



# ANNUAL REPORT 2016



## Contents

Message from the Chairman	002
Policy & Business Overview	004
Business Operations	008
Risk Factors	011
Corporate Information	017
Shareholder Structure	021
Dividend Payment Policy	023
Committees and Management Structure	024
Good Corporate Governance Report	043
Corporate Social Responsibilities for Sustainability: CSR	063
Audit Committee's Report	067
Internal Audit Control and Risk Management	070
Connected Transactions	072
Financial Summary	076
Management Discussion and Analysis	077
Report Regarding the Responsibility of the Board of Directors for Financial Report	086
Auditor's Report	088

The investor can find more information of the Company from Annual Report (Form56-1) at [www.sec.or.th](http://www.sec.or.th) or the Company's website.

## Message from the Chairman

In the year 2016, we were able to maintain our leadership in terms of trading volume for 15 consecutive years. However, with the increase of intense competition, we are continuously adopting the use of commission reduction tools to protect against the poaching of major customers. In addition to protecting our leadership position, the company also has to maintain a reasonable rate of profitability which caused a slight reduction of our market share in the year 2016 at 8.15% compared to 8.65% in the year 2015. Although our annual trading volume and the average daily trading volume in the year 2016 have increased to 10.60% and 10.15% respectively from the previous year, our total commission decreased from THB 2,631.45 million in the year 2015 to THB 2,598.62 million or a decrease of 1.25%.

Other major income such as margin loans for securities trading also dropped from THB 710.76 million in 2015 to THB 659.91 million in 2016 or a decrease of THB 50.85 million or 7.15%. In addition, the financial advisory fee and the underwriting fee decreased from THB 153.72 million in 2015 to THB 60.30 million in 2016 or a decrease by 60.77% in the year 2016. In an effort to control operating expenses and interest expense from the borrowing, the company net profit has slightly decreased to THB 974.49 million in the year 2016, a decrease from THB 1,019.23 million in the year 2015 or a decrease of 4.39%. Earnings per share also decreased from THB 1.79 per share to THB 1.71 per share in the year 2016.

We are determination to maintain our leadership in domestic securities brokerage business which we have successfully maintained for the last consecutive 15 years, and we will relentlessly improve and develop our services with the aim to solidify our competitive edge. The company has received 2 awards in 2016, namely Best Retail Broker in Thailand (2007-2016) and Best Institution Broker in Thailand (2007-2016) from Alpha Southeast Asia. We have provided a custody service for clients with total asset value over 300 billion and have achieved a strong financial position which is proven by the twice rating upgrade in the year 2016 by Fitch Ratings, a Thailand Rating Agency. The recent rating of AA+(tha) with the indication of “Stable” accorded to us marked the highest rating ever achieved in the securities industry and is equivalent to the rating of top 4 major commercial banks in Thailand. With our commitment to maintain our leadership position as broker no. 1 in terms of market share and to continue to show satisfactory financial performance, we have undertaken key actions as follows:

1. Instituted new technologies to improve and enhance investment efficiency for individual investors. This is achieved by including “eZy Trade” Trading Program in both Settrade Streaming and KEiTrade StockRadars. We are also in the process of developing submission of trading instructions via Maybank Kim Eng Line Application. This is expected to be launched in January 2017.
2. Participated in Fund Service Platform Project sponsored by the Stock Exchange of Thailand. This project aims to improve and enhance quality and efficiency of mutual fund trading services and facilitate individual investors in investing via mutual funds.
3. Increased a full range of investment products by adding layers of asset classes covering debentures, structure notes and Equity-Linked Notes (ELN) including offshore products. Our aim is to create alternatives to improve clients’ investment management to be more efficient. It is expected that these financial products can provide services to High Net Worth clients by June 2017.

In the area of corporate social responsibility (CSR), the company’s management and staff undertook efforts to contribute towards enhancing the quality of life of the poor. In the year 2016, the company organized Global CSR Day

to achieve the main principle of CSR of the Maybank Group under the Global theme of “Enabling Communications with Solutions” whereby various CSR activities were held by the Maybank Group worldwide on the same day ie. Saturday 20 August 2016. In the spirit of the Global CSR Day, we had focused on “Recognizing the Value of Savings” by organizing a field trip for 80 teachers and students of grades 3 - 6 of Baan Srang School in Ayudhya province to visit the Investment Discovery Museum of the Stock Exchange of Thailand. The main purpose was to create awareness on the importance of saving money during childhood so that the students can inculcate a positive attitude towards money management. Meanwhile, we also offered scholarships amounting to THB 160,000 and books titled “Money is Worth” for the school library.

In addition, the company's 133 staff joined the CSR event to support the 4th “Volunteer Medical Specialist Clinic” public service on the occasion of the Queen's auspicious occasion of celebrating 84 years on Sunday, 13 March 2016 at Fort Suranaree Hospital, Nakhon Ratchasima Province. The project provided services by medical specialists who gave treatment free of charge. There were about 8,448 people who turned up to benefit from the medical services. The company also sponsored this project by contributing THB 300,000.

The company also organized a training program to educate on investment in the Thai capital markets to the Graduate Society of the Blind with the topic of “Savings Channel to better quality of life after retirement” on 8 March 2016 at our Central World office. There were 60 blind people who attended the session to learn about investment and financial planning for retirement. In addition, we also acted as agent to collect ladies' stockings to be used as one the materials in making prostheses on reduced cost for the Department of Orthotics, Veterans Hospital. The box was opened for staff donation at the offices at Central World during 18 March – 22 April 2016.

We have also continuously improved and developed our internal control and risk management systems to ensure we meet policies and standards as prescribed by the Maybank Group. The company had set the Anti-Corruption policy and guideline and also participated in a unified practice of Collective Action Coalition by doing policy announcement and being a certified member to combat corruption in the private sector effective February 29 2016. These initiatives are implemented within the organization seriously as proof of our commitment to upholding strong corporate governance and integrity.

We have also officially established the policies and practices of good corporate governance. The company has been assessed as level 4 out of 5 levels by the Institute of Directors of Thailand (IOD). Our success would not have been possible if we did not have the trust of our patronage clients holding more than 170,000 accounts. This includes the reliance and support from both local and foreign financial institutions, shareholders and the Maybank Group. On behalf of the Board of Directors, we would like to take this opportunity to thank all patronage clients and every institutions mentioned above, and not forgetting the Management and staff for their hard work and dedication in ensuring a progressive and improved performance of the Company for Year 2016.



**Mr. Yuth Vorachattarn**  
Chairman

## Policy & Business Overview

- **Vision, Objective, Business Strategy**

- o Vision:

To be a Regional Powerhouse with quality of human resources research and technologies.

- o Mission:

Maybank Kim Eng Securities (Thailand) offers a wide variety of the highest standard services to customers. Our goal is to become a regional financial services leader. We aim to benefit clients with the high quality and extensive scope and scale of our services, supported by our high-tech, real-time trading platforms and dedicated service-oriented staff.

- **Business Strategy:**

- Staff value, we believe that the significant factor for our business is human resource. The Company has its policy to take a good care to our staff not only in the fringe benefit under the Securities and Exchange Commission 's rules, but also supporting our staff in academic and research in equity instrument and the others financial instrument for exploring new good opportunities for our clients.
- Technology Development: In order to ensure clients of investment reliability and accessibility, the Company focuses on internet trading development by enhancing the existing products and invent the new ones.
  - a. Enhance the existing products by adding functions and making the systems to be compatible with various gadgets:
    - i. **KEiTrade:** the Company added the Stock Radars function into KEiTrade and made this product to be compatible with both Android and iOS.
    - ii. **SETTRADE Streaming:** added function SETTRADE Sense and Fundamental Analysis to full fill the investment needed.
  - b. Invent the new products:
    - i. **Maybank Kim Eng LINE:** this application responds to inquiries on real-time basis for 24 hours a day, with the set of key words. The two-way communication function also allows clients to check personal portfolio with privacy protection.

- ii. **Aspen Mobile:** Maybank Kim Eng (Thailand) is the first securities company in Thailand leading clients to send orders via Aspen Mobile, compatible with both Android and iOS.
- iii. In year 2017, company plan to bring new technologies such as Streaming for Fund, MKE Mobile Apps along with the improvements Maybank Kim Eng LINE to enable clients to trading via LINE.
- Research development: “Speed, Accuracy and Easy to Access” are key success factors for our fundamental and technical analyses. The Company’s research papers cover all industries and sectors of investments, including macroeconomics and financial derivatives. Our research team aspires to be qualified into international standards, by serving for individual and institutional investors.
- Knowledge to investor program: the company subscribe the members via campaign “Maybank Kim Eng Fan Club” for delivery of investor knowledge to clients such as Value Investor investment, Internet System Investment, basic factor and technique analysis, investment in debenture, convertible debenture, and derivative warrant. This is not only providing the knowledge to our clients and investors but also finding the new way to expand our customer base.
- Developing the investment banking to be ready and leader in term of financial service to cover client’s need in the scope of capital market, hybrid, underwriting, merger and acquisition, privatization in order to provide the proper financial services to each client, including public offering to provide the investment opportunities to the securities clients.
- Issuing new product Future contract to support to every clients sector such as issuing the derivative warrant, study and plan to issue Structure Note.
- Monitoring and managing the branch and/or open more branches in order to support all clients in the country.

In addition, the Company has biennial reviewed the policy, vision and strategy, however the objective of the Company remains the existing policy, vision and strategy.

## • Significant Change and Evolution

Maybank Kim Eng Securities (Thailand) Public Company Limited (the “**Company**”) named previously “Kim Eng Securities (Thailand) Public Company Limited” formerly changed from “Nithipat Securities Company Limited” incorporated on April 3, 1996 with its first capital THB1,000 million. The separation of the business from capital business and securities business of Nithipat Capital and Securities Public Company Limited, Nithipat Finance Public Company Limited hold the 99.99% sold shares of Nitipat Capital and Securities Company Limited. On August 14, 1996 had gained the transferred of assets and liabilities related to securities business including the Stock Exchange of

Thailand's membership No. 42 from Nithipat Capital and Securities Public Company Limited which had been agreed from Securities and Exchange Commission of Thailand (SEC) and started to operate securities business onward.

Economic crisis in 1997, closing of 56 Financial Institutions following to government announcement on August 8, 1997 concerning to closing the business of Nithipat Finance Public Company Limited who was the parent Company of our Company. However, the company was still had its operation under the supervision of Financial Sector Restructuring Authority (FRA) before changing the major shareholders. Kim Eng Holdings Company Limited who was incorporated in Singapore and hold major shares in securities firms under Security of Exchange market in Asia and had its network across countries and finally, become listed company in Security of Exchange in Singapore, won bidding to buy Nithipat Securities Company Limited (Nithipat) from FRA and became a shareholders and management of the Company.

On January 1, 2002 the Company had signed in the Transferred Asset Agreement for obtaining the assets from Yuanta Securities (Thailand) Company Limited which had been merged with Yuanta Securities (Thailand) Company Limited.

On October 17, 2002, the Company had converted itself into Public Company Limited, in the same time had changed its name to be "Kim Eng Securities (Thailand) Public Company Limited. The company had registered in the Security Exchange of Thailand and our ordinary shares had been traded on December 3, 2003 afterward.

In 2007, the Company obtained the permission from Ministry of Finance (MoF) to set up the Asset Management Company, KEST Guardian Asset Management Company Limited was incorporated (after known as Kim Eng Asset Management Company Limited and Maybank Kim Eng Asset Management Company Limited, respectively). And also launched the Exchange trade Fund (ETF) with refer to SET 50 index which the first fund of Thailand under the name "TDEX"

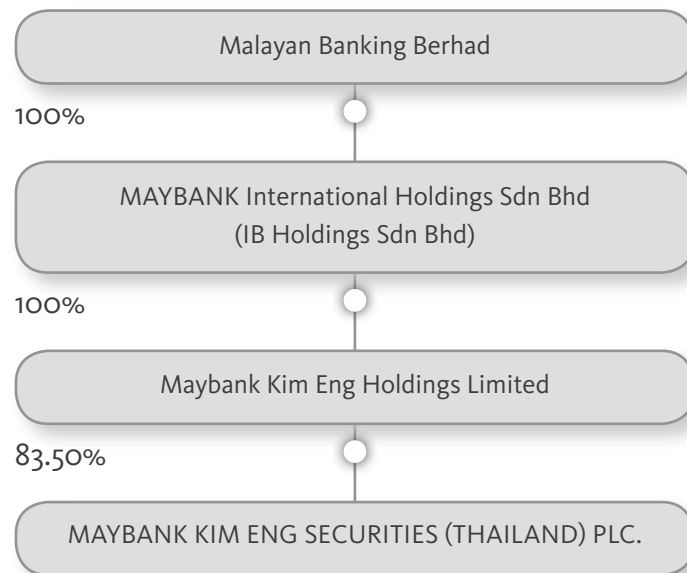
In 2011, Maybank IB Holdings Sdn. Bhd. (currently known as Maybank International Holdings Sdn. Bhd.) had bought 100% ordinary shares of the Kim Eng Holdings Company Limited (currently, Maybank Kim Eng Holdings Company Limited) which was the major shareholders of the Company proposed buying ordinary shares of the Company in amount of 27.99% (excluded treasury stock) and restructure the shareholder structure. Maybank Kim Eng Holdings Company Limited became our major shareholders which holds 83.50% shares.

The Company keeps continue maintaining No. 1 of the securities brokerage market share in 2002-2016 for the past 15 consecutive years.



- **Relation of Group Business of Major Shareholder**

Our securities business is a part of business in MALAYAN BANKING BERHAD who operate Finance Institutions in Malaysia by holding its shares on Maybank Kim Eng Holdings Singapore and its shareholder structure as follows:



MALAYAN BANKING BERHAD have its professional management team. MALAYAN BANKING BERHAD had appointed its management to be Directors of the Company.

## Business Operations

### • Revenue Structure

Revenue structure of the company as per the Financial Statements for the years 2014 - 2016 is as follow.

Revenue	2014		2015		2016	
	Million Baht	%	Million Baht	%	Million Baht	%
Securities brokerage fee	2,980.58	67.21	2,452.77	61.79	2,411.28	65.68
Futures brokerage fee and others	181.32	4.08	178.68	4.50	179.35	4.89
Fee and service income	246.40	5.56	162.31	4.09	75.23	2.05
Gains (losses) on investments	(68.71)	(1.55)	(194.63)	(4.90)	30.59	0.83
Gains on derivatives	102.71	2.32	271.27	6.83	40.19	1.09
Interest and dividends	317.64	7.16	332.06	8.37	220.95	6.02
Interest on margin loans	607.86	13.71	710.76	17.91	659.91	17.97
Other income	66.85	1.51	55.96	1.41	53.90	1.47
<b>Total</b>	<b>4,434.65</b>	<b>100.00</b>	<b>3,969.18</b>	<b>100.00</b>	<b>3,671.40</b>	<b>100.00</b>

### Market and Business Conditions

#### o Brokerage Business

Overall, 2016 was a great year for the brokerage business because in terms of return and trading value, Thai markets improved significantly from 2015. The SET Index rose 19.8% YoY from 1,288.02 points at the end of 2015 to 1,542.94 points at the end of 2016, making it the top performer in the ASEAN region. Trading value also increased 22% YoY from an average of THB41.141b per day in 2015 to THB50.244b in 2016. Key factors that attracted foreign fund inflows were the Fed postponing several planned hikes and raising the interest rate just once in 2016, the recovery of Thai and ASEAN economies, plus rising oil and commodity prices. Together, these factors created a positive sentiment in the equity and forex markets, and the overall economy.

Domestic key drivers include the GDP expanding by more than 3% in 2016, beating the consensus forecast. This was thanks to several government stimulus plans heating up consumption and exports. Also, the performance of listed companies has returned to normality, particularly in the commercial bank and food sectors. New IPOs like Banpu Public Company Limited (BPP) and BCPG Public Company Limited (BCPG), with net total capital of THB100b, provided a huge amount of additional trading value to the market.

However, Thai markets in 2016 experienced high volatility caused by internal and external factors like the Brexit referendum, Trump's victory in the US presidential election, and most importantly the death of King Rama IX. Foreign investors therefore underweighted Thai markets by THB54.553b in 4Q16 and the baht depreciated by 3.6% from THB34.5 to THB36 a dollar.

The company remained the No.1 broker with a market share of 8.15% in 2016, a drop from 8.48% in 2015. This was because retail investors, its main customer base, decreased from 59% in 2015 to 53% in 2016 while foreign investors increased slightly from 23% to 26%.

#### **o The Business of Debt Issuance and Trading**

For the primary market, total value of new debt issuance registered with ThaiBMA for the year 2016 was THB 10.11 trillion, an increase by 17% when compared with that in the Year 2015. Total outstanding amount of domestic debt instruments registered with ThaiBMA at the end of year 2016 was THB 10.89 trillion, an increase by 9% when compared with that at the end of 2015.

In 2016, the company had issued the bill of exchange (BE) in order to expand its business and support the demand of Margin Loan whole year, the total value of issuance was THB 19,030 million under the condition of exchange term not exceeding 270 days.

#### **o Financial Advisory and Securities Underwriting Business**

The fund raising via primary market (IPO) in 2016 decreased in term of number of issues in both the SET and the MAI totally from 27 companies compared to 41 companies in the year 2015 with worth a total funding of THB 52,781.08 million, a decrease of 59.62% compared to that in the year 2015, which include fund raising of 4 funds in term of property fund and REIT.

The new listed companies comprises of 23 companies compared to that in the year 2015 of 41 companies, divided to 14 companies listed on the SET and 13 companies on the MAI. As of 31 December, 2016, total 656 listed companies on the SET and the MAI were 522 and 134 companies respectively.

For the Year 2016, the company acted as Financial Advisor and Lead Underwriter on the Initial Public Offering of Netbay Plc. of THB 160 million, Sahakol Equipment Plc. of THB 1,216 million, and Co-Lead Underwriter on Initial Public Offering of BCPG Plc. of THB 50 million. The company also acted as Financial Advisor and Selling Agent for Right Offering Agent and Financial Advisor of Employee Stock Options Plan of Singha Estate Plc. of THB 3,692 million respectively. The company acted as Financial Advisor and Selling Agent of Transferable Shares Receipt (TSR) of True Corporation Plc. of approximately THB 60,000 million and also acted as Financial Advisor to Singha Estate Plc. on share acquisition of Daii Plc. with total value of THB 5,903 million. In addition, the company acted as Independent financial advisor of Central Pattana Plc. on the connected transaction of Central Pattana and Harn Central Department Store with transaction worth of THB 684 million. Lastly, the company acted as Independent financial advisor of Berli Jucker Plc. to acquire total issued shares of BIG C Plc. with the transaction worth of THB 123,000 million.

The Investment Banking Department total income for the Year 2016 was THB 60.30 million, a decrease by 60.77% from that of THB 153.72 million in the Year 2015.

## **o The Derivatives Agent Business**

The Company was granted by the Ministry of Finance a license to operate business as a derivatives agent in accordance with the Derivatives Act B.E. 2546 (2003). As a derivatives agent, the Company has serviced individual clients and institutional clients since the launch of Thailand Futures Exchange (TFEX) on 28 April 2006. As of 31 December 2016 TFEX offers 8 exchanged-traded derivatives products, namely, SET50 Index Futures, SET50 Index Options, Single Stock Futures, Gold Futures, Interest Rate Futures, USD Futures, Sector Futures and Rubber Futures. TFEX has launched new products which are Rubber Futures, including RSS3 and RSS3D Futures, on 15 February 2016 and 16 May 2016 consecutively. TFEX has delisted Brent Crude Oil Futures on 1 September 2016.

For the Year 2016, the total volume on TFEX was 69,576,164 contracts. The average daily volume of SET50 Index Futures was 131,938 contracts, an increase of 19.79% compared with that of 2015 for 110,142 contracts per day. For SET50 Index Options, the average daily volume was 1,757 contracts, an increase of 39% compared with that of 2015 for 1,264 contracts per day. For Single Stock Futures, the average daily volume was 138,634 contracts, an increase of 70.94% compared with that of 2015 for 81,103 contracts per day. For Gold Futures, the average daily volume was 11,901 contracts, an increase of 97.86% compared with that of 2015 for 6,015 contracts per day. For Brent Crude Oil Futures, the average daily volume was 119 contracts, an increase of 11.21% compared with that of 2015 for 107 contracts per day. For USD Futures, the average daily volume was 838 contracts per day, a reduction of 25.04% compared with that of 2015 for 1,118 contracts per day. Overall, investors in the derivatives market compose of domestic individual investors that accounted for 52.78% of total volume, domestic institutional investors that accounted for 36.80% of total volume and foreign investors that accounted for 10.42% of total volume.

For 2016, the Company ranked No. 7 for derivatives trading in term of market shares that accounted for 4.58% of the total volume in the derivatives market. The total volume for derivatives traded via the Company was 6,374,562 contracts. The majority of the company's volume is from operating derivatives agent business on behalf of the clients.

The Company has long emphasized expanding its investor base in the derivatives market. It has continuously provided a variety of training courses related to derivatives instruments to its clients and general investors. This is because the Company has always been aware that its long-term success in the derivatives business depends upon investors' knowledge and understanding in derivatives trading strategies, return & risk related to derivatives investment and their abilities to apply derivatives instruments for investing and hedging purposes. The Company aims to grow concurrently with continuous expansion in the number of investors and client bases. Relating to derivatives investment strategies, the Company continues to produce and publicize daily derivatives research papers for technical analysis three times a day before morning session, before afternoon session and before night session. The recommendations of derivatives investment strategies are broadcasted in visual and audio forms via KELIVE TV which the clients can access via the Internet and the clients can watch a morning live program on every business day or can access a recorded program later.

## **o Derivative Warrant (DW)**

Maybank Kim Eng Securities (Thailand) Plc, has a credit rating "AA+" by Fitch Ratings (Thailand) and is one of the first brokerage houses issuing Derivative Warrant (DW) in Thailand via direct listing method since 2010. In 2016, the company had issued 194 DWs that earned good responses from investors.

## Risk Factors

### **1. Fluctuations in the conditions of international and domestic economies, money markets and capital markets could materially affect the Company's revenue**

The Company's major source revenue is brokerage fees from the securities and derivatives business that has been directly related to macroeconomic condition, movements of money and capital markets, trading volume on the Stock Exchange of Thailand (SET) and investor confidence, all of which are factors that are beyond control of the Company. In the Years 2013, 2014 and 2015, average daily trading values of the SET were THB 50,329 million, 45,466.49 million, 44,302 million consecutively. For the Year 2016, average daily trading value of the SET was THB 52,525 million, a improvement by 18.56% compared to that in the Year 2015. All factors, including internal and external ones, substantially increase investor's confidence. For the Years 2014, 2015 and 2016, the Company's total brokerage fees were THB 3,155 million, 2,631 million and 2,590 million consecutively.

Fluctuations in the economy, the money market and the capital market may be caused by a large number of factors that are beyond control of MBKET, including civil unrest in the three most southern provinces of Thailand, domestic political uncertainties and global economic crisis in the US and Europe . Such factors would negatively affect confidence of both domestic and foreign investors and, as a consequence, may adversely affect the volume of trading on the SET and the MAI, including the amount of funds to be raised and the number of new listings on the SET and the MAI. This could have a material adverse effect on MBKET's business, financial condition and result of operation.

MBKET has mitigated such risk by providing some parts of compensation made to marketing officers and securities traders that vary with trading volume on the SET to control its fixed operating costs, expanding its brokerage client base to include both individual and institutional clients and generating revenue from a variety of financial advisory services including securities offering, M&A, business takeovers, project feasibility studies, business valuation and securities underwriting. MBKET also engages in other businesses to generate additional sources of revenue such as asset management, private fund management, securities borrowing & lending (SBL) and the derivatives business.

### **2. Risk due to Intense Competition in the Securities Business**

Securities business has been a quite highly competitive business, especially in the area of securities brokerage that has long been the Company's major source of revenue. The Stock Exchange of Thailand (SET) has changed the brokerage fee structure, specifying a minimum brokerage fee at the rate of 0.25 % of total trading value for the period between January 14, 2002 and January 13, 2007. Later on December 25, 2006, the SET extended the period in which a minimum brokerage fee is still applied for another 5 years. The period is classified into 1) For the first 3 years (January 1, 2007 to December 31, 2009) in which a minimum brokerage fee of 0.25 % is still applied and 2) For the next 2 years (January 1, 2010 to December 31, 2011) in which the brokerage fee is determined on a sliding scale basis. In other words, for the period between January 1, 2010 and December 31, 2011, the higher the trading value, the lower the applied rate of the brokerage fee. For year 2012, calculation for the brokerage fee is deliberated. Thus, from the Year 2010 on, the securities brokerage business will be a highly competitive business in terms of securities brokerage fee. To cope with the increasing level of competition in the securities brokerage business, the Company has put extra efforts in improving every area of its service quality, especially Internet trading service. This is because the brokerage fee applied to Internet trading has still been lower than that applied to traditional trading

service (Internet trading brokerage fee is 60 % of that applied to traditional trading service). Internet trading has thus drawn strong interest from a lot of securities investors. The Company has long focused on providing high-quality services with the aim to maintain and expanding the existing client base. The Company has done so by increasing the quality of research publications, improving and developing skills and capabilities of staff in providing services and recommendations to clients. The Company has continuously upgraded its information system to respond to and satisfy fast-changing client needs. All of these have enabled the Company to be in a good position and well prepared for liberalization of the securities brokerage fee structure that would be effective on January 1, 2012, and thus intensifying competition in the securities brokerage industry.

Financial advisory and investment banking services and fees have also been competitive in terms of both service quality and advisory fee levels. MBKET has provided a variety of financial advisory services including securities offering, independent financial advisory, fund raising, M & A, business takeovers, business valuations etc, focusing on provisions of high-quality services. The Company has continuously developed and upgraded advisory skills of its IB staff, and this enables it to provide high-quality financial advisory services to clients on a continuous basis.

MBKET was also granted a license to operate its business as a derivatives agent in accordance with the Derivatives Act B.E. 2546. It was selected as a member of Thailand Futures Exchange (TFEX) that was launched on April 28, 2006 and Thailand Clearing House (TCH) to operate its business as a derivatives agent. This has helped to expand the Company's source of revenue.

### **3. In its securities brokerage business, the Company is highly dependent on a small number of large clients**

The Company's top 10 trading clients accounted for 16.37% of total securities brokerage fee income in the year 2015 and 22.40% in 2016. Had MBKET lost such big trading clients, its securities brokerage fees for 2015 and 2016 would have fallen by 3.90% and 5.15%, respectively. However, one of the Company's top 10 trading clients was the Maybank Kim Eng Holdings Group that is also the major shareholder. Thus, it is quite unlikely that it will lose such a client. As MBKET has long realized concentration risks, it has thus aimed to increase the number of trading accounts in order to expand its client base. For the year ended December 31, 2015 and 2016, the total number of MBKET's client trading accounts was 168,000 and 179,000, respectively. For 2016, 89.56% of the Company's securities brokerage fees were from retail trading business and the remainder 10.44% from local and foreign institutions. Another source of the Company's operating revenue was from Investment Banking business (financial advisory and securities underwriting businesses) that generated total revenue of THB 58.96 million, a decreasing of 60.44% from the 2015 level. This has helped to generate another source of operating revenue for the Company and allowed it to rely less on securities brokerage business.

### **4. Clients may default or delay payment for or transfer of securities and collateral for taking position in futures**

For the year ending December 31, 2016, the Company's securities brokerage receivables totaled THB 14,159.41 million, consisting of clients' accounts of THB 3,165.84 million, margin loans of THB 10,579.84 million, securities borrowing and lending accounts of THB 167.62 million, there and other receivables of THB 246.49 million, with unearned interest revenue of THB 60.99 million. In addition, the Company had derivatives business receivables

amounting THB 0.79 million outstanding. It classified such securities and derivatives brokerage receivables as doubtful debt in the amount of THB 260.42 million, accounting for 1.84% of its total securities and derivatives brokerage receivables. Of the total amount of doubtful debt, THB 255.74 million of which belonged to Nithiphat Securities Co., Ltd., was incurred prior to acquisition of the ordinary shares of that company by Kim Eng Holdings Limited in 1998, and THB 4.68 million of which was incurred after the share acquisition by Maybank Kim Eng Holdings Limited. The Company tries to collect all doubtful debts as fast as possible, and if it cannot do so, it will file a lawsuit against the defaulting receivables.

For the total doubtful debt of THB 260.42 million, THB 16.25 and 244.18 million of which were classified as substandard and doubtful debts. The Company established an allowance for doubtful debt in the total amount of THB 248.32 million, or 100% of the total doubtful debt.

In the derivatives agent business, the Company may face the risk that collateral clients put up may not be sufficient to satisfy their debt obligations with TCH. Thus, MBKET, as a derivatives agent, is obligated to follow and collect more collateral from clients to satisfy debts incurred as a result of loss from holding a position in futures. Nevertheless, MBKET has implemented many policies aimed to mitigate default risk as a result of securities and derivatives trading. It has done so by focusing on selecting high-quality clients and specifying trading limits for securities and derivatives that well correspond to securities collateral amount, clients' financial status, their abilities to repay debts, liquidity conditions and investment experience. MBKET has regularly reviewed and closely monitored the receivables' status.

## **5. Risk Associated with Margin Account under the Credit Balance System**

In extending margin loans to securities trading clients, the Company may face the risk that margin clients may default their repayments, especially in the case that value of securities put as collateral falls below their outstanding margin amount. Normally, such repayment default will not occur under the credit balance system as margin clients are required to maintain their maintenance margin in accordance with conditions as prescribed by the Company and relevant regulators. If the proportion of collateral to outstanding margin amount falls below the prescribed ratio, the procedures related to call margin and force sell will apply respectively. Nevertheless, some adverse abnormal situation may occur, thus leading to a sharp decline in the value of securities put as collateral, such that the system of maintenance margin cannot cope with it. To manage this risk, the Company formulates and applies clear and stringent policies in selecting securities allowed to be traded under the margin system as well as prescribing initial margin for such securities. The Company does not allow its clients to trade risky/speculative securities under the margin system. The Company also prescribes ceiling margin amounts for each client in trading particular securities.

Margin loans amounts as of December 31, 2014, 2015 and 2016 were THB 12,946.27 million, 13,777.48 million, and 10,579.46 million respectively. Margin loans amount outstanding may vary each year, depending upon trading activities on the SET. For the period that margin loans amount outstanding sharply increases, the Company realizes the potential risk associated with margin account. The Company complies with policies/measures in dealing with this risk as described in the previous paragraph stringently. In the past, the Company never faced serious damage due to extending margin loans.

## **6. Any failure in computer systems may disrupt the Company's securities brokerage business operations**

To operate its securities brokerage business, the Company relies heavily on its computer systems. Main computer systems that have supported the Company's operation of securities trading are comprised of 1) HiTrade that is connected to the SET for securities trading on a real-time basis. It enables securities marketing officers and clients to closely monitor share price movement, to submit trading orders and check trading order status. HiTrade is connected to the Internet, thus allowing clients to monitor share price movement and submit trading orders via the Internet as well. 2) The computer system that is connected to TFEX and enables securities marketing officers to submit trading orders for futures contracts on behalf of their clients, and the computer system that is connected to SET Trade that allows clients to submit their trading orders via the Internet. 3) Share settlement systems for transactions between clients and TSD, namely the Securities Back Office Automation, or SBA. If the Company's computer systems fail, the operation of the Company in the securities brokerage service will be materially affected.

To mitigate such risk, the Company set up a backup system as well as back up of important information, both of which enable the Company to operate smoothly in case of a failure of the main system. To connect the main office's computer system and those of the branch offices, the Company has a back up leased line that can switch when the leased-line fails. Also, the Company has a contingency plan that allows the use of a back-up computer system when contingency plans are implemented.

## **7. As an underwriter, the Company is required to subscribe for unsubscribed securities that may expose it to large losses**

In relation to investment banking business in which the Company acts as an underwriter, it assumes an underwriting risk that may require it to purchase any unsubscribed securities for its own account. This may be due to inappropriate pricing and fluctuations in both money and capital markets. If, in the future, the Company is required to purchase underwritten securities for its own account, it may result in significant losses that could have a material adverse effect on its financial condition, particularly the net capital ratio, and its results on operations.

