



Phatra Securities Public Company Limited
Annual Report 2006

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General Information

General Information

Name of the Company	: Phatra Securities Public Company Limited
Type of Business	: The Company engages in the securities businesses, the core businesses of which are securities brokerage, investment banking, investment, securities borrowing and lending and agent in futures exchange market.
Head Office	: 252/6 Muang Thai-Phatra Office Tower 1, 6 th , 8 th -11 th Floor, Ratchadapisek Road, Huaykwang, Bangkok 10310
Branch	: None
Company Registration No.	: Bor Mor Jor. 0107548000064
Telephone	: 0-2305-9000
Facsimile	: 0-2693-2631
Homepage	: http://www.phatrasecurities.com/
Type of Securities	: Ordinary share
Total Number of Shares	: 213,500,000 shares
Registered Capital	: Baht 1,100,000,000
Paid-up Capital	: Baht 1,067,500,000
References	
Company Registrar	: Thailand Securities Depository Company Limited 62 The Stock Exchange of Thailand Building, Ratchadapisek Road, Klongtoey, Bangkok 10110 Tel. 0-2229-2800 Fax. 0-2832-4994-5 http://www.tsd.co.th
Auditor	: Ernst & Young Office Limited 33 rd Floor, Lake Rajada Building, 193/136-137 New Rajadapisek Road, Klongtoey, Bangkok 10110 Tel. 0-2264-0777 Fax. 0-2264-0789-90

Background and Major Developments

Phatra Securities Public Company Limited ("the Company"), a broker member of the Stock Exchange of Thailand ("SET") no.6, has established on September 17, 1997 as a company limited under a policy of separating finance and securities businesses of Phatra Thanakit Finance and Securities Public Company Limited in order to carry on securities business under the name of Phatra Securities Company Limited. At that time, Phatra Thanakit Finance Public Company Limited, having KASIKORNBANK Public Company Limited, as a major shareholders held 99.9% of the Company's shares.

In 1998, Phatra Thanakit Finance Public Company Limited sold 49% of the Company's shares to KASIKORNBANK Public Company Limited, which then held the Company's shares directly and sold the remaining 51% to Merrill Lynch, one of the world's leading financial institution, following which the Company was named Merrill Lynch Phatra Securities Company Limited. In December 2003, KASIKORNBANK Public Company Limited and Merrill Lynch sold their respective shareholdings in the Company to a group of management and employees of the Company and the Company changed its name back to its original name of Phatra Securities Company Limited.

The Company converted itself into a public company limited on February 28, 2005 and listed its shares with the SET on May 31, 2005 in financial industry under financial and securities sector with abbreviation of "PHATRA".

The Company has been granted by the Ministry of Finance to operate 5 types of securities businesses, namely, securities brokerage, securities dealing, underwriting, investment advisory and securities borrowing and lending and granted by the Office of the Securities and Exchange Commission, Thailand ("SEC") to act as an agent in futures exchange market. In 2005, the Company became the member of the Thailand Futures Exchange Public Company Limited ("TFEX"). In addition, the Company has also been granted an approval from the SEC to act as a financial advisor and selling agent for limited BDU.

Despite the sale of its shareholding in the Company, Merrill Lynch has maintained a contractual relationship with the Company under the Business Service Agreement and Research Co-operation Agreement to maintain the existing strategic alliance.

Financial Highlight

Financial Highlights

(Unit: million baht)

	2004	2005	2006
Total Assets	3,182.45	5,259.57	4,968.96
Total Liabilities	1,946.82	2,130.20	1,553.14
Registered Capital	800.00	1,100.00	1,100.00
Paid up Capital	800.00	1,027.50	1,027.50
Total shareholders' Equity	1,235.63	3,129.37	3,415.83

	Consolidated	The Company Only		
		2004	2005	2006
Total Revenues (million baht)	1,364.13	1,668.02	1,359.50	1,952.86
Net Profit (million baht)	417.86	545.21	417.86	719.50
Earning Per Share (Baht)	2.16	3.41	2.16	3.37
Book Value Per Share (Baht)	n.a.	7.72	14.66	16.00

Note : Book value per share is calculated on total number of share of paid up capital

Revenues Structure

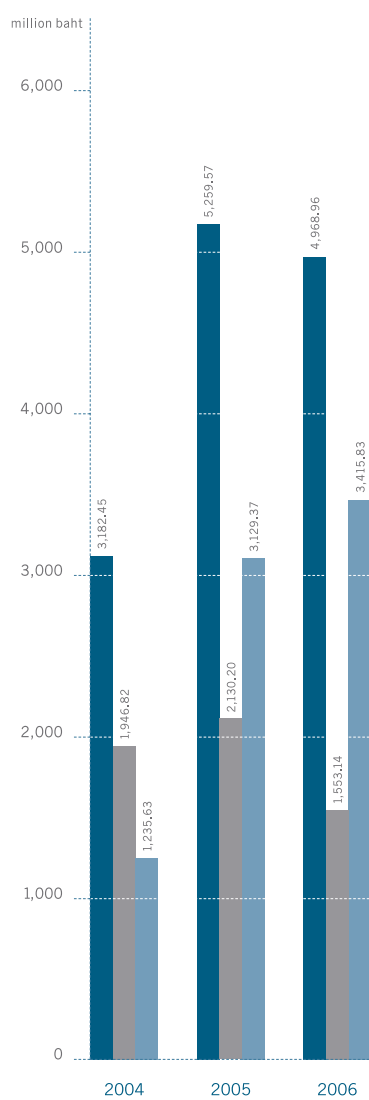
	Consolidated		The Company Only					
	2005		2004		2005		2006	
	Million	%	Million	%	Million	%	Million	%
	Baht		Baht		Baht		Baht	
Revenues								
Brokerage fees								
Brokerage fees from securities business	987.03	72.36	993.74	59.58	987.03	72.60	1,234.79	63.23
Brokerage fees from derivatives business	0.00	0.00	0.00	0.00	0.00	0.00	3.22	0.16
Fees and services income	234.47	17.19	638.07	38.25	230.76	16.97	496.12	25.41
Gain (loss) on trading in securities	40.33	2.96	(5.75)	(0.34)	40.33	2.97	25.37	1.30
Gain on derivative trading	0.00	0.00	0.00	0.00	0.00	0.00	0.45	0.02
Interest and dividend	66.34	4.86	19.22	1.15	66.33	4.88	173.31	8.87
Other incomes	35.96	2.64	22.74	1.36	35.04	2.58	19.60	1.00
Total revenues	1,364.13	100.00	1,668.02	100.00	1,359.50	100.00	1,952.86	100.00

FINANCIAL RATIO

		Consolidated	The Company Only		
		2005	2004	2005	2006
PROFITABILITY RATIOS					
Gross Profit Margin	(%)	87.08%	87.45%	86.81%	89.74%
Net Profit Margin	(%)	30.63%	32.69%	30.74%	36.84%
Return on Equity	(%)	n.a.	40.82%	19.15%	21.99%
Investment Yield	(%)	n.a.	2.99%	20.69%	18.12%
EFFICIENCY RATIOS					
Return on Total Assets	(%)	n.a.	15.62%	9.90%	14.07%
Total Assets Turnover	(times)	n.a.	0.48	0.32	0.38
FINANCIAL POLICY RATIOS					
Liquidity assets to total Assets	(%)	n.a.	44.66%	59.37%	70.60%
Earning assets to total assets ratio	(%)	n.a.	49.31%	45.03%	52.14%
Debt to Equity Ratio	(times)	n.a.	1.58	0.68	0.45
Dividend Payout Ratio	(%)	94.52%	137.20%	94.52%	89.02%
OTHER RAIOS					
Investment to total assets	(%)	n.a.	9.26%	14.01%	29.40%
Net liquid capital ratio	(%)	n.a.	264.40%	149.50%	187.03%
PER SHARE INFORMATION *					
Book value per share	(Baht)	n.a.	7.72	14.66	16.00
Net profit per share	(Baht)	2.16	3.41	2.16	3.37
Number of paid up shares as at 31 December		213,500,000	160,000,000	213,500,000	213,500,000

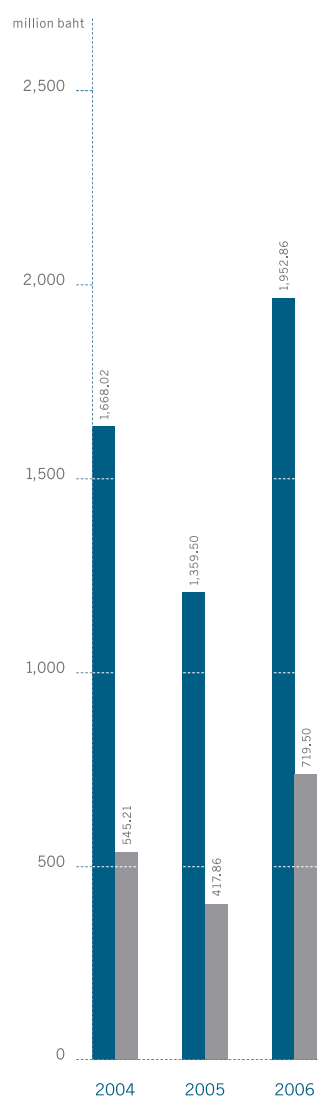
Note : Book value per share is calculated by total number of share of paid up capital

Financial Position



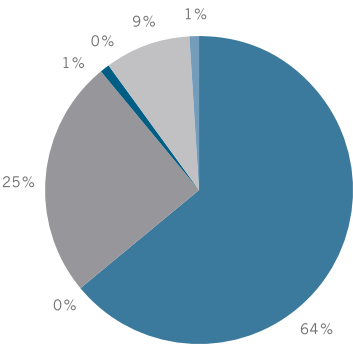
■ Total Assets
■ Total Liabilities
■ Total Shareholder's Equity

Total Revenues and Net Profit



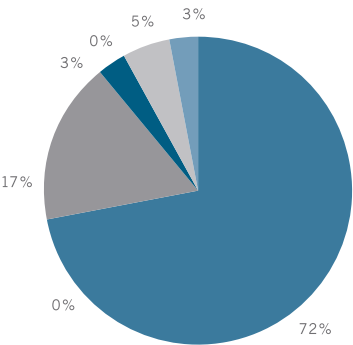
■ Total Revenues
■ Net Profit

Revenues Structure in 2006 (% to total revenues)



- Brokerages fees from securities business
- Brokerages fees from derivatives business
- Fees and service income
- Gain (loss) on trading in securities

Revenues Structure in 2005 (% to total revenues)



- Gain on derivative trading
- Interest and dividend
- Others incomes

Message from Chairman



Mr. Banyong Pongpanich
Chairman

In 2006 the Thai economy was affected by several factors, i.e. political problems, issues of value stability, and domestic unrest including fluctuations in oil price and in the global economic situation. Even though the national income increased 5%, it was quite low for a developing country. Consequently, investment expanded at a low 4%, the lowest rate in 5 years.

Moreover, the Bank of Thailand's reserve requirement on short-term capital inflows to prevent speculative pressure on the Baht on December 18, 2006 severely affected the capital market, and may obstruct the market's development in the long run. This measure indicated the lack of understanding of the policy management and general public in the importance, mechanism, structure and behavior of the capital market.

As a result, the capital market and securities business in general shrunk or developed at a slower rate. The total value of the market decreased from Baht 5.105 trillion as of the end of 2005 to Baht 5.078 trillion as of the end of 2006. The trading value in the secondary market decreased from Baht 4.03 trillion as of the end of 2005 to Baht 3.95 trillion as of the end of 2006. The average

return on investment in the SET was -4.7% in 2006. The fund-raising by issuance of shares in the primary market was Baht 66 billion compared with Baht 120 billion in 2003 (not including rights issues). In conclusion, Thailand's capital market has grown at a low rate for 3 consecutive years which is not in line with the global capital market development, especially in emerging markets.

However, although the capital market and securities business in general has been affected, the Company's performance in 2006 broke its highest records in terms of total revenues and net profit. The Company had total revenues of Baht 1,952.86 million which was 43.65% higher than Baht 1,359.50 million in 2005. Revenues from all main businesses (brokerage business from foreign institutional, domestic institutional and retail clients, and fees and services income from investment banking business) increased more than 20%. Net profit in 2006 of Baht 719.50 million was 72.19% higher than net profit in 2005. Earning per share was Baht 3.37.

The increase in revenues and profit was attained by the efforts of all management and the hard work of all

employees, and was a result of the Company's focus on continuous improvement in quality of service and trust from clients in every business.

The Company will endeavor to maintain its position and improve the quality of its services, and also develop the potential in all business aspects to ensure its short-term and long-term profit. In 2006, the Company launched new businesses in many areas, acting as an agent in the futures exchange market, as a market maker in TFEX, and undertaking stock borrowing and lending business and futures trading service via the Internet in order to respond to clients' needs, add more choices for investors and catch up with the economic and capital market development.

Besides new business development, the Company also placed great emphasis on organizational development along with human resources development which was considered the most valuable resources of the Company. In 2006, the Board of Directors resolved to amend the organizational structure and committees' scope of work and established a Director Nominating Committee and Corporate Social Responsibility Committee in order to

make the Company operate its businesses more efficiently. Furthermore, the Company has prepared a mechanism for shareholders to be involved in improving the Company's performance which is in line with the SET's Principles of Good Corporate Governance and aims to provide the utmost benefit to shareholders.

In the near future, the Company expects further fluctuations in Thailand's capital market and economy, and the securities business will continue to experience severe competition. The Company will concentrate on providing an international standard of services and will offer and develop new products for investors. The Company will also continue to embody the values of its slogan "International Best Practice with a Thai Touch" by emphasizing ethical, well-mannered, respectful and considerate behavior.

The Company's favorable operation was achieved with the support and cooperation of all parties including shareholders, clients, business allies and employees. I would like to take this opportunity on behalf of the Board of Directors to thank and bless all of you with happiness and success in work and family as always.

Audit Committee's Report



Dr. Anumongkol Sirivedhin
Chairman of the Audit Committee

For the period ended December 31, 2006

The Audit Committee ("the Committee") has been appointed by the resolution of the Extraordinary General Meeting of Shareholders of Phatra Securities Company Limited No.2/2005 held on February 25, 2005. The Committee consists of 3 independent directors, namely, Dr. Anumongkol Sirivedhin as Chairman of the Committee, Assoc. Prof. Dr. Varakorn Samakoses as Committee member and Prof. Dr. Uthai Tanlamai as Committee member.

The Committee determines to use its best effort to perform its duties in order to assist the Company to operate with efficiency, transparency and in line with the good corporate governance principles so as to create credibility and fairness to shareholders, investors, stakeholders and all other relevant parties. Also, the Committee is aiming at strengthening the Company's auditing standards to be up to the international standard level but within the context of Thai society. The Committee focuses its effort on the development of systematic management and auditing that would help reducing the chance of error from operations as well as fostering a mutual understanding among staff.

The Committee has performed its responsibilities within the scope and duties assigned by the Board of Directors. During 2006, the Committee met 10 times and the Committee's works are summarized as follows:

- January 2006

1. Acknowledged the compliance report for the period October – December 2005 performed by the Office of General Counsel and Internal Audit (OGC) and made suggestions on disciplinary action guidelines in the form of multi-dimensional matrix that showed the relationships among intention of offence, level of impact and disciplinary actions;
2. Acknowledged 2005 Annual Compliance Report;

3. Acknowledged the internal audit result of the Private Client Group and Debt Markets Department and made suggestions on requirement of document for considering credit limit and account opening for clients; and
4. Considered and approved 2005 Audit Committee's Report.

- February 2006

1. Considered and approved the Company's financial report and statement for the period ended December 31, 2005 which had been audited by the auditor; and
2. Considered selecting the external auditor and fixing their remuneration.

- April 2006

1. Acknowledged the IT General Control Review which was reviewed by PricewaterhouseCoopers FAS Ltd. and made suggestions for
 - an arrangement of a system that would alert the responsible department and the Technology Department if their information had been accessed by any unauthorized person or if such an effort was detected,
 - a policy regarding the use of very important information, and
 - a regular IT risk assessment conducted according to COBIT standard;
2. Acknowledged the internal audit result of the Equity Markets Group; and
3. Acknowledged the compliance report for the period January – March 2006 performed by the OGC.

- May 2006

1. Considered and approved the Company's financial report and statement for the 3-month period ended March 31, 2006 which had been reviewed by the auditor.

- June 2006

1. Acknowledged the compliance report for the period April – May 2006 performed by the OGC and made suggestions on communications with the Company's

employees regarding the importance of operational standards and relevant rules and regulations; and

2. Acknowledged the internal audit result of the Research Group, Direct Investment Department and vendor selection and management.

- July 2006

1. Acknowledged the compliance report for the period June – July 2006 performed by the OGC and made suggestions on developing a program to verify the securities trading application with restricted securities list; and
2. Acknowledged the internal audit result of the Treasury Department.

- August 2006

1. Discussed with the auditor (Ernst & Young Office Limited) to exchange opinions regarding the Company's internal control and accounting procedures;
2. Considered and approved the Company's financial report and statement for the 6-month period ended June 30, 2006 which had been audited by the auditor; and
3. Reviewed the Audit Committee's works to report to the Board of Directors in the Board of Directors' Meeting No.4/2549 and made suggestions for

- the development of an Enterprise Risk Management (ERM) program on top of the specific risk management activities performed by the Executive Committee,
- a Business Continuity Plan (BCP),
- internal audit plan in order to foster employees' compliance with relevant regulations and disciplinary actions, and
- the development and management of IT access system and IT risk assessment to be in line with international accepted standards.

- October 2006

1. Discussed the disciplinary action guidelines in the form of multi-dimensional matrix that showed the relationships among intention of offence, level of impact and disciplinary actions and made suggestions to

consider the impact from committed offence and employees' offence record as well as making a recommendation on the format of the guidelines; and

2. Considered the Disciplinary Committee's bylaws.

- November 2006

1. Considered and approved the Company's financial report and statement for the 9-month period ended September 30, 2006 which had been reviewed by the auditor.

- December 2006

1. Acknowledged the internal audit result of the Credit and Risk Management Department and Derivatives Business Department;
2. Considered and approved the annual internal audit plan for year 2007;
3. Acknowledged the compliance report for the period August – November 2006 performed by the OGC; and
4. Acknowledged the progress of disciplinary action guidelines in the form of multi-dimensional matrix that showed the relationships among intention of offence, level of impact and disciplinary actions.

For the year 2007 the Committee nominated Ms.Runnapa Lertsuwankul, CPA no. 3516 or Ms.Sumalee Reewarabandith, CPA no. 3970 or Mr.Sophon Permsirivallop, CPA no. 3182 or Mrs.Nonglak Pumnoi, CPA no. 4172 of Ernst & Young Office Limited as the Company's external auditor and proposed their remuneration to the Board of Directors in order to propose to the Shareholder's Meeting for approval.

The Committee is of the opinion that the Company has an appropriate and effective internal control system and has performed in accordance with laws and relevant regulations. The financial statements of the Company were properly prepared with adequate disclosure of material information in accordance with Generally Accepted Accounting Principles.

Business and Development

Business Overview

In 2006, 4 core businesses of the Company were as follows:

1. Securities Brokerage Business. The Company provides securities brokerage services to both domestic and international institutional investors and High Net Worth Individuals¹. In 2006, the Company was ranked 4th in terms of market share, which was equal to 5.79% of the SET's total trading value. For the year ended December 31, 2006, the Company generated revenue from brokerage services of Baht 1,234.80 million or 63.23% of the Company's total revenue compared to the year ended December 31, 2005 in which the Company generated revenue from brokerage services of Baht 987.03 million or 72.60% of the Company's total revenue.

2. Investment Banking Business. The Company provides investment banking services in the form of financial advisory and underwriting services to large Thai organizations, both in the public and private sectors. For the year ended December 31, 2006, the Company generated revenue from investment banking services of Baht 496.12 million or 25.40% of the Company's total revenue compared to the year ended December 31, 2005 in which the Company generated revenue from investment banking services of Baht 230.76 million or 16.97% of the Company's total revenue.

3. Investment Business. The Company has established 2 departments which are responsible for managing the Company's investment, namely, the Proprietary Trading Department and the Direct Investment Department. The Proprietary Trading Department emphasizes on short-term investments of not more than 1 year in equity and equity-linked securities listed on the SET, while the Direct Investment Department emphasizes on investment in assets, including listed and non-listed securities, with an investment period of 1-5 years. For the year ended December 31, 2006, the Company had gained from trading securities of Baht 25.37 million or 1.30% of the Company's total revenue compared to the year ended December 31, 2005 in which the Company had gained from trading securities of Baht 40.33 million or 2.97% of the Company's total revenue.

4. Agent in Futures Exchange Market. The Company operates business as agent in futures exchange market on April 28, 2006 which was the day the TFEX market opened. For the year ended December 31, 2006, the Company generated revenue from agent in futures exchange market of Baht 3.67 million or 0.19% of the Company's total revenue. This amount consisted of brokerage fees from derivatives business of Baht 3.22 million and gained on trading in derivatives of Baht 0.45 million.

¹ High Net Worth Individual means a client who has a tendency or capacity to invest in equity instruments, debt instruments and/or investment units through the Company in a minimum amount of Baht 10.0 million.

Revenue Structure of the Company in 2005 and 2006

	The Company Only			
	2006 (Baht mn)	%	2005 (Baht mn)	%
Revenues				
Brokerage fees				
Brokerage fees from securities business	1,234.79	63.23	987.03	72.60
Brokerage fees from derivatives business	3.22	0.16	0.00	0.00
Fees and services income	496.12	25.40	230.76	16.97
Gain on securities trading	25.37	1.30	40.33	2.97
Gain on derivatives trading	0.45	0.02	0.00	0.00
Interest and dividend	173.31	8.87	66.33	4.88
Other incomes	19.60	1.00	35.04	2.58
Total revenues	1,952.86	100.00	1,359.50	100.00

In addition, the Company has business supporting office departments which consist of the Research Group, the Office of General Counsel and Internal Audit, the Application System Department and the Technology Infrastructure Department.

Major Developments in 2006

- On April 28, 2006, the Company launched business as agent in futures exchange market.
- On August 9, 2006, the Company launched securities borrowing and lending business.
- On September 15, 2006, the Company was approved by the TFEX to be a market maker for SET 50 Index Futures on a continuous basis and the Company launched the business as a market maker in TFEX.
- On October 9, 2006, the Company launched futures trading services via Internet.

