

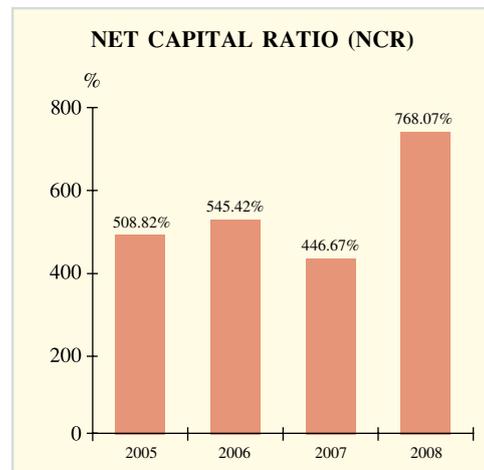
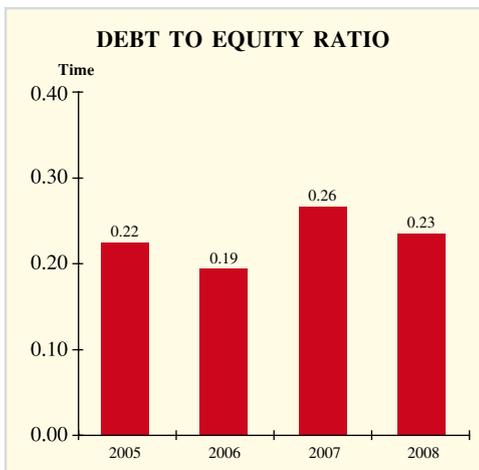
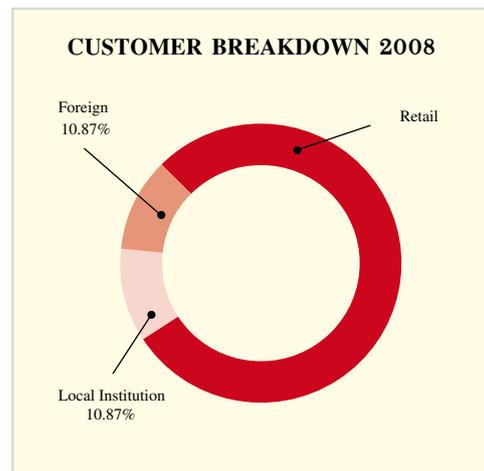
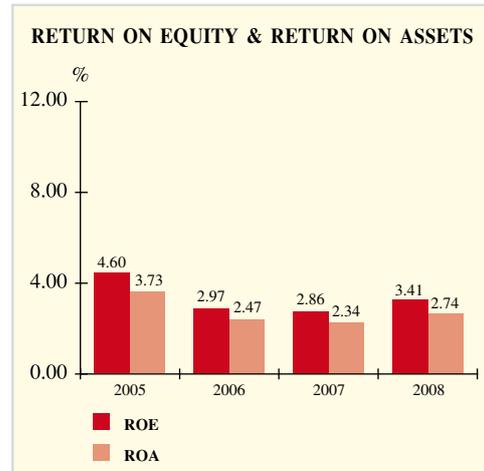
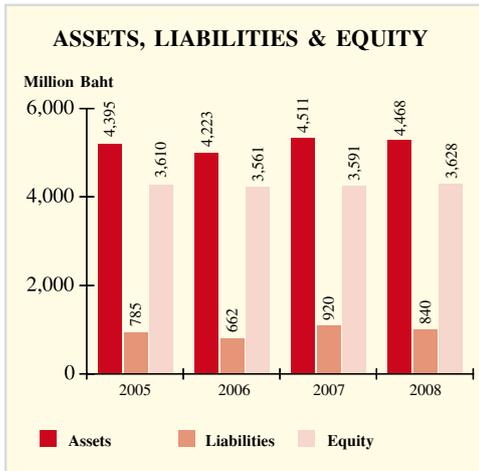


## ANNUAL REPORT 2008

บริษัทหลักทรัพย์ พัฒนสิน จำกัด (มหาชน)  
Capital Nomura Securities Public Company Limited

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**Mr. Suthep Peetakanont**  
Chairman &  
Chairman of the Executive Board



**Mr. Takeshi Nishida**  
President



**Mr. Yuko Sashisaki**  
Executive Director



**Mr. Nimit Wongjariyakul**  
Executive Director



**Mr. Yoshinori Go**  
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



During fiscal year 2008 (starting from 1 September 2007 until 31 August 2008) investor sentiment and the level of trading volume on the Stock Exchange of Thailand (SET) remained very volatile due to prevailing political uncertainty in Thailand following the general election in December 2007 and the wide fluctuations in global financial markets. For the Thai securities industry as a whole the average daily turnover during fiscal year 2008 increased by 12.12% to Baht 18,348 million from Baht 16,363 million in fiscal year 2007. Meanwhile, the SET index was also very volatile throughout fiscal year 2008. During fiscal year 2008, the SET index peaked at 915.03 points and saw its low point at 664.52 points on a closing price basis. The SET index stood at 684.44 points at the end of fiscal year 2008 for a 15.83% decrease when compared with the SET index's closing level as of end of fiscal year 2007.

The wide fluctuations in both domestic and foreign financial markets during fiscal 2008 was due to several factors, including: 1) record-breaking prices for oil, food and other commodities; 2) the impact of the financial crisis in the United States and its impact on financial institutions worldwide; 3) the slowdown in the global economy brought on by high inflation and the credit crunch; 4) the continued uncertain Thai political situation. All of these factors contributed to a slowdown in the pace of investment activities in local and foreign financial markets, particularly during the second half of fiscal year 2008. For full-year fiscal 2008 net selling of Thai equities by foreign investors amounted to Baht 134,283 million. By comparison, in fiscal 2007 foreign investors were net buyers of Thai equities in the amount of Baht 92,461 million.

Despite the challenging operating environment, we are pleased to report that Capital Nomura Securities Public Company Limited's (CNS) overall performance in fiscal year 2008 was better than in the previous fiscal year. At the same time, we made substantial progress with our business plans and policies aimed at further expanding our domestic and overseas client base, along with improving the quality and range of our services. During fiscal year 2008, we were successful in opening over 1,329 new accounts. This progress was particularly evident in our Internet trading business with trading volume through internet increase from 8.30% to 15.98% of total company volume, as well as our Securities Borrowing and Lending (SBL) services where the borrowing and lending value increase from Baht 1,769 million in the previous fiscal year to Baht 8,153 million in the past fiscal year. In addition, we opened a new retail branch office at the Esplanade, relocated and remodeled our Bangna branch, as well as closed our Yaowaraj branch and transferred the staff to the head office.

As for our core securities brokerage business, this past fiscal year's performance by category of customer was as follows:

1. Retail investors – the total market trading volume generated by retail investors during the past fiscal year was Baht 4,761,800 million, while our retail investors' trading volume was Baht 180,437 million. This was equivalent to a market share of 3.79% vs. our market share of 3.44% for fiscal year 2007. Our policy for next fiscal year is to put a greater emphasis on expansion of our retail client base, as well as to achieve more effective control over our expenses.
2. Domestic institutional investors - the total market trading volume generated by domestic institutional investors for the past fiscal year was Baht 1,433,235 million, while our domestic institutional investors' trading volume was Baht 25,065 million. Although our market share declined to 1.75% from 2.11% in fiscal year 2007, it should be noted that the market share figures for domestic institutional investors included the volume of securities companies' proprietary trading, of which our portion was quite minimal.
3. Foreign institutional investors - the total market trading volume generated by foreign institutional investors during the past fiscal year was Baht 2,758,593 million, while our foreign institutional investors' trading volume was Baht 25,059 million. This result gave CNS a market share of 0.91% in fiscal year 2008 versus 0.99% for the previous fiscal year. Although foreign institutional investors' share of our trading volume remained below our expectations, we are still committed to upgrading this area of our business and to continuously increasing our trading volume and market share in the coming fiscal year, such as through focusing on improving the quality of our analysts and research reports, organizing more overseas road shows in the coming fiscal year together with the SET and the management of listed companies, as well as setting up investor relations support section to facilitate foreign investors who are coming for company visit in Thailand.

For fiscal year 2008, our brokerage fee income totaled Baht 527.60 million for an increase of 13.01% year-on-year. This brokerage fee income figure represented a market share of 2.59% for an improvement over our market share for the previous fiscal year of 2.43%. This outcome saw CNS ranked 18<sup>th</sup> amongst the industry's 38 securities firms. The breakdown of our trading volume by category of customer was as follows: retail investors (78.26%), domestic institutional investors (10.87%) and foreign investors (10.87%).

As for our Securities Borrowing and Lending (SBL) service, which consists of short-selling services aimed at retail investors, the progress made this past fiscal year exceeded our expectations in terms of both trading volume and revenue. During fiscal year 2008, we saw the number of new SBL accounts jump by approximately 83% year-on-year to 2,567 accounts. Total borrowing and lending transaction volume in fiscal year 2008 amounted to Baht 8,153 million for an impressive rise of Baht 6,384 million or about 360% over the previous fiscal year.

However, our fixed income business last year was quiet. We were mandated as advisor for setting up 3 property funds which are still in process.

By contrast, the performance of our investment banking business improved substantially during fiscal year 2008. CNS participated in eight of the 17 IPOs that took place during the fiscal year, including as a lead underwriter for a total of three IPOs. In addition, during fiscal year 2008 we received mandates from 7 companies to act as their financial advisor.

Our trading value in the derivative trading business during fiscal year 2008 increased about 45% to Baht 52,082 million from Baht 35,849 million in the previous fiscal year. Meanwhile, the number of derivative trading accounts registered with our company increased by 63.30% from 406 accounts to 663 accounts. CNS was ranked as No.14, with market share of 2.74%, among the 27 brokerage firms that provide derivative trading services on the Thai Futures Exchange (TFEX). It should be noted that the market share data for the derivative market included the volume of securities companies' proprietary trading, in which we did not participate.

The investment and management of our capital fund continued to be carried out in a careful and conservative manner by investing in mainly low-risk instruments. Meanwhile, our funds are carefully utilized to promote business expansion and to support our core operations, such as credit balance, SBL service, margin financing, underwriting of equity and fixed income transactions, as well as our derivative trading business.

For fiscal year 2008, our net profit amounted to Baht 123.13 million for a gain of 20.25% when compared with the previous fiscal year's net profit of Baht 102.39 million.

Looking ahead to fiscal year 2009, the management of CNS will continue to look for ways to further expand our retail and institutional client base both domestically and internationally across our range of different businesses. Concurrently, we will continue to improve the effectiveness of our cost control measures. Our priorities for the coming fiscal year include:

- Relocating the CNS head office.
- Providing Thai investors with opportunities to invest in foreign equity markets through our Private Wealth Management Section
- Establishing an Investor Relations Support Section with the aim of facilitating the arrangement of company visits on behalf of foreign institutional investors.
- Cooperating with the Nomura Group's research function to improve the quality and capability of our research reports and analysts.
- Coordinating with the Nomura Group, the SET and the management of listed companies in conducting road shows for foreign institutional clients.

Other goals for the coming fiscal year include upgrading the skills and talents of our human resources across all departments, such as by organizing training sessions aimed at broadening our employees' knowledge. Likewise, we will continue to organize seminars for our clients in order to make them more aware of our new products and services. Finally, as in previous years we will continue to promote good corporate governance, quality leadership and financial discipline as part of our commitment to delivering 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, clients, and staff for their continuous support throughout the year.



Suthep Peetakanont

Chairman & Chairman of the Executive Board

## History

Capital Nomura Securities Public Company Limited (the“CNS”) was originally registered as a Limited Company on May 26, 1970 under the name of Bangkok Nomura International Securities Company Limited (Company Registration No.317/2513). It was one of the founding members of The Stock Exchange of Thailand (SET) in 1975. On November 1, 1979 the Company’s name was changed to Bangkok Nomura Finance and Securities Company Limited and on September 23, 1985 it was changed again to Capital Finance and Securities Company Limited.

CNS has been listed on The Stock Exchange of Thailand (SET) since April 26, 1988 and then CNS returned its finance license to the Ministry of Finance. The Company changed its name to Capital Nomura Securities Company Limited on June 28, 1991. On February 24, 1994 the Company was converted into a ‘Public Company Limited’ under the name of Capital Nomura Securities Public Company Limited (Registration No. 0107537000653).

## Major Developments

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

- |                  |   |
|------------------|---|
| August 17, 2005  | CNS received approval from The Securities and Exchange Commission (SEC) to be an agent in the Futures Business.   |
| April 28, 2006   | CNS launched its Futures Business. It was one of the securities companies that provided futures trading services on the first trading day with Thailand Futures Exchange Public Company Limited (TFEX). |
| October 26, 2007 | CNS opened Esplanade branch. This branch was established with the aim of facilitating both financial and investment information to the investors.   |

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## Head office and Branch offices

### Head office

CNS'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 0535

Website: [www.cns.co.th](http://www.cns.co.th) and [www.cnsrealtime.com](http://www.cnsrealtime.com) The Company's four branches are as follows:

<b>Bangna Branch</b>	1093/111 Central City Tower, 19 <sup>th</sup> Floor, Bangna-Trad Road, Bangna, Bangkok, 10260 Telephone: +66(0) 2366 8000 +66(0) 2725 8600 Facsimile: +66(0) 2745 6220-21
<b>Phra-Pinklao Branch</b>	7/129 Central Plaza Pinklao Office Building, 9 <sup>th</sup> Floor, Room 902 Tower A, Baromrajchonnee Road, Arun-Amarin, Bangkok Noi, Bangkok, 10700 Telephone: +66(0) 2884 9068-79 +66(0) 2884 9059-60 Facsimile: + 66(0) 2884 9064 +66(0) 2884 9067
<b>Ratchadaphisek Branch</b>	19 SCB Park Plaza Tower III East, Mezzanine Floor, Ratchadaphisek Road, Ladyao, Chatuchak, Bangkok, 10900 Telephone: + 66(0) 2937 8375-87 +66(0) 2937 8383 Facsimile: + 66(0) 2937 8390-91
<b>Esplanade Branch</b>	Room no.202-1, Esplanade Building, 2 <sup>nd</sup> Floor, 99 Ratchadaphisek Road, Din Daeng, Din Daeng, Bangkok, 10400 Telephone: +66(0) 2354 0760 +66(0) 2641 3250 Facsimile: +66(0) 2641 3249

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## References

### Share Registrar

Thailand Securities Depository Company Limited

62 The Stock Exchange of Thailand Building, Ratchadaphisek 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

33<sup>rd</sup> 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: Miss Ratana Jala Certified Public Accountant (Thailand) No. 3734

### Legal Consultant

Professor Pisit Tesabamroong

S.J. International Legal Consulting and Advisory Co., Ltd.

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

Telephone +66 (0) 2538 7397 +66 (0) 2538 7140

Facsimile +66 (0) 2538 7201

CNS has licenses to engage in securities businesses under The Securities and Exchange Commission (SEC) Act A.D. 1992 in the following categories:

### **1. Brokerage business: Securities**

CNS is a member of the Stock Exchange of Thailand and provides securities brokerage services to both domestic and foreign investors. It 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**

CNS was granted approval to operate a Futures Business by the Thailand Futures Exchange Public Company Limited and the Thailand Clearing House Co., Ltd. For this new business, CNS aims to create better understanding amongst investors on how this alternative investment service hedge against risk exposures in the capital market.

### **3. Securities trading**

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

### **4. Investment Advisory**

This 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 its operating procedures related to these activities to The Securities and Exchange Commission (SEC). With regard to this, CNS obtained The Securities and Exchange Commission's (SEC) approval for its operating procedures on August 29, 2003.

### **5. Underwriting**

Underwriting services consist of services that provide a guarantee to issuing companies for the sale of securities (i.e. common shares, debentures, warrants, unit trusts, etc.) that are issued and offered to investors.

### **6. Securities Borrowing and Lending**

CNS was granted permission by the Minister of Finance to operate a Securities Borrowing and Lending Business. The borrowed securities can only be sold through the customers' credit balance accounts with the

Company. Only SET 50 securities which are specified by The Stock Exchange of Thailand (SET) and included in the Company's credit balance system are allowed.

## 7. Financial Advisory

CNS was granted approval by The Securities and Exchange Commission (SEC) to provide financial advisory services within the scope set by The Securities and Exchange Commission (SEC).

## Revenue Structure

(Unit: Baht of Million)

Revenue Structure	Fiscal Year 2008		Fiscal Year 2007		Fiscal Year 2006	
	Amount	%	Amount	%	Amount	%
Brokerage Fees – Securities Business	527.60	63.81	466.85	60.73	509.76	71.14
Brokerage Fees – Futures Business	33.11	4.01	24.41	3.18	2.65	0.37
Fee and Service Income	89.64	10.84	91.62	11.92	56.90	7.94
Gain on Trading in Securities	17.96	2.17	10.72	1.39	(2.33)	(0.33)
Interest and Dividend Income	62.54	7.56	111.22	14.47	92.47	12.90
Interest on Margin Loans	90.43	10.94	59.87	7.79	53.46	7.46
Other Income	5.57	0.67	4.00	0.52	3.69	0.52
<b>Total revenue</b>	<b>826.85</b>	<b>100.00</b>	<b>768.69</b>	<b>100.00</b>	<b>716.60</b>	<b>100.00</b>

## Industry Situation and Competition

### Policies and significant marketing strategies

CNS 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 be ready for new innovation of financial instruments, for example, debt and derivatives. Moreover, the Company has continuously developed its 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 SET during the fiscal year 2008 (September 2007 to August 2008) was on an uptrend when compared with the fiscal year 2007 (September 2006 to August 2007). This is evidenced by the total SET trading turnover during the fiscal year 2008 that slightly increased by 11.21% to Baht 4,476.81 billion from Baht 4,025.43 billion recorded for the fiscal year 2007. The average daily trading value rose by 12.12%

from Baht 16.36 billion to Baht 18.35 billion. As for the market's direction, the SET index has continued to experience volatility and decreased from last year. The SET index fell by 15.83%, or 128.77 points, from the closing of 813.21 points on August 31, 2007 to 684.44 points on August 31, 2008. Factors influencing the investment climate were:

### **Thailand's economic outlook**

The Thai economy for 2008 is projected to expand at 4.9%\* compared to 4.8% in 2007. In 1H08 the economy expanded by 5.7% on a year on year basis. The growth in the first half was mainly driven by the export sector that grew 24.7% year-on-year (in US dollar terms). As a result, the net exports in the first half expanded by 10.8% on a year on year basis. As for the second half of 2007 the Thai economy is projected to grow at a lower pace to 4.0%\* due to slower expansion of exports and private investment, following the world's economy. Private consumption is likely to grow by at least 2.5%, similar to the first half. The main drivers for the growth should include rapid decreases in crude oil prices since mid-July and the government's policies to cut excise tax of several types of oil as well as to bear some burden of cost of utilities for six months (August 2008-January 2009), in order to support domestic demand.

In 2009, Thai economy is expected to grow by 4.8%\*, which does not better than 4.9%\* projected growth in 2008, because of lower income from export sector, following lower expansion of trade partners' economies, including the export to US (in US dollar terms) is expected to expand a lower pace, from projected 23.6% growth in 2008, to 10%. Domestic demand is likely improve from a low level in 2008. In addition, the government has a policy to accelerate spending in terms of consumption and investment. As a result, the country's economy will keep expanding.

\* projected figures as of August 31,2008.

