

CHOW 255/ 2023

27 February 2023

Subject : Management's Discussion and Analysis for the year ended 31 December 2022

Attention : Committee and Manager, The Stock Exchange of Thailand

Refer to : The Regulation of the Stock Exchange of Thailand in regards with the preparation and submission of the financial Statements and reports on financial condition and results of operations of the Company Act 2001

Chow Steel Industries Public Company Limited ("the Company") would like to declare its operating results for the year ended 31 December 2022 and Statement of Financial Position as at 31 December 2022. The analysis can explain in the following topics;

1. Management Discussion & Analysis
2. Company performance analysis
3. Consolidated statement of financial position analysis
4. Consolidated statement of cash flows analysis

1. Management Discussion & Analysis

The 2022 operating results of Chow Steel Industries Public Company Limited and its subsidiaries ("the Group") reflect the result of investment in subsidiaries engaged in overseas renewable energy business. The Group recorded a total investment gain of Baht 1,425 million, which is in line with the Group's business strategy. The Group more invested in renewable solar system in Thailand due to rising of electricity prices. The Group has been selected to generate and distribute electricity in accordance with the PPA and EPC contracts from business partners in various business areas. The group is ready in all respects e.g. it has more than 10 years of experience in solar power plant developers, knowledgeable staff and source of fund to support the company's operations and grow steadily and sustainably together with business partners. Based on the above operational strategies, the Company has a solar power project with a total capacity of COD of 30.56 MW DC. (The projects COD in the Q4 2022 total 23.9 megawatts). The Group also has solar power plant projects under construction waiting for COD in 2023 in both Thailand Japan and Australia.

The steel business improved year-on-year in terms of demand for steel in the Thailand's market. The company also expanded a new business area, trading, by leveraging its own knowledge and experience from more than 20 years in the steel business. As a result, the steel business is generating additional profits from trading unit. OEM service, where the Group has improved the production process and added new steel products since 2021, is leading to more production orders both in terms of production volume and more finished product in 2022.

The Group has started a new cryptocurrency business with low CAPEX costs for the cryptocurrency mining system, including facilities and network, for the Group's long-term profit opportunities. However, the vulnerability to market volatility resulting from the efforts to reduce the inflation rate in oversea has led to a decline in the market price of all cryptocurrencies. The Group has set up allowance for the value of cryptocurrency coins and cryptocurrency system to reflect the current market price in accordance with the accounting standard.

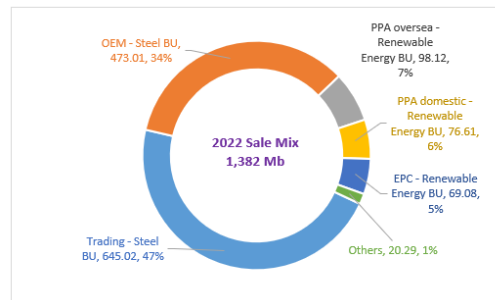
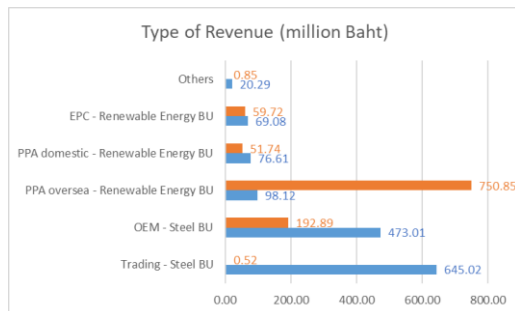
The Group's overall performance showed a net profit of Baht 1,165.74 million for 2022, an increase from the previous year's loss of Baht 112.44 million. The EBITDA of 1,374.43 million baht reflects the business strategy of the Group and ready to prosper in the current business and the possibility of making profits when new business opportunities arise.

2. The Group Performance Analysis

Consolidated Operating Results	YTD 31 December 2022 (Mb)			YTD 31 December 2021 (Mb)			Changes	
	Steel and other BU	Renewable Energy BU	Total	Steel and other BU	Renewable Energy BU	Total	Mb	%
Revenue from sales and services	1,138.31	243.81	1,382.13	194.26	862.32	1,056.58	325.55	30.81%
Less: Cost of sale and services	(1,024.22)	(180.01)	(1,204.23)	(80.72)	(568.57)	(649.29)	(554.94)	85.47%
Profit margin	114.09	63.81	177.90	113.54	293.75	407.29	(229.39)	-56.32%
% Gross Profit Margin to Revenue	10.0%	48.8%	12.9%	58.4%	34.1%	38.5%	-25.7%	
Administrative Expenses	(97.73)	(318.76)	(416.49)	(52.44)	(145.41)	(197.85)	(218.65)	110.51%
Gain on sales of investments in subsidiaries and solar power plants	-	1,425.28	1,425.28	4.05	47.46	51.51	1,373.77	2667.13%
Share of loss from investments in joint ventures	-	(0.41)	(0.41)	-	(0.21)	(0.21)	(0.20)	-97.62%
Gain (loss) on exchange rate	(2.11)	63.15	61.04	(2.12)	(1.27)	(3.40)	64.44	-1896.94%
Other income	12.47	32.38	44.85	0.64	16.90	17.54	27.30	155.64%
Profit before finance cost and income tax	26.72	1,265.45	1,292.17	63.67	211.22	274.89	1,017.28	370.06%
Finance cost	(80.43)	(57.42)	(137.85)	(95.97)	(286.32)	(382.29)	244.43	-63.94%
Income tax	37.04	(25.61)	11.43	(9.13)	4.08	(5.05)	16.48	-326.18%
Net profit (loss) for the year	(16.68)	1,182.42	1,165.74	(41.43)	(71.02)	(112.44)	1,278.19	1136.73%
EBITDA			1,374.43			678.67	695.76	102.5%
Earning (loss) per share (Baht per share)			1.28			(0.13)		
Weighted average number of common shares (shares)			800.00			800.00		

