

Ref. Wor Thor. Tor. 037/2017

November 9, 2017

Subject : Explanation and analysis of financial performance for the third quarter ended September 30, 2017

Attention : The President
The Stock Exchange of Thailand

The Board of Directors' meeting of Trinity Watthana Public Company Limited No. 8/2017, held on November 9, 2017, has approved the reviewed financial statements for the third quarter ended September 30, 2017. Profit before tax for the third quarter of 2017 was Baht 25.01 million compared to profit before tax for the corresponding period of 2016 at Baht 51.96 million whereas net profit for the third quarter of 2017 and earnings per share were Baht 20.29 million and Baht 0.10 respectively, compared to net profit after tax and earnings per share for the corresponding period of 2016 at Baht 41.85 million and Baht 0.21, equivalent to decline 51.52%. Net loss of Baht 15.97 million or loss per share of Baht 0.08 were reported for the nine-month period of 2017 compared to net profit of Baht 110.11 million or earnings per share of Baht 0.56 for the corresponding period of 2016.

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, 2017 compared to the corresponding period of 2016 as follows:

1. Operating Results for the third quarter ended September 30, 2017

Income

The consolidated income of the Company and subsidiaries for the third quarter of 2017 was Baht 171.33 million, which was decreased from Baht 218.05 million for the corresponding period of 2016. The consolidated income which had significant changes included:

- 1) The securities and derivatives business income decreased from Baht 164.47 million for the third quarter of 2016 to Baht 127.09 million in the same period of 2017, resulted from the following:
 - A decrease in a daily average turnover of SET from Baht 61,303 million to Baht 48,363 million in the third quarter of 2017 whereas the market share decreased from 1.97% to 1.62% resulted in a decrease in securities brokerage fee from Baht 92.51 million for the third quarter of 2016 to Baht 70.16 million in the same period of 2017 or decreased by 24.16%;
 - A decrease in the Company's interest income from margin loans from Baht 42.07 million to Baht 34.24 million in relation to a decrease in the margin loans during the period of 2017.
- 2) The Company's net gain from investment was Baht 31.91 million in the third quarter of 2017 dividing into gain on securities trading amounted to Baht 28.84 million and gain on derivatives trading amounted to Baht 3.07 million compared to net gain from investment was Baht 34.41 million in the third quarter of 2016 dividing into gain on securities trading amounted to Baht 29.23 million and gain on derivatives trading amounted to Baht 5.18 million.

Operating Expenses

In the third quarter of 2017, the Company and subsidiaries' total expenses decreased from Baht 166.09 million to Baht 146.32 million, or decreased by 11.91%. The expenses which had significant changes include:

- 1) The operating and administrative expenses for the third quarter of 2017 amount of Baht 132.96 million compared to Baht 149.19 million in the same period of 2016, which comprised of the following expenses:
 - Personnel expenses in the third quarter of 2017 amounted to Baht 90.48 million which was decreased from Baht 103.80 million in the same period of 2016, or by 12.83%. This decrease varied in relation to the overall operating results.
 - Fee and service expenses in the third quarter of 2017 was Baht 15.70 million which was decreased from Baht 22.01 million in the same period of 2016 or by 28.67%. This decrease varied in relation to the decrease in securities' and derivatives' trading volume.
 - Provision for doubtful debts was set amounted to Baht 4.25 million in the third quarter of 2017 as a result from the decrease in collateral 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.
- 2) The financial costs decreased from Baht 16.90 million in the third quarter of 2016 to Baht 13.35 million in the same period of 2017 in relation to the decrease in borrowings for settlement, loans to others and loans to credit balance accounts during the period.

Net Profit (Loss)

In the third quarter of 2017, the Company and subsidiaries' profit before corporate income tax were Baht 25.01 million compared to profit before corporate income tax amounted to Baht 51.97 million in the same period of 2016 and net profit were Baht 20.29 million compared to net profit amounted to Baht 41.85 million in the same period of 2016, or decreased by 51.52%.

2. Operating Results for the nine-month period ended September 30, 2017

Income

The consolidated income of the Company and subsidiaries for the nine-month period of 2017 decreased from that of 2016 by 31.95%; that is, the Company and subsidiaries' consolidated income for the nine-month period of 2017 was Baht 398.89 million, which was decreased from Baht 586.16 million. The consolidated income which had significant changes included:

- 1) The Company's net loss from investment was Baht 29.17 million in the nine-month period of 2017 dividing into loss on trading securities amounted to Baht 78.06 million and gain on trading derivatives amounted to Baht 48.88 million and compared to net gain from investment was Baht 109.90 million in the same period of 2016 dividing into gain on trading securities amounted to Baht 107.78 million and loss on trading derivatives amounted to Baht 2.12 million.

Loss on securities trading amounted to Baht 78.06 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 liabilities in excess of assets and also has been suspended from trading. Therefore, the Company was required to recognize impairment loss in the profit and loss statement.
- 2) The securities and derivatives business income decreased from Baht 412 million for the nine-month period of 2016 to Baht 388.11 million in the same period of 2017, or decreased by 5.80%, resulted from the following:
 - A decrease in a daily average turnover of SET from Baht 51,654 million to Baht 48,363 million in the nine-month period of 2017 whereas the market share decreased from 1.99% to 1.64% resulted in a decrease in securities brokerage fee from Baht 227.26 million for the nine-month period of 2016 to Baht 210.58 million in the same period of 2017;
 - A decrease in the derivatives brokerage fee from Baht 14.25 million for the nine-month period of 2016 to Baht 9.86 million in the same period of 2017 due to the decrease in client's trading portion.

