



THE **SET** Newsletter

Thai bourse prepares to launch Thailand's first equity **ETF**



ETF

As part of its march towards becoming an integrated market providing a comprehensive and responsive range of investment products within three years, The Stock Exchange of Thailand (SET) will launch Thailand's first equity exchange-traded fund (ETF). This financial innovation will be an attractive investment alternative for all investors and increase the liquidity of the Thai capital market.

To establish and manage the ETF, SET recently selected a consortium made up of experts and key players in the Thai market. Read more about this innovative financial product on page 6...



More institutional investors and new services to reinforce Thai market stability

To bolster market stability, The Stock Exchange of Thailand (SET) will increase the combined proportion of local and foreign institutional investors in the market, by value, to 40% in 2007 and 50% in 2009. In separate developments, SET, in conjunction with commercial banks and securities' firms, will establish 30 "cyber (securities) branches" by end-2007, and will amend regulations to support new and existing listings.

SET targets 40% institutional investors in 2007

The 2007 target of 40% institutional investors is made up of 13% local institutions and 27% foreign investors, while by 2009 the market should have a proportion of 50% institutional investors — made up of 20% local and 30% foreign.

SET's current target for 2007 is based on the average trading turnover of institutional investors in 2004–2006, which was 37%, made up of 10% local institutions and 27% foreign.

"The market has been impacted by several events affecting economic and investment conditions this year. Not surprisingly, the Thai capital market will undergo various changes, resulting from amendments to regulations and the law, brokerage fee liberalization, and local and international political and economic conditions.

"Increasing the proportion of institutional investors is part of developing the market's structure and sustainability, and reducing volatility. The Exchange will attract more foreign institutions through direct communication, information projects and road shows. As we move through these changes, the bourse will collaborate with securities firms, listed companies and related public and private organizations," SET President Ms. Patareeya Benjapolchai said.


Nevertheless, SET reaffirmed the importance of retail investors, who are strongly encouraged to participate in the

market independently, or through securities firms, investment management companies, or mutual funds, which are a type of institutional investor. The Exchange, in cooperation with member firms and investment management companies, continues to encourage retail participation in the market, through ongoing nationwide educational and promotional strategies. The results are self-evident, with more people now having greater access to information and the market.

SET to boost investment by making trading easier and promoting investor relations

In addition, SET will introduce direct market access (DMA) to facilitate institutional trade, develop a comprehensive database integrating all the market's investment instruments, and continue to promote corporate governance (CG) in 2007. The Exchange aims to increase listed companies' average CG scores from its current level of 71/100 up to 75/100 for shareholders' rights, and its current level of 58/100 up to 64/100 for directors' responsibilities, by 2009.

The SET board has approved providing more communication channels for investors and, in conjunction with commercial banks and securities' firms, the expansion of direct access to investment through the 'cyber branches' initiative. There will be 30 branches by end-2007, and 120 by 2009.

"To help current and future listed firms, SET, together with other related organizations, will resolve issues such as reducing the procedures and time involved in listing, removing obstacles to product innovation, supporting tax privileges for listed companies and following-up on revision of relevant rules and regulations, e.g., the Securities and Exchange Act of 1992, accounting standards, rules governing listed companies," Ms. Patareeya said. 

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The Potential of a Strategic Performance-Based Budgeting System to Contribute to Good Governance

Assoc. Prof. Suna Sithilertprasit¹

A budget is a written financial plan for an organization's operations for a specific time period in the future. A long-term plan might cover three to five years while a short-term plan might cover only one year. Since business nowadays is very complicated, a well-planned operational map is needed to prepare for any problems that may arise.

For any commercial or nonprofit organization, planning, organizing, staffing, operating and controlling are the five keys in management. Management can use budgeting as a tool in three areas:

1. Planning: in drawing up a budget plan, the management must determine in which direction(s) the organization is heading and then set clear goals that address the what, how and when.
2. Coordinating: management must review all budgets of the organization's units or departments to ensure that they comply with the organization's overall policies and will enable the organization as a whole to reach its objectives most effectively.
3. Controlling: the management can use a budget plan to monitor each unit's operation by comparing actual results with the written plan. Management can assess whether the goals are achieved as planned.

The steps in making a budget plan are:

1. To assess the environment and determine objectives of the organization
2. To set goals for the organization's operation
3. To set strategies to achieve the objectives and targets
4. To plan projects
5. To make strategic long-term plans
6. To make strategic short-term plans or budget plans for a business cycle normally covering one year. In other words, the short-term plans are part of long-term plans for the following year.

Using a budget as a management tool does not mean that the organization automatically has a management system that is effective, transparent and verifiable — in short, that it has what we call good governance. It has to be proven.

The author researched the budgeting system that the governmental units presently use. The system is applied through concepts and practices that are similar to those in the business sector. The author would like to share the findings of the research herein to show how the budgeting systems of the private and public sectors contribute to good governance. The author uses the phrase "good governance" because Thailand's Organization of State Administration Act stipulates that public servants must work with efficiency and effectiveness and be evaluated in order to be in compliance with good governance. Since it is mandated in the law, let us understand more about what it is.

According to regulations of the Office of the Prime Minister, good governance comprises six principles that measure the performance of every public servant. These are:

1. Legality – public servants must abide by the law.
2. Morality – public servants must not only abide by the law, they must uphold moral principles such as honesty and self-sacrifice.

3. Transparency – transparency does not mean that public servants need to disclose everything but that they need to be able to explain why they do something and the evidence must be verifiable. Transparency does not mean revealing state secrets.
4. Efficiency – everything public servants do must be efficient in terms of human resources, money and time.
5. Participation – superiors, subordinates, citizens and the public sector must be involved in issuing regulations and rules if they are to be accepted.
6. Accountability – officers need to be as responsible, committed and attentive to their work as if they were running their own businesses.

