

007/0267

29 February 2024

Subject: Management Discussion and Analysis for year ended 2023

To: Director and Manager,
The Stock Exchange of Thailand

Hydrotek Public Company Limited and its subsidiaries (“the Group”) would like to report the operating result for the year ended December 31, 2023 as reviewed by the authorized Company’s auditor as follows;

Summary of Financial Performance for the year ended 31 December 2023 – Consolidated financial statements

Financial Performance for the year ended December 31, 2023 (Unit :Million Baht)	2023		2022		YoY	
	MB	%	MB	%	MB	%
Construction income	71.13	92.47	123.61	92.94	(52.48)	(42.46)
Service income	3.02	3.93	6.65	5.00	(3.63)	(54.59)
Other income	2.77	3.60	2.74	2.06	0.03	1.09
Total Revenues	76.92	100.00	133.00	100.00	(56.08)	(42.17)
Costs of construction	77.80	101.14	150.74	113.34	(72.94)	(48.39)
Costs of services	2.35	3.06	2.18	1.64	0.17	7.80
Administrative expenses	59.18	76.94	51.27	38.55	7.91	15.43
Finance Cost	9.36	12.17	9.50	7.14	(0.14)	(1.47)
Total Expenses	148.69	193.30	213.69	160.67	(65.00)	(30.42)
Share of Gain(Loss) on investment in JV	0.08	0.10	0.03	0.02	0.05	166.67
Income tax expenses	0.02	0.03	0.06	0.05	-	0.04 (66.67)
Profit (Loss) for the period attributable to equity holders of the Company	(71.71)	(93.23)	(80.72)	(60.69)	9.01	(11.16)

From the operating results for the year ending 31 December 2023, the Group had revenue from construction contracts from construction projects of the Group, 2 contracts, totaling 71.13 million baht, which construction revenue decreased from the previous year by 52.48 million baht or 42.46 percent because the group of companies still Mainly working on civil works and pipe system planning for construction projects. The progress of both projects last year was still able to be delivered as usual. At present, one such project is close to completion, with most of the work being in storage before delivery of all the work, causing revenue recognition to decrease from last year.

Service income in 2023 decreased by 3.63 million baht or 54.59 percent because in 2022, the group had most of its income from construction project consulting fees. whose contract expires during 2022.

In addition, construction costs decreased by 72.94 million baht or 48.39 percent and service costs increased by 0.17 million baht or 7.80 percent from the same period last year. This corresponds to a decrease in income from construction and service contracts. Loss for the year was 71.71 million baht, a decrease of 9.01 million baht or 11.16 percent from the previous period.

Summary of Financial Performance for the year ended 31 December 2023 – Separate Financial Statements

Financial Performance for the year ended December 31, 2023 (Unit :Million Baht)	2023		2022		YoY	
	MB	%	MB	%	MB	%
Service income	3.02	26.51	6.65	40.33	(3.63)	(54.59)
Other income	8.37	73.49	9.84	59.67	(1.47)	(14.94)
Total Revenues	11.39	100.00	16.49	100.00	(5.10)	(30.93)
Costs of services	2.35	20.63	2.18	13.22	0.17	7.80
Administrative expenses	66.45	583.41	85.92	521.04	(19.47)	(22.66)
Finance Cost	9.43	82.79	9.58	58.10	(0.15)	(1.57)
Total Expenses	78.23	686.83	97.68	592.36	(19.45)	(19.91)
Profit (Loss) for the period	(66.84)	(586.83)	(81.19)	(492.36)	14.35	(17.67)

Based on operating results for the year ended 31 December 2023, the Company has revenue from services from the design of water treatment system utilities. Revenue was decreased by 3.63 million Baht or 54.59 percent due to the Company's consulting fee for construction projects that expired during 2022 and administrative expenses was decreased by 19.48 million Baht. This is mainly because in 2022, the Company set allowance for expected credit loss of subsidiaries 33.53 million Baht. The company has loss for the period amount 66.84 million Baht. There was decreased 14.35 million Baht or 17.67% from the same period last year.

Summary of Financial Position as at 31 December 2023 – Consolidated Financial Statements

Financial Position as at 31 December (Unit : Million Baht)	2023		2022		YoY	
	MB	%	MB	%	MB	%
Current assets	205.14	55.45	203.00	50.13	2.14	1.05
Non-current assets	164.84	44.55	201.97	49.87	(37.13)	(18.38)
Total assets	369.98	100.00	404.97	100.00	(34.99)	(8.64)
Current liabilities	328.21	88.71	294.51	72.72	33.70	11.44
Non-current liabilities	21.32	5.76	20.16	4.98	1.16	5.75
Total liabilities	349.53	94.47	314.67	77.70	34.86	11.08
Issued and paid-up share capital	311.93	84.31	311.93	77.03	-	-
Dificits	(291.48)	(78.78)	(221.63)	(54.73)	(69.85)	31.52
Equity attributable to the owners of the company	20.45	5.53	90.30	22.30	(69.85)	(77.35)

As of 31 December 2023, The total assets of group was decreased by 34.99 million Baht or 8.64 percent, mainly due to decrease in cash and cash equivalents because there was repayment accounts payable which due date and a Bank deducted the Company's bank deposits to offset some of its debts in payments which were guaranteed by the Bank so cash and cash equivalents was decreased and the group received a refund of withholding taxes and The company set an allowance for impairment of assets in one of its projects in the entire amount.

