

### Part 3

#### Significant Financial Information

#### 13. Significant Financial Information

##### 13.1 Financial Statement

##### *Report of the Independent Certified Public Accountants*

Type of report is unqualified opinion for the year ended of December 31, 2016 , December 31, 2015 and December 31, 2014

##### *Significant Financial Information for 3 year ago*

#### AEC SECURITIES PUBLIC COMPANY LIMITED AND SUBSIDIARY STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2016, DECEMBER 31, 2015 AND DECEMBER 31, 2014

	DECEMBER 31, 2016		DECEMBER 31, 2015		DECEMBER 31, 2014	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
<b>ASSETS</b>						
Cash and cash equivalents	95,458,760	3.51	139,787,568	6.22	347,548,271	10.44
Deposits at financial institutions	77,472,335	2.85	77,196,484	3.44	46,054,244	1.38
Receivables from Clearing House	351,913,252	12.94	13,795,300	0.61	203,488,804	6.11
Securities and derivatives						
business receivables - net	904,172,332	33.24	1,082,804,604	48.19	1,570,588,770	47.17
Investments - net	984,998,907	36.21	567,079,620	25.24	831,181,312	24.97
Premises improvement and	17,896,838	0.66	-	-	-	-
equipment - net	174,737,283	6.42	218,857,459	9.74	218,307,957	6.56
Goodwill	-	-	4,376,116	0.19	4,376,116	0.13
Intangible assets - net	36,978,997	1.36	38,459,800	1.71	42,695,663	1.28
Deferred tax assets	3,348,499	0.12	12,236,449	0.54	10,922,052	0.33
Other assets - net	72,956,899	2.68	92,356,345	4.11	54,142,106	1.63
<b>TOTAL ASSETS</b>	<b>2,719,934,102</b>	<b>100.00</b>	<b>2,246,949,745</b>	<b>100.00</b>	<b>3,329,305,295</b>	<b>100.00</b>

Financial statements as at December 31, 2013 is separate financial statements due to the company purchased subsidiary shares at June 20, 2014

AEC SECURITIES PUBLIC COMPANY LIMITED AND SUBSIDIARY  
STATEMENT OF FINANCIAL POSITION (CONTINUED)  
AS AT DECEMBER 31, 2016, DECEMBER 31, 2015 AND DECEMBER 31, 2014

Unit : Baht

	DECEMBER 31, 2016		DECEMBER 31, 2015		DECEMBER 31, 2014	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
<i>LIABILITIES AND OWNERS' EQUITY</i>						
<i>LIABILITIES</i>						
Payables to Clearing House	-	-	111,006,010	4.94	136,860,598	4.11
Securities sold under repurchase agreements	198,930,193	7.31	-	-	-	-
Securities and derivatives business payables	785,091,556	28.86	284,325,781	12.65	560,230,602	16.83
Finance lease liabilities	703,368	0.03	1,427,071	0.06	2,107,892	0.06
Debt issued and borrowings	463,939,170	17.06	575,923,317	25.63	1,364,215,217	40.98
Provisions for litigations	-	-	5,617,345	0.25	5,617,345	0.17
Provision for long-term employee benefits	14,148,227	0.52	13,834,816	0.62	5,702,851	0.17
Accrued expenses	92,364,506	3.40	70,170,896	3.12	100,492,155	3.32
Accrued withholding tax	1,689,554	0.06	1,029,567	0.05	630,082	0.02
Other liabilities	19,055,824	0.70	13,866,291	0.67	28,670,163	0.86
<b>TOTAL LIABILITIES</b>	<b>19,055,824</b>	<b>0.70</b>	<b>13,866,291</b>	<b>0.67</b>	<b>28,670,163</b>	<b>0.86</b>

AEC SECURITIES PUBLIC COMPANY LIMITED AND SUBSIDIARY  
STATEMENT OF FINANCIAL POSITION (CONTINUED)  
AS AT DECEMBER 31, 2016, DECEMBER 31, 2015 AND DECEMBER 31, 2014

Unit : Baht

	DECEMBER 31, 2016		DECEMBER 31, 2015		DECEMBER 31, 2014	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
SHAREHOLDERS' EQUITY						
SHARE CAPITAL						
Registered:						
2,414,615,498 ordinary shares of Baht 1 each	2,414,615,498					
(2015: 2,414,615,498 ordinary shares of Baht 1 each)			2,414,615,498			
(2014: 1,331,716,928 ordinary shares of Baht 1 each)					1,331,716,928	
Issued and fully paid-up:						
1,224,224,758 ordinary shares of Baht 1 each	1,224,244,758	45.01				
(2015: 1,224,224,758 ordinary shares of Baht 1 each)			1,224,244,758	54.48		
(2014: 1,009,743,709 ordinary shares of Baht 1 each)					1,009,743,709	30.33
Share premium	85,226,981	3.13	85,226,981	3.79	53,226,981	1.60
RETAINED EARNINGS						
Appropriated – statutory reserve	17,207,886	0.63	17,207,886	0.77	17,207,886	0.52
Unappropriated (deficit)	(182,667,921)	(6.72)	(164,250,614)	(7.31)	28,318,185	0.85
Equity attributable to owners of the Company	1,144,011,704	42.06	1,162,429,011	51.73	1,108,496,761	33.30
Non-controlling interests of the subsidiary	-	-	6,066,661	0.27	6,281,629	0.19
Total shareholders' equity	1,144,011,704	42.06	1,168,495,672	52.00	1,114,778,390	33.48
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	2,719,934,102	100.00	2,246,949,745	100.00	3,329,305,295	100.00

