

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, 2018, December 31, 2017 and December 31, 2016

Significant Financial Information for 3 year ago

AEC SECURITIES PUBLIC COMPANY LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2018, DECEMBER 31, 2017 AND DECEMBER 31, 2016

Unit : Baht

	DECEMBER 31, 2018		DECEMBER 31, 2017		DECEMBER 31, 2016	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
ASSETS						
Cash and cash equivalents	47,573,986	2.30	97,897,735	3.38	95,458,760	3.51
Receivables from Clearing House	80,021,771	3.86	257,417,636	8.88	351,913,252	12.94
Securities and derivatives						
business receivables	320,789,566	15.48	1,196,391,524	41.26	904,172,332	33.24
Investments	1,346,176,435	64.97	1,104,343,700	38.09	1,062,471,242	39.06
Loan to third parties	43,975,827	2.12	-	-	-	-
Investment in associate	254,717	0.01	-	-	17,896,838	0.66
Premises improvement and equipment	67,121,802	3.24	139,055,760	4.79	174,737,283	6.43
Intangible assets	13,698,015	0.66	25,437,044	0.88	36,978,997	1.36
Deferred tax assets	16,857,451	0.81	2,595,810	0.09	3,348,499	0.12
Other assets	135,723,035	6.55	76,323,999	2.63	72,956,899	2.68
Total assets	2,072,192,605	100.00	2,899,463,208	100.00	2,719,934,102	100.00

AEC SECURITIES PUBLIC COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT DECEMBER 31, 2018, DECEMBER 31, 2017 AND DECEMBER 31, 2016

Unit : Baht

	DECEMBER 31, 2018		DECEMBER 31, 2017		DECEMBER 31, 2016	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
LIABILITIES AND SHAREHOLDERS' EQUITY						
LIABILITIES						
Securities sold under repurchase agreements	639,898,088	30.88	337,510,709	11.64	198,930,193	7.31
Payables to Clearing House	101,743,744	4.91	124,470,385	4.29	-	-
Securities and derivatives business payables	209,476,387	10.11	968,789,591	33.41	785,091,556	28.86
Liabilities under finance lease agreements	8,424,249	0.41	5,136,000	0.18	703,368	0.03
Debt issued and borrowings	104,154,131	5.02	285,519,789	9.85	463,939,170	17.06
Provision for long-term employee benefits	7,029,685	0.34	11,944,765	0.41	14,148,227	0.52
Other liabilities	64,175,857	3.10	89,635,938	3.09	113,109,884	4.16
TOTAL LIABILITIES	1,134,902,141	54.77	1,823,007,177	62.87	1,575,922,398	57.94
SHAREHOLDERS' EQUITY						
Share capital						
Issued and paid-up share capital	1,224,249,008	59.08	1,224,245,458	42.22	1,224,244,758	45.01
Share premium	85,227,681	4.11	85,227,681	2.94	85,226,981	3.14
Retained earnings (deficit)						
Appropriated - statutory reserve	17,207,886	0.83	17,207,886	0.59	17,207,886	0.63
Unappropriated (deficit)	(327,591,544)	(15.81)	(250,224,994)	(8.62)	(182,667,921)	(6.72)
Other components of shareholders' equity	(61,806,058)	(2.98)	-	-	-	-
Total shareholders' equity	937,286,973	45.23	1,076,456,031	37.13	1,144,011,704	42.06
Non-controlling interest	3,491	0.00	-	-	-	-
Total shareholders' equity	937,290,464	45.23	1,076,456,031	37.13	1,144,011,704	42.06
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	2,072,192,605	100.00	2,899,463,208	100.00	2,719,934,102	100.00

Note:

- The statement of financial position for the year 2018 presenting on consolidated financial statements due to the company has subsidiary company by investment shareholding is 99.60%.
- The statement of financial position for the year 2017 presenting on separate financial statements due to the remaining shares of the remaining shares were sold on March 31, 2017.
- The statement of financial position for the year 2018 presenting on consolidated 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%.

AEC SECURITIES PUBLIC COMPANY LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2018, DECEMBER 31, 2017 AND DECEMBER 31, 2016

