



รายงานประจำปี 2550 | ANNUAL REPORT 2007

บริษัทหลักทรัพย์ บัวหลวง จำกัด (มหาชน)
BUALUANG SECURITIES PUBLIC COMPANY LIMITED

C O N T E N T S

2	Message from the Chairman
4	Report of the Audit Committee
5	Report of the Nomination and Remuneration Committee
6	Board of Directors
7	Management Team
8	Social Activities
9	Awards and Recognition
10	Financial Highlights
11	Profile of the Board of Directors and Management Team
17	General Information
18	Major Business
26	Market and Competition
35	Risk Factors
39	Shareholding Structure
40	Management
59	Corporate Governance
79	Supervision of Inside Information Usage
81	Internal Control
84	Dividend Policy
85	Related Party Transaction
90	Management's Discussion and Analysis
98	Report of the Board of Directors
99	Report of the Auditor
100	Financial Statements
129	Auditor's Remuneration
130	Branches

VISION

To be a leading securities company in Thailand

MISSION

Excellence in

B : B rand

L : L eadership

S : S ervice

VALUE

L : L earning

O : O pen

T : T rust

U : U nited

S : S ervice

To Serve **Y***ou* Better

Message from the Chairman of the Board of Directors

Dear Shareholders,

In 2007, Thailand confronted a range of challenges — political uncertainties, oil price hikes, weak domestic consumption, a steadily rising Baht and continuing unrest in the southernmost provinces. Furthermore, the US economy started to slow in the wake of the sub-prime crisis and the US dollar weakened sharply. Despite all the problems, Thailand posted a fairly healthy GDP growth of 4.8% for the year, driven by an 18% export growth.

The Stock Exchange of Thailand (“SET”) was volatile throughout 2007. Despite the sustained high oil prices and prevailing political and economic uncertainties, the SET index rose by 178.3 points, or 26%, from 679.8 at year-end 2006 to 858.1 at year-end 2007. And the SET’s average daily turnover rose to Bt17.1 billion, up by 5% from the Bt16.3 billion daily average reported for 2006.

Bualuang Securities Plc (“BLS” or the “Company”) sustained a good performance during this past difficult year as well, not quite unlike the resilience of the Thai economy and stock market. Our position as the capital markets arm of Bangkok Bank Plc (“BBL”), the largest bank in Thailand, gave the company a strong foundation, and thus, the confidence and strength to invest and innovate. I am pleased to report your company’s achievements as below.

Significant developments and operations

The Company entered into an Exclusive Partnership in Securities Brokerage with Morgan Stanley Asia Limited (“MSAL”), a leading global investment bank, on June 11, 2007. Under the agreement, BLS and MSAL strengthened their cooperation in such areas as securities and derivatives trading, research and risk management. This successfully raised our institutional and foreign trading volume to 38.1% of total company’s volume, up from 14.6% just two years ago, which is opportune as these two segments have grown to be 46.5% of the entire market volume.

On June 28, 2007 the Company also entered into an Introducing Agent Agreement with BBL. This scheme enables BBL to refer its customers to open securities trading accounts with the Company in compliance with criteria set by the SET. This will help to expand the Company’s individual client base, which remains the mainstay of the Company’s income base.

Overall, BLS sustained a satisfactory financial performance. BLS’s net profit declined marginally to Bt221.4 million in 2007 from Bt232.7 million in 2006.

Most of BLS’s revenues continued to derive from the broking business. In 2007, our brokerage market share of 3.68%, ranking 8th among all securities companies, contributed income of Bt679.1 million, representing 69.9% of total revenues. The Company’s market share rose in all three client categories — retail, local institutional and foreign — last year.

BLS’s derivatives business saw its second year of operation in 2007. Thailand’s derivatives market has grown rapidly — trading volume has increased substantially, attributable partly to greater investor interest and understanding of the investment class. We have been witness to a virtuous cycle in which incrementally heavier trading volumes have made it easier to open and close positions, so more investors have been attracted to the segment. In 2007, BLS ranked fifth in derivatives market share with 7.1% of trade. Income from derivatives trading brokerage accounted for Bt56.1 million.

The Company’s investment banking income totaled Bt85.2 million in 2007, down by 47.6% year-on-year as it was a difficult year for investment banking in general. Nevertheless, BLS completed the third consecutive round of fund raising for Ticon Property Fund, a leading industrial property fund. This transaction marked the third time in as many years that we have advised TICON on capital raising through the property fund. This latest offering was a remarkable feat considering that it was completed during a very challenging time when Thailand still had capital controls in place. This success further reaffirms our strength and depth in product distribution and it stands us in good stead to solidify our leadership in this growing segment.



BLS also renders private fund and provident fund management services to investors. As of year-end 2007, assets under management totaled Bt11,953.5 million, comprising Bt6,414.9 million in private funds and Bt5,538.7 million in provident funds. Fee income from fund management in 2007 totaled Bt30.2 million, or 3.1% of its total revenues.

Financially, we are in good health — the Company posted an enviable return, given the challenging market. In 2007 BLS reported total revenues of Bt972.2 million and a net profit of Bt221.4 million. As of December 31, 2007 assets totaled Bt3,231.8 million and shareholder equity stood at Bt1,430.3 million. Our net capital ratio was 79.9%, testifying to substantial capacity to expand the range and breadth of business activities without the need for a recapitalization.

Social and environmental activities

As part of being a good corporate citizen, BLS makes annual donations to social and environment causes, mostly related to education. The donations are generally aimed at improving the educational opportunities for young people in the provinces.

Awards

We are pleased to inform you that the Company was recognized for the Best Treatment of Shareholders at the 2007 Shareholder Awards ceremony organized by Thailand Securities Depository Co Ltd (“TSD”) in cooperation with the Thai Investors Association, the Thai Listed Companies Association and the Thai Investor Relations Club. The award is granted to listed companies that are sensitive to the interests of their shareholders, are transparent in information disclosure and which follow good corporate governance principles.

Furthermore, the Securities and Exchange Commission assessed the quality assessment of BLS’s Annual General Meeting of Shareholders (AGM) as “Excellent”. The Company was one of only 19 from a total of 460 listed firms to receive a special commendation for exemplary performance in the management of our AGM.

Business framework and direction in 2008

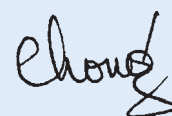
BLS will maintain its policy and focus of offering a full range of services to customers. We anticipate offering some new services soon, such as securities borrowing and lending, and OTC derivatives.

We also continue to enjoy strong support from BBL, our major shareholder, which helped to create more business opportunities. We will continue to focus on leveraging off our parent company’s client base relationships, distribution assets and network reach to build a strong securities franchise in Thailand. Furthermore, the Company plans to start opening micro branches in areas identified as having high potential, giving priority to opening branches adjacent to, or inside, BBL branches.

To Serve You Better

BLS is committed “to serve you better”, as our corporate motto reminds us ceaselessly. For our customers, we are committed to improving our service quality further, developing new products and enhancing the expertise of our personnel. For our stakeholders, we are committed to adhering to good corporate governance principles. We believe our good corporate governance practices enhance confidence among, and protect the interests of, our shareholders and all concerned parties, as well as help to raise the Company’s competitiveness.

Our undertakings, innovations and commitments are made possible by the concerted support, cooperation, dedication and contribution of all the parties concerned — our shareholders, customers, patrons, business allies and our staff. I would like to take this opportunity to thank all of you, and to wish you happiness and success in your careers and family lives.



(Mr Chong Toh)
Chairman of the Board of Directors

Report of the Audit Committee

Dear Shareholders,

The Audit Committee of Bualuang Securities Public Company Limited (“the Company”) comprises three members of the Board of Directors who are knowledgeable and experienced in finance, accounting, organizational management and securities business. Every member of the Committee is an independent director, namely Mr Prin Chirathivat (Chairman), Dr Upatham Saisangjan and Mr Pichet Sithi-Amnuai.



The Audit Committee performed duties under the delegation of authority set out by the Board of Directors and stipulated under the Charter of the Audit Committee. In 2007, a total of six Audit Committee meetings were held, attended by every committee member with the joint attendance of the management, the Auditor and the Compliance and Internal Audit Department, as deemed necessary. The Committee’s significant undertakings are detailed below:

1. Reviewed and approved the quarterly and yearly financial statements to ensure compliance with generally accepted accounting standards. The statements were then presented to the Board of Directors for approval.
2. Reviewed and monitored the quarterly compliance and internal audit report and the annual corporate compliance and internal audit plan; followed up on and corrected any issue found by internal and external auditors and made recommendations aimed at ensuring compliance to procedures, policy and the rules and regulations of the Company, regulatory bodies and international professional standards. The Committee also provided reasonable assurance that the internal control system is sufficient and appropriate as well as encouraging the independence of the Compliance and Internal Audit Department.
3. Reviewed the disclosure of information on related-party transactions between the Company and its affiliates, or any transactions that could possibly have been perceived as entailing a potential conflict of interest.
4. Considered and provided opinions on the risk management report and audit results in order to ensure that the overall risks to which the Company is exposed are contained at a low level and that any high-risk transaction is controlled and managed properly.
5. Followed up on the business operation to ensure that it complied with good corporate governance principles to required standards and encouraged further development of good corporate governance.
6. Considered the selection and nomination of the auditor based on service quality, performance appraisal of the auditor and reasonableness of the audit fee. For the year 2008, the Audit Committee considered and nominated Ernst & Young Limited as the auditor of the Company and set a fixed audit fee at an amount not exceeding Bt1.40 million for proposal to the Board for submission to the Annual General Meeting of Shareholders for approval.

The Audit Committee performed the 2007 assessment (“the Self-Assessment Form”) in accordance with the requirements under the Charter of the Audit Committee. The Committee also improved the Charter of the Audit Committee in order to more clearly delineate the scope of responsibilities and improve effectiveness.

We are of the opinion that the Company has appropriate and reliable procedures for financial information preparation and disclosure in addition to adequate corporate governance, internal control systems and risk management. Disclosure of related-party transactions has been carried out in order to effect transparent management. The Company has also complied with good corporate governance in accordance with the corporate governance principles of the Stock Exchange of Thailand.

A handwritten signature in black ink, appearing to read 'P. Chirathivat', written in a cursive style.

(Mr Prin Chirathivat)
Chairman of the Audit Committee

Report of the Nomination and Remuneration Committee



Dear Shareholders,

The Nomination and Remuneration Committee (“the Committee”) is currently composed of all two independent directors, namely Mr Upatham Saisangjan as Chairman of the Committee and Mr Pichet Sithi-Amnuai.

The Nomination and Remuneration Committee has performed its duties as assigned by the Board of Directors. In 2007, the Committee held altogether six meetings, with attendance by all the members. Joint meetings were also held with the Company’s President and the management of each business group to access information that will support the Committee in the consideration of the issues under its authority. The results of the Committee’s meetings are reported regularly to the Board of Directors. The Committee’s significant undertakings in 2007 are detailed below:

Nomination

1. Selected and nominated a qualified person to be a director to complete the full number of directors in the Board of Directors structure.
2. Formulated and prepared the succession plan for top executive positions.

Remuneration

1. Improved the tools for the evaluation of the President’s performance.
2. Proposed criteria and procedures for the evaluation of the President’s performance and implemented, as consented to by the Board of Directors.
3. Considered and proposed to the Board of Directors remuneration for the President.
4. Considered and proposed to the Board of Directors remuneration for the directors.

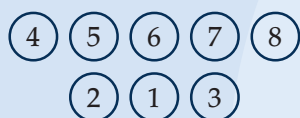
In 2007 the Committee performed its assigned duties fully and properly with competence, dedication and independence in the best interests of the Company and its shareholders.

A handwritten signature in black ink, appearing to read 'U. Saisangjan'.

(Mr Upatham Saisangjan)

Chairman of the Nomination and Remuneration Committee

Board of Directors



1. Mr Chong Toh
Chairman of the Board of Directors
Executive Chairman
2. Ms Chanida Sophonpanich
Director
3. Mrs Yaowadee Nakhata
Director
Executive Director
4. Mr Piya Sosothikul
Director
Executive Director
5. Mr Pichet Sithi-Amnuai
Director (Independent Director)
Audit Committee
Nomination and Remuneration
Committee
6. Mr Upatham Saisangjan
Director (Independent Director)
Chairman of the Nomination and
Remuneration Committee
Audit Committee
7. Mr Prin Chirathivat
Director (Independent Director)
Chairman of the Audit Committee
8. Mr Yarnsak Manomaiphiboon
Director
Executive Director
President

Management Team



Mr Yarnsak Manomaiphiboon
President



Mr Padermpob Songkroh
Deputy Managing Director
Non-Institutional Broking Group



Mr Vivat Vichitboonyaseth
Deputy Managing Director
Private Client Investment
Management Group



Mr Bannarong Pichyakorn
Deputy Managing Director
Corporate Support Group



Mr Kamtorn Sila-On
Executive Vice President
Investment Banking Group



Mr Vararatana Jutimitta
Executive Vice President
Investment Banking Group



Mr Manu Tangtatswas
Executive Vice President
Special Product Group



Mr Chaiyaporn Nompitakcharoen
Executive Vice President
Research Group



Ms Oranuch Vachiruksasavakul
Executive Vice President
Institutional Sales Group

Social Activities

BLS is committed to running its business according to ethical and good governance principles. The Company is aware of its responsibilities toward society at large and the environment. BLS has consistently allocated budgets to conduct activities in support of society-building and protection of the environment. Our social activities in 2007 are highlighted here:



Donation of creative toys for children on Children's Day at Kow Bor Development Community in Thonburi District.



Donation of computers for education to Wat Dok Mai School, Wat Chong Nonsee School, Wat Chong Lom School and Wat Pariwat School.



Donation of computers for education to Kanchanaphisek School in Nakhon Pathom.



Presentation of office chairs to the Ministry of Education for donation to Wat Bang Khan Community School where building and teaching equipment were damaged by a fire.



Donation in support of Phu Fah Shirt for Education for Needy Students in collaboration with the Population & Community Development Association to schools in Kanchanaburi and Ratchaburi.



Finance students from Dhurakij Pundit University visited BLS and attended a presentation on BLS's business in preparation for embarking on professional careers.

Seminars

The Company regularly organizes seminars to strengthen the understanding and knowledge base of our clients and investors. The firm makes available training courses for employees that are intended to enhance their knowledge and understanding of the products we offer and develop their service skills as we expand into the future.



Seminar: "Coping with the 2nd Half economy" at Saraburi Chamber of Commerce



Seminar: "Thai economy and investment...Thailand and Japan Perspectives" by the SET



Seminar: "Practice and preparation toward excellence"

Awards and recognition



The Company was granted the “Best Shareholder Treatment Award” by Dr Chalongphob Sussangkarn, the Minister of Finance, at the 2007 Shareholder Awards ceremony organized by Thailand Securities Depository Co Ltd (TSD) in cooperation with the Thai Investors Association, the Thai Listed Companies Association and the Thai Investor Relations Club.



The Securities and Exchange Commission’s quality assessment of the 2007 BLS Annual General Meeting of Shareholders (AGM) rated it as “Excellent”. The Company was one of only 19 from a total of 460 listed firms to receive a special commendation for exemplary performance in the management of an AGM.

Business collaboration with Bangkok Bank



The Company entered into an Introducing Agent Agreement with BBL. This scheme enables BBL to refer its customers to open securities trading accounts with the Company. This project is an example of business collaboration between BLS and BBL which will help to expand the Company’s retail client base and support the expansion of the investor base in the capital market, in line with the implementation of the Master Plan for Thai Capital Market Development.

Joint marketing activities with Bangkok Bank



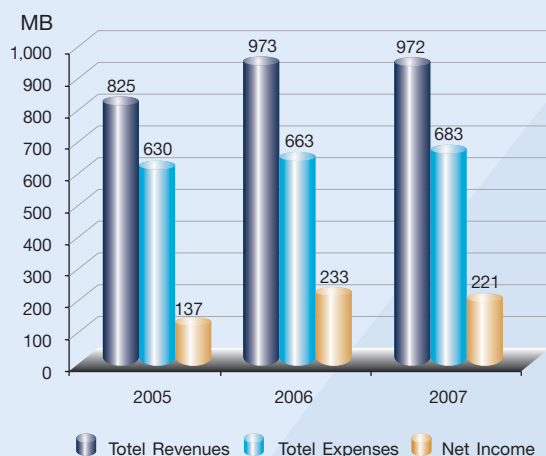
“Bualuang Exclusive”
Activities with Bangkok Bank
At Bualuang-Abdulrahim Branch



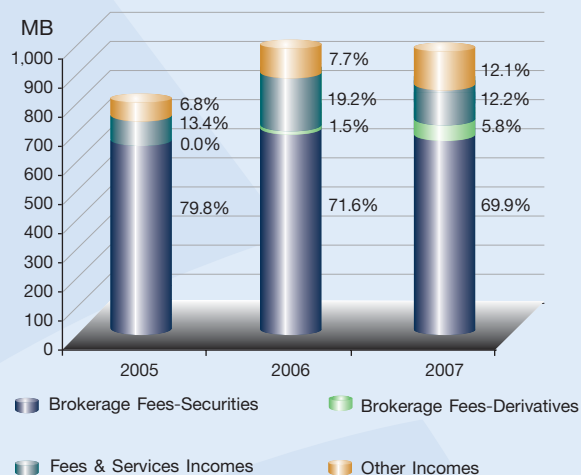
“Bualuang Exclusive”
Activities with Bangkok Bank
At Bangkok Bank-Siam Paragon Branch

Financial Highlights

Performance



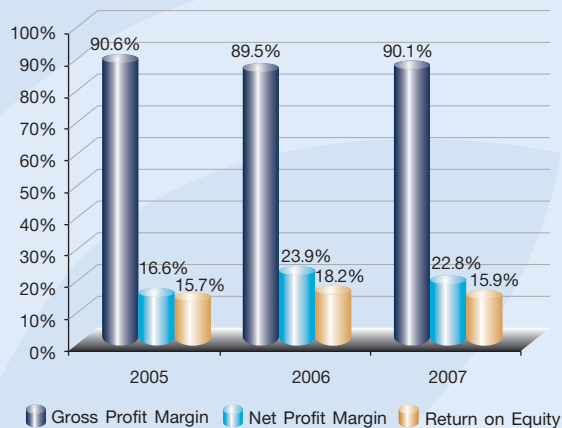
Revenue Structure



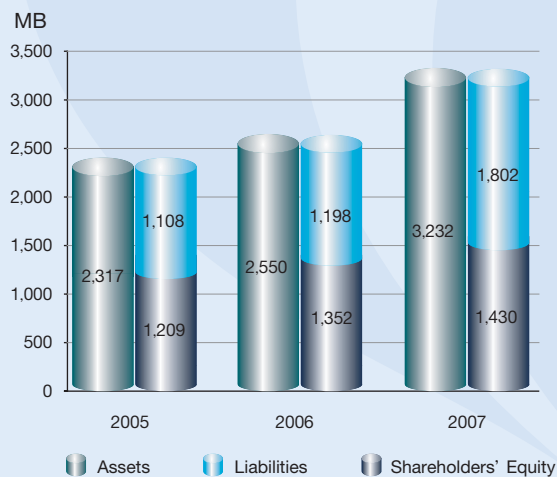
Net Profit



Gross Profit Margin, Net Profit Margin and Return on Equity



Financial Status



Profile of the Board of Directors and Management Team

Name-Surname	Highest Education and Training	% of Share Holding as of Dec. 31, 2007	Working Experience for the last 5 years		
			Period	Position	Company/Organization
1. Mr Chong Toh Chairman of the Board of Directors and Executive Chairman (Authorized Director) (MsChanida Sophonpanich's spouse) Nationality: Malaysian Age 39 Years	Master of Science in Management, Massachusetts Institute of Technology, USA Master of Arts in Philosophy, Politics and Economics, Oxford University, UK <i>Director Accreditation Program (DAP) 54/2006</i>	11,000,000 shares (6.111%) Spouse: Ms Chanida Sophonpanich 150,000 shares (0.083%)	Oct.2006 - Present	Chairman of the Board of Directors	Bualuang Securities Public Company Limited
			Sep. 2005 - Present	Executive Chairman	Bualuang Securities Public Company Limited
			Sep. 2005 - Present	Executive Vice President- International Banking Group	Bangkok Bank Public Company Limited
			Jan.2007 - Present	Director	BBL (Cayman) Limited
			Aug.2006 - Present	Director	Bumrungrad International Company Limited
			Jan.2006 - Present	Director	Bangkok Bank Berhad, Malaysia
			2002 - Present	Director	Bumrungrad Medical Center Company Limited
			2001 - Present	Director	Bumrungrad Hospital Public Company Limited
			2000 - Present	Director	Asia Cement Public Company Limited
			2001 - Oct. 2006	Director	Bualuang Securities Public Company Limited
			2001 - Aug. 2005	President/ Executive Director	Bualuang Securities Public Company Limited
2. Ms Chanida Sophonpanich Director (Authorized Director) (Mr Chong Toh's Spouse) Nationality: Thai Age 36 Years	Master of Business Administration, Massachusetts Institute of Technology, USA <i>Director Accreditation Program (DAP) 54/2006</i>	150,000 shares (0.083%) Spouse: Mr ChongToh 11,000,000 shares (6.111%)	1999 - May 2005	Director	Bualuang Finance Company Limited
			2001 - Present	Director	Bualuang Securities Public Company Limited
			2006 - Present	Director	Kao Thang Na Tang Company Limited/ Property Company
			2001 - Present	Director	Chainart Company Limited/ Investment Company
			2001 - Present	Director	Chai Wattana Company Limited /Property Rental

Name-Surname	Highest Education and Training	% of Share Holding as of Dec. 31, 2007	Working Experience for the last 5 years		
			Period	Position	Company/Organization
3. Mr Yarnsak Manomaiphiboon Director / Executive Director and President (Authorized Director) Nationality: Thai Age 45 Years	Master of Business Administration, Indiana University at Bloomington, USA <i>Director Accreditation Program (DAP) 23/2004</i> <i>Director Certification Program (DCP) 60/2005</i> <i>CMA 5/2007</i> <i>Capital Market Academy</i>	3,090,030 shares (1.717%) Spouse: Mrs Prattana Manomaiphiboon 5,700 shares (0.003%)	Sep.2005 - Present	President	Bualuang Securities Public Company Limited
			2001 - Present	Director / Executive Director	Bualuang Securities Public Company Limited
			2008 - Present	Director	SETTRADE.COM Company Limited
			2007 - Present	IT Steering Committee	The Stock Exchange of Thailand
			2001- Aug. 2005	Managing Director	Bualuang Securities Public Company Limited
			1998 - 2003	Audit Committee and Independent Director	Ayudhya Allianz CP Life Public Company Limited
4. Ms Yaowadee Nakhata Director and Executive Director (Authorized Director) Nationality: Thai Age 54 Years	Master of Business Administration, General Business, Tarleton State University, USA Master of Arts, Economic Law, Chulalongkorn University <i>Director Accreditation Program (DAP) 66/2007</i>	None	2007 - Present	Director / Executive Director	Bualuang Securities Public Company Limited
			2002 - Present	Executive Vice President, Conglomerate II, Services and Financial Institution	Bangkok Bank Public Company Limited
			1999 – Present	Director	Rayong Terminal Company Limited
			1999 - Feb 2007	Director	Air Block Corporation Company Limited
5. Mr Piya Sosothikul Director and Executive Director (Authorized Director) Nationality: Thai Age 37 Years	Master of Science, Chemical Engineering, Massachusetts Institute of Technology , USA Master of Business Administration, Harvard University, USA <i>Director Accreditation Program (DAP) 35/2005</i>	None	2007- Present	Director / Executive Director	Bualuang Securities Public Company Limited
			2007- Present	Executive Vice President, Provincial Commercial Banking	Bangkok Bank Public Company Limited
			2005 - 2007	Senior Vice President, Provincial Commercial Banking	Bangkok Bank Public Company Limited
			2004 - Present	Director	Thai-German Ceramic Industry Public Company Limited
			2004 - Present 2002 - 2005	Director President	Seacon Company Limited Bualuang Finance Company Limited

Name-Surname	Highest Education and Training	% of Share Holding as of Dec. 31, 2007	Working Experience for the last 5 years		
			Period	Position	Company/Organization
6.Mr Prin Chirathivat Director (Independent Director) and Chairman of the Audit Committee Nationality: Thai Age 45 Years	Master of Business Administration, SASIN Graduate Institute of Business Administration Chulalongkorn University <i>Director Certification Program (DCP) 2/2000</i> <i>Director Accreditation Program (DAP) 35/2005</i> <i>Audit Committee Program (ACP) 6/2005</i> <i>The Role of Chairman Program (RCP) 11/2005</i> <i>CMA 1/2005</i> <i>Capital Market Academy</i> <i>Monitoring the Internal Audit Function Program (MIA), 1/2007</i> <i>Monitoring the System of Internal Control and Risk Management Program (MIR), 1/2007</i>	62,500 shares (0.035%)	2003 - Present	Director / Chairman of the Audit Committee	Bualuang Securities Public Company Limited
			2006 - Present	Executive Director	Robinson Department Store Public Company Limited
			2003 - Present	Executive Director	Central Plaza Hotel Public Company Limited
			2002 - Present	Executive Director	Central Group of Companies
			1999 - Present	Director	Malee Sampran Public Company Limited
			1996 - Present	Executive Director	Central Retail Corporation Limited
			1994 - Present	Director / Executive Director	Central Pattana Public Company Limited
			1993 - Present	Director	Central Plaza Hotel Public Company Limit
			1993 - Present	Director	Central Realty Services Company Limited
			2004 - Present	Adviser	Market for Alternative Investment
			1995 - 2007	Director	General Card Services Company Limited
			1999 - 2006	Director	Indara Insurance Public Company Limited
			2002 - 2006	Director	Dhanamitr Factoring Public Company Limited
			1990 - 2002	Executive Director	Central Department Store Company Limited
			1998 - 2004	Executive Director	Interlife John Hancock Assurance Public Company Limited

Name-Surname	Highest Education and Training	% of Share Holding as of Dec. 31, 2007	Working Experience for the last 5 years		
			Period	Position	Company/Organization
7.Mr Upatham Saisangjan Director (Independent Director) / Audit Committee and Chairman of the Nomination and Remuneration Committee Nationality: Thai Age 66 Years	PhD Statistics, University of Iowa, USA <i>Director Accreditation Program (DAP) 24/2004</i> <i>Understanding the Fundamentals of Financial Statements (UFS) 1/2006</i> <i>Role of the Compensation Committee (RCC)1/2006</i> <i>Audit Committee Program (ACP) 19/2007</i> <i>Monitoring the Internal Audit Function Program (MIA), 1/2007</i>	30,000 shares (0.017%)	2001 - Present	Director / Audit Committee Member	Bualuang Securities Public Company Limited
			Aug.2006 - Present	Chairman of the Nomination and Remuneration Committee	Bualuang Securities Public Company Limited
			2003 – Present	Dean, Faculty of Business Administration	Dhurakij Pundit University
			2006 - Present	Director	Me-Dezine Construction and Management Company Limited
			1994 - Present	Director	Suanmai Thai Company Limited
			1990 - Present 2000 - 2003	Director Senior Executive Vice President	Suan Aek Company Limited Bangkok Life Assurance Company Limited
8. Mr Pichet Sithi-Amnuai Director (Independent Director) / Audit Committee Member and Nomination and Remuneration Committee Member Nationality: Thai Age 42 Years	Master of Business Administration, University of Texas at Austin, USA <i>Director Certification Program (DCP) 64/2005</i> <i>Audit Committee Program (ACP) 10/2005</i> <i>Role of the Compensation Committee (RCC)1/2006</i> <i>Monitoring the Internal Audit Function Program (MIA), 1/2007</i> <i>Monitoring the System of Internal Control and Risk Management Program (MIR), 1/2007</i>	None	Aug.2005 - Present	Director / Audit Committee Member	Bualuang Securities Public Company Limited
			Aug.2006 - Present	Nomination and Remuneration Committee Member	Bualuang Securities Public Company Limited
			2007 - Present	Chairman of the Audit Committee	Mermaid Maritime Public Company Limited
			2007 - Present	Director	Speech and Drama Company Limited
			2004 - Present	Director	Stam Peat Solution (Thailand) Company Limited
			2000- Present	Managing Director	Play & Music Company Limited

Name-Surname	Highest Education and Training	% of Share Holding as of Dec. 31, 2007	Working Experience for the last 5 years		
			Period	Position	Company/Organization
9.Mr Padermpob Songkroh Deputy Managing Director, Non-Institutional Broking Group Nationality: Thai Age 40 Years	Master of Business Administration (Finance), Kasetsart university	None	2005 - Present	Deputy Managing Director, Non-Institutional Broking Group	Bualuang Securities Public Company Limited
			2001 - 2004	Executive Vice President, Non-Institutional Broking Group	Bualuang Securities Public Company Limited
10.Mr Vivat Vichitboonyaseth Deputy Managing Director, Private Client Investment Management Group Nationality: Thai Age 46 Years	Master of Business Administration, University of North Carolina at Chapel Hill, USA	145,000 shares (0.081%)	2006 - Present	Deputy Managing Director, Private Client Investment Management Group	Bualuang Securities Public Company Limited
			2002 - 2005	Executive Vice President, Private Client Investment Management Group	Bualuang Securities Public Company Limited
11. Mr Bannarong Pichyakorn Deputy Managing Director, Corporate Support Group Nationality: Thai Age 38 Years	Master of Business Administration, Chulalongkorn University <i>Director Accreditation Program (DAP) 23/2004</i>	None	2006 - Present	Deputy Managing Director, Corporate Support Group	Bualuang Securities Public Company Limited
			2004 - 2006	Deputy Managing Director, Finance & Accounting Group	RS Public Company Limited
			2001 - 2004	Senior Vice President, Investment Banking Group	Bualuang Securities Company Limited

Name-Surname	Highest Education and Training	% of Share Holding as of Dec. 31, 2007	Working Experience for the last 5 years		
			Period	Position	Company/Organization
12. Mr. Kamtorn Sila-on Executive Vice President, Investment Banking Group Nationality: Thai Age 38 Years	Master of Business Administration MIT Sloan School, USA	130,000 shares (0.072%)	2007 – Present	Executive Vice President, Investment Banking Group	Bualuang Securities Public Company Limited
			2004 – 2006	Senior Vice President, Investment Banking Group	Bualuang Securities Public Company Limited
			1999 – 2004	Senior Vice President, Investment Banking Dept.	Asia Plus Securities Public Company Limited
13. Mr. Vararatana Jutimitta Executive Vice President, Investment Banking Group Nationality: Thai Age 36 Years	Bachelor of Business Administration, Seattle University, USA	30,000 shares (0.17%)	2007 – Present	Executive Vice President, Investment Banking Group	Bualuang Securities Public Company Limited
			2005-2006	Senior Vice President, Investment Banking Group	Bualuang Securities Public Company Limited
			2004- Sep. 2005	Senior Executive Vice President, Investment Banking	United Securities Public Company Limited
			2002 - 2004	Senior Vice President, Corporate Finance	BT Securities Company Limited
14. Mr. Manu Tangtatswas Executive Vice President Special Product Group Nationality: Thai Age 44 Years	Master of Business Administration, Thammasat University	130,000 shares (0.072%)	2007 – Present	Executive Vice President, Special Product Group	Bualuang Securities Public Company Limited
			1989 - Present 2005-2006	Director Senior Vice President, Derivatives Business Dept.	Simap Company Limited Bualuang Securities Public Company Limited
			2001 – 2005	Senior Vice President, E-Business Dept.	Bualuang Securities Public Company Limited
15. Mr. Chaipaporn Nompitakcharoen Executive Vice President Research Group Nationality: Thai Age 41 Years	Master of Business Administration, Indiana University, USA	None	Jul.2007 - Present	Executive Vice President, Research Group	Bualuang Securities Public Company Limited
			2001 - Jun. 2007	Senior Vice President, Institutional Sales & Research Group	Bualuang Securities Public Company Limited
16. Ms. Oranuch Vachiruksasavakul Executive Vice President Institutional Sales Group Nationality: Thai Age 45 Years	Master of Business Administration, Western Illinois University, USA	None	Jul.2007 - Present	Executive Vice President, Institutional Sales Group	Bualuang Securities Public Company Limited
			Nov.1993-Sep. 2005	Director, Institutional Sales	UBS Securities (Thailand) Limited

Remark : No directors or member of management is currently in litigation nor does any hold director positions at more than five listed companies.

