



GEL.CS.005/2561

27 February 2018

Subject Management Discussion and Financial Analysis for the operating results as at December 31, 2017

To Director and Manager

The Stock Exchange of Thailand

The Board of Director's meeting No. 2/2018 of General Engineering Public Company Limited ("the Company") held on February 27, 2018 has approved and verified the financial statements of the Company and its subsidiaries for the year 2017 which audited by the auditor of the Company. Details are as follows.

1. The Operating Results Analysis

For the year ended December 31, 2017

The operating results of the Company and its subsidiaries for the year ended December 31, 2017 is described in the financial statement showing net loss at the amount of Baht 105.72 million, comparing with the same period in 2016, the net profit amount of Bath 84.03 million. In 2017 net profit is decreased by Baht 189.752 million Baht or 225.82% which details are as follows;

(1) Revenue from sales

In 2017, the Company and its subsidiaries had total revenue from sales at the amount of Baht 1,762.47 million, which increased from the same period in 2016 by Baht 176.86 million. The increase was affected by an increase in the delivery volume of pre-stressed concrete piles, fiberglass reinforced concrete and post-tensioned.

(2) Cost of sales

In 2017, the Company and its subsidiaries had total cost of sales at the amount of Baht 1,607.02 million, which increased from the same period in 2016 by Baht 178.72 million due to an increase in sales volume and sales revenue, while the unit price decreased comparing to the same period in 2016. This has affected the cost of goods sold, especially the fixed cost on salaries for the production that was not able to occupy full capacity.

(3) Gross profit

The Company and its subsidiaries' total gross profit were Baht 155.44 million, which decreased from the previous year by 1.86 million or 1%, due to an increase in cost of sales and decrease in unit price.



(4) Gain from sales of land

The Company has sold its land to the subsidiary and gains profit of Baht 29.85 million, but not presenting in the consolidated financial statements. In the consolidated financial statement, the amount of Baht 0.28 million was shown profit from a sales of a vehicle.

(5) Dividend income

In 2017, the Company had no dividend income, which impacted the revenue to decrease. In 2016, the Company received dividend from available-for-sales of Baht 68.27 million in quarter 3 year 2016.

(6) Selling expenses

The Company and its subsidiaries had selling expenses of Baht 52.76 million, or Baht 14.85 million increased from the same period in 2016 due to an increase in salary, commission, and consultation.

(7) Administrative expenses

The Company and its subsidiaries' administrative expenses were Baht 122.62 million, or Baht 30.08 million increased from the same period last year due employee's expenses increased by Baht 13.36 million which including salary, overtime, compensation, and social securities. The increase was affected an increase in number of employees that were recruited to support to business expansion. The management expenses also increased by Baht 16.72 million from the Company's subsidiaries, however, the subsidiaries have not yet started their operations.

(8) Share of profit (loss) from investment in associated company and joint ventures

In 2017, the Company recognized the loss sharing from Mctric Public Company Limited for the amount of Baht 81.48 million and Baht 3.10 million from Wisdom Tree Investment (S) PTE. Limited. Therefore, share of loss from investment in associated company and joint venture was Baht 84.58 million comparing to the same period last year, which the Company gained a profit sharing from Mctric Public Company at the amount of Baht 7.62 million and loss sharing from Wisdom Tree Investment (S) PTE. Limited. at the amount of Baht 2.80 million.

(9) Loss on impairment of investment in associated company

In 2017, a loss on impairment from Mctric Public Company Limited was Baht 19.04 million. This effect in the Company recognized an impairment loss and investment value in associated company decreased by the amount of reserving. However, the consolidated financial statement did not show result due to the Company recognized loss on impairment of investment in proportion of the investment.



(10) Benefit (Tax Expenses)

The deferred incoming tax with loss recognition from associated company was Baht 17.16 million and a corporate income tax expenses for 2017 was Baht 2.44 million.

2. Financial Analysis

(Unit: Thousand Baht)

Items	30 December 2017	31 December 2016	Increase (Decrease)	%
Net Assets	6,229,084	5,820,498	408,586	7.02
Net Liabilities	1,365,378	999,424	365,954	36.62
Shareholders' equity	4,863,706	4,821,074	42,632	0.89

Assets

As at December 31, 2017, the Company had total assets of Baht 6,229.08 million Baht, at the amount of Baht 408.58 million or 7.02% increased. This increase was affected to a decrease in cash and cash equivalents by Bath 28.76 million, a decrease in short-term investment of Baht 50.00 million, a decrease in accounts receivable, and receivables from associated company by Baht 89.43 million. An increase of inventories of Baht 89.59 million, other current assets increased by Baht 18.79 million, caused by the taxes on the construction and machinery which waiting for the tax credit of the subsidiaries, and the Company decreased the restricted bank deposits by Baht 37.17 million due to changed in collateral and adjusted in available-for-sales to market price at amount of Baht 137.46 million. The investment in associated company and joint ventures decreased by Baht 83.82 million. The Company and its subsidiaries have increased in property, plant and equipment by Baht 476.26 million from the factory that is under construction for the Company and its subsidiaries. The Company has paid for the software program, which increased by Baht 4.72 million and had decreased in the deferred tax assets by Baht 10.98 million. The withholding tax decreased by Baht 19.74 million, benefiting from the tax return from the Revenue Department.

Liabilities

The net liabilities of the Company and its subsidiary as at December 31, 2017 were Baht 1,365.37 million, which is Baht 365.95 million Baht or 36.62% increased comparing to December 31, 2016. This is resulting from an increase in current liabilities at amount of Baht 294.26 million due to a decrease in trade account payable at amount of Baht 8.99 million, an increase in advances received at amount if Baht 25.33 million and increase in loan from the financial institute of Baht 354.97 million due to the failure to comply with the banking's requirements as DSCR not less than 1.20 times of separated financial statement (however, the Company has submitted a letter extend the term to complete requirement). The Company has also committed liabilities for the retirement beneficiaries for Baht 4.55 million and loan from the financial institute of subsidiaries at amount of Baht 46.30 million.

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Non-current liabilities was increased by loan from the financial institute of subsidiaries at amount of Baht 150.19 million and withholding tax at Bath 2.52 million.

Shareholders' equity

The shareholders' equity of the Company and its subsidiaries as at December 31, 2017 is 4,863.71 million Baht, increased from 31 December, 2016 by Baht 42.63 million or 0.89% as the Company has decreased the number of treasury stock through stock repurchase on February 27, 2017 for 165,000,000 shares at Baht 140.25 million. However, the treasury shares could not all be distributed and the transaction is reversed to retain earning at Baht 91.07 million. The capital decrease effects in capital surplus from the treasury stock for Baht 49.18 million. The Company and its subsidiaries benefits from a decrease in employee numbers from the calculation of the actuarial as at December 31, 2017, which increased the retained earnings by Baht 3.27 million. The Company increases in the available for sale of securities due to the market price was higher. That effect in increased of number of shareholders' equity by Baht 109.97 million. The operating result of the Company and its subsidiaries in 2017 show a loss resulting in a decrease in shareholders' equity for a total of Baht 105.72 million.

Yours sincerely,

General Engineering Public Company Limited

(Mr.Wuttichai Sresthabutra)

Director