

### 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, 2017, December 31, 2016 and December 31, 2015

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

#### AEC SECURITIES PUBLIC COMPANY LIMITED AND SUBSIDIARY

#### STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2017, DECEMBER 31, 2016 AND DECEMBER 31, 2015

Unit : Baht

	DECEMBER 31, 2017		DECEMBER 31, 2016		DECEMBER 31, 2015	
	Amount	Percentage	Amount	Amount	Percentage	Amount
<b>ASSETS</b>						
Cash and cash equivalents	97,897,735	3.38	95,458,760	3.51	139,787,568	6.22
Deposits at financial institutions	-	-	-	-	77,196,484	3.44
Receivables from Clearing House	257,417,636	8.88	351,913,252	12.94	13,795,300	0.61
Securities and derivatives						
business receivables - net	1,196,391,524	41.26	904,172,332	33.24	1,082,804,604	48.19
Investments	1,104,343,700	38.09	1,062,471,242	39.06	567,079,620	25.24
Investment in associate	-	-	17,896,838	0.66	-	-
Premises improvement and equipment	139,055,760	4.79	174,737,283	6.43	218,857,459	9.74
Goodwill	-	-	-	-	4,376,116	0.20
Intangible assets	25,437,044	0.88	36,978,997	1.36	38,459,800	1.71
Deferred tax assets	2,595,810	0.09	3,348,499	0.12	12,236,449	0.54
Other assets	76,323,999	2.63	72,956,899	2.68	92,356,345	4.11
<b>Total assets</b>	<b>2,899,463,208</b>	<b>100.00</b>	<b>2,719,934,102</b>	<b>100.00</b>	<b>2,246,949,745</b>	<b>100.00</b>

#### Note :

The financial statements for the year ending 31 December 2017 were prepared in conformity with the requirement of the Notification of the Office of the Securities and Exchange Commission, No. SorThor. 22/2559, regarding "The Form of Financial Statements for Securities Companies", dated 2 June 2016, which became effective for fiscal years beginning on or after 1 January 2017. Therefore, reclassifications have been made by the auditor to the financial statements for 2016 in order to conform to the classifications used in the financial statement for 2017.

-The balance showing the financial status – Assets for the year 2017 and 2016 on the aspect of the asset, deposit at financial institution would be incorporated in the investment capital.

## AEC SECURITIES PUBLIC COMPANY LIMITED AND SUBSIDIARY

## STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT DECEMBER 31, 2017, DECEMBER 31, 2016 AND DECEMBER 31, 2015

Unit : Baht

	DECEMBER 31, 2017		DECEMBER 31, 2016		DECEMBER 31, 2015	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>						
<b>LIABILITIES</b>						
Securities sold under repurchase agreements	336,906,968	11.62	198,930,193	7.31	-	-
Payables to Clearing House	124,470,385	4.29	-	-	111,006,010	4.94
Securities and derivatives business payables	968,789,591	33.41	785,091,556	28.86	284,325,781	12.66
Liabilities under finance lease agreements	5,136,000	0.18	703,368	0.03	1,427,071	0.06
Debt issued and borrowings	285,519,789	9.85	463,939,170	17.06	575,923,317	25.63
Provisions for litigations	-	-	-	-	5,617,345	0.25
Provisions for long-term employee benefits	11,944,765	0.41	14,148,227	0.52	13,834,816	0.62
Accrued expenses	-	-	-	-	70,170,896	3.12
Accrued withholding tax	-	-	-	-	1,029,567	0.05
Other liabilities	90,239,679	3.11	113,109,884	4.16	15,119,270	0.67
<b>TOTAL LIABILITIES</b>	<b>1,823,007,177</b>	<b>62.87</b>	<b>1,575,922,398</b>	<b>57.94</b>	<b>1,078,454,073</b>	<b>48.00</b>
<b>SHAREHOLDERS' EQUITY</b>						
Share capital						
Issued and paid-up share capital	1,224,245,458	42.22	1,224,244,758	45.01	1,224,244,758	54.48
Share premium	85,227,681	2.94	85,226,981	3.14	85,226,981	3.79
Retained earnings						
Appropriated - statutory reserve	17,207,886	0.59	17,207,886	0.63	17,207,886	0.77
Unappropriated (deficit)	(250,224,994)	(8.62)	(182,667,921)	(6.72)	(164,250,614)	(7.31)
Total shareholders' equity	1,076,456,031	37.13	1,144,011,704	42.06	1,162,429,011	51.73
non-controlling interest of the subsidiary	-	-	-	-	6,066,661	0.27
<b>Total shareholders' equity</b>	<b>1,076,456,031</b>	<b>37.13</b>	<b>1,144,011,704</b>	<b>42.06</b>	<b>1,168,495,672</b>	<b>52.00</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>2,899,463,208</b>	<b>100.00</b>	<b>2,719,934,102</b>	<b>100.00</b>	<b>2,246,949,745</b>	<b>100.00</b>

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**Note :**

- The balance showing the financial status – the year 2017 and 2016 on the aspect of the liabilities, accrued expenses and the accrued withholding income tax deduction would be incorporated in the other liabilities.
- The balance showing the financial status – For the year 2015, the consolidated financial statements Investment in subsidiaries The investment is 90%
  
- Statements of financial position for the year 2016 are to be presented in the financial statements in which equity method is applied. Due to the change in the status of investments in subsidiaries as investments in associates. As a result, the Company sold some of its investment in subsidiary on 30 June 2016. After the sale, the Company's shareholding proportion decreased from 90% to 30%.
- Statements of financial position for the year ended 31 December 2012 are presented in the separate financial statements. The remaining shares of the remaining shares were sold on March 31, 2017.

