

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 domiciled in Thailand. It has been operating securities businesses and 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 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 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, whose businesses are disclosed in no. 1.3.

The Company's registered office is located at No. 173, the 8th -11th floors of Asia Centre Building, South Sathorn Road, Thungmahamek Sub-district, Sathorn District, Bangkok. As at 31st December 2020, the Company has altogether 14 branches, in Bangkok and other provinces.

On July 17, 2020, One Asset Management Limited (the Company' subsidiary) has set up a new subsidiary, Pine Wealth Solution Ltd., a juristic person according to Thai laws. Its registered office is located at No. 989, the 9th floor of Siampiwat Tower Building, Rama I Road, Patumwan Sub-district, Patumwan District, Bangkok. The principal objectives of the indirect subsidiary company are broker or agent. The subsidiary company is under process of applying such broker or agent licenses with the Office of the Securities and Exchange Commission.

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

The Board of Directors emphasizes on determining the vision, goals and strategies of the Company's business operations. The agenda is set at the directors' meeting at the end of the year. This is to enable the Board of Directors and executives to jointly determine the business direction in line with the market competition direction.

At the Board of Directors Meeting No. 6/2020, held on 1st December 2020, the Board of Directors and management jointly determined the vision, goals and strategies in business operations for the next 3 years, (2021–2023) for Allowing executives and employees to aim in the same direction. The Board of Directors will annually review the Company's vision, goals and strategies, to be consistent with the current economic conditions.

All Business units management will report operating results and their business plans to the Board of Directors every quarter. The Board of Directors monitors and supervises all business units to implement the Company's strategies.

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 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 types of economic and market conditions.

Strategy

- To expand and diversify the Company's client base for all businesses;
- To develop new and innovative products and services to cover the full range of client needs;
- To respond quickly to changing market conditions and opportunities;
- To create innovative products and services to meet investors' changing needs;
- To provide faithful, knowledgeable and appropriate advice;
- To increase client satisfaction, grow wealth and enhance investment returns;
- To train and educate the Company's employees and clients about all new products;
- To deliver excellent service and build strong relationships between employees and clients;
- To develop and strengthen risk management, internal controls and IT security;
- To contribute to and be a responsible member of society, to improve the quality of life for all.

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 2017-2019	■ 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 2020	■ Most Active Prop-Trading
Year 2019	■ Most Active House ■ Most Active Prop-Trading of the Year (1 st 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 nd place)
Year 2015	■ Most Active House ■ Prop-Trading of the Year (1 st place) ■ Agent of the Year (1 st place)
Year 2014	■ Most Active House ■ Prop-Trading of the Year (1 st place) ■ Market Maker Best Performance for Equity Product
Year 2013	■ Most Active House ■ Prop-Trading of the Year (1 st place) ■ Market Maker Best Performance for Equity Product ■ Agent of the Year (3 rd 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 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, the KGI Securities Co. Ltd. (“KGI Taiwan”) became the major shareholder of the Company and on 12th July 1999 the Company changed its name to “KGI Securities One Public Company Limited”. Subsequently, on 25th May 2001, the Company changed its name to “KGI Securities (Thailand) Public Company Limited”.

In 2012, China Development Financial Holding Corporation (“CDF”), 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 CDF. As a result, the ultimate parent of the Company is CDF.

Significant Developments in 2020

May 2020	The Board of Director’s meeting approved the payment of an interim dividend from the 2019 operating results of Baht 0.341 per share. The proposed dividend is paid on 5 th June 2020. In order to minimize the impact on shareholders from the indefinite postponement of the AGM.
June 2020	TRIS Rating affirms the company rating on the Company and the rating on the Company’s outstanding senior unsecured debentures at “A” with a “stable” outlook.
August 2020	▪ The Board of Director’s meeting acknowledged that One Asset Management Limited (“ONEAM”, the Company’ subsidiary) has set up a new subsidiary, Pine Wealth Solution Ltd., a juristic person according to Thai laws. The ONEAM subsidiary company is in the process of applying for the appropriate licenses. ▪ The Board of Director’s meeting 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 2020 - October 2021. The Executive Director will be responsible for managing the Risk function for the Company.
September 2020	The AGM of Shareholders approved the change of the total number of the Company’s directors from 12 persons to 9 persons.
December 2020	The Company received the “Most Active Prop-Trading” award for the member company with the highest Proprietary Trading volume from TFEX Best Awards 2020.

Company Rating

In 2020, TRIS Rating affirms the company rating on the Company and the rating on the Company's outstanding senior unsecured debentures at "A" with a "stable" outlook. The ratings reflect TRIS view on the Company's status as a moderately strategic affiliate of KGI Securities Co., Ltd. in Taiwan (KGI Taiwan, together with its affiliates in the KGI Group). This status allows the Company rating to be enhanced from its stand-alone rating.

