

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, 2019, December 31, 2018 and December 31, 2017

Significant Financial Information for 3 year ago

Unit : Baht

	DECEMBER 31, 2019		DECEMBER 31, 2018		DECEMBER 31, 2017	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
ASSETS						
Cash and cash equivalents	59,098,540	4.49	47,573,986	2.30	97,897,735	3.38
Receivables from Clearing House and brokers	45,851,170	3.48	80,021,771	3.86	257,417,636	8.88
Securities and derivatives business receivables	101,829,158	7.73	320,789,566	15.48	1,196,391,524	41.26
Investments	661,793,564	50.25	1,346,176,435	64.97	1,104,343,700	38.09
Loan to third parties	236,044,218	17.92	43,975,827	2.12	-	-
Investment in associate	10,472,539	0.80	254,717	0.01	-	-
Premises improvement and equipment	42,665,498	3.24	67,121,802	3.24	139,055,760	4.79
Intangible assets	22,530,351	1.71	13,698,015	0.66	25,437,044	0.88
Deferred tax assets	25,655,019	1.95	16,857,451	0.81	2,595,810	0.09
Other assets	111,048,201	8.43	135,723,035	6.55	76,323,999	2.63
Total assets	1,316,988,258	100.00	2,072,192,605	100.00	2,899,463,208	100.00

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

AS AT DECEMBER 31, 2019, DECEMBER 31, 2018 AND DECEMBER 31, 2017

Unit : Baht

	DECEMBER 31, 2019		DECEMBER 31, 2018		DECEMBER 31, 2017	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
LIABILITIES AND SHAREHOLDERS' EQUITY						
LIABILITIES						
Securities sold under repurchase agreements	360,858,792	27.39	639,898,088	30.88	337,510,709	11.64
Payables to Clearing House and brokers	2,735,854	0.21	101,743,744	4.91	124,470,385	4.29
Securities and derivatives business payables	83,382,162	6.33	209,476,387	10.11	968,789,591	33.41
Liabilities under finance lease agreements	5,975,543	0.45	8,424,249	0.41	5,136,000	0.18
Debt issued and borrowings	29,712,743	2.26	104,154,131	5.02	285,519,789	9.85
Provision for long-term employee benefits	6,816,764	0.52	7,029,685	0.34	11,944,765	0.41
Other liabilities	43,688,096	3.32	64,175,857	3.10	89,635,938	3.09
Total Liabilities	533,169,954	40.48	1,134,902,141	54.77	1,823,007,177	62.87
SHAREHOLDERS' EQUITY						
Share capital						
Issued and paid-up share capital	1,224,249,008	92.96	1,224,249,008	59.08	1,224,245,458	42.22
Share premium	85,227,681	6.47	85,227,681	4.11	85,227,681	2.94
Retained earnings (deficit)						
Appropriated - statutory reserve	17,207,886	1.31	17,207,886	0.83	17,207,886	0.59
Unappropriated (deficit)	(565,464,094)	(42.94)	(327,591,544)	(15.81)	(250,224,994)	(8.62)
Other components of shareholders' equity	(97,166,668)	(7.38)	(61,806,058)	(2.98)	-	-
Equity attributable to owners of the Company	664,053,813	50.42	937,286,973	45.23	1,076,456,031	37.13
Non-controlling interest from business combination under common control	149,925,630	11.39	-	-	-	-
Non-controlling interest	(30,161,139)	(2.29)	3,491	0.00	-	-
Total shareholders' equity	783,818,304	59.52	937,290,464	45.23	1,076,456,031	37.13
Total liabilities and shareholders' equity	1,316,988,258	100.00	2,072,192,605	100.00	2,899,463,208	100.00

Note:

- Consolidated Financial Statement for the year 2019.
- Consolidated Financial Statement for the year 2018 due to have investment in subsidiary.
- Separate Financial Statement for the year 2017 due to disposal of associate on 31 March 2017.

AEC SECURITIES PUBLIC COMPANY LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2019, DECEMBER 31, 2018 AND DECEMBER 31, 2017

