



Towards the 5TH Decade

SET and its Rise to Regional Forefront

Presented by Mrs. Satjapa Thongprasarn
Head Listed Company Development Department
Stock Exchange of Thailand
(Jul. 24, 2014)

Towards the 5th Decade of Sustainable Wealth

SET and its Rise to Regional Forefront

1. Introduction to Capital Market

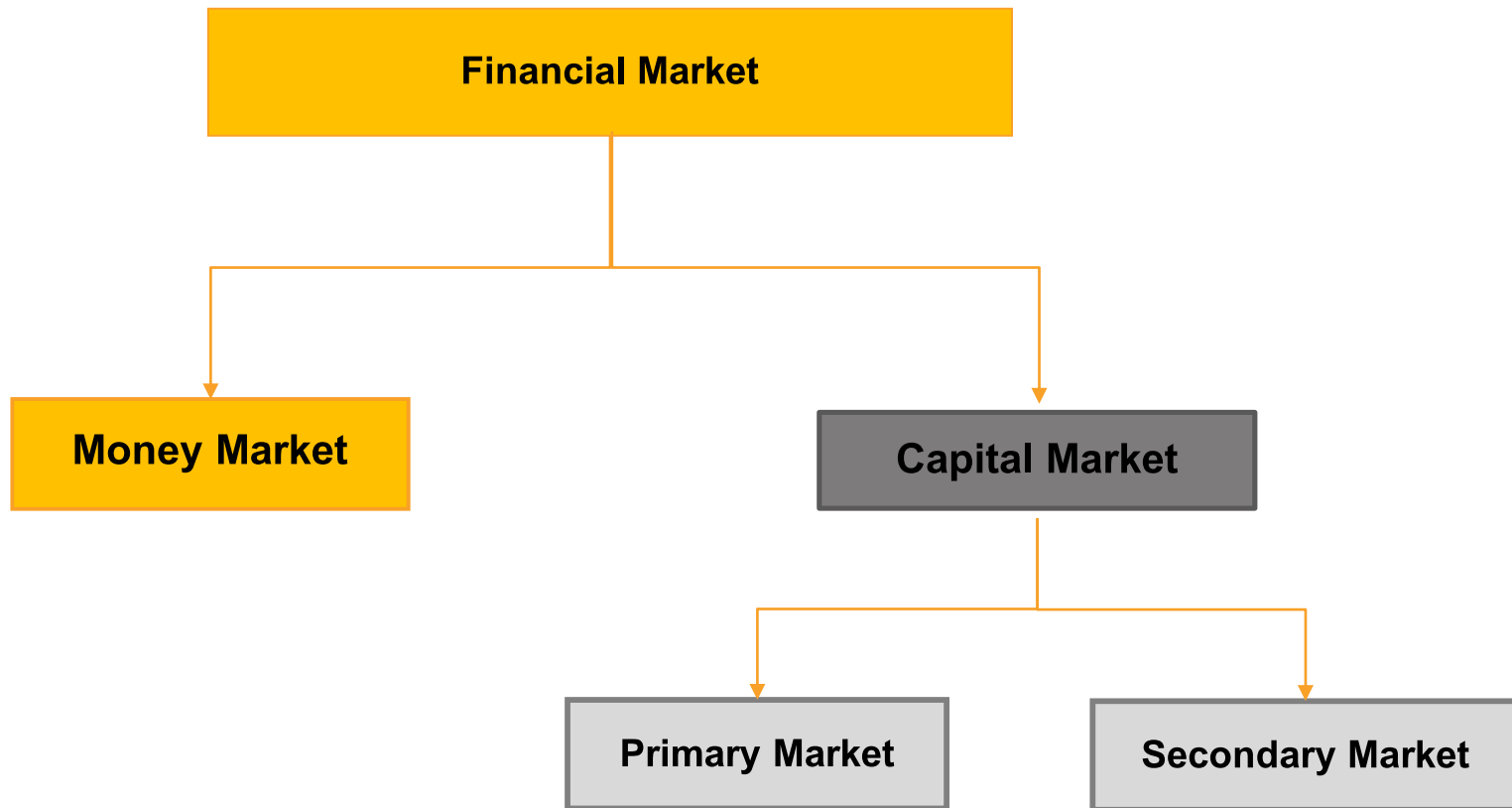
2. 40 years of Continuous Development

3. Listing Information

1. Introduction to capital market

- **1.1 Understanding Capital market**
- **1.2 Overview of SET**

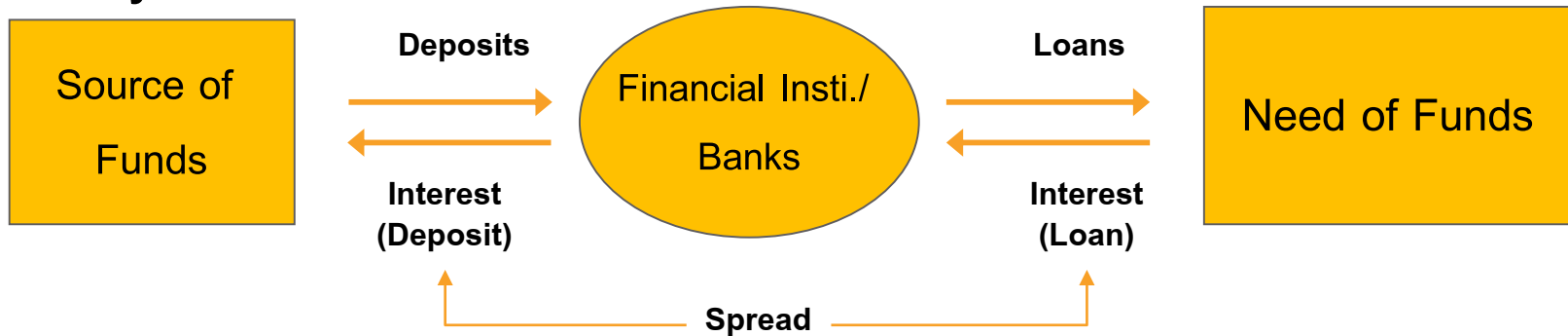
Financial market



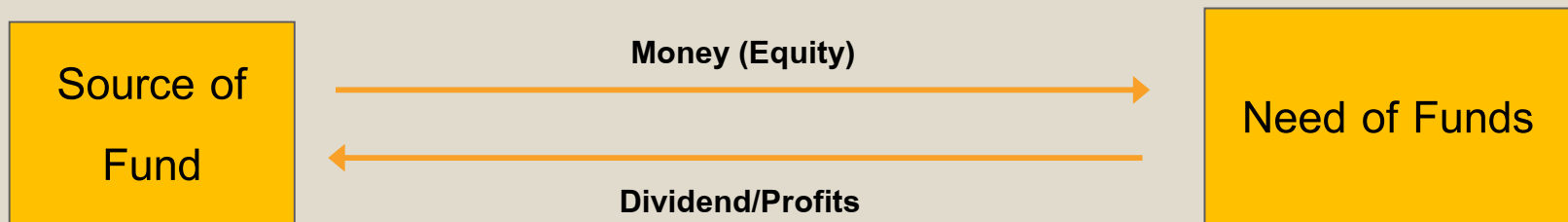
Money market Vs Capital market

- ❑ Money raising through capital market reflect true cost of funds (directly), while financial institutions will charged “spread” as a financial intermediary.

Money market



Capital market

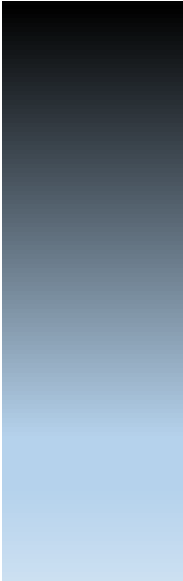


Money market Vs Capital market (Cont.)

	Money Market	Capital Market
1. Duration	Short term funds	Long term funds
2. Nature of funds	Mainly, supplies funds for working capital requirement	Mainly, supplies fund for fixed capital requirement
3. Instruments	Instruments are T-bill, Commercial Papers, Certificate of Deposit, etc. (Short term products)	Instruments are shares, debentures, bond, derivatives products, Infra funds, REITs, etc. (Long term products)
4. Risk	Lower	Higher
5. Return	Interest payment and principal	Dividend
6. Relation with central bank	Closely and directly linked with central bank of the country	The capital market feels central bank's influence, but mainly indirectly and through the money market
7. Market regulation	Closely regulated	Not much regulated

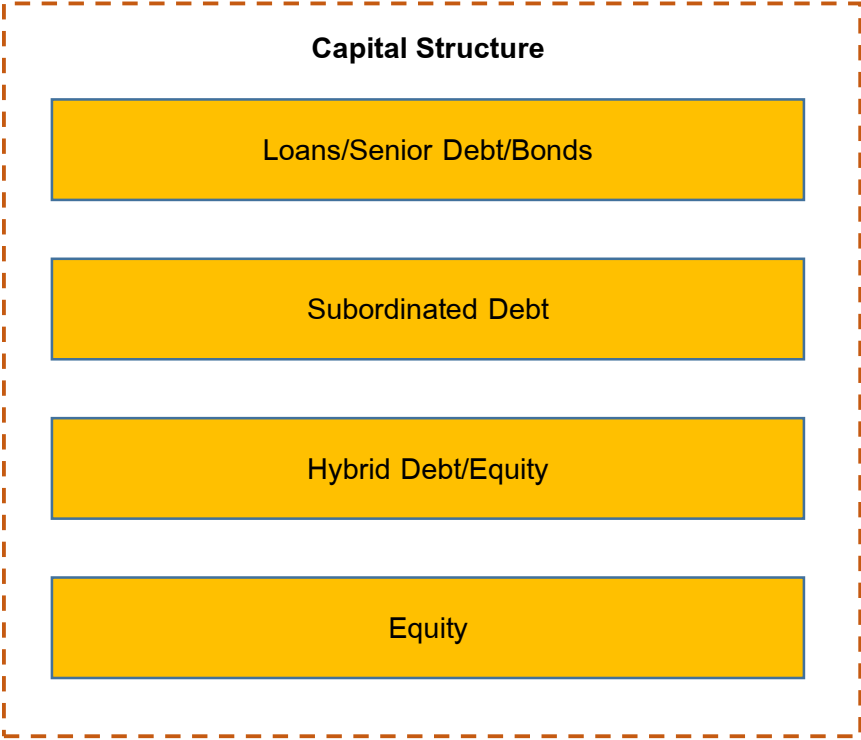
Risk and Return

Lowest Risk

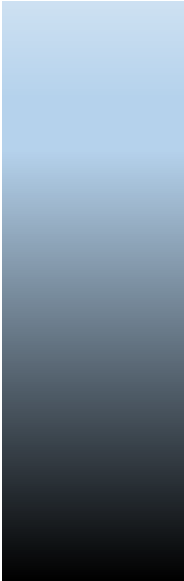


Higher Risk

Company/Project



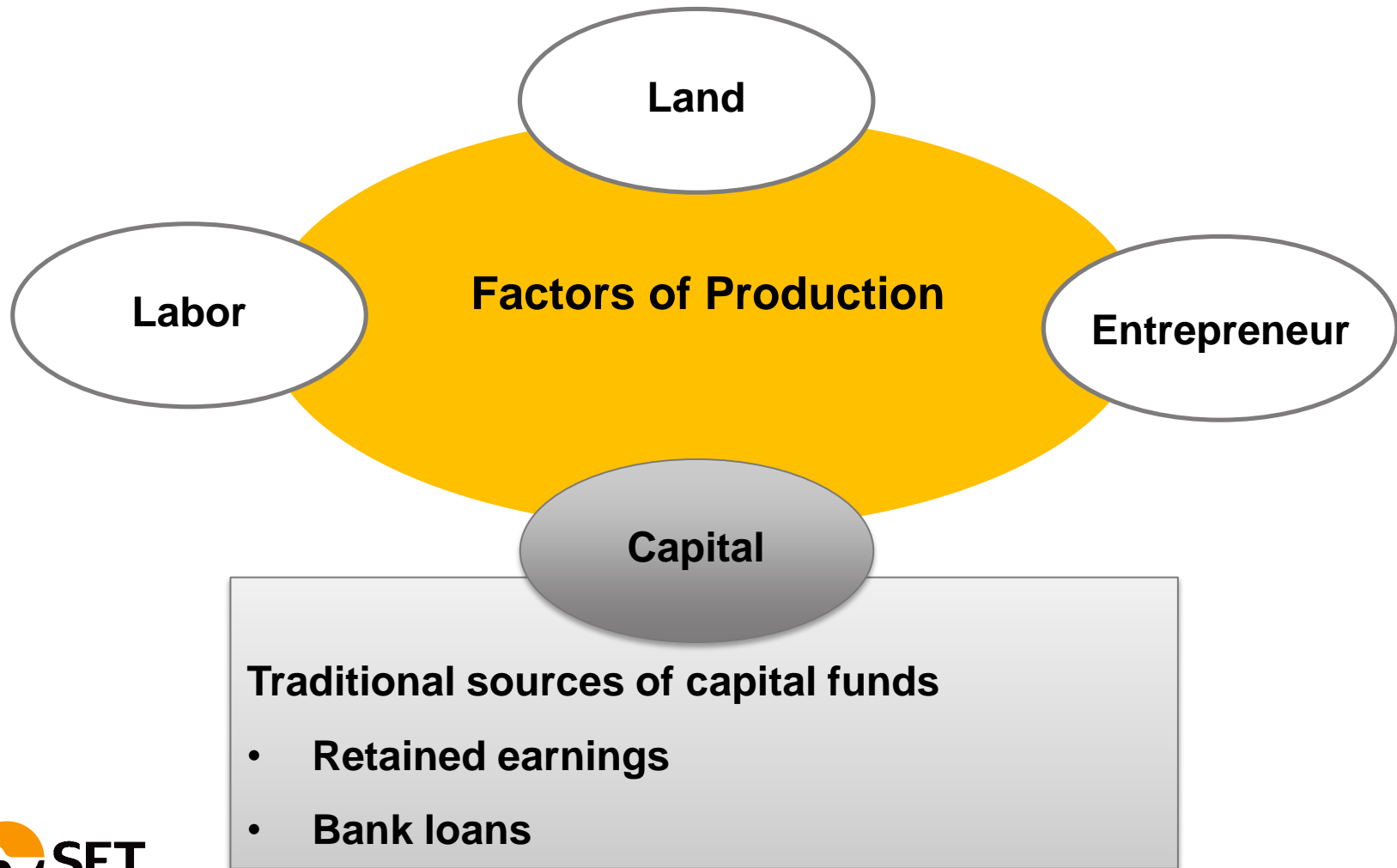
Lowest Return



Higher Return



Capital is one of the four main factors of production



Role of capital market

Main role to...