On a stand-alone basis, the ratings reflect the Company's strength in derivative businesses, diversified revenue mix, relatively strong capital profile, and generally healthy profitability. The ratings are, however, constrained by the heightened downside risks to earnings due to sizeable gains on trading securities and derivatives, which could become unreliable amid increasing market volatility. (See credit rating report by TRIS at www.kgieworld.co.th)

KEY RATING CONSIDERATIONS

1. Moderately strategic affiliate of the KGI Group;
2. Increasing contribution from gains on trading securities and derivatives;
3. Short-term earnings volatility;
4. Ample capital to cushion volatile performance;
5. Lower risk appetite;
6. Funding and liquidity remain strong.

Information of the Company credit rating

Rating Agency	Year	Rating	Outlook
TRIS	2019-2020	A	Stable
TRIS	2016-2018	A-	Stable
TRIS	2008-2015	BBB+	Stable
TRIS	2005-2007	BBB	Stable
TRIS	2004	BBB	-
TRIS	2003	BBB-	-

Note: Rating Symbols and Definitions

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

A: The rating indicates a company or a debt instrument with a low credit risk. The company has strong capacity to pay interest and repay principal on time, but is more susceptible to adverse changes in business, economic or other external conditions 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. The "stable" outlook for KGI Thailand reflects our expectation that the company will continue to diversify its revenue mix, by improving fee-based businesses and maintaining generally healthy profitability. We also expect KGI Thailand to KGI Securities (Thailand) PLC 3 preserve its strong capitalisation, supported by stable profit and appropriate dividend payments. In addition, we expect KGI Thailand to maintain strong discipline in risk management.

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 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.

As at 31st December 2020, the Company has direct and indirect investments in subsidiaries as follows:

Company's name	Country of Incorporation	Nature of business	Percentage of shareholding (%)	Revenues as a percentage to the consolidated totals (%)
<u>Direct subsidiaries</u>				
■ One Asset Management Limited	Thailand	Mutual fund management	99%	24.82%
■ KGI Insurance Broker (Thailand) Company Limited	Thailand	Non-life and life insurance broker	100%	-
■ KGI Securities (Thailand) International Holdings Limited	Hong Kong	Investment	100%	-
■ KGI (Thailand) Holdings Limited	British Virgin Islands	Investment	100%	-
<u>Indirect subsidiary</u>				
■ Pine Wealth Solution Ltd.	Thailand	Broker or Agent	99%	-

The Company's subsidiaries

One Asset Management Limited ("ONEAM")

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

ONEAM is one of the first group of companies which obtained a fund management license from the Ministry of Finance since the Government liberalized investment management under the Securities and Exchange Act. In the present (2020), ONEAM has managed investment for 28 years providing a full spectrum of management services to clients both individuals and money institutions, including organizations in public and private sectors. ONEAM is also a fast and continuous growing asset management company under the policy of being professional at work, managing an investment with a strategy in accordance with an investment policy that expects good returns within the risk levels appropriate and in accordance with the domestic and international economy situation. ONEAM also has a determination to gradually develop our personnel to provide the best professional service to investors.

KGI Insurance Broker (Thailand) Company Limited (“KGI Insurance”)

On 7th January 2019, the Company has set up a new subsidiary, KGI Insurance Broker (Thailand) Company Limited, a juristic person according to Thai laws. The subsidiary company has changed its name to KGI Insurance Broker (Thailand) Company Limited on March 6, 2019, its registered office is located at 173, Asia Centre Building, 8th-11th 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 has received of applying such insurance broker licenses with The Office of Insurance Commission on 25th March 2020.

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 7th 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.

Pine Wealth Solution Ltd. (“Pine Wealth”)

On July 17, 2020, One Asset Management Limited (the Company’ subsidiary) has set up a new subsidiary, Pine Wealth Solution Ltd., a juristic person according to Thai laws. Its registered office is located at No. 989, the 9th floor of Siampiwat Tower Building, Rama I Road, Patumwan Sub-district, Patumwan District, Bangkok. The principal objectives of the indirect subsidiary company are broker or agent. The subsidiary company is under process of applying such broker or agent licenses with the Office of the Securities and Exchange Commission.

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.