## AEC SECURITIES PUBLIC COMPANY LIMITED AND SUBSIDIARY

## STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2017, DECEMBER 31, 2016 AND DECEMBER 31, 2015

Unit : Baht

	DECEMBER 31, 2017		DECEMBER 31, 2016		DECEMBER 31, 2015	
	Amount	Percentage	Amount	Amount	Percentage	Amount
<b>REVENUES</b>						
Brokerage fees	480,931,926	65.90	584,524,736	71.47	571,440,678	86.54
Fee and service income	103,367,895	14.16	67,655,146	8.27	58,833,729	8.91
Interest on margin loans	34,943,692	4.79	37,870,904	4.63	60,590,521	9.18
Gain and return on financial instruments	105,960,756	14.52	126,036,606	15.41	-	-
Gain (loss) on investments	-	-	-	-	(80,482,069)	(12.19)
Gain (loss) on disposal of associate	509,801	0.07	(2,147,478)	(0.26)	-	-
Share of loss from investment in associate	(31,884 )	(0.01)	(91,696)	(0.01)	-	-
Interest income	-	-	-	-	31,395,327	4.75
Other income	4,134,436	0.57	4,045,542	0.49	18,522,060	2.81
<b>Total revenues</b>	<b>729,816,622</b>	<b>100.00</b>	<b>817,893,760</b>	<b>100.00</b>	<b>660,300,246</b>	<b>100.00</b>
<b>EXPENSES</b>						
Employee benefit expenses	433,719,162	59.43	475,536,045	58.14	-	-
Fee and service expenses	94,265,695	12.92	103,940,294	12.71	95,592,428	14.48
Bad debt and doubtful accounts	3,123,417	0.43	-	-	(491,590)	(0.07)
Finance costs	48,064,855	6.58	37,884,941	4.63	74,220,657	11.24
Other expenses	229,130,695	31.39	218,208,603	26.68	-	-
<b>Operating expenses</b>						
Personnel expenses	-	-	-	-	451,603,571	68.39
Premises and equipment expenses	-	-	-	-	127,397,531	19.30
Directors' remuneration	-	-	-	-	16,794,667	2.54
Other expenses	-	-	-	-	89,281,146	13.52
<b>Total operating expenses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>685,076,915</b>	<b>103.75</b>
<b>Total expenses</b>	<b>808,303,824</b>	<b>110.75</b>	<b>835,569,883</b>	<b>102.16</b>	<b>854,398,410</b>	<b>129.40</b>
<b>PROFIT (LOSS) BEFORE INCOME TAX</b>	<b>(78,487,202)</b>	<b>(10.75)</b>	<b>(17,676,123)</b>	<b>(2.16)</b>	<b>(194,098,164)</b>	<b>(29.40)</b>
<b>INCOME TAX</b>	<b>1,583,875</b>	<b>0.22</b>	<b>(7,272,669)</b>	<b>(0.89)</b>	<b>1,314,397</b>	<b>0.20</b>
<b>PROFIT (LOSS) FOR THE YEAR</b>	<b>(76,903,327)</b>	<b>(10.53)</b>	<b>(24,948,792)</b>	<b>(3.05)</b>	<b>(192,783,767)</b>	<b>(29.20)</b>

AEC SECURITIES PUBLIC COMPANY LIMITED AND SUBSIDIARY  
STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2017, DECEMBER 31, 2016 AND DECEMBER 31, 2015

Unit : Baht

	DECEMBER 31, 2017		DECEMBER 31, 2016		DECEMBER 31, 2015	
	Amount	Percentage	Amount	Amount	Percentage	Amount
OTHER COMPREHENSIVE INCOME :						
Actuarial gains for employee benefit plans	11,682,818	1.60	8,076,403	0.99	-	-
Income tax effects	(2,336,564)	(0.32)	(1,615,281)	(0.20)	-	-
OTHER COMPREHENSIVE INCOME FOR THE YEAR	9,346,254	1.28	6,461,122	0.79	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	(67,557,073)	(9.25)	(18,487,670)	(2.26)	(192,783,767)	(29.20)
Profit (loss) attributable to						
Equity holders of the Company	(76,903,327)	(10.53)	(24,878,429)	(3.04)	(192,568,799)	(29.17)
Non-controlling interests of the subsidiary	-	-	(70,363)	(0.01)	(214,968)	(0.03)
	(76,903,327)	(10.53)	(24,948,792)	(3.05)	(192,783,767)	(29.20)
Total comprehensive income attributable to						
Equity holders of the Company	(67,557,073)	(9.25)	(18,417,307)	(2.25)	(192,568,799)	(29.17)
Non-controlling interests of the subsidiary	-	-	(70,363)	(0.01)	(214,968)	(0.03)
	(67,557,073)	(9.25)	(18,487,670)	(2.26)	(192,783,767)	(29.20)
BASIC EARNINGS (LOSS) PER SHARE	(0.06)		(0.02)		(0.17)	
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES	1,224,245,241		1,224,244,758		1,160,305,899	

