Good Corporate Governance
A Development Mechanism Vital for the Thai Capital Markets

ANNUAL REPORT 2002

THE STOCK EXCHANGE OF THAILAND

SET

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Corporate Information

Location	The Stock Exchange of Thailand Building 62 Rachadapisek Road, Klongtoey, Bangkok 10110 Telephone : (66) 2229-2000, 2654-5656 Facsimile : (66) 2229-2030-32, 2654-5649 Website : www.set.or.th
Mission	• To promote the mobilization of long-term funds for national economic development • To provide systems for the efficient, transparent and fair operations of the securities market • To provide effective investor protection • To promote the overall development of the Thai capital markets
Operations	• The Stock Exchange of Thailand is a juristic entity set up under the Securities Exchange of Thailand Act, B.E. 2517 (1974) and started operations on April 30, 1975. • Its mandate is to be a market or center for the trading of listed securities, as well as provide any related services connected to such activities, without distributing any profits to members. • It operates under the legal framework laid down in the Securities and Exchange Act, B.E. 2535 (1992). • Its main operations include securities listing, supervision of listed companies and information disclosure, trading, market surveillance and member supervision, information dissemination and investor education.
Personnel	• 527 staff (as of December 31, 2002)
International Memberships	• Full Member, The World Federation of Exchanges (WFE) • Affiliate Member, The International Organization of Securities Commissions (IOSCO) • Member, The East Asian and Oceanian Stock Exchanges Federation (EAOSEF)

Subsidiaries

Thailand Securities Depository Company Limited
4,7th Floor, The Stock Exchange of Thailand Building
62 Rachadapisek Road, Klongtoey, Bangkok 10110
Telephone : (66) 2229-2800 Facsimile : (66) 2359-1259
Website : www.tsd.co.th

Thai Trust Fund Management Company Limited
4th Floor, The Stock Exchange of Thailand Building
62 Rachadapisek Road, Klongtoey, Bangkok 10110
Telephone: (66) 2229-2800 ext. 2898 Facsimile : (66) 2359-1258
Website : www.tsd.co.th/ttf/thaitrustfund.html

Thai NVDR Company Limited
4th Floor, The Stock Exchange of Thailand Building
62 Rachadapisek Road, Klongtoey, Bangkok 10110
Telephone: (66) 2229-2800 ext. 2898 Facsimile : (66) 2359-1258
Website : www.set.or.th/nvdr

SETTRADE .COM Company Limited
5th Floor, The Stock Exchange of Thailand Building
62 Rachadapisek Road, Klongtoey, Bangkok 10110
Telephone: (66) 2229-2084 - 88 Facsimile : (66) 2654-5583
Website : www.settrade.com

Family Know-How Company Limited
6th Floor, The Stock Exchange of Thailand Building
62 Rachadapisek Road, Klongtoey, Bangkok 10110
Telephone: (66) 2229-2610-26 Facsimile : (66) 2654-5587

Auditor

Mrs. Nattaporn Phan-Udom
PricewaterhouseCoopers ABAS Ltd.

Three-Year Statistical Highlights

Market Highlights	2002	2001	2000
The SET			
Turnover			
• Volume (million units)	**263,969.99**	180,317.53	60,502.56
• Value (million baht)	**2,047,442.23**	1,577,757.97	923,696.83
• Daily Average (million baht)	**8,356.91**	6,439.83	3,739.66
• No. of Transactions	**17,594,265**	13,054,412	9,313,392
• Turnover Ratio (%)	**98.48**	90.65	45.26
Listed Companies			
• No. of Listed Companies	**389**	382	381
• No. of Listed Mutual Funds	**11**	9	11
• No. of Newly Listed Companies	**18**	7	2
• No. of Newly Listed Mutual Funds	**5**	1	2
• No. of Delisted Companies	**11**	6	13
• No. of Redeemed Mutual Funds	**3**	4	11
Listed Securities			
• Total Listed Securities	**471**	449	438
- Common Stocks	**389**	382	381
- Unit Trusts	**11**	9	11
- Warrants	**59**	42	31
- Others	**12**	16	15
Total Market Capitalization (billion baht)	**1,986.24**	1,607.31	1,279.22
Capital Mobilized by Listed Companies (billion baht)	**71.73**	108.24	64.44
SET Index			
• Open	**305.19**	272.03	498.46
• Close	**356.48**	303.85	269.19
• Highest (Date/Month)	**426.45 (13/6)**	342.56 (6/9)	498.46 (4/1)
• Lowest (Date/Month)	**305.19 (2/1)**	265.22 (7/11)	250.60 (11/10)
Average Dividend Yield (%)	**2.72**	2.06	1.78
Average Price/Earnings Ratio (P/E)	**6.98**	4.92	5.52

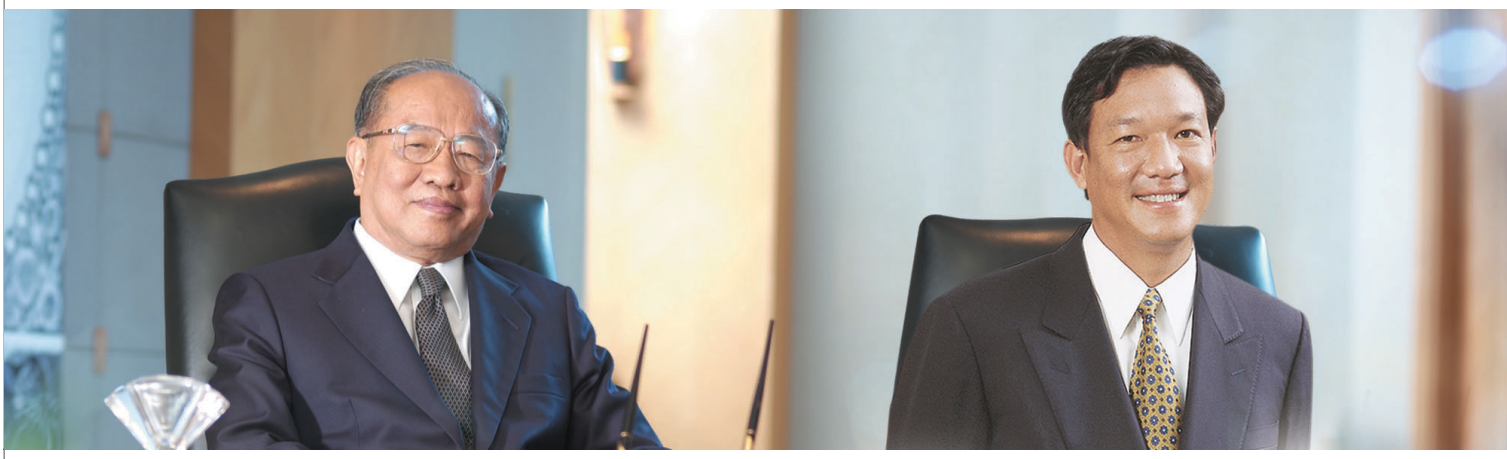
Market Highlights	2002	2001	2000
The MAI*			
Turnover			
• Volume (million units)	**5,335.64**	590.34	*
• Value (million baht)	**14,199.86**	2,010.11	*
• Daily Average (million baht)	**57.96**	27.92	*
• No. of Transactions	**296,485**	39,559	*
Listed Companies			
• No. of Listed Companies	**9**	3	*
Listed Securities			
• Total Listed Securities	**12**	4	*
- Common Stocks	**9**	3	*
- Unit Trusts	**3**	1	*
MAI Index**			
• Open	**98.94**	*	*
• Close	**127.49**	*	*
• Highest (Date/Month)	**146.30 (2/12)**	*	*
• Lowest (Date/Month)	**94.15 (14/10)**	*	*

* The MAI commenced trading on September 17, 2001.
** The MAI Index was first launched on September 3, 2002.

(In Million Baht)

Financial Highlights (Consolidated)	2002	2001	2000
Total Revenues	**1,430**	1,401	1,403
Income from investments	**407**	515	500
Surplus for the year	**464**	567	686
Capital Expenditure	**114**	98	72
Current Assets	**7,451**	9,455	4,411
Long-term Investments	**4,361**	1,752	6,215
Other Assets	**873**	842	843
Total Assets	**12,685**	12,049	11,469
Total Liabilities	**303**	260	245
Total Funds	**12,382**	11,789	11,224
Return on Total Assets (%)	**3.7**	4.7	5.9
Current Ratio (Times)	**24.6**	36.4	18.0
Debt to Funds Ratio (%)	**2.4**	2.2	2.2

Message from the Chairman and the President



Reforming the Thai capital markets to enhance its efficiency is the main objective of the SET. During the past year, the SET pursued proactive strategies in accordance with the Thai Capital Market Master Plan and the economic and investment conditions to promote transparency and reliability in the market. These included promoting good governance practices among the listed and member companies, enlarging and developing the investor base as well as increasing the supply and quality of products on the SET and the MAI. Other strategies included improving efficiency and reducing the operation costs of the overall securities business

2002 saw the start of the Good Corporate Governance campaign. In collaboration with the National Committee on Good Corporate Governance, the SET promoted the development of good governance among the listed and member companies, as well as related organizations. Fifteen principles of good governance were issued, while the annual listing fee for listed companies, which obtained good governance ratings, was reduced. At the same time, actions were taken to promote the concept to the public and the benefits of good corporate governance through seminars, printed media, radio and television programs. Furthermore, a Corporate Governance Center (CG Center) was set up with an advisory board consisting of four distinguished experts, namely, Professor Hiran Radeesri, Professor Kovit Poshyananda, Mr Singh Tangtatswas, and Mr Yuth Vorachattarn, to encourage the adoption of good governance practices among listed and member companies.

To enhance the quality of the investor base, the SET coordinated with other organizations to undertake several activities that provided guidance in securities investments for investors, potential investors, and the general public, both in and outside of Bangkok. These included the Investment Expo, "SET in the City", the SET Road show in four regions of the country, as well as conducting seminars and training on investment, disseminating information through media channels, and allowing Internet trading. A new

subsidiary, Family Know-How Co., Ltd, was also established to take charge of producing programs on finance and investment; these were well received by an audience of over ten million viewers during the past year.

Meanwhile, the SET has established the Capital Market Opportunity Center (CMOC) to implement proactive marketing strategies and cooperate with other related organizations to promote the listing of target companies. The CMOC has been relatively successful; a total of 23 companies were listed on the SET and the MAI last year. As a result, market capitalization rose by approximately 40 billion baht. The SET has, furthermore, provided guidance to the listed companies by encouraging them to use an array of appropriate financial instruments as well as supported them to undergo debt restructuring or rehabilitate themselves as quickly and smoothly as possible.

The SET recognizes that the development of intermediary institutions and reforming of supervisory structure holds the key to developing the Thai capital markets. All securities companies possessing securities brokerage licenses are therefore, allowed to become SET members. Consequently, a total of nine new members joined the SET last year. Other developments aimed at facilitating the admission process and reducing the transaction costs to all stakeholder groups were initiated. These included setting the brokerage commission rates for securities at a minimum rate of 0.25%, developing e-payment facilities and online IPO share subscriptions. Another significant change was establishing the "Back Office Service Bureau" to provide post-trade services to securities companies as well as to extend services to the listed companies. This greatly benefited investors by enabling them to keep their share certificates under the scripless system. The structure of the SET Board of Governors itself has been changed to reflect a more appropriate balance of representation of various stakeholder groups, such as the finance sector, the banking sector, investors, and listed companies.

SET operations last year were only the first step to developing the capital markets set out by the Thai Capital Market Master Plan. It will take more time and effort to fully achieve the goal. In 2003 the SET will continue to do its utmost to make the Thai capital markets stronger and more efficient. The SET believes that cooperation and support of all related parties in the capital markets, in both the public and private sectors, including investors, will be a vital and supporting driving force for the future of the Thai capital markets.

Mr. Chavalit Thanachanan
Chairman

Mr. Kittiratt Na-Ranong
President

Determined to Develop Quality
Products and Services

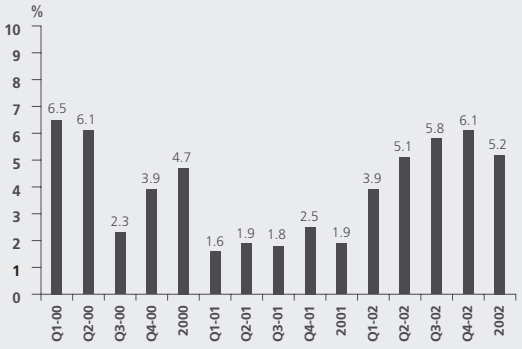
Thailand´s Economy and Capital Markets : Review and Outlook

Thai Economy in 2002 and Outlook in 2003

Clear Signs of Economic Recovery

The economy of Thailand showed very strong signs of recovery in 2002, despite uncertainties surrounding both world events and the global economy. Continuing to bounce back from the severe economic downturn of 1997, gross domestic product (GDP) growth is estimated to have hit 5.2% in 2003, far exceeding the 2.0% to 3.0% growth rate forecasted earlier by the National Economic and Social Development Board (NESDB). The surge in output was driven mainly by domestic consumption. Thai consumers regained confidence and began to spend more, boosting the private consumption index from 102.9 in 2001 to 106.7 in 2002. Investment also picked up, as seen in strength in a number of main indicators such as cement sales, commercial car sales, and imports of capital goods. As a result, the private investment index jumped to 51.4 from 41.6 in 2001.

Economic Growth



Source : National Economic and Social Development Board

Support from Strong Exports

On the external front, international trade also boomed. Total exports value in 2002 grew by 5.7%, much healthier than the 1.7% projection, due to the expansion of new markets in China, Australia, and the Middle East. Imports also rose considerably but were still less than exports in total value, leaving the trade balance in surplus for 2002.

Increased Macroeconomic Stability

The stock market rebounded in 2002 given increased macroeconomic stability. Internally, inflation did not pose a threat to monetary expansion. Inflation remained stable and low throughout the year, reaching a high of only 1.6% despite the strength in domestic demand. Thailand's external debt was reduced from US$109 billion at year-end 1997 to only US$60 billion at year-end 2002, with short-term debt shrinking from 36% to 24% over the same period. Foreign reserves rose impressively to a value equal to nearly seven months of exports, helping strengthen external stability. The influx of foreign reserves stemmed from a surplus in the current account, while the exchange rate remained stable at an average of 43 Thai baht per US dollar. Hence these factors did not undermine exports performance.

Improved Financial System Conditions

The non-performing loans of all commercial financial institutions declined significantly to 10.0% of total loans as of the end of November 2002, compared to a peak of 47.7% as of the end of May 1999. Furthermore, commercial bank deposits and loans also showed positive signs in 2002. The Bank of Thailand reported that bank deposits expanded at a slower pace, while loans began to grow for the first time since the 1997 financial crisis. Moreover, the capital adequacy ratio of commercial banks stood at 9.5%, well above the BIS standard of 8.5%. Financial system liquidity is expected to remain high at about 21% of GDP in 2003.

Economic Growth to Be Driven by Domestic Demand and Exports

Looking ahead to 2003, the outlook for Thailand stocks is bright, given momentum from a good performance in 2002 as well as supportive macroeconomic prospects. Despite the backdrop of unsettling events in the Middle East, GDP growth for 2003 is projected at between 4.0% and 5.0%, fueled mainly by growth in domestic demand and exports. Meanwhile, private investment should post a 11.0% rise and private consumption is expected grow by 50% this year. Furthermore, a current account surplus is expected to be sustained at about 4.9% of GDP, providing a cushion against possible economic shocks, and inflation is projected to remain quite low in 2003 at an average of 1.6%.

The Outlook of Capital Markets in 2002

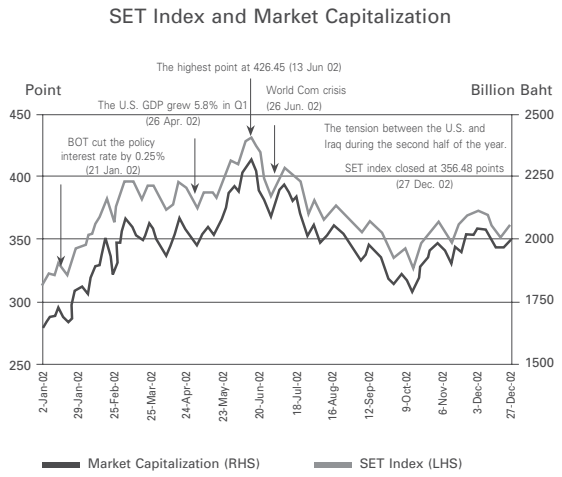
Enhanced Activity in Capital Markets

Many more companies took advantage of the country's strong economic growth to raise funds through the capital markets in 2002. Last year 90% more companies issued new securities than in the previous year. However, the total value of such securities fell to B170,326 million, declining by 11.5% from 2001.

- Cooperate and government bonds made up 64% of the total value of new securities, with issuance amounting to B109,074 million.
- Common shares and preferred shares composed a respective 31.9% and 3.3%, with issuance amounting to B54,310 million and about B5,614 million, respectively.
- Warrants made up just 0.8% of the new securities, or about B1,301 million.

Close to 52.9% of the new securities in 2002 were sold through pubic offerings, while the remainder were sold through private placement. This differed from the previous year when private placement accounted for about 65% of the placement of new securities.

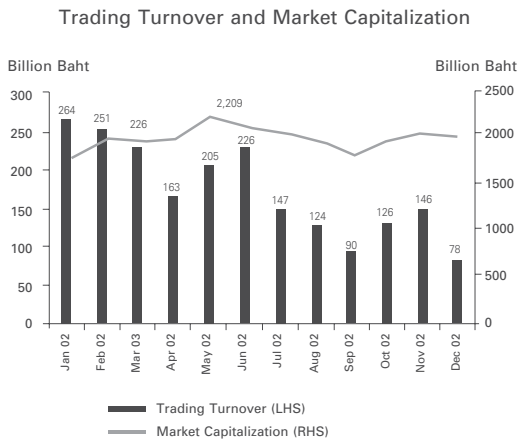
Stock Values Show Gain in 2002



The stock market rallied strongly in 2002 from the previous year. Amid active trading, the SET Index hit a peak of 426.45 on June 13. Uncertainties in the international environment in the latter half of 2002, however, prompted a market correction. Nevertheless, the SET Index closed out 2002 at 356.48, an impressive jump from 303.85 at the end of 2001.

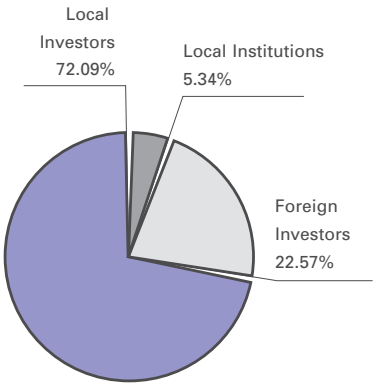
In 2002 the SET Index shined in comparison with other stock indexes in the region, posting a healthy gain of 17.3%, while the main stock market indexes of Malaysia, Singapore, and the Philippines plunged by 7.1%, 17.4%, and 12.8%, respectively. Indonesian stocks rose by a strong 8.4%, but this was still less than half the gain posted by Thai stocks.

Increased Stock Market Capitalization and Trading Activity

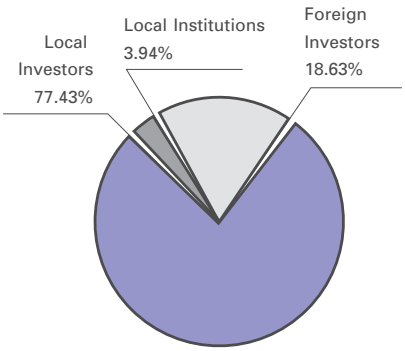


The SET market capitalization grew from B1,607 billion at the end of 2001 to B1,986 billion at the end of last year, given both increased share prices and new listings of 18 companies. The SET market capitalization now accounts for 3.7% of the total market capitalization of all Asian stock markets, excluding Japan.

Transactions by Group of Investors



Trading Proportion in 2002



Trading Proportion in 2001

The average daily turnover on the SET improved considerably in 2002, with a 30% increase from 2001 to a substantial B8,357 million. Trading value soared to B23,173 million on May 29, and dipped to a low at B1,516 million on December 25. Foreign investors were net buyers in 2002 for the first year in four years, to the tune of B14,338 million, reflecting their increased confidence in the recovery of the Thai market.

Stocks Supported by Domestic Factors

The impressive upturn in Thai stocks in the earlier part of 2002 arose from improvements in internal factors:

- GDP growth clearly exceeded expectations, at 3.9%, 5.1% and 5.8% and 6.1% in each quarter of 2003, respectively.
- With interest rates on bank deposits at historical lows, investors in search of higher returns opted for investment in stocks.
- Most listed companies registered impressive profits in the first three-quarters of 2002. 79% of listed companies reported financial statements showing total net profits of B147,935 million, a 10% increase from the same period a year earlier.

In the latter part of the year, however, negative factors on the external front hindered the performance of Thai stocks. These included damage confidence in listed companies generally in the wake of US corporate scandals, the threat of a possible war in Iraq, and uncertainties in the outlook for global economic growth. It should be noted, however, that these factors not only hurt sentiment on the local market but on stock markets worldwide as well.

Outlook for Capital Markets and Stock Market Investment in 2003

Stocks Supported by Continuing Positive Internal Factors

Even though external factors are likely to remain uncertain in 2003, investment in the stock market is expected to show a continued positive trend given supportive internal factors of strong economic growth, improving performances of listed firms, and low interest rates. Hence investors should continue to favor investment in the stock market in 2003.

Recovery of the economy should be sustained in 2003, although GDP growth could be more modest than that in 2002. The NESDB projects GDP growth in 2003 to be between 3.5% and 4.5%, which represents a positive backdrop for possible continued gains on investments in the stock market.

Foreign Analysts Recommend Overweight in Thai Stocks

Most foreign analysts anticipate that the economy of Thailand will continue to expand at an impressive pace in 2003. This bright outlook points to the SET as one of the most attractive exchanges in the region. This is evident in the recommendations made by Merrill Lynch, ING, Credit Suisse First Boston, and JP Morgan that investors' portfolios be overweight in Thai stocks. If nothing goes wrong, it is likely that foreign investors will continue to be net buyers in 2003.

Listed Companies Earnings Performance Should Improve Further

With the domestic economy viewed as likely to maintain its momentum in 2003, the operating performances of listed companies are expected to improve further. The property development and building materials sectors should be among the best performers, and the energy sector could become exceptionally attractive if war breaks out in Iraq. Banks and finance companies are expected to show higher profitability in line with growth in consumer loans, while securities firms should enjoy increased income from underwriting and brokerage fees.

New Listings to Broaden Stock Investment Alternatives

In 2003, the SET intends to continue its strong efforts to persuade more companies with good potential to undertake stock market listing. It is therefore expected that the number of new listed companies will reach 60 by the end of this year. Half of these companies are likely to be listed on the SET and the other half on the Market for Alternative Investment (MAI). This boost to the variety of investment products on offer, a broadening of the market, will make the Thai market even more attractive to investors.

Resolution of Overhanging Conflict in Middle East

If the conflict in Iraq is not resolved quickly, the uncertainties will continue to be a factor discouraging investment in the stock market. Some investors may hold back on investing in stocks until the tensions have subsided. However, foreign investors may decide to shift some capital to the Thai market, seeking a lower level of risk compared to other international markets. Furthermore, many analysts expect the conflict in the Middle East to be resolved within the first half of 2003, which would clear the way for a resurgence in securities trading activity in the second half of the year.

