

# Management Discussion and Analysis (“MD&A”)

## The 2<sup>nd</sup> Quarter of 2019 Operating Performance

### of TRC Construction Public Company Limited and its Subsidiaries

The 2nd Quarter of 2019

(Unit : Million Baht)

	The 1st Qtr 2019	The 2nd Qtr 2019	The 2nd Qtr 2018	Change (2 <sup>nd</sup> Qtr 2019 - 2 <sup>nd</sup> Qtr 2018)	
				Amount	Percentage
Construction service income	789.53	652.92	477.30	175.62	36.79
Cost of construction services	-755.05	-637.35	-431.88	205.47	47.58
<b>Gross profit(loss) for construction services income</b>	<b>34.48</b>	<b>15.57</b>	<b>45.42</b>	<b>-29.85</b>	<b>-65.72</b>
Sales	2.87	3.27	1.88	1.39	73.94
Cost of sales	-2.14	-2.17	-1.97	0.20	10.15
<b>Gross profit (loss) for sales</b>	<b>0.73</b>	<b>1.10</b>	<b>-0.09</b>	<b>1.19</b>	<b>1,322.22</b>
Interest and other income	9.33	8.84	3.04	5.80	190.79
Administrative expenses	-82.08	-92.37	-80.29	12.08	15.05
Profit (loss) before share of profit (loss) from investments in associate and joint venture, finance cost and income tax expenses	-37.54	-66.86	-31.92	-34.94	-109.46
Share of loss from investment in associate	0.00	0.00	-12.53	-12.53	-100.00
Share of profit from investment in joint venture	1.08	1.04	0.18	0.86	477.78
Finance cost	-8.75	-7.47	-4.58	2.89	63.10
Profit (loss) before income tax expenses	-45.21	-73.29	-48.85	24.44	50.03
Income tax expenses	-3.03	-0.46	2.86	-3.32	-116.08
Profit (loss) for the period	-48.24	-73.75	-45.99	-27.76	-60.36
Non-controlling interests of the subsidiaries	0.43	0.40	0.45	-0.05	-11.11
<b>Profit (loss) attribute to equity holders of the Company</b>	<b>-47.81</b>	<b>-73.35</b>	<b>-45.54</b>	<b>-27.81</b>	<b>-61.07</b>
Earnings (loss) per Share (Baht)	-0.0078	-0.0119	-0.0074		
Gross Profit Margin for construction services income	4.37%	2.38%	9.52%		
Gross Profit Margin for sales	25.44%	33.64%	-4.79%		
Net Profit (loss) Margin	-5.96%	-11.03%	-9.44%		
Debt to Equity (Time(s))	3.95	4.12	0.72		

**The 6-Month of 2019****(Unit : Million Baht)**

	The 6-Month 2019	The 6-Month 2018	Change	
			Amount	Percentage
Construction services income	1,442.45	942.03	500.42	53.12
Cost of construction services	-1,392.40	-779.75	612.65	78.57
<b>Gross profit(loss) for construction services income</b>	<b>50.05</b>	<b>162.28</b>	<b>-112.23</b>	<b>-69.16</b>
Sales	6.14	2.09	4.05	193.78
Cost of sales	-4.31	-2.22	2.09	94.14
<b>Gross profit (loss) for sales</b>	<b>1.83</b>	<b>-0.13</b>	<b>1.96</b>	<b>1,507.69</b>
Interest and other income	18.17	9.56	8.61	90.06
Administrative expenses	-174.45	-166.93	7.52	4.50
Profit (loss) before share of profit (loss) from investments in associate and joint venture, finance cost and income tax expenses	-104.40	4.78	109.18	2,284.10
Share of loss from investments in associate	0.00	-24.97	-24.97	-100.00
Share of profit from investment in joint venture	2.12	0.12	2.00	1,666.67
Finance cost	-16.22	-8.43	7.79	92.41
Profit (loss) before income tax expenses	-118.50	-28.50	90.00	315.79
Income tax expenses	-3.49	-8.90	-5.41	-60.79
Profit (loss) for the period	-121.99	-37.40	-84.59	-226.18
Non-controlling interests of the subsidiaries	0.83	0.90	-0.07	-7.78
<b>Profit (loss) attribute to equity holders of the Company</b>	<b>-121.16</b>	<b>-36.50</b>	<b>-84.66</b>	<b>-231.95</b>
Earnings (loss) per Share (Baht)	-0.0197	-0.0059		
Gross Profit Margin for construction services income	3.47%	17.23%		
Gross Profit Margin for sales	29.80%	-6.22%		
Net Profit (loss) Margin	-8.26%	-3.83%		

