

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), 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 15 full service branches on Bangkok and Perimeter areas 9 branches at Soi Soonvijai branch, Central Ladprao Branch, Silom Road branch, Pachacheun Branch, The Nine Branch, Mahatun Plaza Branch, Phahonyothin Branch, Bangna Branch and Fashion-Island Branch. On Provincial 6 Branches at Chiangmai-Mahidol Road Branch, Chiangmai-Changklan Road Branch, Nakhon Sri Thamarat Branch, Hadyai Branch, Nakhonsawan Branch and Saraburi 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 2013, 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 AEC-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.

Year 2015

- On 26 January 2015, the Board of Director Meeting No.1/2015 approved the issuance and allotment of newly issued ordinary shares to specific person under private placement, with the condition that any subscription of 2 new ordinary shares and a type 1 Warrant (AEC-W3) amount to 50,000,000 shares and that the price of any sale of ordinary shares through PP must not be less than 90 percent of the average price of such ordinary shares 15 days before establishing the price. Together with warrant (AEC-W3) in the amount of 0 Baht per warrant, a share conversion ratio of 1:1 and a conversion price of 3 Baht, convertible on the last business day of March and September of every year.
- On 12 March 2015, the Board of Director Meeting No.3/2015 acknowledge to Mr. Praphol Milindachinla is resigned from Acting of Chief Executive Officer will be effective on April 1,2015 onward and the meeting resolved to appointment as follows;
 1. Appointment Mr. Thada Chanprasit as Director (authorized) Executive Director and Co-Chief Executive Officer replace to Mr. Mr.Kobkiat Boontharawara.
 2. Appointment Mr.Pisit Patumban as Executive Director and Co-Chief Executive Officer and has been approved by Securities and Exchange Commission on 22 April 2015.

- On 30 April 2015, The Annual General Meeting of Shareholder for the year 2015 has approve as follows;
1. The reduction of the registered capital of the Company and amendment of Clause 4. Of Memorandum of Association of the Company from Baht 1,331,716,928 to Baht 1,325,403,898
 2. The increase of the registered capital of the Company and amendment of Clause 4. Of Memorandum of Association of the Company from Baht 1,325,403,898 to Baht 2,414,615,498.

And has registered capital reduction and increase Department of Business Development on May 14, 2015

3. The issuance and offering of the newly issued ordinary shares of the Company in the amount not exceeding 300,000,000 shares at the par value of Baht 1 each to the existing shareholders of the Company in proportion to their respective shareholding ("Right Offering: RO") in combination with the Warrant to purchase the ordinary shares of the Company –Type 4 (AEC-W4) ("AEC-W4" or "Warrants-Type 4") in the amount not exceeding 300,000,000 units.

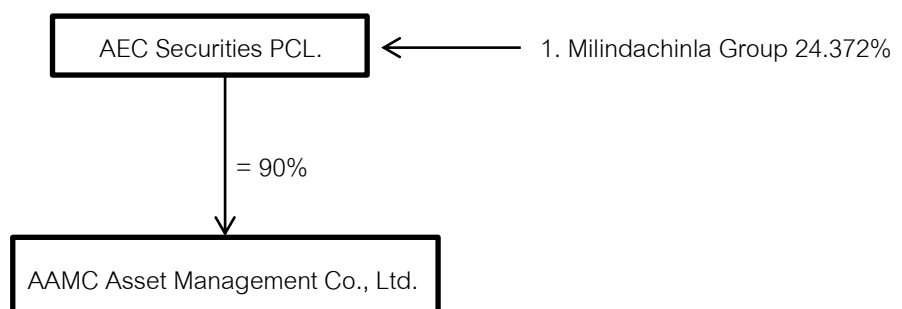
The newly issued ordinary shares as aforementioned shall be offered to the existing shareholders at the ratio of 4 existing ordinary shares to 1 newly issued ordinary share in combination with 1 unit of the Warrants to purchase the ordinary shares of the Company –Type 4 (i.e. 1 newly issued ordinary share to 1 unit of the Warrants). The offering price for newly issued ordinary shares shall be Baht 1 per share and for the Warrants–Type 4 shall be Baht 0 per unit. The exercise price for the Warrants–Type 4 shall be Baht 1 per share (except in case of rights adjustment), provided that any fraction of shares or Warrants derived from the calculations shall be disregarded and the existing shareholders who exercise their right to subscribe the newly issued shares are required to subscribe all Warrants-Type 4 at the same time and in line with their proportion.

4. The issuance and offering of the newly issued ordinary shares of the Company in the amount not exceeding 200,000,000 shares at the par value of Baht 1 each to the Private Placement subscriber(s) (Private Placement : PP) pursuant to the Notification of the Capital Market Advisory Board Tor Chor. 28/2551 re: the Application for Approval of Offer for Sale of Newly Issued Shares (as amended) in combination with the Warrants to purchase the ordinary shares of the Company–Type 5 (AEC-W5) ("AEC-W5" or "Warrants-Type 5") in the amount not exceeding 200,000,000 units.