### **Earnings of listed companies**

The slowdown in the economic growth, coupled with higher operating costs, including borrowing cost, transportation cost, along with higher market competition, were the main reasons for a decline in gross profit margins of listed companies. Nonetheless due to the rises in the prices of some products such as petrochemical and energy – related products, earnings of operators in these sectors remain sound. As for overall outlook for 2008, all listed companies' net profits are anticipated to outperform their 2007 growth when the net profit grew by -15.76%. Net profits of listed companies during 2004-2007 grew 44.77%, 14.2%, -11.65 and -15.76%, respectively. Meanwhile, financial status amongst the listed companies remained strong, evidenced by debt to

equity ratio which had dropped continuously. Note that debt to equity ratio of listed companies between 2004-2007 stood at 3.79x, 3.48x, 3.22x, 2.89x, respectively.

### Foreign investment

During the fiscal year 2008, investment in stock markets worldwide experienced impacts of the financial institution crisis in the US. The world's economy is anticipated to grow at a slower-than-expected pace. As a result, stock markets around the world will experience decrease in liquidity and net sale to compensate for losses and to solve the liquidity problem, caused by the US financial crisis. In reference to the SET, foreign investors became major net sell, with the overall net sell volume of Baht 134,283 million in the fiscal year 2008, compared to net buy of Baht 92,461 million during the fiscal year 2007. Note that the expanding impact of the US financial crisis which has hurt global financial markets is expected to be a main risk factor in 2008-2009 and to pressure investment in stock markets worldwide.

### Trading value classified by types of investors

(Unit : Baht of Million)

Fiscal Year (Sep 07-Aug 08)	Buy		Sell		Total Buy & Sell		Net Buy (Sell)
	Amount	%	Amount	%	Amount	%	Amount
Domestic institutions	737,446	16.47	695,789	15.54	1,433,235	16.01	41,657
Foreign institutions	1,312,155	29.31	1,446,438	32.31	2,758,593	30.81	(134,283)
Retail clients	2,427,213	54.22	2,334,587	52.15	4,761,800	53.18	92,626
<b>Total</b>	<b>4,476,814</b>	<b>100.00</b>	<b>4,476,814</b>	<b>100.00</b>	<b>8,953,628</b>	<b>100.00</b>	

Source : Stock Exchange of Thailand

### Competition of securities brokerage business

During the fiscal year 2008, securities brokerage business had encountered the more intense competition, especially those brokerages whose focus is geared towards individual retail customers. Their key strategy to compete their competitors was enhancing the quality of Information Technology (IT) services, research papers as well as the online Internet trading system. Moreover, the securities brokerages also competed to increase the numbers of their foreign institutional investors as these investors have played a key role in boosting the trading turnover. Hence, competition amongst brokerage firms to increase proportions of foreign institutional investors has become more intense. As a consequence, many brokerage firms have increased their foreign institutional client base by signing underwriting contracts as exclusive partners. In addition, they had also adapted their client base in order to be prepared for the calculation of brokerage fee based on the sliding scale during 2010 and 2011.

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, the US financial crisis and political turmoil. Despite these negative factors, foreign inflows had continued rising. In addition, solid financial status of listed corporate firms which could offer a high dividend payout of 4.30% should help livened up the investment climate in the SET. CNS has expected total trading turnover in the SET to eventually improve from a year earlier, underpinned by catalysts such as the improvement in Thai economy, passing of the peak of interest rates and decrease in politics-related risks. These factors are expected to boost the investments in the SET.

### The Stock Exchange of Thailand's Data

	Fiscal Year 2008	Fiscal Year 2007	Change	
	Sep 07– Aug 08	Sep 06 – Aug 07	Amount	%
Total Turnover				
Value (Baht of Billion)	4,476.81	4,025.43	451.38	11.21
Average Daily Turnover (Baht of Billion)	18.35	16.36	1.99	12.16
SET Index (Point)				
Open at the beginning of the year	813.21	690.90	122.31	17.70
High (Close price)	915.03	884.16	30.87	3.49
Low (Close price)	664.52	616.75	47.77	7.75
Close at the end of the year	684.44	813.21	(128.77)	(15.83)
Average Dividend Yield (%)	4.30	3.56	0.74	20.79
P/E Ratio (Time)	11.11	11.75	(0.65)	(5.53)
Market Capitalization (Baht of Billion)	5,411.94	6,282.95	(871.01)	(13.86)
Listed Securities (Mai Included)				
No. of listed securities	649	630	19	3.02
No. of listed companies	528	521	7	1.34
No. of newly-listed securities	19	15	4	26.66

Source: Stock Exchange of Thailand

### Top five securities firms in terms of market share

In reference to the market share of securities brokerage business, the top five securities firms ranked by the top five trading turnover accounted for 28.76% of total turnover, slightly declining from 30.57 % recorded for the fiscal year 2007. This reflected the intense competition in this business. Note that 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.

### CNS's market share and types of clients

CNS's market share of the securities business during the fiscal year 2008 stood at 2.59% of the total market turnover of Baht 4,476.81 billion, which ranked eighteenth out of total 38 brokerage firms and reflected an increase relative to the previous fiscal year where CNS's market share stood at 2.43%, which ranked nineteenth out of 38 brokerages firms. If classified by types of clients, CNS's main client group fell into individual retails category which accounted for 78.26% of CNS's total trading turnover, an increase from the fiscal year 2007 which accounted for 74.56% of CNS's total trading turnover. Meanwhile, the proportion of domestic institutional clients declined from 11.34% to 10.87% and that of foreign institutional clients fell from 14.10% to 10.87%.

(Unit : Baht of Million)

Trading Values Classified by Types of Investors	Fiscal Year 2008		Fiscal Year 2007		Fiscal Year 2006	
	Amount	%	Amount	%	Amount	%
Individual Retails	180,437	78.26	145,531	74.56	156,573	76.80
Domestic Institutions	25,065	10.87	22,131	11.34	24,759	12.14
Foreign Institutions	25,059	10.87	27,511	14.10	22,549	11.06
<b>Total*</b>	<b>230,561</b>	<b>100.00</b>	<b>195,173</b>	<b>100.00</b>	<b>203,881</b>	<b>100.00</b>

Note: Total trading values include those of SET and MAI

\*Total values exclude CNS's investment portfolios.

Considering CNS's client base classified by trading turnover, the proportion of online Internet trading clients increased the most from 8.30% of the total trading turnover during the fiscal year 2007 to 15.98% during the fiscal year 2008. Meanwhile, the proportion of credit balance trading clients rose from 11.93% during the fiscal year 2007 to 16.16% for the fiscal year 2008. Cash trading clients still represented the largest share of 67.86%, though declined from the previous fiscal year at 79.77%. The change in client base structure was due the commission rate of online Internet trading was cut to not more than 60% of the minimum commission fee at 0.25%.

(Unit : Baht of Million)

Company's Total Trading Turnover Category	Fiscal Year 2008		Fiscal Year 2007		Fiscal Year 2006	
	Amount	%	Amount	%	Amount	%
Cash Account	157,200	67.86	156,071	79.77	164,204	80.25
Internet Online Account	37,020	15.98	16,244	8.30	10,476	5.12
Margin Loan Account	37,430	16.16	23,345	11.93	29,944	14.63
<b>Total</b>	<b>231,650</b>	<b>100.00</b>	<b>195,660</b>	<b>100.00</b>	<b>204,624</b>	<b>100.00</b>

Note: Total Trading turnover includes those of SET and MAI

## Market share of securities firms

Fiscal Year 2008 (Sep 2007 – Aug 2008)				Fiscal Year 2007 (Sep 2006 – Aug 2007)			
Ranking	Broker	Market Share (%)	Turnover (Baht of Million)	Ranking	Broker	Market Share (%)	Turnover (Baht of Million)
1	KIMENG	8.20	733,923.54	1	KIMENG	7.92	637,785.68
2	PHATRA	5.89	527,257.57	2	ASP	5.86	471,380.03
3	ASP	5.47	489,947.35	3	PHATRA	5.72	460,695.66
4	CS	5.03	450,671.43	4	SCBS	5.68	457,420.59
5	SCBS	4.17	373,124.52	5	CS	5.39	433,937.92
6	UBS	4.07	364,719.87	6	UBS	4.69	377,912.10
7	BLS	3.91	350,088.13	7	KGI	4.12	331,595.04
8	AYS	3.85	344,691.47	8	BLS	3.62	291,689.06
9	KGI	3.82	341,729.24	9	BFITSEC	3.55	285,836.27
10	TNS	3.80	339,990.70	10	TNS	3.51	282,240.53
11	ZMICO	3.71	331,894.24	11	ZMICO	3.32	267,281.63
12	BFITSEC	3.57	319,345.30	12	CLSA	3.29	264,630.08
13	MACQ	2.85	254,749.40	13	TSC	3.14	253,164.48
14	PST	2.83	253,265.27	14	JPM	3.04	244,824.38
15	JPM	2.67	239,399.72	15	DBSV	3.03	243,983.92
16	TSC	2.66	238,242.10	16	AYS	3.02	243,071.50
17	CLSA	2.65	237,656.28	17	TMBMACQ	2.84	228,274.01
18	CNS	2.59	231,649.65	18	ASL	2.65	213,127.48
19	ACLS	2.52	225,655.42	19	CNS	2.43	195,660.41
20	TRINITY	2.42	217,037.24	20	UOBKHST	2.18	175,389.95
21	ASL	2.34	209,252.93	21	PST	2.14	172,655.98
22	DBSV	2.30	206,116.60	22	ACLS	2.11	169,574.17
23	UOBKHST	1.85	165,524.32	23	TRINITY	1.87	150,471.38
24	FINANSA	1.73	154,661.04	24	SICSEC	1.70	137,264.36
25	FES	1.48	132,587.72	25	FINANSA	1.62	130,217.66
26	SICSEC	1.48	132,245.51	26	KKS	1.39	111,629.03
27	GLOBLEX	1.43	127,821.42	27	BTSEC	1.37	110,197.25
28	KS	1.35	120,590.92	28	GLOBLEX	1.27	102,512.45
29	KKS	1.26	112,942.33	29	FES	1.24	99,796.05
30	BTSEC	1.18	105,453.93	30	IVG	1.07	86,127.87
31	AIRA	1.15	102,814.12	31	US	0.88	70,757.84
32	KTBS	1.09	97,272.02	32	SCIBS	0.82	65,826.39
33	SCIBS	1.01	90,796.53	33	KS	0.81	64,903.17
34	SYRUS	0.98	87,560.93	34	SYRUS	0.79	63,803.36
35	IVG	0.89	80,083.14	35	MERCHANT	0.61	49,342.81
36	US	0.80	71,271.39	36	KTBS	0.61	49,297.06
37	MERCHANT	0.68	61,315.13	37	AIRA	0.58	46,864.09
38	CIMB-GK	0.34	30,280.57	38	CIMB-GK	0.12	9,722.78

Source: Stock Exchange of Thailand

### **Market share for derivative market**

As for Thailand future market, which currently has two products, namely Futures and Options on the SET50 Index, CNS gained 2.74% market share in the fiscal year 2008, declined from 4.18% in the fiscal year 2007. However, our trading turnover in the derivative market this fiscal year increased by 45.28% to Baht 52,082 million from Baht 35,849 million in the previous fiscal year. Total trading turnover in the future market in the fiscal year 2008 grew to Baht 949,787 million from Baht 429,529 million in the fiscal year 2007.

## **Business Trend**

### **Key success factors for securities brokerage companies**

One key factor underlying the success in securities broking lies in the professionalism and experience of the management, equipped with far-sighted visions that can lead the CNS in the right direction amidst swift changes and volatility of the SET climate. Another key factor is CNS's solid financial status which will pave the way for business expansion in the opportune time given efficient utilization of financial assets under quality risk management.

In order to survive in the highly competitive securities brokerage business, a brokerage firm needs to put emphasis on providing good quality research materials as well as improving online internet securities trading, in which expected to register higher growth rate although it is still in the initial stage of development. Moreover, the improvement in the underwriting capabilities will allow CNS to provide fully-integrated services and augment CNS's market share on a continuing basis pending future liberalization. Furthermore, 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 CNS to succeed and survive in the business.

In doing so, the management of a securities brokerage firm must conduct business transparently and adhere to good corporate governance of listed companies under rules and regulation set forth by the SEC as well as good practices of staff in the securities brokerage business and of member of the SET. This also includes equal and fair treatment among officers, clients and shareholders of CNS.

### **Investment Banking Business**

The competition in providing financial advisory and securities underwriting services is anticipated to become more intense in the future as brokers put more emphasis on this activity as its fee-based income will become a

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supplement to revenues generated from securities brokerage business. However, financial advisory and underwriting service businesses are highly volatile to the SET's direction. Despite the high volatility, CNS believes that its highly experienced team with strong financial advisory expertise has the ability to compete with rival companies. In regards to target group in the area of advisory services, CNS focuses on listed companies and non-listed companies especially SMEs whose requirement is to mobilize funds from the 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 brokerage firms. Nonetheless, the derivative business is only in its initial stage and remains volatile. However, CNS believes that its experienced team should allow for higher competitive edges and gradually increase the trading volume of SET50 Future Index. CNS's main targets include general retail clients and institutional investors who want to hedge their exposure or speculate their current position.

**Risk from dependency on a few high volume-trade accounts**

One of the major risks involved in the securities trading business includes a heavy reliance on high-volume trade accounts. In addressing this issue, over the past years CNS has implemented measures to minimize such risk in response to changes in the investment atmosphere and customer base. CNS has expanded its client base by raising the portion of local and foreign institutional clients, while maintaining its retail client base which is the main target client. This is supported by CNS's Research Department which arranges a series of investment seminars and road-show to convey information to the local and foreign institutional clients.

Note that CNS's number of customer accounts (excluding TFEX accounts) rose from 16,974 in fiscal year 2007 to 18,303 in fiscal year 2008. Furthermore, in recognition of the significance of online internet securities trading, the number of online trading customer accounts increased from 2,449 in fiscal year 2007 to 3,692 in ending fiscal year 2008.

**Risk from The Stock Exchange of Thailand (SET) volatility**

CNS's core revenue is dependent on the condition of the equity market and investors' overall confidence in the Stock Exchange of Thailand (SET). Whenever the SET becomes highly volatile, giving rise to a decline in average trading volume, CNS's revenue (e.g. brokerage fees and investment banking fees including investment advisory fees and fees on warranties of securities sales) will be affected and so will the revenue for the entire securities industry. Nonetheless, CNS has a policy to restructure its business and service revenue by not depending heavily on any particular line of business. In addition, CNS has improved its approach to providing services suitable to various market circumstances (e.g. advisory services for debt restructuring and mergers) to offset the shortfall in securities brokerage revenue that is highly sensitive to the SET's volatility.

**Risk with regard to human resources**

As the securities brokerage business is highly sensitive to staff turnover, especially marketing officers, CNS is fully aware of such risk and has a clear policy of offering appropriate compensation and remuneration in accordance with the The Stock Exchange of Thailand's requirements. In addition, CNS has a policy to provide advance knowledge of investment and services to its marketing staff on an ongoing basis.

**Risk from doubtful debt and bad debt**

CNS minimizes this risk by directing its marketing staff to assess clients' financial status prior to opening accounts, as well as by prohibiting clients from borrowing funds to purchase high-risk securities. Instead, CNS provides margin loans only for purchase of securities that appear on the 'Marginable Securities List'. CNS cautiously screens clients by providing suitable credit lines that correspond to their financial status to avoid bad debt problems. It also recognizes the importance of debt collection by reviewing clients' financial status and controlling their credit lines closely. Simultaneously, marketing staff are instructed to follow the rules and regulations set forth by CNS. Due to these measures, there were no bad debt and allowance for doubtful debts in fiscal year 2008.

**Risks from underwriting business and engaging in financial advisory services****• Risk from underwriting business**

CNS may suffer losses from the remaining under-subscribed securities being transferred to CNS's investment portfolio. Such losses might arise as a result of an inappropriate guarantee with regard to quantity and share price associated with the stock market's high volatility, as well as fluctuations in interest rates and foreign exchange rates; all of which could possibly undermine investors' interest in the newly listed companies. In an attempt to minimize such risk, CNS conducts a preliminary study in order to obtain information on securities issuers, as well as analyzes and investigates different categories of businesses and industry trends that include a detailed examination of operating results and future prospects. CNS also evaluates the interests of clients or investors in the quantity of offered securities. This information will then be used as one of the criteria for deciding whether to underwrite such securities.

**• Risk from being a financial advisor**

In providing this kind of service, CNS and its clients must be mutually responsible for disclosing accurate, sufficient and detailed information to the public. This responsibility applies to the issuance of securities and sales offerings, the filing of listing applications, the acquisition of securities for business takeovers, as well as the full disclosure of information to shareholders of listed companies in any transaction that is governed by The Securities and Exchange Commission (SEC) and The Stock Exchange of Thailand (SET)(including related transactions, the acquisition or sale of securities, tender offers, etc). Thus, CNS is very selective with respect to its clientele and studies clients' preliminary information before accepting the

job. In addition, CNS prudently determines the appropriate steps with respect to the due diligence process and keeps its staff fully informed on regulations issued by The Securities and Exchange Commission (SEC) and The Stock Exchange of Thailand (SET), as well as rules and regulations with regard to financial advisory services. In this way each operational process is taken care of to ensure that the services provided by CNS to its clients are in their best interest

#### **Risk from brokerage fee liberalization**

The Stock Exchange of Thailand and the Securities and Exchange Commission had set the minimum fee collection of 0.25% of trade value for general securities trades and of 0.20% of trade value for internet securities trades, effective since January 14, 2002. However, the Securities and Exchange Commission announced new trade fee rates. The new rate was set at 0.15% of trade value through a cash balance (100% warranty) or credit balance account (minimum warranty of 50%) and at 0.20% of trade value for those who did not trade through either account. Note that the minimum fee of 0.25% of trade value for normal trading during the first three years (from January 14, 2007 - January 13, 2010) and during the next two years (January 14, 2010 - December 31, 2011) will be on a sliding scale. The new rates of minimum fees and future trading fee liberalization will affect the Company's profitability. However, CNS is aware of this risk and is preparing to enhance our competitive advantage when the brokerage fee liberalization comes into effect, in terms of, financial status and business strategy, for example, diversification our source of income to other businesses, apart from the brokerage business as well as improvement of quality of research reports and marketing officers' services and knowledge.

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**Risk from legal issues**

In engaging in the securities business, CNS is regulated by The Securities and Exchange Commission (SEC) and The Stock Exchange of Thailand (SET). Accordingly, CNS has to comply with applicable laws, rules and regulations in relation to securities business (e.g. The Securities and Exchange Act B.E. 2535 and the Derivative Act B.E. 2546). Furthermore, CNS has to comply with other relevant laws, such as the Anti-Money of Laundering Act B.E. 2542 and other rules and regulations.

Complying with the aforementioned laws, rules and regulations, particularly the amendments or additions thereof, may affect CNS's performance. In many cases, the cost of compliance may significantly increase. In some cases changes to the laws and regulations leads to intensified competition in the securities businesses. For example, the liberalization of the existing securities business licensing system within 5 years will result in an unlimited number of licenses being granted from January 1, 2012 onwards. In addition, changes to the brokerage fee policy from setting the minimum brokerage fee to a floating fee system will be implemented from January 1, 2012.

CNS has a policy to pay out a dividend to its shareholders at least 60% of its net profit on an annual basis, except for cases when CNS needs to set aside a larger budget for business expansion or other significant activities. However, CNS's dividend payment is subject to shareholders' approval.

Historical data of dividend payments over the past 5 years

<b>Dividend payment for the performance of fiscal year</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
Dividend payment per share (Baht)	1.70	5.00	2.30	1.20	1.20
Net income (Baht of million)	122.52	364.95	170.38	106.59	102.39
Dividend payout ratio (%)	99.46	98.21	96.77	80.70	84.01

### Legal Disputes

In the fiscal year 2008 CNS did not face any legal disputes that would affect more than 5% of CNS's shareholders equity or have a significant impact on its business.

