

ANNUAL REPORT 2002

KIATNAKIN FINANCE PUBLIC COMPANY LIMITED

KIATNAKIN...

Strong and Dynamic

MISSION STATEMENT :

To be a solid and independent financial institution operating with highest efficiency possible for the benefit of all stakeholders, utilizing human resources program with state of the art technology in providing the highest level of services quality possible to customers without neglecting the social responsibility.

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Financial Highlights

Consolidated Financial Statement	Amount Unit: Million Bath			Changes from Previous year (%)	
	2002	2001	2002	2002	2001
Total Assets	37,851	37,489	35,701	1	5
Total Assets*	37,628	36,763	35,944	2	2
Total Liabilities	27,913	27,784	26,885	1	3
Shareholders' Equity	9,938	9,704	8,816	2	10
Shareholders' Equity*	9,903	8,270	6,764	20	22
Total Revenue	4,245	4,941	7,588	(14)	(35)
Total Expense	2,777	3,295	4,352	(16)	(24)
Minority Interest, NET	62	257	423	(76)	(39)
Net Profit (Loss)	1,406	1,389	2,813	1	(51)
Unrealized loss in Financial Claim Recorded in Shareholder's Equity	(575)	(832)	(1,474)	31	44

Financial Ratio	2002	2001	2002
Return on Equity (%)	14.32%	15.00%	36.75%
Return on Equity (%)*	15.47%	18.48%	51.81%
Return on Asset (%)	3.73%	3.80%	7.92%
Return on Asset (%)*	3.78%	3.82%	8.28%
Tier 1 and Tier 2 Capital Ration (%)	30.32%	26.77%	24.78%
Earning per share (Baht)	4.25	4.59	10.98
Book Value (Baht)	28.36	27.32	22.40
Dividend (Baht)	Under Consideration	2.00	1.50

Remark * Unconsolidated

Message from the Board of Directors

Dear Shareholders,

In 2002, Thailand had witnessed an economic improvement as GDP expanded by 5.0 %. The major driving forces have been the surge in net exports and domestic consumption. The later has been fueled primarily by various government stimulus policies and packages. However, concerns over war in the Middle East have impacted the recovery, not only Thailand but throughout 2003. Aside from the export sector, which depends mostly on global economy, domestic is still high and as a result, commercial banks as a whole is still reluctant to provide credit facilities.

Noticeably, 2002 was the first year since the crisis that the financial institutions had seen an increase in net loan outstanding, which increased by 3.2%. The 37.8% increase in sale of automobile, sudden increase in demand for new houses, expansion in consumer credit, and sparse of new investment have contributed to the rise. Although the government welcomes the increase in spending, it sees the need to curtail the over expansion in consumer credit. Toward the end of the year, the new law was adopted to regulate the interest rate charges on credit card and the minimum salary requirement for credit card applicant.

For Kiatnakin, we are able to sustain a steady level of profitability from the expansion of residential project financing and automobile hire purchase lending, the successful workout of the distressed assets, and the reduction in borrowing cost. Our business strategy is to target small to medium companies and entrepreneurs whom banks mostly ignore. Admittedly, such strategy posts significant challenge to our lending policies, risk management, capital and reserves requirement. The management, however, believes that to be competitive and successful, the company must differentiate itself from others by focusing on narrow field of lending as oppose to general lending. Thorough understanding of the risk and reward associate with client business, meeting client financial requirement, providing client with market information, assisting client in product sale and advertising, are among the identified keys to our business success.

Concerted efforts were still being made in restructure all the financial claims acquired from the auction and we were able to make a satisfactory level of progress throughout the year. We were also able to expand our hire purchase lending by making an additional Baht 3,000 million loan over the year, mostly in used cars.

On borrowings, our policy has been to tap long-term source of funds with a reasonable rate to maintain an acceptable gap with the other side of the equation. A suitable liquidity level was also maintained to facilitate the needs of overall business activities.

To support the implementation of the business strategy, Kiatnakin has reorganized into 5 units - 3 businesses and 2 supports, each with separate Managing Director. These units are Real Estate Lending, Corporate Lending, Consumer Lending, Central Support, and Treasury and Funding. A Credit Risk Management Unit has also been set up to ensure that all credits are being monitored efficiently and effectively. The new formation will enhance the independence, flexibility, accountability and concentration on the focused business. In addition, our subsidiary, Kiatnakin Securities has set up a joint venture company with Devonshire Capital Pte Limited. The new venture will focus on the investment banking business. It has also opened 6 additional brokerage offices making the total of 19 offices countrywide.

At the end of the year, our total assets stood at Baht 37,851 million, an increase of Baht 362 million, of a growth of 1% from the same period last year, However, our total loan has increased to Baht 14,329 million, a growth of Baht 4,134 million, or 40.5%. Total equity was recorded at Baht 9,903 million with the net profit of Baht 1,406 million or earnings per share of Baht 4.25. Dividend payment in 2002 was Baht 2.0 per share. We strived to sustain similar performance compared to those of 2001 through replacing our investment in distressed assets with new lending businesses.

It is expected that consumers loan growth will continue throughout 2003 with the continuation of various stimulus policies and packages from the government. Growth in other real sectors is expected to gradually recover. We will still expand our residential project financing, hire purchase financing and will start to grow other commercial loans to medium size business. These business will be the major base for our source of income, going forward. Financial claims will gradually be managed down. But by the sheer size of these investments, it is prudent to maintain a rather long-term maturity of funding mix as well as a higher than normal level of equity to prevent us from any unforeseen adverse situation. We still strictly comply with the official regulations in order to enhance good corporate governance. As a result we have established the investor relation units to ensure that all communication is carried out efficiently with shareholders, investor as well as analysts.

Finally, on behalf of management and employees, we would like to extend our sincere appreciation to all of our clients, shareholders, and business partners for continuous supports.

The Board of Directors

Report from the Audit Committee

Dear Shareholders,

The Audit Committee was appointed in November 1999 by the Board of Directors' resolution. On the 19 November 2002, the terms of office of all three members of the Committee expired, and they were re-appointed. As specified by the Securities Exchange of Thailand, the term of office of each member is three years. The Audit Committee abides by its Charter, which clearly describes the extent of its authority in order to enhance good corporate governance and to induce effective and efficient performance. The Committee comprises three independent directors and meets at least once or more if necessary in every three-month. The Senior Executive of Internal Audit Office is the secretary of the Committee.

The Audit Committee is responsible to the Board of Directors for the preparation and the accuracy, completeness, and reliability of disclosure of financial statements. The Committee is also responsible for recommending external auditors as well as their remuneration to the Board in order to propose for the appointment in the shareholders' annual meeting. The Committee also has its responsibility to ensure that all activities comply with the related law and regulations and refrain from conflicts of interest. The Committee also has its responsibility for supervising and commenting the operation of the Internal Audit Office as well as for giving concurrence of the annual internal audit plan.

The Committee reviewed the financial reports of the fiscal year 2002. The meeting with Internal Auditors, External Auditor and executives was held to consider the audit outcome, to review the internal control systems of the Internal Audit Office and to ensure that its operation was comply with the law and regulations. In 2002, the focus was on the review of lending, the risk management as guided by the government authorities, the review of information and computer systems, and the enhancement and support of the corporate governance.

The performance of the Company in the fiscal year 2002 was justified. Neither anomalous operation was found nor substantial modification was needed. Moreover, the Audit Committee has quarterly prepared reports to the Board and has disclosed in the Company's annual report. With the approval of the Audit Committee, PricewaterhouseCoopers ABAS Company Limited is nominated as the Company's auditor for the fiscal year 2003.

Tarnin Chirasoonton
Chairman of the Audit Committee

Kiatnakin's Board of Directors

1. Mr. Supol Wattanavekin
Chairman
Education Master of Management, Sasin Graduate Institute of Business Administration of Chulalongkorn University
Certificate Chairman 2000
Thai Institute of Directors (IOD)
Experience 2000 - Present Chairman,
Kiatnakin Finance Public Company Limited.
2. Mr. Vichien Jearkjirm
Vice-Chairman
Education Master of Business Administration (Finance)
Indiana University, USA
Certificate Directors Certificate Program (DCP12/2001)
Thai Institute of Directors (IOD)
Experience 2002 - Present Vice-Chairman,
Kiatnakin Finance Public Company Limited.
2002 - Present Chairman,
Kiatnakin Securities Company Limited.
3. Mr. Tarnin Chirasoonton
Chairman of the Audit Committee,
Independent Director
Education Bachelor of Law, Ramkhamhaeng University
Certificate Directors Certificate Program (DCP10/2001)
Thai Institute of Directors (IOD)
Experience 1998 – Present Chairman of the Audit Committee,
Independent Director,
Kiatnakin Finance Public Company Limited.
4. Mr. Pichai Dachanapirom
Member of the Audit Committee,
Independent Director
Education Bachelor of Accountancy, Thammasart University.
Experience 1994-Present Member of the Audit Committee,
Independent Director,
Kiatnakin Finance Public Company Limited.
1998-Present Director,
Dharmaniti Auditing Company Limited.
5. Mr. Somboon Chaidechsuriya
Member of the Audit Committee,
Independent Director
Education Bachelor of Law, Thammasart University
Experience 2001-Present Member of the Audit Committee,
Independent Director,
Kiatnakin Finance Public Company Limited.
1999-Present Member of the Audit Committee,
Independent Director,
Amarin Plaza Public Company Limited.

