

No. SKE-SET-005/65

25 February 2022

Management's Discussion and Analysis

For the year ended 31 December 2021

**Overall Performance**

- The Company confirmed on the acceptance of the termination of the Natural Gas Compression Contract of the private mother station (Ban Na-Kaeng Khoi) in Saraburi Province and related contract between the Company and 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 ton per day since 1 March 2021. Although the acceptance of such offer on termination and other relevant contracts are uncertainty due to the PTT’s consideration is subject to the relevant rules and regulations. However, the zero demand of compressed NGV ton per day resulted in revenue from rendering of services and net profit for the year ended 31 December 2021 decreased from the last year.
- In April 2021, the Company dispose of all ordinary shares in RE Biofuels Company Limited, a subsidiary of the Company. The Group recognized gain on this disposal of Baht 13.36 million.
- On 1 June 2021, the Company invested in 99.99% ordinary shares of N15 Technology Co., Ltd. (“N15”). This transaction is considered as a business combination under common control of the same ultimate controlling shareholders before and after the acquisition date, and that control was not transitory. Total consideration was Baht 145 million. Consequently, the Group prepared the consolidated financial statements by including the financial statements of N15 before 1 January 2020 as to reflects the economic substances for the Company and N15 as one economic unit before such date.



## Operating result

Unit: in Million Baht

	For the year		Increase (decrease)	%
	2021	2020		
<b>Revenues</b>				
Revenue from rendering of services	130.23	225.44	(95.21)	(42.23%)
Revenue from sales of goods	333.38	350.25	(16.87)	(4.82%)
Revenue from leases	17.87	19.00	(1.13)	(5.95%)
Other income	19.98	4.46	15.52	347.98%
<b>Total revenue</b>	<b>501.46</b>	<b>599.15</b>	<b>(97.69)</b>	<b>(16.30%)</b>
<b>Expenses</b>				
Costs of rendering of services	74.92	143.70	(68.78)	(47.86%)
Cost of sales of goods	250.74	256.43	(5.69)	(2.22%)
Selling and Administrative expenses	120.88	127.98	(7.10)	(5.55%)
Finance costs	24.82	34.36	(9.54)	(27.76%)
Tax income	(1.94)	(1.58)	(0.36)	(22.78%)
<b>Total expenses</b>	<b>469.42</b>	<b>560.89</b>	<b>(91.47)</b>	<b>(16.31%)</b>
<b>Profit for the year</b>	<b>32.04</b>	<b>38.26</b>	<b>(6.22)</b>	<b>(16.26%)</b>
Gain attributable to non-controlling interests	2.68	0.04	2.64	6600.00%
Former shareholders before business restructuring	2.63	0.93	1.70	182.80%
<b>Profit attributable to owners of the parent</b>	<b>26.73</b>	<b>37.29</b>	<b>(10.56)</b>	<b>(28.32%)</b>



Revenues

Unit: in Million Baht

	For the year			
	2021		2020	
	Amount	%	Amount	%
<b>Revenues</b>				
Revenue from rendering of services	130.23	25.98%	225.44	37.63%
Revenue from sales of goods	333.38	66.48%	350.25	58.46%
Revenue from leases	17.87	3.56%	19.00	3.17%
Other income	19.98	3.98%	4.46	0.74%
<b>Total revenue</b>	<b>501.46</b>	<b>100%</b>	<b>599.15</b>	<b>100%</b>

Significant changes can be summarized as follows:

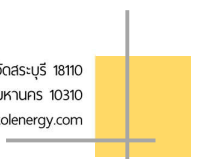
Revenue from rendering of services

For the year ended 31 December 2021, revenue from rendering of services amounted to Baht 130.23 million comprised of revenue from NGV natural gas compression for PTT Public Company Limited (PTT) of Baht 110.40 million, revenue from the treatment of wastes of Baht 15.36 million and revenue from purchase and sale of Refuse Derived Fuel (RDF) of Baht 4.47 million. Revenue from rendering of services decreased from the last year resulted from the following reasons:

Revenue from compression of NGV for PTT for the year ended 31 December 2021 decreased from the last year amounted to Baht 97.26 million or 46.83%, due to a decrease in service volume of natural gas compression which was in line with a decrease in demand from natural gas for vehicles (NGV) including the situation of outbreak of COVID-19. Moreover, in February 2021, PTT informed the Company of the zero demand of compressed natural gas for vehicles by the Company's Ban Na-Kaeng Khoi Private Mother Station in Saraburi, effective from 1 March 2021 onwards. However, the Company still has a duty to be ready to compress gas for PTT and PTT continues to pay the available payment (AP) to the Company on monthly basis at the rate stipulated in the contract.