Total Revenue

The Group has total revenue of Baht 1,382.13 million, increasing by 325.55 million Baht from prior year or 30.81% equivalent. Profit margin was 177.90 million Baht or 12.9% of revenue due to the sale mix of the Company were difference as follow:



Steel BU:

Trading: Total trading revenue in current year was 645.02 mBaht compared to Baht 0.5 million in prior year. The revenue in this sector contributes additional margin for 9.8 million Baht.

OEM: Revenue from OEM service increased from 192.89 mBaht in 2021 to Baht 473.01 million in 2022. The increasing was resulting from additional order received from customer in various type of products in which the Group have been improved the production process in 2021.

Renewable Energy BU:

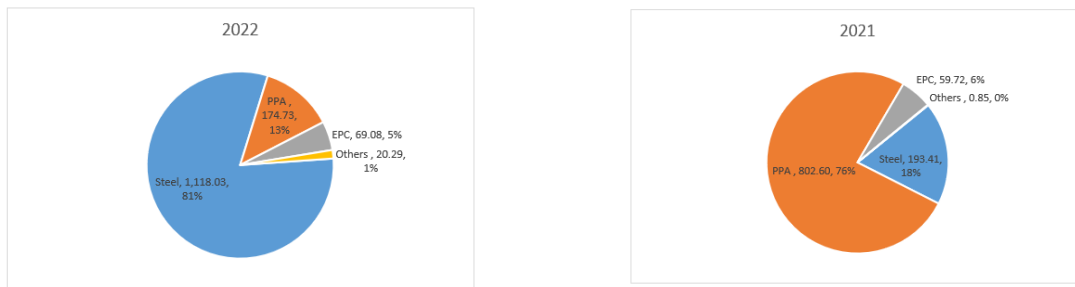
- **PPA oversea:** Revenue from sale of electricity according to PPA contract in oversea significantly decreased according to strategic divestment investment in subsidiaries and solar power plant in Japan (capacity of 56.9 Megawatts) since 2021. The Group completely transferred the projects in mid of Q1 2022, the Group recognized revenue from sale electricity for 2 months in 2022 compared to 12 months in 2021.
- **PPA domestic:** The Group more success in operate solar power plant and reached to COD during Q4 2022 for another 23.9 Megawatts. As a result, more revenue from sale electricity recognized in this period. There are total of 30.5 Megawatts of Solar Power Plant in Thailand which already reached to COD as of 31 Dec 2022.
- **EPC:** Revenue from solar consulting and installation, another area in which the company has expertise. In the current year, the company

received more projects, which resulted in higher revenue recognition than in the previous year. In addition, in the current year, the company provides management and maintenance of power plant projects in Japan in a short period (4 months) for investors, resulting in additional revenue of 4.2 million baht in 2022.

Cryptocurrency BU - Other revenue of 20.29 million baht in the current year comes from the provision of cryptocurrency mining services. They receive digital currency coins in return. And sell the coin at the right time. Although the value of cryptocurrencies has been very volatile and declining in the current year. The company is still making profits from the operation of this unit, with a total profit of 2.7 million baht in 2022.

Profit Margin: Overall, the company generated gross profit of 177.9 million baht, representing a gross profit margin of 12.9%, which decreased year-on-year due to the sales mix of sales and gross profit margin. As a result, the total gross profit margin of the Company changes in the same way according to the main revenue and gross profit margin of the main revenue. In other words, in 2022, the Group's main revenues was the steel business. (equivalent to 81 percent of total revenues), which were made up of trading units and customized production units. And compared to 2021, the Group's actual main revenues were from electricity sales according to PPA agreement (76% of total revenues). The changes of profit margin were variance depending on the type of revenue.

Sale mix of the Group for the year 2022 and 2021 can be separate as follow:



Administrative expenses

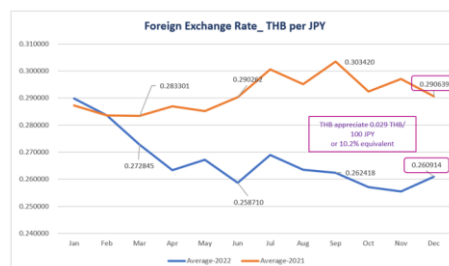
Overall, selling, general and administrative expenses increased by Baht 218.65 million, mainly due to the renewable energy business, which incurred expenses for financial advisor, tax and legal consulting expenses and other direct costs which were related to divestment of 4 investment in oversea subsidiaries and sold solar power plant project total of Baht 153.24 million. There were allowance for impairment specific to cryptocurrency mining system amount of 36 million Baht to reflect the declined of cryptocurrency coin market price according to accounting standard.

