



No. STIAC 03/2563

13th August 2020

Subject Management Discussion and Analysis for the three-month period ended 30 June 2020

To President, the Stock Exchange of Thailand

Stonehenge Inter Public Company Limited (“the Company” or “STI”) would like to inform the management discussion and analysis for the operating performance of the three-month period ended 30 June 2020 of Stonehenge Inter Public Company Limited Group (“the Group Company” or “STI Group”) as follows:

Significant event to the financial statements of STI Group

On 30 April 2020, Stonehenge Inter Venture Company Limited (a subsidiary of STI) acquired ordinary shares of Asian Engineering Consultants Company Limited (“AEC”) for a total of THB 275.0 million. The investment represents 63.75 percent of all issued shares of that company, which is principally engaged in consulting and construction management services. In this regard, AEC is considered being a subsidiary of STI Group and hence STI Group includes the financial statements of AEC to the consolidated financial statements of STI Group starting from 30 April 2020 onwards.

**Statement of comprehensive income
For the three-month period ended 30 June 2020**

Consolidated (Unit: MB)	Q2 2020	% of Service income	Q2 2019	% of Service income	2020 vs 2019	%
Service income	401.9	100.0%	172.1	100.0%	229.8	133.5%
Cost of service	(269.2)	(67.0%)	(116.1)	(67.5%)	153.1	131.9%
Gross profit	132.7	33.0%	56.0	32.5%	76.7	137.0%
Other income	1.1	0.3%	6.6	3.8%	(5.5)	(83.3%)
SG&A	(62.1)	(15.4%)	(35.2)	(19.7%)	26.9	76.4%
Finance cost	(2.6)	(0.6%)	(0.3)	(0.2%)	2.3	766.7%
Profit (loss) before tax	69.1	17.1%	27.1	15.2%	42.0	155.0%
Tax	(14.3)	(3.5%)	(4.7)	(2.6%)	9.6	204.3%
Profit for the period	54.8	13.6%	22.4	13.0%	32.4	144.6%
Profit for the period attributed to equity holders of the Company (Net profit)	41.6	10.3%	22.4	13.0%	19.2	85.7%

Revenue from rendering of services

Consolidated (Unit: MB)	Q2 2020	% of Service income	Q2 2019	% of Service income	2020 vs 2019	%
Revenue from rendering of consulting and project management services	270.1	67.2%	149.9	87.1%	120.2	80.2%
Revenue from rendering architectural and engineering design services and other services	131.8	32.8%	22.2	12.9%	109.6	493.7%
Total Service Income	401.9	100.0%	172.1	100.0%	229.8	133.5%

In Q2/2020, the revenue from rendering of services of STI Group is equivalent to THB 401.9 million which was increased from the same period of 2019 by THB 229.8 million or by 133.5%. This is due to followings;

1. the increase in revenue from rendering of consulting and project management services by THB 120.2 million mainly reflecting by the inclusion of revenue from rendering of services of AEC during May-June 2020 amounting to THB 95.1 million and the continued increasing workload of projects within STI Group in the period of 2020 such as One Bangkok project, the renovation of Queen Sirikit National Conventional Center project, the Government Complex Zone C, various condominium, projects, office building projects and multi-purpose building projects
2. the increase in revenue from rendering architectural and engineering design services and other services by THB 109.6 million mainly reflecting by the inclusion of revenue from rendering of services of AEC amounting to 108.3 million

Cost of rendering of services and Gross profit

In Q2/2020, the cost of rendering of services of STI Group is equivalent to THB 269.2 million which was increased from the same period of 2019 by THB 153.1 million or by 131.9%. As a result, the gross profit and gross profit margin of STI Group are equivalent to THB 132.7 million and 33.0%, respectively. Gross profit margin of STI Group in 2020 was increased when compared to the same period of 2019 which is equivalent to 32.5%.

Other income

In Q2/2020, other income of STI Group is equivalent to THB 1.1 million which was decreased from the same period of 2019 by THB 5.5 million which is mainly due to a decrease in interest income and the gain on disposal of fully utilized cars amounting to THB 4.9 million booked in 2019.