Capital Nomura Securities Public Company Limited's registered capital is Baht 716,823,000 of which Baht 716,823,000 is fully paid up and divided into 71,682,300 ordinary shares with a par value Baht 10.

As of August 31, 2008 the Thai NVDR Company Limited, a subsidiary of The Stock Exchange of Thailand (SET), had issued Non-Voting Depository Rights (NVDR) of CNS's shares totaling 6,391,208 units. This was equivalent to 8.92% of CNS's registered shares, down 31.30% or down from 9,303,708 units as of August 31, 2007 which was equal to 12.98% of CNS's registered shares. The NVDR holders receive the same financial rights as investing in CNS shares, but they cannot exercise voting right during the shareholders' meeting, except to vote to de-list CNS from The Stock Exchange of Thailand (SET).

The amount of the CNS's ordinary shares issued as NVDRs is subject to change and it is not under the control of CNS. Investors can check the amount of NVDRs on The Stock Exchange of Thailand's website (SET): [www.set.or.th/nvdr](http://www.set.or.th/nvdr)

**Top Ten Shareholders as of November 26, 2007 (latest book closing date)**

Name	No. of shares	Percentage
1. Nomura Holdings, Inc.	18,000,000	25.11
2. The Thai NVDR Co., Ltd.	9,627,608	13.43
3. Nomura Asia Holding N.V.	9,256,500	12.91
4. Morgan Stanley & Co. International PLC	5,557,292	7.75
5. Thailand Depository Securities Co., Ltd for Depositors	714,400	0.99
6. Chase Nominees Limited 1	686,100	0.95
7. Mr. Prasart Mahakijisiri	656,300	0.91
8. Mellon Nominees (UK) Limited	642,000	0.89
9. Mr. Chartri Sophonpanich	473,100	0.66
10. Aberdeen Small Cap Fund	461,000	0.64

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

**Shareholders classified by nationality as of November 26, 2007 (latest book closing date)**

Shareholder	No. of Shareholder	No. of Share	Percentage
Thai	3,431	36,557,973	51.00
Foreigner	37	35,124,327	49.00
Total	3,468	71,682,300	100.00

**Influence of Major Shareholders over the Company's Management Policy**

Nomura Holdings, Inc. and Nomura Asia Holding N.V., which holds 27,256,500 shares in CNS (which was equivalent to approximately 38.02 % of CNS's share capital as of its latest book closing on November 26, 2007) have two representatives as executive directors of CNS.

**Details of Nomura Holdings, Inc.:-**

- Common Stock Issued : 1,965,919,860 shares (As of March 31, 2008)
- Listings : The common shares of Nomura Holdings, Inc. are listed on the Tokyo, Osaka, Nagoya and Singapore stock exchanges. The shares are also listed on the New York Stock Exchange in the form of American Depositary Receipts. (As of March 31, 2008)
- Number of shareholders : 263,427 (Unit of shareholders: 239,339)  
(As of March 31, 2008)

**Top ten Major Shareholders of Nomura Holdings, Inc. (As of March 31, 2008)**

Shareholder's Name	Number of shares (Thousands)	Percentage
1. Japan Trustee Services Bank, Ltd. (Trust Account)	120,113	6.11
2. The Master Trust Bank of Japan, Ltd. (Trust Account)	115,525	5.88
3. State Street Bank and Trust Company	75,485	3.84
4. Hero & Co.*	53,896	2.74
5. State Street Bank and Trust Company 505103	37,230	1.89
6. Japan Trustee Services Bank, Ltd. (Trust Account 4)	32,938	1.68
7. The Chase Manhattan Bank, 385036	21,017	1.07
8. Nippon Life Insurance Company	19,007	0.97
9. Trust & Custody Services Bank, Ltd. (Investment Trust Account)	16,680	0.85
10. The Sumitomo Trust and Banking Co.,Ltd. (Trust Account B)	16,653	0.85

Note: 1. As of March 31, 2008 Nomura Holdings, Inc had 57,887 thousand shares of treasury stock (ranked 4<sup>th</sup> if included) .

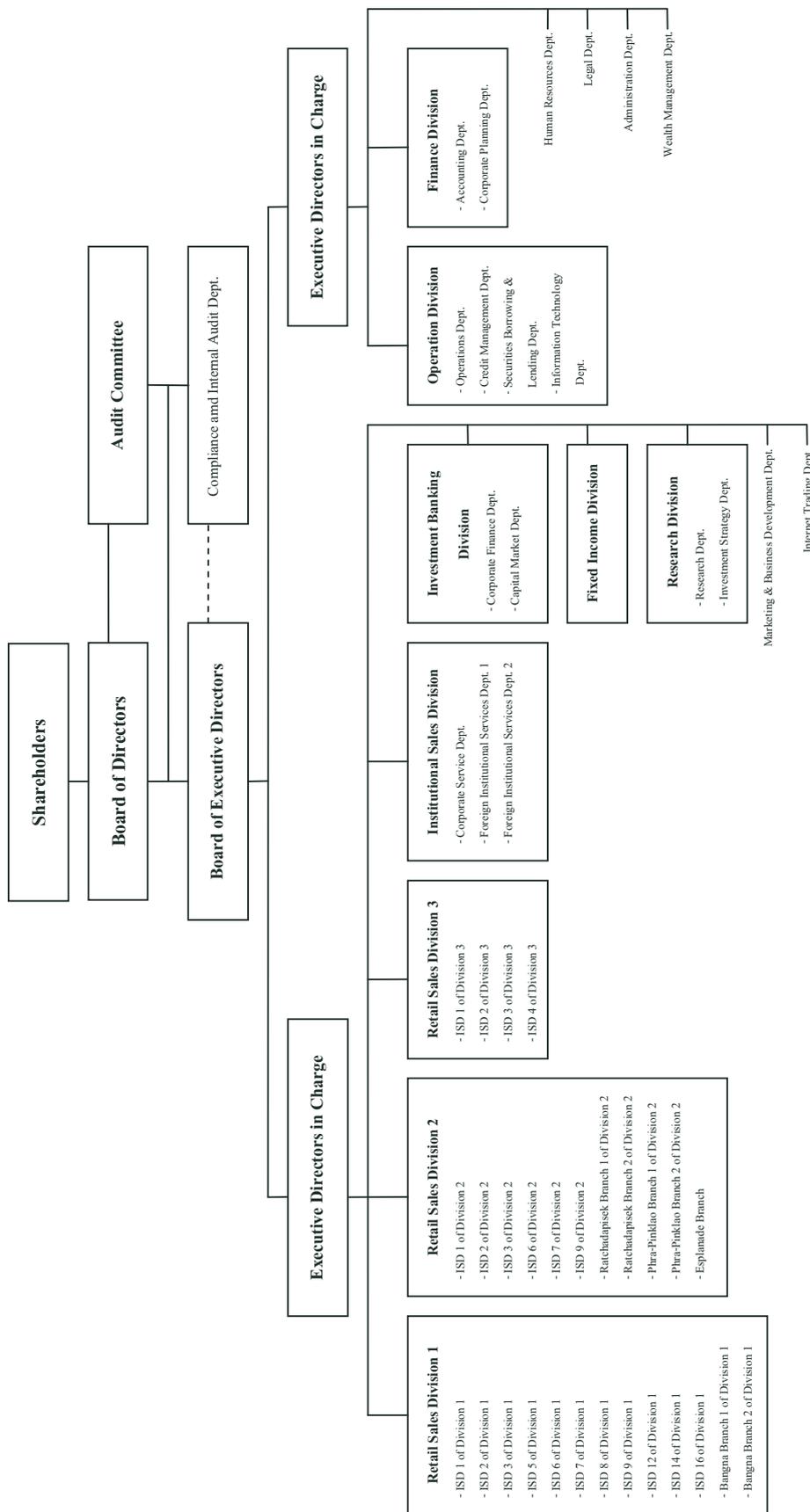
2. The fourth-largest shareholder, Hero & Co., is the former Depository Nominees Inc., following a name change

**Shareholder of Nomura Asia Holding N.V.**

Shareholder's Name	Number of shares	Percentage
1. Nomura Holdings, Inc.	1,400,000	100.00
Total	1,400,000	100.00

**Management Shareholding as of August 31, 2008**

Name	No. of Shares	Change During the Fiscal Year 2008 Increase/(Decrease)
Mr. Suthep Peetakanont	0	-
Mr. Takeshi Nishida	0	-
Mr. Yuko Sashisaki	0	-
Mr. Nimit Wongjariyakul	0	-
Mr. Yoshinori Go	0	-
Mr. Pisit Tesabamroong	0	-
Mrs. Wattanee Phanachet	0	-
Mr. Prasert Virasathienpornkul	0	-
Col. Ruangsub Kovindha	0	-
Mrs. Chrisana Sae-Leiw	0	-
Miss. Varangkna Wasuwanich	0	-
Mr. Tarate Poshyananda	0	-
Mr. Thanomsak Saharatchai	0	-
Miss. Titima Thanakornyothin	0	-
Mrs. Bussarakam Chiasuwan	0	-
Mrs. Krittika Tharamart	0	-
Miss. Wilaiwan Kavinmetawan	0	-
Mrs. Kanitta Chavalitumrong	0	-



\* As of August 31, 2008

CNS's management structure consists of a Board of Directors, a Board of Executive Directors, an Audit Committee, a Credit Review Committee, a Marginable Securities Committee and Executives. The roles and responsibilities are clearly separated between each committee and the management as per the following details:

## Board of Directors

As of August 31, 2008 there were 9 members on the Board of Directors; consists of independent directors, directors who represent the major shareholders, external director and directors who came from executives, in order to perform effective duties.

1. Mr. Suthep Peetakanont	Chairman & Chairman of The Executive Board
2. Mr. Takeshi Nishida	President
3. Mr. Yuko Sashisaki	Executive Director
4. Mr. Nimit Wongjariyakul	Executive Director
5. Mr. Yoshinori Go	Director
6. Mr. Pisit Tesabamroong	Director
7. Mrs. Wattanee Phanachet	Independent Director
8. Mr. Prasert Virasathienpornkul	Independent Director
9. Col. Ruangsab Kovindha	Independent Director

Miss Varangkna Wasuwanich is the secretary of the Board of Directors

## The Company's Authorized Directors

Directors authorized to sign and bind CNS are any two of the following: Mr. Suthep Peetakanont, Mr. Takeshi Nishida, Mr. Yuko Sashisaki and Mr. Nimit Wongjariyakul 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 CNS in order to make juristic acts for and on behalf of CNS.
3. To perform their duties in accordance with the principle of good corporate governance as outlined by The Stock Exchange of Thailand (SET) and The Securities and Exchange Commission (SEC).

4. To notify, without delay, any member of the Board of Directors of the following cases:
  - 4.1 He / She has either direct or indirect interest in any contract made by CNS 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 CNS's shares. Either an increase or a decrease in the amount of shares held during the accounting year (if any) must be specified.

### **Independent Directors**

CNS has 3 independent directors which is not less than one-third of CNS's directors and not less than 3 persons, consists of the following:

1. Mrs. Wattanee Phanachet
2. Mr. Prasert Virasathienpornkul
3. Col. Ruangsub Kovindha

### **Board of Executive Directors**

As of August 31, 2008, the Board of Executive Directors comprised 4 members:

1. Mr. Suthep Peetakanont      Chairman of the Executive Board
2. Mr. Takeshi Nishida      President
3. Mr. Yuko Sashisaki      Executive Director
4. Mr. Nimit Wongjariyakul      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 CNS's operations as assigned by the Board of Directors.
2. To make certain that the CNS's operations are performing in accordance with the law and CNS's policies.
3. To set up and propose policies and targets including CNS's strategy to the Board of Directors.

### **Audit Committee**

As of August 31, 2008, the Audit Committee was comprised of 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

Ms. Penphun Palungvitvatana is the secretary of the Audit Committee.

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**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 CNS correctly and adequately discloses financial reports.
2. To review that CNS has efficient and appropriate internal control and internal audit by jointly review with external auditor and Manager of Compliance & Internal Audit Department.
3. To review that CNS's operations are in conformity with the Securities and Exchange laws, and regulations of the Stock Exchange of Thailand or other laws related to CNS'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 to be published in CNS's annual report. The report is signed by the Chairman of the Audit Committee and comprises of the following information:
  - Opinion in relation to process of preparing and disclosing that financial reports are accurate, complete and reliable.
  - Opinion in relation to the adequacy of CNS's internal control system.
  - Reasons that the external auditor is qualified to be re-appointed for another term.
  - Opinion in relation to the compliance with the Securities and Exchange laws, regulations of The Stock Exchange of Thailand or other laws related to CNS'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.

For fiscal year 2008, the Audit Committee Meeting was held seven times to acknowledge company progression and evaluate internal control and review financial statement with Accounting Department, Compliance & Internal Audit Department and external Auditor. The Manager of Compliance & Internal Audit Department was appointed as secretary in the meeting.

## Credit Review Committee

As of August 31, 2008, the Credit Review Committee comprised 4 members:

- |                           |          |
|---------------------------|----------|
| 1. Mr. Suthep Peetakanont | Chairman |
| 2. Mr. Takeshi Nishida    | Member   |
| 3. Mr. Yuko Sashisaki     | 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 set the standard practices of account opening credit limits and increasing of credit limits, as well as setting up guidelines for consideration of credit limits.
2. To appoint authorized person approving credit limits for securities trading, as well as considering requested cases which are not stated in the internal guidelines.
3. To set measures of credit risk control or consider any other issues relating to the credit facilities including collateral concentration limit.
4. To approve the Marginable Securities List proposed by the Marginable Securities Committee.
5. To appoint Member of Marginable Securities Committee.

## Marginable Securities Committee

As of August 31, 2008, there were 4 members in the Marginable Securities Committee comprised of:

- |   |                        |
|---|------------------------|
| 1. Manager of the Credit Management Department                    | Chairman and Secretary |
| 2. Head of Operations Division                                    | Member                 |
| 3. Head of Research Division                                      | Member                 |
| 4. Manager of Individual Service Department<br>or Branch Managers | Member                 |

### Authorities and Duties of the Marginable Security Committee

1. To consider and determine practices and guidelines for the selection of marginable stocks and margin levels suitable for the domestic economy and brokerage business, and make proposal to the Credit Review Committee.

2. To periodically review the Marginable Securities List and initial margin rate based on the assigned and requested basis, and propose the reviewed list to the Credit Review Committee for their approval.
3. To consider and determine collateral concentration limit suitable for liquidity and risk of each securities.

## The Number of Board of Directors Meetings and Audit Committee Meetings and the Attendance by Individual Members for Fiscal Year 2008

### Board of Directors Meetings

Meeting No. / Year	8/07	9/07	10/07	11/07	1/08	2/08	3/08	4/08	5/08	6/08	7/08	8/08	Total
Name / Date	Sep 24	Oct 29	Nov 23	Dec 14	Jan 10	Feb 29	Mar 21	Apr 29	May 23	Jun 20	Jul 14	Aug 22	
Mr.Suthep Peetakanont	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	12/12
Mr.Takeshi Nishida	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	12/12
Mr.Yuko Sashisaki	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	12/12
Mr.Nimit Wongjariyakul *	-	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	9/12
Mr.Yoshinori Go	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	12/12
Mr.Pisit Tesabamroong	✓	✓	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	11/12
Mrs.Wattanee Phanachet **	✓	✓	✓	✓	✓	✓	-	✓	✓	✓	✓	✓	11/12
Col.Ruangsub Kovindha ***	✓	✓	✓	✓	✓	✓	✓	✓	-	-	✓	✓	10/12
Mr.Prasert Virasathienpornkul ***	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	11/12

Remark \* Mr. Nimit Wongjariyakul was appointed to be a Director by the resolution of the meeting of shareholders on December 14, 2007 and was registered to be Director with the Ministry of Commerce on December 17, 2007.

\*\* Mrs. Wattanee Phanachet had a prior arrangement of overseas trip, therefore she could not attend the Meeting No. 3/08 on March 21, 2008. However, Mrs. Wattanee Phanachet participated in this Meeting via teleconference.

\*\*\* Directors had a prior arrangement of overseas trip, therefore he cannot attend the Meeting.

### Audit Committee Meetings

Meeting No. / Year	8/07	9/07	10/07	1/08	2/08	3/08	4/08	Total
Name/ Date	Sep 11	Oct 9	Dec 14	Jan 4	Apr 4	Jun 27	Jul 11	
Mrs. Wattanee Phanachet	✓	✓	✓	✓	✓	✓	✓	7/7
Col. Ruangsub Kovindha	✓	✓	✓	✓	✓	✓	✓	7/7
Mr. Prasert Virasathienpornkul	✓	✓	✓	✓	✓	✓	✓	7/7

## Nomination of Directors and the Management

### Directors

The Board of Directors shall select qualified persons to become CNS's directors and propose the list of those selected persons to the shareholders' meeting. Then the shareholders' meeting will consider approving the appointment of the directors.

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 particular candidate or group to any extent at all.
3. Voting for election of the directors shall base on the majority of votes. In the case of equality of votes, the presiding chairman shall have an additional casting vote.

### Appointing a Replacement Director

1. In case there is a vacancy on the Board of Directors other than from the normal rotation, the Board of Directors shall choose any person who is qualified and not prohibited by law as a replacement director in the next meeting of the Board of Directors, except in the case that 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. Also, the resolution to appoint a replacement director mentioned above must receive at least three-fourths of the total vote by the remaining directors.
2. In case all of the directors vacate their office, the incumbent Board of Directors shall become an acting Board to carry on the business of CNS 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 case the Board of Directors has vacated the office by the Court order, the Board that has vacated the office must convene a shareholders' meeting to elect a new Board of Directors within one month from the date of vacating the office, by sending a notice to inform shareholders of the meeting at least fourteen days prior to the meeting date.
3. In case there are vacancies to the extent that the number of remaining directors is less than the number required to constitute a quorum, the remaining 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 required to constitute 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 Director**

CNS's Board of Directors has given a number and set criteria of the independent directors in accordance with the minimal requirements of the SEC and the SET as follows.

- (1) Not less than one-third and not less than three directors of a company's directors must be independent directors.
- (2) Any independent director must meet the following requirements:
  - (a) holding shares in total not more than one percent of total shares with voting rights of the Company, its Parent Company, its Subsidiary, its Affiliate or other juristic person which may have Conflicts of Interest provided that the share held by related person of independent directors shall be inclusive;
  - (b) not being a director having participation in the management, an employee, staff, advisor who receives a regular salary, or Controlling Person of the Company, its Parent Company, its Subsidiary, a subsidiary in the same level, its Affiliate or other juristic person which may have Conflicts of Interest, except for having passed from such the position for not less than two years before appointment;
  - (c) not being a related person by blood or registration under laws, such as father, mother, spouse, sibling or children including spouses of children of Executives, Major Shareholders, Controlling Person, or such other person who will be nominated to take up the position of Executives or Controlling Person of the Company or its Subsidiary;
  - (d) having no business relationship with the Company, its Parent Company, its Subsidiary, its Affiliate or other juristic person which may have Conflicts of Interest in the manner which may interfere his or her use of independent judgment as well as not being Major Shareholder, a director who is not a independent director, or an Executive of a person who have business relationship with the Company, its Parent Company, its Subsidiary, its Affiliate or other juristic

person which may have Conflicts of Interest, except for having passed from such the position for not less than two years before appointment;

The business relationship above includes normal practice trading transactions to lease or rent of real property, transactions related to assets/services, or financial support provision or reception by borrowing or lending, guarantee, providing collateral including other similar actions which make the Company or its counter parties having an obligation against the other a debt servicing worth three percent of the net tangible assets of the Company or more than Baht twenty million, whichever is lower. The calculation of liabilities shall comply with the criteria on the calculation of Connected Transaction as stipulated in the SET Notification re Disclosure of Information and other Acts of Listed Companies concerning the Connected Transaction. However, in consideration of liabilities, the liabilities incurred during one-year period prior to the date of commencement of business relationship with the same person shall be inclusive.