Important Developments at the SET in 2002

Throughout 2002, the SET has stressed changing its operations to make them more in line with the Thai Capital Market Development Master Plan. Appropriate adjustments were made to meet the changes in the economy, capital markets, and investors' needs to develop and strengthen the securities business as well as the capital markets. The SET has focused its resources on proactively creating more transparency and good governance. These endeavors are designed to enhance the quality and quantity of investment instruments in the SET and the MAI. Expanding and strengthening the base of investors and improving efficiency while reducing operational costs was also stressed as was adjusting the supervision structure of the capital markets. The results were impressive. More companies listed and trading turnover in 2002 grew from the previous year. Other reasons for the success were the government's supporting schemes, as well as improved economic conditions and operational performance of listed companies. All of the SET's major developments can be summarized as follows:

Enhancement in the Quantity and Quality of Investment Products

In 2002, the number of listed securities on the SET and MAI increased significantly. There were a total of 47 newly listed securities on the SET comprising of 18 common shares, five unit trusts, and 24 warrants. A list of the newly listed companies follows:

Company		Listing Date
ITV Plc.	(ITV)	13/03/02
M-Link Asia Corporation Plc.	(MLINK)	03/04/02
Bangkok Aviation Fuel Services Plc.	(BAFS)	04/04/02
Major Cineplex Group Plc.	(MAJOR)	23/05/02
TICON Industrial Connection Plc.	(TICON)	13/06/02
Sicco Securities Plc.	(SSEC)	17/09/02
Asset Plus Securities Plc.	(ASSET)	18/09/02
Finansa Plc.	(FINANSA)	25/09/02
AAPICO Hitech Plc.	(AH)	17/10/02
Krungthai Card Plc.	(KTC)	28/10/02
GMM Media Plc.	(GMMM)	22/11/02
Lalin Property Plc.	(LALIN)	28/11/02
Millennium Steel Plc.	(MS)	29/11/02
(Listing status transferred from NTS Steel Group Plc.)		
Power Line Engineering Plc.	(PLE)	12/12/02
Charn Issara Development Plc.	(CI)	16/12/02
Trinity Watthana Plc.	(TNITY)	18/12/02
Ratchthani Leasing Plc.	(THANI)	19/12/02
President Bakery Plc.	(PB)	25/12/02

For the MAI, there were a total of nine newly listed securities comprising of six common shares and three warrants. The six newly listed companies on the MAI are as follows:

Company		Listing Date
Chuo Senko (Thailand) Plc.	(CHUO)	31/01/02
Traffic Corner Holdings Plc.	(TRAF)	05/06/02
Daidomon Group Plc.	(DAIDO)	30/07/02
Shun Thai Rubber Gloves Industry Plc.	(STHAI)	01/08/02
Yuasa Battery (Thailand) Plc.	(YUASA)	09/08/02
Siam Future Development Plc.	(SF)	17/12/02

The expansion resulted from the establishment of the "Capital Market Opportunity Center" (CMOC) to undertake proactive marketing strategies to convince potential companies to list as well as to develop existing listed companies. The CMOC has worked with over ten other institutions in nominating committee on potential listed companies and has obtained information on 190 target companies. By coordinating with other organizations, the Center has provided guidance for companies preparing to list and has selected financial advisors for them. Moreover, the SET has helped privatized state-owned enterprises by providing listing advice and organizing training programs for 11 interested enterprises.

The SET has also strove to develop the quality of existing listed companies. Listed companies were encouraged to use a wide array of financial instruments to increase their liquidity. These instruments include: stock splits, stock dividends, and treasury stocks. The SET has also adjusted the market-maker rules and regulations, and lowered the burden of listed companies through relaxation of the rules and regulations. An example of the last point could be an infrastructure-related business would be able to list on the Exchange even if it is under construction and has no operational income. All this was made even easier by the SET shortening the listing process.

There are other ways in which the SET has developed the quality of existing listed companies. By coordinating with the Thai Asset Management Corporation (TAMC), the SET has helped the listed companies undergoing debt restructuring by speeding up the process and making it more effective. At the same time, the SET has tried to increase investment in NVDRs by drafting new regulations which allow foreign investors to transfer their NVDRs into shares. The NVDRs are to be queued for shares through the Thailand Securities Depository's system whenever the foreign room of those shares is allowed. However, to be eligible for this queuing process, investors must first have their shares deposited in the scripless system.

The SET has also helped develop derivatives products as another investment alternative and risk management tool. The SET has discussed the issue with related parties to find ways of preparing the market for this type of trade. The SET has also organized a course on derivatives instruments to develop better understanding of this field and to increase the number of knowledgeable and capable personnel in the market to promote derivatives in the future.

Enlargement of Investor Base

The SET has organized a number of ongoing activities to educate and advise the public about investing, both in Bangkok and in the provinces. Some of these activities were the "SET in the City", the SET roadshow to the four regions of the country and SET-organized seminars on investing. The number of trading accounts increased to 241,435 as a result with 47,654 accounts being active. It has also established a new subsidiary, the Family Know-How Company Limited, to educate the public on financial and investment matters using educational-cum-entertainment types of programs to ensure mass appeal. Moreover, the SET, in conjunction with SETTRADE.COM, has arranged activities to promote trading through the Internet to targeted youth groups through a football tournament. The SETTRADE-AFC-U14-Festival 2002 aimed at enhancing understanding of investing through the development of www.settrade.com, an investment portal website that provides access to investment education and information.

The SET has also been striving to educate the public and expand the base of quality investors in the long run by producing and distributing publications. As part of this, the SET also organized a youth educational program through the SET-JAT (SET Junior Achievement Thailand) and coordinated it with the Department of Curriculum and Instruction Development under the Ministry of Education. The program developed a curriculum for elementary and high school students that will provide them with a foundation in finance and investment. The SET's Thailand Securities Institute, with its determination to develop quality personnel for the capital market, has developed courses and provided scholarships for recent graduates wanting to become qualified marketing representatives of equity products. In 2002, the Securities Institute also developed an e-learning system that had 11,507 participants.

Another way the SET has developed the investor base was by establishing some organizations. The Investor Relations Club (IR Club), for example, aims at fostering good relations between listed companies and investors. Presently it claims 158 companies have already joined. Another organization the SET helped create was the Investor Club. Organized with the help of the Thai Investor Association, this organization strives to develop the status of investors and protect their rights, making it an important engine to effectively increase the investor base. In further effort to create a quality investor base, the SET coordinated with securities companies to establish the Quality Service Association. This organization provides quality services aimed at retail investors in the stock market and currently has a membership of 25 securities companies.

Promotion of Good Corporate Governance

The SET continued to support good governance, in line with the Capital Market Development Master Plan. The SET marked the year 2002 as the beginning of the good corporate governance campaign by establishing the Corporate Governance Center (CG Center) and providing an advisory team. The CG Center is designed to be an information center and provide advisory service for directors and executives of listed companies wanting to improve their corporate governance. In the past year, the Team has met with executives from 86 companies and has drafted guidelines to ensure good governance and serve as a reference for both member and listed companies. It has also distributed this through radio and television programs, CD-ROMs, publications, and the SET website, as well as holding activities to educate executives.

The SET also supported good governance practices through recognition and incentives. It offered a 50% discount on the annual listing fee for two consecutive years to three listed companies that received good governance scores: Bangkok Aviation Fuel Services Plc. (BAFS), Electricity Generating Plc. (EGCOMP) and Thai Farmers Bank Plc. (TFB). Moreover, financial support was also granted to the directors of listed companies to undergo training in a Director's Certification Program at the Thai Institute of Directors Association (IOD). The grant has been given to two directors from each company, so that in 2002 a total of 143 directors participated in the training course.

Enhancement in Efficiency of the Market Infrastructure

The SET implemented a number of important improvements to enhance efficiency and lower costs in the securities industry. These include supporting sub-brokers to become members of the SET. In 2002, nine sub-brokers were upgraded to brokerage status: TRINITY Securities Co., Ltd. (TRINITY), Bualuang Securities Co., Ltd., (BLS), Finansa Securities Co., Ltd. (FINANSA), Credit Suisse First Boston Securities (Thailand) Ltd. (CSFB), ASSET Plus Securities Co., Ltd. (ASSET), CLSA Securities (Thailand) Ltd. (CLSA), HSBC Securities (Thailand) Ltd. (HSBC-S), Syrus Securities Co.,Ltd. (SYRUS), and Globlex Securities.co.,Ltd. (GLOBLEX). In addition to this, Far East Securities Co., Ltd. (FES), previously known as Dhana Siam Securities, temporarily ceased operations from June 1, 2000, but has resumed sending trading orders in December 2002. This brings the total number of member firms to thirty-six now.

The SET has also set a minimum commission fee at 0.25% starting from January 14, 2002 and has asked securities companies to improve the quality of their services for investors. This move resulted in an earnings rise from the previous year for securities companies. Furthermore, an e-payment system connected to the online banking system of commercial banks has been developed. It facilitates the share subscription of investors through banks and financial institutions. An additional benefit is it has shortened the duration of time needed to list shares to five days from when the share subscription ends. Apart from this, the "Back Office Service Bureau" was also created to enhance efficiency while reducing costs of member companies. The educational service center also manages to keep related parties updated on technological applications that could benefit them.

Apart from this, the SET has actively supported the implementation of Thailand Securities Depository (TSD)'s scripless system. The securities deposit system has been expanded to listed companies so more investors will add their shares to it. At the end of 2002, 69 companies have signed up for the scripless program. The TSD also expanded its back office and fund registrar services to asset management companies thereby supporting the growth of the provident fund business. At the end of 2002, the company had already acted as a registrar for eight provident funds.

Creating Transparency and Fairness in Securities Trading

Supervising trading activities in an appropriate way with honesty and fairness is another one of the SET's objectives. In 2001, the SET discovered 46 possible cases of irregular or unfair trading that might have involved news hoax dissemination, price manipulation or insider trading. As a result, the SET has conducted an examination and has determined that they were likely to have violated the Securities and Exchange Act of B.E. 2535. Out of these cases, the SEC has already adjudicated four while six are still under examination.

Furthermore, the SET has scrutinized and exercised its power to restrain trading that might lead to illegal actions in a quick and timely manner to prevent damage to the whole system. In 2002, the SET decided to prosecute these three cases and decided to suppress and punish 47 convicted securities companies and their officers. Four of the convicted have stopped their actions. To date, 16 securities firms were warned and one was given 100,000 baht fine. Two licensed officers were put on one-year probation, two others were fined between 25,000-50,000 baht, six were suspended for a period from 1-6 months, one was barred from all operations in the securities business for three months and fifteen received written warnings.

Organization Development and Alliance Creation

- **Organizational Development**

The SET has adjusted its organizational structures to enhance greater efficiency and flexibility in responding to the demands of the capital market and all the stakeholders appropriately. SET's board of governors has been restructured to include representatives from all stakeholder groups comprising of

member companies, listed companies, and experts in the economic and financial sectors. Moreover, it has also adjusted its administrative structure within the organization as well.

- **Alliance Creation**

The SET built alliances and coordinated with related organizations both in the Thai and global capital markets to achieve its planned targets. In the past year, the SET signed a Memorandum of Understanding (MOU) with the Chittagong Stock Exchange (CSE) for the exchange of information and experience. On December 13, 2002 the Prime Minister of Bangladesh, Mrs. Begum Khaleda Zia, and the Thai Prime Minister, Dr. Thaksin Shinawatra, presided over the ceremony.

On March 21, 2003, the SET was honored to host the 21st General Assembly of the East Asian and Oceanian Stock Exchanges Federation (EAOSEF). Senior executives from 14 member organizations in 12 countries attended the Assembly to discuss ideas on the development of each exchange and brought into the discussion issues important to global capital markets.

Apart from this, on November 18-19, 2002, the TSD hosted the 6th General Meeting of the Asia-Pacific Central Securities Depository Group. Twenty-five senior executives of member depository institutions attended coming from 17 countries in Asia and the Pacific. The Meeting has helped to cultivate close relations among members and was a good opportunity for members to exchange knowledge and experience.

Market for Alternative Investment Creates Opportunities ... Equips Readiness for SMEs

Ms. Sopawadee Lertmanaschai
Chairman of the Executive Committee
Capital Market Opportunity Center and MAI

Thailand's current economic development strategy places top priority on strengthening Small and Medium Enterprises (SMEs). With as many as 1.6 million SMEs in Thailand (accounting for 99% of the total businesses), they are an important foundation in the country's economic development. The ever changing and competitive modern business environment has forced the SMEs to be adaptive in order to survive and flourish. Although the SMEs by their nature are more adaptive than larger enterprises, they still encounter some problems that hinder their full potential. One such impediment is the lack of low cost funding.

The SET recognizes the importance of supporting SMEs to access funds through the capital markets. As a result the SET has established the **Market for Alternative Investment (MAI)**. The MAI serves as a source of long-term funding for various promising SMEs; especially those in export businesses, service or industrial sectors with growth potential, and the sectors considered by the government as strategically important for economic recovery.

The MAI focuses its operations on satisfying the investors' demand by developing quality products that are interesting and diverse in terms of size and types of businesses. The criteria in accepting SMEs as a listed company are mainly based on the disclosure of accurate, timely, and sufficient information. The disclosure standards of the MAI are on par with those of the listed companies of the SET. The MAI emphasizes flexible and lean management. It is also keen on coordinating with other related organizations to prepare the SMEs to enter the capital markets.

Provides New Fund Raising Opportunities for SMEs

The MAI is a new channel of fund raising for the SMEs, which previously lacked access to the capital markets. Now potential SMEs can utilize the capital markets just like their larger counterparts. The MAI helps them to raise long-term funds necessary for realizing business expansion objectives, but without the burden of interest, while adding flexibility to their financial management.

As a secondary market, the MAI also facilitates debt-restructuring processes. This occurs where there is a debt-to-equity conversion by creditors or recapitalization by strategic partners, through the creation of liquidity in the shares held by financial institutions or new investors. Such liquidity provides incentive as well for venture capitalists to invest more in SMEs with growth potential. This in turn benefits young and growing businesses that need capital for expansion.

Since the first day of trading on September 17, 2001, there are many SMEs that have shown interest in capital raising and listing their securities on the MAI. At the end of 2002, nine companies listed on the MAI with 12 listed securities. This compares favorably to only three listed companies and four listed securities a year earlier. Among these listed companies, a number of them have achieved strong and sustainable growth. Meanwhile, many prospective SMEs are preparing to list on the MAI.

Augments Readiness for SMEs Business Management

The MAI remains committed to helping companies both before and after listing, so that they can conduct their businesses efficiently and competitively as well as enjoy long-term prosperity. Therefore the MAI has cooperated with related organizations, such as the Institute of Certified Accountants and Auditors of Thailand and the Institute of Internal Auditors of Thailand to organize training for the SMEs. The training sessions focus on enabling companies to list efficiently and quickly. The MAI helps listed companies increase productivity and efficiency through seminars in business management, marketing, accounting, and finance. Additionally, the MAI acts as the liaison between the listed companies and the organizations, both private and public, by providing consultative services on various areas of management.

Tax Incentive to Encourage SMEs Fundraising through the Capital Markets

The government uses tax incentives for listed companies to raise funds through the capital markets in an effort to develop the long-term potential of businesses in the country.

Companies listed on the MAI enjoy more tax incentives than those listed on the main market. MAI listed companies are granted a corporate income tax reduction of 10%, that is 20% rather than the normal rate of 30%, for five consecutive accounting periods. Meanwhile, SET listed companies are given a 5% tax deduction.

Major Progress

In 2002, the MAI has continued the marketing efforts via cooperation with more than 10 strategic partners. The efforts were aimed at:

- expanding the base of prospective companies
- reaching target groups
- increasing the know how of the management of listed companies,
- informing and educating investors about MAI investment opportunities

[mai: Big Opportunities for SMEs that "THINK BIG"]

The year's achievements can be summarized as follows:

- Implementing aggressive marketing strategy to directly provide information and advice to more than 200 target companies.
- Listing six new companies and 18 new securities, a significant increase from the previous year's three newly listed companies and four newly listed securities. The total number of listed companies is nine, with 12 listed securities and market capitalization of B3,798.47 million.
- Investors have become more interested in trading MAI securities. The total trading value for the year 2002 is B14,200 million, and the average daily turnover is B57.96 million, an increase of 107.6% from B27.92 million in 2001.
- The launching of the MAI index on September 3, 2002. The index is based on the same calculation method that the SET index uses, and it includes all MAI listed common stocks. The index base date was September 2, 2002, with an index value of 100. At the end of 2002, the index closed at 127.49.

Plans in 2003

The MAI will continue its aggressive marketing strategies to continuously expand the quality product base. Full support will be given to 20 prospective companies that have appointed financial advisors in order to expedite their listings. Direct efforts to contact with potential SMEs in order to provide information and advisories will continue as well. The MAI also plans to work closely with its partners: The Federation of Thai Industries, The Thai Chamber of Commerce, The Board of Investment of Thailand, The Industrial Finance Corporation of Thailand, Small and Medium Enterprise Development Bank of Thailand, Export-Import Bank of Thailand, and the Office of Small and Medium Enterprises Promotion. It will assist the target companies in strengthening their business operations and preparing themselves to become listed companies through direct contact, training, and seminars. In its public relations plans, the MAI will use all media types and direct the message towards a wide audience, particularly business operators, who need capital for expansion, and investors seeking new investment channels.

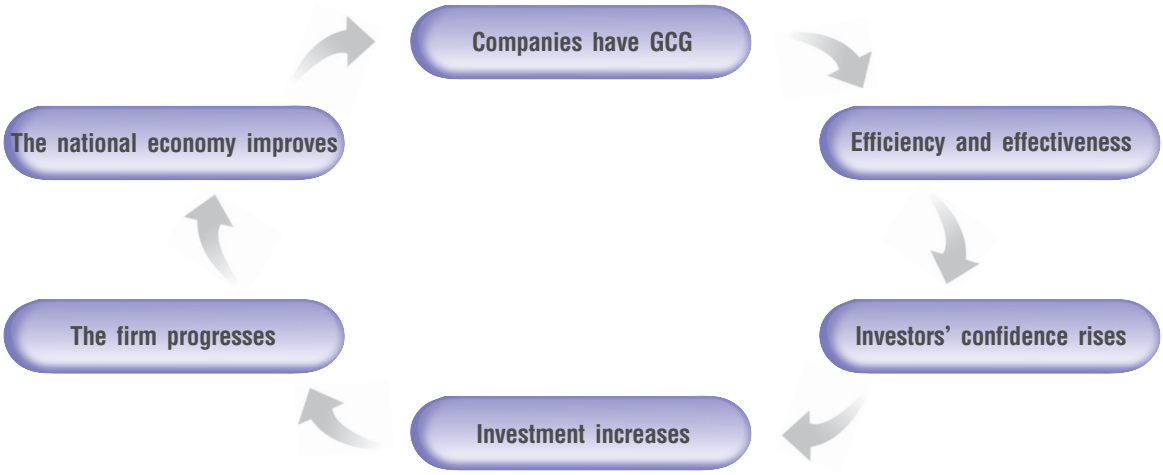
Operate with Transparency

Good Corporate Governance :
A Development Mechanism Vital for the Thai Capital Markets

As a result of US corporate scandals, confidence among global investors has been low. Thus it is imperative for Thailand to develop an attractive and transparent investment climate in the Thai capital markets. One way to do this is to increase the quality of listed companies in the Thai market. This includes making the companies more transparent, the roles of their executives more clear and to give more consideration to the rights of shareholders and all stakeholders. The mechanism that will help support this development is the **Good Corporate Governance (GCG)**.

The government has realized the importance of GCG and hence proclaimed that the year 2002 will be the start of the "GCG system development" campaign. The SET realizes how significant this is in increasing global investors' confidence, so GCG has became a part of the Capital Market Development Master Plan. The National Committee on GCG was established in February 2002 having the Prime Minister as Chairman and distinguished members from public and private sectors as committee members. The Committee will be a support center in developing good corporate governance standards for the country. Moreover, six subcommittees have also been appointed to establish the work plan and to carry out activities to promote the existence of good governance in every area of business. Some of the targeted areas include amending and enforcing relevant laws, improving accounting standards and specifying guidelines for best practices among listed companies. Some of the specific industries that are targeted include commercial banks, finance companies, insurance firms and securities companies. Furthermore the Committee intends to ensure appropriate training as well as widely publicizing Thailand's activities in regard to good corporate governance.

Good Corporate Governance and the Benefits to the Stakeholders



- **An instrument for creating a company's efficiency and effectiveness**

Good corporate governance is also an instrument used to examine the efficiency of the firm. This is because according to GCG principles, management will have to report to the directors on a regular basis. Meanwhile, the directors should supervise the management to manage the company in accordance with the company's objectives so as to maximize the shareholders' benefits. This cross-reporting and -supervising system will prevent or reduce vulnerable risks that may occur. It will also result in more transparency, higher efficiency and increased effectiveness in the operation. According to research studies conducted by McKinsey and Credit Lyonnais Securities Asia (CLSA), it was found that companies with GCG also have good operational performance, reflecting a close correlation between these two factors. Moreover, when compared to rival companies without good governance, well-governed firms apparently have a competitive advantage in terms of strategies and management. This is due in part because the company will have internationally accepted work standards that result in enhanced competitiveness.

Companies with good governance will have transparent management. This helps prevent the malfeasance of the directors and management as well as significantly promotes the confidence of the stakeholder groups and investors to invest and support the companies. Therefore, it can be said that good corporate governance can increase shareholder value, build up the initiatives and confidence in investment, and help increase share prices as well.

- **A major foundation in trust building in the Thai capital markets**

Good corporate governance can create tremendous added value to the country. For Thailand this is especially true, as it still needs foreign capital for its development. Foreign institutions and investors place great importance on GCG thus they are reluctant to invest in companies that don't operate with

transparency or fail to thoroughly disclose information. It was found from CLSA's research, in April 2001, that foreign investors viewed Asian GCG standards to be lower than those in the United States. Thus they felt they were making associated risks and required higher returns of 1-4% to compensate for the perceived risks. Another research project also indicated that foreign investors prefer investing in companies with good governance to those without it even though their financial positions are comparatively similar. It thus shows that GCG is a major factor investors take into account when making investment decisions. An apparent example is the investment policy of California Public Employees Retirement System (CalPERS), a large pension fund for Californian government officers with USD 150 billion worth of funds under their management. One major criterion that CalPERS considers is how well-governed companies are when they make their investment decisions. This demand for the existence of good corporate governance has forced more and more companies to adopt GCG practices to attract investors, especially those from abroad.

