

At TIGER 013/2562

20 February 2020

Subject: Management Discussion and Analysis for the year ended 31 December 2019

To: Managing Director, the Stock Exchange of Thailand

Please find management discussion and analysis for the year ended 31 December 2019 of Thai Enger Holding Public Company Limited ("the Company") as the following details:

The Consolidated Financial Statements for year ended 31 December;

Million Baht	2018	%	2019	%	Change	%
Revenues from sales and services	780.46	100.00%	989.36	100.00%	208.90	26.77%
Cost of sales and services	638.75	81.84%	835.57	84.46%	196.82	30.81%
Gross profit	141.71	18.16%	153.79	15.54%	12.08	8.53%
Selling expenses	2.58	0.33%	3.01	0.30%	0.43	16.81%
Administrative expenses	38.22	4.90%	53.30	5.39%	15.08	39.45%
Profit from operation	100.91	12.93%	97.48	9.85%	(3.43)	(3.40%)
Other income	0.80	0.10%	2.93	0.30%	2.14	267.23%
Profit before share of the loss of the associate	101.71	13.03%	100.42	10.15%	(1.29)	(1.27%)
Share of the loss of the associate	-	-	(0.05)	(0.01%)	(0.05)	(100.00%)
Profit before interests and taxes	101.71	13.03%	100.37	10.14%	(1.35)	(1.32%)
Finance costs	(2.66)	(0.34%)	(0.83)	(0.08%)	1.83	(68.72%)
Income tax expense	(16.35)	(2.10%)	(20.12)	(2.03%)	(3.77)	23.05%
Profit for continued operations	82.70	10.60%	79.41	8.03%	(3.29)	(3.98%)
Profit of discontinued segment	7.07	0.91%	-	0.00%	(7.07)	(100.00%)
Net profit	89.77	11.50%	79.41	8.03%	(10.35)	(11.53%)

Revenue from Sales and Services

The overall construction market for the year 2019 continued to face negative effects from the lack of demand in real estate section which results from a number of negative circumstances. The Loan-to-Value regulation implemented by Bank of Thailand, the weaker purchasing power of Chinese buyers on real estate as the yuan devalues, the sharp decline in the number of tourists postponing the new construction of hotels and resorts, and the delay of government megaprojects. All of these factors cause fierce competition among players in construction industry and add the challenge to the Company's ability to acquire and bid for the new construction contracts.

Despite such circumstances, the Company manages to maintain its performance growth for the year 2019 by implying a number of strategies such as speeding up the work's delivery of construction project on hand and expanding its marketing effort to the sale of construction material segment in order to compensate for the decline of construction segment. Because of the mentioned actions, the Company's revenues for the year 2019 increased from the same period last year by 26.77, while, the net profit (for continued operations) of 2019 decrease slightly from the same period last year by 3.98%.

Revenues from sales and services

The Group has revenue from sales and services of 2018 and 2019 equivalent to THB 780.46 million and THB 989.36 million respectively, increasing by THB 208.90 million or equivalent to 26.77% compared to the same period of the previous year. The breakdown of revenues can be shown as follows;

Million Baht	2018	%	2019	%	Change	%
<u>Revenues from sales and services</u>						
Construction service	746.95	95.71%	826.03	83.49%	79.08	10.59%
Sale of construction material and equipment	33.51	4.29%	72.59	7.34%	39.08	116.62%
Procure and install of system for inter expo	-	-	90.74	9.17%	90.74	100.00%
Total	780.46	100.00%	989.36	100.00%	208.90	26.77%

From the information above, the revenues on construction segments increased from THB 746.95 million to THB 826.03 equivalent to THB 79.08 million or by 10.59% as a result from the Company's effort to speed up the delivery of its construction project on hand. The major construction projects recognized for the year 2019 were Sa-Dao Hatyai Industrial Estate project (revenues recognized of THB 288 million), V-Villa Phuket resort project (revenues recognized of THB 138 million), I-tara resort project (revenues recognized of THB 103 million) and condominium project in Soi Lasalle (revenues recognized of THB 101 million) and In addition, during the third and forth quarter of 2019, The Company acquire two new projects of procurement and installation of sound and electronic system for the international conference expo with total project value of THB 90.74 million. Such projects are short-term. They have been completed and delivered during the year.

