



GEL.CS.002/2567

29 February 2024

Subject: Management Discussion and Financial Analysis for the operating results of the year 2023, ended 31 December 2023

To: Director and Manager  
The Stock Exchange of Thailand

The Board of Director's meeting No. 1/2024 of General Engineering Public Company Limited ("**the Company**") held on 29 February 2024 has approved and verified the financial statements of the Company and its subsidiaries for the year 2023, ended 31 December 2023 which audited by the auditor of the Company. Details are as follows.

### **The Operating Results Analysis**

#### **For the year 2023, ended December 31, 2023**

The Company and its subsidiaries financial statement showing net loss at the amount of Baht 413 million, comparing with the same period of previous year, the net loss at the amount of Baht 150 million which the net loss was increased by Baht 263 million which details are as following;

#### (1) Revenue from sales

The Company and its subsidiaries had total revenue from sales at the amount of Baht 4,106 million, which increased from the same period of previous year by Baht 1,335 million or 48%. The increase was due to the recognition in revenue from sales and services of Inno Precast Co., Ltd. ("**Inno Precast**") since 1 June 2023 by way of the Entire Business Transfer in Inno Precast and one of the Company's subsidiary had increased its revenue comparing with the same period of previous year.

#### (2) Gross profit

The Company and its subsidiaries' total gross profit were Baht 380 million, which increased from the same period of previous year by Baht 159 million or 72% due to the increase in revenue from the recognition in revenue of Inno Precast and one of the Company's subsidiary.

#### (3) Administrative and Selling expenses

The Company and its subsidiaries' had administrative and selling expenses at the amount of Baht 389 million, which increased from the same period of previous year by Baht 154 million or 66% due to the recognition in administrative and selling expenses of Inno Precast since 1 June 2023.

For the separate financial statement, the Company had administrative and selling expenses at the amount of Baht 265 million, which increased from the same period of previous year by Baht 106 million or 66% due to the recognition in doubtful debt at the amount of Baht 64 million, the recognition in construction expenses for some of the Company's projects caused by the extension of the construction period resulting in additional expenses from the budget at the amount of Baht 5 million, and the

recognition in transaction fee for entire business transfer and partial business transfer for the amount of Baht 15 million.

(4) Net loss

The Company and its subsidiaries financial statement showing net loss at the amount of Baht 413 million, which increased from the same period of previous year by Baht 263 million and for separate financial statement the Company showing net loss at the amount of Baht 434 million, which increased from the same period of previous year by Baht 349 million which details are as following;

**1) Loss from estimating liabilities from guarantees in the consolidated financial statements for 2023 at the amount of 166 million baht.**

Loss from estimated liabilities from guarantees is caused by the common shares of Wisdom Tree Investment (S) PTE. Limited ("**Wisdom Tree**") held by the Company were used as collateral for requesting a Standby Letter of Credit ("**SBLC**") credit line with Bangkok Bank Public Company Limited, Silom Branch. ("**Bangkok Bank, Silom Branch**") to issue SBLC to Bangkok Bank Public Company Limited, Yangon Branch ("**Bangkok Bank Yangon Branch**") to guarantee the credit line of Millcon Thiha GEL Limited ("**MTGL**"), a subsidiary of Wisdom Tree.

MTGL operates the business of producing and distributing steel products in Myanmar which from the political situation in Myanmar which is not conducive to business operations, resulting in MTGL not being able to conduct business as usual together with the situation of the supply of US dollars in Myanmar to purchase raw materials used in MTGL's production is difficult, resulting in MTGL being unable to procure raw materials for production and distribution according to the normal business plan. As a result of this situation, MTGL was unable to pay its debts and defaulted on its debt to Bangkok Bank, Yangon Branch.

When MTGL breached the said contract Bangkok Bank, Yangon Branch therefore Bangkok Bank, Yangon Branch sent a letter to notify Bangkok Bank, Silom Branch, to exercise its rights to claim according to the SBLC that Bangkok Bank, Silom Branch had given to Bangkok Bank, Yangon Branch, and later, Bangkok Bank, Silom Branch, demanded that the Company proceeded with compensation for the amount of SBLC requested by Bangkok Bank, Yangon Branch. The Company was asked to pay USD 4.81 million. The Company has estimated the amount of damages expected to be paid in full in the financial statements.

