

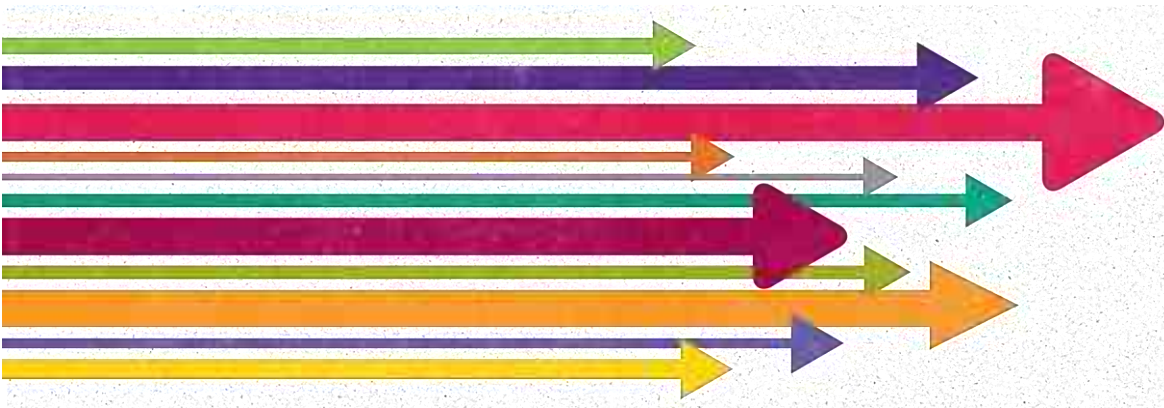


Group Lease Public Company Limited

Opinion of the Independent Financial Advisor

on Connected Transactions

14 November 2016



[Translation]

This document is translated solely for convenience purpose. In the event of any inconsistency, the Thai version should be relied upon as official and definitive.

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Glossary

Company/ Entity

BGMM	BG Microfinance Myanmar Company Limited
CCF	Commercial Credit and Finance PLC
Creation	Creation Investments ASEAN LLC
Creation SL	Creation Investments Sri Lanka LLC
CSE	Colombo Stock Exchange
GL or the Company	Group Lease Public Company Limited
GLH	Group Lease Holdings Pte Ltd.
GTSL or IFA	Grant Thornton Services Ltd.
SEC	The Securities and Exchange Commission
SET	The Stock Exchange of Thailand
TFI	Trade Finance and Investments PLC

Other

CAPEX	Capital Expenditure
CAPM	Capital Asset Pricing Model
DCF	Discounted Cash Flow
EBIT	Earning before interest and taxes
EBITDA	Earning before interest, taxes, depreciation and amortization
EBT	Earning before taxes
FCFE	Free Cash Flow to Equity
NOPAT	Net Operating Profit After Taxes
NTA	Net Tangible Assets
NWC	Net Working Capital
ROE	Return on Equity
WACC	Weighted Average Cost of Capital
The Notifications on Acquisition or Disposal of Assets	The Notification of Capital Market Supervisory Board Tor.Jor. 20/2551 Re: Rules on Entering into Material Transactions Deemed as Acquisition or Disposal of Assets dated 31 August 2008 , and the Notification of the Board of Governors of the Stock Exchange of Thailand Re: Disclosure of Information and Other Acts of Listed Companies Concerning the Acquisition and Disposal of Assets B.E. 2547 dated 29 October 2004 and its amendments.
The Notifications on Connected Transaction	The Notification of the Capital Market Supervisory Board No. Tor.Jor. 21/2551 Re: Rules on Connected Transaction dated 31 August 2008 and its amendments, and the Notification of the Securities and Exchange Commission Re: Disclosure of Information and Other Acts of Listed Companies Concerning Connected Transactions B.E. 2546 dated 19 November 2003 and its amendments.

Investment Agreement

The summary of draft Investment Agreement between Group Lease Public Company Limited and Creation Investments Sri Lanka LLC (Creation SL) for the issuance and offering of convertible debentures after getting approval from the Board of Directors.

[Translation]

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14 November 2016

Subject Opinion of the independent financial advisor regarding the connected transaction for the share acquisitions and the issuance and offering of the convertible debentures

To Shareholders of Group Lease Public Company Limited

The Board of Directors' meeting of Bangkok of Group Lease Public Company Limited ("GL" or the "Company") No.12/2016 held on 30 September 2016 and No. 15/2016 has passed the following resolutions with respect to the connected transactions to propose in the Extraordinary General Meeting of Shareholders No. 2/2016 to consider and approve as follow:

1. To consider and approve the entering into a connected party transaction in relation to the acquisition, by the Company and/or the Company's subsidiaries, of approximately 22.27% of total issued share capital of Commercial Credit and Finance PLC from Creation Investments Sri Lanka LLC.
2. To consider and approve the acquisition of shares in a Microfinance company, BG Microfinance Myanmar Co., Ltd. in Myanmar.
 - 2.1) To consider and approve the acquisition, by the Company and/or the Company's subsidiaries, of the entire issued share capital of BG Microfinance Myanmar Co., Ltd.
 - 2.2) To consider and approve the entering into a connected party transaction in relation to the acquisition, by the Company and/or the Company's subsidiaries, of approximately 28.1% of total issued share capital of BG Microfinance Myanmar Co., Ltd. from Commercial Credit and Finance PLC.
1. To consider and approve the financial assistance, by the Company and/or the Company's subsidiaries, to Century Finance Co., Ltd., a finance company in Myanmar by subscribing for the convertible debentures in the aggregate principal amount of USD 28.5 million and the investment, by the Company and/or GLH, in establishing a joint venture services company in Myanmar to provide support to such finance company.
2. To consider and approve the issuance and offering of convertible debentures to specific foreign investors (Private Placement) in the amount not exceeding USD 70 million or an equivalent amount in other currencies.
 - 4.1) To consider and approve the issuance and offering of convertible debentures to a specific foreign investors (Private Placement), namely JTrust Asia Pte. Ltd., JTA, in the amount not exceeding USD 50 Million or an equivalent amount in other currencies
 - 4.2) To consider and approve the issuance and offering of convertible debentures to a specific foreign investor (Private Placement), namely Creating investment Sri Lanka LLC ("Creation SL") in an amount not exceeding USD 20 Million or an equivalent amount in other currencies and the entering into connected transaction

3. To consider and approve the increase in the registered capital of the Company by THB 17,327,414.50 from the existing registered capital of THB 922,545,040.00 by issuing 34,654,829 newly issued ordinary shares at the par value of THB 0.50 per share to reserve for the conversion of the convertible debentures as approved in No.4 to be in line with the increase in the Company's registered capital.
 - 5.1) To consider and approve the increase in the registered capital of the Company by THB 12,376,724.50 by issuing 24,753,449 newly issued ordinary shares at the par value THB 0.50 per share in order to reserve for the conversion of the convertible debentures to be issued and offered to JTA and the amendment to Clause 4 of the Memorandum of Association of the Company to be in line with the increase in the Company's registered capital.
 - 5.2) To consider and approve the increase in the registered capital of the Company by THB 4,950,690 by issuing 9,901,380 newly issued ordinary shares at the par value THB 0.50 per share in order to reserve for the conversion of the convertible debentures to be issued and offered to Creation SL and the amendment to Clause 4 of the Memorandum of Association of the Company to be in line with the increase in the Company's registered capital.
4. To consider and approve the allocation of newly issued ordinary shares in the amount up to 34,654,829 shares with the par value of THB 0.50 per share in order to reserve for the conversion of the convertible debentures.
 - 6.1) To consider and approve the allocation of newly issued ordinary shares of the Company in the amount up to 24,753,449 shares at the par value THB 0.50 per share in order to reserve for the conversion of the convertible debentures to be issued and offered to JTrust Asia Pte. Ltd.
 - 6.2) To consider and approve the allocation of newly issued ordinary shares of the Company in the amount up to 9,901,380 shares at the par value THB 0.50 per share in order to reserve for the conversion of the convertible debentures to be issued and offered to Creation Investments Sri Lanka LLC.
5. To consider and approve the amendment of the objectives, reasons and necessities for and the use of proceeds received from the convertible debenture issued to JTrust Asia Pte. Ltd. in 2016 and related information.
6. To consider and approve the amendment of the Articles of Association of the Company.
7. To consider and approve the amendment of the number and names of the authorized directors of the Company

Thus, in accordance to the Notification on Connected Transactions, namely the acquisition of shares in both Commercial Credit and Finance PLC, BG Microfinance Myanmar Co., Ltd., and the issuance and the offering of the convertible debentures, the Company is required to seek approval from the shareholders' meeting with a minimum 3 out of 4 total votes from eligible shareholders who attend the meeting.

In order to provide the Company's shareholders with sufficient information regarding the connected transaction, the Board of Directors' meeting has appointed Grant Thornton Services Ltd. ("GTSL" or the "IFA")

as the independent financial advisor to provide an opinion to the shareholders for consideration of the transaction.

GTSL as an independent financial advisor approved by The Securities and Exchange Commission of Thailand (the "SEC"), acting independently, has rendered the opinions with respect to the reasonableness, fairness of price and conditions of the transactions.

The IFA has considered and studied the information regarding the transaction including the Company's and related companies' disclosure to the Stock Exchange of Thailand, public disclosure, the audited or reviewed financial statements of the Company and related companies, information from the Company and the Company's advisor, and the Company's management and related officers interview. The opinions of the IFA are based on the assumption that the received information and documents are complete, correct and true and based on the condition and the current available information. Any material change and/or occurrence and/or false information may materially affect the operation and the financial estimates of the Company which may also affect the IFA's opinion. The IFA has no obligations to update, review or confirm the IFA's opinions.

The IFA has considered and studied the information with prudence and reasonableness according to the professional standards. Appendices attached hereto are parts of the opinions and should be considered by the shareholders in conjunction with this report.

The IFA's Opinion on the transaction for which it is appointed to provide an independent opinion to the shareholders for consideration in passing the resolution in the extraordinary meeting of shareholders No. 2/2559 are summarised below.

1. Executive Summary

The Board of Directors' meeting of Group Lease Public Company Limited ("GL" or "the Company") No. 12/2016 held on 30 September 2016 and No. 15/2016 held on 31 October 2016 passed the resolution to acquire shares of a listed company in Sri Lanka, shares of a private company in Myanmar and the issuance and offering of convertible debentures (the "CDs"). The Board of Directors set the date for the Extraordinary General Meeting of Shareholders No. 2/2016 to be 6 December 2016 for considering the approval for the Company and/or Group Lease Holdings Pte Ltd. ("GLH"), which is a wholly-owned subsidiary of the Company, incorporated in Singapore as a holding company, to enter into related transactions as summarized below:

Transaction 1: GLH plans to acquire 95,390,500 common shares of Commercial Credit and Finance PLC ("CCF") at LKR 111 per share, (approximately THB 26.35 per share), amounting to the total transaction value of LKR 10,588,345,500 (approximately THB 2,513.67 Million). Such shares will be purchased from BG Investments (PVT) Ltd., Creation SL and Mr. Stephen L Lafrance Jr. (hereafter called "CCF Acquisition").

Transaction 1 is considered to be a Connected Transaction according to the Notification of the Capital Market Supervisory Board No. TorChor. 21/2551 Re: Rules on Connected Transactions and the Notification of the Board of Governors of the Stock Exchange of Thailand Re: Disclosure of Information and Other Acts of Listed Companies Concerning the Connected Transactions, 2003 (and the amendments) (the "Connected Transaction Notifications"). The transaction size calculated based on the related-party criteria resulted in the highest threshold of 25.07% of GL's total net tangible assets.

Transaction 2: GLH plans to acquire 1,387,680 common shares of BG Microfinance Myanmar Co., Ltd. ("BGMM") at USD 5.77 per share (approximately THB 199.79), amounting to the total transaction value of USD 8,006,913.60 (approximately THB 277.24 Million). Such shares will be purchased from BG Investments (PVT) Ltd., BG International (PVT) Ltd., BG Capital (PVT) Ltd. and CCF (hereafter called "BGMM Acquisition").

Transaction 2 is considered as a Connected Transaction based on the aforementioned Notification, whereby the highest threshold level calculated based on the the related party transaction criteria resulted in 1.05% of GL's total net tangible assets.

Transaction 3: GL plans to issue and offer convertible debentures to a specific foreign investor ("Private Placement"), namely Creation Investments Sri Lanka LLC ("Creation SL") for the amount not exceeding USD 20 Million or an equivalent amount in other currencies (hereafter called the "Issuance and Offering of CDs"). This Transaction is also considered as a Connected Transaction based on the Notification described above. The maximum transaction size calculated based on the related-party transaction criteria is 9.31% of GL's total net tangible assets.

When determining the total size of share acquisitions (including both Transaction 1 and 2), the highest size calculated is 21.55% on the net income basis. According to the Acquisition and Disposition Notifications, the share acquisitions are categorized as a Type 2 transaction as the highest comparative value of the transaction size is higher than 15% but lower than 50%. Accordingly, the Company is required to disclose the details of the Acquisitions via the Stock Exchange of Thailand (the "SET") and deliver such information memorandum containing specified information required by the Acquisition and Disposition Notifications to all the shareholders within 21 days from the disclosure date to the SET.

The total size of connected transactions (Transaction 1, 2 and 3) that the Company and/or its subsidiaries intend to enter into with Mr. Patrik T. Fisher and/or other related person who are considered connected persons during the past 6 months, is THB 2,637.26 Million (or equivalent to 35.43% of GL's net tangible assets) which is more than THB 20 million or 3% of NTA according to the Connected Transaction Notifications. Therefore, the Company is required to disclose information on the Connected Transactions to the Stock Exchange of Thailand (the "SET") and to seek the shareholders' approval for entering into such Connected Transactions by the votes of not less than 3 to 4 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 vested interest. In this regard, the Board of Directors has appointed Grant Thornton Services Limited ("GTSL" or the "IFA") as an independent financial advisor to express opinion on such Connected Transactions to the shareholders of the Company to determine whether they are reasonable and beneficial, and whether the pricing term and condition are fair to the Company.

Summary of share valuation and total consideration

The Independent Financial Advisor (the "IFA") is of the opinion that the appropriate approach to evaluate fair value of shares for Transaction 1 and 2 is the Discounted Cash Flow Approach ("DCF"). As for Transaction 3, the Straight bond valuation and the Black-Scholes Option Pricing Model are applied. The summary of the fair values for each transaction is as follows:

Transaction 1: The DCF approach yields share values of CCF ranging between THB 16.64 – 17.46 per share (base case), which amounts to the total value of shares of THB 1,587.29 – 1,665.52 Million.

Transaction 2: The DCF approach yields share values of BGMM ranging between THB 124.66 – 129.34 per share (base case), which amounts to the total value of shares of THB 172.99 – 179.48 Million.

	Fair Price	Purchase Price	Fair Price – Purchase Price
	(THB)	(THB)	(THB)
Transaction 1 – CCF	16.64 – 17.46	26.35	(9.71) – (8.89)
Transaction 2 – BGMM	124.66 – 129.34	199.79	(75.13) – (70.45)

Transaction 3: The Straight bond valuation and Black-Scholes Option Pricing Model yield a fair value of the CDs of USD 118,996.33 per unit which is greater than its face value/ issuing price to the related party at USD 100,000).

	Fair Price	Issuing Price	Fair Price – Issuing Price
	(USD)	(USD)	(USD)
Transaction 3 – GL (Convertible Debenture)	118,996.33	100,000.00	18,996.33

Entering into those transactions will render benefits to the Company and its shareholders: to enhance potentials and expand business overseas. However, the purchase price is higher than the appraised value significantly. Considering the various factors including advantages and disadvantages of entering into or not entering into the transactions, the Company will be at a more disadvantageous position than beneficial.

In summary, the IFA views that the shareholders should not approve any of the 3 transactions. Nevertheless, the shareholders should also consider other aspects such as conditions of the Transactions, advantages and disadvantages as well as risks involved in each respective transaction when making decisions.

In considering whether or not to approve the transactions, the shareholders should take into account the information, supporting reasons as well as other opinions and aspects to consider as represented in this report. In any case, the ultimate decision to “approve” or “not approve” the transactions is based entirely on the opinion of each of the Company’s shareholders.

2. Practice and Information Used in the Preparation of the IFA's Opinion

Grant Thornton Services Ltd. as an Independent Financial Advisor approved by the Securities and Exchange Commission, acting independently from the Company, has considered and studied the information regarding the restructuring from the Company's data and information disclosed to the SEC, the information provided by the Company and the Company's advisors and public information including:

- Resolutions of the board of directors' meeting and related information memorandum
- Annual registration statement (Form 56-1), annual report, financial statements including other document/information of the Company and other related companies
- Auditor's report and financial statements of the Company and other related companies
- Relevant contracts/draft contracts and other related document such as financial institution loan agreement, draft share purchase agreement, draft shareholder loan agreement, draft investment agreement, etc.
- Relevant reports prepared by specialists/professionals, for instance, financial due diligence report which was prepared by PricewaterhouseCoopers (Thailand) Ltd. , legal due diligence report which was prepared by Baker and McKenzie, etc.
- Financial projections and the underlying assumptions
- Statistics on the Stock Exchange of Thailand, economics conditions, and related industries
- Information provided by the Company and the Company's advisors as well as interviews with management and related officers

The IFA's opinion is based on the assumption that information, documents as well as interviews with the management and officers of the Company and related companies are true and correct. The IFA has considered and studied with the prudence and reasonableness according to professional conduct. In addition, the IFA assumes that document/draft document and contract/draft contract are enforceable and legally binding without any information, incidents or conditions that may affect the Company and the shareholders. However, the IFA has no reason to doubt that the aforementioned information is materially inaccurate or incomplete that would adversely affect the analysis of the information.

The IFA's opinion is based upon the industry, economic and other external conditions as they exist and can be evaluated during the time of the study only. The information and assumptions are subject to change in due course and may have material effect on the opinion. The IFA assumes no obligation to update, revise or reaffirm the opinion stated herein.

The IFA's opinion is prepared for the use and benefits of the shareholders of the Company. The decision to approve or disapprove the transaction is subject to shareholders' discretion. The shareholders should study the information attached to this meeting invitation letter in order to exercise discretion in deciding the appropriate resolution.

3. Characteristics and details of Connected Transactions

The Board of Directors' meeting of Group Lease Public Company Limited ("GL" or "the Company") No. 12/2016 held on 30 September 2016 and No. 15/2016 held on 31 October 2015 has approved the Company to acquire shares of a listed company in Sri Lanka, shares of a private company in Myanmar and the issuance and offering of convertible debentures ("Convertible Debentures"). The Board has approved and proposed to the Extraordinary General Meeting of Shareholders No. 2/2016 to be held on 6 December 2016 for considering the approval of the Company and/or its subsidiary, Group Lease Holdings Pte Ltd. ("GLH"), which is a wholly owned subsidiary of the Company, incorporated in Singapore as a holding company, to enter related transactions based on the following conclusions:

Transaction 1 Share acquisition of a listed company in Sri Lanka

The acquisition of **95,390,500** ordinary shares in CCF by the Company and/or its subsidiary, Group Lease Holdings PTE. Ltd. ("GLH"), representing **29.99%** of total share capital in CCF, at a purchase price at LKR **111** per share (equivalent to approximately THB **26.35** per share, exchange rate THB **0.2374** per LKR **1** as of **29 September 2016**), amounting to the total value of LKR **10,588,345,500** (equivalent to approximately THB **2,513.67** million), from BG Investments (PVT) Ltd., Creation Investments Sri Lanka LLC ("Creation SL") and Mr. Stephen L Lafrance Jr. ("CCF Acquisition"); and

The entering into Transaction 1 is considered as an acquisition of assets in accordance to the notification of the Capital Market no. TorJor. 20/2551: Rules on Entering into Material Transactions Deemed as Acquisition or Disposal of Assets and the Notification of the Board of Governors of the Stock Exchange of Thailand Re: Disclosure of Information and Other Acts of Listed Companies Concerning the Acquisition and Disposition of Asset 2004 (as amended) (the "Acquisition and Disposition Notifications"). The highest comparative value of CCF Acquisition is equivalent to 21.02 percent of total value of THB 821.20 million on Net Income basis calculating from the last 4 quarter of the Company's consolidated financial statements ended 30 June 2016. When considering this transaction with other acquisition transactions of the Company and/or its subsidiaries in the past 6 months, (including the share acquisition of BGMM, details will be discussed later, such transaction will be occurred in the same period.)

In addition, the share acquisition of CCF is considered as a Connected Transaction according to the Notification of the Capital Market Supervisory Board No. TorChor. 21/2551 Re: Rules on Connected Transactions and the Notification of the Board of Governors of the Stock Exchange of Thailand Re: Disclosure of Information and Other Acts of Listed Companies Concerning the Connected Transactions, 2003 (as amended) (the "Connected Transaction Notifications") in the type of assets and services. As Mr. Patrick T. Fisher, a current director of the Company, is the founder and managing partner of Creation SL, one of the sellers of CCF's shares, and he is also a Non-Executive Director of CCF who is one of the sellers of BGMM's shares (Transaction 2). Creation SL has a significant shareholding in CCF of 28.66%. Details are as follows:

The CCF share acquisition from Creation SL by GL's subsidiary in a total of 70,822,537 shares or 22.27% of total share capital in CCF at a purchase price at LKR 111 per share amounting LKR 7,861,301,607 (or equivalent to approximately THB 1,866.27 million) or 25.07% of the Company's Net Tangible Assets (equal to THB 7,442.85 million Calculated from the Company's consolidated financial statements as of 30 June 2016) ("CCF Connected Transaction")

Transaction 2 Share acquisition of a private company in Myanmar

The acquisition of 1,387,680 ordinary shares in BG Microfinance Myanmar Co., Ltd. ("BGMM") by the Company and/or GLH representing 100% of total share capital in BGMM at a purchase price at approximately USD 5.77 per share (equivalent to approximately THB 199.79 per share, exchange rate THB 34.6250 per USD 1 as of 29 September 2016), amounting to the total value of USD 8,006,913.60 (equivalent to approximately THB 277.24 million), from BG Investments (PVT) Ltd., BG International (PVT) Ltd., BG Capital (PVT) Ltd. and CCF ("BGMM Acquisition").

The entering into Transaction 2 is considered as an acquisition of assets in accordance to the above notification. The highest comparative value of BGMM Acquisition is equivalent to 0.53 percent of total value of THB 821.20 million on Net Income basis calculating from the last 4 quarters of the Company's consolidated financial statements ended 30 June 2016. When considering this transaction with other acquisition transactions of the Company and/or its subsidiaries in the past 6 months, (including the share acquisition of CCF which will be occurred in the same period). Total transaction size is equivalent to 21.55%

In addition, the share acquisition of BGMM is considered as a Connected Transaction according to the Connected Transaction Notifications in the type of assets and services. As Mr. Patrick T. Fisher, a current director of the Company, is the founder and managing partner of Creation SL, one of the sellers of CCF's shares, and he is also a Non-Executive Director of CCF who is one of the sellers of BGMM's shares (Transaction 2). Creation SL has a significant shareholding in CCF of 28.66%. Details are as follows:

The BGMM share acquisition from CCF by GL's subsidiary in a total of 389,852 shares at a par value of Kyat 1,000 per share representing 28.09% of total issue and paid-up capital of BGMM at purchase price at approximately USD 5.77 per share (approximately THB 199.79, exchange rate THB 34.6250 per USD 1 as of 29 September 2016) amounts to the total value of USD 2,249,446.04 (equivalent to approximately THB 77.89 million) or 1.05% of NTA ("BGMM Connected Transaction").

Transaction 3 The Issuance and Offering of Convertible Debentures

The issuance and offering of convertible debentures (the "CDs") to a specific foreign investor (Private Placement), namely Creation SL, in the amount not exceeding US Dollar 20 million or an equivalent amount in other currencies (the "Issuance and Offering of CDs").

The Issuance and Offering of CDs is considered as the connected transaction of the Company according to the Connected Transaction Notification in the type of receipt of financial assistance. As Mr. Patrick T. Fisher, a current director of the Company, the founder and managing partner of Creation SL, is the subscriber for the CDs. Details are as follows:

Referred to Information Memorandum on Connected Transactions of Group Lease Public Company Limited Re: Issuance and Offering of Convertible Debentures, Convertible debentures in the amount not exceeding USD 20 million (approximately THB 693.10 million applying exchange rate of circa THB 34.65 per USD 1 which is the average buying rate of the Bank of Thailand for the last 3 months) and equal to 9.31% of the Company's Net Tangible Assets.

Total transaction size of the acquisition of assets (the CCF share acquisition and the BGMM share acquisition) and total transaction size of the connected transaction (CCF Connected Transaction, BGMM Connected Transaction and the Issuance and Offering of Convertible Debentures) are as follows:

Table 3-1: Calculation of the acquisition of assets

Transaction	Criteria of acquisition of assets	Calculation (THB million)	Size of transaction (%)
1. CCF share acquisition	<u>Net operating income of CCF¹ x % shareholding</u> Net operating income of GL	<u>575.66² x 0.2999</u> 821.20	21.02% ³
2. BGMM share acquisition	<u>Net operating income of BGMM⁴ x % shareholding</u> Net operating income of GL ⁵	<u>4.35⁶ x 1.00</u> 821.20	0.53%
Total size of transactions			21.55%

Remark: 1. Net profit for the last 4 quarters from 30 June 2016 according to GL consolidated financial statements (reviewed) and CCF financial statements (reviewed)
2. value of LKR 2,378.74 million, exchange rate at THB 0.2420 per LKR 1, Source: Information Memorandum on Acquisition of Assets of Group Lease Public Company Limited
3. Net profit of CCF * 29.99% compared with net profit of GL
4. Financial statements of BGMM, ended 31 March 2016
5. Reviewed financial statements of GL as of 30 June 2016
6. Exchange rate at THB 34.6250 per USD 1, Source: Bank of Thailand as of 29 September 2016

GL and/or its subsidiary will enter into those acquisition of assets during 6 month period, therefore the highest size of CCF and BGMM share acquisitions is equivalent to 21.55% on net income basis which is less than 50%. According to the Acquisition and Disposition Notifications, the share acquisitions are categorized as a Type 2 transaction as the highest comparative value of the transaction size is higher than 15% but lower than 50%. Accordingly, the Company is required to disclose the details of the Acquisitions via the Stock Exchange of Thailand (the "SET") and deliver such information memorandum containing specified information required by the Acquisition and Disposition Notifications to all the shareholders within 21 days from the disclosure date to the SET.

Table 3-2: Calculation of the connected transactions

Transaction	Criteria of connected transactions	Calculation	Transaction (%)
1. CCF share acquisition	<u>Total considerations</u> %NTA of GL	<u>1,866.27¹</u> 7,442.85 ²	25.07%
2. BGMM share acquisition	<u>Total considerations</u> %NTA of GL	<u>77.89³</u> 7,442.85	1.05%
3. Issuance and Offering of convertible debentures	<u>Total considerations</u> %NTA of GL	<u>693.10⁴</u> 7,442.85	9.31%

Transaction	Criteria of connected transactions	Calculation	Transaction (%)
Total size of transactions			35.43%

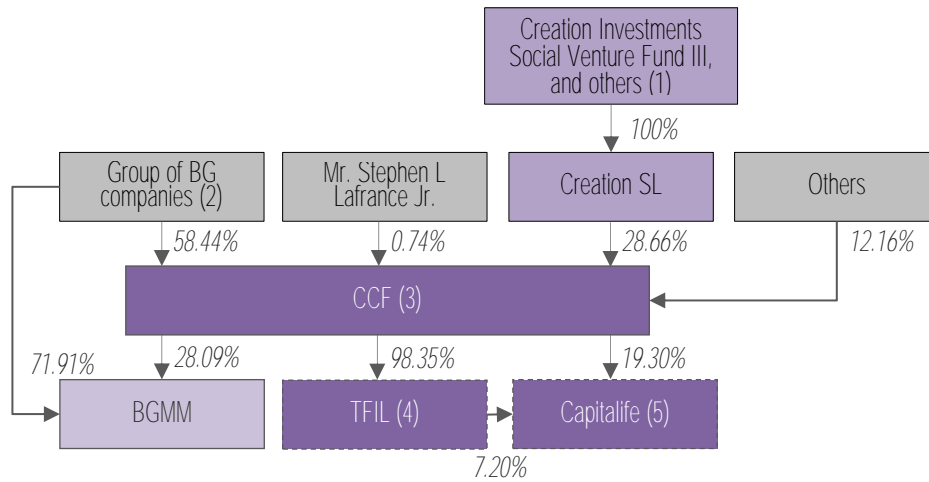
- Remark:
1. Calculated from 70,822,537 CCF ordinary shares, which the Company will acquire from connected person (Creation SL), equivalent to 22.27% of total issued and paid-up shares of CCF at a purchase price of LKR 111 (or approximately THB 26.35 per share), in a total amount of LKR 7,861,301,607 or approximately THB 1,866.27 million
 2. According to the Company's consolidated financial statements as of 30 June 2016, Net Tangible Assets were THB 7,442.85, calculated from Total assets – Net tangible assets – Total liabilities – Minority shareholders
 3. Calculated from 389,852 BGMM shares or 28.09% of total issued shares which the Company will acquire from CCF at a par value of Kyat 1,000, at a purchase price of USD 5.77 per share (or approximately THB 199.79 per share), in a total amount of USD 2,249,446.04 or approximately THB 77.89 million
 4. Calculated from total value of issuance and offering of convertible debentures to Creation SL in an amount not exceeding than USD 20 million (approximately THB 693.10 million)

When considering total size of connected transactions that the Company and/or its subsidiaries have entered into transactions with Mr. Patrik T. Fisher and/or other related person who are considered as connected persons during the past 6 months, the transactions include CCF Connected Transaction, BGMM Connected Transaction and the Issuance and Offering of Convertible Debentures (collectively the "Connected Transactions"). Total size of connected transactions is THB 2,637.26 million (or equivalent to 35.43% of net tangible assets) which is more than THB 20 million or 3% of NTA according to the Connected Transaction Notifications. Therefore, the Company is required to disclose information on the Connected Transactions to the Stock Exchange of Thailand (the "SET") and to seek the shareholders' approval for entering into such Connected Transactions by the votes of not less than 3 to 4 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 interest. In this regard, the Board of Directors set the date of the Extraordinary General Meeting of Shareholders No. 2/2016 on 2 December 2016. In addition, Grant Thornton Services Limited has been appointed as an independent financial advisor to express opinion on such Connected Transactions whether it is reasonable and beneficial to the Company, and on the fairness of price and conditions of the Connected Transactions to the shareholders of the Company

Furthermore, according to Section 107 of the Public Limited Company Act B.E. 2535 (as amended), the acquisition of business of other companies by a public company is required a shareholders' approval. As a result, the Company shall obtain the Company's shareholders approval by the votes of not less than 3 to 4 of the total number of votes of the shareholders attending the meeting and having the right to vote prior to the completion of the BGMM Acquisition. The Board of Directors will set the date of the Shareholders' Meeting and further inform the shareholders.

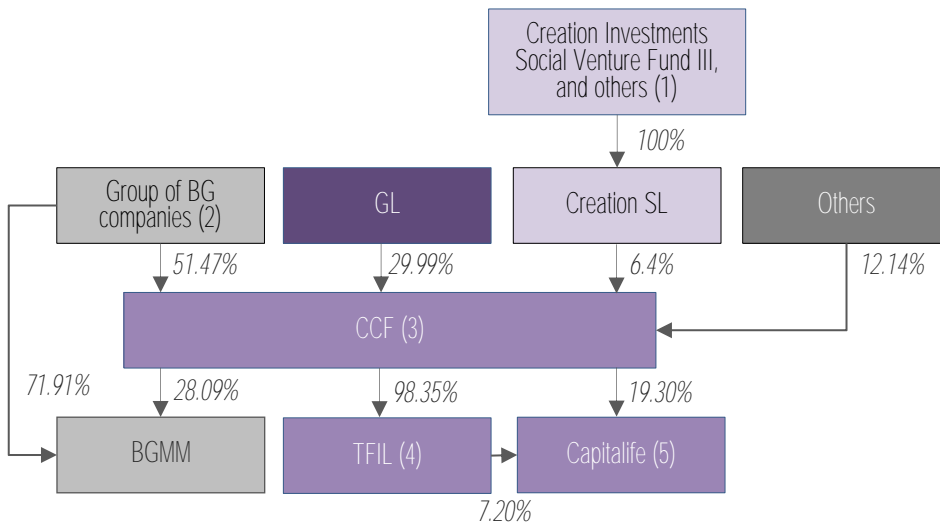
3.1 Transaction 1: CCF share acquisition

Figure 3-1: Pre - CCF share acquisition structure



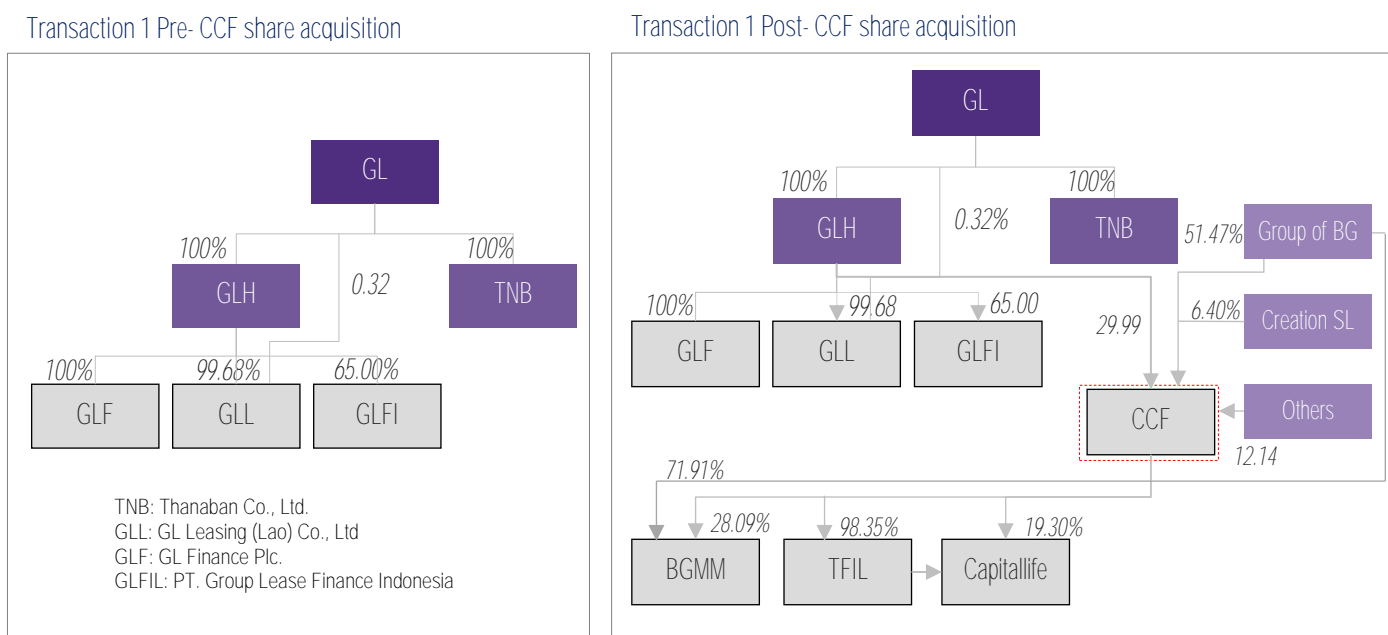
Remark: (1) International fund managed by Mr. Patrik T. Fisher who is a) GL's director and managing partner of Creation SL (GL shareholder who holds 2.39%) b) Non-Executive Director of CCF
 (2) Group of BG companies includes major shareholders: BG Investments (PVT) Ltd., 26.57%; BG International (PVT) Ltd., 22.66%; BG Capital (PVT) Ltd., 22.67%; M/S BG Investment (PVT) Ltd., 44.86% and other related companies 13.59%
 (3) The Summary detail of CCF is in the Appendix 2.
 (4) Trade Finance & Investment PLC (TFIL) operates loan and lending services, leasing and hire purchase and mortgage (For more detail on TFI, please see the Appendix 3).
 (5) Capitalife Assurance Ltd. (Capitalife) was established in 2015 in Sri Lanka to operate life insurance business. Creation Investments is a major shareholder. The shareholding structure of Capitalife as of 3 November 2016 comprises BG Investments (Private) Limited 29%, CCF 19.29%, TFI 0.53%, Creations Investments Sri Lanka LLC 27.94%, S D Senaratne 7.26%, East India Holdings (PVT) Ltd. 15.97% of shares.

Figure 3-2: Post – CCF share acquisition structure



Remark: (1) International fund managed by Mr. Patrik T. Fisher who is a) GL's director and managing partner of Creation SL (GL shareholder who holds 2.39%) b) Non-Executive Director of CCF.
 (2) Group of BG companies includes major shareholders: BG Investments (PVT) Ltd., 26.57%; BG International (PVT) Ltd., 22.66%; BG Capital (PVT) Ltd., 22.67%; M/S BG Investment (PVT) Ltd., 44.86% and other related companies 13.59%
 (3) The Summary detail of CCF is in the Appendix 2.
 (4) Trade Finance & Investment PLC (TFIL) operates loan and lending services, leasing and hire purchase and mortgage (For more detail on TFI, please see the Appendix 3).
 (5) Capitalife Assurance Ltd. (Capitalife) was established in 2015 in Sri Lanka to operate life insurance business. Creation Investments is a major shareholder. The shareholding structure of Capitalife as of 3 November 2016 comprises BG Investments (Private) Limited 29%, CCF 19.29%, TFI 0.53%, Creations Investments Sri Lanka LLC 27.94%, S D Senaratne 7.26%, East India Holdings (PVT) Ltd. 15.97% of shares.

Figure 3-3: GL pre- and post- CCF share acquisition structure



3.1.1 Date of the Transaction

The Company is going to enter into an agreement for the sale and purchase of the shares in CCF (the "CCF Agreement") with BG Investments (PVT) Ltd., Creation SL and Mr. Stephen L Lafrance Jr. (the "CCF Sellers") and the shareholders' agreement with BG Investments (PVT) Ltd. and Creation SL on 3 October 2016 under which the Company's Subsidiary will acquire 95,390,500 ordinary shares in CCF, representing 29.99% of total share capital in CCF from the CCF Sellers.

Prior to the completion of the CCF Acquisition from Creation SL, the Company will seek for shareholders' approval in connection with the purchase of CCF shares from Creation SL in the amount of 70,822,537 ordinary shares, representing 22.27% (from 29.99% of total acquiring share) of total share capital in CCF as it is considered a connected transaction.

3.1.2 Parties Involved and Relationship with the Company

	Details	
Buyer	GL via its subsidiary	
Seller	BG Investments (PVT) Ltd.	BG Investments (PVT) Ltd.
	Creation SL	Creation SL
	Mr. Stephen L Lafrance Jr.	Mr. Stephen L Lafrance Jr.
Relationship	- BG Investments (PVT) Ltd. and Mr. Stephen L Lafrance Jr. have no relationship with the Company in a manner that is as related parties, according to the Connected Transaction Notifications. - Creation SL, a Special Purpose Vehicle company ("SPV") is founded and managed by Mr. Patrik T. Fisher in order to raise fund from international investors to invest in CCF. Mr. Fisher is a member of GL's Board of Directors, and also manages another SPV, Creation Investments ASEAN LLC which holds approximately 2.39% in GL.	

3.1.3 General Information of the Transaction

The Company's subsidiary has agreed to acquire CCF shares from the Sellers by entering into the CCF Agreement with the CCF Sellers. The acquisition of the shares will be made by the Company's subsidiary (GLH), a wholly-owned subsidiary, incorporated in Singapore as a holding company. Following the completion of the CCF Acquisition, GLH will become a direct shareholder of CCF, holding 95,390,500 ordinary shares,

representing approximately 29.99% of CCF's total share capital and the Company will become an indirect shareholder of CCF through its shareholding in GLH. The total transaction value is equal to approximately not more than LKR 10,588,345,500 (equivalent to approximately THB 2,513.67 million) which is equal to LKR 111 (approximately equivalent to THB 26.35) per CCF's share pursuant to the terms of the CCF Agreement,

The Company's subsidiary will acquire 70,822,537 shares, representing 74.24% of total acquired shares (95,390,500 shares) from Creation SL at a purchase price of LKR 111 (approximately THB 26.35). Therefore, the total consideration to be paid to Creation SL will not be exceeding LKR 7,861,301,607 (equivalent to approximately THB 1,866.27 million).

The Company's NTA as of 30 June 2016 was THB 7,442.85 million, therefore 3% of NTA is THB 223.28 million. Such total consideration is higher than 3% of NTA, it is considered a large transaction which is required an approval from the shareholders' meeting according to the Connected Transaction Notifications.

In addition, the CCF Acquisition under the CCF Agreement is subject to the negotiation between the parties with regard to the terms and conditions of the CCF Agreement and the shareholders' agreement, the satisfaction of the due diligence results and the conditions precedent agreed by the parties to be satisfied in full or waived.

In this regard, after consummation of CCF connected transaction, the Company will nominate 2 directors to the Board of Directors of CCF and shall be entitled to require that its nominated directors are appointed to CCF's Audit and Risk Management Committees. In addition, a list of important reserved matters requires affirmative vote of GLH's appointed directors. However, the general control and management of CCF's business will remain with the current management as they have demonstrated their abilities to efficiently grow CCF's business during the past years.

3.1.4 Total Value and Criteria Used in Determining Total Value of the Connected Transactions

1) Value of connected transaction

The Company's subsidiary will acquire a total of **95,390,500** ordinary shares in CCF from the CCF Sellers with a total value of not exceeding LKR **10,588,345,500** or approximately THB **2,513.67** million. The Company will acquire **70,822,537** shares, representing **74.24%** of total acquired shares from Creation SL at a purchase price of LKR **111** (approximately THB **26.35**). The total consideration is LKR **7,861,301,607** (equivalent to approximately THB **1,866.27** million) or **25.07%** of NTA.

The Company's NTA as of **30 June 2016** was THB **7,442.85** million, therefore **3%** of NTA is THB **223.28** million. Such total consideration above is considered a large transaction which is required an approval from the shareholders' meeting according to the Connected Transaction Notifications.

2) Total consideration

The value of consideration is derived from negotiations between the CCF Sellers and the Company. The Company and the financial advisor employ Residual Income Approach¹ to value the CCF Acquisition which has the result of valuation of approximately ranging from LKR 83.56 per share up to LKR 114.24 per share million. The total consideration, thus, ranges from approximately LKR 7,970.83 million to LKR 10,897.41 million (equivalent to circa THB 1,892.27 million to THB 2,587.04 million at the exchange rate of THB 0.2374 per LKR 1). The price per share derived from negotiations between the CCF Sellers and the Company is not more than LKR 111 per share, therefore total consideration will not be exceeding LKR 10,588,345,500 (equivalent to approximately 2,513.67 million).

In valuing the purchase price of the CCF Acquisition at LKR 111 per share (equivalent to approximately THB 26.35 per share, exchange rate THB 0.2374 per LKR 1 – 29 Sep. 16), based on advice provided by PwC Sri Lanka, the Company's financial advisor in this connection, the Board of Directors view that the Discounted Cashflow methodology is not useful for valuing financial companies because the lending/deposit holding nature of banks, leasing companies, and other financial firms, separating operating and financing activities, is nearly impossible due to interest, investments, and debt are related to the company's core operations. Instead, earnings and dividends should be the primary intrinsic valuation methods (residual income approach and dividend discount model). EBITDA valuation multiples (a proxy for free cash) which is commonly used for valuation, is also not a meaningful indicator because interest is a critical component of both revenue and expenses. This means value of financial firms should focus on relative and intrinsic valuation relative to earnings for shareholders. As such, Residual Income, P/E and the Dividend Discount Model are accurate and commonly accepted intrinsic valuation methods that focus on earnings rather than cash flow.

The Board of Directors further view that equity value for finance firms is most accurately measured in terms of earnings.

In PwC's valuation report, PwC employs Residual Income Approach to value the share price of CCF since this is a financial company. In PwC's valuation report, PwC carefully analyses key assumptions step by step by looking at CCF's historical data of the last 3 years and the first quarter of fiscal year 2016/17 as well as peers' data. Peers are those financial companies operated in Sri Lanka which mean they are operating in the same environment. The analyses and discussion cover Net Interest Margin, Loan to Deposit Ratio, Branch and Staff Cost analysis, Customer Cost analysis, Composition of Loan Portfolio, Quality of Loan Portfolio, Non-Performing Loan analysis, Performance of CCF's key subsidiary (Trade Finance and Investments Plc - TFI). After thoroughly analyses the data, PwC independently prepares 5-year financial projection. Key assumptions are as follows:

¹ Residual Income emphasizes on valuing the shareholders' equity directly. It is expressed as the net income minus the capital charge for each year. Discounting the residual incomes with the cost of equity and adding it to the book value of current equity gives the value of equity according to the residual income model. The idea here is to compare a company's Return on Equity (ROE) and its Cost of Equity (Ke) and see if they're the same or if one exceeds the other. Cost of Equity represents the return that investors expect to earn to make it worth their while, and Return on Equity (Net Income / Shareholders' Equity) represents the return that the firm actually achieves. If $ROE = Ke$ then the firm's P / BV multiple should be 1x, because it's worth exactly what its balance sheet is worth. the Residual Income each year ($ROE * Shareholders' Equity - Ke * Shareholders' Equity$) and then discount and sum those up instead.

Operating Performance Ratios

- Net interest margin – steady growth from 17.1% in Y16/17 to 21.1% in Y20/21.
- Cost to income – 75.9% in Y16/17 to 69% in Y20/21.

Balance Sheet Ratios

- Loan to Deposit Ratio – 123.9% in Y16/17 to 149.9% in Y20/21
- NPL ratio – 5% straight
- YoY growth in loan portfolio – 30.5% in Y16/17 to 14.9% in Y20/21
- YoY growth in deposit base – 17.3% in Y16/17 to 4.2% in Y20/21
- Impairment as a percentage of average loan portfolio – 3.0% in Y16/17 to 1.4% in Y20/21

PwC projects 5-year earnings and residual income with terminal growth of 3.5%. The discount rate used in the model is 16%. After obtaining the discounted value, the value is subtracted by the net book value of CCF and TFI as of 30 June 16 and added with future value of TFI (the key subsidiary) to obtain the net value CCF. The model computes the fair share price of LKR 95 – 97 per share. The sensitivity analysis yields the share price in a range of LKR 83.56 to 114.24 per share. This pricing also exclude the identified valuation of the brand of CCF which was attributed in 2016 the most valuable brand in Sri Lanka across all industries and valued at an additional LKR 10 per share per Brand Finance, the world's leading independent branded business valuation and strategy consultancy company (Source: Information Memorandum on Connected Transactions of Group Lease Public Company Limited, Re: Share Acquisitions, revision dated 13 November 2016).

