



Phatra Securities
Public Company Limited

Annual Report 2008



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Phatra Securities Public Company Limited

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GENERAL INFORMATION

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Phatra Securities Public Company Limited

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 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. 0-2359-1259
Website <http://www.tsd.co.th>

Company Registration No. :
Bor Mor Jor. 0107548000064

Telephone :
0-2305-9000

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

Facsimile :
0-2693-2631

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

BACKGROUND

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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.

FINANCIAL HIGHLIGHT

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FINANCIAL SUMMARY

(Unit : Bt mn)

	2008	2007	2006
Total assets	4,142.68	5,657.45	4,968.96
Total liabilities	1,328.77	2,338.30	1,569.83
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	2,813.91	3,319.15	3,399.13
Total revenues	1,401.14	1,569.34	1,946.42
Total expenses before impairment loss on investment	845.24	931.70	998.81
Impairment loss on investment	303.95	0.00	0.00
Net profit	207.31	484.99	720.38
Book value per share (Baht)	13.18	15.55	15.92
Earning per share (Baht)	0.97	2.27	3.37

REVENUES STRUCTURE

	2008		2007		2006 (Restated)	
	Bt mn	%	Bt mn	%	Bt mn	%
REVENUES						
Brokerage fees						
Brokerage fees from securities business	864.74	61.72	1,077.23	68.64	1,234.79	63.44
Brokerage fees from derivatives business	28.17	2.01	23.99	1.53	3.22	0.17
Fees and services income	270.39	19.30	220.32	14.04	496.12	25.49
Gain on trading in securities	37.56	2.68	81.21	5.18	18.92	0.97
Gain on derivatives trading	18.75	1.34	8.87	0.57	0.45	0.02
Interest and dividend	169.62	12.11	147.17	9.38	173.31	8.90
Other incomes	11.90	0.85	10.53	0.67	19.60	1.01
Total revenues	1,401.14	100.00	1,569.34	100.00	1,946.42	100.00

FINANCIAL RATIOS

		2008	2007	2006
PROFITABILITY RATIOS				
Gross profit margin	(%)	89.84	89.59	89.71
Net profit margin	(%)	14.80	30.90	37.01
Return on equity	(%)	6.76	14.44	21.99
Investment yield	(%)	14.44	15.74	20.69
EFFICIENCY RATIOS				
Return on total assets	(%)	4.23	9.13	14.05
Total assets turnover	(times)	0.34	0.28	0.39
FINANCIAL POLICY RATIOS				
Liquidity assets to total assets	(%)	65.29	57.14	70.60
Earning assets to total assets ratio	(%)	60.80	64.44	52.14
Debt to equity ratio	(times)	0.47	0.70	0.46
Dividend payout ratio	(%)	205.97	99.05	88.91
OTHER RATIOS				
Investment to total assets	(%)	38.05	27.45	29.40
Net liquid capital ratio	(%)	178.66	117.25	187.03
PER SHARE INFORMATION				
Book value per share	(Baht)	13.18	15.55	15.92
Net profit per share	(Baht)	0.97	2.27	3.37
Dividend per share *	(Baht)	2.00	2.25	3.00
Number of paid up shares as at 31 December	(shares)	213,500,000	213,500,000	213,500,000

*Note : Annual dividend payment of Baht 1.00 per share in 2008 is subjected to shareholders' approval.

OPERATING PERFORMANCE

Total Revenues

Bt mn



Total Expenses



Net Profit

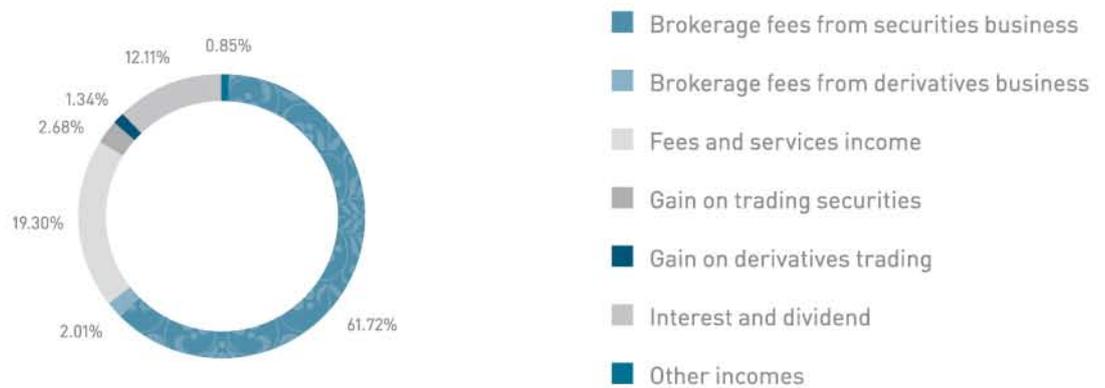


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REVENUES STRUCTURE IN 2007



REVENUES STRUCTURE IN 2008



MESSAGE FROM CHAIRMAN

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ECONOMY AND CAPITAL MARKET

The world financial crisis which started in mid-2007 rapidly worsened in the latter half of 2008, causing severe problems for financial systems globally in terms of stability, liquidity and price level. The crisis has affected the survival of financial systems and institutions, and having now spread to all economic sectors worldwide, it is likely to have a continuing effect.

Even though Thailand's financial system remains stable, the country depends heavily on exports and tourism and its political problems have accumulated. The domestic economy has therefore been affected especially in terms of investment, private sector fund-raising, prices of financial products and in the number of trading transactions in the capital market. This has caused difficulties for securities companies, and the capital market is likely to continue to slow.

PERFORMANCE

Although our Company's management and employees worked hard to achieve results, total operating results in 2008 were dramatically under target and below the performance in 2007. Total revenues of Baht 1,401.14 million decreased 10.72% YoY due to a significant drop in revenues from securities brokerage and investment business. However, the Company reduced total expenses before impairment loss on investment by 9.28% to Baht 845.24 million in 2008 from Baht 931.70 million in 2007. Nevertheless, after the impairment loss on investment in 2008, the Company's net profit decreased 57.26% to Baht 207.31 million in 2008 from Baht 484.99 million in 2007.

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

GOOD CORPORATE GOVERNANCE

The Board of Directors has always performed its duties with utmost effort to further improve the Company's corporate governance to meet international standards. 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. The Company has received a "Very Good" level of recognition by the Thai Institute of Directors Association (IOD) in terms of its corporate governance.

INDUSTRY AND COMPETITIVE SITUATION

Despite the world economic crisis which has affected Thailand's economy, the Company still believes in the country's economic potential and in the importance of its capital market. The Company remains confident that business in the capital market will return to dramatically expand in the future, although this will take time.

In the current environment the Company continually strives to improve its management, operations and information technology to ensure efficient service to clients, to increase its competitiveness, to enact its business strategies and to comply with risk management policies.

As of the end of 2008, the Company had 243 employees. Employees are the Company's major resource, and the Company continuously encourages them 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, manners, respect, gratefulness and consideration. This is in accordance with our slogan, "International Best Practice with a Thai Touch."

The Company's operation benefits from the support and cooperation of all parties including shareholders, clients, business allies and employees. On behalf of the Board of Directors, I would like to take this opportunity to thank you all and wish you happiness and success in your work and family.



Mr. Banyong Pongpanich
Chairman

BUSINESS AND DEVELOPMENT

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BUSINESS OVERVIEW

In 2008, 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 Individuals¹. In 2008, the Company garnered 5.96% of the SET's and MAI's total trading value and ranked second in terms of market share (versus 5.79% of the total trading value on the SET and MAI and fourth-place rank in 2006, and 5.63% of the total trading value on the SET and MAI and third-place rank in 2007).

For the year ended December 31, 2008, the Company generated revenue from brokerage services of Baht 864.74 million or 61.72% of its total revenues. In comparison, for the years ended December 31, 2006 and December 31, 2007 respectively, the Company generated revenue from brokerage services of Baht 1,234.79 million and Baht 1,077.23 million, or 63.44% and 68.64% 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, 2008, the Company had revenues from investment banking in the form of financial advisory and underwriting services of Baht 218.56 million or 15.60% of the Company's total revenues. In comparison, for the years ended December 31, 2006 and December 31, 2007 respectively, the Company generated revenue from investment banking in the form of financial advisory and underwriting services of Baht 456.32 million and Baht 144.56 million, or 23.44% and 9.21% of total revenues.

3. Investment. The Company has established two departments responsible for managing its investments, namely the Equity & Derivatives Trading Department and the Direct Investment Department. The Equity & Derivatives 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, 2008, the Company had gains from trading securities and derivatives of Baht 56.31 million or 4.02% of total revenues. In comparison, for the years ended December 31, 2006 and December 31, 2007 respectively, the Company had gains from trading securities and derivatives of Baht 19.37 million and Baht 90.08 million, or 0.99% and 5.74% of total revenues.

In addition, the Company had dividend income from investment in securities in 2006, 2007 and 2008 respectively of Baht 54.58 million, Baht 51.73 million and Baht 101.19 million or 2.80%, 3.30% and 7.22% of total revenues.

¹ High Net Worth Individual means a client who has a tendency or capacity to invest in equity instruments, debt instruments and/or investment units through the Company in a minimum amount of Baht 10.00 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, 2008, the Company had brokerage fees from derivatives business of Baht 28.17 million or 2.01% of total revenues. In comparison, for the years ended December 31, 2006 and December 31, 2007 respectively, the Company had brokerage fees from derivatives business of Baht 3.22 million and Baht 23.99 million, or 0.17% and 1.53% of total revenues.

Revenue Structure of the Company in 2006, 2007 and 2008

	2008		2007		2006 (Restated)	
	Bt mn	%	Bt mn	%	Bt mn	%
Revenues						
Brokerage fees						
Brokerage fees from securities business	864.74	61.72	1,077.23	68.64	1,234.79	63.44
Brokerage fees from derivatives business	28.17	2.01	23.99	1.53	3.22	0.17
Fees and services income	270.39	19.30	220.32	14.04	496.12	25.49
Gain on securities trading	37.56	2.68	81.21	5.18	18.92	0.97
Gain on derivatives trading	18.75	1.34	8.87	0.57	0.45	0.02
Interest and dividend	169.62	12.11	147.17	9.38	173.31	8.90
Other incomes	11.90	0.85	10.53	0.67	19.60	1.01
Total revenues	1,401.14	100.00	1,569.34	100.00	1,946.42	100.00

In addition, the Company has business support departments, namely the Research Group, the Office of General Counsel and Internal Audit (OGC), the Corporate Credit & Risk Management Department and the Technology Department.

MAJOR DEVELOPMENTS IN 2008

- Since February 2008 the Company has issued research reports emphasizing appropriate asset allocation in order to provide knowledge on investment for High Net Worth clients.
- In March 2008, the Company started using Microsoft Dynamics CRM 4.0 program to increase its efficiency in servicing High Net Worth clients both in terms of timeliness and accuracy.
- In August 2008, the Company started providing an additional equity settlement alternative through money market fund to maximize clients' return, and the Company started acting as a participant dealer and a market maker for Equity ETF on the SET Energy Sector Index.

- In November 2008, the Company started providing mutual fund trading service via telephone in order to facilitate clients, and the Company expanded its securities borrowing and lending business by offering securities lending for retail clients who were able to short-sell on cash accounts.
- At the end of 2008, the assets under advisory of High Net Worth clients of the Company had value of Baht 75,647.96 million in total, a decrease from Baht 89,583.44 million at the end of 2007 as a result of the reduction in total market capitalization.

AWARDS AND RECOGNITIONS IN 2008

- Country Awards for Achievement : Best Broker from FinanceAsia
- Country Awards for Achievement : Best Equity House in Thailand from FinanceAsia
- Country Awards for Achievement : Best Country Deal from FinanceAsia
- Annual Triple A Country Awards : Best Equity House from The Asset
- Annual Triple A Country Awards : Best Merger and Acquisition House in Thailand from The Asset
- Awards for Excellence : Best Investment Bank in Thailand from Euromoney
- Best Financial Institution Awards in Southeast Asia : Best Broker in Thailand from Alpha Southeast Asia
- Domestic Bank Award : Best Domestic Equity House from Asiamoney
- Top 10 Thailand's Most Innovative Companies 2008 : Securities Business from Faculty of Commerce and Accountancy, Chulalongkorn University



BUSINESS PERFORMANCE AND SITUATION

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BUSINESS PERFORMANCE IN 2008

In 2008 capital markets worldwide were volatile as the financial crisis which started in 2007 worsened. Thailand's capital market was affected by the global downturn and by domestic political unrest, with the SET index down 47.56% and transactions decreasing in both the primary and secondary markets.

For agency business in 2008, the Company had market share in IPO fund-raising in the SET of 50.59%. For the secondary market, the Company's average daily securities trading value in 2008 decreased by 2.09% from 2007, whereas average daily securities trading value in 2008 in the SET and MAI decreased by 7.56%. This led the Company's total market share to rise to 5.96% in 2008 from 5.63% in 2007.

The Company's investment business was significantly affected. As the SET index dropped 47.56% in 2008, the Company's investments in the SET were badly hit. At the end of 2008, the Company had an impairment loss on investment of Baht 303.95 million.

The Company's business performance in 2008 is summarized below.

In 2008, the Company had total revenues of Baht 1,401.14 million compared with Baht 1,569.34 million in 2007. The Company's total revenues decreased 10.72% whereas its expenses before impairment loss on investment for 2008 were Baht 845.24 million, a decrease of 9.28% from Baht 931.70 million in 2007. As a result, the Company's operating profit before impairment loss on investment in 2008 was Baht 555.90 million, a decrease of 12.82% from Baht 637.64 million in 2007. The Company had net profit in 2008 of Baht 207.31 million, a decrease of 57.26% from Baht 484.99 million in 2007.

SECURITIES BROKERAGE BUSINESS

In 2008, the Company's brokerage fees from securities business were Baht 864.74 million decreased Baht 212.49 million or 19.73% from Baht 1,077.23 million in 2007 due to the decrease in the average daily securities trading value and the full year impact of changes in brokerage fee charged to Merrill Lynch as exclusive partner from 0.25% to 0.15%, effective from September 10, 2007. Consequently, the Company's average brokerage fee rate was lowered from 0.25% to 0.22% in 2007 and 0.19% in 2008.

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

	2008	2007
Average securities trading value per day of the SET and MAI (Bt mn)	16,118.34	17,436.00
Securities trading ratio on the SET and MAI classified by investor group		
Foreign investors	29.13%	32.37%
Local institutional investors	16.88%	14.24%
Local investors	53.99%	53.39%
The Company's average securities trading value per day (Bt mn)	1,921.48	1,961.98
The Company's market share	5.96%	5.63%
Market share – foreign institutional investors	11.17%	9.37%
Market share – local institutional investors	12.06%	13.79%
Market share – High Net Worth clients	2.80%	3.13%
Rank of market share	2	3

Average daily securities trading value on the SET and MAI in 2008 was Baht 16,118.34 million, a decrease of 7.56%. The trading proportion of foreign investors, local institutional investors and local investors was 29.13%, 16.88% and 53.99% respectively. The Company's average daily securities trading value in 2008 was Baht 1,921.48 million, down 2.09% from 2007. The Company had total market share of 5.96%. The Company's market shares in foreign institutional investors, local institutional investors and local investors were 11.17%, 12.06% and 2.80% respectively.

The Company's market share in 2008 slightly increased from 5.63% in 2007 to 5.96%. The proportion of brokerage fees from foreign institutional investors, local institutional investors and High Net Worth clients was 45.28%, 19.44% and 35.28% respectively.

At the end of 2008, assets under advisory of the Company's High Net Worth clients totaled Baht 75,647.96 million. This was a decrease from Baht 89,583.44 million at the end of 2007 due to the reduction in total market capitalization.

INVESTMENT BANKING BUSINESS

The country's total fund-raising value of Baht 27,437.30 million in 2008, comprising fund-raising in the primary and secondary markets of Baht 25,436.50 million and Baht 2,000.80 million respectively, decreased from Baht

34,408.50 million in 2007. However, in 2008 the value of IPOs in the SET was Baht 18,389.30 million in total, an increase of 70.50% from Baht 10,782.50 in 2007. This amount included the fund-raising of Esso (Thailand) Public Company Limited valued at Baht 9,304.17 million for which the Company was a financial advisor and underwriter.

Details of Listed Companies on the SET

	2008	2007	2006
Numbers of newly listed companies on the SET	9	6	12
Fund-raising value (IPO) (Bt mn)	18,389.30	10,782.50	36,786.70
Numbers of listed companies raising fund in the SET	1	3	5
Fund-raising value (PO) (Bt mn)	2,000.80	18,202.30	8,787.60

REMARK: In 2008, there were 12 newly listed companies on the SET and MAI with total value of IPOs of Baht 18,764.30 million.

During this inactive fund-raising period which was due to the economic situation and investment slowdown of various companies, the Company has emphasized financial advisory services for mergers and acquisitions and other services in order to compensate for lower revenue generated from fund-raising.

In 2008, the Company had underwriting fees from the listing of Esso (Thailand) Public Company Limited on the SET of Baht 74.69 million and advisory fees for Financial Institutions Development Fund (FIDF) in selling securities of BankThai Public Company Limited. This brought the Company's revenues from investment banking business to Baht 218.56 million in 2008, an increase of 51.20% from Baht 144.56 million in 2007.

DERIVATIVES BUSINESS

The derivatives market has continuously developed as an alternative for investors. TFEX started at the end of April 2006 with SET50 Index Futures as its product and twenty-three brokers. In 2007, TFEX added SET50 Index Options as another product while brokers in this business increased to twenty-five. In 2008, TFEX introduced three single stock futures, namely PTT Futures, PTTEP Futures and ADVANC Futures, while the number of brokers increased to thirty-nine.