Unit : Baht

	Year 2019		Year 2018		Year 2017	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
REVENUES						
Brokerage fees	52,105,428	20.29	428,489,280	65.39	480,931,926	65.94
Fee and service income	84,939,122	33.07	104,174,091	15.90	103,192,712	14.15
Interest on margin loans	4,822,027	1.88	19,955,151	3.05	34,943,692	4.79
Gain and return on financial instruments	106,602,100	41.51	67,481,392	10.30	105,960,756	14.53
Gain on disposal of associate	-	-	-	-	4,375	0.00
Other income	8,352,677	3.25	35,139,022	5.36	4,309,619	0.59
Total revenues	256,821,354	100.00	655,238,936	100.00	729,343,080	100.00
EXPENSES						
Employee benefit expenses	172,771,310	67.27	387,365,568	59.12	433,719,162	59.47
Fee and service expenses	35,380,212	13.78	107,254,589	16.37	94,265,695	12.93
Impairment on investment	139,903,265	54.47	-	-	-	-
Share of loss of investment in associate	4,482,177	1.75	45,283	0.01	-	-
Finance costs	18,526,345	7.21	44,155,093	6.74	48,064,855	6.59
Other expenses	153,752,641	59.87	203,322,060	31.03	232,254,112	31.84
Total expenses	524,815,950	204.35	742,142,593	113.27	808,303,824	110.83
Loss before income tax	(267,994,596)	(104.35)	(86,903,657)	(13.27)	(78,960,744)	(10.83)
Income tax	(42,584)	(0.02)	955,421	0.15	1,583,875	0.22
Loss for the year	(268,037,180)	(104.37)	(85,948,236)	(13.12)	(77,376,869)	(10.61)

AEC SECURITIES PUBLIC COMPANY LIMITED
STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2019, DECEMBER 31, 2018 AND DECEMBER 31, 2017

Unit : Baht

	Year 2019		Year 2018		Year 2017	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
OTHER COMPREHENSIVE INCOME :						
Loss on change in value of investments in available-for-sale securities	(44,200,763)	(17.21)	(77,257,573)	(11.79)	-	-
Less income tax effects	8,840,153	3.44	15,451,515	2.36	-	-
Actuarial gains on defined benefit plans	-	-	10,726,472	1.64	11,682,818	1.68
Less income tax effects	-	-	(2,145,295)	(0.33)	(2,336,564)	(0.32)
Other comprehensive income loss for the year	(35,360,610)	(13.77)	(53,224,881)	(8.12)	9,346,254	1.28
Total comprehensive income loss for the year	(303,397,790)	(118.14)	(139,173,117)	(21.24)	(68,030,615)	(9.33)
Loss for the year attributable to:						
Owners of the parent	(237,872,550)	(92.62)	(85,947,727)	(13.12)	(77,376,869)	(10.61)
Non-controlling interests	(30,164,630)	(11.75)	(509)	0.00	-	-
	(268,037,180)	(104.37)	(85,948,236)	(13.12)	(77,376,869)	(10.61)
Total comprehensive loss for the year attributable to:						
Owners of the parent	(273,233,160)	(106.39)	(139,172,608)	(21.24)	(68,030,615)	(9.33)
Non-controlling interests	(30,164,630)	(11.75)	(509)	0.00	-	-
Total comprehensive loss for the year	(303,397,790)	(118.14)	(139,173,117)	(21.24)	(68,030,615)	(9.33)
Basic loss per share (Baht/share)	(0.19)		(0.07)		(0.06)	
Weighted average number of ordinary shares	1,224,249,008		1,224,247,607		1,224,245,241	

Note:

- The statement of comprehensive income for the year 2019 is presented in the consolidated financial statements.
- 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.

AEC SECURITIES PUBLIC COMPANY LIMITED
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2019, DECEMBER 31, 2018 AND DECEMBER 31, 2017

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	(182,194,379)	-	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	-	-	-	(68,030,615)	-	(68,030,615)	-	(68,030,615)
Balance as at 31 December 2017	1,224,245,458	85,227,681	17,207,886	(250,224,994)	-	1,076,456,031	-	1,076,456,031

AEC SECURITIES PUBLIC COMPANY LIMITED
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2019, DECEMBER 31, 2018 AND DECEMBER 31, 2017

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	(250,224,994)	-	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	(327,591,544)	(61,806,058)	937,286,973	3,491	937,290,464

AEC SECURITIES PUBLIC COMPANY LIMITED
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2019, DECEMBER 31, 2018 AND DECEMBER 31, 2017

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 2019	1,224,249,008	85,227,681	17,207,886	(327,591,544)	(61,806,058)	937,286,973	3,491	937,290,464
Non-Controlling interest from business combination under common control	-	-	-	-	-	-	149,925,630	149,925,630
Total comprehensive loss for the year	-	-	-	(237,872,550)	(35,360,610)	(273,233,160)	(30,164,630)	(303,397,790)
Balance as at 31 December 2019	1,224,249,008	85,227,681	17,207,886	(565,464,094)	(97,166,668)	664,053,813	119,764,491	783,818,304

Note:

Statement of changes in shareholders' equity

- 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.
- The statement for the year 2019 is presented in the consolidated financial statements.

