

Ref. Wor Thor. Tor. 005/2020

February 27, 2020

Subject : MD&A of financial performance for the year ended December 31, 2019

Attention : The President
The Stock Exchange of Thailand

The Board of Directors' meeting of Trinity Watthana Public Company Limited No. 2/2020, held on 27th February 2020, had approved the audited financial statements for the year ended December 31, 2019. Net profit for the year 2019 and earnings per share were Baht 94.22 million and Baht 0.47 respectively, which were higher than net profit and earnings per share for the year 2018 at Baht 68.10 million and Baht 0.34 respectively, equivalent to growth 38.36%.

The Company would like to explain and analyze the financial position and operating results for the year 2018 and 2019 as follows:

1) Operating Results

Income

The consolidated income of the Company and subsidiaries in 2019 was Baht 675.08 million increased from Baht 622.67 million in 2018 or increased by 8.42%. The changes in major income of the Company and subsidiaries were as follows:

- A decrease in a daily average turnover of SET from Baht 57,674 million to Baht 53,192 million, or decreased by 7.77% and the subsidiaries' market share decreased from 1.66% to 1.35%. Thus brokerage fee decreased from Baht 241.68 million in 2018 to Baht 151.04 million in 2019 or decreased by 37.50% which was due to the competition in commission rate and the dramatically decrease in retail investors' trading volume;
- A daily average trading volume of derivatives in TFEX in 2018 and 2019 were 426,213 contracts and 428,369 contracts, respectively whereas subsidiaries' market share decreased from 0.72% to 0.62%. The subsidiaries' brokerage income from derivatives business decreased from Baht 19.73 million in 2018 to Baht 18.82 million in 2019 or by 4.59%;
- The subsidiaries' interest income from margin loans decreased from Baht 123.03 million in 2018 to Baht 98.08 million in relation to a decrease in the margin loans during the period of 2019 due to the market volatility;
- The Company's net gain from investment was Baht 38.93 million in 2019 dividing into loss on securities trading amounted to Baht 3.33 million and gain on derivatives trading amounted to Baht 42.26 million compared to 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.
- The subsidiaries' fee income increased from Baht 75.28 million in 2018 to Baht 206.98 million resulting from an increase in advisory and underwriting fee in 2019.
- The Company and subsidiaries' interest and dividend income increased from Baht 45.26 million in 2018 to Baht 72.70 million due to an increase in interest income from other loans from Baht 20.55 million to Baht 60.16 million but no interest from the overdue debts of which the subsidiary was able to complete the auction of the shares in 2018.

Operating Expenses

In 2019, the Company and subsidiaries incurred the operating and administrative expenses in the amount of Baht 496.37 million which was increased from Baht 486.41 million in 2018. Whereas their

financial expenses in 2019 increased from Baht 48.09 million in 2018 to Baht 62.03 million. The expenses which had significant changes include:

- Personnel expenses in 2019 amounted to Baht 324.46 million which was decreased from Baht 334.76 million in 2018, or by 3.08%. This decrease resulted from the personnel cost which was varied in relation to the brokerage fee income.
- The Company and subsidiaries' financial expense increased from Baht 48.09 million in 2018 to Baht 62.03 million in relation to the increase in borrowings from bank for settlement purpose, margin loan receivables and other loans during the year.
- Other Expenses in 2019 amounted to Baht 94.49 million which was increased from Baht 79.67 million in 2018. This increase varied in relation to the underwriting fee in 2019.

Net Profit (Loss)

In 2019, the Company and subsidiaries' profits before corporate income tax was Baht 116.68 million which was increased from Baht 88.16 million in 2018 or by 32.35%. Net profits were Baht 94.22 million and Baht 68.10 million in 2019 and 2018, respectively or increased by 38.36%.

Considering the efficiency of the operation, the net profit margin to total revenue was 13.96%, which is higher than 2018 at 10.94%, while the return on equity in 2019 was 6.02%, increased from 4.32% in 2018.

2) Financial Position

Total Assets

As of 31 December 2019, the total assets of the Company and subsidiaries amounted to Baht 4,401.10 million increased from Baht 3,922.15 million at the end of 2018, of which significant items include investments in securities in the amount of Baht 1,008.22 million which was increased from Baht 722.86 in 2018, net securities business receivables and accrued interest receivables in the amount of Baht 1,785.35 million decreased from 2,248.53 million and other short-term loans increased from Baht 612.85 million in 2018 to Baht 1224.43 million. These main items represent 22.91%, 40.57%, and 27.82% of the 2019 total assets, respectively.

Securities Business and Derivatives Receivables

As of 31 December 2019, the subsidiary's securities and derivatives business receivables and accrued interest receivables in the amount of Baht 1,785.35 million included margin loan receivables in the amount of Baht 1,617.59 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 1,770 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 2019 were Baht 1008.22 million which was increased from Baht 722.86 million in 2018. Out of this amount, Baht 980.59 million, or 36.27% 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 719.58 million in 2018. The remaining investment Baht 3.28 million and Baht 24.35 million were the investment in affiliates and joint venture 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 390.98 million or 39.87% of total investment and (ii) an investment in listed securities in the amount of Baht 476.92 million. The remaining investment amount of Baht 112.69 million was other securities and

mutual funds. In addition to the above investments, the Company and subsidiaries invested in derivatives. As of 31 December 2019, the off-balance sheet fair values of derivatives in long position was Baht 14 million and short position was Baht 156 million.

In 2019, the Company and subsidiaries gained a total return on investment in the amount of Baht 52.54 million decreased from 83.33 million in 2018 or equal to rate of return on investment 6.07% lower than 12.61% in 2018. The total return comprised of loss from investment in securities trading at Baht 3.33 million, gain from investment in derivatives trading at Baht 42.26 million, interest and dividend from securities held for trading and available-for-sale at Baht 35.15 million, sharing of profit from associated companies and joint venture at Baht 0.50 million and Baht 2.85 million, and the increase in unrealized loss from investments presented in shareholders' equity amounted to Baht 24.88 million.

Liabilities

As of 31 December 2019, the Company and subsidiaries' total liabilities stood at Baht 2,824.16 million which was increased by 19.16% when compared to the total liabilities of Baht 2,369.99 million at the end of 2018. The Company's debts to equity ratio 1.79 times increased from 1.53 times at the end of 2018. The significant items in the total liabilities included the securities business payables and clearing house increased from Baht 111.95 million and Baht 10.09 million at the end of 2018 to Baht 139.58 million and Baht 47.53 million at the end of 2019. Whereas the borrowings increased from Baht 2,081 million to Baht 2,413.52 million which was borrowed for settlement payment, margin loan receivables and other loans during the year.

Shareholders' Equity

As of 31 December 2019, the Company and subsidiaries' shareholders' equity stood at Baht 1,576.93 million which was increased from Baht 1,552.16 million of 2018. The increase was derived from the Company and subsidiaries' earnings in 2019 amounted to Baht 94.22 million. Whereas the Company paid 2018 final dividend in the amount of Baht 39.84 million. In addition, the increase in unrealized loss from investments presented in shareholders' equity was Baht 24.89 million. The return on equity for the year 2019 was 6.02% per annum comparing to 4.32% per annum for the year 2018.

Please be informed accordingly.

Yours faithfully,

Charnchai Kongthongluck
Director and CEO