Annual Report 2008

ENERGIZING THE THAI CAPITAL MARKET

The Stock Exchange of Thailand

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Vision

Being a prestigious and trustworthy marketplace, with a competent team, by promoting innovative products and services, with a pool of liquidity to meet stakeholders' expectations

Mission

To be a prime choice for capital raising and investment management by offering integrated financial products and services through trustworthy and accessible platforms

SET GROUP

A KEY MOVER DRIVING THAILAND'S ECONOMY

As a key player in driving Thailand's economy, SET is the country's main secondary market for securities trading, with an ample pool of liquidity for securities issued by businesses to raise capital. Thus, through SET, businesses can cost-effectively and conveniently raise the funds needed for expansion.

In addition, SET plays many other vital roles in helping Thailand's sustainable economic growth. It is a vital channel through which the government efficiently collects taxes, as listed firms operate with transparency and corporate governance that meet international standards. SET is also an investment alternative offering retail and institutional investors, both domestically and overseas, integrated products and services. Looking decades ahead, the Exchange emphasizes the provision of financial and investment education to enhance the capability of stakeholders, including capital market professionals, investors, and society at large. Truly, in many ways, SET is a key in helping make Thailand's economic development sustainable.

"We will constantly strive to be a credible and vibrant capital market and a major mechanism to support our nation's sustainable economic growth."

Message from the Chairman

In 2008, The Stock Exchange of Thailand (SET) had numerous major achievements even though the global economic crisis and domestic political problem affected securities trading and market participants' operations in the Thai capital market.

SET reached a major milestone when the government recognized the Thai capital market as a key player in national economic policy planning. The Cabinet formed the national-level Capital Market Development Committee in March 2008, composed of top executives of capital market organizations. This is a significant opportunity for the Thai capital market to have an all-encompassing role in developing the country's economy, and will result in long-term market expansion.

The Thai capital market continued to enhance its efficiency and competitiveness to be a regional market player. As a major step in this direction, SET has reorganized itself en route to becoming a public company and listing on itself within a few years.

SET has restructured into two major units: the first, concerned with exchange function activities, and the second, focused on the capital market's long-term development. The new structure's goal is to serve all participants' needs with increased emphasis on enhancing efficiency. From 2009 onwards, the Thai capital market will have significant developments continuing to achieve the goal.

With the support from SET Board of Governors, the strong determination of SET executives and its employees, as well as the cooperation of all related parties in the Thai capital market, in 2008 SET has grown consistently.

I strongly believe that the above developments, combined with SET's determined operations will result in significant results in the near future. Even though there are external factors that affect capital market investment, we will constantly strive to be a credible and vibrant capital market and a major mechanism to support our nation's sustainable economic growth.

Pakorn Malakul Na Ayudhya
Chairman

"SET Group's ambition is
to increase the Thai capital market
attractiveness, thus helping
enable the nation's
long-term development."

Message from the President

Over the past year, SET Group adjusted its corporate strategies, while still focusing on customer satisfaction for investors and market participants, by continually developing new products and services. At the same time, the Group reorganized to increase efficiency and performance, succeeding despite major obstacles in the national and international arenas influencing confidence in our capital market and securities trading.

In 2008, the SET Index decreased to the point where it activated SET's circuit breaker twice. However, our trading and post-trade systems were able to handle the volatility in securities prices and both circuit breaker occurrences seamlessly. These events demonstrated the reliability of our systems and professionalism of our well-prepared teams.

SET Group introduced more investment alternatives, including MTrack Energy ETF, the first equity ETF based on the SET Energy and Utility Sector Index. MTrack is also SET's second equity ETF following the launch of TDEX SET50 ETF, which received great attention from investors.

In addition, we launched single stock futures (futures with a common stock as its underlying asset) and the FTSE SET Index Series, a set of internationally-recognized benchmark indices, to benefit domestic and foreign investors as well as support development of innovative investment products. SET continually developed its Gold Futures, keeping on track for an early-2009 launch.

For the bond market, Bond Electronic Exchange (BEX) developed its Fixed Income and Related Securities Trading System ("Firsts"). This system serves dealers and institutional investors more effectively than before, and its introduction was followed by a rapid growth in trading value on BEX. Importantly, SET is preparing for ASEAN market integration to increase transactions and draw more investment into the region.

SET Group's ambition is to increase the Thai capital market attractiveness while corporate governance promotion is still our major factor to raise our standard to meet international criteria. At the same time SET Group further expanded its ongoing educational program on prudent investing to strengthen the Thai capital market's competitiveness in global arenas.

SET Group has an objective to become a public company and be listed. Working towards this goal, SET reorganizes itself, dividing its operations into two major functions—the exchange function and the market's long-term development function. SET starts operating under the new structure in January 2009, in line with the Thai capital market's master plan, thus helping enable the nation's long-term development.

The next few years shall see momentous changes in the Thai capital market. We are confident that SET, thanks to the full support of its employees, management, Board of Governors, and other capital market organizations, will be able to continue its key role in developing the Thai capital market and driving the economy to sustainable growth.

P. Benjapolchai

Patareeya Benjapolchai
President

Board of Governors

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10 1 3 6 11 5 9

1 Pakorn Malakul Na Ayudhya
Chairman

2 Wiboon Perm-Arayawong
Vice Chairman

3 Khunying Jada Wattanasiritham
Governor

4 Pattera Dilokrungthirapop
Governor

5 Nibhat Bhukkanasut
Governor

6 Niputh Jitprasonk
Governor

7 Montree Sornpaisarn
Governor

8 Vallobh Vimolvanich
Governor

9 Wichai Poolworaluk
Governor

10 Suthep Peetakanont
Governor

11 Patareeya Benjapolchai
President

Board of Governors

Pakorn Malakul Na Ayudhya
Chairman

Education
- B.Sc. (Economics), The Queen's University of Belfast, Northern Ireland
- Eisenhower Exchange Fellow (to study the American capital market)
- Diploma of the Joint State-Private Sectors Course (Class 8), The National Defence College of Thailand
- Certificate, Capital Market Academy Leadership Program, Class 4

Current Positions
- Chairman, Thailand Futures Exchange PCL
- Deputy Chairman and Member, Audit Committee, Standard Chartered Bank (Thai) PCL
- Chairman, The Thai Bond Market Association
- Expert Member, Board, Government Pension Fund
- Chairman, Thai Prosperity Advisory Co., Ltd.
- Chairman, Thai Cardif Life Assurance Co., Ltd.
- Director, The Agricultural Futures Trading Commission
- Advisor, Board of Investment

Past Experience
- Chairman, Professional Waste Technology PCL
- Vice-Chairman, IRPC PCL
- Plan Administrator, Thai Petrochemical Industry PCL
- Chairman, Export-Import Bank of Thailand
- Deputy Governor, Bank of Thailand
- Secretary-General, Securities and Exchange Commission
- Member, Board of Directors, Thai Institute of Directors Association
- Member, Board of Directors, Krung Thai Bank PCL
- Assistant Governor, Bank of Thailand
- President, First Bangkok City Bank PCL

Wiboon Perm-Arayawong
Vice Chairman

Education
- Degree of the Joint State-Private Sectors Course (Class 17), National Defence College Of Thailand, National Defense Study Institute, Thailand
- Master of Business Administration, The University of Chicago Booth School of Business, Chicago, Illinois, USA
- Certificate, Executive Development Program, Wharton School, University of Pennsylvania, Philadelphia, Pennsylvania, USA
- Diploma, Director Certification Program; Certificate, Chairman 2000 Program; Certificate, Charter Director Course, Thai Institute of Directors Association, Thailand
- Master of Business Administration, Thammasat University
- Bachelor of Engineering, Civil Engineering, Chulalongkorn University
- Certificate, Capital Market Academy Leadership Program, Class 3

Current Positions
- Director, Thailand Futures Exchange PCL
- Director, Federation of Thai Capital Market Organizations
- Director and Chairman of the Member Relationship Committee, Thai Institute of Directors Association
- Lay Judge and Director, Lay Judges Club, Central Intellectual Property and International Trade Court
- Asia Cabinet Member, The University of Chicago Booth School of Business Global Advisory Board
- President, The University of Chicago Alumni Club of Thailand

Past Experience
- President and CEO, ACL Securities Co., Ltd.
- Founding President and CEO, Ayudhya Securities Co., Ltd.
- Director and Member, Investment Committee, Ayudhya Allianze CP Life Assurance PCL (AACP)
- Director and Executive Vice President, Securities One PCL
- Director and Vice Chairman, Securities Analyst Association
- Governor and Member, Audit Committee; Chairman, Disciplinary Committee; Member, Technology Development Committee, The Stock Exchange of Thailand
- Executive Director and Chairman, Information Technology Club, Association of Securities Companies

Khunying Jada Wattanasiritham
Governor

Education
- M.A. (Economic Development), Williams College, Massachusetts, USA
- M.A. (Economics), Cambridge University, England
- B.A. (Economics), Cambridge University, England
- Certificate, Capital Market Academy Leadership Program, Class 4

Current Positions
- Chairperson, Audit Committee, The Stock Exchange of Thailand
- Director and Executive Director, Siam Commercial Bank PCL
- Director and Chairperson, Audit Committee, PTT PCL
- Director, Minor International PCL
- Chairperson, Siam Commercial New York Life Insurance PCL
- Director, Siam Piwat Co., Ltd.
- Trustee, Asian Institute of Technology

Past Experience
- President, Siam Commercial Bank PCL
- Chairperson, SETTRADE.COM Co., Ltd.
- Member, National Legislative Assembly
- Economic Research Department, Bank of Thailand

Montree Sornpaisarn, CFA
Governor

Education
- MBA (Finance), Thammasat University
- Bachelor of Engineering (Computer) Chulalongkorn University
- Certificate, Capital Markets Academy Leadership Program, Class 4
- Charter, Chartered Financial Analyst, CFA Institute

Current Positions
- Chief Executive Officer, Kim Eng Securities (Thailand) PLC
- Director and Member, Audit Committee, CVD Entertainment PCL
- Director, Thai Listed Companies Association
- Executive Director, Association of Securities Companies
- Director, Futures Industry Club (FI Club)
- Director, Investment Banking Club (IB Club), Association of Securities Companies

Past Experience
- Managing Director, Investment Banking Department, Vickers Ballas Securities (Thailand) Ltd.
- Director, Investment Banking, SG Asia Credit PLC
- Director, Direct Investment, American International Assurance Co., Ltd.
- Executive Vice President, Corporate Finance, Jardine Fleming Thanakom Securities Co.,Ltd.
- System Analyst, Siam Cement PLC
- Director and Member, Investment Committee, Government Savings Bank

Nibhat Bhukkanasut
Governor

Education
- M.A. (Political Science), University of Hawaii, USA
- B.A. (Economics), University of Hawaii, USA
- Diploma of the Joint State-Private Sectors Course, National Defence College of Thailand
- Certificate, Capital Market Academy Leadership Program, Class 5

Current Positions
- Chairman, Capital Market Development Foundation
- Chairman, GJS Steel PCL
- Chairman, TCJ Asia PCL
- Chairman, Audit Committee, Thai Oil PCL
- Director, Thai Oil PCL
- Policy Advisor to the Prime Minister

Past Experience
- Vice Chairman, Family Know-How Co., Ltd.
- Advisor, Corporatization and Listing of State-Owned Enterprises, The Stock Exchange of Thailand
- Advisor to the Prime Minister
- Deputy Permanent Secretary of Finance
- Comptroller-General, Comptroller Department, Ministry of Finance
- Director-General, Treasury Department, Ministry of Finance
- Director-General, Fiscal Policy Office, Ministry of Finance
- Alternate Executive Director, World Bank Economic and Financial Counselor, Royal Thai Embassy, Washington D.C.

Niputh Jitprasonk
Governor

Education
- MBA (International Trade and Finance), Gothenburg School of Economics and Business Administration, Sweden
- B.A. (Honors, First Class), Faculty of Commerce and Accountancy, Thammasat University
- Certificate In Real Estate Management, University of Hawaii, USA
- Certificate In Property Management, University of Cincinnati, USA
- Certificate In International Business, University of Hawaii, USA
- Certificate, Capital Market Academy Leadership Program, Class 2
- Director Certification Program (DCP), Thai Institute of Directors, Class 85

Current Positions
- Advisor, Real Estate Business Program, Faculty of Commerce and Accountancy, Thammasat University
- Director, Valuers Association of Thailand
- Director, Asian Valuers Association
- Director and Member, Audit Committee, Siam City Bank PCL
- Member, Real Estate Development Committee, The Stock Exchange of Thailand
- Director and Member, Audit Committee, Lalin Property PCL
- Director, Executive MBA Program, Sripatum University

Past Experience
- Director, Thailand Futures Exchange PCL
- Dean, Faculty of Commerce and Accountancy, Thammasat University
- Director, Executive Master of Business Administration Program, Thammasat University
- Director, University Council, Thammasat University
- Director and Chairman, Audit Committee, Bangkok Commercial Asset Management Co., Ltd.

Pattera Dilokrungthirapop
Governor

Education
- M.S. (Engineering Science), University of Queensland, Brisbane, Australia
- B.S. (Engineering), Monash University, Melbourne, Australia.
- Certificate, Capital Market Academy Leadership Program, Class 1

Current Positions
- Chief Executive Officer, DBS Vickers Securities (Thailand) Co., Ltd.
- Executive Director, Association of Securities Companies (ASCO)
- Chairman, Futures Industry Club
- Director, Securities Analysts Association
- Director, Thai Financial Planners Association
- Director, Thailand Futures Exchange PCL
- Member, Nomination and Remuneration Committee, The Stock Exchange of Thailand

Past Experience
- Director, Thailand Securities Depository Co., Ltd.
- Director, Settrade.com Co., Ltd.
- Managing Director, SG Asia Credit Securities Co., Ltd.
- Director, Asia Credit Finance PCL
- Thailand Representative, SG Securities Research Co., Ltd.
- Head of Research, Socgen - Crosby Research Co., Ltd.

Suthep Peetakanont
Governor

Education
- MBA, University of Missouri, Kansas City, USA
- Bachelor of Accountancy, Chulalongkorn University
- Certificate, Capital Market Academy Leadership Program, Class 4
- Chairman 2000, Thai Institute of Directors Association
- Director Certification Program 2/2000, Thai Institute of Directors Association

Current Positions
- Chairman, Board of Director and Chairman, Executive Board, Capital Nomura Securities PCL
- Executive Director, Association of Securities Companies

Past Experience
- Chairman, Association of Securities Companies
- Vice Chairman, The Stock Exchange of Thailand
- Chairman, Federation of Thai Capital Market Organizations

Vallobh Vimolvanich, PhD.
Governor

Education
- MS, PhD (Engineering), University of California, Berkeley, USA
- B.Eng., Chulalongkorn University
- Certificate, Capital Market Academy Leadership Program, Class 3

Current Positions
- Director, True Move Co., Ltd.
- Member, Real Estate Development Committee, The Stock Exchange of Thailand
- Member, Nomination and Remuneration Committee, The Stock Exchange of Thailand
- Advisor, Charoen Pokphand Group Co., Ltd.
- Director, Bangkok Inter Teletech Co., Ltd.
- Director, Pantavanij Co., Ltd.

Past Experience
- Chairman, Family Know-How Co., Ltd.
- Director, Settrade.com Co., Ltd.
- Associate Professor, George Washington University, Washington, D.C., USA
- Director, Office of Computer Development and Operation, Bank of Thailand
- Member, National Computer Committee
- Senior Vice President, TelecomAsia Corporation PCL
- Director, Flag International Inc., London, U.K.

Wichai Poolworaluk
Governor

Education
- B.A. (Economics), Thammasat University
- Director Certification Program (DCP), Thai Institute of Directors Association, Class 8
- Certificate, CEO Development Institute
- Certificate, The Boss, Management and Psychology Institute, Class 4
- Modern Managers Program (MMP10), Faculty of Commercial and Accountancy, Chulalongkorn University
- Certificate, Capital Market Academy Leadership Program, Class 1

Current Positions
- President, Thai Investors Association
- Vice Chairman, Federation of Thai Capital Market Organizations
- President, Woraluk Property Co., Ltd.
- Executive Director, Major Cineplex Groups PCL
- Chairman, Securities Investor Protection Fund Committee, The Stock Exchange of Thailand
- Member, Real Estate Development Committee, The Stock Exchange of Thailand

Past Experience
- Director, Settrade.com Co., Ltd.
- Director and President, EGV Entertainment PCL

Patareeya Benjapolchai
President

Education
- MBA, Thammasat University
- B.A. (Accountancy), Chulalongkorn University
- Certificate, Advanced Accounting and Auditing, Chulalongkorn University
- Certificate, Executive Program, University of Michigan, USA
- Certificate, Capital Market Academy Leadership Program, Class 1

Current Positions
- Director and Board Secretary, Federation of Thai Capital Market Organizations
- Director, Professor Sangvian Indaravijaya Foundation
- Director, Thai Institute of Directors Association
- Director, Bond Market Development Steering Committee
- Director, Subcommittee on Investor Education and Public Relations on Corporate Governance, National Corporate Governance Committee
- Director and Board Secretary, Capital Market Development Committee
- Expert member, Foreign Business Committee, Department of Business Development, Ministry of Commerce

Past Experience
- Member, National Legislative Assembly
- Member, Committee on Finance, Banking and Financial Institutions, National Legislative Assembly
- Honorary Advisor, Senate Standing Committee on Economics, Commerce and Industry
- Director, Ethics Committee, Federation of Accounting Professions
- Director, TRIS Rating Committee
- Member, Board of Directors, Institute of Certificated Accountants and Auditors of Thailand

Organization Chart

SET Group

As of January 1, 2009

SET Executives

1 Patareeya Benjapolchai
President
2 Suthichai Chitvanich
Executive Vice President - Internal Audit, Compliance & Risk Management
3 Veerathai Santiprabhob, Ph.D.
Chief Strategy Officer & Executive Director Capital Market Research Institute
4 Sakkarin Ruamrangsri
Chief Regulatory Officer
5 Chanisa Chutipat
Chief Financial Officer & Corporate Services

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1 Sopawadee Lertmanaschai
Chief Marketing Officer, Markets & Post - Trade Services
2 Vichate Tantiwanich
Chief Marketing Officer, Issuer & Listing
3 Santi Kiranand, Ph.D.
Group Head, Market Development
4 Kongkeaw Piamduaytham
Group Head, Post - Trade Services
5 Chanitr Charnchainarong
Group Head, Issuer & Listing
6 Kesara Manchusree
Group Head, Product Development

1 Nongram Wongwanich
Chief Operating Officer
2 Pannaporn Sapsomboon
Group Head, IT Operation
3 Sornkawee Puranachoti
Group Head, IT Development
4 Udomwara Dechsongjarus
Group Head, Post - Trade Operation
5 Supakit Jirapraditkul
Group Head, Market Operation

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1 Patareeya Benjapolchai
President
2 Punsak Vejanurug
Executive Director, Market Education Center
3 Chaiyoot Chamnanlertkit
Executive Director, Industry Development Center
4 Naree Boontherawara, Ph.D.
Director, CMDF Office
5 Kengkla Ruckphaopunt
Director, Industry Development Center
6 Jiraporn Koosuwan
Director, Market Education Center
7 Ratchapol Laovanitch
Managing Director, Family Know-How

Two-Year Statistical Highlights

(Unit : THB million)

Consolidated Financial Statements		2008	Restated* 2007	Change (%)
Total Revenues		**2,833**	**3,066**	**- 8**
Investment income, net		614	1,035	- 41
Revenues over expenses, net		205	54	278
Capital Expenditure		**415**	**847**	**- 51**
Total Assets		**18,000**	**19,349**	**- 7**
Current Assets		7,792	7,378	6
Long-term Investments		4,723	6,796	- 31
Other Assets		5,485	5,175	6
Total Liabilities		**3,808**	**3,278**	**16**
Current Liabilities		2,820	2,553	10
Non-Current Liabilities		988	725	36
Total Funds		**14,192**	**16,071**	**- 12**
Return on Total Assets	(%)	1.1	0.3	0.8
Current Ratio	(Times)	2.8	2.9	- 0.1
Debt to Funds Ratio	(%)	26.8	20.4	6.4

*Restated to show the impact of the early adoption of TAS Employee Benefits.

Statistical Highlights

Number of listed companies and newly-listed companies (SET & mai)

Capital mobilized by listed companies (SET & mai)

Statistical Highlights

Indices and market capitalization (SET & mai)

Market highlights (SET)

Turnover by investor types (SET & mai)

Bond Electronic Exchange Statistical Highlights

Turnover of dealers and institutional investors

Turnover of retail investors

Thailand Futures Exchange Statistical Highlights

Total volume, value, and open interest of derivatives

SET50 Index Options

SET50 Index Futures

Stock Futures

Post-trade operational review

Total value of securities clearing and settlement

Daily average value of securities clearing and settlement

Post-trade operational review

Total volume of securities clearing and settlement

Daily average volume of securities clearing and settlement

Total volume of securities in the securities depository

SET Market Movement 2008

Source: SETSMART

Volume/
Value
80,000
70,000
60,000
50,000
40,000
30,000
20,000
10,000
0
Aug 26 :
After protestors seized the Government House.
SET Index closed at 668.92 pts.,
down 9.28 pts.
Sep 3 :
A day after government announced an emergency decree.
SET Index closed at 649.93 pts.,
down 9.58 pts.
Oct 7 :
Police dissolved protests at the Parliament.
SET Index closed at 528.71 pts.,
down 23.09 pts.
Oct 10 :
First circuit breaker of the year.
SET Index closed at 451.96 pts.,
down 48.03 pts.
Oct 27 :
Second circuit breaker of the year.
SET Index closed at 387.43 pts.,
down 45.44 pts.
Sep 8 :
The US government took control of Fannie Mae and Freddie Mac.
SET Index closed at 665.66 pts.,
up 19.86 pts.
Sep 9 :
Somchai Wongsawat was elected prime minister.
SET Index closed at 663.61 pts., down 2.05 pts.
Oct 30 :
Fed cut its rate by 50 bps to 1 %.
SET Index closed at 408.31 pts.,
up 24.16 pts.
Dec 3 :
Protestors ended demonstrations.
SET Index closed at 392.92 pts.,
up 5.60 pts.
Sep17 :
Fed offered bridge loan to AIG.
SET Index closed at 605.14 pts., down 19.42 pts.
Sep 29 :
Bradford & Bingley PLC, Fortis, Hypo Real Estate Holding AG had severe financial difficulties.
SET Index closed at 601.29 pts., down 17.68 pts.
Oct 29 :
SET Index closed at the lowest of 384.15 pts.,
down 13.89 pts.
Oct 3 :
President George W. Bush signed the bill into law authorizing the Secretary of the Treasury to spend up to USD700 b to purchase failing bank assets.
SET Index closed at 590.05 pts., down 7.64 pts.
Dec 17 :
Abhisit Vejjajiva was elected prime minister
SET Index closed at 445.94 pts.,
up 0.63 pts.
Nov 25 :
Protestors closed Bangkok's two airports.
SET Index closed at 391.85 pts., up 5.73 pts.
Dec 30 :
SET Index at year-end 08 closed at 449.96 pts.,
down 408.14 pts. (-48%)
from year end-07
un 30
Jul 31
Aug 29
Sep 30
Oct 31
Nov 28
Dec 31
Foreign events
Domestic events
Volume (Million shares)
Value (THB million)

ENERGIZING FINANCIAL OPPORTUNITIES

Major Developments & Highlights of the Thai Capital Market in 2008

Amid last year's economic crisis that affected capital markets worldwide, including in Thailand, The Stock Exchange of Thailand (SET) persistently developed both its operations and employees to be prepared for the changes of globalized capital markets. SET continued to emphasize the development and introduction of high-quality products and services to attract boundary-less movement of funds, boosting the Thai capital market to be a key player in the sustainable growth of the country's economy and an attractive regional capital market.

