



THE SET Newsletter



SET Awards 2006

Best CEO of the Year



The Stock Exchange of Thailand (SET) and related parties co-hosted SET Awards 2006 ceremonies, presided over by H.E. Finance Minister Dr. Thanong Bidaya, Ph.D. Outstanding listed, securities and asset management companies, and the 'best CEO of the year', were honored for their distinguished performances.

To find out the winners of the 39 prestigious awards, please turn to page 6.



Thailand Futures Exchange launches new strategies to boost derivatives trading

Thailand Futures Exchange PCL (TFEX) has launched new strategies to boost derivatives trading on the local capital market.

TFEX honors brokers and marketers increasing investors

TFEX and its member companies have recently undertaken several marketing activities to expand its investor base. Currently, the Exchange is offering prizes to the most outstanding brokers to boost derivatives trading.

The awards are divided into different categories, with the "Best House of the Year" going to the derivatives broker with the most outstanding performance, based on trade volume, published analyses and research, and investor education. The winner will receive an engraved plaque and a prize worth THB 500,000. The firm that attracts the most interest from investors will collect the "Most Popular House" award, an engraved plaque and a prize worth THB 100,000.

"TFEX will also offer special awards, worth more than THB 200,000, to brokers who demonstrate exceptional performance in trade and investor base expansion during 17 July - 16 October 2006. There will also be prizes for those marketing officers who display particular acumen in public relations and investor recruitment.

"In order to guarantee transparency and fairness in making the awards, we have appointed a committee with representatives from TFEX, the private sector and relevant agencies," said TFEX Managing Director Mrs. Kesara Manchusree.

TFEX's and the brokerage firms' nationwide PR and investor education program is set to continue throughout the year, using Thai Investors' Day, Money Channel and Money Expo road shows, as well as the trade simulation game "SET50 Index Futures."




Mrs. Kesara Manchusree
TFEX Managing Director

In addition, TFEX recently welcomed Thanachart Securities PCL as a new member, and agreed in principle to accept five other applicants as members. These companies are BT Securities Co., Ltd.; Kiatnakin Securities Co., Ltd.; Siam City Securities Co., Ltd.; Syrus Securities PCL, and UOB Kayhian Securities (Thailand) PCL.

TFEX to offer derivatives trading on the internet

Although increased activity on TFEX has seen average daily trading for May, June, and July climb to 228, 450, and 865 transactions, respectively, internet trading will yield even greater investor base expansion.

"Internet trading in SET50 Index Futures will be fully operational at the end of August, offering people an easier way to invest. Currently the system is being tested by TFEX brokers and system developers, and eventually at least 10 brokers will offer internet trading services," TFEX Managing Director Mrs. Kesara declared.

At the recent Thai Investors' Day, with the theme: "SET50 Index Futures: easy to learn, and opportunities for gains during both market ups and downs", visitors participated enthusiastically in the SET50 Index Futures internet trading simulation. Through this experiential game, people learnt the basics of internet derivatives trading, and received expert tips from professionals. 

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

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Thai Depository lifts profile through value-adding, IT and personnel

Thailand Securities Depository Co., Ltd. (TSD) aims to promote its corporate image and identity, so that more people know and appreciate its role in Thai financial markets. It will achieve this through value-added services, increased information technology (IT), and human resource development (HRD).

“Presently we’re well-known to only a specific group of people and organizations in the market, while actually we’re playing a major role in creating trust and risk management, plus developing facilities to serve the markets’ future development.

“A good example is the establishment of Thailand Clearing House Co., Ltd. (TCH) — a clearinghouse service for derivatives. We also provide back-office services for derivatives brokers. With TCH and TSD, derivatives brokers decrease operational costs and can react to the market quickly,” said TSD President Ms. Sopawadee Lertmanaschai.

As part of its development strategy, TSD will emphasize value-added services, such as enhancing existing databases to assist listed companies, and increasing shareholder value, while observing good governance practices.

“Essentially, the idea is to add value to all services provided to listed firms. As they develop their relationship with shareholders, they will gain more clients and increase customer loyalty to our products,” said Ms. Sopawadee.




Ms. Sopawadee Lertmanaschai
TSD President

To boost service excellence, TSD emphasizes corporate culture and values, such as human resource development (HRD) and on-going learning. A central asset is its people, who will be encouraged to undergo continuous learning and development, to develop their full professional potential.

“TSD will be a learning organization, where employees develop and learn on an ongoing basis. We believe that this will yield service excellence, satisfying customer needs more effectively, and enabling TSD to better adapt to rapid changes in the business milieu,” concluded Ms. Sopawadee.

Another initiative is to increase the use of IT to provide premium services for investors and public companies. TSD will implement more automated services to enhance its capacity, speed, reliability and credibility.

Ultimately, these initiatives will boost the organization’s profile, cost-effectiveness and overall efficiency. 

Thai bourse improves regulatory system and compliance


The Stock Exchange of Thailand (SET) has examined ways of updating its regulatory system and ensuring compliance from brokers, listed companies and others.

On August 10, SET’s Disciplinary Committee discussed improving rules and regulations, dealing with contraventions, and imposing sanctions on offending parties. Also invited to the Disciplinary Committee’s meeting were the presidents and heads of compliance units from every member company. Moreover, representatives of Compliance Club and Association of Securities Companies also attended to share their views and discuss developments in regulation.

The meeting aimed to facilitate the work of authorized traders and member companies’ compliance units, by providing them with clearer and more practical guidelines.

