

ANNUAL REPORT 2006

บริษัทหลักทรัพย์ พัฒนสิน จำกัด (มหาชน)

Capital Nomura Securities Public Company Limited

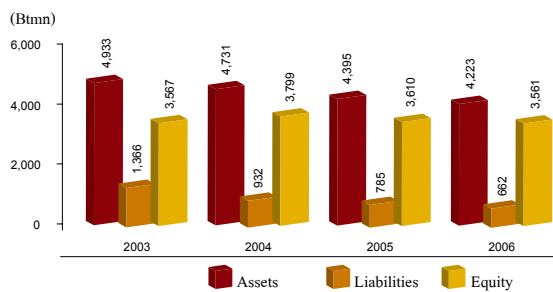
CONTENTS

1	FINANCIAL HIGHLIGHTS
2	BOARD OF DIRECTORS
3	MESSAGE FROM THE CHAIRMAN
7	COMPANY BACKGROUND
10	BUSINESS PROFILE
20	RISK AND RISK MANAGEMENT
23	OTHER FACTORS TO INVESTOR'S DECISION
24	CAPITAL STRUCTURE
26	MANAGEMENT STRUCTURE
36	GOOD CORPORATE GOVERNANCE
42	INTERNAL CONTROL
45	RELATED TRANSACTIONS
51	PERFORMANCE AND FINANCIAL STATUS ANALYSIS
58	MANAGEMENT PROFILE
62	AUDITOR'S REPORT AND FINANCIAL STATEMENTS

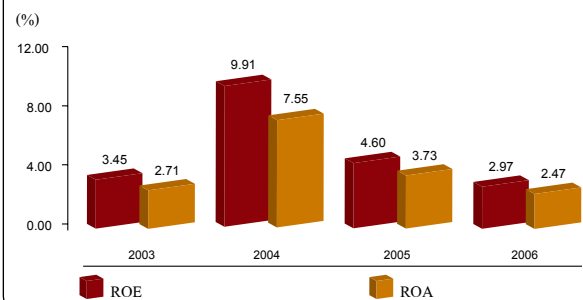


FINANCIAL HIGHLIGHTS

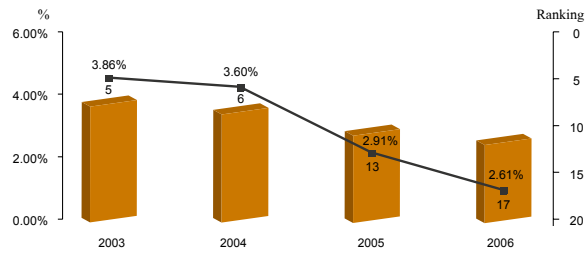
ASSETS, LIABILITIES & EQUITY



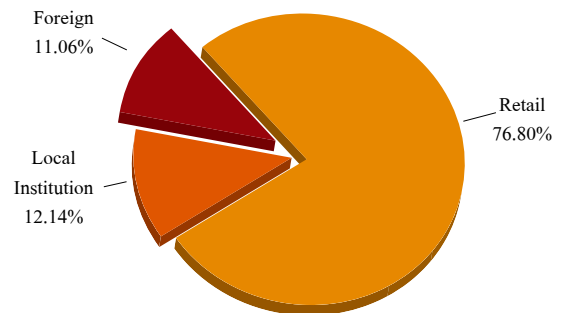
RETURN ON EQUITY & RETURN ON ASSETS



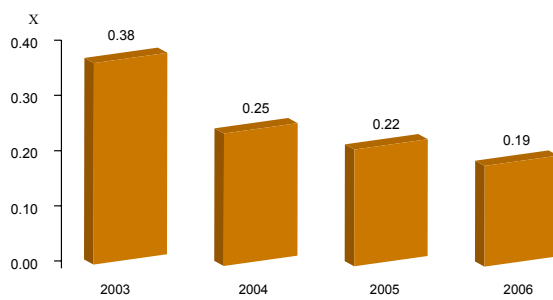
MARKET SHARE & RANKING



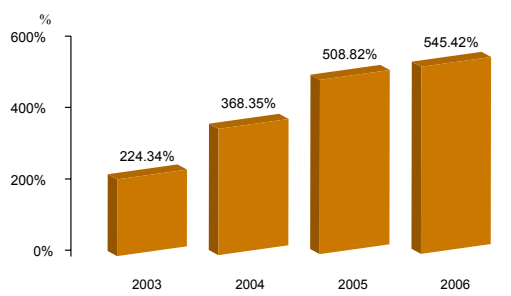
CUSTOMER BREAKDOWN 2006



DEBT TO EQUITY RATIO



NET CAPITAL RATIO (NCR)



BOARD OF DIRECTORS



Mr. Suthep Peetakanont
Chairman &
Chairman of the Executive Board



Mr. Daisuke Fujita
President



Mr. Yuko Sashisaki
Executive Director



Mr. Pisit Tesabamroong
Director



Mrs. Wattanee Phanachet
Chairman of the Audit Committee &
Independent Director



Col. Ruangsub Kovindha
Audit Committee Member &
Independent Director



Mr. Prasert Virasathienpornkul
Audit Committee Member &
Independent Director

MESSAGE FROM THE CHAIRMAN



The overall investment sentiment in the Stock Exchange of Thailand (SET) during the fiscal year 2006 (September, 2005 to August, 2006) was highly volatile due to the ongoing political tensions, concerns over rising interest rates, and the uptrend in oil prices. The SET index traded at a level between 647 to 785, with the average daily trading volume declining 12.02% to 16.0 billion baht in 2006.

Dwelling on the company's effort to continue developing our business plans and policies, which focused on expanding our domestic and overseas customer base, along with improving the quality of our services and the strengthening of our diversified income portfolio, the company has made great stride in opening 2,428 new accounts during this past fiscal year. Moreover, the company has invested and aggressively developed our online internet trading system providing another marketing channel in reaching potential customers both in Bangkok and the surrounding vicinity, and upcountry. In addition, the company has also introduced an online credit balance program and Securities Borrowing and Lending (SBL) product for short-selling trading for our customers. In doing so, we are the first company within the industry to provide this newly established online service for retail investors. As for expanding and developing our foreign institutional customer base, the company has added qualified and able personnel aimed at developing and improving the quality of our English research material in order to satisfy the demand of our foreign based customers. Furthermore, the company has also sought out to retain qualified and able personnel, with overseas sales experience, to facilitate and better service our foreign institutional customers. Moreover, the company's research department, in cooperation with Nomura, has conducted various road shows where our staff, along with representative from selected companies, visited foreign institutional customers in the US and Singapore.

As for our securities brokerage business, which is the company's core business, this past fiscal year's performance was diversified by different types of customer bases. These bases included: retail investors, domestic institutional investors, and foreign institutional investors. The results of their performance are as follow:

1. Retail investors – the company's retail investors' trading volume for the fiscal year was 156,573 million baht, while the total market trading volume for retail investors was 4,513,884 million baht, accounting for 3.47% of total market share.
2. Domestic institutional investors - the company's domestic institutional investors' trading volume for the fiscal year was 25,502 million baht, while the total market trading volume for domestic institutional investors was 854,689 million baht, accounting for 2.98% of total market share.
3. Foreign institutional investors - the company's foreign institutional investors' trading volume for the fiscal year was 22,549 million baht, while the total market trading volume for foreign institutional investors was 2,461,014 million baht, accounting for 0.92% of total market share.

In reference to the above figures, the company's trading volume of foreign institutional investors was low when compared to the overall increase in trading volume of foreign institutional investors in the market. We are committed to developing this area of the business and to continuously increase our current trading volume going forward.

As for the 2006 fiscal year, the company's brokerage fee totaled 509.8 million baht, a decline of 21% year over year. The company captured 2.61% of the market share and was ranked 17 among 38 securities firm. The ratio between retail investors trading volume to foreign and domestic institutional investors was 76.80%, 12.14% and 11.06% respectively.

As for our Securities Borrowing and Lending business (SBL) for short-selling services for our retail investors, providing an additional alternative investing tool, the company continues to remain committed to growing this area of the business. This past fiscal year, our efforts in further educating and creating a better understanding of the SBL product led to an increase of 38% in new SBL account opening, increasing from 847 accounts to 1,165 accounts. Total borrowing and lending transacted volume for the entire year totaled 1,131 million baht. The biggest stride made this year, that is pushing forward our SBL growth, is the launching of our online SBL trading services which commenced on May 16, 2006. The online SBL service is aimed at facilitating customers SBL transactions and is also utilized for expanding the company's current customer base.

As for the company's fixed income business, the progress made this past fiscal year has been satisfactory. The company was appointed as the advisor and selling agent for two property funds and was also appointed as the advisor and underwriter for one private corporate debenture. In addition, the company was able to offer the fixed income and property funds as an alternative investment choice to our investors which generated a different source of income for the company.

Furthermore, the company is determined to continue strengthening our focus in the investment banking business segment as we strive to diversify the company's income from the core business revenue. This past fiscal year, the company acted as the financial advisor for 6 companies, which have been ongoing since 2005. Political uncertainties and current market sentiment have underpinned the delay in the listing process of these companies. Nevertheless, we remain committed and have put forth continuing efforts and investments in growing the financial advisor, underwriter, etc, portion of the business. As a result, during the fiscal year 2006, the company was appointed co-underwriter for 8 securities, and was appointed financial advisor for 4 companies that are interested in listing on the SET. These cases and the process involve are still pending and await proper market climate for initial listing.

On April 28, 2006, the company launched another new and exciting product, derivatives trading. The new derivative trading business provides another alternative source of investment tools for our customers, as well as creating a diversified revenue stream for our company going forward. Derivative trading allows investors to hedge off certain risk exposures within the capital market, and should become a vital part of the investment portfolio. We are keen on developing our personnel and advancing our technical system, which are aimed at providing the best possible derivative products and services to our customers. Through a strong team effort, the result of the derivative business during the last 4 months of this past fiscal year has been inline with our expectation. Our market share for derivative trading for May, June, July, and August were 2.74%, 5.02%, 7.17%, and 4.58% respectively.

Aside from managing the aforementioned business operations, the investment and management of the company's capital fund continued to be carried out in a careful and conservative manner. We continue to focus our investment in low-risk instruments and on expanding our business model. Our funds are carefully utilized to push forward growth in securities brokerage business, credit balance, SBL, margin financing and underwriting of both equity and fixed income transaction, and our new and exciting derivative product.

For the 2006 fiscal year, the company registered net profit of 106.59 million baht, compared to net profit of 170.38 million baht in the fiscal year 2005. The company's financial status remains strong posting total assets of 4,223.51 million baht while the total liabilities and shareholders' equity are 662.07 million baht and 3,561.44 million baht respectively.

In the 2007 fiscal year, our company is committed to continue focusing on the policy of expanding our existing customer base, domestically and especially internationally. We are further committed to consistently improving the quality of our products and services in all areas along with strengthening our income diversification. Key development plans are as follows:

1. To increase our retail brokerage business by:
 - 1.1. Continually improving and developing our research products.
 - 1.2. Conducting product road shows aimed at educating our customers about the various products that are offered by the company, such as credit balance, SBL, derivative and online internet trading.
 - 1.3. Investing and developing existing online internet trading which can be utilized to expand and reach potential customers in Bangkok and its surrounding vicinity and upcountry. Online activities can also be utilized to introduce and facilitate transaction for company's SBL, credit balance, and derivative products to our customers.
 - 1.4. Continuing educating and training our staff in order to create higher efficiency in providing the best quality services to our customers.
 - 1.5. Continuing developing products and services that are more diversified in order to provide our customers with greater alternative investments such as offering investment and transaction in property fund, credit balance, and online SBL trading.

2. To increase our institutional brokerage business by:
 - 2.1. Improving and adjusting our research products to better accommodate the requirement of our institutional customers.
 - 2.2. Educating and continually developing our staff by our experienced and qualified department manager in order to offer the best possible service to our institutional customers.
 - 2.3. Conducting road shows and overseas presentation in Asia, Europe, and America, alongside our staff, giving them proper exposure with institutional investors in their development process.
 - 2.4. Conducting seminars for domestic institutional customers with presentations given by various overseas guest speakers, involving strategists, economists and analysts from Nomura, providing their input and opinions on the direction of regional and global capital markets.
 - 2.5. Offering varieties of alternative investment products to our customers such as IPO's, property funds, SBL, derivatives, along with other fixed income products.
3. To further develop and strengthen other existing businesses, in order to diversify our income stream. Related products are as follows:
 - 3.1. Derivatives trading – continue educating, training and developing product knowledge to our staff in order to offer the best possible advice, recommendation and services to our customers.
 - 3.2. Underwriting business for both equity and fixed income products – introducing alternative investment choices and ideas underpinned by our staffs' experiences and knowledge.
 - 3.3. Online SBL for short selling and credit balance - to consistently develop the existing system, in term of format, speed, and utilization process, in order to maintain as the industry leader in this business, apart from being the first to offer such a product.

The company will also continue to enhance efficiency of our human resources and operations with good leadership and financial discipline, as well as to promote good corporate governance, which will push forward greater long-term shareholder value.

Finally, on behalf of Capital Nomura Securities Public Company Limited's Board of Directors, I would like to express my sincere gratitude to our shareholders, customers, and staff for the continuous support, which has enabled the company to become one of the country's leading securities companies.



Suthep Peetakanont

Chairman & Chairman of the Executive Board

COMPANY BACKGROUND

History

The Company was registered as a Limited Company on May 26th, 1970, under the name of Bangkok Nomura International Securities Company Limited (Company Registration No.317/2513). The Company was one of the founding members of the Stock Exchange of Thailand (SET) in 1975. On November 1st, 1979, the Company changed its name to Bangkok Nomura Finance and Securities Company Limited and on September 23rd, 1985, to Capital Finance and Securities Company Limited.

The Company has been listed on the Stock Exchange of Thailand (SET) since April 26th, 1988 and returned the finance license to the Ministry of Finance. It changed its name to Capital Nomura Securities Company Limited on June 28th, 1991. On February 24th, 1994, the Company was converted into the 'Public Company Limited' (Registration No.312) under the name of Capital Nomura Securities Public Company Limited.

Major Developments

The significant changes and major developments during the previous three years :

- | | |
|-----------------|--|
| 29 August 2003 | The Company was granted the approval on the operating procedures for Investment Advisory Services by the Securities and Exchange Commission (SEC). |
| 1 December 2003 | The Company set up the Business Development and Investment Department, the objectives of which were to develop and broaden the business strategies for the benefit of both the Company and the investors. More varieties of investment alternatives were provided and thus additional revenues were generated for the maximized benefit of the organization. |
| 1 July 2004 | The Company established Fixed Income Division to provide the fixed income service to the clients as well as offering debt securities allotment and distribution services to local and foreign investors. The activities are supported by Nomura's worldwide Fixed Income units. |
| 17 August 2005 | The Company was granted an approval from the SEC to be an agent of Futures Business. |

28 April 2006

The Company started launching Futures business. The Company is the one of the securities companies providing a Futures trading service in the first trading day with Thailand Futures Exchange Public Company Limited (TFEX).

Head office and Branch offices

Head office

The Company's head office is located at 21/3 Thai Wah Tower, Ground Floor, South Sathorn Road, Bangkok 10120. Telephone: +66(0) 2285 0060 +66(0) 2285 0096 and +66(0) 2677 3333 Facsimile: +66(0) 2285 0620 +66(0) 2285 0909 +66(0) 2285 0535 Website : www.cns.co.th.

The Company's four branches are as follows:

Bangna Branch

400 Moo 11, Phairojkijsa Office Building, 6th Floor,
Bangna-Trad Road km.4, Bangna, Bangkok, 10260
Telephone +66(0) 2361 4576-79 +66(0) 2361 4581-87
+66(0) 2361 4566-67
Facsimile +66(0) 2361 4575

Phra-Pinklao Branch

7/129 Central Plaza Pinklao Office Building, 9th Floor, Room 902,
Baromrajchonnee Road, Arun-Amarin,
Bangkok Noi, Bangkok 10700
Telephone +66(0) 2884 9068-79 +66(0) 2884 9059-60
Facsimile + 66(0) 2884 9067 +66(0) 2884 9064

Ratchadaphisek Branch

19 SCB Park Plaza Tower III East, Mezzanine Floor,
Ratchadaphisek Road, Chatuchak, Bangkok, 10900
Telephone + 66(0) 2937 8375-87 +66(0) 2937 8383
Facsimile + 66(0) 2937 8390

Yaowaraj Branch

624 Yaowaraj Place Building, Ground Floor,
Yaowaraj Road, Sampantawong, Bangkok 10100
Telephone +66(0) 2267 0103-27 +66(0) 2639 1500-34
Facsimile +66(0) 2639 1533 +66(0) 2267 0123

References

Share Registrar

Thailand Securities Depository Company Limited

62 The Stock Exchange of Thailand Building, Ratchadapisek Road, Klong Toey, Bangkok 10110

Telephone +66 (0) 2229 2800

Facsimile +66 (0) 2359 1259

Call Center +66 (0) 2229 2888

Auditors

Ernst & Young Office Limited

33rd Floor, Lake Rajada Office Complex, 193/136-137 Rajadapisek Road, Klong Toey, Bangkok 10110

Telephone +66 (0) 2264 0777 +66(0) 2661 9190

Facsimile +66 (0) 2264 0789-90 +66(0) 2661 9192

By:

Mr. Ruth Chaowanagawi Certified Public Accountant (Thailand) No. 3247 and

Miss Ratana Jala Certified Public Accountant (Thailand) No. 3734

Anyone of them is authorized to conduct the audit and express opinion on the annual financial statement for the fiscal year ended August 31st, 2006.

Legal Consultant

Professor Pisit Tesabamroong

S.J. Legal and Accounting Co., Ltd.

143/1 Soi Ladprao 94, Ladprao Road, Wangthonglang, Bangkok 10310

Telephone +66 (0) 2538 7397 +66 (0) 1811 6752

Facsimile +66 (0) 2538 7201

BUSINESS PROFILE

The Company has licenses to conduct securities business under the Securities and Exchange Act A.D. 1992 in the following categories:

1. Brokerage business : Securities

The Company is a member of the Stock Exchange of Thailand providing securities brokerage service to both domestic and foreign investors. The Company aims to expand its brokerage service by extending its customer base, through cash and credit balance accounts as well as internet accounts.

2. Brokerage business : Futures

The Company was granted an approval to operate Futures business by The Thailand Futures Exchange Public Company Limited and Thailand Clearing House Co., Ltd. As this is a new business, the Company aims to educate and enhance understanding of the investors that this is another investment alternative and/or investors can utilize it to hedge off risk exposures in capital market. Meanwhile, the Company is also developing the online trading system to facilitate and expand the Company's customer base.

3. Securities trading

The Company invests in government and state enterprise securities, debt and equity instruments of private companies both for short and long term. Each investment is governed by investment limit and risk management as set forth in the Company's investment policy. The strategy and policy are reviewed annually.

4. Investment Advisory

The service covers the activities of giving advice in the normal course of business to the public whether directly or indirectly concerning the value, the suitability to invest in, to purchase or to sell any specific securities with a return in terms of fee or other remuneration. However any company that gets this license and wishes to do this business has to submit the operating procedures of the related activities to the Securities and Exchange Commission (SEC). With regard to this, the Company had obtained the SEC's approval for its operating procedure on August 29th, 2003.