General Information

Name	:	Bualuang Securities Public Company Limited
Business Operation	:	The securities business, which includes Securities Brokerage, Derivatives Brokerage, Investment Banking, Private Fund Management, Selling Agent and Fixed Income Trading business
Head Office Address	:	29 th Floor, Silom Complex Office Building, 191 Silom Road, Bangrak, Bangkok 10500
Registration No.	:	0107547000842
Homepage	:	www.bualuang.co.th
Telephone	:	0-2231-3777, 0-2632-0777
Facsimile	:	0-2231-3951
Par Value	:	Baht 2 per share
Registered Capital	:	Baht 360 million
Paid-up Capital	:	Baht 360 million

Other References

Share Registrar	:	Thailand Securities Depository Company Limited 4 th Floor The Stock Exchange of Thailand Building 62 Ratchadapisek Road, Klongtoey Bangkok 10110 Telephone 0-2229-2800 Fax 0-2359-1266
2007 Auditor	:	1. Mr Sophon Permsiriwallop, Certified Public Account No. 3182 or 2. Miss Rungnapa Lertsuwankul, Certified Public Account No. 3516 or 3. Miss Vissuta Jariyathanakorn, Certified Public Account No. 3853 or 4. Miss Sumalee Reewarabandith, Certified Public Account No. 3970 or 5. Mrs Nonglak Pumnoi, Certified Public Account No. 4172 Ernst & Young Office Limited 33 rd Floor, Lake Rajada Office Complex, 193/136-137, Rajadapisek Road, Klongtoey, Bangkok 10110 Telephone No. 0-2264-0777, 0-2661-9190 Facsimile No. 0-2264-0789-90, 0-2661-9192

Major Business

Bualuang Securities Public Company Limited (“BLS”, “the Company”) has eight licenses to engage in securities brokerage, securities trading, investment advisory, securities underwriting, financial advisory, private fund management, selling agent and derivatives agent activities.

The Company currently undertakes six major activities, namely: securities brokerage, derivatives brokerage, investment banking, private fund management, selling agent and fixed income trading.

BLS derives its main revenue from securities brokerage income. In 2007 brokerage income was Bt679.12million, or 69.86% of total revenue. The Company has a total of 23 branches covering all regions of the country, of which 14 are in Bangkok and vicinity and 9 in the provinces.

Key Milestones in BLS’s Business Operations and Management in 2007

- 14 February : Selected by the Stock Exchange of Thailand as one of the founders of the first equity ETF in Thailand. It uses the SET50 as underlying asset.
- 1 May : Closed the Dindaeng Branch. The business and employees were transferred to the Ladprao Branch.
- 9 May : Approved by the Securities and Exchange Commission for registration as a derivatives dealer.
- 14 May : Opened the Abdulrahim Branch at G Floor, Abdulrahim Building 990 Rama 4 Road, Silom, Bangrak, Bangkok 10500.
- 11 June : Entered into an Exclusive Partner Agreement with Morgan Stanley Asia Limited (MSAL) under which MSAL will send trading orders to the Company and the Company shall charge MSAL a brokerage commission at the rate set out in the Agreement.
- 29 June : Entered into the Introducing Agent Agreement with Bangkok Bank Plc (BBL). BBL shall refer its individual customers to open securities trading accounts with the Company and the Company shall pay remuneration for such referral, a part of the collaboration between the two parties, in order to expand the Company’s securities trading customer base.

Company Revenue Structure

Revenue	2005		2006		2007	
	(Btm)	%	(Btm)	%	(Btm)	%
Brokerage Fees-Securities Trading	658.43	79.82	696.53	71.55	679.12	69.85
Brokerage Fees-Derivatives Trading	-	0.00	14.45	1.49	56.13	5.77
Fees and Services Income	110.88	13.44	187.43	19.25	118.96	12.24
Profit/(Loss) on Trading in Securities and Derivatives	0.85	0.10	(10.99)	(1.13)	18.31	1.88
Interest and Dividend	25.62	3.11	37.24	3.83	46.04	4.74
Interest on Margin Loans	23.01	2.79	43.44	4.46	49.92	5.13
Other Revenue	6.15	0.74	5.35	0.55	3.70	0.38
Total Revenue	824.94	100.00	973.45	100.00	972.18	100.00

Securities brokerage business

Securities brokerage is BLS's core business. It provides the service to both general individual investors and institutional investors. In 2007 the trading volume contribution of its individual and institutional customers accounted for about 61.9% and 38.1% of total volume respectively. The Company has a high level of diversification, and no one particular customer accounts for over 30% of its revenues during the past 3 years.

The Company's trading turnover in 2007 was recorded at 314,262 billion, an increase of 11.3%, from the Bt282,346 million trading volume that the Company saw in 2006. The 2007 market share of the company was 3.68%, up from 3.54% in 2006.

Total trading turnover, market share and trading volume of the Company classified by type of client account and channel of trading are tabled below:

Securities Trading (Unit: Btm)	2005	2006	2007
Total market Turnover (Btm) (SET & MAI)	4,067,181	3,983,676	4,271,820
Company trading turnover (Btm) (SET & MAI)	267,323	282,346	314,262
Market share (%)	3.29	3.54	3.68
Ranking	9	10	8
Total Securities Brokerage Revenue (Btm)	658.48	696.53	679.12
Trading value classified by type of client (Btm)			
- Institutional client	39,133	95,597	119,761
- Individual client	228,191	186,749	194,500
Trading value classified by nationality of client (Btm)			
- Local client	244,587	206,490	214,007
- Foreign client	22,736	75,855	100,255
Trading value classified by type of client's account (Btm)			
- Cash Account	240,778	256,674	293,849
- Credit Balance Account	26,545	25,671	20,413
Trading value classified by trading channel (Btm)			
- Marketing	249,880	266,958	271,922
- Internet	17,443	15,386	42,340

The Company has developed its service provision approaches to offer innovative new products to customers with real time online stock information provided on mobile phone so that the customers can access and make use of the stock data and the analysis of which as well as that on stock fundamentals and other data on a timely basis. Application functions are easy for use. Such service is offered to the customers free of charge.

In 2007, BLS was approved by the SET to enter into the Exclusive Partner Agreement with MSAL, which would take effect on 11 June 2007. This Agreement was meant to replace the Research Support Agreement earlier signed between both parties on 19 January 2006, which was terminated as according to the SET criteria, only the new Agreement shall be used as the core agreement. The new Agreement also covers research collaboration. There will even be more collaborations related to the securities business between both parties including broking business for equity instruments and derivatives as well as research work and risk management. The salient points of the Agreement are:

Summary of the Exclusive Partner Agreement

Agreement	: Exclusive Partner Agreement
Date	: 11 June 2007
Parties	: Bualuang Securities Public Company Limited (BLS) and Morgan Stanley Asia Limited (MSAL)
Nature of transaction	: MSAL shall place trading orders to the Company and the Company shall charge MSAL a brokerage commission at the rate set out in the Agreement, which must not be lower than 60% of the rate prescribed by the SET.
Key conditions	: -MSAL is a foreign securities company which is a member of the stock exchange of a foreign country. -MSAL shall not enter into any agreement of such a nature with any other party in Thailand. - BLS shall not enter into any agreement of such a nature with any other foreign securities company. -MSAL shall cooperate with the Company in complying with the rules and criteria set forth by the stock market relating to securities trading, settlement and delivery, as well as any relevant laws and regulations.
Contractual term	: This Agreement shall have no ending period unless terminated by either party giving to the other party not less than 14 days prior written notice.

On 28 June 2007 BLS entered into the Introducing Agent Agreement with BBL. The agreement is considered an essential business collaboration between the two parties. It will help expand the Company's customer base for securities brokerage and develop and expand the investor base in the capital market, in line with the implementation of the Capital Market Development Master Plan. BBL shall refer individual customers to open securities trading accounts with BLS and the Company shall pay remuneration to BBL for such referral, which will be in accordance with criteria set out by the SET. The salient points of the Agreement are:

Summary of the agreement

Agreement	: Introducing Agent Agreement
Date	: 28 June 2007
Parties	: Bualuang Securities Public Company Limited and Bangkok Bank Public Company Limited
Nature of transaction	: BBL shall provide service, contact or refer its individual customers to open securities trading accounts with the Company and the Company shall pay remuneration for such referral to BBL within the time specified counting from the date when the Company approves the account opening for the customer introduced by BBL, which shall be pursuant to SET criteria.
Key conditions	: Both parties agree to comply with the laws, notifications, rules and regulations of the SEC, the Bank of Thailand and the SET regarding permission for commercial banks to deal business and contact with or introduce services of securities companies to its customers, which are in force at present and in the future.
Contractual term	: This agreement has no ending period unless terminated by one party giving to the other party not less than 60 days prior written notice. In the event of a breach of the Agreement by any one party, the other party shall have the right to forthwith terminate the Agreement.

Customer Acceptance Policy

To comply with the Anti-Money Laundering and/or Combating the Financing of Terrorism (AML/CFT) measures prescribed by the SEC, the Company has mapped out Know Your Customer & Customer Due Diligence (KYC/CDD) procedures and guidelines for use in the acceptance of customers so as to prevent any use of the securities/derivatives trading and investment in private funds as channels for funding and asset delivery in support of terrorism.

The Company has determined procedures for the detailed examination of each customer's personal information, including checking with other sources, such as the Anti-Money Laundering Office's list of persons that may have violated or be related to basic offences or money-laundering offences, including persons who provide financial support to terrorists. The Company has also set out additional measures for the review and classification of customers by risk type together with proper procedures for the following up of customers. Any transaction with a customer classified in the high risk group shall be subject to approval by persons with approval authority as prescribed by the Company. The Company has no policy to accept customers that may be related to terrorist organizations.

Research

The Company focuses on the development of quality research, producing accurate and comprehensive research papers, as well as timely analysis, conducted on a knowledgeable and informed basis. It produces various analysis reports tailored to the different needs of our client segments, such as individual investors and institutional investors, both local and foreign by adhering to strict business ethics. BLS prioritizes the role of its research which supports its various activities directly and indirectly.

The Company entered into a Research Support Agreement with a company in the Morgan Stanley group in 2006 to help develop research quality and improve the professionalism of BLS's analysts. That agreement was terminated in June 2007 when a new agreement—the Exclusive Partner Agreement—was signed. The new Agreement covers several areas of collaboration between the two parties relating to securities/derivatives brokerage, research and risk management.

The Company's research includes presentation of investment strategies, economic outlook, stock market conditions, as well as fundamental and technical analysis thereof. In 2007, its research covers around 90 listed companies, representing about 74% of total market capitalization.

The customers who are interested to receive research reports via E-mail to support their decision on investment, they may apply for such service, details of which are available on our website. So far, a large number of customers have filed their applications for such service.

Besides, the Company has been honored to run a television program titled “Koo-Hoo Koo-Hoon” which serves as another channel for general investors to access to information about the stock market. It enjoys a high ratings and is very popular among investors.

Derivatives business

The Company was one of the first 20 TFEX and TCH members, which was launched on April 2006. In 2007, brokerage fees from derivatives business totaled Bt56.13 million, or 5.77% of the Company's total revenues or increased from Bt14.45 million in 2006. Average daily trading turnover in the overall derivatives market increased significantly in 2007. Income of Bt14.45 million was reported for 2006 from only eight months of operational income, as the derivatives business was launched in April 2006.

The Company's market share dropped from 9.75% in 2006 to 7.09% in 2007, mainly due to increased trading volume of domestic institutional investors including the portfolios of derivatives brokers designated by TFEX to be market makers—a business not carried out by the Company.

There are currently two derivatives products on the market—SET50 Index Futures and SET50 Index Options. The SET50 Index Option is a new product launched on 29 October 2007. A new product to be launched by the TFEX in 2008 will be Stock Options.

For the past year, the Company has regularly organized and hosted seminars for customers and investors in general in order to enhance their knowledge about derivatives products. Training was also made available by the Company to employees to boost their efficiency in service provision to customers.

Investment banking business

BLS engages in investment banking (IB) business, rendering financial advisory and securities underwriting services. Its IB team consists of professionals with expertise and experience in both local and overseas markets which offer the investment banking service. The Company renders investment banking (IB) services with adherence to business ethics and professionalism.

The Company provides a full range of IB services, ranging from lead managing Initial Public Offerings (IPO) for mid- and large-sized companies, to undertaking complex merger & acquisition activities, debt restructuring, fund raising activities e.g. private placement, rights offering, etc.

In 2007 the Company's income from the IB business totaled Bt85.15 million, or 8.76% of its total revenue. That represented a drop of 47.60% from 2006 due to the decline in advisory service and underwriting volume, particularly big-ticket fund-raising projects. This resulted from unfavorable market conditions and such negative external factors as political uncertainty, as well as the impact on the market of the Bank of Thailand's imposition of capital controls to mitigate baht speculation in December 2006. Hence, several companies suspended their fund-raising schemes.

(Unit: Btm)	2005	2006	2007
Financial Advisory	28.93	63.16	56.20
Securities Underwriting	54.34	99.33	28.95
Total	83.27	162.49	85.15

BLS has established a good track record in the IB business through its active participation in underwriting transactions for blue chip clients as follows:

Selected 2007 financial advisory credentials

Company	Type of Service
1. Ticon Property Fund (2nd Capital Increase)	Financial Advisor: Property Fund
2. Ascon Construction Plc.	Financial Advisor: Right Warrant
3. Bumrungrad Hospital Plc.	Financial Advisor: Share Divestment
4. Srisawad International (1991) Co., Ltd.	Financial Advisor: M&A
5. Hua Hin Resort Limited	Tender Offer Preparer / Tender Offer Agent
6. CAT Telecom Plc.	Financial Advisor
7. Areeya Property Plc.	Financial Advisor: Right Warrant

Selected 2007 underwriting credentials

Company	Type of Service
1. Ticon Property Fund (2nd Capital Increase)	Lead Underwriter
2. SNC Former Plc.	Lead Underwriter
3. Unique Engineering and Construction Plc.	Underwriter
4. Rasa Property Development Plc.	Underwriter
5. Total Access Communication Plc.	Underwriter
6. Multibax Plc.	Underwriter
7. Major Development Plc.	Underwriter

Private fund management business

Private fund management offers a fee-based discretionary investment management service for both individual and institutional clients. Investment policies are tailored to meet the client's investment objectives for risk and return.

In carrying out the service, the Company will ensure that the clients' best interests and needs are met. The investment process consists of a comprehensive set of standards together with a business code of conduct. The portfolios are managed within the parameters stipulated in the Investment Policy Statement.

As of December 31, 2007, the total net asset value of funds under management amounted to Bt 11,953.54 million, consist of the total net asset value of private funds under management amounted to Bt 6,414.89 million and total net asset value of provident fund under management amounted to 5,538.65 million

Fee income generated from management fees was Bt30.24million, or 3.11% of the Company's total revenues, up by 34.58% from 2006.

(Unit: Btm)	2005	2006	2007
Fund Management fee	26.36	22.47	30.24

Private Fund management

BLS's fund managers are highly experienced professionals in the field of fund management delivering investment decisions which factor in both clients' return objectives and risk tolerances.

Currently, there are four main types of fund offered to clients, including:

1. Equity Fund
For investors looking to achieve a high return, who can also accept higher levels of risk.
2. Fixed-income Fund
For investors who expect an assured and consistent return at a low level of risk
3. A Fund with investment in both equity and fixed income instruments. The composition of each instrument varies upon the clients' risk and return objectives.
 - Hybrid Fund:
Fund with investment in both equity and fixed-income instruments. The clients set the maximum limit for the investment in equity at a certain point of time.
 - Flexible Fund:
Fund with investment in both equity and fixed-income instruments. Allocation of investment between these two asset classes is subject to the fund manager's decision, which is subject to the risk tolerance and expected return.
 - Absolute Return Fund:
Fund with a definite target of return; suitable for clients who expect a certain return under acceptable risk conditions. The clients have to acknowledge and accept the Company's investment policy to obtain the expected return.
4. Fund-of-funds
For investors expecting high investment liquidity

Provident Fund Management

The Company provides provident fund management services to corporates, agencies or organizations that want provident funds managed with secured returns and the risks contained at an acceptable level.

The investment policy of a provident fund generally comes from discussions between the fund investment committee and the fund management company, with focus on enhancing security to the initial capital investment and expected long-term returns higher than the inflation rate to ensure the purchasing power of members upon resignation or retirement.

Selling agent business

BLS was approved by the SEC to offer a selling agent service on January 16, 2002. This business creates additional value to the Company by extending its range of services to meet all customers' needs.

To date, the Company has been appointed a selling agent of unit trusts by eight asset management companies. It recorded fee income of Bt3.57 million in 2007, or 0.37% of its total revenues, up by 43.95% from 2006.

Fixed-income business

The objective of the service is to provide another investment alternative to clients and so open new channels to boost the Company's income. At present, the Company provides fixed-income services e.g. treasury bills, BOT bonds, Risk Equivalent Bonds, Government Bonds, SOE Bonds and Corporate Debentures with at least "A-" rating to existing clients and will penetrate a new customer base in the future.

In addition, the Company is a member of the Bond Electronic Exchange (BEX) which provides investors with an electronic trading platform on which to trade bonds and corporate debentures. Investors can open a bond trading account together with a stock trading account. The Company has experienced staff available to service investors and render advice on debt instrument investment to assure investors of efficient financial management.

The Company offers this service as an alternative for investor portfolios. Income from the fixed-income management business has been low in recent years. In 2007 the Company reported Bt0.7 million in revenue from the business unit.

Market and Competition

In 2007 we witnessed a number of remarkable internal and external forces at work and events taking place. Political uncertainty prevailed, the referendum on the Constitution went ahead, the dissolution of political parties, unrest continued unabated in the southernmost provinces, and the baht strengthened further. Then there were external factors—the US dollar weakened, world financial markets were buffeted by the sub-prime crisis while sharply higher oil prices raised global inflationary concerns. All of these factors impacted on Thailand's economy and sentiment toward the stock market.

The average daily turnover of the Stock Exchange of Thailand (SET) and the Market for Alternative Investment (MAI) in 2007 was recorded at Bt17,436 million, up by 6.36% from 2006. The SET index surged by 178.26 points or 26.22% from 679.84 points at year-end 2006 to 858.10 points at year-end 2007. The market and investments were volatile throughout 2007, due mainly to the internal and external factors noted above. In the first four months of the year, stock trading was thin but became much heavier later in the year as foreign investors switched investment destination from the US to Asian countries. However, in the face of the sub-prime mortgage crisis in the US, capital inflows to the region slowed and stock market turned bearish. The main index dropped by 15.10%, or 133.47 points, between May and August last year.

The stock market rebounded after the US Federal Reserve announced a sub-prime rescue package, which, however, failed to settle the crisis. In the fourth-quarter of the year, the sub-prime crisis recurred and intensified hitting bourses across the globe. The earlier capital flows to Asia were tapped back to the US to retain liquidity there. Thus the Thai stock market became sluggish again until the end of 2007.

Political developments after the December 23, 2007 general election are anticipated to have a positive impact on the economy. GDP is forecast to grow at a healthy rate in 2008. A bull stock market is expected on improving turnover compared with the previous year. Supporting factors include the cyclical economic recovery and declining political risk, which should all help stimulate the economy.

Market Data

Security Trading	2005	2006	2007
SET			
SET Index (Points)	713.73	679.84	858.10
Total Market Capitalization (Btm)	5,105,113	5,078,705	6,636,069
Total Market Trading Turnover (Btm)	4,031,240	3,956,262	4,188,777
Average Daily Trading Turnover (Btm)	16,454	16,281	17,097
MAI			
MAI Index (Points)	158.23	193.43	272.37
Total Market Capitalization (Btm)	14,314	21,810	38,269
Total Market Trading Turnover (Btm)	35,941	27,414	83,043
Average Daily Trading Turnover (Btm)	147	113	339

Source: SET

Overview of the securities industry

All Securities companies have had to adjust themselves and adapt to intensifying competition. They have strived to boost incomes from alternative channels in anticipation of the liberalization of the industry and ensuing lower brokerage commissions. New business alliances have been sought, such as forging exclusive broking partner agreements with foreign securities companies. Moreover, in the case where stock brokers have banks as major shareholders, efforts have been made to build group synergies.

The Securities and Exchange Commission (SEC) plans to fully liberalize the securities industry and brokerage commissions in 2012. Preparations toward that event have been made to allow securities companies to adjust. The SEC has relaxed the rules and regulations governing securities business operations, such as for branch opening, securities companies may open either full branches or online ones, off-office hours opening is allowed, applications may be filed to the SEC for permission to run additional types of businesses, such as agricultural futures trading. The commission also now allows proprietary trading in foreign securities.

The Company is well aware of the changing business environment. Several adjustments have been made in preparation. Management policy is to reduce reliance on any one particular type of business. BLS entered into an exclusive broking partner agreement with Morgan Stanley, a leading global investment bank. The Company has also contracted with Bangkok Bank Plc (BBL), its major shareholder and the country's largest commercial bank by both assets and deposits, for referral of BBL customers to open trading accounts with Bualuang. This will help expand our customer base and bolster securities trading volume.

Overview of securities broking business

Fiscal year 2007 saw fierce competition within the securities brokerage business. The companies with a focus on general individual investors mainly adopted strategies to enhance the quality of information services and securities analysis and the use of the Internet for trading transactions. Foreign investors have become major players in securities trading, hence competition for foreign institutional customers has become more intense. Several securities companies have increased their foreign institutional client bases by signing business alliances and reducing brokerage fees in order to boost trading volumes. Brokerage commissions are to be incrementally cut, 2010-11. In 2012 they will be freely negotiable.

As of December 31, 2007 there were a total of 41 companies licensed by the SEC as stock brokers. Of the total, 38 are members of the SET.

The top 10 brokers with the highest trading turnover captured an aggregate market share of 49.28% of the total trading value in 2007, up from 45.23% a year earlier. BLS ranked eighth with a market share of 3.68%.

Trading Volume and Market Share

BLS Trading	2005	2006	2007
Total BLS Trading Volume (Btm)	267,323	282,346	314,262
Market Share (%)	3.29	3.54	3.68
Ranking	9	10	8

Investors can place trading orders by themselves through the Internet. In 2007 online trading accounted for 13.26% of total securities trading volume, double the 6.56% reported for 2006. Further online trading growth is expected in 2008. Competition will intensify as investors switch to online trading to take advantage of the lower brokerage commissions charged for the Internet platform—0.15% of trading value in the case of cash balance (full 100% security) or credit balance (50% security) and 0.20% of trading value for cases other than cash balance and credit balance, effective March 1, 2007. In 2007 BLS had an online trading market share of 3.74%, which ranked eighth.

Securities trading through internet trading system

Internet trading	2006	2007
Number of Securities Company providing internet trading service	33	33
Number of internet trading accounts (accounts)	114,686	142,258
Number of active clients (persons)	19,752	24,183
% of Active Clients to number of internet trading accounts	17.22	16.99
Internet Trading		
- Internet Trading Volume (Btm)	522,385,242	1,132,557
- % of Total Trading Volume	6.56	13.26

Source: SET

Overview of derivatives business

As of year-end 2007, there were 25 TFEX members. Derivatives trading volume in 2007 totaled 1,236,884 contracts worth Bt706,319 million, or an average of 5,219 contracts worth Bt2,884 million per day.

In the first-half of 2007, derivatives trading volume was thin—only 2,882 contracts per day, as a result of the bearish stock market in the aftermath of the Bank of Thailand's adoption of a 30% reserve on foreign capital inflows for investment. In the latter half of the year, with oil price volatility and the sub-prime mortgage crisis in the US, the Thai stock market witnessed a dramatic movement. Trading volume surged on both the stock market and the derivatives market, which recorded a maximum trading volume of 13,701 contracts on September 26, 2007.

The top 10 TFEX members by turnover captured an aggregate market share of 75.01% of the total market trade in 2007. BLS ranked fifth with a market share of 7.09%.

Derivatives trading in 2008 is expected to continue to gather pace, as investors have now become more familiar with both futures and options trading. There is rising use of derivatives for both speculative trading and for risk management, especially given the high volatility of the stock market. With accelerated business expansion and the launch of options trading on October 29, 2007 derivatives trading volume is anticipated to increase. Average trading per day is expected to rise from 5,219 contracts in 2007 to around 10,000 contracts in 2008. (Source : TFEX)

The 25 current TFEX members are expected to be joined by new entrants in 2008. A new product, stock options, is to be launched. This will stimulate derivatives market growth.

Overview of investment banking business

In 2007 there were only a few new listings on the SET and the MAI. Seven companies listed on the SET, down from twelve in 2006. However, the value of the funds raised in 2007 was

Bt17,929 million, marginally higher than the Bt17,014 million reported the previous year. There were four new listings on the MAI in 2007 which raised Bt764million, compared with six listings for a total of Bt813 raised in 2006.

The sluggish fund raising on the stock market last year was attributable principally to such factors as political uncertainty, the slow economy and the volatile investment atmosphere, which inevitably hampered the investment banking business. Business entities downsized fundraising schemes in both the primary and secondary markets.

However, the currently clearer political situation with the formation of a new government from the December 2007 election will positively impact capital market sentiment, which will boost the investment banking business. The SET targets 25 new listings this year and the MAI 12 listings.

Listed Company	2005	2006	2007
SET			
Number of Newly SET-Listed Companies	36	12	7
Subscription Value of Newly Listed Companies (Btm)	29,759	17,014	17,929
Number of Listed Companies	468	476	475
Total Market Capitalization (Btm)	5,105,113	5,078,705	6,636,069
MAI			
Number of Newly MAI-Listed Companies	14	6	4
Subscription Value of Newly Listed Companies (Btm)	1,490	813	764
Number of Listed Companies	36	42	48
Total Market Capitalization (Btm)	14,314	21,810	38,269

Source : SET

As of December 31, 2007 there were a total of 75 companies licensed by the SEC to perform as financial advisors under the scope prescribed. Of this total, 40 were securities firms with licenses to operate securities underwriting businesses.

Given the large number of players in the business, competition is keen. Most financial advisors try to focus on service quality and diversity together with efficiency of their personnel in the provision of advisory services to the customers and introduction of innovative financial services that best respond to the customer needs. Long-term relationship-building is very important.

Overview of private fund management business

The country's financial and economic conditions play a vital role in the private fund management business. Assets under private fund management have recorded consistent growth. In 2007 the net asset value of private funds amounted to Bt175,481 million, an increase of 19.11% from the Bt147,328 million posted at year-end 2006. The net asset value of provident funds in 2007 was Bt441,720 million, up by 14.24% from Bt386,657 million at year-end 2006.

The Company's private fund management secured a market share of 3.65% in 2007. As of December 31, 2007, private fund assets under its management amounted to Bt6,414.89 million, as detailed below:

Security Company	2005		2006		2007	
	Btm	%	Btm	%	Btm	%
Bualuang Securities Public Company Limited	7,983.35	5.60	7,330.06	4.98	6,414.89	3.65
Ayudhya Securities Company Limited	1,433.08	1.01	1,667.75	1.13	2,044.09	1.16
Trinity Security Company Limited	-	-	206.43	0.14	358.70	0.20
Phillip Securities Public Company Limited	2.07	0.00	7.36	0.00	7.48	0.00

Source: AIMC

The Company's provident fund management had a market share of 1.25% in 2007. As of December 31, 2007 provident fund assets under management amounted to Bt5,538.65 million.