**2) Share of loss from investment in associated company and joint ventures in the consolidated financial statements for 2023 at the amount of 62 million baht.**

Share of loss from investment in associated company and joint ventures is caused by the sharing loss from joint ventures at amount of 75 million and sharing profit from associated company at amount of Bath 13 million.

**3) Loss from impairment of investments in the separate financial statements for 2023 at the amount of 82 million baht. The main causes are as follows.**

Loss from impairment of investment is caused by MTGL having continuous accumulated operating losses due to the political situation in Myanmar which is not conducive to business operations, resulting in MTGL not being able to conduct business as usual

together with the situation of the supply of US dollars in Myanmar to purchase raw materials used in MTGL's production is difficult, resulting in MTGL being unable to procure raw materials for production and distribution according to the normal business plan. From the said situation, the Company Unable to foresee that business operations would return to good performance in the future, the Company therefore canceled the investment in MTGL and set aside the entire investment in MTGL to be impaired.

**4) The Company's gross profit in the separate financial statement decreased from 4% for 2022 to 1% for 2023.**

The Company's gross profit in the separate financial statement decreased due to

- Due to some customers' late payments, the Company's working capital is limited and unable to produce and sell products as planned. In addition, due to the operating characteristics of some of the Company's products, the production process must be completed in order to receive 60% of the work fee. For the remaining 40%, the work fee can be received when the goods are delivered to the work site. Therefore, resulting in current contract assets increasing from Bath 382 million for 2022 to Baht 429 million for 2023, thus making the Company is insufficient working capital to produce according to the planned production capacity. As a result, the cost per unit will increase.
- The extension of the operating period of some construction projects resulting in additional expenses that exceed the cost estimates according to the planned plans.

**Statement of Financial Position**

**Assets**

As at December 31, 2023, the Company and its subsidiaries had total assets of Baht 10,538 million, increased by Baht 3,473 million or 49% comparing with December 31, 2022 due to

1. An increase in property, plant and equipment at amount of Baht 2,417 million from the transaction by purchasing and accepting the transfer of the entire business in Inno Precast.
2. An increase in Right-of-use assets at amount of Baht 1,049 million from the transaction by purchasing and accepting the transfer of the entire business in Inno Precast.
3. A decrease in investment in available-for-sales securities (MILL) at amount of Baht 239 million due to market price was decrease from 0.78 Baht/share at 31 December 2022 to 0.88 Baht/share at 31 December 2023.

**Liabilities and Equities**

As at December 31, 2023, the Company and its subsidiaries' liabilities was Baht 6,340 million, increased by Baht 3,182 million or 100% comparing with 31 December 2022 due to

1. An increase in long term loans from financial institution at the amount of Baht 1,703 million from the transaction by purchasing and accepting the transfer of the entire business in Inno Precast.
2. An increase in lease liabilities at amount of Baht 1,044 million from the transaction by purchasing and accepting the transfer of the entire business in Inno Precast.
3. An increase in estimating liabilities from guarantees at amount of Baht 166 million from estimated the amount of damages expected to be paid in full in MTGL.



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### **Forward Looking**

In 2024, the Company and its subsidiaries are committed to pushing for better operating results from the previous year. In 2023, the Company was continuously affected by the COVID situation. This has caused some debtors to have a reduced ability to repay their debts. The Company and its subsidiaries have adjusted their operations and create more conciseness in the process of dealing with customers.

For the lack of liquidity of the Company and some subsidiaries caused by accumulated losses in the past together with the operations of some products that the Company production must be sufficient for the nature of the work before full payment can be received. As a result, it affects overall liquidity. The Company has arranged additional revolving credit lines from financial institutions to support the said operations of the Company.

For the overall picture in 2024, from 2023 the Company has an investment transaction by purchasing and accepting transfer of the entire business (EBT) in Inno Precast and a business restructuring transaction by transferring part of the business (PBT) in the precast business, making Inno Precast a subsidiary of the Company. Entering into this transaction, this creates additional benefits from business integration (Synergy) from managing production costs and other expenses. It also helps make the business management of the group of companies more agile and flexible because there is a clear separation of each type of business which can make the Company able to analyze and follow up on the Company's performance and subsidiaries group more clearly. In addition, in 2024, one of the Company's subsidiaries has a large number of backlog orders coming in compared to last year. Therefore, the Company and its subsidiaries are committed to driving good operating results increased from the year 2023.

Yours sincerely,

General Engineering Public Company Limited

*-signed-*

(Mr. Wuttichai Sresthabutra)  
Company Secretary