5. Underwriting

The underwriting service is a service of providing guarantee to issuing companies for sales of securities (common shares, debentures, warrants, unit trust, etc.) issued and offered to investors.

6. Securities Borrowing and Lending

The Company was granted a permission by the Minister of Finance to operate Securities Borrowing and Lending business. The borrowed securities can only be sold through the customer's credit balance account with the company. Only SET 50 securities specified by The Stock Exchange of Thailand (SET) which are in the company's list of credit balance system are allowed.

In addition, the Company was granted an approval by the Office of the SEC to provide financial advisory services within the scope set by the SEC.

Revenue Structure

(Unit: Million THB)

Revenue Structure	Fiscal Year 2006		Fiscal Year 2005		Fiscal Year 2004	
	Amount	%	Amount	%	Amount	%
Brokerage fee – securities business	509.76	71.14	647.50	78.38	1,137.65	89.14
Brokerage fee – futures business	2.65	0.37	-	-	-	-
Fee and services income	56.90	7.94	37.63	4.56	41.59	3.26
Gain on trading in securities	(2.33)	(0.33)	33.63	4.07	1.52	0.12
Interest and dividend	92.47	12.90	42.50	5.14	41.30	3.23
Interest on margin loans	53.46	7.46	58.85	7.12	48.34	3.79
Other income	3.69	0.52	6.04	0.73	5.86	0.46
Total revenue	716.60	100.00	826.15	100.00	1,276.26	100.00

Industry Situation and Competition

Policies and significant marketing strategies

The Company aims at being one of the country's leading securities firms providing quality, fully-integrated and state-of-the-art services to the Company's existing and potential customers. The Company plans to develop the quality of its marketing staff to prepare for new innovation of financial instruments, for example, debt and derivatives. Moreover, the Company has continuously developed the quality of research papers and Information Technology (IT) system up to higher standard, serving as one of the competitive tools for tapping higher market share on the continuing basis.

Competition

Securities trading on the Stock Exchange of Thailand (SET) during the fiscal year 2006 (September 2005 to August 2006) has decelerated when compared to the fiscal year 2005 (September 2004 to August 2005).

This is evidenced by the total SET trading turnover during the fiscal year 2006 retreated from THB 4,449.38 billion to THB 3,914.79 billion, or a decline of 12.02% in average daily trading values. In comparison with the fiscal year 2004, the average daily trading values declined by 29.26%. As for market's direction, the SET index has continued to experience volatility and decline slightly from previous year. The SET index declined by 6.95 points, or 1.00%, from August 31, 2005, closing of 697.85 points, to August 31, 2006, closing of 690.90 points. Catalysts underpinning the investment climate were:

Thailand's economic outlook

The 2006 Thai economy is projected to expand slightly from 4.5% in 2005 to 4.7%, with most of the expansion taking place during the first half of 2006 when the economy expanded 5.5% year on year (y-o-y) basis. Meanwhile, the Thai economy is projected to contract to 4% y-o-y during second half of 2006. Catalysts that are expected to contribute to the deceleration in the economy are: concerns over the slowing US economy and its affect on Thailand's export industry, which is the primary driver for economic growth; high crude price and interest rate level; and, concerns over political uncertainty. These factors have contributed to the slowdowns in domestic consumptions and private investments, leading to lower earnings expectations for listed companies. As a result, retail and institutional investors alike have continuously reduced their respective investment portfolios y-o-y. Nevertheless, the September 19, 2006 coup, which took place after the last day of the Company's fiscal 2006 budget, is likely to push forward a quicker economic recovery than originally expected. The fiscal budget disbursement is expected earlier, which is now set for January 2007, rather than May 2007. The government policy for deficit spending is catalysts pushing forward 2007 economic growth revision to 4.2%.

Listed corporate earnings are projected to grow at a slower rate

The slowdown in the economic growth, coupled with higher operating costs, including interest cost, transportation cost, along with increase market competition, the 2006 listed companies' earnings grew merely 2.6% (only 132 companies or 74% of total market which researched by the company), dropping sharply from 2005 when the total net profit of THB 537,386 million, up 13% from 2004, was recorded. The slow growth was largely caused by a sharp decline in gross profit margin as operators could not pass on higher costs to consumers. Nonetheless, the price augmentation of certain products, such as petrochemicals and energy, has given rise to earnings of basic commodity businesses within the respective industry. Furthermore, financial status amongst the listed companies continues to remain strong, evidenced

by debt to equity ratio (excluding financial institutions) which dropped from 0.88X in 2005 to 0.74X in 2009. In addition, the interest rate coverage ratio was at 10.76X, slightly dropping from 11.10X in 2005.

Foreign investment

During the fiscal year 2006, regional indices all experienced an increase in foreign trading volume, soaring to new historical high in terms of total values. The catalysts that underpinned such an influx were Asia Pacific booming economy and US dollar depreciation. The US dollar depreciation was due to high US trade and budget deficit, along with trend for yuan appreciation. Regarding the SET, foreign investors remained major net buyers, although the overall net buying volume declined to THB 94,760 million in the fiscal year 2006 million from THB 171,132 million during the fiscal year 2005 due to ongoing political uncertainties. Nevertheless, foreign investors still hold positive views towards the Thai bourse climate thanks to the expected high return on investment and relatively undervalued index, with price-to-earnings (P/E) multiple of merely 9 times. Moreover, the foreign currency policy of floating the THB via free market mechanisms contributed to being less risky by holding THB than holding other currencies.

Trading value classified by types of investors

(Unit: Million THB)

Fiscal Year 2006 (Sept 05-Aug 06)	Buy		Sell		Total Buy & Sell		Net Buy (Sell)
	Amount	(%)	Amount	(%)	Amount	(%)	Amount
Domestic Institution	416,373	10.64	438,315	11.20	854,689	10.92	(21,942)
Foreign Institution	1,277,886	32.64	1,183,126	30.22	2,461,014	31.43	94,760
Individual Customer	2,220,533	56.72	2,293,350	58.58	4,513,884	57.65	(72,817)
Total	3,914,793	100.00	3,914,793	100.00	7,829,587	100.00	

Source: Stock Exchange of Thailand

Competition of securities brokerage business

During the fiscal year 2006, securities brokerage business has encountered the tougher competition, especially those brokerages whose focus is geared towards individual retail customers. The key strategy is to enhance the quality of Information Technology (IT) services, research papers as well as the online Internet trading system. However, some brokerages opted for the strategy of providing attractive incentives in luring key staff within the marketing department, which resulted in an overall decline in market share and earnings performance of affected companies. Nevertheless, Thailand's macroeconomics

would still grow solidly despite some fragility caused by both internal and external factors, in particular, the sustained high oil prices and the unrests in three southern provinces. Despite these negative factors, foreign inflows would be continuously rising. This factor, coupled with solid financial status of listed corporate firms, would likely lead to higher dividend payout to shareholders in form of average dividend yield at 4.26%, pushing forward higher investment climate in the SET. The Company has expected total trading turnover in the SET to eventually improve from a year earlier, underpinned by catalysts such as the potential rebound in the Thai economy which may have bottomed, the easing of crude price and interest rates trend, and the unwinding of political tension. These factors are expected to boost the investments in the SET, making it more attractive than 2005.

The Stock Exchange of Thailand's Data

	Fiscal Year 2006 Sep 05 – Aug 06	Fiscal Year 2005 Sep 04 – Aug 05	Change	
			Amount	%
Total Turnover				
Value (Billion THB)	3,914.79	4,449.83	(535.04)	(12.02)
Average Daily Turnover (Billion THB)	15.98	18.16	(2.18)	(12.00)
SET Index (Point)				
Open	697.85	624.59	73.26	11.73
High	785.38	741.55	43.83	5.91
Low	646.69	621.57	25.12	4.04
Close	690.90	697.85	(6.95)	(1.00)
Average Dividend Yield (%)	4.26	3.72	0.54	14.52
P/E Ratio (Time)	8.00	8.90	(0.90)	(10.11)
Market Capitalization (Billion THB)	5,033.50	4,837.45	196.05	4.05
Listed Securities				
No. of listed securities	578	561	17.00	3.03
No. of listed companies	472	455	17.00	3.74
No. of newly-listed securities	25	40	(15.00)	(37.50)

Source: Stock Exchange of Thailand

Top five securities firms in terms of market share

Considering the market share of securities brokerage business, the top five securities firms ranked by the top five trading turnover accounted for 32.12% of total turnover, reflecting a slight decline compared with the fiscal year 2005 when total market share stood at 32.61%. However, those brokerages focusing on the individual retail customers encountered the decline in market share while those focusing on the foreign

institutional investors significantly gained higher market share. The market share would vary depending on the focus of investor type.

The Company's market share and type of customers

The Company's market share of securities business during the fiscal year 2006 stood at 2.61% of total market turnover of THB 3,914.79 billion, which ranked the seventeenth out of 38 brokerages in total and reflecting the decline relative to the previous fiscal year where the Company's market share stood at 2.91%, which ranked thirteenth out of 38 brokerages in total.

If classified by type of customers, the main customer group fell into individual retails category, accounting for 76.80% of total Company's trading turnover, declining from the fiscal year 2005 which accounted for 82.53% of total Company's trading turnover. Meanwhile, proportion of domestic institutional customers rose from 8.18% to 12.14% and that of foreign institutional customers rose from 9.29% to 11.06%. The higher proportion of the institutional customers was regarded as more secure relative to the SET. The Company's research department was nominated as one of the best three research houses for three consecutive years in a row by the Stock Exchange of Thailand (SET) magazine and Money & Banking magazine.

Trading Values Classified by Types of Investors	Fiscal Year 2006		Fiscal Year 2005		Fiscal Year 2004	
	Mil.THb	%	Mil.THb	%	Mil.THb	%
Individual Retails	156,573	76.80	212,694	82.53	388,559	85.80
Domestic Institutions	24,759	12.14	21,085	8.18	34,487	7.62
Foreign Institutions	22,549	11.06	23,926	9.29	29,805	6.58
Total*	203,881	100.00	257,705	100.00	452,851	100.00

Note: Total trading values include those of SET and MAI

*Total values exclude the Company's investment portfolios.

Considering the Company's customer base classified by trading turnover, online Internet trading customers represented the highest growth, up from 3.19% during the fiscal year 2005 to 5.12% during the fiscal year 2006. Meanwhile, credit balance trading customers dropped from 16.17% during the fiscal year 2005 to 14.63% for the fiscal year 2006. The cash trading customers still represented the highest proportion at 80.25% , though slightly declining from the previous fiscal year at 80.64%. The change in customer base structure was due to overall downturn in market sentiment, which led to a more cautious investment outlook.

Company's Total Trading Turnover Category	Fiscal Year 2006		Fiscal Year 2005		Fiscal Year 2004	
	Mil.THB	%	Mil.THB	%	Mil.THB	%
Cash Account	164,204	80.25	208,565	80.64	373,791	82.30
Internet Online Account	10,476	5.12	8,261	3.19	7,003	1.54
Margin Loan Account	29,944	14.63	41,814	16.17	73,423	16.16
Total	204,624	100.00	258,640	100.00	454,217	100.00

Note: Total Trading turnover includes those of SET and MAI

Market share of securities firms

Fiscal Year 2006 (Sep 2005 – Aug 2006)				Fiscal Year 2005 (Sep 2004 – Aug 2005)			
Ranking	Broker	Market Share (%)	Turnover (Mil.THB)	Ranking	Broker	Market Share (%)	Turnover (Mil.THB)
1	KIMENG	8.98	703,387.50	1	KIMENG	10.90	968,626.70
2	ASP	6.34	496,015.89	2	ASP	7.79	693,003.38
3	SCBS	6.18	483,699.49	3	SCBS	4.68	416,066.71
4	PHATRA	5.74	449,609.74	4	ZMICO	4.67	415,925.79
5	CS	4.88	381,851.34	5	PHATRA	4.57	407,035.66
6	UBS	4.62	361,728.52	6	KGI	3.90	347,361.13
7	ZMICO	3.95	309,101.35	7	CSFB	3.69	328,117.90
8	KGI	3.88	304,135.07	8	UBS	3.65	324,808.60
9	BFITSEC	3.70	289,781.14	9	BLS	3.31	294,228.88
10	BLS	3.38	265,027.39	10	TSC	3.13	278,559.37
11	CLSA	3.14	246,171.94	11	GLOBLEX	2.99	266,431.19
12	TSC	3.11	243,806.97	12	DBSV	2.95	262,225.29
13	TNS	3.06	239,573.55	13	CNS	2.91	258,639.88
14	AYS	2.92	228,842.79	14	AYS	2.82	250,889.98
15	DBSV	2.77	216,783.96	15	UOBKHST	2.80	248,841.29
16	UOBKHST	2.66	208,239.82	16	FINANSA	2.73	242,547.40
17	CNS	2.61	204,623.66	17	NATSEC	2.66	236,666.25
18	JPM	2.59	203,004.79	18	CLSA	2.65	235,477.74
19	TMBMACQ	2.45	191,763.65	19	BFITSEC	2.39	213,032.40
20	ASL	2.37	185,500.04	20	SICSEC	2.17	193,078.25
21	SICSEC	2.16	169,078.26	21	PST	2.10	187,059.08
22	ACLS	2.12	166,231.13	22	JPM	2.09	186,308.91
23	GLOBLEX	2.10	164,743.70	23	KKS	2.08	185,075.38
24	FES	1.78	139,291.37	24	TRINITY	1.98	176,559.86
25	PST	1.69	132,557.69	25	FES	1.90	169,507.14
26	KKS	1.58	123,623.00	26	ASL	1.85	164,800.11
27	TRINITY	1.48	115,678.12	27	MACQ	1.85	164,749.14
28	FINANSA	1.24	97,201.48	28	SYRUS	1.78	158,386.56
29	IVG	1.16	90,753.48	29	IVS	1.68	149,521.13
30	BTSEC	1.12	87,460.27	30	US	1.31	116,652.89
31	SYRUS	1.11	86,662.31	31	BTSEC	1.10	98,284.79
32	US	1.04	81,510.59	32	APEX	0.85	75,812.42
33	TSEC	0.67	52,526.56	33	ACBS	0.77	68,700.32
34	SCIBS	0.48	37,682.09	34	SCIBS	0.54	47,643.78
35	KSEC	0.42	32,960.76	35	BNPPP	0.50	44,627.30
36	PSS	0.38	29,414.52	36	TSEC	0.19	16,546.54
37	MERCHANT *	0.07	5,782.15	37	PSS	0.08	6,933.41
38	CIMB-GK *	0.05	3,780.48	38	KSEC	0.01	930.53

Source: Stock Exchange of Thailand

* Registered in fiscal year 2006

Market share for the new derivative market

As for Thailand new futures market, Thailand's Future Exchange, which currently has only one product, the SET50 Index future, officially commenced trading on April 28, 2006. The Company's market share during April 28, 2006 and August 31, 2006 was at 5.30% of the total trading turnover of THB 26,161 million, which was ranked the tenth out of 20 brokerages.

Business Trend

Key success factors for securities brokerage companies

Key factors underlying the success in securities brokering lie in the professionalism and experienced management, equipped with far-sighted visions and right business directions, amidst swift changes and volatility of the SET climate. In addition, efficiently managing financial assets and utilization under the policy of quality risk management will underpin continuing growth.

The highly competitive securities brokerage business would require the support of higher quality research material. The development of online Internet securities trading is important, although it is in its initial stage, as it would contribute significantly to future growth going forward. Moreover, the development of underwriting capability to offer fully-integrated services would augment the Company's market share on the continuing basis pending the future liberalization. Furthermore, highly knowledgeable and well-disciplined staff as well as well-managed internal control along with the research service provision to clients would well serve as the crucial factors for the operators to succeed and survive in the business.

In so doing, operators of securities brokerage firms must adhere to the good corporate governance under rules and regulations set forth by the SEC and the good practices as the staff of the securities brokerage firms and the member of the SET. This also includes the equal and fair treatment among officers, clients and shareholders of the Company.

Investment Banking Business

The business competition in financial advisory and securities underwriting services is anticipated to become more intense in the future as brokers place more emphasis on this activity in the future where the underwriting fees will supplement the securities brokerage business. However, financial advisory and underwriting service businesses are highly volatile with the SET. Despite the high volatility, the Company believes that its highly experienced teamwork coupled with strong financial advisory expertise should

equip itself with better competitive edges. In regard to target group in the area of advisory services, the Company would focus on the listed companies and corporate companies especially SMEs whose requirement is to mobilize funds from capital and financial markets.

Derivative business

The competition in the new derivative business, which commenced officially on April 28, 2006, is expected to intensify going forward. The derivative will undoubtedly become a vital source of revenue to all related brokerages. Nonetheless, the derivative business is only in its initial startup stage and remains volatile. However, the Company believes that its highly experienced teamwork should allow for higher competitive edges and gradually, increase the trading volume of SET50 Future Index. The Company's main targets include general retail customers and institutional investors who wants to hedge their exposure or speculate their current position.

Business Objective

The company is committed to continue focusing on the policy of expanding its existing customer base, domestically and internationally. The Company is further committed to consistently improving the quality of our products and services in all aspects along with strengthening our income diversification in order to mitigate business risks. Key objectives and development plans categorized by types of customers can be summarized as follows:-

1. To increase the Company's retail brokerage business by:
 - 1.1. Continually improving and developing our research products.
 - 1.2. Conducting product road shows to educate our customers in various businesses, such as credit balance, SBL, derivative and online internet trading.
 - 1.3. Investing and developing existing online internet trading system to be more efficient which would be utilized to expand customer base in both Bangkok and upcountry. Online activities can also be utilized to introduce and facilitate new business transaction and services such as SBL, credit balance, and derivative products to our customers.
 - 1.4. Continuing educating and training the staff in order to enhance efficiency in providing the best quality services to customers.

- 1.5. Continuing developing diversified products and services in order to provide customers with more alternative investments such as offering investment and transaction in property fund, credit balance, and online SBL trading.
2. To increase the Company's institutional brokerage business by:
 - 2.1. Improving and adjusting research products to better accommodate the requirement of institutional customers.
 - 2.2. Educating and continually developing the staff by experienced and qualified department managers in order to offer the best possible services to the institutional customers.
 - 2.3. Conducting road shows and overseas presentation in Asia, Europe, and America, alongside the staff, to give them proper exposure with institutional investors in their development process.
 - 2.4. Conducting seminars for domestic institutional customers with presentations given by various overseas guest speakers, involving strategists, economists and analysts from Nomura, providing their inputs and opinions on the direction of regional and global capital markets.
 - 2.5. Offering varieties of alternative investment products to the customers such as IPO's, property funds, SBL, derivatives, along with other fixed income products.
3. To further develop and strengthen other existing businesses, in order to diversify the Company's income stream. Related products are as follows:
 - 3.1. Derivatives business - continuous educating, training and developing product knowledge to the staff in order to offer the best possible advice, recommendation and services to the customers.
 - 3.2. Underwriting business for property fund products - introducing alternative investment options and ideas underpinned by the staffs' experiences and knowledge.
 - 3.3. Online SBL for short selling and credit balance - consistently developing the existing system, in term of system capability, format, speed, and continuous utilization, in order to maintain the Company's status as the industry leader in this business, apart from being the first to offer such products.