3) Payment method

Payment will be in cash on the Closing Date

3.1.5 Details of connected persons

Creation SL is one of the CCF Sellers and is an SPV founded and managed by Mr. Patrick T. Fisher in order to raise fund internationally. Presently, Creation SL invests in CCF 28.66% of total issued and paid-up shares. Mr. Fisher is a member of the Company's Board of Director. He also founded another SPV, Creation Investments ASEAN LLC, which holds approximately 2.39% in GL.

3.1.6 Characteristics and Interests of Connected Persons

The Company's subsidiary will acquire 95,390,500 ordinary shares in CCF, representing 29.99% of CCF total ordinary shares. Of which, 70,822,537 shares, representing circa 74% of CCF's total to-be-acquired ordinary shares, will be acquired from Creation SL at a purchase price per share of LKR 111 (approximately equivalent to THB 26.35). Therefore, the total consideration to be paid to Creation SL, who is the connected person, will not be exceeding LKR 7,861,301,607 (equivalent to approximately THB 1,866.27 million) or 25.07% of the Company's NTA.

3.1.7 Source of fund

The Company is in consideration to fund the Acquisitions by the proceeds received from the convertible debentures issued to JTrust Asia Pte. Ltd. on 1 August 2016 (the Company has proposed to the Extraordinary General Meeting of Shareholders No.2/2016's to consider and approve the amendment of the use of proceed

received from such convertible debentures). According to the executive interviews, the remaining funds from the issuance of convertible debentures is USD 129 million, or approximately THB 4,466 million.

3.1.8 Directors and/or the Company's shareholders who have interest and/or directors who are connected persons

Mr. Patrick T. Fisher, who is a director with interest and a connected person did not attend the Board of Directors' Meeting of the Company No. 12/2016 held on 30 September 2016 and did not have the right to votes in the agendas relating to the CCF Connected Transaction and the BGMM Connected Transaction.

3.1.9 Opinion of the Board of Directors

Creation SL is one of the major shareholders in CCF (as well as BG Investments (PVT) Ltd., another seller that GL will acquire another portion of CCF shares from), the acquisition of shares from connected person will enable GL to acquire the significant number of shares in CCF at once rather than acquiring the shares of CCF through the minor shareholders in the Sri Lanka's Colombo Stock Exchange. By having significant portion of shares in CCF from such acquisition, it will help GL expand the business in South Asia. At the same time, this will support GL with a good collaboration with the existing major shareholder of CCF, mainly BG Investments (PVT) Ltd., which is currently the management team of CCF.

Benefits and advantages – the Board of Directors considered that the CCF Acquisition will render benefits and advantages to the Company in many respects, including GL business in relation with CCF will be enhanced with the acquisition of new methodology of Microfinance Industry which will benefit activities in Sri Lanka and in all ASEAN markets where GL wants to expand as detailed below.

a) Expansion into a new market - Sri Lanka has seen excellent recent economic growth as evidenced by GDP in the last 5 years averaging more than 6.1% and per capita income increasing from USD 1,259 (THB 43,995) in 2005 to USD 3,926 (THB 137,192) in 2015, representing a 206% increase in 10 years. According to the Asian Development Bank, Sri Lanka's GDP growth is expected to be 5.0% and 5.5% in 2016 and 2017 respectively.

b) Acquisition of a highly profitable company - CCF is growing fast and the Company will be able to consolidate USD 7 million (approximately THB 244.6 million) per year in year 1 and, based on the financial projection of CCF, USD 13.5 million (approximately THB 471.75 million) in FY 2020/2021. CCF, a publicly listed company on the Sri Lanka stock market, is one of the country's most successful and respected finance firms. It is a market leader with about one million Microfinance customers.

c) Access to Know-how on microfinance - GL will have chances to learn new know-how of Microfinance, which will help the Company to efficiently expand its business in Cambodia, Laos, Indonesia, and Thailand where the Company's operation has already existed. Moreover, the Company will get a new promising business with lots of synergies.

d) GL's Value Added to CCF - GL will bring additional value to CCF with the development of leasing and digital finance model in Sri Lanka– increasing CCF's value and therefore our investment in return.

e) CCF's Expansion into other sectors in Sri Lanka - CCF is looking to expand in other industries such as banking and life insurance, which could be another synergy for GL in the coming years. GL will also benefit from its investment into a profitable, dynamic and well established company in Sri Lanka.

f) CCF as a Well-organized and Managed Company – CCF is a company with organized network, strong image, access to deposits, educated staff, and performant IT system. Its employees are well qualified and all employees in the head office can speak English competently. CCF is audited and organized in good governance practices with identified processes and workflow.

Relevant risks – On the other hand, the Board of Directors has also carefully considered the relevant risks involved in CCF Acquisition and has the following views:

a) Risk of Not Recovering Investment Costs

GL's investment into CCF is not a near term investment, but rather part of GL's long term growth plan to be a leading finance company in Asia. Additionally, GL has no plan to exit our investment in the near term as GL will gain valuable microfinance expertise which GL can transfer to its current markets. While it is true if GL tried to exit the investment in CCF quickly GL would likely be forced to sale at a discount, there is no valid reason to suggest GL plan or GL need to do in the near term.

b) Risk of Inadequacy of Sri Lanka's Capital Reserve

GL has not been informed of any US Dollar dividends being prevented from being transferred outside of Sri Lanka for international investors such as GL. The government has announced it will liberalize exchange rate controls—moving towards a freer market. Sri Lanka is expected to have strong growth in the near term, between 5.0% and 5.5% in 2016 and 2017, which GL will limit the chance that the Sri Lankan Central Bank will take such drastic actions like preventing foreign currency from leaving the country.

c) Currency and Exchange Rate Risk

Exchange rate risk will always be a consideration as GL expands into more developing markets. Sri Lanka is expected to outperform most ASEAN economies in the near term and as such helps reduce this risk.

d) Political Risk

Sri Lanka's civil war ended in 2011 and the economy has transformed towards a free market. There does not appear to be any signs of a change of course from our due diligence.

e) Possibility of Delisting in Sri Lanka

The Sri Lankan stock exchange requires at least 10% of a company's stock float publicly and CCF's public float is around 14.5%. GL is not buying any public float shares so there is no change in the amount of public float for CCF. Maintaining the free float necessary to maintain public trading is covered in the addendum to the shareholders' agreement.

f) NPLs

NPLs are a given in the financing/hiring purchase business that CCF and GL are in. Both CCF and GL have demonstrated the ability to maintain a target quality of NPL and any changes in NPLs are not expected given this ability.

g) No Authority

GL is entering CCF as a minority shareholder. While GL will have a significant portion of the equity, 2 Directors and a shareholder agreement cover control on most important reserved matters related to CCF and

protection against any selling of shares from BG and Creation Investments, and first right refusal option if GL would like to increase its shares in CCF in the future.

Also to be noted GL is willing to let the control and management to the current team as they have demonstrated their ability to grow the company.

Valuing the purchase price – In valuing the purchase price of the CCF Acquisition at LKR 111 per share (equivalent to approximately THB 26.35 per share, exchange rate THB 0.2374 per LKR 1 – 29 September 16), based on advice provided by PwC Sri Lanka, the Company's financial advisor in this connection, the Board of Directors view that the Discounted Cashflow methodology is not useful for valuing financial companies because the lending/deposit holding nature of banks, leasing companies, and other financial firms, separating operating and financing activities, is nearly impossible due to interest, investments, and debt are related to the company's core operations. Instead, earnings and dividends should be the primary intrinsic valuation methods (residual income approach and dividend discount model). EBITDA valuation multiples (a proxy for free cash) which is commonly used for valuation, is also not a meaningful indicator because interest is a critical component of both revenue and expenses.

This means value of financial firms should focus on relative and intrinsic valuation relative to earnings for shareholders. As such, Residual Income, P/E and the Dividend Discount Model are accurate and commonly accepted intrinsic valuation methods that focus on earnings rather than cash flow.

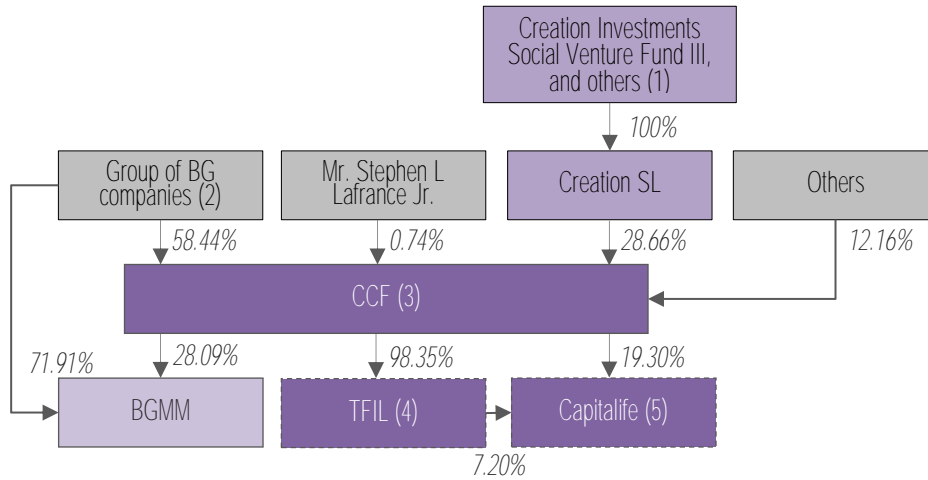
The Board of Directors further view that equity value for finance firms is most accurately measured in terms of earnings. The Board of Directors, therefore, is of the view that such purchase price is reasonable because PwC Sri Lanka employed Residual Income Approach which is the methodology widely accepted for valuing a financial company and has independently, thoroughly and conservatively analyzed the business and operation with an understanding of business environment in Sri Lanka before coming up with the assumptions. The Board of Directors acknowledges that the purchase price is at the high end of the price range, however, investing in CCF is a critical strategic move that will provide potential business expansion for the Company in the future. In addition, acquiring the sizeable amount of shares at a time typically involves paying share price at premium. The purchase price is LKR 111 per share which is circa 16% above fair price of LKR 95 per share. Nonetheless, the price is still in the suggested range of LKR 83.56 to 114.24.

3.1.10 Opinion of the Audit Committee and/or Directors of the Company which is Different from the Board of Directors

- None -

3.2 Transaction 2: BGMM share acquisition

Figure 3-4: Pre - BGMM share acquisition structure



- Remark:**
- (1) International fund managed by Mr. Patrik T. Fisher who is a) GL's director and managing partner of Creation SL (GL shareholder who holds 2.39%) b) Non-Executive Director of CCF
 - (2) Group of BG companies includes major shareholders: BG Investments (PVT) Ltd., 26.57%; BG International (PVT) Ltd., 22.66%; BG Capital (PVT) Ltd., 22.67%; M/S BG Investment (PVT) Ltd., 44.86% and other related companies 13.59%
 - (3) The Summary detail of CCF is in the Appendix 2
 - (4) Trade Finance & Investment PLC (TFIL) operates loan and lending services, leasing and hire purchase and mortgage (For more detail on TFI, please see the Appendix 3).
 - (5) Capitalife Assurance Ltd. (Capitalife) was established in 2015 in Sri Lanka to operate life insurance business. Creation Investments is a major shareholder. The shareholding structure of Capitalife as of 3 November 2016 comprises BG Investments (Private) Limited 29%, CCF, holding 19.29%, TFI 0.53%, Creations Investments Sri Lanka LLC 27.94%, S D Senaratne 7.26%, and East India Holdings (PVT) Ltd. 15.97%.

Figure 3-5: Post – BGMM share acquisition structure

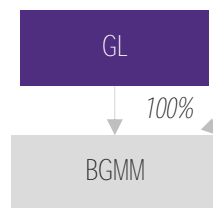
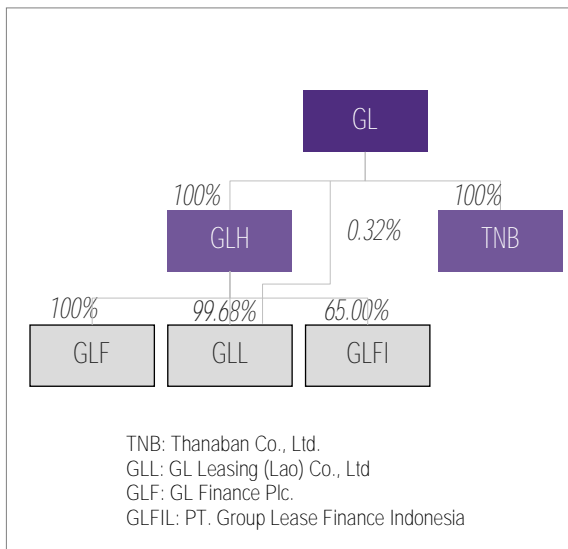
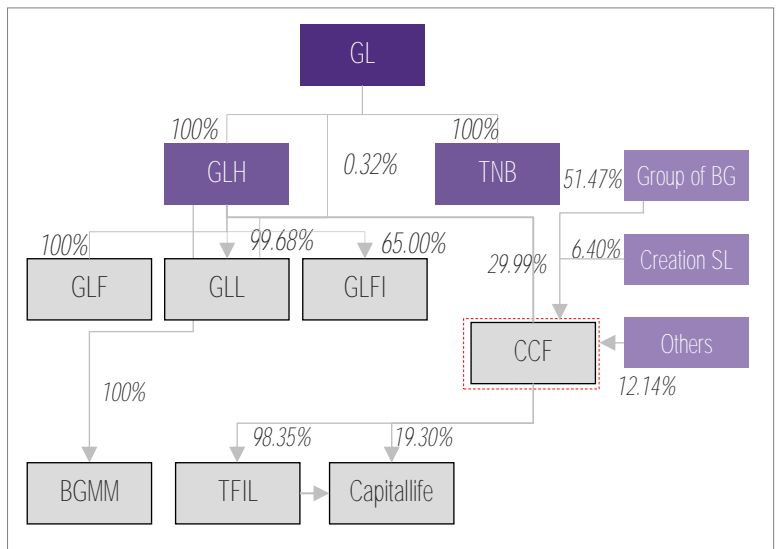


Figure 3-6: GL pre- and post- BGMM share acquisition structure

Transaction 2 Pre- BGMM share acquisition



Transaction 2 Post- BGMM share acquisition



3.2.1 Date of the Transaction

The Company is going to enter into an agreement for the sale and purchase of the shares in BGMM (the "BGMM Agreement") with BG Investments (PVT) Ltd., BG International (PVT) Ltd., BG Capital (PVT) Ltd. and CCF (the "BGMM Sellers") on 3 October 2016 under which the Subsidiary Company will acquire 1,387,680 ordinary shares in BGMM at a par value of Kyat 1,000 per share, representing 100% of total share capital in BGMM.

Prior to the completion of the BGMM Acquisition, the Company will seek for shareholders' approval in relation to the acquisition of business of other companies by a public company according to Section 107 of the Public Limited Company Act B.E. 2535 (as amended), and the entering into connected transactions with BGMM.

3.2.2 Parties Involved and Relationship with the Company

	Details	
Buyer	GL via its subsidiary	
Seller	BG Investments (PVT) Ltd.	368,704 shares, representing 26.57% of total issued and paid-up shares of BGMM
	BG International (PVT) Ltd.	314,546 shares, representing 22.67% of total issued and paid-up shares of BGMM
	BG Capital (PVT) Ltd.	314,557 shares, representing 22.67% of total issued and paid-up shares of BGMM
	CCF	389,852 shares, representing 28.09% of total issued and paid-up shares of BGMM
	Mr. Lawrance Gregory Shriyantha Perera	1 share
Relationship	<ul style="list-style-type: none"> - BG Investments (PVT) Ltd. and Mr. Stephen L Lafrance Jr. have no relationship with the Company in a manner that is as related parties, according to the Connected Transaction Notifications. - Creation SL, a Special Purpose Vehicle company ("SPV") is founded and managed by Mr. Patrik T. Fisher in order to raise fund from international investors to invest in CCF. Mr. Fisher is a member of GL's Board of Directors, and also manages another SPV, Creation Investments ASEAN LLC which holds approximately 2.39% in GL. 	

3.2.3 General Information of the Transaction

The Company's subsidiary has agreed to acquire BGMM shares of from the BGMM Sellers by entering into the BGMM Agreement with the BGMM Sellers. The acquisition of the shares will be made by GL's subsidiary, GLH which is a wholly-owned subsidiary, incorporated in Singapore as a holding company. Following completion of the BGMM Acquisition, GLH will become a direct shareholder of BGMM, holding 1,387,680 ordinary shares, representing 100% of BGMM's total share capital and the Company will become an indirect shareholder of BGMM through its shareholding in GLH. The total transaction value is equal to approximately not more than USD 8,006,913.60 (equivalent to approximately THB 277.24 million), which is equal to USD 5.77 per BGMM's share (approximately THB 199.79) pursuant to the terms of the BGMM Agreement. (Appendix 3: Summary of BGMM)

The Company's subsidiary will acquire 389,852 ordinary shares, representing 28.09% of total issued shares (1,387,680 shares) from CCF at a purchase price of USD 5.77 (approximately THB 199.79). Therefore, the total consideration to be paid to CCF will not be exceeding USD 2,249,446.04 (equivalent to approximately THB 77.89 million).

The Company's NTA as of 30 June 2016 was THB 7,442.85 million, therefore 3% of NTA is THB 223.28 million. Total consideration to be paid to CCF will not be exceeding USD 2,249,446.04 (equivalent to approximately THB 77.89 million) or 1.05% of NTA. However, according to the Connected Transaction

Notifications, the Company is required to combine BGMM Connected Transaction to CCF Connected Transaction. The total consideration will be equivalent to THB 1,944.16 million. The above total consideration is higher than 3% of NTA, therefore it is considered a large transaction which is required an approval from the shareholders' meeting according to the Connected Transaction Notifications

In addition, the BGMM Acquisition under the BGMM Agreement is subject to the negotiation between the parties with regard to the terms and conditions of the BGMM Agreement, the satisfaction of the due diligence result and the conditions precedent agreed by the parties to be satisfied in full or waived.

In this regard, after consummation of BGMM Connected Transaction, the Company will nominate a new set of the Board of Directors to run BGMM. The Company will also nominate a Chief Executive Officer and a Deputy General Manager to be relocated in Myanmar, and provide assistance to the operations there. In addition, the Company plans to keep all management and current staffs of BGMM to facilitate the future growth and since BGMM has proven good results.

Total Value and Criteria Used in Determining Total Value of the Connected Transactions

1) Connected Transactions Value

The Company's subsidiary will acquire a total of 1,387,680 ordinary shares in BGMM at USD 5.77 per share (approximately THB 199.79). Of which 389,852 shares or 28.09% of total BGMM shares will be acquired from CCF. Therefore, the total consideration to be paid to CCF will not be exceeding USD 2,249,446.04 (equivalent to approximately THB 77.89 million).

The Company's NTA as of 30 June 2016 was THB 7,442.85 million, therefore 3% of NTA is THB 223.28 million. The above total consideration to be paid to CCF is equivalent to 1.05% of NTA. However, according to the Connected Transaction Notifications, the Company has to combine BGMM Connected Transaction to CCF Connected Transaction. The total considerations will be approximately THB 1,944.16 million which is higher than 3% of NTA which is considered as a large transaction value which is required an approval from the Shareholders' meeting according to the Connected Transaction Notifications.

2) Total consideration

Total consideration is derived from negotiations between the BGMM Seller and the Company. The Company adopted a number of methodologies and has considered that Residual Income methodology is the most appropriate methodology of valuation for the BGMM Acquisition, which has the result of valuation not exceeding USD 8,006,913.6 or equivalent to THB 277.24 million (at the exchange rate of THB 34.625 per USD 1).

In valuing the purchase price of the BGMM Acquisition at approximately USD 5.77 per share (equivalent to approximately Baht 199.79 per share, exchange rate 34.6250 baht per 1 USD – 29 September 2016), as discussed in Agenda 2, the Board of Directors view that Residual Income and the Dividend Discount Model are two accurate and commonly accepted intrinsic valuation methods that focus on earnings and cash flow to shareholders respectively. For BGMM, the P/E valuation approach would not make sense considering the early stage of the company.

Using a similar approach as CCF, the forecast of BGMM was prepared conservatively based on the actual results of the last 2 years and was prepared 5-year financial projection. Key assumptions are as follows:

- Branches expansion has been made on an average of 8 per year over the next 5 years, the growth of the income, portfolio and expenses based on the actual average figures per branch.
- Conservatively, a discount on interest income of 5% was included.
- Overall over 5 years the portfolio grew to 27.67 M USD which in comparison with Cambodia or Laos operations is relatively low.
- The forecast also included a discount rate of 16% and a similar growth rate of 3 to 4%.

The sensitivity analysis yields the share price in a range of THB 208.25 to 239.80 per share based on the Residual Income and Dividend Discount Model methods (Source: Information Memorandum on Connected Transactions of Group Lease Public Company Limited, Re: Share Acquisitions, revision dated 13 November 2016).

3) Payment method

Payment will be in cash on the Closing Date

3.2.4 Details of connected persons

CCF, one of the BGMM Sellers, is held by Creation SL 28.66% which is a connected person of the Company in the CCF Connected Transaction. In addition, Mr. Patrick T. Fisher who is a member of GL's Board of Directors, is also a director in CCF.

3.2.5 Characteristics and Interest of Connected Persons

The Company's subsidiary will acquire 1,387,680 ordinary shares in BGMM, representing 100% of BGMM's ordinary shares. Of which, 389,852 shares, representing 28.1% of BGMM's total ordinary shares, will be acquired from CCF at a purchase price per share of USD 5.77 (approximately equivalent to THB 199.79). Therefore, the total consideration to be paid to CCF, deemed connected person, will not be exceeding USD 2,249,446.04 (equivalent to approximately THB 77.89 million).

3.2.6 Conditions of the Transaction

Entering into the BGMM Connected Transaction, the Company is subject to fulfilment of significant conditions precedent which are receiving the approval of the shareholders' meeting of the Company for a connected transaction in connection with the BGMM Share Acquisition from CCF. The BGMM Connected Transaction will be in the amount of 389,852 shares at a par value of Kyat 1,000, equivalent to 28.09% of total issued and paid-up shares of BGMM.

3.2.7 Expected Benefits from the Transaction

The Company believes that when GLH invests in BGMM, the investments shall benefit to the Company and effect to the sustainable growing of income and profit. At the same time, the Company will have chances to receive know-how of Microfinance, which will assist the Company to efficiently expand its business in Cambodia, Laos, Indonesia, and Thailand where the Company's operation has already existed. Moreover, the Company will have new promising business which establish its synergy as well.

Additionally, "Digital Finance" business model which is the original business model of the Company and has been proven successful will provide growth to the business of BGMM.

3.2.8 Source of fund

The Company is in consideration to fund the Acquisitions by the proceeds received from the convertible debentures issued to JTrust Asia Pte. Ltd. on 1 August 2016 (the Company has proposed to the Extraordinary General Meeting of Shareholders No.2/2016's to consider and approve the amendment of the use of proceed received from such convertible debentures). According to the executive interviews, the remaining funds from the issuance of convertible debentures is USD 129 million, or approximately THB 4,466 million.

3.2.9 Directors and/or the Company's shareholders who have interest and/or directors who are connected persons

Mr. Patrick T. Fisher, who is a director with interest and a connected person did not attend the Board of Directors' Meeting of the Company No. 12/2016 held on 30 September 2016 and did not have the right to votes in the agendas relating to the CCF Connected Transaction and the BGMM Connected Transaction.

3.2.10 Opinion of the Board of Directors

As GL would like to acquire 100% of shares in BGMM, a promising microfinance and leasing company in Myanmar, therefore, GL is required to purchase 100% of shares from CCF, as well as the other shareholders of BGMM. BGMM is a subsidiary of CCF and the acquisition will be done through the same group of people as the CCF Share Acquisition, acquiring BGMM will enable GL to fully expand its business in Myanmar in the future.

Benefits and advantages – The Board of Directors considered that the BGMM Acquisition will render benefits and advantages to the Company in many respects, including GL business in relation with BGMM will be enhanced with the acquisition of new methodology of Microfinance Industry in Myanmar which will benefit activities in Myanmar and in all ASEAN markets where GL wants to expand as detailed below.

a) Entering in a new market with high economic growth - Myanmar has averaged more than 7.4% GDP growth in the last five years and is expected to have the highest economic growth of any Southeast Asian countries with 8.4% and 8.3% for 2016 and 2017 respectively. The Company expect huge potential of profit generation from BGMM in the future as current net profitability is close to 50% bottom line and Myanmar population is more than 60MM population with high growth of financing demand.

b) Opportunity to become an early leader - Microfinance in Myanmar is still in the early stages. Only one firm has a portfolio greater than USD 10 million (Baht 350 million) and per The Myanmar Times, March 2016, there are only 2.6 financial institution branch locations per 100,000 compared to 4.8 in neighboring Cambodia. Myanmar microfinance market if population equivalent could still grow 55 times as much Cambodian market.

c) Enjoying Profitable portfolio - BGMM has been in existence for more than 2 years with a portfolio of more than USD 1.2 million (Baht 41.9 million) and close to 10,000 customers with no overdue. The transaction will increase the profitability of GL since BGMM is already profitable after 2 years only. Objective of GL will be to scale up the number of branches to benefit from the business model.

d) Securing Microfinance License - Ownership of the microfinance license is very difficult to obtain and the central bank does not provide new licenses for foreign entities.

e) Synergies with other companies in Myanmar and within the Group - Synergies with Century Finance transaction will open the door for BGMM to the network of more than 22,000 retail and wholesale

stores in association with Grand Royal Group – Century Finance parent company. In addition, GL will have chances to learn new know-how of Microfinance, which will help the Company to efficiently expand its business in its current markets as well.

f) Inclusion of IT- IT software is included in the price which can be used in other countries as well.

Relevant risks – On the other hand, the Board of Directors has also carefully considered the relevant risks involved in the BGMM Acquisition and has the following views:

a) Risk of Not Recovering Investment Costs

The purchase consideration for BGMM is roughly Baht 277.27 million. Based on projections, BGMM will generate earnings of Baht 364 million between 2016 – 2021, so GL anticipate recovering in purchase cost within the first five years. As for the capital injection needed into BGMM to achieve that growth, GL can provide a shareholders' loan at the interest rate of 7%, which is higher than GL's cost of capital, therefore even the capital injection into BGMM will be profitable.

b) Risks of Loan Repayment

Based on projections, BGMM will be able to meet its debt obligations with GL. However, BGMM is also in the process of requesting funding from international financial institutions such as the World Bank and United Nations Capital Development Fund (UNCDF). In addition to being low cost options, these other financing options could allow for the repayment of GL's shareholders' loan to BGMM.

c) Exchange Rate Risk

Exchange rate risk will always be a consideration as GL expands into more developing markets. Myanmar is expected to outperform most ASEAN economies in the near term and as such helps reduce this risk.

d) Operational Risk due to CCF

BGMM has received operational support from CCF as CCF is a partial owner, however GL will acquire CCF's ownership interest in BGMM. If GL does not also complete the CCF Acquisition, then CCF will have no relationship with BGMM, but both transactions are expected to occur so there will still be a relationship. Also, GL can and will provide operational support and expertise to help BGMM grow.

e) Business Expansion Risks

Office space and human resources in Myanmar are in demand due to the growing economy. This is an issue, but it is exactly that growth that is the reason GL wants to enter Myanmar via BGMM, and was previously successful in Cambodia or Laos with similarities.

f) Risk related to Infrastructure of Myanmar

Myanmar is underdeveloped, yet growing quickly. While that presents a terrific growth opportunity, it will come with challenges of working with Myanmar's infrastructure. Other microfinance organizations in Myanmar, such as ACLEDA Myanmar and UNDP-PACT, have been able achieved growth and operational size at or exceeding GL's growth estimates.

g) Political Risk

It is acknowledged that Myanmar until recently has been political adverse to foreign investment and ownership, but the country has liberalized many of these policies to attract growth and a freer market based economy. There has not been any signs of a policy reversal from the government.

h) NPLs

NPLs are a given in the financing business that BGMM and GL are both in. GL have demonstrated the ability to maintain a target quality of NPL and both BGMM and GL will continue to learn the microfinance business from CCF, so changes in NPLs are not expected given this ability.

Moreover NPL have remained at 0 since the existence of BGMM more than 2 years and collection from customers is done weekly reducing the risk of non-repayment.

i) Interest Rate Policy

The microfinance industry is highly regulated and one such regulation places a maximum interest rate that can be charged. While this can be adjusted and reduced by the government, it can also be increased. Myanmar has shown interest in growing the microfinance industry and GL do not anticipate the government will act to reduce growth.

Valuing the purchase price

According to detail and assumption in 3.2.3 General Information of the Transaction, no. 2 Total consideration, the Board of Directors considered that Residual Income and the Dividend Discount Model are commonly accepted for valuing a financial company and considered that the purchase price at approximately THB 199.79 per share is reasonable. The Board of Directors, therefore, is of the view that such purchase price is reasonable because conservatively the projections and analysis of the business and operations show tremendous prospects. The fact that the company is already profitable and the country potential in the microfinance industry provides additional reasons to agree on the reasonableness of the price. The Board of Directors acknowledges that the purchase price represents a certain premium in comparison of the existing level of equity, however, investing in BGMM is a critical strategic move that will provide potential business expansion for the Company in the future (Source: Information Memorandum on Connected Transactions of Group Lease Public Company Limited, Re: Share Acquisitions, revision dated 13 November 2016).

3.2.11 Opinion of the Audit Committee and/or Directors of the Company which is Different from the Board of Directors

- None -

3.3 Transaction 3: The Issuance and Offering of Convertible Debentures

3.3.1 Date of transaction

The Company will enter into the Investment Agreement for the Issuance and Offering of CDs with Creation SL after the approval by the Board of Directors of the Company (the "Investment Agreement"), under which the Company will issue and offer the CDs to Creation SL and will receive the payment of the CDs from Creation SL after approval has been granted by the Extraordinary General Meeting of Shareholders No. 2/2016

to be held on 6 December 2016 and after all the conditions precedent in the Investment Agreement have been fulfilled, including the approval for the Issuance and Offering of CDs is granted by the SEC. The transaction is expected to be completed within March 2017.

3.3.2 Parties Involved and Relationship with the Company

	Details
Issuer	The Company
Subscriber	Creation SL
Relationship	Mr. Patrick T. Fisher, a current director of the Company, is the founder and managing partner of Creation SL, the subscriber of the CDs. He also manages the SPV, Creation Investments ASEAN LLC which holds approximately 2.39% in GL. (via Merrill Lynch, Pierce, Fenner & Smith Inc. as its custodian) and holds the warrants of the Company (GL-W4) which was issued to the existing shareholders in 2016 in the amount of 4,056,066 units.

3.3.3 General Information of the Transaction

The issuance and offering of CDs to Creation SL

	Details
Number of CDs under Private Placement issuance and offering to connected person	200 units with par value of USD 100,000 per CD.
Offering price	100,000 per CD with conversion price at THB 70 per share
Term	3 years from the issuance date of CDs
Interest rate	5% per annum

Total Value and Criteria Used in Determining Total Value of the Connected Transactions

1) Connected Transactions Value

Total value of the Issuance and Offering of CDs is USD 20 million (approximately THB 693.10 million or equal to 9.31 percent of NTA). When considering the total Connected Transactions which have taken place during the past 6 months which the Company and/or its subsidiary have entered into with Mr. Patrick T. Fisher and/or his related persons as a connected person, total value of the Connected Transactions is approximately THB 2,637.26 million or equal to 35.43% of NTA) which is more than THB 20 million or 3% of NTA according to the Connected Transaction Notification.

2) Total consideration

Total value of consideration for the Issuance and Offering of CDs is USD 20 million (approximately THB 693.10 million or equal to 9.31% of NTA) with the conversion price of THB 70 per share. In this regard, total value of the Issuance and Offering of CDs as well as the conversion price were commercially negotiated and agreed upon between the Company and Creation SL. The conversion price of THB 70 per share is approximately 75% higher than the market price of THB 40.02 per share which was determined by 15-day average closing price before BOD date. Therefore, the conversion price does not create price dilution to the existing shareholders. In addition, the maximum conversion period of 3 years will provide opportunity to defer the control dilution of the existing shareholders. In addition, the terms and conditions of the CDs provide flexibility to the Company such that the Company has the right to redeem all or part of the CDs as deemed appropriate if Creation SL does not exercise its conversion right within 2 years after the issuance of CDs, as detailed in the Details of Substantial Preliminary Information of Convertible Debentures.

CD Valuation

CD has 2 components – regular debenture component and convertible component. The valuation, thus, can be considered in 2 aspects as follows:

a) Regular Debenture Component Valuation:

CD is issued with USD denominator. One of the market approaches for consider the reasonableness of CD with foreign currency is to combine the market interest rate with the cost of currency swap. GL has conducted the following:

- Discussions with Kasikorn Bank lead to the conclusion that based on the loan amount and our creditworthiness that GL could acquire the capital in THB at roughly 5%;
- A THB to USD swap would cost an additional 0.05%.

Total interest rate cost is 5.05%. The new CD has interest rate of 5.0% per annum which is lower than the market rate plus currency swap cost. In conclusion, the value of the CD at USD 100,000 per unit is higher than the market price then.

b) Convertible Component Valuation:

To value the CD which has convertible feature embedded, GL has considered its W4 warrant as an excellent market based comparison. W4 provides the option to purchase a share of GL at THB 40 within 2 years (same time length as GL's ability to redeem the CD). The market price of W4 is circa THB 15 (THB 14.90 as 8/11/2016 close). Thus, combining the market price of W4 with its conversion price of THB 40 suggests a fair total conversion price of THB 55 for the option to convert per GL share. The present value of the CD conversion price of THB 70 is approximately THB 55, in line with current market based conversion prices.

3) Payment method

On the closing date for the subscription of CDs which shall be specified after the approval of the SEC for the issuance of CDs has been obtained, Creation SL shall make the payment by way of fund transfer to the Company's designated account as detailed in the conditions in the Investment Agreement.

The Company will pay the interest in the arrear of 6-month from the CDs issuance date, at the interest rate of 5% per annum in US Dollar.

3.3.4 Details of connected person

Mr. Patrick T. Fisher, a current director of the Company is the founder and managing partner of Creation SL, the subscriber of the CDs. He also manages the SPV, Creation Investments ASEAN LLC, which holds approximately 2.39% in GL (via Merrill Lynch, Pierce, Fenner & Smith Inc. as its custodian).

In this regard, Creation SL and Creation Investments ASEAN LLC are SPVs established and managed by Creation Investments Capital Management, LLC ("Creation"), a leading alternative investment management company with a focus on private equity investments in Microfinance Institutions, Small-and-Medium Enterprise lenders, Emerging Market Banks, and other Bottom of the Economic Pyramid (BOP) Financial Services Providers. Creation currently manages several private funds and other investment vehicles for individual, family,

office and institutional investors and directly serve 8.1 million entrepreneurs with over USD 4.2 billion in small business loans outstanding. Creation was established in Chicago in 2007.

3.3.5 Characteristics and Interest of Connected Persons

If the shareholders' meeting of the Company resolves to approve the Issuance and Offering of CDs and entering into the connected transaction with Creation SL, the Company will issue and offer 200 units of CDs at the offering price of USD 100,000 per unit to Creation SL. Therefore, the Company will receive USD 20 million (approximately equivalent to THB 693.10 million) from the Issuance and Offering of CDs with the terms as detailed in Details of Substantial Preliminary Information of Convertible Debentures. In this regard, Creation SL may exercise its right to convert the CDs into the shares of the Company according to the terms and conditions of the CDs.

3.3.6 Dilution Effects and Restriction on the Dividend Payment

For dilution effects, please see the details as per the Details of Substantial Preliminary Information of Convertible Debentures. In this regard, the Issuance and Offering of CDs has no restriction on the dividend payment.

3.3.7 Directors who have interest and/or directors who are connected persons

Mr. Patrick T. Fisher, who is a director with interest and a connected person did not attend the Board of Directors' Meeting of the Company No. 14/2016 held on 26 October 2016 and did not have the right to votes in the agendas relating to the Connected Transactions including the Issuance and Offering of CDs.

3.3.8 Opinion of the Board of Directors on the Transaction

The Board of Directors had taken the transaction into consideration and had opined that the issuance and offering of CDs to Creation SL deemed as connected transaction. The transaction is reasonable and enhances benefits to the Company. Additionally, Creation SL is a SPV under Creation which is reliable and has long term experience in investment in Microfinance and financial institutions in Emerging markets. The investment by Creation will assist the Company in expanding business in Asian market with reliable funding sources. In addition, currently the Company's D/E ratio is lower than 0.5 times. Therefore, the Board of Directors had considered and had opined that the fund raising via the issuance and offering of CDs to Creation SL in foreign currency to support the Company's business expansion in Asian would be appropriate.

Benefit of Issuing CD

In this regard, The Board of Directors carefully considered the transactions and unanimously had an opinion that issuing CD to Creation SL will render benefits and advantages to the Company in many respects as follows:

- a) Lower than GL's 3-year historical financial cost of 6.14% - the CD has interest rate of 5% per annum which is lower than GL's existing average financial cost of 6.14%. The CD which has a large size in USD currency will be offered to one party; hence, secure the certainty of the funding for GL.
- b) Flexibility - the CD will provide flexibility for GL in many aspects as follows:

- Flexibility for GL to match capital with investment opportunities as they arise;
 - Redemption option for GL after 2 years;
 - No restrictive covenants which are typical in most debt financings.
- c) Shows the investor that Creation Investments has confidence in GL: provided that GL's current price of THB ~40/share, dilution/conversion within 3 years will only be feasible if GL's valuation increases by 75% to THB 70. Therefore, the subscription for CD by Creation SL suggests that international investor has much confidence in the future of GL.
- d) Strengthen GL's relationship with Creation Investments Group: the CD issuance to Creation SL will further strengthen GL's relationship with Creation Investments Group who has an extensive network of investors and broad experience in many emerging markets including ASEAN.

Financial Impact, Risks, and Mitigation of the CD Issuance

The CD could be converted at THB 70/share, representing a possible discount relative to the market. However, this would require a 75% increase in GL stock price within the next 3 years. If the CDs is converted, D/E ratio will decrease which will provide lower cost financing options as GL continues to grow.

On the contrary, if the price does not increase to THB 70 over the next 3 years, GL will have to repay the debt. At present, GL's D/E is 0.38x and less than 1.1x post transaction, which suggests ample debt capacity for refinancing in the future. Nonetheless, GL has the option to redeem after 2 years and could use cheaper options if they arise.

3.3.9 Opinion of the Audit Committee and/or directors of the Company which is different from that of the Board of Directors

- None -

4. Transaction 1 : Share acquisition of a listed company in Sri Lanka

4.1 Reasonableness of the Transaction 1

4.1.1 Objective and reasonableness of entering into a related-party transaction

Entering Transaction 1 follows GL's established business model to grow inorganically. The Company believes Transaction 1 represents an acquisition of a profitable and strongly grounded company in Sri Lanka that operates in a related business with various growth potentials, including an opportunity to expand service offerings to commercial banking and life insurance. Thus, GL sees two-way synergies in the acquisition as it plans to leverage CCF's microfinance know-how to its other entities in ASEAN, including in Laos, Cambodia and Indonesia and plans to share its unique Digital Finance business platform to CCF's operation in Sri Lanka.

Furthermore, by shareholders' agreement, GLH has the First Right of Refusal to purchase up to approximately 70% of CCF's shares in the event where CCF major shareholders sell their stakes in the future.

4.1.2 **Advantages and disadvantages of entering and not entering into** Transaction 1

(A) *Advantage of entering into Transaction 1*

Growth in Size

Inorganic expansion is a timely entrance into an international market and an aggressive and immediate growth strategy that leads to a huge instant increase in the Company's asset. Therefore, Transaction 1 will enhance long-run competitiveness through enlarged customer base, expanded product portfolio and more servicing channels

Geographical Diversification in South Asia

The entering into the Transaction 1 enhances the business synergy with the outstanding experience and expertise in hire purchase, leasing and microfinance from CCF, together with the outstanding network and customer base for hire purchase and leasing in ASEAN region from the Company. The business synergy encourages the significant growth of business. It also supports the development and learning of the new business from the target companies in order to apply to subsidiary of the company in each country.

In addition, the Company is able to increase the source of revenue from the investment in CCF which has stable income. Furthermore, it enhances the opportunity to provide desirable return to shareholders. The customer base also can be expanded into overseas and the risk can be diversified from the operation

(B) *Disadvantage of entering into Transaction 1*

Increase in Company's Debt Obligations

The investment of THB 2,513.67 million in CCF is expected to be settled in cash, which would deteriorate the Company's liquidity position. GL will need to raise additional capitals for operations and other investments, where the Company has the option to issue debentures to avoid dilution effect. In turn, however, issuing such debt securities will raise the Company's leverage

(C) *Advantage of not entering into Transaction 1*

Retained Cash for Liquidity, Alternative Investment Opportunities and Working Capital

The Company could retain cash for internal liquidity and for necessary working capitals, as well as for alternative or future investment opportunities which may pertain to similar or better offers in terms of selling price and shareholding structure and rights. However, searching for alternative investments will delay growth and require GL to further study new potential targets.

(D) *Disadvantage of not entering into Transaction 1*

Loss of Opportunity to Expand and Enter into Microfinance Business

Not entering Transaction 1 creates a strategic opportunity cost of not acquiring an experienced and established player in microfinance and hire purchase market in Sri Lanka, along with Sri Lankan customer base and a more diverse portfolio of financial product offerings. These, together with GL's coverage in ASEAN, could deliver great business synergies for the Company.

4.1.3 Advantages and disadvantages from entering into Transaction 1 with a related party

(A) *Advantages from entering into Transaction 1 with a related party*

Synergies from the planned business operations

According to this transaction, the Company intends to acquire the shares from CCF, as Mr. Patrick T. Fisher, the founder and managing partner of Creation SL, one of the sellers of CCF's shares, is currently the director of the Company. Therefore, both parties benefit from the joint business planning. In addition, connected transaction will provide the ability to the Company to acquire the significant number of shares in CCF at once instead of gradually purchasing from shares from minority shareholders in Colombo Stock Exchange. Hence, the acquisition of shares in CCF will encourage the Company in business expansion in South Asia as well as collaboration with group of major shareholders in CCF which is BG Investments (PVT) Ltd.

(B) *Disadvantages from entering into Transaction 1 with a related party*

Additional expenses related to consideration of related-party transaction

GL intends to acquire 29.99% of total ordinary shares in CCF, which is a connected transaction as per The Notification of the Capital Market Supervisory Board No. TorJor. 21/2008 Re: Rules on Connected Transaction dated 31 August 2008 and its amendments, and the Notification of the Securities and Exchange Commission Re: Disclosure of Information and Other Acts of Listed Companies Concerning Connected Transactions/2003. The transaction size of the acquisition of 70,822,537 CCF shares from Creation SL at LKR 111 per share represents 22.27% of total issued and paid-up ordinary shares of CCF, with the total considerations of LKR 7,861,301,607 (approx. THB 1,866.27 million) or 25.07% of net tangible assets of GL. As a result, GL has to set up Extraordinary General Meeting of Shareholders to request for approval to enter into Transaction 1 and appoint IFA to provide opinions on reasonableness of the transaction, which in turns, creates additional expenses for GL.

4.1.4 Risk from entering into Transaction 1

Risk from the Possibility of Not Recovering Investment Costs in Near Term

The Company will invest approximately THB 2,513.67 million or 29.99% of CCF issued and paid-up capital for LKR 111 per share (approximately THB 26.35 per share) which is significantly higher than CCF market share price by THB 11.77 – 14.83 per share (weighted average 7 - 360 days share price). The share

price is also higher than the fair value evaluated by the IFA by THB 9.71 – 8.89 per share. In addition, Mr. Patrick T. Fisher, who is considered as a connected person, invested in CCF in early 2014 via Private Placement at the price of LKR 21 per share (approximately THB 4.99 per share). Table below compares fair price valued by IFA to CCF purchasing price under difference cases.

Table 4-1: Comparison of CCF Share Price under Different Cases

	Share Price		Share Price – Purchase Price (THB)
	(LKR)	(THB)	
GL's Purchase Price in CCF	111.00	26.35	-
Market Price of CCF as of 29 September 2016 ¹	48.52 - 61.40	11.52 - 14.58	(14.83) - (11.77)
Fair Price Valuated by IFA	70.09 - 73.55	16.64 - 17.46	(9.71) – (8.89)
Creation SL's Purchase Price in CCF ²	21.00	4.99	(21.36)

Remark: 1 Market price of CCF is trailing price over the past 7 to 360 days

2 Creation SL's purchase price is as of 17 March 2014 and for the acquisition of 48 million shares in CCF via Private Placement

IFA is of the opinion that investment in CCF related to risks of not recovering investment costs because GL's purchase price, which represents GL's costs, is significantly higher than market price and fair price valued by IFA.

Risk from the Inadequacy of Sri Lanka Foreign-exchange Reserve

Sri Lanka is encountered with excessive capital outflow. According to Moody's Global Credit Research as of 20 June 2016, gross reserves declined to USD 5.6 billion in May 2016, equivalent to 3.6 months of imports, from USD 7.3 billion six months earlier. This result in Central bank of Sri Lanka intervenes with the inflow/outflow of capital especially when investors conduct financial transactions. Whereby, investors who want to transfer their capital overseas will have to register a Securities Investment Account (SIA) and must get authorization from Central Bank of Sri Lanka. Moreover, Sri Lanka foreign-exchange reserves is ranked 84th of the world where Thailand is ranked 12nd according to latest available IMF data. Because of the Company will receive dividends in USD, therefore, there is a risk that USD might be insufficient and affect company's return.

Currency Exchange Rate and Interest Rate Risk

LKR is considered very volatile. It has been depreciated by 13.66% against USD during the past 5 years due to the central bank expansionary monetary policy by floating exchange rate. This results in depreciation of LKR every year and will affect dividend payment in USD from CCF.

Political Risk

After Sri Lankan civil war in 2011, Sri Lanka is gradually changed into free economy or capitalism. Sri Lanka also has plenty of natural resource which can be used as raw materials, skilled labour, and other positive factors that support production in various industries. Therefore, this adds security which leads to political stability and reduces political risk.

