

September 19, 2023

Subject Management Discussion and Analysis for the year ended December 31, 2022

Attention President

The Stock Exchange of Thailand

Sino Logistics Corporation Public Company Limited (“the Company”) provides Management Discussion and Analysis for the year ended December 31, 2022 as follows:

Operating Results

| Consolidated Statement of Comprehensive Income | For the year ended December 31 | | | | Change | |
|---|--------------------------------|--------------|-----------------|--------------|---------------|---------------|
| | 2021 ^{/1} | | 2022 | | | |
| | THB million | % | THB million | % | THB million | % |
| Service income | 4,683.41 | 100.00 | 5,906.53 | 100.00 | 1,223.12 | 26.12 |
| Cost of services | 3,810.27 | 81.36 | 4,560.53 | 77.21 | 750.26 | 19.69 |
| Gross profit | 873.14 | 18.64 | 1,346.00 | 22.79 | 472.86 | 54.16 |
| Other income | 1.47 | 0.03 | 24.06 | 0.41 | 22.59 | 1536.73 |
| Selling expenses | 227.54 | 4.86 | 305.75 | 5.18 | 78.21 | 34.37 |
| Administrative expenses | 130.40 | 2.78 | 194.36 | 3.29 | 63.96 | 49.05 |
| Share-based payment | 79.34 | 1.69 | - | - | (79.34) | (100.00) |
| Profit before finance cost and income tax expenses | 437.33 | 9.34 | 869.95 | 14.73 | 432.62 | 98.92 |
| Finance income | 0.10 | 0.00 | 0.57 | 0.01 | 0.46 | 418.18 |
| Finance cost | 19.03 | 0.41 | 8.79 | 0.15 | (10.24) | (53.81) |
| Profit before income tax expenses | 418.40 | 8.93 | 861.73 | 14.59 | 443.32 | 105.95 |
| Income tax expenses | 99.37 | 2.12 | 170.49 | 2.89 | 71.12 | 71.57 |
| Net profit | 319.03 | 6.81 | 691.24 | 11.70 | 372.20 | 116.66 |

Remark: /1 The information for the year ended December 31, 2021 is from the 2022 Consolidated Financial Statements which includes impact on reclassification and improvement of items according to the Notes to the 2022 Consolidated Financial Statements. Therefore, the figures for the years ended December 31, 2021 are not the same as presented in the statement of comprehensive income for the year ended December 31, 2021.

Service income

For the years 2021 – 2022, the service income was THB 4,683.41 million and THB 5,930.59 million, respectively. This signifies an increase of THB 1,223.12 million or 26.12% compared to the previous year. The increase in income comes primarily from income from sea freight service which the growth of sea freight income in 2022, driven by consistently rising freight rate from the end of 2021 through the first quarter of 2022. Furthermore, starting from the fourth quarter of 2022, the Company began to generate income from providing ISO tank container for liquid bulk, including food grade liquids such as vegetable oils, alcoholic beverages, and critic acids, as well as non-edible liquids such as industrial chemistry. For the years 2021 – 2022, the service income was divided into the following type of service:

| Service Income | For the year ended December 31 | | | | Change | |
|-----------------------------|--------------------------------|---------------|-----------------|---------------|-----------------|--------------|
| | 2021 | | 2022 | | THB million | % |
| | THB million | % | THB million | % | | |
| Sea freight service | 4,588.16 | 97.97 | 5,758.61 | 97.50 | 1,170.45 | 25.51 |
| Air freight service | 19.43 | 0.41 | 41.36 | 0.70 | 21.93 | 112.87 |
| Warehouse rental service | - | - | 21.26 | 0.36 | 21.26 | 100.00 |
| Logistics support service | 75.82 | 1.62 | 85.30 | 1.44 | 9.48 | 12.50 |
| Total service income | 4,683.41 | 100.00 | 5,906.53 | 100.00 | 1,223.12 | 26.12 |

Other income

For the years 2021 – 2022, the service income was THB 1.58 million and 24.63 million, respectively. This signifies an increase of THB 23.05 million or 1,458.86% compared to the previous year. The increase comes from gains in exchange rates, attributed to the weakening of the Thai Baht during the period of 2022.

Cost of services

For the years 2021 – 2022, the cost of services was THB 3,810.27 million and THB 4,560.53 million, respectively. This signifies an increase of THB 750.26 million or 19.69% compared to the previous year. The increase in costs primarily comes from sea freight costs, where the rise in sea freight costs in 2020 is a result of continuous increases in freight rate during the first quarter of 2022. However, starting from the second quarter onwards, there was a reduction in the freight rate from its peak in the first quarter. This led to a decrease in the proportion of sea freight service costs in the latter half of the year.

Gross profit

For the years 2021 – 2022, the gross profit was THB 873.14 million and THB 1,346.00 million, respectively, or equivalent to gross profit margin of 18.20% and 22.79%, respectively. The increase in gross profit margin in the

year 2022 is due to the Company's operational performance. The income in 2022 grew by 26.12% from 2021, is a result of continuous increases in freight rate during the first quarter of 2022. Additionally, the Company has carefully planned various strategies to manage the freight cost to achieve appropriate rates. The Company will consider offering quotes to its customers based on the cost plus margin pricing that is competitive and aligned with market prices.

