

Management Discussion and Analysis (“MD&A”)

The 2015 Operating Performance

of TRC Construction Public Company Limited and Its Subsidiaries

(Unit : Million Baht)

	9-Month 2015	the 4th Q tr 2015	2015	2014	Change (2015 - 2014)	
					Amount	Percentage
Construction services income	2,572.24	1,307.93	3,880.17	3,095.34	784.83	25.36
Cost of construction services	-2,127.31	-1,115.08	-3,242.39	-2,538.29	704.10	27.74
Gross profit	444.93	192.85	637.78	557.05	80.73	14.49
Interest and other income	68.08	6.78	74.86	31.83	43.03	135.19
Administrative expenses	-257.94	-74.32	-332.26	-303.46	28.80	9.49
Doubtful debt (reversal)	0.00	-0.13	-0.13	0.56	-0.69	-123.21
Profit before finance cost and income tax expenses	255.07	125.18	380.25	285.98	94.27	32.96
Finance cost	-3.06	-1.70	-4.76	-3.36	1.40	41.67
Income tax expenses	-49.31	-25.23	-74.54	-69.37	5.17	7.45
Profit for the period	202.70	98.25	300.95	213.25	87.70	41.13
Non-controlling interests of the subsidiaries	4.24	0.77	5.01	1.67	3.34	199.71
Profit attribute to equity holders of the Company	206.94	99.02	305.96	214.92	91.04	42.36
Earnings per Share (Baht)	0.04	0.03	0.07	0.05		
Gross Profit Margin	17.30%	14.74%	16.44%	18.00%		
Net Profit Margin	7.84%	7.53%	7.74%	6.87%		
Debt to Equity (Time)	0.80		0.89	0.91		

Earnings per share was based on par value at Baht 0.125 per share (The change of par registration from Baht 0.50 to Baht 0.125 was done on 6 May 2015.)

The 2015 Operating Performance Summary

1. Construction Services Income Segment Comparison

(Unit : Million Baht)

Construction Services Income	2015		2014		Increase (Decrease)	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
- Pipeline system	1,970.97	50.80	2,551.24	82.42	-580.27	-22.74
- Engineering system	1,534.59	39.55	6.93	0.23	1,527.66	22,044.16
- Civil work	373.51	9.62	507.11	16.38	-133.60	-26.35
- Sales and other services	1.10	0.03	30.06	0.97	-28.96	-96.34
Total	3,880.17	100.00	3,095.34	100.00	784.83	25.36

Construction services income recorded at Baht 3,880.17 million increasing Baht 784.83 million from last year or 25.36%. Most services income generated from pipeline system of carried forward projects and 2 new awarded projects in 2015 consisting of the 1st Transmission Pipeline Life Extension Project 28” Recoating Section from PTT Public Company Limited awarded to TRC in February 2015 and Construction, Improvement and Expansion of Waterworks, Koh Samui Branch, Koh

Samui District, Surat Thani Province from Provincial Waterworks Authority awarded to Sahakarn Wisavakorn Co., Ltd. in July 2015. Completed project in 2015 was Navanakorn-Rangsit Interconnecting Gas Pipeline Project. Projects of pipeline system decreased bringing about the lower of pipe line system construction services income than previous year total of Baht 580.27 million. However, the revenue from engineering system works from 450 TPD Biodiesel Plant and New Incinerator Project increased. The total construction services income also increased from previous year.

2. Interest income and other income was Baht 74.86 million increasing Baht 43.03 million or 135.19%. Interest income increased Baht 7 million from the investment of excess cash in the funds which providing high yield. Other income was from gain on disposal of property, plant and equipment in the amount of Baht 37 million.

3. Gross profit was Baht 637.78 million increasing Baht 80.73 million from previous year. Gross profit margin was at 16.44% decreasing from last year which was at 18.00%.

Construction Services Income	2015	2014
- Pipeline system	26.49%	22.15%
- Engineering system	13.00%	11.40%
- Civil work	-14.42%	-2.21%
- Sales and other services	10.91%	80.87%
Total	16.44%	18.00%

The decrease of gross profit was from the increase of cost of civil work services of Sahakarn Wisavakorn Co., Ltd. due to the change order of one project.

4. Administrative expenses and finance cost was Baht 337.02 million increasing Baht 30.20 million or 9.49% due to depreciation of tools and equipment, furniture and office equipment which gradually invested since 2015, employees' expenses (such as more recruitment, salary and bonus increase) and finance cost from debenture issuance.