Securities business outlook for 2008

We anticipate that the SET this year will remain vulnerable to global stock market volatility. The US is almost certain to go into recession this year if it is not already. The American dollar will remain weak for some time while the after effects of the bursting of the US housing bubble are expected to be felt for the rest of the year. Meanwhile, political tensions in Thailand have eased with the formation of a government from the December general election. Hence, there is a general expectation that consumer confidence and domestic demand will improve and investment sentiment will rise, which would help drive the economy this year.

Competition in the securities industry, particularly with regard to broking, will become progressively tougher, with the SEC's planned incremental liberalization of the securities business and the brokerage fees in 2012. Securities firms have to gear up for such changes. However, the SEC has relaxed some criteria that may hinder the business operations—it now allows greater flexibility on distribution channels, the opening of branches and opening hours, and diversification of business, etc.

The Derivatives business was launched on April 28, 2006. Fierce competition is foreseeable in the near future as more securities firms open derivatives units to bolster to supplement income from the securities business. Also, investors are now been more knowledgeable about this asset class as a result of active training and seminars hosted by both member companies and the TFEX. New TFEX members will join in addition to the 25 current members. A new product—stock options—will be launched. This will provide investors with a greater range of investment and risk management strategies. Average trading volume per day is expected to increase to around 10,000 contracts in 2008 from 5,219 contracts in 2007.

Greater competition is also anticipated in investment banking as securities firms turn to focus more on this business to generate revenue and profits, given that brokerage commission income is going to go into decline. There are also a number of new boutique firms that engage solely in the provision of financial advisory services. Furthermore, the financial advisory and securities underwriting businesses remain vulnerable to the direction and volatility of the stock market.

The private fund management business is expected to continue to grow. Particularly, when the Deposit Insurance Agency Act goes into force, meaning that deposits at banks will no longer secure full government guarantees. Savers will switch more to investing and managing funds at an acceptable risk level rather than depositing it at banks. Investment in private funds serves as an alternative investment option. Moreover, by early 2008 the Bank of Thailand is expected to give permission for

investment in offshore securities through private funds. All these factors will help attract investors to private funds as an investment alternative and a risk diversification measure.

Company Client Types

The clients of BLS's brokerage service comprise individual and institutional investors, both local and foreign. Individual customers make up a higher trading proportion than institutional investors.

Client Type (%)	2005	2006	2007
Individual	85.36	66.14	61.89
Institution	14.64	33.86	38.11

The trading volume of cash accounts is greater than that of margin accounts as follows.

Type of Account (%)	2005	2006	2007
Cash Account	90.07	90.91	93.50
Margin Account	9.93	9.09	6.50

The Company also has an online trading service, Bualuang i-Trading, for the convenience of cash account customers.

Competitive Strategies

BLS, a subsidiary of BBL—the country's largest commercial bank in terms of assets and deposit base (as of 31 Dec 2007)—has earned the acceptance and trust of its customers, investors and the general public due to its professional operation, consistent income generation and profitability (amid fierce competition in the industry) in line with economic growth. To achieve its business goals under the motto **“To Serve You Better”**, the Company has adopted the following key competitive strategies:

1. Personnel development

Service provision is the core component of a securities business's operation. Because BLS focuses on quality of service, personnel plays a vital role. BLS recognizes the importance of the recruitment, development and motivation of qualified persons for long-term employment. The process starts with the selection of knowledgeable, capable and experienced persons suitable for the positions to be filled, to provision of appropriate compensation packages. The Company encourages all staff members to attend relevant in-house and external seminars and training programs (both domestic and overseas), in order to enhance their knowledge and skills. The aim is to ensure that all BLS staff members are equipped with the competence and skills necessary to efficiently serve our clients and that they can easily adapt to a dynamic and increasingly competitive industry environment.

2. Development of securities brokerage business

BLS focuses on rendering quality services to our customers. Our marketing teams have a well-rounded knowledge of our products, enabling them to advise clients professionally. The Company is expanding its customer base, which covers individual investors and both domestic and foreign institutional clients, and maintaining the existing customers.

BLS and Bangkok Bank Plc (BBL) will collaborate closely with one another. BBL will refer its customers to open securities trading accounts with BLS, which will in return pay a referral fee to BBL at a rate specified by the SET. Through this channel, the Company expects to expand its customer base significantly.

The Company plans to open micro-branches in order to better serve its customers across the country. Emphasis will be placed on locations high business potential that are near BBL branches.

3. Development of the derivatives business

We have made an effort to develop service quality along with new products and personnel expertise in derivatives trading. BLS has also hosted seminars in order to boost investors' understanding of, and confidence in, the derivatives market. The Company is currently gearing up to trade a third product, Stock Options, which expected to trade in 2008. This will provide a wider range of risk management and investment options for clients.

4. Development of investment banking business

There will be more collaboration with BBL in the investment banking business, with the latter's referral of its customers to the Company. This will help boost investment banking fee income. Moreover, BBL's branch network will serve as a channel for BLS's underwriting and selling of large securities

The Company has endeavored to position itself in customers' minds as an ethical, high-quality service provider. We have developed a reputation for professionalism and integrity. BLS offers a fully-integrated range of financial advisory services with competent and experienced staff and a broad branch network across the nation to serve its underwriting business. Market-making is undertaken to access new customers, both domestically and overseas, while good relationships with the existing customers are maintained.

5. Development of private fund management business

The Company offers a wide range of fund management services tailored to suit each customer's return requirements and desired level of risk exposure. Our fund managers deliver proper investment decisions for clients, ensuring that they obtain an appropriate rate of return.

New products are also introduced to more respond to customer needs, such as the establishment of pooled provident funds, each of which may have several employers, as a way to facilitate the participation of the employers with only a small number of employees. The Company is now considering investment in offshore securities through the establishment of a private fund.

6. Development of securities analysis

BLS provides quality research that caters to all customer types. The research team is experienced and works in close collaboration with Morgan Stanley Asia Limited (MSAL). Although the Research Support Scheme Agreement with MSAL was terminated in mid-2007, a new Agreement was signed in replacement, namely the Exclusive Partner-Securities Brokerage Agreement, under which business collaboration between BLS and MSAL

encompasses not only securities brokerage, but also other areas, including research. The research team has developed the quality of its published research to a level comparable with international houses.

7. Strengthening the knowledge of customers and investors

The Company works to expanding the knowledge of our customers and investors by organizing training and seminars on a regular basis. BLS has prepared documents and organized training and seminars for customers and investors. With a better knowledge and understanding of Bualuang's business and services, customers will be more inclined to make use of those services. This covers knowledge about stocks, derivatives and other products.

8. Other developments for business value additions

BLS recognizes the importance and has undertaken continuous developments of several supporting functions instrumental to its quality service. They include:

- Technology – BLS has developed its IT system to ensure efficiency, accuracy, promptness and stability to accommodate its securities business expansion. More diverse communication channels are now provided for customer convenience. With the Company's focus on the on-going development of online trading, orders can now be placed over the Internet and by mobile phone.
- Operations – Customers have several payment options, one of which is the automatic transfer system (ATS) by which they can use 10 banks of their choice.
- Office and equipment – At present, BLS has 23 offices in all regions of the country. Maintenance of premises and equipment has been made through regular improvement and inspection to ensure adequate and proper service provision to customers.

Participation in the Arbitration Project

In order to protect the rights of investors in the stock market, BLS participates in the Arbitration Project set up by the Office of the Securities and Exchange Commission (SEC). The project took effect in January 1, 2008. Under the scheme, recourse is available to individual clients that claim to have suffered damage in the event that a securities company failed to comply with an agreement, or performed in breach of the laws governing securities and exchange and provident funds. The client may file a claim with the arbitration panel of the SEC to settle the dispute. BLS is willing to enter arbitration proceedings—we consider it to be a fair, convenient, time-saving and cost-saving avenue for investors.

Sources of funds

BLS's current paid-up registered capital totals 180 million shares or Bt360 million. The major source of funds is from its shareholder equity.

Shareholders' Equity as of Dec 31, 2007	(Btm)
Share capital	360.00
Premium on share capital	557.83
Revaluation surplus in investments	0.55
Statutory reserve	36.00
Retained earnings	475.88
Total shareholder equity	1,430.26

The Company plans its future funding in accordance with the use of funds, taking into account the appropriate level of net liquid capital. Fund raising from the stock market represents a firm capital base for its business operations.

Funding or lending through persons related to executives or major shareholders

As of December 31, 2007 BLS had deposits with BBL amounting to Bt18.47 million (please see details in the Item on Related Party Transactions).

Maintaining net liquid capital Ratio

As of December 31, 2007 the Company's net liquid capital ratio was 79.94%, significantly exceeding the minimum criteria of 7% set by the SEC.

Risk Factors

1. Risk from market fluctuations

The Company's revenues derive primarily from securities brokerage, which is dependent on the trading volume of the Stock Exchange of Thailand and fluctuates with the economy, capital market conditions and investor confidence. Securities brokerage income in 2007 was Bt679.12 million, or 69.85% of total revenue. The total SET and MAI trading turnover in 2007 was Bt17,346 million. Given a bearish stock market, securities turnover will likely decline and the Company's income from brokerage fees will slip accordingly. In contrast, bullish market conditions may boost securities trading and, hence, increase the Company's income from brokerage commissions.

To cope with the risk from market fluctuations, the Company seeks to maintain its market share in the securities brokerage business while expanding its customer base. Furthermore, it continues to diversify its revenue base by increasing income from non-securities broking businesses such as derivatives business which accounted for 5.77%, fee and service income which consist of investment banking, private fund management and selling agent service, which accounted for 12.24% of total revenue in 2007, and from other income which represented 12.13% of 2007 total revenue. This highlights that the Company is less dependent on revenue generated from brokerage services. Brokerage fee income in 2007 made up a smaller percentage of total revenue than in 2006 (when it accounted for 71.55% of total revenue) even though it increased somewhat in absolute terms.

In addition, the Company will offer new businesses as alternative investment choices for clients and has boosted income through this broader variety of products such as a securities borrowing and lending business and an Over-the-Counter derivatives business, etc.

2. Risk from competition in securities brokerage business

The Competition in the securities brokerage business focused mainly on quality, not pricing, due to the mandatory minimum brokerage commission of 0.25%. The SET announced an extension of the enforcement of the minimum brokerage commission rate to December 31, 2009, hence no brokerage fee competition during this period. Service quality competition will continue its rising pace, particularly with respect to Internet trading, on account of its lower brokerage commission rate compared with that charged on the traditional trading platform (0.15% of trading value through cash balance (full 100% security) or credit balance (50% security) accounts. In the case where trading is not through cash balance or credit balance accounts, the minimum fee chargeable shall be 0.20%.)

From 2010 - 2011, brokerage commissions will be charged on a sliding scale. That is, the commission will decline against the increase in trading value. With the trading value reaches a certain point, the brokerage fee will become negotiable. From January 1, 2012 onward, the brokerage commission will be liberalized, with free negotiations allowed and hence tough price competition.

Being well aware that the future holds intensifying price competition in the securities brokerage business, which is its core business, the Company has mapped out a policy for quality and service competition by enhancing service quality, and has directed efforts toward technology development, personnel development, research development and the introduction of new value-added products, such as a mobile trading service, a research distribution via email, etc., to meet customer requirements, including expansion of new businesses to provide more options or greater convenience to clients, as well as to increase income generation channels.

3. Risk from customer concentration

Bualuang's top ten securities broking customers accounted for 22.22% of its total revenues in 2007. If BLS were to lose the ten accounts, total revenues would be adversely affected. The Company is aware of the risk and has instituted a policy to mitigate customer concentration risk by expanding its client base among both retail and institutional customers.

In addition, BLS will develop its quality of service by enhancing the staff's skills and knowledge and providing quality research. This will help the company retain its existing client base while attracting new customers.

4. Risk of payment defaults by customers

This type of risk arises from customers' failure to meet payment within three days of their securities purchases, caused by the stock market fluctuations and customer cash shortfalls.

In 2007, net settlement trade recorded by the Company was around 15% of its total trading value, down from 16% the previous year. Cash account and credit balance trade accounted for 93.5% and 6.5%, respectively, of total volume. Bad debts incurred on both customer groups were very low at not over 0.10% of total brokerage income.

As a measure toward mitigating such risks, the Company sets an appropriate account limit for the individual customer based on his/her occupation, regular income, background, financial soundness, etc. The trading account of each customer is set at not over one-time that of the liquid assets presented by him/her, and reviews are made regularly. The SET procedures on cash account trade that require the customer to make—before trading—a deposit of at least 10% of the trade limit, can help mitigate the risks to a certain extent. As regards credit balance trade, to minimize the risks from payment defaults, the Company has mapped out a policy of setting a proper trade limit and credit limit for each customer, identifying marginable securities, setting appropriate initial margins, setting control on the concentration of particular securities and of providing credit analysis based on information from and regular follow-ups with the customer.

5. Risk from securities underwriting

The Company provides securities underwriting services and thus bears the risk that it might fail to sell all the securities as agreed. In this case, it must take up all the unsold securities and will potentially suffer losses if the market price of those securities is lower than the offer price. The Company did not encounter this situation in 2007.

Recognizing such risks, the Company has set up an underwriting committee to evaluate the risks associated with the securities to be underwritten and to identify BLS's underwriting capacity

based on its net capital ratio. In addition, Bualuang set up an internal approval procedure concerning the size of the underwriting transaction. This procedure will help the company in its undertaking the underwriting services.

6. Risk from staff turnover

The securities business requires skilled personnel. A buoyant investment atmosphere and increased investor confidence leads to tougher competition and a higher rate of personnel turnover. The Company did not suffer materially from personnel turnover in 2007.

In order to ameliorate this risk, the Company has arranged continuous training programs for its staff to enhance their skills at servicing customers. It has a policy of retaining employees with long-term service using incentives related to salary, welfare, bonus and other compensation packages at appropriate levels and in line with the market conditions and competition. The compensation scale for marketing staff set out by the SET has helped curb the high turnover rate of these skilled employees to some extent.

7. Risk from deficiencies in the IT system (whether systemic or due to human failure)

Computer systems play a key role in the operations of a securities business. Computer system disruption or malfunction—whether systemic or as a result of human failure—adversely impacts the operations and reliability of the Company.

The Company currently uses the Front Office Integrated System (FIS) for its securities trading and Securities Back Office Automation (SBA) for its operation and settlement. The Securities Back Office Automation has been put in place for trade settlement between clients and the Thailand Securities Depository Co Ltd.

The Company has set measures and contingency plans to cushion against the risk of computer disruptions and mistakes related to working systems. It also has clear working process and a computer backup center located separately from the head office

The company regularly carries out a total system test and does a business procedure review on a yearly basis in accordance with the business continuity plan to ensure the functionality and efficiency of the work systems

8. Risk from management by major shareholder

The Company is a subsidiary of BBL. As of December 31, 2007 BBL's shareholding in the Company was 56.34%. BBL still has almost total control over shareholder meeting resolutions on issues which require a majority vote of the shareholders e.g. the appointment of director. As such, except for issues that must be determined by three-fourths of the total vote as required by law or the Company's Articles of Association, other shareholders may be unable to collect enough votes to make a check and balance on issues raised by the major shareholder.

However, as a subsidiary of BBL, the country's largest commercial bank in terms of assets and deposit base (as of December 31, 2007), the Company enjoys great acceptance from customers, investors and the public. Furthermore, being a part of the Bangkok Bank Plc financial group, according to the Bank of Thailand's guidelines on Consolidated Supervision, provides greater

scope for business opportunities and provides continuous support from BBL. There are three BBL representatives on our Board of Directors—namely Mr Chong Toh, Ms Yaowadee Nakhata and Mr Piya Sosothikul—and one person related to Mr Chong Toh, Ms Chanida Sophonpanich.

The Company transacts business with major shareholders based on good corporate governance practices. In addition, BLS has three independent directors—more than the one-third proportion prescribed to ensure checks and balances and to protect the interests of minority shareholders.



Shareholding Structure

Top 10 Major shareholders as of May 2, 2007 (the most recent book-closing date)

	Name	Shares Amount	%
1.	Bangkok Bank Public Company Limited	101,409,325	56.34
2.	Mr Chong Toh's Group	13,150,000	7.30
	2.1 Mr Chong Toh	13,000,000 ¹	7.22
	2.2 Ms Chanida Sophonpanich	150,000	0.08
3.	Mr Yarnsak Manomaiphiboon's Group	3,195,730	1.78
	3.1 Mr Yarnsak Manomaiphiboon	3,190,030 ²	1.77
	3.2 Ms Prattana Manomaiphiboon	5,700	0.01
4.	Mr Charnchai Siripolwuttikul	2,300,000	1.28
5.	Mr Sirisak Sonsophon	2,020,000	1.12
6.	Mr Ong-art Voravitlikit	1,760,000	0.98
7.	Mr Chanin Chalissarapong	1,700,000	0.94
8.	Thai NVDR Co., Ltd.	1,512,900	0.84
9.	Mr Sophon Mitrphanpanich	1,463,000	0.81
10.	The registered Provident Fund of the Provincial Electricity Authority by MFC Asset Mangement	1,329,000	0.74
	Top 10 major shareholders	129,839,955	72.13
	Total Paid-up Shares	180,000,000	100.00

The latest top ten major shareholders list may be checked at the Company's website prior to the 2008 Annual General Shareholder Meeting.

Remarks: ¹ After the book closing date, Mr Chong sold 2,000,000 BLS shares from his account, thus bringing the total number of BLS shares held by Mr Chong to 11,000,000 shares.
² After the book closing date, Mr Yarnsak sold 100,000 BLS shares from his account, thus bringing the total number of BLS shares held by Mr Yarnsak to 3,090,230 shares.

Major shareholders whose behavior has had a significant influence on the operational policies or management of the Company.

The Company has representative directors from BBL, its major shareholder, as follow:

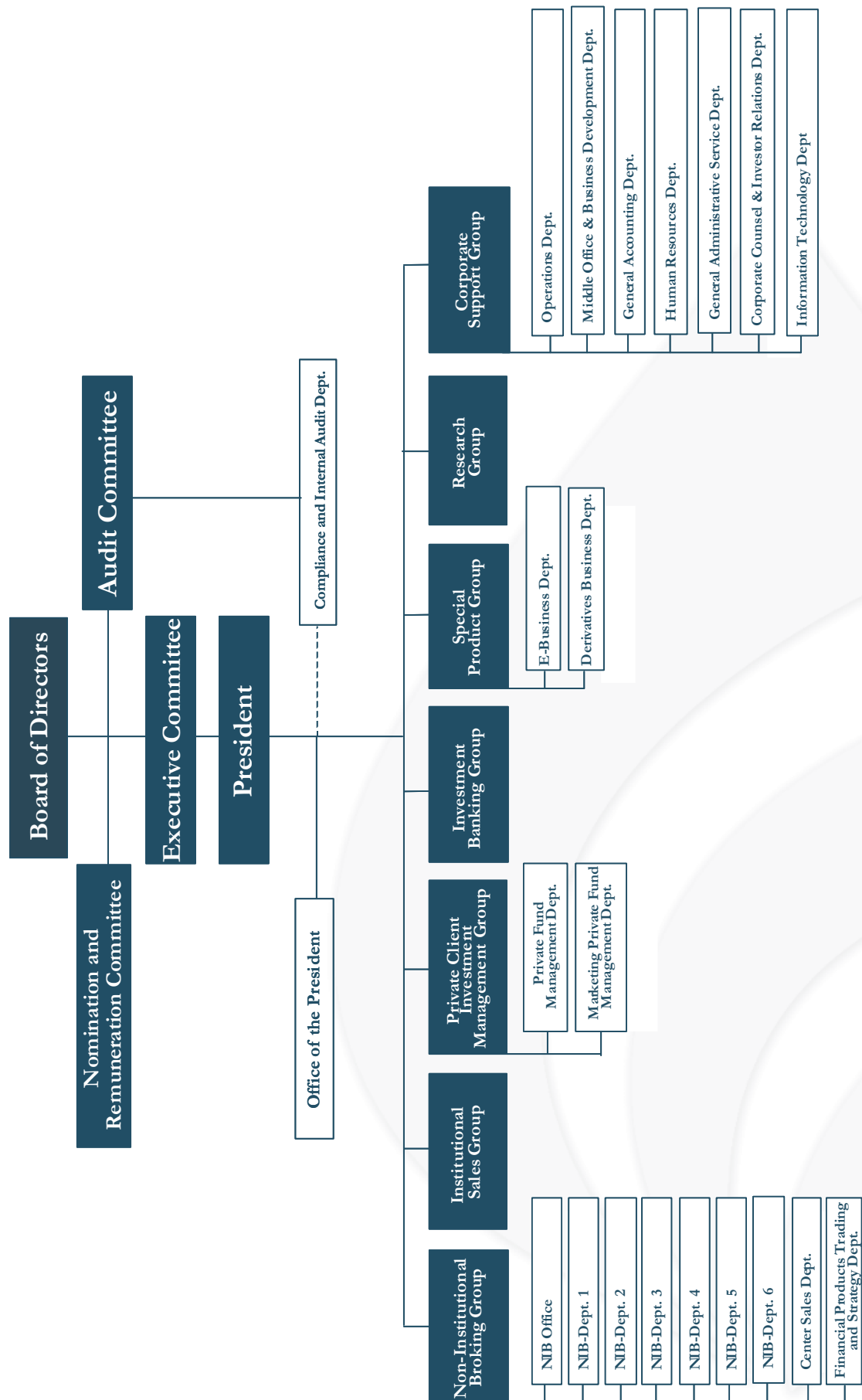
1. Mr Chong Toh Chairman of the Board of Director and Executive Chairman
(Authorized Director)
2. Ms Yaowadee Nakhata Director and Executive Director (Authorized Director)
3. Mr Piya Sososthikul Director and Executive Director (Authorized Director)

and Miss Chanida Sophonpanich, a director (Authorized Director) who is the spouse of Mr Chong Toh, a representative director from BBL.

However, in the nomination of a person to assume directorship, the Nomination and Remuneration Committee will consider the qualifications of such person before proposing to the Board of Directors and/or the shareholder meeting, as the case may be. Details are given in the Item on the nomination of directors and management.

Management

Organization Structure



Management

The Company has set up various committees, namely the Board of Directors, the Executive Committee, the Audit Committee and the Nomination and Remuneration Committee. In addition, there are sub-committee which consist of Bad debt Committee, Underwriting Committee, Investment Committee—Private Fund and the Management Committee. The members of the committees and the management are competent persons with full qualifications pursuant to Section 68 of the Public Limited Companies Act, B.E. 2535 and the Notification of the SEC no. Kor.Jor. 12/2543 (and amendment thereto) pertaining to qualification of listed companies.

The detailed composition of BLS's management structure is as shown below:

Board of Directors

As of 31 December 2007, the Company's Board of Directors consisted of 8 members as follow:

No.	Name	Position as Director	Other Positions
1.	Mr Chong Toh	Chairman of the Board of Directors	Executive Chairman (Authorised Director)
2.	Ms Chanida Sophonpanich	Director	(Authorised Director)
3.	Mr Yarnsak Manomaiphiboon	Director	Executive Director and President (Authorised Director)
4.	Ms Yaowadee Nakhata	Director	Executive Director (Authorised Director)
5.	Mr Piya Sosothikul	Director	Executive Director (Authorised Director)
6.	Mr Prin Chirathivat	Director	Chairman of the Audit Committee and Independent Director
7.	Mr Upatham Saisangjan	Director	Chairman of the Nomination and Remuneration Committee, Audit Committee Member and Independent Director
8.	Mr Pichet Sithi-Amnuai	Director	Audit Committee Member, Independent Director and Nomination and Remuneration Committee member

Remark:

- There are three BBL representatives, the Company's major shareholders, on its Board of Directors, namely Mr Chong Toh, Ms Yaowadee Nakhata and Mr Piya Sosothikul and one related person with Mr Chong Toh (spouse), Ms Chanida Sophonpanich.
- Management Director: Mr Yarnsak Manomaiphiboon

Ms Pantip Koeythong is the Board of Directors' Secretary and Company's Secretary (attended the IOD's Company Secretary Program, 13/2005)

The Authorized Directors

The Directors who are empowered to sign on behalf of the Company are the joint signatures of any two of the following four Directors with the Company's seal affixed, namely:

Mr Chong Toh, Mr .Yarnsak Manomaiphiboon, Mrs Yaowadee Nakhata, Mr Piya Sosothikul, any two of four may sign with the Company's seal affixed, or

Miss Chanida Sophonpanich, Mr Yarnsak Manomaiphiboon, Mrs Yaowadee Nakhata, Mr Piya Sosothikul, any two of four may sign with the Company's seal affixed

Authority and Responsibilities of the Board of Directors

1. To perform and carry out the Company's business in compliance with the laws, objectives and Articles of Association of the Company including the shareholder meeting resolutions with good faith and with care to preserve the interests of the Company and comply with the good corporate governance practices.
2. To review and approve key business matters such as the vision and mission of the company, strategy, financial targets, risks, business plans and budget. The board should also monitor implementation by management to ensure efficiency and effectiveness.
3. To set and approve a written corporate governance policy for the Company and review the policy and compliance to the policy regularly, at least annually.
4. To ensure that a written code of business conduct be in place so that all directors, executives and employees understand the ethical standards of the Company. Compliance to the code should be closely monitored by the board.
5. To consider any potential conflict of interest thoroughly and set up clear guidelines on the approval of transactions where there is a potential conflict of interest so that the transaction is conducted in the best interest of the company and all shareholders. The board shall also monitor compliance to the regulations regarding criteria, procedures and disclosure of transactions with potential conflicts of interest.
6. To ensure that the operational control system is in place, including financial reporting, compliance, and policy control, and review the system at least annually. The board shall also assign a person or a department to independently audit and report on the system.
7. To establish a risk management policy to cover all activities of the company, assign management to implement the policy and request a report from management regularly. The board shall review the risk management system or assess the effectiveness of risk management at least annually and whenever there is a change in risk level. The board shall also focus on early warning signs and unusual transactions.
8. To set out targets, guidelines, policy, plans and budgets, monitor and supervise business administration to be aligned with the assigned policy and the provisions set forth by the SET, except for the issues that require prior approval of the shareholder meeting, e.g. capital increase/decrease, issue of debentures, sale or transfer of business in whole or in part to any other party, or acquisition or acceptance of transfer of business, amendment to memorandum or articles of association, payment of bonus or remuneration to directors, and others.
9. To control and follow-up the Company's operations to ensure compliance with the rules and regulations of the authorities, adequate disclosure of information to shareholders and the parties concerned and transparent management to maximize benefits to shareholders.

10. To consider appointment of directors as deemed proper to sit on the Executive Committee or other sub-committees to supervise business operations as assigned by the Board.
11. To set and approve the authorization limit which could be amended from time to time by the Board of Director as deemed appropriate.

In 2007 the Board held 10 meetings, comprising nine regular meetings and one special meeting held on December 19, 2007 to allow only non-management directors to meet and discuss issues without the attendance of director that is also member of the Company's management. The meeting attendance of each director is tabled below:

Name	Duration of Holding Office	Number of Meetings	Attended
1. Mr Chong Toh	Aug. 14, 2001 - present	10	10
2. Ms Chanida Sophonpanich	Aug. 14, 2001 - present	10	10
3. Mr Yarnsak Manomaiphiboon	Dec. 11, 2001 - present	9 ¹	9 ¹
4. Ms Yaowadee Nakhata	Mar. 22, 2007 - present	8	8
5. Mr Piya Sosothikul	Apr. 24, 2007 - present	7	6 ²
6. Mr Prin Chirathivat	Jun. 9, 2003 - present	10	10
7. Mr Upatham Saisangjan	Dec. 11, 2001 - present	10	10
8. Mr Pichet Sithi-Amnuai	Aug. 18, 2005 - present	10	10
Retired Director during the year			
Mr. Piyapan Tayanithi	Dec. 11, 2001 - Apr. 23, 2007	3	3

Remarks: ¹ Mr Yarnsak is a member of the management of the Company, so he did not participate in the Non-Management Directors' Meeting.

² Mr Piya could not attend the meeting as he had duly been engaged in an overseas trip.

Audit Committee

As of December 31, 2007 the Company's Audit Committee consisted of three members:

No.	Name	Position
1.	Mr Prin Chirathivat	Chairman of the Audit Committee and Independent Director
2.	Mr Upatham Saisangjan	Audit Committee Member and Independent Director
3.	Mr Pichet Sithi-Amnuai	Audit Committee Member and Independent Director

Mr Sumet Panjapahapavin is the secretary of the Audit Committee

Terms of office of Chairman and members of Audit Committee: three years

Authority and responsibilities of the Audit Committee

The Audit Committee has authority and responsibilities as assigned by the Board of Directors as follow:

1. To review and ensure the Company's financial reporting process is accurate and adequately disclosed and also to review the unusual items, the important accounting policy and the auditor's adjustment transactions.

2. To review and ensure the Company's internal control and internal audit systems are appropriate and effective.
3. To review the Company's compliance with laws of securities and exchange, regulations of the Stock Exchange and laws relating to the Company's business.
4. To consider, select, and nominate the Company's auditor and recommend the auditing fee by considering the auditors' independence (e.g. reviewing the other services provided to the Company by the audit firm), the rotation of the auditors, etc.
5. To review with the auditor the material matters which may affect the reliability of the financial statement e.g. issues or conflicts the auditor may face in performing his duty, differences of opinion between the auditor and the management, the efficiency of internal control systems, and some weak point which occurred during this period and may continue in the next period, etc.
6. To arrange a meeting with the auditor or the head of compliance and internal audit department without the management at least once a year.
7. To review the risk level and risk assessment method of the internal auditor and to assess the awareness of the Board of Directors and the management with regard to significant risk and operational risk.
8. To consider and ensure the accuracy and completeness of the disclosure of information of the Company in the case of a connected transaction or transaction that could potentially entail a conflict of interest and to provide an opinion to the Board of Directors regarding the connected transaction or the transaction that may entail a potential conflict of interest before entering into such a transaction, according to the rules and regulations of the SET and SEC.
9. To review and acknowledge the Company's compliance with the business code of conduct, ethics and corporate governance.
10. To prepare the Audit Committee's report, duly signed by the Audit Committee Chairman, for disclosure in the Company's annual report.
11. To approve the Charter of the internal audit function and review it at least once a year.
12. To approve the annual internal audit plan and prioritize it according to risk level. To review the internal audit report and consider with the management the Company's weak points or failings and get responses from management.
13. To approve the appointment, rotation, termination of employment of the head of compliance and internal audit function, and consider the independence of such function.
14. To review the Charter of the Audit Committee at least once a year and propose the review to the Board of Directors.
15. If the Board of Directors or the management unreasonably ignores the recommendations made in the Audit Committee's report or the committee is suspicious of a transaction that might have a material impact on the financial condition or operational results of the company, the Audit Committee will report such finding to the Office of Securities and Exchange Commission or the SET.

