

## **PART 1**

### **THE COMPANY'S BUSINESS**

#### **1. Policy and Overview of the Company's business**

##### **Overview**

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

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

The Company's major shareholder is KGI Asia (Holdings) Pte. Ltd., which holds shares equivalent to 34.97% of the total issued shares. KGI Asia (Holdings) Pte. Ltd. is an investment holding company incorporated under the laws of Singapore. The ultimate parent of the Group is China Development Financial Holding Corporation, which is a financial holding company incorporated under the laws of Taiwan. In addition, the Company has investments in 4 subsidiaries, whose businesses are disclosed in section 1.3 -1.4.

The Company's registered office is located at No. 173, the 8<sup>th</sup> - 11<sup>th</sup> floors of Asia Centre Building, South Sathorn Road, Thungmahamek Sub-district, Sathorn District, Bangkok. As at December 31, 2019, the Company has altogether 14 branches in Bangkok Metropolitan Region and other provinces.

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 achievements include the following:

- The first securities company to act as a principal and agent for SBL services;
- The first securities company to provide OTC Derivatives services;
- The first and only securities company to act as Market Maker and Participating Dealer of ThaiDEX SET50 ETF (TDEX), Thailand's first Equity ETF;
- The first securities company to launch Derivative Warrants in Thailand;
- The first securities company to provide 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.

###### **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 under 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

### SET AWARDS

Year 2018	■ SET Award of Honor for its continued demonstration of excellence in derivatives service during 2016 – 2018
Year 2016-2017	■ Best Derivatives House Award
Year 2014-2015	■ Outstanding Derivatives House
Year 2005	■ MAI Newly Listed STAR (Financial Advisor)

### THAI BMA AWARDS

Year 2019	■ Best Bond Securities Firm ■ Most Active Securities Firm in Corporate Bond Secondary Market
Year 2017-2018	■ Best Bond Securities Firm ■ Most Active Securities Firm in Corporate Bond Secondary Market
Year 2012-2016	■ Best Bond Securities Firm
Year 2009-2010	■ Best Bond Securities Firm
Year 2007	■ Best Bond Securities Firm

### TFEX BEST AWARDS

Year 2019	■ Most Active House ■ Most Active Prop-Trading of the Year (1 <sup>st</sup> place)
Year 2018	■ Most Active House
Year 2017	■ Most Active House ■ Most Active Agent ■ Market Maker Best Performance 2017 for equity futures ■ Most Active Prop-Trading of the Year (2 <sup>nd</sup> place)
Year 2015	■ Most Active House ■ Prop-Trading of the Year (1 <sup>st</sup> place) ■ Agent of the Year (1 <sup>st</sup> place)
Year 2014	■ Most Active House ■ Prop-Trading of the Year (1 <sup>st</sup> place) ■ Market Maker Best Performance for Equity Product
Year 2013	■ Most Active House ■ Prop-Trading of the Year (1 <sup>st</sup> place) ■ Market Maker Best Performance for Equity Product ■ Agent of the Year (3 <sup>rd</sup> place)
Year 2010	■ Most Active House
Year 2006	■ Best House of the Year ■ Most Active House

### TFEX PROP-TRADING CHAMPION

Year 2012	■ Most Growth Champion
Year 2011	■ Most Growth Trader ■ TFEX Best Trader

### THE ASSET BENCHMARK SURVEY

Year 2006	■ Best Corporate Bond House (Thailand Baht)
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## 1.2 Significant Development

The Company was found with the name of “The Goldhill Securities Company Limited” on 7<sup>th</sup> 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 15<sup>th</sup> February 1988. It became a publicly listed company on the SET on 15<sup>th</sup> 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 6<sup>th</sup> May 1993.

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

In 2012, China Development Financial Holding Corporation, a company which is listed on the Taiwan Stock Exchange, announced its intention to make a tender offer for KGI Taiwan. Following the completion of the tender offer, KGI Taiwan became a wholly-owned subsidiary of China Development Financial Holding Corporation.

As at 31<sup>st</sup> December 2019, the Company’s major shareholder is KGI Asia (Holdings) Pte. Ltd, which holds shares equivalent to 34.97% of the total issued shares. The ultimate parent of the Group is China Development Financial Holding Corporation, which is a financial holding company incorporated under the laws of Taiwan.

### ***Significant Developments in 2019***

- |             |  |
|-------------|--|
| April 2019  | ■ Mr. Foong Hock Meng, Chairman of the Board of the Company, passed away.  |
| April 2019  | ■ The AGM of Shareholders No. 1/2019 approved the amendment to the following Company’s Articles of Association, Article 33: regarding the right of shareholders to call extraordinary meetings of shareholders, in order to comply with the section 100 of the Public Limited Companies Act B.E. 2535 amended by Order of the Head of the National Council for Peace and Order No. 21/2560 on Amendments of Laws to Facilitate the Ease of Doing Business.   |
| June 2019   | ■ TRIS Rating <u>upgrades</u> the Company rating and the ratings of the Company’s outstanding senior unsecured debentures to “A” from “A-”.  |
| July 2019   | ■ Dr. Pisit Leeahtam resigned as a Company Director, as he will be appointed as a Member of Thailand’s House of Representatives.   |
| August 2019 | ■ The Board of Director’s meeting resolved as follows: <ul style="list-style-type: none"><li>● Acknowledged the resignation of Ms. Bee Leng Ooi and Mr. Shaw-Tseng Ding, from the Company’s Board, with effect from 21<sup>st</sup> August 2019. (Ms. Bee Leng Ooi will continue to be a Managing Director of the Company);</li><li>● Approved the appointment of Mr. Chin-Lung Tseng as a replacement director (with authority). (The SEC approved the appointment on 28<sup>th</sup> August 2019 and the Company registered with the Ministry of Commerce on 2<sup>nd</sup> September 2019.)</li><li>● Approved the appointment of Mr. Chin-Lung Tseng, as the new Chairman of the Company’s Board of Directors and the appointment of Mr. Picharn Kullavanijaya, as the new Vice Chairman of the Company’s Board of Directors, new Chairman of the Audit Committee and new Chairman of the Nomination Committee.</li><li>● Approved the change of authorized directors of the Company from “Mr. Chih-Hung Lin, Ms. Bee Leng Ooi, Ms. Suchada Sodthibhaphkul, any two of three directors jointly signing to bind the Company” to “Mr. Chih-Hung Lin, Mr. Chin-Lung Tseng, Ms. Suchada Sodthibhaphkul, any two of the three directors jointly signing to bind the Company”</li><li>● Approved the connected transaction regarding the appointment of Ms. Suchada Sodthibhaphkul, Authorized Director, as an Executive Director of the Company for the period from November 2019 - October 2020.</li></ul> |

### 1.3 The Company's Shareholding Structure

#### 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 for its subsidiaries to ensure the implementation of the various group policies effectively.