To mitigate this risk, prior to participating as an underwriter for any securities, the Company conducts a study and analysis of the business potential of issuers as well as client interest, and the Company will act as underwriter for securities only with minimal risk of securities under subscription. In case the Company acts as underwriter for securities at significant amounts, approval for securities underwriting from the Underwriting Committee needs to be obtained prior to the Company's acting as underwriter. In acting as underwriter and/or financial advisor, the Company has put emphasis on selecting clients. Prior to accepting any new clients, the Company will conduct a preliminary assessment and due diligence on the business potential as well as financial performance of the clients. The Company's IB staff are well accustomed to relevant applicable law and regulations, and this enables them to provide high-quality and accurate services to clients.



## **8. The Company's business may be affected by an error or the misconduct of an employee that is difficult to check and prevent**

The Company's business is highly dependent upon its reputation and the trust of its clients. Employees are regularly in direct contact with clients and have knowledge of, or access to, the clients' assets or information. Accordingly, when an employee does not carry out his or her duties in accordance with a client's orders or acts beyond his or her authority or does not act in compliance with the Company's rules and regulations including its compliance manual or commits misconduct in managing client's assets or uses the client's information without permission or other actions that may harm client interests, the Company's reputation and the trust of other clients may be adversely affected. The Company may also become liable for the losses incurred by the clients in question.

In addition, certain actions may be made in breach of relevant laws or regulations and may result in the Company becoming liable to pay fines, losing its license or being subject to litigation, all of which may have a materially adverse effect on the Company's financial condition and result of operations. To deal with this risk, the Company has regularly monitored working activities of employees and will punish any employee who violates these Company's rules. Also, the Company established clear working rules, actions and procedures that its employees have to follow. In the Year 2015, there were no cases where the Company's staff failed to comply with or violated applicable rules and regulations that may cause detrimental effects to the Company's operation.

## **9. The Company operates its businesses under stringent laws and regulations, including regulations that impose liability on its operations that could have an adverse effect on its results of operations and financial condition**

The securities business is strictly controlled by laws and regulations from government authorities, the Office of the SEC and the SET. As a result, any establishment or change of government policy or of the supervisory roles of the relevant regulatory bodies may affect the Company's goals, competitiveness and business and could have a materially adverse effect on the business, financial condition and result of operations of the Company. Moreover, the Company may incur liabilities resulting from the operation of its business, such as from mistakes arising from the performance of its duties as financial advisor or underwriter or from its failure to comply with steps in accepting securities purchase or sales orders from clients. The Company cannot ensure that if the Company became liable, it would not face serious liability or a possible business license risk, either of which could have serious a material effect on its business and its reputation.

To mitigate this risk, the Company's Internal Audit Department has closely monitored changes in laws and regulations relevant to the Company's businesses, and will closely control and check operations of each department in the Company to ensure they are in conformance with applicable laws and regulations. It will inform of changes in relevant regulations to all involved departments.

In the Year 2016, there were no cases where the Company's staff failed to comply with or violated applicable rules and regulations that may cause detrimental effects to the Company's operation.

## **10. The Company is highly dependent on staff**

The Company relies on experienced, knowledgeable and skilled employees in its business operations. At present, in a highly competitive business, with a limited number of experienced and skilled staff, there is intense competition to recruit appropriate qualified staff. Should the Company be unable to retain these staff, the Company's business continuity may be affected to the detriment of its financial condition and result of operations.

To counter this risk, the Company has provided its staff with good employee welfare, and long put emphasis on providing training courses for employees with the aim of enhancing employee skills. In addition, the Company has allocated warrants for staff in order to attract a very qualified workforce to continue working for the Company over the long term. In the Year 2016, the Company faced no problems regarding significant turnover of its staff.

## **11. The Company's operations are under the control of the major shareholder**

As at August 24, 2016, Maybank Kim Eng Holdings Limited, the Company's major shareholder, held a 83.25% equity stake in the Company's total paid-up shares. Thus, Maybank Kim Eng Holdings Limited remains able to control shareholders' resolutions in relation to key matters that are required by laws or articles of association of the Company to be passed by a majority vote of shareholders attending the meetings and entitled to vote, except for matters that are required by laws or articles of association of the Company to be passed by a three-fourths vote of shareholders. Therefore, other shareholders may not obtain sufficient votes to balance those of Maybank Kim Eng Holdings Limited. Nevertheless, the Company has appointed three independent directors that account for 60% of the Company's Board of Directors. They are responsible for monitoring and providing advice on the Company's operations to ensure it has operated transparently and accurately.

Moreover, as a subsidiary of Kim Eng Holdings that has long been well known for its securities business with subsidiaries in Asia, Europe and the United States, MBKET has been widely accepted by retail and institutional trading clients for its expertise and experience in the securities business.

Nevertheless, in the Year 2011, there was a major change in the shareholding structure of Kim Eng Holdings Limited. Mayban IB Holdings Sdn Bhd (currently known as "Maybank International Holdings Sdn Bhd") which has been a part of Malayan Banking Berhad from Malaysia conducted a tender offer for a 100% stake in Kim Eng Holdings Limited. Such change, however, had no effect on management policy and all staff of the Company.

## **12. The Effect from the emergency situations**

The Company, however, has put emphasis on managing any casualties that might occur with its branches and clients. The Company developed and implemented plans related to safety standards. It also purchased casualty insurance that could cover any casualties resulted from many disasters with the amount of THB 150 million.

For the emergency situations such as the flood crisis in 2011, some of the Company's branches located in the areas affected by the flood crisis were temporarily closed. To deal with this problem, the Company implemented a business continuity plan by relocating all staff who worked in the area affected by the flood crisis to work at the Company's headquarters. This allowed the Company to provide trading services to its clients continuously.

# Corporate Information

## The Board of Directors

1. Mr. Yuth Vorachattarn
2. Mr. Cheah Teik Seng<sup>1</sup>
3. Ms. Sopawadee Lertmanaschai
4. Mr. Lee Siang Chin<sup>2</sup>
5. Mr. Montree Sornpaisarn
6. Mrs. Boonporn Boriboonsongsilp<sup>3</sup>
7. Mr. John Chong Eng Chuan

<sup>1</sup> resigned wef. Aug 1, 2016

<sup>2</sup> appointed wef. Aug 1, 2016

<sup>3</sup> retired wef. Dec 14, 2016

## Corporate Secretary

Ms. Chananya Vilamard<sup>1</sup>

Ms. Nubthong Wanawattanawong<sup>2</sup>

<sup>1</sup> resigned wef. Aug 9, 2016

<sup>2</sup> appointed wef. Aug 9, 2016

## Auditor

### EY Office Limited

1. Ms. Ratana Jala  
Certified Public Accountant,  
Registration No. 3734
2. Ms. Somjai Khunapasut  
Certified Public Accountant,  
Registration No. 4499
3. Ms. Phuphun Charoensuk  
Certified Public Accountant,  
Registration No. 4950

33<sup>rd</sup> Floor, Lake Rajada  
Office Complex 193/136-137  
New Rajadapisek Rd.,  
Klongtoey, Bangkok 10110  
Thailand

Tel: 66 (0) 2264 9090

Fax: 66 (0) 2264 0789 - 90

Email: EY.Thailand@th.ey.com

## Head Office

999/9 The Offices at Central World,  
Fl., 20<sup>th</sup>-21<sup>st</sup> Rama I Rd., Patumwan,  
Pathumwan,  
Bangkok 10330  
Tel: 0 2658 6300  
Fax: 0 2658 6301

## Company Registration No.

Bor Mor Jor 0107545000314

## Homepage/website

www.maybank-ke.co.th

## Securities Registration

### Thailand Securities Depository (Thailand) Co., Ltd.

93 The Stock Exchange of Thailand  
Building, Rachadapisek Rd.,  
Din-Daeng, Bangkok 10400  
Tel: 0 2009 9379

## Company Offices Bangkok and Vicinities

## Head Office

999/9 The Offices at Central World,  
20<sup>th</sup>-21<sup>st</sup> Fl., Rama I Rd., Pathumwan,  
Pathumwan, Bangkok 10330  
Tel: 0 2658 6300  
Fax: 0 2658 6301

## Ngamwongwan Branch

30/39-50 The Mall Ngamwongwan  
Office Tower 14<sup>th</sup> Fl.,  
Ngamwongwan Rd.,  
Bang Khen,  
Nonthaburi 11000  
Tel: 0 2550 0577  
Fax: 0 2550 0566

## Seacon Square Branch

55 Seacon Square Tower  
G Fl., Room 1005,  
Srinakarin Rd.,  
Nongbon, Pravej,  
Bangkok 10260  
Tel: 0 2320 3600  
Fax: 0 2320 3610

## Yada Branch

56 Yada Tower 5<sup>th</sup> Fl.,  
Silom Rd., Suriyawong, Bangrak,  
Bangkok 10500  
Tel: 0 2632 8341  
Fax: 0 2632 8395

## Thapra Branch

99 The Mall Thapra  
Office Tower 12 Fl.,  
Rachadapisek-Thapra Rd.,  
Bukkaloe, Thonburi,  
Bangkok 10600  
Tel: 0 2876 6500  
Fax: 0 2876 6531

## Thaniya Branch

52 Thaniya Plaza Tower  
20<sup>th</sup> Fl., Silom Rd., Suriyawong,  
Bangrak, Bangkok 10500  
Tel: 0 2231 2700  
Fax: 0 2231 2130

## Bangkae Branch

275 The Mall Bangkae Tower  
8<sup>th</sup> Fl., Petchkasaem Rd.,  
North Bangkae, Bangkae,  
Bangkok 10160  
Tel: 0 2804 4235  
Fax: 0 2804 4251

## Pratunam Branch

553 The Palladium Building  
14<sup>th</sup> Fl., Ratchaprarop Rd., Makkasan,  
Ratchathewi, Bangkok 10400  
Tel: 0 2250 6192  
Fax: 0 2250 6199

## Pinklao Branch

7/129 Central Pinklao Tower  
3<sup>rd</sup> Fl., Room 302,  
Baromratchonni Rd.,  
Arunamarin, Bangkok Noi,  
Bangkok 10700  
Tel: 0 2884 9847  
Fax: 0 2884 6920

## Phahurad Branch

125, 125/1-6, 125/19-25  
The Old Siam Plaza 3<sup>rd</sup> Fl.,  
Phahurad Rd., Wangburapapirom,  
Pranakorn, Bangkok 10200  
Tel: 0 2225 0242  
Fax: 0 2225 0523

**Fortune Branch**

5 Fortune Town Building,  
Basement Fl., Ratchadapisak Rd.,  
Dindaeng, Bangkok 10400  
Tel: o 2641 0977  
Fax: o 2641 0966

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**Future Park Rangsit Branch**

94 Future Park Rangsit Tower,  
Room 091-92 GF Fl.,  
Phaholyothin Rd.,  
Prachatipat,  
Pathumthani 12130

Team 1;

Tel: o 2958 0592  
Fax: o 2958 0420

Team 2;

Tel: o 2958 0992  
Fax: o 2958 0590

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**Fashion Island Branch**

587, 589, Fashion Island Shopping  
Center BF Fl., Ramintra Rd.,  
Khan Na Yao, Bangkok 10230  
Tel: o 2947 5800 5  
Fax: o 2519 5040

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**Watcharapon Branch**

78/13 Soi Watcharapon 2,  
Ta-Rang, Bangkok, Bangkok 10220  
Tel: o 2363 6736  
Fax: o 2363 6735

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**United Center Branch**

323 United Center Building, 17<sup>th</sup> Fl.,  
Silom Rd., Bangrak, Bangkok, Bangkok 10500  
Tel: o 2680 4340  
Fax: o 2680 4355

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**Yaowaraj Branch**

215 Grand China Tower  
4<sup>th</sup> Fl., Yaowaraj Rd.,  
Samphantawong,  
Bangkok 10100  
Tel: o 2622 9412  
Fax: o 2622 9383

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**Lat Phrao Branch**

1693 Central Lat Phrao Tower  
11<sup>th</sup> Fl., Phaholyothin Rd.,  
Lat Phrao, Chatuchak,  
Bangkok 10900  
Tel: o 2541 1411  
Fax: o 2541 1108

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**Sri Nakarin Branch**

425, Big C Sri Nakarin,  
Srinakarin Rd., Samrong-Nua,  
Mueang, Samutprakarn 10270  
Tel: o 2758 7556  
Fax: o 2758 7551

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**Silom Branch**

62 Thaniya Building 4<sup>th</sup> Fl.,  
Silom Rd, Suriyawong, Bangrak,  
Bangkok 10500  
Tel: o 2231 2700  
Fax: o 2231 2130

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**Sathon Branch**

92/10 Sathonthani Tower 2  
7<sup>th</sup> Fl., North Sathon Rd., Silom,  
Bangrak, Bangkok 10500  
Tel: o 2636 7550-5  
Fax: o 2636 7565

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**Amarin Branch**

496-502 Amarin Plaza, 8<sup>th</sup> Fl.,  
Ploenchit Rd., Lumpini, Pathumwan,  
Bangkok 10330  
Tel: o 2256 9373  
Fax: o 2256 9374

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**Asoke Branch**

159 Sermmitt Tower 25<sup>th</sup> Fl.,  
Soi Sukumvit 21, Asoke Rd.,  
North Khlong Toei, Watthana,  
Bangkok 10110  
Tel: o 2665 7000  
Fax: o 2665 7050

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**The Emporium Branch**

622 The Emporium Tower 14<sup>th</sup> Fl.,  
Sukhumvit Rd., Klong Tun,  
Khlong Toei, Bangkok 10110  
Tel: o 2664 9800  
Fax: o 2664 9811

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**The Nine Branch**

999/3 The Nine Neighborhood Center,  
3<sup>rd</sup> Fl., Rama9 Rd., Suanluang,  
Bangkok 10250  
Tel: o 2716 7816  
Fax: o 2716 7815

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**Bangkapi Branch**

3105 N-Mark Plaza 3<sup>rd</sup> Fl.,  
Ladpraw Rd., Klongchun,  
Bangkapi, Bangkok 10240  
Tel: o 2 378 1144  
Fax: o 2 378 1323

---

**The Dhurakij Pundit University Branch**

110/1-4 Building 10, 1<sup>st</sup> Fl.,  
Prachachen Rd., Laksi,  
Bangkok 10210  
Tel: o 2831 4600  
Fax: o 2580 3643

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**The Chaengwattana Branch**

99/9 Central Plaza Chaengwattana  
Office Tower, 14<sup>th</sup> Fl.,  
Unit 1401 Chaengwattana Rd.,  
Bangtarad, Pakkret,  
Nonthaburi 11120  
Tel: o 2835 3283  
Fax: o 2835 3280

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**Thanya Park Branch**

735/5 Thanya Shopping Park,  
E Building, 2<sup>nd</sup> Fl.,  
Srinakarin Rd., Suanlaung,  
Prakhanong, Bangkok 10260  
Tel: o 2108 6300  
Fax: o 2108 6301

---

**Phayathai Branch**

71 Goldentown Building  
4<sup>th</sup> Fl., Room 403,  
Phayathai Rd., Ratchathewi,  
Bangkok 10400  
Tel: o 2251 4099  
Fax: o 2251 4098

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**All Seasons Place Branch**

87/2 CRC Tower, 3 Fl.,  
Room 311, Wireless Rd.,  
Lumpini, Phatumwan,  
Bangkok 10330  
Tel: 0 2658 0084  
Fax: 0 2658 0094

**Thonglor Branch**

154 Anekvanich Building,  
3<sup>rd</sup> Fl., Room C,  
Sukhumvit Rd., 55,  
Thong Lor, Klongton-Nua,  
Wattana, Bangkok 10110  
Tel: 0 2714 9222  
Fax: 0 2726 3901

**Zen World Branch**

4, 4/5 ZEN World Tower,  
15<sup>th</sup> Fl., Room 1501  
Ratchadamri Rd., Pathumwan,  
Bangkok 10330  
Tel: 0 2658 6300  
Fax: 0 2632 8395

**Aree Branch**

408/58 Phaholyothin Place Building,  
Phaholyothin Samsennai,  
Bangkok 10400  
Tel: 0 2619 0178  
Fax: 0 2619 0179

**\*\*opened Jan 25, 2016****Ramkhamhaeng,**

The Paseo Town Branch  
7/2-7 Ramkhamhaeng Road,  
Saphan Sung, Bangkok 10240  
Tel: 0 2111 3185  
Fax: 0 2111 3184

**\*\*opened Jul 4, 2016****Ratchapruek Branch**

555/9 The Crystal Ratchapruek,  
Ratchapruek Rd., Nonthaburi, 11130  
Tel: 0 2050 4530  
Fax: 0 2050 4539

**\*\*opened Oct 3, 2016****Other Provinces****Chonburi Branch**

55/20 Moo 1, Soi Lungsong,  
Behind Central Plaza  
Chon Buri, Samed, Mueang,  
Chon Buri 20000  
Tel: 038 053 950  
Fax: 038 053 966

**Chanthaburi Branch**

351/8, Tha Chalaep Rd., Talad,  
Mueang, Chanthaburi 22000  
Tel: 039 332 111  
Fax: 039 332 444

**Chiangmai 1 Branch**

244 Chiang Mai Golf Driving Range  
Building, 2<sup>nd</sup>-3<sup>rd</sup> Fl., Wowlai Rd.,  
Haiya, Mueang Chiangmai 50100  
Tel: 053 284 000  
Fax: 053 284 019

**Chiangmai 2 Branch**

201/3 Mahidol Rd.,  
Haiya, Mueang,  
Chiangmai 50100  
Tel: 053 284 138-47  
Fax: 053 202 695

**Nakhon Ratchasima Branch**

1242/2 The Mall Department Store,  
7<sup>th</sup> Fl., Room 3A, Mittrapap Rd.,  
Nai-Mueang, Mueang,  
Nakhon Ratchasima 30000  
Tel: 044 288 455  
Fax: 044 288 466

**Phuket Branch**

1, 1/1 Thungkhar Rd., Talad Yai,  
Mueang, Phuket 83000  
Tel: 076 355 730  
Fax: 076 355 730 Ext. 119

**Yala Branch**

18 Song Phee Nong Rd.,  
Sateng, Mueang, Yala 95000  
Tel: 073 255 494-6  
Fax: 073 255 498

**Rayong Branch**

180/1-2 Samaphan Building,  
2<sup>rd</sup> Fl., Sukumvit Rd.,  
Cherng Nern, Mueang,  
Rayong 21000  
Tel: 038 862 022-9  
Fax: 038 862 043

**Rayong 2 Branch**

351-351/1, TSK PARK, 1<sup>st</sup> Fl.,  
Sukumvit Rd., Nuarn Pra, Mueang,  
Rayong 21000  
Tel: 038 807 459  
Fax: 038 807 841

**Lampang Branch**

319 Central Plaza 3<sup>rd</sup> Fl.,  
Highway Lampang-Ngao Rd.,  
Suan Dok, Mueang, Lampang 52100  
Tel: 054 811 817  
Fax: 054 811 816

**Surin Branch**

137/5-6 Sirirat Rd.,  
Nai Mueang, Mueang,  
Surin 32000  
Tel: 044 531 600-3  
Fax: 044 519 378

**Samut Sakhon Branch**

322/91 Ekachai Rd.,  
Mahachai, Mueang,  
Samut Sakhon 74000  
Tel: 034 837 190  
Fax: 034 837 610

**Samut Songkram Branch**

74/27-28 Soi Bangjakreng 4,  
Rama 2 Rd., Mae Klong,  
Maung, Samut Songkram 75000  
Tel: 034 724 062-4  
Fax: 034 724 068

**Surat Thani Branch**

216/3 Moo 4 Chonkasem Rd.,  
Makhamtea, Mueang,  
Surat Thani 84000  
Tel: 077 205 460  
Fax: 077 205 475

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**Hat Yai Branch**

1, 3, 5 Soi Juti Uthit 3,  
Juti Anusorn Rd., Hat Yai,  
Songkhla 90110  
Tel: 074 346 400-5  
Fax: 074 239 509

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**Ubon Ratchathani Branch**

311 Moo 7 Central Plaza Ubonratchathani,  
Room G3, G Fl., Chaengsanit,  
Jae Ramae, Muang,  
Ubonratchathani 34000  
Tel: 045 288 455  
Fax: 045 288 466

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**Aranyaprathet Branch**

The Tesco Lotus Aranyaprathet 2<sup>nd</sup> Fl.,  
559 Moo 1, Banmainongsai  
Aranyaprathet, Sa Kaeo  
Tel: 037 541 731  
Fax: 037 541 740

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**Hua Hin Branch**

16/11 Petchkasaem Rd., Hua Hin,  
Prachuap Khiri Khan 77110  
Tel: 032 531 193  
Fax: 032 531 221

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**Khonkean Branch**

163/1-2, Klang Muang Rd.,  
Opposite Municipality Market 1,  
Muang, Khon Kaen 40000  
Tel: 043 225 355  
Fax: 043 225 356

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**Nakorn Sawan Branch**

1/15-16 Suchada Rd.,  
Pak Nam Pho, Mueang,  
Nakorn Sawan 60000  
Tel: 056 314 150  
Fax: 056 314 151

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**Ubon Ratchathani 2 Branch**

191, 193 Uparat Rd.,  
Nai Mueang, Mueang,  
Ubon Ratchathani 34000  
Tel: 045 209 339  
Fax: 045 209 044

---

**Chiangmai Business Park Branch**

114/25 Moo 4, Nong Pa Khrang,  
Mueang, Chaingmai 50000  
Tel: 053 248 995  
Fax: 053 248 996

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**Surin 2 Branch**

12/27 Suriyakarn Rd., Nai Mueang,  
Mueang Surin, Surin 32000  
Tel: 044 531 819  
Fax: 044 513 887

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**Online Branch****BTS Chongnonsee Branch**

Room No. S3-N,  
Chongnonsee BTS Station,  
Naradhiwas Rajanagarindra Rd.,  
Silom, Bangrak, Bangkok 10500  
Tel: 09 1773 0209  
Fax: 0 2658 6301

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**BTS Saladaeng Branch**

Room S2-L, Saladaeng BTS Station,  
Silom Rd., Silom, Bangrak,  
Bangkok 10500  
Tel: 09 1773 0208  
Fax: 0 2658 6301

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**BTS Mo Chit Branch**

Room N8-H, Mo Chit BTS Station,  
Phahonyothin Rd., Ladyao,  
Jatuchak, Bangkok 10900  
Tel: 09 1773 0210  
Fax: 0 2658 6301

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# Shareholder Structure

## 1. Share Capital of the Company

As at December 31, 2016, the Company had a total registered share capital of Baht 2,861,250,000 with total paid-up capital of Baht 2,854,072,500 comprised of 570,814,500 ordinary shares at par value Baht 5 each.

## 2. Shareholders

The Company's major shareholder is Maybank Kim Eng Holdings Limited which holds 83.25% of the Company's total paid-up capital. The details on the Company's shareholders as at August 24, 2016 being the latest book closing date are as follows:

No.	Name	No. of Shares Held	%
1.	MAYBANK KIM ENG HOLDINGS LIMITED	475,182,790	83.25
2.	MS. WANNAPORN HENSANGWILAI	22,991,500	4.03
3.	THAI NVDR CO., LTD	2,414,284	0.42
4.	MAYBANK KIM ENG SECURITIES PTE. LTD.	1,440,800	0.25
5.	N.C.B. TRUST LIMITED-NORGES BANK 1	1,238,000	0.22
6.	MR. THAWAT THEAWATTANASUK	1,000,000	0.18
7.	EAST FOURTEEN LIMITED-EMERGING MARKETS SMALL CAP SERIES	974,300	0.17
8.	MR. CHUWIT JITSKUL	936,000	0.16
9.	CHASE NOMINEES LIMITED	924,100	0.16
10.	MRS. NANTHAYA APITHANOTHAI	814,500	0.14
11.	OTHERS	62,898,226	11.02
<b>Total</b>		<b>570,814,500</b>	<b>100.00</b>

As at December 31, 2016, Maybank Kim Eng Holdings Limited is a wholly-owned subsidiary of Maybank International Holdings Sdn. Bhd. (formerly known as Maybank IB Holdings Sdn. Bhd.)

Maybank International Holdings Sdn. Bhd (formerly known as Maybank IB Holdings Sdn. Bhd.) is a company incorporated in Malaysia and is a wholly-owned subsidiary of Malayan Banking Berhad.

As at December 31, 2016, Malayan Banking Berhad has 10,000,000,000 registered shares and paid up 9,319,029,914 common shares. Its top-10 major shareholders as at 31 December 2016 are as follows:

No.	Name	No. of Shares Held	%
1.	AMANAHRAYA TRUSTEES BERHAD B/O : AMANAH SAHAM BUMIPUTERA	3,622,377,208	35.54
2.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD B/O : EMPLOYEES PROVIDENT FUND BOARD	1,523,551,267	14.95
3.	PERMODALAN NASIONAL BERHAD	660,937,062	6.48
4.	KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	313,200,723	3.07
5.	AMANAHRAYA TRUSTEES BERHAD B/O : AMANAH SAHAM MALAYSIA	202,417,391	2.00
6.	AMANAHRAYA TRUSTEES BERHAD B/O : AMANAH SAHAM WAWASAN 2020	186,061,373	1.83
7.	AMANAHRAYA TRUSTEES BERHAD B/O : AS 1MALAYSIA	175,499,516	1.72
8.	VALUECAP SDN BHD	114,918,900	1.13
9.	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD B/O : PLEDGED SECURITIES ACCOUNT FOR LEMBAGA KEMAJUAN TANAH PERSEKUTUAN (CBMT3-FELDA)	112,500,000	1.10
10.	CARTABAN NOMINEES (ASING) SDN BHD B/O : EXEMPT AN FOR STATE STREET BANK & TRUST COMPANY (WEST CLTOD67)	93,158,226	0.91
<b>Total top 10 major shareholders</b>		<b>7,004,621,666</b>	<b>68.73</b>

**Remark:** AmanaRaya Trustees Berhad holds the legal title to the Malayan Banking Berhad share as trustee for several unit trust funds. Investors in those unit trust funds comprise the Malaysian public.



## Dividend Payment Policy

The Company has the policy of making dividend payment at a rate not less than 40% of its net profit after deduction of all reserves as specified by the Company. Dividend payment made each year depends upon the Company's investment plan, necessity and situation in the future. The Board of Directors can propose the final dividend payment during its board meeting and present to shareholders during a shareholders' meeting for approval. The Board of Directors is authorized to decide an interim dividend payment, but need to inform the shareholders at the next shareholders' meeting.

## Committees and Management Structure

The Company's management structure is comprised of the Board of Directors, the Executive Committee, the Audit Committee and the Risk Management Committee. All of the Company's directors and management are qualified in accordance with Section 68 of the Public Limited Companies Act B.E.2535 and relevant of SEC's notification. The Company's management structure consists of the following sub-committees:

### 1. The Board of Directors

As at December 31, 2016, the Company's Board of Directors comprised of 5 directors as follows:

Name	Title
1. Mr. Yuth Vorachattarn	Chairman and Member of the Audit Committee
2. Ms. Sopawadee Lertmanaschai	Independent Director and Chairman of the Audit Committee
3. Mr. Lee Siang Chin*	Independent Director and Member of the Audit Committee
4. Mr. Montree Sornpaisarn	Director
5. Dato' John Chong Eng Chuan	Director

\*be appointed in place of Mr. Cheah Teik Seng wef. August 1, 2016 (which SEC's approval on July 25, 2016)

Directors who resigned in 2016 as follows:

Name	Title
1. Mr. Cheah Teik Seng*	Independent Director and Chairman of the Audit Committee
2. Ms. Boonporn Boriboonsongsilp**	Director

\* resigned wef. August 1, 2016

\*\* retired wef. December 14, 2016

The Board of Directors has appointed Company Secretary whose duties and responsibilities are as stipulated in the Securities and Exchange Act (No. 5) B.E. 2559, an amendment of the Securities and Exchange Act B.E. 2535. Ms. Chananya Vilamard has been appointed as Company Secretary for the period of January 1 to August 9, 2016 and Ms. Nubthong Wanawattanawong has been appointed as Company Secretary in place of Ms. Chananya Vilamard since August 9, 2016 onwards.

### Authorized Directors who can sign on behalf of the Company

The Authorized directors who can sign on behalf of the Company are Mr. Montree Sornpaisarn and Dato' John Chong Eng Chuan, jointly sign with the Company's seal affixed.

### Scope of Power and Duties of the Board of Directors

1. To manage the Company's operations to ensure compliance with the objectives and articles of association of the Company and resolutions of the Company's meeting of shareholders with honesty and due care for the interests of the Company.
2. To set goals, guidelines, policies, operating plans and budget of the Company, control and supervise the administration of the Executive Committee to ensure the management has performed competently and in compliance with the policies prescribed in an efficient manner. Exceptions to this are transactions such as increase/decrease of capital, issuance of debentures, selling or transferring the business of the Company in whole or in major part, buying or taking control of other companies, amending the memorandum of association or articles of association, and giving benefits to directors. In such matters, the Board of Directors needs to obtain approval from a shareholders meeting prior to carrying out such transactions.
3. The Board of Directors may, as deemed appropriate, elect some directors and management as members of the Executive Committees, provided that they shall have power and duties to conduct the Company's business as delegated and authorized by the Board of Directors. The Board of Directors shall elect one member of the Executive Committee as Chairman of the Executive Committee.

In the year 2016, the Board of Directors held 9 meetings. In line with the Company's best practice, there must be at least two-thirds of the Board of Directors' members attending each session to form a quorum.

### Details of the Board of Directors' Meeting.

Name	No. of Meeting	No. of Attendance
1. Mr. Yuth Vorachattarn	9	9
2. Ms. Sopawadee Lertmanaschai	9	9
3. Mr. Lee Siang Chin*	5	4
4. Mr. Montree Sornpaisarn	9	9
5. Dato' John Chong Eng Chuan	9	7 (4 meetings via con-call)
6. Mr. Cheah Teik Seng**	4	3 (1 meeting via con-call)
7. Ms. Boonporn Boriboonsongsilp***	8	5

\*be appointed in place of Mr. Cheah Teik Seng wef. August 1, 2016 (which SEC's approval on July 25, 2016)

\*\* resigned wef. August 1, 2016

\*\*\* retired wef. December 14, 2016

#### **Detail of Job Description of Chief Executive Officer**

1. Formulate business plan and objectives of the organization as well as working procedures to ensure they correspond to rules, regulations and policies of the Company and relevant regulatory agencies and propose them for consideration and approval by the Board;
2. Prepare annual business budget for consideration and approval by the Board;
3. Manage the Company in accordance with business plan and objectives under annual business budget as approved by the Board as well as monitor performance of tasks as assigned by the Board;
4. Supervise subordinates to ensure they perform their tasks and duties in accordance with specified objectives and plans;
5. Coordinate in formulation of solutions to problems that may occur in the Company's operation
6. Prepare HR and training plans to ensure they conform to business plans and policies of the Company; and
7. Perform other tasks as assigned by the Board.

#### **Scope of Duties and Responsibilities of the Corporate Secretary**

1. Prepare and maintain the following documents:
  - a. Directors' Registry;
  - b. Notices for the Board of Directors' Meetings, Minutes of the Board of Directors' Meetings and Annual Report of the Board of Directors; and
  - c. Notices for the Shareholders' Meetings and Minutes of the Shareholders' Meetings.
2. Maintain the Report on Stake Holdings of Directors and Management.
3. Carry out other tasks as assigned by the Board of Directors.

## 2. The Executive Committee (EXCO)

As at December 31, 2016, the Company's Executive Committee is comprised of 9 members as follows:

Name	Title
1. Mr. Montree Sornpaisarn	Chairman of the Executive Committee
2. Ms. Boonporn Boriboonsongsilp <sup>1</sup>	Member of the Executive Committee
3. Ms. Sudthida Chirapatsakul <sup>2</sup>	Member of the Executive Committee
4. Mr. Mohamad Yasin Abdullah	Member of the Executive Committee
5. Mr. Pusit Kaewmongkolsri	Member of the Executive Committee
6. Mrs. Hamidah Binti Moris	Member of the Executive Committee
7. Mr. Jeffrey Goh	Member of the Executive Committee
8. Mr. Supavee Thanasrisunee	Member of the Executive Committee
9. Mr. Peerasit Chiwabhong	Member of the Executive Committee
10. Ms. Ng Ee Fang	Member of the Executive Committee

**Remark:** <sup>1</sup> retired wef. December 14, 2016

<sup>2</sup> be appointed as member of the Executive Committee wef. December 14, 2016.

