

The company has been accepted to be the leader for our innovation to increase more investment channels; we have spent more than 10 years preparing for derivatives products. The major shareholder, the KGI Group has also helped by transferring knowledge and technology to the Company. The KGI Group sent derivatives experts to train our staff to be ready for this new market in Thailand. At the same time, the Company sent staff to its related companies in Taiwan and Hong Kong to closely study their sophisticated derivatives markets. In 2005, we are the first broker who already launched ELN in Thailand market, our ELN is combined by equity derivatives and short-term commercial paper together. It sounds successfully among institutional investors who need to enhance their yield on investment. Now we are preparing to structured notes, equity derivatives & bond, in order to serve client's needs. Additionally, we also provide OTC (Over-the-counter) products to institutional clients, for the year 2006, we have a strong belief that the OTC market will grow together with Futures market (TFEX).

1. OTC Derivatives

The Company is adopting the same program and software as used in Taiwan and Hong Kong. The software is widely recognized in developed derivatives markets in many countries and should be effective in the Thai market as well. Such system will greatly enhance the risk management capability of the Company in hedging our derivatives positions. The Company is ready to provide services relating to derivatives products to clients. At the moment, we focus mainly on institutional clients who clearly understand the risks and rewards of such products.

1.1. OTC Derivatives

OTC Derivatives products are tailor-made, and designed according to client's request. The clients may choose to invest in derivatives for two purposes: a). to reduce risk; and b). to enhance return on their investment portfolio.

- a). Most of the clients who wish to reduce risk of their portfolio are long term equity investors. They'd like to protect against loss on their portfolio by, for example, buying (long) put options.

A put option grants buyer the right to sell stock at agreed price (strike price) at the specified time. Therefore, if market price of such equity is lower than the strike price, buyer has the right to sell such equity at a higher price than the market price

- b). Clients who want to enhance return on investment may buy call options which requires less investment than buying the stock directly. With this leverage, the return on investment in call options can be much higher than the return on investment in stock.

A call option gives the holder a right to buy the underlying stock at the agreed price (strike price) and time. If the stock price increases and exceeds the strike price, call option holder can buy the stock at the agreed price which is lower than the market price of the stock.

The Company would in return reduce its risk by hedging its exposure.

Apart from the basic option as mentioned earlier, the Company plans to provide more complex derivatives to match clients' risk and return profiles in the future. The Company will regularly organize training/seminars to ensure that our clients thoroughly understand the products before investing in equity derivatives with us and that our equity derivatives products would help reduce risk and/or enhance return of clients' portfolio.

1.2. Structured Products

Beginning year 2004, the Company focused on developing structured products which combines equity derivatives with money market instruments to serve those clients who want to invest in both equity market and money market. In this first stage, the Company plans to offer two types of structured products exclusively to institutional clients who have good understanding and knowledge of derivatives. The two structured products are:

- 1.2.1 Principal Protected Note: To serve the needs of clients who require principal protection on their investment (can not tolerate loss), and also a high return from investment in equity market;
- 1.2.2 Equity Linked Note (ELN): To serve the needs of the clients who prefer investment in short term money market with high yield and who can invest in equity market. At present, we provide ELN with maximum term of 270 days, whose return is linked to the price of a SET-listed stock with good fundamental and high trading volume (Blue chip Stock).