

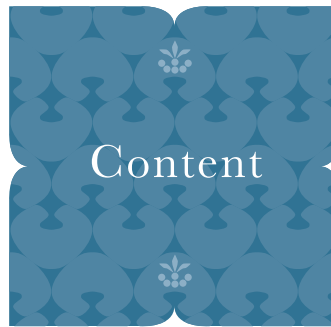


Phatra Securities  
Public Company Limited



*Annual Report 2007*



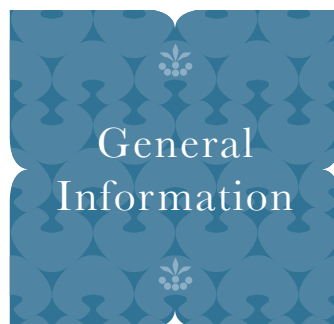


*Annual Report 2007*  
*Phatra Securities Public Company Limited*

---

02	General Information
03	Background
04	Financial Highlight
08	Message from Chairman
10	Business Overview and Major Development
13	Business Performance and Situation
16	Risk Factors
19	Shareholders Structure
20	Organization Structure
22	Management Structure
31	Profiles of the Company's Executives and Controlling Persons
43	Remuneration of the Management
44	Human Resources Development
45	Related Party Transactions
46	Corporate Governance Report
66	Supervision of Usage of Internal Information
67	Dividend Payment Policy and Dividend Payment
68	Auditor's Remuneration
69	Investment in Subsidiary
70	Responsibility to the Financial Report of the Board of Directors
71	Audit Committee's Report
74	Director Nominating Committee's Report
76	Management Development and Compensation Committee's Report
77	Corporate Social Responsibility Committee's Report and Charitable Activities
81	Management Discussion and Analysis
90	Financial Statement

---



Annual Report 2007  
Phatra Securities Public Company Limited

---

## GENERAL INFORMATION

**Name of the Company :**  
Phatra Securities Public Company Limited

**Type of Securities :**  
Ordinary share

**Type of Business :**  
The Company engages in securities businesses, chiefly securities brokerage, investment banking, investment, securities borrowing and lending and acting as an agent in the futures exchange market.

**Total Number of Shares :**  
213,500,000 shares

**Registered Capital :**  
Baht 1,100,000,000

**Head Office :**  
252/6 Muang Thai-Phatra Office Tower 1,  
6th,8th-11th Floor, Ratchadapisek Road,  
Huaykwang, Bangkok 10310

**Paid-up Capital :**  
Baht 1,067,500,000

**Branch :**  
None

**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  
Website <http://www.tsd.co.th>

**Company Registration No. :**  
Bor Mor Jor. 0107548000064

**Telephone :**  
0-2305-9000

**Auditor :**  
Ernst & Young Office Limited  
33rd Floor, Lake Rajada Building,  
193/136-137 New Rajadapisek Road,  
Klongtoey, Bangkok 10110  
Tel. 0-2264-0777  
Fax. 0-2264-0789-90

**Facsimile :**  
0-2693-2631

**Homepage :**  
<http://www.phatrasecurities.com/>



Annual Report 2007  
Phatra Securities Public Company Limited

---

## BACKGROUND

Phatra Securities Public Company Limited (“the Company”), a broker member of the Stock Exchange of Thailand (“SET”) no.6, was founded 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, a subsidiary of KASIKORNBANK Public Company Limited, held 99.99% of the Company’s shares.

In 1998, Phatra Thanakit Finance Public Company Limited sold 49.00% of the Company’s shares to KASIKORNBANK Public Company Limited, which then held the Company’s shares directly and sold the remaining 51.00% to Merrill Lynch, one of the world’s leading financial institutions, 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 the financial industry under the financial and securities sector with the abbreviation of “PHATRA”.

The Company has been granted by the Ministry of Finance the right to operate five types of securities businesses, namely, securities brokerage, securities dealing, underwriting, investment advisory and securities borrowing and lending, and was granted by the Office of the Securities and Exchange Commission, Thailand (“SEC”) the right to act as an agent in the futures exchange market. In 2005, the Company became a member of the Thailand Futures Exchange Public Company Limited (“TFEX”). In addition, the Company has registered as a financial advisor type A providing financial advisory services with the Ministry of Commerce and has been granted 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.



Annual Report 2007  
Phatra Securities Public Company Limited

## FINANCIAL SUMMARY

	(unit : million baht)		
	2007	2006	2005
		(Restated)	(Restated)
Total Assets	5,657.45	4,968.96	5,285.86
Total Liabilities	2,338.30	1,569.83	2,130.20
Registered Capital	1,100.00	1,100.00	1,100.00
Paid up Capital	1,067.50	1,067.50	1,067.50
Total Shareholder's Equity	3,319.15	3,399.13	3,155.66
Total Revenues	1,569.34	1,946.42	1,357.85
Total Expenses	931.70	998.81	783.34
Net Profit	484.99	720.38	418.23
Book Value Per Share (Baht)	15.55	15.92	14.78
Earning Per Share (Baht)	2.27	3.37	2.17

## REVENUES STRUCTURE

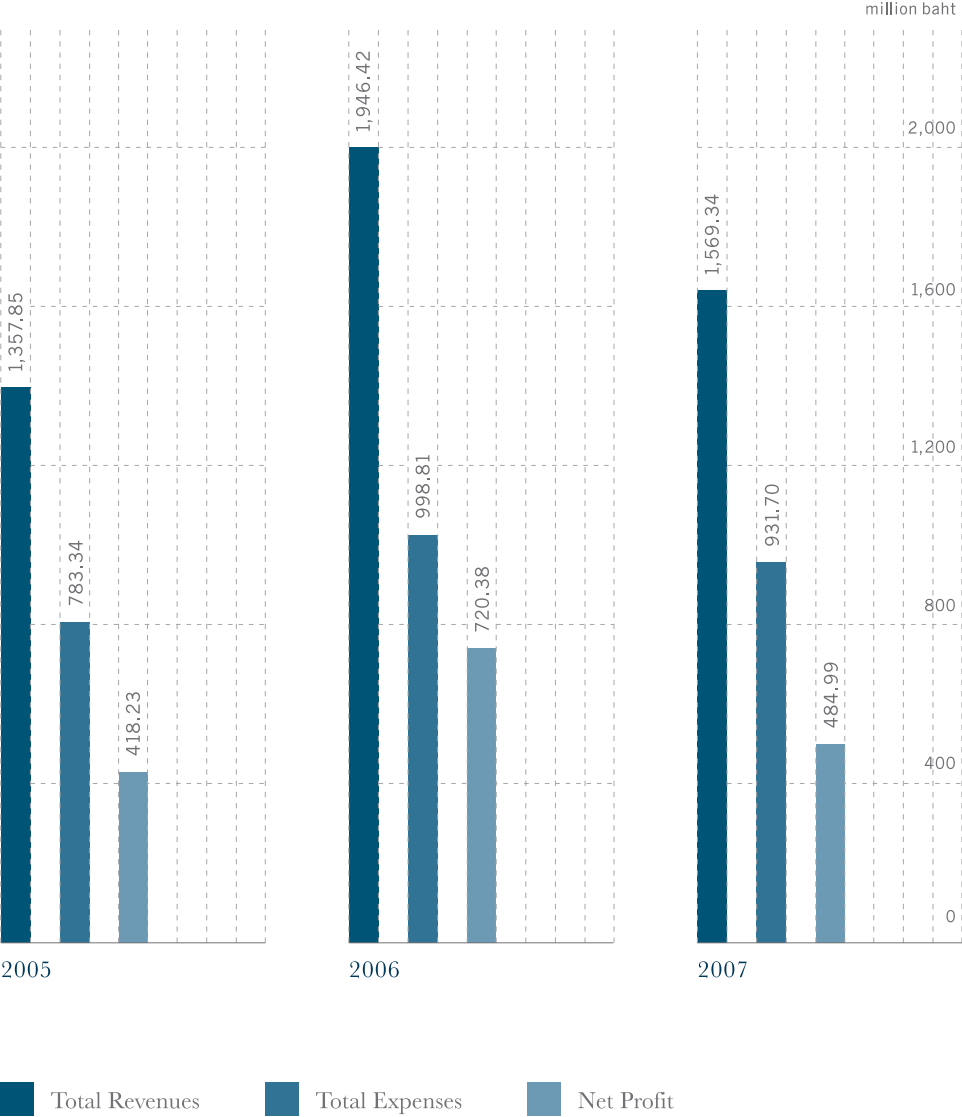
	2007		2006 (Restated)		2005 (Restated)	
	Million Baht	Percentage	Million Baht	Percentage	Million Baht	Percentage
Revenues						
Brokerage fees						
Brokerage fees from securities business	1,077.23	68.64	1,234.79	63.44	987.03	72.69
Brokerage fees from derivatives business	23.99	1.53	3.22	0.17	0.00	0.00
Fees and services income	220.32	14.04	496.12	25.49	230.76	16.99
Gain on securities trading	81.21	5.18	18.92	0.97	38.69	2.85
Gain on derivatives trading	8.87	0.57	0.45	0.02	0.00	0.00
Interest and dividend	147.17	9.38	173.31	8.90	66.33	4.89
Other incomes	10.53	0.67	19.60	1.01	35.04	2.58
Total revenues	1,569.34	100.00	1,946.42	100.00	1,357.85	100.00

**FINANCIAL RATIOS**

		2007	2006	2005
<b>PROFITABILITY RATIOS</b>				
Gross Profit Margin	(%)	89.59	89.71	86.79
Net Profit Margin	(%)	30.90	37.01	30.80
Return on Equity	(%)	14.44	21.99	19.05
Investment Yield	(%)	15.74	17.54	20.69
<b>EFFICIENCY RATIOS</b>				
Return on Total Assets	(%)	9.13	14.05	9.88
Total Assets Turnover	(times)	0.30	0.38	0.32
<b>FINANCIAL POLICY RATIOS</b>				
Liquidity Assets to Total Assets	(%)	57.14	70.60	59.07
Earning Assets to Total Assets Ratio	(%)	64.44	52.14	44.81
Debt to Equity Ratio	(times)	0.70	0.46	0.68
Dividend Payout Ratio	(%)	99.05	88.91	85.43
<b>OTHER RATIOS</b>				
Investment to Total Assets	(%)	27.45	29.40	13.94
Net liquid Capital Ratio	(%)	117.25	187.03	149.50
<b>PER SHARE INFORMATION</b>				
Book Value Per Share	(Baht)	15.55	15.92	14.78
Net Profit Per Share	(Baht)	2.27	3.37	2.17
Dividend Per Share *	(Baht)	2.25	3.00	1.85
Number of paid up shares as at 31 December	(shares)	213,500,000	213,500,000	193,123,749

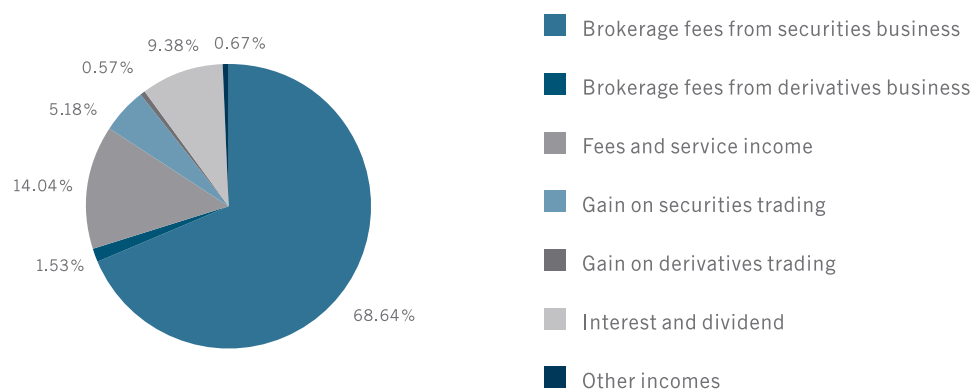
\* Note : Annual dividend payment of Baht 1.25 per share in 2007 is subjected to shareholders' approval

Operating Performance

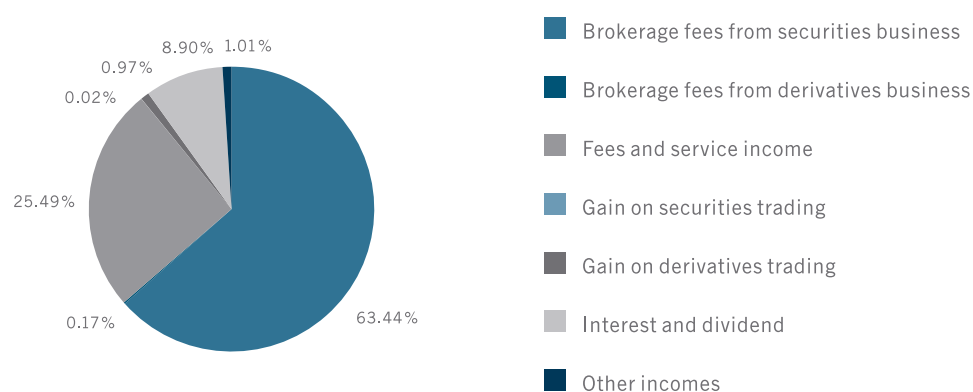




## Revenues Structure in 2007



## Revenues Structure in 2006





Annual Report 2007  
Phatra Securities Public Company Limited

---

## ECONOMY AND CAPITAL MARKET

Economic and political issues were the focus in 2007, affected by factors both outside and inside Thailand. A money market crisis in the fourth quarter, initiated in the U.S., resulted in fluctuations in capital markets worldwide, a process which is still playing out in 2008. Domestically, a return to democratic rule was completed in December, while attempts to improve the economy by the previous government were not successful.

In 2007 Thailand's economy grew 4.8% against 5% growth in 2006. Private sector investment grew 0.5% versus 4% in 2006, while the consumption rate increased 1.4% compared with 3.2% in the previous year. Almost every economic sector grew at very low rates compared to other developing countries. Even the export sector, which still expanded well and was the major economic engine, faced difficulties from baht appreciation and competitive pressures in the world market.

For the capital market, 2007 was a year of stagnation and marginalization. Trading value in the secondary market (the Stock Exchange of Thailand) amounted to Baht 4.2 trillion. Over the past four years trading value has decreased by an average of 2.7% annually. Fund-raising by listed companies in the primary market in 2007 totaled Baht 87.4 billion, bringing the annual average decrease of 10% over the past four years. The weighting of Thailand's capital market value in comparison with ten other emerging markets dropped from 13.4% in 1995 to 1.7% in 2007. We believe if this situation is not addressed by policy management and in all sectors, it will cause major problems in Thailand's economic development.

## PERFORMANCE

The above-mentioned factors caused difficulties for securities companies in 2007. Although our Company's management and employees worked hard to achieve results, total operating results in 2007 were dramatically under target and below the performance in 2006. Total revenues of Baht 1,569.34 million decreased 19.37% YoY due to a significant drop in revenues from securities brokerage from institutional clients and from investment banking. The private wealth management, investment and derivatives businesses did better YoY in terms of revenue, but the Company reduced total expenses by only 6.72% to Baht 931.70 million in 2007 from Baht 998.81 million in 2006. Overall, net profit decreased 32.68% to Baht 484.99 million in 2007 from Baht 720.38 million in 2006.

Despite the unfavorable conditions the Company has continued to improve its service quality, receiving several industry awards and better ratings from institutions.

## INDUSTRY AND COMPETITIVE SITUATION

Although there are significant challenges to overcome, the Company still believes in Thailand's economic potential and the importance of its capital market, and remains confident that business in the capital market will dramatically expand in the near future.

The Company also continually strives to improve its management, operations and information technology to ensure efficient service to clients, enact its business strategies and comply with risk management policies.

As of the end of 2007, the Company had 211 employees. As the Company takes into account that employees are the major resources, the Company always and continuously allows the employees to obtain knowledge from various training courses.

The Company's philosophy is to combine the benefits of Thailand's economic and capital market development with the benefits of the Company, its employees and shareholders by concentrating on providing international standard services with good Thai traits such as ethics, well-manner, respect, gratefulness and consideration, in accordance with our slogan of "International Best Practice with a Thai Touch."

The Company's operation as mentioned occurred from the support and cooperation from all parties – shareholders, clients, business allies and employees. Taking this opportunity, on behalf of the Board of Directors, I would like to thank and wish you happiness and success in your work and family.



(Mr. Banyong Pongpanich)  
Chairman



## Business Overview and Major Development

Annual Report 2007  
Phatra Securities Public Company Limited

---

### Business Overview

In 2007, the four core businesses of the Company were as follows:

1. Securities Brokerage. The Company provides securities brokerage services to both domestic and international institutional investors and High Net Worth Individuals<sup>1</sup>. In 2007, the Company garnered 5.63% of the SET's and MAI's total trading value and ranked third in terms of market share (versus 5.79% of the total trading value on the SET and MAI and fourth-place rank in 2006).

For the year ended December 31, 2007, the Company generated revenue from brokerage services of Baht 1,077.23 million or 68.64% of its total revenues. In comparison, for the years ended December 31, 2006 and December 31, 2005 respectively the Company generated revenue from brokerage services of Baht 1,234.79 million and Baht 987.03 million or 63.44% and 72.69% of total revenues.

2. Investment Banking. 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, 2007, the Company had revenues from investment banking in the form of financial advisory and underwriting services of Baht 144.56 million or 9.21% of the Company's total revenues. In comparison, for the years ended December 31, 2006 and December 31, 2005 respectively, the Company generated revenue from investment banking in the form of financial advisory and underwriting services of Baht 456.32 million and Baht 206.23 million, or 23.44% and 15.19 % of total revenues.

3. Investment. The Company has established two departments responsible for managing its investments, namely the Proprietary Trading Department and the Direct Investment Department. The Proprietary Trading Department emphasizes short-term investments of not more than one year in equity and equity-linked securities listed on the SET and TFEX, while the Direct Investment Department emphasizes investment in assets, including listed and non-listed securities, with an investment period of 1-5 years. For the year ended December 31, 2007, the Company had gains from trading securities and derivatives business of Baht 90.08 million or 5.74% of total revenues. In comparison, for the years ended December 31, 2006 and December 31, 2005 respectively, the Company had gains from trading securities and derivatives business of Baht 19.37 million and Baht 38.69 million, or 0.99% and 2.85% of total revenues.

<sup>1</sup> 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 10.00 million.

4. Agency in Futures Exchange Market. The Company has been an agent in the futures exchange market since April 28, 2006 which was the day the TFEX market opened. For the year ended December 31, 2007, the Company had brokerage fees from derivatives business of Baht 23.99 million or 1.53% of total revenues. In comparison, for the year ended December 31, 2006, the Company had brokerage fees from derivatives business of Baht 3.22 million or 0.17% of total revenues.

#### Revenue Structure of the Company in 2005, 2006 and 2007

	2007		2006		2005	
	(Million Baht)	%	(Million Baht)	%	(Million Baht)	%
Revenues						
Brokerage fees						
Brokerage fees from securities business	1,077.23	68.64	1,234.79	63.44	987.03	72.69
Brokerage fees from derivatives business	23.99	1.53	3.22	0.17	0.00	0.00
Fees and services income	220.32	14.04	496.12	25.49	230.76	16.99
Gain on securities trading	81.21	5.18	18.92	0.97	38.69	2.85
Gain on derivatives trading	8.87	0.57	0.45	0.02	0.00	0.00
Interest and dividend	147.17	9.38	173.31	8.90	66.33	4.89
Other incomes	10.53	0.67	19.60	1.01	35.04	2.58
Total revenues	1,569.34	100.00	1,946.42	100.00	1,357.85	100.00

In addition, the Company has business support departments, namely the Research Group, the Office of General Counsel and Internal Audit (OGC), the Application System Department and the Technology Infrastructure Department.

#### Major Developments in 2007

- On October 29, 2007, the Company started operating as an agent for SET50 Index Options which was the second product of TFEX launched.
- At the end of 2007, the assets under advisory of High Net Worth clients of the Company increased to Baht 89,583.44 million from Baht 69,638.31 million at the end of 2006.

