

# ANNUAL REPORT 2017

**TRADE SMART TRADE WITH THE BEST**

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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 2017, we were able to maintain our leadership in terms of trading volume for the 16<sup>th</sup> consecutive year. However, given the increase of intensive competition, we have been continuously adopting the policy to protect the poaching of major customers and market share. In addition to protecting the leadership, the Company also has to maintain profitability and return on equity with the best effort at a reasonable rate to counter the reduction of our market share and trading volume in the year 2017. Our market share stood at 6.83% at the year-end of 2017 compared to 8.15% in the year 2016. In addition, the market average daily trading volume in the year 2017 decreased from THB 52,526 million in the year 2016 to THB 50,113 million in the 2017, i.e. a decrease of 4.6%. Our total commission decreased from THB 2,582.13 million in the year 2016 to THB 1,977.90 million in the year 2017 i.e. a decrease of 23.40%.

Other major income streams such as margin loans for securities trading also dropped from THB 659.91 million in 2017 to THB 596.27 million in 2016 or a decrease of THB 63.64 million or 9.64%. On the other hand, income from the financial advisory fees and the underwriting fees had increased from THB 60.30 million in 2016 to THB 260.42 million in 2017 or an increase by 331.87%. Efforts to control operating expenses, cost management and interest expense had resulted in the Company's net profit to decrease to THB 638.63 million in the year 2017, a decrease from THB 974.49 million in the year 2016 or a decrease of 34.47%. Earnings per share also decreased from THB 1.71 per share to THB 1.12 per share in the year 2017.

With our determination to maintain our leadership in domestic securities brokerage business for 16 consecutive years, we have relentlessly improved and developed our services with the aim to sharpen our competitive edge. We are proud to share that the Company had received 2 awards in 2017, namely Best Retail Broker in Thailand 2015-2017 from Alpha Southeast Asia and Best Retail Broker in Thailand 2017 from Money and Banking Magazine. The awards are testament to our commitment to provide reliable custody services for clients representing a total asset value of over THB 300 billion. Our clients are also assured of our strong financial position as proven by the strong rating of AA+(tha) on the Company since the year 2016 by Fitch Ratings, a Thailand Rating Agency. The rating of AA+(tha) with a "Stable" outlook represents the highest rating in the securities industry and is equivalent to the rating of the top 4 major commercial banks in Thailand.

In the year 2017, we have achieved a number of major developments and undertaken various activities as follows:

1. Provided investment services by using modern technologies to improve and enhance our services to individual investors. We have launched a particular tool called Intelligent Virtual Artificial Network (I.V.A.N.) to aid our ICs in communicating sales ideas, news of listed companies and other valuable investment information to our investors to assist them in making sound investment decisions efficiently. In addition, we aim to reach investors directly by disseminating new investment information quickly through subscription to our LINE application for general investors to connect to the company's LINE ID named @maybankfriends. This would allow subscribers to access on daily basis our research information on mobile application, the design of portfolios investments in the form of fundamental analysis, technical analysis, as well as be introduced to investment ideas that investors can follow up easily.
2. Upgraded our internet trading platform by adding trading functions to our MKET Radars Application to assist investors in searching for and monitoring information about listed companies. This also helps to provide reports of shareholding in listed companies by major shareholders.

3. Expanded mutual fund trading channels via the Fund Service Platform which is sponsored by the SET. This aims to enhance service efficiency as well as facilitate individual investors to gain access to mutual fund investment channels.
4. Committed to increase 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 2018.

We 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, including establishing a policy and guideline on anti-corruption.

In the year 2017, the Management and staff have continued the Company's corporate social responsibility (CSR) initiatives, and have helped to enhance the quality of life of the disadvantaged with the following activities:

1. Giving Desk Calendars to the blood donors at the Thai Red Cross Society  
In May, 2017, the Company contributed desktop calendars for 2017 with the theme "the King's life lessons, a guiding light shining in the Thai people's hearts forever" to the Thai Red Cross Society. This calendar was awarded the "Excellent Desk Calendar Award 2017" (Suriya Sasithorn Award under the category of Honoring the King) by the Public Relations Society of Thailand. The purpose of the production was to represent King Rama XI's speech quotations to the public in the form of desktop calendar to be distributed to the blood donors at the Thai Red Cross Society.
2. Sharing to the Foundation for the Blind under the Royal Patronage of H.M. the Queen  
In February 2017, the Company donated old and unused calendars to the Foundation for the Blind in Thailand. The purpose of this activity was to create learning and support teaching for the blind.
3. Maybank Global CR Day 2017  
In August 2017, Maybank Global CR Day 2017 was held on the same day across Maybank Group entities worldwide. The activity was based on the theme of "Saving for a better life" and was held in cooperation with other educational institutions to jointly create studying and teaching instruction tools to the students of the Baan Srang School in Ayudhaya. The main concept of this activity was to create awareness and foster positive attitudes on saving money for the future amongst children and youth.
4. Donation for "Housing project for stray dogs"  
In October 2017, Maybank Kim Eng Hadyai Branch in co-operation with all staff had helped hundreds of stray dogs at a new animal shelter by raising funds amongst all staff towards the housing project for stray dogs in Hadyai, Songkhla province. The purpose of the project was to upgrade the existing shelters for all stray dogs and reduce the number of stray dogs.



5. Donation of second hand books for children and youth

In November 2017, we donated second hand books to Satang Mongkonsuk Library, Faculty of Science, Mahidol University.

6. Renovation of police traffic control booth at Rajaprasong intersection

In April, 2017, we renovated the police traffic control booth at the Rajaprasong intersection, a major city landmark in the midst of heavy traffic area, which had been old and damaged with water leakages.

7. Lecture on “Sustainable Development” to Management and Heads of department

In facilitating the Company’s supervisors and employees to understand business operations, we also highlighted social and environmental matters as well as human rights issues. We promoted the reduction of environmental pollution by using natural resources economically and incorporated Sustainable Development as a part of the corporate strategy.

All of the above achievements and success would not have been possible if we did not have the trust and patronage of our valuable clients comprising more than 172,000 accounts. This includes the support from both local and foreign financial institutions, shareholders and the Maybank Group.

On behalf of the Board of Directors, I would like to take this opportunity to thank all clients for their patronage and every institution 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 2017.



**Mr. Yuth Vorachattarn**

Chairman

# Policy & Business Overview

- **Vision, Objective, Business Strategy**

- Vision:

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

- 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 The Company has focused on the development of Internet Trading technology to provide customers with more confidence in their investment, convenience, ease of use, speed and accuracy in order executions. Three new products developed by Maybank Kim Eng regional, and Innovation team of Thailand include:
  - i IVAN: the Intelligent Virtual Assistant Network. It is a new application or a partnered robot which is a collaboration tool that helps ICs to work very efficiently and ready to send essential investment information to customers anywhere, anytime.
  - ii MKET Radars Application. We have worked with our FinTech partner, Siam Square Co, Ltd., the creator of Stock Radars and Funds Radars applications to develop this new app that allows investors to screen stocks by themselves. It allows the investors to set notification mode to notify them when conditions meet. They can analyse portfolios in real-time, while the app delivering analysis and portfolio models via smartphone. The trader can execute trade order instantly.
  - iii The Company plans to develop a mobile application called MKET Trade, which integrates investment ideas and investment behavior of individual customers to meet each client's investment needs. In addition to the other investment tools, such as stock screening, notification mode, the chat bot function and orders execution function, this mobile application can also analyse the investment style and the stocks that each investor paid special

attention to. The system will send the investors analytics and investment advice to ensure that they get the best service for each investor.

- Research development

- i. Our research team is working tirelessly to continue our research development. On a daily basis, the updated information, hot news focusing on investment and in-depth report on each sector are directly served to investors. Programmes can be viewed through Facebook LIVE: Maybank Kim Eng Thailand at three periods of time:
    - ATO (At The Open) at 8.30 am
    - ATM (At The Market) at 2.00 pm
    - ATC (At The Close) at 5.00 pm
  - ii. Our research team initiated and introduced new services in the form of "Portfolio Model". This new investment model helps the investors to consider the investment options in three new styles. It received overwhelming response from the clients.
    - Trading Style is ideal for investors who are keen on risk diversify and invest with discipline.
    - Momentum Style is ideal for investors who does not have time to follow the stock movement. The stock selection is based on statistics.
    - Income Style is ideal for investors focused on dividend, take less risk and long term investing.
- Knowledge to investor program: the Company has continuously arranged seminars for our clients and investors for delivery 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.
  - Currently, Maybank Kim Eng has branches nationwide, divided into 29 branches in Bangkok and 18 branches in provinces.

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.

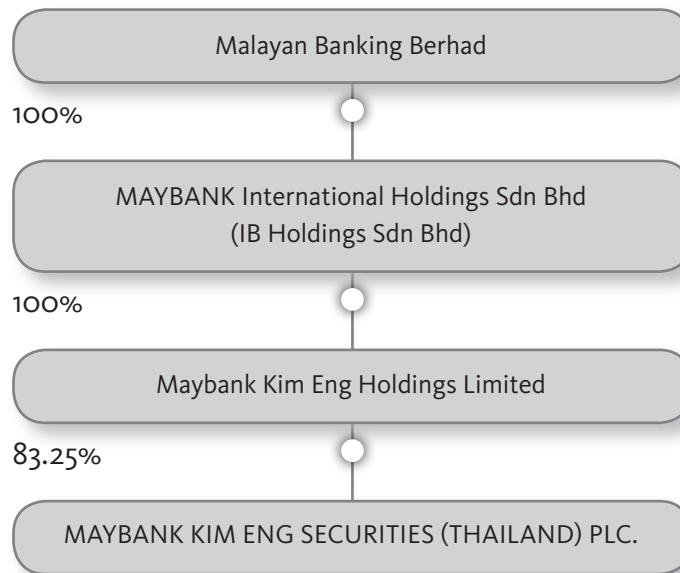
In 2007, the Company obtained the permission from Ministry of Finance (MoF) to set up the Asset Management Company, KEST Guardian Asset Management Company Limited was incorporated (after known as Kim Eng Asset Management Company Limited and Maybank Kim Eng Asset Management Company Limited, respectively). 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 2002-2017 for the past 16 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 of the latest book closing date of the Company on August 16, 2017 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 2015 - 2017 is as follow.

Revenue	2015		2016		2017	
	Million Baht	%	Million Baht	%	Million Baht	%
Securities brokerage fee	2,452.77	61.79	2,408.45	65.65	1,839.95	56.42
Futures brokerage fee and others	178.68	4.50	173.68	4.73	137.95	4.23
Fee and service income	162.31	4.09	80.90	2.21	273.23	8.38
Gains (losses) on investments	(194.63)	(4.90)	30.59	0.83	8.96	0.28
Gains on derivatives	271.27	6.83	40.19	1.10	102.10	3.13
Interest and dividends	332.06	8.37	220.95	6.02	229.91	7.05
Interest on margin loans	710.76	17.91	659.91	17.99	596.26	18.28
Other income	55.96	1.41	53.90	1.47	72.72	2.23
<b>Total</b>	<b>3,969.18</b>	<b>100.00</b>	<b>3,668.57</b>	<b>100.00</b>	<b>3,261.08</b>	<b>100.00</b>

## Market and Business Conditions

- o Brokerage Business

The securities business in 2017 was considered a good year, although not as good as in 2016. This was due to the stock market has begun to recover in August after it was flat for almost eight months. The average trading value was THB47.755b, down 5% from the average of THB50.244b in 2016, but better than 2014-15. However, the SET Index has managed to close at the new record high at 1753.71 points, up 13.66% from 2016, the highest in 23 years. The index has made its highest at 1789.16 points in 1994.

The rally of the Thai stock market has benefited from the fact that Thailand's inflation and interest rates remained low for a long time, longer than expected. This was coupled with a strong recovery in exports and tourism, meaning a positive outlook for the Thai economy to recover stronger than expected in the first half of 2017. Most economists forecast the GDP growth rate would be 3.8% in 2017. In addition, the Prime Minister General Prayuth has signaled that the general election will take place in 2018 and it brought a positive outlook for investment, psychologically.

For foreign factors, various uncertainties that investors have concerns over in the early 2017, such as President Donald Trump's trade protectionism, the asset size reduction and the Fed's interest rate raising including the replacement of Governor of the US Central Bank, political issues in Europe and China and the tensions in the Korean peninsula. Eventually, the above factors did not significantly affect the Thai stock market. It is because the fundamentals improved positively, reflected by the performance of listed companies and

a positive sign for domestic consumption in 3Q17, which boosted domestic investors' confidence in the Thai stock market. The picture was clear with the net buy value of THB103b through the domestic funds in 2017.

In terms of performance, Maybank Kim Eng Securities PLC still has the largest market share of 6.83%, down from 2016. This was due to the increased competition as a result of the emergence of many new securities companies. Many of them have attracted marketing staff, including employing the pricing strategy. However, we benefited from our expanded domestic and international client bases which are institutional investors. Both have average trading proportion accounting for 40% of the market, leading us to maintain our number one leader in terms of market share.

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

In 2017, 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 40,960 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 2017 increased in term of number of issues in both the SET and the MAI totally from 46 companies compared to 29 companies in the year 2016 with worth a total funding of THB 106,279.61 million, an increase of 101.36% compared to that in the year 2016, which include fund raising of 7 funds in term of property fund, REIT and infrastructure fund.

The new listed companies comprises of 46 companies compared to that in the year 2016 of 29 companies, divided to 29 companies listed on the SET and 17 companies on the MAI. As of 31 December, 2017, total 741 listed companies on the SET and the MAI were 538 and 203 companies respectively.

For the Year 2017, the company acted as Financial Advisor and Lead Underwriter on the Initial Public Offering of TPI Polene Power Plc. of THB 16,646 million, Buriram Sugar Group Power Plant Infrastructure Fund of THB 3,605 million, Ingress Industrial (Thailand) Plc. of THB 769.33 million, Sahathai Terminal Plc. of THB 540 million, and AIM Industrial Growth Freehold and Leasehold Real Estate Investment Trust of THB 1,550 million. We also acted as Financial Advisor and co-underwriter of Grand Prix International Plc. of THB 59.50 million and lead underwriter of Mudman Plc. of THB 1,107.65 million and also joined acting as co-underwriter to B.Grim Power Plc., Gulf Energy Development Plc. , and Do Day Dream Plc. In addition, we also acted as Financial Advisor and Underwriter for the private placement of Nirvana Daii Plc of THB 500 million.

We acted as financial advisor on the Reasonableness of the Loan Scheme of Dusit Thani Freehold and Leasehold Real Estate Investment Trust (DTCPF) after the property fund conversion from Dusit Thani Property Fund (DTCPF) to Dusit Thani Freehold and Leasehold Real Estate Investment Trust (DREIT) and financial advisor of

the Mixed Use Project relating to commercial sector, residence and office building under the co-operation with Central Pattana Plc. We act as independent financial advisor of PTT Global Chemical Plc. (PTTGC) on connected transaction with transaction worth of THB 26,000 million, independent financial advisor of Big C Super Center Plc. (BIGC) on its delisting on the Stock Exchange of Thailand and independent financial advisor on related transaction of Central Pattana Plc. with transaction worth THB 684.00 million.