1. Business

2. Saving & Investment

Why listed ?

Need...

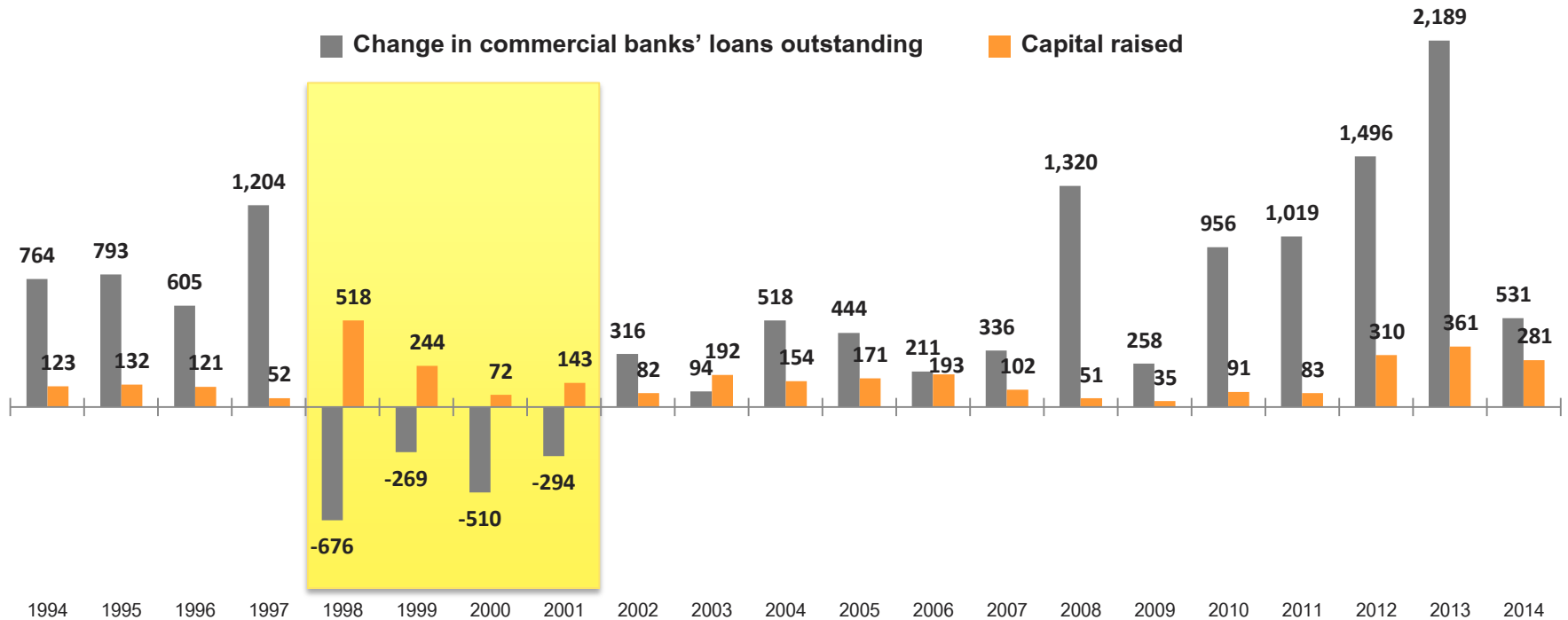
- ✓ Capital
- ✓ Credibility & Image
- ✓ Enhance value and liquidity to shareholders
- ✓ Tax incentive
- ✓ Increase company's productivity and governance
- ✓ Management accountability and professionalism
- ✓ Fair value of company
- ✓ Under some agreement (VC, etc.)
- ✓ Others (employee incentive program, etc.)

Source: CFO Survey (September 2008)

During financial crisis, capital market plays important role of financing to stabilize the economy, especially when money market cannot function well.

Capital raising through capital market and change in commercial banks' loans outstanding 1994 - 2014

Unit: billion baht



Source: BOT, SET Analysis

Capital market is more effective in promoting country's competitiveness than banks

	Capital market	Banks
Dynamic monitoring and supervision of resources	✓	✗
Raising capital for businesses during credit crunch	✓	✗
Recapitalizing financial institutions and minimizing government's fiscal burden during a financial crisis	✓	✗

In competitive world, flexibility and right mix of capital structure is a key for success

1 Business needs to have an appropriate mix of debt and equity

- **Commercial banks require business to have a sufficient capital cushion.**
- **An appropriate debt/equity structure helps minimize maturity risk, investment risk and interest rate risk.**
- **Business in different life cycle or industry require different capital structure.**

2 Low cost of capital helps enhance competitiveness

3 Timely capital raising capability helps business realize opportunities

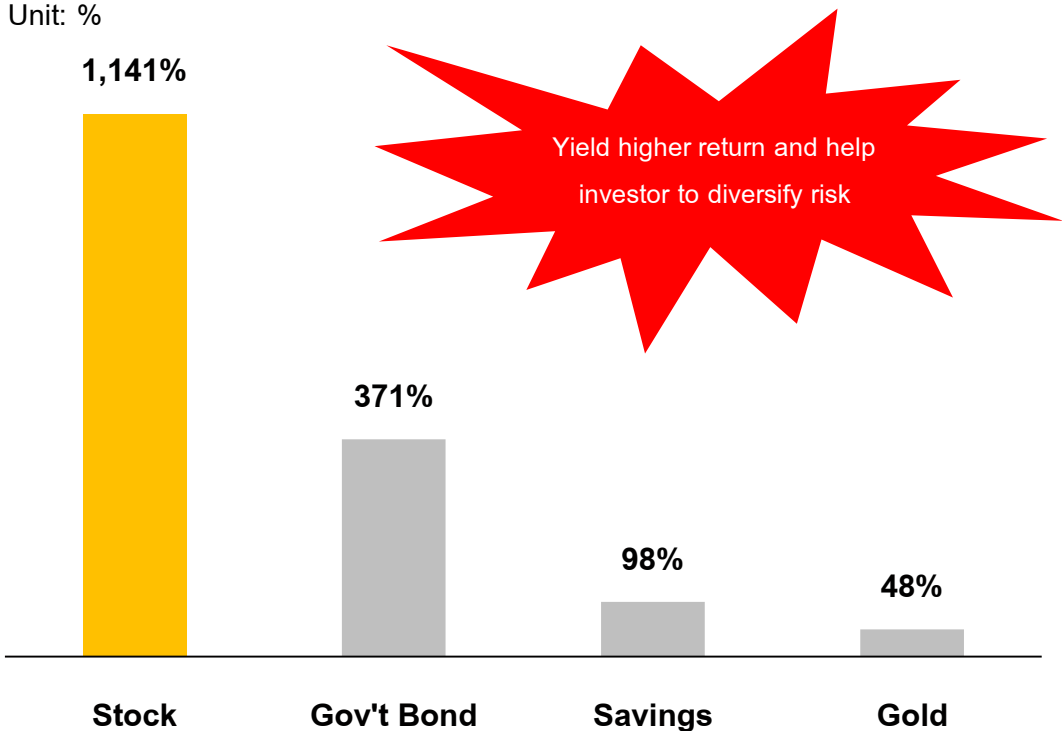
Role of capital market

Main role to...