**Note :**

- The statement of income for the year 2017 is presented in the financial statements in which equity method is applied.
- The income statement for the year 2015-2016 is presented in the consolidated financial statements.

Income statements for the year 2017 and 2016 are different from the financial statements for the year 2015.

1. Brokerage fees for the year 2560 and 2016 will not include brokerage fees.
2. Fee and service income for the year 2017 and 2016 will be included in the brokerage fee.
3. Profits and returns on financial instruments for the year 2017 and 2016 will include profit (loss) on investments. And interest is taken together.

Expense Statement on Expenses for the year 2017 and 2016 are different from the financial statements for the year 2015.

1. Employee benefit expenses for the years 2560 and 2016 will include employee expenses and directors' remuneration.
2. Other expenses for the year 2017 and 2016 will include building and equipment costs and other expenses.

## AEC SECURITIES PUBLIC COMPANY LIMITED AND SUBSIDIARY

## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2017, DECEMBER 31, 2016 AND DECEMBER 31, 2015

Unit : Baht

	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
			Appropriated	Unappropriated (deficit)			
<b>BALANCE AS AT</b>							
<b>31 December 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 (loss)	-	-	-	(192,568,799)	(192,568,799)	(214,968)	(192,783,767)
Issuance of ordinary shares during the year	214,501,049	32,000,000	-	-	246,501,049	-	246,501,049
<b>BALANCE AS AT</b>							
<b>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</b>							
<b>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 (loss)	-	-	-	(18,417,307)	(18,417,307)	(70,363)	(18,487,670)
Decrease in non-controlling interest of the subsidiary as a result of disposal of investment	-	-	-	-	-	(5,996,298)	(5,996,298)
<b>BALANCE AS AT</b>							
<b>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 CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2017, DECEMBER 31, 2016 AND DECEMBER 31, 2015

Unit : Baht

	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
			Appropriated	Unappropriated (deficit)			
<b>BALANCE AS AT 1 January 2017</b>	1,224,244,758	85,226,981	17,207,886	(182,667,921)	-	-	1,144,011,704
Issuance of ordinary shares during the year from the exercise of warrants	700	700	-	-	-	-	1,400
Loss for the year	-	-	-	(76,903,327)	-	-	(76,903,327)
Other comprehensive income for the year	-	-	-	9,346,254	-	-	9,346,254
Total comprehensive income for the year (loss)	-	-	-	(67,557,073)	-	-	(67,557,073)
<b>BALANCE AS AT 31 December 2017</b>	1,224,245,458	85,227,681	17,207,886	(250,224,994)	-	-	1,076,456,031

Note :

Statement of changes in equity

- For the years 2558 - 2019, the consolidated financial statements will be presented in the consolidated financial statements.

- The financial statements for the year ended 31 December 2010 are presented in the financial statements in which equity method is applied.

## AEC SECURITIES PUBLIC COMPANY LIMITED AND SUBSIDIARY

## CASH FLOWS STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2017, DECEMBER 31, 2016 AND DECEMBER 31, 2015

Unit : Baht

	2017	2116	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss before income tax	(78,487,202)	(17,676,123)	(194,098,164)
Adjustments to reconcile loss before income tax to net cash provided by (paid from) from operating activities			
Depreciation and amortization	58,137,819	57,296,740	55,898,249
Reversal of bad debt and doubtful accounts	-	-	(491,590)
Unrealised (gain) loss on revaluation of investments in trading securities	27,598,527	(85,089,525)	73,451,369
Loss on revaluation of investments	-	1,455,585	-
(Gain) loss on disposal of associate	(509,801)	2,147,478	-
Loss on sale of premises improvement and equipment	14,996,876	6,239,733	-
Share of loss from investment in associate	31,884	91,696	-
Amortisation of intangible asset	-	44,626	-
Finance costs	48,064,855	37,884,941	74,220,657
Interest and dividend income	(87,261,800)	(68,155,824)	(91,985,848)
Provisions for long-term employee benefits	9,749,356	8,389,814	8,131,965
<b>LOSS FROM OPERATING ACTIVITIES BEFORE CHANGE IN OPERATING ASSETS AND LIABILITIES</b>	<b>(7,679,486)</b>	<b>(57,370,859)</b>	<b>(74,875,598)</b>