AEC SECURITIES PUBLIC COMPANY LIMITED AND SUBSIDIARY  
STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED DECEMBER 31, 2016, DECEMBER 31, 2015 AND DECEMBER 31, 2014

Unit : Baht

	DECEMBER 31, 2016		DECEMBER 31, 2015		DECEMBER 31, 2014	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
<b>REVENUES</b>						
Brokerage fees	588,834,084	71.99	571,440,678	86.54	490,696,474	67.98
Fee and service income	63,345,798	7.74	58,833,729	8.91	71,351,714	9.88
Gain (loss) on investments	97,207,271	11.89	(80,482,069)	(12.19)	76,461,455	10.59
Gain on sale of investment in receivables	(2,147,478)	(0.26)	-	-	-	-
Loss on revaluation of investment	(1,455,585)	(0.18)	-	-	-	-
Share of loss from investment in associate	(91,696)	(0.01)	-	-	-	-
Gain on sale of investment in accounts receivable	-	-	-	-	17,000,000	2.36
Interest income	30,284,920	3.70	31,395,327	4.75	17,232,551	2.39
Interest on margin loans	37,870,904	4.63	60,590,521	9.18	46,827,905	6.49
Other income	4,045,542	0.49	18,522,060	2.81	2,269,409	0.31
<b>Total revenues</b>	<b>817,893,760</b>	<b>100.00</b>	<b>660,300,246</b>	<b>100.00</b>	<b>721,839,508</b>	<b>100.00</b>
<b>EXPENSES</b>						
Finance costs	37,884,941	4.63	74,220,657	11.24	54,913,553	7.61
Fee and service expenses	103,940,294	12.71	95,592,428	14.48	77,726,403	10.77
Operating expenses						
Personnel expenses	460,556,045	56.31	451,603,571	68.39	401,322,501	55.60
Premises and equipment expenses	137,340,138	16.79	127,397,531	19.29	98,864,973	13.70
Directors' remuneration	14,980,000	1.83	16,794,667	2.54	14,400,667	1.99
Other expenses	80,868,465	9.89	89,281,146	13.52	66,141,877	9.16
Total operating expenses	693,744,648	84.82	685,076,915	103.75	580,730,018	80.45
Reversal of bad debt and doubtful accounts	-	-	(491,590)	(0.07)	(5,136,913)	(0.71)
<b>Total expenses</b>	<b>835,569,883</b>	<b>102.16</b>	<b>854,398,410</b>	<b>129.40</b>	<b>708,233,061</b>	<b>98.12</b>
<b>PROFIT (LOSS) BEFORE INCOME TAX</b>	<b>(17,676,123)</b>	<b>(2.16)</b>	<b>(194,098,164)</b>	<b>(29.40)</b>	<b>13,606,447</b>	<b>1.88</b>
INCOME TAX	(7,272,669)	(0.89)	1,314,397	0.20	(585,996)	(0.08)
<b>PROFIT (LOSS) FOR THE YEAR</b>	<b>(24,948,792)</b>	<b>(3.05)</b>	<b>(192,783,767)</b>	<b>(29.20)</b>	<b>13,020,451</b>	<b>1.80</b>

AEC SECURITIES PUBLIC COMPANY LIMITED AND SUBSIDIARY  
STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED DECEMBER 31, 2016, DECEMBER 31, 2015 AND DECEMBER 31, 2014

Unit : Baht

	DECEMBER 31, 2016		DECEMBER 31, 2015		DECEMBER 31, 2014	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
OTHER COMPREHENSIVE INCOME						
Actuarial gains for employee benefit plans	8,076,403	0.99	-	-	3,171,613	0.44
Income tax effects	(1,615,281)	(0.20)	-	-	(634,323)	(0.09)
OTHER COMPREHENSIVE INCOME FOR THE YEAR	6,461,122	0.79	-	-	2,537,290	0.35
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	(18,487,670)	(2.26)	(192,783,767)	(29.20)	15,557,741	2.16
Profit (loss) attributable to Equity holders of the Company	(24,878,429)	(3.04)	(192,568,799)	(29.17)	12,377,207	1.71
Non-controlling interests of the subsidiary	(70,363)	(0.01)	(214,968)	(0.03)	643,244	0.09
	(24,948,792)	(3.05)	(192,783,767)	(29.20)	13,020,451	1.80
Total comprehensive income attributable to Equity holders of the Company	(18,417,307)	(2.25)	(192,568,799)	(29.17)	14,914,497	2.07
Non-controlling interests of the subsidiary	(70,363)	(0.01)	(214,968)	(0.03)	643,244	0.09
	(18,487,670)	(2.26)	(192,783,767)	(29.20)	15,557,741	2.16
BASIC EARNINGS (LOSS) PER SHARE	(0.17)		0.01		0.05	
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES	1,160,305,899		971,646,295		844,083,520	