### Scope of Power and Duties of the Executive Committee (EXCO)

The EXCO shall function as the highest management approving authority of Thailand's Management Committees. Its key functions, activities and authorities shall include but not be limited to the following:

1. To provide the strategic direction of critical projects and future business growth;
2. To review and endorse planning and resource allocation activities in support of critical initiatives including investment commitments and procurement activities;
3. To review and endorse business plans / proposals of the respective business units;
4. To approve the development and launch of new products and / or services;
5. All financial matters of Thailand, within its authority, including capital management;
6. To consider and / or participate in business partnerships, joint ventures, mergers and acquisitions for Thailand;
7. Procurement activities for purchases of assets, services, resources etc., in excess of delegated country and/or individual authorities;
8. Divestment of assets and investments in excess of delegated country and/or individual authorities;
9. Internal restructuring, dissolution and/or amalgamation activities of both the business and operational functions of Thailand;

10. Human resource related matters including the recruitment, removal, reassignment, etc. of senior management and office bearers in excess of delegated country and/or individual authorities;
11. To participate in setting and reviewing significant key performance indicators in order to monitor the quality and performance of Thailand's businesses and operations;
12. Remuneration and compensation packages for senior staff and office bearers in excess of delegated country and/or individual authorities;
13. Maybank Kim Eng Group related matters, impacting Thailand;
14. Deliberate and monitor the resolution progress and / or closure of both supervisory concerns and internal audit / review findings;
15. Organization of public relations and / or marketing campaigns in excess of delegated country and / or individual authorities;
16. Oversight of country's management committees and Terms of Reference; and
17. Any other matters as instructed by the Board.

The EXCO does not have the power to approve any transactions or matters where there is a conflict of interest with the Company or its subsidiary (if any). Disclosure of transactions with conflict of interest must be made to the Board of Directors for consideration.

Scope of Power and Duties of the EXCO is in accordance with guidelines for granting power by the Board of Directors that was authorized by the Board of Directors' meeting no. 2/2012 held on May 3, 2012.

Any matters that are beyond the scope as specified above will not be under the EXCO's responsibility unless so authorized by the Board of Directors on a case-to-case basis.

For the Year ended December 31, 2016, the EXCO held ten (10) meetings, and in each meeting, at least two-thirds of the Executive Committee members attended the meeting.

### 3. Audit Committee

The Audit Committee comprises of 3 directors as follows:

Name	Title
1. Ms. Sopawadee Lertmanaschai	Chairman of the Audit Committee
2. Mr. Cheah Teik Seng <sup>1</sup>	Chairman of the Audit Committee
3. Mr. Yuth Vorachattarn	Member of the Audit Committee
4. Mr. Lee Siang Chin <sup>2</sup>	Member of the Audit Committee

**Remark:** <sup>1</sup> resigned wef. August 1, 2016.

<sup>2</sup> be appointed in place of Mr. Cheah Teik Seng wef. August 1, 2016 (which SEC's approval on July 25, 2017).

### **Scope of Duties and Responsibilities of the Audit Committee**

1. Review the Company's financial reports to ensure their accuracy and sufficient disclosure of information by coordinating with external auditors and management responsible for preparing quarterly and yearly financial reports. The Audit Committee may suggest issues or matters to be included for review or audit by the external auditors while auditing of the Company is proceeding;
2. Review adequacy and effectiveness of internal control system and internal audit function, consider independence of internal audit function and approve nomination, transfer and relinquishment of position of head of internal audit function or other functions related to internal audit;
3. Review the Company's compliance with the Securities and Stock Exchange Act, rules and regulations of the Stock Exchange of Thailand or other laws relating to securities businesses;
4. Consider and advise on appointment of the external auditor of the Company, including the audit fee by considering the credibility, the adequacy of existing resources, the firm's performance and experience of its professional staff. The Audit Committee has to participate in meeting with the external auditor without management participation at least once a year;
5. Consider connected transactions or other transactions with potential conflict of interest to ensure they are conducted properly in accordance with relevant SET rules for the best interest of the Company;
6. Conduct any other matters assigned by the Board of Directors and agreed by the Audit Committee such as reviewing the Company's financial and risk management policies, reviewing compliance with the Code of Conduct by the management and reviewing all important reports in conjunction with the management to be disclosed to the public as required by law (e.g. management report and management, discussion and analysis (MD&A)); and
7. Report activities of the Audit Committee in the Company's annual report signed by the Chairman of the Audit committee. Such reports should include the following information:
  - Opinion on accuracy, completeness and reliability of the Company's process of reporting and disclosing financial information;
  - Opinion on sufficiency of the Company's internal control system;
  - Supporting reasons whether or not the Company's external auditors should be re-appointed;
  - Opinion on the Company's compliance with the Securities and Stock Exchange Act, rules and regulations of the Stock Exchange of Thailand or other laws relating to its businesses; and
  - Other reports deemed appropriate to be disclosed to shareholders and general investors as assigned by the Board of Directors.

In 2016, the Audit Committee held nine (9) meetings, with details as follows:

Meeting		Ms. Sopawadee Lertmanaschai	Mr. Yuth Vorachattarn	Mr. Lee Siang Chin	Mr. Cheah Teik Seng	Auditor
No.	Date of Meeting					
1/2016	29/1/2016	●	●	-	-	(Auditing 2015 Financial Statements)
2/2016	17/3/2016	●	●	-	●	-
3/2016	28/4/2016	-	●	-	●	● (Reviewing Q1/16 Financial Statements)
4/2016	9/6/2016	●	●	-	●	-
5/2016	29/7/2016	●	●	-	●	● (Reviewing Q2/16 Financial Statements)
6/2016	16/9/2016	-	●	●	-	-
7/2016	21/10/2016	●	●	●	-	● (Reviewing Q3/16 Financial Statements)
8/2016	25/12/2016	●	●	●	-	-
9/2016	7/12/2016	●	●	●	-	-

#### 4. The Nominating Committee

The Nominating Committee was set up in accordance with the resolution of the Board of Directors' meeting No.2/2006 held on February 21, 2006. The Nominating Committee is comprised of 4 directors as follows:

Name	Title
1. Ms. Sopawadee Lertmanaschai	Chairman of the Nominating Committee and Independent Director
2. Mr. Yuth Vorachattarn	Member of the Nominating Committee and Independent Director
3. Dato' John Chong Eng Chuan	Member of the Nominating Committee
4. Mr. Montree Sornpaisarn	Member of the Nominating Committee

#### Scope of Duties and Responsibilities of the Nominating Committee

1. To nominate qualified candidates as new directors or CEO; and
2. To determine the procedures and criteria for nomination of Company's directors or CEO and ensure the procedures are made on a transparent basis.



In 2016, the Nominating Committee held 3 meetings, with details as follows:

Name	No.1/2016 on Feb 11, 2016	No.2/2016 on Jul 14, 2016	No.3/2016 on Oct 5, 2016
Ms. Sopawadee Lertmanaschai	●	●	●
Mr. Yuth Vorachattarn	●	●	●
Dato' John Chong Eng Chuan	-	●	●
Mr. Montree Sornpaisarn	●	●	●

## 5. Other Committees

### 5.1 The Compensation Committee

The Company's Compensation Committee is comprised of the directors as follows:

Name	Title
1. Ms. Sopawadee Lertmanaschai	Member of the Compensation Committee and Independent Director
2. Mr. Yuth Vorachattarn	Member of the Compensation Committee and Independent Director
3. Dato' John Chong Eng Chuan	Member of the Compensation Committee
4. Mr. Montree Sornpaisarn	Member of the Compensation Committee

The Compensation Committee is responsible for formulating the Company's policies with regard to employment and compensation for employment or termination of employment to be granted or awarded to the Company's employees or directors, and determining the level of compensation and other remunerations to be granted to employees and directors.

#### Scope of Power and Duties of the Compensation Committee

1. To determine and set fair and clear compensation of any kind to be granted or awarded to directors and employees of the Company;
2. To consider granting or awarding compensation of any kind to management as appropriate, including payment of bonus and payment in the form of securities granting; and
3. To conduct any activities deemed necessary and appropriate in conforming with compensation policy regarding form, procedures and details about allocating of securities to employees.

The Chairman of the Compensation Committee would be responsible for providing any information necessary for conducting research in regard to employment to external advisors freely.

The Compensation Committee would be responsible for controlling expenses incurred to employ such independent external advisors as well as considering and reviewing appropriate compensation rate, taking into account all relevant factors.

The Compensation Committee would specify compensation base, increase in compensation and the overall compensation policy. The Compensation Committee will report such matters directly to the Board of Directors and provide opinion on the compensation to be made to senior management.

The Compensation Committee would accept and listen to opinion as provided by the CEO and the COO, and provide recommendations to the Board of Directors for approval.

In the year 2016, the Compensation Committee held 2 meetings, with details as follows:

Name	No.1/2016 on Feb 11, 2016	No.2/2016 on Jul 14, 2016
Ms. Sopawadee Lertmanaschai	●	●
Mr. Yuth Vorachattarn	●	●
Dato' John Chong Eng Chuan	-	●
Mr. Montree Sornpaisarn	●	●

## 5.2 The Good Corporate Governance Committee

The Good Corporate Governance Committee was set up in accordance with the resolution of the Board of Directors' meeting No.6/2007 held on November 18, 2007. The Good Corporate Governance Committee consists of the members as follows:

Name	Title
1. Mr. Yuth Vorachattarn	Chairman of the Good Corporate Governance Committee
2. Ms. Sopawadee Lertmanaschai	Member of the Committee
3. Mr. Montree Sornpaisarn	Member of the Committee
4. Dato' John Chong Eng Chuan	Member of the Committee
5. Ms. Chananya Vilamard <sup>1</sup>	Secretary of the Committee
6. Ms. Nubthong Wanawattanawong <sup>2</sup>	Secretary of the Committee

**Remark:** <sup>1</sup> Resigned w.e.f. August 9, 2016.

<sup>2</sup> be appointed in place of Ms. Chananya Vilamard w.e.f. August 9, 2016.

### **Scope of Duties and Responsibilities of the Good Corporate Governance Committee**

1. Determine good corporate governance principles and business ethics & professional conducts of directors, executives and employees;
2. Monitor, evaluate the result of conformance with good corporate governance principles and business ethics & professional conduct by of directors, executives and employees and provide any suggestions regarding such matters;
3. Arrange any activities to encourage directors, executives and employees to understand more about good corporate principles and realize the necessity to conform to specified business ethics and professional conduct; and
4. To ensure full and fair disclosure of conformance with good corporate governance principles in the Company's annual report.

### **5.3 The Management Risk Committee**

The Company's Management Risk Committee is comprised of 4 members as follows:

Name	Title
1. Mr. Supavee Thanasrisunee	Chairman of the Management Risk Committee
2. Mr. Montree Sornpaisarn	Member of the Management Risk Committee
3. Mr. Pusit Kaewmongkolsri	Member of the Management Risk Committee
4. Mr. Alexander Panasko <sup>1</sup>	Member of the Management Risk Committee
5. Mr. Mohd Ramzi Sharif <sup>2</sup>	Member of the Management Risk Committee

**Remark:** <sup>1</sup> resigned w.e.f. August 1, 2016.

<sup>2</sup> be appointed in place of Alexander Panasko w.e.f. August 1, 2016.

### **Scope of Duties and Responsibilities of the Management Risk Committee**

1. To carry out the instructions of the Maybank Group and Maybank Kim Eng Group.
2. To advise senior management on all matters relating to risk management, including regulatory risk compliance, risk governance and capital management.
3. To collaborate with senior management in establishing risk appetite (including risk monitoring and reporting mechanism) for all Maybank KE Thailand's businesses.
4. To independently assess and report to all stakeholders on the risk management activities and performance of Maybank KE Thailand and/or its related businesses.
5. To assess, comment and make necessary recommendations related to all risk initiatives from Maybank Group, which may impact Maybank KE Thailand.
6. To provide risk oversight to all the businesses of Maybank KE Thailand.

7. To assess, approve and recommend to the Group Management Risk Committee (GMRC) for approval of the development and/or launch of new products and/or services within Maybank KE Thailand.
8. To assess, review, monitor, approve and recommend to the KE Board and/or GMRC for approval of the credit and discretionary delegated approval authorities (no financial authorities).

In the year 2016, the Management Risk Committee held 2 meetings, with details as follows:

Name	No.1/2016 on January 28, 2016	No.2/2016 on April 5, 2016
Mr. Supavee Thanasisunee	●	●
Mr. Montree Sornpaisarn	●	●
Mr. Pusit Kaewmongkolsri	●	●
Mr. Alexander Panasko	●	●

## Management

As of December 31, 2016, the Company has 13 members of management as follows:

Name	Title
1. Mr. Montree Sornpaisarn	Chief Executive Officer
2. Mrs. Boonporn Boriboonsongsilp <sup>1</sup>	Co-Chief Executive Officer, Retail Business Development
3. Ms. Sudthida Chirapatsakul <sup>2</sup>	Co-Chief Executive Officer, Retail Business Development
4. Mr. Pusit Kaewmongkolsri	Chief Operating Officer, Acting Chief Financial Officer
5. Mr. Vichet Pornsinsiruk	Chief Information & Technology Officer
6. Mr. Kosit Boonroungkaw	Managing Director, Securities Retail Business
7. Mr. Sittiporn Sorngarn <sup>3</sup>	Managing Director, Securities Retail Business
8. Ms. Naruemol Art-Amnuayvipas <sup>4</sup>	Managing Director, Securities Retail Business
9. Mr. Sukit Udomsirikul	Managing Director, Research Department
10. Mr. Peerasit Chiwabhong	Managing Director, Local Institutional Sale
11. Mr. Tanasak Krishnasreni	Managing Director, Institutional Sale
12. Mr. Prasert Tantayawit	Managing Director, Investment Banking
13. Mrs. Maria Brenda Sanchez Lapis	Managing Director, Institutional Research Department
14. Ms. Watchararus Tungsomboon	Senior Vice President, Accounting Department
15. Ms. Areeya Kanchanabat	Vice President, Acting Head of Finance Department

**Remark:** <sup>1</sup> Resigned w.e.f. December 14, 2016.

<sup>2</sup> be appointed in place of Mrs. Boonporn Boriboonsongsilp w.e.f. October 25, 2016.

<sup>3</sup> be appointed w.e.f. October 6, 2016

<sup>4</sup> resigned w.e.f. October 4, 2016

### Management who are not under SEC definition

Name	Title
1. Mr. Mohamad Yasin Abdullah	Member of the Executive Committee
2. Mrs. Hamidah Binti Moris	Member of the Executive Committee
3. Mr. Supavee Thanasrisunee	Member of the Executive Committee

## 1. Management Compensation

### A. Monetary Compensation

#### Director's Compensation

Director's compensation was determined on a fair and reasonable basis. The Remuneration Committee reviewed director's compensation, taking into account responsibility of each director, the Company's financial condition as well as level of compensation paid relative to those made by other companies in the same industry. Director's compensation consists of meeting allowance and gratuity that were authorized and approved by the shareholders' meeting.

For the year 2016, the Company made compensation to 7 directors in the term of meeting allowances in the total amount of THB 7,695,988.56 Details of director's compensation are as follows:

Unit: THB

	Compensation for the Year 2016
1. Mr. Yuth Vorachattarn	3,949,992.00
2. Ms. Sopawadee Lertmanaschai	2,212,492.00
3. Mr. Cheah Teik Seng	537,671.23
4. Mr. Lee Siang Chin	395,833.33
5. Mr. Montree Sornpaisarn	-
6. Mrs. Boonporn Boriboonsongsilp	-
7. Dato' John Chong Eng Chuan	600,000.00
<b>Total</b>	<b>7,695,988.56</b>

### Management's Compensation

For the year 2016 ended December 31, 2016, the Company made compensation to 13 management (under the SEC definition) (excluding Senior Vice President of the Accounting Department and Vice President, Head of the Finance Department) in the form of salary and bonus for the total amount of THB 189.89 million and contribution to the provident fund for a total amount of THB 4.56 million.

#### **B. Other Compensation**

No other compensation was paid.

## **2. Corporate Governance**

The Board of Directors has a policy to adhere strictly to the Code of Best Practices for Directors of Listed Company as prescribed by the Stock Exchange of Thailand.

The Company applies Principles of Good Corporate Governance throughout the organization. It has also set up good corporate governance culture starting by providing knowledge and understanding of good corporate governance to employees through various means so that the employees will realize the importance of such culture and integrate them in their work practices to ensure transparency and standardization. This will be a basic principle before moving on to further development. The Company's progress in implementing good corporate governance practices will be evaluated periodically.

## **3. Protection of Usage of Inside Information**

The Company has a policy to prohibit management from using inside information regarding its operation result and financial condition yet to be disclosed to the public for securities trading and for their own interests. The Company informed its management of their obligations in regard to disclosure of their holdings of securities of the Company in accordance with Section 59 and penalties as set out in Section 275 of the SEC Act B.E. 2535.

Further to this, the Company has also implemented other preventive measures with regard to usage of inside information including:

1. The Compliance Department will closely check and monitor Investment Banking Department Staffs (IB Staffs) possessing material nonpublic information yet to be disclosed to the public. Names of the clients' firms which possess sensitive information and will be put under the "Watch List". In addition, any IB staffs whom possess material nonpublic information regarding their corporate clients are prohibited from divulging such information to outsiders and trading on such securities (in case corporate clients are listed firms).
2. In case the Company acting as the financial advisor for public offering of shares or for acquiring listed firms, names of client firms will be notified to the Compliance Department, and all IB staff will be prohibited from trading securities of such client firms.
3. The Company has a policy to put a "Chinese Wall" between the Investment Banking Department and other departments. IB staffs are prohibited from divulging non-public information regarding corporate clients to securities marketing officers and securities research staff prior to an appropriate time.
4. In case where the Research Department has prepared research reports based on interviews with listed firms' management, the Compliance Department will add the names of listed firms for which the Research Department has prepared research reports under a "Watch List" to check whether any involved persons is taking advantage of inside information.
5. In case the Research Department has prepared research reports for any listed firms, the Compliance Department will put the names of listed firms for which the Research Department has prepared research reports under "Restricted List", and all the Company's staff will be prohibited from trading such securities three days prior to public dissemination of such reports.
6. The Company's management are required to disclose their holdings of securities of the Company in accordance with Section 59 and penalties as set out in Section 275 of the SEC Act B.E. 2535.
7. Any Company's management or departments who obtain inside information regarding the Company are prohibited from divulging such information to outsiders or non-related persons, and from trading in the Company's securities one month prior to public dissemination of the Company's financial statements.

• Personal Data of the Company's Directors and Management

Board of Directors

Name and Position at the Company	Age	Education	% of Share Holding as of Dec 31, 2016* (Change in No. of Shares Held during the Year)**	Family Relationship among management	Work Experiences	
					Period	Position and Company
1. Mr. Yuth Vorachattarn Chairman and Member of the Audit Committee (Independent Director)  (SEC's approval and be appointed on Oct. 4, 2002)	68	Master Degree in Economics, (Good Honor) Thammasat University	None	None	Oct.02 - present	Chairman and Member of the Audit Committee, Maybank Kim Eng Securities (Thailand) Plc.
		Bachelor Degree in Economics (English Program) Thammasat University			Apr 11 - present	Chairman of the Audit Committee, Taokaenoi Food&Marketing Plc.
		The Thai Institute of Directors Association: DCP #o Chairman 2000 Year 2003			May 16 - present	Chairman Grand Prix International Plc.
		Corporate Governance Asia Year 2005			May 16 - present	Chairman Sahathai Terminal Co., Ltd.
		Chartered Director Class Year 2008			Jul 03 - Apr 14	Chairman Siam Panich Leasing Plc.
		University Governance Program Year 2010			Jul 04 - Jun 15	Chairman Preecha Group Plc.
		Financial Institutions Governance Program Year 2013			Jul 01 - Mar 02	Managing Director Bangkok Metropolitan Bank



Name and Position at the Company	Age	Education	% of Share Holding as of Dec 31, 2016* (Change in No. of Shares Held during the Year)**	Family Relationship among management	Work Experiences	
					Period	Position and Company
2. Ms. Sopawadee Lertmanaschai The Chairman of Audit Committee and Independent Director.  (SEC's approval and be appointed on Oct. 5, 2015)	63	Master of Science (Accounting), Thammasat University  Bachelor of Law, Thammasat University  Bachelor of Science (Accounting), Thammasat University  The Wharton Advanced Management Program, University of Pennsylvania, USA  The Thai Institute of Directors Association : DCP2/2000  The Thai Institute of Directors Association : ACP27/2009  The Thai Institute of Directors Association : SFE6/2010	None	None	Oct 15 - Present	Independent Director and the Chairman of Audit Committee, Maybank Kim Eng Securities (Thailand) Plc.
					Aug 15 - Present	Director, National Savings Fund
					Aug 15 - Present	Independent Director, Eco Waste Management Co., Ltd.
					Aug 14 - Present	Director, The Government Pharmaceutical Organization
					Mar 14 - Present	Independent Director and Audit Committee, Intouch Holdings Plc.
					Mar 14 - Present	Director, Thai Investors Association
					Jan 14 - Present	Advisor, Federation of Thai Capital Market Organizations
					Mar 02 - Present	Director and Secretary, Sangvian Indaravijaya Foundation
					Jul 14 - Apr 16	Director and Chairman of Audit Committee Provincial Waterworks Authority
					Aug 13 - Nov 16	Commissioner, The Securities and Exchange Commission
					Mar 10 - Dec 13	Director, Dhipaya Insurance Plc.
					Feb 10- Dec 13	Chairman, Royal Porcelain Plc.
					Jan 10 - Dec 13	Secretary General, Government Pension Fund
					Jan 10- Jan 13	Director, IRPC Plc.
					Jul 06 - Dec 09	Assistant Vice President The Stock Exchange of Thailand

Name and Position at the Company	Age	Education	% of Share Holding as of Dec 31, 2016* (Change in No. of Shares Held during the Year)**	Family Relationship among management	Work Experiences	
					Period	Position and Company
3. Mr. Cheah Teik-Seng The Chairman of Audit Committee and Independent Director  (SEC's approval and be appointed on Apr. 18, 2013)	63	Master of Arts, The Institute of Chartered Accountants in England and Wales.  Bachelor of Arts, University of Manchester, United Kingdom.	None	None	Feb 13 - Present	Director Aktis Capital Singapore Pte. Ltd.
					Apr 13 - Jul 16	Independent Director Maybank Kim Eng Securities (Thailand) Plc.
					Aug 09 - Jul 16	Independent Director Malayan Banking Berhad.
					Feb 10 - Jul 16	Independent Director Maybank Investment Bank Berhad
4. Mr. Lee Siang Chin A member of Audit Committee and Independent Director  (SEC's approval on Jul. 25, 2016 and be appointed on August 1, 2016)	68	Malaysian Institute of Certified Public Accountants  Institute of Chartered Accountants in England & Wales	None	None	Aug 16 - present	Member of Audit Committee and Independent Director Maybank Kim Eng Securities (Thailand) Plc.
					Dec 13 - Present	Independent Director Maybank Investment Bank Berhad
					Jan 10 - present	Independent Director Hilong Holding Ltd (Listed on Hong Kong Stock Exchange)
					Jan 10 - present	Independent Director Star Media Group Berhad
					Jan. 08 - present	Independent Director Value Patners Group Ltd (Listed on Hong Kong Stock Exchange)

Name and Position at the Company	Age	Education	% of Share Holding as of Dec 31, 2016* (Change in No. of Shares Held during the Year)**	Family Relationship among management	Work Experiences	
					Period	Position and Company
5. Mr. Montree Sornpaisarn Chief Executive Officer and Authorized Director  (SEC's approval and be appointed on Oct. 19, 2001)	51	Chartered Financial Analyst (CFA)  MBA (Finance), Thammasat University  Bachelor Degree in Engineering, Chulalongkorn University  The Thai Institute of Directors Association: DAP #21/2004  The Thai Institute of Directors Association: CGI #6/2015	None	None	Oct 01 - present	Executive Director and Chief Executive Officer Maybank Kim Eng Securities (Thailand) Plc.
					Mar 08 - Jun 11	Director and Member of Audit Committee WAVE Entertainment Plc.
					Apr 07 - Apr 11	Director, Thailand Listed Companies Association
					May 05 - Jan 10	Executive Director, Association of Securities Companies
					Feb 00 - Sep 01	Managing Director (Investment Banking) Vickers Ballas (Thailand) Ltd.
					Sep 98 - Jan 00	SVP, Investment Banking, SG Asia Finance and Securities Plc.
6. Ms. Boonporn Boriboonsongsilp Chief Executive Officer and Authorized Director  (SEC's approval on Dec. 23, 2009)	60	MBA, Kasetsart University  Master Degree in Statistics, Chulalongkorn University  Bachelor Degree in Mathematics, Chulalongkorn University  The Thai Institute of Directors Association: DCP #137/2010  The Thai Institute of Directors Association: CGI, Exclusive Class/2014	None	None	Jan 13 - Dec 16	Co-CEO, Maybank Kim Eng Securities (Thailand) Plc.
					Dec. 09 - Dec 16	Director, Maybank Kim Eng Securities (Thailand) Plc.
					Jan. 03 - Dec. 12	Managing Director, Local Securities Clients 1 Kim Eng Securities (Thailand) Plc.
					Mar. 98-Dec. 02	Assistant Managing Director, Local Securities Clients 1, Kim Eng Securities (Thailand) Plc.
					1989-1993	Assistant Director, Marketing Asia Credit Co., Ltd.

Name and Position at the Company	Age	Education	% of Share Holding as of Dec 31, 2016* (Change in No. of Shares Held during the Year)**	Family Relationship among management	Work Experiences	
					Period	Position and Company
7. Dato' John Chong Eng Chuan Director and Authorized Director  (SEC's approval and be appointed on Mar. 3, 2014)	49	Bachelor Degree in Economic University of Queensland, Australia  The Thai Institute of Directors Association: CGI #13/2016	None	None	Mar. 14 - Present	Executive Director Maybank Kim Eng Securities (Thailand) Plc.
					Feb. 14 - Present	Chief Executive Officer Maybank Investment Bank Berhad

\*Determined based on the no. of shares outstanding after taking into account the no. of repurchase shares.

\*\*Change in no. of shares outstanding during the year does not include new shares from exercising share warrants.

# Good Corporate Governance Report

The Board of Directors of Maybank Kim Eng Securities (Thailand) Plc. has long put emphasis on good corporate governance. The Board of Directors believes that good corporate governance would help to prevent potential serious damages caused by the lack of a good internal control system. Good corporate governance also plays an important role in enhancing management efficiency and improving the utilization of resources. This will lead to sustainable growth for the Company and create value for all shareholders and stakeholders.

To be in compliance with good corporate governance as mentioned, the Company has established the CG Policy. The Policy has been approved by the Board of Directors and communicated to all employees throughout the Company. There is also a channel which the Company can provide information regarding good corporate governance to all employees via Company's Intranet.

For the Year 2016, Company was rated the evaluation point of corporate governance with "4-Star" to "5-Star" in this regard, Company was given "excellent score" for Equitable Treatment of Shareholders and Disclosure and Transparency, "very good score" for the Roles of Shareholders and Responsibilities of Board of Directors and "fair score" for the Consideration of the Roles of Stakeholders in which Company shall improve and disclose of information as derived from the suggestion in accordance with corporate governance guidance for the year 2017.

Due to the assessment of the operation in accordance with the principle of Company's corporate governance for the year 2014, regulators have amended the assessment rule, by which it was found that Company had almost complied in accordance with the good corporate governance principle, however, there are some issues which company is still evaluating on the operating procedures, in the aspect of: Creating of Social Responsibility Report and Counter of Fraudulence.

Details of the Company's compliance with good corporate governance practices are as follows:

## Section 1 Shareholders' Rights

The Board of Directors formulated a written corporate governance policy comprising policies on protecting the shareholders' rights and encouraging shareholders to utilize their rights, including basic rights and extra rights, such as the rights to: receive profit contribution in the form of dividends; obtain accurate, adequate and transparent information for making investment decisions; vote on major issues related to the Company; express opinions in the shareholders' meeting; participate in making decisions regarding major changes in the Company; and electing directors. For the Year 2016, the Company fulfilled the rights of shareholders as follows:

### 1. Right to Receive Dividends

For the Year 2015, the Company made dividend payment at the rate of Baht 1.79 per share, or a payout ratio of 100% of net profit of Year 2015 in which exceeds the specified dividend payout policy of at least 40% of the Company's earnings after deducting all required legal reserves. For the Year 2016, the Company had made an interim dividend payment at the rate of Baht 0.75 per share, or a half year payout ratio of 97% of half-year net profit of Year 2016.

## 2. Right to Attend the Shareholders' Meeting

- 2.1 The Company allowed its shareholders to propose meeting agendas at least 3 months prior to the date of the shareholders' meeting via the Company's website since October 16, 2015 to January 15, 2016.
- 2.2 The Company allowed its shareholders to submit questions approximately 1 month prior to the date of the shareholders' meeting via its website since February 22, 2016 to March 22, 2016.
- 2.3 The Company notified shareholders of the resolutions from the meetings of the Board of Directors regarding date, time, place and meeting agendas 49 days prior to the date of general shareholders' meeting via the SET ELCID system.
- 2.4 The Company informed its shareholders via the SET ELCID System that it posted notice of its shareholders' meeting on its website 31 days prior to the date of each meeting for thorough consideration. In addition, the clarifications and reasons of each agenda will be stated in the notice of shareholders' meeting.
- 2.5 The Company posted notice of the shareholders' meeting, including relevant information such as date, time, place, and meeting agendas, via its website 31 days prior to the date of meeting as the place for shareholders' meeting has been prepared for the shareholders' convenience of transport. In 2016, the Company arranged the place at Anoma Hotel, Rachadamri Road, Bangkok.
- 2.6 The Company requested Thailand Securities Depository Co., Ltd. (TSD), acting as the Company's securities registrar, to mail notices of general shareholders' meetings to all shareholders 31 days prior to the date of each meeting and relevant documents are prepared both Thai and English versions to be enclosed with the Thai version of notice of shareholders' meeting.
- 2.7 The Company continually updated information on its website for access by its shareholders.
- 2.8 The Board of Directors facilitated the shareholders' rights to attend the shareholders' meeting by prohibiting any acts that may limit or restrict shareholders' access to Company information or the general shareholders' meeting. No immediate changes in information provided during the meeting are to be made or ad-hoc meeting agendas proposed. Shareholders who arrive late will be allowed to attend the shareholders' meeting.
- 2.9 The chair of the meeting allowed shareholders convenient and adequate time to explain the process of voting and a mean to indicate the result before the meeting will be conducted including offer the opportunities to the shareholders to raise their issues or question. Moreover, there will be the record of questions and answers and the result of voting for each agenda. In addition, the meeting allowed shareholders to express their opinion on each agenda item and ask questions at the shareholders' meeting. However, there will be no amendment of information or any change of agenda to the meeting. The Company disclosed minutes of the meeting for the shareholders' review via its website. Details of the meeting could also be accessed via video posted on the Company's website.
- 2.10 Prior to proceeding on the meeting agenda, the chair of the meeting briefed the meeting process and voting method of each agenda to the shareholders so that they can properly and correctly execute their rights and to ensure that the meeting process is in order and efficient.

- 2.11 The Board of Directors supports the adoption of technology for the meeting. Consequently, the meeting is conducted rapidly, accurately, and precisely, for example Barcode scanner is used for the registration for shareholders.
- 2.12 In the shareholders' meeting, the chairman of each sub-committee, namely the Chair of the Audit Committee, the Chair of the Nomination Committee, the Chair of the Remuneration Committee and the Chair of the Good Corporate Governance Committee, attends the meeting. Shareholders are allowed to ask questions on relevant issues. The Company had disclosed the minutes of the meeting for the shareholders' review via its website. Details of the meeting can also be accessed via video posted on the Company's website.
- 2.13 In the shareholders' meeting, the chair of the meeting set an arrangement to have examiners for vote counting procedure, which comprises of shareholders' representative to witness the vote counting procedure in each agenda and disclose the result in the shareholders' meeting minutes.