5. Profit attribute to equity holders of the Company was Baht 305.96 million increasing Baht 91.04 million from last year or 42.36%. The net profit margin was 7.74% higher than previous year which was at 6.87%.

Backlog on Hand

As at 31 December 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 Company Limited	5	3,786.66
Sahakarn Wisavakorn Co., Ltd.	6	2,615.73
Total	11	6,402.39

Assets, Liabilities and Debt to Equity Ratio

Analysis of Assets

(Unit : Million Baht)

	31 December 2015	31 December 2014	Increase (Decrease)	Percentage
Current assets	3,316.06	2,063.91	1,252.15	60.67
Non-current assets	1,255.81	566.70	689.11	121.60
Total assets	<u>4,571.87</u>	<u>2,630.61</u>	1,941.26	73.80

As at 31 December 2015, the Company and its subsidiaries recorded total assets of Baht 4,571.87 million increasing Baht 1,941.26 million from last year consisting of:

- Current assets increased Baht 1,252.15 million.
 1. Cash and cash equivalents was Baht 1,289.43 million increasing Baht 628.77 million from last year or 112.55%.
 - 1.1 Net cash flows from operating activities were Baht 511.17 million. The significant changes were from:
 - + Cash flows before in operating assets and liabilities Baht 396.61 million
 - + Change in advance received from customers under construction contracts Baht 211.91 million
 - Cash paid for income tax Baht 115.58 million
 - 1.2 Net cash flows used in investing activities were Baht 628.91 million. The significant changes were from:
 - Cash paid for purchase of ordinary shares in ASEAN Potash Chaiyaphum Public Company Limited Baht 405.23 million
 - Cash paid for purchase of property, plant and equipment Baht 303.40 million
 - + Cash received from disposal of property, plant and equipment Baht 75.87 million
 - 1.3 Net cash flows from financing activities were Baht 798.10 million. The significant changes were from:
 - + Cash received from issuance of ordinary shares to private placement investors Baht 726 million
 - + Cash received from issuance of debentures Baht 100 million
 - Repayment of long-term loans amount Baht 30.50 million
 2. Unbilled receivable increased from Baht 396.20 million to Baht 1,023.20 million or 158.21% due to the completed works which the invoice was still not issued until the completion of conditions in the construction contract.
- Non-current assets increased from Baht 566.70 million to Baht 1,255.81 million. The significant increase was from:
 1. Other long-term investment in ASEAN Potash Chaiyaphum Public Company Limited Baht 405.23 million
 2. Investment in property, plant and equipment (net of accumulated depreciation and asset disposal) Baht 251.70 million

Analysis of Liabilities and Shareholders' Equity

(Unit : Million Baht)

	31 December 2015	31 December 2014	Increase (Decrease)	Percentage
Current liabilities	1,966.19	1,203.35	762.84	63.39
Non-current liabilities	185.02	49.55	135.47	273.40
Total liabilities	2,151.21	1,252.90	898.31	71.70
Shareholders' equity	2,420.66	1,377.71	1,033.78	75.04
Total liabilities and shareholders' equity	4,571.87	2,630.61	1,932.09	73.45

Total liabilities recorded at Baht 2,151.21 million increasing Baht 898.31 million from last year consisting of the following:

- Current liabilities increased from Baht 1,203.35 million to Baht 1,966.19 million.
 - Advances received from customers under construction contracts increased from Baht 105.39 million to Baht 320.99 million representing 204.57%. The increase of advances was from new awarded projects in 2015.
 - Unbilled payable increased from Baht 337.90 million to Baht 967.85 million representing 186.43%. 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.
 - All of unearned construction revenue of Baht 149.40 million was gradually recognized as services income.
- Non-current liabilities increased from Baht 49.55 million to Baht 185.02 million resulting from the issuance of debentures to be offered by way of private placement for using as working capital.
- Shareholders' equity increased from Baht 1,377.71 million to Baht 2,420.66 million or 75.04%.
 - Shareholders' equity opening balance Baht 1,377.71 million
 - + Issuance of ordinary shares by way of private placement and exercise of ESOP-W2 Baht 758.01 million
 - + Total comprehensive income Baht 303.29 million
 - The dividend payment Baht 11.54 million
 - Subsidiary paid dividend to non-controlling interests of subsidiary Baht 10.64 million
 - +Others Baht 3.83 million
 - Shareholder's equity closing balance Baht 2,420.66 million

Debt to equity ratio decreased from 0.91 time as at the end of 2014 to 0.89 time as at 31 December 2015.

