

No. SKE-SET-003/66

24 February 2023

Management's Discussion and AnalysisFor the year ended 31 December 2022

Overall Performance

- In February 2022, N15 Technology Co., Ltd., a subsidiary of the Company, entered into a contract for construction and installation of machinery and equipment for the Refuse Derived Fuel Project (RDF) in Huai Haeng Sub-district, Kaeng Khoi District, Saraburi Province with a company to design a plant and RDF waste production system, and to construct buildings and install machinery with equipment with a contractual value of Baht 321 million. And the deadline for construction and installation of machinery with equipment is scheduled to be completed by 2022. In addition, the subsidiary purchased some machinery from a foreign company for installation in the RDF waste production process.
- On 25 March 2022, the Company entered into an agreement termination of the Natural Gas Compression Contract of the private mother station (Ban Na-Kaeng Khoi) in Saraburi Province prior to the expiration date with PTT Public Company Limited ("PTT") due to a continuous reduction of the demand of the compressed natural gas and the Company has been informed that the demand of NGV for the private mother station (Ban Na-Kaeng Khoi) was zero tons per day since 1 March 2021. The parties agreed that such Natural Gas Compression Contract to be effective until 31 March 2022 and ended on 1 April 2022. The Company will receive cash compensation for the contract termination by term and conditions as stipulated in the agreement.
- In April 2022, the Company entered into a shares purchase and subscription of shares agreement with Vanta Capital Co., Ltd. ("VANTA") which operates a software business including development of securities trading software to purchase 44,000 ordinary shares from existing shareholders of VANTA with a par value of Baht 100 per share, at a purchase price of Baht 650 per share, totaling Baht 28.60 million and to subscribe for the newly issued preferred shares of VANTA (6 voting rights per share) of 23,000 shares, with a par value of Baht 100 per share, at a subscription price of Baht 650 per share, totaling Baht 14.95 million. The Company has fully paid for the ordinary shares in April 2022 and partially paid for the preferred shares in the amount of Baht 3.74 million in April 2022. In this respect, the shares purchase from existing shareholders and the subscription of newly issued shares has a total value of Baht 43.55 million. As a result, the Company will hold 67,000 shares in VANTA, or equivalent to 30.04% of the total issued shares of VANTA and the Company then have the voting right for 53.85% of the total voting rights over VANTA and combined with rights and responsibilities stipulated in a shareholders' agreement. The Company classified the investment in VANTA as investment in subsidiary.



In addition, N15 Technology Co., Ltd., increased its registered capital from Baht 40 million (400,000 shares at Baht 100 per share) to Baht 185 million (1,850,000 shares at Baht 100 per share). The Company has paid for the newly issued shares amounting to Baht 85 million on 18 April 2022 and Baht 60 million on 23 June 2022.

- In May 2022, the Company increased its registered from the existing registered capital of Baht 558 million (1,116 million shares with a par value of Baht 0.50) to Baht 669.60 million (1,339.20 million shares with a par value of Baht 0.50 per share) by issuing new ordinary shares of 223.20 million shares, with a par value of Baht 0.50 per share. These shares were approved to support the exercise of right according to the warrants to purchase ordinary shares of the Company No.1 (SKE-W1) (the “Warrant W1”) in the amount of 223.20 million units allocated to the existing shareholders proportionate to their respective shareholdings.
- In June 2022, the Company offered of the 223.20 million units of the Warrants W1 to the existing shareholders proportionate to their respective shareholdings at no cost and at the allocation ratio of 5 existing ordinary shares to one unit of the Warrants W1. The term of the Warrants W1 is four years from the issuance date and the holders of the warrants can exercise their rights on the last business day of each quarter from the issuance of the warrants to the maturity of the warrants. The exercise ratio is one unit of the warrants to one ordinary share at the exercise price of Baht 1.30 per share.

In addition, the Company offered named-registered, secured, and senior debentures with a debenture holder representative to institutional investors and/or high net worth investors. The issue size of debentures is of Baht 300 million for 2 years and 8 months period with interest rate of 6.25% per annum. The face value of the debentures are Baht 1,000 each and interest is payable quarterly. The Company must comply with certain conditions as stipulated in the prospectus such as maintaining the financial covenant ratio.

