

No. SKE-SET-013/65

15 August 2022

Management's Discussion and Analysis
For the six-month period ended 30 June 2022

Overall Performance

- 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 April 2022, N15 Technology Co., Ltd. ("N15"), a subsidiary of the Company, 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 already paid for the additional shares amounting to Baht 85 million on 18 April 2022 and Baht 60 million on 23 June 2022.
- In June 2022, 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.



Operating result

Unit: in Million Baht

	Three-month period			% Increase (Decrease)		Six-month period		Increase	%
	Q2'2021	Q1'2022	Q2'2022	YoY	QoQ	2021	2022	(decrease)	
Revenues									
Revenue from rendering of services	33.66	30.82	31.58	(6.18%)	2.47%	74.91	62.40	(12.51)	(16.70%)
Revenue from sales of goods	79.37	74.91	91.98	15.89%	22.79%	170.49	166.89	(3.60)	(2.11%)
Revenue from leases	4.50	4.25	1.92	(57.33%)	(54.82%)	9.09	6.17	(2.92)	(32.12%)
Other income	14.57	2.96	13.21	(9.33%)	346.28%	15.50	16.17	0.67	4.32%
Total revenue	132.10	112.94	138.69	4.99%	22.80%	269.99	251.63	(18.36)	(6.80%)
Expenses									
Costs of rendering of services	17.78	18.52	18.75	5.46%	1.24%	42.39	37.27	(5.12)	(12.08%)
Cost of sales of goods	62.06	60.41	62.26	0.32%	3.06%	126.11	122.67	(3.44)	(2.73%)
Selling and Administrative expenses	32.25	26.64	33.43	3.66%	25.49%	66.95	60.07	(6.88)	(10.28%)
Finance costs	6.16	12.29	10.89	76.79%	(11.39%)	13.11	23.18	10.07	76.81%
Tax income	(1.00)	(0.83)	(8.32)	(732.00%)	(902.41%)	(1.39)	(9.15)	(7.76)	(558.27%)
Total expenses	117.25	117.03	117.01	(0.20%)	(0.02%)	247.17	234.04	(13.13)	(5.31%)
Profit for the period	14.85	(4.09)	21.68	45.99%	630.07%	22.82	17.59	(5.23)	(22.92%)
Gain attributable to non-controlling interests	0.38	(1.67)	3.34	778.95%	300.00%	1.76	1.67	(0.09)	(5.11%)
Former shareholders before business restructuring	1.58	-	-	(100.00%)	0.00%	2.63	-	(2.63)	(100.00%)
Profit attributable to owners of the parent	12.89	(2.42)	18.34	42.28%	857.85%	18.43	15.92	(2.51)	(13.62%)



Revenues

Unit: in Million Baht

	Three-month period						Six-month period				
	Q2'2021		Q1'2022		Q2'2022		2021		2022		
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	
Revenues											
Revenue from rendering of services	33.66	25.48%	30.82	27.29%	31.58	22.77%	74.91	27.75%	62.40	24.80%	
Revenue from sales of goods	79.37	60.08%	74.91	66.33%	91.98	66.32%	170.49	63.15%	166.89	66.32%	
Revenue from leases	4.50	3.41%	4.25	3.76%	1.92	1.38%	9.09	3.37%	6.17	2.45%	
Other income	14.57	11.03%	2.96	2.62%	13.21	9.52%	15.50	5.74%	16.17	6.43%	
Total revenue	132.10	100%	112.94	100%	138.69	100%	269.99	100%	251.63	100%	

Significant changes can be summarized as follows:

Revenue from rendering of services

For the three-month period ended 30 June 2022, revenue from rendering of services amounted to Baht 31.58 million comprised of revenue from NGV natural gas compression for PTT Public Company Limited (PTT) of Baht 27.36 million, revenue from the treatment of wastes of Baht 3.47 million and revenue from purchase and sale of Refuse Derived Fuel (RDF) of Baht 0.75 million and for the six-month period ended 30 June 2022, revenue from rendering of services amounted to Baht 62.40 million comprised of revenue from the NGV natural gas compression for PTT Public Company Limited (PTT) of Baht 52.56 million, revenue from the treatment of wastes of Baht 7.30 million and revenue from purchase and sale of Refuse Derived Fuel (RDF) of Baht 2.54 million. Revenue from rendering of services decreased from the same period of last year resulted from the following reasons:

Revenue from compression of NGV for PTT for the three-month period ended 30 June 2022 decreased from the same period of last year amounted to Baht 0.02 million or 0.06% and for the six-month period ended 30 June 2022 decreased from the same period of last year amounted to Baht 12.10 million or 18.71% due to a decrease in service volume of natural gas compression which was in line with a decrease in demand of NGV including the situation of outbreak of COVID-19. Moreover, in February 2021, PTT informed the Company of the zero demand of NGV from 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. Subsequently, on 25 March 2022, the Company entered into an agreement to voluntarily terminate the natural gas compression contract by private mother station prior to the expiration date with PTT in which, the parties agreed such natural gas compression contract to be effective until 31 March 2022 and ended on 1 April 2022. However, the service volume of the NGV compression in the



second quarter of 2022 was higher than the first quarter of 2022 due to the increase in the NGV volume resulted from easing of COVID-19 measure and the rise of other fuel prices.

Revenue from the treatment of wastes for the three-month and six-month periods ended 30 June 2022 decreased from the same periods of last year amounted to Baht 0.10 million or 2.84% and Baht 0.02 million or 0.26%, respectively.

Revenue from purchase and sale of RDF for the three-month and six-month periods ended 30 June 2022 decreased from the same periods of last year amounted to Baht 1.96 million or 72.78% and Baht 0.39 million or 13.46%, respectively, which were in line with demand for RDF of customers in each period.

Revenue from sale of goods

For the three-month period ended 30 June 2022, revenue from sales of goods of Baht 91.98 million which was comprised of revenue from generating and distribution of electricity of Baht 76.72 million, revenue from sales of RDF of Baht 11.06 million and revenue from sales of Source Code (Code Program) of Baht 4.20 million, increased from the same period of last year. For the six-month period ended 30 June 2022, revenue from sales of goods of Baht 166.89 million which was comprised of revenue from generating and distribution of electricity of Baht 140.85 million, revenue from sales of RDF of Baht 21.84 million and revenue from sales of Source Code (Code Program) of Baht 4.20 million, decreased from the same period of 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 three-month period ended 30 June 2022 increased from the same period of last year amounted to Baht 8.92 million or 13.17%, mainly resulted from an increase in power unit. For the six-month period ended 30 June 2022, the revenue decreased from the same period of last year amounted to Baht 4.01 million or 2.77%, mainly resulted from the shutdown for repair and maintenance in 2022 occurred at different times compared to 2021.

Revenue from sales of RDF for the three-month and six-month periods ended 30 June 2022 decreased from the same periods of last year amounted to Baht 0.51 million or 17.48% and Baht 2.79 million or 11.34%, respectively, due to demand for RDF of customers decreased in each period.

Revenue from production and distribution of compressed bio-methane gas for the six-month period ended 30 June 2022 decreased from the same period of last year amounted to Baht 1 million because the Company disposed compressed bio-methane gas business in April 2021.



Revenue from sales of Source Code (Code Program) for the three-month and six-month period ended 30 June 2022 increased from the same period of last year amounted to Baht 4.20 million because of revenue came from the development of securities trading software business which the Company acquired the business in April 2021.

Revenue from leases

For the three-month period ended 30 June 2022, the Company recognized revenue from leases of Baht 1.92 million or 1.38% of total revenue and for the six-month period ended 30 June 2022, the Company recognized revenue from leases of Baht 6.17 million or 2.45% of total revenue which decrease from the same period of 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 three-month period ended 30 June 2022, other income was Baht 13.21 million, a decrease by Baht 1.36 million or 9.33% compared from the same period of last year and for the six-month period ended 30 June 2022, other income was Baht 16.17 million, an increase by Baht 0.67 million or 4.32% compared from the same period of last year. In the second quarter of 2021, other income was mainly due to the recognition of gain from disposal of investment of Baht 13.36 million, whereas the second quarter of 2022, this was mainly due to the recognition 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 and gain on disposal of assets of Baht 1 million.


Expenses

Unit: in Million Baht

	Three-month period						Six-month period				
	Q2'2021		Q1'2022		Q2'2022		2021		2022		
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	
Expenses											
Costs of rendering of services	17.78	15.16%	18.52	15.83%	18.75	16.02%	42.39	17.15%	37.27	15.92%	
Cost of sales of goods	62.06	52.93%	60.41	51.62%	62.26	53.21%	126.11	51.02%	122.67	52.41%	
Selling and Administrative expenses	32.25	27.51%	26.64	22.76%	33.43	28.57%	66.95	27.09%	60.07	25.67%	
Finance costs	6.16	5.25%	12.29	10.50%	10.89	9.31%	13.11	5.30%	23.18	9.90%	
Tax income	(1.00)	(0.85%)	(0.83)	(0.71%)	(8.32)	(7.11%)	(1.39)	(0.56%)	(9.15)	(3.91%)	
Total expenses	117.25	100%	117.03	100%	117.01	100%	247.17	100%	234.04	100%	