Awards and Recognitions in 2006

- Country Awards for Achievement: Best Equity House in Thailand from Finance Asia
- Country Awards for Achievement: Best Investment Bank in Thailand from Finance Asia

- Annual Triple A Country Awards: Best Equity House in Thailand from The Asset
- Annual Triple A Country Awards: Best Domestic Investment Bank in Thailand from The Asset
- SET Awards: Best Research House of the Year, Institutional from the SET
- SET Awards: Best Brokerage Service of the Year, Institutional from the SET
- SET Awards: Best Newly Listed Company of the Year - (Financial Advisor to IPO of GLOW Energy Public Company Limited) from the SET
- Ranking of Top Brokers in Thailand: Fourth Place for Best Broker in Thailand from Money and Banking
- IFR Asia Awards: Thai Capital Markets Deal of the Year, IPO of Thai Beverage Public Company Limited

Marketing and Competitive Situation

Securities Brokerage Business

In 2006, the total securities trading value on the SET and MAI was Baht 3,983,675.78 million leading to the average daily securities trading value of Baht 16,393.72 million, decreased 1.25% compared with 2005 which had total securities trading value of Baht 4,067,180.97 million and average daily securities trading value of Baht 16,600.74 million. The SET Index as of the end of 2006 closed at 679.84, decreased 4.75% compared with the SET Index as of the beginning of 2006. Important main factors that had led to the fluctuations in the SET throughout the year 2006 were 1) The investors' inconfidence in the politics after the election on February 2, 2006 2) The political takeover by the Council for Democratic Reform on September 19, 2006 and 3) The Bank of Thailand's measure on reserve requirement on short-term capital inflows to prevent speculative pressure on the Baht on December 18, 2006.

All above 3 factors led to the high fluctuations in both volume and price of securities trading on the SET. The investor structure in the SET in 2006 had changed from

2004 and 2005. In 2006, the ratio of foreign institutional investors was 33.66%, increased from year 2004 and 2005 which had the ratio of 20.98% and 27.66% respectively. The increase in the ratio of foreign institutional investors in 2006 positively affected the Company. As a result, the Company's market share increased from 4.97% in 2005 to 5.79% in 2006.

At the beginning of December 2006, the SEC had resolution to maintain the minimum rate of securities brokerage fees at 0.25% for another 3 years until the end of 2009. This SEC's decision released the brokers' concerns about fee competition. Therefore, the competition in the next 2-3 years should be on research quality and technology provided to clients. The Company had invested in technology to increase its efficiency in providing services to clients since mid of 2006 and expected to invest more money in technology in order to assure that clients who used our services would get the utmost benefit which could lead to the securities brokerage business expansion as targeted.

Principal Operating Statistics of the SET and MAI and Securities Trading Value and Market Share of the Company

	2006	2005	2004
Average securities trading value per day of the SET and MAI (Baht mn)	16,393.72	16,600.74	20,647.43
Securities trading ratio on the SET and MAI classified by investor group			
Foreign investors	33.66%	27.66%	20.98%
Local institutions	11.55%	10.33%	8.37%
Local investors	54.49%	62.01%	70.65%
Average the Company's total securities trading value per day (Baht mn)	1,899.04	1,649.62	1,635.50
The Company's market share	5.79%	4.97%	3.99%
Rank of market share	4	4	6

Investment Banking Business

In 2006, the total value of fund raising was Baht 46,404.54 million which comprised of the value of IPO in the SET of Baht 36,786.70 million from 12 companies, value of IPO in the MAI of Baht 830.20 million from 6 companies, and value of private placement not the right offering or the offering to strategic partners of Baht 8,787.64 million. The value of fund raising in 2006 increased 28.2% from Baht 35,545.2 million in 2005.

The Company provided services to Rayong Refinery Public Company Limited in raising funds of Baht 27,194.22 million, and listing its shares on the SET. This

was the 1st largest fund raising in 2006. Moreover, the Company acted as co-financial advisor to Thai Beverage Public Company Limited for listing its shares on the Stock Exchange of Singapore (SGX) with fund raising value amounted to Baht 38,083.53 million.

The tendency of the fund raising in 2007 depends on the market situation in the SET which is massively affected by the country's politics and economies and the government's policy. The IPO and listing of companies on the SET are still the main businesses of the Investment Banking Department.

Details of Listed Companies on the SET

	2006	2005	2004
Number of newly listed companies on the SET	12	35	36
Value of IPO fund raising by IPO (Baht mn)	36,786.70	27,134.90	36,204.60
Number of listed companies raising funds on the SET	5	4	2
Value of fund raising (PO) (Baht mn)	8,787.64	8,410.30	11,225.00
Number of delisted companies	0	9	7

Derivatives Business

On April 28, 2006, TFEX, a subsidiary of the SET, launched its derivatives trading market with the "SET50 Index Futures" as its product. This launching of derivatives trading market was one of the essential signals for Thailand's capital market development. The market had 23 members as of the end of 2006. The Company was one of the initial members and started providing services to clients who would like to invest in the derivatives trading market on the date the market opened. As of the end of 2006, there were total 198,737 contracts traded in the derivatives trading market with the value of Baht 97,898 million. The Company had the

market share of 3.95% with 15,701 contracts traded via the Company, valuing Baht 7,699 million.

Principal Operating Statistics of the Derivatives Trading Market in 2006

Trading value (contracts)	198,737
Market value (Baht mn)	97,898
Trading value of the Company (contracts)	15,701
Market value (Baht mn)	7,699
The Company's market share	3.95%

Human Resources Development

The Company has continually developed employees' skills and competencies by annually assessing training request from each business and support departments in order to be in line with the Company's strategies and help improving employees' performance. In 2006, the Company arranged 6 in-house training programs. At the beginning of the year, the training programs were emphasized on derivatives business and related rules and regulations to ensure the readiness for the launch of TFEX in 2006. In addition, the Company supported management to attend derivatives business training courses abroad and also broaden their experiences by visiting other international business allies. Moreover, the Company arranged trainings for marketing officers and other supporting units, including operation, compliance and risk management, to ensure the readiness for the new business and to improve their performance to be more efficient one.

In addition, the Company organized trainings and coaching sessions for Financial Consultants in the Private Client Group on how to approach prospect clients in

order to expand our client base. Furthermore, to enhance professional skills in presentation, the Company arranged advanced presentation and pitching skill training programs for those employees in business units, including an English training for other support functions to increase their efficiency of communication.

For outside training, the Company encouraged employees to attend about 80 outside programs both domestic and international programs, which mostly have the objective to improve their working performance in each area. The total number of employees attended in-house and outside trainings in year 2006 was about 84% of total employees and management.

The Company realizes that the improvement of employees' and management's knowledge, skills and competencies will lead the Company to promptly compete with other business competitors which is a major route that will affect the growth of the Company's business in the future.

Risk Factors

Risks relating to the Company and its business

Risk factors showing below exclude general risk factors which may occur from the Company's normal business operations. In addition, certain risks not presently known to the Company or risks the Company considered not material may affect the Company's business operations in the future.

1. Fluctuations in the condition of international and domestic economies, politics, money markets and capital markets conditions could materially affect the Company's revenue.

Currently, the Company generates its main revenue in fees from securities brokerage and investment banking activities. Such revenue is affected by a number of external factors, especially the government's policy to support or highlight the development of the country's capital market including changes in the conditions of international and domestic economies, as well as politics, money markets and capital markets. A downturn of the economies, money markets and capital markets may affect the volume of securities trading transactions on the SET. As a consequence, this may affect the volume of trading transactions made through the Company and the securities brokerage fees received by the Company. Further, a downturn of the economies, money markets and capital markets may affect the number of transactions involving fundraisings and the listing of securities on the SET. This may have a material adverse effect on the revenue derived by the Company from financial advisory fees and underwriting fees.

Fluctuations in the economies, politics, money markets and capital markets may be caused by any of various factors that are beyond the Company's control, including

the country's political reform, government stability, terrorist attacks within or outside Thailand, civil unrest in the 3 southern-most provinces of Thailand, the Bank of Thailand's reserve requirement on short-term capital inflows to prevent speculative pressure on the Baht, amendment of the Foreign Business Act, changes in interest rates or an outbreak of bird flu, etc. These factors may affect the confidence of both international and local investors and, as a consequence, may adversely affect the volume of trading transactions on the SET, including the amount of funds raised and the number of new listing of securities on the SET.

2. The business of the Company may be adversely and materially affected if the business alliance between the Company and Merrill Lynch is changed or terminated.

The Company and Merrill Lynch have been party to a business alliance under a Business Service Agreement since Merrill Lynch disposed its equity interest in the Company in 2003. The objective of this alliance is for the parties to co-operate with each other in various business activities, including securities brokerage and investment banking. Apart from the Business Service Agreement, the Company and Merrill Lynch have also entered into a Research Co-operation Agreement. Under such agreement, the Company and Merrill Lynch have agreed to jointly undertake research on Thai companies and Thai securities as specified in the agreement, including research on the Thai economies, politics, capital markets, money markets and industries for further distribution to international investors under Merrill Lynch's name. Such agreement is currently on yearly basis. Either party has to inform the other at least 6 months in advance if they desire to terminate such agreement.

Any change that diminishes the Company's rights or which results in termination of any or all of the foregoing agreements would have a material adverse affect on the Company. It may result in a material decrease of the Company's revenue from brokerage business and investment banking activities.

3. The Company is highly dependent on staff.

The Company relies on the experience, knowledge and skills of employees in its business operations. To the extent that the Company is unable to retain these staff, the Company's business continuity may be affected to the detriment of its financial condition and results of operations.

4. In its securities brokerage business, the Company is highly dependent on a small number of clients.

The Company provides securities brokerage services to both domestic and international institutional investors and to High Net Worth Individuals. In 2006 the top 5 clients generated Baht 742.84 million, representing 60.16 % of the Company's total securities brokerage fees.

The Company cannot assure that these clients will continue to generate a similar volume of transactions or will continue to use the Company for their respective securities brokerage service activities. If any, or several, of the Company's principal clients decrease the volume of their respective trading transactions or cease to trade

through the Company, the business, financial condition and results of operations of the Company could be materially and adversely affected.

5. The Company operates in a highly and increasingly competitive business.

The securities business in Thailand has become more competitive as a result of the increased number of securities companies in the past 2-3 years and the preparation for the regulators' policies on brokerage fee liberalization in 2012, brokerage fees on a sliding scale in 2010-2011, and brokerage fees for trading securities via the Internet at the rate of 60% of the normal rate including the policy on brokerage license liberalization starting from January 1, 2012.

6. The Company operates its business by using more capital.

In order to compete and gain other revenue besides securities brokerage and investment banking revenues, the Company has expanded its business by investing in securities via its Proprietary Trading Department and Direct Investment Department, and investing in derivatives as a market maker and engage in arbitrage. In 2006, the Company's investment limit in securities was Baht 1,500.00 million, an increase of Baht 600 million from 2005, while its investment limit in derivatives was Baht 200 million. This represents a total investment limit of Baht 1,700 million, or more than 75% of the Company's

total capital. Fluctuations in economy and the market situation or a lack of efficiency in doing this business may cause losses from such investments and adversely and materially affect the Company's financial status and results of operations.

7. The Company operates its businesses under stringent laws and regulations, including regulations that impose liability on its operations, which could have an adverse affect on its results of operations and financial condition.

Securities businesses are strictly controlled by laws and regulations from government authorities, such as the Office of the SEC and the SET. As a result, any establishment of change of government policy or of the supervisory roles of the relevant regulatory bodies may affect the Company's goals, competitiveness and business and could have a material adverse affect on the business, financial condition and results of operations of the Company.

8. The Company's business may be affected by an error or the misconduct of an employee which is difficult to check and prevent.

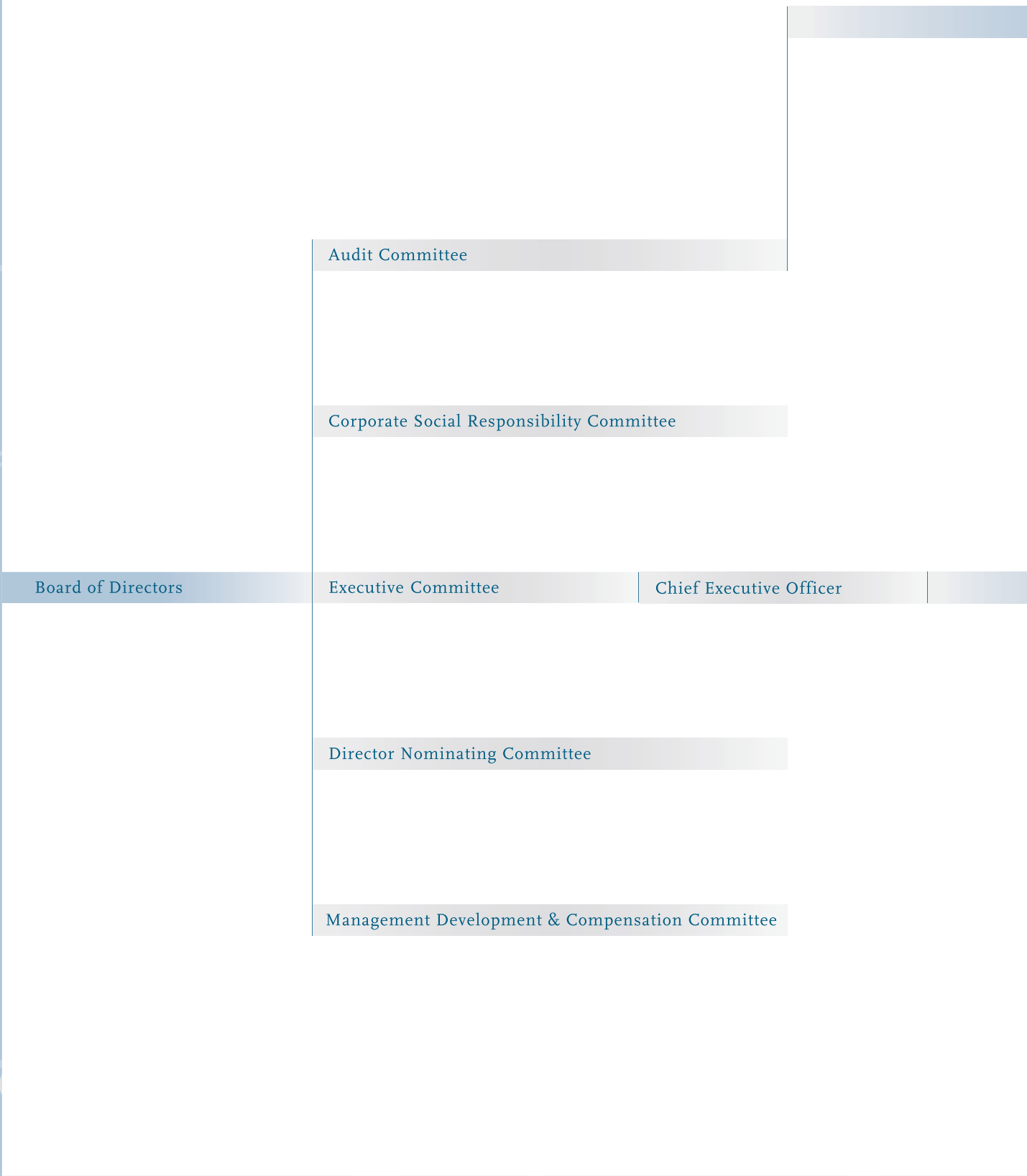
The Company's business is highly dependent upon its reputation and the trust of its clients. Employees are regularly in direct contact with clients and have knowledge of, or access to, the clients' assets or information. Accordingly, when an employee does not carry out his or her duties in accordance with a client's

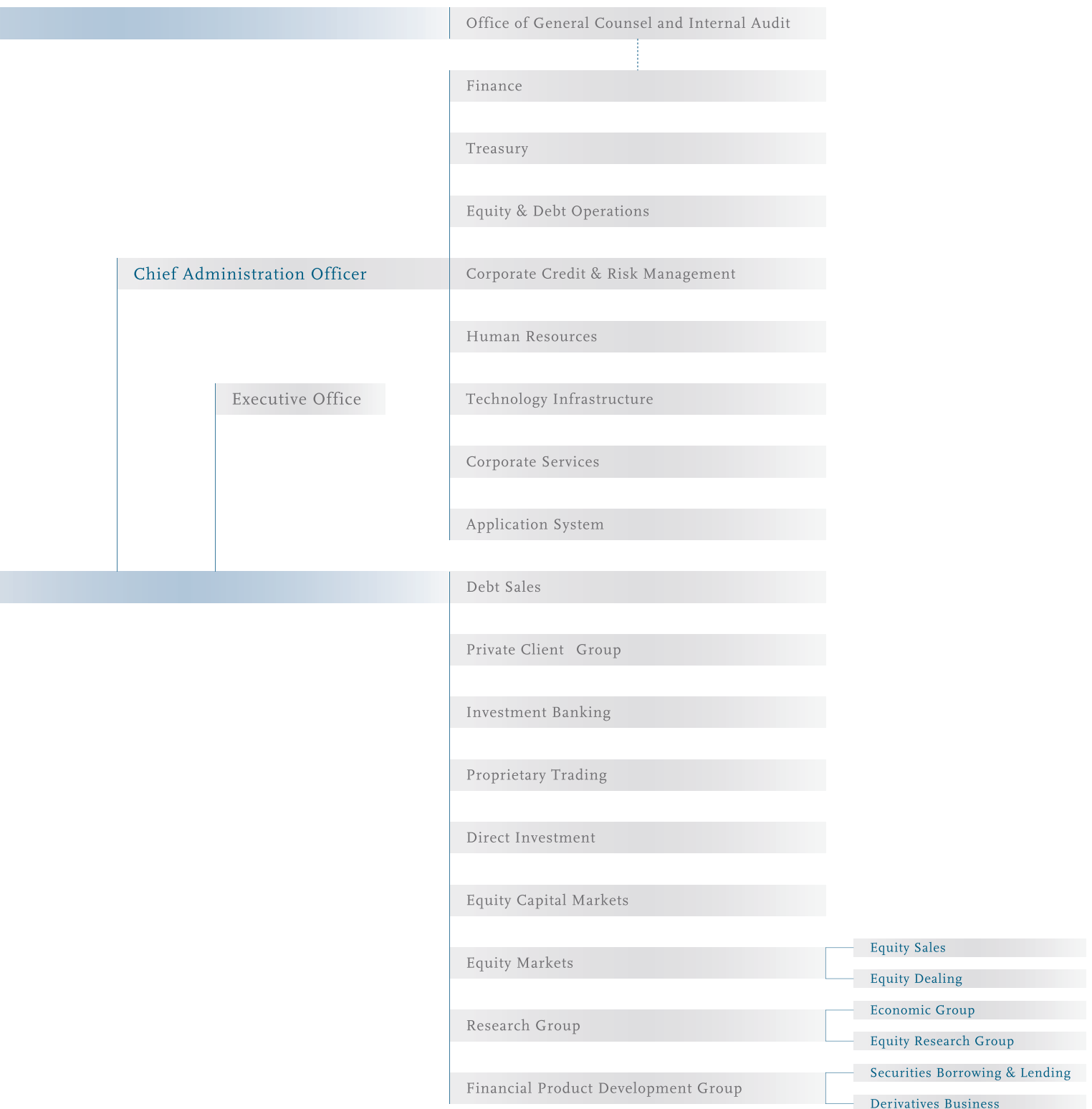
orders or acts beyond his or her authority or does not act in compliance with the Company's rules and regulations including its compliance manual or commits misconduct in managing the client's assets or uses the customer's information without permission or other actions which may harm its clients, the Company's reputation and the trust of its clients may be adversely affected and the Company may become liable for the losses incurred by the client in question. Moreover, certain actions may be made in breach of relevant laws or regulations and may result in the Company becoming liable to pay fines, losing its license or being subject to litigation.

9. The Company's operations are under the control of a group of shareholders, who are the management and employees of the Company.

39 management and employees hold directly and indirectly more than 50% of the total paid-up capital of the Company. The management and employees will collectively remain able to control shareholders' resolutions in relation to key matters, which are required by the laws or Articles of Association of the Company to be passed by a majority votes of shareholders attending the meetings and entitled to vote. Therefore, other shareholders may not obtain sufficient votes to balance those of the management and employees.

Organizational Structure





Shareholders Structure

As of February 6, 2007, the Company's shareholders structure was as follows:

The top 10 major shareholders were as follows:

No.	List of Shareholders	Numbers of Shares	Shareholding (%) ⁽¹⁾
1.	Ruamphon Phatra International Corp.	78,399,997	36.72
2.	Thai NVDR Co., Ltd.	22,013,700	10.31
3.	HSBC (Singapore) Nominees PTE LTD	8,586,325	4.02
4.	Mr. Suvit Mapaisansin	5,005,455	2.34
5.	Mr. Banyong Pongpanich	4,305,077	2.02
6.	Mr. Veravat Chutichetpong	3,550,154	1.66
7.	Goldman Sachs International	2,596,000	1.22
8.	Mr. Taweechat Chulangkul	2,476,300	1.16
9.	Dr. Supavud Saicheua	2,473,527	1.16
10.	Bear, Stearns International Limited-Customer Reg.Account	2,450,000	1.15
11.	Others	81,643,465	38.24
	Total	213,500,000	100.00

Remark (1) Calculated based on 213.5 million issued and paid-up ordinary shares

Details of the shareholders of Ruamphon Phatra International Corp. were as follows:

No.	List of Shareholders	Numbers of Shares	Shareholding (%) ⁽¹⁾
1.	Mr. Banyong Pongpanich	1,840	11.27
2.	Mr. Suvit Mapaisansin	1,700	10.42
3.	Mr. Veravat Chutichetpong	1,700	10.42
4.	Dr. Supavud Saicheua	1,400	8.58
5.	Mr. Norachet Sangruji	800	4.90
6.	Mrs. Patchanee Limapichat	800	4.90
7.	Mr. Aphinant Klewpatinond	400	2.45
8.	Mrs. Nipaporn Habanananda	400	2.45
9.	Mrs. Parichat Somboon	400	2.45
10.	Mr. Therapong Vachirapong	400	2.45
11.	Mr. Tracy Eric Holman	400	2.45
12.	Mr. Trairak Tengtrairat	400	2.45
13.	Mr. Veerachai Mekworawut	400	2.45
14.	Mrs. Patraporn Milindasuta	400	2.45
15.	Mr. Ian Gisbourne	400	2.45
16.	Others	4,480	27.46
	Total	16,320	100.00

Remark (1) Ruamphon Phatra International Corp. has a registered capital of USD 2,200 divided into 22,000 shares, with a paid-up capital of USD 1,632 divided into 16,320 shares at a par value of USD 0.10 per share.

