

Part 1

Business Operation

1. Company Background and Business Overview

1.1. Vision, Objectives, Goals, Strategy

Vision

- To Create Wealth for our Customers.

Mission

- To provide an integrated full-service to customers.
- To increase the standard of services.
- To operate with transparency and accountability.
- To expand the scope of business internationally.

Strategy

The Company has provided different strategies for three different core businesses as follows:

- Securities Brokerage
- Investment Management
- Investment Banking

In our goal to creating wealth for our customers, AEC Securities Public Company Limited has concentrated our strategy towards providing an integrated and full service to our customers in a variety of products such as stocks, derivatives, debt instruments, mutual funds, or investment banking services for customers in both the private and public sector. To this objective, the Company has employed many qualified and experienced individuals, made business and strategic partnerships domestically and internationally, which is not only limited to our Bangkok office since our Company has planned to offer its services to all regions of Thailand. This path to expansion will be spearheaded by our securities brokerage business to key cities in Thailand. Furthermore, the Company has planned to expand into the Southeast Asia region, especially within the Association of Southeast Asian Nations (ASEAN) by 2015, commencing with investment banking services in Laos and Myanmar.

Therefore, the Company is confident that with the right strategy, quality of service and personnel, operation system and plan, the Company will be able to follow the objectives as directed by the Board of Directors.

1.2. Important Changes and Developments of the Company's Business

AEC Securities Public Company Limited (formerly United Securities Public Company Limited) (the "Company") was incorporated under the laws of the Kingdom of Thailand on 6 July 1971 and became a public company on 15 December 1993 under the Public Companies Act. The Company became listed on the Stock Exchange of Thailand on 8 August 2001.

The Company operates its business in Thailand with the core business as Securities and Derivatives Brokerage. The Company has received the following licenses to operate as a securities company from the Ministry of Finance, the Securities Exchange Commission ("SEC") and the Stock Exchange of Thailand ("SET"): (1) Securities Brokerage (2) Securities Trading (3) Investment Advisory (4) Underwriting (5) Securities Borrowing and Lending (6) Capital Fund (7) Derivatives Agent/Brokerage.

Currently, the Company has opened 13 full service branches on Bangkok and Perimeter areas 8 branches at Soi Soonvijai branch , Central Ladprao branch , Silom Road branch , Pachacheun Branch , The Nine Branch, Mahatun Plaza Branch, Phahonyothin Branch , Bangna Branch . On Provincial 5 Branches at Chiangmai-Mahidol Road branch, Chiangmai-Changklan Road, Nakhon Sri Thammarat Branch, Hadyai Branch and Nakhonsawan Branch

Year 2011

- On 25 October 2011, the Company sold its assets and business related to Selling Agency for securities and derivatives but did not sell the license to operate such business. The Company transferred its employees related to such business and transferred its customers' account to UOBKH. Therefore, the Company temporarily stopped its Selling Agency business for securities and derivatives. Since 25 October 2011 and from the SET and the Thailand Futures Exchange Public Company Limited ("TFEX") from 25 October 2011 to 31 December 2013. After the sale and transfer of business, the Company continued to operate its securities brokerage and investment advisory business.

Year 2012

- On 31 December 2012, UOB Kay Hian Securities Public Company Limited ("UOBKH"), a listed company, held 93.47% shareholding of the paid-up shares of the Company and UOB Holdings Limited, which as a company incorporated in Singapore and the biggest company in the company group, was the parent company.

Year 2013

- On 30 April 2013, the Company was notified by UOBKH, the majority shareholder of the Company, that UOBKH had signed an agreement to sell all of its shares in the amount of 157,796,396 shares or 93.47 percent of the paid-up shares of the Company to a group of investors.
- On 10 June 2013, at the Extraordinary General Meeting of Shareholders No. 1/2014, the shareholders resolved to change the name of the Company from "United Securities Public Company Limited" to "AEC

Securities Public Company Limited”, which was registered with the Ministry of Commerce as of 12 June 2013.

- On 31 December 2012, the Company had an office at No. 1550, Floor 4-5, Thanapoom Tower, New Petchaburi Road, Makkasan, Ratchatewi, Bangkok and on 15 July 2013, the Company moved and registered its new address to No. 63 Athenee Tower, Floor 17, Wireless Road, Lumpini, Pathumwan, Bangkok

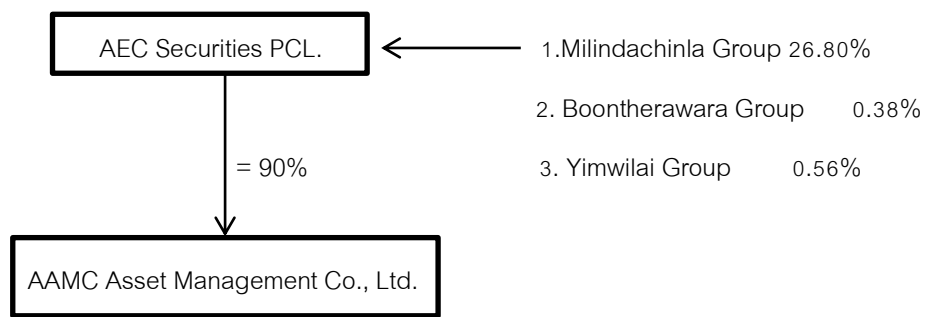
Year 2014

- On 31 January 2014, the Company received a Type-Gor (A) license from the Ministry of Commerce and on 20 February 2014, the Company received a Type Sor-1 (S1) license from the SEC and SET (otherwise a “Full Licenses Services” license) allowing the Company to engage in all types business related to securities and derivatives brokerage and trading, making the Company a Type-Gor (A) securities company. The Full Licenses Services for securities comprise of (1) Securities Brokerage (2) Securities Trading (3) Underwriting (4) Investment Advisory (5) Mutual Funds (6) Private Funds (7) Short Selling (8) Capital Fund. The Full Licenses Services for derivatives comprise of (1) Derivatives Agent/Brokerage (2) Derivatives Trading (3) Derivatives Advisory (4) Derivatives Capital Management.
- On 31 January 2014, at the Extraordinary General Meeting of Shareholders No.1/2014, the shareholders’ approval of changing the par value of ordinary shares of the Company from a par value of 5 Baht to a par value of 1 Baht and reducing the registered capital of the Company from 860,000,000 Baht to 844,083,250 Baht by cancelling authorized but unissued shares of the Company and approval of increasing the registered capital of the Company to 1,331,716,928 Baht by issuing new ordinary shares in amount of 487,633,408 shares to be offered to existing shareholders (Right Offering) in amount of 168,816,704 shares and to Private Placement (PP) in amount of 100,000,000 shares, including the issuance of two types of Warrants to purchase ordinary shares of the Company of which W1 will be of 168,816,704 warrants and W2 will be of 50,000,000 warrants.
- On 14 May 2014, the Board of Director Meeting No.6/2014 approval to the acquisition of AAMC Asset Management Company Limited in order to expand the scope of business operation to create variety and will expand the investment to other business and opportunity for the business and build synergies and financial advisory business, which make AECS can run the asset management business in the name of “AAMC” by buying or transferring sub-debt from the financial institute then manage and/or sell

it later. And offered to the Shareholders consideration, which the EGM 2/2014 approval to the acquisition of AAMMC Asset Management Company Limited.

