



บริษัท เมืองไทย แคปปิตอล จำกัด (มหาชน)  
MUANGTHAI CAPITAL PUBLIC COMPANY LIMITED

“ No. 1  
Leader in Thailand’s  
Microfinance”



*Intimate services like closed family members*

# ANNUAL REPORT 2018

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## Message from the Chairman of Board of Directors

Muangthai Capital Public Company Limited has been listed in the Stock Exchange of Thailand for more than 4 years. The company's performance has been relentlessly growth and inconceivable. In the year, 2018, the net profit is THB 3,713 million, increases by THB 1,212 million from the previous year, or 48.46% growth.

This year, 2019, the Company continues to focus on the coverage expansion in order to provide the microfinancial services in all areas. In addition to the commitment to conducting business professionally, the Board of Directors also targets on business operations to achieve sustainable growth with the good corporate governance principles, moralities, ethics, transparencies and responsible to social and environment. With the belief that the good corporate governance will be a value-added and help building a confidence to shareholders, investors and all stakeholders in long run. Moreover, the Company has joined the Thai Private Sector Collective Action Coalition Against Corruption (Collective Action Coalition) and assigned a working team to assess the corruption related risks, as well as to revise the Anti-corruption policy, code of conducts and other related significant policies to apply to all employees at all levels, which is part of the business practices that are in line with the principles of good corporate governance. The code of conducts is provided to executives and employees to adhered as a guideline. Furthermore, the Company has paid attention into developing our human capital's knowledge and ability to grow sustainably with the organization.

As a result from our commitment to conduct business under good corporate governance, the Company, therefore, has received an "Excellence" or "5 stars" score from Thai Listed Companies Corporate Governance Survey Year 2018 by the Thai Institute of Directors Association (IOD Thailand) and the Stock Exchange of Thailand (SET).

On behalf of the Board of Directors, I would like to thank to shareholders, customers, business partners for the trust and the supporting and thank to the managements and all employees for the commitments and dedications to the fullest capability to outperform and achieve the revenue growth, branch expansion and services successfully, as well as to be part of sustainability development for our future.

I would like to confirm that, all directors of the Board and myself, will be supervising the company's management to succeed our strategic targets by adhering to moral principles, honesty and transparency in business operations, as well as strictly complying with corporate governance principles to maintain the number one position in the vehicle title loan business. I am highly confident that Muangthai Capital Public Company Limited will continue sustainably growing in the far future.



(Adm. Apichart Pengsritong)

Chairman of the Board of Directors

## Message from the Chairman of Executive Committee

At the moment, the company has already declared the financial results of the year 2018 to the public. I strongly believe that such result does not disappoint investors and analysts. Having said that, early of the year 2018, the management had announced the growth strategic to be 40 percent of the new loan issuing, where the loan receivable, revenue and net profit shall align in the same direction and the NPL shall not be over 1.5 percent. The result from the operation, however, is consistent with the announced direction, where the NPL ended up at only 1.12 percent, which is lower than target.

Having the goals achieved, I am being grateful to managements and all employees that are highly committed to issuing the loans, acquiring new customers and collecting bad debts, in which resulted in such a satisfactory performance of the Company. I have to take this opportunity to thank you all. Furthermore, as we have continued to grow effectively for many years, thus, making our Company being trustful and driving us to be included in the calculation in the MSCI Index, which is one of the most powerful and accepted global wide. This should be another thing we all should celebrate together.

For the strategic plan in 2019, the Company continues to focus on the growth in every aspect of 35 percent and the NPL of less than 2 percent, through another 600 new branch expansion. Therefore, by the end of 2019, it is expected that the total number of branch will reach 3,900. Such goals are considered challenging for employees and management to achieve.

Lastly, on the behalf of management, I insist that everyone of us will take care and manage the business operation to accomplish the goals we have established with regards to responsible to ESG and all stakeholders for the company's sustainability growth.



(Mr.Chuchat Petaumpai)

Chairman of the Executive Committee

## Report of the Audit Committee

Dear Shareholders,

The Company's Board of Directors has appointed the Audit Committee which consisted of three independent directors whose are qualified with the criteria set up by the Stock Exchange of Thailand (SET) and Security and Exchange Commission (SEC). The list is per follows:

- |    |                            |                                 |
|----|----------------------------|---------------------------------|
| 1. | Mrs. Kongkaew Piamduaytham | Chairman of the Audit Committee |
| 2. | Mr. Kapol Tatiyakavee      | Member of the Audit Committee   |
| 3. | Mrs. Nongnuch Davaasuan    | Member of the Audit Committee   |

In 2018, the committee held 4 meetings to perform its duties within the framework stipulated in the Charter of Audit Committee. All committee's members attended every meeting, while one of these 4 meetings was to meet with external auditors without the presence of the Company's management to discuss about findings during the auditing process and the issues in which the auditors considered as material. This practice is to promote the Company's good corporate governance and to enhance the transparency of the Company's financial statements. The minutes of meetings were prepared and reported to the Board of Directors on quarterly basis, as follows;

- Review of financial reports:** The committee has reviewed the quarterly and annually financial statements, the consolidated financial statement and the conflict of interest transactions to ensure that the Company's financial statements were accurately prepared and presented in accordance with financial report standards and that the Company's financial statements were accurate and reliable with sufficient disclosure of material information in a timely manner for the benefit of investors and in conformity with legal requirements and regulations of the Stock Exchange of Thailand (SET) and the Securities and Exchange Commission (SEC). In addition, the Audit Committee discussed with the auditor and management about the readiness of the company in regards to adopting the TFRS 9 Financial Instrument standards which will be effective in the year 2020.
- Review of internal controls and internal audit system:** The committee approved the audit plan for the year 2018, which was prepared by the internal audit team and regularly monitored the operating results on quarterly basis. Considering the key risks, the committee provided useful recommendations and comments to ensure that the existing internal control processes could help prevent or mitigate errors in business operations. The committee also reviewed the appropriateness and adequacy of human resources as well as the independency of internal audit team. The committee opined that the Company's internal control and internal audit system were effective, appropriate and sufficient. The internal audit team performed their duties independently, transparently and fairly.
- Review of compliance:** The committee reviewed the Company's business operations and viewed that they were complied with the laws relating to securities, such as the SET's regulations and other regulations which were related to the Company's business, including the Company's anti-fraud policy and the regulatory changes that may impact the business operations.



4. **Review of connected transactions and conflict of interest:** The committee reviewed the connected transactions and conflict of interest based on a fair, reasonable and transparent basis, while taking into consideration the benefits of all stakeholders and the sufficiency of information disclosures as required by SET and SEC.
5. **Consideration of nomination and appointing of external auditor and the audit fee:** The committee has considered, selected and proposed to the Board of Directors to appoint the external auditors and the audit fee for 2018 by considering performance, independence, competence, experience and the suitability the fee of the auditors in the previous year. The committee agreed to nominate the existing auditors from the EY Office to be the Company's external auditors for another year. Followings are name list of the auditors.

1) Ms. Ratana Jala	Certified Public Accountant Registration No.3734 and/or
2) Ms. Somjai Khunapasut	Certified Public Accountant Registration No.4499 and/or
3) Ms. Rutchada Yongnsawatwanich	Certified Public Accountant Registration No.4951 and/or
4) Ms. Wanwilai Phetsang	Certified Public Accountant Registration No.5315
6. **Consideration and review of the Charter of Audit Committee:** The committee considered and reviewed the Charter of Audit Committee on regular basis to ensure that the committee performs its duties effectively by exercising the up-to-date practices.

The audit committee has performed its duties with prudence and indepence, giving comments and recommendations in a direct and transparent manner for the best interest of the Company. It has received full co-operation from the management and has no limitation in the access to the Company's information. The committee has evaluated its performance and was confident that the performance of the audit committee in 2018 was effective, achieved all objectives assigned by the Board of Directors.

(Mrs. Kongkaew Piamduaytham)  
Chairman of the Audit Committee

## Report of the Risk Management Committee

In reference to the Board of Directors' approval of establishment of the Risk Management Committee since 2016 to be responsible to formulate the risk management policy, monitoring the risk management implementation, including assessment of the sufficiency of risk management and system and report to the Risk Management Committee. The Risk Management Committee has been assigned from the Board of Directors, consisting of 3 directors per followings;

- |                             |  |
|-----------------------------|--|
| 1. Mr. Kampol Tatiyakavee   | Chairman of Risk Management Committee (Independent Director) |
| 2. Mrs. Nongnooch Davasawan | Member of Risk Management (Independent Director)             |
| 3. Mr.Chuchat Petaumpai     | Member of Risk Management                                    |

As of 31 December 2018, the Risk Management Committee is responsible to supervise Muangthai Capital Public Company Limited to have a risk management framework, including appropriate risk management policies and related procedures.

During the year, the Risk Management Committee has regularly arranged meetings to monitor the risk management planning and implementing process performed by the assigned working team, in which consisting of each department's head. In each individual meeting, the Risk Management Committee is responsible to consider significant risk factors assessed in accordance with the risk management guidelines throughout the organization, including liquidity risk, the business continuity plan and risk management framework correspondingly to the anti-corruption policy and other related risks that may affect the business operations. The Risk Management Committee, hence, concluded that the Company has adequate risk management policies and risk management system.



Mr.Kampol Tatiyakavee  
(Chairman of Risk Management Committee)

## Report of the Nomination and Remuneration Committee

The Nomination and Remuneration Committee is consisted of three (3) independent directors which Adm. Apichart Pengsritong is in charging of the Chairman of the committee and Mrs. Kongkaew Piamduaytham and Mr. Yothin Anavil as committeees. The Nomination and Remuneration Committee is responsible for recruiting qualified persons in accordance with established guidelines and procedures to propose to be appointed as director and to assign appropriate directors into each Board's committee. It also includes considering the form and criteria of directors' remunerations to propose to the Board of Directors and Shareholders' meeting for approval, respectively.

In the year 2018, the Nomination and Remuneration Committee had performed the duties assigned by the Board of Directors completely with strictly adhering to the principles of good corporate governance for the optimal benefit and sustainability of all stakeholders.

The summary of the Nominating Committee's performance for the year 2018 is as follows:

1. Nominated and selected directors to replace the empty position by proposing to the Board of Directors to consider appointing one more additional director for adequacy and align with the company's growth.
2. Provided an opportunity for minority shareholders to propose Shareholder's meeting's agendas and list of persons to be nominated as company's directors for three (3) months prior to the Annual General Meeting of 2019 from 1 October, 2018 to 31 December, 2018, in order to comply with best corporate governance and to benefit the Company as a whole, as well as all stakeholders. However, there was no proposing by minority shareholder for this director nomination in the Annual General Meeting 2019.
3. Considered appropriation of Directors' remunerations of the year 2019 with regards to their roles and responsibilities, together with the Company's performance as criteria.

In conclusion, the Nomination and Remuneration Committee has completely performed per the above in accordance to the roles and responsibilities assigned by the Board of Directors and is having an opinion that, in the year 2019, the company's directors and committeees are knowledgeable and talented. It is also considered that the remunerations and other benefits exhibited in the Annual Report is appropriate for the roles and responsibilities in which in line with the economic condition as well as the company's overall performance.



(Adm. Apichart Pengsritong)

Chairman of the Nomination and Remuneration Committee

## Report of the Corporate Governance Committee

Operating business under good corporate governance and the code of conduct is one of the company's most significant policy and mission which is the priority for directors of the Board, management and all employees. However, in order to ensure that our business operations comply these policies, the Board of Directors, hence, established and assigned the Corporate Governance Committee to supervise, monitor and encourage the company to operate in accordance to our corporate and governance policies and guideline, as well as our code of conduct.

The Corporate Governance Committee is confident that the Corporate Governance Policy, Ethics and Business Ethics significantly contribute development in Thailand's economy, social and environment, in which driving the company to become a leading sustainable organization and will bring a confidence to shareholders, investors and all stakeholders. In addition, the company is highly aware that the corruption is a barrier to social and economic development of the country, hence, the company has announced its intention to work in collaboration with a Thai private sector coalition in anti-corruption (Collective Action Coalition) which is a part of compliance to good corporate governance.

For the company's operations in 2018, the corporate governance committee has followed up the company's performance in accordance to the good governance and sustainability towards ESG plan, which can be concluded per follows;

- The Company discloses the complete information in its 56-1 form, annual report (56-2 form), the quarterly disclosures and all other disclosures for the shareholders, investors and minority shareholders which shall be complete, sufficient, reliable and timely via communication channels regularly, such as company's website, notifications to SET and media etc.
- Investor Relations function was established to be a main channel for communications and activities such as analyst meeting, roadshow in Thailand and abroad.
- The Company has participated in the investor meeting event, "Opportunity Day" held by the Stock Exchange of Thailand (SET) with an objective to provide individual company to explain its business performance to analysts, investors, media and any interested persons. The activity is regularly held quarterly after the release of financial statements and the Company has participated in such event every time. The presentations and webcasts can be found in [www.muangthaicap.com](http://www.muangthaicap.com), Investor Relation page, as well as the Stock Exchange of Thailand's website.
- The Company provides opportunity for all shareholders to propose the AGM meeting agenda, the candidate for the director position and to submit questions or inquiries before the shareholder's meeting, during October to December annually, which shall comply with regulations and company's articles of association, including criteria the company has established and disclosed in company's website, [www.muangthaicap.com](http://www.muangthaicap.com).
- The shareholding of directors and managements are disclosed transparently including following information in regards to company's disclosure policy:
  1. The buy and sell of company's shares: The policy requires that the directors, managements and related persons (spouse and underage children) to be forbidden from buying, selling or transferring the company's shares during the blackout period prior to the financial performance releasing date. When the buying, selling and transferring is not conducted within the window period, they must be informed to the Company's secretary in order to report to SEC in accordance to SEC's regulation, as well as to the Board of Directors' meeting quarterly.
  2. The conflict of interest and related party transactions: In order to prevent the conflict of interest, any transactions complied which are conflict of interest must be reported to the Chairman of the Board of Directors and the Board of Directors' meeting quarterly.



In addition, the Company is committed to be responsible to Social, hence the management and all employees have been participating in the practices per followings;

- Encouraging the employees at all level to follow the corporate governance guideline strictly and cultivate the acknowledgement of anti-corruptions within the organization.
- Promoting CSR activity via Baan Mai Khong Noo's project annually in succession, particularly in the locations where the company is expanding our branches to. The project has been started since 2012 with details per follows;  
Year 2012 Kirirat Sub-district, Phobpra District, Tak Province  
Year 2013 Nakham Sub-district, Muang District, Loey Province  
Year 2014 Paklang Sub-district, Pou District, Nan Province  
Year 2015 Baan Makam En School and Wat Rangsaneh Nakornchan School in Takoey Sub-district, Suan phueng District, Rachaburi Province  
Year 2016 Ban Patirooptheedin, Thai Samaggi District and Ban Subsaithong School, Wang Nam Khiao District, Nakhon Ratchasima Province  
Year 2017 Ban Dong Noi School, Niyonchai Sub-district, Lopburi Province and Ban Klong Samui School, Pongnamron Sub-district, Muang District, Kampangpetch Province  
Year 2018 The 10th children development center is at Ban Kongwa, Pongtung Sub-district, Doi Tao District, Chiangmai Province. The 11th children development center is at Sribanpot Kindergarten School, Kaoya Sub-district, Sribanpot District, Pattaloong Province and the 12th children development center is at Ban Nong Pak Wan, Tupparach Sub-district, Ta Praja District, Srakaew Province
- Blood Donation to Thailand's Red Cross The "Muangthai Blood Donation" program is held continuously with participation from employees to contribute their blood donations to hospitals and Thailand's Red Cross across Thailand. In 2018, there are totaled 4,925 employees participated in such activity (300 cc each), which help contribution of 1,477,500 cc in blood. The number of employee participating in the program is 1,483 people higher than the previous year.
- The annual Kratin ceremony this year was hosted on 17 November, 2018. The total collection was 7,146,725 Baht and contributed to 4 following temples;
  1. Nong Krang Temple, Ratchpattana Sub-district, Samko District, Angthong Province to build a sermon hall in a monastery, amount 1,784,775 Baht.
  2. Ban Numpu Temple, Sapanhin Sub-district, Nong Mamong District, Chainat Province to build a Buddhist temple, amount 1,787,220 Baht.
  3. Ampawanaram Temple, Nontan Sub-district, Muang District, Roi-ed Province to build a Buddhist temple, amount 1,785,910 Baht.
  4. Ta Mapring Temple, Banna Sub-district, Muang District, Chumporn Province to build a Buddhist temple, amount 1,788,820 Baht.

Additionally, four scholarships were granted to four schools, amount 100,000 Baht each.

With the strong commitment of the Company to operate business under good corporate governance, the Company, therefore, has received an "Excellence" or "5 stars" score from Thai Listed Companies Corporate Governance Survey Year 2018 by the Thai Institute of Directors Association (IOD Thailand) and the Stock Exchange of Thailand (SET). The result highly reflects the strong corporate governance of the Company, hence, the Corporate Governance Committee has a confidence that conducting business with transparency under good corporate governance will make the organization grow sustainably, which builds a confidence to shareholders and all stakeholders. The Company shall continue to improve and develop good governance conducts in the business operations consistently to align with the global standard of corporate governance.

(Mr.Kampol Tatiyakavee)

Chairman of Corporate Governance Committee

## **Declaration of the Directors' Responsibility for the Financial Statements**

The Board of Directors of Muangthai Capital Public Company Limited has prepared the Company's financial statements to show its financial status and performance for 2012 under the Public Company Limited Act of 1992, the Public Company Limited Act of 1992, the Accounting Act of 2000, the Securities and Exchange Act of 1992, and the announcement of the Capital Market Supervisory Board concerning the criteria, conditions, and reporting method for the disclosure of information on financial status and performance of companies that issue securities, and reporting method for the disclosure of information on financial status and performance of companies that issue securities.

The Board recognizes its duties and responsibility for directing a listed company, particularly the responsibility for financial statements of the Company and its subsidiaries – including financial information that appears in the annual report of 2018. Such statements have been prepared under generally accepted accounting standards, which regularly complies with a suitable accounting policies and due and reasonable discretion exercised in the preparation of financial statements. Adequate significant information has been disclosed in the notes to these financial statements for transparent use by shareholders and investors at large.

The Board has instituted and maintained effective risk management and internal control systems to become reasonably confident of accurate, complete, and adequate accounting information to retain Company assets and prevent frauds or significant anomalies in operation.

The Audit Committee, acting on behalf of the Board, has been assigned responsibility for the quality of financial reports and internal control system, and its opinions duty appear in its own report found in the publication.

It is our view that the Company's overall internal control system is satisfactory and can reasonably ensure that the financial statements of the Company and its subsidiaries for the year ended December 31, 2018, showed essentially accurate financial positions, performance outcomes, and cash flows under financial reporting standards.



Adm. Apichart Pengsritong  
(Chairman of the Board of Directors)



## Board of Directors



**Adm. Apichart Pengsritong**  
Chairman of the Board of Directors /  
Independent Director



**Mr. Chuchat Petaumpai**  
Director / Chairman of the  
Executive Committee



**Mrs. Kongkeaw Piamduaytham**  
Independent Director



**Mrs. Nongnooch Davaasuhan**  
Independent Director



**Mr. Kampol Tatiyakavee**  
Independent Director



**Dr. Yodhin Anavil**  
Independent Director



**Mrs. Daonapa Petampai**  
Director / Managing Director

## Executive Committee

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**Mr. Chuchat Petaumpai**  
Chairman of the Executive  
Committee



**Mrs. Daonapa Petampai**  
Executive



**Mr. Surapong Pechaumpai**  
Executive



**Mr. Parithad Petampai**  
Executive



**Mr. Surat Chayavoradech**  
Executive



**MS. Vimonrat Nujul**  
Executive



**Mr. Somkiat Ratsamee**  
Executive



**Mr. Amnat Niamsee**  
Executive



**Mr. Banyat Ninsiri**  
Executive



**Mr. Niyom Rodnoi**  
Executive



**Mr. Pradit Thongkhum**  
Executive



**Mr. Songkarn Eiamkai**  
Executive



**Ms. Duangkhae Songnuy**  
Executive

## Audit Committee

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**Mrs. Kongkeaw Plamduaytham**  
Chairman of the  
Audit Committee



**Mrs. Nongnooch Davasawan**  
Member of the  
Audit Committee



**Mr. Kapol Tatiyakavee**  
Member of the  
Audit Committee

## Nomination and Remuneration Committee

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**Adm. Apichart Pengsritong**  
Chairman of the Nomination  
and Remuneration Committee



**Mrs. Kongkeaw Plamduaytham**  
Member of the Nomination and  
Remuneration Committee



**Dr. Yodhin Anavil**  
Member of the Nomination and  
Remuneration Committee



## Coporate Governance Committee

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**Mr. Kapol Tatiyakavee**  
Chairman of the Corporate  
Governance Committee



**Mrs. Kongkeaw Plamduaytham**  
Member of the Corporate  
Governance Committee



**Mr. Chuchat Petaumpai**  
Member of the Corporate  
Governance Committee

## Risk Management Committee

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**Mr. Kapol Tatiyakavee**  
Chairman of the Risk  
Management Committee



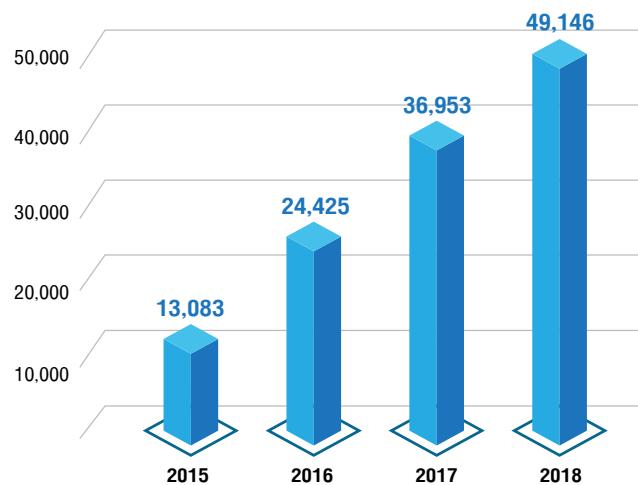
**Mr. Chuchat Petaumpai**  
Member of the Risk  
Management Committee



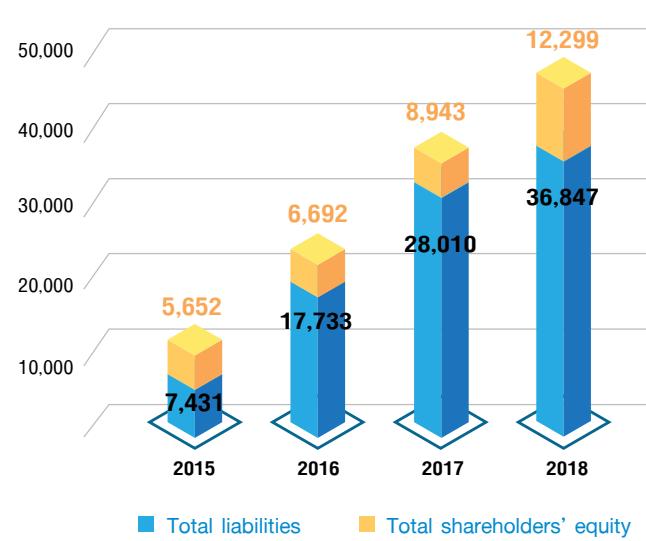
**Mrs. Nongnooch Davasawan**  
Member of the Risk  
Management Committee

## Summary of Financial Information

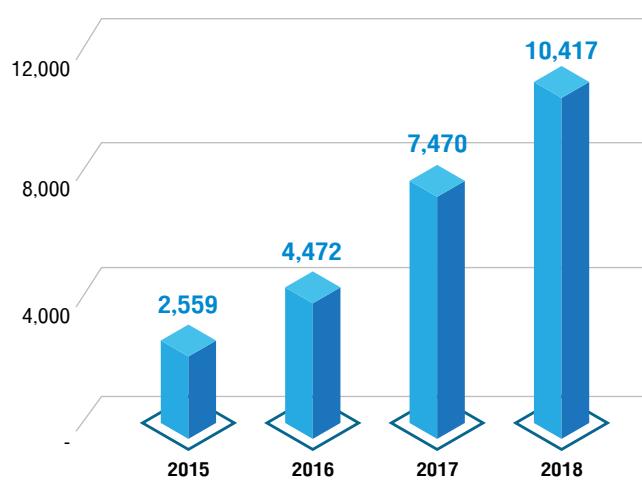
**Total assets**



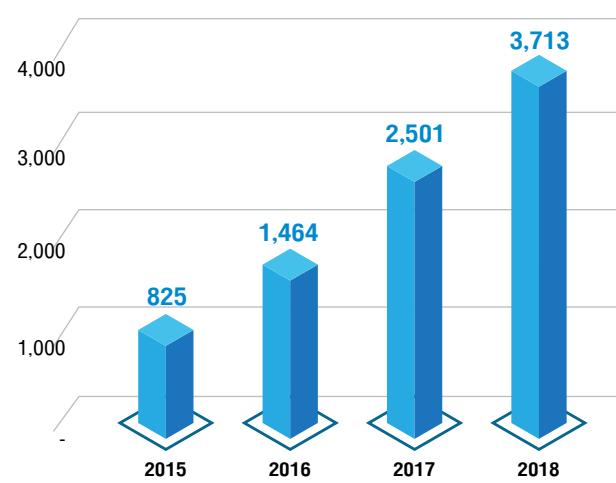
**Total Liabilities and Equities**



**Total revenues**



**Profit for the year**





## 1. Company's policy and overview of business activities

Muangthai Leasing Public Company Limited ("the Company"), formerly named D.S. Leasing Company Limited and founded by Mr. Chuchat Petaumpai and Mrs. Daonapa Petampai, was registered on 22 May 1992. At the beginning, the Company had the registered capital with the total of 2 million baht, and its operations are to offer hire purchase loans to all brand new and used motorcycles through its dealers in Phisanulok and other provinces in the lower northern region, such as Sukhothai, Kamphaeng Phet, Pichit, and so on. The target customers were people with daily or monthly regular incomes, agriculturists, and self-employed individuals. After that, the Company extended its product lines by offering a vehicle title loan to a customer with complete payment of his or her loan amount. In addition, the Company further extended its product lines by introducing an automobile title loan and an agricultural vehicle title loan to serve different groups of customers. In 2001, The company was renamed Muangthai Leasing Company Limited on 28 August, 2001; moreover, the Company discontinued the hire purchase loan, due to a highly-competitive market in which many motorcycle manufacturers and dealers started offering the hire purchase loan for their own customers.

In 2006, the Company foresaw an opportunity to expand its business to a microfinance. Under the supervision of Bank of Thailand, the Company submitted an application to launch its microfinance business; the Company received a license certificate from the Ministry of Finance on 31 August 2006. Since 2006, the Company has provided microfinance services through its own branches.

In 2015, after receiving the approval from the Ministry of Finance on 26 May 2015, the Company extended its product lines to meet different needs of its customers, such as nano-finance loans (retail loans for microenterprises under the BOT's supervision) and land title loans.

In 2016, the Company offered different loan payment channels via Counter Service or automatic payment machines.

In 2017, the company added more channels for customers through Big C, Tesco Lotus, and AirPay.

In 2018, The company was renamed to Muangthai Capital Public Company Limited on 26 April 2018, and Muangthai Capital 4.0 App was launched to increase customers' experience of balance checking.

As the Company's main target customers are local people in different regions, building healthy relationships with customers is a key success as stated the company's slogan, "Intimate services like closed family members." With this practice, the Company has built on trust with customers, and the Company has continually expanded its branches to cover more service areas throughout the country in order to support the business growth. As of 31 December 2018, the Company had 3,279 branches throughout the country.

### 1.1 Vision, objectives, and business goals

#### Vision

"No. 1 Leader in Thailand's Microfinance"

#### Mission

1. The Company will expand its service areas by operating main branches, sub-branches and service centers throughout Thailand. It is aimed at by 2020, there will be 4,500 branches.
2. The Company must have the most market share ranked number 1 in every service area. The Company's customer base should increase at least 30 percent per year.
3. Compared to other microfinance companies, the ratio of lending per employee must be ranked number 1.
4. The Company shall focus on credit monitoring and debt management by using MTC Model as a tool.
5. The Company will provide service excellence with the highest level of customer satisfaction.

## 1.2 Key milestones and achievements

The key milestones and achievements of the Company during 2012-2018 are detailed below.

### 2018

- The Company's name, Muangthai Leasing Public Company Limited, was renamed to Muangthai Capital Public Company Limited on 26 April 2018.
- New branches were launched to expand its service areas in each region; 81 branches in the North, 231 branches in the North-East, 456 branches in the Central, and 87 branches in the South. The total number of new branches was 855.
- Muangthai Capital 4.0 App was launched in order to increase customers' experience of balance checking.
- The sixth auction center was established in Ratchaburi Province to operate the auction activities for the Northern region, started since 27 April 2018.

### 2017

- New branches were launched to expand its service areas in each region; 66 branches in the North, 226 branches in the North-East, 389 branches in the Central, and 79 branches in the South. The total number of new branches was 760.
- Loan payment channels were added to customers at Big C, Tesco Lotus and AirPay.
- The fifth auction centre in Nakhon Ratchasima was established to facilitate auctions of branches in the North-Eastern region. The first auction was on 27 July 2017.

### 2016

- New branches were launched to expand its service areas in each region; 87 branches in the North, 282 branches in the North-East, 282 branches in the Central, and 73 branches in the South. The total number of new branches was 724.
- Loan payment channels were added for customers at Counter Service.

### 2015

- Land deed title loan (a personal loan with a land title deed as collateral) was offered to customers.
- Nano-finance business was launched on 26 May 2015 after the Company received the license to operate from the Ministry of Finance.
- The company expanded its branches in the South region by launching its first branch in Surat Thani.

### 2014

- The third auction centre in Chonburi was established to facilitate auctions of branches in the central and eastern regions. The first auction was on 21 February 2014.
- The fourth auction centre in Khon Kaen was established to facilitate auctions of branches throughout the northeastern region. The first auction was on 20 March 2014.
- The annual general shareholders' meeting in 2014, arranged on 28 April 2014, approved the Company to proceed the followings:
  - Transforming the Company to Public Company Limited
  - Changing the par value of 100 baht per share to 1 baht per share
  - Increasing the Company's registered capital from 1,575 million baht to 2,120 million bath by issuing new 545 million common shares with the par value of 1 baht as detailed in the allotment below.
    - (1) 502.50 million ordinary shares were offered to the public.
    - (2) 42.50 million ordinary shares were offered to directors, executives, and employees of the Company and/or its subsidiaries.
    - (3) Common stock was first traded in the Stock Exchange of Thailand on 26 November 2014.

As of 31 December 2014, the company had 506 branches.



### 2013

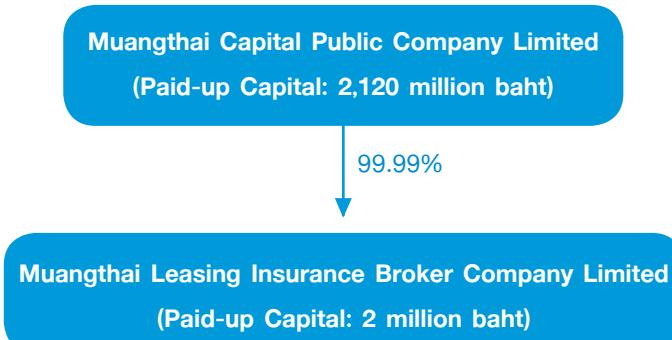
- The Company increased the registered capital from 1,260 million baht to 1,575 million bath by issuing new 3,150,000 common stocks with the par value of 100 baht. The shares were offered to the existing shareholders, and funds were allocated for the Company's lending expansion.

### 2012

- The Company increased the registered capital by 160 million baht, or from 1,100 million baht to 1,260 million bath by issuing new 1,600,000 common stocks with the par value of 100 baht. The shares were offered to the existing shareholders, and funds were allocated for the Company's lending expansion.
- The first and second auction centres were established in Pitsanulok and Ayutthaya respectively to facilitate auctions of branches in northern, central and western Thailand.

### 1.3 Shareholding structure of the Company and its subsidiaries

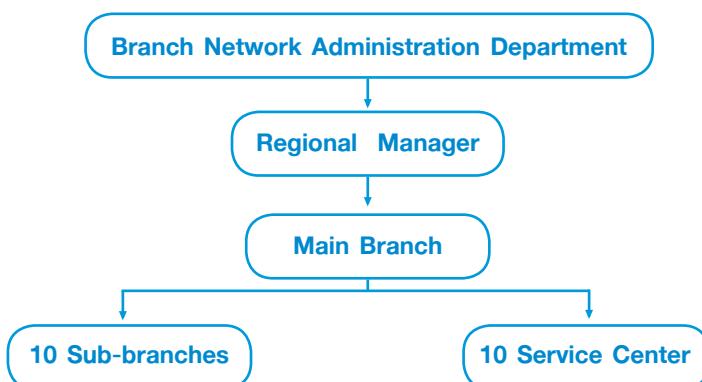
As of 31 December 2018, the shareholding structure of the Company and its subsidiaries was as follows:



## Business operations of the Company and its subsidiaries

### 1.4 Muangthai Capital Public Company Limited ("MTC")

Muangthai Leasing Public Company Limited operates microfinance business offering a vehicle title loan, a land deed title loan and a nano-finance loan to retail customers by providing its services at the Company's branches located in most areas throughout country, in the northern region, in the northeastern region, in the central region, in the eastern region, in the western region and in the southern region. The Company's branch structure is divided into three levels, comprising main branches, sub-branches and service centres. The main branches are under the supervision of regional managers who are directly under the control of Branch Network Administration Department. Each branch will manage 10 sub-branches and 10 service centers as shown below.



As of 31 December 2018, there were 3,279 branches offering the product lines as follows:

#### **1.4.1 Vehicle title loan**

The Company provides vehicle title loans for all types and models of brand new and used automobiles like motorcycles, cars and agricultural trucks to retail customers. A customer applying for loans must give his or her car registration manual to the Company as collateral for a loan without any requirements of their registration transfer.

- (a) A motorcycle title loan is a lending service to a retail customer with motorcycle ownership and owning a motorcycle.
- (b) An automobile title loan is a lending service to a retail customer with vehicle ownership and owing an automobile. Types of cars eligible for financial inclusion include a sedan, a pickup truck, a van, a 6-wheel truck, and a 10-wheel truck.
- (c) An agricultural vehicle title loan is a lending service to a retail customer who is an agriculturist and has ownership of an agricultural vehicle. Types of vehicles eligible for financial inclusion are tractors and Thailand farm trucks.

#### **1.4.2 Personal loan**

The Company offers an unsecured loan to credited vehicle title loan customers with good credit history reports and good payment history. The Company was granted permission from the Ministry of Finance to operate its personal loan business under the supervision of the Bank of Thailand on 31 August 2006.

#### **1.4.3 Land deed loan**

The company provides a title deed loan to customers who must secure their loans by giving their title deed as collateral. The Company also offers an option to the customers on land mortgage registration, depending on their preferences of loan amount and lending interest rates.

#### **1.4.4 Nano-finance loan**

A nano-finance loan is an unsecured loan offering to credited customers of vehicle title loans with good payment history. The Company was granted permission from the Ministry of Finance to operate a nano-finance business under the supervision of the Bank of Thailand on 26 May, 2015.

### **1.5 Muangthai Leasing Insurance Broker Company Limited (“MTLI”)**

MTLI was registered on 4 February 2011 with the paid-up capital of 2 million baht 20,000 common shares at the par value of 100 baht. Presently, the Company is holding 19,998 shares in MTLI, which equals 99.99% of the paid-up capital.

MTLI is an insurance broker offering insurance products like compulsory motor insurance for motorcycles and cars as well as personal accident insurance. In addition, MTLI received the license to operate insurance broker business, in accordance with the Non-Life Insurance Act B.E.2535 legalised under the Office of Insurance Commission (“OIC”) on 4 May 2011.



## 2. Business operations

### 2.1 Revenue structure of the Company and its subsidiaries

Types of Incomes	Year 2015		Year 2016		Year 2017		Year 2018	
	Million Baht	%						
Interest and fee income from loan receivables								
- Vehicle title loan and deed title loan	2,161.07	84.45	3,772.13	84.35	6,116.56	81.87	8,096.29	77.73
- Personal loan	64.02	2.50	247.21	5.53	678.36	9.08	1,448.02	13.90
Total interest and fee income from loan receivables	2,225.09	86.95	4,019.34	89.88	6,794.92	90.95	9,544.31	91.63
Fee and service income <sup>1)</sup>	317.29	12.40	436.07	9.75	642.03	8.59	796.38	7.64
Other incomes <sup>2)</sup>	16.56	0.65	16.59	0.37	34.04	0.46	75.77	0.73
Total income	2,558.94	100.00	4,472.00	100.00	7,470.99	100.00	10,416.46	100.00

Remarks: 1) Fee and service income consists of penalty (collection fee) and brokerage fee from MTLI.

2) Other incomes are from information services charged from other insurance company, profits from asset sales, charges from car repossession, etc.

### 2.2 Services provided by the Company

The Company operates its business on vehicle title loans, land deed loans, personal loans, and nano-finance loans to retail customers as detailed below.

#### 2.2.1 Vehicle title loan service

A vehicle title loan is a loan lending against vehicle title in which owned by retail customers for a certain period of time specified by lending conditions established by the Company, or the customers are enable to show a proving evidence that the vehicle's former owner is his or her close relatives in order to ensure the right authority of a loan applicant on a vehicle. The loan applicant has to pledge his or her car registration booklet with the Company as collateral, without any requirements of registration transfer, but signing a loan agreement on the registration transfer document is a mandatory. In the default event, either in full or partially, the customer agrees to transfer the right of ownership and deliver the collateral vehicle to the Company. In this case, a borrower is requested to sign in a title transfer application form and a power of attorney form documented by the Department of Land Transport. However, in the meanwhile, the borrower retains the right of ownership on the collateral vehicle and enable to take the vehicle back for utilization.

If the customer fails to pay the vehicle instalment for 2 consecutive times or more, the Company is titled to foreclose on the collateral. The Company will send the notice to terminate the contract by registered mail to the borrower and the guarantor. In case either the borrower or the guarantor does not contact to pay off the loan within the time frame, the Company can process to sell the vehicle through the Company's auction centres.

The Company's vehicle title loans can be divided into 3 categories, according to a type of vehicles used as collateral.

- (1) Motorcycle title loan
- (2) Car title loan
- (3) Agricultural vehicle title loan

From 2015 to 2017, the Company signed 1,079,968 contracts of vehicle title loans, 1,494,737 contracts, and 1,928,019 contracts, respectively. The total lending was 19,133 million baht, 30,950 million baht, and 43,003 million baht, respectively. The loan growth rate was 61.76% and 38.94%, respectively. A percentage of motorcycle title loan was about 43-65% of the total loans in 2015-2017. A percentage of car title loans was approximately 29-32% of the total loans in 2015-2017. A total number of loan balance for title loans were 11,927 million baht, 19,470 million baht, and 26,844 million baht, respectively.

In 2018, A total number of signed vehicle title loan contracts were 2,537,977 and the total lending amount was 57,321.97 million baht. The total loan balance of the title loans was 34,275.64 million baht as of 31 December 2018.

### **2.2.2 Other loans**

#### **Personal loan service**

The Company received the license from the Ministry of Finance on 31 August 2006 to operate a personal loan with supervision from the Bank of Thailand. However, the Company offers the loan only to former vehicle title loan customers with payment history. As an unsecured loan, the Company approves credit limits, depending on the Company's discretion and a borrower's qualifications. A guarantor with high job security and registered residence is required to prevent a financial risk caused by a borrower's failure to pay back his or her loan. The guarantor must be an owner of household or work as a civil servant. For the personal loan, the Company allows installment payments for six to thirty months.

#### **Land deed loan service**

A deed loan is a lending service to a retail customer who owns a piece of land. The customer requesting the loan is required to pledge his or her deed to the Company as collateral; the approval criteria and loan process are subjected to the Company's requirements.

#### **Nano-finance service**

After receiving the license from the Ministry of Finance on 26 May 2015, the Company provided a nano-finance service under BOT's supervision. The Company offers the loan only to former vehicle title loan customers with good payment history. As an unsecured loan, the Company approves a loan only to a customer whose request is for business operation. The amount of credit limits depends on the Company's discretion and a borrower's qualifications. A guarantor with high job security and registered residence is required to prevent a financial risk caused by a borrower's failure to pay back a loan. A guarantor must be a head of household or a former customer with good credit history. For the nano-finance loan, the Company allows installment payments for six to thirty six months.

During 2015-2017, the Company signed 114,037 contracts of other loans, 337,598 contracts, and 719,264 contracts, respectively. The total lending was 1,098 million baht, 6,767 million baht, and 15,036 million baht, respectively. A loan growth rate was 5.43%, 17.94%, and 25.91%, respectively. A total loan balance was 703 million baht, 4,071 million baht, and 8,778 million baht, respectively.

In 2018, total numbers of signed loan contracts were 1,245,443, and the total lending amount was 24,653.98 million baht. The total loan balance was 13,771.70 million baht as of 31 December 2018.



**Total lending amount classified by types of loans**

Types of Loans	31 December 2015	31 December 2016	31 December 2017	31 December 2018				
	Million Baht	%	Million Baht	%	Million Baht	%	Million Baht	%
Vehicle title loan	19,133.32	94.57	30,949.90	82.06	43,002.84	74.09	57,321.97	69.93
Other loans	1,098.29	5.43	6,766.82	17.94	15,035.89	25.91	24,653.98	30.07
<b>Total</b>	<b>20,231.61</b>	<b>100.00</b>	<b>37,716.72</b>	<b>100.00</b>	<b>58,038.73</b>	<b>100.00</b>	<b>81,975.95</b>	<b>100.00</b>
<b>Average lending per branch</b>	<b>21.52</b>		<b>22.67</b>		<b>23.94</b>		<b>24.99</b>	

**Total lending contracts classified by types of loans**

Types of Loans	31 December 2015	31 December 2016	31 December 2017	31 December 2018				
	Number of Contracts	%	Number of Contracts	%	Number of Contracts	%	Number of Contracts	%
Vehicle title loan	1,079,968	90.44	1,494,737	81.57	1,928,019	72.83	2,537,977	67.08
Other loans	114,037	9.56	337,598	18.43	719,264	27.17	1,245,443	32.92
<b>Total</b>	<b>1,194,005</b>	<b>100.00</b>	<b>1,832,335</b>	<b>100.00</b>	<b>2,647,283</b>	<b>100.00</b>	<b>3,783,420</b>	<b>100.00</b>

**Total Balance of Loan to Customer Classified by Type of Loan**

Types of Loans	31 December 2015	31 December 2016	31 December 2017	31 December 2018				
	Million Baht	%	Million Baht	%	Million Baht	%	Million Baht	%
Vehicle title loan	11,926.71	94.43	19,470.52	82.71	26,844.14	75.36	34,275.77	71.34
Other loans	703.49	5.57	4,070.72	17.29	8,778.43	24.64	13,771.70	28.66
<b>Total</b>	<b>12,630.20</b>	<b>100.00</b>	<b>23,541.24</b>	<b>100.00</b>	<b>35,622.57</b>	<b>100.00</b>	<b>48,047.47</b>	<b>100.00</b>
<b>Average Loan Balance per Branch</b>	<b>13.44</b>		<b>14.14</b>		<b>14.69</b>		<b>14.65</b>	

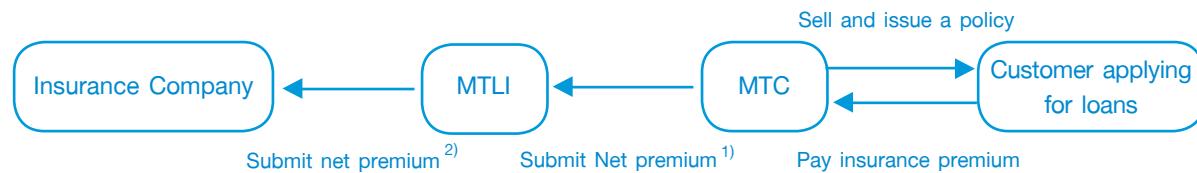
Remark: The balance of principal loans and accrued interest incomes.

### 2.3 Products provided by the Company's subsidiaries

Muangthai Leasing Insurance Broker Co.,Ltd (MTLI) operates the business of non-life insurance broker, and MTLI received the non-life insurance brokerage license under the Non-life Insurance Act B.E.2535 from the Office of Insurance Commission (OIC) on 4 May 2011. Presently, the non-life insurance policy products sold by MTLI include compulsory motorcycle insurance, compulsory car insurance and personal accident insurance.

As a broker, MTLI is in charge of contacting insurance companies to sort out products on non-life insurance for the Company's customers. The selling of insurance policy products is operated through the Company's branches and service centres only. To provide convenience to customers, the Company requires staff in certain positions, which are Head of Accounting Unit, Head of Analyst Unit, Head of Debt Collection Unit, to pass the OIC's examination in order to earn a non-finance broker license in order to sell compulsory motorcycle insurance, compulsory car insurance and personal accident insurance.

MTLI's earnings are brokerage fee from insurance companies at the controlled rate. From 2016 to 2018, MTLI earned the total brokerage fee of 27.06 million baht, 32.22 million baht and 37.88 million baht, respectively. The Company also charges other insurance companies for information service on advice to sell insurance products via its branches and service centers located in different parts of the country. From 2016 to 2018, the Company earned the total information service fee of 5.21 million baht, 10.84 million baht, and 13.55 million baht, respectively.