Kiatnakin's Board of Directors

6. Mr. Chet Pattrakornkul
Managing Director, Consumer Lending
Education Master of Marketing (Certificate program),
Thammasart University
Certificate Directors Certificate Program (DCP9/2001)
Thai Institute of Directors (IOD)
Experience 2002-Present Managing Director,
Kiatnakin Finance Public Company Limited
7. Mr. Pravit Varutbangkul
Managing Director, Central Support
Education MBA, Operation Research, University of Santa Clara,
California, USA.
Certificate Directors Certificate Program (DCP5/2001)
Thai Institute of Directors (IOD)
Experience 2002-Present Managing Director,
Kiatnakin Finance Public Company Limited,
8. Mr. Sarawut Charuchinda
Managing Director, Corporate Lending
Education Master of Business Administration,
University of Mississippi, Mississippi, USA.
Experience 2002-Present Managing Director,
Kiatnakin Finance Public Company Limited.
9. Mr. Tawatchai Sudtikitpisan
Managing Director, Real Estate Lending
Education Master of Business Administration,
Master of Science-Electrical Engineering,
The University of Texas at Austin
Experience 2002-Present Managing Director,
Kiatnakin Finance Public Company Limited.
10. Ms. Thitinan Wattanavekin
Managing Director, Treasury and Funding
Education Master of Management, Sasin Graduate
Institute of Business Administration of
Chulalongkorn University
Certificate Directors Certificate Program (DCP1/2002)
Thai Institute of Directors (IOD)
Experience 2002-Present Managing Director,
Kiatnakin Finance Public Company Limited.

1. General Information

1.1 General Information / Other References

Company :	Kiatnakin Finance Public Company Limited
Head Office:	Bangkok
Address:	12th Floor, Amarin Tower, 500 Ploenchit Road, Pathumwan, Bangkok 10330
Nature of Business:	Finance (with all type of licenses from the Ministry of Finance)
Registration Number:	172
Telephone:	0 2680 3333
Fax:	0 2256 9933 , 0 2680 3000
Web site:	http:// www.kiatnakin.co.th
No. of ordinary shares sold:	349,174,846 shares as of December 31,2002
Registrar:	Thailand Securities Depository Company Limited
Address:	4th Floor, 6-7 Stock Exchange of Thailand Building, 62 Rachadapisek Road, Klongtoey, Bangkok 10110
Telephone:	0 2229 2800 , 0 2654 5599
Fax:	0 2359 1259 Call Center 0 2229 2888
Shareholder's Representative:	None
Auditor:	Suchart Luengsurawat: Price waterHouseCooper ABAS Ltd, 15th Floor, Bangkok City Tower 179/74-80 South Sathorn Road, Bangkok 10120
Telephone:	0 2286 9999
Fax:	0 2286 5050
Legal Adviser:	None
Consultant / Manager under Contract Audit Committee:	None

1.1 Juristic Entities in which the Company holds 10%

Company	Nature of Business	% Shares owned by Company	No. of ordinary Shares issued (Shares)
1. Chiangmai Yarnyon 1993 Co., Ltd. 244/1 Wuaalaai Road, Haiya, Amphur Muang, Chiang Mai 50100 Tel. 0 5328 1836 Fax. 0 5320 2815	Car Dealer	10	6,500
2. Chatabud Co., Ltd. 1550 New Petchburi Road, Makasan, Ratchatevee, Bangkok 10320 Tel. 0 2652 8899 Fax. 0 2234 5095	Real Estate	10	100,000
3. BTM Leasing (Thailand) Co., Ltd. 4th Floor, Harindhorn Tower, 54 North Sathorn Road, Silom, Bangrak, Bangkok 10500 Tel. 0 2266 3060 Fax. 0 2266 3067	Leasing	10	600,000
4. Attakorn Co., Ltd. 180, 182, 184 Niphath Uthit 1 Road, Hadyai, Songkhla 90110 Tel. 0 7435 4334-5 Fax. 0 7435 4336	Hire purchase	10	800,000
5. Kiatnakin Securities Co., Ltd. 7th Floor, Amarin Tower, 500 Ploenchit Road, Pathumwan, Bangkok 10330 Tel. 0 2256 9898-9 Fax. 0 2256 9787	Securities	99.99	65,000,000
6. Radabatun Finance Public Company Limited. 971,972 President Tower, 10th floor (Room 123) Ploenchit Road, Pathumwan, Bangkok 10330 Tel. 0 2652 1166 Fax. 0 2652 1177	Finance	99.99	50,000,000
7. Kiatnakin Fixed Income Fund Tisco Asset Management Co., Ltd. 9th Floor Tisco Tower 48/16-17 North Sathorn, Sathorn, Bangkok 10120 Tel. 0 2633 7777 Fax. 0 2633 7000	Fund Management	10.33	7,221,224

company	Nature of Business	% Shares owned by Company	No. of ordinary Shares issued (Shares)
<p>8. Asia Recovery 1 Fund Thai Farmers Asset Management Co., Ltd. 252/38-41 Maungthai – Patra Tower 1, 31st Floor, Rachadaphisek, Huaykwang, Bangkok 10320 Tel. 0 2276 2233 Fax. 0 2276 2239</p>	Fund Management	99.95	149,167,908
<p>9. Asia Recovery 2 Fund Thai Farmers Asset Management Co., Ltd. 252/38-41 Maungthai – Patra Tower 1, 31st Floor, Rachadaphisek, Huaykwang, Bangkok 10320 Tel. 0 2276 2233 Fax. 0 2276 2239</p>	Fund Management	99.59	280,185,741
<p>10. Asia Recovery 3 Fund Thai Farmers Asset Management Co., Ltd. 252/38-41 Maungthai – Patra Tower 1, 31st Floor, Rachadaphisek, Huaykwang, Bangkok 10320 Tel. 0 2276 2233 Fax. 0 2276 2239</p>	Fund Management	99.97	219,244,959
<p>11. Thai Restructuring Mutual Fund One Asset Management Co., Ltd. 24th Floor, Siam Tower, 989 Rama 1 Road, Pathumwan, Bangkok 10330 Tel. 0 2659 8888 Fax. 0 2659 8860-1</p>	Fund Management	98.91	78,698,484
<p>12. Asia Recovery Property Fund 1 One Asset Management Co., Ltd. 24th Floor, Siam Tower, 989 Rama 1 Road, Pathumwan, Bangkok 10330 Tel. 0 2659 8888 Fax. 0 2659 8860-1</p>	Fund Management	99.50	60,226,083
<p>13. Asia Recovery Property Fund 3 One Asset Management Co., Ltd. 24th Floor, Siam Tower, 989 Rama 1 Road, Pathumwan, Bangkok 10330 Tel. 0 2659 8888 Fax. 0 2659 8860-1</p>	Fund Management	98.69	93,340,500

2. Nature of Business

2.1 Summary of business activities

There are two subsidiaries and a joint venture company under Kiatnakin Finance Public Company Limited. Two subsidiaries are Kiatnakin Securities Company Limited and Radanatun Finance Public Company Limited. A joint venture company is Devonshire Kiatnakin Company Limited; a joint venture of Kiatnakin Securities Company Limited which operates in investment banking business.

The Three types of activity which comprise the business of the group are as follows:

1. Finance business is conducted by Kiatnakin Finance Public Company Limited and Radanatun Finance Public Company Limited.
2. Securities business is conducted by Kiatnakin Securities Company Limited. and Devonshire Kiatnakin Company Limited.
3. Investment in funds is conducted through investment in 6 funds, namely Asia Recovery 1, Asia Recovery 2, Asia Recovery 3, Thai Restructuring, and Asia Recovery Property 1 and Asia Recovery Property 3.

2.2 Revenue Structure

The revenues structure of Kiatnakin Finance Public Company Limited and its subsidiary companies in 2002 are as follows:

		Unit: Million Baht						
Product / Services	Operated by	% Shares Owned	2002		2001		2000	
			Revenue	%	Revenue	%	Revenue	%
Finance	Kintnakin Finance Public Co., Ltd., Radanatun Finance Public Co., Ltd.	99.99	2,637	62	2,032	41	1,762	23
Securities	Kiantnakin Securities Co., Ltd.	99.99	304	7	189	4	280	4
Asset Management	Mutual Funds*	NA	1,304	31	2,720	55	5,546	73
Total			4,245	100	4,941	100	7,588	100

*Composed of 6 Mutual Funds as shown in Table no.8-13, Juristic Entities in which the Company holds 10% or more

2.3 Summary of significant changes in the past year

- Restructuring of management and appointment of five new managing directors. The new formation will enhance the independence, flexibility, accountability and concentration on the focused business.
- An establishment of a Credit Risk Management Unit to ensure that the associated risk are being monitored effectively.
- Increase investment by acquire almost all the unit trust of 2 of the Funds from the minor shareholders.
- Study and adoption of Balance Scorecard for consumer lending facilities.
- One of our subsidiaries, Kiatnakin Securities Co., Ltd. partnered with Devonshire Capital Pte Limited to set up Devonshire Kiatnakin Co., Ltd. To provide investment banking services.
- Kiatnakin Securities Co., Ltd. One of our subsidiaries open another 6 brokerage offices in the metropolitan area and up-countries making a total of 19 offices as of the end of 2002.
- An establishment of Investor Relation Units to ensure that all communication is carried out efficiently with shareholders, investors as well as analysts.