- On 31 December 2014, Mr. Kobkiat Boontharawara is resigned from Director and Chief Executive Officer and the Board of Director Meeting No.11/2014 held on 17 December 2014, the meeting resolved to appoint Mr. Praphol Milindachinla as the Acting Chief Executive Officer will be effective on January 1, 2014 and has been approved by Securities and Exchange Commission on 26 December 2014.

1.3. Shareholding Structure of Corporate Group



The Company has the subsidiary as AAMC Asset Management Company Limited , which directly investment in subsidiary 90 percentage of shareholding ,Register Capital 25,000,000 Baht and has objective is the management of non-performing assets purchased or transferred from financial institutions, including collateral for those assets, either for management of further disposal. AAMC has the Co-Director are Mr. Polchet Likittanasombat Director and Executive Director, Mr. Chaipant Pongtanakorn Director and Executive Director and Mr. Angoon Pimpakorn Executive Director.

2. Nature of Business

2.1 Revenue and Expense Structure of the Company

Revenue Structure

Revenue	2014		2013		2012	
	Baht	%	Baht	%	Baht	%
Brokerage fees from Securities business	442,926,595	61.36	7,000,849	13.94	0	0.00
Brokerage fees from Derivatives business	35,145,317	4.87	385,678	0.77	0	0.00
Brokerage fees from selling agent of unit trust	12,624,562	1.75	5,958,108	11.87	823,366	1.72
Fees and service income – Investment advisory fees	71,351,714	9.89	329,472	0.66	218,441	0.46
Gain on securities	93,461,455	12.95	11,496,209	22.90	19,001,234	39.74
Interest income	64,060,456	8.87	22,706,014	45.23	25,842,163	54.05
Other income	2,269,409	0.31	2,324,366	4.63	1,928,040	4.03
Total Revenues	721,839,508	100.00	50,200,696	100.00	47,813,244	100.00

Expense Structure

Expense	2014		2013		2012	
	Baht	%	Baht	%	Baht	%
Financial costs	54,913,553	7.75	60,131	0.07	31,035	0.09
Fee and service expenses	77,726,406	10.97	6,107,511	6.80	6,546,701	18.52
Operating expenses						
Personnel expenses	367,748,659	51.92	29,476,388	32.83	14,959,345	42.32
Premises and equipment expenses	98,864,973	13.96	17,029,561	18.97	4,534,391	12.83
Directors and managements' remuneration	47,974,509	6.77	24,164,760	26.91	440,000	1.24
Directors' remuneration (going concern)	0	0.00	0	0.00	0	0.00
Other expenses	66,141,877	9.34	13,187,268	14.69	9,659,458	27.33
Total operating expenses	580,730,018	82.00	83,857,977	93.39	29,593,194	83.73
Reverse of bad debt and doubtful accounts	(5,136,913)	(0.73)	(235,508)	(0.26)	(825,604)	(2.34)
Total Expenses	708,233,061	100.00	89,790,111	100.00	35,345,326	100.00

2.2 Business Lines

AEC Securities Public Company Limited operates a core business as securities brokerage for securities and derivatives listed on the Stock Exchange of Thailand (SET) and the Thailand Futures Exchange (TFEX) by providing investment opportunities to customers.

In addition to operating as securities brokerage for securities and derivatives listed on SET and TFEX, the Company also operates the following business:

- Securities Brokering
- Derivatives Brokering
- E-Trading
- Investment Banking
- Mutual Funds
- Securities Borrowing and Lending

Securities Brokerage

In the goal towards earning trust from the customers in providing investment opportunities, the Company is prepared with qualified personnel that are experienced in providing investment advice for a variety of purposes. In addition, the Company has a complete research department who provide excellent content and guidance as tools for the customers to make their investment decisions more effectively.

Types of Securities Trading Account

- **Cash Account**

A cash account is a type of securities trading account that the customer can trade under a trading limit that is considered and evaluated from the amount of cash that the customer provided according to the rules and regulations of the Company. The cash or security that the customer provides must have a value of 20% of the trading limit (according to the regulation of SET effective on 2 May 2013). All cash provided by the customer and held by the Company will receive interest (as stipulated under the rules and regulations of the Company), and any payments for the purchase or sale of securities must be provided within 3 (three) days commencing from the date of purchase or sale (T+3). The deduction of such payments will be through the Account Automatic Transfer Service (ATS), and in the case of receiving payments from the sale of securities, the customer will receive such payments within 3 (three) business days commencing from the date of sale through the ATS system.

Under a cash account, the customer will receive the right to purchase additional securities once the Company receives the payment from the purchase of securities from the customer.

- **Cash Balance Account**

Under a cash balance account, the customer is allowed to purchase or sell securities according to the amount of cash that they provided to the Company. The cash provided by the customer and held by the Company will receive interest, similar to a cash account.

Under a cash balance account, the customer will receive the right to purchase additional securities when the customer provides more cash to the Company.

- **Credit Balance Account**

A credit balance account allows the customer to borrow capital from the Company to purchase or sell securities but the customer must initially provide a minimum amount of cash or securities as collateral to the debt (also known as the initial margin rate). Under a credit balance account, the Company will calculate the value of the margin every day and if the margin is below the maintenance margin as stipulated by the Company, the Company will call the margin and request the customer to provide additional margin up to the amount of the maintenance margin. The Company may also force sell the margin and/or the collateral should the customer fail to provide additional margin.

- **Derivatives Brokerage**

In its objective to protect against the risks associated with investment and providing returns to investors, the Company also operates its business as a derivatives brokerage to provide additional investment opportunities to investors. Currently, the derivatives that the Company can trade on TFEX are Futures, Options and Options on Futures.

- **Electronic Trading**

Investing in securities and derivatives through electronic/internet trading presents another channel for investors to invest. Regardless of their location, investors can see the price of securities and make trading orders efficiently and quickly to adapt to the changing situations.

- **Investment Banking**

- o **Financial Advisory (FA)**

The Company provides financial advisory services on business and financial valuation, project viability and feasibility, financial planning, issuance of warrants, issuing employee stock ownership plans (ESOP), underwriting, providing liquidity to businesses, and de-listing from SET.

- o **Mergers and Acquisitions**

The Company provides advice on business and financial valuation towards a merger or acquisition, cooperating with quality investors through a network of affiliates and clients, evaluating business positions, providing advice on appropriate price for merger or acquisition, as well as providing advice on the appropriate structure, negotiation strategy and merger and acquisition process.

- o **Initial Public Offerings (IPO)**

The Company provides advice on raising capital through Initial Public Offerings (IPO), listing of securities, Public Offerings (PO) and through Private Placement (PP).

- o **Real Estate Investment Trust (REIT)/Infrastructure Fund**

The Company provides advice of structuring mutual funds, relevant regulations, issues on law and tax, distribution, and raising capital through REIT and infrastructure funds.

- o **Debt Restructuring**

The Company provides advice on debt restructuring such as providing financial restructuring plans and process for debt restructuring, guidelines in rehabilitation, and purchasing of bad debts.

- o **Corporate Structuring**

The Company provides advice on corporate structuring such as shareholding structure, exchange of shares and corporate restructuring. This includes advice and recommendation on the various choices and procedure involved, issues on law and tax, and any relevant procedure related to government agencies.

- o **Capital Restructuring**

The Company provides advice on capital restructuring such as finding the appropriate balance between raising capital through debt and equity, changing the structure of assets and liabilities to reduce costs and maximize value for organizations for both return on equity and return on assets.