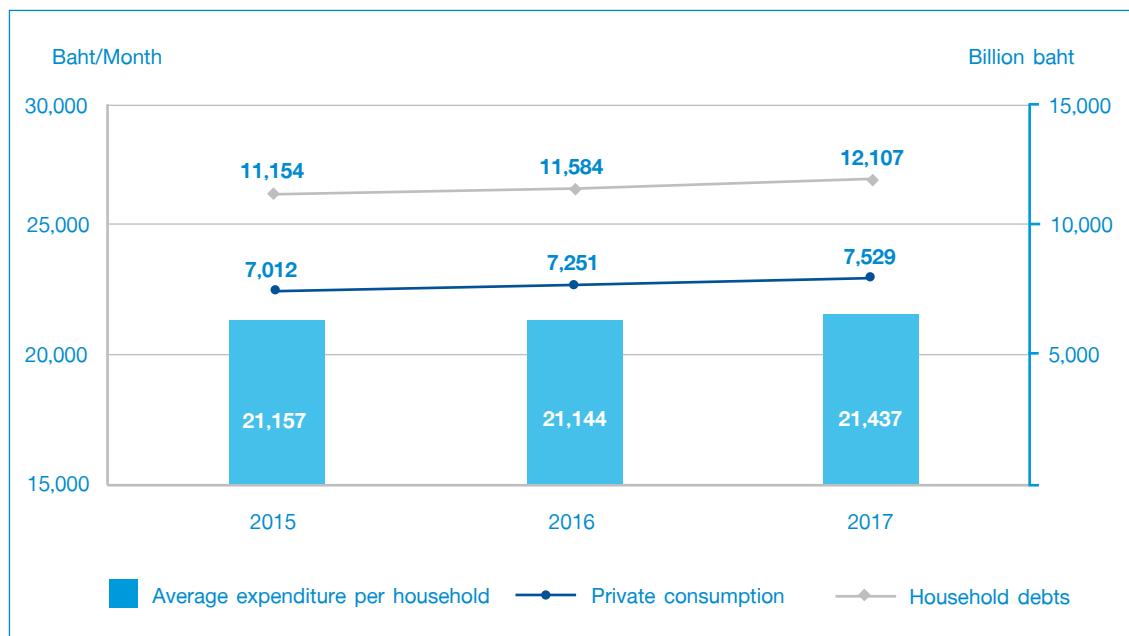
Remarks:

- <sup>1)</sup> MTC submits net premium after deducting the information service fee to MTLI.
- <sup>2)</sup> MTLI submits net premium after deducting the brokerage fee to insurance companies.

## 2.4 Markets and competitions

### 2.4.1 Vehicle title loan and personal loan

A vehicle title loan, the core business of the Company, is classified as a household lending product, of which the average growth rate during 2015-2017 was 4.18%. This rate was higher than the average growth rate of Thailand Gross Domestic Product (GDP) in 2015-2017, which was 3.69%. The influential factor is the growing consumption of the household sector, increasing from 7,012 billion baht in 2015 to 7,529 billion baht in 2017. The percentage of this average growth rate was 3.62% per year. However, the outstanding household debt gradually increased from home loans and consumer credits, in which mostly caused by commercial banks and specialised financial institutions.



Source: The Bank of Thailand and The National Statistical Office of Thailand



## **Summary of business conditions and outlook Q4/2018**

Overall, Thailand's economy continued to grow. The expansion in exports was continuously widespread across manufacturing sectors and regions. However, consumer product manufacturing sector remained stable. In addition, domestic demand gradually slowed down, in accordance with the poor purchasing power of consumers. However, there was the expansion of tourism industry for Thai and foreign tourists, although the Chinese tourist was still reducing but with a slower rate. Real estate sectors were expanded only in the Bangkok Metropolitan Region and some major tourist provinces. Similarly, there was the expansion of mega construction business in public and private sectors in large cities. Nevertheless, the business remained stable in provincial areas, due to ineffective disbursement process. Most enterprises constantly invested to improve their efficiency and expand their branches by investing nearly similar capital expenditures of last year. However, only some mega-businesses continued to plan their yearly capital budgeting scheme for investment in large projects, so it was expected that the economic expansion may have resulted in higher revenue in next quarter. Although, the automobile industry, however, was not yet recovered in some areas.

The employment rate was slightly improved. A production service sector's demand for employment increased aligned with economic expansion. At the same time, a manufacturing sector was inclined towards machine investment, allowing them to reduce labour workforce. This resulted in a growing demand of highly-qualified labours. Also, tourism and logistic growth rose employment rate, and hospitality sectors increased part-time employment during high seasons. Full-time employment rate slightly increased, depending on each company's branch expansion. However, a number of workers per branch were likely to decline whereas there was an increasing demand of labours in real estate and construction sectors in the Bangkok Metropolitan Region.

Comparing to last year, production costs slightly increased, due to the rising of wages and some consumption products, although the oil price reduced which positively affected production costs in every business sector. However, such an increase in the production cost can not be passed to the ended consumers.

### **Outlook Q1/2019**

#### **Private sector consumption:**

It is estimated that private sector consumption is likely to improve gradually in relation to economic growth caused by major positive contributions from the election in 2019; this also increased confidence of consumers. For example, according to a highly-competitive market, sales promotions were offered to customers; in addition; the Government offers financial assistance through the use of economic incentives like tax abatements in Thailand's Lunar New Year Shopping Incentives as well as other governmental incentives for low-income people. Nevertheless, the private section consumption may not be stable, according to the customers' poor purchasing power and high household debts. It is forecasted that an automobile market is slowing down in 2019, because of dramatically increasing sales last year and higher interest rates in the country.

#### **Production:**

It is expected that there will be a continual increase in production, especially export products, such as data storage pieces. Agricultural products and processed agricultural products are continually growing in demands of the country's trading partners. The production of automobile is slowing down, due to low global demand and supply. The production of processed seafood products remains stable as it lacks raw materials for production. This is similar to cement production industry. The growth and production of rubber is continually decreasing as there will be a slow demand from China, the country's trading partner.

### **Tourism:**

It is estimated that tourism industry has gradually increased, especially a number of Asian tourists. For instance, a direct flight operation from Malaysia to Thailand increases a number of Malaysian tourists. The fee waiver on VOA also increases a number of Indian and Chinese tourists. Tourism sectors' expansion of their customer base additionally has a positive effect. The traveling policy (Amazing Thailand, Go Local) has gradually and significantly expanded a customer base of Thai tourists as evidenced in many second-tier cities.

### **Property and construction industry:**

Property industry in the Bangkok Metropolitan Region continues to grow because there is a gradual increase of new projects and backlogs. Another factor includes the promotion on sales before the new LTV policy will be active in April. However, it is expected that the higher policy interest rate may affect some customers' decisions on purchasing property as they have to increase their down payment amount, and it is more difficult to find a co-borrower. Accordingly, many property companies adapt to change by extending the length for down payments, allowing a borrower to stay at a property while paying his or her down payment, and using a reserving strategy prior to construction. Also, construction industry continues to grow by mega projects of public and private sectors.

In addition, there is a good sign in the investment in private sectors, especially in petroleum industry and food production sectors. However, hospitality and property industry needs large investment to expand their business.

### **Employment:**

The employment rate has slightly increased, especially in manufacturing sectors. Also, the hospitality industry has risen from Chinese tourist visits, during Lunar New Year. However, labour in production and trading business is replaced by machines and computers, because of the increasing minimum wage. This is a risk factor, showing the imbalance between employment rate growth and national economy expansion in which it may also affect the country's consumption in the future.

### **Production cost:**

The trade barrier has affected higher production costs. This policy may have a direct impact on the increase of product prices in a world market and an indirect impact on the fluctuation in the money market, caused higher importing costs. Moreover, the increase of interest rate in December rose the concern of the business sectors on their increasing financial costs.

Apart from the above mentioned, the major factor enhancing the Company's vehicle title loan business growth is the increase of motorcycle and car industry. According to the statistics from Department of Land Transport, the number of cumulative vehicles registered in Thailand had risen continuously from 35.83 million in 2014 to 39.55 million in 2018, equal to 2.50% average growth rate. Motor car industry has been expanding in alignment with the expansion of the country's economy, and motor vehicles are considered as one of the basic daily need products for people in Thailand. Considering the statistics of registered vehicles, the highest registered vehicle type is a motorcycle, with the percentage of 53-56% of the total cumulative vehicles registered each year, and the average growth rate of 0.94% per year. The percentage of registered cars was 38-42% of the total cumulative vehicles registered each year, and the average growth rate of 4.58% per year. In 2018, total numbers of registered vehicles, compared to the same period in 2017, increased to 1.24 million units (3.24%). The highest number of vehicles registered was a motorcycle (53.29% of the total cumulative registered vehicles). The second registered vehicle was a car (41.71%).



The continual increasing number of vehicles registered throughout the country reflects the tendency of increasing number of the Company's target customers, who are able to give their car registration manual or motorcycle registration manual as collateral. Therefore, management believes that the Company's business will grow continually in the future.

#### Number of cumulative vehicles registered throughout Thailand during 2014-2018

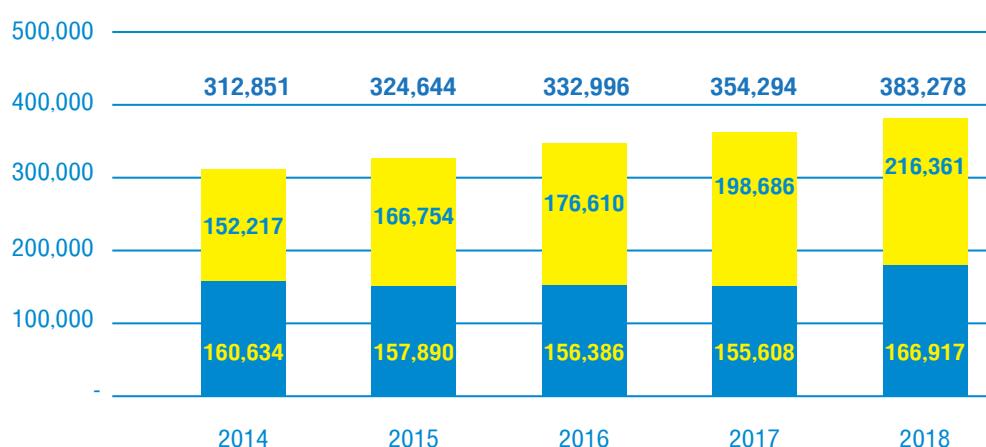
Types of Vehicles	2014	2015	2016	2017	2018
Motorcycle	20,305,708	20,497,563	20,475,269	20,695,832	21,077,937
Car	13,793,784	14,421,267	15,003,774	15,697,443	16,498,485
Truck and bus	1,153,369	1,184,503	1,213,516	1,249,518	1,285,685
Agricultural truck	545,380	589,784	606,262	625,545	648,294
Other vehicles	36,939	37,906	39,318	40,425	41,388
<b>Total</b>	<b>35,835,180</b>	<b>36,731,023</b>	<b>37,338,139</b>	<b>38,308,763</b>	<b>39,551,789</b>

Source: Department of Land Transport

The personal loan industry has been continuously growing. During 2015-2018, total personal loan amount in the whole banking system and bank and non-bank institutes increased from 312,851 million baht in 2014 to 383,278 million baht in 2018, equal to the average growth rate of 5.21% each year. Such growth was the result of the commercial banks' policy, trying to focus more on personal loan products. Since the personal loan brought in high interest income, the market was highly competitive with many campaigns to arouse its customers, both existing and new, to use more loan facilities. However, considering the growth of personal loan market in 2018, the expansion increased by 8.18% from the year end of 2017. This was due to the increasing demand for all types of household loans.

#### Personal loan performance of the banking system in 2014-2018

(Million baht)



Source : The Bank of Thailand

Commercial Bank

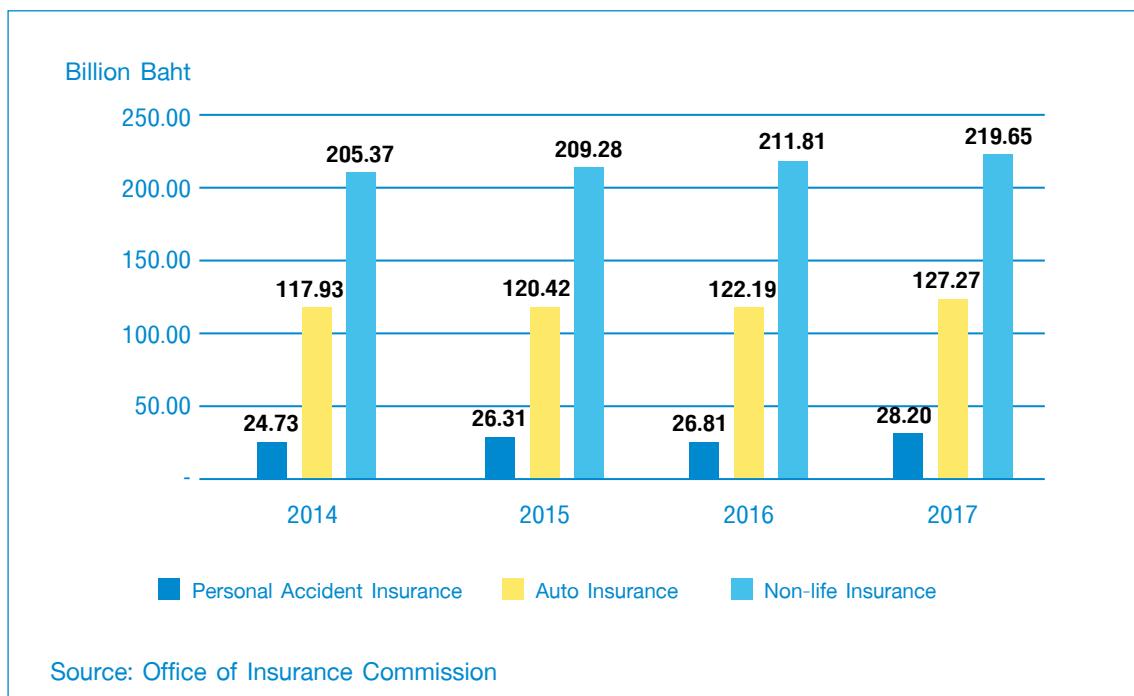
Non-bank institutes

#### 2.4.2 Non-life insurance industry

Non-life insurance business expands in the same direction as the country's economic growth. During 2014-2017, the direct premium of non-life insurance business continuously increased from 205.37 billion baht in 2014 to 209.28 billion baht in 2015, 211.81 billion baht in 2016 and 219.65 billion baht in 2017, equaling the growth rate of 1.90%, 1.21% and 3.70%, respectively. It is notable that the total direct premium in 2017 has the significant increase from 2014, with the average growth of 2.27% each year, due to the reason that Thai people in both industrial and household sectors were more interested in buying non-life insurance policy to help protect them from future damages. Such crisis has increased more understanding, to both enterprises and ordinary households, of how to use insurance as a risk management tool. Other supporting factors were economic factors, including the expansion of manufacturing sector, consumer expenditure, public and private investment as well as export growth.

Considering the types of insurance in Muangthai Leasing Insurance Broker Co., Ltd ("MTL"), the Company's subsidiary that sells compulsory motorcycle insurance, compulsory car insurance and personal accident insurance, it is notable that the direct premium of automobile insurance increased from 117.93 billion baht in 2014 to 127.27 billion baht in 2017, equaling the average growth of 2.57% each year. This premium consists of (1) direct premium of compulsory automobile insurance, which increased from 15.39 billion baht in 2014 to 17.11 billion baht in 2017, equal to the average growth of 3.59% per year, and (2) direct premium of voluntary automobile insurance, which increased from 102.54 billion baht in 2014 to 110.16 billion baht in 2017, equal to the 2.42% average growth per year. For direct premium of personal accident insurance, the growth is also consistent, from 24.73 billion baht in 2014 to 28.20 billion baht in 2017, equaling the average growth rate of 4.48% per year.

#### Direct premium of all types of non-life insurance in 2014-2017





### 3. Risk factors

The Company's key risk factors and the preventive approach are summarized as follows.

#### 3.1 Risks from competitiveness in vehicle title loan industry

In the past, many microfinance companies were established throughout the country as there was no governing regulator and requirement for a license to operate. The industry was fragmented across all regions, comprising of local players, regional players as well as national players. However, the funding supply was still far from the sufficiency of the demand of Thailand's financial inclusions. Hence, the competitiveness of this business was not yet aggressive and remained unclear.

However, the microfinance industry started to have highly and significantly competitive since 2013 when large enterprises listed in the Stock Exchange and enabled to scale up their loan portfolio aggressively taking significant market share. It, therefore, attracted more interested companies to enter and compete in this industry. However, the critical market entry barrier to prevent new competitors is being the first to acquire customers and market shares as well as the supervisory authorities, the Bank of Thailand and the Ministry of Finance, which have been playing an important role in registration by governing the license to operate in order to control the standard market interest rate charge and market conducts, in which positively resulted in the advantage in the competition of those big operators who are better prepared. However, it is expected that the market competitive among large rivals, would be even more intense due to the clearer regulation. The short-term competitive landscape, however, would be mainly to acquire market share with better services and product flexibility, rather than the price war.

Nevertheless, in the meantime, the Company has acquired the largest market share (by loan portfolio size and number of local customer) via branch expansion, making at the end of 2018, the number of branch was totaled 3,279 and number of customer was 1.5 millions. That is more ready positively resulted in the competency in beneficial to the large company may have more readiness in terms of market shares or customers. The key and important strategy is to serve a customer with friendly and mindful services as mentioned in the Company's slogan "Intimate services like closed family members." with transparency and fairness in compliance to the regulations to impress and retain the customers continuously as well as to create the snow ball effect from words of mouth. With that reason, the Company will grow sustainably.

#### 3.2 Risks from the quality of borrowers

The Company's lending services focus on the group of customers with mid-range and low income who could not access the lending services from commercial banks; for example, factory workers, general labours, and agriculturists, etc. Since this customer group does not have formal income, hence having a high tendency to default payments. Accordingly, the Company might be impacted with high ratio of non-performance loans, which will affect the Company's provision and its business results.

Besides providing loan amount that must be in line with the value of the collateral, the Company's loan approval process emphasizes on the verification of loan applicant's and his/her guarantor's personal information to ensure their ability to pay back loans. In addition, the Company has an effective loan management and collection system, and this helps mitigate the risk of non-performing loan. The Company also employs the practice of Single Limit which states a single credit limit applied to any combination of all types of loans for one borrower. This will limit the maximum losses of each debtor, which helps minimize the risk. With the policy mentioned above, the Company is able to maintain a low ratio of non-performing loans to total loans. During 2015-2018, the Company's NPL ratio was 0.92%, 1.07%, 1.24%, 1.12% respectively.

### **3.3 Risk from failure to foreclose the collateral**

The Company's core business is to provide a vehicle title loan. Customers are required to pledge their own motorcycle, car or agricultural car/farm vehicle title as collateral, but do not have to register the transfer of ownership. In case that the customers fail to pay the installment for 2 consecutive times or more, the Company is entitled to foreclose the collateral and sell those vehicles through the Company's auction centres. However, as this type of collateral is movable asset, it might be difficult to trace and foreclose. In the event that the Company fails to foreclose and sell out this collateral, it will have a negative impact on the Company's financial position and business results.

To minimize the possibilities of being unable to foreclose the collateral, the Company determines specific customer qualifications as a borrower must live locally, being a resident or working nearby the branch location. Branch staff that process the loan request must check and validate the accuracy of address information and must be able to closely monitor each and every customer/borrower. Additionally, the fact that the Company has branches located all over the country means the better network to trace and foreclose the collateral.

### **3.4 Risk from selling the foreclosed assets**

The Company's selling process of the foreclosed assets is a public sale at the Company's auction centres. Presently, the Company has established 6 auction centers which are Phitsanulok Auction Center, Ayutthaya Auction Center, Chonburi Auction Center, Khon Kaen Auction Center, Nakhon Ratchasima Auction Center and Ratchaburi Auction Center; all centres are operated under the supervision and management of the Company. However, the Company faces a risk to generate losses if an auctioned price is lower than outstanding balance as the Company could not demand a default customer to pay the difference. So such losses will directly impact the Company's business performance.

The Company has emphasized the importance of granting proper credit limit, which needs to be in line with the value of the collateral. That means a brand, a model, its popularity in the market, and physical appearance of the collateral must be taken into consideration. The Company also has a practice to review the pre-defined credit limit of each vehicle type two times a year or when there is a critical circumstance which might significantly affect the business.

### **3.5 Risks from employee fraud**

The Company's business operates a retail finance service which provides relatively small loan amount, only approximately 20,000 baht per account. With a very large customer base, the Company needs to delegate the credit approval authorities to its branches and service centres in order to provide timely, effective and competitive services to the target customers. However, the Company is well aware of the chance of employee fraud, so the Company has adopted strict measures to prevent employee fraud, such as the use of an internal audit system or SAP to increase a service and reduce corruption or fraud. Additionally, in 2018, the Company also sets up a whistleblowing channel for employees and any stakeholders to report any cases.

In case of employee committing fraud, he/she will have to take responsible for paying back the damage caused and will be dismissed immediately. The Company also has a policy to take legal actions against an employee who conducts fraud, both as civil and criminal cases; the copy of final conviction will be disseminated to all branches to set the tone from the top, regarding the Company's zero tolerance to employee fraud.



The Company has set the guidelines for risk assessment and the guidelines for fraud and corruption prevention and for risk monitoring as follows.

1. Internal Audit shall review the existing risk management and internal control process to be adequate, proper and efficient in order to build confidence in the transparency of the operations. The review must be submitted to the Audit Committee for approval before being executed by all related employees.
2. Internal Audit shall assess the impact of key risks in order to come up with effective internal controls.
3. Internal Audit shall monitor and evaluate staff compliance by random checks and customer contacts. The results and recommendations for additional preventive measures shall be regularly reported to the Company's administration and the Audit Committee.
4. Related supervisors and managers shall regularly review customer contracts and their support documents and physical count of cash in branch and promptly report any suspicious incident to their direct supervisor.
5. The Company shall provide channels for its employees to report any fraud or suspicious fraud incident to the administration through mailing, secured phone number and the Company's website. The Company shall guarantee to protect a whistleblower from any retaliation, being punished or dismissed.
6. When fraud or suspicious fraud is identified, the Branch Administration shall perform investigation and report the finding to the administration and propose the disciplinary actions based on the finding.
7. The Company, by its district managers and branch managers, shall provide training to all new employees about the anti-fraud policy and related disciplinary measures; and regularly communicate to all employees, regarding the Company's guidelines for fraud prevention.

On 24 November 2017, the Company signed the letter of intent to join the Collective Action Coalition: CAC and submitted it to the Thai Institute of Directors (IOD). This was a requirement process to get certification from the Private Sector Collective Action Coalition Council.

### **3.6 Risks from custody of data and important documents**

The Company's business operations mostly rely on computer networks, storing critical data of its large customer base. If the system is down or encounters any circumstances that cause data loss or data leakage, it would be the major impact to the day-to-day operation. Therefore, the Company set up an automatic data transfer system between a main server and a back-up server. In case that the main server encounters a problem, the system will automatically switch to use data from the back-up server. The Company also has another back up process, using a portable storage device to download critical data on weekly and monthly basis. For security reasons, the Company has kept the device in another office. In addition, the Company requires all employees to have a personal user id and password when accessing the Company's database in order to control confidential data leakage.

Apart from computerised data, contract papers and other supporting documents like signed contracts of ownership transfer, signed requests to transfer the ownership, are also the important documents which must be used as evidence when processing the foreclosure or the court case when a customer defaults payment. If these documents are lost or damaged by fire, it will affect the Company's operations and business results. In order to mitigate the risks, the Company has a policy to keep all these documents in an electronic form. Each branch is responsible for scanning all related documents and sending the file to the responsible unit at Head Office.

### **3.7 Risks from fluctuations in interest rates**

The Company's revenue is mainly from the interest income of customers' loans. However, the Company may face the risk of interest rate fluctuation as the borrowing costs in which the Company borrows loans from a commercial bank in which the interest rate moves up and down in the market. This fluctuation mainly affects the Company's costs and interest rates.

The Company is aware of this risk; accordingly, the Company returned the loans to the bank by borrowing loans with lower interest rates from a new funding source in order to maintain consistency between accrued interest payable and accrued interest receivable. The Company also sought for sources of funds with fixed interest rate and entered into an interest swap contract to mitigate the risks from market fluctuation.

### **3.8 Risks from dependency on loans from external institutes as a source of funds**

The Company's main source of funds is loans from commercial banks. As of 31 December 2018, the Company had the total credit line of 43,915 million baht, and the outstanding debt balance of 35,459 million baht, which was 74.25% of the Company's total source of fund. The outstanding debt balance comprised a 4,775 million baht short-term loans, representing 13.46% of the total debt balance, and a 30,684 million baht long-term loan, which was 86.54% of the total debt.

As some of the long-term loan was from commercial banks, in case that the bank decides not to continue giving financial supports to the Company, it will impact the Company's liquidity as well as the business operations. Therefore, the Company is prepared to manage this risk by exploring more sources of funds; diversifying the risk of debt financing through debt instruments in a bond market as well as loans from other financial institutes.

### **3.9 Risks from increasing more debt burdens in the future**

To continually expand the business, it is essential for the Company to explore more sources of funds or increase debt burdens. Accordingly, the Company may face the risk from increasing more debt burdens. However, the Company had prepared to manage this risk by seeking more funds from financial institutes for the Company's business expansion and serve ultimate goals. Financial activities shall be based on the Company's financial structure and liquidity status and benefits of all shareholders and stakeholders.

### **3.10 Risks from more controls by regulatory authorities and development of accounting standards**

The Company's core business is providing a vehicle title loan and its main revenue is from interest income. The operation of this business is not under the supervision of any regulatory authorities. The only regulation that the Company must comply with is the interest rate charged, which must not exceed the rate stated in the Civil and Commercial Code. And the Company has always complied with the regulations. However, if there is any regulatory authority to monitor, control and standardise this business, the Company might get some impacts from the changes in regulations and development of accounting standards that may affect its business results in the future.

For personal loan business, the operation is under the supervision of the Bank of Thailand. The Company must comply with the prescribed rules, procedures and conditions to operate personal loan business for non-bank operators, which specify the qualifications of loan applicants, guidelines for setting credit limits, guidelines for setting interest rate policy and other fee policy in order to create fairness for the Company's customers. The Company has strictly complied with all regulations. However, if BOT decides to change or add any regulations on personal loan business in the future, the Company is ready to conform even though it might affect the Company's operations and business results.



Being aware of the risk, the Company has been strictly complied with BOT's regulations. Currently, the Company has applied the guidelines supervised by the Bank of Thailand, i.e. loan loss provisions, revenue recognition principles. Therefore, the Company is confident that the controls by regulatory authorities in the future will not significantly affect its operations and competitive advantages.

Apart from the risks driven from changes in laws, regulations and rules, an accounting standard is accounted as one kind of regulations, which will definitely affect the change of company's financial status as written in the Company's financial reports. Since accounting standards in Thailand have been being developed in compliance with international accounting standards for year, it is expected that the development will be gradually continuing in the future; however, such risk can be migrated as it can be anticipated in advance and manageable.

In 2018, the Company was aware of regulatory risks; accordingly, the risk and regulatory management committee was formed in order to monitor and manage risks closely and report to the authorities, risk committees, and the Company's Board.

### **3.11 Risks from dependency on the Company's executives in running the business**

Due to the professional experience in vehicle title lending business for longer than 26 years of the key executives, their competency in management, debt collection, asset appraisal skill and understanding of customer behavior are the skills, the company's heavily relying on the key executives is the risk that might impact the company's operation in the case that there is any changes in the key executives.

The Company's clear goal is to encourage executives and employees to be committed with the company for the long term as they have been working with the Company since its establishment. The decrease of the turnover rate is an ultimate goal of the Company. To meet the goal, training and professional development programs are organised for employees at all levels. The programs' learning objectives are to enhance the staff to have required skills, knowledge, and clearer understanding of their responsible duties. In addition, staff promotion and wage fairness, which are in line with the company's performance, are also the Company's practices and consideration.

### **3.12 Risks from having major shareholders holding over 50% of total shares**

As of 4 December 2018, Mr.Chuchat Petaumpai and Mrs. Daonapa Petaumpai held a total of 1,430,056,400 shares of the Company, equal to 67.46% of the total paid-up capital. As a result, both major shareholders hold the power to control the Company's business operations and most have influence on the Company's business decisions, i.e. the nomination of directors or other subjects requiring a resolution from a majority of shareholders, except the subjects under the laws or Company's regulations in which the resolution is passed by a 75% majority of total shareholders.

Other shareholders may face a risk in being unable to collect sufficient votes to monitor and balance the power of the major shareholders, proposing subjects for resolutions during a shareholder meeting. However, the Company has appointed the Audit Committee to be responsible for auditing, reviewing and considering all related issues in order to prevent any conflicts of interests in the future and to ensure transparency in the Company's business operations. Additionally, the structure of the board of directors comprises 5 independent directors (including the Chairman) and 2 executive directors. This board structure helps balance the votes for business decisions and regulate the company's operations to be more appropriate and effective.

### **3.13 Emerging Risks**

#### **3.13.1 Emerging risks caused by global economic uncertainty**

##### Effects on the nation's economic growth and interest rates

The world economy growth in 2019 is intended to decrease gradually, which is caused from trade protectionism between USA and China. Also, this policy has a wide effect on global economy as they are the two major production and consumption nations. Additionally, the increase of petrol prices affects the global economy stimulating a slow economic growth in trade partners of USA and China, such as developed countries in Europe, Japan and Thailand. As a result, Thailand's economic outlook, especially in import-export industry, is expected to grow at lower rate causing the overall economic slowdown.

Moreover, it is forecasted that Federal Reserve (The Fed) will consider increasing the policy interest rates, and this will have the impact on the appreciation of the US dollar currency. Such an issue shall not impact Thailand's fundamental economy and financial system which have been remained strong. On the other hand, the increasing of household debts will be significantly impacted by the change of the policy interest rate.

In order to mitigate the risk, the Company seeks alternative sources of fund and partially lock up the interest rates to lessen the effects caused by the interest rate increase. Monetary Policy Committees also issued the regulatory policy on loans and debt collection, since the high household debts have a tendency to be higher with lower quality when the policy interest rate increases consecutively.

##### Emerging risk on the agriculture exporting and price of agricultural products

Kasikorn Research Center predicts that in 2019, revenue growth in agriculture is not significantly different from that in 2018. In contrast, there is a tendency that agricultural product prices will decrease, especially rice, rubber, cassava, sugar canes, and palm oil, according to the high oversupply of agricultural products and low demands from a Chinese market. The government's policy on agriculture, especially a short-term policy, both direct and indirect payments, financial risks in agricultural industry, strength of Thai baht, and competitive ability in business additionally affect agricultural business. Moreover, a shortage of foreign and high-skilled labours may affect the productivity ability of agricultural sectors whereas the uncertainty of global politics might lead to trade barriers of the nation's important trading partners.

#### **3.13.2 Risk from climate changes**

Referring to the National Metal and Materials Technology Center reported that the climate is a key factor that affects agricultural productivity. It is estimated that the weather in Thailand will increase 1.5-2.0 degree Celsius within 40 years. The risk from climate change is a challenging factor of agricultural sectors in Thailand, the country heavily relying on agricultural industry, as it might decrease incomes of agriculturists, resulting in a higher demand of loans but low-quality debts.

The Company is well aware of this risk and started to implement the environmental policy in 2018, aiming at reducing greenhouse gas emissions caused by our business operations and constructing Greenhouse Building (LEED certified) where it will become the Head Office of the Company.

## 4. General Information and References General Information

### General Information

Company Name	:	Muangthai Capital Public Company Limited.
Type of Business	:	Provide financial services of vehicle title loan, personal loan nano-finance and land title loans.
Head Quarter Address	:	32/1 Jaransanitwong Road, Bang-or, Bangplad, Bangkok 10700
Registration Number	:	Bor Mor Jor 0107557000195
Homepage	:	<a href="http://www.muangthaicap.com/">http://www.muangthaicap.com/</a>
Telephone	:	0-2880-1033
Fax	:	0-2880-1733
Total registered capital	:	2,120,000,000 Baht
Paid-up Capital	:	2,120,000,000 Baht
Type of Shares	:	Common stock

### Other References

#### Share Registrar

93 The Stock Exchange of Thailand Building  
Ratchadaphisek Road, Dindaeng, Dindaeng, Bangkok 10400  
Telephone : 0-2009-9999

#### Company's Secretary

Ms. Monthon Orn-phan  
Muangthai Capital Public Company Limited.  
32/1 Charansanitwong Road, Bang-or, Bangplad,  
Bangkok 10700  
Telephone : 0-2880-1033  
Fax : 0-2880-1733

#### Auditor

Ms. Somjai Khunnapasut  
Certified Public Accountant (Thailand) Registration No 4499  
EY Office Limited (Formerly known as Ernst & Young Limited)  
33rd Fl., Lake Rajada Office Complex,  
193/136-137 Rajadapisek Road,  
Klongtoey, Bangkok 10110  
Telephone : 0-2264-0777  
Fax : 0-2264-0789-90

## 5. Information on securities and shareholders

### 5.1 Registered capital and paid-up capital

As at 31 December 2018, the Company had the total registered capital of 2,120 million baht and total paid-up capital of 2,120 million baht, comprising 2,120 million shares at par value of 1.00 baht per share.

### 5.2 Shareholder structure

Top ten major shareholders as of 4 December 2018

No.	Name	Number of Shares Held	Shareholding Ratio (%)
1	Petaumpai Family Mr. Chuchat Petaumpai <sup>1</sup> Mrs. Daonapa Petampai <sup>2</sup>	710,056,400 720,000,000	33.49 33.96
	Total shares held by Petaumpai Family	1,430,056,400	67.45
2	Thai NVDR Company Limited	117,196,994	5.53
3	South East Asia UK (Type C) Nominees Limited	37,889,975	1.79
4	Mr. Suthipong Vejwaroot	28,160,000	1.33
5	State Street Europe Limited	19,392,680	0.92
6	Thai Life Insurance Public Company Limited	18,006,400	0.85
7	Mr. Wasin Dejkittivikrom	14,810,600	0.70
8	SCB Dividend Stock 70/30 Long Term Equity Fund (SCBLT1)	11,713.100	0.55
9	The Hong Kong and Shanghai Banking Corporation Limited	10,039,100	0.47
10	Other shareholders	432,734,751	20.41
	<b>Total</b>	<b>2,120,000,000</b>	<b>100.00</b>

Remarks: 1. Mr. Chuchat Petaumpai is the Company's Director and Chairman of the Executive Committee  
2. Mrs. Daonapa Petampai is the Company's Director and Managing Director

## 6. Dividend payment policy of the Company and its subsidiaries

The annual dividend payout ratio of the company after reducing corporate income taxes and legal and statutory reserves is not less than 50% from retained earnings. However, the dividends paid out to shareholders may differ yearly, depending on the Company's annual earnings and its necessity to use working capital for the business' operations and its expansion as well as economic situations.

On 21 April 2015, the annual general meeting approved the dividend payment from the Company's retained earnings in 2014 to common shareholders at 0.13 baht per share capital. Total share capitals were 2,120 million shares, with par value of 1 baht, and total amount of dividend payment was 275.60 million baht.

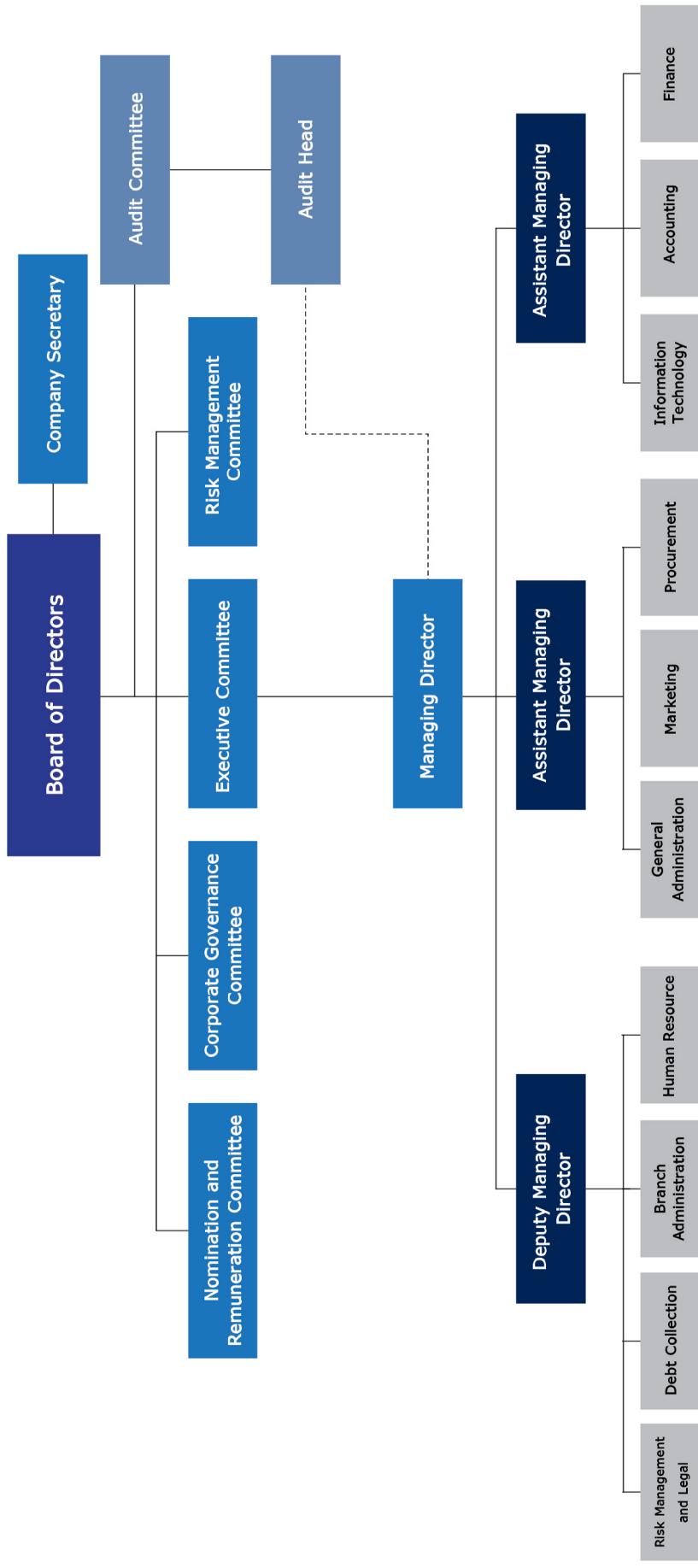
On 22 April 2016, the annual general meeting approved the dividend payment from the Company's retained earnings in 2015 to common shareholders at 0.20 baht per share capital. Total share capitals were 2,120 million shares, with par value of 1 baht, and total amount of dividend payments was 424 million baht.

On 20 April 2017, the annual general meeting approved the dividend payment from the Company's retained earnings in 2016 to common shareholders at 0.10 baht per share capital. Total share capitals were 2,120 million shares, with par value of 1 baht, and total amount of dividend payments was 212.00 million baht.

On 21 April 2018, the annual general meeting approved the dividend payment from the Company's retained earnings in 2017 to common shareholders at 0.18 baht per share capital. Total share capitals were 2,120 million shares, with par value of 1 baht and total amount of dividend payments was 381.60 million baht.

## 7. Management Structure

### 7.1 Organization Structure





## 7.2 Board of Directors

As at 31 December 2018, the Company's Board was composed of 7 directors as detailed in the following table.

Name	Position	Number of times attending meetings /Number of meetings 2018
1. Adm. Apichart Pengsritong	Chairman and Independent Director	7/7
2. Mr. Chuchat Petaumpai	Director	7/7
3. Mrs. Daonapa Petampai	Director	7/7
4. Mr. Yodhin Anavil	Independent director	7/7
5. Mrs. Kongkeaw Piandumaytham	Independent director	7/7
6. Mr. Kapol Tatiyakavee	Independent director	7/7
7. Mrs. Nongnooch Davasawan	Independent Director	7/7

- As at 31 December 2018 7 annual meeting of board directors were held and the percentage of attending meetings by board members was 100%.
- None of the board members has been in the position for over 9 years and has a position in over five listed companies.

**Remark:** Ms. Monthon Onphan was appointed as the Company's Secretary.

### Authorised signatory

The Company's authorised signatories are Admiral Apichart Pengsritong, Mr. Chuchat Petaumpai, Mrs. Daonapa Petampai, or Mr. Yodhin Anavil. It is required that any two of these signatories have authority to sign a common seal of the Company.

## 7.3 Audit Committee

Audit Committee is composed of 3 committee members:

Name	Position	Number of times attending meetings /Number of meetings
1. Mrs. Kongkeaw Piandumaytham	Chairman of Audit Committee	4/4
2. Mr. Kapol Tatiyakavee	Member of Audit Committee	4/4
3. Mrs. Nongnooch Davasawan	Member of Audit Committee	4/4

- As at 31 December 2018 there were 4 total meetings, and the percentage of attending meetings by board member was 100%

**Remark:** Mr. Chalerm Inhom was appointed as Audit Assistant Manager and Secretary.

#### 7.4 Nomination and Remuneration Committee

The Company's Nomination and Remuneration Committee comprises the following 3 members:

Name	Position	Number of times attending meetings /Number of meetings
1. Adm. Apichart Pengsritong	Chairman of Nomination and Remuneration Committee	1/2
2. Mr. Yodhin Anavil	Member of Nomination and Remuneration Committee*	2/2
3. Mrs. Kongkeaw Piamduaytham	Member of Nomination and Remuneration Committee	2/2
4. Mrs. Nongnooch Davasawan	Member of Nomination and Remuneration Committee	1/2

- As at 31 December 2018 there were 2 total meetings, and the percentage of attending meetings by board members was 100%.

\* On 20 April, 2018 Admiral Apichart Pengsritong was appointed as Chairman of Nomination and Remuneration Committee, Mr. Yodhin Anavil as the committee member of Nomination and Remuneration Committee, and Mrs. Nongnooch Davasawan as the committee member of Risk Management Committee

**Remark:** Ms. Monthon Onphan is a secretary of the Nomination and Remuneration Committee

#### 7.5 Corporate Governance Committee

Corporate Governance Committee comprises 3 members.

Name	Position	Number of times attending meetings /Number of meetings
1. Mr. Kampol Tatiyakavee	Chairman of the Corporate Governance Committee	3/3
2. Mrs. Kongkeaw Piamduaytham	Member of the Corporate Governance Committee	3/3
3. Mr. Chuchat Petaumpai	Member of the Corporate Governance Committee	3/3

- As at 31 December 2018 there were 3 meetings of the Corporate Governance Committee, and the percentage of attending meetings by board members was 100%.

**Remark:** Ms. Monthon Onphan is Secretary of Corporate Governance Committee

#### 7.6 Risk Management Committee

The Risk Management Committee is composed of 3 members.

Name	Position	Number of times attending meetings /Number of meetings
1. Adm. Apichart Pengsritong	Chairman of Risk Management Committee*	1/3
2. Mr. Kampol Tatiyakavee	Chairman of Risk Management Committee*	3/3
3. Mr. Chuchat Petaumpai	Member of Risk Management Committee	3/3
4. Mrs. Nongnooch Davasawan	Member of Risk Management Committee	2/3

- As at 31 December 2018 there were 3 meetings of the Risk Management Committee, and the percentage of attending meetings by board members was 100%.

On 20 April 2018, Admiral Apichart Pengsritong, the former Chairman of Risk Management Committee, was appointed to Chairman of Nomination and Remuneration Committee; in contrast, Mr. Kampol Tatiyakavee was appointed to become Chairman of Risk Management Committee and Mrs. Nongnooch Davasawan as a member of Risk Management Committee.

**Remark:** Ms. Duangkhae Songnuy was Secretary of Risk Management Committee.



## 7.7 Executive Board

Executive Board, as of 31 December 2018, is made up of 13 members.

Name	Position
1. Mr. Chuchat Petaumpai	Chairman of Executive Board
2. Mrs. Daonapa Petampai	Member of Executive Board
3. Mr. Surapong Pechaumpai	Member of Executive Board
4. Mr. Parithad Petampai	Member of Executive Board
5. Mr. Surat Chayavoradech	Member of Executive Board
6. Ms. Duangkhae Songnuy	Member of Executive Board
7. Ms. Vimonrat Nujul	Member of Executive Board
8. Mr. Somkiat Ratsamee	Member of Executive Board
9. Mr. Amnat Niamsee	Member of Executive Board
10. Mr. Banyat Ninsiri	Member of Executive Board
11. Mr. Niyom Rodnoi	Member of Executive Board
12. Mr. Pradit Thongkhum	Member of Executive Board
13. Mr. Songkran Eiamkai	Member of Executive Board

### Authorities and responsibilities of Executive Board

1. To propose goals, policies, business plans and the annual budget of the Company to the Board of Directors for approval
2. To oversee and monitor the Company's business operations to be complied with the policies, plans and the budget approved by the Board
3. To consider and approve the budget for normal transactions of the Company, such as expenditure of investments under capital budgeting or the budget approved by the Board. The investment of each transaction is in line with the expenditure approval authority matrix approved by the Board.
4. To consider and approve the proposed regulations and amendments on credit approval, a table for credit limits, and penalty fee and discounts.
5. To propose the organisation structure appropriate to the Company's business operations for the Board's approval and to consider and approve the manpower framework not mentioned in the approved annual budget.
6. To consider the Company's net income and loss, a proposal to pay an interim dividend or an annual dividend prior to Board approval.
7. Appoint or hire a management consultant on internal administration to foster the Company's effective performance
8. To have authority to authorise any persons to act on behalf of and under the supervision of the Board and to give authority to them as the committee deems appropriate and within the approved timeframe. Such authorisation may be cancelled, revoked or amended as the committee sees fit
9. To perform any other duties assigned by the Board of Directors

Importantly, the delegation of authorities and responsibilities by the Executive Board shall not be in the manner of general power of attorney, allowing an authorised person to approve any transaction which might result in a conflict (as defined by the notifications of the Capital Market Advisory Board and/or the Stock Exchange of Thailand) of gain or loss or any other conflicts of interest with the Company or its subsidiary and/or related companies. As the Executive Board also does not have any authority to approve such transaction, it will have to be submitted to the Board of Directors and/or the shareholder meeting (as deemed appropriate) for further approval. Unless the approval of the transaction is for normal trade or in accordance with normal trade conditions which comply with the notifications of the Capital Market Advisory Board and/or the Stock Exchange of Thailand and/or other related regulators.

## **7.8 Management**

The Management of the Company comprises the following 12 members.

