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August 14, 2018

Subject : Explanation and analysis of financial performance for the second quarter ended June 30, 2018

Attention : The President
The Stock Exchange of Thailand

The Board of Directors' meeting of Trinity Watthana Public Company Limited No. 6/2018, held on August 14, 2018, has approved the reviewed financial statements for the second quarter ended June 30, 2018. Profit before tax for the second quarter of 2018 was Baht 13.48 million compared to loss before tax for the corresponding period of 2017 at Baht 85.64 million whereas net profit for the second quarter of 2018 and earnings per share were Baht 10.65 million and Baht 0.054 respectively, compared to net loss after tax and loss per share for the corresponding period of 2017 at Baht 67.80 million and Baht 0.343 respectively, equivalent to increase 116%. Net profit of Baht 34.41 million or earnings per share of Baht 0.167 were reported for the first six-month period of 2018 compared to net loss of Baht 36.26 million or loss per share of Baht 0.184 for the corresponding period of 2017, equivalent to increase 195%.

The Company would like to explain and analyze the financial position and operating results for the second quarter and the six-month period ended June 30, 2018 compared to the corresponding period of 2017 as follows:

1. Operating Results for the second quarter ended June 30, 2018

Income

The consolidated income of the Company and subsidiaries for the second quarter of 2018 increased from that of 2017 by 200%; that is, the Company and subsidiaries' consolidated income for the second quarter of 2018 was Baht 136.49 million, which was increased from Baht 45.44 million. In case that no impairment in value of listed companies amounted to Baht 103.39 million, the income for the second quarter of 2017 would be Baht 148.83 million. The changes in the consolidated income of the Company and subsidiaries were attributed to the following:

- 1) The Company's net gain from investment was Baht 9.31 million in the second quarter of 2018 dividing into gain on derivatives trading amounted to Baht 25.36 million and loss on securities trading amounted to Baht 16.05 million compared to net loss from investment was Baht 91.19 million in the same period of 2017 dividing into loss on securities trading amounted to Baht 143.12 million and gain on derivatives trading amounted to Baht 51.93.

Loss on securities trading in the second quarter of 2017 amounted to Baht 143.12 million including the impairment loss of the long-term investment amounted to Baht 103.39 million since one listed company has announced and submitted rehabilitation petition due to the liabilities in excess of assets and also has been suspended from trading. Therefore, the Company was required to recognize impairment loss.

- 2) The securities and derivatives business income slightly decreased from Baht 126.21 million for the second quarter of 2017 to Baht 117.49 million in the same period of 2018 despite the fact that a daily average turnover of SET increased from Baht 42,089 million to Baht 57,002 million in the second quarter of 2018 or increased by 35.43% mainly contributed from foreign investors whereas the subsidiary's main customers were retail investors whose trading were slow down due to market fluctuation.

Operating Expenses

In the second quarter of 2018, the Company and subsidiaries' total expenses slightly decreased from Baht 131.29 million to Baht 123.01 million, or decreased by 6.31%. The expenses which had significant changes include:

- Personnel expenses in the second quarter of 2018 amounted to Baht 67.98 million which was decreased from Baht 80.68 million in the same period of 2017, or by 15.74%. This decrease varied in relation to the decrease in trading volume of the customers from market fluctuation.
- Fee and services expenses in the second quarter of 2018 amounted to Baht 17.98 million which was increased from Baht 12.82 million in the same period of 2017, or by 40.25%. This increase varied in relation to the Company's investment trading volume.
- Provision for doubtful debts was set amounted to Baht 2.89 million in the second 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 second quarter of 2018, the Company and subsidiaries' profit before corporate income tax were Baht 13.48 million compared to loss before corporate income tax amounted to Baht 85.64 million in the same period of 2017 and net profit were Baht 10.65 million compared to net loss amounted to Baht 67.80 million in the same period of 2017, equivalent to increase 116%.

2. Operating Results for the six-month period ended June 30, 2018

Income

The consolidated income of the Company and subsidiaries for the six-month period of 2018 decreased from that of 2017 by 43.16%; that is, the Company and subsidiaries' consolidated income for the six-month period of 2018 was Baht 325.80 million, which was increased from Baht 227.58 million. In case that no impairment in value of listed companies amounted to Baht 103.39 million, the income for the second quarter of 2017 would be Baht 330.97 million. The major changes in the consolidated income of the Company and subsidiaries were the following:

- 1) The Company's net profit from investment was Baht 40.69 million in the six-month period of 2018 dividing into gain on trading securities amounted to Baht 15.32 million and gain on trading derivatives amounted to Baht 25.37 million compared to net loss from investment was Baht 61.08 million in the same period of 2017 dividing into loss on trading securities amounted to Baht 106.89 million and gain on trading derivatives amounted to Baht 45.81 million.