- **Selling Agent**

The Company provides services in selling and repurchasing units in mutual funds with efficiency, effectiveness and ease, and customers are able to quickly change their investment in a variety of funds from many leading asset management companies through the Company. Furthermore, customers can follow their investments portfolio with ease through summaries of investments in one statement without any additional fees; and customers has access to information from the Company regarding their investment through detailed research articles, comparison charts of funds, and performance of funds. All of these services are provided by experienced personnel who can advise customers according to their choices.

- The Company represents the following asset management companies:
- Krung Thai Asset Management Public Company Limited
- Kasikorn Asset management Company Limited
- SCB Asset Management Company Limited
- Thanachart Fund Management Company Limited
- Phatra Asset Management Company Limited
- CIMB-Principal Asset Management Company Limited
- Finansia Asset Management Limited

- TMB Asset Management Company Limited
- Krungsri Asset Management Company Limited
- MFC Asset Management Public Company Limited
- Asset Plus Fund Management Company Limited
- UOB Asset Management (Thailand) Company Limited
- Solaris Asset Management Company Limited
- One Asset Management Limited
- Land and House Fund Management Company Limited

- **SBL**

In order to increase diversity in services and to respond to the needs of customers and investors, AEC Securities also provide Securities Borrowing and Lending (SBL) services to its customers

- **Private Fund**

The private fund department of AEC Securities focuses on managing private funds that create wealth and value to customers under the principle of “tailor made”. This principle allows AEC Securities to respond to customers’ needs by converging ideas and investment strategies together, which is different from investing in mutual funds where the scope is wider and broader. Statistics from SEC and SET shows that from 1997 to 2014, the growth of assets under management (AUM) under private fund have an annual increase of 17 to 20 percent. AEC Securities provide tailor-made solutions for each customer who requires different needs and the private management team, who possesses over 20 years of experience of analyzing and crafting investment strategies in the capital markets.

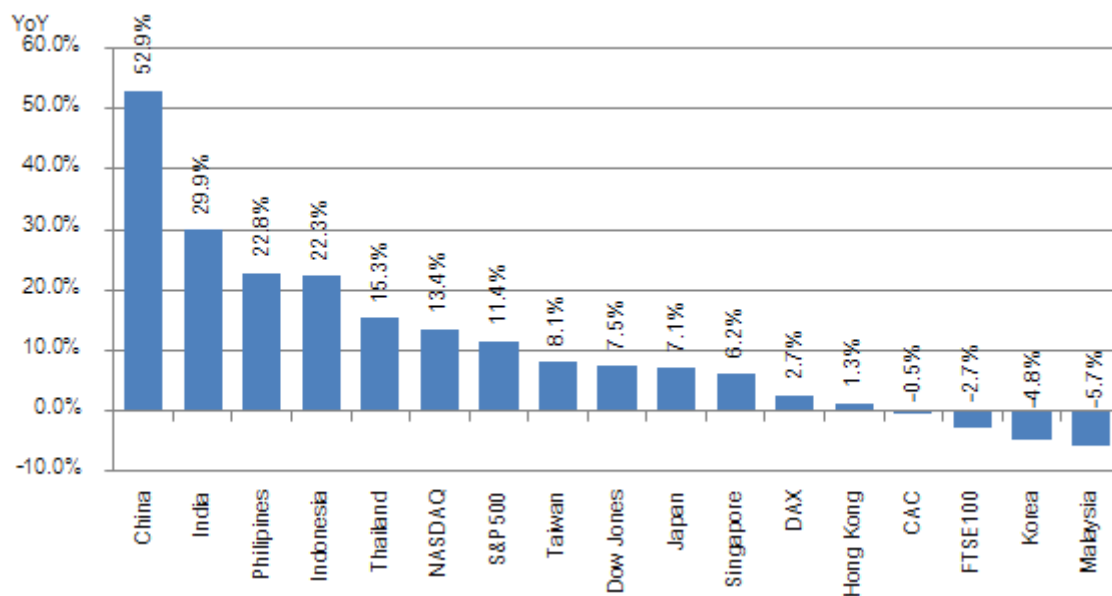
2.3 Market Overview and Competition

Market Overview in 2014

2014 was the year of a bad beginning and a good ending of Thai Stock Market because of the reason the investment atmosphere in the Thai Stock Market during the first half of the year was affected by the country political conflict which had been lengthily dragged from October 2013. The estimation reduction on the Thai economic growth and Fund Flow from Quantitative Easing Tapering (QE Tapering) of Fed had put the pressure on the investors to slow down the securities trades, thus, consequently resulting in the securities trade values and Thai Stock market during the first half of 2014 (1H57) to be somewhat rather dull to the extent that SET index had dropped to its lowest at 1,205.44 points on 6 January 2014 in compatibility with Thai Baht which was weakened to its minimum in almost 4 years at 33.10 Baht to USD.1.00. However, after the political conflict problem was positively developed following the power seizure of National Council for Peace and Order (NCPO) on 22 May 2014, the confidence of the investors was increasingly well bolstered,

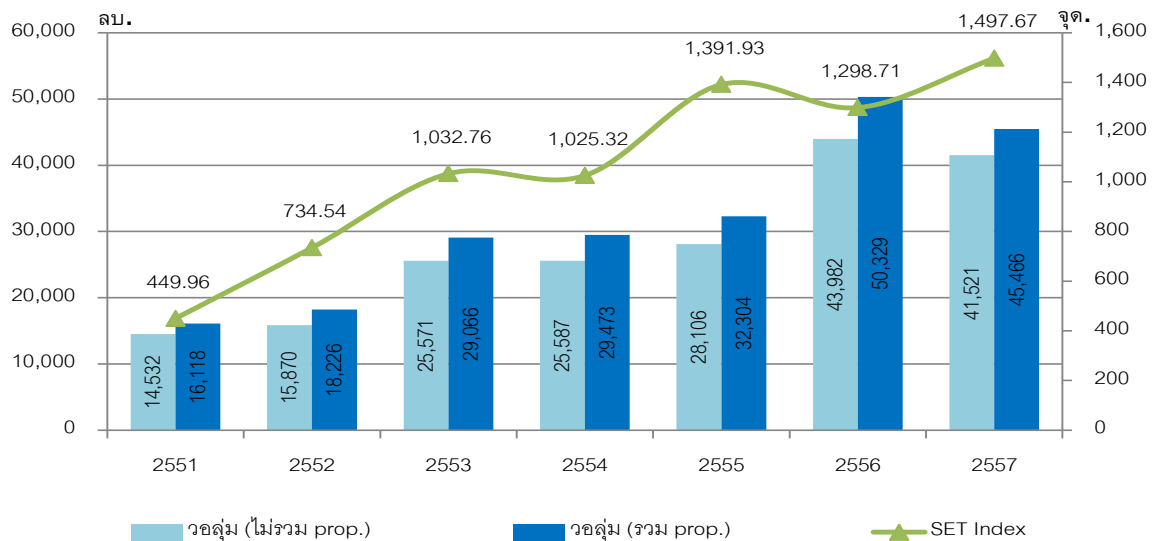
thus, making the Fun Flow to be trendily heading for the country again during the 3rd quarter of 2014 (3Q57), thus, bolstering the investments in Thai Stock Exchange to be active again consequently resulting in SET index to climb up to its highest of the year at 1,602.28 points. Before the 4th quarter of the year (4Q57) in which the severe drop in oil price in world market had pushed the sales strength to rise in order to reduce the risk in energy group shares, thus, resulting in, by end of 2014, SET index to drop at its closing level at 1,497.67 points. Notwithstanding to the foregoing, Thai Stock Market could still yield returns of approximately 15.3% Year on Year (YoY), ranking No. 5 in Asia (according to the Graphics). Even with the fluctuations arising almost all year long, however, Thai Stock Exchange (including SET and MAI), in 2014, still accounted for the value of securities trades averagely per day (including prop trade) to be highly retained at 45.5 Billion Baht, only dropped by 9.7% YoY. (If prop trade was not included, the trade value would be at 41.5 billion Baht only dropped by 5.6% YoY).