2.4 Current and future status of competition and trend of industry

Finance

There are currently 19 finance companies in operation, having the total assets as the end of 2002 amounting to 253,553 million baht, while their deposits and loans are reported at 178,623 and 147,290 million baht respectively. The assets held by these finance companies are equivalent to 4% as against the total assets held by commercial banks. 9 out of the 19 finance companies are listed on the Security Exchange of Thailand (SET) with the total assets representing over 80 % of all finance companies.

Status / Strategy of Competition: Despite fewer competitors due to the collapse of many finance companies in 1996 during which 91 finance companies had 1,768 billion baht in total assets, 1,440 billion baht in deposits and 1,368 billion baht in lending, accounting for 32% of the commercial banks, the competition heated up as a result of lowering credit demand and supply. The economic slowdown and lower demand for loans, as well as the sharp increases in non-performance loans, reserves for bad debts, and recapitalization, made financial institutions become more cautious about loan extension.

Business Strategy: Finance companies focused more on their core business, which gave higher return on investment corresponding with associated risk. Most of the loans are extended to consumers with a special focus on hire purchase lending, seen as unaffected by the economic situation. The growth in hire-purchasing market rose continually from 23,873 million baht in 2000 to 45,922 million baht in 2001 and 79,328 million baht in 2002. Given the lending structure of finance companies, the ratio of personal loans to total loan rose sharply from 26% prior to economic crisis to 51% in 2002.

Security

Currently, there are 41 security companies in the system, of which, 37 are brokerage firms, with 9 new firms in 2002. In the past year, the stock market was well performing in terms of trading volume that rose from 1,578 billion baht in 2001 to 2,047 billion baht in 2002, accounting for 30% rise. During the past year, the competition among finance companies intensified due to the increase in number of these companies while investment in the Stock Exchange of Thailand (SET) was continually boosted by means of investor education through different media and the exhibition which were quite successful and a lot of awareness has been created amongst investors and business owners. Overall trading volume improved in 2002 with the expectation of some recovery of economy, in general. Some migration of funds were apparent from foreign markets due to weakening confidence in transparency of accounting data disclosure by listed companies, and lower domestic interest rate. The listing of a large state enterprise with good performance like the Petroleum Authority of Thailand (PTT) helped boost the investment in the market. In 2002, the number of newly listed companies shares amounted to 83,790 million baht. While in 2001 was 99,188 million baht.

3. Risk Management

The economy in 2002 experienced a slight growth due to the government's adoption of various economic stimulus packages. However, amid the global economic fluctuation and concern over the upcoming war, the finance companies are confronted with various risk factors ranging from the risk in credit extension, risk in liquidity, risk in the unstable interest rates and foreign exchange rates.

In a bid to prevent these risks, we carefully followed the guideline initiated by the Bank of Thailand (BoT) by providing clear-cut policy, criteria, by-laws and operation manual in writing with a focus to manage the risks efficiently in accordance with our business strategy.

- **Strategy risk** We assessed both internal and external risks on a quarterly basis with an objective to set the business target to correspond with current economic situation and competition. Our business direction was accordingly realigned to maintain competitiveness and efficient service delivery. Meanwhile, the BIS ratio was kept above the average level of the overall financial institutions in a bid to boost confidence among shareholders and investors.
- **Credit Risk** We have set up a credit risk assessment unit to work independently on risk assessment and credit scoring development in 3 major businesses of hire purchase, residential project, and other commercial loans. The unit is responsible for assessing the repayment capability of the borrowers and address so that problems can be identified and solved in an early stage before the loan turn into NPLs.

- **Marketing and Liquidity Risk** We have set up a sub-committee in charge of managing assets and liabilities with a purpose of setting a guideline to control risks arising from interest rate fluctuation. This measure was intended to alleviate the impact on net interest income to ensure the impact was minimized to an acceptable level. As for the liquidity, we undertook to mobilize fund from different sources such as monetary instruments, of which the maturity term was set to match our investment and lending plans. Besides, we also setting some early warning system with a contingency plan to ensure smooth operation is an adverse situation so as to assure the investors that their deposits can be withdraw upon maternity.

4. Shareholding and Management Structure

The company has no major shareholders or groups of shareholders as defined by the SEC.

4.1 List of 10 largest shareholders (as of October 04, 2002)

Name	Number of Shares	Percentage
Ms. Panida Thepkanchana	26,701,748	7.73
HSBC (Singapore) Nominees Pte Ltd	21,018,452	6.09
Ms. Thitinan Wattanavekin	17,605,800	5.10
Eastern Sugar Company Limited	17,300,000	5.01
Thai NVDR Company Limited	13,659,690	3.96
Ms. Chansamorn Wattanavekin	11,783,520	3.41
Ms. Vansamorn Wannamethee	11,601,953	3.36
Morgan Stanley & Co International Limited	9,338,400	2.70
State Street Bank and Trust Company	6,550,882	1.90
The Bank of New York (nominees) Limited	6,403,020	1.85

Source: Top 20 Major Shareholder's Report, Thailand Securities Depository Company Limited

4.2 Management

1) Management structure

The management of Kiatnakin Finance PLC consists of three boards, the Board of Directors, the Executive Board, and the Audit Committee. The details of their authority and responsibilities are as follows.

Board of Directors

The Board of Directors has the following responsibilities.

- Perform business activities under the laws, as well as the company's objectives and articles of association, and the resolutions of the shareholders.
- Have the authority to take any actions as prescribed in the memorandum of association.
- Empower a person or a group of persons to act on its behalf.
- Set policies, targets, and plans as well as direct and supervise the company's management.
- Follow the guidelines, obligations, and responsibilities as the Board of Directors as stipulated in the laws concerned, in terms of integrity, business ethics, consistent responsibility to the shareholders, etc.
- Set up a guideline for risk management.
- Organize the meetings of the Board of Directors at least on a quarterly basis.

The Board of Directors consists of 10 directors and a secretary to the board, whose names are as follows.

Board of Directors

Name	Position
Mr. Supol Wattanavekin	Chairman
Mr. Vichien Jearkijrm	Vice – Chairman
Mr. Tarnin Chirasoonton	Chairman of the Audit Committee
Mr. Pichai Dachanapirom	Member of the Audit Committee
Mr. Somboon Chaidechsuriya	Member of the Audit Committee
Mr. Chet Pattrakornkul	Managing Director, Consumer Lending
Mr. Pravut Varutbangkul	Managing Director, Central Support
Mr. Sarawut Charuchinda	Managing Director, Corporate Lending
Mr. Tawatchai Sudtikitpisan	Managing Director, Real Estate Lending
Ms. Thitinan Wattanavekin	Managing Director, Treasury and Funding
Ms. Mayuree Puangkanok	Secretary of the Board of Director

Audit Committee

The Audit Committee was established under the approval of the Board of Directors as an independent body to support and act on its behalf. This committee will review the company's financial reports that will be presented to the shareholders and other relevant persons. The roles, authority, and responsibilities of this committee are as follows.

- To review and ensure the accuracy and adequacy of the company's financial reports.
- To review and ensure the appropriateness, effectiveness, and efficiency of the company's internal control and internal audit.
- To review and ensure that the company operates under the laws related to Securities and the Securities Exchange of Thailand, in accordance to all prescribed rules and regulations related to the company's business.
- To consider and select the company's external auditor and to propose the fees for such service.
- To consider the disclosure of company information in the event of related party transactions or potential conflicts of interest, and to ensure the accuracy and adequacy of any disclosure.
- To prepare a report on the committee's work in reviewing and monitoring the company. This report is to be included in the company's annual report and must be signed by the chairperson of the committee.
- To consider, select, shuffle, transfer, or discharge the personnel of the Internal Audit Office.
- To prepare a report on the committee's work and present it to the Board of Directors.

In addition, the Audit Committee is responsible for investigating and inspecting relevant persons and issues. The committee also has the authority to employ or temporarily hire specialists to assist its investigations and inspections.

The Audit Committee must meet at least four times, or more if necessary, every year. The committee may invite the company's management or relevant parties to join the meetings and provide relevant information. The committee may ask them to perform tasks that the Board of Directors requests, and the committee approves.

The Audit Committee consists of three members and a secretary to the committee, whose names are as follows.

Audit Committee

Name	Position
Mr. Tarnin Chirasonton	Chairman of the Audit Committee
Mr. Pichai Dachanapirom	Member of the Audit Committee
Mr. Somboon Chaidechsuriya	Member of the Audit committee
Mr. Kriengsak Sukhanaphorn	Secretary of the Audit committee

Executive Board

The Executive Board is responsible for preparing business plans, selecting top management, laying out regulations and directing the company's operation according to the Board of Directors' policies. The Executive Board also has authority and responsibilities as follow.

- To appoint sub-committee (s) consisting of the members deemed as proper to perform general or temporary duties for the company's benefit.
- To approve business plans and budgets.
- To approve the appointment, termination, and promotion of top management ranging from Department Director to senior Department Director.
- To consider and submit issues to seek approval from the Board of Directors, such as operational regulation of a business unit, employee-related regulations, the appointment of assistant and deputy managing directors, guideline for risk management.
- To hold a meeting at least once a month.