AEC SECURITIES PUBLIC COMPANY LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2019, DECEMBER 31, 2018 AND DECEMBER 31, 2017

Unit : Baht

	Year 2019	Year 2018	Year 2017
Cash flows from operating activities			
Loss before income tax	(267,994,596)	(86,903,657)	(78,960,744)
Adjustments to reconcile loss before income tax to net cash provided by (paid from) from operating activities			
Depreciation and amortization	27,164,664	53,680,330	58,137,819
Impairment loss on investment	139,903,265	-	-
Allowance for doubtful account	(2,587,354)	3,111,995	3,342,056
Unrealized loss on revaluation of investments in trading securities	1,102,027	38,848,951	27,598,527
(Gain) on disposal of associate	-	-	(4,375)
Loss on sale and disposal of premises improvement and equipment	11,322,133	5,154,811	14,996,876
Share of loss from investment in associate	4,482,178	45,283	-
Provision for long-term employee benefits	2,367,863	7,416,392	9,749,356
Finance costs	18,526,345	44,155,093	48,064,855
Interest and dividend income	(64,180,598)	(85,022,192)	(87,261,800)
Loss from operating activities before changes in operating assets and liabilities	(129,894,073)	(19,512,994)	(4,337,430)

AEC SECURITIES PUBLIC COMPANY LIMITED

STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2019, DECEMBER 31, 2018 AND DECEMBER 31, 2017

Unit : Baht

	Year 2019	Year 2018	Year 2017
Operating assets (increase) decrease			
Receivables from Clearing House and brokers	34,170,601	177,395,865	94,495,616
Securities and derivatives business receivables	218,960,408	875,601,958	(292,219,191)
Investment in trading securities	352,627,237	(164,098,653)	236,953,086
Other assets	35,314,211	(56,711,144)	4,108,388
Operating liabilities increase (decrease)			
Securities sold under repurchase agreements	(279,039,296)	302,387,379	137,976,774
Payables to Clearing House and brokers	(99,007,890)	(22,726,641)	124,470,385
Securities and derivatives business payables	(126,094,225)	(759,313,204)	183,698,035
Provision for long-term employee benefits	(2,580,784)	(1,605,000)	(270,000)
Other liabilities	(30,951,836)	(22,698,847)	(16,177,813)
Cash received from operating activities	(26,495,647)	308,718,719	468,697,850
Cash paid for interest expenses	(21,659,513)	(40,727,304)	(47,055,552)
Cash received from interest	66,505,975	74,794,603	74,579,323
Cash received from dividend	50,400	1,463,150	-
Cash received from income tax	2,255,865	-	-
Cash paid for income tax	(2,700,785)	(4,228,022)	(9,559,138)
Net cash provided by operating activities	17,956,295	340,021,146	486,662,483

AEC SECURITIES PUBLIC COMPANY LIMITED

STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2019, DECEMBER 31, 2018 AND DECEMBER 31, 2017

Unit : Baht

	Year 2019	Year 2018	Year 2017
Cash flows from investing activities			
Cash paid from purchase of investment in associate	(14,700,000)	(300,000)	-
Cash paid for held-to-maturity securities	(80,000,000)	(533,000,000)	(730,000,000)
Cash received from held-to-maturity securities	176,300,000	418,000,000	435,000,000
Cash paid for from purchase of general investment	-	(67,945,277)	-
Cash received from loan to related parties	58,828,963	-	-
Cash paid for loan to third parties	(76,500,000)	(43,800,000)	-
Proceeds from sale of investment in subsidiary	-	-	18,374,755
Cash paid for purchase of premises improvements and equipment	(4,309,403)	(3,485,785)	(24,494,114)
Proceeds from disposal of premises improvements and equipment	636,406	29,006,744	7,241,282
Cash paid for purchase of intangible assets	(400,222)	(2,119,628)	(9,739,273)
Proceeds from sale of intangible assets	-	-	95,810
Net cash provided by (used in) investing activities	59,855,744	(203,643,946)	(303,521,540)
Cash flows from financing activities			
Repayment of bills of exchanges	(85,000,000)	(410,000,000)	(775,000,000)
Proceeds from issuing bills of exchanges	10,000,000	225,000,000	665,000,000
Repayment of subordinate debentures	-	-	(70,000,000)
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	(2,448,706)	(1,708,499)	(703,368)
Net cash used in financing activities	(77,448,706)	(186,700,949)	(180,701,968)
Net increase (decrease) in cash and cash equivalents	363,333	(50,323,749)	2,438,975
Cash and cash equivalents at the beginning of the period	47,573,986	97,897,735	95,458,760
Proceeds from business combination under common control	11,161,221	-	-
Cash and cash equivalents at the end of the year	59,098,540	47,573,986	97,897,735

Note:

- The cash flow statement for the year 2019 is presented in the consolidated financial statements.
- 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.

