



บริษัท ตรีนิษฐ์ วัฒนภา จำกัด (มหาชน)

Trinity Watthana Public Company Limited

Ref. Wor Thor. Tor. 043/2023

August 9, 2023

Subject : Explanation and analysis of financial performance for the second quarter ended June 30, 2023

Attention : The President
The Stock Exchange of Thailand

The Board of Directors' meeting of Trinity Watthana Public Company Limited No. 7/2023, held on August 9, 2023, has approved the reviewed financial statements for the second quarter ended June 30, 2023. The Company would like to explain and analyze the financial position and operating results for the second quarter and the six-month period ended June 30, 2023 compared to the corresponding period of 2022 as follows:

(Unit: Million Baht)	Second quarter ended June 30			Six months ended June 30		
	2023	2022	Change (%)	2023	2022	Change (%)
Profit (Loss) before corporate income tax	(299.80)	30.49	(1,083.27)	(330.23)	101.52	(425.29)
Net Profit (Loss)	(239.18)	26.85	(990.80)	(262.37)	83.61	(413.80)
Earning (Loss) per share (Baht)	(1.12)	0.13	(990.80)	(1.22)	0.39	(413.80)

The auditor has reviewed the financial statements and still qualified that except for the possible effects on securities business receivables of Baht 479 million included in the securities and derivatives business receivables of Baht 3,411 million as at June 30, 2023 that had defaulted on payments of outstanding positions resulting from purchase orders made for shares of a listed company that the Stock Exchange of Thailand ("SET") identified as potentially abnormal purchase and sale transactions in November 2022. The management of the Company and the subsidiary have determined that this event is an abnormal transaction, as it was carried out with fraudulent intent. Setting up the allowance for expected credit losses may have an adverse effect on the cases that the subsidiary has filed, therefore the subsidiary has not recorded any allowance for expected credit losses related to the overdue securities business receivables mentioned above. The management of the Company and the subsidiary believe that there is a high probability that this transaction will be cancelled and treated as if it had never occurred. The overdue amount is expected to be fully reimbursed from assets which are seized in accordance with the court order.

As this event is considered an abnormal transaction, the management of the Company and the subsidiary is currently unable to find the past comparable cases or any supporting evidence to validate their belief, and a large number of victims are involved in the matter. Therefore, it is beyond my ability to obtain evidence on the extent of damage suffered by each company and submit a request for damage recovery to the relevant authorities, nor can I determine whether the total value exceeds the value of the assets seized in accordance with the court order. The auditor was unable to obtain sufficient appropriate audit evidence for the allowance for expected credit losses for such overdue receivable to conclude whether the allowance should be set up, and if so, what the appropriate balance of the allowance should be. Any adjustments necessary would result in a decrease in the total assets and retained earnings in the consolidated statement of financial position and the separate statement of financial position (which presented investments in subsidiaries under the equity method) as at 30 June 2023, and an increase in the loss in the consolidated and separate statements of comprehensive income.

Except for the possible effects of the matter as described above, nothing has come to my attention that causes me to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with Thai Accounting Standard 34 *Interim Financial Reporting*.

1. Overview of Business Operation and Significant Changes

As investor sentiment in The Stock Exchange of Thailand had declined in early 2023. As a result of defaults on a number of listed companies' debentures, investors worried about investing in stock market and bond market. Therefore, this led to small and medium stocks sell-off, even though Thailand had a positive economic impact of its tourism. However, the global economic slowdown has affected the export sector of Thailand inevitably, which has prolonged a fluctuation in the stock market since the first quarter of 2023. The SET index decreased from 1,609.17 points at the end of March 2023 to lowest at 1,503.10 points in June 2023 and the average daily trading value was decreased from Baht 77,663 million in the second quarter of 2022 to Baht 49,964 million in the same period of 2023 or decreased by 35.66%.

Derivatives daily trading volume has slightly increased from 496,896 contracts in second quarter of 2022 to 510,275 contracts in the same period of 2023, or increased by 2.69%.

