



บริษัท ตรีนิษฐ์ วัฒนา จำกัด (มหาชน)  
TRINITY WATTHANA PUBLIC COMPANY LIMITED

Ref. Wor Thor. Tor. 008/2024

February 29, 2024

Subject : MD&A of financial performance for the year ended December 31, 2023

Attention : The President  
The Stock Exchange of Thailand

The Board of Directors' meeting of Trinity Watthana Public Company Limited No. 2/2024, held on 29<sup>th</sup> February 2024, had approved the audited financial statements for the year ended December 31, 2023. Net loss for the year 2023 and loss per share were Baht 353.40 million and Baht 1.65 respectively, which were lower than net profit and earnings per share for the year 2022 at Baht 178.40 million and Baht 0.83 respectively, equivalent to decline by 298.10%.

#### **Auditor's opinion**

In the Auditor's opinion, except for the possible effects on 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 (details presented in part 3) Financial position: Securities and Derivatives Business Receivables). 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. Therefore, this event must be canceled and the transaction must be treated as if it had never occurred. Setting up the allowance for expected credit losses may have an adverse effect on the case that the subsidiary has filed with the AMLO on 16 February 2023, seeking protection of its rights from the predicate offense. It may also adversely affect the case under which the Company has filed the complaint alleging fraudulent conduct with the ECD. 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 totaling Baht 4,470.87 million with interest thereon, which are seized in accordance with the court order, which is the result of the cooperation and coordination of all relevant regulators and presentation of evidence proving the wrongdoing of the offenders, leading to legal proceedings that result in the attachment of assets in accordance with the court order. The subsidiary has filed the petition with the AMLO, seeking protection of the rights, including compensation for the damage of assets related that have been attached as a result of the offense mentioned above.

As this event is considered an abnormal transaction, the management of the Company and the subsidiary are currently unable to find the past comparable cases or any supporting evidence to validate their belief. As a result, 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. Consequently, the auditor's opinion on the allowance for expected credit loss is qualified. Any adjustments necessary would result in a decrease in the total assets and retained losses 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 December 2023, and also impact to the loss and total comprehensive income in the consolidated and separate statements of comprehensive income.



Except for the aforementioned effects, the financial statements present fairly, in all material respects, the financial position, their financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

### **Impacts on Liquidity and Net Capital Ratio**

In case that the subsidiary is required to provide the allowance for expected credit losses in the future due to the changes in circumstances in any amount, this would not have an impact to the subsidiary's liquidity and net capital ratio since the defaulted amount of securities business receivables of Baht 479 million has not been included as liquid assets in the calculation of net capital ratio as prescribed by the office of Securities and Exchange Committee. As of 31 December 2023, the subsidiary's net capital ratio was at 60.08% which was higher than requirement.

The Company would like to explain and analyze the financial position and operating results for the year 2022 and 2023 as follows:

#### **1) Overview of Business Operation and Significant Changes**

The Thai stock market in 2023 experienced a significant decline of 15.2%, contrasting with the rising of global stock market. The MSCI World All Countries Index increased by 21.5% in 2023, while in 2022, the global stock market declined by 20% and the Thai stock market remained flat at 0.7%.

Key factors affecting the global market and Thai stock market include:

- US bank liquidity problems: Several US banks experienced liquidity problems due to declining confidence, leading to closures. Credit Suisse also faced difficulties and was acquired by UBS, the largest bank in Switzerland.
- Rising US interest rates: The US Federal Reserve continuously raised policy rates, causing the US dollar and US bond yields to rise, attracting investment inflows back to the US.
- Global economic slowdown and recession: Inflation concerns, despite peaking, led to a global economic slowdown and recession, impacting Thailand's export sector.
- Defaults on corporate bonds: Defaults on bonds issued by some listed companies raised investor concerns in both the equity and debt markets, leading to selloffs in mid- and small-cap stocks and pressuring market demand and liquidity in capital markets inevitably.

These factors resulted in an average daily trading value of Baht 53,331 million for the year, a decrease of 30.53% from Baht 76,773 million in 2022.

Derivatives trading volume has slightly decreased from 136.32 million contracts in 2022 to 129.49 million contracts in 2023. The popular products were SET50 Index Futures representing 47.99% of total trading volume and Single Stock Futures was 32.67% of total trading volume.

