

Ref. Wor Thor. Tor. 031/2018

May 11, 2018

Subject : Explanation and analysis of financial performance for the three-month period ended March 31, 2018

Attention : The President
The Stock Exchange of Thailand

The Board of Directors' meeting of Trinity Watthana Public Company Limited No. 4/2018, held on 11st May 2018, had approved the reviewed financial statements for the three-month period ended March 31, 2018. Net profit for the first quarter of 2017 and earnings per share were Baht 23.76 million and Baht 0.12 respectively, which were less than net profit and earnings per share for the corresponding period of 2017 at Baht 31.54 million and Baht 0.16, equivalent to decline 24.67%.

The Company would like to explain and analyze the financial position and operating results for the first quarter of 2018 compared to the corresponding period of 2017 as follows:

1. Operating Results

Income

The consolidated income of the Company and subsidiaries for the first quarter of 2018 was Baht 189.31 million, which was slightly increased from Baht 181.91 million for the corresponding period of 2017. The increase in the consolidated income of the Company and subsidiaries was attributed to the following:

- 1) The securities and derivatives business income increased from Baht 134.81 million for the first quarter of 2017 to Baht 144.87 million in the same period of 2018, resulted from the following:
 - An increase in a daily average turnover of SET from Baht 50,865 million to Baht 71,182 million in the first quarter of 2018 or increased by 39.94% mainly contributed from foreign investors. The subsidiary's securities brokerage fee increased from Baht 75.61 million for the first quarter of 2017 to Baht 86.82 million in the same period of 2018 or increased by 14.83%;
 - The subsidiary's interest income from margin loan decreased from Baht 37.75 million for the first quarter of 2017 to Baht 32.97 million resulting from a decrease in margin loan during the first quarter of 2018.
- 2) The Company's net gain from investment was Baht 31.37 million in the first quarter of 2018, dividing into gain on trading securities amounted to Baht 33.53 million and loss on trading derivatives amounted to Baht 2.16 million compared to net gain from investment was Baht 30.11 million in the same period of 2017 dividing into gain on trading securities amounted to Baht 36.23 million and loss on trading derivatives amounted to Baht 6.12 million.

Operating Expenses

In the first quarter of 2018, the Company and subsidiaries' total expenses Baht 158.84 million comparing to Baht 142.22 million in the same period of 2017. The expenses which had significant changes included:

- Personnel expenses in the first quarter of 2018 amounted to Baht 97.71 million which was increased from Baht 90.56 million in the same period of 2017, or by 7.89%. This increase varied in relation to the Company's overall increase in the operating results.

- Fee and services expenses in the first quarter of 2018 amounted to Baht 18.67 million which was increased from Baht 15.32 million in the same period of 2017, or increased by 21.87%. This increase varied in relation to the Company's trading volume.
- Provision for doubtful debts was set amounted to Baht 6.89 million in the first quarter of 2018 as a result from the decrease in collateral fair value of one listed securities of which the listed company has been suspended from trading. Therefore, the Company was required to recognize the uncollateralized portion of debts.

Net Profit (Loss)

In the first quarter of 2018, the Company and subsidiaries' profit before corporate income tax was Baht 30.47 million which was decreased from Baht 39.69 million in the same period of 2017 and net profit was Baht 23.76 million comparing to Baht 31.54 million in the same period of 2017.

2. Financial Position

Total Assets

As of 31 March 2018, the total assets of the Company and subsidiaries amounted to Baht 3,642.20 million comparing to Baht 3,954.84 million at the end of 2017, of which significant items included investments in securities in the amount of Baht 646.54 million which was increased from Baht 599.11 million, securities and derivatives business receivables in the amount of Baht 2,500.88 million decreased from 2,784.18 million and other short-term loans amounted to Baht 131.95 million. These main items represented 17.75%, 68.66%, and 3.62% of the total assets as of 31 March 2018, respectively.

Securities and Derivatives Business Receivables

As of 31 March 2018, the subsidiary's securities and derivatives business receivables in the amount of Baht 2,500.88 million included margin loan receivables in the amount of Baht 2,174.81 million decreased from Baht 2,230.49 million at the end of 2017, and receivables from cash account amounted to Baht 181.12 million decreased from 411.59 million at the end of 2017. As required by the Notification of the Office of the Securities and Exchange Commission (SEC), the subsidiary categorized its securities business receivables and accrued interest receivables in accordance with the SEC's Notification re: Bookkeeping in relation to Sub-Standard Debtors of Securities Companies as general debt in the amount of Baht 2,383 million, sub-standard debt in the amount of Baht 118 million and doubtful debts in the amount of Baht 76 million. In this regard, the Company has provided a reserve to cover all doubtful debts in accordance with the financial reporting standard.

Investments in Securities and Derivatives

The Company and subsidiaries' net investments in securities as of 31 March 2018 were Baht 646.54 million, 17.75% of total assets, which was increased from Baht 599.11 million at the end of 2017. Out of this amount, short-term and long-term investment stated at fair value was Baht 643.08 million increased from Baht 595.85 million at the end of 2017. The remaining investment Baht 3.46 million was the investment in affiliates which were accounted for under an equity method.

In the first quarter of 2018, the Company and subsidiaries had a total return on investment in the amount of Baht 34.83 million decreased from a total return of Baht 47.50 million in the same period of 2017 or equal to rate of return on investment 22.43% p.a. lower than 37.31% p.a. in the same period of 2017. The total return comprised of profit from investment in securities and derivatives trading at Baht 31.57 million, interest and dividend from securities held for trading and available-for-sale at Baht 13.58 million and an increase in unrealized loss from investments presented in shareholders' equity amounted to Baht 10.32 million.

Liabilities

As of 31 March 2018, the Company and subsidiaries' total liabilities stood at Baht 2,024.55 million compared to the total liabilities of Baht 2,350.64 million at the end of 2017. The total liabilities mainly comprised of borrowings decreased from Baht 1,776.96 million at the end of 2017 to Baht 1,584.86 million at the end of March 2018 while the securities and derivatives business payables decreased from Baht 376.62 million at the end of 2017 to Baht 187.25 million at the end of March 2018.

Shareholders' Equity

As of 31 March 2018, the Company and subsidiaries' shareholders' equity stood at Baht 1,617.65 million which was increased from Baht 1,604.21 million at the end of 2017. The increase was mainly derived from the Company and subsidiaries' earnings for the first quarter of 2018 amounted to Baht 23.76 million whereas an increase in unrealized loss from investments presented in shareholders' equity amounted to Baht 10.32 million. The return on equity for the first quarter of 2018 was 5.90% per annum comparing to 7.87% per annum in the same period of 2017.

Please be informed accordingly.

Yours faithfully,

Charnchai Kongthongluck
Director