Having heard about good governance, readers may wonder how the "Strategic Performance-Based Budgeting System: SPBBS" plays a role in good governance. The author must explain that the state has a plan to reform the state administration to be more outcome-oriented. Broad responsibilities are assigned to each staff member at each level instead of being defined in every little detail. This should shorten procedures and enable faster service to the public. Work is to be conducted with transparency. Outcome and expenses can be measured. One aspect of the reform is the performance-based budgeting system.

For state agencies, budgeting up until fiscal year 2003 was based on inputs, i.e., expenses. Any agency that had not used up its budget by the end of the fiscal year was found to be inefficient and its budget might be cut the following year. Since there has been no concrete performance measurement, efficiency was measured by expenditure. Therefore, as each fiscal year drew to an end, many agencies tried to use all their money without considering what benefits would ensue. Due to this weakness, the government has changed its budgeting system to what is called a "Strategic Performance-Based Budgeting System". The new system was first used in 2003. The budgeting system was changed from focusing on controlling resources, which is an input factor, to focusing on outcomes, which are the results that follow from using resources.

Concepts and Principles of SPBBS

SPBBS has three main concepts and principles:

1. To allow the government to use the methods and processes of budgeting as a tool to allocate resources so agencies can maximize effectiveness in achieving their goals and extending concrete benefits to the public.
2. To encourage using a budget to focus on transparency, efficiency and effectiveness.
3. To help operational staff draw up and manage budgeting plans. Agencies must also use a budget to generate work that complies with strategies and the public's needs and that can undergo fast evaluation of performance and financial results.

Guidelines on how to draw up SPBBS

Drawing up SPBBS involves three main processes: budgeting, managing the allocated budget effectively, and monitoring and evaluating the budget spending.

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Below are some guidelines for the first process, that of budgeting:

- Determine national strategies in accordance with government policies.
- Determine ministerial strategies and service goals that connect to national strategies.
- Determine output and outcome of governmental units.
- Determine success indicators.
- Calculate relevant expenditures to be included in the budget.

After the budget is approved comes the process of budget management. During this process, effective purchasing systems and financial and asset management systems play a crucial role.

The final process, that of evaluation, requires professional financial and operational reporting and auditing, to ensure that output and outcome of all governmental units are in accordance with government policies.

SPBBS Structure

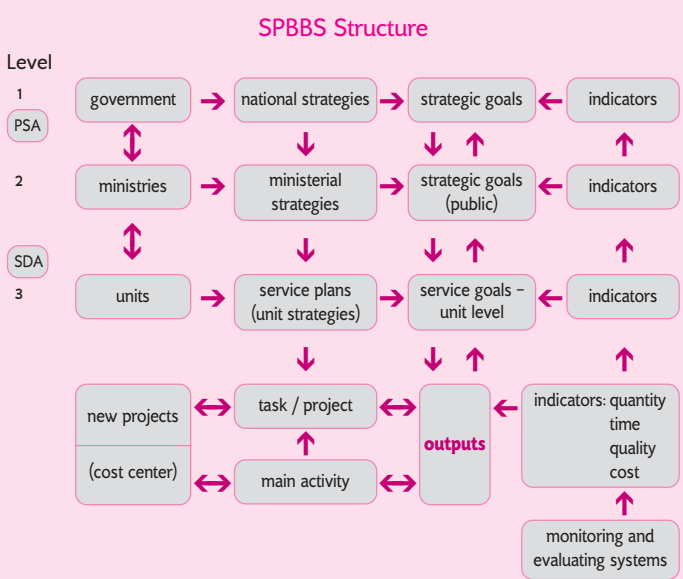
SPBBS has a structure that shows relations between three levels of parties: government, ministries and governmental units (such as departments) by using goals and strategies as means to success as follows:

Level 1 Government is responsible for the success of strategic delivery targets, to see if the nation and the public get what the government plans to achieve.

Level 2 Ministries are responsible for the success of service delivery targets, to see if the public receive what the services ministries intend to deliver.

Level 3 Departments are responsible for the success of outputs that the public receive from departmental operations.

All levels are connected. Units are operated under the ministries, which act according to policies given by the government. Their final goal is a national strategic target. Monitoring and evaluating systems measure success at each level through indicators as shown below.



PSA = Public Service Agreement, made between the prime minister and ministers, to ensure that the ministries' operations will be in line with the government's national strategic targets.

SDA = Service Delivery Agreement, made between the minister and director-generals who are responsible for the outputs of government units' services, to be in line with the ministries' service delivery targets.

The Budgeting System of the Business Sector and the State's Performance-Based System and Good Governance

The author mentioned that a budgeting system for the business sector can be used as a management tool. But how effective it is has yet to be proven. The government has begun to use a new budgeting system which is similar to the system of the business sector. In addition, research supports the idea that the new budgeting system leads to good governance. The author would like to show readers that units can use the system as a tool in administering the nation with transparency, resource efficiency and with participation from every concerned party in administration.

SPBBS Leads to Accountability

1. The new budgeting system leads to commitment and accountability in one's own operations for every level of staff. High-ranking executives of a department are responsible for the outputs of their immediate subordinates. Meanwhile, ministers are responsible for various outputs from different departments. The prime minister is responsible for outcomes from ministers. This means clear-cut roles are assigned to everyone and overlaps of responsibilities are reduced. Units can cut or transfer any work not relevant to their mission to those directly related.

Performance agreements create clearer relations between the government and state officers. Ministers sign the Public Service Agreement (PSA) to commit themselves to be responsible for the outcomes. In a similar way, director-generals sign the Service Delivery Agreement (SDA) to tie themselves to their responsibilities for outputs.

2. Redistribution of power from the center to local units can contribute to accountability. The new budgeting system stimulates the organization to delegate more tasks to their units. This endows all levels of staff with care and responsibility as they are held accountable for their tasks.

3. The use of accrual basis contributes to accountability because the accrual basis gives more information about the actual costs of operation, such as accrued receivables. This makes administrators more aware of operational costs. Dana Weist² says that "the budgeting reform is based on accounting standards which promote accountability."

4. A reward system based on operational results holds state officers accountable for their operations. Financial and non-financial rewards given to officers who have achieved targets help the organization achieve its ultimate goals.