#### Shareholding Structure of the Group

The Company's major shareholder is KGI Asia (Holdings) Pte. Ltd., which holds shares representing 34.97% of total issued shares. KGI Asia (Holdings) Pte. Ltd. is an investment holding company incorporated under the laws of Singapore. The ultimate parent of the Group is China Development Financial Holding Corporation, which is a financial holding company incorporated under the laws of Taiwan.

In addition, the Company has investments in 4 subsidiaries, details as follows:

Subsidiaries As at 31 <sup>st</sup> December 2019	Country of Incorporation	Business Type	% holding by the Company	Revenues as a percentage to the consolidated totals (%)
One Asset Management Limited ("ONEAM")	Thailand	Mutual fund management	99	18.84%
KGI Insurance Broker (Thailand) Company Limited ("KGI Insurance")	Thailand	Non-life and life insurance broker	100	-
KGI Securities (Thailand) International Holdings Limited ("HOLDCO")	Hong Kong	Investment	100	-
KGI (Thailand) Holdings Limited ("KTHL")	British Virgin Islands	Investment	100	-

### 1.4 Relationship with business groups of the major shareholder

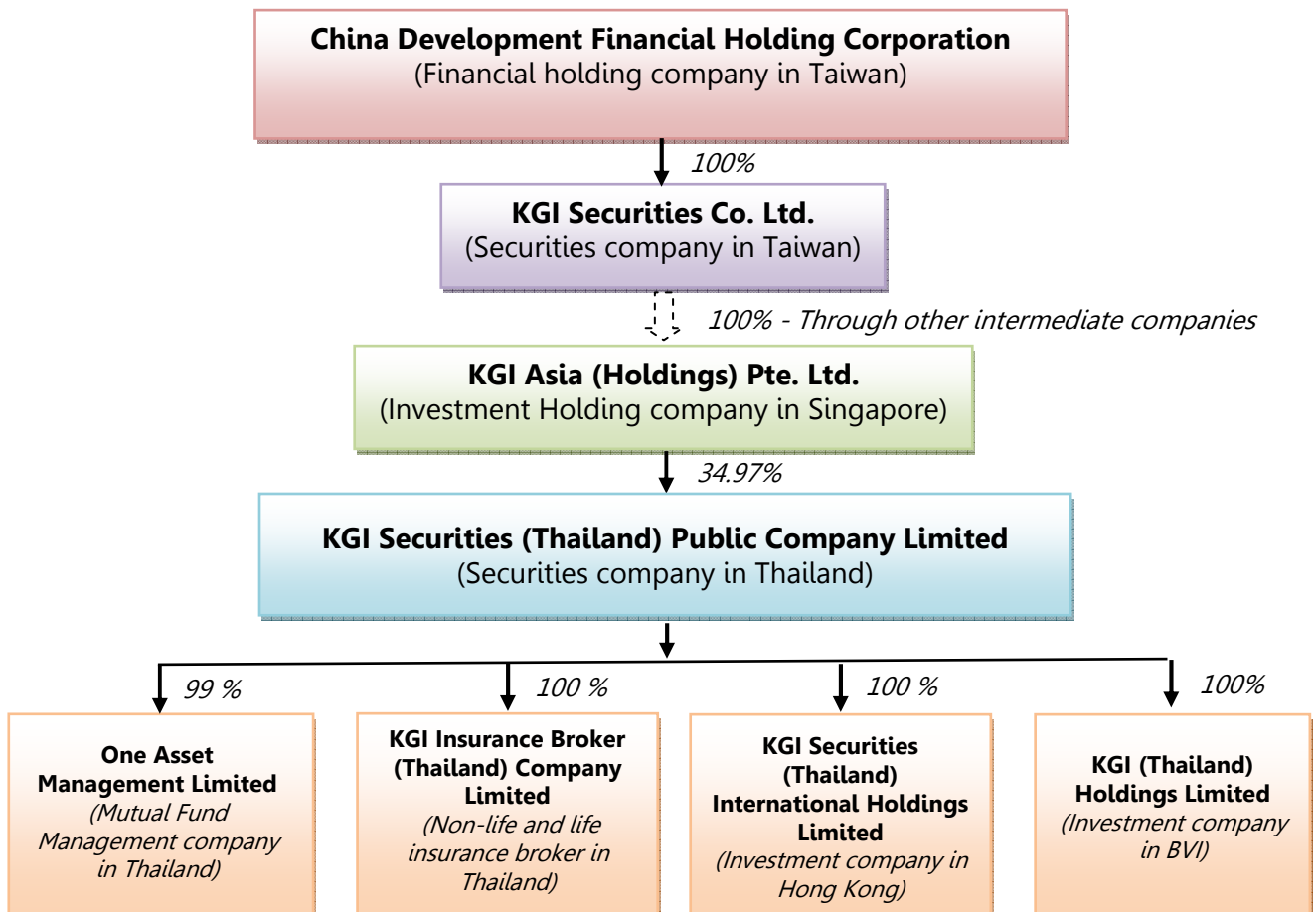
China Development Financial Holding Corporation ("CDF") was established in 2001. Its key subsidiaries include, 1) CDIB Capital Group 2) KGI Bank Co., Ltd 3) KGI Securities Co. Ltd. ("KGI Taiwan") and 4) China Life Insurance Co., Ltd. CDF enjoys a leading position in the venture capital and investment banking markets in Taiwan.

KGI Taiwan, a wholly owned subsidiary of CDF, is a market leader in a broad range of areas, including brokerage, wealth management, proprietary trading, underwriting, fixed income and a variety of derivatives products. Not only is KGI Taiwan the leading brokerage house in Taiwan, it is also ranked number one in the underwriting market. In addition to Taiwan, KGI Taiwan has a presence in Hong Kong, Thailand, Singapore, Indonesia and China.

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 3 representative directors from major shareholder, which is equivalent to 1/3 of all directors and in proportion to their share-holding in the Company. The Company also has 3 independent directors which is equivalent to one-third of all directors, following the SEC's regulations to ensure the operations of the company meet the appropriate standards and to protect the rights of all shareholders.