Risk from the Possibility of Delisting from the Stock Exchange of Sri Lanka

CCF has a chance of being delisted from the Stock Exchange of Sri Lanka. According to the Securities and Exchange Commission (SEC) rules on 'Minimum Public Holding as Continuous Listing Requirement', companies listed on the Colombo Stock Exchange (CSE), Diri Savi Board, should have minimum public holding of 10 percent of total listed ordinary voting shares. As of 30 September 2016, public floats of CCF consisted of 12,619,914 shares or 3.97% of issued and paid-up capital (source: Bloomberg). However, CCF has

previously been exempted from such breach of rule and SEC of Sri Lanka has not strictly enforced this rule. Therefore, although CCF has a risk of delisting from the Stock Exchange of Sri Lanka, IFA believes this risk is rather limited.

Risk of Non-performing Loans (NPLs)

It is quite typical for the risk from non-performing loans to occur in leasing/hire purchase business. Customers may not be able to pay back their loan on agreed terms due to their internal or external circumstance such as for personal uses of money or other personal reasons and economic recession, which then leads to NPLs.

In 2013/14 and 2014/15, CCF's NPLs stood below 1% of gross total receivables before allowance for doubtful account and stood at 5% for 2015/16, due to an operational errors of a microfinance staff. Moreover, for period ended 30 June 2016, NPL increases to 5.9% due to local floods in May 2016, which impacts microfinance and leasing customers. Despite, CCF has a plan to restructure its product mix, reduce microfinance portion and shift th business concentration towards leasing and hire purchase business, due to its growth prospect from rising demand for vehicles.

In addition, CCF implements relevant policy to decrease NPLs by improving internal control, thoroughly screening customers and analyzing their credits more effectively and accurately, and, thus, constructing high quality receivable portfolio from stricter credit approval and discrete debt follow-up process.

Risk from not having authority of management

The Company will be a major shareholder of CCF by acquiring 29.99% of its issued and paid-up capital which expects the Company's board members to be appointed or elected in CCF management. However, there is no firm evidence that the company will gain control and authority in the management of the corporation.

Other considerations relevant to Transaction 1

(1) Tender Offer

By rule 31 of Government Gazette Extraordinary No. 1299/6, acquisition of more than 30% of total listed ordinary voting shares of companies listed in Colombo Stock Exchange over a specified period of time will trigger mandatory offer, including holdings of connected parties or those acting in concert, which is applicable to Mr. Patrick Fisher in this case.

Nevertheless, since GL is acquiring 29.99% of total listed ordinary voting shares of CCF, Transaction 1 does not exceed the trigger point and no mandatory or tender offer is required.

(2) Internal control and relevant policies

Furthermore, according to legal due diligence report on CCF, there are 4 current issues in regards to CCF operations, based on minutes of Audit Committee and Risk Management Committee meeting, which are (1) Fraud, (2) Inadequacy of Supervisory Control, (3) Collective Impairments and (4) Provisioning Shortfall. These issues have not yet been reported to Central Bank of Sri Lanka.

IFA believes these issues are significant to CCF's future operation and management and represent risks in consideration to the entering to Transaction 1.

4.2 Appropriateness of Price and Conditions of the Transaction 1

The number of **70,822,537** shares of CCF are to be acquired via GLH from Creation SL, who is a connected person. This portion accounts for **74%** of the total number of shares to be acquired in Transaction 1, at the purchase price of LKR **111** per share.

IFA has explored various valuation methods, in reference to the appropriateness of transaction and target specifications, including Residual Income ("RI") method, which is the method used by PricewaterhouseCoopers, financial advisor to Buyer, in estimating the fair price for Transaction 1. Formula for calculating RI for each forecast period is as followed:

$$\text{"Residual Income} = \text{Net Income} - \text{Equity Charge"}$$

Fair value as of present is the sum of company's current book value and present values of RI in each forecast period with the aforesaid formula, discounted using cost of equity:

$$V_0 = B_0 + \sum_{t=1}^n \frac{RI^t}{(1+Ke)^t}$$

RI method does not incorporate capital expenditures ("CAPEX") and change in net working capital ("NWC"), which are the factors reflecting and required for company's business expansion and are actual cash outflows that cannot be retrieved by shareholders immediately. Further, net working capitals hold certain risks of not being recovered in full, in the case of NPLs, and capital expenditures are fully expensed and unrecoverable by nature. Also, book value (B_0) is significantly taken into account in RI method, as opposed to terminal value, which suggests that it reflects less on post-forecast period future cash flows than Discounted Cash Flow approach ("DCF") that focuses more on terminal value.

Moreover, although DCF separates cash flows from operation and cash flows from financing from each other, the value will not be effected by this separation under FCFE basis, as interest expenses incurred from both operating and financing are treated in identical manners. Similarly, interest-bearing liabilities including customer deposits, debentures and bank borrowings, are added back in either change in NWC or net borrowing. Formula for FCFE is as follow:

$$FCFE = \text{Net Income} + \text{Depreciation and Amortization} - \text{CAPEX} + \Delta \text{ in NWC} + \text{Net Borrowing}$$

Detail for CCF valuation under different methods are as follow:

4.2.1 Book Value Approach

In evaluating CCF's price based on the book value approach, the shareholders' equity balance shown on the recent financial statements ended **30 June 2016** (audited by EY) was used to indicate the net equity value as shown in the table below.

Table 4-2: Book Value Approach on CCF Share Value

As of 30 June 2016	LKR mn	THB mn ¹
Paid-up capital	2,150.64	510.56
Retained earining	6,512.52	1,546.07
Minority interests	21.00	4.99
Shareholders' equity	8,684.16	2,061.62
No. of outstanding shares (Million shares)	318.07	318.07
Book value per share (LKR or THB)	27.30	6.48

Remark: ¹ Exchange rate as of 29 September 2016 at THB 0.2374 per LKR 1

According to this approach, the share value of CCF is THB 6.48 per share, which is lower than the purchase price at THB 26.35 per share.

4.2.2 Adjusted Book Value Approach

The adjusted book value approach is based on the shareholders' equity outstanding of CCF as of the financial statement ended 30 June 2016, and accounted for any items that will affect the equity position of CCF after the period in order to reflect arrive at the true equity value of CCF today.

IFA considers and incorporates necessary adjustments based on CCF notes to interim financial statement for the period ended 30 June 2016, management accounts dated 31 August 2016 and CSE's news announcement of CCF. Details on adjustments made are as follow:

1) *Commitments and Contingent Liabilities*

Disclosed in notes to financial statement for the period ended 30 June 2016, CCF has commitments of LKR 638.54 million (approx. THB 151.59 million) that maybe incurred as an outflow to CCF equity position. Aforesaid commitments refer to customers' undrawn loan commitments, which pertain to an uncertainty whether it will be paid out as loan receivables and have not been booked under statement of financial position.

2) *Dividends paid after latest Book Closing Date*

Post to the book closing on 30 June 2016, CCF has announced dividend payment of LKR 1.00 per share, resulting in total considerations paid out of LKR 318.07 million (approx. THB 75.51 million)

Table 4-3: Adjusted Book Value Approach on CCF Share Value

As of 30 June 2016	LKR mn	THB mn ¹
Paid-up capital	2,150.64	510.56
Retained earnings	6,512.52	1,546.07
Minority interests	21.00	4.99
Shareholders' equity	8,684.16	2,061.62
<u>Adjustment:</u>		
Less: Commitments and Contingent Liabilities	(638.54)	(151.59)
Less: Dividends paid after latest Book Closing Date ²	(318.07)	(75.51)
Shareholders' equity after adjustments	7,727.55	1,834.52
No. of outstanding shares (Million shares)	318.07	318.07
Book value per share (LKR or THB)	24.29	5.77

Remark: 1. Exchange rate as of 29 September 2016 at THB 0.2374 per LKR 1; 2. Management accounts dated 31 August 2016

Therefore, the share value of CCF from this approach is THB 5.77 per share, which is lower than the purchase price at THB 26.35 per share.

4.2.3 Market Comparable Approach

The market comparable approach uses the financial ratios of listed companies which are similar to CCF to determine appropriate fair value. The criteria for selecting appropriate comparables to calculate benchmark value for price multiples includes similarity of assets, market price and risk factors. IFA has scoped down to companies in the same industry and operate similar businesses in Asia's emerging markets. (Please refer to Appendix 8 for a complete explanation on how comparables are filtered and selected.) Finally, IFA

arrives at 4 comparables for the calculation of benchmark values of price-to-earnings ratio and price-to-book value ratio, 7 to 360 days trailing.

Company	Ticker	Country	Market Capitalization	Business Description	Customer Group
Asia Sermkij Leasing Public Company Limited	ASK	Thailand	THB 7,354.62 million	Provider of hire purchase and leasing of vehicles, machines and factoring. The company also provides insurance services and vehicle registrations.	Individuals
Ratchthani Leasing Public Company Limited	THANI	Thailand	THB 12,443.57 million	Provider of hire purchase services for new and used automobiles for retailers and individuals	Retail business and individuals
Magma Fincorp	MGMA	India	THB 12,212.82 million	Provider of financial products and services for individual and corporate clients, leasing of construction equipment and commercial vehicles, personal automobiles, public vehicles and capital funding.	Individuals and SME
People's Leasing & Finance PLC	PLC	Sri Lanka	THB 6,950.85 million	Provider of hire purchase of vehicles and machines, and other financial products such as term loan, personal credit and quick cash.	Individuals

1) Price-to-Earnings Ratio Approach

Based on the P/E multiple approach, the share value of CCF is calculated by multiplying CCF's net profits during the last 12-month with the average of P/E ratios of peer comparable companies listed on the Stock Exchanges in Asia during various periods. The periods range from 7 to 360 operating days, back dated from the last trading day prior to the BOD's resolution to approve the decision to enter into the transaction dated 29 September 2016. The details are presented in the table below:

Table 4-4: Price-to-Earnings Ratio Approach on CCF Share Value

	Average Historical P/E Ratio (Times)								
	7 Days	15 Days	30 Days	60 Days	90 Days	120 Days	180 Days	270 Days	360 Days
ASK	10.60	10.48	10.77	10.80	10.49	10.26	10.23	9.97	9.99
THANI	15.67	15.20	15.28	15.82	15.01	13.87	12.80	11.87	11.65
MGMA	11.44	11.24	11.28	11.62	11.46	11.12	10.40	10.33	10.35
PLC	6.18	6.16	6.18	6.16	6.22	6.22	6.25	6.80	7.32
Average	10.97	10.77	10.88	11.10	10.80	10.36	9.92	9.74	9.83
Median	11.02	10.86	11.03	11.21	10.98	10.69	10.32	10.15	10.17
CCF share price (THB)	22.36	21.95	22.17	22.37	21.76	20.89	20.00	19.64	19.81

Source: Bloomberg (2016)

As a result, based on the P/E multiple approach, the share value of CCF ranges between THB 19.64 – 22.37 per share, which is lower than the purchase price at THB 26.35 per share.

2) Price-to-Book Value Approach

Based on the P/BV multiple approach, the share value of CCF is calculated by multiplying CCF's book value as of 31 March 2016 with the average of P/BV ratios of peer companies listed on the Stock Exchanges in Asia during various periods. The periods range from 7 to 360 operating days, back dated from the last trading day prior to the BOD's resolution to approve the decision to enter into the transaction dated 29 September 2016. The details are presented in the table below:

Table 4-5: Price-to-Book Value Approach on CCF Share Value

	Average Historical P/BV Ratio (Times)								
	7 Days	15 Days	30 Days	60 Days	90 Days	120 Days	180 Days	270 Days	360 Days
ASK	1.75	1.73	1.77	1.78	1.69	1.63	1.61	1.60	1.61
THANI	2.74	2.66	2.67	2.77	2.57	2.35	2.13	1.94	1.84
MGMA	1.11	1.09	1.10	1.13	1.11	1.08	1.03	1.03	1.04
PLC	1.22	1.22	1.23	1.22	1.24	1.24	1.24	1.34	1.43
Average	1.71	1.68	1.69	1.72	1.65	1.57	1.50	1.48	1.48
Median	1.49	1.47	1.50	1.50	1.46	1.43	1.43	1.47	1.52
CCF share price (THB)	11.19	10.98	11.09	11.18	10.71	10.21	9.75	9.58	9.60

Source: Bloomberg (2016)

As a result, based on the P/BV multiple approach, the share value of CCF ranges between THB 9.58 – 11.19 per share, which is lower than the purchase price at THB 26.35 per share.

4.2.4 Market Value Approach

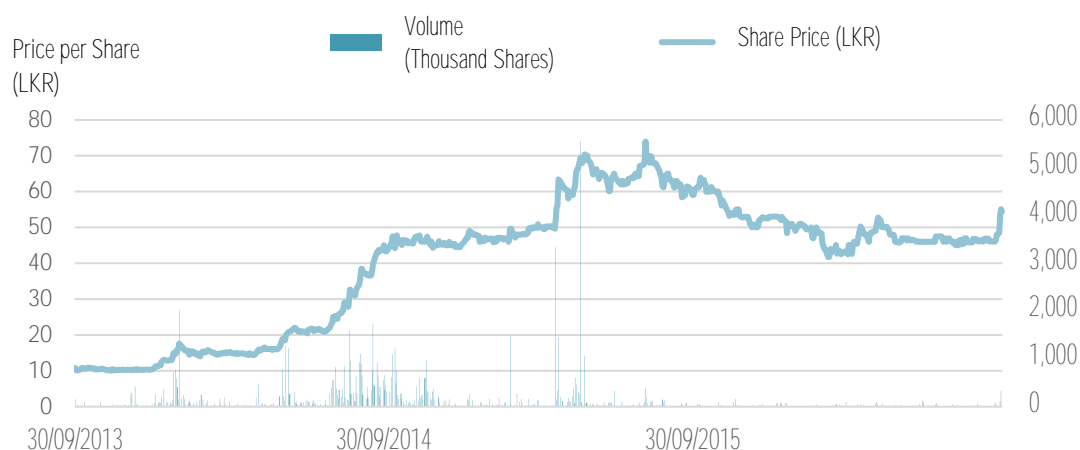
Market Value Approach computes CCF weighted average market prices as market capitalization divided by trading volumes of CCF shares in the stock exchange over a specified period of time. IFA considers historical quotes of CCF shares dated 360 days back from 29 September 2016, which a day prior to the announcement of Board of Director meeting's resolution to enter Transaction 1. Details on Market Value Approach could be summarized below:

Table 4-6: Market Value Approach on CCF Share Value

Period	Average Price (THB per Share)	Weighted Average Price (THB Per Share)
7 Days	11.94	12.61
30 Days	11.22	12.09
90 Days	11.08	11.52
180 Days	11.27	11.56
360 Days	12.82	14.58

Source: Bloomberg (2016)

Graph Illustrating Weighted Average Price and Trading Volume of CCF dated **3** years back
(**30 September 2013 to 29 September 2016**)



Source: Bloomberg; Historical CSE Quote between 30 September 2013 to 29 September 2016

Therefore, the valuated share price of CCF via Market Value Approach is THB 11.52 – 14.58 per share, which is lower than the purchase price at THB 26.35 per share.

4.2.5 Discounted Cash Flow Approach or DCF

Discounted cash flow model (DCF) is the valuation method that evaluates the share value by taking into account the expected cash flows in the future and discounted with appropriate discount rate. In this valuation, IFA estimates the expected cash flows to the date of **31 March 2026** with regarding to information and operation plan from CCF. The information from CCF is provided from the interviews with management and related officers, relevant contracts and agreement, financial statements and industry information. Therefore, if the economic factor and external factor which influence the business operation or situation of business are significantly changed and different from the underlying assumptions, the share value from this method will change as well.

Details of CCF share valuation via DCF approach during the period of 1 April 2016 to 31 March 2026 are as follows:

A. Revenue Assumption

1) Interest Income

CCF interest income are generated from loan receivables, which include microfinance loans, and from leasing and hire purchase receivables. IFA refers to CCF and GL management forecast, as well as historical data, on receivable portfolio expansion and corresponding interest rates. CCF management forecast amortizes loan receivables balances under the accounting basis of amortized cost and calculates interest income as a percentage of the remaining amortized balance of loan receivables, for each product separately. The key assumption is the amount of new loans expected to be lend. Details are as follows:

- *Loan Receivables*

Loan receivables are divided into 6 products, namely, cash loans, revolving business loans (“RBL”), factoring, pawning, microfinance loans and other products. Details on forecasted loan receivables portfolio expansion are as follow:

Table 4-7: New Loan Receivables of CCF

(THB mn)	Actual			Forecast									
	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Cash Loan	965.44	1,767.53	3,491.34	3,311.73	2,195.95	3,311.73	2,552.05	3,062.46	3,600.54	4,059.59	4,577.17	5,160.73	5,818.70
RBL	448.20	1,514.99	2,627.68	3,750.92	3,798.40	4,463.12	4,320.68	5,080.36	5,732.00	6,467.41	7,297.17	8,233.39	9,286.72
Factoring ¹	N/A	330.28	850.42	735.94	1,187.00	1,187.00	1,187.00	1,305.70	1,491.43	1,682.98	1,899.13	2,143.04	2,418.28
Pawning	528.79	580.77	780.38	1,329.44	1,103.91	1,353.18	1,329.44	1,649.93	1,854.17	2,092.30	2,361.03	2,664.26	3,006.44
Micro-finance	3,626.43	5,860.76	3,945.93	5,254.18	5,151.58	5,322.51	5,132.59	5,559.91	6,391.65	7,208.26	8,129.20	9,167.81	10,339.12
Other Products	N/A	N/A	N/A	299.12	299.12	299.12	299.12	299.12	299.12	299.12	299.12	299.12	299.12
Total ²	5,568.86	10,054.33	11,695.76	14,681.34	13,735.96	15,936.66	14,820.88	16,957.48	19,368.92	21,809.67	24,562.82	27,668.36	31,171.37

Remark: 1. CCF introduces factoring services in 2014/15

2. Historical total new loan receivables over the past 3 years exclude other products.

Source: CCF and GL management

- *Leasing and Hire Purchase Receivables*

Details on forecasted leasing and hire purchase receivables portfolio expansion are as follow:

Table 4-8: New Leasing and Hire Purchase Receivables of CCF

(THB mn)	Actual			Forecast									
	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Leasing	1,019.05	2,144.00	2,906.92	4,218.36	2,540.18	4,924.15	4,653.04	5,792.56	5,912.79	6,676.95	7,539.86	8,514.29	9,614.65
Hire Purchase	516.59	735.09	1,013.03	1,056.43	1,721.15	1,721.15	2,825.06	2,825.06	2,970.02	3,356.64	3,793.60	4,287.44	4,845.56
Total	1,535.63	2,879.09	3,919.95	5,274.79	4,261.33	6,645.30	7,478.10	8,617.62	8,882.81	10,033.59	11,333.46	12,801.72	14,460.21

Source: CCF and GL management

The growth rate of total receivables as per CCF and GL management forecasts over the 10-year forecast period averages at 14.88% per year, which is lower than actual historical growth at 79.53% in 2014 and at 26.22% in 2015. Nevertheless, CCF has the plan to restructure its product mix, reducing microfinance portion. In fiscal year 2015/16, CCF has written off 5% of gross loans and receivables before allowance for impairment, which is abnormally high due to an operational error arising from a microfinance staff during the period. Therefore, CCF will, instead, shift its focus to leasing and hire purchase business, considering there are opportunities in auto and motorbike leasing, especially in second hand market. In the past 3 years, new leasing and hire purchase receivables are lower than forecast years, reflecting the aforesaid strategic restructuring of product mix. In 2017/18, there are low new leasing receivables, as CCF is to optimize its newly structured product mix, therefore being prudent in portfolio expansion in general.

New receivable schedule is based on CCF and GL management forecast, which bases their forecast on budgeted financial statement for fiscal year 2015/16. Moreover, total receivables are assumed to grow slower than historical records. Therefore, IFA believes the forecasts of new loans to be lend in each period are acceptable under conservatism approach.

Table 4-9: Total Receivables Growth Rate of CCF

	Actual			Forecast									
	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Growth Rate	79.01%	79.53%	26.22%	30.52%	12.69%	18.31%	9.57%	14.95%	12.49%	12.53%	12.56%	12.59%	12.62%

Source: Financial Statement ended 31 March 2014, 2015 and 2016 and CCF and GL management

3) Interest Expense

CCF operational interest expense is from customer deposits, which are divided into 3 products, namely fixed deposits, saving deposits and minor savings, which is an alternative for parents who are looking to save money for their underage children in the future. Details on forecasted customer deposit portfolio expansion are as follows:

Table 4-10: New Customer Deposits of CCF

(THB mn)	Actual			Forecast									
	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Fixed Deposits	4,571.05	8,642.43	N/A	1,222.61	1,341.31	949.60	783.42	735.94	1,227.31	1,322.92	1,425.98	1,537.07	1,656.82
Saving Deposits	552.35	151.34	N/A	71.22	71.22	71.22	71.22	71.22	201.95	242.34	290.80	348.96	418.76
Minor Savings	29.12	20.82	N/A	14.24	14.24	14.24	14.24	7.23	7.23	7.95	8.75	9.62	10.59
Total	5,152.59	8,814.59	N/A	1,308.07	1,426.77	1,035.06	868.88	821.40	1,436.48	1,573.21	1,725.53	1,895.66	2,086.16

Source: CCF and GL management

The growth rate of customer deposits as per CCF and GL management forecasts over the 10-year forecast period averages at 8.13% per year, which is lower than actual historical growth at 84.57% in 2014 and at 16.86% in 2015. During the forecast period, new deposits are expected to be much lower than historical record. IFA has further interviewed CCF management and the reason behind such discrepancy is the change in CCF funding plan. CCF plans to change main funding source from customer deposits to debentures and bank borrowings, as these have lower interest charges. Thus, the forecast assumes small new customers deposits.

Table 4-11: Customer Deposit Growth Rate of CCF

	Actual			Forecast									
	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Growth Rate	73.73%	84.57%	16.86%	8.38%	11.25%	7.34%	5.74%	5.13%	8.53%	8.61%	8.69%	8.79%	8.89%

Source: Financial Statement ended 31 March 2014, 2015 and 2016 and CCF and GL management forecasts

Table 4-12: Net Interest Income of CCF

(THB mn)	Actual			Forecast									
	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Interest Income	1,641.33	2,646.20	3,734.10	4,525.59	5,154.47	6,157.22	6,877.49	7,374.40	8,382.82	9,441.02	10,633.33	11,977.30	13,492.43
Interest Expense	657.89	955.63	1,379.13	1,427.78	1,641.22	1,874.63	2,064.16	2,117.62	2,271.17	2,455.75	2,656.44	2,874.87	3,112.82
Net Interest Income	958.54	1,662.02	2,295.02	3,097.81	3,513.25	4,282.59	4,813.33	5,256.78	6,111.65	6,985.27	7,976.88	9,102.44	10,379.61

Source: Financial Statement ended 31 March 2014, 2015 and 2016 and CCF and GL management

4) Commission and Service Fee

Commission and service fee consists of service commissions, documentation fees and other customer service fees, which is forecasted based on the number of customers and on loan and receivable portfolios. IFA applies this basis as per CCF and GL management forecasts.

5) Net Income from Real Estate

CCF management forecast assumes sales from real estate business at 5% of total real estate inventories and assumes net margin of 15%, based on historical performance as per CCF management interview.

6) Other Incomes

Other incomes consist of dividend income, bad debt recoveries and other miscellaneous expenses and forecasts are as per CCF management, which are assumed to grow with receivable portfolio or at Sri Lankan inflation rate at 5%. In 2016, Sri Lankan inflation rate ranges between 0.90% to 4.20%, while 3-year low is -0.90% and 3-year high is approximately 10%. Therefore, IFA believes applying inflation rate of 5% is acceptable under conservatism approach and reasonable.

Table 4-13: Other Incomes of CCF

(THB mn)	Actual			Forecast									
	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Commission and Service Fee	82.69	157.89	163.67	167.06	146.87	185.38	187.23	204.99	215.00	234.90	257.25	282.36	310.59
Net Income from Real Estate	26.01	21.24	15.67	3.11	1.68	0.91	0.49	0.27	0.50	0.98	1.93	3.83	7.64
Other Incomes ¹	42.78	66.25	151.70	99.93	109.70	110.87	111.26	112.19	112.96	113.93	114.98	116.12	117.38
Total	151.48	245.38	331.04	270.11	258.25	297.16	298.97	317.44	328.47	349.80	374.16	402.32	435.60

Remark: Forecasted other incomes in 2016/17 is lower than in 2015/16 because CCF management forecast bases their forecast on budgeted financial statements in 2015/16, which expects lower other incomes than what CCF has actually delivered (over budget).

Source: Financial Statement ended 31 March 2014, 2015 and 2016 and CCF and GL management

B. Expense Assumption

1) Allowance for doubtful account

Allowance for doubtful account is based on historical figures, which averages at THB 352.47 million over the past 3 years, and kept constant over the 10 years forecast period, which ranges between 1% to 2% of total new receivables. In 2015 monthly management accounts, bad debt provision has been set at 1% to 2% of new receivables. Nevertheless, CCF will focus less on microfinance and has the policy to implement new technology for operation, in order to minimize the human errors from the operations. Therefore, IFA believes the forecasted bad debt expenses will be sufficient for future operations.

Table 4-14: Allowance fro bad debt and its Proportion to Total New Receivables of CCF

(THB mn)	Actual			Forecast									
	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Allowance for bad debt	180.33	209.02	668.07	443.45	398.83	398.83	398.83	398.83	398.83	398.83	398.83	398.83	398.83
Total New Receivables ¹	6,139.05	11,165.89	12,124.37	19,956.13	17,997.29	22,581.96	22,298.98	25,575.10	28,251.73	31,843.26	35,896.28	40,470.08	45,631.58
Proportion	2.94%	1.87%	5.51%	2.22%	2.22%	1.77%	1.79%	1.56%	1.41%	1.25%	1.11%	0.99%	0.87%

Remark: Historical total new loan receivables over the past 3 years exclude other products, which may overstate proportion of bad debt expense.

Source: Financial Statement ended 31 March 2014, 2015 and 2016 and CCF and GL management

2) Personnel Costs

Personnel costs consist of staff salaries, which are assumed to grow at 9%, staff bonuses, personnel funds, training costs, traveling expenses, insurances and other relating expenses. CCF management forecast bases on historical figures, on inflation for growth rate at 5% for applicable items and on actual human resources policy, for example, policy to implement new technology for operation, budget for staff bonuses and reserves for post-employment benefits. CCF does not plan to significantly increase its number of employees; it rather will rotate employees cross-divisionally, for example, rotating microfinance employees to leasing and hire purchase divisions as per CCF plan to restructure product mix.

3) Depreciation and Amortization

CCF management forecast assumes depreciation expense at 10% of the sum of fixed asset balance and capital expenditure for the period, which is approximated from historical figures. While amortization is assumed at 5% of intangible assets with no acquisition or development of any new intangible assets.

4) Other Expenses (Administrative Expenses)

Other expenses consist of utility expenses, branch and point of sales expenses, office expenses, insurance, advertising and marketing expenses and other expenses relating to CCF administrations, which are forecasted in line with historical figures, with internal and relating external policies and with Sri Lankan inflation growth rate of 5%.

5) Finance Costs

Not only from customer deposits, but other sources of CCF are through issuance of debenture and bank borrowings. CCF plans to issue more debentures and will borrow from banks when there are insufficient cash for any forecast period. At the same time, IFA forecasts bank borrowing repayments upon any forecast period with excess cash. Sri Lanka has a relatively high interest rates, compared to Thailand. Hence, CCF is borrowing at double digit interest costs. CCF management forecasts assume bank borrowing rate at 13% - 16% per year and debenture interest rate of 20% per year for those issued in February 2013, of 12% for the remaining outstanding and of 13% for those expected to be issued in April 2019 and in future points in time totalling LKR 6,500 million (approx. THB 1,500 million), with corresponding repayments as per actual debenture terms. IFA believes the assumed interest rates are acceptable under conservatism approach as commercial lending rate in Sri Lanka is 12.88% as of 30 September 2016, with 3-year low of 10.96% and 3-year high of 16.45%, according to Central Bank of Sri Lanka.

Table 4-15: Total Expenses of CCF

(THB mn.)	Actual			Forecast									
	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Allowances for bad debt	180.33	209.02	668.07	443.45	398.83	398.83	398.83	398.83	398.83	398.83	398.83	398.83	398.83
Personnel Costs	356.19	557.37	722.21	930.01	964.65	1,052.80	1,132.80	1,215.04	1,284.31	1,359.63	1,441.54	1,530.63	1,627.56
Depreciation and Amortization	17.44	24.72	39.72	40.04	48.53	52.46	52.95	53.39	52.79	53.18	53.54	53.86	54.15
Other Expenses	232.98	436.06	427.46	388.65	391.86	438.63	473.97	506.65	505.88	541.31	581.83	628.76	681.68
Finance Costs	24.90	28.55	59.95	438.78	588.78	676.39	818.07	963.80	1,181.31	1,257.91	1,222.12	1,190.91	1,130.01
Total	811.84	1,255.72	1,917.41	2,240.94	2,392.66	2,619.18	2,876.68	3,137.77	3,424.16	3,611.84	3,698.79	3,803.90	3,893.10

Source: Financial Statement ended 31 March 2014, 2015 and 2016 and CCF and GL management

C. Tax Assumption

1) VAT on Financial Services

VAT on financial services is at 15% as per recent announcement from Sri Lankan revenue department, Inland Revenue Department, dated 4 April 2016 and is set effective as of 2 May 2016 henceforth. Nevertheless, on 12 July 2016, the revenue department halted 15% VAT and put back in effect the previous rate of 11%. Despite, due to the possibility of the 15% VAT being reintroduced, CCF management and IFA assume 15% VAT on financial services for the 10 years forecast period under the basis of conservatism. VAT is computed on income generated from financial services only, with the exemption being from leasing as lessees are the parties responsible.

2) Corporate Income Tax

Corporate income tax in Sri Lanka is 28%. However, effective tax rate in the past is lower than 28% because of deferred tax. Therefore, CCF management forecast assumes corporate income tax of 25%, in the attempt to incorporate and simplify the calculation under the continuation of pre-existing deferred tax.

D. Capital Expenditure ("CAPEX")

CCF has a plan to build a training center and expect to take 2 years tentatively to have the training center ready for operations. Therefore, in 2016 and 2017, CCF management assumes higher capital expenditure of THB 128.20 million per year. Then, only THB 56.98 per year is assumed expensed from 2018 onwards for additional branch expansion and replacement costs, including for maintenances and repairs. From 2018/19 onwards, CAPEX averages at 9.50% of fixed assets before depreciation and amortization, where fixed assets includes PP&E and intangible assets.

Table 4-16: Capital Expenditure of CCF

(THB mn)	Actual			Forecast									
	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
CAPEX	29.29	92.07	144.02	128.20	128.20	56.98	56.98	56.98	56.98	56.98	56.98	56.98	56.98
% to fixed assets	15.92%	34.20%	33.20%	26.14%	22.16%	9.71%	9.63%	9.57%	9.51%	9.46%	9.41%	9.37%	9.34%

Source: Financial Statement ended 31 March 2014, 2015 and 2016 and CCF and GL management

E. Change in Net Working Capital ("NWC")

Working asset of CCF is mainly loan, leasing and hire purchase receivables, while customer deposits represent much of working liabilities. Therefore, the change in net working capital are the difference between

portfolio expansion (or contraction) of total receivables and customer deposits in each period, where the movement are two-way. Changes in total receivables are net of repayments and expansion. Whereas, changes in customer deposits are net of withdrawal and balance increase.

F. Net Borrowing

Net borrowing is the change in total interest-bearing debts, which includes bank borrowings and debentures for CCF, where IFA refers to management forecasts, which assume discrete repayments as per actual contract and maturity of debts, as well as per any relevant financing plan. In addition, in the case where CCF does not have enough liquidity to fund its operation in any forecast period, IFA assumes new bank borrowings secured at the minimum amount needed. On the contrary, in the case where CCF has excess liquidity, IFA assumes bank borrowing repayments at the highest level possible to maintain minimum cash balance.

G. Financial Forecast

With the above assumptions on revenue, expenses, assets and liabilities, financial forecast on CCF during the period of 1 April 2016 to 31 March 2026 is as follow:

Table 4-17: Forecasted Income Statement of CCF

(THB mn)	Actual			Forecast									
	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Interest Income	1,641.33	2,646.20	3,734.10	4,525.59	5,154.47	6,157.22	6,877.49	7,374.40	8,382.82	9,441.02	10,633.33	11,977.30	13,492.43
Interest Expense	657.89	955.63	1,379.13	1,427.78	1,641.22	1,874.63	2,064.16	2,117.62	2,271.17	2,455.75	2,656.44	2,874.87	3,112.82
Net Interest Income	983.44	1,690.57	2,354.97	3,097.81	3,513.25	4,282.59	4,813.33	5,256.78	6,111.65	6,985.27	7,976.88	9,102.44	10,379.61
Other Incomes	151.49	245.39	331.05	270.11	258.25	297.16	298.97	317.44	328.47	349.80	374.16	402.32	435.60
Allowances from bad debt account	180.33	209.02	668.07	443.45	398.83	398.83	398.83	398.83	398.83	398.83	398.83	398.83	398.83
Personnel Costs	356.19	557.37	722.21	930.01	964.65	1,052.80	1,132.80	1,215.04	1,284.31	1,359.63	1,441.54	1,530.63	1,627.56
Depreciation and Amortization	17.44	24.72	39.72	40.04	48.53	52.46	52.95	53.39	52.79	53.18	53.54	53.86	54.15
Other Expenses	232.98	436.06	427.46	388.65	391.86	438.63	473.97	506.65	505.88	541.31	581.83	628.76	681.68
Finance Costs	24.90	28.55	59.95	438.78	588.78	676.39	818.07	963.80	1,181.31	1,257.91	1,222.12	1,190.91	1,130.01
Profit before VAT	323.09	680.24	768.61	1,126.99	1,378.85	1,960.64	2,235.68	2,436.51	3,017.00	3,724.21	4,653.19	5,701.76	6,922.98
VAT on Financial Services	39.51	86.58	111.09	220.03	251.71	322.40	351.79	398.07	480.51	569.01	669.51	783.57	913.15
Profit before Tax	283.58	593.66	657.52	906.96	1,127.14	1,638.24	1,883.89	2,038.44	2,536.49	3,155.20	3,983.68	4,918.19	6,009.83
Corporate Income Tax	44.32	94.18	146.71	311.71	356.59	456.74	498.36	563.93	680.72	806.10	948.48	1,110.06	1,293.62
Net Income	239.26	499.48	510.81	595.25	770.55	1,181.50	1,385.53	1,474.51	1,855.77	2,349.10	3,035.20	3,792.13	4,716.21

Source: Financial Statement ended 31 March 2014, 2015 and 2016 and IFA forecast

Table 4-18: Summary of Forecasted Statement of Financial Position of CCF

(THB mn)	Actual			Forecast									
	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Total Assets	7,512.10	13,699.47	16,786.02	20,928.96	23,096.81	26,960.66	29,568.00	33,307.40	37,775.74	41,542.37	46,486.93	51,788.16	59,181.59
Total Liabilities	6,727.96	12,299.20	14,938.61	18,549.06	20,063.68	22,863.36	24,202.48	26,584.64	29,315.22	30,853.49	32,889.74	34,516.22	37,334.18
Total Equity	784.14	1,400.27	1,847.41	2,379.90	3,033.14	4,097.30	5,365.53	6,722.76	8,460.52	10,688.88	13,597.19	17,271.93	21,847.41

Source: Financial Statement ended 31 March 2014, 2015 and 2016 and IFA forecast

H. Terminal Growth Rate

Terminal growth assumed is 2% per year, which is approximated from long-term GDP growth rate under the basis of conservatism, in comparison to actual Sri Lanka GDP growth, which has shown wide fluctuations over the past 2 years, with 2-year low being 2.6% as of July 2016 and 2-year high being 10.30% as of January 2015.

I. Discount Rate

IFA computes discount rate for calculating present value of CCF free cash flow as the cost of equity or K_E , which is referred from CAPM theory as follow:

$$K_E = R_F + \beta \times ERP$$

R_F	Risk free rate is based on the return yield of Sri Lanka's 10-year government bond of 11.60%, retrieved on 29 September 2016 (source: Bloomberg)
Beta (β)	Beta (β) is the variance between the returns of the stock market in Asia and the returns of comparable companies which have similar type of business, leasing. These companies are Asia Sermkij Leasing Public Company Limited, Ratchthani Leasing Public Company Limited, Magma Fincorp Ltd (MGMA) and People's Leasing & Finance (PLC). The beta is calculated from the historical closing prices in 2-years period, weekly, from 29 September 2016 backwards. The unlevered beta is 0.246 (From Bloomberg)
ERP ($R_M - R_F$)	Equity risk premium is the difference between R_F and market return or R_M , which is 12.95% (source: Damodaran) (http://pages.stern.nyu.edu/~adamodar/) info as of February 2016)

From the above assumptions, the cost of equity ranges between 15.66% - 16.23%, with the variables being corporate income tax rate and debt-to-equity ratio of CCF in different periods:

Table 4-19: Cost of Equity of CCF

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
K_E	15.69%	15.66%	15.82%	15.87%	16.04%	16.23%	16.19%	16.15%	16.13%	16.15%

From the above assumptions, the forecasted free cash flows to equity ("FCFE") and its present values used in the valuation of CCF fair value are as follow:

Table 4-20: Forecasted FCFE in 2016 – 2025 for CCF

(THB mn)	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Net Income	298.47	770.66	1,181.58	1,385.65	1,474.65	1,855.18	2,345.78	3,025.73	3,792.17	4,692.90
Add: Depreciation and Amortization	20.08	48.53	52.46	52.95	53.39	53.76	54.10	54.41	54.68	54.93
Less: CAPEX	64.27	128.20	56.98	56.98	56.98	56.98	56.98	56.98	56.98	56.98
Add: Change in NWC	(1,179.30)	(824.94)	(2,041.19)	(1,349.81)	(2,779.70)	(1,915.27)	(2,431.61)	(2,471.46)	(3,619.79)	(2,692.00)
Add: Net Borrowing	744.42	300.07	1,270.86	581.98	1,354.28	1,183.79	(171.99)	(204.19)	(108.89)	(571.15)
FCFE	(180.60)	166.12	406.74	613.79	45.65	1,120.48	(260.69)	347.51	61.19	1,427.70
Terminal Value										10,292.02
Present Values of FCFE	(167.87)	133.53	281.67	366.44	23.37	489.77	(98.29)	113.03	17.16	344.26
Present Values of Terminal Value										2,481.71
FCFE + TV	(167.87)	133.53	281.67	366.44	23.37	489.77	(98.29)	113.03	17.16	2,825.97

Table 4-21: Summary of DCF Approach on CCF Share Value

Item	THB mn
Equity Value ¹	3,984.79
Add: Cash ²	394.06
Add: 98.34% of TFI Fair Value ³	914.52
Net Equity Value	5,293.37
Number of Shares Outstanding (Million Shares) ²	318.07
Fair Price per Share (THB)	16.64

Remark: 1. Valuation cut-off date is 29 September 2016; 2. Interim Report as of 30 June 2016; 3. Details on TFI, CCF's subsidiary, valuation is shown in Appendix 3

Therefore, the valuated share price of CCF via Discounted Cash Flow Approach is THB 16.64 per share, which is lower than the purchase price at THB 26.35 per share.

4.3 Sensitivity Analysis

IFA has performed sensitivity analysis based on the value per share of CCF from the DCF approach by changing the assumptions that would impact the value per share of CCF as follow:

- 1) Terminal Growth Rate
- 2) Discount Rate

Terminal value represents a significant portion in equity value of 46.88%. Therefore, IFA sees appropriate in running sensitivity analysis against terminal growth rate. Similarly, discount rate leads to average change in valuated share price of 4.39% to 9.40% with the incremental or decremental of 0.50% to 1%, respectively.

Table 4-22: Sensitivity Analysis of CCF Share Value

Price per Share (THB)		Discount Rate (Cost of Equity: K_E)						
		$K_E - 1.5\%$	$K_E - 1.0\%$	$K_E - 0.5\%$	K_E	$K_E + 0.5\%$	$K_E + 1.0\%$	$K_E + 1.5\%$
Terminal Growth	0.00%	17.48	16.71	16.00	15.35	14.75	14.20	13.69
	0.50%	17.88	17.07	16.32	15.64	15.01	14.43	13.90
	1.00%	18.32	17.45	16.67	15.95	15.29	14.68	14.13
	1.50%	18.79	17.87	17.04	16.28	15.59	14.95	14.37
	2.00%	19.31	18.33	17.45	16.64	15.91	15.24	14.63
	2.50%	19.87	18.83	17.88	17.03	16.26	15.55	14.91
	3.00%	20.49	19.37	18.36	17.46	16.63	15.89	15.21

From the above sensitivity analysis on terminal growth and discount rate with the base case being K_E and terminal growth of 2% - 3%, the valuated share price ranges between THB 16.64 – 17.64 per share, which is lower than the purchase price at THB 26.35 per share.

4.4 Summary of CCF Share Valuation

Table 4-23: Summary of share value of CCF

Methodology (THB per Share)	Fair Price	Purchase Price	Fair Price – Purchase Price
	(THB per Share)	(THB per Share)	(THB per Share)
Book value approach	6.48	26.35	(19.87)
Adjusted Book value approach	5.77	26.35	(20.58)
Price to earnings approach (P/E)	19.64 – 22.37	26.35	(6.71) – (3.98)
Price to book value approach (P/BV)	9.58 – 11.19	26.35	(16.77) – (15.16)

Methodology (THB per Share)	Fair Price	Purchase Price	Fair Price – Purchase Price
	(THB per Share)	(THB per Share)	(THB per Share)
Market value approach	11.52 – 14.58	26.35	(14.83) – (11.77)
Discounted cash flow model (FCFE)	16.64 – 17.46	26.35	(9.71) – (8.89)

Table 4-24: Comparison of each methodology for CCF

Methodology	Pros and Cons comparison
1. Book value approach	It reflects financial position at a point in time of CCF. However, it does not reflect fair value of some assets and important events that occurred after the book closing date. Moreover, it does not reflect CCF's ability to generate profits and acquire future projects.
2. Adjusted Book value approach	It deducts off any potential loss and contingent liabilities, therefore better reflecting the true value of CCF than Book Value Approach. However, it only reflects current value of CCF, which is at its early stage and expected to generate more value in later years. It also does not capture growth and earning potentials.
3. Market comparables approach	
• Price to earnings approach (P/E)	It reflects operating performance during a period of time in contrast to the average ratio of the comparable group. However, it only reflects current value of CCF.
• Price to book value approach (P/BV)	It reflects the past operating performance and financial position at a point in time in contrast to the average ratio of the comparable group. Portfolio is CCF main assets and therefore will be taken as a proxy for CCF value against peers. However, it only reflects current value of CCF, as well as does not capture growth and earning potentials
4. Market value approach	Market price is determined from the demand and supply of the investors that the investors have considered from information and various expectations, as well as overall market condition. However, it is subject to market efficiency and may incorporate outliers arising from news. Furthermore, CCF has low trading volume, therefore may not truly reflect market price.
5. Discounted cash flow model (FCFE)	It incorporates growth and earning potentials by allowing for detailed assumptions on expansion and operation and also allows for detailed assumptions on value-sensitive items, such as financing options and capital structure. It is direct method in deriving cash flow available to shareholders. However, it is highly sensitive to small change in subjective assumptions. CCF FCFE behaviour suggest a certain cycle of business, where FCFE becomes negative every 2-3 years due greater expansion of receivables than of deposits

According to the comparison above, IFA opines that the most appropriate method for CCF is Discounted cash flow model (FCFE). Therefore, the fairness of prices ranges between THB 16.64 – THB 17.46 per share (Base Case), which is lower than the purchase price at THB 26.35 per share.

4.5 Summary of the Transaction 1 Conditions

Conditions of Transaction 1	The acquisition of shares in Transaction 1 ("CCF")
Pre-completion conditions	<ul style="list-style-type: none"> • Certified extracts of resolutions passed by the board of directors of the parties authorizing them into the agreement and the shareholder agreement and appointing authorized signatories to execute the agreements on their behalf and perform the obligations thereunder. • Buyer obtaining GL's shareholder approval for entering into this agreement and consummation of the transaction contemplated hereby. • After entering Transaction 2, the Company will nominate a new set of the Board of Directors to run BGMM. The Company will also nominate a Chief Executive Officer and a Deputy General Manager to be relocated in Myanmar, and provide assistance to the operations there. In addition, the Company plans to keep all management and current staffs of BGMM to facilitate the future growth and since BGMM has proven good results. • Rights of first refusal on the sale of the shares remaining with the sellers subsequent to the sale of the sale shares.

	<ul style="list-style-type: none"> ● The seller shall deliver to the buyer: <ul style="list-style-type: none"> - Evidence of termination of the shareholders's agreement between BG Investment and Creation SL dated 31 December 2013 - Evidence of CISL approval granted for the appointment of the new directors nominated by the buyer and the resignation of the existing directors. - A certified copy of the letter notifying the banks of the change in the shareholding of CCF ● The completion of due diligence on the CCF to the satisfaction of the buyer and such other conditions as the buyer may advise the sellers in writing. ● The seller and buyer shall carry on the business of the CCF and shall not establish any subsidiary or permit a dilution of interest. ● Seller shall maintain in force policies with limits of indemnity at least equal to current policies, permit to do anything that make policy of insurance voidable. ● Seller shall make prompt disclosure to buyer all relevant information which may constitute a breach of any warranty and agreement.
Rights to terminate	<ul style="list-style-type: none"> ● This agreement may be terminated, and the transaction as contemplated by this agreement may be abandoned at any time prior to the closing date, by mutual consent of sellers and buyers. ● This agreement may be terminated when the company becomes bankrupt or insolvent, the legal process is enforced against the business and is not discharged within 14 days. ● This agreement may be terminated by either party as a result of material breach by other party of its warranties, covenants or other obligations.

Source: Draft Share purchase agreement

IFA is of the opinion that entering into Transaction 1 is not reasonable and shareholders should not approve the entering of Transaction 1. Although GL will be able to realize growth in asset size and grab opportunities to expand business in South East Asia, the valued fair price of CCF ranges between THB 16.64 – 17.46 per share, which is lower than the purchase price at THB 26.35 per share. (63.15% to 66.26% lower than the purchase price).

Relevant and significant risk factors associated with the decision to enter into Transaction 1 that pose material negative impacts on future operations of CCF include risk of not recovering investment costs as the purchase price is remarkably higher than the market price of CCF at THB 11.52 to 14.58 per share (Weighted average price trailing 7 to 360 days from 29 September 2016) and risk from the inadequacy of Sri Lanka currency capital reserve (Please see section 4.1.4).