Management Structure

Board of Directors

As of the end of 2006, the Board of Directors consisted of 10 members including executive directors and independent directors in an appropriate proportion. During 2006, the Company called for 5 Board of Directors' Meetings. Directors' names and attendance records are as follows:

Names	Positions	Numbers of Meetings Attended
1. Mr.Banyong Pongpanich	Chairman	5/5
2. Mr.Suvit Mapaisansin	Director and Chief Executive Officer	5/5
3. Mr.Veravat Chutichetpong	Director	5/5
4. Dr.Supavud Saicheua	Director	4/5
5. Mrs.Patchanee Limapichat	Director	4/5
6. Mr.Norachet Sangruji	Director	5/5
7. Dr.Anumongkol Sirivedhin	Director/ Independent Director	5/5
8. Assoc.Prof.Dr.Varakorn Samakoses	Director/ Independent Director	5/5
9. Prof.Dr.Uthai Tanlamai	Director/ Independent Director	5/5
10. Mr.Pongtep Polanun	Director/ Independent Director	5/5

Remark: Mrs.Kulnan Tsanthaiwo resigned from the Company's director, effective from September 30, 2006. During her office as the Company's director, Mrs.Kulnan Tsanthaiwo attended all of the Board of Directors' Meetings.

Mrs.Passamas Pohitsuwanachart is secretary to the Board of Directors.

Authorized Directors

The authorized directors of the Company who can sign and bind the Company are any 2 of the following 6 directors, provided that they jointly sign with the Company's seal affixed: Mr.Banyong Pongpanich, Mr.Suvit Mapaisansin, Mr.Veravat Chutichetpong, Dr.Supavud Saicheua, Mrs.Patchanee Limapichat and Mr.Norachet Sangruji.

Scope of Duties and Responsibilities of the Board of Directors

The Board of Directors shall have duties and responsibilities to conduct the Company's business in accordance with laws, the Company's objectives, Articles of Association, and resolutions of the shareholders' meeting with honesty and due care for the interest of the Company.

The Board of Directors shall convene a meeting at least once every 3 months.

Process of Nominating Directors

In the 2006 Annual General Meeting of Shareholders, the Company appointed directors, who were nominated by the Board of Directors and approved by shareholders, in replacement of those who were retired by rotation. During the year 2006, no additional director was appointed. Moreover, at the end of 2006, the Board of Directors established the Director Nominating Committee to be responsible for selecting and determining appropriate persons with experience,

knowledge and capabilities beneficial to the Company to be nominated as the Company's directors, independent directors or Audit Committee members and to propose nominations to the Board of Directors' meeting or shareholders' meeting in accordance with the Company's Articles of Association.

Criteria for Appointment of the Directors

Composition, appointment, removal or release from the directorship of the Company is stipulated in the Company's Articles of Association. The Board of Directors shall consist of not less than 7 directors but not more than 13 directors. No less than half of the total number of directors shall be domiciled in Thailand. The election of directors by shareholders' meeting shall be in accordance with the following rules and procedures:

- (1) A shareholder shall have 1 vote for 1 share.
- (2) Each shareholder shall use all his or her votes under (1) to elect 1 or several persons to be directors. However, he or she may not divide his or her votes among any candidates.
- (3) The persons who receive the most votes in ranking order will be elected as directors up to the number of directors the Company shall have or elect at that meeting. In the event that the persons being elected in subsequent order have equal votes but their election would exceed the number of directors required to be elected in that meeting, the Chairman of the meeting shall have a casting vote.

In addition, a resolution for any director to leave office prior to his or her term requires approval from at least three-fourths (3/4) of the number of the shareholders attending the meeting and having the voting rights and holding shares, when combined, amounting to not less than half of the number of shares held by shareholders who attend the meeting and have voting rights.

Process of Nominating Independent Directors

When any independent director retires by rotation or for any necessary reason to appoint additional independent directors, the Director Nominating Committee shall select appropriate persons with experience, knowledge and capabilities beneficial to the Company including having the following criteria. In this regard, nominations shall be proposed to the Board of Directors' meeting or shareholders' meeting to be considered in accordance with the Company's Articles of Association.

Criteria for Appointment of the Independent Directors

Qualifications of independent directors are as follows:

- (a) Holding shares not more than 5% of all voting rights of the Company, parent company, subsidiary company, associated company or any juristic person who may have a conflict of interest.
- (b) Not being an employee, staff member or advisor who receives a regular salary from the Company, or controlling person of the Company, parent company, subsidiary company, associated company or any juristic person who may have a conflict of interest.
- (c) Not being person who has a blood or legal registered relationship in the form of fatherhood, motherhood, spouse, brother, sister, son or daughter, including spouse of son or daughter of the executives, major shareholder, controlling

person or persons who are about to be nominated as executives or controlling persons of the Company or its subsidiary.

(d) Having no business relationship with the Company, parent company, subsidiary company, associated company or any juristic person who may have a conflict of interest which may interrupt his or her independent discretion and having no characteristics that may affect the giving of independent opinions on the Company's operations.

Committees

At the Board of Directors' Meeting No.5/2549 dated on November 13, 2006, the Board of Directors had resolutions to approve the amendment of the Company's committee structure. Currently, the Company has 5 committees appointed by the Board of Directors, namely the Executive Committee, Audit Committee, Management Development and Compensation Committee, Director Nominating Committee and Corporate Social Responsibility (CSR) Committee, details of which are as follows:

1. Executive Committee

The Executive Committee consists of 6 members. During 2006, there were 11 Executive Committee Meetings. Names of the Executive Committee members and their attendance records are as follows:

Names	Positions	Numbers of Meetings Attended
1. Mr.Banyong Pongpanich	Chairman of the Executive Committee	8/11
2. Mr.Suvit Mapaisansin	Member of the Executive Committee	11/11
3. Mr.Veravat Chutichetpong	Member of the Executive Committee	11/11
4. Dr.Supavud Saicheua	Member of the Executive Committee	6/11
5. Mrs.Patchanee Limapichat	Member of the Executive Committee	10/11
6. Mr.Norachet Sangruji	Member of the Executive Committee	11/11

Remark: Mrs.Kulnan Tsanhaiwo resigned from the Company's Executive Committee member, effective from September 30, 2006. During her office as the Company's Executive Committee member, Mrs.Kulnan Tsanhaiwo attended 7 of 9 Executive Committee Meetings.

Mrs.Patraporn Milindasuta is secretary of the Executive Committee.

Scope of Duties and Responsibilities of the Executive Committee

1. To assist the Board of Directors in overseeing management, operation and policies of business and also issuing policies in order to achieve the targeted budget and strategy as approved by the Board of Directors.
2. To consider and approve the Company's annual budget before submission to the Board of Directors for approval.
3. To prepare and propose strategy, business and operation plan to the Board of Directors for approval.
4. To consider and approve new business start up in compliance with the Company's policy before submission to the Board of Directors for approval.

5. To consider and approve general credit policy for clients.
6. To consider and approve the Company's counterparty risk against other commercial banks or financial institutions.
7. To consider and approve the buying and selling of office equipment together with the construction, repairing and re-construction of the office building valued in an amount not exceeding Baht 30.0 million.
8. To periodically review normal and non-normal courses of businesses operated by business departments.
9. To review corporate risk management systems that cover all activities of the Company including the assignment of any person or sub-committee to oversee the integration of departmental risk management and control systems and report regularly to the Committee.
10. To review and comment on Profit and Loss Monthly Report presented by Treasury and Finance departments.
11. To acknowledge the Company's annual matter including but not limited to Compliance Audit, Audit Report and Annual Compliance Report.
12. To consider specific matters to be submitted for the Company's Board of Directors' approval.
13. To assist the Board of Directors in any other affairs that may be from time to time assigned.

2. Audit Committee

The Audit Committee consists of 3 independent directors. During 2006, there were 10 Audit Committee Meetings. Names of the Audit Committee members and their attendance records are as follows:

Names	Positions	Numbers of Meetings Attended
1. Dr.Anumongkol Sirivedhin	Chairman of the Audit Committee	10/10
2. Assoc.Prof.Dr.Varakorn Samakoses	Member of the Audit Committee	9/10
3. Prof.Dr.Uthai Tanlamai	Member of the Audit Committee	10/10

Mrs.Patraporn Milindasuta is secretary of the Audit Committee.

Scope of Duties and Responsibilities of the Audit Committee

1. To review and ensure that the Company provides sufficient and accurate financial reports including reviewing any unusual items or any changing of the Company's accounting policy by coordinating with the auditor and the management members who are responsible for preparing the quarterly and yearly financial reports.
2. To discuss with the auditor without the present of the Company's management at least once a year.
3. To review and ensure that the Company has appropriate and efficient internal controls and internal audit systems.
4. To review and ensure that the Company complies with the securities and exchange laws, regulations of the SET and the laws relating to the Company's business.
5. To consider, select, and nominate the auditor of the Company, including determining compensation for the auditor of the Company.

6. To approve the appointment of Head of Office of General Counsel and Internal Audit (OGC) and key compliance and internal audit personnel as proposed by the Management.
7. To remove or reposition Head of OGC and key compliance and internal audit personnel and reduce or cut off salary or wages of Head of OGC and key compliance and internal audit personnel.
8. To consider the Company's disclosure of information and to ensure its accuracy, completeness and compliance with laws and regulations when there are connected transactions or transactions that may result in any conflict of interest.
9. To prepare the Audit Committee's report which will be disclosed in the Company's annual report. The report must be signed by the Chairman of the Audit Committee.
10. To perform any other activities as designated by the Board of Directors upon the Audit Committee's approval.

3. Management Development and Compensation Committee

The Board of Directors' Meeting No.5/2549 dated on November 13, 2006 has approved the additional duties and responsibilities of the Compensation Committee in arranging the executive development program and management succession plan so that the Company is able to run smoothly and approved to change name of the Compensation Committee to Management Development and Compensation Committee.

During 2006, there were 2 Management Development and Compensation Committee Meetings. Names of the Management Development and Compensation Committee members and their attendance records are as follows:

Names	Positions	Numbers of Meetings Attended
1. Mr.Banyong Pongpanich	Chairman of the Management Development and Compensation Committee	2/2
2. Mr.Suvit Mapaisansin	Member of the Management Development and Compensation Committee	2/2
3. Mr.Veravat Chutichetpong	Member of the Management Development and Compensation Committee	2/2
4. Mr.Pongtep Polanun	Member of the Management Development and Compensation Committee	2/2

Mr.Matoon Thummanond is secretary of the Management Development and Compensation Committee.

Scope of Duties and Responsibilities of the Management Development and Compensation Committee

1. To periodically review with the management of the Company its programs and processes for management development.
2. To periodically review succession plans for key senior management positions.

3. To annually review and approve corporate goals and objectives relevant to the compensation for the employees individually.
4. To review and approve, and review with the Board of Directors for proposing to shareholders' meeting for approval, the compensation of the Board of Directors members.
5. To bi-annually review the promotion of the management and employees of the Company.
6. To review the salary base for management and employees of the Company.
7. To review all annuity contracts, compensation or special benefit plans for executive and senior management (if any) and employment or severance agreements, to propose for executive management.
8. To review expense accruals for incentive compensation and incentive compensation pools for the Company and propose to the Board of Directors for approval prior to the annual determination of individual compensation.
9. To review the Company's compensation programs and policies to align them with the Company's goals and the interests of the shareholders.

4. Director Nominating Committee

The Director Nominating Committee has been appointed by the resolution of the Board of Directors' Meeting No.5/2549 dated on November 13, 2006. The Director Nominating Committee consists of 3 members as follows:

Names	Positions
1. Mr.Banyong Pongpanich	Chairman of the Director Nominating Committee
2. Dr.Anumongkol Sirivedhin	Member of the Director Nominating Committee
3. Mr.Suvit Mapaisansin	Member of the Director Nominating Committee

Mr.Matoon Thummanond is secretary of the Director Nominating Committee.

Scope of Duties and Responsibilities of the Director Nominating Committee

1. To seek individual or consider candidates, proposed by management or shareholders, who are qualified to become the Board of Directors members according to the Board of Directors membership criteria for recommendation to the Board of Directors.
2. To make assessment of the candidates' independence and recommend them to become the independent directors.
3. To make recommendations on the numbers of the Board of Directors members and propose to the Board of Directors.
4. To annually conduct an evaluation of the performance of the Board of Directors and, through its Chairman, communicate this evaluation to the Board of Directors.

5. Corporate Social Responsibility Committee

The Corporate Social Responsibility (CSR) Committee has been appointed by the resolution of the Board of Directors' Meeting No.5/2549 dated on November 13, 2006. The CSR Committee consists of 6 members as follows:

Names	Positions
1. Mr.Banyong Pongpanich	Chairman of the CSR Committee
2. Dr.Anumongkol Sirivedhin	Member of the CSR Committee
3. Mr.Suvit Mapaisansin	Member of the CSR Committee
4. Dr.Supavud Saicheua	Member of the CSR Committee
5. Mrs.Patchanee Limapichat	Member of the CSR Committee
6. Mrs.Patraporn Milindasuta	Member of the CSR Committee

Mrs.Anchalee Harnhirun is secretary of the CSR Committee.

Scope of Duties and Responsibilities of the CSR Committee

1. To review, oversee and make recommendations to the Board of Directors concerning the effectiveness of the Company's CSR strategies, policies and practices that have the potential to materially affect the Company's business, brand or reputation, including oversee the Codes of Business Conduct, policies on health care and safety, human rights and promotion of equality of opportunity and diversity.
2. To review, oversee and make recommendations to the Company's Charity Committee concerning the Company's charitable contribution policies and practices in all areas.
3. To support volunteerism and community engagement among the Company's employees.
4. To oversee the CSR component of directors' training programs to ensure that relevant executive training programs contain an appropriate CSR training.
5. To prepare the Company's CSR report and disclose it in an annual report of the Company.
6. To support the Company's CSR activities.

Management

As of December 31, 2006, the Company had the following management.

Name	Position
1. Mr.Banyong Pongpanich	Chairman
2. Mr.Suvit Mapaisansin	Chief Executive Officer/ Acting Chief Administrative Officer
3. Mr.Veravat Chutichetpong	Executive Director
4. Dr.Supavud Saicheua	Managing Director (Head of Research Group)
5. Mrs.Patchanee Limapichat	Managing Director (Head of Equity Markets)
6. Mrs.Kulnan Tsanthaiwo ⁽¹⁾	Managing Director (Head of Private Client Group)/ Acting Head of Debt Sales
7. Mr.Norachet Sangruji	Managing Director (Head of Investment Banking)
8. Dr.Anumongkol Sirivedhin	Independent Director/ Chairman of the Audit Committee
9. Assoc. Prof. Dr.Varakorn Samakoses	Independent Director/ Audit Committee
10. Prof. Dr.Uthai Tanlamai	Independent Director/ Audit Committee
11. Mr.Pongtep Polanun	Independent Director
12. Mr.Manpong Senanarong	Executive Vice President (Equity Capital Markets)
13. Mr.Veerachai Mekworawut	Executive Vice President (Direct Investment)
14. Mr.Jirawat Supornpaibul ⁽²⁾	Executive Vice President (Head of Private Client Group)
15. Mr.Ayuth Charnsethikul	Director (Proprietary Trading)
16. Mr.Craig Thompson	Director (Financial Product Development Group)
17. Mrs.Panida Prapunwattana	Director (Finance, Treasury and Corporate Credit & Risk Management)

Remarks: (1) Resigned from the Company's director position effective from September 30, 2006

(2) Appointed as Head of Private Clients Group in replacing of Mrs.Kulnan Tsanthaiwo effective from November 13, 2006

Remuneration of the Management

Monetary remuneration

(1) Remuneration of directors

For the year ended December 31, 2006, the Company paid remuneration to 4 directors who were not members to the Executive Committee, namely Mr.Pongtep Polanun (Baht 360,000.00), Dr.Anumongkol Sirivedhin (Baht 360,000.00), Assoc.Prof.Dr.Varakorn Samakoses (Baht 360,000.00) and Prof.Dr.Uthai Tanlamai (Baht 360,000.00), totaling Baht 1,440,000.00 in the form of monthly remuneration equal to Baht 30,000.00 per month per director.

Note

Such remuneration excludes bonuses which require approval of the shareholders' meeting which will be held on April 9, 2007.

(2) Total remuneration of executive directors and management

For the year ended December 31, 2006, the total remuneration of 12 executive directors and management was Baht 143,209,163.20, which comprised of Baht

52,890,000.00 for salary, Baht 85,100,000.00 for bonus, Baht 4,673,640.00 for provident fund and Baht 545,523.20 for life and health insurance respectively.

Note

1. Management means a Chief Executive Officer and top 4 executives whose ranks are subsequent to the Chief Executive Officer including every person(s) whose rank is equivalent to the 4th level. (This does not include the Chief Financial Officer, in the case that the Chief Financial Officer is not in the same level as or above the 4th executive level.)

2. 12 executive directors and management include

2.1 Mrs. Kulnan Tsanthaiwo, Managing Director (Head of Private Client Group/Acting Head of Debt Sales Department), who has resigned from being an employee as effective on October 1, 2006.

2.2 Mr. Jirawat Supornpaibul, Executive Vice President, who has been appointed to replace Mrs. Kulnan Tsanthaiwo as effective on November 13, 2006.

Profiles of the Company's Executives and Controlling Persons

Details of Executives and Controlling Persons of the Company

Details of educational qualifications, number of shares held and work experience of executives and controlling persons

Mr. Banyong Pongpanich⁽¹⁾	Age 53
Position	Chairman
Education Qualifications	MBA / Sasin Graduate Institute of Business Administration BA in Economics / Chulalongkorn University The Role of the Chairman Program (RCP), 2001 / Thai Institute of Directors Association (IOD) Director Accreditation Program (DAP), 2005 / Thai Institute of Directors Association (IOD)
Number of Shares held (February 6, 2007) and Percentage of Shareholding Stake	4,305,077 2.02%
Family Relationship Among Executives	None
Work Experience (Past 5 years)	2003 - Present Chairman Phatra Securities Company Limited / Phatra Securities Public Company Limited 2004 - Present Independent Director The Erawan Group Public Company Limited 2003 - Present Audit Committee and Independent Director Phatra Insurance Public Company Limited 2003 - Present President of Economics Association Chulalongkorn University 2002 - Present Member of Advisory Council Sasin Graduate Institute of Business Administration 2002 - Present Director and Executive Director Mae Fah Luang Foundation
Mr. Suvit Mapaisansin⁽¹⁾	Age 48
Position	Director
Education Qualifications	MBA / Sasin Graduate Institute of Business Administration BA in Economics / Chulalongkorn University Director Certification Program (DCP), 2001 / Thai Institute of Directors Association (IOD)
Number of Shares held (February 6, 2007) and Percentage of Shareholding Stake	5,005,455 2.34%
Family Relationship Among Executives	None
Work Experience (Past 5 years)	2003 - Present Chief Executive Officer Phatra Securities Company Limited / Phatra Securities Public Company Limited 2002 - 2003 Chief Executive Officer Merrill Lynch Phatra Securities Company Limited

2000 - 2002 Managing Director
Merrill Lynch Phatra Securities Company Limited

Mr. Veravat Chutichetpong ⁽¹⁾

Position

Age 47

Director

Education Qualifications

MBA / New York University, U.S.A.
BE in Civil Engineering / Chulalongkorn University
Director Accreditation Program (DAP), 2005 /
Thai Institute of Directors Association (IOD)

**Number of Shares held (February 6, 2007)
and Percentage of Shareholding Stake**

3,550,154 1.66%

Family Relationship Among Executives

None

Work Experience (Past 5 years)

2003 - Present Executive Director
Phatra Securities Company Limited /
Phatra Securities Public Company Limited
2002 - 2003 Executive Director
Merrill Lynch Phatra Securities Company Limited
1998 - 2002 Chief Executive Officer
Merrill Lynch Phatra Securities Company Limited

Dr. Supavud Saicheua ⁽¹⁾

Position

Age 50

Director

Education Qualifications

PhD in Economics / University of Hawaii at Manoa, U.S.A.
MA in Economics / University of the Philippines (Diliman), Philippines
BA in Economics / Victoria University of Wellington, New Zealand
Director Accreditation Program (DAP), 2005 /
Thai Institute of Directors Association (IOD)

**Number of Shares held (February 6, 2007)
and Percentage of Shareholding Stake**

2,473,527 1.16%

Family Relationship Among Executives

None

Work Experience (Past 5 years)

2005 - Present Managing Director (Head of Research Group)
Phatra Securities Company Limited /
Phatra Securities Public Company Limited
2006 - Present Sub-Committee
The National Economic and Social Development Board (NESDB)
2006 - Present Trustee
Kenan Institute Asia
2002 - 2006 Committee
The Economic Society of Thailand
2004 - 2005 Advisor to the Board of Directors
Industrial Estate Authority of Thailand

2004 - 2005	Director / Independent Director Golden Land Property Development Public Company Limited
2003 - 2005	Director Securities Analyst Association
1999 - 2005	Research Committee on Economics National Research Council of Thailand

Mrs. Patchanee Limapichat ⁽¹⁾
Position

Age 45
Director

Education Qualifications

MBA / California State University at Sacramento, U.S.A.
BA in Political Science / Chulalongkorn University
Director Accreditation Program (DAP), 2005/
Thai Institute of Directors Association (IOD)

**Number of Shares held (February 6, 2007)
and Percentage of Shareholding Stake**

1,647,312 0.77%

Family Relationship Among Executives

None

Work Experience (Past 5 years)

2005 - Present	Managing Director (Head of Equity Markets) Phatra Securities Company Limited / Phatra Securities Public Company Limited
2004 - 2005	Managing Director (Equity Markets) Phatra Securities Company Limited
2003 - 2004	Executive Vice President Phatra Securities Company Limited

Mrs. Kulnan Tsanthaiwo ^{(1) (2)}
Position

Age 43
Director

Education Qualifications

MBA / Sasin Graduate Institute of Business Administration
BA in Political Science / Chulalongkorn University
Director Accreditation Program (DAP), 2005/
Thai Institute of Directors Association (IOD)

**Number of Shares held (September 30, 2006)
and Percentage of Shareholding Stake**

1,319,091 0.62%

Family Relationship Among Executives

None

Work Experience (Past 5 years)

2005 - 2006	Managing Director (Head of Private Client Group) Phatra Securities Company Limited / Phatra Securities Public Company Limited
2004 - 2005	Managing Director (Private Client Group) Phatra Securities Company Limited
2003 - 2004	Executive Vice President Phatra Securities Company Limited