In the second quarter of 2023, the foreign institutional investors were more active in SET than the previous year. That is, their turnovers accounted for 51.38% of SET's total turnovers which increased from 45.77% in the second quarter of 2022. On the other hand, the turnovers made by local retail investors were 32.79% of SET's turnovers which dropped from 39.43% in the same period of 2022. With regard to other types of investors, namely proprietary trading's turnovers in the second quarter of 2023 were 7.07% of SET's turnovers which dropped from 7.54% but local institutional investors increased from 7.26% in the second quarter of 2023 to 8.76% in the same period of 2023.

2. Operating Results for the second quarter ended June 30, 2023

Income

The consolidated income of the Company and subsidiaries for the second quarter of 2023 was Baht 77.93 million, which was decreased from Baht 192.67 million in the same period of 2022 or decreased by 59.55%. The changes in the consolidated income of the Company and subsidiaries were attributed to the following:

- 1) The securities business income decreased from Baht 145.54 million for the second quarter of 2022 to Baht 90.22 million in the same period of 2023 or decreased by 57.85% resulted from the following:
 - The subsidiary's securities brokerage fee decreased from Baht 65.12 million for the second quarter of 2022 to Baht 27.45 million in the same period of 2023 or decreased by 57.85% as a result from the decrease in overall trading volume and retail investors' trading volume which is the main client of the Company;
 - Fee and service income decreased from Baht 33.86 million for the second quarter of 2022 to Baht 12.37 million in the same period of 2023 or decreased by 63.47% as a result from underwriting business;
 - Interest income from margin loan increased from Baht 42.65 million for the second quarter of 2022 to Baht 46.30 million in the same period of 2023 or increased by 8.55% as a result from the increase in interest rate on margin loan during the period, according to the increase in interest rate of Bank of Thailand.
- 2) The Company and subsidiaries' net loss and return from investment was Baht 51.91 million in the second quarter of 2023 whereas in the second quarter of 2022, the Company and subsidiaries' net loss and return from investment was Baht 1.10 million due to the market fluctuation which SET index decreased by 100 points during the period.

Operating Expenses

The Company and subsidiaries' total expenses was Baht 377.73 million for the second quarter of 2023 increased from Baht 162.18 million for the second quarter of 2022 or increased by 132.91%. The expenses which had significant changes include:

- Employee benefit expenses in the second quarter of 2023 amounted to Baht 75.50 million which was decreased from Baht 84.98 million in the same period of 2022, or by 11.16%. This decrease varied in relation to the Company's overall operating results.
- Fees and service expenses in the second quarter of 2023 was Baht 9.37 million which was decreased from Baht 19.41 million in the same period of 2022, or by 51.73%. This varied in relation to the trading volume.
- In June 2023, the subsidiary recorded expected credit losses of an anticipated Baht 232.18 million which was incurred by 2 credit balance account receivables. The receivables were forced sell their collateral as a result from the collateral price dropping by 30% (a floor price) in 5 consecutive business days which was unprecedented in the Stock Exchange of Thailand. Therefore, the collateral value decreased rapidly and was insufficient to cover the debts. However, the subsidiary is currently monitoring additional customer debt repayments.
- Financial expenses in the second quarter of 2023 was Baht 36.09 million increased from Baht 26.94 million in the second quarter of 2022, or increased by 33.96% as a result from the increase in interest rate on borrowings during the quarter, according to the increase in interest rate of Bank of Thailand.

Net Profit (Loss)

The Company and subsidiaries' net loss were Baht 239.18 million for the second quarter of 2023 compared to net profit amounted to Baht 26.85 million in the same period of 2022 equivalent to decrease by 990.80%.

2. Operating results for the six-month period ended June 30, 2023

Income

The consolidated income of the Company and subsidiaries for the six-month period of 2023 decreased from that of 2022 by 59.12%; that is, the Company and subsidiaries' consolidated income for the six-month period of 2023 was Baht 174.42 million, which was decreased from Baht 426.74 million. The major changes in the consolidated income of the Company and subsidiaries were the following:

- 1) The securities business income decreased from Baht 300.59 million for the six-month period of 2022 to Baht 202.25 million in the same period of 2023 or decreased by 32.72%, resulted from the following:
 - A decrease in a daily average turnover of SET from Baht 87,342 million to Baht 58,658 million for the six-month period of 2023 or decreased by 55.53%. The subsidiary's securities brokerage fee decreased from Baht 158.73 million for the six-month period of 2022 to Baht 70.58 million in the same period of 2023 or decreased by 32.84%;
 - Fee and service income decreased from Baht 50.11 million for the six-month period of 2022 to Baht 30.05 million in the same period of 2023 or decreased by 40.039% as a result from underwriting business;
 - Interest income from margin loan increased from Baht 85.28 million for the six-month period of 2022 to Baht 94.62 million in the same period of 2023 as a result from the increase in interest rate on margin loan during the period, according to the increase in interest rate of Bank of Thailand.
- 2) The Company's net loss and return from investment was Baht 116.65 million for the six-month period of 2023 compared to net gain and return from investment was Baht 24.24 million in the six-month period of 2021 due to the market fluctuation which SET index decreased from 1,668.66 point at the end of 2022 to 1,503.10 point at the end of June 2023.

Operating Expenses

The Company and subsidiaries' total expenses increased from Baht 325.22 million for the six-month period of 2022 to Baht 504.65 million in the same period of 2023 or increased by 55.17%. The expenses which had significant changes include:

- Employee benefits expenses for the six-month period of 2023 amounted to Baht 132.71 million which was decreased from Baht 182.69 million in the same period of 2022, or by 27.36%. This decrease varied in relation to the Company's overall operating results.
- Fees and service expenses for the six-month period of 2023 was Baht 22.89 million which was decreased from Baht 35.09 million in the same period of 2022, or by 34.77%. This varied in relation to the trading volume.
- In June 2023, the subsidiary recorded expected credit losses of an anticipated Baht 232.18 million which was incurred by 2 credit balance account receivables. The receivables were forced sell their collateral as a result from the collateral price dropping by 30% (a floor price) in 5 consecutive business days which was unprecedented in the Stock Exchange of Thailand. Therefore, the collateral value decreased rapidly and was insufficient to cover the debts. However, the subsidiary is currently monitoring additional customer debt repayments.
- The financial costs increased from Baht 53.12 million for the six-month period of 2022 to Baht 71.12 million in the same period of 2023 or increased by 33.89%, resulting from the increase in interest rate on borrowings during the quarter, according to the increase in interest rate of Bank of Thailand.

Net Profit (Loss)

In the six-month period of 2023, the Company and subsidiaries' net loss were Baht 262.37 million compared to net profit amounted to Baht 83.61 million in the same period of 2022, equivalent to decrease 413.80%.

3. Financial Position

Total Assets

As of 30 June 2023, the total assets of the Company and subsidiaries amounted to Baht 5,761.35 million comparing to Baht 7,238.25 million at the end of 2022, of which significant items included securities and derivatives business receivables in the amount of Baht 3,411.30 million decreased from 4,523.39 million, investments in the amount of Baht 866.03 million which was decreased from Baht 1,062.22 million, and other short-term loans amounted to Baht 855.21 million decreased from Baht 1,125.56 million. These main items represented 59.21%, 15.03%, and 14.84% of the total assets as of 30 June 2023, respectively.

Securities and Derivatives Business Receivables

As of 30 June 2023, the subsidiary's securities and derivatives business receivables in the amount of Baht 3,411.30 million which consists of the following:

- Net margin loan receivables (after allowances for expected credit losses) in the amount of Baht 2,698.07 million decreased from Baht 3,721.16 million at the end of 2022. The subsidiary set up the allowance for expected credit losses of an anticipated Baht 232.18 million which was incurred by 2 credit balance account receivables. The receivables were forced sell their collateral as a result from the collateral price dropping by 30% (a floor price) in 5 consecutive business days which was unprecedented in the Stock Exchange of Thailand. Therefore, the collateral value decreased rapidly and was insufficient to cover the debts. However, the subsidiary is currently monitoring additional customer debt repayments.
- Other receivables in the amount of Baht 713.23 million which included securities business receivables of Baht 479 million that had defaulted on payments of outstanding positions resulting from purchase orders made for shares of a listed company that the Stock Exchange of Thailand ("SET") identified as potentially abnormal purchase and sale transactions in November 2022. The Company filed a complaint requesting to proceed with a case against the receivable and any other individuals involved or previously involved with the receivable for the fraud under the Criminal Code with a nature of regular or business conduct with the