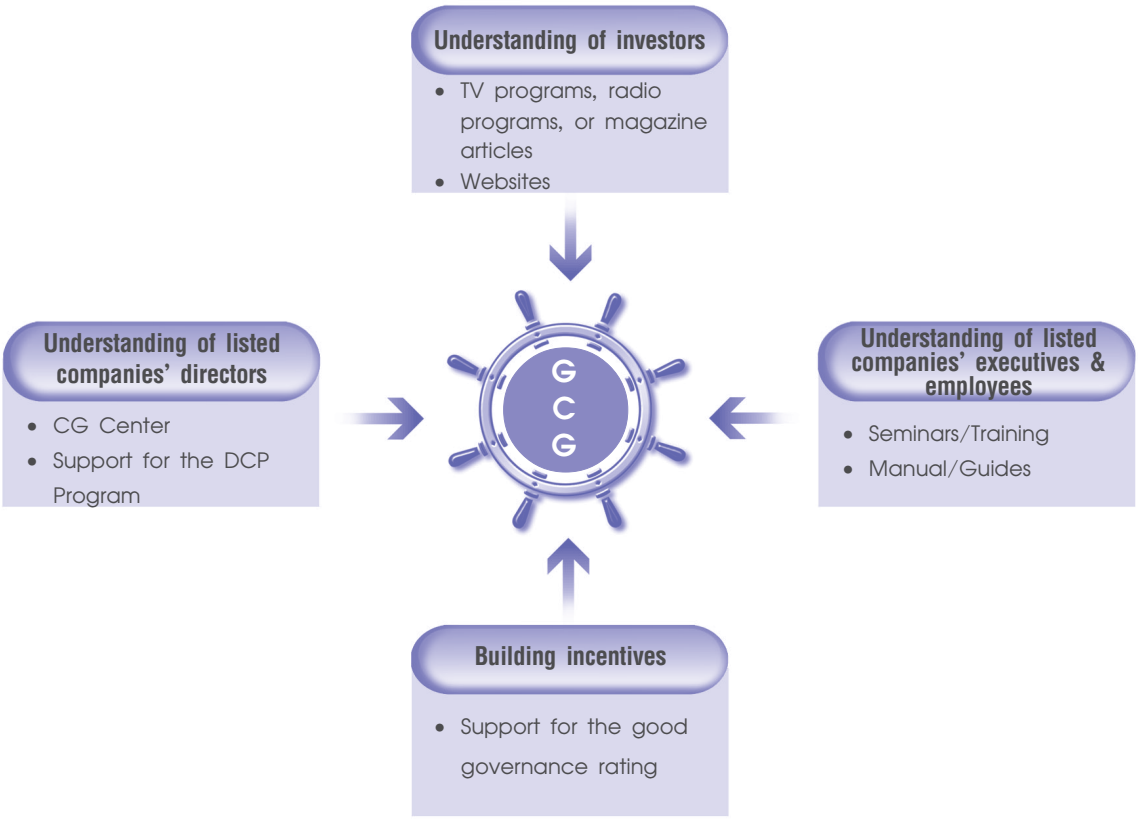
It is clear that transparent good governance is the key to making the Thai economy and capital markets more competitive globally. Both public and private organizations therefore place high priority on good governance as they realize that it will be difficult for local and foreign investment to rise without it. GCG is even more strategically important when the economy is recovering and needs to build up confidence in the capital markets. With the virtues of GCG made clear, it is easy to see why the SET and the Thai government feel it GCG is the main mechanism for developing the Thai capital market and economy.

The Role of the SET in Promoting GCG

The SET has embraced the GCG concept since 1995. Since then, it has been playing a key role in promoting GCG in the listed companies. During 2002, the year of building a GCG system, the SET has implemented various measures to promote understanding, as well as support and encourage practical good governance practices. SET kicked off the promotion by disseminating fifteen principles of good corporate governance to the listed companies. The principles stipulate that the companies report their

good governance practices in the Annual Information Report Form (form 56-1) and the Annual Report starting from the accounting period ending December 31, 2002 onwards.

Whether the listed companies can practically implement these fifteen principles depends on the cooperation of the relevant parties. Promoting understanding amongst the directors, executives, and employees of listed companies plus stimulating investors who are shareholders of the companies to realize the benefits of good governance are vital strategies in supporting extensive GCG implementation. Furthermore, creating incentives is another important strategy in supporting the implementation of pragmatic GCG principles.



- **Promoting GCG to listed companies' directors**

SET has, therefore, established the **"Corporate Governance Center"** (CG Center) in July 2002 to be an advisory and information center on corporate governance for the directors and executives of listed companies, as well as for companies in the listing process. The advisory group to the CG Center comprises Professor Hiran Radeesri, Professdor Kovit Poshyananda, Mr Singh Tangtatswas, and Mr Yuth Vorachattarn.

From its establishment to the end of 2002, the CG Center has met with 86 companies in various sectors, both listed companies and those in the listing process. Making these companies aware of GCG is a good start. Although they have not yet implemented all the principles, they have shown strong determination in eventually achieving all principles. Furthermore the SET has also supported the directors of listed companies to attend a training course on GCG by subsidizing 50% of the course expenses.

- **Promoting GCG to listed companies' executives and employees**

Apart from the understanding of the directors, that of the executives and employees is equally important, as they are the people who really put the principles into practice. The SET stresses promotional activities to improve executives' and employees' understanding of GCG. Various activities have been actively held on an ongoing basis throughout 2002. These include holding seminars in conjunction with related public and private organizations and producing manuals and practical guidelines to support the implementation of the fifteen good governance principles. Some of the guidelines include things as examples of a good governance report, a self assessment form, a manual on good governance reporting, information on the directors' and executives' remuneration, and the Board's self assessment.

- **Promoting GCG to investors**

Investors are a significant driving force in getting companies to adopt GCG as they are shareholders and have rights and responsibilities in supervising the companies via the appointed directors. In other words, the investors have indirect influence over the companies. Nevertheless, how efficiently investors will exercise their rights depends on their understanding of GCG. To educate them about their roles and rights, the SET has organized activities through different media including feature programs on TV and

radio and magazine articles. Moreover, the SET has also collaborated with the Securities and Exchange Commission (SEC), the Thai Institute of Directors Association, and the Bank of Thailand in producing Thailand's good corporate governance website, www.cgthailand.org. This site, which will be launched in 2003, is aimed at informing all interested parties about GCG and its implementation in Thailand.

- **Creating incentives**

The SET, in conjunction with the SEC, the Business Development Department, and the Revenue Department, provides support for listed companies to participate in the good governance rating program of Thai Rating and Information Services Co., Ltd. (TRIS). This is designed to help listed companies assess their governance and learn what to improve to be in line with good governance principles. Companies that achieve a rating of seven points or more will receive a 50% reduction in their annual listing fees by the SET for two consecutive years. In case the savings from the discounted fees does not fully compensate the expenses incurred from the rating process, the SET will additionally grant financial support for the excess amount when companies publicize their ratings. But these benefits will only be granted for companies applying for the rating before the end of 2003.

In 2002, there were three pioneer listed companies receiving a "good to very good" rating, which reflected the quality of listed companies in general. These three are Bangkok Aviation Fuel Services Plc. (BAFS), Electricity Generating Plc. (EGCOMP), and Thai Farmers Bank Plc. (TFB). In recognizing their good work, publicizing their achievement, and encouraging others companies to improve their governance, the SET, the SEC and TRIS held a ceremony to award these companies.

The SET's Direction and Policies in Support of Good Corporate Governance

The SET has continually placed importance on activities that support GCG in the capital markets. In 2003, it will undertake promotional strategies through the CG Center to advise directors and executives of the listed companies on how to make "best practices" manuals. The documents produced by the Center include the "best practices" of the shareholders, risk management, and a manual for the listed companies' directors.

The SET will also collaborate with related organizations to promote the good governance of listed companies in Thailand to foreign investors and related parties such as rating institutions. They then will be kept abreast of the progress in making Thailand's GCG in line with international standards. This is designed to enhance the confidence of foreign investors and organizations towards the quality of Thai listed companies, thus stimulate investment in the market. Building the trust of local and foreign investors based on good governance will be an important element for developing sustainable Thai capital markets, making it attractive to investors, as well as preparing it to be a fundamental force that drives the Thai economy.

Accountable for
Operational Mission

Compliance with Good Corporate Governance Principles

Policy on Good Corporate Governance (Principle 1)

The SET Board of Governors recognizes that good corporate governance is an essential foundation for elevating operating standards of organizations. Good corporate governance promotes transparency in the performance of duties and supports creditability of organizations. It also strengthens competitiveness of businesses and secures confidence of investors and all parties concerned in the good corporate governance practices of organizations.

To encourage other organizations to implement good corporate governance, the SET Board of Governors has initiated various policies and practices which can be categorized into five areas. These are rights and equality of stakeholders, Board of Governors´structure, roles, duties, responsibilities and independence, information disclosure and transparency, control and risk management, and business ethics. These policies and practices have been actively implemented with the view to accomplishing all the 15 principles of good corporate governance. The SET has also strongly emphasized the importance of the equitable treatment of all parties, systematic, transparent and auditable operations and the development of a Code of Conduct for the SET that is to be strictly observed by its Governors, committees, advisors and employees.

Rights of Shareholders and Various Groups of Stakeholders (Principles 2, 3, 4)

Although the SET has no corporate identity and shareholders because it is a legal juristic entity , the SET has a social obligation to conduct its business by providing fair and equitable treatment of all stakeholders involved in the Exchange. These include the listed companies, member companies, non-member securities companies, investors, employees and management of the SET and its subsidiaries, trading partners, government agencies and society in general.

Hence, when initiating policies or measures, the SET always takes into account the protection of rights and practices that ensure equitable treatment of all concerned, which include:

- Accepting the opinions or recommendations of stakeholders
- Studying the advantages and disadvantages in an enactment or amendment of rules
- Issuing regulations to protect the interest of investors
- Disseminating useful information for investors through various media
- Organizing activities to inform provincial investors and new target groups
- Establishing units to provide inquiry, advisory and complaint services to stakeholders
- Treating strategic trading partners in a fair, systematic and transparent manner
- Allocating reasonable remuneration to employees and management by clearly defining each unit's scope of work and the code of conduct for performing its duties
- Strictly observing all laws
- Organizing activities for charity and society as a whole

Leadership and Vision (Principle 5)

The SET Board of Governors comprises individuals, who are knowledgeable, competent and experienced in business operations. Since they are elected by a meeting of the member companies and appointed by the Securities and Exchange Commission (SEC), they are independent of the management in terms of interests and decision-making. These individuals are taking part in the development or approval of the SET's visions, missions, strategies, goals, policies and business plans , as well as the supervision of its operations to ensure that the business plan and budget that have been laid down are effectively and efficiently met.

The SET Board of Governors has set up internal control, internal audit and risk management systems for the SET and has appointed its committees to be in charge of supervising and monitoring the efficiency of these systems. Regular review and report of the performance to the meetings of the SET Board of Governors are also required. Furthermore, the SET Board of Governors has clearly and appropriately defined and segregated the roles, authorities and duties of the Board of Governors, the committees and the management, particularly the financial authority, in order to ensure efficiency in the performance of duties, decision making and issuance of orders. These roles, authorities and duties have been clearly communicated to all parties concerned, as well as the SET employees.

Conflict of Interests (Principle 6)

The SET has developed the Code of Conduct for strict adherence by its Governors, committee

members, advisors and employees to prevent insider information from being used and the rise ofconflicts of interest. These individuals are prohibited from using SET information obtained through the performance of their duties to benefit either themselves or others. They are also not allowed to take part in or concealing any act that may cause a conflict of interest with the SET, prevent the performance of duties in an equitable manner, or take part in concealing any illegitimate acts. Moreover, the SET Governors and employees are required to report all of their personal securities trades.

The SET has also required the Governors, committee members and advisors of both the SET and its subsidiaries to execute a Letter of Independence to warrant their impartiality in the performance of duties. In case that they have any direct or indirect interest in the consideration of any matter, they will have to notify the parties concerned in advance and not participate in the consideration. The SET will compile the declarations and report them to the SET Audit Committee within the first quarter of 2003. These declarations are required for every appointment and at the end of every calendar year.

With the view to efficiently eliminating conflict of interests, the SET Board of Governors has approved the SET's Audit Committee Charter. One of the major duties of this committee is to assure that business and morality are in line with the laws, regulations and code of conduct of the SET. Appropriate control systems are available to prevent any conflicts of interest and dishonest acts of employees through various means, including reviewing contracts and any transactions that may concern any related person and reviewing inappropriate acts and conflicts of interest of the employees.

Business Ethics (Principle 7)

The SET's Governors, committees, advisors and employees have acknowledged and agreed to the SET Code of Conduct and adopt it as the principles and personal values which govern performance of their duties for the SET. The scope of this code extends to not only the individuals mentioned above, but also to investors, service users, parties concerned and the public with the view to maintaining the public's confidence in their performance of duties as a securities trading center.

The SET has taken measures to ensure accuracy and transparency in securities trading and non-exploitation of insider information in the performance of duties for the SET. The SET has issued a notification of the its governing practices relating to securities trading by the SET Governors and employees which stipulates that the trading of securities must be done by way of honest investment without exploitation of information or misuse of authority and duties in the SET. SET Governors and employees are not allowed to sell securities held less than 30 days. Furthermore, they must submit a report on securities holding in accordance with the form prescribed within five business days from the date of appointment or the date of securities trading either for their own account or for their spouse or children.

Balance of Power for Non-Executive Governors (Principle 8)

The balance of power of the non-executive Governors is structured so that they are predominantly non-executives. None of them is a SET executive except the President who is an ex-officio Governor. Therefore, the power and independence between the SET Board of Governors and the management is well balanced, while the policy making, implementations and supervision of the SET remains efficient.

The SET has taken measures to ensure that the duties of the SET Board of Governors are performed by a group of qualified, knowledgeable and competent individuals who can properly balance the power of the management. The SET Board of Governors comprises 11 Governors viz. the President who is an ex-officio Governor, another five experts appointed by the SEC and another five experts appointed by a meeting of the member companies. The five experts appointed by the SEC must be fully qualified as stipulated by law and the rules and guidelines prescribed. This means they are to be devoted to the SET's development rather than protecting the interests of any party or group. The other five experts are divided into two groups, one of which consisted of three individuals nominated by people authorized to sign to bind the company, the managers, deputy managers or persons holding equivalent position of the member companies. While the other two individuals are nominated by the nominating committee, but are not authorized to sign to bind the company, the managers, deputy managers or persons holding equivalent position of the member companies.

Aggregation or Segregation of Positions (Principle 9)

The Chairman of the SET Board of governors is a governor elected by the Board of Governors. This individual can not be the President and must be independent of the management. This ensures that the duties of policy making, supervision and management of routine work are distinctively allocated and the balance of power is well secured.

Remuneration of Governors and Top Executives (Principle 10)

The policy formation and remuneration principles for the SET Board of Governors and top executives is clear, transparent and fair. The Governors receive monetary remuneration at a monthly rate which the SET member companies have approved. The member companies believe the rates commensurate with the knowledge, competencies, duties and benefits anticipated from the performance of their duties and are comparable with the average rate of remuneration of the directors of listed companies.

The eleven committee members are remunerated B3,810,000 annually for their services. The Chairman of the SET Board of Governors also receives an official vehicle and driver and the vehicle's operating expenses.

The Governors, whom are delegated the duties of committee members, will also receive extra monetary remuneration as appropriate. For instance, the members of the Executive Committee, will receive monthly remuneration totaling B3,070,000 annually, and the members of the Audit Committee will receive monthly remuneration totaling B1,050,000 annually.

The six executives at the top level receive remuneration totaling B38,284,155.58 annually, as well as non-monetary remuneration that includes an official vehicle, driver, operating expenses for the official vehicle, medical expenses, life and accident insurance premiums. Such remuneration has been scrutinized by the Compensation Committee and the SET Board of Governors based on the performance of each

executive and the overall result of operations of the Exchange. It is reasonable and comparable to the rate of remuneration of executives in private sector with the view to retain the executives whose qualifications the SET requires.

Meetings of the SET Board of Governors (Principle 11)

Meetings of the SET Board of Governors are scheduled in advance on a yearly basis so that the Governors and executives will know the schedule and allocate the time for attending the meetings. Regular meetings are held on a monthly basis and special meetings may be convened as necessary. The Office of the Secretary has been assigned to perform the duty of corporate secretary. The duties include:

- Preparing invitation letters which must clearly specify the meeting agenda
- Distributing meeting documentation seven days before the date of the meeting so as to provide the Governors with adequate time to study the details before attending the meeting
- Organizing the meeting by providing sufficient time for the management to propose the matters and the Board of Governors to exercise due discretion.

The normal length of each meeting is half a day. The Governors may propose additional matters not in the meeting agenda, and their thorough and open discussions are welcomed.

After the completion of each meeting, the Office of the Corporate Secretary will prepare minutes that includes all essential information and submit it to the SET Board of Governors for approval in its next month's meeting. The minutes will then be kept in a systematic manner to allow for easy reference and the Office of the Corporate Secretary will be responsible for providing recommendations, advice or information relating to laws and regulations as requested by the SET Board of Governors, the committees and the President.

In 2002, the SET Board of Governors held a total of 15 meetings which included 12 regular meetings and three special meetings. The attendance of meetings by each Governor can be summarized as follows:

Name	Term Appointed to Office	Attendance (times)/Number of Meetings (times)		
		Ordinary Meeting	Extraordinary Meeting	Total
1. Mr.Chavalit Thanachanan	Aug. 1, 2001 - Jul. 31, 2003	12/12	3/3	15/15
2. Mr.Suvit Mapaisansin	May 28, 2001 - May 27, 2003	12/12	3/3	15/15
3. Mr.Songdej Praditsmanont	May 28, 2002 - May 27, 2004	7/7	2/2	9/9
4. Mr.Suthep Peetakanont	May 28, 2001 - May 27, 2003	11/12	2/3	13/15
5. Mr.Vikit Kachonnarongvanich	May 28, 2002 - May 27, 2004	7/7	2/2	9/9
6. Mr.Charamporn Jotikasthira	May 28, 2002 - May 27, 2004	7/7	-/2	7/9
7. Mr.Anant Asavabhokhin	Sep. 14, 2001 - July 31, 2003	9/12	1/3	10/15
8. Dr.Olarn Chaipravat	Jul. 12, 2002 - Jul. 11, 2004	6/7	1/2	7/9
9. Mrs.Wiwan Tharahirunchote	Jul. 12, 2002 - Jul 11, 2004	7/7	2/2	9/9
10. Mr.Apirak Kosayodhin*	Jul. 12, 2002 - Jul 11, 2004	4/5	1/1	5/6
11. Mr.Kittiratt Na-Ranong	Sep. 10, 2001 - Sep. 9, 2005	12/12	3/3	15/15

Note : Mr. Apirak Kosayodhin, one of the SET Governors, has resigned effective from November 29, 2002

The SET Board of Governors has also introduced self-assessment to review their performance, problems and obstacles experienced during the previous year and improve efficiency in the performance of their duties.

Committees (Principle 12)

The SET Board of Governors has appointed various committees to take charge of reviewing and scrutinizing necessary and significant tasks in order to assist the Board of Governors in the supervision of the Exchange. Because the chairmen and members of these committees are predominantly not the Governors or executives of the SET, the committees can perform their duties as assigned independently. The composition as well as scope of duties and responsibilities of each committee have been clearly defined as shown on Page 39

Controlling System and Internal Audit (Principle 13)

The SET Board of Governors thoroughly understands the significance of an efficient internal control system at both the management level and the operation level. Therefore, it has clearly defined the duties, management power, operation, finance and supervision of the performance of duties of each level to ensure an appropriate balance. The Internal Audit Department is in charge of auditing the internal control system to ensure its efficiency. To ensure that the department remains independent and can fully perform its auditing functions, the SET Board of Governors requires it to directly report the results of the audit to the SET Audit Committee.

Some of the significant elements of internal audit are risk assessment and informing the management of major risks that the Exchange may face. Hence, the SET Board of Governors has appointed a Risk Management Committee in charge of scrutinizing, analyzing and defining the scope and guidelines of risk management of the Exchange. It also reviews problems arising out of excessive risk level, and makes decisions and issues orders to eliminate or control damage that may be caused by the risks. The Risk Management Department is responsible for planning, speculating, emphasizing, controlling and monitoring the risks arising from the Exchange's operations. It also evaluates and reports the risk status of the Exchange to the Risk Management Committee, developing an efficient risk management system, and provides knowledge and prompts employees to recognize the significance of risk management.

Reporting by the Board of Governors (Principle 14)

The SET Board of Governors recognizes that it is accountable for the accuracy, completeness and transparency of financial reports. The financial reports of the SET are found to be true, fair and credible in accordance with generally accepted accounting standards. It also presents the application of the accounting policies that are appropriate and consistently applied, as well as the adequate disclosure of information as per details on Page 56

Relationship with Investors and Groups of Stakeholders (Principle 15)

Although the SET has no shareholders, the SET recognizes that it has the duty to promote and support the adequate, accurate and timely receipt of significant information by all groups of its stakeholders. Hence, the SET has developed various channels for disseminating both current and past information relating to securities trading, listed companies, financial statements, seminars and news. The news is presented in a way to ensure the readers' confidence. It uses printed matter, the www.set.or.th website, and a seven-day library service. The information is accurate and transparent as well as ensures that all interested parties have access to it. The SET has also set up specific units such as the Family Know-How Co., Ltd. and the SET-JAT Program in order to promote accurate knowledge and understanding of the savings and investment opportunities that the Exchange offers. The two units provide fundamental knowledge to interested parties as required for them to make suitable investment decisions. The SETTRADE.COM Co., Ltd. provides knowledge and organizes a variety of activities to promote Internet trading.

The SET has also set up the Client Support Unit to provide inquiry and advisory services and receive opinions and complaints from interested parties. Investors may contact the Client Support Unit via its e-mail address: clientsupport@set.or.th or telephone: (66) 2229-2222 or fax: (66) 2654 -5426

SET COMMITTEE 2002

In 2002, the SET Board of Governors appointed the following committees to carry out duties in line with the Board's policies and principles.

SET COMMITTEE

- Executive Committee
- Audit Committee
- Risk Management Committee
- Remuneration Committee
- Capital Market Opportunity Center Committee
- Legal Committee
- Disciplinary Committee
- Appeal Committee
- Associate Member Committee
- Offences and Punishments for Brokerage or Agent's Fees Charge Committee
- Technology Development Committee
- Back Office Service Bureau Committee
- SET Junior Achievement Thailand Committee
- Thailand Securities Institute Committee

1. Executive Committee

Structure	Name		Position
The SET Chairman	Mr. Chavalit	Thanachanan	Chairman
The SET Vice Chairman	Mr. Suvit	Mapaisansin	Member
The SET President	Mr. Kittiratt	Na-Ranong	Member

Responsibilities of the Executive Committee are as follows :

1. Supervise securities trading
2. Investigate member companies
3. Securities listing and information disclosure
4. Manage human resources, procurement and outsourcing
5. Revise and determine Exchange fees

2. Audit Committee

Structure	Name		Position
Three SET Governors who are not in the Executive Committee, with at least one member knowledgeable about accounting and finance.	Mr. Songdej	Praditsmanont	Chairman
	Mrs. Wiwan	Tharahirunchote	Member
	Mr. Suthep	Peetakanont	Member

Responsibilities of the Audit Committee are stipulated in the Audit Committee Charter and sets out their responsibilities to the SET Board of Governors in relation to the following key subjects:

1. Financial Reporting
2. Risk Management and Internal Control Structure
3. Audit Activities and Audit Coverage
4. Corporate Governance and Integrity
5. Others

3. Risk Management Committee

Structure	Name		Position
Four experts in accounting, finance and risk management	Mr. Songdej	Praditsmanont	Chairman
	Mr.Machima Kunjara Na Ayudhya		Member
	Asst.Prof.Dr.Niwes	Hemvachiravarakorn	Member
	Mrs. Oranuch	Apisaksirikul	Member
Advisor - Risk Management Department	Prof.Dr. Anya	Khanthavit	Member
The SET President	Mr. Kittiratt	Na-Ranong	Member
Senior Vice President - Risk Management	Mr. Supakit	Jirapraditkul	Secretary

Responsibilities of the Risk Management Committee are as follows:

1. Determine the following SET risk management's framework and guidelines and make proposals to the SET Board of Governors for their approval.
   (a) identify departments and transactions encountering significant risk
   (b) identify the amount of business units or acceptable high-level transactions risk
   (c) identify each business unit's loss probability which is higher than an acceptable amount of risk.
2. Examine proposals or reports of the Risk Management Division in order to :
   (a) acknowledge the risk amount of each business unit and overall for the SET
   (b) determine specific risk policies
   (c) acknowledge risk management's consequence or the progress of each department.
3. Examine problems incurred from any business unit having some risk at a higher level than what is considered acceptable as well as command them to reduce the risk or control the probability of loss.

