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August 14, 2019

Subject : Explanation and analysis of financial performance for the second quarter ended June 30, 2019

Attention : The President
The Stock Exchange of Thailand

The Board of Directors' meeting of Trinity Watthana Public Company Limited No. 6/2019, held on August 14, 2019, has approved the reviewed financial statements for the second quarter ended June 30, 2019. Profit before tax for the second quarter of 2019 was Baht 20.98 million compared to profit before tax for the corresponding period of 2018 at Baht 13.48 million whereas net profit for the second quarter of 2019 and earnings per share were Baht 17.05 million and Baht 0.086 respectively, compared to net profit after tax and earnings per share for the corresponding period of 2018 at Baht 10.65 million and Baht 0.054 respectively, equivalent to increase 60%. Net profit of Baht 18.15 million or earnings per share of Baht 0.09 were reported for the first six-month period of 2019 compared to net profit of Baht 34.41 million or earnings per share of Baht 0.167 for the corresponding period of 2018, equivalent to decrease by 47%.

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, 2019 compared to the corresponding period of 2018 as follows:

1. Operating Results for the second quarter ended June 30, 2019

Income

The consolidated income of the Company and subsidiaries for the second quarter of 2019 increased from that of 2018 by 8.98%; that is, the Company and subsidiaries' consolidated income for the second quarter of 2019 was Baht 148.75 million, which was increased from Baht 136.49 million. The changes in the consolidated income of the Company and subsidiaries were attributed to the following:

- 1) The securities and derivatives business income decreased from Baht 117.49 million for the second quarter of 2018 to Baht 88.11 million in the same period of 2019, resulted from the following:
 - A decrease in a daily average turnover of SET from Baht 59,852 million to Baht 53,799 million in the second quarter of 2019 or decreased by 10.11%. The retail investors' trading volume decreased from the proportion of 38.62% of total trading volume to 32.90% in the second quarter of 2019. The subsidiary's securities brokerage fee decreased from Baht 63.81 million for the second quarter of 2018 to Baht 33.31 million in the same period of 2019 or decreased by 47.80%;
 - Interest income from margin loan decreased from Baht 31.41 million for the second quarter of 2018 to Baht 25.12 million in the same period of 2019 as a result from the decrease in margin loan during the period.
- 2) The Company's net gain from investment was Baht 34.40 million in the second quarter of 2019, dividing into gain on trading securities amounted to Baht 33.44 million and gain on trading derivatives amounted to Baht 0.96 million compared to 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.

- 3) Interest and dividend income increased from Baht 7.37 million in the second quarter of 2018 to Baht 17.65 million in the same period of 2019 resulting from an increase in other short-term loans during the second quarter of 2019.

Operating Expenses

In the second quarter of 2018, the Company and subsidiaries' total expenses slightly increased from Baht 123.01 million to Baht 127.79 million, or increased by 3.89%. The expenses which had significant changes include:

- Employee benefit expenses in the second quarter of 2018 amounted to Baht 76.24 million which was increased from Baht 67.98 million in the same period of 2018, or by 12.15%. This increase resulted from the reserve for long-term employee benefits due to the increase in legal severance pay rates for employees who has worked for an uninterrupted period of twenty years or more in accordance with the new Labour Protection Act and also from the expenses incurred from issuance of ESOP warrants.
- Fee and services expenses in the second quarter of 2019 amounted to Baht 14.70 million which was decreased from Baht 17.98 million in the same period of 2018, or by 18.24%. This decrease 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.
- The financial costs increased from Baht 11.93 million in the second quarter of 2018 to Baht 15.11 million in the same period of 2019 in relation to the increase in borrowings for loans to others and investment during the period.

Net Profit (Loss)

In the second quarter of 2019, the Company and subsidiaries' profit before corporate income tax were Baht 20.98 million compared to profit before corporate income tax amounted to Baht 13.48 million in the same period of 2018 and net profit were Baht 17.05 million compared to net profit amounted to Baht 10.65 million in the same period of 2018, equivalent to increase 60%.

2. Operating Results for the six-month period ended June 30, 2019

Income

The consolidated income of the Company and subsidiaries for the six-month period of 2019 decreased from that of 2018 by 17.24%; that is, the Company and subsidiaries' consolidated income for the six-month period of 2019 was Baht 269.63 million, which was decreased from Baht 325.80 million. The major changes in the consolidated income of the Company and subsidiaries were the following:

- 1) The securities and derivatives business income decreased from Baht 262.35 million for the six-month period of 2018 to Baht 178.13 million in the same period of 2019, resulted from the following:
 - A decrease in a daily average turnover of SET from Baht 64,035 million to Baht 49,635 million for the six-month period of 2019 or decreased by 22.49%. The retail investors' trading volume decreased from the proportion of 40.35% of total trading volume to 35.27% in the six-month period of 2019. The subsidiary's securities brokerage fee decreased from Baht 150.63 million for the six-month period of 2018 to Baht 68.36 million in the same period of 2019 or decreased by 54.62%;
 - Interest income from margin loan decreased from Baht 64.38 million for the six-month period of 2018 to Baht 55.31 million in the same period of 2019 as a result from the decrease in margin loan during the period.

