

Translation

Management Discussion and Analysis for Interim Business Operations

Financial Performance for the year ended December 31 , 2019 (Unit : Million Baht)				
	2019	2018	Inc./ (Dec.)	%
		(Restated)		
Construction income	253.82	190.56	63.26	33.20
Service income	15.64	4.95	10.69	215.96
Other income	10.96	5.43	5.53	101.84
Total Revenues	280.42	200.94	79.48	39.55
Cost of construction	302.56	193.83	108.73	56.10
Cost of services	13.43	3.99	9.44	236.59
Cost of impairment	101.63	108.78	-7.15	-6.57
Loss in sale of subsidiary company	3.09	0.00	3.09	
Administrative expenses	133.99	141.00	-7.01	-4.97
Finance cost	25.18	19.18	6.00	31.28
Total Expenses	579.88	466.78	113.10	24.23
Loss Before Income Tax	(299.46)	(265.84)	(33.62)	(12.65)
Income tax expense	3.49	0.54	2.95	546.30
Total loss for the period	(295.97)	(265.30)	(30.67)	(11.56)
Other Comprehensive Income	3.40	(4.78)	8.18	171.13
Total comprehensive loss for the year	(292.57)	(270.08)	(22.49)	(8.33)
Non-controlling interests of the subsidiaries	(18.38)	(21.95)	3.57	16.26
Profit(Loss) attributable to equity holders of the company	(277.59)	(243.35)	(34.24)	(14.07)
Financial Position as at December 31 (Unit : Million Baht)				
	2019	2018	Inc./ (Dec.)	%
		(Adjusted and Reclassified)		
Current Assets	202.85	362.95	-160.10	-44.11
Non-Current Assets	205.76	686.62	-480.86	-70.03
Total Assets	408.61	1049.57	-640.96	-61.07
Current Liabilities	300.40	405.82	-105.42	-25.98
Non-Current Liabilities	134.27	393.84	-259.57	-65.91
Total Liabilities	434.67	799.66	-364.99	-45.64
Total Shareholders' Equity	-26.39	251.79	-278.18	-110.48
Basic Loss Per Share (Baht)	(0.35)	(0.36)		
Gross Margin	-17.27%	-1.18%		
Net Profit Margin	-98.99%	-121.11%		
Debt to Equity Ratio (Time)	(16.47)	3.18		

Summary of the Annual Operating Result as ended 31 December 2019

Construction Income

In 2019, the company and its subsidiaries' construction income was Baht 253.82 million, whereas Baht 190.56 million in 2018, showing a increase of Baht 63.26 million or representing 33.20 % increase. In 2019, the construction income from 4 main projects were realized. The 2 projects thereof are completed within the period. In 2018, the company's construction income was gained from 2 projects which are ongoing project and expected to be completed in 2019. As a result, the construction income gained in this captioned year was higher than last year. There is no any new project awarded in 2019.

Service Income

In 2019, the company's and subsidiaries' service income was totally Baht 15.64 million, whereas Baht 4.95 million in 2018, increasing Baht 10.69 million or 215.96 % increase. The service income gained in 2019 was an income from ongoing project commencing in 2018. The income was realized and the project was completed and delivered in 2019 and there is no any new project awarded in 2019.

Other Income

The other income in 2019 of the company and subsidiaries was Baht 10.96 million, whereas Baht 5.43 million in 2018, showing an increase of Baht 5.53 million or 101.84 % increase. In 2019, other significant income included revenue from winning the lawsuit in the amount of Baht 7.36 million, and revenue from interests in the amount of Baht 1.93 million. The other income in the captioned year was higher than last year.

Cost of Construction

The company and its subsidiaries' cost of construction in 2019 was Baht 302.56 million, whereas Baht 193.83 million in 2018, increasing Baht 108.73 million or 56.10% increase with the proportion of gross profit of -19.20 and -1.71%, respectively. The increase of construction cost was in line with the increase of construction income. However, some project adjusted the estimation of cost causing loss in such project due to various factors i.e. change of materials suppliers causing higher cost, extension of contract causing higher fixed cost as well as its underestimate cost. The proportion of gross profit in the current year is therefore minus.

Cost of Services

The company and its subsidiaries' cost of service in 2019 was Baht 13.43 million, whereas Baht 3.99 million in 2018, increasing Baht 9.44 million or 236.56% increase and equivalent to 14.09 % and 19.48 % of the gross margin of 2019 and 2018, respectively. The increase of service cost was in line with the increase of income. However, the gross margin was decreased due to the service work performed in foreign countries of which cost was higher than the service work performed within the country.

Loss in impairment of assets

The company and its subsidiaries had loss in impairment of assets in the accounting period of 2019 and 2018 which was equivalent to Baht 101.63 million and 108.78 million, respectively, showing a decrease of Baht 7.15 million or 6.59% from 2018. The decreasing amount was because of loss in impairment of the subsidiary's assets in 2018, At the present, the investment in the said subsidiary was sold. In 2019, there were significant items as follows: The waste management system construction for Refuse Derived Fuel production, no certain budget was allocated, affecting the operating result of the company's subsidiary (SUTG Global Company Limited). As of 30 June 2019, the loss in impairment of investment in a subsidiary was realized in sum of Baht 80.74 million. Moreover, there was a plan to terminate the concession agreement on Mandalay Industrial Zone Central Wastewater Treatment Plant and Collecting System Project (CWWTP) in the form of construction project to provide the service of wastewater treatment as the 30-year right exchange of service cost collection from the entrepreneurs in the industrial zone of the another subsidiary since the return received in the future is not worth the investment. Currently, the subsidiary is in the process of drafting the memorandum of agreement on the termination of contract. Therefore, the loss in impairment of investment in a subsidiary was realized in sum of Baht 19.11 million.

