

At TIGER 001/2565

22 February 2022

Subject: Management Discussion and Analysis for the year ended 31 December 2021

To: Managing Director, the Stock Exchange of Thailand

Please find management discussion and analysis for the year ended December 31, 2021 of Thai Enger Holding Public Company Limited (“the Company”) as the following details:

The Consolidated Financial Statements for the year ended 31 December 2021:

Million Baht	2020	%	2021	%	Inc/(Dec)	%
Revenues from sales and services	898.56	100.00%	719.82	100.00%	(178.74)	(19.89%)
Cost of sales and services	790.71	88.00%	635.73	88.32%	(154.98)	(19.60%)
Gross profit	107.85	12.00%	84.09	11.68%	(23.76)	(22.03%)
Selling expenses	2.98	0.33%	2.90	0.40%	(0.08)	(2.74%)
Administrative expenses	46.53	5.18%	46.16	6.41%	(0.37)	(0.79%)
Profit from operation	58.34	6.49%	35.03	4.87%	(23.31)	(39.96%)
Other income	1.42	0.16%	4.61	0.64%	3.19	224.27%
Profit before interests and taxes	59.76	6.65%	39.64	5.51%	(20.12)	(33.67%)
Share of loss from associate	(1.86)	(0.21%)	(0.18)	(0.03%)	1.68	100.00%
Finance costs	(0.59)	(0.07%)	(0.95)	(0.13%)	(0.36)	61.19%
Income tax expense	(11.88)	(1.32%)	(8.29)	(1.15%)	3.59	(30.25%)
Net profit	45.43	5.06%	30.23	4.20%	(15.21)	(33.47%)

The overall construction industry for the year 2021 continued to face negative effects from the Covid-19 outbreak. With the the third virus surge in the third quarter of 2021, the new daily Covid cases have been increased and the government extended tighter containment measures including the lockdown of all construction sites and work camps in Bangkok Metropolitan Area by the end of June 2021, the lockdown of Bangkok and high-risk provinces classified as “dark red zone”. All of the Company current construction sites are located in dark red zone areas, accounted for 100% of total backlog. While construction activities on the sites in dark-red zone can still resume, the Company has to adopted strict disease control method known as “Bubble and Seal measure.” The measure puts restriction in the promises so that all construction workers stay in the construction site and limits the access from outside parties, which make the management of workforce and material transportation more challenging and causing big delay in overall construction progress. The situation has been improved by the end of the third quarter of 2021 and the government has partially eased business lockdown since September 1, 2021.

Moreover, 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. During the year 2021, the Company set aside provision of Baht 3 million against unbilled completed work of a certain private segment project.

The Group adopted the following strategies to overcome these crisis ;

- 1) The Company has tightened Covid-19 measures to the highest level since April 2021 where both preventive and detective protocols were adopted as follows;
 - 1.1 Having all the Company's employee vaccinated. The Company arranged and procured Covid-19 vaccines both government-supplied and alternative vaccines (Sinopharm,) for its employee, including Thai and foreign construction workers, office staffs and management. As at 31 December 2021, 100% of the Group employee of 230 people were fully vaccinated.
 - 1.2 Adoption of aggressive and consistent Covid-19 screening and testing protocols. The Company have a deal with private hospital to regularly perform on-site RT-PCR test for both construction sites and office. The Group also stock enough Antigen Rapid Test kits for each of its construction sites for emergency use.
 - 1.3 Providing knowledge to staffs, adopting preventive construction Covid-19 guideline and strictly following on-site good hygienic practice under "Bubble and Seal method."Under such measurements implemented , the Company has entirely avoided Covid-19 infections and has had zero infection rate in the organization.
- 2) 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 December 2021, the revenues proportion between public and private sector was 73 to 27, while the construction backlog proportion was 84 to 16. The proportion of public to private sector has been much bigger comparing to those around 50 to 50 pre-covid level.
- 3) 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.
- 4) 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 year 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.