#### Awards and Recognitions in 2007

- Country Awards for Achievement : Best Broker 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
  - Ranking of Top Brokers in Thailand : Best broker in Thailand from Money & Banking magazine
  - Domestic Bank Award : Best Domestic Equity House in Thailand from Asiamoney
  - Brokers Poll's Rank : 1st Best Local Brokerage, 1st Best for Overall Country Research and 1st Best Research Coverage in Strategy, Macroeconomics and Banks sectors from Asiamoney
  - Securities Analyst Award from Institutional Investor
  - Awards for Excellence : Best Investment Bank in Thailand from Euromoney
  - Outstanding organization supporting the activities of disabled persons from the National Office for Empowerment of Persons with Disabilities, the Ministry of Social Development and Human Security
-

# Business Performance and Situation

Annual Report 2007  
Phatra Securities Public Company Limited

## Business Performance in 2007

In 2007, the Company had total revenues of Baht 1,569.34 million compared with total revenues of Baht 1,946.42 million in 2006. The Company's total revenues decreased 19.37%. The Company's total expenses in 2007 were Baht 931.70 million, a decrease of 6.72% from Baht 998.81 million in 2006. The net profit in 2007 of Baht 484.99 million decreased 32.68% from Baht 720.38 million in 2006.

The reason for the 19.37% decrease in revenues was lower income from investment banking, which fell from Baht 568.07 million in 2006 to Baht 154.46 million in 2007. The year 2007 was the only year during the past three year in which the Company's Investment Banking Department was not the lead underwriter to list any company's shares on the SET. However, performance of other businesses of the Company were in line with or even better than the target set by management.

## Securities Brokerage Business

Average daily trading value on the SET and MAI was Baht 17,436.00 million, an increase of 6.36%. The trading proportion of foreign investors, local institutional investors and local investors was 32.37%, 14.24% and 53.39% respectively. The Company's average daily trading value in 2007 was Baht 1,961.98 million. The Company had total market share of 5.63%. The Company's market shares in foreign institutional investors, local institutional investors and local investors were 9.37%, 13.79% and 3.13% respectively.

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

	2007	2006
Average securities trading value per day of the SET and MAI (Million Baht)	17,436.00	16,393.72
Securities trading ratio on the SET and MAI classified by investor group		
Foreign investors	32.37%	33.66%
Local institutional investors	14.24%	11.55%
Local investors	53.39%	54.79%
The Company's average securities trading value per day (Million Baht)	1,961.98	1,899.04
The Company's market share	5.63%	5.79%
Market share – foreign institutional investors	9.37%	9.98%
Market share – local institutional investors	13.79%	16.57%
Market share – High Net Worth clients	3.13%	2.64%
Rank of market share	3	4

The Company's market share in 2007 decreased from 5.79% in 2006 to 5.63% as the market share in local institutional investors decreased. On the other hand, the market share in High Net Worth clients increased as targeted. The Company has been continuously increasing its market share in local investors since 2004 when the market share was 1.52%. Besides the increased market share, the assets under advisory of the Company's High Net Worth clients also increased very satisfactorily. As of the end of 2007, the assets under advisory of the Company's High Net Worth clients totalled Baht 89,583.44 million compared with Baht 69,638.31 million as of the end of 2006.

#### **Investment Banking Business**

The year 2007 was the only year during the past three years in which the Company's Investment Banking Department was not the lead underwriter to list any company's shares on the SET. However, the value of initial public offerings was only Baht 11,552.10 million compared with Baht 36,786.70 million in 2006 and Baht 27,134.90 million in 2005. The year 2007 was considered difficult for investment banking business of all securities companies.

#### **Derivatives Business**

TFEX started at the end of April 2006 with SET50 Index Futures as its product and initially twenty-three brokers. In 2007, TFEX added SET50 Index Options as another product while brokers in this business increased to twenty-five. The Company had market share in derivatives business of 4.51% of which 60 % were foreign clients. The development of TFEX would be an important factor for the Company to develop its securities trading business as it would better manage the risk. Moreover, the Company would be able to develop more investment products to better serve its clients.

#### **Principal Operating Statistics of the TFEX Market in 2007**

Number of derivatives contracts traded in TFEX (contracts)	1,236,884
Derivatives trading value in TFEX (Million Baht)	705,858
Number of derivatives contracts traded via the Company (contracts)	111,656
Derivatives trading value of the Company (Million Baht)	63,719
The Company's market share	4.51%

#### **Investment Business**

The Company started its investment business in 2005 targeting to invest in both listed and non-listed securities on the SET with a long-term investment horizon. In 2007, the Company realized gain from the investment with revenues from dividend and divesting some investments in securities of Baht 125.67 million. Revenues from investment business accounted for 8.01% of the Company's total revenues. According to the investment



business performance in the past two years, management is confident this will be a crucial part of the Company's business in future.

#### **Business Trend in 2008**

The securities market worldwide in 2008 is likely to be volatile due to the Sub-prime Loan crisis and economic recession in the U.S. The securities market in Thailand might be affected by fluctuations in the global capital markets and local political challenges under the new constitution. However, the Company would continue to develop its main business units to be more efficient. In 2007, the Company's revenues derived from different businesses were more diversified. Considering the progress of the Company's businesses, the management is confident that the Company's businesses will be more balanced.

---



Annual Report 2007  
Phatra Securities Public Company Limited

---

### Risks relating to the Company and its business

The risk factors below exclude general risk factors which may occur from the Company's normal business operation. 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 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 economy, 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 economy, money markets and capital markets may affect the number of transactions involving fund-raisings 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 economy, politics, money markets and capital markets may be caused by any of various factors that are beyond the Company's control, including the government formation from election and government stability, terrorist attacks within or outside Thailand, civil unrest in the three southern-most provinces of Thailand, the new government's policy on the country's money market and capital market, the economic recession and Sub-prime Loan crisis in the U.S., and changes in interest rates, 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 Amended and Restated 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 economy, politics, capital markets, money markets and industries for further distribution to international investors under Merrill Lynch's name. Such agreement is currently on a yearly basis. Either party has to inform the other at least six 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 of the two or all of the foregoing agreements would have a material adverse effect 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 including securities analysts, financial consultants and investment bankers, 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 2007 the top five clients generated Baht 599.45 million, representing 55.74 % 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 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, investing in derivatives in futures market and engaging in arbitrage business in the SET

and TFEX. In 2007, the Company's investment limit allocated for the Proprietary Trading Department was Baht 900.00 million while its investment limit allocated for Direct Investment Department was Baht 1,500.00 million. Altogether this represents a total investment limit of more than 70.61% of the Company's total capital. Fluctuations in economics 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 effect on its results of operations and financial condition.**

Securities businesses are strictly controlled by laws and regulations from government authorities, such as the SEC and the SET. As a result, any change in 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.**

Thirty-nine 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 vote 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.



# Shareholders Structure

Annual Report 2007  
Phatra Securities Public Company Limited

As of January 24, 2008, the Company's shareholders structure was as follows:

The top 10 major shareholders were as follows:

No.	List of Shareholders	Number of Shares	Shareholding(%) <sup>(1)</sup>
1.	EFG Bank	78,399,997	36.72
2.	Thai NVDR Co., Ltd.	34,773,891	16.29
3.	Somers (U.K.) Limited	10,780,458	5.05
4.	HSBC Bank Plc – Clients General A/C	8,317,909	3.90
5.	Mr. Suvit Mapaisansin	5,505,455	2.58
6.	Bear, Stearns International Limited – Customer Reg. Account	3,771,600	1.77
7.	Mr. Banyong Pongpanich	3,305,077	1.55
8.	Mr. Thaveechat Jurangkool	3,200,000	1.50
9.	Aberdeen Growth Fund	2,696,900	1.26
10.	Mr. Veravat Chutichetpong	2,550,154	1.19

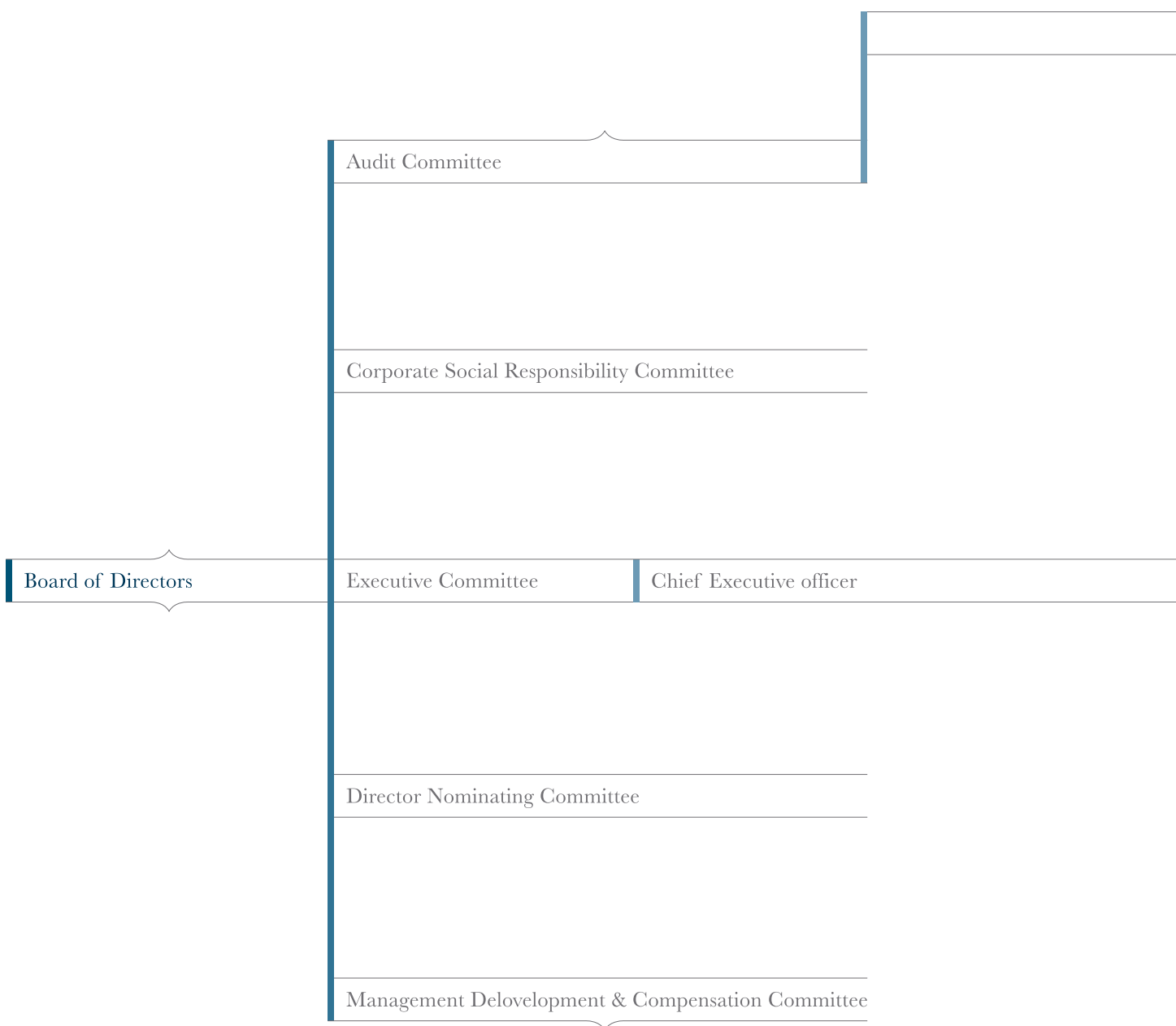
Remarks (1)Calculated based on 213,500,000 issued and sold ordinary shares

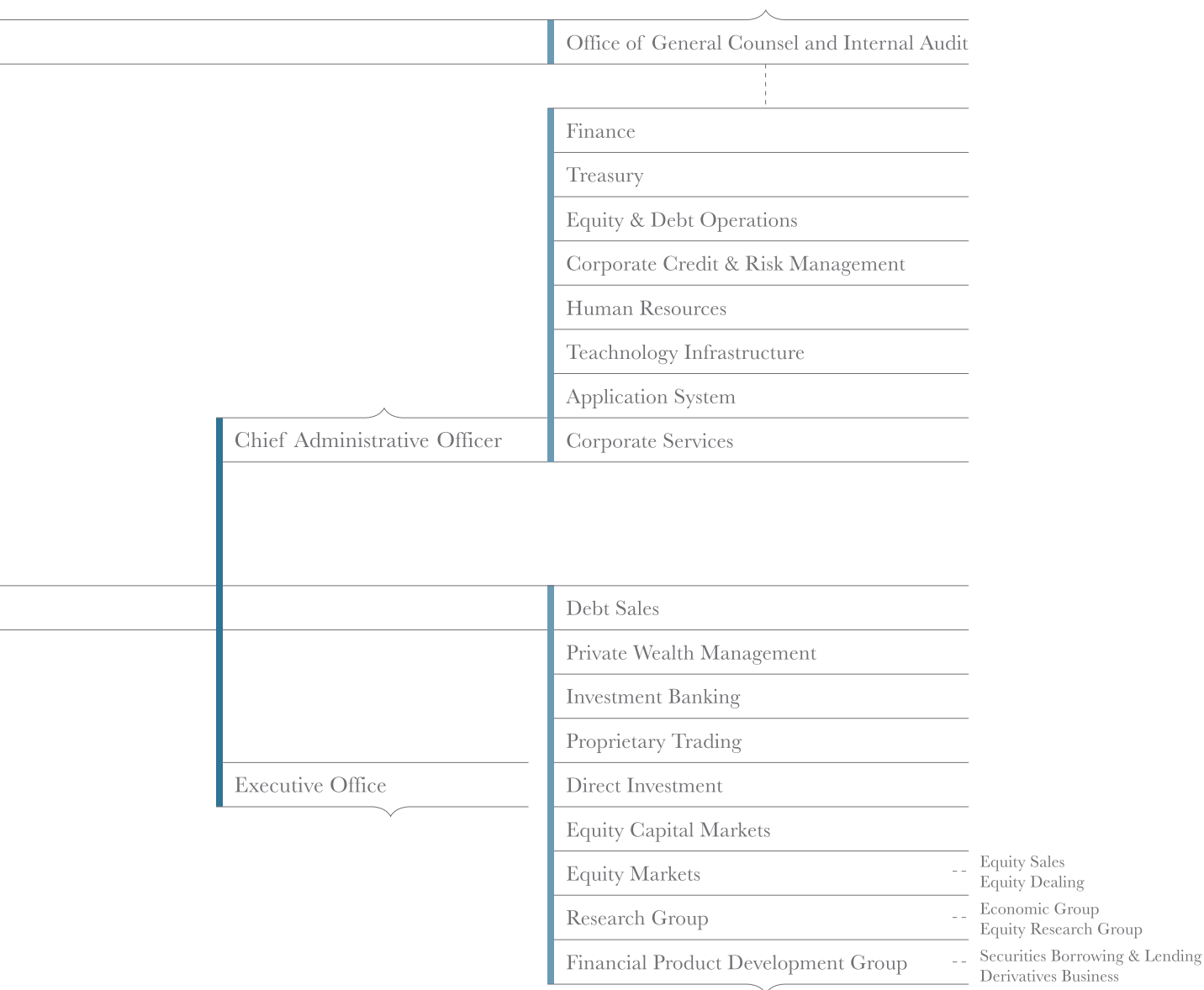
The shareholding of EFG Bank was for Ruamphon Phatra International Corp. which had the following group of persons as the principal shareholders.

No.	List of Shareholders	Number of Shares	Shareholding(%)
1.	Mr. Banyong Pongpanich	1,840	11.14
2.	Mr. Suvit Mapaisansin	1,700	10.29
3.	Mr. Veravat Chutichetpong	1,700	10.29
4.	Dr. Supavud Saicheua	1,400	8.47
5.	Mr. Norachet Sangruji	800	4.84
6.	Mrs. Patchanee Limapichat	800	4.84
7.	Mr. Aphinant Klewpatinond	400	2.42
8.	Mrs. Nipaporn Habanananda	400	2.42
9.	Mrs. Parichat Somboon	400	2.42
10.	Mr. Therapong Vachirapong	400	2.42
11.	Mr. Tracy Eric Holman	400	2.42
12.	Mr. Trairak Tengtrairat	400	2.42
13.	Mr. Supakrit Mekpanuwat	400	2.42
14.	Mrs. Patraporn Milindasuta	400	2.42
15.	Mr. Ian Gisbourne	400	2.42
16.	Others	4,680	28.33
	Total	16,520	100.00

# Organization Structure

Annual Report 2007  
Phatra Securities Public Company Limited







Annual Report 2007  
Phatra Securities Public Company Limited

## BOARD OF DIRECTORS

As of December 31, 2007, the Board of Directors consisted of nine members including executive directors and independent directors in an appropriate proportion. During 2007, the Company called six Board of Directors Meetings. Directors' names and attendance records are as follows:

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

*Remarks: Assoc.Prof.Dr.Varakorn Samakoses resigned from the Company's directorship effective February 2, 2007 as he was appointed by His Majesty the King as the Deputy Minister of Education.*

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

## AUTHORIZED DIRECTORS

The authorized directors of the Company who can sign and bind the Company are any two of the following six 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 three months.



#### PROCESS OF NOMINATING DIRECTORS

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. In 2007, the Company provided an opportunity for shareholders to nominate persons to be elected as the Company's directors to the Director Nominating Committee via the Company's website. The Company also disclosed the Company's director and independent director qualifications on its website so that shareholders could nominate persons with appropriate qualifications to be elected as the Company's directors or independent directors.

In the 2007 Annual General Meeting of Shareholders, the Company appointed directors who were nominated by the Board of Directors and approved by shareholders to replace those retired by rotation. During the year 2007, no additional director was appointed.

#### 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 seven directors but not more than thirteen directors. No less than half 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 one vote for one share.
- (2) Each shareholder shall use all his or her votes under (1) to elect one or several persons as a director. 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 vote 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 a 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

Currently, the Company has five 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 nine members. During 2007, there were seventeen Executive Committee Meetings. Names of the Executive Committee members and their attendance records are as follows:

Name	Position	Meetings Attended
1. Mr.Banyong Pongpanich	Chairman of the Executive Committee	13/17
2. Mr.Suvit Mapaisansin	Member of the Executive Committee	16/17
3. Mr.Veravat Chutichetpong	Member of the Executive Committee	16/17
4. Dr.Supavud Saicheua	Member of the Executive Committee	17/17
5. Mrs.Patchanee Limapichat	Member of the Executive Committee	13/17
6. Mr.Norachet Sangruji	Member of the Executive Committee	16/17

7. Mrs.Patraporn Milindasuta	Member of the Executive Committee	13/13
8. Mr.Aphinant Klewpatinond	Member of the Executive Committee	13/13
9. Mr.Jirawat Supornpaibul	Member of the Executive Committee	10/13

*Remarks: Mrs.Patraporn Milindasuta, Mr.Aphinant Klewpatinond and Mr.Jirawat Supornpaibul had been members of the Executive Committee since February 15, 2007.*

Mrs. Passamas Pohtisuwanachart 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 plans to the Board of Directors for approval.
4. To consider and approve new business startups 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 30.00 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 the Treasury and Finance departments.
11. To acknowledge the Company's annual matters 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 assigned from time to time.

