

Ref. Wor Thor. Tor. 048/2018

November 9, 2018

Subject : Explanation and analysis of financial performance for the third quarter ended September 30, 2018

Attention : The President
The Stock Exchange of Thailand

The Board of Directors' meeting of Trinity Watthana Public Company Limited No. 8/2018, held on November 9, 2018, has approved the reviewed financial statements for the third quarter ended September 30, 2018. Profit before tax for the third quarter of 2018 was Baht 17.25 million compared to profit before tax for the corresponding period of 2017 at Baht 25.01 million whereas net profit for the third quarter of 2018 and earnings per share were Baht 12.89 million and Baht 0.065 respectively, compared to net profit after tax and earnings per share for the corresponding period of 2017 at Baht 20.29 million and Baht 0.10, equivalent to decline 36.47%. Net profit of Baht 47.30 million or earnings per share of Baht 0.24 were reported for the nine-month period of 2018 compared to net loss of Baht 15.97 million or loss per share of Baht 0.08 for the corresponding period of 2017.

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, 2018 compared to the corresponding period of 2017 as follows:

1. Operating Results for the third quarter ended September 30, 2018

Income

The consolidated income of the Company and subsidiaries for the third quarter of 2018 was Baht 148.97 million, which was decreased from Baht 171.33 million for the corresponding period of 2017. The consolidated income which had significant changes included:

- 1) The securities and derivatives business income decreased from Baht 127.09 million for the third quarter of 2017 to Baht 98.62 million in the same period of 2018, resulted from the following:
 - The securities brokerage fee decreased from Baht 70.16 million for the third quarter of 2017 to Baht 49.59 million in the same period of 2018 or decreased by 29.32% despite the fact that a daily average turnover of SET increased from Baht 49,143 million to Baht 53,343 million in the third quarter of 2018 or increased by 8.55% mainly contributed from foreign investors whereas the subsidiary's main customers were retail investors whose trading were slow down due to market fluctuation;
 - A decrease in the Company's interest income from margin loans from Baht 34.24 million to Baht 27.11 million in relation to a decrease in the margin loans during the period of 2018 due to the market volatility.
- 2) The Company's net gain from investment was Baht 34.54 million in the third quarter of 2018 dividing into gain on securities trading amounted to Baht 34.69 million and loss on derivatives trading amounted to Baht 0.15 million compared to 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.

Operating Expenses

In the third quarter of 2018, the Company and subsidiaries' total expenses decreased from Baht 146.32 million to Baht 131.72 million, or decreased by 9.98%. The expenses which had significant changes include:

- 1) The operating and administrative expenses for the third quarter of 2018 amount of Baht 121.25 million compared to Baht 132.96 million in the same period of 2017, which comprised of the following expenses:
 - Personnel expenses in the third quarter of 2018 amounted to Baht 83.80 million which was decreased from Baht 90.48 million in the same period of 2017, or by 7.38%. This decrease varied in relation to the overall operating results.
 - Provision for doubtful debts was set amounted to Baht 1.23 million in the third quarter of 2018 decreased from Baht 4.25 million in the same period 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 13.35 million in the third quarter of 2017 to Baht 10.64 million in the same period of 2018 in relation to the decrease in borrowings for settlement and loans to credit balance accounts during the period.

Net Profit (Loss)

In the third quarter of 2018, the Company and subsidiaries' profit before corporate income tax were Baht 17.25 million compared to profit before corporate income tax amounted to Baht 25.01 million in the same period of 2017 and net profit were Baht 12.89 million compared to net profit amounted to Baht 20.29 million in the same period of 2017, or decreased by 36.47%.

2. Operating Results for the nine-month period ended September 30, 2018

Income

The consolidated income of the Company and subsidiaries for the nine-month period of 2018 decreased from that of 2017 by 19.03%; that is, the Company and subsidiaries' consolidated income for the nine-month period of 2018 was Baht 474.78 million, which was increased from Baht 398.89 million. The consolidated income which had significant changes included:

- 1) The Company's net gain from investment was Baht 75.22 million in the nine-month period of 2018 dividing into gain on trading securities amounted to Baht 50.01 million and gain on trading derivatives amounted to Baht 25.21 million compared to net loss from investment was Baht 29.17 million in the same 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.

