

Management Discussion and Analysis: MD&A

1. Company Situation

The company's turnover for the second quarter of 2020 is still in decline, when compared to the same period in 2019 due to the COVID-19 outbreak. This outbreak has caused the number of businesses to slow down their investments, reduce the production, cease the operations, and close down certain parts of production as there was no order presented, affecting the company directly during the second quarter of 2020. The situation also affected the company's waste sent for treatment and disposal from our current clients to decrease by 30 percent compared to normal situation.

The real estate business of the company continued to slow down, therefore, the company focuses on real estate rental for living and operating business. The company is able to maintain current customers, nevertheless, the plan is to clear out all of the remaining Inventory as soon as possible. The company, therefore, has initiated a contract agreement for some condominium rooms with a real estate brokerage company as one of the ways to clear out Inventory.

Regarding the investments for the second quarter of 2020, the company has a stricter policy on investment, however, the company has invested on the solar power generation on rooftop projects and received feedback from one company.

Risks and Effects from the COVID-19 Outbreak

Due to the outbreak of COVID-19, the company was extremely affected in the second quarter of 2020 or so to say, the amount of waste is reduced by 30 percent. If the outbreak does not spread repeatedly, it is expected that the operating results will improve in early 2021. As of now, the company is open for business as per usual, no direct operational impact from the COVID-19 outbreak situation.

2. Operating Results (Company and Subsidiaries)

Total revenue of the consolidated financial statements for Q2/2020 amounted 63.5 million baht compared to Q2/2019 with total revenue of 73.8 million baht, decreased 10.3 million baht or 14.0 percent. Performance for Q2/2020 was loss 14.2 million baht compared to Q2/2019 that was loss 6.7 million baht, decreased 7.5 million baht or 111.9 percent.

For the six-month period of 2020, total revenue of the consolidated financial statements amounted 129.8 million baht, decreased 16.9 million baht or 11.5 percent compared with the same period of 2019. The waste treatment revenue decreased 20.4 million baht and real estate business revenue decreased 7.1 million baht due to the COVID-19 situation, the slow economy temporarily

shuts many factories down. As a result, the amount of waste in the industry has decreased. Moreover, the expansion of the unemployment rate has led to a decrease in the purchasing power of real estate. However, the company has adjusted by changing the room for sale into a room for rent. Causing other income to increase 3.4 million baht. In addition, the company has looking for new business avenues. Such as the service of solar power system on the rooftop which is a pilot project. With revenues in the second quarter of 7.2 million baht, cost was 88.9 percent. Performance for six-month period of 2020 was loss 19.2 million baht compared to the same period in 2019 that was loss 9.3 million baht, decreased 9.9 million baht or 106.5 percent.

(1) Service Income - Waste Treatment Business (Disposal-Landfill and Transportation)

Revenue from waste treatment business for Q2/2020 amounted 46.6 million baht, decreased 17.7 million baht or 27.5 percent compared to Q2/2019. The cost of service was 86.3 percent for Q2/2020, Increased from the same period of the previous year due to the company has decreased income but still have fixed cost expenditures.

(2) Real Estate Business Income

Revenue from real estate business for Q2/2020 amounted 5.3 million baht, decreased 1.0 million baht or 15.9 percent compared with Q2/2019. The cost of good was 45.3 percent.

(3) Interest income

Interest income for Q2/2020 was amounted 0.2 million baht, increased 0.1 million baht or 100.0 percent compared with Q2/2019.

(4) Other Income

Other income for Q2/2020 was amounted 4.8 million baht, increased 2.2 million baht or 84.6 percent compared with Q2/2019.

(5) Selling and Administrative Expenses

Selling and administrative expenses for Q2/2020 was amounted 26.5 million baht, decreased 2.4 million baht or 8.3 percent compared with Q2/2019. The selling and administrative expenses was approximately 41.7 percent of the Company's total revenue, compared to 39.2 percent for the same period of year 2019.

3. Financial Status (Company and Subsidiaries)

(1) Total Assets

Company's total assets as of June 30, 2020 were 1,586.7 million baht, increased 19.7 million baht or 1.3 percent compared to the total assets as of December 31, 2019.

(1.1) Current Assets

As of June 30, 2020 current assets amounted 551.6 million baht, decreased 44.3 million baht or 7.4 percent compared to current assets as of December 31, 2019. Mostly due to cash equivalents decreased 24.2 million baht. As a result of purchasing inventory of 12.7 million baht. Trade and other receivables decreased 10.4 million baht and real estate development costs decreased 23.3 million baht.