### Shareholding Structure of KGI Securities (Thailand) Public Company Limited



### The Company's subsidiaries

#### **One Asset Management Limited ("ONEAM")**

ONEAM was established as a limited company on 19<sup>th</sup> March 1992, with registered capital of Baht 100 million (fully paid-up). As at 31<sup>st</sup> December 2019, ONEAM had registered capital of Baht 105 million (fully paid-up) with KGI Securities (Thailand) Public Company Limited holding 99.15%, and ONEAM's directors and employees holding 0.85% of outstanding shares. (see details at [www.one-asset.com](http://www.one-asset.com))

#### **KGI Insurance Broker (Thailand) Company Limited ("KGI Insurance")**

On January 7, 2019, the Company set up a new subsidiary, KGI Insurance Broker Company Limited, a juristic person according to Thai laws. The subsidiary company changed its name to KGI Insurance Broker Company (Thailand) Limited on March 6, 2019, its registered office is located at 173, Asia Centre Building, 8<sup>th</sup>-11<sup>th</sup> Floor, South Sathorn Road, Thungmahamek Sub-district, Sathorn District, Bangkok. The principal objectives of the subsidiary company are non-life and life insurance broker business. The subsidiary company is currently in the process of applying for such insurance broker licenses with The Office of Insurance Commission.

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

Formerly known as "KGI Securities One International Holdings Limited", it is a wholly owned offshore subsidiary established in Hong Kong. Its name was changed to "KGI Securities (Thailand) International Holdings Limited" on 7<sup>th</sup> December, 2001. The purpose of the subsidiary is to explore future overseas investment opportunities.

#### **KGI (Thailand) Holdings Limited ("KTHL")**

KTHL is a wholly owned offshore subsidiary established in British Virgin Islands. The purpose of the subsidiary is to explore future overseas investment opportunities.

## 2. Business Lines

### Income Structure

The majority of the operations of the Company and its subsidiaries involve securities related business, including mutual fund management, and are carried on in Thailand. (see Note of financial Statements no. 35: Operating Segment Information)

In 2019, the Company reported consolidated revenues of Baht 3,350 million, compared with Baht 3,509 million in 2018, representing a 5 percent decrease. In 2019, the Company's revenue structure was as follows:

- Gains and returns on financial instruments of 51%,
- Fees and service Income of 24%,
- Brokerage fees of 21%,
- Interest on margin loans of 4%

### Comparative Revenues Structure for the past 3 years

Income Structure	Operated By	% Share Holding by the Company	2019 (Baht Million)	%	2018 (Baht Million)	%	2017 (Baht Million)	%
1 Brokerage fee	The Company	-	698	21%	910	26%	917	30%
2 Fees and services income/1	The Company	-	164	5%	121	4%	111	4%
Fees and services income/1	ONEAM /2	99%	625	19%	566	16%	561	18%
3 Interest on margin loans	The Company	-	137	4%	164	5%	137	5%
4 Gain on securities and derivatives	The Company	-	1,701	51%	1,734	49%	1,323	43%
Gain on securities and derivatives	ONEAM /2	99%	5	-	4	-	5	-
5 Other incomes	The Company	-	19	-	5	-	4	-
Other incomes	ONEAM /2	99%	1	-	5	-	-	-
<b>Total revenue</b>			<b>3,350</b>	<b>100%</b>	<b>3,509</b>	<b>100%</b>	<b>3,058</b>	<b>100%</b>

Note/1 See note of financial statements No. 25: Fees and Service Income.

/2 ONEAM: One Asset Management Limited, 99% 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 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 colour to help analyze trends and market movements, providing a competitive advantage for investors to make timely and accurate investment decisions. In 2019, the Company ranked No.15 in terms of brokerage market share with an overall share of 2.97%.

The Company has developed a securities and derivatives trading program or KGI POWER TRADE to facilitate customers when placing orders or viewing information. It can be used as a web-based version and an application on a smartphone. Using modern technology, KGI POWER TRADE can be used on both the Android and IOS (iPhone). There is also the KGI POWER TRADE HD, an application for use on Tablet or iPad.

For further information, please visit our website: [www.kgiworld.co.th](http://www.kgiworld.co.th) or contact at Hotline: 02 658 8777 or email: [eps@kgi.co.th](mailto:eps@kgi.co.th)

### 2.1.2 Futures Business

The Company received a license to conduct futures business from the Securities and Exchange Commission (SEC) and also an approval to act as a futures broker from the Thailand Futures



Exchange Plc. (TFEX) and the Thailand Clearing House Co., Ltd. (TCH), prior the start of Futures trading on 28<sup>th</sup> April 2006.

Besides retail brokerage of futures, the Company's Proprietary Trading Department also trades futures and acts as a Market Maker of SET50 Index Options and Gold Futures in Thailand Futures Exchange (TFEX). Furthermore, the Company provides Block Trades in Single Stock Futures to facilitate customers.

In 2019, the Company ranked No.2 in futures trading volume with a market share of 9.09% of the TFEX market. The company received "Most Active House of 2019" (the highest derivatives trading volume) for 6 consecutive years and received "Most Active Prop-Trading" (the highest proprietary trading transactions) from the TFEX Best Awards 2019.

### **2.1.3 Securities Trading Business**

The Company's 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 monitored by a stringent risk control system. These controls have engendered a strong culture of discipline among the Company's proprietary traders and have eliminated to the highest degree possible, the potential for mistrades.

As at 31<sup>st</sup> December 2019, the Company's net investments were valued at Baht 5,894 million, an increase of 7% from the previous year, because the Company had increased the size of its trading securities investments due to market conditions. The Company's investment portfolios include equities, bonds, derivatives, futures and options. Selection and investment allocation is made according to the established policy. The Risk Management Department closely tracks the departments' exposure in order to control the Company's overall risks.

The Company pays serious attention to conflicts of interest and the misuse of inside information. Securities trading departments have no right to receive information or research that differs from other clients of the Company.

### **2.1.4 Investment Advisory Business**

The SEC granted an approval to the Company to operate investment advisory business on 6<sup>th</sup> 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.

Overall, the SET index in 2019 faced with fluctuations, including an upward swing at the beginning of the year and a downward swing in the second half. The main effect was from both internal and external factors that caused the SET index to close at 1,579.84 points or equivalent to an increase of 1.02 percent compared to the previous year.

In 2019, there were 34 new listings on the stock exchanges; 13 were listed in the SET and 17 listed in the MAI, 4 were Property Funds and Infrastructure Funds, with total issue size of Baht 90,839 million and Market Capitalization at IPO Price of Baht 383,749 million.