16. To perform any other act as assigned by the Board of Directors with the consent of the Audit Committee.

Responsibilities of Audit Committee

The Audit Committee is responsible for the Board of Directors according to the duties and responsibilities assigned by the Board of Directors, while the responsibilities for all activities of the company towards third parties are still vested in the entire Board of Director.

Audit Committee Meetings

In 2007 a total of six Audit Committee meetings were held. The meeting attendance of each audit committee member is tabled below:

Name	Duration of Holding Office	Number of Meetings	Attended
1. Mr Prin Chirathivat	Jun. 9, 2003 - present	6	6
2. Mr Upatham Saisangjan	Dec. 11, 2001 - present	6	6
3. Mr Pichet Sithi-Amuai	Aug. 18, 2005 - present	6	6

The Executive Committee

As of 31 December 2007, the Company's Executive Committee consisted of four members:

No.	Name	Positions
1.	Mr Chong Toh	Executive Chairman
2.	Ms Yaowadee Nakhata	Executive Director
3.	Mr Piya Sosothikul	Executive Director
4.	Mr Yarnsak Manomaiphiboon	Executive Director

Ms Pantip Koeythong is the (acting) secretary of the Executive Committee

The term of service of the executive committee is three years, the same as that of the Board.

Executive Committee meetings

In 2007 a total of seven Executive Committee meetings were held. The meeting attendance of each Executive director is tabled below:

Name	Duration of Holding Office	Number of Meetings	Attended
Current Director			
1. Mr Chong Toh	Aug. 14, 2001 - present	7	7
2. Mr Yarnsak Manomaiphiboon	Dec. 11, 2001 - present	7	7
3. Ms Yaowadee Nakhata	Mar. 22, 2007 - present	6	6
4. Mr Piya Sosothikul	Apr. 24, 2007 - present	5	4*
Retired Director during the year			
Mr Piyapan Tayanithi	Dec. 11, 2001- Apr. 23, 2007	1	1

Remark: * Mr Piya could not attend the meeting because he was sick

Scope of duties and responsibilities:

1. To scrutinize management's proposals for further submission for the Board's consideration;
2. To make recommendations on strategies, plans, and guidelines for operations to the Board for consideration;
3. To follow up the Company's performance to ensure efficient operations, particularly on the following issues:
 - Operating results compared to the policy and targets set out by the Board
 - Risk management
 - Management of investment and operating expenditure compared to budgets
 - Compliance of operations with relevant laws and regulations as well as the code of ethics.
4. To consider and approve the undertakings of issues assigned by the Board.
5. To consider and appoint subcommittees and/or working committees to deal with day-to-day business administration and operations, and to set out and delegate power, duties and responsibilities of the subcommittees and/or working committees.
6. To approve the Company's transactions in accordance with the authorization limit approved by the Board of Directors which could be amended from time to time by the Board of Director as deemed expedient.
7. To carry out any other tasks as assigned by the Board.

The Executive Committee may not perform any duties other than those above-mentioned unless otherwise assigned by a Board of Directors meeting.

The delegation of authority to the Executive Committee may not be carried out in a nature that will enable the Executive Directors, or the persons authorized by the Executive Directors (according to the SEC's definition), to approve the transactions in which they may have a conflict of interest with the Company or its subsidiaries.

Selected transactions and approval authority of the Executive Committee

The Executive Committee has authorization to approve any of the following transactions according to the approval limit authorized by the Board of Directors.

Transaction	Approval Limit
Investment in fixed income instruments for trading purposes <ul style="list-style-type: none">- T-Bill, Gov. Bond, BOT Bond and Risk Equivalent Bond with not over 1 year maturity- Gov. Bond and BOT Bond and Risk Equivalent Bond with over 1 year-5 years maturity- SOE Bond and Corporate Debenture with at least "A-" rating -<ul style="list-style-type: none">- not over 5 years maturity- over 5 years maturity- BBL Bond with not over 1 year maturity and 6 months average holding period	<ul style="list-style-type: none">> Bt50m/security's group/day> Bt40m/security's group/day(security's group/day)<ul style="list-style-type: none">> Bt30m> Bt20m> Bt50m/day
Investment in B.E., Corporate Debenture with at least "A-" rating with over 1 year maturity for treasury purposes	Total outstanding up to Bt40m
Capital expenditure (over budget or not in budget)	Up to Bt2m/time and up to Bt5m/year
Disposal of asset/write-off	Original Cost >Bt1m/asset

Transaction	Approval Limit
Selling securities in the company's portfolio (any remaining unsubscribed securities offered by IB group) with loss on selling such securities exceeds 10% of the original cost.	Original cost of the security taken in the Company's portfolio >Bt50m

The Nomination and Remuneration Committee

As of 31 December 2007, the Company's Nomination and Remuneration Committee consisted of the following members:

	Name	Duration of Holding Office	Position
1.	Mr Upatham Saisangjan	Aug. 11, 2006 - present	Chairman of the Nomination and Remuneration Committee / Independent Director
2.	Mr Pichet Sithi-Amnuai	Aug. 11, 2006 - present	Nomination and Remuneration Committee member / Independent Director

Remark : On Oct 16, 2006 Mr Chong Toh resigned as a member of the Nomination and Remuneration Committee to take the Board chairmanship

Ms Pantip Koeythong is the secretary of the Nomination and Remuneration Committee

The term of service of the Nomination and Remuneration Committees is three years, the same as that of the Board.

In 2007, a total of six Nomination and Remuneration Committee meetings were held and all Nomination and Remuneration Committee members attended all six meetings and regularly reported to the Board of directors.

Scope of duties and responsibilities—Nomination:

1. Consider the appropriateness of the structure and composition of the Company's Board of Directors.
2. Determine the qualifications of the Directors and the President, the criteria in the nomination of the persons for such positions, review the qualifications of the directors, as well as evaluate the performance of the directors who complete their term of service and the President.
3. Set out the methodology and procedures in the preparation of the persons qualified for being appointed directors and the President.
4. Prepare and submit to the Board the report on the Committee's performance on an annual basis.

Scope of duties and responsibilities—Remuneration

1. Set out criteria and review the structure of the remuneration for the Board of Directors, sub-committees, and the President. The Board is in charge of approving the remuneration for the President, while the remuneration for the directors is subject to the approval by a shareholder meeting.
2. Formulate criteria for the evaluation of the President's performance.
3. Provide explanations and answers to the shareholder meeting on directors' remuneration.

4. Prepare and submit to the Board a report on the Committee's performance on an annual basis.

Management

As of December 31, 2007 the Company's Management (according to the SEC's definition) consisted of nine members:

Name	Positions
1. Mr Yarnsak Manomaiphiboon	President
2. Mr Padermpob Songkroh	Deputy Managing Director Non-Institutional Broking (NIB) Group
3. Mr Vivat Vichitboonyaseth	Deputy Managing Director Private Client Investment Management Group
4. Mr Bannarong Pichyakorn	Deputy Managing Director Corporate Support Group
5. Mr Kamtorn Sila-On	Executive Vice President - Investment Banking Group ¹
6. Mr Vararatana Jutimitta	Executive Vice President - Investment Banking Group ¹
7. Mr Manu Tangtatswas	Executive Vice President - Special Product Group ¹
8. Mr Chaiyaporn Nompitakcharoen	Executive Vice President - Research Group ²
9. Ms Oranuch Vachiruksasavakul	Executive Vice President - Institutional Sales Group ³

Remark : ¹ Had been promoted from Senior Vice President to Executive Vice President with effect from January 15, 2007

² Had been promoted from Senior Vice President to Executive Vice President with effect from July 1, 2007

³ Had been appointed as Executive Vice President with effect from July 3, 2007

Scope of duties and responsibilities of the President

1. Coordinate and adopt the policy of the Board of Directors as the guidelines for operations.
2. Set out the Company's direction, targets and strategic plan and monitor the overall operations.
3. Monitor and ensure that the operations of all work units comply with the Company's rules, regulations or articles of association and those of the securities business regulators.
4. Manage and control jointly with the Company's management any risks from operations as appropriate under the circumstances and in line with the Company's policy thereon.
5. Have the approval authority as delegated by the Board of Directors or the Executive Committee or the Audit Committee.
6. Report to the Board of Directors, the Executive Committee and the Audit Committee.

The delegation of authority to the President may not be carried out in a nature that will enable the President, or the persons authorized by the President, to approve the transactions in which they may have a conflict of interest with the Company or its subsidiaries.

Selected transactions and approval authorities of the President

The President has the authorization to approve the following transactions according to the approval limit authorized by the Board of Directors.

Transaction	Approval Limit
Investment in fixed income instruments for trading purposes <ul style="list-style-type: none">- T-Bill, Gov. Bond, BOT Bond and Risk Equivalent Bond with not over 1 year maturity- Gov. Bond and BOT Bond and Risk Equivalent Bond with over 1 year-5 years maturity- SOE Bond and Corporate Debenture with at least "A-" rating<ul style="list-style-type: none">- not over 5 years maturity- over 5 years maturity- BBL Bond with not over 1 year maturity and 6 months average holding period	Up to Bt50m/security's group/day Up to Bt40m/security's group/day (security's group/day) Up to Bt30m Up to Bt20m Up to Bt50m/day
Investment in fixed income instruments for treasury purposes <ul style="list-style-type: none">- Gov. Bond, BOT Bond, SoE Bond with Gov. Guarantee with over 1 year maturity- B.E., Corporate Debenture with at least "A-" rating<ul style="list-style-type: none">- not over 1 year maturity- over 1 year maturity	Total outstanding up to Bt50m Total outstanding up to Bt40m Total outstanding up to Bt20m
Disposal of asset / write-Off	Original cost up to Bt1m/asset

Other Committees

As of December 31, 2007 the Company had other committees which have power and duties as assigned by the Board of Directors and the Executive Committee, as follow:

Bad Debt Committee

The Bad Debt Committee comprises the members, all of which are ex-officio committee members as follows:

1. President
2. Head of Non-Institutional Broking Group
3. Head of Corporate Support Group
4. Head of Operations Department
5. Head of Middle Office and Business Development Department
6. Head of Compliance and Internal Audit Department
7. Head of Corporate Counsel and Investor Relations Department

Scope of duties and responsibilities:

1. To formulate operational guidelines for monitoring and controlling follow-up procedures for bad debt related to securities/derivatives brokerage.
2. To follow up on the progress and consider solution guidelines and decide on treatment for each case.
3. To consider and implement preventive measures and/or the mitigation on risk from securities/derivatives brokerage's clients.

4. To prepare debtor status reports and progress reports for further submission to the Board of the Executive Committee.

The Bad Debt Committee is required to hold a meeting at least once a month to consider the progress and to follow up the implementation as deemed expedient.

Underwriting Committee

Underwriting Committee comprises members, all of which are ex-officio committee members as follows:

1. President
2. Head of Investment Banking
3. Head of Non-Institutional Broking Group
4. Head of Institutional Sales Group
5. Head of Research Group
6. Head of Corporate Support Group
7. Head of Syndication

Scope of duties and responsibilities:

1. To consider and approve the Company's participation as lead underwriter for both equity instruments and debt instruments.
2. To consider and approve the underwriting amount and terms.
3. To consider risk, liquidity, and net capital ratio (NCR) arising from firm underwriting.
4. To set out the share allotment criteria for Non-Institutional Broking Group, Institutional Sales Group, and Investment Banking Group in accordance with the Board of Directors' policy on approval limits and authorized persons.

In addition, at least 2 ExCom members are to participate on the Underwriting Committee, if the BLS underwriting portion (lead or joint-lead) exceeds Bt1,000m.

Investment Committee—Private Fund

Investment Committee—Private Fund comprises members, all of which are ex-officio committee members :

1. President
2. Head of Private Client Investment Management Group
3. All Fund Managers

Scope of duties and responsibilities:

1. To map out the framework, policy or strategy on investments. To define the investment universe, to approve asset allocation and sector allocation weightings. Final investment decisions on the choice of securities, the timing and amount of investment, remain to be executed by fund managers.
2. To monitor the results of investments to be in line with the framework, policy, and code of ethics as well as the rules and regulations set forth.
3. To provide suggestions, advice or viewpoints to fund managers regarding the overall investment trend and the adjustment of investment strategy to fit the situation.

In this regard, the fund managers' performances are monitored and followed up by the following support units which meet together at least once a month as deemed expedient:

1. Representative from Operation Department
2. Representative from Compliance and Internal Audit Department
3. Representative from Middle Office and Business Development Department
4. Representative from Marketing Department of Private Fund Management Group

The Corporate Governance Working Group

The Board of Directors places a great deal of importance on good corporate governance and has formulated a corporate governance policy in writing for all the concerned parties to follow with on-going development in line with the code of best practice set out by the SEC and the SET as well as generally accepted international practices.

The Corporate Governance Working Group was set up on November 7, 2005, consisting of four members.

1. Mr Pichet	Sithi-Amnuai	Head of the Corporate Governance Working Group
2. Mr Yarnsak	Manomaiphiboon	President
3. Mr Sumet	Panjapahapavin	Head of Compliance and Internal Audit Department
4. Ms Pantip	Koeythong	Head of Corporate Counsel and Investors Relations Department / Corporate Secretary

The Corporate Governance Working Group provides support to ensure that the business operations and organization-wide practices comply with and adhere to the good governance principles. Three meetings were held in 2007.

In 2007, the Corporate Governance Working Group prepared a good governance report for the year 2007, revised the Corporate Governance Policy and conducted an assessment of the Company's compliance with the good governance principles for proposal to the Board. Board self-assessment form was also produced for the Board to review their performance, problems and obstacles in the past year for efficiency improvement. Two such types of assessment had been undertaken by the Company for three straight years.

Nomination of Directors and Management

To appoint a director or President, the Nomination and Remuneration Committee will be in charge of nominating qualified individuals as director or President.

In the nomination of an individual, the Nomination and Remuneration Committee will take into account the following qualifications:

1. Having been or being in a managerial position (Executive Vice President or the equivalent) for at least five years.
2. Having managerial experience in a related businesses, such as securities, accounting, finance, law, etc.

3. Being on an appropriate age.
4. Having qualifications as specified by the regulators (e.g. the SEC, the SET and others) and having no disqualifications pursuant to the Public Companies Act and the good governance Policy of the Company.
5. Being the knowledgeable, capable persons with integrity, honesty and ethic in the business operations. In addition, he must dedicate adequate time, knowledge and efforts in his performance of duties and not assume directorship in any company that may have conflict of interests with the Company.

In case of the nomination of the independent director, the independent director must have qualifications relating to independence in the same manner as those of the member of the Audit Committee pursuant to the notification of the SET on the qualifications and scope of performance of the audit committee, and must take due care of the interests of all the shareholders on an equitable basis and ensure that there will be no conflict of interests.

Nomination of Directors

1. The Board of Directors shall consist of not less than five (5) persons but not more than eleven (11) persons. Not less than one half of the number of such directors must reside within the Kingdom of Thailand.
2. The directors shall be elected at a shareholder meeting in accordance with the criteria and procedures as follows:
 - 2.1 Each shareholder shall have one vote for one share.
 - 2.2 Each shareholder may exercise all the votes he or she has under 2.1 to elect one or several persons as director or directors, but the shareholder may not split his or her votes between any directors or any group of directors.
 - 2.3 Persons who receive the highest votes arranged in order from higher to lower in a number equal to that of the number of directors to be appointed are elected to be the directors of the Company. In the event of a tie at a lower place, which would make the number of directors greater than that required, the chairman of the meeting will have a casting vote.
3. At every annual ordinary shareholder meeting, one-third (1/3) of the directors, or if the number of directors cannot be divided exactly into three parts, the number of directors nearest to one-third (1/3), shall vacate office.

A vacating director may be eligible for re-election.

The directors to vacate office in the first and second years following the registration of the conversion of the Company shall be drawn by lots. In subsequent years, the directors who have remained in office for the longest time shall vacate office.

4. To resign from office, a director has to hand in his resignation letter to the Company. Such a resignation letter shall become effective on the date it reaches the Company.
5. The shareholder meeting may pass a resolution to remove any director from office prior to the expiration of the director's term of office, by a vote of not less than three-fourths (3/4) of the

number of shareholders attending the meeting and having the right to vote and the shares held by them shall, in aggregate, be not less than one half of the number of shares held by the shareholders attending the meeting and having the right to vote.

Nomination of Audit Committee/ Independent Director

The Company has selected the members of the audit committee from independent directors based on qualification criteria that is stricter than the minimum requirements of the SEC and the SET Notifications are detailed below:

- (1) Holding shares not more than 1 per cent of paid-up capital of the company, an affiliated company, a subsidiary, an associated company or a juristic person with a potential conflict of interest, including shares held by related persons under the Section 258 of the Securities and Exchange Act B.E. 2535 (1992 A.D.).
- (2) Not being a director of the parent company, affiliated company, associated company or juristic person with a potential conflict of interest
- (3) Not being an employee, staff member or advisor or retainer who receives a regular salary from a company, an affiliated company, a subsidiary or an associated company or a juristic person with a potential conflict of interest during the past two years
- (4) Not being a professional service provider such as auditor or legal consultant to the Company, an affiliated company, a subsidiary or an associated company during the past two years

In addition, the close relatives* of the independent director shall not be a service provider or a manager, partner or major shareholder of a juristic person which provides a service to the Company, an affiliated company, a subsidiary, an associated company or a juristic person with a potential conflict of interest.

- (5) No relationship by blood or marriage or legal registration with the management, major shareholders or a controlling person. If there is any other relationship which may impede the independent director from providing the independent opinions, the directors shall inform the Company immediately.
- (6) Being a director who has no direct or indirect benefit or interest in finance and management of the company, affiliated company, associated company or majority shareholder of the company, including the benefit or interest of the said nature during the period of two years before his/her appointment as an independent director and not having a material business relationship that would impede the independence of the judgment such as being a client or raw material supplier or borrower or lender etc. at a value exceeding 10 per cent of the Company's total revenue/expenses during the period of two years before his/her appointment or not being a manager, major shareholder or controlling person in the Company, except where the Board of directors has carefully considered that such previous benefit or interest does not affect the performance of duties and the giving of independent opinions.

* Close Relative : Farther, Mother, Spouse, Brother/Sister, Child and Spouse's child.

- (7) Being a director whom is not appointed as a representative to safeguard interests of the company's directors, majority shareholders or shareholders who are related to the company's majority shareholders.
- (8) Being capable of performing duties, giving opinions or reporting the results of performance of work according to the duties delegated by the board of directors free and clear of the control of the management or the majority shareholders of the company including related persons or close relatives of the said persons.

Nomination of management

The Nomination and Remuneration Committee will nominate an individual for the position of President in the case of vacancy. The Nomination and Remuneration Committee has prepared a Presidential succession plan by conducting a top-management (EVP up) development plan for the President, which instils investor confidence that the Company's operation would not be affected in the unlikely circumstance that the current President is unable to continue in the position.

For other managerial positions, the Company's policy is to select qualified persons who have knowledge, competence and experience in related businesses, subject to the approval of the Executive Committee.

Director and Management Remuneration

A. Remuneration in Cash

Directors' Remuneration

The Company has clearly set out director remuneration, for which the Nomination and Remuneration Committee will screen and consider before submission to the Board for further proposal to the shareholders' meeting for approval.

Structure and criteria for setting director remuneration

The director remuneration, consists of 1) monthly fee and 2) annual bonus from the past year performance, will be considered and set at an appropriate level on a par with comparable firms in the securities industry. This directors' remuneration is determined based on the experience, role and scope of duties and responsibilities, as well as expected benefits from each director. In this regard, directors with additional assignments are entitled to remuneration commensurate with the increase in duties and responsibilities. The remuneration is at a level adequate to retain quality directors.

The 2007 Ordinary General Meeting of Shareholders has resolved to approve the Directors' Remuneration, effective April 2007 onward:

Detail	Monthly Fee
Directors	Bt30,000 per month
Executive Directors (Non Management Director only)	Receive additional fee of Bt15,000 per month
Audit Committee	Receive additional fee of Bt15,000 per month
Nomination & Remuneration Committee	Receive additional fee of Bt10,000 per month
Chairman of the Board of Directors	Receive additional fee of Bt40,000 per month
Chairman of the Executive Committee	Receive additional fee of Bt30,000 per month
Chairman of the Audit Committee	Receive additional fee of Bt25,000 per month
Chairman of the Nomination & Remuneration Committee	Receive additional fee of Bt20,000 per month

2007 directors' remuneration

Directors' remuneration	Amount (Baht)
1. Monthly Fee	4,813,225.80
2. Directors' Bonus Directors's Bonus for 2006 performance which was approved by the 2007 Annual General Meeting of Shareholders on April 23, 2007	3,000,000.00
Total directors' remuneration	7,813,225.80

Details of remuneration to each director

Name	Position	2007 Monthly Remuneration (Baht)	Bonus from 2006 Performance (Baht)	Total Remuneration (Baht)
1. Mr Chong Toh	Chairman of the Board of Directors Executive Chairman	1,191,612.90	504,000.00	1,695,612.90
2. Ms Chanida Sophonpanich	Director	330,000.00	253,000.00	583,000.00
3. Mr Yarnsak Manomaiphiboon	Director and Executive Director *	330,000.00	253,000.00	583,000.00
4. Ms Yaowadee Nakhata	Director and Executive Director **	414,677.42	0.00	414,677.42
5. Mr Piya Sosothikul	Director and Executive Director ***	370,500.00	0.00	370,500.00
6. Mr Prin Chirathivat	Director and Chairman of the Audit Committee	600,000.00	442,000.00	1,042,000.00
7. Mr Upatham Saisangjan	Director , Audit Committee and Chairman of the Nomination and Remuneration Committee	790,161.29	392,000.00	1,182,161.29
8. Mr Pichet Sithi-Amnuai	Director, Audit Committee and Nomination and Remuneration Committee	661,774.19	388,000.00	1,049,774.19
Retired as a director in 2007				
Mr Piyapan Tayanithi	Director and Executive Director (Jan1, 2007 – Apr 23, 2007)	124,500.00	379,000.00	503,500.00
Resigned as a director in 2006				
Mr Sansern Wongcha-um	Chairman of the Board of Directors****	0.00	389,000.00	389,000.00
Total Remuneration		4,813,225.80	3,000,000.00	7,813,225.80

Remarks: * Executive directors that are also management personnel are not entitled to receive monthly executive director fees

** Ms Yaowadee Nakhata was appointed a director and executive director on March 22, 2007 as a replacement for Mr Sansern Wongcha-um who resigned from the Company. She received only the 2007 monthly fee starting from her joining date (no 2006 directors' bonus).

*** Mr Piya Sosothikul was appointed a director and executive director on April 24, 2007 as a replacement for Mr Piyapan Tayanithi, who retired by rotation this year. He received only the 2007 monthly fee starting from his joining date (no 2006 directors' bonus).

**** Mr Sansern Wongcha-um received a 2006 bonus based on the actual period for which he was a director. (Jan 1-Oct 8, 2006).

In addition, the 2007 Ordinary General Meeting of Shareholders on April 23, 2007 resolved to approve the payment of remuneration to the Nomination and Remuneration Committee for 2006 performance commencing from the date of the appointment thereof by the Board of Directors on August 11, 2006 until March 31, 2007. The Company has not made any payment of remuneration to this committee for the period as shareholders have not yet met to approve this matter.

The Remuneration for the Nomination and Remuneration Committee for performance commencing August 11, 2006 until December 31, 2006 was included in the 2007 Monthly fee table. The details of the Nomination and Remuneration Committee during the period are presented as below:

Name	Position	Monthly Fee (Baht)
1. Mr Chong Toh	Nomination and Remuneration Committee (August 11, 2006 - October 15, 2006)	21,612.90
2. Mr Upatham Saisangjan	Chairman of the Nomination and Remuneration Committee (August 11, 2006 - December 31, 2006)	70,161.29
3. Mr Pichet Sithi-Amnuai	Nomination and Remuneration Committee (August 11, 2006 - December 31, 2006)	46,774.19

The Company will propose to the 2008 Annual General Meeting of Shareholders to approve Baht 3,000,000 as the 2007 bonus for the Board of Directors, upon which the Chairman will accordingly allocate the bonus to each director.

Management's remuneration

The Nomination and Remuneration Committee will consider and determine the remuneration for the President in association with the evaluation of his performance. The remuneration is based on the past performance of the Company and the President.

As regards the remuneration for other management members, their performances of duties and responsibilities delegated to them are considered in association with their past performances and the operating results of the Company as a whole, and in comparison with those of the peers in the industry. The remuneration must be able to motivate them to deliver their best and retain their standard and quality of a management member.

Management's remuneration	2007	
	No. of persons	Baht
Salary and bonus	10*	59,109,774.19
Contribution to the social security fund and provident fund	10*	2,126,036.78
Total		61,235,810.97

Remark: * Five new managements were appointed and one management resigned from the Company during the year.

B. Other remuneration

-None-

Shares holding of directors and management as of December 31, 2007

Name		Number of BLS Shares Held as of Dec. 31, 2006	Number of BLS Shares Held as of Dec. 31, 2007	Change Increase/ (Decrease)	Remark
1. Mr Chong	Toh	13,000,000	11,000,000	(2,000,000)	
2. Ms Chanida	Sophonpanich	150,000	150,000	-	
3. Mr Yarnsak	Manomaiphiboon	3,190,030	3,090,030	(100,000)	
Mrs Prattana	Manomaiphiboon	5,700	5,700	-	Spouse
4. Mrs Yaowadee	Nakhata	0	0	-	
5. Mr Piya	Sosothikul	0	0	-	
6. Mr Prin	Chirathivat	62,500	62,500	-	
7. Mr Upatham	Saisangjan	30,000	30,000	-	
8. Mr Pichet	Sithi-Amnuai	0	0	-	
9. Mr Padermpob	Songkroh	895,000	0	(895,000)	
10. Mr Vivat	Vichitboonyaseth	145,000	145,000	-	
Mrs Suchitra	Vichitboonyaseth	230,000	0	(230,000)	Spouse
11. Mr. Bannarong	Pichyakorn	50,000	0	(50,000)	
12. Mr Kamtorn	Sila-On	313,000	130,000	(183,000)	
13. Mr Vararatana	Jutimitta	50,000	30,000	(20,000)	
14. Mr Manu	Tangtatswas	130,000	130,000	-	
15. Mr Chaiyaporn	Nompitakcharoen	66,000	0	(66,000)	
16. Ms Oranuch	Vachiruksasavakul	0	0	-	

Corporate Governance

Report on compliance with good corporate governance for 2007

The Board of Directors of BLS recognizes that good corporate governance is vital to maintaining a successful business operation and a key factor in adding value for shareholders over the long run. The Board is committed to monitoring and ensuring that BLS's business operations comply with good corporate governance principles.

The assessment of BLS's compliance with the governance principles for 2007 determined that the Company complied with most of the good governance principles set out in SET guidelines. Only a few practices were found to be non-compliant/under process: 1) the independence of the Chairman and 2) determination of the longest consecutive term of office and the maximum age of each director. The reasons for the non-compliance with these two matters are detailed on page 68-69.

In 2007 the Company performed in compliance with the principles of good corporate governance, as detailed below:

1. Rights of shareholders

The Board observes the rights of the shareholders and has a policy to protect the rights of shareholders. It will not commit any acts that would be in violation of shareholder rights. The Board encourages shareholders to exercise their rights, detailed below:

- The right to profit-sharing in the form of a dividend
In 2007, BLS paid dividend of Bt0.80 per share, or approximately 65% of 2006 net profit after the setting of the legal reserve. The payout conformed with the Company's dividend payment policy of at least 50% of net profit after all reserves are set.
- The right to attend shareholder meetings
The Company encourages shareholders to attend shareholder meetings and exercise their voting rights to appoint or remove directors, determine director remuneration, appoint the auditor and fix the auditor fee, and other issues related to the Company, such as dividend payments, amendments to the Company's memorandum and articles of association, capital changes, approval of extraordinary transactions, etc.

BLS also makes an effort to inform shareholders ahead of meetings by sending them complete, clear and timely information about the agenda—to be discussed and voted on and doing no hindrance to the attendance of the meeting—there is no procedure set out to obstruct the shareholders' attendance and voting, no limit of the right to attend the meeting of the shareholders who arrive late—and no action that may be a threat to the right of the shareholders to study the information that has to be disclosed of the Company pursuant to the relevant provisions and to the attendance of the meeting—there is no unprecedented distribution of additional key information at shareholder meetings and no additional issues are added to the agenda nor changes made to key information without prior notice to shareholders. Shareholders are allowed to raise questions to the Board of Directors at the shareholder meeting.

In 2007 the Company posted an invitation letter to the shareholder meeting and documents related to the meeting—as well as the criteria and procedures governing the shareholder meeting and voting—on the Company’s website in both Thai and English one month before the date of the shareholder meeting in order that shareholders could study all the information prior to receiving the paper documents.

The Company offers shareholders the opportunity to send questions prior to the meeting date, as prescribed in the invitation letter on the website (posted one month before the meeting). The questions may be sent to the Company before the meeting regarding issues on the agenda or other significant issues. The Board of Directors and management will endeavor to answer any questions sent on the date of the meeting. Questions may be sent either by: 1) postal mail to the Chairman of the Board, or 2) facsimile no. 02 233-2601, or 3) by E-mail to: ir@bualuang.co.th.

