

Management's Analysis and Explanation

1) Overview of Business Operation and Significant Changes

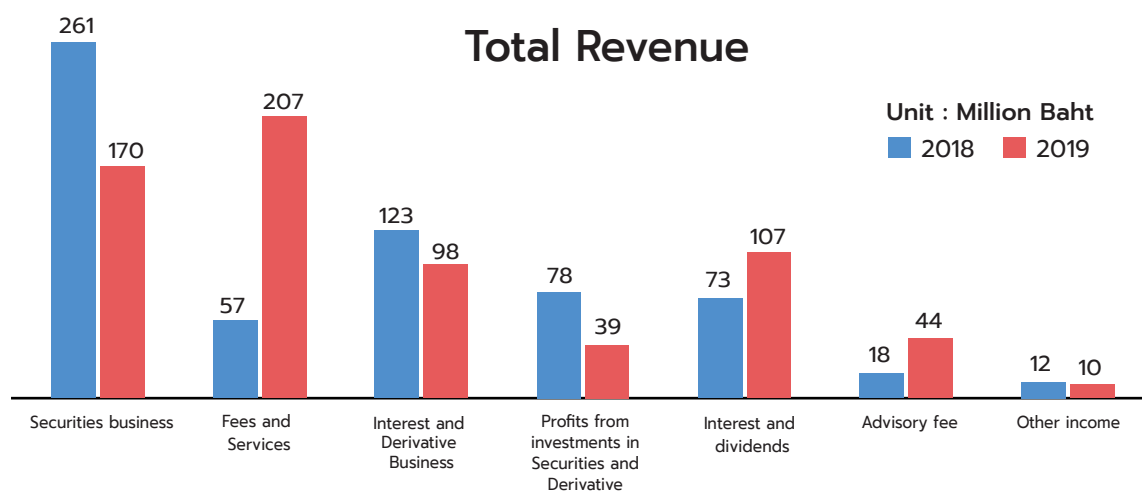
The Thai stock market in 2019 increased by 1 percent. The stock market index fluctuated throughout the year, adjusted from the end of 2018 at 1,563.88 points to the highest increase at 1,730 points in June, and continued to decline until December to close at 1,579.84 points. The important factors that occurred in the year 2019 is a trade war between China and the United States, which occurred since the beginning of the year, causing manufacturers around the world to slow down production and negatively affecting economic activities and emerging stock markets. The main economic engine of Thailand, exports, is also affected by the trade war and the baht appreciation throughout the year. From these factors, the average daily trading value of the securities was 53,192 million baht, decreasing from 57,674 million baht in 2018.

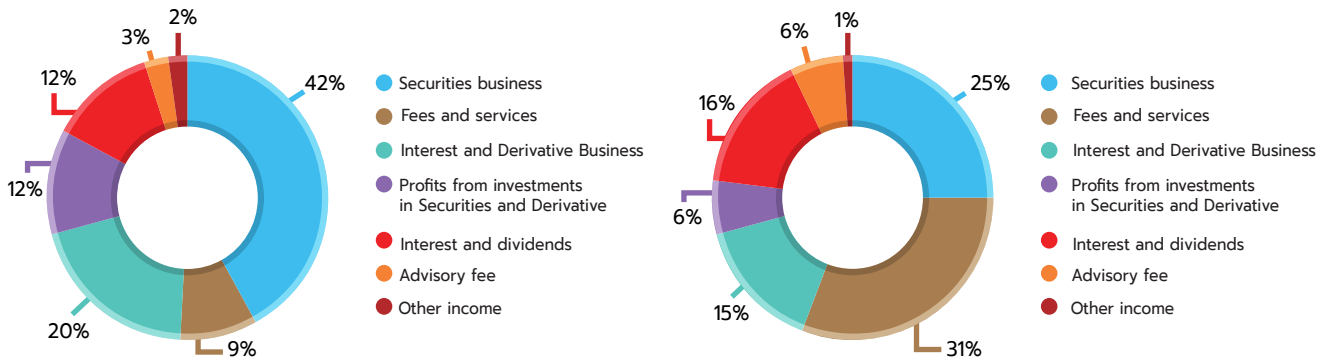
The futures market has similar trading volumes in 2018, with the volume from 104.42 million contracts in 2018 and 104.52 million contracts in 2019. For the year 2019, SET50 Index Futures is the most popular, with a trading volume of 49.84 percent of the total number of contracts. The second place is SET50 Index Futures, which has a trading volume of 40.61 percent of the total number of contracts. Meanwhile, the fluctuating global economy and concerns from geopolitical problems led to an increase in demand for precious metal products, with precious metal futures trading volume increasing to 3,212,275 contracts, representing an increase of 73.74 percent.