In addition, the company acted as financial advisor to Central Pattana Plc. on the conversion of CPN Retail Growth Property Fund (CPNRF) to CPN Retail Growth Leasehold REIT (CPNREIT), financial advisor on the conversion from Dusit Thani Property Fund (DTCPPF) to Dusit Thani Freehold and Leasehold Real Estate Investment Trust (DTCPPF) and lastly financial advisor on tender offer preparer and tender offer agent to Singha Estate Plc. on shares acquiring from Daii Plc. with the transaction worth THB 5,253 million.

The Investment Banking Department total income for the Year 2017 was THB 260.42 million, an increase by 331.87% from that of THB 60.30 million in the Year 2016.

#### **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. Currently, 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 Index Futures and Rubber Futures. TFEX has launched new product which is Gold-D, on 4 September 2017.

For the Year 2017, the total volume on TFEX was 157,981,148 contracts. The average daily volume of SET50 Index Futures was 107,873 contracts, a reduction of 18.24% compared with that of 2016 for 131,938 contracts per day. For SET50 Index Options, the average daily volume was 4,433 contracts, an increase of 152.31% compared with that of 2016 for 1,757 contracts per day. For Single Stock Futures, the average daily volume was 194,593 contracts, an increase of 40.36% compared with that of 2016 for 138,634 contracts per day. For Gold Futures, the average daily volume was 15,130 contracts, an increase of 27.13% compared with that of 2016 for 11,901 contracts per day. For USD Futures, the average daily volume was 1,422 contracts per day, an increase of 69.69% compared with that of 2016 for 838 contracts per day. Overall, investors in the derivatives market compose of domestic individual investors that accounted for 51.22% of total volume, domestic institutional investors that accounted for 38.12% of total volume and foreign investors that accounted for 10.66% of total volume.

For 2017, the Company ranked No. 8 for derivatives trading in term of market shares that accounted for 4.85% of the total volume in the derivatives market. The total volume for derivatives traded via the Company was 7,658,986 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)**

The Company 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 2017, the Company had issued 144 DWs which earned good responses from investors.

The Company places importance on expanding Derivative Warrants investors' base by developing its website <http://www.maybank-ke.co.th/dw42/>. The clients are able to research the data regarding DW42 price guideline and DW information from this website where the price guideline can create confidence to clients that the Company has a system to monitor DW42 price correctly to meet the conditions announced by the Company.

## 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 2014, 2015 and 2016, average daily trading values of the SET were THB 45,466 million, 44,302 million, 52,525 million consecutively. For the Year 2017, average daily trading value of the SET was THB 50,114 million, decreasing by 4.59 % compared to that in the Year 2016. All factors, including internal and external ones, substantially decrease investor's confidence. For the Years 2015, 2016 and 2017, the Company's total brokerage fees were THB 2,631 million, 2,582 million and 1,978 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 22.40% of total securities brokerage fee income in the year 2016 and 23.29% in 2017. Had MBKET lost such big trading clients, its securities brokerage fees for 2016 and 2017 would have fallen by 5.15% and 7.01%, 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, 2016 and 2017, the total number of MBKET's client trading accounts was 179,000 and 190,170, respectively. For 2017, 75.55 % of the Company's securities brokerage fees were from retail trading business and the remainder 24.45 % 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 260.42 million, an increasing of 331.87% from the 2016 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, 2017, the Company's securities brokerage receivables totaled THB 15,154.48 million, consisting of clients' accounts of THB 3,096 million, margin loans of THB 11,586.01 million, securities borrowing

and lending accounts of THB 171.31 million, there and other receivables of THB 301.16 million, with unearned interest revenue of THB 63.53 million. In addition, the Company had derivatives business receivables amounting THB 5.21 million outstanding. It classified such securities and derivatives brokerage receivables as doubtful debt in the amount of THB 315.68 million, accounting for 2.08 % of its total securities and derivatives brokerage receivables. Of the total amount of doubtful debt, THB 255.48 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 60.20 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 315.68 million, THB 70.60 and 245.08 million of which were classified as substandard and doubtful debts. The Company established an allowance for doubtful debt in the total amount of THB 261.92 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, 2015, 2016 and 2017 were THB 13,777.48 million, 10,579.46 million, and 11,586.01 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 client.

**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 2017, 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 2017, 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 2017, 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 16, 2017, 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. Ms. Sopawadee Lertmanaschai
3. Mr. Lee Siang Chin
4. Mr. Montree Sornpaisarn
5. Dato' John Chong Eng Chuan

## Corporate Secretary

Ms. Nubthong Wanawattanawong

## Auditor

### EY Office Limited

1. Ms. Nonglak Pumnoi  
Certified Public Accountant,  
Registration No.4172
2. Ms. Somjai Khunapasut  
Certified Public Accountant,  
Registration No.4499
3. Ms. Poonnard Paucharoen  
Certified Public Accountant,  
Registration No.5238

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 Bangkhae Tower  
8<sup>th</sup> Fl., Petchkasaem Rd.,  
North Bangkhae, Bangkhae,  
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

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**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

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**Phahurad Branch**

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

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**Fortune Branch**

5 Fortune Town Building,  
Basement Fl., Ratchadapisak Rd.,  
Dindaeng, Bangkok 10400  
Tel: 0 2641 0977  
Fax: 0 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: 0 2958 0592  
Fax: 0 2958 0420

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**Team 2;**

Tel: 0 2958 0992  
Fax: 0 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: 0 2947 5800 5  
Fax: 0 2519 5040

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**Watcharapon Branch**

78/13 Soi Watcharapon 2,  
Ta-Rang, Bangkokhen,  
Bangkok 10220  
Tel: 0 2363 6736  
Fax: 0 2363 6735

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**Yaowaraj Branch**

215 Grand China Tower  
4<sup>th</sup> Fl., Yaowaraj Rd.,  
Samphantawong,  
Bangkok 10100  
Tel: 0 2622 9412  
Fax: 0 2622-9383

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**Lad Prao Branch**

1693 Central Lat Phrao Tower  
11<sup>th</sup> Fl. Phaholyothin Rd.,  
Lat Phrao, Chatuchak,  
Bangkok 10900  
Tel: 0 2541 1411  
Fax: 0 2541 1108

---

**Sri Nakarin Branch**

425, Big C Sri Nakarin,  
Srinakarin Rd., Samrong-Nua,  
Mueang, Samutprakarn 10270  
Tel: 0 2758 7556  
Fax: 0 2758 7551

---

**Silom Branch**

62 Thaniya Building 4<sup>th</sup> Fl.,  
Silom Rd, Suriyawong, Bangrak,  
Bangkok 10500  
Tel: 0 2231 2700  
Fax: 0 2231 2130

---

**Sathon Branch**

92/10 Sathonthani Tower 2  
7<sup>th</sup> Fl. North Sathon Rd.,  
Silom, Bangrak, Bangkok 10500  
Tel: 0 2636 7550 5  
Fax: 0 2636 7565

---

**Asoke Branch**

159 Sermmit Tower 25th Fl.,  
Soi Sukumvit 21, Asoke Rd.,  
North Khlong Toei, Watthana,  
Bangkok 10110  
Tel: 0 2665 7000  
Fax: 0 2665 7050

---

**The Emporium Branch**

622 The Emporium Tower 14<sup>th</sup> Fl.,  
Sukhumvit Rd., Klong Tun,  
Klong Toei, Bangkok 10110  
Tel: 0 2664 9800  
Fax: 0 2664 9811

---

**The Nine Branch**

999/3 The Nine Neighborhood  
Center, 3<sup>rd</sup> Fl., Ramag Rd.,  
Suanluang, Bangkok 10250  
Tel: 0 2716-7816  
Fax: 0 2716-7815

---

**Bangkapi Branch**

3105 N-Mark Plaza 3<sup>rd</sup> Fl.  
Ladpraw Rd. Klongchun,  
Bangkapi, Bangkok 10240  
Tel: 0 2378 1144  
Fax: 0 2378 1323

---

**The Chaengwattana Branch**

99/9 Central Plaza Chaengwattana  
Office Tower,  
14<sup>th</sup> Fl., Unit1401  
Chaengwattana Rd., Bangtarad,  
Pakkret, Nonthaburi 11120  
Tel: 0 2835 3283  
Fax: 0 2835 3280

---

**Thanya Park Branch**

735/5 Thanya Shopping Park,  
E Building, 2<sup>nd</sup> Fl.,  
Srinakarin Rd., Suanlaung,  
Prakhanong, Bangkok 10260  
Tel: 0 2108 6300  
Fax: 0 2108 6301

---

**All Seasons Place Branch**

87/2 CRC Tower, 3Fl.,  
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

---

**Ramkhamhaeng,**

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

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**Ratchapruek Branch**

555/9 The Crystal Ratchapruek,  
Ratchapruek Rd., Nonthaburi, 11130  
Tel: 0 2050 4530  
Fax: 0 2050 4539  
\*\*opened Oct 3, 2016

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**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

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**Chanthaburi Branch**

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

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**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

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**Chiangmai 2 Branch**

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

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**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

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**Phuket Branch**

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

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**Yala Branch**

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

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**Rayong Branch**

180/1-2 Samaphan Building,  
2<sup>nd</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

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**Samut Sakhon Branch**

88/118 Tha-Pong Rd.,  
Mahachai, Mueang,  
Samut Sakhon 74000  
Tel: 034 837 190  
Fax: 034 837 610  
\*\*changes address on 12 Feb 2018\*\*

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**Surat Thani Branch**

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

---

**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

---

**Ubon Ratchathani Branch**

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

---

**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  
\*\*closing down on 15 Jan 2018\*\*

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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

---

**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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# Shareholder Structure

## 1. Share Capital of the Company

As at December 31, 2017, 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 16, 2017 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	230,939,600	4.19
3.	THAI NVDR CO.,LTD	2,937,340	0.51
4.	HSBC (SINGAPORE) NOMINEES PTE LTD	2,314,100	0.41
5.	MAYBANK KIM ENG SECURITIES PTE. LTD.	1,440,800	0.25
6.	N.C.B.TRUST LIMITED-NORGES BANK 1	1,280,700	0.22
7.	MR. CHUWIT JITSKUL	986,000	0.17
8.	EAST FOURTEEN LIMITED-EMERGING MARKETS SMALL CAP SERIES	974,300	0.17
9.	CHASE NOMINEES LIMITED	924,100	0.16
10.	MR. PITAK SAPSIRISAWAD	752,000	0.13
11.	OTHERS	60,082,770	10.53
<b>Total</b>		<b>570,814,500</b>	<b>100.00</b>

As at December 31, 2017, 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, 2017, 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 2017 are as follows:

No.	Name	No. of Shares Held	%
1.	AMANAHRAYA TRUSTEES BERHAD B/O : AMANAH SAHAM BUMIPUTERA	3,663,421,211	33.97
2.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD B/O : EMPLOYEES PROVIDENT FUND BOARD	1,222,152,160	11.33
3.	PERMODALAN NASIONAL BERHAD	797,479,650	7.40
4.	KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	410,155,760	3.08
5.	AMANAHRAYA TRUSTEES BERHAD B/O : AMANAH SAHAM MALAYSIA	220,235,334	1.88
6.	AMANAHRAYA TRUSTEES BERHAD B/O : AMANAH SAHAM WAWASAN	203,235,334	1.88
7.	CARTABAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR STATE STREET BANK & TRUST COMPANY (WEST CLT OD67)	155,257,241	1.44
8.	AMANAHRAYA TRUSTEES BERHAD AS 1MALAYSIA	126,374,802	1.17
9.	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD B/O : PLEDGED SECURITIES ACCOUNT FOR LEMBAGA KEMAJUAN TANAH PERSEKUTUAN (CBMT3-FELDA)	117,810,000	1.09
10.	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (PAR1)	111,433,243	1.03
<b>Total top 10 major shareholders</b>		<b>7,027,319,401</b>	<b>65.17</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, 2017, 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

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. Nubthong Wanawattanawong has been appointed as Company Secretary of the Company.

### 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 2017, the Board of Directors held 8 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	8	8
2.	Ms. Sopawadee Lertmanaschai	8	8
3.	Mr. Lee Siang Chin	8	8 (2 meetings via con-call)
4.	Mr. Montree Sornpaisarn	8	8
5.	Dato' John Chong Eng Chuan	8	7 (2 meetings via con-call)

For the Year ended December 31, 2017, each director attended at least 75% of Board meeting held in financial year which comply with the requirement of the Company's Policy.

#### 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, 2017, the Company's Executive Committee is comprised of 10 members as follows:

	Name	Title
1.	Mr. Montree Sornpaisarn	Chairman of the Executive Committee
2.	Ms. Sudthida Chirapatsakul	Member of the Executive Committee
3.	Mrs. Hamidah Binti Moris	Member of the Executive Committee
4.	Mr. Mohamad Yasin Abdullah	Member of the Executive Committee
5.	Mr. Koh Swee Ong	Member of the Executive Committee
6.	Mr. Vichet Pornsinsiruk	Member of the Executive Committee
7.	Mr. Chakravee Sutthisote	Member of the Executive Committee
8.	Mr. Peerasit Chiwabhong	Member of the Executive Committee
9.	Mr. Chuchart Suratepin	Member of the Executive Committee
10.	Mr. Prateep Chongcharoensuk	Member of the Executive Committee

### 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, 2017, the EXCO held 16 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. Yuth Vorachattarn	Member of the Audit Committee
3.	Mr. Lee Siang Chin	Member of the Audit Committee

#### 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 2017, the Audit Committee held eight (8) meetings, with details as follows:

Meeting		Ms. Sopawadee Lertmanaschai	Mr. Yuth Vorachattarn	Mr. Lee Siang Chin	Auditor
No.	Date of Meeting				
1/2017	26 Jan 2017	●	●	●	● (Auditing 2016 Financial Statements)
2/2017	10 Feb 2017	●	●	●	-
3/2017	17 Mar 2017	●	●	●	-
4/2017	26 Apr 2017	●	●	●	● (Reviewing Q1/17 Financial Statements)
5/2017	12 Jun 2017	●	●	●	-
6/2017	31 Jul 2017	●	●	●	● (Reviewing Q2/17 Financial Statements)
7/2017	8 Sep 2017	●	●	●	-
8/2017	1 Nov 2017	●	●	●	● (Reviewing Q3/17 Financial Statements)

#### 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 2017, the Nominating Committee held 4 meetings, with details as follows:

Name	No.1/2017 10 Feb 2017	No.2/2017 26 Apr 2017	No.3/2017 31 Jul 2017	No.4/2017 1 Nov 2017
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 2017, the Compensation Committee held 3 meetings, with details as follows:

Name	No.1/2017 10 Feb 2017	No.2/2017 31 July 2017	No.3/2017 1 Nov 2017
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. Nubthong Wanawattanawong	Secretary of the Committee

### 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.

In the year 2017, the Good Corporate Governance Committee held 3 meetings, with details as follows:

Name	No.1/2017 10 Feb 2017	No.2/2017 31 Jul 2017	No.3/2017 1 Nov 2017
Ms. Sopawadee Lertmanaschai	●	●	●
Mr. Yuth Vorachattarn	●	●	●
Dato' John Chong Eng Chuan	●	●	-
Mr. Montree Sornpaisarn	●	●	●

### 5.3 The Management Risk Committee

The Company's Management Risk Committee is comprised of 6 members as follows:

	Name	Title
1.	Mr. Montree Sornpaisarn	Chairman of the Management Risk Committee
2.	Ms. Sudthida Chirapatsakul	Member of the Management Risk Committee
3.	Mr. Koh Swee Ong	Member of the Management Risk Committee
4.	Mr. Vichet Pornsinsiruk	Member of the Management Risk Committee
5.	Mr. Prasert Tantayawit	Member of the Management Risk Committee
6.	Mrs. Kritsayagul Kongchai	Member of the Management Risk Committee

### 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 2017, the Management Risk Committee held 4 meetings.

## Management

As of December 31, 2017, the Company has 13 members of management as follows:

	Name	Title
1.	Mr. Montree Sornpaisarn	Chief Executive Officer
2.	Ms. Sudthida Chirapatsakul	Co-Chief Executive Officer, Retail Business Development
3.	Mr. Koh Swee Ong	Chief Operating Officer
4.	Mr. Vichet Pornsinsiruk	Chief Information & Technology Officer
5.	Mr. Sittiporn Sorngarn	Managing Director, Securities Retail Business
6.	Mr. Sukit Udomsirikul	Managing Director, Research Department
7.	Mr. Peerasit Chiwabhong	Managing Director, Local Institutional Sale
8.	Mr. Tanasak Krishnasreni	Managing Director, Institutional Sale
9.	Mr. Prasert Tantayawit	Managing Director, Investment Banking
10.	Mrs. Maria Brenda Sanchez Lapiz	Managing Director, Institutional Research Department
11.	Ms. Areeya Kanchanabat	Vice President, Acting Head of Finance Department

### 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

## 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 2017, the Company made compensation to 5 directors in terms of meeting allowances in the total amount of THB 7,799,984.00 Details of director's compensation are as follows:

Unit: THB

Name	Compensation for the Year 2017
1. Mr. Yuth Vorachattarn	3,949,992.00
2. Ms. Sopawadee Lertmanaschai	2,299,992.00
3. Mr. Lee Siang Chin	950,000.00
4. Mr. Montree Sornpaisarn	-
5. Dato' John Chong Eng Chuan	600,000.00
<b>Total</b>	<b>7,799,984.00</b>

#### Management's Compensation

For the year 2017 ended December 31, 2017, the Company made compensation to 11 managements (under the SEC definition) (excluding Executive Vice President of Financial Department) in the form of salary and bonus for the total amount of THB 131.58 million and contribution to the provident fund for a total amount of THB 3.27 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, 2017* (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)	69	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 # 0 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			Jul03 - 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 - Mar02	Managing Director Bangkok Metropolitan Bank

Name and Position at the Company	Age	Education	% of Share Holding as of Dec 31, 2017* (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)	64	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.
					Dec 17 - Present	Director, General Hospital Product Public Co., Ltd.
					May 17 - Present	Director Orthopeasia Co., Ltd.
					Aug 17 - Dec 17	Acting, Secretary General, National Saving Fund
					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

Name and Position at the Company	Age	Education	% of Share Holding as of Dec 31, 2017* (Change in No. of Shares Held during the Year)**	Family Relationship among management	Work Experiences	
					Period	Position and Company
					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, 2017* (Change in No. of Shares Held during the Year)**	Family Relationship among management	Work Experiences	
					Period	Position and Company
3. Mr. Lee Siang Chin A member of Audit Committee and Independent Director  (SEC's approval on Jul.27, 2016 and be appointed on August 1, 2016)	69	Malaysian Institute of Certified Public Accountants  Institute of Chartered Accountants in England & Wales  The Thai Institute of Directors Association: CGI #19/2017	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 - Mar 2017	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)
4. Mr. Montree Sornpaisarn Chief Executive Officer and Authorized Director  (SEC's approval and be appointed on Oct. 19, 2001)	53	Chartered Financial Analyst (CFA)  MBA (Finance), Thammasat University  Bachelor Degree in Engineering, Chulalongkorn University  The Thai Institute of Directors Association: DAP #21/2004	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

Name and Position at the Company	Age	Education	% of Share Holding as of Dec 31, 2017* (Change in No. of Shares Held during the Year)**	Family Relationship among management	Work Experiences	
					Period	Position and Company
		The Thai Institute of Directors Association: CGI #6/2015			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.
5. 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 2017, Company was rated the evaluation point of corporate governance with "4-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 2018.

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 2015, the Company fulfilled the rights of shareholders as follows:

### 1. Right to Receive Dividends

For the Year 2016, the Company made dividend payment at the rate of Baht 1.70 per share, or a payout ratio of 100% of net profit of Year 2016 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 2017, the Company had made an interim dividend payment at the rate of Baht 0.65 per share, or a half year payout ratio of 95% of half-year net profit of Year 2017.



## 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 14, 2016 to January 14, 2017.
- 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 20, 2017 to March 24, 2017.
- 2.3 The Company notified shareholders of the resolutions from the meetings of the Board of Directors regarding date, time, place and meeting agendas 48 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 34 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 34 days prior to the date of meeting as the place for shareholders' meeting has been prepared for the shareholders' convenience of transport. In 2017, 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 22 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 2017, 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:  
[whistleblowing@maybank.com.my](mailto:whistleblowing@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 2017, 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 2017 was held on March 30, 2017 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 22 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 2017, 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 14, 2016 to January 14, 2017 (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 2017 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 2017, 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 2017, shareholders were allowed to submit questions from February 20, 2017 to March 24, 2017. 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 2017 AGM, 167 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 48 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 34 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 34 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 22 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 2017, 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 2017, 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 2017, 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 2016, the Company made dividend payment at the rate of Baht 1.70 per share, or a payout ratio of 100% of 2016 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 2017, the Company made an interim dividend payment at the rate of Baht 0.65 per share, or a half year payout ratio of 95% of 2017 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.

- **Environment**

In the Year 2017, 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 2017, 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;

3.2 By E-mail: [CorporateCommunication@maybank-ke.co.th](mailto:CorporateCommunication@maybank-ke.co.th) In the Year 2017, 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, 3 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 2017, 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 2017, 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 2017, 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.
- 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 and quarterly, 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 2017, the Board of Directors' meetings were held eight (8) 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 2017, 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 July 31, 2017. 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 2017 Annual Performance, the Board of Directors has set the evaluation date in April 2018.

## **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 2016 has made on July 31, 2017 with the result of good to excellent. For evaluation the performance for the year 2017, the questionnaires of the evaluation will be circulated to the Directors in April 2018.

## **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 2017, 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 2017, 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 2015, there was 1 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 Board of Directors has approved policies and procedures to be used as a guideline which will help developing effective business operations under risk appetite.

##### **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 all processes and the risk that company focus and define clearly policy and provide the RCSA and KRI to analyze risk and to find out the method of prevention in advance.
- 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) and follow up and test annually.

## 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 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.
- 13.2 The Company encourages and facilitates training and development for its staff. In 2017, 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	Date of Attendance	Name of Director
Steering Governance in A Changing World	14 June 2017	Ms. Sopawadee Lertmanaschai
Independent Director Forum 2017 “Updated COSO Enterprise Risk Management : Integrating with Strategy and Performance”	8 November 2017	Ms. Sopawadee Lertmanaschai
Corporate Governance for Capital Market Intermediaries (CGI 19/2017)	9-10 November 2017	Mr. Siang Chin Lee

#### 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.
- For the Year 2017, 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 2,500,000 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 Responsibility for Sustainability (CSR)



## Corporate Social Responsibility Policy

Maybank Kim Eng Securities (Thailand) Plc. is committed to be a leading financial institution in the region while building a strong social foundation to lead to a prosperous society for sustainability. The company is well aware that the business will be prospered, it must engage with a good society and the environment with regard to value creation and maximum benefit to all stakeholders.

## Business

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 Returns is Our Commitment"**. We operate under the composition of good Corporate Governance : CG, Anti-Corruption, and transparency in which we educate our clients and general public and youths to become knowledgeable and have more understanding of the requirements for making investment within the capital market. We believe that the capital market shall be another investment channel for investors to make savings and avoid the risk of investment concentration. Our easy to access and products offered are suitable for client's risk appetite. This is to help make the country's overall economy stabilize.

## Human Resources

The Company believes that the development of personnel to be knowledgeable and able to provide good quality service to customers is essential. Therefore, MKE Academy has been established under the management of the HR department to provide varied fields of training, such as new trading programs, knowledge on investment, training in various activities and etc. This aims at equipping employees with the knowledge that they can apply to the daily life. The Company keeps on continuous development of employees at all levels so that they can provide accurate information and excellent customer service covering its 47 branches nationwide. This is based on the principle of ethics

and code of conduct, initiatives on the working environment where employees have a good relationship with each other and work together equitably with unity. Our employees work with integrity, transparency and verifiable. In addition to the training of employees, the Company has raised the consciousness of social responsibility among all employees at all levels seriously and continuously. With the confidence that the company will be good, the society must be good.

We have encouraged employees to be creative and develop their full potential while promoting social and environmental development in the organization. And this will make us a learning organization and a happy workplace. We have always cultivated a sense of loyalty to employees, while promoting code of conduct, compliance with official standards and instill corporate culture practices known as **TIGER CORE VALUE**.

## Implementation and the Corporate Social Responsibility Report

The Company has adopted the standards for the development and implementation of CSR in accordance with the Corporate Social Responsibility Guidelines of the Stock Exchange of Thailand, which are generally accepted and have international standard. The business relationship with the stakeholders is as follows.





The Company has conducted under ethics and code of conduct in year 2017 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 carelessness and we can manage our resources efficiently and bring reliability to stakeholders. Also giving the company the sustainable 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 regard 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 proficient 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. Thus, the new investors training has continuously organized.

However, the Company shall not neglect to provide knowledge to professional investors who has already invested in the securities market 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 2017, the Company had organized activities to provide for the investment knowledge for more than 350 hours in total and there were participants for more than 9,000 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 staff to be honest, generous and reliable persons. The Company emphasis their staff working as ethic, transparency management, concerning to environment and common interest. Build the culture of result-oriented, unity and support and develop the staff 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 2017, the Company has 944 employees, divided to 632 staffs as Investment Consultants and 312 staff as Operations and no temporary staff.

In 2017, the company had its significant activities for good labour relationship as follows:



- **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, yoga course after working hours, badminton, soccer, table tennis, etc. 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 2017, 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, expand working experiences across the countries such 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, the Orientation Course for new employees, Quality Factors Course for price behavior through technical analysis to conquer the market, How to Know Mutual Fund, Technical Tool, How to Use ASPEN for Windows, ASPEN for Mobile, How to Use EFIN Stock Pick Up, EFIN Trade Plus, EFIN Auto Trade, Online Trading, Derivatives Product, LTF & RMF Investment, Offshore Trading, 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, Infographic for Employees, etc.





## Social and environmental activities



### 1. Youth and education

#### ● Global CR Day 2017 activity

The savings promotion activity for youth is aimed at promoting children and youth in society to have knowledge and understanding about saving money and financial planning in life. The activity is focussed on disadvantaged children and youth or those in the provinces. It is under the Global CR Day 2017 programme. The activity is held by Maybank Kim Eng companies worldwide such as Malaysia, Singapore, Hong Kong, Thailand, Philippines, India, Indonesia and Vietnam. This year's theme is **“My savings leads to a dream come true.”** Held in August, the Company has joined with Suan Dusit University's Faculty of Primary Education to create a learning medium that provides both knowledge and fun, which is divided into a variety of activities and the knowledge of savings for students at Bansang School (Sumrid Phu Ngern Anusorn), Ayutthaya Province. There was also a painting contest that depicts the savings of kindergarten students and the essay contest on my savings topic for elementary school children. This activity has the main idea that encourages children and youth to realise the importance of savings, while learning the value of money and use it for maximum benefit and plan to save money for future use.







### • Lecture on Investment knowledge

Organise activities for youth from educational institutions. To present the knowledge of the securities business and investment by giving lectures to students and instructors from various educational institutions. The main topics are the business overview of the company, the securities business, fundamentals of capital markets, the economic and investment overview and products and services and much more.



### Project title

Students from the program of  
“KTC Learn & Earn”, Krungthai Card Plc.

Business Administration, Faculty of Social  
Sciences, Srinakarinwirot University

Faculty of Business Administration,  
(English Programme), Thammasat University

Faculty of Engineering, Chulalongkorn University

### Topic

Business overview  
of the company,  
securities business,  
fundamentals of capital markets



The Company has arranged lectures for students at various educational institutions. A Lecture for the “Faculty of Business Administration, Kasetsart University” is aimed to educate students on how to invest for benefit, including financial career guidance. A lecture for international students from the Department of Business Administration, Stamford University, is focussed on basic knowledge about securities business and offshore trading.

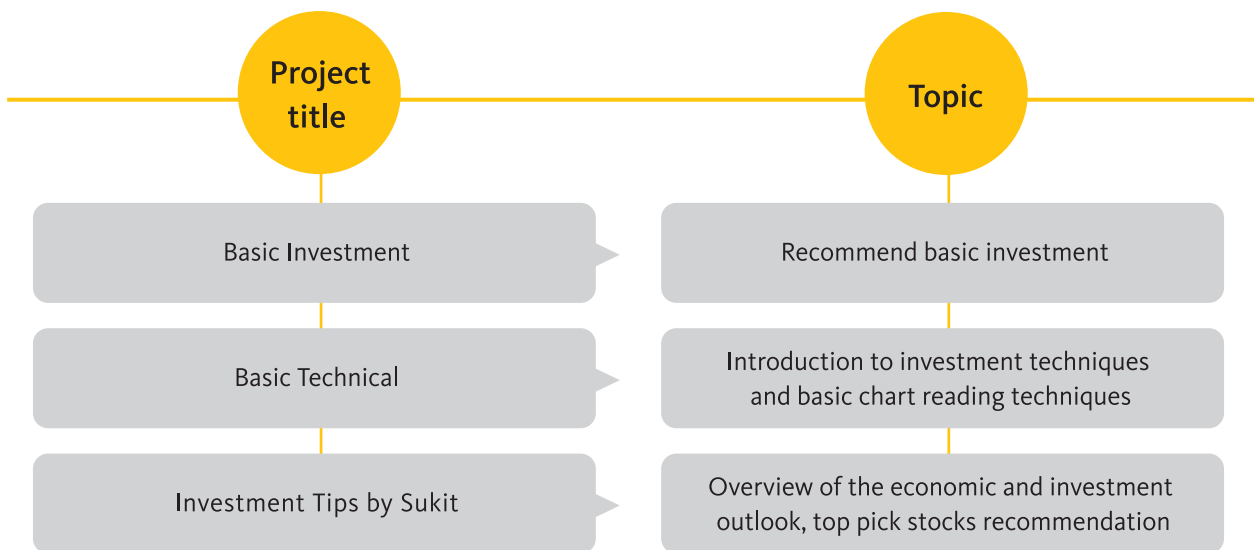


## 2. Educate the client

The Company takes into account the importance of the client. We are committed to client satisfaction and efficiency through offering products and services that bring benefits to clients, coupled with the development of services to be updated and easy to use. In keeping up with the lifestyle of the present day, the Company has organised various training courses to continue to provide knowledge in the field of the program for orders executions. The development has always been effective. The lecture takes place at the headquarters at the Offices at Central World.