At the 2007 Annual General Meeting of Shareholders, before the meeting was called to order, the Company first explained to shareholders the meeting procedures, voting method and rights to express opinions and raise questions. The Chairman of the Board of Directors and the Chairmen of all the committees—Audit Committee, Nomination and Remuneration Committee, Executive Committee—and all the members thereof, attended the meeting, together with the members of the management, as noted below:

1. Mr Yarnsak Manomaiphiboon President
2. Mr Padermpop Songkroh Deputy Managing Director, Non-Institutional Broking Group
3. Mr Bannarong Pichyakorn Deputy Managing Director, Corporate Support Group
(responsible for Finance & Accounting Function)
4. Mr Kamtorn Sila-on Executive Vice President, Investment Banking Group

In addition, a representative of the Company’s auditor, Mrs Nonglak Pumnoi, Certified Public Account No. 4172 of Ernst & Young Co Ltd, was presented at the meeting to answer shareholder questions.

The Company provided opportunities for shareholders to express opinions, make recommendations and raise questions at the meeting before voting on each issue on the agenda. To the best of their ability, directors and management provided honest answers to all questions raised ahead of voting. Significant questions and opinions were recorded in the meeting minutes.

- Right to access information on the Company
Bualuang updates significant information to shareholders by posting such information on its website on a regular and consistent basis and also via the SET’s communication channel and the SEC.

2. Equitable treatment of shareholders

BLS realizes the significance of shareholders and—whether major or minor shareholders, Thai or foreign—makes an effort to treat all on a fair and equitable basis.

The quality assessment of the annual general meetings of shareholders of listed companies for 2007, conducted by the SEC in association with Thai Investors Association, rated Bualuang Securities Plc's AGM as "Excellent" with a total score of 102.5. The Company ranked one of the 19 out of a total of 460 listed companies assessed to be a commendable example for holding an annual general meeting of shareholders.

Moreover, the Company was awarded the "Best Shareholder Treatment Award" at the 2007 Shareholder Awards ceremony organized by Thailand Securities Depository Co Ltd (TSD) in cooperation with the Thai Investors Association, the Listed Companies Association and the Thai Investor Relations Club.

Shareholder meeting

The Board of Directors makes all reasonable efforts to ensure that shareholders rights are protected and that shareholders are treated on an equitable basis. All shareholders will receive advance information about the meeting and the issues on the agenda, as well as information about exercising voting rights at the meeting, prescribed as one share for one vote.

The Company called the 2007 Annual General Meeting of Shareholders and sent the invitation letter informing about the issues on the agenda accompanied by the opinions of the Board (the invitation also explained and detailed the facts and reasons related to each agenda item) in both Thai and English, 17 days prior to the meeting. The information was also posted on the Company's website one month before the meeting, the details of which were the same as those in the documents mailed to shareholders. The Company did not add any items to the agenda without prior notice to shareholders. The announcement of the calling of the AGM was also advertised in newspapers for at least three consecutive days and at least three days before the meeting date.

The Company completed the minutes of the meeting and sent them to the regulator as scheduled (within 14 days of the date of the meeting). The minutes were concurrently posted on the Company's website so as to be accessible to shareholders.

At the meeting, all the shareholders were treated equitably. They were allowed to propose items for the agenda and nominate persons for election as directors before the meeting date, April 23, 2007. The Company gave opportunities for shareholders with a combined shareholding of at least 3% of the Company's paid-up capital (as of the proposal date) to propose items for the agenda or nominate persons for election as directors during the period October 1, 2006 to December 31, 2006. Such proposals were required to be written and sent directly to the Company's Board of Directors.

However, for their convenience, the shareholders were permitted to first make an informal proposal through the Company's website which would have to be followed at a later date by a written proposal to the Board of Directors. In this regard, a clear criteria was set by the Company to consider the appropriateness of the items so proposed or the persons so nominated. Details of such criteria were available on its website (www.bualuang.co.th). The Company also informed the shareholders via the SET information system.

At expiry of the period, no shareholders proposed any items for the agenda of the 2007 Annual General Meeting of Shareholders or nominated any person for election as a director.

For the 2008 Annual General Meeting of Shareholders to be held in April 2008, shareholders were allowed to propose items for the agenda or nominate persons for election as directors from October 1, 2007 to December 31, 2007 with the same criteria and conditions as set in the previous year. At expiry of the period, no shareholders proposed any items for the agenda of the 2008 Annual General Meeting of Shareholders or nominated any person for election as a director.

The Company encouraged shareholders who were unable to attend the 2007 Annual General Meeting of Shareholders to appoint the Company's designated independent directors to attend the meeting and cast votes on their behalf. For 2007, the Company provided the names of directors either one of whom might be appointed by the shareholder as his proxy, namely: 1) Mr Prin Chirathivat, or 2) Mr Upatham Saisangjan. The shareholders might appoint any other person as a proxy to attend and vote at the meeting. The shareholders would have to use either one of the proxy forms earlier sent to them together with the invitation letter to appoint a proxy. The proxy form also allows shareholders to specify their votes on each agenda item. A download of the proxy form was also available on the Company's website.

At the 2007 Annual General Meeting of Shareholders, 22 shareholders with 2,070,010 shares appointed Mr Prin Chirathivat, Independent Director and Chairman of the Audit Committee of the Company, as proxy to attend and vote at the meeting on behalf of the shareholders.

At the meeting, there were altogether 185 shareholders and proxies with 130,958,151 shares out of a total of 180,000,000 shares, representing 72.75%, thus constituting a quorum as there were over 25 shareholders and proxies with at least one-third of the total paid-up shares, or at least 60 million shares, attending the meeting pursuant to the Company's articles of association.

On the item of the appointment of directors, shareholders were given an opportunity to appoint each director one-by-one. Voting cards were used for significant items such as connected transactions, acquisition or disposal of assets, etc, in order to ensure transparency and, in the case of any objection, open the item for examination.

The Company some years ago developed a computer program to facilitate shareholder registration and vote counting at the shareholder meetings, in order to provide maximum convenience to shareholders. After the meeting, shareholders can verify the voting result or the information.

Prevention of the use of inside information

To prevent any conflict of interest or unfair treatment, the Board of Directors has formulated measures to control the use of inside information in order to prevent the use thereof by directors, executives or staff concerned in a wrongful way for their own or others' benefit, such as insider trading, or the seeking of benefits for themselves or others, either directly or indirectly. The measures have been communicated organization-wide for the staff to be aware of and adhere to. These measures are detailed in the Company's business code of conduct and compliance manual.

Directors, executives and staff in charge of relevant accounting and financial data not yet disclosed to the public shall not buy or sell securities of the Company from the end of each quarter or the end of the year until such data is disclosed to the public, which normally takes about 30 days. (The Company compiles and discloses un-reviewed and unaudited financial statements to investors for submission to the Stock Exchange of Thailand within 30 days following the end of each quarter or fiscal period.) In

2007, no directors or executives of the Company made any share purchases or sales during such a period.

The Company by the Compliance and Internal Audit Department has a procedure by which it regularly audits compliance with the policy on the use of inside information. If any violation is found, there would be disciplinary proceedings. Penalties would range from a warning to dismissal, as deemed proper.

The Board ensures that all the directors and executives are made aware of their duty to disclose to the Board whether they or their related parties have any interests in any transactions or matters so that the Board may consider whether such matters may possibly entail conflicts of interest and make a decision with the interests of the Company taken into account. The directors and executives who have such interests do not participate in decision-making processes on such issues.

The Company has informed the directors and executives concerned to also be aware of their duty in disclosing their holdings of the Company's securities to the SEC pursuant to Section 59 and the penal provisions pursuant to Section 275 of the Securities and Exchange Act, B.E. 2535 (1992).

3. Role of stakeholders

The Company observes the rights of all stakeholders, comprising shareholders, clients, employees, suppliers, creditors, competitors, the environment and society in general. Cooperation between the Company and the stakeholders is promoted based on their rights and duties according to the law or by their agreements with the Company. The Company will not violate the rights of any of these stakeholders. This is aimed at ensuring the Company's continued smooth operation, growth sustainability and fair wealth to all the stakeholders. Details are as follows:

Shareholders : The Company is determined to represent the interests of shareholders by running the business in order to create maximum satisfaction to shareholders with due regard for growing the business's value over the long run and with transparent and reliable disclosure of information.

The Company encourages shareholders to exercise their rights, which are the basic rights of shareholders. It gives the right for the shareholders as the business owners to raise any comments or suggestions relating to the Company's business operations, and to access any updated information on the Company via its website on a regular and consistent basis.

Clients : The Company is committed to creating maximum satisfaction to clients with due care and accountability to them, on-going development of services and diversification of channels/options of services, as well as provision of accurate, complete and precise information.

The Company will keep client information strictly confidential. It will not disclose the information without the prior permission of clients, except in the case where information has to be disclosed to relevant parties according to the law. The Company has instituted a system to accommodate Clients' complaints, with procedures and guidelines set out for the consideration and

investigation for fact-finding, so that settlement or resolution can be reached with fairness and promptness.

Employees : Employees are resources of the highest value to the Company and a key factor in the success of its operation. BLS is thus determined to develop a good working environment and culture, and promote teamwork. It also has a policy to develop employees' knowledge and competency on a comprehensive and on-going basis.

The Company is responsible for always ensuring that the working environment is safe to the life and property of the employees. BLS adheres strictly to laws governing labor. It treats all employees fairly and equally with proper and appropriate remuneration.

The Company is determined to take care of the staff to ensure that they perform duties with professionalism and high morale by improving the office environment as a safe, modern workplace with proper health welfare and other facilities, such as annual check-up, life and health insurance, etc.

The Safety and Sanitary Environment at Workplace Committee has been set up by the Company to take care of the health and safety of, and create a good work environment for, the staff. The Welfare Committee has also been formed to look into and ensure proper staff welfare.

The Company has organized activities that promote harmony and good relationship across the organization, such as annual merit making ceremonies, sports days, annual staff parties, etc.

Suppliers : Transactions with suppliers will not cause any damage to the reputation of the Company, nor will any transaction be in contradiction of the law. The Company treats suppliers under competitive terms and with integrity. Due consideration is made on the equality of business operations and of the mutual benefits to both parties. The Company complies with the trade conditions of its suppliers with integrity and fairness. The selection of suppliers is carried out on a fair basis.

Creditors : The Company adheres to the agreements, complying with the terms and conditions under the agreements regarding principal repayment, interest payment and collateral security.

Competitors : The Company supports and promotes fair and non-monopolistic competition policies. The Company adheres to the rules of fair competition, both adopted by the industry and set out by the regulators, especially the criteria for brokerage fees, listing, commission payments to marketing staff and maintaining fair competitive standards and practices. For the past year, the Company has had no dispute with, or regarding, any of its competitors.

Society and environment : The Company operates under ethical and good governance principles in concurrence with an on-going effort to care for the environment and society at large. BLS annually allocates a budget to support and take care of society and the environment.

The Company has held activities that promote society-building in various areas—especially educational opportunities and youth development, as well as support for sport and promotion of social wellness. All such support helps pave the way for the sustainable development of Thailand's youth and general quality of life.

In 2007 the Company supported and promoted education, sports and other public activities aimed at safeguarding the environment and nurturing society. It also avoided committing any acts that might jeopardize Thailand's environment and natural resources. Significant activities in the year included the donation of computers to schools for use in education, the donation of money to the Phu Fah project for the education of the underprivileged children, donations of creative toys, etc.

The Company complies with all the laws and regulations governing the environment, promotes environmental protection awareness among staff and supports activities that are environmentally friendly.

The Company discloses sufficient information to ensure that stakeholders can take part efficiently and effectively. In addition, the Board allows stakeholders to communicate with the Board and protects the rights of stakeholders who claim or provide evidence that there might be reason to be concerned about the accuracy of the Company's financial reporting, deficiencies in the internal control systems or breaches of legal or ethical practices. Communication may be made with the Company's Audit Committee via auditcom@bualuang.co.th to enable the examination of the information so provided, under the Company's procedures. The communication and results will be reported to the Board accordingly.

The Company keeps all such communication confidential. Acceptance of a complaint and investigation procedures are set out. The information regarding complaints is accessible only to the persons assigned and involved.

In 2007 no stakeholders filed any complaints or suggested any issues to be concerned about to the Audit Committee.

4. Disclosure of information and transparency

The Company has all along recognized as a key policy and core mission the disclosure of the Company's significant information, both financial and non-financial, with accuracy, completeness, transparency, thoroughness and timeliness. The channels allowed for equitable access to its information include not only disclosure through the SEC and the SET with the annual disclosure form (Form 56-1) and the annual report. The Company discloses information to investors and relevant parties and updates the information regularly through its website both in Thai and English

versions, in order to adequately and equitably support the investors' and the relevant parties' decision making.

In 2007, no charge was made with and no action was taken against the Company by the SEC and the SET as regards the failure to disclose information in compliance with the criteria.

Besides disclosing information pursuant to the law, the Company discloses the following information to exhibit its transparency in the business operations as follow:

- Statement of the Board of Directors' responsibilities concerning the Company's financial reports.

The Board is responsible for the Company's financial statements, prepared based on Thailand's generally accepted accounting standards and duly audited by a certified public accountant approved by the SEC. The Company's financial statements have been prepared in accordance with the appropriate accounting policies and with due prudence and discretion. There is also adequate disclosure of essential information in the notes to the financial statements.

The Board has assigned the Audit Committee to review the quality of financial reports and the internal control system. The opinion of the Audit Committee is expressed in the Report of the Audit Committee presented in the Company's Annual Report.

The Board has instituted and maintains appropriate and efficient internal controls to ensure that accounting records are accurate, compiled with integrity and adequate to protect the Company's assets and uncover weaknesses in order to prevent fraud or materially irregular operation.

The Board is of the opinion that the Company has a satisfactory level of internal control, and can reasonably assure that the financial reports are reliable and fairly reflect the Company's financial position as of December 31, 2007.

- Disclosure of the name list of the members of the Board and other supporting committees along with the management, with profiles.
- Disclosure of the policy on remuneration payment for directors and managements, in terms of both the type and the nature of payment, as well as the remuneration each director is entitled to in his capacity as a director in a subcommittee.
- Disclosure of the criteria for nomination of a director and the performance assessment of the Board of directors.
- Disclosure of the directors' and the managements' holdings of the Company's securities.
- Disclosure of transactions with potential for conflicts of interest.
- Disclosure of the roles taken and duties performed by the Board of Directors and other supporting committees for the past year, such as the number of meetings held, the number of meetings attended by each director, etc.
- Disclosure of the Company's policy on confidentiality, the use of inside information and control on communication and disclosure of information between work units in the organization (Chinese Walls).

- Disclosure of the Company's Corporate governance policy and statement of compliance with good corporate governance principles.
- Open room for the public and analysts to raise questions via its Investor Relations work unit.

The Company has set up an Investor Relations work unit to take charge of providing information to shareholders, investors, analysts and the general public. It holds a meeting with analysts every quarter and at year-end to present the Company's operating results. Investors may contact our staff dealing with investor relations at telephone no. 02-231-3777 ext. 1920 or by email: ir@bualuang.co.th.

In 2007 the Company met with and gave presentations to analysts four times. Information on its operating results was rendered to both local and foreign institutional investors who had one-on-one meetings with the Company's executives altogether five times. BLS also gave information to analysts and investors by telephone and email throughout 2007 and posted information on its website for equitable access by all stakeholders.

In addition, the Company made regular and timely public announcements with regard to the business and the progress of the Company's operation. Management met with the press on numerous occasions and arranged press conferences to announce important activities and ventures.

5. Responsibilities of the Board

The Board plays an important role in corporate governance for the best interests of the Company. The Board of Directors has leadership, vision and independence in making decisions for the best interests of the company and all shareholders. The Board clearly separates its roles and responsibilities from those of management and monitors the company's operations to ensure that all activities are conducted in accordance with relevant laws and ethical standards.

The structure of the Board of Directors

The Board consists of the Chairman and the directors, in the number commensurate with the Company's business size and ensuring efficient performance. The number of Board members will not be less than five persons and not more than eleven persons. The directors who are non-executive represent not less than half of the total number of Board members. There are also independent directors who have no business relationship or any other relationship that may hinder independent discretion or decision-making, representing at least one-third of the total number of Board members, a minimum of three persons.

At year-end 2007, the Company's Board of Directors consisted of eight directors, as follows:

- One director was also a member of the management and represented 12.5% of the total number of directors.
- Seven directors, none of whom are members of management, represented 87.5% of the total number of directors.
 - Three of these non-management directors were independent directors, representing 37.5% of the total number of directors, all of whom were members of the Audit Committee.

- Four of these non-management directors were non-independent directors, representing 50% of the total number of directors. Three of these were representative directors from BBL, the Company's major shareholder, and one further director was the spouse of a representative director from BBL.

As the Company has only one major shareholder, i.e. BBL, with a 56.34% stake. There are four Board members who are representatives of and related to BBL, representing 50% of the total number of Board members. The other four members comprise three independent directors, who represent retail shareholders, constituting more than the minimum one-third proportion required, hence considered appropriate. The remaining one member is the management director.

In 2007 the Nomination and Remuneration Committee reviewed the number of members of and composition of the Board and considered it appropriate and flexible, with checks and balances of power for the maximum interests of the Company and its shareholders. However, the Committee proposed an additional independent director in order to strengthen the checks and balances and hence the yield maximum benefits to all stakeholders. The Board consented to the proposal and assigned the Committee to select and nominate a qualified person to the Board and/or the shareholder meeting, accordingly.

The term in office of the directors is as prescribed in the Company's articles of association. That is, at each annual general meeting, one-third of the total number of the directors are due to retire by rotation. If the total number of the directors cannot be divided exactly into three, the closest number to one-third will be applicable. The directors due to retire by rotation may be re-elected. Any director who resigns before the completion of his term must notify the Company at least one month in advance, together with his reason for resigning.

The Company has not determined the longest consecutive term of office for each director as it views that the final decision to elect a person for a directorship is actually the right of the shareholders to choose a person to represent them in mapping out policy and supervising the business in which they hold shares and of which they have ownership. The maximum age of a director is also not determined as the Company views that competence to perform duty as a director does not depend on the age, but on that director's expertise and dedication of time for the performance of said duty. The Committee appoints a director taking into account his competence and dedication of time.

Nomination of directors

The appointment of directors shall comply with the Company's articles of association and relevant rules and laws. It must be transparent. The nomination process is made through the Nomination and Remuneration Committee, with basic qualifications taken into consideration—that is knowledge, expertise in areas that benefit the Company, work experience, leadership, vision and dedication of time. As a securities company under the SEC's monitoring and supervision, the appointment of a director is subject to SEC approval.

The qualifications of each member of the Board of Directors should be as prescribed in "Nomination of Director and Management" section, page 51-52.

In 2007 two new directors were appointed, as detailed below:

1. Appointment of Mrs Yaowadee Nakhata as director and member of the Executive Committee by the resolution of the 2/2007 Board meeting to fill the vacancy following the resignation from directorship of Mr Sansern Wongcha-um to assume the post of Deputy Minister of Transport.
2. Appointment of Mr Piya Sosothikul as director and member of the Executive Committee by the resolution of the 2007 Annual General Meeting of Shareholders to replace Mr Piyapan Tayanithi who completed his term of office in the year.

As the Board plays a key role in mapping out the Company's direction, policy and checks and balances, it is essential that the Board has leadership, vision and adequate expertise and experience in the business to enable the mapping of the direction and framework for the management, as well as has independence for the check and balance of the operations by the management. The Board should also comprise members with diverse knowledge and competence so that they can look at operations from different perspectives so identifying different opportunities or threats.

The Board and the management have clearly separated duties and responsibilities. The duty of a director is to determine policy and monitor the operations at the policy level, while the top executives manage and administer the operations according to the policy as set forth.

The Chairman and the President is not the same person. The Company has clearly determined the roles, powers and duties of the Chairman and the President to ensure that neither individual has unlimited or overlapping power, hence checks and balances. The Chairman takes the lead in policy-making; the President leads management.

The President is the highest ranking managerial position. He also holds a seat on the Board in order to act as the linkage between the Board and the management. The President runs the business and translates Board policy into action.

The Chairman of the Board is Mr Chong Toh who represents the major shareholder. Although the Chairman is not an independent director and also assumes the post of Chairman of the Executive Committee, he can fully perform his duty as Chairman of the Board for the interests of both the Company and all the shareholders. The Company has an Audit Committee composed of three independent directors, hence more than the one-third proportion prescribed, so ensuring checks and balances of power to some extent. Thus, the performance of the Chairman can fully be assured.

In 2007 no member of the BLS Board held directorships in more than five listed companies, which was in line with the Company's policy: No BLS director should be a director of more than five listed companies. This is to ensure that the directors perform their duties efficiently and fully dedicate an appropriate amount of time to their duties. In the unlikely case where it might be necessary for a Board member to hold more than five directorships, he shall notify the Board of Directors of his reasons and necessity. The Board may accept such a circumstance, provided that such directorships in those companies shall not pose any obstacle to his performance of duties as a director of the Company.

The President and executives who work full-time for the Company should fully dedicate their time to the Company's operations. Therefore, the Board has determined the guidelines for their directorship in other companies in that the President and executives of the Company shall not hold directorships

in more than three other companies. In 2007 no BLS executive held directorships in more than three companies.

The Company has disclosed the information on the directorships of its directors and executives for the shareholders' information in the annual report, the annual registration statement (Form 56-1) and the Company's website.

The Board has set forth the definition of an independent director, the qualifications of whom conform with and are even stricter than those set out by the SET. The qualifications of independent directors are detailed in "Nomination of Director and Management" section, page 53.

Roles, duties and responsibilities of the Board

The Board provides guidance and determines corporate policy as well as taking part in the consideration and approval of strategy, targets, business planning and budgeting for the Company. The Board also monitors and supervises to ensure that the management carries out business operations in accordance with policy and that it does so efficiently and effectively. In so doing, the Board has set up a number of supporting committees, with determination and delegation of authority and responsibilities to these committees. The Board has also put in place an efficient internal control and audit system and a risk management system, which it regularly it follows up on.

The roles, duties and responsibilities of the Board, the supporting committees and the management are determined and segregated by the Board with clear levels of authority set forth.

The Board is determined to manage the Company based on good governance principles for the maximum interests of shareholders over the long run and on a sustainable basis. It performs in compliance with the Company's articles of association, the Securities and Exchange Act, code of best practices of the board of directors of listed companies and good corporate governance principles for listed companies set forth by the SET.

The Board of Directors is accountable to the shareholders with regard to the Company's business operations and governance to ensure that operations and management achieve targets and frameworks to the maximum interests of shareholders and in line with the code of business ethics, with due regard for the interests of all stakeholders.

The Board is duty-bound to perform duties according to the laws, objectives, company articles of association and resolutions of shareholder meetings, with integrity, honesty and prudence to protect the interests of all shareholders, both currently and in the long-run, and also pursuant to the criteria and regulations of the SET and the SEC. The roles and responsibilities of the Board of Directors are detailed in the Board of Directors" Section, page 42.

Board of Directors meeting

Board meetings are held at least once a quarter. The year-round meeting schedule is set out in advance and each director is notified of the schedule so that he can manage his time to attend the meetings.

At each Board meeting the Chairman determines the agenda together with the President. The directors and executives may propose items or issues they consider proper to be put on the agenda together with preparation of relevant documents containing complete and adequate information to

support consideration. The person in charge of that issue will present it to the meeting. The Chairman will ensure that all the directors receive the meeting documents at least seven days before the meeting date, so that they will all have enough time to study and consider the issues on the agenda before giving any opinions and voting. The Chairman also ensures that the meeting documents contain proper and adequate information, analysis and recommendations.

At the meeting, the Chairman and/or the person assigned by the Chairman will summarize the issues on the agenda for the directors' consideration, with adequate time allocated for the management's proposal and the directors' discussion of the issues on a prudent basis. Each director will be encouraged and given the opportunity to express his opinion. The opinions will then be compiled together with conclusions from the meeting.

Each meeting will take about 3-3.5 hours. The Chairman of the meeting will give sufficient time for all the directors to consider each item on the agenda thoroughly and provide comments thereon. Meeting minutes are taken in written form, the certified copy of which is kept for inspection by the concerned parties. This is handled by the Board Secretary who also coordinates such preparation and gives consultancy on the practice of the Board to ensure compliance with the relevant laws, rules and regulations.

At the meeting, any director with interests in a material aspect in any issue must not attend the meeting and participate in consideration of the said issue. In consideration of any issue, the directors are entitled to request any relevant document for detailed examination or to instruct the management or the person(s) directly in charge to attend the meeting in order to give an explanation or additional information, as well as to have an external consultant or expert provide an opinion, the expenses for which shall be borne by the Company.

The resolution of the Board is subject to a majority votes. Any objection by the directors to the resolution must be recorded in the minutes of the meeting.

The Board will be informed of the report on the Company's operating results on a monthly basis so that the Board can monitor and supervise the management's performance consistently and in a timely manner. The Board will have access to additional necessary information from the President or the corporate secretary or any other executive assigned under the scope of duties as deemed appropriate.

The Board of Directors, excluding directors who are executives, will hold a special meeting at least once a year to discuss issues related to the management, the results of which the Chairman will communicate to the President.

In 2007 the Board held 10 meetings, comprising nine regular meetings and one special meeting held on December 19, 2007 to allow only non-management directors to meet and discuss issues without the attendance of directors that are also members of the Company's management. Details of the Board of Directors meetings are presented in the Board of Directors' Section, page 43.

Supporting committees

The Board set up supporting committees to take charge of detailed study and screening of issues assigned in order to boost operational efficiency and flexibility. The qualifications and scope of duties and responsibilities of these committees are set out clearly.

Audit Committee

The Audit Committee consists of at least three independent members with at least one committee member must have knowledge and experience in finance, accounting, organizational management and securities business. The term of service of Audit Committee shall be 3 years. The committee member may be re-appointed for another term as well.

The committee shall elect 1 member of Audit Committee to be Chairman of Audit Committee and assign the Head of Compliance and Internal Audit Department as a secretary of the committee.

The detailed roles and responsibilities of the Audit Committee is presented in the “Audit Committee” section, page 43-44.

Audit Committee Meeting

Audit Committee meetings are held at least once a quarter. At the meetings, the Audit Committee considered, selected and nominated the auditor as well as fixed the audit fee for 2007; provided opinions of the interim and annual financial statements duly reviewed or audited before submission for the Board’s consideration; considered compliance with accounting standards and disclosure of information in the financial statements; reviewed disclosure of related or connected transactions; and considered the appropriateness of the annual monitoring plan and internal audit plan.

In 2007, six Audit Committee meetings were held and all Audit Committee members attended all six meetings.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee was appointed by the Board of Directors on August 11, 2006. Its members are appointed from at least two of the Board members. Of the total number of the Committee members, at least half must be independent directors, and the chairman must be an independent director. The term of service of the Nomination and Remuneration Committee is three years, the same as that of the Board.

The detailed roles and responsibilities of the Nomination and Remuneration Committee is presented in the “Nomination and Remuneration Committee” section, page 47-48.

Nomination and Remuneration Committee meeting

In 2007 the Committee met six times with full attendance by all members to consider the matters for proposal to the Board as follows:

- Appointment of new directors to replace resigning Board members
- Appointment of directors to replace members that have completed terms of office
- Determination of director remuneration
- Succession plans for top executives
- Performance evaluation of the President and determination of remuneration

Executive Committee

The Executive Committee is appointed by the Board of Directors. Its members are appointed from at least three of the Board members. The term of service of the Executive Committee is three years, the same as that of the Board.

The detailed roles and responsibilities of the Executive Committee is presented in the “Executive Committee” section, page 46.

Executive Committee meeting

In 2007, seven Executive Committee meetings were held to scrutinize management’s proposals for further submission for the Board’s consideration, with Committee members’ attendance detailed in the Executive Committee section, page 45.

Corporate Governance Working Group

The Board of Directors places a great deal of importance on good corporate governance and has formulated a corporate governance policy in writing for all the concerned parties to follow with on-going development in line with the code of best practice set out by the SEC and the SET as well as generally accepted international practices.

The Corporate Governance Working Group provides support to ensure that the business operations and organization-wide practices comply with and adhere to the good governance principles. Three meetings were held in 2007.

Supporting committees

The Company has set up several supporting committees in addition to the Board of Directors in order to boost efficiency and flexibility in operations, as follows:

- Bad Debt Committee
- Securities Underwriting Committee
- Investment Committee – Private Fund

The Executive Committee is in charge of considering and approving the review of the delegation of authority of the Other Committees: Bad Debt Committee, Securities Underwriting Committee, and Investment Committee–Private Fund, and the appointment of other committees to support the Company’s operations and administration.

The delegation of authority of the above committees is detailed in the “Other Committees” section, page 49-51.

Company Secretary and Board Secretary

The Board has arranged to have Company Secretary and Board Secretary, namely Ms Pantip Koeythong, be responsible for Board meetings and shareholder meetings, preparing the agenda, the invitation letters and the meeting minutes. The Board Secretary also prepares for and manages the meeting, keeps documents relevant to the meeting and gives consultancy on the practice of the Board to ensure compliance with the relevant laws, rules and regulations, together with handling Board activities and coordinating with work units to ensure compliance with Board resolutions.

Policy on good corporate governance and business ethics

The Board is aware of the necessity of good corporate governance to the organization’s transparency and competitive advantage. Good corporate governance builds confidence shareholders and other stakeholders. The Board has instituted a written corporate governance policy. The Board is charged with monitoring to ensure that operations comply with the policy and provisions set forth. Reviews

are undertaken at least once a year at a time and under circumstances considered proper. The Corporate Governance Policy of the Company is divided into the following 5 sections, covering all good corporate governance principles, as follows:

1. Rights of Shareholders
2. Equitable Treatment of Shareholders
3. Role of Stakeholders
4. Disclosure and Transparency
5. Responsibilities of the Board

The Company operates based on good governance principles with accountability to shareholders and all stakeholders, including society at large, and in the interests of conserving the environment. The Board has put in place a business code of conduct and compliance manual with a focus on business ethics and compliance with regulatory requirements, for the acknowledgement and adherence by all directors, executives and staff in general.