1. Business

2. Saving & Investment

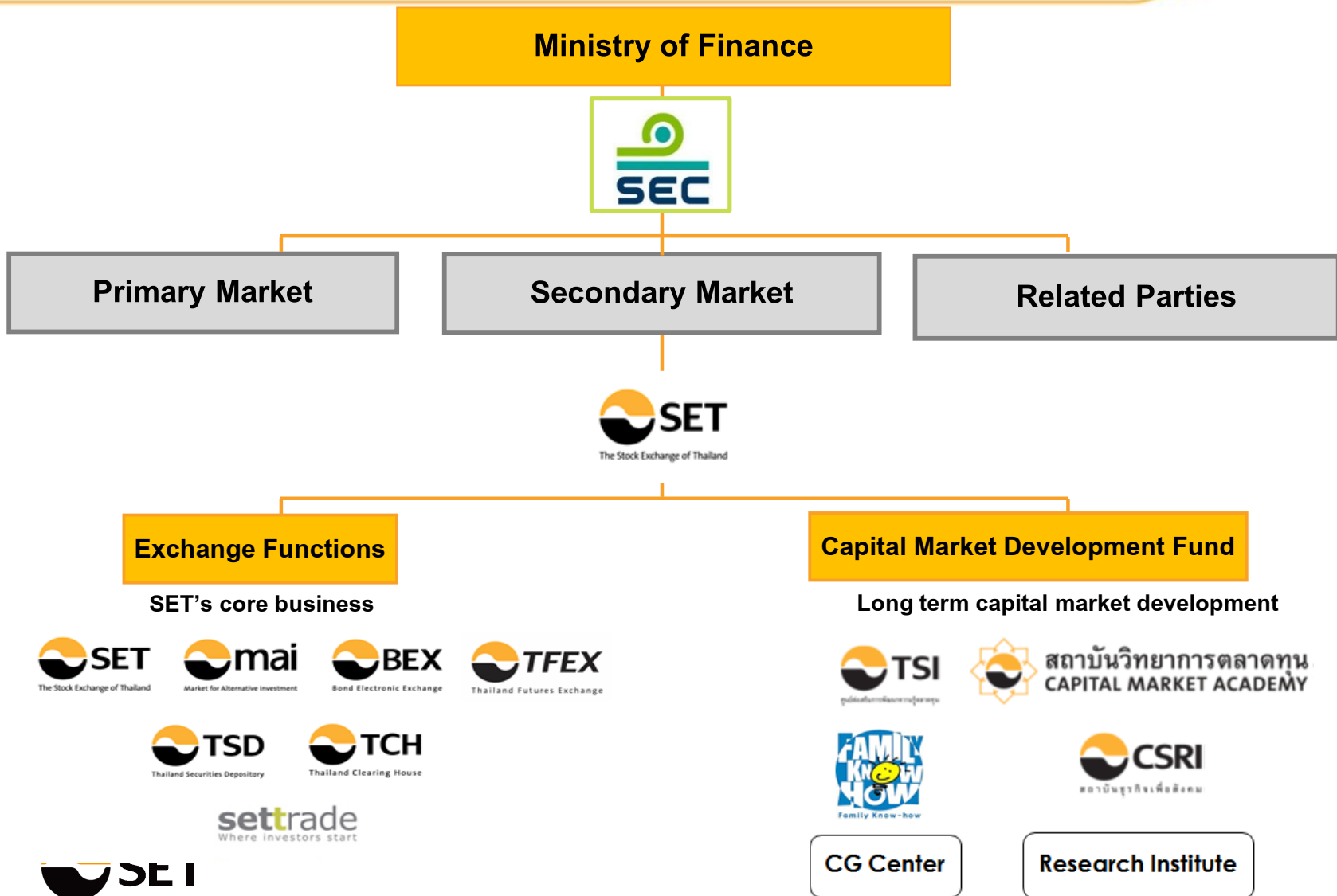
Long term return between 1975 – 2012*



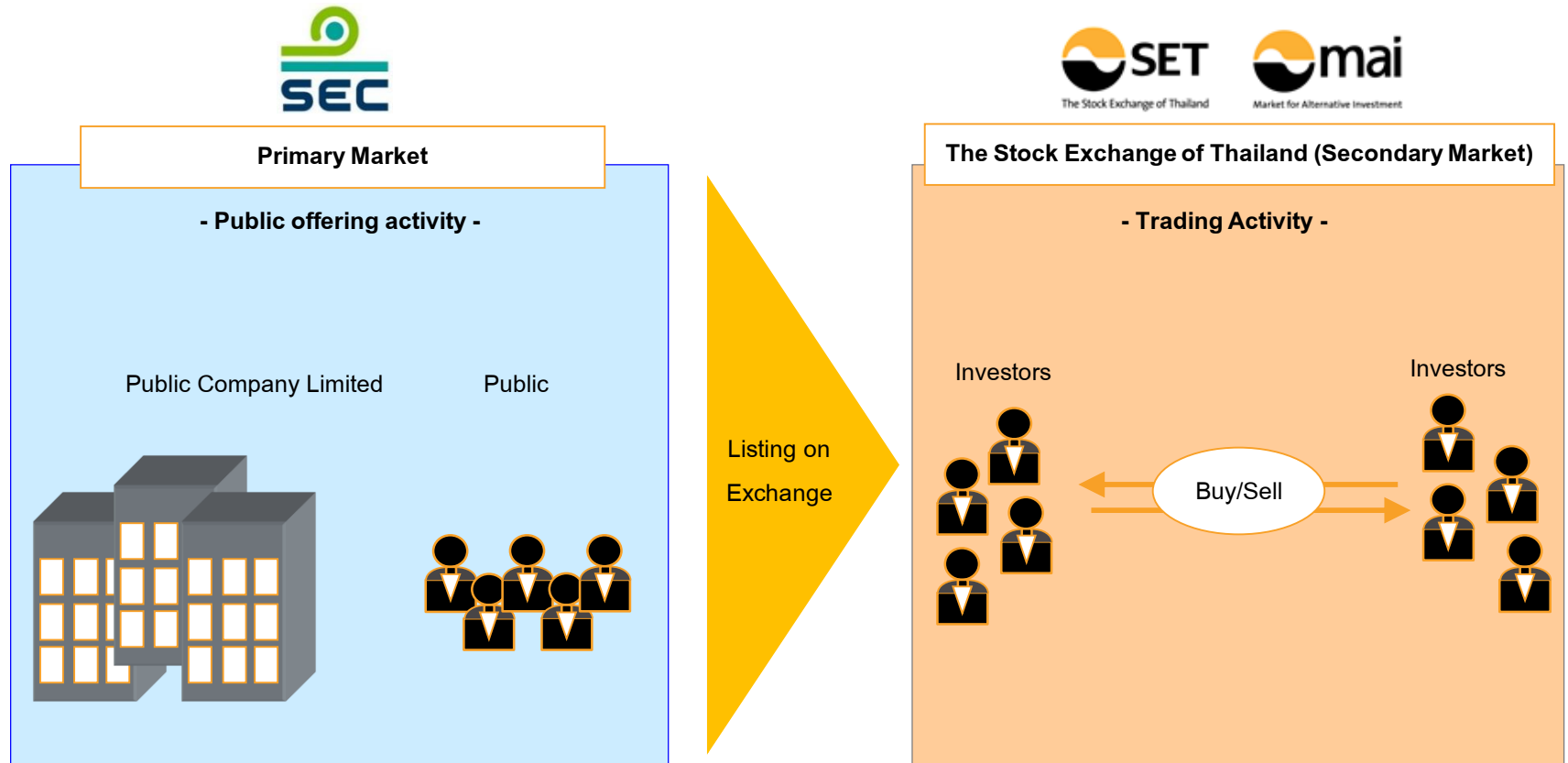
* Inflation deducted

Source: SET analysis

Capital market structure



SEC Vs SET



1. Introduction to capital market

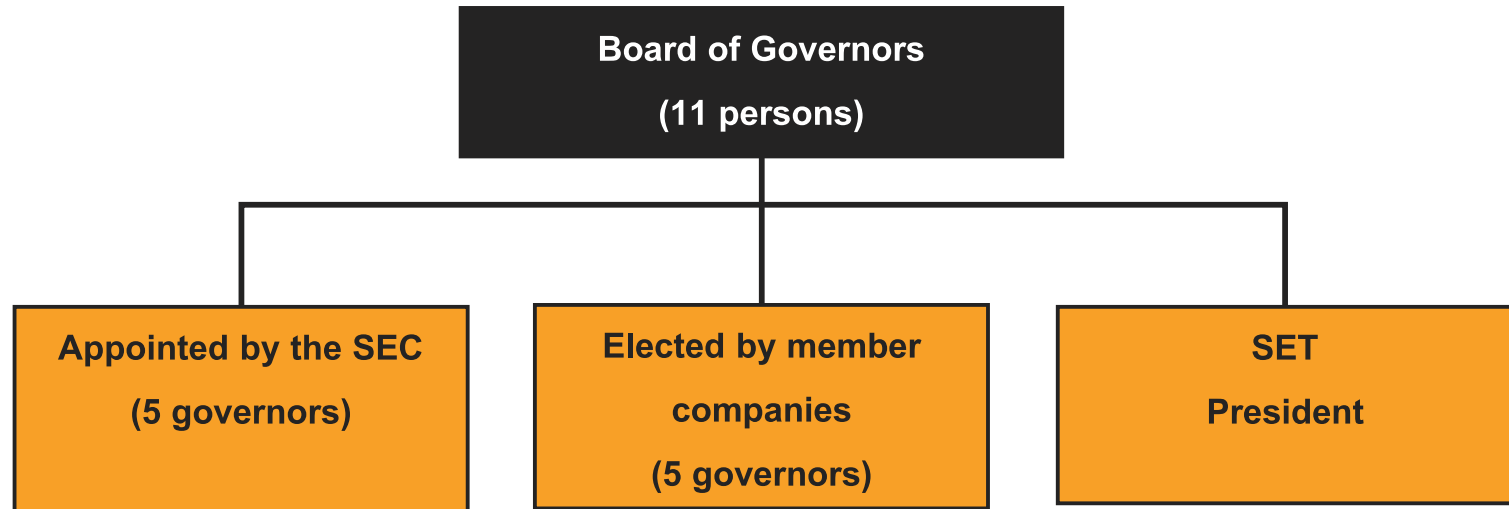
- **1.1 Understanding Capital market**

- **1.2 Overview of SET**

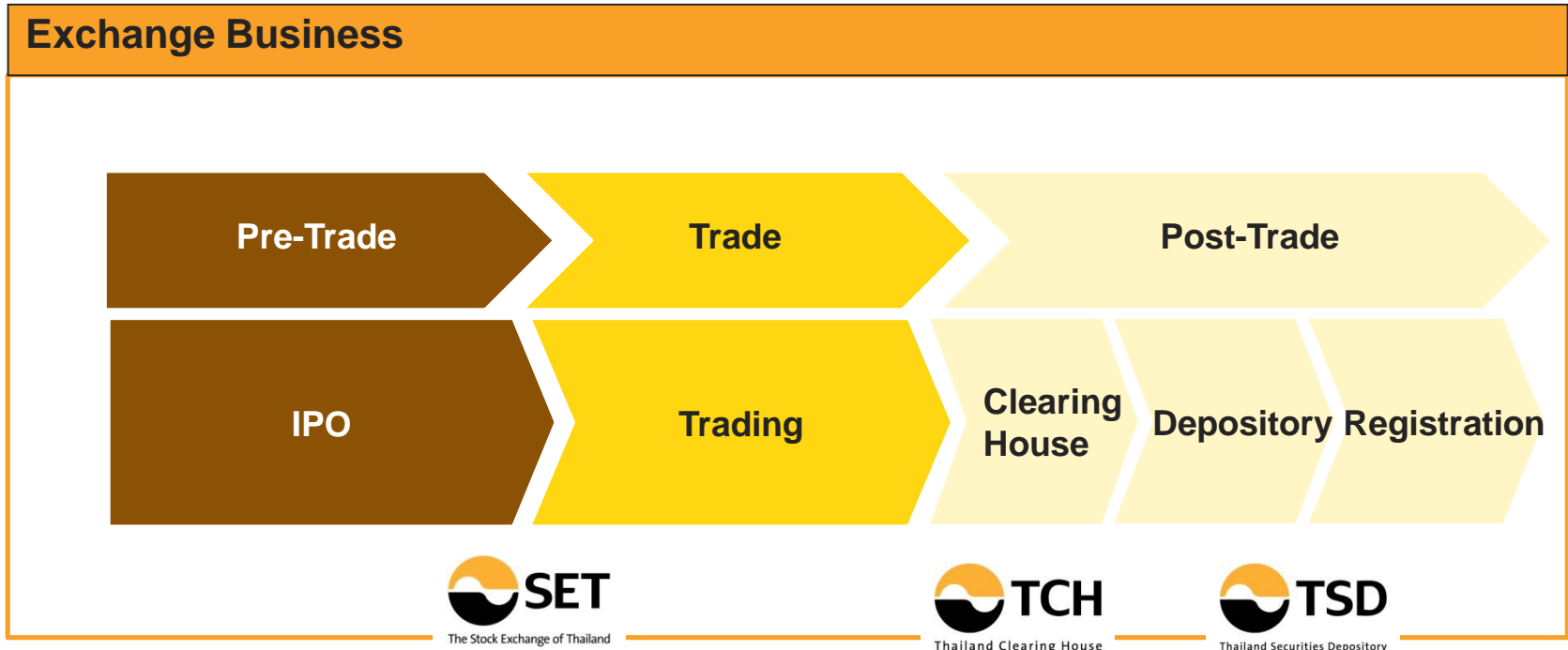
Overview of SET

Established under a special law in 1975, SET is a non-governmental organization with a juristic person status.

Governance Structure



SET's functions cover both exchange business and capital market development



SET Timeline



The Stock Exchange of Thailand

Officially commenced operations on Apr 30, 1975

In 1992, the provision of market place was formally separated from the supervision function, of which the latter function was shifted to Thailand's Securities and Exchange Commission



www.settrade.com

Oct 13, 2000, Settrade.com Co.,Ltd. was established to provide online securities trading



Thailand Futures Exchange

Thailand Futures Exchange commenced trading on Apr 28, 2006



Bond Electronic Exchange

Bond Electronic Exchange began trading on Nov 26, 2003

SET's new trading system "SET Connect" launched in September 2012 is one of the fastest systems in Asia



The fully-computerized "ASSET" (AUTOMATED System for The Stock Exchange of Thailand) trading system was introduced in 1991



Thailand Securities Depository

Establishment of Thailand Securities Depository Co., Ltd. in 1995



Market for Alternative Investment

In 1999, Market for Alternative Investment was established to encourage small and medium-sized businesses to mobilize funds through capital market



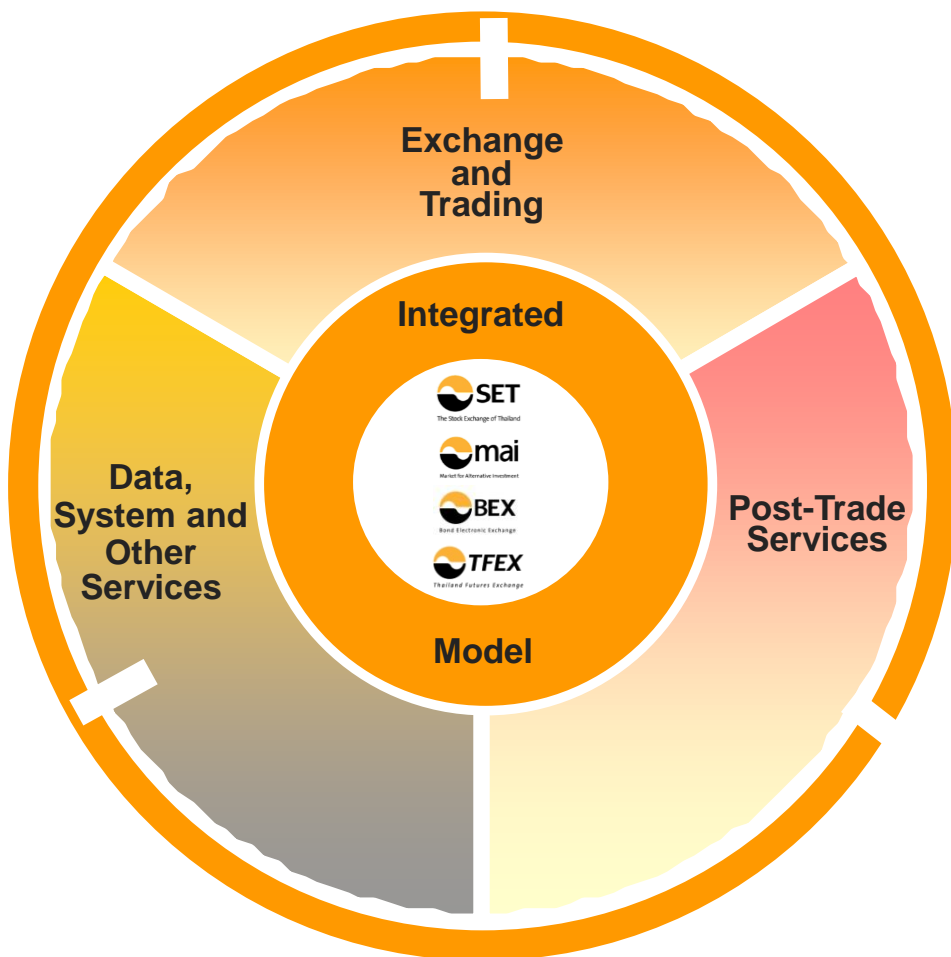
Thailand Clearing House

Thailand Clearing House Co. Ltd was established on Aug 9, 2004 to act as a clearing house for derivative trading. In 2010, TCH became a clearing house for both securities and derivatives.