#### • Seminar in provinces

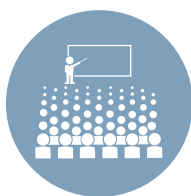
At the same time, the Company also takes into consideration the benefits of clients in the provinces. Educational seminars have been organized in the provinces as well. One was held in Ubon Ratchathani, one of the provinces where our branch is located. The purpose is to educate the audience and discuss the economic overview, market analysis and investment strategy. It also provided the opportunity for clients to exchange ideas and questions closely.

In addition, the Company also organised continued seminars by sending out teams of strategists and analysts to meet with clients and provide seminars on knowledge of the stock market and investment direction. The seminars were held in Surin, Chiang Mai and Lampang provinces.



The Company cares and values the impact on its clients. We organise activities to educate them about new technologies such as Blockchain and Bitcoin. It takes into account the potential impact on clients, in terms of the usage, confidence and security. Therefore, the Company organised a seminar entitled “How do blockchain and bitcoins cause the financial turmoil?”. Details are focused on how the technologies work and their pros and cons that may affect clients.





### 3. Educate investors and the general public

- Organise activities to welcome visitors from both the public and private sectors.

To present the knowledge about securities business, finance and investment, the Company has organised lectures to educate the public and private sectors. The main topics include the business overview of the Company, securities business, fundamentals of capital markets, economic and investment overview, investment strategy, products and services and many more.



#### Project title

Visitors from Financial and Fiscal Management Program for Senior Executive

Visitors for the Stock Exchange of Malaysia (Bursa Malaysia)

#### Topic

Business overview of the company, the securities business, fundamentals of capital markets, the economic and investment overview.



#### • Join Booth at TEDx event

Maybank Kim Eng, Ubon Ratchathani branch, has participated in the TEDx event, entitled “**TEDx Don Mod Daeng**”, which took place for the first time in Ubon Ratchathani. TEDx is a global event that brings together numbers of speakers to encourage the use of the power of thought to change people's attitude, the way of life, sharing their story to inspire people. This has led to a business startup. Maybank Kim Eng, Ubon Ratchathani branch, has set up a booth to educate investors about stocks and derivatives and open to inquiries about investment at the Science Park, Ubon Ratchathani University.



#### 4. Personnel development

In the year 2017, the Company continued to focus on human resources development. This year, we are emphasising on the potential development of the investment consultants by equipping them with knowledge, effectiveness, keeping them updated with the changing economic landscape, in terms of innovation and new technologies. There are trainings on the use of investment tools that have been developed continuously. Since the company is aware that to regularly educate and develop investment consultants' potential, it will make the clients' investment more productive. Because there are knowledgeable people who are there to provide advice and consultation in the right way.



#### Project title

Offshore Vietnam

Price behavior through technical analysis to conquer the market

eFin Auto Trade

#### Topic

Educate on investing abroad in Vietnam stock market

Educate on technical analysis

Educate on how to use stock trading program





## 5. Participation with the community and society

- **Being a co-host of religious practices in tribute to His Majesty the late King Bhumibol Adulyadej**

The Company co-hosted religious practices in tribute to His Majesty the late King Bhumibol Adulyadej and invited the clients, together with members of the board, executives and employees to take part in the activity. Wreaths were put in front of the statue of HM the late King Bhumibol Adulyadej at Dusit Throne Hall, the Royal Palace, to express the mournfulness and remembrance of HM the late king.



- **Delivery of paper Daffodil**

The Company has delivered the paper Daffodil as sandalwood flowers to the Social Development Department, Bangkok Metropolitan Administration for the Royal Cremation of HM the late King Rama IX.

- **Making of sandalwood flowers**

To present the knowledge about the invention of handicrafts, the Company held an activity “Making paper Daffodil as sandalwood flowers” preparing for the Royal Cremation. Experts from Bangkok Vocational School have taught our employees how to make the paper daffodil flowers prior to delivering them to the Social Development Department, Bangkok Metropolitan Administration.



- Present traffic control booth at Ratchaprasong intersection

The Company has presented Lumpini Police Station the traffic control booth at Ratchaprasong intersection to replace the damaged old one. The aim is to facilitate the motorists using the road in the Ratchaprasong area that mostly face heavy traffic.



## 6. Health and welfare

To present the knowledge of strengthening the physical health, encouraging employees to be healthy, both physically and mentally, the Company provides “yoga” activities to employees regularly. The course provides the teaching of pain relief caused by “Office Syndrome”, which is a major problem for many employees. The aim is to benefit both physical and mental health while focusing on promoting employees healthier and more mental.







## 7. Sport

To promote and support employees to have a passion for sports and spend free time usefully. The Company has supported the establishment of sports clubs such as “Badminton Club” and “Soccer Club”. Playing sport plays a vital role in promoting health and wellbeing. Group sport also helps to build good relationships among employees as well.



## 8. Social and environment

- Calendar donation for education

The Company donated the “Old calendar to the Foundation for the Blind in Thailand, Under the Royal Patronage” at the Center for Educational Technology for the Blind. The donated calendars from employees were presented to the Foundation to create learning media for the visually impaired.



- **Calendar presented to blood donors at the Thai Red Cross Society**

The Company has presented the Thai Red Cross Society “**The King’s Life Lessons**”, the desk calendar which will be given to the blood donors who donate blood at the Thai Red Cross Society. It is a desktop calendar that the company has created and won “**Suriyasasithorn**” award, honouring the Monarchy category, from the Public Relations Association of Thailand. The purpose is to represent the Royal speech of His Majesty the late King Rama IX to be published to benefit and guide the Thai people to follow his teachings.



- **Animal shelter for stray dogs**

The Company has joined forces with Hat Yai branch staff to help more than 100 dogs out of quarantine cages to stay at the shelter. Money was raised among our staff to donate to the “**Animal shelter for stray dogs**” project to build a shelter for these dogs. The aim of the rescue is to reduce the number of stray dogs. It is also easier to control contraception through sterilization for a better environment.

- **Books donation for schools in remote areas**

The Company donated books to Stang Mongkolsuk Library, Faculty of Science, Mahidol University. The books comprise of textbooks, documentary, the children's books and etc. The purpose of the donation of old books, but with the good condition from our staff, is aimed to give children in schools in the remote areas more access to reading and promoting them to spend free time usefully. It helps to reduce social problems to a certain extent.





## 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 2017, the Audit Committee held 8 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:

2017		Ms. Sopawadee Lertmanaschai	Mr. Yuth Vorachattarn	Ms. Siang Chin Lee	Auditor
No.	Date of Meeting				
1/2017	26 January 2017	●	●	●	● (2016 Financial Statements)
2/2017	10 February 2017	●	●	●	-
3/2017	17 March 2017	●	●	●	-
4/2017	26 April 2017	●	●	●	● (Q1/17 Financial Statements)
5/2017	12 June 2017	●	●	●	-
6/2017	31 July 2017	●	●	●	● (Q2/17 Financial Statements)
7/2017	8 September 2017	●	●	●	-
8/2017	1 November 2017	●	●	●	● (Q3/17 Financial Statements)

**Remark:**

- The Company's certified external auditor is EY Office Limited

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 2017 were as follows:

1. The Audit Committee reviewed 2016 financial statements and Q1/2017, Q2/2017 and Q3/2017 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 2017. 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 2017 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 2017. 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.5), B.E.2559 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 2017, 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 14 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.

With effect from April 1, 2017, Ms. Variya Worawattanamateekul has been appointed in the position of Head of Internal Audit. She has high experience in the area of internal audit control of financial business. She had attended many courses with respect to the internal control system (which organized by Maybank Group, Bank of Thailand, Association of Securities Companies, Federation of Accounting Professions) such as (i) Audit Methodologies (ii) Effective Internal Audit, (iii) FATCA updating rules and workshop, (iv) BOT Report Preparation (Offshore Trading), (v) updating rules of AML/CFT, (vi) COSO-Internal Control Integrated Framework and Internal Control-Thailand 4.0; and etc.

However, the consideration, appointment, impeachment and rotation of the Head of Internal Audit 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 2017 and 2016 are as follows:-

Conflict of interest person	Relation	Value in year 2017 (Million Baht)	Value in year 2016 (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	101	63	<p><b>Brokerage Fee Income:</b> The Company received brokerage fee income from Maybank Kim Eng Securities Pte. Ltd. at normal rate in accordance with SET's notification.</p> <p><b>Remark:</b> As at December 31, 2017 the company had its outstanding securities business receivable in the amount of THB 131 and outstanding securities business payable in the amount of THB 18 million.</p> <p>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.</p>

Conflict of interest person	Relation	Value in year 2017 (Million Baht)	Value in year 2016 (Million Baht)	Description
		11	-	<u>Fee and Service Income:</u> In accordance with the agreement
		2	2	<u>Brokerage Expenses:</u> In accordance with the agreement
		4	3	<u>Fee and Service Expenses:</u> In accordance with the agreement
		2	2	<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 2017 (Million Baht)	Value in year 2016 (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	7	<p><b>Brokerage Fee Income:</b> The Company received from Kim Eng Securities (Hong Kong) Limited at normal rate in accordance with SET's notification.</p> <p><b>Remark:</b> As at December 31, 2017 the Company had outstanding securities business receivable of THB 37 and had no outstanding of securities business payable.</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>

Conflict of interest person	Relation	Value in year 2017 (Million Baht)	Value in year 2016 (Million Baht)	Description
Maybank Kim Eng Holdings Limited	Major shareholder of the Company. As at August 16, 2017, Maybank Kim Eng Holdings Limited hold 475,182,790 shares or 83.25% equity stake in the Company's total paid up shares.	30	32	<u>Interest Expenses on Borrowings:</u> In accordance with borrowings agreement
		760 (The Company paid its dividend for January -December 2016 and interim dividend for first 6 months of year 2017 (1 January to 30 June 2017) at the rate of THB 0.95 and 0.65, respectively)	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)	<u>Dividend Paid:</u> The Company paid the dividend payment in the same rate as the Company paid to other shareholders.
Maybank Kim Eng Securities Limited	Subsidiary Company of Maybank Kim Eng Holding Limited who are a major shareholder of the Company	2	1	<u>Brokerage Expenses:</u> In accordance with the agreement

Conflict of interest person	Relation	Value in year 2017 (Million Baht)	Value in year 2016 (Million Baht)	Description
Maybank Kim Eng Research Pte. Ltd.	Fellow subsidiary	48	20	<u>Research and Advisory Income:</u> In accordance with the agreement
		10	13	<u>Research and Advisory Expenses:</u> In accordance with the agreement
Maybank Asset Management (Thailand) Co., Ltd.	Subsidiary Company of the Malayan Banking Berhad	-	1	<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 Malayan Banking Berhad	3	1	<u>Service Expenses:</u> In accordance with the agreement
		3	-	<u>Other Expenses:</u> In accordance with the agreement

# Financial Summary

## • Summary of Financial Statements

Unit: Millions of Baht

	2015	2016	2017
Total Assets	17,989.16	16,802.59	18,924.14
Total Liabilities	13,170.24	11,888.24	14,269.12
Total Shareholders' Equity	4,818.92	4,914.35	4,655.02
Securities and Derivatives Business Receivables	15,788.02	13,972.86	14,961.66
Total Revenue	3,969.18	3,668.57	3,261.08
Net Profit	1,019.23	974.49	638.63
EPS (THB)	1.79	1.71	1.12

## • Financial Ratios

	2015	2016	2017
Profitability Ratio			
Gross profit margin (%)	82.05	82.70	82.30
Net profit margin (%)	25.68	26.54	19.58
ROE (%)	21.01	20.02	13.35
Return on Investment (%)	27.27	18.32	18.82
Efficiency Ratio			
Return on Assets (%)	5.28	5.60	3.58
Total Assets Turnover (x)	0.21	0.21	0.18
Financial Policy Ratio			
Liquid Assets to Total Assets Ratio (%)	3.17	5.88	12.86
Debt-to-Equity Ratio (x)	2.73	2.42	3.07
Other Ratios			
Investment to Total Assets Ratio (%)	1.08	3.84	10.81
NCR (%) (calculated in accordance with SEC's rules)	38.51	45.34	24.47

# Management Discussion and Analysis

## Summary of Auditor Report

Summaries of Auditor Report for the Years 2016 and 2017 are as follows:

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.
Financial statements of the Company for the Year ended 31 December 2017	Ms. Nonglak Pumnoi, Certified Public Accountant No. 4172 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 2017 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 2016 and 2017 were 8.15% and 6.83% of total trading value in each respective year. 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. As at 31 December 2017, the Company's total assets, liabilities and shareholders' equity as showed on the Company's statement of financial position were THB 18,924.14 million, THB 14,269.12 million and THB 4,655.02 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 2017, 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 3,424.68 million, THB 3,995.00 million and THB 5,911.62 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 2017, with the following strength factors.
  1. Total branches in Thailand (excluding the head office) are 47. As of 31 December 2017, the Company's total securities trading accounts were 190,170, thus allowing the Company to manage operating costs efficiently.
  2. As of 31 December 2017, the Company's total securities marketing officers were 632, and this is the largest securities marketing team in Thailand.
- Total shareholders' equity on the Company's statement of financial position was THB 4,655.02 million. As of 31 December 2017, the Company's NCR stood at 24.47%. The Company has an investment banking team which consists of 15 staff. 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 22 staff 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	2015		2016		2017	
	Million Baht	%	Million Baht	%	Million Baht	%
Securities brokerage fee	2,452.77	61.79	2,408.45	65.65	1,839.95	56.42
Futures brokerage fee and others	178.68	4.50	173.68	4.73	137.95	4.23
Fee and service income	162.31	4.09	80.90	2.21	273.23	8.38
Gains (losses) on investments	(194.63)	(4.90)	30.59	0.83	8.96	0.28
Gains on derivatives	271.27	6.83	40.19	1.10	102.10	3.13
Interest and dividends	332.06	8.37	220.95	6.02	229.91	7.05
Interest on margin loans	710.76	17.91	659.91	17.99	596.26	18.28
Other income	55.96	1.41	53.90	1.47	72.72	2.23
Total	3,969.18	100.00	3,668.57	100.00	3,261.08	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 2016, brokerage fee (from both securities and derivatives businesses) accounted for 70% of the Company's total revenue. For the Year 2017, brokerage fee (from both securities and derivatives businesses) accounted for 61% of the Company's total revenue. Most of the Company's securities trading clients are retail investors. Their trading volume accounted for 75.55% of the Company's total trading volume. Institutional investors accounted for 24.45% of the Company's total trading volume.

For the Year 2016, the Company's total revenue was THB 3,668.57 million, declined by THB 300.61 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 81.41 million. Such decrease is a result of the decreasing of lower interest rate and fee from underwriting deals when compared to 2015.

For the Year 2017, the Company's total revenue was THB 3,261.08 million, declined by THB 407.49 million compared to that of the preceding year, mainly due to the decrease in brokerage fee of THB 604.23 million. Such decrease in revenue is a result of the decreasing of the average daily trading value from THB 52,525 million in 2016 to THB 50,114 million in 2017.

Ratio (%)	2015	2016	2017
Income Growth Rate	(10.50)	(7.57)	(11.11)
Expense Growth Rate	(5.52)	(9.03)	0.62
Net Profit Margin Growth Rate	(19.38)	(4.39)	(34.47)
Gross Profit Margin	82.05	82.70	82.30
Net Profit Margin	25.68	26.54	19.58
Return on Equity (ROE)	21.01	20.02	13.35

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.