### **Total Number of newly Listed Companies in 2019**

Year	Total number of newly listed companies in 2019					Issued size (Million Baht))	Market Capital At IPO price (Million Baht)
	SET	MAI	IFF	PFUND/ REIT	Total		
2019	13	17	1	3	34	90,838.73	383,749.07

In 2019, the Company acted as a financial advisor of 2 IPOs, lead underwriter of 1 IPO and as a co-underwriter of 13 IPOs and 1 REIT. In addition, the Company was appointed as a financial advisor and lead underwriter of 6 IPOs, which are being prepared for IPO and listing. In addition, the Company successfully acted as an underwriter of 7 Debenture deals and also provided financial advisory for fund raising, through both debt and equity, for both listed and non-listed companies.

With our group's 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 14<sup>th</sup> 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 Thai Bond Market Association (ThaiBMA), and provides fixed income securities trading services to the Company's clients. The Company has experienced staff 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 as a bond primary dealer (Outright PD) for both the Ministry of Finance and the Bank of Thailand.

In 2019, the Company was ranked No. 1 in bond trading among securities dealers and ranked No. 6 in corporate bond trading value among all dealers, with a market share of 8.96%, compared with 7.28% in 2018. In 2019, the Company has received the Best Bond Securities Firm Award and the Most Active Securities Firm award in Corporate Bond Secondary Market from the ThaiBMA Best Bond Awards 2019.

#### **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 a agreement in Thai version, approved by SEC, to offer clients more convenience.

In 2019, 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 Selling Agent for mutual funds Business**

The Company received approval from the SEC to be a Selling Agent in investment units of mutual funds on 16<sup>th</sup> January 2002. As at 31<sup>st</sup> December 2019, the Company had been appointed as a Sales Agent of investment units of mutual funds by 20 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 the investment objectives and risk appetite of clients.



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#### **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, such as: 1. Local Institutional Lenders and Borrowers, 2. Foreign Institutional Borrowers, 3. Retail Lenders and Borrowers. This service helps to increase liquidity and price stability in the Thai capital market and also supports other businesses within the Company.

#### **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 consistently invested in the pricing and risk management platforms for issuing and trading of derivatives products. The major shareholder, the KGI Taiwan, has also provided support in term of knowledge transfer, international experience, and technology to the Company. The Company provides products as follows:

##### **1. OTC Equity Derivatives**

OTC Equity Derivatives products are tailor-made, and designed upon clients’ requests. OTC Equity Derivatives are commonly used by local and foreign institutional clients, including Private Funds for the purpose of risk management and leveraging. The Company provides various types of OTC Equity Derivatives, including basic and exotic options. The wide variety of such products offers a high degree of flexibility for clients to match their risk profile and investment objectives.

##### **2. Structured Products**

The Company focuses on developing structured products that combine equity derivatives with money market instruments to serve clients who want investments which combine the advantages of both equity market and money markets. 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 has offered 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 SET50 listed stocks, SET 50 index, listed Exchange Traded Fund, and others as approved by The Securities and Exchange Commission.

#### **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) with the name of ThaiDEX SET50 ETF or “TDEX” in 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 advance 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.

**ETFs for which the Company acts as Market Maker ("MM") and/or Participating Dealer "PD")**

ETF	Code	Underlyig Index	SET's Listed Date	The Company's role	AUM (Baht Million) As at 31 <sup>th</sup> Dec 19
1.ThaiDEX SET50 ETF	TDEX	SET50 index	6 Sep 2007	MM, PD	3,102.84
2.W.I.S.E. KTAM CSI 300 China Tracker	CHINA	W.I.S.E. -CSI 300 China Tracker	22 Nov 2010	PD	146.28
3.KTAM Gold ETF Tracker	GLD	SPDR Gold Trust (2840:HK)	8 Aug 2011	PD	470.55
4.ThaiDEX SET High Dividend ETF	1DIV	SET High Dividend 30 Index	16 Aug 2011	MM, PD	114.99
5.ThaiDEX SET100 ETF	TH100	SET100 index	21 Feb 2013	MM, PD	9.23
6.KTAM SET50 ETF Tracker	ESET50	SET50 index	26 Mar 2014	MM, PD	18.19

**2.1.13 Derivative Warrants Business**

Derivative Warrants ("DW"), are financial instruments that give the buyers rights to benefit from the increase or decline in price of a specific underlying security based on a pre-determined price, quantity and period as specified by the issuer. A DW issuer is a third party, and is not connected to the issuer of the underlying security.

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 2019, the Company launched 539 DWs which received a great response from investors. The total registered amount for all 539 DWs was approximately Baht 73,314 million. From 2011 to the end of 2019, the Company has launched a total of 2,305 DWs as detailed below;

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	Total
Total DWs issued by the Company	114	105	121	205	236	248	297	440	539	2,305
-CALL Warrant	87	73	96	163	178	194	250	385	428	1,854
-PUT Warrant	27	32	25	42	58	54	47	55	111	451

The Company and the underlying companies of the DW that the Company has issued are not related, but the Company may hold the underlying securities in order to hedge its DW issuer risk or for market making.

In 2020, the Company intends to maintain the number of DW issued at around 550 DWs, and plans to launch DWs with new underlying securities as approved by the regulators.

As investing in DWs has become well known among investors, the Company has consistently educated investors to ensure that they understand the risks and features of DWs. The DW education was provided through many channels such as [www.thaiwarrant.com](http://www.thaiwarrant.com) (both Thai & English version), Facebook ([www.facebook.com/ThaiwarrantDW13](https://www.facebook.com/ThaiwarrantDW13)), Line Official Account (Line ID: @DW13), newspapers, interviews and print media. For investors who are interested in DWs, full information is provided through [www.thaiwarrant.com](http://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 4).

## 2.1.14 Mutual fund management Business (One Asset Management Limited: ONEAM)

In 2019, ONEAM's net profits were Baht 136 million (EPS of Baht 12.91). As at 31<sup>st</sup> December 2019, ONEAM's total assets were Baht 583 million, total liabilities were 131 million, shareholders' equity was Baht 452 million. ONEAM has built a strong reputation with both individual and institutional investors. As at 31<sup>st</sup> December 2019, ONEAM had total assets under management of Baht 152,040 million. In 2019, ONEAM issued 9 new funds as follows:

	Fund	Initials Fund	Registered date	AUM-Baht Million as at 31 Dec 2019
1	ONE SET HIGH DIVIDEND EQUITY FUND	ONE-SETHD	18 Feb 2019	260.37
2	ONE GLOBAL E-COMMERCE FUND	ONE-GECON	27 Mar 2019	177.48
3	ONE COMPLEX RETURN 1Y1 FUND NOT FOR RETAIL INVESTORS	ONE-COMPLEX1Y1	10 Apr 2019	952.33
4	ONE COMPLEX RETURN 3Y1 FUND NOT FOR RETAIL INVESTORS	ONE-COMPLEX3Y1	16 May 2019	1,152.25
5	ONE COMPLEX RETURN 3YA FUND NOT FOR RETAIL INVESTORS	ONE-COMPLEX3YA	20 Jun 2019	1,019.52
6	ONE DELIGHT FUND	ONE-DELIGHT	19 Jul 2019	114.46
7	ONE COMPLEX RETURN 1YA FUND	ONE-COMPLEX1YA	14 Aug 2019	385.44
8	ONE TOP SELECTION 5MA FUND	ONE-TOP5MA	28 Aug 2019	349.61
9	ONE DISCOVERY FUND	ONE-DISC	20 Nov 2019	155.49
			<b>Total</b>	<b>4,566.96</b>

## 2.2 Market Overview and Competition

### (A) Significant Marketing Activities

#### The Company's marketing policy in 2019

The Company's marketing policy is to maintain existing clients and acquire new clients by organizing promotional activities and focusing on giving better service to clients. In 2019, 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 "KGI POWER TRADE", to make it fast and efficient.
3. The Company has organized booth activities to introduce the Company's products and services at various events such as Investment Expo 2019, #INVEST NOW, TFEX Trader Day 2019, Settrade Streaming Day 2019 and SET in the City etc.
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.

### 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 such as equities, fixed income and derivatives. This can be a natural person or juristic person.

In 2019, the Company's Trading Volume consisted of 9% Local corporate clients, 25% Local retail clients, 9% foreign clients and 57% the Company's portfolio, the Company did not depended on any client for more than 30% of total income.

Clients can send orders via phone through the Company's Investment Consultants or trade by themselves through the internet. In 2019, the portion of trading via Investment Consultants: trading via Internet was 31% : 69%.

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

Unit : Baht Millions

<b>Average Daily Trading Volume</b>	<b>2019</b>	<b>%</b>	<b>2018</b>	<b>%</b>	<b>2017</b>	<b>%</b>
Daily Trading Volume- SET*	53,192		57,674		50,114	
Daily Trading Volume- The Company * (including the Company's portfolio)	6,432		5,841		4,788	
The Company's market share % (excluding the Company's portfolio)	2.99%		3.27%		3.27%	
Ranking	15		13		13	
Breakdown by types of clients						
1) Local corporate clients	558	9	548	9	462	10
2) Local retail clients	1,629	25	2,498	43	2,423	50
3) Foreign clients	564	9	264	5	43	1
Total	2,751	43	3,310	57	2,928	61
4) The Company's portfolio	3,681	57	2,531	43	1,860	39
Total	6,432	100	5,841	100	4,788	100
Breakdown by types of accounts						
1) Cash Account and Cash Balance Account	2,106	77	2,455	74	2,235	76
2) Credit balance account	645	23	855	26	693	24
Total	2,751	100	3,310	100	2,928	100
Breakdown by types of trading order channels						
1) Trading via Investment Consutants	853	31	990	30	992	34
2) Trading via internet trading	1,898	69	2,320	70	1,936	66
<b>Total</b>	<b>2,751</b>	<b>100</b>	<b>3,310</b>	<b>100</b>	<b>2,928</b>	<b>100</b>

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

### **(B) Market Overview and Competition in 2019**

For the year 2019, the Thai stock market had a modest annual return, and its performance was weaker than many other regional and major international stock markets, due to the following reasons. First, the negative impact from the US and China trade war largely hit global manufacturing and Thai exports, and led to negative consequences for the Thai economy particularly the SME businesses and other exports-led sectors. Second, a significant delay in the government budget for 2020 affected the investors' confidence. Third, corporate earnings for 2019 faced significant downgrades due to falling commodity prices, weaker than expected GDP growth and regulatory impact on the banking industry.

During the first quarter of 2019, the SET Index moved in a tight range. The month of January saw a positive sentiment entering the market given the so-called 'pre-election optimism' as the general election was confirmed to be held on 24<sup>th</sup> March 2019. On the external side, rising hope for positive US and China trade negotiations also supported risk assets in general. However, continued weakness in 4Q18 earnings and also a high degree of uncertainties on the Thai election results still limited the SET Index's upside.

Moving on to the second quarter, the SET Index showed a high degree of volatility but ended positively with a solid stocks rally in June. The market was moving sideways in April before declining in May due to i) an unexpected announcement from the US to further raise the import tariffs on Chinese goods and ii) lower than expected 1Q19 GDP which led to economic downgrades. However, the market sentiment significantly reversed to positive in June, after the US and European central banks guided for more monetary stimulus to support the global economy while Thai political clarity improved after the parliament voted to have General Prayuth Chan-ocha return as the prime minister.

In the third quarter of 2019, the SET Index eased moderately as rising concern on the inverted yield curves and US economic recession were the dominant factors weighing down risk assets. News on the US and China trade war remained highly uncertain during the quarter while Thai exports and GDP revision continued to be on a downward trend. However, the downside risk to the SET Index was limited by action from global central banks like the US Fed, which cut interest rates, and the ECB, which lowered interest rates and also announced a new round of quantitative easing (QE).

Regarding the market in 4Q19, it was the quarter that clearly showed the weakness of the Thai stock market, as the local stock index dropped further, despite a few positive global macro developments i.e. US and China trade negotiations that finally led to a trade deal and also further monetary easing from major central banks. Thai fundamentals seemed to further deteriorate as the market participants continued to cut GDP and earnings projection for both 2019 and 2020.

For the whole of 2019, the SET Index rose by 1.02% to close the year at 1,579.84pts. The daily average market turnover (both SET and MAI) stood at Baht 53.19 billion, decreasing by 7.77% from Baht 57.67 billion in 2018. Foreign investors reported a moderate net selling position of Baht 45.24 billion in 2019, compared to a huge foreign net selling of Baht 287.46 billion during 2018. The market capitalization increased to Baht 16.75 trillion at the end of 2019, rising by 4.81% from Baht 15.98 trillion at the end of 2018.

### Stock Exchange of Thailand

	2019	2018	2017
Total trading value (Baht million)*	12,978,854	14,130,078	12,227,748
Average daily trading value (Baht million)*	53,192	57,674	50,114
Total market capitalization (Baht million)	16,747,456	15,978,252	17,587,433
SET Index (year-end)	1,579.84	1,563.88	1,753.71
Dividend Yield (%)	3.1	3.2	2.7
P/E ratio (times)	19.4	14.8	19.1
P/BV ratio (times)	1.8	1.8	2.1
No. of listed companies	556	545	538

\*including MAI

Regarding the new listings, there were 28 new companies listed in Thailand's stock markets (both SET and MAI) in 2019, compared to just 18 new listings in 2018. Although the macro and market conditions of Thai stock market in the second half of 2019 were not very supportive, it is interesting to note that there have been a number of new listings during the period. However, most of the IPOs were small caps.