Revenue from the treatment of wastes for the year ended 31 December 2021 decreased from the last year amounted to Baht 0.14 million or 0.94%.

Revenue from purchase and sale of RDF for the year ended 31 December 2021 increased from the last year amounted to Baht 2.19 million or 95.76% which were in line with demand for RDF of customers in each period and new customer.





### Revenue from sale of goods

For the year ended 31 December 2021, revenue from sales of goods of Baht 333.38 million comprised of revenue from generating and distribution of electricity of Baht 282.86 million, revenue from sales of RDF of Baht 49.52 million and revenue from production and distribution of bio-methane gas of Baht 1 million. Reasons of the decrease in revenue from sales of goods comparing to the last year are as follows:

Revenue from generating and distribution of electricity sale to the Provincial Electricity Authority (PEA) for year ended 31 December 2021 decreased from the last year amounted to Baht 3.66 million or 1.28% because shutdown increased from the last year.

Revenue from sales of RDF for year ended 31 December 2021 increased from the last year amounted to Baht 2.99 million or 6.42% Due to the subsidiary company has new customers in power plant business.

Revenue from production and distribution of compressed bio-methane gas for year ended 31 December 2021 decreased from the last year amounted to Baht 16.20 million or 94.19% because the Company disposed compressed bio-methane gas business unit in April 2021. As a result, the Group recognized revenue from production and distribution gas for the period of three months for the year 2021.

### Revenue from leases

For the year ended 31 December 2021, the Company recognized revenue from leases amounting to Baht 17.87 million or 3.56% of total revenue. The decrease from the last year in revenue from leases was due to the revenue recognition of revenue from leases with discounted present value.

### 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 electricity sales to operation and maintenance service provider, 5) revenue from solar rooftop equipment rental, and 6) gain from sales of investment.

For the year ended 31 December 2021, other income was Baht 19.98 million, an increase by Baht 15.52 million or 347.98% compared to the last year, mainly due to gain from sales of investment in production and distribution of bio-methane gas amounted to Baht 13.36 million in April 2021.



Expenses

Unit: in Million Baht

	For the year			
	2021		2020	
	Amount	%	Amount	%
<u>Expenses</u>				
Costs of rendering of services	74.92	15.96%	143.70	25.62%
Cost of sales of goods	250.74	53.41%	256.43	45.72%
Selling and Administrative expenses	120.88	25.75%	127.98	22.82%
Finance costs	24.82	5.29%	34.36	6.13%
Tax income	(1.94)	(0.41%)	(1.58)	(0.29%)
<b>Total expenses</b>	<b>469.42</b>	<b>100%</b>	<b>560.89</b>	<b>100%</b>

Costs of rendering of services

For the year ended 31 December 2021, cost of rendering of services amounted to Baht 74.92 million, comprised of cost of compression of NGV for PTT of Baht 64.37 million and cost of the treatment of wastes of Baht 10.55 million. Cost of rendering of services decreased from the last year resulted from the following reasons:

Cost of compression of NGV for PTT for the year ended 31 December 2021 decreased from the last year amounted to Baht 69.28 million or 51.83% which were in line with the decrease of revenue from rendering of services and employee expenses of Ban Na-Kaeng Khoi Private Mother Station in Saraburi.

Cost of the treatment of wastes for the year ended 31 December 2021 increased from the last year amounted to Baht 0.50 million or 4.97%.

Costs of sales of goods

For the year ended 31 December 2021, cost of sales of goods amounted to Baht 250.74 million, comprised of cost of generating and distribution of electricity of Baht 219.52 million, cost of production and distribution of RDF of Baht 29.90 million and cost of production and distribution of bio-methane gas of Baht 1.32 million. Reasons of the increase in cost of sales of goods comparing to the last year are as follows:

Cost of generating and distribution of electricity for the year ended 31 December 2021 increased from the last year amounted to Bah 5.75 million or 2.69%, primarily due to engineering consulting fee and raw material prices slightly increased due to the impact of the COVID-19 situation.



