

PART 1 THE COMPANY'S BUSINESS

1. Policy and Overview of the Company's business

KGI Securities (Thailand) Public Company Limited ("the Company") was incorporated as a public limited company under the Public Limited Companies Act. Whereby it has been operating securities businesses and has been licensed and approved by the Office of the Securities and Exchange Commission ("SEC") to operate the following businesses.

- (a) Securities brokerage
- (b) Securities dealing
- (c) Investment advisory
- (d) Securities underwriting
- (e) Securities borrowing and lending
- (f) Securities registrar
- (g) Derivatives brokerage
- (h) Financial advisory
- (i) Over-the-Counter (OTC) derivative business and
- (j) Sales agent in investment units of mutual funds in the areas as specified by the SEC.

In addition, the Company has investments in 3 subsidiaries, as described in section 1.3 of this form 56-1.

The Company's head office is located on the 8th - 11th floors of Asia Centre Building, No. 173 South Sathorn Road, Thungmahamek Sub-district, Sathorn District, Bangkok 10120. As at 31st December 2015, the Company has altogether 17 branches, in Bangkok and other provinces.

Bangkok	Provincial	
1) Pin Klao Branch	1) Hat Yai Branch	7) Chiang Rai Branch
2) Changwattana Branch	2) Nakhon Ratchasima Branch	8) Phetchaburi Branch
3) Thapra Branch	3) Samut Sakhon Branch	9) Udon Thani Branch
4) Thaniya Branch	4) Suphan Buri Branch	10) Nakhon Pathom 2 Branch
5) Silom Complex Branch	5) Nakhon Sawan Branch	11) Udon Thani Cyber Branch
6) Pracha Chuen Branch	6) Nakhon Pathom 1 Branch	

The Company is recognized as one of the leaders in innovation in the development of financial products, giving more alternatives to clients. The Company's developments were as follows:

- The first securities company acting as a principal and agent of SBL services
- The first securities company providing OTC Derivatives services
- The first and only securities company acting as Market Maker and Participating Dealer of ThaiDEX SET50 ETF (TDEX), Thailand's first Equity ETF
- The first securities company to launch Derivative Warrant in Thailand
- The first securities company providing Private Repo

1.1 Policy of the Company's business

Vision

All the actions of the Company are rooted in the principles of integrity and honesty, which are the guiding principles of our professional workforce. Providing the very best in financial management and advice is the Company's vocation and duty. At the same time, as a responsible corporate citizen, the Company has made it a policy to share the fruits of its success with all of its employees, shareholders and clients, while also making substantial contributions to society.

Objective

The objective of the Company is to engage in securities and other financial businesses, and to offer the highest level of service to its clients and to effectively advise and assist in managing clients' assets whilst always acting in an ethical and positive way.

Goal

The company's goal is to offer a full range of financial services and to be a leader in innovation and in new product development. The Company also aims to diversify its income in order to provide earnings stability and to operate successfully in all conditions.

Strategy

- ☞ To expand and diversify its client base, both local and foreign.
- ☞ To develop new and innovative products and financial services covering the full range of client needs.
- ☞ To train and educate the Company's employees and clients about all new products.
- ☞ To deliver excellent service and to build strong relationships between employees and clients.
- ☞ To constantly adapt to changing markets and conditions.

ACCOLADES

2548 / 2005 **SET AWARDS, MAI Newly Listed STAR (Financial Advisor)**

2549 / 2006 **THE ASSET BENCHMARK SURVEY, Best Corporate Bond House (Thailand Baht)**
TFEX BEST AWARD, Best House of the Year and Most Active House

2550 / 2007 **THAI BMA AWARDS, Best Bond Securities Firm**

2552 / 2009 **THAI BMA AWARDS, Best Bond Securities Firm**
SET CONGRATULATIONS, The Company became the first securities company in Thailand to launch Derivative Warrants

2553 / 2010 **THAI BMA AWARDS, Best Bond Securities Firm**
TFEX BEST AWARD, Most Active House

2554 / 2011 **TFEX PROP-TRADING CHAMPION, Most Growth Trader and TFEX Best Trader**

2555 / 2012 **THAI BMA AWARDS, Best Bond Securities Firm**
TFEX PROP-TRADING CHAMPION, Most Growth Champion

2556 / 2013 **THAI BMA AWARDS, Best Bond Securities Firm**
TFEX BEST AWARD, Most Active House and Prop-Trading of the Year (1st place)
and Market Maker Best Performance for Equity Product and Agent of the Year (3rd place)

2557 / 2014 **THAI BMA AWARDS, Best Bond Securities Firm**
TFEX BEST AWARD, Most Active House and Prop-Trading of the Year (1st place)
and Market Maker Best Performance for Equity Product
SET AWARD, Outstanding Derivatives House

2558 / 2015 **TFEX BEST AWARD, TFEX Most Active House and Prop-Trading of the Year (1st place) and Agent of the Year (1st place)**
SET AWARD, Outstanding Derivatives House

1.2 Significant Development

The Company was found as the name of “The Goldhill Securities Company Limited” on 7th March 1975 with register no. 212/1975 and had three licenses; securities broker, securities dealer, and investment advisory.

In 1986, Thai Farmers Bank Public Company Limited, Finance One Public Company Limited, and a group of major shareholders of Finance One Public Company Limited acquired Goldhill Securities Company Limited and changed its name to “Securities One Company Limited.” on 15th February 1988. it became a publicly listed company on the SET on 15th December 1989.

The Company registered as a public company with registered number 0107536000293 (formerly number Bor Mor Jor 103) and changed its name to “Securities One Public Company Limited.” on 6th May 1993.

In 1998, KGI Group became the major shareholder of the Company and changed its name to “KGI Securities One Public Company Limited” on 12th July 1999. Subsequently, the Company changed its name to “KGI Securities (Thailand) Public Company Limited” on 25th May 2001.

In 2012, SEC granted China Development Financial Holding Corporation (“CDFH”), a financial holding company in Taiwan, approval for a waiver to make the mandatory tender offer when it purchased KGI Securities Co. Ltd. (“KGI Taiwan”). KGI Taiwan is the direct major shareholder of Richpoint Company Limited (“Richpoint”), which was then the direct major shareholder of the Company, owning approximately 34.97% of the Company’s shares.

In 2015, as part of the KGI group’s shareholding restructure, Richpoint transferred its entire shareholding in the Company to KGI Asia (Holdings) Pte. Ltd., a company incorporated under the laws of Singapore in which KGI Taiwan indirectly owns its entire equity interest. After the restructure, the direct major shareholder of the Company will be changed from Richpoint to KGI Asia (Holdings) Pte. Ltd. Such change will not affect the management and control of the Company.

Significant Developments in 2015

January 2015	The Company certified by the Collective Action Coalition (CAC) as a CAC certified member.
January 2015	The Company was appointed as a Market Maker of SET50 Options
May 2015	Mr. Chin-Lung Tseng resigned as a Director of the Company, with effect from 7 th May 2015, and the Board approved the appointment of Mr. Chih-Hung Lin as the replacement Director. The appointment of the replacement director was approved by SEC on 2 nd June 2015.
June 2015	The Company relocated its Silom Center Branch to Thaniya Branch for clients’ convenience. The Thaniya Branch is located at 62, Thaniya Plaza Building, 5 th Floor, Room no. 505, Silom Road, Suriyawong Sub-District, Bangrak District, Bangkok 10500.
July 2015	TRIS Rating affirms the company rating of the Company at “BBB+” with the Rating Outlook is “stable”.
July 2015- October 2015	<p>The Company was informed by KGI Securities Co. Ltd. (“KGI Taiwan”), the parent company holding 100% of Richpoint Company Limited. (“Richpoint” was the direct major shareholder of the Company, holding 34.97% of our total issued shares) that as part of the group’s shareholding restructure, Richpoint planned to transfer its entire shareholding in the Company to KGI Asia (Holdings) Pte. Ltd., a company incorporated under the laws of Singapore in which KGI Taiwan indirectly owns its entire equity interest. After the restructure, the direct major shareholder of the Company will be changed from Richpoint to KGI Asia (Holdings) Pte. Ltd. Such change will not affect the management and control of the Company.</p> <p>KGI Asia (Holdings) Pte. Ltd. got a waiver to make a mandatory tender offer of the total issued shares in the Company and got an approval to</p>

become a major shareholder of the Company from SEC on 10th September 2015 and 21st October 2015 respectively. Richpoint's shares in the Company had been transferred to KGI Asia (Holdings) Pte. Ltd. on 30th October 2015.