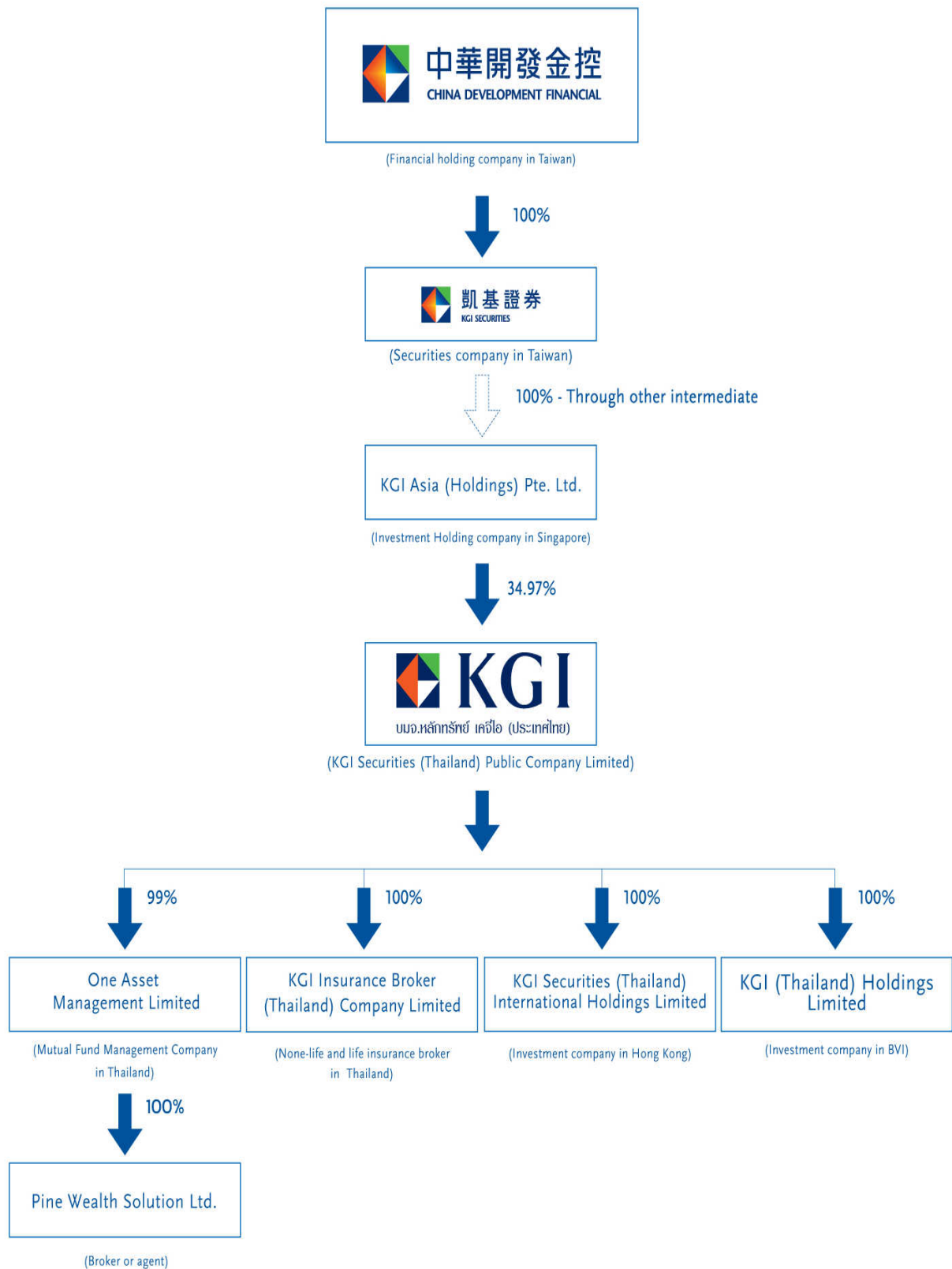
KGI Taiwan has provided valuable assistance to the Company via transfer of knowledge and technology, and has sent expert staff to train the Company’s employees for the launch of new products. The Company is recognized as one of the leaders in innovation in the development of derivatives products in Thailand.

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.

The representative directors from major shareholder

No.	Name	Title
1.	Mr. Chin-Lung Tseng	Chairman
2.	Ms. Pi-Lin Huang	Director
3.	Mr. Chih-Chien Yen	Director

