

Management's discussion and analysis of financial position as of June 30, 2010 and performance in 2Q2010 (Unaudited)

Performance Overview

Despite political turbulence during 2Q2010, the average daily turnover rose to Baht 23,493.44 million which was 8.14% higher than that of 2Q2009. The company recorded 2Q2010 net profits of Baht 91.58 million which increased for Baht 25.66 million from Baht 65.92 million in 2Q2009. This was attributed mainly by an increase in revenues from investment banking. However, the revenue from securities businesses in 2Q2010 was lower than 2Q2009 due to the amendment of trading commission structure effective from 1 Jan. 10, as part of securities brokerage industry's liberalization, resulting in lower effective commission.

Business Overview

- Securities Market: Total market turnover on the SET and MAI in 2Q2010 was Baht 1,315,632.7 million, an increase of Baht 55,588.7 million or 4.41% from Baht 1,260,044.0 million in 2Q2009. Average SET and MAI daily turnover in 2Q2010 was high at Baht 23,493.4 million compared to Baht 21,724.9 million in 2Q2009. The mix of SET market segments for 2Q2010 was 22.1% Foreign, 7.4% Local Institutions, 13.1% Proprietary Trading and 57.4% Local Individual, changed from 18.1% Foreign, 6.3% Local Institutions, 13.2% Proprietary Trading, and 62.4% Local Individual in 2Q2009.
- Securities Brokerage Business: Excluding the volume from proprietary trading, the overall market share of the company in 2Q2010 was 4.71% increase from 3.93% in 2Q2009. Total trading volume of the company was Baht 110,627.1 million, an increase of Baht 11,530.3 million or 11.64% from Baht 99,096.8 million in 2Q2009. The change in volume was over than that of market turnover due to an increase in market share.
- Derivatives Market: the trading volume of all derivatives instruments on the TFEX in 2Q2010 totaled 1,018,043 contracts or average trading volume of 18,179 contracts per day, an increase of 41.98% from 2Q2009 average volume of 12,804 contracts per day. The increase in trading volume was mainly from local institution and local individual segments.
- Derivatives Business: the Company's TFEX market share in 2Q2010 was 2.94% fell from 4.02% in 2Q2009. This was due mainly to lower trading activities in foreign and local individual segments.
- Investment Banking Business: the Company completed deals in both capital market and financial advisory transactions in 2Q2010 with size larger than those in 2Q2009.
- Investment Management Business: Total private client & provident funds under management was Baht 13,347.4 million, increased from Baht 11,327.5 million in 2Q2009 due to upturn in provident fund business.

Analysis of the Operating Results for 2Q2010

Revenues

Unit: Million Baht	2Q2010		2Q2009	
Brokerage fees from securities business	207.09	59.74%	221.17	75.12%
Brokerage fees from derivatives business	16.72	4.82%	19.91	6.76%
Fees and services income	100.55	29.00%	39.29	13.34%
Gain (Loss) on trading in securities and derivatives	2.76	0.80%	0.92	0.31%
Interest and dividend	8.88	2.56%	7.06	2.40%
Interest on margin loans	4.87	1.40%	5.52	1.88%
Other income	5.81	1.68%	0.56	0.19%
Total revenues	346.68	100.00%	294.43	100.00%

- Brokerage fees from securities business: A decrease of Baht 14.08 million or 6.37% in brokerage fees was due to the low effective commission rate from the amendment of trading commission structure even though our trading volume in 2Q2010 was higher than the same period last year.
- Brokerage fees from derivatives business: The Company recorded a brokerage fees from derivatives business of Baht 16.72 million which was lower than Baht 19.91 million in 2Q2009 for Baht 3.19 million or 16.02% due to our lower market share.
- Fees and services income: Total amount of Baht 100.55 million was sharply higher than Baht 39.29 million from the same period last year due primarily to higher fees generated from investment banking business.
- Gain (Loss) on trading in securities and derivatives: A net gain of Baht 2.76 million was mainly from realized gains from trading activities.
- Other income: An increase of Baht 5.25 million was mainly resulted from gains on sales of equipment.