Principal Operating Statistics of the TFEX Market

	2008	2007
Number of derivatives contracts traded in TFEX (contracts)	2,148,680	1,236,884
Derivatives trading value in TFEX (Bt mn)	937,682.01	705,858.92
Number of derivatives contracts traded via the Company (contracts)	200,991	111,656
Derivatives trading value of the Company (Bt mn)	90,661.94	63,719.00
The Company's market share	4.77%	4.51%

In 2008, the Company's market share in derivatives business ranked no.7 with 4.77%, a slight increase from 4.51% in 2007. The Company had brokerage fees from derivatives trading in 2008 of Baht 28.17 million, up 17.42% from Baht 23.99 million in 2007. Fees from institutional investors accounted for 56.37% while fees from individual clients accounted for 43.63%.

INVESTMENT BUSINESS

The Company started its investment business in 2005. The Company's investments are managed by three different departments – the Direct Investment Department, the Equity & Derivatives Trading Department and the Treasury Department. Direct Investment is responsible for investments in assets including listed and non-listed securities on the SET, with an investment period of one to five years, and derivatives for managing risk. The Equity & Derivatives Trading Department emphasizes short-term investments of not more than one year in equities and derivatives under practical risk controls, whereas the Treasury Department is responsible for investments in government bonds and others.

At the end of 2008, the Direct Investment Department had investments at market price of Baht 982.64 million; the Equity & Derivatives Trading Department had investments at market price of Baht 261.95 million; and the Treasury Department had investments in government bonds and others of Baht 331.28 million.

The Company's Net Investment in Debt and Equities

(Unit : Bt mn)	At the end of 2008	At the end of 2007
Investment of Direct Investment Department	982.64	964.14
Investment of Equity & Derivatives Trading Department	261.95	137.10
Investment in government bond and others	331.28	295.36
Other investment	0.35	156.41
Total investment in debt and equity securities-net	1,576.22	1,553.01

In 2008, the Direct Investment Department had a loss from investment of Baht 486.26 million. This was a result of the financial crisis (which started in the US and spread worldwide) and the country's political unrest, which led to closure of the Suvarnabhumi Airport at the end of November 2008. These factors caused the SET index drop to 449.96 at the end of 2008, a decrease of 47.56% from the beginning of 2008.

Return on Investment of Direct Investment Department

(Unit : Bt mn)	2008	2007
Dividend income	96.72	50.56
Gain (loss) on securities trading	(17.00)	75.11
Gain (loss) on derivatives trading	(9.99)	-
Total return per profit & loss statement before impairment loss on investment	69.73	125.67
Impairment loss on investment	(248.71)	-
Total return per profit & loss statement after impairment loss on investment	(178.98)	125.67
Change in unrealized gain (loss) from revaluation-before deferred tax *	(307.28)	99.00
Total return of Direct Investment Department	(486.26)	224.67

* Being part of revaluation surplus (deficit) in balance sheet

Nevertheless, the Company had profit of Baht 85.65 million from investments of the Equity & Derivatives Trading Department which had several chances for arbitrage. Also, the Company had return from investments of the Treasury Department in the amount of Baht 70.55 million, in which Baht 68.43 million was from investments in government bonds and others and Baht 2.12 million was from other investments.

Consequently, the Company had a net loss from investment of Baht 330.06 million in 2008.

Return on Investment of Equity & Derivatives Trading Department

(Unit : Bt mn)	2008	2007
Dividend income	3.04	-
Gain on securities trading	53.88	4.52
Gain on derivatives trading	28.73	-
Total return of Equity & Derivatives Trading Department	85.65	4.52

BUSINESS TREND IN 2009

The country's securities market in 2009 will likely remain inactive due to the financial crisis. It will take time to recover. Moreover, political challenges after the setup of a coalition government led by the Democrat Party will continue to cause market volatility.

Therefore, the Company operates in 2009 with special caution especially on cost control and appropriate extent of organization. However, the Company will continue to seek business opportunities, including investment opportunities in assets with strong fundamentals but which are undervalued.

RISK FACTORS

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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. THE COMPANY'S REVENUE WAS MATERIALLY AFFECTED IN THE PREVIOUS YEAR FROM THE SUB-PRIME LOAN PROBLEM IN THE US, WHICH TRIGGERED A GLOBAL FINANCIAL AND ECONOMIC CRISIS.

The Company's main revenues are derived from securities brokerage, investment banking and investment directly relating to the economic and financial crisis. The global crisis has significantly influenced Thailand's capital market. As of December 31, 2008, the SET index was at 449.96, down 47.56% from the end of 2007. In October 2008, with crises hitting financial institutions in the US and Europe, the SET index dropped 30.17%. This directly affected the Company's investment business, securities trading volume and revenues from securities brokerage. It also had an effect on the amount of funds raised and number of new securities listings on the SET, thus decreasing revenue from investment banking. All of these factors had an impact on the Company's financial position and business operations.

The US economy has been hit by NPL problems in the property sector, sub-prime loan problems, CDOs, CLOs, crises at US financial institutions, the collapse of Fannie Mae and Freddie Mac, the bankruptcy of Lehman Brothers, the bailout of AIG and problems at other financial institutions in the US and Europe. The effect spread to the economies of Europe, Japan and other Asian countries and finally led to the slowdown of global economy including Thailand's capital market and economy.

The increasing problems and uncertainty in the global economy have made it difficult to estimate the real damage to Thailand's economy and capital market. This situation is beyond the Company's control, and the Company is not able to forecast the outcome at present.

2. ONGOING POLITICAL VOLATILITY AND THE GOVERNMENT'S INSTABILITY HAVE FURTHER DISTRESSED THAILAND'S CAPITAL MARKET AND EXACERBATED ECONOMIC PROBLEMS, WHICH AFFECTS THE COMPANY'S BUSINESS OPERATION.

Meanwhile, domestic political and social unrest has worsened the economic situation. The instability of the government, ongoing political assemblies and as-yet unresolved social conflicts have had an impact on the confidence of local and foreign investors, leading to a decrease in volume of securities trading in the SET, a lower amount of funds raised, and fewer newly listed companies on the SET.

3. 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 (now part of Bank of America) have been party to a business alliance since Merrill Lynch disposed of its equity interest in the Company in 2003. The objective is for the parties to co-operate in various business activities, including securities brokerage and investment banking. Apart from a Business Service Agreement, the Company and Merrill Lynch have a Research Co-operation Agreement whereby research on Thai companies and Thai securities is jointly produced. This includes research on the Thai economy, politics, capital markets, money markets and industries for further distribution to international investors under Merrill Lynch's name. The agreement is currently on a yearly basis, with either party required to inform the other at least six months in advance if they desire to terminate the agreement.

The US financial crisis caused liquidity problems and huge losses for Merrill Lynch, precipitating its recent merger with Bank of America. Due to the economic slowdown and decreased value of assets, Bank of America has also incurred losses after the merger. Although the US government is taking measures to stabilize US financial institutions and the economy, the situation has not yet turned around and it is not possible to gauge how much time will be required for it to do so. Moreover, possible changes in business policy after the merger are still not clear. These circumstances increase the Company's risk, and any change that diminishes the Company's rights or which results in termination of any of the two agreements would have a material adverse effect on the Company's research and revenues from brokerage business and investment banking.

4. 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.

5. 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 clients. In 2008 the top five clients generated Baht 446.90 million, representing 52.80% of the Company's total securities brokerage fees.

The economic recession (both domestic and global) has resulted in a decrease in the securities trading volume of clients. In addition, the Company cannot ensure 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.

6. 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.

7. THE COMPANY OPERATES ITS BUSINESS BY USING MORE CAPITAL.

In order to compete and gain other revenues besides securities brokerage and investment banking revenues, the Company has expanded its business by investing in securities via its Equity & Derivatives Trading Department and Direct Investment Department, investing in derivatives in the futures market and engaging in arbitrage business in the SET and TFEX. In 2008, the Company's investment limit allocated for the Equity & Derivatives Trading Department was Baht 1,200.00 million while its investment limit allocated for the Direct Investment Department was Baht 2,000.0 million. On December 31, 2008, the Equity & Derivatives Trading Department had net investment of Baht 261.95 million while the Direct Investment Department had net investment of Baht 982.64 million. Altogether this represents a total investment of more than 44.24% of the Company's total capital. The fluctuations in global economies and domestic political problems have had a direct effect on Thailand's capital market. Such circumstances and/or a lack of efficiency in doing this business has caused an accounting loss from investment via the Direct Investment Department of the Company, which has had an adverse and material effect on the Company's financial status and results of operations. The continuous slump in the economy and political instability as mentioned may persist in adversely and materially affecting the Company's financial situation and business operations.

8. 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 in the supervisory roles of the relevant regulatory bodies may affect the Company's goals, competitiveness and business, and could have a material adverse effect on the business, financial condition and results of operations of the Company.

9. 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 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, lose its license or be subject to litigation.

10. THE COMPANY'S OPERATIONS ARE UNDER THE CONTROL OF A GROUP OF SHAREHOLDERS, WHO ARE THE MANAGEMENT AND EMPLOYEES OF THE COMPANY.

Certain numbers of management and employees hold directly and indirectly more than 50% of the total paid-up capital of the Company. Such 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

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As of October 10, 2008, the Company's shareholders structure was as follows:
The top ten major shareholders were as follows:

No.	List of Shareholders	Number of Shares	Shareholding (%) ⁽¹⁾
1.	EFG Bank	78,399,997	36.72
2.	Thai NVDR Co., Ltd.	37,198,031	17.42
3.	Somers (U.K.) Limited	16,698,027	7.82
4.	HSBC Bank Plc – Clients General A/C	5,807,100	2.72
5.	Mr. Suvit Mapaisansin	5,505,455	2.58
6.	Mr. Banyong Pongpanich	3,307,277	1.55
7.	Aberdeen Growth Fund	3,171,900	1.49
8.	Mr. Veravat Chutichetpong	2,550,154	1.19
9.	Aberdeen Long Term Equity Fund	2,428,400	1.14
10.	Mr. Norachet Sangruji	1,712,172	0.80

Remark (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	10.72
2.	Mr. Suvit Mapaisansin	1,700	9.91
3.	Mr. Veravat Chutichetpong	1,700	9.91
4.	Dr. Supavud Saicheua	1,400	8.16
5.	Mrs. Patchanee Limapichat	1,000	5.83
6.	Mr. Norachet Sangruji	800	4.66
7.	Mr. Aphinant Klewpatinond	600	3.50
8.	Mr. Ian Gisbourne	600	3.50
9.	Mr. Jirawat Supornpaibul	600	3.50
10.	Others	6,920	40.33
	Total	17,160	100.00

ORGANIZATION STRUCTURE

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Risk Management
Committee

Management Development &
Compensation Committee

Audit Committee



Chief Administrative Officer

- Finance
- Treasury
- Human Resources
- Office of General Counsel
and Internal Audit
- Securities & Derivatives
Operations
- Corporate Services
- Technology

MANAGEMENT STRUCTURE

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BOARD OF DIRECTORS

As of December 31, 2008, the Board of Directors consisted of eleven members including executive directors and independent directors in an appropriate proportion. During 2008, the Company called seven Board of Directors meetings. Directors' names and attendance records are as follows:

Name	Position	Meetings Attended
01. Mr.Banyong Pongpanich	Chairman	6/7
02. Mr.Suvit Mapaisansin	Director and Chief Executive Officer	6/7
03. Mr.Veravat Chutichetpong	Director	7/7
04. Dr.Supavud Saicheua	Director	6/7
05. Mrs.Patchanee Limapichat	Director	7/7
06. Mr.Norachet Sangruji	Director	7/7
07. Dr.Anumongkol Sirivedhin	Director / Independent Director	7/7
08. Assoc.Prof.Dr.Varakorn Samakoses	Director / Independent Director	5/5
09. Prof.Dr.Uthai Tanlamai	Director / Independent Director	6/7
10. Mr.Pongtep Polanun	Director / Independent Director	5/7
11. Prof.Dr.Anya Khanthavit	Director	5/5

REMARKS:

Assoc.Prof.Dr.Varakorn Samakoses and Prof.Dr.Anya Khanthavit became directors of the Company on April 25, 2008.

Mrs.Patraporn Milindasuta, Managing Director and Chief Administrative Officer, performs a company secretary function.

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. The Company provides 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 discloses 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 2008 Annual General Meeting of Shareholders, the Company appointed directors to replace those retired by rotation and appointed two additional directors. All appointed directors were considered and selected by the Director Nominating Committee and Board of Directors and approved by shareholders.

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 of the total number of directors shall be domiciled in Thailand. The election of directors by shareholders' meeting shall be in accordance with the following rules and procedures:

- (1) A shareholder shall have 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 votes but their election would exceed the number of directors required to be elected in that meeting, the Chairman of the meeting shall have a casting vote.

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

PROCESS OF NOMINATING INDEPENDENT DIRECTORS

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

CRITERIA FOR APPOINTMENT OF THE INDEPENDENT DIRECTORS

The Board of Directors' meeting no.6/2551 dated on August 18, 2008 has approved the amendment of the Company's qualifications of independent directors to be in accordance with the notice of the SEC regarding the revision of independent director and Audit Committee qualifications for listed companies as follows:

- (a) Holding not more than 1% of the total shares with voting rights of the Company, its parent company, its subsidiary, its affiliate or any juristic person which may have conflicts of interest, therefore, shall be inclusive of the shares held by related persons;
- (b) Not being or having previously been a director who takes part in the management, an employee, a staff member or advisor who receives a regular salary, or a controlling person of the Company, its parent company, its subsidiary, its affiliate, its subsidiary at the same level, or any juristic person which may have conflicts of interest unless the termination of being in such position had occurred at least two years before an appointment as the Company's independent director;
- (c) Not being a person related by blood or registration under laws in the form of fatherhood, motherhood, spouse, brothers, sisters, and children, including spouse of children, of its executives, its major shareholder, its controlling person, or such other person who will be nominated to take up the position of executives or controlling persons of the Company or its subsidiary;
- (d) Having no current or previous business relationship with the Company, its parent company, its subsidiary, its affiliate or any juristic person which may have conflicts of interest in the manner which may interfere with his or her independent discretion, not being or having previously been a major shareholder or a director who is not an independent director or an executive of the company which has a business relationship with the Company, its parent company, its subsidiary, its affiliate or any juristic person which may have conflicts of interest unless the termination of being in such position had occurred at least two years before an appointment as the Company's independent director.

Such business relationships include normal business transactions, rental or lease of immovable property transactions, asset or service transactions, or giving or taking financial assistance by borrowing or lending money, suretyship, providing assets as a security for the performance of an obligation and any transactions as specified by the Capital Market Supervisory Board;

- (e) Not being or having previously been an auditor of the Company, its parent company, its subsidiary, its affiliate or any juristic person which may have conflicts of interest and not being a major shareholder, a director who is not an independent director, an executive or a managing partner of the audit office to which the auditor of the Company, its parent company, its subsidiary, its affiliate or any juristic person which may have conflicts of interest unless the termination of being in such position had occurred at least two years before an appointment as the Company's independent director;
- (f) Not being or having previously been any professional service provider including legal advisor or financial advisor who receives more than Baht two million annually from the Company, its parent company, its subsidiary, its affiliate or any juristic person which may have conflicts of interest. In case the professional service provider is a juristic person, the person nominated as the Company's independent director shall not be a major shareholder, a director who is not an independent director, an executive or a managing partner of the professional service provider unless the termination of being in such position had occurred at least two years before an appointment as the Company's independent director;
- (g) Not being a director appointed as a representative of the Company's directors, a major shareholder or a shareholder who is related to the Company's major shareholder; and
- (h) Having no characteristics that may affect the giving of independent opinions on the Company's operations.

The above qualifications will apply to the Company's independent directors appointed from the 2009 Annual General Meeting of Shareholders onwards, except for the qualifications regarding relationships during the two years prior to appointment dates which will be applied to the Company's independent directors appointed from the 2010 Annual General Meeting of Shareholders onwards.