Shareholding Structure of KGI Securities (Thailand) Public Company Limited

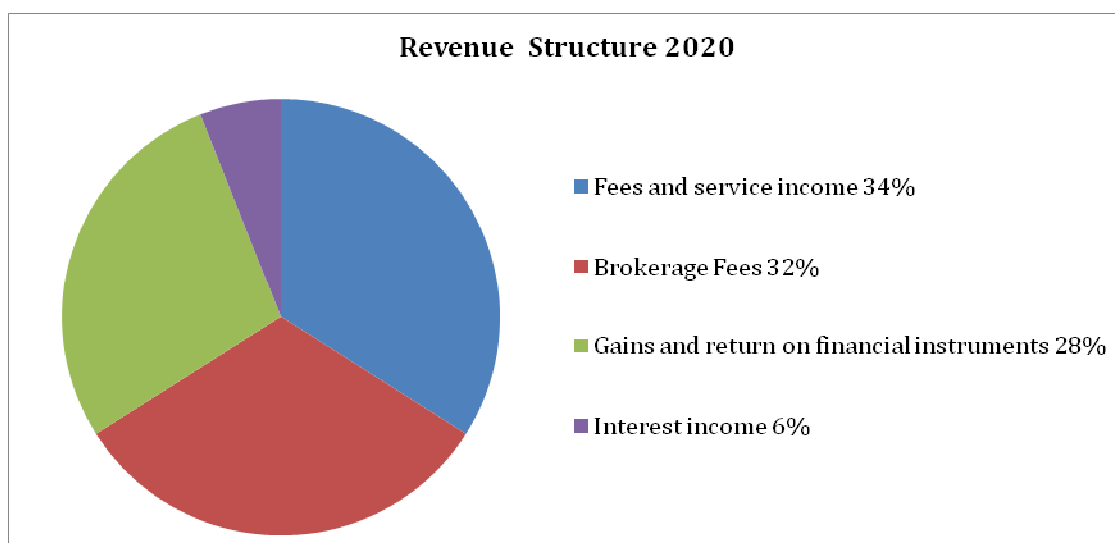


2. Business Lines

Revenue Structure

The Company's revenue structure is well diversified. In 2020, the Company reported consolidated revenues of Baht 2,829 million, the Company's revenue mix consisted of fee and service income (34 percent), brokerage fees (32 percent), gains and return on financial instruments (28 percent), and interest on margin loans (6 percent).

Note: see the revenues and profits from operation by operating segment in Note of financial Statements no. 40: Operating Segment Information.



Comparative Revenues Structure for the past 3 years

Revenues Structure	Operated By	% Share Holding by the Company	2020 (Baht Million)	%	2019 (Baht Million)	%	2018 (Baht Million)	%
1 Brokerage fees	The Company	-	914	32%	698	21%	910	26%
2 Fees and service income/1	The Company	-	227	9%	164	5%	121	4%
Fees and service income/1	ONEAM /2	99%	696	25%	625	19%	566	16%
3 Interest income	The Company	-	182	6%	265	8%	297	8%
Interest income	ONEAM /2	99%	5	-	5	-	4	-
4 Gains and return on financial instruments	The Company	-	781	28%	1,573	47%	1,601	46%
Gains and return on financial instruments	KTHL /3	100%	9	-	-	-	-	-
5 Other income	The Company	-	14	-	19	-	5	-
Other income	ONEAM /2	99%	1	-	1	-	5	-
Total revenues			2,829	100%	3,350	100%	3,509	100%

Note

1/ See Note 27 to financial statements: 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 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 competitive advantage for investors to make timely and accurate investment decisions. In 2020, the Company ranked No.9 in terms of brokerage market share with an overall share of 3.82 percent.

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 or contact: 02 658 8777 or email: ebs@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 28th 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 2020, the Company ranked No.3 in futures trading volume with a market share of 9.35 percent of the TFEX market. The Company received "Most Active Prop-Trading" (the highest proprietary trading transactions) from the TFEX Best Awards 2020.

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 31st December 2020, the Company's total investments were valued at Baht 7,589 million, an increase of 29 percent 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 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 2020, there were 28 new listings on the stock exchanges; 14 were listed in the SET and 12 listed in the MAI, 2 were Property Funds and Infrastructure Funds, with total issue size of Baht 136,044 million and Market Capitalization at IPO Price of Baht 555,299 million.

Total Number of newly Listed Companies in 2020

Year	Total number of newly listed companies in 2020					Issued size (Million Baht))	Market Capital At IPO price (Million Baht)
	SET	MAI	IFF	PFUND/ REIT	Total		
2020	14	12	1	1	28	136,043.88	555,299.12

In 2020, the Company successfully perform as lead underwriter of 9 Debentures and acted as a co-underwriter of 8 IPOs. In addition, the Company was appointed as a financial advisor and lead underwriter of 6 IPOs, which still on the preparation process for IPO and listing. In addition, the Company also provided financial advisory service for cross border and domestic M&A transaction.

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 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 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 2020, the Company was ranked No. 1 in bond trading among securities dealers and ranked No. 3 in corporate bond trading value among all dealers, with a market share of 13.52 percent, compared with 8.96 percent in previous year.

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 2020, 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 16th January 2002. As at 31st December 2020, 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.