The company will also continue to enhance the quality of human resources in all functions, and operational standard with good leadership and financial discipline, as well as to promote good corporate governance, which will push forward success in greater long-term shareholder value.

RISK AND RISK MANAGEMENT

Risk from dependency on a few high volume-trade accounts

One of the major risks involved in securities trading business includes the heavy reliance on high-volume trade accounts. In addressing this issue, the Company has implemented measures to minimize such risk by emphasizing on developing and expanding the current customer base. The Company has continued to increase the number of qualified securities staff along with continuously strengthening our research department. The Company has arranged series of investment seminars for retail investors which represent the Company's main target group. By adopting the aforementioned strategies, the Company's dependency on the top ten customers declined from 17.59% to 14.27% during the fiscal year 2001-2006. Meanwhile, the number of customer accounts rose from 9,406 to 16,853 (excluding TFEX account). Furthermore, in recognition of the significance of online Internet securities trading, the number of online trading customer accounts increased from 124 in fiscal year 2000 to 1,881 in ending fiscal year 2006.

Exposure to the SET volatility

The Company's core revenue is dependant on the equity market condition and overall investors' confidence on the index. Whenever the SET becomes highly volatile, giving rise to the decline in average trading turnover, the Company's revenue, e.g. brokerage fee and investment banking fees including investment advisory fee and fee on warranty of securities sales, will be affected and so will the entire securities industry. Nonetheless, the Company has a policy to restructure its business and service revenue by not heavily depending on any particular line of business. Also, it has improved approaches to providing services suitable to various market circumstances, e.g. the advisory services for debt restructuring process and the merger, to offset the shortfall in securities brokerage revenue highly sensitive to the SET volatility. Moreover, the Company has managed its cost structure in accordance with the dynamically changing equity market in an attempt to sustain net profit growth.

Risk with regard to human resources

As securities brokerage business is highly sensitive to the staff turnover, especially marketing officers, the Company is fully aware of such risk and has a clear policy on determining appropriate compensation and remuneration in accordance with SET's requirements. In addition, the Company has a policy to provide knowledge with regard to basics of investment and services to marketing staff on the continuing basis,

resulting in lower job turnover of the Company's marketing staff. Moreover, the Company has implemented the policy of recruiting and training younger generations of marketing staff who newly graduated from the related fields, which will provide a solid stone for the Company going forward.

Investment risk from changes in stock prices and interest rates

The Company can mitigate such investment risk by adopting a conservative investment policy which involves avoiding investment in highly risky securities. The purpose of which is to reduce the negative impact of security loss impairment arisen from the declining security prices. As at end of the fiscal year 2006, the Company's investment portfolios totaled THB 1,065.37 million, most of which were in form of unit trusts (see details in No 5. of notes to financial statements).

Risk from doubtful debt and bad debt

The Company can minimize this risk by dictating marketing staff to assess clients' financial viability prior to opening accounts and prohibiting the clients from borrowing funds to purchase highly risky securities. Instead, the company would provide margin loans only for purchase of securities under the 'Marginal Securities List'. The Company cautiously screens clients by providing the suitable credit line corresponding to their financial status to avoid bad debt problems. It also recognizes the importance of debt collections by reviewing clients' financial status and controlling their credit lines closely. Simultaneously, the staffs are instructed to follow the Company's rules and regulations set forth. Due to this rule observance, bad debt expense and allowance for doubtful of the fiscal year 2006 stood at only THB 0.16 million.

Risks from underwriting business and engaging in financial advisory

- **Risk from underwriting business**

The Company may suffer losses from the remaining under-subscribed securities being transferred to the Company's investment portfolio. This might have arisen as a result of the inappropriate guarantee with regard to quantity and share price associated with high volatility of stock market, interest rates and foreign exchange rates; all of which could possibly undermine investors' interests in the new issuances. In an attempt to minimize such risk, the Company would conduct a preliminary study on information of

securities issuer, analyze and investigate type of business, industry trend, operating results and future prospects. The Company also evaluates interests of clients or investors in the quantity of offered securities whose information will be used as one of the criteria in considering underwriting such securities.

- **Risk from being a financial advisor**

In providing this kind of service, the Company and the client must be mutually responsible for disclosing accurate, sufficient and detailed information to the public. This is in the events of the securities issuance and sales offering, the filing of listing application, the acquisition of securities for business takeover, or the full information disclosure to shareholders of listed companies in any transaction determined by the SEC and the SET such as the related transactions, the acquisition or sale of securities, or the tender offer, etc. Thus, the Company is very selective on clientele by studying clients' preliminary information before contemplating accepting the job. In addition, the Company prudently determines steps of conducting due diligence process and prepares staff for understanding rules and regulations imposed by the SEC and the SET as well as rules and regulations with regard to financial advisory services where each operational process would be taken care of to ensure that services provided by the Company to clients are in their best interests.

Risk from brokerage fee liberalization

According to the SET and the SEC's minimum brokerage fee of 0.25% for normal trading transaction and 0.20% for the internet trading transaction starting from January 14, 2002, currently it's in the period of consideration whether the fixed commission rate would be continued or change to other commission methodologies before the current fixed commission rate would be expired in the early of 2007. If the SET was to amend brokerage fee policy from setting the minimum brokerage fee to floating the fee in the future, it would jeopardize the profitability of the entire securities business like the incident in 2001. Realizing such risk, the Company has diversified its revenue base to cover other lines of business and developed the quality of research papers up to higher standards to compete with others.

OTHER FACTORS TO INVESTOR'S DECISION

Legal Dispute

As of August 31, 2006, the Company does not have any existing legal dispute cases, which would affect more than 5% of the Company's shareholders equity or the Company's business significantly.

Dividend Policy

It is the policy of the Company to propose to the Company's shareholders' meeting to pay dividend at an approximate rate of 60% of the net profit each year, however it's subject to the resolution of the meeting of shareholders.

Other Related Information

- A military coup by The Council of Democratic Reform under the Monarchy (CDRM) took place on September 19, 2006, after the company's fiscal year 2006 ended. However, the incident did not significantly affect the overall market trade value, securities brokerage fees, or derivative business.
- Securities brokerage fees may be adjusted from the current fee of 0.25% for normal trading and 0.20% for internet trading. The conclusion is being considered by The Stock Exchange of Thailand and The Stock Exchange Committee (SEC) and is expected to come out by 4Q06 before the current fee rate expires in the early of 2007.

CAPITAL STRUCTURE

Capital Nomura Securities Public Company Limited's registered capital is THB 720,000,000 of which THB 716,823,000 divided into 71,682,300 ordinary shares of par value THB 10, was paid up.

As of August 31st, 2006, the Thai NVDR Company Limited, which is a subsidiary wholly owned by the Stock Exchange of Thailand, issued Non-Voting Depository Right (NVDR) of the Company shares totaling 8,286,400 units or 11.56% of the Company paid up capital shares, up 234.72% from the outstanding NVDR (Non-Voting Depository Right) totaling 2,475,600 units as at August 31st, 2005, the total of which represents 3.45% of the Company paid up capital shares. The NVDR holders receive the same financial rights as investing in the Company's share but cannot exercise the voting right in the shareholders' meeting, except the voting to delist the Company from the SET.

The amount of the Company's ordinary shares issued as NVDR may be changed and it is not under the control of the Company. The investors can check the amount of NVDR in the website of SET: www.set.or.th/nvdr

Top ten Major Shareholders as of November 25, 2005 (The last book closing date)

Name	No. of shares	Percentage
1. Nomura Holdings, Inc.	18,000,000	25.11
2. Nomura Asia Holding N.V.	9,256,500	12.91
3. Morgan Stanley & Co. International Limited	4,150,000	5.79
4. The Thai NVDR Co., Ltd.	3,314,400	4.62
5. Somers (U.K.) Limited	1,696,000	2.37
6. Adkinson Securities Public Company Limited	1,239,500	1.73
7. Boston Safe (Nominees) Limited	642,000	0.90
8. Mr. Chartri Sophonpanich	473,100	0.66
9. Mr. Rabin Sophonpanich	452,100	0.63
10. Gerlach & Co-Dimensional Emerging Markets Value Fund, Inc	370,100	0.52

Influence of Major Shareholders over the Company's Management Policy

Nomura Holdings, Inc. and Nomura Asia Holding N.V. who hold 27,256,500 shares, approximately 38.02 percent of the share capital as at the latest book closing date, November 25th 2005, have two representatives as an authorized director of the Company.

Management Shareholding as at August 31st, 2006

Name	No. of Shares	Change During the Fiscal Year 2006 Increase / (Decrease)
Mr. Suthep Peetakanont	0	-
Mr. Daisuke Fujita	0	-
Mr. Yuko Sashisaki	0	-
Mr. Pisit Tesabamroong	0	(400)
Mrs. Wattanee Phanachet	0	-
Col. Ruangsub Kovindha	0	-
Mr. Prasert Virasathienpornkul	0	-
Mr. Nimit Wongjariyakul	0	-
Mrs. Chrisana Sae Leiw	0	-
Mr. Tarate Poshyananda	0	-
Mr. Kavee Chukitkasem	0	-
Mr. Thanomsak Saharatchai	0	-
Miss Varangkna Wasuwanich	0	-

Note : Investors can check latest top ten major shareholders from the company's website prior to the annual general shareholder's meeting.

MANAGEMENT STRUCTURE

The Company's management structure consists of Board of Directors, Board of Executive Directors, Audit Committee, Credit Review Committee, Marginable Securities Committee and Executives, which role and responsibilities are clearly separated between the Board of Directors and the management. Details are as follow:

Board of Directors

As of August 31st, 2006, the Board of Directors has 7 members :

1. Mr. Suthep Peetakanont	Chairman
2. Mr. Daisuke Fujita	President
3. Mr. Yuko Sashisaki	Executive Director
4. Mr. Pisit Tesabamroong	Director
5. Mrs. Wattanee Phanachet	Independent Director
6. Col. Ruangsub Kovindha	Independent Director
7. Mr. Prasert Virasathienpornkul	Independent Director

Miss Varangkna Wasuwanich is the secretary of the Board of Directors

The Company's Authorized Directors

Directors authorized to sign and bind the Company are: any two of Mr.Suthep Peetakanont, Mr.Daisuke Fujita, or Mr.Yuko Sashisaki with the Company's seal.

Authorities and Duties of the Board of Directors

1. To perform their duties in accordance with laws, its objects and Articles of Association, as well as the resolutions of the shareholders' meeting. The Board of Directors may entrust one or several directors or any other person(s) to perform any tasks for the Board of Directors.
2. To consider, determine, correct or change the directors who have the authority to sign and bind the Company in order to make juristic acts for and on behalf of the Company.
3. To perform their duties in accordance with the principle of good corporate governance by the Stock Exchange of Thailand (SET) and Securities and Exchange Commission (SEC).
4. To notify the Company without delay, for any member of the Board of Directors, the following cases:

- 4.1 He / She has direct or indirect interest in any contract made by the Company during the accounting period. The facts relating to the nature of the contract, the names of the counter parties and the interest (if any) of such director(s) must be specified;
- 4.2 He / She holds shares of the Company. The increase or the decrease in the amount of shares held during the accounting year (if any) must be specified.

Board of Executive Directors

As of August 31st, 2006, the Board of Executive Directors comprises 3 members:

- | | |
|---------------------------|---------------------------------|
| 1. Mr. Suthep Peetakanont | Chairman of the Executive Board |
| 2. Mr. Daisuke Fujita | President |
| 3. Mr. Yuko Sashisaki | Executive Director |

Miss Varangkna Wasuwanich is the secretary of the Board of Executive Directors.

Authorities and Duties of the Board of Executive Directors

1. To operate and oversee the Company's operations as per the assignment from the Board of Directors.
2. To make certain that the Company's operations are according to law and the Company's policies.
3. To set up and propose policies and targets including directions to the Board of Directors.

Audit Committee

As of August 31st, 2006, the Audit Committee comprises 3 members:

- | | |
|-----------------------------------|---------------------------------|
| 1. Mrs. Wattanee Phanachet | Chairman of the Audit Committee |
| 2. Col. Ruangsub Kovindha | Audit Committee Member |
| 3. Mr. Prasert Virasathienpornkul | Audit Committee Member |

Mrs. Parichart Khantasima is the secretary of the Audit Committee.

Authorities and Duties of the Audit Committee

1. To review by collaborating with external auditor and management in charge of preparing quarterly and annual financial reports, that the Company correctly and adequately discloses financial reports.

2. To review that the Company has efficient and appropriate internal control and internal audit by jointly review with external auditor and Internal Audit Manager.
3. To review that the Company's operations are in conformity with Securities and Exchange Act, and regulations of the Stock Exchange of Thailand or other laws related to the Company's business.
4. To consider the extent and adequacy of disclosure for related party transactions or transactions with possible conflict of interest.
5. To prepare the Audit Committee report for disclosure and to be published in the Company's annual report. The report comprises the following information:
 - Opinion in relation to accuracy, completeness and reliability of the financial reports.
 - Opinion in relation to the adequacy of the Company's internal control system.
 - Opinion on the qualifications of the proposed external auditors.
 - Opinion in relation to the compliance with Securities and Exchange Act, regulations of the Stock Exchange of Thailand or other laws related to the Company's business.
 - Any other reports that shareholders and general investors should acknowledge under the scope of duties and responsibilities assigned by the Board of Directors.
 - Any other activities designated by the Board of Directors and agreed by the Audit Committee.
6. To select and propose the appointment of external auditor and audit fee by taking into account experience, reliability, adequacy of resource of auditors and volume of audit work.

In fiscal year 2006, the Audit Committee has arranged totally 5 meeting with General Manager of Accounting Department, Manager of Compliance Department, Manager of Internal Audit Department and External Auditors for evaluating the internal control and reviewing the company's financial report. Internal Audit Manager is the secretary of the Audit Committee meeting

Credit Review Committee

As of August 31st, 2006, the Credit Review Committee comprises 3 members:

- | | |
|---------------------------|----------|
| 1. Mr. Suthep Peetakanont | Chairman |
| 2. Mr. Daisuke Fujita | Member |
| 3. Mrs. Chrisana Sae Leiw | Member |

Ms. Kridsana Kulpanyalert is the secretary of the Credit Review Committee.

To improve the performance of the Credit Review Committee, from September 20, 2006, the Credit Review Committee comprises of 4 members;

- | | |
|---------------------------|----------|
| 1. Mr. Yuko Sashisaki | Chairman |
| 2. Mr. Suthep Peetakanont | Member |
| 3. Mr. Daisuke Fujita | Member |
| 4. Mrs. Chrisana Sae Leiw | Member |

Ms. Kridsana Kulpanyalert is the secretary of the Credit Review Committee.

Authorities and Duties of the Credit Review Committee

1. To establish standard practice of the account opening credit limit and increasing of credit limit consideration, as well as setting up guidelines for consideration of credit limit.
2. To approve credit limit for securities trading, as well as consideration of those requested cases which are not within the internal guidelines.
3. To establish measures of credit risk control or consider any other issue relating to the credit facilities.
4. To approve the Marginable Securities List proposed by the Marginable Securities Committee.

Marginable Securities Committee

As of August 31, 2006 the Marginable Securities Committee comprises of 9 members;

- | | |
|---|------------------------|
| 1. Manager of Customer Account Department | Chairman and Secretary |
| 2. Head of Operations Division | Member |
| 3. Head of Research Division | Member |
| 4. Manager of Fund and Liquidity Department | Member |
| 5. Managers of Individual Service Department
and Branch Managers: 5 in total | Members |

To improve the performance of the Marginable Securities Committee, from September 18, 2006, the Marginable Securities Committee comprises of 9 members;

- | | |
|---|------------------------|
| 1. Manager of Customer Account Department | Chairman and Secretary |
| 2. Head of Operations Division | Member |

3. Head of Research Division	Member
4. Manager of Market and Business Development Department	Member
5. Managers of Individual Service Department	
and Branch Managers: 5 in total	Members

Authorities and Duties of the Marginable Security Committee

1. To consider and determine practices and guidelines for the selection of marginable stocks and margin level suitable for the domestic and world economy, and make proposal to the Board of Executive Directors.
2. To periodically review the Marginable Securities List and initial margin rate by an assigned and requested basis, and propose to the Board of Executive Directors to get approval. The proposal will include any possible control measure such as the period for reconsideration and special collateral concentration limit in addition to the collateral concentration limit normally applied.

The number of Board of Directors's meeting and the number of Board of Directors's meeting of individual for the fiscal year 2006

Board of Directors's meeting

Unit: The number of attendance

The meeting No. / Year	4/05	5/05	6/05	1/06	2/06	3/06	4/06	5/06	6/06	7/06	Total
Name / Date	Oct 27	Nov 14	Dec 16	Jan 12	Feb 24	Apr 25	May 16	Jun 20	Jul 6	Aug 22	
Mr. Suthep Peetakanont	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	10/10
Mr. Daisuke Fujita	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	10/10
Mr. Yuko Sashisaki *	-	-	-	-	-	-	-	-	-	✓	1/10
Mrs. Nantana Chitman **	✓	✓	✓	✓	-	-	-	-	-	-	4/10
Mr. Pisit Tesabamroong	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	10/10
Mrs. Wattanee Phanachet	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	10/10
Col.Ruangsub Kovindha	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	10/10
Mr. Prasert Virasathienpornkul	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	10/10

Remark * Mr.Yuko Sashisaki have joined in board of directors since August 10, 2006

** Mrs.Nantana Chitman have resigned from board of directors since February 16, 2006.

Audit Committee's meeting

Unit : The number of attendance

The meeting No. / Year	5/05	1/06	2/06	3/06	4/06	Total
Name / Date	Oct 17	Jan 11	Apr 21	May 16	Jul 4	
Mrs. Wattanee Phanachet	✓	✓	✓	✓	✓	5/5
Col.Ruangsub Kovindha	✓	✓	✓	✓	✓	5/5
Mr. Prasert Virasathienpornkul	✓	✓	✓	✓	✓	5/5

List of Executives

As at August 31st, 2006, the list of Executives is as below.

No.	Name	Position
1.	Mr. Suthep Peetakanont	Chairman & Chairman of the Executive Board
2.	Mr. Daisuke Fujita	President
3.	Mr. Yuko Sashisaki	Executive Director
4.	Mr. Pisit Tesabamroong	Director
5.	Mrs. Wattanee Phanachet	Chairman of the Audit Committee and Independent Director
6.	Mr. Prasert Virasathienpornkul	Audit Committee Member and Independent Director
7.	Col. Ruangsub Kovindha	Audit Committee Member and Independent Director
8.	Mrs. Chrisana Sae-Leiw	Head of the Operations Division
9.	Mr. Nimit Wongjariyakul	Head of the Investment Banking Division
10.	Mr. Tarate Poshyananda	Head of the Fixed Income Division
11.	Mr. Kavee Chukitkasem	Head of the Research Division
12.	Mr. Thanomsak Saharatchai	CO-Head of the Research Division
13.	Miss Varangkna Wasuwanich	General Manager of Accounting Department and Manager of Corporate Planning Department

The above is the list of Executives as per The Stock Exchange of Thailand (SET) Notification no. Kor.Tor. (Wor.) 2/2001.