COMMITTEES

Currently, the Company has six committees appointed by the Board of Directors, namely the Executive Committee, Audit Committee, Management Development and Compensation Committee, Director Nominating Committee, Risk Management Committee and Corporate Social Responsibility (CSR) Committee, details of which are as follows:

1. EXECUTIVE COMMITTEE

The Executive Committee consists of nine members. During 2008, there were sixteen Executive Committee meetings. Names of the Executive Committee members and their attendance records are as follows:

Name	Position	Meetings Attended
01. Mr.Banyong Pongpanich	Chairman of the Executive Committee	16/16
02. Mr.Suvit Mapaisansin	Member of the Executive Committee	14/16
03. Mr.Veravat Chutichetpong	Member of the Executive Committee	14/16

04.	Dr.Supavud Saicheua	Member of the Executive Committee	16/16
05.	Mrs.Patchanee Limapichat	Member of the Executive Committee	14/16
06.	Mr.Norachet Sangruji	Member of the Executive Committee	13/16
07.	Mr.Aphinant Klewpatinond	Member of the Executive Committee	14/16
08.	Mr.Jirawat Supornpaibul	Member of the Executive Committee	13/16
09.	Mrs.Patraporn Milindasuta	Member of the Executive Committee	16/16

Mrs.Vararat Satayarak 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 or strategies 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 the buying and selling of office equipment together with the construction, repairing and re-construction of the office building valued at an amount not exceeding Baht 30.00 million.
6. To periodically review normal and non-normal courses of businesses operated by business departments.
7. To review and comment on Profit and Loss Monthly Reports presented by the Treasury and Finance departments.
8. To acknowledge the Company's annual matters including but not limited to Compliance Audit, Audit Report and Annual Compliance Report.
9. To consider specific matters to be submitted for the Company's Board of Directors' approval.
10. 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 four independent directors. During 2008, there were nine Audit Committee meetings. Names of the Audit Committee members and their attendance records are as follows:

Name	Position	Meetings Attended
01. Dr.Anumongkol Sirivedhin	Chairman of the Audit Committee	9/9
02. Assoc.Prof.Dr.Varakorn Samakoses	Member of the Audit Committee	5/6
03. Prof.Dr.Uthai Tanlamai	Member of the Audit Committee	9/9
04. Mr.Pongtep Polanun	Member of the Audit Committee	7/9

REMARKS:

1. Assoc.Prof.Dr.Varakorn Samakoses became a member of the Audit Committee on April 25, 2008.
2. 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 (as amended on February 21, 2009)

1. Review the Company's financial reporting process to ensure that it is accurate and adequate.
2. Review the Company's internal control system and internal audit system to ensure that they are suitable and efficient, to determine an internal audit unit's independence, as well as to approve the appointment of Head of OGC and key compliance and internal audit personnel as proposed by the management, also to remove, transfer, reduce or cut off salary or wages, or dismissal of Head of OGC and key compliance and internal audit personnel or any other unit in charge of an internal audit.
3. Review the Company's compliance with the law on securities and exchange, the Exchange's regulations, and the laws relating to the Company's business.
4. Consider, select and nominate an independent person to be the Company's auditor, and to propose such person's remuneration, as well as to attend a non-management meeting with an auditor at least once a year.
5. Review the connected transactions, or the transactions that may lead to conflicts of interest to ensure that they are in compliance with the laws and the Exchange's regulations, and are reasonable and for the highest benefit of the Company.
6. Prepare, and disclose in the Company's annual report, an Audit Committee's report which must be signed by the Audit Committee's Chairman and consist of at least the following information:
 1. an opinion on the adequacy, completeness and creditability of the Company's financial report;
 2. an opinion on the adequacy of the Company's internal control system;
 3. an opinion on the compliance with the law on securities and exchange, the Exchange's regulations, or the laws relating to the Company's business;
 4. an opinion on the suitability of an auditor;
 5. an opinion on the transactions that may lead to conflicts of interests;
 6. the number of Audit Committee meetings, and the attendance of such meetings by each committee member;
 7. an opinion or overview comment received by the Audit Committee from its performance of duties in accordance with the bylaws; and
 8. other transactions which, according to the Audit Committee's opinion, should be known to the shareholders and general investors, subject to the scope of duties and responsibilities assigned by the Company's Board of Directors, with the approval of the Audit Committee.
7. Perform any other act as assigned by the Company's Board of Directors with the approval of the Audit Committee.

3. MANAGEMENT DEVELOPMENT AND COMPENSATION COMMITTEE

The Management Development and Compensation Committee consists of four members. During 2008, there were five 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
01. Mr.Banyong Pongpanich	Chairman of the Management Development and Compensation Committee	5/5
02. Mr.Suvit Mapaisansin	Member of the Management Development and Compensation Committee	5/5
03. Mr.Veravat Chutichetpong	Member of the Management Development and Compensation Committee	5/5
04. Mr.Pongtep Polanun	Member of the Management Development and Compensation Committee	5/5

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 semi-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 2008, 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
01. Mr.Banyong Pongpanich	Chairman of the Director Nominating Committee	1/1
02. Dr.Anumongkol Sirivedhin	Member of the Director Nominating Committee	1/1
03. 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 to the Board of 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. RISK MANAGEMENT COMMITTEE

The Risk Management Committee has been appointed by the resolution of the Board of Directors' meeting no.6/2551 dated on August 18, 2008. The Risk Management Committee consists of five members. During 2008, there was one Risk Management Committee meeting. Names of the Risk Management Committee members and their attendance records are as follows:

Name	Position	Meetings Attended
01. Mr.Pongtep Polanun	Chairman of the Risk Management Committee	1/1
02. Prof.Dr.Anya Khanthavit	Member of the Risk Management Committee	1/1
03. Mr.Suvit Mapaisansin	Member of the Risk Management Committee	1/1
04. Mr.Veravat Chutichetpong	Member of the Risk Management Committee	1/1
05. Mr.Norachet Sangruji	Member of the Risk Management Committee	1/1

Dr.Popanit Poommarapan is secretary of the Risk Management Committee.

SCOPE OF DUTIES AND RESPONSIBILITIES OF THE RISK MANAGEMENT COMMITTEE

1. Assist the Board of Directors to set out the risk management strategies, policies, standards and limits including the risk profile of the Company.
2. Review the actual risk exposures of the Company and its business and operation units and identify the risk appetite and control deficiencies in the Company.
3. Ensure that the Company has sufficient policies and procedures in place to govern its risk assessment and risk management activities.
4. Review with management the strategies, policies, frameworks, models and procedures that lead to the identification, measurement, reporting and mitigation of material risks.
5. Monitor the effectiveness of risk management functions throughout the Company and ensure that infrastructure, resources and systems are in place for risk management and are adequate for maintaining a satisfactory level of risk management discipline.
6. Receive and review reports from management regarding the steps it has taken to monitor, mitigate and control the different types of risk.
7. Periodically 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.
8. Prepare and report to the Board of Directors the results of an annual performance evaluation of the Committee, which shall compare the performance of the committee with the requirements of its bylaws, and its objectives for the coming year.
9. Perform any other act as delegated by the Board of Directors and approved by the committee.

6. CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

The Corporate Social Responsibility (CSR) Committee consists of six members. During 2008, there was one CSR Committee meeting. Names of the CSR Committee members and their attendance records are as follows:

Name	Position	Meetings Attended
01. Mr.Banyong Pongpanich	Chairman of the CSR Committee	1/1
02. Dr.Anumongkol Sirivedhin	Member of the CSR Committee	1/1
03. Mr.Suvit Mapaisansin	Member of the CSR Committee	0/1
04. Dr.Supavud Saicheua	Member of the CSR Committee	1/1
05. Mrs.Patchanee Limapichat	Member of the CSR Committee	1/1
06. Mrs.Patraporn Milindasuta	Member of the CSR Committee	0/1

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, 2008, the Company had the following management.

Name	Position
01. Mr.Banyong Pongpanich	Chairman
02. Mr.Suvit Mapaisansin	Chief Executive Officer

03. Mr.Veravat Chutichetpong	Executive Director
04. Dr.Supavud Saicheua	Managing Director (Head of Research Group)
05. Mrs.Patchanee Limapichat	Managing Director (Head of Equity & Derivatives Markets Group)
06. Mr.Norachet Sangruji	Executive Director
07. Dr.Anumongkol Sirivedhin	Independent Director / Chairman of the Audit Committee
08. Assoc.Prof.Dr.Varakorn Samakoses	Independent Director / Audit Committee member
09. Prof. Dr.Uthai Tanlamai	Independent Director / Audit Committee member
10. Mr.Pongtep Polanun	Independent Director / Audit Committee member
11. Prof.Dr.Anya Khanthavit	Director
12. Mr.Aphinant Klewpatinond	Managing Director (Head of Investment Banking Department)
13. Mr.Jirawat Supornpaibul	Managing Director (Head of Private Wealth Management Department)
14. Mrs.Patraporn Milindasuta	Managing Director and Chief Administrative Officer
15. Mr.Tanavatt Bhanijkasem	Executive Vice President (Head of Equity & Derivatives Trading Department)
16. Krittiya Veeraburus ⁽¹⁾	Executive Vice President (Head of Direct Investment Department)
17. Mrs.Panida Prapunwattana	Director (Finance Department and Treasury Department)

REMARKS:

⁽¹⁾ Appointed as Head of Direct Investment Department in replacing of Mr.Supakrit Mekpanuwat, effective from August 18, 2008.

PROFILES OF THE COMPANY'S EXECUTIVES AND CONTROLLING PERSONS

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DETAILS OF EXECUTIVES AND CONTROLLING PERSONS OF THE COMPANY

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

MR. BANYONG PONGPANICH⁽¹⁾	Position
Age 54	Chairman

Educational 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 (as of October 10, 2008) and Percentage of Shareholding Stake

3,307,277 1.55%

Family Relationship Among Executives

None

Work Experiences (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, Muang Thai Insurance Public Company Limited

2002 - Present Member of Advisory Council, Sasin Graduate Institute of Business Administration

2003 - 2008 President of Economics Association, Chulalongkorn University

1996 - 2006 Independent Director, GMM Grammy Public Company Limited

MR. SUVIT MAPAISANSIN⁽¹⁾	Position
Age 50	Director

Educational 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 (as of October 10, 2008) and Percentage of Shareholding Stake

5,505,455 2.58%

Family Relationship Among Executives

None

Work Experiences (Past 5 years)

2003 - Present Chief Executive Officer, Phatra Securities Company Limited / Phatra Securities Public Company Limited

MR. VERA VAT CHUTICHETPONG⁽¹⁾

Age 48

Position

Director

Educational Qualifications

MBA / New York University, U.S.A.

BE in Civil Engineering / Chulalongkorn University

Director Accreditation Program (DAP), 2005 / Thai Institute of Directors Association (IOD)

Number of Shares held (as of October 10, 2008) and Percentage of Shareholding Stake

2,550,154 1.19%

Family Relationship Among Executives

None

Work Experiences (Past 5 years)

2003 - Present Executive Director, Phatra Securities Company Limited / Phatra Securities Public Company Limited

DR. SUPAVUD SAICHEUA⁽¹⁾

Age 52

Position

Director

Educational Qualifications

PhD in Economics / University of Hawaii at Manoa, U.S.A.

MA in Economics / University of the Philippines (Diliman), Philippines

BA in Economics / Victoria University of Wellington, New Zealand

Director Accreditation Program (DAP), 2005 / Thai Institute of Directors Association (IOD)

Number of Shares held (as of October 10, 2008) and Percentage of Shareholding Stake

1,623,527 0.76%

Family Relationship Among Executives

None

Work Experiences (Past 5 years)

2003 - Present Managing Director (Head of Research Group),
Phatra Securities Company Limited / Phatra Securities Public Company Limited
Jun 2008 - Present Expert Member of Investment Committee, Government Pension Fund
2007 - Present Director, Loxley Public Company Limited
2006 - Present Sub-Committee, The National Economic and Social Development Board (NESDB)
2002 - Present Committee, The Economic Society of Thailand
2007 - Jan 2008 Macro Economic Steering Committee, Office of the Prime Minister
2003 - 2005 Director, Securities Analyst Association
1999 - 2005 Research Committee on Economics, National Research Council of Thailand

MRS. PATCHANEE LIMAPICHAT⁽¹⁾

Age 46

Position

Director

Educational 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 (as of October 10, 2008) and Percentage of Shareholding Stake

477,312 0.22%

Family Relationship Among Executives

None

Work Experiences (Past 5 years)

2004 - Present Managing Director (Head of Equity & Derivatives Markets Group),
Phatra Securities Company Limited / Phatra Securities Public Company Limited

MR. NORACHET SANGRUJI⁽¹⁾	Position
Age 46	Director

Educational 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 (as of October 10, 2008) and Percentage of Shareholding Stake

1,712,172

0.80%

Family Relationship Among Executives

None

Work Experiences (Past 5 years)

2007 - Present Executive Director, Phatra Securities Public Company Limited

2004 - 2008 Director, Freewill Solutions Company Limited

2004 - 2007 Managing Director (Head of Investment Banking Department),
Phatra Securities Company Limited / Phatra Securities Public Company Limited

DR. ANUMONGKOL SIRIVEDHIN	Position
Age 64	Director

Educational 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 (as of October 10, 2008) and Percentage of Shareholding Stake

20,000 0.01%

Family Relationship Among Executives

None

Work Experiences (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 of the Board of Directors, Systems Little House Company Limited
2003 - Present Member of Public State Enterprises Evaluation Committee, Ministry of Finance
1999 - Present University Council Member, National Institute of Development Administration
2002 - 2007 Chairman of the Board of Directors / Chairman of the Executive Board,
Krunghthai 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)

ASSOC. PROF. DR. VARAKORN SAMAKOSES⁽²⁾	Position
Age 61	Director

Educational Qualifications

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

Number of Shares held (as of October 10, 2008) and Percentage of Shareholding Stake

31,000 0.01%

Family Relationship Among Executives

None

Work Experiences (Past 5 years)

Apr. 2008 - Present	Independent Director and Audit Committee, Phatra Securities Public Company Limited
Present	Chairman, The Christian Children's Fund (Thailand)
Present	Advisor to the Office of Chief Executive Officer, CP All Public Company Limited
Present	Council Member, Prince of Songkla University
Present	Advisor, King Prajadhipok's Institute
Present	External Evaluator, The Office for National Education Standards and Quality Assessment (Public Organization)
Oct. 2008 – Nov. 2008	Honorable Advisor to the Bangkok Governor
Feb. 2007 – Feb. 2008	Deputy Minister of Education
2005 - Feb. 2007	Independent Director and Audit Committee, Phatra Securities Company Limited / Phatra Securities Public Company Limited
2001 - 2007	President, Dhurakij Pundit University

PROF. DR. UTHAI TANLAMAI

Position

Age 57

Director

Educational Qualifications

PhD in MIS / University of Illinois at Urbana-Champaign, U.S.A.

MSBA in MIS / University of Illinois at Urbana-Champaign, U.S.A.

B.Accy / 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 (as of October 10, 2008) and Percentage of Shareholding Stake

40,000

0.02%

Family Relationship Among Executives

None

Work Experiences (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

Position

Age 54

Director

Educational 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 (as of October 10, 2008) and Percentage of Shareholding Stake

280,009

0.13%

Family Relationship Among Executives

None

Work Experiences (Past 5 years)

2007 - Present Audit Committee, Phatra Securities Public Company Limited

Present Director, Phatra Leasing 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

PROF. DR. ANYA KHANTHAVIT⁽³⁾

Position

Age 46

Director

Educational Qualifications

PhD in International Finance / New York University, U.S.A.

M. Phil. in International Finance / New York University, U.S.A.

MS in Transportation Management / State University of New York Maritime College, U.S.A.

BBA in Accounting / Thammasat University

Director Certification Program (DCP), 2008 / Thai Institute of Directors Association (IOD)

Number of Shares held (as of October 10, 2008) and Percentage of Shareholding Stake

None

Family Relationship Among Executives

None

Work Experiences (Past 5 years)

Apr. 2008 – Present Director, Phatra Securities Public Company Limited
Mar. 2008 – Present Advisor, Phatra Securities Public Company Limited
Present Appeals Committee, The Stock Exchange of Thailand
Present Risk Management Committee, The Stock Exchange of Thailand
2007 – Present Advisor, Small Business Credit Guarantee Corporation
2004 – Present Advisor (Risk Management), Government Pension Fund
2003 – Present Corporate Advisor, MFC Asset Management Public Company Limited
2003 – Present Sub-Committee Member for Performance Evaluation of State Enterprises
(Risk Management Group), Ministry of Finance
2002 – Present Committee Member for Performance Evaluation of State Enterprises,
Ministry of Finance
2001 – Present Advisor and Arbitrator, Thai Bond Market Association
1985 – Present Distinguished Professor, Faculty of Commerce and Accountancy, Thammasat University
2007 - 2008 Director, Thailand Post Company Limited
2004 – 2008 Director, Thailand Futures Exchange Public Company Limited
1993 - 2008 Corporate Advisor (Financial Engineering Division),
KGI Securities (Thailand) Public Company Limited
2004 – 2007 Advisor, Department of Insurance, Ministry of Commerce
2003 – 2007 Vice Chairman of Clearing House Committee, Agricultural Futures Exchange of Thailand
2002 - 2007 Academic Advisor, Thailand Securities Institute, The Stock Exchange of Thailand
1994 – 2007 Advisor, The Stock Exchange of Thailand
2004 – 2006 Advisor, Financial Institutions Policy Group, Bank of Thailand
2003 – 2006 Advisor, Senate Sub-committee on Finance, Banking and Financial Institutions
2003 - 2006 Member (Finance Expert Status), Supervision Sub-committee for Corporate Acquisition
Activities, Securities and Exchange Commission, Thailand
2003 – 2005 Advisor, Agricultural Futures Exchange of Thailand
1998 - 2005 Advisor, Thailand Securities Depository Company Limited

MR. APHINANT KLEWPATINOND	Position
Age 39	Managing Director (Head of Investment Banking Department)

Educational 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 (as of October 10, 2008) and Percentage of Shareholding Stake

700,000 0.33%

Family Relationship Among Executives

None

Work Experiences (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 SUPORNPAIBUL	Position
Age 41	Managing Director (Head of Private Wealth Management Department)

Educational Qualifications

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

Number of Shares held (as of October 10, 2008) and Percentage of Shareholding Stake

8,508 0.00%

Family Relationship Among Executives

None

Work Experiences (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
2005	Director, Hunters Asset Management Company Limited
2003 - 2005	Director, Investment Banking Department, Phatra Securities Company Limited / Phatra Securities Public Company Limited

MRS. PATRAPORN MILINDASUTA

Age 45

Position

Managing Director and Chief Administrative Officer

Educational Qualifications

LL.M. / Chulalongkorn University

Barrister-at-Law (Thai Bar)

LL.B. / Thammasat University

Company Secretary Program (CSP), 2005 / Thai Institute of Directors Association (IOD)

Number of Shares held (as of October 10, 2008) and Percentage of Shareholding Stake

250,181

0.12%

Family Relationship Among Executives

None

Work Experiences (Past 5 years)

2008 - Present	Company Secretary, Phatra Securities Public Company Limited
2007 - Present	Managing Director and Chief Administrative Officer, Phatra Securities Public Company Limited
2006 - Present	Sub-committee on Consideration of Draft Notifications Concerning Equity Instruments, Securities and Exchange Commission, Thailand
2005 - Present	Sub-committee on Consideration of Notifications Concerning Business Takeovers, Securities and Exchange Commission, Thailand
2007	Founding Committee and Director, Thai Company Secretary Club
2005 - 2007	Director, Compliance Club, Association of Securities Companies
2004 - 2007	Executive Vice President, Office of General Counsel & Internal Audit, Phatra Securities Company Limited / Phatra Securities Public Company Limited