### **3. Right to Consider the Director's Earnings and the Election of Directors**

In 2016, the Company granted right for shareholders to evaluate the rate of earning payment for all Directors with a thorough policy and methodology for consideration, which include a variety of earnings such as fixed salary, pension payment, committee meeting allowance, and any other types of benefit, etc.

For the Election of Directors, the Company proposed all Directors' names to the shareholders for voting one by one so that they can make the right decision. The voting result is announced and reported in the shareholders' meeting minutes for shareholders' acknowledgement.

### **4. Right to Receive Information and News about the Company.**

The Company has long emphasized on disseminating information and news about the Company to its shareholders so that they would know the progress and activities related to the business of the Company for their consideration. The Company disseminated information and news about its operation via the ELCID System and its website. The Company disseminated accurate, quick, fair, reliable and timely information to all stakeholders.

In addition, the Company allowed its shareholders to submit questions approximately 1 month prior to the date of the shareholders' meeting via its website as well as establishing a forum called Opportunity Day for shareholders and investors to receive any information and news about the Company. Further, the Company has Investor Relation unit to provide service and news about the Company to all investors.

### **5. The structure of Company's shareholding**

The details of the structure of the Company's shareholding can be seen in the topic: "The structure of shareholding" in which the Company has no any crossing shareholding.

## 6. Anti-Corruption Policy

The Board of Directors has stipulated the Anti-Corruption Policy with an aim to counter all types of corruption including the banning of bribery for the business interests. The Company has a process to evaluate the potential risk of corruption that may arise from the operation of its business as well as a guideline set for monitoring and control to prevent and pursue the risk of fraud and potential corruption risk. The Company's Internal Audit Department will serve to monitor and evaluate an effectiveness of the implementation of Anti-Corruption Policy as well as to report the evaluation result to the Board of Directors. In addition, the Company has already conducted training for employees at all levels to ensure their awareness and understanding toward the policy.

## 7. Compliant-Filing and Access to Information

The Company provides a channel for the stakeholders to place queries or file a complaint by appointing the department which independent in its operation to examine the adequacy and appropriateness of the facts in order to ensure that the complaints are handled with transparent and fair manner and to protect the informant or petitioner with fairness. (Please refer to the Company's Whistle Blowing Policy which is provided separately from this policy.)

Channels for whistle blowing and complaints filing

The stakeholders can file a complaint against an action of direct or indirect fraudulent or corruption via channel as stated in this policy. The informant must provide the detail of complaint or trace and evidence or any support information as well as the name, address and contact number and submit all the details via following channels;

1. Maybank's Integrity Hotline Channels:
  - 1-800-38-8833 (A toll-free number in Malaysia)
  - 603-20268112 (For a call from outside Malaysia)
2. E-mail:  
integrity@maybank.com.my
3. P.O. BOX:  
P.O. Box 11635, 50752 Kuala Lumpur, Malaysia

All stakeholders, including shareholders, clients, competitors, creditors, government agencies, community and employees of the Company have the right to file a complaint or report against an action of fraudulent or corruption via the provided channels. The information will be kept with the highest confidentiality.

In addition to the above channels, the stakeholders can also contact or file a complaint directly to the Board of Directors in written and submit the letter to the Company via mail box or Company's website.



## Section 2 Fair and Equal Treatment to Shareholders

In the Year 2016, the Company emphasized on the equal treatment of all shareholders with no discrimination against any shareholders. The Company followed the SEC & the SET guidelines of good corporate governance practices. The Company's general shareholders' meeting year 2016 was held on April 2, 2016 and the details are as follows:

### Before the Meeting

1. The Company requested Thailand Securities Depository Co., Ltd. (TSD), acting as the Company's securities registrar, to mail notices of general shareholders' meetings to all shareholders 15 days prior to the date of each meeting and relevant documents are prepared both Thai and English versions to be enclosed with the Thai and English version of notice of shareholders' meeting.
2. The Board of Directors formulated a policy allowing minority shareholders who hold no more than 2% of total paid-up shares to propose additional meeting agenda items and names of persons to be elected as the Company's directors, which is better than SET guidelines that allow only shareholders with a 5% stake to do so, via its website 3 months prior to the date of the general shareholders' meeting. For 2016, the Company allowed minority shareholders to propose additional meeting agenda items and names of persons to be elected as Company directors via the Company website during the period between October 16, 2015 to January 15, 2016 (3 months prior to the AGM).
3. In the event that minority shareholders propose additional meeting agenda items; the Board of Directors will include such agenda(s) items in the shareholders' meeting when it deems that such agenda(s) will benefit most shareholders. However, for the 2016 AGM, no minority shareholders had proposed any additional meeting agenda items.
4. In cases where the minority shareholders propose the name of a person to be nominated as a director, the Nomination Committee will consider the qualifications of the proposed person in accordance with the specified guidelines. In the Year 2016, none of the minority shareholders had proposed the name of a person to be nominated as a director.
5. The Board of Directors allowed shareholders to submit questions in advance via the Company's website prior to the date of the shareholders' meeting. For the Year 2016, shareholders were allowed to submit questions from February 22, 2016 to March 22, 2016. Nevertheless, no questions were submitted by shareholders.
6. In cases where the shareholders cannot attend the meeting, the Company allows them to appoint a person or an independent director to vote on their behalf as a proxy. For the 2016 AGM, 216 shareholders delegated authority to proxies to attend and vote on their behalf.
7. The Company notified resolutions of the BOD meetings regarding date, time, place and meeting agendas 49 days prior to the date of the general shareholders' meeting via the SET ELCID system.
8. The Company informed its shareholders via the SET ELCID System that it has posted the notice of the shareholders' meeting on its website 31 days prior to the date of the meeting for their thorough consideration.
9. The Company publicized the shareholders' meeting information, including the date, time, place, and meeting agenda via its website 31 days prior to the date of the general shareholders' meeting.

10. The Company asked Thailand Securities Depository (Thailand) Co., Ltd. (TSD), acting as the Company's securities registrar, to mail the notice of the shareholders' meeting to the shareholders 15 days prior to the date of the general shareholders' meeting.
11. The Company posted a newspaper advertisement for at least three consecutive days prior to the date of the shareholders' meeting to inform shareholders of the meeting.

#### **On the Date of the Meeting**

1. The Company facilitates the meeting registration by using a computerized system to aid the registration process.
2. The Company holds the shareholders' meeting on the date, at the time and in the place that is convenient for shareholders to attend specified in the notice of the shareholders' meeting. There will be no short notice in relation to changes in the meeting place to avoid shareholders not being able to attend the meeting.
3. The meeting chairman clarifies the quorum, explains the voting (one share per one vote), vote-counting and balloting procedures and clearly discloses voting results on each agenda item.
4. There shall be no ad-hoc meeting on agenda items to be proposed by shareholders, who are the Company's executives.
5. The chair of the meeting will convene the meeting in accordance with the order as specified in the notice of the shareholders' meeting.
6. The chair of the meeting will allow shareholders to ask questions or express their views in a reasonable and adequate way.
7. The chair of the meeting will urge the use of balloting cards in each meeting agenda item for transparency in vote-counting results.
8. Each shareholder is allowed to exercise his/her rights in electing directors on an individual basis.

#### **After the Meeting**

1. The Company's Secretary will be responsible for preparing the minutes of the shareholders' meeting with opinions of and questions from shareholders. The minutes of shareholders' meeting would be reviewed for accuracy by the Company's executives and the Chairman.
2. The Company will publicize the minutes of the shareholders' meeting in both paper and video formats via its website 7 days after the date of the meeting, so that shareholders who did not attend the meeting, can check and acknowledge details of the meeting on an equal basis.

### **Preventive Policy regarding Use of Confidential Information**

1. The Company has long realized that the use of confidential information by insiders may be unfair to shareholders. Thus, the Company formulated a formal policy and asked for cooperation from its directors, management and employees that may be exposed to the Company's non-public financial information not to trade the Company's securities 30 days prior to public dissemination of the Company's quarterly financial performance. In the Year 2016, no directors, management and employees who may be exposed to the Company's non-public financial information violated the Company's securities trading policy.
2. Directors and management are required to prepare disclosure reports of their securities holdings and changes in such holdings to the Office of the SEC in accordance with Section 59 of the Securities and Exchange Act. Directors and management are also required to submit such disclosure reports to the Board of Directors. In the Year 2016, all directors and management were in full compliance with such reporting requirements.
3. Any directors and management with any potential conflict of interest with the Company are required to disclose such conflicts to the Board of Directors immediately. No directors or management with potential conflict of interest are allowed to attend the meeting approving the transaction which the Company will enter into with its interested persons. In the Year 2016, none of the directors and management had any potential conflict of interest with the Company.
4. The Company has a policy in which Audit Committee will consider any connected transactions or conflict of interest in order to ensure that such transactions reasonably occur to the best benefit of the Company.

### **Section 3 Rights and Roles of Stakeholders**

The Company shall treat all stakeholders including shareholders, employees, clients, competitors, creditors, the society and the environment fairly in accordance with applicable laws and mutual agreements they have with the Company, taking into account their basic legal rights.

- **Shareholders:** The Company put emphasis on generating profitability to provide good investment returns to all shareholders. The Company's dividend payment policy is to pay out at least 40% of net profit. The Company has encouraged shareholders to exercise their legal rights and will treat all shareholders equitably. Shareholders shall have the right to receive accurate and updated information on the Company's operations via its website on a regular basis. In Year 2015, the Company made dividend payment at the rate of Baht 1.79 per share, or a payout ratio of 100% of 2015 net profit. Such payout ratio exceeded its specified dividend payout policy of at least 40% of the Company's earnings after deducting all required legal reserves. For the Year 2016, the Company made an interim dividend payment at the rate of Baht 0.75 per share, or a half year payout ratio of 97% of 2016 half year net profit.

- **Clients:** The Company put emphasis on equal and fair treatment of all clients. The Company has provided high-quality services to its clients, keeping their information confidential, and disseminated sufficient, accurate and timely information to them. The Company has provided a variety of products and services and continued to improve and develop them to satisfy clients' needs. In providing services, the Company takes into account the best interests of clients. The Company's investment consultants urged their clients to trade with care and thoroughness and consider all relevant information carefully and thoroughly prior to making their investment decisions, not emphasizing their trading volume. This helps to prevent them from investing in manipulated stocks.
- **Competitors:** The Company treated all of its competitors fairly and equally, and strictly complied with mutual agreements and member agreements as applicable under the relevant SEC and SET rules and regulations and ASCO agreements, which the Company has set to its standard practice not to acquire any investment consultants from other brokers in any inappropriate way.
- **Creditors and Business partners:** The Company fully complied with all conditions and terms under loan agreements and other agreements it entered into. The Company will never take advantage of, and try to build trust and support with all stakeholders.
- **Employees:** Please see the details of "Fair Treatment of Labor under the "Social Responsibility" section.
- **Society and environment:** Please see the details in the "Social Responsibility" section.

In the Year 2016, the Company had no disputes with any group of stakeholders and was in full compliance with its operating policy.

## Section 4 Information Disclosure and Transparency

The Company put emphasis on disclosing accurate, sufficient and timely financial data and other necessary information to the public and all stakeholders on a fair and equal basis via various channels. In doing so, the Company did as follows:

### 1. Efficiency of Information Disclosure Process in accordance with the Rules of Listed Companies

The Company has disclosed information in accordance with relevant rules via the SET ELCID System, 56-1 Form, 56-2 Form (Annual Report) and its website in both Thai and English languages. The Company continually updates such information. For the Year 2016, the Company strictly complied with relevant disclosure rules and was not penalized or sanctioned by relevant regulatory bodies due to improper disclosure of information.

### 2. Quality of Financial Reports

The Board of Directors prepared the Report regarding the Responsibility of the Board of Directors for Financial Reports that was accompanied by the Auditor's Report in the Annual Report. This report is signed by the Chairman, the Chief Executive Officer and the Chief Operating Officer. The Company has disclosed such information on the Company's website.

### 3. Investor Relations

- 3.1 The Board of Directors has set up an Investor Relations Unit that is under the direct control of the Corporate Communications Department. The Investor Relations Unit is responsible for disseminating accurate, complete and timely data and news regarding the Company's activities to its shareholders, investors, securities analysts and the general public via various forms of media such as brochures, newspaper, radio, television, meetings and the website. The Investor Relations Unit also assists shareholders in case they have difficulty contacting the Company. Investors can contact the Investor Relations Unit at
- Phone No. 0-2658-6300 ext. 5180, 7401 - 7402 or;  
By E-mail: [HYPERLINK "mailto:CorporateCommunication@maybank-ke.co.th"](mailto:HYPERLINKmailto:CorporateCommunication@maybank-ke.co.th).
- 3.2 In the Year 2016, the Company's executives and the Investor Relations Unit provided the Company's information via various events including; Opportunity Day, 4 meetings with local and foreign institutional investors, 1 meeting with investors, securities analysts and mass media.

## Section 5 Responsibilities of the Board of Directors

### 1. Composition of the Board of Directors

- 1.1 The Board of Directors has 5 members comprising of:
- 2 executive directors
  - 3 non-executive directors (3 of whom are independent directors)

The Company has long realized the importance of the appropriate composition of the Board of Directors, and nominates its directors in such a manner that there is a balance of power between executive and non-executive directors. The composition of the Board of Directors is such that independent directors will work together with directors who represent the major shareholders and executive directors. The number of independent directors accounts for more than one-third of the total no. of directors, thus being in line with the good corporate governance principles as prescribed by the SET. The Chairman is also an independent director. The number of non-executive directors (3 persons) is higher than that of the executive directors (2 persons), so that independent directors can freely express their opinion and make decisions, and the Board of Directors can perform their duties effectively.

The Board of Directors appoints one secretary to the Board of Directors and one company secretary. The names of directors, and duties and responsibilities of the Board of Directors are shown in the topic "the Board of Directors and Management Structure"

- 1.2 The Board of Directors consists of experts in many fields who possess a variety of knowledge, capability, professional experience, business moral and loyalty. They are willing to dedicate themselves to the good of the Company.

- 1.3 Each independent director has terms of holding office of 3 years each. Each independent director cannot hold more than three terms, or more than 9 years. There is an exception to the rule when it is deemed by the shareholders or the Board of Directors that some directors play important roles in the growth and success of the Company. In such cases, the terms of office of such directors can be extended as appropriate. The Company policy regarding directors' terms of office is clearly specified in its corporate governance policy.
- 1.4 The Board of Directors have specified qualifications of "Independent Directors" that are in line with new rules and stricter than those required by the SEC and the SET. They are as follows:
- Holding shares of not more than 0.5% of all voting rights of the Company, any companies in the Maybank Group or its associated companies;
  - Not being a member of management, employee, staff member or advisor who receives a regular compensation from the Company, or controlling person of the Company, any company in the Maybank Group and its associated companies, or person with potential conflict of interest for at least one year prior to nomination;
  - Having no business relationship or direct or indirect potential conflict of interest in terms of financial and general management of the Company, any company in the Maybank Group, its associated companies and other persons with potential conflict of interest that may interrupt his independent discretion or opinion on the Company's operations; and
  - Not being a person who has any legal registered relationship in the form of close relatives, major shareholders or controlling person of the Company, any company in the Maybank Group, its associated companies, persons with potential conflict of interest, or persons who are nominated to take care of the interest of major shareholders.
- 1.5 No directors of the Company can hold a directorship in more than 5 other listed companies including its affiliates which may be unlisted. In case it is necessary for any director of the Company to hold a directorship in more than 5 other listed companies, he must obtain approval from the Board of Directors beforehand. Details regarding holding directorships of directors are disclosed in the topic "the Board of Directors and Management Structure". For 2016, no directors of the Company held directorships in more than 5 other listed companies including its affiliates which may be unlisted. There has been a separation of the position between the Chairman and the Chief Executive Officer to create a check and balance mechanism, so that no one has absolute power. The Company has clearly specified roles, powers and duties of each person; the Chairman shall be an independent director and the leader in policy and corporate governance, and the Chief Executive Officer shall be the leader in corporate and business management.
- 1.6 In case of an expiry in terms for holding office of any director, the Company allows minority shareholders to propose name(s) or person(s) to be nominated as a director (s), provided that such person(s) has the qualifications in line with the Company's rules. When complete information about the person(s) proposed to be the Company's director(s) is obtained, the Nomination Committee will consider their qualifications prior to proposing at the shareholders' meeting for nomination. For the Year 2016, no minority shareholders had proposed the name(s) of person(s) to be nominated as the Company's director(s).
- 1.7 The Company has announced Code of Ethics and Conducts Policy as a guideline for all employees.

- 1.8 The Company has set a policy for position taking at other companies for CEO that it is required an approval from the Board of Directors.

## **2. The Sub-Committees**

For transparency and independence in performing their duties, most members of the sub-committees are independent directors. Independent directors are appointed as the chair of each sub-committee. Details regarding sub-committees are stated under the section titled “the Board of Directors and Management Structure”.

## **3. Roles, Duties and Responsibilities of the Board of Directors**

- 3.1 In the Year 2016, the Board of Directors considered and approved important matters in relation to the Company’s operations such as formulation of its vision, mission, strategy, financial objective, risk, operation plan and budget. The Board of Directors supervised, controlled and monitored the management to ensure they have run the Company in accordance with the specified policy and plan efficiently and effectively to enhance sustainable economic value for the Company, its shareholders and all stakeholders. Result of evaluation of the Company’s performance indicates that it could still maintain a market share ranking No.1 with 8.15% of market share.
- 3.2 The Board of Directors communicated the Company’s strategy, objectives and operating results to directors/executives/staff throughout the organization. The Company held a meeting to communicate its strategy, objectives and operating results to executives and management so that they could communicate the message to the departments under their supervision. The Company also communicated important messages via its Intranet System (Keplanet) and E-mail system.
- 3.3 The Board of Directors also formulated and approved the Company’s written policy on corporate governance. In October 2006, the Board of Directors reviewed said policy. Evaluation of the Company’s compliance with good corporate governance principles indicated that the Company complied with most of the principles, with details as discussed earlier.
- 3.4 The Board of Directors formulated a written business ethics and professional conduct to be used as reference by directors, executives and staff in managing the Company’s business. Compliance with such written business ethics and professional conduct is closely monitored.
- 3.5 The Board of Directors developed and implemented a clear policy regarding conflict of interest. Good corporate governance policy shall be fully adhered to and accurate information shall be disclosed.
- 3.6 The Board of Directors developed and implemented a risk management policy for the entire organization. Risk management team shall monitor relevant risk factors and report to the Board of Directors every month, including risk review and assessment at least once a year.
- 3.7 The Board of Directors developed and implemented internal control and audit systems. The Board of Directors assigned and authorized Internal Audit Department and Compliance Department to conduct audits and report results of the audits to the Audit Committee prior to reporting to the Board of Directors.

- 3.8 The Board of Directors has delegated and assigned sub-committees for any specific duties and responsibilities according to terms of reference (TOR). Each TOR identifies name of committee, duty and responsibility, basic element such as meeting frequency, reporting line and committee's self-evaluation as well as disclosing remuneration and compensation. Details of remuneration and compensation made to directors are shown in the topic "the Board of Directors and Management Structure"

#### **4. Approval authority to execute in any transactions**

Company has prescribed the approval authority to execute in any transactions of the company in accordance with the credit line which can be divided into tier, in order to prevent for any person shall have the authority to execute in any transactions which is led to create risk for the company, in addition, such authority has given approval from the Board of Directors and shall review upon regular basis.

#### **5. Meeting of the Board of Directors**

- 5.1 The Company's secretary sets up a meeting of the Board of Directors schedule in order to propose to the Board of Directors in consideration for granting approval, for the whole year in advance and informs each director of the meeting schedule so that they can arrange their time to attend the meetings.
- 5.2 In the Year 2016, the Board of Directors' meetings were held nine (9) times. Details of the Board meetings are stated under the topic "the Board of Directors and Management Structure"
- 5.3 The Chairman, the Chief Executive Officer and Company's secretary will co-determine meeting agenda items to be proposed for the Board of Directors' meeting. Each director could propose a meeting agenda item independently. Each director may propose a meeting agenda to the Chairman via the company secretary or may propose a meeting agenda to the Board of Directors prior to the meeting.
- 5.4 Related documents will be sent to all members of the Board of Directors at least 7 days prior to the date of the meeting. For especially important agendas, the relevant documents shall be submitted to directors prior to the meeting in adequate time for their consideration.
- 5.5 The Board of Directors can invite any relevant executive or personnel for inquiry during the meeting. In the Year 2016, it was found that executive directors are the persons who were in charge of the matters and knowledgeable of all relevant information. Thus, the Board of Directors inquired directly from the executive directors in charge of the matter.
- 5.6 After the Board of Directors' meeting, the corporate secretary will arrange the minutes of the meeting and notify the related functions for their further action and report the result of such actions to the Board again for their acknowledgement.
- 5.7 In each meeting, the Chairman allows each director to express his opinion extensively and freely. Thus, each director may express his opinion extensively and listen to others' opinions. Each decision is made based on sound rationale and thorough deliberation. Although the Chairman allows each director to express his opinion in the meeting extensively, each director presents his opinion concisely. Thus, it normally takes no more than 3 hours on average to run the meeting, which the Board of Directors views as sufficient to consider each meeting agenda item thoroughly.



- 5.8 Good corporate governance reports must be approved by the Board of Directors. On October 18, 2007, the Board of Directors' meeting reached a resolution to establish the Corporate Governance Committee that is responsible for formulating good corporate governance principles, monitoring, evaluating and promoting compliance with the Company's good corporate governance principles.

Thus, the Good Corporate Governance Committee regarded the Year 2008 as "KIM ENG's good corporate governance year." The good corporate governance campaign was initiated by various activities to persuade employees to be in compliance with good corporate governance principles.

## **6. Self-Evaluation by the Board of Directors**

- 6.1 The Board of Directors conducts self-evaluation once a year. Such self-evaluation will be conducted on an overall basis as well as one to one session. Evaluation will be conducted on the following areas:

- Structure and Qualifications of the Board of Directors;
- Roles, duties and responsibilities of the Board of Directors;
- The Meeting of the Board of Directors;
- Performance of Duties by the Board of Directors;
- Relationship with Management; and
- Self-Development of Directors and Management Development.

The company secretary is responsible for summarizing the results of evaluation before providing them to the Chairman. The Chairman will inform the results to the meeting of the Board of Directors and consult with all of the directors to improve any deficiencies or weaknesses found from the evaluation.

- 6.2 For the Year 2016 Annual Performance, the Board of Directors conducted self-evaluation on Feb 11, 2016. Each area is evaluated by each director on a "good" to "excellent" level. For evaluation method the Company has specified criteria and process in which the Company ensures that there is improvement in result as well as follows up on the status of prior evaluation. For Year 2016 Annual Performance, the Board of Directors has set the evaluation date in February 2017.

## **7. Self-Evaluation by Sub-Committees**

Various sub-committees such as Audit Committee, Nomination Committee and Remuneration Committee also conduct its self-evaluation once a year. Such self-evaluation will be conducted on an overall basis as well as one to one session, having principles and evaluation guideline to be aligned with the evaluation of the Board of Directors in which the result of the evaluation the performance for the year 2015 has made on 11 February 2016 with the result of good to excellent. For evaluation the performance for the year 2016, the questionnaires of the evaluation will be circulated to the Directors in February 2017.

## 8. Remuneration and Compensation

- 8.1 Directors' remuneration and compensation are determined based on 4 criteria, namely 1) Comparison with the level of remuneration and compensation made to directors of other firms in the securities brokerage business 2) Role and responsibility of each director 3) the Company's overall operating performance and 4) Dividend payments made to shareholders. Director remuneration shall be considered by the Remuneration Committee and proposed to the Board of Directors and meeting of shareholders. Details of remuneration and compensation made to directors are shown in the topic "the Board of Directors and Management Structure".
- 8.2 Compensation and remuneration made to the Chief Executive Officer, is determined based on his duties, responsibilities, performance and the Company's operating performance, to be considered and approved by the Board of Directors. The Board of Directors evaluates the performance of the Chief Executive Officer by comparing the stated operating goals and objectives on an annual basis. During any operating year, the Management will compare the Company's actual operating performance with the stated operating goals and objectives, and present the result of the comparison in each Board of Directors' meeting and prior to preparing operating budgets for the next year. The Board of Directors will evaluate the performance of the Chief Executive Officer on an annual basis.

## 9. Corporate Governance Policy and Business Ethics

The Board of Directors has emphasized on good corporate governance. The Good Corporate Governance Committee was established to determine and specify monitoring and evaluation guidelines and to promote implementation of, and compliance with, good corporate governance policies. The good corporate governance policies can be classified into 5 sections as follows:

- Shareholders' Rights;
- Equal Treatment to Shareholders;
- Roles of Stakeholders;
- Disclosure and Transparency; and
- Responsibilities of the Board of Directors.

The Company has disseminated its good corporate governance policies via its website to show its intent to operate under the good corporate governance practices to ensure its operation transparency. Employees are given a written good corporate governance manual and urged to work ethically and be in compliance with good corporate governance policies.

In the Year 2016, compliance with good corporate governance policies was evaluated. The results of evaluation indicate that the Company was in compliance with most of the specified guidelines and policies, except in the area of shareholders' meeting. This was because some foreign directors did not attend the shareholders' meeting. However, the Chairman, the Chief Executive Officer, the Chair of the Audit Committee, the Chair of the Remuneration Committee, the Chair of the Nomination Committee and the Chair of the Good Corporate Governance Committee attended the meeting.

## 10. Internal Control and Audit System

The Company's Board of Directors places importance on efficient and effective internal control system. The standard operation procedure is provided in written. The Operations of the back and the front office are clearly segregated as the Company always adheres that a good internal control will contribute the sustainable and efferent achievement to the business, hence, an effectiveness of internal control system shall be evaluated every year throughout and annual internal control evaluation process.

The Company encourages all departments to develop an effective internal control by clearly developing line of command, approval authority for directors as well as operation staffs. In addition, the standard operation procedure as well as user manual is provided in written and subjected to regular review. In Year 2016, the Company had reviewed and refined significant policy, for instance, Code of Ethics and Conducts Policy, Corporate Gifts and Business Entertainment Policy and Anti-Corruption Policy. Moreover, the Company has provided training courses for employees in order to develop their knowledge and skills which can help supporting the Company's business expansion and to create effectiveness, transparency of Management and staffs which can be audited.

The Board of Directors appoints Risk Management Department and Risk Management Committee having the duty to prescribe the policy concerning risk management and to handle all relevant risk management functions and propose to the Board of Directors in consideration for granting approval. It is a responsibility of Risk Management Department to report risk management performance and significant issues to the Board of Directors on regular basis as well as to review relating policies, for instance; a policy concerning the risk assessment and adequacy of Net Capital Ratio, Crisis Management Policy as well as procedures relating to the determining of various ratios in order to oversight the business expansion, Monitoring and Assessing the impact that may arising from a significant events.

For the development of Information Technology system, the Company has allocated significant amount of budget for information technology system to ensure that the Board of Directors, Executives, stakeholders, for instance; shareholders or regulators are notified with accurate, complete and reliable information within reasonable time. In addition, the Company also places high importance on the security of information technology system to provide service to an increasing number of the Company's customer.

The Company has established an Internal Audit Department which reports directly to Audit Committee. The Internal Audit Department is responsible for auditing to evaluate an effectiveness of internal control and risk management of each department within the Company following the approved audit plan. For the issues and risk noted from audit process, the Company has accelerated to rectify the operational processes by considering the root cause as well as to develop a measure to prevent the reoccurrence of the issue. Moreover, Internal Audit also monitors each department to comply with laws, regulations and policies in order to ensure that the internal control system is effective and adequate and the information is accurate, reliable and is delivered in a timely manner. In addition, Internal Audit is also monitors and audits to ensure that the Company has a control system on financial report, operation process as reports to be submitted to relevant regulators.

The Company has all along been in compliance with accounting and financial report standards as stipulated by the Federation of Accounting Professions Under the Royal Patronage of His Majesty the King as well as the requirements specified by the Stock Exchange of Thailand, the Securities Exchange and Commission Thailand and other relevant regulators. Moreover, the Company has been operating the business with transparency and conformed to good corporate governance guidelines and effective internal control, system which is suitable for current business situation.

#### **11. Conflict of Interest**

The Board of Directors set up a clear policy and operational guideline regarding consideration and approval of matters that may cause conflict of interest. Directors shall disclose their conflict of interest prior to the meeting, if any. Directors are not allowed to attend or vote in the meeting should there be a conflict of interest. In case there may be any transactions or matters with material conflict of interest, the Board of Directors must assign the Audit Committee to consider and propose their opinion to the Board of Directors. In case the Audit Committee has no expertise in considering and providing their opinion regarding the transaction, the Audit Committee may assign an independent expert or the auditor to provide their opinions in regarding the transaction for final consideration and approval by the Board of Directors or the shareholders' meeting as the case may be. In the year 2016, there was 2 related transactions, and such transactions had been considered by the Audit Committee prior to submitting the proposal to the Board of Directors for consideration. Such related transactions were disclosed in the financial statements.

#### **12. Risk Management Policy**

In operating business, the Company may face both internal and external business risks. In order to cope with such risks, the Company has continually developed and implemented risk management systems. The Company has always places importance on risk management of every module in business operation in which, the Board of Directors has approved policies and procedures to be used as a guideline which will help developing effective business operations and internal risk management.

##### **Overview of Risk Management**

- Risk management at both policy and operating level shall be under the responsibility of Risk Management Committee and other related Committees;
- Operation of the Company is under the organizational structure, with check and balance mechanisms; and
- Risk management policies and guidelines in each area are in written form for reference by management and employees.

The risk management system is developed on the basis of care and continual improvement, taking into account the best interests of shareholders, clients, employees and the society.

## **Enterprise Wide Risk**

The Company has set up Risk Appetite Statement (“RAS”) for each operating module to be used as a guideline for annual strategic, operational and business planning. The RAS is agreed by Risk Management Committee and approved by the Company’s Board of Directors. The evaluation will cover key risk factors both internal and external that the Company might face. The Key Risk Indicators (“KRI”) has been developed for the purpose of risk evaluation according to the RAS. The evaluation result has always been proposed to the Directors in which it can be used as a tool for business management and to mitigate possible risk that might occur in the future.

## **Credit Risk**

- The Company has delegated its authority for the approval of Equity and Derivatives credit line in the level of both an individual and the Board of Directors. A procedure for annual credit line review for all clients as well as a case-by-case credit line review for a particular client has also been prescribed.
- Create a unit that is independent from the Front Office to create check and balance mechanisms;
- The company specifies additional requirement for Marginable account and Derivatives account in which the credit line and margin loan given to the clients will be classified into two categories including the credit line for margin loan which is evaluated by the client’s financial status and the credit which will be varied by the amount of collateral deposited.
- The Company does not allow margin loan for high-risk share. The Company has established a clear and concise procedure for marginable securities selection and initial margin set up.
- The Company places importance on debt collection following internal policy and regulatory requirements.

## **Market Risk**

Market Risk can be classified into three categories, namely:

### **1. Price Risk**

- This is the risk that the value of the Company’s investment portfolio may decline due to decline in the value of debt and equity securities the Company invests in. To deal with this kind of risk, the Company has developed and implemented the so-called “Risk Management Policies and Guidelines-Market Risk” with the aim to specify clear policies regarding securities investment and market risk management. Such policies have specified roles, duties and responsibilities of directors and management regarding investment management, policies regarding securities investment, investment risk diversification, investment loss limit and etc.
- The Company has also developed and implemented the so-called “risk ceiling level”, level of warning signs and stop-loss trigger actions.

## 2. Interest Rate Risk

- This is the risk caused by a mismatch between the time gap before interest rates can be reset (for floating-rate contracts) and the term of contracts (for fixed-rate contracts). To deal with this risk, the Financial Department shall be responsible for monitoring changes and movements in interest rates, as announced by many financial institutions, and report to the Chief Financial Officer and other involved officers. This will allow the Company to reset its interest rates in line with changes in market interest rates.

## 3. Exchange Rate Risk

- The Company has clearly prescribed Risk Management policy in concerning with exchange rate risk describing that company does not operate foreign currencies business and has no policy for trading or speculating from the exchange rate. Any transaction relating with foreign currencies, company shall consider being used the financial instrument for hedging of such transactions upon appropriate occurrence.