The Company has disseminated the corporate governance policy and business code of conduct on its website so that the shareholders, investors and any interested parties may study and also via its Intranet for easy access by staff members organization-wide. All new employees are required to study and understand the contents of the corporate governance policy, business code of conduct and compliance manual. They are required to sign in acknowledgement thereof and agree to strict adherence thereto. Regular monitoring to ensure that performance is in line with policy and the manual is undertaken with proper disciplinary penalties in place.

The Board set up a Corporate Governance Working Group to take charge of evaluating, ensuring and promoting compliance with good governance principles on an organization-wide basis

In 2007, the Corporate Governance Working Group prepared a good governance report for year 2007, revised the Corporate Governance Policy and conducted an assessment of the Company's compliance with good governance principles for proposal to the Board. A Board self-assessment form was also produced for the Board to review its performance, problems and obstacles in the past year that can be improved on. The two assessments have been undertaken by the Company for three straight years.

The 2007 assessment of compliance with governance principles has been made available in accordance with SET guidelines for the third consecutive year since 2005, when BLS listed on the SET. It can be concluded from the assessment of BLS's compliance with governance principles in 2007 that the Company has complied with most good governance principles under SET guidelines. Only a few practices were found to be non-compliant/under process: 1) the independence of the Chairman and 2) determination of the longest consecutive term of office and the maximum age of each director. Reasons are as given on pages 68-69.

Conflicts of interest

It is a key policy of the Company not to allow its directors, executives or employees make use of their title status for their own interests. The Company has set guidelines for the prevention of conflicts of interest by prohibiting them from using inside information for their own or other persons' interests

and having them keep customer information confidential. Any decision by a director, executive or employee has to be made for the maximum benefit of the Company.

Directors and executives are duty-bound to disclose information detailing their vested interests and those of their related persons so as to enable the Board to inspect with due prudence, faith, fairness and transparency and ensure that all acts are committed or decisions made with the maximum benefit of the Company in mind, not with their own or of any other person's interests taken into account.

Directors and executives with vested interests in any transaction with the Company shall not participate in the process of deciding to make such a transaction. The relevant pricing shall be determined fairly and properly as in the normal course of business operations with an outside party.

The Board will supervise and monitor performance in accord with the procedures and regulations on making the said transaction completely and correctly. If it is considered a connected transaction based on SET criteria, the persons concerned shall make sure that the criteria, procedures and disclosure rules of the connected transaction of a listed company shall strictly be observed.

In addition, the Board will scrupulously consider any related party transaction or any transaction with the potential for a conflict of interest based on the SET criteria. Such transactions will be reviewed with an opinion given thereon by the Audit Committee and disclosed in the annual report and the annual registration statement (Form 56-1) to safeguard the interests of minority shareholders.

Internal control, supervision and monitoring, internal audit and risk management

The Company has clearly set out policy, criteria and procedures of internal control, supervision, internal audit and risk management which shall be reviewed at least once a year, as detailed below:

- Internal control, supervision and monitoring and internal audit

The Board has ensured that the Company put in place an internal control system that fully covers financial and operational undertakings and compliance with the relevant laws, rules and regulations, together with risk management. It has ensured the institution of an adequate and efficient checks and balances mechanism to protect and safeguard the equity of all shareholders and the assets of the Company. It has set out a delegation of authority in the approval by and responsibilities of the management and staff. It has made available written work procedures and practices with the Compliance and Internal Audit department to examine the operations of all the work units, both the front office and the back office, pursuant to the internal audit plan set forth. This plan is annually reviewed to make sure that it complies with regulations and with the Company's policy. The Board undertakes to assess and ensure the efficiency and adequacy of internal controls via the internal audit work unit.

An internal audit is undertaken to ensure that the Company's core business and financial operations are carried out on the basis set forth and with efficiency as well as in accordance with the relevant laws, rules and regulations, including the Anti-Money Laundering Act.

The work unit has independence in its auditing work and checks and balances. It reports directly to the Audit Committee.

For monitoring and examination of IT security, in 2007, the Company engaged an outside company to conduct a review and assessment, the overall outcome of which has been satisfactory.

- Risk management

The Company tries to prevent and mitigate risks, including containing any damage that may be incurred. Under its risk management policy and guidelines, the risks the organization is exposed to are identified and assessed in order to work out preventive measures. These include follow-up and assessment of the compliance with the policy and risk assessment classified by type of business. The Middle Office & Business Development Department is in charge of ensuring that performance conforms with policy as set forth. Reviews of risk management adequacy and effectiveness are undertaken as deemed appropriate. The department has also instituted an early warning system and the monitoring of compliance with relevant laws and provisions. It also reports on risk management to the Executive Directors on monthly basis. The Compliance and Internal Audit Department monitors, examines and assesses the risk management system and the operations linked to the internal control system. A quarterly report on risk management adequacy is prepared and submitted to the Audit Committee on a quarterly basis before further submission to the Board of Directors.

Assessment of performance of the Board of Directors

The Board sets as policy, an assessment of the Board of Directors' performance on a yearly basis. The year 2007 was the third year since 2005 of BLS's being a listed company on the SET. Each director makes an assessment of the whole Board's performance and jointly concludes thereon for use in the review of its performance and addressing any problems or obstacle that may arise, so that solution guidelines will be sought to improve the efficiency of the Board's performance.

The detail of Boards self assessment covers the following sections:

1. Board composition
2. Strategic guidance
3. Monitoring and evaluation
4. Roles and responsibilities of the BoD
5. Board meetings
6. Relationship with management
7. Self-development of directors and executive development

Remuneration for directors and management

- **Remuneration for directors**

The Company has clearly set out director remuneration, which the Nomination and Remuneration Committee screens and considers before submission to the Board for further proposal to the shareholder meeting for approval.

Director remuneration consisting of monthly fees and annual bonuses from the past year's performance are considered and set at an appropriate level on a par with comparable firms in the securities industry. This directors' remuneration is determined based on the experience, role and scope of duties and responsibilities, as well as expected benefits of each director. In this regard, directors with additional assignments are entitled to remuneration commensurate with the greater duties and responsibilities. The remuneration is set at a level adequate to retain quality directors.

The 2007 Ordinary General Meeting of Shareholders resolved to approve the Directors' Remuneration, effective April 2007:

Detail	Monthly Fee
Directors	Bt30,000 per month
Executive Directors	Receive additional fee of Bt15,000 per month
(Non Management Director only)	
Audit Committee	Receive additional fee of Bt15,000 per month
Nomination & Remuneration Committee	Receive additional fee of Bt10,000 per month
Chairman of the Board of Directors	Receive additional fee of Bt40,000 per month
Chairman of the Executive Committee	Receive additional fee of Bt30,000 per month
Chairman of the Audit Committee	Receive additional fee of Bt25,000 per month
Chairman of the Nomination & Remuneration Committee	Receive additional fee of Bt20,000 per month

Details of the Remuneration of each director is presented in the Board of Directors' Remuneration Section, page 56.

• Remuneration for Management

The Nomination and Remuneration Committee considers and determines the remuneration for the President based on an evaluation of his performance. The criteria to be used are jointly set out by the directors and the President. Each director makes an assessment at his own discretion, the results of which are compiled and concluded for the Board of Directors' consideration at a session in which management director is not entitled to participate.

The result will be communicated by the Chairman of the Board to the President. Remuneration is based on the past performance of the Company and the President.

With regard to the remuneration of other management members, their performance of duties and responsibilities delegated to them are considered in association with the operating results of the Company as a whole, and in comparison with the remuneration of peers in the industry. Remuneration must be sufficient to motivate members of management to deliver their best and retain standard and quality of a management member.

Director and management development

The Board encourages the directors, the management and the Company Secretary to attend seminars and training courses to bolster their knowledge, so improving their performance of duties for the benefit of the Company. These courses may be in-house, or domestic ones held by relevant regulators or independent organizations. Particular courses for directors are organized by the Thai Institute of Directors (IOD)—the Directors Accreditation Program (DAP), Directors Certification Program, Audit Committee Program (ACP), and so forth.

The Board recognizes the significance of competence development for directors, thus it supports their regular participation in training and seminars that will improve their directorship performances.

At present, all the directors have attended the programs organized by the IOD. More training and seminars for the directors will be made available on a regular basis. The details of the IOD training record of each director is presented in the Board of Directors' Training & Seminar Section, page 82-83.

The Company holds an orientation session for each newly-appointed director. Information given includes the operations of each Company business unit and the rules, regulations and practices governing a director of a listed securities company.

In 2007 orientation sessions were provided to two new directors, Mrs Yaowadee Nakhata and Mr Piya Sosothikul. The Company presented a briefing on its profile and the business operations in each functional line as well as performance summaries of all work units organization-wide. Information on the rules and regulations governing directorships was provided, such as that in the handbook for directors of listed companies and of securities companies, as well as other relevant rules and regulations, such as reporting on the holding of securities, prohibited period from trading the Company's shares, etc. The directors were provided with information on good corporate governance principles—good governance policy, business code of conduct, the principles of Good Corporate Governance for Listed Companies 2006 and so forth.

Succession plan

The Board is duty-bound to review and make available the succession plan for the President. The Nomination and Remuneration Committee is assigned to consider and work out a succession plan and set the criteria to serve the need when the position is to become vacant. This is aimed at maintaining the confidence of investors, organizations and staff in the Company's uninterrupted operations.

In 2007 the Nomination and Remuneration Committee mapped out a succession plan, focusing on the top executives from Executive Vice President upward. Training and seminar programs have been designated by the Nomination and Remuneration Committee in collaboration with the President and Head of Corporate Support Group for the development of these top executives.

Authorization and delegation of authority

The Company has a clear authorization platform. In the event that the President or any particular top executive cannot perform his duty as delegated by the Board on behalf of or in the name of the Company in the activities to which such authority has been delegated, he may authorize another person in the relevant work unit in the organization to perform as designated and within the scope of such authority as deemed appropriate.

Besides such authorization, the Company by the Board of Directors has formulated delegation of authority criteria and an approval authority table so that authority is delegated to assigned staff at various levels for them to perform the duty and make decisions within the organization with efficiency and flexibility under an appropriate internal control system. The executives and the staff shall perform within the scope so delegated.

Supervision of Inside Information Usage

Company policy explicitly prohibits management and employees from disclosing information not yet released to the general public, or using inside information of any security for the purpose of trading such security for personal or any other person's benefit, either directly or indirectly.

Directors, management and employees involved in accounting information and financial statements not yet disclosed to the public are also prohibited from trading the Company's shares from the end of the quarter or the year to the date on which the financial statements of such a period are disclosed to the public*. The directors and management have also been notified of their duty of reporting their holding of the Company's shares and any change thereof in the securities holding report to the SEC pursuant to Section 59 and penal provision under Section 275 of the Securities and Exchange Act, B.E. 2535.

The Company has set out policy and practices on various issues as documented in the compliance manual, some examples of which are noted below:

- **Practices relating to confidential information and use of inside information**

Employees must not disclose any information of existing or prospective customers that is confidential, unless otherwise approved by those customers or if required by law. Employees are also prohibited from using inside information of the Company or its customers for their own or any other person's benefit, or for securities trading recommendations.

- **Control of information leakage among internal work units**

As the Company is engaged in securities brokerage, investment banking and private fund management, it is necessary to erect so-called Chinese Walls as a barrier to communication among such work units, such that clients' and proprietary information should be used only within the particular work unit and not be prematurely disclosed. In this regard, the Company has structured the organization into functional units with clearly delegated duties, areas of operation and control of access to information so as to prevent conflicts of interest and guard against abuse of inside information.

- **Control on securities trading by employees**

In order to prevent conflicts of interest and the use of inside information as well as to ensure effective monitoring, the Company's employees and related persons (spouses and minor children) must maintain their trading portfolios only with the Company. They are also required to hold on to securities bought for at least seven days before selling; not to sell securities other than those in their own portfolios; and not to trade on net settlement. There are also additional trading restrictions if such employees are marketing staff, investment bankers, fund managers, and securities analysts, which vary according to their nature of work.

Remark: *The Company submits unreviewed and unaudited financial statements for dissemination to investors through the SET within 30 days of the end of the quarter or the accounting period.

- **Restricted list of securities not allowed to be traded**

The Company has a policy under which it maintains a watch list and a restricted list of securities to help monitor potential abuse of inside information and to prevent conflicts of interest. In this light, employees and executives are not allowed to trade any securities on the restricted list within a given period. The employees and executives, who in the line of duty may have opportunities to access inside information, are prevented from trading the securities on the watch list.

The Compliance and Internal Audit Department has instituted a plan to monitor compliance with the inside information policy. Disciplinary penalties, ranging from warnings to dismissal, have been put in place to curb violation as deemed proper.



Internal Control

The Board of Directors at its meeting No. 2/2008—held on February 11, 2008—attended by all three members of the Audit Committee, reviewed the Company's internal control system and discussed with management the Company's Organizational Control and Environment, Risk Management Measures, Management Control Activities, Information and Communication Measures and Monitoring.

The Board of Directors was of the opinion that, the Company has an adequate system of internal controls in place. Furthermore, the Board of Directors also viewed that the Company had implemented a system of internal controls that is capable of monitoring transactions between the Company and its connected parties, including major shareholders, directors, management and related persons.

Personnel

As of the December 31, 2007, there were 473 employees (excluding 9 management), of which 471 were permanent employees and two were temporary employees. Grouped by work place, there were 250 employees in the head office and 221 in branches.

Group/Department	Permanent Employees (persons)	Temporary Employees (persons)
Non-Institutional Broking Group	326	
Non-Institutional Broking Office	10	
Financial Products Trading and Strategy Dept.	2	
Non-Institutional Broking Dept.-HO	93	
Non-Institutional Broking Dept.-Branch	221	
Institutional Broking Group	8	
Research Group	15	1
Investment Banking Group	14	
Private Client Investment Management Group	22	
Special Product Group	8	
E-Business Department	4	
Derivatives Department	4	
Corporate Support Group	71	
Corporate Support Group	1	
General Accounting Department	6	1
Human Resources Department	3	
General Administrative Service Department	15	
Operations Department	19	
Middle Office & Business Development Department	6	
Information Technology Department	19	
Corporate Counsel & Investor Relations Department	2	
Compliance and Internal Audit Department	5	
Office of the President	2	
Total	471	2

The Company has had no labor-related legal dispute since it commenced operating.

The front office staff-to-back office staff ratio in 2007 was 2.31x.

Employees' remuneration

Remuneration for 556 employees during 2007 was paid in the form of salary, bonuses, Company contributions to the social security fund and provident fund, incentives for marketing staff, overtime and others, totaling Bt326,208,613.73

Personnel development policy

The Company has instituted a holistic personnel development policy, covering short-term and long-term potentiality development centered around specialized skills, professional expertise, general knowledge and managerial know-how and with emphasis on knowledge in the Company's diversified financial products and services, enhancement of knowledge and competence for proactive performance, such as provision of full-fledged product and service knowledge and improvement of professional skills and standards, as well as awareness of morality and ethics in the performance of duty. Also, personnel are dispatched to attend training courses on the equity, debt and derivatives markets. All these actions are intended to fortify employees' potentiality and capacity to serve our clients comprehensively and efficiently, and at encouraging the launch of new innovative products as well as the expansion of market channels in order that the Company continues to grow and prosper in the face of intensifying competition.

Moreover, BLS has regularly organized training and seminars to serve clients and investors in general at the head office and at branches to expand their knowledge of investments, investment trends, risk management for the investments in equity, debt and derivatives instruments. It has also dispatched members of management to participate in other financial and investment institutions to enable the exchange of knowledge and experience with counterparts in the same industry.

Training for directors

The Board of Directors has prioritized the knowledge development of directors, encouraging them to regularly participate in training and seminars in order to develop skills and knowledge related to performing directorship duties. To date, all the directors have undergone training courses organized by the Institute of Directors, the details of which are noted below:

Name	Course	Course No.
1. Mr Chong Toh Chairman of the Board of Directors Executive Chairman	- Director Accreditation Program (DAP)	54/2006
2. Ms Chanida Sophonpanich Director	- Director Accreditation Program (DAP)	54/2006
3. Mr Yarnsak Manomaiphiboon Director Executive Director President	- Director Accreditation Program (DAP) - Director Certification Program (DCP)	23/2004 60/2005

Name	Course	Course No.
4. Ms Yaowadee Nakhata Director Executive Director	- Director Accreditation Program (DAP)	66/2007
5. Mr Piya Sosothikul Director Executive Director	- Director Accreditation Program (DAP)	35/2005
6. Mr Prin Chirathivat Director (Independent Director) Chairman of the Audit Committee	- Director Certification Program (DCP) - Director Accreditation Program (DAP) - Audit Committee Program (ACP) - Role of Chairman Program (RCP) - Monitoring the Internal Audit Function (MIA) - Monitoring the System of Internal Control and Risk Management (MIR)	2/2000 35/2005 6/2005 11/2005 1/2007 1/2007
7. Mr Upatham Saisangjan Director (Independent Director) Chairman of the Nomination and Remuneration Committee Audit Committee	- Director Accreditation Program (DAP) - Understanding the Fundamental of Financial Statements (UFS) - Role of the Compensation Committee (RCC) - Audit Committee Program (ACP) - Monitoring the Internal Audit Function (MIA)	24/2004 1/2006 1/2006 19/2007 1/2007
8. Mr Pichet Sithi-Amnuai Director (Independent Director) Audit Committee Nomination and Remuneration Committee	- Director Certification Program (DCP) - Audit Committee Program (ACP) - Role of the Compensation Committee (RCC) - Monitoring the Internal Audit Function (MIA) - Monitoring the System of Internal Control and Risk Management (MIR)	64/2005 10/2005 1/2006 1/2007 1/2007

Dividend Payout Policy

The Company has a policy to pay dividends equal to about 50% of net profit after all reserve requirements specified in its articles of association and by law are fulfilled, unless there is any other necessity, and unless such a dividend payment threatens to materially impact on the Company's operations.

	Performance		
	2005	2006	2007*
Dividend per Share (Bt/Share)	0.50	0.80	1.00
Dividend Payout Ratio			
-% of net profit after deducting the legal reserve	70%	65%	81%
-% of net profit	66%	62%	81%
Dividend Paid (Btm)	90	144	180
Total Paid-up Shares (Shares)	180,000,000	180,000,000	180,000,000

Remark: * To be proposed to the Annual General Meeting of Shareholders No.1/2008—to be held on April 23, 2008—for approval.

Related Party Transactions

Summary of related party transactions for the year ended 2007

(1) Deposit, Interest Income and Accrued Interest Income

Related Parties	Relationship	Type of Transaction	Transaction Value (Bt)			
			Balance Brought Forward	Outstanding	Interest Income	Accrued Interest Income
1.1 Bangkok Bank Public Company Limited)	Major shareholder: Bangkok Bank holds 56.34% of the Company's paid-up capital.	The Company had a current account, fixed account, saving account and Promissory notes (Call) at market interest rates.	44,739,870	18,465,911	521,627	-
1.2 Related Company with Bangkok Bank Public Company Limited	Related Company: Bangkok Bank, a parent company, is a major shareholder.	The Company had a deposit through Promissory notes at market interest rates	120,000,000	270,000,000	6,914,658	103,288

(2) Other Liabilities

Related Parties	Relationship	Type of Transaction	2007 (Bt)	
			Transaction Value	Outstanding Value
2.1 Bangkok Bank Public Company Limited)	Parent Company	<u>T-Bill</u> Bought T-Bill from BBL, a primary dealer of BOT, at the market rate.	-	59,932,973

(3) Revenues and Expenses

Related Parties	Relationship	Type of Transaction	2007 (Bt)	
			Transaction Value	Outstanding Value
3.1 Bangkok Bank Public Company Limited)	Parent Company	<u>Brokerage Fee</u> The Company received brokerage fees at the normal rate charged to other clients.	1,340,489	-
		<u>Fee and Service Income</u> The Company received a financial advisory fee on the same basis as charged to other clients.	4,229,445	400,000
		<u>Fee Expenses</u> The Company paid a fee for automatic money transfer and check clearing at a fee rate close to other banks' rates and a client introducing fee according to the rate stipulated by the SET	1,971,646	6,968
		<u>Rental and Services Fees</u> The Company paid a branch office rental fee, insurance expenses and utility expenses on an on-going rental basis, at an appropriate rate comparable to the rental rates of other offices located near this branch.	583,248	9,000
3.2 Related Company with Bangkok Bank Public Company Limited	Related Company: Bangkok Bank, a parent company, is a major shareholder.	<u>Gain on Sales of Bonds</u> Gain on Sales of Bonds at market prices	-	15,989
		<u>Brokerage Fee</u> The Company received brokerage fees at the normal rate charged to other clients.	6,702,279	-
		<u>Fee and Service Income</u> The Company received private fund management fees at a rate set in the Company's pricing policy.	3,774,546	342,425
		<u>Fees and Services Income</u> The Company received a financial advisory fee on the same basis as charged to other clients.	6,200,000	700,000

Related Parties	Relationship	Type of Transaction	2007 (Bt)	
			Transaction Value	Outstanding Value
3.3 Directors, Management and Related Persons	Directors, Management and Related Persons who are close relatives of directors and management	<u>Brokerage Fee</u> The Company received brokerage fees at the normal rate charged to other clients.	1,458,556	Securities Business Receivable Bt5,669,425
		The Company received derivatives brokerage fees at the normal rate charged to other clients.	103,800	Securities Business Payable Bt597,954
		<u>Fee and Service Income</u> The Company received private fund management fees at a rate set in the Company's pricing policy.	216,703	Collateral Bt325,561
		<u>Fee Expense</u> The Company paid interest for deposits from securities and derivatives business at the normal rate paid to other clients.	29,701	Collateral Bt740,879
3.4 Related companies with Director and management of the Company.	Close relatives of directors or management of the Company are directors of these companies.	<u>Brokerage Fee</u> The Company received brokerage fees at the normal rate charged to other clients.	3,529,584	Securities Business Receivable Bt1,093,703
		<u>Fee and Service Income</u> The Company received private fund management fees at a rate set in the Company's pricing policy.	7,129,471	417,674
		<u>Fees and Services Income</u> The Company received a financial advisory fee on the same basis as charged to other clients.	719,994	-

Related Parties	Relationship	Type of Transaction	2007 (Bt)	
			Transaction Value	Outstanding Value
		<u>Rental and Service Expenses</u> The Company paid a branch office rental fee and utility expenses on an on-going rental basis at the market rental rate.	4,305,414	Prepaid rental fees Bt20,619 and accrued expenses Bt54,096
		<u>Life Insurance Premium</u> The Company paid staff life insurance premiums at the market rate	219,692	Accrued life insurance premium expenses Bt24,838
		<u>Insurance Premium</u> The Company paid premiums on buildings, cars and staff health insurance at the market rate, close to the rates proposed by other service providers.	3,618,516	Prepaid insurance premium Bt24,611
		<u>Service Expenses</u> The Company paid annual staff physical check-up expenses at the market rate, close to the rates proposed by other service providers. The Company paid service fees for the venue for a seminar at a rate close to that proposed by other service providers.	549,750	Accrued health insurance premium Bt264,746
			28,248	-

Remarks: - Persons with potential conflicts of interest according to the SET's definition of related persons
- Report only transactions that exceed Bt1,000

Fairness and Reasonableness in Related Party Transactions

The Audit Committee reviewed the fairness and reasonableness of the Related Party Transactions on a quarterly basis and is of the opinion that the 2007 related party transactions were fair and reasonable and according to normal business practice with standard commercial terms. For transactions involving deposits, interest income, accrued interest receivable, short-term loans, interest expenses and accrued interest payable, interest rates were according to standard commercial terms. Revenue and service expenses were business transactions according to normal business practices with fees and standard commercial terms.

Accordingly, Mr Prin Chirathivat and Mr Pichet Sithi-Amnuai, as members of the Audit Committee abstained from opining on transactions relating to themselves and to persons and juristic persons connected to him.

Measures or Procedures for Approving Related Party Transactions

The approval process for related party transactions stipulates that the potentially related person may not approve of the transaction in question. The summary of related party transactions is sent to the Audit Committee and the Board of Directors for acknowledgement or consideration as the case may be. Consideration is given as to whether the transaction is according to normal business practices and commercial terms and whether it is in the Company's best interests.

For future transactions, the Company will proceed according to the rules set by the SET and SEC. The related person shall not approve the related party transaction and the transaction will be considered by the Audit Committee. In the case that the Audit Committee does not have the expertise to comment on the transaction in question, the Company will arrange for an independent expert to assist the Audit Committee in its consideration. In addition, the Company will disclose the related party transaction in the notes accompanying its financial statements.

Future related party transactions shall be subject to fairness and reasonableness and the determination of remuneration shall be in consideration of normal business practices and commercial terms and whether it is in the Company's best interests.

Policy on Future Related Party Transactions

It is evident that existing related party transactions will continue in the future because they conform to normal business practices. The Company will follow the aforementioned measures and procedures for approving future related party transactions.

Management's discussion and analysis of financial position as of December 31, 2007 and performance in 2007

FY2007 Performance Overview

Net profits of Baht 221.43 million in 2007 were decreased Baht 11.24 million or 4.8% from Baht 232.66 million in 2006. The decrease in net profits was led mainly by relatively flat revenues due to lower fee and services income which was offset by increase in derivatives brokerage fees, and higher operating expenses in 2007 compared to 2006.

Analysis of Operating Results for the year

Business Overview

- Securities Market: Total market turnover on the SET and MAI in 2007 was Baht 4,271,819.9 million, an increase of 7.2% from Baht 3,983,675.8 million in 2006. Average SET and MAI daily turnover in 2007 was Baht 17,436.0 million compared to Baht 16,393.7 million in 2006. The mix of SET's market segments for 2007 was 33.0% Foreign, 14.5% Local Institutions and 52.5% Others, changed from 33.9% Foreign, 11.6% Local Institutions and 54.5% Others in 2006. The SET Index closed at 858.10 at December 28, 2007, 26.2% advanced from 679.84 at December 29, 2006.
- Securities Brokerage Business: The overall market share of the company was 3.68%, improved from 3.54% in 2006. Total securities brokerage trading value of the company was Baht 314,261.7 million, an increase of 11.3% from THB 282,345.5 million in 2006 which was due to increase in overall market share in the second half of 2007 which due to higher market shares in local institutions and foreign segments.
- Derivatives Market: the derivatives trading volume in 2007 totaled 1,236,884 contracts or average trading volume of 5,219 contracts per day, a significant increase from 2006 average volume of 1,204 contracts per day. The higher trading volume was driven by more trading activities in all market segments.
- Derivatives Business: the Company's market share in 2007 of derivatives trading was 7.09%, down from 9.75% in 2006. This was due to lower market share in local individual segment.
- Investment Banking Business: Political and economic concerns dampened equity capital market activities in 2007. There were less numbers of fund raising activities in the SET and the MAI, both in terms of new IPOs and total amount of fund raised. Hence, investment banking group completed less capital market deals compared to 2006 but still managed to complete certain financial advisory deals during the year.
- Investment Management Business: Total private & provident funds under management was Baht 11,953.5 million, increased from Baht 9,469.8 million in 2006 due to growth in provident fund business.

Analysis of the Operating Results

Revenues

Unit: Million Baht	2006		2007	
Brokerage fees from securities business	696.53	71.55%	679.12	69.85%
Brokerage fees from derivatives business	14.45	1.48%	56.13	5.77%
Fees and services income	187.43	19.25%	118.96	12.24%
Gain (Loss) on trading in securities and derivatives	(10.99)	(1.13%)	18.31	1.88%
Interest and dividend	37.24	3.83%	46.04	4.74%
Interest on margin loans	43.44	4.46%	49.92	5.14%
Other income	5.35	0.55%	3.70	0.38%
Total revenues	973.46	100.00%	972.18	100.00%

- Brokerage fees from securities business: A decrease of Baht 17.42 million or 2.50% drop in securities brokerage fees, despite stronger overall market share and higher trading turnover of the company, was due to lower effective commission rate as a result of higher volume contributed from lower commission trades from internet trading channel and foreign exclusive partner which became effective since June 11, 2007.
- Brokerage fees from derivatives business: Higher revenue in 2007 was a result of higher daily market trading turnover despite lower market share compared to last year.
- Fees and services income: Total amount of Baht 118.96 million was lower than Baht 187.43 million of the same period last year. The decrease was from lower investment banking revenues as a result of less capital market deals completed compared to last year.
- Gain (Loss) on trading in securities and derivatives: Net gain of Baht 18.31 million was primarily from the combined unrealized and realized gains on investments.
- Interest and dividend: A net increase of Baht 8.80 million was largely from dividend received from investment and interests received from deposits with financial institutions and investments in debt instruments as a result of higher clients' collateral deposit.
- Interest on margin loans: An increase of Baht 6.48 million was resulted from higher average loan balance.

Expenses

Unit: Million Baht	2006		2007	
		% of Revenues		% of Revenues
Expenses on borrowing	4.69	0.48%	11.27	1.16%
Fees and services expenses	101.27	10.40%	84.74	8.72%
Bad debt and doubtful accounts (reversal)	(4.03)	(0.41%)	(0.29)	(0.03%)
Operating expenses	560.58	57.59%	587.49	60.43%
-Personnel expenses	384.79	39.53%	405.07	41.67%
-Premises and equipment expenses	131.05	13.46%	140.53	14.45%
-Taxes and duties	7.25	0.74%	10.68	1.10%
-Directors' remuneration	6.23	0.64%	7.81	0.80%
-Other expenses	31.25	3.21%	23.39	2.41%
Total expenses	662.51	68.06%	683.21	70.28%

- Expenses on borrowing: An increase of Baht 6.58 million due to higher interests paid on clients' collateral deposits for equity and derivatives trading accounts.