Mr. Norachet Sangruji ⁽¹⁾	Age 45
Position	Director
Education Qualifications	MBA / Syracuse University, U.S.A. MS in Electrical Engineering / Syracuse University, NY, U.S.A. BE in Electrical Engineering / Chulalongkorn University Director Accreditation Program (DAP), 2005/ Thai Institute of Directors Association (IOD)
Number of Shares held (February 6, 2007) and Percentage of Shareholding Stake	1,962,172 0.92%
Family Relationship Among Executives	None
Work Experience (Past 5 years)	<div>2005 - Jan. 2007 Managing Director (Head of Investment Banking) Phatra Securities Company Limited / Phatra Securities Public Company Limited</div> <div>2005 Director Mitr Technical Consultant Company Limited</div> <div>2004 - 2005 Managing Director (Investment Banking) Phatra Securities Company Limited</div> <div>2004 - Present Director Freewill Solutions Company Limited</div> <div>2004 - Present Director Pantavanij Company Limited</div> <div>2003 - Present Director Advanced Information Technology Public Company Limited</div> <div>2003 - Present Director Mulberry Partners (Thailand) Company Limited</div> <div>1996 - Present Director Pleumwijit Company Limited</div> <div>1991 - Present Director Kasetsin Company Limited</div> <div>1991 - Present Director Generic Company Limited</div>
Dr. Anumongkol Sirivedhin	Age 63
Position	Director
Education Qualifications	PhD in Computer Science / University of Wisconsin at Madison, U.S.A. MSc in Computer Science / University of Wisconsin at Madison, U.S.A. MSc in Mathematics / University of Auckland, New Zealand BSc in Mathematics / University of Auckland, New Zealand Director Certification Program (DCP), 2003 / Thai Institute of Directors Association (IOD) The Role of the Chairman Program (RCP), 2005 / Thai Institute of Directors Association (IOD)

	Audit Committee Program (ACP), 2006 / Thai Institute of Directors Association (IOD)	
Number of Shares held (February 6, 2007) and Percentage of Shareholding Stake	85,000	0.04%
Family Relationship Among Executives	None	
Work Experience (Past 5 years)	2005 - Present	Independent Director and Chairman of the Audit Committee Phatra Securities Company Limited / Phatra Securities Public Company Limited
	2006 - Present	Chairman Systems Little House Company Limited
	2004 - Present	Director Systems Little House Company Limited
	2003 - Present	Public State Enterprises Evaluation Committee Ministry of Finance
	2002 - Present	Chairman, Board of Directors / Chairman, Executive Board Krungthai Computer Services Company Limited
	2001 - Present	Member, Committee for Development of Assessment System for Higher Education The Office for National Education Standards and Quality Assessment (Public Organization)
	2006 - Present	Member of the Dhurakij Pundit University Council Dhurakij Pundit University
	1999 - Present	Board of Director Dhurakij Pundit University
	1999 - Present	Member, University Council National Institute of Development Administration

Assoc. Prof. Dr. Varakorn Samakoses
Position

Age 60
Director

Education Qualifications

PhD in Economics / The University of Kansas, U.S.A.
National Defense College (Wor Por Or, Class 37)
MA in Economics / The University of Kansas, U.S.A.
BA in Economics / The University of Western Australia, Australia
Director Certification Program (DCP), 2002 /
Thai Institute of Directors Association (IOD)

**Number of Shares held (February 6, 2007)
and Percentage of Shareholding Stake**
Family Relationship Among Executives
Work Experience (Past 5 years)

None
2005 - Feb. 2007 Independent Director and Audit Committee
Phatra Securities Company Limited /
Phatra Securities Public Company Limited

2006 - Feb. 2007	Director Airports of Thailand Public Company Limited
2001 - Feb. 2007	President Dhurakij Pundit University
Present	Director The Christian Children's Fund (Thailand)
Present	Director CCF for Development of Children
Present	Advisor King Prajadhipok's Institute
Present	External Evaluator The Office for National Education Standards and Quality Assessment (Public Organization)
1988 - 2006	Committee Institute for Continuing Educational and Social Services, Thammasat University
2004 - 2006	Subcommittee in Human Resource Development National Center for Genetic Engineering and Biotechnology
2004 - Present	Executive Committee Administration School of Ramathibodi Hospital
2004 - Present	Vice President Social Science Association of Thailand

Prof. Dr. Uthai Tanlamai
Position

Age 55
Director

Education Qualifications

PhD in MIS / University of Illinois-Urbana-Champaign, U.S.A.
Master of Science / University of Illinois-Urbana-Champaign, U.S.A.
BA in Commerce and Accountancy / Chulalongkorn University
Director Accreditation Program (DAP), 2005 /
Thai Institute of Directors Association (IOD)
Finance for Non-Finance Director (FN), 2005 /
Thai Institute of Directors Association (IOD)
Director Certification Program (DCP), 2005 /
Thai Institute of Directors Association (IOD)

**Number of Shares held (February 6, 2007)
and Percentage of Shareholding Stake**

40,000 0.02%

Family Relationship Among Executives

None

Work Experience (Past 5 years)

2005 - Present Independent Director and Audit Committee
Phatra Securities Company Limited /
Phatra Securities Public Company Limited
1994 - Present Professor / Faculty of Commerce and Accountancy
Chulalongkorn University

Mr. Pongtep Polanun	Age 53
Position	Director
Education Qualifications	MBA / Sasin Graduate Institute of Business Administration MA in Economics / National Institute of Development Administration BE in Economics / Thammasat University Director Accreditation Program (DAP), 2005 / Thai Institute of Directors Association (IOD)
Number of Shares held (February 6, 2007) and Percentage of Shareholding Stake	743,509 0.35 %
Family Relationship Among Executives	None
Work Experience (Past 5 years)	2003 - Present Independent Director Phatra Securities Company Limited / Phatra Securities Public Company Limited 2003 - Present Deputy Chairman, Independent Director and Audit Committee Advanced Information Technology Public Company Limited 2000 - Present Advisor to Director The Royal Ceramic Industry Public Company Limited
Mr. Manpong Senanarong	Age 39
Position	Executive Vice President (Equity Capital Markets)
Education Qualifications	MBA / Cleveland State University, U.S.A. BA in Commerce and Accountancy / Chulalongkorn University
Number of Shares held (February 6, 2007) and Percentage of Shareholding Stake	594,209 0.28 %
Family Relationship Among Executives	None
Work Experience (Past 5 years)	2005 - Present Executive Vice President (Equity Capital Markets) Phatra Securities Public Company Limited 2003 - 2005 Director (Equity Capital Markets) Phatra Securities Company Limited 2002 - 2003 Director (Equity Capital Markets) Merrill Lynch Phatra Securities Company Limited
Mr. Veerachai Mekworawut	Age 46
Position	Executive Vice President (Direct Investment)
Education Qualifications	MBA (Finance) / National Institute of Development Administration BA in Social Science (Accounting) / Chiangmai University
Number of Shares held (February 6, 2007) and Percentage of Shareholding Stake	791,836 0.37 %
Family Relationship Among Executives	None

Work Experience (Past 5 years)	2004 - Present	Executive Vice President (Direct Investment) Phatra Securities Company Limited / Phatra Securities Public Company Limited
	2003 - 2004	Assistant Managing Director Thai Asset Management Corporation

Mr. Jirawat Supornpaibul ⁽³⁾

Age 39

Position

Executive Vice President (Head of Private Client Group)

Education Qualifications

MBA / Sasin Graduate Institute of Business Administration
BA in Economics / Chulalongkorn University

**Number of Shares held (February 6, 2007)
and Percentage of Shareholding Stake**

470,681 0.22%

Family Relationship Among Executives

None

Work Experience (Past 5 years)

2006 - Present	Executive Vice President (Head of Private Client Group) Phatra Securities Public Company Limited
2006	Executive Vice President (Private Client Group) Phatra Securities Public Company Limited
2005	Director Hunters Asset Management Company Limited
2003 - 2005	Director (Investment Banking) Phatra Securities Company Limited / Phatra Securities Public Company Limited

Mr. Ayuth Charnsethikul

Age 42

Position

Director (Proprietary Trading)

Education Qualifications

MBA / University of Minnesota, U.S.A.
BA in Commerce and Accountancy / Thammasat University

**Number of Shares held (February 6, 2007)
and Percentage of Shareholding Stake**

181 0.0000847 %

Family Relationship Among Executives

None

Work Experience (Past 5 years)

2004 - Present	Director (Proprietary Trading) Phatra Securities Company Limited / Phatra Securities Public Company Limited
2003 - 2004	Advisor to Investment Committee and Capital Market Department Krungthai Bank Public Company Limited
2003	Chief Executive Officer Krungthai Asset Management Public Company Limited

Mr. Craig Thompson	Age 39
Position	Director (Financial Product Development Group)
Education Qualifications	BA in Accounting and Finance / University of Technology, Sydney, Australia
Number of Shares held (February 6, 2007) and Percentage of Shareholding Stake	None
Family Relationship Among Executives	None
Work Experience (Past 5 years)	2005 - Present Director (Financial Product Development Group) Phatra Securities Public Company Limited 1990 - 2003 Director, Head of Derivatives Trading ABN AMRO Bank Australia

Mrs. Panida Prapunwattana	Age 41
Position	Director (Finance, Treasury and Corporate Credit & Risk Management)
Education Qualifications	MBA / National Institute of Development Administration BS in Economics and Business Administration / Kasetsart University
Number of Shares held (February 6, 2007) and Percentage of Shareholding Stake	445,090 0.21 %
Family Relationship Among Executives	None
Work Experience (Past 5 years)	2004 - Present Director (Finance, Treasury and Corporate Credit & Risk Management) Phatra Securities Company Limited / Phatra Securities Public Company Limited 2003 - 2004 Vice President (Finance, Treasury and Corporate Credit & Risk Management) Phatra Securities Company Limited

Note : (1) The person is an authorized director, provided that two authorized directors jointly sign with the Company's seal affixed to bind the Company.
(2) Resigned from the Company's director position, effective from September 30, 2006
(3) Appointed as Head of Private Client Group in replacing of Mrs.Kulnan Tsanthaiwo effective from November 13, 2006

Dividend Payment Policy

The Company has a policy of making dividend payment at the rate of not less than 40% of net profit after deduction of all legal reserves. Interim dividend may be considered from time to time. However, dividend payments are subject to change depending on investment plans, necessities and other reasons in the future as deemed appropriate.

Related Party Transaction

The Company entered into connected transaction with related persons and subsidiary during the 2006 accounting period as follows:

	For the year ended 31 December 2006	(Unit: Baht) Pricing policy
Transactions with the Company's directors		
Brokerage fees from securities business	1,659,371	Charge at 0.25% of trading value
Brokerage fees from derivatives business	54,000	Normal rate charged to ordinary customers/rate stated in contract
Transactions with related parties		
Brokerage fees from securities business	298,029	Charge at 0.25% of trading value

Brokerage fees from securities business and derivatives business

During the 2006 accounting period, the Company provided securities brokerage services business and derivatives business to related persons, who are directors of the Company. The company recorded the brokerage fees from securities business in the amount of Baht 1.66 million, which equaled to 0.25% of trading value and the same rate that the Company charges to other general customers. In addition, the Company recorded brokerage fees from derivatives business from the Company's directors and executive committee in the amount of Baht 0.05 million.

The Company recorded brokerage fees from securities business from related parties who are spouses of the Company's director and executive directors, in the amount of Baht 0.30 million, which equaled to 0.25% of total trading value and at the same rate that the Company charges to other general customers.

Outstanding balance

Outstanding balance as at 31 December 2006 was as follows:

	31 December 2006
The Company's directors	
Deposit for customer's account	1,961,606

The deposit for customer's account was margin deposited for derivatives trading.

Good Corporate Governance Report

Throughout the past performance of the Company, the Board of Directors has adhered to “best practices” in corporate governance. The Board of Directors in the Board of Directors’ Meeting No. 4/2006 on August 22, 2006 reviewed the Company’s principles of good corporate governance in order to improve the Company’s corporate governance to international standards, increase its competitive capabilities and comply with the SET’s Principles of Good Corporate Governance for Listed Companies.

In 2006, the Board of Directors performed its duties with the utmost effort to ensure that the Company’s operations were in compliance with good corporate governance principles. This was to provide assurance to all shareholders, investors, clients and other stakeholders that the Company did business in a transparent manner and that all related parties were treated fairly, as well as to contribute towards a long-term, firm foundation and stability for the Company. The Company adheres to and complies with the good corporate governance as follows:

Policy on Corporate Governance

The business and affairs of the Company are managed under the direction of the Board of Directors, which represents shareholders of the Company. The Board of Directors believes that good corporate governance is a critical factor in achieving business success. The Company’s corporate governance policy seeks to align management and shareholders’ interests. The Company has instituted corporate governance principles through the Company’s various policies and procedures to protect shareholders’ interests and transact business in a transparent manner by developing a structure with defined roles and responsibilities, separation of front and back office duties and having policies to deal with conflicts of interest, transparency, risk management, internal control and business ethics, etc. Furthermore, the Company has established various corporate governance committees, e.g. Audit Committee, Director

Nominating Committee, Management Development and Compensation Committee, New Product Review Committee, Capital Commitment Committee, Investment Committee, Disciplinary Committee, etc. to enhance transparency when executing business transactions.

In 2006, the Company instilled corporate governance awareness and understanding to employees continuously through various activities, e.g. orientation sessions for new employees, publishing of the Company’s principles of good corporate governance in the Company’s intranet system, etc.

Rights and Equitable Treatment of Shareholders

Recognizing the rights and importance of shareholders, the Company treats its shareholders equally and fairly in line with the laws of regulatory agencies. Basic rights of the Company’s shareholders include the right to attend shareholders’ meetings, the right to appoint a third party as a proxy for attending and voting at meetings, the right to vote on the election or removal of each individual director, the right to vote on the directors’ remuneration, the right to appoint the external auditors and vote on the annual audit fees, the right to express an opinion and the opportunity to raise questions during shareholders’ meetings and the right to receive sufficient and up-to-date information on a timely manner, etc.

The Annual General Meeting of Shareholders is scheduled to be held within 4 months after the end of the fiscal year. In 2006, the Annual General Meeting of Shareholders was held on April 24, 2006. For each shareholders’ meeting, the Company sends out a notice to all shareholders at least 7 days in advance before the scheduled meeting of shareholders. Attached to the notice is sufficient information for voting on every agenda item, each of which was identified clearly as either for acknowledgement or consideration together with opinions of the Board of Directors on particular issues. Also, the Chairman conducts the meeting to consider agenda

items as specified in the notice of the meeting without adding any agenda item and without notifying other shareholders in advance.

The notice of shareholders' meeting clearly informs all shareholders of all necessary documents to maintain their legitimate rights for attending the meeting and a proxy form, allowing the shareholders to specify the voting to the proxies, to appoint proxies to the meeting. Proxies can be a third party or the Company's independent director. At least one and a half hours before the meeting commences, the Company facilitates its shareholders to register for the meeting.

At the meeting, the Company informs all shareholders of the voting and vote-counting procedures, and during the consideration of each agenda item, all shareholders have equal rights to express comments and ask questions for an appropriate amount of time. The voting and vote-counting procedures are conducted openly and efficiently, counting one share as one vote. Approval of a resolution is based on the majority of votes, except for certain resolutions which require approval by not less than three-fourths of all votes by eligible voters present at a meeting. Each shareholder shall cast his/her votes on ballots only in case of opposition or abstention, and the ballots are kept for reference. The Company invites the auditor to be witness in the vote-counting procedures. In preparing the minutes of the meeting, total votes in approval, opposition or abstention on each agenda item are recorded clearly in writing, together with questions raised on every agenda item, as well as clarification and comments by the meeting.

The Company places great emphasis on disclosure of information to shareholders. Accurate and complete information is provided to shareholders in a transparent and timely manner via the SET, the Company's website in both Thai and English, and the dissemination of information through public media.

In addition, in the first quarter of 2007, the Company disclosed information for voting on every agenda item before sending out the notice of the meeting on the Company's website, provided channels for shareholders to submit questions and propose agenda items for the meeting in advance for the Board of Directors' consideration, and provided the opportunity for shareholders to propose director nominees via the Director Nominating Committee.

For protecting the use of inside information, the Company requires directors and management to disclose to the Company the benefit of their own and their immediate families, e.g. spouse and minor children and prohibits directors, employees and their related persons from acting upon material non-public information which affects the price of the Company's shares to benefit themselves or others. Moreover, all directors and management must report their securities holding as required by law to the Board of Directors' meeting quarterly.

Rights of Stakeholders

The Company places significant emphasis on the rights of all stakeholders, for both internal stakeholders, i.e. shareholders, directors and employees of the Company, and external stakeholders, i.e. clients, counterparties, creditors, related government agencies, including its obligation to the community, society and the environment.

In order to ensure the rights of all stakeholders, the Company has established in written form the Guideline for Business Conduct and Employee Handbook and disseminated these through the Company's website and intranet for strict adherence by directors, management and employees at all levels. In addition, the Company has assigned the Office of General Counsel and Internal Audit to monitor compliance, and to periodically report to the Board of Directors for acknowledgement. All departments responsible for various types of products and services must strictly abide by the principles thereof.

In 2006, the Company has developed a mechanism for stakeholders to involve themselves in improving the Company's performance. All stakeholders, including clients, counterparties, competitors, employees, shareholders and creditors, can send suggestions via the Company's website to the management to ensure the Company's sustainability. The Company has provided ways for shareholders to communicate to the independent directors any concerns about illegal or unethical practices, incorrect financial reporting, insufficient internal control, etc. via the Company's website for investigating and reporting to the Board of Directors. The rights of any person who communicates such concerns are protected.

For shareholders, one of the Company's ultimate goals is to ensure favorable and sustainable growth and maintain competitiveness with due consideration to both current and future risks in order to maximize the long-term value to its shareholders. Its primary duty is to carry on with usual business, disclose all information fairly and transparently and use its best efforts to protect its assets and reputation.

The Company's employees are regarded as a valuable asset. The Company continues to seek capable and experienced personnel and provides remuneration comparable to other leading securities companies. Necessary training programs have been continuously provided to enhance employees' capabilities. The Company also encourages its personnel to learn and acquire new knowledge and technology through participation in specialized institutions. In addition, a favorable culture and atmosphere have been promoted in the workplace, together with fair and equal treatment for all employees. The Company has recognized and provided welfare and security to its employees, among which includes the provident fund, support for fire evacuation rehearsal, gym memberships for all employees to do their exercise and have good health and annual physical checkup, etc.

For clients, the Company aims to provide satisfaction through the offering of high quality products and services that meet clients' needs. It recognizes the importance of customers, paying due attention to them, and protecting their confidentiality.

The Company places significant emphasis on its responsibility for community, society and environment and acts as a good citizen, being non-partisan, and unaligned with any political party. It bears in mind its role as part of society and community hence contributing to charitable activities and promoting a healthy environment in communities and the society at large, for better living standards. The Company along with its employees has arranged charitable activities to inspire employees to act as part of the society and community.

In 2006, the Board of Directors' Meeting No. 5/2006 passed the resolution appointing the Corporate Social Responsibility Committee to review and oversee the Company's corporate social responsibility policies, practices and strategies and to oversee and make recommendations to the Charity Committee which had been previously set up to proceed projects and activities for the best interest of the public.

The scope and responsibility of the Corporate Social Responsibility Committee and the Company's projects and activities for the best interest of the community, society and environment in 2006 are shown on the annual report page 29 and page 65 respectively.

Shareholders' Meeting

The Company disclosed the resolutions of the 2006 Annual General Meeting of Shareholders dated on April 24, 2006 on the SET's website. The Company arranged the delivery of notice of the General Meeting of Shareholders, containing the complete agenda in compliance with applicable laws and the SET's requirements together with proxy forms and a complete

set of meeting agenda documentation and information details to shareholders not less than 7 days prior to the meeting date. Moreover, on the meeting day, the Company arranged staff to register and facilitate shareholders and other proxies who wished to attend the meeting.

In the previous General Meeting of Shareholders, the Chairman of the Board of Directors acted as the Chairman of the Meeting, which was also attended by the Chief Executive Officer, all Chairman of the other committees and the Company's directors (altogether 10 persons). Also, management in charge of the Company's finance and the independent auditor attended the meeting.

Consideration and voting were conducted according to the agenda items of the meeting. During the meeting, apart from related meeting documents, the Company also presented information using a video presentation system for shareholders to use in voting. The Chairman of the meeting provided the opportunity for shareholders to make inquiries and express opinions, which were answered and supplemented with complete information to shareholders. The Company's auditor served as a neutral and independent party witnessing the vote-counting procedure. Comprehensive minutes of the meeting were recorded, along with details of the voting on each agenda item. The Company also disclosed the resolution of the shareholders' meeting on the Company's website.

Leadership and vision

The Board of Directors endorses the Company's vision, missions and strategies, and also approves key issues pertaining to the Company's business direction and the policies, including the annual business plan and budget. The Board of Directors is also responsible for supervising management actions to ensure that they are consistent with approved policies and business plans, as well as in

compliance with laws and regulations of all relevant government agencies and the resolutions of the shareholders' meeting. The best interest to the Company and all stakeholders is thus assured.


The Company is determined to create value for our clients by providing wisdom and high quality services that meet their needs. We have positioned ourselves to be the preeminent financial management and advisory Company. Key facets of this positioning include focusing on businesses that offer continued opportunity for growth, emphasizing broad local and regional resources and expertise, collaboration of the Company's business units to maximize effectiveness in developing integrated, best-in-class solutions for clients, effective use of technology to leverage resources, and disciplined management to deliver the full potential of long-term growth trends in financial services for clients, shareholders and employees.

The Board of Directors is responsible for determining and separating duties and responsibilities of its own, committees and management as per details shown on page 23.

The Board of Directors continues to value the participation in training courses to apply to its job performance while adding to its knowledge and experience. To date, all members of the Board of Directors have attended the Director Certification Program (DCP) or Director Accreditation Program (DAP) held by the Thai Institute of Directors Association (IOD) and are competent, expert and experienced in various fields suitable for the Company's business. Details of their training, education and work experience are shown on page 32 of the annual report.

Conflict of Interest

A conflict of interest occurs when an individual's private interest interferes in any way – or even appears to interfere – with the interests of the Company as a whole.



A conflict situation can arise when an employee, officer or director takes actions or has interests that may make them unable to perform their work objectively and effectively. Furthermore, conflict of interest also arise when an employee, officer or director, or a member of his or her family, receives improper personal benefits as a result of his or her position in the Company. Therefore, the Company's policies prohibit such conflict of interest and require employees, officers and directors of the Company to disclose the conflict of interest which may occur.

The Company expects each employee, management or director to avoid activities, interests or associations that might interfere with the independent exercise of his or her judgment or the best interests of the Company, its clients, its shareholders or the public. Employees, management and directors are prohibited from using illegal or improper means to influence the actions of others on behalf of themselves or the company.

The Company's Audit Committee has been set up and is fully authorized to review and approve any transactions into which the Company may enter with any of the Board of Directors members, management, major shareholders and its related persons. This is to avoid potential conflict of interest between the Company and those persons.

The Company's policies include specific safeguards against many forms of conflict of interest, but it is impossible to foresee every potential conflict that could arise during the holding of office of an employee, management and director. The Company requires employees, management and directors to try to recognize these conflicts, bring them to the attention of management and avoid them where possible. If a conflict cannot be avoided, it must be managed in an ethical, responsible manner.

