



บริษัท ตรีนิษฐ์ วัฒนภา จำกัด (มหาชน)

Trinity Watthana Public Company Limited

Ref. Wor Thor. Tor. 005/2021

February 25, 2021

Subject : MD&A of financial performance for the year ended December 31, 2020

Attention : The President
The Stock Exchange of Thailand

The Board of Directors' meeting of Trinity Watthana Public Company Limited No. 2/2021, held on 25th February 2021, had approved the audited financial statements for the year ended December 31, 2020. Net profit for the year 2020 and earnings per share were Baht 130.45 million and Baht 0.65 respectively, which were higher than net profit and earnings per share for the year 2019 at Baht 96.74 million and Baht 0.49 respectively, equivalent to growth 34.85%.

The Company would like to explain and analyze the financial position and operating results for the year 2019 and 2020 as follows:

1) Overview of Business Operation and Significant Changes

The Thai stock market in 2020 decreased by 8.26%, as the index was fluctuated throughout the year. Due to the widespread outbreak of Coronavirus Disease 2019 (COVID-19) which caused the SET index went down deeply around 600 points from 1,579.84 points at the end of 2019 to 1,024.46 points or decreased by 35.15% in a very short period during the first quarter of 2020 and bounced back to close at 1,449.35 points at the end of December 2020. The COVID-19 resulted negatively to the world economy, then the government in every country injected cash to drive forward the economy. Excess fund flow flooded into capital market and commodities. As a result, the average daily trading value was Baht 68,607 million, increase from Baht 53,192 million in 2020 or increased by 28.98%.

Derivatives trading volume has increased from 104.52 million contracts in 2019 to 120.19 million contracts in 2020, representing an increase of 15%. The popular products were SET50 Index Futures represented 48% of total trading volume and Single Stock Futures was 39% of total trading volume.

In 2020, the local retail investors were more active in SET than the previous year. That is, their turnovers accounted for 43.7% of SET's total turnovers which increased from 33.7% in 2019. On the other hand, the turnovers made by foreign institutional investors were 35.9% of SET's turnovers which dropped from 41.4% in 2019. With regard to other types of investors, namely proprietary trading and local institutional investors, their turnovers in 2020 were 10.5% and 9.9% of SET's turnovers which dropped from 13.5% and 11.4% in 2019, respectively.

2) Operating Results

Income

The consolidated income of the Company and subsidiaries in 2020 was Baht 717.44 million increased from Baht 677.59 million in 2019 or increased by 5.88%. The changes in major income of the Company and subsidiaries were as follows:

- An increase in a daily average turnover of SET from Baht 53,192 million to Baht 68,607 million, or increased by 28.98% and the subsidiaries' market share decreased from 1.35% to 1.05%. Thus brokerage fee increased from Baht 151.04 million in 2019 to Baht 236.08 million in 2020 or increased by 56.30% which was due to the increase in retail investors' trading volume;
- A daily average trading volume of derivatives in TFEX in 2019 and 2020 were 428,369 contracts and 492,362 contracts, respectively whereas subsidiaries' market share decreased

from 0.62% to 0.37%. The subsidiaries' brokerage income from derivatives business slightly increased from Baht 18.82 million in 2019 to Baht 20.74 million in 2020 or by 10.20%;

- The subsidiaries' interest income from margin loans decreased from Baht 98.08 million in 2019 to Baht 82.85 million in relation to a decrease in the margin loans during the period of 2020 due to the market volatility;
- The Company's net gain and return from investment was Baht 145.50 million in 2020 dividing into gain on securities trading amounted to Baht 141.88 million, dividend income amounted to Baht 31.42 million and loss on derivatives trading amounted to Baht 27.80 million compared to net gain and return from investment was Baht 59.15 million in 2019 dividing into loss on securities trading amounted to Baht 3.33 million, dividend income amounted to Baht 20.22 million and gain on derivatives trading amounted to Baht 42.26 million.
- The subsidiaries' fee income decreased from Baht 206.98 million in 2019 to Baht 94.55 million resulting from a decrease in underwriting fee in 2020.
- The Company and subsidiaries' interest income increased from Baht 68.61 million in 2019 to Baht 95.50 million due to an increase in interest income from other loans from Baht 60.16 million to Baht 92.70 million.

Operating Expenses

In 2020, the Company and subsidiaries incurred the operating and administrative expenses in the amount of Baht 501.80 million which was increased from Baht 496.37 million in 2019. Whereas their financial expenses in 2020 was Baht 60.11 million nearly the same with Baht 62.03 million in 2019. The expenses which had significant changes include:

- Personnel expenses in 2020 amounted to Baht 360.21 million which was increased from Baht 324.46 million in 2019, or by 11.02%. This increase was varied in relation to the overall operations.
- Depreciation and amortization in 2020 amounted to Baht 39.77 million which was increased from Baht 12.84 million in 2019. This was mainly from the Thai Financial Reporting Standard (TFRS) no. 16 re: Leases: the Company and subsidiaries was required to recognise assets and liabilities for all leases with the term of more than 12 months and amortize till the end of lease term, which caused the changes of expenses from other expenses to depreciation and amortization cost.
- Fee and services expense decreased from Baht 64.57 million in 2019 to Baht 54.93 million in relation to the decrease in underwriting fee in 2020.
- Other Expenses in 2020 amounted to Baht 46.88 million which was decreased from Baht 94.49 million in 2019. This decrease varied in relation to the decrease in expenses relating with underwriting fee and the changes of rental expenses to depreciation and amortization cost due to the Thai Financial Reporting Standard (TFRS) no. 16 re: Leases as stated above.