Unit : Baht

	DECEMBER 31, 2018		DECEMBER 31, 2017		DECEMBER 31, 2016	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
REVENUES						
Brokerage fees	428,489,280	65.39	480,931,926	65.94	584,524,736	71.46
Fee and service income	104,174,091	15.90	103,192,712	14.15	67,655,146	8.27
Interest on margin loans	19,955,151	3.05	34,943,692	4.79	37,870,904	4.63
Gain and return on financial instruments	67,481,392	10.30	105,960,756	14.53	126,036,606	15.41
Gain on disposal of associate	-	-	4,375	0.00	(2,147,478)	(0.26)
Other income	35,139,022	5.36	4,309,619	0.59	4,045,542	0.49
Total revenues	655,238,936	100.00	729,343,080	100.00	817,985,456	100.00
EXPENSES						
Employee benefit expenses	387,365,568	59.12	433,719,162	59.47	475,536,045	58.13
Fee and service expenses	107,254,589	16.37	94,265,695	12.93	103,940,294	12.71
Share of loss of investment in associate	45,283	0.01	-	-	91,696	0.01
Finance costs	44,155,093	6.74	48,064,855	6.59	37,884,941	4.63
Other expenses	203,322,060	31.03	232,254,112	31.84	218,208,603	26.68
Total expenses	742,142,593	113.27	808,303,824	110.83	835,661,579	102.16
LOSS BEFORE INCOME TAX	(86,903,657)	(13.27)	(78,960,744)	(10.83)	(17,676,123)	(2.16)
INCOME TAX	955,421	0.15	1,583,875	0.22	(7,272,669)	(0.89)
LOSS FOR THE YEAR	(85,948,236)	(13.12)	(77,376,869)	(10.61)	(24,948,792)	(3.05)

AEC SECURITIES PUBLIC COMPANY LIMITED
STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018, DECEMBER 31, 2017 AND DECEMBER 31, 2016

Unit : Baht

	DECEMBER 31, 2018		DECEMBER 31, 2017		DECEMBER 31, 2016	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
OTHER COMPREHENSIVE INCOME :						
Loss on change in value of investment in available-for-sale securities	(77,257,573)	(11.79)	-	-	-	-
Less income tax effects	15,451,515	2.36	-	-	-	-
Actuarial gains on defined benefit plans	10,726,472	1.64	11,682,818	1.60	8,076,403	0.99
Less income tax effects	(2,145,295)	(0.33)	(2,336,564)	(0.32)	(1,615,281)	(0.20)
OTHER COMPREHENSIVE LOSS FOR THE YEAR	(53,224,881)	(8.12)	9,346,254	1.28	6,461,122	0.79
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	(139,173,117)	(21.24)	(68,030,615)	(9.33)	(18,487,670)	(2.26)
Loss attributable to						
Owners of the parent	(85,947,727)	(13.12)	(77,376,869)	(10.61)	(24,878,429)	(3.04)
Non-controlling interests	(509)	0.00	-	-	(70,363)	(0.01)
	(85,948,236)	(13.12)	(77,376,869)	(10.61)	(24,948,792)	(3.05)
Total comprehensive loss attributable to						
Owners of the parent	(139,172,608)	(21.24)	(68,030,615)	(9.33)	(18,417,307)	(2.25)
Non-controlling interests	(509)	0.00	-	-	(70,363)	(0.01)
	(139,173,117)	(21.24)	(68,030,615)	(9.33)	(18,487,670)	(2.26)
BASIC LOSS PER SHARE	(0.07)		(0.06)		(0.02)	
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES	1,224,247,607		1,224,245,241		1,224,244,758	

Note :

- The statement of comprehensive income for the year 2018 is presented in the consolidated financial statements.
- The statement of comprehensive income for the year 2017 is presented in the separate financial statements.
- The statement of comprehensive income for the year 2016 is presented in the consolidated financial statements.

AEC SECURITIES PUBLIC COMPANY LIMITED
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2018, DECEMBER 31, 2017 AND DECEMBER 31, 2016

Unit: Baht

	Issued and paid-up share capital	Share premium	Retained earnings (deficit)		Other components shareholder's equity	Total equity attributable to owners of the Company	Equity attributable to non-controlling interests of subsidiaries	Total shareholder's equity
			Appropriated	Unappropriated (Deficit)				
Balance as at 1 January 2016	1,224,244,758	85,226,981	17,207,886	(164,250,614)	-	1,162,429,011	6,066,661	1,168,495,672
Decrease in non- controlling interest of the subsidiary as a result of disposal of investment	-	-	-	-	-	-	(5,996,298)	(5,996,298)
Total comprehensive loss for the year	-	-	-	(24,878,429)	6,461,122	(18,417,307)	(70,363)	(18,487,670)
Balance as at 31 December 2016	1,224,244,758	85,226,981	17,207,886	(189,129,043)	6,461,122	1,144,011,704	-	1,144,011,704

AEC SECURITIES PUBLIC COMPANY LIMITED
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018, DECEMBER 31, 2017 AND DECEMBER 31, 2016

