

CGH 011/2018

February 28, 2018

Re: Management Discussion and Analysis (MD&A)
For the year ended December 31, 2017

To: The President
The Stock Exchange of Thailand

Management Discussion and Analysis

The significant financial information for Country Group Holdings Public Company Limited and its subsidiaries (“the Company”) is as follows:

Units : Million baht

FINANCIAL SUMMARY	2017	2016	2015
<i>TOTAL ASSETS</i>	8,803.73	7,925.21	6,928.88
<i>TOTAL LIABILITIES</i>	2,614.11	1,903.72	1,089.46
<i>TOTAL SHAREHOLDERS' EQUITY</i>	6,189.62	6,021.49	5,839.42
<i>TOTAL REVENUES</i>	850.51	1,356.64	1,185.88
<i>TOTAL EXPENSES</i>	627.56	931.32	1,069.02
<i>NET PROFIT</i>	234.63	392.07	60.72
<i>FINANCIAL RATIO</i>			
<i>Net profit margin (Percentage)</i>	27.55	28.82	5.06
<i>Liquid assets to total assets (Percentage)</i>	63.52	60.94	42.11
<i>Earning assets to total assets (Percentage)</i>	61.62	73.91	78.41
<i>Debt-to-equity ratio (times)</i>	0.42	0.32	0.19

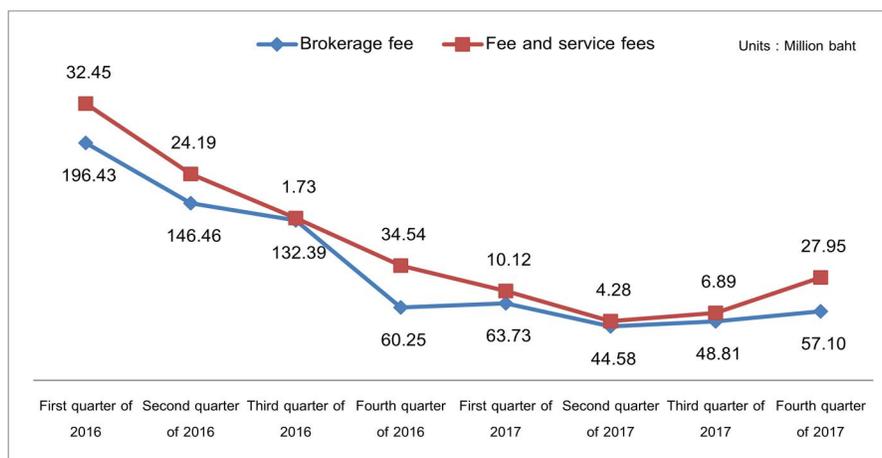
Company Performance Analysis

The Company’s main source of income consisted of brokerage commissions, fees and services, profits, and returns on financial instruments (profit from investments, interest, and dividends), interest from margin loans (from securities trading), and shares of profits from investments in associated companies. The proportion of each major source of income, including the growth of each, is as follows:

Units: Million baht

REVENUES	2017		2016		2015	
	AMOUNT	%	AMOUNT	%	AMOUNT	%
Brokerage fees	214.22	25.19	541.62	63.68	867.15	63.92
Fees and services income	52.13	6.13	79.06	9.30	60.64	4.47
Interest on margin loans	14.27	1.68	34.88	4.10	46.33	3.42
Gain (losses) on investments and derivatives	59.51	7.00	77.46	9.11	63.17	4.66
Interest and dividends	220.75	25.96	167.15	19.65	114.26	8.42
Share of profit from investments in associated companies	243.06	28.58	134.75	15.84	18.39	1.36
Income from the partial transfer of retail securities business	-	-	306.00	35.98	-	-
Gain on classified investments in associated to available-for-sale investments	21.61	2.54	-	-	-	-
Other income	24.95	2.93	15.71	1.85	15.94	1.17
TOTAL	850.50	100.00	1,356.63	159.51	1,185.88	87.41

The Company was successful in the restructuring of CGS through its transfer of parts of the brokerage business to a securities company, for which the Company acknowledged the transaction's revenues of 306 million baht during the third quarter of 2016. The Company's income, commissions, and fees and services displayed a trend of increasing from the second quarter of 2017 onward.