## Liquidity Risk

In regard to management of liquidity risk, it is realized that NCR is an important tool for measuring and monitoring the Company's liquidity risk. NCR is also used in specifying the scope of transactions. Thus, the Risk Management Department is assigned to be responsible for closely monitoring NCR figures as prepared by the Accounting Department. In addition, Company shall assign Chief Financial Officer to be the person who shall responsible for the management of the liquidity risk with due care and shall require to make the report for the purpose of monitoring and reporting to Chief Executive Officer.

In addition, Company has also prescribed credit line range as Company had possessed with other financial institutions, of both accumulated credit line and unutilized credit line, in order to be used for the liquidity management and reserved for the emergency case as well.

## Operational Risk

- As operational risk is embedded in every kind of risk, the Company thus put emphasis on this kind of risk and has developed and implemented some measures to deal with it.
- The organizational structure with clear scope of authority and responsibility of each department and check and balance mechanisms and to be consistent with the guidance policy of regulators are implemented.
- Standard working procedures in written form are developed and implemented, with the independent Compliance Unit, under the direct control of the Audit Committee, responsible for auditing tasks.
- Creation and implementation of Business Continuity Management (BCM) and Business Continuity Planning (BCP).

- The Company has also mitigated and transferred operating risks via insurance policies initiated with well-known insurance firms with strong financial positions.

### **Fraud Risk**

To encourage employees to maintain honesty in performing duties at all time, the Company emphasizes and places importance on establishing employees' awareness to counter fraud as it is considered as an unacceptable action. Fraud can cause major damage to the Company not only financial damage, but reputation and other possible losses, for instance, the possibility to be terminated on business license. Thus, the Company has developed an Anti-Corruption Policy and operational rule for the purpose to proceed adhere to such policy and rule, and also establish a culture which all employees within organization are aware and help preventing the possible. In establishing anti-fraud culture, collaboration from top management to encourage employees at all levels to counter fraud, protect the company's reputation and resources is required. In addition to the collaboration from top management, training is another important tool to create awareness and knowledge concerning risk management to all employees. The Company also develops Risk Culture by creating employees' acknowledgement and recognition towards an importance of risk in which risk exists, possible to occur, affects and prevent the Company from fulfilling business target. Meanwhile, company has Anti-Corruption policy and operational rule in all aspects, in this regard, company has given approval and certified from private sector collective action coalition against corruption on 22 January 2016.

## **13. Development of Directors and Executives**

- 13.1 In the Year 2016, the Company has appointed a new Director to replace the Director who resigned. The Company's secretary prepared the relevant documents and information that are important and necessary for the newly appointed director in acting in the capacity of directorship such as articles of association, rules and regulations regarding roles and duties of directors as specified by competent authorities. Information related to the Company's business characteristics and operating philosophies would be provided by the Chairman and the Chief Executive Officer to the newly appointed director so that he/she can understand his/ her role and duty as a director and overview of the Company's operations and scope of business.
- 13.2 The Company has prepared a succession plan for Director and the Chief Executive Officer on both ad-hoc and permanent basis. On an ad-hoc basis, other executives will act in such capacities on a temporary basis. On a permanent basis, the Nomination Committee will consider and appoint appropriate qualified personnel in advance with sufficient period of time in order to carry on the duty of Director or Executive in the near future.
- 13.3 The Company encourages and facilitates training and development for its staff. In 2016, it sent the Company's secretary, Audit Committee's secretary, legal officers and compliance officers to attend a training course regarding corporate governance. The Company urged its directors to attend classes aimed at improving and developing their knowledge and understanding the roles, duties and responsibilities of directors. Please refer to below tabulation for the record of training attended by the Directors.

Course	Attend Date	Name of Director
Corporate Governance for Capital Market Intermediaries (CGI 13/2016)	22-23 June 2016	Dato' John Chong Eng Chuan

#### 14. Remuneration of Auditor

##### 14.1 Audit Fee

- For the appointment of auditor, audit fee including the independence of auditor shall be given approval from the Audit Committee prior to propose to the Board of Directors and shareholders for approval.
- For the Year 2012, Company had paid the remuneration of auditor, namely: auditor, audit office which such auditor attended, person or related business with auditor and audit office which such auditor attended in the amount of 1,900,000 Baht.
- For the Year 2013, Company had paid the remuneration of auditor, namely: auditor, audit office which such auditor attended, person or related business with auditor and audit office which such auditor attended in the amount of 2,000,000 Baht.
- For the Year 2014, Company had paid the remuneration of auditor, namely: auditor, audit office which such auditor attended, person or related business with auditor and audit office which such auditor attended in the amount of 2,100,000 Baht.
- For the Year 2015, Company had paid the remuneration of auditor, namely: auditor, audit office which such auditor attended, person or related business with auditor and audit office which such auditor attended in the amount of 2,200,000 Baht.
- For the Year 2016, Company had paid the remuneration of auditor, namely: auditor, audit office which such auditor attended, person or related business with auditor and audit office which such auditor attended in the amount of 2,200,000 Baht.

##### 14.2 Non-Audit Fee

To ensure independence of external auditors our Company has adopted policies setting maximum limit on the award of non-audit consultancy and advisory works to external auditors.



## Corporate Social Responsibilities for Sustainability: CSR

Maybank Kim Eng Securities (Thailand) PLC. is a financial company that strives to provide education in investment especially how to make wealth out of savings in order to help generate the sustainable economy. Thus, the Company's vision is "Your wealth is our Eagerness". The Company is operating under the composition of good Corporate Governance: CG, Anti-Corruption, and transparency in which we educate our clients and general public to become knowledgeable and have more understanding in the requirements for making investment within the capital market. The capital market shall be another investment channel for investors in order to make savings and avoid the risk of investment concentration. It is easy access and products offered are suitable for client's risk appetite. Subsequently, the Company continuously emphasizes on the development of employee's intelligence so that rigid information will be ethically given to clients among all 60 branches. Details of Company's conduct under ethics and code of conduct in year 2016 to assure sustainable growth are provided below:

### **1. Good Governance**

The Company takes a high responsibility on Good Governance. We practice according to the guideline in respect of good Corporate Governance. We believe that with good Governance, will prevent us from any damages which will be occurred from careless and we can manage our resources efficiency and bring reliability to stakeholders. Also giving the company the sustainability growth, create value to shareholder and provide the benefits to shareholders and execute with fair to stakeholders with reference to information that are provided in "Corporate Governance" part.

In addition, for the clear procedure, good attitude building and honest culture for the Board of Directors, Management and staffs, the Company has also established the Code of Conduct as a Company's policy for everyone to comply.

### **2. Anti-Corruption**

Certified and awarded by Thailand's Private Sector Collective Action Coalition Against Corruption by January 22, 2016, the company has zero tolerance policy for any corruption or bribery.

### **3. Providing Capital Market knowledge activities to investors, general public including both government and private sectors**

The Company has put the importance of providing knowledge to investors, general public including both government and private sectors in order to implant in concerning with saving and for more understanding in regards to saving money via Capital Market including risk diversification from the investment. Thai society is more likely becoming the cluster of elderly where more people in labor force are now undertaking their senior citizen in the household. Therefore, people at workforce age are obligated to have knowledge in managing their investment and savings. Since most people are not profound in capital market trading, the Company strives to provide education in such instances; for example, the types of saving, investment proportion, or various techniques for maximizing gaining to incorporate with the inflation through trading, etc. Therefore, providing knowledge to general public will emphasize on the knowledge in concerning with the investment in the facet of long term saving for earning a living.

However, Company shall not neglect to provide knowledge to investors with professional basis and has already invested in the Exchange in which such knowledge will emphasize in term of saving for the speculation of the profit including the strategic for investment in various products and technical securities analysis, such as, the principle of the use of Elliott Wave for Single Stock Futures trading by Block Trade and Derivatives Warrants, etc.

For the year 2016, Company had organized activities to provide for the investment knowledge for more than 300 hours in total and there were participants for more than 8,000 persons in total.

#### **4. Labour Practice and Human Rights**

- Labour practice

The Company has its operation according to the human resource policy and guidelines with respects human rights and abides by labour laws. The company has supported its staffs to be honest, generous and reliable persons. The company emphasis their staffs working as ethic, transparency management, concerning to environment and common interest. Build the culture of result-oriented, unity and support and develop the staffs to be expert, give fair wages and suitable fringe benefit, quality of life with good, wealthy and safety, and promote its employees upon to their capacity.

As of 31 December 2016, the company has 1,125 employees, divided to 783 staffs as Marketing Officer and 342 staffs as Operation and no temporary staffs.

In 2016, the company had its significant activities for good labour relationship as follows:

1. Team Building for Operations Staffs for Head Office, Bangkok Branch and Upcountry Branches dated September 3, 2016.
2. Staffs party for Upcountry branches dated September 3, 2016.

- **Occupational Health and Safety, Working Environment**

The Company has put the importance of security policy as well as occupational health and safety in the working environment in the same level as other business objectives. Therefore, the Company has set up the Safety and Ergonomics in the Work Place Committee in which the roles and responsibilities are in compliance with Labor Protection Act. Additionally, the Company has provided activities of good and occupational health and safety environment in the work place; for example, aerobics course after work, meditation in the morning before working hour, promoting sports such as badminton, soccer, table tennis, and running. As far as the communications concern, the Company provides healthy news and other information including “Healthy Wealthy Happy” to employees throughout the year. More importantly, the Company emphasizes on the health of employees, their spouses and under age children in which there are health programs for employees whether out-patient or in-patient and health programs for spouses and under age children for out-patient.

In addition, the Company has put the importance on employees' health, which there is vaccine injection at a special price rate. Likewise, there is special benefit which employees can have an annual health checkup at the participated hospitals for free of charge following employee's package allowance; any additional checkup will be absorbed by the employee but at special price rate.

- **Employee Development**

In 2016, the Company emphasizes on the development of employee's intelligence constantly and continuously, which covers all employee positions and levels both on the technical and management skills to ensure that they are skillful, knowledgeable, and become professional. The Company believes that the personnel's value is one of the most important factors to enforce the Company to become the leading institution in the securities market. Subsequently, the Company encourages employees to attend both internal and external seminars/ workshops, participate in any special projects, convey job rotation including transferring to regional countries such as Malaysia and Hong Kong as known as the Project Maybank Go Ahead Challenge.

Last but not least, the Company has provided the training for employees to develop their intelligence and work more effectively and efficiently; for example, How to Investment Money Management Life Style Idea : Psychology and Technical Tools, Project Management, Money Management, Modern Approach for Modern HR Management, Personal Branding for Professional Success, Derivatives Product, World Market Perspective: Europe, USA, China, and Vietnam, Education in Elliott Wave for Trading in Single Stock Futures with Block Trade and Derivatives Warrants, English Course for Employee, Strategic Sales Management Workshop for IC Leader, Successful Customer Approach Workshop for IC Junior, Power Questions for Smart IC, Time Management, People Management, Mind Map and Orientation for New Employees.

## **5. Community and Social Development Activities**

In year 2016, the company held several Community and Social Development Activities as below:

### **5.1 Donation to Home for Handicapped Animals Foundation**

In March 2016, Maybank Kim Eng Securities (Thailand) gives pet food and needed supplies to Home for Handicapped Animals Foundation, place to many animals that are disabled or injured, (under the patronage of the venerable Acariya Maha Boowa Yannasampanno).

### **5.2 Volunteer at Fort Suranaree Hospital**

In March 2016, hundreds of volunteer from Maybank Kim Eng Securities (Thailand) staff join in health development and disease control project, activity to celebrate the auspicious occasion of Her Majesty Queen Sirikit's 84<sup>th</sup> birthday anniversary. More than 100 medical personnel and thousands of volunteers including employees of MBKET will help more than 8,400 pre-registered outpatients at Fort Suranaree Hospital, Nakhon Ratchasima Province.

### **5.3 Maybank Kim Eng: Global CR Day 2016**

In August 2016, Maybank Kim Eng Securities (Thailand) organized Global CR Day 2016, activity that Maybank employees worldwide engaging directly with communities in their respective location through various corporate responsibility initiatives. This year Maybank Kim Eng Securities (Thailand) organized Global CR Day 2016 activity “Give financial education for the people of upcountry” by bring student from Bangsang School, Ayutthaya province, to visit SET building to learn fundamental about saving and investment. The event is divided in to two parts; first activity to visit Investory (Investment Discovery Museum). The museum will consist with multimedia room about history of money, stock trading simulation and investment plan room. Second activity is drawing under the topic “My Saving” to show the reason for saving money. The feedback from the event is good because children having fundamental knowledge about saving their money.

### **5.4 Donation stocking to “Stocking to create new leg” campaign**

In September, Maybank Kim Eng Securities (Thailand) accepted to join the stocking donations campaign “Stocking to create new leg”, campaign organized by The War Veterans Organization of Thailand Under Royal Patronage of His Majesty the King (WVO), by collected used stocking from staffs to give to WVO. All stocking will be used in the making of prosthetic sockets.

## Audit Committee's Report

The Audit Committee of Maybank Kim Eng Securities (Thailand) Plc. currently comprises of 3 independent directors, all of whom have possessed qualifications in line with the requirements of the Securities and Exchange Commission of Thailand (SEC) and the Stock Exchange of Thailand (SET). The members are as follows:

Name	Title
1. Ms. Sopawadee Lertmanaschai	Chairman of the Audit Committee and Independent Director
2. Mr. Yuth Vorachattarn	Member of the Audit Committee and Independent Director
3. Mr. Lee Siang Chin	Member of the Audit Committee and Independent Director

For the Year 2016, the Audit Committee held 9 meetings to review the Company's operating performance and other activities as designated by the Board of Directors. Details of attendance of the members are as follows:

2016		Ms. Sopawadee Lertmanaschai	Mr. Yuth Vorachattarn	Mr. Lee Siang Chin	Mr. Cheah Teik Seng	Auditor
No.	Date of Meeting					
1/2016	29 Jan 2016	✓	✓	-	-	✓ (2015 Financial Statements)
2/2016	17 Mar 2016	✓	✓	-	✓	-
3/2016	28 Apr 2016	-	✓	-	✓	✓ (Q1/16 Financial Statements)
4/2016	9 Jun 2016	✓	✓	-	✓	-
5/2016	29 Jul 2016	✓	✓	-	✓	✓ (Q2/16 Financial Statements)
6/2016	16 Sep 2016	-	✓	✓	-	-
7/2016	21 Oct 2016	✓	✓	✓	-	✓ (Q3/16 Financial Statements)
8/2016	25 Oct 2016	✓	✓	✓	-	-
9/2016	7 Dec 2016	✓	✓	✓	-	-

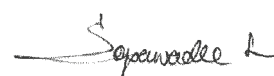
Remark: - The Company's certified external auditor is EY Office Limited  
 - Ms. Sopawadee Lertmanaschai has been assigned to be Chairman of Audit Committee during the Board of Directors meeting No. 4/2016 held on 14 July 2016, and the assignment is effective from 1 August 2016 onwards.  
 - Mr. Cheah Teik Seng has resigned from the position of the Board of Directors during the Board of Directors meeting No. 4/2016 held on 14 July 2016, and his resignation is effective from 1 August 2016 onwards.  
 - Mr. Lee Siang Chin has been assigned to be Audit Committee member during the Board of Directors meeting No. 4/2016 held on 14 July 2016, and the assignment is effective from 1 August 2016 onwards. He started attending the Audit Committee meeting since the meeting No.6/2016 held on 16 September 2016.

In particular meetings of the Audit Committee, the Management and/or external auditors were invited to attend such meetings. In addition, the results from the meetings were reported to the Board of Directors. Major activities of the Audit Committee in the year 2016 were as follows:

1. The Audit Committee reviewed 2015 financial statements and Q1/2016, Q2/2016 and Q3/2016 financial statements. The Audit Committee and the Company's external auditor (EY Office Limited) held meetings to review the audit results. The audit result indicates that the Company's financial statements were prepared in accordance with Thai Financial Reporting Standards. The Company's financial statements have also provided adequate disclosures i.e. Changing in significant accounting policies and sustainability of the Company. The external auditor has been providing suggestions regarding problems or limitations that may arise from reviewing the financial statements which the Company has been taken into consideration. In addition, the Committee held a meeting with the external auditors without the presence of the Management so as to freely discuss important matters in the preparation of the financial statements and the disclosure of information in accordance with financial reporting standards and to be beneficial to users of these financial statements. Furthermore, based on the suggestions provided by the external auditor, the Company has enhanced its internal control plan relating to operational processes, information processing systems, and information security. This is to mitigate the likelihood of fraudulent activities that may be occurred by unauthorized or inappropriate use of the Company's information processing systems by both internal and external parties.
2. The Audit Committee reviewed and approved the internal audit plan for the Year 2016. The Audit Committee also gave suggestions and comments on the audit performance. Practically, the Audit Committee would inquire about the planned audit scope to ensure that the established audit plan will assist in detecting fraudulent activities and deficient internal controls. In addition, the Audit Committee has also provided guidelines for good corporate governance practices. In case that there are additional topics that should be further reviewed, the Audit Committee would assign the Internal Audit department to perform an additional review and report the review result to the Audit Committee accordingly.
3. The Audit Committee evaluated an adequacy of the Company's internal control system for the Year 2016 by closely monitored audit performance, audit results and risk management results. The overall result was satisfactory. All departments gave full cooperation to the auditor. The Board of Directors and the Top Management recognized the importance of adequate internal controls and fully supported the audit activities. They urged all of the Company's departments and personnel to rectify deficiencies and enhance controls as per recommended and reported by the internal audit. As a result, the Company's operational effectiveness has been improved.
4. The Audit Committee reviewed the Company's compliance with the requirements of the SEC and the SET. The Audit Committee also reviewed the Company's compliance with related business law, as well as the Company's operating policies, ethics, morality, and other matters that have been assigned by the Board of Directors. From the review, the Audit Committee noted that the Company has appropriately complied with the governance bodies' requirements and guidelines. However, for material deficiencies in relation to compliance with applicable regulations, the Audit Committee has reiterated related departments to improve processes and resolved the deficiencies to be in line with the regulations.

5. The Audit Committee selected and appointed an independent external auditor that has no business relationship or interests with the Company, its management, its major shareholder or any of their related persons. The Audit Committee proposed the external auditor for consideration by the Board of Directors prior to being nominated by the meeting of shareholders for the Year 2016. The Audit Committee has always asked for an independent opinion from the external auditor. That is, the Audit Committee and the external auditor held meetings to consider the Company's financial statements with no management participating in such meetings.
6. The Audit Committee reviewed and provided opinion on related party transactions and transactions with potential conflict of interest in accordance with the requirement of the SEC and the SET. It is of the opinion of the Audit Committee that those transactions are rationale, fairly valued and conducted on an arm's length basis, as well as sufficient disclosure was provided in the Company's notes to financial statements
7. The Audit Committee managed information disclosure about the Company, the Management and major events via the Company's website ([www.maybank-ke.co.th](http://www.maybank-ke.co.th)) for investors and interested general public to acknowledge and/or be able to verify. The Audit Committee also supports good corporate governance principles, anti-corruption policy, and whistle blowing policy and procedures which are major policies of the Company.
8. The Audit Committee inspected potential fraudulent activities or actions in accordance with Section 89/25 of the Securities and Exchange Act (No.4), B.E.2551 that requires the financial auditor report directly to the Audit Committee in case any potential fraudulent activities or actions exist. The Audit Committee is required to provide initial investigation result to the SEC and the financial auditor within 30 days from the date the financial auditor reports potential fraudulent activities or actions to the Audit Committee. For the Year 2016, the financial auditor found no potential fraudulent activities or actions.

It is of the opinion of the Audit Committee that the Company complied with the accounting standards and Thai Financial Reporting Standards as prescribed by the Federation of Accounting Professions and regulations of the SET and the SEC. The Audit Committee has closely monitored the Company's operation to ensure transparency, which is consistent with good corporate governance practices. The Audit Committee ensured that the Company has built and maintained internal control systems appropriate to business circumstance, and this is consistent with the external auditor's opinion. If there are any transactions or matters that should be informed shareholders and interested persons, the Audit Committee would report such information based on the authority delegated by the Board of Directors. The Company provided sufficient information to all shareholders and interested persons and emphasized on enhancing the Company's internal control system and audit activities. This includes a consistent practice in controls implementation to ensure appropriate benefits to Maybank Kim Eng Securities (Thailand) Plc. shareholders and stakeholders, under good corporate governance principles.



(Ms. Sopawadee Lertmanaschai)  
Chairman of the Audit Committee

## Internal Audit Control and Risk Management

In the Board of Directors' Meeting No. 1/2017 on February 10, 2017 with also comprises of the Audit Committees (which are Independent Directors of the Company). The Committee had evaluated the adequacy of internal system control for year 2016 following to five key issues which had been set out below:

- Control and Environment
- Risk Management
- Control Activities
- Information and Communication
- Monitoring Activities

The Committee of the Company agreed that the Company has adequately in its important internal control system such as the roles and responsibilities of the Management and staffs, discipline, the operation method or Code of Conduct. The Company also recognizes and promotes to have its system support to internal control operation referring to the objection of the Company. Moreover, the Company continuously operates its consideration on type of risk, analyze the effects or opportunities that will be occurred and set up the procedure or policy to reduce the level of risk. The Company had set up the clear authority, clearly separate the duty that will be supported to misconduct, set up the process of the business operating with major shareholders, directors, management or related persons.

The Company realizes on an importance of the communication, this is for more productivity of internal control system. The decision making of the company is made base on the correct, real time and understandable information also with such good of data keeping. In addition, the Company has its audit and assessment from both internal and external organization. The Company has intention to continuously improve the procedure according to the change of situation adequately. For the others internal control system issue, The Company agreed that currently, we have the adequately internal control system.

The Company also places an importance on the internal control system, and we had appointed the expertise and high experience person, Mr. Chuchart Suratepin, in the position of Head of Internal Audit Control since July 1, 2012.

Mr. Chuchart Suratepin has high experience in terms of internal audit control system, especially in the financial institute business similarity to the Company's business for over 13 years. He had attended the courses with respect to the internal control system such as (i) CSR for Corporate Sustainability (ii) Anti-Corruption (iii) AML/CFT for auditor which was conducted by AMLO; (iv) FATCA experience; (v) Internal Audit Planning Audits Methodologies and; (vi) Audit Top Team Effective Program conducted by Maybank, etc. In addition, he has clearly understood in the activities and operation of the Company.

However, the consideration, appointment, impeachment and rotation of the Head of Internal Audit Control have to be approved and agreed by the Audit Committee.



Moreover, the Company had appointed Ms. Rungthip Kittanaseree as the Head of Compliance for monitoring the Company operations to ensure that every transaction of the Company comply with the rules and regulation of the Government office. The main responsibility is to be a centre of the Compliance function, monitor the operations of the Company to be in line with the laws, rules and regulations, policy and others related government offices such as Securities Exchange Commission (SEC), Stock Exchange of Thailand (SET) or others relevant governments. The Board of Directors of the Company had approved the Compliance Policy, the policy was set up to ensure that every member which comprise of the Board of Directors, Audit Committee, Management, Departments and staffs have to take their high responsibilities to comply with the laws, rules and regulation also with continuously communicate with the staffs to ensure that they have good knowledge and well understand the law, rules and regulations and completely follow such policy.

## **Connected Transactions**

- **Necessary and Reasonably of Transactions**

Every transaction which had been made by the Company was in accordance with necessary and reasonable practice for the best benefit of the Company. The conditions of any transactions were set under a general process. The returns gained and paid were made with fair referencing the market price.

- **Policy or Trend of Connected Transaction**

For the purposes of transparency of the securities business, The Company has its policy with reference to connected transactions in present and might be made in the future under the conditions set up in accordance with normal operation and comparable market price compare to outside. In addition, the Company has its Audit Committee or Auditors or Independent specialist to take their consideration in respect to the reasonable price and reasonable transactions.

The connected transactions that might be made in the future, Committee practices under the Company's policy and the Committee will not approve any transactions individually where there might be a conflict of interest and prior disclosure the said transactions to the Committee of the Company for consideration. The Committee ensures to practice following the law, rules and regulations of the Securities and Exchange Commission and the Stock Exchange, also disclosure practice under conflict of interest and bought or sale assets of the Company or Subsidiary Company. (if any)

In case of its connected transactions of the Company or Subsidiary Company were made under the individuals where there might be a conflict of interest, the Audit Committee will take action to give an opinion on the price, remuneration rate and/or any necessary and suitability of that transactions. In that case, if the Audit Committee has no experience in such transactions, the Company will ask independent specialist or auditor give an opinion on that connected transaction for further consideration of the Committee or shareholders. In addition, Company will disclose the connected transaction into the note to financial statements to ensure these are in line with the relevant regulation.

The Company's Connected Transactions where there might be a conflict of interest in the Financial year 2016 and 2015 are as follows:-

Conflict of interest person	Relation	Value in year 2016 (Million Baht)	Value in year 2015 (Million Baht)	Description
Maybank Kim Eng Securities Pte. Ltd.	Subsidiary Company of Maybank Kim Eng Holdings Limited who are a major shareholder of the Company	63	38	<u>Brokerage Fee Income:</u>  The Company received brokerage fee income from Maybank Kim Eng Securities Pte. Ltd. at normal rate in accordance with SET's notification.  <u>Remark:</u>  As at December 31, 2016 the company had its outstanding securities business receivable in the amount of THB 21 and outstanding securities business payable in the amount of THB 188 million.  As at December 31, 2015 the Company had its outstanding securities business receivable in the amount of THB 21 million and outstanding securities business payable in the amount of THB 36 million.
		2	2	<u>Brokerage Expenses:</u> In accordance with the agreement.
		3	4	<u>Fee and Service Expenses:</u> In accordance with the agreement.
		-	2	<u>Fee and Service Income:</u> In accordance with the agreement.
		2	3	<u>Dividend Paid:</u> The Company paid the dividend payment in the same rate as the Company paid to other shareholders.

Conflict of interest person	Relation	Value in year 2016 (Million Baht)	Value in year 2015 (Million Baht)	Description
Kim Eng Securities (Hong Kong) Limited	Subsidiary Company of Maybank Kim Eng Holdings Limited who are a major shareholder of the Company	7	4	<p><u>Brokerage Fee Income:</u></p> <p>The Company received from Kim Eng Securities (Hong Kong) Limited at normal rate in accordance with SET's notification.</p> <p><u>Remark:</u></p> <p>As at December 31, 2016 the Company had no outstanding securities business receivable and outstanding securities business payable in the amount of THB 9 million.</p> <p>As at December 31, 2015 the outstanding securities business receivable in the amount of THB 4 million and the Company had no outstanding securities business payable.</p>
Maybank Kim Eng Holdings Limited	Major shareholder of the Company. As at August 24, 2016, Maybank Kim Eng Holdings Limited hold 475,182,790 shares or 83.25% equity stake in the Company's total paid up shares.	32	38	<p><u>Interest Expenses on Borrowings:</u></p> <p>In accordance with borrowings agreement.</p>
		732 (The Company paid its dividend for January - December 2015 and interim dividend for first 6 months of year 2016 (1 January to 30 June 2016) at the rate of THB 0.79 and 0.75, respectively)	903 (The Company paid its dividend for July-December 2014 and interim dividend for first 6 months of year 2015 (1 January to 30 June 2015) at the rate of THB 0.90 and 1.00, respectively)	<p><u>Dividend Paid:</u></p> <p>The Company paid the dividend payment in the same rate as the Company paid to other shareholders.</p>

Conflict of interest person	Relation	Value in year 2016 (Million Baht)	Value in year 2015 (Million Baht)	Description
Maybank Kim Eng Securities Limited	Subsidiary Company of Maybank Kim Eng Holding Limited who are a major shareholder of the Company	1	-	<u>Brokerage Expenses:</u> In accordance with the agreement.
Maybank Kim Eng Research Pte. Ltd.	Fellow subsidiary	20	25	<u>Research and Advisory Income:</u> In accordance with the agreement.
		13	15	<u>Research and Advisory Expenses:</u> In accordance with the agreement.
Maybank Asset Management (Thailand) Co., Ltd.	Subsidiary Company of the Malaysian Banking Berhad	1	2	<u>Rental and Service Income:</u> In accordance with service agreements.
				<u>Note:</u> The Group disposed investment in Maybank Asset Management (Thailand) Co., Ltd. on August 2016, therefore, it is related party until August 2016.
Maybank Investment Bank Berhad	Subsidiary Company of the Malaysian Banking Berhad	1	-	<u>Service Expenses:</u> In accordance with the agreement.

# Financial Summary

## Summary of Financial Statements

Unit: Millions of Baht

	2014	2015	2016
Total Assets	20,612.85	17,989.16	16,802.59
Total Liabilities	15,728.62	13,170.24	11,888.24
Total Shareholders' Equity	4,884.23	4,818.92	4,914.35
Securities and Derivatives Business Receivables	15,746.29	15,788.02	13,972.86
Total Revenue	4,434.65	3,969.18	3,671.40
Net Profit	1,264.22	1,019.23	974.49
EPS (THB)	2.21	1.79	1.71

## Financial Ratios

	2014	2015	2016
<b>Profitability Ratio</b>			
Gross profit margin (%)	84.52	82.05	82.70
Net profit margin (%)	28.51	25.68	26.54
ROE (%)	24.89	21.01	20.02
Return on Investment (%)	16.44	27.27	18.32
<b>Efficiency Ratio</b>			
Return on Assets (%)	7.16	5.28	5.60
Total Assets Turnover (x)	0.25	0.21	0.21
<b>Financial Policy Ratio</b>			
Liquid Assets to Total Assets Ratio (%)	3.09	3.17	5.88
Debt-to-Equity Ratio (x)	3.22	2.73	2.42
<b>Other Ratios</b>			
Investment to Total Assets Ratio (%)	1.97	1.08	3.84
NCR (%) (calculated in accordance with SEC's rules)	32.73	38.51	45.34

# Management Discussion and Analysis

## Summary of Auditor Report

Summaries of Auditor Report for the Years 2015 and 2016 are as follows:

Financial statements of the Company for the Year ended 31 December 2015	Ms. Ratana Jala, Certified Public Accountant No. 3734 of EY Office Limited, express the opinion that the audited financial statements present fairly, in all material respects, the financial position of Maybank Kim Eng Securities (Thailand) Public Company Limited as at 31 December 2015 and its financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.
Financial statements of the Company for the Year ended 31 December 2016	Ms. Ratana Jala, Certified Public Accountant No. 3734 of EY Office Limited, express the opinion that the audited financial statements present fairly, in all material respects, the financial position of Maybank Kim Eng Securities (Thailand) Public Company Limited as at 31 December 2016 and its financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

## Overview of the Company's Operation

Maybank Kim Eng Securities (Thailand) Public Company Limited (formerly known as “Kim Eng Securities (Thailand) Public Company Limited”) (the “**Company**”) is a member of the Stock Exchange of Thailand No.42. It has been granted 4 types of securities business licenses, namely securities brokerage, securities dealing, investment advisory and securities underwriting licenses. The Company has also engaged in other kinds of business that relate to and support securities business such as investment banking (financial advisory), securities registrar and securities borrowing and lending. In addition, the Company was also granted by the Ministry of Finance a license to engage in the business of derivatives agent in accordance with the Derivatives Act B.E. 2546 (2003). The Company was selected to be a member of Thailand Futures Exchange (TFEX) as well as a member of Thailand Clearing House (TCH) to engage in the business of derivatives trading. Over the last several years, a major portion of the Company's revenue came from securities brokerage business.

The Company has provided securities trading service and other related services to domestic individual and institutional investors as well as foreign ones. The Singapore-based Maybank Kim Eng Holdings Limited is the Company's major shareholder, holding in aggregate 83.25% of the Company's total paid-up shares. May Bank Kim Eng Holdings Limited has also held stakes in many other securities companies which are members of well-recognized stock exchanges around the globe, allowing it to create and maintain strong worldwide network in the securities business.

In the Year 2011, there was a major change in the shareholding structure of Maybank Kim Eng Holdings Limited. Maybank IB Holdings Sdn Bhd, a company in the group of Malaysia-based Malayan Banking Berhad, conducted a tender offer to acquire all shares of Maybank Kim Eng Holdings Limited. This allows Maybank IB Holdings Sdn Bhd to hold a 100% ownership in Maybank Kim Eng Holdings Limited. Nevertheless, such change has no effect on the Company's business and human resources management policies.