Secretary to the Board of Directors

The company appointed Miss Varangkna Wasuwanich the General Manager of Accounting Department and Manager of Corporate Planning Department to be the secretary to the Board of Directors.

Nomination of Directors and the Management

Directors

The Board of Directors shall select persons with suitable knowledge and attributes to become directors of the Company by recommending such persons for nomination to a shareholders' meeting for approval in accordance with the following rules and procedures:

1. One shareholder shall have votes equal to the number of shares held;
2. In choosing the directors, the method of voting used may be to vote on candidate by candidate or several candidates together, whichever the shareholders' meeting finds appropriate, but in voting to pass a resolution, the shareholders shall vote using all the votes under (1) which cannot be divided for any person or group to any extent at all.
3. Voting for election of the directors shall be by a majority of votes. In the case of equality of votes, the presiding chairman shall have an additional casting vote.

Appointing the replacement Director

1. In the case of a vacancy on the Board of Directors otherwise than by rotation, the Board of Directors shall choose any person who is qualified and not subject to prohibition by law as a replacement director at the next meeting of the Board of Directors, except in the case where the remaining term of office of such director is less than two months. The replacement director shall hold the office only for the remaining term of the director whom he/she replaces. The resolution of the Board of Directors must be passed by votes of not less three-fourths of the number of the subsisting directors.
2. In the event all the directors vacate office, the incumbent Board of Directors shall become an acting Board to carry on the business of the Company but only to the extent that is necessary, until a new Board of Directors has taken up its duties unless the Court orders otherwise in the case where the Board of Directors has vacated office by the Court orders. The Board that has vacated office must convene a shareholders' meeting to elect a new Board of Directors within one month from the date of vacating office, by sending a notice of the meeting to the shareholders for information at least fourteen days prior to the meeting.
3. In the case where there are vacancies to the extent that the number of subsisting directors is less than the number required to constitute a quorum, the subsisting directors shall act in the name of

the Board of Directors only for convening a shareholders' meeting to elect replacement directors for all the vacancies. The meeting shall be convened within one month from the date the number of directors was reduced to less than the number that constitutes a quorum, and the replacement directors shall hold the office only for the remaining terms of the directors whom they replace.

Executive of Directors

The Board of Directors has full authority to appoint Executive Directors.

Independent Directors

Independent Director comprises 3 directors; the rule of selection for Independent Director is in compliance with the criterion set by the Securities and Exchange Commission (SEC) and the Stock Exchange of Thailand (SET), which are

1. Holds no more than 5% of all voting shares.
2. Does not participate in the management, is not an employee, a regular paid consultant, a person who has control over the Company or a person with conflict of interest.
3. Does not have any business relationship, does not have any loss or gain, directly or indirectly, in the finance or management.
4. is not a close relative with the Company Executives or the Company's Major Shareholders.

One of the Independent Directors shall have suitable knowledge and experience to audit creditability of the Company's financial statement.

Audit Committee Member

The members of Audit Committee are appointed by the Board of Directors or by resolution of the shareholders' meeting. The member must be a director of the Company.

Management Staff

The Board of Executive Directors has the authority to select and appoint suitable persons to be Management Staff.

Number of directors from the Major Shareholder

There are 2 directors who represent the major shareholder that are Mr.Daisuke Fujita and Mr.Yuko Sashisaki.

Remuneration paid to the management

Monetary remuneration *

The total remuneration paid to 8 members of the Board of Directors, as the director's role, for fiscal year 2006 is as below:

Unit : THB

No.	Name	One-time remuneration**	Audit Committee	Meeting Allowance	Total
1	Mr. Suthep Peetakanont	250,000	-	-	250,000
2	Mr. Daisuke Fujita	200,000	-	-	200,000
3	Mr. Yuko Sashisaki ***	-	-	-	-
4	Mrs. Nantana Chitman ****	200,000	-	-	200,000
5	Mr. Pisit Tesabamroong	220,000	-	150,000	370,000
6	Mrs. Wattanee Phanachet	220,000	286,000	150,000	656,000
7	Col.Ruangsub Kovindha	220,000	220,000	150,000	590,000
8	Mr. Prasert Virasathienpornkul	220,000	220,000	150,000	590,000
	Total	1,530,000	726,000	600,000	2,856,000

Note : * This above remuneration has been approved from the annual general shareholder's meeting on December 16, 2005

** One-time remuneration for the year 2005, which has been paid in year 2006.

*** Mr.Yuko Sashisaki have joined in board of directors since August 10, 2006

**** Mrs.Nantana Chitman have resigned from board of directors since February 16, 2006.

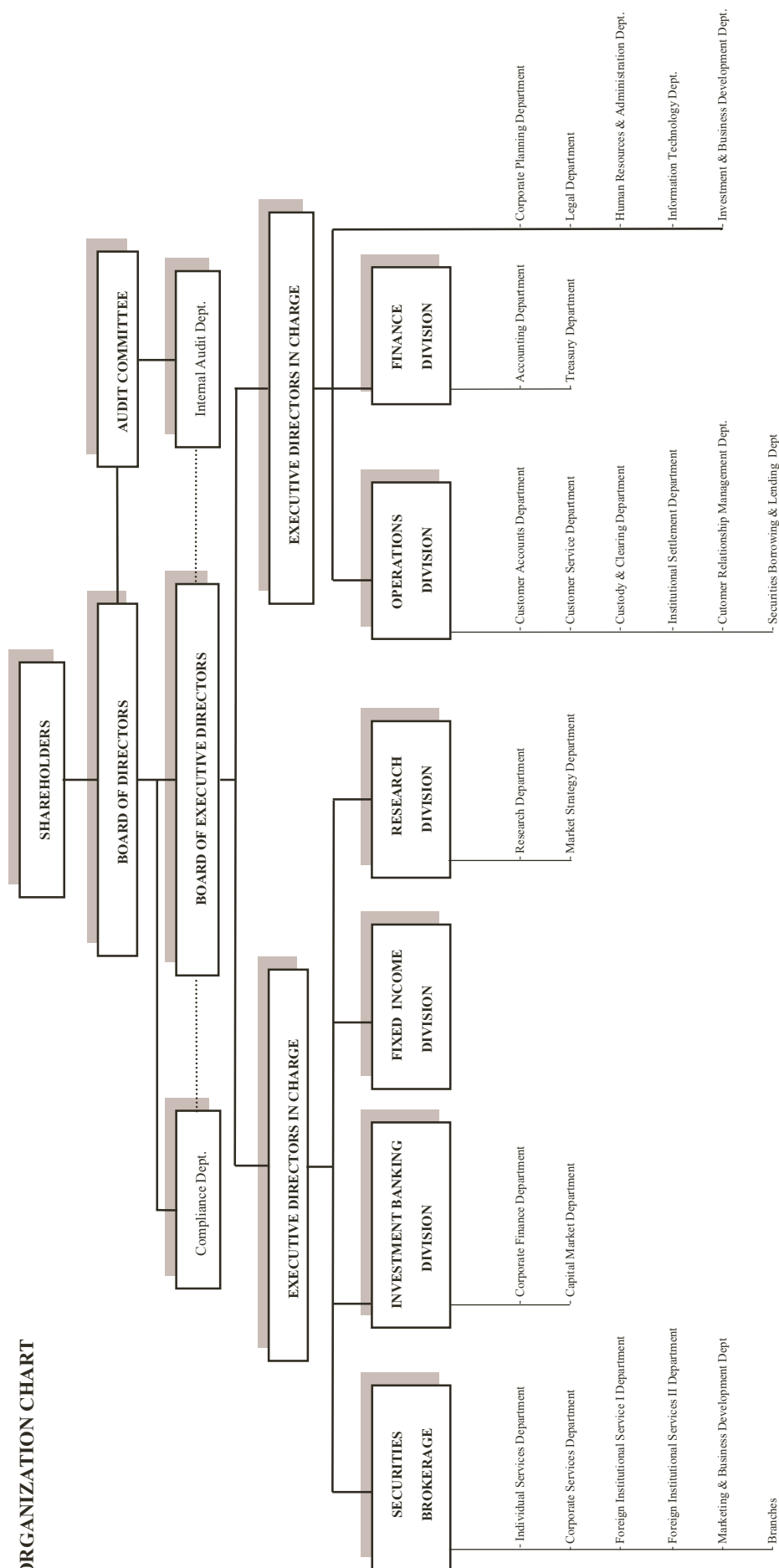
Remuneration for the Executive Directors and the Management

The total salary and bonus paid to 4 Executive Directors and 7 Management Staff for fiscal year 2006, 1 Executive Director and 1 Management Staff have resigned during this fiscal year, was THB 60,344,080.

Other remuneration

The total provident fund and social security fund paid to 4 Executive Directors and 7 Management Staff for fiscal year 2006, 1 Executive Director and 1 Management Staff have resigned during this fiscal year , was THB 1,678,673.

ORGANIZATION CHART



* As of September 30, 2006

GOOD CORPORATE GOVERNANCE

The Board of Directors is well aware of the importance in promoting good corporate governance. Therefore, the Board of Directors adopted the 15 principles of good corporate governance set by the Stock Exchange of Thailand (SET) as the Company's policy.

1. Corporate Governance Policy

The Board of Directors is well aware of its role and responsibilities in promoting good corporate governance as a way of ensuring that its operations prosper and achieve stable growth. This requires effective, transparent management to promote confidence in all stakeholders of the Company, which in turn will create the highest benefit in the long term for the Company and its shareholders.

The Board of Directors, on April 25, 2005, officially resolved to adopt the 15 principles of good corporate governance set by the Stock Exchange of Thailand (SET) as the Company's policy as follows:

- Qualifications, structures, roles, duties, responsibilities and independence of directors
- Rights and equal treatment of shareholders
- Policy on Stakeholders
- Information Disclosure and Transparency
- Internal Control and Risk Management
- Conflicts of interest
- Business Ethics

2. Shareholders : Rights and Equality Treatment

The Company realizes the responsibility to shareholders and commits to treat all shareholders equally. This is written in corporate governance policy and it is strictly complied to ensure that all shareholders have equal fundamental rights. This includes rights to attend the meeting, vote in shareholders' meeting to change the Company's significant policies, elect and remove directors and profit sharing. The Board of Directors facilitates shareholders by arranging proper meeting date, time and venue to support shareholders to attend the meeting. The Complete and necessary information is sent in a timely manner to support shareholders to exercise their voting rights in the shareholders' meeting or to give a proxy to a person or an independent director in case of their absence. Shareholders always have opportunities to equally express their opinions, suggestions or pose any questions.

3. Rights of All Stakeholders

The Company recognizes the rights of all stakeholders. Therefore, clear compliance guideline for staff is stated in the Code of Ethics which covers important practices, i.e., conflict of interest, responsibility to shareholders, policies and practices to staff, customers, suppliers, competitors and society as a whole. It is a duty and responsibility of staff to learn, understand and strictly comply with these practices.

4. Shareholders' Meeting

In fiscal year 2006, the Company held one Annual General Meeting of Shareholders within four months after the end of fiscal year. The meeting date, time and venue were selected to facilitate all shareholders to attend. The company was aware of equality treatment to shareholders in this Annual General Meeting of Shareholders. A notice to shareholders with necessary information, opinion of the Board of Directors in each agenda and profiles of nominated candidates for director positions to replace the retiring directors were sent out to shareholders at least 14 days in advance before the meeting date.

The Company's Articles of Association clearly states the shareholders' voting procedure and before the commencement of the meeting, the Chairman informed the shareholders about the voting procedure. Board of Directors, Board of Executive Directors, Audit Committees, Managements, External Auditors and Legal Consultants attended the shareholders' meeting to explain and response to shareholders for all questions. The appropriate time was scheduled for question and answer section. The Company also prepared minutes of the meeting within 14 days from the meeting date and posted it on the Company's website for shareholders to review without having to wait until the next meeting.

5. Leadership and Vision

The Board of Directors is responsible for shareholders through the management of the Company's business by considering the Company's visions, missions, strategies, goals, plans and budgets which were proposed by the management. The Board of Directors also has a duty to supervise, monitor and assess the management performance, using goals and guidelines that shall ultimately maximize shareholders' interests while taking into consideration of the interests of all stakeholders.

6. Conflicts of Interest

The Board of Directors has a strong intention to eliminate conflicts of interest to protect the benefits of the Company and shareholders. To create transparency and prevent conflicts of interest, the Board of Directors announced policies and procedures for proper use of inside information in “Policies and Procedures of Monitoring the Use of and Access to Inside Information”

The Company has policies and guidelines to prevent connected persons from exploiting their positions for personal interests. Directors and employees are required to avoid engaging in transactions which may have potential conflict with the Company’s interests. If the transaction is necessary for the Company’s benefit, they must comply with the Stock Exchange of Thailand’s rules given that price and conditions of the transaction must be in line with other transactions made with third party. Directors or employees having interests in the transaction must not be involved in the approval process. In addition, the Company also requires Board of Directors to declare in case they have conflicts of interest either directly or indirectly in any transactions made during the fiscal year by clearly identifying the nature of transaction, name of counter party and director’s interest in such transaction.

7. Business Ethics

The Board of Directors has formulated a Code of Ethics for directors, managements and employees so that everyone knows the Company’s expectation from them on the standard practices in relation to shareholders, customers, suppliers, competitors, society and among the employees. Code of Ethics was prepared and distributed to directors, managements and employees to disseminate clear information of standard practices on this matter. The Company also promoted Code of Ethics to all staff and set up the monitoring system to review, oversee and access the compliance of these practices.

8. Balance of Power for Non-Executive Directors

The Board of Directors comprises 7 members in proportional to the Company’s size.

- Executive Director 3 persons
- Non-Executive Director 4 persons of which are:
- Independent Director 3 persons
- Outside Director 1 person

The Company has three independent directors, more than one-third of the total directors. This proportion conforms to the principles of good corporate governance of the Stock Exchange of Thailand to maintain an appropriate balance of authority in management. The Chairman of the Board of Directors is not an independent director but the Chairman strictly adhere to the Company's good corporate governance policy and perform transparent and prudent behavior for the best interests of the Company, its shareholders and all stakeholders.

9. Integration or Separation of Key Management Positions

The Company has clearly segregated the duties and responsibilities of key management to create transparency. The roles, duties and responsibilities of the Board of Directors, the Board of Executive Directors, the Audit Committee, the Marginable Securities Committee are clearly defined as detailed in the section of "Management Structure".

10. Remuneration for Directors and Management

The Company has set remuneration policies for directors and managements by considering the appropriateness of remuneration with respect to other companies in the same industry as detailed in the section of "Remuneration paid to the management".

11. Board of Directors' Meetings

The Company's Board of Directors holds regular meeting on a monthly basis or quarterly basis at least and may hold extra meeting when necessary. The Company's secretary will send a notice specifying date, time and venue, agenda and adequate documents to the Board of Directors in advance so that the directors have enough time to review information prior to the meeting.

In fiscal year 2006, the Board of Directors held 10 meetings. The number of attendance are clearly detailed in the section of "The number of Board of Directors's meeting and the number of Board of Directors's meeting of individual for the fiscal year 2006".

12. Committees

The Board of Directors has appointed the Audit Committee, the Credit Committee and the Marginable Securities Committee to oversee the Company's operation in various aspects as detailed in the section of "Management Structure".

13. Internal Control and Risk Management

The Company realizes the importance of good internal control and operating procedures, which are to comply with the rules and regulations of the authorities. As such, it's the Company's policy that all departments operate with good internal control and all rules and regulations of the authorities are complied. The Compliance Department and the Internal Audit Department are responsible for the reviewing and monitoring of the operation. Both departments perform their jobs independently and report to the Board of Directors consistently.

14. Report of the Board of Directors

The Board of Directors is responsible for Company's financial statements including financial information as presented in the annual report. The aforementioned financial statements are prepared in accordance with Generally Accepted Accounting Principles of Thailand. Disclosures are also presented in the notes to financial statements.

The Board of Directors has appointed the Audit Committee to review the financial reports to ensure the correctness and the adequacy of the disclosure by coordinating with external auditor and the management who is responsible for the preparation of the financial report. In this regard, the Audit Committee's opinion is shown in Audit Committee's report contained herewith.

15. Relationship with Investors

The Board of Directors ensures that the disclosure of the financial and non-financial information relating to the Company's business and performance is complete, accurate, reliable, consistent and is carried out in timely manner to reflect actual performance and financial status of the Company. All these are done strictly in compliance with the laws, rules and regulations of the Securities and Exchange Commission and the Stock Exchange of Thailand on information disclosure.

The Company communicates with shareholders and investors through other channels such as the SET's website, Company's website. Information posted at the Company's website "www.cns.co.th" was periodically updated while information and enquiries from investors were promptly answered by the responsible unit.

Monitoring the use of and access to inside information

Inside Information Policy

The Company has the policy to prevent staff and all executives from using the inside information or information obtained from the duties for their own benefits by applying the following control measures:

1. Staff and all executives are required to open cash trading account with the Company only.
2. Staff and all executives are required to submit the trading transaction report of their spouses and minors to the Compliance Department on a monthly basis.
3. All executives must prepare and disclose report of CNS securities holding to the Board of Directors.
4. Staff and all executives are prohibited from trading CNS share one month before and after the closing of quarterly financial statement.
5. In relation to the trading of securities of which the Company's research paper covers, it is required that:
 - 5.1 An analyst in the Research Department is not permitted to trade in any securities or all securities in the sector that he/she is responsible for. All the analysts in the Technical Strategy Department and Manager and Deputy Manager of the Research Department are not permitted to trade in any securities.
 - 5.2 Staff and all executives are prohibited from trading in any securities of which he/she knows or should know that the Research Department and/or the Technical Strategy Department are in the process of preparing information of such securities or plan to distribute research report of such securities.
 - 5.3 Staff and all executives are prohibited from trading securities within three business days from the date the research paper is published and distributed.
6. Staff, all executives and member of Board of Directors who know or should know non-public information or inside information of any securities are not allowed to trade those securities.
7. Monitoring of the access or use of inside information is under the responsibility of the Compliance Department.

Enforcement

Trading securities for one's own benefit by using inside information is a breach of the above policy and the Company will take disciplinary action with all parties involved.

INTERNAL CONTROL

In the Board of Executive Directors' meeting no. 16/2006, held on September 22, 2006, the Board of Executive Directors reviewed the Company's internal control adequacy in five aspects: (1) Organizational Control and Environment Measure (2) Risk Management Measure (3) Management Control Activities (4) Information and Communication Measure (5) Monitoring. The Board of Executive Directors determined that the Company has adequate control in such aspects.

In the Audit Committee meeting no 5/2006, held on October 2, 2006, the Audit Committee also agreed with the Board of Executive Directors' determination.

Audit Committee Report

The Board of Directors of Capital Nomura Securities Public Company Limited appointed an Audit Committee comprising of three independent directors who are well-qualified persons in terms of accounting, finance, business administration and information technology: Assistant Professor Wattanee Phanachet, as the Chairman of the Audit Committee, Col. Ruangsub Kovindha and Mr. Prasert Virasathienpornkul as the Audit Committee's members and the Manager of the Internal Audit Department performed the duty of Secretary to the Audit Committee.