## AEC SECURITIES PUBLIC COMPANY LIMITED AND SUBSIDIARY

## CASH FLOWS STATEMENT (CONTINUE)

FOR THE YEAR ENDED DECEMBER 31, 2017, DECEMBER 31, 2016 AND DECEMBER 31, 2015

Unit : Baht

	2017	2116	2015
<b>Operating assets (increase) decrease</b>			
Cash Deposit in Financial Institutions	-	-	(31,142,240)
Receivables from Clearing House	94,495,616	(338,117,952)	189,693,504
Securities and derivatives business receivables	(292,219,191)	178,632,272	488,275,756
Investments in trading securities	167,700,241	(322,856,313)	280,650,333
Other assets	7,450,444	13,648,876	(33,973,521)
<b>Operating liabilities increase (decrease)</b>			
Securities sold under repurchase agreements	137,976,774	198,930,193	-
Payables to Clearing House	124,470,385	(111,006,010)	(25,854,588)
Securities and derivatives business payables	183,698,035	500,765,775	(275,904,821)
Provisions for long-term employee benefits	(270,000)	-	-
Accrued expense	-	-	(40,125,342)
Accrued withholding tax	-	-	399,485
Other liabilities	(16,177,813)	15,736,931	(3,627,634)
Cash received from operating activities	399,445,005	78,362,913	473,515,334
Cash paid for interest expenses	(47,784,771)	(37,687,942)	(74,416,574)
Cash received from interest	85,188,075	65,678,702	91,550,002
Cash paid for income tax	(9,559,138)	(6,426,927)	(3,804,872)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>427,289,171</b>	<b>99,926,746</b>	<b>486,843,890</b>

## AEC SECURITIES PUBLIC COMPANY LIMITED AND SUBSIDIARY

## CASH FLOWS STATEMENT (CONTINUE)

FOR THE YEAR ENDED DECEMBER 31, 2017, DECEMBER 31, 2016 AND DECEMBER 31, 2015

Unit : Baht

	2017	2116	2015
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Net cash paid for held-to-maturity securities	(236,355,906)	(49,974,934)	(40,000,000)
Proceeds from sale of investment in subsidiary	-	33,930,246	-
Proceeds from sale of investment in associate	18,374,755	-	-
Cash paid for purchase of investment in general investment	-	-	(50,000,010)
Cash paid for purchase of premises improvement and equipment	(25,345,516)	(10,859,166)	(54,755,434)
Proceeds from disposal of premises improvement and equipment	7,241,282	-	54,978
Cash paid for purchase of intangible assets	(9,739,273)	(4,643,850)	(7,432,455)
Proceeds from sale of intangible assets	95,810	-	-
<b>Net cash used in investing activities</b>	<b>(245,728,848)</b>	<b>(31,547,704)</b>	<b>(152,132,921)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from (repayment of) issuing bills of exchange	(108,419,380)	93,015,853	5,708,100
Repayment of subordinate debentures	(70,000,000)	(205,000,000)	(794,000,000)
Cash received from issuance of ordinary shares	1,400	-	246,501,049
Cash paid for liabilities under finance lease agreements	(703,368)	(723,703)	(680,821)
<b>Net cash used in financing activities</b>	<b>(179,121,348)</b>	<b>(112,707,850)</b>	<b>(542,471,672)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>2,438,975</b>	<b>(44,328,808)</b>	<b>(207,760,703)</b>
Cash and cash equivalents at the beginning of the year	95,458,760	139,787,568	347,548,271
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>97,897,735</b>	<b>95,458,760</b>	<b>139,787,568</b>

### 13.2 SUMMARY OF KEY FINANCIAL RATIOS

Financial Ratio	2017	2016	2015
<b><u>(Profitability Ratio)</u></b>			
Gross Profit Margin	80.39%	82.57%	73.54%
Net Profit Margin	(10.54%)	(3.05%)	(29.20%)
Return on Owners' Equity	(6.93%)	(2.16%)	(16.89%)
Return on Investment	9.78%	16.43%	(7.02%)
<b><u>Efficiency Ratio</u></b>			
Return on Asset	(2.74%)	(1.00%)	(6.91%)
Asset Turn Over Ratio	0.26	0.33	0.24
<b><u>Financial Ratio</u></b>			
Liquid Asset to Borrowing	4.21	2.50	1.23
Earning Asset to Borrowing	5.09	2.71	1.90
Liquid Asset to total Asset Ratio	41.46%	42.56%	31.46%
Earning Asset to total Asset Ratio	50.14%	46.17%	48.80%
Debt Equity Ratio	1.69	1.38	0.92
Dividend Payout	-	-	-
<b><u>Other Ratio</u></b>			
Securities Investment to Total Asset	38.09%	39.06%	25.24%
Net Capital Ratio (Calculated according to the SEC.)	45.90%	52.80%	84.13%

**Note :**

Investments in securities to assets for the year 2016 and 2016 Deposits at financial institutions It is included in the investment.

