

IR.003/2020

8 January 2020

Re: Notification of the settlement of the Company's lawsuit

To President

The Stock Exchange of Thailand

T Engineering Corporation Public Company Limited (the "Company") would like to inform that the Board of the Directors' Meeting No. 1/2020, held on 8 January 2020, has resolved to approve the settlement of dispute between the Company and the hirer ("Main Contractor") according to a construction agreement. This dispute arose from the case that the Company entered into the sub-contract agreement in year 2013 and the sub-contract agreement was terminated by the Main Contractor in year 2014. The Main Contractor sued the bank, who issued the Advance Bond on 9 September 2014, and sued the bank, who issued the Performance Bond on 16 September 2014, with monetary claim in the amount of 69,648,200 Baht and 87,206,400 Baht, including the interest at the rate of 7.5 percent per year, respectively.

Afterwards, Trial Court and Appeal Court rendered the judgements for the bank, who issued the bonds, to make the payment to the Main Contractor according to the Performance Bond and Advance Bond, including the interest at the rate of 7.5 percent per year. Currently, the lawsuit is pending the consideration of Supreme Court. The Company has reserved the loss which might arise from the lawsuit in the amount of 44,409,500 Baht, which is 50 percent of a value of the Performance Bond and has recorded a liability for the Advance Bond in the full amount of 69,284,700 Baht.

During the defense of lawsuit of the bank who issued such bonds, in the year 2017, the Company filed the claim to Hong Kong Arbitration for the loss from wrongful termination of agreement in the amount of 352,142,067.20 Baht and the Main Contractor filed an opposition as well as a counter-claim for the loss from a delay of construction from the Company in the amount of 558,055,632.32 Baht.

### Analysis

Since the year 2014 until now, such lawsuit aggressively affects the Company in aspect of the risk of the result from the proceeding of lawsuit, with a high monetary claim, and an application for credit facility and bond from financial institution, the credit facility for business operation, the credit facility for an issuance of relevant bonds and a certification of the credit facility, which are considerably necessary for the construction business operation. Moreover, since such lawsuit has arisen, the Company does not obtain credit facility for business operation from any financial institutions. The reason, which the credit facility department of bank considered for a rejection to provide the credit facility to the Company, is due to such lawsuit, resulting in the Company operating the business by depending on only the Company's cash flow, without any supports from financial institution.

From the consideration of Management Team, Risk Management Committee and the Board of Directors, who have considered the fact, lawsuit status and analysis as well as an expense on lawsuit proceeding, which has been paid by the Company, and an expense, which will be incurred for the pursuing of the lawsuit, including the current financial status of the Company, it deems appropriate for the Company to considered settling the dispute of this lawsuit in order to restrain the risk, which might be occurred and negatively affect the Company's business operation. The settlement of dispute of such lawsuit will result in the Company being able to solve the problems that the Company was previously declined for the credit facility from financial institution and reduce the risk from losing the arbitration lawsuit, which may bring the Company being liable to the loss of money in the amount of more than 500,000,000 Baht. Moreover, the Company is able to reduce the amount of the interest, which must be paid in accordance with the judgements of the Trial Court and Appeal Court, at the rate of 20 percent. In case the Company loses the lawsuit and is liable to pay such amount, it will significantly affect the Company in aspects of finance and financial statements of the Company. Additionally, this settlement will raise opportunity for the Company to obtain a suitable capital, regardless of the support of financial institution or funds raising in the stock exchange, to be utilized for the Company's business operation in order for the Company to grow and make profit in the future.



T ENGINEERING  
CORPORATION PCL

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Due to the abovementioned reason, the Board of the Directors' Meeting deems appropriate for the Company to settle such disputes, by entering into the Settlement Agreement. The Company and such Main Contractor agreed to withdraw every lawsuit and will not bring up any issues for accusation in the future. Both parties referred to the amount according to the judgments of the Trial Court and Appeal Court, adjudicating the bank to make a payment as per the Performance Bond and Advance Bond, including the interest at the rate of 7.5 percent per year, as an initial amount. Moreover, the Company has negotiated for the reduction of the interest at the rate of 20 percent. The total amount, which the Company is liable to pay to the Main Contractor for the settlement of the lawsuit, is 208,526,373 Baht. The Company will pay such amount from the cash flow which has been reserved for this lawsuit.

If there is any update on the proceeding of the dispute settlement of this lawsuit, the Company will further inform you.

Please be informed accordingly.

Sincerely yours,

(Mr. Tradsin Chongussayakul)

Chief Executive Officer and Acting Managing Director

T Engineering Corporation Public Company Limited