13.2 SUMMARY OF KEY FINANCIAL RATIOS

Financial Ratio	Year 2019	Year 2018	Year 2017
<u>Profitability Ratio</u>			
Gross Profit Margin	78.30%	75.58%	80.37%
Net Profit Margin	(104.37%)	(13.12%)	(10.61%)
Return on Owners' Equity	(31.15%)	(8.54%)	(6.97%)
Return on Investment	10.62%	5.51%	9.78%
<u>Efficiency Ratio</u>			
Return on Asset	(15.82%)	(3.46%)	(2.75%)
Asset Turn Over Ratio	0.15	0.26	0.26
<u>Financial Ratio</u>			
Liquid Asset to Borrowing	24.26	13.38	4.21
Earning Asset to Borrowing	4.97	3.85	5.09
Liquid Asset to total Asset Ratio	54.74%	67.26%	41.46%
Earning Asset to total Asset Ratio	11.21%	19.34%	50.14%
Debt Equity Ratio	0.68%	1.21	1.69
Dividend Payout	-	-	-
<u>Other Ratio</u>			
Securities Investment to Total Asset	50.25%	64.96%	38.09%
Net Capital Ratio (Calculated according to the SEC.)	65.79%	36.74%	45.90%

Note:

- The statement of financial position for the year 2019 presenting on consolidated financial statements.
- The statement of financial position for the year 2018 presenting on consolidated financial statements due to investment in a subsidiary.
- The statement of financial position for the year 2017 presenting on separate financial statements.

14. Management Discussion and Analysis

14.1 Operational analysis and financial condition

(1) Analysis on the Company's Operating Performance:

The Overview of the operation and factors on the significant changes in the accounting period of 2019.

AEC Securities Public Company Limited, a no.38 member of the Stock Exchange of Thailand, has been granted to operate a complete securities business under the securities business license type A and the derivatives business license type S-1 with its core businesses as securities and derivatives brokerage. The Company, moreover, operates businesses in accordance with the license granted, such as securities trading, investment banking, underwriting, securities borrowing and lending, and private fund management. The Company's main sources of revenue are from service fees and returns from financial instruments. In the year 2019, the securities brokerage revenue decreased due to the partial disposition of the retail brokerage business, derivatives brokerage business and 9 office branches to UOB Kay Hian (Thailand) Public Company Limited and Country Group Securities Public Company Limited in December 2018.

After entering into the aforementioned disposal of assets transaction, the company not only continue its retail securities and derivatives brokerage business operations, but also expanding its business into new financial innovations, including Artificial Intelligence (AI) Digital Asset and investment with other business partners, to develop new revenue stream and promote sustainable growth.

For the year 2019, investment conditions and competition in the securities business industry remained intense, especially in terms of competing to be a market leader and competing with new comers of the industry. However, the Company has committed to enhance and maintain its ability to compete as well as diversified itself in order to increase revenue streams. To do so, the Company reduced the proportion of revenue from brokerage fees and increased the proportion of revenue from other businesses, such as service fees, returns on investment, debentures trading, and innovative investment business expansion. Moreover, the Company has increased its investment in subsidiaries and associates to promote sustainable growth of its operating performance and become a stronger organisation.

For the fiscal year 2019, the Company and its subsidiaries had a total revenue of 256.82 million baht, decreasing by 398.42 million baht or 60.81 percent from 655.24 million baht. During 2019, the Company and its subsidiaries generated lower revenue mainly due to the decrease in commissions and interest revenue from margin loans as some of the Company's assets in relation to securities and derivatives brokerage businesses were disposed in December 2018.

The revenue sources of the Company and its subsidiaries consist of commissions, service fees, interest revenue from margin loans, returns from financial instruments, and other revenue. The detail of revenue breakdown by sources is enclosed below:

(Unit: million baht)

Revenue	2019		2018	
	Amount	Percent	Amount	Percent
Brokerage fee	52.11	20.29	428.49	65.39
Fee and service income	84.94	33.07	104.17	15.90
Interest on margin loans	4.82	1.88	19.96	3.05
Gain and return on financial instruments	106.60	41.51	67.48	10.30
Other income	8.35	3.25	35.14	5.36
Total Revenue	256.82	100.00	655.24	100.00

The total expenses decreased by 217.32 million baht or 29.28 percent from 742.14 million baht in 2018 to 524.82 million baht in 2019 mainly due to the decrease in employee benefit expenses, fees and service expenses, financial costs, and other expenses, where other expenses decreased due to lower expenses in terms of buildings, premises and equipment from the disposition of the Company's assets.