The focus was partly on clarifying the current rules regarding transgressions and sanctions, which have been in effect since 2000. There were discussions on specific cases where the rules are inadequate or vague, such as those covering internet and basket order trading.

SET is concerned about misconduct, such as where members’ officers have been inappropriately involved in their customers’ accounts, sending inappropriate orders, or allowing clients to trade beyond their credit lines, according to SET Executive Vice-President Mr. Suthichai Chitvanich.

The Disciplinary Committee’s members are Mr. Kampanart Lohacharoenvanich, Mr. Machima Kunjara Na Ayudhya, Ms. Yaowalak Aramthaveethong, and Mr. Sutthi Sookying. 

Change in Name of Listed Companies

Date	Before Changing	Symbol	After Changing	Symbol
10/7/2006	Mangpong Public Company Limited	PONG	Pongsaap Public Company Limited	PSAP
25/7/2006	Diana Department Store Public Company Limited	DIANA	Dragon One Public Company Limited	D1
31/7/2006	The Samaggi Insurance Public Company Limited	SMG	The Siam Commercial Samaggi Insurance Public Company Limited	SCSMG

Thai listed companies exceed THB 270 billion profit in H1/2006

Thai public firms posted H1/2006 profits of THB 273.25 billion (approx. USD 7.19 billion), a 7% increase y-o-y. Ninety-seven percent, or 499 of the 516 companies listed on SET and Market for Alternative Investment (mai), submitted their financial statements for H1/2006.

SET-listed companies posted THB 2.7 trillion in sales

Financial results of companies on SET alone increased both net profits and sales, with 462 of the 479 companies having submitted their financial statements. Total sales from those 462 companies were THB 2.7 trillion, up 22% y-o-y, with 377 firms 'in the black'.

Companies on the SET50 index earned THB 212.30 billion in net profit, being 78% of the total net profit from listed firms. This represents a 13% increase y-o-y, with total sales rising 27%, and the gross margin rate being 23%.

Companies in the broader SET100 index earned THB 224.75 billion net profit, or 82% of the combined net profit from all listed firms. This was a 13% y-o-y increase, with total sales growing by 27%, and the gross margin rate being 22%.

Four hundred and thirty seven listed firms in eight industry groups (excluding those in the non-compliance and non-performing groups) posted a total net profit of THB 259.9 billion, or 95% of the overall net profit of all listed firms.

In order of net profit, the details of eight industry groups are:

- Resources Industry Group** (energy & utilities and mining sectors): This group's combined net profits were THB 101.04 billion, a y-o-y increase of 18%. The group gained from robust domestic consumption of energy, as well as the higher prices of petrochemical products.
- Financials Industry Group** (banking, finance & securities, and insurance sectors): This industry group saw net profits of THB 52.03 billion, a 9% decrease y-o-y.
- Services Industry Group** (commerce, media & publishing, healthcare services, tourism & leisure, professional services,

and transportation & logistics sectors): This group posted a combined net profit of THB 31.37 billion, up 50% y-o-y. This was due to a 10% increase in sales, plus exchange rate gains.

- Property and Construction Industry Group** (construction materials and property development sectors, plus property funds): This group saw net profits of THB 30.46 billion, down 8% y-o-y, due to the increased costs of materials affected by higher oil prices.
- Technology Industry Group** (information & communication technology, and electronic components sectors): This group's combined net profits were THB 18.30 billion, a 6% decrease y-o-y, due to reduced income and fiercer competition.
- Industrials Industry Group** (petrochemicals & chemicals, industrial materials & machinery, packaging, paper & printing materials, and automotive sectors): These firms posted a combined net profit of THB 16.58 billion, a 1% rise y-o-y. Profits from the petrochemicals & chemicals sector, representing 76% of the group's profit, rose 81%.
- Agro and Food Industry Group** (food & beverage and agribusiness sectors): This group's net profits of THB 7.02 billion dropped 24% y-o-y, due to higher interest rates.
- Consumer Products Industry Group** (home & office products, fashion, and personal products, & pharmaceuticals sectors): This group posted net profits of THB 3.1 billion, dropping 4% y-o-y, due to higher interest rates.

The five most profitable SET-listed companies were, in descending order, PTT PCL (PTT), Siam Cement PCL (SCC), PTT Exploration and Production PCL (PTTEP), Thai Oil PCL (TOP) and Advanced Info Service PCL (ADVANC).

- 1) PTT PCL (PTT) recorded a THB 55.38 billion profit, a 25% rise. It gained from both higher sales volume and increased prices due to the higher cost of oil. PTT also benefited from the strengthening baht, and from selling its stake in Rayong Refinery PCL (RRC).

Financial Records of Listed Companies for H1/2006 (Ending June 30)

Unit: THB Million

Item	Overall (499 cos.)		Listed companies on SET						SET50 companies		SET100 companies (98 cos.)	
			7 Industry groups (377 firms)		Financials (60 firms)		NC and NPG cos. (25 firms)					
	H1/2006	H1/2005	H1/2006	H1/2005	H1/2006	H1/2005	H1/2006	H1/2005	H1/2006	H1/2005	H1/2006	H1/2005
EBITDA	506,779	417,815	423,640	345,656	71,011	64,482	10,670	6,191	386,115	307,388	417,906	334,153
Net profit (losses)	273,245	254,546	207,871	187,832	52,030	57,112	12,695	8,821	212,304	187,929	224,751	198,800
% of net profit (losses)	10%	11%	9%	9%	23%	35%	10%	8%	12%	14%	11%	13%
Sales	2,711,429	2,221,180	2,347,471	1,939,011	227,800	165,300	123,280	105,259	1,725,566	1,362,117	1,967,300	1,551,996
Total assets*	12,511,848	11,963,627	4,561,636	4,416,207	7,716,901	7,325,852	211,733	200,748	9,624,850	9,224,240	10,476,345	10,066,763
Liabilities*	9,490,444	9,096,790	2,389,417	2,366,011	6,977,914	6,604,931	112,380	115,581	7,736,209	7,423,129	8,323,313	8,018,800
Shareholder equity*	2,898,889	2,754,287	2,053,958	1,941,420	737,249	719,147	96,966	83,294	1,806,064	1,727,423	2,061,544	1,965,300

Remark: * Figures as of June 30, 2006 are compared with those of December 31, 2005.