- Fee and services expenses: A net decrease of Baht 16.53 million was primarily from the absence of fee relating to Research Support Scheme Agreement which has been replaced by Exclusive Partner-Securities Brokerage Agreement since June 11, 2007.
- Bad debt and doubtful accounts (reversal): The negative balance caused by the net recoverable of overdue accounts in 2007 and 2006.
- Operating expenses: An increase of Baht 26.91 million or 4.8% compared to the same period last year was led mainly by increase in personnel expenses since the company has increased its headcounts due to business expansion in 2007.

Important financial ratios

	2006	2007
Gross profit margin	89.47%	90.12%
Net profit margin	23.90%	22.78%
Return on equity	18.16%	15.92%
Basic earnings per share	Baht 1.29	Baht 1.23

- Gross profit margin in 2007 was 90.12%, slightly higher compared to 89.47% in 2006. This was due to lower fee and services expenses. Net profit margin was lower due to higher operating expenses discussed above.
- The lower return on equity and basic earnings per share in 2007 was due mainly to lower net profit and higher equity base compared to 2006.

Analysis of the Financial Position

Assets

Unit: Million Baht	31-Dec-06	31-Dec-07
ASSETS		
Cash and cash equivalents	461.19	565.77
Investments in debt and equity securities - net	299.51	249.80
Receivables from Clearing House	108.83	242.71
Securities and Derivatives business receivables - net	1,540.25	1,983.35
Equipment – net	69.37	55.14
Intangible assets – net	16.95	22.33
Deferred tax assets	8.89	9.20
Other assets – net	45.43	103.47
TOTAL ASSETS	2,550.42	3,231.77

- Investments in debt and equity securities-net: Total amount of Baht 249.80 million was lower than Baht 299.51 million by Baht 49.71 million due mainly to reduction in holdings of unit trusts and debt securities for treasury purpose.
- Receivables from Clearing House and Securities and Derivatives business receivables-net: At December 31, 2007, the Company registered these items at the total amount of Baht 2,226.06 million, a Baht 576.98 million increase from December 31, 2006. This was due to increase in outstanding trading receivables with clients which are subject to daily market turnover at the end of each period and are normally volatile as a nature of securities business.
- Other assets-net: At December 31, 2007 other assets increased from December 31, 2006 by Baht 58.04 million, mainly due to increase in trade receivables from fixed income dealing activities.

Liabilities

Unit: Million Baht	31-Dec-06	31-Dec-07
LIABILITIES		
Payable to Clearing House	503.63	288.93
Securities and Derivatives business payables	496.72	1,040.56
Accrued employee expenses	120.21	129.80
Corporate income tax payable	37.52	48.03
Other liabilities	40.06	294.18
Total liabilities	1,198.14	1,801.50

- Payable to Clearing House and Securities and Derivatives business payables: The combined amount of these items was Baht 1,329.49 million at December 31, 2007, a net increase of Baht 329.14 million from December 31, 2006. These items are subject to daily market turnover at the end of each period, which is normally volatile as a nature of securities business.
- Accrued employee expenses: At December 31, 2007 accrued employee expenses increased from December 31, 2006 by Baht 9.59 million, mainly due to accrued staff incentives and bonus.
- Other liabilities: Total amount of Baht 294.18 million was higher than Baht 40.06 million by Baht 254.12 million. This was mainly due to increase in trade payable from fixed income dealing activities.

Shareholders' equity

Unit: Million Baht	31-Dec-06	31-Dec-07
Shareholders' equity		
Share capital	360.00	360.00
Premium on share capital	557.83	557.83
Revaluation surplus in investments	-	0.55
Statutory reserve	36.00	36.00
Retained earnings	398.45	475.88
Total shareholders' equity	1,352.28	1,430.26

- Shareholders' equity: As at December 31, 2007, the Company's shareholders' equity was Baht 1,430.26 million, slightly higher than the balance at the year-end of 2006 for Baht 1,352.28 million due mainly to profits generated during the period which was offset by dividend payout from 2006 profits to shareholders.

Analysis of Cash Flow Position

Unit: Million Baht	2006	2007
Beginning cash and cash equivalents	469.44	461.18
Net cash flows from (used in) operating activities	110.72	279.54
Net cash flows from (used in) investing activities	(28.98)	(30.95)
Net cash flows from (used in) financing activities	(90.00)	(144.00)
Total net cash flows for the period	(8.26)	104.58
Ending cash and cash equivalents	469.44	565.76

Net cash flow from operations was positive flow of Baht 279.54 million in 2007 compared to positive flow of Baht 110.72 million in 2006. The positive flow was caused by lower working capital required for trading transactions occurred during the end of 2007 and divestment of assets held in our portfolio. Net cash flows generated from investing activities were an outflow of Baht

30.95 million of capital expenditures relating to offices & equipments. Net cash flows generated from financing activities was outflow of Baht 144.00 million due to dividend payments of year 2006 which was higher than that of year 2005 which was paid in 1H2006. As a result, ending cash and cash equivalents balance increased by Baht 104.58 million from the beginning of the period to Baht 565.76 million.

Factors that might have a material effect on the Company's financial status or future performance

Because of the nature of industry, the Company's business affected by external factors that are uncontrollable—economic growth, interest rates, unrest in the southernmost provinces and the political climate. These factors may affect investor confidence in the stock market and may impact on the Company's performance.

However, the government has instituted policies aimed at boosting the capital market. It offers tax privileges to companies to encourage them to list on the SET and has extended the timeframe for fixed minimum brokerage commissions to 2010. These supporting actions should help bolster the securities business outlook.

Future Projects

BLS's future projects are listed below:

1. The Company plans to expand its branch network by setting up micro-branches. The aim is to broaden our customer base and increase our market share. BLS intends to open 1-2 micro-branches in provincial areas that have been identified as having substantial potential, preferably collocated with BBL branches.
2. Bualuang plans to expand its existing securities business and new securities-related businesses. The firm will preliminarily study the viability, expected returns and risks associated with such ventures as OTC derivatives and securities borrowing and lending, etc.

The Company has registered with the SEC to operate a derivatives trading dealer business. Management is currently preparing products and assessing investors' demand ahead of launching the new operation.

The Company applied to the SEC for a securities borrowing and lending license in early 2008. We expect to start offering the service later this year.

Company's business goals

The Company's motto is **"To Serve You Better"**. BLS's business goals for the next three years are detailed below:

1. Securities broking business

The Company targets boosting its average market share for 2008 to a level of at least 4.30%. Emphasis will be placed on increasing the number investors of all categories and boosting the proportion of investors trading online.

The Company's market share increased from 3.54% in 2006 to 3.68% in 2007. BLS has successfully enlarged the proportion of trade made up by institutional investors—it jumped from 14.64% in 2005 to 33.86% in 2006 and 38.11% in 2007. This was attributable mainly to the Company's expansion of its institutional customer base, both local and foreign, with particular support through the Exclusive Partner Agreement with Morgan Stanley Asia Limited (MSAL), whereby the trading volume forwarded from MSAL to BLS has increased sharply.

This year the Company intends to broaden its individual customer base, using its position as a member of the Bangkok Bank Plc (BBL) financial group. The Company entered into an Introducing Agent Agreement with BBL, under which BBL will refer its individual customers to open securities trading accounts with the Company and the Company will pay remuneration to BBL according to the criteria set forth by the SET. Customer referral by BBL is expected to be significant in 2008, as BBL has extensively expanded its branch network in order to cater to needs of the referred customers.

2. Derivatives broking business

BLS has set a 2008 target to sustain its market share at not less than 7.00%. Last year the Company ranked the fifth-largest in market share, recorded at 7.09%. Competition in 2008 is expected to be fiercer than it was in 2007 as new members will enter the business, hence a greater number of players on the market.

To maintain its competitive edge and market share, the Company plans further personnel development so that staff members will be well-prepared and well-rounded with product knowledge and the skills necessary to provided a high quality service. Training and seminars are also organized regularly for customers and investors to make them more knowledgeable about derivatives products.

3. Investment banking business

The Company has an emphasis on rendering full-fledged, quality-oriented financial advisory and securities underwriting services ethically and to the highest level of professionalism. The staff teams have experience and expertise in providing services with coverage of all areas, including mergers and acquisitions. The Company targets bolstering investment banking income in 2008 with the broadening of the local and foreign customer base and the maintaining of good relationships with existing customers. The Company will closely collaborate with BBL. One area is that where BBL has clients that intend to raise funds or to seek financial advisory and underwriting services, it can refer them to BLS.

4. Private fund management business

The Company offers ethically managed private fund and provident fund management services. Fund managers are experienced and professional. The Company has set its sights on maintaining leadership in this business arena, ranking first or second in terms of fund size under management, as compared with other securities companies.

In 2007 BLS had the largest private fund management market share of any securities company—it ranked first in terms of fund size under management.

The target for 2008 is to increase private funds and provident funds under management from Bt11,954 million in 2007 to a minimum of Bt15,000 million by year-end 2008.

5. Fixed-income business

To fully meet the demands of customers, BLS offers diverse options for investment in financial instruments, hence adding more income generation channels to the Company. The Company will expand this business with the focus on rendering full-scale services to existing customers and attracting new customers.

6. Selling agent business

The Company has attempted to respond more to the customer needs by offering full services so that they will have more investment options in unit trusts. It has targeted to boost its services of selling agent to a greater extent to allow for more investment options to the customers.

7. Securities research business

The Company focuses on quality research. Our target is to cover 110 listed companies, or 85% of the SET's market capitalization. The Company's research reports are of a high quality and are produced on a timely basis for clients and investors in order that they can make appropriate, informed investment decisions. Our policy is to develop research to a level equal to international standards and to build the skill sets of our analysts.

8. New business expansion

In 2008 BLS aims to expand its existing securities business and new securities businesses, having first studied the feasibility, expected returns and related risks associated with new ventures.

- The Company will provide an OTC derivatives trading service as a way to expand its business channels. BLS received SEC approval in May 2007 to be registered as a derivatives trading dealer. It is now preparing for product development and assessing investor demand.
- With regard to the securities lending and borrowing business, the Company earlier expected to apply for permission from the SEC by 2007. Pending the completion of preparations, the Company postponed applying for SEC approval until early February 2008. We expect to launch the service for the customers in the latter half of 2008.

9. Service provision quality and personnel development

The Company will develop its IT and work processes for greater efficiency so that it will be ready to accommodate business operations—both current and future—and respond to customer needs more effectively. Our IT system will be rationalized and realigned to new businesses, such as securities lending and borrowing, etc. More channels will also be sought in order to send and disseminate information on investments to customers more thoroughly.

In 2007 the Company's online securities trading system was improved substantially in order to serve customers more efficiently. Development of work systems and databases has been carried out to support business operations and expansion with appropriate risk management.

Enhancement of customer satisfaction has been the focus of the Company's business operation. We are committed to efficient service provision and provision of knowledge on investment to customers through organizing training and seminars on a regular basis. In the past year, training and seminars were held every month, each addressing different topics and content. As examples, we organized and hosted in-depth seminars on fundamental and technical analysis, online securities trading, etc.

In addition, the Company aims to develop its personnel in order to deepen their knowledge of the services in which they are engaged so that they can efficiently deliver services and offer the products that best meet customer needs.

Regular training and seminars will be arranged for staff members to improve their better knowledge and understanding of the Company's products and services. This will also prepare them to deal with a changing securities industry environment and accommodate business expansion in the future.

Report of the Board of Directors

The Board is responsible for the Company's financial statements, prepared based on Thailand's generally accepted accounting standards and duly audited by a certified public accountant approved by the SEC. The Company's financial statements have been prepared in accordance with the appropriate accounting policies and with due prudence and discretion. There is also adequate disclosure of essential information in the notes to the financial statements.

The Board has assigned the Audit Committee to review the quality of financial reports and the internal control system. The opinion of the Audit Committee is expressed in the Report of the Audit Committee presented in the Company's Annual Report.

The Board has instituted and maintained an appropriate and efficient internal controls to ensure that accounting records are accurate, with integrity and adequate to protect the Company's assets and uncover weaknesses in order to prevent fraud or materially irregular operation.

The Board is of the opinion that the Company has a satisfactory level of internal control, and can reasonably assure that the financial reports are reliable and fairly reflect the Company's financial position as of December 31, 2007.



(Mr Chong Toh)

Chairman of the Board of Directors



(Mr Yarnsak Manomaiphiboon)

President

Report of Independent Auditor

To The Shareholders of Bualuang Securities Public Company Limited

I have audited the accompanying balance sheet of Bualuang Securities Public Company Limited as at 31 December 2007, and the related statements of income, changes in shareholders' equity and cash flows for the year 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 audit. The financial statements of Bualuang Securities Public Company Limited for the year ended 31 December 2006, as presented herein for comparative purposes, were audited in accordance with generally accepted auditing standards by another auditor of our firm who, under her report dated 16 February 2007, expressed an unqualified opinion on those financial statements.

I conducted my audit 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 statement presentation. I believe that my audit provides 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 Bualuang Securities Public Company Limited as at 31 December 2007 and the results of its operations, and cash flows for the year then ended in accordance with generally accepted accounting principles.



Nonglak Pumnoi

Certified Public Accountant (Thailand) No. 4172

Ernst & Young Office Limited

Bangkok: 11 February 2008

BALANCE SHEETS

BUALUANG SECURITIES PUBLIC COMPANY LIMITED
AS AT 31 DECEMBER 2007 AND 2006

		(Unit: Baht)	
	Note	2007	2006
ASSETS			
Cash and cash equivalents	5	565,766,085	461,185,196
Investments in debt and equity securities - net	6	249,801,640	299,511,799
Receivables from Clearing House	7	242,712,308	108,831,906
Securities and Derivatives business receivables - net	8	1,983,345,256	1,540,247,887
Equipment - net	9	55,137,801	69,371,021
Intangible assets - net	10	22,327,788	16,952,780
Deferred tax assets	15	9,201,445	8,890,709
Other assets - net	11	103,473,585	45,433,144
TOTAL ASSETS		3,231,765,908	2,550,424,442

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

BALANCE SHEETS (Continued)

BUALUANG SECURITIES PUBLIC COMPANY LIMITED
AS AT 31 DECEMBER 2007 AND 2006

		(Unit: Baht)	
	Note	2007	2006
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Payable to Clearing House		288,926,194	503,627,614
Securities and Derivatives business payables		1,040,564,724	496,721,822
Accrued employee expenses		129,799,695	120,214,152
Corporate income tax payable		48,031,159	37,515,294
Other liabilities	12	294,181,070	40,059,532
Total liabilities		1,801,502,842	1,198,138,414
Shareholders' equity			
Share capital			
Authorized			
180,000,000 ordinary shares of Baht 2 each		360,000,000	360,000,000
Issued and paid-up			
180,000,000 ordinary shares of Baht 2 each		360,000,000	360,000,000
Premium on share capital		557,832,578	557,832,578
Revaluation surplus in investments	6.3	551,322	-
Retained earnings			
Appropriated - statutory reserve	18	36,000,000	36,000,000
Unappropriated		475,879,166	398,453,450
Total shareholders' equity		1,430,263,066	1,352,286,028
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		3,231,765,908	2,550,424,442

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

INCOME STATEMENTS

BUALUANG SECURITIES PUBLIC COMPANY LIMITED
FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

		(Unit: Baht)	
	Note	2007	2006
Revenues			
Brokerage fees			
Brokerage fees from Securities business		679,116,874	696,533,491
Brokerage fees from Derivatives business		56,134,110	14,450,600
Fees and services income	13	118,962,207	187,432,100
Gain (loss) on trading in securities and derivatives	6.1	18,313,664	(10,990,895)
Interest and dividend	14	46,036,101	37,239,389
Interest on margin loans		49,922,374	43,440,289
Other income		3,699,069	5,350,693
Total revenues		972,184,399	973,455,667
Expenses			
Expenses on borrowing		11,270,719	4,691,220
Fees and services expenses		84,743,349	101,271,027
Reversal of bad debt and doubtful accounts		(287,221)	(4,026,999)
Operating expenses			
Personnel expenses		405,069,984	384,790,179
Premises and equipment expenses		140,527,882	131,048,958
Taxes and duties		10,684,397	7,250,084
Directors' remuneration	17	7,813,226	6,234,194
Other expenses		23,390,275	31,252,613
Total expenses		683,212,611	662,511,276
Income before income tax		288,971,788	310,944,391
Corporate income tax	15	(67,546,072)	(78,282,993)
Net income for the year		221,425,716	232,661,398
Basic earnings per share	16		
Net income		1.23	1.29

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

CASH FLOW STATEMENTS

BUALUANG SECURITIES PUBLIC COMPANY LIMITED
FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

	(Unit: Baht)	
	2007	2006
Cash flows from operating activities		
Net income	221,425,716	232,661,398
Adjustments to reconcile net income		
to net cash provided by (paid for) operating activities: -		
Depreciation and amortisation	39,214,745	46,964,562
Reversal of bad debt and doubtful accounts - securities business	(787,221)	(777,999)
Allowance for doubtful debt (reversal) - other assets	500,000	(3,250,000)
(Income) expense in deferred income tax	(310,736)	2,702,627
Unrealised (gain) loss from revaluation of securities	(13,578,987)	11,534,303
Gain on trading in securities and derivatives	(4,734,677)	(543,408)
Gain on sales of equipment	(662,161)	(962,439)
Net income from operating activities before changes in		
operating assets and liabilities	241,066,679	288,329,044
Decrease (increase) in operating assets		
Short-term investments	328,250,067	(75,552,708)
Receivables from Clearing House	(133,880,402)	87,375,744
Securities and Derivatives business receivables	(442,310,148)	(266,132,350)
Other assets	(58,540,441)	(9,585,259)
Increase (decrease) in operating liabilities		
Payable to Clearing House	(214,701,420)	316,120,796
Securities and Derivatives business payables	543,842,902	(246,728,059)
Accrued employee expenses	9,585,543	24,500,415
Other liabilities	6,221,895	(7,610,253)
Net cash flows from operating activities	279,534,675	110,717,370

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

CASH FLOW STATEMENTS (Continued)

BUALUANG SECURITIES PUBLIC COMPANY LIMITED
FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

	(Unit: Baht)	
	2007	2006
Cash flows from investing activities		
Cash paid for acquisition of intangible assets	(10,689,889)	(7,898,912)
Cash paid for acquisition of equipment	(21,285,626)	(22,346,028)
Proceeds from sales of equipment	1,021,729	1,269,968
Net cash flows used in investing activities	(30,953,786)	(28,974,972)
Cash flows from financing activities		
Dividend paid	(144,000,000)	(90,000,000)
Net cash flows used in financing activities	(144,000,000)	(90,000,000)
Net increase (decrease) in cash and cash equivalents	104,580,889	(8,257,602)
Cash and cash equivalents at beginning of the year	461,185,196	469,442,798
Cash and cash equivalents at the end of the year (Note 5)	565,766,085	461,185,196

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

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

BUALUANG SECURITIES PUBLIC COMPANY LIMITED
FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

(Unit: Baht)

	Note	Issued and paid-up share capital	Premium on share capital	Revaluation surplus in investments	Statutory reserve	Unappropriated retained earnings	Total
Balance as at 1 January 2006		360,000,000	557,832,578	-	24,100,000	267,692,052	1,209,624,630
Appropriation of retained earnings	18	-	-	-	11,900,000	(11,900,000)	-
Dividend paid	21	-	-	-	-	(90,000,000)	(90,000,000)
Net income		-	-	-	-	232,661,398	232,661,398
Balance as at 31 December 2006		360,000,000	557,832,578	-	36,000,000	398,453,450	1,352,286,028
Dividend paid	21	-	-	-	-	(144,000,000)	(144,000,000)
Revaluation surplus in investments	6.3	-	-	551,322	-	-	551,322
Net income		-	-	-	-	221,425,716	221,425,716
Balance as at 31 December 2007		360,000,000	557,832,578	551,322	36,000,000	475,879,166	1,430,263,066

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

BUALUANG SECURITIES PUBLIC COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

1. GENERAL INFORMATION

Bualuang Securities Public Company Limited ("The Company") was incorporated as a limited company under Thai laws on 1 June 2000 and converted to a public limited company in accordance with the Public Limited Companies Act on 14 September 2004. The Company operates securities business in Thailand, which consist of securities and derivatives broking, investment banking, private fund management, and being a unit trust selling agent and bond dealer. The Company has been granted licenses as follows:

1. Securities brokerage
2. Securities trading
3. Investment advisory
4. Underwriting
5. Financial advisory
6. Private fund management
7. Unit trust selling agent
8. Derivatives brokerage

As at 31 December 2007, Bangkok Bank Public Company Limited, its parent company, holds 56.34 percent of the Company's paid-up share capital (2006: 56.34 percent of paid-up share capital).

Its registered office is located at 191, 29th Floor, Silom Complex Building, Silom Road, Khwang Silom, Khet Bangrak, Bangkok.

As at 31 December 2007, the Company has 22 branches (2006: 22 branches) and has a total of 480 employees (2006: 455 employees).

In June 2007, the Company entered into the Exclusive Partner - Securities Brokerage Agreement with Morgan Stanley Asia Limited, effective from 11 June 2007. Under this agreement, the Company will charge that company the brokerage fees at a rate of not less than 60 percent of the brokerage fee rate specified by the SET.

2. BASIS OF PREPARATION

The financial statements 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 No. 12 "Income Taxes" (revised 1996).

The Preparation of the financial statements has been made in compliance with 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 historical cost basis except where otherwise disclosed in the accounting policies.

3. ADOPTION OF NEW ACCOUNTING STANDARDS DURING THE PERIOD

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.

a) Thai Accounting Standards which are effective for the current year

TAS 44 (revised 2007)	Consolidated Financial Statements 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.

b) 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 years beginning on or after 1 January 2008. The management has assessed the effect of these revised accounting standards and believes that they will not have any significant impact on the financial statements for the year in which they are initially applied.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Revenue and expenses recognition

a) Brokerage fees

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

b) Fees and services income

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.

c) Interest on margin loans

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

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

- 1) Loans with are not fully collateralised.
- 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.

- 3) Installment loans with repayments scheduled no less frequently than every 3 months, unless this is clear evidence and a high degree of certainty that full repayment will be received.
- 4) Other receivables from which interest payment is overdue for 3 months or more.
These conditions are based on the guidelines stipulated by the Office of Securities and Exchange Commission.
- d) Gains (losses) on trading in securities
Gains (losses) on trading in securities are recognised as income (expenses) on the transaction dates.
- e) Interest and dividend on investments in securities
Interest income on investments is recognised as interest accrues based on the effective rate method. Dividends on investments are recognised when the right to receive the dividends is established.
- f) Gains (losses) on derivatives trading
Gains (losses) on trading in derivatives are recognised as income (expense) on the transaction dates.
- g) Expenses
Expenses are recognised on an accrual basis.

4.2 Recognition and amortisation of customer deposits

Money which customers have placed with the Company in cash accounts and credit balance for securities trading and also derivatives trading is recorded as the asset and liability of the Company for internal control purposes. As at the balance sheet date, the Company writes these amounts off from both assets and liabilities and presents only assets which belong to the Company.

4.3 Cash and cash equivalents

Cash and cash equivalents include cash on hand, current accounts, saving accounts, time deposits with no more than 3 months remaining to maturity and not subject to withdrawal restrictions, call notes receivable and term notes receivable maturing within 3 months. This accords with the Notification issued by the Office of the Securities and Exchange Commission.

4.4 Investments

Investments in securities held for trading are stated at fair value. Gains or losses arising from changes in the carrying amounts of securities are included in the income statements.

Investments in available-for-sale securities, both held for short-term and long-term investments, are stated at fair value. Changes in the carrying amounts of securities are recorded as separate items in shareholders' equity until the securities are sold, when the changes are then included in the income statements.

Investments in debt securities, both due within one year and expected to be held to maturity are stated at amortised cost. The premium/discount on debt securities is amortised by using the effective rate method with the amortised amount presented as an adjustment to the interest income.

Investments in non-marketable equity securities, which the Company classifies as other investments, are stated at cost, net of allowance for impairment (if any).

The fair value of marketable security is based on the latest bid price of the last working day of the year as quoted on the Stock Exchange of Thailand. The fair value of unit trust is determined from its net assets value. The fair value of debt security is determined by using the latest bid yield as quoted on the Thai Bond Market Association.

Loss on impairment (if any) of investments in available-for-sale securities and other investments are included in determining income when the carrying amount exceeds its recoverable value.

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

In the event the Company reclassifies investments in securities, such investments are adjusted to their fair values as at the reclassification date. Differences between the carrying amounts of the investments and their fair values on that date are included in determining income or recorded as revaluation surplus (deficit) from changes in the value of investments in shareholders' equity, depending on the type of investment which is reclassified.

4.5 Securities business receivables and allowance for doubtful accounts

Securities business receivables comprise the net balance of securities business receivables after deducting allowance for doubtful accounts and for revaluation as a result of debt restructuring and including accrued interest income. Securities business receivables include receivable balances of cash accounts and credit balance accounts, 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 repayment capability, taking into consideration risk in recovery and value of collateral. An allowance will be set aside for doubtful debts not fully covered by collateral and/or debtors which are expectable not to be recovered in full. Such debt classifications and provisions are in accordance with guidelines stipulated by the Office of the Securities and Exchange Commission as follows:-

- a) Assets classified as doubtful loss are to satisfy the following criteria: -
 - 1) Loan 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) Loan 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.
 - 3) Installment loans with repayments scheduled no less frequently than every 3 months, unless there is clear evidence and a high degree of certainty that full repayment will be received.
- c) Substandard debt is defined as the collateralised portion of loans which meet the criteria in b).

Loans classified as bad debt will be written off when identified. Fully provision of the loan balance will be set aside for loans classified as doubtful. These conditions are complied with the guidelines stipulated by the Office of the Securities and Exchange Commission.

4.6 Derivatives business receivables

Derivatives business receivables are the net balances after deducting allowance for doubtful accounts.

4.7 Receivables from Clearing House

Receivables from Clearing House comprise the net balance receivable from Thailand Securities Depository (TSD) in relation to securities trading settlements made through the Clearing House of TSD and the net receivable from Thailand Clearing House (TCH) including amounts pledged with TCH as security for derivatives trading.

4.8 Equipment and depreciation

Equipment is stated at cost less accumulated depreciation and allowance for loss on impairment of assets (if any). Depreciation is calculated by reference to its cost on a straight-line basis over the following estimated useful lives: -

Leasehold improvements	-	3	years
Office equipment	-	3 - 5	years
Furniture and fixtures	-	5	years
Motor vehicles	-	5	years

No depreciation is provided on assets under installation.

Depreciation is included in determining income.

4.9 Intangible assets and amortisation

Intangible assets are stated at cost less accumulated amortisation.

Amortisation of leasehold right is calculated by reference to its cost on a straight-line basis over the leased period.

Initial membership fees of the Stock Exchange of Thailand, the Thai Bond Market Association and the Thailand Futures Exchange, computer software, and goodwill arising from acquisition of assets related to securities business and the transfer of staff from Jardine Fleming Thanakom Securities Company Limited are amortised on the straight-line basis over the period of 5 years.

The amortisation is included in determining income.

4.10 Derivatives business payables

Derivatives business payables are the obligations of the Company in respect of its derivatives business with outside parties.

4.11 Payables to Clearing House

Payables to Clearing House comprise the net balance payable to TSD in relation to securities trading settlements made through the Clearing House of TSD and the net balance payable to TCH.

4.12 Foreign currency

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.

4.13 Income tax

a) Current tax

The Company calculates corporate income tax in accordance with the Royal Decree as empowered under the Revenue Code concerning state revenue rate reduction No. 387 B.E. 2544 dated 5 September 2001.

b) 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, by using the enacted tax rate at the balance sheet date.

The Company recognises deferred tax liabilities for taxable temporary differences and recognises deferred tax assets for deductible temporary differences. The temporary differences arise from depreciation on equipment, amortisation on intangible assets, and allowance for doubtful accounts. The Company recognises deferred tax assets to the extent that it is probable that future taxable profits will be available against which such deductible temporary differences can be utilised.

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 profits will be available to allow all or part of the deferred tax asset to be utilised.

4.14 Related party transactions

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 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, as well as individuals who could create a conflict of interest for the Company's directors and management in terms of making operational decisions that prioritise the interests of those individuals or maximise benefit to the Company.

4.15 Employee benefits

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

4.16 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.

4.17 Financial derivatives

Obligation under derivatives business which the Company enters into for trading purpose are regarded as off-balance sheet items. Amounts pledged as security for derivatives trading are recorded as receivable at TCH and gain (loss) from changes in the fair value of derivatives are included in the income statements. The fair value of derivatives is based on the daily settlement price quoted on Thailand Futures Exchange Public Company Limited.

4.18 Use of accounting estimates

Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions in certain circumstances, affecting amounts reported in these financial statements and related notes. Actual results could differ from these estimates.