- (e) not being an auditor of the Company, its Parent Company, its Subsidiary, its Affiliate or other juristic person which may have Conflicts of Interest, and not being a major shareholder, a non-independent director, an executive or a managing partner of an audit firm for which the auditors of the Company, its Parent Company, its Subsidiary, its Affiliate or other juristic person which may have Conflicts of Interest work; except for having passed from such the position for not less than two years before appointment;
- (f) not being a professional service provider, including a legal consultant or financial advisor who receives wages of more than Baht two million per year from the Company, its Parent Company, its Subsidiary, its Affiliate or other juristic person which may have Conflicts of Interest. In case the professional service provider is a juristic person, a major shareholder, a non-independent director, an executive and a managing partner of the professional service provider shall be inclusive, except for having passed from such the position for not less than two years before appointment;
- (g) not being a director appointed as a representative of the Company's board of directors, Major Shareholders or shareholders who are related to the Company's Major Shareholder; and
- (h) not having other characteristics which result in not capable to provide independent opinion with regard to the Company's businesses.

**Audit Committee**

The Audit Committee shall consist of at least three independent members. The Company's criteria re the audit committee are similar to the requirements of the SEC and the SET as follows.

- (a) The Board of Directors or shareholder's meeting shall appoint members of Audit Committee.
- (b) An audit committee member must be independent director and possess qualifications as prescribed by the Office of the SEC and the SET, and:
  1. not being a director who is authorized by the Board of Directors to make decision in carrying out businesses of the Company, its Parent Company, its Subsidiary, its Affiliate or other juristic person which may have Conflicts of Interest; and
  2. not being a director of the Company, its Parent Company, its Subsidiary, or a subsidiary in the same level, which are listed company.
- (c) The Audit Committee shall perform duties as stated in the SET Notification re Qualifications and Scope of Work of the Audit Committee.
- (d) The members of Audit Committee shall be capable of performing audit committee duties. At least one member must have sufficient knowledge and experience to review the reliability of financial statements.

**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 3 directors who represent the major shareholder including Mr. Takeshi Nishida, Mr. Yuko Sashisaki and Mr. Yoshinori Go.

**List of Executives**

As at August 31, 2008 the list of Executives was as follows:

No.	Name	Position
1.	Mr. Suthep Peetakanont	Chairman & Chairman of the Executive Board
2.	Mr. Takeshi Nishida	President
3.	Mr. Yuko Sashisaki	Executive Director
4.	Mr. Nimit Wongjariyakul	Executive Director
5.	Mr. Yoshinori Go	Director
6.	Mr. Pisit Tesabamroong	Director
7.	Mrs. Wattanee Phanachet	Chairman of the Audit Committee and Independent Director
8.	Mr. Prasert Virasathienpornkul	Audit Committee Member and Independent Director
9.	Col. Ruangsub Kovindha	Audit Committee Member and Independent Director
10.	Mrs. Chrisana Sae-Leiw	Director
11.	Miss. Varangkna Wasuwanich	Head of Finance Division
12.	Mr. Tarate Poshyananda	Head of Fixed Income Division
13.	Mr. Thanomsak Saharatchai	Head of Research Division
14.	Miss. Titima Thanakornyothin	Head of Institutional Sales Division
15.	Mrs. Bussarakam Chiasuwan	Head of Retail Sales Division 1
16.	Mrs. Krittika Tharamart	Head of Retail Sales Division 2
17.	Miss. Wilaiwan Kavinmetawan	Head of Retail Sales Division 3
18.	Mrs. Kanitta Chavalitumrong	General Manager of Marketing & Business Development Department

The above is the list of Executives as per The Stock Exchange of Thailand (SET) Notification.

**Company Secretary**

CNS appointed Miss Varangkna Wasuwanich, Head of Finance Division, as a Company Secretary.

# Remuneration paid to the Management

## Monetary remuneration

The total remuneration paid to the Board of Directors, including for their role as directors and members of the audit committee, for fiscal year 2008 was as follows:

Unit : Baht

No.	Name	One-time remuneration *	Audit Committee	Meeting Allowance	Total
1	Mr. Suthep Peetakanont	250,000	-	-	250,000
2	Mr. Takeshi Nishida	200,000	-	-	200,000
3	Mr. Yuko Sashisaki	200,000	-	-	200,000
4	Mr. Nimit Wongjariyakul **	-	-	-	-
5	Mr. Yoshinori Go	-	-	180,000	180,000
6	Mr. Pisit Tesabamroong	220,000	-	165,000	385,000
7	Mrs. Wattanee Phanachet	220,000	286,000	165,000	671,000
8	Col.Ruangsub Kovindha	220,000	220,000	150,000	590,000
9	Mr. Prasert Virasathienpornkul	220,000	220,000	165,000	605,000
	<b>Total</b>	<b>1,530,000</b>	<b>726,000</b>	<b>825,000</b>	<b>3,081,000</b>

Note : \* The above remuneration was approved at the Annual General Meeting of Shareholders (No. 1/2550) on December 14, 2007 based on the performance for fiscal year 2007

\*\* Mr. Nimit Wongjariyakul was appointed as one of CNS's Directors according to the resolution of the Annual General Meeting of Shareholders No. 1/2550 on December 14, 2007 and was registered with the Ministry of Commerce on December 17, 2007.

## Remuneration for the Executive Directors and the Management

The total salary and bonus paid to the Executive Directors and the Management Staff for fiscal year 2008 was Baht 78,897,480 as follows:

- 4 Executive Directors, 1 Executive Director was appointed to be Executive Director during the fiscal year.
- 9 Management Staff, 1 Management Staff was appointed to be Executive Director during the fiscal year and 1 Management Staff joined with CNS during the fiscal year.

## Other remuneration

The total provident fund and social security fund paid to the Executive Directors and Management Staff for fiscal year 2008, was Baht 3,729,586 as follows:

- 4 Executive Directors, 1 Executive Director was appointed to be Executive Director during the fiscal year.
- 9 Management Staff, 1 Management Staff was appointed to be Executive Director during the fiscal year and 1 Management Staff joined with CNS during the fiscal year.

## Mr. Suthep Peetakanont

Chairman & Chairman of The Executive Board

Age: 46 years

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

% of shareholding in CNS      -

Work Experience      1996 - Present      Capital Nomura Securities Public Company Limited

Training Programs      - Director Certification Program (DCP), 2000 /  
    Thai Institute of Directors Association (IOD)  
    - Chairman 2000, 2002 / Thai Institute of Directors Association (IOD)

## Mr. Takeshi Nishida

President

Age: 42 years

Education Background      B.A. of Arts in Business and Commerce, Keio University, Japan

% of shareholding in CNS      -

Work Experience      2006 - Present      Capital Nomura Securities Public Company Limited  
    2006      Deputy Managing Director,  
    Corporate Planning Department,  
    Nomura Securities Co., Ltd.  
    2001      Executive Director, Financial Institution Department  
    Nomura Securities Co., Ltd.

## Mr. Yuko Sashisaki

Executive Director

Age: 50 years

Education Background      Bachelor of Law, Waseda University, Japan

% shareholding in CNS      -

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. Nimit Wongjariyakul**

Executive Director

Age: 44 years

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

% of shareholding in CNS      -

Work Experience      1998 - Present      Capital Nomura Securities Public Company Limited

**Mr. Yoshinori Go**

Director

Age: 50 years

Education Background      Bachelor of Arts in Economics, Yokohama National University, Japan

% of shareholding in CNS      -

Work Experience      2006 - Present      Capital Nomura Securities Public Company Limited  
Present      Member of Board of Executive Officers & Head of  
Regional Management, Asia, Nomura Holdings, Inc.  
Present      President and CEO, Nomura Asia Holding N.V.  
2007      Senior Managing Director and Head of Asia Region  
Marketing, Nomura Holdings, Inc.  
2006      COO, Nomura Asia Holding N.V.  
2004      President & CEO, Nomura International (Hong Kong)  
Limited.  
2001      Branch Manager & Chief Executive, Seoul Branch,  
Korea

**Mr. Pisit Tesabamroong**

Director

Age: 84 years

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

% of shareholding in CNS      -

Work Experience      1994 - Present      Capital Nomura Securities Public Company Limited  
2005 - Present      Head of Legal Consultant, S.J. International Legal  
Consulting and Advisory Company Limited.  
2000 - 2007      Advisor to the president of Nation institution of  
Development Administration (NIDA)  
1985 - 2007      Special Professor of Faculty of Law,  
Ramkhamhaeng University

**Mrs. Wattanee Phanachet**

Chairman of the Audit Committee &amp; Independent Director

Age: 71 years

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

% of shareholding in CNS -

Work Experience

1998 - Present	Capital Nomura Securities Public Company Limited
2006 - Present	Audit Committee Member & Independent Director Electricity Generating Public Company Limited
1999 - Present	Audit Committee Member & Independent Director Thai Poly Acrylic Public Company Limited
1999 - 2006	Audit Committee Member & Independent Director Delta Electronics (Thailand) Public Company Limited

Training Programs

- DCP Refresher Course, 4/2007,  
Thai Institute of Directors Association (IOD)
- Audit Committee Program (ACP), 16/2007,  
Thai Institute of Directors Association (IOD)
- Board Performance Evaluation Program, 2004,  
Thai Institute of Directors Association (IOD)
- Director Certification Program (DCP), 15/2002  
Thai Institute of Directors Association (IOD)

**Mr. Prasert Virasathienpornkul**

Audit Committee Member &amp; Independent Director

Age: 48 years

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

% of shareholding in CNS -

Work Experience

1999 - Present	Capital Nomura Securities Public Company Limited
1997 - Present	Managing Director Concept Training & Consultant Company Limited
Present	Audit Committee Member & Independent Director Master Ad Public Company Limited
Present	Audit Committee Member & Independent Director Chuo Senko (Thailand) Public Company Limited

Training Programs

- Director Certification Program (DCP), 2002 /  
Thai Institute of Directors Association (IOD)

**Col. Ruangsub Kovindha**

Independent Director and Audit Committee Member

Age: 56 years

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

% of shareholding in CNS -

Work Experience

2002 - Present Capital Nomura Securities Public Company Limited

2000 - Present Managing Director  
United Information Highway Co.,Ltd.

Training Programs

- Director Accreditation Program (DAP), 2007 /  
Thai Institute of Directors Association (IOD)

**Mrs. Chrisana Sae-Leiw**

Director

Age: 48 years

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

% of shareholding in CNS -

Work Experience

1996 - Present Capital Nomura Securities Public Company Limited

**Miss Varangkna Wasuwanich**

Head of Finance Division

Age: 41 years

Education Background Master of Business Administration, Thammasat University

% of shareholding in CNS -

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

**Mr. Tarate Poshyananda**

Head of Fixed Income Division

Age: 44 years

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

% of shareholding in CNS -

Work Experience	2004 - Present	Capital Nomura Securities Public Company Limited
	1997 - 2004	Head of Multinational, Deutsche Bank, Bangkok

**Mr. Thanomsak Saharatchai**

Head of Research Division

Age: 43 years

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

% of shareholding in CNS -

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
	1994 - 2004	Deputy Manager Capital Nomura Securities Public Company Limited

**Miss Titima Thanakornyothin**

Head of Institutional Sales Division

Age: 43 years

Education Background Master of Business Administration, Chulalongkorn University

% of shareholding in CNS -

Work Experience	2007 - Present	Capital Nomura Securities Public Company Limited
	2005 - 2007	Senior Executive Vice President Adkinson Securities Public Company Limited

**Mrs. Bussarakam Chiasuwan**

Head of Retail Sales Division 1

Age: 47 years

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

% of shareholding in CNS -

Work Experience	1990 - Present	Capital Nomura Securities Public Company Limited
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**Mrs. Krittika Tharamart**

Head of Retail Sales Division 2

Age: 47 years

Education Background Bachelor of Education, Phranakhon Rajabhat University

% of shareholding in CNS -

Work Experience 1986 - Present Capital Nomura Securities Public Company Limited

**Miss Wilaiwan Kavinmetawan**

Head of Retail Sales Division 3

Age: 40 years

Education Background Bachelor of Business Administration, BanSomdej Chaopraya  
Rajabhat University

% of shareholding in CNS -

Work Experience 2007 - Present Capital Nomura Securities Public Company Limited  
2003 - 2007 Assistant Vice President,  
SCB Securities Company Limited**Mrs. Kanitta Chavalitumrong**

General Manager of Marketing &amp; Business Development Department

Age: 40 years

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

% of shareholding in CNS -

Work Experience 2006 - Present Capital Nomura Securities Public Company Limited  
1994 - 2006 Head of Business Development,  
Tisco Securities Company Limited

The Board of Directors has always realized the importance of conducting business in compliance with good corporate governance principles. On April 25, 2005 the Board resolved corporate governance policy in written to comply with the principles of corporate governance stated by the Stock Exchange of Thailand (SET) as well as rules and regulations of the Securities Exchange Commission (SEC) which cover the following categories:

- Right of shareholders
- Equitable treatment of shareholders
- Roles of stakeholders
- Disclosure and Transparency
- Responsibilities of the Board

## 1. Rights of Shareholders

CNS realizes the basic rights of shareholders which include: 1) the right to buy, sell or transfer shares; 2) the right to gain share in CNS's profit; 3) the right to receive relevant and adequate information of CNS in a timely manner 4) the right to participate and vote in the shareholder meetings to elect or remove members of the Board, appoint the external auditor, and make decision on any transactions that may have any impacts on CNS (i.e. amendments to CNS's article of association or affidavit, capital increases or decreases). In addition, shareholders should be fully informed of the criteria and procedures for attending shareholder meetings and sufficient information regarding the issues to be discussed in each agenda in an appropriate time prior to the meeting. CNS shall avoid any actions that violate those rights of shareholders.

In the year 2007, CNS held the 2007 Annual General Meeting (AGM) of shareholders on December 14, 2007. All 8 directors, 1 nominated director and managements in significant positions attended the meeting. Thailand Securities Depository Co., Ltd (TSD) as CNS's share registrar submitted an invitation letter, annual report and other related information to the shareholders fourteen days prior to the meeting, although no there were no special agendas required to be reviewed prior to the meeting. In the invitation letter, CNS completely informed shareholders of the criteria, procedures and documents needed for registration and CNS's article of association related to the meeting agenda was attached to the letter. The invitation letter, the annual report and other related documents were also posted in CNS's website in advance. Shareholders failing to attend the meeting were allowed to appoint one of those there independent directors as their proxies. Before the meeting, the Chairman informed shareholders about voting procedure and during the meeting the Chairman facilitated

shareholders' questions and asked the responsible persons to answer all questions. The meeting took approximately two hours which was enough for clarifying issues, discussing, as well as answering questions and finding resolution. CNS duly submitted the minutes of the shareholders' meeting with voting record and every question raised by the shareholders to the SET within fourteen days from the meeting date and posted such minutes in CNS's website for the shareholders' reviews without waiting for next meeting date.

## **2. Equitable Treatment of Shareholders**

CNS realizes that all shareholders should be treated in an equal way and fair treatment. This includes 1) supervising the uses of shareholders' money in proper ways; 2) ensuring that all processes and procedures of shareholders meeting allow equitable treatment of all shareholders, 3) allowing any shareholders who are unable to attend the meeting to appoint their proxies; 4) setting up procedures to prevent the use of inside information for abusive self-dealing, and 5) defining guidelines for directors and management interest reporting and connected transaction to be in compliance with the rules and regulations of the SET and the SEC.

In 2007 AGM of shareholders on December 14, 2007, CNS proposed three independent directors so that the shareholders could choose as their proxies in case they were unable to attend the meeting. In addition, CNS sent the shareholders 3 proxy forms. The shareholders could select one form which matched with their needs. Among these three proxy forms, there was the form in which shareholders were able to specify their votes. The Chairman conducted the meeting by following the sequence of agenda defined in an invitation letter and did not add any new agenda. During the meeting, the Chairman facilitated shareholders' questions and asked the responsible persons to answer all questions regardless of the amount of shares they were holding. CNS used voting cards for transparency and future reference and the Chairman announced voting result and scores of agree, not agree and abstain in each agenda. In case the shareholders objected the voting result, they were entitled to ask for re-checking the scores immediately. Moreover, CNS had policies and procedures to protect of insider information or abusive self-dealing. Those policies and procedures were conveyed to all staff both in verbal and written forms.

## **3. Role of Stakeholders**

CNS realizes all stakeholders should be treated fairly in accordance with their legal rights as specified in relevant laws. CNS shall not take any action to violate the rights of such stakeholders.

It was clearly stated in the corporate governance policy that the Board shall govern CNS's operation to be in compliance with the SET's and SEC's rules and regulations and other relevant laws and shall attend to the rights of stakeholders. CNS set guideline of treatment to stakeholders in business ethics regarding corporate social responsibility, standard practices to customers, fair treatment to suppliers, human right and equitable working opportunity etc. In addition, CNS had a procedure to report significant information in which the stakeholders should be informed of in the annual report and CNS's website. Such information includes quarterly financial statement, year end financial statement, other published information, internal control and etc. Moreover, CNS also provided channel to receive suggestions, comments and complaints from stakeholders. Stakeholders may send in their suggestions, comments or complaints to the Compliance and Internal Audit Departments which report directly to the Board and the Audit Committee. If the stakeholders would like to make some inquiries, they could contact investor relations as per details provided in CNS's website.

#### **4. Disclosure and Transparency**

CNS realizes that all Company's important information including financial data and non-financial data must be accurately disclosed on a timely basis. The information should be transparently disclosed through easy-to-access channels that are fairly accessible.

In the past fiscal year, CNS disclosed the quarterly financial statements, the year - end financial statement, the annual report, 56-1 the report, the minutes of shareholders' meeting, the resolution of the Board's meeting in significant agenda and other information. All this information was accurately disclosed on a timely basis in both Thai and English in CNS's website ([www.cns.co.th](http://www.cns.co.th)). CNS also has investor relation function to update information regularly and to answer any questions from investors, shareholders, or other stakeholders. CNS disclosed all information required by the SET and the SEC completely in annual report and 56-1 report which included roles and responsibilities of the Board and committee, number of board meetings and committee meetings, number of attendance by each member in the past year, directors' remuneration, statement of board responsibilities concerning CNS's financial report presented along with the auditor report.

#### **5. Responsibilities of the Board**

The Board realizes that the Board members play an important role in corporate governance for the best interest of CNS and they are accountable to shareholders and independent of management.

## 5.1 Board Structure

The Board of Directors comprises 9 members in proportional to CNS's size.

- Executive Director 4 persons
- Non-Executive Director 5 persons, of which are:
- Independent Director 3 persons
- Outside Director 2 persons

CNS has three independent directors (one-third of the total number of directors). This proportion conforms to the principles of good corporate governance of the SET and the SEC in order to maintain an appropriate balance of authority in management. CNS's definition of independent directors was also considered to be in compliance with the SET's and SEC's rules and regulations as stated in the section of "Independent Directors". Although the Chairman of the Board of Directors is not an independent director, the Chairman strictly adheres to CNS's good corporate governance policy and performs in a transparent and prudent manner for the best interest of CNS, CNS's shareholders and all stakeholders.