Name	Position
1. Mrs. Daonapa Petampai	Managing Director
2. Mr. Surapong Pechaumpai	Deputy Managing Director
3. Mr. Parithad Petampai	Assistant Managing Director
4. Mr. Surat Chayavoradech	Assistant Managing Director
5. Ms. Duangkhae Songnuy	Collection Manager
6. Ms. Vimonrat Nujul	Accounting Manager
7. Mr. Somkiat Ratsamee	Deputy Branch Manager
8. Mr. Amnat Niamsee	Deputy Branch Manager
9. Mr. Banyat Ninsiri	Assistant Branch Manager-Surat Thani
10. Mr. Niyom Rodnoi	Assistant Branch Manager-Bangkok (Region 1)
11. Mr. Pradit Thongkhum	Assistant Branch Manager-Udon Thani
12. Mr. Songkran Eiamkai	Assistant Branch Manager-Chonburi

## **7.9 Company Secretary**

The Board of Director Meeting No.3/2014 on 14 May 2014 appointed Ms. Monthon Onphan as the Company Secretary in order to align with section 89/15 of Securities and Exchange Act B.E.2535 as amended by Securities and Exchange Act (No. 4) B.E. 2551. The following are responsibilities of the Company Secretary.

1. To supervise and make recommendations to the Board about legal compliances rules and regulations of regulatory bodies and of the Company itself as well as monitor the Company's operations on a regular basis to ensure all activities are conducted in accordance with relevant laws.
2. To arrange the Board's meetings and shareholders' meetings and coordinate with related parties to ensure that the resolutions from the Board's meetings and shareholders' meeting are carried out.
3. To supervise the disclosure of the Company's information and information technology report to be complied with the Stock Exchange of Thailand, the Securities and Exchange Commission and other related regulations.
4. To make a report and keep the following documents:
  - 4.1 Directors register
  - 4.2 Notices of meetings and meeting minute reports of the Board
  - 4.3 Notices of meetings and meeting minute reports of shareholders
  - 4.4 Annual reports
  - 4.5 The Board's conflict of interest reports



Additionally, as the Company is well-aware of and committed to good corporate governance, the Company Secretary has passed 3 training programs organised by Thai Institute of Directors, which are

- Company Secretary Program (CSP), Batch 50 (2013)
- Effective Minute Taking (EMT), Batch 26(2013)
- Anti-Corruption: The Practical Guide (ACGP), Batch 43(2018).

## 7.10 Director and management remuneration

### 7.10.1 Financial remuneration

#### Financial remuneration to the Board of Directors

In 2018 and 2017, the Company paid the meeting allowance to the Board of Directors (7 members) as detailed below:

Name	2018	2017
1. Adm. Apichart Pongsritong	480,000	540,000
2. Mr. Chuchat Petaumpai	430,000	430,000
3. Mrs. Daonapa Petampai	280,000	280,000
4. Yodhin Anavil	335,000	340,000
5. Kongkeaw Piamduaytham	540,000	500,000
6. Kapol Tatiyakavee	555,000	540,000
7. Mrs. Nongnooch Davasawan	455,000	430,000
<b>Total</b>	<b>3,075,000</b>	<b>3,060,000</b>

In 2018, the Company paid the remuneration of 3,700,000 baht to the Board of Directors. (Chairman's remuneration is 700,000 baht, and each board member receives 500,000 baht.)

The 2018 Annual General Shareholder Meeting on 20 April 2018 approved the financial remuneration to the Board of Directors in 2018 as follows:

The Board of Directors shall receive the following remuneration:

- Amount of meeting allowance to be paid to the Board of Directors depends on a number of meetings attended. The Chairman will receive 60,000 baht per time whereas each board member will receive 40,000 baht
- Total Annual remuneration of the Board of Directors in 2018 shall not exceed 3,700,000 baht (in 2017, the total remuneration not exceeding 3,000,000 baht)
- Amount of meeting allowance to be paid to members of Audit Committee depends on a number of meetings attended. The Chairman will receive 35,000 baht per time whereas each member will receive 25,000 baht.
- Amount of meeting allowance to be paid to the members of nomination and remuneration committee, the corporate governance committee and the risk management committee depends on a number of meetings attended. The Chairman will receive 30,000 baht per time while each member will receive 25,000 baht

#### Executive remuneration

Executive remuneration is intended to reward the Company's excellent operation and the executives' contributions to the Company, assigned by the Board of Directors. The remuneration is considered from their performances directly related to the Company's successful accomplishments, regarding goals and strategies. In addition, the performance management evaluation is based on the key performance indicators (KPIs), including numbers and other key indicators.

As of 31 December 2018, the Company and its subsidiaries paid 39.32 million baht to the executives (In 2017: 37.47 million baht of numeration paid). This remuneration includes salary, position allowance, bonus, per diem, social security fund contribution and provident fund contribution.

## 7.11 Employees

### 7.11.1 Number of Employees

As of 31 December 2018, the total number of employees in the Company and its subsidiaries were 7,647 (excluding 13 executives/directors) working in the following divisions

Division	Number of employees (person)		
	Head Office	Branch	Total
1. Branch administration	8	194	202
2. Credit analysis	-	6,301	6,301
3. Collection	1	150	151
4. Accounting	24	525	549
5. Finance	14	137	151
6. IT	15	-	15
7. Legal	3	-	3
8. General administration	18	-	18
9. Personnel	7	-	7
10. Audit	46	-	46
11. Purchase	9	-	9
12. Secretary	2	-	2
13. Auction center	-	10	10
14. Housekeeping	3	180	183
<b>Total</b>	<b>150</b>	<b>7,497</b>	<b>7,647</b>

### 7.11.2 Significant labour dispute in the past three year

-None-

### 7.11.3 Employee Remuneration

#### 1. Financial Remuneration

The Company is intended to pay remuneration to employees, considering a number of factors, such as appropriateness, fairness, knowledge, and performance. The Company has implemented a key performance index system (KPI) to evaluate the employees' achievement, competency, and characteristics.

The Company also concerns about employee compensation rates in that they must be in line with the average market rates and the Company's business expansion and growth in the future.

In 2018, the Company and its subsidiaries paid the remuneration of 2,188.69 million baht to its employees, excluding a management team (1,554.53 million baht of the remuneration paid in 2017). The Remuneration includes salary, commission, bonus, per diem, social security contribution, provident fund contribution and other benefits.

#### 2. Other Benefits

One of the Company's policies is to encourage voluntary savings of its employees. Accordingly, the provident fund was jointly established by the Company and its employees. The fund was under the Provident Fund Act B.E. 2530 (1987) and the management of Kasikorn Asset Management; it was also funded by contributions from the Company and its employees, approximately 3-5 % of monthly salary. Dividends shall be paid to the employees when they resign from the Company.

### 3. Fringe Benefits

The Company has provided the fringe benefits required by laws to the employees and increase their benefits to be in line with the company's subsidiaries; for example,

- The Company provides health and life insurance to employees for hospitalisation and family stability and offers annual medical expenses
- Fringe benefits, e.g. marriage compensation or maternity leave compensation, are offered to the employees; moreover, the Company and its employees set up a special fund to support compensation for death of family members.
- The Company organises activities to strengthen relationships among staff members such as New Year Party, Company Sport Games, and annual trips for employees.

#### 7.11.4 Staff development policy

Improving and enhancing employee values is the Company's intention to maintain and develop its human resource productivity. To achieve success and sustainability, the Company has implemented the policy harmonious with the strategies on human capital management and responding to the Company's human resource policy as follows:

1. Set up a human resource management system; for example, selection, recruitment, placement, promotion, employment, performance appraisal, and a reasonable, fair, honest pay raise with high standards.
2. Adhere to equity, fairness, integrity, working disciplines, and relationships and interactions of employees.
3. Provide employees with appropriate and fair remuneration to be in line with other leading companies, to be sufficient to accommodate their life, and to increase happiness, morale and royalty to the Company.
4. Enhance career development of all employees, especially human holistic development, knowledge enhancement, skill and expertise, work performance, positive attitudes towards workplace, and good quality of life. Plan and schedule regular training and professional development programs on management, services, professional knowledge to employees as well as allow them to attend any programs hosted by both public and private institutions.
5. Provide scholarships to its employees to further improve their professional development like knowledge and experience. It is expected that they will have opportunities to share their knowledge with their classmates and apply the knowledge gained to improve their profession and organisation.

**7.12 Report on the changes of shareholdings of the Company's directors and executives in 2018**

No.	Name	Position	Number of Shares, as of 31 December, 2018	Number of Shares, as of 31 December, 2017	Number of Shares (increased/decreased)	Ratio of shareholdings
1	Adm. Apichart Pengsritong Spouse and Minor child	Chairman	700,000	800,000	(100,000)	0.033
2	Mrs. Kongkeaw Piamduaytham Spouse and Minor child	Chairman of the Audit Committee	800,000	800,000	-	0.038
3	Mrs. Nongnooch Dava suwan Spouse and Minor child	Member of the Audit Committee	-	-	-	-
4	Mr. Kapol Tatiyakavee Spouse and Minor child	Member of the Audit Committee	200,000	800,000	(600,000)	0.009
5	Mr. Yodhin Anavil Spouse and Minor child	Director	400,000	400,000	-	0.019
6	Ms. Duangkhae Songnuy Spouse and Minor child	Collection Manager	1,145,000	1,139,500	5,500	0.054
7	Ms. Vimonrat Nujul Spouse and Minor child	Accounting Manager	504,000	504,000	-	0.024
8	Mr. Somkiat Ratsamee Spouse and Minor child	Deputy Branch Manager	219,000	219,000	-	0.010
9	Mr. Banyat Ninsiri Spouse and Minor child	Assistant to Branch Manager	282,000	292,000	(10,000)	0.013
10	Mr. Amnat Niamsee Spouse and Minor child	Deputy Branch Manager	500,000	539,000	(39,000)	0.024
11	Mr. Niyom Rodnoi Spouse and Minor child	Assistant to Branch Manager	438,000	438,000	-	0.021
*12	Mr. Chuchat Petaumpai Spouse and Minor child	Chairman of the Executive Committee	710,056,400	720,056,400	(10,000,000)	33.493
*13	Mrs. Daonapa Petampai Spouse and Minor child	Assistant Managing Director	720,000,000	720,000,000	-	33.962
14	Mr. Parithad Petampai Spouse and Minor child	Assistant Managing Director	2,430,500	2,380,500	50,000	0.115
15	Mr. Surapong Pechaumpai Spouse and Minor child	Deputy Managing Director	50,000	50,000	-	0.002
16	Mr. Surat Chayavoradech Spouse and Minor child	Deputy Managing Director	945,000	975,000	(30,000)	0.045
17	Mr. Pradit Thongkhum Spouse and Minor child	Assistant to Managing Director	47,000	47,000	-	-
18	Mr. Songkran Eiamkai Spouse and Minor child	Assistant to Managing Director	(47,000)	-	-	-
			11,300	45,000	(33,700)	0.003
			37,000	37,000	-	0.002

\* No 12 and No 13 are spouse to each other.

## 8. Corporate Governance

### 8.1 Corporate governance policy

The Company has committed to operate its business with stable and sustainable growth by building value-added to shareholders and shared values to stakeholders in all stakeholders. More importantly, the Company's Board of Directors strictly follows the SET's guidelines for Good Corporate Governance by setting up the policy on corporate governance, business ethics and codes of conducts to be used as guidance for every stakeholder, such as directors, executives and employees. The policy was announced, communicated to staff at all levels, and published on the Company's website ([www.muangthaicap.com](http://www.muangthaicap.com)). The main objective is to educate employees and other related parties to gain knowledge and understanding of corporate governance principles in business, strictly adhering to transparency, fairness, verification, and integrity. In addition, business practices shall be aligned with related rules, regulations and laws as well as responsible for economy, society and environment.

The Board of Directors is well aware of the importance of corporate governance as it reflects the efficiency, transparency, and auditability of the Company's business administration. In addition, good corporate governance may build trust and confidence to its shareholders, investors, stakeholders, and all related parties, which will lead to increasing value and sustainable growth of the Company in the future. Accordingly, the Company sets the following corporate governance policy and guidelines to be a framework for day-to-day operations as detailed below.

1. All directors, executives and employees shall apply principles of corporate governance, business ethics, and codes of conducts for operations of the Company;
2. All directors, executives and employees shall perform their duties cautiously and honestly with integrity, full responsibility, conforming to the laws, the Company's regulations, and related announcements;
3. All directors, executives and employees shall adhere to the Company's codes of conducts by treating all stakeholders with fairness, controlling and monitoring the Company's operations to prevent any decisions or activities that may create a conflict of interest and other related issues, and protect the Company's interest and benefits;
4. All directors, executives and employees shall adhere to and follow the guidance in the Anti-Corruption Handbook as well as respect laws, regulations and human rights;
5. The Company shall set up a proper internal control and risk management system, an accurate accounting system, and a trustworthy financial report;
6. The management structure of the Company shall define clear roles, authorities and responsibilities of the boards;
7. The Company shall instill its employees a sense of morality, integrity and good conscience, treat them with fairness, and be intended to improve and enhance employee performance and capability continually;
8. The Company shall conduct business in full compliance with responsibilities towards shareholders, stakeholders, communities, society and environment;
9. The Company shall be aware of and respect the rights of shareholders and treat them with fairness and courtesy;
10. The Company strives for operational excellence and commits to build customer satisfaction by listening to the customers and having self-reflection in order to enhance its potentials and create better services;
11. The Company shall disclose material information to be adequate, trustworthy and timely to public, and this disclosure shall not affect rightful benefits of the Company.

The Company's Board of Directors believes that the policy on good corporate governance, business ethics and codes of conducts are key main factors to support the Company to be a business leader with stable and sustainable growth, together with its involvement in the nation's economy, society and environment. This will bring about the confidence and positive image of the Company towards its shareholders, investors and stakeholders in all sectors both in present and in the future.

With the reasons mentioned above, the Company set up its policy on corporate governance as determined by the Stock Exchange of Thailand. The policy is divided into 5 pillars as described below.

1. Rights of shareholders
2. Equitable treatment of all shareholders
3. Roles of stakeholders
4. Disclosure and transparency
5. Responsibilities of the Board of Directors

#### **Section 1 : Rights of shareholders**

The Company is aware of and committed to shareholders' basic rights i.e. their right to sell or transfer their shares, their right to receive a portion of the Company's profits, their right to obtain relevant and adequate information of the Company, their right to attend a shareholders' meeting to elect or remove any board members, their right to appoint an external audit, their right to decide on any transactions that significantly affect the Company; for instance, dividend payments, amendments of the Company's regulations, a memorandum of association and its articles, the increase or decrease of share capitals, etc.

Apart from the rights above mentioned, the Company makes the following arrangements to promote and facilitate its shareholders to exercise their rights more conveniently. These includes:

- The Company's Board of Directors shall hold an annual general shareholders' meeting within 4 months, starting from the end date of the Company's fiscal year;
- The Company shall deliver a notice of the shareholder meeting to each shareholder at least 7 days prior to the meeting. The notice must state date, time, venue and agenda of the meeting and must include material information related to the topics which need decisions from the shareholders;
- In case that a shareholder cannot attend the meeting, the Company shall allow his or her to appoint a proxy, who may be one of independent directors or anyone by filling out a proxy form, which is delivered to the shareholder together with a notice of the meeting;
- The Company shall provide an opportunity for shareholders to propose additional agenda or submit questions for the meeting in advance. During the meeting, the shareholders should gain opportunities to ask questions, share opinions, and make full recommendations more independently; After the meeting, the Company shall prepare a minute of meeting with accurate and complete material information to shareholders for reviews.

#### **Annual general meeting of shareholders**

In 2018, the Company arranged the annual general meeting of shareholders on 20 April 2018 at 10.00 am at Pinklao 2 Meeting Room (9th floor) of Royal City Hotel. The address of the hotel is 800, Borommaratchachonnani Road, Bangkok Noi, Bangplad, Bangkok.

To ensure that the meeting was carried out appropriately, the Company supported the meeting by assigning its staff to take care of shareholders, check documents, provide duty stamps to shareholders or proxies, prepare refreshments, be responsible for registrations and ballots with a barcode-marking system, allowing the shareholders to register for the meeting in advance.



The Board of Directors, executive committee members, Company Secretary, auditors attended the meeting to answer some questions from shareholders. Chairman of the Board presided over the meeting, and before the meeting started, the Company Secretary was assigned to inform the shareholders on their rights as stated in the Company's articles of association, meeting procedures, meeting agenda, procedure for Q&A or comments from or to members, procedure for voting each agenda item through ballot cards, and announcements of voting results. The Chairman also invited representatives of shareholders to observe voting, counting, and tallying procedures.

The Chairman conducted the meeting, in accordance with the agenda items specified in the notice and offered adequate time for agenda item considerations as well as provided opportunities for all shareholders to exercise their rights by asking questions, making recommendations and discussing their concerns. The Company also concerned about questions from shareholders and direct and transparent answers to any questions, so the questions and answers were recorded by written notes and tape recorders during the meeting. Voting results of each agenda item, (approved, disapproved, abstained) were also recorded.

The Company reported the resolutions from the shareholders' meeting to the Stock Exchange of Thailand. The Company also prepared the written records of minutes to shareholders, making sure that the information was recorded accurately and completely like details of directors, executives, secretary and auditors attending the meetings, announcement of voting results of each agenda item, questions and answers, and key comments. The minutes were submitted to the Stock Exchange of Thailand within 14 days after the date of the meeting. In addition, the annual report, the copy of financial statement and income statement approved by auditors and shareholders together with the copy of the minutes of shareholders' meetings on the approval of financial statement, profit allocation and dividend payment were also submitted to the Registrar. The Company also published the minutes of the annual general shareholders meeting on the Company's website.

#### **Guidelines for shareholder meeting procedure and conduct**

The Company gives respect to the shareholder's rights; accordingly, the guidelines are set to oversee their rights as follows.

1. The Company shall deliver the notification of meeting, informing on date, time, venue, agenda as well as all material information needed for decision-making to shareholders at least 30 days in advance; the notification in Thai and English shall be uploaded and publicised on the Company's website before it is submitted to the person in charge, Thailand Securities Depository Company Limited (TSD), the Company's Registrar who will distribute the shareholders' meeting notification and supporting documents to all shareholders. For some specific agenda items, which require shareholder's approval—the Employee Stock Ownership Plan (ESOP), the connected transactions, the acquisition or disposal of assets, the meeting notification shall be sent to shareholders at least 14 days prior to the meeting.
2. The Company shall provide opportunities for shareholders to submit their questions or inquiries for consideration in advance, during the months of October – December every year. The submission shall be in accordance with the Company's regulations already publicised on the Company's websites ([www.muangthaicap.com](http://www.muangthaicap.com)).
3. The Company shall facilitate its shareholders to use their rights in attending the meeting and casting their vote by arranging the shareholders' meeting on working day at the hotel in Bangkok area and/or the Company's meeting room. Adequate and proper technology must be provided to facilitate the registration and document verification. Supporting services like duty stamps for proxy forms are also provided.

4. The Company shall prepare the minute meeting efficiently, covering all essential and important matters i.e. notification to shareholders attending the meeting on ballot cards and vote counting procedure, records of key points of questions and answers during the meeting, resolutions of each agenda item, including a number of votes (approved, disapproved, abstained), a list of directors attending the meeting, etc. The minute meeting shall be publicised within 14 days after the date of meeting on the Company's website.
5. All directors including the chairpersons of all boards, managing directors, senior executives, Company Secretary, and the Company's independent auditors are required to attend every general shareholder meeting.

## **Section 2 : Equitable treatment of all shareholders**

The Company has the policy to treat and protect the rights of all shareholders—i.e. executives and non-executives, aliens or Thais, majority or minority—fairly and equally. Additionally, the Company provides more options for shareholders unable to attend the meeting by appointing a proxy who may be one of independent directors or anyone who will be able to vote for the shareholder, and allowing shareholders to nominate a qualified candidate for director positions by notifying the Board of Directors in advance.

The Chairman presides over the meeting in accordance with the Company's regulations. The agenda will proceed in the order, and details of each agenda item and related material information are fully presented for the shareholders' considerations. Unless it deems necessary, there will not be additional agenda item which has not been notified to shareholders in advance, especially the important item that may require time for the shareholders to study before making a decision.

The Board prescribes a measure for insider trading prevention among members, which are executives and employees, including their spouses and any minor children. A serious penalty in case of disclosure of the Company's information or usage of inside information for their own benefits is imposed. Moreover, the Company's directors and executives as well as their spouses and minor children are prohibited from trading the Company's shares during the quarter-end closing period to the date when the Board discloses its financial statements to the public.

The Company informs all directors and executives to have a clear understanding of their responsibility to report their securities holding in the Company as well as the securities holding by their spouses and minor children to the Office of Securities and Exchange Commission. The report must also be filed when there is any change in the securities holding of the parties mentioned above. All these measures are set to comply with Section 59 and penalties prescribed in the Securities and Exchange Act B.E 2535.

## **Guidelines**

The Company gives importance to fair treatment to all shareholders, including minority and foreign shareholders. Accordingly, the Company set the guidelines to protect their rights in an equal and fair manner, expecting to build the trust of the company. Details of the guidelines are described below.

1. The Company shall provide an opportunity for all shareholders to propose the candidate for the director position and to submit questions or inquiries before the annual shareholder's meeting takes place, during October-December. However, the proposal of director candidate and of meeting agenda must be complied with the laws, the Company's regulations and the criteria that the Company published on its website, [www.muangthaicap.co.th](http://www.muangthaicap.co.th).



2. The Company shall provide a proxy form for any shareholders who may not be able to attend the meeting but would like to appoint a person and/or the Company's independent director to attend the meeting and vote on their behalf. The profiles of all independent directors shall be delivered to the shareholders for considering and appointing one of the directors to be his or her proxy.
3. The Company shall not propose additional agenda or change important material information without notifying the shareholders in advance.
4. The Board of Directors shall support the voting by using ballot cards in every meeting item, including the appointment of each director in order to increase transparency and auditability.
5. The Company has set the codes of conducts on the use of inside information and the trading of the Company's securities in order to prevent its directors, executives, and employees to use the inside information unethically for their own benefits or other persons' benefits. The related policy and guidelines shall be informed to all staff mem, and they must be abided by all regulations and laws. The Company also monitor these codes of conducts regularly.
6. The Company's directors and executives have a duty to report their holding securities and any changes in their securities, in accordance with the criteria of the Office of Securities and Exchange Commission; in addition, they have to report their trade to the Board of Directors.

### **Section 3 : Roles of stakeholders**

Realizing the importance of stakeholder's right, the Company shall treat all related parties fairly-e.g. shareholders, employees, and outsider stakeholders like customers, business partners, debtors, competitors, other related sectors, and surrounding communities. With the support from these parties, the Company could increase its competitive ability and profits, creating long-term values to the Company. The Company sets the policy as follows.

#### **Employees:**

The Company is fully aware of the importance of all employees, who have driven the Company to build up its business. Therefore, the Company puts the emphasis on the following key points.

The Company offers fair remuneration, tallied with the other remuneration by similar industry. The Company also concerns about the employees' fringe benefits, so the provident fund is established for its employees as well as healthy and safety working environment.

#### **Health and safety in the workplace**

Health and safety in the workplace is promoted by assigning branch staff to clean up their office area and its surrounds daily in order to keep the place tidy and to prevent accidents in the workplace. In addition, the Company arranges the annual "Big Cleaning Day" activity at every branch office. In 2018, the activity was held on 14 July 2018, and area managers and branch managers were in charge of ensuring this activity to be carried out as expected.

As most of the employees mainly ride a motorcycle to visit customers, the Company has a safety campaign to increase their awareness by giving each employee a motorcycle sticker. In addition, each branch manager is required to inculcate the employees in motorcycle safety during a monthly meeting.

### **Fringe benefits**

The Company provides fair and equal fringe benefits to its staff. There is no use or support on child labours, human trafficking, and universal declaration of human right violations; on the contrary, the Company is intended to promote all kinds of anti-fraud and anti-corruption practices.

The remuneration provided for employees shall be appropriate and has increased yearly. In addition, the fringe benefits provided by the Company exceed those required by laws. These include both short-term and long-term benefits. For short-term benefits, there are personal accident insurance and inpatient health insurance, annual health check-ups and medical expenses, employee loans, a special fund or Ruam Nam Jai Fund (the compensation for death of employees and family members, e.g. parents, a spouse, or children), and a sport game to promote healthy employee relations at workplace. The long-term benefit is the establishment of the Company's provident fund.

### **Staff development**

In order to enhance the employees' competencies and to prepare them for promotion, the Company arranges internal and external training programs related to their jobs. Additionally, there are the human resource development policy and guidelines to disclose a number of average training hours per year and per employee.

Number of staff	Training hours of employees per year	Average training hours per year per staff member
7,647	70,368	9.2*

\*Only the standard training programs, excluding technical knowledge training, calculated on a number of training programs and an average number of employees in 2018

Level of Employees	Objectives of the Programs
Executives and managers	To provide knowledge and support understanding of principles, concepts, and techniques of being a leader, how to coach team members with different backgrounds and conflict management
Supervisors	To provide knowledge on how to develop their leadership, e.g. abilities to communicate, motivate, coach, set goals at work, and work as a team
Operational staff	To develop knowledge and skills on how to perform their work accurately, how to provide excellent services to customers, how to apply corporate culture as a framework in their job, and how to respect their supervisors.

### **Shareholders:**

The Company considers its shareholders as business owners, and the Company's duty is to increase values for the shareholders in the long run. Accordingly, the Company gives importance to the shareholders' fair rights of decisions on important issues. In addition, the Company provides opportunities for the shareholders to suggest and apply some useful ideas for further improvement of the Company's operations in order to increase business growth and have higher profits. The Company also discloses important information and reports the Company's current business situation—e.g. profits, financial statements, accounting, and so on to the shareholders, with transparency, truthfulness, and verification.



### **Business partners and debtors:**

The Company treats its business partners and debtors with fairness, transparency, and integrity. Furthermore, the Company highly considers the benefits of its partners by providing accurate and adequate information and conditions as well as strictly following agreements. In other words, any trade conditions and/or contractual agreements are strictly followed in order to ensure mutual benefits. The information sent to its partners is kept confidential, not disclosing to the third parties.

### **Criteria for choosing business partners**

The Company gives importance to appropriate business partners to make sure that the selection criterion and process are operated fairly and equally. The Company also concerns about its partners' reputation, integrity, and profession, and they shall be able to follow conditions and regulations, without resistance to environmental and labour laws. To build mutual business partnerships and business growth, the Company supports its partners to go against corruptions as well as learn each other's weaknesses and strengths. In other words, the Company takes care of its partners as they are the Company's shareholders.

### **The criteria for business partner selections are as follows:**

1. To have reliable financial history and high potentials in business growth
2. To produce or deliver high quality of products, meeting customers' needs and able to check product quality.
3. To provide after sale services

### **Customers:**

The Company has a policy and standard guidelines to treat every customer fairly. Related terms and conditions must be clearly informed to customers. And such terms and conditions must be fair. Besides, the Company commits to provide service excellence. Its employees give consultation to customers in a soft and polite manner and are willing to listen to their problems in order to propose proper solutions and keep confidential.

### **Competitors:**

The Company realises the importance of treating competitors with fairness under the trading competition rules, regulations and related laws. There shall be no attempts to destroy competitor's name/image; no attempts to seek for others' trade secrets dishonestly and inappropriately; and no attempts to infringe others' copyrights or their intellectual properties. The Company's regulations are as follows:

1. Do not attempt to seek for other competitors' trade secrets by using dishonest and inappropriate methods.
2. Do not destroy its competitors' reputations by vilification.
3. Follow competition rules and guidelines strictly.
4. Support and cooperate with other competitors to produce most benefits to customers, not a monopoly.

### **Protection of intellectual property rights:**

The Company respects and follows the intellectual property regulations, and the Company's policy on the protection of intellectual property right will be as follows:

1. All employees must be in charge of preventing and protecting the intellectual property rights of the Company and must not take any intellectual properties of the Company for their own benefits or other person's benefits, without any permission.
2. All employees must pay respect to the intellectual property rights of others and do not attempt to infringe the intellectual properties of others, without their permissions.

### **Community and society:**

The Company is intended to operate the business with its responsibility to the country's economy, society and environment. The work process and procedures are set to comply with related regulations and laws to ensure ethics and integrity in the operations of the Company; day-to-day operations are carried out with transparency, fairness, and equality.

The Company's additional intention is not to take any advantages from society, community, environment as well as stakeholders in all sectors. Since the Company's business plays an important role in the development of society and community, with the aim to create more shared values among the Company, economy, society, community and environment, the Company has focused more on consistent communication and training of its staff to ensure that they have adequate knowledge and understanding of social responsibilities in the same direction.

The Company's policy is to support education for young learners under the project "My New Home. (Ban Mai Kong NOO)." The Company's branch staff members are assigned to explore areas in their regions and interview local people to explore their needs and scarcity of their community. The Company will arrange to build a child development centre on the provided land under the condition that their needs meet with the Company's mission and policy. Essential materials and equipment for child development and education will be also provided.

To support Buddhism, the Company hosts some activities by being a sponsor of annual-merit making ceremonies or Kathin Ceremony at selected temples where they need useful resources for local community essentials and school funding, especially providing scholarships for students in need of help.

### **Environment:**

The Company's policy is to operate its business under good corporate governance and integrity as well as responsibilities to a society and environment. Moreover, the Company improves a quality of their employees' lives, promotes occupational safety and health as well as maintains environment at the workplace to be safe for employees and their properties.

Additionally, the Company encourages its employees to use the Company's resources more efficiently. The regulations on energy saving and recycling are introduced, e.g. a budget limit for utility expense in each branch, promotion of paper recycling, and energy saving by switching off lights when not in use or during lunch break. The Company believes that disciplining employees may create good habits and practice, even outside the Company.

To achieve the Company's goal of environmental management in organisation, the Company hosts training programs for employees of all levels to cultivate good moral traits in responsibilities towards community, environment, and society. In addition, the employees are encouraged to participate in any activities hosted by the Company.

### **Business codes of conducts**

The Company has operated its business and concerned with its responsibility towards society and stakeholders, i.e. shareholders, customers, business partners, employees, communities and societies. The goals of the Company are to build up sustainability and stable growth, give shareholders maximum profits, be accepted in a society, and consider benefits and adverse effects of business operations on its stakeholders. Accordingly, the Company's policy on business codes of conducts, comprising eight sections, is set up to operate its business with responsibility to a society:

#### **1. Responsibility towards shareholders**

- The Company ensures that the employees stay informed on how to work with integrity and under the laws and the Company's regulations. The employees must adhere to this code of conduct when they take part in any activities and decisions. In other words, the Company firmly adheres to integrity principles to operate its business as well as fairness to any shareholders.



- The Company is intended to operate its business to increase sustainable benefits to its shareholders. In addition, the disclosure of precise, sufficient and latest information is publicised for shareholders to get access equally and give a lot of attention to the information given to the shareholders in order to avoid mistakes or misunderstanding.

## 2. Operate with market conduct

- The Company sets up a policy and guidelines on market conduct in which each customer is informed about fair terms and conditions. Furthermore, the Company is intended to provide best customer services by letting employees give consultation to customers in a soft and polite manner and listening to their problems in order to propose a proper solution and keep confidential.
- To closely build up business relations that can contribute to mutual benefits, the Company treat business partners and debtors fairly and equally, not taking advantages and adhering to trade terms and/or mutual trading agreement.
- The Company treats its competitors fairly, with no attempts to destroy the competitors' reputations by vilification. In other words, the business shall compete fairly. For example, do not post inaccurate information of the competitors on any advertising boards.
- The Company operates its business under circumspection, integrity and fairness in order to increase its sustainability and growth.
- The Company shall not seek for the competitors' secrets by using inappropriate or dishonest strategies like giving bribes to employees of business competitors.

## 3. Anti-corruption

The Company takes in to account the anti-corruption by raising awareness of its executives and employees on the effects of corruption in business, create good values and enhance confidence of all stakeholders by setting up the following guidelines.

- Do not offer any money, give bribes, request or receive any bribes from anyone or any institutions (directly or indirectly) as rewards to facilitate their business operations with company or gain benefits from the Company's activities .
- Do not take part in any immoral activities engaging governmental staff, people from other organisations, or other institutions directly or indirectly.
- Do not give or receive any bribes from any business operations. The Company's business and contacts with governmental sectors shall be transparent and honest as well as follow the regulations and laws strictly.
- The employees who commit frauds will be punished in any cases, without considering any sum of money.
- If the Company finds frauds, the employees who commit the frauds will be punished; under this circumstance, their positions at the Company are not taken into account as they will be punished equally.
- The Company cultivates every employee to be aware of integrity, not seeking for their own benefits or other persons' benefits. In addition, the Company shall inform its employees to know about their penalty and troubles or effects caused by the frauds.
- All employees have duties to investigate or monitor the Company's frauds. If the fraud is found, the employees shall report the Company through their administrators, Audit Department, or any other channels immediately.

In addition, the Board of Directors approves the anti-fraud and corruption policy, which is considered one of the tools for good corporate governance and generally accepted standards for anti-frauds and corruptions. The Company signed the Collective Action Coalition: CAC on 24 February, 2017. The Company has submitted the evaluation from to IOD for consideration and waited for the results.

#### **Policy on anti-fraud and corruption and its guidelines:**

The Company sets up a policy on anti-fraud and anti-corruption and its guidelines, prohibiting its employees to accept or offer to give material benefits or other benefits to persuade other parties to misconduct or create any conflict of interest. The policy and guidelines are also announced and communicated to the Company's business partners. Additionally, a fraud risk assessment program, a control process, a monitoring tool, an evaluation and training process have been completely established. The guidelines on integrity and work regulations under the corporate culture are also set up, and the executives and employees have to follow the regulations strictly. When the employees violate workplace policies, it is important to swift actions under the whistle-blowing policy by reporting the risk management committee on their violation of regulations, inaccurate financial report or misrepresentation of financial statements, failure of internal audit as well as violation of business code of conduct.

**Risk Assessment** : In 2018, the Board of Directors evaluated the risks that may have been caused from frauds or corruptions. This type of risk is separately and specifically evaluated from other risk types. In addition, the risk evaluation report was submitted to the internal audit committee in charge of corporate governance.

**Training and communication** : In 2018, the Company organised training to educate its employees on anti-fraud and corruption policy, guidelines to prevent any acts of corruption, and other related regulations. This knowledge includes business codes of conducts, guidelines for giving and receiving gifts and holding receptions, and a policy on conflict of interest, etc. The executives were trained at the Head Office before they communicated to their branch employees to be aware of anti-frauds and corruptions during a monthly meeting. In addition, the Company provides other channels such as bulletin boards and the Company's intranet system to communicate with its employees as well as its business partners.

After the training, the employees were required to take the test on the anti-frauds and corruption, and the test result showed that over 95% of the employees had more understanding about this issue.

#### **Whistle-blowing policy**

The Company encourages executives, employees and stakeholders to monitor the Company's practices to follow laws and regulations related to good corporate governance and business codes of conducts strictly.

The channels for complaints or whistleblowing are established for insiders and outsiders to report any misconducts of any employees at all levels like frauds or corruption.

The Company shall provide the protection for whistleblowers, accusers and witnesses. To increase the whistleblowers' confidence, it is important to keep the information confidential and disclose only to the responsible persons, and there are clear and transparent procedures for investigation. Any whistleblowing, grievance or complaints should be sent to:

- 1) Email: [whistleblower@muangthaicap.com](mailto:whistleblower@muangthaicap.com)
- 2) Post:  
Chairman of Audit Committee  
Muangthai Capital Public Company Limited  
32/1 Jaransanitwong Road, Bangor, Bangplad, Bangkok 10700



Additionally, the Company believes that an employee is a key and invaluable resource of business operations. To increase fairness and equality to all employees, the Company establishes the channels for grievance. For example, inform the employees about grievance procedures, and/or witnesses who gives testimony on unfair practices like punishment or transfer. All details are recorded in the guideline handbook of anti-fraud and corruption, distributed to all employees.

The Company sets up procedures to inform whistleblowing, protect a whistleblower and an accuser, determine penalty and punishment, and report the whistleblowing to a person, who will report the case to the Board. These procedures are clearly explained in the handbook mentioned above.

In 2018, there were no significant complaints or grievance either from insiders or outsiders.

#### **4. Respect of human rights**

The Company is aware of and gives importance to human rights, the fundamental basis of human beings. Furthermore, the Company believes that it is a main key for living in harmony and increasing human resource values, value added and efficiency with fair practices. The Company also promotes equality and fairness, regardless of genders and races, sex abuses, and child labours. The principles for human right practices are as follows:

- The Company established an appropriate health and safety system.
- The Company gives importance and pays respect to human rights and will not directly or indirectly take any actions against the rights of others. On the other hand, persons should be treated equally and fairly, regardless of genders, religions, political attitudes, and so on. Other human rights include no child labours, no bullying and abuses, and illegal hiring.
- The Company has a corporate culture in that all employees shall participate and follow the provided guidelines so that everyone shall work together in the happier environment with mutual respects. Regarding the employee treatment, the Company values all employees at every level.
- The Company gives importance to highly standard services, provided to any genders, ages, nationalities, or religions, equally and fairly.
- The Company organises training on human rights for its employees yearly.
- The Company determines penalty and punishment to displace any employees who violate human rights. The whistleblowing and grievance, kept confidential, can be reported to Department of Human Resources or branch managers.

#### **5. Fair treatment to employees**

The Company is well aware that the continuous growth of the Company over the past 25 years results from the cooperation and contribution of its employees at all levels, who are highly committed to achieve the set targets. More importantly, the Company recognises all employees' dignity and their fundamental rights. It is also believed that wellbeing and good welfare of the employees are the strength of the Company. Treating all employees equally and respectfully may also raise their consciousness and increase their collaborations, creative work, and excellent services. Accordingly, the Company sets the policies to treat all employees fairly and equally, as follows:

- The Company offers fair remuneration, tallied with the other remuneration by similar industry. The Company also concerns about healthy environment that may affect health and safety at work. The Company also provides appropriate fringe benefits to the employees.
- The Company arranges continuous training and development programs for its employees at all levels every year. Well-known and highly-knowledgeable experts are also invited to train the employees, enabling their knowledge, skills, and abilities to grow continually.
- The Company has a fair performance evaluation system. The criteria for performance appraisal are disclosed to all employees at all levels.
- The Company provides opportunities for career advancement of all employees at all levels, creating their continual growth in the organisation.
- The Company implements the open-door policy, encouraging the employees to participate in queries or make recommendations directly or indirectly in order to get co-operation from all parties to solve any problems together.
- The Company shall have appropriate whistleblowing and grievance procedures for employees who are treated unfairly.
- The Company communicates with employees and their representatives about the Company's report on its status, operations, financial statements, or future business plans through different channels like during monthly representative meetings and via a Company's intranet system.

## **6. Responsibilities towards consumers**

- Since the Company's business is service-related, service excellence is a key to success and sustainable growth. The Company's mission no.5, "The Company will provide service excellence and achieve the highest customer satisfaction" which is in line with the Company's slogan of "Intimate services like closed family members" becomes a guiding principle for every employee on how to treat their customers.
- Regarding the terms and conditions of loan approval, the Company shall provide the terms & conditions and/or benefits that a customer will receive in a clear and transparent manner for the best interest of the customers.
- The Company provides channels for customers to file their complaints directly through the Head Office's Complaint Centre at telephone number 02-880-1033 or through the questionnaire that the Company sent to the customers.
- The Company provides a channel for whistleblowing, detection and protection of whistleblowers.
- In case that customers face a financial crisis from the impacts of nature disasters like major floods or uncontrollable setbacks like the delay payment problem with the rice-pledging scheme, etc., the Company shall provide special measures to support its customers as deemed appropriate.

## 7. Environmental conservation

Although the Company's business operation does not have a direct impact on the environment, the Company is aware of environmental conservation and raises the employees' environmental consciousness. Accordingly, 5s activities are implemented to create a good working environment inside the Company yearly. Moreover, the Company has the campaigns to control office budget, save electricity and water, control the use of equipment that may increase pollution, reduce and recycle papers, and keep more electronic documents.

## 8. Community and social development

The Company has a Corporate Social Responsibilities (CSR) policy which focuses on community development of local traditions and culture, promoting religions, education, and society. The Company has jointed activities hosted by private and public sectors in a community where its branches are situated.

### **Section 4 : Disclosure and Transparency**

The Company's Board of Directors recognized the importance of information disclosure in an accurate, complete, equal and timely manner and that is sufficient for decision making. At the same time, the dissemination of the Company's information is based on maintaining confidentiality of business secrets and key strategies.

The Company commits to disclose the information equally to all shareholders, investors, and the Company's stakeholders as well as to public in compliance with the SEC and SET's regulations. Apart from disclosing the information through the annual disclosure report concerning additional information (form 56-1) and annual report (form 5-2), the Company also publishes the information in the SET's website and the Company's website so that all related parties, shareholders, investors, analysts, stakeholders and people who are interested in the Company can easily access the information on equally and trustworthy basis.

In 2018, the Company has set related criteria and guidelines as follows.

1. The Company has a policy to disclose the material information through the easy-to-access, convenient and trustworthy channels, i.e. the Stock Exchange of Thailand's website ([www.set.or.th](http://www.set.or.th)), the Securities and Exchange Commission's website ([www.sec.or.th](http://www.sec.or.th)) and the Company's website ([www.muangthaicap.com](http://www.muangthaicap.com)). All stakeholders will be able to access all Company's material information as prescribed in the SET's good corporate governance criteria and practices and according to the law and regulations of the Stock Exchange of Thailand and the Office of Securities and Exchange Commission.
2. The Company shall submit the financial reports to the Office of Securities and Exchange Commission and the Stock Exchange of Thailand within due course and shall ensure that there will be no transaction with qualified opinion from the independent auditor.
3. The Company shall disclose the complete information in its annual report and its website, including financial statements, policy on corporate governance and business ethics, corporate social responsibility policy, analyst reports (research) from various institutes, company overview, annual reports, annual information (Form 56-1), shareholder's meeting, list of major shareholders, news on notifications to SET, and news from media, etc.

4. Investor Relations Department was established to be a main channel of communications with investors and analysts, i.e. setting up meeting with analysts, disseminating the Company information in the roadshow events in Thailand and abroad.

#### **Investor Relations Department**

Relationship management with investors is a key priority for the Company. We focus on conducting the duty with responsibility, honesty, commitment, sufficiency, accuracy and trustworthiness so that investors, analysts and related parties will receive adequate, accurate, complete, transparent and equal information and data. The Investor Relations Department was established to be a center to proactively carry out investor relations activities. Following the best practices of international leading corporations, the department's main responsibilities are to communicate and disseminate news and information about activities which are useful for investors, in order to build good relationship between the Company and its shareholders, institutional investors, general investors, analysts and related government offices in an equal and fair manner. The department is also responsible for preparing the investor relations annual plan which will involve the Company's senior executives in various activities on regular basis; and for providing additional information and responding to inquiries in the meeting with analysts, investor and press.

In 2018, the Company has organized the analyst meetings on 28 February 2018 and 2 October 2018 at Centara Grand Hotel, Central Lardprao Shopping Complex. Additional information may be obtained via the Investor Relations Department at the following contact address.

Ms.Sarocha Hatthasakul  
Investor Relations & Corporate Finance  
Muangthai Leasing Public Company Limited  
32/1 Jaransanitwong Road, Bang-or, Bangplad, Bangkok 10700  
Tel: 0-2880-1033 Ext.214  
Fax: 0-2880-1733  
Email: sarocha.h@muangthaicap.com

The Company has disseminated its information and news through various channels and events, for instance, the one-on-one meetings with analyst and investor, company visits, analyst meetings, road show, conference call, SET's activities of "Opportunity Day" on quarterly basis (after the announcement of financial reports), as well as the quarterly Earnings Releases. For the quarterly Earnings Releases, in order that shareholders and investors can review them any time, the Company has published them in various media, i.e. the Company's website ([www.muangthaicap.com](http://www.muangthaicap.com)) under the topic Investor Relations, SET Portal and direct E-Mail to the Company.

5. The Stock Exchange of Thailand has held the event to allow the listed companies to meet investors called "Opportunity Day" on quarterly basis. The objective is to let each company to explain about its business and its operation to analysts, investors, media and those interested. This event is held regularly after the announcement of quarterly financial statement and the Company has joined this activity every time. All information disclosed to shareholders and investors can be reviewed on the Company's website ([www.muangthaicap.com](http://www.muangthaicap.com)) under topic "Investor Relationship" as well as on the SET's website.
6. The Company has clearly disclosed the criteria and information of its directors and executives' remunerations in its annual report.



7. Information about the share holdings of all directors and executives has also been clearly disclosed. The Company has a policy stipulating that all directors and executives must report the following to the Board.
  - Trading transactions of the Company's shares: The policy stated that all directors, executives, management and related persons (spouse and minor children) were prohibited from buying, selling or transferring of the Company's shares during the period of public announcement of the Company's financial statements. Also, in the case of any trading, they must report to the company secretary in order to prepare and submit the report of securities holding in the Company (form 59-2) to the SEC within the required timeframe. Report of securities holding by directors and executives must be reported to the Board meeting on quarterly basis.
  - In order to prevent any conflicts of interest of the Company's directors and executives, all connected transactions and transactions which may cause a conflict interest incurred by directors or executives must be reported to the Chairman of the Board to consider and decide to add into the agenda of the Board of Directors meeting on quarterly basis.
8. The Company has no record of being ordered by the Stock Exchange of Thailand and the Office of Securities and Exchange Commission to amend its financial statements.
9. The appointment of licensed auditors of the Company has been approved by the 2016 general annual meeting of shareholders. The auditors' qualifications had no conflict with the Stock Exchange's criteria and they neither provide any other services to the Company nor have any relationships and/or any interests with the Company, its subsidiary, its management, its major shareholders or related parties.
10. The Company's financial statements were granted by the auditor with unqualified opinion.
11. Information about the Company's directors and executives has been clearly published in the Company's website, including their name, position, educational background, number of shares they are holding, work experience and individual picture.
12. The Company's senior executives recognized the importance of investor relations. They shall participate in the meeting with shareholders, investors, analysts and reporters to provide information and discussion on the topic of interest on regular basis. This practice is to ensure that everyone can access the Company's information which is accurate, complete, transparent and timely on equally basis, especially the material information which may affect the price of the Company's shares. With this information, the investors will be able to make their effective decision to invest with the Company which will actually impact the true value of the Company's shares. The Company has disclosed its information and news in compliance with the criteria and guidelines set by the Office of Securities and Exchange Commission and the Stock Exchange of Thailand by using various channels and activities, i.e. the formal communication channels of the Stock Exchange, the Company's site visit and management discussion by investors and analysts, the meeting with reporters and exclusive interview, the regular press release of the Company's operating results, the quarterly meeting with analysts, etc.