In 2023, the foreign investors and local institutions investors were more active in SET than last year. That is, the foreign investors accounted for 50.7% of SET's total turnovers which increased from 45.6% in 2022 and local institutions investors were 8.2% of SET's turnovers which increased from 7.5% in 2022. On the other hand, proprietary trading and local retail investors decreased from last year, their turnovers in 2023 were 7.3% and 33.8% of SET's turnovers which dropped from 8.0% and 39.0% in 2022, respectively.

#### **2) Operating Results**

##### **Income**

The consolidated income of the Company and subsidiaries in 2023 was Baht 304.05 million decreased from Baht 831.28 million in 2022 or decreased by 63.42%. The changes in major income of the Company and subsidiaries were as follows:



- Securities business income of the subsidiary accounted for 122.59% of total income decreased from Baht 554.21 million in 2022 to Baht 372.74 million in 2023 or decreased by 32.74% which comprised of
  - A decrease in a daily average turnover of SET from Baht 76,773 million to Baht 53,331 million, or decreased by 30.53%. Thus, brokerage fee decreased from Baht 260.06 million in 2022 to Baht 127.05 million in 2023 or decreased by 51.15% which was due to the decrease in SET trading volume and the subsidiary retail investors' trading volume;
  - The subsidiaries' fee income decreased from Baht 100.08 million in 2022 to Baht 55.70 million or decreased by 44.34% resulting from a decrease in underwriting fee and private fund management fee in 2023;
  - The subsidiaries' interest income from margin loans decreased from Baht 179.30 million in 2022 to Baht 174.53 million or decreased by 2.66% in relation to a decrease in the margin loans during the year.
- The Company's net loss and return from financial instrument was Baht 237.08 million in 2023 dividing into loss on securities trading amounted to Baht 394.69 million, dividend income amounted to Baht 41.65 million and gain on derivatives trading amounted to Baht 115.96 million compared to net gain and return from financial instrument was Baht 67.59 million in 2022 dividing into gain on securities trading amounted to Baht 50.42 million, dividend income amounted to Baht 21.08 million and loss on derivatives trading amounted to Baht 3.91 million.
- The Company's interest income decreased from Baht 109.08 million in 2022 to Baht 84.34 million due to a decrease in interest income from loans to others from Baht 106.65 million to Baht 82.31 million or decreased by 22.83% in relation to a decrease in loans to others during the year.
- Profit sharing from investments using the equity method decreased from Baht 14.67 million in 2022 to Baht 1.63 million in 2023 or decreased by 88.91%. This was due to the operating results of the joint venture, which had a significant increase in credit impairment allowances due to the COVID-19 situation.

### Operating Expenses

In 2023, the Company and subsidiaries incurred total expenses in the amount of Baht 747.22 million, a 21.87% increase from Baht 613.15 million in 2022. The expenses with significant changes include:

- Employee benefit expenses amounted to Baht 217.78 million in 2023 decreased from Baht 328.76 million in 2022, or decreased by 33.76%. This was in line with the operating results.
- Fees and service charges amounted to Baht 44.29 million in 2023 decreased from Baht 61.06 million in 2022, or decreased by 27.46%. This was due to the decrease in trading volume on the stock exchange.
- Depreciation and amortization amounted to Baht 50.73 million in 2023 decreased from Baht 42.13 million in 2022, or decreased by 20.43%. This was due to the relocation of the head office, which resulted in amortization expenses for the new leasehold that had to be recorded from the start of the renovation.
- Financial expenses amounted to Baht 141.77 million in 2023 increased from Baht 117.08 million in 2022, or increased by 21.09%. This was due to the increase in interest rates on loans used to pay for settlement, margin loans and loans to others, which were adjusted in line with the interest rates set by the Bank of Thailand.
- Expected credit losses amounted to Baht 239.01 million included a subsidiary's expected credit losses of Baht 232.18 million in June 2023, 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.

### **Net Profit (Loss)**

The Company and its subsidiaries incurred loss before corporate income tax of Baht 443.16 million in 2023, compared to profit before corporate income tax of Baht 218.13 million in 2022 or decreased by 303.16%. This was due to the decrease in revenue over the decrease in expenses, and due to the allowance for expected credit losses. As a result, net loss for 2023 was Baht 353.40 million, a decrease from net profit of Baht 178.40 million in 2022, or decreased by 298.10%.