- 2) Siam Cement PCL (SCC) posted a THB 17.18 billion profit, an 8% decrease y-o-y, because of poor results from its chemical, cement, and construction businesses, and increased production costs.
- 3) PTT Exploration and Production PCL (PTTEP) yielded a THB 15.12 billion profit, a 55% increase y-o-y, due to expanded sales.
- 4) Thai Oil PCL (TOP) had THB 10.97 billion profit, a 52% increase y-o-y, resulting from the rise in the price of refined oil.
- 5) Advanced Info Service PCL (ADVANC) posted THB 9.4 billion profit, decreasing 5% y-o-y, as the company reduced service fees to attract new, and retain existing, customers.

Twenty-five out of the 33 companies that may be subject to delisting (posted with an “NC” or “non-compliance” sign), or are in the “non-performing group” (“NPG”), have submitted financial statements.

Fifteen of the 16 NC companies being traded in their normal sectors posted a combined net profit of THB 12.57 billion, increasing 3.3 times y-o-y. They enjoyed quadruple gains from debt restructuring, coupled with a 22% rise in sales, as some of these companies, being in the energy sector, benefited from higher oil prices and the stronger baht. Meanwhile, 10 out of 17 NPG firms submitted financial results, and recorded net profits of THB 126 million, down 98% y-o-y, as sales and gains from debt restructuring declined.

The following is a summary of the status of NC and NPG companies’ debt restructuring from January 1 – August 16, 2006:

- * No additional companies have been posted with an NC sign.
- * Nine companies were removed from the sector, and are trading in their regular sectors:
 - o Eastern Printing PCL (EPCO)
 - o Everland PCL (EVER)
 - o Inter Far East Engineering PCL (IFEC)
 - o Premier Engineering & Technology PCL (PE&T)
 - o Preecha Group PCL (PRECHA)
 - o Siam Agro-Industry Pineapple and Others PCL (SAICO)
 - o Thai Heat Exchange PCL (THECO)

- o Thai Nam Plastic PCL (TNPC)
- o Thai Wire Products PCL (TWP)


mai-listed companies posted THB 12.88 billion in sales

mai announced a net profit of THB 649 million (approx. USD 17.08 million) for 37 listed companies, with eight recording over 100% profit growth. H1/2006 overall results included THB 12,878 million (approx. USD 338.89 million) in sales, up 11% y-o-y.

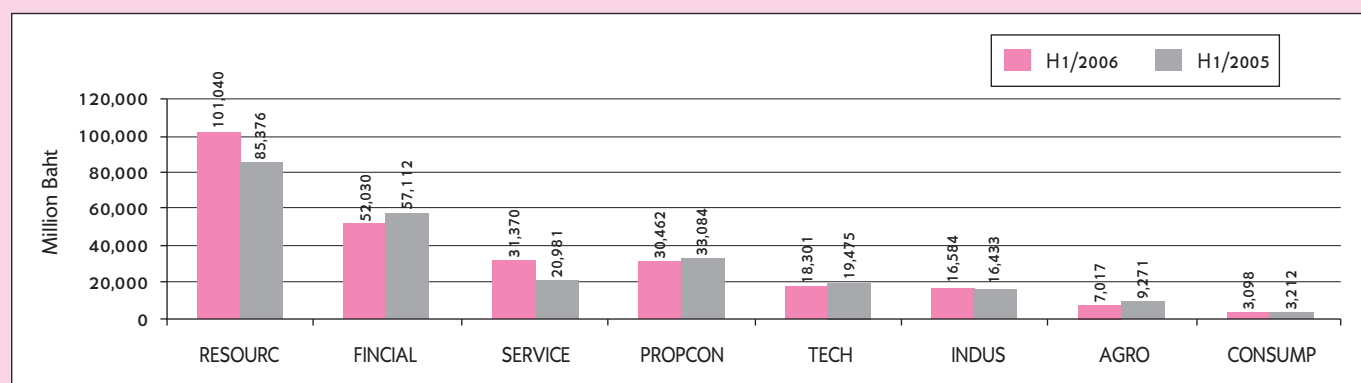
For Q2/2006, mai-listed companies had THB 6,759 million sales, an 11% increase from THB 6,116 million in Q2/2005, and THB 338 million net profits.

The top-three companies with the highest net profit growth in H1/2006 are:

- 1) International Research Corporation PCL (IRCP) posted THB 64 million profit, a 598% increase y-o-y. In terms of sales, the company recorded THB 778 million, up 151% y-o-y, due to the completion of projects initiated last year, and realized income from new customers in the energy industry.
- 2) TRC Construction PCL (TRC) posted THB 25 million net profit, up 565% from only THB 4 million last year. The company recorded THB 99 million in sales, an annual increase of 99%, as it started to realize revenue from construction and engineering systems installation projects. Two new projects – NGV gas pipeline, and gas station construction, made a significant contribution.
- 3) The Brooker Group PCL (BROOK) recorded a 374% growth in its net profit. The firm turned last year’s loss of THB 13 million to a THB 35 million profit in H1/2006. BROOK recorded a THB 53 million increase in sales and services revenue, as it partially completed its service for a debt-restructuring project.

