

Management Discussion and Analysis for Interim Business Operations

Financial Performance for the year ended December 31 , 2018 (Unit : Million Baht)				
	2018	2017	Inc./(Dec.)	%
Construction income	173.81	229.11	-55.30	-24.14
Service income	5.12	22.16	-17.04	-76.90
Sale of goods	0.00	1.05	-1.05	
Other income	5.43	2.43	3.00	123.46
Total Revenues	184.36	254.75	-70.39	-27.63
Cost of constuction	177.44	227.52	-50.08	-22.01
Cost of services	4.55	16.78	-12.23	-72.88
Cost of sold	0.00	0.36	-0.36	
Administrative expenses	286.70	53.89	232.81	432.01
Finance cost	19.20	13.37	5.83	43.61
Total Expenses	487.89	311.92	175.97	56.42
Loss Before Income Tax	-303.53	-57.17	-246.36	-430.93
Income tax expense	11.10	-2.43	13.53	-556.79
Total loss for the period	-292.43	-59.60	-232.83	-390.65
Other Comprehensive Income	-4.78	1.02	-5.8	568.63
Total comprehensive loss for the year	-297.21	-58.58	-238.63	-407.36
Non-controlling interests of the subsidiaries	-48.93	0.21	-49.14	23400.00
Profit(Loss) attributable to equity holders of the company	-243.50	-59.81	-183.69	-307.12
Financial Position as at December 31 (Unit : Million Baht)				
	2018	2017	Inc./(Dec.)	%
Current Assets	423.04	305.00	118.04	38.70
Non-Current Assets	920.89	259.75	661.14	254.53
Total Assets	1343.93	564.75	779.18	137.97
Current Liabilities	405.82	202.31	203.51	100.59
Non-Current Liabilities	494.34	156.49	337.85	215.89
Total Liabilities	900.16	358.80	541.36	150.88
Total Shareholders ' Equity	251.63	202.01	49.62	24.56
Basic Loss Per Share (Baht)	-0.36	-0.15		
Gross Margin	-1.71%	3.04%		
Net Profit Margin	-132.08%	-23.48%		
Debt to Equity Ratio (Time)	3.58	1.78		

Summary of the Annual Operating Result as ended 31 December 2018

Construction Income

In 2018, the company and its subsidiaries' construction income was Baht 173.81 million, whereas Baht 229.11 million in 2017, showing a decrease of Baht 55.30 million or representing 24.14 % decrease since there have been only 5 ongoing projects whereas a subsidiary had 1 additional ongoing project with its contract value of Baht 522.24 million that has been already implemented with work progress equivalent to 17.36 %. In addition, in this captioned year, there were the additional adjustment to the estimated construction cost of one project affecting a reduction of income of Baht 20.51 million and the estimation of penalty charge of one project expected to be delayed affecting a reduction of income of Baht 2.56 million. Moreover, the construction income gained in this captioned year was lower than last year of which its number of 3 projects were more than this captioned year.

Service Income

In 2018, the company's and subsidiaries' service income was totally Baht 5.12 million, whereas Baht 22.16 million in 2017, decreasing Baht 17.04 million or 76.90 % decrease since the on hand projects were completed with no renewal of contract in this captioned year and there were 3 service projects with signed contract value of Baht 15.20 million of which one of them was completed whereas another 2 remaining ones were expected to be completed in 2019.

Other Income

The other income in 2018 of the company and subsidiaries was Baht 5.43 million, whereas Baht 2.43 million in 2017, showing an increase of Baht 3.00 million or 123.46 % increase. The income gained in this current year approximately 40.19 % was gained from the interest receivable. In addition, there were the income gained from refund of bank charge equivalent to 14.73 % and the adjustment to the performance guarantee which was due and equivalent to 37.79 %.

Cost of Construction

The company and its subsidiaries' cost of construction in 2018 was Baht 177.44 million, whereas Baht 227.52 million in 2017, decreasing Baht 50.08 million or 22.01% decrease and equivalent to the gross margin of -2.09 % and 0.69 %, respectively. This was in line with the reduction of construction income. The gross margin was in deficit due to an adjustment to the estimated construction cost of Baht 25.26 million since the forecasted estimation of materials was lower than the actual one. In addition, due to the additional adjustment to the estimated construction cost of the projects expected to be delayed from the contract due date of Baht 3.33 million, the operating loss therefore appeared in this captioned year.