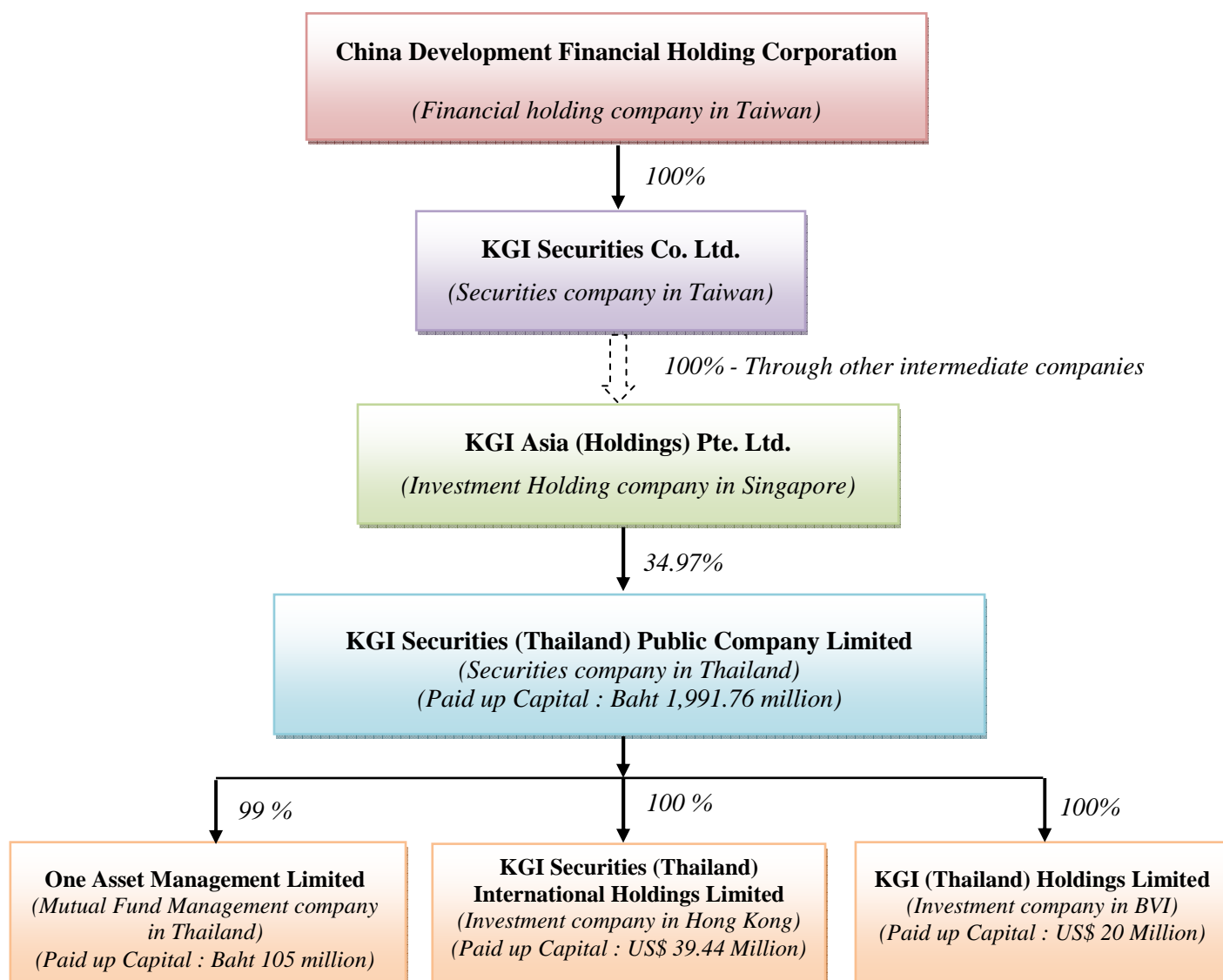
November 2015

The Company approved the appointment of Ms. Suchada Sodthibhaphkul, Authorized Director, as the Executive Director of the Company for 1 more year for the period November 2015 - October 2016

1.3 The Company's Shareholding Structure

KGI Asia (Holdings) Pte. Ltd. is the direct major shareholder of the Company. KGI Asia (Holdings) Pte. Ltd, an investment holding company incorporated under the laws of Singapore, is an indirect wholly-owned subsidiary of KGI Securities Co. Ltd. ("KGI Taiwan") and KGI Taiwan itself is a wholly-owned subsidiary of China Development Financial Holding Corporation ("CDFH") respectively. As of 14th March 2016 (the latest registration close book date), KGI Asia (Holdings) Pte. Ltd owns approximately 34.97% of the Company's shares.

Shareholding Structure of KGI Securities (Thailand) Public Company Limited



The Company has investments in 3 subsidiaries, One Asset Management Limited ("ONEAM"), which is one of the leaders in Thailand's asset management market. And two offshore subsidiaries, which are KGI

Securities (Thailand) International Holdings Limited (“HOLDCO”) and KGI (Thailand) Holdings Limited (“KTHL”). The purpose of these offshore subsidiaries is to explore opportunities to invest overseas in future.

In 2015, the Company's total revenues of Baht 2,482 million, of which contribution from ONEAM accounted for 19.80%. The information of the Company's subsidiaries are as follows:

Subsidiaries As of 31 st December 2015	Country of Incorporation	Business Type	% holding	Revenues as a percentage to the consolidated totals (%)
One Asset Management Limited (“ONEAM”)	Thailand	Fund Management	99	19.80%
KGI Securities (Thailand) International Holdings Limited (“HOLDCO”)	Hong Kong	Investment	100	-
KGI (Thailand) Holdings Limited (“KTHL”)	British Virgin Islands	Investment	100	-

The Company's subsidiaries information

A. One Asset Management Limited (“ONEAM”)

One Asset Management Limited (“ONEAM”) was established on 19th March 1992, with registered capital of Baht 100 million (fully paid-up). As of 31st December 2015, ONEAM has its registered capital of Baht 105 million (fully paid-up) with KGI Securities (Thailand) Public Company Limited holding 99%, ONEAM's directors and employees holding 1% of outstanding shares.

ONEAM has all of the necessary licenses to operate its current businesses. These licenses include: Mutual fund management license, Private fund management license, Derivatives fund manager license and Trust Business license. ONEAM also has detailed procedures and an operation manual for all staff who interact with clients to ensure the suitability of all products and advice given to clients. These procedures are in line with Thai regulatory requirements (SEC /AML office) and have been approved by ONEAM's audit committee.

The mutual funds under ONEAM

- | | |
|-----------------------------------|----------------------------------|
| 1. Equity Fund | 6. Long Term Equity Fund (“LTF”) |
| 2. Fixed Income Fund | 7. Sector Fund |
| 3. Interval Fixed Income Fund | 8. Foreign Investment Fund |
| 4. Mixed Fund | 9. Property Fund |
| 5. Retirement Mutual Fund (“RMF”) | 10. Country Fund |

B. KGI Securities (Thailand) International Holdings Limited (“HOLDCO”)

Formerly known as “KGI Securities One International Holdings Limited”, a wholly owned offshore subsidiary established in Hong Kong. Its name was changed to “KGI Securities (Thailand) International Holdings Limited (“HOLDCO”)” on 7th December, 2001. The purpose of the subsidiary is to explore for opportunities to invest overseas in future.

C. KGI (Thailand) Holdings Limited (“KTHL”)

KGI (Thailand) Holdings Limited (“KTHL”), a wholly owned offshore subsidiary established in British Virgin Islands. The purpose of the subsidiary is to explore for opportunities to invest overseas in future.

Policy for group operations

The Company and its subsidiaries have hired professional managers and the Company also appointed persons to be directors for setting policies of its subsidiaries to ensure the implementation of the various group companies effectively.

1.4 Relationship with a business group of major shareholder.

China Development Financial Holding Corporation (“CDFH”), a financial holding company in Taiwan, was established in 2001. CDFH has 3 key subsidiaries, 1) China Development Industrial Bank (“CDIB”), 2) KGI Bank and 3) KGI Securities Co. Ltd (“KGI Taiwan”). CDFH holds a leading position in the venture capital market and investment banking business in Taiwan.

KGI Taiwan, a wholly-owned subsidiaries of CDFH, is a securities company that is a market leader in a range of areas including brokerage, proprietary trading, underwriting, fixed income, and a variety of derivatives product.

KGI Taiwan has provided valuable assistance to the Company via transfer of knowledge and technology, and has sent expert staff to train the Company’s employees for the launch of new products. The Company is recognized as one of the leaders in innovation in the development of derivatives products in Thailand.

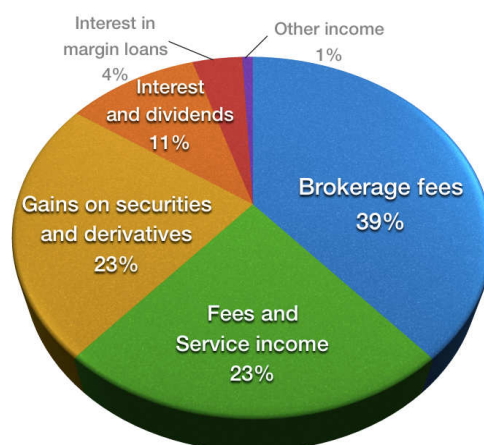
There are 4 representative directors from major shareholder, which is equivalent to 1/3 of all directors and proper with the portion of share holding. The Company also appointed 4 independent directors which are one-third of all directors, following the SEC’s regulations to ensure the operations of the company meet the standards and move in the right direction and to protect the shareholders’ rights and for the best interest of all shareholders.

2. Business Lines

Income Structure

The majority of the operations of the Company and its subsidiaries involve the single business segment of securities related business, including mutual fund management, and are carried on in Thailand. (see Note of financial Statements no. 36 : Segment Information)

In 2015, the Company reported consolidated revenues of Baht 2,482 million. Details of income structure are as follows:



Income Structure 2015

Comparative Income Structure for the past 3 years

Income Structure	Operated By	% Share Holding by the Company	2015 (Baht Million)	%	2014 (Baht Million)	%	2013 (Baht Million)	%
1. Brokerage fee	The Company	-	957.37	38.57%	1,084.14	41.96%	1,241.24	44.99%
2. Fees and services income ^{/1}	The Company	-	81.44	3.28%	38.11	1.48%	113.20	4.10%
Fees and services income ^{/1}	ONEAM /2	99%	481.25	19.39%	367.99	14.24%	328.84	13.18%
3. Gain on securities and derivatives	The Company	-	578.43	23.31%	728.92	28.21%	711.77	25.80%
Gain on securities	KTHL /3	100%	0.00	0.00%	0.74	0.03%	-	0.00%
4. Interest and dividends	The Company	-	257.66	10.38%	257.76	9.98%	265.75	9.63%
Interest and dividends	ONEAM /2	99%	4.80	0.19%	4.84	0.19%	4.77	0.17%
5. Interest on margin loans	The Company	-	100.26	4.04%	89.19	3.45%	90.38	3.28%
6. Other income	The Company	-	17.84	0.72%	6.31	0.24%	2.94	0.11%
Other income	ONEAM /2	99%	2.89	0.12%	5.64	0.22%	(0.23)	(0.01)%
TOTAL INCOME			2,481.95	100.00%	2,583.64	100.00%	2,758.66	100.00%

Note /1 See note of financial statements No. 28 : Fees and Service Income.