In the Year 2017, the Company's gross profit margin was 82.30%, net profit margin was 19.58% and ROE was 13.35%. The gross profit margin, net profit margin and ROE were declined from year 2016 mainly due to the decreasing of brokerage fee which varies based on the trading volume of the SET.

- **Brokerage Fee**

In the Year 2016, the Company had a brokerage fee from securities business of THB 2,408.45 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 173.68 million, decreased 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.

In the Year 2017, the Company had a brokerage fee from securities business of THB 1,839.95 million, decreased compared to that of the preceding year which was THB 2,408.45 million. In the Year 2017, the Company had a brokerage fee from derivatives business and others of THB 137.95 million, decreased relative to that of the preceding year which was THB 173.68 million. The drop in the Company's brokerage fee in the Year 2017 (including brokerage fee from securities business, derivatives businesses and others) was also mainly due to trading volume of the SET during the year.

- **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 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 80.90, THB 70.78, THB 220.95, THB 659.91, and THB 53.90 million, respectively.

In the Year 2017, 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 273.23, THB 111.06, THB 229.91, THB 596.26, and THB 72.72 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 2017, the Company's total substandard debts stood at THB 315.68 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 60.20 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 2016, the Company's expenses totaled THB 2,445.14 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, employee benefit expenses and other expenses are varied as the reducing of the trading volume.

For the Year 2017, the Company's expenses totaled THB 2,460.32 million, an increase from that of the preceding year which stood at THB 2,445.14 million. Such increase was mainly due to increase in employee benefit expenses, bad debt and doubtful accounts and other expenses which was consistent with the Company's business plan. However, there was decrease in fee and service expenses and financing costs associated with decrease in trading volume and borrowings from financial institutions and debt issuance in order to support extension of credit balance accounts.

- **Net Profit**

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 300.61 million. Total expenses (not including corporate income tax expense) decreased by THB 242.63 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.

For the Year 2017, the Company's net profit totaled THB 638.63 million, decreased from net profit for the Year 2016, which was THB 974.49 million. Total income dropped by THB 407.49 million. Total expenses (not including corporate income tax expense) increased by THB 15.18 million. Corporate income tax expense dropped from THB 248.94 million in the Year 2016 to THB 162.13 million in the Year 2017. The decrease of net profit was mainly due to the drop in brokerage fee of THB 604.23 million, from THB 2,582.13 million in the Year 2016 to THB 1,977.90 million in the Year 2017.

## Financial Position

- **Assets**

Total assets at the end of the Year 2017 and 2016 were THB 18,924.14 million and THB 16,802.59 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 79.06% and 83.16% of total assets as at 31 December 2017 and 2016, respectively.

- **Securities and Derivatives Business Receivables**

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 2017, the Company's net securities and derivatives business receivables (plus accrued interest receivables) totaled THB 14,961.66 million, an increase from that at the end of the Year 2016 which was THB 13,972.86 million.

As of 31 December 2016 and 2017, securities and derivatives business receivables consisted of the following:

- 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 2017, the Company has securities business receivables-cash accounts in the amount of THB 3,096.00 million, accounting for 20.69% of net securities and derivatives business receivables (plus accrued interest receivables). The outstanding balance of securities business receivables-cash

accounts declined by 2.21% from that at the end of the preceding year. This is because total trading volume during the last 3 trading days of the Year 2017 is lower than that during the last 3 trading days of the Year 2016.

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.

As of 31 December 2017, the Company has credit balance accounts in the amount of THB 11,586.01 million, accounting for 77.44% of net securities and derivatives business receivables (plus accrued interest receivables). The outstanding balance of credit balance accounts increased by 9.51% relative to that at the end of the Year 2016. 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 2017, the outstanding balance was THB 301.16 million, slightly increase from last year which was THB 246.49 million. 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 171.31 million as of 31 December 2017, increased from the outstanding balance at the end of the Year 2016, which was THB 167.62 million.
- The outstanding balance of net derivatives business receivables was THB 5.21 million as of 31 December 2017, increased from the outstanding balance at the end of the Year 2016, which was THB 0.42 million.

- **Investment in Securities**

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.

The Company's net investment in securities as of 31 December 2017 totaled THB 2,050.37 million. Such investment in securities consists of equity trading securities with the fair value of THB 2,041.28 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 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.

As of 31 December 2017, the Company had receivables from clearing house balance of THB 534.23 million, decreased from THB 740.85 million as of 31 December 2016.

- **Equipment**

As of 31 December 2017, the Company's net equipment totaled THB 132.77 million, decreased from THB 191.39 at the end of the Year 2016. During the Year 2017, there were investments in fixtures and computer equipment of THB 27.89 million and depreciation charge of THB 80.64 million.

- **Other Assets**

The Company's other assets include clearing fund, unearned revenue, prepaid expenses and others. Total net book value as of 31 December 2017 was THB 552.91 million, increased from THB 527.15 million as at the end of the Year 2016. Such increase was contributed mainly to increase in other receivables.

- **Liquidity**

For the Year 2016, the Company had a net cash flow from operating activities of THB 3,432.65 million and a net cash flow used in investing activities of THB 53.19 million. The Company invested in equipment and intangible assets 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 use of the Company's financing cash flow was loan repayments and dividend payment.

For the Year 2017, the Company had a net cash flow used in operating activities of THB 1,197.44 million and a net cash flow used in investing activities of THB 33.96 million. The Company invested in equipment and intangible assets totaled THB 27.69 million and THB 7.67 million, respectively.

For the Year 2017, the Company had a net cash flow provided from financing activities of THB 1,273.05 million. Major source of the Company's financing cash inflow is borrowings from domestic financial institutions. Major use of the Company's financing cash flow was 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 (2015-2017), 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 2015, 2016 and 2017, the Company's NCR fell in the range of 22.83% - 53.40%, 25.05% - 49.91% and 24.47% - 44.87%, 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 2017, the Company's source of capital is from debt of THB 14,269.12 million and from equity of THB 4,655.02 million. The Company's D/E ratios as of 31 December 2016 and 2017 were 2.42 times and 3.07 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 2016 and 2017 were 1.71 times and 2.33 times, respectively. It is worth noting that the increase in the Company's total debt in the Year 2017 was due to the increase in borrowings from financial institutions.

The Company's ROEs for the Years 2016 and 2017 were 20.02% and 13.35%, respectively. For the Years 2016 and 2017, the Company made total dividend payments of THB 879.05 million and THB 913.30 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 2017. 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 Kim Eng Securities (Thailand) Plc. ending December 31, 2017 are prepared in line with generally accepted accounting principles and relevant rules and regulations.



**Yuth Vorachattarn**  
Chairman



**Montree Sornpaisarn**  
Executive Director and  
Chief Operating Officer



**John Chong Eng Chuan**  
Executive Director



# **Report and Financial Statements**

**31 December 2017**

Maybank Kim Eng Securities (Thailand) Public Company Limited

## Independent Auditor's Report

### 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 2017, 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 2017, 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 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 1,978 million and Baht 596 million, respectively, representing 61 percent and 18 percent of the Company's total revenues. The Company charges brokerage fees at percentages of trading volume or contract type, 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 4.6 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 14,962 million as at 31 December 2017, representing 79 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 adequacy of 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 accounts 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 adequacy of allowance for doubtful accounts as at the end of reporting period by testing on a sampling basis, the data used in the calculation of allowance for doubtful accounts, the status of outstanding receivable, the valuation of collateral, the collections after the end of reporting period, the classification of receivables and the calculation of allowance for doubtful accounts.

## **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:

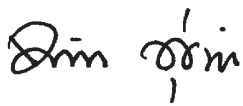
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting 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.

I am responsible for the audit resulting in this independent auditor's report.



Nonglak Pumnoi  
Certified Public Accountant (Thailand) No. 4172

EY Office Limited  
Bangkok: 31 January 2018

**Statement of Financial Position**

As at 31 December 2017

(Unit: Baht)

	Note	31 December 2017	31 December 2016
<b>Assets</b>			
Cash and cash equivalents	6	392,929,294	351,282,754
Receivables from Clearing House and brokers	7	534,234,260	740,845,901
Securities and derivatives business receivables	8	14,961,660,945	13,972,862,949
Investments	10	2,053,895,484	648,876,512
Loans	32.1	240,429,785	295,788,175
Equipment	11	132,768,322	191,386,219
Intangible assets	12	31,965,436	42,962,773
Deferred tax assets	13.1	23,353,177	31,436,090
Other assets	14	552,906,889	527,153,543
<b>Total assets</b>		<b>18,924,143,592</b>	<b>16,802,594,916</b>

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



**Statement of Financial Position (continued)**

As at 31 December 2017

(Unit: Baht)

	Note	31 December 2017	31 December 2016
<b>Liabilities and shareholders' equity</b>			
<b>Liabilities</b>			
Borrowings from financial institutions	15	3,995,000,000	720,000,000
Payables to Clearing House and brokers	16	372,484,701	32,441,262
Securities and derivatives business payables	17	3,424,683,195	3,493,575,975
Derivatives liabilities	9	31,935,689	41,629,676
Income tax payable		57,326,897	127,673,040
Debt issued and other borrowings	18	5,911,615,134	6,857,028,773
Provisions	19	162,998,331	161,317,236
Other liabilities	21	313,082,430	454,577,775
<b>Total liabilities</b>		<b>14,269,126,377</b>	<b>11,888,243,737</b>
<b>Shareholders' equity</b>			
Issued and paid-up share capital			
Ordinary share	23	2,854,072,500	2,854,072,500
Share premium and premium on treasury shares		542,789,399	542,789,399
Retained earnings			
Appropriated - statutory reserve	24	286,125,000	286,125,000
Unappropriated		972,030,316	1,231,364,280
<b>Total shareholders' equity</b>		<b>4,655,017,215</b>	<b>4,914,351,179</b>
<b>Total liabilities and shareholders' equity</b>		<b>18,924,143,592</b>	<b>16,802,594,916</b>
		-	-

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

**Statement of comprehensive income**

For the year ended 31 December 2017

(Unit: Baht)

	Note	2017	2016
<b>Profit or loss:</b>			
<b>Income</b>			
Brokerage fees income	26	1,977,898,254	2,582,132,143
Fees and service income	27	273,227,990	80,895,641
Interest on margin loans		596,266,258	659,908,217
Gains and returns on financial instruments	28	340,968,881	291,739,115
Other income		72,721,286	53,899,584
<b>Total income</b>		<b>3,261,082,669</b>	<b>3,668,574,700</b>
<b>Expenses</b>			
Employee benefit expenses		1,312,493,001	1,279,626,061
Fee and service expenses		198,110,889	239,566,508
Financial costs		352,564,912	383,400,135
Bad debt and doubtful accounts		13,665,673	43,017
Other expenses		583,485,970	542,505,291
<b>Total expenses</b>		<b>2,460,320,445</b>	<b>2,445,141,012</b>
<b>Profit before income tax</b>		<b>800,762,224</b>	<b>1,223,433,688</b>
Income tax	13.2	(162,132,851)	(248,943,948)
<b>Profit for the year</b>		<b>638,629,373</b>	<b>974,489,740</b>
<b>Other comprehensive income:</b>			
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Actuarial gain	20	19,174,829	-
Income tax effect	13.2	(3,834,966)	-
<b>Total other comprehensive income not to be reclassified to profit or loss in subsequent periods</b>		<b>15,339,863</b>	<b>-</b>
<b>Other comprehensive income for the year</b>		<b>15,339,863</b>	<b>-</b>
<b>Total comprehensive income for the year</b>		<b>653,969,236</b>	<b>974,489,740</b>
<b>Earnings per share</b>	31		
Basic earnings per share		1.12	1.71

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

## Statement of changes in shareholders' equity

For the year ended 31 December 2017

	Issued and paid-up capital	Share premium and premium on treasury shares	Retained earnings		(Unit: Baht)
			Appropriated - statutory reserve	Unappropriated	
<b>Balance as at 1 January 2016</b>	2,854,072,500	542,789,399	286,125,000	1,135,928,870	4,818,915,769
Dividend paid (Note 25)	-	-	-	(879,054,330)	(879,054,330)
Profit for the year	-	-	-	974,489,740	974,489,740
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income for the year	-	-	-	974,489,740	974,489,740
<b>Balance as at 31 December 2016</b>	2,854,072,500	542,789,399	286,125,000	1,231,364,280	4,914,351,179
<b>Balance as at 1 January 2017</b>	2,854,072,500	542,789,399	286,125,000	1,231,364,280	4,914,351,179
Dividend paid (Note 25)	-	-	-	(913,303,200)	(913,303,200)
Profit for the year	-	-	-	638,629,373	638,629,373
Other comprehensive income for the year	-	-	-	15,339,863	15,339,863
Total comprehensive income for the year	-	-	-	653,969,236	653,969,236
<b>Balance as at 31 December 2017</b>	2,854,072,500	542,789,399	286,125,000	972,030,316	4,655,017,215

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

**Cash flow statement**

For the year ended 31 December 2017

	(Unit: Baht)	
	2017	2016
<b>Cash flows from operating activities</b>		
Profit before income tax expenses	800,762,224	1,223,433,688
Adjustments to reconcile profit before income tax expenses to net cash provided by (paid for) operating activities:		
Depreciation and amortisation	95,809,774	102,970,746
Bad debt and doubtful accounts	13,665,673	43,017
Unrealised (gain) loss on revaluation of investments	(81,902,705)	19,479,325
(Gain) loss on sales and written-off of premises and equipment	4,469,484	(1,084,430)
Unrealised (gain) loss on revaluation of derivatives assets and liabilities	13,184,604	(26,201,028)
Unrealised (gain) loss on revaluation of exchange rate	11,022,902	(14,683,216)
Financial cost	352,564,912	383,400,135
Interest income	(806,544,799)	(880,775,363)
Amortisation of prepaid personnel expenses	104,821,692	100,985,503
Provision for long-term employee benefits	22,289,266	25,914,447
<b>Profit from operating activities before changes in operating assets and liabilities</b>	<b>530,143,027</b>	<b>933,482,824</b>
(Increase) decrease in operating assets		
Receivables from Clearing House and brokers	173,157,165	(6,774,665)
Securities and derivatives business receivables	(999,921,124)	1,798,517,270
Investments	(1,323,329,297)	(470,045,743)
Loans	55,358,390	18,062,074
Other assets	(145,684,537)	(326,087,405)
Increase (decrease) in operating liabilities		
Payables to Clearing House and brokers	340,043,439	(122,383,202)
Securities and derivatives business payables	(68,679,806)	1,266,503,654
Derivatives liabilities	9,953,039	22,522,216
Provisions	(1,433,342)	(15,037,000)
Other liabilities	(128,911,236)	(63,643,801)
Cash received (paid) operating activities	(1,559,304,282)	3,035,116,222
Cash paid for interest	(229,016,757)	(283,885,304)
Cash received from interest	819,111,753	900,074,439
Cash paid for income tax	(228,231,047)	(218,658,227)
<b>Net cash flows provided by (used in) operating activities</b>	<b>(1,197,440,333)</b>	<b>3,432,647,130</b>

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

**Cash flow statement (continued)**

For the year ended 31 December 2017

	(Unit: Baht)	
	2017	2016
<b>Cash flows from investing activities</b>		
Cash received (paid) from investing activities		
Cash paid for purchases of equipment	(27,692,194)	(39,933,575)
Proceeds from disposals of equipment	1,399,301	1,133,218
Cash paid for purchases of intangible assets	(7,669,609)	(14,392,213)
<b>Net cash flows used in investing activities</b>	<b>(33,962,502)</b>	<b>(53,192,570)</b>
<b>Cash flows from financing activities</b>		
Cash received (paid) from financing activities		
Cash received for borrowings from financial institutions	57,365,000,000	60,286,000,000
Cash paid for borrowings from financial institutions	(54,090,000,000)	(61,036,000,000)
Cash received from debt issued and other borrowings	40,839,763,712	19,915,816,967
Cash paid to debt issued and other borrowings	(41,922,440,000)	(21,694,000,000)
Cash paid for liabilities under finance lease agreements	(5,971,137)	(5,105,352)
Dividend paid	(913,303,200)	(879,054,330)
<b>Net cash flows provided by (used in) financing activities</b>	<b>1,273,049,375</b>	<b>(3,412,342,715)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>41,646,540</b>	<b>(32,888,155)</b>
Cash and cash equivalents at the beginning of the year	351,282,754	384,170,909
<b>Cash and cash equivalents at the ending of the year</b>	<b>392,929,294</b>	<b>351,282,754</b>

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

## Notes to financial statements

For the year ended 31 December 2017

### 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 - 21<sup>st</sup> Floor, Rama 1 Road, Pathumwan, Bangkok. As at 31 December 2017, the Company has 47 branches in Bangkok and upcountry (31 December 2016: 60 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 (version 2) No. SorThor 22/2559 dated 2 June 2016.

