

Date: 10 November 2020

Subject: Management Discussion and Analysis for the year ended 31 December, 2019

To: Director and Manager

The Stock Exchange of Thailand

Right Tunneling Public Company Limited (“the Company”) would like to clarify the consolidated operating results ended 31 December, 2019. The details are as follows:

Income Statement (Unit: Million Baht)	For the year ended		Changes	
	Dec 31, 2019	Dec 31, 2018	Amount	Percentage
Revenue from construction	2,304.92	1,861.11	443.81	23.85
Revenue from sales of construction materials	31.77	3.35	28.42	848.36
Cost of construction	1,895.80	1,688.19	207.61	12.30
Cost of sales of construction materials	27.19	3.18	24.01	755.03
Gross profit	409.12	172.92	236.20	136.59
Other income	17.83	21.37	(3.54)	(16.57)
Profit (loss) from foreign exchange	11.75	3.85	7.90	205.19
Selling and distribution expenses	0.25	0.22	0.03	13.64
Administrative expenses	215.12	237.76	(22.64)	(9.52)
Financial cost	(72.65)	(45.67)	(26.98)	59.08
Income tax expenses	(24.59)	20.13	(44.72)	(222.16)
Profit for the period	130.66	(65.21)	195.87	(300.37)

Revenue from Construction

For the year 2019, the company had construction income of 2,304.92 million baht, which increased 443.81 million baht or equivalent to 23.85 percent when compared to the year 2018. By considering from a continuous decrease in the proportion of revenue for construction abroad since 2017 - due to the completion of foreign work in 2018. According to 2019, the Company had operated additional overseas projects, which are new projects starting in 2019; approximately, 5 projects: the Pagoda Stability and Geophysical Drilling Work in Myanmar, the Xekong 4 Dam in Lao PDR, and fix the leakage of the Outlet Conduit, Nam Luok Dam and Nam Ken Dam in Lao PDR, Duantri Dam Development Project in Cambodia, and Geological Exploratory Drilling in Luang Prabang in Lao PDR. The proportion of construction work in the country had been increasing since 2017. A steady increase of

revenue of domestic projects can be seen as well since 2017, with the main jobs in the country that are the main revenue of the company; for instance, Double Tunnel Project, Saraburi - Nakhon Ratchasima of which the income is equal to 709.95 million baht or 30.80 percent of the construction revenue. Water Transfer Tunnel and Appurtenance Works in Chiang Mai Province has income equal to 690.67 million baht or equivalent to 29.97 percent of revenue from construction. In addition, the manhole and underground electrical duct bank of electric train - The Yellow Line –has revenue equal to 226.28 million baht or 9.82 percent of the revenue from construction. The company has also received more than 10 construction projects, resulting in the increase in domestic income.

Construction Contract Costs and Gross Margins

For the year 2019, the Company has construction costs increased by 207.61 million baht or 12.30 percent, which in line with the increase in construction revenue. However, when considering the cost-to-income ratio, it was found that the proportion was lower compared to the Company's construction revenue. This was mainly due to the reduction in major costs; for example, material costs from employers, which had a lower proportion compared to 2018 including the decrease in the depreciation ratio, salaries and wages, and agency expenses, etc., resulting in a decrease in the Company's total cost. If considering each project, it will be found that the cost-to-income ratio of overseas projects has a lower cost ratio due to new additional 3 foreign projects.

For domestic work in the segment of work continuing from the year 2018 had improved cost management, such as Railway Tunnel Project in Saraburi - Nakhon Ratchasima, Water Transfer Tunnel and Appurtenance Works in Chiang Mai Province, the construction of an underground electrical duct bank - Rattanakosin Road. As a result, the proportion of construction costs to construction revenues in 2019 decreased significantly, as well as the overall construction work of the year 2019, the company had good cost management and efficiency, resulting in a reduction in the cost-to-income ratio.

For the year 2019, the gross profit increased by 236.20 million baht, or 136.59 percent compared to the previous year, as many projects of the Company can operate with a higher gross margin, both from work in Foreign countries and domestic jobs, such as Double Tunnel Project, Saraburi - Nakhon Ratchasima, due to the proportion of costs of salaries and wages, agency wages, and agency expenses to income decreases, Water Transfer Tunnel and Appurtenance Works in Chiang Mai Province, due to the cost of construction materials to income has decreased significantly, the construction of a pond and an underground electrical duct bank - Rattanakosin Road due to the proportion of costs, salaries and wages, construction wages and agency expenses to income decreases. In addition, the company has accepted domestic work which is in other types of construction work in many projects with relatively high gross profit from providing construction services to employers that have smaller to medium projects in the past year 2019 as a result of the long experience working from tunnel construction and effective

machinery management. Therefore, the company can operate more efficiently which result for the company to have a net profit margin.