### IPO Stocks in 2019 (both SET and MAI): 28 new companies in total

Stock	First trading date	IPO size (Baht million)
SAAM	7 Jan 19	144.00
CAZ	22 Jan 19	312.00
ZEN	20 Feb 19	975.00
GSC	13 Mar 19	153.00
VRANDA	3 May 19	750.00
ALL	8 May 19	735.00
VL	21 May 19	350.00
MITSIB	11 Jun 19	417.50
ACG	27 Jun 19	224.64
ARIN	10 Jul 19	270.00
ILM	26 Jul 19	2,310.00
KUMWEL	1 Aug 19	143.00
DOHOME	6 Aug 19	3,558.00
INSET	8 Oct 19	392.74
AWC	10 Oct 19	41,742.00
CPW	18 Oct 19	380.80
RBF	24 Oct 19	1,716.00
IP	5 Nov 19	322.00
SHR	12 Nov 19	7,474.77
ACE	13 Nov 19	4,479.20
BC	14 Nov 19	477.62
TPS*	15 Nov 19	200.00
APP	22 Nov 19	196.80
STC	29 Nov 19	148.00
BAM	16 Dec 19	4,900.00
KUN	17 Dec 19	165.00
SFLEX	19 Dec 19	426.80
IMH	26 Dec 19	330.00

**Note:**

1. Source: SET and MAI
2. \*KGI is a Lead Underwriter
3. The number of newly listed IPO stock above not included fund raising via IFF/PFUND/REIT as well as 2 stocks listed as a result of M&A and group restructuring

### Competition among Thai Brokers

In 2019, competition among Thai brokerage businesses remained intense, similar to the past few years, for several reasons. First, as mentioned earlier, the average daily trading value dropped by 7.77% to Baht 53.19 billion, from Baht 57.67 billion in 2018. Second, the competitive environment from the continued liberalization of commission rates and, more recently, the introduction of computerized trading systems and new financial innovations, resulted in high degree of industry competition. There were also foreign securities houses being more active in the local institutional business. Meanwhile, for 2019, the sum of the market share of the top 10 brokers was 55.34%, while the remaining 44.66% of the pie was shared by the remaining brokers.



## Top 10 securities broker of the Year 2019

Rank	Company Name	Name	Market Shares (%)
1	PHATRA SECURITIES PUBLIC COMPANY LIMITED	PHATRA	9.61
2	FINANSIA SYRUS SECURITIES PUBLIC COMPANY LIMITED	FSS	6.15
3	MAYBANK KIM ENG SECURITIES (THAILAND) PUBLIC COMPANY LIMITED	MBKET	6.10
4	CREDIT SUISSE SECURITIES (THAILAND) LIMITED	CS	5.82
5	KINGSFORD SECURITIES PUBLIC COMPANY LIMITED	KINGSFOR	5.63
6	CGS-CIMB SECURITIES COMPANY LIMITED	CGS-CIMB	5.46
7	DBS VICKERS SECURITIES (THAILAND) LIMITED	DBSV	4.81
8	BUALUANG SECURITIES PUBLIC COMPANY LIMITED	BLS	4.23
9	UBS SECURITIES (THAILAND) LIMITED	UBS	3.79
10	JP MORGAN SECURITIES (THAILAND) LIMITED	JPM	3.74
TOP 10 BROKERS			55.34
OTHERS			44.66
<b>Total</b>			<b>100.00</b>

\*including MAI

## Industry Trend in 2020

We divide the analysis into two dimensions, the macro and market outlook and the industry landscape in Thailand. On the first dimension, the recent phase one trade deal between the US and China and also a few signs of recovery in global manufacturing surveys make us believe the world economy could avoid a recession. Further, loosening monetary policies by major central banks should continue to support the liquidity and sustain market valuations at a high level. Regarding the industry competition, however, mediocre outlook of daily trading value and also the price competition among brokers imply that industry competition will remain high. Brokerage firms that have a wide array of business diversification should be better off, in our view.

## 2.3 Capital Management Policy

### (A) Fund Management policy

The primary objectives of the Company's capital management are to maintain the Company's ability to operate normally and to maintain net capital in accordance with the rules laid down by the SEC.

If the Company requires additional funds, the Company's policy is to procure the most appropriate source of funds taking into account the cost of funds, and not to depend upon any one single source of funds. The Company analyses its cash flow needs on a daily basis and matches its short-term or long term funding and investment needs.

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

### (B) Investment Policy

The Board of Directors has approved an Investment Policy of Proprietary Trading, to comply with the SEC notification regarding the conditions and Procedures of the investment for Proprietary Trading. The key points of the policy are as follows:

1. The Board of Directors will approve the market risk budgeting for the Company's proprietary trading investment at least once a year. The market risk budgeting defines an acceptable level of loss (Stop Loss Limit) and the maximum acceptable value of investments (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, and either the Head of Proprietary Trading Department, or the Head of Fixed Income Department as the case may be on a daily basis.

### **(C) Credit Balance Policy**

A Credit Balance account is used by investors who want to borrow money to buy securities; or to borrow securities for short selling. Prior to the buying of securities or 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 providing 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

In compliance with 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. 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 review the Marginable Securities list every month 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. In addition, the Company has set the Call Margin Rate and Force Sale Rate which is not lower than the rates prescribe by the SET and complies with the Company's internal regulations. 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 sets interest rates which shall be i) charged for the loan for securities trading or ii) paid for the cash which the client has deposited as collateral in the Margin Account, and such interest rates will comply with the regulations 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 operational procedures in accordance with such changes.

##### **3.1.2 Risk from Dependence on Major Client**

In 2019, the Company did not depend on income from any one client for more than 30% of total income. The Company is aware of the risk of dependence on major clients, so it continuously plans to expand its client base both in retail and institutional clients and local and foreign clients. The Company is also developing the internet trading system to increase the number of 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. 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 of Premise Leasing Contract**

Currently, the Company has leased the premises for its business operations at its head office and branches for certain periods under many leasing contracts (except for the Supanburi Branch where 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 increased 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 Market Risk**

Market risk refers to the risk that fluctuations in market trading volumes, share prices, 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 the 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 potential losses resulting from market losses by setting stop loss limits and position limits that are appropriate to current market conditions.

