

Ref. Wor Thor. Tor. 011/2018

February 27, 2018

Subject : MD&A of financial performance for the year ended December 31, 2017

Attention : The President
The Stock Exchange of Thailand

The Board of Directors' meeting of Trinity Watthana Public Company Limited No. 2/2018, held on 27th February 2018, had approved the audited financial statements for the year ended December 31, 2017. Net profit for the year 2017 and earnings per share were Baht 28.07 million and Baht 0.14 respectively, which were less than net profit and earnings per share for the year 2016 at Baht 159.56 million and Baht 0.81 respectively, equivalent to decline 82.41%.

The Company would like to explain and analyze the financial position and operating results for the year 2016 and 2017 as follows:

1) Operating Results

Income

The consolidated income of the Company and subsidiaries in 2017 was Baht 567.03 million decreased from Baht 791.11 million in 2016 or decreased by 28.32%. The changes in major income of the Company and subsidiaries were as follows:

- An decrease in a daily average turnover of SET from Baht 52,526 million to Baht 50,114 million, or decreased by 4.59% whereas the subsidiaries' market share decreased from 1.92% to 1.55%. Then brokerage fee decreased from Baht 316.21 million in 2016 to Baht 293.41 million in 2017 or by 7.21% which was due to the competition in commission rate;
- An increase in a daily average trading volume of derivatives in TFEX from 285,148 contracts to 328,217 contracts or by 14% was mainly due to the increase in trading of Single Stock Futures. The subsidiaries' brokerage income from derivatives business decreased from Baht 18.50 million in 2016 to Baht 14.35 million in 2017 or by 22.43% due to the competition in commission rate;
- The subsidiaries' interest income from margin loans slightly decreased from Baht 150.10 million in 2016 to Baht 144.56 million which was consistent with the amount of margin loans during the year 2017;
- The Company's net loss from investment was Baht 8.86 million in 2017 dividing into gain on derivatives trading amounted to Baht 58.11 million and loss on securities trading amounted to Baht 66.97 million compared to net gain from investment was Baht 138.66 million in 2016 dividing into gain on securities trading amounted to Baht 139.19 million and loss on derivatives trading amounted to Baht 0.52 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 decreased from Baht 73.16 million in 2016 to Baht 57.30 million resulting from a decrease in underwriting fee in 2017.
- The Company's interest and dividend income decreased from Baht 44.61 million in 2016 to Baht 28.20 million due to a decrease in other short-term loans business.

Operating Expenses

In 2017, the Company and subsidiaries incurred the operating and administrative expenses in the amount of Baht 478.60 million which was decreased from Baht 531.19 million in 2016. Whereas their financial expenses in 2017 decreased from Baht 61.30 million in 2016 to Baht 54.26 million. The expenses which had significant changes include:

- Personnel expenses in 2017 amounted to Baht 316.35 million which was decreased from Baht 357.53 million in 2016, or by 11.52%. This decrease varied in relation to the Company's overall operating results.
- The Company and subsidiaries' fee and service expenses in 2017 was Baht 59.54 million which was decreased from Baht 74.39 million in 2016 or decreased by 19.96%. This decrease varied in relation to decrease in securities' and derivatives' trading volume.
- Provision for doubtful debts was set amounted to Baht 9.21 million in 2017 as a result of the decrease in collateral value of two 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 Company and subsidiaries' financial expense decreased from Baht 61.30 million in 2016 to Baht 54.26 million in relation to the decrease in borrowings from bank for settlement purpose and other short-term loans during the year.

Net Profit (Loss)

In 2017, the Company and subsidiaries' profits before corporate income tax was Baht 34.17 million which was decreased from Baht 198.62 million in 2016 or by 82.80%. Net profits were Baht 28.07 million and Baht 159.56 million in 2017 and 2016, respectively or decreased by 82.41%.

2) Financial Position

Total Assets

As of 31 December 2017, the total assets of the Company and subsidiaries amounted to Baht 3,954.84 million decreased from Baht 4,592.74 million at the end of 2016, of which significant items include investments in securities in the amount of Baht 599.11 million which was increased from Baht 485.91 in 2016, net securities business receivables and accrued interest receivables in the amount of Baht 2,784.18 million decreased from 3,186.48 million and other short-term loans decreased from Baht 437.35 million in 2016 to Baht 131.95 million. These main items represent 15.15%, 70.40%, and 3.49% of the 2017 total assets, respectively.

Securities Business and Derivatives Receivables

As of 31 December 2017, the subsidiary's securities and derivatives business receivables and accrued interest receivables in the amount of Baht 2,784.18 million included margin loan receivables in the amount of Baht 2,230.49 million slightly decreased from Baht 2,346.81 million at the end of 2016, and receivables from cash account amounted to Baht 411.59 million decreased from Baht 802.51 million at the end of 2016. 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 2,653 million, sub-standard debts amounted to Baht 131 million and doubtful debts in the amount of Baht 69 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 2017 were Baht 599.11 million which was decreased from Baht 485.91 million in 2016. Out of this amount, Baht 595.85 million, or 15.07% to total assets, was the Company and subsidiaries' long-term and short-term investments in securities stated at fair value. This amount was decreased from Baht 486.46 million in

2016. The remaining investment Baht 3.26 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 362.78 million or 60.55% of total investment and (ii) an investment in listed securities in the amount of Baht 219.88 million. The remaining investment amount of Baht 13.19 million was other securities and mutual funds. In addition to the above investments, the Company and subsidiaries invested in derivatives. As of 31 December 2017, the off-balance sheet fair values of derivatives in long position was Baht 34 million and short position was Baht 71 million.

In 2017, the Company and subsidiaries gained a total return on investment in the amount of Baht 74.71 million decreased from 163.93 million in 2016 or equal to rate of return on investment 12.47% lower than 32.32% in 2016. The total return comprised of profit from investment in securities trading at Baht 21.26 million, profit from investment in derivatives trading at Baht 58.11 million, interest and dividend from securities held for trading and available-for-sale at Baht 27.95 million, loss from impairment value Baht 88.23 million and the decrease in unrealized loss from investments presented in shareholders' equity amounted to Baht 55.05 million.

Liabilities

As of 31 December 2017, the Company and subsidiaries' total liabilities stood at Baht 2,350.64 million which was decreased by 21.45% when compared to the total liabilities of Baht 2,992.66 million at the end of 2016. The Company's debts to equity ratio 1.46 times decreased from 1.87 times at the end of 2016. The decrease in the total liabilities resulted from the securities business payables and clearing house decreased from Baht 532.56 million and Baht 279.19 million at the end of 2016 to Baht 376.62 million and Baht 56.53 million at the end of 2017. Whereas the borrowings decreased from Baht 1,910.91 million to Baht 1,676.96 million which was borrowed for settlement payment and a decrease in margin loans at the end of 2017.

Shareholders' Equity

As of 31 December 2017, the Company and subsidiaries' shareholders' equity stood at Baht 1,604.21 million which was slightly increased from Baht 1,600.08 million of 2016. The increase was derived from the Company and subsidiaries' earnings in 2017 amounted to Baht 28.07 million. Also, in 2017, the Company paid 2016 final dividends in the amount of Baht 79 million. In addition, the decrease in unrealized loss from investments presented in shareholders' equity was Baht 55.05 million. The return on equity for the year 2017 was 1.75% per annum comparing to 10.08% per annum for the year 2016.

Please be informed accordingly.

Yours faithfully,

Visit Ongpipattanakul
Director