The Audit Committee is responsible for reviewing the Company's financial statements prior to present to the Board of Directors, coordinating with external and internal auditors to oversee the appropriateness of internal control, reviewing the internal audit operating procedure covering the setting up of an audit plan, the audit procedures, the reporting and following up procedure, overseeing that the Company's operations are reviewed in conformity with related laws and regulations, in addition with giving advice to the Board of Directors in appointing the Company's external auditor and audit fee.

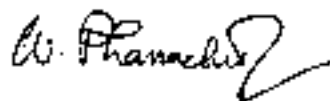
For the period of September 1, 2005 – August 31, 2006, the Audit Committee held five meetings. All the Audit Committee's members presented in the meetings, and performed the following duties as assigned by the Company:

1. Reviewing and give comment on the Company's quarterly and year end financial statements, prior to submission to the Company's Board of Directors. In the meeting, the Committee independently considered audit results with external and internal auditors.
2. Reviewing the efficiency and appropriateness of the Company's internal control from the result of the auditing carried out by the external auditor and the internal auditor. The Committee was informed of the review result, and expressed opinions and recommendations as deemed appropriate.
3. Reviewing the internal audit operating procedure covering the setting up of an audit plan, the audit procedures, the reporting and following up procedure. In addition, the Committee has given advices in order to enhance the internal audit operating procedures' effectiveness.
4. Reviewing the Company's operation in conformity with the Securities and Exchange laws, the regulations of the Stock Exchange, and the other laws related to the Company's business.

5. Considering the Company's related party transactions and conflict of interests to be properly conducted and disclosed.
6. Selecting and proposing the appointment of an external auditor and considering the audit fees.

In conclusion, the Audit Committee deems that the Company's financial statements are prepared in accordance with generally accepted accounting standard as specified in the report of independent auditor. The Committee confidants that the Company's directors and managements maintain business ethics, emphasizes on operating business with the efficient corporate governance and internal control, and conservatively manages the business to reach the Company's goal.

In this regard, the Audit Committee considered and proposed the appointment of external auditors to the Board of Directors for further consideration in the annual shareholders' meeting. The Committee proposed to reappoint anyone of Mr. Ruth Chaowanagawi or Miss Ratana Jala from Ernst and Young Office Limited to be the Company's external auditor for the period ended August 31, 2007, with the audit fees of THB 930,000.



(Mrs. Wattanee Phanachet)

Chairman of the Audit Committee and Independent Director
Capital Nomura Securities Public Company Limited

RELATED TRANSACTIONS

October 3, 2006

Subject : Opinions on connected transactions

To : Shareholders

Capital Nomura Securities Public Company Limited

We, Wattanee Phanachet, Col. Ruangsub Kovindha, Prasert Virasathienpornkul, as Independent Directors of Capital Nomura Securities Public Company Limited, hereby express the following opinions on connected transactions between Capital Nomura Securities Public Company Limited and the related companies / connected persons of the fiscal year ended August 31st, 2006.

1. The Company entered into *Investors Business Support Agreement* with Nomura Singapore Limited to provide information of potential customers in Thailand for which Nomura Singapore Limited requested.

The service fee for the fiscal year 2006 was THB 5,092,149. The service fee was based on actual costs plus 10% of margin.

2. The Company entered into *Introducing Broker Agreement* with Nomura Singapore Limited to introduce potential customers in Thailand who are interested in Nomura Singapore Limited's products to Nomura Singapore Limited.

The service fee for the fiscal year 2006 was THB 1,233,762. The service fee was based on actual executed transactions of our referred customers calculated by using the profit sharing percentage as indicated in the agreement referred in similar business.

3. The Company entered into the agreement with Nomura Singapore Limited to be an agent of securities trading. The terms and conditions in this agency agreement were similar to other agency agreements made with other general customers who were not related to the Company.

The commission fee for the fiscal year 2006 was THB 52,937,264. The commission fee was based on the same commission rate as the Company charged to other customers.

4. The Company entered into *Agreement for Provision of Services* with Nomura International (Hong Kong) Limited to provide information related to potential customers who would like to issue non-Thai THB products to Nomura International (Hong Kong) Limited.

The service fee for the fiscal year 2006 was THB 19,355,173. The service fee was based on the actual cost plus 10% of margin.

5. The Company entered into *Agreement for Provision of Financial Advisory Services* with Nomura International (Hong Kong) Limited to provide information related to the stock market, securities and Thai companies to Nomura International (Hong Kong) Limited.

The service fee for the fiscal year 2006 was THB 23,056,765. The service fee was based on actual costs plus 10% of margin.

6. The Company entered into *Agreement for Investment Banking Services* with Nomura International (Hong Kong) Limited. By this agreement, the Company would receive technical know-how to develop human resources skills and knowledge in Investment Banking Division and international distribution capability support to issue and distribute Thai securities in foreign markets.

The service received under this agreement is free of charge.

7. The Company entered into *Internet Security Advisory and Daily Operations Support Agreement* with Nomura Research Institute Hong Kong Limited. By this agreement, the Company would receive the security advisory and Internet security service to ensure that the security system is effective and properly works.

The service fee paid for the fiscal year 2006 was USD 13,464 or approximately THB 511,632 (exchange rate THB 38 : USD 1). The fee was referential market price.

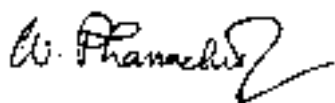
8. The Company entered into the agreement with Mr. Pisit Tesabamroong, who is a Company's director. By this agreement, the Company received legal consultancy, recommendation, advisory services and review of draft of the Company's agreements.

The service fee paid for the fiscal year 2006 was THB 240,000. The fee was reasonable fixed price.

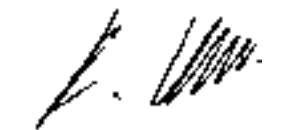
All agreements specified the exact fees and procedures of termination, which were clear and equitable. The above connected transactions are reasonable, equitable and in line with an ordinary and usual course of the Company's business.

For your acknowledgement

Respectfully



Mrs. Wattanee Phanachet
Chairman of the Audit Committee
and Independent Director



Col. Ruangsub Kovindha
Audit Committee Member
and Independent Director



Mr. Prasert Virasathienpornkul
Audit Committee Member
and Independent Director

Capital Nomura Securities Public Company Limited

Connected Transactions

In the fiscal years 2006 and 2005, Capital Nomura Securities Public Company Limited entered into connected transactions with the related companies and connected persons as follow:

Related companies / Connected persons	Relationship	Description of the transaction	Period of the agreement	Value of the transaction (THB)		Remarks
				2006	2005	
Capital Nomura Securities Public Company Limited and Nomura Singapore Limited	Nomura Holdings, Inc. is the major shareholder of the Company and Nomura Singapore Limited	Investors Business Support Agreement which the Company provided services and received fee in return.	No expiry date, however, the Agreement can be terminated by issuing not less than 30 days written notice to other party.	5,092,149	4,441,381	The service fee was calculated by reference to the cost plus 10% margin.
				1,233,762	660,724	
Capital Nomura Securities Public Company Limited and Nomura Singapore Limited	Nomura Holdings, Inc. is the major shareholder of the Company and Nomura Singapore Limited	Introducing Broker Agreement which the Company provided services and received fee in return.	No expiry date, however, the Agreement can be terminated by issuing not less than 30 days written notice to other party.	52,937,264	52,399,389	The service fee was calculated based upon the introducing credit rate to the similar business. The commission fee was the market rate. It was the same rate as the rate charged to other clients.

In the fiscal years 2006 and 2005, Capital Nomura Securities Public Company Limited entered into connected transactions with the related companies and connected persons as follow:

Related companies / Connected persons	Relationship	Description of the transaction	Period of the agreement	Value of the transaction (THB)		Remarks
				2006	2005	
Capital Nomura Securities Public Company Limited and Nomura International (Hong Kong) Limited	Nomura Holdings, Inc. is the major shareholder of the Company and Nomura International (Hong Kong) Limited	Agreement for Provision of Services which the Company provided information to support issuing of non Thai Baht products and received fee in return.	No expiry date, however, the Agreement can be terminated by issuing not less than 30 days written notice to other party.	19,355,173	19,079,879	The service fee was calculated by reference to the cost plus 10% margin.
Capital Nomura Securities Public Company Limited and Nomura International (Hong Kong) Limited	Nomura Holdings, Inc. is the major shareholder of the Company and Nomura International (Hong Kong) Limited	Financial Advisory Services Agreement which the Company provided services and received fee in return.	No expiry date, however, the Agreement can be terminated by issuing not less than 30 days written notice to other party.	23,056,765	-	The service fee was calculated by reference to the cost plus 10% margin.
Capital Nomura Securities Public Company Limited and Nomura International (Hong Kong) Limited	Nomura Holdings, Inc. is the major shareholder of the Company and Nomura International (Hong Kong) Limited	The Company received technical knowledge and international distribution support with free of charge	No expiry date, however, the Agreement can be terminated by issuing not less than 30 days written notice to other party.	-	-	

In the fiscal years 2006 and 2005, Capital Nomura Securities Public Company Limited entered into connected transactions with the related companies and connected persons as follow:

Related companies / Connected persons	Relationship	Description of the transaction	Period of the agreement	Value of the transaction (THB)		Remarks
				2006	2005	
Capital Nomura Securities Public Company Limited and Nomura Research Institute Hong Kong Limited	Nomura Holdings, Inc. is the major shareholder of the Company and Nomura Research Institute Hong Kong Limited	The Company received IT security advisory and security monitoring services and paid fee for such services.	1 Year	USD 13,464	USD 15,360	The fee was referential market price.
Capital Nomura Securities Public Company Limited and Mr. Pisit Tesabamroong	Mr. Pisit Tesabamroong is a Company's director.	The Company received legal consultancy, recommendation, advisory services and the review of draft of the Company's agreement and paid fee for the services.	1 Year	240,000	240,000	The fee was reasonable fixed price.

Outstanding balance of connected transactions as of August 31, 2006 and 2005

Transaction	Related companies	Presented in financial statements as	31 Aug 2006 (THB)	31 Aug 2005 (THB)
Agency Agreement	Nomura Singapore Limited	Securities business receivable	38,826,203	241,007
		Securities business payable	14,832,599	41,441,290
Investors Business Support Agreement	Nomura Singapore Limited	Other receivable	1,132,215	553,381
Introducing Broker Agreement	Nomura Singapore Limited	Other receivable	60,730	137,585
Agreement for Provision of Financial Advisory Services	Nomura International (Hong Kong) Limited	Other receivable	9,856,765	-
Agreement for Provision of Services	Nomura International (Hong Kong) Limited	Other receivable	2,855,171	379,879

Necessity and soundness of connected transactions

In case the Company enters into any connected transactions with related companies or related persons, the Company will consider the necessity and soundness to enter into such agreements for connected transactions based on the Company's best interest.

Approval procedures or measures of connected transactions

The Board of Directors requires the Company to comply with the Stock Exchange of Thailand's regulations and connected transactions are required to be approved by the Board of Directors.

Policy or outlook for future connected transactions

- None -

PERFORMANCE AND FINANCIAL STATUS ANALYSIS

Performance Analysis

In the fiscal year 2006, investment atmosphere in the Stock Exchange of Thailand (SET) was rather sluggish compared to the previous fiscal year, particularly during the second half of the fiscal year 2005 due to several negative factors. Those factors which depressed the Company's performance included the political uncertainties, the continuing rise in oil prices, and the uptrend of interest rates, all of which affected the confidence over public consumption, GDP growth, and listed corporate firms' earnings. Such negative factors caused the average daily turnovers of SET and the Market for Alternative Investment (MAI) to retreat by 12.02% from THB 18.16 billion in the previous fiscal year to THB 15.98 billion in the fiscal year 2006. Such a decline could be attributed to the investment slowdown of local retail investors from 64.80% of the total market turnover in the fiscal year 2005 to 57.65% in the fiscal year 2006. Simultaneously, investment on the net settlement basis to total market turnover retreated from 17.55% in the previous fiscal year to 13.74% in the fiscal year 2006. Moreover, more intense competition among securities brokerage firms on the back of the emergence of several new players had a direct impact on overall earnings performance of the Company. The Company's revenue declined by 13.26% from THB 826.15 million in the previous fiscal year to THB 716.60 million in the fiscal year 2006. Meanwhile, net profit declined by 37.44% from THB 170.38 million in the previous fiscal year to THB 106.59 million in the fiscal year 2006. Significant factors underlying the Company's earnings retreating by more than 20% from the previous fiscal year included the followings:

Revenue from brokerage fees declined by 21.27% from THB 647.50 million in the fiscal year 2005 to THB 509.76 million in the fiscal year 2006 as the average daily turnover of the SET declined by 12.02% from THB 18.16 billion in the previous fiscal year to THB 15.98 billion in the fiscal year 2006 and the slip in the Company's market share from 2.91% in the fiscal year 2005 to 2.61% in the fiscal year 2006 as regards more intense competition in securities business.

The Company's operating expenses declined by 4.49% from THB 574.00 million in the fiscal year 2005 to THB 548.25 million in the fiscal year 2006. Most of the decline in operating expenses could be mainly traced to the drop in expenses in relation to revenues, e.g. the 8.84% decline in personnel expenses. However, operating expenses declined at the lower rate than the drop in revenues as a result of premises and equipment expenses regarded as fixed amount unvaried with the fall in revenues. As such, the ratio of

operating expenses to total revenues rose from 69.48% in the previous fiscal year to 76.51% in the fiscal year 2006.

In summary, the Company's revenue from securities business, net of bad debt and allowance for doubtful accounts, totaled THB 681.83 million, representing a decline of THB 109.91 million or 13.88% from the previous fiscal year. After adding THB 3.69 million of other income, while deducting THB 548.25 million operating expenses and THB 30.67 million corporate income tax, net profit stood at THB 106.59 million in the fiscal year 2006, representing the earnings per share (EPS) of THB 1.49 or a 37.44% decline against the previous fiscal year posting THB 170.38 million or EPS of THB 2.38.

Outlook of Each Business during the Past Fiscal Year

Revenue Structure

Revenue Structure	Fiscal Year 2006		Fiscal Year 2005		Fiscal Year 2004	
	Mil.THb	%	Mil.THb	%	Mil.THb	%
Brokerage fee - securities business	509.76	71.14	647.50	78.38	1,137.65	89.14
Brokerage fee - futures business	2.65	0.37	-	-	-	-
Fee and services income	56.90	7.94	37.63	4.56	41.59	3.26
Gain on trading in securities	(2.33)	(0.33)	33.63	4.07	1.52	0.12
Interest and dividend	92.47	12.90	42.50	5.14	41.30	3.23
Interest on margin loans	53.46	7.46	58.85	7.12	48.34	3.79
Other income	3.69	0.52	6.04	0.73	5.86	0.46
Total revenue	716.60	100.00	826.15	100.00	1,276.26	100.00

Major Changes of Each Business during the Past Fiscal Year

Securities Brokerage business

Securities brokerage business, representing the Company's core business, accounted for 71.14% of total revenues in the fiscal year 2006 where brokerage fee income declined by 21.27% from THB 647.50 million in the fiscal year 2005 to THB 509.76 million in the fiscal year 2006. The main factors contributing to such a decline included the 12.02% decline in average daily market turnover coupled with the Company's securities brokerage market share dropping from 2.91% in the fiscal year 2005 to 2.61% in the fiscal year 2006, following the more intense competition in securities trading business. Various leading securities firms encountered the same situation of declining market share due to the establishment of several new securities firms, giving rise to the Company's retail customer base to decline. However, the Company's domestic institutional base continued to sustain growth from 8.18% of the Company's total

trading values in the fiscal year 2005 to 12.14% in the fiscal year 2006. Most obviously, the proportion of foreign customer base advanced from 9.29% to 11.06% in view of the Company's policy aimed at boosting efficiency and service quality in every aspect, especially the quality of securities research papers representing the key to expanding both domestic and foreign institutional customers.

Trading Values Classified by Types of Investors	Fiscal Year 2006		Fiscal Year 2005		Fiscal Year 2004	
	Mil.THB	%	Mil.THB	%	Mil.THB	%
Individual Retails	156,573	76.80	212,694	82.53	388,559	85.80
Domestic Institutions	24,759	12.14	21,085	8.18	34,487	7.62
Foreign Institutions	22,549	11.06	23,926	9.29	29,805	6.58
Total *	203,881	100.00	257,705	100.00	452,851	100.00

Note: Total trading values include those of both SET and MAI

* Total values exclude the Company's investment portfolios

Company's Total Trading Turnover Category	Fiscal Year 2006		Fiscal Year 2005		Fiscal Year 2004	
	Mil.THB	%	Mil.THB	%	Mil.THB	%
Cash Account	164,204	80.25	208,565	80.64	373,791	82.30
Internet Online Account	10,476	5.12	8,261	3.19	7,003	1.54
Margin Loan Account	29,944	14.63	41,814	16.17	73,423	16.16
Total	204,624	100.00	258,640	100.00	454,217	100.00

Note: Total trading turnover includes those of SET and MAI

Investment Banking Business

Income from financial advisory fees, from securities underwriting and other services increased by 51.20% from THB 37.63 million in the fiscal year 2005 to THB 56.90 million in the fiscal 2006. This was largely attributable to the increase in financial advisory fees by 503.60% from THB 4.45 million in the fiscal year of 2005 to THB 26.86 million in the fiscal year 2006, as the company provided financial advisory service to Nomura International (Hong Kong) Limited. However, this financial advisory service is also complied with the rules and regulations of The Stock Exchange of Thailand (SET). Despite that, the Company still earned income from other fees soaring by 1.44% from THB 19.08 million to THB 19.36 million on account of the sharp rise of fees on providing debt instrument services. The Company established the debt instrument unit in July 2004 to provide debt instrumental services to both domestic and overseas customers, whereby such transactional activities were well supported by the Nomura's worldwide network.

Investment Business

There were no significant changes in investment activities during the fiscal year 2006, resulting in interest and dividend income arisen from investment transactions rising marginally by 117.58% from THB 42.50 million in the previous fiscal year to THB 92.47 in the fiscal year 2006 due to higher interest rate. No investment in long-term debt instrument was sold during the fiscal year 2006, compared to the fiscal year

2005 where THB 35.27 million was sold. Therefore, the company's total gains from securities trading declined by THB 35.96 million to THB 2.33 million net loss in the fiscal year 2006 from THB 33.63 million net profit in the fiscal year 2005.

Margin Lending Business

Revenue from margin lending business, regarded as the Company's supplementary income stream, posted the continuous growth, leading to its proportion to total revenues to rise from 7.12% in the fiscal year 2005 to 7.46% in the fiscal year 2006. This was well in line with the Company's business policy to place more emphasis on margin loan services for securities trading via more credit balance system with an aim to boost income for the Company. However, the provision of margin loan services by the Company was carried out in the most cautious manner with no policy to grant credit to high-risk securities. The company has established the committee responsible for such credit extension in accordance with the Company's policy whose focus was to minimize the business risk. The decline in average margin lending values during the fiscal year 2006 against the previous fiscal year, and higher return on margin lending business remained unchanged in line with the interest rates in the money market against the previous fiscal year, leading to the interest income on margin loans to decline by 9.16%, from THB 58.85 million in the fiscal year 2005 to THB 53.46 million in the fiscal year 2006.