## 14. Analysis and explanations of the Management

### Operational analysis and financial condition

#### (1) Analysis on the company's operational result:

##### *The overview of the operations and factors on the significant changes in the accounting period cycle of 2017.*

AEC Securities Public Co., Ltd. is a member of the Stock Exchange of Thailand under No. 38, receiving the license to operate securities business in complete and full form under Category A and the license to operate forward contract business in complete and full form under Category S-1 with its main business of being the securities and forward contract brokers. In addition, the company carries out the businesses according to the acquired operating license such as securities trade, financial advisor (investment banking), underwriting service business, securities borrowing and lending business and personal fund management business. In 2017, the company expanded additional business transactions on bond trades, financial advisory services and prop trades which accounted for a total number of 13 branches. The company's main income has generated from the business of being the securities brokers which, in 2017 and 2016, the company's income derived from the commission was computed to be in the proportion of 66% and 72% of the total company's income. The company provides services to both the natural person and institutional customers in country. Most of the company's customers are the natural person customers. In 2017, the company accounted for the market share specifically in carrying out the business as the securities broker at 2.16%, with ranking rated in the 23<sup>rd</sup> place of the whole market.

In March 2017, the company sold all remaining investment capitals in the ordinary stocks of AAMC Asset Management Co., Ltd., its associated company, in number of 299,996 shares in the amount of 18.37 million Baht to a third person.

In June 2017, the company closed its branch at the Nine for the reason that the turnover did not meet the set goal.

In September 2017, the company sold Lat Phrao branch to a securities company for the reason that the turnover did not meet the set goal.

For the year 2017, the investment condition and securities industrial business competitiveness were still intense and critical, particularly, the competitiveness in becoming the market leader and the increase in the new rivals which had still emerged into the securities industrial business markets at all times. However, the company was firmly determined to develop and maintain its competitiveness as well as expand its income base to be increasingly more diversified by reducing the income proportion from the securities trade commission and then increasing more income proportion in other businesses whether the income derived from the fees, profits from the investments, income from bond trades, etc., which was to enable the company to grow in strength, continuously and sustainably exist both on the aspects of the operational results and being a good organization.

On the preparation of the financial statements for the year ended as at 31 December 2017, the transactions stated in the financial statements were prepared in accordance with the requirement of Office of Securities Exchange Commission and Stock Exchange of Thailand Notification No. Sor.Thor. 22/2016, Re: Financial Statement Form for Securities Company, dated 2 June 2016 and that such Notification shall apply to financial statements of the accounting period cycle beginning on 1 January 2016 onwards. The auditor would therefore have to categorize the transactions anew in alignment with those of the 2017 in order to enable the financial statements for use in making comparison. The changes could be concluded as follows:

- Balance showing the financial status for 2016 was stated with the financial statements by the equity method due to the reason that the company had sold some part of the investment capitals in its subsidiaries. On 30 June 2016, after the sales, the company's shareholding proportion decreased from 90% to 30%. In this connection, the company conducted the assessment on the control over AAMC Asset Management Co., Ltd., and concluded that the company lost the control over such subsidiary company. Hence, the company recognized the sales of the investment capital as the loss of the control in its subsidiary company and changed the status of the investment capital in AAMC Asset Management Co., Ltd., from the investment capital in the subsidiary company to be the investment capital in the associated company.

- The balance showing the financial status for 2017 would be stated with the specific business financial statements because of the reason that all the remaining investment capitals in the associated were sold out on 31 March 2017.

- The balance showing the financial status – on the aspect of the asset, deposit at financial institution would be incorporated in the investment capital.

- The balance showing the financial status – on the aspect of the liabilities, accrued expenses and the accrued withholding income tax deduction would be incorporated in the other liabilities.

- Statements of income on the aspect of the revenue accounted for the following changes:

1. The commission income did not include the commission derived from being the agent of the investment unit trades.
2. The fee and service incomes would include the commission derived from being the agent of the investment unit trades.
3. The profits and returns from financial instruments would include earnings (loss) from the investment capital and interest receivables altogether.

- Statements of income on the aspect of the expenses accounted for the following changes:

1. Employees' benefit expenses would include the expenses relating to the employees and Directors' considerations altogether.
2. Other expenses would include the expenses relating to the premises and equipment and other expenses altogether.

For the accounting year cycle of 2017, the company accounted for the total revenues of 729.82 million Baht, a decrease of 88.07 million Baht or 10.77% from 817.89 million Baht in 2016. The decrease in the company's revenue was due to the reason of the decrease in the commission and earnings and returns from the financial instruments.

Source of the company's revenue consisted of the income from the commission, fees and services, interest income, loans for the purchase of the securities, profits and returns from the financial instruments and other incomes where the income proportion of each category including the growth can be illustrated as follows:

(Unit: Million Baht)

Revenues	2017		2016	
	Amount	Percent	Amount	Percent
Brokerage commission	480.93	65.90	584.52	71.47
Fee and service	103.37	14.16	67.65	8.27
Interest on margin loans	34.94	4.79	37.87	4.63
Gain and return on financial instruments	105.96	14.52	126.04	15.41
Gain (loss) on sale of investments in subsidiaries	0.51	0.07	(2.15)	(0.26)
Share of loss of investments in subsidiaries	(0.03)	(0.01)	(0.09)	(0.01)
Other revenues	4.14	0.57	4.05	0.49
Total Revenues	729.82	100.00	817.89	100.00

Meanwhile, the total expenses decreased at 27.27 million Baht from 835.57 million Baht in 2016, or at 808.30 million Baht in 2017 equal to 3.26%, resulting mainly from the expenses on employee benefits and the fees and service fees payable as varied by the decrease in the number of securities and derivatives trading brokerage transactions.