- In December 2022, N15 Technology Co., Ltd. began selling the RDF from the RDF production project in Saraburi Province.



Operating result

Unit: in Million Baht

	For the year		Increase (decrease)	%
	2022	2021		
Revenues				
Revenue from rendering of services	129.37	130.23	(0.86)	(0.66%)
Revenue from sales of goods	340.43	333.38	7.05	2.11%
Revenue from leases	10.51	17.87	(7.36)	(41.19%)
Other income	17.11	19.98	(2.87)	(14.36%)
Total revenue	497.42	501.46	(4.04)	(0.81%)
Expenses				
Costs of rendering of services	76.72	74.92	1.80	2.40%
Cost of sales of goods	264.53	250.74	13.79	5.50%
Selling and Administrative expenses	125.67	120.88	4.79	3.96%
Finance costs	38.35	24.82	13.53	54.51%
Tax income	(9.54)	(1.94)	(7.60)	(391.75%)
Total expenses	495.73	469.42	26.31	5.60%
Profit for the year	1.69	32.04	(30.35)	(94.73%)
Gain (loss) attributable to non-controlling interests	(0.60)	2.68	(3.28)	(122.39%)
Former shareholders before business restructuring	-	2.63	(2.63)	(100.00%)
Profit attributable to owners of the parent	2.29	26.73	(24.44)	(91.43%)



Revenues

Unit: in Million Baht

	For the year			
	2022		2021	
	Amount	%	Amount	%
Revenues				
Revenue from rendering of services	129.37	26.01%	130.23	25.98%
Revenue from sales of goods	340.43	68.44%	333.38	66.48%
Revenue from leases	10.51	2.11%	17.87	3.56%
Other income	17.11	3.44%	19.98	3.98%
Total revenue	497.42	100%	501.46	100%

Significant changes can be summarized as follows:

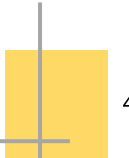
Revenue from rendering of services

For the year ended 31 December 2022, revenue from rendering of services amounted to Baht 129.37 million was comprised of revenue from NGV natural gas compression to PTT Public Company Limited (PTT) of Baht 111.04 million, revenue from the treatment of waste of Baht 15.17 million and revenue from purchase and sale of Refuse Derived Fuel (RDF) of Baht 3.16 million. The Group's service revenue was similar compared to the previous year. Details are as follows:

Revenue from NGV compression to PTT for the year ended 31 December 2022 increased from last year amounted to Baht 0.63 million or 0.57% due to an increase in NGV consumption from maintaining NGV retail price for taxis in Bangkok Metropolitan Area eligible under the "NGV for the same breath project" from 1 November 2021 to 15 March 2023, and for other vehicles to help with energy price for the public from 16 November 2021 to 15 September 2022. Moreover, the increase of NGV volume resulted from relaxation of COVID-19 measure and the rise of other fuel prices.

Revenue from the treatment of waste for the year ended 31 December 2022 decreased from last year amounted to Baht 0.19 million or 1.21%, which was in line with the decrease of the amount of waste in industrial estate.

Revenue from purchase and sale of RDF for the year ended 31 December 2022 decreased from last year amounted to Baht 1.30 million or 29.17%, which varied according to the demand for RDF of customers in each period.





Revenue from sale of goods

For the year ended 31 December 2022, revenue from sales of goods of Baht 340.43 million which was comprised of revenue from generating and distribution of electricity of Baht 283.25 million, revenue from sales of RDF of Baht 52.98 million and revenue from sales of Source Code (Code Program) of Baht 4.20 million. The Group's revenue from sale of goods increased compared to last year. The changes resulted from the following reasons:

Revenue from generating and distribution of electricity sale to the Provincial Electricity Authority (PEA) for the year ended 31 December 2022 increased from last year amounted to Baht 0.39 million or 0.14%, which shutdown hours for repair and maintenance were similar to the previous year.

Revenue from sales of RDF for the year ended 31 December 2022 increased from last year amounted to Baht 3.46 million or 6.98%, due to the volume of RDF increased compared to the previous year and the commencement of sale of RDF from new plant in Saraburi Province in December 2022.

