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**Management Discussion and Analysis for Interim Business Operations**

**The Information of Share Capital Registration and Entire Business Transfer**

The Company registered the change of registered capital from THB 589,968,760.00 to be THB 970,283,450.00 with the Ministry of Commerce on June 22, 2018 regarding to the Extraordinary General Meeting of Shareholders No. 1/2018 of the Company on May 10, 2018 for the purchase and acceptance of the Entire Business Transfer from SUTG Holding Company Limited (“SUTGH”). As of the business transfer date, SUTGH will hold shares of SUT Global Company Limited (“SUTG”), in equivalent to 66 percent of SUTG’s issued and paid-up shares. SUTG is engaging in the business of a construction contractor, provision of service regarding the operation and maintenance, and a consultancy services regarding waste management engineering.

On July 20, 2018, the Company carried out matters relating to the Entire Business Transfer Transaction as the following:

1. The Company allocated 195,000,000 newly-issued ordinary shares at the offering price of THB 1 per and 265,000 units of convertible debentures at the offering price of THB 1,000 per unit to SUTGH; and
2. The Company registered the change of its paid-up registered capital in the amount of THB 195,000,000 in respect of the newly-issued ordinary shares with the Ministry of Commerce and the paid-up registered capital of the Company is equivalent to THB 784,968,760 divided into 784,968,760 ordinary shares at the par value of THB 1 per share.

As of the Entries Business Transfer, the Company could expand and strengthen its business, and also increasing the Company’s capability and competitive advantages which influencing the Company’s operation to be profit in the future.

<b>Financial Performance for the period ended June 30 , 2018 (Unit : Million Baht)</b>				
	<b>2018</b>	<b>2017</b>	<b>Inc./(Dec.)</b>	<b>%</b>
Construction income	35.57	64.20	-28.63	-44.60
Service income	0.00	7.80	-7.80	-100.00
Other income	1.43	0.92	0.51	55.43
<b>Total Revenues</b>	<b>37.00</b>	<b>72.92</b>	<b>-35.92</b>	<b>-49.26</b>
Cost of constuction	31.40	63.28	-31.88	-50.38
Cost of services	0.00	3.79	-3.79	-100.00
Administrative expenses	24.98	13.12	11.86	90.40
Finance cost	2.60	3.48	-0.88	-25.29
<b>Total Expenses</b>	<b>58.98</b>	<b>83.67</b>	<b>-24.69</b>	<b>-29.51</b>
<b>Loss Before Income Tax</b>	<b>-21.98</b>	<b>-10.75</b>	<b>-11.23</b>	<b>-104.47</b>
Income tax expense	-0.02	-0.01	-0.01	-100.00
<b>Total loss for the period</b>	<b>-22.00</b>	<b>-10.76</b>	<b>-11.24</b>	<b>-104.46</b>
Other Comprehensive Income	1.23	-0.23	1.46	634.78
<b>Total comprehensive loss for the period</b>	<b>-20.77</b>	<b>-10.99</b>	<b>-9.78</b>	<b>-88.99</b>
Non-controlling interests of the subsidiaries	0.05	0.04	0.01	25.00
<b>Profit(Loss) attributable to equity holders of the company</b>	<b>-22.05</b>	<b>-10.80</b>	<b>-11.25</b>	<b>-104.17</b>
Basic Loss Per Share (Baht)	-0.04	-0.03		
Gross Margin	11.72%	6.85%		
Net Profit Margin	-59.59%	-14.81%		

