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CGC 011/2022

24 February 2022

Subject: Management Discussion and Analysis for the year 2021

To: The President  
The Stock Exchange of Thailand

Chayo Group Public Company Limited would like to report the Operation results for the year ended 31 December 2021 of the company and its subsidiaries ("the Company") as follows:

**Operating results**

	Company Only				Consolidated			
	January - December 2020	%	January - December 2021	%	January - December 2020	%	January - December 2021	%
Interest Income from loan to non-performing assets	10,221,442	26.0%	73,089,108	77.6%	417,248,392	87.1%	641,859,586	89.1%
Service income from debt collection services	29,159,355	74.0%	21,136,698	22.4%	51,324,636	10.7%	40,112,269	5.6%
Interest Income from lending business	-	0.0%	-	0.0%	7,547,271	1.6%	13,595,401	1.9%
Revenue from Sales	-	0.0%	-	0.0%	2,997,185	0.6%	24,820,321	3.4%
<b>Total income</b>	<b>39,380,797</b>	<b>100.0%</b>	<b>94,225,806</b>	<b>100.0%</b>	<b>479,117,484</b>	<b>100.0%</b>	<b>720,387,577</b>	<b>100.0%</b>
Costs of render services and managing non-performing assets	(18,578,894)	-47.2%	(21,227,983)	-22.5%	(115,422,724)	-24.1%	(156,209,351)	-21.7%
Costs of goods sold	0	0.0%	0	0.0%	(1,902,148)	-0.4%	(21,166,225)	-2.9%
<b>Gross profit</b>	<b>20,801,903</b>	<b>52.8%</b>	<b>72,997,823</b>	<b>77.5%</b>	<b>361,792,612</b>	<b>75.5%</b>	<b>543,012,001</b>	<b>75.4%</b>
Other incomes	153,927,361	390.9%	226,613,195	240.5%	4,023,887	0.8%	9,424,949	1.3%
Gain on disposal of foreclosed assets	-	0.0%	-	0.0%	37,238,875	7.8%	75,975,797	10.5%
Administrative expenses	(42,332,912)	-107.5%	(48,560,942)	-51.5%	(67,985,166)	-14.2%	(70,050,328)	-9.7%
Expected credit loss	-	0.0%	(39,007,814)	-41.4%	(87,057,664)	-18.2%	(177,800,209)	-24.7%
Finance costs	(49,324,789)	-125.3%	(109,718,965)	-116.4%	(52,701,608)	-11.0%	(112,801,316)	-15.7%
<b>Profit before income tax</b>	<b>83,071,563</b>	<b>210.9%</b>	<b>102,323,297</b>	<b>108.6%</b>	<b>195,310,936</b>	<b>40.8%</b>	<b>267,760,894</b>	<b>37.2%</b>
Income tax (expenses)	(4,117,367)	-10.5%	(3,540,020)	-3.8%	(40,506,107)	-8.5%	(45,718,164)	-6.3%
<b>Net profit for the period</b>	<b>78,954,196</b>	<b>200.5%</b>	<b>98,783,277</b>	<b>104.8%</b>	<b>154,804,829</b>	<b>32.3%</b>	<b>222,042,730</b>	<b>30.8%</b>
Other comprehensive income for the period, net of tax	(1,821,571)	-4.6%	-	0.0%	(2,255,458)	-0.5%	-	0.0%
<b>Total comprehensive income for the period</b>	<b>77,132,625</b>	<b>195.9%</b>	<b>98,783,277</b>	<b>104.8%</b>	<b>152,549,371</b>	<b>31.8%</b>	<b>222,042,730</b>	<b>30.8%</b>
<b>Total comprehensive income attributable to:</b>								
Owners of the parent	78,954,196	200.5%	98,783,277	104.8%	155,353,886	32.4%	218,998,989	30.4%
Non-controlling interest	-	0.0%	-	0.0%	(549,057)	-0.1%	3,043,741	0.4%
<b>Total comprehensive income for the period</b>	<b>78,954,196</b>	<b>200.5%</b>	<b>98,783,277</b>	<b>104.8%</b>	<b>154,804,829</b>	<b>32.3%</b>	<b>222,042,730</b>	<b>30.8%</b>
Earnings per share	0.1017	n/a	0.1084	n/a	0.2002	n/a	0.2403	n/a

■ **Total Income**

In the year of 2021, the Company had a total income of Baht 720.39 million which increase from last year around Baht 241.27 million (or increased around 50.36%). The reasons for the increment mainly arose from the increment of interest income from loan to non-performing assets around Baht 224.61 million and income from sales Baht 21.82 million.

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■ **Income from Loans to Non-performing Assets**

In the year of 2021, the Company had cash collection from unsecured loan and income from selling collateral of secured loan around Baht 321.69 million which increased from the last year around Baht 102.37 million (or increase around 46.67%). This is because the Company purchased more unsecured port to manage around end of the year 2020.

	For the year ended 31 December 2021		For the year ended 31 December 2020	
	Million Baht	%	Million Baht	%
Interest income – EIR (Effective interest rate)	384.56	59.91	234.85	56.29
Interest income over EIR	257.30	40.09	182.40	43.71
<b>Total interest income</b>	<b>641.86</b>	<b>100.00</b>	<b>417.25</b>	<b>100.00</b>
Cash Collection and income from selling collateral	321.69	100.00	219.32	100.00
- Unsecured loan	240.04	74.62	161.45	73.61
- Secured loan	81.65	25.38	57.87	26.39

*Remark: Since 1 January 2020, the Company has recorded interest income using financial reporting standard No.9 (TFRS9). The concept was that the Company recorded interest income by using an effective interest rate calculated by the interest rate of return of expected future cash flow. In addition, in case that cash collections were more than net book value (NBV), the surplus amount was recorded in interest income over EIR.*

■ **Services Income from Debt Collection Service**

In the year 2021, the Company had services income around Baht 40.11 million which decreased from the last year around Baht 11.21 million (or decreased around 21.84%). The reasons for the decrement for both periods mainly arose from the impact of the spreading of COVID-19

■ **Interest Income from Lending Business**

In the year 2021, the Company recorded interest income from lending business around Baht 13.60 million which increased with the last year around Baht 6.05 million (or increase around 80.10%). This is because in this year the Company expanding lending business more than last year. The Account Receivable from lending business as at 31 December 2021 and 2020 was at Baht 338.60 million and at Baht 60.99 million respectively.