4. Remuneration Committee

Structure	Name		Position
The SET Chairman	Mr. Chavalit	Thanachanan	Chairman
The SET Vice Chairman	Mr. Suvit	Mapaisansin	Member
The SET Chairman of Audit Committee	Mr. Songdej	Praditsmanont	Member
Vice President - Human Resources Department	Mrs.Jiraporn	Koosuwan	Secretary

Responsibilities of the Remuneration Committee are to examine, analyze and propose to the SET Board of Governors the following:

1. Policies and rules concerning remuneration for the SET Board of Governors, President, Advisor, Ex-Committees appointed by the Board of Governors and Executives from Senior Vice President level upwards.
2. Annual remuneration, annual salary adjustment, salary adjustment and all other types of remuneration for the President and the individual Executives.
3. Budgets for the annual remuneration adjustments and annual rewards for the Executives from Senior Vice President level upwards.

5. Capital Market Opportunity Center Committee

Structure	Name		Position
At lease 50% of external experts	Ms. Sopawadee	Lertmanaschai	Chairman
	Mr. Thira	Wipuchanin	Member
	Mr. Kulvat	Janvatanavit	Member
	Mr. Thamnoon	Duangmanee	Member
	Mr. Thep	Roongtanapirom	Member
	Dr. Samran	Bhuanantanondh	Member
	Mr. Vivat	Vinicchayakul	Member
The SET President	Mr. Kittiratt	Na-Ranong	Member
MAI Manager	MAI Manager	(unavailable)	Member

Responsibilities of the Capital Market Opportunity Center Committee are as follows:

1. Determine the policies and direction as well as respond to those from the SET Board of Governors
2. Determine targets, strategies, plans and budgets
3. Determine business organization and administrative guidelines
4. Determine an operation system
5. Determine the authority of the Management Team

6. Legal Committee

Structure	Name		Position
Three legal experts	Mr. Direk	Sunthongate	Chairman
	Mr. Manit	Wityatem	Member
	Mr. Kasem	Sorasakkasem	Member
The SET President	Mr. Kittiratt	Na-Ranong	Member
Senior Executive Vice President - Legal	Mr. Suthichai	Chitvanich	Secretary

Responsibility of the Legal Committee is to provide the SET Board of Governors advice, opinion and recommendations regarding relevant laws including the SET rules and regulations.

7. Disciplinary Committee

Name		Position
Mr. Suvit	Mapaisansin	Chairman
Mr. Machima	Kunjara Na Ayudhya	Member
Mr. Chinnawat	Thongpakdee*	Member
Ms. Yaowalak	Aramthaveethong	Member
Mr. Kittiratt	Na-Ranong	Member

Note: Mr. Chinnawat Thongpakdee, one of the Disciplinary Committees, has resigned effective on December 11, 2002

Responsibilities of the Disciplinary Committee are as follows :

1. Examine any wrongdoing and penalize the individual(s) violating (or in association with the violation of) the SET rules and regulations, then report it to the SET Board of Governors. The following cases remain exempt because the Disciplinary Committee has to examine related facts and evidence and report to the SET Board of Governors to take action accordingly.
   (a) securities delisting
   (b) temporary trading suspension of member company
   (c) membership revocation
   (d) prohibition of specific individuals from becoming listed company executives (being added to SET list of ineligible names)
   (e) other cases as deemed appropriate by SET Board of Governors.
2. Examine and give explicit instructions including taking the necessary action upon any case as deemed appropriate in order to make it comply with the Disciplinary Guilt and Penalty Determination.

8. Appeal Committee

Name		Position
Mr. Hiran	Radeesri	Chairman
Mr. Chaikasem	Nitisiri	Member
Mr. Pratip	Wongnirund	Member
Ms. Nawaporn	Ruangskul	Member
Mr. Sukri	Kaocharern	Member

Responsibilities of the Appeal Committee are as follows :

1. Examine appeals and propose to the SET Board of Governors for further instruction.
2. Examine and give explicit instructions on requests for suspension of execution.
3. Examine and give explicit instructions including taking the necessary action upon any case in order to make it comply with the Determination and Appeal Rules.

9. Associate Member Committee

Structure	Position
The SET Chairman	Chairman
The SET President	Vice Chairman
Managing Directors or Directors delegated by each Member	Member
Senior Vice President - Member Services Department	Secretary

Responsibilities of the Associate Member Committee are as follows:

1. Encourage and support cooperation and teamwork between Members and the SET and between each Member in any operation to comply with SET policies.
2. Hear Members' comments likely to benefit developments in the securities business and capital market in order to propose to the SET Board of Governors.
3. Promote the reputation of the SET, its Members and the Securities Business as a whole.

10. Offences and Punishments for Brokerage or Agent's Fees Charge Committee

Name		Position
Mr. Yothin	Ari	Chairman
Pol.Col.Chaiya	Siriamphunkul	Member
Mr. Kobkiat	Boontherawara	Member
Dr. Chongrak	Rarueysong	Member
Mr. Kittiratt	Na-Ranong	Member

Responsibility of the Offence and Punishment for Brokerage or Agent's Fees Charge Committee is to examine offences committed by and punish any member, non-member securities company, executive or employee of involved companies violating Rules and Procedures for Charging Brokerage and Agent's Fees for the Buying and Selling of Listed Securities and Member's Good Corporate Governance B.E. 2545 dated as of January 11, 2002.

11. Technology Development Committee

Name		Position
Mr. Kittiratt	Na-Ranong	Chairman
Mr. Pakhawat	Kovithvathanaphong	Vice Chairman
Mr. Somjate	Moosirilert	Member
Dr. Surat	Palalikit	Member
Mr. Somkid	Jiranuntarat	Member
Mrs. Nongram	Wongwanich	Member
Ms. Sopawadee	Lertmanaschai	Member
Mrs. Patareeya	Benjapolchai	Member
Mr. Suvit	Mapaisansin	Member
Mr. Wiboon	Perm-Arayawong	Member
Mr. Charamporn	Jotikasthira	Member
Mr. Vites	Techangam	Member
Dr. Wittaya	Watcharawittayakul	Member
Mr. Trin	Tantsetthi	Member
Mr. Patchra	Surajaras	Member
Ms. Twittie	Senivongse Na Ayudhya	Member
Vice President - Information Technology Division		Secretary

Responsibilities of the Technology Development Committee are as follows :

1. Consider the model of business and IT Integration which could better implement the SET's vision of becoming one of the most attractive capital markets in Asia.
2. Consider business operations and business lines which are appropriate for the securities business, beginning with pre-trading to post-trading for a market integrated process and straight through processing.
3. Consider the technological development direction and system architecture which are appropriate for future technology and business developments for the SET and its affiliates.
4. Consider the direction of IT human resources effective skills development to develop knowledge concerning business and technology including the ability to apply technology in any transaction.
5. Consider an appropriate business and technology partner for the SET to be responsible for development of the IT human resources, and computer system, especially that for post-trading and straight through processing.

12. Back Office Service Bureau Committee

Name	Position
Mr. Kittiratt Na-Ranong	Chairman
Dr. Surat Palalikit	Member
Mrs. Nongram Wongwanich	Member
Ms. Sopawadee Lertmanaschai	Member
Mr. Somkid Jiranuntarat	Member
Mrs. Chanisa Tongsudjaitham	Member & Secretary

Responsibilities of the Back Office Service Bureau Committee are as follows:

1. Consider the structure of the management, services and fees.
2. Provide and propose business plans and budget plans to the SET Board of Governors.
3. Follow up on the progress to ensure compliance with the plans and provide annual reports of the business operation.

13. SET Junior Achievement Thailand Committee

Name	Position
Dr. Chai-Anan Samudavanija	Chairman
The SET President	Member
Director-General, Department of Curriculum and Instruction Development, Ministry of Education	Member
Director-General, Department of Probation, Ministry of Justice	Member
Dr. Somsakdi Xuto	Member
Dr. Sarasin Viraphol	Member
Mr. Mechai Viravaidya	Member
Mr. Kwang Robkob	Member
Dr. Veeravat Kanchanadul	Member
M.L. Subhasiddhi Jumbala	Member
Mr. Apirak Kosayodhin	Member
Mr. Paul Wedel	Member
Mr. Yuth Vorachattarn	Member
Mr. Montree Sornpaisarn	Member
Dr. Surat Palalikit	Member
Mr. Rapee Sujaritkul	Member
Director, Office of Capital Market Policy and Planning, the SEC	Member
Mrs. Karuna Aksaravut	Member & Secretary

Responsibilities of the SET Junior Achievement Thailand Committee are to determine the vision and mission for the SET Junior Achievement Association of Thailand and help solicit funds to support the operations.

14. Thailand Securities Institute Committee

Name / Structure	Position
Dr. Somsakdi Xuto	Chairman
Representative from the SEC	Member
The SET President	Member
Representative from the SET	Member
Representative from the Bank of Thailand	Member
Representative from the Association of Securities Companies	Member
Representative from the Association of Investment Management Companies	Member
Representative from the Listed Companies Association	Member
Representative from the Institute of Certified Accountants and Auditors of Thailand	Member
Representative from the Thai Bankers' Association	Member
Representative from the Thai Life Assurance Association	Member
Representative from the Thai Bond Dealing Center	Member
Money and Capital Market expert	Member
Academic expert	Member
Vice President - Thailand Securities Institute	Member & Secretary

Responsibilities of the Thailand Securities Institute Committee are as follows:

1. Determine guidelines and policies concerning the operation of the Thailand Securities Institute in the securities business.

2. Consider the policy of the development of human resources standard in money and capital markets.

Audit Committee Report

The Board of Governors of the Stock Exchange of Thailand (SET) formally constituted an Audit Committee on October 1 1997. It is comprised of three Non-Executive Governors of the SET who are independent of SET operations, with the SET Internal Audit Vice President acting as Secretary. The Audit Committee has been empowered by the Board of Governors to carry out their duties as stated on **Page 40**.

In performing these duties and responsibilities assigned by the Board of Governors, the Committee has also encouraged the SET to conform to the requisite standard of ethics, with check and balance and transparency required of such institution.

The Committee has come to the conclusion that the SET has an adequate and appropriate internal control system in effect. The internal control system has been evaluated in accordance with five standard components of the COSO-based approach (The Committee of Sponsoring Organizations of the Treadway Commission) : Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring.

During the year 2002, the Committee convened ten meetings and reported its findings to the Board of Governors on a quarterly basis (apart from exceptional cases that were reported monthly), both to inform the Board and to seek appropriate action where necessary. Management was invited to participate in the meetings to provide extra information when deemed appropriate. Matters affecting management that were subject to consideration during the year 2002 were as follows:

- Reviewed the quarterly financial statements; reviewed and concurred with the annual financial statements prior to submission for consideration by the Board of Governors.
- Acknowledged and provided suggestions on audit plans and External Auditors' findings.
- Reviewed the Internal Auditor's conclusions, made recommendation on the internal control systems and submission on actions to be taken by the SET management, as well as following up on the progress of these actions.

- Reviewed the Year 2003 audit plans of the Internal Audit Department as well as providing recommendation and suggestions.
- Reviewed Audit Committee's Charter to ensure that it comply with good corporate governance practices.
- Reviewed the Internal Audit's Charter to ensure that it follow the "Standards for the Professional Practice of Internal Auditing".
- Recommended that SET set a standard for the presentation of projects for the board's approval, as well as in following-up these projects.
- Recommended that the Association of Securities Companies appoints an expert to be the independent member of the IT and Telecommunication Policy and Specification Committee. His or her independence, knowledge and familiarity with the technology and systems that are directly linked to the SET computer systems should help ensure an efficient and appropriate procurement program for computer components and telecommunication equipment for the SET operations as well as for market participants.
- Reviewed the SET evaluation of its Internal Control according to the COSO-based approach.
- Reviewed the SET's risk management systems.
- Ensured that the SET comply with the rules, notifications, regulations and any other relevant laws.
- Followed up and commented on the return on the SET's investments.
- Followed up on the SET's progress in complying with its obligations to the World Federation of Exchanges (WFE).

The Audit Committee also recommended to the Board of Governors that Mrs. Nattaporn Phan-Udom or Miss Wimol Chiamchittrong - PricewaterhouseCoopers ABAS Ltd. be reappointed as the SET auditor for the financial year ending the 31st of December 2003. Suggested remuneration for this role was Baht 670,000. Furthermore, the Audit Committee also reviewed remuneration for the audit of its six subsidiary companies for the financial year ending December 31, 2003.

(Songdej Praditsamanont)
Chairman, the Audit Committee
February 21, 2003

Enhance Market Potential to Prepare for Global Competition

Management Discussion and Analysis

In 2002, the Thai economy continued to strengthen. The economic growth was propelled by domestic demand, especially private consumption and investment, expansion of exports and government measures.

The total turnover for 2002 is still higher than the previous year, despite the Thai stock market being affected by the continuous fall of US stocks and the tense situation between the US and Iraq resulting in a fall in investors' interest in the latter half of the year. This can be attributed to the government's stimulus measures, the improved economic situation and the earnings of listed companies. As a result, the Stock Exchange of Thailand (SET) index at the end of 2002 was 356.48, closing up 52.63 points in comparison with the prior year in trade worth B2,047,442 million, up by 30% from that of 2001. During the year, twenty-four newly listed companies joined the bourse. Eighteen of these joined the Main Board and another six joined the Market for Alternative Investment (MAI), so by the end of 2002 there were 398 listed companies in total.

1. Operational Results

1.1 Analysis of Income

In 2002, the SET and its subsidiaries realized total revenues of B1,430 million, up by B29 million or 2% from the previous year. The major reasons for this increase are listed below:

(1) Trading volume increases brought a corresponding increase in trading fees of B71 million. The average trading volume in 2002 stood at B8,357 million per day, a jump of B1,917 million or 30% from B6,440 million per day a year a earlier.

(2) Revenue derived from the Thailand Securities Institute (TSI) amounted to B16 million. The TSI functions as a center for continuous and innovative education and training programs for market participants, necessary resources for capital market development, as well as for disseminating professional know-how related to the securities business.

(3) More activities of the Securities Biz Service Bureau (BSB) led to increased revenue totaling B9 million. Apart from services of the "Back Office Services Bureau" which started in 2001, BSB created "Front Office Services Bureau" in 2002.

(4) Services income for clearing, shares depository and others increased by B11 million due to higher trading volumes.

(5) Income from interest was down by B108 million as the average interest rates fell from the previous year.

1.2 Analysis of Expenses

In 2002, the SET and its subsidiaries recorded consolidated expenses of B968 million, up by B128 million or 15% from that of 2001. The major reasons are provided below:

(1) Staff costs increased by B99 million over the previous year due to an increase in staff numbers (2002 : 527 staff, 2001 : 463 staff) to enhance efficiency in accordance with the goals and objectives of increasing the investor base and the number of listed companies.

The SET had both short-term and long-term plans to increase the investor base. Activities that implement short-term plans included organizing activities to educate and advise the public about investing, with events in Bangkok and in various provinces. These activities included the SET road show "SET in the City" and seminars on investing. A new subsidiary, the Family Know-how Company Limited, was established to produce educational programs on finance and investment through non-academic means. The SET also created www.settrade.com, an investment portal that enables investors to receive complete information in a timely manner. Activities that import long-term plans include organizing a youth educational program through SET-JAT (SET Junior Achievement Thailand) as well as creating mechanisms that will help draw quality investors.

To increase the number of listed companies, the SET has set up the "Capital Market Opportunity Center" to enhance the quality of listed companies and to increase their number on both the SET and the MAI. The organization has also worked with ten other organizations to set up a taskforce to find quality companies to list shares. In addition, the SET has provided courses and advice to help prepare the privatization of state enterprises.

Moreover, the SET supports good governance through the creation of the "Corporate Governance Center" and provides an advisory team to meet executives of listed companies to exchange information about establishing good governance systems for listed companies.

(2) The SET has contributed B30 million to The Professor Sangvian Indaravijaya Foundation. The core objectives of the foundation are to provide scholarships to students, to support and promote education and developments in the fields of business administration, finance and capital markets.

2. Financial Position

The financial status of the SET and its subsidiaries in 2002 changed from that of 2001 primarily because of the following transactions:

2.1 Analysis of Assets

As of December 31, 2002, the SET and its subsidiaries reported total assets of B12,685 million, an increase of B636 million or 5% in comparison to the total assets of B12,049 million at the end of 2001. The major reasons are listed below:

(1) Long-term investments valued at B4,361 million increased by B2,609 million in comparison to year 2001 due to investing in two mutual funds which policies emphasize capital market investments, giving a good return for appropriate risk.

(2) Short-term investments totaled to B7,061 million, down by B1,879 million in comparison to year 2001 as short-term investments were redeemed to invest in long-term investments.

2.2 Analysis of Liabilities

As of December 31, 2002, the SET and its subsidiaries had total liabilities of B303 million, which was B43 million or 16% higher than last year. This was mainly due to an increase of B36 million in guarantee for clearing and depository received from participants of Thailand Securities Depository Co., Ltd. in accordance with risk management principles.

2.3 Analysis of Funds

As of December 31, 2002, the SET's total funds reached B12,382 million, an increase of B593 million or 5%. The major change from the previous year was the General Fund which value reached B10,000 million, up by B545 million or 6% from that of 2001. The major reasons are provided below:

(1) Operational gains in 2002 of B464 million and the receipts of admission fees from new member companies totaling B151 million.

(2) A B70 million transfer from the General Fund to the Indemnity Fund in accordance with the resolution of the Board of Governors to increase the Indemnity Fund from B30 million to B100 million.

3. Cash Flow

Statement of cash flow refers to the change of cash flow in operating, investing and financing activities as of the end of fiscal year. The cash and cash equivalents ending balance as of December 31, 2002 reached B250 million. This represents an increase of B89 million in comparison with the previous

year as summarized below:

(1) Net cash from operating activities rose to B232 million, an increase of B154 million.

(2) Net cash flow used in investing activities was B294 million, an increase of B110 million mainly due to investing in two open-ended funds which policies emphasized equity instruments.

(3) Net cash from financing activities was B151 million, up by B146 million. This was derived from admission fees from new member companies.

In summary, the SET and its subsidiaries' cash and cash equivalents at the year's end was B250 million, up by B89 million from previous year, reflecting high levels of liquidity.

Risk Management Policy

During 2002, the Stock Exchange of Thailand (SET), including its subsidiaries, had been developed in three major ways:

1. Building up awareness amongst the staff of the SET and its subsidiaries about the risks that pervade the various systems within the Exchange, as well as to be able to forecast, identify and manage risks across the entire enterprise. The Risk Management Newsletter was also released monthly via the Exchange's Intranet system. As well, in-house seminars on risk management have been offered to explain the importance of and responsibilities for managing and monitoring risk as well as to enhance the understanding of risk management practices for the long-run success of the enterprise.

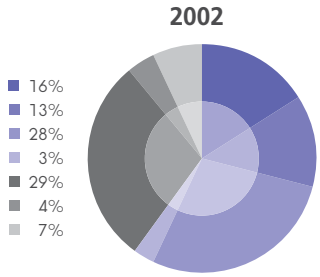
2. Risk assessment at both the unit and the corporate level has been initiated. Its purpose is to identify the risks to be managed, to evaluate their severity, including their possibilities and consequences. The risk assessment measures included determining the appropriate risk treatment systems by using a common standard as a framework for risk assessment. In 2002, the Risk Management Department, together with the management of related units, joined in assessing the risks inherent in both the corporate and other systems, such as:

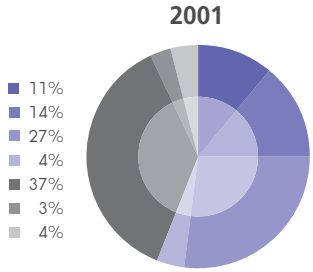
   - Critical corporate risk assessment
   - Risk assessment of the trading systems
   - Risk assessment of the clearing and settlement systems

   The reporting of the risk assessment results, followed by risk treatment progress reports, will be monitored quarterly based on a predetermined policy of the acceptable level of risk.

3. The production of these risk status reports along with any reports of shortcomings should allow SET's management to evaluate the level and the trends of material risks. By establishing risk measurement techniques, the risk reporting procedures and the potential risk-levels together should provide guidance for each unit to manage its risk to ensure that it does not exceed its limit. The Risk Management Department, as a centralized unit dealing specifically with risk management, will provide an overall risk status report to the SET management on a monthly basis.

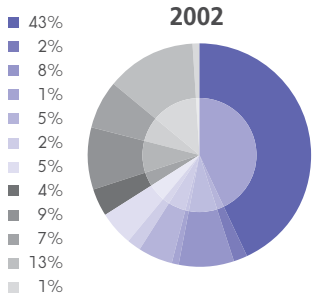
Revenues of the SET and Its Subsidiaries in 2002 and 2001

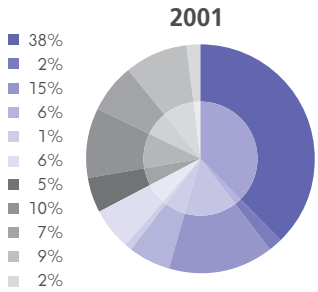




	2002		2001	
	'000 Baht	%	'000 Baht	%
Trading fees	234,322	16%	163,461	11%
Listing fees	189,597	13%	196,851	14%
Revenues from stock registrar fees	396,257	28%	373,981	27%
Information service income	48,911	3%	52,290	4%
Income from investments	407,118	29%	514,900	37%
Share clearing, deposit fees and others	50,728	4%	39,476	3%
Advertising income	4,622	0%	-	-
Share of profit in subsidiaries and associates	2,360	0%	2,227	0%
Other revenues	95,907	7%	57,571	4%
	1,429,822	**100%**	**1,400,757**	**100%**

Expenses of the SET and Its Subsidiaries in 2002 and 2001





	2002		2001	
	'000 Baht	%	'000 Baht	%
Staff costs	419,391	43%	320,063	38%
Personnel development expenses	18,651	2%	17,505	2%
Marketing expenses	80,113	8%	127,158	15%
Production cost	7,061	1%	-	-
Fees to external parties	47,093	5%	50,228	6%
Director's fees	15,532	2%	10,125	1%
Communication expenses	48,640	5%	48,277	6%
Office building expenses	40,927	4%	39,116	5%
Depreciation and amortization	87,692	9%	80,708	10%
Contribution to the office of the SEC	63,191	7%	60,000	7%
Doubtful debts	1,656	0%	(5,233)	(1)%
Other expenses	122,703	13%	76,939	9%
Income tax	15,034	1%	14,524	2%
	967,684	**100%**	**839,410**	**100%**

Report of the Board of Governors' Responsibilities for Financial Statements

The Board of Governors is responsible for 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 policy 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 statement.

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 in order 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 readily included in the Audit Committee Report in this annual report.

The Board of Governors is of the opinion that the SET's overall internal control system has functioned up to a satisfactory level and rendered credibility and reliability to the SET's and its subsidiaries' financial statements for the year ended December 31, 2002.

Mr. Chavalit Thanachanan
Chairman

Mr. Kittiratt Na-Ranong
President

AUDITOR'S REPORT

To the Members of the Stock Exchange of Thailand

I have audited the accompanying consolidated balance sheets and balance sheets of the Stock Exchange of Thailand as at December 31, 2002 and 2001, and the related consolidated statements of revenues and expenses and statements of revenues and expenses, and the consolidated statements of cash flows and statements of cash flows for the years then ended. These financial statements are the responsibility of the Stock Exchange of Thailand's management. 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 the 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 financial statements referred to above present fairly, in all material respects, the consolidated financial position and financial position of the Stock Exchange of Thailand as at December 31, 2002 and 2001, and the consolidated results of their operations and their cash flows and results of its operations and its cash flows for the years then ended in accordance with generally accepted accounting principles.