2) Performance and profitability

Revenue

The total revenue of the Company and its subsidiaries in the year 2019 increased by 8.42 percent from the year 2018. The Company and its subsidiaries have the total revenue for the year 2019 of 622.67 million baht, compared with the total revenue of 2018 and 2019, which were 622.67 million baht and 567.03 million baht, respectively. The 73.32 percent of the revenue comes from the securities business, with revenue increasing from 449.56 million baht in 2018 to 494.95 million baht in 2019, while the revenue from the derivatives business decreased slightly from 19.73 million baht in 2018 to 18.82 million baht in 2019. Investments in securities and derivatives decreased from a profit of 77.95 million baht in 2018 to a profit of 38.92 million baht in 2019, and interest and dividends increased from 45.26 million baht in 2018 to 72.70 million baht in 2019.





Significant changes in revenue are

- The daily trading volume of the Thailand Futures Exchange is close to that of 2019 from 426,213 contracts to 428,369 contracts, while the company's market share has decreased from 0.72% to 0.62%, resulting in the brokerage income from derivatives of the company reduced from 19.73 million baht in 2018 to 18.82 million baht, representing a decrease of 4.59 percent.

- The company has interest income from securities loans reduced from 123.03 million baht in 2018 to 98.08 million baht, according to the change in loans for securities purchase during the year 2019.

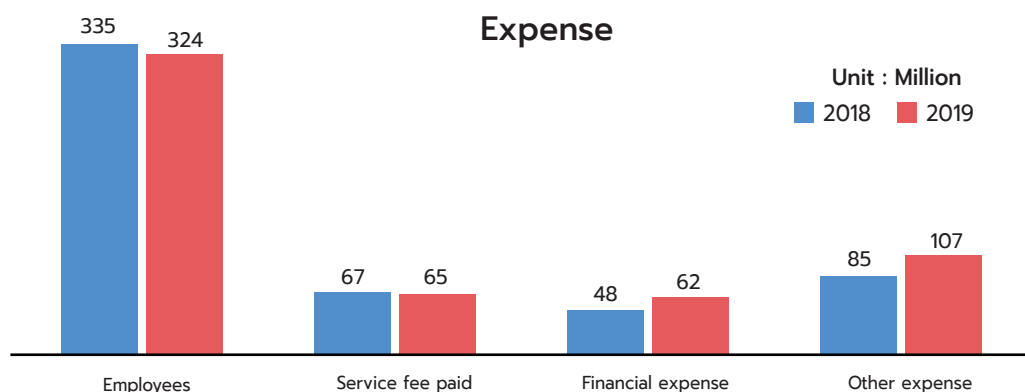
- The company has net profits from investments of 38.92 million baht, which are divided into securities trading loss of 3.33 million baht, profits from derivatives trading 42.26 million baht, decreasing from the year 2018 which the company has a net profit from investments of 77.95 million Baht, 32.49 million baht from securities trading, and 45.46 million baht from futures trading.

- Fees and service income increased from 57.33 million baht in 2018 to 206.98 million baht due to increased consulting and distribution fees from 2018.