Unit: Baht

	Issued and paid-up share capital	Share premium	Retained earnings (deficit)		Other components shareholder's equity	Total equity attributable to owners of the Company	Equity attributable to non-controlling interests of subsidiaries	Total shareholder's equity
			Appropriated	Unappropriated (Deficit)				
Balance as at 1 January 2017	1,224,244,758	85,226,981	17,207,886	(188,655,501)	6,461,122	1,144,485,246	-	1,144,485,246
Issuance of ordinary shares during the year from the exercise of warrants	700	700	-	-	-	1,400	-	1,400
Total comprehensive loss for the year	-	-	-	(77,376,869)	9,346,254	(68,030,615)	-	(68,030,615)
Balance as at 31 December 2017	1,224,245,458	85,227,681	17,207,886	(266,032,370)	15,807,376	1,076,456,031	-	1,076,456,031

AEC SECURITIES PUBLIC COMPANY LIMITED
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018, DECEMBER 31, 2017 AND DECEMBER 31, 2016

Unit: Baht

	Issued and paid-up share capital	Share premium	Retained earnings (deficit)		Other components shareholder's equity	Total equity attributable to owners of the Company	Equity attributable to non-controlling interests of subsidiaries	Total shareholder's equity
			Appropriated	Unappropriated (Deficit)				
Balance as at 1 January 2018	1,224,245,458	85,227,681	17,207,886	(266,032,370)	15,807,376	1,076,456,031	-	1,076,456,031
Issuance of ordinary shares during the year from the exercise of warrants	3,550	-	-	-	-	3,550	-	3,550
Addition investment in subsidiary by purchasing share from non-controlling interest	-	-	-	-	-	-	4,000	4,000
Total comprehensive loss for the year	-	-	-	(77,366,550)	(61,806,058)	(139,172,608)	(509)	(139,173,117)
Balance as at 31 December 2018	1,224,249,008	85,227,681	17,207,886	(343,398,920)	(45,998,682)	937,286,973	3,491	937,290,464

Note:

Statement of changes in equity

- The statement for the year 2016 is presented in the consolidated financial statements.
- The statement for the year 2017 is presented in the separate financial statements.
- The statement for the year 2018 is presented in the consolidated financial statements.

AEC SECURITIES PUBLIC COMPANY LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2018, DECEMBER 31, 2017 AND DECEMBER 31, 2016

Unit : Baht

	2018	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax	(86,903,657)	(78,960,744)	(17,676,123)
Adjustments to reconcile loss before income tax to net cash provided by (paid from) from operating activities			
Depreciation and amortization	53,680,330	58,137,819	57,296,740
Transfer investment from trading investment to available-for-sale	(77,257,573)	-	-
Allowance for doubtful account	3,111,995	3,342,056	-
Unrealised loss on revaluation of investments in trading securities	38,848,951	27,598,527	(85,089,525)
Loss on revaluation of investments	-	-	1,455,585
(Gain) on disposal of associate	-	(4,375)	2,147,478
Loss on sale and disposal of premises improvement and equipment	5,154,811	14,996,876	6,239,733
Share of loss from investment in associate	45,283	-	91,696
Amortisation of intangible asset	-	-	44,626
Provision for long-term employee benefits	7,416,392	9,749,356	8,389,814
Finance costs	44,155,093	48,064,855	37,884,941
Interest and dividend income	(85,022,192)	(87,261,800)	(68,155,824)
LOSS FROM OPERATING ACTIVITIES BEFORE CHANGES IN OPERATING ASSETS AND LIABILITIES	(96,770,567)	(4,337,430)	(57,370,859)

AEC SECURITIES PUBLIC COMPANY LIMITED

CASH FLOWS STATEMENT (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2018, DECEMBER 31, 2017 AND DECEMBER 31, 2016

Unit : Baht

	2018	2017	2016
Operating assets (increase) decrease			
Receivables from Clearing House	177,395,865	94,495,616	(338,117,952)
Securities and derivatives business receivables	875,601,958	(292,219,191)	178,632,272
Investment in trading securities	(86,841,080)	236,953,086	(322,856,313)
Other assets	(56,711,144)	4,108,388	13,648,876
Operating liabilities increase (decrease)			
Securities sold under repurchase agreements	302,387,379	137,976,774	198,930,193
Payables to Clearing House	(22,726,641)	124,470,385	(111,006,010)
Securities and derivatives business payables	(759,313,204)	183,698,035	500,765,775
Provision for long-term employee benefits	(1,605,000)	(270,000)	-
Other liabilities	(22,698,847)	(16,177,813)	15,736,931
Cash received from operating activities	308,718,719	468,697,850	78,362,913
Cash paid for interest expenses	(40,727,304)	(47,055,552)	(37,687,942)
Cash received from interest	76,257,753	74,579,323	65,678,702
Cash paid for income tax	(4,228,022)	(9,559,138)	(6,426,927)
Net cash provided by operating activities	340,021,146	486,662,483	99,926,746

