

Management Discussion and Analysis (“MD&A”)

The 2nd Quarter and 6-Month of 2015 Operating Performance

of TRC Construction Public Co., Ltd. and Its Subsidiaries

(Unit : Million Baht)

	The 1st Qtr 2015	The 2nd Qtr 2015	The 2nd Qtr 2014	Change (2 nd Qtr 2015 - 2 nd Qtr 2014)	
				Amount	Percentage
				Construction service income	774.06
Cost of construction service	-602.20	-804.41	-542.48	-261.93	48.28
Gross profit	171.86	122.88	143.65	-20.77	-14.46
Interest and other income	6.23	27.48	10.35	17.13	165.51
Administrative expenses	-82.88	-72.17	-83.75	11.58	-13.82
Profit before share of loss from investment in joint venture, finance cost and income tax expenses	95.21	78.19	70.25	7.94	11.30
Share of loss from investment in joint venture	0.00	0	-0.53	0.53	-100.00
Finance cost	-0.44	-1.05	-1.01	-0.03	3.16
Income tax expenses	-19.44	-11.14	-16.70	5.56	-33.28
Profit for the period	75.33	66.00	52.01	13.99	26.90
Non-controlling interests of the subsidiaries	2.38	0.30	1.72	-1.42	-82.52
Profit attribute to equity holders of the Company	77.71	66.30	53.73	12.58	23.41
Earnings per Share (Baht)	0.02	0.02	0.01		
Gross Profit Margin	22.20%	13.25%	20.94%		
Net Profit Margin	9.96%	6.94%	7.71%		
Debt to Equity (Time(s))	0.78	0.86	0.80		

(Unit : Million Baht)

	The 6-Month 2015	The 6-Month 2014	Change	
			Amount	Percentage
Construction services income	1,701.35	1,412.59	288.76	20.44
Cost of construction services	-1,406.61	-1,150.39	256.22	22.27
Gross profit	294.74	262.20	32.54	12.41
Interest and other income	33.71	12.14	21.57	177.69
Administrative expenses	-155.05	-157.48	-2.43	-1.54
Profit before share of loss from investment in joint venture, finance cost and income tax expenses	173.40	116.86	56.54	48.39
Share of loss from investments in joint venture	0.00	-2.30	-2.30	-100.00
Finance cost	-1.49	-2.44	-0.96	-39.24
Income tax expenses	-30.58	-26.71	3.88	14.51
Profit for the period	141.33	85.41	55.92	65.48
Non-controlling interests of the subsidiaries	2.68	3.27	-0.59	-18.15
Profit attribute to equity holders of the Company	144.01	88.68	55.33	62.39
Earnings per Share (Baht)	0.03	0.02		
Gross Profit Margin	17.32%	18.56%		
Net Profit Margin	8.30%	6.22%		

Earnings per share was based on par value at Baht 0.125 per share

The 2nd Quarter of 2015 Operating Performance Summary

1. **Construction services income** recorded at Baht 927.29 million increasing Baht 241.16 million from the same period of last year or representing a 35.15% increase. Most revenue was recognized from carried forward projects on hand from previous year and the 1st Transmission Pipeline Life Extension Project: 28” Recoating Section from PTT Plc. which awarding this year. The Company has executed and delivered completed works to the customers according to the project schedule.

2. **Gross profit** was Baht 122.88 million decreasing Baht 20.77 million and Baht 48.98 million from the same period of last year and from the 2nd quarter of 2014, respectively. Gross profit margin was at 13.25% decreasing from the same period of last year and from the previous quarter which were at 20.94% and 22.20%, respectively. The decrease of gross profit was from the increase of cost of services of Sahakarn Wisavakorn Co., Ltd. due to the change order of one project.

3. **Administrative expenses and finance cost** was Baht 73.22 million decreasing Baht 11.54 million or 13.61% due to a deceleration of operation of two subsidiaries in Sultanate Oman namely TRC Middle East LLC and TRC Engineering LLC by moving staffs back to the Company, sales of assets and lower expenses.

