year based on the average return from investment in the SET Index over 36 years during 1975 – 2010. (Source: www.set.or.th)

Based on the aforementioned assumptions, Ke can be calculated as follows:

Table 44 : Calculation of CIMBS cost of equity

Factors	Average beta of all security companies
Risk-free rate (1)	4.37%
Risk premium (Rm – Rf) (2)	10.66
β (3)	1.01
Cost of Equity or Ke (4) = (1) + [(3)*(2)]	15.06%

The cost of equity (Ke) obtained from the calculation shown in the above Table is 15.06%. Then, Ke is applied in the calculation of WACC in which the IFA obtains the value of 11.45%. The details of the calculation is shown in the following Table.

- Ke = Cost of equity based on Capital Asset Pricing Model (“CAPM”), equals to 15.06% as shown in the above Table.
- Kd = Average cost of interest-bearing debt in which the IFA uses the interest rate of the CIMBS loan as of December 31, 2010 equals to 5.22%

- t = CIMBS corporate tax rate in which equals to 30.00%
- D = Portion of interest-bearing debt of CIMBS as of December 31, 2010 equals to THB 225.35 million
- E = Portion of equity of CIMBS as of December 31, 2010 equals to THB 486.04 million

Table 45 : Calculation of the CIMBS' WACC

Factor	Assumption
Cost of equity or Ke (1)	15.06%
Cost of debt or Kd (2)	5.22%
D/(D+E) (3)	0.32
Effective tax rate (4)	30.00%
WACC or discount rate (5) = {(1)*[1-(3)]} + {(2)*[1-(4)]*(3)}	11.45%

Thereafter, the projected free cash flows to be received in the future are discounted at a discount rate of 11.45%. Then, except for the corporate finance activity, the IFA further calculated the Terminal Value under the assumption that CIMBS will continue to operate its business and that the operating cash flows will have a perpetual growth rate of 0.00% per year. The details of the projected cash flows of CIMBS are presented in the following Table.

Table 46 : Projected free cash flows of CIMBS

Unit : 000 THB	2011	2012	2013	2014	2015
Projected revenue	333,611	241,357	202,499	203,415	204,422
Projected cost and expense	371,745	355,508	351,467	361,157	366,930
Projected EBITDA	-14,678	-89,687	-124,008	-131,310	-138,787
Projected CAPEX	-5,000	-5,000	-5,000	-5,000	-5,000
Free cash flows to firm	-52,912	-94,494	-128,815	-136,310	-143,787

The fair value of CIMBS shares cannot be calculated from using this valuation approach as the financial projection of CIMBS shows an operating loss and the projected free cash flows of CIMBS are negative. This means that CIMBS cash flow will be inadequate for its operations. In normal case, in the case of negative cash flow as presented above, if the owner of the securities house would like to continue to pursue the company's business, it would require a large amount of capital and put in place cost management measures, or it could render itself to be shut down.

The IFA views that this valuation methodology is inappropriate as this approach is inappropriate for the valuation of securities brokerage companies, and the approach requires the company to have a steady cash flow stream over the projected period. Nonetheless, since trading value in the SET and mai are subjected to high volatility with many uncontrollable factors, thus, revenue stream of securities brokerage firm is expected to be highly volatile accordingly. Consequently, estimation of cash flows stream based on the Discounted Cash Flows Approach could result in a substantial inaccuracy.

Summarized opinion of the IFA regarding the appropriateness of the transaction price is as follow:

Table 47 : Fair value of CIMBS shares based on each valuation approach

Valuation Approach	Proposed Transaction Price (THB per share)	Fair Value (THB per Share)	Appropriateness of the Approach	The Proposed Transaction is Higher (Lower) than the Price by IFA (%)
1. Book Value Approach	10.21	9.72	Appropriate	5.04%
2. Precedent Transaction Comparable Approach	10.21	9.72 – 22.16	Appropriate	5.04% - (117.04%)
3. Market Comparable Approach				
Price to Book Value	10.21	6.12 – 9.91	Inappropriate	66.83% - 3.03%
Price to Earnings Ratio	10.21	0.35 – 0.61	Inappropriate	2,817.14% - 1,573.77%
4. Discounted Cash Flow Approach	10.21	n/a	Inappropriate	n/a