Executive Board

Name	Position
Mr. Supol Wattanavekin	Chairman
* Mr. Chet Pattrakornkul	Managing Director, Consumer Lending
* Mr. Pravith Varutbangkul	Managing Director, Central Support
* Mr. Sarawut Charuchinda	Managing Director, Corporate Lending
* Mr. Tawatchai Sudtikitpisan	Managing Director, Real Estate Lending
* Ms. Thitinan Wattanavekin	Managing Director, Treasury and Funding
Ms. Sineenath Tejagupta	Deputy Managing Director, Credit Risk Management
Mr. Thanawat Neamsub	Deputy Managing Director, Consumer Lending Group
Ms. Mayuree Puangkanok	Secretary of the Executive Board

Remark* Directors, having authority

Profiles of Kiatnakin' s Executive

Mr.Supol Wattanavekin*		Mr. Pichai Dachanapirom	
Position	Chairman	Position	Member of the Audit Committee, Independent Director
Education	Master of Management, Sasin Graduate Institute of Business Administration of Chulalongkorn University	Education	Bachelor of Accountancy, Thammasart University.
Certificate	Chairman 2000 Thai Institute of Directors (IOD)	Experience	1994-Present Member of the Audit Committee, Independent Director, Kiatnakin Finance Public Company Limited. 1986-Present Director, Dharmaniti Auditing Company Limited.
Experience	2000-Present Chairman, Kiatnakin Finance Public Company Limited.		
Mr. Vichien Jearkjirm**		Mr. Somboon Chaidechsuriya	
Position	Vice-Chairman	Position	Member of the Audit Committee, Independent Director
Education	Master of Business Administration(Finance) Indiana University, USA	Education	Bachelor of Law, Thammasart University
Certificate	Directors Certificate Program (DCP12/2001) Thai Institute of Directors (IOD)	Experience	1989-Present Member of the Audit Committee, Independent Director, Kiatnakin Finance Public Company Limited. 1998-Present Member of the Audit Committee, Independent Director, Amarin Plaza Public Company Limited.
Experience	2002-Present Vice-Chairman, Kiatnakin Finance Public Company Limited, 2002-Present Chairman, Kiatnakin Finance Public Company Limited, 2000-2001 President, Association of Finance Companies 1986-2002 Managing Director, Kiatnakin Finance Public Company Limited,		
Mr. Tarnin Chirsoonton		Mr. Chet Pattrakornkul	
Position	Chairman of the Audit Committee, Independent Director	Position	Managing Director, Consumer Lending
Education	Bachelor of Law, Ramkhamhaeng University	Education	Master of Marketing (Certificate program) Thammasart University
Certificate	Directors Certificate Program (DCP10/2001) Thai Institute of Directors (IOD)	Certificate	Directors Certificate Program (DCP9/2001) Thai Institute of Directors (IOD)
Experience	1998-Present Chairman of the Audit Committee, Independent Director, Kiatnakin Finance Public Company Limited. 1993-1998 Managing Director, Prof, Kamthon Panlab Law Company Limited.	Experience	2002-Present Managing Director, Out, 2000-2002 Director, Assistant Managing Director, Kiatnakin Finance Public Company Limited.

Mr. Pravit Varutbangkul	<p>Position Managing Director, Central Support</p> <p>Education MBA, Operation Research, University of Santa Clara, California, USA</p> <p>Certificate Directors Certificate Program (DCP5/2001) Thai Institute of Director(IOD)</p> <p>Experience 2002-Present Managing Director, 1993-2002 Director, Assistant Managing Director, Kiatnakin Finance Public Company Limited. 1998-1992 Vice President, Country Operation officer Bank of America, Bangkok</p>	Mr. Sineenath Tejagupta	<p>Position Deputy Managing Director, Credit Risk Management</p> <p>Education Master of Business Administration, Mississippi University for Women, Mississippi, USA.</p> <p>Experience 2002- Present Deputy Managing Director, 1991-2002 Assistant Managing Director, Kiatnakin Finance Public Company Limited.</p>
Mr. Sarawut Charuchinda	<p>Position Managing Director, Corporate Lending</p> <p>Education Master of Business Administration, University of Mississippi, Mississippi, USA.</p> <p>Experience 2002-Present Managing Director, 2000-2002 Assistant Managing Director, Kiatnakin Finance Public Company Limited,</p>	Mr. Thanawat Neamsub	<p>Position Deputy Managing Director, Consumer Lending Group</p> <p>Education Bachelor of law, Ramkhamhaeng University</p> <p>Experience 2002-Present Deputy Managing Director, 1998-2002 Director, Assistant Managing Director, Kiatnakin Finance Public Company Limited.</p>
Mr. Tawatchai Sudtikitpisan	<p>Position Managing Director, Real Estate Lending</p> <p>Education Master of Business Administration Master of Science-Electrical Engineering The University of Texas at Austin</p> <p>Experience 2002-Present Managing Director, 2001-2002 Assistant Managing Director, Kiatnakin Finance Public Company Limited 1999-2001 Executive Director, Asia Recovery Management Company Limited.</p>	Mr. Chukiat Thongvitokomarn	<p>Position Senior Vice President, Information Technology Department</p> <p>Education Master of Business Administration, Thammasart University</p> <p>Certificate Young Banker' s Executive Development Program # 8</p> <p>Experience 1992-Present Senior Vice President, Kiatnakin Finance Public Company Limited.</p>
Mr. Thitinan Wattanavekin***	<p>Position Managing Director, Treasury and Funding</p> <p>Education Master of Management, Sasin Graduate Institute of Business Administration of Chulalongkorn University</p> <p>Certificate Director Certificate Program (DCP1/2000) Thai Institute of Directors (OD)</p> <p>Experience 2002-Present Managing Director, 1998-2002 Director, Assistant Managing Director, Kiatnakin Finance Public Company Limited.</p>	Mr. Kriengsak Sukhanaphorn	<p>Position Senior Vice President, Internal Audit</p> <p>Education Bachelor of Accounting, Thai Chamber University</p> <p>Certificate Certificate of Internal Auditor-CIA Young Banker's Executive Development Program # 5</p> <p>Experience 2002-Present Senior Vice President, Kiatnakin Finance Public Company Limited.</p>

Mr. Piradee Chongsiriwanchai		Mr. Somlak Artammoyivipas	
Position	Senior Vice President, Treasury & Funding	Position	Senior Vice President, Treasury and Funding
Education	Bachelor of Finance, Dhurakijbandit University	Education	Bachelor of Accounting, Chulalongkorn University
Experience	1995-Present Senior Vice President, Kiatnakin Finance Public Company Limited,	Certificate	Young Banker' s Executive Development Program # 9
		Experience	1994-Present Senior Vice President Kiatnakin Finance Public Company Limited.
Mr. Pornchai Saengaroon		Ms. Suree Hampinijak	
Position	Senior Vice President, Human Resource Department	Position	Senior Vice President, Accountion Department
Education	Exective MBA (Management), Kasetsat University	Education	Master of Accountancy, Chulalongkorn University.
Experience	2001-Present Senior Vice President, Kiatnakin Finance Public Company Limited, 1995-1999 Senior Vice President, Personnel & Organizaton Department, The Industrial Finance Corporation Of Thailand	Certificate	Young Banker' s Executive Development Program # 9
		Experience	2002-Present Senior Vice President, Kiatnakin Finance Public Company Limited.
Mr. Somkiat Pongiunyakul		Mr. Upson Sinswade	
Position	Senior Vice President, Management Information System	Position	Senior Vice President, Credit Risk Management
Education	MS (Stat) NIDA	Education	Master of Busniess Administration (Marketing) , Chulalongkorn University
Experience	2001-Present Senior Vice President Kiatnakin Finance Public Company Limited. 1999-2001 Senior Vice President, Kiatnakin Securities Company Limited. 1991-1999 Senior Vice President, Patrathanakit Finance Public Company Limited.	Certificate	Young Banker' s Executive Development Program # 5
		Experience	2002-Present Senior Vice President, Kiatnakin Finance Public Company Limited.

Remark :

* Directors, having no authority in subsidiary company, Kiatnakin Securities Company Limited being Director

** Directors, having authority in subsidiary company, Kiatnakin Securities Company Limited being Chairman of the Exeutive Board.

*** Directors, having no authority in subsidiary company, Kiatnakin Securities Company Limited being Director

2) Selection procedure for company directors and management

Candidates for directors are selected through a procedure in which all of the company's shareholders can participate. The Executive Board is responsible for identifying qualified candidates to be concurred by the Board of Directors and approved by the Shareholders. At the shareholders' meeting, additional names can be proposed to be selected by the shareholders. This procedure must be governed by the following company's rules and regulations.

- (1) One share entitles the holder one vote.
- (2) Each shareholder must exercise all votes, granted under rule number 1, to select one or more directors, but the vote cannot be divided.
- (3) The persons receiving the highest number of votes are, in descending order, appointed directors in descending order, appointed directors in a number equal to the number of directors to be elected at that time. In the case of a tie for the final available appointment, the chairman has the final vote.

3) Remuneration for the management

- Explicit Remuneration (detailed in corporate governance)
- Other Remuneration (detailed in corporate governance)

4) Corporate Governance

Good governance are being maintained with shareholders and stakeholders in the areas of directorship, internal control system, transparency in communication of information, and corporate code of conducts detailed as follows:

Shareholders and stakeholders

• Rights and equality of shareholders

In 2002, there were 2 meetings, divided into 1 annual conference and 1 extraordinary meetings. Invitations were sent to the shareholders at least 10 working days prior to the meeting dates, with the meeting agenda, each of which was added with comments given by the Board of Directors and the minutes of meeting for monitoring.

