

Management Discussion and Analysis (“MD&A”)

The 2022 Operating Performance of

TRC Construction Public Company Limited and its Subsidiaries

Performance of the year ended of 2022 compare with 2021

Operating Results of the Company and its subsidiaries (Unit : Million Baht)	Q4	Q4	2022	2021	Change	
	2022	2021			Amount	%
Construction services income	687.50	764.94	3,283.82	3,819.47	(535.65)	(14.02%)
Cost of construction services	623.15	688.49	3,067.46	3,625.75	(558.29)	(15.40%)
Gross profit (loss) for construction services income	64.35	76.45	216.36	193.72	22.64	11.69%
Other service income	32.47	1.32	57.87	17.48	40.39	230.98%
Cost of other services	30.08	0.71	52.05	10.24	41.80	408.21%
Gross profit (loss) for other service income	2.39	0.61	5.82	7.24	(1.42)	(19.58%)
Sales income	0.00	7.66	1.60	8.40	(6.80)	(80.94%)
Cost of sales	0.00	7.56	1.22	8.16	(6.94)	(85.03%)
Gross profit (loss) for sales	0.00	0.10	0.38	0.23	0.15	62.61%
Interest and other income	3.25	12.20	29.73	42.91	(13.18)	(30.72%)
Administrative expenses	61.29	71.62	258.32	260.21	(1.89)	(0.73%)
Loss from business dissolution in the subsidiary	0.00	0.00	36.85	0.00	36.85	
Profit (loss) before share of profit (loss) from investments in associate and joint venture, finance cost and income tax expenses	8.70	17.73	(42.88)	(16.11)	(26.77)	(166.18%)
Share of profit (loss) from investments in associate and joint venture	(10.57)	3.48	(21.03)	2.56	(23.60)	(921.24%)
Finance cost	(11.79)	(9.30)	(42.55)	(35.06)	(7.49)	(21.36%)
Profit (loss) before income tax expenses	(13.66)	11.91	(106.46)	(48.61)	(57.86)	(119.03%)
Income tax income (expenses)	(1.09)	(5.78)	(6.09)	(10.69)	4.60	43.04%
Profit (loss) for the year	(14.75)	6.13	(112.55)	(59.30)	(53.25)	(89.81%)
Profit (loss) attributable to non-controlling interests of the subsidiaries	(0.00)	0.52	(0.59)	(1.91)	1.32	68.95%
Profit (loss) attributable to equity holders of the Company	(14.75)	6.64	(111.96)	(57.39)	(54.57)	(95.10%)
Earnings per share (Baht)			(0.0117)	(0.0060)		
Gross profit (loss) for construction services margin	9.36%	9.99%	6.59%	5.07%		
Gross profit (loss) for other service margin	7.35%	45.97%	10.07%	41.43%		
Gross profit (loss) for sales margin	0.00%	1.27%	23.61%	2.77%		
Net profit (loss) margin	(2.04%)	0.78%	(3.34%)	(1.53%)		

Summary of 2022 Operating Performance

1. **Construction services income** was 3,283.82 million Baht, decreased by 535.65 million Baht from last year or representing at 14.02%. The decreased income was from the Company’s income which decreased by 643.50 million from the previous year Baht because the large construction project income was recognized since 2021 and does not have a large rewarded project in this year. In 2022, the Company had mainly recognized the construction services income from the civil works of 2,256.14 million Baht and the piping works of 724.85 million Baht. The significant projects comprised 5 projects of

the road construction-restoration and ditch development of Department of Highway and Department of Rural Roads, total of 861.64 million Baht, 4 projects of the construction of manholes and underground conduit and the conversion of aerial cables to underground cables of Metropolitan Electricity Authority, total of 726.39 million Baht, the design and construction of oil tanks projects for private companies, total of 296.56 million Baht, etc.

2. Gross profit for construction services was 216.36 million Baht, increased by 22.64 million Baht from the previous year or an increase of 11.69%. It represented the gross profit margin of 6.59%, comparing to the previous year's gross margin of 5.07%, gross profit margin increased because the design and construction of oil tanks projects for private companies generated high profit margin although it is a short-term project, 20% average margin rate.

3. Other service income was 57.87 million Baht, increased by 40.39 million Baht from the previous year or representing at 230.98% which is an income from a subsidiary that has awarded a new project of software development and GPS device installation for a government agency in 2022.

4. Administrative expenses were 258.32 million Baht, representing a decrease of 1.89 million Baht or 0.73% from previous year which main expenses are employee salaries and related expenses as well as depreciation and amortization.

5. Loss from business dissolution in the subsidiary was 36.85 million Baht from the dissolution and liquidation of 2 subsidiaries in the Sultanate of Oman, namely TRC Middle East LLC and TRC Engineering LLC, which TRC International Limited held 70% shareholding. The process of dissolution and liquidation of both subsidiaries has already completed.