Loss from sales of investment in a subsidiary

The company had sold 132,000 ordinary shares of SUT Global Company Limited to Mr. Suppaluek Na Songkla's group, which was amounted to 66.00% of its registered capital. The company recognized loss from sales of investment in a subsidiary in sum of Baht 2.98 million, causing the group of company to lose the controlling interests of SUT Hydro Company Limited in which the company held 79.60% of its shares. The percentage of shareholding was decreased to 40.00% and the status was changed from being a subsidiary to be an affiliated company. The group of company also realized loss from non-controlling interests of the subsidiary in sum of Baht 0.11 million.

Administrative Expenses

The administrative expenses in 2019 was Baht 133.99 million, whereas Baht 141.00 million in 2018, showing a decrease of Baht 7.01 million or 4.97 % increase. The reduction of expense was due to the sale of investment in SUT Global Company Limited. In addition, the decrease of expense was caused by the reversal of allowance for doubtful accounts owing to the winning of the lawsuit of Baht 7.29 million. The provision of impairment of assets was decreased by Baht 5.79 million.

Finance Cost

In 2019, the finance cost of the company and subsidiaries was Baht 25.18 million, whereas Baht 19.18 million in 2018, showing an increase of Baht 6.00 million or 31.28 %. Increase was owing to an increase of interest payable of convertible debenture of Baht 4.74 million (Before the sale of investment in September 2019), while the interest payable due to the lawsuit issue increased Baht 1.28 million.

Loss Attributable to Equity Holders of the Company

In 2019, there was a loss attributable to equity holders of the company of Baht 277.59 million, whereas Baht 243.35 million in 2018, or equivalent to -98.99 % and – 121.11 % net profit margin of 2019 and 2018, respectively. The increase loss from 2018 was due to the gross loss from construction as stated earlier.

Summary of the financial status as ended 31 December 2019

Total Assets

As ended December 31, 2019, the total asset of the company and subsidiaries was Baht 408.61 million, whereas Baht 1,049.57 million in 2018, showing the decrease of Baht 640.96 million or 61.07 % decrease. The significant decrease came from the decrease of contract assets Baht 145.87 million due to no any new project awarded in this year and a decreasing of goodwill Baht 421.03 Baht from sale of investment in subsidiary company in September 2019.

Total Liabilities

As ended December 31, 2019, the company and its subsidiaries' total liabilities was Baht 434.67 million, whereas in 2018 was Baht 799.66 million, showing a decrease of Baht 364.99 million or 45.64 % decrease. The significant decrease consisted of a decrease of convertible debentures Baht 242.29 million due to sale of investment in subsidiary company and decrease of contract liabilities Baht 78.47 million according to no new award contract in this year. The debt to equity ratio of 2019 was equivalent to -16.47 times whereas 3.18 time of 2018. The deficit ratio came from the decrease of equity due to loss from operation since 2018 to 2019.

Shareholders' Equity

As ended December 31, 2019, the shareholders' equity of the company and subsidiaries was totally Baht -26.39 million, whereas Baht 251.79 million in 2018, showing decrease of Baht 278.18 million or 110.48 % decrease as a result from loss on impairment of asset and operation loss of construction totally Baht 277.59 million as mention above.

On June 15 - 19, 2020, the Company offers ordinary shares by number of 495,416,810 shares to existing shareholders. Such ordinary shares comprise par value of Baht 1.00 per share. Shares are offered in the price of Baht 0.14 per share aggregating to total amount of Baht 69,358,353.40. The shares increment is registered for paid-up from Baht 784,968,760.00 to Baht 1,280,385,570.00 equivalent to ordinary shares by number of 1,280,385,570 shares in the par value of Baht 1.00 per share at the Ministry of Commerce on June 29, 2020.

Project on hand as ended 31 December 2019

As ended December 31, 2019, the company and its subsidiaries had 3 projects on hand with a total of contract values of Baht 788.66 million and the backlog of Baht 321.64 million which expected to be completed in 2019. There was no service project at the end of year because of completion and deliver. There is no new project awarded both in 2019.

Investment project on hand as ended 31 December 2019

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, 2019 of Baht 108.60 million which be reclassified to intangible assets including to land property) the construction has been partly executed and currently waiting for an approval of construction of pipeline and additional work.

2. Waste Water Treatment Investment Project in Myanmar: It is the Build Own and Transfer (BOT) one of which the construction has been commenced. Because of the total quality of wastewater outlet from the Mandalay industrial Zone was significant higher when compared with agreement in the contract. In order to deal with this issue, land requirement and wastewater tariff will be significantly increased. However, MCDC could not both provide additional land area and accept for increasing of wastewater tariff. In case that subsidiary need to continue this project with the same condition in the contract, the return will not be worth. At present, the subsidiary is drafting the notice for termination of MCDC agreement.

Signature

Mr.Slib Soongsawang
(Director)