Towards the 5th Decade

Functions and products offered



Equities

- Domestic common shares
- Dual listings
- State enterprise listings
- SME listings
- Warrants
- Property funds / REIT/ IFF
- Domestic mutual funds / ETFs
- Domestic indices / FTSE indices
- Shariah index

Derivatives

- Stock index futures
- Single stock futures
- Gold / Silver futures
- Derivative warrants
- Interest rate futures
- Oil futures
- Currency futures
- Sector Index Futures

Fixed Income

- Corporate bonds
- Government and state enterprises bonds

Post-Trade Services

- Clearing & settlement
- Securities and fund registration

SET Information Services

- SET listed companies & product information database

SET and its Rise to Regional Forefront

1. Introduction to Capital Market

2. 40 years of Continuous Development

3. Listing Information

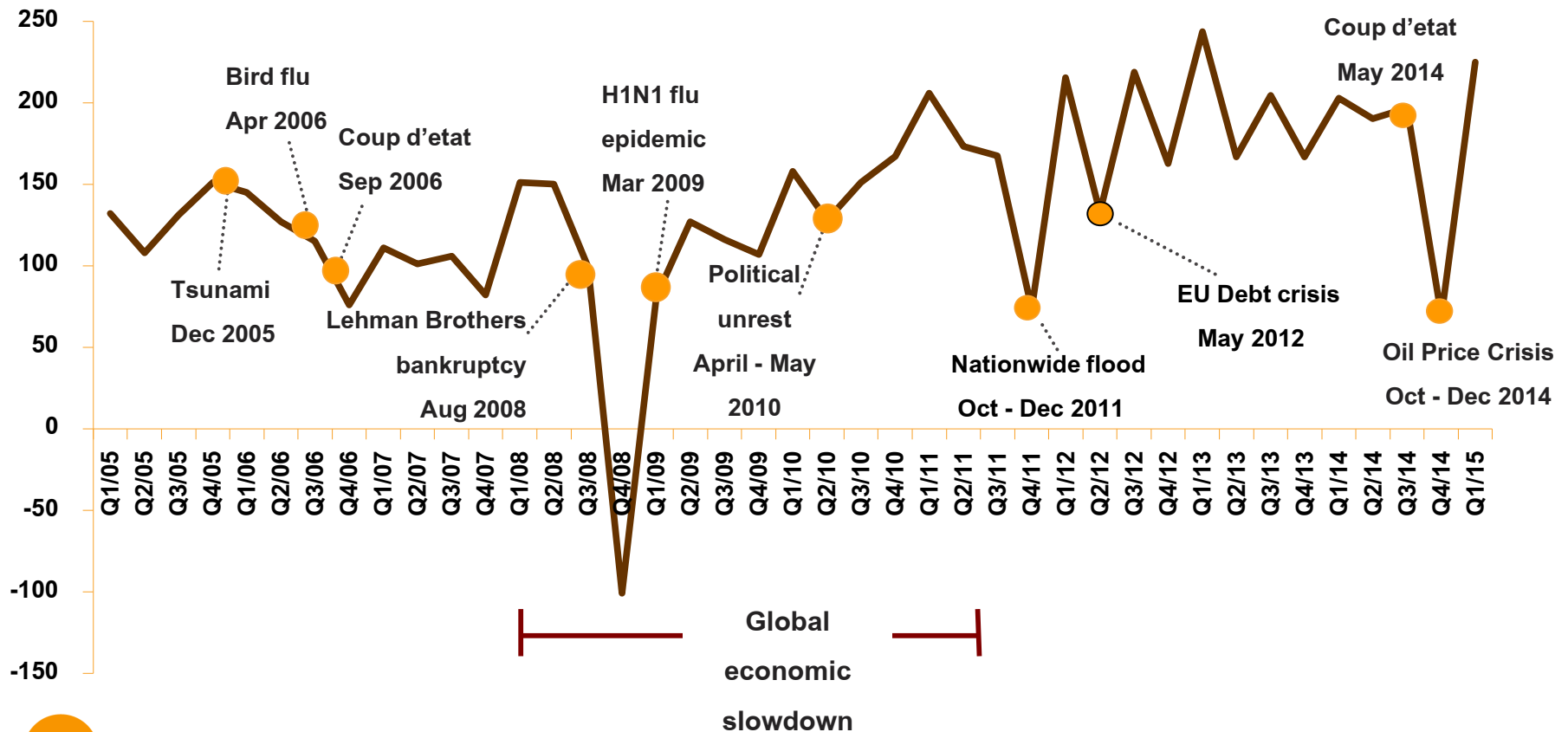
2. 40 years of continuous development

- **2.1 Key milestones**
- **2.2 Foundation for SET's future growth**

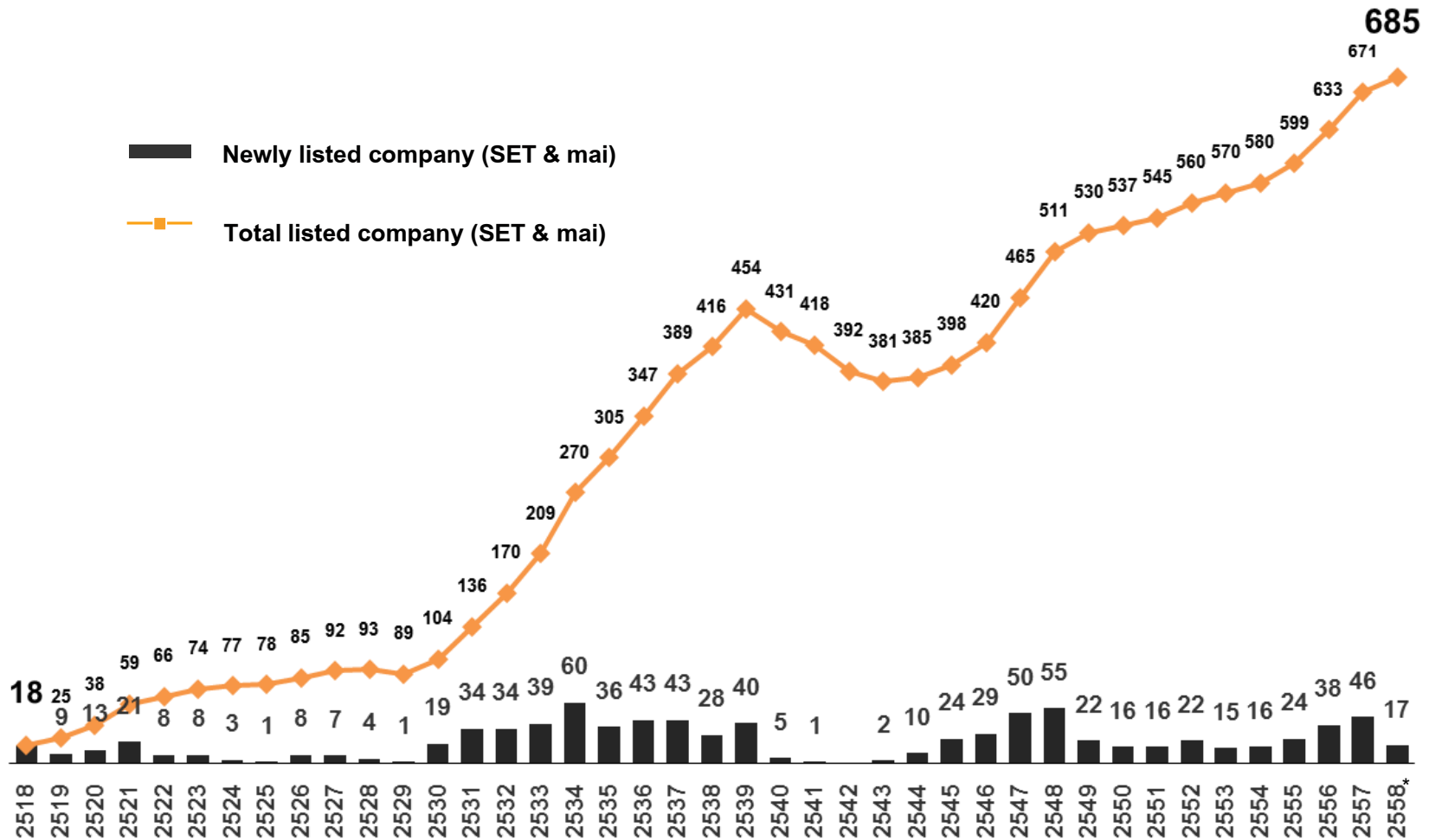
Thai listed companies profits have been able to withstand major domestic and international shocks

Net profits of Thai listed companies

Unit: billion baht



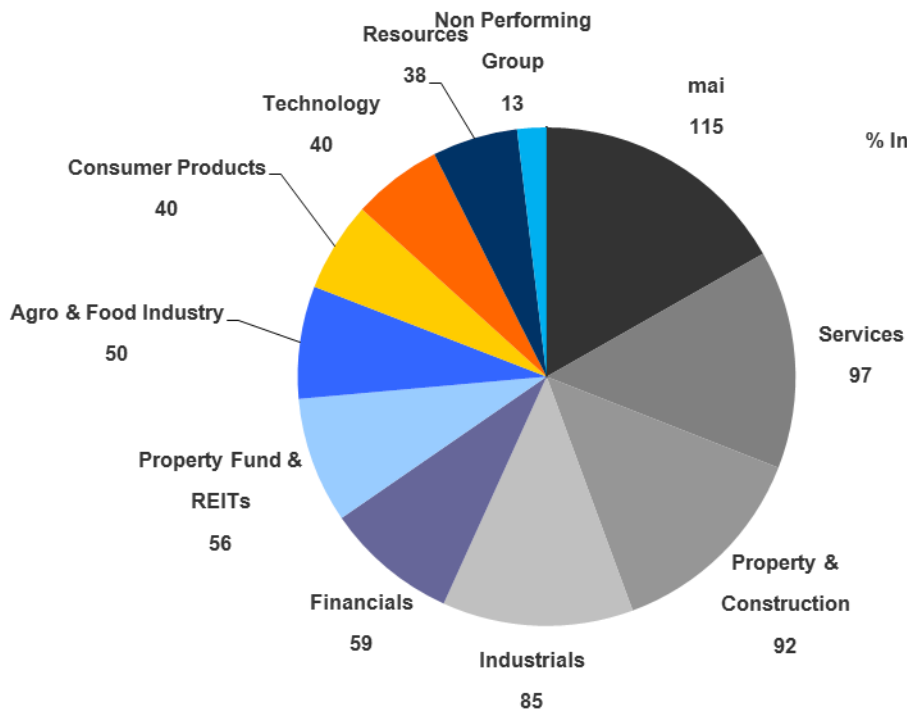
New & existing listed companies



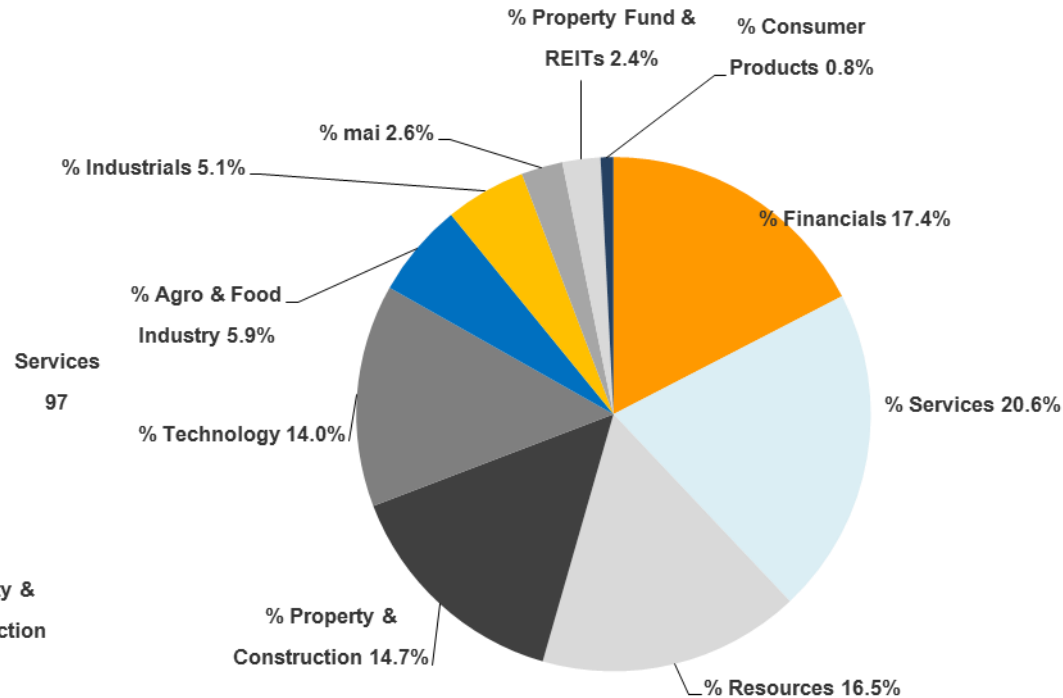
Source: SETSMART (Include Property Funds, Real Estate Investment Trust and Infrastructure Fund)