The subscription is subject to the conditions that 1 newly issued ordinary shares in combination with 1 unit of the Warrants-Type 5. The offering price for the newly issued ordinary shares shall be Baht 1 per share and for the Warrants–Type 5 shall be baht 0 per unit. The exercise price for the Warrants-Type 5 shall be Baht 1 per share (except in case of rights adjustment).

5. The allocation of the newly issued ordinary shares in the amount of 89,211,600 shares in order to be reserved for the rights adjustment of Warrants – Type 2 (AEC-W2) and Warrants – Type 3 (AEC-W3). The Company must adjust the rights of Warrants-Type 2 (AEC-W2) and Warrants-Type 3 (AEC-W3) once the Company has issued and offering the newly issued ordinary shares. Warrants-Type 4 (AEC-W4) and Warrants-Type 5 (AEC-W5) in order to be in line with the conditions concerning the rights adjustment as stipulated in Item 4.2 1) (b) and (c) of the indicative terms and conditions of Warrants-Type 2 (AEC-W2) and Warrants-Type 3 (AEC-W3).
- On 16 July 2015, Mr. Apichai Taechaubol, directors/Non-Authorized Director resigned from Board of Directors of the company.
 - On 24 July 2015, Mr. Chaipant Pongtanakorn, Executive Officer and Director resigned from Executive Committee and Board of Directors.
 - On 27 July 2015, the Board of Directors Meeting No. 6/2015 resolved to appoint Mr. Angoon Phimpkorn as Executive Director (Authorized Director), replacing Mr. Apichai Taechaubol and received approval from the Securities and Exchange Commission on August 21, 2015.
 - On August 27, 2015, Mr. Chaiwat Utaiwan, Advisor to the Board of Directors resigned from Advisor to the Board of Director.
 - On December 24, 2015, the Company appointed Mrs. Amporn Jiammunjit, Chief Operating Officer as Acting Chief Executive Officer and received approval from the Securities and Exchange Commission on January 25, 2016.

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 100,000,000 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 and Mr. Angoon Phimpkorn Director and Executive Director.

2. Nature of Business

2.1 Revenue and Expense Structure of the Company

Revenue	2015		2014		2013	
	Baht	%	Baht	%	Baht	%
Brokerage fees from Securities business	490,699,210	74.31	442,926,595	61.36	7,000,849	13.94
Brokerage fees from Derivatives business	72,773,087	11.02	35,145,317	4.87	385,678	0.77
Brokerage fees from selling agent of unit trust	7,968,381	1.21	12,624,562	1.75	5,958,108	11.87
Fees and service income – Investment advisory fees	58,833,729	8.91	71,351,714	9.89	329,472	0.66
Gain (loss) on securities	(80,482,069)	(12.19)	93,461,455	12.95	11,496,209	22.90
Interest income	91,985,848	13.93	64,060,456	8.87	22,706,014	45.23
Other income	18,522,060	2.81	2,269,409	0.31	2,324,366	4.63
Total Revenues	660,300,246	100.00	721,839,508	100.00	50,200,696	100.00

Expense	2015		2014		2013	
	Baht	%	Baht	%	Baht	%
Financial costs	74,220,657	8.69	54,913,553	7.75	60,131	0.07
Fee and service expenses	95,592,428	11.19	77,726,403	10.97	6,107,511	6.80
Operating expenses						
Personnel expenses	447,967,571	52.43	401,322,501	56.67	29,476,388	32.83
Premises and equipment expenses	127,397,531	14.91	98,864,973	13.96	17,029,561	18.97
Directors and managements' remuneration	20,430,667	2.39	14,400,667	2.03	24,164,760	26.91
Directors' remuneration (going concern)	0	0.00	0	0.00	0	0.00
Other expenses	89,281,146	10.45	66,141,877	9.34	13,187,268	14.69
Total operating expenses	685,076,915	80.18	580,730,018	82.00	83,857,977	93.39
Reverse of bad debt and doubtful accounts	(491,590)	(0.06)	(5,136,913)	(0.73)	(235,508)	(0.26)
Total Expenses	854,398,410	100.00	708,233,061	100.00	89,790,111	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
- Private Funds

➤ 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**

- **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.

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.