SET has continuously developed its securities business in parallel with building confidence among investors, by ensuring that all activities were conducted in a transparent and fair manner, operating under an infrastructure that met international standards and enhanced business competitiveness. SET also developed rules and regulations to facilitate listing, played a lead role in preparing for regional exchange linkages, and promoted financial planning for the general public of all ages to create value investors, including initiating various social responsibility projects to build a sustainable and economically strong society.

Securities trading on SET could not avoid being affected by the global recession. At end-2008, SET Index closed at 449.96 points, a year-on-year (y-o-y) drop of 48% (from 858.10). The index ranged between 384.15 and 884.19. The bourse's total market capitalization was THB3.57 trillion (approx. USD102.22 billion) as of end-2008, or a 46% y-o-y decrease from THB6.64 trillion (approx. USD190.12 billion).

Meanwhile, total turnover dropped by 6.80%, from THB4.27 trillion (approx. USD122.26 billion) in 2007 to THB3.98 trillion (approx. USD113.96 billion) in 2008, or an average daily turnover of THB16,118 million (approx. USD461.49 million) in 2008, vs. THB17,436 million (approx. USD499.23 million) in 2007.

However, the bourse was able to maintain its attractiveness to investors, with an overall dividend yield of 6.57% as of end-2008, almost doubling from 3.31% as of end-2007, while the market's collective price/earning ratio as of end-2008 plunged to 7.01 times from 17.03 as of end-2007.

The Market for Alternative Investment (mai) Index closed at 162.93 points at end-2008, decreasing by 40% from 272.37 points at end-2007. mai market capitalization was down to THB22,153 million (approx. USD634.28 million) at end-2008 from THB38,269 million (approx. USD1,095.71 million) at end-2007, or a 42% drop.

Even though the mai Index dramatically decreased, returns in form of dividends increased. **mai's collective dividend yield doubled to 7.29% at end-2008 from 3.22% at end-2007**, while the market price/earning ratio was down to 7.50 times at end-2008 from 19.30 at end-2007.

Energizing investment opportunities by providing diversified products

FSTHL - Large Cap : FSTHM - Mid Cap : FSTHS - Small Cap : FSTHMS - Mid/Small Cap : FSTHA - All-share : FSTHF - Fledgling : FSTHL - Large Cap : FSTHL - Large Cap : FSTHM - Mid Cap : FSTHS - Small Cap : FSTHMS - Mid/Small Cap : FSTHA - All-share : FSTHF - Fledgling : FSTHL - Large Cap : : FSTHM - Mid Cap : FSTHS - Small Cap : FSTHMS - Mid/Small Cap : FSTHA -

Equity markets (SET & mai)

In 2008, 12 companies joined the Thai exchanges-nine on SET and three on mai-raising the total number of listings to 525 (476 on SET and 49 on mai). Among the 476 SET listings were five newly-listed property funds, increasing the total number of such funds to 21.

To support the diversifying of financial products and respond to the needs of both domestic and international investors, SET, in cooperation with FTSE International Limited, the mother company of FTSE Group, developed the "FTSE SET Index Series", which were introduced to the public on June 24, 2008. FTSE SET Index Series is comprised of 1) FTSE SET Large Cap 2) FTSE SET Mid Cap 3) FTSE SET Small Cap 4) FTSE SET Mid/Small Cap 5) FTSE SET All-Share and 6) FTSE SET Fledgling.

Moreover, SET commenced trading of MTrack Energy ETF, the first equity ETF based on the SET Energy and Utility Sector Index, on August 7, 2008. MTrack Energy ETF received great attention from investors, as for the first five months after its first trading day, the total turnover reached THB291.12 million (approx. USD8.33 million), which is relatively high compared to equity ETFs in other exchanges in regional markets.

Bond market (BEX)

In 2008, Bond Electronic Exchange (BEX) continued to grow significantly. **Total trading turnover increased y-o-y by 1,353%**, from THB0.30 trillion (approx. USD8.59 billion) in 2007 to THB 4.36 trillion (approx. USD124.84 billion) in 2008, made up of THB225 million (approx. USD6.44 million) from retail investors and THB4.36 trillion (approx. USD124.84 billion) from dealers and institutions. The average daily turnover was THB17,668 million (approx. USD505.87 million), an amazing y-o-y rise of 1,362%, from THB1,208 million (approx. USD34.59 million) last year.

The enormous increase of the bond trading turnover resulted from the introduction of an electronic trading system for dealers and institutional investors called **Fixed Income and Related Securities Trading System ("Firsts"), which enhanced effectiveness and convenience for all.** The Thai bourse started implementing Firsts on February 28, 2008.

The outstanding value increased from THB 3.81 trillion (approx. USD109.09 billion) at end-2007 to THB 3.96 trillion (approx. USD113.38 billion) at end-2008, an increase of 4%. This amount was made up of THB 3.44 trillion (approx. USD98.49 billion) in government bonds and THB0.52 trillion (approx. USD14.89 billion) in corporate bonds.

BEX also emphasized promoting knowledge of bond investment to the general public, by organizing seminars and producing publications. BEX also developed the private repurchase market, which is an important mechanism for managing liquidity in the private sector as well as an essential part of the bond market. BEX established a working group for private repurchases, consisting of specialists in the government and private sectors to facilitate the private repurchase transaction processes.

Derivatives market (TFEX)

The economic crisis in 2008 affected trading activities in the capital market, causing investors to realize the importance of derivatives as key risk management tools. Thus, daily trading volume on the Thailand Futures Exchange PCL (TFEX) reached a high in 2008 of 21,474 contracts (on October 29). **Total trading volume that year reached 2,148,620 contracts, or a daily average trading volume of 8,837 contracts, soaring by 69% from 2007.**

The daily average trading value was at THB 3,810 million (approx. USD109.09 million), or 24% of SET's daily average trading value. As of end-2008,

TFEX's open interest was at 22,747 contracts, with a total of 15,893 accounts.

In 2008, TFEX launched its third product, single stock futures, to provide yet another alternative for investors in managing their portfolio and risks. Single stock futures launched on November 24 with three securities as the underlying stock: Advanced Info Service PCL (ADVANC), PTT Exploration and Production PCL (PTTEP), and PTT PCL (PTT). These listings were chosen because they were big-cap stocks with high liquidity and popularity among investors. On its first trading day, stock futures' trading volume reached 200 contracts, or THB22,738 million (approx. USD651.03 million).

In addition, TFEX gained approval from the Commodity Futures Trading Commission (CFTC) to allow investors in the US to buy SET50 Index Futures directly via securities firms in the US which are TFEX members or have accounts with such members, starting from November 26, 2008. This will reduce obstacles and limitations of foreign investors' access to the Thai bourse.

Enlarging our investor base and energizing market access

SET continued to support and expand its investor base through numerous marketing activities aiming at providing an easy investment information access to investors nationwide, e.g., SET in the City 2008 (held in different provinces), Money Expo, Mutual Fund Fair, or LTF-RMF Fair. These activities resulted in a total of 29,500 accounts opened for equities, mutual funds, bonds, or derivatives. In addition, SET held frequent Opportunity Days, where over 100 listed firms met directly with investors and analysts to update them about the companies' financial conditions and plans.

Moreover, SET held additional activities aiming at expanding its investor base, including The Star Marketing 2008 contest, which brought in more investors through securities marketers. This program resulted in over 31,000 new investors, or 54,000 new accounts. Over 85% of total securities marketers nationwide participated, totaling 4,700 persons.

Meanwhile, SET Click2Win 2008, an online stock simulation game, had over 35,000 participants, a doubling over 2007, resulting in 2,511 new accounts opening. The SET Click2Win 2008 winner in the "investor" category had a total return of as high as 125.21%, while the winner in the "experimenter" category made a total return of 82.65%.

To expand the international investor base, SET cooperated with the public and private sectors in providing information about the Thai capital market to foreign investors, by jointly organizing Thailand Focus 2008 in Bangkok with CLSA Securities (Thailand) Co., Ltd. Sixty-six listed companies participated in the event and 128 institutional investors with a total asset of THB3.5 trillion (approx. USD100.21 billion) under management attended.

In addition, SET joined numerous roadshows, for example, Thailand Focus : Singapore Roadshow, mai Singapore Roadshow, and roadshows to Tokyo, Singapore, United Kingdom, and the United States. Besides, SET further strengthened relationships with the public and private sectors in the United Arab Emirates. All of these actions helped create a consistent information flow for investors overseas.

Staring from August 11, 2008 onwards, SET switched its trading system to the Advanced Resilient Matching System (ARMS) to handle transactions, replacing the Automated System for the Stock Exchange of Thailand (ASSET) system. Compared to ASSET, ARMS can more effectively handle larger trading volumes and new financial instruments, including supporting intra-ASEAN electronic trading, called the ASEAN Linkage. ARMS thus enhances the attractiveness of the Thai bourse for both domestic and international investors.

SET also provided more channels for easier access to the Thai Exchange by offering:

- **Direct Market Access (DMA)**

SET initiated a new market access channel for both local and foreign institutional investors through the direct market access (DMA) system, allowing investors to submit their trading orders directly to SET. DMA facilitates trading, expands the investor base, and develops the Thai bourse's services to meet international standards and attract institutional investors to the Thai capital market. Currently, there are eight securities companies using DMA.

- **Cyber branches**

SET supported securities companies' opening mini-branches and cyber-branches in commercial banks and department stores, which significantly reduces the cost of new branches and enables commercial bank customers to more easily access the capital market. In 2008, brokerages opened 48 branches, consisting of 14 mini-branches and 34 cyber-branches. As of end-2008, there are a total of 75 mini/cyber branches in the industry.

- **Internet Trading**

As of end-2008, thirty-two securities companies (out of thirty-nine) traded securities through the Internet platform provided by Settrade.com Co., Ltd. Out of 189,348 accounts opened, (as of end-2008) 30,617 were active. The amount of derivative Internet trading turnover rose in 2008 compared to 2007, as 15,894 accounts were opened in 2008, of which 7,734 were active.

Equity Internet Trading (SET & mai)

Derivatives Internet Trading (TFEX)

Energizing our post-trade services to meet customer expectations

In 2008, Thailand Securities Depository Co., Ltd. (TSD) continued to strengthen post-trade services with efficient procedures that met international standards.

Development of the Securities Borrowing and Lending (SBL) and Repurchase Agreement (Repo)

TSD has consistently promoted SBL to increase the number of channels for securities companies and investors to conduct more transactions, increase revenues, and decrease securities clearing and settlement defaults. TSD has provided SBL services by acting as an agent for both securities borrowers and lenders, matching instructions and confirmations of transactions, processing clearing and settlement documents, providing a SBL Master Agreement for the industry, managing collateral, and ensuring that benefits from securities issuers reach their beneficial owners. In 2008, TSD further improved its SBL system to enable TSD to become an application service provider (ASP) and improved the Back office Service Bureau (BSB) operation systems to support SBL transactions. TSD also arranged industry-wide tests and training sessions to enhance the in-depth knowledge of and confidence in SBL for brokerage staff, investors, and related parties.

To increase business liquidity, TSD has invited organizations and depository participants to be securities lenders, thereby increasing securities volume for lending in the SBL system. Also, TSD expanded the repo business by training all relevant parties.

Central Securities Depository: CSD Links

Faster and more convenient linkages between central securities depositories (CSDs) depend on all parties involved having state-of-the-art and compatible technology. TSD is well-prepared to link to CSDs abroad because TSD has developed its systems and processes based on bilateral linkages, using a standard message system like SWIFT as a communication tool. Moreover, TSD has constantly updated its rules and regulations to efficiently support CSD linkages. In 2009, TSD will to link its system to CSDs in Asia and Europe, i.e., the Taiwan Depository and Clearing Corporation (TDCC) and SIS Swiss Financial Services Group AG (SIS Group).

Dematerialization

TSD has promoted scripless securities deposit or dematerialization to reduce securities certificate issuing costs and relieve shareholders of the burden and risks of safekeeping paper certificates, including risk of loss, damage or forgery. In 2008, TSD campaigned for major and institutional shareholders to deposit securities using the scripless system. By end-2008, there were 509,675 million shares deposited in the scripless system, or 78.51% of total registered shares.

Standardized electronic systems for annual general meetings and e-Voting

To increase convenience for securities issuers during their annual general meetings, TSD offers services for registering, voting and tallying votes electronically. This method enables the meetings to be organized more quickly, smoothly and efficiently. As of end-2008, 91 and 53 securities issuers utilized TSD's AGM system and electronic voting systems, respectively.

Providing investment knowledge to energize our prudent investors

In 2008, SET continued to support dissemination of financial, saving and investment knowledge understanding to the general public, including youth, university students, securities professionals, top executives, and investors. This understanding among the target groups will help the Thai capital market's sustainable growth and enable the capital market to continue being a major driver of the country's economy.

- **Youth**

Aside from running the "Ngern-Thong-Khong-Mee-Ka" (Personal Finance for Youth) program through e-learning and in face-to-face training courses, SET, in cooperation with the Office of the Basic Education Commission (OBEC) and Thai Life Assurance Association, has held a Ngern-Thong-Khong-Mee-Ka The Champion 2008 competition for high school students for four consecutive years. This contest encouraged youth and the general public to realize the significance of personal finance. A total of 5,160 students from 714 schools joined the competition last year.

Moreover, SET promoted saving and investment through Noo Ja Oom (Money Saving for Kids), Ngern-Thong-Khong-Mee-Ka, Young Entrepreneur, Stock Simulation, Critical Thinking Skills programs, and Live & Learn Finance board game. Over 5,500 students joined the programs.

- **University students and professors**

Aside from organizing seminars to promote new financial instruments, SET developed in-person and e-learning courses on investment for university professors and students. SET promoted learning and practicing of real investment, by developing and improving upon the Investment Simulation Program.

In 2008, SET developed the Bond Investment Simulation program after the success of the Equity Investment Simulation program in 2007. SET will develop a Derivatives Investment Simulation and one that simulates performance of a portfolio of mixed types of securities.

SET joined hands with 20 universities in providing courses for both undergraduate and graduate students to expand their understanding of capital market investment. In 2008, there were 15 universities using SET's Equity Investment Simulation in their courses.

SET ran the Young Financial Star Competition to increase securities professionals. The competition builds expertise in financial planning and securities analysis, which will create opportunities for students to become financial planners or securities analysts. The competition will also develop students to possess financial management and investment skills. In 2008, SET held the competition for the sixth year, with over 3,300 students participating.

In 2008, SET established 16 more SET Corners in educational institutes and other government and public sector organizations, adding to the usage of this channel to promote capital market. By end-2008, there were 185 SET Corners nationwide. SET also organized the 20 BEST@SET Corner: Investment Hub contest to support the expansion of this channel.

- **Securities professionals**

SET aims to serve the Thai capital market by being its center in producing high-quality securities professionals. For example, SET has played a key role in supporting the Thai Financial Planner Club, starting from its establishment in 2007 and subsequent activities to continually develop the financial planner profession. SET developed courses to produce Certified Financial Planner: CFP$^{TM/SM}$. In 2008, over 1,000 people attended SET's Foundation of Financial Planning and Retirement Planning courses. In addition, SET cooperated with Ernst & Young in developing content for a Tax and Estate Planning textbook.

SET offers numerous courses, e.g., gold and stock futures for derivatives professionals or industry-specific programs for securities analysts. SET also developed management and marketing courses for agricultural futures trading licensing, so that SET can become an integrated center producing highly-qualified personnel to enhance the Thai market's credibility.

SET also held training courses and examinations to ensure the quality of securities professionals. A total of 15,500 professionals attended the training and 2,200 professionals passed the licensing examinations.

- **Senior Executives**

SET's Capital Market Academy (CMA) conducted academic programs that supported the understanding, and image of the Thai capital market, as well as capital market collaboration. The CMA aims at developing senior executives of leading government and private sectors organizations. In 2008, CMA conducted the sixth and seventh intakes of its signature Capital Market Academy Leadership Program. A total of 166 senior executives attended the program, benefiting the development of the Thai capital market:

Academic : SET cooperated with the Association of Capital Market Academy Alumni to hold the "Thai Capital Market and its Challenges Ahead" and "Seeking Opportunities in Crisis" seminars,

proposing "A 3-prong approach-7 policies-17 measures" to use the capital market as a key engine in pulling the economy out of its recession. The proposals received great attention from the government and were used in the Thai Capital Market Development Plan.

Cooperations: CMA students built good relationships with leading international economic organizations, e.g., the Prague Stock Exchange, SWX Swiss Exchange, NYSE, Euronext Paris, Tokyo Stock Exchange, Shanghai Stock Exchange, UBI France, and the Thai government's Offices of Commercial Affairs in Frankfurt, Shanghai, and Tokyo.

- **Investors and the general public**

SET is determined to create value investors by organizing seminars and other training for investors and the general public. In 2008, SET cooperated with the Association of Securities Companies, Securities and Exchange Commission, and Thai Investors Association, to organize Smart Investors, a campaign informing investors about shareholders' rights and protection by various parties in the capital market. Moreover, SET held training courses for executives and employees in numerous organizations on personal finance, investment, and retirement planning, especially the SET100 listed companies and state-owned enterprises, e.g., CAT Telecom PCL, Electricity Generating Authority of Thailand, and Metropolitan Electricity Authority. SET also trained the general public on innovative financial instruments and services, e.g., derivatives and Internet trading. There were about 40,000 program participants in 2008.

To expand financial knowledge to a wider target market, SET developed integrated learning tools in the form of printed and electronic media, websites (investment education portals), including a free online learning website (www.tsi-thailand.org), which attracted monthly average approximately 500,000 visitors last year. In 2008, 2.5 million people learned via e-learning websites as well as other online channels.

In addition, SET expanded its services on distributing financial literacy and investment knowledge through Maruey Library at the SET building and Maruey@Esplanade, both in central Bangkok. In 2008, both libraries combined brought in over 46,000 visitors per month. SET also opened the Maruey Library@NIDA, on the outskirts of Bangkok, to support student and faculty needs and expand its financial learning centers in educational institutes.

- **Money Channel**

Family Know-how Co., Ltd. (FKH), a company under SET, broadcast information about economics and investment to investors and the general public through Money Channel, a 24/7 television channel on True Visions 80, nationwide local cable, channel 30 and via its website, www.moneychannel.co.th. FKH also broadcasts some of its programs through other TV channels, including TV5, NBT, and TNN. In addition, FKH produces Money & Wealth magazine, a monthly publication for personal finance.

FKH plays a key role in providing information about economic environment and investment, creating understanding on personal finance to support investors, entrepreneurs, securities professionals, and the general public in their prudent decision-making. The programs distributed include:

- **Morning Brief,** presenting analysis of news, social, economic situations, and international events affecting Thailand, including "Financial Opportunity" featuring executives from SET Research Institute.
- **Trading Hour,** offering an Investor Line for listeners to call in and ask specialists about investment information.
- **Stock in Focus,** giving in-depth analysis on listed companies by top executives in main business sectors.
- **Kaw Than Tarad Toon** (Keep pace with the capital market), covering the important economic issues affecting savings and investment, presented by well-known analysts to enable investors to more effectively manage risks.

Energizing our international best practices to enhance our market's credibility

- **Raising Thai listed firms' corporate governance (CG) standards**

In raising Thai listed firms' CG to continually meet international standards, the SET Corporate Governance Center gave consultancy services to 42 listed companies in 2008. The Exchange advised to 512 companies on CG from 2002 to 2008.

2008 was the first time that SET used its 15 Good Corporate Governance Guidelines (as issued in 2006) as criteria in giving awards to recognize, honor, and encourage SET- and mai-listed firms for their good CG practices. In addition, SET promoted a greater understanding of CG among public companies' executives

by encouraging them to attend the Director Accreditation Program (DAP) of the Thai Institute of Directors (Thai IOD). Last year, 491 SET-listed firms' board members attended the DAP, bringing the total of participants in the DAP and/or Directors Certification Program (DCP) to 3,060 persons, or 70% of all listed firms' directors, as of end-2008. SET supported the Thai IOD in its Corporate Governance Report of Thai Listed Companies 2008 program, to encourage listed firms to constantly develop their CG. In 2008, Thai listed firms showed progress in CG, scoring an average of 75%, up from 71% in 2006.

Apart from championing CG, SET promoted listed firms' investor relations (IR) work to keep investors informed; offering six seminars and workshops, attracting a total of 374 IR personnel to exchange ideas and share experiences,. Also, the Exchange counseled 13 companies, consisting of 11 new listings and two firms preparing to list, on developing their IR.

Meanwhile, SET hosted SET Awards 2008 to honor listed firms, securities companies, asset management companies, top executives and shareholders who showed a strong commitment to organizational development. A total of 26 awards were presented, including:

Best Performance Awards: given to four firms, i.e.,
DSG International (Thailand) PCL, Univanich Palm Oil PCL, PTT Exploration and Production PCL and Unique Mining Services PCL.

Best IR Excellence Awards: these went to four companies, i.e.,
Kasikornbank PCL, Bangchak Petroleum PCL, Bangkok Metro PCL and Unique Mining Services PCL.

Top Corporate Governance Awards: 11 companies were recognized, i.e.,
ACL Bank PCL, Bangkok Aviation Fuel Services PCL, Bangchak Petroleum PCL, Central Pattana PCL, Electricity Generating PCL, Kasikornbank PCL, PTT Chemical PCL, PTT Exploration and Production PCL, Siam Cement PCL, TISCO Bank PCL and Lighting & Equipment PCL.

Best Corporate Social Responsibility Awards: three companies were recognized: i.e.,
Bangchak Petroleum PCL, PTT PCL and Siam Cement PCL.

Best Securities Company Award: this honor went to
Kasikorn Securities PCL.

Best Asset Management Award: this recognition went to
SCB Asset Management Co., Ltd.

Best CEO awards: went to two CEOs, namely
Mr. Jatuporn Sihanatkathakul, Chairman of the Board, Thai Nakarin Hospital PCL and
Mr. Viroj Mavichak, Managing Director, Thai Oil PCL.

Shareholder Awards were presented to recognize listed firms' treatment of shareholders and their appreciation of the importance of shareholders' rights. The award also recognized common shareholders who exercised their rights creatively for the good of the company and other shareholders and invested in accordance with good CG principles. A total of nine awards were presented, namely:

Listed firms demonstrating outstanding shareholder treatment. Six companies were honored, i.e., Electricity Generating PCL, Kim Eng Securities (Thailand) PCL, Krung Thai Bank PCL, PTT PCL, PTT Exploration and Production PCL and Se-Education PCL.

Shareholders exercising their rights creatively. Three shareholders were honored, i.e., Mr. Sakol Ngarm-lertchai, Mr. Santi Singhawangcha and Mr. Supoj Uar-chailertsakul.

- **Promoting listed firms and information disclosure**

SET supported listed firms in several areas as follows:

- Listing process

SET reduced redundancy and made it easier for firms to list on the Exchange. In 2008, the listing pre-approval process took 107 days, on average. SET will also shorten the listing process, making it more effective.

- Information disclosure

The Exchange's encouraging listed firms to regulate their own information disclosure processes to minimize obstacles resulted in enhanced information disclosure efficiency in terms of accuracy, adequacy, timeliness and fairness to all parties. SET monitored and ensured proper information disclosure for investors. In 2008, the Exchange made 43 announcements for companies to disclose more information, covering both incomplete disclosure and important transactions the companies had made.

- Reinstatement of firms undergoing rehabilitation to normal sectors

SET advised listed companies that were undergoing rehabilitation and seeking reinstatement. In 2008, two companies were allowed to return to their normal sectors.

- **Developing listed companies' rules and regulations**

The Exchange made its rules and regulations relating to listed firms more flexible, while adhering to international CG standards and proper information disclosure. SET amended rules and regulations related to listed companies as shown below.