5. Transaction 2 : Share acquisition of a private company in Myanmar

5.1 Reasonableness of the Transaction 2

5.1.1 **Objective and reasonableness of entering into a related-party transaction**

The Company plans to expand its investment into the Microfinance sector in Myanmar, which exhibits growth potential given the local demand for credit. This is in line with the socio-economic conditions of the country. Meanwhile, such investment will serve as a new channel for the Company to increase its revenue and allow GL to leverage knowledge of its existing businesses, including the digital finance strategies, and apply with BGMM going forward.

Having obtained a Microfinance license, BGMM is able to generate profit after having operated for 2 years. The Company is now in the process of expanding branches.

Other potential benefit from this transaction is an opportunity to obtain know-how related to the Microfinance business so that the Company could effectively adapt to its subsidiaries in other ASEAN countries in Cambodia, Lao PDR and Indonesia. Synergy and cooperation in the area of Microfinance are also expected from the transaction. Additional potential opportunities for GL include the potential to extend GL's product line such as leasing and other financial products to Myanmar in the future.

Furthermore, the Management has also informed that currently Myanmar authority has ceased to grant additional microfinance license at this stage.

5.1.2 **Advantages and disadvantages of entering and not entering into the Transaction 2**

(A) *Advantages of entering into the Transaction 2*

Increase potential and long-term business opportunities for the Company

This Transaction will provide opportunities for the Company to expand its business and client base in Myanmar, particularly from the Microfinance sector. The transaction will also allow the Company to study and adopt any relevant business model for Microfinance and apply it with GL group of companies in Southeast Asia.

Diversification of risks

One way for a company to manage its operational risk is through diversifying sources of revenue and expanding client base overseas. Such diversification helps reduce fluctuations in profit that may result from changes in economic conditions and/or industry landscape in the home country.

(B) *Disadvantages of entering into the Transaction 2*

Investment in BGMM requires the use of excess liquidity and capital of the Company. After the acquisition of shares, the Company plans to provide capital to BGMM to support its business expansion through shareholders' loan, whereby the Company will receive returns from BGMM in a form of interest as per draft agreement on financial support from the Company's management.

BGMM has been operating as a microfinance provider for about 2 years, which is still in an early stage. As such, there are uncertainty in terms of the forecast of BGMM's future performance that was based on historical numbers. Other risks involve expansion plan, location of future branches in areas where there is high concentration of competitors.

(C) *Advantages of not entering into the Transaction 2*

Reduce risks arising from liquidity crunch

As mentioned, given its early stage, BGMM has potential to grow drastically and therefore will require large amount of capital to finance its business expansion, of which will likely come from the Company's capital.

(D) *Disadvantages of not entering into the Transaction 2*

Lose opportunity to expand business into Myanmar

The Company will lose an opportunity to expand business and grow its client base in Myanmar, which has high potential for economic growth. Additionally, it will lose an opportunity to obtain know-how related to Microfinance business that could be further adopted for its operations in Cambodia, Lao PDR and Indonesia.

Lose opportunity to invest in a business with high growth potential

The Company may lose an opportunity to invest in a business where there is high growth potential. This is substantiated by the fact that the Company was able to generate decent profit only after two years of operation. Based on the latest audited financial statement as of 31 March 2016, the net profit margin of BGMM stood at 38.45%

Additionally, the majority of Myanmar population reside in rural areas where access to credit is scarce, and are in need of capital financing. As a result, a number of those entrepreneurs need to rely on credit from microfinance institutions.

5.1.3 **Advantages and disadvantages from entering into Transaction 2 with a related party**

(A) *Advantages of entering into Transaction 2 with a related party*

Synergies from the planned business operations

GL intends to acquire 100% stake in BGMM from CCF and other shareholders. Since BGMM is an associate of CCF and the stakeholders of this transaction are the same as those in Transaction 1. Nevertheless, both parties will benefit from the transaction as they can together plan business and operation to maximize synergies, including enhance the Company's ability to operate microfinance business in Myanmar.

(B) *Disadvantages of entering into Transaction 2 with a related party*

Additional expenses related to consideration of related-party transaction

GL intends to acquire 100% of total ordinary shares in BGMM, which is a connected transaction with a related parties of Transaction 1 as per The Notification of the Capital Market Supervisory Board No. TorJor. 21/2551 Re: Rules on Connected Transaction dated 31 August 2008 and its amendments, and the Notification of the Securities and Exchange Commission Re: Disclosure of Information and Other Acts of Listed Companies Concerning Connected Transactions B.E. 2546. The transaction size of the acquisition of 389,852 BGMM

shares (from the total of 1,387,680 shares to be acquired) from CCF at USD 5.77 per share (approx. THB 199.79 per share) represents 28.09% of total issued and paid-up ordinary shares of BGMM, with the total considerations of USD 2,249,446.04 (approx. THB 77.89 million) or 1.05% of net tangible assets of GL. As a result, GL has to set up Extraordinary General Meeting of Shareholders to request for approval to enter into Transaction 2 and appoints IFA to raise opinions on reasonableness of the transaction, which in turns, creates additional expenses for GL.

5.1.4 **Risks from entering into transaction 2**

Risks of the return not worth the investment

The cost of the Company's shareholders related to investment in BGMM not only includes the purchase consideration of THB 277.24 million but also the need for providing large amount of financial support to BGMM to finance its future operation. Based on the 10-year projection by the Management, it has been shown that BGMM requires a minimum amount of capital/loan of no less than THB 1,600 million which would come from the shareholders' loan at an interest rate of 7%, which is lower than the domestic market lending rate of 13% in Myanmar. Additionally, the financial projection shows that BGMM will not be able to pay dividend during this period. Nevertheless, the Management has informed that BGMM is in the process of requesting financial aid from international financial institutions namely World bank and United Nations Capital Development (UNCDF). Still, there is no certainty whether BGMM will receive aforesaid financial aid.

In the case where BGMM cannot find financing from alternative sources, IFA believes GL will continue to be responsible for any additional fundings required, which will become a long-term investment with high consideration value and unknown repayment schedule, leading to unknown payback period even under the forecast period of 10 years. Thus, IFA is of the opinion that the entering into Transaction 2 is not reasonable. However, GL's current ratio stood at 3.77x in 2015, but would decline to 2.18x after entering into both Transaction 1 and 2, provided that the settlements are made solely in cash. Despite, if capital raised from issuance of debentures in August 2016 is incorporated, post-transaction current ratio would increase up to 3.94x.

Risks of repayment and interest to received from the shareholders' loan

Following Transaction 2, the Company plans to provide financial support to BGMM for business expansion via shareholders' loan, and expects to receive an interest income in return. This loan is considered as a high amount of long-term investment which takes a long time to pay back. In an event that BGMM cannot find an alternative source of funding, there will be risks involved in repayment of principal and/or interest from BGMM should BGMM be running at loss or is unable to repay the principal.

Foreign exchange rate risks

The Company is exposed to foreign exchange rate risk by investing in Myanmar. This is the case since both income and expense of BGMM are realized and recognized in Kyat. If Kyat depreciates, the return of the Company's investment in BGMM will therefore be lower.

Operational risks post acquisition and changes of shareholders in case that the Company does not enter in to Transaction 1

Currently, 28.66% of the current BGMM's shares are held by CCF, therefore there exists an operational support from CCF in terms of operation and management, experienced staff and other management systems. If the Company does not enter into Transaction 1, there is an operational risk if it enters only into Transaction 2. Hence, the Company needs to develop a business plan after the acquisition of shares and changes in shareholding structure with respect to BGMM's operational management, experienced personnel with knowledge of Microfinance industry as well as other information technology (IT) system that are currently being supported by CCF. Currently, there is no proper agreement in terms of management support between CCF and BGMM.

Nevertheless, the Company plans to install its internal IT system for BGMM which would take roughly 3 months. The system has been widely implemented for GL's subsidiaries, including Lao PDR and Cambodia, and therefore can be adjusted to for use in microfinance business in Myanmar. In terms of the human resources, the local employees has received training and obtained knowledge from CCF since the company's inception, which reduces the risk of reliance of CCF's resources and the risks of not getting support from CCF in the future.

Risks related to business expansion due to competition

Rapid expansion of business in Myanmar are lowering supply of office space and human resources available. Infrastructure and utility systems are also underdevelopment. BGMM plans to recruit senior employees with experience in Microfinance and intends to provide training for newly recruited junior staff. Based on the Management interview, currently the staff turnover rate is quite low.

BGMM has conducted feasibility study, taking into account the demand for credit, on its branch expansion plan. It also plans to lease the office spaces.

Risks related to infrastructure of the country

There is uncertainty whether the current infrastructure in Myanmar, which is still under development, will be able to support a rapid expansion plan of BGMM during a short period. Despite GL's plan to implement its in-house software that could be effectively adapted with microfinance business, it is uncertain whether the current infrastructure, for example, internet network, electricity in Myanmar will be able to support such operational requirements. As a result, there may be some limitations to branch expansion in the areas where those infrastructure are lacking.

Political risks

The recent change in the political landscape in Myanmar in 2013 has stabilized the country to certain extent and fostered positive economic improvement both in terms of financial support and foreign investment. However, since the country is still in an early stage of development, rules and regulations related to commerce and investment are yet to reach the international standards.

Operational risks resulting from non-performing loans (NPLs)

Currently, the credit risk in the microfinance business in Myanmar is quite low, 2% NPL for private banks, according to OECD. As for fiscal year ended 31 March 2016, BGMM has no NPLs as it is able to collect loans effectively. However, once business expands, the credit risk should rise accordingly. BGMM's mitigation

policy to address such risk is through a strict credit lending policy. The company has extensive credit assessment process, starting from background check to visiting a borrower's house to ensure that he/she is socially connected. The Company may further mitigate the risks, post-transaction, by set out tighter credit screening policy of BGMM to ensure a standardized credit approval process in order to monitor the collection and repayment.

Information from OECD is as of 2013. NPLs of public banks stood higher than that of private banks, but no absolute figures were disclosed in the research paper. (Source: Structural Policy Country Notes: Myanmar – an extract from the Economic Outlook for Southeast Asia, China and India 2014: Beyond the Middle-Income Trap, <http://dx.doi.org/10.1787/saeo-2014-en>).

Risks related to change in interest rate policy for Microfinance

Based on the Management interview, there is a risk of changes in interest rate policy for the Microfinance sector, essentially the maximum interest rate charged on loans. The performance of BGMM will be affected if the maximum loan rate is lowered, thereby affecting the income of GL that could be realized from BGMM's operation after the acquisition.

5.2 Appropriateness of Price and Conditions of the Transaction

According to the Company's plan to acquire shares of a private company in Myanmar i.e. BG Microfinance Myanmar Co., Ltd. (BGMM) via its subsidiary, Group Lease Holdings Pte. Ltd. ("GLH") by acquiring 1,387,680 ordinary shares of BGMM at par value of Kyat 1,000 or 100% of the total paid-up capital.

In evaluating the fairness of BGMM purchase price, the IFA has carried out the following valuation approaches:

5.2.1 Book Value Approach

In evaluating BGMM's price based on the book value approach, the shareholders' equity balance shown on the recent financial statements ended 31 March 2016 (audited by Daw Myint Myint Toe, CPA) was used to indicate the net equity value as shown in the table below.

Table 5-1: Valuation of BGMM share price – Book Value Approach

Item as of 31 March 2016	(Kyat Million)	(THB million) ¹
Paid-up capital	1,037.68	28.74
Retained earnings	108.62	3.01
Shareholders' equity	1,146.30	31.75
No. of outstanding shares (Million shares)	1.04	1.04
Par value (Kyat or THB)	1,000.00	27.70
Book value per share (Kyat or THB)	1,104.67	30.60

Remark: Exchange rate at THB 0.0277 per Kyat 1 (Source : Bank of Thailand as of 29 September 2016)

According to this approach, the share value of BGMM is THB 30.60 per share, which is lower than the purchase price of THB 199.79 per share.

5.2.2 Adjusted Book Value Approach

The adjusted book value approach is based on the shareholders' equity balance of BGMM as of the financial statement ended 31 March 2016, and accounting for any items that will affect the equity position of BGMM after the period in order to reflect arrive at the true equity value of BGMM today.

Based on the management account of BGMM ended 31 August 2016, the amount of paid-up capital increased to Kyat 1,387.68 million (approximately THB 38.44 million), which is an increase of 350,000 shares at Kyat 1,000 par value, an equivalent of 33.73% of the total initial shares outstanding.

Table 5-2: Valuation of BGMM share price – Adjusted Book Value Approach

item	(Kyat Million)	(THB Million) ¹
Paid-up capital	1,037.68	28.74
Retained earnings	108.62	3.01
Shareholders' equity as of 31 March 2016	1,146.30	31.75
Adjustment:		
Add (Less) Increase in paid-up capital	350.00	9.70
Shareholders' equity after adjustment	1,496.30	41.45
Amount of shares outstanding		
No. of outstanding shares (Million shares) ²	1.39	1.39
Par value per share (Kyat or THB)	1,000.00	27.70
Adjusted book value per share (Kyat or THB)	1,078.27	29.87

Remarks: 1. Exchange rate at THB 0.0277 per Kyat 1 (Source: Bank of Thailand as of 29 September 2016)
 2. Management accounts ended 31 August 2016

Apart from the increase in capital, there is no other items found appropriate for adjustment or unrecorded in the book of BGMM as of the latest financial statement. As such, the share value of BGMM from this approach is THB 29.87 per share, which is lower than the purchase price of THB 199.79 per share.

5.2.3 Market Comparable Approach

The market comparable approach uses the financial ratios of listed companies which are similar to BGMM to determine appropriate fair value. IFA has used the same set of 4 comparable companies to CCF, as CCF is a listed company in the Stock Exchange of Sri Lanka (Please see details under 4.2.3 or refer to Appendix 8). While BGMM is a limited company that has only commenced operation in 2014, thus comparables of similar size to BGMM, that have information available publicly, is rather limited in number. Further, the 4 aforesaid comparables are in the same industry and operate similar businesses. Therefore, IFA sees reasonable and appropriate to apply the same set of comparables to calculate benchmark value for price multiples.

Company	Ticker	Country	Market Capitalization	Business Description	Customer Group
Asia Sermkij Leasing Public Company Limited	ASK	Thailand	THB 7,354.62 million	Provider of hire purchase and leasing of vehicles, machines and factoring. The company also provides insurance services and vehicle registrations.	Individuals
Ratchithani Leasing Public Company Limited	THANI	Thailand	THB 12,443.57 million	Provider of hire purchase services for new and used automobiles for retailers and individuals	Retail business and individuals
Magma Fincorp	MGMA	India	THB 12,212.82 million	Provider of financial products and services for individual and corporate clients, leasing of construction equipment and commercial vehicles, personal automobiles, public vehicles and capital funding.	Individuals and SME

Company	Ticker	Country	Market Capitalization	Business Description	Customer Group
People's Leasing & Finance PLC	PLC	Sri Lanka	THB 6,950.85 million	Provider of hire purchase of vehicles and machines, and other financial products such as term loan, personal credit and quick cash.	Individuals

1) Price-to-Earnings Multiple Approach or P/E ratio

Based on the P/E multiple approach, the share value of BGMM is calculated by multiplying BGMM's net profits during the last 12-month with the average of P/E ratios of peer comparable companies listed on the Stock Exchanges in Asia during various periods. The periods range from 7 to 360 operating days, back dated from the last trading day prior to the BOD's resolution to approve the decision to enter into the transaction dated 29 September 2016. The details are presented in the table below.

Table 5-3: Valuation of BGMM share price – **P/E Multiple Approach**

Peer companies	P/E Ratio by historical trading period								
	7 Days	15 Days	30 Days	60 Days	90 Days	120 Days	180 Days	270 Days	360 Days
ASK	10.60	10.48	10.77	10.80	10.49	10.26	10.23	9.97	9.99
THANI	15.67	15.20	15.28	15.82	15.01	13.87	12.80	11.87	11.65
MGMA	11.44	11.24	11.28	11.62	11.46	11.12	10.40	10.33	10.35
PLC	6.18	6.16	6.18	6.16	6.22	6.22	6.25	6.80	7.32
Average	10.97	10.77	10.88	11.10	10.80	10.36	9.92	9.74	9.83
Median	11.02	10.86	11.03	11.21	10.98	10.69	10.32	10.15	10.17
BGMM value per share (THB per share)	32.61	32.01	32.32	32.97	32.08	30.80	29.48	28.95	29.20

Source: Bloomberg

Based on the P/E multiple approach, the share value of BGMM ranges between THB 28.95 – 32.97 per share, which is lower than the purchase price of THB 199.79 per share.

2) Price-to-Book Value Approach

Based on the P/BV multiple approach, the share value of BGMM is calculated by multiplying BGMM's book value as of 31 March 2016 with the average of P/BV ratios of peer companies listed on the Stock Exchanges in Asia during various periods. The periods range from 7 to 360 operating days, back dated from the last trading day prior to the BOD's resolution to approve the decision to enter into the transaction dated 29 September 2016. The details are presented in the table below.

Table 5-4: Valuation of BGMM share price – **P/BV Multiple Approach**

Peer companies	P/BV Ratio by historical trading period								
	7 Days	15 Days	30 Days	60 Days	90 Days	120 Days	180 Days	270 Days	360 Days
ASK	1.75	1.73	1.77	1.78	1.69	1.63	1.61	1.60	1.61
THANI	2.74	2.66	2.67	2.77	2.57	2.35	2.13	1.94	1.84
MGMA	1.11	1.09	1.10	1.13	1.11	1.08	1.03	1.03	1.04
PLC	1.22	1.22	1.23	1.22	1.24	1.24	1.24	1.34	1.43

Peer companies	P/BV Ratio by historical trading period								
	7 Days	15 Days	30 Days	60 Days	90 Days	120 Days	180 Days	270 Days	360 Days
Average	1.71	1.68	1.69	1.72	1.65	1.57	1.50	1.48	1.48
Median	1.49	1.47	1.50	1.50	1.46	1.43	1.43	1.47	1.52
BGMM value per share (THB per share)	39.06	38.35	38.74	39.46	37.82	36.03	34.41	33.84	33.90

Source: Bloomberg (2016)

As a result, based on the P/E multiple approach, the share value of BGMM ranges between THB 33.84 – 39.46 per share, which is lower than the purchase price of THB 199.79 per share.

5.2.4 Market Value Approach

The market value approach evaluates a value based on historical weighted average share price of listed companies. However, since BGMM is a private company, it does not have a market price. Therefore, this approach is not applicable to BGMM.

5.2.5 Discounted Cash Flow Approach or DCF

Discounted cash flow model (DCF) is the valuation method that evaluates the share value by taking into account the expected cash flows in the future and discounts with appropriate discount rate. In this valuation, IFA estimates the expected cash flows to the date of 31 March 2026 with regarding to information and operation plan from BGMM. The information from BGMM is provided from the interviews with management and related officers, relevant contracts and agreement, financial statements and industry information. Therefore, if the economic factor and external factor which influence the business operation or situation of business are significantly changed and different from the underlying assumptions, the share value from this method will change as well.

Details of BGMM share valuation via DCF approach during 1 April 2016 to 31 March 2026 are as follows:

A. Revenue Assumption

1) Interest Income

- Number of Branch

BGMM revenue is the interest charges on microfinance loan receivables with the focus on rural markets, which are highly fragmented by nature. Therefore, reaching out to individuals far from the city and customer scoring and credit analysis are crucial. BGMM has been leveraging on Myanmar culture, where customers are social-driven and bound to their responsibilities in their communities. This allows BGMM to minimize NPLs (0% in their first year of operations). Thus, branch expansion represents current growth driver and is BGMM current strategy in expanding its microfinance business firmly, based on GL management forecast.

Table below demonstrates point of sales ("POS") expansion of GL's subsidiaries, including GL Finance PLC ("GLF") in Cambodia and GL Leasing (Lao) ("GLL"), which suggests that GLF established 4 new branches

per month on average during 2013 to 2016 and GLL established 2 on average during June 2015 to October 2016 after GLL commencement in May 2015. Thus, IFA believes the branch expansion plan for BGMM in Myanmar of 1-2 new branches per month over the 10 years forecast period is achievable, coupled the lack of capital in the country. According to United Nations Capital Development Fund, during 2012 to 2013, the demand for microcredits was at USD 1 billion, while supply was only at USD 118 million, which covers only 8.47% of total demand. GL's experience in branch expansion in Cambodia and Laos could be leveraged in Myanmar as Myanmar is also a part of CLMV (Cambodia, Laos, Myanmar, Vietnam) and is similar to the aforesaid countries in terms of development and growth potential.

Table 5-5: Branch Expansion of GL's Subsidiaries in Cambodia and Laos

(THB mn.)	Business Description	Founded in	Period						
			Dec 2013	Jun 2014	Dec 2014	Jun 2015	Dec 2015	Jun 2016	Oct 2016
GLF	Leasing	2012	42	52	153	163	166	173	174
GLL	Hire purchase for motorbike and agricultural equipment	2015 (May)	-	-	-	15	36	50	51

- Microfinance interest income is based on monthly average interest income per branch of THB 0.44 million.
- Loan Receivables

Loan receivables are assumed to grow with the number of branch and forecasted as a constant percentage of 20.39% to interest income, based on historical record in 2015.

2) Other Incomes

Based on historical record in 2015, other income consists of documentation charges and gain (loss) on foreign exchange, which is forecasted as a constant percentage of 5.32% to loan receivables.

Table 5-6: Branch Expansion and Forecasted Loan Receivables of BGMM

(THB mn)	Actual	Forecast									
	2015/16	2016/17*	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Number of Branch	3	6	15	25	37	47	57	67	77	87	97
Interest income	8.84	11.58	60.52	120.11	197.13	282.94	378.89	482.27	598.75	730.01	877.91
Interest on Loan Receivables	20.39%	20.39%	20.39%	20.39%	20.39%	20.39%	20.39%	20.39%	20.39%	20.39%	20.39%
Loan Receivables	35.15	46.04	240.74	477.73	784.09	1,125.40	1,507.07	1,918.24	2,381.56	2,903.65	3,491.95
Other income to loan receivables	5.32%	5.32%	5.32%	5.32%	5.32%	5.32%	5.32%	5.32%	5.32%	5.32%	5.32%
Other income	2.30	3.02	15.78	31.31	51.40	73.77	98.79	125.74	156.11	190.33	228.89

Remark: BGMM was established in 2013 and was granted Microfinance permit to operate microfinance business as of 28 August 2014

*2016/17 represents the forecast from 29 September 2016 to 31 March 2017

B. Expense Assumption

1) Interest expense on compulsory deposits

Interest expense is assumed constant at 15% of compulsory deposits, which is the minimum interest charge on compulsory deposits required by Microfinance Supervisory Committee of Republic of the Union of Myanmar and was announced in Notification No. 1/2016, under the basis of conservatism.

Table 5-7: Forecasted Interest Expense of BGMM

(THB mn)	Actual	Forecast									
	2015/16	2016/17*	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Interest Expense	(0.42)	(0.89)	(2.23)	(4.42)	(7.25)	(10.41)	(13.94)	(17.74)	(22.02)	(26.85)	(32.29)
<i>Interest on Deposits</i>	8.00%	15.00%									

Remark: *2016/17 represents the forecast from 29 September 2016 to 31 March 2017

2) Allowance for doubtful accounts

Since BGMM has no NPLs, the projection bases bad debt expenses and allowances on CCF, which historically charges allowance for doubtful accounts on average at 1% to 2% of gross receivables before allowance, coupled with NPL statistics of financial institutions in Myanmar at 2% and recent GL's NPL record at 4%. Thus, IFA believes forecasted are reasonable.

Table 5-8: Forecasted Bad Debt Expenses and Allowance

(THB mn)	Actual	Forecast									
	2015/16	2016/17*	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Allowance for Bad Debt	N/A	(0.13)	(2.40)	(2.92)	(3.78)	(6.31)	(7.06)	(7.60)	(8.57)	(12.87)	(14.51)
<i>Expense over Allowance</i>	N/A	1.00%	1.00%	1.00%	1.00%	1.50%	1.50%	1.50%	1.50%	2.00%	2.00%
Bad Debt Expense	N/A	(.13)	(2.27)	(.52)	(.86)	(2.53)	(.75)	(.55)	(.96)	(4.30)	(1.63)

Remark: *2016/17 represents the forecast from 29 September 2016 to 31 March 2017

3) Administrative expense

Administrative expense consists mainly of personnel costs, approximately THB 4.03 million in 2016 for 3 branches or an average of THB 1.34 million per branch and assumed 10% growth as per inflation rate of Myanmar.

4) Other expense

Other expense consists of bank charges, donations, other miscellaneous expenses, rent, tax, utility, insurance and others, which is forecasted to grow with the number of branch, while keeping other expense per branch constant.

5) Depreciation

Depreciation is assumed at 13.49% of PP&E after any capital expenditures, based on historical figure.

6) Finance cost

As IFA assumes financial support from GL for BGMM over the forecast period in the form of shareholders' loan. Finance cost is forecasted as the interest charge on this loan at 7%, based on draft agreement on financial support. This shareholders' loan is revolving by nature and can be refinanced every year over unspecified term (evergreen financing). Nevertheless, there may be changes in the interest agreed in the future, if changes are made to the aforesaid agreement.

7) Corporate income tax

Myanmar's corporate income tax is at 25%.

Table 5-9: Forecasted administrative expenses, other expense, depreciation and finance cost

(THB million)	Actual	Forecast									
	2015/16	2016/17*	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Administrative expense	(4.03)	(8.86)	(24.37)	(44.67)	(72.73)	(101.62)	(135.57)	(175.29)	(221.60)	(275.42)	(337.78)
Other expense	(1.01)	(2.02)	(5.05)	(8.42)	(12.47)	(15.83)	(19.20)	(22.57)	(25.94)	(29.31)	(32.68)
Depreciation	13.49%	13.49%	13.49%	13.49%	13.49%	13.49%	13.49%	13.49%	13.49%	13.49%	13.49%
Finance cost	N/A	(0.78)	(6.60)	(18.70)	(32.46)	(47.09)	(61.14)	(74.16)	(86.12)	(97.35)	(107.71)

Remark: *2016/17 represents the forecast from 29 September 2016 to 31 March 2017

C. Asset and Liability Assumption

Table 5-10: Asset Forecast Assumptions for BGMM

Item	Assumption
<u>Assets</u>	
- Loan Receivables	Forecasted as a constant percentage of 20.39% to interest income, based on 2016 figures
- Other Receivables	Increase with the number of branch at a constant rate of THB 0.12 million per branch based on 2015 figure
- Provision	Assumed 1% - 2% (Please see table 5-8)
- Prepayment	Increase with the number of branch
- Property, Plant and Equipment ("PPE")	Increase with the number of branch and as per CAPEX schedule, which are investments in equipment and furniture as BGMM rents out POS. CAPEX per branch is assumed constant at MMK 16.68 million (approx. THB 0.46 million) based on 2014-2015 figures

Table 5-11: Forecasted Assets

(THB mn)	Actual	Forecast									
	2015/16	2016/17*	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Loan receivables	35.15	46.04	240.74	477.73	784.09	1,125.40	1,507.07	1,918.24	2,381.56	2,903.65	3,491.95
Allowance for bad debt	N/A	(0.13)	(2.40)	(2.92)	(3.78)	(6.31)	(7.06)	(7.60)	(8.57)	(12.87)	(14.51)
Other receivables	0.35	0.69	1.73	2.88	4.26	5.42	6.57	7.72	8.88	10.03	11.18
Prepayment	0.39	0.79	1.97	3.28	4.85	6.16	7.47	8.78	10.10	11.41	12.72
Current assets	38.88	51.38	261.967	520.41	853.98	1,222.84	1,637.21	2,083.62	2,585.88	3,147.97	3,784.46
CAPEX/ branch	0.46										
PPE	0.36	1.39	2.77	6.93	11.55	17.10	21.72	26.34	30.97	35.59	40.21
Add: CAPEX	1.02	1.39	4.16	4.62	5.55	4.62	4.62	4.62	4.62	4.62	4.62
Less:											
Accumulated Depreciation	(0.22)	(0.59)	(1.53)	(3.09)	(5.39)	(8.32)	(11.88)	(16.05)	(20.85)	(26.28)	(32.32)
PPE - Net	1.17	2.18	5.41	8.47	11.71	13.40	14.47	14.91	14.73	13.93	12.51

Remark: *2016/17 represents the forecast from 29 September 2016 to 31 March 2017

Table 5-12: Liability Forecast Assumptions for BGMM

Item	Assumption
Liabilities	
- Interest and Other Payables	Forecasted as a constant percentage of 0.83% for interest payables and 1.30% for other payables to stock control, based on 2015 figures
- Customer Deposits (compulsory deposits)	Forecasted at 5% of total loan receivables as per Microfinance Supervisory Committee's Notification, No. 1/2016, dated 29 August 2016. While deposits on existing loans are kept at 12%.
- Current Account	Assumed constant over forecast period
- Short-term Provision (Accrued Expense)	Consisted of reserves for tax, fuel and employee bonuses and assumed constant at 3.74% of stock control
- Shareholders' Loans	Shareholders' loans from GL at 7% interest rate based on financial projection and draft agreement on financial support. Assumed drawdown upon cash flow shortfall in each period and repayment upon periods with excess cash

Table 5-13: Forecasted Liabilities

(THB mn)	Actual	Forecast									
	2015/16	2016/17*	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Interest and other payables	0.92	1.21	6.32	12.54	20.59	29.55	39.57	50.37	62.53	76.24	91.69
Customer deposits	5.23	5.90	14.84	29.45	48.33	69.37	92.90	118.25	146.81	178.99	215.26
Current account	0.52	0.52	0.52	0.52	0.52	0.52	0.52	0.52	0.52	0.52	0.52
Short-term provision	1.62	2.12	11.09	22.01	36.13	51.85	69.44	88.39	109.73	133.79	160.90
Shareholders' loan	N/A	11.09	177.39	356.98	570.52	774.91	971.84	1,147.01	1,313.49	1,467.91	1,609.58
Total liabilities	8.29	20.85	210.17	421.50	676.09	926.20	1,174.27	1,404.53	1,633.08	1,857.45	2,077.94

Remark: *2016/17 represents the forecast from 29 September 2016 to 31 March 2017

D. Financial Forecast

With the above assumptions on revenue, expenses, assets and liabilities, financial forecast on CCF during the period of 1 October 2016 to 31 March 2026 is as follow:

Table 5-14: Income Statement Forecast for BGMM

(THB mn)	Actual	Forecast									
	2015/16	2016/17*	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Interest Income	8.84	11.58	60.52	120.11	197.13	282.94	378.89	482.27	598.75	730.01	877.91
Interest Expense	(0.42)	(0.89)	(2.23)	(4.42)	(7.25)	(10.41)	(13.94)	(17.74)	(22.02)	(26.85)	(32.29)
Net Interest Income	8.42	10.69	58.30	115.69	189.88	272.53	364.96	464.53	576.73	703.16	845.62
Other Income	2.30	3.02	15.78	31.31	51.40	73.77	98.79	125.74	156.11	190.33	228.89
Net Operating Income	10.72	13.71	74.08	147.00	241.27	346.30	463.74	590.27	732.83	893.49	1,074.51
Administrative Expenses	(4.03)	(8.86)	(24.37)	(44.67)	(72.73)	(101.62)	(135.57)	(175.29)	(221.60)	(275.42)	(337.78)
Other Expenses	(1.01)	(2.02)	(5.05)	(8.42)	(12.47)	(15.83)	(19.20)	(22.57)	(25.94)	(29.31)	(32.68)
Depreciation	(0.19)	(0.37)	(0.94)	(1.56)	(2.31)	(2.93)	(3.55)	(4.18)	(4.80)	(5.42)	(6.05)
Provision	N/A	(0.13)	(2.27)	(0.52)	(0.86)	(2.53)	(0.75)	(0.55)	(0.96)	(4.30)	(1.63)

(THB mn)	Actual	Forecast									
	2015/16	2016/17*	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Profit before Finance Costs and Tax	5.50	2.32	41.45	91.83	152.92	223.37	304.67	387.68	479.53	579.03	696.37
Finance Costs	-	(.78)	(6.60)	(18.70)	(32.46)	(47.09)	(61.14)	(74.16)	(86.12)	(97.35)	(107.71)
Corporate Income Tax	(1.37)	(.58)	(10.36)	(22.96)	(38.23)	(55.84)	(76.17)	(96.92)	(119.88)	(144.76)	(174.09)
Net Income	4.12	0.96	24.49	50.17	82.23	120.44	167.36	216.60	273.53	336.92	414.56

Remark: *2016/17 represents the forecast from 29 September 2016 to 31 March 2017

Table 5-15: Summary of Statement of Financial Position Forecast of BGMM

(THB mn)	Actual	Forecast									
	2015/16	2016/17*	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Total Assets	40.05	53.56	267.37	528.88	865.69	1,236.24	1,651.68	2,098.53	2,600.61	3,161.91	3,796.96
Total Liabilities	8.29	20.85	210.17	421.50	676.09	926.20	1,174.27	1,404.53	1,633.08	1,857.45	2,077.94
Total Equity	31.75	32.71	57.21	107.38	189.60	310.04	477.40	694.00	967.53	1,304.45	1,719.02

E. Terminal Growth

Terminal growth assumed is 3% per year, which is approximated from long-term GDP growth rate under the basis of conservatism, in comparison to current actual Myanmar GDP growth in 2016 of 7%.

F. Discount Rate

IFA computes discount rate for calculating present value of BGMM free cash flow as the cost of equity or K_E , which is referred from CAPM theory as follow:

$$K_E = R_F + \beta \times ERP$$

R_F	Risk free rate is based on the return yield of Myanmar's 5-year government bond of 9.50%, retrieved on 17 February 2016, latest date available (source: Central Bank of Myanmar)
Beta (β)	Beta (β) is the variance between the returns of the stock market in Asia and the returns of comparable companies which have similar type of business, leasing. These companies are Asia Sermkij Leasing Public Company Limited, Ratchthani Leasing Public Company Limited, Magma Fincorp Ltd (MGMA) and People's Leasing & Finance (PLC). The beta is calculated from the historical closing prices in 2-year period, weekly, from 29 September 2016 backwards. The unlevered beta is 0.246 (From Bloomberg)
ERP ($R_M - R_F$)	Equity risk premium is the difference between R_F and market return or R_M , which is 12.71% (source: Damodaran (http://pages.stern.nyu.edu/~adamodar/) as of February 2016, where for frontier markets, such as Myanmar, Damodaran refers to ERP calculated by the Political Risk Services (PRS) Group, which is a database for market risk premium that incorporates various factors in its calculations, such as turmoil, equity restriction, repatriation restriction and country-specific hurdles relating trade and investment)

From the above assumptions, the cost of equity ranges between 12.66% - 19.06%, with the variables being corporate income tax rate and debt-to-equity ratio of BGMM in different periods:

Table 5-16: Cost of Equity of BGMM

	2016/17*	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
K_E	12.66%	13.12%	13.55%	14.03%	14.46%	14.92%	15.40%	16.05%	17.05%	19.06%

From the above assumptions, the forecasted free cash flows to equity ("FCFE") and its present values used in the valuation of BGMM fair value are as follow:

Table 5-17: FCFE Forecast in 2016 – 2025 for BGMM

(THB mn)	2016/17*	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Net Income	0.48	24.49	50.17	82.23	120.44	167.36	216.60	273.53	336.92	414.56
Add: Depreciation and Amortization	0.19	0.94	1.56	2.31	2.93	3.55	4.18	4.80	5.42	6.05
Less: CAPEX	(.70)	(4.16)	(4.62)	(5.55)	(4.62)	(4.62)	(4.62)	(4.62)	(4.62)	(4.62)
Add: Change in NWC	(5.03)	(171.63)	(207.19)	(267.41)	(295.51)	(332.25)	(358.01)	(402.75)	(450.30)	(510.31)
Add: Net Borrowing	5.56	166.30	179.58	213.54	204.39	196.93	175.17	166.48	154.42	141.67
FCFE	0.51	15.94	19.50	25.11	27.63	30.98	33.32	37.44	41.85	47.35
Terminal Value										303.72
Present Values of FCFE	0.48	13.25	14.19	15.86	15.04	14.42	13.13	12.26	10.97	9.03
Present Values of Terminal Value										57.89
FCFE + TV	0.48	13.25	14.19	15.86	15.04	14.42	13.13	12.26	10.97	66.92

Remark: *2016/17 represents the forecast from 29 September 2016 to 31 March 2017

Table 5-18: Summary of DCF Approach on BGMM Share Value

Item	THB mn
Equity Value ¹	176.51
Add: Cash ²	2.99
Net Equity Value	179.49
Number of Shares Outstanding (Million Shares) ²	1.39
Fair Price per Share (THB)	129.34

Remark: 1. Valuation cut-off date is as 29 September 2016; 2. Interim Report as of 30 June 2016

From the valuation of the share value using the discounted cash flow approach, BGMM's share value is THB 129.34 per share, which is lower than the purchase price of THB 199.79 per share.

5.3 Sensitivity Analysis

IFA has performed sensitivity analysis based on the value per share of BGMM from the DCF approach by changing the assumptions that would impact the value per share of BGMM as follow:

- 1) **Terminal** Growth Rate
- 2) Discount Rate

Terminal value represents a significant portion in equity value of 48.81%. Therefore, IFA sees appropriate in running sensitivity analysis against terminal growth rate. Similarly, discount rate leads to average change in valuated share price of 3.65% to 12.69% with the incremental or decremental of 0.50% to 1.5%, respectively.

Table 5-19: Sensitivity analysis in respect value per share of BGMM

Price per Share (THB)		Discount Rate (Cost of Equity: K_E)						
		$K_E - 1.5\%$	$K_E - 1.0\%$	$K_E - 0.5\%$	K_E	$K_E + 0.5\%$	$K_E + 1.0\%$	$K_E + 1.5\%$
Terminal Growth	0.00%	132.35	127.00	122.05	117.45	113.16	109.15	105.40
	0.50%	134.60	129.00	123.83	119.04	114.58	110.43	106.55
	1.00%	137.06	131.17	125.76	120.76	116.12	111.81	107.79
	1.50%	139.76	133.55	127.86	122.63	117.79	113.30	109.13
	2.00%	142.75	136.17	130.17	124.66	119.60	114.91	110.57
	2.50%	146.06	139.06	132.70	126.89	121.57	116.66	112.13
	3.00%	149.77	142.27	135.50	129.34	123.73	118.57	113.83

From the above sensitivity analysis on terminal growth and discount rate with the base case being K_E and terminal growth of 2% - 3%, the valuated share prices range between THB 124.66 – 129.34 per share, which is lower than the purchase price of THB 199.79 per share.

5.4 Summary of BGMM Share Valuation

Table 5-20: Summary of share value of BGMM

Methodology	Fair Price	Purchase Price	Fair Price – Purchase Price
	(THB per Share)	(THB per Share)	(THB per Share)
Book value approach	30.60	199.79	(169.19)
Adjusted book value approach	29.87	199.79	(169.92)
Price to earnings approach (P/E)	28.95 – 32.97	199.79	(170.84) - (166.82)
Price to book value approach (P/BV)	33.84 – 39.46	199.79	(165.95) - (160.33)
Discounted cash flow model (FCFE)	124.66 – 129.34	199.79	(75.13) – (70.45)

Table 5-21: Comparison of each methodology for BGMM

Methodology	Pros and Cons comparison
1. Book value approach	It reflects financial position at a point in time of BGMM. However, it does not reflect fair value of some assets and important events that occurred after the book closing date. Moreover, it does not reflect BGMM's ability to generate profits and acquire future projects.
2. Adjusted book value approach	It deducts off any potential loss and contingent liabilities, therefore better reflecting the true value of BGMM than Book Value Approach. However, it only reflects current value of BGMM, which is at its early stage and expected to generate more value in later years. And does not capture growth and earning potentials.
3. Market comparables approach	
• Price to earnings approach (P/E)	It reflects operating performance during a period of time in contrast to the average ratio of the comparable group. However, it only reflects current value of BGMM, which is at its early stage and expected to generate more value in later years.
• Price to book value approach (P/BV)	It reflects the past operating performance and financial position at a point in time in contrast to the average ratio of the comparable group. Portfolio is BGMM main assets and therefore will be taken as a proxy for BGMM value against peers. However, it only reflects current value of BGMM, which is at its early stage and expected to generate more value in later years and does not capture growth and earning potentials.
4. Market value approach	The approach can not be analyzed due to the limitation of information because BGMM is private company and not listed in stock exchange.
5. Discounted cash flow model (FCFE)	It incorporates growth and earning potentials by allowing for detailed assumptions on expansion and operation and also allows for detailed assumptions on value-sensitive items, such as financing options and capital structure. It is direct method in deriving cash

Methodology	Pros and Cons comparison
	flow available to shareholders. However, it is highly sensitive to small change in subjective assumptions.

According to the comparison above, IFA opines that the most appropriate method for BGMM is Discounted cash flow model (FCFE). Therefore, the fairness of prices range between THB 124.66 – THB 129.34 per share (Base case), which is lower than the purchase price of THB 199.79 per share.

5.5 Summary of the Transaction 2 conditions

Conditions of Transaction 2	The acquisition of assets and connected transaction of BGMM (the "Seller").
Pre-completion conditions	<ul style="list-style-type: none"> • Seller shall consult with buyer to carry on its business in the ordinary and usual course. • The Company will nominate a new set of the Board of Directors to run BGMM. The Company will also nominate a Chief Executive Officer and a Deputy General Manager to be relocated in Myanmar, and provide assistance to the operations there. In addition, the Company plans to keep all management and current staffs of BGMM to facilitate the future growth and since BGMM has proven good results. • Seller shall take responsibility to preserve and protect its business and assets before entering into the transaction. • Seller shall settle all debts incurred in the ordinary and usual course of business within periods of of credit. • Entering into any transaction with seller only on an arm's length basis. • Seller shall promptly give buyer details of any change on its business, financial position and/or assets. • Seller shall maintain in force policies with limits of indemnity at least equal to current policies, permit to do anything that make policy of insurance voidable. • Seller shall make prompt disclosure to buyer all relevant information which may constitute a breach of any warranty and agreement. • Allow buyer and any authorised persons to access to relevant document, ie. Contracts, customer lists, statutory books, etc.
Rights to terminate	<ul style="list-style-type: none"> • Buyer has right to terminate if there is the matter that would constitute a breach of the share purchase agreement • Buyer has right to terminate if there is the matter that would constitute a breach of the warranties. • Buyer has right to terminate if there is the matter that affects materially on business and operations of seller (BGMM). • Buyer has right to terminate if there is the matter that is disclosed and affects buyer's decision to enter this agreement.
Post-completion conditions	<ul style="list-style-type: none"> • Seller should undertake software; comprising Micro-finance, Savings, General Ledger and administration systems to buyer • Seller should provide assistance to buyer's staffs for migration and documentation of software system within period of 3 months after the migration. • Seller should provide technical assistance with regards to the software for the period of 3 months after the migration of the software to buyer. • Seller should provide assistance and documentation of the software system and to ensure buyer to have rights of use to the software within 1 month after completion date.

Source: Draft share purchase agreement

IFA is of the opinion that entering into Transaction 2 is not reasonable and shareholders should not approve the entering of Transaction 2, as valuated fair price of BGMM ranges between THB 124.66 to 129.34 per share, which is lower than the purchase price of THB 199.79 per share . (35.26% to 37.60% lower than the purchase price).

Currently, BGMM relies on CCF's IT systems and has started implementing. In the case where if Transaction 1 is not approved by shareholders, BGMM may not be able to retrieve such system from CCF anymore, if not at a higher cost.

Moreover, post to the entering of Transaction 2, the Company will appoint entirely new Board of Directors to manage and operate BGMM, as well as appoint Chief Executive Office (CEO) and Deputy General Manager for operations in Myanmar and assistance in general administrations. Moreover, the Company has the plan for current management and employees of BGMM to continue working and remain at BGMM in due course to support BGMM expansion as they have driven high performance of BGMM in the past period.

6. Transaction 3 : The Issuance and Offering of Convertible Debentures

6.1 Reasonableness of the Transaction 3

6.1.1 Purpose and necessity of the Transaction 3

The Board of Directors' Meeting of Group Lease Public Company Limited (the "Company" or "GL") No. 15/2016 held on 31 October 2016 has passed a resolution to approve the issuance and offering of convertible debentures (the "CDs") to a specific foreign investor (Private Placement), namely Creation Investments Sri Lanka LLC ("Creation SL"), in the amount not exceeding USD 20 million or approximately THB 693.10 million, applying exchange rate of circa THB 34.65 per USD 1 which is the average buying rate of the Bank of Thailand of the last 3 months (the "Issuance and Offering of CDs").

The Company had previously issued 2 convertible debentures to a specific foreign investor (Private Placement), namely J Trust Asia Pte. Ltd. The first CDs was issued on 22 May 2015 for a total amount of USD 30 million to expand its business in Cambodia in which the Company operates motorcycle leasing and to fund the working capital for the Company and its subsidiaries.

The second CDs was issued on 1 August 2016 for a total amount of USD 130 million. The fund will be used for the following purposes:

Period	Details	Ratio (Percentage of proceeds from issuing CDs)
Within 2 year period from the date of issuance and offering of CDs	To fund the expansion of the business and the launch of new products in Cambodia	Approx. 70 %
	To fund the SME financing for the business partners and/or procur dealers in Cambodia.	Approx. 20 %
	To utilize as working capital for comprehensive digital financial platform to ASEAN markets	Approx. 10 %

The Board of Directors considered that the issuance and offering of CDs to the specific foreign investor (Private Placement) will accommodate the source of fund for the Company's business expansion with the following details:

- To fund the working capital for the business operations and investment after the fund of the issuance and offering of CDs in 2016 is spent in the acquisition of assets which has been approved
- To fund business expansion and issuing new products Asia region, particularly in Cambodia and Myanmar, as well as to support SME credit portfolio and hire purchase product.
- To utilize as working capital for comprehensive digital financial platform to ASEAN markets.