2005 Director, Hunters Asset Management Company Limited
2004 Partner, White & Case (Thailand) Limited

MR. TANAVATT BHANIJKASEM

Age 43

Position

Executive Vice President
(Head of Equity & Derivatives Trading Department)

Educational Qualifications

MBA in Finance / Thammasat University
BE in Computer / Chulalongkorn University

Number of Shares held (as of October 10, 2008) and Percentage of Shareholding Stake

None

Family Relationship Among Executives

None

Work Experiences (Past 5 years)

2007 - Present Executive Vice President (Head of Equity & Derivatives Trading Department),
Phatra Securities Public Company Limited
2005 - 2007 Executive Vice President (Futures Department),
KGI Securities (Thailand) Public Company Limited
2001 - 2004 Senior Vice President (Equity Trading and Derivatives Department),
KGI Securities (Thailand) Public Company Limited

MR. KRITTIYA VEERABURUS⁽⁴⁾

Age 39

Position

Executive Vice President
(Head of Direct Investment Department)

Educational Qualifications

MBA / Golden Gate University, U.S.A.
BBA in Management / Chulalongkorn University

Number of Shares held (as of October 10, 2008) and Percentage of Shareholding Stake

None

Family Relationship Among Executives

None

Work Experiences (Past 5 years)

Aug. 2008 – Present	Executive Vice President (Head of Direct Investment Department), Phatra Securities Public Company Limited
Mar. 2008 - Present	Director, CS LoxInfo Public Company Limited
2006 - Aug. 2008	Executive Vice President, Direct Investment Department, Phatra Securities Public Company Limited
2002 - 2005	Director, Investment Banking Department, Phatra Securities Company Limited / Phatra Securities Public Company Limited

MRS. PANIDA PRAPUNWATTANA

Age 43

Position

Director (Finance Department and Treasury Department)

Educational Qualifications

MBA / National Institute of Development Administration

BS in Economics and Business Administration / Kasetsart University

Number of Shares held (as of October 10, 2008) and Percentage of Shareholding Stake

445,090

0.21%

Family Relationship Among Executives

None

Work Experiences (Past 5 years)

Oct. 2008 - Present	Director, Finance Department and Treasury Department, Phatra Securities Public Company Limited
2004 – Sep. 2008	Director, Finance Department, Treasury Department and Corporate Credit & Risk Management Department, Phatra Securities Company Limited / Phatra Securities Public 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 an independent director and Audit Committee effective April 25, 2008
- (3) Appointed as a director effective April 25, 2008
- (4) Appointed as Head of Direct Investment Department in replacing of Mr.Supakrit Mekpanuwat effective August 18, 2008

REMUNERATION OF THE MANAGEMENT

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MONETARY REMUNERATION

(1) Remuneration of the Company's directors

For the year ended December 31, 2008, the Company paid remuneration to five directors who were not members to the Executive Committee, namely Dr.Anumongkol Sirivedhin, Prof.Dr.Uthai Tanlamai and Mr.Pongtep Polanun in the amount of Baht 360,000.00 per director and Assoc.Prof.Dr.Varakorn Samakoses and Prof.Dr.Anya Khanthavit, who became the Company's directors effective April 25, 2008, in the amount of Baht 246,000.00 per director, totaling Baht 1,572,000.00 in the form of monthly remuneration equal to Baht 30,000.00 per month per director according to the resolution of the 2008 Annual General Meeting of Shareholders dated on April 23, 2008. Such remuneration excludes year-end bonuses, which require approval from the 2009 Annual General Meeting of Shareholders which will be held on April 23, 2009.

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

For the year ended December 31, 2008, the total remuneration of fourteen executive directors and management - six executive directors and eight management - was Baht 91,080,283.28. This amount comprised Baht 59,788,275.86 for salary, Baht 25,500,000.00 for bonus, Baht 5,318,450.72 for provident fund and Baht 473,556.70 for life insurance premium.

Remarks

1. Management means 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.Craig Thompson, Executive Vice President (Head of Financial Product Development Group), who was the Company's management according to the above definition until February 25, 2008 on which the Company's organization structure has been changed;
 - 2.2 Mr.Supakrit Mekpanuwat, Executive Vice President (Head of Direct Investment Department), who resigned from the Company effective June 1, 2008;
 - 2.3 Mr.Manpong Senanarong, Executive Vice President (Head of Equity Capital Markets Department), who resigned from the Company effective July 1, 2008; and
 - 2.4 Mr.Krittiya Veeraburus, Executive Vice President in Direct Investment Department, who was appointed as Head of Direct Investment Department effective August 18, 2008.



HUMAN RESOURCES DEVELOPMENT

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The Company has a policy to continuously develop employees' and management's knowledge and skills by providing training and development activities. The programs are aligned with the Company's strategy to develop its securities business and products, and also meet the changing needs of clients.

In 2008, the Company's in-house training focused on a variety of soft-skill enhancement programs such as professional, management and communication skills, and technical knowledge training that related directly to management and employee's job responsibilities. In addition, the Company emphasized advanced managerial effectiveness skills training, advanced business communication skills training, training for improvement of working processes and services, developing long-term client relationship training, and understanding of financial products offered to clients as well as new financial products and services launched in 2008.

For external training, the Company supported employees to attend both local and international training programs beneficial to each business and support function. These were related to professional skills enhancement in specific areas, and enabled management and employees to better apply their knowledge with broadened experience to improve working efficiency in all aspects of current and future business situations.

The Company encourages employee self-development through learning. In total, approximately 91% of employees and management attended internal and external trainings in 2008.

In addition, the Individual Development Plan (IDP), which is a part of succession planning, was retained and combined with training programs in 2008. This will be used as a guideline for developing human resources in the future.

RELATED PARTY TRANSACTIONS

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During the years, the Company had significant business transactions with related parties. Such transactions, which are summarised below, arose in the ordinary course of businesses and were concluded on commercial terms and bases agreed upon between the Company and those related parties.

	(Unit : Baht)		
	2008	2007	Transfer pricing policy
Transactions with the Company's directors			
Brokerage fees from securities business	849,611.78	3,167,174.14	0.10% of trading value in unit trust and 0.25% of trading value in securities
Brokerage fees from derivatives business	165,700.00	127,250.00	Normal rate charged to ordinary customers
Transactions with related parties			
Brokerage fees from securities business	110,086.01	469,433.93	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 2008 and 2007 between the Company and those related companies are as follows:

	(Unit : Baht)	
	2008	2007
The Company's directors		
Derivatives business receivables	6,000.00	-
Deposits for customers' accounts	2,630,287.87	4,263,463.98
Securities business payable	190,489.07	-

In addition to the above transactions on securities and derivatives trading brokerage business, in 2008 the Company paid consultant fee in the form of monthly salary of Baht 150,000.00 totaling Baht 1,350,000.00 and year-end bonus amounting Baht 300,000.00, altogether Baht 1,650,000.00 to Prof.Dr.Anya Khanthavit, director. Also, the Company paid Baht 240,000.00 (excluding VAT) to the company which related to the Company's management for the Company's office renovation. These two transactions had been reviewed according to the rules of connected transactions.



CORPORATE GOVERNANCE REPORT

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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.

The Board of Directors in the Board of Directors' Meeting no. 7/2551 on November 7, 2008 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 SET's Principles of Good Corporate Governance for Listed Companies 2006. However, there are still some matters regarding the responsibilities of the Board of Directors that do not fit the Company, and the Company has not yet fully complied with the following principles: (1) that the chairman of the Board of Directors should be an independent director; (2) that the chairman of the Board of Directors should not be either a chairman or a member of any committee; (3) that the majority of the remuneration committee, nomination committee and other sub-committees should be independent directors; and (4) that the chairman of each committee should be an independent director.

The Company's implementations in 2008 according to the SET's Principles of Good Corporate Governance for Listed Companies 2006 and its adaptations which have been made are as follows:

1. RIGHTS OF SHAREHOLDERS

Recognizing the rights of all shareholders, the Company has taken actions 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, or purchasing and selling 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 nominate directors, 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 in 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, 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, 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, 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 ("the Meeting") was held on Wednesday, April 23, 2008 at 10.30 hrs., within four months of the end of the fiscal year and not on a commercial bank holiday. For shareholders' convenience to attend the Meeting, the Company selected the Conrad Bangkok 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 Meeting, 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, Investor Relations/ Shareholders' Meeting section) not less than 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 the 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 proxy forms, 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) Before the Meeting started, the Company informed all shareholders of the voting and vote-counting procedures. 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 or her vote on ballots. In addition, the Company invited the Company's auditor to witness the vote-counting procedure.

4) Six out of nine directors attending the Meeting. Mr. Veravat Chutichetpong, member of the Board of Directors, Executive Director and the Company's shareholder, was nominated to act as the chairman of the Meeting. The Meeting was also attended by 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 the Meeting displayed on the Company's website (www.phatrasecurities.com, Investor Relations / Shareholders' Meeting section)].

5) Shareholders were able to submit their questions to the Company prior to the Meeting date. The Company disclosed details for sending questions in advance on the Company's website (www.phatrasecurities.com, Investor Relations / Shareholders' Meeting / Questions for the Annual General Meeting of Shareholders section). However, there was no question submitted.

6) The Company set up channels for shareholders to contact the Company Secretary or Investor Relations directly for information regarding the Company on the Company's website (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 October 1, 2007 (via the SET's news portal) the Company invited all shareholders to propose the shareholders' meeting agenda for the Board of Directors' consideration until January 15, 2008. Criteria for proposing agenda items and screening processes were disclosed on the Company's website (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 2008 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 until January 15, 2008. Criteria for nominating directors, screening processes and the Company's directorship qualifications were disclosed on the Company's website (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 2008.
- 3) The Company allows shareholders who cannot attend the shareholders' meetings to appoint proxies and vote on their behalf. The Company 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, 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 2008 Annual General Meeting of Shareholders, Dr.Anumongkol Sirivedhin, the Company's independent director and chairman of the Audit Committee, was the person the Company proposed to shareholders for granting proxies. Twenty-two shareholders, representing 23,012,367 shares, appointed Dr.Anumongkol Sirivedhin as their proxies.
- 5) In the shareholders' meeting, the chairman did not add any agenda item which was not notified to shareholders in advance.
- 6) The Company assigned Thailand Securities Depository Company Limited to proceed with registration and vote-counting in all agenda items for the 2008 Annual General Meeting of Shareholders on behalf of the Company. The ballots for shareholders to vote in the shareholders' meetings were prepared. The voting-counting procedures were conducted in a transparent manner 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 2008 Annual General Meeting of Shareholders via the SET's news portal and on the Company's website (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 OGC the interests of their own and their related persons, e.g. spouse and minor children. The Company 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 trading session after the financial statements are disclosed. So far, directors and management of the Company have strictly complied with this policy.

9) The Company's 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, 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 in order to create wealth, financial stability and sustainability of the Company.

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, 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, welfare committee, 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 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.

The Corporate Social Responsibility Committee has been appointed by the Board of Directors to review and oversee the Company's corporate social responsibility policies, practices and strategies and to oversee and make recommendations to the Charity Committee in relation to initiating 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 2008 are shown in the annual report on page 35 and page 84 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, 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 76 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, report of the Risk Management Committee and report of the Corporate Social Responsibility Committee.
- 4) The Company disclosed the directors' and executives' remuneration policies of the Management Development and Compensation Committee on page 83 of the Company's annual report.
- 5) The Corporate Social Responsibility Committee has approved concrete policies on corporate social responsibility. These were disclosed together with the Company's activities for society and environment carried out in 2008 in the report of the committee in the Company's annual report on page 84.
- 6) The Company disclosed related party transactions on page 51 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 appointed an auditor who was 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 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 2008, the Company's information was disseminated via various channels, i.e. the SET, the SEC, newspapers, the Company's website (www.phatrasecurities.com), Company visits/one-on-one meetings, analyst briefings, etc.

9) In an effort to make financial information more rapidly available, the Company disclosed unaudited financial statements for 2007 in early 2008 and also disclosed unreviewed quarterly financial statements in 2008 besides the reviewed versions. Also, the Company disclosed management discussion and analysis along with the performance update presentations on a quarterly basis on its website (www.phatrasecurities.com, Investor Relations/ Financial Statements/ Management Discussion and Analysis and Performance Update sections).

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' meetings. 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 24 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 37 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, 2008, the Board of Directors comprised of eleven members, including six executive directors (including chairman of the Board of Directors) and five non-executive directors. Four of them were independent directors which were equivalent to 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 28 of the annual report, the Company's website (www.phatrasecurities.com, Investor Relations / Shareholders' Meeting / Agenda Proposal for Shareholders' Meeting section) and the notice of the shareholders' meetings.

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. All authorized directors must report their outside business activities to OGC to consider conflicts of interest which may occur. Serving as a director, officer or employee of any other corporation or business must be pre-authorized in writing by OGC. All new directors are required to disclose their outside business activities and interests once they join the Company. Prior written approval from 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 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 37 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 (Mrs.Patraporn Milindasuta, Managing Director and Chief Administrative Officer) 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. Nevertheless, the Company requires executive directors to obtain written approval from 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, which is in line with the Principles of Good Corporate Governance. 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. Information on outside positions of each director is shown on page 37 of the Company's annual report.

Reference is made to the Principles of Good Corporate Governance for Listed Companies 2006 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, Risk Management 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 24 and 29 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, the Risk Management 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, have knowledge and experience in the securities business and have been working for the Company for a long time. 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. However, numbers of independent directors of the Company have been continuously increased which are in line with the Company's policy on increasing the proportion of independent 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 OGC.

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

The Company's policy forbids bribes, payoffs or payments of any kind by the Company or employee to any person, government official or entity for the purpose of improperly obtaining or retaining business or influencing consideration of any business activity. Special rules may apply to payments or gifts including entertainment to officers, directors, employees or other affiliates of government-owned or controlled entities. Employees are required to consult OGC 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, 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' securities trading accounts and outside interests, employees and their immediate families must maintain their securities trading accounts at the Company in accordance with the Company's regulations. Certain employees (including investment bankers, research analysts and staff of Direct Investment Department) must pre-clear transactions with their department head and OGC. The Company's policy is intended to prevent employees from engaging in any outside business or other activity that might create a conflict of interest or jeopardize the Company's integrity or reputation. In addition, employees, 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 an employee, officer or director of any other corporation or business must be pre-authorized in writing by OGC.

The Company requires that employees, management and directors report all outside business activities, including ownership of privately held stocks and limited partnership interests, to 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 Risk Management 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.

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, 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 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 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 31 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 2008 are shown on the Audit Committee's Report in the annual report on page 77.

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

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. Legal and Compliance reports regularly to the Audit Committee.

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 Phatra 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 & 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. On September 13, 2008, the Company rehearsed its business continuity plan.

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 77.

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 2008 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)	Risk Management Committee (times)	Corporate Social Responsibility Committee (times)
Mr.Banyong Pongpanich	6/7	16/16		5/5	1/1		1/1
Mr.Suvit Mapaisansin	6/7	14/16		5/5	1/1	1/1	0/1
Mr.Veravat Chutichetpong	7/7	14/16		5/5		1/1	
Dr.Supavud Saicheua	6/7	16/16					1/1
Mrs.Patchanee Limapichat	7/7	14/16					1/1
Mr.Norachet Sangruji	7/7	13/16				1/1	
Dr.Anumongkol Sirivedhin ⁽¹⁾	7/7		9/9		1/1		1/1
Assoc.Prof.Dr.Varakorn Samakoses ⁽¹⁾⁽²⁾	5/5		5/6				
Prof.Dr.Uthai Tanlamai ⁽¹⁾	6/7		9/9				
Mr.Pongtep Polanun ⁽¹⁾	5/7		7/9	5/5		1/1	
Prof.Dr.Anya Khanthavit ⁽³⁾	5/5					1/1	

REMARK :

(1) Independent director

(2) Became the Company's director and Audit Committee member effective April 25, 2008

(3) Became the Company's director effective April 25, 2008

2) In 2008, the Board of Directors met seven times. A typical Board of Directors' meeting takes three and a half hours, with the Company Secretary in attendance to take the minutes including the management's clarification and directors' comments.

Although the Board of Directors did not meet every month, the Company prepared the performance report on a monthly basis and non-executive directors were able to request such report from the Company's management or Company Secretary so that they could monitor management performance continuously and promptly.

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 Company Secretary or executives designated as contact persons.

7) The Board of Directors realizes the importance of non-executive directors meeting as necessary among themselves without the management team in order to debate their concerns. The meeting outcome is notified to the CEO.

5.5 The Board Self Assessment

The Director Nominating Committee used the same self-evaluation form as the previous year 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 conflicts of interest, follow up 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 CEO's performance with rating scores from 1 to 5, which are 1 = Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree and 5 = Strongly Agree and N/A. The result shows a satisfactory level with an average score of 4.52 out of 5 which is comparable with the score of 4.51 of the previous year.

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 49 of the annual report.

5.7 Board and Management Training

The Company has a policy of supporting directors and executives in attending seminars and training courses of the IOD, when it is indicated to be useful to their functions, as well as training at the SET, Thai Listed Companies Association and other independent institutions. The aim is to continuously improve their performance, which will further benefit the Company's business operations.

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.



SUPERVISION OF USAGE OF INTERNAL INFORMATION

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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.



DIVIDEND PAYMENT POLICY AND DIVIDEND PAYMENT

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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 2008, the Company made two dividend payments to shareholders, as detailed below:

1. Dividend payment for year 2007 on May 7, 2008 according to the resolution of the 2008 Annual General Meeting of Shareholders dated on April 23, 2008 at the rate of Baht 1.25 per share, totaling Baht 266,875,000.00, for shareholders whose names appeared in the share register book as of April 3, 2008; and
2. Interim dividend payment for the Company's performance in the first six-month period of 2008 on September 16, 2008 according to the resolution of the Board of Directors' meeting no.6/2551 dated on August 18, 2008 at the rate of Baht 1.00 per share, totaling Baht 213,500,000.00, for shareholders whose names appeared in the share register book as of September 4, 2008.