8 Industry groups including Property Fund & REITS

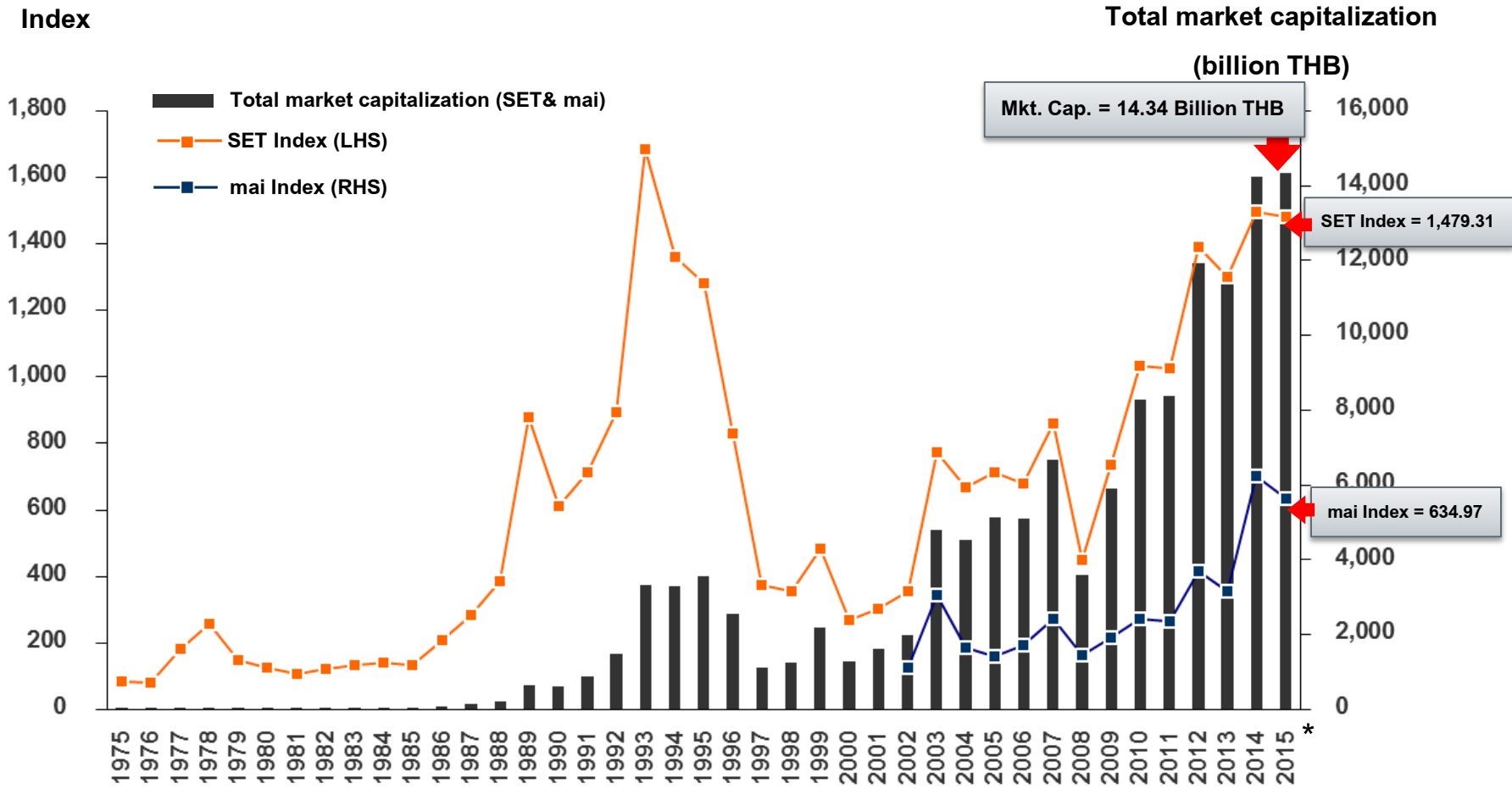
Total listed = 685 securities*



Total market capitalization = 14.26 billion THB*

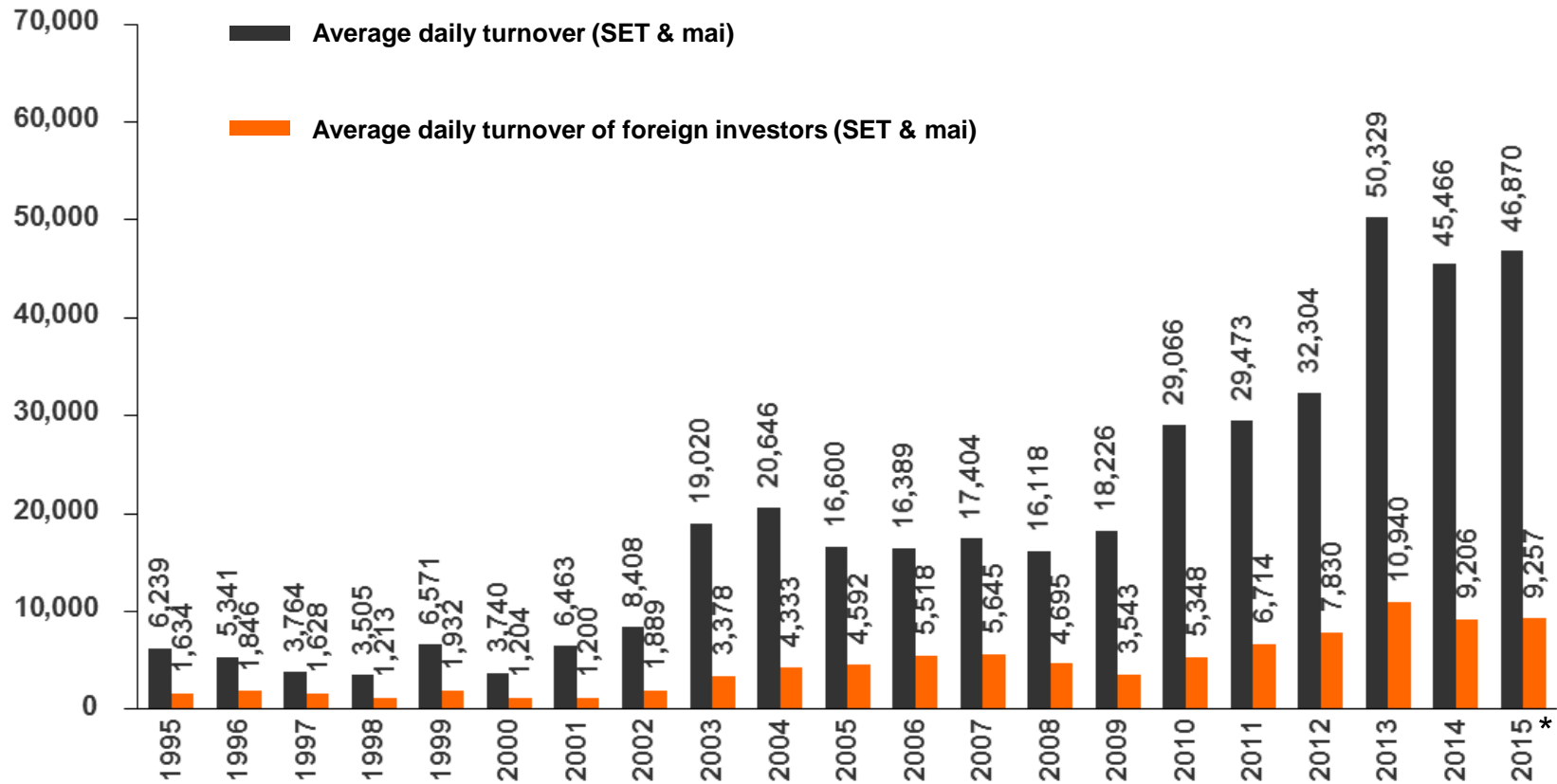


Indices and Market Capitalization



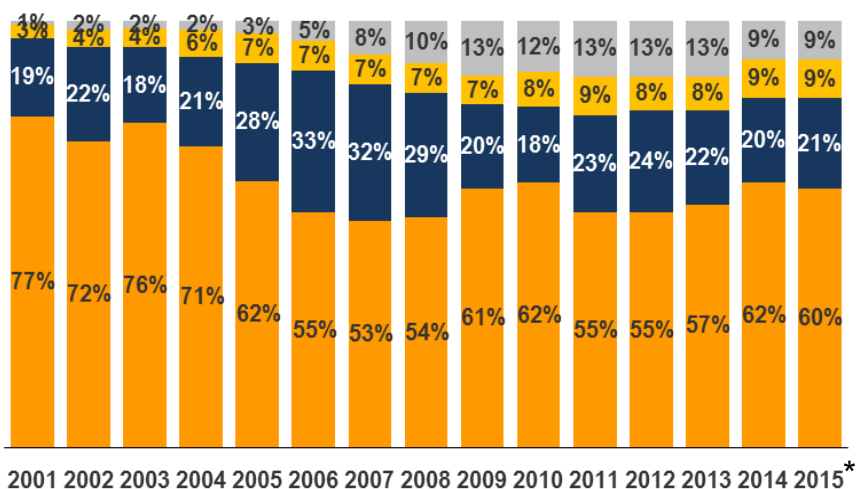
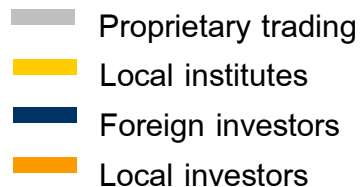
Average daily turnover

Avg. daily turnover (million THB)

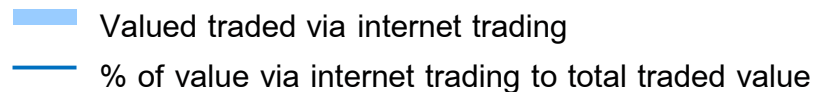


Transaction by investor type

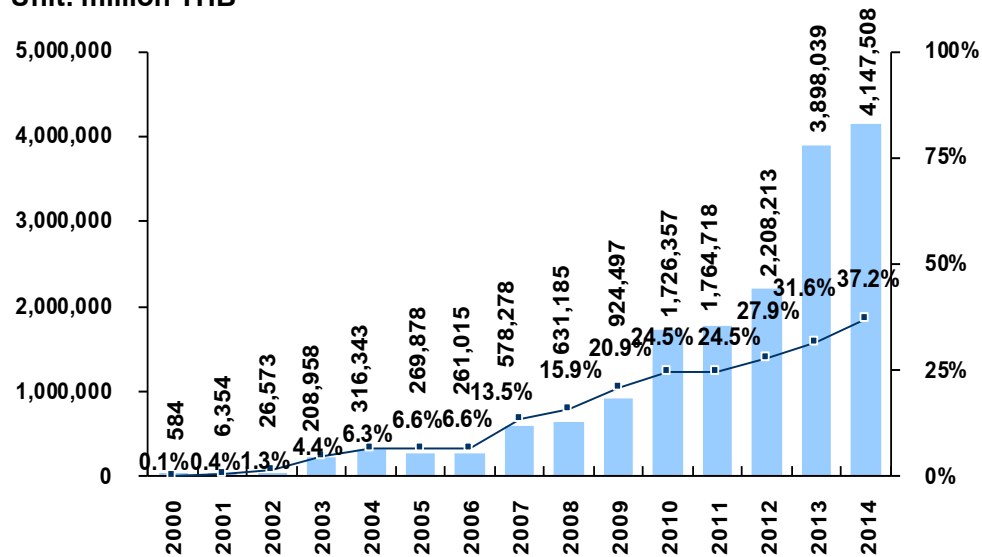
Trading value by investor type



Internet trading



Unit: million THB

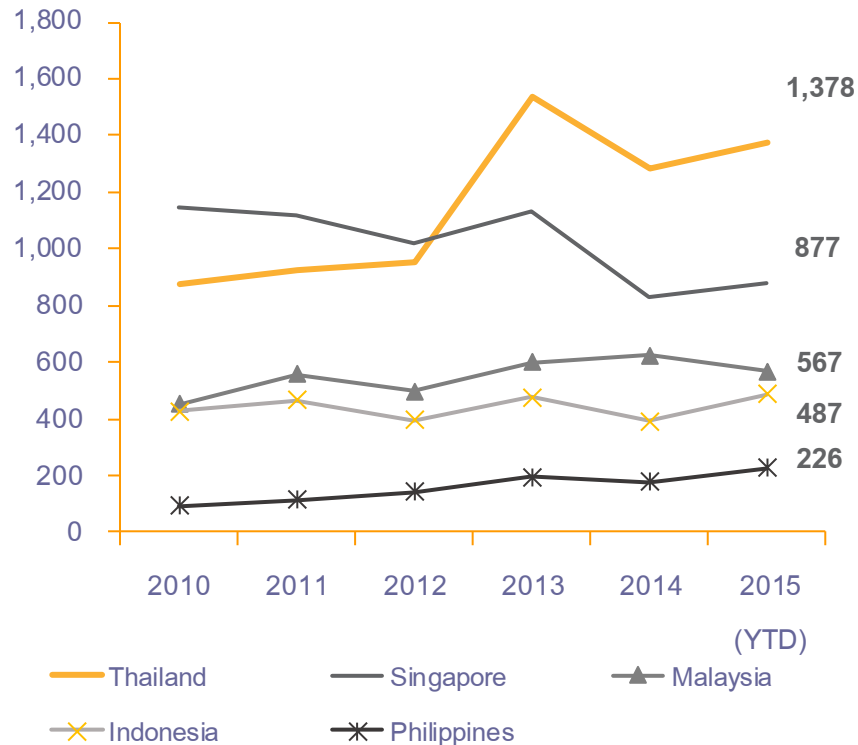


Thai capital market landscape

- The Thai stock market has been the most liquid market in ASEAN for three consecutive years.