AEC SECURITIES PUBLIC COMPANY LIMITED

CASH FLOWS STATEMENT (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2018, DECEMBER 31, 2017 AND DECEMBER 31, 2016

Unit : Baht

	2018	2017	2016
Cash flows from investing activities			
Cash paid from purchase of investment in associate	(300,000)	-	-
Cash paid for held-to-maturity securities	(533,000,000)	(730,000,000)	-
Cash received from held-to-maturity securities	418,000,000	435,000,000	-
Cash paid for from held-to-maturity securities	-	-	(49,974,934)
Proceeds from sale of investment in subsidiary - net	-	-	33,930,246
Cash paid from purchase of general investment	(67,945,277)	-	-
Loans to third parties	(43,800,000)	-	-
Proceeds from sale of investment in associate	-	18,374,755	-
Cash paid for purchase of premises improvement and equipment	(3,485,785)	(24,494,114)	(10,859,166)
Proceeds from disposal of premises improvement and equipment	29,006,744	7,241,282	-
Cash paid for purchase of intangible assets	(2,119,628)	(9,739,273)	(4,643,850)
Proceeds from sale of intangible assets	-	95,810	-
Net cash used in investing activities	(203,643,946)	(303,521,540)	(31,547,704)
Cash flows from financing activities			
Repayment of bills of exchanges	(410,000,000)	(775,000,000)	-
Proceeds from issuing bills of exchanges	225,000,000	665,000,000	-
Proceeds from issuing bills of exchange	-	-	93,015,853
Repayment of subordinate debentures	-	(70,000,000)	(205,000,000)
Cash received from paid-up share capital	4,000	-	-
Cash received from issuance of ordinary shares	3,550	1,400	-
Cash paid for liabilities under finance lease agreements	(1,708,499)	(703,368)	(723,703)
Net cash used in financing activities	(186,700,949)	(180,701,968)	(112,707,850)
Net increase (decrease) in cash and cash equivalents	(50,323,749)	2,438,975	(44,328,808)
Cash and cash equivalents at the beginning of the period	97,897,735	95,458,760	139,787,568
Cash and cash equivalents at the end of the year	47,573,986	97,897,735	95,458,760

Note:

- The cash flow statement for the year 2018 is presented in the consolidated financial statements.
- The cash flow statement for the year 2017 is presented in the separate financial statements.
- The cash flow statement for the year 2016 is presented in the consolidated financial statements.

13.2 SUMMARY OF KEY FINANCIAL RATIOS

Financial Ratio	2018	2017	2016
<u>Profitability Ratio</u>			
Gross Profit Margin	75.58%	80.37%	82.57%
Net Profit Margin	(13.12%)	(10.61%)	(3.05%)
Return on Owners' Equity	(8.54%)	(6.97%)	(2.16%)
Return on Investment	5.51%	9.78%	16.43%
<u>Efficiency Ratio</u>			
Return on Asset	(3.46%)	(2.75%)	(1.00%)
Asset Turn Over Ratio	0.26	0.26	0.33
<u>Financial Ratio</u>			
Liquid Asset to Borrowing	13.38	4.21	2.50
Earning Asset to Borrowing	3.85	5.09	2.71
Liquid Asset to total Asset Ratio	67.26%	41.46%	42.56%
Earning Asset to total Asset Ratio	19.34%	50.14%	46.17%
Debt Equity Ratio	1.21	1.69	1.38
Dividend Payout	-	-	-
<u>Other Ratio</u>			
Securities Investment to Total Asset	64.96%	38.09%	39.06%
Net Capital Ratio (Calculated according to the SEC.)	36.74%	45.90%	52.80%

Note:

- The statement of financial position for the year 2018 presenting on consolidated financial statements due to the company has subsidiary company.
- The statement of financial position for the year 2017 presenting on separate financial statements.
- The statement of financial position for the year 2018 presenting on consolidated financial statements.

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 2018.

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 Kor 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 2018 and 2017, the company's income derived from the commission was computed to be in the proportion of 65% and 66% 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 2018, the company accounted for the market share specifically in carrying out the business as the securities broker at 1.80%, with ranking rated in the 24th place of the whole market.

In November 2018, the Company has investments in associate; Zipmex Co., Ltd , acquired ordinary shares of 0.3 million shares or 30% of total of share of Zipmex Co., Ltd, which is run business of a digital asset exchange, Cryptocurrencies, Token, Trading center and custodian in both of retail and institution investors.

In November 2018, the Company its closed 3 branch as Phahonyothin, Park Venture and Nakhon Sri Thamarat for the reason that the turnover did not reaching the goal and reduced the equipment expenses.

In December 2018, the Company established of new a subsidiary name as ACE Incorporation Co., Ltd by holding shareholders 99,600 shares or 99.60% of totaling share of ACE Incorporation Co., Ltd. which is run business investments in a limited company and a public company limited and being a shareholders or a partnerships including investment with person and juristic person for operating all types of lawful business both domestic and international.