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 financial statements in Thai language.

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 financial reporting standards and interpretations (revised 2016) and new accounting treatment guidance 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 adoption of these financial reporting standards does not have any significant impact on the Company's financial statements.

**b. Financial reporting standards that will become effective in the future**

During the current year, the Federation of Accounting Professions issued a number of revised financial reporting standards and interpretations (revised 2017) which are effective for fiscal years beginning on or after 1 January 2018. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes and clarifications directed towards disclosures in the notes to financial statements.

The management of the Company believe that the revised and new financial reporting standards 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 income**

Brokerage fees income 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) Interest on margin 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.

**d) Gains and returns on financial instruments**

*Gain (loss) on investments and derivatives*

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

*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.

#### **4.2 Expense recognition**

Expenses are recognised 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 Recognition and derecognition of customers' assets**

Cash 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 collateral 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.

#### **4.5 Receivables from/payables to Clearing House and brokers**

Receivables from/payables to Clearing House and brokers comprise the net balance of receivables from/payables to Thailand Clearing House in respect of settlements for securities trades and derivative instruments. They include cash pledged with Thailand Clearing House as collateral 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.

#### **4.6 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, and including related accrued interest receivables after deducting allowance for doubtful accounts.

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 specific 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.



#### 4.7 Borrowing and lending of securities

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

The Company records its obligations to return borrowed securities which it has lent as “Payables under securities borrowing and lending business” and securities lent to customers are recorded as “Receivables under securities borrowing and lending business” in the statement of financial position. At the end of the reporting period, the balance of payables/receivables under securities and lending business 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. 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.

#### 4.8 Investments

- a) Investments in securities held for trading are determined at fair value. Changes in the fair value of these securities are recorded in profit or loss.
- 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 deposits at financial institutions are fixed deposits and bills of exchange issued by financial institutions with original maturity of longer than 3 months from the date of acquisition or with an original maturity within 3 months from the date of acquisition, but the company intends to roll-over them, or deposits subject to withdrawal restrictions.
- d) 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).

The fair value of marketable securities is based on the latest bid price of the last working day of the year. The fair value of debt instruments is determined based on yield rates quoted by the Thai Bond Market Association.

The weighted average method is used for computation of the cost of investments.

In the event the Company reclassifies investments from one type to another, such investments will be readjusted to their fair value as at the reclassification date. The difference between the carrying amount of the investments and the fair value on the date of reclassification are recorded in profit or loss or recorded as other components of shareholders' equity, depending on the type of investment that is reclassified.

On disposal of an investment, the difference between net disposal proceeds and the carrying amount of the investment is recognised in profit or loss.

#### **4.9 Loans**

Loans to employees under welfare program are initially recognised 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.

#### **4.10 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.

#### **4.11 Intangible assets**

Intangible assets acquired are initially recognised at cost. Following the initial recognition, the intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses (if any).

Intangible assets with finite lives are amortised on a systematic basis over the economic useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method of such intangible assets are reviewed at least at each financial year end. The amortisation expense is charged to profit or loss.

A summary of the intangible assets with finite useful lives is as follows:

Computer software	5 years
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No amortisation is provided on TFEX membership fees and software under installation.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually either individually or at the cash generating unit level. The assessment of indefinite useful lives of the intangible assets is reviewed annually.

#### **4.12 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.

#### **4.13 Income tax**

Income tax 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 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.

#### **4.14 Impairment of assets**

At the end of each reporting period, the Company performs impairment reviews in respect such assets whenever events or changes in circumstances indicate that an asset may be impaired. An impairment loss is recognised when the recoverable amount of an asset, which is the higher of the asset's fair value less costs to sell and its value in use, is less than the carrying amount.

#### **4.15 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.

#### **4.16 Debt issued and other borrowings**

Debt issued and other borrowings are initially recognised at the fair value of the proceeds received. Debt issued and other borrowings are subsequently stated at amortised cost, using the effective interest 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 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.

#### **4.18 Employee benefits**

##### **a) Short-term employee benefits**

Salaries, wages, bonuses and contributions to the social security fund are recognized 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 independent expert, 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.

#### **4.19 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 long-term payables, 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.

Leases of office space and equipment which do not transfer substantially all the risks and reward of ownership are classified as operating leases. Operating lease payments are recognised as an expense in profit or loss on a straight line basis over the lease term.

#### **4.20 Related party transactions**

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

They also include individuals or enterprises 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.

#### **4.21 Treasury stocks**

The consideration paid which is directly related with buying 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.

#### **4.22 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.

#### **4.23 Derivatives**

##### **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 recognised in profit or loss. The fair value of marketable derivative warrants are calculated with reference to the last offer price quoted on the Stock Exchange of Thailand on the last working day of the year.

##### **Futures**

The Company initially recognises future as off-balance transactions. Gains or losses from changes in the fair value of future is included in profit or loss. The fair value of marketable futures are 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.

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

Forward exchange contracts are initially recognised as off-balance transactions. Gains or 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 and selling for the remaining period of each contract.

#### **4.24 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 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.

### **5.2 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.

### **5.3 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.



#### **5.4 Fair value of financial instruments**

In determining the fair value of financial instruments recognised in the statement of financial position 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.

#### **5.5 Allowance for impairment of investments in securities**

The Company treats general 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.

#### **5.6 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.

#### **5.7 Intangible assets**

The initial recognition and measurement of intangible assets, and subsequent impairment testing, require management to make estimates of cash flows to be generated by the asset or the cash generating units and to choose a suitable discount rate in order to calculate the present value of those cash flows.

#### **5.8 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.

## 5.9 Post-employment benefits under defined benefit plans

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: Thousand Baht)	
	31 December 2017	31 December 2016
Cash, short-term fixed deposits and short-term certificates of deposit maturing within 3 months from date of acquisition	5,027,153	2,900,146
Less: Cash deposits held for customers	(4,634,224)	(2,548,863)
Cash and cash equivalents	<u>392,929</u>	<u>351,283</u>

## Supplemental cash flows information

	(Unit: Thousand Baht)	
	31 December 2017	31 December 2016
Non-cash items:		
Purchase of equipment and intangible asset on credit	195	3,494

## 7. Receivables from Clearing House and brokers

	(Unit: Thousand Baht)	
	31 December 2017	31 December 2016
Receivables from Clearing House	1,049,366	1,480,499
Receivables from foreign brokers	450,224	297,861
Less: Receivables from Clearing House held for customers	(529,833)	(750,475)
Less: Receivables from foreign brokers held for customers	(435,523)	(287,039)
Receivables from Clearing House and brokers	<u>534,234</u>	<u>740,846</u>

## 8. Securities and derivatives business receivables

	(Unit: Thousand Baht)	
	31 December 2017	31 December 2016
<u>Securities business receivables</u>		
Cash accounts	3,096,000	3,165,840
Credit balance accounts	11,586,009	10,579,464
Receivables under securities borrowing and lending business	171,312	167,623
Other receivables	301,163	246,486
Total securities business receivables	15,154,484	14,159,413
Add: Accrued interest receivables	63,529	60,986
Less: Allowance for doubtful accounts	(261,566)	(247,958)
Securities business receivables	14,956,447	13,972,441
<u>Derivatives business receivables</u>		
Derivatives business receivables	5,214	422
Other receivables	350	365
Less: Allowance for doubtful accounts	(350)	(365)
Derivatives business receivables	5,214	422
Securities and derivatives business receivables	14,961,661	13,972,863

- 8.1 As at 31 December 2017, the Company had other receivables (included accrued interest receivables) with book values totalling Baht 316 million from which it has ceased recognising income (31 December 2016: Baht 260 million).
- 8.2 As at 31 December 2017 and 2016, the Company has classified securities 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:

	31 December 2017			31 December 2016		
	Debt			Debt		
	balance net			balance net		
	Allowance for			Allowance for		
	doubtful			doubtful		
	for doubtful			for doubtful		
	Debt	Accounts	accounts	Debt	Accounts	accounts
	balance			balance		
Normal Debt	14,907,899	-	14,907,899	13,960,763	-	13,960,763
Sub-standard Debt	70,598	(16,836)	53,762	16,246	(4,146)	12,100
Doubtful Debt	245,080	(245,080)	-	244,177	(244,177)	-
Total	15,223,577	(261,916)	14,961,661	14,221,186	(248,323)	13,972,863

As at 31 December 2017, receivables (included accrued interest 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 2016: Baht 255 million).

### 8.3 Allowance for doubtful accounts

	(Unit: Thousand Baht)	
	31 December 2017	31 December 2016
Balance - beginning of the year	248,323	248,281
Add: Doubtful accounts	13,698	192
Less: Reversal of doubtful accounts	(105)	(150)
Balance - end of the year	261,916	248,323

## 9. Derivatives assets and derivatives liabilities

	(Unit: Thousand Baht)		
	31 December 2017		
	Fair value		Notional
	Assets	Liabilities	amount
<b>Trading derivatives</b>			
Derivatives warrants	-	31,936	182,298
Future <sup>(i)</sup>	-	-	1,944,169
Derivatives assets and derivatives liabilities	-	31,936	2,126,467

<sup>(i)</sup> The future 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 at the end of year included in "Receivables from Clearing House and brokers". As at 31 December 2017: fair value of derivative assets - future is Baht 7 million.

	(Unit: Thousand Baht)		
	31 December 2016		
	Fair value		Notional
	Assets	Liabilities	amount
<b>Trading derivatives</b>			
Derivatives warrants	-	32,146	216,206
Future <sup>(i)</sup>	-	-	540,518
Forward exchange contract	-	9,484	1,002,440
Derivatives assets and derivatives liabilities	-	41,630	1,759,164

<sup>(i)</sup> The future 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 at the end of year included in "Receivables from Clearing House and brokers". As at 31 December 2016: fair value of derivative assets - future is Baht 39 million.

## 9.1 Gain on derivatives

	(Unit: Thousand Baht)	
	For the years ended 31 December	
	2017	2016
Realised gain on derivatives trading	124,772	439
Unrealised gain (loss) on revaluation of derivatives	(22,668)	39,754
Total	102,104	40,193

## 10. Investments

### 10.1 Cost value and fair value

	(Unit: Thousand Baht)			
	31 December 2017		31 December 2016	
	Cost / amortised cost	Fair value	Cost / amortised cost	Fair value
<b>Trading securities</b>				
Equity securities	1,971,689	2,041,277	648,362	636,260
Add (less): Allowance for revaluation	69,588		(12,102)	
Trading securities	2,041,277		636,260	
<b>Held-to-maturity investment</b>				
Government bonds	2,500,000	2,490,711	10,019,000	9,989,363
Fixed deposits	2,500,003	2,500,003	1,500,003	1,500,003
Certificates of deposit	2,210,000	2,210,000	1,900,000	1,900,000
Deposits with restriction	3,525	3,525	3,523	3,523
Less: Accumulated amortisation	(10,129)		(30,238)	
Less: Investments held for customers	(7,199,871)		(13,388,762)	
Held-to-maturity investment	3,528		3,526	
<b>General investments</b>				
Other securities - ordinary shares	23,753		23,753	
Less: Allowance for impairment	(14,663)		(14,663)	
General investments	9,090		9,090	
<b>Investments</b>	2,053,895		648,876	

## 10.2 Investments in deposits at financial institutions and investments in debt securities classified by remaining periods of contracts

(Unit: Thousand Baht)

31 December 2017				
	Within 1 year	1 - 5 years	No maturity	Total
Government bonds	2,489,871	-	-	2,489,871
Fixed deposits	2,500,003	-	-	2,500,003
Certificates of deposit	2,210,000	-	-	2,210,000
Deposits subject to restriction	3,525	-	-	3,525
Less: Investments held for customers	(7,199,871)	-	-	(7,199,871)
Total	3,528	-	-	3,528

(Unit: Thousand Baht)

31 December 2016				
	Within 1 year	1 - 5 years	No maturity	Total
Government bonds	9,988,762	-	-	9,988,762
Fixed deposits	1,500,003	-	-	1,500,003
Certificates of deposit	1,900,000	-	-	1,900,000
Deposits subject to restriction	3,523	-	-	3,523
Less: Investments held for customers	(13,388,762)	-	-	(13,388,762)
Total	3,526	-	-	3,526

## 10.3 Gain on investments

(Unit: Thousand Baht)

For the years ended 31 December		
	2017	2016
Realised gain (loss) on securities trading	(72,945)	50,216
Realised gain (loss) on revaluation of securities trading	81,903	(19,622)
Total	8,958	30,594

## 11. Equipment

(Unit: Thousand Baht)

	Building improvement	Furniture Fixtures and equipment	Asset under financial lease - Vehicles	Assets under installation	Total
<b>Cost</b>					
1 January 2016	229,318	574,852	36,412	4,399	844,981
Additions	632	14,915	5,156	8,022	28,725
Transfer in (out)	7,232	1,222	-	(8,454)	-
Disposals/written-off	(3,701)	(9,357)	(2,666)	-	(15,724)
31 December 2016	233,481	581,632	38,902	3,967	857,982
Additions	1,576	9,872	-	16,439	27,887
Transfer in (out)	5,025	6,648	-	(11,673)	-
Disposals/written-off	(16,803)	(10,837)	(4,661)	-	(32,301)
31 December 2017	223,279	587,315	34,241	8,733	853,568
<b>Accumulated depreciation</b>					
1 January 2016	181,180	394,015	18,768	-	593,963
Depreciation for the year	20,754	61,889	5,668	-	88,311
Disposals/written-off	(3,700)	(9,312)	(2,666)	-	(15,678)
31 December 2016	198,234	446,592	21,770	-	666,596
Depreciation for the year	16,107	58,583	5,947	-	80,637
Disposals/written-off	(12,507)	(9,682)	(4,244)	-	(26,433)
31 December 2017	201,834	495,493	23,473	-	720,800
<b>Net book value</b>					
31 December 2016	35,247	135,040	17,132	3,967	191,386
31 December 2017	21,445	91,822	10,768	8,733	132,768
Depreciation charge for the years ended 31 December					
2016					88,311
2017					80,637

As at 31 December 2017 and 2016, the Company had vehicles which were acquired under finance lease agreements with net book value of Baht 11 million and Baht 17 million, respectively.

