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November 14, 2019

Subject : Explanation and analysis of financial performance for the third quarter ended September 30, 2019

Attention : The President
The Stock Exchange of Thailand

The Board of Directors' meeting of Trinity Watthana Public Company Limited No. 8/2019, held on November 14, 2019, has approved the reviewed financial statements for the third quarter ended September 30, 2019. Profit before tax for the third quarter of 2019 was Baht 6.52 million compared to profit before tax for the corresponding period of 2018 at Baht 17.25 million whereas net profit for the third quarter of 2019 and earnings per share were Baht 5.71 million and Baht 0.029 respectively, compared to net profit after tax and earnings per share for the corresponding period of 2018 at Baht 12.89 million and Baht 0.065, equivalent to decline 55.38%. Net profit of Baht 23.86 million or earnings per share of Baht 0.12 were reported for the nine-month period of 2019 compared to net profit of Baht 47.30 million or earnings per share of Baht 0.24 for the corresponding period of 2018.

The Company would like to explain and analyze the financial position and operating results for the third quarter and the nine-month period ended September 30, 2019 compared to the corresponding period of 2018 as follows:

1. Operating Results for the third quarter ended September 30, 2019

Income

The consolidated income of the Company and subsidiaries for the third quarter of 2019 was Baht 115.83 million, which was decreased from Baht 148.97 million for the corresponding period of 2018. The consolidated income which had significant changes included:

- 1) The securities and derivatives business income decreased from Baht 96.26 million for the third quarter of 2018 to Baht 87.20 million in the same period of 2019, resulted from the following:
 - The securities brokerage fee decreased from Baht 49.59 million for the third quarter of 2018 to Baht 42.73 million in the same period of 2019 or decreased by 13.83% despite the fact that a daily average turnover of SET increased from Baht 53,343 million to Baht 62,275 million in the third quarter of 2019 or increased by 16.74% mainly contributed from foreign investors whereas the subsidiary's main customers were retail investors whose trading were slow down due to market fluctuation;
 - A decrease in the Company's interest income from margin loans from Baht 27.11 million to Baht 21.56 million in relation to a decrease in the margin loans during the period of 2019 due to the market volatility.
- 2) The Company's net loss from investment was Baht 10.43 million in the third quarter of 2019 dividing into loss on securities trading amounted to Baht 30.34 million and gain on derivatives trading amounted to Baht 19.91 million compared to net gain from investment was Baht 34.54 million in the third quarter of 2018 dividing into gain on securities trading amounted to Baht 34.69 million and loss on derivatives trading amounted to Baht 0.15 million.

Operating Expenses

In the third quarter of 2019, the Company and subsidiaries' total expenses decreased from Baht 131.73 million to Baht 109.31 million, or decreased by 17.02%. The expenses which had significant changes include:

- 1) The operating and administrative expenses for the third quarter of 2019 amount of Baht 93.14 million compared to Baht 121.10 million in the same period of 2018, which comprised of the following expenses:
 - Personnel expenses in the third quarter of 2019 amounted to Baht 54.06 million which was decreased from Baht 83.80 million in the same period of 2018, or by 35.49%. This decrease varied in relation to the overall operating results.
- 2) The financial costs increased from Baht 10.64 million in the third quarter of 2018 to Baht 16.16 million in the same period of 2019 in relation to the increase in investments and loans to others during the period.

Net Profit (Loss)

In the third quarter of 2019, the Company and subsidiaries' profit before corporate income tax were Baht 6.52 million compared to profit before corporate income tax amounted to Baht 17.25 million in the same period of 2018 and net profit were Baht 5.71 million compared to net profit amounted to Baht 12.89 million in the same period of 2018, or decreased by 55.70%.

2. Operating Results for the nine-month period ended September 30, 2019

Income

The consolidated income of the Company and subsidiaries for the nine-month period of 2019 decreased from that of 2018 by 18.81%; that is, the Company and subsidiaries' consolidated income for the nine-month period of 2019 was Baht 385.46 million, which was decreased from Baht 474.78 million. The consolidated income which had significant changes included:

- 1) The Company's net gain from investment was Baht 34.76 million in the nine-month period of 2019 dividing into gain on trading securities amounted to Baht 5.02 million and gain on trading derivatives amounted to Baht 29.74 million compared to net gain from investment was Baht 75.22 million in the nine-month period of 2018 dividing into gain on trading securities amounted to Baht 50.01 million and gain on trading derivatives amounted to Baht 25.21 million.
- 2) The securities and derivatives business income decreased from Baht 360.98 million for the nine-month period of 2018 to Baht 265.34 million in the same period of 2019, or decreased by 26.49%, resulted from the following:
 - The securities brokerage fee in the nine-month period of 2019 amounted to Baht 111.09 million decreased from Baht 200.22 million in the same period of 2018 due to the fact that a daily average turnover of SET decreased from Baht 61,477 million to Baht 53,986 million in the nine-month period of 2019 or decreased by 12.18% mainly contributed from foreign investors whereas the subsidiary's main customers were retail investors whose trading were slow down due to market fluctuation;
 - A decrease in the Company's interest income from margin loans from Baht 91.49 million to Baht 76.86 million in relation to a decrease in the margin loans during the period of 2019 due to the market volatility.

