

At TIGER 017/2563

11 August 2020

Subject: Management Discussion and Analysis for the six-month ended 30 June 2020

To: Managing Director, the Stock Exchange of Thailand

Please find management discussion and analysis for the six-month ended 30 June 2020 of Thai Enger Holding Public Company Limited (“the Company”) as the following details:

The Consolidated Financial Statements for the six-month ended 30 June 2020;

Million Baht	Q2 2562	%	Q2 2563	%	เพิ่ม (ลด)	%
Revenues from sales and services	362.29	100.00%	451.95	100.00%	89.66	24.75%
Cost of sales and services	306.28	84.54%	388.85	86.04%	82.57	26.96%
Gross profit	56.01	15.46%	63.10	13.96%	7.09	12.66%
Selling expenses	1.41	0.39%	1.55	0.34%	0.14	9.93%
Administrative expenses	27.89	7.70%	27.44	6.07%	(0.45)	(1.61%)
Profit from operation	26.71	7.37%	34.11	7.55%	7.40	27.70%
Share of the loss of the associate	1.39	0.38%	0.56	0.12%	(0.83)	(59.71%)
Other income	0.00	0.00%	(0.56)	(0.12%)	(0.56)	100.00%
Profit before interests and taxes	28.10	7.95%	34.11	7.55%	6.01	21.39%
Finance costs	(0.36)	(0.10%)	(0.36)	(0.08%)	(0.00)	0.00%
Income tax expense	(5.58)	(1.54%)	(6.76)	(1.50%)	(1.18)	21.15%
Net profit	22.16	6.12%	27.00	5.97%	4.83	21.80%

The overall construction market for the first phase of 2020 continued to face negative effects and encounter more challenges and new obstacles. It started from the lack of demand in real estate in resident and condominium section and the industry oversupply since the second half of 2019. The situation was getting worse by the impacts from Covid-19 outbreak occurring during the beginning of 2020 where the hospitality industry is among the hardest hit due to the restriction on travel of international tourists and flight cancel. The retail industry, store and restaurant, is also faced with the greatest disruption from closing the physical store and department store. In light of such uncertain climate, the new construction projects have postponed and delay which 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. The Covid-19 situation also add the challenge to the Group's cashflows management because it severely affected the revenues and financial position of many project owners which make it harder for the Company to collect its outstanding debts and retention. The situation, however, improved dramatically during June 2020 when the numbers of new case decrease, the lockdown measures have been eased and the domestic travel has resumed.

With emphasis on maintaining its performance growth, the Group well aware of the problem and promptly and effectively adopted a numbers of strategies to overcome these industry downturn such as speeding up the work's delivery of construction project on hand, shifting its marketing effort to 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 and gallery and also expanding to the construction projects related to public utility sector. The Group also focus on maintaining its cashflows through firm debt collection and long-outstanding debt recovery procedure. Because of the mentioned actions, the Company's revenues for the second quarter of 2020 increased from the same period last year by 24.75%, while, the net profit increased accordingly by 21.80% despite the industry downturn.

Revenue from Sales and Services

The Group has revenue from sales and services for the second quarter of 2020 and 2019 equivalent to THB 451.95 million and THB 362.29 million respectively, increasing by THB 89.66 million or equivalent to 24.75% compared to the same period of the previous year. The increase is from the construction segments due to the following reasons 1) The Company's effort to speed up the delivery of its construction project on hand. 2) The increase of new projects during the period; during the second quarter of 2020, there were 3 new projects comprising the high-end private residential project in Chongnonsri (project value THB 85 million,) The installation of underground electrical cable system project in Hatyai (project value THB 134 million) and the Condominium sale gallery (project value THB 13 million.) Beside those 3 new projects, there are 2 new additional projects whose agreements have been signed but not yet started the construction; Out-patient-department hospital building in Nakornnayok (project value THB 500 millions) and gas station and commercial area construction in Sa-dao (project value THB 180 million.) These two new projects are expected to start their construction on the second half of 2020.

The major construction projects recognized in the first quarter of 2020 were Sadao Industrial Estate project (with the revenues recognized in Q2 of 2020 of THB 166 million) , V-Villa Phuket resort project (revenues recognized of THB 77 million), Saima Community mall project (revenues recognized of Baht 54 million) and Hatyai underground electrical cable installation project (revenues recognized of THB 63 million). Beside the revenues from construction segment, the revenues from construction supporting segment by TEG Aluminum Company and TE Mec Company for the second quarter of 2020 were totally THB 14.61 million, (excluded inter company transaction) increasing from those of THB 10.55 million from the same period last year.

Cost of Sales and Services

For the second quarter of 2020, the Group has cost of sales and services equivalent to THB 388.85 million, increasing by THB 82.57 or 26.96% from the same period last. the change is corresponding to the increasing of revenue from sales and services. While, the proportion of cost to sale of the second quarter of 2020 is at 86.04% unchanged from those of the same period last year.

Gross Profit

Due to the increase of revenues and the efficiency of cost monitoring, the Group's gross profit increased by THB 7.09 million, equivalent to 12.66% compared to the same period of the previous year. However, the gross margin for the second quarter of 2020 of 13.96% dropped below those from the same period last year of 15.46%. The decline on gross margin is from the difference in nature of construction service provided, the project recognized during the second quarter of 2020 mostly comprised the construction for the big government project with high volume but less gross margin than the Group's standard margin. Moreover, because of the Group's effort to focus on debt collection, the Company has paid additional subcontract cost to repair and work on project's defect in order to collect the large amount of long-outstanding work installment. The subcontract cost paid is exceed from the estimate budget cost by THB 4.5 million which cause the profit margin to decrease slightly.

Selling and Administrative expenses

For the six-month ended 30 June 2020, the Group's selling and administrative expenses increase from THB 29.30 million to THB 28.99 million, slightly decreasing by THB 0.31 million or 1.05% from the same period last year. The Company manage to decrease its routine selling and administrative expenses of 2020, from those of 2019. However, there was the non-routine expense related to the subsidiary's doubtful expenses of THB 1.86 million recognized during the current period, causing the overall selling and administrative expenses to remain unchange.

Net Profit

For the second quarter of 2020, the Group's net profit was THB 27.00 million increasing by THB 4.83 million, equivalent to 21.80% compared to the same period of the previous year due to 3 main factors; 1) The increase of revenues from prompt delivery of construction project on hand and expansion to small, short-life private projects and the large scale projects related to public utility sector. 2) the gross profit increased while the gross margin decrease slightly due to the difference in revenue structure recognized during the period and the recognition of additional subcontract cost to repair and work on project's defect. 3) The administrative expenses remain unchanged from the same period last year.

Yours sincerely,

(Mr.Viboon Pojanalai)

Chief Financial Officer