World Stock Market Indexes



Source : SET and Bloomberg

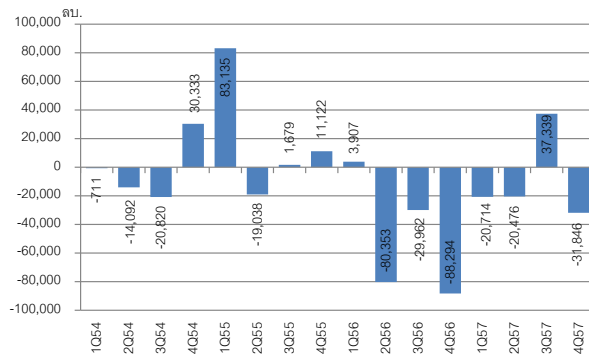
Trade Value and Thai Stock Market Index



Source : SET

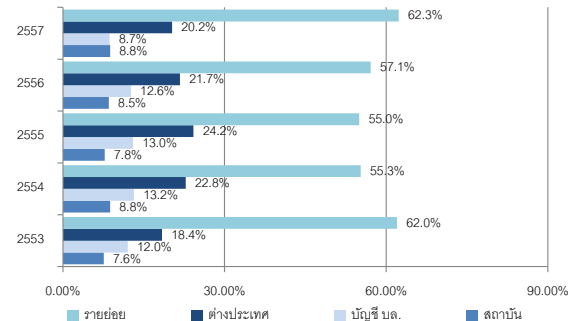
In 2014, the institutional and retail investors were still the vital role players in the Thai Stock Market. The institutional investors were considered to be the helper in providing good supports to the Thai Stock Market for the 2nd year consecutively at the time of the Market fluctuations. This could be reflected from 2014 that the institutional investors accounted for net purchases somewhat high up to 69.6 billion Baht and trade value proportion increased from 8.5% in 2013 to 8.8% of gross trade value while the retail investors, even accounted for the increase in the trade value proportion from 57.1% in 2013 to 62.3% of gross trade value, but in contrary, they accounted for net sales of 37.5 billion Baht which reflected that the investment nature of the retail investors had placed the emphasis on the trades by a round for short-term speculation. Where foreign investors had still maintained net sale status in the Thai Stock Market continuously for 2 years at approximately 35.7 billion Baht and their roles in the Thai Stock Market being declined. The proportion of their trade value dropped from 21.7% in 2013 to 20.2%.

Quarterly Net Trade Value by Foreign Investors



Source : SET

Trade Value Proportion in Each Investor Groups



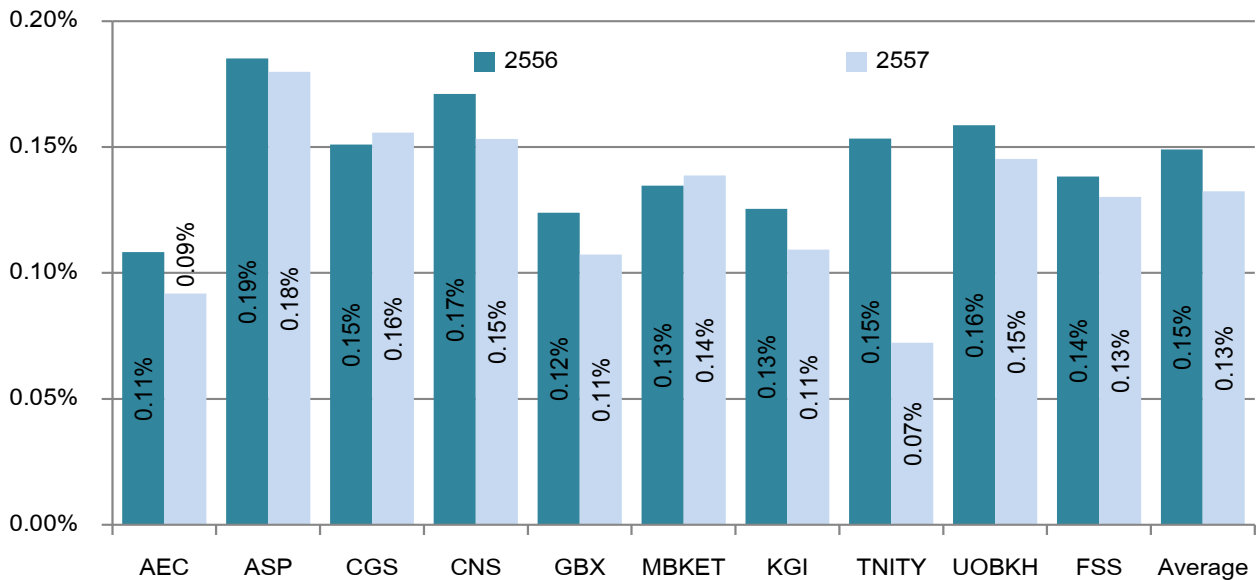
Source : SET

2014 Business Overview

Net profit of securities business in 2014 slowed down from 2013 because trade values for the first half of the year were dull from the country's internal political problems consequently resulting in securities trade values (including SET and MAI) throughout 2014 to be under the pressure at an average decrease per day of 9.7% YoY to the level of 45.5 billion Baht. (If prop trade was not included, the trade value would be at 41.5 billion Baht, a drop of by 5.6% YoY). Moreover, the 3-4 newly emerged securities companies' competitions by using the price strategies at the beginning of the business operations had resulted in the net securities trade commission rate (excluding prop trade) of the securities portfolio to decrease from 0.15% in 2013 to 0.13%, eventually pressing the revenues from securities trade brokerage business to shrink. By the same token, revenues of the merchant banking business slowed down all along with the value of the fund mobilization which had dropped.