• Rights of stakeholders

We were aware of the rights of all groups of stakeholders; no matter they were internal ones including staffs and top management of the company and subsidiaries, or external stakeholders including competitors, creditors, state organizations, and other agencies concerned. All related activities have always been explicitly reported in the annual reports. We always kept in mind the supports given by these stakeholders to build up our strength in competitiveness and profitability, viewed as our long-term success.

• Shareholders' meeting

In the shareholders' 2002 annual conference, the chairman of the meeting gave the shareholders opportunity to monitor the company's performance by inquiring and giving feedback and suggestions to the meeting, including nomination of directors. Furthermore, all independent directors are invited to join the shareholders meeting to disseminate additional information as needed.

The Board

- **Policy on Corporate governance**

The Board established the policy on corporate governance with recognition of its importance and necessity to the sustainable growth of the business. With the intention to comply with the Principles of Corporate Governance, the Board of Directors set up policies and directions for the company's operation. The control systems and the internal audit were emphasized. The operation of the management was monitored to be efficient and comply with the company's policy for the long-term benefit of shareholders under the provision of laws and business ethics.

- **Leadership and Visions**

The Board participated in defining and approving the company's vision, mission, strategies, goals, business plan and budget. The Board also monitored the management to operate effectively and efficiently in accordance with the company's business plan and budget in order to maximize economic value to the business and to maximize stability for shareholders.

- **Balance of power by non-executive committees**

The Board of Directors comprises 10 members as follows:

- Three Independent Directors who are Audit Directors,
- One Independent Directors who is neither Executive Director nor Audit Director (effective since October 1,2002)
- Six Directors who are Executive Directors.

- **Extension or Separation of Directors' Positions**

To separate the responsibility for monitoring policy establishment from the responsibility for day-to-day management, the Chairman of the Board of Directors and the Managing Director are not the same person.

- **The sub-committee**

The Board of Directors appointed the Audit Committee on November 19,1999 to assist the former to monitor the company. The Committee holds 3 years term of office and comprises three independent audit directors and a secretary who are as follows:

Name	Position
Mr. Tarnin Chirasooton	Chairman of the Audit Committee
Mr. Pichai Dachanapirom	Member of the Audit Committee
Mr. Somboon Chaidechsuriya	Member of the Audit Committee
Mr. Kriengsak Sukhnanphorn	Secretary of the Audit Committee

The Audit Committee shall hold at least four meetings in a year. In 2002, there were five meetings, which one of them was to meet with the Independent Auditor and to submit report to the Board of Directors. The roles, authorities and responsibilities of the Audit Committee are as mentioned in the Audit Committee Section.

- **Report of the Board of Directors**

The Board of Directors is responsible for the consolidated statement of the company and its subsidiaries as well as for the financial information in the annual report. The mentioned statement was prepared in accordance with generally accepted accounting standards. The selected accounting policy was appropriate and consistently used with prudence and best estimation. Likewise, the disclosure of important information in the accompanying notes was sufficient.

The Board provided the maintaining of effective internal control systems to obtain reasonable assurance that the accounting information records were accurate, complete, and sufficient. This was to maintain the assets as well as to indicate weakness to enable the prevention of misconduct or significant unusual operation.

- **Remuneration of Directors and Executives**

The company has declared clearly and transparently its policy on the remuneration of directors. The remuneration, which was approved in the shareholders' meeting, is at the industry's level and high enough to take care of and to retain qualified directors as needed. The remuneration of the executives is subject to the principles and the policies that are prescribed by the Board of Directors and is relative to the company's performance and the performance of each executive. Remuneration made to the 3 directors in the audit committee was Baht 1.41 million and Baht 2.24 million for 2002 and 2002 respectively, in for form of director's fees as well as bonuses. Total remuneration made to 16 executives in 2002 was Baht 61.52 million while Baht 63.97 million was made to 10 executives in 2001.

Warrants Allocation to Directors

Name	Position	ESOP Warrant (Unit)	ESOP Warrant Exercised in 2002 (unit)
Mr. Supol Wattanavekin	Chairman	250,000	62,500
Mr. Vichien Jearkjirm	Vice-Chairman	200,000	-
Mr. Tarnin Chirasooton	Chairman of the Audit Committee, Independent Director	50,000	12,500
Mr. Pichai Dachanapirom	Member of the Audit Committee, Independent Director	50,000	-
Mr. Somboon Chaidechsuriya	Member of the Audit Committee, Independent Director	50,000	-
Mr. Chet Pattrakornkul	Managing Director	100,000	25,000
Mr. Pravit Varutbangkul	Managing Director	100,000	25,000
Mr. Sarawut Sudtikitpisan	Managing Director	100,000	25,000
Ms. Tawatchai Sudtikitpisan	Managing Director	100,000	-
Ms. Thitinan Wattanavekin	Managing Director	100,000	-

Number shares of Management held in 2002

Name	Position	Changes in no. shares Held in 2002	
Mr. Supol Wattanavekin	Chairman	5,373,216	Unchanged
Mr. Chet Pattrakornkul	Managing Director	-	Unchanged
Mr.Pravit Varutbangkul	Managing Director	25,000	Increase 25,000 shares
Mr.Sarawut Charuchinda	Managing Director	25,000	Increase 25,000 shares
Mr.Tawatchai Sudtikitpisan	Managing Director	-	Unchanged
Ms. Thitinan Wattanavekin	Managing Director	17,605,800	Unchanged
Ms, Sineenath Tejagupta	Deputy Managing Director	45,000	Increase 9,800 shares
Mr.Thanawat Neamsub	Deputy Managing Director	26,000	Increase 20,000 shares
Mr.Chukiat Thongvitokomarn	Senior Vice President	12,500	Increase 12,500 shares
Mr.Kriengsak Sukhanaphorn	Senior Vice President	-	Unchanged
Mr. Piradee Chongsiriwanchai	Senior Vice President	10,000	Increase 10,000 shares
Mr.Pornchai Saengaroon	Senior Vice President	-	Unchanged
Mr.Somkiat Pongjunyakul	Senior Vice President	12,500	Increase 12,500 shares
Ms.Somlak Artamnoyvipas	Senior Vice President	5,000	Increase 5,000 shares
Ms.Suree Harnpinijsak	Senior Vice President	12,500	Increase 12,500 shares
Ms.Upson Sinwads	Senior Vice President	12,500	Increase 12,500 shares

- **The Board's Meetings**

The Board schedules meetings in advance with clear agenda. The secretary section in the Managing Director's Office is responsible for the meetings' arrangement. The letter of invitation to the meeting, Attached with its agenda, is dispatched seven days in advance to provide sufficient time for directors to consider information before the meeting. Normally the duration of a meeting will be approximately 3 hours. In the year 2002, the Board assembled altogether 12 times. The minutes of every meeting were prepared and were approved by the Board, as well as were ready to be inspected by the Board and all relevant parties.

- **Conflicts of Interest**

To prevent conflicts of interest, the Board has cautiously monitored transactions that might induce conflicts of interest. Policies and procedures of giving the approval for related party transactions are prescribed in written statement that the executives shall report the change in securities holding to the office of Securities and Exchange Commission in compliance with the Article 59 of the Securities and Exchange Act B.E. 2535.

Control and Internal Audit Systems

- **Control and Internal Audit Systems**

The company emphasized on the internal control systems for effective management and operation. The authority and responsibility of operators and executives were clearly described in written form. The asset spending was controlled to be fruitful. The authorities of operators, controllers and approval providers were separated in order to balance their power and to enable them to examine each other appropriately. The financial reports were subject to the control systems and were submitted to the authorized executive.

The day-to-day operation and important financial activities were examined by the company's internal audit office in order to ensure that the practice was complying with the prescribed methods, efficient, and abide by the law and relevant regulations. To enable the Internal Audit Office to work independently, it is directly responsible to the Audit Committee and the Board of directors by the Board's directive.

The Board emphasized on risk management. There was the establishment of authorities to manage lending risk. The preventive measures and the risk management were defined. The operation was monitored to comply with laws and relevant regulations. Relevant reports were appropriately prepared.

Disclosure of Information and Transparency

- **Relationship with Investors**

The Board emphasized on the accurate, complete, transparent, and broad-range disseminated disclosure of financial reports, general information and related critical information that affected the security price of the company. The company publicized its aforementioned information through the communication channels and media of the Securities Exchange of Thailand and the company's website to inform investors and related parties. Investor Relations was established to support investors, shareholders, analyzers, and public on information and news about the company's activities. Investors may contact this office by telephone at 0 2680-3160-1 or at the website: www.kiatnakin.co.th or at the e-mail address: investor_relation@kiatnakin.co.th. In addition, analyst meeting is being arranged on a periodic basis conjunction with the Securities Analyst Association in dissemination of information.

Business Ethics

- **Business Ethics**

The company issued the code of professional ethics for the Board, management and employees. The code is to guide the conducts as well as the interaction with the company and all stakeholders of all relevant parties to comply with the mission of the company with honesty, integrity, and fairness. The company has regularly communicated with its employees and investigated their practices.

5) Policies and Methods of monitoring the Executives on using the Internal Information.

The Company requires its directors and executives to prepare reports on their holding of the company's security. This includes the security holding of directors and/or executives and their spouses and dependent children as well as other persons who are related to directors and/or to executives. There is a prescription about the integrity in the company's regulations. This is to prohibit all directors and employees of the company from taking advantage from their authority or work to seek for benefit that is unethical, unprofessional, and violates codes of conduct, work's tradition or the company's benefit.