<b>Financial Performance of 2nd quarter for 6 months ended June 30, 2018 (Unit : Million Baht)</b>				
	<b>2018</b>	<b>2017</b>	<b>Inc./(Dec.)</b>	<b>%</b>
Construction income	57.20	146.58	-89.38	-60.98
Service income	0.41	15.96	-15.55	-97.43
Sale of goods	0.00	1.05	-1.05	
Other income	4.02	1.64	2.38	145.12
<b>Total Revenues</b>	<b>61.63</b>	<b>165.23</b>	<b>-103.60</b>	<b>-62.70</b>
Cost of constuction	48.95	143.34	-94.39	-65.85
Cost of services	0.21	7.75	-7.54	-97.29
Cost of sold	0.00	0.36	-0.36	
Administrative expenses	38.56	27.01	11.55	42.76
Finance cost	5.19	7.06	-1.87	-26.49
<b>Total Expenses</b>	<b>92.91</b>	<b>185.52</b>	<b>-92.61</b>	<b>-49.92</b>
<b>Loss Before Income Tax</b>	<b>-31.28</b>	<b>-20.29</b>	<b>-10.99</b>	<b>-54.13</b>
Income tax expense	-0.09	-0.05	-0.04	-80.00
<b>Total loss for the period</b>	<b>-31.37</b>	<b>-20.34</b>	<b>-11.03</b>	<b>-54.20</b>
Other Comprehensive Income	-3.14	1.73	-4.87	281.50
<b>Total comprehensive loss for the period</b>	<b>-34.51</b>	<b>-18.61</b>	<b>-15.90</b>	<b>-85.40</b>
Non-controlling interests of the subsidiaries	0.09	0.10	-0.01	
<b>Profit(Loss) attributable to equity holders of the company</b>	<b>-31.46</b>	<b>-20.44</b>	<b>-11.02</b>	<b>-53.88</b>
<b>Financial Position as at June 30 , 2018 and December 31, 2017 (Unit : Million Baht)</b>				
	<b>2018</b>	<b>2017</b>	<b>Inc./(Dec.)</b>	<b>%</b>
Current Assets	240.87	305.00	-64.13	-21.03
Non-Current Assets	260.05	259.75	0.30	0.12
<b>Total Assets</b>	<b>500.92</b>	<b>564.75</b>	<b>-63.83</b>	<b>-11.30</b>
Current Liabilities	182.60	202.31	-19.71	-9.74
Non-Current Liabilities	146.89	156.49	-9.60	-6.13
<b>Total Liabilities</b>	<b>329.49</b>	<b>358.80</b>	<b>-29.31</b>	<b>-8.17</b>
<b>Equity attributable to the owner of the company</b>	<b>167.34</b>	<b>202.01</b>	<b>-34.67</b>	<b>-17.16</b>
Basic Loss Per Share (Baht)	-0.05	-0.05		
Gross Margin	14.67%	7.42%		
Net Profit Margin	-51.05%	-12.37%		
Debt to Equity Ratio (Time)	1.97	1.78		

## **The 3-Month Operating Result as ended 30 June 2018**

### Construction Income

In the 2<sup>nd</sup> quarter of 2018, the company and its subsidiaries' construction income was Baht 35.57 million whereas Baht 64.20 million in the same quarter of 2017 showing a decrease of Baht 28.63 million or representing 44.60 % decrease since there have been only 6 ongoing projects and no any additional awarded one. During the 1<sup>st</sup> quarter, one project had been completed whereas another 5 remaining ones have been under construction to be completed within this current year.

### Service Income

There was no service income in this second quarter whereas Baht 7.80 million in the same quarter of 2017 decreasing Baht 7.80 million or 100 % decrease due to having 2 service projects with signed contract of work value of Baht 13.20 million and one of them has been already implemented and a total of revenue was expected to be recognized in this current year.

### Other Income

The other income in this quarter of the company and subsidiaries was Baht 1.43 million whereas Baht 0.92 million in the same quarter of 2017 showing an increase of Baht 0.51 million or 55.43 % increase. The income gained in this current quarter approximately 39.30 % was gained from refunding of bank guarantee fee.

### Cost of Construction

The company and its subsidiaries' construction cost in this 2<sup>nd</sup> quarter of 2018 was Baht 31.40 million whereas Baht 63.28 million in the same quarter of 2017 decreasing Baht 31.88 million or 50.38 % decrease and equivalent to the gross margin of 11.42 % and 1.43 %, respectively. This was in line with the income decrease and the gross margin of this quarter increased since the project executed in this quarter had no any operating loss.

### Cost of Services

There was no service cost in this 2<sup>nd</sup> quarter of 2018 whereas Baht 3.79 million in the same quarter of 2017 or representing 95.78 % decrease and equivalent to 51.41 % gross margin of 2017 due to having no service cost in this quarter of the current year.

### Administrative Expenses

The administrative expenses in this 2<sup>nd</sup> quarter of 2018 was Baht 24.98 million whereas Baht 13.12 million in the same quarter of 2017 showing an increase of Baht 11.86 million or 90.40 % increase. The increasing amount was related to the expenses of the capital increase and issuing of the convertible bond for entire business transfer of SUT Global Co., Ltd. such as fees for financial and legal advisory and the transfer transaction had been already completed on 20 July, 2018.

### Finance Cost

The finance cost of the company and subsidiaries was Baht 2.60 million whereas Baht 3.48 million in the same quarter of 2017 showing a decrease of Baht 0.88 million or 25.29 % decrease due to periodical repayment of loan to reduce debt since 2017.