The Company seeks to control potential conflict of

interest by establishing various policies and procedures, some of which are summarized below:

Regarding employees' accounts and outside interests, employees and their immediate families must maintain their brokerage accounts at the Company in accordance with regulations or relevant regulatory bodies. Certain employees (including investment bankers and research analysts) must pre-clear transactions with their head of department and OGC. The Company's policy is intended to prevent employees from engaging in any outside business or other activity that might create a conflict of interest or jeopardize the Company's integrity or reputation. In addition, employees must disclose and obtain prior approval for certain interests outside the Company including outside employment, outside investments, and outside directorships.

Employees however may engage in outside business activities. For example, they may serve as partners or stockholders in other businesses, officers in family-owned businesses or outside directors of other companies. The appropriateness of such activities depends on many factors: the nature and extent of the outside interest, the relationship between the Company and the outside entities and the duties involved. Service as a director, officer or employee of any other corporation or business must be pre-authorized in writing by OGC.

The Company requires that employees report all outside business activities, including ownership of privately held stock and limited partnership interests, to OGC so that their activities can be reviewed for potential conflicts of interest.

The Company does not encourage any transaction entered into between the Company and members of the Board of Directors, management, major shareholders and its related persons (Related Party Transaction) except those relating to the SEC's announcement regarding

employees' securities trading. Management and employees of the Company are required to open securities trading accounts with the Company. Such securities trading transactions with those management and employees must be on an arm's-length basis without taking unfair advantage of anyone through unethical or illegal methods. The transaction must be entered into in the ordinary course of business on substantially the same terms as those prevailing at the time for comparable transactions with other similarly situated clients. In all events, in doing business the Company is strict in adhering to the principle that clients' benefit comes first.

Business Ethics

The Company believes that no code of business conduct and ethics can replace the thoughtful behavior of an ethical director, management or employee. However, the Company also believes such a code can focus the Board of Directors or management on areas of ethical risk, provide guidance to personnel to help them recognize and deal with ethical issues, provide mechanisms to report unethical conduct, and help to foster a culture of honesty and accountability and furnish good corporate governance. Therefore, all employees, managements and directors are subject to the Company's Guidelines for Business Conduct, which they must acknowledge upon commencing work with the Company, and be able to study, review and refer to at all times as it is posted in the Company's intranet.

The Company is concerned about ethical values. What the Company performs is an articulation of the principles in everyday terms, developed with the input of employees from a cross-section of levels and jobs. These principles are the foundation for the Company's actions as leaders, colleagues, employees and citizens.

Examples of the Company's policies in demonstrating how it commits to uphold the highest ethical standards of business conduct are shown below.

Client Focus : The client is the driving force behind what we do.

In doing business, the client's interests must come first. In an increasingly competitive industry, success rests not on sales volume of a certain product or service, but on the degree to which clients value the Company as their trusted adviser. To achieve this stature, it is not enough merely to meet clients' expectations but constantly strive to exceed them.

Respect for the Individual : We respect the dignity of each individual, whether an employee, shareholder, client, or member of the general public.

Respect for the individual means treating others with dignity and respect – sharing the credit when credit is due, avoiding public criticism of one another, and encouraging an atmosphere in which openness, cooperation and mutual consultation are the norms.

Teamwork

It is great teams that win, not loose affiliations of all-stars. Therefore, the Company expects real teamwork throughout the Company, and rewards people for it. The Company is committed to an honest sharing of both risks and rewards with one another, so that when clients achieve their goals, everyone in the Company benefits.

Responsible Citizenship : We seek to improve the quality of life in the community.

Responsible citizenship means that the Company is committed to giving something back to the communities in which the company earns its livelihood. The Company encourages employee volunteerism and community involvement. Both as a corporation and as individuals, the Company supports education, the cultural arts, and the environment and community services.

Integrity : No one's personal bottom line is more important than the reputation of our Company.

The Company values its long-standing reputation for integrity in the marketplace. As beneficiaries of this great tradition, the company may be tolerant of minor mistakes made in the course of business; however, the Company will not tolerate lapses in ethics or integrity.

In relation to confidential information, the Company's policy prohibits employees from acting upon material confidential information to benefit themselves or others. Information is "material" if there is a substantial amount of information that a reasonable investor would consider important in making an investment decision, or if it could reasonably be expected to have a substantial effect on the price of an issuer's securities. Also, the Company will not release client information except upon a client's authorization or when permitted by the client or required by laws. Third-party service providers with access to client information are required to keep client information confidential and use it only to provide services for the Company. At times, the Company's policies may limit the ability of some employees to enter into transactions. Anyone with ongoing possession of confidential information may be unable to trade personally in the securities of the companies of which he or she has information.

Employees are required to direct questions concerning the confidentiality or security of client information to their managers or OGC.

The Company has a policy on gifts, gratuities and impermissible payments. Employees and members of their families may not - directly or indirectly - accept or receive bonuses, fees, gifts, frequent or excessive entertainment, or any similar form of consideration of other-than-nominal value from any person or entity with which the Company does, or seeks to do, business.

The Company's policy forbids bribes, payoffs or payments of any kind by the Company or employee to any person, government official or entity for the purpose of improperly obtaining or retaining business or influencing consideration of any business activity. Special rules may apply to payments or gifts including entertainment to officers, directors, employees or other affiliates of government-owned or controlled entities. Employees are required to consult OGC with any specific questions. In order to prevent the appearance of corrupt business practices, the Company has adopted a policy consistent with the U.S. Foreign Corrupt Practices Act (FCPA).

The Company has posted the Guidelines for Business Conduct on its website and intranet, has continuously and consistently communicated the importance of ethics to all employees, and has always strived for complete compliance with the guidelines.

Additionally, in 2006, the management set up a Disciplinary Committee to determine disciplinary actions to be taken against employees on regulatory or Company policy violations or offences, and determined disciplinary action guidelines in the form of a multi-dimensional matrix that shows the relationships among intention of offence, level of impact and disciplinary actions.

Balance of Authority by Non-Executive Directors

The election of members of the Board of Directors follows the resolutions of shareholders' meetings, as well as the rules and regulations and the Company's Articles of Associations. The Board of Directors consists of those knowledgeable in diverse fields useful for the Company's business who can independently express their views on the Company's performance against the given policy in each Board of Directors' meeting. As of December 31, 2006, the Board of Directors comprised 10 members, including six executive directors and four non-executive and independent directors that accounted for 40% of the

Board of Directors' members in total. This is aimed at maintaining a balance between control and management.

Remuneration for Directors and the Management

The Management Development and Compensation Committee is responsible for reviewing director's remuneration, to be submitted for consideration by the Board of Directors for further submission for approval by the General Meeting of Shareholders, taking into consideration the appropriateness of remuneration with respect to the obligations and responsibilities of each director, and the Company's financial status, to ensure that remuneration is comparable to other securities companies.

The remuneration for the management is paid according to policies and criteria set by the Board of Directors. It ties directly to the performance of the Company and each individual performance. The Management Development and Compensation Committee shall propose to the Board of Directors for consideration and approval.

Details of remuneration to directors and management are shown on page 31.

The Board of Directors' Meeting

In the Board of Directors' meeting, the Chairman appropriately allocates the meeting time for complete management presentations and a comprehensive directors' discussion. Top executives of the Company are able to attend the Board of Directors' meeting to present details on the issues that they are directly responsible for. The Board of Directors has a chance to know more about top executives and is able to prepare a succession plan. A typical Board of Directors' meeting takes three hours, with the Secretary to the Board of Directors in attendance each time to take the minutes and file complete information along with meeting documents.

Normally all Directors attend each Board of Directors' meeting unless there are legitimate and necessary reasons not to attend. Whenever possible, directors inform the Chairman if they cannot attend a meeting. Details of attendance at the Board of Directors' meetings in 2006 are shown on the annual report page 23.

Furthermore, in accordance with the Principles of Good Corporate Governance, in 2007 the non-executive directors will meet, as necessary or at least once a year, among themselves without the management team in order for them to debate their concerns.

Committees

Committees which have been appointed by the Board of Directors to assist the Board of Directors in fulfilling its responsibility are as follows:

1. Executive Committee
2. Audit Committee
3. Management Development and Compensation Committee
4. Director Nominating Committee
5. Corporate Social Responsibility Committee

The Company's Committee Structure and scope of work of each committee are shown on the annual report page 20 and 25 respectively.

In addition, the Company's management has appointed other subcommittees to efficiently carry out the Company's operations. Such subcommittees have clear duties and responsibilities.

Controlling System and Internal Audit

The Board of Directors has placed significant emphasis on efficient internal control systems and is bound to maintain the culture which recognizes risk and internal control as important parts of the Company's overall operational activities. A system of effective internal



controls is a critical component of the Company's management and a foundation for the safe and sound operation of the Company. It helps to ensure that the goals and objectives of the Company will be met, that the Company will achieve long-term profitability targets, and maintain reliable financial and managerial reporting. Such a system can also help to ensure that the Company will comply with laws and regulations and decrease the risk of unexpected losses or damage to the Company's reputation. The Board of Directors has assigned all Executive Committee members to review the efficiency of the Company's overall risk management.

The Company maintains a system of internal controls to safeguard and preserve the information and assets of the Company, its clients and its shareholders. These controls are designed to ensure that business transactions are properly authorized and carried out, and that all reporting is truthful and accurate. All business transactions require authorization at an appropriate management level.

The Company actively promotes compliance with the laws, rules and regulations that govern the Company's business. Obeying both the letter and spirit of the law is one of the foundations of the Company's ethical standards.

Employees must report violations of law, rules, regulations and this Code of Ethics to their managers, OGC or senior management, as appropriate. If they are not comfortable raising an ethical issue or discussing a possible or actual violation with the manager, they must seek assistance elsewhere within the Company. The Company has procedures for raising ethical concerns, misconduct or violations in a confidential manner, including concerns regarding internal accounting controls, questionable accounting or auditing matters. Procedures have been established for the receipt, retention and handling of concerns received by OGC regarding accounting, internal accounting controls, or auditing matters.

The Company has various corporate governance committees to ensure that new business or transactions are considered by all affected departments. These include the Capital Commitment Committee and the New Product Review Committee. All affected departments are required to confirm that all issues from their perspective have been addressed before the business can go forward.

The Audit Committee has been established by the Board of Directors to oversee the Company's business to ensure the Company's effective internal audit system and good corporate governance.

The Audit Committee's meeting shall be held at least once every three months and at least two members of the Audit Committee shall form a quorum. Each member shall have one vote and the Chairman of the Meeting has no casting vote. Details of the Audit Committee's work in 2006 are shown on the Audit Committee's Report in the annual report page 10.

The Company has two main functional departments i.e. OGC and the Corporate Credit and Risk Management Department which assist business management to identify and manage various risks associated with doing business.

OGC can be divided into three main functional areas i.e. legal support, compliance function and internal audit:

Legal and Compliance functions provide legal, regulatory and compliance guidance to the firm's management and employees, across this broad ranges of businesses and services in order to assist officers and employees of the Company in managing the business to be consistent with the Company's principles, in compliance with applicable laws and regulations, offer a superior standard of service for clients, and enhance and protect shareholder value.

Internal Audit's mission is to contribute to the on-going effectiveness of the Company's internal controls by evaluating operations and internal controls and being a partner with business leaders to ensure proper controls are established and maintained. The function of the Internal Audit is to examine, evaluate, and report on the adequacy of the internal control system within the Company in order to contribute to the proper, efficient and effective use of resources. In reviewing an organization, Internal Audit looks at the control environment, risk assessment, control activities, information and communication within the organization, and monitoring activities. Internal Audit then furnishes the organization with analyses, appraisals, recommendations, counsel, and information concerning the activities reviewed.

The Corporate Credit and Risk Management Department reviews the credit-worthiness of counterparties for existing customers and new accounts as well as setting and revising the limits as requested by business units. Also the Corporate Credit and Risk Management Department measures the potential risk of proposed transactions and is involved in due diligence process to issue new securities for clients carried out by business units.

Report of the Board of Directors

The Board of Directors prepares reports on the Company's operating results and major events over the past years to shareholders for their acknowledgement. Also, the Board of Directors is responsible for the risk management and internal control systems to ensure that they are appropriate and effective. In terms of the financial statements, the Board of Directors takes responsibility for the balance sheet and financial information and is obligated to prepare an efficient internal control system and to ensure that the recording of accounting data is correct, complete and sufficient. This will enable the Company to know all weak points and to be protected from any dishonest act or any act that is materially unusual.

Pursuant to this, the Audit Committee, which consists of the non-executive directors who have experience in financial and accounting work, oversees the quality of the Company's financial statements and the internal control system, as well as other related processes in compliance with Generally Accepted Accounting Principles. The Audit Committee tasks are also to ensure that the Company's financial data has been disclosed publicly and transparently. The Audit Committee's report is included in the annual report page 10.

Investor Relations

Information disclosure represents a vital principle for good corporate governance. The Company pays close attention to the information that needs to be forwarded to the SET and shareholders, particularly for its accuracy, adequacy, timeliness, and equitability. The Chief Executive Officer and Investor Relations serve institutional investors, minor shareholders, analysts, and those interested in monitoring the Company's data. The Company has a clear procedure for information disclosure under ordinary and urgent circumstances alike; formats of data presentation; and timeframes for notification of the SET so that shareholders and investors receive more and timely financial information.

In 2006, the Company's information is disseminated via various channels, i.e. the SET, the SEC, the Ministry of Commerce, newspapers, the Company's website (www.phatrasecurities.com), Company visits/one-on-one meetings, etc.

In an effort to make financial information available more rapidly, the Company disclosed unaudited financial statements for 2005 in early 2006 and disclosed unreviewed quarterly financial statements in 2006 for the first time. There is no significant differences between the unaudited and the audited versions, especially for all quarterly and year-end financial statements.

All disclosed information, as well as that made public to shareholders and investors, is disseminated through the Company's website which has been upgraded and made bilingual in 2006 to benefit shareholders.

Self-Assessment by the Board of Directors

For year 2006, the Director Nominating Committee has developed a self-evaluation form for each member of the Board of Directors to evaluate the Board of Directors' performance as a group. The form covers certain areas including readiness of members of the Board of Directors for their performance, strategic and business planning, risk management and internal control, overseeing and supervising in order to avoid any conflict of interest, following up on the company's financial reports and operations, Board of Directors' Meeting, seeking qualified individuals to become members of the Board of Directors, remuneration of the management and evaluation of the Chief Executive Officer's performance with rating scores from 1 to 5, which are 1 = Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree and 5 = Strongly Agree. The result shows a satisfactory level with an average score of 4.4 out of 5.

In conclusion, the Company presently complies with most of the Principles of Good Corporate Governance for Listed Companies 2006. And the principles and recommended best practices which in 2006 the Company has implemented and planned to implement can be summarized as follows:

Section 1: Rights of Shareholders: The Company has disclosed information relating to all agenda items of the shareholders' meeting with complete support data via the Company's website before sending out the notice of the meeting so that shareholders have enough time to study all information and also provided a chance for shareholders to submit questions for shareholders' meetings in advance.

Section 2: Equitable Treatment of Shareholders: The Company requires all directors and management to report their shareholding to the Board of Directors' meetings quarterly and provides a chance for shareholders to propose names of persons to be considered for appointment as the Company's directors, as well as chances for proposing additional agenda items for the Annual General Meeting of Shareholders in advance.

Section 3: Role of Stakeholders: The Company has developed a mechanism that all stakeholders, namely clients, counterparties, competitors, employees, shareholders or creditors, can make suggestions to the Company's management or communicate any concerns about incorrect financial reporting, insufficient internal control and illegal or unethical practices to independent directors via the Company's website in order to create wealth, financial stability and sustainability of the Company.

Section 4: Disclosure and Transparency: The Company's information has been disclosed in both Thai and English on its website. The roles and responsibilities of committees in the past year, i.e. numbers of meetings and attendance have also been disclosed in the annual report.

Section 5: Responsibilities of the Board: The Company has planned to arrange a meeting in 2007 for non-executive directors so that they can debate their concerns without the management team. The Board of Directors' self-assessment will be conducted regularly to allow all members to consider their performance and solve any problems they may have.

Supervision of Usage of Internal Information

The Company has a policy prohibiting directors and management from using internal information regarding status and results of the Company's operations, which is not yet disclosed to the public for trading securities or for their own interest. In addition, the Company has a policy of limiting disclosure of confidential information only to relevant employees on a need-to-know basis and such information must not be circulated to different areas of the Company. The sharing of confidential information between departments is permitted except for certain circumstances, which must be approved by OGC on a case-by-case basis to prevent the misuse of such confidential information.

Rules and Procedures for performance of work in regard to the use of internal information to prevent the unlawful use of internal information and to avoid conflicts of interest can be concluded as follows:

1. Department having an opportunity to access inside information both in front office and back office support shall be clearly separated;

2. The structure of supervision, management and reporting of performance of work in each department shall be directly under the management responsible for such matter;

3. Temporary borrowing of personnel between departments (Across the Wall) shall be subject to approval of the most senior supervisor of those departments and OGC;

4. Limitation of access to information (Need-to-Know Basis) such as communication between departments, access to sites, provisions or requests for information between departments shall be subject to approval of the most senior supervisor of that department;

5. Operations with regard to registration or withdrawal of securities names in accounts, such as securities in a Grey List and Restricted List shall be undertaken and OGC shall be responsible for supervising the preparation of such securities lists and securities trading of staff members and management of the Company.

Management Discussion and Analysis

Financial Condition and Results of Operations

The Company presented consolidated financial statements of the year 2005 because the Company included operating results of Hunters Assets Management Company Limited, as the Company's subsidiary, from April 1, 2005 which was the date the company bought to the date of October 18, 2005 which was the day that the Company sold out all shares held by the Company.

Results of Operations

Revenues

Revenue structure of the Company, according to core business activities, are 6 businesses, consisting of brokerage fees from securities business, brokerage fees from derivatives business, fees and services income, gain on trading in securities, gain on trading in derivatives, interest and dividend income and other incomes.

For the year 2006, total revenues of the Company amounted to Baht 1,952.86 million, an increase of Baht 593.36 million or 43.65% from Baht 1,359.50 million in 2005. Details were as following:

	CONSOLIDATED		THE COMPANY ONLY			
	2005		2006		2005	
	Million Baht	%	Million Baht	%	Million Baht	%
REVENUES						
Brokerage fees						
Brokerage fees from securities business	987.03	72.36	1,234.79	63.23	987.03	72.60
Brokerage fees from derivatives business	0.00	0.00	3.22	0.16	0.00	0.00
Fees and services income	234.47	17.19	496.12	25.40	230.76	16.97
Gain on trading in securities	40.33	2.96	25.37	1.30	40.33	2.97
Gain on trading in derivatives	0.00	0.00	0.45	0.02	0.00	0.00
Interest and dividend	66.34	4.86	173.31	8.87	66.33	4.88
Other incomes	35.96	2.64	19.60	1.00	35.04	2.58
Total revenues	<u>1,364.13</u>	<u>100.00</u>	<u>1,952.86</u>	<u>100.00</u>	<u>1,359.50</u>	<u>100.00</u>

Brokerage Fees from Securities Business

Brokerage fees from securities business of the Company are main source of revenues of the Company and consist of fees from three groups of clients, namely foreign institutional investors, local institutional investors and high net worth individuals. The Company's total brokerage fees in 2006 were Baht 1,234.79 million, an increase of Baht 247.76 million from Baht 987.03 million in 2005. Proportion of the brokerage fees from foreign institutional investors, local institutional investors and high net worth individuals in 2006 were 57.97%, 17.29% and 24.74% respectively. Details are as follows ;

	THE COMPANY ONLY			
	2006		2005	
	Million Baht	%	Million Baht	%
Brokerage fees				
Equity Sales and Dealing	929.29	75.26	734.69	74.43
- Brokerage fees from foreign institutional investors	715.85	57.97	555.93	56.32
- Brokerage fees from local institutional investors	213.43	17.29	178.76	18.11
Brokerage fees from high net worth individuals	305.51	24.74	252.34	25.57
Total Brokerage fees	<u>1,234.79</u>	<u>100.00</u>	<u>987.03</u>	<u>100.00</u>

The Company's Market Share and Ranking

	2006	2005
Average daily trading value of SET and MAI (Million Baht)	16,393.72	16,600.74
Trading proportion of SET classified by investor type		
Foreign investors	33.66%	27.66%
Local institutions	11.55%	10.33%
Local investors	54.79%	62.01%
The Company's average daily trading value (Million Baht)	1,899.04	1,649.62
The Company's market share	5.79%	4.97%
Ranking	4	4

In 2006, average daily value on the SET and MAI were Baht 16,393.72 million, a decrease of Baht 207.02 million or 1.25% from Baht 16,600.74 million in 2005. The proportion of foreign investors to total investors increased from 27.66% in 2005 to 33.66% in 2006. The proportion of local institutions also increased from 10.33% in 2005 to 11.55% in 2006. On the contrary, the proportion of local investors dropped from 62.01% in 2005 to 54.79% in 2006.

Changes in proportion of investors positively impacted on the Company's brokerage fees from securities business since the Company had brokerage incomes mainly from foreign investors and local institutions as per details shown on the above table. As a result, the Company's average daily trading value in 2006 increased 15.12% from Baht 1,649.62 million in 2005 to Baht 1,899.04 million in 2006, whereas average daily trading of SET and MAI decreased 1.25% in the corresponding period. The Company's market share, therefore, increased from 4.97% in 2005 to 5.79% in 2006.

Brokerage Fees from Derivatives Business and Gain on Derivatives Trading

The Company commenced operating a futures brokerage business from 28 April 2006 which was the date that TFEX opened.

In 2006, brokerage fees from derivatives business of the Company was Baht 3.22 million and had profit on derivatives trading of Baht 0.45 million, these together accounted for 0.18 % of total revenues of the Company.

Fees and Services Income

Fees and services income of the Company are financial advisory fees and underwriting fees from investment banking business and selling agent fees, meanwhile consolidated fees and services income in 2005 consists of underwriting fees, financial advisory fees, selling agent fees and private fund management fees.

(Unit: million baht)

	CONSOLIDATED	THE COMPANY ONLY	
	2005	2006	2005
Underwriting fees	126.13	329.03	126.13
Financial advisory fees	80.10	127.28	80.10
Selling agent fees	24.53	39.81	24.53
Private fund management fees	3.70	-	-
Total	<u>234.46</u>	<u>496.12</u>	<u>230.76</u>

In 2006, the Company's total fees and services income was Baht 496.12 million, an increase of Baht 265.36 million, or 114.99%, from Baht 230.76 million in 2005. The increase was mainly derived from the increase in underwriting fees. In 2006, the Company was the underwriter and financial advisor of Rayong Refinery Public Company Limited and Thai Beverage Public Company Limited, meanwhile in 2005, the Company was underwriter and financial advisor of Glow Energy Public Company Limited and Preuksa Real Estate Public Company Limited.