	Issued and fully paid-up share capital	Share premium	Retained earnings (deficit)		Total equity attributable to owners of the company	Equity attributable to non-controlling interests of the subsidiary	Total shareholders' equity
			Appropriated	Unappropriated (deficit)			
<b>Balance as at 1 January 2014</b>	844,083,520	53,226,981	16,878,485	13,733,089	927,922,075	-	927,922,075
Profit for the year	-	-	-	12,377,207	12,377,207	643,244	13,020,451
Other comprehensive income for the year	-	-	-	2,537,290	2,537,290	-	2,537,290
Total comprehensive income for the year	-	-	-	14,914,497	14,914,497	643,244	15,557,741
Purchase investment in subsidiary	-	-	-	-	-	2,638,265	2,638,265
Issue ordinary shares	165,660,189	-	-	-	165,660,189	-	165,660,189
Increase in capital of the subsidiary	-	-	-	-	-	3,000,120	3,000,120
Appropriated statutory reserve	-	-	329,401	(329,401)	-	-	-
<b>Balance as at 31 December 2014</b>	1,009,743,709	53,226,981	17,207,886	28,318,185	1,108,496,761	6,281,629	1,114,778,390
<b>Balance as at 1 January 2015</b>	1,009,743,709	53,226,981	17,207,886	28,318,185	1,108,496,761	6,281,629	1,114,778,390
Loss for the year	-	-	-	(192,568,799)	(192,568,799)	(214,968)	(192,783,767)
Other comprehensive income for the year	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	(192,568,799)	(192,568,799)	(214,968)	(192,783,767)
Issue ordinary shares	214,501,049	32,000,000	-	-	246,501,049	-	246,501,049
<b>Balance as at 31 December 2015</b>	1,224,244,758	85,226,981	17,207,886	(164,250,614)	1,162,429,011	6,066,661	1,168,495,672
<b>Balance as at 1 January 2016</b>	1,224,244,758	85,226,981	17,207,886	(164,250,614)	1,162,429,011	6,066,661	1,168,495,672
Loss for the year	-	-	-	(24,878,429)	(24,878,429)	(70,363)	(24,948,792)
Other comprehensive income for the year	-	-	-	6,461,122	6,461,122	-	6,461,122
Total comprehensive income for the year	-	-	-	(18,417,307)	(18,417,307)	(70,363)	(18,487,670)
Issue ordinary shares	-	-	-	-	-	(5,996,298)	(5,996,298)
<b>Balance as at 31 December 2016</b>	1,224,244,758	85,226,981	17,207,886	(182,667,921)	1,144,011,704	-	1,144,011,704

## AEC SECURITIES PUBLIC COMPANY LIMITED AND SUBSIDIARY

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2016, DECEMBER 31, 2015 AND DECEMBER 31, 2014

Unit : Baht

	2016	2015	2014
<b>Cash flows from operating activities</b>			
Profit (loss) before income tax	(17,676,123)	(194,098,164)	13,606,447
Adjustments to reconcile loss before income tax to net cash received (paid) from operating activities			
Depreciation and amortization	57,296,740	55,898,249	46,673,020
Reversal of bad debt and doubtful accounts	-	(491,590)	(5,136,913)
Provisions for litigations	-	-	-
Un realized (gain) loss on revaluation of investments in trading securities	(85,089,525)	73,451,369	(8,058,297)
Loss on disposal of subsidiary	2,147,478	-	-
Loss on revaluation of investment	1,455,585	-	-
Share of loss from investment in associate	91,696	-	-
Write off premises improvement and equipment	6,239,733	-	-
Gain on sale of investment in receivables	-	-	17,000,000
Loss on write-off of intangible assets	44,626	-	107,000
(Gain) loss on sale of premises improvement and equipment	-	(2,236)	4,632,488
Provision for long-term employee benefits	8,389,814	8,131,965	6,723,786
Finance costs	37,884,941	74,220,657	54,913,553
Interest and dividend income	(68,155,824)	(91,985,848)	(64,060,456)
Cash paid for interest expense	(37,687,942)	(74,416,574)	(54,590,978)
Cash received from interest income	65,678,702	91,550,002	65,178,090
Cash paid for income tax expense	(6,426,927)	(3,804,872)	(2,281,607)
Operating gain (loss) before changes in operating assets and liabilities	(35,807,026)	(61,547,042)	40,706,133

## AEC SECURITIES PUBLIC COMPANY LIMITED AND SUBSIDIARY

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2016, DECEMBER 31, 2015 AND DECEMBER 31, 2014

Unit : Baht

	2016	2015	2014
<b>Cash flows from operating activities</b>			
Operating assets (increase) decrease			
Deposits at financial institutions	(275,851)	(31,142,240)	14,439,529
Receivables from Clearing House	(338,117,952)	189,693,504	(32,293,691)
Securities and derivatives business receivables	178,632,272	488,275,756	(1,327,755,651)
Investments in trading securities	(322,856,314)	280,650,333	(663,111,642)
Other assets	13,648,876	(33,973,521)	(16,870,563)
Securities sold under repurchase agreements	198,930,193	-	-
Securities and derivatives business payables	500,765,775	(275,904,821)	540,015,603
Provision for litigations	(5,617,345)	-	-
Accrued expenses	22,234,771	(40,125,342)	104,128,650
Accrued withholding tax	681,475	399,485	45,750
Other liabilities	(1,561,970)	(3,627,634)	8,802,839
<b>Net cash provided by(use in) operating activities</b>	<b>99,650,894</b>	<b>486,843,890</b>	<b>(1,227,758,524)</b>