SPBBS Leads to Transparency

1. SPBBS focuses on output and outcome by using indicators in terms of quantity, quality, time and cost. Evaluating output and outcome is a key to expense control. Evaluating covers both financial and non-financial outcome. This helps the organization to assess its efficiency and find where to

² Weist, Dana, 2003, "Reflections on Thailand's Budget Reform", The Budget Bureau of Thailand.

improve. Useful reports are ones that compare targeted output and outcome and actual output and outcome. Good evaluation is assessment conducted internally and externally.

2. When controlling of input has been replaced with evaluation of outcomes, a tool to replace expense controls is needed. Expenses must be controlled at a certain level. Internal control and audits are needed to prevent fraud and boost confidence that operations will be carried out as targeted. They should include the following elements: delegation of tasks to individuals, designs for internal control, reports on the outcome of internal controls, and development of knowledge of financial and asset management.
3. Purchasing systems should be made transparent. The system should be traceable so to facilitate internal and external auditors.
4. SPBBS emphasizes public needs. Therefore, people should be able to access information on the government's operations. Governmental units now have websites that report their operations, targets and results.

SPBBS Leads to Efficiency

1. Decentralization leads to efficiency. Scott Graham³ says that "decentralizing gives strength to local administration. Usually, when administrators are assigned more responsibilities, they tend to be more attentive and responsible for their work. The increase in flexibility leads to efficiency."
2. The focus on performance of units in the organization can also lead to efficiency because when clear internal output has been determined, units can use resources more economically. Unnecessary activities are cut or transferred to suitable units. A corporate restructuring takes place while costs are cut and targets are achieved efficiently.

SPBBS Leads to Participation

1. SPBBS increases roles and responsibilities for ministries and units. The reform has changed the budgeting system from centralization which is not flexible, to a new one which allows ministries to plan and decide on their responsibilities. The government has changed from an administrator to a strategic determiner that supports and evaluates results. PSA and SDA are tools to support the change in the budgeting system. Ministers and all levels

of executives are responsible together for determining output and strategies that are in line with the government's goals. SPBBS allows ministers and unit executives to make their own decisions.


2. At unit level, a public hearing becomes more important. Channels for the public to speak their mind are arranged through media. Government units might conduct evaluation researches about public services to appraise the success of their outputs.

Problems and Obstacles of Implementing SPBBS

Although SPBBS helps promote good governance as mentioned, in practice SPBBS has its problems and obstacles. ⁴ Research found that high-ranking executives lack understanding and therefore do not cooperate, as they feel that decentralization will cause them to lose power. The lack of resources to install the systems is also another obstacle, because effective SPBBS requires development of IT systems. Another example of problems is the lack of cooperation between units to ensure that SPBBS is implemented in the same direction.

Conclusion

At present, several countries are focusing on developing and reforming their administration with the goal of enhancing efficiency and better serving the public. SPBBS is one of the tools government can use to reform state administration and to promote good governance. SPBBS focuses on output and outcome, rather than input, by evaluating performance. SPBBS gives increased freedom to management but intensifies responsibilities, monitoring and reporting. The system therefore enhances good governance in various ways: by accountability, transparency, efficiency and participation. However, in practice, the system encounters problems and obstacles and it will take time to promote understanding among involved parties and inform them of the necessity of the new system.

This article is only an attempt to present data to prove how SPBBS can be used as a state administration tool that promotes good governance. In the future, there should be more research on good governance that explores other aspects. The author believes that SET is ready to support this research in a way that will develop good governance and enable sustainable growth of the nation's economy. 

³ Graham, Scott, 2005, "Reform of Budgeting and Financial management in Thailand", The Budget Bureau of Thailand.

⁴ Sithilertprasit, Sun, 2006, "The Potential of Strategic Performance-Based Budgeting System (SPBBS) to Contribute to Good Governance: A Case Study of Bangkok, Thailand" Center of Development Studies, University of Wales, Swansea, UK

Change in name of listed company

Date	Before Changing	Symbol	After Changing	Symbol
22/02/2007	KPN Automotive Public Company Limited	KPN	AAPICO Forging Public Company Limited	AF

Thai bourse selects consortium to launch Thailand's first equity ETF

To establish and manage Thailand's first equity ETF (exchange-traded fund), The Stock Exchange of Thailand (SET) chose One Asset Management, supported by a team comprised of KGI Securities, Kim Eng Securities, Bualuang Securities, Thanachart Securities, Citicorp Securities and Samsung Investment Trust Management. The memorandum of understanding (MOU) between SET and consortium was signed on February 14.

A working committee, with representatives from SET and Thailand Securities Depository Co., Ltd., assessed applicants against the criteria in the request for proposals published in December 2006. The committee carefully studied each team's proposals and held full discussions with the candidates.

One Asset Management's President Dr. Somjin Sornpaisarn emphasized his team's expertise and experience in the Thai market, particularly in liquidity provision and retail investor marketing.

"We have a strong and experienced team: KGI Securities, Kim Eng Securities, Bualuang Securities, Thanachart Securities, Citicorp Securities — and Samsung Investment Trust Management, with its proven track-record in the Korean ETF market. The consortium's comprehensive

understanding of the product, robust marketing plan, distribution network and liquidity enhancement capability should ensure the success of Thai ETF," Dr. Somjin said.



Dr. Somjin Sornpaisarn

“By adding to the variety of investment products, the ETF enables the Thai capital market to better meet investor and stakeholder demand”




ETF: an attractive financial innovation for all investors

"The first ETF will be listed and traded on the Thai exchange in mid-2007, with the SET50 Index as its underlying index. By investing in a basket of blue-chip SET50 stocks, the fund will provide novice investors with an attractive alternative with relatively low risk exposure, compared to specific stock investment. It will also assist existing retail and institutional investors with portfolio management. Additionally, investors can use the fund as an effective risk management tool for hedging the SET50 Index Futures on Thailand Futures Exchange (TFEX). Arbitrageurs can also derive yields from the index fund. By adding to the variety of investment products, the ETF enables the Thai capital market to better meet investor and stakeholder demand," Dr. Somjin said.