Total liabilities was increased by 34.86 million baht or 11.08 percent, mainly due to an increase in trade and other payables due to payments due in 2024 and long-term loans from financial institutions during the period. from the bank that guaranteed the payment contract to a municipality in the third quarter, resulting in an increase in long-term loans from financial institutions. And during the year the company borrowed short-term loans from related persons and businesses.

The group's total liabilities include a long-term loan from Yunnan Water (Hongkong) Company Limited in the amount of 125.65 million baht as an investment for the construction of a water supply production project in Chiang Mai Province, with Yunnan Water (Hongkong) Company Limited giving the right to convert the loan into investment. in subsidiaries which is a company that will manage water when the project is completed at 49 percent of the company's registered capital. The company is in the process of court process. which is currently being considered by the Civil Court Therefore, there is still no repayment and/or conversion of the loan into equity. Until the court process is completed.

Summary of Financial Position as of 31 December 2023 – Separate Financial Statements

Financial Position as at 31 December (Unit : Million Baht)	2023		2022		YoY	
	MB	%	MB	%	MB	%
Current assets	167.40	56.04	186.67	54.97	(19.27)	(10.32)
Non-current assets	131.30	43.96	152.91	45.03	(21.61)	(14.13)
Total assets	298.70	100.00	339.58	100.00	(40.88)	(12.04)
Current liabilities	282.65	94.63	258.87	76.23	23.78	9.19
Non-current liabilities	8.49	2.84	8.17	2.41	0.32	3.92
Total liabilities	291.14	97.47	267.04	78.64	24.10	9.02
Issued and paid-up share capital	311.93	104.43	311.93	91.86	-	-
Dificits	(304.37)	(101.90)	(239.39)	(70.50)	(64.98)	27.14
Equity attributable to the owners of the company	7.56	2.53	72.54	21.36	(64.98)	(89.58)

As of December 31, 2023, the company's total assets decreased by 40.88 million baht or 12.04 percent from 2022, mainly due to the payment of due creditors and in the third quarter, a bank deducted the company's bank deposits. To offset some of the debt in payments which the bank is a guarantor of, the contract will reduce cash and cash equivalents and allowance for expected credit losses and allowance for impairment of assets in the bank will be made. One project of the entire company

Total liabilities increased by 24.10 million baht or 9.02 percent due to long-term loans from financial institutions during the year. from the bank that guaranteed the payment contract to a municipality in the third quarter, resulting in an increase in long-term loans from financial institutions, and during the year the company borrowed short-term loans from related persons and businesses.

The group's total liabilities include a long-term loan from Yunnan Water (Hongkong) Company Limited in the amount of 125.65 million baht as an investment for the construction of a water supply production project



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in Chiang Mai Province, with Yunnan Water (Hongkong) Company Limited giving the right to convert the loan into investment. in subsidiaries which is a company that will manage water when the project is completed at 49 percent of the company's registered capital. The company is in the process of court process. which is currently being considered by the Civil Court Therefore, there is still no repayment and/or conversion of the loan into equity. Until the court process is completed.

The Group has lawsuits that are being considered by the court as follows:

1. The Company filed a lawsuit against a contracting party with the Central Administrative Court, demanding that the contracting party pay construction installments to the Company in the amount of 52.57 million baht and return the security deposit. According to the bank guarantee of 10.60 million baht to the company This is because the said contract party has breached the construction contract for the wastewater collection and treatment system by notifying the cancellation of the said contract without any fault or defect of the company. Later in March 2017, the said contract party filed an answer and a counterclaim with the Central Administrative Court, demanding damages from the company in the amount of 52.81 million baht plus interest at the rate of 7.50 percent per year, alleging that the company delayed construction work according to the contract. Therefore, I would like to cancel the contract and claim damages from the said company.

Later in 2021, the Central Administrative Court ruled that the contracting party must pay part of the work installments to the company. and have the company pay damages to the contracting party In net, the company must pay damages to the contracting party in the amount of 23.86 million baht, including interest at the rate of 7.50 percent per year.

However, the Company does not agree with the judgment of the Central Administrative Court on both factual and legal issues. The company filed an appeal with the Supreme Administrative Court.

The case is under consideration by the court. The management believes that The outcome of the appeal will be in the company's favor. Therefore, the Company has not recorded allowance for damages that may occur from the above matters in the financial statements.