/2 ONEAM : One Asset Management Limited, 99% owned by the Company.

/3 KTHL : KGI (Thailand) Holdings Limited, 100% owned by the Company

2.1 Types of Business

2.1.1 Securities Broker Business

The Company, a member of the Stock Exchange of Thailand (SET Broker seat No. 13), provides broking services to both local and foreign investors and to both individual and institutional investors. The Company's research department produces highly respected institutional level research and analysis of Thailand's financial markets and economy. As one of Thailand's top securities houses, the research team gains considerable insight from market flow and local color to help analyze trends and market movements, providing a considerable competitive advantage to the research team for investors to make timely and accurate investment decisions. In 2015, the Company ranked No.9 in terms of brokerage market share with an overall share of 3.88%.

Clients can choose to open 3 types of account; Cash Account, Cash Balance Account, and Credit Balance Account. And clients can also choose 2 trading channel; Trading via Investment Consultants or Trading via internet. The commission for internet trading is lower than commission for Trading via Investment Consultants.

In 2015, the Company has launched "KGI POWER TRADE", a new application for cell phones which the Company has developed for clients. Using the latest technology, KGI POWER TRADE is available on both Android and IOS operating systems (iPhone and iPad). It incorporates a fast, intuitive touch screen and supports multi-market trading of both securities and derivatives.

KGI POWER TRADE strengths include;

Scan:	Screening of securities and derivatives by both Technical and Fundamental factors
Quote:	Real time price movements of securities and derivatives
Order:	Place orders, check status and change orders for both securities and derivatives
Portfolio:	Portfolio details available in real time including portfolio margins
News:	Warning messages for order matching
Chart:	Technical charts including many Technical Indicators
E-Services:	Online service for cash deposit-withdraw

Should you have any inquiries or need further information, please visit our website: www.kgiworld.co.th or contact at Hotline: 02 658 8777 or email : ebs@kgi.co.th

2.1.2 Futures Business

The company has received a license to conduct futures business from Securities and Exchange Commission (SEC) and also an approval to act as a futures broker from Thailand Futures Exchange Plc. (TFEX) and the Thailand Clearing House Co., Ltd. (TCH). Also Futures trading started on 28th April 2006.

Currently, the company provides trade on the following derivative products:

- SET50 Index Futures
- SET50 Index Options
- Single Stock Futures
- Gold Futures
- Brent Crude Oil Futures
- Interest Rate Futures
- Currency Futures
- Sector Futures
- RSS3 Futures

Besides Futures retail brokerage, the Company also trades futures in Proprietary Trading and acted as a Market Maker of SET50 Index Options, Gold Futures, and Brent Crude Oil Futures in Thailand Futures Exchange (TFEX) and Stock Exchange of Thailand. Furthermore, the company provides Block Trade in Single Stock Futures to facilitate customers.

In 2015, the Company still ranked No. 1 in derivatives trading volume with a market share of 11.16% of the TFEX market. The Company earned three awards from TFEX Best Awards 2015;

1. Most Active House of 2015 (Broker having the highest total derivatives trading volume),
2. Agent of 2015 (1st place) (Broker having the highest clients' derivative trading volume) and,
3. Prop-Trading of 2015 (1st place) (Broker making the most proprietary trading transactions).

The Company also won the Outstanding Derivatives House Award from SET AWARD 2015 for the outstanding derivatives service provider.

2.1.3 Securities Trading Business

The Company based proprietary traders have years of experience. Individual traders are encouraged to adopt diverse trading strategies to suit their personal trading styles. However, to guard against misjudgment that could arise from an emphasis in individualism, all proprietary trading is conducted through a highly-efficient trading platform and is overseen by a stringent risk control system. These controls have engendered a strong culture of discipline among the Company's proprietary trading and have eliminated to the highest degree possible, the potential for mistrades.

The Company's securities trading activity includes in equity securities, derivatives and fixed income. The Company's investment portfolio is one of the largest in the industry. As of 31st December 2015, the Company had investments-net of Baht 2,308 million, compared with Baht 3,826 million at the end of 2014. The Proprietary Trading Department and Fixed Income Department are responsible for stock, bond, derivatives, futures and option selection and investment allocation according to the established policy. The Risk Management Department closely tracks the departments' exposure to control the Company's overall risks.

The Company pays serious attention to conflict of interests, and the misuse of inside information. The Company regards such departments as investors; therefore, such departments have no right to receive information or research that differs from other clients of the Company.

2.1.4 Investment Advisory Business

SEC granted an approval to the Company to operate investment advisory business on 6th January 2004.

2.1.5 Financial advisory and securities underwriting Business

The SEC has granted the Company approval to operate financial advisory business under the scope specified by the SEC which covers the full range of Investment Banking Services, including fund raising, IPOs and secondary market placements, mergers and acquisitions, firm valuations, loan arrangements, debt restructuring and other advisory works. In addition, the Company provides a securities underwriting service to those companies intending to issue securities including debt, equity, and equity-linked products.

In 2015, Thailand's stock index fluctuated, increasing in the first quarter to its highest level of the year at around 1,620 points. However, anxiety over oil prices, US central bank raising interest rate, slower domestic economy growth, as well as concerns over China's economy at the end of last year dampened investor confidence and the SET index fell steadily through the year. The index fell to close the year at 1,288 points, down 20% from the peak of the year.

However, in 2015, there were 41 new companies listed on the stock exchange; 20 were listed in the SET and 13 listed in the MAI, 8 were Property Funds and Infrastructure Funds, with issue size of Baht 142,300.95 million and Market Capital at IPO Price of Baht 289,321.64 million.

Total Number of all Listed Companies in 2015

Year	Total Number of Listed Companies					Issued Size (Million Baht)	Market Capital at IPO Price (Million Baht)
	SET	MAI	IFF	PFUND/ REIT	Total		
2015	20	13	2	6	41	142,300.95	289,321.64

In 2015, the Company was Financial Advisor and Lead Underwriter of Ladprao General Hospital Public Company Limited, with a total funding of Baht 1,000 million and joined co-underwriting syndication of 9 IPOs. Moreover, the Company was appointed as a Financial Advisor and Lead Underwriter on 7 IPOs which are still in the process. The Company also successfully performed a financial advisory role for fund raising through both debt and equity, equity-link for both listed and non-listed companies.

With our group of experienced staff and expertise in financial engineering to structure products that suit our clients' needs and with our regional group network, KGI's investment banking team can provide a full line of products and services in both the domestic and foreign markets.

2.1.6 Securities Registrar Business

The Company received approval to conduct securities registrar business on 14th June 1994, and the Company continues to maintain its securities registrar license in order to support its derivatives products in the future.

2.1.7 Fixed Income Business

The Company is a member of Bond Electronic Exchange (BEX) and Thai Bond Market Association (ThaiBMA), and provides trading fixed income securities services to the Company's clients. Investors can open an account for fixed income trading together with opening an account for securities trading. The Company has experienced staffs that are proficient in providing services and advice that allow clients to make investment decisions in their best interest. The Company was also the only securities company to be appointed to be a government bond primary dealer (MOF Outright PD).

In 2015, the Company was ranked No. 1 in bond trading among securities dealers and ranked No. 4 in corporate bond trading value among all dealers with a market share of 13.45% compared with 14.20% in 2014.

2.1.8 Private Repo Business

The Company pioneered Private Repo to corporate and high net-worth clients, providing a new alternative investment. The Company was the first and the only one to provide Repo agreement in Thai version, approved by SEC, to offer clients with more convenience.

In 2015, the Company was ranked No. 1 in terms of Repo volume among securities firms. Currently, Private Repo market is continuing to grow and the Company intends to maintain its leading position in this sector.

2.1.9 KGI Wealth Management and Sales Agent for mutual funds Business

The Company received a Sales Agent in investment units of mutual funds approval from SEC on 16th January 2002. As of 31st December 2015, the Company was appointed as a Sales Agent in investment units of mutual funds for 19 asset management firms. The client coverage includes both institutional and individual investors.

The Company has experienced professionals who provide appropriate financial advice under KGI's Wealth Management operations to High Net Worth clients in order to meet investment objectives and risk appetite for the clients' best interests.

2.1.10 Securities Borrowing and Lending Business ("SBL")

The Company is the first security firm to act as a principal and agent assisting clients who want to lend or borrow securities: 1. Local Institutional Lenders and Borrowers, 2. Foreign Institutional Borrowers, 3. Retail Lenders and Borrowers. This service will help increase liquidity and price stability to the Thai capital market.

In order to attract both retail and institutional clients, the Company held SBL promotional campaigns such as no minimum day for borrowing securities. The Company, as the first SBL provider in Thailand, plans to expand its SBL business as follows:

1. Increase stock inventory for borrowers.
2. Expand client base, both foreign and local clients, who are increasingly interested in borrowing and

- lending Thai securities.
3. Develop new system for retail clients to improve borrowing processes.

2.1.11 OTC Derivatives Business

The Company is recognized as one of the leaders in innovation in the development of derivatives products in Thailand. The Company has spent more than 10 years preparing for issuing and trading of derivatives products. The major shareholder, the KGI Taiwan, has also provided valuable assistance by transferring knowledge and technology to the Company. The KGI Group sent derivatives experts to train our staff to be ready for this new market in Thailand. At the same time, the Company sent staff to its related companies in Taiwan and Hong Kong to closely study their sophisticated derivatives markets.

The Company adopted the same program and software as those used in Taiwan and Hong Kong. This software is widely recognized in developed derivatives markets in many countries and should be effective in the Thai market as well. Such a system will greatly enhance the risk management capability of the Company in hedging our derivatives positions. KGI Group and the Company always develop such systems to handle every market situation. The Company is completely ready for OTC Derivatives. At the moment, the Company focuses mainly on institutional clients who have better understanding about the risks and rewards of such products.