The Internal Audit office shall review the use of internal information and the conformation to the rules of professional ethics. The violation of ethics or the misconduct shall be informed to the Audit Committee and the Board of Directors so that the punishment in accordance with the company's regulations can be taken.

6) Internal Control

The Company appraised the internal control systems in accordance with the principles of good governance by considering five importance factors, which were as follows:

- **Good Control Environment**

The company encouraged every employee to recognize the necessity of the internal control systems. This was done by defining the company's mission and goals that were clear and measurable so that the employees could use them as guidelines. The company also articulated its policies and regulations in written form, emphasized the integrity and ethics for doing business, and appropriately restructured the organization.

- **Appropriate procedure for Risk Assessment**

The company assessed various factors of risk, i.e., external and internal factors. It also set up a specific group to be responsible for lending risk management. The Assets and Liabilities Management team was established to be responsible for market risks and liquidity management. Its duty was to define measures of risk management that had the least impact on the company.

- **Good Control Activities**

The company clearly defined authorities and levels of the approval of transactions. Several measures, e.g., assets counting, division of work, etc, were set up for preventing and discovering the loss of assets and the misconduct. The operation was examined to ensure that it was subject to the related laws and regulations.

- **Good Information and Communication Systems**

The company provided information that was updated, sufficient for the decision making, completely kept in order and in easy-to-be-used format.

- **Good Monitoring and Evaluation Systems**

The company set up a process of following up and evaluation to ensure that the internal control system was continually operated, modified in contingency with the changing environment, and timely improved when it was defective.

7) Policy and Personnel

The company recognized the importance of the development of human resource to enhance their competency and efficiency. To emphasize on increasing skill in the company's main business, e.g., *Consumer Lending, Real Estate Lending, Corporate lending*, etc., the training and development road map for all levels of personnel was prepared. The training was in terms of in-house training courses and external courses to increase knowledge and expertise of employees and enable them to keep pace with the change in the environment. The evaluation of the training, e.g., pre-and post-training test, consistent following up on productivity improvement after training, etc., was conducted. Compensation packages, including Balance Score Card are being used to ensure that all employees are being compensated fairly and competitively according to performances.

5. Related Party Transactions

Please See Auditor' s Note, Finance Statement

6. Analysis of the Company' s Financial Position and Operation Performance

Results of Operations

Another year of solid performance for Kiatnakin, on a consolidated basis Kiatnakin Finance Public Company Limited recorded a net profit of Baht 1,406 Million for 2002 against last year figures of Baht 1,389 million last year. The unrealized loss from revaluation of the remaining financial claims, recorded in the equity section has also improved by Baht 257 million from Baht 832 million in 2001 to Baht 575 million in 2002

While the majority of income for the group is still derived from the investment in finance claims, the level of dependency from this source is becoming lower. Contributions of income from subsidiaries are Baht 1,030 million in 2002 compared to Baht 2,235 million last year. We are able to replenish this reduction of income from the revenues generated by expansion in refinance loans, H/P loans as well as the success in restructuring old NPL loans. We expected this trend to continue in the next few years.

Business Performance

In 2002 KK finance has realigned its business into five core products. This includes Investment in financial claims, general loans, residential project loan, H/P loans and securities brokerage business. Details can be elaborated as followed.

1) Investment in Finance Claims.

We have continued to manage these assets down as plan. At the end of 2002 the fair value of the investment in financial claims stood at Baht 11,792 million, decreased from Baht 15,535 million in 2001, In the outstanding of Baht 11,792 million, Baht 4,243 million have already been restructured with a repayment schedule spanned mostly over the next three years. The remaining Baht 7,549 million are still being negotiated for an appropriated settlement. All these non-restructured case are in the litigation process where by collaterals will be foreclosed through the legal process over the next two years. In a normal commercial transaction, a restructured plan is usually agreed upon prior to the legal foreclosure of collaterals.

2) General Loans

These loans were mostly existing commercial loans prior to the crisis. Almost all of the NPL's are in this portfolio. At the end of 2002 the total outstanding for these loans were Baht 4,360 million, of which Baht 1,236 million are NPL's. While there were some new loans made over the year, most of the efforts were spent in bringing down the NPL's that stood at Baht 1,627 million at the end of 2001. This unit will cover all commercial loans unrelated to residential project.

3) Real Estate Loans

In the second quarter of 2001, we have started to build up a loan portfolio comprised of loans that are refinanced from other financial institutions. Most of these loans are partially finished housing projects. This portfolio has grown from Baht 1,199 million in 2001 to Baht 4,819 million by the end of 2002. To keep a real focus and develop a special niche, we have realigned the refinance loan unit into a project finance unit specialized in real estate loan. This unit will concentrate in building up a residential project finance portfolio covering all strategic provinces countrywide.

4) Hire Purchase Loans

We continue to use our expertise in the used car market together with our long-term relationships with dealers in growing the H/P loans. Networking has also been used extensively between the ten branches strategically located in various provinces all over the country. Total loans in this area has grown from Baht 3,546 million in 2001 to Baht 4,778 million in 2002, a growth of Baht 1,232 million or 35%.

5) Securities Brokerage Service

We continue to concentrate in retail customers. The Securities Company (KKS) has made a profit before loan loss of Baht 70 million in 2002. It managed to charge off a total amount of Baht 106 million of bad loans accumulated since 1999. The numbers of Internet accounts have grown quite impressively from 121 accounts in 2001 to 518 account in 2002 or over 300%, while volume derived from internet account have grown over 600% over the year.

Toward the end of the year, KKS has seriously looking into the possibility of entering into venture with Devonshire Capital in setting up a new company, which will concentrate in investment banking business. This will compliment its ability in servicing its present customer base as well as its bottom line.

Financial Statement Analysis

1) Income on Finance Claims

The majority of income of KK Finance is still derived from managing the investment in finance claims. The fair value policy remains unchanged, Although a downtrend in interest has been witnessed, the decreasing slope is not really that steep and we decide to maintain the same policy on the risk-adjusted discount rate for a conservative reason. Appended below is the fair value module.

Fair Value Methodology of Financial Claims	Value	Time	Disc. rate
Restructured			
From Cash flow	Actual	Actual	14%
Non-restructured			
From Collateral	90%	36 mths	15%
Compare to Expected claim	75-78%		
Foreclosed assets (funds)			
From Collateral	90%	12 mths	15%
Foreclosed assets (KK)			
From Collateral	90%	12 mths	15%
Compare to cost			

Note: Additional procedure for stop taking income on non-restructured cases
Starting June 2000

First stop: No legal action taken after 12 months

Second stop: No final judgement after 3 months of legal action

Third stop: No foreclosure after 3 months of final judgement

Overall earnings of investment in financial claims continue to decrease in the same trend of the total outstanding. Appended below are the details of income from investment in financial claims together with the declining outstanding of the related assets for the last three years.

Summaries of Earnings of Investment in Financial Claims	2002	2001	2000
Realized income on Financial Claims (Funds)	1,997	1,666	3,542
Realized income on Financial Claims (KK)	725	565	617
Total Realized Gain	2,722	2,232	4,159
Unrealized income/ (loss) on Financial Claims (Funds)	(737)	1,042	2,099
Unrealized income/ (loss) on Financial Claims (KK)	257	642	(1,474)
Total Unrealized Income / (Loss)	(480)	1,684	624
Total Income	2,242	3,916	4,784

2) Interest and Dividends Income

Interest income increased to Baht 4,243 million from the same period last year of Baht 3,253 million, an increase of Baht 990 million, or 30%. This improvement is accounted for by all three core-products. Interest revenue from general loan increased by Baht 407 of Baht 3,620 million or 302%. This is also pretially accounted for by the success in solving some NPL totaling Baht 134 million. Interest income from H/P loan increased by Baht 147 million, or 28%, as a result of H/P loan growth of Baht 1,232 million or 35% from 2001. Interest revenue from the investment in financial claim increased by Baht 490 million due mainly to the progress in the repayment under restructuring process. The fair value of these investments are Baht 11,792 million at the end of 2002 compared to the same period last year of Baht 15,535 million, or a decrease of 24%

3) Interest Expense

Despite the slightly higher level of total borrowing in 2002, the total interest expense decreased by Baht 160 million, or 11% over the same period last year, This is due mainly to the downtrend of interest rate. Some saving has also been made in the third quarter of 2002 when an issue of debenture totaling Baht 1,400 million carrying a coupon rate of 7.5% p.a. matured. Three issues of 4, 4 1/2, and 5 years debenture amounted to Baht 3,500 million were issued carrying an average coupon rate of 4.25% p.a.

4) Loan Recoveries /Loan Loss Provision

	(Unit: Baht Million)		
	2002	2001	2000
Recoveries	287	302	5
Provision	(253)	(528)	(674)
(Loss) on troubled debt restructuring transactions	(12)	(3)	(26)

In 2000, under the procedure prescribed by the Bank of Thailand, we have written off over Baht 2,700 million of loans with 100% reserve from our book, and since then, a sizable amount of recoveries has materialized on a regular basis, annually. In 2001, another Baht 520 million has been written off on the same basis, annually. In 2002, such procedure has been amended and it is no longer mandatory to write off loans, which are fully reserve from the book. Since there are no negative effect to the loan asset quality as well as the profit and loss statement, these loans will be maintained in the book against a 100% reserve until they are deemed appropriate to be charged off. In 2002, we have recovered about Baht 287 million with an additional provision provision of Baht 34 million for loan loss. An additional amount of Baht 100 million has also been set up as a special reserve for the refinance loan product.