During 2019, the Company and its subsidiaries made a total loss of 303.40 million baht, increased by 164.23 million baht or 118.01 percent, compared with the same period of 2018, which had a total loss of 139.17 million baht.

In conclusion, the Company and its subsidiaries' consolidated operating performance resulted in higher gross profit margin from 75.58 percent in the year 2018 to 78.30 percent in the year 2019, decreased net profit margin from (13.12) percent in the year 2018 to (104.37) percent in the year 2019, decreased return on equity from (8.54) percent in the year 2018 to (31.15) percent in the year 2019, increased return on investment from 5.51 percent in the year 2018 to 10.62 percent in the year 2019, decreased return on assets from (3.46) percent in the year 2018 to (15.82) percent in the year 2019, and the asset turnover of 0.26 in the year 2018 and 0.15 in the year 2019.

Total revenues for the fiscal year 2019 decreased when compared with the fiscal year 2018

Brokerage Fee

Brokerage Fee decreased from 428.49 million baht in the year 2018 to 52.11 million baht in the year 2019, or decreased by 376.38 million baht or 87.84 percent as a result of lower commissions from securities

trading by 297.93 million baht or 87.77 percent, while the commissions from derivatives trading decreased by 78.46 million baht or 88.10 percent.

The proportion of commissions over the total revenue decreased from 65.39 percent in the year 2018 to 20.29 percent in the year 2019 due to the disposition of the Company's assets in December 2018.

Fee and service income

In the year 2019, fee and service income decreased by 19.23 million baht or 18.46 percent from 104.17 million baht in the year 2018 to 84.94 million baht mainly due to lower securities underwriting revenue by 14.33 million baht or 22.58 percent, lower bill of exchange underwriting and trading revenue by 5.71 million baht or 57.39 percent, lower commissions from mutual funds brokerage business by 1.75 million baht or 33.02 percent, and lower other service fees by 4.06 million baht or 50.69 percent, while the revenue from investment consultancy increased by 6.62 million baht or 37.92 percent.

The proportion of service fees over the total revenue increased from 15.90 percent in the year 2018 to 33.07 percent in the year 2019.

Interest on margin loans

During 2019, interest on margin loans decreased by 15.14 million baht or 75.85 percent from 19.96 million baht in the year 2018 to 4.82 million baht due to less transactions on margin trading business.

Gain and return on financial instruments

Gain and returns on financial instruments increased by 39.12 million baht or 57.97 percent from 67.48 million baht in the year 2018 to 106.60 million baht in the year 2019 due to the increase in realised gain on investment by 43.42 million baht, while the interest and dividend revenue decreased by 4.30 million baht.

The proportion of returns from financial instruments over the total revenue increased from 10.30 percent in the year 2018 to 41.51 percent in the year 2019.

Other income

Other income, comprising benefits allocated from the Clearing Fund, benefits allocated from the Derivatives' Clearing Fund, and penalties from default payment, has a total value, in the year 2019, of 8.35 million baht, decreased by 26.79 million baht or 76.24 percent from 35.14 million baht in the year 2018, mainly due to the disposition of the Company's assets in December 2018.

Total expenses in the fiscal year 2019 decreased when compared with the fiscal year 2018

Employee Benefits Expenses

Employees' benefit expenses, in the year 2019, decreased to 172.77 million baht from 387.37 million baht in the year 2018, or decreased by 214.60 million baht or 55.40 percent, which was directly related to the value of the securities and derivatives trading transactions.

Fees and Service Expenses

Fees and Service Expenses decreased by 71.87 million baht or 67.01 percent from 107.25 million baht in the year 2018 to 35.38 million baht in the year 2019 due to the decrease in the transaction volume of derivatives brokerage business, Prop Trade account, and underwriting fees.

Impairment of Investment

In the year 2019, the Company recorded loss on impairment of investments in private sector debentures for 139.90 million baht.

Share of loss of investment in associate

In the year 2019, the Company recorded loss sharing on investment in associates for 4.48 million baht.

Financial Costs

Financial costs of the Company decreased by 25.63 million baht or 58.04 percent from 44.16 million baht in the year 2018 to 18.53 million baht in the year 2019 due to the decrease in deposits from clients and less value of debentures.

Other Expenses

Other expenses, including premises and equipment expenses, entertainment expenses, data services fees, lease line and internet services fees, bank charges, fuel expenses, messengers expenses, advertising and public relation expenses, other fees, audit fees, attorney fees, specific business taxes, etc. has a total value of 153.75 million baht in the year 2019, decreased by 49.57 million baht or 24.38 percent when compared with 203.32 million baht in the year 2018, mainly due to the decrease in premises and equipment expenses as the Company disposed its assets in December 2018.