## **Section 5: Responsibilities of the Board of Directors**

The Company recognized the importance of the role and responsibilities of the Board of Directors to safeguard the interests of shareholders and stakeholders through its duties of determining business strategies, overseeing, checking and monitoring to ensure that the day-to-day operation is transparent and conforming with governing regulations. Following are details of related policies.

1. Board of Directors has established the business target to grow continuously by setting a 3-year strategic growth rate plan to be 40%, 35% and 30% annually, respectively. In order to achieve the target, the Company has developed appropriate plans to support such growths by preparing for branch coverage expansion.
2. Term of office of Independent director shall not be continued for over 9 consecutive years;
3. The Board has set a policy about the versatility of the Board of Directors. By nominating director candidate, regardless of gender, with skills, professional backgrounds and expertise, which are still lack in the existing Board, it will increase versatility of the Board. However, in 2016, there was nomination for additional directors due to the existing Board structure which comprised of 7 members (5 independent directors and 2 executive directors) and no director who is in director position of over 5 listed companies simultaneously.
4. The Company has also set a policy about the quorum of the Board meeting; it requires at least two-third of the members of the Board to be present in the meeting in order for the Board to vote for resolution of any matters.
5. Each director is required to attend the Board meeting at least 75 per cent of the total meetings in a year. In 2018, the meeting attendance rate of each individual director was 100%.
6. During the year, the Company shall organize a separate meeting, at least once per quarter, among the independent directors without the executive directors attending so that they can freely discuss issues regarding the Company's operations and management and provide opinions and guidelines to resolve the issues.
7. The Company specified the criteria and guideline for its director to hold directorship in other companies to comply with the corporate governance best practices.

The Board of Directors recognized the importance of conducting its duty efficiently as a director and executive so it has set a policy to limit the number of companies which the managing director and designated managers shall hold the directorship, in order to comply with the corporate governance best practices as follows.

- To hold directorship in other companies required approval from the Board of Directors;
- Any director should hold directorship in not more than 5 listed companies;
- Director shall not own, take partnership or directorship of other companies in the same industry which may become competitor with the Company.

The Company specified and disclosed the director nomination process. To nominate the candidate to be the Company's director, the Nomination and Remuneration Committee shall determine the framework to ensure that the nominated candidate will be able to perform his duty according to the principle of Fiduciary Duty including Duty of Care and Duty of Loyalty. The selection criteria shall also consider the structure of the Board, the Board diversity, the appropriateness of qualifications and skills of the director especially the ones that the Board still lacking. Following are related criteria.



- For the director selection process, the Board shall focus on the transparencies of screening and nominating of the candidates. Apart from the candidate nominated by the Nomination and Remuneration Committee, the Company also opens the opportunity for the minor shareholders to exercise their rights in proposing their candidate for the director position, given that the Nomination and Remuneration Committee shall consider the qualifications and appropriateness of all candidates. Timeframe for shareholders to propose the candidate shall be set to provide sufficient times for the screening process set by the Committee before the date of shareholder's meeting. Shareholders may submit the director candidate nomination form to the company address or via e-mail address: monthon.o@muangthaicap.com within 31 December of every year. The Nomination and Remuneration Committee shall then consider the qualifications and appropriateness of all candidates and nominate the candidates who are qualified to the Board of Directors for endorsement before including the candidate profile in the agenda for the shareholder's meeting to approve. Regarding the candidates who did not pass the screening of the Nomination and Remuneration Committee, the Board shall review their profile and provide its opinion. The Company shall notify the shareholder who proposed such candidate right after the Board meeting or within the next working day; and declare the reasons via the Stock Exchange of Thailand and the Company's website at [www.muangthaicap.com](http://www.muangthaicap.com) as well as to all shareholders in the shareholder's meeting.
- For clarity and transparency, the Committee shall disclose the nomination policy and selection process to all shareholders as well as provide the nomination form which specifies the required information of the candidate and the rationale which supports the candidate appropriateness for the position.
- The director candidate's name shall be screened and checked against the list of blacklisted or impeached individuals prepared by related offices. The Board shall meet and interview the candidate who pass the screening process and is nominated by the Nomination and Remuneration Committee.
- The Nomination and Remuneration Committee shall nominate the candidate list with the number of candidates higher than the number of director positions to be filled up so that the Board shall select the most appropriate candidate to propose for shareholder's meeting to approve the appointment.
- The Board shall send the list and profile of the director candidates, attached to the notification of shareholder's meeting, for shareholders to review in advance.
- In case that the name of retiring director is nominated, information of his/her contribution and history of board meeting attendance and shareholder's meeting attendance shall be provided for shareholders to review.
- During the shareholder's meeting, the Board shall ask all shareholders to consider and vote for each candidate on individual basis. The voting results shall be announced in the meeting afterward.
- Formal orientation program shall be provided to the new director prior to attending his/her first board meeting.

8. The Company has established the Risk Management Policy as another core policy. The Risk Management Committee, comprising the Company's directors and executives in each function, has a duty to assess the risk factors, internal and external, which affect the goal and operation of the Company, and to determine the responsible person for risk management in each department. The Committee also assigned all executives and management to be responsible for risk management. They shall participate in the planning and determining standards of risk management and the assessment of risk factors which may impact the Company's operation and business goals. The Committee has set the timeline to regularly monitor the effectiveness of risk management in each department and shall report the result to the Board on quarterly basis. Risk management manual and regular training program were prepared and delivered to ensure the Company's employees at all levels are aware and understand the importance of risk management in each function and work area.

## **1. Board Structure**

The Company's Board of Director comprises experts who are highly qualified and has work experiences from various organizations so they can use their experiences and expertise to move the Company forward and to decide the Company policy and strategy to ensure the effective business operations and maximum benefit to the Company and its shareholders. The Board plays important role in deciding policy and overview of the Company as well as supervision role to review and monitor the management's implementation plan and to assess the Company's performance to ensure it reach the set target.

Regarding the Board structure, independent director is made up of more than one-third of the Board members. Presently, the Board consists of 7 directors, of which 2 are executive directors and 5 are non-executive (including the Chairman of the Board), including 3 members of the Audit Committee. The proportion of non-executive/independent director is accounted for 71.43% of the Board. This Board structure helps balancing the voting when the Board considers and makes important decision. The Board also approved to set up specific sub-committees to help supervise the Company's business operations as follows.

- 1.1 Executive Committee Comprising 13 members, the executive committee is responsible for deciding guideline and tactical approach for the Company's business implementation plan in order to achieve business goal set by the Board of Directors and to facilitate the business operation.
- 1.2 Audit Committee Comprising 3 members, the audit committee, conducting its duties as prescribe in the scope of authorities, reports directly to the Board of Directors. There is also a requirement that, at minimum, one of the 3 members must have adequate knowledge and experience in finance and accounting area in order to review the reliability of the Company's financial statement.
- 1.3 Nomination and Remuneration Committee Comprising 3 members, all are independent directors. The nomination and Remuneration committee functions to support the Company's good governance with the responsibility to set up criteria and policy for selection and to determine the remuneration for directors and members of each committee. The committee is also responsible for recruiting, screening and proposing the suitable candidates to be the Company's directors. In addition, the committee shall be responsible for conducting and reporting any assignments from the board of directors and/or the shareholders' meeting, as deem appropriate.
- 1.4 Corporate Governance Committee Comprising 3 members, the corporate governance committee has a duty to support the board of directors' work in setting up policies and guidelines in order to continuously adopt good corporate governance practices, to build up high standard of work ethics, and to enrich the corporate culture, in which all employees are knowledgeable with good understanding of the good governance concepts and be able to consistently apply them in every aspects of their work. The Company's business operations shall be carried out with the fundamental principles of integrity, quality and efficiency to comply with the universal good governance guidelines for the listed companies and to build trust among shareholders and all stakeholders.



1.5 **Risk Management Committee** Comprising 3 members, the risk management committee has a duty to oversee and support the implementation of the Company's risk management program to be in line with the business strategies and goals, and the changing business environment. The Committee's members shall propose guidelines to monitor and evaluate the existing risk management measures, as well as guidelines to determine internal control measures and to develop the Company's risk management system.

## 2. Authorities, Duties and Responsibilities of the Board

The Company requires the Board of Director to strictly follow Code of Best Practices provided by the Stock of Exchange Thailand. The Board shall understand and well aware of its duties and responsibilities and must comply with the laws, the Company's objectives and articles of associate, as well as the shareholder meeting's resolutions. The Board shall honestly perform their duties and focus on the best interest of the Company and its shareholders. With the aim to achieve maximum results for the Company and its shareholders, the Board shall be responsible for deciding the Company policy, business goal, business plan and the Company budgets and shall supervise the management team to implement the policy and business plan effectively and efficiently within the budget provided.

## 3. Board of Director meeting

1. The Company has a policy that the Board meeting shall be held regular, at minimum once every 3 months and might has special meeting as needed, to follow up the business performance. In each meeting, there will be clear agenda which will be sent together with the meeting notice at least 7 day in advance. This will allow the Board member to have enough time to study in details prior the meeting. Minutes of meeting will be prepared and achieved after it is granted by the Board of Directors, ready for the Board members or related persons to review.
2. The Board meeting schedule shall be established in advance for the year and notified to each of director. However, the schedule may not need to include a special meeting. In 2018, the Board meeting schedule was established in advance (subject to any changes), not inclusive of a special meeting, per follows;

Meeting	1st	2nd	3rd	4th	5th
Board of Directors Meeting	20/02/18	08/05/18	07/08/18	25/09/18	06/11/18
Audit Committee Meeting	20/02/18	08/05/18	07/08/18	06/11/18	
Risk Management Committee Meeting	29/01/18	12/06/18	30/10/18		
Corporate Governance Committee Meeting	08/02/18	16/07/18	30/10/18		
Nomination and Remuneration Committee Meeting	19/02/18	18/12/18			

## 4. Remuneration of directors and executives

The Company provides appropriate remuneration for its directors and executives. It is a rate that is sufficient, suitable and competitive among the industry in order to keep the quality directors and executives with the company. Factors which are brought into consideration are work experience, job description and scope of duties and responsibilities. Remuneration of each director shall be approved by the Board of Directors while the remuneration of executives will follow the Remuneration policy and guideline set by the Board of Directors based on the scope of their duties and responsibilities, performances and the Company business results.

## **5. Directors and Executives' Development**

### Orientation for new director and director training

Newly appointed director shall receive proper training regarding the knowledge about the Company's business and the roles and responsibilities of the Company's director. Topics of orientation for director newly appointed by the shareholder's meeting include regulatory practice guidelines to comply with related laws, the Company's memorandum of association and the Company's regulations; scope of duties and responsibilities of the Board and other committees; minutes of the Board meeting in the past 1 year; the Director's manual: a framework for Board governance by the Stock Exchange; the Company's corporate governance and business ethics policy; laws relating to the Company's business; rules and regulations of the Company; training programs for directors; other information relating to the Company's business operation, etc. The Company secretary shall be responsible for providing all these information to the new director. The Board has a policy to support its members to continually enhance their knowledge and skills by attending training programs and seminars. Additionally, all new directors shall receive orientation directly from the Chairman of the Board about the Company's business operation, its background, locations of its main office and branches, as well as the corporate culture. While other directors and the Company secretary shall explain about the company structure, corporate governance policy and internal control measures.

### Director's development

The Board has a policy to support and facilitate the training and development for the personnel related to the corporate governance which are directors, member of audit committee, executives and the company's secretary in order to continually improve their performance. The training programs provided are those arranged by the Thai Institute of Directors Association (IOD), the Stock Exchange of Thailand and other institutes, which may relate to the directors' duties and responsibilities or other new management concepts. Apart from self-development, all directors shall use the knowledge to apply when they perform their duties and to improve their performance. In 2016, the Company has supports its director to attend the training program as follows.

- Mrs. Nongnuch Dava suwan, Member of Audit Committee / Independent Director, attending the RCL - Risk Management Program for Corporate Leaders (RCL13/2018)

## **6. Company's Committees**

The Company's board structure consists of the board and 5 committees which are the Board of Directors, the Audit Committee, the Nomination and Remuneration Committee and the Corporate Governance Committee, the Risk Management Committee and the Executive Committee. All have adequate qualifications prescribed in Section 68 of Public Company Act B.E. 2535 and the related notifications of the Capital Market Supervisory Board. Following are scope of authorities of each board and committees.

### **6.1 Scope of authorities, duties and responsibilities of the Board of Directors**

1. The Board has power, duty and responsibility to manage and supervise the Company to operate legally and comply with all related laws, the Company's objectives and articles of association, and the resolution of the shareholder meeting with honesty, carefulness, and protection of the Company's and shareholder's best interest;
2. To supervise the preparation of an audited statements of financial position and an audited statement of comprehensive income for the Company as at the last day of the Company's accounting period and bring to the shareholder meeting for consideration and approval;
3. All directors in the Company's Board of Directors are competent, capable and experienced from various professions. They are responsible for deciding the Company's vision, mission and for approving business direction, policy, strategy and goal so that management team shall use as framework for developing business plan, business supporting plan and annual budgeting;



4. To review, audit and approve the policies, directions, strategies and implementation plan proposed by the management;
5. To meet with the Company's management to deliberately discuss and make recommendations relating to the business direction of the Company and the preparation to cope with the changing economic environment;
6. To follow and evaluate the implementation plan and budget spent on regular basis;
7. To ensure that the Company and its subsidiary have a proper and effective accounting system, providing reliable financial reports and reviews, and have adequate and sufficient internal control and internal audit systems in place;
8. To decide Risk Management policy that covers the whole operations and to supervise the Company to have system or process to manage all related risks with the preventive and control measures to mitigate the impacts to the Company's business in a proper manner;
9. To decide the Company's management structure, appoint the executive committee, the managing director and other sub-committees as deemed appropriate. And to decide scope of duties and responsibilities of the executive committee, the managing director and other approved sub-committees.

However, the delegation of authorities prescribed in the scope of duties and responsibilities shall not allow the executive committee, the managing director and other sub-committees to consider and approve the transactions which might result in a conflict of gain or loss or any other conflicts of interest with the Company or its subsidiary (if any) unless the approval of the transaction follows the policies and guidelines already reviewed and approved by the Board of Directors;

10. To provide the declaration of the directors' responsibility for the financial statements.
11. To assess the highest management (CEO)'s performance annually.
12. To supervise the preparation of the Board's annual report and be responsible for the disclosure of the Company financial statement which will reflect the financial status and operation results in the past year and to propose them to the shareholder meeting for consideration and approval;
13. To supervise and oversee the management and operation of the Company and its subsidiary to comply with the Company's policy, the Securities and Exchange laws, the notifications of the Capital Markets Supervisory Board and the Stock of Exchange Thailand's regulations, especially on the connected transaction and the acquisition and disposal of assets and not to conflict with other laws;
14. The Board of Directors may authorize one or more directors or other person to act on behalf of the Board under the supervision of the Board, or authorize the person to have authorities as the Board deems appropriate and within the approved timeframe. Such authorization may be cancelled, revoked or amended as the Board deems appropriate.

Such authorization to act on behalf of the Board of Directors must not allow the person to review and approve a transaction that can result in a gain or loss to the authorized person himself or to a third party who may have a conflict of interest with the Company or its subsidiary as per the description in the notification of the Capital Market Advisory Board and/or the Stock Exchange of Thailand and/or any other notifications of related regulatory bodies, unless the approval of the transaction in question follows the policies and guidelines already reviewed and approved by the Board of Directors.

#### **Authority of the Board of Directors**

1. Appoint, withdraw, delegate authority to Sub-committee Executive Committee And Managing Director.
2. Appoint a consultant or external experts in the case of necessity on the company expenses.
3. Approve loans for use as working capital of the company, within the authority of the Executive Committee.
4. Approve to receive or cancel the credit lines in which exceeding the authority of the Executive Committee.
5. Approve the establishment, merger or dissolution of subsidiaries.
6. Approve the acquisition, disposal of ordinary shares and/or other securities in the amount accessing of the executive committee's authority.
7. Propose capital increase or decrease or change in stock value, amendments to the memorandum of association, articles of association and / or objectives of the company to shareholders.
8. Delegate authority to the management Or management level employees to act on behalf of the Board of Directors.
9. Have the authority to invite the management or any employee to clarify, give opinion, attend meetings or deliver related document as deemed appropriate.
10. Appoint and remove the company secretary.

The above authority of the Board of Directors relating to acquisition and disposition of assets transactions or related transactions shall comply with the notification of the Securities and Exchange Commission (SEC).

#### **6.2 Scope of Authorities, Duties and Responsibilities of the Chairman of the Board of Directors**

1. Call a meeting of the Board of Directors. Act as a Chairman of the Board of Directors meeting And shareholders' meeting. Determine the agenda of the meeting with the Managing Director.
2. Support and encourage the Board of Directors to fully perform in accordance to the scope of authority, responsibility under the principles of good corporate governance.
3. Supervise the management of the Board of Directors and other sub-committees to achieve the objectives.
4. Have a role control meetings to function effectively, complying to the regulations of the company and support and open an opportunity for directors to express their opinions independently.
5. Be a casting vote in the event that the Board of Directors meeting have an even vote

#### **6.3 Scope of Authorities, Duties and Responsibilities of the Audit Committee**

1. To review the accuracy and sufficiency of the company's financial reports;
2. To review the appropriateness and effectiveness of internal control systems and internal audit function including the independence of the internal systems to appoint, removal, transfer, or dismissal of the internal audit manager or manager of any work unit who is responsible for internal control task;
3. To carry out the review to ensure compliance with Securities and Exchange Acts, regulations of the Stock Exchange of Thailand and other related laws;
4. To consider, select, propose and remove independent person to be appointed as the Company's external auditor to the Board, offer the Remuneration and meet privately with external auditor at least once a year without management members insight;
5. To review a connected transaction or transaction that may lead to conflict of interests to ensure that the Company complies with all related rules and the notification of the Stock Exchange of Thailand and that the transaction is reasonable and give the Company the maximum advantage;
6. To ensure full coverage of the audit committee's monitoring activities disclosed in the Company's annual report. The report must be signed by the Chairperson of the Audit Committee and should include the following information:



- (a) Opinion on the accuracy, completeness and reliability of the Company's financial report
  - (b) Opinion on the adequacy of the Company's internal control system
  - (c) Opinion on the Company's compliance with SEC's and SET's laws and regulations or other laws relevant to the Company's business
  - (d) Opinion on suitability of the external auditor
  - (e) Opinion on transactions which may cause conflict of interest
  - (f) Number of committee meetings and attendance of each member
  - (g) General opinion or observation arisen as the Audit Committee performing its duty as defined in the committee's charter
  - (h) Any other transaction which should be made available to shareholders and general investors within the scope of duties and responsibilities assigned by the Board
7. Any other assignments from the Board with the consent from the Audit Committee.

#### **6.4 Scope of Authorities, Duties and Responsibilities of the Nomination and Remuneration Committee**

##### Nomination-related

1. To establish the criteria and policy for nomination of the Company's board of directors and members of committees, by considering the suitability of size, structure and composition of each committee as well as the qualification of each specific director in order to propose to the board of directors and/or the shareholders' meeting for approval, when required;
2. To search, select and nominate the candidates suitable for the director's position, when any director completes his/her term and/or when there is a vacancy and/or when there is newly opened position;
3. To perform any assignments, related to nomination, from the board of directors;
4. To conduct the appraisal performance of the Company's top executives and propose to the board of directors for consideration and approval.

##### Remuneration-related

1. To establish criteria and policy related to remuneration for members of the board of directors and committees and propose to the board of directors and/or the shareholders' meeting for approval, when required;
2. To determine remuneration as needed and suitable for both financial and non-financial for each individual director by taking into consideration that such remuneration is commensurate with the duties and responsibilities assigned, the individual's performance, pay scale of similar business and benefits that he/she shall contribute to the Company; then propose to the board of directors and/or the shareholders' meeting for approval;
3. To be responsible, on behalf of the Board of Directors, to declare and answer the remuneration related questions during the general meeting of shareholders.
4. To report the policy, principle/reason of the remunerations of the directors and executives in accordance to the the SET's regulations by disclosing in the form 56-1 and annual report 56-2.
5. To perform any assignments from the board of directors in relation with remuneration management given that all executives and work units shall report or submit related information and documents to the Nomination and Remuneration Committee to support the works of the committee so that it can complete the assignments.
6. Propose the performance assessment of all sub-committees to the Board of Directors and guidelines for improving and increasing the operational efficiency of every sub-committee.
7. Consider the salary of the Chief Executive Officer (CEO.) Based on the company's performance.

## **6.5 Scope of Authorities, Duties and Responsibilities of the Corporate Governance Committee**

1. To propose policies relating to Good Governance principles to the board of directors;
2. To oversee the Company's business operations to comply with the corporate governance principles prescribed by the regulators i.e. the Stock Exchange of Thailand, the Securities and Exchange Commission;
3. To consider and review the corporate governance policies on regular basis to ensure that they are align with the international practices as well as to the recommendations from related offices or institutes;
4. To propose code of conducts for directors or work rules for directors;
5. To recommend the Company's code of business ethics and the code of conducts for managers and employees;
6. To promote the culture of good governance and the participation in the social responsibility activities;
7. To perform any assignments from the board of directors.

## **6.6 Scope of Authorities, Duties and Responsibilities of the Risk Management Committee**

1. To review and determine policy on the framework of the Company's risk management;
2. To oversee and support the implementation of the Company's risk management program to be in line with the Company's business strategies and business goals as well as the changing business environment;
3. To propose the guidelines for monitoring and evaluating the risk management programs to the Risk Management and Internal Control Committee: RMCC (management level) for further implementation;
4. To consider and review the progress reports of the Company's risk management program and to provide opinions regarding the potential risks and control measures as well as the development of the risk management systems to the RMCC to ensure the continuity and the effectiveness of the program;
5. To update the status of the Company's risk management to the Board and to promptly notify the Board for acknowledgement and consideration in case of any significant risk factors or critical situations;
6. To perform any other assignments from the Board of Directors.

## **6.7 Scope of Authorities, Duties and Responsibilities of the Executive Committee**

1. To propose goal, policy, business plan and yearly budget of the Company to the Board of Directors for approval;
2. To control the Company's business operation to follow the set policy, plan and budget approved by the Board;
3. To consider and approve the transactions incurred from the normal business operation i.e. investments which are within the capital expenditure budget or in accordance with the budget approved by the Board. Also the amount of each transaction must in line with the approval authorities matrix approved by the Board;
4. To consider and approve the definition and any amendments in the rule and criteria of loan approval, credit determiner table, as well as the definition and any amendments of penalty fee and discounts;
5. To propose the organization structure which suits the Company's business operation for the Board's approval and to consider and approve the additional hiring of employee which is not in the approved annual budget;



6. To consider the Company's profit and loss, the proposal to pay the interim dividend or the annual dividend in order to propose to the Board for approval;
7. The Executive committee may appoint or hire consultant for the Company's internal administration and management in order to maximize results;
8. The Executive committee may authorize one or more individuals to act on behalf of the committee under the supervision of the Executive committee, or authorize the person to have authorities as the committee deems appropriate and within the approved timeframe. Such authorization may be cancelled, revoked or amended as the committee sees fit;
9. To perform any other duties assigned by the Board of Directors.

Importantly, the delegation of authorities and responsibilities by the Executive committee shall not be in the manner of general power of attorney which will allow the authorized person to approve the transactions which might result in a conflict (as defined by the notifications of the Capital Market Advisory Board and/or the Stock Exchange of Thailand) of gain or loss or any other conflicts of interest with the Company or its subsidiary and/or related companies. As the Executive Committee also do not have authority to approve such transaction, it will have to be submitted to the Board of Directors and/or the shareholder meeting (as deem appropriate) for further approval. Unless the approval of the transaction is for normal trade or in accordance with normal trade conditions which comply with the notifications of the Capital Market Advisory Board and/or the Stock Exchange of Thailand and/or other related regulators.

#### **6.8 Scope of Authorities, Duties and Responsibilities of the Chairman of Executive Committee**

1. Manage and control business operations in relation to general management of the company to meet company's objective and to comply with policies, rules and regulations of the Company.
2. Consider investment plans proposed to the Executive Board and the Board of Directors for approval.
3. Have authority to act on behalf of the company to enter into a juristic binding the company in the scope specified in the Company's policies and procedures regarding the approval authority.
4. Operate in accordance to the the Board of Directors meeting's resolution and/or share holders' meeting's resolution.

#### **6.9 Scope of Authorities, Duties, and Responsibilities of the Managing Director**

1. To control and supervise business operation and/or day-to-day administration in the Company
2. To operate and administrate the Company by following the policies, plans and budget approved by the Board of Director and/or the Executive committee
3. To prepare policy, business plan, business strategies and yearly budget of the Company to propose to the Executive committee in order to get approval from the Board of Directors
4. To consider and approve the Company's normal business transactions, for example, approval of investment expenses within the capital expenditure budget or budget approved by the Board of Directors, approval of asset buy, approval of other expenses and financial expenses. The amount of approval of each transaction shall be within the limit stated in the approval authority matrix which was approved by the Board of Directors.

7. To monitor and assess the Company's performance on regular basis and to report the operating results as well as progress report of related projects to the Executive committee, the Audit committee and the Board of Directors.
8. To issue and announce orders, regulations, notifications and memorandum to ensure that the Company's business operations will be align with the policy and to protect the Company's benefit as well as to keep orders within the organization.
9. The Managing director has authority to appoint committees or sub-committees for the benefit and the effectiveness of good management, and also to authorize one or more individuals to execute things under the supervision of the Managing director, or authorize the person to have authorities as the Managing director deems appropriate and within the approved timeframe. Such authorization may be cancelled, revoked or amended as the Managing director sees fit.
10. To perform other duties as per assignment from the Executive committee or the Board of directors Importantly, when there is a transaction that relates to the Managing director or the authorized person by the Managing director or any person who may have a conflict (as defined by the notifications of the Capital Market Advisory Board and/or the Stock Exchange of Thailand) of gain or loss or any other conflicts of interest with the Company or its subsidiary and/or related companies. The Managing Director does not have authority to approve such transaction. It will have to be submitted to the Board of Directors and/or the shareholder meeting (as deem appropriate) for further approval. Unless the approval of the transaction is for normal trade or in accordance with normal trade conditions which comply with the notifications of the Capital Market Advisory Board and/or the Stock Exchange of Thailand and/or other related regulators.

#### **Policy of the Diversity of the Board of Directors**

The Board of Directors is well aware of the benefit from the diversity of the Board of Directors. However, the diversity is not only limited to gender but also includes age, education background, working experiences, skills and knowledges and other suitable qualifications to ensure the capability to perform duties efficiently and effectively in order to achieve the business objectives. Moreover, the diversity shall be in respect of human right, no discrimination, hence, the nomination and consideration of appoint a director shall be based on their knowledges, abilities, experiences in the business or the industry relating to the Company's. To ensure that the Board of Director's composition is efficient, the Board Skills Matrix shall be conducted to help the nomination process to comply with the business direction.



### Designated Approval Authority

The Company has designated approval authority for business operations with details below.

	Assistant Managing Director	Deputy Managing Director	Managing Director	Executive Committee
1. Payment which is over the approved capital expenditure	-	-	not over 15%	not over 20%
2. Non-budgeted investments	-	-	not over 20 million baht	not over 40 million baht
3. Opening of new branches which is over the number stated in the board approved business plan	-	-	-	not over 20%
4. Approval of petty cash disbursement over the set criteria <sup>1)</sup>	not over 15,000 baht per time	not over 15,000 baht per time	approve	-
5. Cash advance per time <sup>2)</sup> - Branch/Auction centre	-	not over 70,000 baht per time	approve	-
- Head office	not over 70,000 baht per time	not over 100,000 baht per time	approve	-
6. Disposal of damaged fix assets <sup>3)</sup>	not over 50,000 baht per time	not over 50,000 baht per time	approve	-
7. Account write-off (bad debts)	-	-	-	not over 10 million baht

Remark: 1) In the past, the Company's maximum petty cash disbursement did not exceed 15,000 baht per time.

2) In the past, branches and auction centers' maximum cash advance did not exceed 50,000 baht per time and

Head office's maximum cash advance did not exceed 75,000 baht per time

3) In the past, the Company's maximum disposal of damaged fix assets did not exceed 50,000 baht per time.

## **7. Nomination and appointment of directors and top executives**

The Company has the Nomination and Remuneration Committee responsible for searching and screening suitable candidates for director position, and to determine the remuneration package and get concurrence from the board of directors to propose to the shareholders' meeting for approval, with details below.

### **7.1 Composition and appointment of the Board of Directors**

The composition and nomination, appointment, removal and expiration of the Company directors have been defined in the Company's Article of Association, which can be summarized as follows:

1. The Board of Director comprises not be less than 5 members, provided that not less than one half of the directors shall reside within Thailand. The directors shall have qualifications as specified by laws.
2. The directors shall be elected by the shareholder's meeting under the following rules and procedures.
  - 1) Each shareholder shall have one vote per share held by him/her
  - 2) Each shareholder shall exercise all votes in electing one or more persons to be a director, but provided that no vote shall be divisible.
  - 3) Any candidates who have the most votes shall be elected as directors equivalent to the number of directors required; if two candidates have equal votes, the Chairman shall have a casting vote.
3. At every Annual General Meeting, one-third (1/3) of the directors, or, if their number is not divided by three (3), then the number nearest to one-third (1/3) shall retire from office. In the first year and the second year following the establishment of the Company, the retiring directors shall be drawn by lots. In the third year and subsequent years, the directors who have been longest in office shall retire. The retired directors shall be re-elected to consume the position.
4. Any director who wishes to resign from his office shall submit a resignation letter to the Company. The resignation shall be effective on the date the notice reaches the Company.
5. In case there is a vacancy for the director position with reasons other than the normal retirement, the Board may decide to select the qualified candidate who does not possess any qualifications which were prohibited by the Public Company Limited Act and/or the Securities and Exchange Act, to resume the vacant position, except when the term of the departing director is less than 2 months. The new director's term will equal to the period of term left of the departing director. The Board's resolution requires the votes of not less than three-fourth (3/4) of the number of the left directors.
6. The shareholder meeting may vote to remove any director from office prior to retirement. A three-quarter (3/4) vote of any shareholders with an aggregate number of up to half (1/2) of all shares held by the shareholders present and eligible to vote shall be required.

### **7.2 Composition and appointment of independent director**

The Board of Director shall consider the qualification of candidate who will be the Company's independent director based on the qualifications and forbidden characteristics under the Public Company Limited Act, Securities and Exchange Act, Notifications of the Capital Market Supervisory Board, and other related notifications, announcements and/or regulations. Moreover, the Board shall select the candidate based on expertise, work experience, and other areas of suitability. The Board shall propose the candidate to the shareholder meeting for voting to appoint the person as an independent director. The Company has a policy to appoint at least one-third (1/3) of the total directors and should not be less than 3 persons.

### **Qualifications of Independent Director**

1. Holding not exceeding 1 per cent of the total number of voting rights of the Company, its parent company, subsidiaries, associated companies or juristic person which may have conflicts of interest, including the shares held by related persons of the independent director.
2. Neither being nor having been an executive director, employee, staff, or advisor who receives salary, or a controlling person of the Company, its parent company, subsidiaries, associated companies or juristic person who may have conflicts of interest unless the foregoing status has ended at least 2 years prior to the date of submitting the request to SEC.
3. Not being a person related by blood or registration under laws, such as father, mother, spouse, sibling, and son/daughter, including spouse of the son/daughter, to management, major shareholders, controlling persons, or persons to be nominated as management or controlling person of the Company or its subsidiaries.
4. Not having any business relationship with the Company, its parent company, subsidiaries, associated companies or juristic person who may have conflicts of interest that could be barrier to independent judgment. And not being or having been major shareholder, director other than independent director or management of the stakeholders of the Company, subsidiaries, associated companies or any juristic person who may have conflicts of interest unless the foregoing status has ended at least 2 years prior to the date of submitting the request to SEC.
5. Neither being nor having been an auditor of the Company, its parent company, subsidiaries, associated companies or juristic person who may have conflicts of interest, and not being a major shareholder, non-independent director, executive or partner of an audit firm which employs auditors of the Company, its parent company, subsidiaries, associated companies or juristic person who may have conflicts of interest unless the foregoing status has ended at least 2 years prior to the date of submitting the request to SEC
6. Neither being nor having been any profession advisor including legal advisor or financial advisor who receives an annual service fee exceeding two million baht from the Company, its parent company, subsidiaries, associated companies or juristic person who may have conflicts of interest, and neither being nor having been a major shareholder, non-independent director, executive or partner of the professional advisor unless the foregoing status has ended at least 2 years prior to the date of submitting the request to SEC
7. Being independent from managements and major shareholders of the Company and not being a director who has been appointed as a representative of the Company's director, major shareholder or shareholders who are related to the Company's major shareholder.
8. Not having any characteristics which make him/her incapable of expressing independent opinion with regard to the Company's business operations.

### **7.3 Selection criteria of new director**

To select new director, the Board shall focus on the transparencies of screening and nominating of the candidates especially for the director position. The Company has a policy to open the opportunity for the minor shareholders to exercise their rights in proposing their candidate for the director position. The Company's Nomination and Remuneration Committee shall consider the qualifications and appropriateness of the proposed candidates and of the retiring or resigning directors and nominate the qualified candidates to the Board of Directors for endorsement and approval before proposing their names to the shareholder's meeting to approve the appointment.

The person to be appointed to the director position must be knowledgeable, skillful and ready to perform the duty and must possess the following qualifications.

1. Having proper knowledge, skills and experience and being able to devote himself to perform the duty for the best interest of the Company especially in making crucial business decisions;
2. Adhering to moral and ethical principles and possessing any additional qualifications which may be stipulated by law or by the Board of Director's consideration;
3. Having the qualifications and forbidden characteristics under the Public Company Limited Act and does not have any characteristics which may not gain the shareholder's trust to appoint as the Company management as prescribed in the Notifications of the Securities and Exchange Commission and the Stock Exchange of Thailand.

Once appointed to the position, the new director shall attend the new director orientation and briefing session about the Company's key policies, its vision, mission, corporate culture as well as knowledge about regulatory practice guidelines to comply with related laws, the Company's memorandum of association and the Company's regulations, scope of duties and responsibilities of the Board and other committees, minutes of the Board meeting in the past 1 year, the Director's manual: a framework for Board governance by the Stock Exchange, the Company's corporate governance and business ethics policy, laws relating to the Company's business; rules and regulations of the Company, training programs for directors, and other information relating to the Company's business operation, etc.

#### **7.4 Composition and appointment of the Audit Committee**

The Board of Directors shall appoint the Audit Committee which consists of at least 3 members, who shall be selected from the Company's independent directors who have qualifications under the Securities and Exchange Act and other related notifications, announcements and/or regulations of the Stock Exchange of Thailand. Moreover, the independent director who presumes the duty of audit committee shall also has the additional qualifications as follows.

1. Not being a director who is assigned by the Board to make decisions in the business activities of the Company, its parent company, subsidiaries, joint/associated companies or juristic person who may have conflicts of interest.
2. Not being a director of the Company, its subsidiaries, joint/associated companies which is the listed company.
3. Having adequate knowledge and experience to perform the duties of audit committee and at least one committee member must have adequate knowledge and experience in finance and accounting area in order to review the reliability of the Company's financial statement.

##### Terms of Audit Committee

- |                                   |  |
|-----------------------------------|--|
| 1. Chairperson of Audit committee | 3 years or equal to the term of the Company's director |
| 2. Member of Audit committee      | 3 years or equal to the term of the Company's director |

When his/her term ends, either the expiring chairperson or the member of Audit committee shall be re-elected to resume the duty again.



## 7.5 Composition and appointment of the Nomination and Remuneration Committee

The Nomination and Remuneration Committee comprises not less than 3 members, consisting of a chairperson of the nomination and remuneration committee and members of the committee, who shall have sufficient knowledge and experience to perform the duty of nominating candidates for director position and determining director's remuneration.

The Board of Directors has approved to establish the nomination and remuneration committee in order to perform the duty of recommending policy, model and criteria for selection and the remuneration for directors, members of committees and managing director, to be commensurate with the duties and responsibilities assigned as well as the individual's performance. The Board of Directors meeting shall approve the appointment of the Company's directors to be members of the nomination and remuneration committee to comply with the corporate governance principles and to align with the organization's vision and mission.

### Terms of Nomination and Remuneration Committee

- |   |  |
|---|--|
| 1. Chairperson of Nomination and Remuneration committee | 3 years or equal to the term of the Company's director |
| 2. Member of Nomination and Remuneration committee      | 3 years or equal to the term of the Company's director |

When his/her term ends, either the expiring chairperson or the member of Nomination and Remuneration committee shall be re-elected to resume the duty again.

## 7.6 Composition and appointment of the Corporate Governance Committee

The Corporate Governance committee, appointed by the Board of Directors, comprises not less than 3 members. In the event that there is a vacancy in the committee, the subsisting members shall still perform their duties. However, if the number of directors is less than the requirement and does not constitute a quorum, the subsisting members may act only for the purpose of appointing additional directors to fill up all the vacancies.

The members of the corporate governance committee shall be highly competent and be able to contribute sufficient time and adequate recommendations to perform their duty with integrity, ethics and high responsibility.

### Terms of Corporate Governance Committee

- |  |  |
|--|--|
| 1. Chairperson of Corporate Governance committee | 3 years or equal to the term of the Company's director |
| 2. Member of Corporate Governance committee      | 3 years or equal to the term of the Company's director |

When his/her term ends, either the expiring chairperson or the member of Corporate Governance committee shall be re-elected to resume the duty again.

## **7.7 Composition and appointment of the Risk Management Committee**

The Risk Management committee, appointed by the Board of Directors, comprises not less than 3 members. In the event that there is a vacancy in the committee, the subsisting members shall still perform their duties. However, if the number of directors is less than the requirement and does not constitute a quorum, the subsisting members may act only for the purpose of appointing additional directors to fill up all the vacancies.

The members of the risk management committee shall be highly competent and be able to provide consultation for strategic planning to mitigate the risks which the Company may face. They shall be able to contribute sufficient time and adequate recommendations as the risk management committee member.

### **Terms of Risk Management Committee**

1. Chairperson of Risk Management committee	3 years or equal to the term of the Company's director
2. Member of Risk Management committee	3 years or equal to the term of the Company's director

When his/her term ends, either the expiring chairperson or the member of Risk Management committee shall be re-elected to resume the duty again.

### **Supervision of business operations of its subsidiary and its affiliated company**

The Company shall invest in any companies that have the same business objectives as the Company's core business, or with the business similar to the Company's, or with the business that supports the Company's operations. The investment shall improve the Company's performance with more profit or shall synergize with the Company's core business to provide comprehensive services to its customers, which increases the Company's competitive advantages.

In controlling and supervising its subsidiaries and its affiliated company, the Company shall send director or executive who is qualified and has suitable experience to be its representative, to participate in the management, to decide on the key policies and to control the operation of such subsidiary and/or affiliated company. The director who is the Company's representative shall supervise the administration of such subsidiary and/or affiliated company to follow the set policy and shall use his/her discretion, under the resolution of the Board's meeting and/or the shareholder meeting about the major issues of the such subsidiary and/or affiliated company, for the maximum benefit of the Company and for the Company's sustainable growth.

### **Supervision of inside information**

1. The Company prohibits its directors, executives, employees and workers from disclosing the Company's confidential information and/or inside information or using it for their own benefit or any other person's benefit directly or indirectly and by gaining or not gaining Remuneration.
2. The Company prohibits its directors, executives, employees and workers, including their spouse and minor children from using the Company's inside information which has not been disclosed to public and which shall or shall not impact the change of the price of the Company's securities, to buy, sell, offer to buy, offer to sell, or convince other persons to buy, sell, offer to buy, offer to sell the Company's securities, whether directly or indirectly, before such information is disclosed to public. Regardless of the purpose of the action which aims for his/her own benefit or for others to act and provide him/her personal gain, the person who fails to comply will be punished under the Company's disciplinary measures.



4. In order to prevent insider trading, the Company's directors and executives and their spouses and minor children are prohibited from trading Company's shares during one month before the Company disclosing its financial statement to the public.
5. The Company's directors and executives are required to complete the initial disclosure regarding their connected transactions with the Company and its subsidiary upon appointment to the position, on annual basis and when there are changes in the connected transactions. The Company Secretary shall submit the copy of such connected transaction reports to the Chairman of the Board and the Chairperson of Audit Committee in order to comply with the Securities and Exchange Act, B.E. 2535 and to review the information to prevent any conflicts of interest.
6. Report to the Board of Directors of the buy-sell of company's shares, at least 1 day in advance, prior to the occurrence of the transaction.

#### **Policy on Conflict of Interest**

The Company has prescribed the measure, based on the principle of duty segregation, to prevent conflict of interest which might be resulted from connected transactions of The Company with its subsidiary or individual who has conflict of interest. The Board shall supervise the Company and its management to comply with related laws and regulations i.e. Securities and Exchange Act, related Rules/Notifications/ Orders/Regulations set by the Securities and Exchange Commission and by the Stock Exchange of Thailand, and to follow the Company's regulations on the disclosure of connected transactions and the acquisition or disposal of key assets.

Moreover, the Board shall advise the Audit Committee or external auditor or independent specialist, as deem appropriate, to review and comment about the suitability of price and the sensibility of the transactions. Those connected transactions will then be disclosed in the Notes of the audited financial statement and submitting Disclosure Report on Additional Information (form 56-1) and Annual Report (form 56-2).

#### **Internal Control System**

The Company recognizes the importance of internal control system for both managerial and operational levels so various control activities are implemented. For example, job scope and approval authorities are documented; guideline for asset control, segregation of approval duty, accounting transaction and MIS procedure are in place. Not only the appropriate check and balance measures, the Company also has internal control system of financial reporting. Financial reports are submitted to responsible executives on regular basis. In addition, as the Company operates business of personal loan (unsecured loan) for retail customers through branches and service centres which locate all over the country, the Company requires Internal Audit team to submit audit plan each year to ensure that each branch and service centre will has on-site visit at minimum once a year. The internal audit team will submit each audit report directly to the Audit Committee.

The Company has clear and measurable business goals. Its executive and management team monitor and review monthly performance to compare actual result to the set goal while assessing external and internal risk factors. They will analyze root causes and decide on measures to monitor that risk factor as well as preventive actions to reduce the risk. Specific work team will be assigned to continuously follow up the situation and report back the progress to the committee.

Regarding the anti-fraud and anti-corruption program, the Company has signed the letter of intent to get certified from the Thailand's Private Sector Collective Action Coalition Against Corruption: CAC. Meanwhile, the Company has assessed the fraud risks within the Company and reviewed the existing work processes and practices to be align with the CAC anti-fraud policy to ensure that the Company has sufficient and appropriate measures to effectively detect and prevent fraud and corruptions.

#### **Remuneration for external auditor**

The annual general shareholders' meeting year 2018 has approved the remuneration of external auditor for 2018 at 4,180,000 baht which included the audit fee and the review for the Company's and its subsidiary's interim financial statement and their consolidated statements.

The external auditor fee for the year 2018 for the Company and its subsidiary was comprising of the audit fee and quarterly review fee of the Company of 4.00 million baht, the audit fee and quarterly review fee of the subsidiary of 0.18 million baht, and non-audit fee of 0.35 million baht.

#### **Other good corporate governance practices**

-N/A

### **8. Succession Plan**

The Board of Directors has adopted the succession plan for the position of Chairman of the Executive Committee and Managing Director in order to maintain the confidence among stakeholders, namely shareholders, customers and employees that the Company operations shall continue to grow firmly and sustainably under the good governance and ethical management. The Company has recognized the importance of the continuity of effective business operation by senior management so to ensure that the Company shall continually have capable and knowledgeable management, succession planning program has been implemented with following details.

1. The Board of Directors has prepared the succession planning program by identifying successors for the position of managing director, senior executives and heads of core functions/department, based on the performance, potential and readiness of each individual;
2. The Board of Directors establishes a plan to develop potential executives for the succession plan, in which consisting of potential development plans for the Chairman of Executive Committee and Managing Director.
3. Designing the training and development programs for the selected successors to enhance their knowledge, ability and skills required for the position so that they are prepared to take over the work of the managing director or other key position in case some executive cannot perform his/her duty.
4. The Nomination and Remuneration Committee shall determine the requirements of knowledge, ability and skills for each management position and select the managers who can meet such requirements and has high potential to take over the work of such position and can continue the business operation efficiently. Review and conclude the succession plan from time to time, regularly and report to the Board of Directors.
5. Managers and executives who were identified as successor should have proper qualifications and have work experience in the related field. They will have an opportunity to gain more experience from job rotation and attending additional training programs to prepare themselves to work in a higher position and to ensure that the job handover will go smoothly and the business management will continue without interruption.
6. Chairman of the Executive Committee shall arrange job rotation for the qualified executives and shall assign managers in next level to join the executive committee meeting to educate them, to expand their experiences and to prepare them for the higher management positions in the future.

### **Board of Directors' Self-Assessment**

The Board of Directors has assigned that the Board shall have Board Self-Assessment annually, by using 3 sets of assessment form in compliance with SET's framework per follows;

1. Self-Assessment of the Boards;
2. Self-Assessment of the Committees of the Board;
3. Self-Assessment individual directors of the Board and of the Committee.

For the Board to use the assessment results to establish the framework of the norm practices, measure the performances and compare to the Charter of the Board of Directors which resulting in the enhancing of their efficiency of the performance and to improve their roles and responsibilities to consistent with Company's policies and to review the occurred problems during the past year. The Company's Secretary is responsible to submit the self-assessment form to the members of the Board of Directors annually for the Board and individual assessments. After each Board's member has successfully completed the evaluation, the self-assessment forms will be submitted.

**Self-Assessments of the Board of Directors and Individual Member of the Board Procedures are per follows;**

1. Board of Directors shall approve and revise the self-assessment form to ensure the accuracy, completeness and compliance with the criteria set by the regulatory body.
2. Company secretary shall submit the self-assessment forms to the Board of Directors during the beginning of December every year.
3. Individual member of the Board of Directors shall complete the evaluation forms and return the forms to the Company Secretary by the end of December.
4. Company Secretary is responsible to summarize and analyze performance results from the assessments and report to the Board of Directors.
5. Company Secretary shall prepare an improvement plan from the assessment results and additional comments from the Board of Directors.