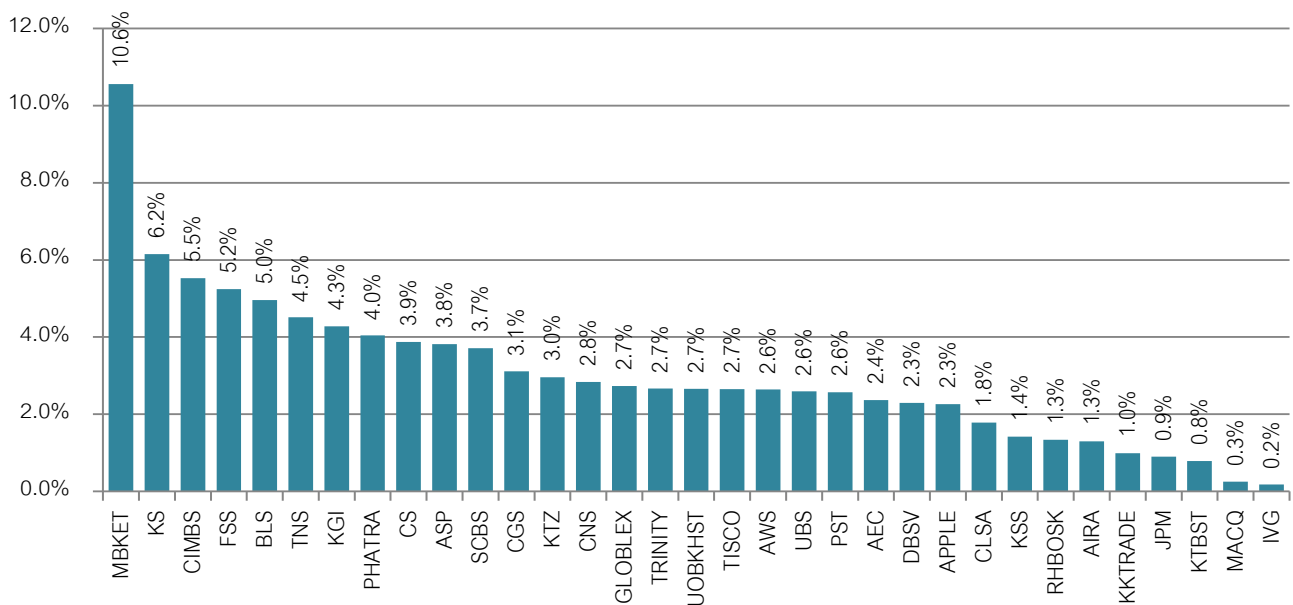
In 2014, even in the overall picture of the market, there were initial public offering (IPO) of up to 45 companies, an increase from 2013 which accounted for only 38 companies, divided into the securities of 16 companies listed in SET, 20 companies listed in MAI, 6 companies listed in Property Fund and 3 companies listed in REIT. However, if a consideration should be made on the value of the fund mobilizations throughout 2014, the decrease could be discovered to be 40.5%YoY at 1.14 hundred billion Baht. In this regard, the securities accounted for the highest fund mobilization in 2014 was Thai Hotel Investment Freehold and Lease Property Fund (THIF) which accounted for the fund mobilization value of 26.2 billion Baht; next in line was IMPACT Growth Real Estate Investment Trust (IMPACT) which accounted for the fund mobilization value of 15.7 billion Baht and Bangkok Airways Public Co., Ltd., (BA) which accounted for the fund mobilization value of 13.0 billion Baht where the profits derived from investment port of brokers had slowed down from the preceded year, as well. Nevertheless, the Thai Stock Market began to increasingly improve in the 2nd half of 2014 (2H57) in accordance with the eased political situation following the power seizure of the NCPO in May 2014.

Net Commission Rate of the Listed Securities in the Stock Exchange of Thailand



Source : SET

Market Share of the Security Companies in 2014

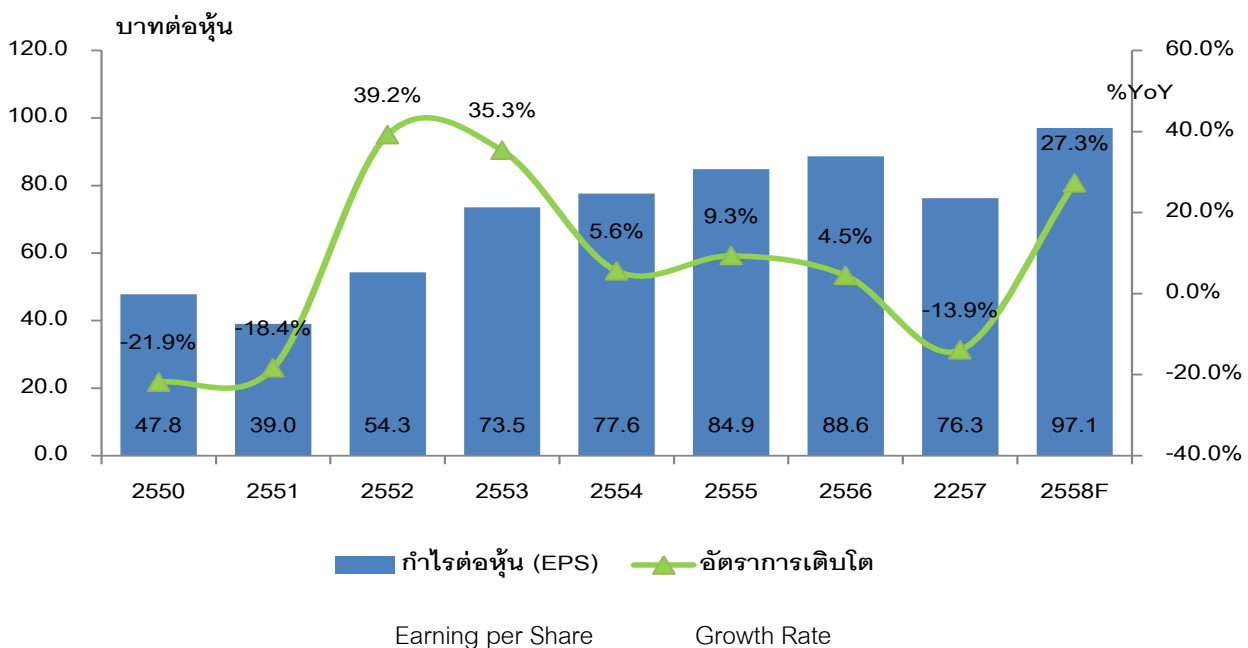


Source : SET

Industry Trend 2015

The securities business profit for 2015 is appraised to be slowed down and that the year would still be considered the year of bad beginning and good ending as that of its preceded year due to the reason that in the 1st half of the year, the business was affected by the domestic risk factors: for instance; Thai economy was slowly recovered subsequent to the consumptions and investments had been expanded lower than expected. In addition, the State sector budget disbursement was lower than the set goal and foreign risk factors: for instance; the decrease in crude oil price in world markets, Greece debt problem negotiations, concerns over Fed's increase in the policy interest to be sooner than expected, would likely be the core factors to press the atmosphere and confidence in the investments. Furthermore, the situation of severe competitions in the securities business subsequent to the rising of new brokers in the markets would, of course, affect the net commission rate, thus, resulting in the expectation on revenues from the securities brokerage business and profit from port investment to have a trend of a shrink in the first half of 2015 (1H15) all along with the trade values and the dull Thai Stock Market condition. Any rate, in the 2H15, SET has been expected to brightly recover once again after the market had reflected various risk issues abovementioned and the opportunity of Fund Flow into the Thai Stock Market once again is still obviously possible, particularly, after Europe's announcement on Quantitative Easing (QE) Measure and after looking at the fundamental factors of many Thai listed companies which are still straightened with the potentials to growth. In 2015, result of the turnovers of Thai limited companies is anticipated to positively turn to grow by 27.3% from 2013 that shrank by 13.9% YoY.