Selling and Distribution Expenses

For the year 2019, the Company had selling and distribution expenses increased by 0.03 million baht or 13.64%, which was an increase from the cost of bidding and documents in the amount of 0.99 million baht or 74.39% due to in 2019, the company enters a bid on more construction works in line with the number of new projects that have increased in 2019.

Administrative Expenses

For the year 2019, the Company has administrative expenses equal to 215.12 million baht, which decreased 22.64 million baht from 2018, or 9.52 percent from production support expenses, such as the cost of central maintenance of the company decreases in the amount of 59.62 million baht 77.18 percent due to the use of machinery in the project operation, which is the cost of each project. The decrease in bank guarantee fees decreased by 4.27 million baht or 14.30 percent, as well as the decrease in bank fees from money transfers which decreased 4.76 million baht or 87.95 percent.

Net Profit

For the year 2019, the Company has a net profit of 130.66 million baht which increases from 2018 by 195.87 million baht or 300.37 percent as a result of projects of the company operating with a higher gross profit margin both from overseas and domestic projects, and large projects that begin to recognize revenues in 2019, such as the Saraburi - Nakhon Ratchasima Double Tunnel Project, Water tunnel and tunnel building project Chiang Mai Province and the construction of an underground electrical duct bank - Rattanakosin Road. In addition, the Company has accepted domestic work which is other types of construction work in several other projects with relatively high gross profit and the Company had significant lower administrative expenses from the previous year due to the lower administrative expenses and the Company's production support expenses, which are expenses incurred for central expenses such as the cost of the Company's central maintenance center. As a result, the company has a better net profit and profit margin.

Financial Position of the Company

Financial Position (unit: million baht)	As of 31 December		Changes	
	2019	2018	Amount	Percentage
Total Asset	3,730.54	2,999.13	731.41	24.39
Total Liability	3,143.20	2,542.37	600.83	23.63
Total Shareholders' Equity	587.34	456.76	130.58	28.59
Debt to equity ratio (D/E Ratio) (Times)	5.35	5.57	(0.22)	(3.95)

Total Asset

As of December 31, 2019, the Company had total assets of 3,730.54 million baht which increases from the end of 2018 by 731.41 million baht, with an increase in assets from an increase in trade receivables of 424.25 million baht or 337.68 percent, due to an increase in trade accounts receivable from unrelated parties from the cost of the completed construction company that has not been paid from the customers. This was mainly due to an increase in trade accounts receivable of the Royal Irrigation Department and the Metropolitan Electricity Authority and assets arising from the contract - unbilled income, which is the unbilled income item of the company. The revenue is recognized according to the ratio of work completed less the value of the construction that has been charged. The company had unbilled income equal to 1,241.39 million baht that increase of 236.16 million baht from 2018 or 23.49 percent, which was the unbilled income of the project including the water tunnel project and the tunnel building in the amount of 866.74 million baht, for road work highway project in the amount of 166.49 million baht, and underground pit and conduit project together with the Fah car project in the amount of 78.44 million baht, which the company has not yet paid due to the work completed but has not yet reached the deadline for billing.

Total Liability

As of December 31, 2019, the Company had total liabilities of 3,143.20 million baht that increase in the amount of 600.83 million baht from the end of 2018, which was an increase of overdrafts and short-term loans from financial institutions. In 2019, bank overdrafts and short-term loans from financial institutions increased by 455.72 million baht or 82.50 percent due to an increase in overdraft items in the amount of 47.71 million baht or 122.43 percent, promissory notes increased by 360.52 million baht or 78.9% which increase in the amount of 47.50 million baht or 83.87 percent, because the use of working capital of the company and an increase in trade payables and other payables from unrelated trade payables.

Total Shareholders' Equity

As of December 31, 2019, the Company had shareholders' equity of 587.34 million baht which increase in the amount of 130.58 million baht from the end of 2019 due to the increase in unappropriated retained earnings. Since 2019, the company has a net profit of 130.66 million baht which result in an increase in retained earnings that have not yet been allocated.

Debt to equity ratio

For the year 2019, the Company's debt-to-equity ratio had improved compared to the year 2018 from the operating results in 2019, which had a net profit of 130.66 million baht, while liabilities increased from overdrafts and borrowings short-term from financial institutions to use in operations.

Please be informed accordingly.

Best regards,

(Mr. Chaiya Wonglappanich)

Deputy Managing Director (Management and Finance)

Right Tunnelling Public Company Limited