The Board of Directors considered that the issuance and offering of convertible debentures is an alternative of fund raising for the following purposes:

Period	Details	Ratio (Percentage of proceeds from issuing CDs)
Within 2 year period from the date of	To fund business expansion and issuing new products of the Digital Finance business in Cambodia and Myanmar, as well as to support SME credit portfolio and hire purchase product.	Approx. 90 %

issuance and offering of CDs	To utilize as working capital for comprehensive digital financial platform to ASEAN markets.	Approx. 10 %
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Details of Substantial Preliminary Information of Convertible Debentures to be issued to Creation investments Sri Lanka LLC are as follows:

Type	Convertible debentures which grant the right to be converted into ordinary shares of the Company ("Shares"), unsecured, and without the representative of the holder of the convertible debentures.
Issue and Offering Method	To be entirely issued and offered to an overseas investor.
Offering Size	Not exceeding USD 20,000,000 or its equivalent amount in other currencies
Offering Price	USD 100,000 per unit
Number of Units of Convertible Debentures	200 units
Term	3 years from the issuance date of the convertible debentures
Interest Rate	5% per annum
Conversion Ratio for Each Convertible Debentures	Principal amount of each convertible debenture divided by the Conversion Price. The principal amount is based on the exchange rate of the amount of THB 34.6548 per USD 1
Conversion Price	THB 70
Fixed Exchange Rate for Calculation of Shares Reserved for Conversion Purpose	THB 34.6548 per USD 1
Number of Ordinary Shares Reserved for the Conversion	Not exceeding 9,901,380 Shares
Early Redemption by the Company	After 2 years from the issuance date of the convertible debentures, the Company shall have the right to early redeem at any time, any or all outstanding convertible debentures, as the Company deems appropriate, at the principal amount of such convertible debentures plus any interest accrues but unpaid as at the date of such early redemption (calculated on the daily basis), subject to the terms and conditions of the convertible debentures.

6.1.2 Advantages and disadvantages of entering and NOT entering into the Transaction **3**

(A) *Advantages of entering into the Transaction 3*

Increase the ability of fund raising in USD currency for business expansion

The Company will receive proceeds from the issuance and offering of CDs in the amount USD 20 million (approximately equivalent to THB 693.10 million). The amount of fund will be replaced proceeds from the issuance of CDs in 2016 which will be spent in the acquisition of assets after the approval. In addition, it will be utilized as working capital for the Company's business expansion as well as issuing new products in ASEAN, with focus especially on SME loan and hire purchase products.

Support as working capital for business operations and liquidity maintenance

The Company and its companies in the group require working capital for business operations, for instance, branch expansion and loan portfolio expansion. These also include the investment expansion in overseas retail finance business and the investment in related business to maintain the company's financial liquidity and suffice the required working capital for business operations.

(B) *Disadvantages of entering into the Transaction 3*Higher interest rate than straight bond

In **2015**, the company issued CDs of **3**-years period with similar characteristics to a group of shareholders with an interest rate of **5%** per annum and conversion price of THB **10** per share. Accordingly, in **2016**, the company issued and offered CDs to the same group of shareholders with an interest rate of **5%** per annum and conversion price of THB **40** per share which are summarize as follows:

Year	Amount (USD million)	Term	Conversion Price (THB)	Interest rate (%)
2015	30	3 years	10	5
2016	130	5 years	40	5

Recently, the Company has passed a resolution to approve the issuance and offering of the CDs to a the same group of shareholders and a connected person for an amount not exceed USD 50 million or approximately THB 1,732.74 million and for an amount not exceed USD 20 million or approximately THB 693.10 million with an interest rate of **5%**, period of **3** years and conversion price of THB **70** per share which is significantly higher than the historical prices. However, considering the credit rating of the GL corporate bonds that were rated by Tris Rating Co., Ltd., the IFA find that they were rated at (A-). Moreover, considering the coupon rates of the bonds of companies at the same credit rating (A-), which are ranged from 2.10% to 3.37%. (Source: Bloomberg, corporated bonds that were issued during the beginning of 2015 to 29 September 2016). It can be considered that CDs has the higher financial cost than other comparisons in the market. Furthermore, the value of the option for the conversion of CDs to ordinary shares has not been considered.

Issuers	Credit Rating	Period / Year of issue	Coupon rate	Guarantor
Group Lease Public Company Limited	A-	3 years / 2016	2.84%	60% Partial guarantee of value of CDs by Kasikornbank PCL
Ratchthani Leasing Public Company Limited	A-	3 years / 2015	3.00%	None
Phatra Leasing Public Company Limited	A-	4 years / 2015	2.86%	None
TICON Industrial Connection Public Company Limited	A-	3 years / 2015	2.44%	None
Quality Houses Public Company Limited	A-	3 years / 2015	2.71%	None
Kiatnakin Bank Public Company Limited	A-	2 years / 2015	2.10%	None
Thitikorn Public Company Limited	A-	3 years / 2015	2.41%	None
Ap (Thailand) Public Company Limited	A-	4 years / 2015	3.04%	None
SPCG Public Company Limited	A-	5 years / 2015	3.37%	None
Bangkok Chain Hospital Public Company Limited	A-	5 years / 2016	2.87%	None
CH. Karnchang Public Company Limited	A-	4 years / 2016	2.85%	None

Dilution Effect

The company is able to delay the issue of ordinary shares for a period of time, that may reduce the dilution effect. However, the issuance of CDs through Private Placement can be exercised and converted into ordinary shares, it will consequently affect shareholders in term of control dilution. In addition, in case that the exercise price is lower than market price, it will also affect shareholders by price dilution as well as earning dilution which may decrease earnings per share by the increasing number of ordinary shares. The company

plans to issue not exceeding **9,901,380** shares at a par value of THB **0.5** per share to support the exercised CDs. The CDs are able to be exercised and converted since the date of issue until maturity date.

Nevertheless, after the period of **2** years since the date of issue, the Company has the right to redeem the CDs before maturity date (in part or in full) at the price of principal plus accrued interest calculated up to the date of redemption which is before the maturity date.

(C) *Advantages of NOT entering into the Transaction 3*

Having no additional contingent liabilities

The Company is able to finance or raise fund by other approaches for the purpose of planned business expansion. For instance, the Company is able to issue and offer ordinary shares which has no effect to debt burden of the company.

(D) *Disadvantages of NOT entering into the Transaction 3*

Decrease of liquidity

Prior to the acquisition transactions of CCF and BGMM, the Company's liquidity ratio is **3.18x**. If the Company does not raise fund by issuing and offering CDs, its liquidity ratio after the CCF and BGMM Share Acquisition will be decreased to **2.18x**.

6.1.3 Comparison of advantages and disadvantages of entering into the Transaction with a related party and a third party

(A) *Advantages of entering into the Transaction 3 with a related party*

The issuance and offering of CDs to a specific foreign investor via Private Placement who is a connected person, Creation SL will provide the Company a total of THB **693.10** million. On the contrary, if the Company issues and offers CDs to a third party, such third party may not be able to pay for CDs in full. Therefore, the Company may receive proceeds less than its expectation. Delay and uncertainty will be occurred which will be affected to the Company's expansion plan or its working capital for the purpose of Digital Finance Platform in the ASEAN market.

(B) *Disadvantages of entering into the Transaction 3 with a related party*

The connected person (Mr. Patrick T. Fisher) will be a major creditor of the Company according to Company's financial statements as at 30 June 2016, representing 12.44% of its total liabilities. However, interest rate of CDs at 5% is lower than 3-years average historical financial cost of the Company at 6.14%

6.1.4 Risk from enter into the Transaction 3

1) Foreign exchange risk

The Company desires to raise fund by issuing convertible debenture in USD currency, therefore the fluctuation of foreign exchange will affect interest payment and principal repayment to the lender.

2) Risk from not be able to repay principal

In case that the Company is not be able to repay principal and interest to the lender at the maturity date, the Company may be at default risk. However, the Company can consider to perform as follows:

- Refinancing by fund raising from other financial institutions to payback principal, or
- Issuing ordinary share for debt repayment

6.2 Appropriateness of Price and Conditions of the Transaction

To determine the fair value of the convertible debentures ("CDs"), IFA evaluates as follows:

- 1) Value of Debenture Component using Straight Bond Valuation
- 2) Value of Call Option using Black-Scholes Option Pricing Model

The conversion right is considered an upside to the investor. Therefore, the Company can issue a lower coupon rate on convertible debentures, compared with a coupon rate on straight bonds as follows:

A. Value of Debenture Component using Straight Bond Valuation

The straight bond valuation is the present value of its future cash flow, discounted by using a reference rate (Yield to maturity) of the similar bond features in the market. Details are as follows:

Table 6-1: Straight Bond Valuation

Coupon Rate	5 %
Term	3 years
Discount Rate	Risk free rate (R_f): 3-year Thai government bond, yield at 1.61% plus a spread of a 3-year corporate bond rating A- at 0.48 which is equal to 2.08% (Source: Thai Bond Market Association)
Value of Debenture Component	USD 108,482.31 per unit

B. Value of Call Option using Black-Scholes Option Pricing Model

Black-Scholes Option Pricing model is an acceptable model and used to calculate the theoretical price of European put and call options. The convertible debenture's feature is similar to a call option, therefore IFA applies Black-sholes model to find the equity value which is considered possibility of GL share price in future. Details are as follows:

Table 6-2: Black-Scholes Option Pricing Model

Face value	USD 100,000 (approximately THB 3,465,000 using USD/THB exchange rate as of 31 October 2016)
No. of CDs	200 units (total value of USD 200 million)
Conversion Ratio	49,500 shares per 1 Unit of CD (Computed from face value of CD divided by the conversion price of underlying securities)
Conversion price (K)	THB 70.00 per share
Share price (S)	THB 40.02 per share (as of 31 October 2016)
Risk Free Rate (R_f)	1.61% of 3 years Thai government bond yield (Source: Thai Bond Market Association)
Volatility (σ)	53.48% (computed from historical of GL share price for the past 3 years)
Dividend Yield (r)	1.59% (3 years historical dividend payment)
Time to Maturity (T)	3 years
N	Cumulative Standard Normal Distribution (z-value)

Black-Sholes Option Pricing Model	$C(S, t) = N(d_1)S - N(d_2)Ke^{-r(T-t)}$ $d_1 = \frac{1}{\sigma\sqrt{T-t}} \left[\ln\left(\frac{S}{K}\right) + \left(r + \frac{\sigma^2}{2}\right)(T-t) \right]$ $d_2 = \frac{1}{\sigma\sqrt{T-t}} \left[\ln\left(\frac{S}{K}\right) + \left(r - \frac{\sigma^2}{2}\right)(T-t) \right]$ $= d_1 - \sigma\sqrt{T-t}$
N(D1)	0.44
N(D2)	0.14
Value of the call option	USD 10,514.02 per unit

6.3 Sensitivity Analysis

IFA has performed sensitivity analysis based on the volatility period due to this variable can significantly affect the value of CDs. Also, GL share price and volume trading during the past 1 year are significantly rise. However, because of the CDs' term is 3 years, IFA considers these two factors for sensitivity analysis as follows:

Volatility Period	1 year	2 year	3 year
Value of CDs (USD per unit)	120,641.50	120,934.75	118,996.33

After conducting the sensitivity analysis using a change in volatility period in which a base case is 3 years period, the value of CDs is in the range of USD 118,996.33 – 120,934.75 per unit.

6.4 Summary of CDs Valuation

The value of CDs is a combination of value of straight bond and call option as summarized as follows:

Table 6-3: Summary of the fair value of the convertible debenture

	Fair Value (USD per unit)	Face Value (USD per unit)	Fair Value – Face Value (USD per unit)
Value of Straight bond	108,482.31	100,000.00	8,482.31
Value of Call Option	10,514.02 – 12,452.44	-	10,514.02 – 12,452.44
Fair Value of CDS	118,996.33 – 120,934.75	100,000.00	18,996.33 – 20,934.75

In conclusion, from the valuation of the appropriateness of price and conditions of the issuance and offering of convertible debentures, the IFA opines that the transaction is not reasonable and shareholders should not approve due to the fair value of a convertible debenture is higher than the offering price to the connected person. Eventhough, issuing an CDs can help GL with funding business expansion and issuing new products of the Digital Finance business in Cambodia and Myanmar, as well as to support SME credit portfolio, hire purchase products, and utilize GL working capital. However, after considering the coupon rates of the bonds of companies at the same credit rating (A-), which are ranged from 2.10% to 3.37%, the CDs that is issued for the connected person has a higher coupon rate of 5% which are above the coupon rates of comparisons in the market. Furthermore, the value of the option for the conversion of CDs to ordinary shares has not been considered.

In addition, the fair value (base case) of the convertible debenture that was evaluated by IFA is USD 118,996.33 per unit (Value of straight bond and call option are equal to USD 108,482.31 per unit and USD 10,514.02 per unit) which is higher than the offering price (face value USD 100,000 per unit) to the connected person.

7. Conclusion of the IFA's opinion

Based on the study of the related information, including the reports prepared by other professional advisors (e.g. financial due diligence report), conditions of the Transactions, advantages and disadvantages of the Transactions, risks as well as appropriateness of price and conditions for each Transaction, draft documents/agreements and etc. The IFA has chosen the discounted cash flow approach ("DCF") for Transaction 1 and 2, and the Straight bond valuation and Black-Scholes option pricing model for Transaction 3 which can be summarized as follows:

IFA's opinions

Transaction 1: CCF Acquisition: The DCF approach yields share values of CCF ranging between THB 16.64 – 17.46 per share (base case), which amounts to the total value of shares of THB 1,178.49 – 1,236.56 Million. Such fair values per share are lower than the purchase price of THB 26.35 per share (or the total of THB 1,826.27 Million). The IFA views that such purchase price per share for CCF is "not appropriate" for the CCF Connected Transaction.

	Fair value (THB per share)	Purchase price (THB per share)	Fair value – Purchase (THB per share)
Transaction 1 – CCF	16.64 – 17.46	26.35	(9.71) – (8.89)

Advantages, disadvantages and risks of entering into the Transaction

Advantages of entering into Transaction 1

- (1) Asset growth: The Company's assets will grow, which will help enhance the Company's potential to compete in the long term. The Company's client base/ service channels will also be expanded.
- (2) Geographical diversification: The Company will have an opportunity to expand into South Asian region and realize the synergy arising from combining CCF's expertise in the hire purchase, leasing and microfinance sectors and GL's strength in capturing clients in Southeast Asia in the leasing and hire purchase businesses. Additionally, the Company will be able to increase the source of revenue, while mitigating fluctuations in the economic environment from the investment in CCF which has stable income.

Disadvantage of entering into Transaction 1

- (1) Increased obligation: The Company will incur obligation post the share acquisition, as it will have to pay THB 2,513.67 million in cash for the investment in CCF. As such GL needs to raise additional fund for its operation, possibly via issuance of debentures to avoid dilution effect. Nevertheless, such issuance of debt securities will raise the Company's leverage.

Advantages and disadvantages from entering into Transaction 1 with a related party

The Company intends to acquire the shares from CCF, as Mr. Patrick T. Fisher, the founder and managing partner of Creation SL, one of the sellers of CCF's shares, is currently the director of the Company. Therefore, both parties will benefit from jointly plan the direction of their businesses. Entering into the Connected Transaction allows the Company to acquire significant number of shares in CCF at once, rather than gradually purchasing from minority shareholders on the Colombo Stock Exchange. Further, such share acquisition will

give the Company an opportunity to expand business into South Asia and collaborate with BG Investments (PVT) Ltd, who is one of the major shareholders of CCF.

Risks from entering into Transaction 1

- (1) Risk from the possibility of not recovering investment costs in near term: The Company will invest approximately THB 2,513.67 million or 29.99% of CCF issued and paid-up capital for LKR 111 per share (approximately THB 26.35 per share) which is significantly higher than CCF market share price of THB 11.52 – 14.58 per share (weighted average 7 - 360 days share price). The share price is also higher than the fair value evaluated by the IFA.
- (2) Risk from inadequacy of foreign capital reserve: Sri Lanka is encountered with excessive capital outflow and has issues of low capital reserves. There is a risks of inadequacy of USD reserve in the Country. Because of the Company will receive dividends in USD, there is a risk that the USD might be insufficient and affect company's return.
- (3) Currency exchange rate and interest rate risk: LKR is considered volatile, since it has been depreciated by 13.66% against USD during the past 5 years due to the central bank expansionary monetary policy. If this continues, the dividend payment after converting to USD would be affected.
- (4) Political Risk: After Sri Lankan civil war in 2011, Sri Lanka is gradually changed into free economy or capitalism. Sri Lanka is abundant with natural resource, skilled labour, and other positive factors supporting production in various industries. Therefore, this adds security which leads to political stability and reduces political risk.
- (5) Risk from the possibility of delisting from the Stock Exchange of Sri Lanka
According to the Securities and Exchange Commission (SEC) rules on 'Minimum Public Holding as Continuous Listing Requirement', companies listed on the Colombo Stock Exchange (CSE) should have minimum public holding of 10% of total listed ordinary voting shares in the hands of a minimum of public shareholders. Since, as of 30 September 2016, public floats of CCF were consisted of 12,619,914 shares or 3.97% of issued and paid-up capital. Therefore, CCF has a risk for delisting from the Stock Exchange of Sri Lanka.
- (6) Risk of Non-performing Loans (NPLs)
It is quite typical for the risk from non-performing loans to occur in leasing/hire purchase business. Customers may not be able to pay back their loan due to their internal circumstance or external circumstance such as economic recession. However, CCF has a policy on decreasing NPL by improving internal control, screening the customer's credit more effectively, and conducting better quality of the portfolio from stricter on credit approval and improvement on debt collecting process.
- (7) Risk of internal control and management
Since the Company will become a major shareholder of CCF after acquiring 29.99% stake of the total issued and paid-up capital. The Company expects to nominate 2 representative to sit as Board of Directors of CCF. Nevertheless, there is no clear evidence to the extent of the Company's ability to gain significant management control.

Summary of IFA opinion on Transaction 1

The IFA views that for Transaction 1, although the Company will benefit from increased asset size and business expansion in South Asia, there are significant risks involved which may adversely affect the performance of the Company in the future. Those risks include 1) possibility of not recovering investment costs in near-term since the purchase price of CCF is at THB 26.35 per share, while the fair value appraised by IFA ranges between THB 16.64 – 17.46 per share, and the weighted market price ranges between THB 11.52 – 14.58 per share (during the past 7 – 360 days from 29 September 2016). Other risks include the risks from inadequacy of foreign capital reserve, since the level of foreign exchange reserve of the Sri Lanka is quite low (see more details in 4.1.4 Risks from entering into Transaction 1: CCF Acquisition)

After considering advantages, disadvantages, risks, and the purchase price, the IFA is of an opinion that the CCF Connected Transaction is not appropriate. As such, the Shareholders of the Company should not approve the CCF Connected Transaction.

Transaction 2: BGMM Acquisition: The DCF approach yields share values of BGMM ranging between THB 124.66 – 129.34 per share (base case), which amounts to the value of connected transaction of THB 48.59 – 50.42 million, and are lower than the purchase price of THB 199.79 per share or approximately amount of THB 77.89 million. IFA views that the purchase price of BGMM is not appropriate for this connected transaction.

	Fair Value	Purchase Price	Fair Value – Purchase Price
	(THB per share)	(THB per share)	(THB per share)
Transaction 2 – BGMM	124.66 – 129.34	199.79	(75.13) – (70.45)

Remark: The exchange rate THB 0.0277 per KYAT 1 Source: Bank of Thailand as of 29 September 2016

Advantages, disadvantages and risk of entering into the Transaction

Advantages of entering into the Transaction 2

- (1) Increase potential and long-term business opportunities in the Microfinance business, particularly in Myanmar. This transaction will allow the Company to study and adopt any relevant business model for Microfinance and apply it to GL's subsidiaries in Southeast Asia.
- (2) Diversification of risk that helps reduce fluctuations in profit that may result from changes in economic conditions and/or industry landscape in the home country.

Disadvantages of entering into Transaction 2

- (1) Post Transaction, the Company plans to provide financial support to BGMM for business expansion through shareholders' loan, and expects the return in a form of interest. Moreover, BGMM is in an (Early Stage) after only about 2 years of operation, there is uncertainty in terms of the forecast of BGMM's future performance.

Advantages and disadvantages from entering into Transaction 2 with a related party

GL intends to acquire 100% stake in BGMM from CCF and other shareholders. Since BGMM is an associate of CCF and the stakeholders of this transaction are the same as those in Transaction 1. Both parties will benefit from the transaction as they can together plan the business strategies for expansion in Myanmar, where there is high growth potential, both in terms of the country's economy as well as the microfinance sector.

However, Since the purchase of BGMM shares from CCF is deemed a connected transaction as discussed in section 3, the Company has to appoint IFA to render opinions on the Connected Transaction, and hence incur additional expenses.

Risks from entering into Transaction 2

- (1) Risks of the return not worth the investment: The cost of the Company's shareholders related to investment in BGMM not only includes the purchase consideration of THB 277.24 Million but also the need for providing large amount of financial support to BGMM to finance its future operation. Based on the 10-year projection by the Management, BGMM requires a minimum amount of funding/loan of no less than THB 1,600 million which based on GL's projection, would come from the shareholders' loan at an interest rate of 7%, which is lower than the domestic market lending rate of 13% in Myanmar. Additionally, the financial projection shows that BGMM will not be able to pay dividend during this period. Nevertheless, the Management has informed that BGMM is in the process of requesting financial aid from international financial institutions namely World bank and United Nations Capital Development (UNCDF)
- (2) Inability to repay principal and interest on the shareholder's loan: the Company plans to provide substantial amount of financial support to BGMM for a long payback period. In the event that BGMM cannot find an alternative source of funding, there will be risks involved in repayment of principal and/or interest from BGMM should BGMM be running at loss or is unable to repay the principal.
- (3) Foreign exchange rate risks: Since both income and expense of BGMM are realized and recognized in Kyat. If Kyat depreciates, the return of the Company's investment in BGMM will therefore be lower.
- (4) Operational risks post-acquisition and changes of shareholders: If the Company does not enter into Transaction 1 and enters only into Transaction 2, there are operational risks related to continuation of the existing operational support from CCF in terms of the operational activity and management, along with human resources and other management systems. Hence, the Company needs to develop a post-acquisition plan particularly in the areas of BGMM's operational management, human resources (experienced personnel with knowledge of Microfinance industry) as well as other information technology (IT) system that are currently being supported by CCF. Currently, there is no proper agreement in terms of management support between CCF and BGMM.
- (5) Risks related to business expansion due to competition: The rapid expansion of business in Myanmar is lowering supply of office space and human resources available. Infrastructure and utility systems are also underdevelopment. BGMM plans to recruit senior employees with experience in Microfinance and intends to provide training for newly recruited junior staff. Based on the Management interview, currently the staff turnover rate is quite low.
- (6) Risks related to infrastructure in Myanmar: As the infrastructure in Myanmar is still under development, there is risk as to whether it will be able to support a rapid expansion plan of BGMM during a short period. Despite GL's plan to implement its in-house software that could be effectively adapted with microfinance business, it remains uncertain whether the current infrastructure, for

example, internet network, electricity in Myanmar will be sufficient for BGMM's operational requirements. As a result, there may be some limitations to branch expansion in the areas where those infrastructure are lacking.

- (7) Political risk: the recent change in the political landscape in Myanmar in 2013 has stabilized the country to certain extent and fostered positive economic improvement both in terms of financial support and foreign investment. However, since the country is still in an early stage of development, rules and regulations related to commerce and investment are yet to meet the international standards.
- (8) Operational risk resulting from non-performing loans. Currently, the credit risk in the microfinance business in Myanmar is quite low based on the Management interview and the Company's past collection history as it is able to collect loans effectively. However, once business expands, the credit risk should rise accordingly. However, BGMM's mitigation policy to address such risk is through a tight credit lending policy.
- (9) Risks related to change in interest rate policy for Microfinance. Based on the Management interview, there is a risk of changes in interest rate policy for the Microfinance sector, essentially the maximum interest rate charged on loans. The performance of BGMM will be affected if the maximum loan rate is lowered, thereby affecting the income of GL that could be realized from BGMM's operation after the acquisition.

Conclusion of IFA's opinion for entering into Transaction 2

IFA views that the BGMM connected transaction can increase the potential and long-term business opportunities, particularly in microfinance sector, for the Company and also help diversify business risk. However, there are significant risks of entering the Transaction 2 that would adversely affect the Company's performance in the future, as well as the decision of shareholders, such as the risks that the return may not be worth the investment value. With the purchase price of BGMM share at THB 277.24 Million and the requirement of financial support for business expansion with the approximate number of THB 1,600 Million in the period of financial projection, it is considered a long-term investment with very long payback period. (See details in 5.1.4 Risks from entering into transaction 2)

After considering advantages, disadvantages and risks comparing with the purchase price, IFA is of the opinion that the shareholders should not approve the Connected Transaction.

Transaction 3: issuance and Offering of CDs: The Straight bond valuation and Black-Scholes Option Pricing Model yield a fair value of the CDs of USD 118,996.33 per unit (Base case) which is greater than its face value/ issuing price to the related party at USD 100,000 per unit. As such, the IFA views that the issuance and offering of CDs to the related party is not appropriate.

	Fair Price	Issuing Price	Fair Price - Issuing Price
	(USD)	(USD)	(USD)
Transaction 3 - GL (Convertible Debenture)	118,996.33 - 120,934.75	100,000.00	18,996.33 - 20,934.75

Advantages, disadvantages and risks of entering into the Transaction

Risks from entering into Transaction 3

(1) Increase the ability of fund raising in USD currency for business expansion

The Company will receive proceeds from the issuance and offering of CDs of USD 20 Million (approximately THB 693.10 Million), which will be used in the share acquisitions, upon shareholders' approval, business expansion as well as lending out more credits to in the SME enterprises and hire purchase customers.

(2) Fund as working capital for business operations and liquidity maintenance

Disadvantages from entering into Transaction 3

- (1) Higher interest rate than straight bond: The CDs of the Company that are to be issued offer higher interest rates than straight bond issued by companies of similar ratings (A-), where their interest rates hover around 2.10% to 3.37% (Source: Bloomberg –based on the corporate bonds issued and offered for sales during 2015 – 29 September 2016). The Company's CDs are to be issued at 5% interest rate, not taking into account the option value for converting into common shares.
- (2) Dilution effect: Although an issuance of CDs helps prolong the impact of dilution effect, there remains a control dilution when exercising the CDs. If the exercise price is lower than the market price, the price dilution would also be realized, along with a dilution of earnings resulting from the greater number of common shares available.

Advantages and disadvantages from entering into Transaction 3 with a related party

The Company will receive the proceeds of THB 693.10 Million from the issuance and offering of CDs to a specific foreign investor, Creation SL, who is a connected person. Had the Company issued and offered the CDs to third parties, it is plausible that the total proceeds to the Company would be less than THB 693.10 Million if those third parties are unable to make the payment in full.

Nevertheless, the connected person (Mr. Patrick T. Fisher) will become a major creditor of the Company post-transaction. The figures are based on the Company's financial statements as at 30 June 2016, representing 12.44% of its total liabilities. However, interest rate of CDs at 5% is lower than 3-years average historical financial cost of the Company at 6.14%

Risks from entering into Transaction 3

- (1) Foreign exchange rate risk: Since the Company plans to raise fund by issuing convertible debenture in USD, any fluctuation in foreign exchange rates will affect the interest payment and the principal repayment to the lender.
- (2) Risks of not being able to repay the principal

Summary of IFA opinion on Transaction 3

The IFA views that even though the Company will benefit from the CDs proceeds which could be used for further overseas expansion and/or operational working capital, the interest rate paid on its straight bond portion of the CDs at 5% is higher than interest rates paid by other corporate bonds of similar ratings (A-) which range between 2.10% - 3.37%, not taking into account the option value from converting the CDs into common shares.

After considering advantages, disadvantages, risks, and the issuing price of the CDs (at USD 100,000 per unit), the IFA views that the issuance and offering of CDs is not appropriate. As such, the Shareholders of the Company should not approve the issuance and offering of CDs.

Although the three transactions may be beneficial to the Company and the Shareholders as a whole in terms of enhancing the Company's potential in expanding business overseas, the purchase prices for Transaction 1 and 2 that are considerably higher than their respective fair value of shares, and the face value of CD which is lower than the total fair value of CDs. Having taken into account all factors, including comparison of advantages and disadvantages for each transaction, IFA is of the opinion that the shareholders should vote for the transactions as follows:

	IFA's Opinions
Transaction 1: The acquisition of shares in a listed company in Sri Lanka	Not approve
Transaction 2: The acquisition of shares in a private company in Myanmar	Not approve
Transaction 3: The Issuance and Offering of Convertible Debentures	Not approve

However, a decision to approve or not approve the transactions solely depends on shareholders' discretion. The shareholders should study information in the documents appended to the notice to the shareholders' meeting and exercise discretion in voting for an appropriate decision.

This English report of the IFA's opinion has been prepared solely for the convenience of foreign shareholders of the Company and should not be relied upon as the definitive and official document. The Thai language version of the IFA'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,



Monvalai Ratchatakul
Supervisor
Grant Thornton Services Ltd.



Julaporn Namchaisiri
Managing Director – Corporate Finance
Grant Thornton Services Ltd.

8. Appendices

Appendix 1: Group Lease Public Company Limited

1.1 Background and Significant Developments

Group Lease Public Company Limited (“GL” or the “Company”) was established on May 6, 1986, undertaking automobile hire purchase business in Bangkok and upcountry. During the year 1990, the new group of shareholders acquired the business from the existing shareholders, and focused on the hire purchase business of motorcycles while slowing down the automobile hire purchase. After that the Company had expanded hire purchase of other things such as trucks, machineries, printing presses as well as the financial leasing, factoring contracts, asset financing and personal loans. Since the year 2004, the core business of the Company had been concentrated on hire purchase of motorcycles only.

On 2007 the new shareholder APF group had done Take Over Bid in the Stock Exchange of Thailand (“SET”) and became the major shareholder until now. From 2011 the Company had reformed the managements and started the rapid expansion to ASEAN market and started a creation of new business model in Cambodia. Now the business model had been shifted into ‘Digital Finance Platform Provider’ which creates a new market especially for the consumer duables suppliers and consumers through GL’s own distinctive Platform which is an original combination of Point of Sales (POS) network and E-Finance system network.

As at 30 June 2016, the Company’s registered capital was THB 905,217,625.50 with the paid-up capital of THB 762,692,625.50 divided into 1,525,385,251 ordinary shares at the par value of THB 0.50.

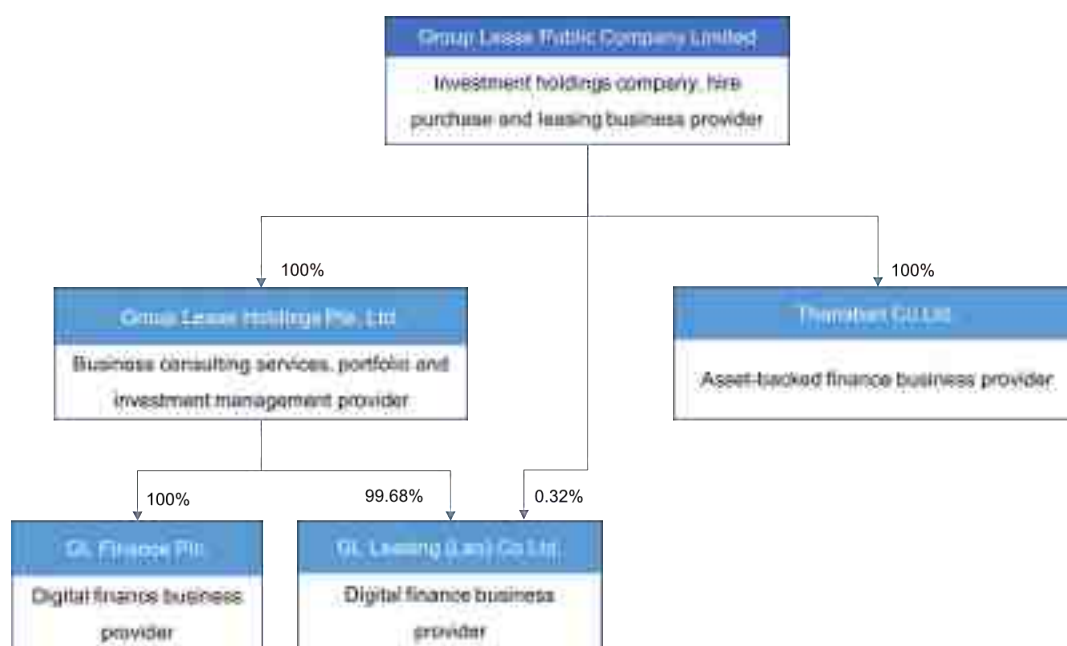
Table 8-1: Major changes and developments of GL

Year	Details
2012	<ul style="list-style-type: none"> The Company had expanded its business into Cambodia with first Finance Leasing License from National Bank of Cambodia. The Company had invested in a subsidiary, Group Lease Holdings Pte.Ltd. or GLH which is a holding company located in Singapore to use as an investment expansion base in other countries.
2013	<ul style="list-style-type: none"> GL Finance Plc. or GLF, a subsidiary of GL, undertook motorcycle hire purchase business with newly created ‘Digital Finance Platform’. GLF is currently operate Point of Sales in Honda Dealer shops and Kubota agricultural machinery Dealer shops all over Cambodia.
2014	<ul style="list-style-type: none"> The Company had acquired the whole business of Thanaban Co., Ltd. which is in the same field of industry. This equipped the Company to accelerate business expansion under its management policy immediately at about 30%. Thanaban can also help strengthen competitiveness in the domestic market for the Company in the future.
2015	<ul style="list-style-type: none"> The new operation through Digital Finance Platform in Laos kicked off along with same business model in Cambodia. As a result, the Company concluded year 2015 with highest revenue, highest net profit and largest portfolio than ever.

Source: Annual registration statement 2015

1.2 Company Structure

Figure 8-1: Company structure of GL



Source: Annual registration statement 2015

1.3 Overview of the Business

Core business of the group Company is Digital Finance to provide platform between the consumers and suppliers/dealers for living necessities such as motorcycle, agricultural machinery, energy sector equipments and other consumer durables with finance. For consumers, it is very easy and convenient because it facilitates the entire process from application to e-payment monthly installments. For suppliers/ dealers, it is very effective and countable because it facilitates full package of products selling from marketing, scoring the customers (which know-how the suppliers do not have) to money collection through POSs networks and originally integrated e-Finance system. As a result, the revenue comes from both, from consumers as a Hire Purchase interest and from suppliers/dealers as consulting service and loan interest.

Service characteristics

1. Motorcycle hire purchase loan service models

Motorcycle hire purchase loan services are a form of financial services with 3 parties involved, namely, the customer or the hirer-purchaser, the store or the distributor and the company or the loan service provider. Customers can repay for motorcycle by 12 – 36 months installment payment. Once all the repayments and other conditions set forth in the contract are settled completely, the customer shall have the right as the owner of such motorcycle. The customer can use hire purchase loan services in any of the motorcycle dealers' shop about 200 shops in the Bangkok area, surrounding provinces and other provinces.

The factors involved in setting loan balance and term for paying installments are dependent on the customer's ability to pay, as well as the brand, model and price of motorcycles. According to the Company's customer database, motorcycle types can be categorized as follows:

Ratio of motorcycle brands for hire purchase services according to market share in the years 2013-2015 and Q2/2016 is as follows.

Table 8-2: Ratio of motorcycle brands for hire purchase services

Unit : Percentage

No.	Brand	2013	2014	2015	Q2/2016
1	Honda	76.06	83.18	84.19	79.91
2	Yamaha	22.64	14.88	14.45	19.05
3	Kawasaki	0.60	1.34	1.10	0.35
4	Suzuki	0.70	0.59	0.26	0.66
Total		100.00	100.00	100.00	100.00

Source: Annual registration statement 2015

Motorcycle hire purchase service provision businesses are not under the supervision of any agency or any special laws. Thus, entrepreneur expansions in the motorcycle hire purchase business can be done at the Company's full capacity.

However, in preparing motorcycle hire purchase contracts, the Company is controlled by the Committee of Contracts, Consumer Protection on Contract Division, Office of the Consumer Protection Board (OCPB), Office of the Prime Minister, in order to ensure that consumers or customers receive fairness when making contracts. The Company uses hire-purchase contracts with contents consistent with every effective Committee of Contracts notification.

2. Motorcycle dealers

In consumers' loan service selection to hire purchase motorcycles, motorcycle dealers are imperative in advising the companies allowing hire purchases for customers who apply for loans to hire purchase motorcycles. Therefore, building service satisfaction among motorcycle dealers is important for expanding customer bases and businesses. Thus, the Company has invented a system for checking loan provision data quickly under an information system covering the company's operations. With expert personnel, the Company is able to approve loans quickly with sufficiently concise internal control procedures.

Moreover, the Company also has other motivating strategies such as by offering sales promotion fees with details and sales proposal ratios to motorcycle dealers dependent on competition in each area, which may vary and require adjustment in each period of time. Although the Company has good relationships with many dealers from long-term business operations, the Company continues to adhere to policies emphasizing independence and does not adhere to manufacturer jurisdictions. The Company also places importance on distributing loan approval figures through a variety of dealers. No dealer has hire purchase ratios exceeding 30 percent of all hire purchase figures. This will help mitigate business risks due to the influence of major dealers.

3. Motorcycle hire purchase loan service provision policy

The Company has set qualifications for customers seeking to apply for motorcycle hire purchase loans. Customers are required sufficient income for motorcycle hire purchases. Primary target groups include ordinary people with secure and adequate income for loan repayment. Consideration is made based on the documents used to accompany loan requests such as copies of identification cards, house registrations and pay slips. In addition, customers applying for loans and guarantors are to present real evidence to loan analysis staff in

addition to completing hire-purchase applications, guarantors' certificates and letters of consent to examine credit information. Most customers without financial documents have independent or freelance occupations such as trading, general contracting or motorcycle taxi drivers, etc. Customers and guarantors will have documents to accompany consideration such as copies of identification cards, house registrations and real evidence. Loan staff may need to check the accuracy of the customer's home or office address information based on the data provided by customers.

The Company became a member of the National Credit Bureau Co., Ltd., Thai Motorcycle Hire Purchase Association. Thus, the Company has an advantage in considering loan approvals quickly and accurately with quality.

4. Motorcycle hire purchase loan service provision guarantees

Motorcycles accepted for hire purchase by the Company serve as collateral for loan provision in cases where the customer misses 3 consecutive installments. The Company will terminate the contract if the customer refuses to pay within 30 days. The Company will seize motorcycles to sell on the market. If the Company is unable to seize motorcycles, the Company will follow up on the debt with guarantors.

Table 8-3: Revenue structure of GL

The Company's revenue	2013		2014		2015		Q2/2016	
	THB million	%	THB million	%	THB million	%	THB million	%
Hire purchase interest income	1,258.28	85.51	1,676.42	90.02	1,898.44	76.28	976.98	70.59
Asset - backed loan interest income	-	-	-	-	25.48	1.03	48.55	3.51
Loan interest income	-	-	-	-	-	-	229.24	16.56
Other income ¹	213.26	14.49	185.93	9.98	564.78	22.69	129.24	9.34
Total revenues	1,471.54	100.00	1,862.35	100.00	2,488.70	100.00	1,384.01	100.00

Note: 1. Other income consists of bad debt recovery, penalty of hire purchase and installment sale, registration service fee, insurance service fee, collection fee, interest income, consultation service fee income and others.

Source: The audited financial statements for the year ended 31 December 2013-2015 and the audited financial statements for 30 June 2016.

1.4 Shareholding Structure

A list of the 10 major shareholders as at 6 July 2016 is as follows.

Table 8-4: Major shareholders of GL

No.	Major shareholder	No. of shares	%
1	Engine Holdings Asia Pte. Ltd.	402,565,553	26.39
2	Thai NVDR Co., Ltd.	195,457,256	12.81
3	SIX SIS LTD	185,846,489	12.18
4	A.P.F.Holdings Co., Ltd.	158,911,191	10.42
5	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD A/C CLIENTS	99,312,757	6.51
6	Mr. Suthipong Vesparut	64,610,000	4.24
7	K.R Capital Co., Ltd.	46,200,000	3.03
8	Cougar Pacific Holdings Co., Ltd.	40,715,663	2.67
9	Thailand Securities Depository Co.,Ltd. for depositor	39,486,322	2.59

No.	Major shareholder	No. of shares	%
10	MERRILL LYNCH,PIERCE,FENNER & SMITH INC.	36,504,600	2.39
	Total	1,269,609,831	83.23

Source: The Stock Exchange of Thailand

1.5 Board of Directors and Executives

As of 30 June 2016 (to present), the Company's Board of Directors consisted of 12 directors divided into 5 executive directors and 7 non-executive directors of which 4 members were Independent Directors who were also carry out the duties of Audit Committee. The proportion of Audit Committee members which was more than one-third of the total member of the Board of Directors provides sufficient check and balance. There are 1 executive director and 1 independent director, who have direct experience in hire purchase business which is the core business of the Company.

The Company's Board of Directors consisted of 12 directors as follows.

Table 8-5: Board of directors of GL

No.	Name	Position
1	Mr. Mitsuji Konoshita	Chairman of the Board and CEO
2	Mr. Tatsuya Konoshita	Chairman of Executive Board and Director
3	Mr. Somchai Limpattanasin	Director
4	Mr. Muneo Tashiro	Director
5	Mr. Patrick T. Fisher	Director
6	Mr. Riki Ishikami	Director
7	Mr. Regis Martin	Director
8	Mr. Yusuke Kozuma	Director
9	Gen.Suebsan Dardarananda	Independent Director and Chairman of the Audit Committee
10	Mr. Krit Phanratnamala	Independent Director and Audit Committee
11	Dr. Pholdej Therdphithakvanij	Independent Director and Audit Committee
12	Mr. Sonit Pichyangkul	Independent Director and Audit Committee

Source: The Stock Exchange of Thailand

A list of sub-committees of the Company as of 30 June 2016 is as follows.

Table 8-6: Audit committee of GL

ลำดับ	Name	Position
1	Gen.Suebsan Dardarananda	Chairman of the Audit Committee
2	Mr. Krit Phanratnamala	Audit Committee
3	Dr. Pholdej Therdphithakvanij	Audit Committee
4	Mr. Sonit Pichyangkul	Audit Committee

Note: Currently, the Board of Directors has set up only 1 sub-committee, i.e. Audit Committee and has not set up Nomination and Compensation Committee due to its small and uncomplicated nature of the organization so that the Nomination Committee might not be necessary.

Source: The Stock Exchange of Thailand

A list of the management team of the Company as of 11 May 2016 is as follows.

Table 8-7: Management team of GL

No.	Name	Position
1	Mr. Mitsuji Konoshita	Chief executive Officer
2	Mr. Tatsuya Konoshita	Chairman of Executive Board and Chief Foreign Business Development Officer
3	Mr. Somchai Limpattanasin	Chief Operating Officer
4	Mr. Regis Martin	Chief Financial Officer
5	Mr. Muneo Tashiro	Executive Director
6	Mr. Freddy Marie	Group IT Director
7	Mr. Boris Blaise Zschorsch	Deputy CFO Accounting and Audit
8	Mr. Jonathan Meuret	Chief New Business Development Officer

Source: <http://www.grouplease.co.th>

1.6 Financial Position and Operating Result

Table 8-8: Consolidated statements of financial position of GL

	2013		2014		2015		Q2/2016	
	THB million	%	THB million	%	THB million	%	THB million	%
Cash and cash equivalents	320.55	5.83	357.45	4.92	1,044.89	9.71	2,890.60	21.70
Current portion of hire purchase and instalment sales receivables	2,208.37	40.18	3,172.39	43.63	3,198.88	29.72	3,147.27	23.63
Current portion of loans and interest receivables	23.37	0.43	24.78	0.34	2,152.93	20.00	2,328.65	17.48
Other current assets	209.44	3.81	204.33	2.81	373.45	3.47	540.57	4.06
Total current asset	2,761.73	50.25	3,758.95	51.69	6,770.15	62.89	8,907.09	66.87
Long-term portion of hire purchase and installment sales receivables	2,323.23	42.27	2,922.96	40.20	2,848.47	26.46	3,070.72	23.05
Long-term portion of loans and interest receivables	-	-	-	-	604.59	5.62	805.40	6.05
Property, plant and equipment	70.88	1.29	100.64	1.38	115.98	1.08	111.07	0.83
Intangible assets	105.07	1.91	95.92	1.32	101.07	0.94	93.54	0.70
Goodwill	43.68	0.79	118.13	1.62	122.52	1.14	121.24	0.91
Deferred tax assets	60.98	1.11	112.65	1.55	62.87	0.58	54.18	0.41
Other non-current assets	130.94	2.38	162.67	2.24	139.47	1.30	157.70	1.18
Total non-current assets	2,734.78	49.75	3,512.97	48.31	3,994.97	37.11	4,413.85	33.13
Total assets	5,496.51	100.00	7,271.92	100.00	10,765.12	100.00	13,320.94	100.00
Short-term loans from financial institutions	13.55	0.25	250.00	3.44	349.05	3.24	478.11	3.59
Trade accounts payable	4.32	0.08	9.08	0.12	46.45	0.43	30.88	0.23
Current portion of long-term loans	1,808.59	32.90	2,547.81	35.04	1,557.85	14.47	1,482.43	11.13
Income tax payable	49.44	0.90	-	-	53.32	0.50	85.38	0.64
Accrued expenses	28.91	0.53	56.53	0.78	77.73	0.72	90.11	0.68
Other current liabilities	34.57	0.63	85.88	1.18	91.40	0.85	636.92	4.78
Total current liabilities	1,939.38	35.28	2,949.30	40.56	2,175.80	20.21	2,803.82	21.05
Long-term portion of long-term loans	1,288.93	23.45	1,312.05	18.04	504.59	4.69	926.98	6.96
Long-term portion of debentures	-	-	488.3	6.71	493.61	4.59	-	-

	2013		2014		2015		Q2/2016	
	THB million	%	THB million	%	THB million	%	THB million	%
Advance received for issuance of convertible debentures	-	-	-	-	-	-	1,829.37	13.73
Provision for long-term employee benefits	4.16	0.08	6.38	0.09	7.48	0.07	7.48	0.06
Cash guarantee for damage on hire purchase agreement	2.30	0.04	2.32	0.03	2.18	0.02	2.18	0.02
Deferred tax liabilities	0.66	0.01	-	-	-	-	-	-
Total non-current liabilities	1,296.05	23.58	1,809.05	24.88	1,007.86	9.36	2,766.00	20.76
Total liabilities	3,235.43	58.86	4,758.35	65.43	3,183.66	29.57	5,569.83	41.81
Issued and paid-up	512.35	9.32	542.88	7.47	713.64	6.63	762.69	5.73
Share premium	933.68	16.99	1,084.25	14.91	4,254.63	39.52	5,186.63	38.94
Share subscription received in advance	1.00	0.02	-	-	981.05	9.11	-	-
Warrants	0.54	0.01	-	-	-	-	-	-
Capital reserve for share-based payment transactions	2.22	0.04	3.58	0.05	-	-	-	-
Retained earnings								
Appropriated – statutory reserve	72.09	1.31	72.09	0.99	76.96	0.71	90.52	0.68
Unappropriated	715.4	13.02	774.52	10.65	1,283.83	11.93	1,517.66	11.39
Exchange differences on translation of financial statements in foreign currency	23.8	0.43	36.25	0.50	271.35	2.52	100.12	0.75
Non-controlling interests of the subsidiary	-	-	-	-	-	-	93.48	0.70
Total equity	2,261.08	41.14	2,513.57	34.57	7,581.46	70.43	7,751.11	58.19
Total liabilities and equity	5,496.51	100.00	7,271.92	100.00	10,765.12	100.00	13,320.94	100.00

Source: Consolidated financial statements (Audited) of the Company and its subsidiary as of 31 December 2013-2015 and Consolidated financial statements (Reviewed) of the Company and its subsidiary as of 30 June 2016

Assets

As of 30 June 2016, the Company and subsidiaries had total assets of THB 13,320.94 million, an increase from THB 10,765.12 million and THB 7,271.92 million at the end of 2015 and 2016 or a growth rate of 23.74 percent and 48.04 percent, respectively. This was mainly caused by rises in accounts receivable according to hire-purchase contracts and sales by installments of THB 6,217.99 million during 2016. This includes higher cash and cash equivalents in 2016 from advanced payments received from convertible bond issuance. Furthermore, performance from subsidiaries, namely, GL Leasing (Lao) Company Limited) (a subsidiary in Laos) was included in the consolidated financial statement since 2015. Moreover, the rise in overall performance was caused by economic recovery in 2016.