In December 2018, the Company to dispose of the Company's assets in respect of securities and derivative retail brokerage business to UOB Kay Hian Securities (Thailand) Public Company Limited and Country Group Securities Public Company Limited, totally nine branches of the Company.

In this regard, after the entry into such Asset Disposition Transaction, the Company will continue carrying out the securities and derivative brokerage business. In additional, the Company is expanding its business to Artificial Intelligence (AI), Digital Assets and investment with other business partners to generate income and sustainable growth.

For the year 2018, 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 and expand its business in investment innovation etc. In addition, the company has more investment in a subsidiary and associate for the company enable to grow in strength, continuously and sustainably exist both on the aspects of the operational results and being a good organization.

For the accounting year cycle of 2018, the company and subsidiary accounted for the total revenues of 655.24 million Baht, a decrease of 74.10 million Baht or 10.16% from 729.34 million Baht in 2017. The decrease in the company and subsidiary are revenue was due to the reason of the decrease in the commission and earnings interest on margin loans and gain and returns on financial instruments.

Source of the company and subsidiary are revenue consisted of the income from the brokerage commission, fees and services, interest on margin loans, gain and returns on financial instruments and other incomes where the income proportion of each category including the growth can be illustrated as follows:

(Unit: Million Baht)

Revenues	2018		2017	
	Amount	Percent	Amount	Percent
Brokerage commission	428.49	65.39	480.93	65.94
Fee and service	104.17	15.90	103.19	14.15
Interest on margin loans	19.96	3.05	34.94	4.79
Gain and return on financial instruments	67.48	10.30	105.96	14.53
Gain (loss) on sale of investments in subsidiaries	-	-	-	-
Other revenues	35.14	5.36	4.31	0.59
Total Revenues	655.24	100.00	729.34	100.00

Remark : For the year 2018, presented with consolidated financial statements because of the company have investment on a subsidiary.

For the year 2017, presented with separate financial statements.

Meanwhile, the total expenses decreased at 66.16 million Baht from 808.30 million Baht in 2017, or at 742.14 million Baht in 2018 equal to 8.19%, resulting mainly from the expenses on employee benefits and finance cost and other expenses. Due to a reducing of equipment expenses from dispose of the Company's assets in respect of securities and derivative retail brokerage business.

In conclusion, for the year of 2018, the Company and subsidiary reported a comprehensive loss of 139.17 million Baht, the operating of the company and subsidiary loss increased at 71.14 million Baht or 104.57% as compared to the same period in 2017 in which the net operating loss was 68.03 million Baht.

From the results above, the Company and subsidiary are gross profit rate for the period of 2018 decreased from previously 80.37% in 2017 to 75.58 in 2018; the net profit rate decreased from (10.61%) in 2017 to (13.12%) in 2018. The return on equity attributable to owners rate decreased from (6.97%) in 2017 to (8.54%) in 2018, and the return on investment rate decreased from 9.78% in 2017 to 5.51% in 2018. The return on assets rate decreased from (2.75%) in 2017 to (3.46) in 2018, and the asset turnover rate 0.26% in 2018 as the same in 2017.

The total revenues for the period ended of 2018 decreased as compared to that of 2017.

Revenues on Brokerage Fees

The brokerage fees for the period of 2018 decreased from 480.93 million Baht in 2017 to 428.49 million Baht in 2018, as a decrease by 52.44 million Baht or 10.90%, mainly by a decrease by 75.39 million Baht or 18.17% in brokerage fees from securities business, meanwhile, the brokerage fees from derivative business increase by 22.95 million Baht or 34.71%.

The revenue proportion of brokerage business per total revenues a bit decreased from 65.94% in 2017 to 65.39% in 2018.

Revenues on Fee and Service Income

The fee and service income for the period of 2018 increased from 103.19 million Baht, in 2017 to 104.17 million Baht, in 2018, as an increase by 0.98 million Baht or 0.95%, mainly factors by an increase by 28.83 million Baht or 83.25% in underwriting fee; by 1.71 million Baht or 47.63% in off-exchange trading. Meanwhile, the investment advisory fees decreased by 10.10 million Baht or 36.65%, with a decline by 19.92 million Baht or 66.69% in commission from buying and selling of bills of exchange.

The revenue proportion of fees and service per total revenues slightly decreased from previously 14.15% in 2017 to 15.90% in 2018.

Revenues on Interest on margin loans

The revenue on interest on margin loans decreased from 34.94 million Baht in 2017 to 19.96 million Baht in 2018, as a decline by 14.98 million Baht or 42.87% due to the decline of margin loan business.