As at 31 December 2017 and 2016, certain equipment items have been fully depreciated but are still in use. The gross carrying amount (before deducting accumulated depreciation and allowance for impairment) of those assets amounted to approximately Baht 471 million and Baht 413 million, respectively.



## 12. Intangible assets

(Unit: Thousand Baht)

For the year ended 31 December 2017										
	Useful lives	Cost				Accumulated amortisation				Net intangible assets
		1 January 2017	Increase	Transfer in (transfer out)	Written-off	31 December 2017	1 January 2017	Increase	Written-off	31 December 2017
Computer software	5 years	147,221	513	1,660	-	149,394	109,627	15,173	-	124,800
Software under installation	-	2,048	3,662	(1,660)	-	4,050	-	-	-	-
Membership fee - Thailand										
Futures Exchanges	-	5,000	-	-	-	5,000	1,679	-	-	1,679
Total		154,269	4,175	-	-	158,444	111,306	15,173	-	126,479

(Unit: Thousand 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	5,623	4,211	(3)	147,221	94,967	14,661	(1)	109,627
Software under installation	-	1,917	4,342	(4,211)	-	2,048	-	-	-	-
Membership fee - Thailand										
Futures Exchanges	-	5,000	-	-	-	5,000	1,679	-	-	1,679
Total		144,307	9,965	-	(3)	154,269	96,646	14,661	(1)	111,306

As at 31 December 2017 and 2016, 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 82 million and Baht 68 million, respectively.

### 13. Deferred tax assets/liabilities and income tax

#### 13.1 Deferred tax assets/liabilities

The component of deferred tax assets and deferred tax liabilities are as follows:

	(Unit: Thousand Baht)	
	31 December 2017	31 December 2016
<b>Deferred tax assets</b>		
Allowance for doubtful accounts - others receivables	7,400	7,400
Provisions for long-term employee benefits	31,722	31,750
Others	3,278	2,860
<b>Total</b>	<b>42,400</b>	<b>42,010</b>
<b>Deferred tax liabilities</b>		
Unrealised gains on exchange rate	3,996	7,370
Others	15,051	3,204
<b>Total</b>	<b>19,047</b>	<b>10,574</b>
<b>Deferred tax assets - net</b>	<b>23,353</b>	<b>31,436</b>

#### 13.2 Income tax

Income tax for the years ended 31 December 2017 and 2016 are made up as follows:

	(Unit: Thousand Baht)	
	For the years ended 31 December	
	2017	2016
<b>Current income tax:</b>		
Corporate income tax for the year	154,420	229,980
Adjustment of corporate income tax expenses of previous year	3,465	15,813
<b>Deferred tax:</b>		
Relating to origination and reversal of temporary differences	4,248	3,151
<b>Income tax reported in profit or loss</b>	<b>162,133</b>	<b>248,944</b>

The amounts of income tax relating the each component of other comprehensive income for the years ended 31 December 2017 and 2016 are as follows:

	(Unit: Thousand Baht)	
	For the years ended 31 December	
	2017	2016
Deferred tax relating to actuarial gains	3,835	-

The reconciliation between accounting profit and income tax is shown below.

	(Unit: Thousand Baht)	
	For the years ended 31 December	
	2017	2016
Accounting profits before tax	800,762	1,223,434
Applicable tax rate	20%	20%
Accounting profit before tax multiplied by income tax rate	160,152	244,687
Adjustment of income tax of previous year	3,465	15,813
Tax effect of non-deductible tax revenue or expenses	(1,484)	(11,556)
Income tax reported in profit or loss	162,133	248,944

#### 14. Other assets

	(Unit: Thousand Baht)	
	31 December 2017	31 December 2016
Prepaid expenses	205,951	267,513
Clearing fund	141,434	126,394
Accrued income	36,454	53,218
Deposits	48,255	48,661
Property foreclosed	15,887	15,887
Others	104,926	15,481
Total	552,907	527,154

## 15. Borrowings from financial institutions

As at 31 December 2017 and 2016, borrowings from financial institutions are domestic borrowings in Baht currency as follows:

(Unit: Thousand Baht)

	31 December 2017		
	Interest rate per annum (percent)	Remaining period to maturity	
		At call	Within 1 year
<b>Financial institutions</b>			
Promissory notes	1.85 – 2.20	3,995,000	-
Total		3,995,000	-

(Unit: Thousand Baht)

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

## 16. Payables to Clearing House and brokers

(Unit: Thousand Baht)

	31 December 2017	31 December 2016
Payables to Clearing House	354,335	23,649
Payables to foreign brokers	18,150	8,792
Payables to Clearing House and brokers	372,485	32,441

## 17. Securities and derivatives business payables

(Unit: Thousand Baht)

	31 December 2017	31 December 2016
Cash accounts	3,245,348	3,310,844
Guaranteed deposit payables	-	2,898
Payables under securities borrowing and lending business	179,335	179,834
Securities and derivatives business payables	3,424,683	3,493,576

## 18. Debt issued and other borrowings

As at 31 December 2017 and 2016, debt issued and other borrowings are classified as follows:

(Unit: Thousand Baht)

	31 December 2017		
	Interest rate	Remaining period to maturity	
	per annum		
	(percent)	Within 1 year	1 - 5 years
			Total
<b><u>Debt issued and other borrowings</u></b>			
Bills of exchange	1.50 – 1.65	5,911,615	-
			5,911,615
Debt issued and other borrowings		5,911,615	-
			5,911,615

(Unit: Thousand Baht)

	31 December 2016			
	Interest rate	Remaining period to maturity		
	per annum			
	(percent)	Within 1 year	1 - 5 years	Total
<u>Debt issued and other borrowings</u>				
Bills of exchange	1.65 - 1.80	5,864,989	-	5,864,989
Subordinated loan	1% above cost			
	of funds	-	992,040	992,040
Debt issued and other borrowings		5,864,989	992,040	6,857,029

## 19. Provisions

(Unit: Thousand Baht)

	Provisions for long-term		Total
	employee benefits	Decommissioning cost	
Balance as at 1 January 2016	146,051	4,389	150,440
Increase during the year	10,877	-	10,877
Balance as at 31 December 2016	156,928	4,389	161,317
Increase during the year	1,681	-	1,681
Balance as at 31 December 2017	158,609	4,389	162,998

## 20. Provisions for long-term employee benefits

As at 31 December 2017 and 2016, provisions for long-term employee benefits was as follows:

	(Unit: Thousand Baht)	
	For the years ended 31 December	
	2017	2016
<b>Provisions for long-term employee benefits at beginning of year</b>	156,928	146,051
Current service cost	15,063	19,473
Interest cost	7,226	6,441
Actuarial (gains) losses		
Demographic assumption changes	(13,233)	-
Financial assumptions changes	28,698	-
Experience adjustments	(34,640)	-
Benefits paid during the year	(1,433)	(15,037)
<b>Provisions for long-term employee benefits at end of year</b>	<b>158,609</b>	<b>156,928</b>

Long-term employee benefit expenses included in the profit or loss consist of the following:

	(Unit: Thousand Baht)	
	For the years ended 31 December	
	2017	2016
Current service cost	15,063	19,473
Interest cost	7,226	6,441
<b>Total</b>	<b>22,289</b>	<b>25,914</b>

The Company recognised these expenses in operating expenses.

The Company expects to pay Baht 4 million in long-term employee benefits during the next year (31 December 2016: Baht 6 million). As at 31 December 2017, the weighted average duration of the liabilities for long-term employee benefit is about 14 years (31 December 2016: 18 years)

Significant actuarial assumptions are summarised below:

	31 December 2017	31 December 2016
	(% per annum)	(% per annum)
Discount rate	3.21	4.25
Salary increase rate	6.00	5.00
Turnover rate	0.00 - 20.00	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 2017 and 2016 are summarised below:

(Unit: Million Baht)

	31 December 2017		31 December 2016	
	Increase 1%	Decrease 1%	Increase 1%	Decrease 1%
Discount rate	(14)	16	(17)	19
Salary increase rate	17	(15)	20	(17)
Turnover rate	(10)	11	(18)	13

## 21. Other liabilities

(Unit: Thousand Baht)

	31 December 2017	31 December 2016
Accrued expenses	244,649	374,195
Liabilities under finance lease agreements	14,282	20,253
Others	54,151	60,130
Other liabilities	313,082	454,578

## 22. Liabilities under finance lease agreements

(Unit: Thousand Baht)

	31 December 2017	31 December 2016
Liabilities under finance lease agreements	15,441	22,292
Less: Deferred interest expenses	(1,159)	(2,039)
Total	14,282	20,253
Less: Portion due within one year	(5,068)	(5,971)
Total liabilities under finance lease agreements - net of portion due within one year	9,214	14,282



The Company has entered into the finance lease agreements with leasing companies for rental of 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: Thousand Baht)		
	31 December 2017		
	Less than		
	1 year	1 - 5 years	Total
Future minimum lease payments	5,652	9,789	15,441
Deferred interest expenses	(584)	(575)	(1,159)
Present value of future minimum lease payments	5,068	9,214	14,282

	(Unit: Thousand Baht)		
	31 December 2016		
	Less than		
	1 year	1 - 5 years	Total
Future minimum lease payments	6,851	15,441	22,292
Deferred interest expenses	(880)	(1,159)	(2,039)
Present value of future minimum lease payments	5,971	14,282	20,253

## 23. Share capital

	31 December 2017		31 December 2016	
	Number of share	Amount	Number of share	Amount
	(Thousand shares)	(Thousand Baht)	(Thousand shares)	(Thousand Baht)
Issued share capital				
(Par value at Baht 5 each)	572,250	2,861,250	572,250	2,861,250
Paid-up share capital				
(Par value at Baht 5 each)	570,815	2,854,073	570,815	2,854,073

## 24. 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.

## 25. Dividends

Dividends	Approved by	Dividend paid (Million Baht)	Dividend per share (Baht)
Interim dividends for the operating result as from 1 January 2017 to 30 June 2017	Board of Directors Meeting on 31 July 2017	371	0.65
Dividends for the operating result as from 1 January 2016 to 31 December 2016	Annual General Meeting of the shareholders on 30 March 2017	542	0.95
Dividend paid for the year ended 31 December 2017		913	1.60
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		879	1.54

## 26. Brokerage fees income

(Unit: Thousand Baht)

	For the years ended 31 December	
	2017	2016
Brokerage fees from securities business	1,839,950	2,408,451
Brokerage fees from derivatives business	137,948	173,681
Total	1,977,898	2,582,132

## 27. Fees and service income

(Unit: Thousand Baht)

	For the years ended 31 December	
	2017	2016
Underwriting fee	166,582	20,962
Financial advisory	80,266	32,000
Securities borrowing and lending	7,734	15,122
Others	18,646	12,812
Total	273,228	80,896

## 28. Gains and returns on financial instruments

(Unit: Thousand Baht)

	For the years ended 31 December	
	2017	2016
Gains on investments	8,958	30,594
Gains on derivatives	102,104	40,193
Interest and dividend income	229,907	220,952
Total	340,969	291,739

## 29. 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.

### 30. Provident fund

The Company and its 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 fund rules. The contributions for the years 2017 and 2016 amounting to approximately Baht 38 million and Baht 40 million, respectively, were recognised as expenses.

### 31. 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.

### 32. Related party transactions

During the year, the Company had significant business transactions with the following related parties.

Related companies and persons	Relationship
Maybank Kim Eng Holdings Limited	Parent company
Maybank Asset Management (Thailand) Co., Ltd. <sup>(1)</sup>	Fellow subsidiary of the Group
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 transactions, which are summarised below, arose in the ordinary course of business and were concluded on commercial terms and bases agreed upon between the Company and those related parties.

			(Unit: Million Baht)
For the years ended 31 December			
	2017	2016	Pricing policies
<b><u>Transactions with related parties</u></b>			
<b><u>Brokerage fees income</u></b>			At normal rate charged to other
Maybank Kim Eng Securities Pte. Ltd.	101	63	clients, in accordance with
Kim Eng Securities (Hong Kong) Limited	7	7	SET's and SEC's notification
<b><u>Service income</u></b>			In accordance with service
Maybank Asset Management (Thailand) Co., Ltd.	-	1	agreements
Maybank Kim Eng Securities Pte. Ltd.	11	-	
<b><u>Research and advisory income</u></b>			In accordance with agreement
Maybank Kim Eng Research Pte. Ltd.	48	20	
<b><u>Fees and service expenses</u></b>			In accordance with agreement
Maybank Kim Eng Securities Pte. Ltd.	4	3	
Maybank Investment Bank Berhad	3	1	
<b><u>Brokerage expenses</u></b>			In accordance with agreement
Maybank Kim Eng Securities Pte. Ltd.	2	2	
Maybank Kim Eng Securities Limited	2	1	
<b><u>Interest expenses on foreign borrowings</u></b>			In accordance with agreement
Maybank Kim Eng Holdings Limited	30	32	
<b><u>Research and advisory expenses</u></b>			In accordance with agreement
Maybank Kim Eng Research Pte. Ltd.	10	13	
<b><u>Other expenses</u></b>			In accordance with agreement
Maybank Investment Bank Berhad	3	-	
<b><u>Dividend paid</u></b>			As declared
Maybank Kim Eng Holdings Limited	760	732	
Maybank Kim Eng Securities Pte. Ltd.	2	2	

As at 31 December 2017 and 2016, the outstanding balances of the above transactions, as presented in the statements of financial position are as follows:

	31 December 2017	31 December 2016	(Unit: Million Baht) Pricing Policies
<u>Securities business receivables</u>			No interest charged
Maybank Kim Eng Securities Pte. Ltd.	131	21	
Kim Eng Securities (Hong Kong) Limited	37	-	
<u>Foreign securities company receivables</u>			No interest charged
Maybank Kim Eng Securities Pte. Ltd.	3	7	
<u>Foreign deposits receivables</u>			As determined by Maybank
Maybank Kim Eng Securities Pte. Ltd.	447	290	Kim Eng Securities Pte. Ltd.
<u>Accrued research and advisory income</u>			In accordance with agreement
Maybank Kim Eng Research Pte. Ltd.	47	-	
<u>Subordinated loan</u>			In accordance with agreement
Maybank Kim Eng Holdings Limited	-	992	
<u>Securities business payables</u>			No interest charged
Maybank Kim Eng Securities Pte. Ltd.	18	188	
Kim Eng Securities (Hong Kong) Limited	-	9	
<u>Foreign securities company payables</u>			No interest charged
Maybank Kim Eng Securities Pte. Ltd.	18	9	
<u>Foreign deposit payables</u>			No interest charged
Kim Eng Securities (Hong Kong) Limited	1	-	
<u>Other payable</u>			No interest charged
Maybank Investment Bank Berhad	-	1	
<u>Accrued research and advisory expenses</u>			In accordance with agreement
Maybank Kim Eng Research Pte. Ltd.	9	-	

As at 31 December 2017, Maybank Kim Eng Holdings Ltd. guaranteed the overdraft facilities amounting to Baht 30 million (31 December 2016: Baht 30 million). There is no overdraft outstanding balance as at 31 December 2017 and 2016.

