

Ref. Wor Thor. Tor. 006/2019

February 27, 2019

Subject : MD&A of financial performance for the year ended December 31, 2018

Attention : The President
The Stock Exchange of Thailand

The Board of Directors' meeting of Trinity Watthana Public Company Limited No. 2/2019, held on 27th February 2019, had approved the audited financial statements for the year ended December 31, 2018. Net profit for the year 2018 and earnings per share were Baht 68.10 million and Baht 0.34 respectively, which were higher than net profit and earnings per share for the year 2017 at Baht 28.07 million and Baht 0.14 respectively, equivalent to growth 142.61%.

The Company would like to explain and analyze the financial position and operating results for the year 2017 and 2018 as follows:

1) Operating Results

Income

The consolidated income of the Company and subsidiaries in 2018 was Baht 622.67 million increased from Baht 567.03 million in 2017 or increased by 9.81%. The changes in major income of the Company and subsidiaries were as follows:

- An increase in a daily average turnover of SET from Baht 50,114 million to Baht 57,674 million, or increased by 15.09% and the subsidiaries' market share increased from 1.55% to 1.66%. Whereas brokerage fee decreased from Baht 293.42 million in 2017 to Baht 241.68 million in 2018 or decreased by 17.63% which was due to the competition in commission rate;
- An increase in a daily average trading volume of derivatives in TFEX from 324,217 contracts to 426,213 contracts or by 31.46% was mainly due to the increase in trading of Single Stock Futures and SET50 Index Futures. The subsidiaries' brokerage income from derivatives business increased from Baht 14.35 million in 2017 to Baht 19.73 million in 2018 or by 37.49%;
- The subsidiaries' interest income from margin loans decreased from Baht 144.56 million in 2017 to Baht 123.03 million which was consistent with the amount of margin loans during the year 2018;
- The Company's net gain from investment was Baht 77.95 million in 2018 dividing into gain on securities trading amounted to Baht 32.49 million and gain on derivatives trading amounted to Baht 45.46 million compared to net loss from investment was Baht 8.86 million in 2017 dividing into gain on securities trading amounted to Baht 21.26 million, gain on derivatives trading amounted to Baht 58.11 million and impairment loss on securities amounted to Baht 88.23 million.

Loss on securities trading amounted to Baht 66.97 million including the impairment loss of the long-term investment amounted to Baht 88.23 million since one listed company has announced and submitted rehabilitation petition due to the excess of liabilities over assets and also has been suspended from trading. Therefore, the Company was required to recognize impairment loss;

- The subsidiaries' fee income increased from Baht 57.30 million in 2017 to Baht 75.28 million resulting from an increase in advisory and underwriting fee in 2018.
- The Company and subsidiaries' interest and dividend income increased from Baht 28.20 million in 2017 to Baht 45.26 million due to an increase in interest income from other loans

and from the overdue debts of which the subsidiary was able to complete the auction of the shares in 2018.

Operating Expenses

In 2018, the Company and subsidiaries incurred the operating and administrative expenses in the amount of Baht 486.41 million which was increased from Baht 478.60 million in 2017. Whereas their financial expenses in 2018 decreased from Baht 54.26 million in 2017 to Baht 48.09 million. The expenses which had significant changes include:

- Personnel expenses in 2018 amounted to Baht 334.76 million which was increased from Baht 316.35 million in 2017, or by 5.82%. This increase varied in relation to the Company's overall operating results.
- The Company and subsidiaries' fee and service expenses in 2018 was Baht 66.53 million which was increased from Baht 59.54 million in 2017 or increased by 11.74%. This increase varied in relation to decrease in securities' and derivatives' trading volume.
- Provision for doubtful debts since 2016 was reversed to the negative value amounted to Baht 6.95 million in 2018 as a result of the successful in auction of shares which was collateralized for overdue debt by one client.
- The Company and subsidiaries' financial expense decreased from Baht 54.26 million in 2017 to Baht 48.09 million in relation to the decrease in borrowings from bank for settlement purpose and margin loan receivables during the year.

Net Profit (Loss)

In 2018, the Company and subsidiaries' profits before corporate income tax was Baht 88.16 million which was increased from Baht 34.17 million in 2017 or by 158.01%. Net profits were Baht 68.10 million and Baht 28.07 million in 2018 and 2017, respectively or increased by 142.61%.