#### 2. AUDIT COMMITTEE

The Audit Committee consists of three independent directors. During 2007, there were eight Audit Committee Meetings. Names of the Audit Committee members and their attendance records are as follows:

Name	Position	Meetings Attended
1. Dr.Anumongkol Sirivedhin	Chairman of the Audit Committee	7/8
2. Prof.Dr.Uthai Tanlamai	Member of the Audit Committee	8/8
3. Mr.Pongtep Polanun	Member of the Audit Committee	6/6

*Remarks : 1. Assoc.Prof.Dr.Varakorn Samakoses resigned from the Company's Audit Committee effective February 2, 2007. During his office as a member of the Audit Committee Assoc.Prof.Dr.Varakorn Samakoses attended all of the Audit Committee's Meetings.*

*2. Mr.Pongtep Polanun had been a member of the Audit Committee since February 15, 2007.*

*3. Prof.Dr.Uthai Tanlamai is the Audit Committee member who has knowledge and experiences in reviewing financial statements.*

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 presence 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 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 Management Development and Compensation Committee consists of four members. During 2007, there were two Management Development and Compensation Committee Meetings. Names of the Management Development and Compensation Committee members and their attendance records are as follows:

Name	Position	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 consists of three members. During 2007, there was one Director Nominating Committee Meeting. Names of the Director Nominating Committee members and their attendance records are as follows:

Name	Position	Meetings Attended
1. Mr.Banyong Pongpanich	Chairman of the Director Nominating Committee	1/1
2. Dr.Anumongkol Sirivedhin	Member of the Director Nominating Committee	1/1
3. Mr.Suvit Mapaisansin	Member of the Director Nominating Committee	1/1

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

#### SCOPE OF DUTIES AND RESPONSIBILITIES OF THE DIRECTOR NOMINATING COMMITTEE

1. To seek individuals or consider candidates, proposed by management or shareholders, who are qualified to become Board of Director 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 as 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 consists of six members. During 2007, there were two CSR Committee Meetings. Names of the CSR Committee members and their attendance records are as follows:

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

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 overseeing 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 approve the appointment of the Charity Committee members.
4. To support volunteerism and community engagement among the Company's employees.
5. To oversee the CSR component of directors' training programs to ensure that relevant executive training programs contain an appropriate CSR training.
6. To prepare the Company's CSR report and disclose it in an annual report of the Company.
7. To support the Company's CSR activities.

#### MANAGEMENT

As of December 31, 2007, the Company had the following management.

Name	Position
1. Mr.Banyong Pongpanich	Chairman
2. Mr.Suvit Mapaisansin	Chief Executive 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 Group)
6. Mr.Norachet Sangruji	Executive Director
7. Dr.Anumongkol Sirivedhin	Independent Director/ Chairman of the Audit Committee
8. Prof. Dr.Uthai Tanlamai	Independent Director/ Audit Committee member
9. Mr.Pongtep Polanun	Independent Director/ Audit Committee member
10. Mrs.Patraporn Milindasuta	Managing Director and Chief Administrative Officer
11. Mr.Aphinant Klewpatinond	Managing Director (Head of Investment Banking Department)
12. Mr.Jirawat Supornpaibul	Managing Director (Head of Private Wealth Management Department)
13. Mr.Manpong Senanarong	Executive Vice President (Head of Equity Capital Market Department)
14. Mr.Supakrit Mekpanuwat	Executive Vice President (Head of Direct Investment Department)
15. Mr.Craig Thompson	Executive Vice President (Head of Financial Product Development Group)

16. Mr.Tanavatt Bhanijkasem <sup>(1)</sup>	Executive Vice President (Head of Proprietary Trading Department)
17. Mrs.Panida Prapunwattana	Director (Finance Department, Treasury Department, and Corporate Credit & Risk Management Department)

*Remarks: (1) Appointed as Head of Proprietary Trading Department in replacing Mr.Ayuth Charnsethikul, effective from November 1, 2007.*



## Profiles of the Company's Executives and Controlling Persons

Annual Report 2007  
Phatra Securities Public Company Limited

### 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<sup>(1)</sup>

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 (January 24, 2008) and Percentage of Shareholding Stake

3,305,077 1.55%

#### Family Relationship Among Executives

None

#### Work Experience (Past 5 years)

2003 - Present	Chairman Phatra Securities Company Limited / Phatra Securities Public Company Limited
2007 - Present	Director Don Muang Tollway 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<sup>(1)</sup>**

Age 49

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 (January 24, 2008) and Percentage of Shareholding Stake	5,505,455 2.58%
Family Relationship Among Executives	None
Work Experience (Past 5 years)	<div>2003 - Present</div> <div>Chief Executive Officer Phatra Securities Company Limited / Phatra Securities Public Company Limited</div> <div>2002 - 2003</div> <div>Chief Executive Officer Merrill Lynch Phatra Securities Company Limited</div>

**MR. VERA VAT CHUTICHETPONG<sup>(1)</sup>**

Age 47

Position	Director
Education Qualification	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 (January 24, 2008) and Percentage of Shareholding Stake	2,550,154 1.19%
Family Relationship Among Executives	None
Work Experience (Past 5 years)	<div>2003 - Present</div> <div>Executive Director Phatra Securities Company Limited / Phatra Securities Public Company Limited</div> <div>2002 - 2003</div> <div>Executive Director Merrill Lynch Phatra Securities Company Limited</div>

## DR. SUPAVUD SAICHEUA<sup>(1)</sup>

Age 51

Position	Director
Education Qualification	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 (January 24, 2008) and Percentage of Shareholding Stake	1,623,527 0.76%
Family Relationship Among Executives	None
Work Experience (Past 5 years)	<p>2005 - Present Managing Director (Head of Research Group) Phatra Securities Company Limited / Phatra Securities Public Company Limited</p> <p>2007 - Present Director Loxley Public Company Limited</p> <p>2006 - Present Sub-Committee The National Economic and Social Development Board (NESDB)</p> <p>2006 - Present Trustee Kenan Institute Asia</p> <p>2002 - Present Committee The Economic Society of Thailand</p> <p>2007 - Jan 2008 Committee Macro Economic Steering Committee, Office of the Prime Minister</p> <p>2004 - Jan 2006 Advisor to the Board of Directors Industrial Estate Authority of Thailand</p> <p>2004 - 2005 Director / Independent Director Golden Land Property Development Public Company Limited</p> <p>2003 - 2005 Director Securities Analyst Association</p> <p>2003 - 2005 Managing Director (Research Group) Phatra Securities Company Limited</p> <p>1999 - 2005 Research Committee on Economics National Research Council of Thailand</p>

**MRS. PATCHANEE LIMAPICHAT<sup>(1)</sup>**

Age 45

Position	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 (January 24, 2008) and Percentage of Shareholding Stake	477,312 0.22%
Family Relationship Among Executives	None
Work Experience (Past 5 years)	<div>2005 - Present</div> <div>Managing Director (Head of Equity Markets Group) Phatra Securities Company Limited / Phatra Securities Public Company Limited</div> <div>2004 - 2005</div> <div>Managing Director (Equity Markets Group) Phatra Securities Company Limited</div> <div>2003 - 2004</div> <div>Executive Vice President Phatra Securities Company Limited</div>

**MR. NORACHET SANGRUJI<sup>(1)</sup>**

Age 45

Position	Director
Education Qualifications	MBA / Syracuse University, NY, 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 (January 24, 2008) and Percentage of Shareholding Stake	1,712,172 0.80%
Family Relationship Among Executives	None
Work Experience (Past 5 years)	<div>2007 - Present</div> <div>Executive Director Phatra Securities Public Company Limited</div> <div>2004 - Present</div> <div>Director Freewill Solutions Company Limited</div> <div>2004 - Present</div> <div>Director Pantavanij Company Limited</div>

2003 - Present	Director Mulberry Partners (Thailand) Company Limited
1991 - Present	Director Kasetsin Company Limited
2005 - 2007	Managing Director (Head of Investment Banking Department) Phatra Securities Company Limited / Phatra Securities Public Company Limited
2003 - 2007	Director Advanced Information Technology Public Company Limited
2005	Director Mitr Technical Consultant Company Limited
2004 - 2005	Managing Director (Investment Banking Department) Phatra Securities Company Limited

#### 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 (January 24, 2008) and Percentage of Shareholding Stake	20,000 0.01%
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
	2007 - Present	President Dhurakij Pundit University
	2006 - Present	Chairman, Board of Directors Systems Little House Company Limited
	2006 - Present	Member, University Council Dhurakij Pundit University
	2003 - Present	Member, Public State Enterprises Evaluation Committee, Ministry of Finance
	1999 - Present	Member, Board of Directors Dhurakij Pundit University
	1999 - Present	Member, University Council National Institute of Development Administration
	2002 - 2007	Chairman, Board of Directors / Chairman, Executive Board Krungthai Computer Services Company Limited
	2001 - 2007	Member, Committee for Development of Assessment System for Higher Education The Office for National Education Standards and Quality Assessment (Public Organization)
	2004 - 2006	Member, Board of Directors Systems Little House Company Limited

## PROF. DR. UTHAI TANLAMAI

Age 56

Position	Director
Education Qualifications	PhD in MIS / University of Illinois at Urbana-Champaign, U.S.A.
	Master of Science / University of Illinois at 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 (January 24, 2008) 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 (January 24, 2008) and Percentage of Shareholding Stake	280,009 0.13%
Family Relationship Among Executives	None
Work Experience (Past 5 years)	2007 - Present Audit Committee Phatra Securities Public Company Limited
	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

**MRS. PATRAPORN MILINDASUTA<sup>(2)</sup>**

Age 44

Position	Managing Director, Chief Administrative Officer
Education Qualifications	LL.M. / Chulalongkorn University Barrister-at-Law (Thai Bar) LL.B. / Thammasat University
Number of Shares held (January 24, 2008) and Percentage of Shareholding Stake	200,181 0.09%
Family Relationship Among Executives	None
Work Experience (Past 5 years)	<div> <div>2007 - Present</div> <div>Managing Director, Chief Administrative Officer Phatra Securities Public Company Limited</div> </div> <div> <div>2004 - 2007</div> <div>Executive Vice President, Office of General Counsel &amp; Internal Audit Phatra Securities Company Limited / Phatra Securities Public Company Limited</div> </div> <div> <div>2005</div> <div>Director Hunters Asset Management Company Limited</div> </div> <div> <div>2004</div> <div>Partner White &amp; Case (Thailand) Limited</div> </div> <div> <div>2003 - 2004</div> <div>Senior Associate White &amp; Case (Thailand) Limited</div> </div> <div> <div>2002 - 2003</div> <div>Senior Vice President, Office of General Counsel Merrill Lynch Phatra Securities Company Limited</div> </div>

**MR. APHINANT KLEWPATINOND<sup>(3)</sup>**

Age 38

Position	Managing Director (Head of Investment Banking Department)
Education Qualifications	MA in Business and Management (Finance) / University of Maryland at College Park, U.S.A. BA in Commerce and Accountancy / Chulalongkorn University
Number of Shares held (January 24, 2008) and Percentage of Shareholding Stake	700,000 0.33%
Family Relationship Among Executives	None



Work Experience (Past 5 years)	2007 - Present	Managing Director (Head of Investment Banking Department) Phatra Securities Public Company Limited
	2005 - 2007	Executive Vice President, Investment Banking Department Phatra Securities Company Limited / Phatra Securities Public Company Limited
	2005	Director Hunters Asset Management Company Limited
	2002 - 2005	Director, Investment Banking Department Phatra Securities Company Limited

#### MR. JIRAWAT SUPORNPABUL

Age 40

Position	Managing Director (Head of Private Wealth Management Department)	
Education Qualifications	MBA / Sasin Graduate Institute of Business Administration BA in Economics / Chulalongkorn University	
Number of Shares held (January 24, 2008) and Percentage of Shareholding Stake	None	
Family Relationship Among Executives	None	
Work Experience (Past 5 years)	2007 - Present	Managing Director (Head of Private Wealth Management Department) Phatra Securities Public Company Limited
	2006 - 2007	Executive Vice President (Head of Private Wealth Management Department) 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 Department) Phatra Securities Company Limited / Phatra Securities Public Company Limited

**MR. MANPONG SENANARONG**

Age 39

Position	Executive Vice President (Head of Equity Capital Markets Department)
Education Qualifications	MBA / Cleveland State University, U.S.A. BA in Commerce and Accountancy / Chulalongkorn University
Number of Shares held (January 24, 2008) and Percentage of Shareholding Stake	143,409 0.07%
Family Relationship Among Executives	None
Work Experience (Past 5 years)	<div>2005 - Present</div> <div>Executive Vice President (Head of Equity Capital Markets Department) Phatra Securities Public Company Limited</div> <div>2003 - 2005</div> <div>Director (Equity Capital Markets Department) Phatra Securities Company Limited</div> <div>2002 - 2003</div> <div>Director (Equity Capital Markets Department) Merrill Lynch Phatra Securities Company Limited</div>

**MR. SUPAKRIT MEKPANUWAT**

Age 47

Position	Executive Vice President (Head of Direct Investment Department)
Education Qualifications	MBA (Finance) / National Institute of Development Administration BA in Social Science (Accounting) / Chiangmai University
Number of Shares held (January 24, 2008) and Percentage of Shareholding Stake	380,036 0.18%
Family Relationship Among Executives	None
Work Experience (Past 5 years)	<div>2004 - Present</div> <div>Executive Vice President (Head of Direct Investment Department) Phatra Securities Company Limited / Phatra Securities Public Company Limited</div> <div>2003 - 2004</div> <div>Assistant Managing Director Thai Asset Management Corporation</div>

**MR. CRAIG THOMPSON**

Age 40

Position	Executive Vice President (Head of Financial Product Development Group)
Education Qualifications	BA in Accounting and Finance / University of Technology, Sydney, Australia
Number of Shares held (January 24, 2008) and Percentage of Shareholding Stake	None
Family Relationship Among Executives	None
Work Experience (Past 5 years)	<div>2007 - Present</div> <div>Executive Vice President (Head of Financial Product Development Group) Phatra Securities Public Company Limited</div> <div>2005 - 2007</div> <div>Director (Financial Product Development Group) Phatra Securities Public Company Limited</div> <div>1990 - 2003</div> <div>Director, Head of Derivatives Trading ABN AMRO Bank Australia</div>

**MR. TANAVATT BHANIKASEM<sup>(\*)</sup>**

Age 42

Position	Executive Vice President (Head of Proprietary Trading Department)
Education Qualifications	MBA in Finance / Thammasat University BEng in computer / Chulalongkorn University
Number of Shares held (January 24, 2008) and Percentage of Shareholding Stake	None
Family Relationship Among Executives	None
Work Experience (Past 5 years)	<div>2007 - Present</div> <div>Executive Vice President (Head of Proprietary Trading Department) Phatra Securities Public Company Limited</div> <div>2005 - 2007</div> <div>Executive Vice President (Futures Department) KGI Securities (Thailand) Public Company Limited</div> <div>2001 - 2004</div> <div>Senior Vice President (Equity Trading and Derivatives Department) KGI Securities (Thailand) Public Company Limited</div>

**MRS. PANIDA PRAPUNWATTANA**

Age 42

Position	Director (Finance Department, Treasury Department and Corporate Credit & Risk Management Department)	
Education Qualifications	MBA / National Institute of Development Administration BS in Economics and Business Administration / Kasetsart University	
Number of Shares held (January 24, 2008) and Percentage of Shareholding Stake	445,090	0.21%
Family Relationship Among Executives	None	
Work Experience (Past 5 years)	2004 - Present	Director (Finance Department, Treasury Department and Corporate Credit & Risk Management Department) Phatra Securities Company Limited / Phatra Securities Public Company Limited
	2003 - 2004	Vice President (Finance Department, Treasury Department and Corporate Credit & Risk Management Department) 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) Appointed as Managing Director and Chief Administrative Officer effective from February 1, 2007**(3) Appointed as Managing Director and Head of Investment Banking Department succeeding Mr. Norachet Sangruji effective from February 1, 2007**(4) Appointed as an Executive Vice President and head of Proprietary Trading Department in replacing of Mr. Ayuth Charnsethikul effective from November 1, 2007*



Annual Report 2007  
Phatra Securities Public Company Limited

---

## MONETARY REMUNERATION

### (1) Remuneration of the Company's directors

For the year ended December 31, 2007, the Company paid remuneration to four directors who were not members to the Executive Committee, namely Dr.Anumongkol Sirivedhin (Baht 360,000.00), Prof. Dr.Uthai Tanlamai (Baht 360,000.00), Mr.Pongtep Polanun (Baht 360,000.00) and Assoc.Prof. Dr.Varakorn Samakoses (Baht 31,071.43), who had resigned from being a director as effective on February 2, 2007, totaling Baht 1,111,071.43 in the form of monthly remuneration equal to Baht 30,000.00 per month per director according to the resolution of the 2007 Annual General Meeting of Shareholders dated on April 9, 2007. Such remuneration excludes year-ended bonuses which require approval from the 2008 Annual General Meeting of Shareholders which will be held on April 23, 2008.

### (2) Total remuneration of the Company's executive directors and management

For the year ended December 31, 2007, the total remuneration of fourteen executive directors and management - two executive directors, four executive directors and management and eight management - was Baht 126,325,683.28. This amount comprised Baht 60,510,000.00 for salary, Baht 55,405,000.00 for bonus, Baht 5,436,240.00 for provident fund, Baht 474,443.28 for life insurance premium and Baht 4,500,000.00 for other incomes.

## Remarks

1. Management means a Chief Executive Officer and top four 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. Fourteen executive directors and management include:

2.1 Mr. Norachet Sangruji, Managing Director (Head of Investment Banking Department), who was appointed Executive Director effective February 1, 2007.

2.2 Mr. Aphinant Klewpatinond, Executive Vice President in Investment Banking Department, who was appointed Managing Director and succeeded Mr. Norachet Sangruji as Head of Investment Banking Department effective February 1, 2007.

2.3 Mrs. Patraporn Milindasuta, Executive Vice President (Head of Office of General Counsel and Internal Audit), who was appointed Managing Director and Chief Administrative Officer effective February 1, 2007.

2.4 Mr. Ayuth Charnsethikul, Director (Head of Proprietary Trading Department), who resigned as an employee effective March 1, 2007.

2.5 Mr. Tanavatt Bhanijkasem, Executive Vice President (Head of Proprietary Trading Department), who was appointed to replace Mr. Ayuth Charnsethikul effective November 1, 2007.



*Annual Report 2007*  
*Phatra Securities Public Company Limited*

---

The Company has a policy to continuously develop the working skills and job-related competencies of both employees and management, supporting training programs that will help them work efficiently in a highly competitive securities business.

Each year the Company assesses the training needs for management and employees in each business and support unit in order to plan development programs and ensure those programs are in line with the Company's strategies. In 2007, the Company organized 18 in-house training programs for management and employees in order to improve their business communications, and professional and management skills. Also, the Company focused on training programs for improving the knowledge levels and technical competencies related to job responsibilities and functions. Furthermore, the Company arranged training for marketing officers and other supporting units, including operations, compliance and risk management, to improve their performance to be more efficient. In addition, the Company supported employees and management to attend training programs, including management & leadership programs in Asia, Europe and the U.S. to enhance and broaden their work experience, management skills and vision, which was essential for leading the Company's businesses toward success.

For outside training, the Company supported employees to attend more than 90 programs both domestic and international programs. Most programs aimed to improve working performance in each area. Approximately 90% of employees and management attended in-house and outside training in 2007.

The Company realizes improving the knowledge, skills and competencies of employees and management will lead the Company to compete more effectively. Therefore, the Company has a long-term and continuous training plan for employees and management according to the Individual Development Plan (IDP) in order for them to be prepared for technology and business growth.

---

## Related Party Transactions

Annual Report 2007  
Phatra Securities Public Company Limited

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

	2007	2006	(Unit: Baht) Transfer pricing policy
Transactions with the Company's directors			
Brokerage fees from securities business	2,344,095	1,659,371	0.10% of trading value in unit trust and 0.25% of trading value in securities
Brokerage fees from derivatives business	127,250	54,000	Normal rate charged to ordinary clients
Transactions with related parties			
Brokerage fees from securities business	468,862	298,029	0.10% of trading value in unit trust and 0.25% of trading value in securities

The balance of accounts as at 31 December 2007 and 2006 between the Company and related companies are as follows:

	2007	2006
The Company's directors		
Deposits for clients' accounts	4,263,464	1,961,606



*Annual Report 2007*  
*Phatra Securities Public Company Limited*

---

The Board of Directors has always performed its duties with the utmost effort to ensure the Company's operations are in compliance with the principles of good corporate governance. It seeks to provide assurance to all shareholders, investors, clients and other stakeholders that the Company does business in a transparent manner and that all related parties are treated fairly, as well as to contribute towards a firm foundation for the Company in the long term.