Because an ETF can be easily traded through brokers during trading hours, and its price movements, like those of stocks, are reported in real-time, investors can do business conveniently and with high liquidity. KGI Securities (Thailand) will act as a market maker to enhance liquidity with a tight bid-ask spread of only one basis point of "indicative NAV" (net asset value). Currently the company performs this role with SET50 Index Futures and contributes to its liquidity, having the largest market share (20%) in TFEX.

"During the product's early development, our team will promote an understanding of ETF among local individual investors and practitioners. In cooperation with SET's Thailand Securities Institute (TSI), we will undertake extensive investor education through various learning media and educational activities, e.g. seminars and workshops. The index fund will feature prominently in conferences and road shows to attract local institutional and foreign investment.

At its initial public offering (IPO), the fund will be worth THB 1.9 billion (approx. USD 53.17 million), of which One Asset Management and KGI Securities will contribute THB 900 million (USD 25.19 million). The marketing budget during IPO is about THB 6 million (USD 167,900), and we target to reach 30-50% annual growth over three years," Dr. Somjin added.

The next step is the establishment of a task force, made up of representatives from the Securities and Exchange Commission (SEC), SET and the Consortium to advance the project by identifying required regulatory changes, system developments and other relevant matters. 

Thai listed companies record over THB 460 billion profit for 2006

Listed companies on The Stock Exchange of Thailand (SET) posted their 2006 year-end profits at THB 469.35 billion (approx. USD 12.37 billion). As in the previous year, the Industrials Industry Group yielded the highest net profit growth, at 63%. Property and Construction and Consumer Products Groups recorded the second and third highest growth at 33% and 11% respectively.

Out of a total of 532 listed firms on SET and the Market for Alternative Investment (mai), 519 companies, including 13 property funds, submitted their financial statements for the year ending December 31, 2006. In that year, total net profits were down THB 66.06 billion or 12% on 2005. If profits from 2005's debt restructuring worth THB 37.01 billion were excluded, the decline would be 9%. Companies recorded THB 5.61 trillion sales, an increase of 18% year-on-year (y-o-y).

SET-listed companies post THB 5.57 trillion in sales

Of the 489 SET-listed companies, 476 had submitted their year-end financial statements, posting THB 467.37 billion (USD 12.32 billion) profit, down 12% y-o-y. Of these 476 firms, 388 posted profits, while the remaining 88 had net losses. The ratio of companies with net gains to those with losses is 82:18. SET-listed companies collectively made THB 5.57 trillion (USD 146.85 billion) in sales, an 18% increase y-o-y.

SET50 Index companies had THB 357.09 billion (USD 9.41 billion) in net profit, or 76% of that of all listed firms, a 17% decrease y-o-y. Total sales rose 22%, while the costs of sales grew 25%, and the gross margin rate narrowed to 21%.

SET100 Index firms earned THB 370.54 billion (USD 9.77 billion) in net profit, or 79% of the overall net profit of all listed firms, a 19% decrease y-o-y. Total sales grew 21%, while the costs of sales rose 25%, and the gross margin rate declined to 21%.

The top three industry groups generating highest profit growth were Industrials with THB 39.99 billion, an increase of 63%, Property and Construction with THB 82.17 billion, an increase of 33%, and Consumer Products with THB 7.13 billion, an increase of 11%.

In terms of amount of profit, the top three most profitable groups were Resources, Property and Construction, and Financials.

The 457 listed firms in the eight industry groups (excluding companies in the Non-Compliance and Non-Performing Groups) recorded increased sales across every industry. These companies saw total net profit of THB 460.66 billion (USD 12.15 billion), or 98% of that of all listed firms.

In order of net profitability, the industry groups are as follows:

- Resources Industry Group** (comprising 20 companies in the energy and utility sector and one in the mining sector): This

group's combined net profit was THB 177.89 billion, a y-o-y decrease of 21% or THB 46.59 billion. If profit from 2005's debt restructuring worth THB 46.39 billion had been excluded, the group would have had a 0.1% profit decline. The group enjoyed a 23% jump in sales, while the costs of sales rose 25% as a result of price fluctuations in oil, oil products, natural gas and petrochemicals. Consequently, its gross profit margin declined from 16% to 14%.

- Property & Construction Industry Group** (consisting of 53 firms in the property development sector, 29 companies in the construction materials sector and 11 property funds): This group saw net profits of THB 82.17 billion, up THB 20.43 billion or 33% y-o-y. This was partly due to Tanayong PCL (TYONG) posting THB 24.44 billion profit from debt restructuring. If this amount was excluded, the group would have recorded less profit. They enjoyed a 12% sales growth but had a 13% increase in costs of sales as the prices of construction materials and diesel rose.
- Financials Industry Group** (consisting of 67 companies in the banking, finance and securities, and insurance sectors): This industry group saw net profits of THB 65.63 billion, a 40% decline y-o-y.

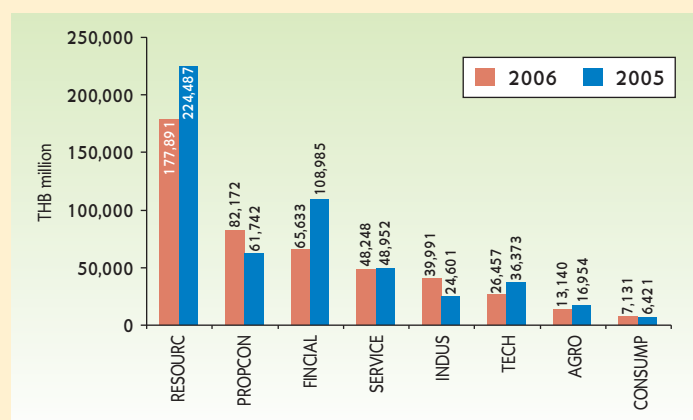
Thirteen companies in the banking sector posted net profit of THB 55.66 billion, down THB 38.77 billion, or 41% y-o-y, due principally to the Bank of Thailand's and IAS39's standard requirement for increased reserves for doubtful debt. Commercial banks' bad and doubtful debts thus increased by THB 37.56 billion or 131% over 2005, overshadowing a 17% rise in interest and dividend revenue.