Income Taxes

There was no income taxes in the fiscal year 2019 as the Company and its subsidiaries made losses. However, there was a deferred income tax from the reversal of temporary differences at a total amount of 0.04 million baht, which was reported as income tax expenses.

The income taxes on other comprehensive income, such as deferred income taxes arising from unrealised losses on investments in available-for-sale securities, was equal to 8.84 million baht, and was recorded as deferred income taxes.

(2) Analysis on the Company's Financial Position

Overview of the Company's Financial Position as of 31 December 2019

As of 31 December 2019, the Company and its subsidiaries has total assets of 1,316.99 million baht, decreased by 755.20 million baht or 36.44 percent from the year-end 2018 total assets of 2,072.19 million baht. The key assets of the Company comprised accounts receivable on securities and derivatives business at the amount of 101.83 million baht, decreased from 320.79 million baht, building improvements & equipment and intangible assets at the amount of 65.20 million baht, decreased from 80.82 million baht. The aforementioned decrease in assets was mainly as a result of the disposition of the Company's assets in December 2018 and the decrease in investment from 1,346.18 million baht to 661.79 million baht.

As of 31 December 2019, the Company and its subsidiaries has total liabilities of 533.17 million baht, decreased by 601.73 million baht or 53.02 percent from the year-end 2018 total liabilities of 1,134.90 million baht. The key liabilities of the Company consisted of securities sold under repurchase agreement, which decreased from 639.90 million baht to 360.86 million baht, accounts payable on securities and derivatives business, which decreased from 209.48 million baht to 83.38 million baht, and issued debentures & other loans, which decreased from 104.15 million baht to 29.71 million baht.

Debt to equity ratio decreased from 1.21 times in the year 2018 to 0.68 times in the year 2019 due to the decrease in the securities sold under repurchase agreement by 279.04 million baht, the decrease in accounts payable on securities and derivatives business by 126.10 million baht, and the decrease in issued debentures & other loans by 74.44 million baht.

As of 31 December 2019, the Company's financial liquidity remained strong with the net capital of 111.85 million baht or equal to Net Liquid Capital Rule (NCR) of 65.79 percent of the total general liabilities and collaterals, which was higher than the SEC's minimum requirement of 7 percent of the total general liabilities and collaterals.

In conclusion, the Company was deemed to be a strong securities company with firmed financial position and enough liquidity for business operation.

Total assets as of 31 December 2019 decreased when compared with the amount as of 31 December 2018

Cash & Cash Equivalents

Cash & cash equivalents increased by 11.53 million baht or 24.24 percent from 47.57 million baht in the year 2018 to 59.10 million baht in the year 2019.

Receivable from Clearing House and brokers

As of 31 December 2019, Receivable from Clearing House and brokers was 45.85 million baht, decreased by 34.17 million baht or 42.70 percent from 80.02 million baht at the year-end 2018. Accounts receivable on clearing house are the net balance of receivables on the clearing house caused by the settlement of securities and derivatives trading transactions and the money deposited as collateral with the clearing house for derivatives transactions, and will change according to the securities trading value at the end of period.

Securities and Derivatives Business Receivables

As of 31 December 2019, the net Securities and Derivatives Business Receivables was 101.83 million baht, decreased by 218.96 million baht or 68.26 percent from 320.79 million baht at the year-end 2018, mainly due to the decline in cash balance securities trade receivable by 174.43 million baht.

The Company takes into account the risk from doubtful accounts or bad debts by evaluating the financial position of each debtor. The assessment includes consideration procedures to acquire good quality clients, assigning appropriated trading credit line for each client, assessing risk and value of the collateral, tracking clients for timely payment, and creating an allowance for doubtful accounts when the collaterals are insufficient and/or there is a chance that the debtor is incapable of making principal and interest payment.

Regarding the allowance of doubtful accounts policy, the Company will create an allowance of doubtful accounts when the collaterals are insufficient and/or there is a chance that the debtor is incapable of making principal and interest payment by comparing the amount of debt to the collaterals. Whenever the collateral value is less than the debt value, the Company will create an allowance of doubtful accounts for the debt value that exceeds the value of the collaterals. The Company is in compliance with the requirements of the Securities and Exchange Commission, Notification No. KorThor. 33/2543 dated 25 August 2000 and Kor.Thor.5/2544 dated 15 February 2001 regarding NPL accounting for securities companies.

Moreover, as of 31 December 2019, the Company has a total allowance of doubtful accounts of 86.56 million baht.