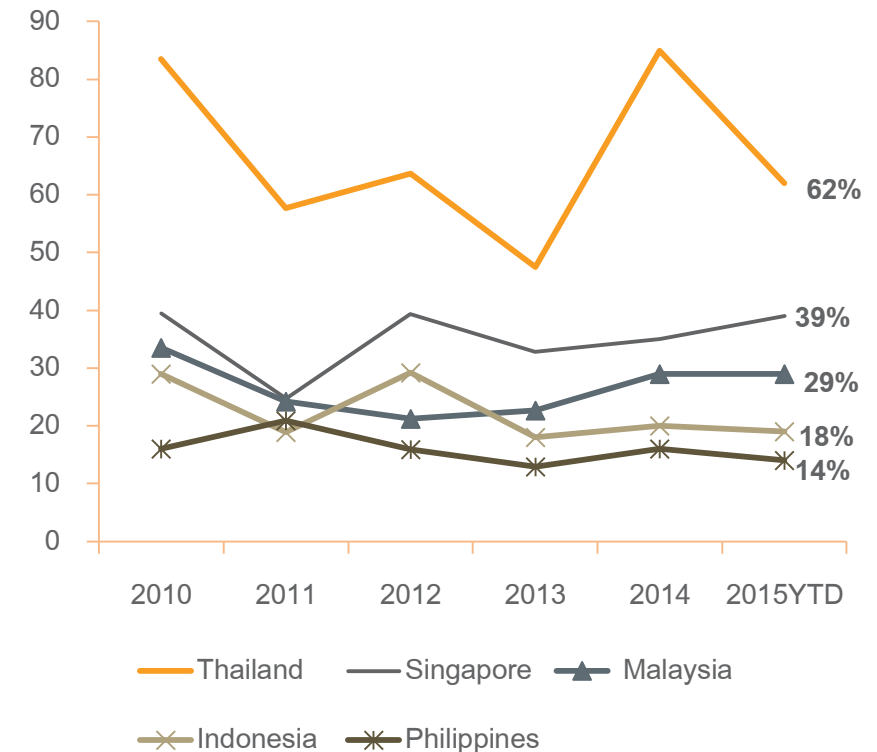
Daily average turnover

(million USD data as of June 2015)



Share turnover velocity*

(%)



Towards the 5th Decade

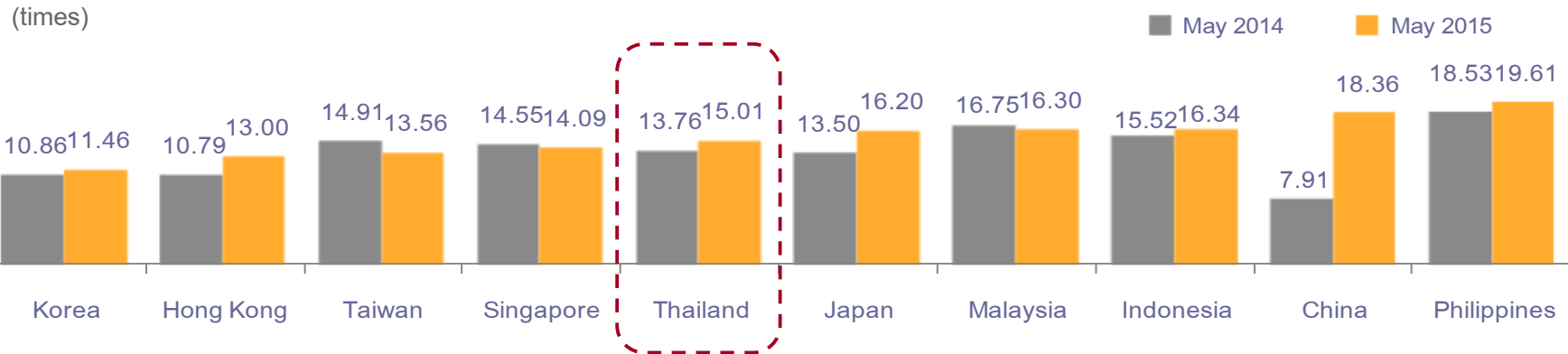
Source : World Federation of Exchanges (WFE), The Stock Exchange of Thailand

*Share turnover velocity is calculated by {Monthly EOB Domestic Share Turnover / Month-end Domestic Market Capitalization} *12

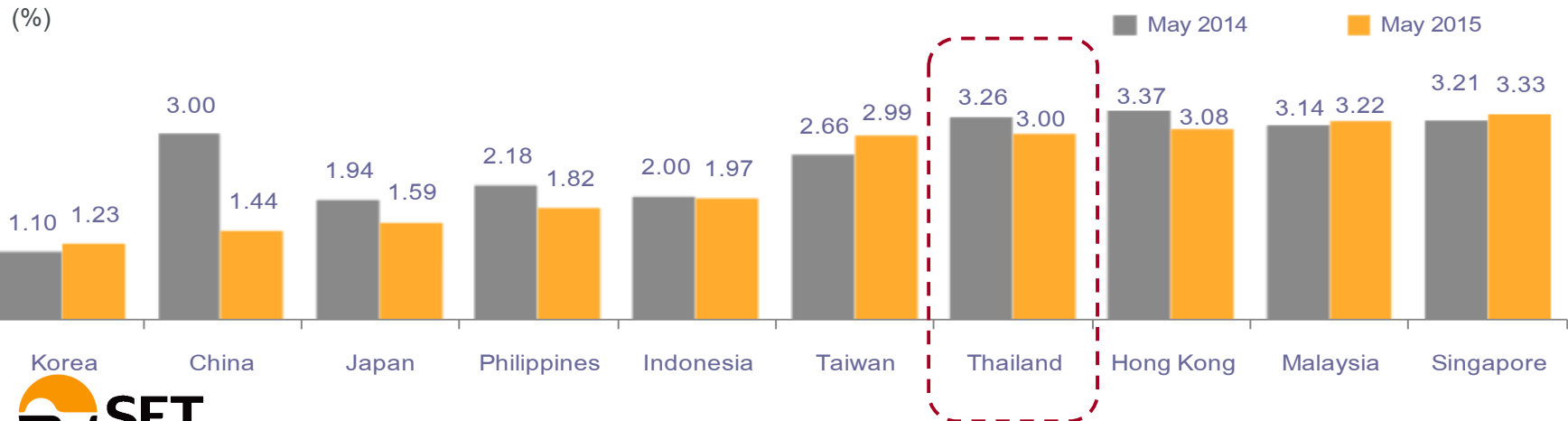
Thai capital market landscape (Cont.)

- SET's valuation and dividend yield are comparable with those of regional peers.

Forward P/E ratio



Market Dividend Yield



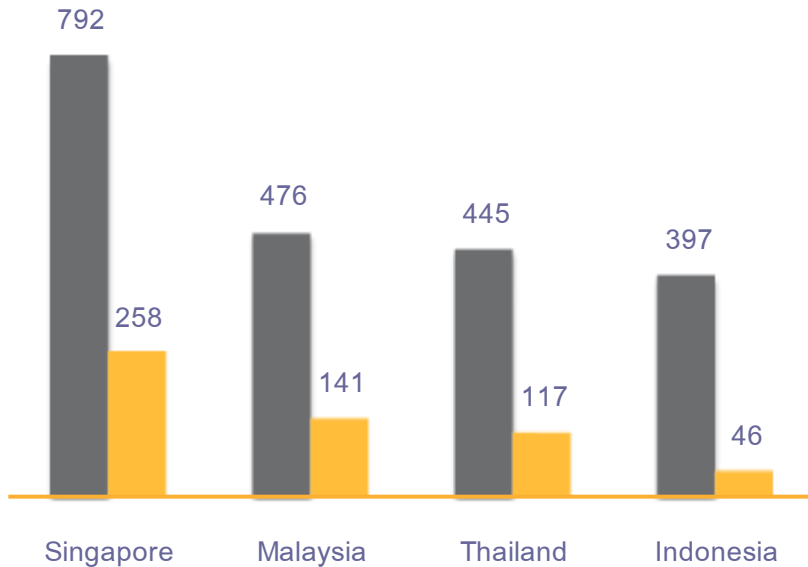
Source : Bloomberg, The Stock Exchange of Thailand

Thai capital market landscape (Cont.)

- SET has a relatively larger number of liquid large-cap listed companies compared to peers.

Market capitalization

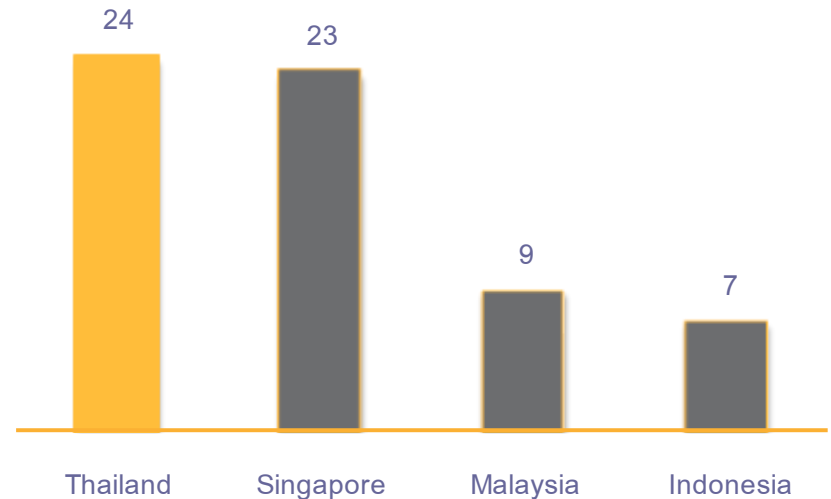
data as of April 2015



Number of listed companies having market capitalization

\geq \$1 billion and daily average trading value** \geq \$10 million

data as of May 2015



■ Market cap. Size (billion USD) ■ % Market cap. to GDP*



Towards the 5th Decade

Source : World Federation of Exchanges (WFE), Bloomberg

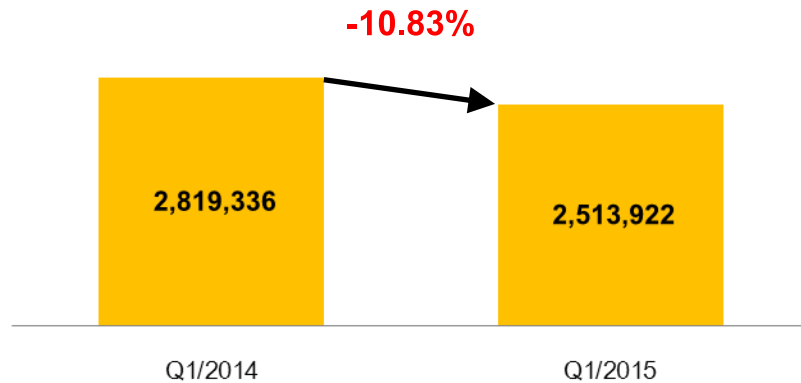
* GDP 2014

**Average daily trading value during Nov 2014 - May 2015

Robustness and profitability of Thai listed companies (SET)

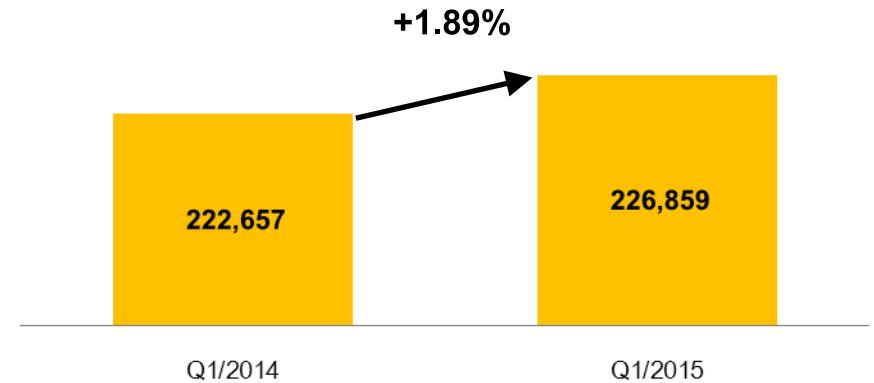
SET: Sales Quarter 1 year 2015 VS 2014 (ex. NC and NPG)

Unit: MB.