The Company's market shares in the domestic securities brokerage business in the Years 2015 and 2016 were 8.65% and 8.15% of total trading value in each respective year. As at 31 December 2015, the Company's total assets, liabilities and shareholders' equity as showed on the Company's statement of financial position were THB 17,989.16 million, THB 13,170.24 million and THB 4,818.92 million, respectively. As at 31 December 2016, the Company's total assets, liabilities and shareholders' equity as showed on the Company's statement of financial position were THB 16,802.59 million, THB 11,888.24 million and THB 4,914.35 million, respectively. A major component of the Company's assets is securities and derivatives business receivables, the amount of which directly relates to trading volume during the last 3 trading days prior to the end of the year. In case total trading volume significantly rises during such period, so does the amount of securities and derivatives business receivable. Thus, significant rise/decline in the Company's assets as a result of rise/fall in the amount of securities and derivatives business receivables does not truly reflect material change in the Company's financial performance and position during the year. As of 31 December 2016, major components of the Company's liabilities include securities and derivatives business payables, loans from financial institutions and debt issued and borrowings amounted to THB 3,493.58 million, THB 720.00 million and THB 6,857.03 million respectively.

#### **The Company's Competitive Strengths**

- The Company has maintained its position as the No.1 securities brokerage firm in Thailand in terms of market share from 2002 to 2016, with the following strength factors.
  1. Total branches in Thailand (excluding the head office) are 60. As of 31 December 2016, the Company's total securities trading accounts were 180,000, thus allowing the Company to manage operating costs efficiently.
  2. As of 31 December 2016, the Company's total securities marketing officers were 765, and this is the largest securities marketing team in Thailand.
- Total shareholders' equity on the Company's statement of financial position was THB 4,914.35 million. As of 31 December 2016, the Company's NCR stood at 45.34%. The Company has an investment banking team which consists of 15 staffs. They are responsible for the financial advisory and securities underwriting businesses. The Company has provided financial advisory services which cover various areas including company listing on a stock exchange, privatization, securities issuance, business/corporate takeover and independent financial advisory. Over the last several years, the Company was appointed to act as the lead underwriter or the co-underwriter for well-recognized corporate clients such as BMCL, ITD, SATTEL, SIAM GAS, MJD, DTAC, BTS, ETG, CPN, SAT, PLAT and etc. The Company was also appointed to act as the financial advisor in the areas of securities valuation, M&A, EJIP and etc.
- The Company's securities research team consists of 29 staffs who have conducted securities research in the area of fundamental, technical and economic analysis.
- The Company's management team consists of knowledgeable executives with proven track record and over 20 years experience in the securities brokerage business.



Source of income of the Company consists of brokerage fee, fee and service income, gain (loss) on investments and derivatives, interest and dividends, interest on margin loans and others which were tabled the ratio as follows:

Revenue	2014		2015		2016	
	Million Baht	%	Million Baht	%	Million Baht	%
Securities brokerage fee	2,980.58	67.21	2,452.77	61.79	2,411.28	65.68
Futures brokerage fee and others	181.32	4.08	178.68	4.50	179.35	4.89
Fee and service income	246.40	5.56	162.31	4.09	75.23	2.05
Gains (losses) on investments	(68.71)	(1.55)	(194.63)	(4.90)	30.59	0.83
Gains on derivatives	102.71	2.32	271.27	6.83	40.19	1.09
Interest and dividends	317.64	7.16	332.06	8.37	220.95	6.02
Interest on margin loans	607.86	13.71	710.76	17.91	659.91	17.97
Other income	66.85	1.51	55.96	1.41	53.90	1.47
Total	4,434.65	100.00	3,969.18	100.00	3,671.40	100.00

## Operating Result

### • Total Revenue

The Company's revenue consists of brokerage fee, fee and service income, gain (loss) on investments and derivatives, interest and dividends, interest on margin loans and other income (i.e. share transfer fee, interest on loan to employees and etc.). Main source of the Company's revenue comes from brokerage fee. For the Year 2015, brokerage fee (from both securities and derivatives businesses) accounted for 66% of the Company's total revenue. For the Year 2016, brokerage fee (from both securities and derivatives businesses) accounted for 71% of the Company's total revenue. Most of the Company's securities trading clients are retail investors. Their trading volume accounted for 85-95% of the Company's total trading volume. Institutional investors accounted for 5-15% of the Company's total trading volume.

For the Year 2015, the Company's total revenue was THB 3,969.18 million, declined by THB 465.47 million compared to that of the preceding year, mainly due to the decrease in brokerage fee of THB 530.45 million. Such decrease in revenue is a result of the decreasing of the average daily trading value from THB 45,466 million in 2014 to THB 44,302 million in 2015.

For the Year 2016, the Company's total revenue was THB 3,671.40 million, declined by THB 297.79 million compared to that of the preceding year, mainly due to the decrease in interest and dividend income of THB 111.11 million and the decrease in fee and service income of THB 87.09 million. Such decrease is a result of the decreasing of lower interest rate and fee from underwriting deals when compared to 2015.

Ratio (%)	2014	2015	2016
Income Growth Rate	(6.76)	(10.50)	(7.50)
Expense Growth Rate	(4.22)	(5.52)	(8.92)
Net Profit Margin Growth Rate	(11.00)	(19.38)	(4.39)
Gross Profit Margin	84.52	82.05	82.70
Net Profit Margin	28.51	25.68	26.54
Return on Equity (ROE)	24.89	21.01	20.02

In the Year 2015, the Company's gross profit margin was 82.05%, net profit margin was 25.68% and ROE was 21.01%. The gross profit margin, net profit margin and ROE were declined from year 2014 mainly due to the decreasing of brokerage fee which varies based on the trading volume of the SET.

In the Year 2016, the Company's gross profit margin was 82.70%, net profit margin was 26.54% and ROE was 20.02%. The gross profit margin and net profit margin were increased from year 2015 mainly due to the fact that the Company can efficiently manage costs, including finance costs, personnel expenses and others. ROE was declined from 2015 mainly due to the decreasing of revenue as mentioned earlier.

- **Brokerage Fee**

In the Year 2015, the Company had a brokerage fee from securities business of THB 2,452.77 million, decreased compared to that of the preceding year which was THB 2,980.58 million. In the Year 2015, the Company had a brokerage fee from derivatives business and others of THB 178.68 million, decreased relative to that of the preceding year which was THB 181.32 million. The drop in the Company's brokerage fee in the Year 2015 (including brokerage fee from securities business, derivatives businesses and others) was also mainly due to trading volume of the SET during the year.

In the Year 2016, the Company had a brokerage fee from securities business of THB 2,411.28 million, decreased compared to that of the preceding year which was THB 2,452.77 million. In the Year 2016, the Company had a brokerage fee from derivatives business and others of THB 179.35 million, increased relative to that of the preceding year which was THB 178.68 million. The drop in the Company's brokerage fee in the Year 2016 was mainly due to the lower average commission rate as a result of highly competitive market situation.

- **Other Revenues (not including brokerage fee)**

The Company's other revenues (not including brokerage fee) include fee and service income, gain (loss) on investments and derivatives, interest and dividend income, interest on margin loans and others.

In the Year 2015, the Company's other revenues (not including brokerage fee) include fee and service income, gain on investments and derivatives (net), interest and dividend income, interest on margin loans and others, which were THB 162.31, THB 76.64, THB 332.06, THB 710.76, and THB 55.96 million, respectively.

In the Year 2016, the Company's other revenues (not including brokerage fee) include fee and service income, gain on investments and derivatives (net), interest and dividend income, interest on margin loans and others, which were THB 75.23, THB 70.78, THB 220.95, THB 659.91, and THB 53.90 million, respectively.

- **Bad Debt and Doubtful Accounts**

The Company has classified securities business receivables and derivatives business receivables in accordance with the relevant notification issued by the Office of the Securities and Exchange Commission re: Accounting for Doubtful Debts of Securities Brokerage Companies. It has reserved allowance for doubtful debts on a fully basis for all doubtful debts.

As of 31 December 2016, the Company's total substandard debts stood at THB 260.42 million. The Company ceases to realize any revenue related to such doubtful debts. Most of the Company's substandard debts relate to margin loans for the amount of THB 255.48 million extended by Nithipat Securities Company Limited before the advent of Maybank Kim Eng Holdings Limited. The Company tries to collect such debts as fast as it can. In case the Company cannot collect such debts, it will file a petition to the court and take further necessary actions. The remaining doubtful debts of THB 4.94 million are those that occurred after the advent of Maybank Kim Eng Holdings Limited thanks to the Company's careful selection of margin loan clients and stringent credit policy.

- **Expenses**

For the Year 2015, the Company's expenses totaled THB 2,687.77 million, a decrease from that of the preceding year which stood at THB 2,844.91 million. Such decrease was mainly due to down in fee and services expenses, personnel expenses and other expenses which are varied as the reducing of the trading volume. However, there was a rise in financing costs associated with borrowings from financial institutions and debt issuance which are incurred to support extension of credit balance accounts.

For the Year 2016, the Company's expenses totaled THB 2,447.96 million, a decrease from that of the preceding year which stood at THB 2,687.77 million. Such decrease was mainly due to down in financial costs as the Company can manage cost of fund to be lower. Also, personnel expenses and other expenses are varied as the reducing of the trading volume.

- **Net Profit**

For the Year 2015, the Company's net profit totaled THB 1,019.23 million, decreased from net profit for the Year 2014, which was THB 1,264.22 million. Total income dropped by THB 465.46 million. Total expenses (not including corporate income tax expense) decreased by THB 157.14 million. Corporate income tax expense dropped from THB 325.52 million in the Year 2014 to THB 262.18 million in the Year 2015. The decrease of net profit was mainly due to the drop in brokerage fee of THB 530.45 million, from THB 3,161.90 million in the Year 2014 to THB 2,631.45 million in the Year 2015.

For the Year 2016, the Company's net profit totaled THB 974.49 million, decreased from net profit for the Year 2015, which was THB 1,019.23 million. Total income dropped by THB 297.79 million. Total expenses (not including corporate income tax expense) decreased by THB 239.81 million. Corporate income tax expense dropped from THB 262.18 million in the Year 2015 to THB 248.94 million in the Year 2016. The decrease of net profit was mainly due to the drop in interest and dividend income and fee and service income.

## **Financial Position**

- **Assets**

Total assets at the end of the Year 2016 and 2015 were THB 16,802.59 million and THB 17,989.16 million, respectively. A major portion of the Company's assets are securities and derivatives business receivables which varies in accordance with trading volume during the last 3 trading days of each fiscal year, which are 83.16% and 87.76% total assets as at 31 December 2016 and 2015, respectively.

- **Securities and Derivatives Business Receivables**

As of 31 December 2015, the Company's net securities and derivatives business receivables (plus accrued interest receivables) totaled THB 15,788.02 million, a slight increase from that at the end of the Year 2014 which was THB 15,746.29 million.

As of 31 December 2016, the Company's net securities and derivatives business receivables (plus accrued interest receivables) totaled THB 13,972.86 million, decrease from that at the end of the Year 2015 which was THB 15,788.02 million.

As of 31 December 2015 and 2016, securities and derivatives business receivables consisted of the following:

- As of 31 December 2015, the Company has securities business receivables-cash accounts in the amount of THB 1,742.75 million, accounting for 11.04% of net securities and derivatives business receivables (plus accrued interest receivables). The outstanding balance of securities business receivables-cash accounts declined by 31.68% from that at the end of the preceding year. This is because total trading volume during the last 3 trading days of the Year 2015 is lower than that during the last 3 trading days of the Year 2014.

As of 31 December 2016, the Company has securities business receivables-cash accounts in the amount of THB 3,165.84 million, accounting for 22.66% of net securities and derivatives business receivables (plus accrued interest receivables). The outstanding balance of securities business receivables-cash accounts increased by 81.66% from that at the end of the preceding year. This is because total trading volume during the last 3 trading days of the Year 2016 is more than that during the last 3 trading days of the Year 2015.

As of 31 December 2015, the Company has credit balance accounts in the amount of THB 13,777.48 million, accounting for 87.27% of net securities and derivatives business receivables (plus accrued interest receivables). The outstanding balance of credit balance accounts increased by 6.42% relative to that at the end of the Year 2014. This is because the Company still continued to extend credit balance accounts. In addition, for other receivables which are overdue receivables on the process of following, composition or installment, at the end of the Year 2015, the outstanding balance was THB 245.87 million, slightly increasing from last year which was THB 245.79 million. Most of such overdue receivables are receivables under the old margin loans system.

As of 31 December 2016, the Company has credit balance accounts in the amount of THB 10,579.46 million, accounting for 75.72% of net securities and derivatives business receivables (plus accrued interest receivables). The outstanding balance of credit balance accounts decreased by 23.21% relative to that at the end of the Year 2015. In addition, for other receivables which are overdue receivables on the process of following, composition or installment, at the end of the Year 2016, the outstanding balance was THB 246.49 million, slightly increasing from last year. Most of such overdue receivables are receivables under the old margin loans system.

- The outstanding balance of receivables under securities borrowing and lending business was THB 167.62 million as of 31 December 2016, decreased from the outstanding balance at the end of the Year 2015, which was THB 192.18 million.
- The outstanding balance of net derivatives business receivables was THB 0.42 million as of 31 December 2016, increased from the outstanding balance at the end of the Year 2015, which was THB 0.18 million.

- **Investment in Securities**

The Company's net investment in securities as of 31 December 2015 totaled THB 195.16 million. Such investment in securities consists of equity trading securities with the fair value of THB 185.65 million and general investment with the net value of THB 9.51 million.

The Company's net investment in securities as of 31 December 2016 totaled THB 645.35 million. Such investment in securities consists of equity trading securities with the fair value of THB 636.26 million and general investment with the net value of THB 9.09 million.

Most of the Company's investments are for the purpose of hedging for derivative warrants issued.

- **Receivables from Clearing House**

As of 31 December 2015, the Company had receivables from clearing house balance of THB 693.60 million, decreased from THB 3,155.81 million as of 31 December 2014.

As of 31 December 2016, the Company had receivables from clearing house balance of THB 740.85 million, increased from THB 693.60 million as of 31 December 2015.

- **Equipment**

As of 31 December 2016, the Company's net equipment totaled THB 191.39 million, decreased from THB 251.02 at the end of the Year 2015. During the Year 2016, there were investments in fixtures and computer equipment of THB 28.72 million and depreciation charge of THB 88.31 million.

- **Other Assets**

The Company's other assets include clearing fund, unearned revenue, prepaid expenses and others. Total book value as of 31 December 2016 was THB 462.61 million, increased from THB 210.14 million as at the end of the Year 2015. Such increase was contributed mainly to increase in prepaid expenses.

- **Liquidity**

For the Year 2016, the Company had a net cash flow from operating activities of THB 2,532.57 million and a net cash flow from investing activities of THB 846.88 million. Major source of the Company's financing cash inflow is cash received from interest of THB 900.07 million. The Company invested in equipment and intangible asset totaled THB 39.93 million and THB 14.39 million, respectively.

For the Year 2016, the Company had a net cash flow used in financing activities of THB 3,412.34 million. Major source of the Company's financing cash inflow is borrowings from domestic and foreign financial institutions. Major uses of the Company's financing cash flow are loan repayments and dividend payment.

For the Year 2015, the Company had a net cash flow from operating activities of THB 0.30 million and a net cash flow from investing activities of THB 986.41 million. Major source of the Company's financing cash inflow is cash received from interest of THB 1,023.73 million. The Company invested in equipment and intangible asset totaled THB 36.94 million and THB 1.26 million, respectively.

For the Year 2015, the Company had a net cash flow used in financing activities of THB 851.71 million. Major source of the Company's financing cash inflow is borrowings from domestic and foreign financial institutions. Major uses of the Company's financing cash flow are loan repayments and dividend payment.

In assessing the Company's liquidity, we should take into account its capability to maintain NCR in accordance with the rules as stipulated by the Office of the SEC. Over the last 3 years (2014-2016), the Company was able to maintain NCR at the rate of higher than 7%, which is the minimum requirement by the Office of the SEC. This demonstrates that the Company was able to generate and maintain sufficient liquidity for its operation. For the Years 2014, 2015 and 2016, the Company's NCR fell in the range of 17.02% - 58.12%, 22.83% - 53.40% and 25.05% - 49.91%, respectively. Note that NCR may vary from time to time due to changes in securities trading volume, securities underwriting commitment and etc.

- **Sources of Capital**

As of 31 December 2016, the Company's source of capital is from debt of THB 11,888.24 million and from equity of THB 4,914.35 million. The Company's D/E ratios as of 31 December 2015 and 2016 were 2.73 times and 2.42 times, respectively. Major portions of the Company's debt are securities and derivatives business payables that may vary from time to time in accordance with securities trading volume during the last 3 trading days of each year and borrowings from financial institutions, debt issued and borrowings. Readjusted D/E ratios of the Company (excluding securities and derivatives business payables) as of 31 December 2015 and 2016 are 2.27 times and 1.71 times, respectively. It is worth noting that the decrease in the Company's total debt in the Year 2016 was due to the decrease in borrowings from financial institutions and debt issued and borrowings.

The Company's ROEs for the Years 2015 and 2016 are 21.01% and 20.02%, respectively. For the Years 2015 and 2016, the Company made total dividend payments of THB 1,084.55 million and THB 879.05 million, respectively.

### **Factors that may significantly affect the Company's financial performance and position in the future**

Domestic economic and political situations may affect the Company's financial performance and position. Factors such as change in interest rates, fluctuation in oil prices, political uncertainty, monetary policy as prescribed by the Bank of Thailand as well as domestic and global economic situations, all of which may jointly work to affect investment confidence in domestic and international markets.

Risk due to change in price of securities the Company has held may affect the Company's performance. Investment diversification would help to reduce this risk. Settlement risk, trading error risk as well as financial risk, all of which will jointly work to affect the Company's financial position. The Company controls those risks to be at an acceptable level.

- **Future Trend**

Domestic political unrest as well as uncertain and fragile global economic recovery will affect long-term domestic economic recovery, new business opportunities and profitability of domestic listed firms in the medium and long-run, thus making investments in SET-listed firms less interesting. This will adversely affect trading activities on the SET as well as performances of the Company and other securities brokerage firms. To ensure its long-term competitiveness, the Company has a policy to continuously develop its human resources to ensure its readiness for new businesses and apply new technology to achieve operating efficiency and effective cost management. The Company has a policy to maintain its leadership in the domestic securities business by providing fully-integrated securities brokerage services and to support continuous development of the Thai capital market.

## Report Regarding the Responsibility of the Board of Directors for Financial Report

The Board of Directors of Maybank Kim Eng Securities (Thailand) Plc. is responsible for the Company's financial statements and financial information as shown in its annual report for the year 2016. The Company's financial reports and information are prepared in compliance with the Generally Accepted Accounting Principles, with due care and carefulness. The Company has provided sufficient disclosure of important information in the notes to financial statements for the benefit of shareholders and general investors.

For the purpose of preparing reliable and accurate financial statements and information, the Board of Directors has set up a risk management system to ensure accurate, complete and sufficient recording of accounting data for the purpose of asset custody and prevention of any fraud and unusual activities. As well, the Company set up an Audit Committee to review its accounting policies, sufficiency of the internal control systems, auditing and disclosure of financial data to ensure accurate, reliable and reasonable data regarding its financial status, revenue, expenses and cash flow.

The Company's financial statements were audited by EY Office Limited. In auditing the Company's financial statements, the Board of Directors and the management provided data and documents necessary for the auditor to perform the auditing tasks and provide the opinion in accordance with applicable auditing standards. The auditor's opinion already appears on the Company's annual report.

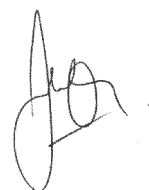
It is the Board of Directors' opinion that the financial statements of Maybank Kim Eng Securities (Thailand) Plc. ending December 31, 2016 are prepared in line with generally accepted accounting principles and relevant rules and regulations.



**Mr. Yuth Vorachattarn**  
Chairman



**Mr. Montree Sornpaisarn**  
Executive Director and  
Chief Executive Officer



**Dato' John Chong Eng Chuan**  
Executive Director



# • Financial Statements

**31 December 2016**

Maybank Kim Eng Securities (Thailand) Public Company Limited

## Independent Auditor's Report

To the Shareholders of Maybank Kim Eng Securities (Thailand) Public Company Limited

### Opinion

I have audited the accompanying financial statements of Maybank Kim Eng Securities (Thailand) Public Company Limited (the Company), which comprise the statement of financial position as at 31 December 2016, and the related statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Maybank Kim Eng Securities (Thailand) Public Company Limited as at 31 December 2016, its financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

### Basis for Opinion

I conducted my audit in accordance with Thai Standards on Auditing. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Company in accordance with the *Code of Ethics for Professional Accountants* as issued by the Federation of Accounting Professions under the Royal Patronage of His Majesty the King as relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

## Key Audit Matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

I have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report, including in relation to these matters. Accordingly, my audit included the performance of procedures designed to respond to my assessment of the risks of material misstatement of the financial statements. The results of my audit procedures, including the procedures performed to address the matters below, provide the basis for my audit opinion on the accompanying financial statements as a whole.

Key audit matters and how audit procedures respond for each matter are described below.

### ***Recognition of brokerage fees and interest on margin loans***

The Company's income mainly consisted of brokerage fees and interest on margin loans, amounting to Baht 2,590 million and Baht 660 million, respectively, representing 71 percent and 18 percent of the Company's total revenue. The Company charges brokerage fees at percentages of trading volume, which are freely negotiated, and based on a sliding scale fee structure, whereas interest on credit balance loans is charged at fixed rates that are adjusted periodically based on market conditions and the competitive environment. Because of the size and volume of transactions, the large number of customers, the fees charged to customers being dependent on various factors, and the recognition of revenue from brokerage fees and interest on margin loans relying primarily on data processed by information systems, I addressed the measurement and occurrence of brokerage fees and interest on margin loans as a key audit matter.

The audit procedures I performed were to assess and test, on a sampling basis, the Company's internal controls relevant to recognition of brokerage fees and interest on margin loans, including computer-based controls relevant to the calculation of brokerage fees and interest on margin loans. I also tested, on a sampling basis, the brokerage rates, interest rates, calculation and account recording. In addition, I performed analytical procedures on brokerage fees and interest on credit balance loans and examined, on a sampling basis, material manual adjustments made via journal vouchers.

### ***Allowance for doubtful accounts for securities and derivatives business receivables***

As discussed in Note 4.7 to the financial statements, the Company's allowance for doubtful accounts for securities and derivatives business receivables is determined through consideration of specific reviews, collection risk and the value of the collateral. For securities trading and credit balance transactions, the Company has policies regarding the collateral to be placed, with the value of collateral required dependent on the type of transaction, type of securities and credit limit, among other factors. The estimation of allowance for doubtful accounts for securities and derivatives business receivables is significant because of the number of customers and the significance of the amount of the receivables to the Company's financial statements, with securities and derivatives business receivables amounting to Baht 14,220 million as at 31 December 2016, representing 85 percent of the Company's total assets. Therefore, I addressed the adequacy of allowance for doubtful accounts for such receivables as a key audit matter.

I have performed audit procedures on the allowance for doubtful accounts as follows:

- I assessed, and tested on a sampling basis, the Company's internal controls relevant to the status of account receivables, calculation of collateral value, calculation of allowance for doubtful debts and the recording of allowance for doubtful accounts. I also assessed the methods applied by the Company to the determination and calculation of the allowance, and compared the Company's policy with regulatory requirements. Moreover, I tested certain controls over the computer-based controls relevant to the calculation of the collateral value and the revaluation adjustments made to the fair values of collateral.
- I examined the allowance for doubtful accounts as at the period-end date by testing the completeness of the data used in the calculation of allowance for doubtful accounts, testing on a sampling basis the status of outstanding debts, the valuation of collateral items, collections of debt after the period-end date, the correctness of debt classification and the calculation of the allowance.

## **Other Information**

Management is responsible for the other information. The other information comprise the information included in annual report of the Company, but does not include the financial statements and my auditor's report thereon.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

## **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Thai Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Thai Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Thai Standards on Auditing, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ratana Jala.



Ratana Jala  
Certified Public Accountant (Thailand) No. 3734

EY Office Limited  
Bangkok: 10 February 2017

**Statement of Financial Position**

As at 31 December 2016

		(Unit: Baht)	
	Note	31 December 2016	31 December 2015
<b>Assets</b>			
Cash and cash equivalents	6	351,282,754	384,170,909
Deposits at financial institutions	7	3,526,306	3,524,227
Receivables from Clearing House	8	740,845,901	693,604,022
Securities and derivatives business receivables	9	13,972,862,949	15,788,016,456
Derivatives assets	11	-	4,069,837
Investments	12	645,350,206	195,158,012
Loans to employees under welfare program	31	295,788,175	313,850,249
Equipment	13	191,386,219	251,017,621
Intangible assets	14	42,962,773	47,660,926
Property foreclosed		15,886,500	15,886,500
Deposits		48,661,105	47,473,207
Deferred tax assets	29.1	31,436,090	34,587,330
Other assets	15	462,605,938	210,138,290
<b>Total assets</b>		<b>16,802,594,916</b>	<b>17,989,157,586</b>

The accompanying notes are an integral part of the financial statements.



**Statement of Financial Position (continued)**

As at 31 December 2016

		(Unit: Baht)	
	Note	31 December 2016	31 December 2015
<b>Liabilities and shareholders' equity</b>			
<b>Liabilities</b>			
Borrowings from financial institutions	16	720,000,000	1,470,000,000
Payables to Clearing House		32,441,262	154,824,464
Securities and derivatives business payables	17	3,493,575,975	2,227,444,466
Derivatives liabilities	11	41,629,676	8,856,328
Debt issued and borrowings	18	6,857,028,773	8,544,734,305
Provisions	19	161,317,236	150,439,789
Income tax payable		127,673,040	100,538,558
Accrued expenses		374,195,314	434,380,605
Liabilities under financial lease agreements	21	20,253,453	20,202,466
Dividend payable		916,404	916,404
Other liabilities		59,212,604	57,904,432
<b>Total liabilities</b>		<b>11,888,243,737</b>	<b>13,170,241,817</b>
<b>Shareholders' equity</b>			
Share capital			
Registered			
572,250,000 ordinary shares of Baht 5 each		2,861,250,000	2,861,250,000
Issued and fully paid-up			
570,814,500 ordinary shares of Baht 5 each		2,854,072,500	2,854,072,500
Share premium		523,570,729	523,570,729
Premium on treasury shares		19,218,670	19,218,670
Retained earnings			
Appropriated - statutory reserve	23	286,125,000	286,125,000
Unappropriated		1,231,364,280	1,135,928,870
<b>Total shareholders' equity</b>		<b>4,914,351,179</b>	<b>4,818,915,769</b>
<b>Total liabilities and shareholders' equity</b>		<b>16,802,594,916</b>	<b>17,989,157,586</b>

The accompanying notes are an integral part of the financial statements.

**Statement of comprehensive income**

For the year ended 31 December 2016

		(Unit: Baht)	
	Note	2016	2015
<b>Profit or loss:</b>			
<b>Income</b>			
Brokerage fee	25	2,590,625,748	2,631,451,203
Fee and service income	26	75,225,682	162,313,508
Gain (loss) on investments	12.2	30,594,144	(194,624,375)
Gains on derivatives	11.1	40,193,213	271,267,443
Interest and dividends		220,951,758	332,057,264
Interest on margin loans		659,908,217	710,759,099
Other income		53,899,584	55,960,316
<b>Total income</b>		<b>3,671,398,346</b>	<b>3,969,184,458</b>
<b>Expenses</b>			
Financial costs		383,400,135	484,825,275
Fee and service expenses		242,390,154	229,262,983
Operating expenses			
Personnel expenses	31	1,271,955,072	1,413,334,297
Premises and equipment expenses		366,070,508	358,510,527
Taxes and duties		28,296,770	34,923,553
Directors' remuneration	27	7,670,989	8,659,677
Other expenses		148,138,013	170,071,745
Total operating expenses		1,822,131,352	1,985,499,799
Bad debt and doubtful accounts (reversal)		43,017	(11,818,314)
<b>Total expenses</b>		<b>2,447,964,658</b>	<b>2,687,769,743</b>
<b>Profit before income tax expense</b>		<b>1,223,433,688</b>	<b>1,281,414,715</b>
Income tax expense	29.2	(248,943,948)	(262,183,800)
<b>Profit for the year</b>		<b>974,489,740</b>	<b>1,019,230,915</b>
<b>Other comprehensive income:</b>			
Other comprehensive income for the year		-	-
<b>Total comprehensive income for the year</b>		<b>974,489,740</b>	<b>1,019,230,915</b>
<b>Earnings per share</b>	30		
Basic earnings per share		1.71	1.79

The accompanying notes are an integral part of the financial statements.

**Statement of changes in shareholders' equity**

For the year ended 31 December 2016

	(Unit: Baht)				
	Retained earnings				Total
	Share capital	Share premium	Premium on treasury shares	Appropriated - statutory reserve	Unappropriated
<b>Balance as at 1 January 2015</b>	2,854,072,500	523,570,729	19,218,670	286,125,000	1,201,245,505
Profit for the year	-	-	-	-	1,019,230,915
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	1,019,230,915
Dividend paid (Note 24)	-	-	-	-	(1,084,547,550)
<b>Balance as at 31 December 2015</b>	<b>2,854,072,500</b>	<b>523,570,729</b>	<b>19,218,670</b>	<b>286,125,000</b>	<b>4,818,915,769</b>
<b>Balance as at 1 January 2016</b>	2,854,072,500	523,570,729	19,218,670	286,125,000	4,818,915,769
Profit for the year	-	-	-	-	974,489,740
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	974,489,740
Dividend paid (Note 24)	-	-	-	-	(879,054,330)
<b>Balance as at 31 December 2016</b>	<b>2,854,072,500</b>	<b>523,570,729</b>	<b>19,218,670</b>	<b>286,125,000</b>	<b>4,914,351,179</b>

The accompanying notes are an integral part of the financial statements.

**Cash flow statement**

For the year ended 31 December 2016

(Unit: Baht)

	2016	2015
<b>Cash flows from operating activities</b>		
Profit before income tax expenses	1,223,433,688	1,281,414,715
Adjustments to reconcile profit before income tax expenses to net cash provided by (paid for) operating activities:		
Depreciation and amortisation	102,970,746	102,168,794
Amortisation of prepaid personnel expenses	100,985,503	106,853,529
Bad debt and doubtful accounts (reversal)	43,017	(11,818,314)
Unrealised (gain) loss on revaluation of investments	19,479,325	(24,580,441)
Unrealised gains on revaluation of derivatives assets and liabilities	(26,201,028)	(38,117,792)
Unrealised (gain) loss on revaluation of exchange rate	(14,683,216)	5,322,800
Reversal of provision for contingent liabilities	-	(19,778,753)
Gains on sales and written-off of premises and equipment	(1,084,430)	(642,732)
Retirement benefit	25,914,447	34,745,834
Financial cost	383,400,135	484,825,275
Doubtful accounts - other receivables	-	23,629,863
Interest income	(880,775,363)	(1,044,574,242)
Cash paid for interest	(283,885,304)	(389,398,121)
Cash paid for income tax	(218,658,227)	(392,356,649)
<b>Profit from operating activities before changes in operating assets and liabilities</b>	<b>430,939,293</b>	<b>117,693,766</b>
(Increase) decrease in operating assets		
Deposits at financial institutions	(2,079)	(2,359)
Receivables from Clearing House	(6,774,665)	2,491,690,116
Securities and derivatives business receivables	1,798,517,270	(26,672,272)
Investments	(470,043,664)	236,251,556
Loans to employees under welfare program	18,062,074	(1,823,087)
Property foreclosed	-	(6,000,000)
Deposits	(1,187,898)	(1,002,549)
Other assets	(324,899,507)	3,597,573
Increase (decrease) in operating liabilities		
Payables to Clearing House	(122,383,202)	152,601,768
Securities and derivatives business payables	1,266,503,654	(2,762,691,545)
Derivatives liabilities	22,522,216	(7,972,401)
Accrued expenses	(100,781,121)	(152,535,115)
Other liabilities	22,100,320	(42,837,407)
<b>Net cash flows from operating activities</b>	<b>2,532,572,691</b>	<b>298,044</b>

The accompanying notes are an integral part of the financial statements.