Expenses

Unit: Million Baht	2Q2010		2Q2009	
		% of Revenues		% of Revenues
Expenses on borrowing	2.64	0.76%	2.03	0.69%
Fees and services expenses	23.73	6.84%	21.89	7.44%
Bad debt and doubtful accounts (reversal)	(0.97)	(0.28%)	1.10	0.37%
Operating expenses	200.90	57.95%	182.90	62.12%
-Personnel expenses	141.41	40.79%	132.92	45.15%
-Premises and equipment expenses	32.00	9.23%	32.26	10.96%
-Taxes and duties	1.71	0.49%	1.63	0.55%
-Directors' remuneration	8.07	2.33%	7.04	2.39%
-Other expenses	17.71	5.11%	9.05	3.07%
Total expenses	226.30	65.27%	207.92	70.62%

- Bad debt and doubtful accounts (reversal): A negative provision in 2Q2010 was the result of the reversal provision from some securities business receivables.
- Operating expenses: An increase of Baht 18.0 million or 9.84% compared to the same period last year was led by increase in personnel expenses and other expenses which were in line with the increase in revenues and gross profits.

Important financial ratios

	2Q2010	2Q2009
Gross profit margin	92.55%	91.48%
Net profit margin	26.42%	22.39%
Return on equity*	6.02%	4.92%
Basic earnings per share	Baht 0.51	Baht 0.37

* Return on equity for the period only, not annualize

- Gross profit margin in 2Q2010 was 92.55%, increased from 91.48% in 2Q2009 as a result of higher revenue generated from investment banking business. Net profit margin was also higher respectively.
- The higher return on equity and basic earnings per share in 2Q2010 was due to higher net profit compared to 2Q2009.

1H2010 and 1H2009 Performance Overview

SET Index advanced 8.55% from 734.54 at December 30, 2009 to close at 797.31 at June 30, 2010. High market trading activities in both 1Q2010 and 2Q2010 was bringing the average daily turnover in the first half of 2010 to Baht 21,440.8 million which was 39.05% higher than the same period last year. The company recorded 1H2010 net profits of Baht 170.28 million which increased for Baht 103.71 million or 155.79% from Baht 66.57 million in 1H2009. This was attributed mainly by an increase in revenues from securities and derivatives brokerage businesses and investment banking.

Business Overview

- Securities Market: Total market turnover on the SET and MAI in 1H2010 was Baht 2,530,018.6 million, an increase of Baht 730,038.2 million or 40.56% from Baht 1,799,980.4 million in 1H2009. Average SET and MAI daily turnover in 1H2010 was Baht 21,440.8 million compared to Baht 15,420.0 million in 1H2009. The mix of SET market segments for 1H2010 was 22.2% Foreign, 7.6% Local Institutions, 13.8% Proprietary Trading and 56.4% Local Individual, changed from 19.8% Foreign, 6.8% Local Institutions, 13.2% Proprietary Trading and 60.2% Local Individual in 1H2009.
- Securities Brokerage Business: Excluding the volume from proprietary trading, the overall market share of the company was 4.75%, up from 3.92% in 1H09. Total trading volume of the company was Baht 211,288.8 million, an increase of Baht 70,021.6 million or 49.57% from Baht 141,267.2 million in 1H2009. The change in volume was over than that of market turnover due to an increase in market share.
- Derivatives Market: the trading volume of all derivatives instruments on the TFEX in 1H2010 totaled 1,923,196 contracts or average trading volume of 16,298 contracts per day, an increase of 55.43% from 1H2009 average volume of 10,486 contracts per day. The increase in trading volume was mainly from local institutional and local individual segments.
- Derivatives Business: the Company's TFEX market share in 1H2010 was 2.93% fell from 4.30% in 1H2009. This was due mainly to lower trading activities in foreign and local individual segments.
- Investment Banking Business: the Company completed larger-sized deal in both capital market and financial advisory transactions in 1H2010. While, the Company was not able to complete a major capital market deals in 1H09
- Investment Management Business: Total private client & provident funds under management was Baht 13,347.4 million, increased from Baht 11,327.5 million in 1H2009 due to upturn in provident fund business.