Revenues on Gain and return on financial instruments

The gain and return on financial instruments decreased from 105.96 million Baht in 2017 to 67.48 million Baht in 2018, as a decrease by 38.48 million or 36.32% due to profit of investment decreased 51.23 million baht meanwhile, revenues of interest and dividend increase by 12.75 million baht.

The proportion of gain and return on financial instruments decreased from 14.53% in 2017 to 10.30% in 2018.

Other Income

The Company and subsidiary had other income that included benefits allocated from the Clearing Fund, benefits allocated from the Derivatives Clearing Fund, and default fine revenue, with the total value of 2018 equal to 35.14 million Baht as increasing from 2017 equal to 4.31 million Baht as a increase by 30.83 million Baht or 715.31%, mostly resulting from revenues of dispose of the Company's assets in respect of securities and derivative retail brokerage business.

Total expenses for the accounting period of 2018 decreased in comparison to that of 2017.

Employee Benefits Expenses

The expenses on employee benefits decreased from 433.72 million Baht in 2017 to 387.36 million Baht in 2018, as a decline by 46.35 million Baht or 10.69% as varied by the value of securities and derivatives trading.

Fee and Service Expenses

The fee and service expenses increased from 94.27 million Baht in 2017 to 107.25 million Baht in 2018, as an increase by 12.98 million Baht or 13.77% due to increase of fees and service expenses as varied by the increase in the number of securities and derivatives trading brokerage transactions, Prop Trade account and underwriting fees.

Share of loss of investment in associate

In 2018, the company recognized the share of loss caused by the operation of associate company by 0.05 million Baht.

Financial Costs

The Company's financial costs decreased from 48.06 million Baht in 2017 to 44.16 million Baht in 2018, as a decline by 3.90 million Baht or 8.11%, contributed by the decrease 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 203.32 million in 2018, as an decrease by 28.93 million Baht or 12.46% when compared to 232.25 million Baht in 2017 mainly factor from a decline of equipment expenses form disposed of the Company's assets in respect of securities and derivative retail brokerage business.

Income Tax

There was no corporate income tax expense for the year of 2018 due to the company and subsidiary are loss, but there was a deferred income tax relating to origination and reversal of temporary differences at the amount of 0.96 million Baht reported as income tax revenue.

The income tax related to other comprehensive profit and loss included deferred tax on loss on change in value of investments in available for sale securities was 15.45 million Baht that reported as deferred tax and deferred tax on actuarial gain for employee benefits was 2.15 million Baht that reported income tax expenses.

(2) Financial Standing Analysis

Overview of the Company's financial standing as of 31 December 2018

As of 31 December 2018, the Company and subsidiary was total assets were 2,072.19 million Baht, as a decrease by 827.27 million Baht or 28.53% of the total assets of 31 December 2017 at the amount of 2,899.46 million Baht that compose of significant issue as securities and derivatives business receivables at 320.79 million Baht decreased from 1,196.39 million Baht, Premises improvement and equipment and Intangible assets amount 80.82 million Baht as a decline from 164.46 million Baht , mainly from disposed of the Company's assets in respect of securities and derivative retail brokerage business.

As of 31 December 2018, the Company and subsidiary was total liabilities were 1,134.90 million Baht, decreasing by 688.11 million Baht or 37.75% of the total liabilities as of 31 December 2017 at the amount of 1,823.01 million Baht, chiefly caused by the decrease of securities and derivatives business payables from

968.79 million Baht to 209.48 million Baht and debt issued and borrowings was decreased from 285.52 million Baht to 104.15 million Baht. Meanwhile, a security sold under repurchase agreements was increased from 337.51 million Baht to 639.90 million Baht.

The debt to equity ratio was decline from 1.69 times in 2017 to 1.21 times in 2018 due to the decrease of securities and derivatives business payables at 759.31 million Baht.

The Company's financial liquidity remained good with the net capital as of 31 December 2018 at 164.70 million Baht, equal to the net liquid capital rule (NCR) of 36.74% 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 2018 decreased as compared to the same period in 2018.

Cash and Cash Equivalents

The cash and cash equivalents was decreased by 50.33 million Baht from 97.90 million Baht in 2017 to 47.57 million Baht in 2018 or 51.41%.

Receivables from Clearing House

As of 31 December 2018, the Company had receivables from Clearing House at the amount of 80.02 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 2018 amounted 320.79 million Baht, decreasing by 875.60 million Baht or 73.19% as compared to the same period in 2017 at 1,196.39 million Baht, was mainly by the decrease of receivables from securities business of cash accounts by 600.73 million Baht. Which caused from disposed of the Company's assets in respect of securities and derivative retail brokerage business.

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 2018, the Company's allowance for doubtful accounts was 86.56 million Baht.

