

Neo Corporate Public Company Limited and its subsidiary

(Formerly known as “Neo Corporate Co., Ltd.”)

Notes to interim consolidated financial statements

For the three-month and nine-month periods ended 30 September 2023

1. General information

1.1 Company information

The Company registered its status from limited company to be a public limited company and change the Company’s name from “Neo Corporate Co., Ltd.” to “Neo Corporate Public Company Limited” with the Ministry of Commerce on 29 August 2023.

1.2 Basis for the preparation of interim financial statements

These interim financial statements are prepared in accordance with Thai Accounting Standard No. 34 *Interim Financial Reporting*, with the Company choosing to present condensed interim financial statements. However, the Company has presented the statements of financial position, comprehensive income, changes in shareholders’ equity, and cash flows in the same format as that used for the annual financial statements.

The interim financial statements are intended to provide information additional to that included in the latest annual financial statements. Accordingly, they focus on new activities, events and circumstances so as not to duplicate information previously reported. These interim financial statements should therefore be read in conjunction with the latest annual financial statements.

The interim financial statements in Thai language are the official statutory financial statements of the Company. The interim financial statements in English language have been translated from the Thai language interim financial statements.

1.3 Basis of consolidation

The interim consolidated financial statements include the financial statements of Neo Corporate Public Company Limited (“the Company”) and its subsidiary company (“the subsidiary”) (collectively as “the Group”) and have been prepared on the same basis as that applied for the consolidated financial statements for the year ended 31 December 2022, with no changes in the shareholding structure of the subsidiary during the current period.

1.4 Significant accounting policies

The interim financial statements are prepared by using the same accounting policies and methods of computation as were used for the financial statements for the year ended 31 December 2022.

The revised financial reporting standards which are effective for fiscal years beginning on or after 1 January 2023, do not have any significant impact on the Group's financial statements.

1.5 New financial reporting standards that will become effective for fiscal years beginning on or after 1 January 2024

The Federation of Accounting Professions issued a number of revised financial reporting standards, which are effective for fiscal years beginning on or after 1 January 2024. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards clarifying accounting treatment and providing accounting guidance for users.

The management of the Group believes that adoption of these amendments will not have any significant impact on the Group's financial statements.

2. Cumulative effect of adjustments on prior year's financial statements

During the current period, the Group found that the recognition of the non-controlling interests of the subsidiary and the recording of lease transactions with its subsidiary from the past were inaccurate. The details are as follows:

- a) In 2016, the Company acquired a 40% ownership in Neo Factory Co., Ltd. from the family of the major shareholders of the Company. On the same day, the Company made additional investments in Neo Factory Co., Ltd., increasing its ownership to 97%. However, the Company did not record the impact of these changes in shareholding percentages previously. This resulted in an overstatement of the non-controlling interests in the consolidated financial statements by Baht 228 million and an understatement of the equity excess from the business combination under common control by the same amount.
- b) The Company found that the recognition of right-of-use assets and lease liabilities arising from warehouse leases with its subsidiary was inaccurate. This resulted in an understatement of the right-of-use assets and lease liabilities in the separate financial statements.

Therefore, the Company has restated the prior year/period's financial statements and presented the cumulative effects of these corrections separately in the statement of changes in shareholder's equity. The adjusted amounts impacting the statement of financial position and the statement of comprehensive income are as follows:

(Unaudited but reviewed)

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	As at 31 December 2022	As at 1 January 2022	As at 31 December 2022	As at 1 January 2022
Statement of financial position				
Decrease in right-of-use assets	-	-	(10,223)	431
Increase in deferred tax assets	-	-	9,137	6,855
Increase in lease liabilities	-	-	(35,467)	(34,712)
Decrease in retained earnings	-	-	36,553	27,426
Increase in capital surplus on business combination under common control	(227,718)	(227,718)	-	-
Decrease in non-controlling interest of the subsidiary	227,718	227,718	-	-

(Unit: Thousand Baht)