1. OTC Equity Derivatives

OTC Equity Derivatives products are tailor-made, and designed according to clients' requests. These advantages made OTC Equity Derivatives gained in popularity. OTC Equity Derivatives are popular among local and foreign institutional clients, including Private Funds, to manage their risks and gain return. The Company provides various types of OTC Equity Derivatives, including basic and exotic options, and will offer a wider variety of options to match clients' risks and return profiles in the future. In addition, the Company regularly organizes training/seminars to ensure that our clients thoroughly understand the products before investing in equity derivatives with us.

2. Structured Products

The Company is focusing on developing structured products that combine equity derivatives with money market instruments to serve clients who want to invest in both the equity market and money market. The Company offers structured products exclusively to institutional clients, private funds, and high net worth investors with a good understanding and knowledge of derivatives. The company launched Structured Notes since 2012.

At present, the Company provides various types of SN with a maximum term of 270 days, whose returns are linked to the price of a single or a basket of SET listed stocks, SET index, SET 50 index, SET 100 index, and listed Exchange Traded Fund.

2.1.12 Exchange Traded Fund ("ETF")

The Company joined a group led by One Asset Management Limited (the Company's subsidiary) and four other leading securities companies as well as a foreign fund advisor that won the right to launch Thailand's first equity exchange traded fund (Equity ETF) in the name of ThaiDEX SET50 ETF or "TDEX" since 2007. The Company acts as Market Maker (MM), providing liquidity in the secondary market and as Participating Dealer (PD) facilitating the creation and redemption of TDEX in the primary market.

In 2009, the Company joined a group led by One Asset Management Limited (the Company's subsidiary) and five other leading securities companies to launch Thailand's third equity ETF in the name of ThaiDEX FTSE SET Large Cap ETF or "TFTSE".

Later, in 2010, the Company acted as Participating Dealer (PD) for Thailand's first ETF on foreign ETF in the name of W.I.S.E. KTAM-CSI300 China Tracker or "CHINA" which may invest in W.I.S.E. – CSI300 China Tracker fund, seeking to replicate the return of CSI300 Index.

In 2011, with SET Index closing at a 15-year high, the Company coordinated with One Asset Management Limited (the Company's subsidiary) to launch ThaiDEX SET High Dividend ETF or "1DIV". The Company acted both as Market Maker (MM) and Participating Dealer (PD). Within the

same year, TFEX trading volume reached a historical high, particularly in Gold Futures trading; therefore, the Company joined and acted as Participating Dealer (PD) for three gold ETFs – “GLD”, “GOLD99” and “BCHAY”.

In 2012, the Company coordinated to launch Hong Kong ETF Tracker or “HK”. The Company acted both as Market Maker (MM) and Participating Dealer (PD).

In 2013, the Company coordinated with One Asset Management Limited (the Company's subsidiary) to launch ThaiDEX SET100 ETF or “TH100” to meet client needs. The Company acted as Market Maker (MM) for ThaiDex SET100 ETF.

The Company has focused on expanding its client base and awareness of ETFs through investor education which ranged from basic education up to advanced ETF investment strategy in order to be one of their choices of investment to gain a return of the market. In addition, the Company continued improving its internal trading systems to improve market making efficiency.

ETF that the Company acts as Market Maker (“MM”) and/or providing liquidity in the secondary market and as Participating Dealer (“PD”)

ETF	Code	Underlyig Index	SET's Listed Date	The Company's role	AUM (Baht Million) As of 30 th Dec 15
1.ThaiDEX SET50 ETF	TDEX	SET50 index	6 Sep 2007	MM, PD	2,741.96
2.W.I.S.E. KTAM CSI 300 China Tracker	CHINA	W.I.S.E. -CSI 300 China Tracker	22 Nov 2010	PD	232.95
3.KTAM Gold ETF Tracker	GLD	SPDR Gold Trust (2840:HK)	8 Aug 2011	PD	321.39
4.ThaiDEX SET High Dividend ETF	IDIV	SET High Dividend 30 Index	16 Aug 2011	MM, PD	57.94
5.ThaiDEX Gold ETF	GOLD99	Gold price of London Gold Fixing A.M.	11 Oct 2011	PD	82.62
6.Bualuang Chay Gold ETF	BCHAY	Gold price of High purity of 96.5 percent	1 Nov 2011	PD	321.54
7.KTAM Hong Kong ETF	HK	Hang Seng Index	19 Jun 2012	MM, PD	11.67
8.ThaiDEX SET100 ETF	TH100	SET100 index	21 Feb 2013	MM, PD	15.18
9.KTAM SET50 ETF Tracker	ESET50	SET50 index	26 Mar 2014	MM, PD	59.26

2.1.13 Derivative Warrants Business

Derivative Warrants (“DW”), are financial instruments that the issuers give rights to the buyers to buy the underlying securities in the future at a pre-determined price, quantity and period as specified by the issuers. A DW issuer is a third party, which is not the listed company issuing the underlying securities.

In 2009, the Company was the first securities company in Thailand to launch DWs. The first DW to be launched by the Company was PTT13CA in June 2009. Within the same year, the Company launched another two DWs - KBAN13CA and PTTE13CA.

The Company remains a leader in the Derivative Warrants business. In 2015, the Company launched 236 DWs which were received a great response from investors. The total registered amount for all 236 DWs was approximately Baht 15,750 million. From 2009 to the end of 2015, the Company has launched a total of 805 DWs as detailed below;

Year	2009	2010	2011	2012	2013	2014	2015	Total
Total DWs issued by the Company	3	21	114	105	121	205	236	805
-CALL Warrant	3	21	87	73	96	163	178	621
-PUT Warrant	-	-	27	32	25	42	58	184

The Company and the underlying companies of the DW that the Company has issued are not related either in terms of capital structure or management. The Company is not an insider of any of the underlying companies for which it has issued DW.

In 2016, the Company plans to launch up to 275 more DWs linked to leading stocks, and plans to launch DWs with new underlying securities as approved by regulators.

DWs are a recent investment product in Thailand, and the Company continues to educate market participants about DW's including; employees, local institutional clients, local and foreign retail clients. The DW education was provided through many channels such as www.thaiwarrant.com (both Thai & English version), www.facebook.com/ed.kgi, newspapers, interviews and print media, in order to enhance knowledge and build confidence in DW investment. The Company plans to roadshow to local and foreign institutional investors to publicize new financial products and attract new clients to invest in Thai Capital Market. For investors who are interested in DW, all information are provided through www.thaiwarrant.com. (see Underlying company information of the remaining DWs and history of DW Issued by the Company for the past 2 years in Attachment 5)

2.1.14 Asset Management Business (One Asset Management Limited: ONEAM)

In 2015, ONEAM's net profits were Baht 115 million (EPS of Baht 10.99) As of 31st December 2015, ONEAM's total assets were Baht 384 million, total liabilities were 94 million, shareholders' equity was Baht 290 million. ONEAM has built a strong reputation with both individual and institutional investors. As of 31st December 2015, ONEAM had total assets under management of Baht 82.32 billion. In 2015, ONEAM issued 21 new funds as follows:

	FUND	Starting date	AUM-Baht Million
1	1ENHANCED6M2	15 January 2015	810.08
2	ONE-JP5	16 January 2015	89.83
3	ONE-IFCG1	16 January 2015	41.07
4	ONE-CHINA5/2	11 February 2015	194.23
5	ONE-ACTIVE6	19 February 2015	127.62
6	1ENHANCED6M3	3 March 2015	824.18
7	ONE-JP5/2	12 March 2015	348.92
8	ONE-SPOT5/4	18 March 2015	288.20
9	ONE-CHINA5/3	23 April 2015	986.20
10	ONE-ACTIVE6/2	15 May 2015	294.25
11	ONE-SHARIAH6	27 May 2015	71.98
12	ONE-STOXXASEAN	29 June 2015	689.63
13	ONE-DI (Transferred funds from Asset Plus Fund Management Co., Ltd.)	25 June 2015	648.85
14	ONE-DI2 (Transferred funds from Asset Plus Fund Management Co., Ltd.)	25 June 2015	1,039.78
15	ONE-NORTH10	16 July 2015	226.98
16	ONE-CHINA10	11 August 2015	127.31
17	ONE-ULTRA	31 August 2015	116.82
18	ONE-EURO8	29 September 2015	230.61
19	TLHPF	29 October 2015	1,720.00
20	ONE-NIPPON	18 November 2015	238.23
21	ONE-OPPORTUNITY5/1	18 December 2015	188.03
	Total		9,302.80

Year 2015 was also a very successful year for ONEAM in terms of accolades and recognition;

- 1) Money & Banking Awards 2015 (Best Mutual Fund of the year 2015 (Equity Large - For 1AMSET50 Fund))
- 2) Global Banking & Finance 2015 (Best Asset Company Thailand)
- 3) SET Excellence Awards 2015 (ETF House)

- 4) Morningstar Thailand Fund Awards 2015 (Best Thailand Short Term Bond Fund - For ONE-FAR Fund)
- 5) Morningstar Thailand Fund Awards 2015 (Best Thailand Equity Large-Cap Fund - For 1AMSET50 Fund)
- 6) Association of Provident Fund 2015 (Outstanding Pooled Fund Award)

2.2 MARKET OVERVIEW AND COMPETITION

(A) Significant Marketing Activities

The Company's marketing policy in 2015

The Company's marketing policy is to maintain existing clients and expand new clients by organizing promotional activities and focusing on giving better service to clients. In 2015, the Company held the following marketing activities:

1. The Company regularly arranges training to enhance the knowledge and skills of its employees. This helps the employees better meet the needs of its clients.
2. The Company regularly develops its trading system to make it fast and efficient and able to support growth of business. In 2015, the Company launched "KGI POWER TRADE", a new application for cell phones which the company developed for clients to use on both Android and IOS operating systems (iPhone and iPad). It incorporates a fast, intuitive touch screen and supports multi-market trading of both securities and derivatives.
3. The Company opened booths at SET in the City 2015, at SET-TFEX Digital Investor Fair 2015 and at IAA 2015 Investment Analysts Conference to introduce the Company's product and services.
4. The Company held seminars to educate clients and investors on topics such as Internet Trading, Securities Fundamental-Technical Analysis and TFEX. The seminars not only educated the clients and investors, they also expanded the Company's client base. In 2015, the Company held the following seminars to educate clients:

February 2015	Held a seminar entitled "Gold & Oil Outlook 2015"
February 2015	Held a seminar entitled "2015 Thai Economic Outlook, Implications to Monetary Policy Stance"
March 2015	Held a seminar entitled "Investment Services for Wealth"
March 2015	Held a seminar entitled "2015 Thai Economy"
March 2015	Held a seminar entitled "2015 China's Economy"
April 2015	Held a seminar entitled "The outlook of digital TV industry"
June 2015	Held a seminar entitled "Thai Property Outlook in 2015"
June 2015	Held a seminar entitled "Will Significant Safety Concerns (SSC) be successfully unlocked as planned?"
July 2015	The Company and TMBAM held a seminar entitled "Investment in the second half of 2015"
August 2015	Held a seminar entitled "Risks, Expectations, Of SET in the second half of 2015"
September 2015	Held a seminar entitled "Stock Selection with KGI POWER TRADE and Thai Market Trend Q4"
September 2015	Held a seminar entitled "2015 - 2016 Thai Economic Outlook, Implications to Monetary Policy Stance"
December 2015	Held a seminar entitled "Thailand's Renewable Energy Outlook"
December 2015	Held a seminar entitled "Thailand's tourism industry"

5. Launched marketing campaign. In 2015, the Company launched the marketing campaign "Train & Trade DW13" and gave the chance to win 1,000,000 Baht. The purpose of this campaign was to give clients a better understanding of DW trading.

Character of Clients, Target Client, Portion of Local and Foreign Clients

The Company targets clients who have capital and want to invest in financial products in equities, fixed income and derivatives. This can be a natural person or juristic person.

In 2015, the Company's Trading Volume consisted 69% local clients, 1% foreign clients and 30% the Company's portfolio, the Company did not depended on any client for more than 30% of total income.

The Company has its headquarters and 17 branches throughout the country to provide service to clients, clients can send orders via phone through the Company's Investment Consultants or trading with themselves through the internet. In 2015, the portion of trading via Investment Consultants: trading via internet was 32%: 68%.

Information of the Company's clients in past 3 years.

Unit : Baht Millions

Average Daily Trading Volume	2015	%	2014	%	2013	%
Daily Trading Volume- SET*	44,302		45,466		50,329	
Daily Trading Volume- The Company *	4,466		4,636		4,838	
(including the Company's portfolio)						
The Company's market share %	3.88%		4.28%		4.04%	
(excluding the Company's portfolio)						
Ranking	9		7		11	
Breakdown by types of clients						
1) Local corporate clients	380	9	376	8	330	7
2) Local retail clients	2,702	60	3,050	66	2,969	61
3) Foreign clients	34	1	124	3	257	5
Total clients volume	3,116	70	3,550	77	3,556	73
4) The Company's portfolio	1,350	30	1,086	23	1,282	27
Total	4,466	100	4,636	100	4,838	100
Breakdown by types of accounts						
1) Cash Account and Cash Balance Account	2,575	83	2,974	84	2,887	81
2) Credit balance account	541	17	576	16	669	19
Total	3,116	100	3,550	100	3,556	100
Breakdown by types of trading order channels						
1) Trading via Investment Consultants	1,012	32	1,253	35	1,490	42
2) Trading via internet trading	2,104	68	2,297	65	2,066	58
Total	3,116	100	3,550	100	3,556	100

Note : * Trading volume referred to volume in both SET and MAI

(B) Market Overview and Competition in 2015

The overall situation of Thai stock market in 2015 was generally negative, as there were a few issues weighing on most of major sectors in the SET. Economic slowdown due to more severe than expected drought and rising household debt raised the bad debt level and provision expense of Thai banks, while a sharp fall in global oil prices in the second half of 2015 resulted in a sharp loss in some energy companies and therefore significant earnings downgrade in Thai energy sector. Last but not least, the telecom auction for 4G licenses in the fourth quarter of 2015 ended up with very high prices, which raised the degree of competition in the mobile industry.

During the first quarter of 2015, the SET Index was still in a positive tone, as global stock markets were supported by the European Central Bank's announcement on large-scaled monetary stimulus, which drove more liquidity to the stock markets around the world. In addition, there was a relatively high expectation for Thai economy to improve as the military-led government should focus on public investment and infrastructure projects. The SET Index recorded its 2015 high in the first quarter, at 1,620pts.

However, macro situation deteriorated in the second quarter. The dry season in Thailand was severe, due mainly to the El-Nino effect which resulted in less than average rainfall. This event affects the crops production and farm income of Thai farmers, and made their debt burdens get worse. Hence, private consumption slowed into the mid of 2015. Meanwhile, the external economy was also weak, as Thai exports were impacted by slower than expected global demand and falling commodity prices.

In the fourth quarter of 2015, the Thai stock market, alongside other Asian markets, faced a high fluctuation in capital flows, as foreign investors adjusted positions in Asian holdings ahead of the key change in US interest rate. In December 2015, the US Federal Reserve raised Fed Fund Rate by 25bps to respond to US labor market recovery. It was the first interest rate hike since US financial crisis in 2008. In addition, oil prices tumbled to test their 7-year low during the fourth quarter of 2015, due mainly to concern on oversupply in crude market and a rising trend of US Dollar value.

In terms of Thai economics and earnings fundamental, the GDP growth was moderate, growing 3.0% YoY in the first quarter, before staying below 3.0% both in the second and the third quarter. However, a few sets of government stimulus package, which focus on consumption boost and helping the liquidity of SME business, should be able to support the Thai GDP to grow above 3.0% in the fourth quarter. Most of economists, hence, predict that GDP can grow around 2.8 - 3.0% for the year 2015.

Stock Exchange of Thailand

	2015	2014	2013
Total trading value (Baht million)*	10,765,470	11,139,291	12,330,669
Average daily trading value (Baht million)*	44,302	45,466	50,329
Total market capitalization (Baht million)	12,282,755	13,856,283	11,496,765
SET Index (year-end)	1,288.02	1,497.67	1,298.71
Dividend Yield (%)	3.4	2.9	3.2
P/E ratio (times)	22.6	17.8	14.6
P/BV ratio (times)	1.7	2.1	2.0
No. of listed companies	517	502	489

*including MAI

For the whole 2015, the SET Index staged a significant drop of 209.65pts or 14.0% to close at 1,288.02pts. The daily average market turnover (both SET and MAI) stood at Baht 44.3 billion, decreasing by 2.6% from Baht 45.5 billion in 2014. Foreign investors reported large volume of net selling position of Baht 154.3 billion in 2015, compared to a more modest net selling of Baht 37.4 billion during 2014. The market capitalization slightly eased Baht 12.28 trillion at the end of 2015, down 11.4% from Baht 13.86 trillion at the end of 2014.

There were 33 new companies listed in Thailand's stock markets (both SET and MAI) in 2015, compared to 36 new listings in 2014. Although the stock market conditions during most of year 2015 were not that favorable, the line-up of IPOs was still similar to that in 2015, as a large number of companies in mid-to-small cap segment continued to list into the SET.

IPO Stocks in 2015 (both SET and MAI)

Stock	First trading date	IPO size (Baht million)
TPCH	8 Jan 15	1,140.49
NDR	15 Jan 15	175.50
PLANB	17 Feb 15	1,795.22
SCN	23 Feb 15	1,500.00
S11	25 Feb 15	424.00
PLAT	24 Mar 15	5,180.00
PMTA	6 May 15	638.10
SLP	7 May 15	648.00
TVT	8 May 15	400.00

Stock	First trading date	IPO size (Baht million)
GPSC	18 May 15	10,029.87
HPT	29 Jun 15	120.00
BR	15 Jul 15	3,171.52
DAII	23 Jul 15	120.00
WICE	28 Jul 15	315.00
ASEFA	5 Aug 15	555.00
COM7	10 Aug 15	1,005.00
PIMO	13 Aug 15	156.00
ATP30	27 Aug 15	152.00
KOOL	23 Sep 15	216.00
JWD	29 Sep 15	1,320.00
ORI	7 Oct 15	1,350.00
TFG	8 Oct 15	2,145.00
SCI	13 Oct 15	1,106.25
LPH	28 Oct 15	1,000.00
J	10 Nov 15	333.48
SR	11 Nov 15	525.00
RP	12 Nov 15	465.00
TNP	18 Nov 15	350.00
TACC	2 Dec 15	483.84
TKN	3 Dec 15	1,440.00
SPRC	18 Dec 15	12,957.48
AMATAV	16 Dec 15	1,247.78
K	18 Dec 15	290.00

Source: SET and MAI

Competition among Thai Broker

Competition among Thai brokerage businesses remained intense, similar to the past few years. Although the market turnover remained high at Bt 44.3 Billion, the unfavorable stock market trend and the fact that Thai brokerage industry is on the liberalization of commission rates resulted in high degree of competition. The major players in foreign institutional business and retail business continued to share the top positions in 2015. For the year, the sum of the market share of the top 10 brokers was 50.01%, compared to the ratio in 2014 at 52.96%. The smaller pie for top 10 brokers also indicated that more new players have entered the industry and taken some from the major incumbents.