Gain on Trading in Securities

In 2006, the Company had profit from securities trading of Baht 25.37 million, compared with gain of Baht 40.33 million in 2005. Details are as follows:-

(Unit: million baht)

	CONSOLIDATED	THE COMPANY ONLY	
	2005	2006	2005
Unrealized loss on trading securities	(0.22)	(0.18)	(0.22)
Realized gain on trading securities	16.68	23.98	16.68
Realized gain on available-for-sales securities	19.18	2.20	19.18
Realized gain on non-marketable securities	4.70	-	4.70
Total	<u>40.33</u>	<u>25.37</u>	<u>40.33</u>

Interest and Dividend Income

The Company's interest and dividend income in 2006 was Baht 173.31 million, equivalent to 8.87% of the Company's total revenues and a 161.30 % increase from Baht 66.33 million in 2005. Details are as follows:-

(Unit: million baht)

	CONSOLIDATED	THE COMPANY ONLY	
	2005	2006	2005
Interest	55.38	118.73	55.38
Dividend			
Trading securities	2.51	1.26	2.51
Available-for-sale securities	5.49	52.69	5.49
Non-marketable securities	2.95	0.63	2.95
Total	66.33	173.31	66.33

Dividend income in 2005 was Baht 10.95 million comparing to 54.58 million in 2006. The increase was due to an increase in the Company's investment.

Other Income

Other income included income from gain from stabilization, office rental and gain from selling fixed assets, etc. Other income in 2006 was Baht 19.60 million, compared with Baht 35.04 million in 2005.

Expenses

The Company's expenses consisted of expenses on borrowing, fees and services expenses, share of loss from subsidiary, and operating expenses (which included personnel expenses, premises and equipment expenses, taxes and duties, directors' remuneration and other expenses).

The Company's total expenses in 2006 was baht 1,005.25 million, increased by the amount of Baht 220.26 million or 28.06% from Baht 784.99 million in 2005. Details of expense are as follows:

	CONSOLIDATED		THE COMPANY ONLY			
	2005		2006		2005	
	Million Baht	%	Million Baht	%	Million Baht	%
EXPENSES						
Expenses on borrowing	1.54	0.19	4.15	0.41	1.54	0.20
Fee and service expenses	174.67	22.09	196.15	19.51	174.52	22.23
Share of loss from subsidiary	-	-	-	-	3.27	0.42
Operating expenses						
Personnel expenses	477.52	60.38	632.62	62.93	473.73	60.35
Premises and equipment expenses	60.56	7.66	71.35	7.10	58.87	7.50
Taxes and duties	3.42	0.43	10.71	1.07	3.36	0.43
Directors' remuneration	4.35	0.55	6.24	0.62	4.35	0.55
Goodwill amortization	2.26	0.29	-	-	-	-
Other expenses	66.52	8.41	84.03	8.36	65.36	8.33
Total expenses	790.84	100.00	1,005.25	100.00	784.99	100.00

Expenses on Borrowing

Expenses on borrowing in 2006 were Baht 4.15 million, increased from Baht 1.54 million in 2005. The interest expenses were incurred on interest payment on cash collateral pledged by clients for securities trading business and margin for derivatives trading business.

Fees and Services Expenses

Fees and services expenses consisted of fees paid to the Office of the SEC, the SET, the TSD, TFEX, TCH, fees paid under Business Service Agreement and selling agent appointment fees in order to support share offering of the Company's Investment Banking Business.

In 2006, fees and services expenses were Baht 196.15, equivalent to 19.51% of the Company's total expenses and increased by Baht 21.63 million or 12.39% from 2005. The increase in fees and services expenses was in line with the increase in brokerage fees from securities business and fees and services incomes.

Starting from April 28, 2006, the Company commenced operating a future brokerage business. As a result, in 2006, there were additional expenses incurred with TFEX and TCH meanwhile there was no outstanding balance in 2005.

Operating Expenses

Operating Expenses in 2006 were Baht 804.96 million, an increase of Baht 199.28 million or 32.90% from Baht 605.67 million in 2005. Operating expenses consisted of

- Personnel expenses

Personnel expenses were majority expenses of the Company. In 2006, personnel expenses were Baht 632.62 million, equivalent to 62.93% of total expenses, compared with Baht 473.73 million or 60.35% of total expenses in 2005. The increase was because of an increase in number of employees due to an expansion in the Company's businesses, salary base adjustment and an increase of bonus payment to the employees.

- Premises and equipment expenses

Premises and equipment expenses in 2006 were Baht 71.35 million, increased from Baht 58.87 million in 2005, or increased by 21.20% . The rise in premises and equipment expenses was because of an increase in the Company's assets and improvement in assets to support the Company's business expansion, which resulted in higher depreciation expenses.

- Taxes and duties

The taxes and duties expenses consist of all relevant tax expenses, such as stamp duty, value added tax, withholding tax. In 2006, taxes and duties expenses were Baht 10.71 million, an increase from Baht 3.37 million in 2005. An increase in taxes and duties expenses was as a result of the increase in the Company's revenues and tax payment absorbed by the Company for some clients and counterparty as per agreement.

- Directors' remuneration

The Directors' remuneration expenses were expenses paid for director who are not the Company's employee. In 2006, the directors' remuneration expenses were Baht 6.24 million, an increase from Baht 4.35 million in 2005 since the Company increased the remuneration.

- Other expenses

Other expenses in 2006 were Baht 84.03 million, an increase of Baht 18.67 million or 28.57% from Baht 65.36 million in 2005. Other expenses consist of general expenses such as information services expenses, bank charge and transfer expenses, travel and entertainment expenses, roadshow expenses, legal counsel and other consultant expenses, donation expense, etc.

Net Earnings

Due to the reasons discussed above, the Company's net earnings in 2006 were Baht 719.50 million, an increase of Baht 301.64 million, or 72.19%, from Baht 417.86 million in 2005. Earnings per share in 2006 was Baht 3.37, an increase from Baht 2.16 in 2005.

Financial Position

Assets

The assets of the Company consist of cash and cash equivalents, long-term deposits at financial institutions, investments in debt and equity securities, receivable from clearing houses, securities and derivatives business receivables, collateral receivable, property plant and equipment, intangible assets and other assets.

As of December 31, 2006, the Company's total assets were Baht 4,968.96 million, a decrease of Baht 290.61 million, or 5.53%, from Baht 5,259.57 million in 2005. These were mainly due to a decrease of securities and derivatives business receivables, collateral receivables, property plant and equipments and other assets.

Cash and cash equivalents and Long-term deposits at financial institutions

As of December 31, 2006, the Company's cash and cash equivalents were Baht 2,047.23 million, compared to cash and cash equivalents in the amount Baht 2,285.82 million and long term deposits at financial institutions in the amount of Baht 100 million in 2005.

However, the decrease of Cash and cash equivalents and Long-term deposits at financial institutions was set off against an increase in Investments in debt and equity securities.

Investments in debt and equity securities

As of December 31, 2006, the Company's investments in debt and equity securities were Baht 1,461.00 million, an increase of Baht 724.40 million from Baht 736.60 million in 2005. The investments in debt and equity securities consist of net short-term investment amounting to Baht 747.68 million and net long-term investment amounting to Baht 713.31 million. The increase of investments in debt and equity securities was a result of an expansion in investment of Direct Investment and revaluation surplus of investment.

Receivables from Clearing House

As of December 31, 2006, receivables from clearing house was Baht 7.41 million, meanwhile there was no outstanding balance in 2005. The balance of receivables from clearing house was from cash margin placed at TCH for derivatives trading.

Securities and derivatives business receivables

As of December 31, 2006, securities and derivatives business receivables were Baht 1,129.90 million, compared to Baht 1,631.97 million in 2005. A decrease of securities and derivatives business receivables was accordance with securities trading activities at the end of fiscal period which the amount would be accrued for settlement which was for 3 working days for securities trading and 1 working day for derivatives trading. Details of securities and derivatives business receivables as at 31 December 2006 and 2005 were as follows.

(Unit: million baht)

	2006	2005
Securities business receivables		
Cash accounts	1,128.28	1,631.97
Derivatives business receivables		
Derivatives business receivables	1.62	-
Securities and derivatives business receivables	<u>1,129.90</u>	<u>1,631.97</u>

Collateral receivable

As of December 31, 2005, the Company had collateral receivable in the amount of Baht 174.25 million. This was because, on November 23, 2005, the Company entered into a Securities Borrowing and Lending Agreement with a shareholder of Preuksa Real Estate Public Company Limited ("Preuksa") to borrow 42.5 million shares of Preuksa at a price of Baht 4.10 per share to allocate to investors for over-allotment portion. The Company recorded Baht 174.25 million of securities borrowed in the balance sheet, and recorded cash collateral of Baht 174.25 million, equal to the value received from the sale of the 42.5 million shares, as collateral receivable. The Company recorded the return of securities borrowed and collateral receivable on January 4, 2005.

Property, plant and equipment

Property, plant and equipment as of December 31, 2006 were Baht 220.01 million, a decrease of Baht 2.42 million from Baht 222.43 million in 2005. The decrease was due to an increase in depreciation expenses which resulted in an increase in building improvement and furniture and fixture.

Intangible assets

Intangible assets consist of deferred license fee and application software. As of December 31, 2006, intangible assets were Baht 21.10 million, an increase of Baht 7.89 million from Baht 13.21 million in 2005. The increase was mainly due to an increase in license fees paid to TCH for derivatives trading and investment in software invested and purchased for securities and derivatives businesses.

Other assets

Other assets consist of fund payments for clearing funds, advanced payments, accrued fee income, deferred charges, etc. As of December 31, 2006, other assets was Baht 82.30 million, a decrease from Baht 95.29 million in 2005, resulted from a decrease in advanced payment and receivables on fees and services income.

Total Liabilities

The liabilities of the Company consist of payables to clearing house, securities and derivatives business payables, securities borrowed, corporate income tax payable, accrued expenses and other liabilities.

As of December 31, 2006, the Company's total liabilities were Baht 1,553.14 million, a decrease of Baht 577.06 million, or 27.09%, from Baht 2,130.20 million in 2005.

Payables to clearing house

As of December 31, 2006, payables to clearing house was Baht 612.97 million, an increase of Baht 297.43 million from Baht 315.54 million in 2005. The balance of payables to clearing house was balance at TSD for securities trading.

Securities and derivatives business payables

As of December 31, 2006, securities and derivatives business payables were Baht 454.37 million, consist of securities business payables in the amount of Baht 451.29 million and derivatives business payables in the amount of Baht 3.07 million.

Securities and derivatives business payables in 2006 decreased by Baht 845.17 million, or 65.04%, from Baht 1,299.54 million in 2005. Such decrease was accordance with securities and derivatives trading activities at the end of fiscal period which the amount would be accrued for settlement which was for 3 working days for securities trading and 1 working day derivatives trading.

Securities borrowed

As of December 31, 2005, the Company had securities borrowed in the amount of Baht 174.25 million. This was because the Company entered into a Securities Borrowing and Lending Agreement with a shareholder of Preuksa to borrow 42.5 million shares of Preuksa at a price of Baht 4.10 per share to allocate to investors for over-allotment portion. The Company recorded the above-mentioned transaction as securities borrowed in the amount of Baht 174.25 million. The Company recorded the return of securities borrowed and collateral receivable on January 4, 2005.

Corporate income tax payable

As of December 31, 2006, the Company had corporate income tax payable in the amount of Baht 82.57 million, increased from Baht 74.75 million in 2005. The increase was due to higher revenues and earnings before income tax in 2006.

Accrued expenses

The Company's accrued expenses primarily consist of accrued employee's bonus and compensation for marketing officers. The accrued expenses as of December 31, 2006 was Baht 387.61 million, increased from Baht 241.55 million in 2005. The increase was due to higher accrued employee's bonus and higher compensation which caused by the business expansion of the Company.

Other liabilities

The Company's other liabilities primarily consist of withholding tax payable and value added tax payable. In 2006, other liabilities decreased from Baht 24.58 million in 2005 to Baht 15.63 million.

Shareholders' equity

As of December 31, 2006, the Company's shareholders' equity were Baht 3,415.83 million, increased Baht 286.46 million from Baht 3,129.37 million in 2005. The increase was primarily due to an increase in retained earnings from Baht 749.77 million in 2005 to Baht 851.69 million in 2006, resulted from net income in 2006, and change from revaluation deficit of Baht 39.40 million to revaluation surplus in the amount of Baht 136.03 million in 2006.

The debt to equity ratio as of December 31, 2006 was 0.45, decreased from 0.68 in 2005. Furthermore, the debt to equity ratio (excluded payables to clearing house and securities and derivatives business payables) in 2006 was 0.14, compared to 0.16 in 2005. It showed that the Company's source of capital, which was mostly used for the Company's working capital, mainly came from long-term funds from shareholders.

The average return of shareholders' equity in 2006 was 21.99%, increased from 19.15% in 2005.

Net liquid capital ratio

The Company's net liquid capital ratio of as of December 31, 2006 was 187.03%, which was higher than minimum requirement ratio of 7% set by the office of SEC.

Liquidity

As of December 31, 2006, the Company's cash and cash equivalents was baht 2,047.23 million, decreased Baht 238.59 million from 2005. Details are as follows:-

(unit : million baht)

	2006
Net cash provided by (paid for) operating activities	684.94
Net cash provided by (paid for) investment activities	(315.06)
Net cash provided by (paid for) financing activities	<u>(608.48)</u>
Net decrease in cash and cash equivalent	<u>(238.59)</u>

Cash flow from operating activities

In 2006, the Company's net cash flow from operating activities before changes in operating assets and liabilities was Baht 751.77 million, an increase of Baht 330.20 million from 2005. This was due to the increase of net profit from Baht 417.86 million in 2005 to Baht 719.50 million in 2006, or increased by Baht 301.64 million. After adjustment of

changes in operating assets and liabilities, which included long-term deposits at financial institutions, investments in debt and equity securities, receivable from clearing house, securities and derivatives business receivables, collateral receivable, property plant and equipment, intangible assets and other assets, payables to clearing house, securities and derivatives business payables, securities borrowed, corporate income tax payable, accrued expenses and other liabilities, which would change accordance with the Company's business, the Company had net cash provided by operating activities in the amount of Baht 684.94 million.

Cash flow from investing activities

Net cash paid for investing activities in 2006 Baht 315.06 million. The payment was Baht 28.20 million for purchases of fixed asset for the Company's business expansion, Baht 16.20 for payment for software and license for derivatives trading, and Baht 284.75 million for investment in long-term investment which was expected to generate income to the Company in the future.

Cash flow from financing activities

In 2006, the Company's net cash paid for financing activities was Baht 608.48 million. The payment was due to the fact that, the company paid annual dividend for 2005 in the amount of Baht 394.98 million and interim dividend for half year performance of 2006 in the amount of Baht 213.50 million.

Auditor's Remuneration

The auditor's remuneration, as of December 31, 2006, consisted of the audit fee paid to Ernst & Young Office Limited in the amount of Baht 900,000.00

Social Responsibilities

In 2006 the Company continued to build on its commitment to social and public benefit by being part of the community and acting as a good corporate citizen. The Company's management and the Charity Committee, which consists of representatives from all departments, supported and initiated community projects in areas including education, religion, healthcare, art & culture, environment & nature, and emergency & disaster. For year 2006, the Company spent Baht 19,908,472 to support social projects and activities as follows:

Education

The Company realizes the importance of education and aims to establish good reading and self-researching habits among Thai youth. Toward this end, the Company donated Thai junior encyclopedias to 67 schools following the royal initiative of H.M. the King; supported the 12th national quiz competition of "Nangseu Khong Por" (Father's Book) of the Thai junior encyclopedia project by royal command of H.M. the King; initiated a library project for schools in rural areas in which the Company donated money to renovate libraries in 5 schools and supported the book procurement for 3 consecutive years; supported the SIFE Thailand national competition project to select the country's representatives to compete in the international competition; and continually provided scholarships for students of Chulalongkorn University, Thammasat University and other universities in other provinces. Up to the end of 2006, the Company has granted a total of 23 scholarships. Moreover, the Company has also supported rural schools in constructing buildings and initiating investment in new agricultural theories (Banpluay School in Ampur Namyuen, Ubon Ratchathani province and the Buddhakaset School in Ampur Khoonyuam, Mae Hong Son province).

Healthcare

To be part of the community and improve the living and health of Thai people, the Company has supported projects in healthcare as follows:

- Supporting a community-based rehabilitation project in Yala and Songkla provinces which aims to improve the lives of disabled persons by training and deploying volunteers in the community to provide assistance where needed.
- Building a sports ground and donating sports equipment for the School for the Blind in Khon Kaen province.
- Thai traditional massage training for blind people under the Ministry of Public Health.
- Down's Syndrome child camp under the royal patronage of H.M. the Queen to help students with mental retardation develop themselves and lead normal lives.
- Breast Cancer Prevention Fund under the patronage of H.R.H. the Princess Mother, supporting the publishing of a brochure on how to perform a self-breast check.
- Supported the procurement of automatic hospital beds for Phara Mongkutklao Hospital.
- Supported the procurement of wheelchairs for persons with disabilities of the Universal Foundation for Persons with Disabilities in Choomporn province.
- Eye cataract project of the Christian Foundation for the Blind in Thailand under the royal patronage of H.M. the King.

Art & Culture

Believing Thai art to be an important part of the national heritage which should be conserved, the Company has supported a traditional Thai crafts project for local in the southern part of Thailand (Yala province). This project is undertaken by the Kanjanapisake Non-Formal Educational

Center (College in the Court) in Nakhonpathom province, to train persons in folk art in order to conserve the art forms and create income for people.

In addition, the Company organized a Thai cultural trip to various important places i.e. the Grand Palace, the Wimamek Mansion Dusit Palace, Wat Phra Kaew, Bangkok National Museum, the Ananda Samakhom Throne Hall and the Siam Niramit show for rural students.

Religion and Education

The Company has become part of the working team and donated funds to set up the BUDDHADASA INDAPANNO Archives Foundation. This foundation focuses on the Dhamma of Buddhadasa Bhikkhu and supports education and practice for understanding Buddha teaching.

Environment & Nature

The Company supports student activities at the Faculty of Veterinary Medicine of Kasetsart University. This covers rabies control and prevention in the community, wildlife study and conservation, and a rural veterinary volunteer project.

Emergency & Disaster

With flooding in many provinces of Thailand in 2006, the Company and its employees jointly donated money to the fund of Her Royal Highness Princess Maha Chakri Sirindhorn to alleviate the hardships of flood victims and donated fiber boats and consumer products to help flood victims at Angthong province.

Investment in Subsidiary

At present the Company has no investment in any company to be considered as its subsidiary.

Financial Statement

Report of Independent Auditor

To the Board of Directors and Shareholders of
Phatra Securities Public Company Limited

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

I conducted my audits in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes

examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Phatra Securities Public Company Limited as at 31 December 2006 and 2005, and the results of its operations and cash flows for the years then ended, and the results of their consolidated operations and consolidated cash flows for the year ended 31 December 2005 of Phatra Securities Public Company Limited and its subsidiary, in accordance with generally accepted accounting principles.



Rungnapa Lertsuwankul
Certified Public Accountant (Thailand) No. 3516
Ernst & Young Office Limited
Bangkok: 15 February 2007

Balance Sheets

Phatra Securities Public Company Limited
as at 31 December 2006 and 2005

			(Unit: Baht)
	Note	2006	2005
ASSETS			
Cash and cash equivalents	5	2,047,232,374	2,285,823,102
Long-term deposit at financial institution	6	-	100,000,000
Investments in debt and equity securities - net	7	1,460,996,601	736,604,524
Receivables from Clearing House	8	7,413,600	-
Securities and derivatives business receivables	9	1,129,904,414	1,631,965,456
Collateral receivable	24	-	174,250,000
Property, plant and equipment - net	10	220,011,835	222,426,787
Intangible assets - net	11	21,101,656	13,207,452
Other assets	12	82,303,574	95,292,881
TOTAL ASSETS		<u>4,968,964,054</u>	<u>5,259,570,202</u>

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

Balance Sheets (Continued)

Phatra Securities Public Company Limited
as at 31 December 2006 and 2005

			(Unit: Baht)
	Note	2006	2005
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Payables to Clearing House		612,965,289	315,541,863
Securities and derivatives business payables		454,366,623	1,299,535,194
Securities borrowed		-	174,250,000
Corporate income tax payable		82,567,586	74,748,259
Accrued expenses		387,607,242	241,550,894
Other liabilities	13	<u>15,628,861</u>	<u>24,577,066</u>
Total liabilities		<u>1,553,135,601</u>	<u>2,130,203,276</u>
Shareholders' equity			
Share capital			
Registered			
220,000,000 ordinary shares of Baht 5 each	14	<u>1,100,000,000</u>	<u>1,100,000,000</u>
Issued and fully paid-up			
213,500,000 ordinary shares of Baht 5 each		1,067,500,000	1,067,500,000
Share premium		1,250,605,206	1,250,605,206
Revaluation surplus (deficit) on investments	7.2	136,031,353	(39,402,122)
Retained earnings			
Appropriated			
Statutory reserve	15	110,000,000	100,892,960
Unappropriated		<u>851,691,894</u>	<u>749,770,882</u>
Total shareholders' equity		<u>3,415,828,453</u>	<u>3,129,366,926</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>4,968,964,054</u>	<u>5,259,570,202</u>

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

Income Statements

Phatra Securities Public Company Limited and Its Subsidiary
For the years ended 31 December 2006 and 2005

(Unit: Baht)

		CONSOLIDATED	THE COMPANY ONLY	
	Note	2005	2006	2005
Revenues				
Brokerage fees				
Brokerage fees from securities business		987,033,334	1,234,786,576	987,033,334
Brokerage fees from derivatives business		-	3,219,600	
Fees and services income	16	234,466,957	496,123,679	230,764,434
Gain on securities trading	7.3	40,332,803	25,365,192	40,332,803
Gain on derivatives trading		-	453,270	-
Interest and dividend	7.5	66,341,666	173,310,955	66,327,113
Other incomes		35,959,051	19,604,523	35,042,614
Total revenues		1,364,133,811	1,952,863,795	1,359,500,298
Expenses				
Expenses on borrowing		1,537,472	4,149,485	1,537,472
Fee and service expenses		174,664,651	196,148,425	174,517,818
Share of loss from subsidiary		-	-	3,267,000
Operating expenses				
Personnel expenses		477,523,203	632,621,224	473,730,451
Premises and equipment expenses		60,563,652	71,346,531	58,865,066
Taxes and duties		3,420,615	10,713,645	3,365,749
Directors' remuneration	19	4,350,000	6,240,000	4,350,000
Goodwill amortisation	3	2,264,338	-	-
Other expenses		66,522,372	84,034,365	65,360,587
Total expenses		790,846,303	1,005,253,675	784,994,143
Income before corporate income tax		573,287,508	947,610,120	574,506,155
Corporate income tax		(156,646,976)	(228,107,068)	(156,646,976)
Income after corporate income tax		416,640,532	719,503,052	417,859,179
Net loss attributable to minority interest		1,218,647	-	-
Net income for the year		417,859,179	719,503,052	417,859,179
Earnings per share				
	20			
Basic earnings per shares				
Net earnings		2.16	3.37	2.16
Weighted average number of shares (shares)		193,123,749	213,500,000	193,123,749

