



WELL GRADED ENGINEERING PLC.

No. WGE ELCID 2564/003

August 5, 2021

Subject: The Management Discussion and Analysis for the first half of 2021

To: President
The Stock Exchange of Thailand

Well Graded Engineering Public Company Limited (“the Company”) and its subsidiary (“the Group”) would like to submit the Management Discussion and Analysis for the first half of 2021 as follows:

Revenue from construction and services.

For the first six-month of 2021, the Group's construction and service income was 358.91 million baht, a decrease of 107.62 million baht from the same period of 2020, or decline rate of 23.06 per cent. Such drop was mainly from the economic slowdown due to the COVID-19 pandemic causing the Group's main customer base, especially in the real estate sector, to delay the launch of new projects. For the first six-month of 2021 most of construction and service revenue recognition still came from large construction projects that continued from the previous year, for example: The Excel Ratchada 18, Supalai Loft Prajadhipok - Wongwian Yai, Oneder Kaset, Modiz Launch, Srikrung Broker Headquarter. These customers are private sector customers, accounting for approximately 51.51 per cent of construction and service revenue. While other construction income comes from customers in the public sector, accounting for approximately 48.49 per cent of revenue from construction and services such as The Dormitory Building at Songkhla Rajabhat University, The Development of The Patient Health Promotion Building, Panyanunthaphikkhu Chonprathan Medical Center (PCMC), Energy Regulatory Commission Office Building, Dam Improvement for Suvarnabhumi Airport Officers' Residence, Natural Resources and Environmental Policy and Planning Office Building.

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Construction and service costs and Gross profit

For the first six-month period of 2020 and of 2021, the Group's construction and service costs were 383.63 million baht and 335.50 million baht, representing 82.24 per cent and 93.48 per cent of the revenue from construction and services of the same period, respectively. Meanwhile, the gross profit of the Group for the first six-month period of 2020 and of 2021 amounted to 82.84 and 23.41 million baht, or a gross profit margin of 17.76 per cent and 6.52 per cent, respectively. The decrease in gross profit for the first six-month of 2021 caused by the cut in gross profit margins from public sector customers due to higher competition.

Selling and administrative expenses

For the six months ended June 30, 2021, the Group had administrative expenses of 42.57 million baht, a decrease of 3.47 million baht compared to the same period of the previous year, or a decrease of 7.54 per cent, mainly due to a lessen of daily wages, financial advisory fee, bank fees and welfare according to company policy.

Net profit

For the six months ended June 30, 2021, the Group had a net loss of 20.13 million baht, a decrease from the same period of the year 2020, which had a profit of 49.25 million baht, or a decrease of 169.12 per cent. The decline was driven by significant revenue fell as the economy slowed down from the COVID-19 pandemic.

Financial Position

1. Asset

As of June 30, 2021, the Group had total assets of 1,188.51 million baht, an increase of 165.86 million baht compared to as of December 31, 2020. The major cause of such increase was an increasing of cash and cash equivalents amounting to 48.30 million baht, property, plant and equipment amounting to 66.18 million baht and unbilled revenue of 28.07 million baht, respectively.



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2. Liabilities

As of June 30, 2021, the Group had total liabilities of 552.52 million baht. An increase of 185.98 million baht, compared to 31 December 2020, due to an increase in trade and other current payables and advance charges in accordance with the construction contract. Aforementioned liabilities are payable or accrued expenses from items related to normal business operations that are not yet due, which has grown with number and value of the cumulative of the Group's project backlog.

3. Equity

As of June 30, 2021, the Group had total shareholders' equity of 635.99 million baht. A decrease of 20.12 million baht compared with shareholders' equity at the end of December 31, 2020 was mainly due to the Group's operating loss of 12.12 million baht.

Please be informed accordingly,

Best regards,

– Mr. Kraingsak Buanoom –

(Mr. Kraingsak Buanoom)

Managing Director

Well Graded Engineering Public Company Limited