

October 31, 2023

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

Attention President
The Stock Exchange of Thailand

Euroasia Total Logistics 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		2022		THB million	%
	THB million	%	THB million	%		
Service income	1,855.71	100.00	1,477.30	100.00	(378.41)	(20.39)
Cost of services	1,611.60	86.85	1,269.02	85.90	(342.58)	(21.26)
Gross profit	244.11	13.15	208.28	14.10	(35.83)	(14.68)
Other income	11.19	0.60	3.88	0.26	(7.31)	(65.33)
Selling expenses	6.81	0.36	7.77	0.52	0.96	14.10
Administrative expenses	104.75	5.61	124.01	8.37	19.26	18.39
Finance income	0.23	0.01	0.54	0.04	0.31	134.78
Share of profits (loss) from investments in associate	0.66	0.04	0.62	0.04	(0.04)	(5.82)
Profit before finance cost and income tax expenses	144.63	7.75	81.54	5.50	(63.09)	(43.62)
Finance cost	9.92	0.53	16.00	1.08	6.08	61.30
Profit before income tax expenses	134.70	7.22	65.53	4.42	(69.17)	(51.35)
Income tax expenses	17.69	0.95	15.46	1.04	(2.23)	(12.62)
Net profit	117.01	6.27	50.07	3.38	(66.94)	(57.21)

Service income

For the years 2021 - 2022, the service income was THB 1,855.71 million and THB 1,477.30 million, respectively. This signifies a decrease of THB 378.41 million or 20.39% compared to the previous year. The decrease in income comes primarily from the situation of the border closure due to China's COVID-19 control measures during January until May that created obstacles for cross-border trucking services to and from China. As a result, the volume of transportation trips decreased compared to the same period in the previous year. For 2021 and 2022, the company's revenue from services is divided according to the country of operation as follows:

Service Income	For the year ended December 31				Change	
	2021		2022		THB million	%
	THB million	%	THB million	%		
Thailand ^{/1}	444.92	23.98	367.22	24.86	(77.70)	(17.46)
Malaysia ^{/2}	994.29	53.58	784.53	53.11	(209.76)	(21.10)
China ^{/3}	416.50	22.44	325.55	22.04	(90.95)	(21.84)
Total service income	1,855.71	100.00	1,477.30	100.00	(378.41)	(20.39)

Remark: /1 Consist of income from ETL and ETS
/2 Consist of service income from ETL MY and EILS
/3 Consist of service income from ETL SZ and ETL GX

Other income

For the years 2021 - 2022, the service income was THB 11.19 million and THB 3.88 million, respectively. This signifies a decrease of THB 7.31 million or 65.33% compared to the previous year. This is due to the fact that, in 2021, the subsidiary in China received compensation from the Chinese government for the COVID-19 situation. Additionally, in 2021, the company was able to charge an additional service fee to compensate for the increased service costs in connecting cars and trains, which started service in December 2021.

Cost of services

For the years 2021 - 2022, the cost of services was THB 1,611.60 million and THB 1,269.02 million, respectively. The decreased cost of services in 2022, of THB 342.58 million or 21.26% compared to the previous year, is due to the reduced number of transport trips following the closure of Chinese borders as a measure against COVID-19. Considering that the cost-to-revenue ratio was 85.90% in 2022 and 86.85% in 2021, there was not a significant difference in cost- to-revenue ratio from the previous year.

Gross profit

For the years 2021 - 2022, the gross profit was THB 244.22 million and THB 208.27 million, equivalent to a gross profit margin of 13.15% and 14.10%, respectively. The decreased gross profit of THB 35.84 million from 2021 to 2022 is due to the reduction in revenue. However, there is a slight increase in the gross profit margin from 2021 to 2022. This increase is due to the additional costs incurred in 2021 from stricter measures against COVID-19 in different countries, particularly in cross-border transportation between Vietnam and China.

Selling expenses

For the years 2021 - 2022, the selling expenses were THB 6.81 million and THB 7.77 million, respectively. The increased selling expenses in 2022, of THB 0.96 million or 14.10% compared to the previous year, is due to the increase in the number of sales and marketing employees. This growth in the number of employees, particularly in Thailand and China, was aimed at realizing the potential for market expansion and business growth.

Administrative expenses

For the years 2021 - 2022, the administrative expenses were THB 104.75 million and THB 124.01 million, respectively. The increased administrative expenses in 2022, of THB 19.26 million or 18.39% compared to the previous year, is due to the increase in employee-related expenses. Additionally, the increased administrative expenses are also due to the increase in depreciation, amortization, and foreign exchange rate losses.