Aside from the top-three companies mentioned previously, five others posted more than 100% growth in H1/2006 – CM Organizer PCL (CMO) 370%, Porn Prom Metal PCL (PPM) 318%, Business Online PCL (BOL) 231%, Thai Nakin Hospital PCL (TNH) 170%, and Interlink Communication PCL (ILINK) 103%. 

Total Net Profits of Eight Industry Groups



Outstanding listed, securities and asset management companies, as well as the best CEO of the year, were recently honored at the SET Awards 2006 ceremonies, presided over by H.E. Finance Minister Dr. Thanong Bidaya, Ph.D, at The Stock Exchange of Thailand Building on July 26. The event was co-hosted by Money & Banking Magazine and The Stock Exchange of Thailand (SET).

The SET Awards 2006 has six categories (containing 23 awards) for SET-listed companies; three categories (with three awards) for Market for Alternative Investment (mai)-listed companies; two categories (with two awards) for outstanding bonds and securities companies on Bond Electronic Exchange (BEX); two categories (containing six awards) for securities companies; one category (with four awards) for investment management companies; and an award for the best CEO of the year, Money & Banking Magazine Editor-in-Chief Mr. Santi Viriyarangsarit outlined.

The 39 honors, their criteria, and the winners are given below:

- Best performance awards:** listed companies in eight industry groups that had exceptional financial performances. Other factors considered are the company's liquidity and the extent to which their information disclosure accords with SET's regulations. Winners of each category are:
 - Agro & Food Industry: **Oishi Group PCL**
 - Consumer Products: **Siam Steel International PCL**
 - Financials: **The Siam Commercial Bank PCL**
 - Industrials: **Thai Stanley Electric PCL**
 - Property & Construction: **Amata Corporation PCL**
 - Resources: **PTT Exploration and Production PCL**
 - Services: **Precious Shipping PCL**
 - Technology: **Advanced Info Service PCL**



- Best liquidity improvement award:** the firm which best used capital market tools to improve liquidity in securities trading. The winner is:
 - **Cal-Comp Electronics (Thailand) PCL**
- Best investor relations award:** the public company that conducted the most effective investor relations activities, determined by user satisfaction with the firm's information, variety and effectiveness of communication channels, and benefits that shareholders and investors derived from its policies. The winner is:
 - **PTT PCL**
- Best newly-listed company awards:** newly-listed firms that had the most successful initial public offerings (IPO)s, and exceptional financial performances. The award includes the companies' financial advisors. The winners are:



Dr. Thanong Bidaya
Finance Minister

- **Glow Energy PCL**
- **Phatra Securities PCL**

- Best brokerage service awards:** securities companies with the most outstanding brokerage services, determined by customer satisfaction with investment advice, efficiency in securities trading, and investor development and education. The winners are:

- Institutional investor services: **Phatra Securities PCL**
- Retail investor services: **Asia Plus Securities PCL**



- Best research house awards:** securities companies with the most significant research reports, quality of research and coverage of securities, determined by user satisfaction with the adequacy, timeliness, access to economic and securities information, and support in making investment decisions.

- Institutional investor services: **Phatra Securities PCL**
- Retail investor services: **Asia Plus Securities PCL**

- Best asset management awards:** investment management organizations producing the highest composite returns in each fund category: equity, fixed income, flexible, and the fund with best net cash flow. The winners are:

- Open-ended equity fund: **Aberdeen Asset Management Co., Ltd.**
- Open-ended fixed income fund: **ING Funds (Thailand) Co., Ltd.**
- Open-ended flexible fund: **Aberdeen Asset Management Co., Ltd.**
- Net cash flow: **SCB Asset Management Co., Ltd.**

- Best corporate governance report awards:** listed firms receiving the most positive feedback on their compliance with SET's 15 good corporate governance principles. In considering the candidates, judges examined their Form 56-1s, annual reports, shareholders' meeting invitation documents and the companies' reports to shareholder meetings. The winners are:

- **Bangkok Aviation Fuel Services PCL**
- **Bangkok Expressway PCL**
- **Eastern Water Resources Development and Management PCL**



- N.C. Housing PCL
- Precious Shipping PCL
- Siam City Bank PCL
- Thanachart Capital PCL
- The Siam Commercial Bank PCL

9. Best corporate social responsibility (CSR) awards: firms demonstrating exceptional social responsibility. The winners are:

- Kasikornbank PCL
- PTT PCL
- The Bangchak Petroleum PCL
- The Siam Cement PCL

10. Best CEO of the year: the CEO who possessed the strongest leadership and clarity of vision, set the most lucid targets and strategies, selected the most competent management team, and was acknowledged as best integrating company leadership with corporate social responsibility. The winner is:



- Khunying Jada Wattanasiritham
President, The Siam Commercial Bank PCL

11. mai growth STAR award: the firm listed on mai which displayed the most exceptional growth potential. Also taken into consideration were the company's liquidity, and extent to which their disclosure of information accorded with mai's regulations. The winner is:

- Interlink Communication PCL

12. mai best return STAR award: the mai-listed company which had the most outstanding returns to shareholders. Also taken into consideration are the firm's liquidity, and the extent to which their disclosure of information accorded with mai's regulations. The winner is:

- Unique Mining Services PCL

13. mai newly-listed STAR awards: mai firms listed in 2005 that had the most successful IPOs, and exceptional financial performances. The award includes the companies' financial advisors. The winners are:

- CPR Gomu Industrial PCL
- Capital Nomura Securities PCL

14. BEX highest trading of the year award: most actively- and consistently-traded debt security on BEX. The winner is:

- The Siam Cement PCL

15. BEX most active brokerage house of the year award: most active securities company on BEX. The winner is:

- Thanachart Securities PCL


Additionally, 16 firms were recognized for their **distinction in maintaining excellent corporate governance reports** for a second consecutive year. These companies are:

- Advanced Info Service PCL
- Banpu PCL
- Electricity Generating PCL
- Kasikornbank PCL
- PTT Exploration and Production PCL
- PTT PCL
- Ratchaburi Electricity Generating Holding PCL
- Sahaviriya Steel Industries PCL
- Shin Satellite PCL
- Thai Reinsurance PCL
- The Aromatics (Thailand) PCL
- The Bangchak Petroleum PCL
- The Siam Cement PCL
- The Siam Industrial Credit PCL
- Tipco Foods (Thailand) PCL
- TISCO Bank PCL

The SET Awards 2006 promote the Thai capital market by honoring the exceptional achievements of businesses and executives in management, operational performance, corporate governance and social responsibility. In addition to boosting morale, the awards identify benchmark role models for firms and investors, SET President Ms. Patareeya Benjapolchai stated.

The awards for each category were finalized by distinguished judges and experts in finance and investment. The 2006 judging panel was: Dr. Maruey Phadoongsidhi, Dr. Panas Simasathien, Mr. Santi Viriyarangsarit, Mr. Seri Chintanaseri, and Ms. Patareeya Benjapolchai.

The advisory group to SET's Corporate Governance Center (whose members are Prof. Hiran Radeesri, Prof. Kovit Poshyananda, Mr. Singh Tangtatswas, and Mr. Yuth Vorachattam) were co-opted to the selection committee for the corporate governance awards.

The selection committee, chaired by the H.E. Finance Minister Dr. Thanong Bidaya, PhD, chose 62 companies with outstanding performances in 2004/2005, and which met the qualifications for each award category, drawn from the 512 firms on SET, mai, and BEX. The finalists were made up of 46 listed companies, 16 securities, investment management and financial advisory companies. The main sponsor of the SET Awards 2006 was BMW (Thailand) Ltd. 



Converging with International Financial Reporting Standards: Opportunities and Challenges for Thailand

By Angkarat Priebjivat, Ph.D.¹

Introduction

With economic globalization and international capital flows, the global convergence of national accounting standards with International Financial Reporting Standards (IFRS) is attracting attention in many countries. Several nations and regions, such as Australia, Canada, United States of America, and the European Union, have already taken steps to change their regulatory framework to meet the requirements of IFRS. For Thailand, Federation of Accounting Professions (FAP) has evolved from the Institute of Certified Accountants and Auditors of Thailand (ICAAAT). FAP's Accounting Standards-Setting Committee has continued its predecessor's policy of issuing national accounting standards consistent with IFRS requirements, with which most Thai Accounting Standards (Thai Generally-Accepted Accounting Principles, or Thai GAAP) comply.

However, some Thai GAAP follow US GAAP. In addition, since IFRS standards are principles-based, most Thai companies look to US GAAP in applying IFRS-based Thai GAAP. In late 2005, FAP agreed with Thai Securities and Exchange Commission (SEC) to make Thai GAAP compatible with IFRS by revising all Thai GAAP according the latest IFRS standards. However, Thai GAAP may differ from IFRS if IFRS' requirements are not appropriate for the Thai environment or may have overall negative impacts on Thai businesses.

What are the benefits and challenges of this development? This paper discusses these matters for Thailand as it converges its national accounting standards with IFRS.

Opportunities

Attracting foreign investment

Providers of capital now operate on a global basis, able to invest their funds virtually anywhere, and expect higher standards of financial information on which to base their decisions. They require their information in a comprehensive, transparent and commonly-understood format. To compete internationally, Thailand must offer a stable base for providers of capital to make informed judgments, and comparisons between companies listed on The Stock Exchange of Thailand (SET), and those on competing markets who also use IFRS. Currently, SET requires financial reporting based on Thai GAAP. Although Thai GAAP is based on IFRS, there are some differences, both in mandated standards and their application. As Thai GAAP is not well understood outside the Kingdom,

IFRS would provide a recognized and transparent platform for companies to use in reporting their financial performance.

Internal benefits

There is more, however, to IFRS than the approval of potential investors and better compliance with legislative requirements. Other advantages include the way that IFRS reporting actively contributes to, and encourages, effective business management. When applied throughout a company's accounting processes, IFRS has the potential to harmonize internal and external reporting by creating a single accounting "language" across the business. This can end problems associated with using different accounting standards in different countries.

The implications for developing economies include that IFRS is far more technically advanced than many national GAAPs. For example, in Thailand, the use of, and accounting for, financial instruments is little understood and application may vary from firm to firm. IFRS levels the playing field, because all practitioners must apply them in the same way. In addition, IFRS could facilitate management decision-making because it is more focused on performance than GAAP. With a much stronger emphasis on fair value and currently-unrecognized amounts, IFRS would force management teams to assess the impacts of their decisions in a more inclusive and comprehensive way. Not only would the firm's financial statements become more credible and transparent to investors, the company's corporate governance would be improved, making it easier to raise funds.