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

Statement of Changes in Shareholders' Equity

Phatra Securities Public Company Limited

For the years ended 31 December 2006 and 2005

(Unit: Baht)

	Note	Issued and fully paid-up share capital	Share premium	Revaluation surplus (deficit) on investments	Retained earnings		Total
					Appropriated statutory reserve	Unappropriated	
Balance as at 1 January 2005		800,000,000	-	2,829,154	80,000,000	352,804,663	1,235,633,817
Increase in share capital	14	267,500,000	1,250,605,206	-	-	-	1,518,105,206
Revaluation deficit on investments	7.2	-	-	(42,231,276)	-	-	(42,231,276)
Net income for the year		-	-	-	-	417,859,179	417,859,179
Statutory reserve	15	-	-	-	20,892,960	(20,892,960)	-
Balance as at 31 December 2005		1,067,500,000	1,250,605,206	(39,402,122)	100,892,960	749,770,882	3,129,366,926
Revaluation surplus on investments	7.2	-	-	175,433,475	-	-	175,433,475
Net income for the year		-	-	-	-	719,503,052	719,503,052
Dividend paid	18	-	-	-	-	(608,475,000)	(608,475,000)
Statutory reserve	15	-	-	-	9,107,040	(9,107,040)	-
Balance as at 31 December 2006		1,067,500,000	1,250,605,206	136,031,353	110,000,000	851,691,894	3,415,828,453

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

Statements of Cash Flows

Phatra Securities Public Company Limited and Its Subsidiary

For the years ended 31 December 2006 and 2005

(Unit: Baht)

	CONSOLIDATED 2005	THE COMPANY ONLY	
		2006	2005
Cash flows from (used in) operating activities			
Net income for the year	417,859,179	719,503,052	417,859,179
Adjustments to reconcile net income to net cash provided by (paid from) operating activities: -			
Depreciation and amortisation	27,707,076	37,659,389	27,184,521
Amortisation of discount on bill of exchanges	(2,912,194)	(645,918)	(2,912,194)
Unrealised loss on revaluation of investments in securities	216,989	810,560	216,989
Gain on disposal of long-term investments	(23,874,505)	(2,200,719)	(23,874,505)
Gain on disposal of equipment	(90,158)	(2,702,991)	(90,158)
Unrealised gain on exchange rate	(81,500)	(648,695)	(81,500)
Gain on disposal of investment in subsidiary	(825,309)	-	-
Share of loss from investment accounted for under equity method	-	-	3,267,000
Goodwill amortisation	2,264,338	-	-
Net loss attributable to minority interest	(1,218,647)	-	-
Income from operating activities before changes in operating assets and liabilities	419,045,269	751,774,678	421,569,332
Operating assets (increase) decrease			
Long-term deposits at financial institutions	(100,000,000)	100,000,000	(100,000,000)
Short-term investments	(217,858,284)	(271,744,513)	(217,858,284)
Receivables to Clearing House	212,609,188	(7,413,600)	212,609,188
Securities and derivatives business receivables	(357,402,131)	502,061,042	(357,402,131)
Collateral receivables	(174,250,000)	-	(174,250,000)
Other assets	(24,235,295)	12,989,307	(24,763,492)
Operating liabilities increase (decrease)			
Payables to Clearing House	(233,413,338)	297,423,426	(233,413,338)
Securities and derivatives business payables	367,018,175	(845,168,571)	367,018,175
Securities borrowed	174,250,000	-	174,250,000
Corporate income tax payable	(30,029,657)	7,819,327	(30,029,657)
Accrued expenses	(88,653,644)	146,705,043	(89,555,550)
Other liabilities	(8,030,746)	(9,504,661)	(7,899,744)
Net cash flows from (used in) operating activities	(60,950,463)	684,941,478	(59,725,501)

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

Statements of Cash Flows (Continued)

Phatra Securities Public Company Limited and Its Subsidiary

For the years ended 31 December 2006 and 2005

(Unit: Baht)

	CONSOLIDATED 2005	THE COMPANY ONLY	
		2006	2005
Cash flows from (used in) investing activities			
Cash paid for acquisition of subsidiary	(853,049)	-	(12,075,000)
Cash paid for share capital increase of subsidiary	-	-	(3,000,000)
Cash received (paid) from sale of subsidiary	(3,188,989)	-	11,808,000
Cash paid for purchases of long-term investments	(297,036,337)	(284,747,012)	(297,036,337)
Cash received from sales of long-term investments	57,259,910	9,569,000	57,259,910
Cash paid for purchases of equipment	(46,193,270)	(28,201,572)	(46,193,270)
Proceeds from sales of equipment	313,095	4,527,004	313,095
Cash paid for purchases of intangible assets	(10,271,056)	(16,204,626)	(10,271,056)
Net cash flows used in investing activities	(299,969,696)	(315,057,206)	(299,194,658)
Cash flows from (used in) financing activities			
Cash received from shares capital increase	1,518,105,206	-	1,518,105,206
Cash received from minority interest			
in shares capital of subsidiary	2,000,000	-	-
Dividend paid	-	(608,475,000)	-
Net cash flows from (used in) financing activities	1,520,105,206	(608,475,000)	1,518,105,206
Net increase (decrease) in cash and cash equivalents	1,159,185,047	(238,590,728)	1,159,185,047
Cash and cash equivalents at beginning of the year	1,126,638,055	2,285,823,102	1,126,638,055
Cash and cash equivalents at end of the year	2,285,823,102	2,047,232,374	2,285,823,102
Supplemental cash flows information: -			
Cash paid during the year for			
Interest expenses	1,537,472	4,152,041	1,537,472
Corporate income tax	186,698,862	220,287,741	186,676,633
Non-cash items			
Purchases of equipment recorded as liabilities	3,077,957	556,456	3,077,957
Purchases of intangible assets recorded as liabilities	16,285	-	16,285

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

Notes to Financial Statements

Phatra Securities Public Company Limited and Its Subsidiary

For the years ended 31 December 2006 and 2005

1. GENERAL INFORMATION

1.1 Phatra Securities Public Company Limited ("the Company") is a public company incorporated and domiciled in Thailand. The Company's major shareholders are Ruamphon Phatra International Corp., a company incorporated in Samoa, and a group of the Company's management. Its registered office is located at 6th, 8th-11th Floor, Muang Thai-Phatra Office Tower 1, 252/6 Ratchadaphisek Road, Bangkok.

The Company is engaged in the securities business, with the approval of the Ministry of Finance to undertake 5 types of securities businesses, as follows: -

1. Securities brokerage
2. Securities trading
3. Investment advisory
4. Securities underwriting
5. Securities borrowing and lending

In addition, the Company has been approved by the Office of the Securities and Exchange Commission to undertake the financial advisory services in designated areas as specified by the Office of the Securities and Exchange Commission.

On 14 October 2005, the Office of the Securities and Exchange Commission granted the Derivatives Agent License to the Company in doing Securities Borrowing and Lending business in compliance with rules and regulations of the Securities and Exchange Commission.

On 25 April 2006, the Office of the Securities and Exchange Commission granted permission to the Company to operate a futures brokerage business from 28 April 2006 onwards.

On 26 April 2006, the Board of the Thailand Futures Exchange Public Company Limited granted the Company a broker membership, effective from 28 April 2006 onwards.

On 26 April 2006, Thailand Clearing House Co., Ltd. has allowed the Company, as a member, to commence settlement of futures contracts and other services offered by the Clearing House through the Clearing House system from 28 April 2006 onwards.

As at 31 December 2006, the number of employees was 207 persons (2005: 197 persons).

1.2 The Extraordinary General Meeting of the Company's shareholders held on 25 February 2005 approved the Company's entering into an agreement with conditions precedent to acquire 1.8 million shares in Hunters Asset Management Company Limited ("the subsidiary"), or 60 percent of its issued and paid-up share capital, at a total

purchase price of Baht 12.08 million. The Company purchased the shares on 1 April 2005, made Hunters Asset Management Company Limited be a subsidiary of the Company. In addition, the subsidiary's Board of Directors passed a resolution to call up the remaining Baht 5 million of the additional issued shares. The Company made payment of the Company's portion in the amount of Baht 3 million on 12 July 2005.

The Board of Directors Meeting of the Company, held on 12 September 2005, passed a resolution approving the selling out of 1.8 million shares of the subsidiary, or 60 percent of its issued and paid up share capital, at a price of Baht 11.81 million, which was calculated from the net book valued of subsidiary as of 31 August 2005.

The selling out and receipt of all shares of the subsidiary was completed on 18 October 2005. Consequently, Hunters Asset Management Company Limited has not been a subsidiary of the Company since 18 October 2005.

2. BASIS OF PREPARATION

The financial statements have been prepared in accordance with accounting standards enunciated under the Accounting Profession Act B.E. 2547 and in conjunction with the Notifications of the Office of the Securities and Exchange Commission. The presentation of the financial statements has been made in compliance with the stipulations of the Notification of the Office of the Securities and Exchange Commission relating to the format of the financial statements of securities companies No. Sor Thor/Nor. 26/2549 dated 29 June 2006.

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

3. BASIS OF CONSOLIDATION

As discussed in Note 1.2 to the financial statements, on 1 April 2005 the Company purchased 60 percent of issued and paid-up share capital of Hunters Asset Management Company Limited, which was incorporated in Thailand and engaged in fund management, made it be a subsidiary of the Company. On 18 October 2005, the Company sold all shares in the subsidiary, consequently Hunters Asset Management Company Limited has not been a subsidiary of the Company and the balance sheet of Hunters Asset Management Company Limited is excluded from the Company's balance sheet as at 31 December 2005. The results of the operations of subsidiary were included in the 2005 consolidated financial statements only for the operation period from 1 April 2005, which was the date of acquisition, to 18 October 2005 which was the date of disposal by the Company.

The net asset value of the subsidiary, at the acquisition date, consisted of the followings: -

(Unit: Baht)

1 April 2005

Assets

Cash and cash equivalents	11,221,951
Leasehold improvement and equipment - net	2,397,262
Intangible assets - net	1,193,332
Other assets	<u>1,757,440</u>
Total assets	<u>16,569,985</u>

(Unit: Baht)

1 April 2005

Liabilities

Accrued expenses	47,923
Other liabilities	<u>170,959</u>
Total liabilities	<u>218,882</u>
Total net asset value	16,351,103
Percentage of investment by the Company (%)	<u>60</u>
Net asset value in the percentage of investment by the Company	9,810,662
Purchase price	<u>12,075,000</u>
Excess of the cost of the investment over the net asset value	<u>2,264,338</u>
Purchase price	12,075,000
Less: Cash and cash equivalents of the subsidiary at the acquisition date	<u>(11,221,951)</u>
Net cash paid for acquisition of the subsidiary	<u>853,049</u>

The Company fully amortised goodwill, which was the net excess of the cost of the business acquisition of Hunters Asset Management Company Limited over the fair value of the identifiable assets and liabilities in the Company's interest, at the acquisition date during the year 2005 because the Company's management believed that there was uncertainty in future economic value, and the Company would not receive benefit from it.

The net asset value of the subsidiary, at the disposal date, consisted of the followings: -

	(Unit: Baht)
	18 October 2005
Assets	
Cash and cash equivalents	14,996,989
Leasehold improvement and equipment - net	2,047,924
Intangible assets - net	1,020,115
Other assets	<u>1,229,242</u>
Total assets	<u>19,294,270</u>

	(Unit: Baht)
	18 October 2005
Liabilities	
Accrued expenses	949,829
Other liabilities	<u>39,956</u>
Total liabilities	<u>989,785</u>
Total net asset value	18,304,485
Percentage of investment by the Company (%)	<u>60</u>
Net asset value in the percentage of investment by the Company	10,982,691
Selling price	<u>11,808,000</u>
Gain from disposal of the subsidiary	<u>825,309</u>
Selling price	11,808,000
Less: Cash and cash equivalents of the subsidiary at the disposal date	<u>(14,996,989)</u>
Net cash payment from disposal of the subsidiary	<u>(3,188,989)</u>

The percentage of the total revenues of the subsidiary included in the consolidated financial statements for the year ended 31 December 2005 is as follows: -

<u>Subsidiary</u>	<u>Percentage of subsidiary's total revenues included in the consolidated statement of income for the year ended 31 December 2005</u>
	(Percent)
Hunters Asset Management Company Limited	0.28

Material balances and transactions between the Company and the subsidiary have been eliminated from the consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Revenue and expense 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 and service income is recognised when services have been rendered taking into account the stage of completion.

(c) Gain (loss) on securities trading

Gain (loss) on securities trading is recognised as income or expense on the transaction dates.

(d) Gain (loss) on derivative trading

Gain (loss) on derivative trading is recognised as income or expense on the transaction dates.

(e) Interest and dividend on investments

Interest on investments is recognised as interest accrues based on the effective rate method. Dividends from investments are recognised when the right to receive the dividends is established.

(f) Expenses

Expenses are recognised on an accrual basis.

4.2 Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, all bank deposit accounts with maturity less than 3 months, promissory notes and term notes with maturity less than 3 months and exclude deposits used as collateral.

4.3 Recognition and amortisation of customer deposits

Cash received from customers for trading in securities of cash balance accounts or placed as margin for derivatives trading is recorded as assets and liabilities of the Company for internal control purposes. As at the balance sheet date, the Company excludes these amounts from both the assets and liabilities and presents only the assets which belong to the Company.

4.4 Long-term deposits with financial institutions

Long-term deposits with financial institutions include fixed deposit, investments in promissory notes issued by financial institutions with maturities more than 3 months and deposits used as collateral.

4.5 Securities borrowing and lending

The Company records its obligations to return borrowed securities as "Securities borrowing payables" in the balance sheet. At the end of the period, the balance of "Securities borrowing payables" are adjusted based on the latest offer price quoted on the Stock Exchange of Thailand of the last working day of the period. Gains or losses arising from such adjustment are included in determining income. The Company records cash paid as collateral for securities borrowing as "Collateral receivables". Fees on securities borrowing and lending are recognised on an accrual basis.

In case of securities borrowed and allocated to investor for over-allotment purpose, the Company records its obligations to return securities borrowed as "Securities borrowed" in the balance sheet. The cash and the securities purchased for return to the lender of the securities, which are pledged as collateral to securities borrowing, are recorded as "Collateral receivable" in the balance sheet.

4.6 Investments in debt and equity securities

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 determining income.

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 determining income.

Investments in debt securities, both due within one year and expected to be held to maturity, are recorded at amortised cost. The premium/discount on debt securities is amortised by 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 loss on impairment (if any).

The fair value of marketable securities 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 trusts is determined from their net asset value of the balance sheet date.

The fair value of government bonds and debt instruments is determined based on the required rate of return or the yield rates quoted by the Thai Bond Market Association.

Loss on impairment (if any) of investments in available-for-sale securities, debt securities expected to be held to maturities and other investments are included in the income statements.

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

Investment in subsidiary (in the Company's financial statements) is accounted for under the equity method. Under this method, the investment is recorded at cost. For each subsequent period the investment is adjusted to incorporate the Company's proportionate share of the operating results in the subsidiary.

4.7 Receivables from Clearing House

Receivables from Clearing House comprises the net receivable at Thailand Securities Depository (TSD) in respect to securities trades which settlement is made through TSD and the net receivable at Thailand Clearing House (TCH) including cash collateral pledged with TCH for derivatives trading.

4.8 Securities and derivatives business receivables and allowance for doubtful accounts

Securities and derivatives business receivables are the net receivables of cash accounts and derivatives after deducting allowance for doubtful accounts (if any).

The Company has provided an allowance for doubtful debts 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 that are not fully covered by collateral and/or debtors that cannot be recovered in full amount. Such debt classifications and provisions are in accordance with the following criteria: -

- a) Asset classified as bad debt is defined as the following criteria: -
 - (1) Loan balances which the Company has already made effort to collect, but could not collect. The Company has already written off in accordance with tax law.
 - (2) Loan balances which the Company has forgiven them.
- b) Doubtful debt is defined as the uncollateralised portion of the value of a debt which meets the following criteria: -
 - (1) General loans, problem financial institution loans, and other loans which the collateral value is less than the loan balance.
 - (2) Installment loans with repayments scheduled less than 3 months for each installment, which principal or interest is overdue by more than 3 months.
 - (3) Installment loans with repayments scheduled more than 3 months for each installment, unless there is clear evidence and a high degree of certainty that full repayment will be received.
- c) Sub-standard 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. Provision will be set aside for loans classified as doubtful at 100% of the loan balance. These conditions are complied with the guidelines stipulated by the Office of the Securities and Exchange Commission.

4.9 Property, plant and equipment and depreciation

Land is stated at cost. Buildings and equipment are stated at cost less accumulated depreciation and allowance for loss on impairment of assets (if any).

Depreciation of plant and equipment is calculated by reference to their costs on the straight-line basis over the following estimated useful lives:

Building and building improvement	5, 20 - 30 Years
Furniture, fixtures and office equipment	3 - 5 Years
Motor vehicles	5 Years

No depreciation is provided on land.

Depreciation is included in determining income.

4.10 Long-term leases

Leases of equipment which transfer substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The outstanding rental obligations, net of finance charges, are included in other long-term payables, while the interest element is charged to the income statements over the lease period. The equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease period.

4.11 Intangible assets and amortisation

Intangible assets are stated at cost less accumulated amortisation. Amortisation is calculated by reference to cost on a straight-line basis over the expected future period, for which the assets are expected to generate economic benefit, as follows: -

Deferred license fee	5 Years
Application software	3 - 5 Years

The amortisation is included in determining income.

4.12 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.

4.13 Payables to Clearing House

Payables to Clearing House comprises the net payable to Thailand Securities Depository (TSD) in relation to securities

trading which settlement is made through TSD and the net payable to Thailand Clearing House (TCH), which is margin required by TCH for derivatives business.

4.14 Securities and derivatives business payables

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

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

4.16 Provisions

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

4.17 Foreign currencies

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

Gains and losses on exchange are included in determining income.

4.18 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 value of derivatives are included in the income statements. The fair value of derivatives is based on the daily settlement price quoted by Thailand Futures Exchange Public Company Limited.

4.19 Employee benefits

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

4.20 Income tax

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

4.21 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 to amounts reported in these financial statements and related notes. Actual results could differ from these estimates.

5. CASH AND CASH EQUIVALENTS

	(Unit: Baht)	
	2006	2005
Cash	21,000	21,000
Current deposits and savings deposits	538,086,991	223,920,579
Promissory notes with maturity less than 3 months	1,700,000,000	2,100,000,000
Less: Deposits for customers' accounts	(190,875,617)	(38,118,477)
Total cash and cash equivalents - net	<u>2,047,232,374</u>	<u>2,285,823,102</u>

As at 31 December 2006 and 2005, the promissory notes with maturity less than 3 months have interest rates of 4.60 percent - 5.35 percent per annum and 3.78 percent - 4.00 percent per annum, respectively.

6. LONG-TERM DEPOSIT AT FINANCIAL INSTITUTION

	(Unit: Baht)	
	2006	2005
Promissory note with maturity more than 3 months	-	100,000,000
Total	<u>-</u>	<u>100,000,000</u>

As at 31 December 2005, the promissory note with maturity more than 3 months has interest rate at 4.25 percent per annum.

7. INVESTMENTS IN DEBT AND EQUITY SECURITIES

7.1 Cost and fair value

(Unit: Baht)

	2006		2005	
	Cost/Cost net amortisation	Fair value	Cost/Cost net amortisation	Fair value
Short-term investments				
Trading securities				
Listed securities	10,934,208	10,123,648	77,664,719	77,447,730
Less: Changes in fair value of securities	(810,560)	-	(216,989)	-
Total trading securities - net	<u>10,123,648</u>	<u>10,123,648</u>	<u>77,447,730</u>	<u>77,447,730</u>
Available-for-sale securities				
Unit trust	50,000,000	50,767,500	100,000,000	100,676,000
Add: Changes in fair value of securities	767,500	-	676,000	-
Total available-for-sale securities - net	<u>50,767,500</u>	<u>50,767,500</u>	<u>100,676,000</u>	<u>100,676,000</u>
Debt securities due within 1 year				
Debt securities	686,792,381		297,888,428	
Total debt securities due within 1 year	<u>686,792,381</u>		<u>297,888,428</u>	
Total short-term investments - net	<u>747,683,529</u>		<u>476,012,158</u>	

(Unit: Baht)

	2006		2005	
	Cost/Cost net amortisation	Fair value	Cost/Cost net amortisation	Fair value
Long-term investments				
Available-for-sales securities				
Listed securities	573,941,540	709,205,392	296,562,808	256,484,686
Add (less): Changes in fair value of securities	135,263,852	-	(40,078,122)	-
Total available-for-sales securities - net	<u>709,205,392</u>	<u>709,205,392</u>	<u>256,484,686</u>	<u>256,484,686</u>
Non-marketable securities				
Other securities	4,201,241		4,201,241	
Less: Allowance for loss on impairment	(93,561)		(93,561)	
Total non-marketable securities - net	<u>4,107,680</u>		<u>4,107,680</u>	
Total long-term investments - net	<u>713,313,072</u>		<u>260,592,366</u>	
Total investments in debt and equity securities - net	<u>1,460,996,601</u>		<u>736,604,524</u>	

7.2 Revaluation surplus (deficit) on investments

(Unit: Baht)

	2006	2005
Balance - beginning of the year	(39,402,122)	2,829,154
Changes during the year		
- from revaluation	176,092,079	(39,402,122)
- from sales	(658,604)	(2,829,154)
Balance - end of the year	<u>136,031,353</u>	<u>(39,402,122)</u>

7.3 Gain (loss) on securities trading

(Unit: Baht)

	CONSOLIDATED	THE COMPANY ONLY	
	2005	2006	2005
Unrealised loss on trading securities	(216,989)	(810,560)	(216,989)
Realised gain on trading securities	16,675,287	23,975,033	16,675,287
Realised gain on available-for-sale securities	19,175,015	2,200,719	19,175,015
Realised gain on non-marketable securities	4,699,490	-	4,699,490
Total	<u>40,332,803</u>	<u>25,365,192</u>	<u>40,332,803</u>

7.4 During the years, the Company received proceeds from the sale of trading securities and available-for-sale securities, as follows: -

(Unit: Baht)

	THE COMPANY ONLY	
	2006	2005
Short-term investments		
Trading securities	2,504,631,931	2,227,800,569
Available-for-sale securities	252,361,930	-
Long-term investments		
Available-for-sale securities	9,569,000	48,613,420
Non-marketable securities	-	8,646,490
Total	<u>2,766,562,861</u>	<u>2,285,060,479</u>

7.5 Interest and dividend

During the years, the Company received interest and dividend income classified by type of investments as follows: -

(Unit: Baht)

	CONSOLIDATED	THE COMPANY ONLY	
	2005	2006	2005
Interest			
Debt securities due within 1 year	7,267,370	7,348,703	7,267,370
Dividend			
Trading securities	2,514,677	1,264,299	2,514,677
Available-for-sale securities	5,488,830	52,689,004	5,488,830
Non-marketable securities	2,945,400	625,600	2,945,400
Total	18,216,277	61,927,606	18,216,277

8. RECEIVABLES FROM CLEARING HOUSE

Below are details of receivables from Clearing House as at 31 December 2006 and 2005.