### **3.1.6 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 clients 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 a strategic 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 into new businesses to give more convenience to clients and offer investment alternatives.

### **3.1.7 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 on 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.

### **3.1.8 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 these on a regular basis to be consistent with market conditions.

### **3.1.9 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 appoints persons to be directors for setting the management policies of its subsidiaries.

### **3.1.10 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 Businesses Risk Sub-Committee to be responsible for approving underwriting deals and other investment banking businesses.

### **3.1.11 Risk Associated with Derivatives Products**

Having taken into consideration various risks involved in derivatives, the Company has approved the Equity Derivatives Department to sell derivative products to clients. However, the Risk Management Committee has to approve the “Product Program” first before the Equity Derivatives Department can issue derivatives to clients. The focus of the Product Program includes:

- 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 Company was the first securities company to launch Derivatives Warrants. The Company has a strict policy to control and monitor associated risk closely. 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.

### **3.1.12 Risk Associated with Information Technology**

Information technology 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 importance 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. In 2019, the Company has organized a test for cyber risk management (Cyber Security Drill) in accordance with the SEC’s regulations.

### **3.1.13 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.

### **3.1.14 Risk Associated with Business Disruption**

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 political unrest in 2010 or the major flooding in 2011.

To prevent the risk of natural disasters and other emergencies, The Company has set up the Business Continuity Management Policy (BCM) and prepared the Business Continuity Plan (BCP) which 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 procedures and processes 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 Liquid Capital and a Net Capital Ratio (NCR) that are higher than the requirements under the SEC regulations, which specified that the Net Liquid Capital must be at least Baht 25 million and the Net Capital Ratio must be at least 7% of liabilities and guarantees. As at 31<sup>st</sup> December 2019, the Company has a Net Liquid Capital of Baht 4,936 million and a Net Capital Ratio of 107.52 % 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 at 31<sup>st</sup> December 2019, the Company had investments in subsidiaries denominated in foreign currencies, which were valued under the 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 1,936.5 million.

#### **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 rate which fluctuates in line with the market interest rates or carry fixed interest rate which approximates 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 a Major Shareholder**

A major shareholder may exercise greater influence over the Company's management and business policies. However, there are 3 independent directors from a total of 9 directors or equal to 33%. They are responsible for good corporate governance to ensure that the quality of management is effective, transparent and fair for all shareholders.

#### **3.3.2 Risk from Having a Non-Voting Depository Receipts (NVDRs)**

Since 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. As at 19<sup>th</sup> April 2019, investors had bought 128,863,570 NVDR shares (equivalent to 6.47% of paid-up capital).

#### **3.3.3 Risk Associated with Low Free Float Stock or Low Trading Liquidity**

As at 6<sup>th</sup> March 2019, 65% of the Company stock was held by minority shareholders, which makes trading liquidity high and this means reduced risk of low liquidity risk.

Note: See the risk factors as the issuer of derivative warrants in Attachment 5.



#### 4. Asset used for business

##### 4.1 Assets of the Company and its subsidiaries

###### (A) Property, plant and equipment used in the Company's business

Description (As at December 31 <sup>st</sup> 2019)	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	39,411	Company's asset	None
Furniture and fixtures	2,070	Company's asset	None
Installation in progress	22,393	Company's asset	None
<b>Total</b>	<b>65,694</b>		

###### (B) Property, plant and equipment used in the Company's subsidiary business

Description (As at December 31 <sup>st</sup> 2019)	Net book value (Thousand Baht)	Ownership	Collateral/obligation
Building improvements	3,199	Subsidiary's asset	None
Equipment	5,007	Subsidiary's asset	None
Furniture and fixtures	1,380	Subsidiary's asset	None
Vehicles	1,682	Subsidiary's asset	None
<b>Total</b>	<b>11,268</b>		

##### 4.2 Rental property

###### (A) The Company's rental property

Rental Property	Lessor	Remaining period of lease (As at 31 <sup>st</sup> December 2019)
1. Head office	City Realty Co.,Ltd.	1 year 1 month
2. Hat Yai branch	Lee Gardens Hotel Co., Ltd.	3 years
3. Nakhon Ratchasima branch	K.R.Shopping Center Co.,Ltd.	1 year 11 months
4. Samut Sakhon branch	A.T. Asset Co., Ltd.	2 years 6 months
5. Pinklao branch	CPN Retail Growth Leasehold Real Estate Investment Trust	2 years 10 months
6. Nakhon Pathom branch	Individual	6 months
7. Chiang Rai branch	Individual	6 months
8. Phetchaburi branch	Individual	1 year
9. Udon Thani branch	Individual	3 months
10. Thaniya branch	Thaniya Real Estate Co.,Ltd	1 year 5 months
11. Silom Complex branch	Silom Building and Service Co., Ltd.	2 years 5 months
12. Pracha Chuen	Individual	1 year 8 months
13. Chiang Mai	EAK999 Co.,Ltd.	3 years 2 months
14. Khon Kaen	Individual	3 months

###### (B) The rental property of the Company's subsidiary

Rental Property	Lessor	Remaining period of lease (As at 31 <sup>st</sup> December 2019)
Head office of One Asset Management Limited	Siam Piwat Co.,Ltd.	2 years 11 months

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### **4.3 Intangible Assets and Goodwill**

As at 31<sup>st</sup> December 2019, the Company's intangible assets were Baht 73 million and 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.

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## **5. Legal Cases**

As at 31<sup>st</sup> December 2019, the Company and its subsidiaries had no litigation which might have a potential negative impact in excess of 5% of the shareholders' equity per its consolidated financial statements as at the latest accounting period; which may significantly affect the Company or its subsidiaries which impact cannot yet quantified; and which arises other than from the Company's normal business.