Cost of production and distribution of RDF for the year ended 31 December 2021 increased from the last year amounted to Baht 2.05 million or 7.35% due to an increase in the purchase volume of waste for production which was in line with the increase of revenue from sale of goods

Cost of production and distribution of bio-methane gas for the year ended 31 December 2021 decreased from the last year amounted to Baht 13.49 million or 91.07% because the Company disposed compressed bio-methane gas business unit in April 2021.

### Selling and administrative expenses

For the year ended 31 December 2021, the Group incurred selling and administrative expenses amounted to Baht 120.88 million, a decrease from the last year of Baht 7.10 million or 5.55% compared to the last year due to a decrease in donation, operating expenses of N15 Technology Co., Ltd. before being a subsidiary of the Company (expenses occurred after business combination are intra-group transactions which are eliminated on consolidation), and expenses from production and distribution of compressed bio-methane gas business because the Company disposed business unit in April 2021. Although in year 2021, the Company had additional expenses arising from expenses relating to the investment in ordinary shares of N15 amounted to Baht 3.65 million, the offering of newly issued ordinary shares, and loss on disposal of assets

Main selling and administrative expenses are comprised of employee expenses, depreciation and amortization, transportation expense, other service fees, and other administrative expenses.

### Finance costs

For the year ended 31 December 2021, the Group incurred finance costs of Baht 24.82 million, a decrease from the last year of Baht 9.54 million or 27.76% mainly due to repaid loans from financial institutions and third parties, and a reduction in interest rate from financial institutions.

### Gross profit and net profit for the year

#### 1. Gross profit \*

For the year ended 31 December 2021, gross profit of the Group was Baht 137.95 million, a decrease of Baht 37.61 million or 21.42% compared to the last year. Gross margin for the year ended 31 December 2021 and 2020 were 29.76% and 30.50%, respectively. A decrease in gross profit resulted from the decrease in revenue from rendering of services of the private mother station business which was in line with a decrease in demand from natural gas for vehicles and the decrease in revenue from rendering of services from the zero demand of compressed natural gas for



vehicles by the Company's Ban Na-Kaeng Khoi Private Mother Station, effective from 1 March 2021 onwards. Besides, shutdown of Mae Krating biomass power plant business increased from the last year.

**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 2021, profit of the Group was Baht 32.04 million, a decrease by Baht 6.22 million or 16.26% compared to the last year mainly resulted from the decrease of profit from the private mother station business.

**Financial Position**

Unit: in Million Baht

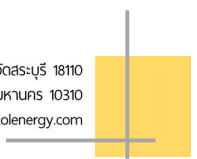
	As at 31 December 2021	As at 31 December 2020	Increase (Decrease)	%
Total assets	1,586.96	1,748.55	(161.59)	(9.24%)
Total liabilities	501.86	685.06	(183.20)	(26.74%)
Total equity	1,085.10	1,063.49	21.61	2.03%

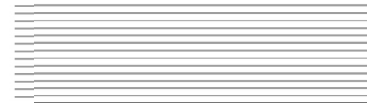
**Total assets**

The main assets of the Group consist of trade accounts receivables, lease receivables, property, plant and equipment, investment properties, and intangible assets. Total assets of the Group as of 31 December 2021 and 31 December 2020 were Baht 1,586.96 million and Baht 1,748.55 million, respectively. Total assets decreased by Baht 161.59 million or 9.24% were mainly due to the recognition of depreciation and amortization during the year and the assets of production and distribution of bio-methane gas business that the Company disposed this business in April 2021.

**Total liabilities**

Total liabilities of the Group are mainly comprised of trade accounts payable, loans from financial institutions and lease liabilities. As at 31 December 2021 and 31 December 2020, total liabilities of the Group were Baht 501.86 million and Baht 685.06 million, respectively, decreased by Baht 183.20 million or 26.74% because of the repayment of loans from financial institutions for investing in Mae Krating biomass power plant project, the repayment of lease liabilities of machinery of waste treatment business, a decrease in liabilities of production and distribution of bio-methane gas business resulting from business disposal.





## Equity

As of 31 December 2021 and 2020, equity of the Group were Baht 1,085.10 million and Baht 1,063.49 million, respectively. Total equity increased by Baht 21.61 million or 2.03% from the end of year 2020, primarily due to an increase in capital of Baht 148.80 million and net profit for the year ended 31 December 2021 of Baht 32.04 million, whereas the Group recognized the impact of acquisition of N15 Technology Co., Ltd. which was considered as business combination of entity under common control of Baht 145 million and the dividend payment to shareholders in May 2021 of Baht 13.95 million.