Revenue from production and distribution of compressed bio-methane gas for the year ended 31 December 2022 decreased from last year amounted to Baht 1 million because the Company sold its production and distribution of compressed bio-methane gas business in April 2021.

Revenue from sales of Source Code (Code Program) amounted to Baht 4.20 million due to the revenue from the development of securities trading software business which the Company acquired in April 2022.

Revenue from leases

For the year ended 31 December 2022, the Company recognized revenue from leases of Baht 10.51 million or 2.11% of total revenue, which decreased from last year due to the Company entered into an agreement to terminate of the natural gas compression contract by private mother station (Ban Na-Kaeng Khoi) in Saraburi Province which ended on 1 April 2022.

Other income

Other income was comprised of 1) revenue from rendering utility services to lessees, 2) interest income, 3) gain on sale of mutual fund, an investment in debt instruments which is low-risk and high liquidity, 4) revenue from solar rooftop equipment rental, 5) gain on disposal of assets, and 6) gain from sales of investment.

For the year ended 31 December 2022, other income was Baht 17.11 million or 3.44% of total revenue, which decreased from last year. Other income in 2021 was mainly due to the recognition of gain from the sale of investment in the production and distribution of compressed bio-methane gas business of Baht 13.36 million and interest income



from loans to other parties. Meanwhile other income in 2022 was mainly due to the recognition of gain from the termination of the natural gas compression contract by private mother station (Ban Na-Kaeng Khoi) in Saraburi Province of Baht 13.91 million.

Expenses

Unit: in Million Baht

	For the year			
	2022		2021	
	Amount	%	Amount	%
Expenses				
Costs of rendering of services	76.72	15.48%	74.92	15.96%
Cost of sales of goods	264.53	53.35%	250.74	53.41%
Selling and Administrative expenses	125.67	25.35%	120.88	25.75%
Finance costs	38.35	7.74%	24.82	5.29%
Tax income	(9.54)	(1.92%)	(1.94)	(0.41%)
Total expenses	495.73	100%	469.42	100%

Significant changes can be summarized as follows:

Costs of rendering of services

For the year ended 31 December 2022, cost of rendering of services amounted to Baht 76.72 million, which was comprised of cost of NGV compression to PTT of Baht 64.43 million, cost of the treatment of wastes of Baht 11.29 million and cost of securities trading of Baht 1 million. The cost of rendering of services increased compared to last year.

The changes resulted from the following reasons:

Cost of NGV compression to PTT for the year ended 31 December 2022 increased from last year amounted to Baht 0.07 million or 0.10%, which was in line with the revenue from rendering of services.

Cost of the treatment of wastes for the year ended 31 December 2022 increased from last year amounted to Baht 0.73 million or 6.95%, mainly due to electricity, transportation, and fuel costs.

Cost of securities trading for the year ended 31 December 2022 increased from last year amounted to Baht 1 million, due to software for securities trading development cost of a subsidiary acquired by the Company in 2022.





Costs of sales of goods

For the year ended 31 December 2022, cost of sales of goods amounted to Baht 264.53 million, which was comprised of cost of generating and distribution of electricity of Baht 226.79 million and cost of production and distribution of RDF of Baht 37.74 million. Costs of sales of goods increased compared to last year. The changes resulted from the following reasons:

Cost of generating and distribution of electricity trading for the year ended 31 December 2022 increased from last year amounted to Baht 7.26 million or 3.31%, a greater increase than the increase in revenue from generating and distribution of electricity. This was mainly due to higher consumption of raw materials, and transportation costs.

Cost of production and distribution of RDF for the year ended 31 December 2022 increased from last year amounted to Baht 7.85 million or 26.26, a greater increase than the increase in revenue from sales of RDF. This was mainly due to transportation costs, and production costs of RDF of the new RDF plant in Saraburi Province.

Cost of production and distribution of bio-methane gas for the year ended 31 December 2022 decreased from last year amounted to Baht 1.32 million because the Company sold its production and distribution of the compressed bio-methane gas business in April 2021.