AUDITOR'S REMUNERATION

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For the accounting period ended December 31, 2008, the auditor's remuneration paid to Ernst & Young Office Limited for the audit fee was Baht 1,200,000.00. This amount comprised of Baht 420,000.00 for auditing the annual financial statement ended December 31, Baht 395,000.00 for auditing the half year financial statement ended June 30, and Baht 385,000.00 for reviewing the financial statements of 1st and 3rd quarters.



INVESTMENT IN SUBSIDIARY

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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

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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 four 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, 2008.



(Mr. Banyong Pongpanich)
Chairman



(Mr. Suvit Mapaisansin)
Chief Executive Officer

AUDIT COMMITTEE'S REPORT

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Phatra Securities Public Company Limited

For the period ended December 31, 2008

The Audit Committee ("the Committee") consists of four independent directors. In 2008 the Committee met nine times to perform its responsibilities within the scope of duties assigned by the Board of Directors. Names of members and their attendance records are as follows:

Name	Position	Meetings Attended
1. Dr.Anumongkol Sirivedhin	Chairman of the Audit Committee	9/9
2. Assoc.Prof.Dr.Varakorn Samakoses	Member of the Audit Committee	5/6
3. Prof.Dr.Uthai Tanlamai	Member of the Audit Committee	9/9
4. Mr.Pongtep Polanun	Member of the Audit Committee	7/9

Note: Assoc.Prof.Dr.Varakorn Samakoses became a committee member effective April 25, 2008.

The Committee strives to assist the Company to operate with efficiency, transparency and in line with the principles of good corporate governance in order to create credibility and certainty to shareholders, investors, stakeholders and all other relevant parties. The Committee also focuses its effort on the development of logical management and auditing system which help to reduce the chance of error from operations, as well as fostering a mutual understanding among staff.

The Committee's works during 2008 are summarized as follows:

JANUARY 2008

1. Acknowledged the compliance report for the period November – December 2007 performed by OGC;
2. Acknowledged the 2007 annual compliance report and made suggestions on workshop training on control self assessment (CSA) and cross-functional training for staff in related departments, in order for them to acknowledge and understand relevant policies, rules and regulations; and
3. Prepared the 2007 Audit Committee's Report to present in the Company's annual report.

FEBRUARY 2008

1. Considered and approved the Company's financial report and statement for the period ended December 31, 2007 which had been audited by the auditor; and
2. Considered selecting the external auditor and fixing their remuneration, and proposed this to the Board of Directors' and shareholders' meetings.

MARCH 2008

1. Considered entering into a consultancy service agreement with a connected person before proposing to the Board of Directors' meeting for approval, and approved the information memorandum on connected transactions which had to be disclosed to shareholders via the SET.

MAY 2008

1. Acknowledged the internal audit result of the Investment Banking Department, Equity Capital Markets Department and Private Wealth Management Department. The Committee also made suggestions on data and computer filing management, serious education and improved communication with employees regarding policies, rules and regulations. This particularly applies to outside interest, outside securities trading account and information disclosure;
2. Acknowledged the compliance report for the period January – April 2008 performed by OGC and made suggestions on setting up scenario cases on compliance and non-compliance matters and golden rules on "do's and don'ts" for financial consultants, circulating such scenario cases and golden rules to financial consultants as reminders to reduce the chance of misconduct and disciplinary actions; and
3. Considered and approved the Company's financial report and statement for the three-month period ended March 31, 2008 which had been reviewed by the auditor.

JUNE 2008

1. Acknowledged the internal audit result of the Research Group and the employee payroll of the Human Resources Department. The Committee made suggestions on technology system development to prevent human errors in inputting data and reviewing all technology systems the Company uses including systems which were temporarily used;
2. Acknowledged the result of financial consultants' remuneration review; and
3. Acknowledged the compliance report for May 2008 performed by OGC.

AUGUST 2008

1. Considered and approved the Company's financial report and statement for the six-month period ended June 30, 2008 which had been audited by the auditor; and
2. Reviewed the Committee's works to report to the Board of Directors in the Board of Directors' meeting no.6/2551 and made suggestions on information system improvement, employees' compliance with policies, rules and regulations and works of internal audit.

SEPTEMBER 2008

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. Acknowledged the internal audit result of the Equity & Derivatives Trading Department and Equity & Derivatives Markets Group (except Securities Borrowing & Lending Department). The Committee made suggestions regarding the

checklist on different levels of risk for avoiding risk limit violations in doing investment business and the meetings among Investment Committee, Corporate Credit & Risk Management Department and Equity & Derivatives Trading Department in order to acknowledge any problem occurring from operations; and

3. Acknowledged the compliance report for the period June – August 2008 performed by OGC and made suggestions on cultivating employees' ethics and strengthening good governance, besides setting up of a technology system to protect misconduct by inputting all conditions according to rules, regulations and the Company's policies into such system.

NOVEMBER 2008

1. Considered and approved the Company's financial report and statement for the nine-month period ended September 30, 2008 which had been reviewed by the auditor.

DECEMBER 2008

1. Acknowledged the result of an IT general control review and made suggestions on internal control procedures for changing rights to access computer data;
2. Considered and approved the annual internal audit plan for 2009 and made suggestions on hiring an external auditor to audit departments which operate new businesses, including Technology Department which has rapidly changed and developed in order for the Company's internal auditor to see different views from experienced personnel and be able to evaluate his/ her works; and
3. Acknowledged the solutions of problems occurred during the Company's business continuity plan test.

For the year 2009 the Committee selected the Company's auditor by considering on several factors in terms of their work quality, expense and independence and resolved to nominate 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 propose 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 true statement and adequate disclosure of material information in accordance with generally accepted accounting principles.



[Dr.Anumongkol Sirivedhin]
Chairman of the Audit Committee

DIRECTOR NOMINATING COMMITTEE'S REPORT

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For the period ended December 31, 2008

The Director Nominating Committee ("The Committee"), which consists of three directors, namely Mr. Banyong Pongpanich as Chairman, Dr. Anumongkol Sirivedhin and Mr. Suvit Mapaisansin, 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 using the same self-evaluation form as the previous year 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 Director's 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 for this year shows a satisfactory level with an average score of 4.52 out of 5.0 which is comparable with an average score of 4.51 out of 5.0 of last year.

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. At that time, the Company had nine board members so it had to be three directors retired by rotation. The two directors in office for the longest period were Mr. Banyong Pongpanich and Dr. Supavud Saicheua, 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 Mr. Pongtep Polanun selected as another director to be retired by rotation.

In addition, 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.

Hence, the Committee considered and agreed to propose to the Board of Directors' meeting and shareholders' meeting that Mr.Banyong Pongpanich, Dr.Supavud Saicheua and Mr.Pongtep Polanun, directors retired by rotation, be re-elected as the Company's directors for another term as these directors are knowledgeable, capable and experienced and performed well throughout their terms in office.

3. The Committee proposed the appointment of two additional directors which were 1) Assoc.Prof.Dr.Varakorn Samakoses, former independent director and Audit Committee member of the Company, who was appointed by H.M. the King as Deputy Minister of Education effective February 2007 to February 2008 and 2) Prof.Dr.Anya Khanthavit, distinguished professor, level 11, of the Faculty of Commerce and Accountancy, Thammasat University.

The Committee had considered and agreed that as both persons are knowledgeable, capable and have experience beneficial to the Company's operation, the Committee therefore proposed the appointment of Assoc.Prof.Dr.Varakorn Samakoses as the Company's independent director and Audit Committee member and Prof.Dr.Anya Khanthavit as the Company's director to the Board of Directors' meeting and 2008 Annual General Meeting of Shareholders for consideration.

The appointment of these two directors resulted in an increase in the number of Board of Directors' members from nine to eleven, and a more appropriate proportion of executive and non-executive members on the Board of Directors.



(Mr. Banyong Pongpanich)
Chairman of the Director Nominating Committee

RISK MANAGEMENT COMMITTEE'S REPORT

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For the period ended December 31, 2008

The Risk Management Committee ("the Committee") has been appointed by the resolution of the Company's Board of Director's meeting no. 6/2551 dated August 18, 2008. The Committee consists of five members, namely Mr.Pongtep Polanun as Chairman, Mr.Suwit Mapaisansin, Mr.Veravat Chutichetpong, Mr.Norachet Sangruji and Prof.Dr.Anya Khanthavit. Dr.Popanit Poommarapan is secretary of the Committee.

The Committee performed its best duties to assist the Board of Directors in relation to the Company's risk management. The Committee's works since inception in August 2008 can be summarized as follows:

1. Improve risk management guidelines and limits for securities borrowing and lending (SBL) transactions to cover non-institutional investors;
2. Approve the risk management project to survey the current risk governance and framework of the Company in order to further improve the Company's risk management up to international standard practices;
3. Establish additional risk control policy for investment business so as to reasonably assure achievement of the investment objectives; and
4. Approve the hedging strategy using stock and equity index futures to minimize risk from decreased value of investment during the market downturn.



(Mr. Pongtep Polanun)
Chairman of the Risk Management Committee

MANAGEMENT DEVELOPMENT AND COMPENSATION COMMITTEE'S REPORT

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For the period ended December 31, 2008

The Management Development and Compensation Committee, which has been appointed by the resolution of the Company's Board of Director's 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 2008, the Management Development and Compensation Committee met five times 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. Fixing additional remuneration for junior employees in the form of monthly salary to offset the increased cost of living due to the economic crisis and higher oil prices during the mid-year;
4. Reviewing the promotion of employees and management twice;
5. 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
6. 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

CORPORATE SOCIAL RESPONSIBILITY COMMITTEE'S REPORT AND SOCIAL ACTIVITIES

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The Corporate Social Responsibility Committee (CSR Committee), which consists of executive and independent directors, has set guidelines and policies on the Company's operations showing its responsibility for society 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.

In 2008, the Company allocated Baht 6.34 million to support social projects and activities as follows:

EDUCATION

The Company realizes the importance of education and aims to establish good reading and self-researching habits among Thai youth and public. Towards this end, the Company has supported the following educational projects.

- Library project called Live Library Development, initiated in 2006, in which the Company donated money to eleven public libraries. This project's success was contributed by the Company's management and employees together with other business and independent organizations. This project led to a jail library development project, which is a project under the royal patronage of H.R.H. Princess Mahachakri Sirindhorn.
- The Company's scholarship program for university students, which began in 2001, has seen the Company grant a total of 34 scholarships to date. In addition the Company's management and employees jointly granted 260 scholarships for students at the primary, secondary, vocational and university levels via the Ruamchit Normkiao Foundation under H.R.H. Princess Mahachakri Sirindhorn's royal patronage.

- Audio book project for the blind in which the Company's employees recorded 44 books on CD and delivered these to the National Library for the Blind.
- Children's Wish project in which the Company and its management and employees provided gifts, mainly student uniforms and stationery, as requested for 202 students in rural schools, namely Ban Hinkongsamakki School and Ban Nongsang School in Amnatcharoen province and Ban Yuerang School and Ban Tanamtawantok School in Pattani province.

ART & CULTURE

The Company organized the fourth Thai cultural trip to various important places, i.e. the Grand Palace, the Wimamek 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.

HEALTHCARE AND SOCIAL SERVICES

To be part of the community and improve the living and health of Thai people, the Company supported the procurement of mobility aids such as wheelchairs, canes and crutches for disabled persons in Prachuapkhirikhan province.

ENVIRONMENT & ANIMAL CONSERVATION

Even though the Company's business operation has no direct impact on the environment and nature, the Company realizes the importance of both in helping the community. Therefore, the Company has supported the following environmental and animal conservation projects.

- Forest project at Khao Sam Roi Yot National Park in Prachuapkhirikhan province in which the Company's employees coordinated with the Mangrove Forest Development Station in Prachuapkhirikhan province. The main purpose for this project was to cultivate social responsibility and increase participation in solving global warming.
- Animal shelter project in which the Company and its employees donated money to support more than 500 vagrant dogs and cats via the Thai Society for the Prevention of Cruelty to Animals.

SOCIETY

The Company has participated in social activities since 2004, details of which are as follows:

- The Company supported help for Tsunami victims. In 2004, the Company provided assistance to the Save Andaman Network/ SAN in budgeting, management and advisory until SAN could expand its aid to more than 100 communities.

Today the Company still provides support for SAN by acting as a consultant in its project management and providing meeting facilities in order for SAN to continue its work and create sustainable development.

- The establishment of the Buddhadasa Indapanno Archives Foundation and Dhammadana Foundation in 2007, in which the Company provided advice on management, initial funding and temporary offices.

At present, the Company still supports the operation of foundations which are currently having several projects such as Dhamma4U, Dhamma radio program with the Royal Thai Police, and Dhamma in the Garden with the Bangkok Metropolitan Administration. Moreover, the Company supports other religious activities, i.e. the establishment of the Vimuttayalaya Foundation of Phra Maha Wudhijaya Vajiramedhi (W. Vajiramedhi) of Wat Benchabophit Dusitwanaram Ratchaworawiharn.

- The archeology studies of Sutee Ratana Foundation which explores and gathers information about beads and ornaments in the southern part of Thailand for conservation purposes.

Presently, the foundation funds archeology projects including Beads & Beyond at Museum Siam and a book entitled Beyond Beads published by Matichon Publishing House.



(Mr. Banyong Pongpanich)

Chairman of the Corporate Social Responsibility Committee

MANAGEMENT DISCUSSION AND ANALYSIS

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FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

REVENUES

The Company's total revenues in 2008 of Baht 1,401.14 million decreased by Baht 168.20 million or 10.72% from Baht 1,569.34 million in 2007. Details are as follows:

	2008		2007	
	Bt mn	%	Bt mn	%
REVENUES				
Brokerage fees				
Brokerage fees from securities business	864.74	61.72	1,077.23	68.64
Brokerage fees from derivatives business	28.17	2.01	23.99	1.53
Fees and services income	270.39	19.30	220.32	14.04
Gain on trading in securities	37.56	2.68	81.21	5.18
Gain on derivatives trading	18.75	1.34	8.87	0.57
Interest and dividend	169.62	12.11	147.17	9.38
Other incomes	11.90	0.85	10.53	0.67
Total revenues	1,401.14	100.00	1,569.34	100.00

BROKERAGE FEES FROM SECURITIES BUSINESS

Brokerage fees from securities business was Baht 864.74 million (accounting for 61.72% of total revenues in 2008), down 19.73% from Baht 1,077.23 million in 2007. This was due to the following factors:

1. In 2008, average daily value on the SET and MAI was Baht 16,118 million, down 7.56% from Baht 17,436 million in 2007, and the Company's average daily trading value of Baht 1,921 million in 2008 decreased 2.09% from 1,962 million in 2007.
2. Full-year impact of the change in brokerage fee charged to Merrill Lynch, which was lowered from 0.25% to 0.175% (effective date August 3, 2007 onwards) and lowered to 0.15% (effective date September 10, 2007 onwards). As a result, the average brokerage fee rate of the Company was cut from 0.25% to 0.22% in 2007 and to 0.19% in 2008.

The Company's market share in 2008 was 5.96%, up from 5.63% in 2007. The proportion of brokerage fees from foreign institutional investors, domestic institutional investors and high net worth individuals was 45.28%, 19.44% and 35.28% respectively.

(Unit : Percent)	2008	2007
Foreign institutional investors	45.28	49.67
Domestic institutional investors	19.44	17.46
High net worth individuals	35.28	32.87
Total	100.00	100.00

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

	2008	2007
Average securities trading value per day of the SET and MAI (Bt mn)	16,118.34	17,436.00
Securities trading ratio on the SET and MAI classified by investor group		
Foreign investors	29.13%	32.37%
Local institutional investors	16.88%	14.24%
Local investors	53.99%	53.39%
The Company's average securities trading value per day (Bt mn)	1,921.48	1,961.98
The Company's market share	5.96%	5.63%
Market share – foreign institutional investors	11.17%	9.37%
Market share – local institutional investors	12.06%	13.79%
Market share – High Net Worth clients	2.80%	3.13%
Rank of market share	2	3

BROKERAGE FEES FROM DERIVATIVES BUSINESS

Revenue from derivatives business was Baht 28.17 million in 2008, up 17.42% from Baht 23.99 million in 2007. The brokerage fees from derivatives business accounted for 2.01% of total revenue in 2008. Fees from institutional investors accounted for 56.37% and individual investors accounted for 43.63%. The Company's share of the TFEX market was 4.77% and the Company ranked number seven in 2008.

FEES AND SERVICES INCOME

Fee and service income consists of underwriting fees, advisory fees, selling agent fees from mutual funds and stock borrowing and lending fees. Total fee and service income in 2008 of Baht 270.39 million increased by Baht 50.07 million or 22.73% from Baht 220.32 million in 2007. The underwriting fee in 2008 was from Esso (Thailand) Public Company Limited, which was launched in the second quarter of 2008.

(Unit : Bt mn)	2008	2007
Underwriting fees	74.69	77.66
Financial advisory fees	143.87	66.89
Selling agent fees from mutual fund	51.50	75.52
Stock borrowing and lending fees	0.33	0.25
Total	270.39	220.32

REVENUES FROM INVESTMENT

Revenues from investment, including gain on securities and derivatives trading and interest and dividend income, were from three main departments of the Company: Equity and Derivatives Trading, Direct Investment and Treasury.

In 2008, the Company had revenues from investment of Baht 225.93 million, divided as follows:

1. Gain on securities trading and derivatives trading

The Company had a gain from securities trading and derivatives trading of Baht 56.31 million in 2008, down 33.77 million from Baht 90.08 million in 2007. The decrease was due to realized loss from divestment of available-for-sale securities of Direct Investment. The contribution of gain on securities trading and derivatives trading to total revenues in 2008 was 4.02% compared with 5.74% of total revenues in 2007.