Challenges

Agreed conversion approach

The eventual goal of implementing IFRS can be achieved in two ways. We can either look to replace existing Thai GAAP reporting requirements and accounting systems, or blend IFRS with existing systems. The choice depends on the Kingdom's objectives in adopting IFRS. It would certainly be more efficient in the long-term for companies to make a full conversion, but this would require agreement from all interested parties.

Currently, all standards require legislative endorsement. Any standards or interpretations proposed by the Thai Accounting Standard-Setting Committee (TASSC) are subject first to FAP's approval, then to that of the Accounting Profession Supervisory Board, a quasi-government body.

¹ Associate Professor, School of Business Administration, National Institute of Development Administration, Thailand.

This paper is based on the author's presentation in September, 2005 at World Standard Setters Conference, hosted by International Accounting Standard Board, London, United Kingdom. Opinions expressed herein are solely those of the author, and may not represent those of other bodies.

Board members are appointed from various regulators and authorities, such as SEC, Internal Revenue Service Department, Bank of Thailand, Ministry of Commerce, Thai Chamber of Commerce, Federation of Thai Industries, and Thai Banker's Association. This creates a built-in challenge, as FAP is composed solely of accounting professionals and is charged with protecting its members' interests. Thus, at times, the interests of a minority may stand in the way of benefiting the capital market as a whole. Further congruence with IFRS would require change in the due process of setting accounting standards.

Lack of understanding

Any significant changes would require consensus among regulators, authorities, industry and the accounting profession. Such a consensus, however, could be achieved only after giving full consideration to difficult issues such as: How will earnings be affected? Can companies meet the stricter accounting and disclosure requirements? What timeframe is required for the conversion? What is the best way to educate the domestic financial community? These are challenges for TASSC to tackle.

So the major challenge facing further adoption of IFRS, and converging Thai GAAP with it, is a lack of understanding — of both the requirements of IFRS itself, and the reasons for change, complicated by the fact that IFRS is more technically demanding than the existing regime.

Convergence would require a significant investment in training companies, auditors, regulators and local investors. Currently, auditors in Thailand are required to gain a Certified Public Accountant qualification, based on Thai GAAP. IFRS has been criticized for the complexity of accounting treatment and disclosure demanded. Given that Thailand's investment community is less financially sophisticated than its European and American counterparts, very complex financial information requirements might drive potential investors away from the debt and equity markets.

To promote and improve understanding of IFRS, establishing a helpdesk would be beneficial, as currently, the only real source of guidance on IFRS comes from the auditing firms. The model may be appropriate for the companies themselves, but not for regulators, standard-setters and oversight boards. A source independent of the auditing profession is to be preferred, particularly since IFRS is continuously evolving new standards, interpretations and revisions. These new standards and interpretations should be supported by a broad educational campaign so that all parties in the financial community understand the reasoning for these changes.

Cost of adoption

In order for companies to use IFRS, or an amended Thai GAAP, for reporting, significant investment will be required. Firstly, there is the cost of training employees. Generally, companies in Thailand have little experience with

concepts such as deferred tax, employee benefit provisions, and accounting for derivative instruments. Training would need to be completed before conversion, so that changes could be included in the opening balance sheet of the year of adoption. Secondly, the whole information reporting system would need to be adjusted or rebuilt from the ground up, because the changes in this area would require enterprise-wide alteration. Not only would the types of information reported need to be amended, but also the manner of reporting and analysis. Management would need to reappraise the way they measure performance, to account for the effects of IFRS on externally-reported performance. This would involve change in reporting and consolidation procedures, with implications for the already tight reporting deadlines, especially those for listed companies.