On August 8, 2007, the Board of Directors' representatives, consisting of the Chairman of the Board of Directors, Chairman of the Audit Committee, Chief Executive Officer (CEO), executives and Secretary to the Board of Directors, met and discussed with representatives of the Corporate Governance Center of the SET to acknowledge the details of the Principles of Good Corporate Governance for Listed Companies 2006 and exchange opinions on difficulties in practice. Also, the Board of Directors in the Board of Directors' Meeting No. 4/2550 on August 27, 2007 reviewed the Company's Principles of Good Corporate Governance in order to further improve the Company's corporate governance to meet international standards, to benefit its competitive capability, and to be consistent with the SET's Principles of Good Corporate Governance for Listed Companies 2006.

The Company adheres to the principles of good corporate governance as follows:

#### **1. RIGHTS OF SHAREHOLDERS**

Recognizing the rights of all shareholders, the Company has taken action to demonstrate its respect for basic shareholders' rights and encourage shareholders to fully exercise their rights.

The Company's actions showing its commitment to shareholders' rights are as follows:

1) The Board of Directors has established a corporate governance policy regarding the statutory rights of shareholders. The policy emphasizes 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 directors' remuneration annually, the right to appoint the external auditors and vote on the annual audit fees, and the right to obtain adequate information, participate and vote in shareholders' meetings if there are any significant corporate changes (such as alterations in the Company's capital structure, controlling persons, and important assets). In addition, the Company provides shareholders the right to express an opinion and raise questions during shareholders' meetings, the right to propose agenda items for shareholders' meetings, the right to be involved in improving the Company's business performance, the right to share in the Company's profit, and the right to receive sufficient and up-to-date information on a timely manner.



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 shareholder 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. Furthermore, the Company has established various corporate governance committees, e.g. the Audit Committee, New Product Review Committee, Capital Commitment Committee, Investment Committee, and Disciplinary Committee, to enhance transparency when executing business transactions.

Moreover, in order to ensure all stakeholders have received the rights to which they are entitled and directors, management and employees at all levels strictly comply with the corporate governance policy, the Company has established in written form the Guidelines for Business Conduct. Details of the policy appear on the Company's website ([www.phatrasecurities.com](http://www.phatrasecurities.com), Investor Relations/ Corporate Governance section), Intranet, and in the Employee Handbook. In addition, the Company has assigned the Office of General Counsel and Internal Audit (OGC) to monitor compliance and to periodically report to the Audit Committee for acknowledgement.

2) The Company facilitates shareholder participation in the shareholders' meeting as follows:

- The Annual General Meeting of Shareholders was held on Monday, April 9, 2007 at 14.00 hrs., within four months of the end of the fiscal year and on a commercial bank working day. For shareholders' convenience to attend the meeting, the Company selected Plaza Athenee Bangkok, A Royal Meridien Hotel as the venue due to its convenience in transportation.
- On the meeting day the Company provided assistance to shareholders as follows. Registration was open at least for 1.5 hours before the meeting commenced, an appropriate venue was selected, ample staff was present to help shareholders and proxies register, duty stamps were provided for authorization of proxies, and food and beverages were served throughout the event.
- The Company arranged the delivery of notice of the General Meeting of Shareholders, containing the complete agenda together with proxy forms and a complete set of meeting agenda documentation and information details to shareholders not less than seven days prior to the meeting date. It also posted the notice of the Meeting on the Company's website ([www.phatrasecurities.com](http://www.phatrasecurities.com), Investor Relations/ Shareholders' Meeting section) approximately one month prior to the meeting date. Attached to the notice was sufficient information for voting on all agenda items, each of which was identified clearly as either for acknowledgement or consideration together with opinions of the Board of Directors on particular issues. The notice of shareholders' meeting clearly informed shareholders of all necessary documents and the Company's Articles of Association relevant to the

shareholders' meeting to maintain their legitimate rights for attending the meeting and a proxy form, allowing the shareholders to appoint proxies to the meeting. Proxies can be a third party or the Company's independent director.

- For foreign shareholders' convenience, the Company also prepared all meeting documents in English version.
- The Company gave those shareholders who showed up after the meeting commenced the chance to vote on agenda items still under deliberation.

3) At the meeting, the Company informed all shareholders of the voting and vote-counting procedures, and during the consideration of each agenda item, all shareholders had equal rights to express comments and ask questions for an appropriate amount of time. The voting and vote-counting procedures were conducted openly in an appropriate time, counting one share as one vote. Approval of a resolution was based on majority of votes. Each shareholder cast his/her vote on ballots. In addition, the Company invited the Company's auditor to witness the vote-counting procedure.

4) In the 2007 Annual General Meeting of Shareholders, the Chairman of the Board of Directors acted as the Chairman of the Meeting. The meeting was attended by eight out of nine Board members, including the CEO and all Chairmen of the other committees, executives, management in charge of the Company's finances and the independent auditor. During the Meeting, the Chairman of the Meeting provided the opportunity for shareholders to equally make inquiries and express opinions, which were answered and supplemented with complete information to shareholders. The Chairman of the Meeting allocated an appropriate amount of time for discussion. Apart from related meeting documents, the Company also presented information using a video presentation system for shareholders to use in voting. (Details of this appeared in the Minutes of 2007 Annual General Meeting of Shareholders displayed on the Company's website ([www.phatrasecurities.com](http://www.phatrasecurities.com), Investor Relations/ Shareholders' Meeting section).

5) Shareholders were able to submit their questions to the Company prior to the shareholders' meeting date. The Company disclosed details for sending questions in advance on the Company's website ([www.phatrasecurities.com](http://www.phatrasecurities.com), Investor Relations/ Shareholders' Meeting/ Questions for the Annual General Meeting of Shareholders section).

6) The Company set up channels for shareholders to contact the Secretary to the Board of Directors or Investor Relations directly for information regarding the Company ([www.phatrasecurities.com](http://www.phatrasecurities.com), Investor Relations/ Shareholders' Meeting section).

## 2. EQUITABLE TREATMENT OF SHAREHOLDERS

The Company values and treats all shareholders fairly and equally through the following actions:

1) On January 15, 2007 (via the SET's news portal) the Company invited all shareholders to propose the shareholders' meeting agenda for the Board of Directors' consideration. Criteria for proposing agenda items and screening processes were disclosed on the Company's website ([www.phatrasecurities.com](http://www.phatrasecurities.com), Investor Relations/ Shareholders' Meeting/ Agenda Proposal for Shareholders' Meeting section). However, there was no agenda item proposed by any shareholder for the 2007 Annual General Meeting of Shareholders.

2) On the same date (on the SET's news portal) the Company invited all shareholders to propose director nominees to the Company's Board of Directors via the Director Nominating Committee. Criteria for nominating directors, screening processes and the Company's directorship qualifications were disclosed on the Company's website ([www.phatrasecurities.com](http://www.phatrasecurities.com), Investor Relations/ Shareholders' Meeting/ Agenda Proposal for Shareholders' Meeting section). The Company's shareholders were given the choice to vote on individual nominees, although there was no director nominee from any shareholder in the year 2007.

Furthermore, for the 2008 Annual General Meeting of Shareholders, the Company announced on September 28, 2007 via the SET's news portal that it welcomed agenda proposals and director nominees from shareholders until January 15, 2008.

3) The Company allows shareholders who cannot attend the shareholders' meetings to appoint proxies and vote on their behalf. It provides proxy forms on which shareholders are able to specify their votes together with the notice of the meeting. Shareholders can also download proxy forms from the Company's website ([www.phatrasecurities.com](http://www.phatrasecurities.com), Investor Relations/ Shareholders' Meeting section).

4) The Company proposes the Company's independent director as an option for shareholders who cannot attend the shareholders' meeting to appoint as their proxies. For the 2007 Annual General Meeting of Shareholders, Prof.Dr.Uthai Tanlamai, the Company's independent director and Audit Committee member, was the person the Company proposed to shareholders for granting proxies. Seven shareholders, representing 14,068,625 shares, appointed Prof.Dr.Uthai Tanlamai as their proxies.

5) In the previous shareholders' meeting, the Chairman of the Meeting did not add any agenda item which was not notified to other shareholders in advance.

6) The Company prepared ballots for shareholders to vote in the shareholders' meetings. The voting-counting

procedures were conducted in a transparent manner. The Company's auditor served as a neutral and independent party to witness the vote-counting procedures, and the ballots were kept for reference.

7) Comprehensive minutes of the meeting were recorded, along with details of the voting on each agenda item. The Company disclosed the resolutions of the 2007 Annual General Meeting of Shareholders via the SET's news portal and on the Company's website ([www.phatrasecurities.com](http://www.phatrasecurities.com), Investor Relations/ Shareholders' Meeting section) within fourteen days of the meeting date. The minutes of the meeting included names of directors attending and not attending the meeting, voting and vote-counting procedures, key discussion issues, questions raised, clarifications, comments by the meeting, resolution results and complete voting results (for/against/abstaining) of each agenda item.

8) The Company has written policies concerning the misuse of inside information. Directors and management are required to disclose to the Company via the OGC the interests 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. All directors and management must report their securities holding as required by law to the Board of Directors' meetings on a quarterly basis. Moreover, the Company prohibits executive directors, management and staff who know the Company's material information and financial statements from trading the Company's shares for a period of seven days before the end of each accounting period until one day after the financial statements are disclosed. So far, directors and management of the Company have strictly complied with this policy.

9) Company directors and management who have an interest in any transaction or matter affecting the Company are not allowed to participate in the decision-making process on such issues.

10) The Audit Committee has the duty to consider the Company's disclosure of information and ensure its accuracy, completeness and compliance with laws and regulations when there are connected transactions or transactions that may result in a conflict of interest. In the previous year, the Company did not violate any regulations regarding connected transactions.

### **3. ROLE OF STAKEHOLDERS**

The Company emphasizes the statutory rights of all stakeholders, both internal (e.g. shareholders, directors and employees) and external (e.g. clients, competitors, creditors, related government agencies), including its obligation to the community, society and the environment as follows:

1) The Company has developed a mechanism on the Company's website ([www.phatrasecurities.com](http://www.phatrasecurities.com), Contact us/

Stakeholders' Involvement section) where stakeholders can participate in improving the Company's performance. All stakeholders, including clients, counterparties, competitors, employees, shareholders and creditors, can send suggestions to the Company's management.

2) The Company has procured channels for shareholders to communicate to the independent directors any concerns regarding illegal or unethical practices, incorrect financial reporting, insufficient internal control, etc. via the Company's website ([www.phatrasecurities.com](http://www.phatrasecurities.com), Contact us/ Stakeholders' Involvement section) for investigating and reporting to the Board of Directors. The rights of any person who communicates such concerns are protected, e.g. safekeeping of the identity of the person who communicates such concerns.

3) The Company has defined guidelines for treatment with various stakeholders focusing on the Company's responsibilities for each group, such as:

- 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 provides welfare and security to its employees through its provident fund, support for fire evacuation rehearsal, gym membership for all employees, and an annual physical checkup.

- For clients, the Company aims to offer high quality products and services and strives to protect confidentiality.

4) The Company emphasizes its responsibility to the community, society and the environment and strives to act as a good citizen, being non-partisan and unaligned with any political party. It bears in mind its role as part of society and the community, 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 in the Board of Directors' Meeting No. 5/2549 passed a 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 initiate projects and activities for the public. The scope and responsibilities of the Corporate Social Responsibility Committee and the Company's projects and activities in this area in 2007 are shown in the annual report on page 28 and page 77 respectively.

#### **4. DISCLOSURE AND TRANSPARENCY**

Information disclosure is a vital principle for good corporate governance. 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 through various actions as follows:

- 1) The Company ensures that all important information related to the Company, both financial and non-financial, is disclosed correctly, accurately, equitably, on a timely basis and in a transparent manner through the SET, its annual report, annual statement (Form 56-1), the Company's website in both Thai and English, as well as through public media (in some circumstances). The Company has not yet received any penalty from either the SEC or the SET regarding information disclosure.
- 2) The Board of Directors provided a statement of its responsibilities concerning the Company's financial reports signed by the Chairman of the Board of Directors and the CEO as shown on page 70 of the annual report.
- 3) The Board of Directors ensured that the roles and responsibilities of committees were disclosed in the Company's annual report as per details shown in the Management Structure section, report of the Audit Committee, report of the Management Development and Compensation Committee, report of the Director Nominating Committee and report of the Corporate Social Responsibility Committee.
- 4) The Company disclosed the Management Development and Compensation Committee's policies on page 76 of the Company's annual report.
- 5) In 2007, the Corporate Social Responsibility Committee approved concrete policies on corporate social responsibility. These were disclosed together with the Company's activities for society and environment carried out in 2007 in the report of the Committee in the Company's annual report on page 77.
- 6) The Company disclosed related party transactions on page 45 of the Company's annual report.
- 7) The Company's Audit Committee considers, selects and nominates the auditor of the Company to the Board of Directors' and shareholders' meetings. The Company appoints an auditor who is independent and approved by the SEC. In the previous year, the Company's financial statements were unconditionally certified by the auditor and the Company was not ordered by the SEC to make any change to its financial statements.

8) The Company pays close attention to information that needs to be forwarded to the SET and shareholders, particularly for accuracy, adequacy, timeliness, and equitability. The CEO and the company's Investor Relations head Mr. Thanin Kamthornthip serve institutional investors, minor shareholders, analysts, and those who are interested in monitoring the Company's data. The Company has clear procedures for information disclosure under ordinary and urgent circumstances alike, formats for data presentation, and timeframes for notification to the SET so that shareholders and investors receive financial information quickly and completely. In 2007, the Company's information was disseminated via various channels, i.e. the SET, the SEC, newspapers, the Company's website ([www.phatrasecurities.com](http://www.phatrasecurities.com)), Company visits/one-on-one meetings, etc.

9) In an effort to make financial information more rapidly available, the Company disclosed unaudited financial statements for 2006 in early 2007 and also disclosed unreviewed quarterly financial statements in 2007 besides the reviewed versions.

10) The Company disclosed the shareholder structure, information of directors and management and their shareholdings transparently in the Company's annual report.

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

## **5. RESPONSIBILITIES OF THE BOARD**

The Board of Directors endorses the Company's vision and strategies, and also approves key issues pertaining to the Company's business direction and 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 of the Company and all stakeholders is thus assured.

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 20 of the Company's annual report.

The Board of Directors has leadership, vision and independence in making decisions for the best interest of the Company. The Board of Directors continues to value 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 31 of the annual report.

All directors understand their roles and responsibilities and the nature of the Company's business. They are ready to express their ideas independently and always update themselves. Directors perform their duties in good faith, with due diligence and care, and commit themselves to their responsibilities.

#### 5.1 Board Structure

1) 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 Association. The Board of Directors consists of those knowledgeable in diverse fields useful for the Company's business and can independently express their views on the Company's performance against the given policy in each Board of Directors' meeting. As of December 31, 2007, the Board of Directors comprised nine members, including six executive directors and three non-executive and independent directors that could be considered one-third of the board size.

2) The Company's qualifications for independent directors are in compliance with the qualifications specified by the SEC and the SET as per details shown on page 24 of the annual report and the Company's website ([www.phatrasecurities.com](http://www.phatrasecurities.com), Investor Relations/ Shareholders' Meeting/ Agenda Proposal for Shareholders' Meeting section).

3) Directors may engage in outside business activities. For example, they may serve as partners or stockholders in other businesses, officers in family-owned businesses or 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. Serving as a director, officer or employee of any other corporation or business must be pre-authorized in writing by the OGC. All new directors are required to disclose their outside business activities and interests once they join the Company. Prior written approval from the OGC must be obtained before engaging in any outside business activity and private investment. Directors have an obligation to keep the Company apprised of these activities and provide updated information about the outside interests. Serving as a director, officer or employee of any other corporation or business, running for political office or taking on a formal role in someone else's campaign for political office must be authorized in writing by the OGC. Unless approved by the Executive Committee, no director may serve as a director of a publicly traded company. Details of the directors are shown on page 31 of the annual report.

4) The roles and responsibilities of the Chairman of the Board of Directors are different from those of the CEO, and these two positions are held by different individuals. The Chairman of the Board of Directors is elected from the Board members. He is the leader who takes part in making decisions on the Company's policies, which are the results from the Board of Directors' meetings in which the business targets are considered and set together with the management. The Chairman of the Board of Directors effectively and efficiently conducts the



Board of Directors' meetings and encourages all directors to participate in the meetings, i.e. raises important questions, provides management with suggestions, monitors and evaluates the Company's performance, oversees the shareholders' benefit and supports the business operation via the CEO. The Chairman of the Board of Directors does not involve himself in the day-to-day business operations, which are under the responsibility of the management headed by the CEO. Meanwhile, the CEO has the duty to successfully manage the Company's business and set up action plans and strategies in accordance with the approval from the Board of Directors' meetings.

5) The Company has a person in charge of the company secretary function to serve the Board of Directors in areas of providing legal advice, taking care of the Board of Directors' activities, monitoring compliance with the Board of Directors' resolution and Principles of Good Corporate Governance, and communicating with shareholders and relevant regulators. The person in charge of the company secretary function had already attended the Company Secretary Program (CSP) held by the IOD.

Regarding the term of service of directors, the Company's Articles of Association requires one-third of the directors to retire by rotation in every Annual General Meeting of Shareholders. If the number of directors cannot be a multiple of three, the nearest number to one-third must retire from office. However, the Company does not specify a maximum number of years and terms any director can be in office and also does not specify the maximum number of outside positions the Company's directors can hold. However, the Company requires executive directors to obtain written approval from the OGC prior to holding any position outside the Company and obtain approval from the Executive Committee prior to serving as a director of a publicly traded company. This is meant to avoid potential conflicts of interest and is considered on the condition that directors' outside positions do not interfere with the independent exercise of their duty. So far, all directors fully commit to the interest of the Company by regularly attending the meetings and expressing opinions beneficial to the Company. Also, currently there is no director who holds a position in more than five publicly traded companies, which is in line with the Principles of Good Corporate Governance. Information on outside positions of each director is shown on page 31 of the Company's annual report.

Reference is made to the Principles of Good Corporate Governance for Listed Companies in which it is recommended that the Company appoint an independent director as the Chairman of the Board of Directors. As the Company's business is complicated, fast-changing and requires flexibility, the Company believes the Chairman of the Board of Directors should be knowledgeable and capable, have direct experience in the Company's business, and be able to fully commit to the Company. This management structure is similar to those of leading international investment banks. Moreover, the Company believes its high-ranking executives are ethical and that the Company has good control to protect the best interest of shareholders and stakeholders.

## 5.2 Committees

1) The Committees appointed by the Board of Directors to assist the Board of Directors in fulfilling its responsibilities are the Executive Committee, Audit Committee, Management Development and Compensation Committee, Director Nominating Committee, and Corporate Social Responsibility Committee. The Company's Committee Structure and scope of work of each committee are shown in the annual report on page 20 and 24 respectively.

2) The Company's qualifications for the Audit Committee are in line with relevant regulations. The Company's Audit Committee consists of at least one member who has knowledge, understanding and experience in finance and accounting.

3) Besides the above-mentioned committees appointed by the Board of Directors, the Company's CEO has appointed other subcommittees to efficiently carry out the Company's operations. Such subcommittees have clear duties and responsibilities.

All committees appointed by the Board of Directors contain some independent directors. However, the majority of the Director Nominating Committee, the Management Development and Compensation Committee and the Corporate Social Responsibility Committee and their Chairmen are not independent directors.

Most directors of the Company are executive directors who fully commit themselves to the Company's business and have knowledge and experience in the securities business. Appropriate persons for the Company's directors normally come from the Company's staff. Therefore, the Company believes that if most of the Director Nominating Committee consists of independent directors, they may face difficulties in selecting and nominating directors.