**Cash flow statement (continued)**

For the year ended 31 December 2016

	(Unit: Baht)	
	2016	2015
<b>Cash flows from investing activities</b>		
Cash received from interest	900,074,439	1,023,733,077
Proceeds from disposals of equipment	1,133,218	877,828
Cash paid for purchases of equipment	(39,933,575)	(36,938,603)
Cash paid for purchases of intangible assets	(14,392,213)	(1,261,048)
<b>Net cash flows from investing activities</b>	<b>846,881,869</b>	<b>986,411,254</b>
<b>Cash flows from financing activities</b>		
Cash received from borrowings from financial institutions	60,286,000,000	90,386,000,000
Cash paid for borrowings from financial institutions	(61,036,000,000)	(92,250,000,000)
Cash received from foreign borrowing	1,000,000,000	1,014,800,000
Cash paid for borrowings from foreign borrowing	(1,014,000,000)	(1,000,000,000)
Cash received from other borrowings	18,915,816,967	13,538,069,626
Cash paid to other borrowings	(20,680,000,000)	(11,450,000,000)
Cash paid for liabilities under finance lease agreements	(5,105,352)	(6,033,975)
Dividend paid	(879,054,330)	(1,084,547,550)
<b>Net cash flows used in financing activities</b>	<b>(3,412,342,715)</b>	<b>(851,711,899)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(32,888,155)</b>	<b>134,997,399</b>
Cash and cash equivalents as at 1 January	384,170,909	249,173,510
<b>Cash and cash equivalents as at 31 December</b>	<b>351,282,754</b>	<b>384,170,909</b>

The accompanying notes are an integral part of the financial statements.

## **Notes to financial statements**

For the year ended 31 December 2016

### **1. General information**

Maybank Kim Eng Securities (Thailand) Public Company Limited (“the Company”) is a public limited company incorporated and domiciled in Thailand. Its parent company is Maybank Kim Eng Holdings Limited, which is incorporated in Singapore. The ultimate parent company of the Group is Malayan Banking Berhad, which is incorporated in Malaysia. The Company has licenses for securities business, which are securities brokerage, securities trading, underwriting, investment advisory, corporate finance advisory, securities registrar, derivatives brokerage and securities borrowing and lending.

The Company's registered office is at 999/9 the Offices at Central World, 20th - 21st Floor, Rama 1 Road, Pathumwan, Bangkok. As at 31 December 2016, the Company has 60 branches in Bangkok and upcountry (31 December 2015: 58 branches).

### **2. Basis for the preparation of financial statements**

The financial statements have been prepared in accordance with Thai Financial Reporting Standards enunciated under the Accounting Professions Act B.E. 2547 and their presentation has been made in compliance with the requirement of the Notification of the Office of the Securities and Exchange Commission relating to the format of the financial statements of securities companies No. SorThor/Kor/Nor. 53/2553 dated 15 December 2010.

The financial statements in Thai language are the official statutory financial statements of the Company. The financial statements in English language have been translated from the Thai language financial statements.

The financial statements have been prepared on a historical cost basis except where otherwise disclosed in the accounting policies.

### **3. New financial reporting standards**

#### **(a) Financial reporting standards that became effective in the current year**

During the year, the Company has adopted the revised (revised 2015) and new financial reporting standards and accounting treatment guidance issued by the Federation of Accounting Professions which become effective for fiscal years beginning on or after 1 January 2016. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards, with most of the changes directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of standards. The adoption of these financial reporting standards does not have any significant impact on the Company's financial statements.

#### **(b) Financial reporting standard that will become effective in the future**

During the current year, the Federation of Accounting Professions issued a number of the revised financial reporting standards and interpretations (revised 2016) which is effective for fiscal years beginning on or after 1 January 2017. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of standards.

The management of the Company believes that the revised and new financial reporting standards and interpretations will not have any significant impact on the financial statements when they are initially applied.

### **4. Significant accounting policies**

#### **4.1 Revenue recognition**

##### **a) Brokerage fees**

Brokerage fees on securities and derivatives business are recognised as income on the transaction date.

##### **b) Fees and service income**

Fees and service income are recognised when services have been rendered, taken into account the stage of completion.

##### **c) Gain (loss) on investments and derivatives**

Gain (loss) on investments and derivatives are recognised as income/expense on the transaction date.

d) Interest and dividend

Interest is recognised on an accrual basis based on an effective rate. Dividend is recognised when the right to receive the dividend is established.

e) Interest on credit balance loans

Interest is recognised over the term of the loans based on the amount of outstanding principal. No accrual has been made for certain loans which, under Notification No. KorThor. 5/2544 dated 15 February 2001 of the Office of the Securities and Exchange Commission, are not qualified for recognition of interest on an accrual basis and consideration of other relevant factors.

#### 4.2 Expense recognition

a) Interest on borrowings

Interest on borrowings is charged to expenses on an accrual basis.

b) Fees and service expenses

Fees and service expenses are charged to expenses on an accrual basis.

#### 4.3 Cash and cash equivalents

Cash and cash equivalents include cash on hand and all bank deposit accounts maturing within 3 months from the date of acquisition, and including certificate of deposit maturing within 3 months or less from the date of acquisition and not subject to withdrawal restrictions.

#### 4.4 Deposits at financial institutions

Deposits at financial institutions include fixed deposits, bills of exchange and promissory notes issued by financial institutions with an original maturity of longer than 3 months from the date of acquisition or with an original maturity of 3 months from the date of acquisition or less, but the Company intends to roll-over them, or deposits subject to withdrawal restrictions.

#### 4.5 Recognition and derecognition of customers' assets

Assets which customers have placed with the Company for securities trading, in term of cash accounts and credit balance accounts, including amounts which customers have placed as securities for derivative trading, are recorded as assets and liabilities of the Company for internal control purpose. At the financial position date, the Company writes off those amounts of which there are no guarantee obligations from both assets and liabilities and presents only those assets which belong to the Company.



#### **4.6 Receivables from/payables to Clearing House**

Receivables from/payables to Clearing House comprise the net balance of receivables from/payables to Thailand Clearing House in respect of settlements for securities trades and derivative instruments. They include amount pledged with Thailand Clearing House as securities for derivatives trading and the net balance of amounts receivable from/payable to foreign securities companies in respect of securities trades settled overseas through foreign securities companies.

#### **4.7 Securities and derivatives business receivables and allowance for doubtful accounts**

Securities and derivatives business receivables comprise the net securities business receivables and derivatives business receivables after deducting allowance for doubtful accounts and adding related accrued interest receivables.

In addition, securities business receivables comprise the net receivable balances of cash accounts, credit balance receivables for which the securities purchased are used as collateral, securities borrowing and lending receivables and guaranteed deposit receivables (which comprise cash placed as guarantee for borrowers of securities) as well as other receivables such as overdue cash customer accounts and receivables which are subject to legal proceedings, are undergoing restructuring or are settling in installments.

The Company provides allowance for doubtful accounts based on a review of the debtor's repayment capability, taking into consideration recovery risk and the value of the collateral. Such debt classifications and provisions are made in accordance with the guideline laid down in the Notification No. KorThor. 5/2544 dated 15 February 2001 of the Office of the Securities and Exchange Commission (SEC), and consideration of other relevant factors.

#### **4.8 Borrowing and lending of securities**

The Company is engaged in securities borrowing and lending, whereby the Company acts as a principal or an agent of the borrowers and lenders of securities.

The Company records its obligations to return borrowed securities which it has lent as "Securities borrowing payables" and securities lent to customers are recorded as "Securities borrowing receivables" in the statement of financial position. At the end of the year, the balance of securities borrowing payables and securities borrowing receivables are adjusted based on the latest offer price quoted on the Stock Exchange of Thailand of the last working day of the year. Gains or losses arising from such adjustment are included in part of profit or loss in the statement of comprehensive income. The Company records cash paid as collateral for securities borrowing as "Guaranteed deposit receivables" and cash received as collateral for securities lending as "Guaranteed deposit payable". Fees from borrowing and lending are recognised on an accrual basis over the term of the lending.

#### 4.9 Investments

- a) Investments in securities held for trading are determined at fair value. Changes in the fair value of these securities are recorded as profit or loss in the statement of comprehensive income.
- b) Investments in held-to-maturity debt securities are recorded at amortised cost. The premium/discount on debt securities is amortised/accreted by the effective rate method with the amortised/accreted amount presented as an adjustment to the interest income.
- c) Investments in non-marketable equity securities which the Company classified as other investments, are stated at cost net of allowance for impairment loss (if any).
- d) The fair value of marketable securities is based on the latest bid price of the last working day of the year as quoted on the Stock Exchange of Thailand.
- e) The weighted average method is used for computation of the cost of investments. On disposal of an investment, the difference between net disposal proceeds and the carrying amount of the investment is recognised as part of profit or loss in the statement of comprehensive income.
- f) Impairment loss of investments (if any) is included in part of profit or loss in the statement of comprehensive income when there is a factor indicating that such investments might be impaired.

#### 4.10 Loans to employees under welfare program

Loans to employees under welfare program are recognised initially at the amount granted to the employees and are subsequently stated at amortised cost, based on the effective interest rate. Returns are recognised in the statement of comprehensive income over the term of loan.

#### 4.11 Equipment and Depreciation

Equipment are stated at cost less accumulated depreciation and allowance for impairment loss (if any). Depreciation of equipment is calculated by reference to their cost on a straight-line basis over the following estimated useful lives:

Building improvement	5 years
Furniture, fixtures and equipment	5 years
Vehicles	5 years

Depreciation is included in determining income.

No depreciation is provided on assets under installation.

An item of equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on disposal of an asset is included in profit or loss when the asset is derecognised.

#### **4.12 Intangible assets and amortisation**

Expenditure on acquisitions of intangible assets is capitalised and amortised using the straight-line method over their economic useful lives, generally over 5 years, with the exception of software under installation and TFEX member fees, which are not amortised.

Such intangible assets are not revalued. The carrying amount of each intangible asset is reviewed annually and adjusted for impairment wherever there is an indication that the intangible assets may be impaired.

#### **4.13 Property foreclosed**

Property foreclosed consists of immovable properties, and is stated at the lower of cost or net realisable value. Loss on impairment is included in determining income. Gains or losses on disposals of such properties are recognised in the statement of comprehensive income at the date of disposal.

#### **4.14 Income tax**

Income tax expense represents the sum of corporate income tax currently payable and deferred tax.

##### **Current tax**

Current income tax is provided in the accounts at the amount expected to be paid to the taxation authorities, based on taxable profits determined in accordance with tax legislation.

##### **Deferred tax**

Deferred income tax is provided on temporary differences between the tax bases of assets and liabilities and their carrying amounts at the end of each reporting period, using the tax rates enacted at the end of the reporting period.

The Company recognises deferred tax liabilities for all taxable temporary differences while it recognises deferred tax assets for all deductible temporary differences to the extent that it is probable that future taxable profit will be available against which such deductible temporary differences and tax losses carried forward can be utilised.

At each reporting date, the Company reviews and reduces the carrying amount of deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

The Company records deferred tax directly to shareholders' equity if the tax relates to items that are recorded directly to shareholders' equity.

#### **4.15 Impairment of assets**

At the end of each reporting period, the Company assesses whether there is an indication that an asset may be impaired. If any indication exists that an asset may be impaired, or when annual impairment reviewing for an asset is required, the Company realises loss on impairment when the asset's recoverable amount is less than the book value. An asset's recoverable amount is the higher of an asset's fair value less cost to sell and its value in use. Fair value less cost to sell reflects the amount that the Company could obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the cost of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised in part of profit or loss in the statement of comprehensive income.

In the assessment of asset impairment if there is any indication that previously recognised impairment losses may no longer exist or may have decreased, the Company estimates the asset's recoverable amount and impairment loss recognised in prior periods is reversed.

#### **4.16 Borrowings and debt issued**

Borrowings and debt issued are recognised initially at the fair value of the proceeds received. Borrowings and debt issued are subsequently stated at amortised cost, using the effective yield method. Any difference between proceeds and the redemption value is recognised in the statements of comprehensive income over the period of the borrowings.

#### **4.17 Securities and derivatives business payables**

Securities and derivatives business payables are the obligations of the Company in respect of its securities and derivatives business with outside parties, such as the net payable balances of cash accounts, securities delivery obligations as a result of short sales and obligations to return assets held by the Company as collateral for securities lending.

#### **4.18 Provisions**

Provisions are recognised when the Company has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

#### 4.19 Employee benefits

a) Short-term employee benefits

Salaries, wages, bonuses and contributions to the social security fund are recognised as expenses when incurred.

b) Post-employment benefits (Defined contribution plans)

The Company and the employees have jointly established a provident fund. The fund is monthly contributed by employees and by the Company. The fund's assets are held in a separate trust fund and the Company's contributions are recognised as expenses when incurred.

c) Post-employment benefits (Defined benefit plans)

The Company has obligations in respect of the severance payments it must make to employees upon retirement under labor law. The Company treats these severance payment obligations as a defined benefit plan.

The obligation under the defined benefit plan is determined by a professionally qualified independent actuary, based on actuarial techniques, using the projected unit credit method.

Actuarial gains and losses arising from post-employment benefits are recognised immediately in other comprehensive income.

For the first-time adoption of TAS 19 Employee Benefits in 2011, the Company elected to recognise the transitional liability, which exceeds the liability that would have been recognised at the same date under the previous accounting policy, as an expense on a straight-line basis over up to five years from the date of adoption.

#### 4.20 Long-term lease

Leases of vehicles which transfer substantially all the risks and rewards of ownership to the lessee are classified as finance leases. Finance leases are capitalised at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The outstanding rental obligations, net of finance charges, are recorded as liabilities, while the interest element is charged to profit or loss over the lease period. The assets acquired under finance leases are depreciated over the useful life of the asset.

Operating lease payments are recognised as an expense in profit or loss on a straight line basis over the lease term.

#### **4.21 Related party transactions**

Related parties comprise enterprises and individuals that control, or are controlled by, the Company, whether directly or indirectly, or which are under common control with the Company.

They also include associated companies and individuals which directly or indirectly own a voting interest in the Company that gives them significant influence over the Company, management personnel, directors and officers with authority in the planning and direction of the operations of the Company.

#### **4.22 Treasury stocks**

The consideration paid in case where the Company purchases back ordinary share of the Company, including any attributable incremental external costs net of income taxes, is deducted from total shareholders' equity as treasury shares until the treasury shares are cancelled. If such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity.

#### **4.23 Foreign currencies**

The financial statements are presented in Baht, which is also the Company's functional currency.

Transactions in foreign currencies are translated into Baht at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Baht at the exchange rate ruling at the end of reporting period.

Gains and losses on exchange are included in determining income.

#### **4.24 Derivatives**

##### **Forward exchange contracts**

Forward exchange contracts are initially recognised as off-balance transactions on the date on which derivative contracts are entered into. Subsequently gains (losses) from changes in the fair value of derivatives is included in profit or loss. The fair value of forward foreign currency contracts is determined based on an average rate of buying or selling for the remaining period of each contract.

##### **Futures contracts**

The Company initially recognises future contracts as off-balance transactions on the date on which future contracts are entered into. Subsequently gains (losses) from changes in the fair value of future contracts is included in profit or loss. The fair value of marketable future contracts being calculated with reference to the last bid/offer prices quoted on Thailand Futures Exchange Public Company Limited on the last working day of the year.

### **Derivative warrants**

The Company initially recognises the fair value of derivative warrants as financial liabilities. Unrealised gains or losses resulting from changes in the fair values of derivative warrants are included in the statement of comprehensive income. The fair value of marketable derivative warrants being calculated with reference to the last offer price quoted on the Stock Exchange of Thailand on the last working day of the year.

#### **4.25 Fair value measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between buyer and seller (market participants) at the measurement date. The Company applies a quoted market price in an active market to measure their assets and liabilities that are required to be measured at fair value by relevant financial reporting standards. Except in case of no active market of an identical asset or liability or when a quoted market price is not available, the Company measures fair value using valuation techniques that are appropriate in the circumstances and maximises the use of relevant observable inputs related to assets and liabilities that are required to be measured at fair value.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy into three levels based on categorise of input to be used in fair value measurement as follows:

- Level 1     Use of quoted market prices in an observable active market for such assets or liabilities
- Level 2     Use of other observable inputs for such assets or liabilities, whether directly or indirectly
- Level 3     Use of unobservable inputs such as estimates of future cash flows

At the end of each reporting period, the Company determines whether transfers have occurred between levels within the fair value hierarchy for assets and liabilities held at the end of the reporting period that are measured at fair value on a recurring basis.

#### **5. Significant accounting judgements and estimates**

The preparation of financial statements in conformity with financial reporting standards at time requires management to make subjective judgements and estimates regarding matters that are inherently uncertain. These judgements and estimates affect reported amounts and disclosure, and actual results could differ from these estimation. The significant accounting judgements and estimates are as follows:

### **5.1 Allowances for doubtful accounts for securities and derivatives business receivables**

Allowances for doubtful accounts for securities and derivatives business receivables are intended to adjust the values of receivables for probable credit losses. The management uses the SEC's regulations regarding the provision of allowance for doubtful accounts and judgement to establish reserves for estimated losses for each outstanding receivable when there is any doubt about the receivable's capability to repay the debt. The allowance for doubtful accounts is determined through a combination of specific reviews, probability of default and the value of the securities used as collateral.

### **5.2 Fair value of financial instruments**

In determining the fair value of financial instruments recognised in the statement of financial position and disclosed in the note to financial statement that are not actively traded and for which quoted market prices are not readily available, the management exercises judgement, using a variety of valuation techniques and models. The input to these models is taken from observable markets, and includes consideration of credit risk, liquidity, correlation and longer-term volatility of financial instruments. Change in assumptions about these factors could affect the fair value recognised in the financial statements and disclosures of fair value hierarchy.

### **5.3 Allowance for impairment of investments**

The Company treats investments as impaired when there has been a significant or prolonged decline in the fair value below their cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgement of the management.

### **5.4 Equipment and Depreciation**

In determining depreciation of equipment, the management is required to make estimates of the useful lives and salvage values of the Company's equipment and to review estimate useful lives and salvage values when there are any changes.

In addition, the management is required to review equipment for impairment on a periodical basis and record impairment losses in the period when it is determined that their recoverable amount is lower than the carrying cost. This requires judgements regarding forecast of future revenues and expenses relating to the assets subject to the review.



## 5.5 Deferred tax asset

Deferred tax assets are recognised in respect of temporary differences only to the extent that it is highly probable that taxable profit will be available against which these differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of estimate future taxable profits.

## 5.6 Recognition and derecognition of assets and liabilities

In considering whether to recognise or to derecognise assets or liabilities, the management is required to make judgement on whether significant risk and rewards of those assets or liabilities have been transferred, based on their best knowledge of the current events and arrangements.

## 5.7 Leases

In determining whether a lease is to be classified as an operating lease or finance lease, the management is required to use judgement regarding whether significant risk and rewards of ownership of the leased asset has been transferred, taking into consideration terms and conditions of the arrangement.

## 5.8 Employee benefit

The obligation under the defined benefit plan is determined based on actuarial techniques. Such determination is made based on various assumptions, including discount rate, future salary increase rate, mortality rate and staff turnover rate.

## 6. Cash and cash equivalents

	(Unit: Baht)	
	31 December 2016	31 December 2015
Cash on hand	640,299	618,299
Current accounts and savings accounts	1,919,505,379	1,456,740,651
Certificates of deposit	980,000,000	-
Total cash and cash equivalents	2,900,145,678	1,457,358,950
Less: Cash deposits held for customers	(2,548,862,924)	(1,073,188,041)
Total cash and cash equivalents -net	351,282,754	384,170,909

## 7. Deposits at financial institutions

	(Unit: Baht)	
	31 December 2016	31 December 2015
	Over 3 months - 1 year	
Fixed deposits	1,500,003,357	8,700,003,333
Certificates of deposit	1,900,000,000	3,210,000,000
Deposits with restriction	3,522,949	3,520,894
Total deposits at financial institutions	3,403,526,306	11,913,524,227
Less: Cash deposits held for customers	(3,400,000,000)	(11,910,000,000)
Total deposits at financial institutions - net	3,526,306	3,524,227

As at 31 December 2016, fixed deposits of Baht 4 million (31 December 2015: Baht 4 million) are pledged as collateral to local banks for letter of guarantees.

## 8. Receivables from Clearing House

	(Unit: Baht)	
	31 December 2016	31 December 2015
Receivables from Clearing House	1,480,498,859	997,227,797
Receivables from foreign securities company	297,861,396	244,239,238
Less: Receivables from Clearing House held for customers	(1,037,514,354)	(547,863,013)
Total receivables from Clearing House - net	740,845,901	693,604,022

## 9. Securities and derivatives business receivables

	(Unit: Baht)	
	31 December 2016	31 December 2015
<u>Securities business receivables</u>		
Cash accounts	3,165,839,542	1,742,747,346
Credit balance accounts	10,579,464,383	13,777,484,351
Receivables under securities borrowing and lending business		
- Securities borrowing receivables	167,623,400	192,177,713
Other receivables		
- Overdue customers' accounts	246,485,888	245,872,625
Total securities business receivables	14,159,413,213	15,958,282,035
Add: Accrued interest receivables	60,986,011	77,579,231
Less: Allowance for doubtful accounts	(247,958,355)	(248,021,130)
Securities business receivables and accrued interest receivables - net	13,972,440,869	15,787,840,136
<u>Derivatives business receivables</u>		
Derivatives business receivables	787,458	435,906
Less: Allowance for doubtful accounts	(365,378)	(259,586)
Derivatives business receivables - net	422,080	176,320
Securities and derivatives business receivables - net	13,972,862,949	15,788,016,456

- 9.1 As at 31 December 2016, the Company had other receivables with book values totaling Baht 260 million from which it has ceased recognising income (31 December 2015: Baht 260 million).
- 9.2 As at 31 December 2016 and 2015, the Company has classified securities business receivables and derivatives business receivables, in accordance with the relevant notification issued by the Office of the Securities and Exchange Commission. The classification is as follows:

(Unit: Baht)

	31 December 2016		
	Debt balance	Allowance for doubtful Accounts	Debt balance net of allowance for doubtful accounts
Normal Debt	13,960,763,473	-	13,960,763,473
Sub-standard Debt	16,245,691	(4,146,215)	12,099,476
Doubtful Debt	244,177,518	(244,177,518)	-
Total	14,221,186,682	(248,323,733)	13,972,862,949

(Unit: Baht)

	31 December 2015		
	Debt balance	Allowance for doubtful Accounts	Debt balance net of allowance for doubtful accounts
Normal Debt	15,775,979,739	-	15,775,979,739
Sub-standard Debt	16,050,142	(4,013,425)	12,036,717
Doubtful Debt	244,267,291	(244,267,291)	-
Total	16,036,297,172	(248,280,716)	15,788,016,456

As at 31 December 2016, receivables classified as sub-standard debt and doubtful debt approximately Baht 255 million was the Company's receivables before Kim Eng Holdings Limited (currently, Maybank Kim Eng Holdings Limited) became a shareholder and management of the Company in 1998 (31 December 2015: Baht 255 million).

#### 10. Allowance for doubtful accounts

(Unit: Baht)

	31 December 2016	31 December 2015
Balance - beginning of the year	248,280,716	260,099,030
Add: Doubtful accounts	192,810	347,084
Less: Reversal of doubtful accounts	(149,793)	(12,165,398)
Balance - end of the year	248,323,733	248,280,716

## 11. Derivatives assets and derivatives liabilities

(Unit: Baht)

	31 December 2016		
	Fair value		Notional amount
	Assets	Liabilities	
<b>Trading derivatives</b>			
Forward contract	-	9,483,424	1,002,440,000
Future contracts <sup>(1)</sup>	-	-	540,517,764
Derivatives warrants	-	32,146,252	216,206,567
<b>Total derivatives assets and derivatives liabilities</b>	-	41,629,676	1,759,164,331

- <sup>(1)</sup> The future contracts are cash settlement. Real exposure is a difference between cost of such contracts and underlying assets level on settlement date, fair value of outstanding future contracts at the end of year included in "Receivables from Clearing House". As at 31 December 2016, fair value of derivative assets - future contracts is Baht 39 million.

(Unit: Baht)

	31 December 2015		
	Fair value		Notional amount
	Assets	Liabilities	
<b>Trading derivatives</b>			
Forward contract	4,069,837	-	1,014,000,000
Future contracts <sup>(1)</sup>	-	-	185,050,440
Derivatives warrants	-	8,856,328	328,977,760
<b>Total derivatives assets and derivatives liabilities</b>	4,069,837	8,856,328	1,528,028,200

- <sup>(1)</sup> The future contracts are cash settlement. Real exposure is a difference between cost of such contracts and underlying assets level on settlement date, fair value of outstanding future contracts at the end of year included in "Receivables from Clearing House". As at 31 December 2015, fair value of derivative liabilities - future contracts is Baht 1 million.

### 11.1 Gain on derivatives

(Unit: Baht)

	For the years ended 31 December	
	2016	2015
Realised gain on trading in derivatives	438,923	305,315,398
Unrealised gain (loss) on revaluation of derivatives	39,754,290	(34,047,955)
<b>Total gain on derivatives</b>	<b>40,193,213</b>	<b>271,267,443</b>

## 12. Investments

	(Unit: Baht)			
	31 December 2016		31 December 2015	
	Cost / amortised cost	Fair value	Cost / amortised cost	Fair value
<b>Trading securities</b>				
Equity securities - Listed securities	648,362,041	636,260,206	177,901,717	185,651,352
Add (less): Allowance for revaluation	(12,101,835)		7,749,635	
<b>Net trading securities</b>	636,260,206		185,651,352	
<b>Held-to-maturity debt securities</b>				
Government bonds	10,019,000,000	9,989,363,249	-	-
Less: Accumulated amortisation	(30,237,562)		-	
Total held-to-maturity debt securities	9,988,762,438		-	
Less: Investments for customers' account	(9,988,762,438)		-	
<b>Net held-to-maturity debt securities</b>	-		-	
<b>General investments</b>				
Other securities - ordinary shares	23,752,500		24,169,160	
Less: Allowance for impairment	(14,662,500)		(14,662,500)	
<b>Net general investments</b>	9,090,000		9,506,660	
<b>Total investments - net</b>	645,350,206		195,158,012	

### 12.1 Debt securities classified by remaining periods to maturity

As at 31 December 2016, the Company classified investments in held-to-maturity debt securities by remaining periods to maturity as follows:

	(Unit: Baht)			
	31 December 2016			
	Due within			
	Within 1 year	1 - 5 years	Over 5 years	Total
<b>Held-to-maturity debt securities</b>				
Government bonds	9,988,762,438	-	-	9,988,762,438
Less: Investments for customer's accounts	(9,988,762,438)	-	-	(9,988,762,438)
<b>Total investments in held-to-maturity debt securities</b>	-	-	-	-

## 12.2 Gain (loss) on investments

	(Unit: Baht)	
	For the years ended 31 December	
	2016	2015
Realised gain (loss) on trading securities	50,215,919	(219,204,816)
Unrealised gain (loss) on revaluation of trading securities	(19,621,775)	24,580,441
Total gain (loss) on investments	30,594,144	(194,624,375)

## 13. Equipment

	(Unit: Baht)				
	Building improvement	Furniture Fixtures and equipment	Asset under financial lease	Construction in process	Total
<b>Cost</b>					
1 January 2015	224,285,643	529,307,493	28,134,432	10,425,705	792,153,273
Additions	5,575,822	43,334,105	11,183,505	4,393,896	64,487,328
Transfer in (out)	-	10,420,244	-	(10,420,244)	-
Disposals/written-off	(543,151)	(8,210,337)	(2,906,536)	-	(11,660,024)
31 December 2015	229,318,314	574,851,505	36,411,401	4,399,357	844,980,577
Additions	632,040	14,914,744	5,156,339	8,021,570	28,724,693
Transfer in (out)	7,232,443	1,221,639	-	(8,454,082)	-
Disposals/written-off	(3,700,999)	(9,356,385)	(2,666,039)	-	(15,723,423)
31 December 2016	233,481,798	581,631,503	38,901,701	3,966,845	857,981,847
<b>Accumulated depreciation</b>					
1 January 2015	159,227,294	343,187,651	15,702,895	-	518,117,840
Depreciation for the year	22,330,728	58,968,155	5,971,161	-	87,270,044
Disposals/written-off	(377,446)	(8,140,947)	(2,906,535)	-	(11,424,928)
31 December 2015	181,180,576	394,014,859	18,767,521	-	593,962,956
Depreciation for the year	20,753,735	61,889,347	5,667,453	-	88,310,535
Disposals/written-off	(3,699,939)	(9,311,884)	(2,666,040)	-	(15,677,863)
31 December 2016	198,234,372	446,592,322	21,768,934	-	666,595,628
<b>Net book value</b>					
31 December 2015	48,137,738	180,836,646	17,643,880	4,399,357	251,017,621
31 December 2016	35,247,426	135,039,181	17,132,767	3,966,845	191,386,219
Depreciation charge for the years ended 31 December					
2015					87,270,044
2016					88,310,535

As at 31 December 2016 and 2015, certain equipment items have been fully depreciated but are still in use. The gross carrying amount (before deducting accumulated depreciation) of those assets amounted to approximately Baht 413 million and Baht 336 million, respectively.

#### 14. Intangible assets

(Unit: Baht)

For the year ended 31 December 2016										
	Useful lives	Cost				Accumulated amortisation				Net intangible assets
		1 January 2016	Increase	Transfer in (transfer out)	Written-off	31 December 2016	1 January 2016	Increase	Written-off	31 December 2016
Computer software	5 years	137,390,057	5,623,360	4,211,215	(3,991)	147,220,641	94,966,941	14,660,211	(764)	109,626,388
Software under installation	-	1,917,262	4,341,925	(4,211,215)	-	2,047,972	-	-	-	2,047,972
Deferred expenses of membership fee - Thailand	-	-	-	-	-	-	-	-	-	-
Futures Exchanges	-	5,000,000	-	-	-	5,000,000	1,679,452	-	-	1,679,452
<b>Total</b>		<b>144,307,319</b>	<b>9,965,285</b>	<b>-</b>	<b>(3,991)</b>	<b>154,268,613</b>	<b>96,646,393</b>	<b>14,660,211</b>	<b>(764)</b>	<b>111,305,840</b>

(Unit: Baht)

For the year ended 31 December 2015										
	Useful lives	Cost				Accumulated amortisation				Net intangible assets
		1 January 2015	Increase	Transfer in (transfer out)	Written-off	31 December 2015	1 January 2015	Increase	Written-off	31 December 2015
Computer software	5 years	126,933,053	7,278,802	3,178,202	-	137,390,057	80,068,191	14,898,750	-	94,966,941
Software under installation	-	3,192,354	1,903,110	(3,178,202)	-	1,917,262	-	-	-	1,917,262
Deferred expenses of membership fee -Thailand	-	-	-	-	-	-	-	-	-	-
Futures Exchanges	-	5,000,000	-	-	-	5,000,000	1,679,452	-	-	1,679,452
<b>Total</b>		<b>135,125,407</b>	<b>9,181,912</b>	<b>-</b>	<b>-</b>	<b>144,307,319</b>	<b>81,747,643</b>	<b>14,898,750</b>	<b>-</b>	<b>96,646,393</b>

As at 31 December 2016 and 2015, certain computer software items have been fully amortised but are still in use. The gross carrying amount (before deducting accumulated amortisation) of those intangible assets amounted to approximately Baht 68 million and Baht 61 million, respectively.