In conclusion, in the year of 2017, the Company reported a comprehensive loss of 67.56 million Baht, the operating loss increased at 49.07 million Baht or 265.39% as compared to the same period in 2016 in which the net operating loss was 18.49 million Baht.

From the results above, the Company's gross profit margin for the period of 2017 decreased from previously 82.57% in 2016 to 80.39 in 2017; the net profit margin decreased from (3.05%) in 2016 to (10.54%) in 2017. The return on equity decreased from (2.16%) in 2016 to (6.39%) in 2017, and the return on investment decreased from 16.43 in 2016 to 9.78% in 2017. The return on assets increased from (1.00%) in 2016 to (2.74) in 2017, and the asset turnover decreased from 0.33% in 2016 to 0.26% in 2017.

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The total revenues for the accounting period of 2017 decreased as compared to that of 2016.

**Brokerage commission revenue**

The brokerage commission revenue for the period of 2017 decreased from 584.52 million Baht in 2016 to 480.93 million Baht in 2017, as a decrease by 103.59 million Baht or 17.72%, characterized by a decrease by 86.17 million Baht or 17.20% in securities trading commission; and by 17.42 million Baht or 20.86% in derivatives trading commission.

The revenue proportion of brokerage commission per total revenues decreased from 71.47% in 2016 to 65.90% in 2017 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.

**Fee and service revenue**

The fee and service revenues for the period of 2017 increased from 67.66 million Baht in 2016 to 103.37 million Baht in 2017, as an increase by 35.71 million Baht or 52.79%, contributed by an increase by 27.04 million Baht or 356.17% in securities underwriting revenue; by 19.92 million Baht or 260.95% in financial advisory revenue; with an increase by 1 million Baht as a whole in share subscription agent fee. Meanwhile, the revenue in bill of exchange sales decreased by 9.06 million Baht or 23.27%, with a decline by 2.35 million Baht or 31.21% in customer asset management.

The revenue proportion of fee and service per total revenues increased from previously 8.27% in 2016 to 14.16% in 2017.

**Revenue on interest on margin loans**

The revenue on interest on margin loans decreased from 37.87 million Baht in 2016 to 34.94 million Baht in 2017, as a decline by 2.93 million Baht or 7.74% due to the decline of margin loan business.

**Gain and return on financial instruments**

The gain and return on financial instruments decreased from 126.04 million Baht in 2016 to 105.96 million Baht in 2017, as a decrease by 20.08 million or 15.93% owing to the recognition of actual profits and the fair value adjustment for investments in marketable listed securities.

The proportion of gain and return on financial instruments from individual investments decreased from 15.41% in 2016 to 14.52% in 2017.

**Gain (loss) on sale of investments in subsidiaries**

On 30 June 2016, the Company sold 600,000 ordinary shares in AAMC Asset Management Company Limited to a third party amounting to 36.75 million Baht, with the loss caused by the sale of investment fund in a subsidiary at the amount of 2.15 million Baht. After the sale, the Company's proportion shareholding decreased from 90% to 30%. The Company assessed its control over AAMC Asset Management Company Limited and concluded that it lost control over such subsidiary company. The Company therefore recognized the sale of investment as the loss of control in subsidiary and changed the status of the investment in AAMC Asset Management Company Limited from investment in subsidiary to investment in associated company.

On 31 March 2017, the Company sold the entire remaining portion of 299,996 ordinary shares in AAMC Asset Management Company Limited to a third party amounting to 18.37 million Baht, with the profit from the sale of investment in associated company as in the financial statement in which the equity method is applied, at the amount of 0.51 million Baht.

#### **Share of loss of investments in associated companies**

In 2017, the Company recognized the share of loss caused by the operation of associated companies as in the financial statement in which the equity method is applied, at the amount of 0.03 million Baht; and in 2016, the Company recognized the share of loss caused by the operation of subsidiary companies according to the Company's shareholding proportion, which is equal to 0.09 million Baht.

#### **Other revenues**

The Company had other revenues that included benefits allocated from the Clearing Fund, benefits allocated from the Derivatives Clearing Fund, and default fine revenue, with the total value of 2017 equal to 4.13 million Baht as increasing from 2016 equal to 4.04 million Baht at 0.09 million Baht or 2.23%, mostly resulting from an increase of interest received from default on bill receivables.