Analysis of the Operating Results for 1H2010

Revenues

Unit: Million Baht	1H2010		1H2009	
Brokerage fees from securities business	398.25	56.83%	314.98	72.77%
Brokerage fees from derivatives business	33.86	4.83%	36.45	8.42%
Fees and services income	230.48	32.89%	51.73	11.95%
Gain (Loss) on trading in securities and derivatives	4.46	0.64%	1.44	0.33%
Interest and dividend	17.57	2.51%	14.76	3.41%
Interest on margin loans	8.95	1.28%	12.64	2.92%
Other income	7.17	1.02%	0.86	0.20%
Total revenues	700.74	100.00%	432.86	100.00%

- Brokerage fees from securities business: An increase of Baht 83.27 million or 26.44% in brokerage fees was due to an increase in total market turnover and our higher market share compare to the same period last year.
- Brokerage fees from derivatives business: The Company received brokerage fees from derivatives business of Baht 33.86 million which was lower than Baht 36.45 million in 1H2009 for Baht 2.59 million or 7.11% due to our lower market share.
- Fees and services income: Total amount of Baht 230.48 million was higher than Baht 51.73 million from the same period last year due primarily to higher fees generated from investment banking business.
- Gain (Loss) on trading in securities and derivatives: A net gain of Baht 4.46 million was mainly from realized gains from trading activities.
- Interest on margin loans: A decrease of Baht 3.69 million was mainly resulted from lower interest earned.
- Other income: An increase of Baht 6.31 million was mainly resulted from gains on sales of equipment.

Expenses

Unit: Million Baht	1H2010		1H2009	
		% of Revenues		% of Revenues
Expenses on borrowing	5.35	0.77%	4.32	1.00%
Fees and services expenses	46.42	6.62%	37.75	8.72%
Bad debt and doubtful accounts (reversal)	24.17	3.45%	1.27	0.29%
Operating expenses	399.45	57.00%	301.94	69.76%
-Personnel expenses	276.61	39.47%	201.70	46.60%
-Premises and equipment expenses	63.22	9.02%	64.44	14.89%
-Taxes and duties	3.86	0.55%	3.57	0.82%
-Directors' remuneration	15.91	2.27%	14.96	3.46%
-Other expenses	39.85	5.69%	17.27	3.99%
Total expenses	475.39	67.84%	345.28	79.77%

- Fees and services expenses: A net increase of Baht 8.67 million was primarily from the increases in market-related fees which varied in accordance with volume in brokerage business.
- Bad debt and doubtful accounts (reversal): A net increase in provision of Baht 22.90 million was due to specific provision made on credit balance account as incurred in 1Q2010.
- Operating expenses: An increase of Baht 97.51 million or 32.29% compared to the same period last year was led by increase in personnel expenses and other expenses which were in line with the increase in revenues.

Important financial ratios

	1H2010	1H2009
Gross profit margin	89.05%	89.97%
Net profit margin	24.30%	15.38%
Return on equity*	11.50%	4.94%
Basic earnings per share	Baht 0.95	Baht 0.37

* Return on equity for the period only, not annualize

- Gross profit margin in 1H2010 was 89.05%, decreased from 89.97% in 1H2009 due mainly to provision for bad debt and doubtful accounts as incurred in 1Q2010. However, net profit margin was higher from the same period last year due to higher revenues.
- The higher return on equity and basic earnings per share in 1H2010 was due to higher net profit compared to 1H2009.