Nattaporn Phan-Udom
Certified Public Accountant (Thailand) No. 3430
PricewaterhouseCoopers ABAS Limited

Bangkok
February 27, 2003

Balance Sheets

As at December 31, 2002 and 2001

(Thousand Baht)

ASSETS	Notes	Consolidated 2002	Consolidated 2001	SET 2002	SET 2001
Current Assets					
Cash and cash equivalents		**249,999**	161,281	**158,169**	74,306
Short-term investments	3	**7,060,911**	8,940,102	**6,719,956**	8,591,582
Accounts receivable and accrued income-net	4	**33,639**	38,143	**27,968**	84,571
Accrued interest receivables		**76,530**	226,904	**73,913**	224,760
Other current assets		**29,981**	88,790	**18,420**	75,848
Total Current Assets		**7,451,060**	9,455,220	**6,998,426**	9,051,067
Non-Current Assets					
Investments in subsidiaries and associates	5	**140,451**	138,091	**581,631**	543,488
Long-term investments	6	**4,361,408**	1,752,098	**4,358,408**	1,749,098
Loan to related company	19	**-**	-	**3,706**	-
Property and equipment-net	7	**649,921**	623,386	**623,719**	605,249
Intangible assets	8	**77,967**	73,468	**52,435**	44,153
Other assets		**4,765**	7,219	**4,245**	6,350
Total Non-Current Assets		**5,234,512**	2,594,262	**5,624,144**	2,948,338
Total Assets		**12,685,572**	12,049,482	**12,622,570**	11,999,405

The notes to the consolidated and the Stock Exchange of Thailand's financial statements on pages 63 to 83 form an integral part of these financial statements.

As at December 31, 2002 and 2001

(Thousand Baht)

LIABILITIES AND FUND BALANCES	Notes	Consolidated 2002	Consolidated 2001	SET 2002	SET 2001
Current Liabilities					
Accounts payable and accrued expenses		**188,074**	148,758	**132,403**	123,325
Fees received in advance		**103,817**	103,160	**102,369**	101,692
Accrued income tax		**1,189**	1,092	**-**	-
Other current liabilities		**10,019**	7,435	**7,206**	9,064
Total Liabilities		**303,099**	260,445	**241,978**	234,081
Fund Balances					
Clearing Reserve Fund	9	**2,000,000**	2,000,000	**2,000,000**	2,000,000
Staff Welfare Fund	10	**34,219**	33,677	**34,219**	33,677
Indemnity Fund	11	**100,000**	30,000	**100,000**	30,000
SET Building Fund	12	**246,328**	246,328	**246,328**	246,328
General Fund	13	**10,000,045**	9,455,319	**10,000,045**	9,455,319
Unrealized gain on securities available-for-sale		**1,880**	3,416	**-**	-
Minority interest		**1**	20,297	**-**	-
Total Fund Balances		**12,382,473**	11,789,037	**12,380,592**	11,765,324
Total Liabilities and Fund Balances		**12,685,572**	12,049,482	**12,622,570**	11,999,405

The notes to the consolidated and the Stock Exchange of Thailand's financial statements on pages 63 to 83 form an integral part of these financial statements.

Statements of Revenues and Expenses

For the years ended December 31, 2002 and 2001

(Thousand Baht)

		Consolidated		SET	
REVENUES	**Notes**	**2002**	**2001**	**2002**	**2001**
Trading fees		234,322	163,461	226,449	161,726
Listing fees		189,597	196,851	189,597	196,851
Revenues from stock registrar fees		396,257	373,981	-	-
Information service income		48,911	52,290	48,825	51,994
Income from investments		407,118	514,900	395,298	500,857
Share clearing, deposit fees and others		50,728	39,476	-	-
Advertising income		4,622	-	-	-
Service fees from related parties	19	-	-	259,344	268,108
Share of profit in subsidiaries and associate	5	2,360	2,227	33,551	25,286
Other revenues	14	95,907	57,571	70,839	40,693
Total Revenues		**1,429,822**	1,400,757	1,223,903	1,245,515
EXPENSES					
Staff costs		**419,391**	320,063	**331,575**	259,673
Personnel development expenses		**18,651**	17,505	**15,751**	15,759
Marketing expenses		**80,113**	127,158	**86,429**	126,121
Advertising production cost		**7,061**	-	**-**	-
Fees to external parties		**47,093**	50,228	**33,153**	39,730
Director's fees		**15,532**	10,125	**12,348**	7,835
Communication expenses		**48,640**	48,277	**11,875**	11,268
Office building expenses		**40,927**	39,116	**39,345**	37,757
Depreciation and amortization	7, 8	**87,692**	80,708	**71,688**	63,443
Contribution to the office of the SEC	16	**63,191**	60,000	**63,191**	60,000
Doubtful debts		**1,656**	(5,233)	**3**	(2,101)
Other expenses	15	**122,703**	76,939	**94,703**	58,931
Income tax		**15,034**	14,524	**-**	-
Total Expenses		**967,684**	839,410	**760,061**	678,416
Excess of revenues over expenses before minorities		**462,138**	561,347	**463,842**	567,099
Loss attibutable to minorities		**1,704**	5,801	**-**	-
EXCESS OF REVENUES OVER EXPENSES		**463,842**	567,148	**463,842**	567,099

The notes to the consolidated and the Stock Exchange of Thailand's financial statements on pages 63 to 83 form an integral part of these financial statements.

Statements of Cash Flows

For the years ended December 31, 2002 amd 2001

(Thousand Baht)

Cash Flows from Operating Activities	Notes	Consolidated 2002	Consolidated 2001	SET 2002	SET 2001
Excess of revenues over expenses		**463,842**	567,148	**463,842**	567,099
Add Adjustments					
Doubtful debts		**1,656**	(5,233)	**3**	(2,101)
Depreciation and amortization	7, 8	**87,692**	80,708	**71,688**	63,443
(Gain) or loss on sale of fixed assets		**(3,491)**	8,820	**(3,066)**	10,707
Write-off work in process to expense		**(7,812)**	3,975	**126**	3,975
Income from investments		**(407,118)**	(514,900)	**(395,298)**	(500,857)
Share of profit in subsidiaries and associates	5	**(2,360)**	(2,227)	**(33,551)**	(25,286)
Dividend income		**(5,253)**	(4,502)	**(5,253)**	(4,502)
Minority interest		**(1,704)**	(5,801)	**-**	-
Excess of revenues over expenses before changes in operating assets and liabilities		**125,452**	127,988	**98,491**	112,478
(Increase) Decrease in Operating Assets					
Accounts receivable and accrued income		**2,349**	(6,767)	**56,101**	11,225
Other current assets		**58,809**	(58,889)	**57,428**	(63,524)
Other assets		**2,454**	109	**2,105**	206
Increase (Decrease) in Operating Liabilities					
Accounts payable and accrued expenses		**39,316**	40,123	**9,078**	41,230
Fees received in advance		**657**	(20,041)	**677**	(12,216)
Accrued income tax		**97**	(1,444)	**-**	-
Other current liabilities		**2,582**	(3,685)	**(1,856)**	(1,105)
Net Cash from Operating Activities		**231,716**	77,394	**222,024**	88,294

The notes to the consolidated and the Stock Exchange of Thailand's financial statements on pages 63 to 83 form an integral part of these financial statements.

Statements of Cash Flows (Cont'd)

For the years ended December 31, 2002 and 2001

(Thousand Baht)

		Consolidated		SET	
	Notes	2002	2001	2002	2001
Net Cash from Operating Activities		**231,716**	77,394	**222,024**	88,294
Cash Flows from Investing Activities					
Cash at banks by M.O.U.		**(4,500)**	3	**(4,500)**	3
Cash received from short-term investments		**6,193,589**	3,475,095	**6,026,978**	3,313,224
Interest received		**529,969**	414,315	**517,280**	398,235
Cash paid for purchases of short-term investments		**(2,745,180)**	(2,916,489)	**(2,583,260)**	(2,745,313)
Long-term bank deposits		**(541,648)**	(823,600)	**(541,648)**	(823,600)
Purchases of long-term promissory notes- financial institutions		**(338,695)**	(89,915)	**(338,695)**	(89,915)
Purchases of bonds		**(768,330)**	(52,017)	**(768,330)**	(52,017)
Purchases of debentures		**-**	(100,000)	**-**	(100,000)
Purchases of investment units in Mutual Funds		**(2,500,000)**	-	**(2,500,000)**	-
Loan to related company		**-**	-	**(3,706)**	-
Purchases of fixed assets	7	**(92,431)**	(57,763)	**(83,417)**	(54,696)
Purchases of intangible assets	8	**(22,023)**	(40,383)	**(18,385)**	(34,300)
Proceeds from sales of fixed assets		**7,031**	8,043	**6,302**	5,122
Investment in subsidiaries		**(17,803)**	-	**(37,803)**	-
Investment in other company		**-**	(7,584)	**-**	(7,584)
Dividends received from related parties		**5,253**	4,502	**39,253**	37,702
Repayment of loan with interest from members		**499**	2,371	**499**	2,371
Net Cash used in Investing Activities		**(294,269)**	(183,422)	**(289,432)**	(150,768)
Cash Flows from Financing Activities					
Admission fee received from members		**150,884**	4,682	**150,884**	4,682
Interest received on investment in Staff Welfare Fund		**387**	845	**387**	845
Net Cash from Financing Activities		**151,271**	5,527	**151,271**	5,527
Net Increase (Decrease) in Cash and Cash Equivalents		**88,718**	(100,501)	**83,863**	(56,947)
Cash and Cash Equivalents at Beginning of the Year		**161,281**	261,782	**74,306**	131,253
Cash and Cash Equivalents at End of the Year		**249,999**	161,281	**158,169**	74,306
Supplementary Information for Cash Flows:					
Income tax paid		**15,398**	15,968	**-**	-

The notes to the consolidated and the Stock Exchange of Thailand's financial statements on pages 63 to 83 form an integral part of these financial statements.

Notes to the Consolidated Financial Statements and Financial Statements

For the years ended December 31, 2002 and 2001

1. General Information

The Stock Exchange of Thailand (SET) is a juristic entity set up under the Securities Exchange of Thailand Act, B.E. 2517 (1974) that first began trading on April 30, 1975. Its mandate is to be a market or center for the purchase and sale of securities including any related services connected to such activities, without distributing any profits to members. It must operate under the legal framework laid down in the Securities & Exchange Act, B.E. 2535 (1992). The address of the Stock Exchange of Thailand is as follows:

62 Rachadapisek Road, Klongtoey, Bangkok 10110.

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

1. Securities listing;
2. Provide listed securities trading system;
3. Information dissemination and investor education;
4. Market surveillance, listed company and member company supervision;
5. Provide back-office services for clearing and settlement, shares depository and shares registrar;
6. Management of open-ended mutual fund to encourage foreign investment in the Stock Exchange of Thailand;
7. Provide services, develop or lay down computer systems, information technology and other communication network systems which relate to or connect with trading of securities, payment and delivery of security
8. Engage in the business of investment management by issuing the Non - Voting Depository Receipt (NVDR) to investors as prescribed by the Securities and Exchange Commission (SEC) and invest the proceeds from the issuance of such instrument in shares of listed companies or public companies approved by the Office of the SEC to offer to the public, or other securities prescribed by the SEC; and
9. Provide production and advisory services on edutainment through medias in order to disseminate finance and investment knowledge to the public.

As at December 31, 2002 the Stock Exchange of Thailand and its subsidiaries employ 527 staff (2001 : 463 staff).

2. Significant Accounting Policies

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

2.1 Basis of Preparation

The consolidated financial statements and the financial statements of the SET have been prepared in accordance with Thai Generally Accepted Accounting Principles under the Accounting Act, B.E. 2543 being those Thai Accounting Standards issued by the Institute of Certified Accountants and Auditors of Thailand and approved under law by the Board of Supervision of Auditing Practices appointed by the Minister of Commerce under the Auditor Act, B.E. 2505 and the financial reporting requirements of The Securities and Exchange Commission. The SET has adopted in 2001, prior to its effective date, for Thai Accounting Standard No. 51 : Intangible Assets. The consolidated and the SET's financial statements have been prepared under the historical cost convention, except for certain items, investments in available-for-sale and trading securities presented at fair value.

2.2 Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management, in some circumstance, to make estimates and assumptions to reflect the appropriated contingencies of the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the amounts of revenues and expenses in the reported periods. Actual results afterwards may differ from those estimates.

2.3 Consolidation

Subsidiary undertakings directly or indirectly, which have an interest of more than one half of the voting rights or otherwise has power to exercise control over the financial and operating policies, have been consolidated. Subsidiaries are consolidated from the date on which effective control is transferred to the SET and are no longer consolidated from the date of disposal. All intercompany transactions, balances and unrealized surpluses and deficits on transactions between the SET and its subsidiaries have been eliminated. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the SET.

A listing of the SET's principal subsidiaries and the financial effect from net share of results of subsidiaries is shown in Note 5.

2.4 Investments in Subsidiaries and Associate

Investments in subsidiary undertakings are accounted for in the non-consolidated financial statements by the equity method of accounting. These are undertakings over which the SET has over 50% of the voting rights, and over which the SET exercises control. Provisions are recorded for impairment in value.

Investments in associated undertakings are accounted for by the equity method of accounting. These are undertakings over which the SET has between 20% and 50% of the voting rights, and over which the SET exercises significant influence, but which it does not control. Provisions are recorded for impairment in value.

Equity accounting involves recognizing in the statement of revenues and expenses the SET's share of the subsidiaries and associate's profit or loss for the year. The SET's interest in the subsidiaries and associates are carried in the balance sheet at an amount that reflects its share of the net assets of the subsidiaries and associates.

2.5 Foreign Currencies Translation

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions. Monetary assets and liabilities at the balance sheet date denominated in foreign currencies are translated into Baht at the exchange rate ruling at that date. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities at balance sheet date denominated in foreign currencies, are recognized in the statement of revenues and expenses.

2.6 Cash and Cash Equivalents

Cash and cash equivalents are carried in the balance sheet at cost. Cash and cash equivalents comprise cash in hand, cash at banks and promissory notes of financial institutions those to be held for working capital and short term commitment payments.

2.7 Accounts Receivable and Accrued Income

Accounts receivable and accrued income are carried at anticipated realizable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off during the year in which they are identified.

2.8 Investments

Debt securities and marketable equity securities classified as available-for-sale securities are carried at fair values. 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 quoted bid prices at the close of business on the balance sheet date. Increases/decreases in the carrying amount are credited/charged against unrealized gains/losses on investments in available-for-sale securities in fund balances.

Debt securities and marketable equity securities classified as trading securities are carried at fair values. 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 quoted bid prices at the close of business on the balance sheet date. Increases/decreases in the carrying amount are credited/charged against realized gains/losses on sale of trading securities in statement of revenues and expenses.

Investment in debt securities classified as held-to-maturity securities are carried at amortized cost.

Investment in non-marketable equity securities classified as general investments are carried at cost.

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

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the statement of revenues and expenses.

When disposing of part of the SET's holding of a particular investment in debt or equity securities, the carrying amount of the disposed part is determined from the average carrying amount of the total holding of the investments.

2.9 Property and Equipment

All property and equipment is stated at historical cost less accumulated depreciation. Depreciation is calculated on the straight line method to write off the cost of each asset, except for land as it is deemed to have an indefinite life, to their residual values over their estimated useful life as follows:

Building	30 years
Building improvements	10 years
Furniture and fixtures	5 years
Office equipment	5 years
Motor vehicles	5 years
Computers	3-5 years

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Estimated recoverable amount is the higher of the anticipated discounted cash flows from the continuing use of the asset and the amount obtainable from the sale of the asset less any costs of disposal.

Gains or losses on disposal of property and equipment are determined by reference to their carrying amount and are taken into account in other revenues or other expenses.

Expenditures for addition, renewal and betterment, which result in a substantial increase in an asset's current replacement value, are capitalized. Repair and maintenance costs are recognized as expenses when incurred.

2.10 Accounting for Leases – where a group company is the lessee

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement 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 recognized as an expense in the period in which termination takes place.

2.11 Intangible Assets

Intangible assets comprise computer software development costs. Generally, costs associated with developing or maintaining computer software programmes are recognized as expenses as incurred. However, costs that are directly associated with identifiable and unique software products controlled by the SET and have probable economic benefit exceeding the cost beyond one year, are recognized as intangible assets. Direct cost includes purchase price and an appropriate portion of relevant overheads.

Expenditure which enhances or extends the performance of computer software programmes beyond their original specifications is recognized as a capital improvement and added to the original cost of the software. Computer software development costs recognized as assets are amortized using the straight-line method over their useful lives of 3-5 years.

2.12 Pension Obligations and Employee Benefits

The SET operates a provident fund, being 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 the SET and its subsidiaries.

The SET's contributions to the provident fund are charged to the statement of revenues and expenses in the year to which they relate.

2.13 Revenue Recognition

Services are recognized upon performance of services, net of discounts and sales taxes. For consolidated financial statements, inter-group services are eliminated.

In case the listing fee of a listed company was accrued over three months, SET considers the receivable as collectibility is in doubt and stops recognizing the listing fee from the listed company immediately.

Income from investments and other revenues are recognized on the following basis:

i) Interest income - as it accrues unless collectibility is in doubt.
ii) Dividend income - when the shareholder's right to receive payment is established.
iii) Other income - when the SET's right to receive payment is established.

3. Short-term Investments

(Thousand Baht)

	Consolidated		SET	
Investments managed by the SET	**2002**	**2001**	**2002**	**2001**
General investments				
Fixed deposits	**2,614,323**	3,025,803	**2,550,459**	3,025,766
Negotiable certificates of deposit	**-**	911,663	**-**	900,733
Promissory notes	**1,803,351**	2,540,438	**1,589,190**	2,268,691
Total	**4,417,674**	6,477,904	**4,139,649**	6,195,190
Available-for-sale securities	**62,930**	65,806	**-**	-
Debt securities due within one year	**427,828**	396,621	**427,828**	396,621
Total investments managed by the SET	**4,908,432**	6,940,331	**4,567,477**	6,591,811

(Thousand Baht)

	Consolidated		SET	
	2002	**2001**	**2002**	**2001**
Investments managed by Private Funds				
General investments				
Fixed deposits	**160,000**	30,000	**160,000**	30,000
Saving accounts	**52,228**	29,801	**52,228**	29,801
Other debt instruments	**680,695**	562,812	**680,695**	562,812
Total	**892,923**	622,613	**892,923**	622,613
Trading securities	**1,259,556**	1,377,158	**1,259,556**	1,377,158
Total investments managed by Private Funds	**2,152,479**	1,999,771	**2,152,479**	1,999,771
Total short-term investments	**7,060,911**	8,940,102	**6,719,956**	8,591,582

Investments managed by the SET

Fixed deposits represent fixed deposits at the bank with original terms of 6 months to one year with interest rates of 1.50% - 4.25% per annum (2001 : 1.00% - 5.25% per annum).

Promissory notes represent the promissory notes of financial institutions which the original maturity due over three months but not exceeding one year with interest rates of 1.75% - 3.75% per annum (2001: 2.00% - 5.50% per annum).

Available-for-sale securities as shown in the consolidated financial statements represent government and state enterprise bonds due within 2003 with interest rates of 8.25% per annum. (2001 : 8.25% per annum) and yields of 5.60% - 5.745% per annum (2001: 5.60% - 5.745% per annum). The securities may be sold at discount to any commercial banks when necessary.

Debt securities due within one year represent government and state enterprise bonds and debenture due within one year with coupon rates of 5.25% - 8.948% per annum (2001 : 5.90% - 9.67% per annum) and yields of 3.46% - 14.64% per annum (2001 : 4.64% - 14.72% per annum) for which the aggregated market value was Baht 437 million (2001 : 420 million).

Investments managed by Private Funds

A portion of investment was in private funds managed by two asset management companies. The investment policy of private funds was based on the SET's regulation: Deposit with financial institution and Investment as mentioned in Note 21-Financial Instruments. The investments in private funds were presented under short - term investments.

Other debt instruments represent promissory notes of financial institutions, bill of exchange and treasury bill with interest rates of 1.25% - 4.00% per annum (2001 : 1.25% - 4.70% per annum).

Trading securities presented in the consolidated financial statements consisted of government bond, treasury bill, debt instruments guaranteed by the Ministry of Finance and debenture with interest rates of 2.25% - 8.948% per annum (2001 : 2.95% - 8.95% per annum) and yields of 1.68% - 7.30% per annum (2001 : 2.53% - 7.50% per annum).

4. Accounts Receivable and Accrued Income

(Thousand Baht)

	Consolidated		SET	
	2002	**2001**	**2002**	**2001**
Accounts receivable	**67,865**	70,106	**27,080**	45,475
Less Allowances for doubtful accounts	**(50,012)**	(58,475)	**(14,863)**	(17,450)
Accounts receivable, net	**17,853**	11,631	**12,217**	28,025
Add Accrued income	**15,786**	26,512	**15,751**	56,546
Accounts receivable and accrued income, net	**33,639**	38,143	**27,968**	84,571

The outstanding accounts receivable at December 31, 2002 and 2001 can be analyzed as follows:

(Thousand Baht)

	Consolidated		SET	
	2002	**2001**	**2002**	**2001**
Less than 3 months	**15,416**	8,743	**10,362**	26,764
3 – 6 months	**2,590**	2,889	**2,565**	1,253
6 – 12 months	**10,503**	8,368	**54**	187
Over 12 months	**39,356**	50,106	**14,099**	17,271
	67,865	70,106	**27,080**	45,475
Less Allowance for doubtful accounts	**(50,012)**	(58,475)	**(14,863)**	(17,450)
	17,853	11,631	**12,217**	28,025

As at 31 December 2002, there were seven listed companies, having accrued listing fees 3 - 6 months and exceeding 12 months amounting to Baht 6.16 million and 8.27 million, respectively. The SET has ceased recognition of income for these receivables. These receivables were transferred to be unrecognized accounts receivable and were not included in accounts receivable presented in the financial statements.

The SET had no significant concentration of credit risk from accounts receivable other than receivable from Thailand Securities Depository Co., Ltd., a subsidiary, which represents 18.73% of the total balance of accounts receivable in the SET's financial statement. The SET's management believed that the SET had no credit risk other than the allowance for doubtful account which was already recorded in the financial statements.

5. Investments in Subsidiaries and Associate

(Thousand Baht)

	Consolidated		SET	
	2002	**2001**	**2002**	**2001**
Opening net book amount	**138,091**	135,864	**543,488**	551,402
Add Net share of results	**2,360**	2,227	**33,551**	25,286
Investment in Family Know-how Co., Ltd.	**-**	-	**20,000**	-
Additional investment in SETTRADE.COM Co., Ltd.	**-**	-	**18,592**	-
Less Share of dividend	**-**	-	**(34,000)**	(33,200)
Closing net book amount	**140,451**	138,091	**581,631**	543,488

The principal subsidiaries and associate undertakings are:

Percentage of Holding

	Business	Country of Incorporation	2002	2001
Thailand Securities Depository Co., Ltd.	Back-office services for clearing and settlement	Thailand	**99.99**	99.99
Thai Trust Fund Management Co., Ltd.	Manage mutual fund	Thailand	**99.99**	99.99
Clearing Fund	Fund	Thailand	**43.62**	47.07
Thai NVDR Co.,Ltd.	Management investment in Non-Voting Depository Receipt (NVDR)	Thailand	**99.99**	99.99
SETTRADE.COM Co.,Ltd.	Computer system services	Thailand	**99.99**	70.00
Family Know-how Co., Ltd.	Production and advisory services and edutainment through medias for finance and investment knowledge	Thailand	**99.99**	-

The SET has no control over the operations of the Clearing Fund. The Clearing Fund is operated under the Regulation of the Clearing Fund (No. 1) B.E. 2541 (1998) which requires the SET to pay a lump sum amount of Baht 100 million as the initial contribution. The percentage of holding will be changed according to contributions by other members of the Clearing Fund. Therefore, the investment in the Clearing Fund is classified as the investment in on associate.