### Loss Attributable to Equity Holders of the Company

In this 2<sup>nd</sup> quarter of 2018, there was a loss attributable to equity holders of the company of Baht 22.05 million whereas Baht 10.80 million in the same quarter of 2017 or equivalent to -59.59 % and - 14.81 % net profit margin of 2017 and 2016, respectively. The loss was higher than last year due to the reduction of the company' s total income and the increase of the administrative expenses as mentioned above.

### **Summary of the 2<sup>nd</sup> quarter/6-month Financial Position as ended 30 June 2018**

The total 6-month income as ended 30 June, 2018 was Baht 61.63 million whereas Baht 165.23 million in the same period of 2017 representing a decrease of Baht 103.60 million or 62.77 % decrease. The reduction of income was the construction one of Baht 89.39 million or 60.98 % decrease and the decreasing service one of Baht 15.55 million or 97.43 % decrease. During this current year, there were 2 awarded service projects of Baht 13.20 million while no new construction project and those 2 new service which were expected to be recognized a total of their income in this current year. The total 6-month cost and expenses of the current year was Baht 92.91 million whereas Baht 185.52 million in the same period of 2017 showing a decrease of Baht 92.61 million or 49.92 % decrease. The reduction cost consisted of the construction one decreasing Baht 97.39 million or 65.85 % decrease and the service one decreasing Baht 7.54 million or 97.29 % decrease. This was in line with the reduction of the construction and service incomes. In addition, there has been no sale of goods and cost of sold in this current year. The 6-month operating result of 2018 reflected the net operating loss of Baht 31.46 million whereas Baht 20.44 million in the same period of 2017 or net profit rate were -51.05 % and -12.37 %, respectively. The higher operating loss was due to the increase of the administrative expenses as mentioned above.

### **Summary of the financial status as ended 30 June 2018**

#### Total Assets

As ended June 30, 2018, the total asset of the company and subsidiaries was Baht 500.92 million whereas Baht 564.75 million at the end of 2017 showing a decrease of Baht 63.83 million or 11.30 % decrease. The significant decrease was cash and cash equivalents of Baht 81.65 million due to payment to account payables and for operation of the company.

### Total Liabilities

As ended June 30, 2018, the company and its subsidiaries' total liabilities was Baht 329.49 million whereas 2017 was Baht 358.80 million showing a decrease of Baht 29.31 million or 8.17 % decrease. The significant decrease was a reduction of account payables of Baht 21.74 million representing 14.04 % decrease due to utilizing some capital increase amount for paying to account payables. The debt to equity ratio of this 2<sup>nd</sup> quarter was equivalent to 1.97 times increasing from 1.78 times in 2017 due to the reduction of the account payables which was lower than the reduction of the shareholder equity to be mentioned in the next item.

### Shareholders' Equity

As ended June 30, 2018, the shareholders' equity of the company and subsidiaries was totally Baht 167.34 million whereas Baht 202.01 million in 2017 showing a decrease of Baht 34.67 million or 17.16 % decrease due to the abovementioned operating loss of Baht 31.46 million and the adjustment of the actuarial loss and exchange rate conversion of Baht 3.46 million and - 0.25 million, respectively.

### **Project on hand as ended 30 June 2018**

Project on hands as of June 30, 2018			
	No. of project	Contract Value (Million Baht)	Backlog (Million Baht)
Construction proect	5	453.66	195.83
Service Project	2	13.12	
Total	5	453.66	195.83

As of June 30, 2018, the company and its subsidiaries had 5 projects on hand with a total of contract values of Baht 453.66 million and backlog of Baht 195.83 million. For this captioned quarter, there were two awarded service projects of which some works were partly implemented with their approximate work values of not over than Baht 13.12 million and their total values are expected to be completely recognized as the income gained in this current year.

### **Investment project on hand as ended 30 June 2018**

The progress of 2 ongoing investment projects are as follows:

1. Water Supply Investment Project for Chiang Mai Municipality : It is the Build Own and Operate (BOO) one with asset value during construction period as ended June 30, 2018 of Baht 87.07 million of which the construction has been partly executed and currently waiting for an approval of concession for water production and distribution.

2. Waste Water Treatment Investment Project in Myanmar: It is the Build Own and Transfer (BOT) one of which the construction has been commenced and waiting for an approval of some construction drawing amendment. The total values of account receivables under the concession agreement and intangible assets as ended June 30, 2018 were Baht 11.94 million and Baht 4.52 million, respectively.

Slib Soongsawang



Mr.Slib Soongsawang  
(Chief Executive Officer)