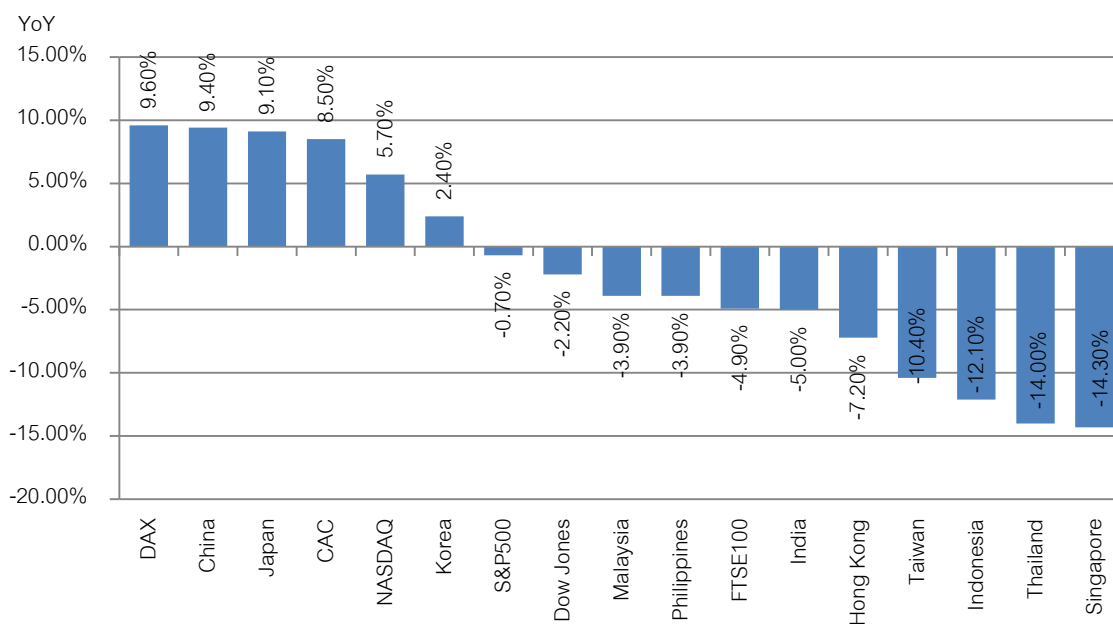
2.3 Market Overview and Competition

Market Overview in 2015

In 2015, was a year of negative fluctuations of the stock market and risky assets around the world including stock market in Thailand. After facing risks factor plunges into many aspects of the stock market in Thailand with domestic risks factor in countries such as Thailand's economic recovery continues to be slow combine with low growth in consumption and private investment and the below target disbursement of government budget. Household debt concerns, pressured banking sector in provide lending. Moreover, the effects of 4G auction that required higher capital spending than expected pressures communications sector. (Only tourism sector remains a key economic driving force in the year 2015 even if the bombings in Bangkok on August 2015, but only on a short-term. While there

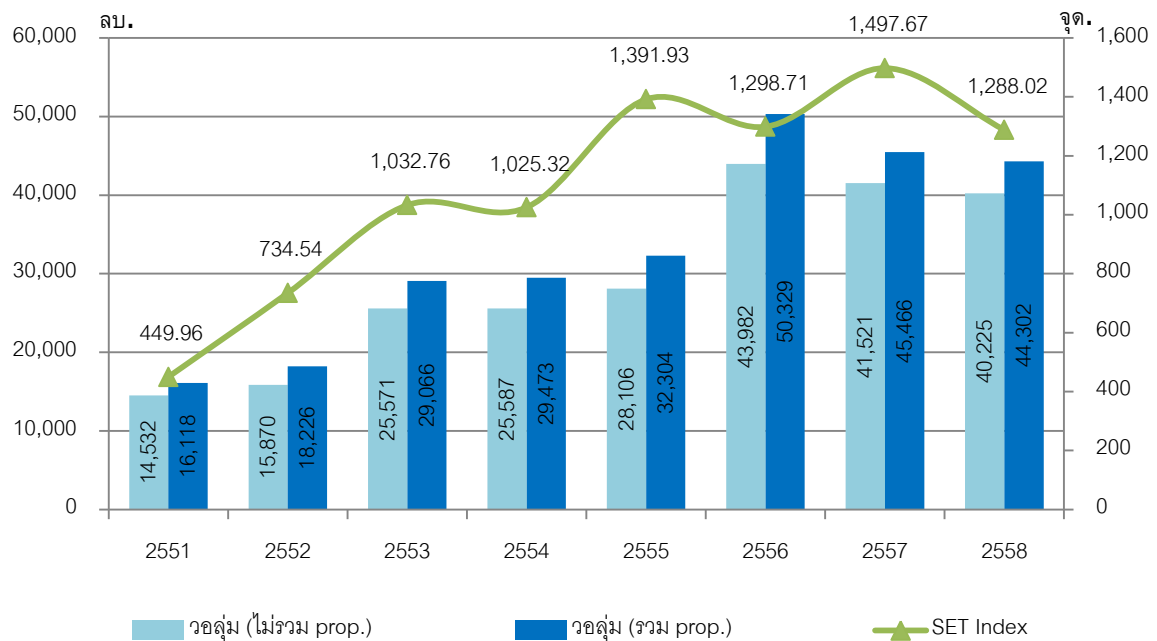
are risk factors such as a declining in international crude oil prices on world markets has put pressure on sales in the energy sector, Greece's debt negotiation, Federal reserve (FED) raised policy interest rate, the slowdown of the economy and revalue the Yuan, the Fund Flow direction from the stock market out of Thailand and the Asian region pressure the confidence of Thailand stock exchange, by SET Index reached the highest point of the year at 1619.77 points, as of February 4, 2015, before dramatically decreased because the risk factors, the SET Index dropped to the lowest point at 1251.99 points made on 14 December 2015 and year-end 2015 SET Index closed at 1288.02 points with the Thailand stock market to a negative return of about -14.0. % Year to Year ranks second in Asia (see chart). However, with the fluctuations that occur throughout the year in 2015, Thailand Stock Exchange (the SET and MAI) have average trading value per day (including proprietorial trading) was THB 4.43 billion , decreased just 2.6% Year to Year (excluding proprietorial trade worth THB 4.02 billion would have decreased by only 3.1% Year to Year).