Investments

The net investments as of 31 December 2019 was 661.79 million baht, decreased by 684.39 million baht or 50.84 percent from 1,346.18 million baht at the year-end 2018, mainly due to a decrease in trading securities

by 340.28 million baht, which breakdown into a decrease in equities by 17.98 million baht as there was no outstanding share value at the end of 2019 and a decrease in private sector debentures by 322.30 million baht, which was in accordance with debentures trading condition.

Available-for-sale investments decreased by 31.32 million baht due to an allowance of the market demand listed securities investment's value adjustment.

Held-to-maturities investments decreased by 266.20 million baht, which breakdown into a decrease in private sector debentures by 236.40 million baht, comprising 96.49 million baht repayments and 139.90 million baht reserves, and a decrease in fixed deposit by 29.80 million baht.

General investment decreased by 46.59 million baht due to the reclassification from general investment into investments in subsidiaries

Premises Improvement and Equipment

Premises Improvement and Equipment are cost less accumulated depreciation and allowance for impairment of assets (if any). Depreciation of building improvement and equipment is calculated based on cost of assets by the straight-line method.

As of 31 December 2019, building improvement and equipment, such as computers, office equipment and office fixtures, was 42.67 million baht, decreased by 24.45 million baht or 36.43 percent from 67.12 million baht at the year-end 2018 due to the write-off of building improvement and equipment from returning part of the office rental space.

Other Assets

Other assets of the Company and its subsidiaries include deposits, contributions for clearing funds, securities deposit, prepaid expenses, accrued interest, accrued income, other accounts receivable, etc. As of 31 December 2019, the consolidated other assets was 111.05 million baht, decreased by 24.67 million baht or 18.18 percent from 135.72 million baht at the year-end 2018, mainly due to lower amount of deposits, which are the deposit for stocks purchasing and general investments, by 26.97 million baht.

Total liabilities as of 31 December 2019 decreased when compared with the amount as of 31 December 2018

Securities sold under repurchase agreements

As of 31 December 2019, the Company and its subsidiaries have private sector debentures sold under repurchase agreement with 3 months maturity at a total amount of 360.86 million baht, decreased by 279.04 million baht or 43.61 percent from 639.90 million baht at the year-end 2018.

Payable to Clearing House and brokers

As of 31 December 2019, the Company's accounts payable to clearing house and brokers was 2.74 million baht, decreased by 99.00 million baht or 97.31 percent from 101.74 million baht at the year-end 2018. The amount will change in accordance with the securities trading value at the end of period.

Securities and derivatives business payables

As of 31 December 2019, Securities and derivatives business payables was 83.38 million baht, decreased by 126.10 million baht or 60.20 percent from 209.48 million baht at the year-end 2018, mainly due to lower cash balance securities trade payable by 125.24 million baht.

Liabilities under finance lease agreements

The Company has entered into financial lease agreements with several domestic leasing companies at a total amount of 5.98 million baht in order to rent vehicles for business operation. The lease terms are 4 years with monthly payments, and ending in April 2023.

Debt issued and other borrowings

As of 31 December 2019, issued debentures and other loans was 29.71 million baht, decreased by 74.44 million baht or 71.47 percent from 104.15 million baht at the year-end 2018 due to the maturity of the bill of exchanges.

(Unit: million baht)

Consolidated and Separate Financial Statements					
31 December 2019					
The maturity dates of debt					
	Interest Rate	Within 1 year	1 - 5 years	Over 5 years	Total
	(Percent)				
Bills of Exchanges	3.50	29.71	-	-	29.71
Total		29.71	-	-	29.71

(Unit: million baht)

Consolidated and Separate Financial Statements

31 December 2018

The maturity dates of debt

	Interest Rate (Percent)	Within 1 year	1 - 5 years	Over 5 years	Total
Bills of Exchanges	3.50 – 5.50	104.15	-	-	104.15
Total		104.15	-	-	104.15

Other Liabilities

As of 31 December 2019, the Company and its subsidiaries have a total other liabilities of 43.69 million baht, decreased by 20.49 million baht or 31.93 percent from 64.18 million baht at the year-end 2018, mainly due to accrued employees expenses, such as marketing officer and investment advisor compensation, fees in accordance with the marketing compensation rule set out by the authorities for those licensed persons to pay on a variable basis and a fixed basis based on business volume, supplier payable, and other expenses, including accrued interest, accrued commissions, accrued entertainment expenses, accrued accounting audit fees, etc.

Shareholders' equity as of 31 December 2019 decreased when compared with the amount as of 31 December 2018

As of 31 December 2019, the Company and its subsidiaries have a total shareholders' equity of 783.82 million baht, decreased by 153.47 million baht or 16.37 percent from 937.29 million baht at the year-end 2018.