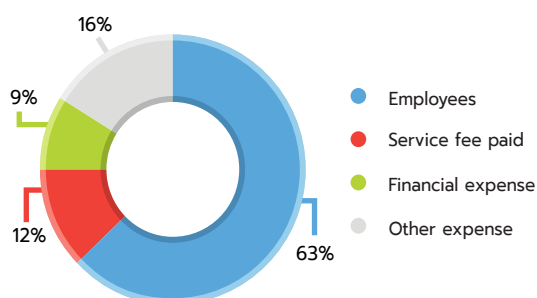
- Interest and dividend increased from 72.79 million baht in 2018 to 107.45 million baht in 2019 due to interest income from other loan receivables increased in 2019 from 20.55 million baht to 60.16 million baht while interest income from repayment of other receivables decreased from the company having completed the auction of collateral within 2018 .

Expenses

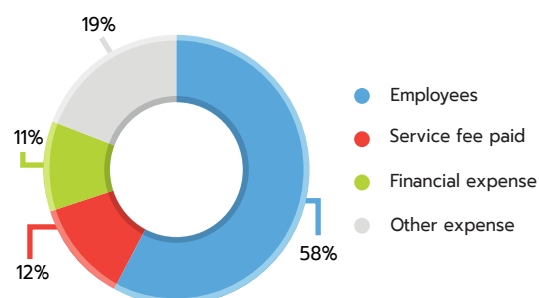
The company and its subsidiaries had operating and administrative expenses for the year 2019 of 496.37 million baht, which increased when compared to the expenses of 2018 of 486.41 million baht. The financial expenses for the year 2019 also increased from 48.09 million baht in 2018 to 62.03 million baht.



Proportion of Expense in 2018



Proportion of Expense in 2019



Significant changes in expenses are :

- Personnel expenses for the year 2019 were 324.46 million baht, a decrease compared to 334.76 million baht for the year 2018, representing a 3.08% decrease, depending on the operating results
- Fees and service expenses for the year 2019 were 64.57 million baht, a decrease compared to 66.53 million baht in year 2018, representing a 2.95 percent decrease, which varied with the reduced trading volume and derivatives
- Financial expenses increased from 48.09 million baht to 62.03 million baht due to the increase of loans used for settlement, loans for purchase of securities and other loans
- Other expenses increased from 79.67 million baht to 94.49 million baht as a result of an increase in expenses that varied with the underwriting of securities in 2019.

Net profit (loss) and profitability

The company and its subsidiaries have profit before corporate income tax for the year 2019 in the amount of 116.68 million baht, an increase from 88.16 million baht for the year 2018, an increase of 32.35 percent due to higher revenue than the increased expenses. As a result, net profit amounted to 94.22 million baht for the year 2019, increased when compared to the net profit in the year 2018 of 68.10 million baht, representing an increase of 38.36 percent.

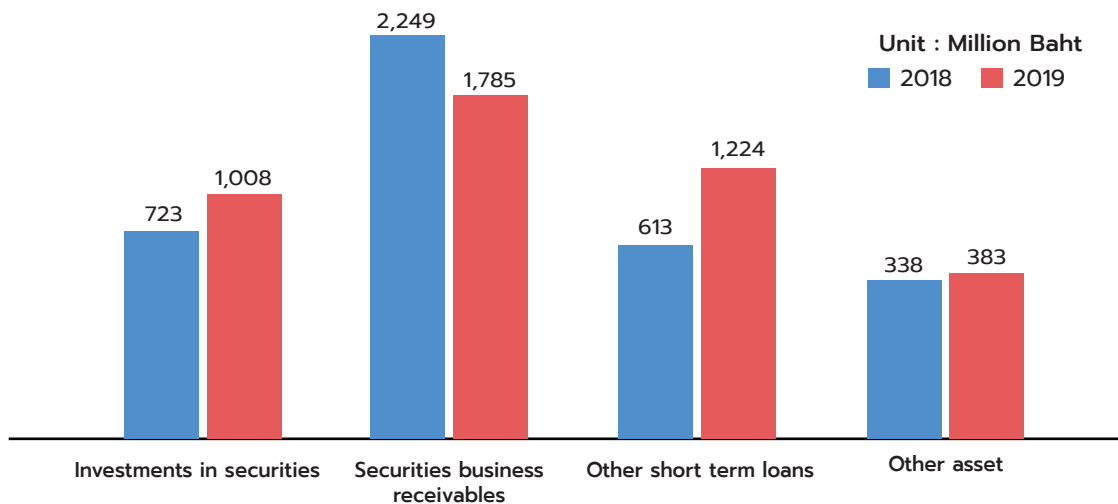
When considering the efficiency of operations for net profit to total revenue, it was 13.96 percent, which is higher than the year 2018 at 10.94 percent, while the return on equity for the year 2019 is 6.02 percent, up from 4.32 percent in 2018.