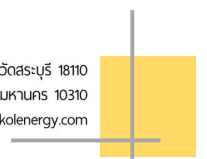
Costs of rendering of services

For the three-month period ended 30 June 2022, cost of rendering of services amounted to Baht 18.75 million, which was comprised of cost of compression of NGV for PTT of Baht 15.34 million, cost of the treatment of wastes of Baht 3.10 million and cost of securities trading of Baht 0.31 million, increased from the same period of last year. For the six-month period ended 30 June 2022, cost of rendering of services amounted to Baht 37.27 million, which was comprised of cost of compression of NGV for PTT of Baht 30.48 million, cost of the treatment of wastes of Baht 6.48 million and cost of securities trading of Baht 0.31 million, decreased from the same period of last year. The changes resulted from the following reasons:

Cost of compression of NGV for PTT for the three-month period ended 30 June 2022 increased from the same period of last year amounted to Baht 0.05 million or 0.30% and for the six-month period ended 30 June 2022, the cost decreased from the same period of last year amounted to Baht 7.23 million or 19.18% which was in line with the decrease of revenue from rendering of services.

Cost of the treatment of wastes for the three-month and six-month periods ended 30 June 2022 increased from the same periods of last year amounted to Baht 0.61 million or 24.56% and Baht 1.80 million or 38.52%, respectively, because of transportation and fuel costs.

Cost of securities trading for the three-month and six-month period ended 30 June 2022 increased from the same period of last year amounted to Baht 0.31 million due to costs of software for securities trading development.





Costs of sales of goods

For the three-month period ended 30 June 2022, cost of sales of goods amounted to Baht 62.26 million, which was comprised of cost of generating and distribution of electricity of Baht 55.83 million and cost of production and distribution of RDF of Baht 6.43 million, increased from the same period of last year. For the six-month period ended 30 June 2022, cost of sales of goods amounted to Baht 122.67 million, which was comprised of cost of generating and distribution of electricity of Baht 109.20 million and cost of production and distribution of RDF of Baht 13.47 million., decreased from the same period of last year. The changes resulted from the following reasons:

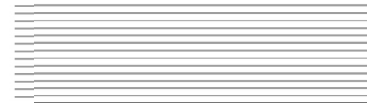
Cost of generating and distribution of electricity for the three-month period ended 30 June 2022 increased from the same period of last year amounted to Baht 1 million or 1.82%. A proportion of increase in costs was less than an increase in revenue from generating and distribution of electricity sale to the PEA, mainly due to the decrease in engineering consulting fee. For the six-month period ended 30 June 2022, the costs increased from the same period of last year amounted to Baht 0.06 million or 0.05%.

Cost of production and distribution of RDF for the three-month and six-month periods ended 30 June 2022 decreased from the same periods of last year amounted to Baht 0.08 million or 11.11% and Baht 2.18 million or 13.93%, respectively, varied with lower revenue from sale of goods.

Cost of production and distribution of bio-methane gas for the six-month period ended 30 June 2022 decreased from the same period of last year amounted to Baht 1.32 million because the Company disposed the compressed bio-methane gas business in April 2021.

Selling and administrative expenses

For the three-month period ended 30 June 2022, the Group incurred selling and administrative expenses amounted to Baht 33.43 million, an increase from the same period of last year of Baht 1.18 million or 3.66%. For the six-month period ended 30 June 2022, the Group incurred selling and administrative expenses amounted to Baht 60.07 million, a decrease from the same period of last year of Baht 6.88 million or 10.28%. A decrease of expenses was mainly due to reversal of impairment loss of other receivables, expenses from production and distribution of compressed bio-methane gas business since the Company disposed the business in April 2021, advertising expense for solar power generation business, and expenses relating to the investment in ordinary shares of N15 Technology Co., Ltd., and the increase in capital in June 2021. However, depreciation expense increased from the recognition of plants and equipment from the termination of the natural gas compression by private mother station (Ban Na-Kaeng Khoi) in Saraburi Province contract, transportation, donation, and loss on damage of assets of a subsidiary.



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

Finance costs

For the three-month period ended 30 June 2022, the Group incurred finance costs of Baht 10.89 million, an increase from the same period of last year of Baht 4.73 million or 76.79% and for the six-month period ended 30 June 2022, the Group incurred finance costs of Baht 23.18 million, an increase from the same period of last year of Baht 10.07 million or 76.81%, mainly due to financial fees of loans from financial institutions agreements termination prior to the expiration date and refinancing a long-term loan from a financial institution of a subsidiary.