Administrative expenses

In Q2/2020, administrative expenses of STI Group is equivalent to THB 62.1 million which was increased from the same period of 2019 by THB 26.9 million or by 76.4%. This is mainly due to the inclusion of administrative expenses of AEC during May-June 2020 amounting to THB 21.3 million and the increase in employee benefit expenses of STI Group from the annual increase in the staffs' wages and from increasing in number of staffs to serve for business expansion.

Finance costs

In Q2/2020, finance costs of STI Group is equivalent to THB 2.6 million which increased from the same period of 2019 by THB 2.3 million or by 766.7%. This is due to the inclusion of financial costs of AEC during may-June 2020 amounting to THB 1.1 million and the financial costs from bank loans to invest in AEC amounting to THB 0.8 million in this period.



In April 2020, STI Group invested in AEC representing 63.75 % of its shareholding structure through internal fund of STI and bank loans amounting to THB 135.0 million and THB 140.0 million respectively. In addition, in June 2020 AEC raised its share capital amounting to THB 54.0 million which STI Group further invested in AEC according to its shareholding proportion in an amount of THB 34.4 million through STI internal fund and bank loans amounting to THB 14.4 million and THB 20.0 million respectively.

Income tax

In Q2/2020, income tax of STI Group is equivalent to THB 14.3 million which was increased from the same period of 2019 by THB 9.6 million. The increase in income tax is relating to the increase in net profit before tax in Q2/2020.

Profit for the period

In Q2/2020, profit for the period is equivalent to THB 54.8 million which was increased from the same period of 2019 by THB 32.4 million or by 144.6%. This is due to the inclusion of revenue from rendering of services of AEC during May-June 2020 in Q2/2020 and the increase in revenue from rendering of services to workload of projects within STI Group which improves gross profit by THB 76.7 million while the administrative expenses increase by THB 26.9 million. As a result, profit for the period increases in this period.

STI Group delivers profit for the period to service revenue at 13.6% in Q2/2020, which slightly improves from profit for the period to service revenue for the same period of 2019 at 13.0%.

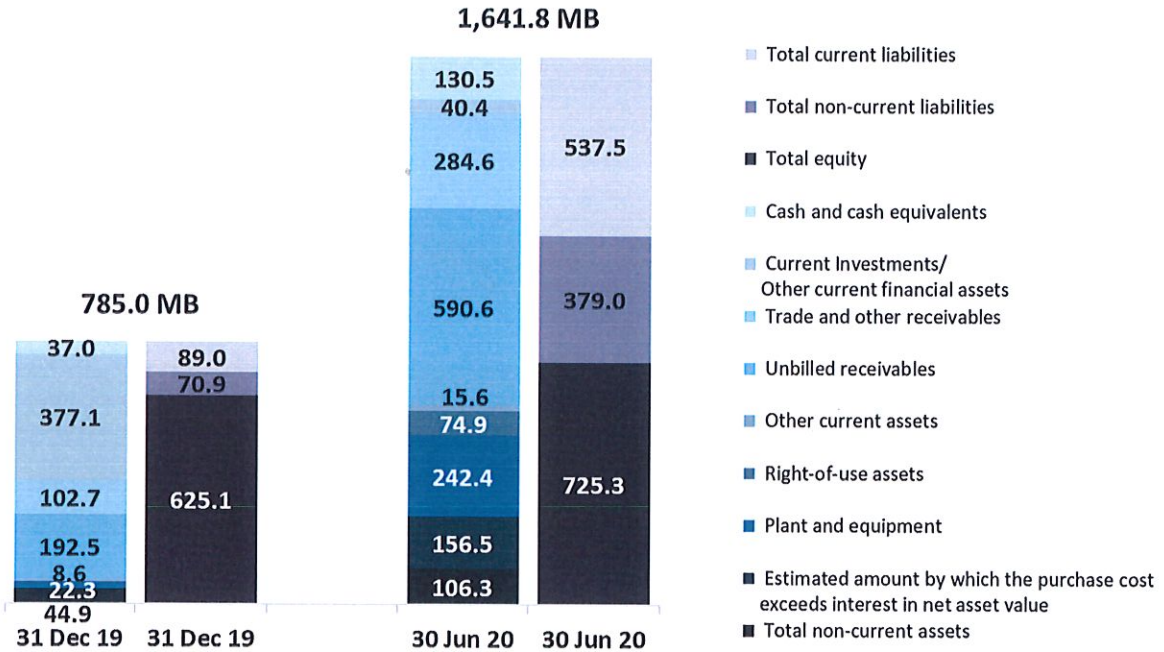
Profit for the period attributed to equity holders of the Company (Net profit)

In Q2/2020, profit for the period attributed to equity holders of the Company (Net profit) is equivalent to THB 41.6 million which was increased from the same period of 2019 by THB 19.2 million or by 85.7%. There is profit for the period attributed to non-controlling interests of the subsidiaries of THB 13.3 million which is profit for the period attributed to non-controlling interests of AEC.