Nevertheless, when considering the overall view of the motorcycle market, the market was found to have recessive trends from economic conditions. However, when the company's financial status and performance during the past year was considered, the company was found to have continued expanding loans at lower rates with emphasis on screening debtor quality. As of 30 June 2016, net hire-purchase loan debtors was equal to THB 6,217.99 million, an increase by 2.82 percent from the end of 2015 when net hire-purchase loan debtors was equal to THB 6,047.35 million. However, the company's overall income had increasing trends. By mid-

2016, the company had the total income of THB 1,384.01 million, an increase from THB 1,179.39 million from the same period during the previous year or 17.35 percent.

- Debtor quality and allowance for doubtful accounts

The Company sets allowance for doubtful accounts of hire-purchase debtors and installment plans who are debtors in the Company's main business as shown in Table 6 – 9: GL Debtor Quality and Allowance for Doubtful Accounts. When ratios of debtor quality and installment plans are compared based the unpaid time and debtor value based hire-purchase and installment plan contracts for each installment, the ratio of debt not due for payment were found to have increased continually from 75.75 percent in 2014 to 82.99 percent in 2015 and 85.08 percent in the second quarter of 2016. In the meantime, unpaid debts had continually lower ratios from 24.25 percent in 2014 to 17.01 percent in 2015 and 14.92 percent in the second quarter of 2016. Nevertheless, unpaid debts which are overdue for more than 12 months are at low ratios of approximately 0.28 percent in the second quarter of 2016, a slight increase from 0.14 percent during the previous year.

Table 8-9: GL Accounts Receivable and Allowance for doubtful debt

Aging of Hire-Purchase Account Receivable	Accounts Receivable and Accrued Income after deducting hire purchase Interest Income, Vat and Deposit for loss from customer (THB million)				%				Allowance for doubtful debt (THB million)				Allowance for doubtful debt %			
	2013	2014	2015	2/2016	2556	2013	2014	2015	2/2016	2557	2013	2014	2015	2/2016	2558	2013
Not yet due	3,854.88	5,041.86	5,318.37	5,538.48	78.31	75.75	82.99	85.08	37.48	44.11	38.85	39.16	1.00	1.00	1.00	1.00
Past due:																
1 month	300.87	474.28	379.73	373.19	6.11	7.12	5.93	5.73	29.45	45.27	31.80	27.03	10.00	10.00	10.00	10.00
2-3 months	295.72	514.22	322.03	284.15	6.01	7.73	5.03	4.36	58.05	101.05	62.10	51.57	20.00	20.00	20.00	20.00
4-6 months	207.53	263.27	142.41	133.80	4.22	3.96	2.22	2.06	81.66	103.27	55.23	47.49	40.00	40.00	40.00	40.00
7-9 months	142.98	168.39	118.57	88.35	2.90	2.53	1.85	1.36	84.55	99.38	69.10	50.06	60.00	60.00	60.00	60.00
10-12 months	97.59	120.97	118.20	73.83	1.98	1.82	1.84	1.13	77.11	95.48	94.06	58.51	80.00	80.00	80.00	80.00
Over 12 months	22.71	72.68	8.89	18.07	0.47	1.09	0.14	0.28	22.38	71.75	8.88	18.07	100.00	100.00	100.00	100.00
Total	4,922.28	6,655.67	6,408.20	6,509.88	100.00	100.00	100.00	100.00	390.68	560.31	360.02	291.89	7.94	8.43	5.62	4.48

Source: Annual registration statement 2015 and Consolidated financial statement of the Company and its subsidiary as of 30 June 2016

Allowance for doubtful accounts

In the second quarter of 2016, allowance for doubtful accounts was THB 291.89 million or 4.48 percent of debtors' values based on hire-purchase and installment plan contracts, a reduction from the ratios of 5.62 percent in 2015 and 8.43 percent in 2014. Reservations for unpaid debts will drop at every level. In 2015, allowance for doubtful accounts was THB 360.02 million, a reduction from THB 560.31 million during the previous year or 35.75 percent. Allowances are lower at every level, especially among the group due to payment in 2 – 3 months where allowance was set at 20 percent at THB 62.10 million, a reduction from THB 101.05 million in 2014 or 38.55 percent. Allowances are lower at every level, especially among the group with debts unpaid for 2 – 3 months where allowance was set at 20 percent at THB 62.10 million, a reduction from THB 101.05 million in 2014 or 38.55 percent. In the group with debts unpaid in 4 – 6 months, allowance was set at 40 percent with allowance for doubtful accounts at THB 55.23 million, a reduction from THB 103.27 million in 2014 or 46.52 percent. And in the group with debts unpaid in more than 12 months, allowance was set at 100 percent with allowance for doubtful accounts at THB 8.88 million, a reduction from THB 71.25 million in 2014 or 87.62 percent. The cause for reductions to allowance for doubtful accounts was from loan expansion at lower ranges in compliance with economic conditions and emphasis on screening debtor quality by applying strictness to loan approval and debt monitoring system development.

Liabilities

As of 30 June 2016, the company and subsidiaries had a total liability of THB 5,569.83 million, increase from THB 3,183.66 million and THB 4,758.35 million, respectively. Liabilities are divided into current liabilities at THB 2,803.82 million or a ratio of 50.34 percent of total liabilities. Main current liabilities consisted of short-term loans from financial institutes and long-term loans due for payment in one year at THB 1,960.53 million, short-term loans from other businesses at THB 4.16 million and trade accounts payable at THB 30.88 million. Non-current liabilities were THB 2,766 million or 49.66 percent of total liabilities. Main non-current liabilities consisted of net long-term loans at THB 926.98 million and liabilities from advanced payments from converted loan share issuance were THB 1,829.37 million.

From 2015 to the second quarter of 2016, total liabilities had significant changes from increases in advanced payments from converted loan share issuance, which was long-term liability. When only current liabilities are considered, long-term loans due for payment in one year dropped every year. In 2015, current liabilities were THB 2,175.80 million or 68.34 percent of total liabilities while non-current liabilities were THB 1,007.86 million or 31.66 percent of total liabilities. Current liabilities in 2015 dropped from the previous year by THB 773.50 million or 26.23 percent with main causes from long-term loans due for payment in one year dropping by THB 989.96 million or 38.86 percent. Non-current liabilities in mid-2016 increased to THB 1,758.14 million. When compared to 2015, non-current liabilities in 2015 dropped significantly when compared to 2014 as a result of reductions in long-term loans due for payment for more than one year with payments in installments according to contracts. The outstanding figure in 2015 was THB 504.59 million.

Shareholders' equity

As of 30 June 2016, shareholders' equity was THB 7,751.11 million, an increase from THB 7,581.46 million and THB 2,513.57 million in 2015 and 2014, respectively. This was because the company had continual increases in issued and paid-up shares from THB 542.88 million in 2014 to THB 713.64 million in 2015 and THB 762.69 million in the second quarter of 2016, respectively. Share premiums also increased from THB 1,084.25 million in 2014 to THB 4,254.63 million and THB 5,186.63 million in 2015 and the second quarter of 2016, respectively. Changes to issued and paid-up shares and the aforementioned share premiums were a result of uses of warrants and converted loan shares. Furthermore, the Company's retained earnings increased continually from THB 846.59 million in 2014 to THB 1,360.79 million and THB 1,608.18 million in 2015 and the second quarter of 2016, respectively.

Table 8-10: Consolidated profit and loss statements of GL

	2013		2014		2015		Q2/2016	
	THB million	%	THB million	%	THB million	%	THB million	%
Hire purchase interest income	1,258.28	85.51	1,676.42	90.02	1,898.44	76.28	976.98	70.59
Asset – backed loan interest income	-	-	-	-	25.48	1.02	48.55	3.51
Interest on loan receivables	-	-	-	-	-	-	229.24	16.56
Other income	213.26	14.49	185.93	9.98	564.78	22.69	129.24	9.34
Total revenues	1,471.54	100.00	1,862.35	100.00	2,488.70	100.00	1,384.01	100.00
<u>Operating Expenses</u>								
Service and administrative expenses	362.84	24.66	547.64	29.41	784.37	31.52	453.21	32.75
Bad debts and doubtful accounts	343.64	23.35	494.86	26.57	356.57	14.33	154.06	11.13
Loss on disposals of foreclosed assets	314.39	21.36	431.82	23.19	355.03	14.27	109.62	7.92
Total expenses	1,020.87	69.37	1,474.32	79.16	1,495.97	60.11	716.89	51.80
Profit before finance cost and income tax expenses	450.67	30.63	388.03	20.84	992.73	39.89	667.13	48.20
Finance cost	145.71	9.90	250.42	13.45	266.77	10.72	89.68	6.48
Income tax expenses	64.65	4.39	19.89	1.07	143.07	5.75	99.43	7.18
Profit for the period	240.31	16.33	117.72	6.32	582.89	23.42	478.02	34.54
Earning per share (THB)	0.25	-	0.11	-	0.49	-	0.31	-

Note: Q2/2015 Total revenue of the Company and its subsidiary is equal to THB 1,179.40 According to 1st half Income statement as of 30 June 2016

Source: Consolidated financial statement (Audited) as of 31 December 2013 - 2015 of the Company and its subsidiary and Consolidated financial statement (Reviewed) as of 30 June 2016

Income

The Company's and subsidiaries' income as of 30 June 2016 was THB 1,384.01 million, comparable to the same period of the previous year at THB 1,179.40 million, respectively, or an increase of 17.35 percent. This was a result of income from loan interest from business and loan management consultation businesses for other businesses and investment management at THB 229.24 million. During the second quarter of 2016, interest income from consumer loans with guaranteeing assets increased from THB 1.34 million in the second quarter of 2015 to THB 48.55 million in the second quarter of 2016 at the growth rate of 3,518.96 percent. Moreover, income from hire-purchase interest also increased from THB 954.71 million to THB 976.98 million

in the second quarter of 2015 and the second quarter of 2016, respectively, or a growth rate of 2.33 percent. However, other income consisting of income from interest, consultation service income, management fee income, other income associated with hire-purchase loan service provision and other decreased from THB 223.34 million to THB 129.24 million or 42.13 percent.

In 2014 and 2015, income from hire purchase interest increased from THB 1,676.42 million to THB 1,898.44 million or 13.24 percent as a result from growth in hire-purchase debtors, especially in Cambodia, and business operations of GL Leasing (Lao) Co., Ltd., a subsidiary in Laos.

Operating Expenses

Operating expenses consisted of service and management expenses, bad debts and doubtful accounts (meaning increases in bad debts and allowance for doubtful accounts between periods) and losses from sale of properties awaiting sales.

- Operating expenses of the company and subsidiaries in the second quarter of 2016 were THB 716.89 million or 51.80 percent of total income. Service and management expenses was at 32.75 percent of total income. In 2015, operating expenses were THB 1,495.97 million or 60.11 percent of total income and an increase by 1.47 percent from 2014. Service and management expenses were 31.52 percent of total income, an increase by 43.23 percent from the previous year. The ratio of service and management expenses to total income increased continually from 29.41 percent in 2014 to 31.52 percent and 32.75 percent in 2015 and the second quarter of 2016, respectively. These expenses were increased to support business operations of the company and subsidiaries (including GL Leasing (Lao) Co., Ltd., which began business operations in 2015, and Thanaban Co., Ltd., which invested in 2014) according to business expansion plans of corporations in the ASEAN region. The number of employees supporting loan expansions continued to increase continually. Furthermore, there were also exclusivity rights according to contract periods.

- Bad debts and doubtful accounts consisted of bad debts and additional allowance for doubtful accounts between periods. Bad debts and allowance for doubtful accounts dropped from THB 494.86 million in 2014 to THB 356.57 million in 2015 or a reduction by 27.95 percent in the second quarter of 2016. The aforementioned bad debts and allowance for doubtful accounts amounted to THB 154.06 million. When ratios of bad debts and allowance for doubtful accounts to total income were compared, the aforementioned ratios were found to have dropped continually from 26.57 percent to 14.33 percent and 11.13 percent for 2014, 2015 and the second quarter of 2016, respectively, as a result of continually improved debtor quality. This was partially an effect from strict loan approval control and debt monitoring system development.

- Losses from distribution of properties awaiting sales were incurred from the value of seized properties awaiting sales deducted by the value of properties from auctions. In the second quarter of 2016, losses from distribution of properties awaiting sales had the ratio of 7.92 percent of total income. The aforementioned ratio dropped continually since 2014. The ratio of losses from distribution of properties awaiting sales to income was at 23.19 percent and 14.27 percent in 2014 and 2015, respectively.

Operating Profits

In 2014 and 2015, the company and subsidiaries had profit before financial expenses and income tax expenses at THB 388.03 million and THB 992.73 million, respectively, an increase by 155.84 percent or 20.84 percent and 39.89 percent of total income. This was a result of growth in income from the hire-purchase business and income from investments in various companies in compliance with business expansion plans of companies in the ASEAN region by developing hire-purchase and microfinancing businesses.

In the second quarter of 2016, profit before financial expenses and tax expenses were THB 667.13 million or 48.20 percent of total income.

Financial Expenses

In the second quarter of 2016, financial expenses were THB 89.68 million or 6.48 percent of total income, a reduction from THB 266.77 million or 10.72 percent of total income in 2015. This was because conversions of loan shares to become common shares in shareholders' equity reduced shareholders' equity. Mean cost of financial institute loans in the second quarter of 2016 were at 5.58 percent, a reduction from the mean cost of financial institute loans in 2015 of 7.09 percent.

In 2015, financial expenses were THB 89.68 million or an increase from the previous year by 6.53 percent from THB 981.00 million in convertible bond issuance to support domestic and foreign business expansions. Long-term loans from financial institutes dropped to THB 2,062.45 million from THB 3,859.86 million in 2014. Mean cost of financial institute loans were 7.09 percent, an increase from the mean cost of financial institute loans in 2014 of 6.48 percent.

Net Profit (loss)

In the second quarter of 2016, the company and subsidiaries had the net profit of THB 478.02 million or 34.54 percent of total income. The aforementioned net profit to total income ratio increased from 20.32 percent in 2015 because loan interest income increased by THB 229.24 million or 16.56 percent of total income. Loan interest income was obtained from distributing transactions of loan interest income of Group Lease Holdings Pte. Ltd., which provided loans for dealers in Cambodia in the third and fourth quarters of 2015. This was originally included in Other Income according to the certified public accountant's opinion.

In 2014 and 2015, the company and subsidiaries had the net profit of THB 117.72 million and THB 582.89 million, respectively, or 6.32 percent and 23.42 percent of total income or an increase of 395.15 percent. Nevertheless, when net profit in 2013 and 2014 were compared, net profit in 2014 was found to have dropped from the previous year from a rise in operating expenses by 44.42 percent while total income increased by only 26.56 percent. This was mainly caused by growths in service and management expenses in support of economic and hire-purchase business growths impacting higher expenses. In the meantime, bad debts and doubtful accounts and losses from distribution of assets awaiting sales also increased.

Table 8-11: Summary of consolidated statements of cash flow of GL

THB million	2013	2014	2015	Q2/2016
Net cash flows from operating activities	(1,243.39)	(39.78)	518.61	2.91
Net cash flows used in investing activities	(214.33)	(678.83)	(2,586.31)	(220.42)
Net cash flows from financing activities	1,745.67	746.44	2,515.91	2,169.06
Net increase in cash and cash equivalents	287.95	27.82	448.21	1,951.55

Source: Consolidated financial statement (Audited) as of 31 December 2013 - 2015 of the Company and its subsidiary and Consolidated financial statement (Reviewed) as of 30 June 2016

Cash Flow

In the second quarter of 2016, the Company and subsidiaries had net cash from operating activities at THB 2.91 million due to the fact that the company and subsidiaries had higher operating assets, especially increases in debtors in line with hire-purchase and installment contract debtors and lower trade accounts payable. In 2015, net cash from operating activities was at THB 518.61 million. Net profit from operating activities before changes to assets and liabilities amounted to THB 1,571.52 million. Motorcycle hire-purchase debtors and consumer loan debtors increased by THB 450.47 million and assets awaiting sales increased by THB 356.81 million. In 2014, net cash spent in operating activities amounted to THB 39.78 million and was composed of net cash gained from operating activities before changes in assets and liabilities at THB 1,469.19 million and other.

Net cash spent in investment activities in the second quarter of 2016 were THB 220.42 million, a reduction from 2015 because of reductions in short-term and long-term loans from 2015. Net cash spent in investment activities in 2015 amounted to THB 2,586.31 million and was composed of cash spent to provide short-term loans at THB 2,192.93 million and cash spent to provide long-term loans at THB 607.37 million.

In the second quarter of 2016, the company and subsidiaries had net cash gained from financing activities at THB 2,169.06 million, a reduction from 2015 by 13.79 percent because dividend payouts in the second quarter of 2016 were as high as THB 231.24 million when compared to THB 66.67 million in 2015. Nevertheless, most of the net cash gained from financing activities in 2015 at THB 2,515.91 million came from cash received from long-term loans at THB 1,024.33 million, convertible bond issuance at THB 981.00 million, rights to purchase common shares according to warrants at THB 3,337.05 million and long-term loan repayments at THB 2,836.03 million.

Table 8-12: Key financial ratios of GL

	Unit	2013	2014	2015	Q2/2016
Profitability Ratio					
Operating Profit Margin	%	30.63	20.84	39.89	48.20
Net profit margin	%	16.33	6.32	23.42	34.54
Return on Equity	%	12.49	4.93	11.55	12.47
Yield Rate	%	32.84	31.55	31.32	32.50
Interest Rate	%	7.09	6.48	5.97	4.42
Efficiency Ratio					
Return on total Assets	%	5.36	1.84	6.46	7.94
Total Assets Turn Over Ratio	Times	0.33	0.29	0.28	0.23

	Unit	2013	2014	2015	Q2/2016
Financial Policy Ratio					
Ratio of Liability to Equity	Times	1.43	1.89	0.42	0.72
Ratio of Total Receivable to Loan from	Times	1.57	1.37	1.63	1.66
Dividend Rate	%	69.23	56.63	39.67	N/A

Analysis of Financial Status and Performance

In 2014, 2015 and the second quarter of 2016, the Company and subsidiaries had operating profit margin that increased continually from 20.84 percent to 39.89 percent and 48.20 percent, respectively. In 2014, operating profit margin was less than 2013 because of higher operating expenses. This was mainly caused by higher bad debts and doubtful accounts. Nevertheless, operating expenses dropped in 2015 from policies to increase debtor quality to reduce credit risks and expansions in hire-purchase loans ports. Net profit change ratios in each year had the same characteristics as operating profit margins. The net profit ratio in the second quarter of 2016 was 34.54 percent, an increase from 23.42 percent in 2015. Net profit ratios increased continually since 2014 from investment in subsidiaries to promote business expansions in Southeast Asia. Return on equity in the second quarter of 2016 was less than 2015 from higher shareholders' equity, which was a result of higher common share value and accumulated profit. Interest received from loans increased continually from 31.55 percent to 31.32 percent and 32.50 percent in 2015 and the second quarter of 2016, respectively, while paid interest remained at stable levels.

Returns from assets increased continually as a result of changes in net profit in each year while total assets increased every year. Asset turnover dropped slightly in 2013 to the second quarter of 2016 as a result of total income increasing every year and total mean assets increasing every year.

Debt to equity ratio increased in 2014 at 1.89 times when compared to 1.43 times in 2013. Nevertheless, in 2015, debt to equity ratio dropped by 0.42 times because shareholders' equity rose and total liabilities dropped. In the second quarter of 2016, the aforementioned ratio increased by 0.72 times as a result of increases in total liabilities from advanced payments received from convertible bond issuance. The ratio of granted loans to loans increased annually from 1.37 times in 2014 to 1.63 times and 1.66 times in 2015 and the second quarter of 2016, respectively, from expansions in the loan provision business by increasing loan products such as loans for consumers with guarantees from assets and provision of services in the areas of sales, financial procurement, marketing, SME finance consultation, project finance, inventory finance, refinance, debtor sales and other services related to business operation strategies of contract partners which are main projects of subsidiaries of Group Lease Holdings. Dividend payout in 2013, 2014 and 2015 was at 69.23 percent, 56.63 percent and 39.67 percent, respectively. Reduction in dividend payouts were a result of adjustments to policies for investing in subsidiaries with effects of reducing dividend payouts with significance.

Performance and reductions in dividend payout ratios were a result of adjustments to policies in the area of investing in subsidiaries with effects of significant reductions to dividend payout. However, in the second quarter of 2016, dividend payout ratios from the six month budget ending in the second quarter of 2016 was at 48.38 percent, an increase from 11.44 percent in 2015 because of increased net profits and perceived income from subsidiaries in the previous year, causing higher dividend payouts.

Appendix 2: Commercial Credit and Finance PLC

2.1 Background and Significant Developments

Commercial Credit and Finance Plc. (CCF) was registered as a private limited liability company on 4 October 1972 in Sri Lanka. Originally, it operated in the business of providing agricultural loans. Later, CCF transformed to become a public limited company on 16 December 1989 and was registered in the Colombo Stock Exchange (CSE) on 1 June 2011 under the COCR symbol. At present, CCF is registered under the Finance Business Act No. 42 of 2011 and receives license to operate in the aforementioned business from the Bank of Sri Lanka. The licenses obtained by CCF are as follows:

- License issued to carry on finance business
- License issued to carry on business as a registered finance leasing establishment
- License under the Pawnbrokers' Ordinances

CCF emphasizes the provision of microfinance services for juristic persons and minor customers nationwide, including loans, rentals and hire purchases, deposit services, pawning services, factoring loan services, investment consultation services and real-estate purchases for development and sale. CCF has the vision to assist and develop loving conditions in society. Furthermore, CCF is also successful in applying technology and IT in various steps of operation to ensure service efficiency and quality.

In 2014, CCF purchased shares from Trade Finance & Investments Plc. (TFI) at 96.89 percent of all shares. TFI operated in the same business as CCF and was listed with CSE on 11 October 2011 under the TFIL symbol.

As of 30 June 2016, CCF had the stated capital of LKR 2,150,640,315 or THB 518,089,251.90 (exchange rate: THB 0.2409 to LKR 1; Source: Bank of Thailand) divided into 318,074,365 common shares.

CCF currently has 3,500 staff and 124 branches. Operating branches are mainly rented but some are also owned. According to the due diligence report, some parts of land owned by the target are mortgaged. In the event that the mortgages have not been discharged and are defaulted, the target may face the possibility of litigation. Therefore, CCF should provide the clarification to the Company and the shareholders as essential information to support the decision.

Table 8-13: Major changes and developments of CCF

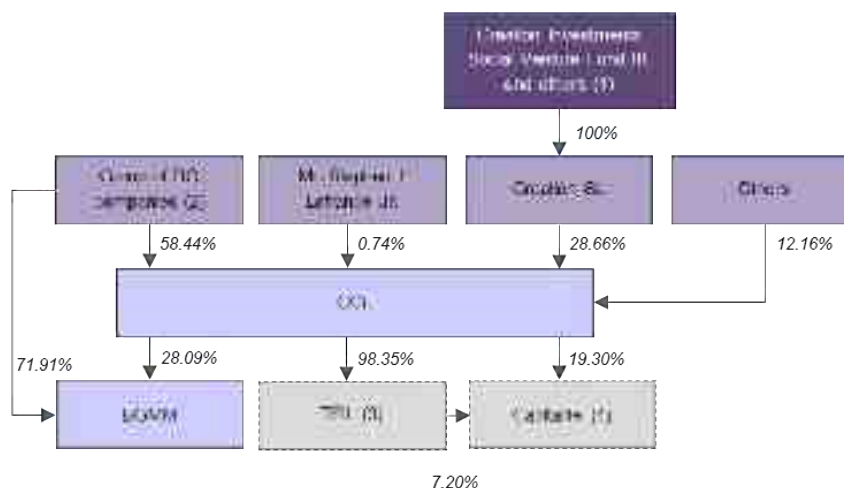
Year	Details
2009	<ul style="list-style-type: none"> • Change in Shareholders and Management Team as well as operational policy and corporate strategy
2011	<ul style="list-style-type: none"> • Listed in Sri Lankan Stock Exchange, Colombo Stock Exchange (CSE) on 1 June 2011
2012	<ul style="list-style-type: none"> • Name change from Commercial Credit PLC to Commercial Credit and Finance Plc. as per Finance Business Act No. 42 of 2011 on 17 May 2012
2013	<ul style="list-style-type: none"> • Capital increase of LKR 300.00 million via Capitalization of Reserve, distributing 20 million new shares to existing shareholders at LKR 15 per share with the ratio of 1 : 10.90 shares held • Debenture issuance of LKR 524.65 million, 5 million units on 19 February 2013
2014	<ul style="list-style-type: none"> • Announcement of capital increase of LKR 1,680.00 million via Private Placement (PP) (2 installments) to Creation Investments Sri Lanka LLC ("CISL"), a subsidiary of Creation Investments Capital Management LLC, registered in United States, at LKR 21 per share with a total of 80 million shares, resulting in CISL holding in CCF of 25.15%

Year	Details
	<ul style="list-style-type: none"> First installment of LKR 1,008.00 million of the PP to CISL with a total of 48 shares at LKR 21 per share Acquired 96.86% stake or 55.03 million shares in TFI at LKR 28 per share with a total investment of LKR 1,541.04 million TFI and announcement of Mandatory Offer in the remaining of TFI shares as per clause 31(1) (a) in Takeovers and Mergers Code 1995 (Edited 2003) Acquired 1.45% stake or 0.83 million shares in TFI at LKR 28 per share with a total investment of LKR 23.11 million, resulting in 98.34% holding in TFI
2015	<ul style="list-style-type: none"> Second installment of LKR 672.00 million of the PP to CISL with a total of 32 shares at LKR 21 per share Debenture issuance of LKR 989.64 million, 100 million units on 1 June 2015 Debenture issuance of LKR 1,911.73 million, 200 million units on 10 December 2015
2016	<ul style="list-style-type: none"> Acquired 1.65% stake or 0.94 million shares in TFI at LKR 28 per share with a total investment of LKR 26.26 million, resulting in 99.99% holding in TFI

Source: Annual report 2015/2016 of CCF and CSE

2.2 Company Structure

Figure 8-2: Company structure of CCF



Source: CCF Annual report 2015/2016

Remark: (1) International fund operated by Mr. Patrick T. Fisher A) Director of GL and management in GL 2.39% and b) Non-executive director of CCF
 (2) Group of BG companies comprises ultimate shareholders which are BG Investments (PVT) Ltd. 26.57% BG International (PVT) Ltd. 22.66% BG Capital (PVT) Ltd. 22.67% M/S BG Investment (PVT) Ltd. 44.86% and other related companies 13.59%
 (3) Trade Finance & Investment PLC (TFIL) operates financing business, leasing, hire purchase and pawning.
 (4) Capitalife Assurance (Capitalife) established in 2015 in Sri Lanka, operates life assurance business with Creation Investments as a major shareholder. The shareholders structure as at 3 November 2016, comprises BG Investment (PVT) Ltd. 29.00% Creation SL 27.94% CCF 19.29% East India Holdings (PVT) Ltd 15.97% S D Senarathne 7.26% TFI 0.53%

2.3 Overview of the Business

CCF operates in the business of providing microfinance services for juristic persons and minor customers who are unable to access bank services from insufficient qualifications such as inability to procure guarantees and personal income or business insecurities. CCF organizes specific goods and service structures for individual customers in addition to specifying guarantees, payment of interest and returns of principals and other conditions as suitable for meeting the needs and financial status of customers in each case. CCF's business structure is divided into 7 parts consisting of:

1) Loan Service Provision

CCF provides many types of loans such as short-term and long-term loans for business operations and current loans for SMEs and minor entrepreneurs such as family entrepreneurs and agricultural entrepreneurs, house loans, car loans, education loans and loans for persons below the Poverty Line.

2) Leasing and Hire-Purchase Service Provision

CCF provides leasing and hire-purchase services for equipment, machinery and vehicles such as automobiles, cars, tricycles and agricultural vehicles, etc., for personal use and for business operations in addition to providing loans to purchase the aforementioned assets, which are considered as guarantees for loan grants.

3) Deposit Services

The company provides many types of deposit services including current deposits, daily deposits and monthly deposits by setting interest according to periods and amounts of deposits. Deposits are a major source of capital for the company in operations and investment.

4) Pawning Services

The company provides services to accept pawning of gold at 18 to 24 karats in many forms such as pieces, jewelry and coinage as options for customers with urgent need to use money.

5) Factoring Loan Services

For SME customers with good trade accounts receivable collection history with insufficient current capital for business operations and expansions, CCF provides services in purchasing the aforementioned trade accounts receivable at a discounted prices to provide investment support for customers. The company will perceive income and receive cash from the aforementioned trade accounts receivable.

6) Investment Consultation Services (Financial Planning)

The company offers consultation on financial investments and recommendations about various securities such as shares, loan shares, foundations and insurance in line with each customer's investment objectives and spending plans. This includes real investment operations. The company will use the customer's investments to purchase securities in line with plans laid and as agreed with the customer.

7) Real Estate Purchases for Development and Sale

The company purchases real estate for development and sale to customers. Customers are able to pay the full amount or pay in instalments according to needs and as deemed fitting by CCF. CCF will transfer ownership rights to customers when the full amount is paid.

2.4 Sharholding Structure

A list of the 10 major shareholders as at 6 June 2016 is as follows.

Table 8-14: Major shareholders of CCF

No.	Major shareholder	No. of shares	%
1	M/S B G INVESTMENTS (PVT) LTD	142,676,872	44.86
2	CREATION INVESTMENT SRI LANKA LLC	91,169,757	28.66
3	LANKA ORIX FINANCE PLC/ B G INVESTMENTS (PVT) LTD	26,700,000	8.39
4	DR. E FERNANDO	12,904,463	4.06
5	ASSETLINE LEASING CO. LTD/BG INVESTMENTS (PVT) LTD	7,003,224	2.20
6	MR G G HEMACHANDRA	6,957,489	2.19
7	PEOPLES LEASING & FINANCE /MS S N EGODAGE	4,131,032	1.30
8	CEYLINCO INSURANCE PLC A/C NO.1 (LIFE FUND)	4,014,843	1.26
9	FIRST CAPITAL MARKETS LTD /BG INVESTMENTS (PVT) LTD	3,750,000	1.18
10	MR S L LAFRANCE JR	2,037,759	0.64
	Other shareholder	16,728,926	5.26
	Total	318,074,365	100.00

Source: Interim financial statements 3 months period ended 30 June 2016

2.5 Board of Directors and Executives

As of 6 June 2016, CCF's Board of Directors consisted of 5 group of committees: the Board of Directors on the Affairs of the Company, the Board Audit Committee, Remuneration Committee, the Related Party Transactions Review Committee and the Board Intergrated Risk Management Committee as follows:

Table 8-15: Board of Directors of CCF

Name	The Board of Directors on the Affairs of the Company	The Board Audit Committee	Remuneration Committee	The Related Party Transactions Review Committee	The Board Intergrated Risk Management Committee
Mr. K.J.C. Perera	Chairman of Independent Director	Director	Director		Chairman
Mr. R.S. Egodage ¹	Director				Director
Mr. P.S.R.C. Chitty ²	Director			Director	Director
Mr. S.K. Gunaratne	Director	Director	Chairman	Director	Director
Mrs. G.R. Egodage	Director				
Mr. M.S.D. Pinto	Independent Director			Chairman	
Mr. D. Soosaipillai	Independent Director	Chairman			Director
Mr. P. Fisher	Director				
Mr. K. Vander Weele	Director				
Mr. K.L.A Senevirathne					Director
Mr. L. Fernando					Director
Mr. M.A.D.J. Deshapriya					Director
Ms. A.V. Sathiyakeerthi					Director

Note: 1. Mr. R.S. Egodage is Chief Executive Officer.
2. Mr. P.S.R.C. Chitty is Chief Operating Officer.

Source: Interim financial statements 3 months period ended 30 June 2016

Conditions of board of directors restructuring

The Company will nominate 2 directors to the Board of Directors of CCF and shall be entitled to require that its nominated directors are appointed to CCF's Audit and Risk Management Committees. In addition, a list of important reserved matters requires affirmative vote of the Company's appointed directors. However, current general control and management of CCF's business will remain effective as management, as they have demonstrated their abilities to efficiently grow CCF's business during the past years.

2.6 Financial Position and Operating Result

Table 8-16: Consolidated statements of financial position of CCF

	2013/2014			2014/2015			2015/2016			Q1/2016		
	LKR Million	THB million	%	LKR Million	THB million	%	LKR Million	THB million	%	LKR Million	THB million	%
Cash and Bank balances	1,123.11	270.56	3.55	2,513.57	605.52	4.26	1,155.20	278.29	1.59	1,659.91	399.87	2.21
Reverse repurchase agreements	597.42	143.92	1.89	1,514.40	364.82	2.57	1,982.65	477.62	2.73	1,924.30	463.57	2.56
Placement with banks	624.13	150.35	1.97	1,070.75	257.94	1.81	1,300.96	313.40	1.79	1,467.39	353.49	1.95
Loans receivables and Advances	17,186.03	4,140.11	54.31	28,980.45	6,981.39	49.10	34,275.65	8,257.00	47.28	34,126.48	8,221.07	45.40
Lease rentals receivable & Stock out on hire	8,745.62	2,106.82	27.64	19,149.64	4,613.15	32.44	26,691.53	6,429.99	36.82	27,536.03	6,633.43	36.63
Financial Instrument – Held for trading	1,096.01	264.03	3.46	2,316.36	558.01	3.92	2,883.25	694.58	3.98	3,767.28	907.54	5.01
Inventories – Real estate and Vehicle stock	484.33	116.67	1.53	424.13	102.17	0.72	327.37	78.86	0.45	320.72	77.26	0.43
Other assets	146.98	35.41	0.46	353.11	85.06	0.60	243.65	58.69	0.34	748.39	180.29	1.00
Investment in associates	0.00	0.00	0.00	51.90	12.50	0.09	216.35	52.12	0.30	218.52	52.64	0.29
Investment Property	936.90	225.70	2.96	537.63	129.51	0.91	815.02	196.34	1.12	815.02	196.34	1.08
Property Plant and Equipment	607.58	146.37	1.92	1,212.18	292.01	2.05	1,421.20	342.37	1.96	1,369.64	329.95	1.82
Intangible assets & Goodwill	55.60	13.39	0.18	855.85	206.18	1.45	858.96	206.92	1.18	882.25	212.53	1.17
Prepaid rent	8.68	2.09	0.03	8.56	2.06	0.01	8.43	2.03	0.01	8.43	2.03	0.01
Deferred Tax Asset	30.83	7.43	0.10	38.09	9.18	0.06	314.13	75.67	0.43	323.30	77.88	0.43
Total Assets	31,643.21	7,622.85	100.00	59,026.61	14,219.51	100.00	72,494.36	17,463.89	100.00	75,167.66	18,107.89	100.00
Due to banks	3,298.28	794.55	10.42	5,881.76	1,416.92	9.96	7,148.47	1,722.07	9.86	8,275.14	1,993.48	11.01
Due to customers	22,855.78	5,505.96	72.23	43,231.21	10,414.40	73.24	50,381.35	12,136.87	69.50	50,806.63	12,239.32	67.59
Debt instrument issued and Other borrowed funds	953.71	229.75	3.01	591.50	142.49	1.00	3,596.02	866.28	4.96	3,672.08	884.60	4.89
Other financial liabilities	780.98	188.14	2.47	2,588.68	623.61	4.39	2,056.99	495.53	2.84	2,203.75	530.88	2.93
Other liabilities	114.36	27.55	0.36	216.61	52.18	0.37	213.86	51.52	0.29	262.26	63.18	0.35
Post employment benefit Obligation	52.51	12.65	0.17	77.41	18.65	0.13	93.84	22.61	0.13	108.84	26.22	0.14

	2013/2014			2014/2015			2015/2016			Q1/2016		
	LKR Million	THB million	%	LKR Million	THB million	%	LKR Million	THB million	%	LKR Million	THB million	%
Current tax liabilities	284.57	68.55	0.90	444.15	107.00	0.75	989.64	238.40	1.37	1,154.80	278.19	1.54
Deferred tax liabilities	0.00	0.00	0.00	25.55	6.16	0.04	0.00	0.00	0.00	0.00	0.00	0.00
Total Liabilities	28,340.20	6,827.15	89.56	53,056.88	12,781.40	89.89	64,480.17	15,533.27	88.95	66,483.50	16,015.88	88.45
Stated Capital	1,478.64	356.20	4.67	2,150.64	518.09	3.64	2,150.64	518.09	2.97	2,150.64	518.09	2.86
Retained earnings	760.62	183.23	2.40	2,522.26	607.61	4.27	4,087.71	984.73	5.64	4,761.80	1,147.12	6.33
Reserves	1,063.75	256.26	3.36	1,281.48	308.71	2.17	1,755.94	423.01	2.42	1,750.72	421.75	2.33
Non-Controlling Interests	0.00	0.00	0.00	15.35	3.70	0.03	19.91	4.80	0.03	21.00	5.06	0.03
Total Equity	3,303.01	795.69	10.44	5,969.73	1,438.11	10.11	8,014.20	1,930.62	11.05	8,684.16	2,092.02	11.55
Total Liabilities and Shareholders' Funds	31,643.21	7,622.85	100.00	59,026.61	14,219.51	100.00	72,494.36	17,463.89	100.00	75,167.66	18,107.89	100.00

Note: Currency Exchange 0.2409 THB per 1 LKR Source: Bank of Thailand as of 30 June 2016

Source: CCF Annual Report 2013/2014, 2014/2015, 2015/2016 and Consolidated Financial Statement as of 30 June 2016

Table 8-17: Consolidated profit and loss statements of CCF

	2013/2014			2014/2015			2015/2016			Q1/2016		
	LKR Million	THB million	%	LKR Million	THB million	%	LKR Million	THB million	%	LKR Million	THB million	%
Interest Income	6,913.77	1,665.53	100.00	11,471.86	2,763.57	100.00	16,418.29	3,955.17	100.00	4,622.25	1,113.50	100.00
Interest expenses	2,876.13	692.86	41.60	4,216.53	1,015.76	36.76	6,206.22	1,495.08	37.80	1,619.47	390.13	35.04
Total Net interest income	4,037.64	972.67	58.40	7,255.33	1,747.81	63.24	10,212.07	2,460.09	62.20	3,002.78	723.37	64.96
Fee and commission income (b)	348.44	83.94	5.04	699.07	168.40	6.09	741.60	178.65	4.52	215.55	51.92	4.66
Fee and commission expenses	0.12	0.03	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net fee and commission income	348.32	83.91	5.04	699.07	168.40	6.09	741.60	178.65	4.52	215.55	51.92	4.66
Net income from real estate sales (c)	109.57	26.39	1.58	89.49	21.56	0.78	66.02	15.91	0.40	3.66	0.88	0.08
Net gain/(loss) from trading	(1.83)	(.44)	(.03)	69.61	16.77	.61	127.01	30.60	.77	0.00	0.00	.00
Other operating income	182.06	43.86	2.63	171.23	41.25	1.49	423.97	102.14	2.58	0.00	0.00	0.00

	2013/2014			2014/2015			2015/2016			Q1/2016		
	LKR Million	THB million	%	LKR Million	THB million	%	LKR Million	THB million	%	LKR Million	THB million	%
Total operating income	4,675.75	1,126.39	67.63	8,284.72	1,995.79	72.22	11,570.68	2,787.38	70.47	3,221.99	776.18	69.71
Impairment Charges of loans and advances, Lease and financial assets	759.61	182.99	10.99	882.34	212.56	7.69	2,845.37	685.45	17.33	663.42	159.82	14.35
Pawning auction losses	0.00	0.00	0.00	518.63	124.94	4.52	62.09	14.96	0.38	0.00	0.00	0.00
Losses from disposal of repossessed vehicles	0.00	0.00	0.00	25.08	6.04	0.22	28.69	6.91	0.17	0.00	0.00	0.00
Net operating income	3,916.14	943.40	56.64	6,858.66	1,652.25	59.79	8,634.54	2,080.06	52.59	2,558.57	616.36	55.35
Personnel costs	1,500.36	361.44	21.70	2,389.84	575.71	20.83	3,111.20	749.49	18.95	862.56	207.79	18.66
Depreciation of Property, Plant and Equipment	73.47	17.70	1.06	109.94	26.48	0.96	179.86	43.33	1.10	55.00	13.25	1.19
Other operating expenses	981.36	236.41	14.19	1,350.72	325.39	11.77	1,823.48	439.28	11.11	569.53	137.20	12.32
Operating profit before Value Added Tax on financial services	1,360.95	327.85	19.68	3,008.16	724.67	26.22	3,520.00	847.97	21.44	1,071.48	258.12	23.18
Value Added Tax on financial services	166.44	40.10	2.41	372.04	89.62	3.24	491.19	118.33	2.99	157.52	37.95	3.41
Profit before Taxation	1,194.50	287.76	17.28	2,636.12	635.04	22.98	3,028.81	729.64	18.45	913.96	220.17	19.77
Share of loss of associate	0.00	0.00	0.00	1.02	0.25	0.01	1.61	0.39	0.01	(2.16)	(.52)	-0.05
Income Taxation	186.67	44.97	2.70	441.54	106.37	3.85	704.97	169.83	4.29	240.94	58.04	5.21
Profit for the year	1,007.84	242.79	14.58	2,193.56	528.43	19.12	2,322.23	559.42	14.14	675.18	162.65	14.61

Note: Currency Exchange 0.2409 THB per 1 LKR Source: Bank of Thailand as of 30 June 2016

1. Proceeds from real estate sales less cost of sale

2. Consists of Profit/(Loss) on disposal of property & equipment, Sundry income from real estate, Bad debt recoveries, Rent income, Dividend income, and other sundry income

Source: CCF Annual Report 2013/2014, 2014/2015, 2015/2016 and Consolidated Financial Statement as of 30 June 2016

CCF's financial status and performance comes from the annual reports of 2013/2014, 2014/2015 and 2015/2016 and the interim financial statement for the period of three months ended on 30 June 2016. The aforementioned financial status and performance analysis is summarized in THB at the exchange rate of THB 0.2409 to LKR 1 (Source: Bank of Thailand as of 30 June 2016) as follows:

Assets

According to the interim financial statement for the first quarter of 2016 ending on 30 June 2016, the company had total assets of THB 18,107.89, an increase from THB 17,463.89 in 2015/2016 or 3.69 percent. The company's total assets increased every year from THB 7,622.85 million in 2013/2014 to THB 14,329.51 million in 2014/2015 or an increase of 22.82 percent and 86.51 percent, respectively. This was mainly caused by increases in loan accounts, trade accounts receivable, services and loan services as a result of business growth and improved performance including acquisition of equipment, computers and offices including increases in land and structures from the real-estate development business for sale and the acquisition of computer software perceived as intangible assets.

NPLs and Allowance for Impairment Losses

Loan portfolio of CCF includes leasing, microfinance, cash loan, etc. Based on the financial due diligence report, non-performing loans as at 30 June 2016 comprise of Rescheduled loans at 19.5% hire purchase at 9.3% microfinance at 8.3% leasing at 7.1% and etc. In addition, the proportion of NPL to gross portfolio is 5.9%. The major liabilities are interest payable for savings deposit and fixed deposit, which has been significant source of fund for financing for CCF.

Overall gross NPLs of CCF increased from 4.3% to 5.9% during the first quarter ended Jun. 16. There was floods and landslides during the month of May 2016 in certain areas led to disruption of recovery function and collectability issues in relation to the customers affected by the floods especially those in agriculture sector. Such incidents adversely affected microfinance portfolio and lease portfolio. In addition, the collection process was disrupted due to the introduction of the new ERP system in the quarter. It is noted that CCF's portfolio is concentrated on the low income customer segment which primarily consists of self-employed and salaried individuals earning low monthly income who has high propensity to default in the context of a deteriorating macroeconomic environment.

Days overdue	% of loan outstanding
Current	73.62
31 – 60	9.08
61 – 90	6.62
91 – 120	2.04
121 and over	8.64
Total	100

Nevertheless, in case that NPL classification of CCF is required to change, to comply with NPL classification of commercial banks per the regulations of Central Bank of Sri Lanka, the period of NPL classification will be decreased from 8 months to 6 months (180 days). It will increase the gross NPL ratio from

5.9% to 11.0%. The Company has to improve and strengthen credit evaluation and recovery function to minimise loan losses.

Liabilities

As of 30 June 2016, the company had total liabilities of THB 16,015.88 million, an increase from THB 15,533.27 million in 2015/2016 or 3.11 percent. The company's liabilities increased every year from THB 6,827.15 million in 2013/2014 to THB 15,533.27 million in 2015/2016 or an increase of 87.21 percent and 21.53 percent, respectively. This was mainly caused by increases in unpaid customer liabilities resulting from increased deposits, indicating growth in the aforementioned business. Furthermore, the company issued loan shares twice in 2015/2016.

Shareholders' Equity

As of 30 June 2016, the company had shareholders' equity of THB 2,092.02 million, an increase from THB 1,930.62 million in 2015/2016 or 8.36 percent. The company's shareholders' equity increased annually from THB 795.69 million in 2013/2014 to THB 1,438.11 million and THB 1,930.62 million in 2015/2016, or an increase of 80.74 percent and 34.25 percent, respectively. This was mainly caused by profits perceived during each period.