Significant Events during 2015 – Present

- **The Change of Par Value and ESOP-W2's Exercise Ratio & Exercise Price**

The 2015 Annual General Meeting of Shareholders passed a resolution to change the par value of the shares from Baht 0.50 to Baht 0.125 and to pay a stock dividend at the ratio of 4 existing shares per 1 new share. As a result, the exercise price of ESOP-W2 had to be adjusted in accordance with its conditions as below:

	The 1 st - 4 th Exercise (Jun 2014 - March 2015)	The 5 th - 9 th Exercise (June 2015 - June 2016)
Par Value	Baht 0.50/Share	Baht 0.125/Share
Exercise Ratio	1 Unit : 1 Share	1 Unit : 5 Shares
Exercise Price	Baht 3.03/Share	Baht 0.606/Share

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

In May 2015, Sahakarn Wisavakorn Co., Ltd. (“SKW”), which is the company’s subsidiary, received the full payment of the issuance of 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 SKW is Baht 500 million.

In March 2015, SKW established CR3 and Sahakarn Joint Venture Co., Ltd. with 51% shareholding by SKW representing an investment of Baht 0.51 million. On 30 March 2015, the 4/2015 Board of Directors’ Meeting of TRC passed a resolution approving an increase in the registered capital and the issued and paid-up capital of CR3 and Sahakarn Joint Venture Co., Ltd. from Baht 1 million to Baht 500 million through the issuance of additional 4.99 million ordinary shares to be offered to existing shareholders at a price of Baht 100 each, representing a total investment of Baht 499 million. On 17 April 2015, CR3 and Sahakarn Joint Venture Co., Ltd. arranged the 2015 Annual General Meeting of Shareholders to approve the increase the registered capital. The increase in registered capital resolution was registered with the Ministry of Commerce on 27 April 2015. In May 2015, SKW paid for the new shares of CR3 and Sahakarn Joint Venture Co., Ltd. in the amount of Baht 5 million. However, the company did not bid the work from the State Railway of Thailand and no any business plan in the future. In order to minimize the administrative expenses, the management dissolved CR3 and Sahakarn Joint Venture Co., Ltd. and the liquidation completed on 28 December 2015.

- **Issuance of Debentures**

During 7 – 8 July 2015, the Company issued the unsubordinated and unsecured debentures without a debenture holders' 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 and quarterly interest payment.

- **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 to 5 August 2015, the Company received the proceeds from the payment of share capital total of Baht 726 million. The funds were used for additional investment in ASEAN Potash Chaiyaphum Public Company Limited. The Company registered these new shares with the Ministry of Commerce on 6 August 2015.

- **Additional Investment in APOT’s Shares**

The 9/2015 Board of Directors’ Meeting held on 16 September 2015 approved TRC Investment Limited, a subsidiary in Mauritius, to acquire additional ordinary shares of ASEAN Potash Chaiyaphum Public Company Limited (“APOT”) (Former name was ASEAN Potash Mining Public Company Limited (“APMC”)) at the aggregate of not exceeding 6.30 million shares at par value Baht 100 per share at price of Baht 200 per share, total value of Baht 1,260 million from Thermal Trade and Investment Limited. The actual payments were as below:

Payment for APOT's Shares (Paid to Thermal Trade and Investment Limited)	Amount	Payment Date	Registration Date for the Change of APOT's Shareholder List
1 st Payment : 1.775 million shares	Baht 355 Million	15 October 2015	30 October 2015
2 nd Payment: 1.775 million shares	Baht 355 Million	7 January 2016	21 January 2016
3 rd Payment: 1.775 million shares	Baht 355 Million	25 January 2016	3 February 2016

At present, TRC Group's shareholding portion in APOT was at 22.87% consisting of shareholding by TRC Investment Limited 20.04% and TRC International Limited 2.82% at current APOT's paid-up capital of Baht 2,656,777,300.

- **Obtained SET AWARDS 2015**

In November 2015, the Company obtained 2 awards of SET AWARDS 2015 consisting of "Company Performance Awards" and "Investor Relations Awards" for the listed companies with market capitalization of Baht 3,000 – 10,000 million.