**The 2<sup>nd</sup> Quarter of 2019 Operating Performance Summary****1. Construction services income and sales**

- **Construction services income** recorded at Baht 652.92 million, increasing Baht 175.62 million or representing 36.79% from the same period of last year. Since most projects on hand were in the middle phase so the construction progress was more than the same period of last year which most projects were nearly closing phase. Most of the revenue was recognized from carried forward backlog on hand from the previous year for civil works by Sahakarn Wisavakorn Co., Ltd. (a subsidiary) such as the Improvement of Pracharumjai Road – Mitmaitri Road Project from Bangkok Metropolitan Administration and other State Enterprises (Metropolitan Electricity Authority, Metropolitan Waterworks Authority, etc.). For piping and engineering works such as Block valve & facility stations of the 5<sup>th</sup> Transmission Pipeline Project Phase 1 of PTT Public Company Limited that TRC has been awarded this project from Sinopec International Petroleum Service Corporation which is a main contractor and RDCC Catalyst Cooler Project Part 2 Back Pressure Steam Turbine and Utilities System from IRPC Public Company Limited.

- **Sales** recorded at Baht 3.27 million, increasing Baht 1.39 million from the same period of last year which was revenue from water selling to industry and community in Pluak Daeng District, Rayong Province of TRC Utility Co., Ltd (“TRCUT”), a subsidiary which commercial operation has been starting since March 2018.

**2. Gross profit for construction services income** was Baht 15.57 million. Gross profit margin was 2.38%, decreasing from the same period of last year and from the 1<sup>st</sup> quarter this year which was at 65.72% and 54.84% respectively because most of projects were civil works which gross profit margin is not high. Meanwhile, there was an impact from the unforeseen factor of the BCM Naphtha and Pygas Pipeline project that the company is during negotiation with the owner for the additional works. Therefore if excluded this project, the gross profit margin will be approximately 7%.

**3. Administrative expenses and finance cost** was Baht 92.37 million and Baht 7.47 million respectively. Administrative expenses increased from the same period of last year at Baht 12.08 million or representing 15.05% due to the increase of the reserve of the long-term employee benefit at Baht 7 million according to the Labor Protection Act B.E. 2562, being effective on 5 April 2019 which amended the increase of statutory severance pay for employees who have worked for 20 consecutive years shall be entitled the severance pay at amount of not less than the latest rate of wages for 400 days and the payment of the retention and interests to a subcontractor according to arbitration award at Baht 5 million. Finance cost increased from the same period of last year at Baht 2.89 million. Most of the finance cost was interest expenses from short-term loans and debentures for working capital.

**4. Loss attribute to equity holders of the Company** was Baht 73.35 million, representing 11.03% net loss margin. While the same period of last year, there was loss of 45.54 million, representing 9.44% net loss margin.

### **The 6-Month of 2019 Operating Performance**

The first half of 2019, TRC and its subsidiaries recorded the services income of Baht 1,442.45 million, increasing Baht 500.42 million or representing 53.12% from the same period of last year. The reason was the same as the increase of the 2<sup>nd</sup> quarter of 2019 construction services income abovementioned.

Gross profit for construction service income was Baht 50.05 million, decreasing Baht 112.23 million or representing 69.16% from the same period of last year. Gross profit margin was 3.47%, decreasing from same period of last year which was 17.23%. The reason was the same as the decrease of the 2<sup>nd</sup> quarter of 2019 gross profit for construction services income margin abovementioned.