Nineteen companies in the finance and securities sector (excluding hire-purchase and leasing companies) posted THB 3.97 billion in profit. This was a decrease of THB 2.58 billion, or 39% y-o-y, as they adjusted to meet the new accounting standard by recording a 136% increase in provisions for bad and doubtful debts. Meanwhile overall securities trading deteriorated, resulting in a 6% decline in brokerage and other fee income. Their net profits decreased 32% y-o-y.

Seventeen insurance firms and a life assurance company recorded THB 3.6 billion net profit, a 9% increase on the previous year's THB 3.31 billion. The rise was due to an 11% increase in premiums earned and a 16% growth in profit from investments.

- Services Industry Group** (consisting of 85 companies in six sectors): This group posted a combined net profit of THB 48.25 billion, down 1% from 2005. The group saw an 8% sales growth, while costs of sales grew by 10%. The transportation and logistics sector, which accounted for 59% of the group's net profits, had a 4% decrease in

Net profits of the eight industry groups



Top five most profitable sectors (excluding NC and NPG companies)

Sector	Net profit (THB million)		Growth (%)	% of overall net profit of all listed firms	% of industry's net profit
	2006	2005			
1. Energy & Utilities	176,126	223,926	(21)%	38%	99%
2. Property Development	41,318	19,823	108%	9%	50%
3. Construction Materials	38,744	40,961	(5)%	8%	47%
4. Petrochemicals & Chemicals	29,310	14,035	109%	6%	73%
5. Transportation & Logistics	28,276	29,542	(4)%	6%	59%

profits due to a decline in the sea freight business and rising oil costs. However, the sector gained THB 12.07 billion from exchange rate movements.

The commerce sector, which accounted for 20% of the group's profits, had a 19% increase. Their sales rose by 6% as retail expanded. Healthcare services, which accounted for 8% of the group's profits, recorded a 25% rise due to increased patient numbers.

Media and publishing, which accounted for 6% of the industry's profits, recorded a 29% drop in profits partly due to iTV PCL (iTV)'s payment of an additional concessional charge. Tourism and leisure's profits declined by 21%, as they did not receive profits from debt restructuring as they had in 2005 (THB 1.52 billion).

5. Industrials Industry Group (consisting of 70 companies in five sectors): These firms posted a combined net profit of THB 39.99 billion, a 63% jump from 2005. The rise was due to a 25% increase in sales, while costs of sales increased less than expected at 23%, and THB 5.19 billion came from exchange rate movements.

The petrochemicals and chemicals sector, which contributes 73% of the group's profits, recorded a 109% growth, on the back of PTT Chemical PCL (PTTCH)'s THB 16.31 billion increase in profit. [PTTCH was formed after amalgamation between National Petrochemical PCL (NPC) and Thai Olefins PCL (TOC) on December 7, 2005.] The sector experienced 60% overall sales growth as they gained from increased margin between product and source material prices.

6. Technology Industry Group (consisting of 25 firms in information and communication technology and 11 companies in electronic components): This group's combined net profits amounted to THB 26.46 billion, a drop of 27% or THB 9.92 billion on 2005. The industry had a 7% increase in sales, while costs of sales increased by 10%. Their interest-related expenses soared 39%, but they gained THB 6.84 billion due to the strengthening baht. Shin Corporation PCL (SHIN), Advanced Info Service PCL (ADVANC), and Shin Satellite PCL (SATTEL) recorded profitability declines of THB 5.21 billion, THB 2.47 billion and THB 1.38 billion respectively.

7. Agro and Food Industry Group (consisting of 23 firms in the food and beverage sector and 20 companies in the agribusiness sector): This group's sales increased by only 12% due to the stronger baht, and higher materials and oil prices. Their net profit declined by 23% to THB 13.14 billion.

8. Consumer Products Industry Group (consisting of 43 companies in three sectors): This group posted net profits of THB 7.13 billion, an increase of THB 710 million or 11% on 2005.

The top five most profitable stocks were PTT PCL (PTT), Siam Cement PCL (SCC), PTT Exploration and Production PCL (PTTEP), Bangkok Bank PCL (BBL), and PTT Chemical PCL (PTTCH).


Nineteen out of the 27 companies in the Non-Compliance (NC) and Non-Performing Groups (NPG) submitted financial statements. Six companies currently trading securities in their normal sectors with an NC sign had combined profits of THB 6.12 billion (USD 161.36 million) as they gained from debt restructuring. Thirteen NPG companies posted a combined THB 581 million (USD 15.32 million) in profits, as sales dropped 25% y-o-y.

mai-listed firms post profit growth of 24%

Forty-three mai-listed companies reported a combined THB 1.99 billion (USD 52.47 million) profit, up 24% y-o-y. Their sales were recorded at THB 35.17 billion (USD 927.27 million), an increase of 16%. Thirty-nine firms, or 91% of the total reporting, posted net profits with ten achieving more than 100% growth y-o-y.

The top three companies with highest net profit growth are:

- 1) International Research Corporation PCL (IRCP) posted THB 62 million profit, up THB 5 million or 1,097% y-o-y. Its sales rose 38% from THB 1,010 million to THB 1,397 million as the company recorded income from projected contracts. The firm gained from the burgeoning IT industry, and some projects postponed from 2005 were recorded in 2006.
- 2) The Brooker Group PCL (BROOK) turned a THB 19 million loss into a THB 125 million profit, a rise of 761%. The company had THB 233 million in sales, up 595% from THB 34 million in 2005, as its investment banking projects were completed. Its subsidiary, Binswager Brooker (Thailand), a real estate agent and provider of related services, posted gains for the first time.
- 3) Pom Prom Metal PCL (PPM) recorded THB 153 million profit, an increase of 358% from THB 33 million in 2005. The company recorded THB 2,677 million in sales, or a 12% increase on THB 2,385 million y-o-y. The gains were due to higher mineral and product prices, and an expanded client base.

