



บริษัทหลักทรัพย์ เคจีไอ (ประเทศไทย) จำกัด (มหาชน)
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Ref: CSO. 019/2019

Date: 21st August 2019

Subject: Management discussion and analysis of financial results for the six months ending 30th June 2019.

Attention: President
The Stock Exchange of Thailand

The Meeting of the Board of Directors of KGI Securities (Thailand) Public Company Limited ("the Company") No. 4/2019, held on 21st August 2019, has approved the audited financial statements, including the consolidated financial statements of the Company and its subsidiaries for the six-month period ended 30th June 2019.

The Company reported consolidated net profit (attributable to equity holders of the parent) of Baht 195 million for the second quarter of 2019, a decrease of 15 percent compared to the second quarter of the previous year and net profit (attributable to equity holders of the parent) of Baht 505 million for the first six-month period of 2019, an increase of 4 percent compared to the first six months of the previous year respectively.

The Company would like to clarify the significant reasons for the decrease in profits for the second quarter and increase in profits for the first six-month period of 2019 compared to the same periods of the previous year, as follows:

The second quarter of 2019 Vs 2018

1. Revenues

The Company's revenue in the second quarter of 2019 was Baht 808 million, a decrease of 1 percent compared to the second quarter of the previous year. The significant revenue items are as follows:

1.1 Brokerage fees

The Company's brokerage fees in the second quarter of 2019 were Baht 162 million, a decrease of 28 percent compared to the second quarter of the previous year, mainly due to a decrease in activity by local retail investors.

1.2 Fee and Service income

The Company's fee and service income in the second quarter of 2019 was Baht 192 million, an increase of 18 percent compared to the second quarter of the previous year, mainly due to an increase in mutual fund management fees and private fund management fees from funds managed by ONE Asset Management Limited (the Company's subsidiary), and an increase in the Company's underwriting fees.

1.3 Interest on margin loans

The Company's interest on margin loans in the second quarter of 2019 was Baht 38 million, a decrease of 24 percent compared to the second quarter of the previous year, this was due mainly to a decrease in the size of the Company's credit balance accounts.

1.4 Gains and return on financial instruments

The Company's gains and return on financial instruments in the second quarter of 2019 were Baht 412 million, an increase of 9 percent compared to the second quarter of the previous year, due to an improved performance of the Company's investments.

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

2. Expenses

The Company's expenses in the second quarter of 2019 were Baht 563 million, an increase of 7 percent compared to the second quarter of the previous year. The majority of the Company's expenses came from employee benefits expenses, fee and service expenses, and finance costs, as follows:

2.1 Employee benefits expenses

The Company's employee benefits expenses in the second quarter of 2019 were Baht 299 million, an increase of 11 percent compared to the second quarter of the previous year. The main reason is that the Company recognized past service cost as an expense in statement of comprehensive income due to the recognition of additional legal severance pay rates for employees who have worked for an uninterrupted period of twenty years or more. Such employees are entitled to receive compensation of not less than 400 days at the employees' latest wage rate according to The Labor Protection Act (No. 7) B.E. 2562.

2.2 Fee and service expenses

The Company's fee and service expenses in the second quarter of 2019 were Baht 115 million, an increase of 12 percent compared to the second quarter of the previous year, mainly due to an increase in the retaining fees paid by ONE Asset Management Limited (the Company's subsidiary).

2.3 Finance costs

The Company's finance costs in second quarter of 2019 were Baht 38 million, a decrease of 12 percent compared to the second quarter of the previous year, mainly from a decrease in interest paid on bill of exchange.

The first six-month period of 2019 Vs 2018

1. Revenues

The Company's total revenues in the first six-month period of 2019 were Baht 1,719 million, similar to the first six-month period of the previous year. The significant revenues are as follows:

1.1 Brokerage fees

The Company's brokerage fees in the first six-month period of 2019 were Baht 327 million, a decrease of 36 percent compared to the first six-month period of the previous year, mainly from a decrease in SET and TFEX average daily trading volume.

1.2 Fee and Service income

The Company's fee and service income in the first six-month period of 2019 was Baht 367 million, an increase of 8 percent compared to the first six-month period of the previous year, mainly from an increase in mutual fund management fees and private fund management fees for funds managed by ONE Asset Management Limited (the Company's subsidiary), and an increase in the Company's underwriting fees.

1.3 Interest on margin loans

The Company's interest on margin loans in the first six-month period of 2019 was Baht 71 million, a decrease of 24 percent compared to the first six-month period of the previous year, due mainly to a decrease in the size of the Company's credit balance accounts.

1.4 Gains and return on financial instruments

The Company's gains and return on financial instruments in the first six-month period of 2019 were Baht 934 million, an increase of 22 percent compared to the first six-month period of the previous year, due to an improved performance of the Company's investments.

The Company's gains and return 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 and other investments.

2. Expenses

The Company's expenses in the first six-month period of 2019 were Baht 1,086 million, a decrease of 1 percent compared to the first six-month period of the previous year. The majority of the Company's expenses came from employee benefits expenses, fee and service expenses, and finance costs, as follows:

2.1 Employee benefits expenses

The Company's employee benefits expenses in the first six-month period of 2019 were Baht 585 million, an increase of 4 percent compared to the first six-month period of the previous year, the main reason is that the Company recognized past service cost as an expense in statement of comprehensive income due to the recognition of additional legal severance pay rates for employees who have worked for an uninterrupted period of twenty years or more. Such employees are entitled to receive compensation of not less than 400 days at the employees' latest wage rate according to The Labor Protection Act (No. 7) B.E. 2562.

2.2 Fee and service expenses

The Company's fee and service expenses in the first six-month period of 2019 were Baht 218 million, similar to the first six-month period of the previous year. The Company's brokerage fee from securities and derivative business decreased but there was an increase in the retaining fees paid by ONE Asset Management Limited (the Company's subsidiary).

2.3 Finance costs

The Company's finance costs in the first six-month period of 2019 were Baht 71 million, a decrease of 20 percent compared to the first six-month period of the previous year, mainly due to a decrease in interest paid on bill of exchange and borrowings from financial institutions.

Please be informed accordingly.

Yours Sincerely,

(Mr. Chih-Hung Lin)
Chief Operating Officer