## 6. General information and other relevant information

### 6.1 General Information

#### (1) The Company's information

Company's Name	KGI Securities (Thailand) Public Company Limited
Business Type	Securities Business
First Trade Date in SET	15 December 1989
Securities code	KGI
Head office address	No.173 Asia Centre Building, 8 <sup>th</sup> - 11 <sup>th</sup> 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	<a href="http://www.kgiworld.co.th">www.kgiworld.co.th</a> / <a href="http://www.thaiwarrant.com">www.thaiwarrant.com</a>
Registered capital	Baht 1,991,763,130
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
Accounting period	1 January – 31 December
Investor relations	Institutional Investors Tel: 0 2658 8885 Email: <a href="mailto:markh@kgi.co.th">markh@kgi.co.th</a>  Retail Investors Tel: 0 2658 8880-1 Email: <a href="mailto:nonglukn@kgi.co.th">nonglukn@kgi.co.th</a>

#### (2) Information of references

Registrar	Thailand Securities Depository Co., Ltd. The Stock Exchange of Thailand Building, 1 <sup>st</sup> Floor, 93 Ratchadaphisek Road, Dindaeng, Bangkok 10400, Thailand  Telephone number: 0 2009-9000 Fax number: 0 2009-9991 Website: <a href="http://www.set.or.th/tsd">http://www.set.or.th/tsd</a> Email: <a href="mailto:SETContactCenter@set.or.th">SETContactCenter@set.or.th</a>
Auditor	Deloitte Touche Tohmatsu Jaiyos Audit Co., Ltd No. 11/1 , AIA Sathorn Tower , 23 <sup>rd</sup> - 27 <sup>th</sup> , South Sathorn Road, Yannawa Sub-district, Sathorn District, Bangkok 10120, Thailand  Telephone number: 0 2034 0000 Fax number: 0 2034 0100 Website: <a href="http://www.deloitte.com">http://www.deloitte.com</a>

### (3) Information of companies that the Company holds more than 10% shareholding

Company's subsidiaries name	Business Type	Registered Capital	Paid-up Capital	Amount and Type of paid-up shares	Par value	% of holding by the Company	Address
One Asset Management Limited ("ONEAM")  (Incorporated in Thailand)	Mutual fund management	Baht 105.00 Million	Baht 105.00 Million	10,500,000 ordinary shares	Baht 10.00 per share	99 %	No. 989, the 9 <sup>th</sup> and 24 <sup>th</sup> floors of Siampiwat Tower Building, Rama I Road, Patumwan Sub-district, Patumwan District, Bangkok 10330, Thailand  Tel: 0 2659 8888 Fax: 0 2659 8860 Website: <a href="http://www.one-asset.com">www.one-asset.com</a>
KGI Insurance Broker (Thailand) Company Limited ("KGI Insurance")  (Incorporated in Thailand)	Non-life and life insurance broker	Baht 4.00 Million	Baht 4.00 Million	800,000 Ordinary shares	Baht 5.00 per share	100%	No. 173, the 8 <sup>th</sup> - 11 <sup>th</sup> floors of Asia Centre Building, South Sathorn Road, Thungmahamek Sub-district, Sathorn District, Bangkok  Tel: 0 2658 8888 Fax: 0 2658 8012
KGI Securities (Thailand) International Holdings Limited ("HOLDCO")  (Incorporated in Hong Kong)	Investment	USD 39.44 Million	USD 39.44 Million	39,444,670 ordinary Shares	USD 1.00 Per share	100 %	41/F Central Plaza, 18 Harbour Road, Wanchai, Hong Kong  Tel: (852) 2878 6888 Fax: (852) 2878 6800
KGI (Thailand) Holdings Limited ("KTHL")  (Incorporated in British Virgin Islands)	Investment	USD 20.00 Million	USD 20.00 Million	20,000,000 ordinary shares	USD 1.00 Per share	100 %	P.O. Box 3340, Road Town, Tortola, British Virgin Islands  Tel: (852) 2878 6888 Fax: (852) 2878 6800

## 6.2 Other significant Informations

### 6.2.1 Information that may have a significant impact on investors' decisions

#### Company Rating

In 2019, TRIS Rating upgrades the company rating of the Company and the ratings of the Company's outstanding senior unsecured debentures to "A" from "A-". The rating upgrade reflects our view on the Company's status as a moderately strategic affiliate of KGI Securities Co., Ltd. in Taiwan (KGI Taiwan, together with its affiliates the KGI Group). This status allows the Company's rating to be enhanced from its stand-alone rating.

On a stand-alone basis, our view remains unchanged. The Company's business performance has been relatively strong and stable, thanks to its well-diversified sources of revenue. The ratings are, however, constrained by potential downside risks in terms of performance due to the cyclical, volatile, and highly competitive nature of the securities business. (See credit rating report by TRIS at [www.kgiworld.co.th](http://www.kgiworld.co.th))

#### KEY RATING CONSIDERATIONS

1. Moderately strategic affiliate of the KGI Group;
2. Diversified revenue mitigates volatility of securities business;
3. Reliable stream of fee and service income;
4. Strong market position in derivatives business;
5. Successful track record of gains on trading;
6. Stable operating expenses support strong profitability;
7. Diversified funding, sufficient liquidity, and strong capitalization.

#### Information of the Company credit rating

Rating Agency	Year	Rating	Outlook
TRIS	2019	A	Stable
TRIS	2016-2018	A-	Stable
TRIS	2008-2015	BBB+	Stable
TRIS	2005-2007	BBB	Stable
TRIS	2004	BBB	-
TRIS	2003	BBB-	-

#### Risk management of derivative warrants issued

1. Objective of Issuing DWs.  
To provide new investment products for investors and to diversify the Company's income base.
2. Hedging Strategy and Risk management

##### 2.1 Hedging Strategy

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

##### a) Hedging Strategy based on Underlying Stock Price

For Call Warrants, the Company's risk of loss rises if the underlying stock price increases. The Company may incur a loss from issuing Call Warrants. To hedge this risk the Company will buy the underlying stock in proportion calculated from the Net Delta Value. Therefore, any losses from issuing DWs will be offset by profits from the increase in the value of the underlying stock held by the Company.

For Put Warrants, the Company's risk increases if the underlying stock price decreases. The Company may lose from issuing Put Warrants. The Company will hedge its risk by short selling the underlying stock in proportion calculated from its Net Delta Value. Therefore, the loss from issuing Put DWs will be offset by the profit from the short selling of the underlying stock.

b) Hedging Strategy for Volatility of Underlying Stock

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

## 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.

### 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 instilling a risk management culture to executives and employees.

### 4. Supervision to comply with regulations to maintain position and liquidity of DW issuing

#### A Net Liquid Capital and A Net Capital Ratio ("NCR")

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

### 5. DWs issued by the Company during the last 2 years and underlying company information (see Attachment 4).

### 6. Conflict of interest of issuing DWs.

In the case that the Company or its affiliates have conducted business and/or performed other duties including but not limited to investment advisory, financial advisory and/or proprietary trading in which a 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 possess equivalent status as that of the normal client will have no right to receive information or research papers which other clients of the Company do not receive.

### 7. Guarantor of DW and associated contracts of DW Issuer (if any)

- None -

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

- None -

## 6.2.2 Information regarding the Public offering of debt securities

The Company has no Public offering of debt securities.