5) Non-Interest Income

Total non-interest revenue was Baht 2 million in 2002 against Baht 1,688 million in 2001. This substantial drop was accounted for by the revaluation of the unrealized gain / (loss) of the financial claims booked in various Funds, When a settlement is made in cash or an installment are actually made in cash the earnings from revaluation will be recorded as interest earned from investment in financial claims. This accounting line will normally also improve if a non-restructured financial claim was successfully restructured whereby new agreement with definite payment schedule is signed. Since most of the restructured accounts are being paid off according to the schedule of payment and the remaining non-restructured financial claims are not being restructured speedy enough the drop of income in this accounting line is quite normal. In short, the non-restructured financial claims are being value at a loss before they are successfully restructured. This is the same concept of making a loan provision.

6) Operating Expense

We continue to keep the overall operating expense efficiently in check in 2002. All increased items are legitimate and the decrease over the year was accountable for by the legal expense. Most of the legal cases were pursued last year and numbers of cases have been successfully settled in 2002.

7) Net income

KK Finance has been able to maintain the level of profitability with a slight increase in Net income where by an amount of Baht 1,406 million was registered in 2002 against Baht 1,389 million last year. However, the improvement of the revaluation loss of financial claims under the company's book recorded in the equity section improved by an amount of Baht 257 million in 2002 against Baht 642 million in 2001. Income from subsidiaries mainly the various Funds decreased sharply from Baht 2,235 million in 2001 to Baht 1,030 million in 2002.

Financial Position

Assets

	(Unit: Baht Million)		
	2002	2001	2000
Investment in Financial Claims	11,792	15,535	16,617
Investment in property Funds	1,526	821	100
General Loans	9,179	6,136	5,025
Hire Purchase Loans	4,778	3,546	2,515
Allowance for Doubtful Accounts	(459)	(212)	(204)
Properties Foreclosed	4,805	4,734	3,567
Total Assets	37,851	37,489	35,701
Non Performing Loans	1,633	1,776	3,302

On a consolidated basis, total assets grow only slightly from Baht 37,489 million in 2001 to Baht 37,851 million in 2002, or 1%. However, the composition of two major components of earning assets, has changed rather significantly. Firstly, the investment in financial claims of Baht 15,535 million, which made up 41% of the total assets in 2001, has decreased to 31% in 2002 at Baht 11,792 million. This reflected the success in managing down the problem loans acquired in the bidding process from the Financial Restructure Authority since 1999 at the beginning amount of Baht 24,700 million. Secondly, loan together with those booked in the Property Funds totaling Baht 10,503 million which made up 28% of the total assets in 2001, has increased by 41% in 2002 to Baht 15,483 million. This is mainly due to loan growth generated by the refinance loan and hire purchase loans.

1) Investment Financial Claims

(Unit: Baht Million)

Investment in Financial Claims	2002	2001	2002
Investment Portion Booked in Funds	6,646	8,623	9,111
Restructured	2,068	2,501	1,887
Non-structured	4,578	6,122	7,224
Investment Portion Booked in KK	5,146	6,912	7,506
Restructured	2,175	3,142	3,292
Non-structured	2,971	3,770	4,214
Total	11,792	15,535	16,617

The investment in financial claims has decreased over the year by Baht 3,743 million from Baht 15,535 million in 2001 to Baht 11,792 million in 2002, or 24%. In the Baht 11,792 million, Baht 4,243 million has already been restructured with a specific payment schedule. Baht 6,646 million of the Baht 11,792 million was carried in the Funds and Baht 5,146 million was recorded in the parent company's book. During the year a number of accounts under litigation has been settled accounted for the sharp decrease in the total outstanding.

2) Loans and Receivables

(Unit : Baht million)

Finance Business Loans	2002	2002	2002
General Loans	4,360	4,937	5,025
Refinance Loans	4,819	1,199	-
Hire Purchase Loans	4,778	3,546	2,515
Total	13,957	9,682	7,540

Total loans in the finance business has grown by Baht 4,275 million from Baht 9,682 million in 2001 to Baht 13,957 million in 2002, or 44%. This total loan can be categorized into three core products: general loans, refinance loans and hire purchase loans.

General loans is the loan portfolio created prior to the crisis and we have been managing this loan by either improving the quality through restructuring process or liquidation through settlement process. We have been able to manage this category of loan down from Baht 4,937 million to Baht 4,360 million a decrease of Baht 577 million or 12% over the year.

Refinance loans is the product that we have initiated since 2001 to generate growth to our loan portfolio in place of the conventional loan and we have managed to grow this product quite substantially from Baht 1,199 million in 2001 to Baht 4,819 million in 2002. Most of these loans are residential project financing and some of them were booked in the property funds established specifically for this product.

Hire purchase loan has also achieved a rather impressive growth rate. We are able to record an outstanding as at year-end 2002 of Baht 4,778 million, an increase of Baht 1,232 million from Baht 3,546 million in 2001, or a growth of 35%.

3) Non-Performing Loans (NPL)

	(unit : Baht million)		
Non-Performing Loans	2002	2001	2000
General Loans	1,236	1,627	3,012
Refinance Loans	195	-	-
Hire Purchase Loans	162	100	232
Total	1,593	1,727	3,244

NPL in our total loan portfolio has continuously been managed down either by restructuring or liquidation. At the end of 2002 the NPL stood at Baht 1,593 million. In terms of ratio to the total loans. It is 11%, down from 18% last year, Concerted effort has been made to correct these problem loans and pay off was quite satisfactory.

4) Allowance for Possible Loan Losses

	(Unit : Baht million)		
Allowance for Doubtful Accounts	2002	2001	2000
General Loans 1 January	100	99	1,888
Recoveries	88	491	569
Charged off	(6)	(489)	(2,357)
General Loans 31 December	182	101	100
Refinance Loans 1 January	-	-	-
Recoveries	114	-	-
Charged off	-	-	-
Refinance Loans 31 December	114	-	-
Hire Purchase Loans 1 January	71	52	353
Recoveries	55	46	81
Charged off	(5)	(27)	(381)
Hire Purchase Loans 31 December	125	71	52

Allowance for possible loan losses increase from Baht 212 million in 2001 to Baht 459 million in 2002, an increase of Baht 247 million. This is due mainly to two reasons. Firstly, in 2001, under the procedure prescribed by the Bank of Thailand, all financial institutions must charge off any loan with a 100% reserve from the book, and a total amount of Baht 520 million were charged off against reserve. In 2002, this particular procedure were lifted, an amount of Baht 175 million were fully reserved. Secondly, for a conservative reason, a special reserve of Baht 100 million was build up for the refinance loan business in 2002. As a policy, we intend to continue to put up this special reserve of Baht 50 million on a quarterly basis until it reach 5% of the total refinance loans.

5) Property Foreclosed

While property foreclosed under litigation was still relatively low, this assets line continue to grow. As part of our negotiation process and debt restructuring, settlement of debt by property is encouraged where operation of business is no longer viable and there is no other source of repayment, rather than going through the lengthy legal process. The increase from Baht 4,734 million in 2001 to Baht 4,805 million in 2002, or Baht 71 million, a growth of less than 2 % might not seems to be very high. However, considering that we are able to achive aggregate sales of Baht 1,521 million in 2002, the total amount taken in during the year is worth mentioning.

Liabilities and Shareholders' Equity

(Unit : Baht million)

Liabilities and Shareholders' Equity	2002	2001	2000
Deposits	20,952	22,702	20,374
Debentures	5,807	3,995	5,531
Total Borrowings and Deposits	26,759	26,697	25,904
Capital	5,598	5,019	5,012
Retain Earnings	4,880	4,082	3,226
Unrealized Losses on Investment in Financial Claims	(575)	(832)	(1,474)
Total Shareholders' equity	9,903	8,270	6,764

Two components on the other side of equation has also changed in a considerably degree. Total borrowing of Baht 26,759 million might not change very much over the year but the equity of Baht 8,270 million in 2001 has increased to Baht 9,903 million an increase of Baht 1,638 million or 20%.

6) Deposits

Total deposits decreased by Baht 1,750 million, or 8% from Baht 22,702 million in 2001 to Baht 20,952 million in 2002. Despite the decrease in the amount, the number of accounts increased by 938 accounts from 4,008 accounts in 2001 to 4,946 accounts in 2002, or 23%. This is in line with our objective to expand our deposit base as well as to decrease the concentration. Total borrowings remain relatively unchanged. Toward the end of 2002, an issued of debenture amounted Baht 1,400 million matured and we have issued three more series of debentures for a total amount of Baht 3,500 million with the period of 4, 4 1/2 and 5 year. This is to manage the gap between our assets and liabilities as well as to lock ourselves in against any unexpected fluctuation of upward interest rate. At the end of 2002, almost 50% of total funding carried a maturity profile of over 12 months.

7) Shareholders' Equity

Shareholders' equity of KK Finance increased by Baht 1,633 million or about 20% from Baht 8,270 million in 2001 to Baht 9,903 million in 2002. This is due mainly to three reasons. Firstly, there are some conversions of warrants during the year. Secondly, the net profit generated during the year and some pay out of dividend during the year. Thirdly, there is an improvement in revaluation of investment in financial claims. Minority interests decreased by Baht 1,399 million from Baht 1,434 million in 2001 to Baht 35 million in 2002. This is a result of our acquisition of unit trusts in two of the Funds held by other investor. At year-end 2002, our BIS ratio stood at 30.32%.