Cost of Services

The company and its subsidiaries' cost of service in 2018 was Baht 4.55 million, whereas Baht 16.78 million in 2017, decreasing Baht 12.23 million or 72.88% decrease and equivalent to 11.14 % and 24.28 % of the gross margin of 2018 and 2017, respectively. This reduction of cost of service was in line with the reduction of income.

Administrative Expenses

The administrative expenses in 2018 was Baht 286.70 million, whereas Baht 53.89 million in 2017, showing an increase of Baht 232.81 million or 432.01 % increase. The significant increasing amount was related to the expenses of the asset write-off of the waste management innovation account of Baht 53.49 million. Moreover, during this captioned year, there were an increase of the administrative expenses of 3 subsidiaries of Baht 117.75 million. One of the company's subsidiaries recognized a provision of asset impairment and doubtful debt of Baht 25.30 million and 35.13 million, respectively. In addition, the company recognized impairment loss on goodwill in the amount of Baht 37.90 million in consolidated statement and impairment loss on subsidiaries investment in the amount of Baht 133.00 million in separate financial statement. This also included the expenses related to the capital increase registration of Baht 14.24 million.

Finance Cost

In 2018, the finance cost of the company and subsidiaries was Baht 19.20 million, whereas Baht 13.37 million in 2017, showing an increase of Baht 5.83 million or 43.61 % increase due to recording of the interest payable for convertible debenture of Baht 6.96 million whereas the interest payable for bank loan was lower due to the capital increase at the end of 2017.

Loss Attributable to Equity Holders of the Company

In 2018, there was a loss attributable to equity holders of the company of Baht 243.50 million, whereas Baht 59.81 million in 2017, or equivalent to -132.08 % and – 23.48 % net profit margin of 2018 and 2017, respectively. The loss was higher than last year due to the reduction of the company's income, increase of cost and administrative expenses as mentioned above.

Summary of the financial status as ended 31 December 2018

Total Assets

As ended December 31, 2018, the total asset of the company and subsidiaries was Baht 1,343.93 million, whereas Baht 564.75 million in 2017, showing an increase of Baht 779.18 million or 137.97 % increase. The significant increase came from the waste management innovation account and goodwill arising from the entire business transfer of Baht 502.48 million (as included in the intangible assets) and 155.19 million, respectively

and the trade receivables and other receivables of Baht 135.67 million. Most of them were the trade receivables gained from the government authority clients.

Total Liabilities

As ended December 31, 2018, the company and its subsidiaries' total liabilities was Baht 900.31 million, whereas in 2017 was Baht 358.80 million, showing an increase of Baht 541.36 million or 150.88 % increase. The significant increase consisted of the convertible debentures and deferred tax of Baht 242.29 million and 105.19 million, respectively, as a result of the business transfer and the advance payment additionally gained according to the construction contract of a subsidiary of Baht 76.93 million. The debt to equity ratio of 2018 was equivalent to 3.58 times increasing 1.80 times from 1.78 times in 2017 due to the increase of the aforementioned liabilities whereas the increase of debt to equity ratio was lower.

Shareholders' Equity

As ended December 31, 2018, the shareholders' equity of the company and subsidiaries was totally Baht 251.638 million, whereas Baht 202.01 million in 2017, showing an increase of Baht 49.62 million or 24.56 % increase as a result from the capital increase and share premium of Baht 195.00 million and 81.90 million arising from the business transfer whereas the operating loss was Baht 243.50 million.

Project on hand as ended 31 December 2018

Project on hands as of December 31, 2018			
	No. of project	Contract Value (Million Baht)	Backlog (Million Baht)
Construction proect	6	968.80	597.41
Service Project	2	13.12	
Total	8	968.80	597.41

As ended December 31, 2018, the company and its subsidiaries had 6 projects on hand with a total of contract values of Baht 968.80 million in which there was one new awarded project in this captioned year with its contract value of Baht 522.24 million and the backlog of Baht 597.41 million. With respect to the service ones, there were 2 backlog projects of Baht 13.12 million of which some works were partly implemented and expected to be completed in 2019.

Investment project on hand as ended 31 December 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 December 31,

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 & supply.

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 trade receivables under the concession agreement and intangible assets as ended December 31, 2018 were Baht 12.29 million and Baht 4.43 million, respectively.

Supareuk Na Songkhla

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