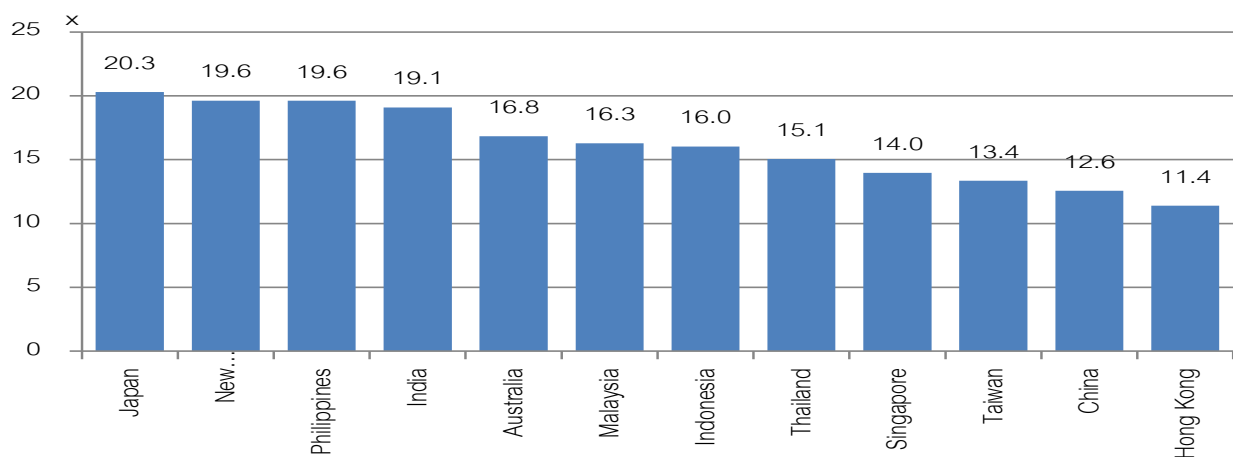
Growth Rate of Net Profit Per Stock in Thai Stock Market



Source : SET

Even in the overall picture of the securities trade brokerage business in 2015 and profit from the investment port is not bright under the assumption of highly fluctuated market condition and the average securities trade per at 45 billion Baht which is close to the preceded year and that the net commission rate has a trend to shrink from the severely competitive securities business subsequent to the opening of the free commission an newly emerged brokers in the markets, however, we have looked at the matter as that there are many companies with the opportunity to survive in the long term if they can adjust themselves actively to generate the other incomes to supplement their revenues and to be a back-up cushion in place of securities trade brokerage business: such as; the incomes from the merchant banking fees and sales of investment units, etc., which are important strategies which each company should have to make the adjustment to suit itself and expect to see it to happen more concretely from now on.

Forward PER in 2015



Source : SET

3. Risk Factors

AEC Securities Public Company Limited considers the importance of risk management according to the constantly rapid changing environment that affects the Company directly and indirectly. As a result, the Company has a risk control and management department that is essential and to the Company. The risk control and management department is responsible to regulate and follow potential risks that can affect the Company, and such risks are minimized to an acceptable rate. Moreover, there is an audit and compliance department that functions independently and is responsible for auditing and reviewing the affairs of the Company.

Risks that can affect the Company are as follows: strategic risks, operational risks, financial risks and compliance risks, all of which the Company has developed measures to control.

3.1 Strategic Risk

Strategic risks are risks that result from the inability to operate the Company's business or strategy of the Company, which may be caused by not following the business plan or under the effect of external conditions leading to a change in the business plan.

- **Risks associated with free movement of capital.**

Even though ASEAN will increase free movement of capital and such freedom will not directly affect the revenues and financial position of the Company, such freedom will cause the flow of capital to increase more and move much more quicker resulting in more fluctuations in the financial and capital markets of Thailand ASEAN countries. The economic and financial community will cause investors to view ASEAN as a single market.

Therefore, financial crises in one ASEAN country will cause a domino effect to other ASEAN countries, similar to what occurred in Europe. Even if Thailand is not experiencing an economic crisis, the result of a single market will decrease the attractiveness of Thailand for investors and companies looking to invest and raise finance in SET. Such actions will affect the revenues and financial position of the Company.

In addition, freedom of capital in ASEAN will increase opportunities in raising finance and providing more efficient and effective financial service, thus raising the competitiveness of the finance and securities industry. Therefore, the increased competitiveness in this industry will affect the revenues of the Company if the Company does not reduce such risks and invest in research and development to increase the effectiveness and competitiveness of the Company in order to prepare for the AEC.

The Company has prepared for such risks by employing qualified and experienced personnel, as well as providing guidelines to the employees of the Company.

- **Risks associated with underwriting.**

In investment banking, the Company is responsible for distributing and guaranteeing the distribution of securities. As a result, there are risks should the Company prove unable to distribute all or part of the securities that they have guaranteed, leading to the purchase of securities by the Company itself. This will affect the liquidity of the Company and the Company will sustain a loss from guaranteeing those securities. Risks associated with underwriting include inappropriate pricing, changing market situations, etc. Nevertheless, to reduce such risks, the Company has considered such risks and presented them to the Board of Executive Committee for consideration, including evaluating market conditions before guaranteeing the underwriting. Furthermore, the Company maintains a Net Capital Rule (NCR) at a rate higher than stipulated by the Securities Exchange Commission (SEC), which was at 976,936,503 Thai Baht or 66.17% as of 31 December 2014.

3.2 Operational Risk

Operational risks means risks from mistakes, or lack of process and control in personnel or systems, including communication systems, information systems, legal risks, and external conditions. Effective management of operational risks will guarantee the normal operations of business and also reduce operational costs.

Risks associated with personnel.

In securities and finance business, personnel with knowledge, experience and expertise is essential to the success of the Company. In such a competitive environment, there are always risks in personnel moving within and out of the Company. If experienced personnel leave the Company, this will affect the revenues of the Company. Nevertheless, the Company acknowledges and understands the importance of personnel in securing the Company's business, and is continually developing personnel with training and rewarding them with appropriate remuneration according to the rules of SEC as well as market conditions.

3.3 Financial Risk

Financial risks are risks that affect the financial position of the Company and such risks may be divided into 1) Credit Risks, which are caused by customers defaulting due to breaches in the agreements and not paying their debts, and 2) Market Risks, which are caused by fluctuations in interest rates, exchange rates and prices of securities.

- **Credit Risk**
 - Risks from Credit Balance Accounts

The Company has established policies and guidelines for the control of risks associated with credit balance accounts by evaluating the trading limit in accordance to the financial position of customers to trade securities and discharge their debts. The Company constantly revises the trading limit of customers and adjusts them to the financial position and trading behavior of customers. In addition, the Company also limits the credit limit of each customer not to exceed the overall credit limit of all customers to protect against financial risks.

Furthermore, the Company also determines lists of approved securities for trading on credit balance accounts in order to determine securities with quality and standard. The Company will consider basic factors and liquidity in the trading of securities, as well as determining the volume of securities to be used for trading or as margin, in order to limit over-possession of any single security. To this end, the Company constantly monitors such measures on a daily basis, including determining the policies for using securities as margin, calling margin, force selling, to limit losses that may occur to customers and the Company. Furthermore, the credit control committee meets on a monthly basis to consider all issues related to loans and risks associated with providing loans for securities trading.

- Risks from Derivatives Trading.

In futures trading, the Company holds risks from the margin provided by customers to settle debts at the Futures Exchange Clearing House derived from customers making losses in futures contracts. Therefore, to reduce such risks, the Company will only consider customers who are knowledgeable and experienced in futures trading as stipulated by the Company and determine the appropriate trading limit. The financial position, ability to settle debts and ability to provide cash before making trading orders are essential in determining customers. The Company is constantly evaluating trading limits and monitors the trading of futures by customers, as well as making sure that the margin is at the appropriate level according to the relevant regulations. This is to limit huge losses suffered by customers, including force selling should customers breach their agreements.