2. The Company filed a lawsuit against one of the contractors at the Arbitration Institute, demanding that the contractor pay damages and opportunity costs from canceling the wastewater collection and treatment system contract. without reasonable cause to the company in the amount of 15.77 million baht with interest at the rate of 7.50 percent per year and return the bank guarantee in the amount of 10.07 million baht to the company The contracting party submitted an objection and counterclaim to the Arbitration Institute, demanding that the company repay the advance payment in the amount of 9.87 million baht (presented as part of the advance payment account

under the construction contract) together with interest at the rate of 7.50 percent. year, reasoning that the exercise of the right to terminate the contract by the said counterparty is not considered a breach of contract by the Company in any way.

Later in 2019, the arbitrator ordered the contracting party to pay the company 3.84 million baht for the work and the company to repay the advance payment of 9.87 million baht with interest at the rate of 7.50 percent per year from the date the lawsuit was filed. The company has already recognized the damage incurred in the financial statements. However, the company disagreed with the award and appealed to the Central Administrative Court. The case is pending before the Central Administrative Court.

However, the company did not agree with the decision. The company filed an appeal with the Central Administrative Court. The case is under consideration by the Central Administrative Court.

In 2023, the Company received a notice demanding payment of a guarantee obligation from a bank. which has paid on behalf of the company to the contract party in the amount of 8.53 million baht, with the bank deducting some of the bank deposits that were collateralized And there is still the remaining amount that must be paid to the bank in the amount of 4.62 million baht, which has been recognized as a long-term loan in full.

3. The company was sued in a case regarding breach of contract to hire a project consultant. The amount was approximately 2.62 million baht, including an interest rate of 7.50 percent per year. The Civil Court ordered the company to pay the amount of 0.42 million baht, including interest.

The management team believes that the outcome of the appeal will be in the company's favor. Therefore, the Company has not recorded allowance for damages that may occur from the above matters in the financial statements.

4. The company has been sued as a co-defendant. To be jointly liable with the official for supporting the official in committing an offense against his or her official position under the Criminal Code before the Criminal Court for corruption cases. Since the company has entered into a water purchase contract with the municipality. Chiang Mai Province in 2012. The company has no intention of supporting officials to commit crimes under criminal law. Entering into a water purchase contract is a common method in commercial business.

Currently, the case is in the process of investigating witnesses. The Criminal Court for Corruption and Misconduct, Region 5, has ruled that 2 cases have been dismissed against the company and its former directors as not guilty. Moreover, the plaintiff has not filed an appeal. to the court in any



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way and 1 case is under consideration by the Criminal Court for Corruption and Misconduct, Region 5

5. The company and its subsidiaries Filed a lawsuit against a company and 3 people, requesting the dissolution of an unregistered general partnership and requesting the appointment of the company and its subsidiaries as liquidators. Including filing a lawsuit to revoke the compromise agreement The defendant testified that the company and its subsidiaries breached the compromise agreement. Therefore, demanded payment of principal and interest. Currently, the case is under consideration by the Civil Court.

Event after the report period

According to the minutes of the Board of Directors' meeting No. 1/2024 on January 23, 2024, it was resolved to consider extending the subscription period for additional common shares offered to existing shareholders in proportion to their shareholding (Right Offering: RO) and Warrants to purchase common shares of the company No. 2 (HYDRO-W2) from the original schedule of 18 - 19 January 2024 and 22 - 24 January 2024 (total 5 business days) to the new schedule of 18 - 19 January 2024, January 22 - 26, 2024 and January 29 - 31, 2024 (total 10 business days). Later, on February 5, 2024, there were existing shareholders exercising their rights to purchase additional common shares in the amount of 158,195,657 shares, accounting for money. quantity 47,458,697.10 baht, resulting in the paid-up capital of the company being 470,121,161.00 baht. The company has amended the company's memorandum of association. To be consistent with the increase in the registered capital of the company. and allocated warrants to purchase the Company's common shares No. 2 (HYDRO-W2) to the existing shareholders of the Company in proportion to their shareholding (Right Offering) at a ratio of 2 original common shares to 1 unit of warrant. (If there is a fraction of the warrant arising from the calculation, the said fraction must be rounded off the whole amount.) The details are as follows.

Warrant for Purchase Ordinary Shares (HYDRO-W2)

Type of Warrant	: Warrant to purchase ordinary shares No. 2 (HYDRO-W2) allocated to shareholders who subscribe for additional shares (“Warrant No. 2” or “HYDRO-W2”)
First trading date	: 20 February 2024
Number of warrants allocated and sold	: 155,927,150 units
Rights of Warrants	: 1 warrant unit per 1 new ordinary share.
Exercise Price	: Baht 0.40 per share
Validity of warrants	: 3 years from the date of issue (6 February 2024)
Warrant Price	: 0.01
First exercise date	: 31 May 2024
Last exercise date	: 5 February 2027

Please be informed.

yours truly

(Mr. Sukrit Jintanakosin)
Chief Executive Officer