3) Asset management capabilities

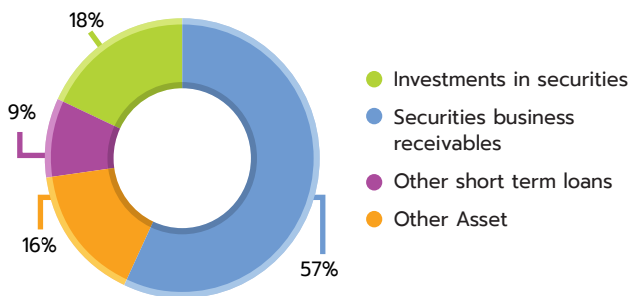
Total assets

As of 31 December 2019, the Company and its subsidiaries have total assets of 4,401.10 million baht, increased from 3,922.15 million baht at the end of 2018, consisting of important items such as investments in securities in the amount of 1,008.22 million baht, increased from 722.86 million baht, net securities business receivables and derivatives is 1,785.35 million baht, decreased from 2,248.53 million baht, and other short-term loans of 1,224.43 million baht, increased from 612.85 million baht, accounting for 22.91 percent, which is 40.57 percent and 27.82 percent of total assets as of year 2019, respectively.

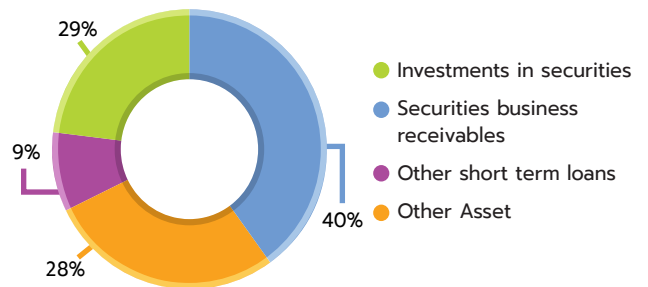
Total Assets



Proportion of Asset in 2018



Proportion of Asset in 2019



Securities and derivatives business receivables

Securities and derivatives business receivables of the subsidiary company as of December 31, 2019, is 1,785.35 million baht, including securities loan receivables of 1,617.59 million baht, a decrease from 2,248.53 million baht at the end of 2018, and receivables for securities purchases reduced from 65.47 million baht to 53.22 million baht.

According to the Notification of the Office of the Securities and Exchange Commission (SEC), the Company has classified securities business receivables and accrued interest receivables in accordance with the SEC notification regarding accounting for non-performing receivables of securities companies. It is the normal debt of 1,770 million baht. The amount of debt lower than the standard is 15 million baht. Doubtful debt is 62 million baht, which the company has already set up full allowance for loss of loans, according to the accounting standard. The debtor can be classified as follows:

(Unit: million Baht)

	Consolidated financial statements					
	2019			2018		
	Debt balance Securities business receivables	Allowance for doubtful accounts set up by subsidiary	Debt balance net of allowance for doubtful accounts	Debt balance Securities business receivables	Allowance for doubtful accounts set up by subsidiary	Debt balance Securities business receivables
Normal Debts	1,770		1,770	2,233	-	2,233
Sub - Standard Debts	15		15	15	-	15
Doubtful Debts	<u>62</u>	<u>(62)</u>	<u>-</u>	<u>62</u>	<u>(62)</u>	<u>-</u>
Total	<u>1,847</u>	<u>(62)</u>	<u>1,785</u>	<u>2,310</u>	<u>(62)</u>	<u>2,248</u>