Regarding the term of service of directors, CNS's Articles of Association requires one-third of the directors to retire by rotation in every Annual General Meeting of Shareholders. If the number of directors can not be a multiple of three, the nearest number to one-third must retire from CNS, and the directors who have the longest term of service must retire by rotation.

For efficiency, The Board of Directors would carefully review the effectiveness of the directors with the multiple board membership or the number of board positions that a director can hold. CNS disclosed the information about board membership positions of individual directors to shareholders in form 56-1 report and CNS's annual report.

CNS provides a person in charge of the company secretary function to serve the Board of Directors in areas of providing legal advice, taking care of the Board's activities, and monitoring compliance to the Board's resolutions

The details about the list, roles, duties and responsibilities of the Board of Directors and the company secretary are all clearly stated in the section on "Management Structure".

## 5.2 Committees

CNS has clearly separated 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, and the Marginable Securities Committee are all clearly defined in the section “Management Structure”.

## 5.3 Roles and Responsibilities of the Board

The Board of Directors reviews and approves key business matters such as the vision and mission of CNS, strategies, financial targets, risks, major business and budget plans. The Board of Directors also monitors management’s performance to the efficiency. The Board of Directors conveys CNS’s vision, mission, strategy and targets to the directors, executives and staff throughout the organization via various communication channels including annual staff meetings intranet system and e-mail system.

The Board realizes the important of conducting its business in compliance with good corporate governance principles. The Board understands that good corporate governance is a critical factor in achieving success. Therefore, the Board has instituted good corporate governance principles through procedures to transact business in a transparent manner. In the year 2005, the Board also resolved to announce the corporate governance policy in written. This policy was a guideline that shall ultimately maximize shareholders’ interest while taking to consideration the interest of all stakeholders

The Board of Directors has formulated a Code of Business Conduct for directors, management and employees to ensure that they are aware of CNS’s expectations regarding the standard practices towards shareholders, customers, suppliers, competitors, colleagues and society. The Code of Business Conduct was prepared and distributed to all of staff in order to disseminate clear information about CNS’s standard practices on such matters. CNS also promoted its Code of Business Conduct to all staff and set up a monitoring system to make sure that they seriously follow the rules.

The Board has policies and guidelines to prevent related persons from exploiting their positions for personal interest. Any connected transactions must be necessary for CNS’s benefit and comply with the SET’s and SEC’s rules and regulations

The Board realizes the importance of good internal control in the areas of operating control and operating procedures, including financial reporting. All policies about internal control are designed to comply with the rules and regulations of the authorities. As such, it's stated in CNS's policy that all departments must operate with good internal control and as comply fully with the rules and regulations of the authorities. The Compliance and Internal Audit Department are responsible for reviewing and monitoring CNS's operation in this respect. The function of the Compliance and Internal Audit Departments is to evaluate the risk of internal control within CNS in order to contribute to the proper, efficient and effective use of resources. Those in Compliance and Internal Audit Departments should perform their jobs independently and report to the Audit Committee and the Board of Directors on a regular basis.

#### **5.4 Board Meetings**

CNS's Board of Directors holds regular meetings on a monthly basis, or at least on a quarterly basis, and may hold extra meetings when necessary. The Chairman of the Board of Directors and the executive directors jointly set the agenda for the Board of Directors' meeting, considering the degree of importance and necessity of agenda. However, each director can propose an issue for a meeting agenda. The company secretary will send invitation letter attached by the meeting agenda and provide adequate documents to the Board of Directors so that the directors have enough time to review the information prior to the meeting. The Board of Directors sets the schedule, time, venue of the Board of Directors' meeting in advance so that all directors can attend the meetings.

In the Board of Directors' meetings, the Chairman of the Board of Directors appropriately allocates the meeting time to propose the meeting agenda and complete director discussions. The Chairman of the Board of Directors also encourages creative and careful consideration in the meeting. To ultimately maximize shareholders' interest, each director pay attention to each issue presented in the meeting, including issues concerning governance of CNS. For the meeting agenda that may relate to each function within CNS, The Board of Directors can invite any involved executives or managements to attend the board meeting so that they can present details on the issues that they are directly responsible for. The Board of Directors will have a chance to know more about the executives and be able to prepare a succession plans.

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In the fiscal year 2008, the Board of Directors held 12 meetings. The number of meetings attended by each director is clearly disclosed in the section of “The Number of Board of Directors Meetings and Audit Committee Meetings and the Attendance by Individual Members for Fiscal Year 2008”.

### **5.5 Remuneration**

CNS has set remuneration policies for its directors and managements. In doing so, CNS considers the appropriate remuneration with respect to other companies in the same industry, roles, duties and responsibilities of each director. The remuneration for directors must be approved by the shareholders’ meeting. The details of remuneration is stated in the section of “Remuneration Paid to the Management”.

### **5.6 Board and Management Training**

The Board of Directors encourages and facilitates training and development for directors, managements, company secretary. CNS mostly joins the training program and seminar held by the SET, the SEC and Thai Institute of Director Association.

For the past fiscal year, CNS supported and sent directors, managements, company secretary, all staff to attend various training courses regarding the new rules, law announced in the year 2008 and a principle of good corporate governance, in order to continuously improve their skills and performance.

## Policy on Insider Information

CNS 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 executive directors are required to open cash trading account with CNS only.
2. Staff and all executive directors are required to submit the trading transaction report of their spouses and minors to the Compliance and Internal Audit 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 the Board of Directors are prohibited from trading CNS share one month after closing of quarterly financial statement.
5. In relation to the trading of securities of which CNS's research paper covers, it is required that:
  - 5.1 An analyst in the Research Division is not permitted to trade any securities or all securities in the sector that he/she is responsible for. Head / Deputy Head / Manager / Deputy Manager of the Research Division are not permitted to trade any securities.
  - 5.2 Staff and all executive directors are prohibited from trading any securities of which he/she knows or should know that the Research Division is in the process of preparing information of such securities or plan to distribute research report of such securities.
  - 5.3 An analyst in the Research Division, all executive directors and all officers in the Compliance and Internal Audit Department are prohibited from trading securities within three business days from the date the research paper is published and distributed.
6. Staff 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, whether he / she is in the department possesses those information or not.
7. Monitoring of the access or use of inside information is under the responsibility of the Compliance and Internal Audit Department.

## Enforcement

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

CNS is committed to the society in enriching the society by delivering superior investment services. CNS has participated in various activities to promote CSR throughout many years of services.

**CNS and Chulalongkorn University Graduate School – MABE Project:**

For the past six consecutive years, we have been providing guest lecturers from NOMURA Group representatives on various seminar topics ranging from trade agreements to global economics and market outlook to Chula university graduate student program. In August 2008, Mr. Masaaki Yamaguchi, Managing Director of Asia and Emerging Markets Research came to present educational lectures to graduate students on “South Asian Equity Markets; Correlation of global and regional equity markets”

In addition, In March 2008 we have coordinated with Nomura Japan in assisting the MABE program students on the field trip to visit 5 leading production and manufacturing companies in Japan.

The Board of Executive Directors reviewed CNS'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, and determined that CNS has adequate control in such aspects.

In the Audit Committee meeting no 5/2008, held on October 15, 2008, the Audit Committee also agreed with the Board of Executive Directors' determination.

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 the requirement of Securities and Exchange Commission : 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 Compliance & Internal Audit Department performed the duty of Secretary to the Audit Committee.

For the period of September 1, 2007 – August 31, 2008, the Audit Committee held seven meetings. All the Audit Committee’s members presented in the meetings, and performed the following duties as assigned by the Company:

1. Reviewing the Company’s quarterly and year end financial statements, prior to submission to the Company’s Board of Directors that Company correctly and adequately discloses. In the meeting, the Committee independently considered audit results and obtain the professional opinion from 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 with the Compliance & Internal Audit Department related to Risk Assessment and Risk Management.
5. 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.
6. Considering the Company’s related party transactions and conflict of interests to be properly conducted and disclosed.

7. Preparing an Audit Committee's Report to be disclosed in the Company's annual report of which the report signed by the Chairman of the Audit Committee.
8. Selecting and proposing the appointment of an external auditor and the audit fee.

In conclusion, the Audit Committee deems that the Company's financial statements are prepared in accordance with generally accepted accounting principles as specified in the report of independent auditor. The Company has proper internal control and compliance with the related regulations. The Committee confident that the Company's directors and managements maintain business ethics, emphasizes on operating business with the efficient corporate governance, 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 appoint anyone of Mr. Narong Puntawong or Miss Saifon Inkaew or Mrs. Nonglak Pumnoi from Ernst and Young Office Limited to be the Company's external auditor for the year ended August 31, 2009, with the audit fees of Baht 1,100,000.



(Mrs. Wattanee Phanachet)

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

October 28, 2008

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 for the fiscal year ended August 31, 2008.

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 2008 was Baht 9,558,080. 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 individual customers in Thailand who were interested in Nomura Singapore Limited's products to Nomura Singapore Limited.

The service fee for the fiscal year 2008 was Baht 326,835. The service fee was based on actual executed transactions of our referred customers calculated by using the introducing credit rate 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 and appointed Nomura Singapore Limited to be an Exclusive Partner. The terms and conditions in this agency agreement were similar to other agency agreements made with other customers who were not related to the Company and in accordance with The Securities and Exchange Commission's (SEC) notification.

The commission fee for the fiscal year 2008 was Baht 41,690,310. The commission fee was based on the same commission rate as the Company charged to other customers and Exclusive Partner, in accordance with The Securities and Exchange Commission's (SEC) notification.

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 Baht products to Nomura International (Hong Kong) Limited.

The service fee for the fiscal year 2008 was Baht 24,062,726. The service fee was based on actual costs 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 2008 was Baht 20,357,500. The service fee was based on actual costs plus 10% of margin.

6. The Company entered into *Equity Service Agreement* with Nomura International (Hong Kong) Limited to provide information related to Thai Capital Market directly to the clients of Nomura International (Hong Kong) Limited. This would make the clients of Nomura International (Hong Kong) Limited receive correct, complete and timely information to support their decision making to invest in Thai Capital Market. It resulted in an increase of the Company's brokerage commission from foreign investors.

The service fee for the fiscal year 2008 was Baht 516,660. As this service generated mutual benefit to both parties and support the expansion of the Company's foreign investor base, the service fee was the expense sharing based on actual cost of services or 50% of actual cost of this services.

7. The Company paid for license fee of email and internet software maintenance to Nomura Research Institute Hong Kong Limited. Later, the partner of agreement had been changed to Nomura International (Hong Kong) Limited, which is the company of Nomura Group.

The service fee paid for the fiscal year 2008 was HKD 5,306.70 or approximately Baht 23,880 (exchange rate Baht 4.50 : HKD 1). The fee was a referential market price.

8. The Company entered into *Internet Security Advisory and Daily Operations Support Agreement* with Nomura Research Institute Hong Kong Limited. Later, the partner of agreement had been changed to Nomura International (Hong Kong) Limited, which is the company of Nomura Group. By this agreement, the Company would receive the security advisory and Internet security service to ensure that the security system would be sufficiently effective.

The service fee paid for the fiscal year 2008 was USD 13,464 or approximately Baht 457,776 (exchange rate Baht 34 : USD 1). The fee was a referential market price.

9. The Company entered into *the Hi-Speed Circuit Service* with United Information Highway Company Limited of which the Company's director was also the managing director of United Information Highway Company Limited. The Company receives the hi-speed circuit service.

The service fee paid for the fiscal year 2008 was Baht 628,248. The service and fee paid were the same service and rate as what other customer received.

10. The Company entered into the agreement with Mr. Pisit Tesabamroong, the 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 2008 was Baht 240,000. The fee was a reasonable fixed price.

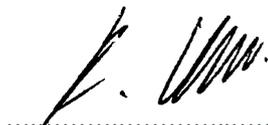
All agreements specified the exact fees and procedures of termination, which were clear and equitable. The above connected transactions are reasonable, equitable and in line with an ordinary and usual course of the Company's business and / or supporting an ordinary and usual course of the Company's business.

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 2008 and 2007, 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		Remarks
				2008	2007	
1. 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.	1 year	9,558,080	7,296,735	The service fee was calculated by reference to the cost plus 10% margin.
2. 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.	326,835	575,408	The service fee was calculated based upon the introducing credit rate to the similar business.
3. Capital Nomura Securities Public Company Limited and Nomura Singapore Limited	Nomura Holdings, Inc. is the major shareholder of the Company and Nomura Singapore Limited	Agency 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.	41,690,310	50,740,930	The commission fee was the market rate. It was the same rate as the rate charged to other clients and Exclusive Partner, in accordance with the SEC's notification.

In the fiscal years 2008 and 2007, 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		Remarks
				2008	2007	
4. 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.	24,062,726	-	The service fee was calculated by reference to the cost plus 10% margin.
5. 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 Financial Advisory Services 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.	20,357,500	22,102,858	The service fee was calculated by reference to the cost plus 10% margin.
6. 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 provided information of Thai Capital Market directly to the clients of Nomura International (Hong Kong) Limited.	No expiry date, however, the Agreement can be terminated by issuing not less than 30 days written notice to other party.	516,660	3,792,090	This service generated the mutual benefit for both parties, therefore the rate was calculated by sharing of actual service cost or 50% of actual cost of services.

In the fiscal years 2008 and 2007, 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		Remarks
				2008	2007	
7. 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	Nomura International (Hong Kong) Limited was the Company's distributor in overseas market.	For Samui Airport Property Fund	-	1,587,960	At the rate per agreement with reference to similar business
8. Capital Nomura Securities Public Company Limited and Nomura Research Institute Hong Kong Limited. Later, the partner of agreement had been changed to Nomura International (Hong Kong) Limited	Nomura Holdings, Inc. is the major shareholder of the Company, Nomura Research Institute Hong Kong Limited and Nomura International (Hong Kong) Limited	The Company paid for license fee of email and internet software maintenance.	1 year	HKD 5,306.70	HKD 5,306.70	The fee was referential market price.

In the fiscal years 2008 and 2007, 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		Remarks
				2008	2007	
9. Capital Nomura Securities Public Company Limited and Nomura Research Institute Hong Kong Limited. Later, the partner of agreement had been changed to Nomura International (Hong Kong) Limited	Nomura Holdings, Inc. is the major shareholder of the Company, Nomura Research Institute Hong Kong Limited and Nomura International (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 13,464	The fee was referential market price.
10. Capital Nomura Securities Public Company Limited and United Information Highway Company Limited	The Company's director is the managing director of United Information Highway Company Limited	The Company received the hi-speed circuit service and paid fee for service.	No expiry date, however, the Agreement can be terminated by issuing not less than 30 days written notice to other party.	628,248	773,125	The fee was normal rate charged to other clients.
11. 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, 2008 and 2007**

<b>Transaction</b>	<b>Related companies</b>	<b>Presented in Financial Statements as</b>		<b>Balance as of</b>	
		<b>31 Aug 2008</b>	<b>31 Aug 2007</b>	<b>31 Aug 2008</b>	<b>31 Aug 2007</b>
Agency Agreement	Nomura Singapore Limited	Securities business receivable	1,183,645	Securities business receivable	34,435,540
Investors Business Support Agreement	Nomura Singapore Limited	Securities business payable	76,127,231	Securities business payable	56,613,789
Introducing Broker Agreement	Nomura Singapore Limited	Other assets	208,080	Other assets	2,566,735
Agreement for Provision of Financial Advisory Services	Nomura International (Hong Kong) Limited	Other assets	2,074	Other assets	-
Agreement for Provision of Services	Nomura International (Hong Kong) Limited	Other assets	(4,642,500)	Other assets	-
Equity Service Agreement	Nomura International (Hong Kong) Limited	Other liabilities	-	Other liabilities	4,297,142
Agreement for email and internet software maintenance services	Nomura International (Hong Kong) Limited	Other assets	24,062,725	Other assets	-
Internet Security Advisory and Daily Operations Support Agreement	Nomura International (Hong Kong) Limited	Other assets	516,660	Other assets	3,792,090
Hi-Speed Circuit Service	United Information Highway Company Limited	Other liabilities	26,194	Other liabilities	-
		Other liabilities	462,919	Other liabilities	-
		Other liabilities	47,047	Other liabilities	67,592

**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 and the Securities and Exchange Commission's regulations.

**Policy or outlook for future connected transactions**

- None -

## Performance Analysis

During fiscal year 2008, the Stock Exchange of Thailand (SET) faced a rather sluggish investment climate when compared with the previous fiscal year due to the impact of several negative internal factors that included: a) the unclear political situation; b) the rising oil prices; and c) the high inflation rate and higher consumption prices. These factors had affected consumer confidence, GDP growth and the performance of companies listed on the SET. In addition to internal factors, external factors from global economy including the US financial crisis that impacted the global markets also had a direct impact on the investor sentiments in SET. Both internal and external factors had a direct impact on investment activities in the Thai equity market. In the fiscal year 2008 foreign net sell amounted to Baht 134,283 million. The average daily turnover for the SET during the fiscal year 2008 rose by 12.12% to Baht 18.35 billion from Baht 16.36 billion in the fiscal year 2007. As a result, brokerage firms' total income from the securities business showed a gain due to higher daily turnovers. This also included CNS that showed a gain in income from securities business. In the fiscal year 2008 CNS's brokerage fee income increased by 13.01% from Baht 466.85 million in the fiscal year 2007 to Baht 527.60 million in the fiscal year 2008, while CNS's net profit rose by 20.25% from Baht 102.39 million in fiscal year 2007 to Baht 123.13 million in fiscal year 2008. The factors that contributed to the increase in CNS's earnings for fiscal year 2008 are outlined below.

Income from brokerage fees accounted for 63.81% of CNS's total revenue in fiscal year 2008 for gain of 13.01% from Baht 466.85 million in fiscal year 2007 to Baht 527.60 million in the fiscal year 2008. CNS's brokerage market share rose from 2.43% in the previous fiscal year to 2.59% in fiscal year 2008. However, CNS was aware of the risk of depending solely on brokerage fees from the highly competitive securities business and as a result continued to diversify its source of revenue. For example, in fiscal year 2008 brokerage fee income from CNS's futures business accounted for 4.01% of its total revenue, while fee and service income accounted for 10.84% of its total revenue. This resulted in total revenue growth of 7.57% for fiscal year 2008 when compared with fiscal year 2007.

CNS's operating expenses slightly increased from Baht 597.04 million in the fiscal year 2007 to Baht 599.70 million in fiscal year 2008. The increase in operating expenses was caused primarily by higher expenses linked to the increase in revenue, which included a 7.92% year on year increase in personnel expenses. However, operating expenses decreased approximately Baht 15.97 million or 10.65% which was mainly from provision for head office relocation amounting to Baht 16 million in the previous fiscal year, meanwhile CNS set up an additional of the provision for head office relocation amounting to Baht 6 million for the fiscal year 2008.

In fiscal year 2007, CNS set up the allowance for impairment of property foreclosed amounting to Baht 4 million, while such allowance was not required for additional amount in the fiscal year 2008. As such, operating expenses increased by only 0.45%, while the ratio of operating expenses to total revenue fell from 77.67% in the previous fiscal year to 72.53% in fiscal year 2008.

In summary, CNS's net revenue\* from its securities business totaled Baht 764.11 million in fiscal year 2008, for a gain of Baht 44.74 million when compared with the previous fiscal year. The earnings before corporate income tax increased by Baht 43.64 million to Baht 169.98 million when compared with the previous fiscal year. CNS's net profit for fiscal year 2008 stood at Baht 123.13 million or an earnings per share (EPS) of Baht 1.72 when compared with the previous fiscal year's net profit of Baht 102.39 million or an EPS of Baht 1.43.