Investments

The net investments as of 31 December 2018 amounted 1,346.18 million Baht, increasing by 241.84 million Baht or 21.90% as compared to the same period in 2017 at 1,104.34 million Baht, chiefly caused by the increase of trading securities in private bond at 332.15 million Baht and held-to-maturity private debt securities at 114.34 million Baht, in line with the bond trading situation as aforementioned. Investments in general investments increased by 67.95 million Baht due to expanding in Artificial Intelligence (AI) business, Digital Asset and investment with other business partners.

Premises Improvement and Equipment

Premises improvement and equipment was represent by cost deduct with accumulated depreciation and allowance for impairment of investments in assets (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.

Premises improvement and equipment, for the most part, included computing devices, office equipment and office decorative items; the net book value as of 31 December 2018 was 67.12 million Baht as compared to the balance at the end of 2017 at 139.06 million Baht, decreasing by 71.94 million Baht or 51.73%. Mostly causes from disposed of the Company's assets in respect of securities and derivative retail brokerage business.

Other Assets

The Company and subsidiary were other assets include deposits, payments for clearing funds, 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 2018 was 135.72 million Baht as compared to the balance at the end of 2017 at 76.32 million Baht, increasing by 59.40 million Baht or 77.83% mainly owing to the increase of deposits was 46.03 million Baht, which deposit from share purchase and general investment and increasing of accrued fees and service income was 9.70 million Baht.

The Company's total liabilities as of 31 December 2018 decreased as compared to the same period in 2017.

Securities sold under repurchase agreements

As of 31 December 2018, the Company and subsidiary have private debt securities sold under repurchase agreements amounting to Baht 639.90 million with maturity dates within 3 months, as compared to the balance at the end of 2017 at 337.51 million Baht, increasing by 302.39 million Baht or 89.59%.

Securities and derivatives business payables

The securities and derivatives business payables as of 31 December 2018 amounted 209.48 million Baht as compared to the balance at the end of 2017 at 968.79 million Baht, decreasing by 759.31 million Baht or 78.38%, mostly contributed by the decrease of creditors buying securities in cash account at 730.25 million Baht due to disposed of the Company's assets in respect of securities and derivative retail brokerage business.

Liabilities under finance lease agreements

The Company has entered into hire-purchase agreements with leasing companies at the amount of 8.42 million Baht in order to rent vehicles for the business operation, whereby it is committed to pay rental on a monthly basis. The terms of agreements are 4 years, ended of July 2022.

Debt issued and other borrowings

The debt issued and other borrowings as of 31 December 2018 were 104.15 million Baht as compared to the balance at the end of 2017 at 285.52 million Baht, decreasing by 181.37 million Baht or 63.52% due to the maturity dates of bills of exchanges

(Unit: Million Baht)

Consolidated and separate financial statements					
31 December 2018					
The maturity dates of debt					
	Interest rate	Within 1 year	1 - 5 years	Over 5 years	Total
	(percent)				
Bills of exchanges	3.50 – 5.50	104.15	-	-	104.15
Total		104.15	-	-	104.15

(Unit: Million Baht)

Separate financial statements					
31 December 2017					
The maturity dates of debt					
	Interest rate	Within 1 year	1 - 5 years	Over 5 years	Total
	(percent)				
Bills of exchanges	3.50 – 5.75	285.52	-	-	285.52
Total		285.52	-	-	285.52

Other Liabilities

The Company and subsidiary was other liabilities as of 31 December 2018 amounted 64.18 million Baht as compared to the balance at the end of 2017 at 89.64 million Baht, decreasing by 25.46 million Baht or 28.40%, mostly caused by accrued employee expenses to be paid in 2019 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.

Total shareholders' equity the Company as of 31 December 2018 decreased as compared to the same period in 2017.

The Company and subsidiary was shareholders' equity as of 31 December 2018 amounted 937.29 million Baht, as a decline by 139.17 million Baht as compared to the same period in 2017 at 1,076.46 million Baht or 12.93%.

Company's Liquidity and Investment Sufficiency

Liquidity

In 2018, the Company and subsidiary was net cash and cash equivalents decreased by 50.32 million Baht, as detailed into the following cash flow activities:

(Unit: Million Baht)

	2018	2017
Cash flows from operating activities	340.02	486.66
Cash flows from investing activities	(203.64)	(303.52)
Cash flows from financing activities	(186.70)	(180.70)
Net increase (decrease) in cash and cash equivalents	(50.32)	2.44

Cash flows from operating activities

In 2018, the Company and subsidiary was net cash flows from operating activities amounted to the total of 340.02 million Baht, with the operating loss prior to the change in operating assets and liabilities at 96.77 million Baht, and the decrease in the change in operating assets at 909.45 million Baht and in operating liabilities at 503.96 million Baht. There were cash paid for interest expenses at 40.73 million Baht, cash received from interest at 76.26 million Baht and cash paid for income tax at 4.23 million Baht.

