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CGC 012/2023

24 February 2023

Subject: Management Discussion and Analysis for the year 2022

To: The President
The Stock Exchange of Thailand

Chayo Group Public Company Limited would like to report the Operation results for the year 2022 of the company and its subsidiaries ("the Company") as follows:

Operating results

	Company Only				Consolidated			
	Jan - Dec 2021	%	Jan - Dec 2022	%	Jan - Dec 2021	%	Jan - Dec 2022	%
Interest Income from loan to non-performing assets	73,089,108	77.6%	145,981,330	87.0%	641,859,586	89.1%	888,854,346	89.0%
Service income from debt collection services	21,136,698	22.4%	21,721,079	13.0%	40,112,269	5.6%	35,033,988	3.5%
Interest Income from lending business	-	0.0%	-	0.0%	13,595,401	1.9%	74,562,922	7.5%
Revenue from Sales	-	0.0%	-	0.0%	24,820,321	3.4%	754,908	0.1%
Total income	94,225,806	100.0%	167,702,409	100.0%	720,387,577	100.0%	999,206,164	100.0%
Costs of render services and managing non-performing assets	(21,277,983)	-22.6%	(53,108,370)	-31.7%	(156,209,351)	-21.7%	(241,167,120)	-24.1%
Costs of goods sold	0	0.0%	0	0.0%	(21,166,225)	-2.9%	(893,645)	-0.1%
Gross profit	72,947,823	77.4%	114,594,039	68.3%	543,012,001	75.4%	757,145,399	75.8%
Other incomes	226,613,195	240.5%	266,839,645	159.1%	9,424,949	1.3%	8,379,015	0.8%
Gain on disposal of foreclosed assets	0	0.0%	0	0.0%	75,975,797	10.5%	49,523,535	5.0%
Administrative expenses	(48,560,942)	-51.5%	(56,138,636)	-33.5%	(70,050,328)	-9.7%	(86,644,081)	-8.7%
Expected credit loss	(39,007,814)	-41.4%	(65,898,142)	-39.3%	(177,800,209)	-24.7%	(218,932,467)	-21.9%
Finance costs	(109,718,965)	-116.4%	(153,689,392)	-91.6%	(112,801,316)	-15.7%	(159,898,325)	-16.0%
Profit before income tax	102,273,297	108.5%	105,707,514	63.0%	267,760,894	37.2%	349,573,076	35.0%
Income tax (expenses)	(3,540,020)	-3.8%	(7,728,765)	-4.6%	(45,718,164)	-6.3%	(75,113,173)	-7.5%
Net profit for the period	98,733,277	104.8%	97,978,749	58.4%	222,042,730	30.8%	274,459,903	27.5%
Other comprehensive income for the period, net of tax	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Total comprehensive income for the period	98,733,277	104.8%	97,978,749	58.4%	222,042,730	30.8%	274,459,903	27.5%
Total comprehensive income attributable to:								
Owners of the parent	98,783,277	104.8%	97,978,749	58.4%	218,998,989	30.4%	251,199,502	25.1%
Non-controlling interest	-	0.0%	-	0.0%	3,043,741	0.4%	23,260,401	2.3%
Total comprehensive income for the period	98,783,277	104.8%	97,978,749	58.4%	222,042,730	30.8%	274,459,903	27.5%
Earnings per share	0.1051	n/a	0.0925	n/a	0.2330	n/a	0.2371	n/a

■ Total Income

In the year 2022, the Company had a total income of Baht 999.21 million which increase from last year around Baht 278.82 million (or increased around 38.70%). The reasons for the increment mainly arose from the increment of interest income from loan to non-performing assets and interest income from lending business around Baht 246.99 million and Baht 60.97 million respectively. (please see the details below)

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

For the year of 2022, the Company had cash collection from unsecured loan and income from selling collateral of secured loan around Baht 340.43 million which slightly increased from last year around Baht 18.74 million (or increase around 5.50%) as the result of the fact that the Company has more cash collection from unsecured loan as from purchased more unsecured port to manage around end of the year 2021 throughout the year 2022. As a result for the year 2022, the Company has more income compare with the same period last year. The following are the details;

	For the year 2022		For the year 2021	
	Million Baht	%	Million Baht	%
Interest income – EIR (Effective interest rate)	624.31	70.24%	384.56	59.91%
Interest income over EIR	264.55	29.76%	257.30	40.09%
Total interest income	888.86	100%	641.86	100%
Cash Collection and income from selling collateral	340.43	100.00%	321.69	100.00%
- Unsecured loan	295.78	86.88%	240.04	74.62%
- Secured loan	44.65	13.12%	81.65	25.38%
Cash received from selling foreclosed asset	157.05	-	192.27	-

■ **Services Income from Debt Collection Service**

In the year 2022, the Company had services income around Baht 35.03 million which decreased from last year around Baht 5.08 million (or decreased around 12.67%). The reasons why there was the decrement because there were suspend debt payment issued by the owner – telecommunication sector but also the owner – banking sector has assignment less than last period as the result of the limit of budgeting for Government financial institution and suspend debt payment as well. Currently, it is under process for re-new budgeting.