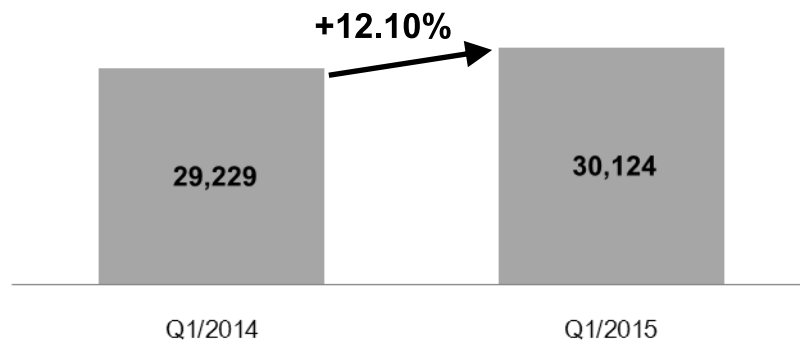
SET: Net Profit Quarter 1 year 2015 VS 2014 (ex. NC and NPG)

Unit : MB.



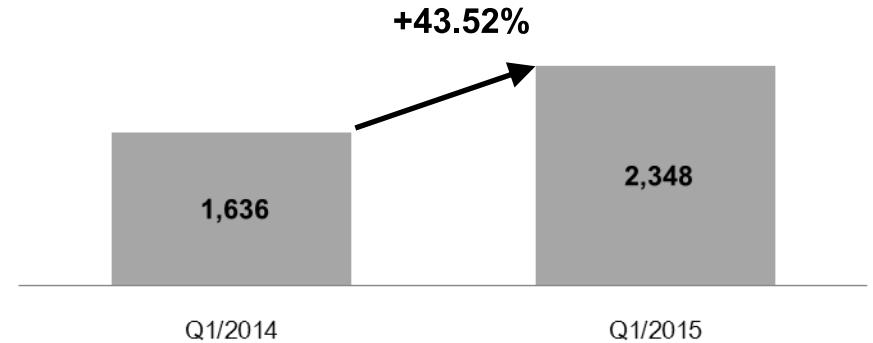
mai: Sales Quarter 1 year 2015 VS 2014

Unit : MB.



mai: Net Profit Quarter 1 year 2015 VS 2014

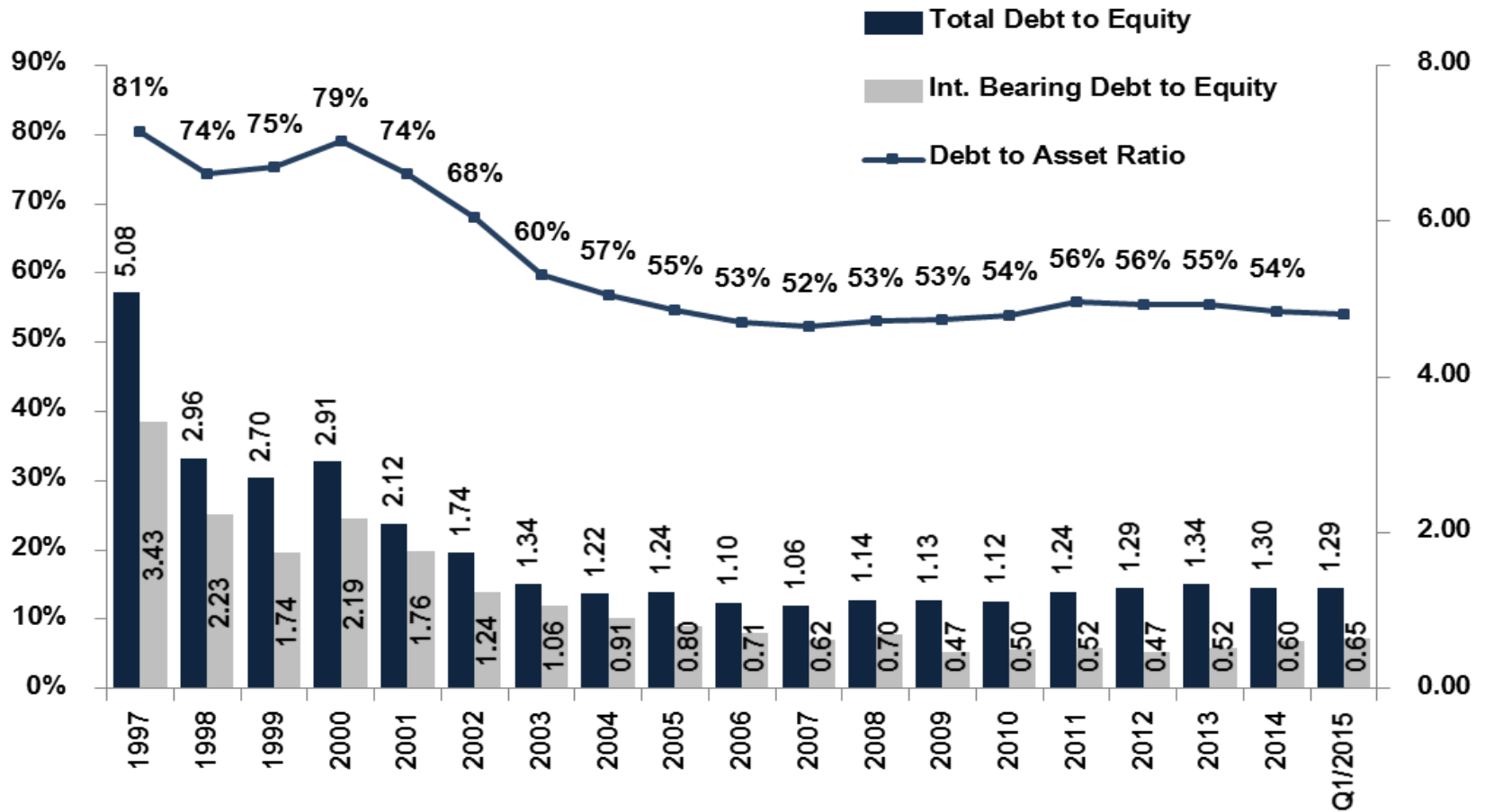
Unit : MB.



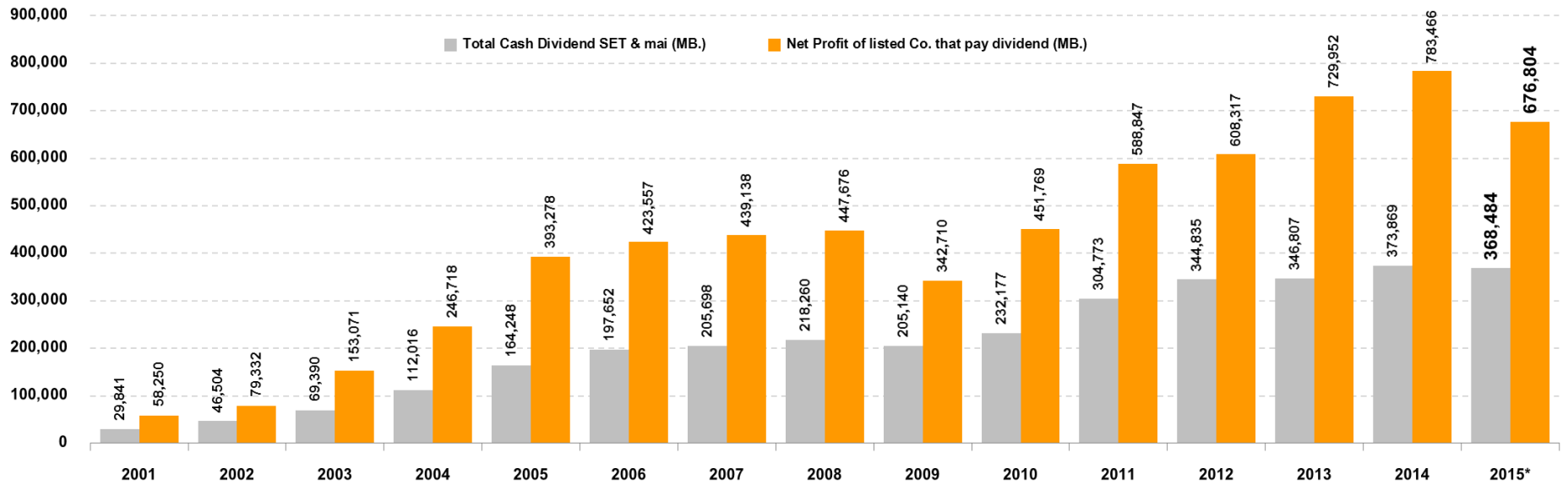
Towards the 5th Decade

Source: SETSMART

Financial Leverage



Cash Dividend Payment



	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015*	รวม
Total Cash Dividend SET & mai (MB.)	29,841	46,504	69,390	112,016	164,248	197,652	205,698	218,260	205,140	232,177	304,773	344,835	346,807	373,869	368,484	3,219,694
Net Profit of listed Co. that pay dividend (MB.)	58,250	79,332	153,071	246,718	393,278	423,557	439,138	447,676	342,710	451,769	588,847	608,317	729,952	783,466	676,804	6,422,885
Dividend Payout Ratio	51%	59%	45%	45%	42%	47%	47%	49%	60%	51%	52%	57%	48%	48%	54%	50%
Total no. of listed co. that pay dividend	139	162	205	252	304	319	321	327	316	332	361	357	379	400	404	-

Source: SETSMART (* as of Mar 31, 2015)

Note:

1. Include only Listed Co. that has an accounting period between January - December
2. Exclude Stock Dividend
3. Exclude Dividend Payment of Property Fund

The Thai capital market was upgraded from the Secondary Emerging Market to the Advanced Emerging Market

FTSE Global Equity Index Series Country Classification as at March 2012

Developed	Advanced Emerging	Secondary Emerging	Frontier
Australia	Brazil	Chile	Argentina
Austria	Czech Republic	China	Bahrain
Belgium/Luxembourg	Hungary	Columbia	Bangladesh
Canada	Malaysia	Egypt	Botswana
Denmark	Mexico	India	Bulgaria
Finland	Poland	Indonesia	Cote d'Ivoire
France	South Africa	Morocco	Croatia
Germany	Taiwan	Pakistan	Cyprus
Greece	Thailand	Peru	Estonia
Hong Kong	Turkey	Philippines	Ghana
Ireland		Russia	Jordan
Israel		Thailand	Kenya
Italy		UAE	Lithuania
Japan			Macedonia
Netherlands			Malta
New Zealand			Mauritius
Norway			Nigeria
Portugal			Oman
Singapore			Qatar
South Korea			Romania
Spain			Serbia
Sweden			Slovakia
Switzerland			Slovenia
UK			Sri Lanka
USA			Tunisia
			Vietnam

29 Thai stocks in MSCI Standard index

(as of June 2015)

1. ADVANC: Advanced Info Service
2. AOT: Airports of Thailand
3. BANPU: Banpu
4. BBL: Bangkok Bank
5. BEC: BEC World
6. BDMS: Bangkok Dusit Medical Services
7. BH : Bumrungrad Hospital
8. BTS: BTS GROUP
9. CPALL: CP All
10. CPF: Charoen Pokphan Foods
11. CPN: Central Pattana
12. DELTA : Delta Electronics (Thailand)
13. EA: Energy Absolute
14. GLOW: Glow Energy
15. HMPRO: Home product center
16. IRPC: IRPC
17. IVL: Indorama Ventures
18. KBANK: Kasikornbank
19. KTB: Krung Thai Bank
20. MINT: Minor international
21. PTT: PTT
22. PTTEP: PTT Exploration & Production
23. PTTGC: PTT Global Chemical
24. SCB: Siam Commercial Bank
25. SCC: Siam Cement
26. TMB: TMB BANK
27. TOP: Thai Oil
28. TUF: Thai Union Frozen Product
29. TRUE: True Corporation

Source : FTSE



Towards the 5th Decade

Thai listed companies have made significant improvements in corporate governance:

- Thailand's CG score ranking increased from the 8th in Asia in 2007 to the 3rd in 2012, according to the Asian Corporate Governance Association (ACGA)
- 59 companies were awarded excellent standard in 2012 by the Thai Institute of Directors

CG Watch market scores: 2007 to 2012

2007	2010	2012
1.Hong Kong (67)	1.Singapore (67)	1.Singapore (69)
2.Singapore (65)	2.Hong Kong (65)	2.Hong Kong (66)
3.India (56)	3.Japan (57)	3.Thailand (58)
4.Taiwan (54)	4.Thailand (55)	4.Japan (55)
5.Japan (52)	4.Taiwan (55)	4.Malaysia (55)
6. Korea (49)	6.Malaysia (52)	6.Taiwan (53)
6. Malaysia (49)	7.India (49)	7.India (51)
8.Thailand (47)	7.China (49)	8.Korea (49)
9.China (45)	9.Korea (45)	9.China (45)
10.Philippines (41)	10.Indonesia (40)	10.Philippines (41)
11.Indonesia (37)	11.Philippines (37)	11.Indonesia (37)