**Total expenses for the accounting period of 2017 decreased in comparison to that of 2016.**

#### **Expenses on employee benefits**

The expenses on employee benefits decreased from 475.54 million Baht in 2016 to 433.72 million Baht in 2017, as a decline by 41.82 million Baht or 8.79% as varied by the value of securities and derivatives trading.

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

The fees and service fees payable decreased from 103.94 million Baht in 2016 to 94.27 million Baht in 2017, as a decrease by 9.67 million Baht or 9.30% due to the decline of fees and service fees payable as varied by the decrease in the number of securities and derivatives trading brokerage transactions.



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**Bad debt and doubtful accounts**

In 2017, the company set up a reserve for doubtful accounts at the amount of 3.12 million Baht.

**Financial costs**

The Company's financial costs increased from 37.88 million Baht in 2016 to 48.06 million Baht in 2017, as an increase by 10.18 million Baht or 26.87%, contributed by the increase of bonds for loans.

**Other expenses**

The Company's other expenses included premises and equipment, entertainment, data service, lease line and internet service, bank charges, fuel, messengers, advertising and public relations, other fees, audit fee, lawyer fee, specific business tax, etc., which cost a total of 229.13 million in 2017, as an increase by 10.92 million Baht or 5.00% when compared to 218.21 million Baht in 2016.

**Corporate income tax expense**

There was no corporate income tax expense for the year of 2017 due to the company's loss, but there was a deferred income tax relating to origination and reversal of temporary differences at the amount of 1.58 million Baht reported as income tax revenue.

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 2.34 million Baht.

**(2) Financial Standing Analysis*****Overview of the Company's financial standing as of 31 December 2017***

As of 31 December 2017, the Company's total assets were 2,899.46 million Baht, as an increase by 179.05 million Baht or 6.58% of the total assets of 31 December 2016 at the amount of 2,720.41 million Baht; the improvement was mostly contributed by the increasing securities business receivables at 292.22 million Baht or 32.32% and the increasing investments at 41.87 million Baht or 3.94% 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 December 2017, the Company's total liabilities were 1,823.01 million Baht, increasing by 247.09 million Baht or 15.68% of the total liabilities as of 31 December 2016 at the amount of 1,575.92 million Baht, chiefly caused by the increase of securities sold under repurchase agreements at 137.98 million Baht or 69.36%, the increase of finance lease liabilities at 4.43 million Baht or 632.86%, and the increase of securities and derivatives

business payables at 183.70 million Baht or 23.40% as corresponding to the securities trading volume during the 3 last working days of the year.

The debt to equity ratio increased from 1.38 times in 2016 to 1.69 times in 2017 due to the increase of securities and derivatives business payables at 183.70 million Baht.

The Company's financial liquidity remained good with the net capital as of 31 December 2017 at 501.88 million Baht, equal to the net liquid capital rule (NCR) of 45.90% 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 December 2016 increased as compared to the same period in 2015.**

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

The cash and cash equivalents increased by 2.44 million Baht from 95.46 million Baht in 2016 to 97.90 million Baht in 2017 or 2.56%.

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

As of 31 December 2017, the Company had receivables from Clearing House at the amount of 257.42 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 December 2017 amounted 1,196.39 million Baht, increasing by 292.22 million Baht or 32.32% as compared to the same period in 2016 at 904.17 million Baht, mostly caused by the increase of receivables from securities business of cash accounts by 389.62 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 dated 25 August 2000 and Kor.Thor.5/2544 dated 15 February 2001 regarding NPL accounting for securities companies.

Nonetheless, as of 31 December 2017, the Company's allowance for doubtful accounts was 86.56 million Baht.

### **Investments**

The net investments as of 31 December 2017 amounted 1,104.34 million Baht, increasing by 41.87 million Baht or 3.94% as compared to the same period in 2016 at 1,062.47 million Baht, chiefly caused by the increase of trading securities in private bond at 63.23 million Baht and held-to-maturity private debt securities at 243.04 million Baht, in line with the bond trading situation as aforementioned.

### **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 December 2017 was 139.06 million Baht as compared to the balance at the end of 2016 at 174.74 million Baht, decreasing by 35.68 million Baht or 20.42%.

### **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 December 2017 was 76.32 million Baht as compared to the balance at the end of 2016 at 72.96 million Baht, increasing by 3.36 million Baht or 4.61% mainly owing to the increase of accrued service fee revenue at 2.30 million Baht.

The Company's total liabilities as of 31 December 2017 increased as compared to the same period in 2016.

### **Securities sold under repurchase agreements**

As of 31 December 2017, the Company had private bonds sold under repurchase agreements amounting to Baht 336.91 million with maturity dates within 3 months, as compared to the balance at the end of 2016 at 198.93 million Baht, increasing by 137.98 million Baht or 69.36%.

### Securities and derivatives business payables

The securities and derivatives business payables as of 31 December 2017 amounted 968.79 million Baht as compared to the balance at the end of 2016 at 785.09 million Baht, increasing by 183.70 million Baht or 23.40%, mostly contributed by the increase of creditors buying securities in cash at 158.55 million Baht due to the increasing securities trading value on the 3 last working days of 2017 when compared to 2016 as a normal trading state of securities business.

