

Management Discussion and Analysis: MD&A

1. Company Situation

The company's revenue for Q1/2020 is in a downward direction, significant number to be reckoned when compared to the revenue of Q1/2019. The reason behind this revenue direction may be from the expanding of COVID-19 outbreak, causing some businesses' alarmed condition, delayed investment, or postponement of certain activities. A number of the company's business clients are directly affected from this outbreak resulting in less waste disposal and treatment. Regarding the income of the real estate business, the number slows down as per usual with the decent direction of property rental. Existing clients remain unchanged. The company has a plan prepared since the end of 2019 as the real estate business situation has slowed down for a quite period of time.

As for this year's investment, due to the COVID-19 outbreak since the end of the year 2019, the company has decided on two major policies, which are keeping the income not less than 10 percent of the model forecast, reducing or postponing unnecessary spending and slowing down the investment by focusing on the return of investment and low investment limit per project.

Risks and Effects from the COVID-19 Outbreak

The COVID-19 situation has made the company be in a dilemma as it is slightly affected by the situation. That is to say, the number of the waste tends to decrease. The company expects that the waste sent to the company will be lessen during the second to third quarter of 2020 around 15-20 percent reduction. Presumably, the waste situation will get better around the start of 2021. Regarding the company's working pace, the company is still running normally, no direct affect from the outbreak situation.

2. Operating Results (Company and Subsidiaries)

Total revenue of the consolidated financial statements for Q1/2020 amounted 66.2 million baht compared to Q1/2019 with total revenue of 72.9 million baht, decreased 6.7 million baht or 9.2 percent. Performance for Q1/2020 was loss 5.0 million baht compared to Q1/2019 that was loss 2.5 million baht, decreased 2.5 million baht or 100 percent.

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

Revenue from waste treatment business for Q1/2020 amounted 60.1 million baht, decreased 2.7 million baht or 4.3 percent compared to Q1/2019. The cost of service was 71.5 percent for Q1/2020, which is of insignificant difference from the same period in the previous year.

(2) Real Estate Business Income

Revenue from real estate business for Q1/2020 amounted 1.2 million baht, decreased 6.0 million baht or 83.3 percent compared with Q1/2019. The cost of good was 66.7 percent.

(3) Interest income

Interest income for Q1/2020 was amounted 0.2 million baht, decreased 0.1 million baht or 33.3 percent compared with Q1/2019.

(4) Other Income

Other income for Q1/2020 was amounted 4.8 million baht, increased 2.2 million baht or 84.6 percent compared with Q1/2019.

(5) Selling and Administrative Expenses

Selling and administrative expenses for Q1/2020 was amounted 25.4 million baht, increased 1.1 million baht or 4.5 percent compared with Q1/2019. The selling and administrative expenses was approximately 38.4 percent of the Company's total revenue, compared to 33.3 percent for the same period of year 2019.

3. Financial Status (Company and Subsidiaries)

(1) Total Assets

Company's total assets as of March 31, 2020 were 1,594.8 million baht, increased 27.8 million baht or 1.8 percent compared to the total assets as of December 31, 2019.

(1.1) Current Assets

As of March 31,2020 current assets amounted 570.6 million baht, decreased 25.3 million baht or 4.2 percent compared to current assets as of December 31, 2019. Mostly due to cash equivalents decreased 9.1 million baht. Trade and other receivables decreased 11.6 million baht and real estate development costs decreased 9.4 million baht.

(1.2) Non-Current Assets

As of March 31, 2020 non-current assets amounted 1,024.1 million baht, increased 53.0 million baht or 5.5 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 (IFRS 16) which is made effective in the current period. As a result, the company has the right of use assets of 43.0 million baht and deferred tax assets of 2.9 million baht.

(2) Total Liabilities

Company's total liabilities as of March 31, 2020 were 228.9 million baht, increased 45.4 million baht or 24.7 percent compared to the total liabilities as of December 31, 2019.

(2.1) Current Liabilities

As of March 31, 2020 current liabilities amounted 77.3 million baht, decreased 0.5 million baht or 0.6 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. And trade and other payables decreased by 7.2 million baht from a total of 13.3 million baht decreased.

(2.2) Non-Current Liabilities

As of March 31, 2020 non-current liabilities amounted 151.6 million baht, Increase 45.9 million baht or 43.4 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 52.2 million baht. While long-term loans from financial institutions - net of current portion decreased 6.6 million baht.

(3) Shareholders' Equity

Total shareholders' equity as of March 31, 2020 was 1,365.8 million baht, decreased 17.6 million baht or 1.3 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 March 31, 2020	
	Impact	Amount
Right of use asset	Increased	43.0
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	52.2
Cumulative effects of changes in accounting policies	Decreased	(11.6)

4. Cash flows (Company and Subsidiaries)

	For the three-month Period	
	2020	2019
Cash and Cash Equivalent on 1 st January	172.2	291.7
Net Cash Provided by (Used in) Operating Activities	4.3	6.6
Net Cash Provided by (Used in) Investing Activities	(4.9)	(2.0)
Net Cash Provided by (Used in) Financing Activities	(8.5)	(5.8)
Net Cash Increased by (Decreased)	(9.1)	(1.2)
Cash and Cash Equivalent on 30 th March	163.1	290.5

(1) Cash Flows from Operating Activities

The Company has net cash flows used in operating activities for the three-month period as of March 31, 2020 in amount of 4.3 million baht. Significant transactions were profit from operating activities were 6.5 million baht. Cash received from trade and other receivables of 5.8 million baht while cash payment from trade and other payables of 6.1 million baht, income tax paid 2.0 million baht, interest paid of 1.0 million baht.

(2) Cash Flows from Investing Activities

The Company has net cash flows used in investing activities for the three-month period as of March 31, 2020 in amount of 4.9 million baht. Significant transactions were cash paid for deposit of purchase machinery and equipment 5.1 million baht.

(3) Cash Flows from Financing Activities

The Company has net cash flows used in financing activities for the three-month period as of March 31, 2020 in amount of 8.5 million baht. Significant transactions were from the repayment of long-term loans from financial institutions 6.1 million baht and repayment of lease liabilities of 2.4 million baht.

5. Financial ratios

	As at	
	March 31, 2020	December 31, 2019
Current Ratio	7.4	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 59 million baht, resulting in a debt-to-equity ratio of 0.1 times higher.