2. Interest and Dividend Income

The Company's interest and dividend income of Baht 169.62 million increased by Baht 22.45 million or 15.25% from Baht 147.17 million in 2007.

Details of interest and dividend income are as follows:

(Unit : Bt mn)	2008	2007
Interest	68.43	95.44
Dividend		
Trading securities	3.07	0.04
Available-for-sale securities	96.71	50.56
Non-marketable securities	1.41	1.13
Total	169.62	147.17

Dividend income of Baht 101.19 million in 2008 increased from Baht 51.73 million in 2007, mainly from dividend income from investment in available-for-sale securities. Meanwhile interest income of Baht 68.43 million decreased from Baht 95.44 million in 2007. This was due to a decrease in cash amount which was offset by an increase in investment, together with lower interest rates in 2008 compared with 2007.

Revenues from investment are classified by Company Department as follows:

Direct Investment Department

(Unit : Bt mn)	2008	2007
Dividend income	96.72	50.56
Gain (loss) on securities trading	(17.00)	75.11
Gain (loss) on derivatives trading	(9.99)	0.00
Total return per profit & loss statement before impairment loss on investment	69.73	125.67
Impairment loss on investment	(248.71)	0.00
Total return per profit & loss statement after impairment loss on investment	(178.98)	125.67
Change in unrealized gain (loss) from revaluation-before deferred tax *	(307.28)	99.00
Total return of Direct Investment Department	(486.26)	224.67

* Being part of revaluation surplus (deficit) in balance sheet

Return from investment of the Direct Investment Department as a percentage of total investment in 2008 was -24.52%¹. This compares with the SET's return of -40.99% in which the SET index decreased 47.56% from 858.10 at year-end 2007 to 449.96 at December 30, 2008. The average dividend yield of the SET was 6.57%.

Equity & Derivatives Trading Department

(Unit : Bt mn)	2008	2007
Dividend income	3.04	0.00
Gain on securities trading	53.88	4.52
Gain on derivatives trading	28.73	0.00
Total return of Equity and Derivatives Trading Department	85.65	4.52

¹ Total return basis : (Ending market value + Distributed distributions + Total redemption - Beginning market value - Total purchase)
Divided by (Beginning market value + Total purchase) Times 100

In addition to return from investment of the Direct Investment Department and the Equity and Derivatives Trading Department, the Company had return from investment from the Treasury Department of Baht 70.55 million. This was comprised of Baht 68.43 million from investment in government bonds and others, and Baht 2.12 million from other investments.

OTHER INCOME

The Company's other income of Baht 11.90 million in 2008 comprised gains from selling fixed assets, foreign exchange gains, etc.

EXPENSES

	2008		2007	
	Bt mn	%	Bt mn	%
Expenses on borrowing	8.96	0.78	7.12	0.76
Fee and service expenses	133.41	11.61	156.19	16.76
Operating expenses	702.87	61.16	768.39	82.47
Total expenses before impairment loss on investment	845.24	73.55	931.70	100.00
Impairment loss on investments	303.95	26.45	0.00	0.00
Total expenses	1,149.19	100.00	931.70	100.00

The Company's total expenses before impairment loss in 2008 were Baht 845.24 million, a decrease of Baht 86.46 million or 9.28% from Baht 931.70 million in 2007. This was due to a decrease in fee and service expenses and operating expenses before impairment loss on investment.

A decrease in fee and service expenses from Baht 156.19 million to Baht 133.41 million was due to no payment of fees under the Business Service Agreement to Merrill Lynch since the fourth quarter of 2007.

A decrease in operating expenses of Baht 65.52 million from Baht 768.39 million in 2007 to Baht 702.87 million in 2008 resulted from a decrease in personnel expenses, which was in line with the decrease in the Company's revenues.

In the fourth quarter of 2008, the Company recorded impairment loss on investments of Baht 303.95 million, which consisted of impairment on investment in promissory notes and investment in common shares of aTSEC Securities Limited and impairment on investments in available-for-sale securities in the SET market.

The impairment loss on investment in promissory notes and investment in common shares of TSFC Securities Limited of Baht 55.24 million was recorded because this particular financial institution is in restructuring process. The Company conservatively recorded these as an impairment in line with the Company's accounting policy.

Impairment of investments in available-for-sale securities in the SET market of Baht 248.71 million was a result of the global economic and financial crisis, together with local political uncertainty which caused the SET index to drop 24.57% from 596.54 as at September 30, 2008 to 449.96 as at December 30, 2008, or by 47.56% from 858.10 at year-end 2007 to year-end 2008. This worldwide crisis has caused a negative change in the fundamentals of certain investments in our Direct Investment portfolio, and has made it difficult for the stock price of those investments to recover to their original cost in the near term. The market prices as of year-end 2008 were used for impairment purposes.

NET EARNINGS

Due to the reasons discussed above, the Company's net earnings in 2008 were Baht 207.31 million, a decrease of Baht 277.68 million or 57.26% from Baht 484.99 million in 2007. Earnings per share in 2008 totaled Baht 0.97 compared with Baht 2.27 in 2007.

FINANCIAL POSITION

ASSETS

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

As of December 31, 2008, the Company's total assets were Baht 4,142.68 million, a decrease of Baht 1,514.77 million from Baht 5,657.45 million in 2007. These were mainly due to the decrease in securities and derivatives business receivables.

CASH AND CASH EQUIVALENTS

As of December 31, 2008, the Company's cash and cash equivalents were Baht 1,128.42 million compared to cash and cash equivalents of Baht 1,579.56 million as of December 31, 2007. The Baht 451.14 million decrease in cash and cash equivalents in 2008 was due to an increase in net cash paid for investment in available-for-sale securities, and payment of the annual dividend for 2007 and interim dividend in 2008, which were paid in May 2008 and September 2008, respectively.

INVESTMENTS IN DEBT AND EQUITY SECURITIES

As of December 31, 2008, the Company's investments in debt and equity securities were Baht 1,576.22 million, an increase of Baht 23.22 million from Baht 1,553.00 million in 2007. The investments in debt and equity securities

consisted of net short-term investment amounting to Baht 593.23 million and net long-term investment amounting to Baht 982.99 million.

In addition, investments in debt and equity securities classified by Company Department are as follows:

(Unit : Bt mn)	31-Dec-08	31-Dec-07
Investment of Direct Investment Department	982.64	964.14
Investment of Equity and Derivatives Trading Department	261.95	137.10
Investment in government bond and others	331.28	295.36
Other investment	0.35	156.41
Total investment in debt and equity securities-net	1,576.22	1,553.01

RECEIVABLES FROM CLEARING HOUSE

As of December 31, 2008, the receivables from clearing were Baht 51.92 million, an increase from Baht 20.26 million in 2007.

SECURITIES AND DERIVATIVES BUSINESS RECEIVABLES

As of December 31, 2008, the Company's securities and derivatives business receivables were Baht 942.41 million compared to Baht 2,092.49 million in 2007. The decrease 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 are as follows:

(Unit : Bt mn)	31-Dec-08	31-Dec-07
Securities business receivables	941.96	2,090.22
Derivatives business receivables	0.44	2.27
Total	942.41	2,092.49

OTHER DERIVATIVES ASSETS

Other derivatives assets of Baht 0.13 million as at 31 December 2008 consist of premium paid for long positions on SET 50 index options.

PROPERTY, PLANT AND EQUIPMENT

The Company's property, plant and equipment as of December 31, 2008 totaled Baht 209.98 million, an increase of Baht 1.67 million from Baht 208.31 million in 2007. This was due to an increase in equipment for business expansion of the Company.

INTANGIBLE ASSETS

Intangible assets consist of deferred license fees and application software. As of December 31, 2008, the Company's intangible assets were Baht 34.97 million, a decrease of Baht 0.93 million from Baht 35.90 million in 2007.

DEFERRED TAX ASSETS

The Company has deferred tax assets at Baht 110.21 million as of December 31, 2008. This deferred tax asset was mainly because the stock price of investments in available-for-sale securities significantly decreased from its original cost and the Company booked the impairment on investment in promissory notes and investment in common shares of TSFC Securities Limited since this particular financial institution is restructuring.

OTHER ASSETS

Other assets consist of payments for clearing funds, advanced payments, accrued interest and dividend income, accrued fee income, etc. As of December 31, 2008, the Company's other assets were Baht 88.43 million, an increase of Baht 20.51 million from 2007, which resulted from an increase in accrued interest and dividend income.

TOTAL LIABILITIES

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

The Company's total liabilities as of December 31, 2008 were Baht 1,328.77 million, a decrease of Baht 1,009.53 million from Baht 2,338.30 million in 2007. This is due to a decrease in securities and derivatives business payables which was in line with the decrease in total assets due to a decrease in securities and derivatives business receivables.

PAYABLES TO CLEARING HOUSE

As of December 31, 2008, payables to clearing house were Baht 428.80 million, down from Baht 797.56 million in 2007.

SECURITIES AND DERIVATIVES BUSINESS PAYABLES

As of December 31, 2008, securities and derivatives business payables were Baht 607.78 million, consisting of securities business payables of Baht 607.25 million and derivatives business payables of Baht 0.53 million.

A decrease in securities and derivatives business payables was in accordance with securities and derivatives trading activities at the end of the fiscal period, and went along with a decrease in securities and derivatives business receivables.

OTHER DERIVATIVES LIABILITIES

Other derivatives liabilities of Baht 0.21 million as at December 31, 2008 comprised premium received for short positions of SET 50 index options.

CORPORATE INCOME TAX PAYABLE

As of December 31, 2008, the Company had corporate income tax payable of Baht 31.18 million, a decline from Baht 72.24 million in 2007. The decline was due to lower revenues and earnings before corporate income tax in 2008.

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, 2008 were Baht 227.93 million, a decrease from Baht 290.96 million in 2007.

OTHER LIABILITIES

The Company's other liabilities primarily consist of withholding tax payable and value added tax payable. As of December 2008, other liabilities were Baht 32.87 million, an increase from Baht 32.41 million in 2007.

SHAREHOLDERS' EQUITY

As of December 31, 2008, the Company's shareholders' equity was Baht 2,813.91 million, a decline from Baht 3,319.15 million in 2007. This is due to the following:

1. Unappropriated retained earnings decreased from Baht 713.49 million as of December 31, 2007 to Baht 440.42 million as of December 31, 2008. A decrease in unappropriated retained earnings was due to lower net profit and payment of annual dividend for 2007 and interim dividend of 2008 in May 2008 and September 2008, respectively.
2. The Company had revaluation deficit on investments of Baht 54.62 million as of December 31, 2008, compared with revaluation surplus on investments of Baht 177.55 million as of December 31, 2007.

The Company's debt to equity ratio as of December 31, 2008 was 0.47, down from 0.70 as of December 31, 2007 as a result of a decrease in total liabilities in 2008. Furthermore, the debt (excluding payables to clearing house and securities and derivatives business payables) to equity ratio as of December 31, 2008 was 0.10 compared to 0.13 as of December 31, 2007. The liabilities and shareholders' equity show that the Company's source of working capital mainly came from long-term funds from shareholders.

The average return of shareholders' equity in 2008 was 6.7%, down from 14.4% in 2007.

NET LIQUID CAPITAL RATIO

The Company's net liquid capital ratio as of December 31, 2008 was 178.66%, which was higher than the minimum requirement ratio of 7% set by the SEC.

LIQUIDITY

For the year 2008, the Company's cash and cash equivalents were Baht 1,128.42 million, a decrease of Baht 451.14 million from 2007. Details are as follows:

(Unit : Bt mn)	2008
Net cash provided by (paid for) operating activities	667.79
Net cash provided by (paid for) investing activities	(638.56)
Net cash provided by (paid for) financing activities	(480.37)
Net increase (decrease) in cash and cash equivalent	(451.14)

CASH FLOW FROM OPERATING ACTIVITIES

In 2008, the Company had net cash flow generated from operating activities of Baht 667.79 million, an increase of Baht 382.97 million from Baht 284.82 million in 2007. This was due to a decrease in operating liabilities, particularly securities and derivatives business payables, which are considered a normal operation of the Company's securities business.

CASH FLOW FROM INVESTING ACTIVITIES

Net cash paid for investing activities in 2008 was Baht 638.56 million. This amount consisted of Baht 34.40 million for purchases of fixed assets for the Company's business expansion, Baht 12.43 million for intangible assets, and Baht 591.81 million for net long-term investment.

CASH FLOW FROM FINANCING ACTIVITIES

In 2008, the Company's net cash paid for financing activities was Baht 480.37 million. The payment was due to the fact that the Company paid annual dividend for 2007 of Baht 266.87 million in May 2008 and interim dividend for half-year performance of 2008 of Baht 213.50 million in September 2008.

REPORT OF INDEPENDENT AUDITOR

ANNUAL REPORT 2008
Phatra Securities Public Company Limited



I have audited the accompanying balance sheets of Phatra Securities Public Company Limited as at 31 December 2008 and 2007, the related statements of income, changes in shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management as to their correctness and the completeness of the presentation. My responsibility is to express an opinion on these financial statements based on my audits.

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

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Phatra Securities Public Company Limited as at 31 December 2008 and 2007, the results of its operations, and cash flows for the years then ended, in accordance with generally accepted accounting principles.

A handwritten signature in cursive script, reading 'Rungnapa L.', is positioned above the printed name.

Rungnapa Lertsuwankul
Certified Public Accountant (Thailand) No. 3516
Ernst & Young Office Limited
Bangkok: 21 February 2009

BALANCE SHEETS

Phatra Securities Public Company Limited
As at 31 December 2008 and 2007

(Unit : Baht)

	Note	2008	2007
ASSETS			
Cash and cash equivalents	6	1,128,416,082	1,579,563,697
Long-term deposits at financial institutions - net	7	-	100,000,000
Investments in debt and equity securities - net	8	1,576,218,407	1,553,004,170
Receivables from Clearing House	9	51,915,114	20,261,160
Securities and derivatives business receivables	10	942,407,787	2,092,492,449
Other derivatives assets		125,760	-
Property, plant and equipment - net	11	209,975,276	208,312,218
Intangible assets - net	12	34,973,747	35,898,974
Deferred tax assets	21	110,214,736	-
Other assets	13	88,433,250	67,920,089
Total assets		4,142,680,159	5,657,452,757

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

BALANCE SHEETS

Phatra Securities Public Company Limited
As at 31 December 2008 and 2007

		(Unit : Baht)	
	Note	2008	2007
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Payables to Clearing House		428,800,215	797,555,181
Securities and derivatives business payables	14	607,784,477	1,103,867,672
Other derivatives liabilities		210,680	-
Corporate income tax payable		31,178,987	72,242,377
Deferred tax liabilities	21	-	41,262,677
Accrued expenses		227,931,963	290,964,465
Other liabilities	15	32,868,157	32,409,216
Total liabilities		<u>1,328,774,479</u>	<u>2,338,301,588</u>
Shareholders' equity			
Share capital			
Registered			
220,000,000 ordinary shares of Baht 5 each		<u>1,100,000,000</u>	<u>1,100,000,000</u>
Issued and fully paid-up			
213,500,000 ordinary shares of Baht 5 each		1,067,500,000	1,067,500,000
Share premium		1,250,605,206	1,250,605,206
Revaluation surplus (deficit) on investments	8.3	(54,622,668)	177,554,755
Retained earnings			
Appropriated			
Statutory reserve	16	110,000,000	110,000,000
Unappropriated		440,423,142	713,491,208
Total shareholders' equity		<u>2,813,905,680</u>	<u>3,319,151,169</u>
Total Liabilities And Shareholders' Equity		<u>4,142,680,159</u>	<u>5,657,452,757</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 2008 and 2007

(Unit : Baht)

	Note	2008	2007
Revenues			
Brokerage fees			
Brokerage fees from securities business		864,742,683	1,077,233,679
Brokerage fees from derivatives business		28,174,102	23,986,915
Fees and services income	17	270,385,498	220,323,839
Gain on securities trading	8.4	37,564,665	81,214,554
Gain on derivatives trading		18,745,446	8,873,020
Interest and dividend	8.6	169,623,947	147,173,830
Other incomes		11,899,023	10,529,244
Total revenues		1,401,135,364	1,569,335,081
Expenses			
Expenses on borrowing		8,960,376	7,119,442
Fee and service expenses		133,405,629	156,187,288
Operating expenses			
Personnel expenses		526,207,407	603,568,262
Premises and equipment expenses		91,316,235	79,668,351
Taxes and duties		2,721,586	4,097,586
Directors' remuneration	20	3,668,000	3,511,071
Impairment loss on investments	7, 8.2	303,953,682	-
Other expenses		78,958,830	77,548,409
Total expenses		1,149,191,745	931,700,409
Income before corporate income tax		251,943,619	637,634,672
Corporate income tax	21	(44,636,685)	(152,646,107)
Net income for the year		207,306,934	484,988,565
Earnings per share			
Basic earnings per shares	22		
Net earnings		0.97	2.27

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 2008 and 2007

(Unit : Baht)

