

No. CAZ 1/2019

21st January 2019

Subject: Management Discussion and Analysis Quarter 3rd ending 30 September 2018

Attention: The President

The Stock Exchange of Thailand

CAZ (Thailand) Public Company Limited ("The Company") and its Subsidiary ("The Group") would like to submit the operating results for the third quarter ending 30 September 2018 with the following details as below :

Statement of Comprehensive Income

(Unit : Million Baht)

Details	Quarter 3-2018	Quarter 3-2017	Increased (Decreased)	Percentage (%)
Revenues from construction contracts	344.87	275.94	68.93	24.98
Costs of construction contracts	(311.70)	(258.46)	53.24	20.60
Gross profit	33.17	17.48	15.69	89.76
Other income	0.75	0.90	(0.15)	(16.67)
Profit before expense	33.92	18.38	15.54	84.55
Administrative expenses	(16.76)	(15.49)	1.27	8.20
Profit before interest and tax	17.16	2.89	14.27	493.77
Financial Costs	(3.21)	(4.41)	(1.20)	(27.21)
Revenue before income tax	13.95	(1.52)	15.47	1,017.76
Income Tax	(2.82)	0.29	3.11	1,072.41
Profit for the period	11.13	(1.23)	12.36	1,004.88
Profit attribution to:				
Oweners of the parent	9.89	(1.31)	11.20	854.96
Non-controlling interests	1.24	0.08	1.16	1,450.00

Revenues from contraction contracts

On the third Quarter of 2018, the Group earn revenue from construction contracts total amount of 344.87 Million Baht, increased by 68.93 Million Baht, or 24.98% compared with Q3 2017. This increasing came from the remaining of ongoing projects from backlog of 2017 which main income such as PTT TANK project, PTT LNG Cold Water project, and PTT Wangnoi Compressor Station project (PTT WCS). The proportion of revenue segment on Q3 2018 are following; EPC service 31.96% of total revenue, then SMP & E&I service 28.73%, Civil & Building service 27.74%, and Fabrication and other service 11.57%, respectively.

Revenue from construction contracts by segment portion for Quarter 3 2018 – 2017 (Unit: Million Baht)

Category	Quarter 3 2018	Percent(%)	Quarter 3-2017	Percent (%)
EPC service	101.21	31.96	198.22	71.84
SMP & E&I service	99.07	28.73	42.67	15.46
Civil & Building service	95.68	27.74	21.49	7.79
Fabrication and other service	39.91	11.57	13.56	4.91
Total Revenue	344.87	100.00	585.61	100.00

During Q3 2018, the Group had two new contracts as Subcontractor such BangPa-Kong LNG Terminal Phase 3 project (Design, manufacture, and installation of liquid gas storage tanks) the contract value of 204.12 Million Baht, and Olefins Reconfiguration project for Platform and Ladder Fabrication (design, manufacture of steel floor structures, steel stairs and railings) the contract value of 89.43 Million Baht.

Cost of construction contracts

The cost of construction contracts consists of raw materials, consumable costs, Subcontractor costs, salary and other employee compensation, and other construction costs. During Q3 2018, The Group has cost for construction service total amount of 311.70 Million Baht, or considered 90.38% of revenue of construction contracts. Increased by 53.24 Million Baht, compared with same period of last year, or increased by 20.60%. Resulted from revenue of ongoing projects from 2017 and new projects which awarded during Q1 and Q2 2018.

Administrative expenses

The Group's expense comprising of management and employee salary including all employee benefit expenses, training and seminar, audit fee, depreciation, utility and insurance fees. For Q3 2018, The Group has administrative expense total amount of 16.76 Million Baht. Increased by 1.27 Million Baht, or 8.20% compared

with same period of last year. The main reason of increasing expense is to the increasing of number of employee to support the Group's new projects which are continuing growth.

Financial cost

Financial cost of the Group consists of long-term loan from a commercial bank to purchase property, plant, and equipment which occurred at the end of 2016, and also source of fund for the Group's operation working capital. By Q3 2018, ending 30 September 2018, the Group has finance cost total amount of 3.21 Million Baht, decreased by 1.20 Million Baht, or 27.21% compared with Q3 2017. This because during Q3 2017, the Group's financial cost comprised of interest from both long-term loan and source of fund for working capital. On the other hand, on 2018, the Group has financial cost only long-term loan from bank.

Profitability

The Group's gross profit and net profit for 3 months ending 30 September 2018, as following:

(Unit : Million Baht)

Profitability	30-Sep-18	percentage (%)	30-Sep-17	Percentage (%)
Gross profit	33.17	9.62	17.48	6.33
Net profit	11.13	3.23	(1.23)	(0.45)

For the third quarter of 2018, the Group's gross profit was 33.17 Million Baht, or 9.62% of gross profit margin. While, Q3 2017, the Group's gross profit was 17.48 Million Baht, or 6.33% of gross profit margin. The main reason of Q3 2017 gross profit margin was lower than average of 10% because of the adjustment cost of main project which was Fourth Transmission Pipeline Midline Compressor Station project (PTT MCS). And that transaction was greater than revenue recognition for these period.