**Boards' Self-Assessment Criteria by Percentae are as follows;**

- More than 85 Percent = Excellent
- More than 75 Percent = Very Good
- More than 65 Percent = Good
- More than 50 Percent = Fair
- Less than 50 Percent = Poor

### **Summary of Board of Directors' Self-Assessment Result for 2018**

- (1) The Annual Self-Assessment of the Company's Board of Directors of Year 2018 scores 97.14% as Excellent.

Assessment Scope	- Structure and Qualification of Directors	Average Score	95.71%
	- Roles, duties and responsibilities of Directors	Average Score	92.06%
	- Board of Directors' Meetings	Average Score	100%
	- Board of Director's Roles	Average Score	96.43%
	- Relationship with Managements	Average Score	100%
	- Self-development and leadership development	Average Score	100%

(2) Individual Director's Self-Assessment of Year 2018 scores 99.03% as Excellent.

Assessment Scope	- Structure and Qualification of Directors	Average Score 98.21%
	- Board of Directors' Meetings	Average Score 99.11%
	- Roles, duties and responsibilities of Directors	Average Score 99.29%

(3) The Committee's Self-Assessment of Year 2018 Results

3.1 Audit Committee's Self-Assessment of Year 2018 scores 95.83% as Excellent

Assessment Scope	- Structure and Qualification of Directors	Average Score 96.43%
	- Board of Directors' Meetings	Average Score 95.83%
	- Roles, duties and responsibilities of Directors	Average Score 95.24%

3.2 Corporate Governance Committee's Self-Assessment of Year 2018 scores 90.42% as Excellent

Assessment Scope	- Structure and Qualification of Directors	Average Score 96.43%
	- Board of Directors' Meetings	Average Score 94.44%
	- Roles, duties and responsibilities of Directors	Average Score 80.95%

3.3 Nomination and Remuneration Committee's Self-Assessment of Year 2018 scores 98.68% as Excellent

Assessment Scope	- Structure and Qualification of Directors	Average Score 98.81%
	- Board of Directors' Meetings	Average Score 98.61%
	- Roles, duties and responsibilities of Directors	Average Score 98.61%

3.4 Risk Management Committee's Self-Assessment of Year 2018 scores 95.83% as Excellent

Assessment Scope	- Structure and Qualification of Directors	Average Score 95.24%
	- Board of Directors' Meetings	Average Score 95.83%
	- Roles, duties and responsibilities of Directors	Average Score 96.67%

## 9. Corporate Social Responsibilities: CSR

Muangthai Capital is well aware that building a stronger community sustainably requires collaborations from everyone in the organization, to meet our targets and optimize the benefits. Additionally, the employees are cultivated to have voluntary, public mind and responsibilities towards social by providing them the opportunities to attend the CSR activities related to 3 aspects per followings;

- **Religion** The Company has a custom of offering the unity kathina ceremony, the tradition of presenting robes and donations to monks at the end of the lent, to the selected 2 temples each year for over 25 years. This kathina ceremony has been arranged in rotation to temples located nearby the Company's branches, in order to carry on the traditions that are inherited and to create unity for the people in that community. This year (2018), the Company has offered the kathina to 4 temples with total donation amount of 7,146,725 baht.

Following is the namelist of the 4 temples

**1. Wat Nong Krang**, Ratsadon sub-district, Samko district, Ang Thong Province with total donation amount of 1,784,775 baht.



**2. Wan Ban Nam-Phu**, Saphan Hin subdistrict, Nong Mamong District, Chainat Province with total donation amount of 1,787,220 baht



**3. Wat Amphon Wanaram**, Nontan subdistrict, Muang district, Roi Et Province with total donation amount of 1,785,910 baht.



**4. Wat Tha Mapring**, Ban Na subdistrict, Muang district, Chumphon Province with total donation amount of 1,788,820 baht



In addition, a scholarship and purchase of school supplies for schools in the vicinity to the following 4 schools at 100,000 baht each.

1. Wat Nong Krang , Ratsadon sub-district, Samko district, Ang Thong Province
2. Wan Ban Nam-Phu, Saphan Hin subdistrict , Nong Mamong District, Chainat Province
3. Wat Amphon Wanaram, Nontan subdistrict, Muang district, Roi Et Province
4. Wat Tha Mapring, Ban Na subdistrict, Muang district, Chumphon Province

- **Education** The Company has a policy to give away scholarships to students and to give educational support funds to local schools which are located in the area of the temples. Besides, since 2012 onwards, the Company has started the project to build a building for child development center with the construction budget of 1 million baht under the name “**Baan Mai khong Noo (my new home)**”. The first centre was in aor bor tor Kirirat, Phobpra district, Tak province while the second center built in 2013 was located in aor bor tor Nakham, Muang district, Loey province. In 2014, the third center was built in aor bor tor Paklang, Pou district, Nan province. In 2015, two centers were built at the Baan Makam En school and the Wat Rangsaneh Nakornchan school in aor bor tor Takoey, Suanphueng district, Rachaburi province. In 2016, 2 centers were built for “Ban Patirooptheedin, Tambol Thai Samaggi” and “Ban Subsaithong school, Tambol Wang Nam Khiao” located in Wang Nam Khiao district, Nakhon Ratchasima province, which are center no 6 and no 7 respectively. In 2017 Bandongnoi school, Tambol Niyomchai, Amphoe Saboth Lopburi province and Ban khong samui school,Tambol Phong Num Ron, Amphoe Muang, Kamphaeng Phet Province, which are center no 8 and 9 respectively.

In 2018 Ban Kongwa Child Development Center, Pong Thung Sub-district, Doi Tao District, Chiang Mai Province and Sri Banphot Kindergarten, Child Development Center, Khao Ya Subdistrict, Si Banphot District, Phatthalung Province and Nong Phak Waen Child Development Center, Thap Rat Sub-district, Ta Phraya District, Sa Kaeo Province, which are center no 10 , 11 and 12 respectively. The Company plans to build more center every year in the location nearby the Company’s branches.





- **Society** Every year in June, the Company invites its employee to donate their blood to the Thai Red Cross Society. This is also the Company's custom for over 26 years. There are employees to accept and support this activity by simultaneously donating blood at the Provincial Red Cross Hospital nationwide. In the year 2018, In the past, there were 4,925 people donated blood (300 cc each), representing 1,477,500 cc Which has 1,483 blood donors higher than last year. The Company has funded many local traditional events such as Long boat racing, event of paying respect to god (Chinese) and making a spirit offering, event of lion dancing, etc. Moreover, the Company has a policy that prohibits staff at all levels to involve with drugs, as a trader or user. The Company performs annual workplace drug testing once a year under project named "Borisat si khao" (White company).

The Company has prepared a sustainability report 2018 separate from annual report for disclose the policy, operations of social responsibility and sustainable development of the company together with participation development for economic social and environment.

The Company send a sustainability report 2018 with the annual report to shareholder and disclose via the website of the company [www.muangthaicap.com](http://www.muangthaicap.com)

## 10. Risk Management

Risk Management is cultivated deeply within the organization, to ensure that the Company's operations are in line with the principles of good corporate governance, sustainable, credible and create confidence for investors. The Company has set up a Risk Management Committee to set up the risk management policy, monitor the implementation of the risk management plan, assess the adequacy of the risk management plan and report the risk materialities to the Board of Directors.

### Risk Management Frameworks and Strategies

The Company adheres to the Risk Management Framework, the international standards of the principles of risk management of The Committee of Sponsoring Organizations of the Treadway Commissions – Enterprise risk management (COSO-ERM). The practice covers all 8 components.

#### 1) Internal Environment

To cultivate a good internal control environment The company has followed the followings.

- The Board of Directors approved to establish the Risk Management and Legal Department to be responsible for monitoring the risk materiality to be under control and within the acceptable level.
- The Company's Code of Conducts, Business Ethics and other Company's policies, including the operating procedures shall be communicated to the related stakeholders and ensured that the contexts are informed clearly for the stakeholders being able to comply with the policies.

#### 2) Objective Setting

- Clear business objectives shall be defined clearly as guidelines for business operations, together with the risk management strategies to reduce the possibility of failures.
- To set the business objectives, the Board of Directors, management, including employees, shall be sharing the same understanding in the long-run objectives, strategies to achieve such objectives, as well as short-term objectives and operational objectives in which leading to the long-term objectives. The acceptable or tolerant rate of each risks shall be explainable, clarified and communicated to all stakeholders.

**3) Event Identification**

- The Risk Management and Legal Department is responsible to be able to aware and identify risk materialities in the operations. The Company uses a variety of tools in the risk identification process, such as brain storming during internal meetings, SWOT analysis, scenario analysis, workshops and comparing to industry, including stakeholder engagements.
- The risks shall be classified whether they are threat, opportunity or uncertainty, as well as the impacts towards the Company, in which can be quantified.

**4) Risk Assessment**

- The risk prioritization is subject to its probability and exposure of individual risk. The risk prioritized as “High” and “Very High” shall be closely monitored by the Risk Management and Legal Department and the Risk Management Committee.
- The risk assessment result shall be recorded for further communications within the organization and to outsiders. Adequate and appropriate information will be beneficial for management and Board of Directors to make decision and guideline to limit, mitigate or eliminate such risks.
- The risk assessment shall be implemented periodically to reflect new risks and new process to mitigate risks.

**5) Risk Response**

Within the risk tolerant, the risk responses can be classified per follows:

- Risk Avoiding: To prevent the incidents in which carry risks.
- Risk Mitigating: To control the risk to be within the tolerant level.
- Risk Sharing: More than one party of stakeholder shares the risks and returns via variety of channels.
- Risk Accepting: Managements decide to accept the loss or the failure to meet the targets from the risk occurrence

**6) Control Activities**

The company uses control strategies for risk prevention and discovering the findings that have already occurred to avoid and reduce risks.

- Risk Prevention Activities  
Risk preventioin activity is the activities to inhibit the occurrence of adverse events and used as internal control to prevent such adverse events.
- Risk Discovering Activities  
The risk discovering activities are to identify unwanted events that occur and notify how they shall be managed which will help the managements to response in a timely manner.

**7) Information and Communication**

Information Technology systems are considered one of the most important and powerful toos for communication regarding the risks to both within the organization as well as to outsiders successfully, completely, accurately, timely and adequately for the Board of Directors and managements to make decisions and to eemployees to be informed and comply.

**8) Risk Monitoring**

The meeting between Risk Management Committee and The Risk Management and Legal Department is held regularly, at least once a quarter, to ensure that the Company's risk management and internal control is adequate, appropriate and effective.

## 11. Internal Control

The Company gives importance to a good internal control system; accordingly, the Internal Audit Division was established to monitor and follow up day-to-day operations in order to ensure that any detected errors or deficiencies are resolved on a regular basis. To allow an internal audit team to work more independently and be able to investigate and balance its authority fully, the Company assigns the audit team to report any detected errors or deficiencies directly to the Audit Committee.

The Company has an appropriate and efficient internal control and risk management system, following the structure of internal control and risk management. In compliance with the Committee of Sponsoring Organizations of the Treadway Commission-Enterprise Risk-Management (COSO-ERM), the Company develops a framework for operations and management, which comprises 4 components:

- (1) Internal Control
- (2) Operation Control
- (3) Information & Communication System
- (4) Monitoring System

In 2018, the Board of Directors agreed with the Audit Committee on the internal control system, regarding the business operations as detailed below:

### 11.1 Internal control

The company gives importance to good corporate governance by defining its core values and corporate culture as its tradition that has been practised for years. This good corporate governance also represents the Company's integrity and ethics. The Board of Directors, dependent from the management, is responsible for oversight of the management, improves an internal control system, and sets business goals as well as key performance indicators (KPIs).

To evaluate the staff performance whether it is complied with the Company's business goals or not, the Company issues regulations on work management and a work manual of all job functions to be used as guidelines for management and day-to-day operations. In addition, the company has organised the training programmes to promote the employees' understanding towards the internal control system to ensure that they are able to perform their duties transparently and with fair treatment to all stakeholders. In an organisational structure, the management sets up a chain of command, delegation of authority, and responsibility to help the organisation achieve its goals under the oversight of the committee more appropriately.

### 11.2 Operation control

The Company gives a clear explanation of duties and responsibilities of each position. The approval matrix and the work manual are also reviewed to ensure its appropriateness to a current organisational structure and job functions. In addition, a performance appraisal has been regularly reviewed to ensure that it is complied with regulations, rules, approval matrix, and duties defined in the manual. All of these practices are conducted to increase the confidence of the Company, having a proper internal control system, and employees in every function can perform their duties efficiently.

### **11.3 Information & Communication system**

The Company puts the emphasis on the information and communication system. It has continued to promote and support the system to ensure the reported information to be accurate and up-to-date. Accordingly, the Company implements advanced technology with highly-secured system on data input, data processing, data storage and data tracking. This system enables the data management of both executives and shareholders to be complete, accurate, and sufficient, within an appropriate timeframe, and support business decision-making.

The Company also sets a policy on IT security and data usage; it also provides the Intranet system as an internal communication channel to disseminate its policy, regulations, rules, orders, business operation manuals, and news. This system enables the Company to prepare a financial statement report, presenting precise information and submitted on time.

### **11.4 Monitoring Activities**

The Company sets up the Internal Audit Division to monitor and report internal control deficiencies to persons in charge of internal audit, including a group of executives and audit committee members and to ensure an internal control system to be complete and appropriate.

The audit committee agrees that the Company had a complete and appropriate internal control system as it provides sufficient persons to execute the system efficiently, enabling the Company's operations to be transparent and follow the principles of good cooperate governance. Furthermore, the Company sets up a system to monitor the operations of the Company and its subsidiaries to ensure its assets to be well-protected from the misuse or use without authority by directors or executives. It also provides an adequate control system to monitor transactions of persons with conflict of interests or connected persons.



## 12. Detail of Directors, Management and Controlling Person

### Board of Director Profiles

Name	Adm. Apichat Pengsritong
Age	70 years old
Type of Director	Independent Director
Date of appointment	12 September 2012
Years in Director position	6 years 3 months
Current Position	Chairman of the Board of Directors, Chairman of the Nomination and Remuneration Committee
Address	294/10 Moo 5, Soi Nawamin 24 (Uthen 13), Nawamin Road, Khlonggoom Sub-district, Buenggoom District, Bangkok
Education	Naval Cadet program, class #66, Royal Thai Naval Academy Naval Staff program, class #45, Royal Thai Naval Staff College Naval War program, class #28, Naval War College, Royal Thai Navy Australian Command & Staff College, Australian Defence College
Director Training	Directors Accreditation Program (DAP) class 82/2010 Risk Management Program for Corporate Leaders (RLC 5/2016)
Work Experience	<ul style="list-style-type: none"><li>- Navigator, H.T.M.S. Tachin, Anti-submarine Squadron, Royal Thai Fleet</li><li>- Weapon Officer, H.T.M.S. Tachin, Anti-submarine Squadron, Royal Thai Fleet</li><li>- Executive Officer, H.T.M.S. Sarasin, Anti-submarine Squadron, Royal Thai Fleet</li><li>- Anti-submarine Officer, H.T.M.S. Makutrajakumarn, Anti-submarine Squadron, Royal Thai Fleet</li><li>- Junior Gunnery Officer, H.T.M.S. Makutrajakumarn, Anti-submarine Squadron, Royal Thai Fleet</li><li>- Gunnery Officer, H.T.M.S. Makutrajakumarn, Anti-submarine Squadron, Royal Thai Fleet</li><li>- Commanding Officer, H.T.M.S. Supirin, Patrol Squadron, Royal Thai Fleet</li><li>- Aide to Assistant Commander-in-Chief, Royal Thai Navy</li><li>- Deputy Chief of Staff, Bangkok Naval Station (presently Bangkok Naval Base)</li><li>- Naval Attaché to Jakarta</li><li>- Assistant Secretary, Naval Secretariat Department</li><li>- Assistant Director General, Naval Intelligence Department</li><li>- Deputy Director General, Naval Intelligence Department</li><li>- Commander, Submarine Squadron, Royal Thai Fleet</li><li>- Director of Joint Logistics, Supreme Command Headquarter</li><li>- Commandant, Royal Thai Naval Academy</li><li>- Senior Advisor, Royal Thai Navy</li><li>- Deputy Supreme Commander Admiral</li></ul>



**Shareholding** 700,000 shares Percentage 0.033 (As at 4 December 2018)

**Current Position in other Listed Companies**

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- |                |  |
|----------------|--|
| 2015 - Present | • Chairman of the Board and Chairman of the Audit Committee, JKN Global Media Plc. |
| 2014 - Present | • Chairman of the Board, T.A.C. Consumer Plc.                                      |
| 2010 - Present | • Independent Director, S&J International Plc.                                     |

**Current Position in other companies (not listed)** None

**Position in the Company which might be conflicts of interest** None

**The Legal Dispute** None

**Meeting attendance in 2018**

- Board of Directors 7/7 times
- Risk Management Committee 1/3 times
- Nomination and Remuneration Committee 1/2 times

**Remarks :** The relocation to appointed from the Chairman of the Risk Management Committee to Chairman of the Nomination and Remuneration Committee, according to the resolution of the Board of Directors' meeting on 20 April 2018.

## Board of Director Profiles

<b>Name</b>	Mr. Chuchat Petaumpai
<b>Age</b>	65 years old
<b>Type of Director</b>	Director
<b>Date of appointment</b>	12 September 2012
<b>Years in Director position</b>	6 years 3 months
<b>Current Position</b>	Director and Chairman of the Executive Committee, Member of the Corporate Governance Committee and Member of Risk Management Committee
<b>Address</b>	13 Soi Charansanitwong 83/1, Bangaor Sub-district, Bangplad District, Bangkok
<b>Education</b>	Master of Business Economics, Thammasat University, 2000 Master of Business Administration, Naresuan University, 1998 Master of Finance, Oklahoma City University, USA, 1990 Bachelor of Economics, Chiang Mai University, 1976
<b>Director Training</b>	Directors Accreditation Program (DAP) class SET/2012 Risk Management Program for Corporate Leaders (RLC 5/2016)



### Work Experience

- Industrial Finance Corporation of Thailand (IFCT)
- Kasikornbank Plc (formerly known as Thai Farmers Bank)

**Shareholding** 710,056,400 shares Percentage 33.493 (As at 4 December 2018)

**Current Position in other Listed Companies** None

### Current Position in other companies (not listed)

2017 - Present	• Director and Member of the Nomination and Remuneration Committee Advance Power Conversion Co.,Ltd.
2017 - Present	• Director and Vice President NYE Estate Co.,Ltd.

**Position in the Company which might be conflicts of interest** None

**The Legal Dispute** None

### Meeting attendance in 2018

- Board of Directors 7/7 times
- Risk Management Committee 3/3 times
- Corporate Governance Committee 3/3 times

## Board of Director Profiles

Name	Mrs. Daonapa Petampai	
Age	65 years old	
Type of Director	Director	
Date of appointment	12 September 2012	
Years in Director position	6 years 3 months	
Current Position	Director and Managing Director	
Address	13 Soi Charansanitwong 83/1, Bangaor Sub-district, Bangplad District, Bangkok	
Education	Master of Finance, Oklahoma City University, USA, 1989 Bachelor of Commerce and Accountancy, Chulalongkorn University, 1977	
Director Training	Directors Accreditation Program (DAP) class SET/2012	
Work Experience	- Assistant Unit Manager - Credit Card, Head Office, Kasikornbank Plc. (formerly known as Thai Farmers Bank) - Assistant Branch Manager, Kasikornbank Plc	
Shareholding	720,000,000 shares Percentage 33.962 (As at 4 December 2018)	
Current Position in other Listed Companies	None	
Current Position in other companies (not listed)	None	
Position in the Company which might be conflicts of interest	None	
The Legal Dispute	None	
Meeting attendance in 2018	- Board of Directors 7/7 times	

## Board of Director Profiles

**Name** Mr. Kampol Tatiyakavee

**Age** 59 years old

**Type of Director** Independent Director

**Years in Director position** 6 years 3 months

**Current Position** Chairman of the Corporate Governance Committee,  
Member of the Audit Committee, Member of the Risk Management Committee

**Address** 52/4 Soi Makesawad, Chongnonsi Sub-district, Yannawa District, Bangkok

**Education** Master of Engineer (Industrial Engineering), University of Texas at Arlington, USA  
Chief Executive Program, Capital Market Academy (CMA) Class 9

**Director Training**

- Directors Certification Program (DCP) class 74/2006
- Directors Accreditation Program (DAP) class 55/2006
- Risk Management Program for Corporate Leaders (RCL 5/2016)
- Advanced Audit Committee Program (AACP) Class 25/2017

**Shareholding** 200,000 shares Percentage 0.009 (As at 4 December 2018)

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### Current Position in other Listed Companies

2017 – Present	• Director, Bliss-Tel Plc.
2016 - Present	• Director, Power Solution Technologies Plc.
2010 - Present	• Director, We Retail Plc.
2017 – November 2018	• Chief Executive Officer, Bliss-Tel Plc.
2013 - 2017	• Director, Amata VN Plc.
2010 – 2013	• Chief Operating Officer, Amata VN Plc.

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### Current Position in other Companies (Not Listed Companies)

2017 – Present	• Director, Biggas Technology Co., Ltd
2017 – Present	• Director, Thai Pipeline Network Co., Ltd

**Position in the Company which might be conflicts of interest** None

**The Legal Dispute** None

### Meeting attendance in 2018

- Board of Directors 7/7 times
- Audit Committee 4/4 times
- Risk Management Committee 3/3 times
- Corporate Governance Committee 3/3 times

**Remarks:** The relocation to appointed from the Member of the Risk Management Committee to Chairman of the Risk Management Committee, according to the resolution of the Board of Directors' meeting on 20 April 2018.



## Board of Director Profiles

Name	Dr.Yodhin Anavil	
Age	69 years old	
Type of Director	Independent Director	
Date of appointment	12 September 2012	
Years in Director position	6 years 3 months	
Current Position	Chairman of the Nomination and Remuneration and Director	
Address	27/34 Soi Puekchit, Chatuchak Sub-district, Chatuchak District, Bangkok	
Education	Doctorate of Engineer (Electrical Engineering), University of Cincinnati, USA Master of Engineer (Electrical Engineering), George Washington University, USA	
Director Training	- Directors Certification Program (DCP) class 101/2008 - Directors Accreditation Program (DAP) class 60/2006 - Audit Committee Program (ACP) class 24/2008 - Charter Director Class (CDC) class 3/2008 - Financial Statements Demystified for Directors (FDD) class 1/2009 - Role of The Compensation Committee (RCC) class 7/2008	
Shareholding	400,000 shares Percentage 0.019 (As at 4 December 2018)	
Current Position in other Listed Companies		
	2011 - Present	• Independent Director, Member of Audit Committee and Ethics Committee, Robinson Department Store Plc.
	2005 - Present	• Independent Director, Member of Audit Committee and Nomination and Remuneration Committee, Jasmine International Plc.
Current Position in other Companies (Not Listed Companies)		
	1998 - Present	• Director, Peter Air Jinny Co., Ltd
	1998 - Present	• Director, Federite World Sales
Position in the Company which might be conflicts of interest		None
The Legal dispute	None	
Meeting attendance in 2018		
	- Board of Directors 7/7 times - Nomination and Remuneration Committee 2/2 times	
Remarks:	The relocation to appointed from the Chairman of the Nomination and Remuneration to Member of the Nomination and Remuneration Committee, according to the resolution of the Board of Directors' meeting on 20 April 2018.	



## Board of Director Profiles

<b>Name</b>	Mrs. Kongkeaw Piamduaytham
<b>Age</b>	66 years old
<b>Type of Director</b>	Independent Director
<b>Date of appointment</b>	12 September 2012
<b>Years in Director position</b>	6 years 3 months
<b>Current Position</b>	Chairman of the Audit Committee, Member of the Nomination and Remuneration Committee and Independent Director and Member of the Corporate Governance Committee
<b>Address</b>	291 Soi Patanakarn 61, Patanakarn Road, Praves Sub-district, Praves District, Bangkok
<b>Education</b>	Master of Finance, Washington State University, USA
<b>Director Training</b>	Directors Certification Program (DCP) class 157/2012 Advanced Audit Committee Program (AACP) class 13/2013 Role of Nomination and Governance Committee (RNG) class 7/2015
<b>Shareholding</b>	800,000 shares Percentage 0.038 (As at 4 December 2018)



### Current Position in other Listed Companies

2010 - Present	• Director, Aira Capital Plc.
2009 - Present	• Adviser, Aira Securities Plc.

**Current Position in other Companies (Not Listed Companies)** None

**Position in the Company which might be conflicts of interest** None

**The Legal dispute** None

### Meeting attendance in 2018

- Board of Directors 7/7 times
- Audit Committee 4/4 times
- Corporate Governance Committee 3/3 times
- Nomination and Remuneration Committee 2/2 times

## Board of Director Profiles

**Name** Mrs.Nongnuch Dawasuan

**Age** 64 years old

**Type of Director** Independent Director

**Date of appointment** 29 March 2017

**Years in Director position** 1 year 9 months

**Current Position** Member of the Audit Committee and Member of the Risk Management Committee

**Address** 244 Udomsuk Soi 26, Sukhumvit 103, Bangna, Bangkok

**Education** Bachelor's Degree: Bachelor of Accountancy, Chulalongkorn University

**Director Training**

- Directors Accreditation Program (DAP) class 137/2017
- Advance Audit Committee Program (AACP) class 26/2017
- Risk Management Program for Corporate Leasers (RCL) class 13/2018

### Current Position

- |             |  |
|-------------|--|
| 2014 - 2015 | • Chief of Customs Service Sub-division, Nakhonphanom Customs house, Thai Customs                            |
| 2012 - 2013 | • Chief of Duty Accounting Sub-division, Suvarnabhumi Airport Passenger Control Customs Bureau, Thai Customs |
| 2010 - 2011 | • Chief of Duty Free Zone Audit Sub-division, Tax Incentives Bureau Customs, Thai Customs                    |

**Shareholding** - None -

**Current Position in other Listed Companies** - None -

**Current Position in other Companies (Not Listed Companies)** - None -

**Position in the Company which might be conflicts of interest** - None -

**The Legal dispute** - None -

### Meeting attendance in 2018

- Board of Directors 7/7 times
- Audit Committee 4/4 times
- Risk Management Committee 2/3 times
- Nomination and Remuneration Committee 1/2 times

**Remarks:** The relocation to appointed from the Member of the Nomination and Remuneration Committee to Member of the Risk Management Committee, according to the resolution of the Board of Directors' meeting on 20 April 2018.





Name-Surname/Position	Age (year)	Education	Qualifications	Shares, as of 31 December, 2018	Family Relationship with other management	Period	Working experience in the past 5 years		
							Position	Company/Organization	Type of Business
Mr. Surapong Pechaumpai Deputy Managing Director	57	Master of Business Administration, University of the Thai Chamber of Commerce	Brother of Mr. Chuchat Petaumpai	0.046	2018 – Present	Deputy Managing Director	Muangthai Capital Plc.	Vehicle title loan	
Mr. Parithad Petampai Assistant Managing Director	36	Barrister-at-law, Institute of Legal Education of the Thai Bar Association  Master of Banking and International Finance, Cass Business School, London Bachelor of Engineering with Business Finance University College London	Son of Mr. Chuchat Petaumpai & Mrs. Daonapa Petampai	0.112	2018 – Present 2015 – 2018	Assistant Managing Director Assistant Managing Director	Muangthai Leasing Plc.	Vehicle title loan	
Mr. Surat Chayavoradech Assistant Managing Director	48	Master of Finance, Thammasat University  Master of Business Administration, Chulalongkorn University	-	0.054	2018 – Present 2013 – 2018 2010 – 2012 2005 – 2009	Assistant Managing Director Assistant Managing Director Accounting & Finance Manager Accounting & Finance Manager	Muangthai Capital Plc. Muangthai Leasing Plc. Bio-active Co.,Ltd. Taiban Fishery Co.,Ltd.	Vehicle title loan Vehicle title loan Chemical Cold storage service	
Ms. Duangkhae Songnuy Collection Manager	51	Master of Management and Organization, Dhurakij Pundit University	-	0.024	2018 – Present 2015 - 2018 2011 - 2015 2007 - 2011	Collection Manager Collection Manager Audit Manager Deputy Manager - Audit	Muangthai Capital Plc. Muangthai Leasing Plc. Muangthai Leasing Co.,Ltd.	Vehicle title loan Vehicle title loan Vehicle title loan	
Ms. Vimorrat Nujul Accounting Manager	49	Master of Accounting, Dhurakij Pundit University	-	0.024	2018 – Present 2017 - 2018 2012 - 2016 2004 – 2012 2012 – Present	Accounting Manager Accounting Manager Deputy Accounting Manager Assistant Accounting Manager Manager Director	Muangthai Capital Plc. Muangthai Leasing Plc. Muangthai Leasing Plc. Muangthai Leasing Co.,Ltd. Muangthai Leasing Insurance Broker Co.,Ltd.	Vehicle title loan Vehicle title loan Vehicle title loan Insurance broker	

Working experience in the past 5 years									
Name-Surname/Position	Age (year)	Education	Qualifications	Number of Shares, as of 31 December, 2018	Family Relationship with other management	Period	Position	Company/Oranization	Type of Business
Mr. Somkiat Ratsamee Deputy Manager – Branch Administration	55	Master of Public Administration, The National Institute of Development Administration (Phitsanuloke campus)	0.010	–	2018 – Present	Deputy Manager – Branch Administration Deputy Manager – Ayudhya District	Deputy Manager – Ayudhya District	Muangthai Capital Plc.	Vehicle title loan
					2016 - 2018	Assistant Manager – Ayudhya District	Assistant Manager – Ayudhya District	Muangthai Leasing Plc.	Vehicle title loan
					2015 - 2016	Branch Administration Assistant Manager – Ayudhya District	Branch Administration Assistant Manager – Ayudhya District	Muangthai Leasing Plc.	Vehicle title loan
					2011 - 2014	Branch Administration Assistant Manager – Phitsanuloke District	Branch Administration Assistant Manager – Phitsanuloke District	Muangthai Leasing Plc.	Vehicle title loan
					2006 - 2010	Assistant Manager – Ayudhya District	Assistant Manager – Ayudhya District	Muangthai Leasing Co.,Ltd.	Vehicle title loan
Mr. Amnat Niamsee Deputy Manager – Branch Administration	53	Master Master of Public Administration, The National Institute of Development Administration (Phitsanuloke campus)	0.025	–	2018 – Present	Deputy Manager – Nakhonsawan District	Deputy Manager – Nakhonsawan District	Muangthai Capital Plc.	Vehicle title loan
					2017 - 2018	Deputy Manager – Nakhonsawan District	Deputy Manager – Nakhonsawan District	Muangthai Leasing Plc.	Vehicle title loan
					2015 - 2016	Branch Administration Assistant Manager – Chonburi District	Branch Administration Assistant Manager – Chonburi District	Muangthai Leasing Plc.	Vehicle title loan
					2011 - 2014	Branch Administration Assistant Manager – Ayudhya District	Branch Administration Assistant Manager – Ayudhya District	Muangthai Leasing Plc.	Vehicle title loan
					2006 - 2010	Branch Administration Phitsanuloke District	Branch Administration Phitsanuloke District	Muangthai Leasing Co.,Ltd.	Vehicle title loan
Mr. Banyat Ninsiri Assistant Manager – Branch Administration	46	Master Master of Public Administration, The National Institute of Development Administration (Phitsanuloke campus)	0.014	–	2018 – Present	Assistant Manager – Suratthani District	Assistant Manager – Suratthani District	Muangthai Capital Plc.	Vehicle title loan
					2017 - 2018	Assistant Manager – Suratthani District	Assistant Manager – Suratthani District	Muangthai Leasing Plc.	Vehicle title loan
					2015 - 2016	Branch Administration Assistant Manager – Nakornsawan District	Branch Administration Assistant Manager – Nakornsawan District	Muangthai Leasing Plc.	Vehicle title loan
					2011 - 2014	Assistant Manager – Saraburi District	Assistant Manager – Saraburi District	Muangthai Leasing Plc.	Vehicle title loan
					2007 - 2010	Branch Manager – Thanon Boromtrai, Phitsanuloke	Branch Manager – Thanon Boromtrai, Phitsanuloke	Muangthai Leasing Co.,Ltd.	Vehicle title loan



Name-Surname/Position	Age (year)	Education	Qualifications	Number of Shares, as of 31 December, 2018	Family Relationship with other management	Period	Position	Company/Oranization	Working experience in the past 5 years	
									Type of Business	
Mr. Niyom Rodnoi Assistant Manager – Branch Administration	49	Bachelor of Business Administration, Petchabun Rajabhat University	0.021	–	2018 - Present	Assistant Manager – Bangkok District	Muangthai Capital Plc.	Vehicle title loan		
					2016 - 2018	Assistant Manager – Bangkok District	Muangthai Leasing Plc.	Vehicle title loan		
					2011 - 2015	Assistant Manager – Bangkok District	Muangthai Leasing Plc.	Vehicle title loan		
					2011 - 2013	Branch Administration – Khonkaen District Manager	Muangthai Leasing Co.,Ltd.	Vehicle title loan		
					2006 - 2010	Branch Manager – Ayudhya Branch Manager – Pichit	Muangthai Leasing Co.,Ltd.	Vehicle title loan		
Mr. Pradit Thongkhum Assistant Manager – Branch Administration	55	Bachelor of Education Uttaradit Rajabhat University	0.009	–	2018 - Present	Assistant Manager – Branch Administration	Muangthai Capital Plc.	Vehicle title loan		
					2014 -2018	– Lampang District Assistant Manager – Branch Administration	Muangthai Leasing Co.,Ltd.	Vehicle title loan		
Mr. Songkarn Eiamkai Assistant Manager – Branch Administration	56	Bachelor of Education Petchabun Rajabhat University	0.002	–	2018 - Present	– Lampang District Assistant Manager – Chonburi District	Muangthai Capital Plc.	Vehicle title loan		
					2017 - 2018	– Chonburi District Assistant Manager – Branch Administration	Muangthai Leasing Plc.	Vehicle title loan		
					2014 - 2016	– Chonburi District Assistant Manager – Nakonratchasima District	Muangthai Leasing Co.,Ltd.	Vehicle title loan		

Remark: Muangthai Capital Public Campany Limited

Formerly known as "Muangthai Leasing Public Company"

## 2. Details of Company Secretary

Name-Surname/Position	Age	Education	Qualifications	Number of Shares, as of 31 December, 2018	Family Relationship with other management	Period	Position	Company/Oranization	Type of Business
Ms. Monthon Orphan Company Secretary	45	Bachelor of Management, Suan Dusit Rajabhat Uni- versity	Company Secretary Program (CSP) Class 50/2013  Effective Minute Taking (EMT 26/2013)  Anti – Corruption : The Practical Guide (ACPG) 43/2018Practical Guide (ACPG) รุ่นที่ 43/2018	-	-	2018 – Present 2013 – 2018 2011 - 2013  2005 - 2011	Company Secretary Team Head – Accounting – General Administration	Muangthai Capital Plc. Muangthai Leasing Plc. Co.,Ltd. Muangthai Leasing Co.,Ltd.	Vehicle title loan Vehicle title loan Vehicle title loan Vehicle title loan

### Roles & Responsibilities of Company Secretary

1. Supervising and providing recommendations to the Directors and Executives to conform with related law, rules and regulations of regulatory bodies and of the Company and monitoring on regular basis to ensure conformity in all aspects.
2. Arranging the Board's meetings and Shareholders' meeting and coordinating with related parties to act or response to the meeting's resolutions.
3. Supervising the disclosure of information and preparing material information report as required by the Stock Exchange of Thailand, the Securities and Exchange Commission and other related law.
4. Preparing and maintaining the following documents:
  - 4.1 A register of Directors
  - 4.2 Notice and Minutes of the Board meeting
  - 4.3 Notice and Minutes of Shareholder meeting
  - 4.4 Annual Report
  - 4.5 Director and Management's report on conflict of interest



Details of Management and Controlling person of the Company in its related companies as of 31 December 2018

Name	The Company	Related Companies																	
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
Mr. Surapong Pechaumpai	M	/																	
Mr. Surat Chayavoradech	M																		
Ms. Duangkhae Songnuy	M																		
Ms. Vimonrat Nujul	M	/																	
Mr. Somkiat Ratsamee	M																		
Mr. Amnat Niamsee	M																		
Mr. Banyat Ninsiri	M																		
Mr. Niyom Rodnoi	M																		
Mr. Pradit Thongkhum	M																		
Mr. Songkarn Eiamkai	M																		

Remark: / = Director

Related Companies:

1. Muangthai Leasing Insurance Broker Company Limited

## 13. Connected Transactions

### 13.1 Details of connected transactions

In 2018, the Company has connected transactions with connected persons as follows.

Connected Person	Nature of Relationship	Type of Transaction	Value (Million baht)	Necessity and Reasonableness of the transaction
		Year 2017	Year 2018	
Mr. Chuchat Petaumpai	<ul style="list-style-type: none"> <li>- Mr.Chuchat Petaumpai is Chairman of the Executive committee and holding 1,430,056,400 shares (including the spouse's holding) equaling to 67.45% of fully paid-up share capital as at 4 December 2018</li> <li>- Spouse of Mrs.Daonapa Petaumpai</li> </ul>	<ul style="list-style-type: none"> <li>1. Building rental</li> </ul>	<ul style="list-style-type: none"> <li>2.58</li> </ul>	<ul style="list-style-type: none"> <li>2.54</li> </ul> <p>The Company rented 8 shophouses and warehouses from Mr. Chuchat Petaumpai to use for branch office and auction centre to operate the Company's business; No. 1 to No.7 with 3 year lease contracts starting from 1 January 2018 to 31 December 2020 and No.8 with 3 year lease contracts starting from 1 October 2016 to 30 September 2019 with following details.</p> <ol style="list-style-type: none"> <li>1. Shophouse with 4 storey 1 unit address: 230/6 Boromtaloknard Road, Naimuang, Muang, Phitsanuloke</li> <li>2. Shophouse with 3 storey 2 units address: 28/103-104 Singhawat Road, Naimuang, Muang, Phitsanuloke</li> <li>3. Shophouse with 3 storey 3 units address: 2/243-245 Srimala Road, Naimuang, Muang, Pichit</li> <li>4. Shophouse with 3 storey 2 units address: 58/38-39 Tambol Baanklang, Muang, Lampoon</li> <li>5. Shophouse with 3 storey 2 units address: 81/141-42 Mitraphab Road, Naimuang, Muang, Phitsanuloke</li> <li>6. Shophouse with 2 storey 2 units address: 187/13-14 Phrompiram-Nongtom Road, Matong, Phrompiram, Phitsanuloke</li> <li>7. Warehouse 1 unit address: 462/3 Pichaisongkram Road, Naimuang, Muang, Phitsanuloke</li> <li>8. Shophouse with 4 storey 2 units address: 462/11 Pichaisongkram Road, Naimuang, Muang, Phitsanuloke</li> </ol> <p>The rental rates are in accordance with the fair rental value provided by the American Appraisal (Thailand) Co.,Ltd, the independent appraiser approved by the Office of the Securities and Exchange Commission. The valuation is for public objectives.</p>



Connected Person	Nature of Relationship	Type of Transaction	Value (Million baht)		Necessity and Reasonableness of the transaction
			Year 2017	Year 2018	
					The Audit Committee considered and viewed that the Company rental of shophouses and warehouses from Mr.Chuchat Petaumpai is the transaction that is beneficial for the Company and the rental fee is in accordance with the fair rental value provided by the independent appraiser approved by the Office of the Securities and Exchange Commission so it is considered an appropriate and fair price.
Mrs. Daonapa Petampai	- Mrs. Daonapa Petampai is the Company's Managing Director and holding 1,430,056,400 shares (including the spouse's holding) equaling to 67.45% of fully paid-up share capital as at 4 December 2018 - Spouse of Mr. Chuchat Petaumpai	2. Guarantor of leasing contract Credit facility Balance	1.89 0.08	- -	Mr.Chuchat Petaumpai entered into the contract as a guarantor for the Company to get credit facilities from the leasing company without charging for any guarantee fee from the Company. The Audit Committee considered and viewed that the guarantor contract of Mr.Chuchat Petaumpai arose from the Company's necessity to use the leasing contract for its business operation and for the benefit of the Company.

Connected Person	Nature of Relationship	Type of Transaction	Value (Million baht)		Necessity and Reasonableness of the transaction
			Year 2017	Year 2018	
					The Audit Committee considered and viewed that the Company rental of building and shophouses from Mrs.Daonapa Petampai is in accordance with the fair rental value provided by the independent appraiser approved by the Office of the Securities and Exchange Commission and the same market price as rental from external party so they are considered as appropriate and fair prices.
		2. Guarantor of leasing contract	1.89	-	Mrs. Daonapa Petampai entered into the contract as a guarantor for the Company to get credit facilities from the leasing company without charging for any guarantee fee from the Company.
		Credit facility	0.08	-	The Audit Committee considered and viewed that the guarantor contract of Mrs. Daonapa Petampai arose from the Company's necessity to use the leasing contract for its business operation and for the benefit of the Company.
Mr. Surapong Pechaumpai	<ul style="list-style-type: none"> <li>- Mr. Surapong Pechaumpai is a member of the Executive Committee and Deputy Managing Director</li> <li>- Brother of Mr. Chuchat Petampai</li> </ul>	Guarantor of leasing contract Credit facility Balance	12.69 3.30	6.74 0.62	Mr. Surapong Pechaumpai entered into the contract as a guarantor for the Company to get credit facilities from the leasing company without charging for any guarantee fee from the Company. The Audit Committee considered and viewed that the guarantor contracts of Mr. Surapong Pechaumpai arose from the Company's necessity to use the leasing contracts for its business operation and for the benefit of the Company.
Mr.Wasin Dejkitvirkrom	<ul style="list-style-type: none"> <li>- Brother of Mrs. Daonapa Petampai</li> <li>- Holding 14,810,600 shares equaling to 0.69% of fully paid-up share capital as of 4 December 2018</li> </ul>	Agency commission	1.40	1.68	<p>The Company paid agency commission to Mr. Wasin Dejkitvirkrom based on the amount of monthly loan release and the pre-defined commission structure.</p> <p>The Audit Committee considered and viewed that the transaction incurred as normal business practice in order to provide more channels to service the Company's customers. The commission rate paid to Mr. Wasin Dejkitvirkrom was appropriate as it was the same rate paid to other agents. However, the Company does not have a policy to recruit more agents in the future.</p>
Ms. Vimonrat Nujul	<ul style="list-style-type: none"> <li>- Ms. Vimonrat Nujul is Executive and Accounting Manager</li> </ul>	Guarantor of leasing contract Credit facility Balance	46.02 28.59	30.54 8.79	Ms. Vimonrat Nujul entered into the contract as a guarantor for the Company to get credit facilities from the leasing company without charging for any guarantee fee from the Company. The Audit Committee considered and viewed that the guarantor contracts of Ms. Vimonrat Nujul arose from the Company's necessity to use the leasing contracts for its business operation and for the benefit of the Company.



Connected Person	Nature of Relationship	Type of Transaction	Value (Million baht)		Necessity and Reasonableness of the transaction
			Year 2017	Year 2018	
The Company's executives - Mr. Banyat Ninsiri - Mr. Niyom Rodnoi - Mr. Amnat Niamsree	Assistant Manager - Branch Administration - Suratthani District Assistant Manager - Branch Administration - Bangkok District Deputy Manager - Branch Administration - Nakhonsawan District	Loan to executives Brought forward add loan during the period less payment during the period Balance at the end of period Interest	0.11 0.30 (0.33) 0.08 0.005	0.08 0.25 (0.28) 0.05 0.006	In 2017 and 2018, the Company provided loans for executives with the annual interest rate of 8.00%. The Audit Committee considered and viewed that it is appropriate for the Company to provide loans for its executives since it is one of employee benefits. The conditions applied for executives are the same as other employees.

#### The Audit Committee's opinion

Resolution of the Board of Directors meeting no 1/2019 dated 26 February 2019 which the Audit Committee who were all independent directors agreed that the connected transactions were a necessity for business operations in general. Conditions of all connected transactions were in accordance with market price, contractual price and agreed price, which were reasonable and appropriate for normal business practice.

### **13.2 Criteria or Procedure for Approval of Connected Transactions**

Connected transactions shall be proposed to the Audit Committee and/or the independent directors to consider and provide opinion that such transactions are in accordance with normal business practices and should be incurred for the best interest of the Company.

### **13.3 Policy and Future Trends of Connected Transactions**

The Company and/or its subsidiary may continually incur connected transactions in the future which are normal business practices and has a clear policy for connected transactions based on normal pricing and terms which the Company offers to other person and/or non-related company.

For the connected transactions which do not follow normal business practice and might incurred in the future, the Company requires that the Audit Committee shall review the transaction against the regulations and indicate the reason of the transaction before the Company incurring the transaction by following the above mentioned Criteria and procedure for approval of connected transactions. However, for the transactions that may cause conflict of interest in the future, the Board of directors will comply with the Securities and Exchange Act, regulations, notifications, announcements or rules of the Capital Market Supervisory Board and the Stock Exchange of Thailand as well as the regulations regarding of connected transactions and the acquisition and disposal of assets of the Company and its subsidiary, and will follow the accounting standards defined by the Federation of Accounting Professions (FAP).

## 14. Key Financial Information

### 14.1 Summary of Auditor's Report

Year	Auditor's name	Certified Public Accountant Registration No	Auditor's Office	Summary of auditor's report
2018	Ms. Somjai Khunnapasut	4499	EY Office Limited	The auditor expressed an unqualified opinion that the financial statements referred to above present fairly, in all material respects, the financial position of the Company and its subsidiary and separately of the Company as at 31 December 2018, and their financial performance and cash flows for the year then ended, in accordance with Thai Financial Reporting Standards.
2017	Ms. Somjai Khunnapasut	4499	EY Office Limited	The auditor expressed an unqualified opinion that the financial statements referred to above present fairly, in all material respects, the financial position of the Company and its subsidiary and separately of the Company as at 31 December 2017, and their financial performance and cash flows for the year then ended, in accordance with Thai Financial Reporting Standards.
2016	Ms. Somjai Khunnapasut	4499	EY Office Limited	The auditor expressed an unqualified opinion that the financial statements referred to above present fairly, in all material respects, the financial position of the Company and its subsidiary and separately of the Company as at 31 December 2016, and their financial performance and cash flows for the year then ended, in accordance with Thai Financial Reporting Standards.