- Listing criteria: The Exchange amended SET and mai listing criteria and silent periods to be more flexible, easier to understand and more convenient for stakeholders as well as meeting international standards.
- Guidelines on the minimum required proportion of minority shareholders: SET provided a longer time for companies that did not meet this minimum requirement but showed strong intentions to improve.
- Guidelines on Rehabilitation of Non-Performing Group (NPG) companies: in light of the current worldwide economic recession, SET amended the criteria for reviewing applications of firms in the NPG

which wish to return to their normal sectors to more effectively ensure that they have sustainable and profitable operating performances.

- Treasury stock: SET improved the process of obtaining shareholder approval in buying back shares and disclosing related information to be more flexible.

Additionally, SET amended rules and regulations for firms to comply with the revised Securities and Exchange Act and tax policies.

Apart from amending its rules and regulations to be more flexible and up-to-date, **SET consistently organized activities for listed firms to promote understanding about rules and regulations,** such as Training and Networking for Contact Person seminars and workshops, Disclosure Focus monthly e-newsletter, treasury stock handbook, and a disclosure calendar for 2009. SET also organized seminars on the updated rules and regulations, such as Preparation for New Audit Committee Rules seminar, and the Connected Transaction as well as New Securities Registrar seminar to support listed firms to disclose required information in timely fashion. These seminars received good responses from listed firms.

- **Developing transparency and fairness in securities trading**

SET implemented several actions to promote transparency and fairness in securities trading in 2008, both in terms of prevention and enforcement through the Securities and Exchange Act, as follows:

Prevention

- The Exchange closely monitored listed companies' information disclosure that affected stock prices and found 54 irregularities. During 2008, SET posted "H" (trading halt) signs in three cases and an "SP" (trading suspension) sign on two cases which could not disclose information needed in a timely manner.
- SET cautioned brokerage firms about creating a "false market" in 75 cases to avoid orders causing misleading changes in stock prices.
- To protect investors and reduce market volatility arising from price manipulation and irregular trading orders, the Exchange prohibited member companies from providing net settlement and margin trading for three securities.
- According to the new market supervision regulations on net settlement and margin trading, investors were required to trade on cash balance for 10 securities with high turnover and high tendency to have irregular trading activities.

Enforcement

- The Exchange investigated and discovered cases of irregular securities trading practices that could have violated the Securities and Exchange Act, B.E. 2535 (1992) and forwarded these to the Securities and Exchange Commission (SEC) for their deliberation. There was one case of possible violation in information dissemination, five of insider trading and 30 of stock manipulation.
- SET investigated suspicious securities trading orders and punished four member companies and four certified marketing representatives.

Strengthening domestic and international alliances to energize our regional competitiveness

- **Creating alliances with local organizations**

In 2008, SET closely cooperated with both government and private organizations to support Thai capital market development and urged that such development should be on the a national agenda. The Federation of Thai Capital Market Organizations (FeTCO), consisting of six major capital market organizations (the Thai Listed Companies Association, the Association of Securities Companies, the Association of Investment Management Companies, Securities Analysts Association, the Thai Investors Association and SET), created a fact book presenting the roles and importance of the Thai capital market and challenges it faced. At the same time, FeTCO proposed several principles and approaches to develop both the capital market and Thai economy. These aimed at creating awareness among government top executives as to the important role of the domestic capital market in driving economic movement and at gaining their support. Also, a capital market development master plan was designed and implemented with full government support. The complete master plan was expected to be finalized and implemented in 2009.

To support SET corporate strategies and overall capital market development, SET cooperated and supported operations of capital market organizations e.g., FeTCO members, Federation of Accounting Professions, Institute of Internal Auditors of Thailand; key economic organizations e.g., the Federation of Thai Industries, the Thai Chamber of Commerce; and universities. Moreover, SET continually co-organized activities that helped strengthen the capabilities and competitiveness of capital market stakeholders—listed firms, securities companies, and asset management companies. Besides, they promoted a better understanding of the roles and importance of capital market, investment knowledge, and shareholders' rights to investors, university students, policy makers, and the public. Also, to strengthen relationships between capital market organizations, SET arranged networking forums for their executives.

- **Creating alliances with foreign exchanges and organizations**

The Exchange continually worked on developing closer ties and alliances with foreign exchanges, particularly in creating an ASEAN electronic trading link to enhance the role of ASEAN exchanges as an asset class in the global arena and attract more investment to the region.

In 2008, SET signed a memorandum of understanding (MoU) with the Bank of Lao PDR to help establish an exchange there. Under this MoU, SET has provided information on rules and regulations, exchange operations, and capital market knowledge. The two countries also agreed to support future business opportunities, such as encouraging Lao-Thai joint ventures to list on both countries' markets, and having Lao-Thai joint venture securities companies operate in Laos. SET has provided ongoing training programs and specialists covering regulatory matters, market operations and on-the-job training for their Laotian counterparts.

For the bond market, the BEX signed an MoU with Taiwan's secondary bond market—the Gretai Securities Market—covering knowledge sharing and system development, including seminars for sharing experiences . During that same year, TFEX signed an MoU with the Chicago Board Options Exchange (CBOE) to strengthen relations, exchange information, and foster other collaboration.

For information exchange and idea-sharing on stock market development, SET continued to join oversea activities with related organizations, e.g., the 5th Asia-Pacific New Markets Forum hosted by mai to strengthen relations among new markets. The Exchange also joined annual events hosted by overseas organizations where SET was a member, including the World Federation of Exchanges (WFE), Asian and Oceanian Stock Exchanges Federation (AOSEF), and International Organization of Securities Commission (IOSCO).

Energizing our society

SET Group continually recognizes the importance of operating as a good corporate citizen, with responsibility towards society and the environment, including working to create and develop such awareness among other organizations, especially listed firms. At the same time, the Exchange also focuses on promoting education of youths in its neighborhood, and supporting students working as interns at non-profit organizations in SET's community, through SET's Capital Markets for Students project. SET has

consistently supported the Soon Ruam Namjai school's library, Klong Toey, enabling it to be a learning center for youths and others in the community.

Additionally, SET Group, in cooperation with the Ministry of Education, has been improving the quality of Thai education through the **Ngern-Thong-Khong-Mee-Ka** (Personal Finance for Youth) project since 2003. This project educates primary and secondary school students to have a strong fundamental financial knowledge, which will help the country's economic development. In 2008, more than 32,000 teachers joined the project, which contributed to the education of 6.78 million students. The Exchange also produced and distributed learning material promoting knowledge on saving, investment, and a sufficiency economy through a personal finance game competition and **Ha-Dai Chai-Pen** (Know How to Earn, Know How to Spend) short-story composition contest. The Exchange distributed learning materials to more than 2,800 schools, and promoted understanding about business planning and entrepreneurship through several projects, such as the Vocational Education for Entrepreneurs program, which was held for the third year and had more than 1,400 students and teachers participating in 2008.

To provide opportunities for Thai youths to present their musical expertise at international venues, SET Group through Settrade.com Co., Ltd., has consistently encouraged musical skill development and performances, including Settrade Youth Music Competition.

The Stock Exchange of Thailand Foundation continually highlighted those who made outstanding contributions to society through six social organizations in six areas. The awardees were in education, Assistant Professor Paisit Promraksa; in sports development, Pra Kosal Yanavaro; in music development, Mr. Suchao Limpanith; in urban development, Mr. Sangval Boonsong; and in rural development, Lieutenant General Pichate Wisaijorn.

Most importantly, in library development, with the support of SET Foundation, the Prof. Khunying Manmas Chavalit Award was given to H.R.H. Princess Maha Chakri Sirindhorn for being the patroness of Thai libraries for over 40 years.

SET Group promoted such responsibility among businesses at large, and listed firms in particular, through its Corporate Social Responsibility Institute (CSRI). This institute formed alliances to create understanding about CSR to create CSR awareness and conviction throughout the business sector. These actions reflected SET Group's realization that social responsibility is a major way to strengthen the country's sustainable economy.

Demutualization : A step forward for the Thai capital market

Over the past ten years, global capital markets have been changing dramatically in many aspects, e.g., in business models, shareholder structures, and rules and regulations. The emphasis in business models has moved from increasing the number of domestic listed firms and trading among the exchange members. Instead, the focus is on finding foreign firms to list and on trading a wide variety of financial products globally. Meanwhile, the dominant shareholder structure of securities exchanges is no longer that of a mutual club, or one controlled/half-controlled by the government. Instead, exchanges are now demutualized and often listed on their own markets, applying the benefits of competitiveness to the exchanges themselves to more effectively and efficiently serve stakeholders.

The world's economic integration has caused capital to move much more freely across borders than before, especially with advanced technology and communication enabling information transmission that keeps getting faster, more accurate, and at lower cost. This economic integration means that investors can readily and cheaply move funds across borders, breaking down the barriers between national exchanges and forcing exchanges to compete fiercely or become marginalized.

A distinct change as a result of demutualization at other exchanges has been improved efficiency. This has been because of the change in shareholder structure, as demutualizing generally leads to income coming from more varied range of services than before, not just securities trading. This diversification usually results in a rise in operating efficiency, both in terms of cost/income and return on equity.

For the above reasons, SET is demutualizing and has reorganized its structure to enhance its competitiveness. Such a step will also greatly ease SET's problems regarding governance structures, as currently there are no clear stakeholder blocs, making decision-making on key issues difficult and time consuming. Therefore, to improve Thai capital market competitiveness and reduce risk of marginalization, SET will restructure in three phases:

1. Demutualization

SET will corporatize, change its governance structure to reduce costs, and create alliances allowing economies of scale. To prepare for corporatization, SET divided its operations into those related to exchange activities and those related to capital market development effective January 1, 2009. The Exchange will then set aside enough assets for exchange business activities, and the rest will be used to support the Capital Market Development Fund (CMDF). The CMDF's directors should be comprised of representatives from capital market organizations, to set development direction in the long term.

Additionally, the Exchange will set up a regulatory committee reporting to SET Board of Governors to reduce conflicts between commercial and regulatory goals. Also, laws must be amended to allow third parties to compete with the Exchange to support new trading platforms and regional alliances. To lay the groundwork for these legal amendments, the SEC held a public hearing to gather various points of view and prepare market participants for the change.

2. Listing on the stock exchange

After demutualization, SET will be listed on itself. Being listed will bring two benefits: first, as a listed company, SET will be under constant pressure to operate more effectively, and second, SET's former members who have received benefits from being part of a mutual club will be able to participate by being shareholders of SET after listing. Besides, being listed enables SET to more conveniently raise funds for investment.

3. International alliances

After being listed, SET will focus on building alliances with other exchanges. Liquidity lies at the center of the exchange business, and this can be increased through connecting with other exchanges, e.g., by market links, mergers, or linkage and consolidations. Recent examples of exchange mergers to create liquidity are the OMX and NYSE Euronext groups.

The overarching objective in restructuring the Thai capital market, including reorganizing SET, is to benefit all parties involved for the development of the Thai capital market and economic growth, thereby enhancing the country's competitiveness and benefiting the Thai people as a whole

ENERGIZING OUR INTERNATIONAL PRACTICES TO ENHANCE OUR CREDIBILITY

Compliance with Good Corporate Governance Principles

The Stock Exchange of Thailand (SET)'s Board of Governors (BoG), in emphasizing the importance of corporate governance (CG), approved the SET Group's CG policy on November 2008 which supports the Exchange's sustained growth and the Thai capital market's international competitiveness. Good CG is a major part of an organization's foundation, necessary for maintaining stable growth and increasing investor confidence.

SET, as a core Thai capital market entity, aims to become the first choice for capital raising and investment management, offering integrated financial products and services through trustworthy and accessible platforms. The Exchange works to respond equitably and fairly to the needs of customers, related parties and society as a whole. In 2006, the bourse revised its 15 CG principles to reflect the best practices of the Organization for Economic Co-operation and Development (OECD) and World Bank. These principles were to be fully implemented by SET-listed firms from 2008, based on 2007 data. They are divided into five categories, each including core principles and recommended best practices : 1) rights of shareholders; 2) equitable treatment of shareholders; 3) role of stakeholders; 4) disclosure and transparency; and 5) responsibilities of the board. The BoG subsequently initiated policies and practices in compliance with its CG principles.

Rights and Equitable Treatment of Shareholders (Principles 1 and 2)

SET is a juristic entity constituted under the Securities and Exchange Act of Thailand, and thus does not have a corporate structure or shareholders. Nevertheless, the act requires the Exchange to convene an annual meeting of members to elect board members, approve a balance sheet, appoint an auditor and approve remuneration of the BoG. The BoG's rules and procedures state that, at this meeting, a member may nominate persons to join the BoG. The meeting then votes on the nominations, with each member entitled to one vote.

The BoG must call an ordinary meeting once a year within four months of the end of its fiscal year, which is end-December. The meeting notice, including the agenda, must be sent to every member no less than seven days prior to the meeting. The board may call an extraordinary meeting whenever it deems appropriate. In addition, the BoG must call an extraordinary meeting within seven days when members representing no less than one-fifth of all members submit to the board a written request to do so, specifying the proposed meeting's purpose. The extraordinary meeting must be held within 30 days of the date of receipt of the written request.

At all meetings, the BoG chairman presides and three-fourths of all members constitutes a quorum. The meeting will normally start at 17:00 hours. If the number of members attending is less than a quorum, the BoG must call another meeting within 30 days.

In 2008, the BoG called an ordinary meeting on April 22, 2008 and three extraordinary meetings, attended by more than 87% of its members. Among the matters considered were amendment of rules for screening of orders, additional margin rates and types of collateral, placing collateral in the cash accounts, amendment of the spread for the trading price based on the highest bid-lowest offer, basket-order trading, relaxation of internet trading conditions and extending the bond market's trading fee waiver period.

Role of Stakeholders (Principle 3)

The BoG ensures that the exchange's operations are based on equitable and fair treatment of stakeholders. The Board recognizes the reciprocal relationship the bourse has with all stakeholders, including listed firms, member companies, non-member securities companies, investors, trading partners, employees and executives of SET and its subsidiaries, the public sector and groups likely to be affected by its decisions. Hence, the BoG has developed a code of ethics covering the provision of full, timely and accurate information to them and their equitable and dignified treatment. This code includes ensuring customer satisfaction through high-quality products and services, publishing information, providing channels for complaints and suggestions, safeguarding confidentiality, not accepting or giving questionable benefits, promoting employee awareness of social responsibility and the environment, and participating in community development.

In its rules, regulations and policies SET aims to protect the rights of all stakeholders and takes great care to ensure that its practices are effective and equitable by :

- Considering the positive and negative consequences of its rules and amendments
- Issuing rules that treat all members and listed companies impartially
- Issuing rules and establishing the Securities Investor Protection Fund (SIPF) to protect the interests of investors
- Consulting on investors' interests and responding to stakeholders and related parties in an open, equitable and impartial fashion
- Providing recommendations on CG to listed firms and advising them on implementation
- Disseminating information to investors through various media
- Organizing information dissemination activities for investors in Thailand and abroad
- Treating strategic trading partners in a fair, consistent and transparent manner, stipulating the criteria and procedures for procurement of goods and services and establishing a working committee to oversee purchasing and hiring
- Providing remuneration to employees and management on a par with that of other leading organizations
- Specifying each unit's scope of work and code of conduct, retaining qualified and capable employees by providing staff development and career advancement opportunities
- Ensuring a succession plan for the positions of president and other senior executives

- Establishing a Corporate Social Responsibility Institute (CSRI) to encourage the business sector to act to benefit Thai society and the environment (for a list of activities in 2008, please see page 44)
- Establishing the S-E-T Call Center (08:00-18:00 hours on business days) and a 24-hour interactive voice response to update members, the public, listed firms and others and respond to problems and enquiries.

Disclosure and Transparency (Principle 4)

The BoG emphasizes the transparent and broad distribution of information on its operations, securities trading and other important matters that may influence SET-listed companies or stock prices – in both Thai and English on the Exchange's website. Details provided include SET's mission, vision, regulatory framework, supervision of the market and listed companies, management and organizational chart, BoG membership, SET Group details, services and products, rules, regulations and penalties related to SET, Market for Alternative Investment (mai), Bond Electronic Exchange (BEX) and Thailand Futures Exchange (TFEX).

Responsibilities of the Board (Principle 5)

1. Board Structure

The Securities and Exchange Act requires that the membership structure of the BoG be as follows:

- *Five experts appointed by Securities and Exchange Commission (SEC)*. Each person must have expert knowledge and extensive experience in one or more of the following areas : stock exchange, securities or finance. At least one person must be a senior executive of a listed firm. Each candidate must meet the criteria and guidelines established by a working group which proposes a list of candidates to SEC before anyone is appointed as a SET governor.
- *Five experts who are senior officers of member companies, elected at a SET members' meeting as per the regulations on the appointment of governors*. Four of the candidates are selected from a list of member firms' representatives at executive vice president level or higher, while the other candidate is from a list of individual representatives from other relevant parties.
- *The SET president*. As an ex-officio governor, the president is appointed by the ten previously appointed governors.
- The board's chairman. The chairman is elected by the BoG and must not be the Exchange's president, to ensure that the roles and responsibilities of Chairman are separate from those of management.

In addition, the BoG's Corporate Secretariat serves the board by providing legal advice, organizing its activities and monitoring compliance with its resolutions.

2. Committees

In 2008, the BoG appointed 15 committees to assist it in carrying out its work and for special tasks requiring expert assistance. Because the majority of their chairmen and members were not SET governors

or executives, these committees were relatively independent in carrying out the roles and responsibilities assigned by the BoG (for a list of committees and their duties, please see page 59).

3. Roles and Responsibilities of the Board

3.1 Vision and Mission

The BoG guides and endorses the development of SET's vision, mission, strategies, goals, policies and business plan and monitors the supervision of operations to ensure effective implementation of its plans within budget. The board evaluates and adjusts the business plan in response to market changes, oversees management performance and requires quarterly progress reports on operations and business outcomes.

In addition, the BoG is responsible for monitoring the succession plan for the positions of president and other senior executives.

3.2 Business Ethics and Conflicts of Interest

The BoG has established the SET Code of Ethics and SET's governors, committees, advisors and employees have agreed to accept these as their own. These include : 1. a corporate code of ethics, 2. a stakeholders' code of ethics, 3. a directors, committee members and advisors' code of ethics, 4. an employee's code of ethics, 5. reporting of non-compliance, 6. monitoring for compliance and review and 7. disciplinary action. The Code inculcates behavior in the Exchange's personnel that maintains public confidence. To avoid use of insider information or conflicts of interest, SET demands compulsory adherence to the relevant code by governors, committee members, advisors and employees. This prohibits any person connected to the Exchange from using any information obtained through the performance of their duties to seek benefit for themselves or others by participating in or concealing any act that may cause a conflict of interest with their duties, from committing any illegal act, or by performing their duties in a discriminatory manner.

To ensure that insider information acquired by employees in the performance of their duties is used only for legitimate purposes, the BoG has informed SET governors and staff of the securities trading practices that they are required to follow. These practices stipulate that the trading of securities must be done honestly, without exploitation of confidential information or misuse of authority or position. Also, employees may sell their own securities only after they have been held for at least 30 days. Personnel and governors must disclose securities holdings in their own account(s) or in any accounts held by their spouse or minor children, using the required forms. Employees must report their accounts within seven days from the date of employment and governors must report their accounts within 30 days of their appointment. Any changes in securities holdings must be reported by the last business day of the week following the change, in the case of employees, and by the last business day of the month following the change, in the case of governors.

To guarantee impartiality in the performance of their duties, the BoG requires the Exchange's governors, committee members and advisors, and its subsidiaries to execute a *Letter of Independence* each time they are appointed to a new committee or given a special task, and at the end of every calendar year. Where they have any direct or indirect interest in the consideration of a matter, they are required to notify the

parties concerned in advance of each conflict of interest , to not participate in the particular consideration and not remove any related documents from meetings.

Additionally, SET expects that all employees will act in the interests of the Exchange, without favor or preference based on possible direct or indirect personal gain. An employee must not knowingly place him or herself in a position that would have the appearance of being, or could be construed to be, in conflict with SET's interests. The Exchange has provided examples of situations in which a conflict of interest may arise and procedures in these cases. These actions include barring oneself from serving on the boards of, or as consultants to, listed companies or member firms; observing the rules on serving on the boards of other companies or organizations, seeking the president's approval for certain actions, disclosing in writing any relationships with any relevant persons before engaging in transactions with SET, not participating in certain procurement processes and not exerting undue influence on the listed companies or member firms.

3.3 Internal Control System

BoG and management have transparently set up the working processes and internal control systems. BoG has appointed the Audit Committee to supervise and audit the internal control system in conformity with international standards. The Internal Audit and Risk Management Department was assigned to periodically and continuously audit and follow up on the internal control systems of the significant working processes. Any defects found in an internal control system were to be reported to the Audit Committee for acknowledgement and to management for correcting.

To encourage all employees to be aware and recognize the importance of internal control systems, the Audit Committee encouraged all units to make a self-assessment of their internal control system to ensure that SET's internal control system has been adequate and able to handle any changed circumstances or risks. BoG believes that SET's overall internal control system has functioned adequately, appropriately and satisfactorily.

3.4 Risk Management Policy

The BoG is responsible for designating policies and framework of risk management for the whole organization (Enterprise Risk Management : ERM). The board's Risk Management Committee advises management, who is responsible for identifying risks and implementing effective mitigation measures to manage these in line with SET risk appetite.

The Internal Audit and Risk Management Department provides risk management standards and identifies risk factors across the Exchange, including but not limited to, strategic, market, credit and operational risks. This department monitors and regularly reports risk status to the BoG and trains employees to support a deep understanding and organizational culture of risk management.

Management conducts risk assessment and reviews the appropriateness of its action plans once a year or when risk level changes markedly. SET has an early warning system to ensure that timely corrective

action is taken with regard to risk events. In addition, the Exchange has a business continuity plan and conducts annual tests to ensure that its business will continue uninterrupted in the event of a disaster.

The BoG believes that SET has conducted significant risk management appropriately.

4. Board Meetings

4.1 Regular meetings are scheduled on a monthly and quarterly basis one year in advance, so that governors and executives are given ample notice and can attend as many meetings as possible. Special meetings are convened as appropriate.

4.2 Prior to each meeting of the BoG and management, executives from the rank of senior vice presidents and up review the proposed agenda to ensure that all significant matters are included.

4.3 The Corporate Secretariat is responsible for preparing invitation letters, including the agenda, and distributing meeting documentation at least five (5) days prior to each meeting to allow the governors sufficient time to consider the details in advance. In the case of a special meeting convened due to an emergency, the meeting documentation may be distributed less than five (5) days prior or on the day of the meeting. The department is responsible for preparing meeting minutes, including all essential information, and submitting these to the BoG for approval at its next meeting. The minutes are then stored in a manner that allows immediate retrieval.

4.4 The chairman organizes the meeting, ensuring sufficient time is available for management to present issues and other matters to the board for their full consideration. Normally, each meeting takes three hours. Governors may table topics not on the agenda, and full and open discussion is expected.

4.5 The BoG may invite senior management to discuss specified matters, including considering succession planning for the president and others senior executives .

4.6 Non-executive directors should meet together, as necessary and without the management team, to allow them to fully discuss their concerns.