Details of investments at December 31, 2002 and 2001 were shown below:

(Thousand Baht)

	Consolidated 2002				
	Paid-up capital	% holding	Book value at cost	Book Value under equity method	Dividend
Clearing Fund	316,612	43.62	100,000	140,451	-

(Thousand Baht)

	Consolidated 2001				
	Paid-up capital	% holding	Book value at cost	Book Value under equity method	Dividend
Clearing Fund	288,664	47.07	100,000	138,091	-

(Thousand Baht)

	SET 2002				
	Paid-up capital	% holding	Book value at cost	Book Value under equity method	Dividend
Thailand Securities Depository Co., Ltd.	200,000	99.99	200,000	258,473	32,000
Thai Trust Fund Management Co., Ltd.	100,000	99.99	100,000	104,411	2,000
Clearing Fund	316,612	43.62	100,000	140,451	-
Thai NVDR Co.,Ltd.	10,000	99.99	10,000	9,968	-
SETTRADE.COM Co.,Ltd.	80,000	99.99	80,000	53,631	-
Family Know-how Co., Ltd.	20,000	99.99	20,000	14,697	-
			510,000	**581,631**	**34,000**

(Thousand Baht)

	SET 2001				
	Paid-up capital	% holding	Book value at cost	Book Value under equity method	Dividend
Thailand Securities Depository Co., Ltd.	200,000	99.99	200,000	252,939	31,200
Thai Trust Fund Management Co., Ltd.	100,000	99.99	100,000	103,411	2,000
Clearing Fund	288,664	47.07	100,000	138,091	-
Thai NVDR Co.,Ltd.	10,000	99.99	10,000	10,002	-
SETTRADE.COM Co.,Ltd.	80,000	70.00	56,000	39,045	-
			466,000	**543,488**	**33,200**

6. Long-term Investments

Long-term investments at December 31, 2002 and 2001 consisted of:

(Thousand Baht)

	Consolidated		SET	
	2002	2001	2002	2001
General investments				
Time deposits	**495,647**	772,200	**495,647**	772,200
Cash at banks under commitment	**3,000**	3,000	**-**	-
Cash at banks by M.O.U	**128,205**	123,705	**128,205**	123,705
Promissory notes	**164,200**	94,000	**164,200**	94,000
Investment in mutual fund	**2,500,000**	-	**2,500,000**	-
Equity securities	**61,098**	61,098	**61,098**	61,098
Total	**3,352,150**	1,054,003	**3,349,150**	1,051,003
Debt securities held to maturity	**1,009,258**	698,095	**1,009,258**	698,095
	4,361,408	1,752,098	**4,358,408**	1,749,098

Time deposits represent fixed deposits at banks with original maturity over a period of one year with interest rates of 2.75% - 4.25% per annum (2001 : 4.00% - 4.25% per annum).

As at December 31, 2002 and 2001, cash at banks under commitment were pledged as collateral for credit facilities from banks, whilst cash at banks by M.O.U were also required according to memorandums of understanding with a bank for housing loans provided to the employees of the SET and its subsidiaries.

Promissory notes represent promissory notes issued by financial institutions, due within 2 - 3 years (due in 2005). The promissory notes carried interest at the rates of 2.75% - 3.25% per annum. Interest is receivable on monthly and annual basis (2001: 3.75% per annum).

Investment in mutual funds represent investment in two mutual funds which the investment policies emphasize capital markets, giving a good return at an appropriate risk. Unless there is a unanimous resolution of the unit holders meeting, none of unit trusts shall be buy-back to the funds within the first three years. As at December 31, 2002, net asset value of investment in unit trusts in two mutual funds was Baht 2,543.46 million.

Investment in equity securities comprise:

(Thousand Baht)

	Consolidated and SET	
	2002	**2001**
Equity securities (Other Companies)		
Thai Rating & Information Service Ltd.	**11,098**	11,098
TSFC Securities Limited	**50,000**	50,000
Total	**61,098**	61,098

Debt securities represent government and state enterprise bonds and debenture due within 2 - 10 years with coupon rates of 4.20% - 8.00% per annum (2001: 5.25% - 8.95% per annum) and yields of 3.76% - 6.56% per annum (2001: 3.46% - 14.64% per annum), for which the aggregated market value at December 31, 2002 was Baht 1,029 million (2001: Baht 742 million).

(Thousand Baht)

	Consolidated and SET	
	2002	**2001**
Debt securities (Bonds)		
Government bonds	**1,156,581**	432,184
State enterprise bonds	**182,998**	432,317
Debt securities (Debentures)	**97,507**	230,215
Less Current portion	**(427,828)**	(396,621)
	1,009,258	698,095

As at December 31, 2002 and 2001 fair values and unrealized gains (losses) from investments in debt securities are as follows:

(Thousand Baht)

	Consolidated and SET 2002		
	Fair values	Amortized cost net	Unrealized Gains (losses)
Bonds			
Government bonds	1,172,906	1,156,581	16,325
State enterprise bonds	191,690	182,998	8,692
Debentures	101,466	97,507	3,959
Total	**1,466,062**	**1,437,086**	**28,976**

(Thousand Baht)

	Consolidated and SET 2001		
	Fair values	Amortized cost net	Unrealized Gains (losses)
Bonds			
Government bonds	450,240	432,184	18,056
State enterprise bonds	476,297	432,317	43,980
Debentures	234,690	230,215	4,475
Total	**1,161,227**	**1,094,716**	**66,511**

7. Property and Equipment

(Thousand Baht)

	Consolidated					
	Land	Work in Process	Building & Building Improvements	Furniture Fixtures & Office Equipment	Motor Vehicles	Total
As at December 31, 2001						
Cost	100,613	-	503,530	873,475	7,381	1,484,999
Less Accumulated depreciation	-	-	(77,355)	(777,296)	(2,021)	(856,672)
Allowance for impairment	(4,941)	-	-	-	-	(4,941)
Net book amount	**95,672**	**-**	**426,175**	**96,179**	**5,360**	**623,386**

(Thousand Baht)

Consolidated

	Land	Work in Process	Building & Building Improvements	Furniture Fixtures & Office Equipment	Motor Vehicles	Total
Year ended December 31, 2002						
Opening net book amount	95,672	-	426,175	96,179	5,360	623,386
Additions	-	18,265	7,812	64,693	1,660	92,430
Adjustment	-	(8,396)	5,945	9,477	-	7,026
Disposals	(1,560)	-	(12)	(221)	(1,747)	(3,540)
Depreciation charge	-	-	(19,059)	(49,150)	(1,172)	(69,381)
Closing net book amount	**94,112**	**9,869**	**420,861**	**120,978**	**4,101**	**649,921**
As at December 31, 2002						
Cost	99,053	9,869	509,036	940,735	6,507	1,565,200
Less Accumulated depreciation	-	-	(88,175)	(819,757)	(2,406)	(910,338)
Allowance for impairment	(4,941)	-	-	-	-	(4,941)
Net book amount	**94,112**	**9,869**	**420,861**	**120,978**	**4,101**	**649,921**

(Thousand Baht)

SET

	Land	Work in Process	Building & Building Improvements	Furniture Fixtures & Office Equipment	Motor Vehicles	Total
As at December 31, 2001						
Cost	100,613	-	503,530	784,792	5,577	1,394,512
Less Accumulated depreciation	-	-	(77,355)	(706,606)	(361)	(784,322)
Allowance for impairment	(4,941)	-	-	-	-	(4,941)
Net book amount	**95,672**	**-**	**426,175**	**78,186**	**5,216**	**605,249**
Year ended December 31, 2002						
Opening net book amount	95,672	-	426,175	78,186	5,216	605,249
Additions	-	15,987	7,813	57,958	1,660	83,418
Adjustment of intangible assets	-	(6,763)	5,945	219	-	(599)
Disposals	(1,560)	-	(12)	(3)	(1,660)	(3,235)
Depreciation charge	-	-	(19,059)	(40,940)	(1,115)	(61,114)
Closing net book amount	**94,112**	**9,224**	**420,862**	**95,420**	**4,101**	**623,719**

(Thousand Baht)

	SET					
	Land	Work in Process	Building & Building Improvements	Furniture Fixtures & Office Equipment	Motor Vehicles	Total
As at December 31, 2002						
Cost	99,053	9,224	509,037	841,527	5,577	1,464,418
Less Accumulated depreciation	-	-	(88,175)	(746,107)	(1,476)	(835,758)
Allowance for impairment	(4,941)	-	-	-	-	(4,941)
Net book amount	**94,112**	**9,224**	**420,862**	**95,420**	**4,101**	**623,719**

The legal title of building and building improvements had been transferred to the land owner after the construction of the building was completed during 1998 according to the condition of the leasing contract of the land and building. However, the SET has the right to occupy the building for a period of 30 years as mentioned in Note 20 - Long-term lease.

8. Intangible Assets

(Thousand Baht)

	Consolidated		
	Work in Process	Software	Total
As at December 31, 2001			
Cost	32,326	154,293	186,619
Less Accumulated amortization	-	(113,151)	(113,151)
Net book amount	**32,326**	**41,142**	**73,468**
Year ended December 31, 2002			
Opening net book amount	32,326	41,142	73,468
Additions	1,404	20,619	22,023
Adjustment	(32,229)	33,015	786
Disposals	-	(3)	(3)
Amortization charge	-	(18,307)	(18,307)
Closing net book amount	**1,501**	**76,466**	**77,967**
As at December 31, 2002			
Cost	1,501	207,445	208,946
Less Accumulated amortization	-	(130,979)	(130,979)
Net book amount	**1,501**	**76,466**	**77,967**

(Thousand Baht)

	SET		
	Work in Process	Software	Total
As at December 31, 2001			
Cost	32,326	99,977	132,303
Less Accumulated amortization	-	(88,150)	(88,150)
Net book amount	**32,326**	**11,827**	**44,153**
Year ended December 31, 2002			
Opening net book amount	32,326	11,827	44,153
Additions	1,404	16,981	18,385
Adjustment	(33,730)	34,203	473
Amortization charge	-	(10,576)	(10,576)
Closing net book amount	**-**	**52,435**	**52,435**
As at December 31, 2002			
Cost	-	151,161	151,161
Less Accumulated amortization	-	(98,726)	(98,726)
Net book amount	**-**	**52,435**	**52,435**

9. Clearing Reserve Fund

In 1997, the Board of Governors approved the appropriation of Baht 2 billion to set up the Clearing Reserve Fund for the purpose of compensating members for losses resulting from default in clearing and settlement of securities traded and other matters in dealing with the Thailand Securities Depository Company Limited.

10. Staff Welfare Fund

Staff Welfare Fund at December 31, 2002 and 2001 consisted of:

(Thousand Baht)

	2002	2001
Beginning balance	**33,677**	32,855
Interest from investments	**405**	636
Interest from loans to staff	**137**	186
Ending balance	**34,219**	33,677

In 1997, the Board of Governors approved Baht 25 million to establish a Staff Welfare Fund by initial transferring of Baht 17.43 million from the General Fund. All benefits earned from this fund are retained in this fund.

11. Indemnity Fund

The Board of Governors approved the establishment of an Indemnity Fund in 1993 by initial appropriation of Baht 10 million and the contribution of 1% of any excess of revenues over expenses each year until the fund has a total balance of Baht 30 million. This Fund had been fully appropriated since 1996.

In 2002, the Board of Governors approved an increase of Baht 70 million in the Indemnity Fund, resulted in total fund of Baht 100 million, to suit with current economic situation and increment in SET responsibilities. The additional of Indemnity Fund was transferred from the General Fund (Note 13).

12. SET Building Fund

SET Building Fund at December 31, 2002 and 2001 consisted of:

(Thousand Baht)

	2002	2001
Beginning balance	**246,328**	246,358
Ending balance	**246,328**	246,328

The fund was initially established by appropriation of Baht 580 million in 1992 after approval by the Board of Governors to build the SET building. The office building was completely constructed in 1998. The remaining fund was reserved for the construction of a parking building after receiving permission from the land owner who was negotiating with the previous lessee.

13. General Fund

General Fund at December 31, 2002 and 2001 consisted of:

(Thousand Baht)

	2002	2001
Beginning balance	**9,455,319**	8,883,538
Add Excess of revenues over expenses	**463,842**	567,099
Admission fees received from members	**150,884**	4,682
	10,070,045	9,455,319
Less Transferred to Indemnity Fund (Note 11)	**(70,000)**	-
Ending balance	**10,000,045**	9,455,319

In 2002, the Board of Governors approved an appropriation of the admission fees received from newly members from the year 2002 onwards, in the amount of not exceeding Baht 300 million, to be an initial fund for the establishment of the Investor Protection Fund in future. The objective of the fund is to enhance the confidence of retail investors in securities trading with member companies.

14. Other Income

Other income consisted of:

(Thousand Baht)

For the year ended December 31,	Consolidated 2002	Consolidated 2001	SET 2002	SET 2001
Member fines	**13,927**	7,187	**13,927**	7,187
Revenues from seminar	**13,773**	3,476	**13,773**	3,476
Fines from default in clearing and settlement	**9,317**	8,700	**-**	-
Mutual fund management fee	**8,651**	5,765	**-**	-
Revenues from Securities Biz Service Bureau	**9,307**	598	**9,307**	598
Revenues from space service	**5,368**	-	**5,368**	-
Dividend income	**5,253**	4,502	**5,253**	4,502
Revenues from disposals of assets	**3,491**	-	**3,491**	-
Others	**26,820**	27,343	**19,720**	24,930
Total	**95,907**	57,571	**70,839**	40,693

15. Other Expenses

Other expenses consisted of:

(Thousand Baht)

For the year ended December 31,	Consolidated 2002	Consolidated 2001	SET 2002	SET 2001
Donation	**32,471**	458	**32,421**	458
Repair and maintenance	**21,976**	19,859	**19,280**	17,140
Stationery	**10,888**	11,243	**4,055**	3,364
Others	**57,368**	45,379	**38,947**	37,969
Total	**122,703**	76,939	**94,703**	58,931

16. Contribution to the Office of the Securities and Exchange Commission (SEC)

The Securities and Exchange Act B.E. 2535 (1992) requires the SET to contribute to the Office of the SEC in the amount specified by the SEC.

From 2001 onwards, the SEC requires the SET to contribute at the rate of 0.002% of trading value of previous years, with the minimum amount of Baht 60 million and the maximum amount of Baht 150 million. In addition, the calculation criteria will be reviewed every three years except when there is an incident that requires any review of calculation criteria before the said period.

17. Contingent Liability

As at December 31, 2002 the SET has letters of guarantee issued by banks, amounting to Baht 1.8 million (2001: Baht 1.8 million) for guarantee of the consumption of electricity in the normal course of business which is expected not to cause any significant liabilities.

18. Commitment

The future minimum lease payments under operating leases are as follows:

(Thousand Baht)

	Consolidated		SET	
	2002	**2001**	**2002**	**2001**
Not later than 1 year	**8,582**	9,159	**6,101**	7,442
Later than 1 year but not exceed 3 years	**12,914**	3,282	**9,212**	2,639
Later than 3 years but not exceed 5 years	**5,371**	-	**4,111**	-
	26,867	12,441	**19,424**	10,081

19. Related Party Transactions

The following transactions were carried out with related parties:

i) Services Income

(Thousand Baht)

	SET	
	2002	**2001**
Subsidiaries		
Thailand Securities Depository Co., Ltd.	**253,079**	262,618
Thai Trust Fund Management Co., Ltd.	**4,500**	4,500
SETTRADE.COM Co., Ltd.	**1,729**	953
Thai NVDR Co., Ltd.	**-**	37
Family Know-how Co., Ltd.	**36**	-
	259,344	268,108

Pricing Policy

The SET charged service income from subsidiaries by using estimated cost of service.

ii) Services Expense

(Thousand Baht)

	SET	
	2002	**2001**
Subsidiaries		
SETTRADE.COM Co., Ltd.	**13,086**	300
Family Know-how Co., Ltd.	**4,581**	-
	17,667	300

Pricing Policy

The SET paid service expense to subsidiaries by using estimated cost of service.

iii) Outstanding Balances Arising from Purchases/Sales of Services

(Thousand Baht)

	SET	
	2002	**2001**
Receivables from related parties:		
Thailand Securities Depository Co., Ltd.	**14,219**	58,245
Thai Trust Fund Management Co., Ltd.	**-**	1,000
Thai NVDR Co., Ltd.	**-**	37
SETTRADE.COM Co., Ltd.	**363**	895
Family Know-how Co., Ltd.	**37**	-
	14,619	60,177
Payables to related parties:		
SETTRADE.COM Co., Ltd.	**10,586**	202
Thailand Securities Depository Co., Ltd.	**3,477**	3,928
Family Know-how Co., Ltd.	**2,785**	-
	16,848	4,130

iv) Loan to Related Party

SET granted Family Know-how Co.,Ltd. an interest free credit line not exceeding Baht 15 million, for the acquisition of studio and production equipment. Family Know-how Co.,Ltd is able to use the credit line within December 31, 2003. As at December 31, 2002, the outstanding balance of the withdrawal loan was Baht 3.7 million.

v) Directors' Remuneration

Total remuneration of management of the SET and its subsidiaries, which consisted of director fees and other fees of the Board of Governors and Board of Directors of subsidiaries, included the fee received as a committee member in a sub-committee, and salary and other benefits of the President of the SET and Managing Director of subsidiaries, were Baht 36.8 million (2001: Baht 34.6 million).

20. Long-term Lease

The SET has entered into a 30-year land lease agreement expiring in July 2028 for the construction of the SET building. According to the agreement, the company that provides this land is responsible for payment of rental charges on behalf of the SET for the entire period of lease. In case, the company failed to settle the rental charges, the lessor has to proceed with legal action with the company and reach the ultimate court resolution before claiming the outstanding payment from the SET. The annual rentals for the 1st - 5th year, 6th - 10th year, 11th - 15th year, 16th – 20th year, 21st - 25th year and the 26th - 30th year are Baht 29 million, Baht 30.45 million, Baht 31.97 million, Baht 33.57 million, Baht 35.25 million and Baht 37.01 million, respectively. The SET has been informed from the lessor that the company that provided this land has not paid the rent for the year 1994 - 1997 (construction period) amounting of Baht 16.8 million and the annual rent for the year 1998 - 2002 amounting of Baht 145 million. The lessor is in the process to enforcing the company that provided this land to comply with the agreement.

21. Financial Instruments

i) Key Objective and Conditions

The SET maintains high liquidity, therefore, there is no policy to seek outside financing in the near future. The SET has a policy to invest its funds in low-risk financial institutions with a good return.

ii) Credit Risk

The SET has no significant concentration of investments or deposits in financial institutions but still has risk of issuers' financial status and market risk. However, the SET has a policy to diversify its investments and deposits in secured financial institutions according to the SET's regulation: Deposit with Financial Institutions and Investment B.E.2542. In addition, the maximum limit of investment in each financial institution is set up and reviewed by the Investment Working Committee.

Investment policy for the year 2001 and 2002 policy is summarized as follows:

Type of Investment	Proportion to Total Investment
Government securities, debenture or bonds of state enterprise or entity incorporated by specialized law	not less than 10%
Time deposits in Government Bank	not more than 50%
Time deposits in Commercial Bank	not more than 50%
Promissory notes in finance company	not more than 30%
Corporate Debenture	not more than 10%

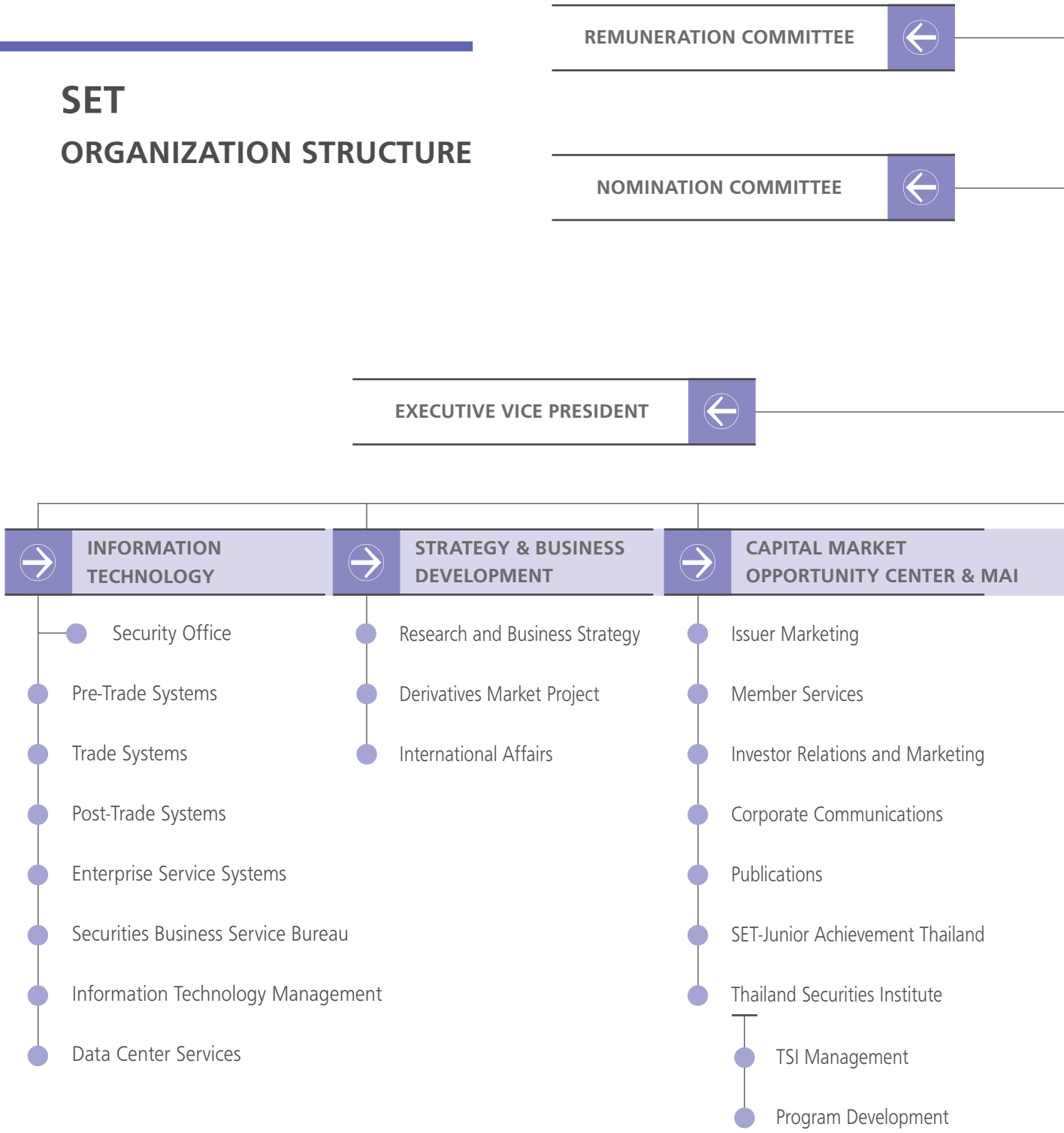
The SET has changed the investment policy, effective from December 27, 2002 onwards as follows:

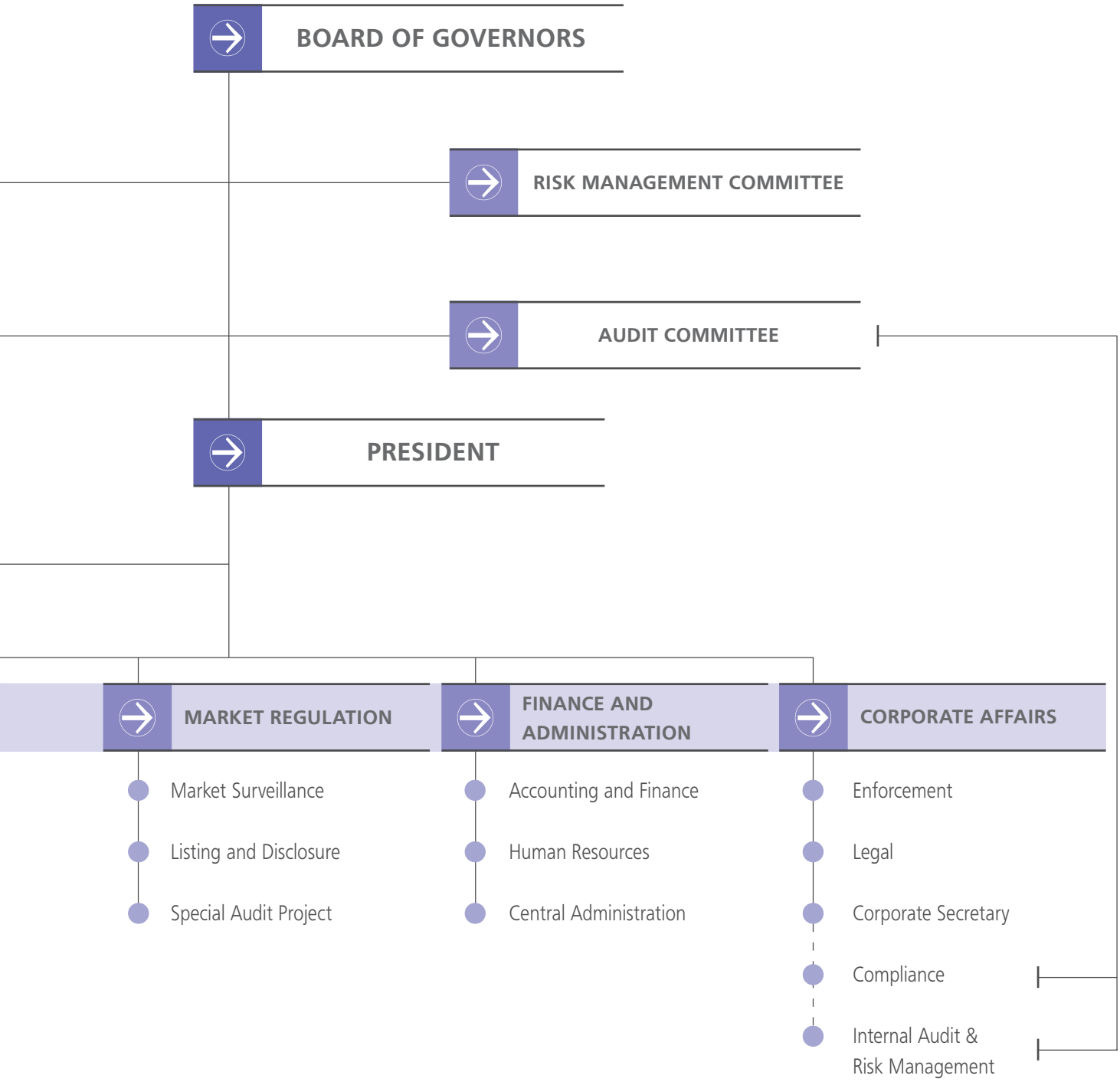
Type of Investment	Proportion to Total Investment
Government securities, debenture or bonds of state enterprise or entity incorporated by specialized law	not less than 10%
Time deposits in Government Bank	not more than 50%
Time deposits in Commercial Bank	not more than 50%
Promissory notes in finance company	not more than 50%
Corporate Debenture	not more than 20%

iii) Fair Values

The carrying amount of the following financial assets and financial liabilities are approximate to their fair value: cash and cash equivalents, accounts receivable and accrued income, accrued interest receivable, accounts payable, and accrued expenses. Fair value of short-term investments and long-term investments were disclosed in Note 3 and 6, respectively.

SET
ORGANIZATION STRUCTURE





As of January 1,2003

Board of Governors

Mr. Chavalit Thanachanan
Chairman

Mr. Suvit Mapaisansin
Vice Chairman

Mr. Songdej Praditsmanont
Governor

Mr. Suthep Peetakanont
Governor

Mr. Vikit Kachonnarongvanich
Governor

Mr. Charamporn Jotikasthira
Governor

Mr. Anant Asavabhokhin
Governor

Dr. Olarn Chaipravat
Governor

Mrs. Wiwan Tharahirunchote
Governor

Mr. Kittiratt Na-Ranong
President

Board of Governors

Mr. Chavalit Thanachanan Chairman

Education
- BA in Economics (Honors), University of Manchester, England

Other Current Positions
- Chairman, Thai Institute of Directors Association
- Chairman, Sub-committee for Good Corporate Governance
- Chairman, Bank of Asia Public Company Limited
- Chairman, Bangkok Life Assurance Company Limited
- Chairman, The Post Publishing Public Company Limited

Past Experience
- Governor, Bank of Thailand
- Director, Bank For Agriculture and Agricultural Cooperatives
- Manager, Exchange Equalization Fund, Bank of Thailand
- Deputy Minister, Ministry of Finance
- Chairman, The Mutual Fund Public Company Limited
- Chairman, The Industrial Finance Corporation of Thailand
- Chairman, Securities One Public Company Limited
- Chairman, Thai Thamrong Finance Company Limited
- Chairman, Srivara Real Estate Group Public Company Limited

Mr. Suvit Mapaisansin Vice Chairman

Education
- MBA, Graduate Institute of Business Administration, Chulalongkorn University
- Bachelor of Administration (Economics), Chulalongkorn University

Other Current Positions
- Chief Executive Officer, Merrill Lynch Phatra Securities Company Limited

Past Experience
- Managing Director, Merrill Lynch Phatra Securities Company Limited
- Senior Executive Vice President, Merrill Lynch Phatra Securities Company Limited
- Senior Executive Vice President, Phatra Securities Company Limited
- Senior Executive Vice President, Phatra Thanakit Public Company Limited
- First Senior Vice President, Phatra Thanakit Public Company Limited
- Senior Vice President, Phatra Thanakit Public Company Limited

Mr. Songdej Praditsmanont Governor

Education
- BA in Economics with (Honors) - London University, London, England
- Fellowship of the Institution of Chartered Accountants in England and Wales (F.C.A.)
- C.P.A. Thailand (Ministry of Commerce)

Other Current Positions
- Executive Chairman, Ernst & Young Group in Thailand
- Council member, The Supervisory Board of Auditing Professionals, Ministry of Commerce
- Vice President, The Institution of Certified Accountants and Auditors of Thailand
- Chairman, The Audit Committee of the Stock Exchange of Thailand
- Chairman, The Risk Management Committee of the Stock Exchange of Thailand

Past Experience
- Bangkok Bank, London, England
- Mercantile Bank, London, England
- Ernst & Young, London, England

Mr. Suthep Peetakanont Governor

Education
- MBA, University of Missouri-Kansas City
- BA, Chulalongkorn University

Other Current Positions
- Chairman, The Executive Board, Capital Nomura Securities Public Company Limited
- Chairman, Association of Securities Companies

Past Experience
- Executive Director, Capital Nomura Securities Public Company Limited
- General Manager - SEVP, Capital Nomura Securities Public Company Limited
- Director of Institutional Sales, General Finance & Securities Public Company Limited

Mr. Vikit Kachonnarongvanich Governor

Education
- MBA, Thammasat University
- BBA in Accounting, Thammasat University

Other Current Positions
- Executive Director, Phillip Securities (Thailand) Public Company Limited
- Director, Association of Securities Companies
- Independent Director and Chairman of Audit Committee, Univentures Public Company Limited

Past Experience
- Managing Director, AFCO Securities Company Limited
- Executive Vice President, First Asia Securities Public Company Limited
- Assistant Managing Director, Premier Finance and Securities Company Limited

Mr. Charamporn Jotikasthira Governor

Education
- BS in Electrical Engineering and Computer Science, Massachusetts Institute of Technology
- MBA, Harvard Graduate School of Business Administration

Other Current Positions
- Director, Imperial Technology Management Services Public Company Limited
- Director, Thailand Securities Depository Company Limited
- Director, Acert Company Limited

Past Experience
- President & Chief Executive Officer, SCB Securities Company Limited
- President, Thai Thamrong Finance & Securities Company Limited
- Managing Director, SCB Asset Management Company Limited
- Assistant Manager, Information Systems Department, The Siam Commercial Bank Public Company Limited
- Vice President, Money Management Department, The Siam Commercial Bank Public Company Limited
- Vice President, Corporate Finance Department 3, The Siam Commercial Bank Public Company Limited
- Infinet Incorporated Andover, MA (U.S.A.)
- The Intertel Incorporated Burlington, MA (U.S.A.)

Mr. Anant Asavabhokhin Governor

Education
- MBA, Thammasat University
- M.S. in Industrial Engineering , Illinois Institute of Technology, Chicago
- BA in Engineering (Civil) , Chulalongkorn University

Other Current Positions
- Managing Director, President/CEO, Land & Houses Public Company Limited
- Director of Quality Houses Public Company Limited
- Director of Home Product Center Public Company Limited

Past Experience
- Project Manager, Land & Houses Public Company Limited
- General Manager, Land & Houses Public Company Limited

Dr. Olarn Chaipravat Governor

Education
- B.S. (MAGNA CUM LAUDE), Economics, Wharton School, University Of Pennsylvania, U.S.A.
- Ph.D. in Economics, Massachusetts Institute of Technology (M.I.T.), U.S.A.

Other Current Positions
- Director, The Thai Airways International Public Company Limited
- Director, PTT Public Company Limited
- Honorable Advisor, Fiscal Policy Research Institute
- Chairman, Shin Corporation Public Company Limited
- Advisor, Finance Minister

Past Experience
- Council Chairman, Shinawatra University
- Advisor to Management Board, The Siam Commercial Bank Public Company Limited
- Director, Financial Institution Supervision & Examination Department, Bank of Thailand

Mrs. Wiwan Tharahirunchote Governor

Education
- MBA (Finance & Marketing), Kellogg School of Management, Northwestern University, Evanston, Illinois, U.S.A.
- BA in English (Honors), Chulalongkorn University

Other Current Positions
- President, One Asset Management Limited
- Member of The Board, Thailand Securities Depository Company Limited
- Member of Audit Committee, The Stock of Exchange Thailand
- Director, Imagimax Company Limited
- Director, Cyber Planet Interactive Company Limited
- Member of the Senate, Academic Sub-committee on Fiscal, Banking and Financial Institutions
- Country Representative, Kellogg Alumni Club

Past Experience
- Director & Senior Executive Vice President, One Asset Management Limited
- Executive Vice President, One Asset Management Limited
- Assistant Vice President, Business Development Department, The Thai Farmers Bank Public Company Limited

Mr. Kittiratt Na-Ranong President

Education
- MBA in Finance and International Business, Sasin Graduate Institute of Business Administration, Chulalongkorn University, and exchange student at the Kellogg Graduate School of Management
- BS in Economics (Quantitative), Chulalongkorn University

Other Current Positions
- Director, State Enterprises Capital Policy Committee

Past Experience
- Executive Director, Chief Investment Officer, Univentures Public Company Limited
- Director, Univentures Consulting Company Limited
- Chairman, Cathay Asset Management Company Limited
- Managing Director, Equity Sales and Research, Securities One Public Company Limited
- President, First Asia Securities Public Company Limited
- President, One Asset Management Limited
- Senior Vice President, Securities One Public Company Limited
- Independent Director, Trang Seafood Products Public Company Limited
- Director, Mass Rapid Transit Authority of Thailand
- Honorary Advisor, Permanent Committee on Economic Affairs, House of Representatives

SET Executives

Kittiratt Na-Ranong
President

Chaiyoot Chamnanlertkit
Senior Vice President
Information Technology Division

Dhanes Temsupanan
Senior Vice President
Capital Market Opportunity Center

Sarayuth Booncharoen
Senior Vice President
Capital Market Opportunity Center

Supakit Jirapraditkul
Senior Vice President
Market Regulation Division

Phanit Kirdchockchai
Vice President
Publications Department

Karuna Aksaravut
Executive Director
SET - Junior Achievement Thailand

Naowarat Bumrungchit
Vice President
TSI Management Department

Junya Thanathanya
Vice President
Accounting & Finance Department

Jiraporn Koosuwan
Vice President
Human Resources Department

Somchai Oksue
Vice President
Central Administration Department

Dr.Naree Boontherawara
Vice President
Research and Business Strategy Department, and seconded to the International Affairs Department

Yothin Koo-Smith
Vice President
Capital Market Specialist

Suraphol Eittimeteevut
Vice President
Technical Support & Software Quality Assurance

Sopawadee Lertmanaschai
Chairman of the Executive Committee
Capital Market Opportunity Center and MAI

Punsak Vejanurug
Executive Vice President

Patareeya Benjapolchai
Executive Vice President

Suthichai Chitvanich
Executive Vice President

Kraitas Sirikanchana
Vice President
Market Surveillance Department

Somsri Limswang
Vice President
Listing & Disclosure Department

Paveena Sriphothong
Vice President
Corporate Governance Center

Suchat Sitawarin
Vice President
Special Audit Project

Dr.Rinjai Chaiyasut
Vice President
Derivatives Market Project, and the
Program Development Department

Ladawan Kantawong
Vice President
Corporate Communications Department

Dhana Bubphavanich
Vice President
Issuer Marketing Department

Kriengchai Boonpoapichart
Vice President
Investor Relations and Marketing Department

Sakkarin Ruamrangsri
Vice President
Legal Department, and seconded to
the Enforcement Department

Patchara Wongnimitkul
Vice President
Compliance Department

Thidarat Aruninta
Vice President
Corporate Secretary Department

Ekachai Lokcharoenlarb
Vice President
Internal Audit & Risk Management Department

Montita Booncharoengsombat
Vice President
Trade Systems Department

Surapong Vongsopanagul
Vice President
Post-Trade Systems Department

Varaporn Nana
Vice President
Enterprise Service Systems Department

Chanisa Tongsudjaitham
Vice President
Securities Business Service Bureau

SET Subsidiaries

Thailand Securities Depository Company Limited (TSD)

The Thailand Securities Depository Company Limited (TSD) was set up by the Stock Exchange of Thailand and began operations on January 1, 1995 with the main objective of developing and promoting efficient and internationally recognized post-trading services system in Thailand.

Mrs. Nongram Wongwanich
President

Vision

The Thailand Securities Depository Company Limited is a post-trading center for securities, providing accurate, timely and complete service by knowledgeable and highly skilled staff, as well as up-to-date technology and a business alliance network aimed at achieving maximum satisfaction for our customers. Ethics and etiquette are, furthermore, essential parts in our business performance to help maintain the confidence of our customers.

Operations

The TSD acts as the central securities depository and sole clearing house in Thailand utilizing an efficient scripless system and an internationally accepted multilateral netting mode of settlement. The TSD also acts as the securities registrar for all listed companies and many other issuing companies.

Registered Capital, Shareholding and Organization Structure

- 200 Million Baht
- The Stock Exchange of Thailand holds 99.99% of the registered capital.
- The TSD consists of four departments: Clearing and Depository, Securities Registration, Fund Registration, and Planning and Product Development.

Board of Directors

Name		Position
Mr. Chavalit	Thanachanan	Chairman
Mr. Kittiratt	Na-Ranong	Vice Chairman
Mrs. Wiwan	Tharahirunchote	Member
Mr. Suvit	Mapaisansin	Member
Mr. Techapit	Sangsingkeo	Member
Miss Orajit	Singkalavanich	Member
Mr. Suwit	Udomsab	Member
Dr. Surat	Palalikit	Member
Mr. Charamporn	Jotikasthira	Member
Mrs. Patareeya	Benjapolchai	Member
Mrs. Nongram	Wongwanich	President

Year 2002 Summary of Business Operations

Significant business performance indicators for the year 2002 are summarized as follows:

- To promote 100% scripless, the TSD accepted issuers as a new class of depositors in order to add another channel for securities deposited by investors into the scripless system. This year, 69 issuers are now depositors in the TSD system.
- The TSD has completed its studies on implementing Straight-Through-Processing (STP) in the Thai market. The STP concept is to link all related working systems together from the beginning of trade until final clearing and settlement. This serves as a risk management tool and enables the settlement cycle to be shortened. These findings have been disseminated through hearings, newsletters and the TSD website.
- The TSD strengthened its registration service by shortening the period between an Initial Public Offering (IPO) and the start of trading to only five business days.

- The TSD expanded its service by providing back-office and a one-stop service to act as the registrar for Retirement Mutual Funds. Presently, the TSD acts as the registrar of eight funds from the forty-one funds that are currently operating.
- The Sixth General Meeting of the Asia-Pacific Central Securities Depository Group hosted by the TSD, proved to be a remarkable success. Top-level executives of twenty-four securities depository organizations from seventeen countries in the region joined the conference and exchanged information and viewpoints. The proceedings were very beneficial to the development of the region's capital markets and invaluable in pushing ahead the work of securities depositories in the Asia-Pacific region in light of the challenging circumstances of today's global environment.

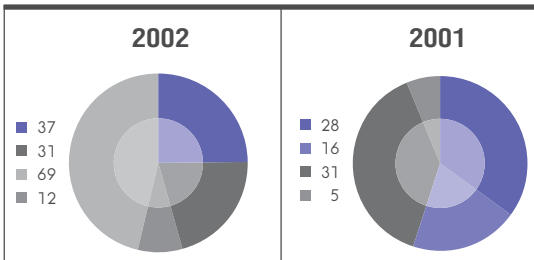
Future Plans

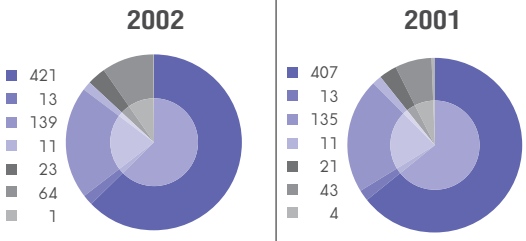
To strengthen the standardization of its services and resolutely face the challenges of today's global capital markets, the TSD has set out the following strategic plans for 2003:

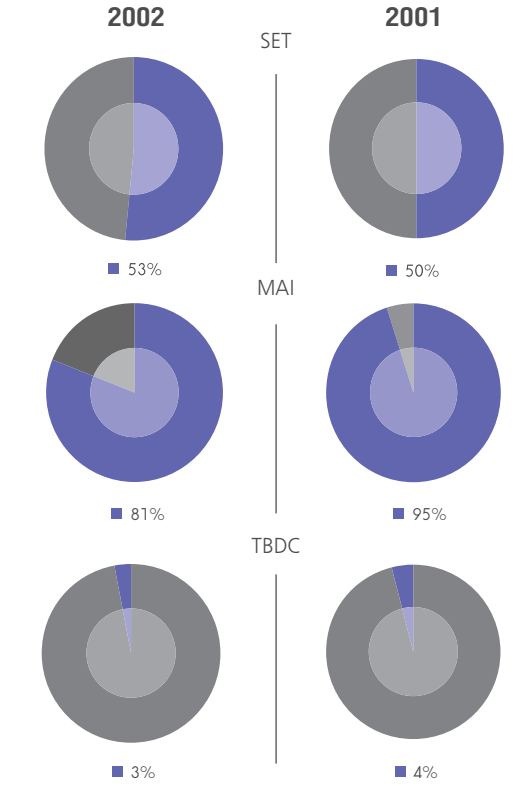
- To become the sole clearinghouse for corporate bonds in Thailand
- Real Time Depository Records (RTDR): To segregate client accounts for investors under the account of brokers/custodians instead of being placed together in omnibus accounts
- To study the options for the appropriate type of central counterparty, for the TSD to fulfill the role as a securities settlement guarantor
- Collateral management for government bonds and unit trusts
- Revision of the fee structure of TSD services
- New services for asset management companies, by offering to serve as a registrar for both provident and mutual funds
- To restructure the shareholder database for greater efficiency and to reduce information redundancy
- To develop the business and the architecture for trading matching utility solutions to support business expansion
- To manage an information database for the sake of customer relationships

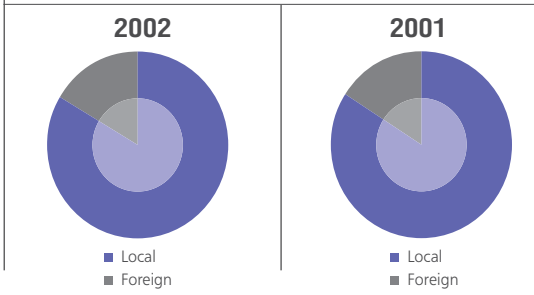
Statistical Highlights

1. Securities Depository



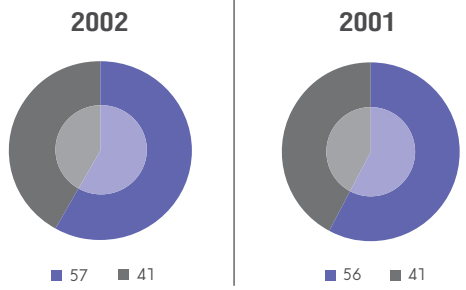






	2002	2001
Number of Depository Participants (Participants)	149	80
• Brokers	37	28
• Sub-brokers	-	16
• Custodians	31	31
• Registered Companies	69	-
• Others	12	5
Number of Securities Deposited in the Securities Depository Center (Securities)	672	634
• Common Shares	421	407
• Preferred Shares	13	13
• Bonds and Debentures	139	135
• Convertible Debentures	11	11
• Unit Trusts	23	21
• Warrants	64	43
• Derivative Warrants	1	4
Value of Securities Deposited in the Securities Depository Center (Million Baht)		
• The Stock Exchange of Thailand (SET) (At Market Price)	1,054,033	803,035
- Percentage of Deposits Compared to Total Market Capitalization (At Market Price)	53	50
• The Market for Alternative Investment (MAI) (At Market Price)	1,409	290
- Percentage of Deposits Compared to Total Market Capitalization (At Market Price)	81	95
• The Thai Bond Dealing Center (TBDC) (At Par Value)	7,975	10,032
- Percentage of Deposits Compared to Total Market Capitalization (At Par Value)	3	4
Number of Accounts in the Securities Depository Center (Accounts)		
• Local	8,126	7,994
• Foreign	1,598	1,511

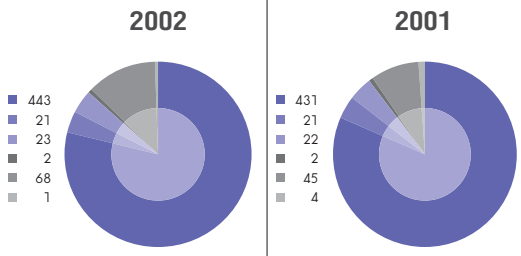
2. Securities Clearing and Settlement



Number of Participants in the Clearing House (Participants)

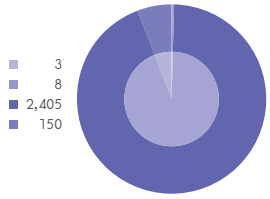
	2002	2001
Number of Participants in the Clearing House (Participants)		
• The Stock Exchange of Thailand (SET)	57	56
• The Thai Bond Dealing Center (TBDC)	41	41
Total Value of Securities Clearing and Settlement (SET) (Million Baht)	237,090	177,108
Total Volume of Securities Clearing and Settlement (SET) (Million Shares)	82,530	57,667
Total Transactions of Securities Clearing and Settlement (SET) (Thousand Transactions)	1,328	1,131

3. Securities Registration



	2002	2001
Number of Companies in the Securities Registrar System (Companies)	446	433
Number of Securities in the Securities Registrar System (Securities)	558	525
• Common Shares	443	431
• Preferred Shares	21	21
• Bonds and Debentures	23	22
• Convertible Debentures	2	2
• Warrants	68	45
• Derivative Warrants	1	4

4. Fund Registration



	2002	2001*
Statistics of Registration Service Provided to Retirement Mutual Funds (RMFs)		
Number of Asset Management Companies (Companies)	3	N/A
Number of Retirement Mutual Funds (RMFs) (Funds)	8	N/A
Number of Unitholders (Unitholders)	2,405	N/A
Net Asset Value (Million Baht)	150	N/A

* Remark : The TSD started providing fund registrar service in August 2002.
As of December 31, 2002

Thai Trust Fund Management Co., Ltd.