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■ **Sales income**

In the year 2021, the Company expands business to sell the medical products. As a result the income from sales of the Company increased around Baht 21.82 (or increased around 728.16%).

**Cost of Goods Sold and Rendering Services**

The main costs of rendering services are salary, commissions, and legal costs. In the year 2021, the Company had the cost of rendering services of Baht 156.21 million around 21.70% which decrease from last year. (the cost of rendering services last year was at 24.10%). The company also had cost of goods sold of Baht 21.17 million. The cost of goods sold represents 2.94% of income (Or equivalent to 85.29 of Income from sales)

**Gross Profit**

Gross profit margin for the year 2021 and 2020 were almost the same which were around 75.40% - 75.50%. In the year 2021 and 2020 the Company had gross profit of Baht 543.01 million and Baht 361.79 million respectively. Gross profit for the year 2021 increased around Baht 181.22 million. The reasons for the increment mainly arose from the increment of interest income and income from sales.

**Other Income**

Other income mainly represents interest income and rental income from company's assets (including investment property and foreclosed assets). For the year 2021, the Company had other income around Baht 9.42 million which increased from the year of 2020 around Baht 5.40 million.

**Gains on disposal of foreclosed assets**

For the year 2021, the Company had gain on disposal of foreclosed assets around to Baht 75.98 million which increased from the last year around Baht 38.74 million. This is because the Company sold foreclosed assets more than last year. (NPA has occurred from buying assets (or collateral of NPL) from the Legal Execution Department through Auction Process back as NPAs).

**Administrative Expenses**

Administrative expenses mainly represent salary, welfare, bonus for the employee and management, audit fee, and business consultation fee. In the year 2021, the Company had administrative expenses around Baht 70.05 million which increased from the last year amounted to Baht 2.07 million due to transferred fee and specific business tax from selling foreclosed asset in this year.

**Expected Credit Loss**

This expense occurred from the difference between the present values of future cash flows (PV) and the net book value of each loan. In case that PV was less than NBV, this amount would be recorded as expected credit

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loss according to financial reporting standard No.9 (TFRS9). The expected credit loss for the year 2021 was around Baht 177.80 million which increased from the last year around Baht 90.74 million. The main reason mainly arose from the increasing of unsecured port around the end of year 2020.. Therefore, the Company had more expected credit loss.

Finance Cost

Finance cost for the year 2021 increased around Baht 60.10 million. The reason for the increment mainly arose from the increment of loans that the Company borrows for expanding the business (including the investment in non-performing assets).

Income Tax Expenses

The income tax expense for the year 2021 was at Baht 45.72 million. The income tax expenses is based on the net profit before tax that increase from last year.

Net Profit

The net profit for the year 2021 was at Baht 222.04 million which increased from the last year around Baht 67.24 million (or increased around 43.43%). The main reasons for the increment mainly arose from the increment of revenue and gain on foreclosed assets..

Financial position

Total Assets

As at 31 December 2021, the Company had total assets of Baht 5,089.88 million which increased from the last year around Baht 2,279.03 million or increased around 81.08%. The reasons for the increment mainly arose from;

- The increment of cash and cash equivalent around Baht 624.00 million from subscription of warrant during the year and received capital increase in subsidiaries from minority shareholder to use for its operation.
- The increment of loan receivable around Baht 277.60 million and,
- The increment of loan for non-performing asset around Baht 1,163.11 million and,
- The increment of foreclosed asset around Baht 144.82 million.
- The increment of Account Receivable and other receivable around Baht 20.80 million.

Total Liabilities

Total liabilities as at 31 December 2021 was Baht 1,631.89 million which decreased from the last year around Baht 32.39 million. The reasons for the decrement mainly arose from;

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- The reduction of Bills of Exchange from the repayment around Baht 119.56 million.
- The reduction of loans from related parties from the repayment around Baht 13.00 million
- The increment of debentures around Baht 36.28 million
- The reduction of loan from bank around Baht 19.16 million.
- The increment of deferred tax liabilities around Baht 39.54 million.
- The increment of account payable around Baht 38.97 million as from purchasing the medical products.

Total Shareholders' Equities

Total shareholders' equity as of 31 December 2021 was at Baht 3,457.99 million which increased from the last year around Baht 2,311.42 million. The reasons for the increment mainly arose from

- Share to be issued from exercise warrant (CHAYO-W1 and CHAYO-W2) around Baht 92.42 million and,
- The increment of the net profit from the operation around Baht 222.04 million, and reduction from dividend repayment during year.
- The increment of share capital from exercise warrant (CHAYO-W1) around Baht 1,170.11 million
- The increment of Non-Controlling interest around Baht 854.86 million.

Debt to Equity ratio (Interest bearing)

- The Debt to Equity ratio (Interest bearing) of the Company as at 31 December 2021 was at 0.43.

Sincerely Yours,



(Mr.Nottapol Thipchatchawanwong)

Chief Financial Officer