- **Results of the Exercise of ESOP Warrants No. 2 (TRC's ESOP-W2) in 2015**

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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Newly issued shares after Par Split (Par value 0.125 Baht)

Newly issued shares from the 5 th exercise on 30 June 2015 (exercise ratio 1 unit: 5 share)	20,511,010	shares
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Newly issued shares from the 6 th exercise on 30 September 2015 (exercise ratio 1 unit: 5 share)	19,567,060	shares
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Newly issued shares from the 7 th exercise on 30 December 2015 (exercise ratio 1 unit: 5 share)	12,063,575	shares
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Accumulated newly issued shares from ESOP-W2	<u>121,895,810</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)

Exercise Price 0.606 Baht/share

Capital increase proceeds from the 5 th exercise on 30 June 2015	12,429,672.06	Baht
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Capital increase proceeds from the 6 th exercise on 30 September 2015	11,857,638.36	Baht
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Capital increase proceeds from the 7 th exercise on 30 December 2015	7,310,526.45	Baht
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Accumulated capital increase proceeds	<u>73,868,860.86</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	2,563,876.25	Baht
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Share capital increased from private placement	41,250,000.00	Baht
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Share capital increased from the 6 th exercise	2,445,882.50	Baht
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Share capital increased from the 7 th exercise	1,507,946.88	Baht
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Issued and paid-up capital at present	<u>566,853,708.88</u>	Baht
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- **Significant Project Acquisition in 2015**

TRC: The 1st Transmission Pipeline Life Extension Project: 28" Recoating Section from PTT Public Company Limited, the project's work value is Baht 3,725 million with 45-month construction period.

Sahakarn Wisavakorn Co., Ltd.:

1. Srinakarin to Romklao Road, Phase 1

- 1.1 Construction the Interchange linking Srinakarin Road to Kungthep Kreetha Road and Road Construction starting from Srinakarin Road to Klong Hua Mak from Bangkok Metropolitan Administration, the project's work value is Baht 827.76 million with 24-month construction period.
 - 1.2 Construction of Manholes and Underground Duct Banks from Metropolitan Electricity Authority, the project's work value is Baht 229.17 million with 20-month construction period.
 - 1.3 Construction Plumbing and related tasks from Metropolitan Waterworks Authority, the project's work value is Baht 32.79 million with 20-month construction period.
 2. 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) from Provincial Waterworks Authority by Hydrotek Sahakarn Joint Venture. The portion of investment between Sahakarn Wisavakorn Co., Ltd. and Hydrotek Public Co., Ltd. was 49% and 51%, respectively. The project's work value is Baht 858.00 million with 540-day construction period.
 3. Engineering Procurement and Construction for Dry Ice Expanded Tobacco Process, DIET Process (M-01/2) from Tobacco, Ministry of Finance, the project's work value is EUR 15,476,635.11 and Baht 237,214,242.99 or approximately Baht 853.18 million with 22-month construction period.
- **New Awarded Projects during January - February 2016**
 1. Preparation and Refurbishment of Existing Decline from ASEAN Potash Chaiyaphum Public Company Limited, the project's work value is Baht 143.69 million with 11-month construction period
 2. Srinakarin to Romklao Road, Phase 1 - Construction of Manholes and Cable Underground Duct Banks and riser pipe from CAT Telecom Public Company Limited, the project's work value is Baht 1.14 million with 24-month construction period
 - **Letter of Award Turnkey Delivery of APOT Project Package 2, Surface Processing and Facilities**

On 10 February 2016, TRC obtained a Letter of Award from APOT informing that TRC has been selected as the successful bidder for the construction of Turnkey Delivery of APOT Project Package 2, Surface Processing and Facilities, from ASEAN Potash Chaiyaphum Public Company Limited. The project's work value is USD 142,027,205, EUR 416,000,784 and Baht 12,433,389,522 or approximately total of Baht 34,089.05 million with 3-year construction period. The company expects to sign construction contract within the 3rd - 4th quarter of 2016.

If including above new projects to the backlog as at 31 December 2015, the backlog will be approximately of Baht 40,636.71 million.

Dividend Payment for the 2015 Operating Performance

The 3/2016 Board of Directors' Meeting to consider the date, time, place and proposed agenda of the 2016 Annual General Meeting of Shareholders including the dividend payment for the 2015 operating performance is scheduled to be held on 10 March 2016.



(Mr. Pasit Leesakul)

Director and Chief Executive Officer

25 February 2016