- **Market Risk**
 - Risks associated with Market Fluctuations.

The past decade has seen high fluctuations in the Thai stock market coming from external conditions such as the financial crisis in the USA, the European debt crisis, the decreased growth of emerging markets, all of which has affected Thailand. Domestically, Thailand has had to face political conflicts and changing governments constantly that have affected investment policies and infrastructure developments of the country, resulting in

decreased economic growth, especially from the flood crisis of 2011. Such negative factors have caused the Thai stock market to fluctuate constantly, coupled with the constant inflow and outflow of capital from foreign investors. Companies listed on the stock market have suffered from decreasing economic growth, which has affected trading of securities on the stock market. When the market is on the uptrend, there is a high volume of securities trading. On the other hand, when the market is on a downtrend, there is a low volume of securities trading. This has also affected the proprietary trading portfolios of many companies.

Nevertheless, with policies on diversifying revenue streams to other businesses, as well as introducing and selling new financial products that meets the demand of customers, will present a new direction for the Company.

- Risks associated with Invested Capital.

The Company has invested in debt and equity instruments which have risks of falling prices resulting from fluctuations in the market. As a result, the Company has countered such risks by diversifying their investments in a variety of types of products, both short-term and long-term, and the Investment Committee is responsible for setting policies and guidelines towards safe and sound investment. The Investment Committee regulates and monitors such risks associated with investments as well.

3.4 Compliance Risk

Securities companies operate under the laws, rules and regulations of the SEC and SET. Should such rules and regulations change, they may affect the competitiveness, financial costs and operations of the Company. Any breach of the rules or regulations by intention or negligence may cause the Company to be suspended or lose its variety of licenses.

To protect against such risks, the Company has appointed the audit and compliance department, which is independent from management, to monitor and follow the operations of the Company under the relevant regulations and policies of the Company, as well as informing the Company of any changes in the rules and regulations of SEC and SET.

The majority of shareholders is a group whose movement has a marked influence on the establishment of corporate policy, management and strategies (As at December 31, 2014) are Milindachinla Group (Mr. Praphol Milindachinla Chairman of Executive Director held 25.135 percent of fully paid-up capital shares and Mrs. Vimolwan Milindachinla held 0.988 percent of fully paid-up capital shares) The Company does not have any shareholding agreement, which might affect its management.

4. Operating Assets

4.1 Land, Building, Machinery and Equipment

As of 31 December 2014, the Company has fixed assets of office space, fittings, office equipment and vehicles, worth 218,307,957 Baht.

List of Assets	Net value after depreciation (Baht)	Encumbrance	Type of ownership
1. Computers and accessories.	44,248,857	None	Owner
2. Office equipment	171,686,114	None	Owner
3. Vehicle	2,372,986	None	Owner
4. Work under construction	-	None	Owner
5. Financial lease	2,107,892	3 Years	Owner

4.2 Intangible Assets

As of 31 December 2014, the Company has intangible assets of software computers for securities trading and other operating systems worth 47,071,779 Baht.

List of Assets	Net value after depreciation (Baht)	The remaining period of amortization
1. Software	39,253,525	4-5 Years
2. Derivatives business license fee	-	-
3. Securities business license fee	-	-
4. Company Logo fee	264,429	4 Years
5. Goodwill	4,376,116	Impairment
6. Software under development	3,177,709	None
Total	47,071,779	

The company holds the business license, which is owned and without any encumbrance as the details in following:

Types of license	Issuer	Date of received	Term
1. Securities Business License Type A	Ministry of Finance	31 January 2014	Indefinite
2. Derivative Business License Type Sor-1 (S1)	Office of Securities and Exchange Commission	20 February 2014	Indefinite
3. Financial Advisory License	Office of Securities and Exchange Commission	22 December 2013	5 years
4. SBL License(Principal Only)	Office of Securities and Exchange Commission	20 May 2014	-

The Company has entered into the Lease Contract to be used the office of the Company as follows:

Head Quarters / Branches		Tenancy / Lesser	Leased Period			Area (Sq.m.)	Rent / Service (THB)	
			Year	Commencement Date	Expiry Date		2014	2013
1	Head Quarters	63 Athenee Tower,17 th Fl., Wireless Rd.,Lumpini, Pathumwan, Bangkok 10330 Unit No. 1701-1704 Unit No. 1705-1706 Unit No. 1707 Lessor: Thai Commercial Investment Freehold and Leasehold Fund c/o Krungthai Asset Management PCL.	3 Y 2 Y 9 M 2 Y 7 M	01/06/56 01/09/56 01/10/56	31/05/59 31/05/59 31/05/59	730.06 312.22 347.58	6,877,165.20 2,941,112.40 3,274,203.60	1,719,291.30 735,278.10 545,700.60
		63 Athenee Tower,15 th Fl., Wireless Rd.,Lumpini, Pathumwan, Bangkok 10330 Lessor: Thai Commercial Investment Freehold and Leasehold Fund c/o Krungthai Asset Management PCL.	3 Y	01/10/57	30/09/60	156.34	265,778.00	-
2	Nakhonsawan Branch	47/9-11 Atthakawee Road, Tambol Paknampho, Amphur Muangnakhonsawan, Nakhonsawan 60000 Lessor: Ruampol Industrial Nakhonsawan Co.,Ltd	3 Y	01/01/57	31/12/59	160	480,000.00	-

Head Quarters / Branches		Tenancy / Lesser	Leased Period			Area (Sq.m.)	Rent / Service (THB)	
			Year	Commencement Date	Expiry Date		2014	2013
3	Silom Branch	323 United Center Building ,15 th Fl., Silom Road, Bangrak, Bangkok 10500 Lessor : United Centre Co.,Ltd.	3 Y	15/01/57	14/01/60	165.75	393,530.00	-
4	Chiangmai - Mahidol Road Branch	288/61-62 Mahidol Road,Tambol Changklan, Amphur Muangchiangmai, Chaingmai 50100 Lessor : Ms.Kulub Kabkam	3 Y	01/02/57	31/01/60	34.4 Sq.w.	583,000.00	-
5	Soi Soonvijai Branch	499/5 Soi Soonvijai, New Phetchaburi Road, Bang Kapi, Huai Khwang, Bangkok 10320 Lessor : Yai Rak Lan Ordinary Partnerships	3 Y	01/02/57	31/01/60	155	370,000.00	-
6	Central Ladphrao Branch	1693 Central Lat Phrao Office Building , Unit No. 1101, 11 st Fl., Phahonyothin Road, Chatuchak , Bangkok 10900 Lessor : Central Pattana PCL.	3 Y	15/02/57	14/02/60	182.04	1,242,423.00	-
7	Chiangmai – Changklan Road Branch	215/2 Unit no.B202, Changklan Road,Tambol Changklan, Ampur Muangchiangmai 50100 Lessor : C. A.S. Market Place Ltd.,Part.	3 Y	15/01/57	15/01/60	97	383,812.50	-
8	Nakhon Si Thammarat Branch	202,204 Wandee Kositkulporn Road, Tambol Naimuang, Amphur Muangnakhon Si Thammarat, Nakhon Si Thammarat 80000	3 Y	01/03/57	28/02/60	39.5 Sq.w.	250,000.00	-