- 2) The Company's net gain from investment was Baht 45.20 million for the six-month period of 2019, dividing into gain on trading securities amounted to Baht 35.36 million and gain on trading derivatives amounted to Baht 9.84 million compared to net gain 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.
- 3) Interest and dividend income increased from Baht 14.32 million for the six-month period of 2018 to Baht 30.47 million in the same period of 2019 resulting from an increase in other short-term loans during the second quarter of 2019.

Operating Expenses

In the six-month period of 2019, the Company and subsidiaries' total expenses decreased from Baht 281.86 million for the six-month period of 2018 to Baht 246.80 million in the same period of 2019. The expenses which had significant changes include:

- Employee benefits expenses for the six-month period of 2019 amounted to Baht 144.84 million which was decreased from Baht 165.69 million in the same period of 2018, or by 12.58%. This decrease varied in relation to the Company's investment trading volume.
- Fee and services expenses for the six-month period of 2019 amounted to Baht 27.64 million which was decreased from Baht 36.64 million in the same period of 2018, or by 24.56%. This decrease 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.
- The financial costs increased from Baht 24.69 million for the six-month period of 2018 to Baht 30.56 million in the same period of 2019 in relation to the increase in borrowings for loans to others and investment during the period.

Net Profit (Loss)

In the six-month period of 2019, the Company and subsidiaries' profit before corporate income tax were Baht 22.83 million compared to profit before corporate income tax amounted to Baht 43.94 million in the same period of 2018 and net profit were Baht 18.15 million in the first six-month period of 2019 compared to net profit amounted to Baht 34.41 million in the same period of 2018, equivalent to decrease 47.25%.

3. Financial Position

Total Assets

As of 30 June 2019, the total assets of the Company and subsidiaries amounted to Baht 4,298.52 million comparing to Baht 3,922.15 million at the end of 2018, of which significant items included investments in securities in the amount of Baht 1,077.80 million which was increased from Baht 722.86 million, securities and derivatives business receivables in the amount of Baht 1,808.09 million decreased from 2,248.53 million and other short-term loans amounted to Baht 917.75 million increased from Baht 612.85 million. These main items represented 25.08%, 42.07%, and 21.35% of the total assets as of 30 June 2019, respectively.

Securities and Derivatives Business Receivables

As of 30 June 2019, the subsidiary's securities and derivatives business receivables in the amount of Baht 1,808.09 million included margin loan receivables in the amount of Baht 1,590.91 million decreased from Baht 2,090.95 million at the end of 2018. 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 1,792 million, sub-standard debt in the amount of Baht 15 million and doubtful debts in the amount of Baht 62 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 2019 were Baht 1,077.80 million, 25.08% of total assets, which was increased from Baht 722.86 million at the end of 2018. Out of this amount, short-term and long-term investment stated at fair value was Baht 1,074.81 million increased from Baht 719.58 million at the end of 2018. The remaining investment Baht 2.99 million was the investment in affiliates which were accounted for under an equity method.

In the second quarter of 2019, the Company and subsidiaries had a total return on investment in the amount of Baht 63.89 million compared to a total return of Baht 53.08 million in the same period of 2018 or equal to rate of return on investment 28.38% p.a. higher than 17.82% p.a. in the same period of 2018. The total return comprised of profit from investment in securities and derivatives trading at Baht 45.27 million, interest and dividend from securities held for trading and available-for-sale at Baht 28.34 million and a increase in unrealized loss from investments presented in shareholders' equity amounted to Baht 9.72 million.

Liabilities

As of 30 June 2019, the Company and subsidiaries' total liabilities stood at Baht 2,770.79 million compared to the total liabilities of Baht 2,369.99 million at the end of 2018. The total liabilities mainly comprised of borrowings increased from Baht 2,081 million at the end of 2018 to Baht 2,293.60 million at the end of June 2019 while the securities and derivatives business payables increased from Baht 111.95 million at the end of 2018 to Baht 318.83 million at the end of June 2019.

Shareholders' Equity

As of 30 June 2019, the Company and subsidiaries' shareholders' equity stood at Baht 1,527.72 million compared to Baht 1,552.16 million at the end of 2018. The decrease was mainly derived from dividend payment for the year 2018 at Baht 39.84 million and net profit for the six-month period of Baht 18.15 million. The return on equity for the six-month period of 2019 was 2.36% per annum comparing to 5.90% per annum in the same period of 2018.

Please be informed accordingly.

Yours faithfully,

Charnchai Kongthongluck
Director & CEO