



บริษัทหลักทรัพย์ เคจีไอ (ประเทศไทย) จำกัด (มหาชน)
173 อาคารเอเชีย เซ็นเตอร์ ชั้น 8-11
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Ref: CSO. 005/2018

Date: 26th February 2018

Subject: Management Discussion and Analysis for Year Ending 31st December 2017

Attention: President
The Stock Exchange of Thailand

The Board of Directors meeting of KGI Securities (Thailand) Plc ("the Company"), No.1/2018, held on 26th February 2018, approved the audited financial statements, including the consolidated financial statements of the Company and its subsidiaries for the year ended 31st December 2017. In 2017, the Company reported consolidated profits (attributable to equity holders of the parent) of Baht 887 million and earnings per share of Baht 0.45, compared to consolidated profits (attributable to equity holders of the parent) of Baht 1,022 million and earnings per share of Baht 0.51 the previous year. The Company would like to clarify the reasons for the change in profits for 2017 compared to the previous year, as follows:

Revenue

In 2017, the Company had total revenues, as shown in its consolidated financial statements, of Baht 3,058 million, a decrease of 6 percent compared to 2016, mainly due to a decrease in Brokerage fees income and gains and returns on financial instruments. The details are as follows:

Brokerage fees

In 2017, the Company reported Brokerage fees of Baht 917 million, representing a 12% decrease compared to 2016. The Brokerage fee income consisted of Brokerage fees from securities business of Baht 706 million, Brokerage fees from derivatives business of Baht 211 million.

The decrease in Brokerage fee income was mainly due to a decrease in average daily trading volume of the SET and a decrease in the Company's market share from 3.76% in 2016 to 3.27% in 2017.

Fees and Service income

In 2017, the Company reported fee and service income of Baht 672 million, representing an 0.4% increase compared to 2016, fee and service income came mainly from mutual fund management fees, registrar and custodian fees and private fund management fees from ONE Asset Management Limited (The Company's asset management subsidiary).

Interest on margin loans

The Company's interest on margin loans in 2017 was Baht 137 million, an increase of 38% from the previous year due mainly to an increase in the size of the Company's credit balance accounts. As at 31st December 2017, the Company's margin loan balance was Baht 2,872 million, an increase of 45% from the previous year. The Company controls the risk of such loans by establishing credit limits for clients and analyzing their financial position on an ongoing basis.

Gains and returns on financial instruments

The Company's gains and returns on financial instruments were derived from a variety of activities, including, derivative warrants (DWs), over-the-counter (OTC) derivatives, investments in debt and equity securities for the Company's own account, bond dealing, and private repos.

The Company's gains and returns on financial instruments in 2017 was Baht 1,328 million, a decrease of 7% from the previous year. The total gains and returns on financial instruments of Baht 1,328 million consists of gains on securities of Baht 144 million, gains on derivatives of Baht 911 million, and interest and dividend income of Baht 273 million.

Expenses

The Company's expenses in 2017 were Baht 1,951 million, and represented 64% of total income. The majority of the Company's expenses came from employee benefits expenses, fees and service expenses, finance costs, reversal of bad debt and doubtful accounts and other expenses, as follows:



Employee benefits expenses

The Company's Employee benefits expenses in 2017 were Baht 1,015 million, a decrease of 3% from the previous year, mainly from a decrease in personnel expenses which are related to the decrease in the Company's revenue.

Fees and service expenses

The Company's fees and service expenses in 2017 were Baht 357 million, almost the same as in 2016. Fees and service expenses are mainly fees paid in respect of securities trading, futures trading and securities borrowing and lending.

Finance costs

The Company's financial costs in 2017 were Baht 141 million, an increase of 24% from the previous year, mainly from an increase in interest paid on borrowings from financial institutions and bill of exchange.

Bad debt and doubtful accounts (reversal)

The Company reversed bad debts and doubtful accounts of Baht (20) million in 2017 due to cash received from repayment of doubtful debts, compared to the provision of bad debts and doubtful accounts of Baht 7 million in 2016.

Other expenses

The Company's other expenses in 2017 were Baht 458 million, an increase of 5% from the previous year. The main other expenses were for premises and equipment, communication and information, publication and marketing etc.

Please be informed accordingly.

Yours Sincerely,

(Mr. Chih - Hung Lin)
Chief Operating Officer

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