



บริษัท ตรีนิษฐ์ วัทนา จำกัด (มหาชน)

Trinity Watthana Public Company Limited

Ref. Wor Thor. Tor. 025/2023

May 10, 2023

Subject : Explanation and analysis of financial performance for the first quarter ended March 31, 2023

Attention : The President

The Stock Exchange of Thailand

The Board of Directors' meeting of Trinity Watthana Public Company Limited No. 5/2023, held on May 10, 2023, has approved the reviewed financial statements for the first quarter ended March 31, 2023. Net loss for the first quarter ended March 31, 2023 and loss per share were Baht 23.19 million and Baht 0.11 respectively, which were lower than net profit and loss per share for the same period of 2022 at Baht 56.77 million and Baht 0.26 respectively, equivalent to decline 140.85%.

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 4,074 million as at March 31, 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. Such conduct is prohibited by law and runs counter to public order and good morals. on 15 November 2022, the subsidiary filed a complaint alleging fraudulent conduct with the Economic Crime Suppression Division of the Central Investigation Bureau ("ECD") and 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. 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. Moreover, since the case is under judicial process without any significant progress, 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 31 March 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*.

The Company would like to explain and analyze the financial position and operating results for the first quarter ended March 31, 2023 and 2022 as follows:

1. Overview of Business Operation and Significant Changes

As a result of the worries of inflation which passed the highest point already, the world economic has been slow down and to be recession mode this year. Several banks in United State of America have shut down and Credit Suisse, Switzerland's second largest bank, was sold to UBS which is Switzerland's largest bank. Although Thailand has shown a gradual economic recovery by rising international tourism arrivals, global economic slowdown has had an inevitable impact on Thailand's export sector. The SET index decreased from 1,668.66 points at the end of 2022 to lowest at 1,523.89 points in March 2023 and the average daily trading value was Baht 66,684 million in the first quarter of 2023, comparing to Baht 96,240 million in the same period of 2022 or decreased by 30.71%.

Derivatives daily trading volume has decreased from 627,573 contracts in first quarter of 2022 to 594,550 contracts in the same period of 2023, or decreased by 5.26%.

In the first quarter of 2023, the foreign institutional investors were more active in SET than the previous year. That is, their turnovers accounted for 49.46% of SET's total turnovers which increased from 43.09% in the first quarter of 2022. On the other hand, the turnovers made by local retail investors were 35.95% of SET's turnovers which dropped from 41.5% in the same period of 2022. With regard to other types of investors, namely proprietary trading's turnovers in the first quarter of 2023 were 7% of SET's turnovers which dropped from 8.16% but local institutional investors increased from 7.23% in the first quarter of 2022 to 7.59% in the same period of 2023.

2. Operating Results for the first quarter ended March 31, 2023

Income

The consolidated income of the Company and subsidiaries for the first quarter of 2023 was Baht 96.49 million, which was decreased from Baht 233.90 million in the same period of 2022 or decreased by 58.75%. The changes in the consolidated income of the Company and subsidiaries were attributed to the following:

- 1) The securities business income decreased from Baht 155.05 million for the first quarter of 2022 to Baht 112.03 million in the same period of 2023 or decreased by 27.75% resulted from the following:
 - The subsidiary's securities brokerage fee decreased from Baht 93.61 million for the first quarter of 2022 to Baht 43.13 million in the same period of 2023 or decreased by 53.93% as a result from the decrease in overall trading volume and retail investors' trading volume;
 - Interest income from margin loan increased from Baht 45.19 million for the first quarter of 2022 to Baht 51.22 million in the same period of 2023 or increased by 13.34% as a result from the increase in interest rate on margin loan during the period.
- 2) The Company and subsidiaries' net loss and return from investment was Baht 64.74 million in the first quarter of 2023 whereas in the first quarter of 2022, the Company and subsidiaries' net gain and return from investment was Baht 25.34 million due to the market fluctuation.
- 3) Interest income decreased from Baht 29.05 million for the first quarter of 2022 to Bath 22.51 million in the same period of 2023 or decreased by 22.51% resulting from a decrease in other short-term loan during the quarter.

Operating Expenses

The Company and subsidiaries' total expenses was Baht 129.78 million for the first quarter of 2023 decreased from Baht 163.04 million for the first quarter of 2022 or decreased by 20.40%. The expenses which had significant changes include:

- Employee benefit expenses in the first quarter of 2023 amounted to Baht 57.22 million which was decreased from Baht 97.71 million in the same period of 2022, or by 41.44%. This varied in relation to the overall operating results.
- Financial expenses in the first quarter of 2023 was Baht 35.02 million increased from Baht 26.18 million in the first quarter of 2022, or increased by 33.77% as a result from the increase in interest rate on borrowings during the quarter.

Net Profit (Loss)

The Company and subsidiaries' net loss were Baht 23.19 million for the first quarter of 2023 compared to net profit amounted to Baht 56.77 million in the same period of 2022 equivalent to decrease by 140.85%.

3. Financial Position

Total Assets

As of 31 March 2023, the total assets of the Company and subsidiaries amounted to Baht 6,515.46 million comparing to Baht 7,238.25 million at the end of 2022, of which significant items included investments in the amount of Baht 1,063.36 million which was slightly increased from Baht 1,062.22 million, securities and derivatives business receivables in the amount of Baht 4,020.76 million decreased from 4,523.39 million and other short-term loans amounted to Baht 925.56 million decreased from Baht 1,125.56 million. These main items represented 16.32%, 61.71%, and 14.21% of the total assets as of 31 March 2023, respectively.

Securities and Derivatives Business Receivables

As of 31 March 2023, the subsidiary's securities and derivatives business receivables in the amount of Baht 4,020.76 million including margin loan receivables in the amount of Baht 3,454.36 million decreased from Baht 3,721.16 million at the end of 2022 and other receivables in the amount of Baht 556.45 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 3,382.76 million, under-performing debts in the amount of Baht 637.99 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

The Company and subsidiaries' net investments as of 31 March 2023 were Baht 1,063.36 million, 16.32% of total assets, which was slightly increased from Baht 1,062.22 million at the end of 2022. Out of this amount, short-term investment was Baht 768.46 million decreased from Baht 781.21 million at the end of 2022. Long-term investment was Baht 218.03 million decreased from Baht 219.55 million at the end of 2022 and the remaining investment Baht 76.95 million was the investment in the joint venture which were accounted for under an equity method, increasing from Baht 61.46 million at the end of 2022 from the increase in a new affiliated company amounted to Baht 10 million with shareholding at 20%.

Liabilities

As of 31 March 2023, the Company and subsidiaries' total liabilities stood at Baht 4,800.17 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 to Baht 4,378.63 million 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 1,730 million, short-term bills of exchange and debentures amounted to Baht 2,215.73 million, long-term debentures amounted to Baht 432.90 million. The interest-bearing debts to equity ratio was 2.55 times decreased from 2.75 times at the end of 2022.

Shareholders' Equity

As of 31 March 2023, the Company and subsidiaries' shareholders' equity stood at Baht 1,715.29 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 23.19 million. The return on equity for the first quarter of 2023 was -5.37% per annum comparing to 12.99% per annum in the same period of 2022.

Please be informed accordingly.

Yours faithfully,



Charnchai Kongthongluck
Director & CEO