(Unit: Baht)

	2006	2005
Receivables from Thailand Securities Depository (TSD)	-	-
Receivables from Thailand Clearing House (TCH)	75,587,820	-
Less: Receivables from Clearing House for customers' accounts	(68,174,220)	-
Receivables from Thailand Clearing House (TCH) - net	7,413,600	-
Total receivables from Clearing House	7,413,600	-

9. SECURITIES AND DERIVATIVES BUSINESS RECEIVABLES

Below are details of securities and derivatives business receivables as at 31 December 2006 and 2005.

(Unit: Baht)

	2006	2005
Securities business receivables		
Cash accounts	1,128,285,126	1,631,965,456
Derivatives business receivables		
Derivatives business receivables	1,619,288	-
Securities and derivatives business receivables	1,129,904,414	1,631,965,456

The Company has classified securities business receivables in accordance with the Notification of the Office of the Securities and Exchange Commission governing accounting for doubtful debts of securities companies. As at 31 December 2006 and 2005, securities business receivables are classified as follows: -

(Unit: Million Baht)

	2006			2005		
	Securities business receivables	Allowance for doubtful accounts set up by the Company	Net securities business receivables after allowance for doubtful accounts	Securities business receivables	Allowance for doubtful accounts set up by the Company	Net securities business receivables after allowance for doubtful accounts
Normal debts	1,128	-	1,128	1,632	-	1,632
Total	1,128	-	1,128	1,632	-	1,632

10. PROPERTY, PLANT AND EQUIPMENT

(Unit: Baht)

	Land	Building and building improvement	Furniture, fixtures and office equipment	Vehicles	Total
At cost:					
31 December 2005	52,012,454	225,776,128	173,702,869	18,634,253	470,125,704
Acquisitions	-	2,325,367	20,352,661	6,080,000	28,758,028
Disposal	-	-	(7,859,671)	(7,472,200)	(15,331,871)
31 December 2006	52,012,454	228,101,495	186,195,859	17,242,053	483,551,861
Accumulated depreciation:					
31 December 2005	-	93,978,739	144,294,815	9,425,363	247,698,917
Depreciation charged for the year	-	12,683,991	13,735,104	2,929,872	29,348,967
Disposal	-	-	(6,035,663)	(7,472,195)	(13,507,858)
31 December 2006	-	106,662,730	151,994,256	4,883,040	263,540,026
Net book value:					
31 December 2005	52,012,454	131,797,389	29,408,054	9,208,890	222,426,787
31 December 2006	52,012,454	121,438,765	34,201,603	12,359,013	220,011,835
Depreciation for the year:					
2005					21,808,014
2006					29,348,967

As at 31 December 2006, certain plant and equipment items have been fully depreciated but are still in used. The original cost of those assets amounted to approximately Baht 156 million (2005: Baht 160 million).

As at 31 December 2006, the Company hold office equipment acquired under financial lease, with net book value amounting to approximately Baht 0.6 million (2005: Baht 0.8 million).

11. INTANGIBLE ASSETS

(Unit: Baht)

	Remaining period of amortisation	Balance beginning of the year	Increase	Amortisation	Balance end of the year
Deferred license fee	5 years	221,386	5,290,745	(759,848)	4,752,283
Application software	1 - 3 years	<u>12,986,066</u>	<u>10,913,881</u>	<u>(7,550,574)</u>	<u>16,349,373</u>
Total		<u>13,207,452</u>	<u>16,204,626</u>	<u>(8,310,422)</u>	<u>21,101,656</u>
Amortisation expenses included in the income statements for the year					
2005					<u>5,376,507</u>
2006					<u>8,310,422</u>

As at 31 December 2006, certain application software items have been fully amortised but are still in use. The original cost, before deducting accumulated amortisation, of these assets amounted to Baht 44 million (2005: Baht 42 million).

12. OTHER ASSETS

The balances as at 31 December 2006 and 2005 consist of: -

(Unit: Baht)

	2006	2005
Payments for clearing fund	17,090,857	14,777,736
Asset for protecting the clearing system	10,173,327	-
Advanced payment	16,168,617	23,979,093
Accrued interest income	9,696,097	5,133,989
Accrued fee income	6,800,000	34,615,000
Prepaid expenses	4,132,296	3,967,544
Others	<u>18,242,380</u>	<u>12,819,519</u>
Total	<u>82,303,574</u>	<u>95,292,881</u>

13. OTHER LIABILITIES

The balances as at 31 December 2006 and 2005 consist of: -

	(Unit: Baht)	
	2006	2005
Withholding tax payable	2,930,798	3,435,222
Value added tax payable	7,059,379	8,147,682
Others	<u>5,638,684</u>	<u>12,994,162</u>
Total	<u>15,628,861</u>	<u>24,577,066</u>

14. SHARE CAPITAL

The Extraordinary General Meeting of the Company's shareholders held on 25 February 2005 passed a resolution to increase the Company's registered share capital from Baht 800 million to Baht 1,100 million through the issuance of 60,000,000 ordinary shares with a par value of Baht 5 each. The Company registered Baht 1,100 million as its registered share capital and Baht 800 million as its paid-up share capital with the Ministry of Commerce on 28 February 2005. The Company allocated 60,000,000 newly issued ordinary shares as follow: -

- 3,500,000 ordinary shares to be offered to the Company's directors and employees.
- 50,000,000 ordinary shares to be offered to the public.
- 6,500,000 ordinary shares to be held as reserve for the exercise of the Greenshoe Option of the underwriter who act as the over-allotment agent according to the relevant Notification of the Office of the Securities and Exchange Commission.

On 3 - 4 May 2005, the Company sold a total of 3,500,000 shares to the Company's directors and employees at a price of Baht 7.73 per share. On 17 - 20 May 2005 and 19 - 20 May 2005, the Company sold a total of 50,000,000 shares to institutional investors and the public at a price of Baht 31 per share. Total proceeds from the share offerings were Baht 1,577.1 million, with a share premium of Baht 1,309.5 million. Expenses in the offering of Baht 58.9 million were offset against this share premium. The Company registered the change in its paid-up share capital to Baht 817.5 million and Baht 1,067.5 million with the Ministry of Commerce on 9 May 2005 and 26 May 2005, respectively.

The option granted to the underwriter who act as the over-allotment agent for 6,500,000 ordinary shares is not exercised.

The Stock Exchange of Thailand has granted the listing of the Company's ordinary shares and permitted trading on 31 May 2005.

Reconciliation of number of ordinary shares

	(Unit: Shares)	
	2006	2005
Registered share capital		
Number of ordinary shares at the beginning of the year	220,000,000	160,000,000
Increase in number of registered shares	-	60,000,000
Number of ordinary shares at the end of the year	<u>220,000,000</u>	<u>220,000,000</u>
Issued and paid-up share capital		
Number of ordinary shares at the beginning of the year	213,500,000	160,000,000
Increase due to shares offering to directors, employees and public	-	53,500,000
Number of ordinary shares at the end of the year	<u>213,500,000</u>	<u>213,500,000</u>

15. 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.

As at 31 December 2006 and 2005, the Company had set aside the statutory reserve of Baht 9 million and Baht 21 million from its net income for the year 2006 and 2005, respectively.

16. FEES AND SERVICES INCOME

	(Unit: Baht)		
	CONSOLIDATED	THE COMPANY ONLY	
	2005	2006	2005
Underwriting fee	126,132,450	329,035,055	126,132,450
Financial advisory fee	80,102,311	127,283,051	80,102,311
Selling agent fee	24,529,673	39,805,573	24,529,673
Private fund management fee	3,702,523	-	-
Total	<u>234,466,957</u>	<u>496,123,679</u>	<u>230,764,434</u>

17. PROVIDENT FUND

The Company and its employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. Both employees and the Company contributed to the fund monthly at the rate of a percent of basic salary. The fund, which is managed by a licensed fund manager, will be paid to employees upon termination in accordance with the fund rules. During the year 2006, the Company contributed Baht 18.9 million (2005: Baht 17.8 million) to the fund.

18. DIVIDENDS

(Unit: Baht)

Dividends	Approved by	Total Dividend	Dividend per share	Paid on
Dividend on 2005 net income	Annual General Meeting of the shareholders on 24 April 2006	394,975,000	1.85	8 May 2006
Interim dividend from the income of six-month period of 2006	Board of Directors' meeting on 22 August 2006	213,500,000	1.00	18 September 2006
		<u>608,475,000</u>	<u>2.85</u>	

19. 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.

20. 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 held by outside shareholders in issue during the year.

21. RELATED PARTY TRANSACTIONS

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

(Unit: Baht)

	CONSOLIDATED 2005	THE COMPANY ONLY 2006	2005	Transfer pricing policy
Transactions with the Company's directors				
Brokerage fees from securities business	144,084	1,659,371	144,084	0.25% of trading value
Brokerage fees from derivatives business	-	54,000	-	Normal rate charged to ordinary customers
Transactions with related parties				
Brokerage fees from securities business	1,926,982	298,029	1,926,982	0.25% of trading value
Fees and services income	1,346,994	-	-	Rate stated in contract

Related party transactions include significant business transactions with the subsidiary and subsidiary's related parties occurring between 1 April 2005, the date the Company acquired the investment, and 18 October 2005, the date of disposal.

The balances of the accounts as at 31 December 2006 and 2005 between the Company and those related companies are as follows:

	(Unit: Baht)	
	2006	2005
The Company's directors		
Deposits for customers' accounts	1,961,606	-

Directors and management's remuneration

In 2006, the Company paid salaries, meeting allowances and gratuities to their directors and management totaling Baht 149 million (2005: Baht 102 million).

22. COMMITMENTS

22.1 The Company entered into a Business Service Agreement and a Research Co-Operation Agreement with a foreign company. These two agreements have an initial term of three years from 1 December 2003 and will be automatically extended by one year following the expiry of the initial term, unless terminated by either party.

In addition, the Company is to pay a sub-license fee of approximately USD 87,000 per annum for the use of the software provided by the foreign company for use in the Company's operations. The agreement has an initial term of three years, starting on 1 December 2003 and will be automatically extended by one year following the expiry of the initial term, unless terminated by either party.

Under the agreement, the foreign company would provide general advice to the Company on economy, capital market, money market, support and provide other services as stipulated under the agreement. In 2005 and 2006, the Company's related expenses amounted USD 3.5 million per annum. The Company is in the process of negotiating the cost of these services for the year 2007, which will be based on the nature and amount of advice, assistance and other services expected to be provided, and the result of these negotiations is expected to be in the first quarter.

22.2 As at 31 December 2006, the Company is required 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.

22.3 As at 31 December 2006, the Company is required 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 securities underwriting. The fee is charged at the rate of 1 percent per annum of income from the aforesaid

activities. In 2007, the Office of the Securities and Exchange Commission has adjusted the minimum fee to Baht 500,000 per annum and a maximum fee to Baht 5,000,000 per annum.

22.4 As at 31 December 2006, the Company is required to pay contributions to the Compensation Fund for Clearing and Settlement, which is overseen by the Thailand Securities Depository Company Limited (TSD), on a monthly basis, at a rate of 0.008 percent, 0.012 percent or 0.016 percent of its net settlements each month, depend on settlement risk of the Company.

22.5 As at 31 December 2006, the Company is required to pay a membership fee to the Securities Investor Protection Fund (SIPF), which is overseen by the Stock Exchange of Thailand, on a monthly basis at the rate of 0.0005 percent of the trading volume.

22.6 As at 31 December 2006, the Company has commitments to pay certain service fees to Thailand Securities Depository Company Limited (TSD), as its Back Office Service Bureau. A monthly fee at a rate of Baht 30,000 and certain other fees specified in the agreement are charged to the Company on a monthly basis. The agreement has a term of 2 years, ending on 30 November 2007.

23. BANK GUARANTEES

As at 31 December 2006, there were outstanding bank guarantees of approximately Baht 1.4 million (2005: Baht 1.4 million), issued by the banks on behalf of the Company in respect of certain performance bonds as required in the normal course of business.

24. SECURITIES BORROWING AND LENDING

On 23 November 2005, the Company entered into a Securities Borrowing and Lending Agreement with a shareholder of Preuksa Real Estate Public Company Limited ("Preuksa") to borrow 42.5 million shares of Preuksa at a price of Baht 4.10 per share and allocated to investors for over-allotment portion. The Company recorded Baht 174.25 million of securities borrowed in the balance sheet, and recorded cash collateral of Baht 174.25 million, equal to the value received from the sale of the 42.5 million shares, as collateral receivable. This collateral receivable was placed with a financial institution who acted as escrow agent. The Company was to procure the over-allotment shares for return to the lender.

Over-allotment shares could be procured to return to the lender either through purchases through the Stock Exchange of Thailand or exercise greenshoe option from Preuksa. The stabilization period started from 6 December 2005 to 4 January 2006. From the beginning of the stabilization period up to 31 December 2005, the Company purchased 7.75 million shares of Preuksa with a value of Baht 30.35 million from the Stock Exchange of Thailand. As a result, the balances of cash collateral of Baht 143.90 million together with securities collateral were recorded as collateral receivable.

The Company exercised greenshoe option by 34.75 million shares from Preuksa on 4 January 2006. The Company returned the over-allotment shares to the lender, completely fulfilled obligation under the Securities Borrowing and Lending Agreement without significant financial impact.

25. SEGMENT INFORMATION

The Company's business operations involve 3 principal segments: securities brokerage segment, investment banking segment and investments segment. These operations are mainly carried on in Thailand. Below is the financial information for the years ended 31 December 2006 and 2005 of the Company by segment.

(Unit: Thousand Baht)

	Securities brokerage segment		Investment banking segment		Other segments		Total	
	2006	2005	2006	2005	2006	2005	2006	2005
Revenues	1,162,268	1,023,793	568,071	195,786	83,646	48,503	1,813,985	1,268,082
Segment income	719,397	625,546	417,773	92,969	23,930	18,738	1,161,100	737,253
Unallocated income (expense):								
Other income							138,879	96,052
Operating expenses							(352,369)	(260,017)
Corporate income tax							(228,107)	(156,647)
Minority interest							-	1,218
Net income for the year							719,503	417,859

Transfer prices between business segments are set out in Note 21 to the financial statements.

(Unit: Thousand Baht)

	Securities brokerage segment		Investment banking segment		Other segments		Total	
	2006	2005	2006	2005	2006	2005	2006	2005
Property, plant and equipment - net								
- allocated	35,483	38,905	18,225	18,695	12,839	12,575	66,547	70,175
- unallocated							153,465	152,252
Total							220,012	222,427
Unallocated assets							4,748,952	5,037,143
Total assets							4,968,964	5,259,570

26. FINANCIAL INSTRUMENTS

26.1 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, deposits at financial institutions, investments, receivables from and payables to Clearing House, and securities and derivatives business receivables and payables. The financial risks associated with these financial instruments and how they are managed is described below.

26.2 Credit risk

The Company is exposed to credit risk primarily with respect to deposits at financial institutions, investment in debt securities, receivables from Clearing House, securities and derivatives business receivables and other receivables. The Company manages the risk by adopting appropriate trading limit policies and procedures. In addition, to manage risks on debt instruments, the Company has assigned the list of issuers with maximum credit exposure limits. As a result, the Company 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 as follows:

	(Unit: Baht)	
	2006	2005
Financial assets		
Cash and cash equivalents - promissory notes		
with maturity less than 3 months	1,700,000,000	2,100,000,000
Long-term deposit at financial institution	-	100,000,000
Investment in debt securities - net	686,792,381	297,888,428
Receivables from Clearing House	7,413,600	-
Securities and derivatives business receivables	1,129,904,414	1,631,965,456
Other assets - other receivables	47,384,848	78,863,998

26.3 Interest rate risk

The Company's exposure to interest rate risk relates primarily to its deposits at financial institutions and investments. However, since most of the Company's financial assets and liabilities bear floating interest rates or fixed interest rates which are close to the market rate. In addition, to reduce the interest rate risk, the Company has determined the maximum limit for investments as appropriate. As a result, the interest rate risk is expected to be minimal.

Significant financial assets and liabilities as at 31 December 2006 and 2005 classified by type of interest rates and, for those financial assets and liabilities are categorised by the contractual repricing or maturity date (whichever is earlier) are as follows: -

(Unit: Million Baht)

	2006								
	Outstanding balances of financial instruments							Interest rate	
	Floating interest rate	Repricing or maturity dates				No interest	Total	(Percent)	
		At call	Less 1 year	1 - 5 years	Over 5 years			Floating rate	Fixed rate
Financial instruments - assets									
Cash and cash equivalents	124	300	1,400	-	-	223	2,047	0.25 - 4.50	4.60 - 5.35
Investments - net	-	-	687	-	-	774	1,461	-	4.80-4.99
Receivables from Clearing House	-	-	-	-	-	7	7	-	-
Securities and derivatives business receivables	-	-	-	-	-	1,130	1,130	-	-
Financial instruments - liabilities									
Payables to Clearing House	-	-	-	-	-	613	613	-	-
Securities and derivatives business payables	-	-	-	-	-	454	454	-	-

(Unit: Million Baht)

	2005									
	Outstanding balances of financial instruments							Interest rate		
	Floating interest rate	Repricing or maturity dates				No interest	Total	(Percent)		
		At call	Less 1 year	1 - 5 years	Over 5 years			Floating rate	Fixed rate	
Financial instruments - assets										
Cash and cash equivalents	93	600	1,500	-	-	93	2,286	0.25 - 2.75	3.78 - 4.00	
Long-term deposit at financial institution	-	-	100	-	-	-	100	-	4.25	
Investments - net	-	-	298	-	-	439	737	-	2.75, 3.75	
Securities business receivables	-	-	-	-	-	1,632	1,632	-	-	
Collateral receivable	144	-	-	-	-	30	174	0.50, 0.75	-	
Financial instruments - liabilities										
Payables to Clearing House	-	-	-	-	-	316	316	-	-	
Securities business payables	-	-	-	-	-	1,300	1,300	-	-	
Securities borrowed	-	-	-	-	-	174	174	-	-	

26.4 Liquidity risk

The periods of time from the balance sheet date to the maturity dates of financial instruments as of 31 December 2006 and 2005 are as follows: -

(Unit: Million Baht)

	2006					Total
	Outstanding balances of financial instruments					
	At call	Within 1 year	1 - 5 years	Over 5 years	No maturity	
Financial instruments - assets						
Cash and cash equivalents	647	1,400	-	-	-	2,047
Investments - net	-	748	-	-	713	1,461
Receivables from Clearing House	-	7	-	-	-	7
Securities and derivatives business receivables	-	1,130	-	-	-	1,130
Financial instruments - liabilities						
Payables to Clearing House	-	613	-	-	-	613
Securities and derivatives business payables	-	454	-	-	-	454

(Unit: Million Baht)

	2005					Total
	Outstanding balances of financial instruments					
	At call	Within 1 year	1 - 5 years	Over 5 years	No maturity	
Financial instruments - assets						
Cash and cash equivalents	786	1,500	-	-	-	2,286
Long-term deposit at financial institution	-	100	-	-	-	100
Investments - net	-	476	-	-	261	737
Securities business receivables	-	1,632	-	-	-	1,632
Collateral receivable	-	174	-	-	-	174
Financial instruments - liabilities						
Payables to Clearing House	-	316	-	-	-	316
Securities business payables	-	1,300	-	-	-	1,300
Securities borrowed	-	174	-	-	-	174

26.5 Foreign currency risk

The Company's exposure to foreign currency risk arises mainly from service transactions that are denominated in foreign currencies. The Company has no forward contracts to reduce the exposure.

The balances of financial liabilities denominated in foreign currencies as at 31 December 2006 and 2005 are summarised below: -

Foreign Currency	Financial liabilities		Average exchange rate as at 31 December	
	2006	2005	2006	2005
	(Baht per 1 foreign currency unit)			
US dollar	896,997	898,080	36.0455	41.0299
Singapore dollar	-	7,100	-	24.6433

26.6 Financial derivative

As at 31 December 2006, the Company has no off-balance sheet outstanding financial derivative.

26.7 Fair values of financial instruments

Since the majority of the Company's 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.

A fair value is the amount for which an asset can be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction.

The methodology of fair value measurement depends upon the characteristics of the financial instrument. For those financial instruments which are regarded as being traded in an active market, fair value is determined by reference to the market price of the financial instrument. If however the appropriate quoted market price cannot be determined, the fair value is determined by using an appropriate valuation technique such as discounted cash flow.

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 instrument. The fair value of financial assets are presented as the amount stated in the balance sheet (including cash, deposits at financial institutions) which are considered to be their approximated respective carrying value since the financial

instruments are predominantly and 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. The fair value of receivables from Clearing House, securities and derivative business receivables and collateral receivable are estimated at their net book value since the maturity date is in the short-term.

b) Financial liabilities

Payables to Clearing House, securities and derivative business payables and securities borrowed are presented at net book value since the maturity dates occur of short-term.

27. RECLASSIFICATION

Certain amounts in the financial statements for the year ended 31 December 2005 have been reclassified to conform to the current year's classifications, without impact on previously reported net income or shareholders' equity.

28. SUBSEQUENT EVENTS

The meeting of the Company's Board of Directors, held on 15 February 2007, passed a resolution to propose the payment of a dividend of Baht 2 per share, or a total of Baht 427 million. The dividend payment will be proposed to approve by the Annual General Meeting of the Company's shareholders, which will be held on 9 April 2007, and payment will be within 1 month after approval by the Annual General Meeting of the Company's shareholders.

29. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were authorised for public by the Company's Board of Directors on 15 February 2007.

Phatra Securities Public Company Limited

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