Net Profit (Loss)

In 2020, the Company and subsidiaries' profits before corporate income tax was Baht 155.54 million which was increased from Baht 119.20 million in 2019 or by 30.49%. Net profits were Baht 130.45 million and Baht 96.74 million in 2020 and 2019, respectively or increased by 34.85%.

Considering the efficiency of the operation, the net profit margin to total revenue was 18.18%, which is higher than 2019 at 14.28%.

3) Financial Position

Total Assets

As of 31 December 2020, the total assets of the Company and subsidiaries amounted to Baht 5,043.36 million increased from Baht 4,403.62 million at the end of 2019, of which significant items include investments in securities in the amount of Baht 912.35 million which was decreased from Baht 1,010.73 million in 2019, net securities and derivatives business receivables in the amount of Baht 2,404.69 million increased from 1,785.35 million and other short-term loans decreased from Baht 1,224.43 million in 2019 to Baht 1,081.51 million. These main items represent 18.09%, 47.68%, and 21.44% of the 2020 total assets, respectively.

Securities and Derivatives Business Receivables

As of 31 December 2020, the subsidiary's securities and derivatives business receivables in the amount of Baht 2,404.69 million included margin loan receivables in the amount of Baht 2,204.08 million increased from Baht 1,785.35 million at the end of 2019 and receivables in cash accounts increased from Baht 53.22 million to Baht 174.23 million.

The subsidiary categorized its securities and derivatives business receivables in accordance with the Thai Financial Reporting Standard as performing debts in the amount of Baht 2,110.06 million, under-performing debts in the amount of Baht 294.66 million and Non-performing debts in the amount of Baht 61.97 million. In this regard, The Company has provided allowance for expected credit losses in accordance with the financial reporting standard.

Investments in Securities and Derivatives

The Company and subsidiaries' net investments in securities as of 31 December 2020 were Baht 912.35 million which was decreased from Baht 1,010.73 million in 2019. Out of this amount, short-term investment measured at fair value through profit or loss was Baht 642.60 million, short-term investment measured at amortised cost amounted to Baht 47.16 million and long-term investment measured at fair value through other comprehensive income amounted to Baht 195.31 million and the remaining investment Baht 27.28 million was the investment in joint venture which were accounted for under an equity method.

In 2020, the Company and subsidiaries gained a total return on investment in the amount of Baht 131.26 million increased from Baht 55.06 million in 2019 or equal to rate of return on investment 13.65% higher than 6.35% in 2019. The total return comprised of gain from investment in securities trading at Baht 141.88 million, loss from investment in derivatives trading at Baht 27.80 million, interest and dividend at Baht 36.14 million, sharing of profit from joint venture at Baht 5.06 million, and the increase in unrealized loss from investments presented in shareholders' equity amounted to Baht 24.02 million.

Liabilities

As of 31 December 2019, the Company and subsidiaries' total liabilities stood at Baht 3,446.18 million which was increased by 22.02% when compared to the total liabilities of Baht 2,824.16 million at the end of 2019. The Company's debts to equity ratio 2.16 times increased from 1.79 times at the end of 2019. The significant items in the total liabilities included 1) the securities and derivatives business payables increased from Baht 139.58 million to Baht 271.86 million at the end of 2020, 2) the borrowings increased from Baht 2,413.52 million to Baht 2,853.13 million which was borrowed for settlement payment, margin loan receivables and other loans during the year, 3) lease liabilities amounted to Baht 90.97 to comply with the Thai Financial Reporting Standard (TFRS) no. 16 re: Leases: the Company and subsidiaries was required to recognise assets and liabilities for all leases with the term of more than 12 months.

Shareholders' Equity

As of 31 December 2020, the Company and subsidiaries' shareholders' equity stood at Baht 1,597.18 million which was increased from Baht 1,579.45 million of 2019. The increase was derived from the Company and subsidiaries' earnings in 2020 amounted to Baht 130.45 million. Whereas the Company paid 2019 final dividend in the amount of Baht 87.64 million. In addition, the increase in unrealized loss from investments presented in shareholders' equity was Baht 13.08 million. The return on equity for the year 2020 was 8.21% per annum comparing to 6.18% per annum for the year 2019.

Please be informed accordingly.

Yours faithfully,



Charnchai Kongthongluck
Director and CEO