Separate
financial statements
for the three-month
period ended
30 September 2022

Statement of comprehensive income

Profit of loss:

Increase in administrative expenses	2,686
Increase in finance cost	190
Decrease in income tax	575
Decrease in profit for the period	2,301
Decrease in basic earnings per share (Baht)	0.01

(Unit: Thousand Baht)

Separate
financial statements
for the nine-month
period ended
30 September 2022

Statement of comprehensive income

Profit of loss:

Increase in administrative expenses	7,969
Increase in finance cost	562
Decrease in income tax	1,706
Decrease in profit for the period	6,825
Decrease in basic earnings per share (Baht)	0.03

(Unaudited but reviewed)

3. Related party transactions

During the period, the Group had significant business transactions with related parties. Such transactions arose in the ordinary course of business and were concluded on commercial terms and bases agreed upon between the Group and those related parties, with no significant changes in the pricing policy of related party transactions.

Significant related party transactions are summarised below.

(Unit: Million Baht)

	Separate financial statements			
	For the three-month periods ended 30 September		For the nine-month periods ended 30 September	
	2023	2022	2023	2022
<u>Transactions with subsidiary company</u>				
(eliminated from the consolidated financial statements)				
Other income	1	1	3	4
Purchases of goods	1,771	1,320	4,927	3,960
Grant for advertising, public relations and promotion	107	88	296	263
Consulting, planning and managing income	17	13	49	41
Other service expenses	8	4	17	10
Warehouse rental and service expenses	9	9	27	27
<u>Transactions with management and directors</u>				
Sales of property, plant and equipment	23	-	23	-

The balances of the accounts between the Company and the related company are as follows:

(Unit: Thousand Baht)

	30 September 2023	31 December 2022
		(Restated)
<u>Balances with subsidiary</u>		
Trade and other receivable (Note 4)	465,977	192,559
Other non-current assets	3,052	3,052
Trade and other payable	1,742,525	1,296,519
Lease liabilities	177,846	202,273
<u>Balances with management and directors</u>		
Lease liabilities	743	1,164

(Unaudited but reviewed)

Directors and management's benefits

During the period, the Group had employee benefit expenses to their directors and management as below.

(Unit: Million Baht)

For the three-month periods ended 30 September

	Consolidated		Separate	
	financial statements		financial statements	
	2023	2022	2023	2022
Short-term employee benefits	26	31	26	27
Post-employment benefits	2	4	2	3
Total	28	35	28	30

(Unit: Million Baht)

For the nine-month periods ended 30 September

	Consolidated		Separate	
	financial statements		financial statements	
	2023	2022	2023	2022
Short-term employee benefits	77	94	77	82
Post-employment benefits	7	11	7	9
Total	84	105	84	91

Guarantee obligations with related party

The Company has outstanding guarantee obligations with its subsidiary, as disclosed in Note 14.3 (1) to the interim consolidated financial statements.

4. Trade and other receivables

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	30 September 2023	31 December 2022	30 September 2023	31 December 2022
		(Audited)		(Audited)
<u>Trade receivables - subsidiary</u>				
Aged on the basis of due dates				
Not yet due	-	-	52	-
Total trade receivables - subsidiary	-	-	52	-

(Unaudited but reviewed)

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	30 September	31 December	30 September	31 December
	2023	2022	2023	2022
		(Audited)		(Audited)
<u>Trade receivables - unrelated parties</u>				
Aged on the basis of due dates				
Not yet due	1,310,354	1,367,302	1,310,354	1,367,302
Past due				
Up to 3 months	580,054	524,023	580,054	524,023
3 - 6 months	51	-	51	-
6 - 12 months	11	-	11	-
Over 12 months	4,214	4,479	4,214	4,479
Total	1,894,684	1,895,804	1,894,684	1,895,804
Less: Allowance for expected credit losses	(9,919)	(5,850)	(9,919)	(5,850)
Total trade receivables - unrelated parties, net	1,884,765	1,889,954	1,884,765	1,889,954
Total trade receivable - net	1,884,765	1,889,954	1,884,817	1,889,954
<u>Other receivables</u>				
Other receivable - subsidiary	-	-	465,925	192,559
Other receivables - unrelated parties	31,531	38,813	2,721	1,267
Total other receivables	31,531	38,813	468,646	193,826
Trade and other receivables - net	1,916,296	1,928,767	2,353,463	2,083,780