The Management Development and Compensation Committee reviews with management its programs and processes for management development, succession plans for key senior management positions, reviews and approves corporate goals and objectives relevant to the compensation of employees individually on an annual basis, and reviews the compensation of the Board members who are not executive directors with the Board of Directors for proposing to the shareholders' meeting for approval. Also, semi-annually it reviews the promotion of the management and employees of the Company, reviews the salary base for management and employees of the Company, reviews all annuity contracts, compensation or special benefit plans for executives and senior management (if any) and employment or severance agreements. It also reviews expense accruals for incentive compensation and incentive compensation pools for the Company and proposes to the Board of Directors for

approval prior to the annual determination of individual compensation, and reviews the Company's compensation programs and policies to align them with the Company's goals and the interests of shareholders. Consequently, the Company believes most Management Development and Compensation Committee members should be its own executives as they fully commit themselves to the Company, understand its business, and acknowledge the Company's performance.

### 5.3 Roles, Duties and Responsibilities of the Board of Directors

1) The Board of Directors reviews and approves key business matters such as the vision of the Company, strategies, financial targets, risks, major action plans and budget, and monitors implementation by management to ensure effectiveness.

2) The Board of Directors has set and approved the Company's written Principles of Good Corporate Governance which are regularly reviewed. The Board of Directors believes corporate governance is a critical factor in achieving success. The Company's corporate governance policy seeks to align management and shareholder interests. The Company has instituted corporate governance principles through various policies and procedures to protect shareholders' interests and transact business in a transparent manner. Furthermore, the Company instills corporate governance awareness and understanding to employees continuously through various activities, e.g. orientation sessions for new employees and publishing of the Company's Principles of Good Corporate Governance in the Company's Intranet system.

3) The Company believes the Guidelines for Business Conduct and business ethics 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, help to foster a culture of honesty and accountability, and furnish good corporate governance. Therefore, all employees, management and directors are subject to the Company's Guidelines for Business Conduct, which they must acknowledge on their first working day and be able to study, review and refer to at all times as it is posted on the Company's Intranet system.

The Company is concerned about ethics, and aims to articulate its policies regarding this 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 a leader in the securities business and status as a good corporate citizen.

Examples of the Company's policies demonstrating how it is committed to upholding 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, it is not sufficient 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 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 norm.

*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 communities.*

Responsible citizenship means 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.

Regarding confidential information, the Company's policy prohibits employees from acting upon material confidential information to benefit themselves or others. Information is "material" if a reasonable investor would consider it important in making an investment decision, or if it can 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 required to by law. 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 where he or she has information. Employees are required to direct questions concerning the confidentiality or security of client information to their managers or the 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 the OGC if they have 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 ([www.phatrasecurities.com](http://www.phatrasecurities.com), Investor Relations/ Corporate Governance/ Guidelines for Business Conduct section) and Intranet. It continuously and consistently communicates its ethical standards and requirements to all employees and seeks to ensure compliance.

4) 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, conflicts of interest 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 conflicts of interest and requires employees, officers and directors of the Company to disclose the conflict of interest which may occur.

The Company expects each employee, manager or director to avoid activities, interests or associations that might interfere with the independent exercise of their judgment or the best interests of the Company, its clients, its shareholders or the public. Employees, managers 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 the Company may enter into with any of the Board members, management, major shareholders and related persons. This is to avoid potential conflicts of interest between the Company and those persons. The Company's policies include specific safeguards against many forms of conflicts of interest, although it is impossible to foresee every potential conflict that can arise during the holding of office of an employee, manager and director. The Company requires employees, managers 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 conflicts of interest by establishing various policies and procedures, a few 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, analysts and staff of Direct Investment Department) must pre-clear transactions with their department head and the 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, managers and directors 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 the OGC.

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

The Company requires management and employees of the Company to open securities trading accounts with the Company. Such a securities trading transaction with management and employees must be on an arm's-length basis without taking unfair advantage of anyone through unethical or illegal means. 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. However in doing

business the Company maintains the principle that clients' benefit comes first. The Company has regularly reviewed and monitored compliance with such policy.

5) The Board of Directors places 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 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 Executive Committee reviews the risk management system which covers all activities of the Company including the assignment of any person or subcommittee to oversee the integration of departmental risk management and control systems and report regularly to the Committee. In the Executive Committee Meeting No.12/2007 dated on September 10, 2007, the Executive Committee discussed improving the Company's Enterprise Risk Management/ ERM.

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. 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 the Code of Ethics to their managers, the OGC or senior management as appropriate. If they are not comfortable raising an ethical issue or discussing a possible or actual violation with their 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 the OGC regarding accounting, internal accounting controls, or auditing matters.

The Company has various corporate governance committees to ensure that new businesses or transactions are considered by all affected departments. These include the Capital Commitment Committee and 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 effectiveness of the Company's internal audit system and good corporate governance. Duties of the Audit Committee are shown on page 25 of the annual report.

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 2007 are shown on the Audit Committee's Report in the annual report on page 71.

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

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

Legal and Compliance provides legal, regulatory and compliance guidance to the firm's management and employees to assist them in managing the business in a way consistent with the Company's principles, to comply with applicable laws and regulations, to provide a superior standard of service for issuing and investing clients, and to enhance and protect shareholder value.

Internal Audit's mission is to contribute to the ongoing effectiveness of the Company's internal controls by evaluating operations and internal controls and be 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 and reports regularly to the Audit Committee.

The Corporate Credit and Risk Management Department reviews the credit-worthiness of the counterparties for existing clients and new accounts, as well as setting and revising the limits.



6) The Company has established a Disaster Recovery Center and has set up a Business Continuity Plan to support the Company's business operations in case there is any emergency or damage to the computer system or the Company's offices.

7) The Board of Directors prepares reports on the Company's operating results and major events over the past year to shareholders for their acknowledgement. Also, the Board of Directors is responsible for 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 enables 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 standards. The Audit Committee also ensures that the Company's financial data has been disclosed publicly and transparently. The Audit Committee's report is included in the annual report on page 71.

#### 5.4 Board Meeting

1) The Board of Directors does not set its yearly schedule of meetings. However, the Company sets the schedule of the Board of Directors' meetings in advance and each director is notified of the meeting schedule ahead of time so they can attend the meetings. Normally all directors attend each Board of Directors' meeting except in cases where they have legitimate and necessary reasons not to attend. Whenever possible, directors inform the Chairman of the Board of Directors if they cannot attend a meeting. Details of attendance at the Board of Directors' meetings and committees' meetings of the Company's directors in 2007 are shown below:

Name of Board Members	Board of Directors (times)	Executive Committee (times)	Audit Committee (times)	Management Development and Compensation Committee (times)	Director Nominating Committee (times)	Corporate Social Responsibility Committee (times)
Mr.Banyong Pongpanich	6/6	13/17		2/2	1/1	2/2
Mr.Suvit Mapaisansin	5/6	16/17		2/2	1/1	2/2
Mr.Veravat Chutichetpong	5/6	16/17		2/2		
Dr.Supavud Saicheua	5/6	17/17				2/2
Mrs.Patchanee Limapichat	5/6	13/17				2/2

Mr.Norachet Sangruji	5/6	16/17			
Dr.Anumongkol Sirivedhin <sup>(1)</sup>	6/6		7/8	1/1	2/2
Assoc.Prof.Dr.Varakorn Samakoses <sup>(1)(2)</sup>	0/0		1/1		
Prof.Dr.Uthai Tanlamai <sup>(1)</sup>	6/6		8/8		
Mr.Pongtep Polanun <sup>(1)</sup>	6/6		6/6	2/2	

Remark : (1) Independent director

(2) Assoc.Prof.Dr.Varakorn Samakoses had resigned from his positions as the Company's director and Audit Committee member effective from February 2, 2007 as he was appointed by His Majesty the King as the Deputy Minister of Education.

2) In 2007, the Board of Directors met six times. A typical Board of Directors' meeting takes 2.5 hours, with the Secretary to the Board of Directors in attendance to take the minutes including the management's clarification and directors' comments.

3) The Chairman of the Board of Directors and the CEO jointly set the agenda for the Board of Directors' meeting by considering its importance and necessity. However, each director is free to propose an issue for a meeting agenda.

4) Meeting documents are sent to each director at least seven days in advance of the meeting date.

5) In the Board of Directors' meetings, the Chairman allocates the meeting time for complete management presentation and comprehensive director discussions. Top executives of the Company are able to attend the Board of Directors' meetings to present details on issues they are directly responsible for.

6) The Board of Directors can access additional information via the CEO or Secretary to the Board of Directors or executives designated as contact persons.

7) The Board of Directors realizes the importance of non-executive directors meeting as necessary (at least once a year) among themselves without the management team in order to debate their concerns. The meeting outcome is notified to the CEO. The Company has three non-executive directors, all Audit Committee members, which met among themselves during year 2007.

### 5.5 The Board Self Assessment

For year 2007, Director Nominating Committee has developed a self-evaluation form to each member of Board of Directors to evaluate the Board of Directors' performance as a group. The form covers certain areas including board structure and directors' qualification, directors' scope of work and responsibilities, relationship with management, risk management and internal control, overseeing and supervising in order to avoid any conflict of interest, follow up 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 evaluating CEO's performance with rating scores from 1 to 5. These are 1 = Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree and 5 = Strongly Agree and N/A. The result shows satisfactory level with an average score of 4.51 out of 5.0.

### 5.6 Remuneration

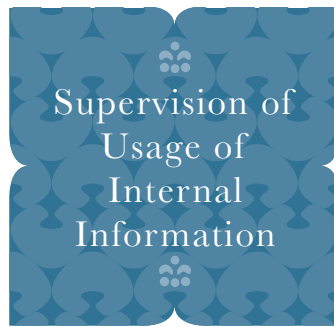
The Management Development and Compensation Committee is responsible for reviewing director's remuneration, to be submitted for consideration by the Board of Directors for further submission for approval by the General Meeting of Shareholders. It considers the appropriateness of remuneration with respect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

Remuneration of management is paid according to policies and criteria set by the Board of Directors. It is tied directly to the performance of the Company and 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 43 of the annual report.

### 5.7 Board and Management Training

The Board of Directors has assigned the Management Development and Compensation Committee to review with the management of the Company its programs and processes for management development, reviewing succession plans for key senior management positions, and reviewing the promotion of management and employees of the Company.



*Annual Report 2007*  
*Phatra Securities Public Company Limited*

---

The Company has a policy prohibiting directors and executives from using internal information regarding status and results of the Company's operations which are 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 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 in 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.
-



*Annual Report 2007*  
*Phatra Securities Public Company Limited*

---

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.

In year 2007, the Company made two dividend payments to shareholders, as detailed below:

1. Dividend payment for year 2006 on April 30, 2007 according to the resolution of the Annual General Meeting of Shareholders dated on April 9, 2007 at the rate of Baht 2.00 per share, totaling Baht 427.00 million, for shareholders whose names appeared in the share register book as of March 21, 2007; and
  2. Interim dividend payment for the Company's performance in the first six-month period of 2007 on September 25, 2007 according to the resolution of the Board of Directors' Meeting No.4/2550 dated on August 27, 2007 at the rate of Baht 1.00 per share, totaling Baht 213.50 million, for shareholders whose names appeared in the share register book as of September 11, 2007.
-



## Auditor's Remuneration

*Annual Report 2007*  
*Phatra Securities Public Company Limited*

---

For the accounting period ended December 31, 2007, the auditor's remuneration paid to Ernst & Young Office Limited for the audit fee was Baht 1,100,000.00. This amount comprised of Baht 340,000.00 for auditing the annual financial statement ended December 31, Baht 310,000.00 for auditing the half year financial statement ended June 30, Baht 350,000.00 for reviewing the financial statements of 1st and 3rd quarters and Baht 100,000.00 for IT audit for year 2007.

---



*Annual Report 2007*  
*Phatra Securities Public Company Limited*

---

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

---



## Responsibility to the Financial Report of the Board of Directors

*Annual Report 2007*  
*Phatra Securities Public Company Limited*

---

The Board of Directors is responsible for the arrangement of the Company's financial statement and the financial information appearing in the annual report. The financial statements are prepared in accordance with generally accepted accounting standards and appropriate accounting policies, and are made with careful consideration. They have been duly audited and the independent auditors have provided their unqualified opinions. The financial statements therefore reflect the Company's financial status and operating results in a manner that is factual, reasonable and useful for shareholders, general investors and stakeholders.

The Board of Directors has also established and maintained an appropriate and efficient system of risk management as well as internal control systems. These guarantee accounting accuracy and adequacy in order to protect the Company's assets and prevent corruption and irregularities.

In this matter, the Board of Directors has appointed the Audit Committee which consists of three independent directors who are responsible for the quality of the financial statements and internal control system. Also, the Board of Directors has provided full authority to the Audit Committee and independent auditors in reviewing the internal control system and the accuracy and adequacy of the financial reports. The remarks of the Audit Committee are included in the Company's annual report.

The Board of Directors opines that the overall internal control system is satisfactory and lends credibility to the Company's financial statements as of December 31, 2007.



(Mr. Banyong Pongpanich)  
Chairman



(Mr. Suvit Mapaisansin)  
Chief Executive Officer





*Annual Report 2007*  
*Phatra Securities Public Company Limited*

---

For the period ended December 31, 2007

The Audit Committee (“the Committee”) consists of three independent directors, namely, Dr.Anumongkol Sirivedhin as Chairman of the Committee, Prof. Dr.Uthai Tanlamai as Committee member and Mr.Pongtep Polanun 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 principles of good corporate governance so as to create credibility and fairness to shareholders, investors, stakeholders and all other relevant parties. The Committee also aims to further strengthen the Company’s auditing standards to meet international standards but within the context of Thai society. The Committee focuses its effort on the development of systematic management and auditing which helps to reduce 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. In 2007 the Committee met eight times and its work is summarized as follows:

#### **January 2007**

1. Acknowledged the IT General Control Review which was reviewed by PricewaterhouseCoopers FAS Ltd. and made suggestions on reviewing information access rights, prioritizing technology system improvement according to its importance and necessity, IT governance and improving information technology system to be in line with various department business plans;
2. Considered selecting the external auditor and fixing their remuneration and proposing to the Board of Directors’ and shareholders’ meetings; and
3. Prepared 2006 Audit Committee’s Report.

#### **February 2007**

1. Considered and approved the Company’s financial report and statement for the period ended December 31, 2006 which had been audited by the auditor;
2. Acknowledged the internal audit result of the Private Wealth Management Department and made suggestions on educating new employees on their outside securities trading accounts and disclosure, together with recommendations on identifying damage level from offences in the internal audit report;
3. Acknowledged the compliance report for December 2006 performed by the Office of General Counsel and Internal Audit (OGC); and
4. Acknowledged 2006 Annual Compliance Report.

#### May 2007

1. Considered and approved the Company's financial report and statement for the three-month period ended March 31, 2007 which had been reviewed by the auditor and made suggestions on reporting each business unit performance versus its target which could clearer reflect its performance; and
2. Acknowledged the internal audit result of the Treasury Department and Compliance Division of OGC.

#### June 2007

1. Acknowledged the compliance report for the period January – May 2007 performed by the OGC and made suggestions on recording securities trading orders performed by financial consultants in order to improve the efficiency and effectiveness in reviewing financial consultants' performance; and
2. Acknowledged the result of financial consultants' remuneration review.

#### August 2007

1. Discussed with the auditor (Ernst & Young Office Limited) without the presence of the Company's management or representative 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 six-month period ended June 30, 2007 which had been audited by the auditor; and
3. Reviewed the Committee's works to report to the Board of Directors in the Board of Directors' Meeting No.4/2550 and made suggestions on the following:
  - Disciplinary action guidelines in the form of multi-dimensional matrix that showed the relationships among intention of offence, level of impact and disciplinary actions;
  - Identification of time frame for internal audit and damage level from offences in the internal audit report;
  - Control Self Assessment (CSA);
  - Review and reporting of information access rights;
  - Technology system improvement that could prevent damage and be in line with each business unit plan; and
  - Importance of IT governance.

#### September 2007

1. Acknowledged the internal audit result of the Stock Borrowing and Lending Department;
2. Acknowledged the compliance report for the period June – August 2007 performed by the OGC; and
3. Acknowledged the result of the Company's IT risk assessment.

#### November 2007

1. Considered and approved the Company's financial report and statement for the nine-month period ended September 30, 2007 which had been reviewed by the auditor;

2. Considered and ratified the Company's related transaction;
3. Acknowledged the internal audit result of Derivatives Department and suggested that the Company should develop the technology system to protect against errors which might occur from inputting data; and
4. Acknowledged the compliance report for the period September - October 2007 performed by the OGC.

#### December 2007

1. Acknowledged the result of regulatory and management reports reviews;
2. Acknowledged the result of IT general control review and made suggestions on training programs regarding regulations and effective communications for management and staff of the Technology Infrastructure Department and Application System Department; and
3. Considered and approved the annual internal audit plan for 2008.

For the year 2008 the Committee nominated Ms.Rungnapa Lertsuwankul, CPA no. 3516 or Mr.Sophon Permsirivallop, CPA no. 3182 or Ms.Sumalee Reewarabandith, CPA no. 3970 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 shareholders' 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.



(Dr.Anumongkol Sirivedhin)  
Chairman of the Audit Committee



Annual Report 2007  
Phatra Securities Public Company Limited

---

For the period ended December 31, 2007

The Director Nominating Committee (“Committee”) consists of three directors, namely Mr. Banyong Pongpanich as Chairman, Dr. Anumongkol Sirivedhin and Mr. Suvit Mapaisansin.

During 2007, the Committee met once to perform its duties and responsibilities within the scope and duties of work assigned by the Board of Directors. Their works are summarized as follows:

1. The Committee conducted an evaluation of the performance of the Board of Directors by developing a self-evaluation form for each board member to evaluate the Board of Directors’ performance as a group. The form covers many areas including board structure and directors’ qualification, directors’ scope of work and responsibilities, relationship with management, 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 evaluating the CEO’s performance with rating scores from 1 to 5. These are 1= Strongly Disagree, 2= Disagree, 3= Neutral, 4= Agree, 5= Strongly Agree and N/A. The result shows a satisfactory level with an average score of 4.51 out of 5.0.

2. The Committee considered and proposed the appointment of new directors to replace those retired by rotation to the Board of Directors’ meeting and shareholders’ meeting. According to the Company’s Articles of Association, one-third (1/3) of the directors are required to retire by rotation at every Annual General Meeting of Shareholders. If the number of directors is not a multiple of three, the nearest number to 1/3 must retire from office. Directors retiring by rotation can be re-elected as directors. For the first and second year after the Company became a registered company, it drew lots to select directors who would retire by rotation. In every subsequent year, directors having been longest in office retire. This is in line with the Public Limited Company Act.

In 2007 the Company had nine board members. The two directors in office for the longest period were Dr. Anumongkol Sirivedhin and Mr. Veravat Chutichetpong, which did not comprise 1/3 of the current board members. Therefore, the Committee drew lots among four directors in office for the second-longest period, with Mrs. Patchanee Limapichat selected as another director to be retired by rotation.

The Company had invited shareholders to propose director nominees to the Board of Directors via the Committee, but no shareholder proposed any person to be appointed as a director.

Then the Committee considered and agreed to propose to the Board of Directors' meeting and shareholders' meeting that Dr. Anumongkol Sirivedhin, Mr. Veravat Chutichetpong and Mrs. Patchanee Limpichat, directors retired by rotation, be re-elected as the Company's directors for another term. These directors are knowledgeable, capable and experienced and performed well throughout their terms in office.

3. The Committee considered the appointment of a new director to replace Assoc. Prof. Dr. Varakorn Samakoses, the Company's Independent Director and Audit Committee member who resigned from office effective February 2, 2007 as he had been appointed by H.M. the King as Deputy Minister of Education. Due to the short period of time available, however, no appropriate candidate was found. Hence the Committee proposed to postpone the appointment. However, in order to comply with the SET's announcement that the Company's Audit Committee members must consist of at least three persons, the Committee resolved to propose to the Board of directors' meeting the appointment of Mr. Pongtep Polanun, Independent Director, as an Audit Committee member in replacement of Assoc. Prof. Dr. Varakorn Samakoses.