## AEC SECURITIES PUBLIC COMPANY LIMITED AND SUBSIDIARY

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2016, DECEMBER 31, 2015 AND DECEMBER 31, 2014

Unit : Baht

	2016	2015	2014
<b>Cash flows from investing activities</b>			
Cash paid for purchase of investment in subsidiary	-	-	(28,115,500)
	33,930,246	-	-
Cash paid for purchase of investment in private debt securities	(49,699,082)	(40,000,000)	-
Cash paid for purchase of investment in general investment	-	(50,000,010)	-
Cash paid for short-term loan to subsidiary	-	-	-
Proceeds from short-term loan to subsidiary	-	-	-
Cash paid for purchase of premises improvement and equipment	(10,859,166)	(54,755,434)	(167,964,887)
Proceeds from disposal of premises improvement and equipment	-	54,978	603,532
Cash paid for purchase of intangible assets	(4,643,850)	(7,432,455)	(23,050,051)
Cash receive from sale of intangible assets	-	-	-
Cash paid for purchase of investment in receivables	-	-	(331,829,073)
Proceeds from sale of investment in receivables	-	-	348,829,073
<b>Net cash used in investing activities</b>	<b>(31,271,852)</b>	<b>(152,132,921)</b>	<b>(201,526,906)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issuing bills of exchange	93,015,853	5,708,100	295,215,217
Proceeds from issuing subordinated bonds.	-	-	1,069,000,000
Repayment of subordinated debentures	(205,000,000)	(794,000,000)	-
Cash payment for finance lease liabilities	(723,703)	(680,821)	(640,480)
Cash received from issuance of ordinary shares	-	246,501,049	165,660,189
Increase in capital of the subsidiary	-	-	3,000,120
<b>Net cash provided by (used in) financing activities</b>	<b>(112,707,850)</b>	<b>(542,471,672)</b>	<b>1,532,235,046</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(44,328,808)</b>	<b>(207,760,703)</b>	<b>102,949,616</b>
Cash and cash equivalents at beginning of year	139,787,568	347,548,271	244,598,655
<b>Cash and cash equivalents at end of year</b>	<b>95,458,760</b>	<b>139,787,568</b>	<b>347,548,271</b>

## 13.2 Financial Ratio

Financial Ratio	2016	2015	2014
<b><u>Profitability Ratio</u></b>			
Gross Profit Margin	82.57%	73.54%	81.57%
Net Profit Margin	(3.05%)	(29.20%)	1.80%
Return on Owners' Equity	(2.16%)	(16.89%)	1.27%
Return on Investment	16.43%	(7.02%)	22.34%
<b><u>Efficiency Ratio</u></b>			
Return on Asset	(1.00%)	(6.91%)	0.60%
Asset Turn Over Ratio	0.33	0.24	0.33
<b><u>Financial Ratio</u></b>			
Liquid Asset to Borrowing	2.33	1.23	0.86
Earning Asset to Borrowing	2.71	1.90	1.30
Liquid Asset to total Asset Ratio	39.72%	31.46%	35.40%
Earning Asset to total Asset Ratio	46.18%	48.80%	53.29%
Debt Equity Ratio	1.38	0.92	1.99
Dividend Payout	-	-	-
<b><u>Other Ratio</u></b>			
Securities Investment to Total Asset	36.21%	25.24%	24.97%
Net Capital Ratio	52.80%	84.13%	85.05%

## 14. Management Discussion and Analysis

### 14.1 Operational and Financial Standing Analysis

#### (1) Operational Analysis

##### *Business Overview and Important Factors changes for the Year 2016*

AEC Securities Public Co., Ltd. is the 38<sup>th</sup> member listed in the Stock Exchange of Thailand, with a full securities business license type A and a full derivatives business license type Sor-1, engaging in the primary business as a broker facilitating the buying and selling of financial securities and derivatives. The Company also operates licensed businesses such as securities trading, investment advisor (investment banking), securities underwriting, securities borrowing and lending, and private fund management. In 2016, the Company expanded the bond trading and financial advisor businesses with a total of 14 branches. The Company's primary revenues originate from the brokerage business; in 2016 and 2015 the brokerage fee revenue was contributed at 72-87% of the total revenue. The Company provides services to both individual and institutional customers domestically whereas the majority is individual customers. In 2016, the Company had a market share in solely the brokerage business at 2.60% and was ranked at the 18<sup>th</sup> of the entire market.

In April 2016, the Company experienced a change of management with the appointment of a new CEO, Mr. Chanachai Joonjiraporn, and was joined with an earner team, as well as a reorganization to facilitate the Company's business operation with continuity and efficiency.

In June 2016, the Company sold the investment fund in AAMC Management Co., Ltd., a subsidiary company, to outsiders at the amount of 600,000 shares, equal to 36.75 million Baht. After the selling, the Company's shareholding proportion decreased from 90% to 30%, and the investment fund status of AAMC Management Co., Ltd. was altered from the investments in subsidiary to associated company.

In August 2016, the Company terminated the private fund management agreement with a fund management securities company that managed investment funds in the marketable listed securities, and brought them back to be managed by the Company itself.