■ **Interest Income from Lending Business**

In the year 2022, the Company recorded interest income from lending business around Baht 74.56 million which increased compared with last year (or increased around 448.44%). This is because the Company lending the money to the customers more than last year. The Outstanding loan as at 31 December 2022 and 2021 was at Baht 647.42 million and at Baht 338.60 million respectively.



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■ Sales income

In the year 2022, the Company has been slow down to operate this business so that the income presented only Baht 0.75 million this year.

Cost of Goods Sold and Rendering Services

In the year 2022, the Company recorded costs of rendering services around Baht 242.06 million which increased compared with last year amounted to Baht 64.69 million (or increased around 36.47%) as the result of the legal costs in order to be the collection instrument and commission costs in line with more collection for the year 2022.

The main costs of rendering services are salary, commissions, and legal costs. For the year 2022, the Company had the cost of rendering services 24.23% of income which was almost same as last year presented 24.62% of income.

Gross Profit

In the year 2022, the Company had gross profit of Baht 757.15 million (equivalent to 75.8% of total incomes) which increased from last year amounted to Baht 214.13 million. The reason why there are the increases is that the Company has increased in Interest Income from loan to non-performing assets and Interest Income from lending business.

Other Income

Other income mainly represents interest income and rental income. For the year 2022, the Company had other income around Baht 8.38 million which decreased from the last year around Baht 1.04 million. The reasons for the reduction other income as from the gain of asset disposal recognized last year.

Gains on disposal of foreclosed assets

In the year 2022, the Company had gain on disposal of foreclosed assets around to Baht 49.52 million which decreased from the last year around Baht 26.45 million. This is because the Company can sell the NPA less than the 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 2022, the Company had administrative expenses around Baht 86.64 million which increased compared with the last year amounted to Baht 16.59 million. The main reason for the increment was the advisory fee, salary and other benefits of employee, and specific business tax income of lending business.



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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 loss according to financial reporting standard No.9 (TFRS9). The expected credit loss for the year 2022 was around Baht 218.93 million which increased from last year around Baht 41.13 million mainly due to the increasing of unsecured port around the year 2021 reflected to increasing expected credit loss as normal business.

Finance Cost

Finance cost for the year 2022 increased around Baht 47.10 million compared with last year. The reason for the increment mainly arose from the increment of loans that the Company borrows for investing in non-performing assets.

Income Tax Expenses

The income tax expense in the year 2022 increased from last year Baht 29.39 million in line with increasing the profit before tax as well.

Net Profit

The net profit for the year 2022 had net profit of Baht 274.46 million which increased from last year around Baht 52.41 million or equivalent to 23.61%. The reasons for the increment in net profit mainly around from the increment of income from loans to non-performing assets and interest income from lending business.

Financial position

Total Assets

As at 31 December 2022, the Company had total assets of Baht 7,203.37 million which increased from the last year around Baht 2,113.49 million or increased around 41.52%. The reasons for the increment mainly arose from;

- The increment of cash and cash equivalent around Baht 878.03 million mainly from issuing debenture Baht 1,800 million in the second quarter of 2022 and,
- The increment of loan receivable around Baht 308.82 million and,
- The increment of loan for non-performing asset around Baht 2,072.07 million and,
- The increment of foreclosed asset around Baht 35.22 million and,
- The decrease of cash and cash equivalent around Baht 310.78 million mainly from purchasing NPL port during the year 2022.



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Total Liabilities

Total liabilities as at 31 December 2022 was Baht 3,361.56 million which increased from the last year around Baht 1,729.67 million. The reasons for the increase mainly arose from;

- The increment of loan from bank (short-term and long-term) around Baht 107.68 million and,
- The increment of debenture (short-term and long-term) around Baht 1,522.76 million and,
- The increment of deferred tax liabilities around Baht 65.16 million and,
- The increment of account and other payables around Baht 13.19 million.

Total Shareholders' Equities

Total shareholders' equity as of 31 December 2022 was at Baht 3,841.81 million which increased from the last year around Baht 383.82 million. The reasons for the increment mainly arose from

- The increment of unappropriated retained earnings amounted to Baht 212.61 million as from net profit Baht 251.20 whereas, there was reduction by dividend payment during the year.
- The increment of Non-Controlling interest around Baht 21.81 million.
- The increment of share capital ,share premium and share to be issued around Baht 138.60 million

Debt to Equity ratio (Interest bearing)

- The Debt to Equity ratio (Interest bearing) of the Company as at 31 December 2022 was at 0.81.

Sincerely Yours,

(Mr.Nottapol Thipchatchawanwong)

Chief Financial Officer