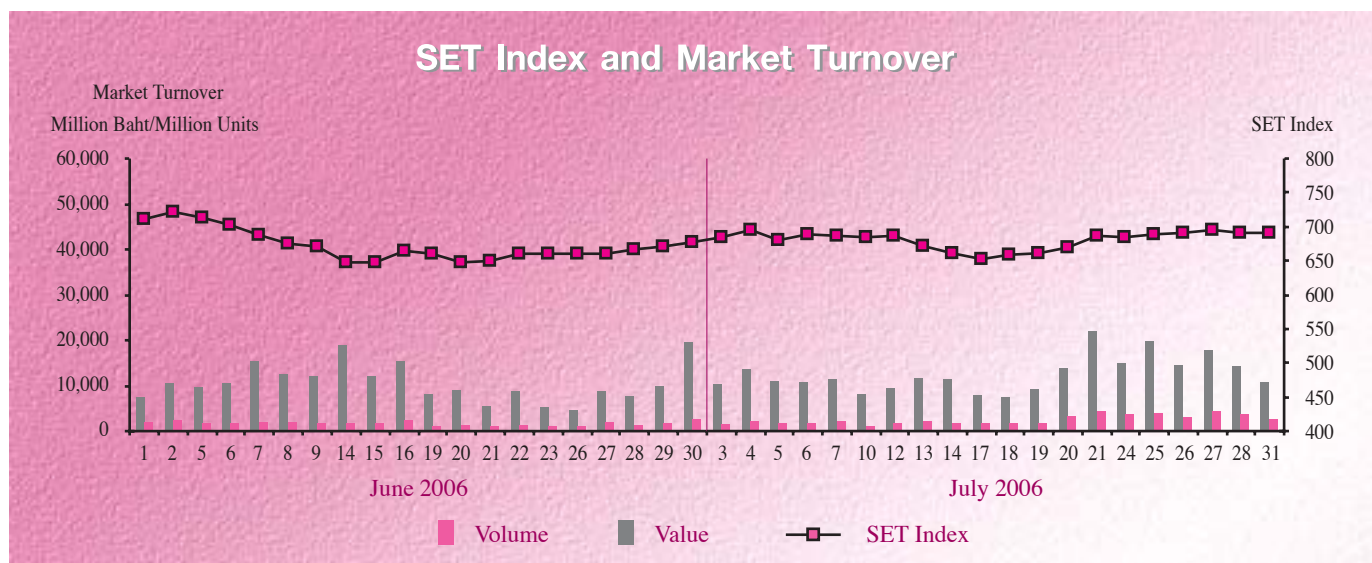
Effects on valuation and performance

Recognition and disclosure of financial instruments would potentially have the biggest effect on Thai companies, especially those in the financial services and import/export sectors. For example, as many derivatives utilized by Thai companies are treated as off-balance-sheet items, recognition would have significant effects and the volatility of these instruments. Whilst defined benefit schemes are not widespread in Thailand, the adoption of IFRS in this matter would have significant valuation and performance effects because it requires the usage of actuarial science in valuation of debt provisions.

Furthermore, the general concept of "fair value", which is used in a number of IFRS, is dogged by a lack of understanding and support. Generally, fair value would be based on market prices or value in use. For most assets and liabilities there is inadequate market information on which to base a fair value assessment, either domestically and in the ASEAN region. The value-in-use method is not widely supported, due to the problems inherent in the arbitrary judgments used in the assessment. Therefore, where there is no market information available, the only acceptable solution for domestic regulators would be for third-party appraisals, which would be costly and time-consuming and, in the companies' minds, not worthwhile.

Conclusion

Whilst Thailand faces obstacles in converging with or adopting of IFRS, the opportunities and benefits created from doing so would outweigh this discomfort. Development of the capital markets is a central goal of the Government of Thailand and the domestic financial community, if meaningful improvements are to be achieved, IFRS must be a central component. The benefits to the companies involved and capital market as a whole, plus the general enhancement of financial reporting and corporate governance, should be sufficient incentive for Thailand to overcome any obstacles to overall success. 



The Stock Price Indices in July 2006

Index	High (Date)	Low (Date)	Close	
			July 2006	Compared with June 2006 (%)
SET	695.83 (27)	653.02 (17)	691.49	↑ 1.97%
SET50	486.06 (27)	454.14 (17)	482.63	↑ 2.35%
SET100*	1,056.70 (27)	985.57 (17)	1,049.72	↑ 2.28%
mai	160.19 (27)	152.79 (18)	159.20	↑ 2.23%

* The SET100 Index was launched on May 3, 2005.

Stock Market Turnover in July 2006

	Volume (Million Shares)				Value (Million Baht)				
	July 2006		Compared with June 2006 (%)		July 2006		Compared with June 2006 (%)		
	SET	mai	SET	mai	SET	mai	SET	mai	
Total	47,704.43	228.36	↑ 49.73%	↑ 59.56%	Total	247,639.15	441.06	↑ 18.50%	↑ 58.91%
Daily Average	2,385.22	11.42	↑ 49.73%	↑ 59.50%	Daily Average	12,381.96	22.05	↑ 18.50%	↑ 58.86%

Statistics of Listed Debentures in July 2006

Issues	Total Outstanding Value (Million Baht)	Total Turnover	
		Volume (Units)	Value (Million Baht)
583	2,955,053.11	7,900	7.99

Transactions by Type of Investors*

Unit : Million Baht

Type of Investors	June 2006				July 2006			
	Buy	%	Sell	%	Buy	%	Sell	%
Foreigners (corporate & individual)	77,716.92	37.14	90,765.10	43.38	75,149.43	30.29	65,473.93	26.39
Local Institutions**	33,423.02	15.97	25,718.77	12.29	26,667.13	10.75	35,895.71	14.47
Local Investors	98,111.81	46.89	92,767.88	44.33	146,263.65	58.96	146,710.57	59.14
Total	209,251.75	100.00	209,251.75	100.00	248,080.21	100.00	248,080.21	100.00

* Including securities companies, mutual funds, banks, finance firms, insurance companies, juridical entities and provident funds

** Including transactions of mai

Top Ten Securities with Highest Market Value in July 2006

Rank	Securities		Market Value	
			Million Baht	% of Total
1	PTT	PTT	660,149	13.47
2	PTT Exploration and Production	PTTEP	383,187	7.82
3	Advanced Info Service	ADVANC	259,747	5.30
4	The Siam Cement	SCC	254,400	5.19
5	Bangkok Bank	BBL	192,793	3.93
6	Kasikornbank	KBANK	146,489	2.99
7	Thai Petrochemical Industry	TPI	140,400	2.86
8	Thai Oil	TOP	131,581	2.68
9	Krung Thai Bank	KTB	121,859	2.49
10	The Siam Commercial Bank	SCB	108,815	2.22
Total			2,399,420	48.95

Top Ten Most Actively Traded Securities (Main Board) in July 2006

Rank	Securities		Number of Securities	Turnover Value	
				Million Baht	% of Total
1	Rayong Refinery	RRC	1,086,490,078	21,600.38	9.27
2	PTT	PTT	67,704,678	15,822.85	6.79
3	PTT Exploration and Production	PTTEP	106,961,427	11,997.95	5.15
4	The International Engineering	IEC	3,390,853,400	10,737.70	4.61
5	Thai Petrochemical Industry	TPI	1,186,298,381	8,342.66	3.58
6	Bangkok Bank	BBL	78,720,467	8,058.07	3.46
7	The Siam Commercial Bank	SCB	116,105,787	6,616.10	2.84
8	Thai Oil	TOP	97,176,299	6,218.54	2.67
9	Kasikornbank	KBANK	93,292,866	5,513.49	2.37
10	Krung Thai Bank	KTB	440,244,795	4,636.40	1.99
Total			6,663,848,178	99,544.14	42.73