### **3) Financial Position**

#### **Total Assets**

As of December 31, 2023, the Company and its subsidiaries had total assets of Baht 5,507.15 million, decreased from Baht 7,238.25 million at the end of 2022. The significant items included securities and derivatives business receivables in the amount of Baht 3,043.50 million decreased from 4,523.39 million, investments in the amount of Baht 800.32 million which was decreased from Baht 1,062.22 million, and other short-term loans amounted to Baht 872.38 million decreased from Baht 1,125.56 million. These main items represented 55.26%, 14.53%, and 15.84% of the total assets, respectively.

#### **Securities and Derivatives Business Receivables**

As of 31 December 2023, the subsidiary's securities and derivatives business receivables in the amount of Baht 3,043.50 million included margin loan receivables in the amount of Baht 2,678.84 million decreased from Baht 3,721.16 million at the end of 2022 and receivables in cash accounts decreased from Baht 292.49 million to Baht 98.75 million.

The subsidiary has classified its securities business and derivatives business receivables in accordance with financial reporting standards as follows:

- Performing debts: Baht 2,265.39 million
- Under-performing debts: Baht 778.12 million, 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 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. Therefore this event must be cancelled and the transaction must be treated as if it had never occurred. Setting up the allowance for expected credit losses may have an adverse affect on the case that the subsidiary has filed with the AMLO on 16 February 2023, seeking protection of its rights from the predicate offense. It may also adversely affect the case under which the Company has filed the complaint alleging fraudulent conduct with the ECD. 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 totaling Baht 4,470.87 million with interest thereon, which are seized in accordance with the court order, which is the result of the cooperation and coordination of all relevant regulators and presentation of evidence proving the wrongdoing of the offenders, leading to legal proceedings that result in the attachment of assets in accordance with the court order. The subsidiary has filed the petition with the AMLO, seeking protection of the rights, including compensation for the damage of assets related that have been attached as a result of the offense mentioned above. On November 21, 2023, the AMLO Transaction Committee resolved that the Company be the victim of the underlying crime in the said case, based on the value of the damage. The Company will be compensated or reimbursed from the seized assets in proportion to the damage.
- Non-performing debts: Baht 294.15 million, for which the subsidiary has already recorded a provision for expected credit losses of Baht 294.15 million in accordance with accounting standards.

### **Investments in Securities**

The net investment in securities of the Company and its subsidiaries as of December 31, 2023 was Baht 800.32 million, decreased from Baht 1,062.22 million at the end of 2022. Of this amount, Baht 371.48 million was short-term investments at fair value through profit or loss, Baht 58.39 million was short-term investments measured at amortized cost, and Baht 105 million was long-term investments at fair value through profit or loss. Other long-term investments at fair value through other comprehensive income amounted to Baht 188.85 million, and investments in joint ventures and associates amounted to Baht 76.60 million, which were recorded using the equity method.

### **Liabilities**

As of December 31, 2023, the Company and its subsidiaries had total liabilities of Baht 4,120.90 million, decreased from total liabilities of Baht 5,498.57 million at the end of 2022 or decreased by 23.70%. This represented a debt-to-equity ratio of 2.97 times, down from 3.16 times at the end of 2022. The decrease in total liabilities was due to:

- 1) Securities and derivatives business payables decreased from Baht 207.58 million at the end of 2022 to Baht 138.02 million at the end of 2023.
- 2) Total borrowings decreased from Baht 4,780.59 million at the end of 2022 to Baht 3,617.80 million at the end of 2023. This included borrowings from financial institutions of Baht 1,225.00 million, short-term and long-term bonds due within 1 year of Baht 2,074.30 million, and long-term bonds of Baht 318.50 million. The borrowings were used for settlement, margin loans, and loans to others during the year.
- 3) Liabilities under finance leases increased from Baht 25.09 million at the end of 2022 to Baht 175.32 million at the end of 2023 due to the relocation of the head office.



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### **Shareholders' Equity**

As of December 31, 2023, the Company and its subsidiaries had total equity of Baht 1,386.25 million, decreased from Baht 1,739.69 million at the end of 2022. This was due to a net loss of Baht 353.40 million in 2023. The Company's return on equity was -22.61% per annum, lower than 10.21% per annum in 2022.

Please be informed accordingly.

Yours faithfully,

Charnchai Kongthongluck  
Director and CEO