Today for a Brighter Tomorrow

Meditation training for
wisdom & peace,
Young Buddhist
Association of Thailand

Bangkok Business
Challenge 2002
SASIN and
Krungthprajakij

Training program for volunteers
To help children's work project,
Foundation for
The Better Life of Children

Bicycles for children,
World Vision Foundattion

Aganinst Drug Project,
Youth Relation Center of
Metropolitan Police

Occupation & Finance
Project Contest,
ONPEC

Better People for a Better Nation

Shaping our younger generation to help Reshaping our country

Throughout 32 years kiatnakin has established firm roots for its business, a business which is driven by a large group of staff who are both competent and export in their professions. Along this shining route of Kiatnakin's history, we have also continuously shared and given back to our society. This is in line with the aspiration of Khun Kiat Wattanavekin, The company's founder, who strived for a good business that is also socially responsible.

Competition of
Co-operative activities,
BMA

Scholarship &
Education support,
Kiatruammit Education Fund
Foundation

'Better People for Better Nation with Kiatnakin'

Project is a special set up to commemorate Kiatnakin's 30th anniversary in 2002, This project Aims at improving our nation's younger generation by joining other private sectors, government organizations, and charities in supporting various activeities. This is because we believe that human resource is the most important element in eveloping our country to the same level as other civilized nations in the future. Apart from this special project, Kiatnakin has also supported a lot of social acitivities throuthout its 32 years.

Students field trip,
ONPEC

Scholarship &
Education support,
Duang Pratheep
Foundation

Social Contributions

The 'Better People for a Better Nation with Kiatnakin' Project has supported the activities of the following charities in different aspect.

Education

Duang Pratheep Foundation

- Annual awards for excellent members of cooperatives
- Scholarship for children of the member of cooperatives
To promote the youth to savings.

The Office of National Bureau of Primary Education Commission (ONPEC)

- Occupation and finance projects contest in primary schools throughout Thailand under the theme 'Thai Children and Local Economic Development'
To promote better understanding in basic financial knowledge among primary school students.

The Bangkok Metropolitan Administration (BMA)

- Competition of cooperative activities in the primary schools under the Bangkok Metropolitan.

World Vision Foundation

- Bicycles for children from Kiatnakin' project to provide bicycle as for children in the provinces.

Kiat Ruammit Education Fund Foundation

- Main purpose is to help under privilege children by providing scholarship for education.

Bangkok Business Challenge 2002

- Kiatnakin Finance PLC. Co-hosted "The Bangkok Business Challenge 2002" competition with Sasin Institute of Business Administration of Chulalongkorn University and Krungthep Turakit. This is the first business plan competition to be conducted in English to maintain international standard and also acts as the forum in which venture capitalist, entrepreneurs and MBA students can interact to ultimate benefit of the Thai economy. Graduate from business university in Thailand will conceive ideas for a new business, develop idea into plans and present the plan to panel of entrepreneurs.

Anti – Drug Project

Foundation for the Better life of Children

- Training program for volunteers to help with Children 's work Project
Youth Relation Center of Metropolitan Police
- Hard in Hand, Heart to Heart, Against Drug this project provide training of youth against drug in local primary school

Religion Project

Young Buddhist Association of Thailand

- Meditation training for wisdom development & peace and its application to daily lives.

Kiatnakin is ready to move along with you, to share warmth and smiles with our society forever.

Finance Office

Kiatnakin Finance Public Company Limited

1. Chiangmai Office
3rd Floor Kiatnakin Tower,
33 Chiangmai-Lampang Road, Chiangmai 50300
Tel. 0 5321 8711-3, 0 5340 9620-4
Fax. 0 5340 9625

2. Chonburi Office
7/18 Moo 4 Sukhumvit Road, Chonburi 20130
Tel. 0 3838 4944-9
Fax. 0 3838 4950

3. Hadyai Office
200 Nipal-uthit 3 Road, Had Yai, Songkhla 90110
Tel. 0 7435 4334-5
Fax. 0 7435 4336

4. Khon Kaen Office
9/2 Prachasamosorn Road, Khon Kaen 40000
Tel. 0 4333 7725-32
Fax. 0 4333 7734

5. Nakorn Ratchasima Office
192/1-4 jomsurangyart Road, Nakorn Ratchasima 30000
Tel. 0 4426 0401-8
Fax. 0 4426 0409

6. Pitsanulok Office
286/10 Pichaisongkram Road, Pitsanulok 65000
Tel. 0 5521 1683-6
Fax. 0 5521 1687

7. Ratchburi Office
286/25-26 Srisuriyawong,Road, Ratchburi 70000
Tel. 0 3231 0382-9
Fax. 0 3231 0391

8. Rayong Office
375 / 4 – 5Sukhumvit Road, Rayong 21000
Tel. 0 3880 8090-4
Fax. 0 3880 8095

9. Surat Thani Office
22/145-146 Rat-uthit Raad, Surat Thani 84000
Tel. 0 7721 4283-7
Fax. 0 7721 4288

10. Ubon Ratchatani Office
434 Nevada Grand Hotel, Chayangkul Road, Ubon Ratchatani 34000
Tel. 0 4528 3631-5
Fax. 0 4528 3896

Securities Branch Offices

Kiatnakin Securities Company Limited

Bangkok Office

1. Asoke Office

19th Floor, Sermit Tower, Room no.1903, 159 Sukhumvit Road, Klongtoey, Bangkok 10110

Tel. 0 2204 1270-84 Fax. 0 2661 6329

Email : asoke@kks.co.th

2. Bangna Office

11th Floor, Room H-1 Central City Bangna Tower, 1093/56 Bangna-Trad Road, Bangna, Bangkok 10260

Tel. 0 2745 6458-66 Fax. 0 2745 6467

Email : bangna@kks.co.th

3. Ngamwongwan Office

11th Floor, The Mall Estate Building, 30/39-50 Ngamwongwan Road, Bangkok, Nonthaburi 11000

Tel. 0 2550 0356, 0 2550 0366 Fax. 0 2550 0380

Email: ngamwongwan@kks.co.th

4. New Petchburi Office

31st Floor, Grand Amarin Tower, 1550 New Petchburi Road, Bangkok 10310

Tel. 0 2207 0553, 0 2652 8935 Fax. 0 2207 0801

Email : lardprao@kks.co.th

5. Ladprao Office

5th Floor, 1693 Central Plaza, Ladprao, Jatujak, Bangkok 10900

Tel. 0 2937 1240-8 Fax. 0 2937 1254

Email : lardprao@kks.co.th

6. Ratchaprasong Office

6th Floor, New Building, 971,973 President Tower, Ploenchit Road, Pathumwan, Bangkok 10330

Tel. 0 2656 0293-4, 0 2656 1535-9 Fax. 0 2656 0289

Email ; ratchaprasong@kks.co.th

Provinces

1. Chiangmai Office

3rd Floor, Kiatnakin Tower, 33 Chiangmai-Lampang Road, Chiangmai 50300

Tel. 0 5322 0751-64 Fax. 0 5322 0765

Email ; chiangmai@kks.co.th

2. Chonburi Office

7/18 Moo 4 Sukhumvit Road, Chonburi 20130

Tel. 0 3838 4795 Fax. 0 3838 4794

Email : chonburi@kks.co.th

3. Chonburi 2 Office

342 Vachiraprakarn Road, Muang, Chonburi 20000

Tel. 0 3828 8145-50 Fax. 0 3828 8556

Email ; chonburi2@kks.co.th

Securities Branch Office

Kiatnakin Securities Company Limited

Province

4. Hadyai Office

Room no. 414-424, 4th Floor, 200 Juladit Plaza, Nipat-uthit Road, Had Yai, Songkhla 90110

Tel. 0 7435 4747-51 Fax. 0 7423 9515

Email ; haadyai@kks.co.th

5. Khon Kaen Office

9/2 Prachaxamosorn Road, Khon Kaen 40000

Tel. 0 7333 7700-10 Fax. 0 4333-7721

6. Nakorn Ratchasima Office

192/1 -4 Jomsurangyart Road, Nakorn Ratchasima 3000

Email : korat@kks.co.th

7. Pitsanulok Office

286/10 Pichaisongkram Road, Muagn, Pitsanulok 65000

Tel. 0 5523 5000-4

Fax. 0 5523 5006

8. Prae Office

2/66-67 Yontrakijkosol Road, Muang, Prae 54000

Tel. 0 5462 8016-21

Fax. 0 5462 8022

9. Rayong Office

125/1 Janta-udom Road, Rayong 21000

Tel. 0 3861 7477-85 Fax. 0 3861 7490

Email ; rayong@kks.co.th

10. Samutsakorn Office

1400/33 Ekachai Road, Mahachai, Samutsakorn 74000

Tel. 0 3442 7123-5 Fax. 0 3442 3565

Email ; smutsakorn@kks.co.th

11. Sriracha Office

36-38 Srirachanakorn 6 Road, Chonburi 20110

Tel. 0 3832 8345-50, 0 3832 8351-3 Fax. 0 3832 8354

Email : ubon@kks.co.th

12. Ubon Ratchatani Office

434 Nevada Grand Hotel, Chayangkul Road, Ubon Ratchatain 34000

Tel. 0 4528 0160-4 Fax. 0 4531 2843

Email : ubon@kks.co.th

13. Yala Office

27/7-9 Pisan-uthit Road, Yala 95000

Tel. 0 7325 5455 Fax. 0 7325 5465

Email : yala@kks.co.th

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