### Finance lease liabilities

The Company executed a lease purchase agreement with a domestic leasing company at the amount of 5.14 million Baht in order to rent vehicles for the business operation with the scheduled lease payment on a monthly basis and the term of 4 years to be ended in November 2021.

### Debt issued and other borrowings

The debt issued and other borrowings as of 31 December 2017 were 285.52 million Baht as compared to the balance at the end of 2016 at 463.94 million Baht, decreasing by 178.42 million Baht or 38.46% due to the maturity of subordinated debentures.

(Unit: Million Baht)

		Consolidated and separate financial statement			
		31 December 2017			
		The maturity dates of debt			
	Interest rate (percent)	Within 1 year	1 - 5 years	Over 5 years	Total
Bills of exchange	3.50 – 5.75	285.52	-	-	285.52
Total		285.52	-	-	285.52

(Unit: Million Baht)

## Consolidated and separate financial statement

2016

## The maturity dates of debt

	Interest rate	Within 1	Over 5		Total
	(percent)	year	1 - 5 years	years	
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

## Other liabilities

The Company's other liabilities as of 31 December 2017 amounted 90.24 million Baht as compared to the balance at the end of 2016 at 113.11 million Baht, decreasing by 22.87 million Baht or 20.22%, mostly caused by accrued employee expenses to be paid in 2018 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, accrued audit fees, etc.

The equity attributed to owners of the Company as of 31 December 2017 decreased as compared to the same period in 2016.

The equity attributed to owners of the Company as of 31 December 2017 amounted 1,076.46 million Baht, as a decline by 68.03 million Baht as compared to the same period in 2016 at 1,144.49 million Baht or 5.94%.

#### Company's liquidity and investment sufficiency

##### Liquidity

In 2017, the Company's net cash and cash equivalents increased by 2.44 million Baht, as detailed into the following cash flow activities:

	(Unit: Million Baht)	
	2017	2016
Cash flows from operating activities	427.29	99.93
Cash flows from investing activities	(245.73)	(31.55)
Cash flows from financing activities	(179.12)	(112.71)
Net increase (decrease) in cash and cash equivalents	2.44	(44.33)

#### Cash flows from operating activities

In 2017, the Company's net cash flows from operating activities amounted to the total of 427.29 million Baht, with the operating loss prior to the change in operating assets and liabilities at 7.68 million Baht, and the increase in the change in operating assets at 22.57 million Baht and in operating liabilities at 429.70 million Baht.

#### Cash flows from investing activities

In 2017, the Company's net cash flows used in investing activities amounted to the total of 245.73 million Baht, mainly caused by the cash payment for the held-to-maturity investments at 236.36 million Baht and the purchase of building improvement and equipment at 25.35 million Baht; and the cash received from the sale of investments in the associated companies was at 18.37 million Baht.

#### Cash flows from financing activities

In 2017, the Company's net cash flows used in financing activities amounted to the total of 179.12 million Baht, chiefly due to the payment for mature bonds at 178.42 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 (2016-2017), 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 2016 was 52.80% and 45.90% in 2017. 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 December 2017, the Company's source of funding from liabilities amounted 1,823.01 million Baht, and from equity 1,076.46 million Baht. The debt to equity ratio as of 31 December 2016 and 2017 was equal to 1.38 and 1.69 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 December 2016 and 2017 would be 0.69 and 0.79 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:

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 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 August 2014, the Court of Appeals dismissed the case.

On 16 January 2018, the Supreme Court decided not to allow the plaintiff to appeal. The case was therefore ended and 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. 3/2013. On 23 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 December 2017, the Company has not assigned the right of SET membership to UOB Kay Heian Securities (Thailand) PCL.

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

On 7 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.

4. A labor case as charged by an employee:

On 18 October 2017, the Company was charged as a defendant in a labor case by an employee to claim for severance pay and damages due to unfair dismissal at a total of approximately 31 million Baht. At all events, the Company's lawyer considered the case and saw that the Company's dismissal was legal according to the labor law; the Company is therefore not liable to the claimed damages. The case remains in the proceedings of the Court of First Instance; no final judgment has been rendered. Consequently, the result of the case cannot be indicated as for now. The Company's Management believes that there will be no significant damage caused to the Company; however, the Company already recorded its obligations for the possible severance pay from the said case at the amount of 0.4 million Baht.

5. Litigation in which the Company has been sued:

On 15 August 2017, the Company was sued as a joint defendant (2<sup>nd</sup> defendant) on the ground of or in an offense of void trading, with a claim that the share sale-purchase agreement between the plaintiff and the 1<sup>st</sup> defendant is void and that the Company is jointly liable for the return of money to the plaintiff. At present, the statement of defense and supporting documents are in preparation for submission to the Court within the scheduled time.

The Company's Management inspected the fact and related documents, and saw that the said share sale-purchase agreement was not void and the Company was not involved or had any legal relationship with the plaintiff. The case in regard to the Company is therefore likely to be dismissed by the Court.