4. **Profit attribute to equity holders of the Company** was Baht 66.30 million increasing Baht 12.58 million from the same period of last year or 23.41%. The net profit margin was 6.94%

The 6-Month of 2015 Operating Performance: Net Profit Growth 63%

The first half of 2015, the Company and its subsidiaries recorded the services income of Baht 1,701.35 million increasing Baht 288.76 million from the same period of last year or equivalent to 20.44%. TRC recorded services income at Baht 1,614.64 million increasing of 63.00% from last year.

The 6-month of 2015 gross margin was 17.32%, decreasing from last year which was at 18.56%. The reason was the same as the lower of 2nd quarter of 2015 gross profit margin.

The 6-month of 2015 net profit attribute to equity holders of the Company was Baht 144.01 million representing 8.30% net profit margin and Baht 0.03 earnings per share. While the net profit of the same period of last year was Baht 88.68 million representing 6.22% net profit margin and Baht 0.02 earnings per share. The 6-month net profit was growth at 62.39%.

Backlog on Hand

As at 30 June 2015, 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 Co., Ltd.	5	5,677.43
Sahakarn Wisavakorn Co., Ltd.	4	946.72
Total	9	6,624.15

Assets, Liabilities and Debt to Equity Ratio

As at 30 June 2015, the Company and its subsidiaries recorded total assets of Baht 2,854.00 million increasing from as at the end of last year Baht 223.39 million. Total liabilities were Baht 1,317.43 million increasing Baht 64.53 million from last year. The significant increased assets were property, plant and equipment increasing from Baht 455.00 million to Baht 611.96 million or representing a 34.49% increase. During the first half of 2015 the Company has invested in fixed assets for increasing works and future business expansion.

Liabilities increased from Baht 1,203.36 million to Baht 1,249.75 million. The significant increased liability was unbilled payable increasing from Baht 337.90 million to Baht 543.89 million representing a 60.69% increase. The unbilled payable was from the recognition of cost of construction services according to the completion of works from subcontractors which have not yet been due.

Debt to equity ratio increased from 0.78 time as at the end of previous quarter to 0.86 time as at 30 June 2015.

Significant Events during the 2nd Quarter of 2015 – Present

- **The Change of Par Value and Exercise Ratio & Exercise Price of the ESOP-Warrants 2 (“ESOP-W2”)**

On 29 April 2015, the Annual General Meeting of the Company’s shareholders for the year 2015 passed a resolution to change the par value of the shares from Baht 0.50 to Baht 0.125 and pay a stock dividend at the ratio of 4 existing shares per 1 new share . As a result, the Company had to adjust the exercise ratio and exercise price in accordance with the conditions of the ESOP – W2 as detailed below:

	The 1st - 4th Exercise (Jun 2014-March 2015)	The 5th - 9th Exercise (June 2015–June 2016)
Par value	Baht 0.50	Baht 0.125
Exercise Ratio	1 unit : 1 share	1 unit : 5 shares
Exercise Price per Share	Baht 3.03	Baht 0.606

- **The Capital Increase of Sahakarn Wisavakorn Co., Ltd.**

In May 2015, Sahakarn Wisavakorn Co., Ltd., which is the company’s subsidiary, received the full payment of the issuance of an additional 30 million ordinary shares to be offered to existing shareholders at an offer price of Baht 10 each and registered the increase in its paid-up share capital with the Ministry of Commerce on 14 May 2015. At present, the registered and paid-up share capital of Sahakarn Wisavakorn is Baht 500 million.

- **The Capital Increase of CR3 and Sahakarn Joint Venture Co., Ltd.**

According to the resolutions of the 4/2015 of the Company’s Board of Directors Meeting, there was an approval of the increase in the registered share capital of CR3 and Sahakarn Joint Venture Co., Ltd. from Baht 1 million to Baht 500 million. Sahakarn Wisavakorn Co., Ltd. entitled to purchase 51% of total newly issued shares, representing an investment of

Baht 254.49 million. During the period, Sahakarn Wisavakorn Co., Ltd. paid for the new shares of CR3 and Sahakarn Joint Venture Co., Ltd. in the amount of Baht 5 million and registered the increase in its paid-up share capital with the Ministry of Commerce on 26 May 2015. As a result, CR3 and Sahakarn Joint Venture Co., Ltd. had issued and paid-up share capital amount of Baht 6 million. The shareholding of Sahakarn Wisavakorn Co., Ltd. in CR3 and Sahakarn Joint Venture Co., Ltd. increased to 91%.