Interest Income and Expenses

In 2015/2016, the company had interest income of THB 3,955.17 million, an increase from THB 2,763.57 million in 2014/2015 and an increase from THB 1,665.53 in 2013/2016 at 65.93 percent. This was mainly caused by increases in loan accounts, trade accounts receivable and services, loan and hire-purchase provision, which are main interest income influencing business growth.

Table 8-18: CCF Interest income

	2013/2014		2014/2015		2015/2016		Q1/2016	
	LKR Million	THB million	LKR Million	THB million	LKR Million	THB million	LKR Million	THB million
Reverse purchase agreement	5.00	1.21	76.12	18.34	132.32	31.88	N/A	N/A
Placement with banks and other financial institutions	94.93	22.87	154.55	37.23	193.26	46.56	N/A	N/A
Financial instruments	88.06	21.21	110.74	26.68	168.11	40.50	N/A	N/A
Loan and advances	4,800.96	1,156.55	7,695.88	1,853.94	10,342.08	2,491.41	N/A	N/A
Lease rentals receivable & Stock out on hire	1,924.82	463.69	3,434.58	827.39	5,582.52	1,344.83	N/A	N/A
Total interest income	6,913.77	1,665.53	11,471.86	2,763.57	16,418.29	3,955.17	N/A	N/A

Note: Currency Exchange 0.2409 THB per 1 LKR Source: Bank of Thailand as of 30 June 2016

Source: CCF Annual Report 2013/2014, 2014/2015, 2015/2016 and Consolidated Financial Statement as of 30 June 2016

In 2015/2016, CCF had interest expenses of THB 1,495.08 million, an increase by THB 1,015.76 million or 47.19 percent in 2014/2015 and THB 692.86 million or 46.60 percent in 2013/2014. This was mainly caused by increases in unpaid customer debts, which are a main interest expense resulting from growth in depository businesses.

Table 8-19: CCF Interest Expense

	2013/2014		2014/2015		2015/2016		Q1/2016	
	LKR Million	THB million	LKR Million	THB million	LKR Million	THB million	LKR Million	THB million
Due to banks	444.83	107.16	463.76	111.72	586.84	141.37	N/A	N/A
Due to customers	2,326.40	560.43	3,632.49	875.07	5,366.87	1,292.88	N/A	N/A
Debt instruments issued and other borrowed funds	104.90	25.27	120.28	28.97	252.52	60.83	N/A	N/A
Net interest income	2,876.13	692.86	4,216.53	1,015.76	6,206.22	1,495.08	N/A	N/A

Note: Currency Exchange 0.2409 THB per 1 LKR Source: Bank of Thailand as of 30 June 2016

Source: CCF 2013/2014, 2014/2015, 2015/2016 Annual Report and Consolidated Financial Statement as of 30 June 2016

Income and Expenses for Fees and Services

In 2015/2016, the company had income from fees and services of THB 178.66 million or an increase by 6.08 percent from THB 168.40 million in 2014/2015 and an increase from 83.94 million or 100.63 percent in 2013/2014. This was divided into related loan agent fees and services and service costs. The main cause for increase was from fees and loan agent fees as a result of business growth. Furthermore, in 2013/2014, the company paid loan fees amounting to THB 0.3 million

Profits before Operations

CCF had stable profit from operations as a result of deductions of changes to income and expenses going back for three years. In the first quarter of 2016, the company had profit from operations of THB 616.36 million or 55.35 percent. In 2015/2016, the company had profits from operations of THB 2,080.06 million or 52.59 percent of interest or THB 1,655.25 million or 59.79 percent of interest income and the company had income of THB 943.40 million in 2014/2015, or 56.64 percent of interest income in 2013/2014.

In 2015/2016, CCF had income from net real-estate development and sales of THB 15.91 million. In the first quarter of 2016, income from investment and other operations amounted to THB 30.60 million and THB 102.14 million, respectively. In 2015/2016, income from other operations was found to have the mean growth rate of 147.61 percent from THB 41.25 million in 2014/2015. This was mainly caused by increases in income from dividend shares and changes at fair prices of real-estate for development. Furthermore, in 2015/2016, adjustments to devalue loans at THB 685.45 million increased from 222.48 percent from THB 212.56 million in 2014/2015. This indicated perception of adjusted devaluations will occur when there is evidence showing existing loans as potentially doubtful accounts such as cases where the borrower paid interest and/or principals, violated contracts, encountered financial problems or became bankrupt, etc.

Operating Expenses

Operating expenses were divided into three parts consisting of employee expenses, depreciation and other expenses. Employee expenses and other expenses made up nearly the entire proportion. In 2015/2016, employees' expenses were THB 749.49 million, an increase from THB 575.71 million in 2014/2015 and an increase from THB 361.44 million or 59.28 percent in 2013/2014. Other expenses in 2015/2016 amounted to THB 439.28 million or an increase from 325.39 million in 2014/2015 and an increase from THB 236.41 million in 2013/2014. Operating expenses was mainly divided into management, office expenses and advertisement and promotions.

Net Profit (Loss) for the Period

In the first quarter of 2016, the company had net profits for the period of THB 162.65 million or a net profit ratio of 13.95 percent. In 2015/2016, the company had profits amounting to THB 559.42 million or a net profit ratio of 13.06 percent. In 2014/2015, the company had profits amounting to THB 528.43 million or a net profit ratio of 17.55 percent. In 2015/2016, net profit was 242.79 million or a net profit ratio of 13.35 percent.

Table 8-20: Summary of consolidated statements of cash flow of CCF

	2013/2014		2014/2015		2015/2016		Q1/2016	
	LKR million	THB million	LKR million	THB million	LKR million	THB million	LKR million	THB million
Net cash flows from operating activities	(356.80)	(85.95)	2,636.59	635.16	(3,010.23)	(725.16)	62.10	14.96
Net cash flows used in investing activities	(843.65)	(203.24)	(2,871.72)	(691.80)	(1,352.62)	(325.85)	(673.17)	(162.17)
Net cash flows from financing activities	2,750.32	662.55	2,207.76	531.85	3,324.59	800.89	1,575.99	379.66
Net increase in cash and cash equivalents	1,549.87	373.36	1,972.64	475.21	(1,038.26)	(250.12)	964.92	232.45

Note: Currency Exchange 0.2409 THB per 1 LKR Source: Bank of Thailand as of 30 June 2016

Source: CCF Annual Report 2013/2014, 2014/2015, 2015/2016 and Consolidated Financial Statement as of 30 June 2016

Cash Flow

In 2015/2016, the company had net cash flow sent in operating activities of THB 725.16 million from allowing loans to trade accounts receivable and services and loans and hire-purchases. Furthermore, during the aforementioned period, the company had net cash spent in investment activities of THB 325.85 million. Most of the aforementioned cash came from investment in financial assets and acquisition of assets classified as land, building and equipment. Nevertheless, net cash gained from financing activities was at THB 800.89 million from loans. CCP also specified a period to repay debts during the accounting year.

In 2014/2015, the company offered more loans. However, net cash gained from operating facilities of THB 635.16 million was due to growth in the loan business. In addition, other financial liabilities of customers were primarily from trade accounts receivable. Cash spent in financing activities was 531.85 million from loans and loan issuance. CCF also paid debts during the accounting year.

In 2013/2014, the company had net cash spent in operating activities at THB 85.95 million because the company provided more loans, trade accounts receivable services and had more loans and hire-purchases. Net cash spent in investment activities was at THB 203.24 million from investment in financial assets and acquisition of assets located on land, buildings and equipment. Furthermore, the company received net cash from financing activities at THB 662.55 million from loans, registered capital share issuance and loans with debt payments during the accounting year at minor proportions when compared to the two previous years.

Table 8-21: Key financial ratios of CCF

	Unit	2013/2014	2014/2015	2015/2016	Q1/2016
Profitability Ratio					
Operating Profit Margin	%	61.91	66.27	65.09	66.55

	Unit	2013/2014	2014/2015	2015/2016	Q1/2016
Net profit margin	%	13.35	17.55	13.06	13.95
Return on Equity	%	N/A	47.31	33.21	8.09
Yield Rate	%	N/A	30.98	30.10	7.54
Interest Rate	%	N/A	10.98	11.20	2.61
Efficiency Ratio					
Return on total Assets	%	N/A	4.84	3.53	0.91
Total Assets Turn Over Ratio	Times	N/A	0.28	0.27	0.07
Financial Policy Ratio					
Ratio of Liability to Equity	Times	8.58	8.89	8.05	7.66
Ratio of Total Receivable to Loan from	Times	0.96	0.97	1.00	0.98
Dividend Rate	%	11.81	6.52	13.70	0.00

Note: Profit margin are ratio to total revenues

Financial Status and Performance Analysis

The company had secure operating profit ratios and net profit ratios in 2013/2014 to the first quarter of 2016. Nevertheless, shareholders' returns in 2015/2016 were 33.21 percent, a reduction from 47.31 percent from the previous year. Because of increases in shareholders' equity and reductions in net profit ratio from 2014/2015 with higher net profit than the previous years at 17.55 percent as a result from abnormally low expenses in the aforementioned year, interest received from loans and paid interest were stable in 2015/2016 at 30.10 percent and 11.20 percent, respectively, indicating capacity to collect interest and manage bad debts.

Return from assets were lower in 2015/2016 because of lower net profit ratios. Asset turnover ratios changed only slightly, demonstrating asset income generating efficiency.

The debt to equity ratio dropped in the first quarter of 2016 from higher shareholders' equity while the ratio of loans provided to loans remained at stable levels. Furthermore, the company had policy to pay dividends throughout all three accounting years with the dividend payout ratios of 6 percent and 13.70 percent.

Appendix 3: Trade Finance and Investments PLC

3.1 Background and Significant Developments

Trade Finance & Investments PLC is a Public Limited Liability Company incorporated in Sri Lanka on 5th January 1978 which was listed on the Deri Savi Board on the Colombo Stock Exchange on 27th October 2011. The Company was registered as a finance Company under the Finance Business Act No.42 of 2011, and changed its name to Trade Finance & Investments PLC as per the Companies Act No.07 of 2007 consequent to the Initial Public Offer on 5th January 2012

Commercial Credit & Finance PLC (CCF), which is under BG Capital Group (Private), acquired a majority stake in Trade Finance & Investments PLC on 4th August 2014. The capital of TFI as at 31st March 2016 was RS 247,001,000 comprising of 56,800,400 ordinary shares.

Table 8-22: Major changes and developments of TFI

Year	Detail
1978	<ul style="list-style-type: none"> Registered as a Public Limited Liability Company incorporated in Sri Lanka
2554	<ul style="list-style-type: none"> Listed on Deri Savi Board on the Colombo Stock Exchange Registered as a finance Company under the Finance Business Act No.42 of 2011
2555	<ul style="list-style-type: none"> Initial Public Offering on Colombo Stock Exchange
2556	<ul style="list-style-type: none"> 98.35% of majority stake Acquired by CCF

3.2 Overview of the Business

Trade Finance & Investments PLC ("TFI") provides finance leases, hire-purchase financing, granting of loans, mobilization of deposits, pawning and other financial services. The Company is wholly owned a subsidiary of Commercial Credit & Finance PLC.

3.3 Shareholding Structure

A list of the major shareholders as at 6 June 2016 is as follows:

Table 8-23: Major shareholders of TFI

No.	Major shareholder	No. of shares	%
1	Commercial Credit and Finance PLC	55,857,513	98.34
	Other shareholder	942,886	1.66
	Total	56,800,400	100.00

3.4 Board of Directors and Executives

As of 31 March 2016, TFI's Board of Directors consisted of 5 group of committees: the Board of Directors on the Affairs of the Company, the Board Audit Committee, Remuneration Committee, the Related Party Transactions Review Committee and the Risk Management Committee as follows:

Table 8-24: Board of Directors of TFI

Name	The Board of Directors on the Affairs of the Company	The Board Audit Committee	Remuneration Committee	The Related Party Transactions Review Committee	Risk Management Committee
Mr. L.G.S. Perera	Chairman	Director	Director	Director	Chairman
Mr. R.S. Egodage	Director				
Mr. Denzil A. Rodrigo	Independent Director			Director	
Mr. L.A.J.F. Morais ¹	Director			Director	
Mr. I.G.S.K. Gunarathne	Independent Director	Director	Director		Director
Mr. E.D.P. Soosajipillai	Director	Chairman			Director

Remark: 1. Mr. L.A.J.F. Morais is a Chief Executive Officer

Source: Annual Report 2015/2016 TFI

3.5 Financial Position and Operating Result

Table 8-25: Consolidated statements of financial position of TFI

	2013/2014			2014/2015			2015/2016			Q1/2016		
	LKR million	THB million	%	LKR Million	THB million	%	LKR Million	THB million	%	LKR Million	THB million	%
Cash and cash equivalents	32.37	7.80	1.94	43.30	10.43	1.99	13.07	3.15	0.49	48.58	11.70	1.74
Repurchase Agreement	0.00	0.00	0.00	3.43	0.83	0.16	57.51	13.85	2.17	58.81	14.17	2.11
Placements with banks and other finance companies	315.33	75.96	18.88	405.60	97.71	18.61	181.35	43.69	6.85	125.54	30.24	4.50
Loans and receivables	1,164.72	280.58	69.75	1,574.46	379.29	72.24	2,203.12	530.73	83.22	2,307.19	555.80	82.77
Available for sale investments	74.74	18.00	4.48	102.21	24.62	4.69	114.30	27.53	4.32	104.54	25.18	3.75
Investments	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Property and Equipment	17.24	4.15	1.03	14.85	3.58	0.68	27.29	6.57	1.03	30.04	7.24	1.08
Intangible Assets	9.84	2.37	0.59	9.67	2.33	0.44	11.52	2.77	0.44	17.53	4.22	0.63
Deferred tax Asset	0.00	0.00	0.00	0.00	0.00	0.00	0.67	0.16	0.03	5.50	1.32	0.20
Other Receivables	55.59	13.39	3.33	25.89	6.24	1.19	38.47	9.27	1.45	89.66	21.60	3.22
Total Assets	1,669.83	402.26	100.00	2,179.43	525.02	100.00	2,647.31	637.74	100.00	2,787.39	671.48	100.00
Due to Banks	40.74	9.82	2.44	86.90	20.94	3.99	345.17	83.15	13.04	228.26	54.99	8.19
Due to Customers	778.45	187.53	46.62	1,045.69	251.91	47.98	1,084.05	261.15	40.95	1,073.66	258.65	38.52
Other Liabilities	28.06	6.76	1.68	49.10	11.83	2.25	41.56	10.01	1.57	220.43	53.10	7.91
Provision for Retiring Gratuity	7.18	1.73	0.43	5.40	1.30	0.25	9.27	2.23	0.35	10.14	2.44	0.36
Loans and Borrowings	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Deferred tax Liability	7.94	1.91	0.48	25.55	6.16	1.17	0.00	0.00	0.00	0.00	0.00	0.00
Current tax Liability	14.33	3.45	0.86	36.30	8.75	1.67	74.23	17.88	2.80	95.23	22.94	3.42
Total Liabilities	876.70	211.20	52.50	1,248.95	300.87	57.31	1,554.28	374.43	58.71	1,627.71	392.12	58.40
Stated Capital	247.00	59.50	14.79	247.00	59.50	11.33	247.00	59.50	9.33	247.00	59.50	8.86
Statutory Reserve Fund	74.21	17.88	4.44	84.06	20.25	3.86	97.87	23.58	3.70	100.76	24.27	3.61
Other Reserves	30.74	7.41	1.84	10.04	2.42	0.46	2.36	0.57	0.09	2.95	0.71	0.11
Retained Earnings	441.18	106.28	26.42	589.37	141.98	27.04	745.79	179.66	28.17	808.97	194.88	29.02
Total Equity	793.13	191.07	47.50	930.48	224.15	42.69	1,093.03	263.31	41.29	1,159.68	279.37	41.60
Total Liabilities and Equity	1,669.83	402.26	100.00	2,179.43	525.02	100.00	2,647.31	637.74	100.00	2,787.39	671.48	100.00

Remark: Currency Exchange 0.2409 THB per 1 LKR Source: Bank of Thailand as of 30 June 2016

Source: TFI Annual Report 2013/2014, 2014/2015 of TFI, Consolidated Financial Statement as of 30 June 2016

Table 8-26: Consolidated Profit and Loss Statements of TFI

	2013/2014			2014/2015			2015/2016			Q1/2016		
	LKR million	THB million	%	LKR Million	LKR million	THB million	%	LKR Million	LKR million	THB million	%	LKR Million
Interest Income	379.50	91.42	100.00	480.28	115.70	100.00	689.13	166.01	100.00	184.73	44.50	100.00
Interest Expense	(86.34)	(20.80)	(22.75)	(106.59)	(25.68)	(22.19)	(144.39)	(34.78)	(20.95)	(37.33)	(8.99)	(20.21)
Net Interest Income	293.16	70.62	77.25	373.70	90.02	77.81	544.74	131.23	79.05	147.40	35.51	79.79
Other Operating Income	38.77	9.34	10.21	50.29	12.11	10.47	66.43	16.00	9.64	12.43	2.99	6.73
Total Operating Income	331.93	79.96	87.46	423.98	102.14	88.28	611.17	147.23	88.69	159.83	38.50	86.52
Impairment Charge for Leases and Loans	(30.48)	(7.34)	(8.03)	(42.35)	(10.20)	(8.82)	(59.94)	(14.44)	(8.70)	(8.04)	(1.94)	(4.35)
Net Operating Income	301.44	72.62	79.43	381.64	91.94	79.46	551.23	132.79	79.99	151.79	36.57	82.17
Personnel expenses	(52.87)	(12.74)	(13.93)	(64.88)	(15.63)	(13.51)	(87.31)	(21.03)	(12.67)	(22.13)	(5.33)	(11.98)
Other Operating expenses	(51.62)	(12.44)	(13.60)	(65.48)	(15.77)	(13.63)	(79.25)	(19.09)	(11.50)	(25.68)	(6.19)	(13.90)
Operating Profit Before Value Added Tax	196.95	47.45	51.90	251.28	60.53	52.32	384.67	92.67	55.82	103.98	25.05	56.29
VAT on Financial Services	(5.17)	(1.25)	(1.36)	(6.92)	(1.67)	(1.44)	(23.26)	(5.60)	-3.37	(12.43)	(2.99)	(6.73)
Profit Before Taxation	191.78	46.20	50.53	244.36	58.87	50.88	361.41	87.06	52.44	91.56	22.06	49.56
Income Tax Expense	(25.76)	(6.21)	(6.79)	(58.56)	(14.11)	(12.19)	(75.67)	(18.23)	(10.98)	(25.49)	(6.14)	(13.80)
Profit for the year	166.01	39.99	43.75	185.80	44.76	38.69	285.74	68.84	41.46	66.06	15.91	35.76

Remark: Currency Exchange 0.2409 THB per 1 LKR Source: Bank of Thailand as of 30 June 2016

Source: TFI Annual Report 2014/2015 2015/2016 and Consolidated Financial Statement as of 30 June 2016

TFI historical financial statements are retrieved from the annual reports of 2013/2014, 2014/2015 and 2015/2016 and the interim financial statement for the period of three months ended on 30 June 2016. The aforementioned financial is summarized in THB at the exchange rate of THB 0.2409 to LKR 1 (Source: Bank of Thailand as of 30 June 2016) as follows:

Assets

According to the TFI 2015/2016 annual report, the company had total assets of THB 637.74 million, an increase from THB 525.02 million in 2014/2015 and THB 402.26 million in 2013/2014 or 21.47% and 30.52% respectively. This was mainly due to increase in loan account receivables and services. In 2015/2016 loan account receivable increase from year 2014/2015 by THB 151.45 million or equal to 39.92% and increasing from year 2013/2014 by THB 98.71 million or 35.18% as a result of business growth.

Liabilities

As of 2015/2016, the total liabilities was THB 374.43 million increased by THB 73.55 million or 24.44% from THB 300.87 million in 2014/2015. Total liabilities in year 2014/2015 increased by THB 89.68 million or 42.46% from 2013/2014. The main liabilities of TFI are Due to Customers and Banks. This is mainly because TFI offers customer more competitive deposit rate than bank, therefore, customers deposit increased from last year.

Shareholder's Equity

AS of 2015/2016, the Company had shareholders' equity of THB 637.74 million increased from THB 112.71 million or 21.47% in 2014/2015. The company's shareholders' equity has been increasing annually. In 2014/2015, the shareholders' equity increased by THB 122.76 million or equal to 30.52% from 2013/2014. This was mainly caused by net profits received during each period.

Interest Income and Expenses

In 2015/2016, the Company had interest income of THB 166.01 million increased by THB 50.31 million or 43.38% from the year 2014/2015 and increased by THB 24.48 million or 26.56% from 2013/2014. This was mainly caused by increase in leasing account, hire purchases, personal loans, overdue interest and fixed deposit, which are driven by business growth.

Table 8-27: TFI interest Income Structure

	2013/2014			2014/2015			2015/2016			Q1/2016	
	LKR million	THB million	%	LKR million	THB million	%	LKR million	THB million	%	LKR million	THB million
Hire purchase	35.12	8.46	9.25	29.03	6.99	6.04	13.07	3.15	1.90	N/A	N/A
Leasing	274.2	66.05	72.25	364.28	87.76	75.85	594.12	143.12	86.21	N/A	N/A
Loans	7.51	1.80	1.98	5.35	1.29	1.11	6.27	1.51	0.91	N/A	N/A
Overdue Interest	28.33	6.82	7.47	34.01	8.19	7.08	43.41	10.46	6.30	N/A	N/A
Fixed Deposits	8.72	2.10	2.30	24.76	5.96	5.16	10.31	2.48	1.50	N/A	N/A
Other interest income	25.62	6.17	6.75	22.86	5.50	4.76	21.95	5.29	3.19	N/A	N/A
Total	379.5	91.42	100.00	480.29	115.70	100.00	689.13	166.01	100.00	N/A	N/A

Source: TFI Annual report 2014/2015 2015/2016, Financial statement as of 30 June 2016

In 2015/2016 TFI had interest expenses of THB 34.78 million, an increase from 2014/2015 and 2013/2014 by THB 9.11 million baht or 35.38% and 4.88 million or 23.46% respectively. This was mainly caused by increases in unpaid customer debts, which is the main interest expenses resulting from growth in leasing businesses.

Table 8-28: TFI Interest Expense structure

	2013/2014			2014/2015			2015/2016			Q1/2016	
	LKR million	THB million	%	LKR million	THB million	%	LKR million	THB million	%	LKR million	THB million
Due to customer	85.91	20.70	99.51	106.52	25.66	99.94	130.20	31.37	90.17	N/A	N/A
Due to banks	0.42	0.10	0.49	0.06	0.01	0.06	14.19	3.42	9.83	N/A	N/A
Net interest expense	86.33	20.80	100.00	106.58	25.68	100.00	144.39	34.78	100.00	N/A	N/A

Source: TFI Annual Report 2014/2015 2015/2017 and Consolidated Financial Statement as of 30 June 2016

Net Profit (Loss) for the Period

In 2015/2016, the Company had total net profits of THB 68.84 million, an increase from 2014/2015 and 2013/2014 by THB 24.08 million or 53.79% and THB 4.77 million or 4.12% respectively. This is mainly due to the company was able to increase its revenue from the previous year by 43.48% and maintained proportion of its expenses compared to previous year. The net profit margin of the company in each period remain relatively constant in 2015/2016, 2014/2015, and 2013/2014, the net profit margin of the company was equal to 41.46%, 38.69%, and 43.75% respectively.

Cash Flow statement

Table 8-29: TFI Cash flow statement

	2013/2014		2014/2015		2015/2016		Q1/2016	
	LKR million	THB million	LKR million	THB million	LKR million	THB million	LKR million	THB million
Net cash flows from operating activities	223.10	53.74	130.37	31.41	(280.88)	(67.66)	141.28	34.03
Net cash flows used in investing activities	(167.20)	(40.28)	(108.73)	(26.19)	120.17	28.95	11.37	2.74
Net cash flows from financing activities	(52.12)	(12.56)	(56.86)	(13.70)	36.80	8.87	(12.73)	(3.07)
Net Increase in cash and cash equivalents	3.78	0.91	(35.22)	(8.48)	(123.91)	(29.85)	139.92	33.71

Source: TFI Annual Report 2014/2015 2015/2016 and Consolidated Financial Statement as of 30 June 2016

In 2015/2016, the company had net cash flows from operating activities of THB 67.66 million that is caused by Funds advanced to customers. In 2015/2016 the Company paid advanced to customers for a total of THB 160.39 million increased by THB 56.40 million baht or 54.27% from 2014/2015. For Net cash flows used in investing activities in 2015/2016, the Company had invested in plant property and equipment and software development. The investing amount was increased by 212.2% compared to 2014/2015. In 2015/2016, the company paid dividend for the total amount of THB 27.4 million and received bank borrowing which resulted in a positive net cash flow from financing activities to THB 36.80 million.

Table 8-30: TFI Financial Ratio

	Unit	2013/2014	2014/2015	2015/2016	Q1/2016
Profitability Ratio					
Operating Profit Margin	%	77.25	77.81	79.05	79.79
Net Profit Margin	%	43.75	38.69	41.46	35.76
Return on Equity	%	20.93	19.97	26.14	23.70
Yield rate	%	24.41	23.07	27.58	8.00
Interest rate	%	10.19	9.02	9.82	2.87
Efficiency Ratio					
Return on total Assets	%	9.94	8.53	10.79	2.37
Total Assets Turn Over Ratio	Times	0.23	0.22	0.26	6.63
Financial Policy Ratio					
Ratio of Debt to Equity	Times	1.11	1.34	1.42	1.40
Ratio of Total Receivable to Loan from	Times	1.42	1.39	1.54	1.77

Source: TFI Annual report 2014/2015 2015/2016 and Financial Statement as of 30 June 2016

Financial Status and Performance Analysis

The company had a constant operating profit margin each year. In the period 2013-2014 – 2015/2016, the company had a operating profit margin equal to 77.25%, 77.81%, and 79.05% respectively. Similarly, TFI was able to maintain a 40% net profit margin. Return on equity ratio was 26.14% in 2015/2016 which was more than the previous year 23.07%, this was mainly due to an increase in net profit. Yield rate and interest rate were quite constant during previous 3 years which were 23.07% and 9.02% respectively. This shows that the company had the ability to collect interest and manage non-performing loan.

The return on asset increased in 2015/2016 due to the increasing in net profit margin. Moreover, total asset turnover ratio was increased as well due to the company had ability to increase its revenue and manage leasing services.

Debt to equity ratio in 2015/2016 increased by fraction amount similarly to the ratio of total receivable to loan from.

3.5 Discounted Cash Flow Approach

CCF currently holds 98.34% stake in Trade Finance and Investments PLC (“TFI”). Therefore, IFA performs valuation on TFI, a wholly-owned subsidiary of CCF, such that TFI value could be incorporated in CCF comprehensive valuation.

IFA applies Discounted Cash Flow Approach or DCF via Free Cash Flow to Equity (FCFE) as it incorporates growth and earning potentials by allowing for detailed assumptions on expansion and operation, as well as for value-sensitive items, such as financing options and capital structure. Additionally, FCFE basis is a direct method in deriving cash flow available to shareholders. IFA estimates the expected cash flows to the date of 31 March 2021 with regarding to information and forecast from CCF management, as well as from publicly available disclosures including financial statements and industry information. Therefore, if the economic factor and external factor which influence the business operation or situation of business are significantly changed and different from the underlying assumptions, the share value from this method will change as well.

A. Net Interest Income and Other Income Assumption

CCF management constructs 5-year strategic and expansion plan for TFI and expects TFI to maintain the same level of profitability and expects its interest income (from loan, leasing and hire purchase receivables) to grow at the same rate as it did in the past of 20% - 30%, which is higher than the market. However, in CCF management forecast, interest expense is expected to grow at similar level, leaving profit margin close to TFI historical figure.

Other income is forecasted to grow at a rate slightly lower than that of interest income, resulting in a smaller proportion to interest income of 11.05% at the end of the forecast period, as opposed to 12.20% in the latest fiscal year 2015/2016.

B. Expense Assumption

Operating expenses include bad debt expenses, personnel costs, advertising and marketing expenses and other administrative expenses, which are majorly forecasted to grow at the rate similar to interest income and expense. Moreover, bad debt expense is kept at 4% of total receivables. This leads to a constant profit margin that is at a level close to TFI historical record.

C. Tax Assumption

VAT on Financial Service is assumed at 15% and Corporate Income Tax at 28%, according to the recent notification from Sri Lankan Revenue Department. Nevertheless, on 12 July 2016, the revenue department halted 15% VAT and put back in effect the previous rate of 11%. Despite, due to the possibility of the 15% VAT being reintroduced, CCF management and IFA assumes 15% VAT on financial services for the 10 years forecast period under the basis of conservatism.

D. Other Assumptions

1) Capital Expenditure ("CAPEX") and Depreciation

CAPEX is assumed to grow slightly lower YoY than income as this is not the main costs for TFI expansion and operation. Depreciation is forecasted at a constant percentage as per historical figure.

2) Change in Net Working Capital ("NWC")

TFI working assets include loan, leasing and hire purchase receivables and working liabilities include customer deposits, where portfolio expansion is based on CCF management forecast.

With the above assumptions on revenue, expenses, assets and liabilities, financial forecast on TFI during the period of **1 April 2016** to **31 March 2021** is as follow:

Table 8-31: TFI Forecast income statement

THB million	2016	2017	2018	2019	2020
Interest income	216.49	308.67	440.09	627.46	894.61
Interest expense	53.89	86.28	138.13	221.15	354.07
Total net interest income	162.61	222.39	301.96	406.31	540.54
Other operating income	39.44	52.08	69.05	91.96	123.03
Impairment charges	9.11	10.00	10.93	12.47	12.47

THB million	2016	2017	2018	2019	2020
Personnel costs	28.38	36.56	47.20	61.06	79.14
Depreciation and amortization	3.97	4.77	5.72	6.87	8.24
Other expenses	36.46	46.88	62.65	87.49	128.05
Finance cost	3.78	4.11	4.11	4.11	4.11
Operating profit before Value Added Tax on financial services	120.34	172.15	240.40	326.27	431.56
Value Added Tax on financial services	3.92	4.51	5.19	5.97	6.86
Profit before taxation	116.42	167.64	235.21	320.30	424.69
Income taxation	32.60	46.94	65.86	89.69	118.91
Net profit	83.82	120.70	169.35	230.62	305.78

Table 8-32: TFI Forecast Balance Sheet

THB million	2016	2017	2018	2019	2020
Total assets	895.94	1,232.62	1,530.40	1,876.56	2,333.23
Total liabilities	552.63	768.61	897.04	1,012.59	1,163.47
Total equity	343.31	464.01	633.36	863.98	1,169.75

E. Terminal Growth

Terminal growth assumed is **2%** per year, which is approximated from long-term GDP growth rate under the basis of conservatism, in comparison to current actual Sri Lanka GDP growth.

F. Discount Rate

IFA computes discount rate for calculating present value of TFI free cash flow as the cost of equity or K_E , which is referred from CAPM theory as follow:

$$K_E = R_F + \beta \times ERP$$

R_F	Risk free rate is based on the return yield of Sri Lanka's 10-year government bond of 11.60%, retrieved on 29 September 2016 (source: Bloomberg)
Beta (β)	Beta (β) is the variance between the returns of the stock market in Asia and the returns of comparable companies which have similar type of business, leasing. These companies are Asia Sermkij Leasing Public Company Limited, Ratchthani Leasing Public Company Limited, Magma Fincorp Ltd (MGMA) and People's Leasing & Finance (PLC). The beta is calculated from the historical closing prices in 2 -years period, weekly, from 29 September 2016 backwards. The unlevered beta is 0.246 (From Bloomberg)
ERP	Equity risk premium is the difference between R_F and market return or R_M , which is 12.95% (source: Damodaran and the Political Risk Services (PRS) Group)

From the above assumptions, the cost of equity ranges between **12.45% - 13.53%**, with the variables being corporate income tax rate and debt-to-equity ratio of BGMM in different periods:

Table 8-33: TFI Cost of Equity

%	2016	2017	2018	2019	2020
K_E	12.67%	13.53%	13.21%	12.69%	12.45%

From the above assumptions, the forecasted free cash flows to equity ("FCFE") and its present values used in the valuation of TFI fair value are as follow:

Table 8-34: TFI Forecast Cash Flow 2016-2020

THB million	2016	2017	2018	2019	2020
Net profit	42.03	120.70	169.35	230.62	305.78
add: Depreciation	1.99	4.77	5.72	6.87	8.24
less: Finance cost	1.66	6.48	6.03	8.98	10.77
add: Net working capital	(54.29)	(172.66)	(175.97)	(152.68)	(135.54)
add: Net Borrowing	5.03	90.28	(9.18)	(44.97)	(28.10)
FCFE	(6.90)	36.61	(16.12)	30.85	139.60
Terminal value					1,363.04
Present value of FCFE (PV of FCFE)	(6.50)	30.26	(11.82)	20.31	82.33
Present Value of Terminal Value					803.84
FCFE + TV	(6.50)	30.26	(11.82)	20.31	886.17

Table 8-35: Valuation of TFI

	THB million
Equity value ¹	918.43
add: Cash and cash equivalent ²	11.53
Net equity value	929.96

Remark: 1. Valuation cut-off date is September 2016; 2. Interim Financial Statement ended 30 June 2016

Therefore, equity value of TFI via Discounted Cash Flow Approach is THB 929.96 million.

Appendix 4: BG Microfinance Myanmar Company Limited

4.1 Background and Significant Developments

BG Microfinance Myanmar Company Limited ("BGMM") was registered as a private company limited on 20 September 2013 in Myanmar and received licensing to operate in the temporary microfinance businesses in Myanmar on 28 August 2014. BGMM commenced business operations on 16 September in the Yangon region and fully operated in October 2014. The company expanded branches to the Bago region in August 2015 and received a permanent license to operate microfinance businesses on 5 November 2015 under the Myanmar Companies Act No. 483FC. BGMM aims to provide social and economic support and development for individuals with low income in Myanmar by promoting economic cooperation and social development via financial services and non-financial services to have maximum efficiency.

Therefore, from the legal due diligence report, BGMM has obtained permanent microfinance license. Consequently, it is no further issue on the license for the operation, there is no issue and limitation in entering this transaction.

Business license obtained by BGMM is listed below:

- Microfinance Service Authorized License

BGMM has 32 staffs and 3 branches. There is only leased properties for BGMM due to the branch expansion policy on leasehold only. Each of the lease agreements in respect of the properties provided in the reviewed documents have been entered into by U Aung Swe Win. The Sellers have not confirmed whether there is any contractual obligation between U Aung Swe Win and BGMM and the contractual rights that BGMM is entitled to in respect of the Properties and whether any landlord consent has been obtained. Foreign entities are restricted from entering into leases for longer than 1 year. It is presumed that U Aung Swe Win has entered into this agreement as a nominee for BGMM for that reason. It has been made a condition precedent BGMM authorised Mr. U Aung Saw Win to sign each lease in respect of the Properties on behalf of BGMM. GLH should also request for further clarification on whether BGMM has the landlord consent to occupy the relevant Properties.

Table 8-36: Major changes and developments of BGMM

Year	Details
2013	<ul style="list-style-type: none"> • Registered as a private limited company on 20 September 2013.
2014	<ul style="list-style-type: none"> • Received license to operate in microfinance loan businesses on 5 November 2014. • Commenced operations in October 2014 with the objective to provide social and economic support and development for individuals with low income in Myanmar.

Source: Data from the Company and BGMM

4.2 Overview of the Business

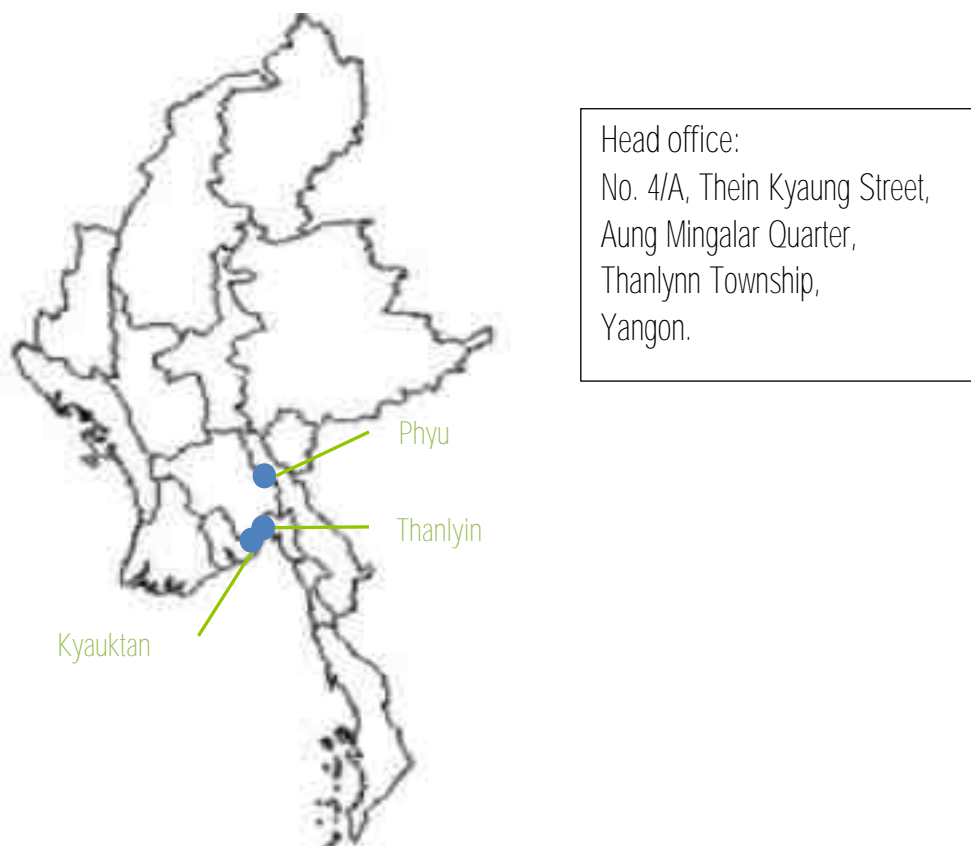
BGMM's main business characteristics emphasize the provision of microfinance services for minor entrepreneurs and individuals with low income who may not be able to access main sources of capital such as ordinary commercial banks. In addition, the company emphasizes female customers because the company considers females as the center for social development by starting at the family level and providing loans for

groups of individuals with more than 5 members who are required to share responsibilities. Moreover, the company set a period of 50 weeks for repayment of loans, and loan payments are collected on a weekly basis. Outstanding features of BGMM's microfinance products include loan provision systems for groups of borrowers and loans for females repaid on a weekly basis without unpaid loans and non-profitable loans (NPL).

Types of businesses of persons applying for loans consisted of animal husbandry, agriculture, fishing, various productions, services and trade. The highest ratio of individuals who applied for loans filed applications for service and sales businesses. Group loan provision models consisted of loans with five or more members. The company supports the aforementioned individuals with low income to save regularly every month to maintain the group's financial status as a collateral in order to make loans from financial institutes. In principle, members will check and pressure one another to repay loans within the specified time because any borrower who loses credit will prevent the members of the entire group from being able to request loans. Starting loans are at USD 200 for the first loan. When all loans are paid, borrowers will be able to make additional loans at higher balances than the first loan.

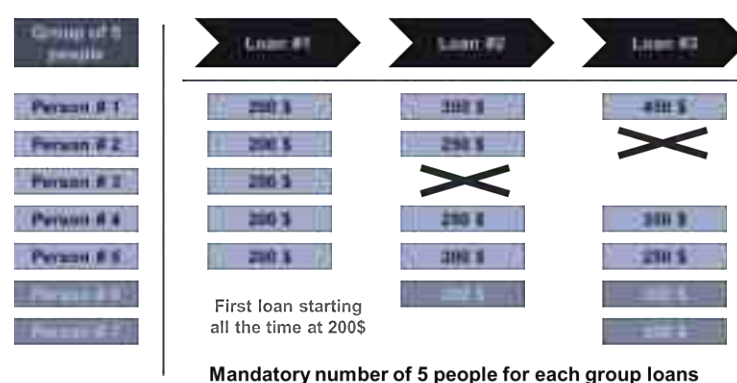
At present, the company has three branches opened for operations located in Kyauktan and Thanlyin near Yangon and Phyu outside the Yangon region, which opened for operations in August 2015. Furthermore, the company has projects to expand branches in the future.

Figure 8-3: BGMM's branch locations in Myanmar



Source: Data from the Company

Figure 8-4: BGMM group loans structure



Source: Data from the Company and BGMM

4.3 Shareholding Structure

A list of the 5 major shareholders as at 20 September 2016 is as follows.

Table 8-37: Major shareholders of BGMM

No.	Major shareholder	No. of shares	%
1	Commercial Credit Finance PLC	389,852	28.09
2	BG Capital Private Limited	314,577	22.67
3	BG International Private Limited	314,546	22.67
4	BG Investment Private Limited	368,704	26.57
5	Mr. Lawrence Gregory Shriyantha Perera	1	0.00
	Total	1,387,680	100.00

Note: Major shareholder no.5, Mr. Lawrence Gregory Shriyantha Perera holds 1 share, at the par value of Kyat 1,000.

Source: Data from the Company and BGMM

4.4 Board of Directors and Executives

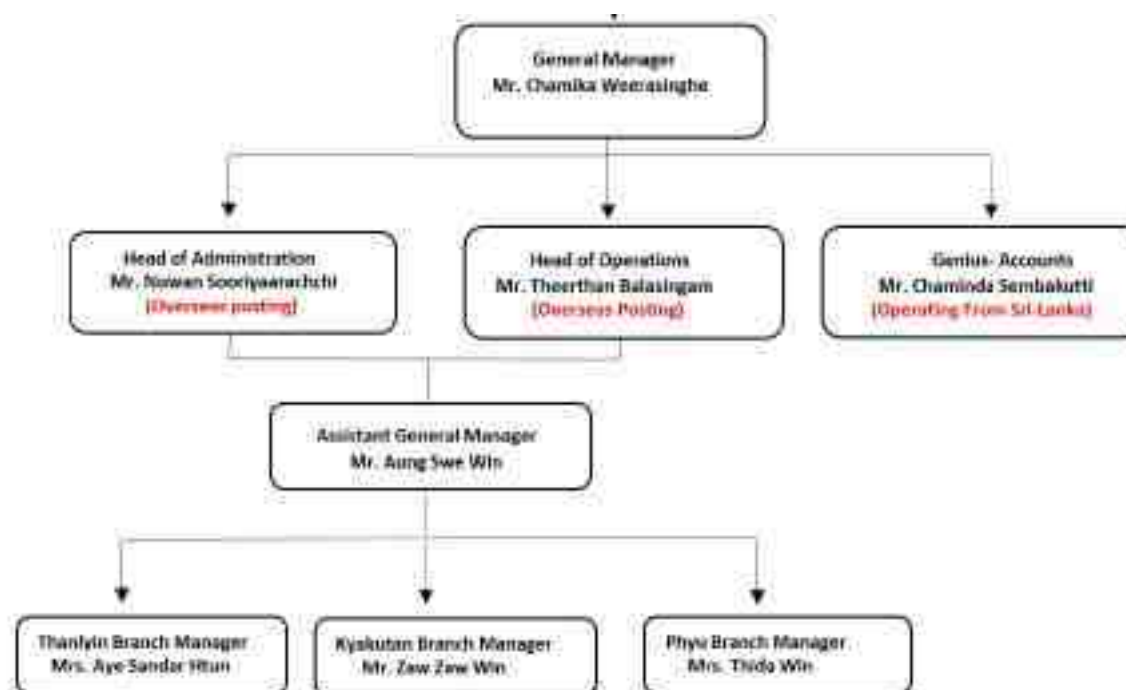
As of 31 March 2016, BGMM's Board of Directors consisted of 5 directors as follows:

Table 8-38: Board of directors of BGMM

Name	Position
Mr. Lawrence Gregory Shriyantha Perera	Director
Mr. Kasturi Arachchilage Chaminda Janaka Jayathilake	Director
Mr. Roshan Sanjaya Egodage	Director
Mr. Don Dhanushka Rushan Udugama	Director
Mr. Anuradha Senarath Ranaweera	Director

Source: BGMM

Figure 8-5: Management team of BGMM



Source: BGMM

After entering Transaction 2, the Company will nominate a new set of the Board of Directors to run BGMM. The Company will also nominate a Chief Executive Officer and a Deputy General Manager to be relocated to Myanmar, and provide assistance to the operations there. In addition, the Company plans to maintain current management and current staffs of BGMM to facilitate the future growth and since BGMM has proven good results.

4.5 Financial Position and Operating Result

Table 8-39: Consolidated statements of financial position of BGMM

	2014/2015			2015/2016		
	MMK million	THB million	%	MMK million	THB million	%
Cash and bank balances	365.09	10.66	64.33	107.80	3.15	7.46
Account receivables	660.90	19.30	116.45	1,269.02	37.06	87.78
Advance & prepayments	(472.88)	(13.81)	(83.32)	14.20	0.41	0.98
Other receivables	2.37	0.07	0.42	12.48	0.36	0.86
Total Current assets:	555.49	16.22	97.87	1,403.50	40.98	97.08
Property, plant & equipment	12.07	0.35	2.13	42.21	1.23	2.92
Total Non-current assets:	12.07	0.35	2.13	42.21	1.23	2.92
Total assets	567.55	16.57	100.00	1,445.71	42.21	100.00%
Trade payables						
Other payables	19.83	0.58	3.49	33.32	0.97	2.30
Deposits	29.64	0.87	0.15	188.92	5.52	13.07
Current account	18.72	0.55	0.10	18.70	0.55	1.29

	2014/2015			2015/2016		
	MMK million	THB million	%	MMK million	THB million	%
Short term provision		-	-	58.47	1.71	4.04
Total liabilities	68.18	1.99	12.01	299.42	8.74	20.71
Capital and reserves						
Paid up capital	539.60	15.76	95.08	1,037.68	30.30	71.78
Accumulated (Loss/profit)	(40.23)	-1.17	-7.09	108.62	3.17	7.51
Total equity	499.37	14.58	87.99	1,146.30	33.47	79.29
Total liabilities and equity	567.55	16.57	100.00	1,445.71	42.21	100.00

Note: Currency exchange THB 0.0292 per MMK ¹ Source: Bank of Thailand as of 31 March 2016

Source: Consolidated Financial Statement (Audited) as of 31 March 2016

Assets

In 2015/2016, the company had total assets of THB 42.21 million, an increase from the total assets of THB 16.57 million in 2014/2015 or 154.73 percent. This was mainly caused by increases in trade accounts receivable from microfinance loans from THB 19.30 million in 2014/2015 to THB 37.06 million in 2015/2016. Furthermore, net land, buildings and equipment also increased from THB 0.35 million to THB 1.23 million because of BGMM's branch expansions to areas outside Yangon. With its policy to expand self-help finance microfinance businesses and the main policy to promote economic and social development for individuals with low income who lacked opportunities to request loans from commercial banks, the company has the policy to expand future branches.