In December 2016, the Company relocated the Prachachuen branch office to Park Ventures Ecoplex building, and changed the name of Prachachuen branch to Park Ventures Ecoplex branch. Meanwhile, the Company closed the Nakhon Sawan branch as its turnover did not reach the target.

For 2016, the investment situation and competition in the securities business industry remained intense and fierce, particularly the competition to be the market leader; also, new competitors were constantly introduced into the industry.

The global deflation and the change in the European zone were all affecting on the investment in Thailand. However, the Company commits to developing and maintaining its competitiveness and expanding its revenue base to be more diversified by decreasing the revenue proportion from the brokerage commission and increasing it from other businesses such as brokerage fee revenue, profits from investment funds, and bond trading revenue, for the purpose of the Company's growth with strength, continuity and sustainability in its operation and good organization.

For the accounting period of 2016, the Company and its subsidiaries reported the total revenues of 817.89 million Baht, an increase by 157.59 million Baht or 23.87%, from 660.30 million Baht in 2015. The Company's revenues were significantly increased owing to the profit recognition from the fair value adjustment for investments in marketable listed securities.

Meanwhile, the total expenses decreased at 18.83 million Baht from 854.40 million Baht in 2015 to 835.57 million Baht in 2016, equal to 2.20%, resulting mainly from the reduced financial costs due to the decrease of customer deposit amount and bonds for loans.

The Company's sources of revenue consist of brokerage commission, fee and service, gain (loss) on investments, gain on sale of investment in receivables, interest received, interest on margin loans and other revenues; the contribution of each revenue type and growth is shown as follows:

(Unit: Million Baht)

Revenues	2016		2015	
	Amount	Per cent	Amount	Per cent
Brokerage commission	588.83	71.99	571.44	86.54
Fee and service	63.35	7.74	58.83	8.91
Gain (loss) on investments	97.21	11.89	(80.48)	(12.19)
Loss on sale of subsidiary	(2.15)	(0.26)	-	0.00
Loss on fair value adjustment	(1.46)	(0.18)	-	0.00
Share of loss of investments in subsidiaries	(0.09)	(0.01)	-	0.00
Interest received	30.28	3.70	31.40	4.75
Interest on margin loans	37.87	4.63	60.59	9.18
Other revenues	4.05	0.50	18.52	2.81
Total revenues	817.89	100.00	660.30	100.00

In conclusion, in the year of 2016, the Company reported a comprehensive loss of 18.49 million Baht, the operating profit improved to 174.30 million Baht or 90.41% as compared to the same period in 2015 in which the net operating loss was 192.78 million Baht.

From the results above, the Company's gross profit margin for the period of 2016 improved from previously 73.54% in 2015 to 82.57 in 2016; the net profit margin increased from (29.20) in 2015 to (3.05) in 2016. The return on equity increased from (16.89) in 2015 to (2.16) in 2016, and the return on investment increased from (7.02) in 2015 to 16.43 in 2016. The return on assets increased from (6.91) in 2015 to (1.00) in 2016, and the asset turnover increased from 0.24 in 2015 to 0.33 in 2016.

The total revenues for the accounting period of 2016 increased as compared to the accounting period of 2015.

#### **Brokerage commission revenue**

The brokerage commission revenue for the period of 2016 increased from 571.44 million Baht in 2015 to 588.83 million Baht in 2016, as an increase by 17.39 million Baht or 3.04%, contributed by an increase by 10.29 million Baht or 2.10% in securities trading commission; and by 10.76 million Baht or 14.78% in derivatives trading commission; with a decline by 3.66 million Baht or 45.92% in investment units selling agent commission.

The revenue proportion of brokerage commission per total revenues decreased quite drastically from 86.54% in 2015 to 71.99% in 2016 because the Company remodeled its business for diversification, in which the Company attempted to distribute revenues by reducing the dependency on the brokerage commission revenue.

#### **Fees and service fees payable**

The fees and service fees payable increased from 95.59 million Baht in 2015 to 103.94 Baht in 2016, as an increase by 8.35 million Baht or 8.73%, contributed by the increase of service fees payable as varied by the increase in the number of securities and derivatives trading brokerage transactions.

#### **Operational expenses**

The operational expenses for the period of 2016 increased by 8.66 million Baht from 685.08 million Baht in 2015 to 693.74 million Baht in 2016, as an increase of 1.26% contributed mainly by the following:

Personnel expenses increased from 451.60 million Baht in 2015 to 460.56 million Baht in 2016, as an increase by 8.96 million Baht or 1.98%, varying according to the trading value of securities and derivatives.

Property, plant and equipment expenses increased from 127.40 million Baht in 2015 to 137.34 million Baht in 2016, as an increase by 9.94 million Baht or 7.80%.

Other expenses including entertainment, data service, lease line and internet service, bank charges, fuel, messengers, advertising, other fees, audit fee, lawyer fee, specific business tax, etc. cost a total of 80.87 million Baht in 2016, as a decline by 8.41 million Baht or 9.42% when compared to 89.28 million Baht in 2015.

**Bad debt and doubtful accounts**

In 2016, the Company had no reversal of bad debt and doubtful accounts.

