



WELL GRADED ENGINEERING PLC.

No. WGE ELCID 2563/001

October 30, 2020

Subject: The Management Discussion and Analysis for the year ended 31st December 2019

To: President

The Stock Exchange of Thailand

Well Graded Engineering Public Company Limited (“the Company”) would like to submit the Management Discussion and Analysis for the year ended 31st December 2019 as follows:

Construction and service revenue

In 2019, the group of companies had construction and service income of 1,506.94 million baht, an increase from the year 2018 by 216.83 THB mn or representing an increase of 16.81 percent from the previous year, mainly come from the expansion of Backlog that accumulated from the previous year as the company’s group having 21 projects under the construction in 2019, more than 13 projects in 2018. While Low-rise condominium customer are still the main customer of the company’s group since 2018, with majors projects under the construction such as Atmos Ladprao 15, Atmoz Ladprao 71, D Condo Hat Yai, Runesu Thonglor 5, etc. These customers are private sector customers, accounting for approximately 77.39 percent of the construction and services revenue. While other construction revenue comes from customers in the public sector. It accounts for about 22.61 percent of revenue from construction and services such as the Southern Science Park Administration Building Project, the Fine Arts Department Office Building, the Somdech Phra Pinklao Hospital Building Nava Medical Department , Metropolitan Electricity Authority office building in Minburi District, etc.

Construction and service costs and Gross profit

In 2019, the company’s group had construction and service costs of 1,286.34 THB mn or equivalent to 85.36 percent of the construction and services revenue representing an increase of 108.51 THB mn or equivalent to 9.21 percent. While the gross profit was 220.60 THB mn or equivalent to 14.64 percent representing an increase of 108.32 THB mn or equivalent to 96.48 percent. The gross profit increased due to the higher



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percentage of revenue recognition from private sector jobs. In 2019, the proportion of private sector customer to public sector customers is 77:23, which is higher than in 2018 with the proportion of private sector customers to public sector customers, which is approximately 58:42. The private construction work is less competitive and more flexible in negotiations. As a result, the company's group has an average gross profit margin higher than that of the public sector.

Administrative expenses

In 2019, administrative expenses have increased from 3.89 THB mn compared to the same period of the previous year or an increase of 4.92 percent. Mainly due to an increase in employee salary expenses to support job expansion, employee bonus, audit fee, internal audit fee, meeting allowance and other compensation for directors. These are expenses related to the preparation for listing on the Stock Exchange.

Net Profit

Net profit in 2019 was 114.66 THB mn or equivalent to 7.56 percent. The net profit and net profit margin in 2019 was higher compared to 2018 due to the higher proportion of private sector jobs. This leads to an increase in average gross profit margin compared to the previous year.

Financial Position

As of 31st December 2019, the company's group had total assets of 681.42 THB mn. Total asset in 2019 was decreased by 141.75 THB mn when compared to 2018, mainly due to the decrease in internal cash flow of the company's group since in 2019 the company's group made a dividend payment based on the company's group operating results and a decrease in unbilled construction value as the company's group gradually collected money from most of the projects that were delivered at the end of the year.

As of 31st December 2019, the company's group has total liabilities of 388.90 THB mn or 57.07 percent of total liabilities and equities. The decrease in total liabilities in 2019 compared to 2018 in the amount of 176.18 THB mn was mainly due to the repayment of loans from financial institutions and the prepayment of construction contracts.



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As of 31st December 2019, the shareholders' equity of the company's group was 292.53 THB mn or 42.93 percent of total liabilities and shareholders' equity. An increase in the shareholders' equity in the amount of 34.44 THB mn was mainly due to

1. The Extraordinary General No. 2/2019 as of 9th December 2019 approved to increase the registered capital from 200.00 THB mn to 220.00 THB mn by issuing 200,000 new ordinary shares with a par value of 100 baht per share, the company receives capital increase from shareholders in the amount of 20.00 THB mn
2. The Board of Directors' Meeting No. 8/2019 as of 14th November 2019 approved to pay a dividend at the rate of 50 THB per share from 2.00 million shares, totaling 100.00 THB mn
3. The company's group has an operation profit of 114.66 THB mn

Please be informed accordingly

Yours Sincerely,

- Mr. Kriangsak Buanoom -

(Mr. Kriangsak Buanoom)

Managing Director

Well Graded Engineering Public Company Limited