The Company would like to announce the operating results for the year ended December 31, 2017, which has been audited by auditor as follows:

Units: Million baht

INCOME STATEMENTS	2017	2016	CHAGES	%
REVENUES	607.44	1,221.89	(614.45)	(50.29)
EXPENSES	627.56	931.31	(303.75)	(32.62)
SHARE OF PROFIT FROM INVESTMENTS IN ASSOCIATED COMPANIES	243.06	134.74	108.32	80.39
INCOME BEFORE INCOME TAX	222.94	425.32	(202.38)	(47.58)
INCOME (EXPENSE) TAX	11.69	(33.25)	44.94	(135.16)
NET INCOME FOR THE YEARS	234.63	392.07	(157.44)	(40.16)

The Company posted net profits of 234.63 million baht, a decrease of 157.44 million baht (40.16 percent) compared to the previous year's listing of 392.07 million baht. The primary causes of this change were:

1. Revenues amounted to 607.44 million baht, down 614.45 million baht (50.29 percent) from the previous value of 1,221.89 million baht. This was due to the following:
 - Revenue from commission decreased by 327.40 million baht, while interest income from securities trading decreased by 20.61 million baht. One reason for this was the successful sale of part of the brokerage business to a securities company and acknowledging the 306 million baht in earnings from the transaction during the third quarter of the previous year. In addition, the average daily trading value of its subsidiaries also decreased.
 - Income from fees and services fell by 26.93 million baht, mostly due to reductions in the revenue from financial consultants that amounted to 31.55 million baht. The Company also made 13.08 million baht more in revenue from sales of securities compared to the previous year.
 - Gain on investments and derivatives rose by 53.60 million baht mostly as a result of a 120.70 million baht increase in profits from investments. This was in spite of the Company having profits (losses) from derivatives/bonds decreasing by 67.10 million and 17.95 million baht, respectively.
2. The Company's total expenses amounted to 627.56 million baht, a decrease of 303.75 million baht (32.62 percent) from the previous year's 931.31 million baht. The major reason for this was the transfer of marketing staff and assets from some of its subsidiaries' branches to a securities company during the third quarter of the previous year. As a result, the Company's expenses (employee benefits and costs regarding buildings and equipment) fell 196.56 million and 55.24 million baht, respectively. Furthermore, fees and services expenses fell by 42.29 million baht.
3. The Company's share of profits from investments in affiliates came out to 243.06 million baht, an increase of 108.32 million baht (80.39 percent). This increase stemmed from its affiliates higher annual net profits compared to the year before.

Company's name	2017		2016	
	Share of profit from investment for using equity method (Million baht)	Percentage of total revenues	Share of profit from investment for using equity method (Million baht)	Percentage of total revenues
<i>MFC Asset Management Public Company Limited</i>	35.53	4.2	46.51	3.4
<i>Padaeng Industry Public Company Limited</i>	227.75	26.8	112.43	8.3
<i>Country Group Development Public Company Limited</i>	(20.22)	(2.4)	(24.20)	(1.8)
TOTAL	243.06		134.74	

4. For the year ending December 31, 2017, the Company had corporate income tax income of 11.69 million baht, a decrease of 44.94 million baht (135.16 percent) compared the previous year which the Company have tax expense in amount of 33.25 million baht. The Company used a tax rate of 20% for calculation of income tax expense for the years ended December 31, 2017 and 2016. Income tax expense is calculated from income before tax, added back transactions which are non-deductible expenses and deducted income or expense exemption under the Revenue Code.
5. The Company's net profits (mostly belonging to the parent company) came out to 234.32 million baht (0.0540 baht per share in profits), a decrease of 157.01 million baht (40.12 percent) compared to the previous year (which had a reported value of 391.33 million baht in net profit, or 0.0902 baht in earnings per share).

Units: Million baht

STATEMENT OF FINANCIAL POSITION	2017	2016	CHANGES	%
TOTAL ASSETS	8,803.73	7,925.21	878.52	11.09
<i>TOTAL LIABILITIES</i>	2,614.11	1,903.72	710.39	37.32
<i>EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT</i>	6,170.26	6,001.61	168.65	2.81
<i>NON-CONTROLLING INTERESTS</i>	19.36	19.88	(0.52)	(2.62)
<i>TOTAL SHAREHOLDERS' EQUITY</i>	6,189.62	6,021.49	168.13	2.79
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	8,803.73	7,925.21	878.52	11.09

TOTAL ASSETS

As of December 31, 2017, the Company possessed total assets worth 8,803.73 million baht, an increase of 878.52 million baht (or 11.09 percent) compared to the same time last year, which totaled to 7,925.21 million baht.