The lending portfolio in 2015/2016 was Kyat 1,269 million which was almost doubled the portfolio size in 2014/2015. The interest income went up from Kyat 43 million in 2014/2015 to Kyat 319 million in 2015/2016 equivalent to 742%. The net profit turned positive in 2015/2016 to reach Kyat 149 million.

BGMM has yet recorded NPL. Nonetheless, the Microfinance Supervisory Committee of Myanmar has issued Notification No. 5/2016) dated 29 August 2016 requiring all microfinance company to set Loan Loss Provision for each Loan category as follows:

Days past due	Provision as % of Loan Outstanding
a) Current – performing loans	1
b) Sub-standard loans – 30 days past due	10
c) Watch loans – 31 – 60 days past due	50
d) Doubtful Loans – 61 - 90 days past due	75
e) Loan Loss – over 91 days past due	100
f) Rescheduled one time	50
g) Rescheduled two times	100

According to the management report, as of September 2016 BGMM has total lending contracts of 10,135 accounts with the total portfolio size of Kyat 1,671.68 million (approximately Baht 49.8 million). Of which, 10,121 contracts with the total loans of Kyat 1,668.04 million (approximately Baht 49.7 million equivalent to circa 99.8% of total portfolio) are of current status. Applying the newly enacted Notification, BGMM would have to set a provision of at maximum Kyat 1.5 million (approximately Baht 45,000, equivalent to circa 0.09% of total portfolio).

Liabilities

In 2014/2015 and 2015/2016, the company's total liabilities were THB 1.99 million and THB 8.74 million, respectively, due to increases in trade accounts payable resulting from business expansions, savings of individuals who requested loans including interest burdens from the aforementioned deposits and short-term liability estimates for 2015/2016 because allowances have to be set for doubtful accounts and increased numbers of debtors' doubtful accounts.

Shareholders' Equity

In 2014/2015 and 2015/2016, shareholders' equity was THB 14.58 million and THB 33.47 million. These were increased by 129.56 percent from capital increases. Issued and paid-up capital increased from THB 15.76 million to THB 30.30 million. However, in 2014/2015, the company had losses in performance with accumulated losses of THB 3.17 million.

Table 8-40: Consolidated profit and loss statements of BGMM

	2014/2015			2015/2016		
	MMK million	THB million	%	MMK million	THB million	%
Investment income	43.33	1.27	84.69	319.04	9.32	82.42
Interest expenses	0.65	0.02	1.27	15.12	0.44	3.91
Net interest income	42.68	1.25	83.42	303.92	8.87	78.51
Other income	8.48	0.25	16.58	83.18	2.43	21.49
Gross income	51.16	1.49	100.00	387.11	11.30	100.00
Administrative expenses	58.16	1.70	113.68	152.15	4.44	39.31
Other expenses	13.87	0.40	27.11	36.49	1.07	9.43
Profit/(loss) before tax	(20.87)	-0.61	-40.70	198.47	5.80	51.27
Income tax expense	0.00	0.00	0.00	49.62	1.45	12.82
Net profit/(loss) for the year	(20.87)	-0.61	-40.79	148.85	4.35	38.45

Note: Other income consists of Import/Export Custom fees and profit/(loss) from translation of foreign currency

Other expense consists of Bank service fee, Rental fee, Utilities expenses, Branch expansion expenses and etc.

Currency exchange THB 0.0292 per MMK 1 Source: Bank of Thailand as of 31 March 2016

Source: Consolidated Financial Statement (Audited) as of 31 March 2016

Income

In 2014/2015 and 2015/2016, the company had total income of THB 1.49 million and THB 11.30 million, respectively or an increase by 658.39 percent from investment income or interest income and other income consisting of import and export document fees and profit (loss) from exchange rates. The fact that income increased significantly demonstrated rapid expansions of the microfinance business in Myanmar. In 2014/2015 and 2015/2016, the company had total income of THB 1.49 million and THB 11.30 million, respectively or an increase by 658.39 percent from investment income or interest income and other income consisting of import and export document fees and profit (loss) from exchange rates. The fact that income increased significantly demonstrated rapid expansions of the microfinance business in Myanmar.

Management Expenses

In 2014/2015 and 2015/2016, the company had expenses of THB 1.70 million and THB 4.44 million, respectively, or an increase of 161.18 percent from increased management expenses, especially increases in employee expenses by 198.41 percent to support business expansions. In addition, other expenses consisting of bank service provision fees, office rent, electricity costs, water costs, branch opening expenses and other expenses also increased from the previous year as a result of growth in the business. The company began operations in 2014 and had performance with losses in 2014/2015. Nevertheless, income tax expenses amounted to THB 1.45 million in 2015/2016.

Net Profit (Loss)

In 2014/2015 and 2015/2016, the company had a net loss of THB 0.61 million and the net profit of THB 4.35 million, respectively. This was a result from business expansions and the opening of new branches in August 2015 outside the capital of Yangon.

Table 8-41: Summary of consolidated statements of cash flow of BGMM

	2014/2015		2015/2016	
	MMK million	THB million	MMK million	THB million
Net cash flows from operating activities	(122.34)	(3.57)	(668.95)	(19.53)
Net cash flows used in investing activities	(13.16)	(0.38)	(35.46)	(1.04)
Net cash flows from financing activities	276.16	8.06	498.08	14.54
Net increase in cash and cash equivalents	140.67	4.11	(206.33)	(6.02)

Note: Consolidated Financial Statement (Audited) as of 31 March 2016

Cash Flow

In 2015/2016, the company had net cash spent in operating activities of THB 19.53 million, an increase from THB 3.57 million from the previous year. This mostly occurred from the fact that the company had increased operating assets in the part of other debtors consisting of loans for employees, trade accounts receivable from services, other deposits and other increased cash flows in the part of deposits made by persons who requested loans as loan request guarantees.

Net cash spent in investment activities in 2015/2016 amounted to THB 1.04 million, an increase from the previous year by 173.68 percent from the previous year's business expansion. Branch expansion in the previous year increased cash spent in purchasing net land, buildings and equipment.

Net cash from financing activities in 2014/2015 and 2015/2016 was THB 4.11 million and THB 14.54 million, an increase from issued and paid-up shares by 80.36 percent.

Table 8-42: Key financial ratios of BGMM

	Unit	2014/2015	2015/2016
Profitability Ratio			
Operating Profit Margin	%	83.42	78.51
Net profit margin	%	-40.79	38.45
Return on Equity	%	-4.18	18.09
Yield Rate	%	6.53	32.81

	Unit	2014/2015	2015/2016
Interest Rate	%	0.95	9.78
Efficiency Ratio			
Return on total Assets	%	-3.68	14.79
Total Assets Turn Over Ratio	Times	0.09	0.38
Financial Policy Ratio			
Ratio of Liability to Equity	Times	0.14	0.26
Ratio of Total Receivable to Loan from	Times	0.00	0.00

Source: Consolidated Financial Statement (Audited) as of 31 March 2016

Financial Status and Performance Analysis

In 2014/2015 and 2015/2016, the company had operating profit ratio at approximately 80 percent. In 2015/2016, the operating profit ratio of 78.51 percent dropped from 83.42 percent in the previous year because of higher interest expenses, causing lower net income to total income ratios. However, net profit ratio increased significantly from -40.79 percent to 38.45 percent because BGMM had losses in its performance in 2014/2015 because that was the first year of operations with more management expenses than total income. In addition, during the aforementioned period, the company expanded branches, increasing shareholders' returns in 2014/2015 to - 4.18 percent and 18.09 percent in the next year. The interest rates from loans in 2014/2015 and 2015/2016 were 6.53 percent and 32.81 percent, respectively.

In 2014/2015 and 2015/2016, return on assets was - 3.68 percent and 14.79 percent, respectively, because the company had a net loss of THB - 0.61 million in 2014/2015 with improved performance and the company had a net profit of THB 4.35 million. In 2015/2016, return on assets increased from - 3.68 percent in the previous year to 14.79 percent and asset turnover increased from - 3.68 percent to 14.79 percent, showing increases in the company's assets to influence increases in total income.

In 2014/2015 and 2015/2016, the debt to equity ratios were at 0.14 times and 0.26 times, respectively, which were low levels because the company's business was at an early stage with low growth and business operation liabilities in the early stage and capital increases during the aforementioned period

Appendix 5: Hire Purchase Industry Conditions in Thailand

Domestic Hire Purchase Business Overview

The hire purchase business is the provision of financial services with characteristics similar to purchases of goods by paying in installments and making contracts to pay for goods in installments at specified amounts and times. During that period, the hirer-purchaser is able to use properties with differences in that the hirer-purchaser will have no ownership rights to that property until the full price of the aforementioned property has been paid, in which case ownership rights may be transferred.

According to a study by Kasikorn Research Center, more than 80 percent of the hire-purchase loan market is taken up by hire-purchases of automobiles and motorcycles while the remaining 20 percent is composed of hire-purchases of machinery and electrical appliance via services provided by minor leasing companies operating directly in the aforementioned businesses. Therefore, the overview of the hire-purchase loan market grows mainly based on the amount of new automobile and motorcycle sales in the country.²

Motorcycle Hire-Purchase Industry Market Conditions

The motorcycle hire-purchase business is a business that fluctuates based on market conditions and motorcycle sales by reflecting growth or recession in motorcycle sales figures and hire-purchase figures in the same direction. The factors influencing overall increases in motorcycle sales are composed of economic conditions, interest rates, related government policies and compliance with motorcycle manufacturer marketing policies such as production of new motorcycle models to market, pushes of sales in various regional markets, etc., including traffic conditions. The aforementioned factors influence consumer purchasing power and decision-making³.

Concerning overall economic conditions in the second quarter of 2016, the Thai economy grew by 3.5 percent, an increase from 2.8 percent in the fourth quarter of 2015. This was the highest growth rate in 12 quarters (after adjusting seasonal effects). The Thai economy for 2016 is expected to grow by 3.0 – 3.5 percent with factors supporting continuity from domestic factors such as: 1) government spending and investment, 2) economic stimulus measures prepared by the government during the third quarter of 2015 to the first quarter of 2016, 3) continually growing trends of tourists, which will help to compensate exports of goods, 4) expected low oil prices and 5) improvements in the price of goods and agricultural household income during the previous half year as a result of drought problems.⁴

Interest rates remain another primary factor influencing consumers' purchasing power and decision-making. In 2016, research departments of many financial institutes believed short-term interest rates had stable trends from maintaining interest rates at the policy of 1.5 percent per year. The Monetary Policy Committee (MPC)

² YapikaRemngjarupan. *Automobile and Motorcycle Hire-Purchase Businesses*. 23 January 2014. (Business Research Bureau, Risk Management Branch, Land & House Bank Plc.)

³ Annual Report of 2014 (56-1), S 11 Group Plc.

⁴ Macroeconomic Strategy & Planning Office, *Thai Economy in the First Quarter of 2016 and Trends for 2016*. Office of the National Social and Economic Development Board. 15 August.

believes this rate to be at sufficient rates for leniency for economic recession. Real interest rates remained at low levels and collective funds from the business section and household loans must be at appropriate levels⁵.

If the overall economic trends affecting motorcycle hire-purchase loan growth was considered, motorcycle hire-purchase loan expansions should be positively affected by the improving Thai economy after continual government sector investment and expenses in addition to issuance of more economic stimuli issuance. This is expected to help with domestic employment and integration with additional economic stimuli, including improvements in agricultural household income increasing consumer power purchases and confidence. This includes stable low interest trends since November 2016. Nevertheless, the market continues to be subject to highly negative factors from household liabilities (at 81.1 percent per GDP and 81.5 – 82.5 at the end of 2016 according to assessments of Kasikorn Research Center Co., Ltd.⁶ Furthermore, the motorcycle market is close to reaching saturation points (the motorcycle possession rate of the Thai population is 3 motorcycles per person).

Other factors influencing motorcycle purchase decisions of consumers consist of dense urban traffic conditions, causing motorcycles to maintain continual popularity for convenient and faster traveling than automobiles in addition to motorcycle sales stimuli provided by motorcycle manufacturers who manufactured new motorcycle models for the market by meeting more varying motorcycle needs of consumers. Therefore, the motorcycle market can be expected to have higher sales growth in the future, resulting in trends for growth in allowing motorcycle hire-purchase loans in the future from motorcycle sales at 90 percent by using hire purchase loans.⁷

Table 8-43: Volume of motorcycle sales in Thailand

Type (unit: 1,000)	2011	%	2012	%	2013	%	2014	%	2015	%
Motorcycle sales in Thailand	2,001	100	2,126	100	2,004	100	1,699	100	1,671	100
Growth rate (<i>slow down</i>)	-	-	-	6.2	-	-5.7	-	-15.2	-	-1.6
Motorcycle sales in Bangkok and its vicinity	379	18.9	450	21.2	454	22.7	365	21.5	395	23.6
Motorcycle sales in other provinces	1,623	81.10	1,676	78.8	1,550	77.3	1,334	78.5	1,276	76.4
The volume of motorcycle purchases in Bangkok and its vicinity										
By loan	187	49.5	117	51.5						
By cash	191	50.5	110	48.5						

Note: * Data on the purchase volumes by loan or by cash is only available until the year ended June 2012, since the Department of Land Transport cannot identify detail.

Source: The Bank of Thailand, Thai Hire-Purchase Association, Annual registration statement 2015 of Thiti Korn Public Company Limited

In 2012, motorcycle sales figures were at a record high at 2,125,646 motorcycles because the Thai economy grew from various economic stimulation policies such as the government rice subsidy project. In 2013 – 2015, motorcycle sales dropped for three consecutive years. In 2013, motorcycle sales were at 2,004,000

⁵ Financial Policy Report of June 2016. BOT News.37/2016 Edition. Bank of Thailand.

⁶ Than Setakij Newspaper, 36th Year, 3,172th Edition, 7 – 9 July 2016.

⁷ *Ibid* 1

motorcycles, a reduction from 5.7 percent during the previous year. In 2014, motorcycle sales were at 1,699,218 motorcycles, a reduction from the previous year by 15.2 percent. And in 2015, motorcycle sales were at 1,671,237 motorcycles, a reduction from the previous year by 1.6 percent. This was considered as three consecutive years of reductions at slowed rates when compared to previous years. In 2016, the motorcycle market is expected to have a balanced trend with sales figures not exceeding 1.7 million motorcycles. According to research conducted by the Business Research Bureau, Risk Management Office, Land & House Bank Plc., domestic sales figures as of July 2016 were at 1,037,340 motorcycles.⁸

Business Competition⁹

Competition in the motorcycle hire-purchase business is severe as a result from recession in the motorcycle market with some entrepreneurs who were able to stay for a long time while others quit the business due to failure. However, there are always new entrepreneurs. Although market conditions are approaching saturation, there are still individuals who want to buy motorcycles. This allows entrepreneurs to seek more customers. Furthermore, congested traffic conditions and mass transit services, which are unable to meet public demands, make motorcycles another flexible travel or business option with speed and time savings. Higher competition is also a result of strategy adjustments by various automobile companies from emphasis on using automobile company hire-purchase leasing groups to hire-purchase to seeking cooperation from commercial banks to provide opportunities for customers to select desired financial institutes to use hire-purchase services as customers are willing.¹⁰

Automobile hire-purchase interest rates are expected to be maintained at low levels to maintain market shares and stimulate customers' purchase decisions. Although interest rate balance has positive effects on consumers, balanced interest rates pressure hire-purchase business entrepreneur performance, causing potential for profitability ratios of entrepreneurs to have potential for adjustment. Furthermore, sales promotion activities by reducing down ratios and extending payment times may create more risks for bad debts.

Entrepreneurs in the motorcycle hire-purchase loan service provision can be divided into 2 characteristics consisting of the following:

1) Entrepreneurs who support goods produced by companies in the group such as some motorcycle brands with motorcycle hire-purchase companies to support hire-purchase of that motorcycle brand specially or specifically for customers.

2) Entrepreneurs without limitations for hire-purchases to any specific brand such as Group Lease Public Co., Ltd., etc.

Entrepreneurs in the group with the characteristics in 2 who have no limitations to hire-purchase any specific model can be seen to have higher advantage and competitive capacity than entrepreneurs with the characteristics in 1. If any new motorcycle brands are not accepted by customers or sales success is not

⁸ The Federation of Thai Industries (2016).

⁹ Automobile and Motorcycle Hire-Purchase Loan Service Provision Business. Business Research Office, Risk Management, Thailand & House Plc. 26 January 2016.

¹⁰ Automobile and Motorcycle Hire-Purchase Loan Service Provision Businesses. Business Research Office, Risk Management, Land & House Plc. 30 January 2016.

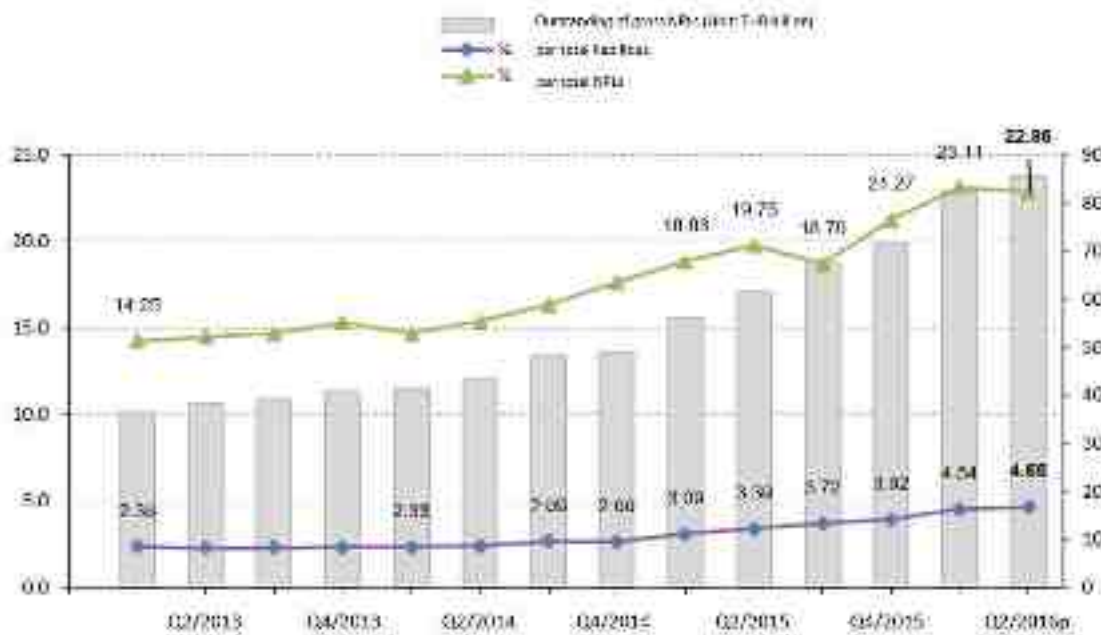
encountered, no survice provision burdens have to be accepted. Furthermore, another reason entrepreneurs with in characteristics in 2 continue to have the freedom to select motorcycles favored by customers and are allowed a wider range of customers in allowing hire-purchases for any single motorcycle.

Business Growth Trends

Motorcycle hire-purchase business trends in 2016 will continue to be affected by stabilizing domestic motorcycle stabilizing figures. Kasikorn Research Institute had the opinion that the motorcycle market will grow by no more than 2 percent from the previous year or the motorcycle sales figure of THB 1,647,000 bath for 1,640,000 vehicles to 1,670,000 vehicles.¹¹ Pressure on motorcycle hire-purchase service providers comes from motorcycle hire-purchase service providers from high household debts, despite positive factors supporting economic conditions in the aforementioned country.

When outstanding figures from retails and wholesales, automobile repairs and motorcycle repairs can be considered based on the graph below, the aforementioned outstanding figure's percentage to total liabilities have obvious stable trends in 2013 – 2014 with continual increases in every quarter to 4.65 percent in the second quarter of 2016. The ratio of outstanding retail sales, automobile sales and motorcycle sales to all outstanding figures in the system also had higher trends such as from 14.25 percent in the first quarter of 2013 to 22.66 percent during the second uarter according to estimates.

Figure 8-6: Outstanding figures (Gross NPLs) of retails and wholesales, automobile and motorcycle repairs



Source: The Bank of Thailand (2016)

As an entrepreneur in associated businesses, there must be strategies such as risk management, inventory, loan release care, etc., to support the aforementioned market conditions¹².

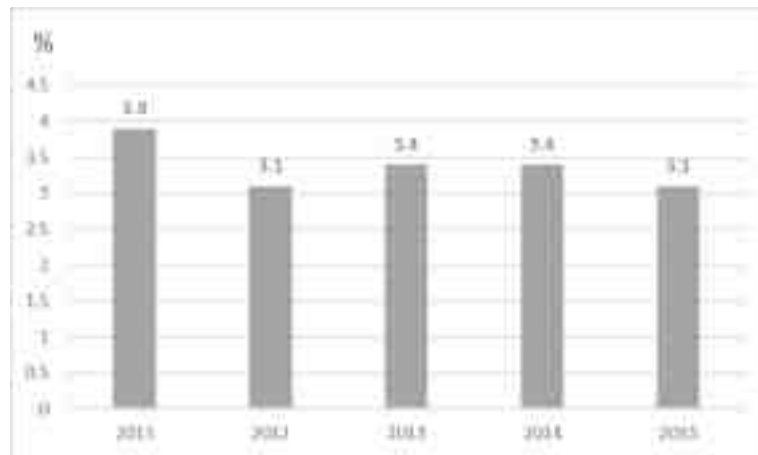
¹¹Thai Automotive Institute.

¹² Setakij Newspaper. Lifeslyte Motorcycle 2016: More Than 30 Percent Growth.

Appendix 6: Loan Industry Conditions in Sri Lanka

Current global economic conditions refer to data from the International Monetary Fund, which found the global economy to be in recession in 2015 as a result of recessions to the development of new emerging countries and developing countries. Nevertheless, developed countries had economic recovery without sufficiency to improve the overall economy. The growth rate of the global economy was at 3.1 percent in 2015, followed by 3.4 percent during the previous years. The global economy is expected to have higher growth rates at 3.2 percent and 3.5 percent in 2016 and 2017. In the meantime, potential barriers may occur due to the fact that the Federal Reserve Bank increased interest rates to help with employment recovery and encourage spending.

Figure 8-7: Global economic growth rate



Source: CCF Annual report 2016

The Sri Lankan economy is cited by the Central Bank of Sri Lanka to have a growth rate of 4.8 percent when compared to 4.9 percent, a minor reduction from the previous year. The Sri Lankan Economy has three main components consisting of agriculture, industry and services with slight growths from the previous year. The construction, mining and quarry industries had slightly reduced growth when compared to the previous year. The financial service business had slight growth due to flexible and lenient financial policies.

Figure 8-8: Gross domestic product growth of Sri Lanka

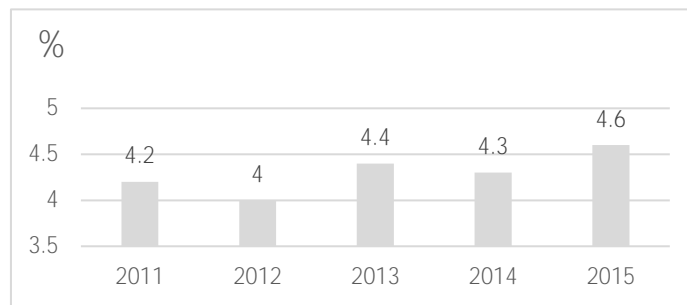


Source: CCF Annual report 2016

Employment rates increased in 2015 at 4.6 percent when compared to 4.3 percent in 2014. Significant contents in changes to unemployment rates consisted of lower consumer price index from the reduction of consumer goods prices, supply increases and inflation. Salary rates and wages also rose in the same direction as general expenses. Export rates dropped by 5.6 percent from the previous year because of instability of the basic economy, which was a main foundation of Sri Lanka's exports.

Unemployment Rates

Figure 8-9: Unemployment rates

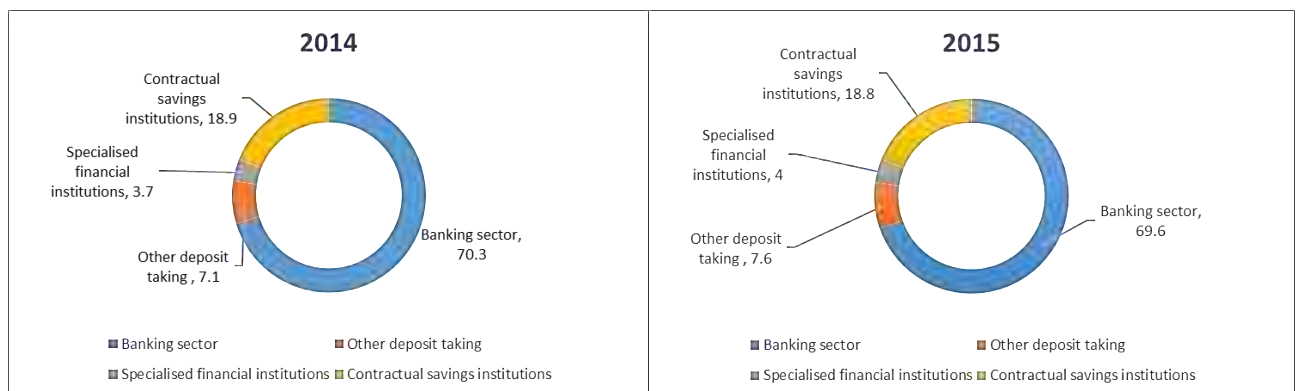


Source: CCF Annual report 2016

In 2015, Sri Lanka had 25 registered commercial banks, 7 registered specific financial institutes and 46 registered capital companies and 7 registered specific loan businesses. Financial business performance in 2015 showed development of the country's basic economy and growth capacity, including the most effective control and management methods.

The country's total assets associated with finances consisted of bank assets which dropped from 70.3 percent in 2014 to 69.6 percent in 2016, assets from financial institutes which accepted deposits and specific financial institutes were at 7.6 percent and 4.0 percent in 2015. These were increases from 7.1 percent and 3.7 percent in 2014, respectively.

Figure 8-10: Financial institutions ratio

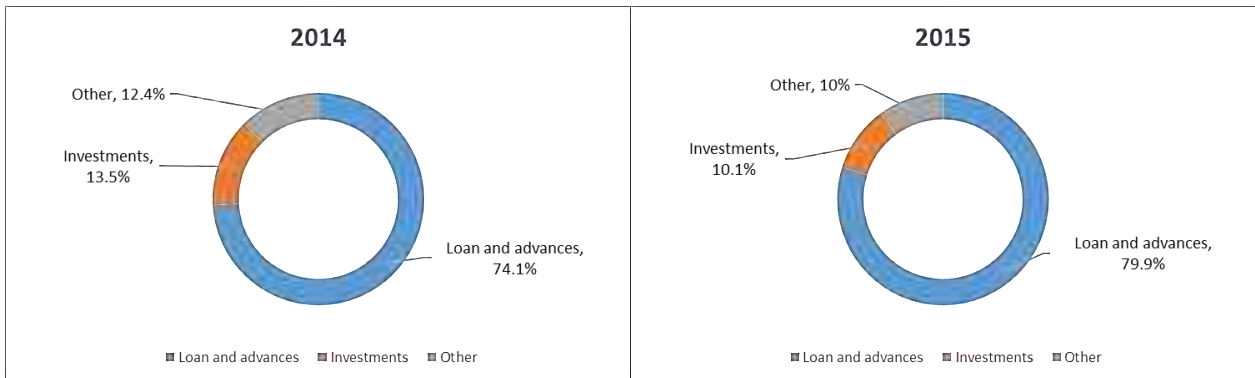


Source: CCF Annual report 2016

When specific businesses are considered such as licensed finance companies and specialized leasing companies, the amount of loans provided increased by 44.8 percent with increases in deposits by 16.1 percent from the previous year. In 2015, the corporation had significantly higher need for loans with guaranteeing securities. Furthermore, when long-term loans and advances over a 1-year are considered, growth rates

increased from 15.8 percent in 2014 to 31.8 percent in 2015. Ratios for these two specific businesses were at 74.1 percent in 2014 and 79.9 percent in 2015.

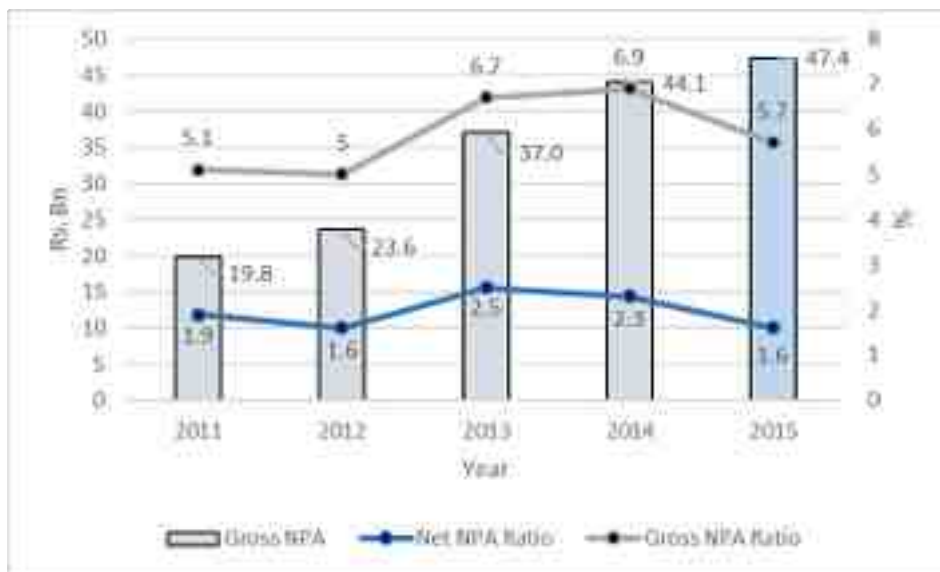
Figure 8-11: Loans ratio



Source: CCF Annual report 2016

Gross Non Performing Accommodation Ratio of the business group was equal to 5.7 percent, which was lower than 6.9 percent from the previous year because of better credit risk management policies and economic growth in 2015.

Figure 8-12: Non performing accommodations ratio



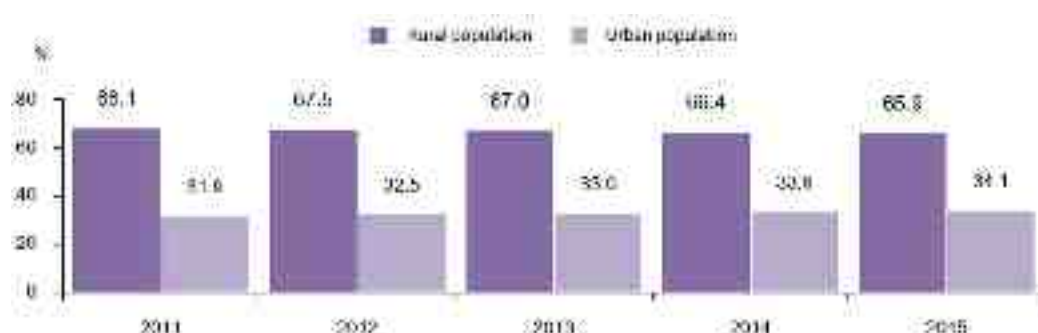
Source: CCF Annual report 2016

Appendix 7: Microfinance Industry Conditions in Myanmar

Overall Economic and Finance Industry Conditions

Myanmar is one of the countries with the lowest income per capita in Southeast Asia with a total population in 2015 of 53.9 million people and the income per capita of approximately USD 1,204 per year (Data from the World Bank). During the period from November 2015 to April 2016, the country successfully undergo a political change. The real sector maintained strength amidst inflation at 12 percent in October 2016 (Data from the Central Bank of Myanmar). Economic growth in 2015 – 2016 is expected to be 7 percent, a reduction from 8.5 percent in 2014 – 2015 (Data from the World Bank). Population distribution between urban and rural communities were approximately 35 percent to 65 percent with higher urbanization trends.

Figure 8-13: Proportion of urban and rural populations in Myanmar



Source: World Bank (2016)

Myanmar's financial sector is considered small and underdeveloped with the only major industry leaders consisting of the following: 1) 4 government banks; 2) 19 private banks and 3) 28 banks represented by representative offices¹³ (because foreign banks have no permission to fully operate businesses in the country). This caused the overall banking sector to have high limitations in accessing individuals with limitations in opening accounts and making transactions with banks (Unbanked). Many of the most recent researches estimated the population capable of accessing financial services in the system to be less than 20 percent (IFC, 2013). At present, the main factors suppressing growth and limiting the population's access to finance consist of the following:

- (1) Fixed interest rates set by national banks. In 2016, the minimum interest for deposits and maximum loans was set at 8 percent and 13 percent, respectively.
- (2) Specifications to maintain liquidity ratio at 20 percent.
- (3) Loans provided with conservative guarantees by specifying loan to value ratio at 50 percent.
- (4) Limited banking products and service provision.

In addition to banks, according to data from OECD in 2014, other financial service providers consisted of: 4) 5 financial organizations and 5) 189 microfinance service providers (LIFT MAP Report 2014).

¹³Structural Policy Country Notes for Emerging Asia: Myanmar (2014)

Microfinance Industry Conditions

Microfinance Demands

According to a study conducted by LIFT (2013) by surveying 4,000 households, only 16 percent of households used financial services in the system. Most capital sources usually come from family members, friends and money lenders. In addition, most of the population are dependent on borrowing from money lenders outside the system for spending or other financial needs.

When occupational ratios of the population were considered, the agricultural sector was found to have accounted for 43 percent of GDP and hired workers accounted for 54 percent of the national population (IFC, 2013 & Seward, 2012). However, only 2.5 percent of all loans entered this industry. In addition, the findings of LIFT (2012) summarized the maximum loan balance specified by the Myanmar Agricultural Development Bank (MADB) was insufficient for farmers' loan needs by lacking the total value of at least MMK 170 billion (THB 4,964 million at the exchange rate of MMK 1 to THB 0.0292).

Furthermore, there are also other loan needs such as for domestic and foreign transfers, which are usually conducted by transfer service providers outside the system. Estimated remittances from more than three million migrant workers account for 5 percent of Myanmar's GDP (IFC 2013 & Hookway 2012).

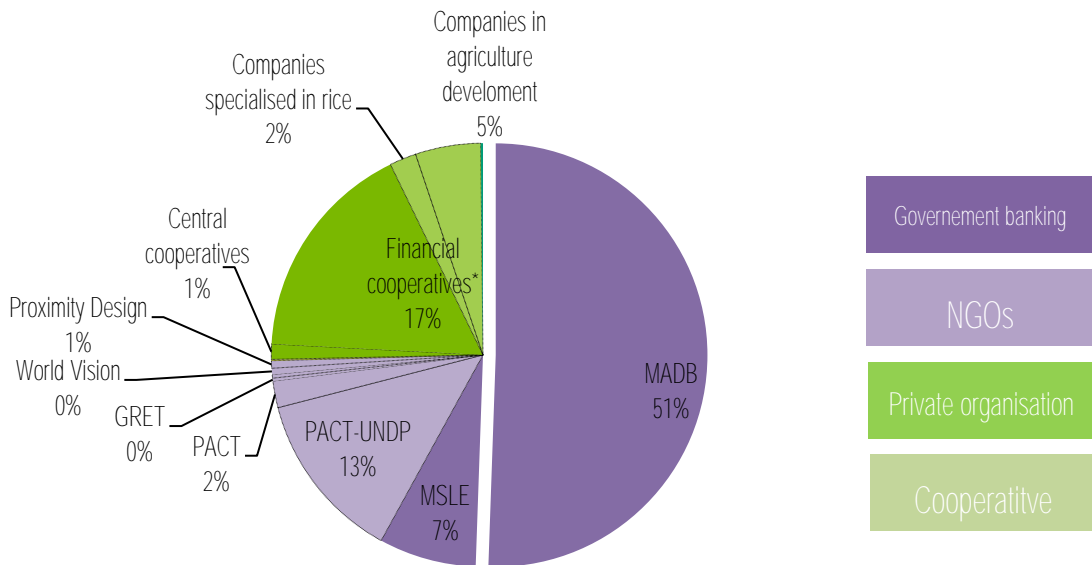
Microfinance demand value in 2013 was at almost USD 1 billion (UNCDF, 2012). Although minor loan supply exceeds overall demand, it is possible farmers in many areas are overwhelmed with debt from many causes such as low prices for agricultural goods such as rice, beans, which are staple crops, including access to various loan sources such as money lenders. According to household interviews conducted by LIFE (2013), 63 percent of the interviewed households were found to have more debt than the previous year.

Microfinance Supply

Microfinance supply is divided into two categories consisting of service providers who did and did not accept deposits on a case-by case basis. A study by IFC (2013) (See Figure 6 – 11) assessed Myanmar to have approximately 2.8 million minor loan customers with the loan portfolio value of MKK 236 billion (THB 6,891 million at the exchange rate of MKK 0.0292 to THB 1) (See Figure 6 – 12).

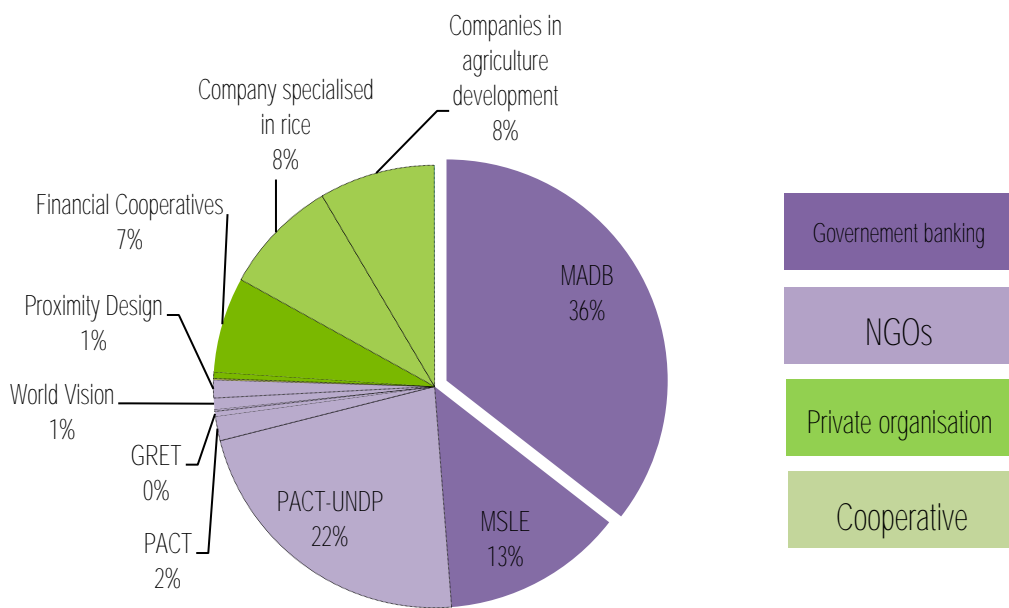
MADB has loan customers amounting to approximately half of all minor loan customers. Generally, minor loan service providers provide services and products designed to assist small and minor businesses to meet production needs or support impoverished households until basic needs can be met. The aforementioned products consisted of income generating loans, educational loans, customer welfare loans and minor savings.

Figure 8-14: Loan service providers categorised by loan customer and institutions



Noted: * ประกอบไปด้วย Union of Savings & Credit Federation
 Source: IFC (2013), ADB (2015)

Figure 8-15: Loan service providers categorised by amounting in loan portfolio and by institutes



Note: * Union of Savings & Credit Federation
 Sources: IFC (2013), ADB (2015)

Microfinance service providers in Myanmar can be divided into the following 6 main categories:

1. The informal and semi-formal sectors are composed of moneylenders and handys referring to domestic and foreign money transfer service providers outside the system. Informal service providers are important for the transfer service provision market outside system in the country including in rural areas. Furthermore, family and friends are another main source of funds, especially for individuals with low income. Interest is charged at various levels. Semi-formal service providers consisted of pawn shops and

organizations at various communities such as village funds and loan groups. Pawn shops charge interest at 3 – 5 percent per month. According to data from MADB, there are a total of 12,000 village organizations servicing more than 1.4 million people.

2. Banks are mainly divided as follows:
 - (i) Government banks such as the Myanmar Economic Bank (MEB). Although MEB does not provide microfinance services, MEB provides funding support for MADB, an agricultural development bank.
 - (ii) Private banks are not very interested in providing microfinance services due to insufficient operational experience, including other limitations such as the spread between loan interest income (13 percent) and deposit interest expenses (8 percent). After deducting other low expenses with business management at cost, especially when compared to PACT< leading microfinance institutions, the ratio of operation spending comes to 15 – 18 percent of the gross loan portfolio.
3. Cooperatives focus on raising deposits and minor loans in urban areas under the regulation of the Ministry of Cooperatives.
4. Non-government entities (NGOs). Before issuance of financial laws for minor organizations, PACT UNDP was the only NGO permitted to operate in the business. There are currently many other organizations such as PACT-UNDP, etc. (See Figure 6 – 12).
5. Companies with expertise in agricultural development allow a total of approximately MMK 40 – 60 billion (THB 1,168 – 1,752 million at the exchange rate of MMK 0.0292 to THB 1) during the harvest season to assist over 200,000 farmers.
6. Government organizations (non-bank).

List of microfinance service providers in Myanmar

No.	Company name	Portfolio (USD)	Number of customers
1	Pact Global Microfinance Fund	119,208,781	599,558
2	Aceda Myanmar	8,572,311	32,863
3	Vision Fund Myanmar	8,466,423	58,753
4	Proximity Finance	7,265,627	36,689
5	AEON Microfinance	6,607,680	45,863
6	LOLC Myanmar	2,669,600	15,543
7	BRAC	1,547,350	7,454
8	ASA Microfinance	1,076,000	15,737
9	ASAIH	1,034,619	15,737
10	AMFIM	192,585	2,205
11	Accu Myanmar	136,858	4,316

Source: BGMM (2016)

Appendix 8: Selection criteria for peer companies

IFA considers the selection criteria for peer companies by emphasizing on consumer finance business. The criteria on geographical area emphasizes on Asia Pacific emerging market. The group of related companies in domicile in Sri Lanka is also taken into account as well. The relative companies data comparing to CCF (target company) are acquired from Bloomberg and is as at 29 September 2016, the result from mentioned criteria provides 13 total companies which can be divided into groups; 11 companies in Asia Pacific (emerging market) and 2 companies in Sri Lanka as shown in table below. The next process is outliers screening by the amount of market capitalization value.

Table 8-44: List of consumer finance companies in Asia Pacific region (Emerging market) and domicile country Sri Lanka

Company	Business description	Country	Market Capitalization (THB mil) 29 September 2559
Commercial Credit & Finance PLC (Target company)	Commercial Credit & Finance PLC is commercial and consumer lender. The Company offers financing for land, term loans, leasing, hire purchase, and time deposit accounts.	Sri Lanka	4,092
Asia Sermkij Leasing PCL	Asia Sermkij Leasing Public Company Limited provides financing services for purchasing of new and used automobiles. The Company also provides personal loans, and financial services to automobile dealers.	Thailand	7,354
Muangthai Leasing PCL	Muangthai Leasing Pcl operates as a commercial lending bank. The Company provides auto and agricultural loans to the public.	Thailand	38,796
Satin Creditcare Network Ltd	Satin Creditcare Network Limited (SCNL) operates as a non-banking finance company. The Company provides consumer financing and lending services to individuals and small businesses. SCNL serves customers in India.	India	9,480
Ratchthani Leasing PCL	Ratchthani Leasing Public Company Limited provides hire-purchase and leasing services for used automobiles to businesses and retail consumers in Thailand.	Thailand	12,443
BFI Finance Indonesia Tbk PT	PT BFI Finance Indonesia Tbk provides financial services such as leasing, consumer financing, and factoring.	Indonesia	13,650
Magma Fincorp Ltd	Magma Fincorp Limited provides a range of financial products and services to individual and corporate customers. The Company offers commercial vehicle financing, construction equipment financing and passenger car financing.	India	12,212
Adira Dinamika Multi Finance Tbk PT	PT Adira Dinamika Multi Finance Tbk provides consumer financing services.	Indonesia	16,430
Repc Home Finance Ltd	Repc Home Finance Ltd. (RHFL) provides financing services. The Company offers loans for construction and purchasing of residential and commercial properties including repairs, renovation, and loans against properties. RHFL operates throughout India.	India	26,487
Ujjivan Financial Services Ltd	Ujjivan Financial Services Ltd. provides financial services. The Company offers business, family, education, emergency, housing, and livestock loans. Ujjivan Financial Services serves customers throughout India.	India	26,524
Capital First Ltd	Capital First Limited provides a wide range of financial services. The Company's services include investment	India	31,957

Company	Business description	Country	Market Capitalization (THB mil) 29 September 2559
	advisory, asset management, retail financial services and research.		
AEON Credit Service M Bhd	Aeon Credit Service M Bhd provides consumer financing products. The Company offers products such as easy payment, personal financing, and credit cards.	Malaysia	17,649
Domicile in Sri Lanka			
Commercial Credit & Finance PLC (Target company)	Commercial Credit & Finance PLC is commercial and consumer lender. The Company offers financing for land, term loans, leasing, hire purchase, and time deposit accounts.	Sri Lanka	4,092
People's Leasing & Finance PLC	People's Leasing & Finance PLC is a holding company. The Company, through its companies, offers leasing and financing services for motor vehicles and equipment. People's Leasing also provides loan products, such as term loans, personal loans, quick cash, and other products.	Sri Lanka	6,950
Lanka Orix Leasing Co PLC	Lanka Orix Leasing Company PLC is a full services leasing company. The Company leases plants, machinery, equipment, commercial vehicles, and provides factoring services.	Sri Lanka	9,217

Source : Bloomberg

After the selection by the criteria of mutual business type and screening the outliers of market capitalization value out by comparing with the market capitalization of CCF, the result is 4 peer companies as shown in the list below:

- g) Asia Sermkij Leasing PCL
- h) Ratchthani Leasing PCL
- i) Magma Fincorp Ltd
- j) People's Leasing & Finance PLC



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