\* Calculated by total income, other incomes excluded, net of expenses on borrowing, fee and services expenses, bad debt and allowances for doubtful accounts

### Revenue Performance by Source

Revenue Structure	Fiscal Year 2008		Fiscal Year 2007		Fiscal Year 2006	
	Baht of million	%	Baht of million	%	Baht of million	%
Brokerage fee - securities business	527.60	63.81	466.85	60.73	509.76	71.14
Brokerage fee - futures business	33.11	4.01	24.41	3.18	2.65	0.37
Fee and services income	89.64	10.84	91.62	11.92	56.90	7.94
Gain (Loss) on trading in securities	17.96	2.17	10.72	1.39	(2.33)	(0.33)
Interest and dividend	62.54	7.56	111.22	14.47	92.47	12.90
Interest on margin loans	90.43	10.94	59.87	7.79	53.46	7.46
Other income	5.57	0.67	4.00	0.52	3.69	0.52
<b>Total revenue</b>	<b>826.85</b>	<b>100.00</b>	<b>768.69</b>	<b>100.00</b>	<b>716.60</b>	<b>100.00</b>

### Major Changes of Each Business during the Past Fiscal Year

#### Securities Brokerage Business

Securities brokerage operation was CNS's core business for in fiscal year 2008, that accounted for 63.81% of CNS's total revenue. CNS's brokerage fee income in fiscal year 2008 increased by 13.01% to 527.60 million in fiscal year 2008 from Baht 466.85 million in fiscal year 2007. The main factor that contributed to this gain was the increase in CNS's market share from 2.43% in fiscal year 2007 to 2.59% in fiscal year 2008. The earnings performance improved amid the intense competition in the securities trading business, as well as to increase their foreign institutional client base by signing contracts as exclusive partners. Although newly established and re-established securities firms were trying to increase their market share in retail segment,

CNS's retail trading value improved by 23.99%. Our trading value of domestic institutional client rose by 13.26%, while trading value of foreign institutional client declined by 8.91%. The gain in CNS's securities brokerage fee was attributable to CNS's policy of boosting efficiency and service quality in every respect, particularly in terms of the quality of the research reports distributed to clients which remains essential to the expansion of both our domestic and foreign institutional client base. Our proportions of retail client base was higher than our domestic and foreign institutional client base. The proportion of trading values of our retail client increased to 78.26% in fiscal year 2008 from 74.56% in the previous fiscal year. While the proportion of trading values of our domestic institutions and foreign institutions in fiscal year 2008 decreased to 10.87% from 11.34% and 10.87% from 14.10% in the previous fiscal year, respectively.

Trading Value Classified by Type of Investors	Fiscal Year 2008		Fiscal Year 2007		Fiscal Year 2006	
	Baht of Million	%	Baht of Million	%	Baht of Million	%
Individual Retail	180,437	78.26	145,531	74.56	156,573	76.80
Domestic Institutions	25,065	10.87	22,131	11.34	24,759	12.14
Foreign Institutions	25,059	10.87	27,511	14.10	22,549	11.06
<b>Total *</b>	<b>230,561</b>	<b>100.00</b>	<b>195,173</b>	<b>100.00</b>	<b>203,881</b>	<b>100.00</b>

Note : Total trading value figures include both The Stock Exchange of Thailand (SET) and Market for Alternative Investment (MAI)

\* Total value figures exclude CNS's investment portfolios

Company's Total Trading Turnover by Category	Fiscal Year 2008		Fiscal Year 2007		Fiscal Year 2006	
	Baht of Million	%	Baht of Million	%	Baht of Million	%
Cash Accounts	157,200	67.86	156,071	79.77	164,204	80.25
Internet Online Accounts	37,020	15.98	16,244	8.30	10,476	5.12
Margin Loan Accounts	37,430	16.16	23,345	11.93	29,944	14.63
<b>Total</b>	<b>231,650</b>	<b>100.00</b>	<b>195,660</b>	<b>100.00</b>	<b>204,624</b>	<b>100.00</b>

Note: Total trading value figures include both The Stock Exchange of Thailand (SET) and Market for Alternative Investment (MAI)

### Investment Banking Business and Other Services

Fees and service income, including income from financial advisory services, securities underwriting and other services, slightly slipped by 2.16% to Baht 89.64 million in fiscal year 2008 from Baht 91.62 million in fiscal year 2007.

## Investment Business

There were no significant changes in the CNS's investment activities in the fiscal year 2008. Nevertheless, the CNS's interest and dividend income decreased by 43.77% or a decline of Baht 48.69 million from Baht 111.22 million reported for fiscal year 2007 to Baht 62.54 million. This huge decrease was attributable to two main reasons. For the first reason, CNS allocated more budgets for its margin lending business as the company wanted to support its securities brokerage business and the interest generated by this margin and lending business was higher than the interests from government bonds or loans from commercial banks or financial institutes. Another reason was the decline in market interest rate. Note that in the fiscal year 2007 the market interest rate based on R/P rate stood at around 4.88% (Note: the rate started at 5% in September 2006 and the it continued to fall to 3.25% in August 2007). In fiscal year 2008 the R/P rate stood at about 3.25% (Note: the rate had been maintained at 3.25% since September 2007 to June 2008 before it was raised to 3.50% in July and August 2008). Given the abovementioned two reasons, CNS's interest and dividend income dropped remarkably while interests for margin lending rose significantly.

## Margin Lending Business

Margin lending business is a supplementary income stream for CNS and also supports the CNS's brokerage business. In the fiscal year 2008, CNS's average margin lending grew by 56% or Baht 0.59 billion, to Baht 1.64 billion in the fiscal year 2008 from Baht 1.05 billion in the fiscal year 2007 as the market was beneficial for short-term speculation. As a result, interest income from the CNS's margin lending business increased by 51% or Baht 30.56 million from Baht 59.87 million in the fiscal year 2007 to Baht 90.43 million in the fiscal year 2008 and contributed to 10.94% of CNS's revenue in total. However, it should be emphasized that CNS offers its margin loan services in a very cautious manner and that credit is not extended to clients for the purpose of investing in high-risk securities. For this purpose, CNS has set up the Credit Review Committee and the Marginable Securities Committee in accordance with the Company's policy to minimize risk

## Financial Position Analysis

As of August 31, 2008, CNS had total assets of Baht 4,468.21 million for a decrease of 0.96% when compared with the previous fiscal year when its total assets stood at Baht 4,511.53 million. The significant components of CNS's assets included the following: a) cash and cash equivalents (21.79% of total assets); b) net securities receivables (49.37% of total assets); c) net investments in securities (23.48% of total assets); and other assets (5.36% of total assets). The major changes to CNS's assets by category are outlined below.

As of the end of fiscal year 2008, securities business receivables and accrued interest receivables which net of allowances for doubtful accounts stood at Baht 2,206.19 million for a gain of 0.09% over the Baht 2,204.30 million that it reported for the previous fiscal year. This was largely attributable to the rises in guaranteed deposit receivables as well as the increase in securities borrowing receivables. The securities business receivables from cash accounts on demand at the end of fiscal year 2008 fell by 35.81% to 292.72 million from Baht 456.02 million at the end of previous fiscal year. The margin loans at the end of fiscal year 2008 dropped by 9.20% to Baht 1,463.44 million from Baht 1,611.69 million. Note that the increase in securities receivables was in line with the rise in business transactions that reflected the increase in average daily turnover on The Stock Exchange of Thailand (SET) which increased by 12.12% to Baht 18,348 million from Baht 16,363 million in fiscal year 2007.

As of the end of fiscal year 2008 CNS's net investments in securities stood at Baht 1,049.31 million for a decrease of 1.44% when compared with the Baht 1,064.69 million shown at the end of fiscal year 2007. CNS's net investments in securities, current investments or investments with a maturity period of less than one year accounted for 98.41% of CNS's net investments in securities, while the remaining 1.59% was in long-term investments. CNS keeps a higher proportion of its net investments in current assets in order to enhance the flexibility of its investments, as well as to allow for more efficient management of those investments and to allow for a swift response to changes in the current situation.

As of August 31, 2008, CNS's cash and cash equivalents totaled Baht 973.56 million for a gain of 7.81% from Baht 903.01 million as of August 31, 2007. This rise reflects the growth in securities brokerage business, especially during the time when Company's trading volumes increased.

In conclusion, CNS was successful in maintaining its sound financial status as characterized by its high net capital ratio (NCR). For fiscal year 2008, CNS's NCR stood at 768.07%, which is considerably higher than the minimum requirement of 7% set forth by The Securities and Exchange Commission (SEC). Also, CNS's liquid assets to total assets ratio remained high at 22.00%, while its cash and cash equivalents stood at Baht 973.56 million that was equivalent to 21.79% of its total assets.

Meanwhile, CNS's debt to equity (D/E) ratio as of the end of fiscal year 2008 was a mere 0.23x, down from 0.26x at the end of fiscal year 2007. CNS's unappropriation retained earnings were substantial at Baht 474.85 million, while its shareholders' equity stood at Baht 3,628.32 million that was equivalent to a book value of Baht 50.62 per share.

## Key Financial Ratios

Financial Ratio	Fiscal Year 2008	Fiscal Year 2007	Fiscal Year 2006
<b><u>Profitability Ratio</u></b>			
Gross Profit Margin (%)	93.04	94.07	95.66
Net Profit Margin (%)	14.89	13.32	14.87
Return on Equity (%)	3.41	2.86	2.97
Return on Investment (%)	3.67	4.26	2.38
<b><u>Efficiency Ratio</u></b>			
Return on Assets (%)	2.74	2.34	2.47
Assets Turnover (Times)	0.18	0.18	0.17
<b><u>Financial Ratio</u></b>			
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 (%)	22.00	20.26	19.53
Earning Assets to Total Assets (%)	93.28	88.44	91.95
Debt/Equity (Times)	0.23	0.26	0.19
Dividend Pay-Out (%)	N/A	84.01	80.70
<b><u>Other Ratios</u></b>			
Investment in Securities to Assets (%)	23.48	23.60	25.22
Net Capital Ratio (calculated as the SEC standard) (%)	768.07	446.67	545.42
<b><u>Data Per Share (Baht)</u></b>			
Book Value per Share	50.62	50.10	49.68
Earnings per Share	1.72	1.43	1.49
Dividend per Share	N/A	1.20	1.20
<b><u>Growth Rate (%)</u></b>			
Total Assets	(0.96)	6.82	(3.90)
Total Liabilities	(8.74)	39.01	(15.65)
Total Income	7.57	7.27	(13.26)
Income from Sales and Services	7.40	7.26	(13.07)
Operating Expenses	0.45	8.90	(4.49)
Net Earnings	20.25	(3.94)	(37.44)

## Key Financial Performance

<b>Financial data (Baht of Million)</b>	<b>Fiscal Year 2008</b>	<b>Fiscal Year 2007</b>	<b>Fiscal Year 2006</b>
Cash and Cash Equivalents	973.56	903.01	1,440.03
Securities Business Receivables and Derivatives Business Receivables	2,206.19	2,204.30	1,427.57
Investment in Securities – Net	1,049.31	1,064.69	1,065.37
<b>Total Assets</b>	<b>4,468.21</b>	<b>4,511.53</b>	<b>4,223.51</b>
<b>Total Liabilities</b>	<b>839.89</b>	<b>920.36</b>	<b>662.07</b>
Paid-Up Capital	716.82	716.82	716.82
Retained Earnings – Unappropriated	474.85	436.88	419.97
<b>Total Shareholders' Equity</b>	<b>3,628.32</b>	<b>3,591.18</b>	<b>3,561.44</b>
Income from Brokerage Fees	527.60	466.85	509.76
<b>Total Income</b>	<b>826.85</b>	<b>768.69</b>	<b>716.60</b>
Operating Expenses	599.70	597.04	548.25
<b>Net Earnings (Loss)</b>	<b>123.13</b>	<b>102.39</b>	<b>106.59</b>
<b>Data Per Share (Baht)</b>	<b>Fiscal Year 2008</b>	<b>Fiscal Year 2007</b>	<b>Fiscal Year 2006</b>
Book Value per Share	50.62	50.10	49.68
Basic Earnings per Share	1.72	1.43	1.49
Dividend per Share	N/A	1.20	1.20
Par Value	10.00	10.00	10.00
<b>Growth Rate (%)</b>	<b>Fiscal Year 2008</b>	<b>Fiscal Year 2007</b>	<b>Fiscal Year 2006</b>
Total Assets	(0.96)	6.82	(3.90)
Total Liabilities	(8.74)	39.01	(15.65)
Earnings from Brokerage Fees	14.14	(4.13)	(20.86)
Total Income	7.57	7.27	(13.26)
Total Operating Expenses	0.45	8.90	(4.49)
<b>Net Earnings (Loss)</b>	<b>20.25</b>	<b>(3.94)</b>	<b>(37.44)</b>
<b>Other Information</b>	<b>Fiscal Year 2008</b>	<b>Fiscal Year 2007</b>	<b>Fiscal Year 2006</b>
Market Share on Securities Trading Business	2.59%	2.43%	2.61%
Average Brokerage fees	0.23%	0.24%	0.25%
Total Number of Branches	4	4	4
Total Number of Staff	400	412	449
Stock Price (Baht) - High	41.75	47.25	54.50
Stock Price (Baht) - Low	21.20	24.10	32.00
Stock Price (Baht) - Close	21.70	37.75	33.25

## Report of the Board of Directors' Responsibility in the Financial Statements

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The Board of Directors realized the important of their duties and responsibilities in supervising the Company's operations to follow the corporate governance policy, monitoring financial statement and adequacy of disclosed information for benefits of shareholders and other related parties, setting an efficient internal control system, preventing conflict of interest in connected transaction and ensuring that connected transaction was made based on the Company's maximum benefits and in compliance with relevant law and regulations.

The Board of Directors is of the opinion that the Company's internal control system is proven satisfactory and contributes to the Company's credibility as of August 31, 2008 which was audited by the certified public accountant, presented an accurate financial status and operation result in it essence as per the general accepted accounting principles and already disclosed adequate information in the notes to financial statement.



(Suthep Peetakanont)

Chairman and Chairman of the Executive Board

## Report of independent auditor

To the shareholders 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 2008 and 2007, the related statements of income, 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 position of Capital Nomura Securities Public Company Limited as at 31 August 2008 and 2007, 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: 28 October 2008

## Capital Nomura Securities Public Company Limited

## Balance sheets

As at 31 August 2008 and 2007

	Note	2008	(Unit: Baht) 2007
<b>Assets</b>			
Cash and cash equivalents	6	973,561,258	903,012,339
Long-term deposits at financial institutions	7	-	-
Investments in debt and equity securities - net	8	1,049,311,579	1,064,692,156
Receivables from clearing house	9	22,128,290	141,040,065
Securities and derivatives business receivables - net	10	2,206,192,282	2,204,300,637
Premises and equipment - net	12	32,387,997	40,370,222
Intangible assets - net	13	21,457,040	24,313,361
Deferred income tax assets - net	14	36,328,310	36,081,858
Other assets - net	15	126,839,856	97,723,828
<b>Total assets</b>		<b>4,468,206,612</b>	<b>4,511,534,466</b>

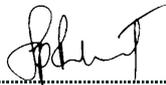
The accompanying notes are an integral part of the financial statements.

**Capital Nomura Securities Public Company Limited****Balance sheets (Continued)**

As at 31 August 2008 and 2007

	Note	2008	2007
(Unit: Baht)			
<b>Liabilities and shareholders' equity</b>			
<b>Liabilities</b>			
Payables to clearing house		18,516,814	46,279,289
Securities and derivatives business payables	16	704,642,906	772,554,739
Other liabilities	17	116,729,521	101,523,219
<b>Total liabilities</b>		<u>839,889,241</u>	<u>920,357,247</u>
<b>Shareholders' equity</b>			
Share capital			
Registered			
71,682,300 ordinary shares of Baht 10 each		<u>716,823,000</u>	<u>716,823,000</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 in investments	8.3	17,814,479	18,638,017
Retained earnings			
Appropriated - statutory reserve	18	72,000,000	72,000,000
- general reserve		215,000,000	215,000,000
Unappropriated		<u>474,846,292</u>	<u>436,882,602</u>
<b>Total shareholders' equity</b>		<u>3,628,317,371</u>	<u>3,591,177,219</u>
<b>Total liabilities and shareholders' equity</b>		<u>4,468,206,612</u>	<u>4,511,534,466</u>

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




Directors

## Capital Nomura Securities Public Company Limited

## Income statements

For the years ended 31 August 2008 and 2007

	Note	2008	2007
(Unit: Baht)			
<b>Income</b>			
Brokerage fees			
Brokerage fees from securities business		527,599,486	466,854,235
Brokerage fees from derivative business		33,111,860	24,407,900
Fees and service income	20	89,641,667	91,622,098
Gain on trading in securities	8.4	18,039,059	10,717,153
Loss on trading in derivatives		(81,560)	(12,000)
Interest and dividend		62,536,953	111,223,850
Interest on margin loans		90,432,253	59,873,467
Other incomes		5,575,027	4,001,188
<b>Total income</b>		<b>826,854,745</b>	<b>768,687,891</b>
<b>Expenses</b>			
Expenses on borrowing		20,772,766	16,784,825
Fees and services expenses		36,399,388	28,525,605
Bad debt and doubtful accounts (Reversal)		(3,951)	3,537
Operating expenses			
Personnel expenses	21	405,429,812	375,662,452
Premises and equipment expenses		133,972,971	149,945,052
Taxes and duties		4,017,986	4,640,269
Directors' remuneration	22	3,096,000	2,836,000
Other expenses		53,187,496	63,951,512
Total operating expenses		599,704,265	597,035,285
<b>Total expenses</b>		<b>656,872,468</b>	<b>642,349,252</b>
<b>Income before corporate income tax</b>		<b>169,982,277</b>	<b>126,338,639</b>
Corporate income tax	14	(46,857,107)	(23,944,979)
<b>Net income for the year</b>		<b>123,125,170</b>	<b>102,393,660</b>
<b>Earnings per share</b>	25		
Basic earnings per share			
Net income		1.72	1.43

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 2008 and 2007

	Ordinary shares	Premium on share capital	Revaluation				General reserve	Unappropriated retained earnings	Total
			Revaluation surplus in investments	Revaluation deficit in investments	Statutory reserve	Statutory reserve			
<b>Balance - as at 1 September 2006</b>	716,823,000	2,131,833,600	5,814,981	72,000,000	215,000,000	419,965,173	3,561,436,754		
Revaluation surplus (deficit) in investments									
- revaluation in investments	-	-	18,872,430	-	-	-	18,872,430		
- due from deferred income tax	-	-	(6,049,394)	-	-	-	(6,049,394)		
Net income	-	-	-	-	-	102,393,660	102,393,660		
Dividend paid (Note 23)	-	-	-	-	-	(85,476,231)	(85,476,231)		
<b>Balance - as at 31 August 2007</b>	716,823,000	2,131,833,600	18,638,017	72,000,000	215,000,000	436,882,602	3,591,177,219		
Revaluation surplus (deficit) in investments									
- revaluation in investments	-	-	(1,176,483)	-	-	-	(1,176,483)		
- due from deferred income tax	-	-	352,945	-	-	-	352,945		
Net income	-	-	-	-	-	123,125,170	123,125,170		
Dividend paid (Note 23)	-	-	-	-	-	(85,161,480)	(85,161,480)		
<b>Balance - as at 31 August 2008</b>	716,823,000	2,131,833,600	17,814,479	72,000,000	215,000,000	474,846,292	3,628,317,371		