**Corporate income tax expense**

The corporate income tax expense for the year of 2016 was 7.27 million Baht due to the adjustment to deferred income tax as the Company expected it to be of no use in the future.

The income tax related to other comprehensive profit and loss included the deferred income tax arising from the actuarial gains for the employee benefits project was 1.62 million Baht.

**(2) Analysis on Company Financial Status****Overview of the Company's financial standing as of 31<sup>st</sup> December 2016**

As of 31<sup>st</sup> December 2016, the Company's total assets were 2,719.93 million Baht, an increase by 472.98 million Baht or 21.05%, of the total assets of 31<sup>st</sup> December 2015 at the amount of 2,246.95 million Baht; the improvement was mostly contributed by the increasing net investment funds at 417.92 million Baht owing to the considerably growing bond trading business because of the situation of low deposit interest rate in which the private sector augmented fund raising through issuance of corporate bonds and debt securities and investors were interested in investing in it while accepting higher risks coming with higher investment return.

As of 31<sup>st</sup> December 2016, the Company's total liabilities were 1,575.92 million Baht, increasing by 497.47 million Baht or 46.13% as compared to the same period in 2015 at 1,078.45 million Baht, chiefly caused by an increase of securities and derivatives business payables at 500.77 million Baht or 176.12% as corresponding to the securities trading volume during the 3 last working days of the year. The debt to equity ratio increased from 0.92 times in 2015 to 1.38 times in 2016 due to an increase of securities and derivatives business payables at 500.77 million Baht according to the securities trading volume during the 3 last working days of the year.

The Company's financial liquidity remained good with the net capital as of 31<sup>st</sup> December 2016 at 643.92 million Baht, equal to the net liquid capital rule (NCR) of 52.80% of general liabilities and security interest, which was

a higher rate than that specified by the requirements under the SEC regulations, i.e. not lower than 7% of general liabilities and security interest.

In conclusion, the Company is considered a securities company with strong financial standing and is still solvent for business operation.

The Company's total assets as of 31<sup>st</sup> December 2016 increased as compared to the same period in 2015.

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

The cash and cash equivalents decreased by 44.33 million Baht from 139.79 million Baht in 2015 to 95.46 million Baht in 2016 or 31.71%.

#### **Deposits at financial institutions**

The deposits at financial institutions increased by 0.27 million Baht from 77.20 million Baht in 2015 to 77.47 million Baht in 2016 or 0.35%.

#### **Receivables from Clearing House**

As of 31<sup>st</sup> December 2016, the Company had receivables from Clearing House at the amount of 351.91 million Baht, as the net balance of receivables from Clearing House caused by securities and derivatives clearing, comprising the security money deposited to the Clearing House for derivatives transactions, which varies according to securities trading value on the day-end as a normal trading state of securities business.

#### **Securities and derivatives business receivables**

The net securities and derivatives business receivables as of 31<sup>st</sup> December 2016 amounted 904.17 million Baht, decreasing by 178.63 million Baht or 16.50% as compared to the same period in 2015 at 1,082.80 million Baht, mostly caused by the reduction of margin loan receivables by 157.08 million Baht.

The Company takes into consideration the risk from doubtful accounts and bad debt with the assessment of each debtor's financial status. This assessment includes importance placed on customer acceptance consideration for quality customers, determination of securities trading amount suitable for customer's financial status, risk



consideration and security value, and customer reminder for punctual securities payment. Allowance is made for the estimated losses that might be incurred where the debts are not fully secured and/or there exists a possibility that principal and interest cannot be recovered in full.

In this respect, the Company has the policy to set allowance for doubtful accounts by means of comparing the source of debt obligation to the customer's security. For any debtor with security inferior to the debt, the Company will set allowance for doubtful accounts to be higher than the security, as in compliance with the requirements stated in the Office of the Securities and Exchange Commission's Notifications No. KorThor. 33/2543 regarding NPL accounting for securities companies dated 25<sup>th</sup> August 2000 and Kor.Thor. 5/2544 regarding NPL accounting for securities companies (No.2) dated 15<sup>th</sup> February 2001.

Nonetheless, as of 31<sup>st</sup> December 2016, the Company's allowance for doubtful accounts was 86.56 million Baht.

#### **Investments**

The net investments as of 31<sup>st</sup> December 2016 amounted 985.00 million Baht, increasing by 417.92 million Baht or 73.70% as compared to the same period in 2015 at 567.08 million Baht, chiefly caused by an increase of trading securities in private bond at 240.03 million Baht, in line with the bond trading situation as aforementioned and the investment funds in investment units at 174.61 million Baht due to the excess liquidity management in the end of the year.

#### **Building improvement and equipment**

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

Building improvement and equipment, for the most part, included computing devices, office equipment and office decorative items; the net book value as of 31<sup>st</sup> December 2016 was 174.74 million Baht as compared to the balance at the end of 2015 at 218.86 million Baht, decreasing by 44.12 million Baht or 20.16%.

**Other assets**

The Company's other assets include deposits, payments for Clearing Fund, asset for protecting the clearing system, prepaid expenses, accrued interest income, accrued income and other receivables from sales; the net book value as of 31<sup>st</sup> December 2016 was 72.96 million Baht as compared to the balance at the end of 2015 at 92.36 million Baht, decreasing by 19.40 million Baht or 21.00% mainly owing to the reduction of accrued service fee revenue at 22.16 million Baht.