Financial Position Analysis

As at the end of August 31st, 2006, total assets stood at THB 4,223.51 million, representing a 3.90% decline from THB 4,395.07 million in the fiscal year 2005. The decline in total asset values was mainly attributed to net securities debtors dropping by 14.98% compared to the fiscal year 2005 and net investment in securities slightly dipping by 0.93%. With regard to the significant components of assets as at the end of the fiscal 2006, Cash and cash equivalents represented the highest portion of 34.10% of total assets. net securities debtors accounted for 33.80% while 25.22% went to net investment in securities and 6.88% to other assets. Major changes in total assets included the followings:

Securities receivables and accrued interest receivables net of allowance for doubtful accounts as at the end of the fiscal year 2006 stood at THB 1,427.56 million, representing a 14.98% decline from the previous fiscal year of THB 1,679.11 million. Much of the decline was largely attributed to margin lending debtors dwindling by 10.68%, from THB 1,030.39 million in the fiscal year 2005 to THB 920.33 million in the fiscal year 2006 and receivables of cash accounts slipping by 19.88% from THB 437.45 million to THB

350.45 million. However, the decline of securities debtors was well in line with the business slowdown towards the end of the Company's fiscal year where the SET's average daily trading turnover as at end of August 2006 slipped by 12.02% from THB 18,162.58 million to THB 15,978.74 million.

Net investment in securities stood at THB 1,065.37 million or a 0.93% drop from THB 1,075.32 million as at the end of the fiscal year 2005. Of the total Company's net investment in securities, the current investment, whose maturity was less than one year, accounted for 98.08% while the remainder of 1.92% went to long-term investment. The purpose of which was geared towards being more flexible in adapting investment strategies, managing investment more efficiently and responding to swift changes of current situation.

As at end of August 31st, 2006, cash and cash equivalents totaled THB 1,440.03 million, representing a 3.47% increase from THB 1,391.67 million as at August 31st, 2005. Higher liquidity was for the purpose of supporting the expansion of securities brokerage business, especially at times of the peak of the Company's securities trading turnover.

In conclusion, financial status of the Company was considered solid. The Company's liquidity was high, evidenced by the Net Capital Ratio (NCR) of 545.42%, regarded as considerably higher than the minimum requirement of 7% set forth by the Securities and Exchange Commission (SEC). The liquid assets to total assets ratio stood high at 19.53% while cash and cash equivalents were as high as THB 1,440.03 million, representing 34.10% of total assets.

Debt to equity (D/E) ratio at the end of the fiscal year 2006 stood at merely 0.19 time, edging down slightly from 0.22 time at the end of the fiscal year 2005. The inappropriate retained earnings were as high as THB 419.97 million while shareholders' equity stood at THB 3,561.44 million, equivalent to the book value of THB 49.68 per share.

Remuneration paid to the auditor

Unit : THB

No,	Company	Auditor's Name	Audit Fee
1	Capital Nomura Securities Public Company Limited (For the fiscal period from September 1, 2005 to August 31, 2006)	Ernst & Young Office Limited (By Miss Rattana Jala)	850,000
Audit Fee – Total			850,000

Key Financial Ratios

Financial Ratio	Fiscal Year 2006	Fiscal Year 2005	Fiscal Year 2004
<u>Profitability Ratio</u>			
Gross Profit Margin (%)	95.66	96.51	96.96
Net Profit Margin (%)	14.87	20.62	28.60
Return on Equity (%)	2.97	4.60	9.91
Return on Investment (%)	2.38	4.71	1.66
<u>Efficiency Ratio</u>			
Return on Assets (%)	2.47	3.73	7.55
Assets Turnover (Times)	0.17	0.18	0.26
<u>Financial Ratio</u>			
Liquid Assets to Borrowing (%)	N/A	N/A	N/A
Earning Assets to Borrowing (%)	N/A	N/A	N/A
Liquid Assets to Total Assets (%)	19.53	27.92	19.91
Earning Assets to Total Assets (%)	91.95	84.98	89.50
Debt/Equity (Times)	0.19	0.22	0.25
Dividend Pay-Out (%)	N/A	96.77	98.21
<u>Other Ratios</u>			
Investment in Securities to Assets (%)	25.22	24.47	23.85
Net Capital Ratio (calculated as the SEC standard) (%)	545.42	508.82	368.35
<u>Data Per Share (THB)</u>			
Book Value per Share	49.68	50.36	53.01
Earnings per Share	1.49	2.38	5.09
Dividend per Share	N/A	2.30	5.00
<u>Growth Rate (%)</u>			
Total Assets	(3.90)	(7.11)	(4.08)
Total Liabilities	(15.65)	(15.75)	(31.81)
Total Income	(13.26)	(35.27)	104.70
Income from Sales and Services	(13.07)	(35.44)	104.32
Operating Expenses	(4.49)	(22.87)	63.04
Net Earnings	(37.44)	(53.31)	197.88

Key Financial Performance

Financial data (in million THB)	Fiscal Year 2006	Fiscal Year 2005	Fiscal Year 2004
Cash and Cash Equivalents	1,440.03	1,391.67	1,027.43
Securities Business Receivables and Derivatives Business Receivables	1,427.57	1,679.11	2,154.16
Investment in Securities – Net	1,065.37	1,075.32	1,128.29
Total Assets	4,223.51	4,395.07	4,731.37
Total Liabilities	662.07	784.95	931.75
Paid-Up Capital	716.82	716.82	716.82
Retained Earnings – Unappropriated	419.97	477.49	665.12
Total Shareholders' Equity	3,561.44	3,610.12	3,799.63
Income from Brokerage Fees	509.76	647.50	1,137.65
Total Income	716.60	826.15	1,276.26
Operating Expenses	548.25	574.00	744.18
Net Earnings (Loss)	106.59	170.38	364.95
Data Per Share (THB)	Fiscal Year 2006	Fiscal Year 2005	Fiscal Year 2004
Book Value per Share	49.68	50.36	53.01
Basic Earnings per Share	1.49	2.38	5.09
Dividend per Share	N/A	2.30	5.00
Par Value	10.00	10.00	10.00
Growth Rate (%)	Fiscal Year 2006	Fiscal Year 2005	Fiscal Year 2004
Total Assets	(3.90)	(7.11)	(4.08)
Total Liabilities	(15.65)	(15.75)	(31.81)
Earnings from Brokerage Fees	(20.86)	(43.08)	154.92
Total Income	(13.26)	(35.27)	104.70
Total Operating Expenses	(4.49)	(22.87)	63.04
Net Earnings (Loss)	(37.44)	(53.31)	197.88
Other Information	Fiscal Year 2006	Fiscal Year 2005	Fiscal Year 2004
Market Share on Securities Trading Business	2.61%	2.91%	3.60%
Average Brokerage fees	0.25%	0.25%	0.25%
Total Number of Branches	4	4	4
Total Number of Staff	449	462	455
Stock Price (THB) - High	54.50	77.50	117.00
Stock Price (THB) - Low	32.00	39.50	45.25
Stock Price (THB) - Close	33.25	49.50	67.50

MANAGEMENT PROFILE

Mr. Suthep Peetakanont

Chairman & Chairman of The Executive Board

Age 44 years

Education Background Master of Business Administration,
University of Missouri Kansas City, U.S.A.

% of shareholding -

Last 5 years work experience 1996 - Present Capital Nomura Securities Public Company Limited

Mr. Daisuke Fujita

President

Age 49 years

Education Background Bachelor of Law, Waseda University, Japan

% of shareholding -

Last 5 years work experience 2000 - Present Capital Nomura Securities Public Company Limited
1998 - 2000 President and Managing Director
Nomura Nederland N.V.

Mr. Yuko Sashisaki

Executive Director

Age 48 years

Education Background Bachelor of Law, Waseda University, Japan

% of shareholding -

Last 5 years work experience 2006 - Present Capital Nomura Securities Public Company Limited
2004 - 2006 Head of Administration, South Asia (ex-Singapore)
and Oceania
Nomura Singapore Limited
2002 - 2004 Director & Head of Administration
Nomura Australia Limited
1998 - 2002 Manager of Operations Planning
Nomura Securities Co.,Ltd.

Mr. Pisit Tesabamroong

Director

Age 82 years

Education Background Bachelor of Law, Thammasat University
Diploma from Thailand National Defence College class 18th

% of shareholding -

Last 5 years work experience 1994 - Present Capital Nomura Securities Public Company Limited
2005 - Present Director and Head of Legal Consultant of
S.J. Lawyer and accounting Company Limited
2000 - Present Advisor to the president of Nation institution of
Development Administration (NIDA)
1985 - Present Special Professor of Faculty of Law
Ramkhamhaeng University

Mrs. Wattanee Phanachet

Chairman of the Audit Committee & Independent Director

Age 69 years

Education Background M.A.(Accounting), University of Alabama, U.S.A.

% of shareholding -

Last 5 years work experience 1998 - Present Capital Nomura Securities Public Company Limited
1959 - 1997 Associate Dean for Academic Affairs
Associate Dean for Foreign Affairs
Assistant Professor of Accounting Department
Chulalongkorn University

Mr. Prasert Virasathienpornkul

Audit Committee Member & Independent Director

Age 46 years

Education Background Master of Business Administration,
University of Wisconsin-Madison, U.S.A.

% of shareholding -

Last 5 years work experience 1999 - Present Capital Nomura Securities Public Company Limited
1997 - Present Managing Director
Concept Training & Consultant Company Limited

Col. Ruangsub Kovindha

Independent Director and Audit Committee Member

Age 54 years

Education Background Bachelor of Science in Engineering, University of Alabama, U.S.A.

% of shareholding -

Last 5 years work experience	2002 - Present	Capital Nomura Securities Public Company Limited
	2000 - Present	Managing Director
		United Information Highway Co.,Ltd.
	1998 - 1999	Chief Executive Officer Samart Telecom Plc.

Mrs. Chrisana Sae-Leiw

Head of the Operations Division

Age 46 years

Education Background Bachelor of Science, Southern Adventist University, U.S.A.

% of shareholding -

Last 5 years work experience	1996 - Present	Capital Nomura Securities Public Company Limited
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Mr. Nimit Wongjariyakul

Head of the Investment Banking Division

Age 42 years

Education Background Master of Engineering (Petroleum and Natural Gas)
Pennsylvania State University, U.S.A.

% of shareholding -

Last 5 years work experience	1998 - Present	Capital Nomura Securities Public Company Limited
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Mr. Tarate Poshyananda

Head of the Fixed Income Division

Age 42 years

Education Background Master of Business Administration, Webster University, U.S.A.

% of shareholding -

Last 5 years work experience	2004 - Present	Capital Nomura Securities Public Company Limited
	1997 - 2004	Head of Multinational, Deutsche Bank, Bangkok

Mr. Kavee Chukitkasem

Head of the Research Division

Age 36 years

Education Background Master of Business Administration, University of Toledo, Ohio, U.S.A.

% of shareholding -

Last 5 years work experience	2005 - Present	Capital Nomura Securities Public Company Limited
	2004 - 2005	Manager of the Research Department
		Capital Nomura Securities Public Company Limited
	1996 - 2004	Assistant Manager of the Research Department
		Capital Nomura Securities Public Company Limited

Mr. Thanomsak Saharatchai

Co-Head of the Research Division

Age 41 years

Education Background Master of Business Administration, Angelo State University, U.S.A.

% of shareholding -

Last 5 years work experience	2006 - Present	Capital Nomura Securities Public Company Limited
	2005 - 2006	Senior Vice President
		Ayudhya Securities Public Company Limited
	2004 - 2005	Assistant Director
		APEX Securities Company Limited
	1997 - 2004	Deputy Manager
		Capital Nomura Securities Public Company Limited

Miss Varangkna Wasuwanich

General Manager - Accounting Department

Manager - Corporate Planning Department

Age 39 years

Education Background Master of Business Administration, Thammasat University

% of shareholding -

Last 5 years work experience	2003 - Present	Capital Nomura Securities Public Company Limited
	2002 - 2003	Business Controller
		GE Capital Thailand Limited
	1999 - 2001	Senior Manager, Accounting Department
		GE Capital Thailand Limited

- ✓ **Report of Independent Auditor**
- ✓ **Financial Statements**
- ✓ **Notes to Financial Statements**

Report of Independent Auditor

To Shareholders and the Board of Directors of

Capital Nomura Securities Public Company Limited

I have audited the accompanying balance sheets of Capital Nomura Securities Public Company Limited as at 31 August 2006 and 2005, the related statements of earnings, changes in shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management as to their correctness and the completeness of the presentation. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial positions of Capital Nomura Securities Public Company Limited as at 31 August 2006 and 2005, and the results of its operations and cash flows for the years then ended in accordance with generally accepted accounting principles.



Ratana Jala

Certified Public Accountant (Thailand) No. 3734

Ernst & Young Office Limited

Bangkok : 27 October 2006

CAPITAL NOMURA SECURITIES PUBLIC COMPANY LIMITED

BALANCE SHEETS

AS AT 31 AUGUST 2006 AND 2005

(Unit : Baht)

	<u>Note</u>	<u>2006</u>	<u>2005</u>
ASSETS			
CASH AND CASH EQUIVALENTS	4	1,440,028,515	1,391,674,118
INVESTMENTS IN DEBT AND EQUITY SECURITIES - net	5	1,065,367,509	1,075,319,417
RECEIVABLES FROM CLEARING HOUSE	6	65,570,941	40,020,731
SECURITIES AND DERIVATIVES BUSINESS RECEIVABLES	7	1,427,564,787	1,679,114,385
PREMISES AND EQUIPMENT - net	10	64,935,933	69,616,572
INTANGIBLE ASSETS - net	11	27,401,106	18,737,139
DEFERRED INCOME TAX ASSETS - net	12	29,806,602	36,978,689
OTHER ASSETS - net	13	102,835,897	83,608,071
TOTAL ASSETS		<u>4,223,511,290</u>	<u>4,395,069,122</u>

The accompanying notes are an integral part of the financial statements.

CAPITAL NOMURA SECURITIES PUBLIC COMPANY LIMITED


BALANCE SHEETS (Continued)

AS AT 31 AUGUST 2006 AND 2005

(Unit : Baht)

	Note	2006	2005
LIABILITIES AND SHAREHOLDERS' EQUITY			
PAYABLES TO CLEARING HOUSE		159,472,659	-
SECURITIES AND DERIVATIVES BUSINESS PAYABLES	14	440,325,400	718,925,868
OTHER LIABILITIES	15	62,276,477	66,024,084
TOTAL LIABILITIES		<u>662,074,536</u>	<u>784,949,952</u>
SHAREHOLDERS' EQUITY			
SHARE CAPITAL			
Registered			
72,000,000 ordinary shares of Baht 10 each		<u>720,000,000</u>	<u>720,000,000</u>
Issued and paid up			
71,682,300 ordinary shares of Baht 10 each		716,823,000	716,823,000
PREMIUM ON SHARE CAPITAL		2,131,833,600	2,131,833,600
REVALUATION SURPLUS (DEFICIT) IN INVESTMENTS	5.3	5,814,981	(3,030,661)
RETAINED EARNINGS			
Appropriated - statutory reserve	16	72,000,000	72,000,000
- general reserve		215,000,000	215,000,000
Unappropriated		<u>419,965,173</u>	<u>477,493,231</u>
TOTAL SHAREHOLDERS' EQUITY		<u>3,561,436,754</u>	<u>3,610,119,170</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>4,223,511,290</u>	<u>4,395,069,122</u>

The accompanying notes are an integral part of the financial statements.

DIRECTORS

CAPITAL NOMURA SECURITIES PUBLIC COMPANY LIMITED

STATEMENTS OF EARNINGS

FOR THE YEARS ENDED 31 AUGUST 2006 AND 2005

(Unit : Baht)

	<u>Note</u>	<u>2006</u>	<u>2005</u>
REVENUE			
Brokerage fees			
Brokerage fees from securities business		509,760,897	647,499,132
Brokerage fees from derivative business		2,653,100	-
Fees and service incomes	17	56,897,217	37,631,312
Gain (loss) on trading in securities	5.4	(2,325,131)	33,631,324
Loss on trading in derivatives		(3,900)	-
Interest and dividend		92,473,405	42,500,626
Interest on margin loans		53,460,552	58,851,646
Other incomes		3,685,475	6,039,666
TOTAL REVENUE		716,601,615	826,153,706
EXPENSES			
Expenses on borrowing		10,370,363	6,471,659
Fees and services expenses		20,554,373	22,178,586
Bad debt and doubtful accounts (reversal)		159,848	(278,905)
Operating expenses			
Personnel expenses	18	352,741,888	386,939,909
Premises and equipment expenses		125,628,596	125,115,347
Taxes and duties		4,543,658	3,179,092
Directors' remuneration	19	2,856,000	2,601,000
Other expenses		62,481,709	56,166,411
Total operating expenses		548,251,851	574,001,759
TOTAL EXPENSES		579,336,435	602,373,099
EARNINGS BEFORE CORPORATE INCOME TAX		137,265,180	223,780,607
CORPORATE INCOME TAX	12	(30,672,847)	(53,400,964)
NET EARNINGS FOR THE YEAR		106,592,333	170,379,643
EARNINGS PER SHARE			
Basic earnings per share			
Net earnings		1.49	2.38

The accompanying notes are an integral part of the financial statements.

CAPITAL NOMURA SECURITIES PUBLIC COMPANY LIMITED
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED 31 AUGUST 2006 AND 2005

		Revaluation					(Unit : Baht)
	Ordinary shares	Premium on share capital	Revaluation surplus (deficit) in investments	Statutory reserve	General reserve	Unappropriated retained earnings	Total
Balance - as at 1 September 2004	716,823,000	2,131,833,600	(1,152,253)	72,000,000	215,000,000	665,121,088	3,799,625,435
Revaluation surplus (deficit) in investments							
- revaluation in investments	-	-	(2,504,543)	-	-	-	(2,504,543)
- due from deferred income tax	-	-	626,135	-	-	-	626,135
Net earnings	-	-	-	-	-	170,379,643	170,379,643
Dividend paid (Note 20)	-	-	-	-	-	(358,007,500)	(358,007,500)
Balance - as at 31 August 2005	716,823,000	2,131,833,600	(3,030,661)	72,000,000	215,000,000	477,493,231	3,610,119,170
Revaluation surplus (deficit) in investments							
- revaluation in investments	-	-	11,794,190	-	-	-	11,794,190
- due from deferred income tax	-	-	(2,948,548)	-	-	-	(2,948,548)
Net earnings	-	-	-	-	-	106,592,333	106,592,333
Dividend paid (Note 20)	-	-	-	-	-	(164,120,391)	(164,120,391)
Balance - as at 31 August 2006	716,823,000	2,131,833,600	5,814,981	72,000,000	215,000,000	419,965,173	3,561,436,754

The accompanying notes are an integral part of the financial statements.