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 2008 and 2007

	(Unit: Baht)	
	<u>2008</u>	<u>2007</u>
<b>Cash flows from operating activities</b>		
Net income before tax	169,982,277	126,338,639
Adjustments to reconcile net income to net cash provided by (paid for) operating activities:		
Depreciation and amortisation	32,882,533	39,993,497
Bad debt and doubtful accounts	(3,951)	3,537
Loss on impairment of properties foreclosed	-	4,070,009
Reversal of loss on impairment of available-for-sale securities	(29,402,131)	(8,900,000)
Gain on sales of long term investment	(5,612,945)	-
Gain on disposal of equipments	(2,475,723)	(588,398)
Written-off equipments from damage	393,609	4,670
Interest income from deposits and investments	(43,086,532)	(79,556,165)
Interest income from margin loans	(90,432,253)	(59,873,468)
Others interest income	(587,452)	(949,461)
Dividend income	(19,450,420)	(31,667,685)
Interest expenses	19,129,652	15,240,109
Income from operating activities before changes in operating assets and liabilities	31,336,664	4,115,284
Operating assets (increase) decrease		
Current investments	39,559,371	28,742,514
Receivables from clearing house	118,911,775	(75,469,124)
Securities and derivatives business receivables	(1,364,680)	(774,530,036)
Other assets	(29,247,862)	(272,432)
Operating liabilities increase (decrease)		
Payables to clearing house	(27,762,475)	(113,193,370)
Securities and derivatives business payables	(68,067,521)	331,989,504
Other liabilities	10,009,049	31,654,611
Cash from (used in) operating activities	73,374,321	(566,963,049)
Cash paid for interest expenses	(18,973,964)	(15,000,274)
Cash paid for corporate income tax	(41,553,361)	(28,677,497)
Cash received from interest on deposits	42,913,450	79,979,716
Cash received from interest on margin loans	89,874,598	57,628,063
Cash received from others interest	585,603	960,835
<b>Net cash from (used in) operating activities</b>	<u>146,220,647</u>	<u>(472,072,206)</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 2008 and 2007**

	(Unit: Baht)	
	<u>2008</u>	<u>2007</u>
<b>Cash flows from investing activities</b>		
Proceeds from dividend	19,450,420	31,667,685
Proceeds from sales of long term investment	9,365,067	-
Acquisition of equipments	(17,338,087)	(6,503,022)
Proceeds from sales of equipments	4,003,037	588,402
Acquisition of intangible assets	(5,990,685)	(5,220,804)
<b>Net cash from investing activities</b>	<u>9,489,752</u>	<u>20,532,261</u>
<b>Cash flows from financing activities</b>		
Dividend paid	(85,161,480)	(85,476,231)
<b>Net cash used in financing activities</b>	<u>(85,161,480)</u>	<u>(85,476,231)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	70,548,919	(537,016,176)
Cash and cash equivalents at beginning of year	<u>903,012,339</u>	<u>1,440,028,515</u>
<b>Cash and cash equivalents at end of year</b>	<u><u>973,561,258</u></u>	<u><u>903,012,339</u></u>

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

**Capital Nomura Securities Public Company Limited****Notes to financial statements****For the years ended 31 August 2008 and 2007****1. General information**

1.1 Capital Nomura Securities Public Company Limited was incorporated as a public limited company and domiciled in Thailand. The Company's registered office is located at 21/3 Thai Wah Tower, 1st Floor, South Sathorn Road, Tungmahamak, Sathorn, Bangkok and it has 4 branches in Bangkok.

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

**2. Basis for the preparation of financial statements**

The financial statements in Thai Language have been prepared in accordance with accounting standards enunciated under the Accounting Profession Act B.E. 2547, except for the early adoption of Accounting Standard No. 56 "Accounting for Income Tax" which is in line with International Accounting Standard (IAS) No. 12 "Income Taxes" (revised 1996).

The financial statements in Thai language are the official statutory financial statements of the Company. The financial statements in English language have been translated from the official statutory financial statements.

The presentation of the financial statements has been made in compliance with requirement of the Notifications 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.

The financial statements have been prepared on a historical cost basis except where otherwise disclosed in the accounting policies.

### 3. Adoption of new accounting standards

The Federation of Accounting Professions (FAP) has issued Notifications No. 9/2550, 38/2550 and 62/2550 regarding accounting standards. The notifications mandate the use of the following new accounting standards.

#### 3.1 Thai accounting standards which are effective for the current year

TAS 44 (revised 2007)	Consolidated and Separate Financial Statements
TAS 45 (revised 2007)	Investments in Associates
TAS 46 (revised 2007)	Interests in Joint Ventures

These accounting standards become effective for the financial statements for fiscal years beginning on or after 1 January 2007. However, these three revised accounting standards are not relevant to the business of the Company.

#### 3.2 Thai accounting standards which are not effective for the current year

TAS 25 (revised 2007)	Cash Flow Statements
TAS 29 (revised 2007)	Leases
TAS 31 (revised 2007)	Inventories
TAS 33 (revised 2007)	Borrowing Costs
TAS 35 (revised 2007)	Presentation of Financial Statements
TAS 39 (revised 2007)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 41 (revised 2007)	Interim Financial Reporting
TAS 43 (revised 2007)	Business Combinations
TAS 49 (revised 2007)	Construction Contracts
TAS 51	Intangible Assets

These accounting standards will become effective for the financial statements for fiscal year beginning on or after 1 January 2008. The management has assessed the effect of these revised accounting standards and believes that TAS 31, TAS 33, TAS 43 and TAS 49 are not relevant to the business of the Company, whereas TAS 25, TAS 29, TAS 35, TAS 39, TAS 41 and TAS 51 do they will not have any significant impact on the financial statements for the year in which they are initially applied.

#### 4. Significant accounting judgments and estimates

The preparation of financial statements in conformity with generally accepted accounting principles at times requires management to make subjective judgments and estimates regarding matters that are inherently uncertain. These judgments and estimates affect reported amounts and disclosures and actual results could differ. The significant accounting judgments and estimates are as follow:

##### **Allowances for loan losses for securities and derivative business receivables**

Allowances for loan losses for securities and derivative business receivables are intended to adjust the values of loans and receivables for probable credit losses. The management uses judgment to establish reserves for estimated losses for each outstanding loan and receivable by taking into account collection risk and the value of the security used as collateral. However, the use of different estimates and assumptions could affect the amounts of allowances for loan losses and adjustments to the allowances may therefore be required in the future.

##### **Fair value of financial instruments**

In determining the fair value of financial instruments that are not actively traded and for which quoted market prices are not readily available, the management exercised judgment, using a variety of valuation techniques. The input to these models is taken from observable markets, and includes consideration of liquidity, correlation and longer-term volatility of financial instruments.

##### **Impairment of equity investments**

The Company treats available-for sale equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgment.

##### **Deferred tax assets**

Deferred tax assets are recognised. Significant management judgment is used in considering whether it is highly probable that the Company will generate sufficient taxable profits from its future operations to utilise these deferred tax assets.

### **Assessment of risk and rewards**

When considering the recognition and derecognition of assets or liabilities, the management is required to use judgment in assessing risk and rewards. Although management uses its best knowledge of current events and actions in making assessments of risk and rewards, actual risks and rewards may ultimately differ.

### **Litigation**

The Company has contingent liabilities as a result of litigation. The Company's management has used judgment to assess of the results of the litigation and believes that no loss will result and therefore no contingent liabilities are recorded as at the balance sheet date. However, actual results could differ from the estimates.

## **5. Significant accounting policies**

### **5.1 Revenue and expenses recognition**

#### *Brokerage fees*

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

#### *Fees and service incomes*

Fees are recognised as income on an accrual basis. Service income is recognised when services have been rendered taking into account the stage of completion.

#### *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.

#### *Interest and dividend*

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

#### *Interest on credit balance loans*

Interest is recognised over the term on the loans based on the amount of principal outstanding, 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.

#### *Expenses*

Expenses are recognised on an accrual basis.

### **5.2 Interest on borrowings**

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

### **5.3 Cash and cash equivalents**

Cash and cash equivalents include cash on hand, all bank accounts, negotiable certificates of deposit and call notes receivable and term notes receivable not more than 3 months remaining to maturity and not subject to withdrawal restrictions. This accords with the Notification issued by the Office of the Securities and Exchange Commission.

### **5.4 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 excludes the amounts which are unsecured from both assets and liabilities and presents only those assets which belong to the Company.

## 5.5 Borrowing and lending of securities

The Company conducts both securities borrowing and securities lending transactions through agreements with borrowers and lenders of securities who are the Company's customers. The Company's objective 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 the Company allows the customers to 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 period, 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 period. Gains or losses arising from such adjustment are included in determining income. The Company records cash paid as collateral for securities borrowing as "Guaranteed deposit receivables" and cash received as collateral for securities lending as "Guarantee deposit payable". Fees for borrowing and lending are recognised on an accrual basis over the term of the lending.

## 5.6 Investments in debt and equity securities

Investments in available-for-sale securities, both held for current and long-term investments, are stated at fair value. Changes in the carry amount of the securities are shown as separate items in shareholders' equity until the securities are sold, when the changes are then included in determining income.

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 period as quoted. The fair value of government bonds, state enterprise securities and private sector debt securities is determined using the latest bid yield or price 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 income 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.

#### **5.7 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 broking.

#### **5.8 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 depositories) 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 of the Office of the Securities and Exchange Commission.

#### 5.9 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
Motor vehicles	5	years

Depreciation is included in determining income

No depreciation is provided for land.

#### 5.10 Intangible assets and amortisation

Intangible assets, comprising computer software, are stated at cost less accumulated amortisation. Amortisation is calculated by reference to cost on a straight-line basis over the expected future period, for which the assets are expected to generate economic benefit approximately 5 years.

The amortisation is included in determining income.

## 5.11 Income tax

### *Current tax*

Income tax is provided for the accounts based on the taxable profits determined in accordance with tax legalisation.

### *Deferred tax*

Deferred income tax is calculated based on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts.

The Company recognises deferred tax liabilities for taxable temporary differences and recognises deferred tax assets for deductible temporary differences. The temporary differences arise from unrealised losses on investments, allowance for doubtful accounts, allowance for loss on impairment of property foreclosed and other reserve. The Company recognises deferred tax assets to the extent that it is probable that future taxable profit will be available against which such deductible temporary differences and tax losses carried forward can be utilized.

At each balance sheet date, the Company reviews and reduces the carrying amount of deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

The Company records deferred tax directly to equity if the tax relates to items that are recorded directly to equity.

## 5.12 Property foreclosed

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

## 5.13 Impairment of assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Company makes an estimate of the asset's recoverable amount. Where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognised in the income statement. An asset's recoverable amount is the higher of fair value less costs to sell and value in use.

#### **5.14 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.

#### **5.15 Related parties transaction**

Related parties comprise enterprises and individuals that control, or are controlled by, the Company, whether directly or indirectly, or which are under common control with the Company.

They also include associated companies and individuals which directly or indirectly own a voting interest in the Company that gives them significant influence over the Company, key management personnel, directors and officers with authority in the planning and direction of the Company's operations.

#### **5.16 Foreign currencies**

Foreign currency transactions are translated into Baht at the exchange rates ruling on the transaction dates. Assets and liabilities denominated in foreign currencies outstanding at the balance sheet date are translated into Baht at the exchange rates ruling on the balance sheet date.

Gains and losses on exchange are included in determining income.

#### **5.17 Employee benefits**

Salary, wages, bonuses and contributions to the social security fund and provident fund are recognised as expenses when incurred.

#### **5.18 Provisions**

Provisions are recognised when the Company has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

**6. Cash and cash equivalents**

	(Unit: Baht)	
	2008	2007
Cash	35,115	40,100
Current deposits and saving deposits	170,360,840	247,746,226
Time deposits with maturity date due no more than 3 months	589,105,504	230,103,160
Promissory notes with maturity date due no more than 3 months	890,000,000	710,000,000
Total cash and cash equivalents	1,649,501,459	1,187,889,486
Less: Deposit for the customers' account	(675,940,201)	(284,877,147)
Net cash and cash equivalents	973,561,258	903,012,339

**7. Long - term deposits at financial institutions**

	(Unit: Baht)	
	2008	2007
Time deposits with maturity date due more than 3 months	100,000,000	-
Total long-term deposits at financial institutions	100,000,000	-
Less: Deposit for the customers' account	(100,000,000)	-
Net long-term deposits at financial institutions	-	-

## 8. Investments in debt and equity securities

(Unit: Baht)

	2008		2007	
	Cost/		Cost/	
	Amortised cost	Fair value	Amortised cost	Fair value
<b>Current investments</b>				
<b><i>Available-for-sale securities:</i></b>				
Private debt securities	6,947,147	-	16,947,147	10,001,591
Listed equity securities	21,402,672	9,436,685	21,402,672	10,883,835
Unit trusts	1,000,989,958	1,023,183,026	1,030,514,160	1,023,032,840
Total	1,029,339,777	1,032,619,711	1,068,863,979	1,043,918,266
Add: Allowance for revaluation	25,449,255	-	26,625,738	-
Less: Allowance for impairment	(22,169,321)	-	(51,571,451)	-
Net available-for-sale securities	1,032,619,711	1,032,619,711	1,043,918,266	1,043,918,266
<b><i>Held-to-maturity debt securities -</i></b>				
<b><i>due within 1 year:</i></b>				
Treasury bill	-	-	329,900	329,900
Net held-to-maturity debt securities - due within 1 year	-	-	329,900	329,900
<b>Current investments - net</b>	1,032,619,711	1,032,619,711	1,044,248,166	1,044,248,166
<b>Long-term investments</b>				
<b><i>Other investment:</i></b>				
Non-marketable securities	18,075,250	16,691,868	21,817,372	20,443,990
Less: Allowance for impairment	(1,383,382)	-	(1,373,382)	-
Net other investment	16,691,868	16,691,868	20,443,990	20,443,990
<b>Long-term investments - net</b>	16,691,868	16,691,868	20,443,990	20,443,990
<b>Net investments</b>	1,049,311,579	1,049,311,579	1,064,692,156	1,064,692,156

8.1 As at 31 August 2008 and 2007, the followings are the investments in other securities which the Company holds not less than 10 percent of the issued shares or units of the investee company:

(Unit: Baht)

Name	Type of business	Type of investment	2008			2007		
			Percentage of shareholding	Cost amount	Fair value	Percentage of shareholding	Cost amount	Fair value
			Percent			Percent		
KrungThai Dividend Fixed Income Fund	Unit trust	Debt	37.75	220,000,000	227,006,562	19.51	220,000,000	224,724,426
KrungThai Shariah Long-term Equity Fund	Unit trust	Equity	24.70	20,000,000	18,375,558	-	-	-
Smart Cash Fund	Unit trust	Debt	19.87	150,000,000	149,081,919	17.83	150,000,000	148,546,125
Aberdeen Cash Creation Fund (Previous name: Aberdeen Income Gold Fund)	Unit trust	Debt	13.37	90,169,962	95,647,541	14.77	90,169,962	93,169,544
MFC three - three Roll over Fund	Unit trust	Debt	-	-	-	34.46	170,000,000	171,246,229
UOB Dividend 3M3 Fund	Unit trust	Debt	-	-	-	29.54	80,000,000	80,401,573
Kamrai Permopoon Fund 2	Unit trust	Equity	-	-	-	12.94	42,133,530	25,340,221

8.2 As at 31 August 2008 and 2007, the Company classified its investments in debt securities by remaining year to maturity as follows:

(Unit: Baht)

	2008			
	Remaining year to maturity			Total
	Within 1 year	1 - 5 years	Over 5 years	
<b>Available-for-sale securities:</b>				
Private debt securities	6,947,147	-	-	6,947,147
Less: Allowance for impairment	(6,947,147)	-	-	(6,947,147)
Net available-for-sale securities	-	-	-	-
Total debt securities	-	-	-	-

(Unit: Baht)

	2007			
	Remaining year to maturity			Total
	Within 1 year	1 - 5 years	Over 5 years	
<b>Available-for-sale securities:</b>				
Private debt securities	16,947,147	-	-	16,947,147
Add: Allowance for revaluation	1,591	-	-	1,591
Less: Allowance for impairment	(6,947,147)	-	-	(6,947,147)
Net available-for-sale securities	10,001,591	-	-	10,001,591
Total debt securities	10,001,591	-	-	10,001,591

### 8.3 Revaluation surplus (deficit) in investments

(Unit: Baht)

	2008	2007
Balance - beginning of the year	18,638,017	5,814,981
Changes during the year from		
- revaluation	(1,176,483)	18,872,430
- deferred income tax	352,945	(6,049,394)
Balance - end of the year	17,814,479	18,638,017

### 8.4 Gain (loss) on trading in securities

(Unit: Baht)

	2008	2007
Realised gain (loss) on trading in securities:		
Trading securities	(170,586)	(981,316)
Available-for-sales securities	(11,182,485)	2,798,469
Reversal of loss on impairment in available-for-sales securities	29,402,130	8,900,000
Loss on impairment in other investment	(10,000)	-
Total gain (loss) on trading in securities	18,039,059	10,717,153

### 8.5 Interest and dividend income from investments in securities

	(Unit: Baht)	
	2008	2007
Debt securities:		
Interest income	1,857,552	4,693,753
Equity securities:		
Dividend income	19,450,420	31,667,685
Total interest and dividend income from investments in securities	21,307,972	36,361,438

### 8.6 Investments in companies with weak financial position

As at 31 August 2008 and 2007, 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	
	2008	2007	2008	2007	2008	2007
	Million Baht	Million Baht				
<b>Debt instruments - debentures</b>						
Closed financial institutions	7	7	-	-	7	7
<b>Equity securities - common shares</b>						
Companies whose auditors' reports cite going concern issues	26	26	13	14	13	12

### 8.7 Trading transactions in securities

During the year ended 31 August 2008 and 2007, the Company has trading transactions in securities, as detailed below.

Current investments in listed equity securities

	(Unit: Million Baht)	
	Value of trading volume	
	2008	2007
Buy	206	-
Sell	207	-

**9. Receivables from clearing house**

	(Unit: Baht)	
	2008	2007
Thailand Securities Depository Company Limited (TSD)	16,751,644	133,032,065
Thailand Clearing House Company Limited (TCH)	18,851,530	17,277,000
Total receivables from clearing house	35,603,174	150,309,065
Less: Receivables from clearing house for customers' accounts	(13,474,884)	(9,269,000)
Receivables from clearing house	<u>22,128,290</u>	<u>141,040,065</u>

**10. Securities and derivatives business receivables**

	(Unit: Baht)	
	2008	2007
<u>Securities business receivables</u>		
Customers' accounts	292,720,050	456,018,827
Margin loans	1,463,442,738	1,611,685,500
Guaranteed deposit receivables	224,633,100	64,971,960
Securities borrowing receivables	217,702,355	64,570,760
Other receivables	9,541,367	9,432,015
Total securities business receivables	2,208,039,610	2,206,679,062
Add: Accrued interest receivables	7,377,828	6,823,520
Less: Allowance for doubtful accounts	(9,451,638)	(9,455,589)
Net securities business receivables and accrued interest receivables	<u>2,205,965,800</u>	<u>2,204,046,993</u>
<u>Derivative business receivables</u>		
Derivative business receivables	226,482	253,644
Net derivatives business receivable	<u>226,482</u>	<u>253,644</u>
Net securities and derivative business receivables	<u><u>2,206,192,282</u></u>	<u><u>2,204,300,637</u></u>

**10.1** As at 31 August 2008 and 2007, the Company has securities business receivables of approximately Baht 9.5 million on which the recognition of income on an accrual basis has been suspended.