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 st Dec 2020
1.ThaiDEX SET50 ETF	TDEX	SET50 index	6 Sep 2007	MM, PD	3,452.62
2.W.I.S.E. KTAM CSI 300 China Tracker	CHINA	W.I.S.E. -CSI 300 China Tracker	22 Nov 2010		144.23
3.KTAM Gold ETF Tracker	GLD	SPDR Gold Trust (2840:HK)	8 Aug 2011	PD	546.25
4.ThaiDEX SET High Dividend ETF	1DIV	SET High Dividend 30 Index	16 Aug 2011	MM, PD	129.46
5.ThaiDEX SET100 ETF	TH100	SET100 index	21 Feb 2013	MM, PD	7.99

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 2020, the Company launched 812 DWs which received a great response from investors. The total registered amount for all 812 DWs was approximately Baht 109,217.6 million. From 2012 to the end of 2020, the Company has launched a total of 3,003 DWs as detailed below;

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
Total DWs issued by the Company	105	121	205	236	248	297	440	539	812	3,003
-CALL Warrant	73	96	163	178	194	250	385	428	601	2,368
-PUT Warrant	32	25	42	58	54	47	55	111	211	635

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 2021, the Company intends to issue more DWs to maintain our standard , 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 (both Thai & English version), Facebook (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. (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 2020, ONEAM's net profits were Baht 155 million (EPS of Baht 14.79). As of 31st December 2020, ONEAM's total assets were Baht 826 million, total liabilities were 281 million, shareholders' equity was Baht 545 million. ONEAM has built a strong reputation with both individual and institutional investors. In 2020, ONEAM issued new funds as follows:

	Fund	Initials Fund	Registered date	AUM-Baht Million as at 31 st Dec 2020
1	ONE COMPLEX RETURN 1Y MIXED FUND NOT FOR RETAIL INVESTORS	ONE-COMPLEX1YMIXED	27 February 2020	421.11
2	ONE THAI CAPITAL MARKET SUPER SAVINGS FUND	ONE-TCMSSF-SSFX	22 April 2020	32.37
3	ONE GLOBAL TOP 8M2 FUND	ONE-GLOBALTOP8M2	15 September 2020	953.13
4	ONE GLOBAL TOP 8M3 FUND	ONE-GLOBALTOP8M3	21 October 2020	1,470.47
5	ONE GLOBAL TOP 8M4 FUND	ONE-GLOBALTOP8M4	29 October 2020	1,244.56
6	ONE GLOBAL TOP 8M5 FUND	ONE-GLOBALTOP8M5	19 November 2020	570.60
7	ONE LIFE SETTLEMENT FUND NOT FOR RETAIL INVESTORS	ONE-LS-UI	23 November 2020	1,135.88
8	ONE GLOBAL TOP 8M6 FUND	ONE-GLOBALTOP8M6	30 November 2020	206.88
9	ONE GLOBAL TOP 8M7 FUND	ONE-GLOBALTOP8M7	16 December 2020	140.77
10	ONE GLOBAL TOP 8M FUND	ONE-GLOBALTOP8M	13 August 2020	488.51
			Total	6,664.28

2.2 Market Overview and Competition

(A) Significant Marketing Activities

The Company's marketing policy in 2020

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 2020, 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 activities to introduce the Company's products and services at various events such as #INVEST NOW DCA, TFEX Trader Day 2020, SET in the City 2020 #1 and #2 Virtual Conference , and joined ETF promoting and expanding mutual funds investment campaign to introduce the Company's product and services. etc.

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 2020, the Company's Trading Volume consisted of 5 percent Local corporate clients, 26 percent Local retail clients, 22 percent foreign clients and 47 percent the Company's portfolio, the Company did not depend on any client for more than 30 percent of total income.

Clients can send orders via phone through the Company's Investment Consultants or trade by themselves through the internet. In 2020, the portion of trading via Investment Consultants: not trading via Internet was 21 percent:79 percent.

Information of the Company's clients in past 3 years

Unit : Baht Millions

Average Daily Trading Volume	2020	%	2019	%	2018	%
Daily Trading Volume- SET*	68,607		53,192		57,674	
Daily Trading Volume- The Company *	8,864		6,432		5,841	
(including the Company's portfolio)						
The Company's market share %	3.82%		2.99%		3.27%	
(excluding the Company's portfolio)						
Ranking	9		15		13	
Breakdown by types of clients						
1) Local corporate clients	451	5	558	9	548	9
2) Local retail clients	2,274	26	1,629	25	2,498	43
3) Foreign clients	1,968	22	564	9	264	5
Total	4,692	53	2,751	43	3,310	57
4) The Company's portfolio	4,171	47	3,681	57	2,531	43
Total	8,864	100	6,432	100	5,841	100
Breakdown by types of accounts						
1) Cash Account and Cash Balance Account	3,992	85	2,106	77	2,455	74
2) Credit Balance Account	700	15	645	23	855	26
Total	4,692	100	2,751	100	3,310	100
Breakdown by types of trading order channels						
1) Trading via Investment Consultants	988	21	853	31	990	30
2) Not trading via Investment Consultants	3,704	79	1,898	69	2,320	70
Total	4,692	100	2,751	100	3,310	100