World Stock Market Index



Source : SET and Bloomberg

Trade Value and Thai Stock Market Index



Source: SET

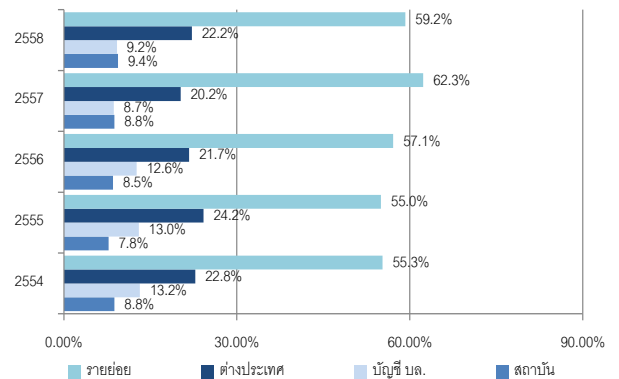
In 2015, Institutional and individual investors have an important role in supporting the market in times of market volatility in Thailand as well. The institutional investors are net buyers of the three consecutive years. In 2015 institutional investors net buy (both SET and MAI) of up to 8.21 billion baht and share trading value increased by 8.8% in. year 2014 is 9.4% of the total trading value of individual investors, although the proportion of trading down from 62.3% in 2014 to 59.2% of the total trading value with net buy of THB 7.98 billion by the year 2557, the net sales of THB 3.75 billion due to the nature of the investment focused on retail trading is around. For short-term speculation while foreign investors continued positive net sellers in equities Thailand consecutive year, the third by the year 2015 net sales were harder to THB 1.55 billion higher than in 2014, with net sales to THB 3.56 billion and the proportion of turnover, up from 20.2% in 2014 to 22.2%.