Selling expenses

For the years 2021 – 2022, the selling expenses were THB 227.54 million and THB 305.75 million, respectively. This signifies an increase of THB 78.21 million or 34.37% compared to the previous year. The increase in selling expenses in 2022 is attributed to employee and Sales Agent commissions, which fluctuate based on the Company's performance and income that increased significantly from the previous year. The commission policy and rates are clearly defined in the Company's commission policy. The commission rates for 2022 are not different from those of 2021.

Administrative expenses

For the years 2021 – 2022, the administrative expenses were THB 130.40 million and THB 194.36 million, respectively. This signifies an increase of THB 63.96 million or 49.05% compared to the previous year. The increase in administrative expenses in 2022 is attributed to employee salaries and benefits, accounting and consultancy fees, as well as vehicle and travel expenses, among others.

Finance cost

For the years 2021 – 2022, the finance cost was THB 19.03 million and THB 8.79 million, respectively. This signifies a decrease of THB 10.24 million or 53.81% compared to the previous year. The decrease in finance cost in 2022 is attributed to the repayment of short-term and long-term loans during the year 2022.

Net profit

For the years 2021 – 2022, the net profit was THB 319.03 million and THB 691.24 million, respectively, or equivalent to net profit margin of 6.81% and 11.70%, respectively. The increase in net profit margin in the year 2022 is due to the growth in income and the decrease in finance cost resulting from the repayment of short-term and long-term loans.

Financial Position

| Consolidated Statement of Financial Position | As of December 31, | | | | Change | |
|---|--------------------|--------|-------------|--------|-------------|---------|
| | 2021 | | 2022 | | | |
| | THB million | % | THB million | % | THB million | % |
| Total assets | 1,455.35 | 100.00 | 1,208.34 | 100.00 | (247.01) | (16.97) |
| Total liabilities | 1,073.84 | 73.79 | 560.36 | 46.37 | (513.48) | (47.82) |
| Total shareholder's equity | 381.51 | 26.21 | 647.98 | 53.63 | 266.47 | 69.85 |

Assets

As of December 31, 2021 – 2022, the Company's total assets were THB 1,455.35 million and THB 1,208.34 million, respectively. At the end of 2022, the Company's total assets decreased by THB 247.01 million or 16.97% compared to 2021. The primary reasons due to the decrease in the (1) trade and other receivables of THB 599.33 million (2) advances for services of THB 208.65 million. Additionally, there was an increase in (1) cash and cash equivalents of THB 459.80 million and (2) right-of-use assets of THB 100.04 million.

Liabilities

As of December 31, 2021 – 2022, the Company's total liabilities were THB 1,073.84 million and THB 560.36 million, respectively. At the end of 2022, the Company's total liabilities decreased by THB 513.48 million or 47.82% compared to 2021. The primary reasons due to the decrease in the (1) bank overdrafts and short-term loans from financial institutions of THB 90.32 million (2) trade and other payables of THB 194.67 million (3) deferred revenue of THB 241.70 million and (4) other current liabilities of 62.10 million. Additionally, there was an increase in (1) lease liabilities of THB 86.73 million and (2) provision for long-term employee benefit of THB 12.34 million.

Shareholder's equity

As of December 31, 2021 – 2022, the Company's total shareholder's equity was THB 381.51 million and THB 647.98 million, respectively. At the end of 2022, the Company's total shareholder's equity increased by THB 266.47 million or 69.85% compared to 2021. The main reason was the increase in issued and fully paid-up capital of THB 288.32 million, as well as the net profit for the year 2022 of THB 691.24 million. Moreover, during the year 2022, the Company paid dividends twice, which were approved by the Company's board of director meetings held on June 22, 2022, and September 1, 2022. The dividends amounted of THB 424.37 million and THB 280.00 million, respectively, resulting in a total dividend paid of THB 704.37 million.

Key Financial Ratios

| Items | Unit | For the year ended December 31 | |
|----------------------|---------|--------------------------------|--------|
| | | 2021 | 2022 |
| Current ratio | (times) | 1.31 | 2.13 |
| Cash cycle | (days) | 25 | 19 |
| Return on equity | (%) | 156.17 | 134.29 |
| Debt to equity ratio | (times) | 2.81 | 0.86 |

Current ratio

As of December 31, 2021 – 2022, the Company had a current ratio of 1.31 times and 2.13 times, respectively. In 2022, the Company's current ratio improved compared to 2021 due to a decrease in short-term and current portion of long-term loans, as well as an increase in cash and cash equivalents from capital injections.

Cash cycle

As of December 31, 2021 - 2022, the Company had a cash cycle of 24 days and 19 days, respectively. In 2022, the Company's cash cycle was 19 days, a decrease from 2021. The decrease was due to the average collection period decreasing from 40 days in 2021 to 34 days in 2022.

Return on equity

As of December 31, 2021 - 2022, the Company had a Return on Equity (ROE) of 156.17% and 134.29%, respectively. In 2022, the Company's ROE decreased due to the fact that the Company increased its registered capital from THB 111.68 million to THB 400.00 million. This increase in the shareholders' equity resulted in a reduction in the ROE.

Debt to equity ratio

As of December 31, 2021 - 2022, the Company had a debt to equity ratio of 2.81 times and 0.86 times, respectively. In 2022, the Company's debt to equity ratio decreased due to the increase in registered capital and the reduction in total debt resulting from the repayment of principal on short-term and long-term loans.

Sincerely yours

-Mr. Nanmanus Witthayasakpant-

(Mr. Nanmanus Witthayasakpant)

Chief Executive Officer