(1.2) Non-Current Assets

As of June 30, 2020 non-current assets amounted 1,035.1 million baht, increased 64.0 million baht or 6.6 percent compared to non-current assets as of December 31, 2019. The significant change occurred from changes in accounting policies due to Thai Financial Reporting Standard No. 16 (TFRS 16) which is made effective in the current period. As a result, the company has the right of use assets of 41.4 million baht and deferred tax assets of 2.9 million baht. In addition, there was an increase in investment properties as a result of changing the strategy of the real estate business in the amount of 16.7 million baht.

(2) Total Liabilities

Company's total liabilities as of June 30, 2020 were 234.1 million baht, increased 50.6 million baht or 27.6 percent compared to the total liabilities as of December 31, 2019.

(2.1) Current Liabilities

As of June 30, 2020 current liabilities amounted 91.7 million baht, increased 13.9 million baht or 17.9 percent compared to current liabilities as of December 31, 2019. The significant change occurred from changes in accounting policies due to Thai Financial Reporting Standard No. 16 (TFRS 16) which is made effective in the current period. As a result, the company has current portion of lease liabilities 12.6 million baht.

(2.2) Non-Current Liabilities

As of June 30, 2020 non-current liabilities amounted 142.4 million baht, Increase 36.7 million baht or 34.7 percent compared to non-current liabilities as of December 31, 2019. The significant change occurred from changes in accounting policies due to Thai Financial Reporting Standard No. 16 (TFRS 16) which is made effective in the current period. As a result, the company has lease liabilities – net of current portion increased 49.6 million baht. While long-term loans from financial institutions - net of current portion decreased 13.5 million baht.

(3) Shareholders' Equity

Total shareholders' equity as of June 30, 2020 was 1,352.6 million baht, decreased 30.8 million baht or 2.2 percent compared to total shareholders' equity as of December 31, 2019. Which decreased from the change in accounting policies as stated above 11.6 million baht.

The impact from changes in accounting policies due to adoption of Thai Financial Reporting Standard No. 16 (TFRS 16) are presented

	As at June 30, 2020	
	Impact	Amount
Right of use asset	Increased	41.4
Deferred tax asset	Increased	2.9
Trade and other payables	Decreased	(7.2)
Current portion of lease liabilities	Increased	12.6
Lease liabilities – net of current portion	Increased	49.6
Cumulative effects of changes in accounting policies	Decreased	(11.6)

4. Cash flows (Company and Subsidiaries)

	For the six-month Period	
	2020	2019
Cash and Cash Equivalent on 1 st January	172.2	291.7
Net Cash Provided by (Used in) Operating Activities	4.1	(19.0)
Net Cash Provided by (Used in) Investing Activities	(10.5)	(5.6)
Net Cash Provided by (Used in) Financing Activities	(17.8)	(34.2)
Net Cash Increased by (Decreased)	(24.2)	(58.8)
Cash and Cash Equivalent on 30 th March	148.0	232.9

(1) Cash Flows from Operating Activities

The Company has net cash flows used in operating activities for the six-month period as of March 31, 2020 in amount of 4.1 million baht. Significant transactions were profit from operating activities were 6.4 million baht. Cash received from trade and other receivables of 4.7 million baht while income tax paid 2.9 million baht, interest paid of 1.6 million baht.

(2) Cash Flows from Investing Activities

The Company has net cash flows used in investing activities for the six-month period as of June 30, 2020 in amount of 10.5 million baht. Significant transactions were cash paid for deposit of purchase machinery and equipment 10.9 million baht.

(3) Cash Flows from Financing Activities

The Company has net cash flows used in financing activities for the six-month period as of June 30, 2020 in amount of 17.8 million baht. Significant transactions were from the repayment of long-term loans from financial institutions 12.5 million baht and repayment of lease liabilities of 5.3 million baht.

5. Financial ratios

	As at	
	June 30, 2020	December 31, 2019
Current Ratio	6.0	7.7
Debt to Equity Ratio	0.2	0.1

From the change in accounting policy due to the adoption of Financial Reporting Standard No. 16 (TFRS 16), the company has increased total liabilities of 55 million baht, resulting in a debt-to-equity ratio of 0.1 times higher.