The Company's total liabilities as of 31<sup>st</sup> December 2016 increased as compared to the same period in 2015.

**Securities and derivatives business payables**

The securities and derivatives business payables as of 31<sup>st</sup> December 2016 amounted 785.09 million Baht as compared to the balance at the end of 2015 at 284.33 million Baht, increasing by 500.77 million Baht or 176.12%, mostly contributed by an increase of creditors buying securities in cash at 522.82 million Baht due to the increasing securities trading value on the day-end of 2016 when compared to 2015 as a normal trading state of securities business.

## Debt issued and other borrowings

The debt issued and other borrowings as of 31<sup>st</sup> December 2016 were 463.94 million Baht as compared to the balance at the end of 2015 at 575.92 million Baht, decreasing by 111.98 million Baht or 19.44% due to the maturity of subordinated debentures.

(Unit: Million Baht)

		Consolidated and separate financial statement			
		2016			
		The maturity dates of debt			
	Interest rate	Less than 1		Over 5	
		year	1 - 5 years	years	Total
	(per cent)				
Bills of exchange	4.20 – 5.75	393.94	-	-	393.94
Subordinate debentures	5.40 – 5.75	70.00	-	-	70.00
Total		463.94	-	-	463.94
(Unit: Million Baht)					

(Unit: Million Baht)

		Consolidated and separate financial statement			
		2015			
		The maturity dates of debt			
	Interest rate	Less than 1	Over 5		
	(per cent)	year	1 - 5 years	years	Total
Bills of exchange	4.62 – 5.00	300.92	-	-	300.92
Subordinate debentures	5.10 – 6.00	205.00	70.00	-	275.00
Total		505.92	70.00	-	575.92

## Accrued Expenses

The Company's accrued expenses as of 31<sup>st</sup> December 2016 amounted 92.36 million Baht as compared to the balance at the end of 2015 at 70.17 million Baht, decreasing by 22.19 million Baht or 31.62%, mostly caused by accrued employee expenses to be paid in 2017 including marketing officers and investment advisors' benefit, fees for licensed persons to be paid on the basis of business amount and fixed rate based on the marketing compensation criteria set out by the government, suppliers and account payables, and other expenses such as accrued interest, accrued commission, accrued entertainment expenses, and accrued audit fees.

The equity attributed to owners of the Company as of 31<sup>st</sup> December 2016 decreased as compared to the same period in 2015.

The equity attributed to owners of the Company as of 31<sup>st</sup> December 2016 amounted 1,144.01 million Baht, as a decline by 24.49 million Baht as compared to the same period in 2015 at 1,168.50 million Baht or 2.10%.

## Company's liquidity and investment sufficiency

### Liquidity

In 2016, the Company's net cash and cash equivalents decreased by 44.33 million Baht, as detailed into the following cash flow activities:

	(Unit: Million Baht)	
	2016	2015
Cash flows from operating activities	99.65	486.84
Cash flows from investing activities	(31.27)	(152.13)
Cash flows from financing activities	(112.71)	(542.47)
Net increase (decrease) in cash and cash equivalents	(44.33)	(207.76)

**Cash flows from operating activities**

In 2016, the Company's net cash flows from operating activities amounted to the total of 99.65 million Baht, with the operating loss prior to the change in operating assets and liabilities at 35.81 million Baht, and an increase in the change in operating assets at 468.97 million Baht and in operating liabilities at 604.43 million Baht.

**Cash flows from investing activities**

In 2016, the Company's net cash flows used in investing activities amounted to the total of 31.27 million Baht, mainly caused by the cash payment for the purchase of private bonds at 49.70 million Baht, the purchase of building improvement and equipment at 10.86 million Baht; and the cash received from the sale of investments in the subsidiary was at 33.93 million Baht.

**Cash flows from financing activities**

In 2016, the Company's net cash flows used in financing activities amounted to the total of 112.71 million Baht, chiefly due to the repayment for mature bonds at 111.98 million Baht.

At all events, in considering the Company's liquidity, an additional point to be taken is the ability to maintain the Net Liquid Capital Rule (NCR) in accordance with the requirements of the Office of the Securities and Exchange Commission (SEC). The Company has a policy to maintain an NCR and its ratio at a rate higher than stipulated by the SEC; that is to say, the SEC specifies the NCR to be maintained at no less than 25 million Baht and the NCR ratio at no less than 7% of liabilities and guarantees. In the past 2 years (2015-2016), the Company was able to maintain the NCR ratio at a rate higher than 7%, meaning that the Company's liquidity was sufficient for business operation. The Company's NCR in 2015 was 84.13% and 52.80% in 2016. However, the NCR ratio varies according to different factors such as the amounts of securities trading, investment funds, debentures and issued bonds, and securities underwriting.

### Source of funding

As of 31<sup>st</sup> December 2016, the Company's source of funding from liabilities amounted 1,575.92 million Baht, and from equity 1,144.01 million Baht. The debt to equity ratio as of 31<sup>st</sup> December 2015 and 2016 was equal to 0.92 and 1.38 times respectively. The majority of liability included securities and derivatives business payables and debt issued and other borrowings. However, if considering the debt to equity ratio without including the securities and derivatives business payables, the Company's debt to equity ratio as of 31<sup>st</sup> December 2015 and 2016 would be 0.68 and 0.69 times respectively.