The valuation of shares of CIMBS by using 4 valuation methodologies results in the range of fair value between THB 0.35 per share to THB 22.16 per share. Nonetheless, the IFA views that the appropriateness of each valuation approach being used are varied and therefore must be carefully considered. The summary of the view of the IFA regarding the appropriateness of each valuation approach is presented as follows:

Book Value Approach	:	<u>Appropriate</u> since the IFA views that the value of CIMBS is primarily derived from the value of its current assets. Therefore, book value of equity is the appropriate measure to reflect the value of CIMBS, assuming a liquidation scenario, to ascertain the lower bound of valuation.
Precedent Transaction Comparable Approach	:	<u>Appropriate</u> as this method reflects the historical market practices with regards to the value of the premium that should be incorporated in the Transaction based on the Willing Buyer Willing Seller Approach, which shall be used as an upper bound of CIMBS share price for the Transaction.
Price to Book Value	:	<u>Inappropriate</u> since the valuation approach is appropriate for regular shares trading in the stock market. Nonetheless, it is inappropriate for the valuation of the acquisition of majority stakes in a company. Moreover, the valuation result obtained from this valuation approach is much lower than the book value, which the IFA has set as lower bound of appropriate transaction price, based on liquidation scenario.
Price to Earnings Ratio	:	<u>Inappropriate</u> since this valuation method takes into account only the earnings of CIMBS at a point in time without taking into consideration of CIMBS current assets and the ability of such assets to generate revenue and return for CIMBS in the future.
Discounted Cash Flow Approach	:	<u>Inappropriate</u> as the fair value could not be obtained from this approach due to the expected negative free cash flows. Moreover, revenue streams of securities brokerage companies are highly volatile depending on the condition of stock market as well as many other uncontrollable factors such as regulation change and political situation in which are difficult to estimate. Therefore, the valuation conducted by using this approach is based upon various uncertain situations.

Therefore, the IFA views that the range of fair value for CIMBS share based on Book Value Approach and Precedent Transaction Comparable Approach are deemed to be appropriate and that **the appropriate transaction price should be between THB 9.72 – 22.16 per share**. Since the proposed transaction price is THB 10.21 per share which is 5.04% higher than the lower bound and 117.04% lower than the upper bound. Taking into consideration other qualitative factors such as amongst others profitability, future performance, size of the business and competition, the IFA considers the transaction price to be appropriate, though closer to the lower bound because:

1. The proposed transaction price is higher than the book value, which is the lower bound of the appropriate share price by the IFA.
2. Due to the anticipated intense competition subsequent to the liberalization in 2012, the operating performance of CIMBS is expected to decline.
3. The proposed transaction price incorporated higher premium than that of the latest precedent transaction. After the announcement of Ministerial Regulations in 2008, the premium paid has declined since the company intends to operate securities business could file for the license itself as the SEC will no longer limit the number of licenses to operate securities business.

5.2 Appropriateness of the transaction condition

The key condition of the Transaction is that the Bank could only enter into the Transaction after the approval of the Bank's shareholders' meeting No.17/2011 as well as the approval from relevant authorities (if any). After entering into the Transaction, the Bank is expected to receive the total value of consideration of THB 510,337,881.85 in cash upon the completion of the Transaction.

The conditions of the Transaction are deemed to be in accordance with general business practice customary to a regular share purchase transaction. In addition, both parties must abide by the rules and regulations of the relevant authorities in order to ensure that the Transaction will be successful and does not violate the laws of both Thailand and Malaysia. Therefore, the IFA views that the condition of the Transaction is appropriate and that it is considered to be fair to both parties, without causing any loss or benefit to either party.

Section 6 Summary of the opinion of the Independent Financial Advisor

Based on the opinion of the IFA, the Bank's disposal of its investment in CIMBS which comprises of 49,999,993 ordinary shares of CIMBS to CIMBS International at a price of THB 10.21 per share or representing a total value of consideration of THB 510,337,881.85 is reasonable and appropriate.