Finance cost

For the years 2021 - 2022, the finance cost was THB 9.92 million and THB 16.00 million, respectively. The increased finance cost in 2022, of THB 6.08 million or 61.29% compared to the previous year, is due to the increase in interest costs from entering into a long-term loan contract for a business acquisition at the end of 2021. Additionally, the increased finance cost in 2022 is also due to the

interest from a lease debt from entering into prime mover hire purchase agreements to support the expansion of the business.

Net profit

For the years 2021 - 2022, the net profit was THB 117.01 million and THB 50.07 million, equivalent to a net profit margin of 6.27% and 3.38%, respectively. The decreased net profit margin is due to the reduced number of transport trips following the closure of Chinese borders as a measure against COVID-19 in January until May. This situation led to heavy traffic at the border checkpoint in China, which then led the company to incur additional expenses such as overtime fees, product storage space rentals, and more.

Financial Position

Consolidated Statement of Financial Position	As of December 31				Change	
	2021		2022		THB million	%
	THB million	%	THB million	%		
Total assets	1,133.84	100.00	1,015.87	100.00	(117.97)	(10.40)
Total liabilities	765.91	67.55	607.57	59.81	(158.34)	(20.67)
Total shareholder's equity	367.94	32.45	408.29	40.19	40.35	10.97

Assets

As of December 31, 2021 - 2022, the Company's total assets were THB 1,133.84 million and THB 1,015.87 million, respectively. At the end of 2022, the Company's total assets decreased by THB 117.97 million or 10.40% compared to the previous year. The primary reason for this decrease is due to the reduction in trade and other receivables by THB 185.29 million. On the other hand, there was also an increase in right-of-use assets by THB 41.12 million because of the Company's entry into a vehicle leasing agreement.

Liabilities

As of December 31, 2021 - 2022, the Company's total liabilities were THB 765.91 million and THB 607.57 million, respectively. At the end of 2022, the Company's total liabilities decreased by THB 158.33 million or 20.67% compared to the previous year. The primary reason for this decrease is due to the reduction in trade and other payables by THB 191.47 million, aligning with the reduction in service costs and long-term loans from banks by THB 36.88 million, resulting from periodic repayments during the year. On the other hand, the subsidiaries in China also contributed to an increase in short-term loans from financial institutions by THB 41.78 million for working capital purposes.

Shareholder's equity

As of December 31, 2021 - 2022, the Company's total shareholder's equity was THB 367.94 million and THB 408.29 million, respectively. At the end of 2022, the Company's total shareholder's equity increased by THB 40.35 million or 10.97% compared to the previous year. The primary reasons for this increase are due to the issuance and payment of registered capital amounting to THB 51.62 million, and the net profit of THB 50.07 million for the year. Additionally, the Company distributed dividends once at the annual general meeting of shareholders on May 24, 2022. The distributed dividend was paid out at THB 4.43 per share, totaling THB 54.25 million.

Key Financial Ratios

Items	Unit	For the year ended December 31	
		2021	2022
Current ratio	(times)	1.35	1.34
Cash cycle	(days)	18	29
Return on equity	(%)	48.14	12.90
Debt to equity	(times)	2.08	1.49

Current ratio

As of December 31, 2021 - 2022, the Company had a current ratio of 1.35 and 1.34, respectively. The decreased current ratio of 2022, when compared to the previous year, is due to the decrease in current assets by THB 133.71 million, which aligns with the reduction in trade and other receivables. At the same time, the Company's current liabilities also decreased by THB 95.77 million, which aligns with the reduction in trade and other payables.

Cash cycle

As of December 31, 2021 - 2022, the Company had a cash conversion cycle of 18 days and 29 days, respectively. The increased cash conversion cycle of 2022, when compared to the previous year, is due to the Company's increased average accounts receivable collection period by 29 days from 95 to 124 days, while the average accounts payable payment period increased by only 18 days from 77 to 95 days.

Return on equity

As of December 31, 2021 - 2022, the Company's return on equity (ROE) was 48.14% and 12.90%, respectively. The Company's ROE decreased in 2022, primarily due to an increase in the average total shareholders' equity, resulting from the issuance and payment of registered capital, rising from THB 122.45 million to THB 174.07 million. Furthermore, this increase in shareholder's equity was paired with a decrease in the net profit for 2022 compared to the previous year, leading to a reduced ROE.

Debt to equity

As of December 31, 2021 - 2022, the Company had a debt-to-equity ratio of 2.08 and 1.49, respectively. The Company's debt-to-equity ratio decreased in 2022, primarily due to an increase in shareholder's equity portion resulting from the issuance of registered capital in 2022, as well as the Company's total debt decreasing by THB 158.33 million.

Sincerely yours

- Mr. Lee Yik Chieh -

(Mr. Lee Yik Chieh)
Chief Executive Officer