- 5) 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 maintain positive operation performance for the 2021 with the consolidated profit recognised of Baht 30.23 million, decreasing by 33% from last year due to the lockdown during July to August 2021 which cause the significant delay in construction progress. Despite the major industry downturn, the Company was able to acquire large new major projects during the second half of 2020 and the second quarter of 2021, causing the company's construction backlog as at 31 December 2021 to increase to 960 million comparing to THB 684 million at 31 December 2019. During the year 2021, the Company entered into four new construction agreement with two private projects and two public projects, comprising the construction of data center building with the contract price of THB 87 million, the high end private residence of THB 131 million, the water supply station and water gates of THB 157 million and the civil personel housing of THB 12.76 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 year 2021 and 2020 equivalent to THB 898.56 million and THB 719.82 million respectively, decreasing by THB 178.74 million or equivalent to 19.89% compared to that from last year. The decrease is due to the following reasons 1) The obstacle and delay from Bangkok construction site lockdown and travel restriction placed on high risk provinces. The Company has faced big obstacle from city lockdown and travel restriction on dark-red zone provinces, including Bangkok, Nakhon Nayok, Ayuthaya and Samut Prakan, in which all of the Company's major site is located. The Company is still be able to resume its construction activities under strict safety protocols. However, the construction progress recognised from June to August 2021 decrease significantly because the travel restriction make manpower and material transportation a big challenge and the construction delivery and inspection from external parties become much harder. 2) The revenues slowing down during the project completion stage. During year 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 year 2021. 3) 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 year 2021 were Ayuthaya water production facilities project with revenues recognized of THB 391 million, Data center building project with revenues recognized of THB 73 million, the Out Patient Department building at Nakorn Nayok with revenues recognized of THB 98 million, and Saima community mall project with revenues recognized of THB 15 million. Beside the revenues from construction segment, the revenues from construction supporting segment by TEG Aluminum Company and TE Mec Company for the year 2021 were totally THB 22.8 million, (excluded inter company transaction.) During the year 2021, the Group performance included the revenues of THB 1.98 million from newly established subsidiary, Cons Inno Co.,Ltd., which operate in the business of procurement and sale of products related to construction technology.

Cost of Sales and Services

For the year 2021, the Group has cost of sales and services equivalent to THB 635.73 million, decreasing by THB 154.96 or 19.60% from last year, moving in the same proportion of decrease in sale. The proportion of cost to sale for the year 2021 is 88.32%, remaining the same from that of 88.00% from last year.

Gross Profit

The Group's gross profit for the year 2021 decreased by THB 23.76 million, equivalent to 22.03% compared to the previous year. The gross margin for the year 2021 was 11.68% slightly decreasing from last year of 12.00%. The majority of revenues recognized during the year 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%. Moreover, during the year 2021, the construction materials, such as steels, cement and copper have experienced significant rates of price increases, the Company, however, still be able to manage its construction budget cost and maintain the same gross margin by prudent purchase planing and aggressive cost saving policies.

Selling and Administrative expenses

For the year 2021, the Group 's selling and administrative expenses decrease from THB 49.51 million to THB 49.06 million, remaining unchanged from the previous year due to the Company's effort of cost monitoring and expense control. During the year 2021, the Selling and administrative expenses amounting THB 2.5 million in the consolidated financial statement included those from the newly established subsidiary, Cons Inno Company Limited. Moreover, the Company recognised the accounting provision loss regarding the doubtful accounts on account and retention receivable in the year 2020 in the amount of THB 1.86 million, while none of such provision were recognised in the current year of 2021.

Net Profit

For the year 2021, the Group 's net profit for the year was THB 30.23 million decreasing by THB 15.21 million, equivalent to 33.48% compared to the previous year. The decline was due to the major downturn of construction industry from Covid-19 pandemic lockdown and travel restriction which cause the major delay of construction progress and the revenue recognition under the percentage of completion, together with the fact that the construction projects recognize during the year 2021 provided the less profit margin than that from the previous year.

Yours sincerely,

(Mr.Viboon Pojanalai)

Chief Financial Officer