Aside from the aforementioned top-three companies, seven others achieved more than 100% profit growth, i.e., Union Petrochemical PCL (UKEM) with 277%, Focus Engineering and Construction PCL (FOCUS) with 217%, Dhanamitr Factoring PCL (DM) with 195%, Thai Nakarin Hospital PCL (TNH) with 169%, Business Online PCL (BOL) with 135%, CM Organizer PCL (CM) with 135%, and Demco PCL (DEMCO) with 126%. 

Top ten listed firms with largest net profits, sales, and assets

(excluding financial institutions, NC and NPG companies, property funds, and mai-listed firms)

	Symbol	Net profit		Symbol	Sales		Symbol	Assets	
		2006	2005		2006	2005		2006	2005
1	PTT	95,261	85,521	PTT	1,213,985	926,269	PTT	751,453	649,807
2	SCC	29,451	32,236	TOP	279,109	249,111	THAI	262,862	249,253
3	PTTEP	28,047	23,735	SCC	258,175	218,265	SCC	221,897	199,370
4	TYONG	28,022	(2,945)	IRPC	205,360	187,132	PTTEP	157,813	143,317
5	PTTCH	17,306	996	THAI	181,102	165,304	AOT	145,656	140,115
6	TOP	16,595	18,753	RRC	178,436	142,994	ADVANC	134,301	127,960
7	ADVANC	16,256	18,725	CPF	124,958	113,428	IRPC	128,098	128,277
8	THAI	9,208	4,869	CP7-11	99,770	94,355	TOP	124,682	124,169
9	AOT	8,443	8,878	BCP	94,270	85,870	PTTCH	123,094	86,521
10	RRC	7,761	11,985	ADVANC	91,428	92,517	TRUE	122,956	117,384
	Total	256,350	202,753	Total	2,726,593	2,275,245	Total	2,172,812	1,966,173
	% of overall net profit	65%	48%	% of overall sales	54%	53%	% of overall assets	44%	43%
	Overall net profit	392,920	418,582	Overall sales	5,039,068	4,323,806	Overall assets	4,960,069	4,591,937

Thai bourse to launch automated transfer system on April 1


The Stock Exchange of Thailand (SET) will offer the automated transfer system (ATS) to all retail investors starting from April 1, 2007. Investors using cash accounts will be able to pay for securities or receive cash from sales through their bank accounts. This will make clearing and settlement transactions far more efficient.

As well as providing greater convenience for retail investors, ATS will eliminate the costs involved in check issuance and making personal visits to banks. Applying for and using the new system will incur no additional cost to investors because the transfer expenses will be absorbed by securities firms.

"Investors can rest assured that the system is secure, as every transaction will require their confirmation before

activation, and can be monitored by them when they update their bankbooks," SET President Ms. Patareeya Benjapolchai stated.

"The adoption of ATS advances the Thai exchange closer to its goal of a completely electronic clearing system, which will save investors both time and money. ATS will improve the reliability of the industry overall by reducing potential default risk and by eliminating unnecessary procedures and costs for brokers," Ms. Patareeya noted.

Investors using cash accounts can apply for ATS through their brokers free-of-charge, or call the SET Call Center on (66) 2229 2222 for more information. 

Thai exchange moves to reinforce listed firms' liquidity

The Stock Exchange of Thailand (SET)'s Board of Governors recently approved measures to promote the liquidity of listed firms' securities. SET will work with Investment Banking Club and Association of Securities Companies (ASCO) to advise firms which have inadequate 'free float' or distribution of minority shareholders. These companies will have three years to rectify their situations and avoid being transferred to the Non-Performing Group, posted with an SP sign, and being subject to delisting. SET will also remove the 'call-market' trading method, to encourage firms to expedite free float solutions.

The Board's resolution will make the Thai market more attractive to investors and, most importantly, protect retail shareholders, SET Executive Vice President and Board Secretary Mr. Suthichai Chitvanich stated.

"Boosting listed firms' liquidity will promote overall market liquidity, enhancing the appeal of the Thai market, and benefiting the companies themselves. SET will coordinate with related organizations to advise firms which have inadequate free float to correct their situations by, for example, public offerings, par splitting or issuing stock dividends," Mr. Suthichai said.

SET's minority shareholder requirement is that listed firms must have no less than 150 minority shareholders of ordinary shares, holding in aggregate no less than 15% of paid-up capital. Currently, those firms which do not meet this obligation must trade their securities on a call-market or single price auction basis. In future, trading on a call-market basis will be revoked, and securities will be traded normally.


Where companies do not fulfill the free float requirement, the Exchange will enforce the following