### 14.2 Summary of the Company's Financial Information

Table depicting separate financial statements of the Company

Statements of financial position	2018		2017		2016	
	Million baht	Per cent	Million baht	Per cent	Million baht	Per cent
<b>Assets</b>						
<b>Current assets</b>						
Cash and cash equivalents	856.98	1.75	1,136.85	3.08	527.62	2.16
Current portion of loan receivables	28,604.95	58.24	21,987.89	59.53	15,363.88	62.94
Other receivables – subsidiary	2.83	0.01	2.94	0.01	3.19	0.01
Short-term loans	57.30	0.12	39.71	0.11	27.47	0.11
Other current assets	133.61	0.27	125.58	0.34	63.56	0.26
<b>Total current assets</b>	<b>29,655.67</b>	<b>60.39</b>	<b>23,292.97</b>	<b>63.07</b>	<b>15,985.72</b>	<b>65.48</b>
<b>Non-current assets</b>						
Loan receivables – net of current portion	17,943.37	36.53	12,463.70	33.75	7,531.72	30.86
Investments in subsidiary	2.00	0.00	2.00	0.01	2.00	0.01
Land, buildings and equipment	1,268.50	2.58	1,022.03	2.77	772.43	3.16
Intangible assets	25.76	0.05	25.92	0.07	21.59	0.09
Deferred tax assets	97.78	0.20	12.63	0.03	-	-
Other non-current assets	125.16	0.25	112.59	0.30	98.20	0.40
<b>Total non-current assets</b>	<b>19,462.57</b>	<b>39.61</b>	<b>13,638.87</b>	<b>36.93</b>	<b>8,425.94</b>	<b>34.52</b>
<b>Total assets</b>	<b>49,118.24</b>	<b>100.00</b>	<b>36,931.84</b>	<b>100.00</b>	<b>24,411.66</b>	<b>100.00</b>

Statements of financial position	2018		2017		2016	
	Million baht	Per cent	Million baht	Per cent	Million baht	Per cent
<b>Liabilities and shareholders' equity</b>						
<b>Current liabilities</b>						
Short-term loans from financial institutions	4,775.28	9.72	6,621.68	17.93	9,725.77	39.84
Short-term loans	-	-	99.73	0.27	562.19	2.30
Derivative liabilities	22.88	0.05	63.62	0.17	-	-
Other payables	651.08	1.33	431.05	1.17	224.37	0.92
Current portion of long-term loans	2,849.40	5.80	2,744.96	7.43	2,097.83	8.59
Current portion of long-term debentures	3,397.03	6.92	998.23	2.70	250.00	1.02
Current portion of liabilities under hire purchase payable	19.99	0.04	17.05	0.05	13.93	0.06
Income tax payable	577.90	1.17	337.90	0.92	203.46	0.83
Other current liabilities	54.02	0.11	38.38	0.11	26.58	0.11
<b>Total current liabilities</b>	<b>12,347.58</b>	<b>25.14</b>	<b>11,352.60</b>	<b>30.75</b>	<b>13,104.13</b>	<b>53.67</b>
<b>Non-current liabilities</b>						
Long-term loans	4,845.33	9.86	3,182.47	8.62	2,498.88	10.24
– net of current portion						
Long-term debentures	19,592.50	39.89	13,410.83	36.31	2,076.32	8.51
– net of current portion						
Liabilities under hire purchase payable	25.16	0.05	25.31	0.07	23.43	0.10
- net of current portion						
Deferred tax liabilities	-	-	-	-	7.89	0.03
Provision for long-term employee benefits	38.72	0.08	41.37	0.11	26.95	0.11
<b>Total non-current liabilities</b>	<b>24,501.72</b>	<b>49.88</b>	<b>16,659.98</b>	<b>45.11</b>	<b>4,633.47</b>	<b>18.99</b>
<b>Total liabilities</b>	<b>36,849.30</b>	<b>75.02</b>	<b>28,012.58</b>	<b>75.86</b>	<b>17,737.60</b>	<b>72.66</b>
<b>Shareholders' equity</b>						
<b>Share capital</b>						
Registered capital	2,120.00		2,120.00		2,120.00	
Issued and fully paid-up capital	2,120.00	4.32	2,120.00	5.74	2,120.00	8.68
Share premium	2,379.84	4.85	2,379.84	6.44	2,379.84	9.75
Retained earnings						
Appropriated – statutory reserve	212.00	0.43	212.00	0.57	184.40	0.76
Unappropriated	7,571.38	15.41	4,237.33	11.47	1,989.82	8.15
Other component of shareholders' equity	(14.28)	(0.03)	(29.91)	(0.08)	-	-
<b>Total shareholders' equity</b>	<b>12,268.94</b>	<b>24.98</b>	<b>8,919.26</b>	<b>24.14</b>	<b>6,674.06</b>	<b>27.34</b>
<b>Total liabilities and shareholders' equity</b>	<b>49,118.24</b>	<b>100.00</b>	<b>36,931.84</b>	<b>100.00</b>	<b>24,411.66</b>	<b>100.00</b>



Statements of comprehensive income	2018		2017		2016	
	Million baht	Per cent	Million baht	Per cent	Million baht	Per cent
<b>Revenues</b>						
Interest and fee income from loan receivables	9,544.31	91.72	6,794.92	91.08	4,019.34	90.05
Fee and service income	758.50	7.29	609.80	8.17	409.01	9.16
Other income	102.50	0.99	55.92	0.75	35.36	0.79
<b>Total revenues</b>	<b>10,405.31</b>	<b>100.00</b>	<b>7,460.64</b>	<b>100.00</b>	<b>4,463.71</b>	<b>100.00</b>
<b>Expenses</b>						
Selling and administrative expenses	4,096.90	39.37	2,985.94	40.02	1,983.65	44.44
Loss on disposals of assets foreclosed	2.79	0.03	23.64	0.32	15.25	0.34
Bad debts and doubtful accounts	586.21	5.63	679.41	9.11	331.73	7.43
<b>Total expenses</b>	<b>4,685.90</b>	<b>45.03</b>	<b>3,688.99</b>	<b>49.45</b>	<b>2,330.63</b>	<b>52.21</b>
<b>Profit before finance cost and income tax expenses</b>	<b>5,719.41</b>	<b>54.97</b>	<b>3,771.65</b>	<b>50.55</b>	<b>2,133.08</b>	<b>47.79</b>
Finance cost	1,100.27	10.57	673.10	9.02	328.03	7.35
<b>Profit before income tax expenses</b>	<b>4,619.14</b>	<b>44.40</b>	<b>3,098.55</b>	<b>41.53</b>	<b>1,805.05</b>	<b>40.44</b>
Income tax expenses	911.82	8.76	603.80	8.09	348.27	7.80
<b>Profit for the year</b>	<b>3,707.32</b>	<b>35.64</b>	<b>2,494.75</b>	<b>33.44</b>	<b>1,456.78</b>	<b>32.64</b>
Other comprehensive income						
Other comprehensive income to be reclassified to profit or loss in subsequent periods						
Unrealised gain (loss) from cash flow hedges	19.54	0.19	(37.39)	(0.50)	-	-
Income tax relating to cash flow hedges	(3.91)	(0.04)	7.48	0.10	-	-
Other comprehensive income to be reclassified to profit or loss in subsequent periods - net of income tax	15.63	0.15	(29.91)	(0.40)	-	-
Other comprehensive income not to be reclassified to profit or loss in subsequent periods						
Actuarial gain (loss) on defined benefit plan	10.41	0.10	(9.56)	(0.13)	-	-
Income tax relating to defined benefit plan	(2.08)	(0.02)	1.91	0.03	-	-
Other comprehensive income not to be reclassified to profit or loss in subsequent periods - net of income tax	8.33	0.08	(7.65)	(0.10)	-	-
<b>Other comprehensive income for the year (loss)</b>	<b>23.96</b>	<b>0.23</b>	<b>(37.56)</b>	<b>(0.50)</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income for the year</b>	<b>3,731.28</b>	<b>35.87</b>	<b>2,457.19</b>	<b>32.94</b>	<b>1,456.78</b>	<b>32.64</b>

Statements of cash flow (unit : million baht)	2018	2017	2016
<b>Cash flows from operating activities</b>			
Profit before income tax	4,619.15	3,098.55	1,805.05
Adjustments to reconcile profit before income tax to net cash provided by (paid from) operating activities:			
Depreciation and amortisation	217.95	153.42	90.81
Bad debts and doubtful accounts	586.21	679.41	331.73
Impairment loss on assets foreclosed (reversal)	(5.90)	9.50	2.50
Gain on disposals of loan receivables	(19.42)	(5.96)	-
Loss on disposals of equipment	3.35	1.40	1.38
Provision for long-term employee benefits	7.96	5.05	4.03
Unrealised loss (gain) from valuation of derivatives	(21.20)	26.23	-
Interest and fee income from loan receivables	(9,544.31)	(6,794.92)	(4,019.34)
Other interest income	(5.99)	(4.30)	(2.91)
Finance cost	1,100.27	673.10	328.03
Loss from operating activities before changes in operating assets and liabilities	(3,061.94)	(2,158.52)	(1,458.72)
Decrease (increase) in operating assets			
Loan receivables	(12,586.15)	(11,995.40)	(10,724.73)
Other receivables - subsidiary	0.11	0.25	(1.93)
Short-term loans	(17.59)	(12.24)	(12.19)
Other current assets	(2.12)	(71.53)	(27.90)
Other non-current assets	(12.57)	(18.22)	(44.94)
Increase (decrease) in operating liabilities			
Other payables	104.75	90.01	81.99
Other current liabilities	15.64	11.80	5.88
Provision for long-term employee benefits	(0.20)	(0.2)	-
Cash used in operating activities	(15,560.07)	(14,154.05)	(12,182.54)
Cash received from interest and fee from loan receivables	9,472.93	6,565.19	3,814.28
Cash paid for income tax	(762.98)	(480.49)	(246.83)
<b>Net cash flows used in operating activities</b>	<b>(6,850.11)</b>	<b>(8,069.35)</b>	<b>(8,615.09)</b>



Statements of cash flow (unit : million baht)	2018	2017	2016
<b>Cash flows from investing activities</b>			
Cash paid for acquisitions of land, building and equipment	(470.88)	(400.69)	(348.66)
Proceeds from disposals of equipment	5.06	4.07	3.28
Cash paid for acquisitions of intangible assets	(5.09)	(4.32)	(17.87)
<b>Net cash flows used in investing activities</b>	<b>(470.91)</b>	<b>(400.94)</b>	<b>(363.25)</b>
<b>Cash flows from financing activities</b>			
Decrease in short-term loans	(1,910.13)	(3,204.80)	6,742.41
Decrease in short-term loans	(102.12)	(471.85)	222.97
Cash receipt from long-term loans	4,850.00	3,500.00	1,500.00
Repayment of long-term loans	(3,083.33)	(2,162.50)	(564.72)
Cash receipt from debenture issuance	8,610.00	12,103.00	2,073.63
Increase in liabilities under hire purchase payable	2.79	4.99	7.69
Cash paid on interest	(944.46)	(477.33)	(196.61)
Cash paid for dividends	(381.60)	(212.00)	(424.00)
<b>Net cash flows from financing activities</b>	<b>7,041.16</b>	<b>9,079.51</b>	<b>9,361.37</b>
Net increase (decrease) in cash and cash equivalents	(279.87)	609.22	383.03
Cash and cash equivalents at beginning of year	1,136.85	527.63	144.60
Cash and cash equivalents at end of year	856.98	1,136.85	527.63

Table depicting consolidated financial statements of the Company and its subsidiary

Statements of financial position	2018		2017		2016	
	Million baht	Per cent	Million baht	Per cent	Million baht	Per cent
<b>Assets</b>						
<b>Current assets</b>						
Cash and cash equivalents	880.16	1.79	1,153.71	3.12	539.29	2.21
Current portion of loan receivables	28,604.95	58.20	21,987.89	59.50	15,363.88	62.90
Short-term loans	57.30	0.12	39.71	0.11	27.47	0.11
Other current assets	134.10	0.27	126.79	0.34	64.94	0.27
<b>Total current assets</b>	<b>29,676.51</b>	<b>60.38</b>	<b>23,308.10</b>	<b>63.07</b>	<b>15,995.58</b>	<b>65.49</b>
<b>Non-current assets</b>						
Restricted bank deposits	8.00	0.02	7.00	0.02	5.00	0.02
Long-term investment - bank deposit	1.00	0.00	1.00	0.00	1.00	0.00
Loan receivables	17,943.37	36.51	12,463.70	33.73	7,531.72	30.84
- net of current portion Investments in subsidiary						
Land, buildings and equipment	1,268.50	2.58	1,022.05	2.77	772.46	3.16
Intangible assets	25.76	0.05	25.92	0.07	21.59	0.09
Deferred tax assets	97.81	0.20	12.65	0.03	0.02	0.00
Other non-current assets	125.16	0.25	112.59	0.31	98.20	0.40
<b>Total non-current assets</b>	<b>19,469.60</b>	<b>39.62</b>	<b>13,644.91</b>	<b>36.93</b>	<b>8,429.99</b>	<b>34.51</b>
<b>Total assets</b>	<b>49,146.11</b>	<b>100.00</b>	<b>36,953.01</b>	<b>100.00</b>	<b>24,425.57</b>	<b>100.00</b>

Statements of financial position	2018		2017		2016	
	Million baht	Per cent	Million baht	Per cent	Million baht	Per cent
<b>Liabilities and shareholders' equity</b>						
<b>Current liabilities</b>						
Short-term loans from financial institutions	4,775.28	9.72	6,621.68	17.92	9,725.77	39.82
Short-term loans	-	-	99.73	0.27	562.19	2.30
Derivative liabilities	22.88	0.05	63.62	0.17	-	-
Other payables	659.32	1.34	438.69	1.19	228.53	0.94
Current portion of long-term loans	2,849.40	5.80	2,744.96	7.43	2,097.82	8.59
Current portion of long-term debentures	3,397.03	6.91	998.23	2.70	250.00	1.02
Current portion of liabilities under hire purchase payable	19.99	0.04	17.05	0.05	13.93	0.06
Income tax payable	578.28	1.18	338.00	0.91	203.46	0.83
Other current liabilities	43.03	0.09	27.66	0.08	18.03	0.07
<b>Total current liabilities</b>	<b>12,345.21</b>	<b>25.12</b>	<b>11,349.62</b>	<b>30.72</b>	<b>13,099.73</b>	<b>53.63</b>
<b>Non-current liabilities</b>						
Long-term loans - net of current portion	4,845.33	9.86	3,182.47	8.61	2,498.88	10.23
Long-term debentures - net of current portion	19,592.51	39.87	13,410.83	36.29	2,076.31	8.50
Liabilities under hire purchase payable - net of current portion	25.16	0.05	25.31	0.07	23.43	0.10
Deferred tax liabilities	-	-	-	-	7.89	0.03
Provision for long-term employee benefits	38.83	0.08	41.47	0.11	27.05	0.11
<b>Total non-current liabilities</b>	<b>24,501.83</b>	<b>49.86</b>	<b>16,660.08</b>	<b>45.08</b>	<b>4,633.56</b>	<b>18.97</b>
<b>Total liabilities</b>	<b>36,847.04</b>	<b>74.97</b>	<b>28,009.70</b>	<b>75.80</b>	<b>17,733.29</b>	<b>72.60</b>
Shareholders' equity						
Share capital						
Registered capital	2,120.00		2,120.00		2,120.00	
Issued and fully paid-up capital	2,120.00	4.31	2,120.00	5.74	2,120.00	8.68
Share premium	2,379.84	4.84	2,379.84	6.44	2,379.84	9.75
Retained earnings						
Appropriated – statutory reserve	212.00	0.43	212.00	0.57	184.40	0.75
Unappropriated	7,601.50	15.47	4,261.38	11.53	2,008.04	8.22
Other components of shareholders' equity	(14.28)	(0.03)	(29.91)	(0.08)	-	-
<b>Total shareholders' equity</b>	<b>12,299.07</b>	<b>25.03</b>	<b>8,943.31</b>	<b>24.20</b>	<b>6,692.28</b>	<b>27.40</b>
<b>Total liabilities and shareholders' equity</b>	<b>49,146.11</b>	<b>100.00</b>	<b>36,953.01</b>	<b>100.00</b>	<b>24,425.57</b>	<b>100.00</b>



Statements of comprehensive income	2018		2017		2016	
	Million baht	Per cent	Million baht	Per cent	Million baht	Per cent
<b>Revenues</b>						
Interest and fee income from loans receivables	9,544.31	91.63	6,794.92	90.95	4,019.34	89.88
Fee and service income	796.38	7.64	642.03	8.59	436.07	9.75
Other income	75.77	0.73	34.04	0.46	16.59	0.37
<b>Total revenues</b>	<b>10,416.46</b>	<b>100.00</b>	<b>7,470.99</b>	<b>100.00</b>	<b>4,472.00</b>	<b>100.00</b>
<b>Expenses</b>						
Selling and administrative expenses	4,100.46	39.37	2,988.93	40.01	1,984.59	44.38
Loss on disposals of assets foreclosed	2.79	0.03	23.64	0.32	15.25	0.34
Bad debts and doubtful accounts	586.21	5.63	679.40	9.09	331.73	7.42
<b>Total expenses</b>	<b>4,689.46</b>	<b>45.03</b>	<b>3,691.97</b>	<b>49.42</b>	<b>2,331.57</b>	<b>52.14</b>
Profit before finance cost and income tax expenses	5,727.00	54.97	3,779.02	50.58	2,140.43	47.86
Finance cost	1,100.27	10.57	673.10	9.01	328.03	7.34
<b>Profit before income tax expenses</b>	<b>4,626.73</b>	<b>44.40</b>	<b>3,105.92</b>	<b>41.57</b>	<b>1,812.40</b>	<b>40.53</b>
Income tax expenses	913.34	8.76	605.32	8.10	348.26	7.79
<b>Profit for the year</b>	<b>3,713.39</b>	<b>35.64</b>	<b>2,500.60</b>	<b>33.47</b>	<b>1,464.14</b>	<b>32.74</b>
<b>Other comprehensive income:</b>						
Other comprehensive income to be reclassified to profit or loss in subsequent periods						
Unrealised gain (loss) from cash flow hedges	19.54	0.19	(37.39)	(0.50)	-	-
Income tax relating to cash flow hedges	(3.91)	(0.04)	7.48	0.10	-	-
Other comprehensive income to be reclassified to profit or loss in subsequent periods						
- net of income tax	15.63	0.15	(29.91)	(0.40)	-	-
Other comprehensive income not to be reclassified to profit or loss in subsequent periods						
Actuarial gain (loss) on defined benefit plan	10.41	0.10	(9.56)	(0.13)	-	-
Income tax relating to defined benefit plan	(2.08)	(0.02)	1.91	0.03	-	-
Other comprehensive income not to be reclassified to profit or loss in subsequent periods						
- net of income tax	8.33	0.08	(7.65)	(0.10)	-	-
<b>Other comprehensive income for the year (loss)</b>	<b>23.96</b>	<b>0.23</b>	<b>(37.56)</b>	<b>(0.50)</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income for the year</b>	<b>3,737.35</b>	<b>35.87</b>	<b>2,463.04</b>	<b>32.97</b>	<b>1,464.14</b>	<b>32.74</b>

Statements of cash flow (Unit: Million Baht)	2018	2017	2016
<b>Cash flows from operating activities</b>			
Profit before income tax	4,626.73	3,105.92	1,812.40
Adjustments to reconcile profit before income tax to net cash provided by (paid from) operating activities:			
Depreciation and amortisation	217.97	153.43	90.82
Bad debts and doubtful accounts	586.21	679.41	331.73
Impairment loss on assets foreclosed (reversal)	(5.90)	9.50	2.50
Gain on disposals of loan receivables	(19.42)	(5.96)	-
Loss on disposals of equipment	3.35	1.40	1.39
Provision for long-term employee benefits	7.97	5.05	4.05
Unrealised loss (gain) from valuation of derivatives	(21.20)	26.23	-
Interest and fee income from loan receivables	(9,544.31)	(6,794.92)	(4,019.34)
Other interest income	(6.19)	(4.46)	(3.01)
Finance cost	1,100.27	673.10	328.03
Loss from operating activities before changes in operating assets and liabilities	(3,054.53)	(2,151.30)	(1,451.43)
Decrease (increase) in operating assets			
Loan receivables	(12,586.15)	(11,995.40)	(10,724.73)
Short-term loans	(17.59)	(12.24)	(12.19)
Other current assets	(2.20)	(71.54)	(28.03)
Other non-current assets	(12.57)	(18.22)	(44.94)
Increase (decrease) in operating liabilities			
Other payables	105.36	93.49	81.26
Other current liabilities	15.37	9.64	3.94
Provision for long-term employee benefits	(0.20)	(0.2)	-
Cash used in operating activities	(15,552.50)	(14,145.77)	(12,176.12)
Cash received from interest and fee income from loan receivables	9,473.12	6,565.33	3,814.36
Cash paid for income tax	(763.41)	(481.71)	(247.64)
<b>Net cash flows used in operating activities</b>	<b>(6,842.79)</b>	<b>(8,062.15)</b>	<b>(8,609.40)</b>
<b>Cash flows from investing activities</b>			
Increase in restricted bank deposits	(1.00)	(2.00)	(2.00)
Cash paid for acquisitions of land, building and equipment	(470.88)	(400.69)	(348.66)
Proceeds from disposals of equipment	5.06	4.07	3.28
<b>Cash paid for acquisitions of intangible assets</b>	<b>(5.09)</b>	<b>(4.32)</b>	<b>(17.87)</b>
<b>Net cash flows used in investing activities</b>	<b>(471.91)</b>	<b>(402.94)</b>	<b>(365.25)</b>



Statements of cash flow	2018	2017	2016
(Unit: Million Baht)			
<b>Cash flows from financing activities</b>			
Decrease in short-term loans from financial institutions	(1,910.13)	(3,204.80)	6,742.41
Decrease in short-term loans	(102.11)	(471.85)	222.97
Cash receipt from long-term loans	4,850.00	3,500.00	1,500.00
Repayment of long-term loans	(3,083.33)	(2,162.50)	(564.72)
Cash receipt from debenture issuance	8,610.00	12,103.00	2,073.63
Increase in liabilities under hire purchase payable	2.79	4.99	7.69
Cash paid on interest	(944.46)	(477.33)	(196.61)
Cash paid for dividends	(381.60)	(212.00)	(424.00)
<b>Net cash flows from financing activities</b>	<b>7,041.16</b>	<b>9,079.51</b>	<b>9,361.37</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(273.55)</b>	<b>614.42</b>	<b>386.72</b>
Cash and cash equivalents at beginning of year	1,153.71	539.29	152.57
<b>Cash and cash equivalents at end of year</b>	<b>880.16</b>	<b>1,153.71</b>	<b>539.29</b>

#### 14.3 Important Financial Ratio (Consolidated financial statements)

Item	2018	2017	2016
<b>Profitability Ratio</b>			
Interest Income Ratio (1) (%)	23.57%	23.70%	22.84%
Interest Expense Ratio (2) (%)	3.51%	3.04%	2.73%
Interest Spread (%)	20.06%	20.66%	20.11%
Net Profit Margin (%)	35.65%	33.47%	32.74%
Return on Average Shareholders' Equity (%)	34.96%	31.99%	23.72%
<b>Efficiency Ratio</b>			
Net Interest Income to Total Assets (%)	19.61%	19.95%	19.68%
Return on Average Assets (%)	8.63%	8.15%	7.81%
Total Asset Turnover (times)	0.24	0.24	0.24
<b>Financial Ratio</b>			
Debt to Equity Ratio (times)	3.00	3.13	2.65
Total Loans to Total Borrowing (times)	1.31	1.27	1.33
Dividend Payout Ratio (%)	14.84%	15.26%	14.48%
<b>Asset Quality Ratio</b>			
Allowance for Doubtful Account to Total Loans (%)	3.12%	3.29%	2.74%
Bad Debt and Doubtful Account to Total Loans (%)	0.03%	0.04%	0.09%
Non-Performing Loan to Total Loans (%)	1.12%	1.24%	1.07%

Remark :

- (1) Interest income Ratio calculated from total of interest and fee income divided by average loan receivables.
- (2) Interest Expense Ratio calculated from finance cost divided by average interest bearing debt.

## 15. Management discussion and analysis

### 15.1 Overview of the operating performance

The Company started its business from hire purchase loans for all brand new and used motorcycles through its dealers in Phisanulok and other provinces in the lower northern region. The target customers were people with daily or monthly regular incomes, agriculturists, and self-employed individuals.

After that, the Company extended its product lines by offering a vehicle title loan to a customer with complete payment of his or her loan amount. In addition, the Company further extended its product lines by introducing an automobile title loan and an agricultural vehicle title loan to serve different groups of customers.

In 2001, the Company discontinued the hire purchase loan, due to a highly-competitive market in which many motorcycle manufacturers and dealers started offering a hire purchase loan for their own customers.

In 2006, the Company foresaw an opportunity to expand its business to a microfinance. Under the supervision of Bank of Thailand, the Company submitted an application to launch its microfinance business, and the Company received a license certificate from the Ministry of Finance on 31 August 2006. Since then, the Company has provided microfinance services through its own branches.

In 2011, the Company invested in Muangthai Leasing Insurance Broker Company, the insurance broker, buying 99.99% of its total paid-up capital, with the objective to provide additional services to the Company's loan customers.

The Company also gives importance to provide service excellence to its customers, as mentioned in its slogan, “Intimate services like closed family members.” Their excellent service has built trust among its customers, who continue to apply for credits.

### 15.2 Analysis of operating performance

#### 15.2.1 Revenue

The total revenue of the Company and its subsidiary in 2016 was 4,472.00 million baht, and 7,470.99 million baht in 2017. The growth rate was equivalent to 67.06%. In 2018, the total revenue of the Company was 10,416.46 million baht, increasing from the previous year by 2,945.47 million baht. This growth rate shared 39.43% of the total revenue, including interest and fee income from loan receivables, fee and service income, and other incomes as detailed in the table below.

Revenues	2016		2017		2018	
	Million baht	Per cent	Million baht	Per cent	Million baht	Per cent
Interest and fee income from loan receivables	4,019.34	89.88	6,794.92	90.95	9,544.31	91.63
Fee and service income	409.01	9.15	609.80	8.16	758.50	7.28
Insurance commission income*	27.06	0.60	32.23	0.43	37.88	0.36
Other income	16.59	0.37	34.04	0.46	75.77	0.73
<b>Total revenues</b>	<b>4,472.00</b>	<b>100.00</b>	<b>7,470.99</b>	<b>100.00</b>	<b>10,416.46</b>	<b>100.00</b>

Remark: Brokerage fee is a type of income from MLTI revenue, the subsidiary of the Company.



#### Interest and fee income from loan receivables

Interest and fee income from loan receivables is the main income of the Company and its subsidiary, roughly 89-91% of the total revenue. It was reported that the interest and fee income of the Company was 4,019.34 million baht in 2016, 6,794.92 million baht in 2017, and 9,544.31 million baht in 2018, respectively, equivalent to the growth rate of 69.06% and 40.46%, respectively.

The interest and fee income from loan receivables can be divided into two main groups.

- (1) Interest and fee income from vehicle title loans and deed loans is a main service of the Company. The total income received from the vehicle and title loans was 3,772.13 million baht in 2016, 6,116.56 million baht in 2017, and 8,096.29 million baht in 2018. The growth rates were 62.15% and 32.37% respectively.
- (2) Interest and fee income from personal loans and nano-finance loans is a loan service for former vehicle title loan customers with good payment history. From 2016 to 2108, the total income from this loan service was 247.21 million baht, 678.36 million baht, and 1,448.02 million bath, respectively. The growth rate of each year was 174.40% and 113.46%, respectively.

Vehicle title loans and deed loans				
	2016	2017	2018	Growth rate 2017-2018 (%)
Interest and fee income from loan receivables— vehicle title loan and deed loan (million baht)	3,772.13	6,116.56	8,096.29	32.37
Total income from vehicle title loans and deed loans (million baht)	35,208.43	51,097.36	67,753.85	32.60
Total loan receivables from vehicle title loans and deed loans (million baht)	22,053.31	31,765.41	40,906.34	28.78
Number of loan agreements	1,569,471	2,060,981	1,714,648	(16.80)

Personal loans and nano-finance loans				
	2016	2017	2018	Growth rate 2017-2018 (%)
Interest and fee income from personal loans and nano-finance loans (million baht)	247.21	678.36	1,448.02	113.46
Total income from personal loans and nano-finance loans (million baht)	2,508.29	6,941.37	14,222.10	104.89
Total loan receivables from personal loans and nano-finance loans (million baht)	1,487.93	3,857.16	7,141.13	85.14
Number of loan agreements	262,864	586,302	597,370	1.89

The main reason of the continuously growing interest and fee income is the expansion of the Company's branch network, from 2,424 branches in 2017 to 3,279 branches in 2018, and this also affects the increase of total loan receivables.

#### **Fee and service income**

The Company and its subsidiaries had the total fee and service income of 436.07 million baht in 2016, 642.03 million baht in 2017, and 796.38 million baht in 2018. The total revenue growth rate was 9.75%, 8.59%, and 7.64%, respectively. The revenue primarily came from fee and service income of the Company and its subsidiary, MLTI.

The Company earned 409.01 million baht of fee and service charges in 2016, 609.80 million baht in 2017, and 758.50 million baht in 2018, respectively. The total growth rate was 49.09% and 24.38%, respectively. The main income was from late payment fees and collection fees in which the Company charged customers who defaulted on their loan repayments. The customers were also charged at a flat rate for each call. The collection fee rate depended on a type of loans and was expected to rise in the same direction with the increase of the loans.

The Company also received brokerage fee from MTI, a non-life insurance broker. In 2016, the Company earned 27.06 million baht on selling insurance products, 32.23 million baht in 2017, and 37.88 million baht in 2018, respectively. MTI operates its business by offering its insurance products only to customers at the Company's branches and centres. Accordingly, the increase of brokerage income is in line with the growth of total loans.

#### **15.2.2 Operating Expense**

Operating Expense	2016		2017		2018	
	Million baht	Per cent	Million baht	Per cent	Million baht	Per cent
Selling and administrative expenses	1,984.59	74.62	2,988.93	68.47	4,100.46	70.82
Loss on disposals of assets foreclosed	15.25	0.57	23.64	0.54	2.79	0.05
Bad debts and doubtful accounts	331.73	12.47	679.40	15.56	586.21	10.13
Finance cost	328.03	12.34	673.10	15.42	1,100.26	19.00
<b>Total expenses</b>	<b>2,659.60</b>	<b>100.00</b>	<b>4,365.07</b>	<b>100.00</b>	<b>5,789.72</b>	<b>100.00</b>
Percentage of total income earned		59.47		58.43		55.58

The Company and its subsidiary had total administrative expenses of 2,659.60 million baht in 2016, 4,365.07 million baht in 2017, and 5,789.72 million baht in 2018, equaling 59.47%, 58.43% and 55.58% of its total income. The total expenses include service and administrative expenses, losses from disposals of properties foreclosed, bad debts and doubtful debts, and financial cost. The details of each is explained below.

#### **Service and administrative expenses**

Service and administrative expenses are the major expenses for the Company's business operations, which are equivalent to 68-75% of the total expenses. During 2016-2018, the service and administrative expenses of the Company and its subsidiaries were 1,984.59 million baht, 2,988.93 million baht, and 4,100.46 million baht, respectively, and when compared to the total income, they were equal to 44.38%, 40.01%, and 39.36%, respectively.



Key service and administrative expenses include employee expenses such as remuneration, higher duties allowance, bonus, commission and other fringe benefits, and these cover 53-55% of the total service and administrative expenses. The Company and its subsidiaries spend 1,097.01 million baht as employee expenses in 2016, 1,591.99 million baht in 2017, and 2,228.01 million baht in 2018. It is significantly shown that the service and administrative expenses have been increasing yearly. This is because of the Company's policy on the expansion of new branches throughout Thailand, and it affects a number of employees at the Company, increasing from 4,185 at the end of the year 2016 to 5,880 at the end of the year 2017, and 7,647 at the end of the year 2018.

Another major expense is rental and lease agreements, estimated to be roughly 14-15% of the total service and administrative expenses. The Company and its subsidiaries spent 284.89 million baht of rental and lease agreements in 2016, 427.11 million baht in 2017, and 611.76 million baht in 2018, and the expense on rental and lease agreements has increased yearly, because of the Company's expansion of its branches. To run its business, the Company signed lease agreements with external persons or persons with conflicts to rent their properties like buildings to be used as its branches. In general, the Company signed a three-year agreement and can extend the agreement for other three years. Apart from the expenses mentioned above, the other expenses spent include travel expense, depreciation, utilities, communication expense, promotion and sales campaign, etc.

#### **Bad debts and doubtful accounts**

The Company had 331.73 million baht of bad debts and doubtful accounts in 2016, 679.40 million baht in 2017, and 586.21 million baht in 2018, respectively. In 2018, the Company adopted the allowance method to estimate its doubtful accounts, based on the Company's consideration and its alignment with current business situations. The Company also considers its customers' ability to payback their loans, payment history and actual losses in the previous years. The Company makes an estimate of doubtful debt expenses that have not yet collected from debtors or customers as detailed in the table below.

Account Receivables Aging	Percentage of doubtful accounts allowance
	Since 1 January 2012 onwards
Undue account receivables and overdue less than 30 days	1%
Overdue account receivables 31-90 days	2%
Overdue account receivables over 90 days	100%
Account receivables transferred to legal department	100%

Allowance of uncollectible accounts is set as a reserve to cover future losses. The Company sets aside the allowance based on its prior loss experience. In 2016, the Company set aside the allowance for doubtful accounts of 419.28 million baht and provision of doubtful debts of 226.36 million baht. In 2017, the Company set aside the allowance for doubtful accounts of 690.16 million baht and the provision of doubtful debts of 480.82 million baht. The provision of doubtful debts helps increase the allowance of uncollectible accounts on non-performing loans. From 2016 to 2017, the ratio between the allowance of uncollectible accounts and non-performing loans was 257.35% and 265.41%, respectively.

In 2018, the Company set aside 1,499.15 million baht of allowance for doubtful accounts. Compared to 2017, the allowance increased 328.17 million baht, due to the reason that the Company expanded its credit portfolio from 35,622.57 million baht in 2017 to 48,047.47 million baht in 2018. Additionally, this loan growth increased by 12,424.90 million baht or 34.87%. There was the increase of undue account receivables and overdue account receivables (not over 30 days) from 90.77% in 2017 to 92% in 2018. On the other hand, a number of overdue account receivables (31-90 days) decreased from 7.99% in 2017 to 6.88% in 2018, and the overdue account receivables (over 90 days) fell down, decreasing from 1.24% in 2017 to 1.12% in 2018. In addition, the Company set aside the loan loss provision of 94.38 million baht.

The Company deducted its debt write-offs in 2016, 21.66 million baht, in 2017, 15.42 million baht and in 2018, 12.07 million baht, equivalent to 0.09%, 0.04% and 0.03% of account receivables after deduction of deferred income.

#### **Financial cost**

The Company and its subsidiary had the financial cost of 328.03 million baht in 2016, 673.10 million baht in 2017, and 1,100.26 million baht in 2018. This growth rate was equal to 105.19% and 63.46%, respectively. Compared to 2017, the financial cost in 2018 increased 427.16 million baht, due to the increase of interest-bearing debts 17,248.34 million baht in 2016, 27,100.25 million baht in 2017, and 35,504.70 million baht in 2018. The increase of interest-bearing debts was to support the expansion of the Company's credit portfolio.

#### **15.2.3 Profitability**

##### **Interest Spread**

		2016	2017	2018
Interest income rate	(%)	22.84	23.70	23.57
Interest expense rate	(%)	2.73	3.04	3.51
Interest spread	(%)	20.11	20.66	20.06

Interest income rate is calculated from total interest income and service fees divided by average loan receivables.

The Company's interest income rate (interest and fee) in 2016 was 22.84%. The rate of 2017 was 23.70%, and in 2018 was 23.57%, respectively. The increasing interest rate income of 2017 from the previous years was caused from the Company offering more personal loans and nano-finance loans. Compared to 2016, the interest income rate increased in 2017, but it reduced in 2018 because the Company decreased its loan interest rate in order to take customers from other competitors and expand its customer base. On the other hand, the interest expense rates of the Company were 2.73% in 2016, 3.04% in 2017, and 3.51% in 2018, corresponding to the current market situation in which there was the increase of interest rates. The increasing rates directly affect the Company's interest rate spread as shown in the above table that is, 20.11% in 2016, 20.66% in 2017, and 20.06% in 2018.



### Net profit

According to the operational results, the Company and its subsidiary had the net profit of 1,464.14 million baht in 2016, 2,500.60 million baht in 2017, and 3,713.38 million baht in 2018, which were equal to 32.74%, 33.47%, and 35.65%, respectively.

## 15.3 Financial Position

### 15.3.1 Assets

From the year end of 2016 to the year end of 2018, the Company and its subsidiary's total assets valued 24,425.57 million baht, 36,953.01 million baht, and 49,146.11 million baht, respectively. The core assets of the Company were loan receivables, which were 22,895.60 million baht, 34,451.59 million baht, and 46,548.32 million baht, equaling 93.74%, 93.23%, and 94.71% of total assets, respectively.

From the year end of 2016 to the year end of 2018, the Company and its subsidiary had the total current assets of 15,995.58 million baht, 23,308.10 million baht, and 29,676.51 million baht, respectively. The core assets were accounts receivables paid within a year, and the values were 15,363.88 million baht in 2016, 21,987.89 million baht in 2017, and 28,604.95 million baht in 2018, which was equal to 96.05%, 94.34%, and 96.39%, respectively.

The values of non-current assets of the Company from the year end of 2016 to the year end of 2018 were 8,429.99 million baht, 13,644.91 million baht, and 19,469.60 million baht, respectively. The core non-current assets are accounts receivables paid within a year, i.e. 7,531.72 million baht in 2016, 12,463.70 million baht in 2017, and 17,943.37 million baht in 2018, equal to 89.34%, 91.34%, and 92.16%, respectively. Lands, buildings and equipment (net) were the second largest portion of non-current assets. The values of these assets were 772.46 million baht, 1,022.05 million baht, and 1,268.50 million, which are equivalent to 9.16%, 7.49%, and 6.52%, respectively.

### Loan receivables

From the year end of 2016 to the year end of 2018, the Company had accounts receivables of 22,895.60 million baht, 34,451.59 million baht, and 46,548.32 million baht, respectively. The receivables comprised current portions of long-term loans (paid within one year) of 15,363.88 million baht, 21,987.89 baht, and 28,604.95 million baht, equaling 67.10%, 63.82%, and 61.45%, of total accounts receivables. In addition, the receivables included the portion of long-term loans (due after one year), costing 7,531.72 million baht, 12,463.70 million baht, and 17,943.37 million baht, equal to 32.90%, 36.18%, and 38.55% of total accounts receivables, respectively.

	2016		2017		2018	
	Million baht	%	Million baht	%	Million baht	%
Current portion of loan receivables	15,363.88	67.10	21,987.89	63.82	28,604.95	61.45
Loan receivables						
- net of current portion	7,531.72	32.90	12,463.70	36.18	17,943.37	38.55
<b>Loan receivables - Total</b>	<b>22,895.60</b>	<b>100.00</b>	<b>34,451.59</b>	<b>100.00</b>	<b>46,548.32</b>	<b>100.00</b>

### Accounts receivables classified by their collateral

Types of collateral	2016		2017		2018	
	Million baht	Per cent	Million baht	Per cent	Million baht	Per cent
Motorcycles	10,555.18	44.84	13,440.45	37.73	16,800.42	34.97
Cars	7,778.87	33.04	11,671.25	32.76	15,394.48	32.04
Agricultural trucks	1,136.47	4.83	1,732.43	4.86	2,080.86	4.33
Personal loans	1,036.83	4.40	2,843.43	7.98	4,925.08	10.25
Land	2,582.79	10.97	4,921.28	13.82	6,630.58	13.80
Nano-finance	451.10	1.92	1,013.73	2.85	2,216.05	4.61
<b>Total</b>	<b>23,541.24</b>	<b>100.00</b>	<b>35,622.57</b>	<b>100.00</b>	<b>48,047.47</b>	<b>100.00</b>

\* The balance of principal loans and accrued interest incomes.

From 2016-2018, the Company's accounts receivables were composed of receivables with collateral deposits (85-93%) and receivables with unsecured loans (6-15%). The largest portion of unsecured loans was a motorcycle title loan, and a vehicle title loan and a land deed loan was ranked the second. The unsecured loans include a personal loan and a nan-finance loan. The installment loans of the accounts receivables are given for a period of 6-50 months whereas the installment loans with a period of 6-30 months were offered to the receivables with unsecured loans.

### Quality of account receivables

Types of collateral	2016		2017		2018	
	Million baht	Per cent	Million baht	Per cent	Million baht	Per cent
Not due	18,496.99	78.57	27,572.45	77.40	37,184.87	77.39
1-30 days past due	3,042.13	12.92	4,762.52	13.38	7,018.96	14.61
31-90 days past due	1,751.24	7.44	2,846.41	7.99	3,303.82	6.88
91-180 days past due	99.32	0.42	210.68	0.59	208.75	0.43
181-365 days past due	74.80	0.32	171.89	0.48	232.55	0.48
Over 365 days past due	7.39	0.03	22.20	0.06	32.37	0.07
Transferred to legal department	69.37	0.30	36.42	0.10	66.15	0.14
<b>Total</b>	<b>23,541.24</b>	<b>100.00</b>	<b>35,622.57</b>	<b>100.00</b>	<b>48,047.47</b>	<b>100.00</b>
Less : Allowance for doubtful accounts	(645.64)	(2.74)	(1,170.98)	(3.29)	(1,499.15)	(3.12)
<b>Loan receivables - Total</b>	<b>22,895.60</b>	<b>97.26</b>	<b>34,451.59</b>	<b>96.71</b>	<b>46,548.32</b>	<b>96.88</b>



A majority of account receivables are undue and 1-30 days past due, representing 91.49% of total account receivables in 2016, 90.78% in 2017, and 92% in 2018, respectively. A percentage of account receivables overdue (31-90 days past due) was 7.44% in 2016, 7.99% in 2017, and 6.88% in 2018, respectively. On the other hand, a percentage of account receivables overdue (over 90 days) was 1.07% in 2016, 1.23% in 2017, and 1.12% in 2018, respectively. The report indicates that the percentage of the account receivables that are undue or 1-30 days past due is high, showing 91-92% of the total numbers of accounts receivables after the deduction of deterred incomes. This may be caused from the KPIs used by the Company's policy to evaluate its loan officers' performance, resulting in a credit approval to be more strictly controlled and a process of monitoring and collecting loans to be more effective.

As of 2018, the Company set the allowance of uncollectible accounts as a reserve for 1,499.15 million baht, which equals 3.12% of total numbers of accounts receivables after the deduction of deterred incomes. Comparing to 2017, the allowance was 1,170.98 million baht, increasing 3.29%. In addition,

The Company deducted its debt write-offs for 15.42 million baht in 2017 and 12.07 million baht in 2018, equal to 0.04% and 0.03% of account receivables after deduction of deferred income, respectively.

#### Lands, buildings and equipment

The Company and its subsidiary own lands, buildings, and equipment (net) of 772.46 million baht as at 2016, 1,022.05 million baht as at 2017, and 1,268.50 million baht as at 2018. The ratio between the total assets and fixed assets was 3.16%, 2.77%, and 2.58%, respectively. The reason why the Company and its subsidiary had low-fixed assets is because the Company spends its expenses for building rental units and uses them as its branches. Accordingly, most of fixed assets are composed of office supplies, computers and vehicles.

#### **15.3.2 Liquidity**

##### Cashflow

(Unit : Million Baht)	2016	2017	2018
Net cash flows (outflows) from operating activities	(8,609.40)	(8,062.15)	(6,842.80)
Net cash flows (outflows) from investing activities	(365.25)	(402.94)	(471.91)
Net cash flows (outflows) from financing activities	9,361.37	9,079.51	7,041.16
Net cash and cash equivalent increase (decrease)	386.72	614.42	(273.55)

In 2016, the Company and its subsidiary had the net cash flows from operating activities of 8,609.40 million baht, due to the increasing number of account receivables (10,724.73 million baht). Moreover, the Company spent 366.53 million baht to buy more vehicles, equipment and other intangible assets. The Company also disposed of its equipment for 3.28 million baht. Accordingly, the Company had the net cash flows to be used for investing activities of 365.25 million baht. For the financing activities, the Company received cash from short-term borrowings of 6,965.38 million baht and from long-term borrowing of 2,073.63 million baht. Since the Company had paid back the long-term loans of 564.72 million baht with the interest of 196.61 million baht, there was the increase of net cash flows from financing activities of 9,361.37 million baht. According to this factor, the Company and its subsidiary had the net increase in cash and cash equivalents of 386.72 million baht.

In 2017, the Company and its subsidiary had the net cash flows from operating activities of 8,062.15 million baht, due to the increasing number of account receivables (11,995.40 million baht). Moreover, the Company spent 405.01 million baht to buy more vehicles, equipment and other intangible assets. The Company also disposed of its equipment for 4.07 million baht. Accordingly, the Company had the net cash flows to be used for investing activities of 402.94 million baht. For the financing activities, the Company received cash from long-term borrowings of 3,500 million baht and from corporate bond issuance of 12,103 million baht. Since the Company had paid back the long-term loans of 2,162.50 million baht, the short-term loans of 471.85 million baht, and the interest of 477.33 million baht, there was the increase of net cash flows from financing activities of 9,079.51 million baht. According to this factor, the Company and its subsidiary had the net increase in cash and cash equivalents of 614.42 million baht.

In 2018, the Company and its subsidiary had the net cash flows from operating activities of 6,842.80 million baht, due to the increasing number of account receivables 12,586.15 million baht. Moreover, the Company spent 475.97 million baht to purchase more vehicles, equipment and other intangible assets. The Company also disposed of its equipment for 5.06 million baht. Accordingly, the Company had the net cash flows to be used for investing activities of 471.91 million baht. For the financing activities, the Company received cash from long-term borrowings of 4,850 million baht and from corporate bond issuance of 8,610 million baht. Since the Company had paid back the long-term loans of 3,083.33 million baht, the short-term loans of 102.11 million baht, and the interest of 944.45 million baht, there was the increase of net cash flows from financing activities of 7,041.16 million baht. According to this factor, the Company and its subsidiary had the net increase in cash and cash equivalents of 273.55 million baht.