Head Quarters / Branches		Tenancy / Lesser	Leased Period			Area (Sq.m.)	Rent / Service (THB)	
			Year	Commencement Date	Expiry Date		2014	2013
		Lessor: Ms.Kittiya Saksrimaneekol						
9	Hadyai Branch	59/10, 59/12 Juti – Anusorn Road,Tambol Hadyai, Amphur Hadyai, Songkhla 90110 Lessor : Mr.Nikom Preechaweerakol	3 Y	01/03/57	28/02/60	56.7 Sq.w.	600,000.00	-
10	Prachachuen Branch	105/1 Room No. B404 Thetsaban Songkhro Road.,Lad Yao, Chatuchak, Bangkok 10900 Lessor: Rajanakarn (2530) Ltd., Part.	1 Y 10 M	16/03/57	31/12/58	72	143,640.00	-
11	The Nine Branch	33/4 The Nine Tower Grand Building Rama 9, 2 rd Fl., Rama 9 Road, Huai Khwang, Bangkok 10310 Lessor: Grand Canal Land PCL.	3 Y	05/10/57	04/10/60	115.01	241,521.00	-
12	Mahatun Plaza Branch	888/200 Mahatun Plaza Building ,3 rd Fl., Ploenchit Road, Lumpini, Pathumwan, Bangkok 10330 Lessor : Mahatun Plaza Co.,Ltd.	3 Y	01/09/57	31/08/60	132	166,320.00	-
13	Phahonyothin Branch	412/44, 412/45 Ban Phahonyothin Place Buliding , Plaza Zone, 3 rd Fl., Phahonyothin Road, Samsen Nai, Phaya Thai, Bangkok 10400 Lessor: Phahoh 8 Co.,Ltd.	1 Y	20/09/57	31/08/58	126	79,449.00	-

Head Quarters / Branches		Tenancy / Lesser	Leased Period			Area (Sq.m.)	Rent / Service (THB)	
			Year	Commencement Date	Expiry Date		2014	2013
14	Bangna Branch	58, BIZZO Building Unit No. B201,B202, 2 rd Fl., Bangna trad 23 Road,Bangna, Bangkok 10260 Lessor: Deesuwan resort Co.,Ltd.	3 Y	01/09/57	31/08/60	100	70,400.00	-

5. Legal Disputes

<u>Case</u>	Rescission of Sale and Purchase Agreement, Rescission of Tender Offer and Rescission of Resolutions
<u>Parties</u>	APF Holdings Company Limited, Plaintiff, and AEC Securities Public Company Limited, 3 rd Defendant.
<u>Court of Jurisdiction</u>	Bangkok South Civil Court
<u>Case Commencement Date</u>	17 June 2013
<u>Claims</u>	

On 17 June 2013, Plaintiff filed a claim alleging that Plaintiff had an agreement with 1st Defendant and 2nd Defendant regarding the transfer of the shares of the 3rd Defendant and requested the court to order the 1st Defendant, 2nd Defendant and 3rd Defendant to

(1) Rescission of the Asset Sale and Purchase Agreement between 1st Defendant and 2nd Defendant and to remove the list of transferees from the Register of Shareholders that 1st Defendant transferred the shares to under any agreement between the 1st Defendant and 2nd Defendant,

(2) Rescission of the Resolutions of the Board of Directors and the Resolutions of the Shareholders that 2nd Defendant exercise the vote on,

(3) Rescission of Tender Offer dated 14 May 2013 of 2nd Defendant, and

(4) Rescission of the Resolution of the Board of Directors that approved the transfer of 3rd Defendant's assets on the Stock Exchange of Thailand (SET) Membership to other persons and to prohibit the transfer of the SET Membership.

Facts

The Company (3rd Defendant) does not have any agreements with the Plaintiff regarding transfer of shares and the Company has not transferred the SET Membership to any other persons.

Case Status

On 19 December 2013, the Bangkok South Civil Court ordered to suspend the motion of temporary injunction on the transfer of the SET Membership.

The Bangkok South Civil Court suspended the motion of temporary injunction of the Plaintiff. Furthermore, the case has no capital and there is no claim for the Company to compensate for any loss. The Bangkok South Civil Court has scheduled a hearing in July 2014.

6. General Information and Other Important Information

6.1 General Information

Name of Company : AEC Securities Public Company Limited

Nature of Business : Securities and Finance

- ☐ Securities Brokerage
- ☐ Securities Trading
- ☐ Investment Advisory
- ☐ Underwriting
- ☐ Selling Agent

: Derivatives Business

- ☐ Derivatives Brokerage and Advisory

Head Office Address : 63 Athenee Tower, 15th, 17th Fl., Wireless Road, Lumpini, Pathumwan, Bangkok 10330

Company Registration No. : 0107536001575 (formerly Bor.Mor.Jor. 231)

Company Website : www.aecs.com

Telephone : 0-2659-3456

Facsimile : 0-2659-3457

Registered Capital : 1,331,716,928 THB

(As of 31 December 2014)

Paid-up Capital : 1,009,743,709 THB

(As of 31 December 2014)

Number of Share : 1,331,716,928 Shares

Par Value : 1 Baht

Type of Share : Ordinary shares

External Auditors : Mr. Niti Jungnitnirundr Certified Public Accountant Registration No. 3809 and/or
Mr. Permsak Wongpatcharakorn Certified Public Accountant Registration No. 3427
and/or Mr. Chavala Tienpasertkij Certified Public Accountant Registration No. 4301
Deloitte Touche Tohmatsu Jaiyos Audit Co.,Ltd.
Rajanakarn Bldg. 25th - 26th, 28th Fl., 3 South Sathorn Road, Yannawa, Sathorn
Bangkok 10120

Company's Registrar	: Thailand Securities Depository Co.,Ltd. 62 The Stock Exchange of Thailand Building, Ratchadaphisek Road, Khongtoey, Bangkok 10110 Tel. 0-2596-9305 Fax 0-2832-4994 - 5
Legal Advisor	: Kritnin Co., Ltd. No. 29, Vanissa Building, 2 nd Floor, Room B, Soi Chidlom Ploenchit Road, Lumpini, Pathumwan, Bangkok 10330 : Pravit Jarupawong Law Office 90/399 Soi Songsa-ard, Vibhavadi-Rangsit Road, Jompol, Jatujak, Bangkok 10900 : U.B. Accounting and Law Co., Ltd. 16/69/70 Moo 8, Pibulsongkram Road, Suanyai, Muang, Nontaburi 11000 : FBLP Legal Ltd. Silom Complex Building, 14 th Floor, 191 Silom Road, Bangrak, Bangkok 10500 : TPNW Law & Solicitors Co.,Ltd. 68 Pannee2005 Building, 5 th Floor, Chakrapong Road, Taladyod, Pranakorn, Bangkok 10200
Investor Relations	: The Office of Director and Company Secretary AEC Securities Public Company Limited 63 Athenee Tower, 15 th , 17 th Fl., Wireless Rd., Lumpini, Pathumwan, Bangkok, 10330 Tel. 0-2695-3317 Fax. 0-2659-3457 Emails: thaveedej.u@aece.com ; arada.l@aece.com

6.2 Other Important Information

Events after 31 December 2014

- On 27 January 2015, the Board of Director Meeting No.1/2015 to approved the issuance and allotment of newly issued ordinary shares to specific person (Private Placement) with the condition that any subscription of 2 new ordinary shares and a type 1 Warrant (W3) in the amount of 50,000,000 units.
- On 3 February 2015, the Company was changing of paid-up capital of the Company at the Department of Business Development, Ministry of Commerce from amount of 1,009,743,709 Baht to amount of 1,109,743,709 Baht.