Loss on securities trading in the six-month period of 2017 amounted to Baht 106.89 million including the impairment loss of the long-term investment amounted to Baht 103.39 million since one listed company has announced and submitted rehabilitation petition due to the liabilities in excess of assets and also has been suspended from trading. Therefore, the Company was required to recognize impairment loss.

- 2) The securities and derivatives business income in the six-month period of 2018 amounted to Baht 262.35 million compared to Baht 261.03 million in the same period of 2017 despite the fact that a daily average turnover of SET increased from Baht 46,549 million to Baht 64,035 million in the second quarter of 2018 or increased by 37.56% mainly contributed from foreign investors whereas the subsidiary's main customers were retail investors whose trading were slow down due to market fluctuation.

Operating Expenses

In the six-month period of 2018, the Company and subsidiaries' total expenses slightly increased from Baht 273.52 million for the six-month period of 2017 to Baht 281.86 million in the same period of 2018. The expenses which had significant changes include:

- Fee and services expenses in the six-month period of 2018 amounted to Baht 36.64 million which was increased from Baht 28.14 million in the same period of 2017, or by 30.21%. This increase varied in relation to the Company's investment trading volume.
- Provision for doubtful debts was set amounted to Baht 9.78 million in the six-month period 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 six-month period of 2018, the Company and subsidiaries' profit before corporate income tax were Baht 43.94 million compared to loss before corporate income tax amounted to Baht 45.95 million in the same period of 2017 and net profit were Baht 34.41 million in the first six-month period of 2018 compared to net loss amounted to Baht 36.26 million in the same period of 2017, equivalent to increase 195%.

3. Financial Position

Total Assets

As of 30 June 2017, the total assets of the Company and subsidiaries amounted to Baht 3,731.96 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 595.41 million which was slightly decreased from Baht 599.11 million, securities and derivatives business receivables in the amount of Baht 2,145.52 million decreased from 2,784.18 million and other short-term loans amounted to Baht 243.28 million increased from Baht 131.95 million. These main items represented 15.95%, 57.49%, and 6.52% of the total assets as of 30 June 2018, respectively.

Securities and Derivatives Business Receivables

As of 30 June 2018, the subsidiary's securities and derivatives business receivables in the amount of Baht 2,145.52 million included margin loan receivables in the amount of Baht 1,864.19 million decreased from Baht 2,230.49 million at the end of 2017, and receivables from cash account amounted to Baht 129.69 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 2,096 million, sub-standard debt in the amount of Baht 50 million and doubtful debts in the amount of Baht 79 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 30 June 2018 were Baht 595.41 million, 15.95% of total assets, which was slightly decreased 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 592.41 million. The remaining investment Baht 2.99 million was the investment in affiliates which were accounted for under an equity method.

In the six-month period of 2018, the Company and subsidiaries had a total return on investment in the amount of Baht 53.08 million increased from a total return of Baht 7.49 million in the same period of 2017 or equal to rate of return on investment 17.82% per annum higher than 2.86% in the same period of 2017. The total return comprised of profit from investment in securities and derivatives trading at Baht 40.92 million, interest and dividend from securities held for trading and available-for-sale at Baht 24.46 million, and the increase in unrealized loss from investments presented in shareholders' equity amounted to Baht 12.30 million.

Liabilities

As of 30 June 2018, the Company and subsidiaries' total liabilities stood at Baht 2,190.32 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 1,433.55 million at the end of June 2018 while the securities and derivatives business payables increased from Baht 376.62 million at the end of 2017 to Baht 621.96 million at the end of June 2018.

Shareholders' Equity

As of 30 June 2018, the Company and subsidiaries' shareholders' equity stood at Baht 1,541.64 million which was decreased from Baht 1,604.21 million at the end of 2017. The decrease was mainly derived from the Company and subsidiaries' earnings for the six-month period of 2018 amounted to Baht 34.41 million whereas dividend paid out during the period was amounted to Baht 89 million and an increase in unrealized loss from investments presented in shareholders' equity amounted to Baht 12.30 million. The return on equity for the six-month period of 2018 was 4.375% per annum comparing to (4.53)% per annum in the same period of 2017.

Please be informed accordingly.

Yours faithfully,

Charnchai Kongthongluck
Director & CEO