Tax income

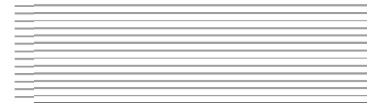
For the three-month period ended 30 June 2022, the Group incurred tax income of Baht 8.32 million, an increase from the same period of last year of Baht 7.32 million or 732% and for the six-month period ended 30 June 2022, the Group incurred tax income of Baht 9.15 million, an increase from the same period of last year of Baht 7.76 million or 558.27% because of the effect from the termination of the natural gas compression by private mother station (Ban Na-Kaeng Khoi) in Saraburi Province contract.

Gross profit and net profit for the period

1. Gross profit *

For the three-month period ended 30 June 2022, gross profit of the Group was Baht 42.55 million, an increase by Baht 9.36 million or 28.20% compared to the same period of last year. Gross margin for the three-month period ended 30 June 2022 and 2021 were 34.44% and 29.36%, respectively. An increase in gross profit resulted from a decrease in engineering consulting fee from the Mae Krating biomass power plant business and revenue from sales of Source Code (Code Program) from the development of software for securities trading business.

For the six-month period ended 30 June 2022, gross profit of the Group was Baht 69.35 million, a decrease by Baht 7.55 million or 10.89% compared to the same period of last year. Gross margin for the three-month period ended 30 June 2022 and 2021 were 30.25% and 31.34%, respectively. A decrease in gross profit resulted from rendering of services of the private mother station business which decreased from the lower 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. In addition, production cost of generating and distribution of electricity of Mae Krating biomass power plant business increased from machinery repair and maintenance.



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 period

For the three-month period ended 30 June 2022, Group had profit for the period of Baht 21.68 million, an increase by Baht 6.83 million or 45.99% compared to the same period of last year. This was mainly due to an increase in revenue from distribution of electricity from the increased number of sold power units, and tax income, although financial costs increased from last year on financial fees for early termination of loans from financial institutions agreements.

For the six-month period ended 30 June 2022, Group had profit for the period of Baht 17.59 million, a decrease by Baht 5.23 million or 22.92% compared to the same period of last year. This was primarily due to a decrease in profit of the Mae Krating biomass power plant business due to the repair and maintenance of the biomass power plant during the period of 2022 occurring at a different time to 2021 and an increase in financial costs from financial fees for the termination of loans from financial institutions agreements early and refinancing long-term loans from a financial institution. However the Group has tax income for the period of 2022 increased from 2021.

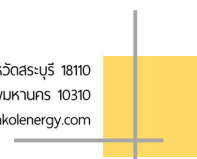
Financial Position

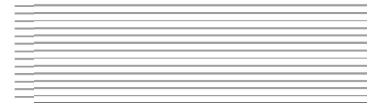
Unit: in Million Baht

	As at 30 June 2022	As at 31 December 2021	Increase (Decrease)	%
Total assets	1,858.89	1,586.96	271.93	17.14%
Total liabilities	731.95	501.86	230.09	45.85%
Total equity	1,126.94	1,085.10	41.84	3.86%

Total assets

Total assets of the Group mainly consist of trade accounts receivables, lease receivables, property, plant and equipment, investment properties, and intangible assets. As of 30 June 2022 and 31 December 2021, total assets of the Group were Baht 1,858.89 million and Baht 1,586.96 million, respectively. Total assets increased by Baht 271.93 million or 17.14% mainly due to the expansion of investment in buildings and equipment of the RDF production business, cash received from the issuance of debentures and refinancing after repayment of loans from financial institutions and bills of exchange, as well as payment for investment during the period.





Total liabilities

Total liabilities of the Group are mainly comprised of loans from financial institutions and debentures. As at 30 June 2022 and 31 December 2021, total liabilities of the Group were Baht 731.95 million and Baht 501.86 million, respectively, increased by Baht 230.09 million or 45.85%. This was mainly due to the Company issued Baht 300 million of debentures to repay long-term loans from financial institutions early. In addition, debt was reduced by the payment of lease liabilities of machinery of the RDF production business and the repayment of long-term loans from financial institutions.

Equity

As of 30 June 2022 and 31 December 2021, equity of the Group were Baht 1,126.94 million and Baht 1,085.10 million, respectively. Equity increased by Baht 41.84 million or 3.86%, as a result of net profit for the six-month period ended 30 June 2022 and acquisition of non-controlling interests through business combination.