Selling and administrative expenses

For the year ended 31 December 2022, the Group incurred selling and administrative expenses amounted to Baht 125.67 million, an increase from last year of Baht 4.79 million or 3.96%. This was mainly due to depreciation from the recognition of plants and equipment related to the termination of the natural gas compression by private mother station (Ban Na-Kaeng Khoi) contract in Saraburi Province, employee expenses, consulting fee of the new RDF plant in Saraburi Province, and selling and administrative expenses from the development of securities trading software business.

However, the Group had a decrease in selling and administrative expenses compared to last year due to the reversal of impairment losses of other receivables, a decrease in selling and administrative expenses from production and distribution of compressed bio-methane gas business due to the Company sold the business in April 2021, including expenses related to the investment in ordinary shares of N15 Technology Co., Ltd. and the increase in its capital in June 2021.

The Group's selling and administrative expenses are primarily comprised of employee expenses, depreciation and amortization, transportation, other service fees, and other administrative expenses.



Finance costs

For the year ended 31 December 2022, the Group incurred finance costs of Baht 38.35 million, an increase from last year of Baht 13.53 million or 54.51%, mainly due to the financing costs of debentures, financing fees for early termination of loans from financial institutions agreements, and refinancing of a long-term loan from a financial institution of a subsidiary.

Tax income

For the year ended 31 December 2022, the Group incurred tax income of Baht 9.54 million, an increase from last year of Baht 7.60 million or 391.75% because of the effect from the termination of the natural gas compression by private mother station (Ban Na-Kaeng Khoi) contract in Saraburi Province.

Gross profit and net profit for the year

1. Gross profit*

For the year ended 31 December 2022, gross profit of the Group was Baht 128.55 million, a decrease by Baht 9.40 million or 6.81% compared to last year. The gross margin for the year ended 31 December 2022 was 27.36% slightly lower than the previous year due to higher production costs of the generating and distribution of electricity of Mae Krating biomass power plant business and RDF production and distribution business.

Remark: Gross profit * = (Revenue from rendering of services + Revenue from sale of goods) – (Cost of rendering of services + Cost of sales of goods)

Gross profit margin = Gross profit / (Revenue from rendering of services + Revenue from sale of goods)

2) Net profit for the year

For the year ended 31 December 2022, the Group had a profit for the year of Baht 1.69 million, a decrease by Baht 30.35 million or 94.73% compared to last year. This was primarily due to a decrease in profit of the generating and distribution of electricity of Mae Krating biomass power plant business and RDF production and distribution business, as well as an increase in financing costs from financing fees for the early termination of loans from financial institutions agreements and refinancing of long-term loans from a financial institution and debentures. However, the Group's tax income for 2022 increased from 2021.


Financial Position

Unit: in Million Baht

	As at 31 December 2022	As at 31 December 2021	Increase	%
Total assets	1,904.56	1,586.96	317.60	20.01%
Total liabilities	792.71	501.86	290.85	57.95%
Total equity	1,111.85	1,085.10	26.75	2.47%

Total assets

Total assets of the Group mainly consist of trade accounts receivable, lease receivables, property, plant and equipment, investment properties, and intangible assets. As of 31 December 2022 and 2021, total assets of the Group amounted to Baht 1,904.56 million and Baht 1,586.96 million, respectively. Total assets increased by Baht 317.60 million or 20.01% was mainly due to the investment in buildings and equipment of the new RDF plant in Saraburi Province, and goodwill from the Company acquired Vanta Capital Co., Ltd. in April 2022 amounted to Baht 32.79 million.

Total liabilities

Total liabilities of the Group are mainly comprised of loans from financial institutions and debentures. As of 31 December 2022 and 2021, total liabilities of the Group amounted to Baht 792.71 million and Baht 501.86 million, respectively. Total liabilities increased by Baht 290.85 million or 57.95% was mainly due to the issuance of Baht 300 million of debentures which the Company used cash received from some debentures to repay long-term loans from financial institutions early and repayment of long-term loans from financial institutions of a subsidiary.

Equity

As of 31 December 2022 and 2021, equity of the Group were Baht 1,111.85 million and Baht 1,085.10 million, respectively. Equity increased by Baht 26.75 million or 2.47%, as a result of non-controlling interests from the acquisition of subsidiaries amounted to Baht 25.06 million, and net profit for the year ended 31 December 2022.