Company's Liquidity and Investment Sufficiency

Liquidity

In the year 2019, the Company and its subsidiaries have a net increasing in cash & cash equivalents at the amount of 0.36 million baht and cash from the merging of businesses under common control at the amount of 11.16 million baht. The detail of cash flow activities is as follows:

	2019	2018
Cash flows from operating activities	17.96	340.02
Cash flows from investing activities	59.85	(203.64)

Cash flows from financing activities	(77.45)	(186.70)
Net increase (decrease) in cash & cash equivalents	0.36	(50.32)

Cash Flows from Operating Activities

In the year 2019, the Company and its subsidiaries have a net cash inflow from operating activities of 17.96 million baht, with the operating loss prior to changes in operating assets and operating liabilities at the amount of 129.89 million baht. Moreover, there was a decrease in the changes in operating assets by 641.07 million baht and a decrease in the changes in operating liabilities by 537.67 million baht. Interest expenses were 21.66 million baht, interest & dividend incomes were 66.56 million baht, income tax expenses were 2.70 million baht, and cash received from income tax was 2.25 million baht.

Cash Flows from Investing Activities

In the year 2019, the Company and its subsidiaries had a net cash outflow from investing activities of 59.86 million baht, comprising cash outflow for held-to-maturity investments at 80 million baht, loans to unrelated parties at 76.50 million baht, purchase of building improvement & equipment and intangible assets at 4.71 million baht, investment in associates at 14.70 million baht, cash inflow from sale of held-to-maturity investments at 176.30 million baht, cash receipt from loans to unrelated parties at 58.83 million baht, and cash receipt from sale of building improvement & equipment at 0.64 million baht.

Cash Flows from Financing Activities

In the year 2019, the Company and its subsidiaries had a net cash outflow from financing activities of 77.45 million baht, mainly due to the repayment of bill of exchanges at the amount of 85 million baht, repayment of financial lease at the amount of 2.45 million baht, and cash receipt from bill of exchanges at 10 million baht.

However, to ensure the liquidity of the Company, an additional criteria, which is the ability to maintain the Net Liquid Capital Rule (NCR), has to be met in accordance with the regulations of the Securities and Exchange Commission (SEC). The Company has a policy to maintain its NCR over 25 million baht and its NCR ratio over 7 percent of the total general liabilities and collaterals, whereas the aforementioned numbers are the minimum requirement of SEC. During the past 2 years (2018-2019), the Company was capable of securing its NCR to exceed 7 percent, which means that the Company had sufficient liquidity to conduct business. The Company's NCR during the year 2018 and 2019 were 36.74 percent and 65.79 respectively. The NCR ratio will change according to various factors, such as trading volume, investment amount, amount of bonds and debentures, and firm commitment underwriting, etc.

Source of Funds

As of 31 December 2019, the Company and its subsidiaries had a total liabilities of 533.17 million baht and a total shareholders' equity of 783.82 million baht. The Company and its subsidiaries had the debt-to-equity ratio of 1.21 times and 0.68 times in the year 2018 and 2019 respectively. The key liabilities of the Company and its subsidiaries were securities sold under repurchase agreements, accounts payable on securities and derivatives business, and issued debentures and other loans. In the case where accounts payable on securities and derivatives business has not been taken into account when calculating the debt-to-equity ratio, the Company and its subsidiaries' debt-to-equity ratio would be 0.99 times and 0.57 times in the year 2018 and 2019 respectively.

Provisions

The Company will recognize provisions when the obligation from the past events has occurred, and there is a certain possibility that the Company will lose its economic resources in order to settle the obligation, and the Company can reliably estimate the value of the obligation.

The Company has contingent liabilities and lawsuits obligation as follows:

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

On 7 July 2016, the Company was sued as a co-defendant (fourth defendant) 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 38 million baht (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 judgment, 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.

2. Case against the Company

On 15 August 2017, the Company was sued as a co-defendant (second defendant) for offenses 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 Court of First Instance judges the plaintiff to win the case. The contractual parties shall return to its original state, and the second defendant is jointly liable with the defendant number 3, 4, 6 to pay back principle plus interest to the plaintiff at a total amount of 110.49 million baht.

The Company appealed the verdict on the issue of the plaintiff's prescription expiration, the transfer of shares is not void, the Company does not have any involvement or legal relations with the plaintiff, and even if the act of transferring shares has lost, but it does not cause the share trading transaction to lose as well. It is likely that the Court of Appeal will dismiss the case by dismissing the plaintiff. The case is in the trial by the Court of Appeals.