Analysis of the Financial Position

Assets

Unit: Million Baht	30-Jun-10	31-Dec-09
ASSETS		
Cash and cash equivalents	813.98	1,233.88
Investments in debt and equity securities - net	224.81	196.15
Receivables from Clearing House	1,208.79	114.79
Securities and Derivatives business receivables - net	1,352.57	1,057.12
Derivative asset	0.20	0.15
Equipment – net	49.75	52.46
Intangible assets – net	24.31	23.87
Deferred tax assets	13.55	8.80
Other assets – net	98.33	86.90
TOTAL ASSETS	3,786.29	2,774.12

- Investments in debt and equity securities: Total amount of Baht 224.81 million was higher than Baht 196.15 million by Baht 28.66 million. This was mainly due to increase in holding of debt securities for treasury purpose.
- Receivables from Clearing House and Securities and Derivatives business receivables: At June 30, 2010, the Company registered these items at the total amount of Baht 2,561.36 million, a Baht 1,389.45 million increase from those of December 31, 2009. The settlement receivables are subject to daily market turnover at the end of each period, which is normally volatile as a nature of securities business.
- Other Assets – net: At June 30, 2010 Other Assets increased from December 31, 2009 by Baht 11.43 million, mainly due to increase in account receivables our business activities.

Liabilities

Unit: Million Baht	30-June-10	31-Dec-09
LIABILITIES		
Payable to Clearing House	-	106.79
Securities and Derivatives business payables	2,049.83	815.92
Accrued employee expenses	123.39	139.88
Corporate income tax payable	53.27	47.45
Derivatives liabilities	-	-
Other liabilities	83.59	180.21
Total liabilities	2,310.08	1,290.25

- Payable to Clearing House and Securities and Derivatives business payables: The combined amount of these items was Baht 2,049.83 million at June 30, 2010, a net increase of Baht 1,127.12 million from December 31, 2009. These items are subject to daily market turnover at the end of each period, which is normally volatile as a nature of securities business.
- Accrued employee expenses: At June 30, 2010 accrued employee expenses decreased from December 31, 2009 by Baht 16.49 million, mainly due to a significant portion of accrued staff incentives and bonus which was due during 1Q2010.
- Corporate income tax payable: Total amount of Baht 53.27 million was higher than Baht 47.45 million as of December 31, 2009 due to high net profit in 1H2010.
- Other liabilities: Total amount of Baht 83.59 million was lower than Baht 180.21 million due to lower outstanding trade payable from fixed income dealing activities compared to December 31, 2009.

Shareholders' equity

Unit: Million Baht	30-June-10	31-Dec-09
Shareholders' equity		
Share capital	360.00	360.00
Premium on share capital	557.83	557.83
Unrealised gains (losses)		
Revaluation deficit on changes in value of investments - Net	1.56	(0.51)
Statutory reserve	36.00	36.00
Retained earnings	520.82	530.55
Total shareholders' equity	1,476.21	1,483.87

- Shareholders' equity: As of June 30, 2010, the Company's shareholders' equity was Baht 1,476.21 million, decreased from the balance at the year-end of 2009 for Baht 7.66 million due mainly to the payment of FY2009 dividends which were made during 1H2010.

Analysis of Cash Flow Position

Unit: Million Baht	1H2010	1H2009
Beginning cash and cash equivalents	1,233.88	704.50
Net cash flows from (used in) operating activities	(237.07)	355.90
Net cash flows from (used in) investing activities	(2.83)	(6.35)
Net cash flows from (used in) financing activities	(180.00)	(126.00)
Total net cash flows for the period	(419.90)	223.55
Ending cash and cash equivalents	813.98	928.05

Net cash flow from operations was negative flow of Baht 237.07 million in 1H2010 compared to positive flow of Baht 355.90 million in 1H2009. The negative flow was driven by higher working capital required for trading transactions occurred during the end 1H2010, the increase in credit balance loan outstanding and adjustment of investments in treasury position. Net cash flows generated from investing activities were an outflow of Baht 2.83 million due to capital expenditures. Net cash flows generated from financing activities was outflow of Baht 180.00 million due to dividend of year 2009 which was paid in 1H2010, and the amount was higher than that of year 2008 which was paid in 1H2009. As a result, ending cash and cash equivalents balance was decreased from Baht 1,233.88 million from the beginning of the period to Baht 813.98 million.