



WELL GRADED ENGINEERING PLC.

No. WGE-FN 2022/001

February 18, 2022

Subject: The Management Discussion and Analysis for the year ended December 31, 2021

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 December 31, 2021, as follows:

**Revenue from construction and services.**

For the year ended December 31, 2021, the Company's construction and service income was 1,185.47 million baht, an increase of 327.72 million baht from the same period of 2020, or an increasing rate of 38.21 per cent. The increase in such income is a result of backlog accumulated continuously from the previous year and new projects that the Company won the auction in 2021, which are government sector accounted for approximately 51.59 per cent of total revenue from construction and services while the proportion of income from construction work from the private sector accounted for approximately 48.41 per cent.

**Construction and service costs and Gross profit**

In 2021, the Company's cost of construction and services was 1,076.94 million baht, an increase of 360.31 million baht from 2020, or an increase of 50.28 per cent. The gross profit of the Company in 2021 was 108.53 million baht, a decrease from the year 2020, amounting of 32.58 million baht or equivalent to a decrease of 23.09 per cent, mainly due to a relatively large increase in the price of construction materials, effects of labor shortages and a relatively low gross margin of new construction contracts from government sector due to increased in price competition.

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No.64759/A/0001/UK/En



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### **Selling and administrative expenses**

In 2021, the Company had selling and administrative expenses of 89.77 million baht, an increase of 2.68 million baht from 2020, or a 3.08 per cent increase, caused by the allowance for doubtful accounts of 1.31 million baht. (under Thai Financial Reporting Standard No. 9) and other welfare expenses to help workers from government measures announcement to close construction camps due to the epidemic of coronavirus (COVID-19).

### **Net profit**

In 2021, the Company had a net profit of 14.03 million baht, a decrease of 31.56 million baht from the same period of 2020, or a 69.23 per cent decrease. The decline was mainly due to the economic slowdown caused by the outbreak of the COVID-19 that affected real estate development and construction businesses, directly and indirectly.

### **Financial Position**

#### **1. Asset**

As of December 31, 2021, the Company had total assets of 1,593.23 million baht, an increase of 570.57 million baht compared to 31 December 2020, or an increase of 55.79 per cent. The increase was mainly due to an increase in unbilled construction work in progress amounting to 235.72 million baht, an increase in trade and other receivables of 187.73 million baht, and an increase of plant, property and equipment by 157.54 million baht, respectively.

#### **2. Liabilities**

As of December 31, 2021, the Company had total liabilities of 923.59 million baht, an increase of 557.04 million baht compared to 31 December 2020. The increase was due to an increase in bank overdrafts and short-term loans from financial institutions as the Company used bank loan products such as promissory notes



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(PNs) and avals, trade accounts payable arising from the normal business operations of the Company and increased in advance deposits from construction contracts.

### 3. Equity

As of December 31, 2021, the Company had total shareholders' equity of 669.64 million baht. An increase of 13.53 million baht compared with shareholders' equity at the end of December 31, 2020, was mainly due to the Company's operating profit of 14.03 million baht.

Please be informed accordingly,

Best regards,

*– Mr. Kraingsak Buanoom –*

(Mr. Kraingsak Buanoom)

Managing Director

Well Graded Engineering Public Company Limited