Investments in securities and derivatives

Investments in the net securities of the Company and its subsidiaries as of December 31, 2019 is 1,008.22 million baht, increased from the end of 2018 at 722.86 million baht. It consists of investments in both short-term and long-term securities according to the fair value of 980.59 million baht, equivalent to 36.27 percent of the total asset value, which increased from 719.58 million baht at the end of 2018. Investments in associates is 3.28 million, while investment in joint venture is 24.35 million baht, which was recorded by the equity method.

Short-term and long-term investments in securities consist of 1) Investment in debt securities in the amount of 390.98 million baht or 39.87 percent of the total investment, which invests in bills that are bank-certified or aval and public and private debt instruments 2) Investment in listed securities in the amount of 476.92 million baht. The rest are investments in other securities. and the mutual fund of 112.69 million baht. In addition, the Company and its subsidiaries have invested in futures contracts, as of December 31, 2019, the remaining fair value of the off-balance sheet is the buy status of 14 million baht and sell status of 156 million baht.

In the year 2019, the Company and its subsidiaries had a total return on investment of 52.54 million baht, a decrease from 83.4 million baht in 2018, representing a return on total investment of 6.07 percent. In 2018, the company had a return rate of 12.61 percent. The total return includes loss from investment in securities in the amount of 3.33 million baht, total profits from investment in forward contracts of 42.26 million baht, the premiums and dividends of securities, both for trading and available for sale, of 35.15 million baht, share of profits from investments in associates of 0.50 million baht, share of profits from investments in joint ventures of 2.85 million baht, and unrealized losses in shareholders' equity of 24.88 million baht.

4) Liquidity and capital adequacy of the company

Cash flow

In 2019, the Company and its subsidiaries had a decrease in cash and cash equivalents of 12.22 million baht, mainly due to net cash flow received from operating activities of 137.47 million baht, net cash flow paid from investing activities of 138.20 million baht, and net cash flow from financing increased of 287.89 million baht.

Cash flow from operating activities is incurred from 1) operating profit of 81.58 million baht 2) net cash flows from operating assets, which consisted of the decrease of securities business receivables in the amount of 463.18 million baht, while cash flows increased from temporary investments in the amount of 184.34 million baht and other loans of 60 million baht and 551.58 million respectively 3) cash flows from operation increased such as clearing houses and securities business payables in the amount of 37.44 million baht and 23.24 million baht respectively.

Cash flows used in investing activities mainly come from an increase in other long-term investments of 100.41 million baht and investment in the joint venture of 21.50 million baht.

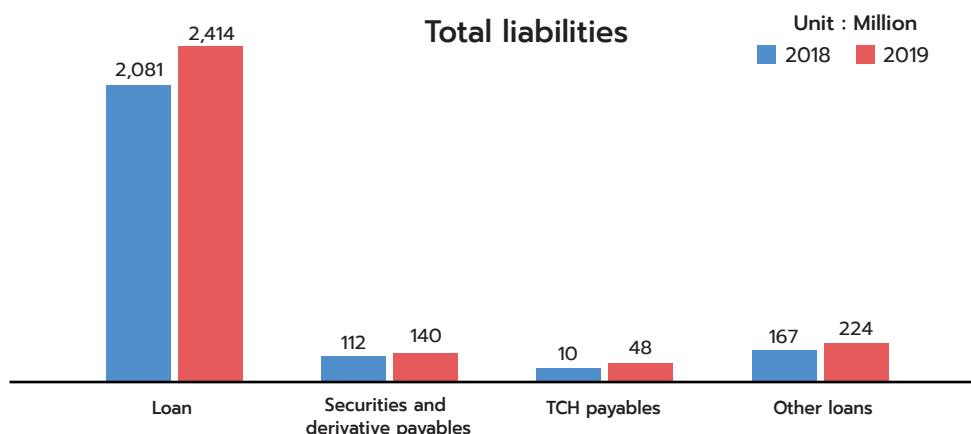
The cash flow from financing activities mainly comes from the issuance of debentures and other short-term loans increased by 1,197.40 million baht and 95.87 million baht, respectively. Repayment of debentures due is 919.80 million baht, and dividends paid to shareholders is 39.84 million baht.