Loss profit attribute to equity holders of the Company was Baht 121.16 million, representing 8.26% net loss margin and Baht 0.0197 loss per share. While the net loss for the first half of last year was Baht 36.50 million, representing 3.83% net loss margin and Baht 0.0059 loss per share.

### **Backlog on Hand**

As at 30 June 2019, the Company and its subsidiaries had projects on hand with the remaining uncompleted works as follows:

	Number of the Projects	Uncompleted Work Value (Million Baht)
TRC Construction Public Company Limited	8	2,866.23
Sahakarn Wisavakorn Co., Ltd.	11	5,992.38
<b>Total</b>	<b>19</b>	<b>8,858.61</b>

## Significant Events during the 2<sup>nd</sup> Quarter of 2019 - Present

- **Registered capital decrease/increase**

According to the resolutions regarding the decrease/increase of registered capital which approved by the 1/2019 Extraordinary General Meeting of Shareholders, the Company registered the following changes with the Ministry of Commerce.

On 26 June 2019, the registered capital decreased from Baht 770,397,245 to Baht 770,395,728.125 by cancelling 12,135 ordinary shares with a par value of Baht 0.125 per share which were the remaining unissued ordinary shares reserved for stock dividend payment in 2018. On 28 June 2019, then the registered capital increased from Baht 770,395,728.125 to Baht 1,198,393,354.75 which reserved for issuing of 3,423,981,013 new ordinary shares with a par value of Baht 0.125 per share. The company shall allot the new ordinary shares to Company's existing shareholders proportionately to their shareholding (Right Offering) at ratio of 9 existing shares to 5 new shares at the offering price of Baht 0.125 per share. The shares subscription period was during 15 - 22 July 2019.

- **Change of the paid-up capital**

On 25 July 2019, the Company registered the increase of the paid-up capital from Baht 770,395,728.125 to Baht 1,198,393,354.75 due to the allotment of new ordinary share to Company's existing shareholders.

- **Transfer of statutory reserve and share premium to offset the Company's deficits**

On 21 June 2019, the 1/2019 Extraordinary General Meeting of Shareholders approved the transfer of statutory reserve at the amount of Baht 73.37 million and share premium at the amount of Baht 1,041.74 million, totaling of Baht 1,115.11 million to offset the Company's deficits. The company has already proceeded as shown in the financial statements for the 2<sup>nd</sup> Quarter of 2019 at the statement of changes in shareholders' equity.

- **In the 2<sup>nd</sup> Quarter of 2019, TRC group obtained new projects with total project value of Baht 2,091.45 million, consisting of;**

- **3 New projects**, total work value of Baht 2,087.24 million
- **Additional work from an existing project**, total work value of Baht 4.21 million

**The significant projects of;**

**TRC**

- Raw Water Pipeline System Klong Luang Reservoir-Chonburi Project (Water Pipeline and Pump Station) from Eastern Water Resources Development and Management Public Company Limited. The project value is Baht 1,836 million with 24 months construction period.

**Sahakarn Wisavakorn Co., Ltd. (SKW);**

- Construction of Main Drainage System in order to relieve the flood issue in Thung Song Community, Phase 1, Thung Song District, Nakhon Si Thammarat Province Project by Department of Public Works and Town & Country Planning. SKW received this project from Wattsan Co., Ltd. which is a main contractor. The project value is Baht 250.51 million with 900 days construction period.

- In July 2019, TRC group obtained 2 new projects with total project value of Baht 926.70 million, consisting of;

**Sahakarn Wisavakorn Co., Ltd. (SKW);**

- Ditch improvement Vibhavadi Rangsit Road Section 3 Phase from the Department of Highways. The project value is Baht 293.69 million with 720 days construction period.
- Ditch improvement Vibhavadi Rangsit Road Section 1 Phase from the Department of Highways. The project value is Baht 633.01 million with 900 days construction period.



(Mr. Pasit Leesakul)

Director and Chief Executive Officer

14 August 2019