

At TIGER 003/2565

11 May 2022

Subject: Management Discussion and Analysis for the three-month period ended 31 March 2022

To: Managing Director, the Stock Exchange of Thailand

Please find management discussion and analysis for the three-month period ended 31 March 2022 of Thai Enger Holding Public Company Limited (“the Company”) as the following details:

The Consolidated Financial Statements the three-month period ended 31 March 2022 and 2021;

Million Baht	2021	%	2022	%	Inc/(Dec)	%
Revenues from sales and services	195.02	100.00%	138.47	100.00%	(56.55)	(29.00%)
Cost of sales and services	168.07	86.18%	123.01	88.84%	(45.06)	(26.81%)
Gross profit	26.95	13.82%	15.46	11.16%	(11.49)	(42.64%)
Selling expenses	0.67	0.34%	0.73	0.53%	0.06	8.89%
Administrative expenses	10.41	5.34%	11.19	8.08%	0.78	7.51%
Profit from operation	15.87	8.14%	3.54	2.56%	(12.33)	(77.70%)
Other income	0.97	0.50%	0.59	0.43%	(0.38)	(38.89%)
Profit before interests and taxes	16.84	8.64%	4.13	2.98%	(12.71)	(75.47%)
Share of loss from associate	0.02	0.01%	(1.22)	(0.88%)	(1.24)	100.00%
Finance costs	(0.16)	(0.08%)	(0.59)	(0.43%)	(0.42)	257.50%
Income tax expense	(3.39)	(1.74%)	(0.98)	(0.70%)	2.41	(71.19%)
Profit for discontinued operation	13.31	6.82%	1.35	0.97%	(11.96)	100.00%
Profit on discontinued operation	0.02	0.01%	0.00	0.00%	(0.02)	(100.00%)
Net profit	13.33	6.83%	1.35	0.97%	(11.98)	(89.90%)

Comparing to the year 2020 and 2021, Thailand current economic situation has slightly recovered from the Covid-19 outbreak. During the first quarter of 2022, the number of daily infection case is still high but start to remain stable while the severe cases and death counts can be controlled and mitigated due to the high vaccine coverage. The government started a gradual relaxation of domestic Covid-19 measures causing the day-to-day life to slowly get back to normal and the domestic demand is slightly driven up. As the international travel restriction has gradually eased off, the number of international tourists for the first quarter of 2022 also begin to rise. Despite such positive outlook, the impacts from the long lasting pandemic severely affected the revenues and financial position of many customers and private project owners, together with the fallout from Russia-Ukraine conflict, and the global inflationary pressures amid rising material, wage and energy price prices make a huge surge in the production costs of 2022.

The construction industry outlook for the year 2022 is expected to face another difficult year and the challenge is expected to continue through the year and eventually recovered in the year 2023. Even though overall construction section of 2022 is expected to grow 4% but most of the growth are driven by the government spending on infrastructure mega projects where only handful of large-scale contractors were exclusively beneficial. The construction from private sector such as residential, commercial and hotel projects, on the other hand, is expected to be recovered much slower by the end of 2022. Moreover, the construction industry in 2022 will face three major obstacles; 1) The Material prices that are still severely elevated and highly fluctuated 2) Labor shortages and 3) The deteriorate financial position and cashflows of many private project owners from the long pandemic, adding the challenge to the Group's ability to collect its outstanding debts and retention.

The Group adopted the following strategies to overcome these crisis ;

- 1) Expand to the public sector such as public utility construction projects in order to compensate for the downturn in private sector. The Group adopted several arrangements, not only as prime contractor work directly with the government but as subcontractor to other main contractor and as joint venture / consortium entities with other business partners. For the three-month period ended 31 March 2022, the revenues proportion between public and private sector was 75 to 25, while the construction backlog proportion was 83 to 17. The proportion of public to private sector has been much bigger comparing to those around 50 to 50 pre-covid level.
- 2) For the private sector where the demand for hotel and condominium construction declined, the Group shifted its marketing effort to unaffected areas such as construction of data center and cloud infrastructure, trade logistic hub and the construction of small and short-life private construction projects which have less effects from the outbreak such as high-end private residence projects and small scale factory construction.
- 3) The Group made strategic change on construction project bidding and acquiring. Under the uncertainty on labor and material price, the Group revised its bidding strategy from competitive and aggressive to more prudent and conservative manners. The Group prudently screened the new bidding projects for a high-profile and adequate gross margin, together with the strong financial background from the project owner.
- 4) The Company's business activities have been adapted to a new way of living-with-Covid-19. The extreme measurements such as the site lockdown and the logistic restriction between sites were permanently dropped. The Company focused on adjusting for safety environment and work routine in the construction sites in order to allow business to goes on without sacrificing for the employee safety.