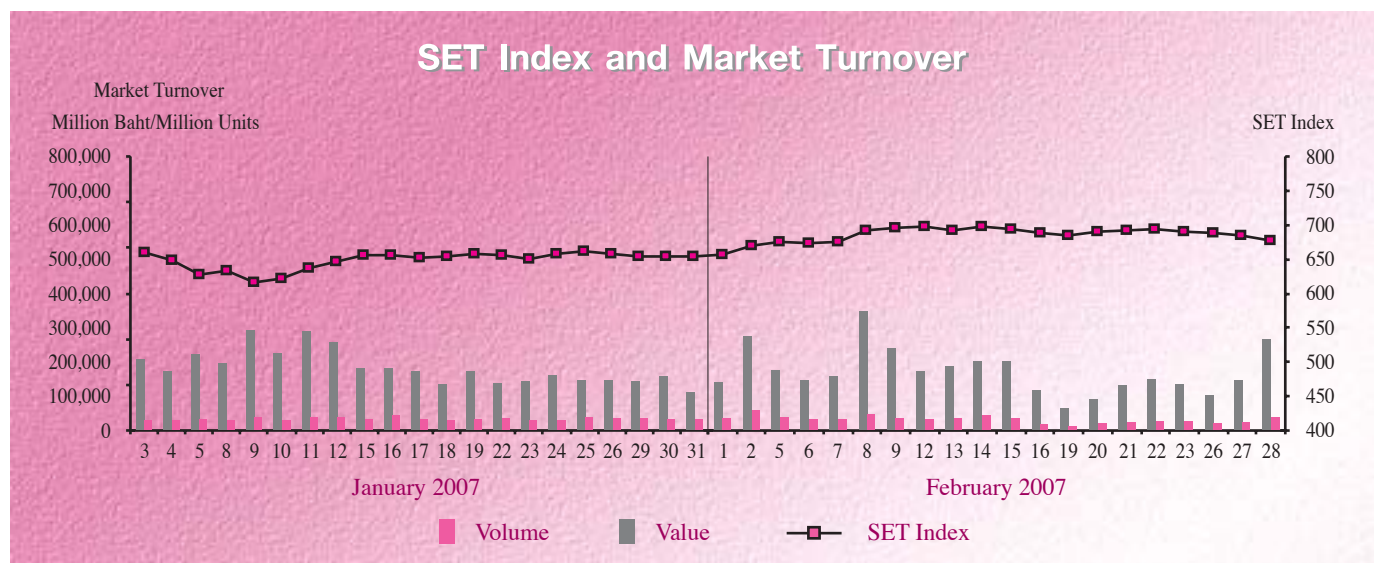
procedures. After the first year of non-compliance, SET will publish the names of offending firms. Should the requirement remain unfulfilled for a second year, SET will declare the companies subject to delisting and post a non-compliance (NC) sign on their securities. Furthermore, their securities will be posted with a suspension (SP) sign and their trading halted. These firms will then have one further year, after being declared subject to delisting, to rectify the problem.

Should non-compliance persist for three years, the companies' securities will be moved to the non-performing group (NPG) and posted with an SP sign until they meet the requirement. However, if firms have demonstrated a genuine commitment to resolving the free float problem and their securities are still liquid, they may avoid being moved to NPG. SET will keep investors fully informed of these matters.

The measures are subject to approval from the Securities and Exchange Commission (SEC) before coming into effect. Following SEC's endorsement, the names of listed firms not meeting the free float requirement for more than one year will be published, but their securities will be traded normally. SET will inform those companies, which have not met the free float requirement for less than one year, of the consequences of further non-compliance and allow them three years from the date of notification to rectify their situation — as specified above.

At present, there are 15 companies which have not met the free float requirement for more than a year and are currently traded on a call-market basis.

For further information, please contact SET Call Center at (66) 2229 2222 or the SET website at www.set.or.th. 



The Stock Price Indices in February 2007

Index	High (Date)	Low (Date)	Close	
			February 2007	Compared with January 2007 (%)
SET	697.84 (14)	657.00 (1)	677.13	↑ 3.53
SET50	200.23 (21)	186.31 (1)	194.25	↑ 4.69
SET100*	489.84 (12)	457.98 (1)	475.66	↑ 4.11
mai	1,064.47 (12)	997.08 (1)	1,032.63	↑ 3.93

* The SET 100 Index was launched on May 3, 2005.

Stock Market Turnover in February 2007

	Volume (Million Shares)				Value (Million Baht)				
	February 2007		Compared with January 2007 (%)		February 2007		Compared with January 2007 (%)		
	SET	mai	SET	mai	SET	mai	SET	mai	
Total	45,391.25	1,612.21	↓ 9.61%	↑ 74.57%	Total	256,241.84	4,268.44	↓ 10.15%	↑ 75.60%
Daily Average	2,269.56	80.61	↓ 5.09%	↑ 83.29%	Daily Average	12,812.09	213.42	↓ 5.66%	↑ 84.38%

Statistics of Listed Debentures in February 2007

Issues	Total Outstanding Value (Million Baht)	Total Turnover	
		Volume (Shares)	Value (Million Baht)
583	3,340,279.55	4,600	4.64

Transactions by Type of Investors**

Unit : Million Baht

Type of Investors	January 2007				February 2007			
	Buy	%	Sell	%	Buy	%	Sell	%
Foreigners (corporate & individual)	125,531.10	43.64	113,710.10	39.53	100,234.14	38.48	82,702.72	31.75
Local Institutions*	30,022.42	10.44	37,550.71	13.06	29,302.09	11.25	35,042.67	13.45
Local Investors	132,061.67	45.92	136,354.38	47.41	130,974.05	50.27	142,764.89	54.80
Total	287,615.19	100.00	287,615.19	100.00	260,510.28	100.00	260,510.28	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 February 2007

Rank	Securities		Market Value	
			Million Baht	% of Total
1	PTT	PTT	583,424	11.77
2	PTT Exploration and Production	PTTEP	322,062	6.50
3	The Siam Cement	SCC	278,400	5.62
4	Advanced Info Service	ADVANC	215,662	4.35
5	Bangkok Bank	BBL	208,063	4.20
6	Kasikornbank	KBANK	152,742	3.08
7	Krung Thai Bank	KTB	129,685	2.62
8	The Siam Commercial Bank	SCB	125,052	2.52
9	PTT Chemical	PTTCH	116,228	2.34
10	IRPC	IRPC	115,050	2.32
Total			2,246,368	45.32

Top Ten Most Actively Traded Securities (Main Board) in February 2007

Rank	Securities		Number of Securities	Turnover Value	
				Million Baht	% of Total
1	PTT	PTT	76,158,161	15,849.60	6.67
2	Bangkok Bank	BBL	130,164,706	14,407.55	6.07
3	Kasikornbank	KBANK	157,734,442	10,245.05	4.31
4	The Siam Commercial Bank	SCB	152,918,992	9,940.92	4.19
5	Bank of Ayudhya	BAY-W 1	1,024,599,071	7,612.01	3.20
6	The Siam Cement	SCC	31,255,692	7,341.54	3.09
7	Krung Thai Bank	KTB	574,305,381	7,061.65	2.97
8	PTT Exploration and Production	PTTEP	72,616,389	7,034.06	2.96
9	Bank of Ayudhya	BAY	299,719,866	5,990.23	2.52
10	IRPC	IRPC	970,798,879	5,788.43	2.44
Total			3,490,271,579	91,271.04	38.42