Loss on securities trading in the nine-month period of 2017 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 388.11 million for the nine-month period of 2017 to Baht 360.98 million in the same period of 2018, or decreased by 6.99%, resulted from the following:
 - The securities brokerage fee in the nine-month period of 2018 amounted to Baht 200.22 million decreased from Baht 210.58 million in the same period of 2017 despite the fact that a daily average turnover of SET increased from Baht 48,363 million to Baht 61,477 million in the nine-month period of 2018 or increased by 27.12% mainly contributed from foreign investors whereas the subsidiary's main customers were retail investors whose trading were slow down due to market fluctuation;
 - An increase in the derivatives brokerage fee from Baht 9.86 million for the nine-month period of 2017 to Baht 15.10 million in the same period of 2018 due to the increase in client's trading portion.

- A decrease in the Company's interest income from margin loans from Baht 109.91 million to Baht 91.49 million in relation to a decrease in the margin loans during the period of 2018 due to the market volatility.

Operating Expenses

In the nine-month period of 2018, the Company and subsidiaries' total expenses (excluding impairment loss of the long-term investment) slightly decreased from Baht 419.83 million In the nine-month period of 2017 to Baht 413.59 million.

Net Profit (Loss)

In the nine-month period of 2018, the Company and subsidiaries' profit before corporate income tax were Baht 61.19 million compared to loss before corporate income tax amounted to Baht 20.94 million in the same period of 2017 and net profit were Baht 47.30 million in the nine-month period of 2018 compared to net loss amounted to Baht 15.97 million in the same period of 2017 or increased by 396.18%. The major loss in the nine-month period of 2017 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 2018, the total assets of the Company and subsidiaries amounted to Baht 3,551.42 million comparing to Baht 3,954.84 million at the end of 2017, of which significant items included investments in securities in the amount of Baht 577.97 million which was slightly decreased from Baht 599.11 million at the end of 2017, securities and derivatives business receivables in the amount of Baht 2,261.89 million decreased from 2,784.18 million and other short-term loans amounted to Baht 319.25 million increased from Baht 131.95 million. These main items represented 16.27%, 63.69%, and 8.99% of the total assets as of 30 September 2018, respectively.

Securities and Derivatives Business Receivables

As of 30 September 2018, the subsidiary's securities and derivatives business receivables in the amount of Baht 2,261.89 million included margin loan receivables in the amount of Baht 1,903.94 million decreased from Baht 2,230.49 million at the end of 2017, and receivables from cash account amounted to Baht 183.86 million decreased from 411.59 million at the end of 2017.

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 2,198 million, sub-standard debts in the amount to Baht 64 million and doubtful debts in the amount of Baht 80 million. In this regard, the Company has provided a reserve amounted to Baht 80 million to cover the uncollateralized sub-standard debts and all doubtful debts in accordance with the standard financial reporting.

Investments in Securities and Derivatives

The Company and subsidiaries' net investments in securities as of 30 September 2018 were Baht 577.97 million, 16.27% of total assets, which was slightly decreased from Baht 599.11 million at the end of 2017. Out of this amount, short-term and long-term investment stated at fair value was Baht 574.79 million. The remaining investment Baht 3.18 million was the investment in affiliates which were accounted for under an equity method.

In the nine-month period of 2018, the Company and subsidiaries had a total return on investment in the amount of Baht 99.48 million increased from a total return of Baht 47.13 million in the same period of 2017 or equal to rate of return on investment 22.54% per annum higher than 9.56% in the same period of 2017. The total return comprised of profit from investment in securities and

derivatives trading at Baht 75.22 million, interest and dividend from securities held for trading and available-for-sale at Baht 30.94 million, and the increase in unrealized loss from investments presented in shareholders' equity amounted to Baht 7.10 million.

Liabilities

As of 30 September 2018, the Company and subsidiaries' total liabilities stood at Baht 2,012.18 million which was decreased when compared to the total liabilities of Baht 2,350.64 million at the end of 2017. The total liabilities mainly included borrowings amounted to Baht 1,555.56 million compared to Baht 1,776.96 million at the end of 2017, the securities and derivatives business payables amounted to Baht 226.27 million decreased from Baht 376.62 million at the end of 2017.

Shareholders' Equity

As of 30 September 2018, the Company and subsidiaries' shareholders' equity stood at Baht 1,539.25 million which was decreased from Baht 1,604.21 million at the end of 2017. The decrease was mainly derived from the Company and subsidiaries' earnings for the nine-month period of 2018 amounted to Baht 47.30 million whereas dividend paid out during the period was amounted to Baht 112.62 million and an increase in unrealized loss from investments presented in shareholders' equity amounted to Baht 7.10 million. The return on equity for the nine-month period of 2018 was 4.01% per annum comparing to (1.35)% per annum in the same period of 2017.

Please be informed accordingly.

Yours faithfully,

Charnchai Kongthongluck
Director