Gain on sale investments and solar power plants:

The Group successful transferred 4 solar power plants under 4 investment in subsidiaries in Japan and recognized gain on divestment total of Baht 1,425.28 million in Q1 2022 (2021: Baht 47.46 million). The divestment transaction was in accordance with the strategic operation of the Group.

Gain on exchange rate

Foreign exchange gains mainly derived from short-term loans from related parties granted in JPY currency by the Renewable Energy Business Unit. The THB currency appreciated by 10.2% against the JPY currency as of December 31, 2022, resulting in the Group recognizing foreign exchange gains and lower related party liabilities.



Finance Cost

Financial expenses of the consolidated group of companies decreased by Baht 244.53 million, mainly due to the repayment of loans from financial institutions following the sale of power plants and subsidiaries in Japan and the repayment of debentures of group companies totaling of Baht 2,531 million, which reduced interest expenses.

3 Analysis of Consolidated Statement of Financial Position as of 31 December 2022

<i>Unit: million Baht</i>				
Consolidated Statement of Financial Position	31-ธ.ค.-22	31-ธ.ค.-21	Changes	%
Current Assets	2,371.80	7,697.22	(5,325.41)	-69.2%
Non-current Assets	2,331.17	2,201.77	129.40	5.9%
Total Assets	4,702.97	9,898.99	(5,196.02)	-52.5%
Current Liabilities	2,536.36	8,972.08	(6,435.73)	-71.7%
Non-current Liabilities	230.54	110.92	119.62	107.8%
Total Liabilities	2,766.90	9,083.00	(6,316.11)	-69.5%
Shareholders' Equity	1,936.08	815.99	1,120.09	137.3%
Total Liabilities and Shareholders' Equity	4,702.97	9,898.99	(5,196.02)	-52.5%
Financial Ratios				
- Current Ratio	0.94	0.86		
- Debt to Equity Ratio	1.43	11.13		
- Debt to Equity (adjusted)	0.71	9.69		

(Debt to Equity (adjusted)) : calculate by adjustment total debt deducted by bank deposits pledged as collateral for loans.

As at 31 December 2022, The Group's total assets and total liabilities were 4,702.97 and 2,766.90 million Baht, which were decreased from prior year amounting to 5,196.02 and 6,316.11 million Baht, respectively. The decreasing can be analyzed as follow:

- The Group divestment and solar power plants in Japan according to the strategy operation. As a result, total assets decreased from these transactions total of Baht 6,014.30 million
- The cashflow from sale of investment in subsidiaries and solar power plants had been utilized on
 - Loan repayment to domestic and oversea financial institutions and payment liabilities related to the solar power plants in Japan. Resulting of total current liabilities decreased by 7,288.27 million Baht
 - the remaining cash in JPY currency were deposit in oversea financial institution and used them as collateral for credit facilities for the Group in Thailand. The credit facilities have been partially drawdown for working capital of the Group and support new investment for various type of business expansion
 - During the period, the Group have been supported by local financial institution on project finance of solar power plants project total of Baht 171 million.

As at December 31, 2022, total equity was 1,936.08 million Baht increased from prior year by 1,120.09 million baht which resulting from strategic divestment of solar power plants in Japan.

4 Analysis of Consolidated Statement of Cashflow

Consolidated Statement of Cashflow	Mb
Cash flows used in operating activities	(431.59)
Cash flows from investing activities	1,878.90
Cash flows used in financing activities	(1,426.22)
Net cash flows from cash and cash equivalent (before translation exchange rate)	21.08
Translation adjustments exchange rate	(66.68)
Net decrease in cash and cash equivalents	(45.59)
Cash and cash equivalents at beginning of period - Continued operation	107.04
Net cash and cash equivalents - Discontinued operation	6.23
Cash and cash equivalents at end of period - Continued operation	67.68

Cash flow used in operating activities

During the current period, the Group had cash outflow from operating activities of Baht 431.59 million, comprising cash flows from operating activities of Baht 233.41 million and interest and income tax paid of Baht 208.18 million.

Cash flow from investing activities

The Group had cash inflow from investing activities of Baht 1,878.90 million, mainly comprised of cash proceed from sale of subsidiaries and solar power plants 3,300 million Baht, increasing of bank deposit for the purpose of bank collateral against loan facilities of the group at Baht 748.46 million and cash outflow for construction of solar power plant at 645.98 million Baht.

Cash flow used in financing activities

The Group had net cash outflow from financing activities of Baht 1,426.22 million, resulting from repayment of loans from financial institutions, bond redemption and repayment of loans from third party amount of Baht 2,643.71 million. The Group had cash inflow from short term loan of Baht 1,070.76 million and long-term loan amount of Baht 171.75 million.

Your sincerely,

(Mr. Anavin Jiratomsiri)

Chief Executive Officer