### Provisions

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

The Company has contingent liabilities as a result of litigation as follows:

#### 1. Litigation in which the Company has been sued by security business customers

1.1 The Company was sued by a security business customer, as the 2<sup>nd</sup> defendant, to retrieve securities of approximately 3.3 million Baht during 2004; the Court ruled that the Company as the employer was liable jointly with the 1<sup>st</sup> defendant. On 29<sup>th</sup> January 2010, the Court of Appeals upheld the decision of the Court of first instance. Later on, the Company appealed to the Supreme Court. In September 2016, the said case was final as the Supreme Court confirmed the judgment of the Court of Appeals and ordered the 2 defendants to pay 6.8 million Baht to the plaintiff. Therefore, the Company recorded the clearing of liabilities as estimated at 5.6 million Baht to pay for such damage; the difference of damage at 1.2 million Baht to be paid to the plaintiff was already executed by UOB Kay Hian Securities (Thailand) PCL.

1.2 In 2009, the Company was sued by a security business customer for damages from breach of agent/broker contract, with the amount in dispute at 34.8 million Baht. On 17<sup>th</sup> February 2011, the Court of first instance ruled for the Company to be liable to the plaintiff. During 2012, the Company filed an appeal; and on 22<sup>nd</sup> August 2014, the Court of Appeals dismissed the case. At present, the case is pending under

the consideration of the Supreme Court to decide whether to allow the plaintiff to appeal or not. The Company's management believes that the Company will not be liable to such damages.

However, if the aforementioned case causes any further damages to the Company beyond the provisions considered earlier, the Company will be able to claim such damages from UOB Kay Hian Securities (Thailand) PCL. in accordance with the assignment agreement made between the Company and the new major shareholder; in this agreement, the Company was assigned with the right to claim for damages from any litigation arising prior to 26<sup>th</sup> March 2013 from the major shareholder as the Company is able to do so from UOB Kay Hian Securities (Thailand) PCL. within 60 days counting from the date of the case being final.

## 2. Litigation in which the Company was sued by the same major shareholder

In 2013, the Company was sued by the same major shareholder, as the 3<sup>rd</sup> defendant, to prohibit the assignment of SET membership to UOB Kay Hian Securities (Thailand) PCL. as approved in the meeting of the Company's Board of Directors No. 3/2556. On 23<sup>rd</sup> September 2014, the Court of first instance dismissed the case. At all events, the said major shareholder filed an appeal to the Court of Appeals, who also dismissed the petition filed by the plaintiff. The plaintiff also appealed to the Supreme Court under which the case is now pending. Therefore, on 31<sup>st</sup> December 2015, the Company has not assigned the right of SET membership to UOB Kay Hian Securities (Thailand) PCL.

## 3. A customer's case of transfer of share

On 7<sup>th</sup> July 2016, the Company was sued as a joint defendant (4<sup>th</sup> defendant) in a case of transfer of share filed by a customer to retrieve securities or be compensated for damages, with the amount in dispute at about 38 million Baht (the amount in control of the Company cannot be identified as yet because there are 4 joint defendants). However, the Company's lawyer considered and saw that that Company had a proof relevant to rebut the accusation. The case is now under the consideration of the Court of first instance with no final ruling yet; the result cannot be defined for the moment. The Company's management believes that

no damages will be caused to the Company; no bookkeeping has been made for contingent liabilities from the said case.

#### **Factors affecting on the future operation result**

The investment situation in the securities market in the past year of 2016 can be said to be a vigorous year of investment as the SET index increased to 19.79% by 254.93 points. The daily average trading volume made a record of as high as 52,700.26 million Baht. For 2017, the factors to be taken into account are the following:

1. The global economic expansion is still difficult to be estimated; the World Bank primarily estimated that the expansion would be at 3.4% but with great volatility because of crucial issues that included the new U.S. president, Mr. Donald Trump whose policies are still on the lookout after his inauguration; besides, the Brexit and the tendency of other countries to leave the EU are contributed to the uncertainty of global economic expansion;
2. The energy prices that tend to decrease, especially the fluctuating oil price in the world's market although the oil producing countries are controlling the productivity. However, the demand remains high; consequently, the oil price cannot be increased. Subsequently, the share prices in the related energy group also decelerate, impacting on the investment situation for shares with major authorized capital;
3. The domestic economy increased moderately between 3.2 – 3.4% (World Bank, Mar. 2017) or the GDP size was at 14.3 trillion Baht (in comparison to the expansion of GDP at 3.2% from 2016). Being compared to the value registered to the SET in March at the amount of 15.1 trillion Baht, it can be seen that the investment in the stock market is higher than the GDP value at 5% while the GDP has a lower increasing rate. Thus, the investment in 2017 may be caused to be less vigorous or it can be concluded that the daily average trading volume may be inferior to the previous year.

From the above factors, it can be estimated that the securities trading revenue tends to decrease, which is risky to the business. However, the Company's adjustment of business operation plan by increasing the portion of other businesses such as bond trading, private funds, financial advisory and listing of shares in the market will be reinforcing factors for the Company to be compensated with other revenues and to have a chance of better operation result without too much depending on the brokerage business.