* Excluding transactions on Foreign Board and mai

Top Ten Most Actively Traded Securities (Foreign Board) in February 2007

Rank	Securities		Number of Securities	Turnover Value	
				Million Baht	% of Total
1	Bangkok Bank	BBL-F	71,337,149	8,260.78	44.11
2	Kasikornbank	KBANK-F	51,068,481	3,461.19	18.48
3	The Siam Cement	SCC-F	9,931,628	2,413.14	12.89
4	Advanced Info Service	ADVANC-F	15,991,100	1,240.89	6.63
5	Land and Houses	LH-F	143,460,000	1,090.73	5.82
6	Krung Thai Bank	KTB-F	58,395,600	727.30	3.88
7	Banpu	BANPU-F	2,763,990	512.65	2.74
8	Siam City Bank	SCIB-F	11,994,102	223.88	1.20
9	Bank of Ayudhya	BAY-F	10,108,400	201.89	1.08
10	Thai Union Frozen Products	TUF-F	8,696,000	199.47	1.07
Total			383,746,450	18,331.92	97.89

* Excluding transactions of mai

Top Ten Outstanding Non-Voting Depository Receipts (NVDRs) in February 2007

Rank	Securities	Number of NVDRs	% of Paid-up Capital	
1	Raimon Land	RAIMON-W	516,872,768	66.76
2	Raimon Land	RAIMON	775,135,702	36.76
3	Golden Land Property Development	GOLD	197,021,515	31.27
4	Hemaraj Land and Development	HEMRAJ-W	117,356,691	27.98
5	Jasmine International	JAS-W	22,183,320	24.73
6	LP.N. Development	LPN	359,268,489	24.35
7	Pranda Jewelry	PRANDA	80,515,098	23.11
8	Bangkok Land	BLAND	3,546,591,650	22.59
9	Land and Houses	LH	1,907,829,978	22.49
10	Bangkok Bank	BBL	417,403,310	21.87

Market data of TFEX*

Transaction Summary	November 2006	December 2006	January 2007	February 2007
Total Volume (Contracts)	34,948	44,790	61,433	61,433
Daily Average Volume (Contracts)	1,588.55	2,357.37	2,925.38	2,925.38
Total Value (Million Baht)	18,073.54	21,912.02	27,662.81	27,662.81
Daily Average Value (Million Baht)	821.52	1,153.26	1,317.28	1,317.28
Month-end Open Interest (Contracts)	8,122	7,601	7,772	7,772

Market Summary: SET50 Index Futures		Open	High	Low	Settle
Symbol	Contract Month				
S50H07	Mar-07	457.00	489.60	455.40	469.70
S50M07	Jun-07	457.20	490.00	455.10	470.20
S50U07	Sep-07	460.50	489.00	460.50	465.00
S50Z07	Dec-07	460.50	489.40	460.50	469.80

* TFEX started its trading on April 28, 2006.

UK Ambassador discusses Thai economy with SET top-executives



On February 12, British ambassador Mr. David William Fall joined SET Chairman Mr. Vijit Supinit and SET President Ms. Patareeya Benjapolchai in discussing Thai economic trends and investment opportunities in 2007 at the SET Building. ✍

Seminar on private repo market promotion



To share insights about the private repo market in Thailand and overseas, Bond Electronic Exchange (BEX), Thailand Securities Depository Co., Ltd. (TSD), and Nomura Research Institute co-hosted a seminar on **Promotion of the Private Repo Market** on February 21.

Distinguished speakers were Mr. Manabu Tsurutani and Mr. Yutaro Oku from Nomura Research Institute, Japan. They shared their experience in utilizing repo in Japan. Mr. Atachai Virojtechra from KGI Securities, Thailand, shared his viewpoint about how to vitalize the repo market in Thailand and described his experiences in Taiwan. The seminar attracted over 330 participants to the SET building. ✍

SET promotes investment through Money Expo Korat 2007



Over 160,000 investors in the northeastern region got the most up-to-date information on investment prospects last month at this year's first provincial roadshow, **Money Expo Korat 2007**.

Transactions at the event totaled over THB 10 billion (USD 263.65 million). Home loans were the most popular product, representing 60% of all transactions. Loans for SMEs, at THB 2 billion (USD 52.73 million) were the second most popular offering, with personal loans next, doing THB 500 million (USD 13.18 million) worth of business.

The event was held at The Mall Department Store, in Nakorn Ratchasima on February 9-11, with the theme, "Invest today for a better financial health tomorrow".

SET plans to organize a Money Expo investment fair in Bangkok on May 10-13, and a similar one in Chiang Mai in October. ✍

Thai futures exchange honors KGI and Kim Eng for excellence



To spur derivatives brokers to further develop their services and promote investor base expansion, Thailand Futures Exchange PLC (TFEX) this year inaugurated the **TFEF Best Awards 2006**.

Named as "Best House of the Year" was KGI Securities (Thailand). It was honored as the derivatives broker with the most outstanding trading turnover and service quality, based on business performance and a survey of supervisory bodies and all investor types. KGI Securities (Thailand) also won the "Most Active House 2006" award, for its consistently high trading turnover. The third award, "Most Popular House," went to Kim Eng Securities (Thailand) PCL for its success in investor base expansion. It secured the highest number of investor accounts in 2006. ✍

Thai bourse hosts seminar on corporate governance

Almost 50 executives and representatives from 27 companies listed on the Market for Alternative Investments (mai) gained insights about good corporate governance (CG) practices at the **Smart & Smile 1/2007** forum.

At the seminar on "Best Practices to Improve CG Scores," Dr. Nipon Surapongruekchareon and Mr. Wattana Opanomata from Bangchak Petroleum PCL,

and Ms. Pensri Suteerasam, the president of the Listed Companies Association, shared their perspectives and experiences on corporate governance.

The event was held on February 15 by SET and mai, and aimed to promote a better understanding about the best practices of locally-listed firms and to strengthen their competitiveness in the global business arena. ✍