(Mr. Banyong Pongpanich)

Chairman of the Director Nominating Committee



## Management Development and Compensation Committee's Report

Annual Report 2007  
Phatra Securities Public Company Limited


---

For the period ended December 31, 2007

The Management Development and Compensation Committee, which has been appointed by the resolution of the Company's Board of Directors meeting, consists of four directors, namely Mr. Banyong Pongpanich as Chairman, Mr. Suvit Mapaisansin, Mr. Veravat Chutichetpong and Mr. Pongtep Polanun.

The Management Development and Compensation Committee has strongly intended to perform its best duties and responsibilities within the scope and duties of work assigned by the Board of Directors. During 2007, the Management Development and Compensation Committee met twice and their works are summarized as follows:

1. Fixing the remuneration of the Board of Directors' members in an amount comparable to other companies in the industry and appropriate to their duties, roles and responsibilities;
2. Fixing the remuneration of employees and management in the form of salary and year-end bonus in a manner reflecting the Company's performance, departmental performance and individual performance. Remuneration was also set to ensure management and employees are motivated to work more efficiently and to retain their service in the Company;
3. Reviewing the promotion of employees and management twice - at the beginning of the year and in the middle of the year;
4. Periodically reviewing succession plans for key management positions in order to ensure that each position has a successor to run and operate the Company's business smoothly; and
5. Annually reviewing employees' and management's development plans in order to improve and enhance their knowledge, skills and competencies to be able to work effectively in a highly competitive securities business.



(Mr. Banyong Pongpanich)

Chairman of the Management Development and Compensation Committee

---



*Annual Report 2007*  
*Phatra Securities Public Company Limited*

---

The Corporate Social Responsibility Committee (“the Committee”) has been appointed by the resolution of the Board of Directors’ Meeting No.5/2549 dated on November 13, 2006 to oversee the Company’s social responsibilities and focus its efforts on contributing to society.

The Committee consists of six executive and non-executive directors, namely Mr.Banyong Pongpanich as Chairman of the Committee, Dr.Anumongkol Sirivedhin, Mr.Suvit Mapaisansin, Dr.Supavud Saicheua, Mrs.Patchanee Limapichat and Mrs.Patraporn Milindasuta. Mrs.Anchalee Harnhirun is Secretary of the Committee.

In 2007, the Committee met two times to acknowledge the SET’s guidelines for corporate social responsibilities, set the Company’s social responsibility guidelines and policies, acknowledge the Charity Committee’s activities and make suggestions to the Charity Committee.

The Committee has set guidelines and policies as follows:

1. The Company will not conduct any business harmful to the community, society or the environment and will not profit from society’s burdens;
2. The Company will persist in aligning the benefits of the Company, employees, clients and shareholders with benefits in the country’s economic and capital market development. The Company focuses on its growth along with Thailand’s capital market development;
3. The Company will strive to be part of sustainable development of the country’s capital market and securities market;
4. The Company supports the use of the Company’s and employees’ business knowledge and experience in various fields, e.g. management, system setup, legal, etc. to benefit society and social activities;
5. The Company promotes volunteerism and community engagement among the Company’s employees; and
6. The Company’s social activities are not limited to projects and activities that provide the Company with tax benefits.

For 2007, the Company managed Baht 6.30 million to support social projects and charitable activities as follows:

#### **HEALTHCARE AND SOCIAL SERVICES**

To be part of the community and improve the living and health of Thai people, the Company has supported the following projects and activities in healthcare and social services.

- The Company coordinated with Yasothon Provincial Health Office and Banphaeo Hospital, Samutsakhon province, to arrange eye cataract operations for 186 senior Yasothon patients at Mahachanachai Hospital, Yasothon province.
- Down's Syndrome child camp under the royal patronage of H.M. the Queen to help students with mental retardation develop themselves physically, mentally and socially and lead normal lives.
- Supported the project to help children with AIDS at Somdetprayannasungworn Hospital, Chiangrai province.
- Supported the procurement of wheelchairs for persons with disabilities in three provinces, namely Pichit, Khonkaen and Chiangrai.
- Supported sports activities for disabled persons in Chiangrai province for the purpose of physical and mental rehabilitation.

The Company was selected as an outstanding organization supporting activities of disabled persons in 2007 and received an honorary plaque and certificate on December 3, 2007 from Mr.Paiboon Wattanasiritham, the Deputy Prime Minister and Minister of Social Development and Human Security.

#### **EDUCATION**

The Company realizes the importance of education and aims to establish good reading and self-researching habits among Thai youth. Towards this end, in 2006 the Company initiated a library project for schools in rural areas, donating money to libraries in five schools for book procurement. In 2007 the Company initiated another library project called Live Library Development in which the Company donated money to five public



libraries selected according to the guidelines set by the Company and the Thai Library Association under the royal patronage of H.R.H. Princess Mahachakri Sirindhorn. Its purpose was to develop libraries by improving their computer equipment, books, educational media and other necessities to increase traffic. Moreover, the Company continued to support the SIFE Thailand national competition project to select the country's representatives to compete in the national and international competition. It also continued to award scholarships for students of Chulalongkorn University, Thammasat University, Kasetsart University and other universities and colleges in other provinces. Up to the end of 2007, the Company has granted a total of 29 scholarships.

Besides the above-mentioned projects, the Company supported and invited management and employees of the Company to join in A Christmas Wish project in which the Company provided gifts, mainly student uniforms and stationery, as requested on the occasion of Christmas and New Year for students in rural schools, namely Sasna-Uppatump School in Songkhla province and Choomchon Wat Suwanbanphot School in Uthaithani province.

#### **ART & CULTURE**

The Company organized a Thai cultural trip to various important places, i.e. the Grand Palace, the Wimaladetha Mansion Dusit Palace, and Wat Phra Kaew for rural students to increase their knowledge and experience and to publicize and conserve Thai art and culture.

#### **RELIGION AND EDUCATION**

As the Company realizes the importance of religions to help people in society live happily, in 2006 the Company contributed Baht 10.00 million towards the establishment of the Buddhadasa Indapanno Archives to support and promote Buddhism study through works, teachings, and Buddhist ideology of Buddhadasa Bhikkhu. The Company has supported the management and employees of the Company to become a major part of the working team in order to establish the Buddhadasa Indapanno Archives Foundation which has already been registered with the Ministry of Interior as of January 29, 2007. And in 2007, the Company's management and employees have continued being major volunteers in supporting the co-ordination and management of the working team which intends to open the Buddhadasa Indapanno Archives on the 103rd anniversary of Buddhadasa Bhikkhu's birth in 2009.

#### ENVIRONMENT & NATURE

Although the Company's business operation has no direct impact on the environment and nature, the Company realizes the importance of both. Therefore, the Company has supported environmental projects such as the Organic Farming Development project in Yasothon province to ease the effects of global warming on local farmers. Together with the Earth Net Foundation, the Company aims to educate and persuade farmers to use organic farming methods, supports rice seeding and trial plots, and helps to find export markets. In addition, the Company supported the Huaykwang District Office (in which the Company is located) in its initial wastewater treatment project using grass filtration system following the royal initiative of H.M. the King.



(Mr. Banyong Pongpanich)

Chairman of the Corporate Social Responsibility Committee

---

# Management Discussion and Analysis

Annual Report 2007  
Phatra Securities Public Company Limited

## FINANCIAL PERFORMANCES AND RESULTS OF OPERATIONS

### RESULTS OF OPERATIONS FOR THE YEAR ENDED 31 DECEMBER 2007

#### REVENUES

The Company's total revenues in 2007 of Baht 1,569.34 million decreased Baht 377.08 million or 19.37% from Baht 1,946.42 million in 2006. Details were as follows:

	2007		2006	
	Million Baht	%	Million Baht	%
<b>REVENUES</b>				
Brokerage fees				
Brokerage fees from securities business	1,077.23	68.64	1,234.79	63.44
Brokerage fees from derivatives business	23.99	1.53	3.22	0.17
Fees and services income	220.32	14.04	496.12	25.49
Gain on securities trading	81.21	5.18	18.92	0.97
Gain on derivatives trading	8.87	0.57	0.45	0.02
Interest and dividend	147.17	9.38	173.31	8.90
Other incomes	10.53	0.67	19.60	1.01
<b>Total revenues</b>	<b>1,569.34</b>	<b>100.00</b>	<b>1,946.42</b>	<b>100.00</b>

#### BROKERAGE FEES FROM SECURITIES BUSINESS

In 2007, average daily trading value on the SET and MAI was Baht 17,436.00 million, up 6.36% from Baht 16,393.72 million in 2006. The Company's average daily trading value increased 3.32% from Baht 1,899.04 million in 2006 to Baht 1,961.98 million in 2007.

Although the Company's average daily trading value increased in 2007, the brokerage fees from securities business, which was the main source of the Company's revenues and accounted for 68.64% of total revenues in 2007, decreased 12.76% from Baht 1,234.79 million in 2006 to Baht 1,077.23 million in 2007. The decrease was due to the fact that the Company obtained approval from the SET to act as an exclusive partner for Merrill Lynch. Hence, brokerage fee to be charged to Merrill Lynch was changed from 0.25% to 60% of the commission rate permitted by the SET and was effective from August 3, 2007 onwards. As a result, the Company's average brokerage fee rate dropped from 0.25% to 0.22% in 2007 and the proportion of brokerage fees from foreign institutional investors, domestic institutional investors, and high-net-worth individuals changed as shown below:

(Unit: Percent)	2007	2006
Foreign institutional investors	49.67	57.97
Domestic institutional investors	17.46	17.29
High Net Worth clients	32.87	24.74
Total	100.00	100.00

#### The Company's Market Share and Ranking

	2007	2006
Average daily trading value of the SET and MAI (Million Baht)	17,436.00	16,393.72
Trading proportion of the SET and MAI classified by investor group		
Foreign investors	32.37%	33.66%
Local institutional investors	14.24%	11.55%
Local investors	53.39%	54.79%
The Company's average daily trading value (Million Baht)	1,961.98	1,899.04
The Company's market share	5.63%	5.79%
Market share – foreign institutional investors	9.37%	9.98%
Market share – local institutional investors	13.79%	16.57%
Market share – high net worth clients	3.13%	2.64%
Ranking	3	4

#### BROKERAGE FEES FROM DERIVATIVES BUSINESS

The brokerage fees from derivatives business was Baht 23.99 million in 2007, up from Baht 3.22 million in 2006. This was due to more products being traded in the TFEX market, causing an increase in trading value.

The proportion of the Company's brokerage fees from derivatives business in 2007 was 67.73% from foreign institutional investors, 0.23% from local institutional investors, and 32.04% from high-net-worth individuals.

#### FEES AND SERVICES INCOME

The total fees and services income in 2007 was Baht 220.32 million, a decrease of Baht 275.80 million or 55.59% from Baht 496.12 million in 2006. The decrease was mainly due to the unfavorable capital market and no underwriting fees from large corporates. The fees and services income in 2007, hence, mainly came from revenues from advisory business and selling agent fees income from asset management companies.

(Unit: Million Baht)	2007	2006
Underwriting fees	77.66	329.03
Financial advisory fees	66.89	127.28
Selling agent fees	75.52	39.81
Securities borrowing and lending fees	0.25	-
Total	220.32	496.12

#### GAIN ON SECURITIES TRADING AND DERIVATIVES TRADING

The Company had gain from securities trading and derivatives trading of Baht 90.08 million in 2007, an increase of Baht 70.71 million from Baht 19.37 million in 2006. The increase was because the Company divested some investments in securities. This raised contribution of gain on securities trading and derivatives trading from 0.99% of total revenues in 2006 to 5.75% of total revenues in 2007.

#### INTEREST AND DIVIDEND INCOME

The Company's interest and dividend income of Baht 147.17 million, of which Baht 95.44 million was from interest income and Baht 51.73 million from dividend income, declined by Baht 26.14 million or 15.08% from Baht 173.31 million in 2006.

The decline was because the Company's cash deposited at financial institutions in 2007 was less than in 2006 due to a payment of interim dividend and lower net profit. In addition, dividend income from investment in listed companies also decreased. Details were as follows:

(Unit: Million Baht)	2007	2006
Interest income from debt securities and deposits	95.44	118.73
Dividend		
Trading securities	0.04	1.26
Available-for-sale securities	50.56	52.69
Non-marketable securities	1.13	0.63
Total	147.17	173.31

#### OTHER INCOMES

The Company's other incomes of Baht 10.53 million in 2007 were from income from office rental and gain from selling fixed assets and foreign exchange, etc.

## EXPENSES

The Company's total expenses were Baht 931.70 million in 2007, a decline of Baht 67.11 million or 6.72% from Baht 998.81 million in 2006. Details were as follows:

	2007		2006	
	Million baht	%	Million Baht	%
EXPENSES				
Expenses on borrowing	7.12	0.76	4.11	0.41
Fee and service expenses	156.19	16.76	196.15	19.64
Operating expenses				
Personnel expenses	603.57	64.78	632.62	63.34
Premises and equipment expenses	79.67	8.55	71.39	7.15
Taxes and duties	4.10	0.44	10.71	1.07
Directors' remuneration	3.51	0.38	6.24	0.62
Other expenses	77.55	8.32	77.59	7.77
Total expenses	931.70	100.00	998.81	100.00

## EXPENSES ON BORROWING

An increase in expenses on borrowing from Baht 4.11 million in 2006 to baht 7.12 million in 2007 was due to the Company's obligation to pay interest on clients' cash deposited with the Company as collateral for equity trading and margin for derivatives trading.

## FEES AND SERVICES EXPENSES

Fees and services expenses consisted of fees paid to the SEC, the SET, the TSD, TFEX, TCH, fees paid under the Business Service Agreement and selling agent appointment fees.

In 2007, the Company's fees and service expenses were Baht 156.19 million, a decrease of Baht 39.96 million from Baht 196.15 million in 2006. The decrease was a consequence of the SET's approval on brokerage for Merrill Lynch as an exclusive partner, with the rate to be charged to Merrill Lynch changing from 0.25% to 60% of the commission rate permitted by the SET effective from August 3, 2007 onwards, and there was no payment for the fees under Business Service Agreement to Merrill Lynch since the fourth quarter of 2007.

## OPERATING EXPENSES

In 2007, the Company's operating expenses were Baht 768.39 million, a decrease of Baht 30.16 million or 3.78% from Baht 798.55 million in 2006. The decline in operating expenses was due to lower personnel expenses, taxes and duties and director's remuneration.

#### NET EARNINGS

According to the reasons above, the Company's net earnings in 2007 were Baht 484.99 million, a decrease of Baht 235.39 million or 32.68% from Baht 720.38 million in 2006. Earnings per share for the year 2007 was Baht 2.27, versus Baht 3.37 in 2006.

#### FINANCIAL PERFORMANCES

##### ASSETS

The assets of the Company consist of cash and cash equivalents, investments in debt and equity securities, receivables from clearing house, securities and derivatives business receivables, property, plant and equipment, intangible assets and other assets.

As of December 31, 2007, the Company's total assets were Baht 5,657.45 million, an increase of Baht 688.49 million from Baht 4,968.96 million in 2006. These were mainly due to the rise in investments in debt and equity securities, receivables from clearing house and securities and derivatives business receivables.

##### CASH AND CASH EQUIVALENTS

As of December 31, 2007 and December 31, 2006, the Company's cash and cash equivalents were Baht 1,679.56 million and Baht 2,047.23 million respectively. The decrease in Cash and cash equivalents of Baht 367.67 million in 2007 was because of the decrease in cashflow from operating result of Baht 300.12 million and payment of the interim dividend during the year.

##### INVESTMENTS IN DEBT AND EQUITY SECURITIES

As of December 31, 2007, the Company's net investments in debt and equity securities were Baht 1,553.00 million, an increase of Baht 92.00 million from Baht 1,461.00 million in 2006. The investments in debt and equity securities consisted of net short-term investment amounting to Baht 584.72 million and net long-term investment amounting to Baht 968.28 million. The increase of investments in debt and equity securities was a result of an expansion in investment of the Direct Investment Department and an increase in market price of investments in equity securities.

##### RECEIVABLES FROM CLEARING HOUSE

As of December 31, 2007, the receivables from clearing house were Baht 20.26 million, an increase from Baht 7.41 million in 2006.

##### SECURITIES AND DERIVATIVES BUSINESS RECEIVABLES

As of December 31, 2007, the Company's securities and derivatives business receivables were Baht 2,092.49

million, compared to Baht 1,129.90 million in 2006. The increase in securities and derivatives business receivables was in accordance with securities trading activities at the end of the fiscal period, of which the amount would be accrued for settlement for three working days for securities business and one working day for derivatives business. Details of securities and derivatives business receivables were as follows:

(Unit: Million Baht)	2007	2006
Securities business receivables	2,090.22	1,128.28
Derivatives business receivables	2.27	1.62
Total	2,092.49	1,129.90

#### PROPERTY, PLANT AND EQUIPMENT

The Company's net property, plant and equipment as of December 31, 2007 totalled Baht 208.31 million, a decrease of Baht 11.70 million from Baht 220.01 million in 2006. The decrease was due to an increase in depreciation expenses.

#### INTANGIBLE ASSETS

Intangible assets consist of deferred license fee and application software. As of December 31, 2007, the Company's intangible assets were Baht 35.90 million, an increase of Baht 14.80 million from Baht 21.10 million in 2006. The increase was mainly due to an increase in investment in software invested and purchased for expansion of the Company's securities and derivatives businesses.

#### OTHER ASSETS

Other assets consist of payments for clearing funds, asset for protecting the clearing system, advanced payments, accrued fee income, accrued interest income, deferred charges, etc. As of December 31, 2006, the Company's other assets were Baht 67.92 million, a decrease of approximately Baht 14.38 million from 2006, which resulted from a decrease in advanced payment and accrued interest income.

#### TOTAL LIABILITIES

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

The Company's total liabilities as of December 31, 2007 were Baht 2,338.30 million, an increase of Baht 768.47 million from Baht 1,569.83 million in 2006. This was due to an increase in payables to clearing house and securities and derivatives business payables which was in line with the increase in total assets. In addition, due to



adoption of the accounting standard for deferred tax, the Company booked deferred tax of Baht 41.26 million in 2007, an increase of Baht 24.56 million from Baht 16.70 million in 2006.

#### **PAYABLES TO CLEARING HOUSE**

As of December 31, 2007, payables to clearing house were Baht 797.56 million, an increase of Baht 184.59 million from Baht 612.97 million in 2006.

#### **SECURITIES AND DERIVATIVES BUSINESS PAYABLES**

As of December 31, 2007, securities and derivatives business payables were Baht 1,103.87 million, consisting of securities business payables in the amount of Baht 1,098.31 million and derivatives business payables in the amount of Baht 5.56 million.

A rise in securities and derivatives business payables went along with an increase in securities and derivatives business receivables.

#### **CORPORATE INCOME TAX PAYABLE**

As of December 31, 2007, the Company had corporate income tax payable in the amount of Baht 72.24 million, a decline from Baht 82.57 million in 2006. The decline was due to lower revenues and earnings before income tax in 2007.

#### **DEFERRED TAX LIABILITIES**

The Company has adopted the accounting standard for Deferred Tax for financial statements of the year ended December 31, 2007 and the financial statements for the year ended December 31, 2006 were restated to conform to the current period. The Company booked deferred tax liabilities at Baht 41.26 million as of December 31, 2007 and Baht 16.70 million as of December 31, 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, 2007 were Baht 290.96 million, a decrease from Baht 387.61 million in 2006.

#### **OTHER LIABILITIES**

The Company's other liabilities primarily consist of withholding tax payable and value added tax payable. As of December 2007, other liabilities were Baht 32.41 million, an increase from Baht 15.63 million in 2006.

### SHAREHOLDERS' EQUITY

As of December 31, 2007, the Company's shareholders' equity was Baht 3,319.15 million, a decline from Baht 3,399.13 million in 2006 because unappropriated retained earnings decreased from Baht 869.00 million in 2006 to Baht 713.49 million in 2007 whereas after adopting the accounting standard for deferred tax, revaluation surplus on investment in 2007 was Baht 177.55 million, compared with Baht 102.02 million in 2006.