In 2008, the attendance of governors at BoG, boards of subsidiaries and other committee meetings was as follows :

		BoG Attendance / Number of Meetings (times)	Board of Subsidiaries		Other Committees	
			Companies	Attendance / Number of Meetings (times)	Number of panels	Attendance / Number of Meetings (times)
1. Pakorn	Malakul Na Ayudhya	14/14	TSD / TFEX	13/13	7	33/33
2. Wiboon	Perm-Arayawong	14/14	FKH	12/12	6	24/39
3. Khunying Jada	Wattanasiritham	13/14	STT	4/4	3	21/21
4. Montree	Sornpaisarn [1]	7/7			3	3/4
5. Nibhat	Bhukkanasut [2]	4/5			1	3/3
6. Niputh	Jitprasonk [2]	4/5			1	3/3
7. Pattera	Dilokrungthirapop	13/14	TSD / TFEX / STT	16/17	2	16/17
8. Suthep	Peetakanont [1]	6/7	TFEX	2/4	2	9/9
9. Vallobh	Vimolvanich	14/14	STT / FKH	15/16	5	24/27
10. Wichai	Poolworaluk	13/14	STT	4/4	2	5/5
11. Patareeya	Benjapolchai	13/14	TSD / TFEX / STT / FKH / TCH / TTF / TNVDR / SDR	18/38	6	26/33
12. Pichit	Akrathit [3]	8/9	TSD / MMF	7/8	2	7/8
13. Sauwanee	Thairungroj [3]	9/9	FKH / MMF	15/16	1	7/7
14. Kampanart	Lohacharoenvanich [4]	7/7	TFEX	2/2	6	26/26
15. Asvini	Tailanga [4]	7/7			3	12/13

1) Montree Sornpaisarn and Suthep Peetakanont were appointed May 28, 2008.
2) Nibhat Bhukkanasut and Niputh Jitprasonk were appointed August 11, 2008.
3) Pichit Akrathit's and Sauwanee Thairungroj's terms ended on August 10, 2008.
4) Kampanart Lohacharoenvanich's and Asvini Tailanga's terms ended on May 27, 2008.

TSD - Thailand Securities Depository Co., Ltd.
TFEX - Thailand Futures Exchange Pcl.
STT - Settrade.com Co., Ltd.
FKH - Family Know-How Co., Ltd.
TCH – Thailand Clearing House Co., Ltd.
TTF - Thai Trust Fund Management Co., Ltd.
TNVDR - Thai NVDR Co., Ltd.
SDR – Siam DR Co., Ltd.
MMF - mai Matching Fund Co., Ltd.

5. Board self-assessment

The Corporate Secretariat conducts an annual self-assessment of individual governors of the BoG as a group. In December 2008, the department delivered the results of the self-assessment for 2008, together with various governors' recommendations and management's responses, for BoG consideration.

6. Remuneration of Governors and Senior Executives

Subject to the provisions of the Securities and Exchange Act, the BoG's chairman and members receive remuneration as determined by a meeting of member companies. This ensures that all payments are decided transparently and without the governors' involvement. Governors delegated as directors of SET's subsidiaries or committee members receive additional monetary remuneration. The board considers and may approve the remuneration of top-level executives as recommended by the Remuneration Committee.

- In 2008, BoG members received monthly remuneration as approved by the Annual General Meeting of member companies. Board members who were also on the Executive or Audit Committees, boards of SET subsidiaries or other committees received additional monthly remunerations as approved by the BoG at the same rate as in the past years, as follows :

		SET BoG	Executive Committee	Audit Committee	Director of SET Subsidiaries		Other Committees		Total
					Companies	Remu-neration	Amount of Panels	Remu-neration	
1. Pakorn	Malakul Na Ayudhya	1,170,000	3,600,000		TSD / TFEX	720,000	5	54,000	5,544,000
2. Wiboon	Perm-Arayawong	780,000	300,000		FKH	180,000	4	119,000	1,379,000
3. Khunying Jada	Wattanasiritham	780,000		900,000	STT	180,000	1	36,000	1,896,000
4. Montree	Sornpaisarn [1]	455,000					3	14,000	469,000
5. Nibhat	Bhukkanasut [2]	325,000					1	30,000	355,000
6. Niputh	Jitprasonk [2]	325,000		150,000					475,000
7. Pattera	Dilokrungthirapop	780,000			TSD / TFEX / STT	600,000	2	64,000	1,444,000
8. Suthep	Peetakanont [1]	455,000		300,000	TFEX	60,000	1	30,000	845,000
9. Vallobh	Vimolvanich	780,000			STT / FKH	390,000	5	138,000	1,308,000
10. Wichai	Poolworaluk	780,000			STT	120,000	2	38,000	938,000
11. Patareeya	Benjapolchai	780,000	-		TSD / TFEX / STT / FKH / TCH / TTF / TNVDR / SDR	-	5	-	780,000
12. Pichit	Akrathit [3])	455,000			TSD / MMF	210,000	2	50,000	715,000
13. Sauwanee	Thairungroj [3]	455,000		350,000	FKH / MMF	180,000			985,000
14. Kampanart	Lohacharoenvanich [4]	325,000	250,000		TFEX	50,000	3	950,000	1,575,000
15. Asvini	Tailanga [4]	325,000		250,000			2	28,000	603,000

1) Montree Sornpaisarn and Suthep Peetakanont were appointed May 28, 2008.
2) Nibhat Bhukkanasut and Niputh Jitprasonk were appointed August 11, 2008.
3) Pichit Akrathit's and Sauwanee Thairungroj's terms ended on August 10, 2008.
4) Kampanart Lohacharoenvanich's and Asvini Tailanga's terms ended on May 27, 2008.

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TNVDR - Thai NVDR Co., Ltd.
SDR – Siam DR Co., Ltd.
MMF - mai Matching Fund Co., Ltd.

- SET's 16 most senior executives - the president, five (5) executive vice presidents and 10 senior vice presidents - were remunerated a total of THB 83,823,700 for their services. (In 2007: SET's 16 most senior executives - the president, five (5) executive vice presidents and 10 senior vice presidents - received THB 93,484,700 in remuneration.) Other remuneration given to each of these persons included official vehicles, drivers, vehicle expenses, medical expenses and payment of life and accident insurance premiums.

- Senior Executives served as directors or on committees of other companies :

1. Mr. Suthichai Chitvanich	Executive Vice President	• Director and Audit Committee Krung Thai Legal Services Co., Ltd.
2. Mrs.Nongram Wongwanich	Executive Vice President	• Director and Audit Committee Thailand Securities Finance Corporation. • Director TRIS Rating Co., Ltd. • Director TRIS Corporation Co., Ltd.
3. Mr. Vichate Tantiwanich	Executive Vice President	• Director / Chairman of Risk Management Committee / Policy and Strategy Committee / Research and Development Committee Bank for Agriculture and Agricultural Cooperatives.

7. Board and Management Training

BoG encourages training for governors and executives to improve their performance and vision. New governors are provided with an introduction to the Exchange, its business and other plans and an overview of SET's subsidiary companies. They receive handbooks describing their roles and responsibilities, and the Code for Governors, covering important information which they need to be familiar with.

In addition, BoG members undertook training courses with the Thai Institute of Directors Association (Thai IOD) as follows :

(Training Year)	Director Certification Program (DCP)	Director Accreditation Program	Role of the Chairman Program	Audit Committee Program	DCP Refresher Course	Chartered Director Class	Other
1. Pakorn Malakul Na Ayudhya			2002				
2. Wiboon Perm-Arayawong	2000		2001		2005	2007	
3. Khunying Jada Wattanasiritham	2000		2008				(MFR 2008) (MIA 2008)
4. Montree Sornpaisarn		2004					
5. Nibhat Bhukkanasut		2007	2006	2008			
6. Niputh Jitprasonk	2007		2006				
7. Pattera Dilokrungthirapop	2006	2004	2008				
8. Suthep Peetakanont	2000		2002				
9. Vallobh Vimolvanich		2006					
10. Wichai Poolworaluk	2001						
11. Patareeya Benjapolchai	2000						

Committees of The Stock Exchange of Thailand (SET) 2008

1. Appeals Committee
2. Audit Committee
3. Disciplinary Committee
4. Disciplinary Committee for Fee Violations
5. Executive Committee
6. Investor Base Expansion Committee
7. Legal Committee
8. Market Positioning and Restructuring Committee
9. New Listings Committee
10. Nomination Committee
11. Real Estate Development Committee
12. Remuneration Committee
13. Risk Management Committee
14. Securities Investor Protection Fund Committee
15. Technology Development Committee

1. Appeals Committee

Support unit : Enforcement Department

Structure : Three to five members, appointed by SET BoG with the approval of the SEC. Each member must be expert in at least one of the following fields: law, finance and accounting, or the brokerage business.

Term : January 1, 2007 to December 31, 2008

Name		Position
Hiran	Radeesri	Chairman
Chaikasem	Nitisiri	Member
Sukri	Kaocharern	Member
Manop	Nagadatta	Member
Suvarn	Valaisathien, PhD	Member
Sakkarin	Ruamrangsri	Secretary

Responsibilities of the Appeals Committee are:

1. To review any appeal made against any punishment orders laid down by SET's BoG, the Executive Committee, the Disciplinary Committee or the President, and to determine the innocence or guilt of appellants.
2. To review any requests for suspension of execution of punishment orders in which any conditions or collateral are stipulated or required.
3. To advise SET's BoG regarding punishments, reductions in punishments, orders not to punish, confirming punishment orders being appealed, or any other matter raised by appellants.
4. To order the termination of any appeal which has been withdrawn or is being tried by the Appeals Committee.

2. Audit Committee

Support unit : Internal Audit and Risk Management Department

Structure: Members are three SET Governors who are not members of the Executive Committee. One member must be from among the governors appointed by the Securities and Exchange Commission, the second from among the governors who are executives of member companies and also elected by SET members, while the third may be any of the remaining governors. At least one of these must be knowledgeable in accounting and finance. The vice president of the Internal Audit and Risk Management Department serves as secretary.

Term : Until the end of each given person's tenure as governor.

Name		Position
Khunying Jada	Wattanasiritham	Chairman
Niputh	Jitprasonk	Member
Suthep	Peetakanont	Member
Wipha	Leethakulnumchai	Secretary

Responsibilities of the Audit Committee are stipulated in the Audit Committee charter:

1. To review SET's financial reports before forwarding them to the BoG.
2. To advise management on the appointment of SET's auditor and determine the auditor's remuneration; coordinate with the auditor on auditing objectives, coverage, guidelines, planning and problems found during the audit, and any issues the auditors deem significant.
3. To coordinate with SET's Internal Audit Department on audit objectives, planning, reports and evaluations of the efficiency of SET's internal control system and of the adequacy of resources used for internal control, including any problems found during an audit.
4. To consult and review results and recommendations of the auditors and the Internal Audit Department, and follow up any operational management matters consequent on those recommendations.
5. To monitor compliance with the laws, rules and regulations issued by SET's regulators.
6. To monitor the management of SET's principal risks.
7. To be responsible for any duties related to the Audit Committee as assigned by the BoG.
8. To report all operations of the Audit Committee to the BoG at least four times a year.

3. Disciplinary Committee

Support unit : Enforcement Department

Structure : At least four members, including one from the Board's governors who is also an executive of a member company and elected by SET members; one who is knowledgeable in SET affairs, the brokerage business, or the financial business, one legal expert, and SET president or an executive from the senior vice president level or above as delegated by SET president.

Term : January 1, 2007 to December 31, 2008

Name		Position
Wiboon	Perm-Arayawong	Chairman
Machima	Kunjara Na Ayudhya	Member
Sutthi	Sookying	Member
Suthichai	Chitvanich	Member
Yaowalak	Aramthaveethong	Member
Sumalee	Lertthanaporn	Secretary

Responsibilities of the Disciplinary Committee are:

1. To examine any wrongdoing and penalize any individual or juristic person who violates, or associates with others in violating, SET's rules and regulations, and to report to SET BoG, except in cases concerning:
   (a) a securities delisting
   (b) a temporary trading suspension of a member company
   (c) a membership revocation
   (d) other cases as deemed appropriate by SET BoG.

In the exceptions above, the Disciplinary Committee will examine relevant facts and evidence, report its findings and give its recommendations to the Board for action.

2. To examine, give explicit instructions according to SET rules and regulations, and take any other action in any case deemed necessary to determine guilt and penalties to be imposed.

4. Disciplinary Committee for Fee Violations

Support unit: Member Services Department

Structure : Five members, including at least one representative from the Association of Securities Companies, at least one legal expert, SET president or an executive from senior vice president level or above as delegated by SET president and two others as SET BoG sees fit.

Term : January 1, 2008 to December 31, 2008

Name		Position
Yothin	Ari	Chairman
Chaiya	Siriamphunkul	Member
Kampanart	Lohacharoenvanich	Member
Prateep	Wongniran	Member
Suthichai	Chitvanich	Member
Supakit	Jirapraditkul	Secretary

Responsibilities of the Disciplinary Committee for Fee Violations are:

1. To examine offenses committed by any member, non-member securities company, executive or employee involved in a company's violation of the Rules and Procedures for the Charging Brokerage and Agent's Fees for the Buying and Selling of Listed Securities.
2. To punish any member, non-member securities company, executive or employee involved in such offenses.

5. Executive Committee

Support unit : Corporate Secretary Department

Structure : Three members, namely SET chairman, vice chairman and president. The BoG secretary serves as secretary.

Term : Until the end of each given person's tenure as governor.

Name		Position
Pakorn	Malakul Na Ayudhya	Chairman
Patareeya	Benjapolchai	Member
Wiboon	Perm-Arayawong	Member
Suthichai	Chitvanich	Secretary

Responsibilities of the Executive Committee are :

1. To supervise securities trading
2. To investigate member companies
3. To manage securities listing and information disclosure
4. To manage human resources, procurement and outsourcing
5. To revise and determine SET's fees

6. Investor Base Expansion Committee

Support unit : Listing and Investor Marketing Center

Structure : SET Chairman is ex officio chair of this Committee. Other members are SET president, representatives from private and public associations or organizations to promote investor expansion, outside experts and the executive vice president of the Listing and Investor Marketing Center, who also serves as secretary.

Term : February 1, 2008 to December 31, 2008

Name		Position
Pakorn	Malakul Na Ayudhya	Chairman
Apisak	Tantivorawong	Member
Chaipant	Pongtanakorn	Member
Nibhat	Bhukkanasut	Member
Patareeya	Benjapolchai	Member
Pisit	Leeahtam	Member
Prasert	Bunsumpun	Member
Pravej	Ongartsittigul	Member
Rapee	Sucharitakul	Member
Sanit	Rangnoi	Member
Sansern	Nilrat	Member
Sara	Lamsam	Member
Suthep	Peetakanont	Member
Visit	Tantisunthorn	Member
Vichate	Tantiwanich	Member and Secretary

The responsibilities of New Listing Committee is to provide advice and recommendations on strategies for investor expansion and follow up on execution of SET's investor expansion plan.

7. Legal Committee

Support unit: Legal Department

Structure : Five members, each with expertise in law or capital markets. The senior vice president of the Legal Department serves as secretary; the vice president of the Legal Department serves as the secretary's assistant.

Term : January 1, 2008 to December 31, 2008

Name		Position
Direk	Sunthongate	Chairman
Bamrung	Tanchittiwatana	Member
Songdej	Praditsmanont	Member
Suthichai	Chitvanich	Member
Tithiphan	Chuerboonchai	Member
Sakkarin	Ruamrangsri	Secretary

The responsibility of the Legal Committee is to provide SET BoG with advice, opinions and recommendations regarding SET's rules and regulations, and related laws.

8. Market Positioning and Restructuring Committee

Support unit: Strategy Development Department

Structure : SET Governors, SET executives and experts who are representatives from Thai Listed Companies Association.

Term : January 1, 2008 to December 31, 2008

Name		Position
Pakorn	Malakul Na Ayudhya	Chairman
Asvini	Tailanga	Member
Chanin	Vong-kusolkit	Member
Kampanart	Lohacharoenvanich	Member
Nongram	Wongwanich	Member
Patareeya	Benjapolchai	Member
Pattera	Dilokrungthirapop	Member
Prasert	Bunsumpun	Member
Vallobh	Vimolvanich	Member
Wiboon	Perm-Arayawong	Member
Sopawadee	Lertmanaschai	Member
Suthichai	Chitvanich	Member
Kobsak	Pootrakool, PhD	Secretary

The responsibility of the Market Positioning and Restructuring Committee is to provide consultants with advice and recommendations regarding SET's role and direction during the consultancy period, including reviewing the consultant firm's interim and final reports before submission to SET BoG for approval.

9. New Listings Committee

Support unit: Capital Market Opportunity Center

Structure : SET chairman, SET president, representatives from related organizations such as Thailand Board of Investment, The Federation of Thai Capital Market Organizations, The Federation of Thai Industries, The Office of the Securities and Exchange Commission, The Thai Banker's Association, The Thai Chamber of Commerce & Board of Trade of Thailand; and the executive vice president of the Capital Market Opportunity Center, who also serves as secretary, to promote and support high potential companies to be listed on SET and mai,

Term : September 1, 2007 to December 31, 2008

Name		Position
Pakorn	Malakul Na Ayudhya	Chairman
Apichai	Boontherawara, PhD	Member
Chalee	Chantanayingyong	Member
Karun	Kittisataporn	Member
Kongkiat	Opaswongkarn	Member
Patareeya	Benjapolchai	Member
Pongsak	Chewcharat	Member
Pramon	Sutivong	Member
Santi	Vilassakdanont	Member
Satit	Chanjavanakul	Member

Sunthorn	Arunanondchai	Member
Vallobh	Vimolvanich	Member
Vichate	Tantiwanich	Member and Secretary

Responsibilities of the New Listing Committee are:

1. To find and persuade high potential companies, Thai and multinational or overseas firms, to raise funds in SET or the Market for Alternative Investment (mai).
2. To support and amend SET's rules and regulations, and relevant laws for the benefit of listed companies.

10. Nomination Committee

Support unit : Human Resources Department

Structure : Six members, namely SET Chairman, SET Vice Chairman, and Chairman of SET's Audit Committee, one governor appointed by the SEC and one governor elected by SET members. The vice president of the Human Resources Department serves as secretary.

Term : June 25, 2008 until December 31, 2008

Name		Position
Pakorn	Malakul Na Ayudhya	Chairman
Khunying Jada	Wattanasiritham	Member
Patareeya	Benjapolchai	Member
Pattera	Dilokrungthirapop	Member
Vallobh	Vimolvanich	Member
Wiboon	Perm-Arayawong	Member
Patchara	Thanattrai	Secretary

Responsibilities of the Nomination Committee are:

1. To nominate SET executives who are qualified for positions in SET and its subsidiaries for SET BoG review.
2. To nominate qualified individuals for the boards of SET subsidiaries, SET committees, and the CMDF board.
3. To review compensation and other rewards for SET executives.
4. To consider any other matter relating to the reorganization and nomination of senior executives for carrying out SET's mission.

11. Real Estate Development Committee

Support unit: Building Management Department

Structure : At least five members, including SET chairman, at least three SET governors, SET president, and the executive vice president of corporate affairs, who also serves as secretary.

Term : January 1, 2008 to December 31, 2008

Name		Position
Pakorn	Malakul Na Ayudhya	Chairman
Patareeya	Benjapolchai	Member
Vallobh	Vimolvanich, PhD	Member
Wiboon	Perm-Arayawong	Member
Wichai	Poolwaraluk	Member
Nongram	Wongwanich	Member and Secretary

Responsibilities of the Real Estate Development Committee are:

1. To advise SET BoG on matters of land, buildings, location development policies and master plans, including operational guidelines for SET, its subsidiaries and other related entities. The Committee shall bear in mind current usage and organization, and short- and long-term development demands arising from SET's strategic plan.
2. To appoint working committees members to take action relating to land and property development, following SET policies, as the Real Estate Development Committee deems appropriate.

12. Remuneration Committee

Support unit: Human Resources Department

Structure : Three members, namely SET Chairman, SET Vice Chairman, and Chairman of SET's Audit Committee. The vice president of the Human Resources Department serves as secretary.

Term : Until the end of each given person's tenure as governor.

Name		Position
Pakorn	Malakul Na Ayudhya	Chairman
Khunying Jada	Wattanasiritham	Member
Wiboon	Perm-Arayawong	Member
Patchara	Thanattrai	Secretary

Responsibilities of the Remuneration Committee are to examine, analyze and propose to SET BoG:

1. Policies and rules concerning remuneration of SET BoG, SET president, advisors, committee members appointed by the BoG, and executives from senior vice president level and above.
2. Annual remunerations, salary adjustments and other remunerations of the President and individual executives.
3. Budgets for annual remuneration adjustments and annual rewards for executives of senior vice president level and above.

13. Risk Management Committee

Support unit: Internal Audit and Risk Management Department

Structure : At least seven members including one SET governor, one or more experts as the BoG may see fit, at least three executives of SET, the Thailand Securities Depository (TSD) president, and the vice president - Risk Management, who also serves as Member and Secretary.

Term : January 1, 2008 to December 31, 2008

Name		Position
Montree	Sornpaisarn, CFA	Chairman
Anya	Khanthavit, PhD	Member
Chaiyoot	Chamnanlertkit	Member
Krirk	Vanikkul	Member
Nongram	Wongwanich	Member
Oranuch	Apisaksirikul	Member
Santi	Kiranand, PhD	Member
Sopawadee	Lertmanaschai	Member
Suthichai	Chitvanich	Member
Wipha	Leethakulnumchai	Member and Secretary

Responsibilities of the Risk Management Committee are:

1. To advise SET BoG and management on risk management policies and frameworks to ensure the efficient management of all business risks and performance of duty–of-care.
2. To provide advice and recommendations to the Risk Management Unit regarding management of all risks.
3. To review the suitability of risk assessment methodology used to ensure that all significant risks are being adequately monitored and managed.

14. Securities Investor Protection Fund Committee

Support unit: Member Services Department

Structure : Seven members, namely one governor appointed by the SEC, one governor elected by SET members, one elected member, the Thailand Securities Finance Corporation president, a SET executive, the Thailand Securities Depository president, and SET senior vice president who oversees the Member Services Department, who also serves as secretary.

Term : January 1, 2008 to December 31, 2008

Name		Position
Wichai	Poolwaraluk	Chairman
Akarat	Na-Ranong	Member
Mongkon	Kittipoomwong	Member
Montree	Sornpaisarn, CFA	Member
Nongram	Wongwanich	Member
Sopawadee	Lertmanaschai	Member
Supakit	Jirapraditkul	Member and Secretary

Responsibilities of the Investor Protection Funds Committee are:

1. To determine fund management policies, including possibilities of alternative investments that the committee deems appropriate.
2. To examine all relevant facts and evidence concerning investor protection and report its findings to SET BoG.
3. To undertake any other responsibilities and activities assigned by SET BoG.

15. Technology Development Committee

Support unit: Information Technology Division

Structure : At least six members, including at least two governors, one or more experts in technology or the securities business, one SET executive, the Thailand Securities Depository president, and the senior vice president of the Information Technology Division, who also serves as Member and Secretary.

Term : January 1, 2008 to December 31, 2008

Name		Position
Vallobh	Vimolvanich, PhD	Chairman
Montree	Sornpaisarn	Member
Nongram	Wongwanich	Member
Pipatpong	Poshyanonda, PhD	Member
Rom	Hiranpruk, PhD	Member
Sopawadee	Lertmanaschai	Member
Thanatorn	Benjapattranon	Member
Yansak	Manomaipiboon	Member
Chaiyoot	Chamnanlertkit	Member and Secretary

Responsibilities of the Technology Development Committee are:

1. To examine the model and direction of business processes which depend on technology to facilitate business growth, encourage integration of missions within the capital market, and raise market standards to be among the best in the region.
2. To examine policies on information technology development and applications in order to efficiently, credibly and securely support SET's mission as the center of the capital market.
3. To examine the capabilities of the Information Technology Division's operations and personnel to ensure that they meet international standards.

Audit Committee Report

The Stock Exchange of Thailand (SET)'s Audit Committee is comprised of the following three independent non-executive Governors.

1. Khunying Jada	Wattanasiritham	Chairman, Audit Committee
2. Niputh	Jitprasonk	Member
3. Suthep	Peetakanont	Member
Wipha	Leethakulnumchai	Secretary

During 2008, the committee held twelve meetings with senior management and auditors and reported to the BoG on a quarterly basis, with additional reports as required.

The committee is empowered by BoG to perform its duties as stated on page 59 and focus on the accuracy of financial statements, the efficiency and effectiveness of internal controls and risk management, ethics and transparent practice in compliance with laws, rules, and regulations and maintaining a system of checks and balances.