5. Property, plant and equipment

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
Net book value as at 1 January 2023	3,085,412		980,205	
Additions during the period - cost	677,693		499,700	
Transfer from computer software	1,009		1,009	
Capitalised borrowing costs	4,269		4,269	
Disposals during the period - net book value	(23,147)		(22,416)	
Depreciation for the period	(239,888)		(53,007)	
Net book value as at 30 September 2023	3,505,348		1,409,760	

(Unaudited but reviewed)

On 25 April 2023, a windstorm occurred at the subsidiary's factory, resulting in an adverse effect on its inventories and assets was damaged of Baht 25 million. The subsidiary was recognised as administrative expenses in the second quarter of the current year. Subsequently, in the third quarter of the current year, the subsidiary receipts the compensation of insurance claims of Baht 22 million. The subsidiary presented the insurance claims as other income, which was recognised in the consolidated income statement for the three-month period ended 30 September 2023 and present the insurance claims net of administrative expenses in which was recognised in the consolidated income statement for the nine-month period ended 30 September 2023.

The Group has mortgaged its land, buildings and equipment with net book value amounting to Baht 2,655.1 million (31 December 2022: Baht 2,060.7 million) and of the Company only amounting to Baht 1,199.0 million (31 December 2022: Baht 547.0 million) to secure the credit facilities received from banks as disclosed in Note 6 and Note 7 to the interim consolidated financial statements and to secure bank credit facilities of its subsidiary.

6. Short-term loans from banks

Short-term loans for banks are secured by the mortgage of certain land with constructions thereon of the Group and the subsidiary's machinery, corporate guarantee by the subsidiary and the guarantee by the Company's director. The loan agreements contain several covenants as specified in the agreement that, among other things, require the Company and its subsidiary to maintain debt-to-equity ratio and debt service coverage ratio at the rate prescribed in the agreement.

7. Long-term loans

	(Unit: Thousand Baht)	
	Consolidated	Separate
	<u>financial statements</u>	<u>financial statements</u>
Beginning balance as at 1 January 2023	912,550	208,440
Add: Addition borrowings	711,867	711,867
Less: Repayment	(152,550)	(29,790)
Ending balance as at 30 September 2023	1,471,867	890,517
Less: Current portion	(190,690)	(39,720)
Long-term loans - net of current portion	<u>1,281,177</u>	<u>850,797</u>

(Unaudited but reviewed)

The loans have been secured by the mortgage of the Group's land with constructions thereon, the Group's machinery and equipment, its subsidiary's investment property and guaranteed by the subsidiary and the Company's director. The loan agreements contain several covenants as specified in the agreements that, among other things, require the Company and its subsidiary to maintain debt-to-equity ratio and debt service coverage ratio at the rate prescribed in the agreements.

8. Lease liabilities

	(Unit: Thousand Baht)	
	Consolidated	Separate
	<u>financial statements</u>	<u>financial statements</u>
		(Restated)
As at 1 January 2023	35,118	231,942
Additions	5,945	4,879
Lease modification	702	702
Accretion of interest	937	3,804
Payments	<u>(15,618)</u>	<u>(40,543)</u>
As at 30 September 2023	27,084	200,784
Less: current portion	<u>(14,662)</u>	<u>(45,211)</u>
Lease liabilities - net of current portion	<u>12,422</u>	<u>155,573</u>

9. Share capital

On 25 August 2023, the Extraordinary General Meeting of Shareholders of the Company No.2/2566 passed a resolution to approve the followings.