Major changes in the Company's assets were as follows:

Units: Million baht

SIGNIFICANT ASSETS	2017		2016	
	AMOUNT	%	AMOUNT	%
<i>Cash and cash equivalents</i>	1,236.65	14.05	1,480.78	18.68
<i>Temporary investments, Investment held as available for sale and Other long-term investments</i>	4,261.85	48.41	2,236.78	28.22
<i>Receivables from Clearing House</i>	440.35	5.00	866.53	10.93
<i>Securities and derivatives business receivables - net</i>	722.32	8.20	452.02	5.70
<i>Investments in associated companies</i>	1,677.88	19.06	2,356.42	29.73
<i>Others</i>	464.68	5.28	532.68	6.72
TOTAL	8,803.73	100.00	7,925.21	100.00

1. As of December 31, 2017, the Company possessed cash and cash equivalents amounting to 1,236.65 million baht. This was a decrease of 244.13 million baht (16.49 percent) compared to the year before, which was made up mostly of cash and cash equivalents, along with deposits in the form of cash and short-term deposits within the Company's financial institutions, so that they would be flexible enough for use as working capital for daily operations
2. As of December 31, 2017, the Company had short and long-term investments totaling 4,261.85 million baht, an increase of 2,025.07 million baht (90.54 percent) compared to the previous year.

Units: Million baht

DETAILS OF INVESTMENTS	2017	2016
<i>Current investments</i>		
<i>Unit trusts</i>	46.4	170.48
<i>Listed securities</i>	1,108.53	393.19
<i>Debt instruments</i>	1,901.22	1,261.15
<i>Debt instruments held to maturity</i>	14.72	33.44
<i>Available-for-sale investments</i>	-	59.53
<i>Deposits at financial institutions</i>	54.24	54.24
<i>Investment held as available for sale</i>		
<i>Available-for-sale investments</i>	1,131.25	259.26
<i>Other long-term investments</i>		
<i>General investments</i>	5.49	5.49
TOTAL	4,261.85	2,236.78

The majority of the investments are in listed securities, debt instruments, and unit trusts that are in demand. The Company set up an Investment Committee to oversee securities investments for the Company's accounts and those of its subsidiaries, who will be responsible for establishing circumspect investment guidelines. The Company and its subsidiaries also solidified a complete readjustment of the allowance for changes in value and allowance for impairment loss according based on accordance with accounting standards and SEC announcements.

3. As of December 31, 2017, the Company possessed 440.35 million baht in receivables from clearing house, a reduction of 426.18 million baht (49.18 percent) compared to the previous year. The receivables from clearing house were made up of the value of net sales to customers and subsidiaries' accounts during the last three days of the year.
4. As of December 31, 2017, the Company's net securities and derivatives business receivables came out to 722.32 million baht, 270.30 million baht (59.80 percent) increase from the previous year. This was mostly due to increases in loans (for debtors to trade securities) of 232.97 million baht. This was the net value of securities business receivables and derivatives business receivables in the last three business days of the year.

Bad Debts and Doubtful Accounts

In regards to policies for allowances for doubtful accounts, subsidiaries have their own for establishing such allowances through their assessment of individual debtors' financial status. Such assessments include consideration for the risk of repayment and the value of any collateral used. Subsidiaries have set allowances for doubtful accounts based on principals and interest. Their debt is also classified according to the Office of the SEC's Notifications Number KorThor. 33/2543 and 5/2544, dated August 25, 2000 and February 15, 2001, respectively.

As of December 31, 2017 and 2016, the subsidiaries recorded an allowance for doubtful accounts for outstanding loans that came out to 375.78 million baht and 364.83 million, respectively.

TOTAL LIABILITIES

As of December 31, 2017, the Company had total liabilities amounting to 2,614.11 million baht, an increase of 710.39 million baht (37.32 percent) compared to the year before (1,903.72 million baht).