Summary of the committee's major work done in 2008:

Review of quarterly and annual financial reports: The committee reviewed the auditor's plans and discussed observations made by the auditors in the absence of management to ensure the external auditor's independence. The committee reviewed SET's quarterly and annual financial reports to ensure accuracy, accordance with generally accepted accounting standards and adequate information disclosure.

Review of risk management and internal control systems: In overseeing the risk management practices of SET and its subsidiaries, the committee received regular reports from SET's Risk Management Committee. The risk management and internal control systems were evaluated using the standards advocated by the Committee of Sponsoring Organizations of the Treadway Commission's Enterprise Risk Management (COSO-ERM). Based on the results of the risk and control self assessment conducted by the management and reviewed by internal audit department, the committee concluded that the Exchange's risk management and internal control systems were adequate and appropriate.

Supervision of internal audit: The committee reviewed the internal audit charter and internal audit plan, assessed internal audit performance, reviewed the internal auditor's findings and recommendations about the internal control systems and actions to be taken by SET's management. The committee then followed up on these actions, and found that continuous improvements had been made as recommended. The committee concluded that the internal auditors were independent and in compliance with professional standards.

Review of corporate governance: The committee confirmed that SET and its subsidiaries' activities had complied with good corporate governance practices, meeting the criteria set by the World Federation of Exchanges (WFE) and other laws and regulations. In addition, the committee reviewed the corporate governance policy, Code of Ethics and whistleblower policy of SET Group and suggested to build mutual understanding with employees for positive reinforcement.

Self-assessment: The committee assessed itself to ensure that its performance was efficient and fulfilled the terms of its charter.

Appointment of external auditors: The Audit Committee requested proposals from qualified accounting firms and received written and oral presentations from responding firms. After review and discussion, the Audit Committee recommended to the Board of Governors that Mr. Charoen Phosamritlert or Mr. Supot Singhasaneh or Miss Somboon Supasiripinyo or Mr. Thirdthong Thepmongkorn of KPMG Phoomchai Audit Ltd. be appointed as SET Group's auditor for the financial year ending December 31, 2009. Suggested remuneration for this role was THB 2.1 million.

In the committee's opinion, the Exchange's financial reports were sufficient and conformed with generally accepted accounting standards. It considers that SET has adopted and implemented appropriate risk management and internal control systems that were sufficient and met best practice in corporate governance. With the efficiency and effectiveness of its risk management and internal control systems, the committee believed that the Exchange could achieve its objectives.

(Khunying Jada Wattanasiritham)
Chairman, Audit Committee
February 16, 2009

Management Discussion and Analysis

1. Operational Results in 2008

In 2008, SET and its subsidiaries' revenues exceeded expenses by THB 205 million, a 278% year-on-year (y-o-y) increase of THB 151 million. Revenues decreased by THB 234 million while expenses dropped by THB 385 million.

1.1 Analysis of Income

In 2008, SET and its subsidiaries realized THB 2,833 million in total revenues, a decline of THB 234 million year on year (y-o-y), or 8%. The main reasons were:

1.1.1 Operating revenues reached THB 2,208 million, a y-o-y increase of THB 199 million, or 10% comprised of:

Derivatives trading

- Trading fees of SET50 Index Futures rose by THB 58 million as daily average trading volume jumped by 3,485 contracts, or 70% (from 5,013 contracts in 2007 to 8,498 contracts in 2008) due to the expansion of trading channels and marketing campaigns to increase investor base. In addition, the global financial crisis emphasized investors the importance of using derivatives as a risk management tools.
- Membership fees increased by THB 15 million because 11 new members join.

Equities trading

- Trading fees dropped by THB 29 million. Daily average trading volume went down by THB 1,318 million, or 8%, from THB 17,436 million per day in 2007 to THB 16,118 million per day in 2008 resulted from the global financial crisis and the slow down of Thai economy.
- Broker seat admission fees decreased by THB 13 million, as two members who joined in 2005 paid the last installment of their fees.

Member services

- Internet trading fees, through SET subsidiary, Settrade.com Co., Ltd.'s platform, increased by THB 33 million. THB 24 million of this rise came from trading of derivatives securities and THB 9 million from trading of equity securities.

Clearing house services

- Clearing house fees from derivatives securities grew by THB 26 million, in line with the increases in trading volume and new members.

Other revenues

- In 2008, SET recorded a compensation of THB 69 million from land lease contracts as revenues.
- Revenues from Thailand Securities Institute increased by THB 26 million.
- Revenue from IT outsourcing services increased by THB 11 million.

1.1.2 The 2008 net investment income of THB 614 million was a y-o-y decrease of THB 421 million, or 41% comprised of:

- Gains from investments in mutual funds - stock dropped by THB 213 million and dividend income from investment in mutual funds - stock went down THB 177 million as the return rates from investment condition decreased, while unrealised gain from private funds - debt instruments went up THB 42 million.
- Losses from SET's impaired investment in TSFC Securities Ltd. THB 50 million in 2008 because TSFC has significant losses due to provision requirements for its margin loans and losses on its securities portfolio.
- Interest income decreased by THB 24 million as a result of the lower of interest rates.

1.2 Analysis of Expenses

In 2008, SET and its subsidiaries recorded THB 2,627 million in consolidated expenses, a decline of THB 385 million y-o-y, or 13%. The reasons were:

1.2.1 **Operating expenses were THB 2,482 million, a y-o-y decrease of THB 442 million, or 15%** because:

- Land rental accounted in 2007 totaling THB 291 million, which was the rental from the year 1994 to 2007 according to the agreement with SET and landlord to settle the lease contract case.
- Staff costs decreased by THB 136 million and marketing and media production expenses dropped by THB 124 million as a result of tightened operating expenses management.

On the other hand

- Depreciation and amortization grew by THB 70 million from new systems development.
- The consultation fee for studying of the SET Group demutualization came to THB 40 million.

1.2.2 **Charity and corporate social responsibility (CSR) expenses rose by THB 47 million, or 95%** mainly from contributions appropriated from SET's excess of revenues over expenses to The Stock Exchange of Thailand Foundation increased by THB 52 million, from THB 5 million in 2007 to THB 57 million in 2008.

2. Financial Position as of December 31, 2008

Changes in the financial status of SET and its subsidiaries in 2008 compared to those in 2007 are explained by the following transactions:

2.1 Analysis of Assets

As of December 31, 2008, SET and its subsidiaries reported total assets of THB 18,000 million. The majority of assets were accounted for as follows:

(1) Cash and cash equivalents held for working capital amounted THB 232 million, or 1% of total assets, and investments totaling THB 10,049 million, or 56% of total assets, as summarized:
- Available-for-sale securities (investments in mutual funds): THB 3,844 million
- Trading securities (investments in private funds): THB 2,786 million
- General investments (booked at cost): THB 2,176 million, comprised of:
  1) Cash at banks and promissory notes: THB 1,553 million
  2) Cash at banks by M.O.U. (used as security for housing loan to employees by a bank under of a Memorandum of Understanding): THB 408 million
  3) Investments in specific-purpose funds: THB 203 million
  4) Investment in TRIS Corporation Co., Ltd.: THB 12 million
- Held-to-maturity securities: THB 1,243 million

(2) Fixed assets of THB 4,048 million, or 22% of total assets.

(3) Cash at banks for margin deposits and benefits of the Thailand Clearing House Co., Ltd. (TCH) amounting to THB 1,902 million, which was also recorded as liability of the same amount.

(4) Assets and benefits for the clearing system protection of TCH amounting to THB 776 million.

(5) The Securities Investor Protection Fund (SIPF) of THB 494 million.

2.2 Analysis of Liabilities

As of end-2008, SET and its subsidiaries had THB 3,808 million in total liabilities. The major liabilities include:

(1) Margin deposits and benefits payable of TCH of THB 1,902 million.

(2) Accounts payable and accrued expenses amounting to THB 346 million. They are mainly comprised of:
- Payable for contributions to The Stock Exchange of Thailand Foundation and capital market institutions totaling THB 77 million.
- Accrued staff costs of THB 47 million.
- Acquisition of hardware and software, repair and maintenance expenses totaling THB 41 million.
- Accrued office building expenses and construction of car park totaling THB 37 million.
- Consulting fees for projects amounting to THB 21 million.
- Accrued marketing expenses of THB 22 million.

(3) Fees received in advance amounting to THB 344 million.
(4) Members' portions of assets and benefits for the clearing system protection of TCH payable totaling THB 660 million.
(5) Members' portions of contributions and benefits to the Securities Investor Protection Fund (SIPF), amounting to THB 145 million.
(6) Provision for retirement benefits of THB 134 million.

2.3 Analysis of Funds

As of December 31, 2008, SET's total funds were THB 14,192 million, a decline of THB 1,879 million, or 12% from the previous year-end. The major reasons for the changes were:

(1) The General Fund, valued at THB 11,545 million, expanded by THB 207 million, mainly from operational gains in 2008.
(2) Unrealised gain on available-for-sale securities decreased by THB 2,084 million.

3. Cash Flows

Cash and cash equivalents as of December 31, 2008 were THB 232 million, a decrease of THB 28 million from 2007. The fall was mainly due to changes in cash flows from operating and investing activities as follows:

(1) Net cash outflow from operation amounted to THB 214 million, a y-o-y decrease of THB 207 million. This was mainly because of an increase in the operational results of THB 151 million (the Operational Results were: a gain in 2008 of THB 205 million, vs. a gain in 2007 of THB 54 million).
(2) Net cash inflow from investing activities was THB 185 million, a y-o-y decrease of THB 148 million mainly due to the decrease of investment income.

Financial Risk Management Policy

SET and its subsidiaries face two material financial risks: investment and counterparty credit. Policies to manage these risks are outlined below:

Investment Risks

SET and its subsidiaries' investment portfolio, which is managed by the Investment Working Committee, operates under the investment policy as approved by the SET and its subsidiaries' Board of Governors (BoG). The policy is reviewed semi-annually or whenever investments may be significant affected. The policy aims to optimize return within acceptable risk levels, and with risk diversification by apportioning the investments over several instruments, financial institutions and issuers. Also, consideration of debt instruments is limited to investment grade. The objective is to prevent overall investment losses.

In addition, the investment risk status has been monthly monitored and reported to BoG to ensure it remains within acceptable levels.

Counterparty Credit Risks (clearing and settlement-related risk)

Thailand Securities Depository Co., Ltd. (TSD) is a clearing house for equity and debt securities while its subsidiary, Thailand Clearing House Co., Ltd. (TCH), clears derivative contracts. They thus play important roles in guaranteeing settlement of all exchange-traded transactions by serving as the central counterparty (CCP) between members. That is, TSD or TCH will become a substitute buyer to every seller and a substitute seller to every buyer. The clearing house involved will be obligated to the member concerned as creditor/debtor for securities and derivative contracts settlement. Thus, as guarantor for every transaction, TSD and TCH are exposed to clearing and settlement risks, and a sound and effective risk management framework is necessary.

Although the risk management framework must effectively reduce financial risk of loss arising from a member's default, the framework must not be overly rigorous, increasing the cost of doing business and becoming an obstacle for operation. Presently, such risk management measures include maintaining minimum standards for membership, monitoring of each member's financial status and liquidity, stress testing to evaluate maximum loss in clearing and settlement, monitoring and limiting of each member's pending settlement value for equities and debts, and collecting of margin on all open positions for derivatives.

Further, TSD and TCH have established clearing funds to cover damages from a member's default in clearing and settlement. The clearing fund sizes as of December 31, 2008 were THB 738 million and THB 331 million for TSD and TCH, respectively. To address liquidity risk in clearing and settlement, TSD and TCH have arranged overdraft lines of THB 2.5 billion and THB 400 million, respectively, with the commercial banks, which assume the role of settlement banks for clearing houses. Moreover, The Stock Exchange of Thailand has established clearing reserve funds of THB 2 billion for TSD and THB 300 million for TCH.

TSD and TCH regularly review the risk management measures to ensure that they are appropriate to current structures of their members and prevailing market conditions. Last year, TCH began to clear stock futures, which were offered by Thailand Futures Exchange Plc (TFEX) starting on November 24, 2008. One of the risk management measures imposed in conjunction with stock futures is an inter-commodity spread credit which recognizes the portfolio risk reduction when holding the position of different contracts but having related-risks that can be offsetting. In doing so, correlation between prices of two underlying securities are taken into consideration. In addition, TCH has prepared for gold futures clearing, which began trading in February 2009, and has conducted a feasible study on accepting non-cash assets as collateral for derivative margins.

TSD's efficiency of securities settlement compared to trading value in 2008 has increased to 99.98%. This may be because the number of securities lenders to the clearing house have increased. Furthermore, TSD has planned to improve a methodology to effectively and appropriately calculate each member's settlement risk and its collateral requirement for the Early Warning System; and review appropriate haircut rates for various types of securities collateral corresponding to evolving market circumstances.

In 2009, TSD will transfer its securities clearing house function to TCH so that TCH will become an integrated clearing house for all products. Separating securities depository from securities clearing will improve transparency and reduce risk in operations, as well as improve the ability to implement risk management policy and framework as a whole, allowing for more effective tracking and appraising of risk.

Report of the Board of Governors' Responsibility for Financial Statements

The Board of Governors has reviewed The Stock Exchange of Thailand (SET) and its subsidiaries' financial statements and the financial information presented in this annual report. The aforementioned financial statements have been prepared in accordance with Thai Generally Accepted Accounting Principles, using appropriate accounting policies consistently employed by the SET, as well as applying careful judgment and best estimation. Important information is adequately disclosed in the notes to the financial statements.

The Board of Governors has provided and maintained an efficient internal control system to ensure that accounting records are accurate, complete and adequate to protect its assets and uncover weaknesses to prevent fraud or materially irregular operations.

To accomplish this task, the Board of Governors has appointed an Audit Committee, which consists of non-executive governors responsible for the quality of financial statements and internal control system, whose comments on these issues are stated in the Audit Committee Report section of this annual report.

The Board of Governors is of the opinion that the SET's overall internal control system has functioned at a satisfactory level and rendered credibility and reliability to the SET and its subsidiaries' financial statements for the year ending December 31, 2008.

(Mr. Pakorn Malakul Na Ayudhya)
Chairman

(Mrs. Patareeya Benjapolchai)
President

Auditor's Report

To the Members of The Stock Exchange of Thailand

I have audited the accompanying consolidated and entity balance sheets as at 31 December 2008 and 2007, and the related consolidated and entity statements of revenues and expenses, changes in fund balances and cash flows for the years then ended of The Stock Exchange of Thailand and its subsidiaries and of The Stock Exchange of Thailand, respectively. The Stock Exchange of Thailand's management is responsible for the correctness and completeness of information in these financial statements. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the consolidated and entity financial statements referred to above present fairly, in all material respects, the consolidated and entity financial position as at 31 December 2008 and 2007, and the consolidated and entity results of operations and cash flows for the years then ended of The Stock Exchange of Thailand and its subsidiaries and of The Stock Exchange of Thailand, respectively, in accordance with generally accepted accounting principles.

Unakorn Phruithithada
Certified Public Accountant (Thailand) No. 3257
PricewaterhouseCoopers ABAS Limited

Bangkok
25 February 2009

Balance Sheets

As at 31 December 2008 and 2007

(Unit : Thousand Baht)

	Notes	Consolidated		SET	
		2008	Restated 2007	2008	Restated 2007
Assets					
Current assets					
Cash and cash equivalents		231,757	260,320	88,897	102,257
Cash at bank for clearing collateral and dividend payable to holders		8,813	21,387	-	-
Cash at banks for margin deposits and benefits	14	1,901,914	1,400,106	-	-
Short-term investments	7	5,325,907	5,311,747	4,744,916	4,860,950
Accounts receivable and accrued income, net	8	185,568	156,754	238,900	161,382
Accrued interest receivables		49,642	47,735	44,986	44,113
Other current assets	9	88,532	180,015	58,525	159,936
Total current assets		7,792,133	7,378,064	5,176,224	5,328,638
Non-current assets					
Investments in subsidiaries and associate	10	159,939	160,834	654,591	644,591
Long-term investments	11	4,723,191	6,795,998	4,653,015	6,781,998
Assets and benefits for the clearing system protection	15	776,016	562,289	-	-
Securities Investor Protection Fund	17	493,515	443,411	493,515	443,411
Property and equipment, net	12	3,618,667	3,446,913	3,574,811	3,384,925
Intangible assets, net	13	430,032	554,815	395,626	507,855
Other non-current assets		6,977	7,015	6,937	6,957
Total non-current assets		10,208,337	11,971,275	9,778,495	11,769,737
Total assets		18,000,470	19,349,339	14,954,719	17,098,375

The accompanying notes on pages 83 to 112 are an integral part of these consolidated and entity financial statements

Balance Sheets

As at 31 December 2008 and 2007

(Unit : Thousand Baht)

	Notes	Consolidated		SET	
		2008	Restated 2007	2008	Restated 2007
Liabilities and fund balances					
Current liabilities					
Clearing collateral and dividend payable to holders		8,813	21,387	-	-
Margin deposits and benefits payable	14	1,901,914	1,400,106	-	-
Accounts payable and accrued expenses		345,696	665,849	309,946	572,222
Fees received in advance		344,013	216,808	137,613	141,423
Accrued income tax		5,845	3,495	-	-
Borrowings from subsidiaries	23	-	-	343,850	221,850
Other current liabilities		213,892	245,609	104,864	183,898
Total current liabilities		2,820,173	2,553,254	896,273	1,119,393
Non-current liabilities					
Assets and benefits for the clearing system protection payable	15	660,372	451,933	-	-
Contributions and benefits to the Securities Investor Protection Fund	17	145,470	107,481	145,470	107,481
Provision for retirement benefits	16	133,723	116,945	92,502	80,733
Other non-current liabilities		48,066	48,505	32,483	32,923
Total non-current liabilities		987,631	724,864	270,455	221,137
Total liabilities		3,807,804	3,278,118	1,166,728	1,340,530
Fund balances					
Funds		14,627,100	14,421,856	14,222,727	14,109,354
Unrealised gain (loss) on available-for-sale securities		(434,436)	1,649,363	(434,736)	1,648,491
Minority interest		2	2	-	-
Total fund balances		14,192,666	16,071,221	13,787,991	15,757,845
Total liabilities and fund balances		18,000,470	19,349,339	14,954,719	17,098,375

The accompanying notes on pages 83 to 112 are an integral part of these consolidated and entity financial statements

Statements of Revenues and Expenses

For the years ended 31 December 2008 and 2007

(Unit : Thousand Baht)

	Notes	Consolidated		SET	
		2008	Restated 2007	2008	Restated 2007
Operating revenues					
Trading fees		534,963	505,198	398,123	427,182
Registrar fees		567,590	571,690	-	-
Listing fees		237,773	235,536	237,773	235,536
Revenues from member services		142,643	101,398	-	-
Depository fees		129,168	133,891	-	-
Service fees from subsidiaries	23	-	-	618,169	420,127
Investment income, net	19	613,574	1,034,784	585,758	1,034,091
Share of profit (loss) of investments in associate	10	(895)	9,368	-	-
Other revenues	20	595,607	461,049	341,885	201,609
Total operating revenues		2,820,423	3,052,914	2,181,708	2,318,545
Operating expenses					
Staff costs		1,024,741	1,160,880	719,351	803,417
Marketing and media production expenses		268,635	392,251	178,968	258,466
Communication expenses		132,530	149,086	26,460	33,512
Fees to external parties		100,119	85,386	170,600	139,696
Office building expenses		95,595	377,201	94,616	375,918
Contributions to the Office of The SEC	21	170,873	159,347	170,873	159,347
Contributions to subsidiary	23	-	-	12,000	1,920
Depreciation and amortisation		355,680	285,536	318,756	247,098
Other expenses	22	334,148	314,538	294,356	266,888
Total operating expenses		2,482,321	2,924,225	1,985,980	2,286,262
Operating revenues over operating expenses		338,102	128,689	195,728	32,283
Non-operating items					
Net income from the Securities Investor Protection Fund	18	12,352	13,377	12,352	13,377
Donation and social contribution, net		(96,356)	(49,460)	(94,470)	(46,787)
Revenues over (under) expenses before income tax		254,098	92,606	113,610	(1,127)
Income tax		(48,617)	(38,212)	-	-
Revenues over (under) expenses, net		205,481	54,394	113,610	(1,127)
Attributable on revenues over (under) expenses					
Shareholders of the parent		205,481	54,394	113,610	(1,127)
Minority interest		-	-	-	-
		205,481	54,394	113,610	(1,127)

The accompanying notes on pages 83 to 112 are an integral part of these consolidated and entity financial statements

Statements of Changes in Fund Balances

For the years ended 31 December 2008 and 2007

(Unit : Thousand Baht)

	Consolidated										
	Securities Clearing Reserve Fund	Clearing & Settlement of Derivatives Market Reserve Fund	Indemnity Fund	SET Building Construction Fund	Staff Welfare Fund	Securities Investor Protection Fund	The SET's 30th Anniversary Charity Fund	General Fund	Unrealised gain (loss) on available-for-sale securities	Minority interest	Total
Notes	17.1	17.2	17.3	17.4	17.5	17.6	17.7				
Beginning balance 1 January 2008											
• As previous report	2,000,000	300,000	100,000	246,328	93,115	335,930	8,713	11,454,715	1,649,363	2	16,188,166
• Retrospective adjustments from early adoption of new accounting standard (Note 6)	-	-	-	-	-	-	-	(116,945)	-	-	(116,945)
Beginning balance after retrospective adjustment	2,000,000	300,000	100,000	246,328	93,115	335,930	8,713	11,337,770	1,649,363	2	16,071,221
Adjustment for SET building construction expenses	-	-	-	(6,605)	-	-	-	6,605	-	-	-
Unrealised loss on available-for-sale securities	-	-	-	-	-	(237)	-	-	(2,083,799)	-	(2,084,036)
Add Revenues over (under) expenses (Note 18)	-	-	-	-	1,061	12,352	(8,713)	200,781	-	-	205,481
Ending balance 31 December 2008	2,000,000	300,000	100,000	239,723	94,176	348,045	-	11,545,156	(434,436)	2	14,192,666
Beginning balance 1 January 2007											
• As previous report	2,000,000	300,000	100,000	246,328	90,290	322,214	10,061	11,399,635	1,107,706	2	15,576,236
• Retrospective adjustments from early adoption of new accounting standard (Note 6)	-	-	-	-	-	-	-	(101,405)	-	-	(101,405)
Beginning balance after retrospective adjustment	2,000,000	300,000	100,000	246,328	90,290	322,214	10,061	11,298,230	1,107,706	2	15,474,831
Unrealised gain on available-for-sale securities	-	-	-	-	-	339	-	-	541,657	-	541,996
Add Revenues over (under) expenses (Note 18)	-	-	-	-	2,825	13,377	(1,348)	39,540	-	-	54,394
Ending balance 31 December 2007	2,000,000	300,000	100,000	246,328	93,115	335,930	8,713	11,337,770	1,649,363	2	16,071,221

The accompanying notes on pages 83 to 112 are an integral part of these consolidated and entity financial statements

Statements of Changes in Fund Balances

For the years ended 31 December 2008 and 2007

(Unit : Thousand Baht)