Economic Crime Suppression Division of the Central Investigation Bureau (“ECD”) on 15 November 2022, which is a predicate offense under the Anti-Money Laundering Act B.E.2542 (1999). On 16 February 2023, the special prosecutor under the Office of the Attorney General determined that the gathered evidence showed that the accused and its associates involved or previously involved with the offender of the fraudulent activities, and therefore filed a petition with the court. Moreover, on 16 February 2023, the Civil Court issued an emergency motion for the temporary seizure and attachment of assets related to the alleged wrongdoing until it is otherwise adjudicated. The subsidiary has filed a petition for protection of its rights from the predicate offense and submitted supporting evidence that details the damage incurred and the amount of damages suffered to the authorities at the AMLO on 16 February 2023. This action was taken to enable the AMLO and the public prosecutor to pursue legal action to obtain compensatory damages. At present, the cases is under judicial process without any significant progress.

The management of the Company and the subsidiary have determined that this event is an abnormal transaction, as it was carried out with fraudulent intent. Setting up the allowance for expected credit losses may have an adverse effect on the case that the subsidiary has filed with related regulators. Since the setting up the allowance for expected credit losses could be interpreted as the subsidiary’s acceptance of the disputed transactions as being valid, along with the acceptance of the damage caused. In this regard, the subsidiary has not recorded any allowance for expected credit losses related to the overdue securities business receivables mentioned above. The management of the Company and the subsidiary believe that there is a high probability that this transaction will be cancelled and treated as if it had never occurred. The overdue amount is expected to be fully reimbursed from assets which are seized in accordance with the court order.

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 2,930.58 million, under-performing debts in the amount of Baht 500.99 million and non-performing debts in the amount of Baht 294.15 million. In this regard, the Company has provided allowance for expected credit losses in accordance with the financial reporting standard.

Investments

The Company and subsidiaries’ net investments as of 30 June 2023 were Baht 866.03 million, 15.03% of total assets, which was decreased from Baht 1,062.22 million at the end of 2022. Out of this amount, short-term investment was Baht 500.48 million decreased from Baht 781.21 million at the end of 2022. Long-term investment was Baht 285.60 million increased from Baht 219.55 million at the end of 2022 and the remaining investment Baht 79.95 million was the investment in the joint ventures which were accounted for under an equity method, increasing from Baht 61.46 million at the end of 2022 from the increase in the investment in the joint ventures amounted to Baht 13.5 million.

Other short-term loans

As of 30 June 2023, other short-term loans were Baht 855.21 million, 14.84% of total assets, which was decreased from Baht 1,125.56 million at the end of 2022. In this regard, the Company has loans to unrelated companies and individuals, secured by the pledges of listed and non-listed securities.

Liabilities

As of 30 June 2023, the Company and subsidiaries’ total liabilities stood at Baht 4,283.83 million compared to the total liabilities of Baht 5,498.57 million at the end of 2022. The total liabilities mainly comprised of the borrowings decreased from Baht 4,780.59 million at the end of 2022 to Baht 3,608.50 million as of 30 June 2023 which was borrowed for settlement payment, margin loan receivables and other loans during the quarter. The borrowings included borrowings from financial institutions amounted to Baht 900 million, short-term debentures amounted to Baht 1,977.10 million, long-term debentures amounted to Baht 731.40 million. The interest-bearing debts to equity ratio was 2.44 times decreased from 2.75 times at the end of 2022.

Shareholders' Equity

As of 30 June 2023, the Company and subsidiaries' shareholders' equity stood at Baht 1,477.52 million compared to Baht 1,739.69 million at the end of 2022. The decrease was mainly derived from net loss for the period amounted to Baht 262.37 million. The return on equity for the six months period of 2023 was -32.62% per annum comparing to 12.99% per annum in the same period of 2022.

Please be informed accordingly.

Yours faithfully,



Charnchai Kongthongluck
Director & CEO