The significant changes in the Company's liabilities were as follows:

Units: Million baht

SIGNIFICANT LIABILITIES	2017		2016	
	AMOUNT	%	AMOUNT	%
<i>Trade and other current payables</i>	122.75	4.68	94.92	4.99
<i>Debts issued and borrowings</i>	144.22	5.50	-	-
<i>Securities business payables</i>	1,257.58	47.93	1,747.95	91.82
<i>Debentures</i>	1,079.80	41.16	-	-
<i>Others</i>	9.76	0.37	60.85	3.20
TOTAL	2,614.11	100.00	1,903.72	100.00

1. As of December 31, 2017, the Company had trade accounts payable and other payables totaling 122.75 million baht, an increase of 27.83 million baht (29.32 percent) compared to the previous year. This stemmed from a reduction in accrued expenses such as income tax payable and compensation for marketing staff/payable shares of profits from the securities trading team and branch offices.
2. As of December 31, 2017, the Company had debt securities issued and other loans - bills of exchange (with a maturity of less than one year) totaling 144.22 million baht, with interest rates of 3.2 to 3.5 percent per annum.

3. As of December 31, 2017, the Company had securities business payables of 1,257.58 million baht, a decrease of 490.37 million baht (28.05 percent) from the previous year. The net value of securities and derivatives business payables is the total sales value of clients' trading activities of within the last three business days of the year.
4. On December 1, 2017, the Company issued unsubordinated and unsecured debentures amounting to 1,079.80 million baht, which specify the names of their holders and representatives. This was done for the purpose of expansion in order to support its investments and the principal is to be repaid in full on June 1, 2020, with a fixed interest rate of 6.25 percent per annum. The interest fund is to be distributed every three months on March 1, June 1, September 1, and December 1 throughout each year of the life of the debentures.

The Company had registered the debentures with the Thai Bond Market Association (Thai BMA) and with the SET on December 1, 2017.

SHAREHOLDERS' EQUITY

As of December 31, 2017, the Company had total shareholders' equity of 6,189.62 million baht, an increase of 168.13 million baht (2.79 percent) from the 6,021.49 million baht of the previous year.

Units: Million baht

	Total Owners of the Parent	Non-Controlling Interests	TOTAL
<i>Outstanding balance as of January 1, 2017</i>	6,001.61	19.88	6,021.49
<i>Changes in non-controlling interests from additional purchases of common subsidiary shares</i>	0.01	(0.19)	(0.18)
<i>Dividends Paid</i>	(120.30)	(0.67)	(120.97)
<i>Total comprehensive income (loss) for the year</i>	288.94	0.34	289.28
<i>Balance as of December 31, 2017</i>	6,170.26	19.36	6,189.62

Liquidity and Sufficiency of Capital

The majority of the sources of capital in business operations came from the Company's own funds. Furthermore, its credit line stemmed from various commercial banks serving as sources of turnover/working capital and supporting business operations. The net capital ratios of the Company's subsidiaries as of December 31, 2017 and 2016 were 132.50 percent and 93.10 percent, respectively. This was quite high compared to the seven percent minimum rate mandated by the SEC that securities companies must maintain.

Summary

The Company is known for its financial strength and high liquidity. As of December 31, 2017, it possessed cash and cash equivalents amounting to 1,236.65 million baht, 13.98 percent of the Company's total assets. In addition, its ratio of liquid assets to total assets was 63.52 percent, with the earning assets to total assets ratio being 61.62 percent, and the ratio of debt to shareholders' equity coming to 0.42 times.

The Company has three main strategies that drive its success:

- 1) Efficient asset management,
- 2) Restructuring of its affiliates with emphasis on producing better returns, and
- 3) Acquiring businesses with high growth potential.

For the year ending December 31, 2017, net profits decreased by 157.44 million baht due to an equivalent decrease in securities brokerage fees in amount of 327.40 million baht, including those from one-time sales of retailed securities trading businesses to the amount of 306.00 million baht to a securities firm during the third quarter the previous year. However, the Company's net profit margin was similar to that of the previous year. In 2017 and 2016, the net profit margins amounted to 27.55 percent and 28.82 percent, respectively.

The Company also continues to engage in diverse investments as part of its strategy. As a result, its profit shares from investments in subsidiaries as of December 31, 2017 came out to 243.06 million baht, an increase of 108.32 million baht (80.39 percent). In addition, the Company got gain on investment and derivatives of 53.60 million baht (32.07 percent) compared to the previous year.

Please be informed, accordingly.

Sincerely yours,

-Signature-

(Mr. Tommy Taechaubol)

Chief Executive Officer