	Note	Issued and fully paid-up share capital	Share premium	Revaluation surplus (deficit) on investments	Retained earnings		Total
					Appropriated statutory reserve	Unappropriated	
Balance as at 31 December 2006		1,067,500,000	1,250,605,206	102,023,515	110,000,000	869,002,643	3,399,131,364
Income and expenses recognised directly in equity:							
Investment in available-for-sale securities	8.3						
Gain recognised in shareholders' equity		-	-	91,837,822	-	-	91,837,822
Transferred to income statement on disposals		-	-	(16,306,582)	-	-	(16,306,582)
Net income and expenses recognised directly in equity		-	-	75,531,240	-	-	75,531,240
Net income for the year		-	-	-	-	484,988,565	484,988,565
Total income and expenses for the year		-	-	75,531,240	-	484,988,565	560,519,805
Dividend paid	19	-	-	-	-	(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
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
Income and expenses recognised directly in equity:							
Investment in available-for-sale securities	8.3						
Loss recognised in shareholders' equity		-	-	(50,848,313)	-	-	(50,848,313)
Transferred to income statement on disposals		-	-	5,201,727	-	-	5,201,727
Transferred to income statement on loss on impairment		-	-	(186,530,837)	-	-	(186,530,837)
Net income and expenses recognised directly in equity		-	-	(232,177,423)	-	-	(232,177,423)
Net income for the year		-	-	-	-	207,306,934	207,306,934
Total income and expenses for the year		-	-	(232,177,423)	-	207,306,934	(24,870,489)
Dividend paid	19	-	-	-	-	(480,375,000)	(480,375,000)
Balance as at 31 December 2008		1,067,500,000	1,250,605,206	(54,622,668)	110,000,000	440,423,142	2,813,905,680

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 2008 and 2007

(Unit : Baht)

	Note	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before corporate income tax		251,943,619	637,634,672
Adjustments to reconcile income before corporate income tax to net cash provided by (paid from) operating activities: -			
Depreciation and amortisation		50,508,864	44,048,048
Amortisation of discount on bill of exchanges		-	(6,969,969)
Unrealised gain on revaluation of investments in securities		(19,065,367)	(3,308,960)
Unrealised loss on revaluation of derivatives trading		41,440	-
Loss (gain) on disposal of long-term investments		16,999,148	(75,109,359)
Impairment loss on long-term deposits at financial institution		51,148,219	-
Impairment loss on investments		252,805,463	-
Loss (gain) on disposal of equipment		20,234	(253,971)
Unrealised gain on exchange		(13,464,432)	(20,383)
Interest and dividend income		(169,623,947)	(147,173,830)
Interest expenses		8,960,376	7,119,442
Income from operating activities before changes in operating assets and liabilities		430,273,617	455,965,690
Operating assets (increase) decrease			
Long-term deposits at financial institutions		50,000,000	(100,000,000)
Short-term investments		(6,435,495)	174,158,617
Receivables to Clearing House		(31,653,954)	(12,847,560)
Securities and derivatives business receivables		1,150,084,662	(962,588,035)
Other derivatives assets		(143,640)	-
Other assets		(7,115,107)	13,346,105

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 2008 and 2007

(Unit : Baht)

	Note	2008	2007
Operating liabilities increase (decrease)			
Payables to Clearing House		(368,754,966)	184,589,892
Securities and derivatives business payables		(467,994,801)	649,501,049
Other derivatives liabilities		187,120	-
Accrued expenses		(63,028,231)	(96,627,113)
Other liabilities		(4,062,805)	1,230,370
Cash flows from (used in) operating activities		681,356,400	306,729,015
Cash received from interest and dividend income		155,175,480	148,806,269
Cash paid for interest expenses		(8,960,339)	(7,129,822)
Cash paid for corporate income tax		(159,785,014)	(163,582,808)
Net cash flows from operating activities		667,786,527	284,822,654
Cash flows from investing activities			
Cash paid for purchases of long-term investments		(1,018,812,510)	(330,759,124)
Cash received from sales of long-term investments		396,659,551	250,109,587
Cash received from capital reduction of long-term investments		30,339,000	-
Cash paid for purchases of equipment		(34,403,226)	(18,247,911)
Proceeds from sales of equipment		85,580	257,944
Cash paid for purchases of intangible assets		(12,427,537)	(13,351,827)
Net cash flows used in investing activities		(638,559,142)	(111,991,331)
Cash flows from financing activities			
Dividend paid		(480,375,000)	(640,500,000)
Net cash flows used in financing activities		(480,375,000)	(640,500,000)
Net decrease in cash and cash equivalents		(451,147,615)	(467,668,677)
Cash and cash equivalents at beginning of the year		1,579,563,697	2,047,232,374
Cash and cash equivalents at end of the year (Note 6)		1,128,416,082	1,579,563,697
Supplemental cash flows information: -			
Non-cash items			
Purchases of equipment recorded as liabilities		3,652,980	2,799,922
Purchases of intangible assets recorded as liabilities		868,766	12,750,063
Increase (decrease) in revaluation surplus on investments		(232,177,424)	75,531,240

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

NOTES TO FINANCIAL STATEMENTS

Phatra Securities Public Company Limited
For the years ended 31 December 2008 and 2007

1. GENERAL INFORMATION

1.1 Corporate information

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

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% of the brokerage fee rate specified by the Stock Exchange of Thailand.

As at 31 December 2008, the number of employees was 243 persons (2007: 211 persons).

1.2 Economic volatility

The financial crisis experienced by the United States of America over the past year has had a far reaching adverse effect on the global economy as evidenced by sharp falls in share prices worldwide, a tight squeeze on credit including interbank lending, failures of large financial institutions and reduced consumer confidence. The crisis has substantially affected the business and financial plans of Thailand enterprises and asset value. Due to the financial turmoil in the United States of America and local political uncertainties over the year 2008, SET index dropped 47.56% from 858.10 as at 30 December 2007 to 449.96 as at 30 December 2008. The crisis has caused negative change to fundamental of some the Company's investments in available-for-sale securities and made it difficult for the stock price to recover to its original cost in near term. The Company recognised impairment loss totaling Baht 249 million for investments in securities with fair values lower than their carrying amount, in the current year's income statement.

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

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

3.1 Accounting standards which are effective for the current year

The Federation of Accounting Professions has issued Notification No. 9/2550, 38/2550 and 62/2550 mandating the use of new accounting standards as follows.

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 become effective for the financial statements for fiscal years beginning on or after 1 January 2008. The management has assessed the effect of these standards and believes that TAS 31 (revised

2007), TAS 33 (revised 2007), TAS 43 (revised 2007) and TAS 49 (revised 2007) are not relevant to the business of the Company, while TAS 25 (revised 2007), TAS 29 (revised 2007), TAS 35 (revised 2007), TAS 39 (revised 2007), TAS 41 (revised 2007) and TAS 51 do not have any significant impact on the financial statements for the current year.

3.2 Accounting standards which are not effective for the current year

The Federation of Accounting Professions has also issued Notification No. 86/2551 mandating the use of the following new accounting standards.

TAS 36 (revised 2007) Impairment of Assets

TAS 54 (revised 2007) Non-current Assets Held for Sale and Discontinued Operations

These accounting standards will become effective for the financial statements for fiscal years beginning on or after 1 January 2009. The management has assessed the effect of these accounting standards and believes that they will not have any significant impact on the financial statements for the year in which they are initially applied.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Revenue and 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 derivatives trading

Gain (loss) on derivatives 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.

4.2 Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, all bank deposit accounts with an original maturity less than 3

months and not subject to withdrawal restrictions, promissory notes and term notes with an original maturity less than 3 months and exclude deposits used as collateral.

4.3 Long-term deposits with financial institutions

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

4.4 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.

4.5 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.

4.6 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.

4.7 Receivables from Clearing House

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

4.8 Securities and derivatives business receivables and allowance for doubtful accounts

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

The Company has provided an allowance for doubtful debts based on a review of debtor's repayment capability, taking into consideration 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.

4.9 Property, plant and equipment and depreciation

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

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

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

No depreciation is provided on land.

Depreciation is included in determining income.

4.10 Intangible assets and amortisation

Intangible assets are stated at cost less accumulated amortisation and allowance for loss on impairments (if any). Intangible assets with finite lives are amortised on a systematic basis over the useful economic useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method of such intangible assets are reviewed at least at each financial year end. The amortisation expense is charged to the income statement.

A summary of the intangible assets with finite useful lives is as follows.

Useful lives		
Deferred license fee	5	Years
Application software	3	Years

4.11 Impairment of assets

At each reporting date, the Company performs impairment reviews for property, plant and equipment and other intangible assets whenever events or changes in circumstances indicate that an asset may be impaired. An impairment loss is recognised when the recoverable amount of an asset, which is the higher value between the asset's fair value less costs to sell and its value in use, is less than the carrying amount. In determining value in use, the estimated future cash flows are discounted to their present value by a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by a valuation model that, based on information available, reflects the amount that the Company could obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal.

An impairment loss is recognised in the income statement.

4.12 Payables to Clearing House

Payables to Clearing House comprises the net payable to Thailand Securities Depository (TSD) in relation to securities trading which settlement is made through TSD and the net payable to Thailand Clearing House (TCH), which is margin required by TCH for derivatives business.

4.13 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, etc.

4.14 Related party transactions

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

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

4.15 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.

4.16 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.

4.17 Foreign currencies

Transactions in foreign currencies are translated into Baht at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Baht at the exchange rate ruling at the balance sheet date.

Gains and losses on exchange are included in determining income.

4.18 Financial derivatives

Future contracts

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.

Options contracts

The Company recorded the premium paid (long position) and the premium received (short position) under SET 50 index options contracts as at trade date as other derivative assets and other derivative liabilities, respectively. Gains or losses from changes in the value of the premium under option contracts are included in the income statements. Fair value is determined based on the daily settlement price quoted by Thailand Futures Exchange Public Company Limited.

4.19 Employee benefits

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

4.20 Income tax

a) Current tax

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

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 utilised.

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. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

Recognition and derecognition of assets and liabilities

In considering whether to recognise and derecognise assets or liabilities, the management is required to make judgment on whether significant risk and rewards of those assets or liabilities have been transferred, based on their best knowledge of the current events and arrangements.

Impairment of long-term deposit at financial institution

The Company treats long-term deposits at financial institution as impaired when such financial institution is facing going concern problems and has defaulted on payment. The management uses judgment to estimate the loss reserve for deposit at financial institution, based on considering repayment ability and the financial institution plan to restructure its debts.

Impairment of equity investments

The Company treats available-for-sale equity investments and non-marketable equity investments as impaired when the management judge that there has been a significant or prolonged decline in the fair value below their cost, together with investments in businesses that have been severely impacted by the global economic slow down and which will take time to recover to their fair values or where other evidence of impairment exists. The determination of what is “significant” or “prolonged” or “businesses that have been severely impacted” requires management’s judgment.

Allowance for doubtful accounts for securities business receivables

Allowance for doubtful accounts for securities business receivables are intended to adjust the values of receivables for probable credit losses. In determining an allowance for doubtful accounts for securities business receivables, the management needs to make judgment and estimates based upon, among other things, past collection history, the value of the securities collateral, aging profile of outstanding debts and the prevailing economic condition.

Property plant and equipment / Depreciation

In determining depreciation of plant and equipment, the management is required to make estimates of the useful lives and salvage values of the Company’s plant and equipment and to review estimate useful lives and salvage values when there are any changes.

In addition, the management is required to review property, plant and equipment for impairment on a periodical basis and record impairment losses in the period when it is determined that their recoverable amount is lower than the carrying cost. This requires judgments regarding forecast of future revenues and expenses relating to the assets subject to the review.

Intangible assets

The initial recognition and measurement of intangible assets, and subsequent impairment testing, require management to make estimates of cash flows to be generated by the asset or the cash generating units and to choose a suitable discount rate in order to calculate the present value of those cash flows.

Deferred tax assets

Deferred tax assets are recognised in respect of temporary differences only to the extent that it is probable that taxable profit will be available against which these differences can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of estimate future profits.

Leases

In determining whether a lease is to be classified as an operating lease or finance lease, the management is required to use judgment regarding whether significant risk and rewards of ownership of the leased asset has been transferred, taking into consideration terms and conditions of the arrangement.

Fair value of financial instruments

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

6. CASH AND CASH EQUIVALENTS

	(Unit : Baht)	
	2008	2007
Cash	21,000	21,000
Current deposits and savings deposits	741,483,821	981,683,058
Promissory notes with maturity less than 3 months	950,000,000	1,000,000,000
Less: Deposits for customers' accounts	<u>(563,088,739)</u>	<u>(402,140,361)</u>
Total cash and cash equivalents - net	<u>1,128,416,082</u>	<u>1,579,563,697</u>

7. LONG-TERM DEPOSITS AT FINANCIAL INSTITUTIONS

(Unit : Baht)

	2008	2007
Promissory notes with maturity more than 3 months	50,000,000	100,000,000
Less: Allowance for loss on impairment	<u>(50,000,000)</u>	<u>-</u>
Total	-	100,000,000

As at 31 December 2008 and 2007, the promissory notes with maturity more than 3 months have interest rates of 3.3% per annum and 4.70% per annum, respectively.

As at 31 December 2008, the Company has a long-term deposit at TSFC Securities Limited. As TSFC Securities Limited has going concern problem and has defaulted on settlement of Baht 50 million and being in restructuring process. The Company has set aside full allowance for loss on impairment for such deposit.

8. INVESTMENTS IN DEBT AND EQUITY SECURITIES

8.1 Cost and fair value

(Unit : Baht)

	2008		2007	
	Cost / Cost net amortisation	Fair value	Cost / Cost net amortisation	Fair value
Short-term investments				
Trading securities				
Listed securities	270,978,727	261,955,200	133,788,537	137,097,497
Add (less): Changes in fair value of securities	<u>(9,023,527)</u>	<u>-</u>	<u>3,308,960</u>	<u>-</u>
Total trading securities - net	<u>261,955,200</u>	<u>261,955,200</u>	<u>137,097,497</u>	<u>137,097,497</u>
Available-for-sale securities				
Unit trust	-	-	150,000,000	152,269,291
Add: Changes in fair value of securities	<u>-</u>	<u>-</u>	<u>2,269,291</u>	<u>-</u>
Total available-for-sale securities - net	<u>-</u>	<u>-</u>	<u>152,269,291</u>	<u>152,269,291</u>

(Unit : Baht)

	2008		2007	
	Cost / Cost net amortisation	Fair value	Cost / Cost net amortisation	Fair value
Debt securities due within 1 year				
Debt securities	331,275,969		295,358,884	
Total debt securities due within 1 year	<u>331,275,969</u>		<u>295,358,884</u>	
Total short-term investments - net	<u>593,231,169</u>		<u>584,725,672</u>	
Long-term investments				
Available-for-sales securities				
Listed securities	1,304,148,797	982,639,106	729,657,991	964,135,335
Unit trust	376,449	348,132	52,445	45,483
Total	<u>1,304,525,246</u>	<u>982,987,238</u>	<u>729,710,436</u>	<u>964,180,818</u>
Add (less): Changes in fair value of securities	(72,830,225)	-	234,470,382	-
Less: Allowance for loss on impairment	(248,707,783)	-	-	-
Total available-for-sales securities - net	<u>982,987,238</u>	<u>982,987,238</u>	<u>964,180,818</u>	<u>964,180,818</u>
Non-marketable securities				
Other securities	4,097,685		4,097,685	
Less: Allowance for loss on impairment	(4,097,685)		(5)	
Total non-marketable securities - net	<u>-</u>		<u>4,097,680</u>	
Total long-term investments - net	<u>982,987,238</u>		<u>968,278,498</u>	
Total investments in debt and equity securities - net	<u>1,576,218,407</u>		<u>1,553,004,170</u>	

8.2 During year 2008 the Company recognised loss on impairment on investments in available-for-sales securities amounting to Baht 249 million because the fair values of those investments have diminished significantly. In addition, the Company recognised loss on impairment of a non-marketable securities, which is investment in common shares of TSFC Securities Limited of Baht 4 million because such company had a going concern problem on business operation and is in the restructuring process.

8.3 Revaluation surplus (deficit) on investments

(Unit : Baht)

	2008	2007
Balance - beginning of the year	177,554,755	102,023,515
Changes during the year		
- from revaluation	(50,848,313)	91,837,822
- from sales	5,201,727	(16,306,582)
- from impairment	(186,530,837)	-
Balance - end of the year	(54,622,668)	177,554,755

8.4 Gain (loss) on securities trading

(Unit : Baht)

	2008	2007
Unrealised gain on trading securities	19,065,367	3,308,960
Realised gain on trading securities	35,498,446	2,796,235
Realised (loss) gain on available-for-sale securities	(16,999,148)	75,109,359
Total	37,564,665	81,214,554

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

(Unit : Baht)

	2008	2007
Short-term investments		
Trading securities	14,817,929,094	1,971,711,546
Available-for-sale securities	154,102,871	51,145,936
Long-term investments		
Available-for-sale securities	396,659,551	250,109,587
Total	15,368,691,516	2,272,967,069

8.6 Interest and dividend

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

	(Unit : Baht)	
	2008	2007
Interest		
Deposit at financial institutions	28,747,206	59,032,889
Margin deposits at Clearing House	4,320,586	3,821,096
Debt securities due within 1 year	35,223,380	32,550,132
Trading securities - Debt securities	138,082	35,805
Dividend		
Trading securities	3,073,836	43,027
Available-for-sale securities	96,713,257	50,556,981
Non-marketable securities	1,407,600	1,133,900
Total	169,623,947	147,173,830

8.7 During the years, the Company has trading transactions in securities as detailed below.

a) Short-term investments in listed equity securities

	(Unit : Baht)	
	2008	2007
Value of trading volume - Buy	14,768,578,323	1,957,214,665
Value of trading volume - Sell	14,817,929,094	1,971,711,546

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

	(Unit : Number of contracts)	
	2008	2007
Buy	35,002	2,002
Sell	35,054	2,002

c) SET 50 Index Options Contracts traded on the Thailand Futures Exchange

(Unit : Number of contracts)

	2008	2007
Buy	6,742	-
Sell	6,742	-

9. RECEIVABLES FROM CLEARING HOUSE

Below are details of receivables from Clearing House as at 31 December 2008 and 2007.