When considering the liquid assets ratio of the company, it can be seen that the company has high liquid assets or revenue-generating assets to total assets up to 17.11% and 58.30%, respectively.

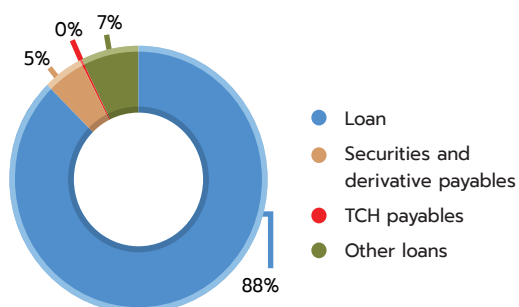
At the end of 2019 and the end of 2018, Trinity Securities Company Limited has maintained a net liquid capital ratio equivalent to 57.10% and 47.38%, respectively, which is higher than the minimum threshold of 7% and the net liquid capital value of not less than 25 million baht as specified by Securities and Exchange Commission. During the year 2019 and 2018, the company was able to maintain the ratio of net liquid capital to be higher than the threshold in the range of 18 to 107 percent and 35 to 93 percent, respectively.

Debt

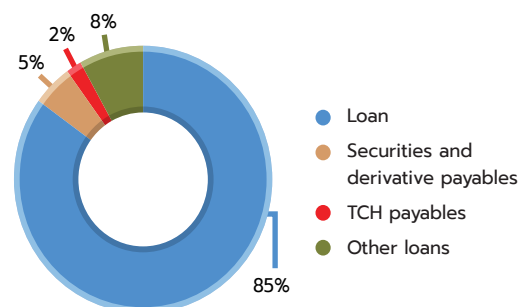
As of 31 December 2019, the Company and its subsidiaries had total liabilities of 2,824.16 million baht, an increase of 19.16 percent compared to the total liabilities at the end of 2018 which was 2,369.99 million baht, representing the debt to equity ratio of 1.79 times, increased from 1.53 times at the end of 2018. The increase in total liabilities was due to securities and derivatives business payables and clearing house payables from 111.95 million baht and 10.09 million baht at the end of 2018 to 139.58 million baht and 47.53 million baht at the end of 2019, while total loans increased from 2,081.00 million baht at the end of 2018 to 2,413.52 million baht at the end of the year, including short-term bills in the amount of 539.82 million baht, short-term debentures of 401.80 million baht, and long-term debentures of 466.90 million baht for payment, purchase of securities and other loans during the year.



Proportion of Liabilities in 2017



Proportion of Liabilities in 2018



Shareholders' Equity

As of 31 December 2019, the Company and its subsidiaries have shareholders' equity of 1,576.93 million baht, a decrease from 1,552.16 million baht at the end of 2018, resulting from the company paying dividends from the operating results of 2018 in the amount of 39.84 million baht, unrealized loss from valuation of available-for-sale investments increased by 24.89 million baht, while profits in the year 2019 amounted is 94.22 million baht, with the company having a return on shareholders' equity 6.02 percent per annum, higher than the year 2018 at 4.32 percent per annum.