Cash flows from investing activities

In 2018, the Company and subsidiary was net cash flows used in investing activities amounted to the total of 203.64 million Baht, mainly caused by the cash paid from purchase for investments that the held-to-maturity investments at 533 million Baht and the cash paid from purchase of general investment at 67.94 million Baht, Loans to third parties at 43.80 million Baht, Cash paid for purchase of premises improvement and equipment and intangible assets at 5.61 million Baht, cash paid from purchase of investment in associate at 0.30 million Baht and cash received from held-to-maturity securities at 418 million Baht, Proceeds from disposal of premises improvement and equipment at 29.10 million Baht.

Cash flows from financing activities

In 2018, the Company and subsidiary was net cash flows used in financing activities amounted to the total of 186.70 million Baht, chiefly due to the repayment of bills of exchange at 410 million Baht, Cash paid for liabilities under finance lease agreements at 1.71 million Baht and proceeds from issuing bills of exchanges at 225 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 (2017-2018), 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 2017 was 45.90% and 36.74% in 2018. 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 2018, the Company and subsidiary was sourcing of funding from liabilities amounted 1,134.90 million Baht and from equity 937.29 million Baht. The debt to equity ratio as of 31 December 2017 and 2018 was equal to 1.69 and 1.21 times respectively. The majority of liabilities are securities sold under repurchase agreements, 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 2017 and 2018 would be 0.79 and 0.99 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 Commitment and contingent liabilities as follows:

1. Litigation against the Company by securities trading customers:

In 2009, the Company was sued by a securities trading customer seeking compensation of Baht 34.8 million for the Company's breach of a securities brokerage agreement. On 17 February 2011, the Court of first instance gave a judgement in favour of the plaintiff. During the year 2012, the Company appealed the Court's decision and on 22 August 2014, the Appeal Court gave judgement dismissing the plaintiff.

On 16 January 2018, the Supreme Court denied the plaintiff's appeal. The case is therefore finished and finalised.

2. Litigation against the Company by a former major shareholder of the Company:

In 2013, the Company was sued as a third defendant by the former major shareholder of UOBKH, to prevent the transfer of SET Membership to the UOBKH as the Board of Directors of the Company had resolved in the meeting No. 3/2013 (Note 1) On 23 September 2014, the case was dismissed by the court of first instance. However, the former major shareholder appealed this decision to the Appeal Court. The Appeal Court gave judgement dismissing the plaintiff.

On 4 December 2018, the Supreme Court affirmed the judgement of the Appeal Court and the court of first Instance. The case is therefore finished and finalised.

3. Litigation relating to a client's share transfer:

On 7 July 2016, the Company was sued as a co-defendant (Defendant no. 4) in a case relating to a client's share transfer, with the plaintiff seeking the return of the securities or payment of compensation. The amount in dispute is approximately Baht 38 million (it cannot be determined what portion of this amount in dispute belongs to the Company, since there are 4 co-defendants). The Company's lawyer has considered the case and believes that the Company has evidence to refute the allegations. The case is being considered by the Court of First Instance, which has yet to issue a final judgement, meaning that the outcome cannot yet be determined. The Company's management believes that they will not suffer losses. The Company therefore has not yet recorded any entries in the accounts for the contingent liabilities from this litigation.

4. Case against the Company by a former employee:

On 18 October 2017, the Company was sued as a defendant by a former employee of the Company for compensation and damages of Baht 31 million. Legal counsel of the Company has concluded that the Company had legally terminated employment in accordance with labor laws and is therefore not liable for the damages claimed. The case is currently under the consideration of the Court of First Instance, which has not yet reached a final judgement. As a result the outcome of the case cannot be determined at this time. Although management of the Company believe that the Company will not incur any significant losses, the Company has nevertheless recorded potential compensation from the case of Baht 0.4 million in its accounts.

On 18 July 2018, the Company and the defendant reached a settlement in the sum of Baht 0.7 million to the defendant.

5. Cases against the Company:

On 15 August 2017, the Company was sued as a co-defendant (second defendant) for offences relating to the voiding of a purchase and sales transaction, alleging that the agreement to purchase and sell shares between the plaintiff and the first defendant is void and holding that the Company is jointly liable for the return of funds to the plaintiff. The Company is currently preparing statements and documents to submit to the Court within the stipulated timeframe.

The management of the Company has investigated the facts and relevant documentation and believes that the agreement to purchase and sell the shares is not void and that the Company is not involved and has no legal relationship with the plaintiff and, as a result, it is likely that the Court will decide to dismiss the parts of the case relating to the Company.