In addition, subsequent to the disposal of CIMBS shares, the Bank will no longer expose itself to future market risks that may arise from the more competitive environment in view of the anticipated industry liberalization in 2012. Furthermore, it would relieve the burden of Bank to further inject capital in CIMBS to maintain CIMBS's competitiveness in such competitive environment as well as to maintain the current trading limit of CIMBS's proprietary trading. Lastly, the divestment in CIMBS could lead to an improved performance of the Bank as its burden of undertaking supervision on CIMBS according to the consolidated supervision by the BOT will no longer exist; thus, providing the flexibility to the Bank's operation. Upon completion of the Transaction and obtaining the necessary approvals to undertake the business, the corporate finance team of CIMBS shall operate at the Bank.

After entering into the Transaction, the Bank is expected to receive the total value of consideration of THB 510,337,881.85 in cash upon completion of the Transaction. Such proceeds received could be used to support its core banking business or further invest in other high potential businesses that may earn a higher rate of return.

Range of CIMBS share price that the IFA deemed to be appropriate for the Transaction is between THB 9.72 – 22.16 per share. Therefore, the proposed transaction price at THB 10.21 per share, which is 5.01% higher than the lower bound and 117.04% lower than the upper bound of the price range by the IFA, is considered to be appropriate, though closer to the lower bound, taking into consideration other qualitative factors such as amongst others profitability, future performance, size of the business and competition. Therefore, the IFA views that such proposed transaction price is reasonable because:

1. The proposed transaction price is higher than the book value, which is the lower bound of the appropriate share price by the IFA.
2. Due to the anticipated intense competition subsequent to the liberalization in 2012, the operating performance of CIMBS is expected to decline.
3. The proposed transaction price incorporated higher premium than that of the latest precedent transaction. After the announcement of Ministerial Regulations in 2008, the premium paid has declined since the company intends to operate securities business could file for the license itself as the SEC will no longer limit the number of licenses to operate securities business.

Moreover, the conditions of the Transaction are deemed to be in accordance with general business practice appeared in regular share purchase transaction and shall abide by the rules and regulations of the relevant authorities of both Thailand and Malaysia.

Based on the above rationales, the IFA views that the price and conditions of the Transaction are reasonable and that the shareholders of the Bank will benefit from the Transaction. Therefore, the IFA views that the shareholders of the Bank should vote in favor of the Transaction. Nonetheless, the decision to vote is solely dependable on the consideration and at the discretion of the shareholders. Shareholders should take into consideration the advantages, disadvantages and the risks of the Transaction as well as to carefully consider the attached documents submitted to the shareholders along with the invitation letter to shareholders' meeting so as to make the most appropriate decision.

JayDee Partners Limited, as the IFA of the Bank, has performed the study and analysis with care in accordance with the professional standard and has provided the opinion based on the fair analysis of information by taken into consideration the benefits of all shareholders.

The opinion of the IFA is based on the information, which have been received from the Bank as well as the interviews with CIMBS management, publicly available information and other relevant documents. The IFA has assumed that all information received are truthful and correct. Therefore, if the said information are incorrect

and/or is not truthful and/or significantly changes in the future, it will affect the opinion of the IFA. Therefore, the IFA is unable to certify or warrant the future impact that may arise to the Bank and the shareholders. In addition, the opinion of the IFA is only to provide the comments to the shareholders, providing this opinion does not warrant the accomplishment of the Transaction and impact to be incurred from the Transaction to the Bank and its subsidiaries.

This English report of the Independent Financial Advisor's Opinion has been prepared solely for the convenience of foreign shareholders of CIMB Thai Bank Public Company Limited and should not be relied upon as the definitive and official document. The Thai language version of the Independent Financial Advisor's Opinion is the definitive and official document and shall prevail in all aspects in the event of any inconsistency with this English Translation.

Yours Sincerely,



(Ms. Jirayong Anuman-Rajadhon)
Managing Partner / Operation Controller
JayDee Partners Limited, the independent financial advisor