



GEL.CS.021/2561

14 August 2018

Subject Management Discussion and Financial Analysis for the operating results of the second quarter of 2018, ended 30 June 2018

To Director and Manager

The Stock Exchange of Thailand

The Board of Director's meeting No. 5/2018 of General Engineering Public Company Limited ("the Company") held on 14 August 2018 has approved and verified the financial statements of the Company and its subsidiaries for the second quarter of 2018 which reviewed by the auditor of the Company, details are following.

**1. The Operating Results Analysis**

**For the second quarter of 2018, ended 30 June 2018**

The operating results of the Company and its subsidiaries for the second quarter of 2018, ended 30 June 2018, was described in the financial statement showing net loss at the amount of Baht 23.19 million, comparing with the same period in 2017, the net loss at the amount of Bath 17.08 million. In the second quarter of 2018, the net loss was increased by Baht 6.11 million which details are as following;

(1) Revenue from sales

The Company and its subsidiaries' revenues from sales in the second quarter of 2018, ended 30 June 2018, was Baht 436.55 million, increased by Baht 64.59 million or 17.37% from the same period of previous year. This was due to decrease in the delivery of pre-stressed concrete piles and post-tensioned. However, the delivery of glass-fiber reinforced concrete, precast concrete, special cement and architecture was increased.

(2) Cost of sales

The Company and its subsidiaries' total cost of sales in the second quarter of 2018 was Baht 441.81 million, increased by Baht 102.11 million or 30.06% from the same period of previous year. The increase in cost of sales was not in line with the increase in revenue from sales due to the fixed cost of expenditure on factory staff and erection staff that was not able to occupy full capacity and the expenses for the erection was higher than estimated budget. The Company recorded an impairment of inventory which was higher than selling price by Baht 9.66 million.



(3) Gross profit

The Company and its subsidiaries' gross loss was of Baht 5.25 million, decreased by Baht 37.51 million or more than 100% from the period of previous year. This was due to revenue from sales was increased slightly and a decrease in unit price. In addition, the increase in cost of sales was affected to decrease in gross profit.

(4) Selling expenses

The Company and its subsidiaries' selling expenses was Baht 10.64 million, increased by Baht 2.06 million or 16.24% from the same period of previous year.

(5) Administrative expenses

The Company and its subsidiaries' administrative expenses was Baht 39.16 million, increased by Baht 17.63 million from the same period of previous year due to an increase in administrative expenses such as employees' salaries, over time, fuel and depreciation. In addition, the Company's subsidiaries' expenses of employees were Baht 3.70 million but its subsidiaries has not yet started its operations.

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

In the second quarter of 2018, the Company recognized the profit sharing from Mctric Public Company Limited ("Mctric") which was Baht 2.14 million and the loss sharing from Wisdom Tree Investment (S) PTE. Limited (Wisdom Tree") which was Baht 2.57 million. The Company gained the profit sharing from investment in associated and joint ventures which was Baht 0.43 million compared to the same period of previous year which the Company recognized the loss sharing from Mctric and Wisdom Tree which was Baht 13.30 million and Baht 1.49 million respectively.

**2. The Operating Results Analysis**

**For the first half of 2018, ended 30 June 2018**

The operating results of the Company and its subsidiaries for the first half of 2018, ended 30 June 2018, was described in the financial statement showing net loss at the amount of Baht 63.59 million, comparing with the same period in 2017, the net loss at the amount of Bath 20.82 million. In the first half of 2018, the net loss was increased by Baht 42.77 million which details are as following;

(1) Revenue from sales

The Company and its subsidiaries' revenues from sales in the first half of 2018, ended 30 June 2018, was Baht 871.73 million, decreased by Baht 3.79 million or 0.43% from the same period of previous year. This was due to decrease in the delivery of pre-stressed concrete piles and post-tensioned which was Baht 83 million. However, the delivery of glass-fiber reinforced concrete, precast concrete, special cement and architecture was increased by Baht 76.50 million.



(2) Cost of sales

The Company and its subsidiaries' total cost of sales in the first half of 2018 was Baht 866.75 million, increased by Baht 77.93 million or 9.88% from the same period of previous year. The increase in cost of sales was not in line with the decrease in revenue from sales due to the fixed cost of expenditure on factory staff and erection that was not able to occupy full capacity. In addition, the expenses for the erection were higher than estimated budget. . The Company recorded an impairment of inventory which was higher than selling price by Baht 9.66 million.