### 32.1 Loans to employees

As at 31 December 2017, the Company had loans to employees under welfare program amounting to Baht 240 million. The loans charged interest at rate of 1.43 and 2.00 percent per annum (31 December 2016: Baht 296 million, interest at rate of 1.40 and 2.10 percent per annum).

## 32.2 Loans from related parties

As at 31 December 2017 and 2016, the balance of loans 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 2017	Increase during the year	Decrease during the year	Gain on exchange rate	Balance as at 31 December 2017
Maybank Kim Eng Holdings Limited	Parent company	992	-	(992)	-	-
Total		992	-	(992)	-	-

(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
Total		1,021	1,000	(1,014)	(15)	992

## 32.3 Management's remuneration

During the years ended 31 December 2017 and 2016, benefits paid to management of the Company, which presented as part of "Employee benefit expenses", are as follows:

(Unit: Million Baht)		
	For the years ended 31 December	
	2017	2016
Management's remuneration		
Short-term employee benefits	115	186
Post-employment benefits	9	11
	124	197

### 33. 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 securities brokerage and derivative brokerage, 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 2017 and 2016, respectively.

	(Unit: Million Baht)		
	Securities business segment	Investment banking segment	Total segments
<b>For the year ended 31 December 2017</b>			
<b>Income</b>			
Revenue from external customers			
Brokerage fees income	1,977	1	1,978
Fees and service income	13	260	273
Interest on margin loans	596	-	596
Gains and returns on financial instruments	341	-	341
Other income	73	-	73
<b>Total income</b>	<b>3,000</b>	<b>261</b>	<b>3,261</b>
<b>Expenses</b>			
Employee benefit expenses			1,312
Fee and service expenses			198
Financial cost			353
Bad debt and doubtful accounts			14
Other expenses			583
<b>Total expenses</b>			<b>2,460</b>
<b>Profit before income tax</b>			<b>801</b>
Income tax			(162)
<b>Profit for the year</b>			<b>639</b>



(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 fees income	2,581	1	2,582
Fees and service income	75	6	81
Interest on margin loans	660	-	660
Gains and returns on financial instruments	292	-	292
Other income	54	-	54
<b>Total income</b>	<b>3,662</b>	<b>7</b>	<b>3,669</b>
<b>Expenses</b>			
Employee benefit expenses			1,280
Fee and service expenses			240
Financial cost			383
Other expenses			543
<b>Total expenses</b>			<b>2,446</b>
<b>Profit before income tax</b>			<b>1,223</b>
Income tax			(249)
<b>Profit for the year</b>			<b>974</b>

The following table presents segment assets of the Company's operating segments as at 31 December 2017 and 2016.

(Unit: Million Baht)

	Securities business segment	Investment banking segment	Total Segments	Unallocated assets	Total
<b>Segment assets</b>					
As at 31 December 2017	15,038	3	15,041	3,883	18,924
As at 31 December 2016	14,837	4	14,841	1,962	16,803

### 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 year 2017 and 2016, the Company has no major customer with revenue of 10 percent or more of an entity's revenues.

### 34. Commitments and contingent liabilities

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

	(Unit: Million Baht)	
	31 December 2017	31 December 2016
Payable:		
In up to 1 year	91	104
In over 1 and up to 5 years	77	130

### 35. Financial instruments

#### 35.1 Financial risk management

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

#### 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.

## Interest rate risk

The Company's exposure to interest rate risk relates primarily to its cash at banks, securities and derivatives business receivables, investments, loans, borrowings from financial institutions, debt issued and other borrowings and liabilities under finance lease agreements. Most of the Company's financial assets and liabilities bear floating interest rates or fixed interest rates which are close to the market rate.

As at 31 December 2017 and 2016, significant financial assets and liabilities classified by type of interest rate are summarised in the table below, with those financial assets and liabilities that carry fixed interest rates further classified based on the maturity date, or the repricing date if this occurs before the maturity date.

(Unit: Million Baht)

	Outstanding balance of financial instruments as at 31 December 2017						Interest rate (% p.a.)	
	Floating interest rate	Fixed interest rates		Without interest	Non-performing debts	Total	Floating interest rate	Fixed interest rate
		Remaining period to the contractual repricing date or maturity date						
		Within 1 year	1 - 5 years					
<u>Financial assets</u>								
Cash and cash equivalents	256	-	-	137	-	393	0.10 – 0.75	-
Receivables from Clearing House and brokers	-	-	-	534	-	534	-	-
Securities and derivatives business receivables	11,636	-	-	3,272	316	15,224	5.06 – 5.15	-
Investments	-	4	-	2,050	-	2,054	-	0.80 – 1.00
Loans	240	-	-	-	-	240	1.43 – 2.00	-
<u>Financial liabilities</u>								
Borrowings from financial institutions	-	3,995	-	-	-	3,995	-	1.85 – 2.20
Payables to Clearing House and brokers	-	-	-	372	-	372	-	-
Securities and derivatives business payables	-	-	-	3,425	-	3,425	-	-
Derivative liabilities	-	-	-	32	-	32	-	-
Debt issued and other borrowings	-	5,912	-	-	-	5,912	-	1.50 - 1.65
Liabilities under financial lease agreements <sup>(5)</sup>	-	5	9	-	-	14	-	4.84 – 6.00

<sup>(1)</sup> Included in "other liabilities" in statement of financial position

(Unit: Million Baht)

Outstanding balance of financial instruments as at 31 December 2016								
		Fixed interest rates					Interest rate (% p.a.)	
	Floating interest rate	Remaining period to the contractual repricing date or maturity date		Without interest	Non- performing debts	Total	Floating interest rate	Fixed interest rate
		Within 1 year	1 - 5 years					
<u>Financial assets</u>								
Cash and cash equivalents	121	-	-	230	-	351	0.10 - 1.00	-
Receivables from Clearing House and brokers	-	-	-	741	-	741	-	-
Securities and derivatives business receivables	10,640	-	-	3,321	260	14,221	5.19 - 5.20	-
Investments	-	4	-	645	-	649	-	0.80 - 1.00
Loans	296	-	-	-	-	296	1.40 - 2.10	-
<u>Financial liabilities</u>								
Borrowings from financial institutions	-	720	-	-	-	720	-	1.85
Payables to Clearing House and brokers	-	-	-	32	-	32	-	-
Securities and derivatives business payables	-	-	-	3,494	-	3,494	-	-
Derivative liabilities	-	-	-	42	-	42	-	-
Debt issued and other borrowings	-	5,865	992	-	-	6,857	-	1.65 - 3.27
Liabilities under financial lease agreements <sup>(b)</sup>	-	6	14	-	-	20	-	4.84 - 6.00

<sup>(1)</sup> Included in "other liabilities" in statement of financial position

## 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 Company manages liquidity risk through monitoring and planning of their cash flows, including the arrangement of credit facilities with financial institutions, in order to ensure that they will have sufficient funds for their operations.

As at 31 December 2017 and 2016, remaining periods to maturity of financial instrument, counted from the end of the reporting period, are follows:

(Unit: Million Baht)

31 December 2017						
	At call	Within 1 year	1 - 5 years	Over 5 years	No maturity	Non-performing debts
<b>Financial assets</b>						
Cash and cash equivalents	393	-	-	-	-	-
Receivables from Clearing House and brokers	-	534	-	-	-	-
Securities and derivatives business receivables	171	3,101	-	-	11,636	316
Investments	-	4	-	-	2,050	-
Loans	-	33	110	97	-	-
<b>Financial liabilities</b>						
Borrowings from financial institutions	3,995	-	-	-	-	-
Payables to Clearing House and brokers	-	372	-	-	-	-
Securities and derivatives business payables	179	3,246	-	-	-	-
Derivatives liabilities	-	32	-	-	-	-
Debt issued and other borrowings	-	5,912	-	-	-	-
Liabilities under financial lease agreements <sup>(1)</sup>	-	5	9	-	-	-

<sup>(1)</sup> Included in "other liabilities" in statement of financial position

(Unit: Million Baht)

31 December 2016						
	At call	Within 1 year	1 - 5 years	Over 5 years	No maturity	Non-performing debts
<b>Financial assets</b>						
Cash and cash equivalents	351	-	-	-	-	-
Receivables from Clearing House and brokers	-	741	-	-	-	-
Securities and derivatives business receivables	168	3,153	-	-	10,640	260
Investments	-	4	-	-	645	-
Loans	-	39	129	128	-	-
<b>Financial liabilities</b>						
Borrowings from financial institutions	720	-	-	-	-	-
Payables to Clearing House and brokers	-	32	-	-	-	-
Securities and derivatives business payables	180	3,314	-	-	-	-
Derivatives liabilities	-	42	-	-	-	-
Debt issued and other borrowings	-	5,865	992	-	-	-
Liabilities under financial lease agreements <sup>(1)</sup>	-	6	14	-	-	-

<sup>(1)</sup> Included in "other liabilities" in statement of financial position

## Foreign exchange risk

The Company's exposure to foreign currency risk arises mainly from brokerage service for securities listed in stock exchange in overseas.

The significant balances of financial assets and liabilities denominated in foreign currencies as at 31 December 2017 and 2016 are summarised below.

Foreign currency	Financial assets		Financial liabilities		Exchange rate		Exchange rate	
	as at		as at		as at 31 December 2017		as at 31 December 2016	
	31 December	31 December	31 December	31 December	Buying	Selling	Buying	Selling
	2017	2016	2017	2016				
	(Million Baht)	(Million Baht)	(Million Baht)	(Million Baht)	(Baht per 1 foreign currency unit)		(Baht per 1 foreign currency unit)	
Hong Kong dollar	92	51	91	51	4.1421	4.2184	4.5796	4.6637
Singapore dollar	77	23	77	23	24.1711	24.7294	24.5265	25.0755
US dollar	281	201	272	201	32.5146	32.8472	35.6588	36.0025
Malaysian ringgit	12	32	11	31	7.9427	8.1741	7.8867	8.0925
Euro	10	8	10	7	38.6607	39.3938	37.3791	38.1362
Pound sterling	4	4	2	2	43.5198	44.4531	43.5937	44.4775
Australian dollar	1	1	-	-	25.0828	25.8715	25.5462	26.3262
Japanese Yen	9	1	8	1	0.2860	0.2936	0.3046	0.3113
Vietnamese dong	86	107	80	104	0.0014	0.0014	0.0016	0.0016
Chinese Yuan	1	1	1	1	4.9518	5.0771	5.0831	5.2165

In addition to the above, as of 31 December 2016, the Company had outstanding foreign currency loan of Baht 992 million (SGD 40 million) which will mature in 2018 and forward exchange contract notional amount of SGD 40 million with exchange rate at 25.061 Baht per Singapore dollar which will mature in 2017 (31 December 2017: None). The Company repaid the loan and interest to Maybank Kim Eng Holdings Ltd. on 30 November 2017.

## Market risk

The Company's exposure to market risk is the risk that volatility on the Stock Exchange of Thailand and The Thailand Futures Exchange will substantially reduce the value of its investments and collateral for securities and derivatives business receivables. However, the Company manages the market risk by analysing the market risk inherent in their various transactions, setting appropriate policies to manage such risk, and controlling risk to conform with policies.

### 36. Fair value of financial instruments

As at 31 December 2017 and 2016, the Company has outstanding derivatives assets (liabilities) as stated in Note 9 as follows:

(Unit: Million Baht)

	31 December 2017		31 December 2016	
	Fair value	Notional amount	Fair value	Notional amount
Derivatives warrants	(32)	182	(32)	216
Future <sup>(i)</sup>	-	1,944	-	541
Forward exchange contract	-	-	(10)	1,002

<sup>(i)</sup> The future 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 at the end of year included in "Receivables from Clearing House and brokers". As at 31 December 2017, fair value of derivative assets - future is Baht 7 million (31 December 2016: fair value of derivative assets - future is Baht 39 million).

As at 31 December 2017 and 2016, 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 2017			
	Fair value			
	Level 1	Level 2	Level 3	Total
<b>Financial assets measured at fair value</b>				
Investments in trading securities				
Equity instruments	2,041	-	-	2,041
Derivatives assets <sup>(i)</sup>	-	-	-	-
<b>Financial liabilities measured at fair value</b>				
Derivatives liabilities	32	-	-	32

<sup>(i)</sup> Fair value of derivatives assets - futures as at 31 December 2017 amounting to Baht 7 million, included in "Receivables from Clearing House and brokers", was measured at fair value by using Level 1 of input.

(Unit: Million Baht)

	31 December 2016			
	Fair value			
	Level 1	Level 2	Level 3	Total
<b>Financial assets measured at fair value</b>				
Investments in trading securities				
Equity instruments	636	-	-	636
Derivatives assets <sup>(i)</sup>	-	-	-	-
<b>Financial liabilities measured at fair value</b>				
Derivatives liabilities	32	10	-	42

<sup>(i)</sup> Fair value of derivatives assets - futures as at 31 December 2016 amounting to Baht 39 million, included in "Receivables from Clearing House and brokers", was measured at fair value by using Level 1 of input.

As at 31 December 2017 and 2016, 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 2017				
	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	393	-	-	393	393
Receivables from Clearing House and brokers	-	534	-	534	534
Securities and derivatives business receivables	-	14,962	-	14,962	14,962
Held-to-maturity investments and general investments	4	-	9	13	13
Loans	-	-	240	240	240
<b>Financial liabilities for which fair value are disclosed</b>					
Borrowings from financial institutions	-	3,995	-	3,995	3,995
Payables to Clearing House and brokers	-	372	-	372	372
Securities and derivatives business payables	-	3,425	-	3,425	3,425
Debt issued and other borrowings	-	5,912	-	5,912	5,912
Liabilities under financial lease agreements <sup>(i)</sup>	-	14	-	14	14

<sup>(1)</sup> Included in "other liabilities" in statement of financial position



(Unit: Million Baht)

	31 December 2016				
	Fair value				Book
	Level 1	Level 2	Level 3	Total	value
Financial assets for which fair value are disclosed					
Cash and cash equivalents	351	-	-	351	351
Receivables from Clearing House and brokers	-	741	-	741	741
Securities and derivatives business receivables	-	13,973	-	13,973	13,973
Held-to-maturity investments and general investments	4	-	10	14	14
Loans	-	-	296	296	296
Financial liabilities for which fair value are disclosed					
Borrowings from financial institutions	-	720	-	720	720
Payables to Clearing House and brokers	-	32	-	32	32
Securities and derivatives business payables	-	3,494	-	3,494	3,494
Debt issued and other borrowings	-	6,857	-	6,857	6,857
Liabilities under financial lease agreements <sup>(1)</sup>	-	20	-	20	20

<sup>(1)</sup> Included in "other liabilities" in statement of financial position

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

- a) For financial assets and liabilities which have short-term maturity, including cash and cash equivalents, receivables from/payables to Clearing House and brokers, securities and derivatives business receivables/payables, held-to-maturity investments and short-term loans, their carrying amounts in the statement of financial position approximate their fair value.
- b) 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, 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.

### **37. 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.

### **38. Approval of financial statements**

These financial statements were authorised for issue by the Company's Board of Directors on 31 January 2018.

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