The debt to equity ratio as of December 31, 2007 was 0.70, an increase from 0.46 as of December 31, 2006 as a result of the increase in total liabilities in 2007. However, the debt (excluding payables to clearing house and securities and derivatives business payables) to equity ratio as of December 31, 2007 was 0.13 compared to 0.15 as of December 31, 2006. When considering the liabilities and shareholders' equity, it showed that the Company's source of working capital mainly came from long-term funds from shareholders.

The average return of shareholders' equity in 2007 was 14.44%, down from 21.99% in 2006.

The Company has adopted the accounting standard for Deferred Tax for financial statements of the year ended December 31, 2007, and the financial statements for the year ended December 31, 2006 were restated to conform to the current period. Total liabilities, revaluation surplus on investments, unappropriated retained earnings, total shareholders' equity, corporate income tax and net profit for 2006 were changed as follows:

(Unit: Million Baht)	2007	2006	
		Restated	Previous
Total Liabilities	2,338.30	1,569.83	1,553.14
Revaluation surplus on investments	177.55	102.02	136.03
Un-appropriated retained earnings	713.49	869.00	851.69
Total shareholders' equity	3,319.15	3,399.13	3,415.83
Income before corporate income tax	637.63	947.61	947.61
Corporate income tax	152.65	227.23	228.11
Net profit	484.99	720.38	719.50

The increase in total liabilities of Baht 16.69 million in 2006 came from deferred tax. Revaluation surplus on investments amounting to Baht 136.03 million was before adopting the accounting standard for deferred tax, and after adopting such standard, the revaluation surplus on investment, which was part of shareholders' equity, decreased to Baht 102.02 million.

Nonetheless, this is merely a change in accounting policy, not a change in any fundamental factors affecting the Company's business.

#### NET LIQUID CAPITAL RATIO

The Company's net liquid capital ratio as of December 31, 2007 was 117.25%, which was higher than the minimum requirement ratio of 7% set by the SEC.

#### LIQUIDITY ANALYSIS

For the year 2007, the Company's cash and cash equivalents were baht 1,679.56 million, a decrease of Baht 367.67 million from year 2006. Details were as follows:

(Unit: Million Baht)	2007
Net cash provided by (paid for ) operating activities	384.82
Net cash provided by (paid for ) investing activities	(111.99)
Net cash provided by (paid for ) financing activities	(640.50)
Net increase (decrease) in cash and cash equivalent	(367.67)

#### CASH FLOW FROM OPERATING ACTIVITIES

In 2007, the Company had net cash flow generated from operating activities in the amount of Baht 384.82 million, a decrease of Baht 300.12 million from Baht 684.94 million in 2006. This was due to the decrease in net profit of Baht 235.39 million from Baht 720.38 million in 2006 to Baht 484.99 million in 2007, together with changes in operating assets and liabilities, which included long-term deposits at financial institutions, short-term investments, receivable to clearing house, securities and derivatives business receivables, other assets, payables to clearing house, securities and derivatives business payables, corporate income tax payable, accrued expenses and other liabilities.

#### CASH FLOW FROM INVESTING ACTIVITIES

Net cash paid for investing activities in 2007 was Baht 111.99 million. This amount consisted of Baht 17.99 million for purchases of net fixed assets, Baht 13.35 million for software and license for derivatives trading, and Baht 80.65 million for net investment in long-term investment.

#### CASH FLOW FROM FINANCING ACTIVITIES

In 2007, the Company's net cash paid for financing activities was Baht 640.50 million. The payment was due to the fact that the Company paid annual dividend for 2006 in the amount of Baht 427.00 million and interim dividend for half year performance of 2007 in the amount of Baht 213.50 million.



*To the Shareholders of  
Phatra Securities Public Company Limited*

I have audited the accompanying balance sheets of Phatra Securities Public Company Limited as at 31 December 2007 and 2006, the related statements of income, changes in shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management as to their correctness and the completeness of the presentation. My responsibility is to express an opinion on these financial statements based on my audits.

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

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Phatra Securities Public Company Limited as at 31 December 2007 and 2006, the results of its operations, and cash flows for the years then ended, in accordance with generally accepted accounting principles.

A handwritten signature in blue ink, reading "Rungnapa L.", with a stylized flourish at the end.

Rungnapa Lertsuwankul  
Certified Public Accountant (Thailand) No. 3516  
Ernst & Young Office Limited  
Bangkok: 25 February 2008



Phatra Securities Public Company Limited  
As At 31 December 2007 And 2006

			(Unit: Baht)
	Note	2007	2006
			(Restated)
<b>ASSETS</b>			
Cash and cash equivalents	6	1,679,563,697	2,047,232,374
Investments in debt and equity securities - net	7	1,553,004,170	1,460,996,601
Receivables from Clearing House	8	20,261,160	7,413,600
Securities and derivatives business receivables	9	2,092,492,449	1,129,904,414
Property, plant and equipment - net	10	208,312,218	220,011,835
Intangible assets - net	11	35,898,974	21,101,656
Other assets	12	67,920,089	82,303,574
<b>TOTAL ASSETS</b>		<u>5,657,452,757</u>	<u>4,968,964,054</u>

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



Phatra Securities Public Company Limited  
As At 31 December 2007 And 2006

		(Unit: Baht)	
	Note	2007	2006 (Restated)
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Liabilities</b>			
Payables to Clearing House		797,555,181	612,965,289
Securities and derivatives business payables	13	1,103,867,672	454,366,623
Corporate income tax payable		72,242,377	82,567,586
Deferred tax liabilities	20	41,262,677	16,697,089
Accrued expenses		290,964,465	387,607,242
Other liabilities	14	32,409,216	15,628,861
<b>Total liabilities</b>		<u>2,338,301,588</u>	<u>1,569,832,690</u>
<b>Shareholders' equity</b>			
<b>Share capital</b>			
<b>Registered</b>			
220,000,000 ordinary shares of Baht 5 each		<u>1,100,000,000</u>	<u>1,100,000,000</u>
<b>Issued and fully paid-up</b>			
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 on investments	7.2	177,554,755	102,023,515
<b>Retained earnings</b>			
<b>Appropriated</b>			
Statutory reserve	15	110,000,000	110,000,000
Unappropriated		<u>713,491,208</u>	<u>869,002,643</u>
<b>Total shareholders' equity</b>		<u>3,319,151,169</u>	<u>3,399,131,364</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<u>5,657,452,757</u>	<u>4,968,964,054</u>

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

# Income Statements

*Phatra Securities Public Company Limited*  
For The Years Ended 31 December 2007 And 2006

		(Unit: Baht)	
	Note	2007	2006 (Restated)
<b>Revenues</b>			
Brokerage fees			
Brokerage fees from securities business		1,077,233,679	1,234,786,576
Brokerage fees from derivatives business		23,986,915	3,219,600
Fees and services income	16	220,323,839	496,123,679
Gain on securities trading	7.3	81,214,554	18,917,596
Gain on derivatives trading		8,873,020	453,270
Interest and dividend	7.5	147,173,830	173,310,955
Other incomes		10,529,244	19,604,523
<b>Total revenues</b>		<u>1,569,335,081</u>	<u>1,946,416,199</u>
<b>Expenses</b>			
Expenses on borrowing		7,119,442	4,110,499
Fee and service expenses		156,187,288	196,148,425
Operating expenses			
Personnel expenses		603,568,262	632,621,224
Premises and equipment expenses		79,668,351	71,385,517
Taxes and duties		4,097,586	10,713,645
Directors' remuneration	19	3,511,071	6,240,000
Other expenses		77,548,409	77,586,769
<b>Total expenses</b>		<u>931,700,409</u>	<u>998,806,079</u>
Income before corporate income tax		637,634,672	947,610,120
Corporate income tax	20	(152,646,107)	(227,234,459)
<b>Net income for the year</b>		<u>484,988,565</u>	<u>720,375,661</u>
<b>Earnings per share</b>	21		
Basic earnings per shares			
Net earnings		<u>2.27</u>	<u>3.37</u>

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

# Statements of Changes In Shareholders' Equity

Phatra Securities Public Company Limited  
For The Years Ended 31 December 2007 And 2006

(Unit: Baht)							
	Note	Issued and fully paid-up share capital	Share premium	Revaluation surplus (deficit) on investments	Appropriated statutory reserve	Retained earnings Unappropriated	Total
Balance as at 31 December 2005							
- as previously reported		1,067,500,000	1,250,605,206	(39,402,122)	100,892,960	749,770,882	3,129,366,926
Cumulative effect of the change in accounting policy for income tax	4	-	-	9,850,530	-	16,438,140	26,288,670
Balance as at 31 December 2005							
- as restated		1,067,500,000	1,250,605,206	(29,551,592)	100,892,960	766,209,022	3,155,655,596
Revaluation surplus on investments	7.2	-	-	131,575,107	-	-	131,575,107
Net income for the year (restated)		-	-	-	-	720,375,661	720,375,661
Dividend paid	18	-	-	-	-	(608,475,000)	(608,475,000)
Statutory reserve	15	-	-	-	9,107,040	(9,107,040)	-
Balance as at 31 December 2006							
- as restated		<u>1,067,500,000</u>	<u>1,250,605,206</u>	<u>102,023,515</u>	<u>110,000,000</u>	<u>869,002,643</u>	<u>3,399,131,364</u>
Balance as at 31 December 2006							
- as previously reported		1,067,500,000	1,250,605,206	136,031,353	110,000,000	851,691,894	3,415,828,453
Cumulative effect of the change in accounting policy for income tax	4	-	-	(34,007,838)	-	17,310,749	(16,697,089)
Balance as at 31 December 2006							
- as restated		1,067,500,000	1,250,605,206	102,023,515	110,000,000	869,002,643	3,399,131,364
Revaluation surplus on investments	7.2	-	-	75,531,240	-	-	75,531,240
Net income for the year		-	-	-	-	484,988,565	484,988,565
Dividend paid	18	-	-	-	-	(640,500,000)	(640,500,000)
Balance as at 31 December 2007							
		1,067,500,000	1,250,605,206	177,554,755	110,000,000	713,491,208	3,319,151,169

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



## Cash Flows Statements

Phatra Securities Public Company Limited  
For The Years Ended 31 December 2007 And 2006

		(Unit: Baht)	
	Note	2007	2006 (Restated)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income for the year		484,988,565	720,375,661
Adjustments to reconcile net income to net cash provided by (paid from) operating activities: -			
Depreciation and amortisation		44,048,048	37,659,389
Amortisation of discount on bill of exchanges		(6,969,969)	(645,918)
Income in deferred income tax		(611,492)	(872,609)
Unrealised (gain) loss on revaluation of investments in securities		(3,308,960)	810,560
Gain on disposal of long-term investments		(75,109,359)	(2,200,719)
Gain on disposal of equipment		(253,971)	(2,702,991)
Unrealised gain on exchange rate		(20,383)	(648,695)
<b>Income from operating activities before changes in operating assets and liabilities</b>		<b>442,762,479</b>	<b>751,774,678</b>
<b>Operating assets (increase) decrease</b>			
Long-term deposits at financial institutions		-	100,000,000
Short-term investments		174,158,617	(271,744,513)
Receivables to Clearing House		(12,847,560)	(7,413,600)
Securities and derivatives business receivables		(962,588,035)	502,061,042
Other assets		14,978,544	12,989,307
<b>Operating liabilities increase (decrease)</b>			
Payables to Clearing House		184,589,892	297,423,426
Securities and derivatives business payables		649,501,049	(845,168,571)
Corporate income tax payable		(10,325,209)	7,819,327
Accrued expenses		(96,637,493)	146,705,043
Other liabilities		1,230,370	(9,504,661)
<b>Net cash flows from operating activities</b>		<b>384,822,654</b>	<b>684,941,478</b>

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

## Cash Flows Statements

Phatra Securities Public Company Limited  
For The Years Ended 31 December 2007 And 2006

		(Unit: Baht)	
	Note	2007	2006 (Restated)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Cash paid for purchases of long-term investments		(330,759,124)	(284,747,012)
Cash received from sales of long-term investments		250,109,587	9,569,000
Cash paid for purchases of equipment		(18,247,911)	(28,201,572)
Proceeds from sales of equipment		257,944	4,527,004
Cash paid for purchases of intangible assets		(13,351,827)	(16,204,626)
Net cash flows used in investing activities		<u>(111,991,331)</u>	<u>(315,057,206)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividend paid		<u>(640,500,000)</u>	<u>(608,475,000)</u>
Net cash flows used in financing activities		<u>(640,500,000)</u>	<u>(608,475,000)</u>
Net decrease in cash and cash equivalents		(367,668,677)	(238,590,728)
Cash and cash equivalents at beginning of the year		<u>2,047,232,374</u>	<u>2,285,823,102</u>
Cash and cash equivalents at end of the year		<u>1,679,563,697</u>	<u>2,047,232,374</u>
<b>Supplemental Cash Flows Information: -</b>			
<b>Cash paid during the year for</b>			
Interest expenses		7,129,822	4,152,041
Corporate income tax		163,582,808	220,287,741
<b>Non-cash items</b>			
Purchases of equipment recorded as liabilities		2,799,922	556,456
Purchases of intangible assets recorded as liabilities		12,750,063	-
Increase in revaluation surplus on investments		75,531,240	131,575,107

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



*Phatra Securities Public Company Limited  
For The Years Ended 31 December 2007 And 2006*

---

## 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 operates its business in Thailand and undertakes securities businesses licensed, as follows: -

1. Securities brokerage
2. Securities trading
3. Investment advisory
4. Securities underwriting
5. Securities borrowing and lending
6. Financial advisory
7. Derivatives brokerage

The Company obtained license to be derivatives agent from Thailand Futures Exchange Public Company Limited and has been member of Thailand Clearing House Co., Ltd. since 28 April 2006.

Since 3 August 2007, the Company has acted as Exclusive Partner for Securities Brokerage Agreement with Merrill Lynch International Incorporated. Under this agreement, the Company will charge that company the brokerage fees at a rate of not less than 60 percent of the brokerage fee rate specified by the Stock Exchange of Thailand.

1.2 As at 31 December 2007, the number of employees was 211 persons (2006: 207 persons).

## 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, except for the early adoption of Accounting Standard No. 56 “Accounting for Income Tax” which is in line with International Accounting Standard No. 12 “Income Taxes” (revised 1996).

The 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. ADOPTION OF NEW ACCOUNTING STANDARDS

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

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

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

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

b) Thai Accounting Standards which are not effective for the current year

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

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

### 4. CHANGE IN ACCOUNTING POLICY

In 2007, the Company adopted the accounting standard of accounting for income tax in order to present intrinsic

value of the Company. In this regard, the Company has restated the prior year financial statements to conform the current period. The change resulted in an increase in net income for the year ended 31 December 2007 by Baht 0.61 million (or Baht 0.003 per share) and increase in net income for the year ended 31 December 2006 by Baht 0.87 million (or Baht 0.004 per share). The cumulative effect of the change in accounting policy has been presented under the heading of “Cumulative effect of the change in accounting policy for income tax” in the statements of changes in shareholders’ equity.

However, this is merely a change in accounting policy, not a change in any fundamental factors effecting the Company’s business.

## **5. SIGNIFICANT ACCOUNTING POLICIES**

### **5.1 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 on an accrual basis based on the effective interest rate. Dividends from investments are recognised when the right to receive the dividends is established.
- (f) Expenses  
Expenses are recognised on an accrual basis.

### **5.2 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.

### **5.3 Recognition and amortisation customers’ deposits**

Cash collateral 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.

#### 5.4 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.

#### 5.5 Securities borrowing and lending

The Company records its obligations to return borrowed securities which it has been sold as short selling or lent as “Securities borrowing payables” in the balance sheet. At the end of the year, the balance of securities borrowing payables are adjusted by the latest offer price quoted on the Stock Exchange of Thailand on the last working day of the year. Gains or losses arising from such adjustment are included in determining income. Securities lent to customers are recorded as “Securities borrowing receivables” in the balance sheet. Cash paid or received as collateral for securities borrowing and lending is recorded as “Collateral receivables” or “Collateral payables”. Fees on securities borrowing and lending are recognised on an accrual basis.

#### 5.6 Investments in debt and equity securities

Investments in trading securities 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 separated items in shareholders’ equity, when the securities are sold 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 and net of allowance for loss on impairment (if any).

The fair value of marketable securities is based on the latest bid price on 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.

#### 5.7 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.

#### 5.8 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 in recovery risk 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) Principal or interest is overdue by more than 3 months for installment loans with repayments scheduled less than 3 months for each installment.
  - (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.

#### 5.9 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.

#### 5.10 Long-term leases

Leases of equipment, which all the risks and rewards of ownership are transferred substantially, are classified as finance leases. Finance leases are capitalised at fair value of the leased assets or the present value of the minimum lease payments, whichever lower. 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 useful life of the asset and or the lease period, whichever shorter.

#### 5.11 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	Years
The amortisation is included in determining income.		



#### 5.12 Impairment of assets

At each reporting date the Company assesses 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 value of fair value less costs to sell or value in use.

#### 5.13 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.

#### 5.14 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, obligation to deliver securities as a result of short sales or securities borrowing and obligation to return assets held by the Company as customers' collateral for securities lending.

#### 5.15 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.

#### 5.16 Provisions

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

#### 5.17 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.

#### 5.18 Financial derivatives

Obligation under derivatives business which the Company enters into for trading purpose are regarded as off-balance sheet items. Cash collateral 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.

#### 5.19 Employee benefits

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

#### 5.20 Income tax

##### a) Current tax

The Company calculates corporate income tax in accordance with the basis regulated in the Revenue Code.

##### b) Deferred Tax

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

The Company recognises deferred tax liabilities for taxable temporary differences and recognises deferred tax assets for deductible temporary differences and tax losses carried forward. The Company recognises deferred tax assets to the extent that there is probability that future taxable profit will be available against which such deductible temporary differences and tax losses carried forward can be utilized.

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

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

#### 5.21 Use of accounting estimates

Preparation of financial statements in conformity with generally accepted accounting principles requires

management to estimate and have assumptions in certain circumstances, affecting amounts reported in these financial statements and related notes. Actual results could differ from these estimates.

## 6. CASH AND CASH EQUIVALENTS

	(Unit: Baht)	
	2007	2006
Cash	21,000	21,000
Current deposits and savings deposits	981,683,058	538,086,991
Promissory notes with maturity less than 3 months	1,100,000,000	1,700,000,000
Less: Deposits for customers' accounts	(402,140,361)	(190,875,617)
Total cash and cash equivalents - net	<u>1,679,563,697</u>	<u>2,047,232,374</u>

As at 31 December 2007 and 2006, the promissory notes with maturity less than 3 months have interest rates of 3.05 percent - 4.70 percent per annum and 4.60 percent - 5.35 percent per annum, respectively.