(3) Gross profit

The Company and its subsidiaries' gross profit was of Baht 4.98 million, decreased by Baht 81.72 million or 94.26% from the period of previous year. This was due to a decrease in revenue from sales and a decrease in unit price. In addition, the increase in cost of sales was not in line with the decrease in revenue from sales.

(4) Selling expenses

The Company and its subsidiaries' selling expenses was Baht 22.81 million, decreased by Baht 0.23 million or 20.14% from the same period of previous year.

(5) Administrative expenses

The Company and its subsidiaries' administrative expenses was Baht 71.01 million, increased by Baht 17.55 million or 32.82% from the same period of previous year due to an increase in administrative expenses which was Baht 7.89 million. In addition, the Company's subsidiaries' expenses of employees and loss in exchange rate which increased by Baht 9.66 million but its subsidiaries has not yet started its operations.

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

In the first half of 2018, the Company recognized the profit sharing from Metric Public Company Limited ("Metric") which was Baht 4.47 million and the loss sharing from Wisdom Tree Investment (S) PTE. Limited ("Wisdom Tree") which was Baht 4.86 million which the Company recognized the loss sharing from investment in associated company and joint ventures was Baht 0.39 million comparing with the same period of previous year, the Company gained the profit sharing from Metric which was Baht 26.82 million and the loss sharing from Wisdom Tree which was Baht 2.69 million.

3. Financial Analysis

(Unit: Thousand Baht)

| Items                | 30 June 2018 | 31 December 2017 | Increase (Decrease) | %      |
|----------------------|--------------|------------------|---------------------|--------|
| Net Assets           | 6,459,148    | 6,229,084        | 230,064             | 3.69   |
| Net Liabilities      | 1,827,135    | 1,365,377        | 461,758             | 33.82  |
| Shareholders' equity | 4,632,013    | 4,863,707        | (231,694)           | (4.76) |



### Assets

As at 30 June 2018, the Company had total assets of Baht 6,459.15 million, increased by Baht 230.06 million or 3.69% from 31 December 2017 due to;

1. An increase in trades and other accounts receivable at amount of Baht 3.79 million.
2. An increase in inventories at amount of Baht 100.25 million which was due to increase in production and in the middle of delivering process.
3. An increase in other current assets at amount of Baht 13.66 million due to withholding tax of investment in machine of the Company's subsidiaries was on processing for tax refund.
4. Restricted bank deposits decreased by Baht 16.43 million due to changed in collateral.
5. The Company was adjusting in available-for-sales to market price at amount of Baht 210.21 million. The withholding tax increased by Baht 41.74 million due to a decrease in adjusting of available for sale of securities.
6. The subsidiaries' property, plant and equipment increased by Baht 146 million from the factory which is under construction

### Liabilities

As at 30 June 2018, the Company and its subsidiaries' liabilities was Baht 1,827.13 million, increased by Baht 461.76 million or 33.82% from 31 December 2017.

1. The Company's current liabilities increased by Bath 179.47 million due to;
  - a. An increase in short - term loan from financial institutions (promissory note) at the amount of Baht 142 million for the Company's working capital and borrowing from subsidiaries at the amount of Baht 214 million for construction and procurement of machinery.
  - b. As at 31 December 2017, the Company was failing to comply with the bank's requirements therefore the Company reallocated term loan to current liabilities at amount of Baht 386.68 million. As at 30 June 2018, the Company received waiver letter from the Bank thus the Company recognized such loan to non-current liabilities which affected to a decrease in loan due within 1 year by Baht 257.98 million.
  - c. The Company's account payable decreased by Baht 6.01 million and advance received decreased by Baht 9.25 million.
2. Non-current liabilities increased by Baht 282.29 million due to
  - a. The Company categorized short term loan to non-current liabilities which affected to an increase in non-current liabilities by Baht 276.97 million.
  - b. The Company recognized the employee benefits obligation - net at amount of Baht 5.46 million.



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**Shareholders' equity**

As at 30 June 2018, the shareholders' equity of the Company and its subsidiaries were Bath 4,632.01 million, decreased by Baht 231.69 million or 4.76% from 31 December 2017. The available for sale of securities was decreased due to the market price was lower. This was effecting in decreased in number of shareholders' equity by Baht 168.17 million. The operating result of the Company and its subsidiaries in the first half of 2018 showing a loss resulting in a decrease in shareholders' equity at the amount of Baht 63.59 million.

Yours sincerely,

General Engineering Public Company Limited

(Mr. Wuttichai Sresthabutra)

Director