	SET									
	Securities Clearing Reserve Fund	Clearing & Settlement of Derivatives Market Reserve Fund	Indemnity Fund	SET Building Construction Fund	Staff Welfare Fund	Securities Investor Protection Fund	The SET's 30th Anniversary Charity Fund	General Fund	Unrealised gain (loss) on available-for-sale securities	Total
Notes	17.1	17.2	17.3	17.4	17.5	17.6	17.7			
Beginning balance 1 January 2008										
• As previous report	2,000,000	300,000	100,000	246,328	93,115	335,930	8,713	11,106,001	1,648,491	15,838,578
• Retrospective adjustments from early adoption of new accounting standard (Note 6)	-	-	-	-	-	-	-	(80,733)	-	(80,733)
Beginning balance after retrospective adjustment	2,000,000	300,000	100,000	246,328	93,115	335,930	8,713	11,025,268	1,648,491	15,757,845
Adjustment for SET building construction expenses	-	-	-	(6,605)	-	-	-	6,605	-	-
Unrealised loss on available-for-sale securities	-	-	-	-	-	(237)	-	-	(2,083,227)	(2,083,464)
Add Revenues over (under) expenses (Note 18)	-	-	-	-	1,061	12,352	(8,713)	108,910	-	113,610
Ending balance 31 December 2008	2,000,000	300,000	100,000	239,723	94,176	348,045	-	11,140,783	(434,736)	13,787,991
Beginning balance 1 January 2007										
• As previous report	2,000,000	300,000	100,000	246,328	90,290	322,214	10,061	11,111,082	1,107,420	15,287,395
• Retrospective adjustments from early adoption of new accounting standard (Note 6)	-	-	-	-	-	-	-	(69,833)	-	(69,833)
Beginning balance after retrospective adjustment	2,000,000	300,000	100,000	246,328	90,290	322,214	10,061	11,041,249	1,107,420	15,217,562
Unrealised gain on available-for-sale securities	-	-	-	-	-	339	-	-	541,071	541,410
Add Revenues over (under) expenses (Note 18)	-	-	-	-	2,825	13,377	(1,348)	(15,981)	-	(1,127)
Ending balance 31 December 2007	2,000,000	300,000	100,000	246,328	93,115	335,930	8,713	11,025,268	1,648,491	15,757,845

The accompanying notes on pages 83 to 112 are an integral part of these consolidated and entity financial statements

Statements of Cash Flows

For the years ended 31 December 2008 and 2007

(Unit : Thousand Baht)

	Notes	Consolidated		SET	
		2008	Restated 2007	2008	Restated 2007
Cash flows from operating activities					
Revenues over (under) expenses		254,098	92,606	113,610	(1,127)
Adjustments for:					
Doubtful debts		(253)	(504)	(253)	(457)
Depreciation and amortisation	12, 13	355,680	285,536	318,756	247,098
(Gain) loss on disposals of property and equipment and intangible assets		10,802	(308)	10,839	(450)
Adjust work in process to expense		-	625	-	625
Investment income, net		(625,965)	(1,048,196)	(598,149)	(1,047,503)
Interest expenses from borrowings from subsidiaries	23	-	-	8,851	8,721
Share of profit (loss) of investments in associate	10	895	(9,368)	-	-
Changes in working capital:					
Cash at bank for clearing collateral and dividend payable to holders		12,574	(16,652)	-	-
Cash at banks for margin deposits and benefits		(501,808)	(725,085)	-	-
Accounts receivable and accrued income		(28,561)	7,944	(77,265)	(76,739)
Other current assets		96,004	34,982	101,411	50,804
Assets and benefits for the clearing system protection		(213,727)	(221,108)	-	-
Securities Investor Protection Fund		(50,104)	(51,888)	(50,104)	(51,888)
Other non-current assets		38	2,263	20	1,546
Clearing collateral and dividend payable to holders		(12,574)	16,652	-	-
Margin deposits and benefits payable		501,808	725,085	-	-
Accounts payable and accrued expenses		(320,153)	294,227	(262,276)	335,892
Fees received in advance		127,205	(15,080)	(3,810)	10,088
Other current liabilities		(31,717)	(26,485)	(79,034)	(628)
Assets and benefits for the clearing system protection payable		208,439	216,735	-	-
Contributions and benefits to the Securities Investor Protection Fund		37,989	38,172	37,989	38,172
Provision for retirement benefits		16,778	15,540	11,769	10,900
Other non-current liabilities		(439)	7,830	(440)	3,729
Cash used in operating activities		(162,991)	(376,477)	(468,086)	(471,217)

The accompanying notes on pages 83 to 112 are an integral part of these consolidated and entity financial statements

Statements of Cash Flows (Cont'd)

For the years ended 31 December 2008 and 2007

(Unit : Thousand Baht)

	Notes	Consolidated		SET	
		2008	Restated 2007	2008	Restated 2007
Cash used in operating activities		(162,991)	(376,477)	(468,086)	(471,217)
Income tax paid		(50,788)	(43,988)	-	-
Net cash used in operating activities		(213,779)	(420,465)	(468,086)	(471,217)
Cash flows from investing activities					
Cash at banks by M.O.U.		(67,743)	(74,592)	(67,743)	(74,592)
Purchases of short-term investments		(3,845,654)	(2,681,368)	(2,184,184)	(1,464,505)
Purchases of investments in subsidiary	10	-	-	(10,000)	-
Purchases of long-term investments		(103,161)	(28,384)	(50,000)	(12,706)
Purchases of bonds		(7,446,690)	(2,277,051)	(7,446,690)	(2,277,051)
Purchases of debentures		(509,046)	(671,971)	(509,046)	(671,971)
Purchases of investment units in mutual funds		(828,351)	(1,843,717)	(828,351)	(1,843,717)
Purchases of property and equipment	12	(387,413)	(655,865)	(381,210)	(640,812)
Purchases of intangible assets	13	(27,686)	(191,539)	(26,740)	(185,430)
Interest expenses from borrowings from subsidiaries	23	-	-	(8,851)	(8,721)
Disposals of investments		12,762,317	7,630,971	11,232,405	6,554,190
Cash from borrowings from subsidiaries		-	-	122,000	23,420
Proceeds from sales of property and equipment		1,646	1,448	698	979
Income from investments		624,031	1,106,840	599,472	1,070,655
Benefits from Staff Welfare Fund		1,067	3,366	1,067	3,366
Benefits from Securities Investor Protection Fund		11,899	14,735	11,899	14,735
Net cash from investing activities		185,216	332,873	454,726	487,840
Net increase (decrease) in cash and cash equivalents		(28,563)	(87,592)	(13,360)	16,623
Cash and cash equivalents at the beginning of the year		260,320	347,912	102,257	85,634
Cash and cash equivalents at the end of the year		231,757	260,320	88,897	102,257

The accompanying notes on pages 83 to 112 are an integral part of these consolidated and entity financial statements

Notes to the Consolidated Financial Statements and SET's Financial Statements

For the years ended 31 December 2008 and 2007

1. General information

The Stock Exchange of Thailand (SET) is a juristic entity incorporated under the Securities Exchange of Thailand Act B.E. 2517. The principal objective is to be the market or the centre for purchases and sales of securities and to provide related services, which have no objective of profit distribution to members. SET commenced trading securities on 30 April 1975. At the present, SET operates under the Securities and Exchange Act B.E. 2535. The address of The Stock Exchange of Thailand is as follows:

62 Rachadaphisek Road, Klongtoey, Bangkok 10110.

The principal business operations of SET and its subsidiaries are summarised as follows:

1. Securities listing;
2. Provide listed securities trading system;
3. Provide and disseminate data and knowledge to investors;
4. Supervise and monitor securities trading activities, listed companies and member companies;
5. Provide post-trade services for trading of securities and futures, including providing clearing and settlement services, and acting as clearing house, shares depository and back office service bureau;
6. Provide registrar services including shares registrar and fund registrar;
7. Manage and advise on the Exchange of futures and all financial securities. Provide other services related to futures trading transactions;
8. Provide services related to computer systems, information technology and other communication network systems for trading of securities, payment and delivery of securities;
9. Provide production and advisory services on media and advertisement production through medias in order to disseminate finance and investment knowledge to public;
10. Manage open-ended mutual funds to promote foreign investment in The Stock Exchange of Thailand;
11. Engage in the business of investment management by issuing Non-Voting Depository Receipt (NVDR) and Depository Receipt (DR) to investors as prescribed by the Office of the Securities and Exchange Commission (SEC) and invest the proceeds from the issuance of such instruments in shares of listed companies or public companies which have been approved by the SEC to offer to the public, or other securities as prescribed by the SEC;
12. Join with the fund or Venture Capital to invest in companies which focus on innovation, science and technology and have potential to be listed on the stock exchange.

These consolidated and SET's financial statements were authorised for issue by the Board of Governors on 25 February 2009.

2. Accounting policies

The principal accounting policies adopted in the preparation of these consolidated and SET's financial statements are set out below:

2.1 Basis of preparation

The consolidated and SET's financial statements have been prepared in accordance with Thai generally accepted accounting principles under the Accounting Act B.E. 2543, being those Thai Accounting Standards issued under the Accounting Profession Act B.E. 2547, and the financial reporting requirements of the Securities and Exchange Commission under the Securities and Exchange Act B.E. 2535.

The consolidated and SET's financial statements have been prepared under the historical cost convention, except for certain items, investments in available-for-sale and trading securities which are presented at fair value.

The preparation of consolidated and SET's financial statements in conformity with Thai generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated and SET's financial statements and the amounts of revenues and expenses in the reported periods. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

An English version of consolidated and SET's financial statements have been prepared from the statutory financial statements that are in the Thai language. In the event of a conflict or a difference in interpretation between the two languages, the Thai language statutory financial statements shall prevail.

2.2 New accounting standard and amendments to accounting standards

During 2007 and 2008, the Federation of Accounting Profession ("FAP") has announced new standard and amendments to Thai Accounting Standards ("TAS") as follows:

Revised standards

TAS 25	"Cash Flow Statements"
TAS 29	"Leases"
TAS 31	"Inventories"
TAS 33	"Borrowing Costs"
TAS 35	"Presentation of Financial Statements"
TAS 39	"Accounting Policies, Changes in Accounting Estimates and Errors"
TAS 41	"Interim Financial Reporting"
TAS 43	"Business Combinations"
TAS 49	"Construction Contracts"

New standard

TAS 51	"Intangible Assets"

The amendments to accounting standards and the new accounting standard are effective for the period beginning on or after 1 January 2008 except TAS 29 "Leases" which is effective for the lease contract started on or after 1 January 2008.

The revised and new accounting standards as described above do not have a significant effect to the financial statements except for TAS 35 "Presentation of Financial Statements" (Revised 2007), which has affected the presentation of other disclosures as mentioned in Note 4 and Note 5.

The financial statements have added additional information related to critical accounting estimates and judgements and capital risk management as required by the revised TAS 35 "Presentation of Financial Statements".

The amendments to accounting standards effective for accounting period beginning on or after 1 January 2009 as follows:

TAS 36	"Impairment of Assets"
TAS 54	"Non-current Assets Held for Sale and Discontinued Operations"

Those two standards are not expected to have a material impact on the financial statements being presented.

2.3 Investments in subsidiaries and associate

2.3.1 Subsidiaries

Subsidiaries are all entities over which SET has power to govern the financial and operating policies. Subsidiaries are consolidated from the date on which control is transferred to SET and are no longer consolidated from the date that control ceases.

All related party transactions, balances and unrealised gain and loss on transactions between SET and its subsidiaries have been eliminated.

In SET's financial statements, investments in subsidiaries are accounted for by using the cost method. Under the cost method, income from investments in subsidiaries will be recorded when dividends are declared.

2.3.2 Associate

Associate is the entity which SET exercises influence but does not control. In the consolidated financial statements, investments in associate are initially recognised at cost and are subsequently accounted for using the equity method of accounting.

SET's share of its associates' post-acquisition profits or losses is recognised in the statements of revenues and expenses, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjust the carrying amount of the investment. When SET's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivable, SET does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between SET and its associate are eliminated to the extent of SET's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Allowance, if any, is recorded for impairment in investment value in the statements of revenues and expenses.

A list of SET's principal subsidiaries and associate and the financial effect from share of net profit (loss) is shown in Note 10.

2.4 Foreign currency translation

Items included in the consolidated and SET's financial statements are measured using Thai Baht.

SET and its subsidiaries translate foreign currency transactions into Thai Baht using the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currency are translated to Thai Baht at the exchange rate prevailing at the balance sheet date. Gains and losses resulting from settlement of foreign currency transactions and from the translation of monetary assets and liabilities denominated in foreign currency, are recognised in the statements of revenues and expenses.

2.5 Accounting policy of underlying assets and Non-Voting Depository Receipts (NVDRs)

Underlying assets are the financial assets carried by Thai NVDR Co., Ltd., and Siam DR Co.,Ltd. (subsidiaries). Non-Voting Depository Receipts (NVDRs) and Depository Receipts (DRs) are the financial liabilities. The subsidiaries will offset between financial assets and financial liabilities, and show the net amount in the financial statements. The prospectus contained regulation and condition that the subsidiaries are responsible for issuing and selling NVDRs or DRs of listed companies in The Stock Exchange of Thailand at the same amount and period (back to back). Moreover, the subsidiaries who are the holders will receive the financial benefits and payment to the investors in NVDRs or DRs according to the prospectus. Those benefits are not recognised as revenue of those subsidiaries.

2.6 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held at call with banks but not include deposit with bank which held to maturities, other short-term highly liquid investments held for working capital and short-term commitment payment purposes with original maturities of three months or less.

2.7 Investments

Debt securities and marketable equity securities classified as trading securities are carried at fair value. Fair value of debt securities is calculated by reference to risk-free yield curve adjusted by appropriate risk premium. Fair value of marketable equity securities is calculated by reference to The Stock Exchange of Thailand quoted bid prices at the close of business on the balance sheet date. Realised and unrealised gains and losses arising from changes in the fair value of investments classified as trading securities are recognised in the statements of revenues and expenses.

Debt securities and marketable equity securities classified as available-for-sale securities are carried at fair value. Fair value of debt securities is calculated by reference to risk-free yield curve adjusted by appropriate risk premium. Fair value of marketable equity securities is calculated by reference to The Stock Exchange of Thailand quoted bid prices at the close of business on the balance sheet date. Unrealised gains and losses arising from changes in the fair value of investments classified as available-for-sale securities are recognised in fund balance.

Investments in debt securities classified as held-to-maturity securities are carried at amortised cost using effective yield method.

Investments in fixed deposit, promissory notes at financial institutions and negotiable certificates of deposit are classified as general investments and stated in balance sheet at cost less impairment, if any.

Investments in matching funds and specific mutual funds established under specific purposes which have policy of investing in marketable equity securities and other equity instruments, are classified as general investments and are carried at cost less impairment, if any.

Investments in non-marketable equity securities classified as general investments are carried at cost less impairment, if any.

A test for impairment is carried out when there is a factor indicating that an investment might be impaired. If the carrying value of the investment is higher than its recoverable amount, impairment loss is charged to the statements of revenues and expenses.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged to the statements of revenues and expenses. When disposing part of a particular investment in debt or equity securities, the carrying amount of the disposed part is determined from the weighted average carrying amount of the total holdings of the investments.

2.8 Accounts receivable and accrued income

Accounts receivable and accrued income are carried at original invoice amount and subsequent measure at the remaining amount less allowance for doubtful receivables based on a review of all outstanding amounts at the balance sheet date. The amount of the allowance is the difference between the carrying amount of the accounts receivable and accrued income and the amount expected to be collectible. Bad debts are written off during the year in which they are identified and recognised in the statements of revenues and expenses within other expenses.

2.9 Property and equipment

Land is stated at cost. All other property and equipment is stated at cost less accumulated depreciation. Depreciation is calculated on the straight line basis to write off the cost of each asset, except for land which is considered to have an indefinite life, to its residual value over the estimated useful life as follows:

Buildings	30 years	Building improvements	10 years
Furniture and fixtures	5 years	Office equipment	5 years
Motor vehicles	5 years	Computers	5 years

Residual value and the estimated useful life of the assets are reviewed and revised at the balance sheet date.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Repairs and maintenance are charged to the statements of revenues and expenses during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to SET and its subsidiaries. Major renovations are depreciated over the remaining useful life of the related asset.

Gains and losses on disposal are determined by comparing proceeds with carrying amount and are included in the statements of revenues and expenses.

2.10 Intangible assets

2.10.1 Computer software

Costs associated with developing or maintaining computer software programs are recognised as expenses in the statements of revenues and expenses as incurred. Costs that are directly associated with identifiable and unique software products controlled by SET or its subsidiaries and have probable economic benefit exceeding the cost beyond one year, are recognised as intangible assets. Direct cost includes purchase price and an appropriate portion of relevant overheads to allow such asset to be ready for its intended use.

Expenditure which enhances or extends the performance of computer software programs beyond their original specifications is recognised as intangible assets. Computer software development costs recognised as intangible assets are amortised using the straight line method over their useful life, generally over five years.

2.10.2 Patent and operating rights

Patent represents the expenditure on acquired patent for media publications (including related identifiable trademarks). Operating rights represent the expenditure on acquiring of the rights to use systems including copyrights, patents and trademarks and other related rights, i.e bond trading system. Both patent and operating rights are controlled by SET or its subsidiaries and are expected to generate economic benefits more than one year. They are recognised as intangible assets and amortised using the straight line method over their expected useful lives, generally over 10 years.

Patent and operating rights are reviewed for impairment when there is an indication that the carrying amount may not be recoverable. An impairment loss is recognised if the carrying amount of the assets exceeds its recoverable amount.

2.11 Impairment of assets

Property and equipment and other non-current assets, including intangible assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the assets exceeds its recoverable amount which is the higher of an asset's net selling price and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows. Assets that suffered impairment are reversed for possible impairment loss of the estimation of the recoverable amounts have changed in the subsequent period after SET and its subsidiaries have recognised impairment losses.

2.12 Leases - where the entity is the lessee

Leases not transferring a significant portion of risks and rewards of ownership to the lessee are classified as operating leases. Payments made under operating leases are charged to the statements of revenues and expenses on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

2.13 Provision

Provisions, which exclude the provisions relating to employee benefits, are recognised when SET and subsidiaries have a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where SET and subsidiaries expect a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Provisions are recognised in the period in which SET and subsidiaries becomes legally or constructively committed to payment. Costs relating to the ongoing activities of SET and subsidiaries are not provide in advance.

2.14 Employee benefits

2.14.1 SET and its subsidiaries operate a provident fund that is a defined contribution plan. The assets for which are held in a separate trustee-administered fund. The provident fund is funded by payments from employees and by SET and its subsidiaries. SET and its subsidiaries' contributions to the provident fund are charged to the statements of revenues and expenses in the year to which they relate.

2.14.2 SET and its subsidiaries provide for post-employment retirement benefits, payable to employees under the labour laws applicable in Thailand. The liability in respect of employee benefits is measured, using the projected unit credit method which is calculated by an independent actuary in accordance with the actuarial technique. The present value of the defined benefit obligation is determined by discounting estimated future cash flows using yield on the government bonds which have terms to maturity approximating the terms of related liability. The estimated future cash flows shall reflect employee salaries, turnover rate, mortality, length of service and other. Actuarial gains or losses will be recognised in the statements of revenues and expenses in the period to which they are related.

2.15 Revenue recognition

Service revenues are recognised upon performance of services. For consolidated financial statements, related party service charges between SET and its subsidiaries are eliminated.

Where there are long outstanding receivables from listing fees and registrar fees collection more than three

months, SET and its subsidiaries consider the collectability of the receivables as doubtful and ceases revenue recognition from fees of related companies immediately.

Membership fees comprise of initial fees and annual fees. The initial fees are recognised as revenues on the straight line basis of five years starting from the first day of service rendered and annual fees are recognised upon performance of services.

Investment income and other revenues are recognised on the following basis:

i) Interest income - on a time proportion basis, taking into account of the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to SET and its subsidiaries.
ii) Dividend income - when the shareholder's right to receive payment is established.
iii) Other revenues - when right to receive payment is established.

2.16 Dividend

Dividends are recorded in the consolidated and SET's financial statements in the period in which they are approved by the shareholders.

2.17 Directors' remuneration

Directors' remuneration comprises the benefits paid to the Board of Governors and the Board of Directors of subsidiaries including benefits received by the members of sub-committees (not included salaries, bonus and related benefits payable to management).

3. Financial risk management

3.1 Key objectives and conditions

SET and its subsidiaries maintain high liquidity and therefore no policy to seek outside funding in the near future. SET and its subsidiaries have a policy of investing their funds at low-risk financial institutions which have a good return.

3.2 Credit risk from investments and deposits

SET and its subsidiaries have no significant concentration of investments or deposits at financial institutions. SET and its subsidiaries are; however, exposed to market risks as investor in financial instruments, and credit risk from the issuer of financial instruments. SET and its subsidiaries, therefore, have a policy of diversifying its investments and deposits to high credit financial institutions according to SET's regulations.

Investment policies of 2008 and 2007 are summarised as follows:

1. Investments in debt securities

Type of investments	Proportion of total investments in debt securities
• Government securities, debentures or bonds of state enterprises or entities incorporated by specific laws and guaranteed by Ministry of Finance	Unlimited amount
• Time deposits or NCD at commercial banks and promissory notes of finance companies or financial institutions incorporated by specific laws	Not exceed 15% per institution
• Debentures or warrants of debentures and bills of exchange	Not exceed 5% per issuer
• Investment units or warrants of investment units in mutual funds invested in debt securities	Not exceed 10% per mutual fund

2. Investments in equity securities

Type of investments	Proportion of total investments in equity securities
• Investment units or warrants of investment units in mutual funds which emphasise equity securities	Not exceed 10% per mutual fund

During 2008, the Board of Governors of SET approved two more types of investments which were property funds and foreign investment funds as follow:

1. Investments in property funds should not exceed 10% of project value, and amount to not more than 4% of total investments (2007: each investment not exceed 10% of project value and amount to not more than 5% of total investments).
2. Investments in foreign investment funds should not exceed 20% of total investments in the first half year and 6% of total investments in the second half year (2007: not exceed 5% of total investments in the first half year and 17% of total investments in the second half year).

Investments in asset management companies should not exceed 40% of total investments.

3.3 Fair value

The carrying amounts of the following financial assets and financial liabilities approximate to their fair values: cash and cash equivalents, cash guarantee for clearing system protection and dividend payable to holders, accounts receivable and accrued income, accrued interest receivables, accounts payable guarantee for clearing system protection and dividend payable to holders and accounts payable and accrued expenses. Fair value of short-term investments and long-term investments are disclosed in Note 7 and 11 respectively.

4. Critical accounting estimates, assumptions and judgements

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Impairment of receivable

SET and its subsidiaries maintain an allowance for doubtful accounts to reflect impairment of trade receivables relating to estimated losses resulting from the inability of customers to make required payments. The allowance for doubtful accounts is significantly impacted by SET and its subsidiaries'assessment of future cash flows, such assessment being based on consideration of historical collection experience, known and identified instances of default and consideration of market trends.

4.2 Property and equipment and intangible assets

Management determines the estimated useful lives and residual values for SET and its subsidiaries' property and equipment and intangible assets. Management will revise the depreciation charge where useful lives and residual values differ from previous estimations or it will write off or write down technically obsolete or assets which have been abandoned or sold.

4.3 Employee benefit

SET and its subsidiaries have committed to pay benefits to employees on retirement age. The present value of employee benefit liabilities recognised in the balance sheet is determined on an actuarial basis using various assumptions. The assumptions used in determining the net period cost for employee benefits include the discount rate, the rate of salary inflation and employee turnover. Any changes in these assumptions will impact the net periodic cost recorded for employee benefits. On an annual basis SET and its subsidiaries determine the appropriate discount rate, which represents the interest rate that should be used to determine the present value of future cash flows currently expected to be required to settle the employee benefits. In determining the appropriate discount rate, SET and its subsidiaries consider the interest rates of government bonds denominated in the currency in which the benefits will be paid.

5. Capital risk management

SET and its subsidiaries' objectives when managing capital are to safeguard SET and its subsidiaries' ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to increase investors and stakeholders' confidence.

In order to maintain or adjust the capital structure, SET and its subsidiaries may adjust the amount of dividends paid to shareholders depend on subsidiaries' operating performance.