Quarterly Net Trade Value by Foreign Investors



Source: SET

Trade Value Proportion in Each Investor Group

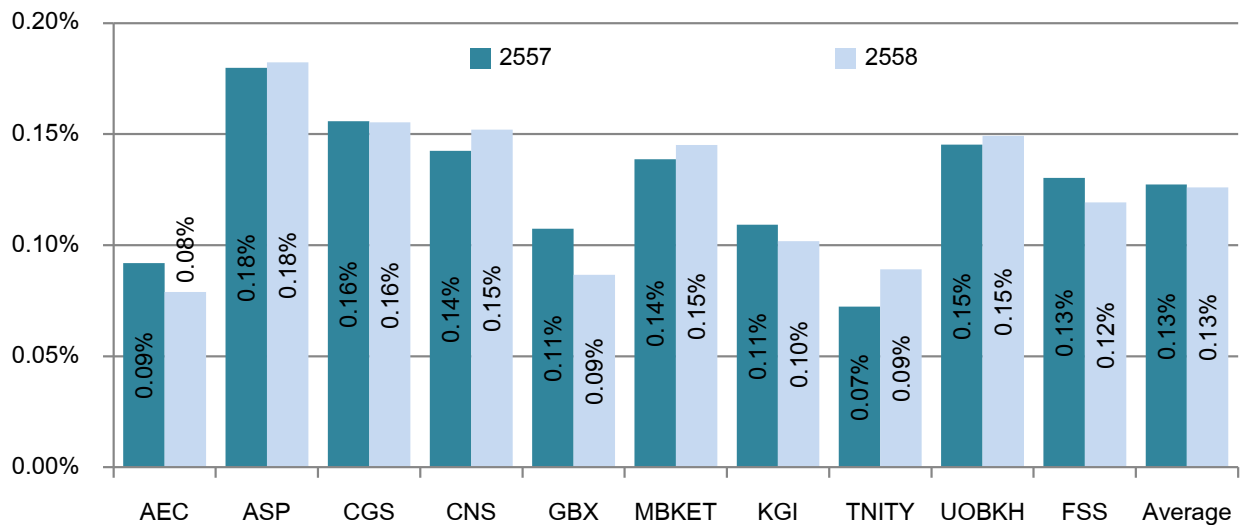


Source: SET

Business Overview 2015

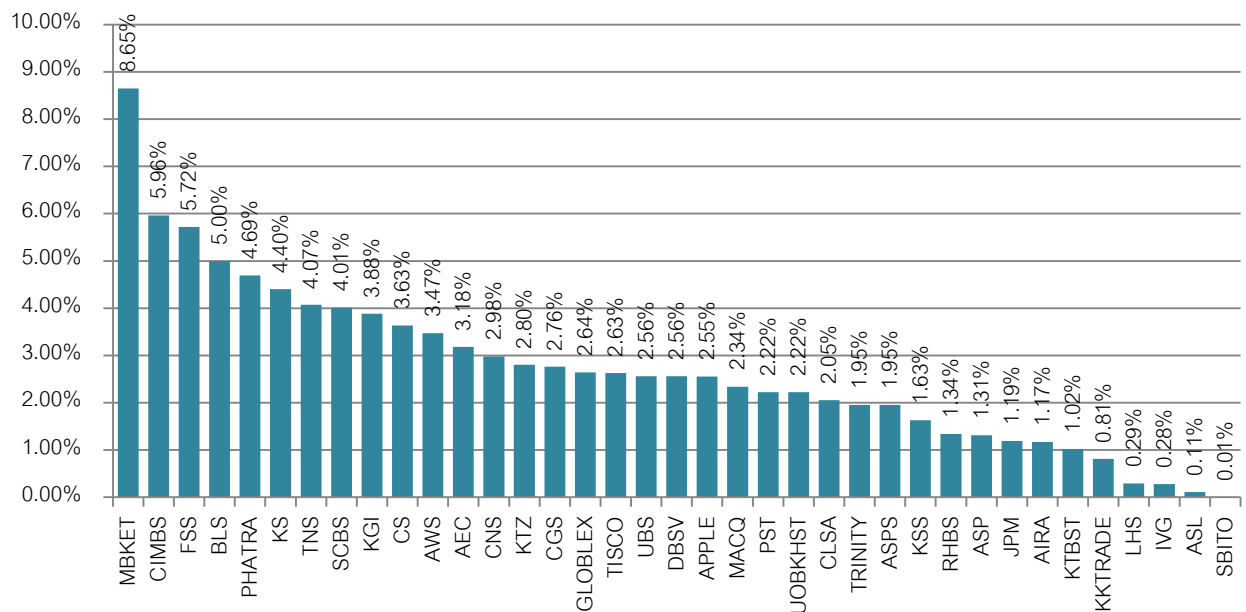
In 2015, earnings of securities decrease from the year 2014, although many of the securities company w delayed price competition in the business. After the start of business operations into the second year of the new 3-4 securities companies in 2014 resulted in the commission rate for trading securities, net (excluding proprietorial trade) of the portfolio remained steady at 0.13 % close to year 2014 But with risk factors from both domestic and foreign pressured sentiment and traditional investments made in the year 2015 with a turnover (including SET and MAI) per day, decreased 2.6% Year to Year , to THB 4.43 billion (if excluding proprietorial trade is worth THB 4.02 million, decrease 3.1% Year to Year). The pressure on the revenue from the brokerage fee decrease dramatically. Moreover, the volatility and direction of Thailand stock market stock dropped since the beginning of the year until the end of the year. It also makes a profit from the investment banking decreased from the previous year as well. The investment banking although 2015 market overview with new listed companies (IPO) 41 companies, reduce from the year 2014 with 45 companies were listed on the SET 20 of MAI 3 of IFF 2 of the Property Fund and REIT 6. However, the capital rose through the year 2015 the amount of capital raised, increase 14.6% Year to Year, to THB 1.31 billion. The securities with the highest fund raising in 2015 is Jasmine Broadband Internet Infrastructure Fund (JASIF) with the size of THB 5.50 billion, followed by North Bangkok Power Plant Block 1 Infrastructure Fund Electricity Generating Authority of Thailand (EGATIF) with the size of THB 2.08 billion and Global Power Synergy Public Company Limited (GPSC), with the size of THB 1.00 billion.

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



Source: SET

Market Share of the Security Companies in 2015



Industry Trend 2016

In 2016, we estimate earnings of securities companies will improve from 2015, according to the Thailand stock market has rebound amid volatile overseas. We expect the year 2016, the SET Index target of 1,390 points based on the assumption of the operating results of listed companies is likely to grow 10% Year to Year growth in Thailand (GDP) at 2.9% Year to Year under the fair value of the SET PER 14.5 times, which is equivalent to the performance of the medium-term profitability. In terms of volatility, we believe Thailand stock market is likely moving in the range of 1080-1380 point, the adjustment in the cost of risk (Cost of Equity) at 11-12 %.

We look Thailand stock market is likely to recover at an accelerated rate during the first four months of this year by 1) Thailand is in the emerging markets is likely to increase investment from abroad with divestment in China. 2) The recovery of oil prices by lowering production and delivery to market speculation Futures. 3) Stock Exchange of Thailand today pay dividend is Annualized Returns as high as 15 % (based on the rate of dividend 3.5 % in the period, held for three months), and 4) the industry is Market Capitalization 3 First is the energy, communications and banking experience since the beginning of the year 2016 was trading at a PER below 10x . The dividend rate at 4-7 %, there is also a positive factor to watch out for this year is easing global monetary policy in developed countries. We expect Japan and European monetary policy is relaxing and clear. While the economic uncertainty affecting the slow rate hike in the US Fed Funds Rate.