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

(B) Market Overview and Competition in 2020

In the year 2020, the benchmark SET Index was down a moderate 8.26 percent from end of 2019. However, there have been huge market turbulences each quarter as global COVID-19 pandemic led to the world and Thailand economic recession, and accordingly a sharp stock market crash in the late of 1Q20.

However, the equity markets recovered relatively quickly in 2Q20, as global central banks and also governments reacted promptly to the pandemic and issued an un-precedent large-scaled monetary stimulus and fiscal packages. For example, the US Fed cut benchmark interest rate to zero, launched an indefinite QE including the buying of corporate bonds to stabilize the credit markets, while the ECB unveiled an emergency asset purchase program worth EUR1.85trn (updated as of December 2020). The US government also announced a 'CAREs Act' fiscal boost worth around US\$2.0trn, including the direct paycheck and also the extra unemployment benefit to the American consumers.

In Thailand, the MPC cut policy interest rate by 75bps in 2020 to current 0.50 percent and issued a few measures to support Thai bond markets and also launched a special debt relief program, which just expired in October 2020. The Thai government also unveiled the royal decree to borrow Bt1.0trn to bailout Thai economy from COVID-19, lunched a few economic stimulus to boost the consumption spending of low-income people.

Following a period of stock market recovery in 2Q20, the SET Index weakened again in 3Q20, as global COVID-19 infections re-accelerated in most major countries, while the progress of COVID-19 vaccines remained slow. Thai political conditions also deteriorated in the quarter as anti-government protesters staged a few activities in Bangkok leading to some degree of confrontation between the protesters and the officers. However, heading to the late of 2020, political situations in Thailand somewhat stabilized.

In 4Q20, both global and Thai stock market staged strong rallied, due to key market catalysts like i) significant progress in COVID-19 vaccine trials from major biotechnology companies and ii) the

clarity on US presidential election which Democratic candidate Joe Biden winning the race, raising hope for a healthier relationship between the US and China. Meanwhile, in the early of January 2021, the Democrats also won the senate election in Georgia and were able to take control of both US house and senate. Hence, investors view that the US could issue larger economic stimulus in 2021 as the congress should fully back the bills. At the latest President Biden revealed that the coming stimulus would be US\$1.9trn in size.

For the whole 2020, the SET Index declined by 8.26 percent to close the year at 1,449.35pts. The daily average market turnover (both SET and MAI) stood at Baht 68.61 billion, increasing by 28.98 percent from Baht 53.19 billion in 2019. Foreign investors reported a very high net selling position of Baht 265.02 billion in 2020, compared to a moderate net selling of Baht 45.24 billion during 2019. The market capitalization decreased to Baht 16.11 trillion at the end of 2020, down by 3.82 percent from Baht 16.75 trillion at the end of 2019.

Stock Exchange of Thailand

	2020	2019	2018
Total trading value (Baht million)*	16,671,479	12,978,854	14,130,078
Average daily trading value (Baht million)*	68,607	53,192	57,674
Total market capitalization (Baht million)	16,107,633	16,747,456	15,978,252
SET Index (year-end)	1,449.35	1,579.84	1,563.88
Dividend Yield (%)	2.6	3.1	3.2
P/E ratio (times)	28.8	19.4	14.8
P/BV ratio (times)	1.6	1.8	1.8
No. of listed companies	568	556	545

*including MAI

Regarding the new listings, there were 26 new companies listed in Thailand's stock markets (both SET and MAI) in 2020, compared to 28 new listings in 2019. Of note, there were only 2 new listings during the first half of 2020, as the financial markets' conditions were largely impacted by the first round of global COVID-19 pandemic. Many more IPOs took place in 4Q20 alongside much stronger stock market conditions.