Top 10 securities broker of the Year 2015

Rank	Company Name	Name	Market Shares (%)
1	MAYBANK KIM ENG SECURITIES (THAILAND) PUBLIC COMPANY LIMITED	MBKET	8.65
2	CIMB SECURITIES COMPANY LIMITED	CIMBS	5.96
3	FINANSIA SYRUS SECURITIES PUBLIC COMPANY LIMITED	FSS	5.72
4	BUALUANG SECURITIES PUBLIC COMPANY LIMITED	BLS	5.00
5	PHATRA SECURITIES PUBLIC COMPANY LIMITED	PHATRA	4.69
6	KASIKORN SECURITIES PUBLIC COMPANY LIMITED	KS	4.40
7	THANACHART SECURITIES PUBLIC COMPANY LIMITED	TNS	4.07
8	SCB SECURITIES COMPANY LIMITED	SCBS	4.01
9	KGI SECURITIES (THAILAND) PUBLIC COMPANY LIMITED	KGI	3.88
10	CREDIT SUISSE SECURITIES (THAILAND) LIMITED	CS	3.63
TOP 10 BROKERS			50.01
OTHERS			49.99
Total			100.00

Industry Trend in 2016

Following an unfavorable stock market conditions and persistently high competition in the brokerage industry, the Thai stock market is likely to improve in 2016, mainly supported by a good chance for Thai economic and earnings fundamental and also attractive market valuations. Hence, it is possible that trading volume in the stock market will slightly improve from the year 2015. However, the competition among brokerage firms will remain high, as there have been new players entering the market both on the retail and institutional sides. Meanwhile, the degree of stock market recovery and that of price competition will be two major determinants of the industry trend in 2016.

2.3 Capital Management PolicyFund Management policy

The primary objectives of the Company's capital management are to maintain the Company's ability to continue as a going concern and to maintain net capital in accordance with the rules laid down by the SEC.

If the Company requires new funds, its policy is to try to procure the cheapest source of funds available, and to match the duration of any loan to its needs. As far as possible, the Company will not depend upon one source of funds. The Company analyzes its cash flow needs on a daily basis and tries to match its funding and investment in money market instruments to its needs as forecast.

The Company has a policy to maintain a Net Capital Rule and a Net Capital Ratio (NCR) that are higher than the requirements under the SEC regulations, which specified that the Net Capital Rule must be at least Baht 25 million and the Net Capital Ratio must be at least 7% of liabilities and guarantees. As of 31st December 2015, the Company has Net Capital Rule of Baht 3,756 million and Net Capital Ratio of 131% of liabilities and guarantees.

Investment Policy

The Board of Directors has approved an Investment Policy of Proprietary Trading (revised version), to comply with the SEC notification regarding the conditions and Procedures of the investment for Proprietary Trading. The policy went into effect 1st March 2014. The key points of the policy are as follows:

1. The Risk Management Committee will approve the risk limit for the Company's proprietary trading teams at least once a year. The risk limit defines an acceptable level of loss (Stop Loss Limit) and the maximum acceptable value of an investment (Position Limit) and will be reviewed regularly to ensure that the limits are suitable to market conditions.
2. The Company's proprietary trading teams are responsible for securities selection and investment allocation. An investment in new products requires the Risk Management Committee's approval.
3. The Company's proprietary trading team members must have appropriate licenses and qualifications to comply with SEC notifications.
4. The Risk Management Committee uses a variety of tools to implement comprehensive measurement and analysis of market risk. For example, Value-at-Risk is used to measure the potential loss on an investment given a certain time horizon and level of probability, and stress testing is implemented to evaluate the robustness of a Company under different stress scenarios. If Net Capital Ratio decreases significantly, the Risk Management Department will report to the Risk Management Committee immediately.
5. The Company has assigned the Legal & Compliance Department and the Audit Department to supervise and ensure that the Company's proprietary trading complies with the Company's policy.
6. Risk Management Department will report a Market Risk Summary Report to the Chief Operating Officer, Head of Proprietary Trading Department, Head of Fixed Income Department on a daily basis to ensure that the Company's investment is effective.

Credit Balance Policy

A Credit Balance account is used by investors who want to borrow money to buy a securities; or to borrow a securities for short selling. Prior to the buying of securities or a short selling, the investor needs to create purchasing power by depositing cash or pledging securities as collateral. The Company will mark to market the valuation and the purchasing power of the investor will vary following the changing value of securities.

The Company specified that clients who want to open Credit Balance Account ("Margin Account") shall disclose to its Investment Consultant adequate personal information representing their proper debt payment ability. After the Company has approved the opening of any Margin Account, such client shall sign the related Loan Agreement for Securities Trading to acknowledge the terms and conditions and risks in relation to the Margin Account. The Company's Credit Balance Policy is as follows:

1. The Company will not lend for securities trading to any person which the Company knows or should know that such person is a nominee.
2. Before serving any services to the client, the Company shall collect and evaluate client's information for the following purpose;

2.1 Know Your Client & Client Due Diligence: KYC / CDD

2.2 Evaluate the suitable and acceptable risk level for its loan for securities trading through a Suitability Test

With compliance to the regulation issued by the Office of SEC, in case where i) the Client does not cooperate or refuses to provide any information, or ii) the existing information is inadequate or not up to date materially and iii) the Company may not use such information as a part of lending consideration due to any suspicious causes. The Company reserves its right to suspend or deny all services provided or will provide to the Client.

3. The Company has set out the Marginable Securities list. In this regard, the Company has considered the qualification of any securities such as liquidity, good fundamental, price volatility and relevant risk, etc. In addition, the Company will monthly review the Marginable Securities list or when any significant market change in the marginable lists occurs and give notification to the Client as the Company deems appropriate on the Company's website.
4. The Company has imposed the Initial Margin Rate for all marginable securities and requirement for the Client to deposit cash or assets as their collateral before trading is made. In addition, the Company has set the Call Margin Rate and Force Sale Rate which is not lower than the rate prescribe by the SET and complies with the Company's internal working process. The Company will require the Clients to add more collateral or force sale their securities when the collateral is less than the required rate.
5. The Company has imposed the interest which shall be i) charged from the loan for securities trading or ii) paid from the cash which the client has deposited as collateral in the Margin Account, has complied with the regulation prescribed by the Office of SEC and/or the Company.
6. All cash, including benefit/return deposited with the Company, shall not be subject to the protection of the Financial Institutions Development Fund.

3. Risk Factors

3.1 Company's Business Risks

3.1.1 Risk Associated with Government policy, Rules and Regulations and Related Laws

Changes in government policies, rules and regulations and related laws, such as changes in interest rates, changes in regulations and guidelines, changes in commission rates, and other changes may affect the Company's operations.

The Company manages this risk by closely monitoring changes in the policies of regulators. The Company will attend meetings to share its opinions with the regulators.

The Legal & Compliance Department will notify employees of such changes, and advise them how to adjust their strategies and operational procedures in accordance with such changes.

3.1.2 Risk from Dependence on Major Client

In 2015, the Company did not depend on income from any one client for more than 30% of total income. The Company is concerned about the risk of dependence on major clients, so it continuously plans to expand its client base both in retail and institutional and local and foreign. One way this is seen is the development of the internet trading system to expand internet trading clients.

3.1.3 Risk Associated with Human Resource

Human resource is a key factor for securities businesses. Losing a key member of the staff may affect the business of the Company.

In order to protect against such risk, the Company provides continuous training to enhance human resource development in terms of potential and expertise to better serve clients. Nevertheless, to create career paths for the Company's staff, the Company has a clear policy with proper compensation in accordance with current market conditions and competition. Lastly, the Company's management team is focused on building good relationships within the organization leading to good cooperation and a better and safe working environment.

3.1.4 Risk of Renewal Premise Leasing Contract

Currently, the Company has leased the premise for its business operation either in head office or 16 branches for certain periods in many leasing contracts (except Supanburi Branch which the land and building belong to the Company). Therefore, the risk of contract renewal exists as well as the chance that rental fee will be adjusted by the lesser. However, most of the leasing contracts grant the Company the right to renew the leasing contract as long as the company complies with terms and conditions in the contract. The company has performed its duties under the leasing contracts as a good lessee and often gets renewal from the lessor. Considering rental fee adjustment which may affect the cost of business operations, it is accepted by the company due to the consistency with market rate. Therefore, the Company believes that provisions contained in the current premise leasing contracts will not give rise to a significant risk to the Company.

3.1.5 Risk Associated with Free Trade Area and Asean Economic Community ("AEC")

Asean Economic Community (AEC) will be fully implemented in 2016. The AEC is a regional economic integration of ASEAN 10 countries which transform ASEAN into a region with free movement of goods, services, investment, skilled labour, and freer flow of capital. For securities trading business, SET has developed the Asian Link system to trade securities across countries easier. However, KGI still does not allow clients to trade internationally.

3.1.6 Market Risk

Market risk refers to the risk that fluctuations in market trading volumes and interest rates will directly impact the Company's revenues or the value of the Company's financial assets and liabilities at present and in the future. Factors causing volatility in market trading volumes and interest rates include political developments, the economic outlook, and domestic and investor sentiment, both domestically and internationally.

A variety of tools are used to implement comprehensive measurement and analysis of market risk. For example, Value-at-Risk is used to measure the potential loss on investment given a certain time horizon and level of probability, and stress testing is implemented to evaluate the robustness of a company in any given stress scenarios. These analytical tools provide a picture of the Company's potential future losses. Moreover, the Company assesses and manages the losses potential resulting from market losses by setting stop loss limits and position limits that are appropriate to current market conditions, which change over time.

3.1.7 Risk from Competition in Securities Broker Business

The securities broker business is highly competitive, especially as SET changed its policy on brokerage commissions to a cascade calculation. The commission will vary based on trading volume. Also, the brokerage commission fee is fully negotiable between brokers and members since January 2012. If the Company is unable to maintain a high quality of service compared to other brokers, it may lose market share. Therefore, the Company has strategic planning and situation accommodation starting with a policy to continually enhance the efficiency of its staff in giving advice and service to clients, including technology development to support new products. The Company is also developing its research and expanding with new businesses to give more convenience to clients and offer investment alternatives.

3.1.8 Credit/Default Risk

Credit risk refers to the risk that a counter party will default on its contractual obligations, resulting in a financial loss to the Company and its subsidiary companies.