**10.2** As at 31 August 2008 and 2007, 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	
	2008	2007	2008	2007	2008	2007
Doubtful debts	9.5	9.5	9.5	9.5	-	-
Substandard debt	0.1	-	-	-	-	-
Total	9.6	9.5	9.5	9.5	-	-

**10.3** As at 31 August 2008, guaranteed deposit receivables of approximately Baht 224.6 million (31 August 2007: Baht 65.0 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 217.7 million (31 August 2007: Baht 64.6 million). All of these securities have been lent onwards to other parties.

## 11. Allowance for doubtful accounts

(Unit: Baht)

	2008	2007
Balance - beginning of the year	9,455,589	9,542,262
Add: Allowance for doubtful accounts	-	6,379
Less: Bad debt written-off/reversal	(3,951)	(93,052)
Balance - end of the year	9,451,638	9,455,589

## 12. Premises and equipment

	(Unit: Baht)						
	Land	Office premises	Office equipment	Furniture and fixtures	Motor vehicles	Construction In Progress	Total
<b>Cost:</b>							
31 August 2007	4,263,129	18,441,572	214,010,626	132,052,716	21,712,506	-	390,480,549
Addition	-	-	3,411,088	9,844,380	3,580,000	502,619	17,338,087
Written-off /transfer out	-	-	(40,805,651)	(20,781,628)	(6,076,500)	-	(67,663,779)
31 August 2008	4,263,129	18,441,572	176,616,063	121,115,468	19,216,006	502,619	340,154,857
<b>Accumulated depreciation:</b>							
31 August 2007	-	18,103,055	192,014,981	124,372,958	15,619,333	-	350,110,327
Depreciation on written-off /transfer out	-	-	(40,711,943)	(20,392,795)	(4,638,116)	-	(65,742,854)
Depreciation for the year	-	338,516	14,204,888	4,887,684	3,968,299	-	23,399,387
31 August 2008	-	18,441,571	165,507,926	108,867,847	14,949,516	-	307,766,860
<b>Net book value:</b>							
31 August 2007	4,263,129	338,517	21,995,645	7,679,758	6,093,173	-	40,370,222
31 August 2008	4,263,129	1	11,108,137	12,247,621	4,266,490	502,619	32,387,997
<b>Depreciation for the year ended:</b>							
2007							31,064,059
2008							23,399,387

As at 31 August 2008, certain office equipment, furniture and fixtures and motor vehicle have been fully depreciated but are still in use. The original cost, before deducting accumulated depreciation, of those assets amounted to approximately Baht 247 million (31 August 2007: Baht 269 million).

## 13. Intangible assets

	(Unit: Baht)					
	Remaining	Balance beginning of	Increase	Amortisation	Balance end of	
	year	the year			the year	
Computer software	2.39 Years	24,313,361	5,645,134	(8,847,006)	21,111,489	
Software in progress		-	345,551	-	345,551	
Intangible assets		24,313,361	5,990,685	(8,847,006)	21,457,040	

#### 14. Deferred income tax assets/corporate income tax

During the year ended 31 August 2008 and 2007, the reconciliation between the income tax expense included in the income statements and income tax calculated based on accounting income can be summarized as follows:

	(Unit: Baht)	
	2008	2007
Income tax expense for the year	46,757,232	36,178,892
Deferred income tax relating to (increase) decrease in temporary difference	106,493	(5,866,780)
	46,863,725	30,312,112
Less: Prior year's adjustment	(6,618)	(6,367,133)
Income tax for the year presented as expense in the income statement	<u>46,857,107</u>	<u>23,944,979</u>

Deferred income tax assets as presented in the balance sheets as at 31 August 2008 and 2007 are calculated on all temporary differences under the liability method. They comprise the following:

	(Unit: Baht)	
	2008	2007
<b>Deferred income tax assets:</b>		
Allowance for diminution in valuation of investments	7,065,811	15,883,450
Allowance for impairment on property foreclosed	8,355,360	8,355,360
Allowance for doubtful accounts	3,030,048	3,031,233
Others	25,511,868	16,799,536
	<u>43,963,087</u>	<u>44,069,579</u>
<b>Deferred income tax liabilities:</b>		
Revaluation surplus in investment	(7,634,777)	(7,987,721)
	<u>(7,634,777)</u>	<u>(7,987,721)</u>
Net deferred income tax assets	<u>36,328,310</u>	<u>36,081,858</u>

**15. Other assets**

	(Unit: Baht)	
	2008	2007
Loans to employees	26,973,321	12,899,158
Property foreclosed (net of allowance for impairment of Baht 28 million)	15,000,000	15,000,000
Deposits	19,553,388	17,932,488
Prepayments for securities clearing fund	24,138,773	20,956,673
Prepaid expenses	9,144,527	11,123,957
Accrued interest receivables	4,907,824	4,434,814
Deposit for derivative business	5,000,000	5,000,000
Others	22,122,023	10,376,738
<b>Total other assets</b>	<b>126,839,856</b>	<b>97,723,828</b>

**16. Securities and derivatives business payables**

	(Unit: Baht)	
	2008	2007
<u>Securities business payables</u>		
Securities business payables	300,658,481	657,292,748
Payable under securities borrowing and lending business		
Guarantee deposit payables	184,945,578	44,953,976
Securities borrowing payables	216,508,022	64,570,760
Interest and fee payables	1,027,165	398,655
<b>Total securities business payable</b>	<b>703,139,246</b>	<b>767,216,139</b>
<u>Derivatives business payables</u>		
Derivatives business payables	1,503,660	5,338,600
<b>Total derivatives business payables</b>	<b>1,503,660</b>	<b>5,338,600</b>
<b>Total securities and derivatives business payable</b>	<b>704,642,906</b>	<b>772,554,739</b>

**17. Other liabilities**

	(Unit: Baht)	
	2008	2007
Accrued expenses	66,534,787	48,051,898
Corporate income tax payables	16,189,418	10,992,164
Others	34,005,316	42,479,157
Total other liabilities	<u>116,729,521</u>	<u>101,523,219</u>

**18. Statutory reserve**

Pursuant to Section 116 of the Public Limited Companies Act B.E. 2535, the Company is required to set aside to a statutory reserve at least 5 percent of its net income after deducting accumulated deficit brought forward (if any), until the reserve reaches 10 percent of the registered capital. The statutory reserve is not available for dividend distribution. The Company set up the full amount of statutory reserve.

**19. Capital management**

The primary objectives of the Company's capital management are to maintain the Company's ability to continue as a going concern and to maintain net liquid capital in accordance with the rules laid down by the Office of the Securities and Exchange Commission.

**20. Fees and service income**

	(Unit: Baht)	
	2008	2007
Fixed income business	24,062,726	-
Financial advisory	25,757,500	29,443,108
Underwriting	13,973,250	44,875,831
Business support	9,558,080	7,296,735
Securities borrowing and lending	14,953,516	5,222,381
Providing information of capital market in Thailand	516,660	3,792,090
Others	819,935	991,953
Total fees and service income	<u>89,641,667</u>	<u>91,622,098</u>

**21. Number of employees and personnel expenses**

	2008	2007
Number of employees at the end of year (persons)	400	412
Personnel expenses for the year (Baht)	405,429,812	375,662,452

**22. 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.

**23. Dividends**

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

	Approved by	Total dividend declaration	Dividend declaration per share
		(Million Baht)	(Baht)
Dividends from the operating results for the year ended 31 August 2007	The annual ordinary meeting of the Company's shareholders (1/2550) on 14 December 2007	86	1.20
Dividends from the operating results for the year ended 31 August 2006	The annual ordinary meeting of the Company's shareholders (1/2549) on 15 December 2006	86	1.20

**24. 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 - 10 percent of the employee's salary. The Fund is managed by Finansa 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".

For the year ended 31 August 2008, Baht 15 million has been contributed to the Fund by the Company (31 August 2007: Baht 8 million).

**25. Earnings per share**

Basic earnings per share is calculated by dividing net income for the year by the weighted average number of ordinary shares in issue during the year.

## 26. Related party transactions

During the year, the Company had significant business transactions with its related person and companies. Such transactions were concluded on the commercial terms and based agree upon by the Company and those companies in the ordinary course of business. The significant transactions are summarised below.

	2008	2007	Pricing policies (For the current year)
(Unit: Baht)			
<b>Transactions occurring during the year ended 31 August:</b>			
Brokerage fees			
- Nomura Singapore Limited	41,690,310	50,740,930	At normal rate charged to other clients or Exclusive Partner, in accordance with the SEC's notification.
Fees income from agreement for provision of services			
- Nomura International (Hong Kong) Limited	24,062,726	-	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	20,357,500	22,102,858	At the rate per agreement, calculated by reference to estimated costs plus a margin of 10 percent.
Fees income from providing information of capital market in Thailand			
- Nomura International (Hong Kong) Limited	516,660	3,792,090	Due to getting benefits for both sides, the rate per agreement is calculated by sharing in expenses or 50 percent of actual cost of this service.
Fees income from business support services agreement			
- Nomura Singapore Limited	9,558,080	7,296,735	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	326,835	575,408	At the rate per agreement with reference to similar business
Underwriting agent commission			
- Nomura International (Hong Kong) Limited	-	1,587,960	At the rate per agreement, with reference to similar business

	(Unit: Baht)		
	2008	2007	Pricing policies
	(For the current year)		
Fee expenses from internet and email software maintenance			
- Nomura Research Institute Hong Kong Limited	HKD 442.22	HKD 5,306.70	The fee was referential market price
- Nomura International (Hong Kong) Limited	HKD 4,864.48	-	The fee was referential market price
Fee expenses from internet security advisory and monitoring services			
- Nomura Research Institute Hong Kong Limited	USD 1,122	USD 13,464	The fee was referential market price
- Nomura International (Hong Kong) Limited	USD 12,342	-	The fee was referential market price
Fee expenses from Hi-speed circuit service			
- United Information Highway Co., Ltd.	628,248	773,125	The fee was normal rate charged to other clients
Legal advisory fees			
- Director	240,000	240,000	The fee was reasonable fixed price

As at 31 August 2008 and 2007, the outstanding balances of the related party transactions have been shown in the balance sheets as follows:

	(Unit: Baht)	
	2008	2007
Securities business receivables	1,183,645	34,435,540
Other assets		
- Accrued fee income receivables	20,147,039	6,358,825
Securities business payables	76,127,231	56,613,789
Other liabilities		
- Accrued expense	536,160	67,592
- Accrued fee income payables	-	4,297,142

## 27. Commitments and contingent liabilities

As at 31 August 2008, the Company has the following outstanding commitments and contingent liabilities:

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

	(Unit: Million Baht)
	<u>Amount</u>
Within 1 year	33.4
In 1-2 years	16.2
Over 2 years	<u>20.0</u>
Total commitments under long-term lease agreements	<u><u>69.6</u></u>

27.2 As at 31 August 2008, the Company has outstanding bank guarantees of approximately Baht 0.8 million issued by the bank on behalf of the Company in respect of the normal course of business of the Company.

27.3 As at 31 August 2008, the Company was sued for compensation totalling approximately Baht 5 million (31 August 2007: Baht 145 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.

27.4 As at 31 August 2008, the Company has commitments to pay the fees related to its securities business to the Stock Exchange of Thailand and Thailand Securities Depository Company Limited. These comprise a monthly fixed amount, a percentage of trading volume each month and/or a percentage of net settlements each month.

27.5 As at 31 August 2008, the Company has commitment to pay the fees related to its derivatives business to Thailand Futures Exchange Public Company Limited and Thailand Clearing House Company Limited. These comprise a monthly fixed amount and at the fixed payment for each purchase or sale of a futures contract transacted.

27.6 As at 31 August 2008, 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 500,000 per annum and a maximum fee of Baht 5,000,000 per annum.

## 28. Financial information by segment

The Company's business operations involve 2 principal segments: securities and derivatives brokerage segment and investments banking segment. These operations are mainly carried on in Thailand.

Below is the financial information for the year ended 31 August 2008 and 2007 of the Company by segment.

(Unit: Million Baht)

	For the years ended 31 August							
	Securities and derivatives brokerage segment		Investments banking segment		Other segments		Total	
	2008	2007	2008	2007	2008	2007	2008	2007
Revenues	578	500	62	75	10	8	650	583
Total Revenue	578	500	62	75	10	8	650	583
Segment operating income	254	182	22	31	5	2	281	215
Unallocated income (expenses)								
Interest income							153	171
Other income							24	15
Interest expenses							(21)	(17)
Operating expenses							(267)	(258)
Corporate income tax							(47)	(24)
Net income for the years							123	102

(Unit: Million Baht)

	Securities and derivatives brokerage segment		Investments banking segment		Other segments		Total	
	2008	2007	2008	2007	2008	2007	2008	2007
	Premises and equipment - net							32
Unallocated assets							4,436	4,471
Total assets							4,468	4,512

## 29. Financial instruments

Financial instrument is any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity.

The Company's financial instruments principally comprise cash and cash equivalents, investments, receivables from clearing house, securities and derivatives business receivables, loans to employees, payables to clearing house and securities and derivatives business payables. The financial risks associated with these financial instruments and how they are managed is described below.

### 29.1 Credit risk

The Company is exposed to credit risk primarily with respect to securities and derivatives business receivables. The Company manages the risk by adopting appropriate credit control policies and procedures and therefore does not expect to incur material financial losses. In addition, the Company does not have high concentration of credit risk since it has a large customer base. The maximum exposure to credit risk is limited to the carrying amounts of securities and derivatives business receivables as stated in the balance sheet.

### 29.2 Interest rate risk

The Company's exposure to interest rate risk relates primarily to its cash at financial institution and securities business receivables - credit balance accounts. However, since the Company's financial assets and liabilities are short-term in nature and bear floating interest rates or fixed interest rates which are close to the market rate, the interest rate risk is expected to be minimal.

Significant financial assets and liabilities as at 31 August 2008 and 2007 classified by type of interest rates are summarized in the table below, with those financial assets and liabilities that carry fixed interest rates further classified based on the maturity date, or the repricing date if this occurs before the maturity date.

(Unit: Million Baht)

As at 31 August 2008									
Outstanding balance of financial instruments									
	Floating interest rate	Fixed interest rate				Without interest	Total	Floating interest rate % p.a.	Fixed interest rate % p.a.
		Remaining year before maturity date or end of contract							
		Within		Over					
		1 year	1 - 5 years	5 years	Unspecified				
<b>Financial asset</b>									
Cash and cash equivalents	942	-	-	-	-	32	974	3.56	-
Receivables from clearing house	-	-	-	-	-	22	22	-	-
Securities and derivative business receivables	1,463	443	-	-	-	302	2,208	6.00	3.03
Loans to employees	27	-	-	-	-	-	27	2.75	-
<b>Financial liabilities</b>									
Payables to clearing house	-	-	-	-	-	19	19	-	-
Securities and derivative business payables	-	402	-	-	-	303	705	-	1.62

(Unit: Million Baht)

As at 31 August 2007									
Outstanding balance of financial instruments									
	Floating interest rate	Fixed interest rate				Without interest	Total	Floating interest rate % p.a.	Fixed interest rate % p.a.
		Remaining year before maturity date or end of contract							
		Within		Over					
		1 year	1 - 5 years	5 years	Unspecified				
<b>Financial asset</b>									
Cash and cash equivalents	847	-	-	-	-	56	903	2.97	-
Investments in debt securities - net	-	10	-	-	-	-	10	-	3.49
Receivables from clearing house	-	-	-	-	-	141	141	-	-
Securities and derivative business receivables	1,612	129	-	-	-	466	2,207	5.75	4.25
Loans to employees	13	-	-	-	-	-	13	4.88	-
<b>Financial liabilities</b>									
Payables to clearing house	-	-	-	-	-	46	46	-	-
Securities and derivative business payables	-	110	-	-	-	663	773	-	1.62

### 29.3 Liquidity risk

Counting from the balance sheet date, as at 31 August 2008 and 2007 the periods to the maturity dates of financial instruments are as follows:

(Unit: Million Baht)

	As at 31 August 2008					
	Outstanding balances of financial instruments					
	At call	Within 1 year	1 - 5 years	Over 5 years	Unspecified	Total
<b>Financial assets</b>						
Cash and cash equivalents	974	-	-	-	-	974
Investments - net	1,032	-	-	-	17	1,049
Receivables from clearing house	-	22	-	-	-	22
Securities and derivative business receivables and accrued interest receivables	442	300	-	-	1,473	2,215
Loans to employees	-	-	4	23	-	27
<b>Financial liabilities</b>						
Payables to clearing house	-	19	-	-	-	19
Securities and derivative business payables	402	303	-	-	-	705

(Unit: Million Baht)

	As at 31 August 2007					
	Outstanding balances of financial instruments					
	At call	Within 1 year	1 - 5 years	Over 5 years	Unspecified	Total
<b>Financial assets</b>						
Cash and cash equivalents	903	-	-	-	-	903
Investments - net	1,034	10	-	-	20	1,064
Receivables from clearing house	-	141	-	-	-	141
Securities and derivative business receivables and accrued interest receivables	129	463	-	-	1,621	2,213
Loans to employees	-	1	4	8	-	13
<b>Financial liabilities</b>						
Payables to clearing house	-	46	-	-	-	46
Securities and derivative business payables	110	663	-	-	-	773

### 29.4 Foreign exchange risk

As at 31 August 2008, the Company has no significant assets or liabilities denominated in foreign currencies.

## 29.5 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 2008, there were no material differences between the book value of financial instruments and their fair value.

## 30. Approval of financial statements

These financial statements were authorized for issue by the Company's board of directors on 28 October 2008

## Remuneration of the Auditor

Unit : Baht

No,	Company	Auditor's Name	Audit Fee
1	Capital Nomura Securities Public Company Limited (For the period from September 1, 2007 to August 31, 2008)	Ernst & Young Office Limited (By Miss Rattana Jala)	1,050,000
<b>Audit Fee – Total</b>			<b>1,050,000</b>

Note : Ernst & Young Office Limited did not provide any services to CNS except the service as an external auditor.



## Contact

### Head Office

21/3 Thai Wah Tower, Ground Floor, South Sathorn Road, Bangkok, 10120

Telephone : +66(0) 2285 0060 +66(0) 2285 0096 +66(0) 2677 3333

Facsimile : +66(0) 2285 0535

### Bangna Branch

1093/111 Central City Tower, 19<sup>th</sup> Floor, Bangna-Trad Road,

Bangna, Bangkok, 10260

Telephone : +66(0) 2366 8000 +66(0) 2725 8600

Facsimile : +66(0) 2745 6220-21

### Phra-Pinklao Branch

7/129 Central Plaza Pinklao Office Building, 9<sup>th</sup> Floor, Room 902 Tower A,

Baromrajchonnee Road, Arun-Amarin, Bangkok Noi, Bangkok, 10700

Telephone : +66(0) 2884 9068-79 +66(0) 2884 9059-60

Facsimile : +66(0) 2884 9064 +66(0) 2884 9067

### Ratchadaphisek Branch

19 SCB Park Plaza Tower III East, Mezzanine Floor,

Ratchadaphisek Road, Ladyao, Chatuchak, Bangkok, 10900

Telephone : +66(0) 2937 8375-87 +66(0) 2937 8383

Facsimile : +66(0) 2937 8390-91

### Esplanade Branch

99 Esplanade Building, 2<sup>nd</sup> Floor, Room no.202-1,

Ratchadaphisek Road, Din Daeng, Din Daeng, Bangkok, 10400

Telephone : +66(0) 2354 0760 +66(0) 2641 3250

Facsimile : +66(0) 2641 3249

**Website** : [www.cns.co.th](http://www.cns.co.th)

[www.cnsrealtime.com](http://www.cnsrealtime.com)

**NOMURA**

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