IPO Stocks in 2020 (both SET and MAI): 26 new companies in total

Stock	First trading date	IPO size (Baht million)
YGG	7 Jan 2020	225.00
CRC	20 Feb 2020	55,902.00
STGT	2 Jul 2020	14,904.92
SICT	30 Jul 2020	138.00
IIG	6 Aug 2020	165.00
ETC	18 Aug 2020	1,560.00
SCM	8 Sep 2020	285.00
MICRO	1 Oct 2020	622.75
KK	7 Oct 2020	60.72
SK	8 Oct 2020	92.28
NRF	9 Oct 2020	1,334.00
SO	14 Oct 2020	552.50
PRAPAT	20 Oct 2020	150.00
SCGP	22 Oct 2020	39,464.25
DHOUSE	26 Oct 2020	130.32

IPO Stocks in 2020 (both SET and MAI): 26 new companies in total (Continue)

Stock	First trading date	IPO size (Baht million)
SFT	29 Oct 2020	456.00
GE	3 Nov 2020	368.00
LEO	5 Nov 2020	410.40
NCAP	9 Nov 2020	660.00
SABUY	11 Nov 2020	292.54
RT	12 Nov 2020	576.00
JR	30 Nov 2020	1,100.00
SAK	8 Dec 2020	2,020.20
IND	22 Dec 2020	99.00
KEX	24 Dec 2020	8,400.00
SA	25 Dec 2020	825.00

Source: SET and MAI

Competition among Thai Broker

Similar to the recent years, the competition in Thai brokerage industry remains high. Although the daily average turnover in 2020 significantly increased by percent from 2019, due to the strong stock market rally in 4Q20, it has been widely recognized that price competitions were intense notably on the local institutional and foreign investors. Parts of the strong increase in market turnover were also a rising portion of high frequency trading (HFT) and computerized trading algorithm (CTA); those segments also had even lower commission rates than the normal trading transactions. Meanwhile, for 2020, the top 10 largest brokers had market shares of 56.13 percent of total market, compared to 55.34 percent of total market in 2019.

Top 10 securities broker of the Year 2020

Rank	Company Name	Name	Market Shares (%)
1	KIATNAKIN PHATRA SECURITIES PUBLIC COMPANY LIMITED	KKPS	10.85
3	MAYBANK KIM ENG SECURITIES (THAILAND) PUBLIC COMPANY LIMITED	MBKET	6.34
2	FINANSIA SYRUS SECURITIES PUBLIC COMPANY LIMITED	FSS	6.06
5	KINGSFORD SECURITIES PUBLIC COMPANY LIMITED	KINGSFOR	5.87
6	CGS-CIMB SECURITIES (THAILAND) COMPANY LIMITED	CGS-CIMB	5.83
8	BUALUANG SECURITIES PUBLIC COMPANY LIMITED	BLS	4.92
4	CREDIT SUISSE SECURITIES (THAILAND) LIMITED	CS	4.72
7	YUANTA SECURITIES (THAILAND) COMPANY LIMITED	YUANTA	3.97
9	KGI SECURITIES (THAILAND) PUBLIC COMPANY LIMITED	KGI	3.82
10	KASIKORN SECURITIES PUBLIC COMPANY LIMITED	KS	3.75
TOP 10 BROKERS			56.13
OTHERS			43.87
Total			100.00

*including MAI

Industry Trend in 2021

For the outlook of industry in 2021, we are still generally positive about stock market trend and activities. The expansion of global COVID-19 vaccine coverages, the more stable US political situations under President Joe Biden and the continued fiscal and monetary stimulus are three main reasons for our constructive market view. That said, investors should brace for continued market volatility, as the stock markets' valuations are on the high side and current COVID-19 situations remain a downside risk to global and Thai economy. On the perspective of competition, as highlighted in the previous paragraph, the price competition could stay intense and possibly offset the positive factor from sustained high stock market turnover.

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 percent 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 2020, the Company did not depend on income from any one client for more than 30 percent 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, 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 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.

3.1.6 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 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.

In relation to impairment of financial assets, TFRS 9 requires the Company to prepare an expected credit loss model. The Company and its subsidiaries have established and maintain an appropriate credit loss model. The risk management department periodically reviews the parameters and the data used in the credit loss model.

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. In addition, the company has reviewed additional risk factors and more stringent risk management. 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, the major flooding in 2011 or Covid-19 outbreak in 2020.

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 percent of liabilities and guarantees. As at 31st December 2020, the Company has a Net Liquid Capital of Baht 4,137 million and a Net Capital Ratio of 59.82 percent 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 31st December 2020, the Company has subordinated loans, denominated in USD currency, from its two overseas subsidiaries with total amount of approximately USD 62 million (equivalent to baht 1,860 million). The subordinated loan agreements are unsecured and non-interest bearing. In separate financial statements, the FX conversion of the Company which presented as "Unrealized gain on foreign exchange from subordinated loans" will be offset in the opposite direction of the FX conversion of both subsidiaries, which presented as unrealized loss on foreign exchange from subordinated loans by including in "Share of profit from investment in subsidiaries". Therefore, the

unrealized gain or loss from the exchange rate under the US dollar loan agreement is no impact on the net profit of the Company.