6. Early adoption of new accounting standard

Under the draft TAS "Employee Benefits", obligations relating to post-retirement benefits are accounted for by using the projected unit credit method. The benefit obligation is discounted using interest rate of government bonds denominated in the currency in which the benefits will be paid. The referred government bonds should have terms to maturity approximately equal to the terms of the related provident fund payments. Commencing in 2008, the benefit obligation liabilities are accounted based on the above mentioned method. The 2007 financial statements have been restated accordingly in compliance with the accounting standard.

The impacts on SET and its subsidiaries financial statements relating to the adoption of the new accounting policy are as follows:

(Unit : Thousand Baht)

	Consolidated	SET
Balance sheet as at 31 December 2007		
Increase in provision for retirement benefits	116,945	80,733
Decrease in general fund as at 1 January 2007	(101,405)	(69,833)
Decrease in general fund as at 31 December 2007	(116,945)	(80,733)
Statements of revenues and expenses for the year ended 31 December 2007		
Increase in operating expenses	15,540	10,900

7. Short-term investments

(Unit : Thousand Baht)

	Consolidated		SET	
	2008	2007	2008	2007
Investments managed by SET				
General investments				
Savings accounts	510,510	255,389	465,827	255,388
Fixed deposit accounts	955,519	443,995	611,392	267,186
Promissory notes	-	50,000	-	50,000
Bills of exchange	-	50,000	-	50,000
	1,466,029	799,384	1,077,219	622,574
Investments in money market funds	718,904	468,007	718,904	457,843
Bonds and debentures due within one year (Note 11)	55,093	605,223	55,093	547,483
Other debt instruments	299,784	809,454	218,856	720,323
Total investments managed by SET	2,539,810	2,682,068	2,070,072	2,348,223
Investments managed by private funds				
General investments				
Savings accounts	24,284	22,133	23,594	21,891
Fixed deposit accounts	55,000	17,000	55,000	15,500
Other debt instruments	323,473	660,204	318,541	627,480
	402,757	699,337	397,135	664,871
Trading securities	2,383,340	1,930,342	2,277,709	1,847,856
Total investments managed by private funds	2,786,097	2,629,679	2,674,844	2,512,727
Total short-term investments	5,325,907	5,311,747	4,744,916	4,860,950

Investments managed by SET

Savings accounts bear interest rate of 0.125% - 1.75% per annum (2007: 0.50% - 2.50% per annum).

Fixed deposit accounts represent fixed deposit at banks which have maturity within 3 - 12 months and interest rates of 1.75% - 5.50% per annum (2007: 2.25% - 5.50% per annum).

Promissory notes represent the promissory notes at financial institutions which have maturity within 3 - 12 months and interest rates of 5.50% per annum

Bills of exchange at financial institutions due within one year and interest rates of 1.18% - 2.05% per annum.

Investments in money market funds represent investments in four open-ended funds (2007: four funds). The investment policy emphasizes the investments in short-term debt securities.

Bonds and debentures due within one year represent government bonds, state enterprise bonds, Bank of Thailand bonds and debentures which have yields of 4.63% - 6.30% per annum (2007: 2.43% - 5.50% per annum) and market yields of 1.96% - 3.57% per annum (2007: 3.15% - 3.75% per annum) The aggregated market value as at 31 December 2008 was Baht 56 million (2007: Baht 607 million).

Other debt instruments represent treasury bills and debentures (zero coupon) which have market yields of 2.01% - 2.26% per annum (2007: 3.05% - 3.52% per annum). The aggregated market value as at 31 December 2008 was Baht 300 million (2007: Baht 809 million).

Investments managed by private funds

Investments in private funds are managed by three asset management companies. The investment policy for private funds is subject to SET's regulations on deposits at financial institutions and investments policy as described in Note 3- Financial risk management.

The investments in private funds are presented under short-term investments. In 2008, the rates of return on private funds are 4.68% - 7.46% per annum (2007: 4.32% - 10.40% per annum).

8. Accounts receivable and accrued income, net

(Unit : Thousand Baht)

	Consolidated		SET	
	2008	2007	2008	2007
Accounts receivable	59,230	55,966	30,485	22,781
Less Allowance for doubtful accounts	(19,399)	(19,652)	(8,774)	(9,027)
	39,831	36,314	21,711	13,754
Add Accrued income	145,737	120,440	217,189	147,628
	185,568	156,754	238,900	161,382

Outstanding accounts receivable can be analysed as follows:

(Unit : Thousand Baht)

	Consolidated		SET	
	2008	2007	2008	2007
Less than 3 months	39,831	35,392	21,711	13,751
3 - 6 months	1	859	-	3
6 - 12 months	-	-	-	-
Over 12 months	19,398	19,715	8,774	9,027
	59,230	55,966	30,485	22,781
Less Allowance for doubtful accounts	(19,399)	(19,652)	(8,774)	(9,027)
	39,831	36,314	21,711	13,754

As at 31 December 2008, SET ceased revenue recognition of five accounts receivable with overdue listing fees of Baht 5.59 million and Thailand Securities Depository Co., Ltd., a subsidiary, ceased revenue recognition of five accounts receivable with overdue registrar fees of Baht 8.03 million. These receivables were not included in the above outstanding accounts receivable.

SET has no significant concentrations of credit risks other than receivables from related accounts receivable, which represent 16.41% of total accounts receivable. SET's management believe that the amount of allowance for doubtful accounts provided for is sufficient to deal with existing credit risks.

9. Other current assets

(Unit : Thousand Baht)

	Consolidated		SET	
	2008	2007	2008	2007
Loans to employees	32,414	28,857	20,545	19,061
Prepaid expenses	28,307	40,731	31,038	46,667
VAT receivable	3,290	18,701	-	17,170
Restricted cash at bank				
Principal (Note 24.1 ii)	2,743	4,539	-	-
Interest	55	79	-	-
Cash guarantee under the lease obligation	-	68,946	-	68,946
Others	21,723	18,162	6,942	8,092
	88,532	180,015	58,525	159,936

10. Investments in subsidiaries and associate

(Unit : Thousand Baht)

	Consolidated		SET	
	2008	2007	2008	2007
Opening net book amount	160,834	151,466	644,591	644,591
Add Share of net profit (loss)	(895)	9,368	-	-
Investment in mai Matching Fund Co., Ltd.	-	-	10,000	-
Closing net book amount	159,939	160,834	654,591	644,591

The principal subsidiaries and associate are:

i) Subsidiaries directly held by SET

	Business	Country of incorporation	% Ownership interest	
			2008	2007
Thailand Securities Depository Co., Ltd.	Post-trading clearing and settlement services	Thailand	99.99	99.99
SETTRADE.COM Co., Ltd.	Computer system services	Thailand	99.99	99.99
Family Know-how Co., Ltd.	Provision of advisory services and edutainment production and services related to finance and investment knowledge through medias	Thailand	99.99	99.99
Thailand Futures Exchange Public Co., Ltd.	Futures exchange centre	Thailand	99.99	99.99
Thai Trust Fund Management Co., Ltd.	Mutual fund management	Thailand	99.99	99.99
Thai NVDR Co., Ltd.	Investment in Non-Voting Depository Receipt (NVDR) management	Thailand	99.99	99.99
Siam DR Co., Ltd.	Investment in Depository Receipt (DR) management	Thailand	99.99	99.99
mai Matching Fund Co., Ltd.	Joint invest with Fund or Venture Capital	Thailand	99.99	-

ii) Indirect subsidiary (investments held by Thailand Securities Depository Co., Ltd.)

	Business	Country of incorporation	% Ownership interest	
			2008	2007
Thailand Clearing House Co., Ltd.	Clearing house and related services for futures	Thailand	99.99	99.99

iii) Associate

	Business	Country of incorporation	% Ownership interest	
			2008	2007
Clearing Fund	Fund	Thailand	21.76	23.26

SET has no control over Clearing Fund. Clearing Fund has been operated under Regulation of the Clearing Fund (No. 1) B.E. 2541 which require a one-time payment of Baht 100 million as an initial contribution from SET. The percentage of ownership interest will be reduced according to further contributions made from other members of Clearing Fund. Therefore, the investment in Clearing Fund is classified as investment in associate.

Details of investments are as follows:

(Unit : Thousand Baht)

	Consolidated							
	Paid-up capital		% Ownership interest		Investments			
					Cost method		Equity method	
	2008	2007	2008	2007	2008	2007	2008	2007
Associate								
Clearing Fund	738,530	651,068	21.76	23.26	100,000	100,000	159,939	160,834

(Unit : Thousand Baht)

	SET					
	% Ownership interest		Book value at Cost		Dividends	
	2008	2007	2008	2007	2008	2007
Subsidiaries						
Thailand Securities Depository Co., Ltd.	99.99	99.99	200,000	200,000	-	40,000
SETTRADE.COM Co., Ltd.	99.99	99.99	74,591	74,591	-	-
Family Know-how Co., Ltd.	99.99	99.99	50,000	50,000	-	-
Thailand Futures Exchange Public Co., Ltd.	99.99	99.99	100,000	100,000	-	-
Thai Trust Fund Management Co., Ltd.	99.99	99.99	100,000	100,000	2,000	2,000
Thai NVDR Co., Ltd.	99.99	99.99	10,000	10,000	-	-
Siam DR Co., Ltd.	99.99	99.99	10,000	10,000	-	-
mai Matching Fund Co., Ltd.	99.99	-	10,000	-	-	-
Associate						
Clearing Fund	21.76	23.26	100,000	100,000	-	-
			654,591	644,591	2,000	42,000

11. Long-term investments

(Unit : Thousand Baht)

	Consolidated		SET	
	2008	2007	2008	2007
Opening net book amount	6,795,998	6,695,487	6,781,998	6,649,051
Additions (disposals)	60,992	(441,146)	4,244	(408,124)
Unrealised gain (loss) on available-for-sale securities	(2,083,799)	541,657	(2,083,227)	541,071
Less Impairment losses	(50,000)	-	(50,000)	-
Closing net book amount	4,723,191	6,795,998	4,653,015	6,781,998

As at 31 December 2008, long-term investments are as follows:

(Unit : Thousand Baht)

	Consolidated			
	Available for sale	Held to maturity	General investments	Total
Investments in mutual funds				
General mutual funds	2,579,943	-	-	2,579,943
Property funds	271,419	-	-	271,419
Foreign investment funds	273,374	-	-	273,374
Bonds and debentures	-	888,368	-	888,368
Cash at banks by M.O.U.	-	-	407,649	407,649
Investments in specific-purpose funds	-	-	203,078	203,078
Fixed deposit accounts	-	-	57,024	57,024
Other debt instruments	-	-	30,000	30,000
Equity securities	-	-	12,336	12,336
	3,124,736	888,368	710,087	4,723,191

(Unit : Thousand Baht)

	SET			
	Available for sale	Held to maturity	General investments	Total
Investments in mutual funds				
General mutual funds	2,579,943	-	-	2,579,943
Property funds	268,419	-	-	268,419
Foreign investment funds	268,187	-	-	268,187
Bonds and debentures	-	833,403	-	833,403
Cash at banks by M.O.U.	-	-	407,649	407,649
Investments in specific-purpose funds	-	-	203,078	203,078
Fixed deposit accounts	-	-	50,000	50,000
Other debt instruments	-	-	30,000	30,000
Equity securities	-	-	12,336	12,336
	3,116,549	833,403	703,063	4,653,015

As at 31 December 2007, long-term investments are as follows:

(Unit : Thousand Baht)

	Consolidated			
	Available for sale	Held to maturity	General investments	Total
Investments in mutual funds				
General mutual funds	4,634,634	-	-	4,634,634
Property funds	276,913	-	-	276,913
Foreign investment funds	501,424	-	-	501,424
Bonds and debentures	-	761,407	-	761,407
Cash at banks by M.O.U.	-	-	339,906	339,906
Investments in specific-purpose funds	-	-	185,378	185,378
Fixed deposit accounts	-	-	4,000	4,000
Other debt instruments	-	-	30,000	30,000
Equity securities	-	-	62,336	62,336
	5,412,971	761,407	621,620	6,795,998

(Unit : Thousand Baht)

	SET			
	Available for sale	Held to maturity	General investments	Total
Investments in mutual funds				
General mutual funds	4,634,634	-	-	4,634,634
Property funds	276,913	-	-	276,913
Foreign investment funds	501,424	-	-	501,424
Bonds and debentures	-	751,407	-	751,407
Cash at banks by M.O.U.	-	-	339,906	339,906
Investments in specific-purpose funds	-	-	185,378	185,378
Other debt instruments	-	-	30,000	30,000
Equity securities	-	-	62,336	62,336
	5,412,971	751,407	617,620	6,781,998

Investments in mutual funds represent investments in 23 open-ended equity funds (2007: 32 funds), which have a policy of emphasising the investments in equity securities of listed companies.

Investments in property funds represent 11 closed-end mutual funds (2007: 8 funds). These funds are established for acquiring, leasing and transferring properties and/or their leasehold right and providing for income-generating properties. All these property fund units are listed and traded on The Stock Exchange of Thailand.

Investments in foreign investment funds represent investments in 10 open-ended funds (2007: 11 funds), which the Feeder Fund has the policy to emphasise the investments in foreign equity securities.

Bonds and debentures represent government bonds, state enterprise bonds, Bank of Thailand bonds, foreign financial institution bonds and debentures which have maturity within 2 - 10 years, coupon rates of 3.73% - 6.10% per annum (2007: 3.87% - 6.30% per annum) and yields of 1.97% - 4.37% per annum (2007: 3.85% - 4.91% per annum). The aggregated market value at 31 December 2008 was Baht 986 million (2007: Baht 808 million).

Investments in bonds and debentures at 31 December 2008 will be due as follows:

(Unit : Thousand Baht)

	Consolidated			
	Due within (Year)			
	1	2 - 5	6 - 10	Total
Government bonds	20,093	671,043	1,103	692,239
Bank of Thailand bonds	-	21,965	-	21,965
Foreign financial institution bonds	-	40,000	-	40,000
Debentures	35,000	154,257	-	189,257
	55,093	887,265	1,103	943,461

(Unit : Thousand Baht)

	SET			
	Due within (Year)			
	1	2 - 5	6 - 10	Total
Government bonds	20,093	671,043	1,103	692,239
Foreign financial institution bonds	-	30,000	-	30,000
Debentures	35,000	131,257	-	166,257
	55,093	832,300	1,103	888,496

Investments in bonds and debentures at 31 December 2007 will be due as follows:

(Unit : Thousand Baht)

	Consolidated			
	Due within (Year)			
	1	2 - 5	6 - 10	Total
Government bonds	-	685,294	1,113	686,407
State enterprise bonds	99,722	-	-	99,722
Bank of Thailand bonds	345,833	-	-	345,833
Foreign financial institution bonds	-	40,000	-	40,000
Debentures	159,668	35,000	-	194,668
	605,223	760,294	1,113	1,366,630

(Unit : Thousand Baht)

	SET			
	Due within (Year)			
	1	2 - 5	6 - 10	Total
Government bonds	-	685,294	1,113	686,407
State enterprise bonds	99,722	-	-	99,722
Bank of Thailand bonds	308,593	-	-	308,593
Foreign financial institution bonds	-	30,000	-	30,000
Debentures	139,168	35,000	-	174,168
	547,483	750,294	1,113	1,298,890

The fair value and unrealised gain (loss) from investments in bonds and debentures are as follows:

(Unit : Thousand Baht)

	Consolidated					
	Amortised cost - net		Fair value		Unrealised gain (loss)	
	2008	2007	2008	2007	2008	2007
Government bonds	692,239	686,407	783,942	732,227	91,703	45,820
State enterprise bonds	-	99,722	-	100,559	-	837
Bank of Thailand bonds	21,965	345,833	22,520	346,862	555	1,029
Foreign financial institution bonds	40,000	40,000	40,682	39,482	682	(518)
Debentures	189,257	194,668	195,066	195,566	5,809	898
	943,461	1,366,630	1,042,210	1,414,696	98,749	48,066
Less Current portion (Note7)	(55,093)	(605,223)	(55,775)	(607,145)	(682)	(1,922)
	888,368	761,407	986,435	807,551	98,067	46,144

(Unit : Thousand Baht)

	SET					
	Amortised cost - net		Fair value		Unrealised gain (loss)	
	2008	2007	2008	2007	2008	2007
Government bonds	692,239	686,407	783,942	732,227	91,703	45,820
State enterprise bonds	-	99,722	-	100,559	-	837
Bank of Thailand bonds	-	308,593	-	309,597	-	1,004
Foreign financial institution bonds	30,000	30,000	30,512	29,611	512	(389)
Debentures	166,257	174,168	171,733	175,060	5,476	892
	888,496	1,298,890	986,187	1,347,054	97,691	48,164
Less Current portion (Note7)	(55,093)	(547,483)	(55,775)	(549,374)	(682)	(1,891)
	833,403	751,407	930,412	797,680	97,009	46,273

Cash at banks by M.O.U. is used as security for housing loans to employees of SET and its subsidiaries by a bank under a Memorandum of Understanding.

Investments in specific-purpose funds represent investment in three open-ended venture capital funds (2007: two funds). This investment is carried at cost under generally accepted accounting principles due to the redemption restriction for the first five years. Details are as follows:

1. In 2005, fund established by the government to strengthen and recover businesses which suffered from the tsunami disaster. The specific-purpose fund has a policy of investing in securities of businesses involved in the tourism industry and have been affected by the tsunami in the six southern provinces. The fund has automatic redemption from the sixth year (2011) unless there is approval by the investment committee for redemption before the redemption restriction term.
2. In 2007, non-retail fund which mainly invests directly in energy, alternative and renewable energy firms and businesses that support the government's policies on energy. The fund has automatic redemption from the sixth year (2013) when the fund dispose its assets, then no further re-investment.
3. In 2008, non-retail fund which mainly invests directly in businesses and industries which have potential growth. The fund is a long-term investment and has automatic redemption from the fourth year (2012).

The fair value and unrealised gain (loss) from investments in specific-purpose funds are as follows:

(Unit : Thousand Baht)

	Consolidated and SET							
	Funds		Cost		Fair value		Unrealised loss	
	2008	2007	2008	2007	2008	2007	2008	2007
Investment unit in specific-purpose fund	3	2	203,078	185,378	185,967	185,105	(17,111)	(273)

Fixed deposit accounts represent fixed deposit at banks which have maturity over one year and interest rates of 3.00% - 5.50% per annum (2007: 4.50% - 4.88% per annum).

Other debt instruments represent promissory notes and bills of exchange issued by financial institution which have maturity within six years and interest rates of 5.50% per annum (2007: 5.50% per annum).

Equity securities comprise:

(Unit : Thousand Baht)

	Paid-up capital	% Ownership interest		Consolidated and SET	
		2008	2007	2008	2007
Equity securities (other companies)					
TRIS Corporation Co., Ltd.	100,000	13.34	13.34	12,336	12,336
TSFC Securities Limited	1,000,000	5.00	5.00	50,000	50,000
Less Impairment losses				(50,000)	-
				12,336	62,336

12. Property and equipment, net

(Unit : Thousand Baht)

	Consolidated					
	Land and land improvements	Work in process	Buildings & building improvements	Furniture fixtures & office equipment	Motor vehicles	Total
As at 31 December 2007						
Cost	1,987,025	19,809	1,313,432	1,651,305	15,994	4,987,565
Less Accumulated depreciation	(55)	-	(302,040)	(1,231,551)	(7,006)	(1,540,652)
Net book amount	1,986,970	19,809	1,011,392	419,754	8,988	3,446,913
Year ended 31 December 2008						
Opening net book amount	1,986,970	19,809	1,011,392	419,754	8,988	3,446,913
Additions	267,660	89,398	5,997	23,117	1,241	387,413
Disposals	-	-	(27)	(212)	(1,614)	(1,853)
Transfers	-	(19,800)	-	19,800	-	-
Depreciation charge	(114)	-	(60,165)	(150,503)	(3,024)	(213,806)
Closing net book amount	2,254,516	89,407	957,197	311,956	5,591	3,618,667
As at 31 December 2008						
Cost	2,254,685	89,407	1,319,359	1,041,649	15,244	4,720,344
Less Accumulated depreciation	(169)	-	(362,162)	(729,693)	(9,653)	(1,101,677)
Net book amount	2,254,516	89,407	957,197	311,956	5,591	3,618,667

At 31 December 2008, the initial cost of fully depreciated property and equipment of SET and its subsidiaries which are still in use amounted to Baht 375.58 million (2007: Baht 675.02 million).

(Unit : Thousand Baht)

	SET					
	Land and land improvements	Work in process	Buildings & building improvements	Furniture fixtures & office equipment	Motor vehicles	Total
As at 31 December 2007						
Cost	1,987,025	19,809	1,308,703	1,436,830	15,994	4,768,361
Less Accumulated depreciation	(55)	-	(300,473)	(1,075,902)	(7,006)	(1,383,436)
Net book amount	1,986,970	19,809	1,008,230	360,928	8,988	3,384,925
Year ended 31 December 2008						
Opening net book amount	1,986,970	19,809	1,008,230	360,928	8,988	3,384,925
Additions	267,660	89,398	5,842	17,882	428	381,210
Disposals	-	-	(27)	(114)	(801)	(942)
Transfers	-	(19,800)	-	19,800	-	-
Depreciation charge	(114)	-	(59,681)	(127,563)	(3,024)	(190,382)
Closing net book amount	2,254,516	89,407	954,364	270,933	5,591	3,574,811
As at 31 December 2008						
Cost	2,254,685	89,407	1,314,473	861,590	15,244	4,535,399
Less Accumulated depreciation	(169)	-	(360,109)	(590,657)	(9,653)	(960,588)
Net book amount	2,254,516	89,407	954,364	270,933	5,591	3,574,811

At 31 December 2008, the initial cost of fully depreciated property and equipment of SET which are still in use amounted to Baht 299.81 million (2007: Baht 583.67 million).

According to certain conditions under the land lease agreement, the legal ownership of buildings and building improvements has been transferred to the landlord at the completion of building since 1998. However, SET has the right to use the buildings over a period of 30 years as described in Note 24.2: Long-term land lease.

13. Intangible assets, net

(Unit : Thousand Baht)

	Consolidated			
	Work in process	Software	Patent and operating rights	Total
As at 31 December 2007				
Cost	118,306	765,783	16,231	900,320
Less Accumulated amortisation	-	(341,683)	(3,822)	(345,505)
Net book amount	118,306	424,100	12,409	554,815
For the year ended 31 December 2008				
Opening net book amount	118,306	424,100	12,409	554,815
Additions	8,825	18,861	-	27,686
Disposal	-	(1)	(10,594)	(10,595)
Transfers	(96,825)	96,825	-	-
Amortisation charge	-	(141,260)	(614)	(141,874)
Closing net book amount	30,306	398,525	1,201	430,032
As at 31 December 2008				
Cost	30,306	833,564	2,000	865,870
Less Accumulated amortisation	-	(435,039)	(799)	(435,838)
Net book amount	30,306	398,525	1,201	430,032

At 31 December 2008, the initial cost of fully amortised intangible assets of SET and its subsidiaries which are still in use amounted to Baht 162.95 million (2007: Baht 171.80 million).

(Unit : Thousand Baht)

	SET			
	Work in process	Software	Patent and operating rights	Total
As at 31 December 2007				
Cost	117,024	646,383	14,231	777,638
Less Accumulated amortisation	-	(266,561)	(3,222)	(269,783)
Net book amount	117,024	379,822	11,009	507,855
Year ended 31 December 2008				
Opening net book amount	117,024	379,822	11,009	507,855
Additions	8,825	17,915	-	26,740
Disposal	-	(1)	(10,594)	(10,595)
Transfers	(95,543)	95,543	-	-
Amortisation charge	-	(127,959)	(415)	(128,374)
Closing net book amount	30,306	365,320	-	395,626
As at 31 December 2008				
Cost	30,306	727,984	-	758,290
Less Accumulated amortisation	-	(362,664)	-	(362,664)
Net book amount	30,306	365,320	-	395,626

At 31 December 2008, the initial cost of fully amortised intangible assets of SET which are still in use amounted to Baht 120.62 million (2007: Baht 116.59 million).