Source of Funds

The sources of funds of the Company and its subsidiaries are mainly from shareholders' equity from fund raising through the stock market, short-term loans from financial institutions including short-term bills of exchange not exceeding 270 days, and short-term debentures as a reserve fund ready to be used in business. Most of the sources of funds are used in short-term working capital in the brokerage business, loans for securities purchases as well as investments in liquid and short-term securities. As of December 31, 2019, the Company and its subsidiaries had a debt to equity ratio of 1.79 times, which increased from 1.53 times at the end of 2018. The strategy of companies in the future is to increase revenue and returns from investment in subsidiaries in the form of long-term investments and short-term securities investments, including expanding the brokerage business volume, adding more service to customers, and underwriting of securities, which requires medium to long term funding. The Company therefore considers requesting medium-term loans from additional financial institutions and the issuance of debentures in the amount of not more than 1,500 million baht, as approved by the shareholders at the 13th ordinary general meeting of shareholders on April 28, 2015 in order to provide the source of funds in accordance with the use of money capital. Details of the issuance of debentures are as follows:

Category	:	All types of debentures / all types, which may be subordinated or unsubordinated debentures type of gradual principal repayment or single principal repayment upon maturity with insurance or without insurance, with or without debenture holders' representatives, depending on the appropriateness of the market conditions at the time of issuance and offering of debentures each time
Currency	:	Baht and / or other currencies
Amount	:	The total amount is not more than 1,500 million baht or other foreign currency in the same amount. The company is able to issue new debentures, issue additional and or issue debentures to replace the existing debentures that have been redeemed. The debentures issued at any time must not exceed the limit.
Offering	:	Domestic sales to the general public and / or limited persons and / or institutional investors both domestically and internationally and / or major investors, in whole or in part. The offering can be done all at one time or several times.
Interest rate	:	Depending on market conditions at the time of issuance and offering
Maturity	:	For short-term debentures, not exceeding 270 days and for long-term debentures not exceeding 10 years from the date of issuance
Early redemption	:	Bondholders may or may not have the right to request the company to redeem the debentures before maturity, and the company may or may not have the right to redeem the debentures before maturity, in accordance with the terms and conditions of the debentures to be issued each time

The Board of Directors or Chief Executive Officer or the person assigned by the Board of Directors or the Chief Executive Officer determine or change the conditions and other details related to the issuance and offering of each type of debenture each time, such as the par value per unit, the amount of debentures, maturity, type of debentures, offering details, allocation method, determination of collateral, offering price per unit, interest rate, interest payment period, appointment of bondholders' representatives, debenture registrar Including having the authority to appoint distributors, underwriters, and any other necessary legal action, including the request for permission from relevant agencies or government agencies as well as bringing such debentures to be registered with any secondary market in order to comply with the law for the maximum benefit of the company.

5) Off-balance sheet commitments and management

Trinity Securities Co., Ltd., as a member of the Stock Exchange of Thailand and the derivatives market, has the obligation to pay fees on trading securities and derivatives, service fee The Stock Exchange of Thailand (SET) and its subsidiaries to operate under the Securities Exchange of Thailand. The monthly fee and other fees are charged at the rate specified in the agreement. In addition, the company has to pay a fee for the operation of the business to Securities and Exchange Commission and Stock Exchange of Thailand at a specified percentage.

In addition, as at December 31, 2019, the subsidiary has commitments under long-term lease agreements for building equipment and service contracts totaling of 23.3 million baht, decreased from the year 2018 which was 51.7 million baht. The fair value of the off-statement of financial position of the futures contract is the buy status of 14 million baht and the sell status of 156 million baht, which are short-term investments in the futures market.

Key factors and influences that may affect future operations or financial position

Factors that will affect the company's operations and financial status in the future are low global economic growth due to trade disputes between China and the United States and the outbreak of the Covid-19. The valuation of the Thai stock market is still at a high level, based on EPS estimates that have not yet been signs of an adjustment. It will affect the trading conditions in the stock market, which may affect the total income and financial status of the company and its subsidiaries.

The company has prepared for changes or business opportunities in the future. The development of modern technology is in line with the effective work system. Personnel are also developed and provided more advanced knowledge and skills to support new transactions. The preparation of funding sources and strong capital to expand business volume are in place to increase revenue in the future.