Mrs. Kongkeaw Piamduaytham
Managing Director

Thai Trust Fund Management Company Limited (TTF) was established by the Stock Exchange of Thailand (SET) with the objective of promoting foreign investments in the Thai stock market. The TTF is considered another means for foreigners to invest in Thai listed shares through mutual funds, in addition to investing through the foreign board.

Nature of Business

Thai Trust Fund Management Company Limited was granted its license to operate by the Securities and Exchange Commission (SEC) on July 2, 1997. Its business is to function as an open-ended fund, whereby each fund will be invested in the shares of individually listed securities. The Mutual Funds are Thai juristic persons although foreigners are the holders of investment units.

Registered Capital

The TTF is a wholly owned subsidiary of the SET, has registered capital of Baht 100 million, with the SET´s holding 99.99% of this.

Supervisor of the Mutual Fund

The Krung Thai Bank Public Company Limited

Board of Directors

Structure		Position
Mr. Kittiratt	Na-Ranong	Chairman
Ms. Sopawadee	Lertmanaschai	Member
Mr. Suthichai	Chitvanich	Member
Mrs. Kongkeaw	Piamduaytham	Managing Director

Business Operations

As of the end of 2002, 14 listed companies are participating in the TTF project as follows :

Company	Percentage of Holding by TTF allowed by the Listed Company	No. of Shares Held by Thai Trust Fund
1) Alucon Public Co., Ltd.	15	1,271,800
2) Tongkah Harbour Public Co., Ltd.	20	0
3) Precious Shipping Public Co., Ltd.	5	0
4) Hana Microelectronics Public Co., Ltd.	24	0
5) Berli Jucker Public Co., Ltd.	24	1,828,200
6) Thoresen Thai Agency Public Co., Ltd.	35	0
7) Advanced Info Service Public Co., Ltd.	2.50	64,039,000
8) TelecomAsia Corporation Public Co., Ltd.	11.08	357,999,672
9) Thai Reinsurance Public Co., Ltd.	24	5,928,770
10) Laguna Resorts & Hotels Public Co., Ltd.	20	14,601,866
11) Royal Garden Resort Public Co., Ltd.	10	7,616,380
12) Golden Land Property Development Public Co., Ltd.	20	0
13) KGI Securities (Thailand) Public Co., Ltd.	25	0
14) Robinson Department Store Public Co., Ltd.	21	233,238,838

บริษัท ไทยเอ็นวีดีอาร์ จำกัด
THAI NVDR CO., LTD.

Thai NVDR Co., Ltd.

The Thai NVDR Co., Ltd. was established by the Stock Exchange of Thailand (SET), with the aim of attracting foreign investors to invest in the Thai capital markets.

Business Operation

The Thai NVDR Co., Ltd. is responsible for purchasing or selling listed company shares when investors wish to purchase or sell NVDRs. Such actions should not result in any difficulties in terms of the number of securities held, or the nationality of the holder. NVDR holders will receive the full financial benefits as if they had invested in the listed company shares themselves (i.e. dividends, rights, warrants). However, there is no voting-right for NVDR holders.

NVDR Trading Procedure and Price Quotation

The trading procedure is similar to the procedure for other listed securities. Investors can send their requests via their brokers by specifying their trading orders refer to NVDRs. The price quotation for NVDRs is the same as those of the underlying stocks.

Registered Capital

The Thai NVDR Co. Ltd. has registered capital of Baht 10 million, with the SET's holding 99.99% of all registered capital.

Board of Directors

Structure		Position
Mr. Kittiratt	Na-Ranong	Chairman
Ms. Sopawadee	Lertmanaschai	Member
Mr. Suthichai	Chitvanich	Member
Mrs. Kongkeaw	Piamduaytham	Member

2002 Operational Review and Statistical Highlights

Non-Voting Depository Receipts (NVDRs) began trading on June 11 2001. NVDRs have received considerable interest from foreign investors, with trading spread over many industrial sectors. As of December 31 2002, investors held NVDRs based on underlying shares in 388 companies out of the total 398 listed companies. This is equivalent to 97.49% of all the listed companies on the SET.

SETTRADE.COM Co., Ltd

Dr. Wittaya Watcharawittayakul
Chief Executive Officer

SETTRADE.COM was established by the SET Board of Directors with the aim of creating an efficient information technology and communication network as a central platform linked to the securities trading industry that would dramatically increase trading volumes and improve security systems. The Exchange would provide securities companies and investors with Internet securities trading services to enhance trading efficiency and reduce securities companies' overall operating costs. The Exchange has also developed a web site, WWW.SETTRADE.COM that commenced services on November 3, 2000.

The Characteristics of these Undertakings

SETTRADE.COM provides services to securities companies and other concerned parties, involving computer systems, information technology and communication networks linked to securities trading, including ensuring continuous service of these systems, to promote and support securities Internet Trading (E-Trading). In additional, the company has taken responsibility for marketing and acting as the sales representative for SET information products.

SETTRADE.COM Vision

To develop the Thai capital markets into a leading Internet trading platform and for the efficient dissemination of SET information.

Company Highlights

- Efficiency: order transmitting system directly linked with the SET's order receiving system
- Stability and Security: structured to international standards, with a back-up link. Secure and modern encryption systems.
- Expansion Support Capability: system architecture and information technology that enables the computer system to send and receive trading orders that will support unlimited future growth.
- Business Opportunities: expansion of investor groups supported by various business alliances, such as Internet services provider companies, banks, information provider companies, and the press.

Registered Capital and Shareholders

SETTRADE.COM Co., Ltd is a wholly owned subsidiary of the Stock Exchange of Thailand (SET), established on October 13, 2000. The company has a registered capital of 80 Million Baht.

Board of Directors

Name		Title
Dr. Surat	Palalikit	Chairman
Mr. Kittiratt	Na-Ranong	Director
Mr. Trin	Tantsetthi	Director
Dr. Piyapan	Tayanithi	Director
Mr. Somkid	Jiranantarat	Director
Mrs. Sopawadee	Lertmanaschai	Director
Mrs. Nongram	Wongwanich	Director
Mr. Chaiyoot	Chamnanlertkit	Director
Dr. Wittaya	Watcharawittayakul	Director & CEO

Major Activities

Since SETTRADE.COM Co., Ltd commenced service on November 3, 2000, fifteen brokers have launched their own business under SETTRADE's umbrella: Ayudhya Securities Co., Ltd, BFIT Securities Co., Ltd, BT Securities Co., Ltd, Capital Nomura Securities Public Co., Ltd, DBS Vickers Securities (Thailand) Co., Ltd, Globlex Securities Co., Ltd, Intel Vision Securities Co., Ltd, KGI Securities (Thailand) Public Co., Ltd, Kiatnakin Securities Co., Ltd, National Securities Co., Ltd, Sicco Securities Public Co., Ltd, Tisco Securities Co., Ltd, Trinity Securities Co., Ltd, United Securities Public Co., Ltd, UOB Kay Hian Securities (Thailand) Co., Ltd.

For the general public or any investors who are interested in the capital markets, SETTRADE has developed its own website (www.settrade.com) to be both an investment portal and a free service to provide information to the public, in support of SET's policy of increasing the number of investors in the Thai capital markets.

In terms of the other services, SETTRADE has collaborated with related businesses and institutions to develop the following innovative services to support the investment and securities business: E-payment & Internet Banking, Mobile Alert (via AIS and DTAC), the Trading Simulation Game and "SETTRADE IPO".

Future Projects

SETTRADE.COM Co., Ltd will focus its attention on developing the Thai capital markets via the Internet trading channel, and conduct research into innovative quality services to satisfy investors' wants and needs.

Family Know-How Co., Ltd.

Mr. Vichate Tantiwanich
Managing Director

Scope of Work

The Stock Exchange of Thailand established the Family Know-How Co. Ltd. (FKH) on August 6, 2002. The company aims to:

- Encourage the development of an "Investment Culture" in Thai society
- Promote and develop knowledge about finance and investment that can be delivered to individual investors, thereby creating a large pool of quality investors, as part of the plan to develop both the SET and the MAI.
- Publicize the development of Thai financial institutions and the investment environment as well as burnish the image of Thai investment at the international level.
- Engage in a campaign to promote the concepts associated with Good Governance
- Generate interest in and promote an understanding of the merits of privatization in regard to Thai SOEs, as well as the progress of such privatizations.

Vision

FKH is represented by the symbol of a "flash light", a tool for illuminating a basic understanding of the economy, capital markets and money markets for the public. Such knowledge will lead to the creation of personal financial planning for each individual and, consequently, an investment culture for the whole country. In the long run, healthier financial and social structures can be expected.

Registered Capital and Shareholders

FKH's registered capital is 20 million baht. The Stock Exchange of Thailand now holds 99.99% of all outstanding shares.

Board of Directors

Structure		Position
Mr. Yuth	Vorachattarn	Chairman
Mr. Knit	Kounavudhi	Vice Chairman
Mr. Kittiratt	Na-Ranong	Director
Mr. Punsak	Vejanurug	Director
Mr. Nopdol	Nandabhiwat	Director
Ms. Sopawadee	Lertmanaschai	Director
Mr. Thep	Roongtanapirom	Director
Mr. Anusorn	Tamajai	Director
Mr. Vichate	Tantiwanich	Managing Director
Mr. Ratchapol	Laovanitch	Director, Senior Vice President

Performance

FKH was inaugurated on September 1, 2002 and immediately began disseminating information regarding "Personal Financial Planning" and "Investment Choices" through the mass media using entertainment as the tool so that the content would reach the requisite target groups. The plan is visualized as follows:

Content	Content Structure
Personal Finance	Income ← How to make more Expense ← How to spend less Investment ← How to choose the best
Investment Choice	• Bank Deposit • Bond • Equity Stock • Debenture • Mutual Fund • Life Insurance Policy • Property • Other

Activities in 2002

- **Television Programs:**

1. "Channel of Money" is a program FKH co-produces with Nation Broadcasting Network Co., Ltd. It is broadcast live with reports on the situation in the stock market, related news and economic data from the SET. The program is scheduled on TV5 every Monday to Friday from 9.45am - 10.30am from October 2 2002 to April 15 2003.

2. "Inside Business" is a documentary program that analyzes the Thai capital markets as well as companies listed on the SET. A 3-minute docudrama that is on air on TV9 every Monday to Friday around 6.30pm, its target group is those in the workforce who are already interested in the capital markets.

- **Radio Programs:**

1. "Money Line News", a program that is co-produced with Radio Arm Co., Ltd, was launched on FM 101 Mhz on November 1, 2002. The daily program consists of twelve short news reports, four short documentaries and a 30-minute segment called "Smart Money", a talk show focusing on personal financial planning. The whole program aims to report the news and investment situation at the SET, along with promoting the concept of personal financial planning and good governance.

- **Information delivered through other medias and activities**

1. "SETTRADE.COM AFC U-14 Festival 2002" was a regional soccer match held on November 9-15, 2002 and was broadcasted through TV7. The match was aimed at young people, both to encourage their interest in sport while, at the same time, promoting the concepts of personal financial planning and investment choices to them.

2. A seminar on the topic of "Retirement Mutual Fund"s was included as a segment of the Money Talk Program that was broadcast live on FM101 on December 13 2002. It was essentially a roundtable discussion focusing on the rules and regulations, along with the benefits, of investing in RMF. The guest speakers were the current and former AIMC's, with Prof. Paiboon Seriwiwattana as the moderator.

Plan for 2003

FKH will continue to focus on delivering the concepts of personal financial planning and investment choice through every form of available media. Apart from the television and radio network that FKH already uses, other printed materials, websites and activities will be added to this project. FKH's aim remains to encourage individual awareness of financial planning and investment.

List of Member Companies

NAME & ADDRESS	SYMBOL	NUMBER	TELEPHONE	FAX NO.	WEBSITE
BUALUANG SECURITIES CO., LTD. 191 SILOM COMPLEX OFFICE BUILDING, 29/F SILOM ROAD, SILOM, BANGRAK, BANGKOK 10500	BLS	**1**	0-2231-3777	0-2231-3797	www.bualuang.co.th
TISCO SECURITIES COMPANY LIMITED 48/2 TISCO TOWER, NORTH SATHORN ROAD BANGRAK, BANGKOK 10500	TSC	**2**	0-2633-6999	0-2633-6900	www.tiscosec.com
ADKINSON SECURITIES PUBLIC COMPANY LIMITED 132 SINDHORN BUILDING 1, 2/F, WIRELESS ROAD LUMPINEE, PATUMWAN, BANGKOK 10330	ASL	**3**	0-2263-3733	0-2254-4032	www.asl.co.th
DBS VICKERS SECURITIES (THAILAND) COMPANY LIMITED. 989 SIAM TOWER BUILDING, 14 -15/F RAMA I ROAD PATUMWAN, BANGKOK 10330	DBSV	**4**	0-2657-7000	0-2657-7777	www.dbsvonline.com
SICCO SECURITIES PUBLIC COMPANY LIMITED 130-132 SINDHORN TOWER 2, 1-2/F, WIRELESS ROAD LUMPINEE, PATUMWAN, BANGKOK 10330	SICSEC	**5**	0-2627-3100	0-2263-2043	www.brokernumberfive.com
MERRILL LYNCH PHATRA SECURITIES COMPANY LIMITED 252/6 MUANGTHAI-PHATRA OFFICE TOWER 1, 6-11/F RACHADAPHISEK ROAD, HUAYKWANG, BANGKOK 10320	MLP	**6**	0-2693-2000	0-2275-3666	www.ml.com
BT SECURITIES CO., LTD. 44 BANKTHAI BUILDING, 24-26/F LUANG SUAN, PLOENCHIT ROAD, PATHUMWAN, BANGKOK 10330	BTSEC	**7**	0-2657-9000	0-2657-9333	www.BTsecurities.com
ABN AMRO ASIA SECURITIES PUBLIC COMPANY LIMITED 175 SATHORN CITY TOWER 3/F, SOUTH SATHORN ROAD TUNGMAHAMEK, SATHORN, BANGKOK 10120	AST	**8**	0-2285-1666 0-2285-1777	0-2285-1901	www.ast.co.th
CREDIT SUISSE FIRST BOSTON SECURITIES (THAILAND) LTD 990 ABDULRAHIM PLACE, 27/F, UNIT 2701 RAMA IV ROAD, SILOM, BANGRAK, BANGKOK 10500	CSFB	**9**	0-2614-6000	0-2614-6362	www.csfb.com

NAME & ADDRESS	SYMBOL	NUMBER	TELEPHONE	FAX NO.	WEBSITE
IB SECURITIES COMPANY LIMITED 132 SINTHORN BUILDING 1, 1/F, WIRELESS ROAD, LUMPINI, PATHUMWAN, BANGKOK 10330	IB	**10**	0-2256-7888	0-2256-7899	www.ibtrade.com
ASSET PLUS SECURITIES PUBLIC COMPANY LIMITED 193/104 LAKE RAJADA BUILDING, 25/F NEW RAJADAPISEK ROAD, KLONGTOEY, BANGKOK 10100	ASSET	**11**	0-2661-9999	0-2661-9988	www.assetplus.com
KGI SECURITIES (THAILAND) PUBLIC COMPANY LIMITED 323 UNITED CENTER BUILDING, 23/F, SILOM ROAD BANGKOK 10500	KGI	**13**	0-2231-1111	0-2231-1505	www.kgieworld.co.th
CAPITAL NOMURA SECURITIES **PUBLIC COMPANY LIMITED** 21/3 THAI WAH TOWER 1, 1/F SOUTH SATHORN ROAD BANGKOK 10120	CNS	**14**	0-2285-0060	0-2285-0620	www.cns.co.th
SG ASIA CREDIT SECURITIES COMPANY LIMITED 622 THE EMPORIUM TOWER, 11/F, SUKHUMWIT KLONGTON, KLONGTOEY, BANGKOK 10110	SGACS	**15**	0-2658-9000	0-2658-9292	www.sgib.com
NATIONAL SECURITIES COMPANY LIMITED 444 MBK TOWER, 14/F, PHAYATHAI ROAD, PATUMWAN BANGKOK 10330	NATSEC	**16**	0-2217-9595	0-2217-9642	www.natsec.co.th
HSBC SECURITIES (THAILAND) LIMITED 968 HSBC BUILDING 8/F, RAMA IV ROAD BANGRAK, BANGKOK 10500	HSBC-S	**18**	0-2614-4900	0-2632-4957-8	www.hsbc.co.th
KIATNAKIN SECURITIES COMPANY LIMITED 500 AMARIN TOWER, 7/F, PLOENCHIT ROAD PATUMWAN, BANGKOK 10330	KKS	**19**	0-2256-9898-9	0-2256-9783	www.kks.co.th
TRINITY SECURITIES COMPANY LIMITED 179/109-110, 25/F, BANGKOK CITY TOWER BUILDING SOUTH SATHORN, TUNGMAHAMEK, SATHORN, BANGKOK 10120	TRINITY	**22**	0-2670-9100	0-2286-9000	www.trinitythai.com
SCB SECURITIES COMPANY LIMITED 130 SINDHORN BLDG. TOWER 3, 26/F, WIRELESS ROAD LUMPINI, PATHUMWAN, BANGKOK 10330	SCBS	**23**	0-2263-3500	0-2263-3811	www.scbsec.com
SYRUS SECURITIES COMPANY LIMITED 25 ALMA LINK BUILDING, 12/F SOI CHIDLOM, PLOENCHIT BANGKOK 10330	SYRUS	**24**	0-2646-9999	0-2646-9889	www.syrus.co.th

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GLOBLEX SECURITIES COMPANY LIMITED 87/2 C.R.C ALL SEASON PLACE BUILDING 12/F, UNIT 1-4 WIRELESS ROAD, LUMPINEE, PATHUMWAN, BANGKOK 10330	GLOBLEX	**25**	0-2672-5999	0-2672-5888	www.GloblexSecurities.com
UOB KAY HIAN SECURITIES (THAILAND) COMPANY LIMITED 130-132 SINDHORN TOWER, 15/F, WIRELESS ROAD LUMPINI, PATHUMWAN, BANGKOK 10330	UOBKHST	**26**	0-2659-8000	0-2263-2306	www.uobkayhian.co.th
BFIT SECURITIES COMPANY LIMITED 25 BANGKOK INSURANCE BUILDING, 22/F, SATHON TAI ROAD BANGKOK 10120	BFITSEC	**27**	0-2677-4330	0-2677-4331	www.bfit.co.th
ING SECURITIES (THAILAND) COMPANY LIMITED 130-132 SINDHORN TOWER 1, 8 /F, WIRELESS ROAD LUMPINEE, PATUMWAN, BANGKOK 10330	INGT	**28**	0-2263-2888-9	0-2263-2898	www.ing-barings.com
AYUDHYA SECURITIES COMPANY LIMITED 898 PLOENCHIT TOWER, 4 /F, PLOENCHIT ROAD BANGKOK 10330	AYS	**29**	0-2658-6767	0-2263-0408	www.ays.co.th
INTEL VISION SECURITIES COMPANY LIMITED 540 MURCURY BUILDING, 17/F PLOENCHIT ROAD, LUMPINI, PATHUMWAN BANGKOK 10330	IVS	**30**	0-2658-5800	0-2658-5799	www.ivs.co.th
FAR EAST SECURITIES COMPANY LIMITED 87/2 CRC TOWER, 18/F, ALL SEASONS PLACE WIRELESS ROAD, LUMPINEE, PATHUMWAN, BANGKOK 10330	FES	**32**	0-2648-1111	0-2648-1000	www.fes.co.th
FINANSA SECURITIES COMPANY LIMITED 48/14-15 TISCO TOWER, 8/F, NORTH SATHORN ROAD SILOM, BANGRAK, BANGKOK 10500	FINANSA	**33**	0-2638-0300	0-2638-0301	www.finansa.com
PHILLIP SECURITIES (THAILAND) PUBLIC COMPANY LIMITED 849 VORAWAT BUILDING, 15/F, SILOM ROAD BANGRAK, BANGKOK 10500	PHILIP	**34**	0-2268-0999	0-2635-1615	www.phillip.co.th
UNITED SECURITIES PUBLIC COMPANY LIMITED 1550 GRAND AMARIN TOWER, 4-5/F, NEW PETCHBURI ROAD, RACHTAVEE, BANGKOK 10310	US	**38**	0-2207-0038	0-2207-0505	www.unitedsec.com
J.P. MORGAN SECURITIES (THAILAND) LIMITED 20 BUBPHAJIT BUILDING, 2-3/F, NORTH SATHORN ROAD SILOM, BANGRAK, BANGKOK 10500	JPM	**41**	0-2684-2600	0-2684-2610	www.jpmorgan.com

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KIM ENG SECURITIES (THAILAND) PUBLIC COMPANY LIMITED 540 MERCURY TOWER, 8-10/F, PLOENCHIT ROAD PATHUMWAN, BANGKOK 10330	KIMENG	**42**	0-2658-6300	0-2658-6301	www.kimeng.co.th
BNP PARIBAS PEREGRINE SECURITIES (THAILAND) COMPANY LIMITED 990 ABDULRAHIM PLACE, 29/F, RAMA IV ROAD SILOM, BANGRAK, BANGKOK 10500	BNPPP	**43**	0-2659-8999	0-2659-8988	www.peregrineonline.co.th
CLSA SECURITIES (THAILAND) LIMITED 87 M.THAI TOWER, 16/F, WIRELESS ROAD LUMPINI, PATHUMWAN, BANGKOK 10330	CLSA	**45**	0-2253-2945	0-2253-0534	www.clsa.com
SEAMICO SECURITIES PUBLIC COMPANY LIMITED 287 LIBERTY SQUARE, 16/F, SILOM ROAD BANGRAK, BANGKOK 10500	ZMICO	**47**	0-2695-5000	0-2631-1709	www.seamico.com
UBS WARBURG SECURITIES COMPANY LIMITED 93/1 DIETHELM TOWER A, 13/F, WIRELESS ROAD PATUMWAN, BANGKOK 10330	UBSW	**49**	0-2651-5700	0-2651-5730	www.ubswarburg.com

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