- **Results of the 5th Exercise of ESOP Warrants 2**

Newly issued shares from ESOP-W2:

Newly issued shares before Par Split (Par value 0.50 Baht)

Newly issued shares from the 1 st - 4 th exercise (exercise ratio 1 unit : 1 share)	13,950,833	shares
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<i>Newly issued shares after Par Split (Par value 0.125 Baht)</i>	69,754,165	shares
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Newly issued shares from the 5 th exercise on 30 June 2015 (exercise ratio 1 unit : 5 share)	<u>20,511,010</u>	shares
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Accumulated newly issued shares	<u>90,265,175</u>	shares
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Proceeds:

Before Par Split (Par value 0.50 Baht)

Capital increase proceeds from the 1 st - 4 th exercise (exercise Price 3.03 Baht/share)	42,271,023.99	Baht
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After Par Split (Par value 0.125 Baht)

Capital increase proceeds from the 5 th exercise on 30 June 2015(exercise Price 0.606 Baht/share)	<u>12,429,672.06</u>	Baht
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Accumulated capital increase proceeds	<u>54,700,696.05</u>	Baht
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Issued and paid-up share capital:

Issued and paid-up capital before the exercise of ESOP-W2	408,293,386.50	Baht
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Share capital increased from the 1 st - 4 th exercise	6,975,416.50	Baht
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<i>Share capital increased from stock dividend (4 existing shares per 1 new share)</i>	<u>103,817,200.25</u>	Baht
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Issued and paid-up capital before the 5 th exercise of ESOP-W2	519,086,003.25	Baht
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Share capital increased from the 5 th exercise	<u>2,563,876.26</u>	Baht
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Issued and paid-up capital at present	<u>521,649,879.50</u>	Baht
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- **Issuance of Debentures**

During 7 – 8 July 2015, the Company issued the unsubordinated and unsecured debentures without a debentureholders' representative and are in the name-registered certificate to be offered by way of private placement of Baht 100 million consisting of 100,000 units of debentures at par value of Baht 1,000 per unit at offering value of Baht 1,000 per unit with 2-year maturity at interest rate of 4.68% per annum with quarterly interest payment. Such debentures have been issued since 8 July 2015.

- **Shares Offering by Way of Private Placement**

The 7/2015 Board of Directors' Meeting held on 24 July 2015 approved the allotment of newly issued shares to 16 specific investors in the amount of 330 million shares with a par value of Baht 0.125 per share at the offering price of Baht 2.20 per share. During 27 July 2015 to 5 August 2015, the Company received the proceeds from the payment of share capital total of Baht 726 million. The funds will be used for additional investment in ASEAN Poatsh Mining Plc. The Company registered these new shares with the Ministry of Commerce on 6 August 2015.

- **New Projects Acquired by Sahakarn Wisavakorn**

- Srinakarin to Romklao Road, Phase 1 Construction the Interchange, linking Srinakarin Road to Kungthep Kreetha Road and Road Construction starting from Srinakarin Road to Klong Hua Mak. The project owner is Bangkok Metropolitan Administration. The project's work value is Baht 885.70 million with 24-month construction period. The Contract was signed on 20 July 2015.
- On 29 July 2015, Hydrotek Sahakarn Joint Venture has signed construction contract project namely "Construction, Improvement and Expansion of Waterworks, Koh Samui Branch, Koh Samui District, Surat Thani Province Phase 1, Part 2" (water pipeline from Don Sak-under the sea-Koh Samui) with Provincial Waterworks Authority. The project's work value was Baht 858.00 million with 540-day construction period. The portion of investment between Sahakarn Wisavakorn Co., Ltd and Hydrotek Public Co., Ltd. was 49% and 51%, respectively. If including this project to the backlog as at 30 June 2015 (only SKW's work portion of Baht 420.42 million), the value of uncompleted works will be approximately of Baht 7,044.57 million.



(Mr. Pasit Leesakul)

Chief Executive Officer

13 August 2015