The Company is exposed to credit risk primarily with respect to securities and derivatives business receivables, loans and other accounts receivable. The Company controls such risk by establishing credit limits for clients and counter parties and analyzing their financial position as an ongoing basis. The Company is not expected to have much concentration risk of credit exposure because it has a variety of client base and large number of clients.

The maximum exposure to credit risk is limited to the carrying amount of securities and derivatives business receivables, loans, and other receivables as stated in the statements of financial position. As of 31st December 2015, the Company has securities and derivatives business receivables-net of Baht 5,054 million.

3.1.9 Risk from Securities Investment and Return

Risk from securities investment and return is the risk that the Company may not get the return from investment it expects.

The Company has assigned its Risk Management Committee to set strict guidelines and policies regarding asset allocation, portfolio limits and risk control in order to manage risk of losses due to market volatility and controlling risk limit on a daily basis. The Risk Management Committee will review on a regular basis to be consistent with market conditions.

3.1.10 Risk from Investment in Subsidiaries

This type of risk may arise if the subsidiaries incur losses which have an effect on the Company's performance. The Company appointed persons to be directors for setting the management policies of its subsidiaries.

3.1.11 Risk from Investment Banking Business

In operating an investment banking business, for the underwriting business, there is risk of losses from unsubscribed securities that must be transferred to the Company's portfolio. Inappropriate size or pricing of issues, unexpected fluctuations in the stock market, interest rates or foreign exchange rates can cause investors to not subscribe to such securities. To reduce such risk, the Company studies and analyzes information regarding the issuer and the interest of clients or investors. In the financial advisory business, the Company always studies clients carefully and conducts due diligence before entering deals. The Company also set up the Investment Banking Sub-Committee to be responsible for approving underwriting deals and other investment banking businesses.

3.1.12 Risk Associated with Derivatives Products

Having taken into consideration various risks involved in derivatives, the Company has approved the Equity Derivatives Department and Fixed Income Department to sell derivative products to clients. However, the Risk Management Committee has to approve the "Product Program" first before the Equity Derivatives Department and Fixed Income Department can issue derivatives to clients. The Product Program mainly focuses on

- 1) Characteristics of securities, services, and target clients;
- 2) Risk management policies such as control of position risk (Var, Delta, and DV01) setting acceptable stop loss level and other risk policies depending on attributes of securities and services offered to clients; and
- 3) Internal operational procedures (Work Flow) including internal control.

The Risk Management Department monitors the Company's exposure on a daily basis to ensure compliance with the approved risk policies. The Company is therefore confident that it has put in place a system for limiting risks associated with derivatives to an acceptable minimal level.

The Company was the first securities company launching Derivatives Warrants. The Company has a strict policy to control and monitor associated risk closely. Currently, the Company has total Credit Limit for issuing Derivative Warrants Baht 1,500 million.

3.1.13 Risk Associated with Information Technology

Information technological risk associated with technological limitations including ability to support large transactions and product variability plus operational system, backup and information security.

Much of the Company's business is conducted using various computer or communications networks. In the event these systems or networks are disrupted or unavailable the Company's operations would be affected. Examples of such disruptions include external network or system outages affecting market trading activities, and internal system outages affecting communication or data management.

The Company foresees the important of information technology in operating business, so it is always developing systems to support new product and various types of transactions. Also, the Company has set up an emergency plan and disaster recovery plan for each of its main systems and maintenance.

3.1.14 Risk Associated with Fraud

Fraud is a risk that can occur from employee, clients and the counter party. The Company maintains close multiple operational and financial monitoring and controls to ensure that transactions, both on behalf of clients and for the Company, are performed correctly. However, the Company may be at risk of fraud. This includes failure of the Company's monitoring systems to detect fraud. The Board has approved the Policies and Guidelines to prevent and combat corruption by the Company and the Procedures regarding the Anti-Corruption policy. The Board also set clear procedures on whistle blowing for related parties or stakeholders and ensure the Company has protective measures to keep the whistleblowers' names confidential

3.1.15 Risk Associated with Business Disruption

The Company has performed extensive business continuity planning and preparation. However, major business disruption events beyond the control of the Company may affect its level of business operations. Examples of such events include natural disasters such as the major flooding in 2010, or political unrest in 2011.

To prevent the risk of natural disasters and other emergencies, The Company has prepared the Business Continuity Plan (BCP) and requires testing at least once a year.

3.2 Financial Risk

3.2.1 Liquidity Risk

Liquidity risk is the risk that the Company and its subsidiaries will be unable to liquidate financial assets and/or procure sufficient funds to discharge obligations in a timely manner, resulting in a financial loss.

The Company has procedure and process to monitor, follow and control liquidity risk. For example, when the Company is launching a new product, it assesses the impact on its liquid capital by estimating its net capital ratio after the product is launched using a stress test technique, and takes this information into consideration in determining the appropriate size of the product issue.

The Company has a policy to maintain a Net Capital Rule and a Net Capital Ratio (NCR) that are higher than the requirements under the SEC regulations, which specified that the Net Capital Rule must be at

least Baht 25 million and the Net Capital Ratio must be at least 7% of liabilities and guarantees. As of 31st December 2015, the Company has Net Capital Rule of Baht 3,756 million and Net Capital Ratio of 131% of liabilities and guarantees.

3.2.2 Foreign Exchange Risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates.

As of 31st December 2015, the Company has investments in subsidiaries in foreign currency under cost method of USD 59.4 million (equivalent to Baht 2,383 million). However, the Company also has obtained Thai Baht loans from those subsidiaries totaling Baht 1,937 million.

The Company has exposure to foreign exchange risk in respect of its investments in foreign currencies. The Company has entered into forward exchange contracts with maturities of up to 1 year to manage this risk.

3.2.3 Interest Rate Risk

Interest rate risk is the risk that future fluctuations in market interest rates will affect the operating result and cash flows of the Company and subsidiary companies.

The exposure to interest rate risk of the Company and its subsidiary companies relates primarily to their deposits at financial institutions, securities purchased under resale agreements, securities and derivative business receivable - credit balance accounts, long-term investments in debt securities and debt issued and borrowings. However, as most of the financial assets and liabilities carry floating interest rates that fluctuate in line with the market interest rates or carry fixed interest rates which is approximate to the current market interest rate, the Company and its subsidiary companies do not use derivatives to manage their interest rate risk.

3.3 Risk Affecting the Rights of Shareholders

3.3.1 Risk From Having Major Shareholder

KGI Asia (Holdings) Pte. Ltd. (100% owned by KGI Securities Company Limited, Taiwan), is the company's major shareholder, owning approximately 34.97% of the company's paid up shares as of 14th March 2016 (the latest registration close book date). A major shareholder may exercise greater influence over the company's management and business policies. However, if a major shareholder wishes to hold more than 50% of the company, it still needs to seek approval from relevant government agencies.

Currently, there are 4 independent directors from a total of 12 directors or equal to 33%. They are responsible for good corporate governance to ensure that the quality of management is effective, transparent and accessible for the minority shareholders.

3.3.2 Risk from Establishing a Thai Trust Fund and Having a Non-Voting Depository Receipts (NVDRs)

Since investors in the Thai Trust Fund and NVDRs holders have no voting rights, this effectively leads to a decrease in the number of voting shares. As a result, major shareholders may have an increased level of control over the Company. However, as of 1th March 2016, there were no shares held by the Thai Trust Fund and investors had bought 163,894,808 NVDRs shares (equivalent to 8.23% of paid-up capital).

3.3.3 Risk Associated with Low Free Float Stock Which Effect Low Trading Liquidities

As of 9th July 2015, 65.02% of KGI stock was held by minority shareholders, which makes trading liquidity high and means less risk that investors would be unable to trade at a desired price.

4. Assets used for business

4.1 Fixed assets of the Company and its subsidiaries

A. Assets used in the Company's business are as follows:

Description (As of December 31 st 2015)	Net book value (Thousand Baht)	Ownership	Collateral/obligation
Land (Supanburi branch)	1,820	Company's asset	None
Building (Supanburi branch)	-	Company's asset	None
Equipment	72,341	Company's asset	None
Furniture and fixtures	11,339	Company's asset	None
Vehicles	-	Company's asset	None
Installation in progress	7,020	Company's asset	None
Total	92,520		

B. Assets used in subsidiaries' business are as follows:

Description (As of December 31 st 2015)	Net book value (Thousand Baht)	Ownership	Collateral/obligation
Building improvements	10,885	Subsidiary's asset	None
Equipment	5,375	Subsidiary's asset	None
Furniture and fixtures	3,770	Subsidiary's asset	None
Total	20,030		

4.2 Rental property

A. The Company rents the following space to operate business at its head office and branches.

Rental Property	Lessor	Remaining period of lease as at 31 st December 2015	
1. Head office	City Realty Co.,Ltd.	2 years	1 month
2. Hat Yai branch	Lee Gardens Hotel Co., Ltd.	1 year	
3. Nakhon Ratchasima branch	K.R.Shopping Center Co.,Ltd.	1 year	11 months
4. Samut Sakhon branch	A.T. Asset Co., Ltd.		6 months
5. Nakhon Sawan branch	Individual	1 year	8 months
6. Pinklao branch	CPN Retail Growth Leasehold Property Fund		9 months
7. Nakhon Pathom branch	Individual	1 year	6 months
8. Chiang Rai branch	Individual		6 months
9. Phetchaburi branch	Individual	2 years	
10. Udon Thani branch	Individual	1 year	2 months
11. Changwattana branch	Na-Nakorn Estate Co.,Ltd.		6 months
12. Thapra branch	The Mall Shopping Complex Co.,Ltd.	2 years	
13. Thaniya branch	Thaniya Real Estate Co.,Ltd	2 years	4 months
14. Silom Complex branch	Silom Building and Service Co., Ltd.		4 months
15. Pracha Chuen branch	Individual	2 years	8 months
16.Udon Thani Cyber branch	Fairy Bridge Holdings Co., Ltd.		3 months

B. One Asset Management Limited rents the following space to operate business at its head office.

Rental Property	Lessor	Remaining period of lease as at 31 st December 2015
Head office	Siam Piwat Co.,Ltd.	11 months

4.3 Intangible Assets and Goodwill

As of 31st December 2015, the Company's intangible assets were Baht 68 million (computer software which has useful lives for 5 and 7 years Baht 52 million and Computer software under development Baht 16 million). The Company's goodwill was Baht 27 million.