#### 15. Other assets

(Unit: Baht)

	31 December 2016	31 December 2015
Clearing fund	126,393,575	112,105,636
Accrued income	53,217,531	52,707,857
Prepaid expenses	267,513,416	24,738,352
Others	15,481,416	20,586,445
<b>Total</b>	<b>462,605,938</b>	<b>210,138,290</b>

## 16. Borrowings from financial institutions

As at 31 December 2016 and 2015, borrowings from financial institutions comprising of domestic borrowings in Baht currency as follows:

(Unit: Baht)

	31 December 2016			
	Interest rate per			
	annum	Remaining period to maturity		
	(percent)	At call	Within 1 year	Total
Financial institutions				
Promissory notes	1.85	720,000,000	-	720,000,000
Total borrowings from financial institutions		720,000,000	-	720,000,000

(Unit: Baht)

	31 December 2015			
	Interest rate per	Remaining period to maturity		
	annum			
	(percent)	At call	Within 1 year	Total
Financial institutions				
Promissory notes	1.80 - 1.85	1,470,000,000	-	1,470,000,000
Total borrowings from financial institutions		1,470,000,000	-	1,470,000,000

## 17. Securities and derivatives business payables

(Unit: Baht)

	31 December 2016	31 December 2015
Cash accounts	3,310,844,455	2,001,098,333
Payables under securities borrowing and lending business	179,833,520	216,215,093
Guaranteed deposit payables	2,898,000	10,131,040
<b>Securities and derivatives business payables</b>	<b>3,493,575,975</b>	<b>2,227,444,466</b>



## 18. Debt issued and borrowings

As at 31 December 2016 and 2015, debt issued and borrowings are classified as follows:

(Unit: Baht)

	31 December 2016				
	Interest rate	Remaining period to maturity			
	per annum		Within	More than	
	(percent)	At call	1 year	1 year	Total
<u>Other borrowings and debt issued</u>					
Bills of exchange	1.65 - 1.80	-	5,864,988,773	-	5,864,988,773
Subordinated loan	1% above cost				
	of funds	-	-	992,040,000	992,040,000
Total other borrowings and debt issued		-	5,864,988,773	992,040,000	6,857,028,773

(Unit: Baht)

	31 December 2015				
	Interest rate	Remaining period to maturity			
	per annum	Within	More than		
	(percent)	At call	1 year	1 year	Total
<b><u>Other borrowings and debt issued</u></b>					
Bills of exchange	1.70 - 1.85	-	6,123,956,305	-	6,123,956,305
Bonds	3.14	-	1,400,000,000	-	1,400,000,000
Subordinated loan	1% above				
	cost of funds	-	-	1,020,778,000	1,020,778,000
<b>Total other borrowings and debt issued</b>		-	7,523,956,305	1,020,778,000	8,544,734,305

## 19. Provisions

(Unit: Baht)

	Obligation	Long-term employee benefits	Decommissioning cost	Total
Balance as at 1 January 2015	26,326,952	112,927,548	4,389,027	143,643,527
Increase (decrease) during the year	(26,326,952)	33,123,214	-	6,796,262
Balance as at 31 December 2015	-	146,050,762	4,389,027	150,439,789
Increase during the year	-	10,877,447	-	10,877,447
Balance as at 31 December 2016	-	156,928,209	4,389,027	161,317,236

## 20. Provisions for long-term employee benefits

Provisions for long-term employee benefits as at 31 December 2016 and 2015, are as follows:

	(Unit: Baht)	
	31 December 2016	31 December 2015
<b>Provisions for long-term employee benefits at beginning of year</b>	146,050,762	124,197,612
Current service cost	19,473,023	17,984,492
Interest cost	6,441,424	5,491,278
Benefits paid during the year	(15,037,000)	(1,622,620)
<b>Provisions for long-term employee benefits at end of year</b>	<b>156,928,209</b>	<b>146,050,762</b>

Long-term employee benefit expenses included in the profit or loss for the years ended 31 December 2016 and 2015 were as follows:

	(Unit: Baht)	
	For the years ended 31 December	
	2016	2015
Current service cost	19,473,023	17,984,492
Interest cost	6,441,424	5,491,278
Transitional liability recognised during the year	-	11,270,064
<b>Total</b>	<b>25,914,447</b>	<b>34,745,834</b>

The Company recognised these expenses in operating expenses.

The Company expects to pay Baht 6 million in long-term employee benefits during the next year (31 December 2015: Baht 7 million). As at 31 December 2016, the weighted average duration of the liabilities for long-term employee benefit is about 18 years (31 December 2015: 19 years)

The principal actuarial assumptions used to calculate the defined benefit obligations are summarised below.

	31 December 2016	31 December 2015
	(% per annum)	(% per annum)
Discount rate	4.25	4.25
Average future salary increase	5.00	5.00
Average staff turnover rate	0.00 - 15.00	0.00 - 15.00

The result of sensitivity analysis for significant assumptions that affect the present value of the long-term employee benefit obligation as at 31 December 2016 and 2015 are summarised below:

	31 December 2016		31 December 2015	
	Increase 1%	Decrease 1%	Increase 1%	Decrease 1%
Discount rate	(17)	19	(15)	18
Future salary increase rate	20	(17)	18	(16)
Average staff turnover rate	(18)	13	(16)	12

## 21. Liabilities under finance lease agreements

	(Unit: Baht)	
	31 December 2016	31 December 2015
Liabilities under finance lease agreements	22,292,791	22,485,340
Less: Deferred interest expenses	(2,039,338)	(2,282,874)
Total	20,253,453	20,202,466
Less: Portion due within one year	(5,971,137)	(4,989,571)
Total liabilities under finance lease agreements - net of current portion	14,282,316	15,212,895

The Company has entered into the finance lease agreements with leasing companies for rental of motor vehicles for use in its operation, whereby it is committed to pay rental on a monthly basis. The terms of the agreements are generally 5 years.

Future minimum lease payments required under the finance lease agreements were as follows:

	(Unit: Baht)		
	31 December 2016		
	Less than 1 year	1 - 5 years	Total
Future minimum lease payments	6,851,647	15,441,144	22,292,791
Deferred interest expenses	(880,510)	(1,158,828)	(2,039,338)
Present value of future minimum lease payments	5,971,137	14,282,316	20,253,453

	(Unit: Baht)		
	31 December 2015		
	Less than 1 year	1 - 5 years	Total
Future minimum lease payments	5,944,338	16,541,002	22,485,340
Deferred interest expenses	(954,767)	(1,328,107)	(2,282,874)
Present value of future minimum lease payments	4,989,571	15,212,895	20,202,466

## 22. Capital management

The primary objectives of the Company's capital management are to maintain the Company's ability to continue as a going concern and to maintain net capital in accordance with the rules laid down by the Office of the Securities and Exchange Commission.

## 23. Statutory reserve

Pursuant to Section 116 of the Public Limited Companies Act B.E. 2535, the Company is required to set aside a statutory reserve at least 5% of its net income, after deducting accumulated deficit brought forward (if any), until the reserve reaches 10% of its registered capital. The statutory reserve is not available for dividend distribution. The Company completely sets aside a statutory reserve nowadays.

## 24. Dividends

During the years ended 31 December 2016 and 2015, payment of dividend are as follows:

Dividends	Approved by	Total dividends (Million Baht)	Dividend per share (Baht)
Interim dividends for the operating result as from 1 January 2016 to 30 June 2016	Board of Directors' Meeting on 9 August 2016	428	0.75
Dividends for the operating result as from 1 January 2015 to 31 December 2015	Annual General Meeting of the shareholders on 4 April 2016	451	0.79
Dividend paid for the year ended 31 December 2016		<u>879</u>	<u>1.54</u>
Interim dividends for the operating result as from 1 January 2015 to 30 June 2015	Board of Directors' Meeting on 13 August 2015	571	1.00
Dividends for the operating result as from 1 July 2014 to 31 December 2014	Annual General Meeting of the shareholders on 2 April 2015	514	0.90
Dividend paid for the year ended 31 December 2015		<u>1,085</u>	<u>1.90</u>

## 25. Brokerage fee

	(Unit: Baht)	
	For the years ended 31 December	
	2016	2015
Brokerage fee from securities business	2,411,274,747	2,452,773,647
Brokerage fee from derivatives business	173,681,042	172,194,576
Other brokerage fees	5,669,959	6,482,980
Total brokerage fee	2,590,625,748	2,631,451,203

## 26. Fees and service income

	(Unit: Baht)	
	For the years ended 31 December	
	2016	2015
Underwriting fee	20,962,000	112,510,400
Financial advisory	32,000,000	36,525,000
Securities borrowing and lending	15,121,573	10,164,805
Others	7,142,109	3,113,303
Total fees and service income	75,225,682	162,313,508

## 27. Directors' remuneration

Directors' remuneration represents the benefits (exclusive of salaries, bonus, and related benefits payable to executive directors) paid to directors of the Company in accordance with Section 90 of the Public Limited Companies Act.

## 28. Provident fund

The Company, and their employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. Employees contributed to the fund monthly at the rate of 3 - 15 percent of basic salary and the Company contributed to the fund monthly at the rate of 3 - 10 percent. The funds of the Company are managed by TMB Asset Management Company Limited. The funds will be paid to employees upon termination in accordance with the rules of the fund. During the years ended 31 December 2016 and 2015, Baht 40 million and Baht 40 million, respectively were contributed to the fund by the Company.

## 29. Deferred tax assets/liabilities and income tax expenses

### 29.1 Deferred tax assets/liabilities

Deferred tax assets and deferred tax liabilities consisted of tax effects on each type of transactions as follows:

	(Unit: Baht)	
	31 December 2016	31 December 2015
<b>Deferred tax liabilities</b>		
Allowance for doubtful accounts - others receivables	7,400,600	7,400,600
Provisions for long-term employee benefits	31,749,642	29,574,152
Others	2,860,289	2,657,152
<b>Total</b>	<b>42,010,531</b>	<b>39,631,904</b>
<b>Deferred tax liabilities</b>		
Unrealised gain on exchange rate	7,370,381	3,598,553
Others	3,204,060	1,446,021
<b>Total</b>	<b>10,574,441</b>	<b>5,044,574</b>
<b>Deferred tax assets - net</b>	<b>31,436,090</b>	<b>34,587,330</b>

### 29.2 Income tax expenses

Income tax expenses for the years ended 31 December 2016 and 2015 are made up as follows:

	(Unit: Baht)	
	For the years ended 31 December	
	2016	2015
<b>Current income tax:</b>		
Corporate income tax for the year	229,979,386	258,129,396
Adjustment of corporate income tax expenses of previous year	15,813,323	8,767,397
<b>Deferred tax:</b>		
Relating to origination and reversal of temporary differences	3,151,239	(4,712,993)
<b>Income tax expense reported in profit or loss</b>	<b>248,943,948</b>	<b>262,183,800</b>

Reconciliation between income tax expenses and the product of accounting profits and the applicable tax rate for the years ended 31 December 2016 and 2015 are as follows:

	(Unit: Baht)	
	For the years ended 31 December	
	2016	2015
Accounting profits before income tax expenses	1,223,433,688	1,281,414,715
Applicable corporate income tax rate	20%	20%
Amounts of income taxes at the applicable tax rate	244,686,738	256,282,943
Adjustment of income tax expenses of previous year	15,813,323	8,767,397
Tax effect of non-deductible expenses	(11,556,113)	(2,866,540)
Income tax expenses reported in profit or loss	248,943,948	262,183,800

### 30. Earnings per share

Basic earnings per share are calculated by dividing the profit for the year (excluding other comprehensive income) by the weighted average number of ordinary shares in issue during the year.

### 31. Related party transactions

During the years ended 31 December 2016 and 2015, the Company had significant business transactions with the following related parties.

Company's name and related person	Relationship
Maybank Kim Eng Holdings Limited	Parent company
Maybank Asset Management (Thailand) Co., Ltd.	Fellow subsidiary of the Group <sup>(1)</sup>
Maybank Kim Eng Securities Pte. Ltd.	Fellow subsidiary
Kim Eng Securities (Hong Kong) Limited	Fellow subsidiary
Maybank Kim Eng Research Pte. Ltd.	Fellow subsidiary
Maybank Kim Eng Securities Limited	Fellow subsidiary
Maybank Investment Bank Berhad	Fellow subsidiary of the Group

<sup>(1)</sup> The Group disposed investment in Maybank Asset Management (Thailand) Co., Ltd. on August 2016, therefore, it is related party until August 2016. Later, it changed the name to Capital Link Fund Management Limited.

Such related parties transactions have been concluded on commercial terms and bases agreed upon in the ordinary course of businesses between the Company and those related parties. Below is a summary of those transactions.

(Unit: Million Baht)

	For the years ended		
	31 December		
	2016	2015	Pricing policies
<b><u>Transactions with related parties</u></b>			
<u>Service income</u>			In accordance with service agreements
Maybank Asset Management (Thailand) Co., Ltd.	1	2	
Maybank Kim Eng Securities Pte. Ltd.	-	2	
<u>Brokerage fee income</u>			At normal rate charged to other clients,
Maybank Kim Eng Securities Pte. Ltd.	63	38	in accordance with SET's and SEC's
Kim Eng Securities (Hong Kong) Limited	7	4	notification
<u>Research and advisory income</u>			In accordance with agreement
Maybank Kim Eng Research Pte. Ltd.	20	25	
<u>Fee and service expenses</u>			In accordance with agreement
Maybank Kim Eng Securities Pte. Ltd.	3	4	
Maybank Investment Bank Berhad	1	-	
<u>Brokerage expenses</u>			In accordance with agreement
Maybank Kim Eng Securities Pte. Ltd.	2	2	
Maybank Kim Eng Securities Limited	1	-	
<u>Interest expenses on borrowings</u>			In accordance with agreement
Maybank Kim Eng Holdings Limited	32	38	
<u>Research and advisory expenses</u>			In accordance with agreement
Maybank Kim Eng Research Pte. Ltd.	13	15	
<u>Dividend paid</u>			As declared
Maybank Kim Eng Holdings Limited	732	903	
Maybank Kim Eng Securities Pte. Ltd.	2	3	



As at 31 December 2016 and 2015, the outstanding balances of the above transactions, as presented in the statements of financial position are as follows:

	31 December 2016	31 December 2015	(Unit: Million Baht) Pricing Policies
<b><u>Related companies</u></b>			
<u>Securities business receivables</u>			No interest charged
Maybank Kim Eng Securities Pte. Ltd.	21	87	
Kim Eng Securities (Hong Kong) Limited	-	4	
<u>Foreign securities company receivables</u>			No interest charged
Maybank Kim Eng Securities Pte. Ltd.	7	4	
<u>Foreign deposits receivables</u>			As determined by Maybank
Maybank Kim Eng Securities Pte. Ltd.	290	240	Kim Eng Securities Pte. Ltd.
<u>Subordinated loan</u>			In accordance with agreement
Maybank Kim Eng Holdings Limited	992	1,021	
<u>Securities business payables</u>			No interest charged
Maybank Kim Eng Securities Pte. Ltd.	188	36	
Kim Eng Securities (Hong Kong) Limited	9	-	
<u>Foreign securities company payables</u>			No interest charged
Maybank Kim Eng Securities Pte. Ltd.	9	1	
<u>Other payable</u>			No interest charged
Maybank Investment Bank Berhad	1	-	

As at 31 December 2016, Maybank Kim Eng Holdings Ltd. guaranteed the overdraft facilities amounting to Baht 30 million (31 December 2015: Baht 30 million). There is no overdraft outstanding balance as at 31 December 2016 and 2015.

As at 31 December 2016, the Company had loans to employees under welfare program amounting to Baht 296 million. The loans charged interest at rate of 1.40 and 2.10 percent per annum (31 December 2015: Baht 314 million, interest at rate of 1.40 and 2.10 percent per annum).

### Loans from related parties

As at 31 December 2016 and 2015, the loans from related parties between the Company and the related company and the movement of loans are as follows:

(Unit: Million Baht)						
Loan from related parties	Relationship	Balance as at 1 January 2016	Increase during the year	Decrease during the year	Gain on exchange rate	Balance as at 31 December 2016
Maybank Kim Eng Holdings Limited	Parent company	1,021	1,000	(1,014)	(15)	992
<b>Total</b>		<b>1,021</b>	<b>1,000</b>	<b>(1,014)</b>	<b>(15)</b>	<b>992</b>

(Unit: Million Baht)						
Loan from related parties	Relationship	Balance as at 1 January 2015	Increase during the year	Decrease during the year	Loss on exchange rate	Balance as at 31 December 2015
Maybank Kim Eng Holdings Limited	Parent company	1,000	1,015	1,000	6	1,021
<b>Total</b>		<b>1,000</b>	<b>1,015</b>	<b>1,000</b>	<b>6</b>	<b>1,021</b>

### Management's remuneration

During the years ended 31 December 2016 and 2015, benefits paid to management of the Company, which presented as part of "Personnel expenses", are as follows:

(Unit: Baht)		
For the years ended 31 December		
	2016	2015
Management's remuneration		
Short-term employee benefits	186,128,098	196,945,179
Post-employment benefits	10,557,922	9,738,842
	<b>196,686,020</b>	<b>206,684,021</b>

## 32. Segment information

Operating segment information is reported in a manner consistent with the internal reports that are regularly reviewed by the chief operating decision maker in order to make decisions about the allocation of resources to the segment and assess its performance.

For management purposes, the Company is organised into business units based on its products and services and has two reportable segments as follows:

- Securities business segment, which provides service according to brokering and derivative brokering, the Company's securities trading and securities borrowing and lending.
- Investment banking segment, which provides service according to underwriting, investment advisory and corporate finance advisory.

The chief operating decision maker monitors the operating results of the business units separately for the purpose of making decisions about resource allocation and assessing performance. Segment performance is measured based on operating profit or loss and on a basis consistent with that used to measure operating profit or loss in the financial statements.

The following tables present revenue and profit information regarding the Company's operating segments for the years ended 31 December 2016 and 2015, respectively.

	(Unit: Million Baht)		
	Securities business segment	Investment banking segment	Total segments
<b>For the year ended 31 December 2016</b>			
<b>Income</b>			
Revenue from external customers			
Brokerage fee	2,590	1	2,591
Fee and service income	69	6	75
Interest on deposit and credit balance accounts	881	-	881
Other income	124	-	124
<b>Total income</b>	<b>3,664</b>	<b>7</b>	<b>3,671</b>
<b>Expenses</b>			
Financial cost			384
Fee and service expenses			242
Personnel expenses			1,272
Other expenses			550
<b>Total expenses</b>			<b>2,448</b>
<b>Profit before income tax expenses</b>			<b>1,223</b>
Income tax expenses			249
<b>Profit for the year</b>			<b>974</b>

(Unit: Million Baht)			
	Securities business segment	Investment banking segment	Total segments
<b>For the year ended 31 December 2015</b>			
<b>Income</b>			
Revenue from external customers			
Brokerage fee	2,622	3	2,625
Fee and service income	17	152	169
Interest on deposit and credit balance accounts	1,043	-	1,043
Other income	132	-	132
<b>Total income</b>	<b>3,814</b>	<b>155</b>	<b>3,969</b>
<b>Expenses</b>			
Financial cost			485
Fee and service expenses			229
Personnel expenses			1,413
Other expenses			561
<b>Total expenses</b>			<b>2,688</b>
<b>Profit before income tax expenses</b>			<b>1,281</b>
Income tax expenses			(262)
<b>Profit for the year</b>			<b>1,019</b>

The following table presents segment assets of the Company's operating segments as at 31 December 2016 and 2015:

(Unit: Million Baht)					
	Securities business segment	Investment banking segment	Total Segments	Unallocated assets	Total
<b>Segment assets</b>					
As at 31 December 2016	14,837	4	14,841	1,962	16,803
As at 31 December 2015	16,639	6	16,645	1,344	17,989

#### Geographic information

The Company operates only in Thailand. As a result, all the revenues and assets as reflected in these financial statements pertain exclusive to this geographical reportable segment.

### Major customers

For the years 2016 and 2015, the Company has no major customer with revenue of 10 percent or more of an entity's revenues.

### 33. Commitments

The Company has significant outstanding commitments under office office equipment, and other service agreements as follows:

	(Unit: Million Baht)	
	31 December 2016	31 December 2015
Payable:		
In up to 1 year	104	99
In over 1 and up to 5 years	130	54

### 34. Financial instruments

The Company's financial instruments, as defined under Thai Accounting Standard No. 107 "Financial Instruments: Disclosure and Presentations", principally comprise cash and cash equivalents, deposits at financial institutions, receivables from and payables to Clearing House, securities and derivatives business receivables and payables, derivative assets and liabilities, investments, loans to employee under welfare program, borrowings from financial institutions, debt issued and borrowings and liabilities under financial lease agreements. The financial risks associated with these financial instruments and how they are managed is described below.

#### 34.1 Credit risk

The Company is exposed to credit risk primarily with respect to securities and derivatives business receivables. The Company manages the risk by establishing trading credit approval limit for client, performing credit review and increasing credit limit at both of committee and individual level subject to credit level. In addition, the Company assigns Credit Committee to control and monitor the credit risk. Therefore, the Company does not expect to incur material financial losses. In addition, the Company does not have high concentration of credit risk since it has a large customer base. The maximum exposure to credit risk is limited to the book value of securities and derivatives business receivables as stated in the statement of financial position.

## 34.2 Market risk

Market risk is the risk that changes in interest rates, foreign exchange rates and securities prices may have an effect on the Company's position and investment status. As such, market risk consists of interest rate risk, foreign exchange risk and equity and commodities position risk.

### a) Interest rate risk

Interest rate risk is the risk that the value of financial assets and liabilities will fluctuate due to changes in market interest rates. However, since most of the Company's financial assets and liabilities will mature in 1 year or has floating interest rate, the Company's interest rate risk is expected to be low.

As at 31 December 2016 and 2015, significant financial assets and liabilities classified by type of interest rates are summarised in the table below.

(Unit: Million Baht)

	Outstanding balance of financial instruments as at 31 December 2016								
		Fixed interest rates						Interest rate (% p.a.)	
		Remaining period to the contractual repricing date or maturity date							
	Floating interest rate	Within 1 year	1 - 5 years	Over 5 years	Without interest	Non- performing debts	Total	Floating interest rate	Fixed interest rate
<u>Financial assets</u>									
Cash and cash equivalents	121	-	-	-	230	-	351	0.10 - 1.00	-
Deposits at financial institutions	-	4	-	-	-	-	4	-	0.80 - 1.00
Receivables from Clearing House	-	-	-	-	741	-	741	-	-
Securities and derivatives business receivables	10,640	-	-	-	3,335	246	14,221	5.19 - 5.20	-
Investments	-	-	-	-	645	-	645	-	-
Loans to employees under welfare program	296	-	-	-	-	-	296	1.40 - 2.10	-
<u>Financial liabilities</u>									
Borrowings from financial institutions	-	720	-	-	-	-	720	-	1.85
Payables to Clearing House	-	-	-	-	32	-	32	-	-
Securities and derivatives business payables	3	-	-	-	3,491	-	3,494	1.20	-
Derivative liabilities	-	-	-	-	42	-	42	-	-
Debt issued and borrowings	-	5,865	992	-	-	-	6,857	-	1.65 - 3.27
Liabilities under financial lease agreements	-	6	14	-	-	-	20	-	4.60 - 6.00

(Unit: Million Baht)

Outstanding balance of financial instruments as at 31 December 2015									
	Floating interest rate	Fixed interest rates			Without interest	Non-performing debts	Total	Interest rate (% p.a.)	
		Remaining period to the contractual repricing date or maturity date						Floating interest rate	Fixed interest rate
		Within 1 year	1 - 5 years	Over 5 years					
<u>Financial assets</u>									
Cash and cash equivalents	221	-	-	-	163	-	384	0.80 - 1.15	-
Deposits at financial institutions	-	4	-	-	-	-	4	-	1.50 - 2.65
Receivables from Clearing House	-	-	-	-	694	-	694	-	-
Securities and derivatives business receivables	13,855	-	-	-	1,935	246	16,036	5.38 - 5.40	-
Derivatives assets	-	-	-	-	4	-	4	-	-
Investments	-	-	-	-	195	-	195	-	-
Loans to employees under welfare program	314	-	-	-	-	-	314	1.40 - 2.10	-
<u>Financial liabilities</u>									
Borrowings from financial institutions	-	1,470	-	-	-	-	1,470	-	1.80 - 1.85
Payables to Clearing House	-	-	-	-	155	-	155	-	-
Securities and derivatives business payables	10	-	-	-	2,217	-	2,227	1.50	-
Derivative liabilities	-	-	-	-	9	-	9	-	-
Debt issued and borrowings	-	7,524	1,021	-	-	-	8,545	-	1.70 - 3.14
Liabilities under financial lease agreements	-	5	15	-	-	-	20	-	4.84-6.77

## b) Foreign exchange risk

Foreign exchange risk is the risk that changes in foreign exchange rates may result in changes in the value of financial instruments, and fluctuations in revenues or the values of financial assets and liabilities.

The balance of financial assets and liabilities denominated in foreign currencies are summarised below.

Foreign currency	Financial assets as at		Financial liabilities as at		Exchange rate as at 31 December 2016		Exchange rate as at 31 December 2015	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015	Buying	Selling	Buying	Selling
	(Million Baht)	(Million Baht)	(Million Baht)	(Million Baht)	(Baht per 1 foreign currency unit)		(Baht per 1 foreign currency unit)	
Hong Kong dollar	51	52	51	52	4.5796	4.6637	46.140	47.018
Singapore dollar	23	44	23	43	24.5265	25.0755	25.284	25.7905
US dollar	201	192	201	192	35.6588	36.0025	35.9233	36.2538
Malaysian ringgit	32	2	31	1	7.8867	8.0925	8.2898	8.5661
Euro	8	5	7	5	37.3791	38.1362	39.780	39.7995
Pound sterling	4	2	2	2	43.5937	44.4775	53.0726	53.9343
Australian dollar	1	1	-	1	25.5462	26.3262	25.8990	26.6681
Japanese Yen	1	1	1	-	0.3046	0.3113	0.2965	0.3028
Vietnamese dong	107	32	104	31	0.0016	0.0016	0.0016	0.0016
Chinese Yuan	1	2	1	2	5.0831	5.2165	5.4677	5.6239

In addition to the above, as of 31 December 2016, the Company also has outstanding foreign currency loan of Baht 992 million (SGD 40 million) (31 December 2015: Baht 1,021 million (SGD 40 million)) which will mature in 2018 and forward contract notional amount of SGD 40 million with exchange rate at 25.061 Baht per Singapore dollar which will mature in 2017 (31 December 2015: SGD 40 million with exchange rate at 25.35 Baht per Singapore dollar which matured in 2016).

### 34.3 Liquidity risk

Liquidity risk is the risk that the Company will be unable to liquidate financial assets and/or procure sufficient funds to discharge obligations in a timely manner, resulting in a financial loss.

The maturity dates of financial instruments held as of 31 December 2016 and 2015, counting from the financial position date, are as follows.

(Unit: Million Baht)

	As at 31 December 2016						Total
	At call	Within 1 year	1 - 5 years	Over 5 years	No maturity	Non-performing debts	
<u>Financial assets</u>							
Cash and cash equivalents	351	-	-	-	-	-	351
Deposits at financial institutions	-	4	-	-	-	-	4
Receivables from Clearing House	-	741	-	-	-	-	741
Securities and derivatives business receivables	168	3,167	-	-	10,640	246	14,221
Investments	-	-	-	-	645	-	645
Loans to employees under welfare program	-	39	129	128	-	-	296
<u>Financial liabilities</u>							
Borrowings from financial institutions	720	-	-	-	-	-	720
Payables to Clearing House	-	32	-	-	-	-	32
Securities and derivatives business payables	180	3,314	-	-	-	-	3,494
Derivatives liabilities	-	42	-	-	-	-	42
Debt issued and borrowings	-	5,865	992	-	-	-	6,857
Liabilities under financial lease agreements	-	6	14	-	-	-	20



(Unit: Million Baht)

As at 31 December 2015						
	At call	Within 1 year	1 - 5 years	Over 5 years	No maturity	Non-performing debts
<b>Financial assets</b>						
Cash and cash equivalents	384	-	-	-	-	-
Deposits at financial institutions	-	4	-	-	-	-
Receivables from Clearing House	-	694	-	-	-	-
Securities and derivatives business receivables	192	1,743	-	-	13,855	246
Derivatives assets	-	4	-	-	-	-
Investments	-	-	-	-	195	-
Loans to employees under welfare program	-	41	134	139	-	-
<b>Financial liabilities</b>						
Borrowings from financial institutions	1,470	-	-	-	-	-
Payables to Clearing House	-	155	-	-	-	-
Securities and derivatives business payables	216	2,011	-	-	-	-
Derivatives liabilities	-	9	-	-	-	-
Debt issued and borrowings	-	7,524	1,021	-	-	-
Liabilities under financial lease agreements	-	5	15	-	-	-

### 34.4 Derivatives

As at 31 December 2016 and 2015, the Company has outstanding derivatives assets (liabilities) as stated in Note 11 as follow:

(Unit: Million Baht)				
	31 December 2016		31 December 2015	
	Fair value	Notional amount	Fair value	Notional amount
Forward contract	(10)	1,002	4	1,014
Future contracts <sup>(i)</sup>	-	541	-	185
Derivatives warrants	(32)	216	(9)	329

<sup>(i)</sup> The future contracts are cash settlement. Real exposure is a difference between cost of such contracts and underlying assets level on settlement date, fair value of outstanding future contracts at the end of year included in "Receivables from Clearing House". As at 31 December 2016, fair value of derivative assets - future contracts is Baht 39 million (31 December 2015: fair value of derivative liabilities - future contracts is Baht 1 million).

### 35. Fair value of financial instruments

35.1 As of 31 December 2016 and 2015, the Company had the following assets and liabilities that were measured at fair value using different levels of inputs as follows:

(Unit: Million Baht)

	31 December 2016			
	Fair value			
	Level 1	Level 2	Level 3	Total
<b>Financial assets measured at fair value</b>				
Held for trade investments				
Equity instruments	636	-	-	636
<b>Financial liabilities measured at fair value</b>				
Derivatives liabilities	32	10	-	42

(Unit: Million Baht)

	31 December 2015			
	Fair value			
	Level 1	Level 2	Level 3	Total
<b>Financial assets measured at fair value</b>				
Held for trade investments				
Equity instruments	186	-	-	186
Derivatives assets	-	4	-	4
<b>Financial liabilities measured at fair value</b>				
Derivatives liabilities	9	-	-	9

35.2 As at 31 December 2016 and 2015, the Company had the financial assets and financial liabilities that were measured at cost for which fair value are disclosed using different levels of inputs as follows:

(Unit: Million Baht)

	31 December 2016				
	Fair value				Book
	Level 1	Level 2	Level 3	Total	value
<b>Financial assets for which fair value are disclosed</b>					
Cash and cash equivalents	351	-	-	351	351
Deposits at financial institutions	4	-	-	4	4
Receivables from Clearing House	-	741	-	741	741
Securities and derivatives business receivables	-	13,973	-	13,973	13,973
Other investments	-	-	10	10	10
Loans to employees under welfare program	-	-	296	296	296
<b>Financial liabilities for which fair value are disclosed</b>					
Borrowings at financial institutions	-	720	-	720	720
Payables to Clearing House	-	32	-	32	32
Securities and derivatives business payables	-	3,494	-	3,494	3,494
Debt issued and borrowings	-	6,857	-	6,857	6,857
Liabilities under financial lease agreements	-	20	-	20	20

(Unit: Million Baht)

	31 December 2015				
	Fair value				Book
	Level 1	Level 2	Level 3	Total	value
<b>Financial assets for which fair value are disclosed</b>					
Cash and cash equivalents	384	-	-	384	384
Deposits at financial institutions	4	-	-	4	4
Receivables from Clearing House	-	693	-	693	693
Securities and derivatives business receivables	-	15,788	-	15,788	15,788
Other investments	-	-	10	10	10
Loans to employees under welfare program	-	-	314	314	314
<b>Financial liabilities for which fair value are disclosed</b>					
Borrowings at financial institutions	-	1,470	-	1,470	1,470
Payables to Clearing House	-	155	-	155	155
Securities and derivatives business payables	-	2,227	-	2,227	2,227
Debt issued and borrowings	-	8,545	-	8,545	8,545
Liabilities under financial lease agreements	-	20	-	20	20

The methods and assumptions used by the Company in estimating the fair value of financial instruments are as follows:

- For financial assets and liabilities which have short-term maturity, including cash and cash equivalents, deposits at financial institutions, accounts receivable, accounts payable and short-term loans, their carrying amounts in the statement of financial position approximate their fair value.
- For equity securities, their fair value is generally derived from quoted market prices, or based on generally accepted pricing models when no market price is available.

- c) For loans to employees under welfare program, their fair value is estimated by discounting expected future cash flow by the current market interest rate of the loans with similar terms and conditions.
- d) For long-term loans and liabilities under financial lease agreements carrying interest approximate to the market rate, their carrying amounts in the statement of financial position approximates their fair value.

During the current year, there is no transfers within the fair value hierarchy.

### **36. Approval of financial statements**

These financial statements were authorised for issue by the Company's Board of Directors on 10 February 2017.







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