### **15.3.3 Source of Capital**

As of 2016-2018, the Company and its subsidiary had financial liabilities of shareholders' equity, and the ratio between the financial liabilities and shareholders is detailed below.

Source of Capital	31 December 2016		31 December 2017		31 December 2018	
	Million (baht)	%	Million (baht)	%	Million (baht)	%
Borrowings						
Short-term borrowings	10,315.00	43.09	6,721.41	18.67	4,775.27	10.00
Long-term borrowings/						
corporate bond issuance	6,929.00	28.95	20,336.49	56.49	30,684.28	64.25
Total borrowings	17,244.00	72.04	27,057.90	75.16	35,459.55	74.25
Total shareholders' equity	6,692.28	27.96	8,943.32	24.84	12,299.07	25.75
<b>Total Capital</b>	<b>23,936.28</b>	<b>100.00</b>	<b>36,001.22</b>	<b>100.00</b>	<b>47,758.62</b>	<b>100.00</b>

The main capital source of the Company and its subsidiary was loans from commercial banks and bond markets, equivalent to 72-75% of total capital. The loans from commercial banks are long-term debts, given for a period of 18-48 months. An additional capital was from shareholders' equity, approximately equivalent to 25-28% of total capital sources. This capital was considered a long-term loan, mostly aligning with the Company's loans, offered to its customers who are given the installment loans with a period of 10-24 months. It was shown that the Company had appropriate capital structure and was in line with its main loan service business.

### **Liabilities**

As of 2016-2018, the Company and its subsidiary had the total liabilities of 17,733.29 million baht, 28,009.70 million baht, and 36,847.04 million baht, respectively. A large portion of the liabilities was from long-term borrowings from commercial banks, overdrafts, short-term borrowings from commercial banks, and corporate bond markets. The increase of the liabilities was in line with the expansion of the Company's credit portfolio.

### **Shareholders' equity**

As of 2016, the Company and its subsidiary had the total shareholders' equity of 6,692.28 million baht, increasing 1,040.14 million baht from 2015. This resulted from the increase in retained earnings of the Company's operations. The dividend of 424 million baht was also paid to its shareholders.

As of 2017, the Company and its subsidiary had the total shareholders' equity of 8,943.31 million baht, increasing 2,251.03 million baht from 2016. This resulted from the increase in retained earnings of the Company's operations. The dividend of 212 million baht was also paid to its shareholders.

As of 2018, the Company and its subsidiary had the total shareholders' equity 12,299.07 million baht, increasing 3,355.75 million baht from 2017. This resulted from the increase in retained earnings of the Company's operations. The dividend of 381 million baht was also paid to its shareholders.

### **Return on Equity**

The Company and its subsidiary provided return on equity at 23.72% in 2016, 31.99% in 2017 and 34.96% in 2018. With the consistent growth in its business operation, during 2016-2018, the Company and its subsidiary paid the dividend to the shareholders of 424 million baht, 212 million baht, and 381 million baht, respectively.

### **Capital Structure Adequacy**

The debt to equity ratio of the Company and its subsidiary was 2.65 times as of 2016, 3.31 times as of 2017, and 3 times as of 2018. It was suggested that the Company had the optimal capital structure for use in its business operations.

## **16. Additional Information**

An investor can get more information of the Company from the Annual Registration Statement (56-1).

## **Independent Auditor's Report**

To the Shareholders of Muangthai Capital Public Company Limited  
(Formerly known as "Muangthai Leasing Public Company Limited")

### **Opinion**

I have audited the accompanying consolidated financial statements of Muangthai Capital Public Company Limited and its subsidiary (the Group), which comprise the consolidated statement of financial position as at 31 December 2018, and the related consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and have also audited the separate financial statements of Muangthai Capital Public Company Limited for the same period.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Muangthai Capital Public Company Limited and its subsidiary and of Muangthai Capital Public Company Limited as at 31 December 2018, their 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 Group 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.

### ***Allowance for doubtful accounts for loan receivables***

As discussed in Note 4.6 to the financial statements, the estimation of allowance for doubtful accounts for loan receivables was based on the estimated possible loss from uncollectible receivables, taking into account the status of outstanding receivables and various assumptions. The management is required to exercise considerable judgement in estimating allowances for losses that are expected to be incurred for each debtor. Furthermore, the estimation of allowance for doubtful accounts is significant because, as at 31 December 2018, the Company had loan receivables of Baht 48,047 million (representing 98% of total assets) and allowance for doubtful accounts of Baht 1,499 million. Therefore, I focused on the audit of the adequacy of the allowance for doubtful accounts.

I assessed and tested the internal controls relevant to the collection of debts, the calculation of debtor aging and the determination of allowance for doubtful accounts for loan receivables and the recording of related accounting entries by making enquiry of responsible executives, gaining an understanding of the controls and selecting representative samples to test the operation of the designed controls. I also assessed the methods, key information and assumptions used by the Company in calculating the allowance for doubtful accounts by reviewing key information to its sources, and performing comparative analysis on the assumptions that the Company used and the historical data. In addition, I evaluated the consistency of the application of assumptions, performed sampling tests on the data used in calculation of the allowance, and tested the calculation of debtor aging and allowance for doubtful accounts.

### **Recognition of interest income**

The Company's policy on the recognition of interest income is discussed in Note 4.1 to the financial statements. In 2018, the Company's revenue mainly consisted of interest income from loan receivables amounting to Baht 9,544 million (representing 92 percent of total revenue). The interest income was derived from the provision of loans to a large number of customers, most of whom are retail customers, to which different methods of interest income recognition and various terms and conditions were applied, depending on the type of loan. In addition, revenue recognition relies primarily on data processing by information systems. Therefore, I focused on the audit of the amount and timing of interest income recognition.

I assessed and tested the Company's information technology system controls and the internal controls related to the processes of loan origination, loan collection and calculation for interest income recognition by making enquiry of responsible executives, gaining an understanding of the controls and selecting representative samples to test the operation of the designed controls that respond to the amount and timing of the revenue recognition in the Company's financial statements. Moreover, I applied a sampling method to select loan agreements to assess whether the recording of loans and the interest revenue recognition were consistent with the conditions of the relevant agreements, and in compliance with the Company's policy. In addition, I performed analytical procedures on the interest revenue figures recognised throughout the period, on a sampling basis, tested the cessation of recognition of interest revenue and examined the accounting entries for interest income recorded through journal vouchers.

### **Other Information**

Management is responsible for the other information. The other information comprise the information included in annual report of the Group, but does not include the financial statements and my auditor's report thereon. The annual report of the Group is expected to be made available to me after the date of this auditor's report.

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.

When I read the annual report of the Group, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance for correction of the misstatement.

### **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 Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group'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 Group'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 Group'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 Group 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

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.

A handwritten signature in black ink, appearing to read "Somjai Khunapasut".

Somjai Khunapasut  
Certified Public Accountant (Thailand) No. 4499

EY Office Limited  
Bangkok: 26 February 2019

# Statements of financial position

**Muangthai Capital Public Company Limited and its subsidiary**

(Formerly known as “Muangthai Leasing Public Company Limited and its subsidiary”)

As at 31 December 2018

(Unit: Baht)

Note	Consolidated financial statements		Separate financial statements		
	2018	2017	2018	2017	
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	6	880,164,186	1,153,714,611	856,980,103	1,136,848,550
Current portion of loan receivables	7	28,604,947,002	21,987,888,255	28,604,947,002	21,987,888,255
Other receivables - subsidiary		-	-	2,828,500	2,941,091
Short-term loans		57,299,882	39,707,366	57,299,882	39,707,366
Other current assets	9	134,095,947	126,794,672	133,610,327	125,586,881
<b>Total current assets</b>		<b>29,676,507,017</b>	<b>23,308,104,904</b>	<b>29,655,665,814</b>	<b>23,292,972,143</b>
<b>Non-current assets</b>					
Restricted bank deposits	10	8,000,000	7,000,000	-	-
Long-term investment - bank deposit		1,000,000	1,000,000	-	-
Loan receivables - net of current portion	7	17,943,369,779	12,463,702,071	17,943,369,779	12,463,702,071
Investments in subsidiary	11	-	-	2,000,000	2,000,000
Land, buildings and equipment	12	1,268,504,416	1,022,049,561	1,268,497,216	1,022,028,868
Intangible assets	13	25,756,740	25,916,260	25,756,740	25,916,260
Deferred tax assets	14	97,806,686	12,647,113	97,784,884	12,627,589
Other non-current assets		125,164,736	112,593,221	125,164,736	112,593,221
<b>Total non-current assets</b>		<b>19,469,602,357</b>	<b>13,644,908,226</b>	<b>19,462,573,355</b>	<b>13,638,868,009</b>
<b>Total assets</b>		<b>49,146,109,374</b>	<b>36,953,013,130</b>	<b>49,118,239,169</b>	<b>36,931,840,152</b>

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



## Statements of financial position (continued)

**Muangthai Capital Public Company Limited and its subsidiary**

**(Formerly known as “Muangthai Leasing Public Company Limited and its subsidiary”)**

**As at 31 December 2018**

(Unit: Baht)

Note	Consolidated financial statements		Separate financial statements	
	2018	2017	2018	2017
<b>Liabilities and shareholders' equity</b>				
<b>Current liabilities</b>				
Short-term loans from				
financial institutions	15	4,775,275,159	6,621,682,753	4,775,275,159
Short-term loans	16	-	99,734,815	-
Derivative liabilities		22,876,933	63,621,559	22,876,933
Other payables	17	659,323,441	438,692,175	651,077,752
Current portion of long-term loans	18	2,849,397,713	2,744,958,658	2,849,397,713
Current portion of long-term debentures	19	3,397,033,411	998,227,955	3,397,033,411
Current portion of liabilities under hire				
purchase payable	20	19,987,323	17,045,537	19,987,323
Income tax payable		578,281,267	337,995,976	577,900,374
Other current liabilities		43,030,002	27,661,097	54,020,559
<b>Total current liabilities</b>	<b>12,345,205,249</b>	<b>11,349,620,525</b>	<b>12,347,569,224</b>	<b>11,352,602,522</b>
<b>Non-current liabilities</b>				
Long-term loans - net of current portion	18	4,845,332,907	3,182,467,154	4,845,332,907
Long-term debentures - net of current portion	19	19,592,514,914	13,410,826,102	19,592,514,914
Liabilities under hire purchase payable				
- net of current portion	20	25,162,400	25,313,200	25,162,400
Provision for long-term employee benefits	21	38,825,687	41,469,959	38,716,677
<b>Total non-current liabilities</b>	<b>24,501,835,908</b>	<b>16,660,076,415</b>	<b>24,501,726,898</b>	<b>16,659,978,796</b>
<b>Total liabilities</b>	<b>36,847,041,157</b>	<b>28,009,696,940</b>	<b>36,849,296,122</b>	<b>28,012,581,318</b>

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

## Statements of financial position (continued)

**Muangthai Capital Public Company Limited and its subsidiary**

(Formerly known as “Muangthai Leasing Public Company Limited and its subsidiary”)

As at 31 December 2018

(Unit: Baht)

Note	Consolidated financial statements		Separate financial statements	
	2018	2017	2018	2017
<b>Shareholders' equity</b>				
Share capital				
Registered, issued and fully paid up				
2,120,000,000 ordinary shares				
of Baht 1 each		2,120,000,000	2,120,000,000	2,120,000,000
Share premium		2,379,843,362	2,379,843,362	2,379,843,362
Retained earnings				
Appropriated - statutory reserve		22	212,000,000	212,000,000
Unappropriated			7,601,502,001	4,261,383,465
Other components of shareholders' equity			(14,277,146)	(29,910,637)
<b>Total shareholders' equity</b>			<b>12,299,068,217</b>	<b>8,943,316,190</b>
<b>Total liabilities and shareholders' equity</b>			<b>49,146,109,374</b>	<b>36,953,013,130</b>
			<b>49,118,239,169</b>	<b>36,931,840,152</b>

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

## Statements of comprehensive income

**Muangthai Capital Public Company Limited and its subsidiary**

**(Formerly known as “Muangthai Leasing Public Company Limited and its subsidiary”)**

**For the year ended 31 December 2018**

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements		
		2018	2017	2018	2017	
<b>Profit or loss:</b>						
<b>Revenues</b>						
Interest and fee income from loans receivables		9,544,311,229	6,794,921,504	9,544,311,229	6,794,921,504	
Fee and service income		796,382,947	642,028,832	758,502,297	609,803,681	
Other income		75,766,918	34,041,257	102,497,326	55,921,150	
<b>Total revenues</b>		<u>10,416,461,094</u>	<u>7,470,991,593</u>	<u>10,405,310,852</u>	<u>7,460,646,335</u>	
<b>Expenses</b>						
Selling and administrative expenses		4,100,463,184	2,988,929,219	4,096,897,766	2,985,941,875	
Loss on disposals of assets foreclosed		2,787,325	23,642,047	2,787,325	23,642,047	
Bad debts and doubtful accounts	8	586,210,766	679,405,500	586,210,766	679,405,500	
<b>Total expenses</b>		<u>4,689,461,275</u>	<u>3,691,976,766</u>	<u>4,685,895,857</u>	<u>3,688,989,422</u>	
<b>Profit before finance cost and income tax expenses</b>						
Finance cost		5,726,999,819	3,779,014,827	5,719,414,995	3,771,656,913	
<b>Profit before income tax expenses</b>		<u>(1,100,268,465)</u>	<u>(673,100,257)</u>	<u>(1,100,268,465)</u>	<u>(673,100,257)</u>	
Income tax expenses	14	4,626,731,354	3,105,914,570	4,619,146,530	3,098,556,656	
<b>Profit for the year</b>		<u>(913,345,887)</u>	<u>(605,316,617)</u>	<u>(911,828,877)</u>	<u>(603,804,703)</u>	
		<u>3,713,385,467</u>	<u>2,500,597,953</u>	<u>3,707,317,653</u>	<u>2,494,751,953</u>	
<b>Other comprehensive income:</b>						
Other comprehensive income to be reclassified to profit or loss in subsequent periods						
Unrealised gain (loss) from cash flow hedges		19,541,863	(37,388,296)	19,541,863	(37,388,296)	
Income tax relating to cash flow hedges		<u>(3,908,372)</u>	<u>7,477,659</u>	<u>(3,908,372)</u>	<u>7,477,659</u>	
Other comprehensive income to be reclassified to profit or loss in subsequent periods - net of income tax						
		<u>15,633,491</u>	<u>(29,910,637)</u>	<u>15,633,491</u>	<u>(29,910,637)</u>	
Other comprehensive income not to be reclassified to profit or loss in subsequent periods						
Actuarial gain (loss) on defined benefit plan		10,416,336	(9,565,241)	10,416,336	(9,565,241)	
Income tax relating to defined benefit plan		<u>(2,083,267)</u>	<u>1,913,048</u>	<u>(2,083,267)</u>	<u>1,913,048</u>	
Other comprehensive income not to be reclassified to profit or loss in subsequent periods - net of income tax						
		<u>8,333,069</u>	<u>(7,652,193)</u>	<u>8,333,069</u>	<u>(7,652,193)</u>	
<b>Other comprehensive income for the year (loss)</b>		<u>23,966,560</u>	<u>(37,562,830)</u>	<u>23,966,560</u>	<u>(37,562,830)</u>	
<b>Total comprehensive income for the year</b>		<u>3,737,352,027</u>	<u>2,463,035,123</u>	<u>3,731,284,213</u>	<u>2,457,189,123</u>	
<b>Earning per share</b>	26					
Basic earning per share		<u>1.75</u>	<u>1.18</u>	<u>1.75</u>	<u>1.18</u>	

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

# Statements of cash flow

**Muangthai Capital Public Company Limited and its subsidiary**

(Formerly known as “Muangthai Leasing Public Company Limited and its subsidiary”)

For the year ended 31 December 2018

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2018	2017	2018	2017
<b>Cash flows from operating activities</b>				
Profit before income tax	4,626,731,354	3,105,914,570	4,619,146,530	3,098,556,656
Adjustments to reconcile profit before income tax to net cash provided by (paid from) operating activities:				
Depreciation and amortisation	217,965,753	153,433,779	217,952,259	153,420,285
Bad debts and doubtful accounts	586,210,766	679,405,500	586,210,766	679,405,500
Impairment loss on assets foreclosed (reversal)	(5,900,000)	9,500,000	(5,900,000)	9,500,000
Gain on disposals of loan receivables	(19,418,864)	(5,961,104)	(19,418,864)	(5,961,104)
Loss on disposals of equipment	3,345,767	1,399,687	3,345,767	1,399,687
Provision for long-term employee benefits	7,972,664	5,042,444	7,961,274	5,042,216
Unrealised loss (gain) from valuation of derivatives	(21,202,763)	26,233,264	(21,202,763)	26,233,264
Interest and fee income from loan receivables	(9,544,311,229)	(6,794,921,504)	(9,544,311,229)	(6,794,921,504)
Other interest income	(6,191,012)	(4,443,447)	(5,991,804)	(4,299,082)
Finance cost	1,100,268,465	673,100,257	1,100,268,465	673,100,257
Loss from operating activities before changes in operating assets and liabilities	(3,054,529,099)	(2,151,296,554)	(3,061,939,599)	(2,158,523,825)
Decrease (increase) in operating assets				
Loan receivables	(12,586,147,648)	(11,995,400,729)	(12,586,147,648)	(11,995,400,729)
Other receivables - subsidiary	-	-	112,592	254,567
Short-term loans	(17,592,516)	(12,241,109)	(17,592,516)	(12,241,109)
Other current assets	(2,198,569)	(71,543,181)	(2,123,446)	(71,529,705)
Other non-current assets	(12,571,516)	(18,228,261)	(12,571,516)	(18,228,261)
Increase (decrease) in operating liabilities				
Other payables	105,359,153	93,489,126	104,750,481	90,011,675
Other current liabilities	15,368,906	9,637,458	15,643,357	11,796,087
Provision for long-term employee benefits	(200,600)	(186,000)	(200,600)	(186,000)
Cash used in operating activities	(15,552,511,889)	(14,145,769,250)	(15,560,068,895)	(14,154,047,300)
Cash received from interest and fee income from loan receivables	9,473,125,392	6,565,326,312	9,472,932,322	6,565,189,696
Cash paid for income tax	(763,408,375)	(481,705,526)	(762,976,322)	(480,491,009)
<b>Net cash flows used in operating activities</b>	<b>(6,842,794,872)</b>	<b>(8,062,148,464)</b>	<b>(6,850,112,895)</b>	<b>(8,069,348,613)</b>

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



## Statements of cash flow (continued)

**Muangthai Capital Public Company Limited and its subsidiary**

**(Formerly known as “Muangthai Leasing Public Company Limited and its subsidiary”)**

**For the year ended 31 December 2018**

	(Unit: Baht)			
	Consolidated financial statements		Separate financial statements	
	2018	2017	2018	2017
<b>Cash flows from investing activities</b>				
Increase in restricted bank deposits	(1,000,000)	(2,000,000)	-	-
Cash paid for acquisitions of land, building and equipment	(470,880,326)	(400,690,468)	(470,880,326)	(400,690,468)
Proceeds from disposals of equipment	5,062,412	4,073,450	5,062,412	4,073,450
Cash paid for acquisitions of intangible assets	(5,095,982)	(4,323,623)	(5,095,982)	(4,323,623)
<b>Net cash flows used in investing activities</b>	<b>(471,913,896)</b>	<b>(402,940,641)</b>	<b>(470,913,896)</b>	<b>(400,940,641)</b>
<b>Cash flows from financing activities</b>				
Decrease in short-term loans from financial institutions	(1,910,128,440)	(3,204,798,100)	(1,910,128,440)	(3,204,798,100)
Decrease in short-term loans	(102,115,600)	(471,849,276)	(102,115,600)	(471,849,276)
Cash receipt from long-term loans	4,850,000,667	3,500,000,000	4,850,000,667	3,500,000,000
Repayment of long-term loans	(3,083,334,000)	(2,162,500,000)	(3,083,334,000)	(2,162,500,000)
Cash receipt from debenture issuance	8,610,000,000	12,103,000,000	8,610,000,000	12,103,000,000
Increase in liabilities under hire purchase payable	2,790,985	4,996,289	2,790,985	4,996,289
Cash paid on interest	(944,455,268)	(477,336,839)	(944,455,268)	(477,336,839)
Cash paid for dividends	(381,600,000)	(212,000,000)	(381,600,000)	(212,000,000)
<b>Net cash flows from financing activities</b>	<b>7,041,158,344</b>	<b>9,079,512,074</b>	<b>7,041,158,344</b>	<b>9,079,512,074</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(273,550,424)</b>	<b>614,422,969</b>	<b>(279,868,447)</b>	<b>609,222,820</b>
Cash and cash equivalents at beginning of year	1,153,714,610	539,291,642	1,136,848,550	527,625,730
<b>Cash and cash equivalents at end of year</b>	<b>880,164,186</b>	<b>1,153,714,611</b>	<b>856,980,103</b>	<b>1,136,848,550</b>

### Supplement cash flow information

Non-cash items

Account payable on purchase of assets	5,552,314	8,859,357	5,552,314	8,859,357
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The accompanying notes are an integral part of the financial statements.

## Statements of changes in shareholders' equity

**Muangthai Capital Public Company Limited and its subsidiary  
(Formerly known as "Muangthai Leasing Public Company Limited and its subsidiary")  
For the year ended 31 December 2018**

(Unit: Baht)

Consolidated financial statements						
		Retained earnings	Appropriated -	Unappropriated	Other components of equity -	Total
Issued and fully paid-up share capital	Share premium				Unrealised loss from cash flow hedges	
2,120,000,000	2,379,843,362	184,400,000	2,008,037,705		-	6,692,281,067
<b>Balance as at 1 January 2017</b>						
Profit for the year	-	-	2,500,597,953		2,500,597,953	
Other comprehensive income for the year (loss)	-	-	(7,652,193)		(37,562,830)	
Total comprehensive income for the year (loss)	-	-	2,492,945,760		2,463,035,123	
Appropriated to statutory reserve (Note 22)	-	27,600,000	(27,600,000)		-	
Dividend paid (Note 23)	-	-	(212,000,000)		(212,000,000)	
<b>Balance as at 31 December 2017</b>	<b>2,120,000,000</b>	<b>2,379,843,362</b>	<b>212,000,000</b>	<b>4,261,383,465</b>	<b>(29,910,637)</b>	<b>8,943,316,190</b>
<b>Balance as at 1 January 2018</b>	<b>2,120,000,000</b>	<b>2,379,843,362</b>	<b>212,000,000</b>	<b>4,261,383,465</b>	<b>(29,910,637)</b>	<b>8,943,316,190</b>
Profit for the year	-	-	3,713,385,467		3,713,385,467	
Other comprehensive income for the year	-	-	8,333,069		23,966,560	
Total comprehensive income for the year	-	-	3,721,718,536		3,737,352,027	
Dividend paid (Note 23)	-	-	(381,600,000)		(381,600,000)	
<b>Balance as at 31 December 2018</b>	<b>2,120,000,000</b>	<b>2,379,843,362</b>	<b>212,000,000</b>	<b>7,601,502,001</b>	<b>(14,277,146)</b>	<b>12,299,068,217</b>

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

## Statements of changes in shareholders' equity (continued)

**Muangthai Capital Public Company Limited and its subsidiary  
(Formerly known as "Muangthai Leasing Public Company Limited and its subsidiary")  
For the year ended 31 December 2018**

Separate financial statements					
		Retained earnings		Other components of equity -	
		Appropriated -	Unappropriated	Unrealised loss from cash flow hedges	Total
Issued and fully paid-up share capital	Share premium	Statutory reserve	Unappropriated	Unrealised loss from cash flow hedges	
2,120,000,000	2,379,843,362	184,400,000	1,989,826,349	-	6,674,069,711
-	-	-	2,494,751,953	-	2,494,751,953
-	-	-	(7,652,193)	(29,910,637)	(37,562,830)
<b>Balance as at 1 January 2017</b>					
Profit for the year	-	-	2,487,099,760	(29,910,637)	2,457,189,123
Other comprehensive income for the year (loss)	-	-	27,600,000	(27,600,000)	-
Total comprehensive income for the year (loss)	-	-	-	-	-
Appropriated to statutory reserve (Note 22)	-	-	(212,000,000)	-	(212,000,000)
Dividend paid (Note 23)	-	-	-	-	-
<b>Balance as at 31 December 2017</b>					
2,120,000,000	2,379,843,362	212,000,000	4,237,326,109	(29,910,637)	8,919,258,834
<b>Balance as at 1 January 2018</b>					
Profit for the year	-	-	3,707,317,653	-	3,707,317,653
Other comprehensive income for the year	-	-	8,333,069	15,633,491	23,966,560
Total comprehensive income for the year	-	-	3,715,650,722	15,633,491	3,731,284,213
Dividend paid (Note 23)	-	-	(381,600,000)	-	(381,600,000)
<b>Balance as at 31 December 2018</b>					
2,120,000,000	2,379,843,362	212,000,000	7,571,376,831	(14,277,146)	12,268,943,047



MUANGTHAI CAPITAL PUBLIC COMPANY LIMITED  
Intimate services like closed family members

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

# **Notes to consolidated financial statements**

**Muangthai Capital Public Company Limited and its subsidiary**

**(Formerly known as “Muangthai Leasing Public Company Limited and its subsidiary”)**

**For the year ended 31 December 2018**

## **1. Corporate information**

Muangthai Capital Public Company Limited (“the Company”) was incorporated as a public company limited and domiciled in Thailand. The Company is principally engaged in providing loans secured against vehicle registrations, land title deeds, personal loans without collateral and Nano finance. Its registered address is 32/1 Charansanitwong Road, Bangor, Bangplad, Bangkok. As at 31 December 2018, the Company has totalled 3,279 branches and service centers.

On 26 April 2018, the Company registered the change of its name from “Muangthai Leasing Public Company Limited” to “Muangthai Capital Public Company Limited” with the Department of Business Development, Ministry of Commerce.

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

### **2.1 Basis of 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 stipulations of the Notification of the Department of Business Development dated 11 October 2016, issued under the Accounting Act B.E. 2543.

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

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

### **2.2 Basis for the preparation of the consolidated financial statements**

- a) The consolidated financial statements include the financial statements of Muangthai Capital Public Company Limited and Muangthai Leasing Insurance Broker Company Limited (“the subsidiary”), which is domiciled in Thailand and is principally engaged in insurance brokerage. The Company holds 100% of the subsidiary’s shares.
- b) The Company is deemed to have control over an investee or subsidiaries if it has rights, or is exposed, to variable returns from its involvement with the investee, and it has the ability to direct the activities that affect the amount of its returns.

- c) Subsidiary is fully consolidated, being the date on which the Company obtains control.
- d) The financial statements of the subsidiary is prepared using the same significant accounting policies as the Company.
- e) Material balances and transactions between the Company and its subsidiary have been eliminated from the consolidated financial statements.

### **2.3 Separate financial statements**

The separate financial statements present investments in subsidiary under the cost method.

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

### **3.1 Financial reporting standards that became effective in the current year**

During the year, the Company and its subsidiary have adopted the 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 adoption of these financial reporting standards does not have any significant impact on the Company and its subsidiaries' financial statements.

### **3.2 Financial reporting standards that will become effective for fiscal years beginning on or after 1 January 2019**

The Federation of Accounting Professions issued a number of revised and new financial reporting standards and interpretations (revised 2018) which are effective for fiscal years beginning on or after 1 January 2019. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards clarifying accounting treatment and providing accounting guidance for users of the standards.

The management of the Company and its subsidiary believe that most of the revised financial reporting standards will not have any significant impact on the financial statements when they are initially applied. However, the new standard involves changes to key principles, as summarised below.

## **TFRS 15 Revenue from Contracts with Customers**

TFRS 15 supersedes the following accounting standards together with related Interpretations.

TAS 11 (revised 2017)	Construction contracts
TAS 18 (revised 2017)	Revenue
TSIC 31 (revised 2017)	Revenue - Barter Transactions Involving Advertising Services
TFRIC 13 (revised 2017)	Customer Loyalty Programmes
TFRIC 15 (revised 2017)	Agreements for the Construction of Real Estate
TFRIC 18 (revised 2017)	Transfers of Assets from Customers

Entities are to apply this standard to all contracts with customers unless those contracts fall within the scope of other standards. The standard establishes a five-step model to account for revenue arising from contracts with customers, with revenue being recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model.

The management of the Company and its subsidiary believe that this standard will not have any significant impact on the financial statements when it is initially applied.

### **3.3 Financial reporting standards related to financial instruments that will become effective for fiscal years beginning on or after 1 January 2020**

During the current year, the Federation of Accounting Professions issued a set of TFRSs related to financial instruments, which consists of five accounting standards and interpretations, as follows:

Financial reporting standards:

TFRS 7	Financial Instruments: Disclosures
TFRS 9	Financial Instruments

Accounting standard:

TAS 32	Financial Instruments: Presentation
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Financial Reporting Standard Interpretations:

TFRIC 16	Hedges of a Net Investment in a Foreign Operation
TFRIC 19	Extinguishing Financial Liabilities with Equity Instruments



These TFRSs related to financial instruments make stipulations relating to the classification of financial instruments and their measurement at fair value or amortised cost (taking into account the type of instrument, the characteristics of the contractual cash flows and the Company's business model), calculation of impairment using the expected credit loss method, and hedge accounting. These include stipulations regarding the presentation and disclosure of financial instruments. When the TFRSs related to financial instruments are effective, some accounting standards, interpretations and guidance which are currently effective will be cancelled.

The management of the Company and its subsidiary is currently evaluating the impact of these standards to the financial statements in the year when they are adopted.

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

##### **4.1 Revenue recognition**

- a) Interest and fee income from loan receivables

The Company recognises interest and fee income from loan receivables on an accrual basis, based on the outstanding principal balance, using the effective interest rate method.

The Company ceases accruing interest and fee income from loan receivables which have defaulted on more than three installments from the due date. Interest and fee income is then recognised as income on a cash basis.

- b) Insurance commission income

Insurance commission income is recognised when provision of services is complete.

- c) Fee and service income

Fee and service income are recognised when services have been rendered, while fee income from late payment is recognised when received.

##### **4.2 Expense recognition - Interest expenses**

Interest expenses are charged to expenses on an accrual basis.

##### **4.3 Cash and cash equivalents**

Cash and cash equivalents consist of cash in hand and at banks, and all highly liquid investments with an original maturity of three months or less and not subject to withdrawal restrictions.

#### **4.4 Short-term investments**

Short-term investments consist of cash at banks and short-term investments with an original maturity of more than three months but not more than 1 year, which are not subject to withdrawal restrictions.

#### **4.5 Loan receivables**

Loan receivables include term loans are presented at the principal amount outstanding, net of unearned discounts received in advance (if any) and accrued interest receivables.

#### **4.6 Allowance for doubtful accounts**

The Company provides allowance for doubtful accounts for loan receivables based on the estimated losses that may be incurred in the collection of the debts, determined taking into account the current status of the receivables. Allowance for doubtful accounts is calculated on the basis of loan receivables net of unearned income before deducting collateral value, except in the case of loan receivables that are secured against car registrations, agricultural vehicles and mortgaged land and are past due not more than 90 days, where it is calculated on the basis of loan receivables net of collateral value. The rates of allowance for doubtful accounts are as follows:

	<u>Provisioning rate</u>
Normal loans and not more than 30 days past due	1
31 - 90 days past due	2
More than 90 days past due	100
Litigation receivables	100

In addition, the Company sets aside further provision based on consideration of additional loss that may be incurred in the future.

Bad debt and doubtful accounts are recorded in profit or loss in the statements of comprehensive income. The Company has a policy to write-off receivables when the Company has made appropriate efforts at recovery for which there is clear evidence, and debts remain unsettled.

#### **4.7 Assets foreclosed**

Assets foreclosed are stated at the lower of cost or net realisable value.

Gain (loss) on disposal of assets foreclosed are recognised in profit or loss in the statements of comprehensive income upon disposal.

Loss on impairment (if any) is recognised as an expense in the statements of comprehensive income.

#### **4.8 Investments in a subsidiary**

Investments in a subsidiary as stated in the separate financial statements is accounted for using the cost method, net of allowance for impairment (if any). Loss on impairment of investments is recorded as expenses in profit or loss in the statements of comprehensive income.

#### **4.9 Land, buildings and equipment/Depreciation**

Land is stated at cost. Buildings and equipment are stated at cost less accumulated depreciation and allowance for loss on impairment (if any).

Depreciation of buildings and equipment is calculated by reference to their costs on a straight-line basis over the following estimated useful lives:

Buildings	-	20 years
Building improvements	-	20 years
Furniture, fixtures, equipment and computers	-	5 years
Motor vehicles	-	5 years

Depreciation is included in determining income. No depreciation is provided on land. Items of land, buildings and equipment are derecognised upon disposal or when no future economic benefits are expected from their use or disposal. Any gain or loss arising on disposal of an asset is recognised in profit or loss when the assets are derecognised.

#### **4.10 Intangible assets**

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

The useful lives of intangible assets with finite lives are 5 years and 10 years.

#### **4.11 Impairment of assets**

The Company and its subsidiary assess at each reporting date whether there are any indications that land, buildings and equipment may be impaired. An impairment loss is recognised when the recoverable amount of an asset is less than the carrying amount. An assets recoverable amount is the higher of its fair value less costs to sell and its value in use.

Impairment loss (if any) is recognised in profit or loss.

#### **4.12 Employee benefits**

a) Short-term employee benefits

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

b) Post-employment benefits (Defined contribution plans)

The Company and their 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 contributions of the Company are recognised as expenses when incurred.

c) Post-employment benefits (Defined benefit plans)

The Company and its subsidiary have obligations in respect of the severance payments they must make to employees upon retirement under labor law. The Company and its subsidiary treat these severance payment obligations as a defined benefit plan.

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

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

#### **4.13 Income tax**

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

Current tax

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

Deferred tax

Deferred 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 and its subsidiary recognise deferred tax liabilities for all taxable temporary differences while they recognise 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 and its subsidiary review and reduce 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 and its subsidiary record deferred tax directly to shareholders' equity if the tax relates to items that are recorded directly to shareholders' equity.

#### **4.14 Related party transactions**

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

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

#### **4.15 Long-term leases**

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

Leases which do not transfer substantially all the risks and rewards 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.

#### **4.16 Provisions**

Provisions are recognised when the Company and its subsidiary have 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.

#### **4.17 Financial derivatives and hedge accounting**

##### **Interest rate swap contracts**

Gain or loss arising from changes in the fair value of the contracts are recognised as gain or loss in the statement of comprehensive income. Fair value is calculated using the discounted cash flow method, with the discount rate being the estimated current market interest rate.

### **Interest rate swap contracts - hedge accounting**

The Company has entered into derivative financial instruments in order to manage risk associated with the Company's financial liabilities. The Company has recorded derivatives for cash flow hedging using hedge accounting, as follows:

At the inception of the transaction, the Company documents the relationship between the hedging instruments and hedged items, as well as its risk management objective and the strategy for undertaking various hedge transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity. The comprehensive gain or loss relating to the ineffective portion is recognised immediately in profit or loss to the comprehensive income statement. Amounts accumulated in equity are recycled to the income statement in the periods in which the hedged item affects profit or loss.

When a hedging instrument expires, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity is recognised in profit or loss to the comprehensive income statement.

### **4.18 Fair value measurement**

Fair value is the price that would be received from 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 and its subsidiary apply a quoted market price in an active market to measure their assets and liabilities, except in case of no active market of an identical asset or liability or when a quoted market price is not available, the Company and its subsidiary measure fair value using valuation technique 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 and its subsidiary determine 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 judgments and estimates**

The preparation of financial statements in conformity with Thai financial reporting standards at times requires management to make subjective judgments and estimates regarding matters that are inherently uncertain. These judgments and estimates affect reported amounts and disclosures; and actual results could differ from these estimates. Significant judgments and estimates are as follows:

### **5.1 Allowance for doubtful accounts on loan receivables**

In determining allowance for doubtful accounts for loan receivables, the management needs to exercise judgment in order to estimate the probable loss on each receivable based upon, among other things, past collection history, aging profile of outstanding debts and the prevailing economic conditions.

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

In determining the fair value of financial instruments that are not actively traded and for which quoted market prices are not readily available, the Company's management exercises judgment, 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 long-term volatility of financial instrument. The change in assumption that related inputs might affect to the amount of fair value and disclosure of fair value hierarchy.

### **5.3 Land, buildings and equipment/Depreciation**

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

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

### **5.4 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.

### **5.5 Deferred tax assets**

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

### **5.6 Litigation**

The Company has contingent liabilities as a result of litigation. The Company's management has used judgement to assess of the results of the litigation and believes that no loss will result. Therefore no contingent liabilities are recorded as at the end of reporting period.

## **6. Cash and cash equivalents**

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2018	2017	2018	2017
Cash	57,693	44,308	57,683	44,300
Bank deposits	822,471	1,109,407	799,297	1,092,549
Cash and cash equivalents	880,164	1,153,715	856,980	1,136,849

As at 31 December 2018, bank deposits in savings accounts carried interest at rates between 0.5 and 0.625 percent per annum (2017: between 0.125 and 0.75 percent per annum).



## 7. Loan receivables

7.1 As at 31 December 2018 and 2017, loan receivables consist of the following:

(Unit: Thousand Baht)

	Consolidated and separate financial statements		
	2018		
	Amounts due		
	within 1 year <sup>(1)</sup>	over 1 year	Total
Loan receivables	29,174,015	18,071,013	47,245,028
Accrued Interest	802,445	-	802,445
Total	29,976,460	18,071,013	48,047,473
Less: Allowance for doubtful accounts <sup>(2)</sup>	(1,371,513)	(127,643)	(1,499,156)
Loan receivables, net	28,604,947	17,943,370	46,548,317

(1) The balance of loan receivables due within 1 year includes receivables past due more than 90 days.

(2) The balance of allowance for doubtful accounts due within 1 year includes additional provision for uncollectible receivables.

(Unit: Thousand Baht)

	Consolidated and separate financial statements		
	2017		
	Amounts due		
	within 1 year <sup>(1)</sup>	over 1 year	Total
Loan receivables	22,361,259	12,536,240	34,897,499
Accrued Interest	725,074	-	725,074
Total	23,086,333	12,536,240	35,622,573
Less: Allowance for doubtful accounts <sup>(2)</sup>	(1,098,445)	(72,538)	(1,170,983)
Loan receivables, net	21,987,888	12,463,702	34,451,590

(1) The balance of loan receivables due within 1 year includes receivables past due more than 90 days.

(2) The balance of allowance for doubtful accounts due within 1 year includes additional provision for uncollectible receivables.

- 7.2** As at 31 December 2018 and 2017, the balances of loan receivables classified by aging and allowance for doubtful accounts are as follows:

(Unit: Thousand Baht)

Aging	Consolidated and separate financial statements						
	Loan receivables and accrued interest		Loan receivables and accrued interest net of collateral value <sup>(1)</sup>		Rate of allowance for doubtful accounts	Allowance for doubtful accounts	
	2561	2560	2561	2560		2561	2560
Not yet due	37,184,870	27,572,442	29,276,968	18,321,675	1	292,769	183,217
Past due not more than							
30 days	7,018,957	4,762,523	5,047,382	3,088,604	1	50,474	30,886
Past due 31 - 90 days	3,303,823	2,846,410	2,044,240	1,742,964	2	40,885	34,859
Past due 91 - 180 days	208,746	210,685	208,746	210,685	100	208,746	210,685
Past due 181 - 365 days	232,546	171,889	232,546	171,889	100	232,546	171,889
Past due more than	32,378	22,203	32,378	22,203	100	32,378	22,203
365 days							
Litigation receivables	66,153	36,421	66,153	36,421	100	66,153	36,421
Total	<u>48,047,473</u>	<u>35,622,573</u>	<u>36,908,413</u>	<u>23,594,441</u>		<u>923,951</u>	<u>690,160</u>
Allowance for doubtful accounts - additional provision for uncollectible receivables						575,205	480,823
Total						<u>1,499,156</u>	<u>1,170,983</u>

(i) Loan receivables secured against car registrations, agricultural vehicles and mortgaged lands that are past due not more than 90 days are presented net of collateral.

- 7.3** As at 31 December 2018, the Company had loan receivables amounting to Baht 695 million, for which revenue recognition has been ceased (2017: Baht 561 million).

- 7.4** A notification of the Institute of Certified Accountants and Auditors of Thailand, in concurrent with the Office of the Securities and Exchange Commission, lays down an accounting guideline for the consumer finance business. This requires that full allowance be recorded for doubtful accounts without taking collateral value into account and stop recognition of interest income in case that accounts receivables are overdue by more than three installments, and that general allowance be provided for accounts receivable which are not overdue or overdue by no more than three installments, or using an alternative method where a company believes that this would be more appropriate. The Company therefore estimates allowance for doubtful accounts based on consideration of the current status of receivables, their ability to make payment, and historical loss experience, and believes that the rates currently used to set allowance for doubtful accounts are appropriate.



## 8. Allowance for doubtful accounts

Movements of allowance for doubtful accounts for loan receivables are as follows:

				(Unit: Thousand Baht)
				Consolidated and separate financial statements
				For the years ended 31 December
		2018	2017	
Balance at beginning of the year		1,170,983	645,638	
Add: Increase in doubtful accounts during the year		586,211	679,406	
Less: Bad debt written-off		(12,066)	(15,418)	
Allowance for doubtful accounts for loan receivables sold		<u>(245,972)</u>	<u>(138,643)</u>	
Balance at end of the year		<u>1,499,156</u>	<u>1,170,983</u>	

## 9. Other current assets

				(Unit: Thousand Baht)
				Consolidated financial statements
				Separate financial statements
		2018	2017	
Assets foreclosed		64,328	101,306	64,328
Prepaid expenses		13,261	13,039	13,261
Other current assets		<u>65,607</u>	<u>27,476</u>	<u>65,121</u>
Total		<u>143,196</u>	<u>141,821</u>	<u>142,710</u>
Less: Allowance for impairment/allowance for doubtful accounts		<u>(9,100)</u>	<u>(15,026)</u>	<u>(9,100)</u>
Other current assets - net		<u>134,096</u>	<u>126,795</u>	<u>133,610</u>
				125,587

## 10. Restricted bank deposits

This represents fixed deposits of the subsidiary pledged with a commercial bank to secure the issuance of letters of guarantee on behalf of the subsidiary.

## 11. Investments in a subsidiary

Investments in a subsidiary in the separate financial statements is an investment in Muangthai Leasing Insurance Broker Company Limited, which is principally engaged in insurance brokerage. The cost of the investment was Baht 2 million, which represented a 100 percent shareholding in the subsidiary.

## 12. Land, buildings and equipment

(Unit: Thousand Baht)

	Consolidated financial statements						
	Furniture, fixtures, equipment						
	Land	Buildings	Building improvements	and computers	Motor vehicles	Construction in progress	Total
<b>Cost</b>							
1 January 2017	256,490	7,694	83,596	538,472	103,242	-	989,494
Additions	758	742	83,373	282,821	29,273	7,654	404,621
Disposals/written off	-	-	(863)	(14,890)	(6,391)	-	(22,144)
31 December 2017	257,248	8,436	166,106	806,403	126,124	7,654	1,371,971
Additions	-	-	105,203	305,339	29,387	27,646	467,575
Disposals/written off	-	-	(2,208)	(17,842)	(8,677)	-	(28,727)
31 December 2018	257,248	8,436	269,101	1,093,900	146,834	35,300	1,810,819
<b>Accumulated depreciation</b>							
1 January 2017	-	914	5,047	163,780	47,292	-	217,033
Depreciation for the year	-	399	5,652	122,683	20,867	-	149,601
Depreciation for							
disposals/written off	-	-	(206)	(10,101)	(6,406)	-	(16,713)
31 December 2017	-	1,313	10,493	276,362	61,753	-	349,921
Depreciation for the year	-	422	11,099	178,129	23,062	-	212,712
Depreciation for							
disposals/written off	-	-	(271)	(11,526)	(8,521)	-	(20,318)
31 December 2018	-	1,735	21,321	442,965	76,294	-	542,315
<b>Net book value</b>							
31 December 2017	257,248	7,123	155,613	530,041	64,371	7,654	1,022,050
31 December 2018	257,248	6,701	247,780	650,935	70,540	35,300	1,268,504
<b>Depreciation charge for the years</b>							
2017							149,601
2018							212,712



(Unit: Thousand Baht)

	Separate financial statements						
	Furniture, fixtures, equipment						
	Building Land Buildings			and improvements computers	Motor vehicles	Construction in progress	Total
<b>Cost</b>							
1 January 2017	256,490	7,694	83,596	538,387	103,242	-	989,409
Additions	758	742	83,373	282,821	29,273	7,654	404,621
Disposals/written off	-	-	(863)	(14,890)	(6,391)	-	(22,144)
31 December 2017	257,248	8,436	166,106	806,318	126,124	7,654	1,371,886
Additions	-	-	105,202	305,339	29,387	27,646	467,574
Disposals/written off	-	-	(2,208)	(17,842)	(8,677)	-	(28,727)
31 December 2018	257,248	8,436	269,100	1,093,815	146,834	35,300	1,810,733
<b>Accumulated depreciation</b>							
1 January 2017	-	914	5,047	163,729	47,292	-	216,982
Depreciation for the year	-	399	5,652	122,670	20,867	-	149,588
Depreciation for disposals/written off	-	-	(206)	(10,101)	(6,406)	-	(16,713)
31 December 2017	-	1,313	10,493	276,298	61,753	-	349,857
Depreciation for the year	-	422	11,099	178,114	23,062	-	212,697
Depreciation for disposals/written off	-	-	(271)	(11,526)	(8,521)	-	(20,318)
31 December 2018	-	1,735	21,321	442,886	76,294	-	542,236
<b>Net book value</b>							
31 December 2017	257,248	7,123	155,613	530,020	64,371	7,654	1,022,029
31 December 2018	257,248	6,701	247,779	650,929	70,540	35,300	1,268,497
<b>Depreciation charge for the years</b>							
2017							149,588
2018							212,697

As at 31 December 2018, the Company had vehicles under hire purchase and financial lease agreements with net book value amounting to Baht 70 million. In addition, the Company had certain building improvements, computers, equipment and vehicles that have been fully depreciated but are still in use. The gross carrying amount before deducting accumulated depreciation amounted to approximately Baht 101 million (2017: Baht 63 million and Baht 76 million, respectively).