Operating Expenses

In the nine-month period of 2019, the Company and subsidiaries' total expenses decreased from Baht 413.59 million to Baht 356.11 million, or decreased by 13.90%. The expenses which had significant changes include:

- 1) The operating and administrative expenses for the nine-month period of 2019 amount of Baht 309.39 million compared to Baht 378.26 million in the same period of 2018, which comprised of the following expenses:

- Personnel expenses in the nine-month period of 2019 amounted to Baht 198.90 million which was decreased from Baht 249.49 million in the same period of 2018, or by 20.28%. This decrease varied in relation to the overall operating results.
 - No allowance for doubtful debts was set in the nine-month period of 2019 compared to Baht 11.01 million in the same period of 2018.
- 2) The financial costs increased from Baht 35.32 million in the nine-month period of 2018 to Baht 46.71 million in the same period of 2019 in relation to the increase in investments and loans to others during the period.

Net Profit (Loss)

In the nine-month period of 2019, the Company and subsidiaries' profit before corporate income tax were Baht 29.35 million compared to profit before corporate income tax amounted to Baht 61.19 million in the same period of 2018 and net profit were Baht 23.86 million in the nine-month period of 2019 compared to net profit amounted to Baht 47.30 million in the same period of 2018 or decreased by 49.56%.

3. Financial Position

Total Assets

As of 30 September 2019, the total assets of the Company and subsidiaries amounted to Baht 4,073.61 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 1,102.05 million which was increased from Baht 722.86 million at the end of 2018, securities and derivatives business receivables in the amount of Baht 1,785.23 million decreased from 2,248.53 million and other short-term loans amounted to Baht 842.73 million increased from Baht 612.85 million. These main items represented 27.05%, 43.82%, and 20.69% of the total assets as of 30 September 2019, respectively.

Securities and Derivatives Business Receivables

As of 30 September 2019, the subsidiary's securities and derivatives business receivables in the amount of Baht 1,785.23 million included margin loan receivables in the amount of Baht 1,469.76 million decreased from Baht 2,090.95 million at the end of 2018, and receivables from cash account amounted to Baht 315.47 million increased from 157.58 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 1,770 million, sub-standard debts 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 amounted to Baht 62 million to cover the uncollateralized sub-standard debts and all doubtful debts in accordance with the standard financial reporting.

Investments in Securities and Derivatives

The Company and subsidiaries' net investments in securities as of 30 September 2019 were Baht 1,102.05 million, 27.05% 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 1,076.14 million. The remaining investment Baht 3.17 million was the investment in affiliates and Baht 22.74 million was the investment in joint venture which were accounted for under an equity method.

The investment in joint venture was the investment in Tree Money Holding company limited (TMH) which the Company invested on July 1, 2019 by investing in the additional ordinary shares of Baht 21.5 million, equivalent to 30.07% of issued and paid up capital of TMH. TMH business

was the holding company, of which invested in the 12 subsidiaries whose businesses were the licensed operator of lending business to low-income earners in the province (PICO finance), 6 subsidiaries were under applied for the PICO finance license and another one subsidiary providing related services.

In the nine-month period of 2019, the Company and subsidiaries had a total return on investment in the amount of Baht 55.22 million decreased from a total return of Baht 99.48 million in the same period of 2018 or equal to rate of return on investment 8.07% per annum lower than 22.54% in the same period of 2018. The total return comprised of profit from investment in securities and derivatives trading at Baht 34.76 million, interest and dividend from securities held for trading and available-for-sale at Baht 34.65 million, sharing of profit from affiliated and joint venture at Baht 1.63 million and the increase in unrealized loss from investments presented in shareholders' equity amounted to Baht 15.82 million.

Liabilities

As of 30 September 2019, the Company and subsidiaries' total liabilities stood at Baht 2,558.39 million which was increased when compared to the total liabilities of Baht 2,369.99 million at the end of 2018. The total liabilities mainly included borrowings amounted to Baht 2,159.25 million compared to Baht 2,081 million at the end of 2018.

Shareholders' Equity

As of 30 September 2019, the Company and subsidiaries' shareholders' equity stood at Baht 1,515.22 million which was decreased from Baht 1,552.16 million at the end of 2018. The decrease was mainly derived from the Company and subsidiaries' earnings for the nine-month period of 2019 amounted to Baht 23.86 million whereas dividend paid out during the period was amounted to Baht 39.84 million and an increase in unrealized loss from investments presented in shareholders' equity amounted to Baht 15.82 million. The return on equity for the nine-month period of 2019 was 2.07% per annum comparing to 4.01% per annum in the same period of 2018.

Please be informed accordingly.

Yours faithfully,

Charnchai Kongthongluck
Director & CEO