5. CASH AND CASH EQUIVALENTS

	(Unit: Baht)	
	2007	2006
Cash	355,000	365,000
Current deposits and saving deposits	110,948,506	63,943,903
Time deposits and notes receivable with maturity less than three months	1,139,725,747	714,917,537
Less: Deposits and notes receivable for customers' accounts of securities business	(376,168,027)	(240,994,328)
Deposits for customers' accounts of derivatives business	(309,095,141)	(77,046,916)
Net cash and cash equivalents	565,766,085	461,185,196

6. INVESTMENTS IN DEBT AND EQUITY SECURITIES

	(Unit: Baht)			
	2007		2006	
	Cost/ book value	Fair value	Cost/ book value	Fair value
Short-term investments				
<u>Trading securities</u>				
Unit trust	-	-	159,974,800	147,847,553
Less: Changes in fair value of securities	-		(12,127,247)	
Net unit trust	-		147,847,553	
Debt securities				
Bank of Thailand bonds and treasury bills	6,988,914	6,988,914	3,986,020	3,986,020
Net debt securities	6,988,914		3,986,020	
<u>Available-for-sales securities</u>				
Unit trust	73,132,546	75,135,608	-	-
Add: Changes in fair value of securities	2,003,062		-	
Net unit trust	75,135,608		-	

(Unit: Baht)				
		2007	2006	
		Cost/ book value	Fair value	Cost/ book value Fair value
<u>Held-to-maturity debt securities - due</u>				
<u>within one year</u>				
Bank of Thailand bonds and				
treasury bills		159,857,118		139,858,226
Net debt securities		159,857,118		139,858,226
Total short-term investments		241,981,640		291,691,799
Long-term investments				
<u>Non-marketable securities</u>				
Equity securities				
Other securities - ordinary shares	7,820,000			7,820,000
Total non-marketable securities	7,820,000			7,820,000
Total long-term investments	7,820,000			7,820,000
Total investments - net	249,801,640			299,511,799

6.1 Gain (loss) on trading in securities and derivatives

(Unit: Baht)		
	2007	2006
Realised gain from trading in securities and derivatives	4,734,677	543,408
Unrealised gain (loss) from revaluation of securities	13,578,987	(11,534,303)
Total	18,313,664	(10,990,895)

6.2 During the years, the Company received money from selling of short-term investment as follows:

(Unit: Baht)		
	2007	2006
Short-term investment - trading securities	23,458,600	118,132,584
Short-term investment - available-for-sales securities	79,802,300	-
Total	103,260,900	118,132,584

6.3 Revaluation surplus in investments

(Unit: Baht)		
	2007	2006
Balance-beginning of the year	-	-
Change from revaluation	551,322	-
Balance-end of the year	551,322	-

- 6.4 On 31 August 2007, the Company reclassified investments in trading equity securities with net book value as of the transfer date amounting to Baht 144.53 million to short-term available-for-sale securities, in order to reflect the expected returns from such investments.

7. RECEIVABLES FROM CLEARING HOUSE

	(Unit: Baht)	
	2007	2006
Thailand Securities Depository Company Limited (TSD)	242,712,308	108,831,906
Thailand Clearing House Company Limited (TCH)	59,779,606	40,516,466
Less: Receivables from Thailand Clearing House for customers' accounts	(59,779,606)	(40,516,466)
Receivables from Clearing House	242,712,308	108,831,906

8. SECURITIES AND DERIVATIVES BUSINESS RECEIVABLES

	(Unit: Baht)	
	2007	2006
<u>Securities business receivables</u>		
Customers' accounts - cash	1,100,333,428	920,780,306
Customers' accounts - credit balance	880,956,272	610,145,824
Other receivables	2,679,843	12,676,939
Total securities business receivables	1,983,969,543	1,543,603,069
Add: Accrued interest receivables	4,787,029	3,586,587
Less: Allowance for doubtful accounts	(5,679,843)	(7,062,144)
Net securities business receivables	1,983,076,729	1,540,127,512
<u>Derivatives business receivables</u>		
Derivatives business receivables	268,527	120,375
Derivatives business receivables	268,527	120,375
Securities and Derivatives business receivables	1,983,345,256	1,540,247,887

- a) The Company has classified securities business receivables including related accrued interest receivables according with the Notification of the Office of the Securities and Exchange Commission (SEC) on the non-performing receivables. As at 31 December 2007 and 2006, securities business receivables are classified as follows: -

(Unit: Million Baht)

	2007		
	Securities business receivables and accrued interest receivables	Allowance for doubtful accounts required by the SEC	Net securities business receivables after allowance for doubtful accounts
Normal debts	1,986.1	-	1,986.1
Substandard debts	-	-	-
Doubtful debts	2.7	(2.7)	-
Total	1,988.8	(2.7)	1,986.1
Less: Allowance for doubtful accounts which exceed allowance required by the SEC			(3.0)
Net			1,983.1

(Unit: Million Baht)

	2006		
	Securities business receivables and accrued interest receivables	Allowance for doubtful accounts required by the SEC	Net securities business receivables after allowance for doubtful accounts
Normal debts	1,534.5	-	1,534.5
Substandard debts	8.6	-	8.6
Doubtful debts	4.1	(4.1)	-
Total	1,547.2	(4.1)	1,543.1
Less: Allowance for doubtful accounts which exceed allowance required by the SEC			(3.0)
Net			1,540.1

b) Allowance for doubtful accounts

(Unit: Baht)

	2007	2006
Balance - beginning of the year	7,062,144	7,896,779
Add: Allowance for doubtful accounts	170,877	577,711
Less: Bad debt written-off	(595,080)	(56,636)
Reversal of allowance for doubtful accounts	(958,098)	(1,355,710)
Balance - end of the year	5,679,843	7,062,144

9. EQUIPMENT

(Unit: Baht)

	Leasehold improvements	Office equipment	Furniture and fixtures	Motor vehicles	Leasehold improvements in progress	Total
Cost						
31 December 2006	34,678,861	98,265,618	6,641,390	34,166,190	4,113,296	177,865,355
Additions	2,339,627	8,774,079	2,071,761	4,300,000	3,251,356	20,736,823
Transfer in/(out)	7,174,593	-	-	-	(7,174,593)	-
Disposals	(1,197,361)	(1,657,232)	(12,715)	(1,996,000)	-	(4,863,308)
31 December 2007	42,995,720	105,382,465	8,700,436	36,470,190	190,059	193,738,870
Accumulated Depreciation						
31 December 2006	23,625,024	66,075,222	3,675,651	15,118,437	-	108,494,334
Depreciation for the year	5,580,041	20,511,503	1,278,371	7,240,560	-	34,610,475
Disposals	(1,164,054)	(1,653,146)	(12,549)	(1,673,991)	-	(4,503,740)
31 December 2007	28,041,011	84,933,579	4,941,473	20,685,006	-	138,601,069
Net book value						
31 December 2006	11,053,837	32,190,396	2,965,739	19,047,753	4,113,296	69,371,021
31 December 2007	14,954,709	20,448,886	3,758,963	15,785,184	190,059	55,137,801
Depreciation included in income statements for the years ended						
31 December 2006						34,154,208
31 December 2007						34,610,475

As at 31 December 2007, certain equipment items have been fully depreciated but are still in use. The original cost of those assets amounted to approximately Baht 75.94 million (2006: Baht 44.5 million).

10. INTANGIBLE ASSETS

(Unit: Baht)

	Goodwill	SET initial membership fee	Computer software	Leasehold rights	Thai BMA initial membership fee	TFEX initial membership fee	Others	Computer software under installation	Total
Cost									
31 December 2006	32,777,075	10,000,000	16,629,627	10,516,667	1,500,000	2,000,000	550,000	913,166	74,886,535
Additions	-	-	3,444,068	450,000	-	-	-	6,085,210	9,979,278
Transfer in/(out)	-	-	2,324,095	-	-	-	-	(2,324,095)	-
31 December 2007	32,777,075	10,000,000	22,397,790	10,966,667	1,500,000	2,000,000	550,000	4,674,281	84,865,813
Accumulated amortisation									
31 December 2006	32,777,075	9,309,589	10,767,155	4,443,991	300,000	271,781	64,164	-	57,933,755
Amortisation for the year	-	690,411	1,969,679	1,134,180	300,000	400,000	110,000	-	4,604,270
31 December 2007	32,777,075	10,000,000	12,736,834	5,578,171	600,000	671,781	174,164	-	62,538,025
Net book value									
31 December 2006	-	690,411	5,862,472	6,072,676	1,200,000	1,728,219	485,836	913,166	16,952,780
31 December 2007	-	-	9,660,956	5,388,496	900,000	1,328,219	375,836	4,674,281	22,327,788
Amortisation included in income statements for the years ended									
31 December 2006									12,810,354
31 December 2007									4,604,270
Remaining useful lives (year)	-	-	2.5 and 5.0	3.0 and 5.0	3.0	3.3	3.0 and 3.7		

11. OTHER ASSETS

	(Unit: Baht)	
	2007	2006
Fees and services receivables	12,485,200	6,351,204
Deposits	37,054,192	30,327,700
Securities receivables - over the counter	49,923,281	-
Others	5,960,912	10,204,240
Total	105,423,585	46,883,144
Less: Allowance for doubtful debt - fees and services receivables	(1,950,000)	(1,450,000)
Other assets - net	103,473,585	45,433,144

12. OTHER LIABILITIES

	(Unit: Baht)	
	2007	2006
Accrued expenses	11,443,518	15,975,348
Withholding tax payable	4,096,752	2,958,831
Value added tax payable	5,014,628	12,753,534
SET fee payable	1,646,726	1,901,993
Securities payables - over the counter	259,674,922	-
Others	12,304,524	6,469,826
Total	294,181,070	40,059,532

13. FEES AND SERVICES INCOME

	(Unit: Baht)	
	2007	2006
Underwriting fees	28,949,263	99,327,003
Financial advisory fees	56,201,177	63,164,456
Private fund management fees	30,241,825	22,465,455
Agent fees	3,569,942	2,475,186
Total	118,962,207	187,432,100

14. INTEREST AND DIVIDEND

	(Unit: Baht)	
	2007	2006
Interest income from debt securities	10,414,460	5,255,546
Interest income from deposits at banks and notes	21,905,071	24,130,997
Dividend income from equity securities	11,657,130	7,564,300
Others	2,059,440	288,546
Total	46,036,101	37,239,389

15. CORPORATE INCOME TAX / DEFERRED INCOME TAX ASSETS

	(Unit: Baht)	
	2007	2006
Income tax for the year on taxable profits	67,856,808	75,580,366
(Income) expense in deferred income tax related to temporary differences	(310,736)	770,404
Expense in deferred income tax effect from the change in tax rate from 30% to 25%	-	1,932,223
Income tax for the year included in income statements	67,546,072	78,282,993

The components of deferred tax assets as presented in balance sheets consist of:

	(Unit: Baht)		
	Allowance for doubtful accounts	Accumulated depreciation and amortisation	Total
Balance as at 1 January 2007	2,128,036	6,762,673	8,890,709
Transaction recorded in income statement	(220,575)	531,311	310,736
Balance as at 31 December 2007	1,907,461	7,293,984	9,201,445
Balance as at 1 January 2006	3,784,978	7,808,358	11,593,336
Transaction recorded in income statement	(1,656,942)	(1,045,685)	(2,702,627)
Balance as at 31 December 2006	2,128,036	6,762,673	8,890,709

As from 2006 to 2010 the Company calculated income tax using a 25% tax rate because Royal Decree No. 387 B.E. 2544, dated 5 September 2001, grants companies listed on the Stock Exchange of Thailand a reduction in the corporate income tax rate from 30% to 25% for taxable profits for five consecutive accounting periods beginning on or after the date of which companies listed on the Stock Exchange of Thailand in accordance with securities and exchange laws.

16. BASIC EARNINGS PER SHARE

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

17. DIRECTORS' REMUNERATION

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

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.

19. PROVIDENT FUND

The Company and its employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. Both the Company and employees contributed to the fund monthly at the rate of 5-10 percent of basis salary. The fund, which is managed by a financial institution, will be paid to employees upon termination in accordance with the fund rules. During the year 2007, the Company contributed Baht 10,964,802 (2006: Baht 10,127,271) to the fund.

20. RELATED PARTY TRANSACTIONS

During the years, the Company had significant business transactions with related parties. These transactions, which have been concluded on commercial terms and bases agreed upon in the ordinary course of business between the Company and those related parties. Below is a summary of those transactions.

	(Unit: Thousand Baht)		
	2007	2006	Pricing policy
Transactions with its parent company			
Brokerage fees income from securities business	1,340	2,275	Normal rate charge to ordinary customers
Fees and services income	4,229	-	Agreed-upon price fixed with reference to market price
Interest income	522	1,393	0.50% - 4.75% per annum (2006: 0.50% - 5.13% per annum)
Gain on sales of bonds	16	-	Agreed-upon price fixed with reference to market price
Bank charge expenses	1,972	1,919	Agreed-upon price fixed with reference to market price
Rental and service expenses	583	564	Agreed-upon price fixed with reference to market price

			(Unit: Thousand Baht)
	2007	2006	Pricing policy
Transactions with related companies			
Brokerage fees income from securities business	10,232	13,167	Normal rate charge to ordinary customers
Fees and services income	17,824	28,787	Agreed-upon price fixed with reference to market price
Interest income	6,915	3,490	2.80% - 4.80% per annum (2006: 3.50% - 4.80% per annum)
Rental and service expenses	4,305	4,214	Agreed-upon price fixed with reference to market price
Insurance premium expenses	4,286	4,512	Agreed-upon price fixed with reference to market price
Refund of insurance premium expense	448	431	Agreed-upon price fixed with reference to market price
Other service fees	28	117	Agreed-upon price fixed with reference to market price
Annual health check fees	550	620	Agreed-upon price fixed with reference to market price
Transactions with directors, management and related persons			
Brokerage fees income from securities business	1,459	2,748	Normal rate charge to ordinary customers
Brokerage fees income from derivatives business	104	139	Normal rate charge to ordinary customers
Fees and services income	217	1,473	Agreed-upon price fixed with reference to market price
Gain on sales of bonds	-	14	Agreed-upon price fixed with reference to market price
Interest expense of customers' deposits from securities and derivatives business	30	1	Normal rate charge to ordinary customers

The balances of the accounts as at 31 December 2007 and 2006 between the Company and those related parties are as follows:

	(Unit: Baht)	
	2007	2006
Parent company		
Cash and cash equivalents	18,465,911	44,739,870
Other receivables	400,000	-
Accrued interest income	-	1,048,870
Accrued utilities expenses	9,000	9,000
Accrued fee expenses	6,968	-
Other liabilities	59,932,973	-
Related companies		
Notes receivables with maturity less than three-months	270,000,000	120,000,000
Interest receivables	103,288	653,247
Securities and Derivatives business receivables	1,093,704	6,402,773
Other receivables	1,460,099	3,281,163
Prepaid expenses	45,231	2,577,014
Securities and Derivatives business payables	-	958,010
Accrued expenses	343,681	102,198
Directors, management and related persons		
Securities and Derivatives business receivables	5,669,425	3,071,523
Other receivables	-	70,696
Accrued interest expenses of Customers' deposits from securities and derivatives business	377	-
Securities and Derivatives business payables	597,954	35,826,097
Customers' deposits from securities and derivatives business	1,066,441	767,739

21. DIVIDEND PAID

		(Unit: Baht)		
Dividends	Approved by	Total dividends	Dividend per share	Paid on
Dividends on the net income of 2005	Annual General Meeting of the shareholders on 17 April 2006	<u>90,000,000</u>	0.50	11 May 2006
Dividends on the net income of 2006	Annual General Meeting of the shareholders on 23 April 2007	<u>144,000,00</u>	0.80	16 May 2007

22. CASH FLOWS SUPPLEMENT INFORMATION

22.1 Cash paid during the year

	(Unit: Baht)	
	2007	2006
Interest expenses	9,541,407	3,779,206
Corporate income tax	55,293,074	69,223,494

22.2 Non-cash items

	(Unit: Baht)	
	2007	2006
Equipment and intangible assets payable - brought forward	5,593,008	1,489,268
Acquisition of equipment and intangible assets	30,716,101	34,348,680
Less: Cash paid for acquisition of equipment and intangible assets	(31,975,515)	(30,244,940)
Equipment and intangible assets payable - carried forward	4,333,594	5,593,008

23. COMMITMENTS AND CONTINGENCIES

23.1 Commitments

- 1) As at 31 December 2007, the Company has rental and service commitments under long-term lease agreements and service agreements for its office building and equipment as follows:

<u>Payable within :</u>	<u>Million Baht</u>
1 year	38.34
2 years - 5 years	56.83

- 2) As at 31 December 2007, the Company has commitments under lease and service agreements for the branch office premises and equipment of some branches, under which rental expenses are calculated based on a percentage of the net monthly brokerage fees income generated from the branch's operation.
- 3) As at 31 December 2007, the Company has commitments to pay a membership fee to the Stock Exchange of Thailand on a monthly basis of Baht 50,000 and at the rate of 0.005 percent of the trading volume.
- 4) As at 31 December 2007, 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.
- 5) As at 31 December 2007, the Company has commitments to pay contributions to the Compensation Fund for Clearing and Settlement, which is overseen by the Thailand Securities Depository Company Limited, on a monthly basis, at a rate of 0.008 percent of its net settlements each month.
- 6) As at 31 December 2007, the Company has commitments to pay a membership fee to Securities Investor Protection Fund (SIPF), which is overseen by the Stock Exchange of Thailand, on a monthly basis, at a rate of 0.0005 percent of its trading volume.

- 7) As at 31 December 2007, the Company has commitments to pay a membership fee to the Thailand Futures Exchange at a rate of Baht 5 per contract until the cumulative fee paid, including initial payment of Baht 2 million, reaches Baht 7 million, starting from the date of the first trade on the Thailand Futures Exchange (28 April 2006).
- 8) As at 31 December 2007, the Company has commitments to pay a service fee to Thailand Securities Depository Company Limited, as Back Office Service Bureau of Derivatives business, on a monthly basis at the rate of Baht 30,000.
- 9) As at 31 December 2007, the Company has commitments to pay a referral fee to Bangkok Bank Public Company Limited (the parent company) under an Introducing Agent Agreement signed with the parent company, effective from 28 June 2007.

23.2 Bank guarantees

As at 31 December 2007, there were outstanding bank guarantees of Baht 1.80 million issued by a bank on behalf of the Company in respect of certain performance bonds as required in the ordinary course of business. These included letters of guarantee to guarantee information service obtain and others.

24. SEGMENT INFORMATION

The Company's business operations involve five principal segments: securities and derivatives broking, investment banking, private fund management, being a unit trust selling agent and bond dealer. These operations are mainly carried on in Thailand.

Below is the financial information for the years ended 31 December 2007 and 2006 of the Company by segment:

(Unit: Million Baht)

	Securities and derivatives broking		Investment banking		Other segments		Total	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Revenues from external customers	784.6	751.7	85.2	163.1	32.7	24.7	902.5	939.5
Total revenues	784.6	751.7	85.2	163.1	32.7	24.7	902.5	939.5
Segment income	357.7	331.0	57.3	140.0	11.4	5.2	426.4	476.2
Unallocated income and expenses:								
Gain (loss) on trading in securities							20.0	(8.7)
Interest and dividend							46.0	37.2
Other income							3.7	5.4
Fees and services expense							(2.2)	(1.8)
Operating expenses							(205.0)	(197.3)
Corporate income tax							(67.5)	(78.3)
Net income							221.4	232.7

25. FINANCIAL INSTRUMENTS

25.1 Financial risk management

The Company's financial instruments, as defined under Thai Accounting Standard No. 48 "Financial Instruments: Disclosure and Presentations", principally comprise cash and cash equivalents, Securities and Derivatives business receivables, investments, receivables from Clearing House, Securities and Derivatives business payables and payable to Clearing House. The financial risks associated with these financial instruments and how they are managed is described below.

Credit risk

The Company is exposed to credit risk primarily with respect to Securities 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 business receivables as stated in the balance sheet.

Interest rate risk

The Company's exposure to interest rate risk relates primarily to its cash at banks 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 December 2007 and 2006 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)

	2007								
	Outstanding balances of net financial instruments								
	Floating interest rate	Repricing or maturity dates					Interest rate (%)		
		At call	Within 1 year	1-5 years	Over 5 years	No interest	Total	Floating rate	Fixed rate
Financial assets									
Cash and cash equivalents	43.0	270.0	219.9	-	-	32.9	565.8	0.50-2.15	2.80-4.20
Investments in debt and equity securities - net	-	-	166.8	-	-	83.0	249.8	-	2.96-3.20
Receivables from Clearing House	-	-	-	-	-	242.7	242.7	-	-
Securities and Derivatives business receivables - net	885.7	-	-	-	-	1,097.6	1,983.3	MOR-2 to MOR+4	-
Financial liabilities									
Payable to Clearing House	-	-	-	-	-	288.9	288.9	-	-
Securities and Derivatives business payables	-	-	-	-	-	1,040.6	1,040.6	-	-

(Unit: Million Baht)

2006

	Outstanding balances of net financial instruments								
	Floating interest rate	Repricing or maturity dates					Interest rate (%)		
		At call	Within	1-5	Over	No	Total	Floating rate	Fixed rate
			1 year	years	5 years	interest			
<u>Financial assets</u>									
Cash and cash equivalents	35.4	280.0	120.0	-	-	25.7	461.1	0.50-2.75	4.50-5.13
Investments in debt and equity securities - net	-	-	143.8	-	-	155.7	299.5	-	4.72-4.95
Receivables from Clearing House	-	-	-	-	-	108.8	108.8	-	-
Securities and Derivatives business receivables - net	613.7	-	-	-	-	926.5	1,540.2	MOR-2 to MOR+4	-
<u>Financial liabilities</u>									
Payable to Clearing House	-	-	-	-	-	503.6	503.6	-	-
Securities and Derivatives business payables	-	-	-	-	-	496.7	496.7	-	-

Liquidity risk

The Company's exposure to liquidity risk relates primarily to the redemption of Securities and Derivatives business receivables and investments in debt and equity securities. However since the Company's financial assets are highly liquid the Company does not expect to incur material financial losses in respect of liquidity risk.

The periods of time from the balance sheet date to the maturity dates of financial instruments as of 31 December 2007 and 2006 are as follows: -

(Unit: Million Baht)

2007

	Outstanding balances of net financial instruments					
	At call	Within 1 year	1-5 years	Over 5 years	No maturity	Total
Financial assets						
Cash and cash equivalents	345.9	219.9	-	-	-	565.8
Investments in debt and equity securities - net	75.2	166.8	-	-	7.8	249.8
Receivables from Clearing House	-	242.7	-	-	-	242.7
Securities and Derivatives business receivables - net	885.7	1,097.6	-	-	-	1,983.3
Financial liabilities						
Payable to Clearing House	-	288.9	-	-	-	288.9
Securities and Derivatives business payables	-	1,040.6	-	-	-	1,040.6

(Unit: Million Baht)

	2006					
	Outstanding balances of net financial instruments					
	At call	Within 1 year	1-5 years	Over 5 years	No maturity	Total
<u>Financial assets</u>						
Cash and cash equivalents	341.1	120.0	-	-	-	461.1
Investments in debt and equity securities - net	147.9	143.8	-	-	7.8	299.5
Receivables from Clearing House	-	108.8	-	-	-	108.8
Securities and Derivatives business receivables - net	613.7	926.5	-	-	-	1,540.2
<u>Financial liabilities</u>						
Payable to Clearing House	-	503.6	-	-	-	503.6
Securities and Derivatives business payables	-	496.7	-	-	-	496.7

Foreign exchange risk

As of 31 December 2007 and 2006, the Company does not have any material financial instruments in foreign currencies.

25.2 Fair value

Since the majority of the Company's major financial instruments are short-term in nature or bear floating interest rates, their fair value is not expected to be materially different from the amounts presented in the balance sheets.

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 methodology used for determining the fair value is dependent upon the characteristics of the financial instruments. The fair values of financial assets are presented as the amount stated in the balance sheets, including cash and deposits at financial institutions, which are considered to approximate their respective carrying value since the financial instruments are predominantly subject to market interest rates. Financial instruments that have standard terms and conditions which are traded on an active and liquid market, such as investment in securities, have their fair values determined by the quoted market price. Securities and Derivatives business receivables present at book value after deducting of allowance for doubtful accounts.

b) Financial liabilities

Securities and Derivatives business payables present at book value since they mature in the short - term.

26. RECLASSIFICATION

Certain amounts in the financial statements for the year ended 31 December 2006, have been reclassified to conform to the current year's classifications, but with no effect to net income or shareholders' equity previously reported by other auditor.

27. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were authorised for issue by the Company's Board of Directors on 11 February 2008.

2007 Auditor's Remunerations

Audit Fee

No.	Payment Company	Auditor	Audit Fee (Bt)
1	Bualuang Securities Public Company Limited	Mrs Nonglak Pumnoi, Certified Public Account No. 4172 Ernst & Young Office Limited	1,350,000
Total audit fee			1,350,000

Non-Audit Fee

No.	Payment Company	Detail of Non-Audit Service	Service Provider	Non-Audit Fee	
				Payment during the accounting period (Bt)	Future Payment
1	Bualuang Securities Public Company Limited	Tax and legal service	Ernst & Young Office Limited	120,000	none
Total non-audit fee				120,000	none

Branches

Bangkok, Nonthaburi, Pathumthani, Samutprakarn

Head Office

29/F, Silom Complex Office Bldg.,
191 Silom Road, Bangrak,
Bangkok 10500

Tel : (02) 231-3777

: (02) 632-0777

Fax : (02) 231-3797

: (02) 231-3951

Ngamwongwan

30/39-55 The Mall Group Bldg.
10/F Mu 2 Ngamwongwan Rd.,
Bangkhen, Mueng Nonthaburi,
Nonthaburi 11000

Tel : (02) 550-0499

Fax : (02) 550-0477

Ploenchit

5th Fl. Ploenchit Center, Room
number 06, 2 Sukhumvit 2,
Sukhumvit Rd., Klongtoey,
Bangkok 10110

Tel : (02) 656-8880

Fax : (02) 251-2777

Bangkapi

3522 The Mall Group Bldg.,
6/F, Ladprao Rd., Klongjan,
Bangkapi, Bangkok 10240

Tel : (02) 363 3399

Fax : (02) 363 3389

Bangkae

275 The Mall Group Bldg.,
6/F Mu 1 Petchkasem Rd.,
Bangkaeneu, Bangkae,
Bangkok 10160

Tel : (02) 454-9049

Fax : (02) 454-9050

Bangna

35th Office Bldg Tower1, 1093/165
Moo 12, Bangna-Trad Road (Km.3),
Bangna, Bangkok 10260

Tel : (02) 745-6400

Fax : (02) 745-6400

: (02) 745-6411

Emporium

622 Emporium Tower, Floor 10,
Unit 10/1, Sukhumvit Road,
Soi 24 Klongton, Klongtoey,
Bangkok 10110

Tel : (02) 260-8900

Fax : (02) 664-7509

Rangsit

99 Zeer Rangsit Shopping Center
Bldg., FB 044, 4/F, Mu 8
Phaholyothin Rd., Kukod,
Lamlookka, Pathumthani 12150

Tel : (02) 992-6755

Fax : (02) 992-6757

Ladprao

1693 Central Ladprao Bldg., Room
No. 501, 502 5/F Phaholyothin Rd.,
Ladyao, Jatujak, Bangkok 10900

Tel : (02) 541-1700

: (02) 937-1990

Fax : (02) 541-1763

Samutprakarn

202 Prakonchai Road, Paknum,
Amphoe Muang,
Samutprakarn 10280

Tel : (02) 701-7212-20

Fax : (02) 395-5901

Sampanthawongse

215 Grandchina Hotel and
Business Center Bldg., 3/F
Room 301-305 Yaowarat Rd.,
Samphanthawong,
Bangkok 10100

Tel : (02) 622-8822

Fax : (02) 622-8722

Pinklao

7/129 Central Pinklao Bldg.,
Room 1102, 11fl. Bangkokknoy
Bangkok 10700

Tel : (02) 433-8899

Fax : (02) 884-6161

Abdulrahim

990 Abdulrahim Bldg G Floor
Rama IV, Bangrak Bangkok 10500

Tel : (02) 237-1177

Fax : (02) 237-1178

Ramintra

5/5-6 Mu 7 B Floor Fashion Island
Ramintra Road, Kanayao
Bangkok 10230

Tel : (02) 947-5300

Fax : (02) 947-5290

Center

Kanchanaburi

284/10 Am Super Market, 2/F,
Sangchooto, Bannue, Mueng,
Kanchanaburi 71000
Tel : (034) 621-113-4
: (034) 621-120
Fax : (034) 621-124

Samutsongkram

72/10-11, Maeklong,
Mueng, Samutsongkram 75000
Tel : (034) 717-700-6
Fax : (034) 717-707

Mahachai

923/55 AT Tower 3/F, Akechai Rd.,
Mahachai, Muang,
Samutsakorn 74000
Tel : (034) 427-700
Fax : (034) 427-655

Saraburi

173/114 Sudbantad Rd., Pakpeaw,
Muang Saraburi, Saraburi 18000
Tel : (036) 308-138
Fax : (036) 230-880

East

Chonburi

3/6-7 Vachiraprakarn Road,
Bangprasroi, Amphoe Muang,
Chonburi 20000
Tel : (038) 792-445-51
: (038) 288-021-29
Fax : (038) 288-033

Pattaya

3/15-16 South Pattaya Center Condo
Office Bldg., Mu 10 South Pattaya Rd.,
Nongpue, Banglamung
Chonburi 20150
Tel : (038) 723-703
Fax : (038) 723-712

South

Hadyai

Lee Garden Hotel 1/F,
Leepattana Rd., Hadyai,
Songkla 90110
Tel : (074) 354-450-66
: (074) 230-012
Fax : (074) 230-013

Northeast

Khonkan

680/45 Na Muang Rd Nai Muang,
Amphoe Muang, Khonkan 40000
Tel : (043) 323-066
: (043) 270-995-9
: (043) 271-195-9
Fax : (043) 323-069

North

Chiang Mai

3rd Flr. Bangkok Bank Bldg,
Muang Samut Rd. Branch, 26/5
Muang Samut Rd. Chang Moi,
Muang District, Chiang Mai 50000
Tel : (053) 876-311
: (053) 252-299
Fax : (053) 876-320



**BUALUANG
SECURITIES**

บริษัทหลักทรัพย์ บัวหลวง จำกัด (มหาชน)

ชั้น 29 อาคารสิลมคอมเพล็กซ์ 191 ถนนสีลม เขตบางรัก กรุงเทพฯ 10500

โทรศัพท์ 0-2231-3777, 0-2632-0777 โทรสาร 0-2231-3951

BUALUANG SECURITIES PUBLIC COMPANY LIMITED

29th Floor, Silom Complex Office Building, 191 Silom Road, Bangkok 10500

Tel. 0-2231-3777, 0-2632-0777 Fax. 0-2231-3951