### 13. Intangible assets

(Unit: Thousand Baht)

	Consolidated and separate financial statements		
	Assets		
	Software	in progress	Total
<b>Cost</b>			
1 January 2017	23,893	248	24,141
Transfer in (out)	248	(248)	-
Additions	8,152	-	8,152
31 December 2017	32,293	-	32,293
Additions	5,096	-	5,096
31 December 2018	37,389	-	37,389
<b>Accumulated amortisation</b>			
1 January 2017	2,548	-	2,548
Amortisation for the year	3,829	-	3,829
31 December 2017	6,377	-	6,377
Amortisation for the year	5,255	-	5,255
31 December 2018	11,632	-	11,632
<b>Net book value</b>			
31 December 2017	25,916	-	25,916
31 December 2018	25,757	-	25,757
Remaining useful life (years)	0 - 10 years		
<b>Amortisation charge for the year</b>			
2017			3,829
2018			5,255

## 14. Deferred tax assets and income tax expenses

### 14.1 Deferred tax assets/ deferred tax liabilities

As at 31 December 2018 and 2017, the components of deferred tax assets and deferred tax liabilities are as follows:

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	2018	2017	2018	2017
<b>Deferred tax assets</b>				
Allowance for doubtful accounts	299,831	234,197	299,831	234,197
Allowance for impairment of assets foreclosed	1,820	3,000	1,820	3,000
Provision for long-term employee benefits	7,766	8,294	7,744	8,275
Derivatives liabilities	4,575	12,724	4,575	12,724
Others	<u>453</u>	<u>1,189</u>	<u>453</u>	<u>1,189</u>
<b>Deferred tax assets</b>	<b><u>314,445</u></b>	<b><u>259,404</u></b>	<b><u>314,423</u></b>	<b><u>259,385</u></b>
<b>Deferred tax liabilities</b>				
Differences in income recognition for accounting and tax purposes	202,555	239,767	202,555	239,767
Others	<u>14,083</u>	<u>6,990</u>	<u>14,083</u>	<u>6,990</u>
<b>Deferred tax liabilities</b>	<b><u>216,638</u></b>	<b><u>246,757</u></b>	<b><u>216,638</u></b>	<b><u>246,757</u></b>
<b>Deferred tax assets - net</b>	<b><u>97,807</u></b>	<b><u>12,647</u></b>	<b><u>97,785</u></b>	<b><u>12,628</u></b>

### 14.2 Income tax expenses

Income tax expenses for the years ended 31 December 2018 and 2017 are as follows:

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	2018	2017	2018	2017
<b>Current income tax:</b>				
Current income tax charge for the year	1,004,398	616,444	1,002,878	614,932
Adjustment in respect of income tax of previous year	99	-	99	-
<b>Deferred tax:</b>				
Relating to origination and reversal of temporary differences	<u>(91,151)</u>	<u>(11,127)</u>	<u>(91,148)</u>	<u>(11,127)</u>
<b>Income tax expenses reported in the statements of comprehensive income</b>	<b><u>913,346</u></b>	<b><u>605,317</u></b>	<b><u>911,829</u></b>	<b><u>603,805</u></b>

The amounts of income tax relating to each component of other comprehensive income for the years ended 31 December 2018 and 2017 are as follows:

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	2018	2017	2018	2017
Deferred tax relating to unrealized (gain) loss				
from cash flow hedges	(3,908)	7,478	(3,908)	7,478
Deferred tax relating to actuarial (gain) loss	<u>(2,083)</u>	<u>1,913</u>	<u>(2,083)</u>	<u>1,913</u>
Deferred tax reported in the other				
comprehensive income	<u>(5,991)</u>	<u>9,391</u>	<u>(5,991)</u>	<u>9,391</u>

Reconciliations between income tax expenses and the product of accounting profit multiplied by the applicable tax rates for the years ended 31 December 2018 and 2017 are as follows:

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	2018	2017	2018	2017
Accounting profit before tax	<u>4,626,731</u>	<u>3,105,915</u>	<u>4,619,147</u>	<u>3,098,557</u>
Applicable tax rates	20%	20%	20%	20%
Accounting profit before tax multiplied by				
applicable tax rates	925,347	621,183	923,830	619,711
Adjustment in respect of income tax of				
previous year	99	-	99	-
Additional deductions allowed for expenses	<u>(17,923)</u>	<u>(18,177)</u>	<u>(17,923)</u>	<u>(18,177)</u>
Effects of non-deductible expenses and				
non-taxable income	<u>5,823</u>	<u>2,311</u>	<u>5,823</u>	<u>2,271</u>
Income tax expenses reported in the statements				
of comprehensive income	<u>913,346</u>	<u>605,317</u>	<u>911,829</u>	<u>603,805</u>

## 15. Short-term loans from financial institutions

As at 31 December 2018 and 2017, the following are short-term loan in the form of promissory notes and bill of exchanges from financial institutions in Thailand:

Loan facility / Repayment schedule	(Unit: Thousand Baht)	
	Consolidated and separate financial statements	
	2018	2017
a) Promissory notes under credit facilities amounting to Baht 2,000 million (2017: short-term and long-term loans facilities total Baht 3,500 million), with principal repayable within the specific date of each promissory, and interest charged at a fixed rate, payable monthly	500,000	1,850,000
b) Promissory notes under credit facilities amounting to Baht 1,000 million, with principal repayable within the specific date of each promissory, and interest charged at a fixed rate, payable monthly	-	300,000
c) Promissory notes under credit facilities amounting to Baht 2,000 million (2017: Baht 1,500 million), with principal repayable within the specific date of each promissory, and interest charged at a fixed rate, payable monthly	1,320,000	1,380,000
d) Promissory notes under credit facilities amounting to Baht 100 million, with principal repayable within the specific date of each promissory, and interest charged at a fixed rate, payable monthly	-	100,000
e) Bill of exchange, with principal repayment at the date specified on each bill of exchange	2,955,444	2,991,683
<b>Total</b>	<b>4,775,444</b>	<b>6,621,683</b>
Less: Deferred issuing costs	(169)	-
<b>Total short-term loans from financial institutions</b>	<b>4,759,275</b>	<b>6,621,683</b>

Under the agreements of loans a) to c) above, the loans are unsecured but the Company is required to comply with certain terms and conditions as specified in each loan agreement, such as to maintain ratios of loan receivables that are no more than 3 months overdue to total borrowings, non-performing loan receivables (overdue more than 3 months) to total loan receivables, total debt to equity and interest coverage ratio, and also the portion of the Company's shares held by the major shareholders.

As at 31 December 2018, the Company has Baht 6,300 million for bank overdrafts and short-term credit facilities from financial institutions which have not yet been drawn down (2017: Baht 3,720 million).

## 16. Short-term loans

These short-term loans are in form of bill of exchange, with principal are payable as stipulated in each bill of exchange.

## 17. Other payables

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2018	2017	2018	2017
Accrued employee expenses	314,036	222,896	314,033	222,870
Accrued special business tax expenses	59,229	42,167	59,229	42,167
Accrued expenses	6,694	4,518	6,514	4,338
Accrued interest expenses	255,093	136,514	255,093	136,514
Other account payables	24,271	32,597	16,209	25,166
<b>Total other payables</b>	<b>659,323</b>	<b>438,692</b>	<b>651,078</b>	<b>431,055</b>

## 18. Long-term loans

As at 31 December 2018 and 2017, the following are loans from local financial institutions in Thailand.

(Unit: Thousand Baht)

Facility no.	Loan facility / Repayment schedule	Consolidated and separate financial statements	
		2018	2017
1	Credit facility amounting to Baht 1,500 million, repayable principal within December 2018, and interest charged at a fixed rate, payable monthly	-	120,000
2	Credit facility amounting to Baht 1,000 million, repayable principal within November 2018, and interest charged at a fixed rate, payable monthly	-	500,000
3	Short-term and long-term loans facilities total Baht 3,500 million with principal repayable amounting to Baht 250 million within February 2018 and Baht 130 million within March 2018, and interest charged at a fixed rate, payable monthly	-	380,000
4	Credit facility amounting to Baht 500 million, repayable principal within June 2018, with interest at the rate of THBFIX plus a fixed percent per annum, payable monthly	-	500,000
5	Credit facility amounting to Baht 1,000 million, repayable principal within June 2019, with interest at the rate of THBFIX plus a fixed percent per annum, payable monthly	1,000,000	1,000,000



(Unit: Thousand Baht)

Facility no.	Loan facility / Repayment schedule	Consolidated and separate financial statements	
		2018	2017
6	Credit facility amounting to Baht 500 million, repayable principal within November 2018, and interest charged at a fixed rate, payable monthly	-	500,000
7	Credit facility amounting to Baht 500 million, repayable principal equally every 3 months within July 2019, and interest charged at a fixed rate, payable monthly	187,500	437,500
8	Credit facility amounting to Baht 2,000 million, repayable principal equally every 3 months within November 2021 and December 2021, with interest at the rate of THBFIIX plus a fixed percent per annum, payable monthly	1,500,000	2,000,000
9	Credit facility amounting to Baht 500 million, repayable principal November 2019, and interest charged at a fixed rate, payable monthly	500,000	500,000
10	Credit facility amounting to Baht 500 million, repayable principal within March 2020, and interest charged at a fixed rate, payable monthly	500,000	-
11	Credit facility amounting to Baht 750 million, repayable principal within March 2020, and interest charged at a fixed rate, payable every 3 months	750,000	-
12	Credit facility amounting to Baht 500 million, repayable principal within April 2020, and interest charged at a fixed rate, payable monthly	500,000	-
13	Credit facility amounting to Baht 500 million, repayable principal equally every 3 months within June 2021, and interest charged at a fixed rate, payable every 3 months	416,667	-
14	Credit facility amounting to Baht 1,000 million, repayable principal equally every 3 months within June 2020, and interest charged at a fixed rate, payable monthly	750,000	-
15	Credit facility amounting to Baht 1,000 million, repayable principal within March 2020, and interest charged at a fixed rate, payable monthly	1,000,000	-
16	Credit facility amounting to Baht 600 million, repayable principal within October 2021, and interest charged at a fixed rate, payable monthly	600,000	-
Total		7,704,167	5,937,500
Less: Deferred issuing costs		(9,436)	(10,074)
Long-term loans		7,694,731	5,927,426
Less: Current portion due within 1 year		(2,849,398)	(2,744,959)
Long-term loans, net of current portion		4,845,333	3,182,467

For loan 1) to 5) and 7) to 14) and 16), the Company is required to comply with certain terms and conditions as specified in each loan agreement, such as to maintain ratios of loan receivables that are no more than 3 months overdue to total borrowings, non-performing loan receivables (overdue more than 3 months) to total loan receivables, total debt to equity and interest coverage ratio, and also the portion of the Company's shares held by the major shareholders, depending on the conditions in each agreement.

For loan 6) and 15), the Company is required to comply with certain terms and conditions to maintain ratios of total debt to equity and the proportionate shareholdings of the major shareholders.

As at 31 December 2018, the long-term credit facilities of the Company which have not yet been drawn down amounted to Baht 1,000 million (2017: Baht 750 million).

As at 31 December 2018, the Company has outstanding commitments of loans 5) and 8) under interest rate swap agreements with the lending bank, whereby the floating interest rates were changed to fixed interest rates throughout the contract periods. The interest rate swap agreements gradually mature amounting to Baht 1,000 million in June 2019, amounting to Baht 500 million in November 2021 and amounting to Baht 1,500 million in December 2021 respectively, in line with terms of loan payment.

Movements in the long-term loans account during the year ended 31 December 2018 are summarised below.

(Unit: Thousand Baht)

	Consolidated and separate financial statements
Balance as at 1 January 2018	5,937,500
Add: Drawdown during the year	4,850,000
Less: Repayment during the year	3,083,333
Balance as at 31 December 2018	<u>7,704,167</u>

## 19. Long-term debentures

As at 31 December 2018 and 2017, these debentures are registered, unsubordinated, unsecured debentures with no trustee. Details are as follow:

Debenture	Facility / Repayment schedule	Consolidated and separate financial statements	
		2018	2017
1	Debenture amounting to Baht 200 million with a tenor of 3 years 9 days, maturing in February 2019, bearing interest at interest at a fixed rate, payable every 6 months	200,000	200,000
2	Debenture amounting to Baht 200 million with a tenor of 3 years 3 days, maturing in April 2019, bearing interest at a fixed rate, payable every 6 months	200,000	200,000
3	Debenture amounting to Baht 200 million with a tenor of 3 years 16 days, maturing in July 2019, bearing interest at a fixed rate, payable every 6 months	200,000	200,000
4	Debenture amounting to Baht 200 million with a tenor of 3 years, maturing in July 2019, bearing interest at a fixed rate, payable every 6 months	200,000	200,000
5	Debenture amounting to Baht 100 million with a tenor of 2 years 11 months 18 days, maturing in July 2019, bearing interest at a fixed rate, payable every 6 months	100,000	100,000
6	Debenture amounting to Baht 200 million with a tenor of 3 years 11 days, maturing in August 2019, bearing interest at a fixed rate, payable every 6 months	200,000	200,000
7	Debenture amounting to Baht 310 million with a tenor of 2 years 11 months 18 days, maturing in August 2019, bearing interest at a fixed rate, payable every 3 months	310,000	310,000
8	Debenture amounting to Baht 200 million with a tenor of 3 years, maturing in September 2019, bearing interest at a fixed rate, payable every 6 months	200,000	200,000
9	Debenture amounting to Baht 469 million with a tenor of 3 years, maturing in November 2019, bearing interest at a fixed rate, payable every 6 months	469,000	469,000
10	Debenture amounting to Baht 2,600 million with a tenor of 3 years, maturing in February 2020, bearing interest at a fixed rate, payable every 6 months	2,600,000	2,600,000

(Unit: Thousand Baht)

Debenture	Facility / Repayment schedule	Consolidated and separate financial statements	
		2018	2017
11	Debenture amounting to Baht 1,000 million with a tenor of 1 year 6 months, maturing in November 2018, bearing interest at a fixed rate, payable every 6 months	-	1,000,000
12	Debenture amounting to Baht 1,320 million with a tenor of 2 years 6 months, maturing in November 2019, bearing interest at a fixed rate, payable every 6 months	1,320,000	1,320,000
13	Debenture amounting to Baht 1,930 million with a tenor of 3 years 6 months, maturing in November 2020, bearing interest at a fixed rate, payable every 6 months	1,930,000	1,930,000
14	Debenture amounting to Baht 110 million with a tenor of 3 years, maturing in July 2020, bearing interest at a fixed rate, payable every 3 months	110,000	110,000
15	Debenture amounting to Baht 800 million with a tenor of 3 years, maturing in August 2020, bearing interest at a fixed rate, payable every 6 months	800,000	800,000
16	Debenture amounting to Baht 100 million with a tenor of 3 years, maturing in August 2020, bearing interest at a fixed rate, payable every 3 months	100,000	100,000
17	Debenture amounting to Baht 1,947 million with a tenor of 3 years, maturing in August 2020, bearing interest at a fixed rate, payable every 6 months	1,947,200	1,947,200
18	Debenture amounting to Baht 1,296 million with a tenor of 4 years, maturing in August 2021, bearing interest at a fixed rate, payable every 6 months	1,295,800	1,295,800
19	Debenture amounting to Baht 1,250 million with a tenor of 2 years 11 months 18 days, maturing in October 2020, bearing interest at a fixed rate, payable every 6 months	1,250,000	1,250,000
20	Debenture amounting to Baht 2,000 million with a tenor of 3 years, maturing in February 2021, bearing interest at a fixed rate, payable every 6 months	2,000,000	-



(Unit: Thousand Baht)

Debenture	Facility / Repayment schedule	Consolidated and separate financial statements	
		2018	2017
21	Debenture amounting to Baht 1,000 million with a tenor of 4 years, maturing in February 2022, bearing interest at a fixed rate, payable every 6 months	1,000,000	-
22	Debenture amounting to Baht 1,833 million with a tenor of 2 years 10 months, maturing in May 2021, bearing interest at a fixed rate, payable every 6 months	1,833,000	-
23	Debenture amounting to Baht 1,564 million with a tenor of 4 years, maturing in March 2022, bearing interest at a fixed rate, payable every 6 months	1,564,000	-
24	Debenture amounting to Baht 1,697.5 million with a tenor of 3 years, maturing in November 2021, bearing interest at a fixed rate, payable every 6 months	1,697,500	-
25	Debenture amounting to Baht 1,515.5 million with a tenor of 4 years, maturing in November 2022, bearing interest at a fixed rate, payable every 6 months	1,515,500	-
Total		23,042,000	14,432,000
Less: Deferred issuing costs		(52,452)	(22,946)
Long-term debentures		22,989,548	14,409,054
Less: Current portion due within 1 year		(3,397,033)	(998,228)
Long-term debentures - net of current portion		19,592,515	13,410,826

Debentures 1) to 25) have a condition to maintain a debt to equity ratio at end of each fiscal year.

## 20. Liabilities under hire purchase payable

(Unit: Thousand Baht)

	Consolidated and separate financial statements	
	2018	2017
Liabilities under hire purchase payable	47,059	44,423
Less: Deferred interest expenses	(1,909)	(2,064)
Total	45,150	42,359
Less: Portion due within one year	(19,987)	(17,046)
Liabilities under hire purchase payable - net of current portion	25,163	25,313

The Company has entered into hire purchase agreements with a commercial bank and leasing companies in order to lease motor vehicles for use in its operations, whereby it is committed to pay rental fees on a monthly basis. The terms of the agreements are generally 4 years. The Company's minimum lease payment commitments under the hire purchase agreements are as follows:

(Unit: Thousand Baht)

	Consolidated and separate financial statements		
	2018		
	Less than 1 year	1 - 5 years	Total
Minimum lease payments	21,103	25,956	47,059
Less: Deferred interest expenses	(1,116)	(793)	(1,909)
Present value of minimum lease payments	19,987	25,163	45,150

(Unit: Thousand Baht)

	Consolidated and separate financial statements		
	2017		
	Less than 1 year	1 - 5 years	Total
Minimum lease payments	18,257	26,166	44,423
Less: Deferred interest expenses	(1,211)	(853)	(2,064)
Present value of minimum lease payments	17,046	25,313	42,359



## 21. Provision for long-term employee benefits

Provision for long-term employee benefits, which is the compensation payable to employees upon retirement, can be summarised as follows:

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	For the years ended 31 December		For the years ended 31 December	
	2018	2017	2018	2017
Provision for long-term employee benefits				
at beginning of year	41,470	27,048	41,372	26,951
Included in profit or loss:				
Current service cost	6,605	4,210	6,596	4,213
Interest cost	1,367	833	1,365	829
Included in other comprehensive income:				
Actuarial (gain) loss arising from				
Demographic assumptions changes	(4,842)	(2,438)	(4,842)	(2,438)
Financial assumptions changes	(4,891)	5,223	(4,891)	5,223
Experience adjustments	(683)	6,780	(683)	6,780
Benefits paid during the year	(200)	(186)	(200)	(186)
Provision for long-term employee benefits				
at end of year	<u>38,826</u>	<u>41,470</u>	<u>38,717</u>	<u>41,372</u>

As at 31 December 2018, weighted average duration of the liabilities for long-term employee benefits of the Company is 19 years and its subsidiary is 6 years, and the Company and its subsidiary expected to pay Baht 0.31 million of long-term employee benefits during the next year (2017: 27 years, 9 years and Baht 0.38 million, respectively)

Significant actuarial assumptions are summarised below:

	(Unit: percent per annum)			
	Consolidated financial statements		Separate financial statements	
	2018	2017	2018	2017
Discount rate	2.30%, 3.10%	2.39%, 3.33%	3.10%	3.33%
Future salary increase rate	3%, 6%	3%, 6%	6%	6%
Turnover rate (depending on age of employee)	2.50% - 20%	1.91% -22.92%	2.50% - 20%	1.91% -22.92%

The result of sensitivity analysis for significant assumptions that affect the present value of the long-term employee benefit obligation as at 31 December 2018 and 2017 are summarised below:

(Unit: Million Baht)

	Consolidated financial statements					
	2018					
	Discount rate		Salary increase rate		Turnover rate	
	Increased by 0.5%	Decreased by 0.5%	Increased by 0.5%	Decreased by 0.5%	Increased by 10%	Decreased by 10%
Increase (decrease) in provisions for long-term employee benefits	(3.31)	3.73	3.63	(3.26)	(3.61)	4.31

(Unit: Million Baht)

	Consolidated financial statements					
	2017					
	Discount rate		Salary increase rate		Turnover rate	
	Increased by 0.5%	Decreased by 0.5%	Increased by 1%	Decreased by 1%	Increased by 20%	Decreased by 20%
Increase (decrease) in provisions for long-term employee benefits	(3.72)	4.20	8.51	(6.83)	(6.71)	9.03

(Unit: Million Baht)

	Separate financial statements					
	2018					
	Discount rate		Salary increase rate		Turnover rate	
	Increased by 0.5%	Decreased by 0.5%	Increased by 0.5%	Decreased by 0.5%	Increased by 10%	Decreased by 10%
Increase (decrease) in provisions for long-term employee benefits	(3.30)	3.72	3.63	(3.26)	(3.61)	4.30



(Unit: Million Baht)

	Separate financial statements					
	2017					
	Discount rate		Salary increase rate		Turnover rate	
	Increased	Decreased	Increased	Decreased	Increased	Decreased
Increase (decrease) in provisions for long-term employee benefits	by 0.5%	by 0.5%	by 1%	by 1%	by 20%	by 20%
	(3.72)		4.20	8.50	(6.82)	(6.71)
						9.03

On 13 December 2018, The National Legislative Assembly passed a resolution approving the draft of a new Labour Protection Act, which is in the process being published in the Royal Gazette. The new Labour Protection Act stipulates additional legal severance pay rates for employees who have worked for an uninterrupted period of twenty years or more. Such employees are entitled to receive compensation at a rate of not less than that of the last 400 days. This change is considered a post-employment benefits plan amendment and the Company and its subsidiary have additional liabilities for long-term employee benefits of Baht 12.13 million (The Company only: Baht 12.13 million). The Company and its subsidiary will reflect the effect of the change by recognising past services costs as expenses in the income statement of the period in which the law is effective.

## 22. 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 percent of its net income after deducting accumulated deficit brought forward (if any), until the reserve reaches 10 percent of the registered capital. The statutory reserve is not available for dividend distribution. At present, the statutory reserve has fully been set aside.

## 23. Dividend

On 20 April 2017, the Annual General Meeting of Shareholders of the Company approved to pay a dividend of Baht 0.10 per share from the 2016 operating results to the holders of the Company's 2,120 million shares, or a total of Baht 212 million.

On 20 April 2018, the Annual General Meeting of Shareholders of the Company approved to pay a dividend of Baht 0.18 per share from the 2017 operating results to the holders of the Company's 2,120 million shares, or a total of Baht 381.6 million.

## **24. Capital Management**

The primary objective of the Company and its subsidiary's capital management is to ensure that it has appropriate capital structure and preserves the ability to continue its business as a going concern.

As at 31 December 2018, the Company's and its subsidiary debt to equity ratio is 3:1 (2017: 3.13:1).

## **25. Expenses by nature**

For the years ended 31 December 2018 and 2017, significant expenses by nature are as follows:

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	2018	2017	2018	2017
Salary, wages and other employee benefits	2,228,015	1,591,999	2,227,688	1,591,683
Rental and service expenses	611,765	427,108	611,340	427,108
Special business tax	345,798	228,184	345,798	228,184
Travelling expenses	109,170	86,883	109,169	86,882
Depreciation and amortisation expenses	217,966	153,434	217,952	153,420
Utilities expenses	99,122	66,895	99,122	66,895
Telecommunication expenses	46,974	37,745	46,974	37,745
Loss on disposals of assets foreclosed	2,787	23,642	2,787	23,642
Bad debts and doubtful accounts	586,211	679,405	586,211	679,405

## **26. Earnings per share**

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

## **27. Provident fund**

The Company and its employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. Both employees and the Company contribute to the fund monthly at the rate of 3 - 5 percent of basic salary, depending on year of service. The fund, which is managed by Kasikorn Asset Management Company Limited, will be paid to employees upon termination in accordance with the fund rules. The contributions for the year 2018 amounting to approximately Baht 20.11 million (2017: Baht 12.40 million) were recognised as expense.



## 28. 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 segments and assess their performance. The chief operating decision maker has been identified as the Chief Executive Officer.

The Company's principal operations involve a single operating segment in lending business, and its subsidiary is principally engaged in insurance brokerage. Their operations are carried on only in Thailand. Segment performance is measured based on operating profit or loss, on a basis consistent with that used to measure operating profit or loss in the financial statements. As a result, all of the revenues, operating profits and assets as reflected in these financial statements pertain exclusively to the aforementioned reportable operating segment and geographical area.

Financial information of the Company and its subsidiary presented by segment for the years ended 31 December 2018 and 2017 are as follows:

(Unit: Thousand Baht)

	For the year ended 31 December 2018			
	Lending business	Insurance broker	Eliminations	Consolidated
Interest and fee income from loan receivables	9,544,311	-	-	9,544,311
Fee and service income	758,502	37,881	-	796,383
Other income	102,498	199	(26,930)	75,767
Total income	10,405,311	38,080	(26,930)	10,416,461
Selling and administrative expenses	4,096,898	30,495	(26,930)	4,100,463
Loss on disposals of assets foreclosed	2,787	-	-	2,787
Bad debts and doubtful accounts	586,211	-	-	586,211
Profit before finance cost and income tax expenses	5,719,415	7,585	-	5,727,000
Less: Finance cost	(1,100,268)	-	-	(1,100,268)
Profit before income tax expenses	4,619,147	7,585	-	4,626,732
Less: Income tax expenses	(911,829)	(1,517)	-	(913,346)
Profit for the year	3,707,318	6,068	-	3,713,386

(Unit: Thousand Baht)

	For the year ended 31 December 2017			
	Lending business	Insurance broker	Eliminations	Consolidated
Interest and fee income from loan receivables	6,794,921	-	-	6,794,921
Fee and service income	609,804	32,225	-	642,029
Other income	55,921	145	(22,024)	34,042
Total income	7,460,646	32,370	(22,024)	7,470,992
Selling and administrative expenses	2,985,942	25,012	(22,024)	2,988,930
Loss on disposals of assets foreclosed	23,642	-	-	23,642
Bad debts and doubtful accounts	679,405	-	-	679,405
Profit before finance cost and income tax expenses	3,771,657	7,358	-	3,779,015
Less: Finance cost	(673,100)	-	-	(673,100)
Profit before income tax expenses	3,098,557	7,358	-	3,105,915
Less: Income tax expenses	(603,805)	(1,512)	-	(605,317)
Profit for the year	2,494,752	5,846	-	2,500,598

(Unit: Thousand Baht)

	As at 31 December 2018			
	Lending business	Insurance broker	Eliminations	Consolidated
Cash and cash equivalents	856,980	23,184	-	880,164
Loan receivables	46,548,317	-	-	46,548,317
Short-term loans	57,300	-	-	57,300
Investments in subsidiary	2,000	-	(2,000)	-
Land, building and equipment	1,268,497	7	-	1,268,504
Other assets	385,145	20,568	(13,889)	391,824
Total assets	49,118,239	43,759	(15,889)	49,146,109

(Unit: Thousand Baht)

	As at 31 December 2017			
	Lending business	Insurance broker	Eliminations	Consolidated
Cash and cash equivalents	1,136,849	16,866	-	1,153,715
Loan receivables	34,451,590	-	-	34,451,590
Short-term loans	39,707	-	-	39,707
Investments in subsidiary	2,000	-	(2,000)	-
Land, building and equipment	1,022,029	21	-	1,022,050
Other assets	279,665	20,007	(13,721)	285,951
Total assets	36,931,840	36,894	(15,721)	36,953,013

### **Major customers**

For the years 2018 and 2017, the Company has no major customers with revenues equal to 10 percent or more of their revenues.

### **Geographic information**

The Company and its subsidiary are operated in Thailand only. As a result, all of the revenues and assets as reflected in these financial statements pertain to the aforementioned geographical reportable.

### **29. Related party transactions**

During the years, the Company and its subsidiary had significant business transactions with related parties. Such transactions are in the ordinary course of business and were concluded on commercial terms and bases agreed upon between the Company and those related parties. A summary of related parties and transactions with those parties is below.

Name of related parties	Relationship with the Company				(Unit: Thousand Baht)
	Consolidated financial statements		Separate financial statements		Transfer Pricing Policy
	2018	2017	2018	2017	(For the year 2018)
<b>For the years ended 31 December</b>					
<u>Transactions with a subsidiary company</u>					
Fee income on support service	-	-	26,505	21,599	As stipulated in agreements
Rental income	-	-	425	425	As stipulated in agreements
<u>Transactions with related parties</u>					
Interest income - loan to management	6	6	6	6	At the rate of 8.0 percent per annum
Rental expense - directors	6,589	6,890	6,589	6,890	As stipulated in agreements
Commission expense - shareholder	1,681	1,403	1,681	1,403	Same rate that the Company paid to other agents

As at 31 December 2018 and 2017, the balances of the accounts between the Company and those related parties are as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2018	2017	2018	2017
<b><u>Subsidiary</u></b>				
Other receivables	-	-	2,828	2,941
Other current liabilities	-	-	11,061	10,780
<b><u>Related person</u></b>				
Short-term loans - management	50	75	50	75
Other current liabilities - shareholder	146	135	146	135

#### Directors and management's benefits

During the years ended 31 December 2018 and 2017 the Company and its subsidiary had the following employee benefit expenses payable to their directors and management.

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2018	2017	2018	2017
Short-term employee benefits	38,311	35,030	38,167	34,886
Post-employment benefits	1,008	2,439	995	2,437
Total	39,319	37,469	39,162	37,323

## 30. Commitments

### 30.1 Office rental commitments

The Company has entered into several lease agreements in respect of office building space. The terms of the agreements are generally between 1 and 5 years. As at 31 December 2018, future minimum lease payments required under these non-cancellable operating leases contracts were as follows:

(Unit: Thousand Baht)

Payable:	Consolidated and separate financial statements		
	Related	Other parties	Total
Within 1 year	6,380	393,828	400,208
1 to 5 years	6,268	373,597	379,865

### **30.2 Capital expenditure commitments**

As at 31 December 2018, the Company had capital commitments of Baht 239 million relating to the constructing of head office building.

### **31. Contingent Liabilities / Litigation**

As at 31 December 2018, the Company is being sued in civil lawsuits and torture cases with claims totaling Baht 1 million that have not yet been finalised. The management of the Company has exercised judgement to access the possible outcomes of litigation and believes that when the case is finally settled, there will be no material impact on the financial position and operating results of the company. Therefore, no contingent liability has been recognised.

### **32. Financial instruments**

The Company's financial instruments, as defined under Thai Accounting Standard No.107 "Financial Instruments: Disclosure and Presentations", principally comprise cash and cash equivalents, short-term/ long-term investments, loan receivables, loans, restricted bank deposits, derivative liabilities, borrowings, debentures and liabilities under hire purchase payables. The financial risks associated with these financial instruments and how they are managed is described below.

#### **32.1 Credit risk**

The Company is exposed to credit risk primarily with respect to loan receivables, consist of loans secured against vehicle registrations and land title deeds and personal loans without collateral and Nano finance. The Company manages the risk by adopting appropriate credit control policies and procedures and therefore does not expect to incur material financial losses. In addition, the Company does not have high concentrations of credit risk since it has a large customer base. The maximum exposure to credit risk is limited to the carrying amounts of loan receivables less allowance for doubtful debts as stated in the statements of financial position.

#### **32.2 Market risk**

Market risk is the risk that changes in interest rates, foreign exchange rates and securities prices may have an effect on the financial positions of the Company and its subsidiary. As the Company and its subsidiary have no foreign currency assets and liabilities and no investments in securities, market risk therefore consists of only interest rate risk.

## Interest rate risk

As at 31 December 2018 and 2017, 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)

Transactions	Consolidated financial statements					
	2018					
	Fixed interest rate		Repricing or maturity date		Total	Effective interest Rate (% per annum)
Within 1 year	Over 1-5 years	Floating interest rate	Non-interest bearing			
<b>Financial assets</b>						
Cash and cash equivalents	-	-	684	196	880	0.50 - 0.625
Loan receivables <sup>(1)</sup>	14,212	33,295	-	540	48,047	15.00 - 36.00
Short-term loans	57	-	-	-	57	8.00
Restricted bank deposits	8	-	-	-	8	0.90
Long-term investment - bank deposit	1	-	-	-	1	0.90
<b>Financial liabilities</b>						
Short-term loans from financial institutions	4,775	-	-	-	4,775	1.95 - 2.15
Derivative liabilities	-	-	-	23	23	-
Long-term loans	1,352	3,849	2,494	-	7,695	3.15 - 4.25
Long-term debentures	3,397	19,593	-	-	22,990	3.10 - 4.30
Liabilities under hire purchase payables	3	42	-	-	45	2.96 - 4.20

(1) The outstanding balances of non-interest bearing loan receivables are receivables past due more than 90 days for which revenue recognition has ceased.



(Unit: Million Baht)

## Consolidated financial statements

Transactions	2017					
	Fixed interest rate					
	Repricing or maturity date					
Transactions	Within 1 year	Over 1-5 years	Floating interest rate	Non-interest bearing	Total	Effective interest Rate (% per annum)
<b>Financial assets</b>						
Cash and cash equivalents	-	-	1,031	123	1,154	0.125 - 0.75
Loan receivables <sup>(1)</sup>	11,849	23,332	-	441	35,622	19.55 - 29.50
Short-term loans	40	-	-	-	40	8.00
Restricted bank deposits	7	-	-	-	7	0.90
Long-term investment - bank deposit	1	-	-	-	1	0.90
<b>Financial liabilities</b>						
Short-term loans from financial institutions	6,621	-	-	-	6,621	1.90 - 2.20
Short-term loans	100	-	-	-	100	2.15
Derivative liabilities	-	-	-	64	64	-
Long-term loans	1,749	686	3,492	-	5,927	3.10 - 4.25
Long-term debentures	998	13,411	-	-	14,409	3.10 - 4.20
Liabilities under hire purchase payables	1	41	-	-	42	2.67 - 4.38

(1) The outstanding balances of non-interest bearing loan receivables are receivables past due more than 90 days for which revenue recognition has ceased.

(Unit: Million Baht)

Transactions	Separate financial statements					
	2018					
	Fixed interest rate		Repricing or maturity date		Total	Effective interest Rate (% per annum)
Within 1 year	Over 1-5 years	Floating interest rate	Non-interest bearing			
<b>Financial assets</b>						
Cash and cash equivalents	-	-	661	196	857	0.50 - 0.625
Loan receivables <sup>(1)</sup>	14,212	33,295	-	540	48,047	15.00 - 36.00
Other receivables - subsidiary	-	-	-	3	3	-
Short-term loans	57	-	-	-	57	8.00
Investments in subsidiary	-	-	-	2	2	-
<b>Financial liabilities</b>						
Short-term loans from financial institutions	4,775	-	-	-	4,775	1.95 - 2.15
Derivative liabilities	-	-	-	23	23	-
Long-term loans	1,352	3,849	2,494	-	7,695	3.15 - 4.25
Long-term debentures	3,397	19,593	-	-	22,990	3.10 - 4.30
Liabilities under hire purchase payables	3	42	-	-	45	2.96 - 4.20

(1) The outstanding balances of non-interest bearing loan receivables are receivables past due more than 90 days for which revenue recognition has ceased.



(Unit: Million Baht)

Transactions	Separate financial statements					
	2017					
	Fixed interest rate		Repricing or maturity date			
Transactions	Within 1 year	Over 1-5 years	Floating interest rate	Non-interest bearing	Total	Effective interest Rate (% per annum)
<b>Financial assets</b>						
Cash and cash equivalents	-	-	1,014	123	1,137	0.125 - 0.75
Loan receivables (1)	11,849	23,332	-	441	35,622	19.55 - 29.50
Other receivables - subsidiary	-	-	-	3	3	-
Short-term loans	40	-	-	-	40	8.00
Investments in subsidiary	-	-	-	2	2	-
<b>Financial liabilities</b>						
Short-term loans from financial institutions	6,621	-	-	-	6,621	1.90 - 2.20
Short-term loans	100	-	-	-	100	2.15
Derivative liabilities	-	-	-	64	64	-
Long-term loans	1,749	686	3,492	-	5,927	3.10 - 4.25
Long-term debentures	998	13,411	-	-	14,409	3.10 - 4.20
Liabilities under hire purchase payables	1	41	-	-	42	2.67 - 4.38

(1) The outstanding balances of non-interest bearing loan receivables are receivables past due more than 90 days for which revenue recognition has ceased.

In addition, as at 31 December 2018, the Company had commitment under Interest Rate Swap, where by the floating interest rates were changed to fixed interest rates. The fair value are as below:

Maturity	Notional amount	Fair value - derivatives liabilities	
<b>Interest rate swap agreement for risk management</b>			
Settle throughout the contract period until June 2019	1,000		3
Settle throughout the contract period until December 2019	1,000		2
<b>Interest rate swap agreement for Cash flow hedges</b>			
Settle throughout the contract period until November 2021	375		4
Settle throughout the contract period until December 2021	1,125		14
	3,500		23

### 32.3 Liquidity risk

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

Counting from the statements of financial position date, the periods to maturity of financial instruments held as at 31 December 2018 and 2017 are as follows:

(Unit: Million Baht)

Transactions	Consolidated financial statements				
	2018				
	At call	Within 1 year	Over 1 year	No specific maturity	Total
<b>Financial assets</b>					
Cash and cash equivalents	880	-	-	-	880
Loan receivables <sup>(1)</sup>	-	29,436	18,071	540	48,047
Short-term loans	-	57	-	-	57
Restricted bank deposits	-	8	-	-	8
Long-term investment - bank deposit	-	1	-	-	1
<b>Financial liabilities</b>					
Short-term loans from financial institutions	-	4,775	-	-	4,775
Derivative liabilities	-	5	18	-	23
Long-term loans	-	2,850	4,845	-	7,695
Long-term debentures	-	3,397	19,593	-	22,990
Liabilities under hire purchase payables	-	20	25	-	45

(1) The outstanding balances of loan receivables which have no specific maturity dates are receivables past due more than 90 days.



(Unit: Million Baht)

Transactions	Consolidated financial statements				
	2017				
	At call	Within 1 year	Over 1 year	No specific maturity	Total
<b>Financial assets</b>					
Cash and cash equivalents	1,154	-	-	-	1,154
Loan receivables <sup>(1)</sup>	-	22,645	12,536	441	35,622
Short-term loans	-	40	-	-	40
Restricted bank deposits	-	7	-	-	7
Long-term investment - bank deposit	-	1	-	-	1
<b>Financial liabilities</b>					
Short-term loans from financial institutions	-	6,621	-	-	6,621
Short-term loans	-	100	-	-	100
Derivative liabilities	-	3	61	-	64
Long-term loans	-	2,745	3,182	-	5,927
Long-term debentures	-	998	13,411	-	14,409
Liabilities under hire purchase payables	-	17	25	-	42

(1) The outstanding balances of loan receivables which have no specific maturity dates are receivables past due more than 90 days.

(Unit: Million Baht)

Transactions	Separate financial statements				
	2018				
	At call	Within 1 year	Over 1 year	No specific maturity	Total
<b>Financial assets</b>					
Cash and cash equivalents	857	-	-	-	857
Loan receivables <sup>(1)</sup>	-	29,436	18,071	540	48,047
Other receivables - subsidiary	-	3	-	-	3
Short-term loans	-	57	-	-	57
Investments in subsidiary	-	-	-	2	2
<b>Financial liabilities</b>					
Short-term loans from financial institutions	-	4,775	-	-	4,775
Derivative liabilities	-	5	18	-	23
Long-term loans	-	2,850	4,845	-	7,695
Long-term debentures	-	3,397	19,593	-	22,990
Liabilities under hire purchase payables	-	20	25	-	45

(1) The outstanding balances of loan receivables which have no specific maturity dates are receivables past due more than 90 days.

(Unit: Million Baht)

Transactions	Separate financial statements				
	2017				
	At call	Within 1 year	Over 1 year	No specific maturity	Total
<b>Financial assets</b>					
Cash and cash equivalents	1,137	-	-	-	1,137
Loan receivables <sup>(1)</sup>	-	22,645	12,536	441	35,622
Other receivables - subsidiary	-	3	-	-	3
Short-term loans	-	40	-	-	40
Investments in subsidiary	-	-	-	2	2
<b>Financial liabilities</b>					
Short-term loans from financial institutions	-	6,621	-	-	6,621
Short-term loans	-	100	-	-	100
Derivative liabilities	-	3	61	-	64
Long-term loans	-	2,745	3,182	-	5,927
Long-term debentures	-	998	13,411	-	14,409
Liabilities under hire purchase payables	-	17	25	-	42

(1) The outstanding balances of loan receivables which have no specific maturity dates are receivables past due more than 90 days.

### 32.4 Fair value

As at 31 December 2018, the Company and its subsidiary had liabilities that were measured at fair value, and they had financial assets and financial liabilities that were measured at cost for which fair value are disclosed using different levels of inputs as follows:

	Consolidated financial statements				
	2018				
	Book value	Fair value			
		Total	Level 1	Level 2	Level 3
<b>Liabilities measured at fair value</b>					
Derivatives - Interest rate swap contracts	23	23	-	23	-
<b>Financial assets disclosed at fair value</b>					
Cash and cash equivalents	880	880	880	-	-
Loan receivables	46,548	46,741	-	-	46,741
Short-term loans	57	57	-	57	-
Restricted bank deposits	8	8	8	-	-
Long-term investment - bank deposit	1	1	-	-	1
<b>Financial liabilities disclosed at fair value</b>					
Short-term loans from financial institutions	4,775	4,775	-	4,775	-
Long-term loans	7,695	7,698	-	7,698	-
Long-term debentures	22,990	23,052	-	23,052	-
Liabilities under hire purchase payables	45	45	-	45	-

(Unit: Million Baht)

	Consolidated financial statements				
	2017				
	Book value	Fair value			
		Total	Level 1	Level 2	Level 3
<b>Liabilities measured at fair value</b>					
Derivatives - Interest rate swap contracts	64	64	-	64	-
<b>Financial assets disclosed at fair value</b>					
Cash and cash equivalents	1,154	1,154	1,154	-	-
Loan receivables	34,452	34,612	-	-	34,612
Short-term loans	40	40	-	40	-
Restricted bank deposits	7	7	7	-	-
Long-term investment - bank deposit	1	1	-	-	1
<b>Financial liabilities disclosed at fair value</b>					
Short-term loans from financial institutions	6,621	6,621	-	6,621	-
Short-term loans	100	100	-	100	-
Long-term loans	5,927	5,906	-	5,906	-
Long-term debentures	14,409	13,283	-	13,283	-
Liabilities under hire purchase payables	42	42	-	42	-

(Unit: Million Baht)

	Separate financial statements				
	2018				
	Book value	Fair value			
		Total	Level 1	Level 2	Level 3
<b>Liabilities measured at fair value</b>					
Derivatives - Interest rate swap contracts	23	23	-	23	-
<b>Financial assets disclosed at fair value</b>					
Cash and cash equivalents	857	857	857	-	-
Loan receivables	46,548	46,741	-	-	46,741
Other receivables - subsidiary	3	3	-	3	-
Short-term loans	57	57	-	57	-
Investments in subsidiary	2	2	-	-	2
<b>Financial liabilities disclosed at fair value</b>					
Short-term loans from financial institutions	4,775	4,775	-	4,775	-
Long-term loans	7,695	7,698	-	7,698	-
Long-term debentures	22,990	23,052	-	23,052	-
Liabilities under hire purchase payables	45	45	-	45	-

(Unit: Million Baht)

	Separate financial statements			
	2017			
	Book value	Fair value		
		Total	Level 1	Level 2
<b>Liabilities measured at fair value</b>				
Derivatives - Interest rate swap contracts	64	64	-	64
<b>Financial assets disclosed at fair value</b>				
Cash and cash equivalents	1,137	1,137	1,137	-
Loan receivables	34,452	34,612	-	34,612
Other receivables - subsidiary	3	3	-	3
Short-term loans	40	40	-	40
Investments in subsidiary	2	2	-	2
<b>Financial liabilities disclosed at fair value</b>				
Short-term loans from financial institutions	6,621	6,621	-	6,621
Short-term loans	100	100	-	100
Long-term loans	5,927	5,906	-	5,906
Long-term debentures	14,409	13,283	-	13,283
Liabilities under hire purchase payables	42	42	-	42

Fair value hierarchy for assets and liabilities as at 31 December 2018 and 2017 is stipulated in notes 4.18 to the financial statements.

As at 31 December 2018 and 2017, the Company and its subsidiary have estimated the fair value of financial instruments as follows:

- a) For financial assets and liabilities which have short-term maturity, including cash and cash equivalents, short-term loans to, other receivables, restricted bank deposit, fixed deposit and short-term loans from, their carrying amounts in the statement of financial position approximate their fair value.
- b) For loan receivables, fair value is estimated by discounting expected future cash flow by the current market interest rate of the loans with similar terms and conditions.
- c) For long-term loans carrying interest at floating rate with interest approximate to the market rate, their carrying amounts in the statement of financial position approximate their fair value.
- d) For fixed rate debentures and long-term loans, liabilities under hire purchase payables, 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.
- e) The fair value of derivatives has been determined using a discounted future cash flow model, applying current market yield rates.



**33. Event after the reporting period**

On 26 February 2019, a meeting of the Company's Board of Directors passed resolutions to propose to the Annual General Meeting of Shareholders for approval a cash dividend payment of Baht 0.26 per share to the shareholders from the net profit for the year 2018, or a total of Baht 551.2 million, and for approval a budget for debenture issuance. The Company approved the establishment of the subsidiary, which has registered share capital of Baht 20 million. The subsidiary is principally engaged in the provision of hire-purchase services for motorcycles.

**34. Approval of financial statements**

These financial statements were authorised for issue by the Company's Board of Directors on 26 February 2019.



บริษัท เมืองไทย แคปปิตอล จำกัด (มหาชน)  
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