CAPITAL NOMURA SECURITIES PUBLIC COMPANY LIMITED

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED 31 AUGUST 2006 AND 2005

(Unit : Baht)

	<u>2006</u>	<u>2005</u>
Cash flows from operating activities		
Net earnings	106,592,333	170,379,643
Adjustments to reconcile net earnings to net cash provided by (paid for) operating activities :-		
Depreciation and amortisation	37,157,224	37,092,164
Bad debt and doubtful accounts (reversal)	159,848	(278,905)
Deferred income tax	4,223,539	14,809,890
Gain on disposal of long-term investment	-	(35,273,500)
Gain on disposal of equipments	(79,987)	(1,369)
Written-off equipments from damage	2,968	337,227
Earnings from operating activities before changes in operating assets and liabilities	<u>148,055,925</u>	<u>187,065,150</u>
Decrease (increase) in operating assets :-		
Long-term deposits at financial institutions	-	169,952,545
Current investments	21,746,098	(19,076,357)
Receivables from clearing house	(25,550,210)	(33,960,599)
Securities and derivatives business receivables	251,389,750	475,613,516
Other assets	<u>(19,575,505)</u>	<u>7,597,595</u>
	<u>228,010,133</u>	<u>600,126,700</u>
Increase (decrease) in operating liabilities :-		
Payables to clearing house	159,472,659	(172,420,116)
Securities and derivatives business payables	(278,600,468)	41,888,612
Other liabilities	<u>(3,747,607)</u>	<u>(16,264,635)</u>
	<u>(122,875,416)</u>	<u>(146,796,139)</u>
Net cash from operating activities	<u>253,190,642</u>	<u>640,395,711</u>

The accompanying notes are an integral part of the financial statements.

CAPITAL NOMURA SECURITIES PUBLIC COMPANY LIMITED

STATEMENTS OF CASH FLOWS (Continued)

FOR THE YEARS ENDED 31 AUGUST 2006 AND 2005

(Unit : Baht)

	<u>2006</u>	<u>2005</u>
Cash flows from investing activities		
Cash paid for purchase of long-term investment	-	(1,000,000)
Cash received from disposal of long-term investment	-	105,820,500
Cash paid for purchase of equipment	(26,213,980)	(16,203,645)
Cash received from disposal of equipment	80,000	15,232
Cash paid for purchase of intangible assets	(14,581,874)	(6,772,826)
Net cash from investing activities	<u>(40,715,854)</u>	<u>81,859,261</u>
Cash flows from financing activities		
Dividend paid	(164,120,391)	(358,007,500)
Net cash from financing activities	<u>(164,120,391)</u>	<u>(358,007,500)</u>
Net increase in cash and cash equivalents	48,354,397	364,247,472
Cash and cash equivalents at the beginning of the year	<u>1,391,674,118</u>	<u>1,027,426,646</u>
Cash and cash equivalents at the end of the year	<u><u>1,440,028,515</u></u>	<u><u>1,391,674,118</u></u>
Supplemental cash flows information		
Cash paid during the year for :-		
Corporate income tax	30,303,364	33,539,127
Interest expenses	8,439,124	4,840,029

The accompanying notes are an integral part of the financial statements.

CAPITAL NOMURA SECURITIES PUBLIC COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

AS AT 31 AUGUST 2006 AND 2005

1. GENERAL INFORMATION

1.1 Capital Nomura Securities Public Company Limited was incorporated as a public limited company under Thai laws on 26 May 1970. The Company's head office is located at 21/3 Thai Wah Tower, 1st Floor, South Sathorn Road, Bangkok and it has 4 branches in Bangkok.

1.2 The Company operates its business in Thailand and its principal activities are the provision of securities brokerage, securities dealing, securities borrowing and lending services, investment advisory, securities underwriting and financial advisory services.

In addition, the Company has been granted by the Office of the Securities and Exchange Commission to undertake the derivative agent license.

2. BASIS FOR THE PREPARATION OF FINANCIAL STATEMENTS

As at 31 August 2006 and 2005, the Company holds the following unit trusts and more than one half of the voting rights pertaining to these funds. However, the consolidated financial statements have not been prepared because the Company has no authority over the financial and operating policies of such funds.

Unit trust	Percentage of shareholding	
	2006	2005
Ayudhya Thanyamongkol Fund	99.87	99.94
CNS Fixed Income Fund	94.05	96.34
Krung Thai Dividend Fixed Income Fund	56.01	-
MFC three - three Roll over Fund	51.04	-

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with accounting standards enunciated under the Accounting Profession Act B.E. 2547 and in conjunction with the Notifications of the Office of the Securities and Exchange Commission.

Significant accounting policies adopted by the Company are summarised below.

3.1 Revenue and expenses recognition

a) Brokerage fees

Brokerage fees on securities and derivatives trading are recognised as income on the transaction dates.

b) Fees and service incomes

Fees and service incomes are recognised as income on an accrual basis.

c) Gain (loss) on trading in securities and derivatives

Gain (loss) on trading in securities and derivatives are recognised as income/expenses on the transaction dates.

d) Interest and dividend

Interest is recognised as income on an accrual basis. Dividend from investments is recognised as income when the dividend is declared.

e) Interest on credit balance loans

Interest is recognised on an accrual basis, but where there is uncertainty as to the collectability of loans and interest the Company ceases accrual.

In the following cases collectability of loans and interest is held to be uncertain.

- (1) Loans which are not fully collateralised.
- (2) Installment loans with repayments scheduled less frequently than every 3 months and for which principal or interest is overdue for more than 3 months.
- (3) Other receivables of which interest payment is overdue 3 months or more.

These conditions are based on the guidelines stipulated by the Office of Securities and Exchange Commission in Notification No. Kor. Thor. 33/2543 dated 25 August 2000, amended by Notification No. Kor. Thor. 5/2544 dated 15 February 2001.

f) Expenses

Expenses are recognised on an accrual basis.

3.2 Interest on borrowings

Interest on borrowings is charged to expenses on an accrual basis.

3.3 Cash and cash equivalents

Cash and cash equivalents include cash on hand, all bank accounts and negotiable certificates of deposit with no more than 3 months remaining to maturity, including call notes receivable and term notes receivable maturing within 3 months and without commitments. This accords with the Notification No. Sor. Thor./Nor. 26/2549 issued by the Office of the Securities and Exchange Commission dated 29 June 2006 regarding the format of the financial statements of securities companies.

3.4 Recognition and amortisation of customers' deposits assets

Cash which customers have placed with the Company for securities trading, both through cash accounts and credit balance accounts including amounts which customers have placed as security for derivatives tradings are recorded as assets and liabilities of the Company for internal control purposes. As at the balance sheet date the Company writes the amounts which are unsecured off from both assets and liabilities and presents only those assets which belong to the Company.

3.5 Borrowing and lending of Securities

The Company conducts both securities borrowing and securities lending transactions through agreements made with borrowers and lenders of securities, which are the Company's customers. The principal objective of the Company in lending securities to its customers is solely to allow them to short sell securities through the credit balances accounts they have with the Company. These types of transaction are limited to securities listed in the SET 50 Index and in the list of securities which customers may purchase through margin accounts (Marginable Securities).

The Company records its obligations to return borrowed securities which it has lent as "Securities borrowing payables" and securities lent to customers are recorded as "Securities borrowing receivables" in the balance sheet. At the end of the years, the balance of Securities borrowing payables and Securities borrowing receivables are adjusted based on the close price quoted on the Stock Exchange of Thailand of the last working day of the year. Gains or losses arising from such adjustment are included in determining earnings. The Company records cash paid as collateral for

securities borrowing as “Guaranteed deposit receivables”. Fees for borrowing and lending are recognised on an accrual basis over the term of the lending.

3.6 Investments in debt and equity securities

Investments in available-for-sale securities, both held for current and long-term investments, are determined at fair value. Changes in the value of the securities are shown as separate items in shareholders’ equity until the securities are sold, the changes are then included in determining earnings.

Investments in non-marketable equity securities which are classified as other investments are valued at cost net of allowance of impairment (if any).

Investment in debt securities, expected to be held to maturity, are valued at cost after amortisation.

The fair value of marketable securities is based on the latest bid price on the Stock Exchange of Thailand of the last working day of the year as quoted. The fair value of government bonds, state enterprise securities and private sector debt securities is determined using the latest bid yield as quoted by the Thai Bond Market Association adjusted by an appropriate risk factor. The fair value of unit trusts is determined based on their net asset value.

Losses on impairment of the investments are included in determining earnings when there is a factor indicating that such investments might be impaired.

The weighted average method is used for computation of the cost of investments.

3.7 Receivables from/payables to clearing house

Receivables from/payables to clearing house comprise the net balance receivable from/payables to Thailand Securities Depository (TSD) in respect of securities trades settled through the clearing house of Thailand Securities Depository and the net receivable from/payable to Thailand Clearing House (TCH) including amounts pledge with Thailand Clearing House as security for derivatives trading.

3.8 Securities and derivatives business receivables and allowance for doubtful accounts

Securities and derivatives business receivables comprise the net securities and derivatives business receivables, after deducting allowance for doubtful accounts and related accrued interest receivables.

In addition, securities business receivable include the net receivables balances of cash accounts, credit balance accounts, securities borrowing receivables and guarantee deposit receivables (which comprise cash placed as guarantee for borrowers of securities or securities depositaries) as well as other receivables such as overdue cash customers accounts and securities receivables which are the subject of legal proceedings, are undergoing restructuring or are settling in installments.

The Company has provided an allowance for doubtful accounts based on a review of debtor's ability to make repayment, taking into consideration recovery risk and the value of the collateral. An allowance is set aside for doubtful debts not fully covered by collateral and/or those which may not be fully recovered. Such debt classifications and provisions are made in accordance with the following guidelines.

- a) Assets classified as doubtful loss are to satisfy the following criteria.
 - (1) Loans balances which the Company has already made every effort to collect, but which remain unpaid and which the Company has already written-off in accordance with tax law.
 - (2) Loans balances which the Company has forgiven.
- b) Doubtful debt is defined as the uncollateralised portion of the value of a debt which meets the following criteria.
 - (1) General loans and other loans for which the collateral value is less than the loan balance.
 - (2) Installment loans with repayments scheduled less frequently than every 3 months and for which principal or interest is overdue by more than 3 months.
- c) Substandard debt is defined as the collateralised portion of loans which meet the criteria in b).

Loans classified as doubtful of loss will be written-off when identified. Provision will be set aside for loans classified as doubtful at not less than 100 percent of the loan balance. The above

guideline is in accordance with Notification No. Kor. Thor. 33/2543 dated 25 August 2000 which is updated by Notification No. Kor. Thor. 5/2544 dated 15 February 2001 of the Office of the Securities and Exchange Commission.

3.9 Troubled debt restructuring

The Company records troubled debt restructuring transactions in accordance with Thai Accounting Standard No. 34 “Accounting for Troubled Debt Restructuring”. However, there has been no debt restructuring during the current year.

3.10 Premises and equipment and depreciation

Premises and equipment are stated at cost less accumulated depreciation. Depreciation is calculated by reference to their cost on a straight-line basis over their useful lives, which are as follows :-

Office buildings	20 years
Office improvements	5 years
Office equipment	3, 5 years
Furniture and fixtures	5 years
Vehicles	5 years

No depreciation is provided for land.

3.11 Intangible assets and amortisation

Intangible assets, comprising computer software, are stated at cost less accumulated amortisation. Amortisation of intangible assets is calculated by referring to their cost on a straight-line basis over their estimated useful lives of approximately 5 years.

3.12 Deferred tax assets/liabilities

The Company has made early adoption of Thai Accounting Standard No. 56 “Accounting for Income Taxes”, whereby the Company provides for deferred income tax resulting from temporary differences in reporting income and expenses for financial to income tax reporting purposes. Accordingly, the income tax applicable to income which is not currently recognised, or to expenses which are not currently deductible for income tax purposes is set up as “Deferred income

taxes assets” in the balance sheets. This will be allocated to future periods when the income is realised, or the expenses provided for are actually incurred and considered deductible for income tax purposes. Currently, enacted tax rates are used to determine deferred income tax.

The principal temporary differences of the Company arise from unrealised losses on investments, allowance for doubtful accounts, allowance for loss on impairment of property foreclosed and other reserves.

3.13 Property foreclosed

Properly foreclosed is stated at the lower of cost, or net realisable value with reference to the latest appraisal value less estimated selling expenses.

3.14 Securities and derivatives business payables

Securities and derivatives business payables are the obligations of the Company in respect of its securities and derivatives business with outside parties, such as the net payable balances of cash accounts, securities delivery obligations as a result of short sales or securities borrowing, and obligations to return assets held by the Company as collateral for securities lending.

3.15 Foreign currency translation

Foreign currency transactions occurred during the year has been translated into Baht at the rates ruling on the transaction dates. Assets and liabilities in foreign currencies outstanding on the balance sheet date have been translated into Baht at the rates ruling on the balance sheet date.

Exchange gains and losses are included in determining earnings.

3.16 Financial instruments

The Company has no policy to speculate in or engage in the trading of any financial derivative instruments.

Financial instruments carried in the balance sheet include cash and cash equivalents, investments, receivables from and payables to clearing house, securities and derivatives business receivables and payables and loans to employees. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

3.17 Provident fund

The Company and its employees have jointly registered a provident fund scheme under the Provident Fund Act B.E. 2530. The Fund is contributed to by both the employees and the Company at the rate of 5 percent of the employee's salary. The Fund is managed by Finansia Asset Management Limited and will be paid to the employees upon termination in accordance with the rules of the Fund.

In addition to the contributory registered provident fund, the Company has established a provision for an additional plan for employees who work with the Company for over 5 years and over 10 years. The plan is unfunded and is provided only for employees who joined the Company prior to 15 July 1986. Liabilities under this plan have been presented as part of "Other liabilities".

3.18 Earnings per share

Earnings per share as presented in the statements of earnings is the basic earnings per share which is determined by dividing net earnings for the year by the number of ordinary shares held by outsiders in issue during the year.

3.19 Use of accounting estimates

Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates of certain accounting transactions, affecting amounts reported in the financial statements and notes thereto. Subsequent actual results may differ from these estimates.

4. CASH AND CASH EQUIVALENTS

	(Unit : Baht)	
	2006	2005
Cash	40,000	81,450
Current deposits and saving deposits	245,923,477	364,587,800
Time deposits with maturity date due no more than 3 months	100,100,000	430,000,000
Promissory notes with maturity date due no more than 3 months	1,530,000,000	1,060,000,000
Total cash and cash equivalents	1,876,063,477	1,854,669,250
Less : Deposit for the customers' account	(436,034,962)	(462,995,132)
Net cash and cash equivalents	1,440,028,515	1,391,674,118

5. INVESTMENTS IN DEBT AND EQUITY SECURITIES

(Unit : Baht)

	2006		2005	
	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value
Current investments				
<i><u>Available-for-sale securities :-</u></i>				
Private debt securities	28,047,147	12,003,240	30,247,146	14,421,600
Government securities	10,069,681	10,078,502	10,387,239	10,546,411
Listed equity securities	23,154,332	9,659,573	42,823,380	9,975,810
Unit trusts	1,037,618,023	1,013,182,204	1,041,689,188	1,008,687,004
Total	1,098,889,183	1,044,923,519	1,125,146,953	1,043,630,825
Add (less) : Allowance for revaluation	7,753,308	-	(4,040,881)	-
Less : Allowance for impairment	(61,718,972)	-	(77,475,247)	-
Net available-for-sale securities	1,044,923,519	1,044,923,519	1,043,630,825	1,043,630,825
<i><u>Held-to-maturity debt securities – due within 1 year :-</u></i>				
Government securities	-	-	11,244,602	11,244,602
Net held-to-maturity debt securities - due within 1 year	-	-	11,244,602	11,244,602
Current investments - net	1,044,923,519	1,044,923,519	1,054,875,427	1,054,875,427
Long-term investments				
<i><u>Non-marketable securities :-</u></i>				
Other equity securities	21,817,372	20,443,990	21,817,372	20,443,990
Less : Allowance for impairment	(1,373,382)	-	(1,373,382)	-
Net non-marketable securities	20,443,990	20,443,990	20,443,990	20,443,990
Long-term investments - net	20,443,990	20,443,990	20,443,990	20,443,990
Net investments	1,065,367,509	1,065,367,509	1,075,319,417	1,075,319,417

As at 31 August 2005, the Company had investment in government securities, classified as held-to-maturity securities, totaling Baht 70 million, part of which was customer's investment under the Company's name totaling Baht 59 million. Therefore, the remaining balance of Baht 11 million was the Company's investment.

5.1 As at 31 August 2006 and 2005, the followings are the investments in other securities which the Company hold not less than 10 percent of the issued shares or units of the investee company :-

(Unit : Baht)

Name	Type of business	Type of investment	2006			2005		
			Percentage of		Cost amount	Percentage of		Cost amount
			shareholding	Percent		shareholding	Percent	
Ayudhaya Thanyamongkol Fund	Unit trust	Debt	99.87		339,869,629	99.94		699,844,416
CNS Fixed Income Fund	Unit trust	Debt	94.05		167,468,244	96.34		291,564,622
KrungThai Dividend Fixed Income Fund	Unit trust	Debt	56.01		170,000,000	-		-
MFC three - three Roll over Fund	Unit trust	Debt	51.04		120,000,000	-		-
Thanasarn Fund	Unit trust	Debt	41.97		190,000,000	-		-
Kamra Permpoon Fund 2	Unit trust	Equity	10.06		42,133,530	8.82		42,133,530
Wattana Kampaet Public Company Limited	Health care	Equity	7.83		23,124,122	15.54		42,793,170

5.2 As at 31 August 2006 and 2005 the Company classified its investments in debt securities by remaining period to maturity as follows :-

(Unit : Baht)

	2006			
	Remaining period to maturity			
	Within 1 year	1 - 5 years	Over 5 years	Total
Available-for-sale securities :-				
Private debt securities	18,047,147	10,000,000	-	28,047,147
Government securities	10,069,681	-	-	10,069,681
Total	28,116,828	10,000,000	-	38,116,828
Add (less) : Allowance for revaluation	39,709	(227,648)	-	(187,939)
Less : Allowance for impairment	(15,847,147)	-	-	(15,847,147)
Net available-for-sale securities	12,309,390	9,772,352	-	22,081,742
Total debt securities	12,309,390	9,772,352	-	22,081,742

(Unit : Baht)

	2005			
	Remaining period to maturity			
	Within 1 year	1 - 5 years	Over 5 years	Total
Available-for-sale securities :-				
Private debt securities	18,047,146	12,200,000	-	30,247,146
Government securities	-	10,387,239	-	10,387,239
Total	18,047,146	22,587,239	-	40,634,385
Add : Allowance for revaluation	40,143	140,629	-	180,772
Less : Allowance for impairment	(15,847,146)	-	-	(15,847,146)
Net available-for-sale securities	2,240,143	22,727,868	-	24,968,011
Held-to-maturity securities :-				
Government securities	11,244,602	-	-	11,244,602
Net held-to-maturity debt securities	11,244,602	-	-	11,244,602
Total debt securities	13,484,745	22,727,868	-	36,212,613

5.3 Revaluation surplus (deficit) in investments

(Unit : Baht)

	2006	2005
Balance - beginning of the year	(3,030,661)	(1,152,253)
Changes during the year from		
- revaluation	11,794,190	(2,504,543)
- deferred income tax	(2,948,548)	626,135
Balance - end of the year	5,814,981	(3,030,661)

5.4 Gain (loss) on trading in securities

	(Unit : Baht)	
	2006	2005
Realised gain (loss) on trading in securities :-		
Trading securities	(1,565,517)	(1,642,842)
Available-for-sales securities	(759,614)	666
Held-to-maturity securities	-	35,273,500
Total gain (loss) on trading in securities	(2,325,131)	33,631,324

5.5 Interest and dividend income from investments in securities

	(Unit : Baht)	
	2006	2005
Debt securities :-		
Interest income	4,222,878	4,420,643
Equity securities :-		
Dividend income	25,274,011	18,858,508
Total interest and dividend income from investments in securities	29,496,889	23,279,151

5.6 Investments in companies with weak financial position

As at 31 August 2006 and 2005 the Company's investments in securities include investments in the securities of companies with weak financial positions and operating results. These are summarised below.