2) Financial Position

Total Assets

As of 31 December 2018, the total assets of the Company and subsidiaries amounted to Baht 3,922.15 million slightly decreased from Baht 3,954.84 million at the end of 2017, of which significant items include investments in securities in the amount of Baht 722.86 million which was increased from Baht 599.11 in 2017, net securities business receivables and accrued interest receivables in the amount of Baht 2,248.53 million decreased from 2,784.18 million and other short-term loans increased from Baht 131.95 million in 2017 to Baht 612.85 million. These main items represent 18.43%, 57.33%, and 15.63% of the 2018 total assets, respectively.

Securities Business and Derivatives Receivables

As of 31 December 2018, the subsidiary's securities and derivatives business receivables and accrued interest receivables in the amount of Baht 2,248.53 million included margin loan receivables in the amount of Baht 2,090.95 million decreased from Baht 2,230.49 million at the end of 2017, and receivables from cash account amounted to Baht 65.47 million decreased from Baht 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 2,234 million, sub-standard debts amounted to Baht 15 million and doubtful debts in the amount of Baht 62 million. In this regard, the subsidiary has provided a reserve to cover all doubtful debts in accordance with the financial reporting standards.

Investments in Securities and Derivatives

The Company and subsidiaries' net investments in securities as of 31 December 2018 were Baht 722.86 million which was increased from Baht 599.11 million in 2017. Out of this amount, Baht 719.58 million, or 18.35% to total assets, was the Company and subsidiaries' long-term and short-term investments in securities stated at fair value. This amount was increased from Baht 595.85 million in 2017. The remaining investment Baht 3.28 million was the investment in affiliates which were accounted for under an equity method.

The long-term and short-term investments in securities included (i) an investment in fixed income, i.e. bills of exchange given aval by bank, debentures and government bonds, in the amount of Baht 211.77 million or 29.30% of total investment and (ii) an investment in listed securities in the amount of Baht 494.84 million. The remaining investment amount of Baht 12.97 million was other securities and mutual funds. In addition to the above investments, the Company and subsidiaries invested in derivatives. As of 31 December 2018, the off-balance sheet fair values of derivatives in long position was Baht 58 million and short position was Baht 64 million.

In 2018, the Company and subsidiaries gained a total return on investment in the amount of Baht 83.49 million increased from 74.71 million in 2017 or equal to rate of return on investment 12.63% lower than 13.77% in 2017. The total return comprised of profit from investment in securities trading at Baht 32.49 million, profit from investment in derivatives trading at Baht 45.46 million, interest and dividend from securities held for trading and available-for-sale at Baht 26.05 million, sharing of profit from associated companies at Baht 0.52 million and the increase in unrealized loss from investments presented in shareholders' equity amounted to Baht 21.03 million.

Liabilities

As of 31 December 2018, the Company and subsidiaries' total liabilities stood at Baht 2,369.99 million which was slightly increased by 0.82% when compared to the total liabilities of Baht 2,350.64 million at the end of 2017. The Company's debts to equity ratio 1.53 times increased from 1.47 times at the end of 2017. The significant items in the total liabilities included the securities business payables and clearing house decreased from Baht 376.62 million and Baht 56.53 million at the end of 2017 to Baht 111.95 million and Baht 10.09 million at the end of 2018. Whereas the borrowings increased from Baht 1,776.96 million to Baht 2,081 million which was borrowed for settlement payment and an increase in other loans during the year.

Shareholders' Equity

As of 31 December 2018, the Company and subsidiaries' shareholders' equity stood at Baht 1,552.16 million which was decreased from Baht 1,604.21 million of 2017. The decrease was derived from the Company and subsidiaries' earnings in 2018 amounted to Baht 68.10 million and the increase in additional paid-up shares from exercising warrant amounted to Baht 8.43 million. Whereas, the Company paid 2017 final dividends and 2018 interim dividend in the amount of Baht 112.61 million. In addition, the increase in unrealized loss from investments presented in shareholders' equity was Baht 21.03 million. The return on equity for the year 2018 was 4.32% per annum comparing to 1.75% per annum for the year 2017.

Please be informed accordingly.

Yours faithfully,

Charnchai Kongthongluck
Director and CEO