Work in process principally comprises direct expenses of developing projects in Member Back Office Services Bureau system.

14. Margin deposits and benefits

Thailand Clearing House Company Limited (TCH) is the clearing house for derivatives market. Members of TCH who have outstanding positions are obliged to place the required margin deposits as the guarantee according to rate or amount called by TCH. TCH may invest the proceeds of margins according to specified term and condition. The benefits, after deducting management fees, shall be distributed to members at the announced rate and procedures.

As at 31 December 2008, the margin deposits placed by members amounting to Baht 1,897.25 million (2007: Baht 1,394.01 million) were deposited in saving accounts and fixed deposit accounts with maturity not more than one year and the accrued benefits amounted to Baht 4.66 million (2007: Baht 6.10 million), totalling Baht 1,901.91 million (2007: Baht 1,400.11 million).

15. Assets and benefits for the clearing system protection

The assets for the clearing system protection are established to secure the clearing system of Thailand Clearing House Company Limited (TCH) against any damage caused by defaults or other incidents made by members.

Assets for the clearing system protection comprise:

15.1 Security Deposit

Members of TCH are required to place a Security Deposit according to the announcement made by TCH (current Security Deposit amount is Baht 5 million per member). TCH shall invest the proceeds of Security Deposit and return benefits derived from those Security Deposit, after deducting management fee, to members in accordance with announced rate and procedures. Assets held as Security Deposit will be returned to member after membership termination.

15.2 Clearing Fund

The Clearing Fund comprises contributions from:

1) Thailand Securities Depository Company Limited (TSD), TCH's parent company, amounting to Baht 100 million.
2) Members of TCH:
   - Initial contribution according to the announced rate (currently initial contribution are amounting to Baht 5 million per member)
   - Monthly contribution at the rates according to the level of default risk.

Contributions and benefits on contributions are the right of the payers according to the proportions of their contributions. When the membership is terminated, the member's contributions and benefits on contributions will be returned.

As at 31 December 2008 and 2007, details of assets and benefits for the clearing system protection comprise:

(Unit : Thousand Baht)

	Consolidated					
	Security Deposit		Clearing Fund		Total	
	2008	2007	2008	2007	2008	2007
Investments managed by the company	258,142	185,166	1	4	258,143	185,170
Investments managed by private funds						
Savings accounts	491	449	240	420	731	869
Other debt instruments	60,700	65,467	115,000	55,467	175,700	120,934
Trading securities	122,902	59,000	210,081	187,743	332,983	246,743
	442,235	310,082	325,322	243,634	767,557	553,716
Accrued interest receivables	2,574	2,753	4,316	3,962	6,890	6,715
Other assets	203	67	1,366	1,791	1,569	1,858
Total	445,012	312,902	331,004	249,387	776,016	562,289

Assets and benefits for the clearing system protection payable comprise:

(Unit : Thousand Baht)

	Consolidated	
	2008	2007
Security Deposit and benefits		
Contributions	435,000	310,000
Benefits (distribution to members every six months)	10,012	2,902
	445,012	312,902
Clearing Fund and benefits		
Contributions	199,061	130,611
Benefits	16,299	8,420
	215,360	139,031
Total	660,372	451,933

16. Provision for retirement benefits

(Unit : Thousand Baht)

	Consolidated		SET	
	2008	Restated 2007	2008	Restated 2007
Balance sheet obligations	133,723	116,945	92,502	80,733
Charge in the statements of revenues and expenses	16,778	15,540	11,769	10,900

The amounts recognised in the balance sheets are determined as follows:

(Unit : Thousand Baht)

	Consolidated		SET	
	2008	Restated 2007	2008	Restated 2007
Present value of obligations	133,723	116,945	92,502	80,733
Liability in the balance sheets	133,723	116,945	92,502	80,733

The movement in the defined benefit obligation over the year is as follows:

(Unit : Thousand Baht)

	Consolidated		SET	
	2008	Restated 2007	2008	Restated 2007
Beginning balance	116,945	101,405	80,733	69,833
Current service costs	11,515	10,977	8,136	7,758
Interest costs	5,263	4,563	3,633	3,142
Ending balance	133,723	116,945	92,502	80,733

The amounts recognised in the statements of revenues and expenses are as follows:

(Unit : Thousand Baht)

	Consolidated		SET	
	2008	Restated 2007	2008	Restated 2007
Current service costs	11,515	10,977	8,136	7,758
Interest costs	5,263	4,563	3,633	3,142
Total	16,778	15,540	11,769	10,900

The principal actuarial assumptions used were as follows:

	2008	2007
Discount rate as of 31 December	4.50%	4.50%
Salary increase rate - permanent employee	6.00%	6.00%
Salary increase rate - contract employee	4.50%	4.50%
Average turnover rate	6.40%	6.40%
Pre-retirement mortality rate	0.11% - 1.48%	0.11% - 1.48%
Retirement age	60 years old	60 years old

17. Fund balances

Fund balances comprise:

17.1 Securities Clearing Reserve Fund

In 1997, the Board of Governors of SET approved an appropriation of general fund of Baht 2 billion to be the Securities Clearing Reserve Fund, which operated by a subsidiary of SET, in order to resolve liquidity risk in the event of default on clearing and settlement from securities trading in SET.

17.2 Clearing and Settlement of Derivatives Market Reserve Fund

In 2004, the Board of Governors of SET approved an appropriation of general fund of Baht 300 million to be the Clearing and Settlement of Derivatives Market Reserve Fund in order to assure contingent loss from clearing and settlement system of futures contracts at Thailand Clearing House Company Limited, a subsidiary of Thailand Securities Depository Company Limited.

17.3 Indemnity Fund

In 1993 and 2002, the Board of Governors of SET approved an appropriation of general fund totalling Baht 100 million to be the Indemnity Fund in order to assist and assure the Board of Governors and those appointed assignees on matters requiring consideration and decisions which may affect or cause damages to other parties.

17.4 SET Building Construction Fund

In 1992, the Board of Governors of SET approved an appropriation of general fund of Baht 580 million for the construction of SET buildings. The office buildings were completely constructed in 1998. The remaining fund of Baht 246.33 million is reserved for further construction of parking building.

In 2008, the Board of Governors of SET approved SET to build the car park building with the above-mentioned remaining fund. The total construction cost paid in 2008 amounted to Baht 6.61 million.

17.5 Staff Welfare Fund

In 1997 and 2004 the Board of Governors of SET approved an appropriation of general fund totalling Baht 75 million to be the Staff Welfare Fund. All benefits earned from this fund are retained in the fund.

17.6 Securities Investor Protection Fund

In 2004, the Board of Governors of SET approved an appropriation of Baht 300 million from broker seat admission fees as an initial fund for the establishment of the Securities Investor Protection Fund (SIPF).

The SIPF was formally established under SIPF regulations on 1 October 2004. The objective of the fund is to protect and build confidence of investors in trading listed securities at SET through the members of SIPF. As at 31 December 2008, the number of SIPF members was 33 (2007: 33).

The assets of SIPF comprise:

1. the initial fund from SET of Baht 300 million which appropriated from broker seat admission fees;
2. the future membership entry fees and monthly fees collected from the members (commencing from 1 January 2005) which will be cumulated up to Baht 200 million;
3. the future benefits generated from investments in SIPF.

The fund will protect the investors' assets which are in the custody of the securities brokers who are members of SIPF. In the event that the members of SIPF fail to return the assets to investors, each investor shall be compensated by SIPF for his/her damage at the actual cost but not more than Baht 1 million per each SIPF member in the following cases:

1. If any SIPF member is in receivership under the Bankruptcy Acts or
2. If there are disputes concerning the purchase or sale of listed securities in SET between investors and any SIPF member, and the arbitrators' award is that SIPF member shall return the assets to investors, but such SIPF member violates such award.

The protection will not include any losses from securities trading regardless who makes investment decision.

SIPF's financial statements included as part of the consolidated and SET's financial statements are as follows:

SIPF balance sheets as at 31 December comprise:

(Unit : Thousand Baht)

	Consolidated and SET	
	2008	2007
Assets		
Current assets		
Cash and investments	306,160	367,388
Contributions due from members	2,251	2,346
Accrued interest receivables	2,363	2,900
Total current assets	310,774	372,634
Non-current asset		
Long-term investments	182,741	70,777
Total assets	493,515	443,411
Liabilities and fund balances		
Non-current liabilities		
Contributions from members	134,554	101,444
Benefits on contributions from members	10,433	6,037
Other non-current liabilities	483	-
Total non-current liabilities	145,470	107,481
Fund balances		
Initial fund	300,000	300,000
Fund balances	48,045	35,930
Total fund balances	348,045	335,930
Total liabilities and fund balances	493,515	443,411

SIPF's statements of revenues and expenses for the year ended 31 December 2008 and 2007 are presented in Note 18: Results of funds operation.

17.7 SET's 30th Anniversary Charity Fund

In 2004, the Board of Governors of SET approved an appropriation of membership fees of Baht 100 million to establish a charity fund on the occasion of SET's 30th anniversary. The purpose of the fund is mainly to contribute to SET's neighboring communities and universities through SET university networking on youth development, sports and education projects. This fund was fully used in 2008.

18. Results of funds operation

Details of results of funds operation which are included as part of the consolidated and SET's statements of revenues and expenses are as follows:

(Unit : Thousand Baht)

	Consolidated				
	Staff Welfare Fund	Securities Investor Protection Fund (SET's portion)	SET's 30th Anniversary Charity Fund	General Fund	Total
For the year ended 31 December 2008					
Revenues					
Fees and service revenues	-	-	-	1,563,487	1,563,487
Investment income, net	1,061	12,391	-	612,513	625,965
Other revenues	-	-	-	643,362	643,362
Total revenues	1,061	12,391	-	2,819,362	2,832,814
Expenses					
Operating expenses	-	39	-	2,482,321	2,482,360
Donation and social contribution	-	-	8,713	87,643	96,356
Income tax	-	-	-	48,617	48,617
Total expenses	-	39	8,713	2,618,581	2,627,333
Revenues over (under) expenses	1,061	12,352	(8,713)	200,781	205,481
For the year ended 31 December 2007					
Revenues					
Fees and service revenues	-	-	-	1,538,370	1,538,370
Investment income, net	2,825	13,412	-	1,031,959	1,048,196
Other revenues	-	-	-	479,760	479,760
Total revenues	2,825	13,412	-	3,050,089	3,066,326
Expenses					
Operating expenses	-	35	-	2,924,225	2,924,260
Donation and social contribution	-	-	1,348	48,112	49,460
Income tax	-	-	-	38,212	38,212
Total expenses	-	35	1,348	3,010,549	3,011,932
Revenues over (under) expenses	2,825	13,377	(1,348)	39,540	54,394

(Unit : Thousand Baht)

	SET				
	Staff Welfare Fund	Securities Investor Protection Fund (SET's portion)	SET's 30th Anniversary Charity Fund	General Fund	Total
For the year ended 31 December 2008					
Revenues					
Fees and service revenues	-	-	-	1,297,703	1,297,703
Investment income, net	1,061	12,391	-	584,697	598,149
Other revenues	-	-	-	298,247	298,247
Total revenues	1,061	12,391	-	2,180,647	2,194,099
Expenses					
Operating expenses	-	39	-	1,985,980	1,986,019
Donation and social contribution	-	-	8,713	85,757	94,470
Total expenses	-	39	8,713	2,071,737	2,080,489
Revenues over (under) expenses	1,061	12,352	(8,713)	108,910	113,610
For the year ended 31 December 2007					
Revenues					
Fees and service revenues	-	-	-	1,139,909	1,139,909
Investment income, net	2,825	13,412	-	1,031,266	1,047,503
Other revenues	-	-	-	144,545	144,545
Total revenues	2,825	13,412	-	2,315,720	2,331,957
Expenses					
Operating expenses	-	35	-	2,286,262	2,286,297
Donation and social contribution	-	-	1,348	45,439	46,787
Total expenses	-	35	1,348	2,331,701	2,333,084
Revenues over (under) expenses	2,825	13,377	(1,348)	(15,981)	(1,127)

19. Investment income, net

(Unit : Thousand Baht)

	Consolidated		SET	
	2008	2007	2008	2007
Interest income	301,501	297,561	210,806	233,709
Less Interest expenses				
- Borrowings from subsidiaries (Note 23 iv)	-	-	(8,851)	(8,721)
- Assets for the clearing system - members' portion	(67,133)	(39,202)	-	-
- Others	(741)	(962)	(741)	(962)
Interest income, net	233,627	257,397	201,214	224,026
Dividend income from				
- Mutual funds	200,288	377,361	200,288	377,160
- Subsidiaries (Note 10)	-	-	2,000	42,000
- Others entities	12,521	9,785	12,521	9,785
Realised gain from investments	158,278	372,889	157,357	372,102
Unrealised gain from investments	58,860	17,352	62,378	9,018
Impairment losses (Note 11)	(50,000)	-	(50,000)	-
Investment income, net	613,574	1,034,784	585,758	1,034,091

20. Other revenues

(Unit : Thousand Baht)

	Consolidated		SET	
	2008	2007	2008	2007
Revenues from clearing house	99,235	73,526	-	-
Revenues from membership fees	93,973	92,050	43,638	57,064
Information service revenues	83,284	77,149	71,087	64,490
Compensation revenue from lease contracts	68,946	-	68,946	-
Revenues from Thailand Securities Institute	58,795	32,633	58,795	32,633
Service and advertising production revenues	52,619	90,817	-	-
Customisation and IT support fee	32,867	20,420	17,296	-
Member fines	20,952	19,882	16,623	8,095
Other revenues	84,936	54,572	65,500	39,327
Total	595,607	461,049	341,885	201,609

21. Contributions to the office of the Securities and Exchange Commission (SEC)

The Securities and Exchange Act B.E. 2535 requires SET to contribute to the SEC at a rate as determined by the Board of SEC.

From 2006 to 2008, the Board of SEC has required contributions at the rate of 0.002% of trading volume of prior year. The contribution criteria is required to review at every three years.

22. Other expenses

(Unit : Thousand Baht)

	Consolidated		SET	
	2008	2007	2008	2007
Repair and maintenance expenses	88,399	91,414	104,353	108,810
Contribution to capital market institutions	63,267	34,074	66,361	37,916
Commercial training & seminar of capital market education	21,296	18,419	21,318	18,442
Stationery and registrar forms	20,883	30,585	5,945	8,820
Working overseas expenses	13,069	15,382	7,954	12,902
Outsource expenses	13,056	12,514	9,186	8,044
Other expenses	114,178	112,150	79,239	71,954
Total	334,148	314,538	294,356	266,888

23. Related party transactions

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, SET, including subsidiaries and fellow subsidiaries are related parties of SET. Associates and individuals owning, directly or indirectly, an interest in the voting power of SET that gives them significant influence over the enterprise, key management personnel, including directors and officers of SET and close members of the family of these individuals and companies associated with these individuals also constitute related parties.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

The following significant transactions were carried out with related parties:

i) Sales of services

(Unit : Thousand Baht)

	SET	
	2008	2007
Subsidiaries		
Thailand Securities Depository Co., Ltd.	412,074	340,411
Thailand Futures Exchange Public Co., Ltd.	129,941	44,595
SETTRADE.COM Co., Ltd.	62,185	23,782
Thai Trust Fund Management Co., Ltd.	4,800	6,000
Family Know-how Co., Ltd.	8,669	5,339
Thai NVDR Co., Ltd.	500	-
	618,169	420,127

Pricing policy

SET charges services rendered to subsidiaries according to agreed rates.

ii) Purchases of services

(Unit : Thousand Baht)

	SET	
	2008	2007
Subsidiaries		
Family Know-how Co., Ltd.	72,328	143,459
SETTRADE.COM Co., Ltd.	43,418	44,412
Thai NVDR Co., Ltd.	1,500	1,500
Thailand Securities Depository Co., Ltd.	803	118
	118,049	189,489

Pricing policy

SET pays for services rendered from subsidiaries according to agreed rates.

iii) Outstanding balances arising from purchases/sales of services

(Unit : Thousand Baht)

	SET	
	2008	2007
Receivables, accrued income and other assets from:		
Subsidiaries:		
Thailand Securities Depository Co., Ltd.	71,155	50,945
Thailand Futures Exchange Public Co., Ltd.	67,077	45,679
SETTRADE.COM Co., Ltd.	55,315	24,765
Family Know-how Co., Ltd.	6,498	7,639
Thai Trust Fund Management Co., Ltd.	-	1,284
	200,045	130,312
Payables, accrued expenses and other liabilities to:		
Subsidiaries:		
SETTRADE.COM Co., Ltd.	5,518	8,148
Thailand Securities Depository Co., Ltd.	5,139	5,814
Family Know-how Co., Ltd.	4,258	15,906
Thailand Futures Exchange Public Co., Ltd.	946	1,004
	15,861	30,872

iv) Borrowings from subsidiaries and interest expenses

SET and its subsidiaries have a policy of centralising the investments of the Group and managed by SET in order to increase the efficiency of the overall returns. SET will borrow from its subsidiaries in the form of promissory notes which have maturity within one year with interest rate that referred to the deposit rate of financial institutions. The interest rate of 2008 is 3.25% - 3.50% per annum (2007: 4.00% per annum). SET records interest expenses as part of net investment income (Note 19) in the statements of revenues and expenses.

Borrowings from subsidiaries and interest expenses are as follows:

(Unit : Thousand Baht)

	SET	
	2008	2007
Borrowings from subsidiaries		
Thailand Futures Exchange Public Co., Ltd.	205,000	110,000
Thai Trust Fund Management Co., Ltd.	102,450	93,450
Thai NVDR Co., Ltd.	18,200	9,200
Siam DR Co., Ltd	9,200	9,200
mai Matching Fund Co., Ltd.	9,000	-
	343,850	221,850
Interest expenses		
Thailand Futures Exchange Public Co., Ltd.	4,754	4,247
Thai Trust Fund Management Co., Ltd.	3,295	3,738
Thai NVDR Co., Ltd.	358	368
Siam DR Co., Ltd.	322	368
mai Matching Fund Co., Ltd.	122	-
	8,851	8,721

v) Contributions to subsidiary

In 2008, SET contributed Baht 12 million to Family Know-how Co., Ltd. to support its business operation (2007: Baht 1.92 million).

vi) Contributions for The Stock Exchange of Thailand Foundation

In 2006, the Board of Governors of SET approved the establishment of The Stock Exchange of Thailand Foundation (SOF) and the Board of Governors of SET will be appointed as director of the Board of SOF. In addition, the Board of Governors approved the appropriation of one - third of revenues over expenses of SET each year to the SOF for its social activities.

SOF was registered and incorporated on 9 August 2006 with the objective of conducting activities for the development of society, communities and the environment. SOF's activities focus on developing a vigorous Thai society and communities in order to prevent and resolve problems relating to addictive drugs and other problems affecting Thai youth and Thai society. In addition, the activities support projects and programmes relating to education.

In 2008, SET has appropriated its annual revenues over expenses to SOF of Baht 56.80 million (2007: Baht 4.89 million).

vii) Directors and management's remuneration

The directors and committees' remuneration, which represented director fees, other fees for the Board of Governors and the Board of Directors of subsidiaries, and the fees received as members of sub-committees, for the year 2008 approximated Baht 24.46 million (2007: Baht 28.95 million).

The management's remuneration, which represents salary and other benefits of high-level management of SET and its subsidiaries for the year 2008 approximated Baht 122.38 million (2007: Baht 144.29 million).

24. Contingent liabilities and commitments

24.1 Contingent liabilities

i) SET

As at 31 December 2008, SET had letters of guarantee issued by banks of Baht 3.89 million (2007: Baht 3.89 million) in respect of electricity usage in the ordinary course of business from which management anticipates that no material liabilities will arise.

SET has issued a letter of comfort to a bank in respect of an overdraft credit line of Baht 1,500 million (2007: Baht 1,500 million) granted to Thailand Securities Depository Co., Ltd. (TSD), a subsidiary. Under the terms of the letter of comfort, SET is required to maintain 99.99% of the registered share capital in TSD to the end of the credit period. In addition, SET is required to support TSD's operation to ensure its ability to repay the debt to the bank. As at 31 December 2008, the overdraft credit line had not yet been drawn down.

ii) Subsidiaries

Thailand Securities Depository Co., Ltd. (TSD), a subsidiary has issued a letter of comfort to a bank in respect of an overdraft credit line of Baht 200 million (2007: Baht 200 million) granted to Thailand Clearing House Co., Ltd. (TCH), a subsidiary of TSD. Under the terms of the letter of comfort, TSD is required to maintain 99.99% of the registered share capital in TCH as long as TCH has liabilities with the bank. As at 31 December 2008, the overdraft credit line had not yet been drawn down.

Family Know-how Co., Ltd. had letters of guarantee of Baht 2.74 million (2007: Baht 4.54 million) issued by banks in respect of the normal business operation that were guaranteed by the fixed deposit account (Note 9).

In addition, **SET and its subsidiaries** are defendants in various pending legal cases with third parties from normal operations. In the opinion of management after taking appropriate legal advice, the anticipated outcome is that such legal cases will not give rise to any significant losses.

24.2 Long-term land lease

In 1998, SET entered into a 30-year land lease agreement with a lessor (who is the landlord) for the construction of SET buildings. The land lease agreement will expire at the end of July 2028. Under the lease terms, the company that had the right to lease the land agreed to be responsible for all lease payments on behalf of SET to the lessor. In the event of default on lease payments, the lessor is required to proceed for collection directly from this company until a final judgement is obtained before the lessor is permitted to claim lease payments from SET.

Thereafter, such company has been suffering financial difficulties and has not been able to pay the rent since 1994. Then, in 2006 the lessor sued SET and this company, requesting settlement the outstanding rent and movement the assets away from building area as well as payment for the damage.

In 2008, the lessor and SET entered into a compromise agreement in order to resolve all disputed issues. SET, then, has agreed to pay the rent outstanding from 1994 and to enter into the new lease agreement directly with the lessor for the remaining 21 years of lease period, worth a total of Baht 315.44 million. This land will be used for construction of SET's car park. The details rental fees per the lease agreement are as follow:

(Unit : Thousand Baht)

Year	Lease period	Rent fee per year
1	5 July 2007 - 4 July 2008	11,000
2	5 July 2008 - 4 July 2009	11,401
3 - 5	5 July 2009 - 4 July 2012	11,687
6 - 10	5 July 2012 - 4 July 2017	13,525
11 - 15	5 July 2017 - 4 July 2022	15,679
16 - 20	5 July 2022 - 4 July 2027	18,177
21	5 July 2027 - 4 July 2028	21,072

24.3 Operating lease

The future minimum lease payment commitments under non-cancellable operating leases of motor vehicles are as follows:

(Unit : Thousand Baht)

	Consolidated		SET	
	2008	2007	2008	2007
Up to 1 year	13,749	14,514	13,289	10,472
1 - 3 years	14,149	22,359	13,596	15,995
3 - 5 years	935	2,153	935	1,466
	28,833	39,026	27,820	27,933

In addition, SET and its subsidiaries have approximate commitments of Baht 308 million (2007: Baht 20 million) in respect of the construction of the multi-purpose building and car park.

25. Post balance sheet event

The Board of Governors meeting held on 4 February 2009 approved the budget of Baht 250 million to invest in the restructuring plan of Thailand Securities Finance Corporation (TSFC). As suggested by an independent financial advisor after studying the possibility of the restructuring plan, TSFC must receive cooperation from its existing and new shareholders in its operation and management. The restructuring plan must also be approved by all creditors. SET will invest the aforementioned budget only when TSFC has new investment funds of not less than Baht 800 million of which Baht 150 million or more is from the members of the Association of Securities Companies. Moreover, TSFC must have additionally new capital resources to support the business expansion and operation.

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