1. Approved the proposal to register the change of the Company's status from a limited company to a public limited company and to change the Company's name from "Neo Corporate Co., Ltd." to "Neo Corporate Public Company Limited".
2. Approved the proposal to change the par value of the Company's ordinary shares from Baht 100 per share to Baht 1 per share. This change will result in an increase in the number of ordinary shares (prior to the registered capital increase) from 2.22 million shares to 222 million shares.
3. Approved the proposal to increase the registered share capital of the Company from Baht 222 million (222 million ordinary shares of Baht 1 each) to Baht 300 million (300 million ordinary shares of Baht 1 each) through the issuance of an 78 additional million ordinary shares of Baht 1 each to be reserved for an Initial Public Offering ("IPO") and will also be offered to the public, directors, management and/or employees of the Company and the subsidiary in accordance with the additional Company's shares to directors, management and employees of the Company and the subsidiary ("ESOP") , as well as to the patronage of the Company and/or the subsidiary.

(Unaudited but reviewed)

4. Approved the issue and allocation of the additional Company's shares to directors, management and employees of the Company and the subsidiary ("ESOP"). The details are as follows:

Allocate not exceeding 5 million new ordinary shares to directors, management and employees. Eligible recipients for this allocation must be individuals holding positions directors, management and employees of the Company and its subsidiary until the date of exercising the right to subscribe for the additional ordinary shares of the Company. The offering price for these shares will not be lower than 90% of the Initial Public Offering Price.

The Company registered the changes with the Ministry of Commerce on 29 August 2023.

10. Income tax

Interim income tax was charged by profit before income tax multiplied by projected average tax rate of the year.

	(Unit: Thousand Baht)			
	For the three-month periods ended 30 September			
	Consolidated		Separate	
	financial statements		financial statements	
	2023	2022	2023	2022
				(Restated)
Current income tax:				
Interim income tax charge	93,319	33,541	53,186	32,180
Deferred tax:				
Relating to origination and reversal of temporary difference	(6,951)	279	(1,295)	(443)
Income tax expenses reported in profit or loss	86,368	33,820	51,891	31,737

	(Unit: Thousand Baht)			
	For the nine-month periods ended 30 September			
	Consolidated		Separate	
	financial statements		financial statements	
	2023	2022	2023	2022
				(Restated)
Current income tax:				
Interim income tax charge	191,741	85,030	109,409	64,363
Deferred tax:				
Relating to origination and reversal of temporary difference	(16,594)	(10,476)	188	(4,358)
Income tax expenses reported in profit or loss	175,147	74,554	109,597	60,005

11. Earnings per share

Basic earnings per share is calculated by dividing profit for the period attributable to equity holders of the Company (excluding other comprehensive income) by the weighted average number of ordinary shares in issue during the period, after adjusting the number of ordinary shares to reflect the impact of the change in the par value of the ordinary shares, as discussed in Note 9 to the financial statements.

The prior period's basic earnings per share has been recalculated as if the change in par value of the ordinary shares had been distributed, at the beginning of the earliest period reported.

12. Segment information

The Group are principally engaged in the manufacture and distribution of consumer products.

Geographic information

Revenue from external customers is based on locations of the customers for the three-month and nine-month periods ended 30 September 2023 and 2022 as below.

(Unit: Million Baht)

	Consolidated/Separate financial statements			
	For the three-month periods		For the nine-month periods	
	ended 30 September		ended 30 September	
	2023	2022	2023	2022
Revenue from local sales	2,137	1,802	6,137	5,128
Revenue from export sales	319	296	892	850
Total	2,456	2,098	7,029	5,978

Revenue from export sales was mainly from sales to customers in the CLMV countries that are Cambodia, Laos, Myanmar and Vietnam.

