

At TIGER 002/2564

12 February 2022

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

To: Managing Director, the Stock Exchange of Thailand

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

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

Million Baht	Q1 2020	%	Q1 2021	%	Inc/(Dec)	%
Revenues from sales and services	237.31	100.00%	199.96	100.00%	(37.35)	(15.74%)
Cost of sales and services	204.81	86.30%	172.25	86.14%	(32.56)	(15.90%)
Gross profit	32.50	13.70%	27.71	13.86%	(4.79)	(14.73%)
Selling expenses	0.89	0.38%	0.70	0.35%	(0.19)	(21.19%)
Administrative expenses	13.09	5.52%	11.11	5.56%	(1.98)	(15.13%)
Profit from operation	18.52	7.80%	15.90	7.95%	(2.62)	(14.13%)
Other income	0.23	0.10%	0.98	0.49%	0.75	331.13%
Profit before interests and taxes	18.75	7.90%	16.88	8.44%	(1.87)	(9.96%)
Share of (gain) loss from associate	(0.29)	(0.12%)	0.02	0.01%	0.31	100.00%
Finance costs	(0.26)	(0.11%)	(0.18)	(0.09%)	0.08	(29.62%)
Income tax expense	(3.94)	(1.66%)	(3.39)	(1.69%)	0.55	(14.07%)
Net profit	14.25	6.01%	13.33	6.67%	(0.92)	(6.48%)

The overall construction market for the first quarter of 2021 continued to face negative effects from the second wave and third wave of Covid-19 outbreak occurring in December 2020 and April 2021 respectively. In light of such uncertain climate where the outbreak has lasted for more than a year with no end to the pandemic in sight, the situation severely affected the revenues and financial position of many private project owners, adding the challenge to the Group’s ability to acquire for the new construction contracts and to collect its outstanding debts and retention.

The Group adopted the following strategies to overcome these crisis ;

- 1) The most important strategy is to 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. As at 31 March 2021, the revenues proportion between public and private sector was 70 to 30, while the construction backlog proportion was 87 to 13. 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, the construction of small and short-life private construction projects which have less effects from the outbreak such as high-end private residence projects, Condominium 's sale office.
- 3) The Group speed up the work's delivery of construction project on hand and focus on maintaining its cashflows through debt collection and long-outstanding debt recovery procedure. During the three-month period ended 31 March 2021, the Group managed to complete and deliver 5 projects and be able to allocate its resource and man power to newly launched projects on a timely basis.
- 4) The Group undertake digital transformation concept 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.

Because of the mention strategies adopted, the Group managed to increase its operation performance for the first quarter of 2021 when the net profit in the consolidated financial statement was Baht 13.33 million significantly increasing from those of less than Baht 100K in the fourth quarter of 2020. The net profit of the first quarter of 2021 also decreased slightly by 6.48% comparing to the same period last year despite the major industry downturn. Moreover, the Company was able to acquire large new major projects during the second half of 2020 and the first quarter of 2021, causing the company's construction backlog as at 31 March 2021 to increase to THB 1,150 million comparing to THB 684 million at 31 December 2019. During the first quarter of 2021, the Company entered into a new construction agreement which is the construction of data center building from a certain private owner with the contract price of THB 94 million. 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 first quarter of 2021 and 2020 equivalent to THB 199.96 million and THB 237.31 million respectively, decreasing by THB 37.35 million or equivalent to 15.74% compared to the same period last year. The decrease is due to the following reasons 1) The revenues slowing down during the project completion stage. During the first quarter of 2021, there were five construction projects which had been completed and delivered during the period comprising Sa-dao industrial estate (additional works,) Hatyai underground electrical cable installation, Saima community mall (additional works,) V-Villa resort Phuket and Condominium sale gallery. The revenue recognition of those completed projects was ceased and the Group's revenues recognized under the percentage of completion was decreased in the first quarter of 2021. 2) The intentional postpone of construction delivery due to the delay of installment payments and additional work approval by the project owners. under the uncertainty of economic climate, many project owners who were facing the cashflow problem, started to delay their payments and approve additional works. While the Company, in turn, had to 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 2021 were Ayuthaya water production facilities project with revenues recognized of THB 102 million, Sadao Industrial Estate project with the revenues recognized of THB 20 million, V-Villa Phuket resort project with revenues recognized of THB 10 million, the Out Patient Department building at Nakorn Nayok with revenues recognized of THB 19 million and Saima community mall project (revenues recognized of THB 89 million.) Beside the revenues from construction segment, the revenues from construction supporting segment by TEG Aluminum Company and TE Mec Company for the first quarter of 2021 were totally THB 7 million, (excluded inter company transaction.)

Cost of Sales and Services

For the first quarter of 2021, the Group has cost of sales and services equivalent to THB 172.25 million, decreasing by THB 32.56 or 15.90% from the same period last year, moving in the same proportion of decrease in sale. The proportion of cost to sale for the first quarter of 2021 is 86.14%, decreasing slightly from that of 86.30 from the same period last year.

Gross Profit

The Group's gross profit for the first quarter of 2021 decreased by THB 4.79 million, equivalent to 14.73% compared to the same period of previous year. The gross margin for the first quarter of 2021 was 13.86% remaining unchanged those from the last year of 13.70%. The majority of revenues recognized during the first quarter of 2021 came from the government project with high volume but less gross margin than that of private sector. The standard gross margin from the government sector projects is around 7%-11% while those from the private sector projects is around 12%-17%. Despite that fact, among five projects which were completed during the first quarter of 2021, 3 of them were completed with the actual project cumulative costs used below the project budget, the amount saving were, therefore, recognised as profit in the first quarter of 2021.

Selling and Administrative expenses

For the first quarter of 2021, the Group 's selling and administrative expenses decrease from THB 13.98 million to THB 11.81 million, decreasing by THB 2.17 million or 15.51% from the same period of previous year due to the Company's effort of cost monitoring and expense control. Moreover, the Company recognised the accounting provision loss regarding the doubtful accounts on account and retention receivable in the first quarter of 2020 in the amount of THB 1.35 million, while none of such provision were recognised in the current period of 2021.

Net Profit

For the first quarter of 2021, the Group 's net profit was THB 13.33 million decreasing by THB 0.92 million, equivalent to 6.48% compared to the same period of previous year due to the major downturn of construction industry from the Covid-19 pandemic and the delay of revenues recognized by the percentage of completion from the completed projects. However, thank to a number of business strategies promptly applied and the Company's effort on cost saving, the Group manages to overcome the industry crisis causing the overall net profits of the first quarter of 2021 to decrease just slightly from the same period last year.

Yours sincerely,



(Mr.Viboon Pojanalai)

Chief Financial Officer