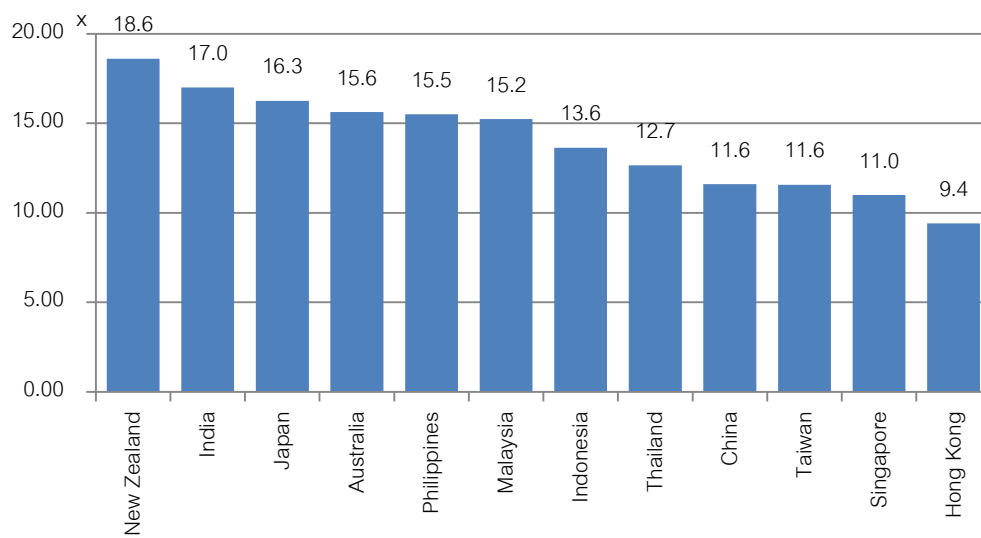
The risk of a negative market this year also need to keep an eye on include 1) the risk of the Chinese economy, likely reserves fell sharply and fluctuations in exchange rates and the unemployment rate rising from the restructuring. 2) Volatility of financial institutions in Europe and the UK, the problem of asset quality in the banking sector which is low-risk NPL to come into the company's refineries and losses on financial instruments are complex and likely to increase. And 3) the rate of economic growth in the country has decreased less than expected. The export might face negative from the automotive and agriculture industries. Farmer income has decreased from drought. And delays and disruption in the disbursement of the government's budgeting.

Growth Rate of Net Profit Per Stock in Thai Stock Market



Source: SET

Forward PER ปี 2016



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 must follow the policies of the Board of Directors Executive Committee and Risk Management Sub-committee and also report to the working group's risk management and anti-money laundering monitoring the results of the risk. 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 as follows;

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 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 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) at 7%. As at December 31, 2015, the company had NCR was 713.16 Million Baht or 92.62%.

3.2 Operational Risk

Operational risks is a risks associated with the operation of the system and personnel in each of the activities within the company and risks associated with managing information technology, including information in order to achieve the performance targets. The operational risk will affect the efficiency of the process and the mail objectives of the company as a whole.

- **Risks associated with personnel.**

In presently, the securities business is a highly competitive environment, 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 recognizes the importance of human resources to carry out its business steadily and consistently. So, the company has continually developing personnel with training, including provides effective ongoing as well as increase awareness of ethical awareness to the personnel of the Company and clear and appropriate remuneration. In addition, the company also has a policy of personnel aimed at creating a new generation of effective and ethical behavior.

- **Risk associated with reliance on major customers.**

In 2015, the brokerage department of the Company is departments that generate the majority of revenue for the company by turnover, mostly from a number of major customers. While retail customers still have lower ratios result in the concentration of revenues with major customers, if the volume of customers has decreased significantly may affect the income of the brokerage firm aware of the risks of such a policy to expand the number of retail customers and trading value increased steadily in order to diversify sources of revenue to balance.

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. The risk factors are below;

- **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 Company operates in securities business as (1) Securities Brokerage Group such Securities Brokerage, Derivatives Brokerage, Securities Lending and Borrowing (2) Investment Banking Group such Underwriting, Investment advisory, Merger and Acquisition etc. (3) Investment Management Group such Mutual Funds. The majority of revenue from the company's brokerage business, which that related to several factors. Fluctuations in the economic that are impact factors including the capital market in Thailand over the past year are highly volatile. Results of risk factors are from domestic factors and external risks factors which has affected the arrival of the inevitable. Risk factors for domestic, In Politically of Thailand are under the current constitution and no elections. In Economy is forecast to grow slowly even though the Government has a policy on investment and development of large infrastructure whatsoever. The factors such was the impact on the economic and financial results of the listed company which may cause the SET Index has volatility and trading volume in the stock market will pose a moderate due to the risk to the performance of the business brokerage and securities accounts for its investment (Portfolios). The Company's policy is focused on the distribution fees to the Derivative business, Securities lending and borrowing, Investment banking and Investment Management.