STI Group delivers net profit margin at 10.3% in Q2/2020, which slightly decreases from net profit margin at 13.0 from the same period of 2019 due to the profit attributed to non-controlling interests of AEC in this period.

**Statement of financial position
30 June 2020**

(million baht)



Assets

As at 30 June 2020, total assets of STI Group is equivalent to THB 1,641.8 million which was increased by THB 856.7 million from total assets as at 31 December 2019. This is mainly due to the inclusion of assets of AEC in this period. By overall, total assets of STI Group was increased due to followings;

1. the increase of Trade and other receivables and Unbilled receivables THB 181.9 million and THB 398.1 million respectively reflecting the increase in revenue from rendering of project and construction services in this period
2. the increase of Plant and equipment THB 220.1 million as the inclusion of Plant and equipment of AEC amounting to THB 204.2 million
3. the right-of-use assets amounting to THB 74.9 million resulted by the right-of-use assets from leases obligation according to TFRS 16 Lease recently adopted this year
4. Estimated amount by which the purchase cost exceeds interest in net asset value of THB 156.6 million which refers to the acquisition in AEC (the Group was still in the process of determining the fair value of the acquired businesses, and therefore the fair values of assets acquired and liabilities assumed are the estimated values as at the date of acquisition, which might be adjusted in accordance with TFRS 3 Business Combinations. Accordingly, the Group's management is required to make a preliminary assessment of the fair values of businesses acquired as at the acquisition date. During the measurement period, which must not exceed one year from the acquisition date.)
5. Cash and cash equivalent of THB 130.5 million and other current financial assets (stated as current investments in previous year) of THB 40.4 million which are significantly decreased from the balances as at 31 December 2019 totaling THB 414.1 million or decrease by THB 243.2 million due to the investment in AEC as earlier mentioned and dividend payment for the 2019 operating results by THB 67.0 million paid in April 2020

Liabilities

Total liabilities of STI Group is equivalent to THB 916.5 million which was increased by THB 756.6 million from total liabilities as at 31 December 2019. This is mainly due to the inclusion of liabilities of AEC in this period. By overall, total current liabilities of STI Group is THB 537.5 million, increased by 448.5 and total non-current liabilities of STI Group is THB 379.0 million, increased by THB 308.1 million. The increases are mainly due to followings;

1. the increase of Service income received in advance and advances received from customers by THB 196.6 million reflecting the increase in revenue from rendering of project and construction services in this period
2. the increase of Short-term loans by THB 87.1 million requiring for working capital
3. the increase in the Lease liabilities under TFRS 16 amounting to THB 80.9 million which are separated into current portion and long-term portion of lease liabilities THB 19.2 million and THB 61.8 million respectively
4. the increase of Long-term loans by THB 165.7 million which are mainly borrowed for the investment in AEC comprising current portion and long-term portion of THB 25.4 million and THB 140.3 million respectively
5. the increase of Provision for long-term employee benefits by THB 77.6 million resulted mainly by the inclusion of provision for long-term employee benefits of AEC

Shareholders' equity

Total shareholders' equity of STI Group is equivalent to THB 725.3 million which was increased by THB 100.2 million due to total comprehensive income of THB 67.6 million for 2020 offsetting with dividend payment relating to interim dividend for the year 2019 of THB 67.0 million and the increase in Non-controlling interests of AEC of THB 99.6 million.

As at 30 June 2020, STI Group carries debt to equity ratio (DE ratio) 1.26 time and interest-bearing debt (IBD) to equity ratio 0.47 time which reflects the strength of its financial position.

Best regards,



(Mr. Somkiat Silawatanawong)
Chief Executive Officer