The sale of construction material and equipment increases dramatically by 39.08 million, accounted for 116.62% from the same period last year. The increment was from the sale of subsidiary's aluminum products and the sale of construction material made to a certain procurement project.

Cost of Sales and Services

For the year 2019, the Group has cost of sales and services equivalent to THB 835.57 million, increasing by THB 196.82 million or 30.81% from the same period last year. the change is higher than the increasing of revenue from sales and services. The proportion of cost to sale of 2019 was 84.46% increase from that of 81.84% from the same period last year.

Gross Profit

The Group's gross profit for the year 2019 increased by THB 12.08 million or 8.53%, while, the gross margin for the 2019 decrease from 18.16% to 15.54%. The breakdown of gross profit and gross margin can be shown as follows;

Million Baht	Q3 2018	Gross Margin %	Q3 2019	Gross Margin %
<u>Gross Profits</u>				
Construction service	128.10	17.15%	133.74	16.19%
Sale of construction material and equipment	13.61	26.67%	11.23	13.19%
Procure and install of system for inter expo	-	-	8.82	9.72%
Total	141.71	18.15%	153.79	15.54%

For the construction segments, the gross profit for the year 2019 was THB 133.74 million with the gross margin of 16.19% which decreased from those of 17.15% from the same period last year. The decline on gross margin is from the difference in nature of construction service provided, the project recognized during 2018 mostly comprised the construction for private segment such as hotel and resorts which provide high gross margin around 17-21%, while the project recognized during 2019 are the big government segment projects with less gross margin around 13-15%.

For the sale of construction material and equipment segments, the gross profit for the year 2019 was THB 11.23 million with the gross margin of 13.19% which decrease from those of 26.67% from the same period last year as a result from one certain procurement project in 2019 with the revenues amount of THB 39.55 million but providing the low margin of 6.08% causing the overall gross margin of 2019 to decrease.

Selling and Administrative expenses

In the year 2019, the Group's selling and administrative expenses increased from THB 40.80 million to THB 56.31 million, increasing by THB 15.51 million or 38.02% from the year 2018. The movement is mainly from the increase of related expenses in order to support the future operation growth. The staff cost of 2019 increased by THB 8.39 million, equivalent to 31.01% from the recruitment of new management and administrative staffs in the company and subsidiaries, from the annual salary increase, and from the annual bonus paid in 2019. The depreciation and amortization increased by THB 4.55 million, equivalent to 4.85 due to the new acquisition of machineries and vehicles. Moreover, during the year 2019, the Company recognised major one-time expenses in the amount of THB 3.85 million comprising doubtful debt of trade account receivable of THB 2.10 million and estimated loss from legal obligation of THB 1.75 million. as those mentioned above cause the overall administrative expenses to increased in the current year.

Net Profit

For the year 2019, the Group 's net profit from continued operation was THB 79.41 million decreasing by THB 3.29 million, equivalent to 3.98% compared to the same period of the previous year. The decrease was from 3 main factors; 1) The increase of revenues from prompt delivery of construction project on hand and expansion in sale of construction material segment and the new source of revenues from procurement and installment of system for internation expo. 2) the gross profit increased while the gross margin decrease due to the fact that the new revenues providing less margin than those from construction segments and most of the projects recognised during the year were the government projects which provide less margin than those of private sector. 3) The administrative expenses increase from the expenses related to the future operation growth and one-time major expenses recognised in the year.

While comparing to the net profit, which included the profit of discontinued segment disposed on June 2018, the net profit for the year 2019 decreased by 11.53%.

Yours sincerely,

(Mr.Viboon Pojanalai)

Chief Financial Officer