- 5) The Company made ready for the labor shortage by introducing new construction technology and building innovation. During the beginning of April 2021, the Company invest in newly established subsidiary, Cons Inno Company Limited. with the objective of operating in a business of procurement and sale of building materials focusing on innovative construction technologies.
- 6) Under the high elevation of material price, the Company pay absolute attention to the construction cost control by cautious and comprehensive project budgeting, prudent purchase planning, using the deposits for material purchase and the close communication with vendors.
- 7) The first half of 2022, the Company choose to focus on maintaining its cashflows by speeding up work billing and debt collection rather than accelerating project progress and acquiring a new construction projects.

Because of the situation and the mention strategies adopted, the operation performance for the first quarter of 2022 was significantly decline comparing to the same period last year. The reasons for the sharp decline of revenues recognition according to the work progress in the first quarter of 2022 are from the decrease of the number of constructions on hand, the spread and outbreak in the construction sites and the Company's strategy to shift focus from accelerating the construction progress to deliver the work, billing the invoice and collecting the long outstanding debts. There was no new contract entering during the first quarter of 2022. The company's construction backlog as at 31 March 2022 decreased slightly to THB 838 million comparing to THB 960 million at 31 December 2021. The analysis of operation performance can be presented as follows;

Revenue from Sales and Services

The Group has revenue from sales and services for the three-month period ended 31 March 2022 and 2021 equivalent to THB 138.47 million and THB 195.02 million respectively, decreasing by THB 56.55 million or equivalent to 29.00% compared to that from last year. The decrease is due to the following reasons 1) The decrease in the number of construction projects on hand. Due to the Company's strategy to speed up the work's delivery of construction project on hand during 2021 and the facts that no new additional projects acquired during the first quarter of 2022, the numbers of projects on hand during 2022 was only 6 projects comparing to 9 projects from the same period in 2021. 2) The construction delay from the small cluster infections in the construction sites. As the Company's strategy to live with Covid-19, the site lockdown and logistic restriction were dropped and replaced with using monitoring and quarantining bubble to limit the risk of infection. As a result, the Company has faced many but controllable outbreaks in the construction sites causing inevitable delay in the construction progress comparing to the same period last year when the extreme measurements of bubble and seal were adopted.. 3) The Company's strategy to focus on billing the invoice and collecting the long outstanding debts rather than accelerating the progress. under the uncertainty of economic climate with many project owners facing the cashflow problem and the Company's cashflows had been used up to speed up the progress delivery in 2021, the Company, this year, decide to step back and

intentionally slow down its work delivery until the payments was made in order to reduce the possible credit risk. This made the revenues recognized under the percentage of completion to decrease.

The major construction projects recognized in the first quarter of 2022 were Ayuthaya water production facilities project with revenues recognized of THB 74 million, the Out Patient Department building at Nakorn Nayok with revenues recognized of THB 26 million and Data center building project with revenues recognized of THB 20 million. Beside the revenues from construction segment, the revenues from construction supporting segment by TEG Aluminum Company and Cons Inno for the first quarter of 2022 were totally THB 2.0 million, (excluded inter company transaction.)

Cost of Sales and Services

For the first quarter of 2022, the Group has cost of sales and services equivalent to THB 123.01 million, decreasing by THB 45.06 or 26.81% from same period last year, moving in the same proportion of decrease in sale. The proportion of cost to sale for the first quarter of 2022 is 88.84% , slightly increased from that of 86.18% from last year.

Gross Profit

The Group's gross profit for the first quarter of 2022 decreased by THB 11.49 million, equivalent to 42.64% compared to same period last year. The gross margin was 11.16% slightly decreasing from last year of 13.82% . The majority of revenues recognized during the year 2021 came from the government project with high volume but less gross margin than that of private sector. According to their budget, the projects recognized in the first quarter of 2022 had the average profitability ratios 10.71%, much lower than that of 12.00 from the same period last year. Moreover, during the first quarter of 2022, the construction materials, such as steels, cement and copper have experienced significant rates of price increases, making it harder for the Company to manage its budget and saving the construction cost during the project completion.

Selling and Administrative expenses

For the first quarter of 2022, the Group 's selling and administrative expenses was THB 11.92 , remaining unchanged from THB 11.08 million from the previous year due to the Company's effort of cost monitoring and expense control.

Net Profit

For the first quarter of 2022, the Group 's net profit was THB 1.35 million decreasing by THB 11.98 million, equivalent to 89.90% compared to the previous year. The decline was due to the major downturn of construction industry not-yet recovered from Covid-19 pandemic and the Company's strategy to intentionally slowdown which cause the major delay of construction progress and the revenue recognition under the percentage of completion, together with the fact that the construction projects recognize during the first quarter of 2022 provided the less profit margin than that from the previous year.

Yours sincerely,

(Mr.Viboon Pojanalai)

Chief Financial Officer