(Unit : Baht)

	2008	2007
Receivables from Thailand Securities Depository (TSD)	-	-
Receivables from Thailand Clearing House (TCH)	175,999,094	184,451,160
Less: Receivables from Clearing House for customers' accounts	(124,083,980)	(164,190,000)
Receivables from Thailand Clearing House (TCH) - net	51,915,114	20,261,160
Total receivables from Clearing House	51,915,114	20,261,160

10. SECURITIES AND DERIVATIVES BUSINESS RECEIVABLES

Below are details of securities and derivatives business receivables as at 31 December 2008 and 2007.

(Unit : Baht)

	2008	2007
Securities business receivables		
Cash accounts	631,932,511	1,619,811,853
Collateral receivables	300,832,695	453,223,770
Securities borrowing receivables	9,200,000	17,185,300
Derivatives business receivables		
Derivatives business receivables	442,581	2,271,526
Securities and derivatives business receivables	942,407,787	2,092,492,449

10.1 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 2008 and 2007, securities business receivables are classified as follows: -

(Unit : Million Baht)

	2008			2007		
	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	632	-	632	1,620	-	1,620
Total	632	-	632	1,620	-	1,620

10.2 As at 31 December 2008, securities business receivables include cash collateral receivables of approximately Baht 300.83 million (2007: 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 265.28 million (2007: Baht 414.82 million). Approximately Baht 256.08 million (2007: Baht 397.63 million) of such borrowed securities were lent for the Company's account and Baht 9.2 million of such borrowed securities lent to client (2007: Baht 17.19 million).

11. PROPERTY, PLANT AND EQUIPMENT

(Unit : Baht)

	Land	Building and building improvement	Furniture, fixtures and office equipment	Vehicles	Total
At cost:					
31 December 2007	52,012,454	229,750,476	163,810,088	17,242,053	462,815,071
Acquisitions	-	11,403,201	26,653,005	-	38,056,206
Disposal	-	-	(14,828,985)	-	(14,828,985)
31 December 2008	52,012,454	241,153,677	175,634,108	17,242,053	486,042,292

Accumulated depreciation:					
31 December 2007	-	118,733,600	127,456,615	8,312,638	254,502,853
Depreciation charged for the year	-	12,369,038	20,488,698	3,429,598	36,287,334
Disposal	-	-	(14,723,171)	-	(14,723,171)
31 December 2008	-	131,102,638	133,222,142	11,742,236	276,067,016
Net book value:					
31 December 2007	52,012,454	111,016,876	36,353,473	8,929,415	208,312,218
31 December 2008	52,012,454	110,051,039	42,411,966	5,499,817	209,975,276
Depreciation for the year:					
2007					32,743,476
2008					36,287,334

As at 31 December 2008, 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 (2007: Baht 134 million).

12. INTANGIBLE ASSETS

(Unit : Baht)

	Remaining period of amortisation	Balance beginning of the year	Increase	Amortisation	Balance end of the year
Deferred license fee	2 years	3,644,741	-	(1,110,576)	2,534,165
Application software	1 - 3 years	32,254,233	13,296,303	(13,110,954)	32,439,582
Total		35,898,974	13,296,303	(14,221,530)	34,973,747

Amortisation expenses included in the income statements for the year:

2007	11,304,572
2008	14,221,530

As at 31 December 2008, 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 45 million (2007: Baht 36 million).

13. OTHER ASSETS

The balances as at 31 December 2008 and 2007 consist of: -

	(Unit : Baht)	
	2008	2007
Payments for clearing fund	22,549,301	19,599,021
Asset for protecting the clearing system	13,009,500	11,372,173
Advanced payment	2,289,056	3,126,072
Accrued interest and dividend income	23,667,364	8,070,678
Accrued fee income	2,000,000	6,000,000
Prepaid expenses	7,065,995	5,532,391
Others	19,000,253	14,219,754
Total	89,581,469	67,920,089
Less: Allowance for loss on impairment	(1,148,219)	-
Total	88,433,250	67,920,089

14. SECURITIES AND DERIVATIVES BUSINESS PAYABLES

Below are details of securities and derivatives business payables as at 31 December 2008 and 2007.

	(Unit : Baht)	
	2008	2007
Securities business payables		
Cash accounts	340,415,732	926,387,452
Collateral payables	10,120,000	21,571,320
Securities borrowing payables	256,722,245	150,351,500
Derivatives business payables		
Derivatives business payables	526,500	5,557,400
Securities and derivatives business payables	607,784,477	1,103,867,672

As at 31 December 2008, securities business payables include collateral payables of approximately Baht 10.12 million (2007: 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 9.20 million (2007: Baht 17.19 million).

15. OTHER LIABILITIES

The balances as at 31 December 2008 and 2007 consist of: -

	(Unit : Baht)	
	2008	2007
Withholding tax payable	2,945,079	3,857,067
Value added tax payable	9,863,843	10,377,897
Other account payables	7,533,972	15,688,230
Others	12,525,263	2,486,022
Total	32,868,157	32,409,216

16. 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.

17. FEES AND SERVICES INCOME

	(Unit : Baht)	
	2008	2007
Underwriting fee	74,685,800	77,664,000
Financial advisory fee	143,873,388	66,891,823
Selling agent fee	51,495,855	75,516,617
Securities borrowing and lending fee	330,455	251,399
Total	270,385,498	220,323,839

18. 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 on monthly basis 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 2008, the Company contributed Baht 21.40 million (2007: Baht 20.07 million) to the fund.

19. DIVIDENDS

(Unit : Baht)

Dividends	Approved by	Total dividends	Dividend per share
Dividend from 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	213,500,000	1.00
Total dividend payment in 2007		<u>640,500,000</u>	<u>3.00</u>
Dividend on 2007 net income	Annual General Meeting of the shareholders on 23 April 2008	266,875,000	1.25
Interim dividend from the income of six-month period of 2008	Board of Directors' meeting on 18 August 2008	213,500,000	1.00
Total dividend payment in 2008		<u>480,375,000</u>	<u>2.25</u>

20. 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.

21. INCOME TAX

The income tax expenses for the years ended 31 December 2008 and 2007 are as follows:

(Unit : Baht)

	2008	2007
Income tax payable on taxable income for the year	117,915,316	153,257,599
Increase in deferred tax assets	(80,734,966)	(1,501,928)
Increase in deferred tax liabilities	7,456,335	890,436
Income tax expenses as included in income statements	<u>44,636,685</u>	<u>152,646,107</u>

As at 31 December 2008 and 2007 the aggregate current and deferred tax relating to items that are charged or credited to shareholders' equity were as follows:

(Unit : Baht)

	2008	2007
Deferred tax relating to revaluation surplus (loss) on investments	(18,207,556)	59,184,918

Reconciliation between income tax expense and the product of accounting profit multiplied by the applicable tax rate for the years ended 31 December 2008 and 2007 is as follows:

(Unit : Baht)

	2008	2007
Accounting income	251,943,619	637,634,672
Applicable tax rate of 25%	62,985,905	159,408,668
Net tax effect of non-deductible expenses (tax exempted revenue)	(18,349,220)	(6,762,561)
Income tax as included in income statements	44,636,685	152,646,107

As at 31 December 2008 and 2007 the components of deferred tax assets and deferred tax liabilities can be summarised as follows:

(Unit : Baht)

	2008	2007
Deferred tax assets		
Amortisation of intangible assets	8,461,308	5,715,494
Allowance for impairment of fixed assets	10,997,672	11,580,043
Allowance for impairment on investments	79,867,412	1,116,696
Revaluation loss on investment	18,207,556	-
Others	305,948	485,140
Total	117,839,896	18,897,373
Deferred tax liabilities		
Revaluation surplus on investment	-	(59,184,918)
Unrealised gain from revaluation securities borrowing	(6,998,277)	-
Others	(626,883)	(975,132)
Total	(7,625,160)	(60,160,050)
Deferred tax assets (liabilities) - net	110,214,736	(41,262,677)

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.

22. 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.

23. RELATED PARTY TRANSACTIONS

During the years, the Company had significant business transactions with related parties. Such transactions, which are summarised below, arose in the ordinary course of businesses and were concluded on commercial terms and bases agreed upon between the Company and those related parties.

	(Unit : Baht)		
	2008	2007	Transfer pricing policy
Transactions with the Company's directors			
Brokerage fees from securities business	849,612	3,167,174	0.10% of trading value in unit trust and 0.25% of trading value in securities
Brokerage fees from derivatives business	165,700	127,250	Normal rate charged to ordinary customers
Transactions with related parties			
Brokerage fees from securities business	110,086	469,434	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 2008 and 2007 between the Company and those related companies are as follows:

(Unit : Baht)

	2008	2007
The Company's directors		
Deposits for customers' accounts	2,630,288	4,263,464
Derivatives business receivables	6,000	-
Securities business payable	190,489	-

Directors and management's remuneration

In 2008, the Company paid salaries, bonus and compensations to their directors and management totaling Baht 95 million (2007: Baht 130 million).

24. COMMITMENTS AND CONTINGENT LIABILITIES

24.1 Commitments

- 1) As at 31 December 2008, the Company is required 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 2008, 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% of the trading volume.
- 3) As at 31 December 2008, 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 2008, 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%, 0.012% or 0.016% of its net settlements each month, depend on settlement risk of the Company.
- 5) As at 31 December 2008, 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% of the trading volume.

- 6) As at 31 December 2008, 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 2008, the Company is required to pay derivatives trading fee to the Thailand Futures Exchange Public Company Limited. The fee is charged at Baht 500,000 per annum and at the rate of Baht 2.45 to Baht 35 per derivatives contract.
- 8) As at 31 December 2008, the Company has commitment to pay certain settlement fee to Thailand Clearing House Company Limited. The fee is charged at Baht 300,000 per annum and at the rate of Baht 1.05 to Baht 15 per derivatives contract.
- 9) As at 31 December 2008, the Company has the following commitments in respect of derivative contracts:

SET 50 Index Futures

As at 31 December 2008, the Company has commitments in respect of SET 50 Index Futures contracts traded through the Thailand Futures Exchange for 348 contracts detailed below.

	Long position		Short position	
	Number of contracts	Cost* (Thousand Baht)	Number of contracts	Cost* (Thousand Baht)
Future contracts of March 2009	148	44,950	200	62,985
Total	148	44,950	200	62,985

* Delivery method of SET 50 Index Futures listed in TFEX is cash settlement. Real exposure is a difference between cost of futures and SET 50 Index level on settlement date.

SET 50 Index Options

As at 31 December 2008, the Company has commitments in respect of SET 50 Index Options contracts traded through the Thailand Futures Exchange for 60 contracts detailed below.

	Long position		Short position	
	Number of contracts	Cost* (Thousand Baht)	Number of contracts	Cost* (Thousand Baht)
Call options of March 2009	-	-	30	187
Put options of March 2009	30	144	-	-
Total	30	144	30	187

* Cost of positions is the premium paid (long position) and the premium received (short position) as at trade date.

24.2 Contingent liabilities - bank guarantees

As at 31 December 2008, there were outstanding bank guarantees of approximately Baht 6.3 million (2007: Baht 1.3 million), issued by the banks on behalf of the Company in respect of certain performance bonds as required in the normal course of business.

25. 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 2008 and 2007 of the Company by segment.

(Unit : Thousand Baht)

	Securities brokerage segment		Investment banking segment		Investments segment		Other segments		Total	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Revenues	887,558	1,143,300	249,212	154,464	155,978	130,786	30,232	36,268	1,322,980	1,464,818
Loss on impairment	-	-	-	-	(248,708)	-	(55,246)	-	(303,954)	-
Segment income (loss)	544,109	676,412	89,833	58,319	(135,036)	87,933	443	2,309	499,349	824,973
Unallocated income (expense):										
Other income									78,155	104,517
Operating expenses									(325,560)	(291,855)
Corporate income tax									(44,637)	(152,646)
Net income for the year									207,307	484,989

(Unit : Thousand Baht)

	Securities brokerage segment		Investment banking segment		Investments segment		Other segments		Total	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	Property, plant and equipment - net									
- allocated	33,177	36,296	13,143	16,461	7,608	6,176	3,006	5,307	56,934	64,240
- unallocated									153,041	144,072
Total									209,975	208,312
Unallocated assets									3,932,705	5,449,141
Total assets									4,142,680	5,657,453

26. FINANCIAL INSTRUMENTS

26.1 Financial risk management

The Company's financial instruments, as defined under Thai Accounting Standard No. 48 "Financial Instruments: Disclosure and Presentations", principally comprise cash and cash equivalents, deposits at financial institutions, investments, receivables from and payables to Clearing House, securities and derivatives business receivables and payables, and other derivatives assets and liabilities. 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)	
	2008	2007
Financial assets		
Cash and cash equivalents - promissory notes with maturity less than 3 months	600,000,000	1,000,000,000
Long-term deposits from financial institutions - net	-	100,000,000
Investment in debt securities	331,275,969	295,358,884
Receivables from Clearing House	51,915,114	20,261,160
Securities and derivatives business receivables	942,407,787	2,092,492,449
Other assets - other receivables	44,392,130	29,649,974

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 2008 and 2007 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)

	2008								
	Outstanding balances of financial instruments							Interest rate	
	Floating interest rate	Repricing or maturity dates					Total	(Percent)	
		At call	Less 1 year	1 - 5 years	Over 5 years	No interest		Floating rate	Fixed rate
Financial instruments - assets									
Cash and cash equivalents	353	600	-	-	-	175	1,128	0.75	2.60
Investments - net	-	-	331	-	-	1,245	1,576	-	1.90 - 5.63
Receivables from Clearing House	-	-	-	-	-	52	52	-	-
Securities and derivatives business receivables	-	-	-	-	-	942	942	-	-
Financial instruments - liabilities									
Payables to Clearing House	-	-	-	-	-	429	429	-	-
Securities and derivatives business payables	-	-	-	-	-	608	608	-	-

(Unit : Million Baht)

	2007								
	Outstanding balances of financial instruments							Interest rate	
	Floating interest rate	Repricing or maturity dates					Total	(Percent)	
		At call	Less 1 year	1 - 5 years	Over 5 years	No interest		Floating rate	Fixed rate
Financial instruments - assets									
Cash and cash equivalents	28	800	200	-	-	552	1,580	0.13 - 2.15	3.05 - 3.37
Long-term deposits at financial institutions	-	-	100	-	-	-	100	-	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	-	-

(Unit : Million Baht)

	2007								
	Outstanding balances of financial instruments							Interest rate	
	Floating interest rate	Repricing or maturity dates					No interest	[Percent]	
		At call	Less 1 year	1 - 5 years	Over 5 years	Total		Floating rate	Fixed rate
Financial instruments - liabilities									
Payables to Clearing House	-	-	-	-	-	798	798	-	-
Securities and derivatives business payables	-	-	-	-	-	1,104	1,104	-	-

LIQUIDITY RISK

The periods of time from the balance sheet date to the maturity dates of financial instruments as of 31 December 2008 and 2007 are as follows: -

(Unit : Million Baht)

	2008					
	Outstanding balances of financial instruments					
	At call	Within 1 year	1 - 5 years	Over 5 years	No maturity	Total
Financial instruments - assets						
Cash and cash equivalents	1,128	-	-	-	-	1,128
Investments - net	-	593	-	-	983	1,576
Receivables from Clearing House	-	52	-	-	-	52
Securities and derivatives business receivables	-	942	-	-	-	942
Financial instruments - liabilities						
Payables to Clearing House	-	429	-	-	-	429
Securities and derivatives business payables	-	608	-	-	-	608

(Unit : Million Baht)

	2007					
	Outstanding balances of financial instruments					
	At call	Within 1 year	1 - 5 years	Over 5 years	No maturity	Total
Financial instruments - assets						
Cash and cash equivalents	1,380	200	-	-	-	1,580
Long-term deposits at financial institutions	-	100	-	-	-	100
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

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 2008 and 2007 are summarised below: -

Foreign Currency	Financial assets		Financial liabilities		Average exchange rate as at	
	2008	2007	2008	2007	2008	2007
US dollar	13,604,750	5,585	22,703	21,870	34.8977	33.7185
Hongkong dollar	-	-	118,442	118,442	4.5015	4.3216
Euro	3,066,366	-	-	-	49.2015	-
JPY	184,216,081	-	-	-	0.3859	-

FINANCIAL DERIVATIVES INSTRUMENTS

As of 31 December 2008, the fair values of off-balance sheet financial derivatives as presented in the Company's accounts are as follows:

(Unit : Thousand Baht)

	Remaining period before maturity date			Total
	1 - 6 months	6 months - 1 year	Over 1 years	
SET 50 Index Futures				
Long position	45,673	-	-	45,673
Short position	61,720	-	-	61,720
SET 50 Index Call Options				
Short position	211	-	-	211
SET 50 Index Put Options				
Long position	126	-	-	126

26.2 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 and derivatives, 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.

27. CAPITAL MANAGEMENT

The primary objectives of the Company's capital management is to ensure that it has an appropriate financing structure, to preserve the ability to continue its business as a going concern and to maintain net capital in accordance with the rules laid down by the Office of the Securities and Exchange Commission.

28. SUBSEQUENT EVENTS

The meeting of the Company's Board of Directors, held on 21 February 2009, had proposed the additional dividend payment of Baht 1 per share or total Baht 213.5 million from the unappropriated retained earnings which were Baht 440 million as of 31 December 2008. This is the additional dividend payment to the interim dividend payment at Baht 1 per share or Baht 213.5 million in total paid on 16 September 2008. Therefore, the Company will pay dividend for the whole year 2008 at Baht 2 per share. The Company's Board of Directors will propose the additional dividend payment of Baht 1 per share, a total of Baht 213.5 million for approval by the Annual General Meeting of the Company's shareholders, which will be held on 23 April 2009, and payment will be on 11 May 2009.

29. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were authorised for issue by the Company's Board of Directors on 21 February 2009.

A large, intricate, light blue decorative border with a repeating floral and scrollwork pattern surrounds the central text. The border is symmetrical and has a scalloped, diamond-like shape.

**Phatra Securities
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