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, investments in debt securities, securities sold under repurchased agreements, 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 percent. 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 22nd January 2021, investors had bought 808,414,437 NVDR shares (equivalent to 4.06 percent of paid-up capital).

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

As at 2nd September 2020, 65.02 percent 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 risk as the issuer of derivative warrants in Attachment 5.

4. Assets 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 31 st Dec 2020)	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	65,274	Company's asset	None
Furniture and fixtures	1,461	Company's asset	None
Installation in progress	52	Company's asset	None
Total	68,607		

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

Description (As at 31 st Dec 2020)	Net book value (Thousand Baht)	Ownership	Collateral/obligation
Building improvements	3,375	Subsidiary's asset	None
Equipment	5,325	Subsidiary's asset	None
Furniture and fixtures	2,444	Subsidiary's asset	None
Total	11,144		

4.2 Rental property

(A) The Company's rental property

Rental Property	Lessor	Remaining period of lease (As at 31 st Dec 2020)
1. Head office	City Realty Co.,Ltd.	3 years 1 month
2. Hat Yai branch	Lee Gardens Hotel Co., Ltd.	2 years
3. Nakhon Ratchasima branch	K.R.Shopping Center Co.,Ltd.	11 months
4. Samut Sakhon branch	A.T. Asset Co., Ltd.	1 year 6 months
5. Pinklao branch	CPN Retail Growth Leasehold Real Estate Investment Trust	1 year 10 months
6. Nakhon Pathom branch	Individual	2 years 6 months
7. Chiang Rai branch	Individual	6 months
8. Phetchaburi branch	Individual	3 years
9. Udon Thani branch	Individual	3 months
10. Thaniya branch	Thaniya Real Estate Co.,Ltd	5 months
11. Silom Complex branch	Silom Building and Service Co., Ltd.	1 year 5 months
12. Pracha Chuen	Individual	8 months
13. Chiang Mai	EAK999 Co.,Ltd.	2 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 st Dec 2020)
Head office of One Asset Management Limited	Siam Piwat Co.,Ltd.	1 years 11 months

4.3 Intangible Assets and Goodwill

As at 31st December 2020, the Company's intangible assets were Baht 60 million (Computer softwares of Baht 54 million and Computer softwares under development of Baht 6 million) and the Company's goodwill was Baht 27 million. (see Note 14 to financial statements)

5. Legal Cases

As at 31st December 2020, the Company and its subsidiaries had no litigation which might have a potential negative impact in excess of 5 percent 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 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 / www.thaiwarrant.com
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: markh@kgi.co.th Retail Investors Tel: 0 2658 8880-1 Email: nonglukn@kgi.co.th

(2) Information of references

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

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

Company's subsidiaries name	Business Type	Country of Incorporation	Registered Capital	Paid-up Capital	Amount and Type of paid-up shares	Par value	% of holding by the Company	Address
<u>Direct Subsidiaries</u>								
■ One Asset Management Limited ("ONEAM")	Mutual fund management	Thailand	Baht 105.00 Million	Baht 105.00 Million	10,500,000 ordinary shares	Baht 10.00 per share	99 %	No. 989, the 9 th and 24 th floors of Siampiwat Tower Building, Rama I Road, Patumwan Sub-district, Patumwan District, Bangkok 10330 Tel: 0 2659 8888 Fax: 0 2659 8860 Website: www.one-asset.com
■ KGI Insurance Broker (Thailand) Company Limited ("KGI Insurance")	Non-life and life insurance broker	Thailand	Baht 4.00 Million	Baht 4.00 Million	800,000 ordinary shares	Baht 5.00 per share	100%	No. 173, the 8 th - 11 th floors of Asia Centre Building, South Sathorn Road, Thungmahamek Sub-district, Sathorn District, Bangkok 10120 Tel: 0 2658 8888 Fax: 0 2658 8012
■ KGI Securities (Thailand) International Holdings Limited ("HOLDCO")	Investment	Hong Kong	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")	Investment	British Virgin Islands	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
<u>Indirect Subsidiary</u>								
■ Pine Wealth Solution Ltd. ("Pine Wealth")	Broker or Agent	Thailand	Baht 25.00 Million	Baht 25.00 Million	2,500,000 ordinary shares	Baht 10.00 per share	99%	No. 989, the 9 th floors of Siampiwat Tower Building, Rama I Road, Patumwan Sub-district, Patumwan District, Bangkok 10330 Tel: 0 2659 8888 Fax: 0 2659 8860 Website: www.one-asset.com

6.2 Other significant Informations that may have a significant impact on investors' decisions

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 percent of liabilities and guarantees.

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

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 -