13. Dividends

Dividends	Approved by	Total dividends (Million Baht)	Dividend per share (Baht)
Annual dividends for 2021	Annual General Meeting of the shareholders on 29 April 2022	269	121.00
Total dividends for 2022		269	121.00
Annual dividends for 2022	Annual General Meeting of the shareholders on 20 April 2023	569	256.10
Interim dividends for 2023	Board of Directors' Meeting on 9 August 2023	200	90.10
Total dividends for 2023		769	346.20

(Unaudited but reviewed)

14. Commitments and contingent liabilities

14.1 Capital commitments

The Group had capital commitments to construction and decoration of buildings, acquisition of machinery and equipment and office equipment and software development as follows:

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	30 September 2023	31 December 2022	30 September 2023	31 December 2022
			(Audited)	
Construction and decoration of buildings	1,158	434	-	396
Acquisition of machinery and equipment and office equipment	155	192	41	120
Software development	3	3	1	3

14.2 Long-term agreement commitment

The subsidiary has a commitment from a power purchase and sale agreement with a private company as disclosed in Note 28.3 to the consolidated financial statements for the year 2022.

On 20 May 2023, the subsidiary entered into an amendment to the above agreement that was originally entered into in 2022. The amendment concerns the cancellation of the minimum guaranteed purchase volume of electricity each year, as well as the cancellation of the extended contractual term until the minimum purchase volume is met in case the subsidiary was unable to meet the minimum purchase volume in each year. At present, the systems are under installation.

The Group paid electricity charges as below.

	(Unit: Million Baht)			
	For the three-month periods ended 30 September			
	Consolidated		Separate	
	financial statements		financial statements	
2023	2022	2023	2022	
Electricity charges	1.3	0.5	-	-

(Unaudited but reviewed)

(Unit: Million Baht)

	For the nine-month periods ended 30 September			
	Consolidated		Separate	
	financial statements		financial statements	
	2023	2022	2023	2022
Electricity charges	5.4	3.9	-	0.3

14.3 Guarantees

- (1) As at 30 September 2023, the Company has guaranteed bank credit facilities of the subsidiary amounting to Baht 4,017.9 million and USD 5.0 million (31 December 2022: Baht 4,017.9 million and USD 5.0 million).
- (2) As at 30 September 2023, the Group had the outstanding guarantees issued by the banks on behalf of the Group in respect of certain performance bonds as required in the normal course of business. These included letters of guarantee amounting to Baht 5.5 million (31 December 2022: Baht 5.0 million) and of the Company only amounting to Baht 0.5 million (31 December 2022: Baht 0.5 million) to guarantee electricity use.

15. Litigation

During the current period, there has been significant progress with respect to the litigation in addition to those as disclosed in Note 29 to the consolidated financial statements for the year 2022 as follows.

On 17 October 2023, the Court of Appeal gave a verdict upholding the judgement of the Civil Court. The subsidiary recorded a provision in accordance to the Civil Court's ruling. Currently, the subsidiary is in the process of negotiation to settlement of disputes.

16. Reclassifications

Certain amounts in the income statement for the three-month and nine-month periods ended 30 September 2022 have been reclassified to conform to the current period's classification. The reclassifications are as follows.

(Unit: Thousand Baht)

	For the three-month periods ended 30 September 2022			
	Consolidated financial statements		Separate financial statements	
	As previously		As previously	
	As reclassified	reported	As reclassified	reported
Selling and distribution expenses	357,409	336,830	256,641	236,062
Administrative expenses	206,748	227,327	150,481	171,060

(Unaudited but reviewed)

(Unit: Thousand Baht)

For the nine-month periods ended 30 September 2022

	Consolidated financial statements		Separate financial statements	
	As reclassified	As previously reported	As reclassified	As previously reported
Selling and distribution expenses	1,158,960	1,102,540	865,122	808,702
Administrative expenses	631,040	687,460	458,167	514,587

The reclassifications had no effect to previously reported net profit or shareholders' equity.

17. Approval of interim financial statements

These interim financial statements were authorised for issue by the Company's Board of Directors on 14 November 2023.