Thai IOD CG rating: 2008 vs 2012

Rating	Number of listed companies			
	2008	%	2012	%
5 stars	22	5%	59	12%
4 stars	123	27%	150	29%
3 stars	177	40%	171	33%
2 stars and below (including companies in the litigation procedures/ pending further clarification to governing bodies)	126	28%	133	26%
Total	448	100%	513	100%



2. 40 years of continuous development

- 2.1 Key milestones

- 2.2 Foundation for SET's future growth

Foundation for SET's future growth

1

Best-in-class IT Infrastructure

- SET's new trading system launched in September 2012 is one of the fastest systems in Asia
- SET is in the process of developing trading and clearing systems for derivatives and expects them to launch in 2014

2

ASEAN Capital Market Integration

- SET connected on ASEAN Trading Link with Bursa Malaysia and Singapore Exchange on October 15, 2012
- SET planned to improve the CG of Thai listed companies to be in line with ASEAN CG Scorecard to prepare for the upcoming ASEAN Economic Community

3

Diversified Product Portfolio

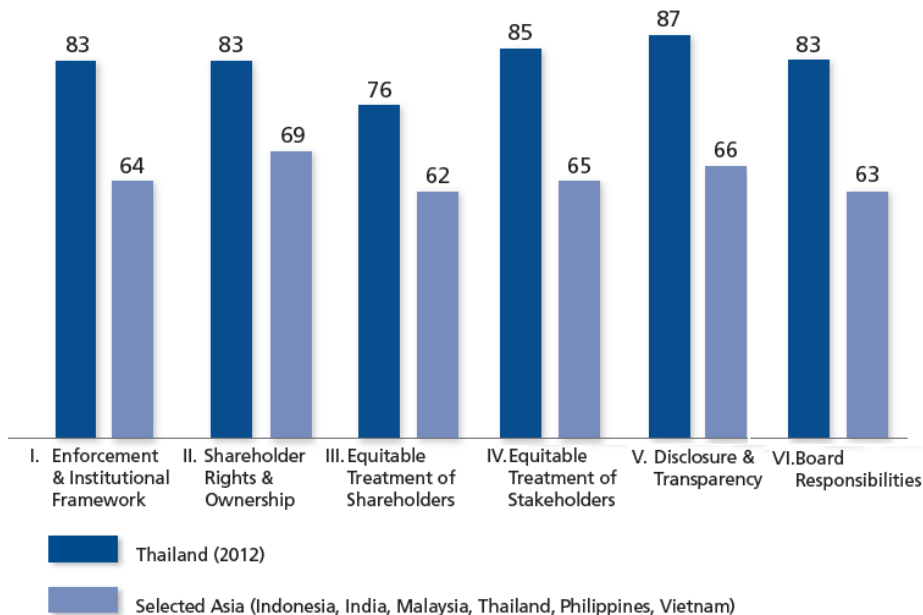
- SET will expand its product range to meet the needs of diverse customer segments
- SET-50 ETFs are now traded in NYSE Euronext-Paris, Deutsche Bourse, Hong Kong Exchanges and Clearing, Singapore Exchange, and Tokyo Stock Exchange
- SET launched currency futures in June 2012 and sector futures in October 2012



Thailand's capital market and SET

- The World Bank's 2012 Corporate Governance Country Assessment reflects Thailand as a regional leader in Corporate Governance.
- 14 Thai listed companies are now recognized by DJSI.

Thailand's corporate governance country assessment vs. regional average



Source : The World Bank



Towards the 5th Decade

Thai listed companies in Dow Jones sustainability index

14 companies in 2014 sustainability leader list

DJSI World Member (4)

PTT, PTTEP, PTTGC, SCC

DJSI Emerging Market Member (10)

BANPU, CPN, IRPC, MINT, PTT, PTTEP, PTTGC, SCC, TOP, TUF

Source : SAM Sustainable Asset Management AG

ASEAN Exchanges' collaboration

Member of ASEAN Exchanges



Objectives of ASEAN Exchanges' Collaboration

The collaboration of 7 ASEAN Exchanges is to enhance the competitiveness of ASEAN Capital Market by

- Promoting ASEAN as an asset class to global investors
- Lower the funding cost for listed companies
- Improving trading efficiency and lower trading cost for investors both within ASEAN and from outside ASEAN

SET and its Rise to Regional Forefront

1. Introduction to Capital Market

2. 40 years of Continuous Development

3. Listing Information

Listing Criteria on SET and mai : Quantitative

	<u>SET</u>		<u>mai</u>	
	Net Profit	Market Cap. Test (≥ THB 5 billion)	Net Profit	Market Cap. Test (≥ THB 1 billion)
Paid-up capital after IPO	≥ THB 300 million	≥ THB 300 million	≥ THB 20 million	
Shareholders' equity	≥ THB 300 million	≥ THB 300 million	≥ THB 20 million	
Track record	≥ 3 years	≥ 3 years	≥ 2 years	≥ 1 year
Net profit/ market capitalization	Total net profit in the latest two or three years ≥ THB 50 million	Market capitalization ≥ THB 5 billion	Profit in most recent year > THB 0	Market capitalization ≥ THB 1 billion
	+ most recent year ≥ THB 30 million			
	+ accumulative results in the most recent quarter > THB 0			
Same management	≥ 1 year		≥ 1 year	

Listing Criteria on SET and mai : Quantitative (cont.)

	<u>SET</u>		<u>mai</u>	
	Net Profit	Market Cap. Test (≥ THB 5 billion)	Net Profit	Market Cap. Test (≥ THB 1 billion)
Free float	Number of free float requirement - No less than 1,000 shareholders Percentage of free float requirement - No less than 25% of paid-up capital (THB 300 million ≤ paid-up capital ≤ THB 3,000 million) - No less than 20% of paid-up capital (paid-up capital > THB 3,000 million)		Number of free float requirement - No less than 300 shareholders Percentage of free float requirement - No less than 20% of paid-up capital	
Offering	Paid-up capital < THB 500 million - No less than 15% of paid-up capital Paid-up capital ≥ THB 500 million - No less than 10% of paid-up capital or no less than THB 75 million (whichever is higher)		No less than 15% of paid-up capital	

Listing Criteria : Qualitative

Qualitative Criteria	SET & mai
Independent Director	a minimum of 3 persons and at least 1/3 of total directors
Audit Committee	≥ 3 persons with at least one member having accounting knowledge
Internal Control	Must maintain effective auditing and internal control systems as specified by the SEC
Company and Shareholders' Structure	<ul style="list-style-type: none"> - No conflict of interest - Transparency and traceability of Management system
Financial Advisor	Must appointed a Financial Advisor approved by SEC
Financial Statement and Auditor	<ul style="list-style-type: none"> - Must ensure that financial statements have been prepared in accordance with SEC rules and regulations. - Auditor must be approved by SEC
Silent Period	The silent period extends for one year after listing. Those who meet the criteria for strategic shareholders are not allowed to sell their shares totaling 55% or more of paid-up capital after the IPO. They are permitted to sell a maximum of 25% only of the locked-up shares after six months.

Ordinary Shares : IPO Timeline and critical path

Overall Timeline
6-18 months



Estimate Cost of Listing

Ordinary Shares	Unit Trust
<p><u>SEC</u></p> <ul style="list-style-type: none"> • Application fee : THB 50,000 • Initial fee : 0.08% of paid-up capital <ul style="list-style-type: none"> ▪ THB 30,000 on First date of listing ▪ The rest (if any) is due when filing is approved • Annual fee : Proportionate to shareholders' equity <ul style="list-style-type: none"> ▪ < THB 500 million : THB 50,000 ▪ THB 500-1,000 million : THB 100,000 ▪ > THB 1,000 million : THB 300,000 	<p><u>SEC</u></p> <ul style="list-style-type: none"> • Application fee : THB 100,000 • Initial fee : 0.01% of all trust units offer for sales • Fee relevant to trust manager <ul style="list-style-type: none"> ▪ Application for approval : THB 250,000 / application ▪ Application for renewal or approval : THB 250,000 / application • Fee relevant to trustee and application for operation of business : Full license/ limit to each type of trust THB 30,000/ application
<p><u>SET</u></p> <ul style="list-style-type: none"> • Application fee : THB 50,000 • Initial fee : 0.05% of Paid-up capital <ul style="list-style-type: none"> ▪ Minimum THB 100,000 ▪ Maximum THB 3,000,000 • Annual fee : 0.01-0.035% of paid-up capital (at a regressive rate) <ul style="list-style-type: none"> ▪ Minimum THB 50,000 ▪ Maximum THB 3,000,000 	

REIT: the new vehicle allows for the real estate investment scheme

REIT: first listing in October 2014

Important Codes Regarding REIT

- The paid-up capital after units offering must be \geq 500 million Baht;
- Main Investment
 - All kinds of real estate, with the objective of seeking benefits in the form of rental income;
 - May invest in real estate abroad;
 - Real estate already generating income must be \geq 75% of the total value of units offered plus loans (if any);
- Leverage limit: \leq 35% of the total assets; in the case of assets with an investment grade, \leq 60% of the total assets.
- Foreign investment limited 49% of units holding.

2 REITs listed on SET in 2014

Impact Growth Real Estate Investment Trust (IMPACT)

- Investing in freehold right of Building Exhibition and Conference of Project IMPACT, Muang Thong Thani, on 4 buildings including utilities and equipment.

LH Shopping Centers Leasehold Real Estate Investment Trust (LHSC)

- Investing in the leasehold right in immovable properties and the ownership in movable properties in Terminal 21 Shopping Center.

1 REITs listed on SET in 2015

TICON Freehold and Leasehold Real Estate Investment Trust (TREIT)

- Investing in Freehold Leasehold and sub leasehold rights of land together with warehouses of TICON Logistics Park Co.,Ltd. and Freehold rights of land together with factories of TICON Industrial Connection PCL.



Source : The Stock Exchange of Thailand

Infrastructure funds : Domestic and Regional infrastructure developments.

Infrastructure fund listing:

first listing in April 2013

3 infrastructure funds listed on SET

BTS rail mass transit growth infrastructure fund (BTSGIF)

- 60 billion baht IPO size : the largest IPO in Thailand
- Revenue from the operation of the original BTS sky train system.

Amata B.Grimm power plant infrastructure fund (ABPIF)

- 6 billion baht IPO size
- Revenue from the operation of power plants for industrial sectors in Thailand and Vietnam

True Telecommunications Growth Infrastructure Fund (TRUEIF)

- 58 billion baht IPO size: the first telecom infrastructure fund
- Revenue from the rental of 5,845 telecommunication towers, core fiber-optic cable grids and related transmission equipment (FOC system)

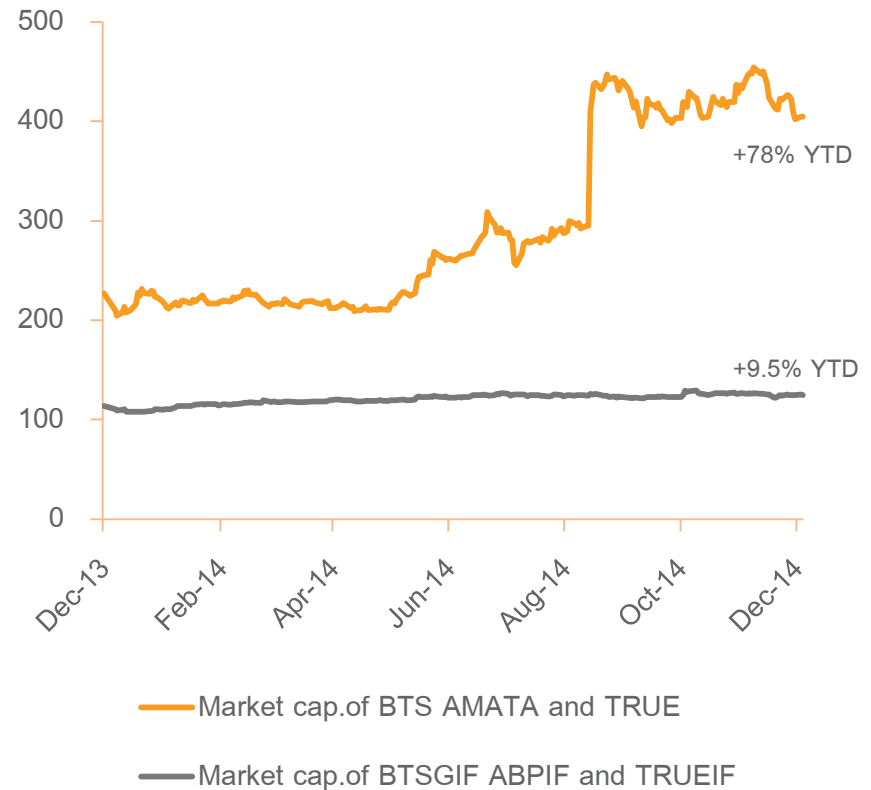
Infrastructure fund to be listed in 2015

Jasmine Broadband Internet Infrastructure Fund (JASIF)

- around 55 billion baht IPO size
- Revenue from the rental of fiber-optic network for broadband internet.

Market capitalization of 3 stocks and 3 infrastructure funds

(billion THB); data as of Dec 30, 2014



Source : The Stock Exchange of Thailand



The Stock Exchange of Thailand