- 3) The Company's interest and dividend income decreased from Baht 35.21 million for the nine-month period of 2016 to Baht 23.58 million due to decrease in other short-term loans business.

Operating Expenses

In the nine-month period of 2017, the Company and subsidiaries' total expenses decreased from Baht 448.51 million to Baht 419.83 million. The significant expenses included:

- 1) The operating and administrative expenses for the nine-month period of 2017 amount of Baht 379.53 million which was decreased from Baht 402.91 million in the same period of 2016, resulted from the following expenses:
 - Personnel expenses for the nine-month period of 2017 amounted to Baht 261.72 million which was decreased from Baht 273.99 million in the same period of 2016, or by 4.48%. This decrease varied in relation to the overall operating results.
 - Fee and service expenses for the nine-month period of 2017 was Baht 43.84 million which was decreased from Baht 57.26 million in the same period of 2016 or by 23.44%. This decrease varied in relation to the decrease in securities' and derivatives' trading volume.
 - Provision for doubtful debts was set amount to Baht 6.50 million for the nine-month period of 2017 as a result from the decrease in collateral value of the listed companies which have been suspended from trading in the SET. Therefore, the Company was required to recognize the uncollateralized portion of debts.
- 2) Financial costs for the nine-month period of 2017 amount of Baht 40.30 million which was decreased from Baht 45.60 million in the same period of 2016 in relation to the decrease in borrowings for settlement, loans to others and loans to credit balance accounts during the period.

Net Profit (Loss)

In the nine-month period of 2017, the Company and subsidiaries' loss before corporate income tax were Baht 20.94 million compared to profit before corporate income tax amounted to Baht 137.65 million in the same period of 2016 and net loss were Baht 15.97 million in the nine-month period of 2017 compared to net profit amounted to Baht 110.11 million in the same period of 2016 or decreased by 114.50%. The major loss mainly resulted from the impairment loss of the long-term investment amounted to Baht 88.23 million during the period.

3. Financial Position

Total Assets

As of 30 September 2017, the total assets of the Company and subsidiaries amounted to Baht 4,568.70 million comparing to Baht 4,592.74 million at the end of 2016, of which significant items included investments in securities in the amount of Baht 746.10 million which was increased from Baht 485.90 million, securities and derivatives business receivables in the amount of Baht 3,111.17 million slightly decreased from 3,186.48 million and other short-term loans amounted to Baht 187.35 million decreased from Baht 437.35 million. These main items represented 16.33%, 68.10%, and 4.10% of the total assets as of 30 September 2017, respectively.

Securities and Derivatives Business Receivables

As of 30 September 2017, the subsidiary's securities and derivatives business receivables and accrued interest receivables in the amount of Baht 3,111.17 million included margin loan receivables in the amount of Baht 2,386.18 million slightly increased from Baht 2,346.81 million at the end of 2016, receivables from cash account amounted to Baht 445.91 million decreased from 802.51 million at the end of 2016. In addition, other receivables increased from Baht 60 million to Baht 196.74 million, of which included debts with installment and debts under force sell amounted to Baht 136.94 million resulted from the decrease in collateral value due to the fact that the securities have been suspended from trading in SET.

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 2,977 million, sub-standard debts in the amount to Baht 134 million and doubtful debts in the amount of Baht 66 million. In this regard, the Company has provided a reserve amounted to Baht 66 million to cover the uncollateralized sub-standard debts and all doubtful debts in accordance with the guidelines stipulated by the Office of the Securities and Exchange Commission.

Investments in Securities and Derivatives

The Company and subsidiaries' net investments in securities as of 30 September 2017 were Baht 746.10 million, 16.33% of total assets, which was increased from Baht 485.90 million at the end of 2016. Out of this amount, short-term and long-term investment stated at fair value was Baht 742.95 million increased from Baht 482.46 million at the end of 2016. The remaining investment Baht 3.15 million was the investment in affiliates which were accounted for under an equity method.

In the nine-month period of 2017, the Company and subsidiaries had a total return on investment in the amount of Baht 47.13 million decreased from a total return of Baht 137.89 million in the same period of 2016 or equal to rate of return on investment 9.56% per annum less than 21.21% in the same period of 2016. The total return comprised of profit from investment in securities and derivatives trading at Baht 59.06 million, interest and dividend from securities held for trading and available-for-sale at Baht 33.06 million, impairment loss of the long-term investment amounted to Baht 44.24 million recognized in this period and the increase in unrealized loss from investments presented in shareholders' equity amounted to Baht 1.20 million.

Liabilities

As of 30 September 2017, the Company and subsidiaries' total liabilities stood at Baht 3,020.80 million which was slightly increased when compared to the total liabilities of Baht 2,992.66 million at the end of 2016. The total liabilities mainly included borrowings amounted to Baht 2,034.96 million compared to Baht 2,010.91 million at the end of 2016, the clearing house payable and Securities and derivatives business payables amounted to Baht 107.61 million and Baht 727.19 million, respectively.

Shareholders' Equity

As of 30 September 2017, the Company and subsidiaries' shareholders' equity stood at Baht 1,547.91 million which was decreased from Baht 1,600.08 million at the end of 2016. The decrease was mainly derived from the Company and subsidiaries' net loss for the nine-month period of 2017 amounted to Baht 15.97 million whereas dividend paid out during the period was amounted to Baht 79 million whereas unrealized loss from investments presented in shareholders' equity decreased amounted to Baht 42.79 million resulted from the impairment loss which was recorded to the profit and loss statement. The return on equity for the nine-month period of 2017 was (1.35)% per annum comparing to 9.42% per annum in the same period of 2016.

Please be informed accordingly.

Yours faithfully,

Charnchai Kongthongluck
Director