



บริษัทหลักทรัพย์ เคจีไอ (ประเทศไทย) จำกัด (มหาชน)
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Ref: CSO. 003/2020

Date: 19th February 2020

Subject: Management Discussion and Analysis for Year Ending 31st December 2019

Attention: President
The Stock Exchange of Thailand

The Board of Directors meeting of KGI Securities (Thailand) Plc ("the Company"), No.1/2020, held on 19th February 2020, approved the audited financial statements, including the consolidated financial statements of the Company and its subsidiaries for the year ended 31st December 2019. In 2019, the Company achieved consolidated profits (attributable to equity holders of the parent) of Baht 971 million and earnings per share of Baht 0.49 a decrease of 10% when compared to the previous year. The Company would like to clarify the reasons for the change in profits for 2019 compared to the previous year, as follows:

1. Revenues

In 2019, the Company had total revenues, as shown in its consolidated financial statements, of Baht 3,350 million, a decrease of 5 percent compared to the previous year, mainly due to a decrease in Brokerage fees, The significant revenues are as follows:

1.1 Brokerage fees

The Company's brokerage fees in 2019 was Baht 689 million, a decrease of 23% from the previous year. The brokerage fee income consisted of brokerage fees from securities business of Baht 532 million, brokerage fees from derivatives business of Baht 167 million. The decrease in brokerage fee income was from both securities business and derivatives business, due to a decrease in SET average daily trading volume and TFEX trading volume of retail investors.

1.2 Fees and Service income

The Company's fee and service income in 2019 was Baht 789 million, an increase of 15% from the previous year, mainly from an increase in the Company's underwriting fees and an increase in the mutual fund management fees, private fund management fees and provident fund management fees earned by the Company's asset management subsidiary, ONE Asset Management Limited.

1.3 Interest on margin loans

The Company's interest on margin loans in 2019 was Baht 137 million, a decrease of 16% from the previous year. The decrease was due mainly to a decrease in the size of the Company's credit balance accounts during the year. As at 31st December 2019, the Company's margin loan balance was Baht 1,745 million. The Company controls the risk of such loans by establishing credit limits for clients and analyzing their financial position on an ongoing basis.

1.4 Gains and returns on financial instruments

The Company's gains and returns on financial instruments in 2019 was Baht 1,706 million, similar to the previous year which were Baht 1,738 million, due to the Company's wide range of investments continued to perform well in 2019.

The Company's gains and returns 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, and private repos and other investments.

2. Expenses

The Company's expenses in 2019 were Baht 2,137 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, and other expenses, as follows:



2.1 Employee benefits expenses

The Company's Employee benefits expenses in 2019 were Baht 1,089 million, similar to the previous year which were Baht 1,104 million.

During the year 2019, 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 Fees and service expenses

The Company's fees and service expenses in 2019 were Baht 454 million, an increase of 8% from the previous year, mainly from an increase in the retaining fee paid by ONE Asset Management Limited (the Company's subsidiary) which are related to the increase in AUM of the Company's subsidiary, and an increase in the Company's securities borrowing and lending fees.

2.3 Finance costs

The Company's finance costs in 2019 were Baht 141 million, a decrease of 12% from the previous year, mainly due to a decrease in interest paid on bills of exchange and borrowings from financial institutions.

2.4 Other expenses

The Company's other expenses in 2019 were Baht 448 million, a decrease of 4% from the previous year, mainly due to a decrease in premises and equipment expenses, traveling expenses and office supplies.

Please be informed accordingly.

Yours Sincerely,

(Mr. Chih-Hung Lin)
Chief Operating Officer

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