* Excluding transactions on Foreign Board and mai

Top Ten Most Actively Traded Securities (Foreign Board) in July 2006

Rank	Securities		Number of Securities	Turnover Value	
				Million Baht	% of Total
1	Bangkok Bank	BBL-F	65,770,000	7,126.03	48.40
2	Kasikornbank	KBANK-F	47,700,900	2,898.25	19.68
3	The Siam Cement	SCC-F	9,951,800	2,248.44	15.27
4	True Corporation	TRUE-F	89,292,900	789.34	5.36
5	Land and Houses	LH-F	112,019,980	781.42	5.31
6	Bank of Ayudhya	BAY-F	9,246,700	162.97	1.11
7	Kiatmakin Bank	KK-F	5,269,700	147.27	1.00
8	Tisco Bank	TISCO-F	5,004,700	112.36	0.76
9	Advanced Info Service	ADVANC-F	1,026,734	88.81	0.60
10	Thai Union Frozen Products	TUF-F	3,688,500	88.63	0.60
Total			348,971,914	14,443.52	98.10

* Excluding transactions of mai

Top Ten Outstanding Non-Voting Depository Receipts (NVDRs) in July 2006

Rank	Securities	Number of NVDRs	% of Paid-up Capital	
1	Raimon Land	RAIMON-W	427,321,997	55.20
2	Golden Land Property Development	GOLD	214,906,872	34.11
3	Jasmine International	JAS-W	27,108,220	30.21
4	Tisco Finance	TISCO	162,035,036	29.94
5	Raimon Land	RAIMON	583,845,595	27.77
6	Supalai	SPALI-W3	36,879,006	25.36
7	LP.N. Development	LPN	361,338,993	24.49
8	Univentures	UV	127,819,549	24.10
9	Land and Houses	LH	1,970,660,950	23.35
10	Pranda Jewelry	PRANDA	71,828,000	23.17

Market data of TFEX*

Transaction Summary	April 2006	May 2006	June 2006	July 2006	April - June 2006
Total Volume (Contracts)	161	4,565	8,996	17,515	31,237
Daily Average Volume (Contracts)	161	228.25	449.80	875.75	512.08
Total Value (Million Baht)	86.47	2,368.56	4,134.05	8,185.89	14,774.97
Daily Average Value (Million Baht)	86.47	118.43	206.70	409.29	242.21
Month-end Open Interest (Contracts)	102	1,109	1,907	2,843	2,843

Market Summary: SET50 Index Futures					
Symbol	Contract Month	Open	High	Low	Settle
S50U06	Sep-06	469.3	485.0	446.5	475.4
S50Z06	Dec-06	467.0	484.1	448.0	477.0
S50H07	Mar-07	470.0	470.0	450.8	474.3
S50M07	Jun-07	470.0	478.0	470.0	478.0

* TFEX started its trading on April 28, 2006.

SET co-hosts seminar on trends in Thai and other currencies



SET and Securities Analysts Association co-hosted the seminar: **“Outlook for the Thai baht and other currencies from public and private sector points of view.”** Key speakers included Mr. Satian Tantasarit, Chief Treasury and Markets, TMB Bank PCL, and Mr. Yoot Khunsihapak, Senior Executive – Domestic Financial Markets Division, Bank of Thailand. The analysts forum drew particular attention from public and private sector economists and financial practitioners.

The event was held at the SET building, on July 17. ✍

SET executives attend “The 3rd Asia-Pacific New Markets Forum”



This Forum allowed representatives from numerous leading capital markets to share their insights into capital market development. Mr. Vichate Tantiwanich, Chairman of mai Advisory Committee; and Mr. Chanitr Charnchainarong, Chief Executive Officer of mai, participated in this event, held in Busan, South Korea. ✍

SET hosts seminar on Corporate Social Responsibility (CSR)



SET hosted a seminar entitled **“Thai-style CSR: Healthy Society–Healthy Business”** at the SET Building, on August 2.

Numerous business leaders and representatives from leading companies attended the panel discussion entitled: **“Case study: Thai-style CSR”**. Of particular interest was the keynote address from Dr. Chirayu Issarangkul Na Ayuthaya, Director-General, Bureau of the Crown Property: **“Sufficiency economy and the role of Thai private sector”**.

There was an impressive turnout, reflecting the high level of interest in CSR in Thai society. ✍

Thai Investors’ Day features SET50 Index Futures



This month’s **“Thai Investors’ Day”** featured SET50 Index Futures. The event was held on August 5 – 6, with the theme: **“SET50 Index Futures: easy to learn, and opportunities for gains during both market ups and downs”**. Participants received investment advice from participating brokers, and, for those who opened an account, special gifts.

Thailand Futures Exchange PCL (TFEX) and SETTRADE.com Co., Ltd., conducted simulated internet trading in SET50 Index Futures, to familiarize investors with the service, before it becomes fully operational. The simulation was enthusiastically received.

To participate in seminars at Thai Investors’ Day, please contact Thai Investors Association on 66-2237-1992-3, or at www.thaiinvestors.com. ✍