Intangible assets are carried at cost less any accumulated amortisation and allowance for impairment (if any). Intangible assets with finite lives are amortised on a systematic basis over the economic useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method of such intangible assets are reviewed at least at each financial year end. The amortisation expense is charged to profit or loss from operation.

Goodwill is initially recorded at cost, which equals to the excess of the cost of the business combination over the fair value of the net assets acquired. If the fair value of the net assets acquired, exceeds the cost of business combination, such excess is immediately recognised as revenue in profit or loss from operation.

For subsequent measurement, goodwill is carried at cost less allowance for impairment. Goodwill is tested for impairment annually or when circumstances indicate that the carrying value may be impaired.

4.4 Investment Policy in Subsidiary Companies

The Company is focused on investing in businesses that support the Company's business. Currently, the Company invests in an asset management company to meet the diverse financial requirements of our clients and invests in 2 offshore companies. As of 31st December 2015, the Company's investment in subsidiary companies was Baht 2,550 million. The details of subsidiary companies are as follows:

Company's subsidiaries	Business	Paid-up capital	Shareholding percentage	Cost (Million Baht)
One Asset Management Limited (incorporated in Thailand)	Mutual fund management	Baht 105 million	99	244
KGI Securities (Thailand) International Holdings Limited (incorporated in Hong Kong)	Investment	USD 39 million	100	1,549
KGI (Thailand) Holdings Limited (incorporated in British Virgin Islands)	Investment	USD 20 million	100	834
Total investments in subsidiaries				2,627
Less Allowance for impairment loss				(77)
Investments in subsidiaries - net				2,550

5. Legal Cases

As of 31st December 2015, the Company and its subsidiaries had no litigation as follows:

- which might have a potential negative impact in excess of 5% of the shareholders' equity per its consolidated financial statements as of the latest accounting period;
- which may significantly affect the Company or its subsidiaries which impact cannot yet quantified;
- which arises other than from the Company's normal business.

6. General information and Other relevant information

6.1 General information

(1) Information of KGI Securities (Thailand) Public Company Limited

Business Type	Securities businesses
Head office address	No.173 Asia Centre Building, 8 th - 11 th Floor, South Sathorn Road, Thungmahamek Sub-District, Sathorn District, Bangkok 10120 Thailand
Company's PCL registration number	No. 0107536000293
Telephone number	66 (0) 2658 8888
Fax number	66 (0) 2658 8000
Website	www.kgiworld.co.th and www.thaiwarrant.com
Paid up capital	Baht 1,991,763,130
No. of paid-up shares	1,991,763,130 ordinary shares
Par Value	Baht 1.00 per share

(2) Juristic Information which is 10% up of paid-up shares owed by the Company

One Asset Management Limited ("ONEAM")

% of holding by the Company	99%
Business Type	Fund Management
Address	No.989 Siam Tower (Siam Discovery), 24 th Floor, Rama I Road, Pathumwan Sub-District, Pathumwan District, Bangkok 10330, Thailand
Telephone number	66 (0) 2659 8888
Fax number	66 (0) 2659 8860
Website	www.one-asset.com
Amount and Type of paid-up shares	Paid-up 10,500,000 ordinary shares at par value Baht 10.00

KGI Securities (Thailand) International Holdings Limited ("HOLDCO")

% of holding by the Company	100%
Business Type	Investment
Address	41/F Central Plaza, 18 Harbour Road, Wanchai, Hong Kong
Telephone number	(852) 2878 6888
Fax number	(852) 2878 6800
Amount and Type of paid-up shares	Paid-up 39,444,670 ordinary shares at par value US\$ 1.00

KGI (Thailand) Holdings Limited ("KTHL")

% of holding by the Company	100 %
Business Type	Investment
Address	P.O. Box 3340, Road Town, Tortola, British Virgin Islands
Telephone number	(852) 2878 6888
Fax number	(852) 2878 6800
Amount and Type of paid-up shares	Paid-up 20,000,000 ordinary shares at par value US\$ 1.00

(3) Information of references

<u>Registrar</u>	Thailand Securities Depository Co., Ltd.
<u>Address</u>	The Stock Exchange of Thailand Building, 93 Ratchadaphisek Road, Dindaeng, Bangkok 10400, Thailand
<u>Telephone number</u>	0 2009-9000
<u>Fax number</u>	0 2009-9991
<u>Website</u>	http://www.set.or.th/tsd
<u>E-mail</u>	SETContactCenter@set.or.th

Auditor The following auditors of Deloitte Touche Tohmatsu Jaiyos Audit Co., Ltd (“Deloitte”) were the Company’s auditors for the 2015 accounting period.

<u>Auditor’s name</u>	<u>Certified Public Account Number</u>
1. Mr. Chavala Tienpasertkij	4301
2. Dr. Suphamit Techamontrikul	3356
3. Mr. Niti Jungnitnirundr	3809
<u>Address</u>	No. 3, Rajanakarn Building, 25 th - 26 th ,28 th Floor, South Sathorn Road, Yannawa Sub-district, Sathorn District, Bangkok 10120, Thailand
<u>Telephone number</u>	66 (0) 2676-5700
<u>Fax number</u>	66 (0) 2676-5757
<u>Website</u>	http://www.deloitte.com

6.2 Other relevant information**Other information as an issuer of Derivative Warrants****1) Company Rating**

TRIS Rating Co., Ltd. affirmed the Company rating at “BBB+” with “stable” outlook on 23rd July 2015. The rating reflects the Company’s strong capital position, its sizable market share in securities brokerage, the strength and diversity of its lines of business and revenue base, and its ability to leverage the extensive experience and know-how of its major shareholder, KGI Group in Taiwan (KGI Taiwan). Find Company rating announcement on www.kgiworld.co.th

Rating Symbols and Definitions

TRIS Rating uses eight letter rating symbols for announcing credit ratings. The rating ranges from AAA, AA, BBB, BB, B, C and D. The AAA is highest rating and D is the lowest rating.

BBB : The rating indicates a company or a debt instrument with moderate credit risk. The Company has adequate capacity to pay interest and repay principal on time, but is more vulnerable to adverse changes in business, economic or other external conditions and is more likely to have a weakened capacity to pay interest and repay principal than debt in higher-rated categories.

The ratings from AA to C may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within a rating category.

2) Risk management of derivative warrants issued.**2.1 Objective of DW Issuing**

To provide new investment products to investors and to diversify the Company's income

2.2 Hedging Strategy and Risk management**2.2.1 Hedging Strategy**

To manage risk from DW issuing, the Company has hedging strategies such as:

a) Hedging Strategy of Underlying Stock Price

For Call Warrant, The Company has higher risk if the underlying stock price increases. The Company may lose from issuing Call Warrant. The Company will hedge by buying the underlying stock in proportion calculated from Net Delta Value. Therefore, the loss from DW issuing will be deducted by profit from the increase in the underlying stock.

For Put Warrant, the Company has higher risk if the underlying stock price decreases.

The Company may lose from issuing Call Warrant. The Company will hedge by short selling the underlying stock in proportion calculated from Net Delta Value. Therefore, the loss from DW issuing will be deducted by profit from the short selling on the underlying stock.

b) Hedging Strategy for Volatility of Underlying Stock

For Call and Put Warrant, the Company has higher risk if volatility of the underlying stock increases. The Company may lose from issuing Call or Put Warrant. The Company will hedge through other products such as OTC Derivative, Structured Note, Derivative on related underlying stock or Options on TFEX. Those products may link to other underlying stocks or index that has the same direction with the underlying stock of the DW.

2.2.2 The Company's Risk Management System

In regards to the Company as the DW issuer, the Company has adopted a risk management framework on an integrated basis to manage risks across the enterprise effectively. The Company appointed the Risk Management Committee which is comprised of representatives of all business units as well as senior operational administrative executives, taking care of the overall risk of the Company. This includes the installation of a system to control and manage the credit and market risk. It also has established a standard operating procedure that was developed to reduce the risk of daily operations.

2.3 The role of top management in the risk management system

Besides the Risk Management Committee, the Company's Risk Management Department coordinates and facilitates management in implementing the risk management according to the assigned policy, including regularly monitoring and reporting on the risk status to the Company's top management, and continually instills a risk management culture to executives and employees.

2.4 Supervision to comply with regulations to maintain position and liquidity of DW issuing**Net Capital Rule and Net Capital Ratio (NCR)**

The Company has a policy to maintain a Net Capital Rule and a Net Capital Ratio (NCR) that are higher than the requirements under the SEC regulations, which specified that the Net Capital Rule must be at least Baht 25 million and the Net Capital Ratio must be at least 7% of liabilities and guarantees.

2.5 DW issued by the Company for the last 2 years and underlying company information (see Attachment 5).**2.6 Conflict of interest of DW issuing**

In the case that the Company or its affiliates have conducted business and/or performed other duties as per its approval, including but not limited to investment advisory, financial advisory and/or proprietary

trading in which conflict of interest concerning the issuance of DW might have been caused, for the purpose of fair treatment and the prevention of any investment's advantage/disadvantage gain or lose by the Company and clients, the Company has determined a procedure on prevention of conflict of interest emphasizing insider trading. Under such procedure, any department who performs its duties as investment advisory, financial advisory and proprietary trading will presumably possess equivalent status as that of the normal client. The department will have no right to receive information or research paper which differs from other clients of the Company.

2.7 Guarantor of DW and associated contracts of DW Issuer (if any)

- None –

2.8 Details of the sale of derivative warrants which is fully insured or partially insured. (If any)

- None –