- **Risks associated with Invested Capital.**

The Company has invested in 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 group of major shareholders to influence corporate policy, management or operation of the company significantly (as of December 31, 2015) is a Milindachinla Group (Mr. Praphol Milindachinla, Chairman of Executive Officer holds as 23.557% and Mrs.Vimolwan Milindachinla holds as 0.815%). The Company there is no shareholding agreement between the major shareholders in matters that affect the management of the Company.

4. Operating Assets

4.1 Land, Building, Machinery and Equipment

As of 31 December 2015, the Company has fixed assets of office space, fittings, office equipment and vehicles, worth 220,284,530 Baht.

List of Assets	Net value after depreciation (Baht)	Encumbrance	Type of ownership
1. Computers and accessories.	40,916,260	None	Owner
2. Office equipment	176,188,212	None	Owner
3. Vehicle	1,752,987	None	Owner
4. Work under construction	-	None	Owner
5. Financial lease	1,427,071	3 Years	Owner

4.2 Intangible Assets

As of 31 December 2015, the Company has intangible assets of software computers for securities trading and other operating systems worth 42,835,916 Baht.

List of Assets	Net value after depreciation (Baht)	The remaining period of amortization
1. Software	36,413,597	4-5 Years
2. Derivatives business license fee	-	-
3. Securities business license fee	-	-
4. Company Logo fee	195,308	4 Years
5. Goodwill	4,376,116	Impairment
6. Software under development	1,850,895	None
Total	42,835,916	

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		2015	2014
1	Head Quarters	63 Athenee Tower,17 th Fl., Wireless Rd.,Lumpini, Pathumwan, Bangkok 10330						
		Unit No. 1701-1704	3 Y	01/06/2013	31/05/2016	730.06	6,877,165.20	6,877,165.20
		Unit No. 1705-1706	2 Y 9 M	01/09/2013	31/05/2016	312.22	2,941,112.40	2,941,112.40
		Unit No. 1707	2 Y 8 M	01/10/2013	31/05/2016	347.58	3,274,203.60	3,274,203.60
		Lessor: Thai Commercial Investment Freehold and Leasehold Fund c/o Krungthai Asset Management PCL.						
		63 Athenee Tower,15 th Fl., Wireless Rd.,Lumpini, Pathumwan, Bangkok 10330	3 Y	01/10/2014	30/09/2017	156.34	1,594,668.00	265,778.00
		Unit No. 1507/2						
		Lessor: Thai Commercial Investment Freehold and Leasehold Fund c/o Krungthai Asset Management PCL.						
		63 Athenee Tower,5 th Fl., Wireless Rd.,Lumpini, Pathumwan, Bangkok 10330	3 Y	01/02/2015	31/01/2018	98.79	923,686.50	-
Unit No. 502 C								
Lessor: Thai Commercial Investment Freehold and Leasehold Fund c/o Krungthai Asset Management PCL.								

Head Quarters / Branches		Tenancy / Lesser	Leased Period			Area (Sq.m.)	Rent / Service (THB)	
			Year	Commencement Date	Expiry Date		2015	2014
		63 Athenee Tower, 4 th Fl., Wireless Rd., Lumpini, Pathumwan, Bangkok 10330 Generator 1 Room Lessor: Thai Commercial Investment Freehold and Leasehold Fund c/o Krungthai Asset Management PCL.	3 Y	01/08/2015	31/07/2018	10	100,000.00	-
2	Nakhonsawan Branch	47/9-11 Atthakawee Road, Tambol Paknampho, Amphur Muangnakhonsawan, Nakhonsawan 60000 Lessor: Ruampol Industrial Nakhonsawan Co., Ltd	3 Y	01/01/2014	31/12/2016	160	480,000.00	480,000.00
3	Silom Branch	323 United Center Building , 15 th Fl., Silom Road, Bangrak, Bangkok 10500 Unit No. 508 Lessor : United Centre Co., Ltd.	3 Y	15/01/2014	14/01/2017	165.75	1,193,400.00	1,153,620.00
		323 United Center Building , 15 th Fl., Silom Road, Bangrak, Bangkok 10500 Unit No. 507 Lessor : United Centre Co., Ltd.	2 Y 7 M	15/06/2014	14/01/2017	129.25	930,600.00	524,755.00

Head Quarters / Branches		Tenancy / Lesser	Leased Period			Area (Sq.m.)	Rent / Service (THB)	
			Year	Commencement Date	Expiry Date		2015	2014
4	Chiangmai - Mahidol Road Branch	288/61-62 Mahidol Road,Tambol Changkran, Amphur Muangchiangmai, Chaingmai 50100 Lessor : Ms.Kulub Kabkam	3 Y	01/02/2014	31/01/2017	34.4 Sq.w.	600,000.00	550,000.00
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	01/02/2014	31/01/2017	155	360,000.00	330,000.00
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	15/02/2014	14/02/2017	182.04	1,419,948.00	1,301,619.00
7	Chiangmai – Changkran Road Branch	215/2 Unit no.B202, Changkran Road,Tambol Changkran, Ampur Muangchiangmai 50100 Lessor : C. A.S. Market Place Ltd.,Part.	3 Y	15/01/2014	15/01/2017	89	373,800.00	373,800.00
8	Nakhon Si Thamarat Branch	202,204 Wandeechositkulporn Road, Tambol Naimuang, Amphur Muangnakhon Si Thamarat, Nakhon Si Thamarat 80000 Lessor : Ms.Kittiya Saksrimaneekol	3 Y	01/03/2014	28/02/2017	39.5 Sq.w.	300,000.00	250,000.00