6. Finance cost was 42.55 million Baht, representing an increase of 7.49 million Baht or 21.36% from the previous year because the increase of bank overdrafts and short-term loans from financial institutions to use as working capital. As of 31 December 2022, the Company had bank overdrafts and short-term loans from financial institutions of 939.91 million Baht, representing an increase of 143.29 or 17.99% from the previous year.

7. Net loss for the year was 111.96 million Baht, representing the net loss margin of 3.32% whereas the net loss for the previous year was 57.39 million Baht, representing the net loss margin of 1.53%. The Company still had the loss operating performance due to high administrative expenses and financial cost, including a loss from the dissolution and liquidation of 2 subsidiaries of 36.85 million Baht. If does not include a loss from the dissolution in the subsidiary, the Company will have a net loss of 75.11 million Baht.

Financial Position (Unit:MB)	31 Dec 22	31 Dec 21	Inc. / (Dec.)	%
Current assets	3,551.41	3,243.64	307.77	9.49%
Non-current assets	801.98	851.69	(49.71)	(5.84%)
Total assets	4,353.39	4,095.33	258.06	6.30%
Current liabilities	3,987.67	3,655.56	332.11	9.09%
Non-current liabilities	62.89	71.97	(9.08)	(12.62%)
Total liabilities	4,050.56	3,727.53	323.03	8.67%
Equity attributable to owners of the Company	300.37	399.41	(99.04)	(24.80%)
Total Shareholders' Equity	302.83	367.80	(64.97)	(17.67%)
Liquidity ratio (Time)	0.89	0.89		
Debt to equity ratio (Time)	13.38	10.13		

Financial Position

Total assets as of 31 December 2022 were 4,353.39 million Baht, representing an increase of 258.06 million Baht or 6.30% from the previous year. Current assets increased by 307.77 million Baht or 9.49%. Whereas non-current assets decreased by 49.71 million Baht or 5.84%. The increase of current assets was from unbilled receivable of 430.00 million Baht or equivalent to an increase of 21.05% as a result of the recognition of construction services income in accordance with the proportion of completed work that is not able to issue until meet the conditions in the contract. Whereas trade and other receivable decreased by 161.57 million Baht or 39.54% due to the decrease of construction income as abovementioned. The decreasing of non-current assets was land, building and equipment of 571.99 million Baht from previous of 619.14 million Baht or representing a decrease of 47.15 million Baht or 7.62%, mainly caused from the record of depreciation of 55.82 million Baht.

Total liabilities were 4,050.56 million Baht, representing an increase of 323.03 million Baht or 8.67% from the previous year. Current liabilities increased by 332.11 million Baht or 9.09%. Non-current liabilities decreased by 9.08 million Baht or 12.62%. The significant increase of liabilities was unbilled payable of 334.55 million Baht or representing at 39.84% due to the increase of the cost for construction services and during payment collection and the increase of 143.29 million Baht of bank overdraft and short-term loans from financial institutions as abovementioned in the Finance cost section. The liquidity ratio is 0.89 time which is the same as previous year.

Total shareholders' Equity was 302.83 million Baht and attributable to equity holders of the Company was 300.37 million Baht, representing a decrease of 99.05 million Baht or 24.80% due to the loss operating performance. The debt to equity ratio was 13.38 times, increasing from the previous year at 10.13 times.

Projects on hand

As of 31 December 2022, the Company and its subsidiaries had projects on hand with the remaining value of non-completion works as follows:

Company	No. of projects	Value (million Baht)
TRC Construction Public Company Limited	11	504.18
Sahakarn Wisavakorn Company Limited	18	3,715.81
Joint Venture Sahahydro Pattaya	1	128.84
Total	30	4,348.83

Significant incidents of 2022

- TRC Middle East LLC and TRC Engineering LLC had been completed the process of dissolution and liquidation of both subsidiaries and ended the status of the subsidiary. Both subsidiaries had loss operating over capital as a result the Company has to recognize the loss from the subsidiary's business dissolution of Baht 36.85 million as stated in the statement of comprehensive income.
- The Company and its subsidiaries had been awarded 11 new contracts in 2022 with total contract value of 537.13 million Baht.

The Company: 6 contracts for the value of 255.23 million Baht. The significant projects consisted of;

- The gas distribution system to customers in the Nava Nakorn Industrial Zone, Nakorn Ratchasima Province project of PTT Public Company Limited. The contract value is Baht 82.54 million with 450 days constructions period.
- The new gas pipeline system for EGCO Cogeneration SPP replacement project of EGCO Cogeneration Company Limited. The contract value is Baht 132.00 million with 540 days constructions period.

Sahakarn Wisavakorn Company Limited: 5 contracts for the value of 281.90 million Baht. The significant projects consisted of;

- The community area development at Muang Pitsanulok District, Pitsanulok Province from the Department of Public Works and Town & Country Panning with the contract value of 91.59 million Baht. The construction period was 780 days.
- The community area development at Tumbon Kumpang, La-ngoo District, Satun Province from the Department of Public Works and Town & Country Panning with the contract value of 120.09 million Baht. The construction period was 720 days.

(Mr.Pasit Leesakul)

Director and Chief Executive Officer

24 February 2023