## 7. INVESTMENTS IN DEBT AND EQUITY SECURITIES

### 7.1 Cost and fair value

	(Unit: Baht)			
	2007		2006	
	Cost/ net amortisation	Fair value	Cost/ net amortisation	Fair value
Short-term investments				
Trading securities				
Listed securities	133,788,537	137,097,497	10,934,208	10,123,648
Add (less): Changes in fair value of securities	3,308,960	-	(810,560)	-
Total trading securities - net	<u>137,097,497</u>	<u>137,097,497</u>	<u>10,123,648</u>	<u>10,123,648</u>
Available-for-sale securities				
Unit trust	150,000,000	152,269,291	50,000,000	50,767,500
Add: Changes in fair value of securities	2,269,291	-	767,500	-
Total available-for-sale securities - net	<u>152,269,291</u>	<u>152,269,291</u>	<u>50,767,500</u>	<u>50,767,500</u>
Debt securities due within 1 year				
Debt securities	295,358,884		686,792,381	
Total debt securities due within 1 year	<u>295,358,884</u>		<u>686,792,381</u>	
Total short-term investments - net	<u>584,725,672</u>		<u>747,683,529</u>	

## Long-term investments

### Available-for-sales securities

Listed securities	729,657,991	964,135,335	573,941,540	709,205,392
Unit trust	52,445	45,483	-	-
Total	729,710,436	964,180,818	573,941,540	709,205,392
Add: Changes in fair value of securities	234,470,382	-	135,263,852	-
Total available-for-sales securities - net	964,180,818	964,180,818	709,205,392	709,205,392

### Non-marketable securities

Other securities	4,097,685	4,201,241
Less: Allowance for loss on impairment	(5)	(93,561)
Total non-marketable securities - net	4,097,680	4,107,680
Total long-term investments - net	968,278,498	713,313,072
Total investments in debt and equity securities - net	1,553,004,170	1,460,996,601

## 7.2 Revaluation surplus (deficit) on investments

	(Unit: Baht)	
	2007	2006
		(Restated)
Balance - beginning of the year	102,023,515	(29,551,592)
Changes during the year		
- from revaluation	91,837,822	132,069,060
- from sales	(16,306,582)	(493,953)
Balance - end of the year	177,554,755	102,023,515

## 7.3 Gain (loss) on securities trading

	(Unit: Baht)	
	2007	2006
Unrealised gain (loss) on trading securities	3,308,960	(810,560)
Realised gain on trading securities	2,796,235	17,527,437
Realised gain on available-for-sale securities	75,109,359	2,200,719
Total	81,214,554	18,917,596

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

	(Unit: Baht)	
	2007	2006
<b>Short-term investments</b>		
Trading securities	2,184,911,546	2,504,631,931
Available-for-sale securities	51,145,936	252,361,930
<b>Long-term investments</b>		
Available-for-sale securities	250,109,587	9,569,000
<b>Total</b>	<u>2,486,167,069</u>	<u>2,766,562,861</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)	
	2007	2006
<b>Interest</b>		
Debt securities due within 1 year	32,550,132	7,348,703
Trading securities - Debt securities	35,805	-
<b>Dividend</b>		
Trading securities	43,027	1,264,299
Available-for-sale securities	50,556,981	52,689,004
Non-marketable securities	1,133,900	625,600
<b>Total</b>	<u>84,319,845</u>	<u>61,927,606</u>

7.6 During the year, the Company has trading transactions in securities as detailed below.

#### a) Current investments in listed equity securities

	(Unit: Baht)
	2007
Value of trading volume - Buy	2,159,969,226
Value of trading volume - Sell	2,184,911,546

#### b) SET 50 Index Futures Contracts traded on the Thailand Futures Exchange

	Number of contracts
	2007
Buy	2,002
Sell	2,002

#### 8. RECEIVABLES FROM CLEARING HOUSE

Below are details of receivables from Clearing House as at 31 December 2007 and 2006.

	(Unit: Baht)	
	2007	2006
Receivables from Thailand Securities Depository (TSD)	-	-
Receivables from Thailand Clearing House (TCH)	184,451,160	75,587,820
Less: Receivables from Clearing House for customers' accounts	(164,190,000)	(68,174,220)
Receivables from Thailand Clearing House (TCH) - net	20,261,160	7,413,600
Total receivables from Clearing House	20,261,160	7,413,600

#### 9. SECURITIES AND DERIVATIVES BUSINESS RECEIVABLES

Below are details of securities and derivatives business receivables as at 31 December 2007 and 2006.

	(Unit: Baht)	
	2007	2006
<b>Securities business receivables</b>		
Cash accounts	1,619,811,853	1,128,285,126
Collateral receivables	453,223,770	-
Securities borrowing receivables	17,185,300	-
<b>Derivatives business receivables</b>		
Derivatives business receivables	2,271,526	1,619,288
<b>Securities and derivatives business receivables</b>	2,092,492,449	1,129,904,414

9.1 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 2007 and 2006, securities business receivables are classified as follows: -

(Unit: Million Baht)						
2007			2006			
	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	1,620	-	1,620	1,128	-	1,128
Total	1,620	-	1,620	1,128	-	1,128

9.2 As at 31 December 2007, securities business receivables include cash collateral receivables of approximately Baht 453.22 million, which was cash that the Company placed as collateral for securities borrowed as part of the securities borrowing and lending business. As at the same date, the fair value of those borrowed securities was approximately Baht 414.82 million. Approximately Baht 17.19 million of such borrowed securities were lent to client and approximately Baht 397.63 million were for the Company's account.

#### 10. PROPERTY, PLANT AND EQUIPMENT

(Unit: Baht)					
	Land	Building and building improvement	Furniture, fixtures and office equipment	Vehicles	Total
<b>At cost:</b>					
31 December 2006	52,012,454	228,101,495	186,195,859	17,242,053	483,551,861
Acquisitions	-	1,648,981	19,398,852	-	21,047,833
Disposal	-	-	(41,784,623)	-	(41,784,623)
31 December 2007	52,012,454	229,750,476	163,810,088	17,242,053	462,815,071
<b>Accumulated depreciation:</b>					
31 December 2006	-	106,662,730	151,994,256	4,883,040	263,540,026
Depreciation charged for the year	-	12,070,870	17,243,008	3,429,598	32,743,476
Disposal	-	-	(41,780,649)	-	(41,780,649)
31 December 2007	-	118,733,600	127,456,615	8,312,638	254,502,853

**Net book value:**

31 December 2006	<u>52,012,454</u>	<u>121,438,765</u>	<u>34,201,603</u>	<u>12,359,013</u>	<u>220,011,835</u>
31 December 2007	<u>52,012,454</u>	<u>111,016,876</u>	<u>36,353,473</u>	<u>8,929,415</u>	<u>208,312,218</u>

**Depreciation for the year:**

2006					<u>29,348,967</u>
2007					<u>32,743,476</u>

As at 31 December 2007, certain plant and equipment items have been fully depreciated but are still in used. The original cost of those assets amounted to approximately Baht 134 million (2006: Baht 156 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.

**11. INTANGIBLE ASSETS**

(Unit: Baht)					
	Remaining period of amortisation	Balance beginning of the year	Increase	Amortisation	Balance end of the year
Deferred license fee	3 years	4,752,283	-	(1,107,542)	3,644,741
Application software	1 - 3 years	16,349,373	26,101,890	(10,197,030)	32,254,233
Total		<u>21,101,656</u>	<u>26,101,890</u>	<u>(11,304,572)</u>	<u>35,898,974</u>

Amortisation expenses included in the income statements for the year

2006	<u>8,310,422</u>
2007	<u>11,304,572</u>

As at 31 December 2007, 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 36 million (2006: Baht 44 million).



## 12. OTHER ASSETS

The balances as at 31 December 2007 and 2006 consist of: -

	(Unit: Baht)	
	2007	2006
Payments for clearing fund	19,599,021	17,090,857
Asset for protecting the clearing system	11,372,173	10,173,327
Advanced payment	3,126,072	16,168,617
Accrued interest income	8,070,678	9,696,097
Accrued fee income	6,000,000	6,800,000
Prepaid expenses	5,532,391	4,132,296
Others	14,219,754	18,242,380
Total	<u>67,920,089</u>	<u>82,303,574</u>

## 13. SECURITIES AND DERIVATIVES BUSINESS PAYABLES

Below are details of securities and derivatives business payables as at 31 December 2007 and 2006.

	(Unit: Baht)	
	2007	2006
<b>Securities business payables</b>		
Cash accounts	926,387,452	451,293,423
Collateral payables	21,571,320	-
Securities borrowing payables	150,351,500	-
<b>Derivatives business payables</b>		
Derivatives business payables	<u>5,557,400</u>	<u>3,073,200</u>
<b>Securities and derivatives business payables</b>	<u>1,103,867,672</u>	<u>454,366,623</u>

As at 31 December 2007, securities business payables include collateral payables of approximately Baht 21.57 million, which was cash that borrowers placed as collateral for securities borrowed from the Company. As at the same date, the fair value of the lent securities was approximately Baht 17.19 million.

#### 14. OTHER LIABILITIES

The balances as at 31 December 2007 and 2006 consist of: -

	(Unit: Baht)	
	2007	2006
Withholding tax payable	3,857,067	2,930,798
Value added tax payable	10,377,897	7,059,379
Other account payables	15,688,230	1,114,603
Others	2,486,022	4,524,081
Total	<u>32,409,216</u>	<u>15,628,861</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.

#### 16. FEES AND SERVICES INCOME

	(Unit: Baht)	
	2007	2006
Underwriting fee	77,664,000	329,035,055
Financial advisory fee	66,891,823	127,283,051
Selling agent fee	75,516,617	39,805,573
Securities borrowing and lending fee	251,399	-
Total	<u>220,323,839</u>	<u>496,123,679</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 2007, the Company contributed Baht 20.07 million (2006: Baht 18.9 million) to the fund.

#### 18. DIVIDENDS

(Unit: Baht)			
Dividends	Approved by	Total dividends	Dividend per share
Dividend on 2005 net income	Annual General Meeting of the shareholders on 24 April 2006	394,975,000	1.85
Interim dividend from the income of six-month period of 2006	Board of Directors' meeting on 22 August 2006	<u>213,500,000</u>	<u>1.00</u>
Total dividend payment in 2006		<u>608,475,000</u>	<u>2.85</u>
Dividend on 2006 net income	Annual General Meeting of the shareholders on 9 April 2007	427,000,000	2.00
Interim dividend from the income of six-month period of 2007	Board of Directors' meeting on 27 August 2007	<u>213,500,000</u>	<u>1.00</u>
Total dividend payment in 2007		<u>640,500,000</u>	<u>3.00</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. INCOME TAX

The income tax expenses for the years 2007 and 2006 are as follows:

(Unit: Baht)		
	2007	2006
Income tax payable on taxable income for the year	153,257,599	228,107,068
Increase in deferred tax assets	(1,501,928)	(919,203)
Increase in deferred tax liabilities	<u>890,436</u>	<u>46,594</u>
Income tax expenses as included in income statements	<u>152,646,107</u>	<u>227,234,459</u>

As at 31 December 2007 and 2006 the aggregate current and deferred tax relating to items that are charged or credited to shareholders' equity were as follows:

	(Unit: Baht)	
	2007	2006
Deferred tax relating to revaluation surplus on investments	<u>59,184,918</u>	<u>34,007,838</u>

Reconciliation between income tax expense and the product of accounting profit multiplied by the applicable tax rate for the years ended 31 December 2007 and 2006 is as follows:

	(Unit: Baht)	
	2007	2006
Accounting income	637,634,672	947,610,120
Applicable tax rate of 25%	159,408,668	236,902,530
Net tax effect of non-deductible expenses (tax exempted revenue)	<u>(6,762,561)</u>	<u>(9,668,071)</u>
Income tax as included in income statements	<u>152,646,107</u>	<u>227,234,459</u>

As at 31 December 2007 and 2006 the components of deferred tax assets and deferred tax liabilities can be summarised as follows:

	(Unit: Baht)	
	2007	2006
<b>Deferred tax assets</b>		
Amortisation of intangible assets	5,715,494	3,737,585
Allowance for impairment of fixed assets	11,580,043	12,162,414
Allowance for impairment of non-marketable securities	1,116,696	1,116,696
Others	<u>485,140</u>	<u>378,750</u>
<b>Total</b>	<u>18,897,373</u>	<u>17,395,445</u>
<b>Deferred tax liabilities</b>		
Revaluation surplus on investment	(59,184,918)	(34,007,838)
Others	<u>(975,132)</u>	<u>(84,696)</u>
<b>Total</b>	<u>(60,160,050)</u>	<u>(34,092,534)</u>
<b>Deferred tax assets (liabilities) - net</b>	<u>(41,262,677)</u>	<u>(16,697,089)</u>

As from 2006 to 2010 the Company has calculated income tax by using a 25% tax rate because Royal Decree No. 387 B.E. 2544, dated 5 September 2001, granted companies listed on the Stock Exchange of Thailand a reduction in the corporate income tax rate from 30% to 25% for taxable income for five consecutive

accounting periods beginning on or after the date of which companies listed on the Stock Exchange of Thailand in accordance with securities and exchange laws.

## 21. EARNINGS PER SHARE

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

## 22. RELATED PARTY TRANSACTIONS

During the years, the Company 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 related parties. Below is a summary of those transactions.

			(Unit: Baht)
	2007	2006	Transfer pricing policy
<b>Transactions with the Company's directors</b>			
Brokerage fees from securities business	2,344,095	1,659,371	0.10% of trading value in unit trust and 0.25% of trading value in securities
Brokerage fees from derivatives business	127,250	54,000	Normal rate charged to ordinary customers
<b>Transactions with related parties</b>			
Brokerage fees from securities business	468,862	298,029	0.10% of trading value in unit trust and 0.25% of trading value in securities

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

		(Unit: Baht)
	2007	2006
<b>The Company's directors</b>		
Deposits for customers' accounts	4,263,464	1,961,606

## Directors and management's remuneration

In 2007, the Company paid salaries and compensations to their directors and management totaling Baht 129 million (2006: Baht 149 million).

## 23. COMMITMENTS AND CONTINGENT LIABILITIES

### 23.1 Commitments

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.

Under the agreement, the foreign company would provide general advice on economy, capital market, money market, support and provide other services as stipulated under the agreement to the Company. In 2006, the Company's related expenses amounted to USD 3.5 million per annum and agreed to pay USD 3.5 million in 2007. The fee with the foreign company was agreed in advance on a yearly basis based on the features and volume of advice, support and other services expected to be provided that year.

On 28 August 2007 the agreement was amended and the Company agreed to pay a fee of USD 2.63 million for the period from 1 January 2007 to 9 September 2007, and the Company has not needed to pay such fee to the foreign company since 10 September 2007.

However, 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.

2) As at 31 December 2007, 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.

3) As at 31 December 2007, 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 with a minimum fee of Baht 500,000 per annum and a maximum fee of Baht 5,000,000 per annum.

4) As at 31 December 2007, 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.

5) As at 31 December 2007, 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.

6) As at 31 December 2007, 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 will terminate on 31 December 2009.

7) As at 31 December 2007, the Company is required to pay derivatives trading fee to the Thailand Futures Exchange Public Company Limited as follows:

Derivatives Contracts	Fee rate per derivatives contract (Baht)
SET 50 Index Futures	35
SET 50 Index Options	7

8) As at 31 December 2007, the Company has commitment to pay certain settlement fee to Thailand Clearing House Company Limited as follows:

Derivatives Contracts	Fee rate per derivatives contract (Baht)
SET 50 Index Futures	15
SET 50 Index Options	3

In addition, the Company is required to pay exercise fee for derivatives contract of SET 50 Index Options to Thailand Clearing House Company Limited at the rate of Baht 3 per derivatives contract.

#### 23.2 Contingent Liabilities - Bank Guarantees

As at 31 December 2007, there were outstanding bank guarantees of approximately Baht 1.3 million (2006: 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. SEGMENT INFORMATION

The Company's business operations involve 4 principal segments: securities brokerage segment, investment banking segment, investments segment and financial product development segment. These operations are mainly carried on in Thailand. Below is the financial information for the years ended 31 December 2007 and 2006 of the Company by segment.

(Unit: Thousand Baht)								
	Securities brokerage segment		Investment banking segment		Other segments		Total	
	2007	2006	2007	2006	2007	2006	2007	2006
Revenues	1,143,300	1,162,268	154,464	568,071	167,054	83,646	1,464,818	1,813,985
Segment income	676,412	719,397	58,319	417,773	90,242	23,930	824,973	1,161,100
Unallocated income (expense):								
Other income							104,517	138,879
Operating expenses							(291,855)	(352,369)
Corporate income tax							(152,646)	(227,234)
Net income for the year							484,989	720,376

(Unit: Thousand Baht)								
	Securities brokerage segment		Investment banking segment		Other segments		Total	
	2007	2006	2007	2006	2007	2006	2007	2006
Property, plant and equipment - net								
- allocated	36,296	35,483	16,461	18,225	11,483	12,839	64,240	66,547
- unallocated							144,072	153,465
Total							208,312	220,012
Unallocated assets							5,449,141	4,748,952
Total assets							5,657,453	4,968,964

## 25. FINANCIAL INSTRUMENTS

### 25.1 Financial risk management

The Company's financial instruments, as defined under Thai Accounting Standard No. 48 "Financial Instruments: Disclosure and Presentations", principally comprise cash and cash equivalents, 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.



### 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)	
	2007	2006
<b>Financial assets</b>		
Cash and cash equivalents - promissory notes		
with maturity less than 3 months	1,100,000,000	1,700,000,000
Investment in debt securities - net	295,358,884	686,792,381
Receivables from Clearing House	20,261,160	7,413,600
Securities and derivatives business receivables	2,092,492,449	1,129,904,414
Other assets - other receivables	29,649,974	47,384,848

### 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 2007 and 2006 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)

2007

	Outstanding balances of financial instruments							Interest rate	
	Floating interest rate	Repricing or maturity dates					Total	(Percent)	
		At call	Less	1 - 5	Over	No		Floating rate	Fixed rate
			1 year	years	5 years	interest			

**Financial instruments - assets**

Cash and cash equivalents	28	800	300	-	-	552	1,680	0.13 - 2.15	3.05 - 4.70
Investments - net	-	-	295	-	-	1,258	1,553	3.30 - 4.90	3.00 - 4.90
Receivables from Clearing House	-	-	-	-	-	20	20	-	-
Securities and derivatives business receivables	-	-	-	-	-	2,092	2,092	-	-

**Financial instruments - liabilities**

Payables to Clearing House	-	-	-	-	-	798	798	-	-
Securities and derivatives business payables	-	-	-	-	-	1,104	1,104	-	-

(Unit: Million Baht)

2006

	Outstanding balances of financial instruments							Interest rate	
	Floating interest rate	Repricing or maturity dates					Total	(Percent)	
		At call	Less	1 - 5	Over	No		Floating rate	Fixed rate
			1 year	years	5 years	interest			

**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	-	-

## LIQUIDITY RISK

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

(Unit: Million Baht)						
2007						
	Outstanding balances of financial instruments					
		Within	1 - 5	Over	No	Total
	At call	1 year	years	5 years	maturity	
Financial instruments - assets						
Cash and cash equivalents	1,380	300	-	-	-	1,680
Investments - net	-	585	-	-	968	1,553
Receivables from Clearing House	-	20	-	-	-	20
Securities and derivatives business receivables	-	2,092	-	-	-	2,092
Financial instruments - liabilities						
Payables to Clearing House	-	798	-	-	-	798
Securities and derivatives business payables	-	1,104	-	-	-	1,104

(Unit: Million Baht)						
2006						
	Outstanding balances of financial instruments					
		Within	1 - 5	Over	No	Total
	At call	1 year	years	5 years	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

## FOREIGN CURRENCY RISK

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

The balances of financial assets and liabilities denominated in foreign currencies as at 31 December 2007 and 2006 are summarised below: -

Foreign Currency	Financial assets		Financial liabilities		Average exchange rate as at	
	2007	2006	2007	2006	2007	2006
	(Baht per 1 foreign currency unit)					
US dollar	5,585	-	21,870	896,997	33.7185	36.0455
Hongkong dollar	-	-	118,442	-	4.3216	-

#### Financial derivative

As at 31 December 2007 and 2006, the Company has no off-balance sheet outstanding financial derivative.

#### 25.2 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 is depended on 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 depended on 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 and securities and derivative business receivables are estimated at their net book value since the maturity date is in the short-term.

b) Financial liabilities

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

**26. RECLASSIFICATION**

Certain amounts in the financial statements for the year ended 31 December 2006 have been reclassified to conform to the current year's classifications, without impact on previously reported net income or shareholders' equity.

**27. SUBSEQUENT EVENTS**

The meeting of the Company's Board of Directors, held on 25 February 2008, passed a resolution to propose the payment of a dividend of Baht 1.25 per share, or a total of Baht 266.875 million. The dividend payment will be proposed to approve by the Annual General Meeting of the Company's shareholders, which will be held on 23 April 2008, and payment will be on 7 May 2008.

**28. APPROVAL OF FINANCIAL STATEMENTS**

These financial statements were authorised for public by the Company's Board of Directors on 25 February 2008.