	Cost		Fair value		Allowance for changes in value / impairment provided in the accounts	
	2006	2005	2006	2005	2006	2005
	Million Baht	Million Baht	Million Baht	Million Baht	Million Baht	Million Baht
Debt instruments - debentures						
1. Closed financial institutions	7	7	-	-	7	7
2. Companies which have debt settlement problems or have defaulted	9	9	-	-	9	9
Equity securities - common shares						
Companies whose auditors' reports cite going concern issues	28	47	13	13	15	34

6. RECEIVABLES FROM CLEARING HOUSE

	(Unit : Baht)	
	2006	2005
Thailand Securities Depository Company Limited (TSD)	64,741,141	40,020,731
Thailand Clearing House Company Limited (TCH)	14,486,300	-
Total receivables from clearing house	79,227,441	40,020,731
Less : Receivables from clearing house for customers' accounts	(13,656,500)	-
Receivables from clearing house	65,570,941	40,020,731

7. SECURITIES AND DERIVATIVES BUSINESS RECEIVABLES

	(Unit : Baht)	
	2006	2005
<u>Securities business receivables</u>		
Customers' accounts	350,447,206	437,453,784
Margin loans	920,329,666	1,030,387,354
Guaranteed deposit receivables	75,377,664	103,718,155
Securities borrowing receivables	75,377,664	103,718,155
Other receivables	9,517,637	9,694,290
Total securities business receivables	1,431,049,837	1,684,971,738
Add : Accrued interest receivables	4,611,327	3,842,695
Less : Allowance for doubtful accounts	(9,542,262)	(9,700,048)
Net securities business receivables and accrued interest receivables	1,426,118,902	1,679,114,385
<u>Derivative business receivables</u>		
Derivative business receivables	1,445,885	-
Net derivatives business receivable	1,445,885	-
Net securities and derivative business receivables	1,427,564,787	1,679,114,385

7.1 As at 31 August 2006, the Company has securities business receivables of approximately Baht 9.5 million (2005 : 9.7 million) on which the recognition of income on an accrual basis has been suspended.

- 7.2** As at 31 August 2006 and 2005 the Company has classified its securities business receivables including related interest receivable as follows, in accordance with the relevant guidelines issued by the Office of the Securities and Exchange Commission governing accounting for the doubtful debts of securities companies.

(Unit : Million Baht)

	Debt balances		Allowance for doubtful accounts set up by the Company		Excess of allowance for doubtful accounts	
	2006	2005	2006	2005	2006	2005
Doubtful debts	9.5	9.7	9.5	9.7	-	-
Substandard debt	-	-	-	-	-	-
Total	9.5	9.7	9.5	9.7	-	-

- 7.3** As at 31 August 2006, guaranteed deposit receivables of approximately Baht 75.4 million (2005 : Baht 103.7 million) represent cash paid to secure the borrowing of securities for securities borrowing and lending transactions. The fair value of the securities borrowed was approximately Baht 75.4 million (2005 : Baht 103.7 million). All of these securities have been lent onwards to other parties.

8. ALLOWANCE FOR DOUBTFUL ACCOUNTS

(Unit : Baht)

	2006	2005
Balance - beginning of the year	9,700,048	10,272,355
Add : Allowance for doubtful accounts (reversal)	159,848	(567,262)
Less : Bad debt written-off	(317,634)	(5,045)
Balance - end of the year	9,542,262	9,700,048

9. TROUBLED DEBT RESTRUCTURING

As at 31 August 2006, there was outstanding debt from investments in debt securities restructuring agreement with 1 debtor (2005 : 1 debtor), amounting to Baht 1.32 million (2005 : Baht 1.32 million). However, the Company has set aside provision for bad debts amounting to Baht 1.32 Million (2005 : Baht 1.32 million). There is no debt restructuring during the current year.

10. PREMISES AND EQUIPMENT

(Unit : Baht)

	Land	Office premises	Office equipment	Furniture and fixtures	Vehicles	Total
Cost :						
31 August 2005	4,263,129	18,441,572	212,152,436	133,228,515	24,312,506	392,398,158
Addition	-	-	25,298,105	915,875	-	26,213,980
Written-off /transfer out	-	-	(27,673,666)	(106,979)	-	(27,780,645)
31 August 2006	4,263,129	18,441,572	209,776,875	134,037,411	24,312,506	390,831,493
Accumulated depreciation :						
31 August 2005	-	16,258,897	178,468,462	118,519,895	9,534,332	322,781,586
Written-off /transfer out	-	-	(27,672,347)	(105,318)	-	(27,777,665)
Depreciation charged for the year	-	922,079	21,179,199	4,447,861	4,342,500	30,891,639
31 August 2006	-	17,180,976	171,975,314	122,862,438	13,876,832	325,895,560
Net book value :						
31 August 2005	4,263,129	2,182,675	33,683,974	14,708,620	14,778,174	69,616,572
31 August 2006	4,263,129	1,260,596	37,801,561	11,174,973	10,435,674	64,935,933

Depreciation charge included in statements of earnings for the years ended 31 August :

2005	32,191,080
2006	30,891,639

As at 31 August 2006, certain office equipment, furniture and fixtures and vehicle have been fully depreciated but are still in use. The original cost, before deducting accumulated depreciation, of those assets amounted to approximately Baht 245 million (2005 : 263 million).

11. INTANGIBLE ASSETS

(Unit : Baht)

	Remaining period	Balance beginning of the year	Increase	Amortisation	Balance end of the year
Computer software	4.25 years	18,737,139	14,581,874	(5,917,907)	27,401,106

12. DEFERRED INCOME TAX ASSETS/ CORPORATE INCOME TAX

During the years ended 31 August 2006 and 2005, the reconciliation between the income tax expense included in the statements of earnings and income tax calculated based on accounting income can be summarised as follows :-

	(Unit : Baht)	
	2006	2005
Income tax expense for the year	26,441,725	37,683,425
Deferred income tax relating to decrease in temporary difference	4,231,122	14,809,890
	30,672,847	52,493,315
Add : Prior year's adjustment	-	907,649
Income tax for the year presented as expense in the statement of earnings	30,672,847	53,400,964

Deferred income tax assets as presented in the balance sheets as of 31 August 2006 and 2005 are calculated on all temporary differences under the liability method, using a taxation rate of 25 percent. They comprise the following :-

	(Unit : Baht)	
	2006	2005
Deferred income tax assets :-		
Allowance for diminution in valuation of investments	15,773,088	19,712,157
Allowance for impairment on property foreclosed	5,945,298	5,945,298
Allowance for doubtful accounts	2,549,031	2,532,979
Revaluation deficit in investment	-	1,010,220
Others	7,477,512	7,778,035
	31,744,929	36,978,689
Deferred income tax liabilities :-		
Revaluation surplus in investment	(1,938,327)	-
	(1,938,327)	-
Net deferred income tax assets	29,806,602	36,978,689

13. OTHER ASSETS

	(Unit : Baht)	
	2006	2005
Loans to employees	15,041,328	18,701,277
Property foreclosed (net from allowance for impairment of Baht 24 million)	19,070,008	19,070,008
Deposits	15,923,034	16,254,289
Prepayments for securities clearing fund	19,011,631	12,215,279
Prepaid expenses	8,680,759	8,485,392
Accrued interest receivables	5,131,260	3,069,387
Deposit for derivative business	5,000,000	-
Others	14,977,877	5,812,439
Total other assets	102,835,897	83,608,071

14. SECURITIES AND DERIVATIVES BUSINESS PAYABLES

	(Unit : Baht)	
	2006	2005
<u>Securities business payables</u>		
Securities business payables of securities trading business	289,085,270	509,651,067
Payable under securities borrowing and lending business		
- Guarantee deposit payables	75,377,664	103,718,155
- Securities borrowing payables	75,377,664	103,718,155
- Interest and fee payables	484,802	352,741
Other payables	-	1,485,750
Total securities business payable	440,325,400	718,925,868
Total securities and derivatives business payable	440,325,400	718,925,868

15. OTHER LIABILITIES

	(Unit : Baht)	
	2006	2005
Accrued bonus expense	22,652,686	24,337,880
Accrued expenses	20,773,672	16,897,419
Corporate income tax payables	3,400,033	7,254,089
Others	15,450,086	17,534,696
Total other liabilities	62,276,477	66,024,084

16. STATUTORY RESERVE

Under the Public Company Limited Act B.E. 2535, the Company is required to set aside as a statutory reserve at least 5 percent of its net profit, after deducting accumulated deficit brought forward (if any), until the reserve reaches 10 percent of its registered share capital. The statutory reserve could not used for dividend payment.

17. FEES AND SERVICE INCOME

	(Unit : Baht)	
	2006	2005
Fixed income business	19,355,173	19,079,879
Financial advisory	26,856,765	4,450,000
Underwriting	1,048,955	5,713,606
Business support	5,092,149	4,441,381
Securities borrowing and lending	3,758,669	2,746,095
Others	785,506	1,200,351
Total fees and service income	56,897,217	37,631,312

18. NUMBER OF EMPLOYEES AND PERSONNEL EXPENSES

	2006	2005
Number of employees at year end (persons)	449	462
Personnel expenses for the year (Baht)	352,741,888	386,939,909

19. DIRECTORS' REMUNERATION

Directors' remuneration represents the benefits paid to the Company's directors in accordance with Section 90 of the Public Company Limited Act, exclusive of salaries and related benefits payable to directors who hold executive positions.

20. DIVIDEND PAYMENT

During the years, the Company declared the following dividends for payment to shareholders :-

	Approved by	Total dividend declaration (Million Baht)	Dividend declaration per share (Baht)
Dividends from the operating results for the year ended 31 August 2005	The annual ordinary meeting of the Company's shareholders (1/2548) on 16 December 2005	165	2.30
Dividends from the operating results for the year ended 31 August 2004	The annual ordinary meeting of the Company's shareholders (1/2547) on 17 December 2004	358	5.00

21. PROVIDENT FUND

For the year ended 31 August 2006, Baht 7 million has been contributed to the Fund by the Company (2005 : Baht 9 million).

22. RELATED PARTY TRANSACTIONS

During the years, the Company had significant business transactions with its related person or companies (related by way of sharing common major shareholders). Such transactions were concluded on the terms and basis as determined by the Company and those companies and in the normal course of business, in some cases negotiation of the service fees charged being possible, on the same basis as for other clients. The significant transactions are summarised below.

	2006	2005	(Unit : Baht) Pricing policies (For the current year)
<u>Transactions occurring during the year ended 31 August :</u>			
Brokerage fees			
- Nomura Singapore Limited	52,937,264	52,399,389	At normal rate charged to other clients
Fees income from business support services agreement			
- Nomura Singapore Limited	5,092,149	4,441,381	At the rate per agreement, calculated by reference to estimated costs plus a margin of 10 percent.
Fees income from introducing broker agreement			
- Nomura Singapore Limited	1,233,762	660,724	At the rate per agreement with reference to similar business
Fees income from agreement for provision of services			
- Nomura International (Hong Kong) Limited	19,355,173	19,079,879	At the rate per agreement, calculated by reference to estimated costs plus a margin of 10 percent.
Fees income from financial advisory services agreement			
- Nomura International (Hong Kong) Limited	23,056,765	-	At the rate per agreement, calculated by reference to estimated costs plus a margin of 10 percent.
Fee expenses from internet security advisory and monitoring services			
- Nomura Research Institute Hong Kong Limited	USD 13,464	USD 15,360	The fee was referential market price
Legal advisory fees			
- Director	240,000	240,000	The fee was reasonable fixed price

The outstanding balances of the related party transactions have been shown in the balance sheets as follows :-

	(Unit : Baht)	
	2006	2005
Securities business receivables	38,826,203	241,007
Other assets		
- Accrued fee income receivables	13,904,881	1,070,845
Securities business payables	14,832,599	41,441,290

23. COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 August 2006, the Company has the following outstanding commitments and contingent liabilities:-

23.1 The Company has the following outstanding commitments under the lease agreements for its office building and its vehicles, under which the Company is to pay rental and service fees in the future as follows :-

	(Unit : Million Baht)
	Amount
Within 1 year	33.1
In 1 - 2 years	0.8
Total commitments under long-term lease agreements	33.9

23.2 The Company has been sued for compensation totalling approximately Baht 141 million. The cases are being heard by the court and at this preliminary stage of the proceedings, the final outcome is still not assessable. Therefore, the Company has not yet set aside any provision for loss in the accounts.

23.3 As at 31 August 2006, the Company has commitments to pay a membership fee to the Stock Exchange of Thailand on a monthly basis of Baht 50,000 and at the rate of 0.005 percent of the trading volume.

- 23.4 As at 31 August 2006, the Company has commitments to pay a fee to the Office of the Securities and Exchange Commission in relation to securities business licensed for securities brokerage, securities trading, investment advisory and underwriting. The fee is charged at the rate of 1 percent per annum of income from the aforesaid activities with a minimum fee of Baht 200,000 per annum and a maximum fee of Baht 3,000,000 per annum.
- 23.5 As at 31 August 2006, the Company has commitments to pay contributions to the Compensation Fund for Clearing and Settlement, which is overseen by the Thailand Securities Depository Company Limited (TSD), on a monthly basis, at a rate of 0.008 percent of its net settlements each month.
- 23.6 As at 31 August 2006, the Company has commitments to pay a membership fee to Securities Investor Protection Fund (SIPF), which is overseen by the Stock Exchange of Thailand, on a monthly basis, at a rate of 0.0005 percent of its trading volume.
- 23.7 As at 31 August 2006, the Company has commitments to pay a service fee to Thailand Securities Depository Company Limited, as Back Office Service Bureau, on a monthly basis at the rate of Baht 30,000.
- 23.8 As at 31 August 2006, the Company has commitments to pay an annual membership fee of Baht 300,000 to Thailand Clearing House Company Limited as its clearing house for futures trades on the derivatives market, together with a service fee at the rate of Baht 15 per each purchase or sale of a futures contract transacted.
- 23.9 As at 31 August 2006, the Company has commitments to pay monthly contribution of no less than Baht 1,000 to the Compensation Fund in relation to the clearing house system of Thailand Clearing House Company Limited.

24. FINANCIAL INFORMATION BY SEGMENT

The majority of the operations of the Company involve the single business segment, securities and financial advisory services. These businesses are mainly carried on in a single geographic area in Thailand. As a result, all revenues, operating profits and assets as reflected in these financial statements are certain to the aforementioned industry and geographic area.

25. FINANCIAL INSTRUMENTS

Financial instruments are any contract which concurrently gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity.

The Company has no policy to speculate or trade in any derivative financial instruments.

25.1 Credit risk

Credit risk is the risk that the party to a financial instrument will fail to discharge an obligation and consequently cause the Company to incur a financial loss. The financial assets of the Company are not subject to significant concentrations of credit risk. The maximum exposure to credit risk is the carrying amount of the financial assets, less provision for losses as stated in the balance sheets.

25.2 Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

(Unit : Million Baht)

As at 31 August 2006									
Outstanding balance of financial instruments								Floating interest rate % p.a.	Fixed interest rate % p.a.
Floating interest rate	Fixed interest rate				Without interest	Total			
Remaining period before maturity date or end of contract									
Within 1 year		1 - 5 years		Over 5 years		Unspecified			
Financial asset									
Cash and cash equivalents	791	635	-	-	-	14	1,440	4.59	5.28
Investments in debt securities - net	-	12	10	-	-	-	22	-	6.30
Receivables from clearing house	-	-	-	-	-	66	66	-	-
Securities and derivative business receivables	920	151	-	-	-	361	1,432	6.25	4.76
Loans to employees	15	-	-	-	-	-	15	5.50	-
Financial liabilities									
Payables to clearing house	-	-	-	-	-	159	159	-	-
Securities and derivative business payables	-	150	-	-	-	290	440	-	2.83

25.3 Liquidity risk

Counting from the balance sheet date, as at 31 August 2006 the periods to the maturity dates of financial instruments are as follow :-

(Unit : Million Baht)

	As at 31 August 2006					
	Outstanding balances of financial instruments					Total
	At call	Within 1 year	1 - 5 years	Over 5 years	Unspecified	
<u>Financial assets</u>						
Cash and cash equivalents	805	635	-	-	-	1,440
Investments - net	1,023	12	10	-	20	1,065
Receivables from clearing house	-	66	-	-	-	66
Securities and derivative business receivables and accrued interest receivables	151	356	-	-	930	1,437
Loans to employees	-	-	4	11	-	15
<u>Financial liabilities</u>						
Payables to clearing house	-	159	-	-	-	159
Securities and derivatives business payables	150	290	-	-	-	440

25.4 Foreign exchange risk

As at 31 August 2006, the Company has no significant assets or liabilities denominated in foreign currencies.

25.5 Fair value

Fair value represents the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. The Company has estimated the fair value of financial instruments as follows :-

a) Financial assets

The method used for determining the fair value is dependent upon the characteristics of the financial instruments. The fair values of financial assets including cash and cash equivalents, and loans to employees are considered to approximate their respective carrying value since the financial instruments are predominantly subject to market interest rates. Receivables from clearing house are presented at their book value since they mature in the short-term. The fair values of financial instruments that have standard terms and conditions and are traded on an active and liquid market, such as investments in securities, are determined by the quoted market price. In addition, the fair values of securities and derivative business receivables are determined based on their book value, less allowance for doubtful accounts.

b) Financial liabilities

Payables to clearing house and securities and derivatives business payables are presented at their book value since they mature in the short-term.

As at 31 August 2006, there were no material differences between the book value of financial instruments and their fair value.

26. PRESENTATION

The presentation of the financial statements has been made in compliance with requirement of the notification of the Office of the Securities and Exchange Commission relating to the format of the financial statements of securities companies No. Sor. Thor. Nor. 26/2549 dated 29 June 2006.

27. APPROVAL OF FINANCIAL STATEMENTS

These financial statements have been approved for issue by the Company's board of directors on 27 October 2006.

Should you need any further information, please check at investor relations from the Company's website "www.cns.co.th" or kindly contact +66(0) 2285 0060, +66(0) 2285 0096, +66(0) 2677 3333

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