Head Quarters / Branches	Tenancy / Lesser	Leased Period			Area (Sq.m.)	Rent / Service (THB)	
		Year	Commencement Date	Expiry Date		2015	2014
9	Hadyai Branch Lessor : Mr.Nikom Preechaweerakol	3 Y	01/03/2014	28/02/2017	56.7 Sq.w.	720,000.00	600,000.00
10	Prachachuen Branch Lessor: Rajanakarn (2530) Ltd., Part.	1 Y 9 M	16/03/2014	31/12/2015	72	259,200.00	216,000.00
11	The Nine Branch Lessor: Grand Canal Land PCL.	3 Y	05/10/2014	04/10/2017	115.01	966,084.00	241,521.00
12	Mahatun Plaza Branch Lessor : Mahatun Plaza Co.,Ltd.	3 Y	01/09/2014	31/08/2017	132	1,013,760.00	665,280.00

Head Quarters / Branches		Tenancy / Lesser	Leased Period			Area (Sq.m.)	Rent / Service (THB)	
			Year	Commencement Date	Expiry Date		2015	2014
		888/200 Mahatun Plaza Building ,3 rd Fl., Ploenchit Road, Lumpini, Pathumwan, Bangkok 10330 Unit No.199 Lessor : Mahatun Plaza Co.,Ltd.	2 Y 6 M	01/04/2015	31/08/2017	132	776,280.00	-
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 3 Y	20/09/2014 01/09/2015	31/08/2015 31/08/2018	126 126	423,728.00 226,984.00	211,864.00
14	Bangna Branch	58, BIZZO Building Unit No. B201,B202, 2 nd Fl., Bangna trad 23 Road,Bangna, Bangkok 10260 Lessor : Deesuwan resort Co.,Ltd.	3 Y	01/09/2014	31/08/2017	100	536,000.00	176,000.00
15	Saraburi Branch	1/11 Soi 13 Sut Ban That Road, Pak Phrieo, Mueng Saraburi, Saraburi 18000 Lessor : Ms.Naree Sivichai	3 Y	15/01/2015	14/01/2018	-	240,000.00	-

Head Quarters / Branches		Tenancy / Lesser	Leased Period			Area (Sq.m.)	Rent / Service (THB)	
			Year	Commencement Date	Expiry Date		2015	2014
16	Fashion Island Branch	589/7-9 Fashion Island, B Fl., Unit B 001 Ram Intra Road, Khannayaw, Khannayaw, Bangkok 10230 Lessor: Siam Retail Development Co.,Ltd	3 Y	01/10/2015	30/09/2018	91.65	219,960.00	-

5. Legal Disputes

5.1 Black Case Number Por. 1193-1194/2556, Red Case Number Por. 1796 – Por. 1797/2557

Bangkok South Civil Court

<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

Claims

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 Business <ul style="list-style-type: none"> ■ Securities Brokerage <ul style="list-style-type: none"> - Internet Trading ■ Derivatives Business ■ Securities Trading ■ Investment Banking ■ Underwriting ■ Lending and borrowing ■ Selling Agent
Head Office Address	:	63 Athenee Tower, 15 th , 17 th 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	:	THB 2,414,615,498 (As of 31 December 2015)
Paid-up Capital	:	THB 1,244,224,758 (As of 31 December 2015)
Number of Share	:	1,244,224,758 Shares
Par Value	:	1 Baht
Type of Share	:	Ordinary shares
External Auditors	:	Ms.Ratana Jara Certified Public Accountant Registration No.3734 and/or Ms.Somjai Khunapasut Certified Public Accountant Registration No.4499 and/or Ms.Rachada Yongsawadvanich Certified Public Accountant Registration No.4951 EY Office Limited 33 rd Floor, Lake Rajada Office Complex, 193/136-137 Rajadapisek Road, Klongtoey, Bangkok 10110

Company's Registrar	:	Thailand Securities Depository Co.,Ltd. 93 Ratchadaphisek Road, Dindaeng, Bangkok 10400 Tel.0-2009-9000 Fax 0-2009-9991
Legal Advisor	:	Kritnin Co., Ltd. No. 29, VanissaBuilding, 2 nd Floor, Room B, SoiChidlom Ploenchit Road, Lumpini, Pathumwan, Bangkok 10330 Siam Premier International Law Officer Limited The Offices of Central World, 26 th Floor, 999/9 Rama 1 Road, Pathumwan, Bangkok 10330
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 2015

On 24 December 2015, the Company to appoint Mrs. Amporn Chiammunchit Chief Operating Officer as the Acting CEO and has been approved by the Securities and Exchange Commission on January 25, 2016.