Q3 2018, the Group's net profit was 11.13 Million Baht, or 3.23% of net profit margin, which higher than same period of last year by 12.36 Million Baht. The main reason is the growth of revenue, including efficiency cost management, and well administrative expense controlling. Moreover, during three months of Q3 2017, the Group's net loss was 1.23 Million Baht which effected from PTT MCS's cost adjustment that mention previously.

Statement of Financial Position

Unit: Million Baht)

Details	30-Sep-18	30-Sep-17	Increased (Decreased)	Percentage
Assets				
Current assets				
Cash and cash equivalents	14.06	91.98	(77.92)	(84.72)
Trade and other receivables	214.77	165.67	49.11	29.64
Unbilled receivables	182.84	88.85	94.00	105.80
Inventories	60.17	2.52	57.66	2,290.65
Refundable tax	-	17.06	(17.06)	(100.00)
Other current assets	7.49	4.84	2.66	54.92
Total current assets	479.34	370.90	108.44	29.24
Non-current assets				
Restricted bank deposits	20.79	-	20.79	100.00
Property, plant and equipment	348.38	314.79	33.59	10.67
Intangible assets	11.61	9.13	2.48	27.18
Retention receivables	23.84	5.49	18.35	334.00
Withholding tax deducted at source	51.30	27.45	23.85	86.88
Deposits	1.18	0.95	0.23	24.66
Deferred tax assets	0.70	0.42	0.28	65.49
Total non-current assets	457.80	358.23	99.57	27.80
Total assets	937.14	729.13	208.01	28.53
Liabilities and equity				
Current liabilities				
Bank overdrafts	34.55	-	34.55	100.00
Trade and other payables	267.05	171.60	95.45	55.63
Service income received in advance	229.71	163.81	65.90	40.23
Short-term borrowings form b	39.09	-	39.09	100.00
Current portion of long-term borrowings from banks	38.64	38.64	-	-
Current portion of liabilities under finance lease agreements	1.68	1.23	0.45	36.25
Borrowings from related parties	-	-	-	-
Other current liabilities	17.61	21.45	(3.83)	(17.87)
Total current liabilities	628.33	396.72	231.61	58.38
Non-current liabilities				
Long-term borrowing form banks	152.64	182.34	(29.70)	(16.29)
Finance lease liabilities	3.27	1.27	2.00	157.21
Retention payables	4.85	5.49	(0.64)	(11.60)
Employee benefit obligations	3.20	1.79	1.41	78.57
Total non-current liabilities	163.96	190.89	(26.93)	(14.11)
Total liabilities	792.29	587.62	204.68	34.83
Equity				
Share Capital - Authorised	140.00	100.00	40.00	40.00
Issued and paid-up	100.00	100.00	-	-
Retained earnings				
Appropriated - legal reserve	2.96	1.13	1.84	162.62
Unappropriate	29.78	29.98	(0.20)	(0.68)
Equity attributable to owners of the parent	8.45	6.37	2.08	32.70
Equit attributable to owners of the parent	141.20	137.48	3.71	2.70
Non-controlling interests	3.65	4.03	(0.38)	(9.46)
Total equity	144.84	141.51	3.33	2.36
Total liabilities and equity	937.14	729.13	208.01	28.53

Assets

As of 30 September 2018, the Group has total assets of 937.14 Million Baht, increased by 208.01 Million Baht, or 28.52 compared with 2017, its total assets were 729.13 Million Baht. At the end of Quarter 3 2018, cash and cash equivalents were decreased by 77.92 Million Baht because of investing in property plant and equipment such construction's machine and equipment. And also cash payment for suppliers and vendors by term payment. However, during 2018, the Group has total assets increased compared with 31 December 2017 as following;

Trade and other receivables, including unbilled receivables increased by 49.11 Million Baht and 94 Million Baht, respectively. The main reason of increased these transactions resulted from revenue recognition by percentage completion of ongoing projects which awarded from 2017 and 2018 over than clients' billing process of milestone to collection.

Inventories were increased of Baht 57.65 million because the Group bought raw material for new project; PTT GC Olefins Reconfiguration Structure project. The scope of work has to do fabrication process of each part at site, it means the Group has to finish work at the Company's shop then deliver to client's site to installation. All those scope of works spend time around 90-150 days which cause the Group's inventories were increasing on nine months of 2018.

During period 2018, the Group invested in property plant and equipment such as; equipment tools and trucks which for supporting all increasing of new projects.

Retention receivables were increased because when the Group delivered projects to client they deducted retention. The projects that were deducted retention such as PTTWCS SMP total amount of Baht 7.55 million, and PTTWCS total amount of Baht 5.87 million.

Liabilities and Equities

As of 30 September 2018, total liabilities and equity's the Group total amount of Baht 937.14 million, increased 208.01 million baht, or 28.53% compared with 2017. As following;

Total liabilities were 729.29 Million Baht, increased to 204.67 Million Baht, compared with 2017, or 34.83%. This increasing resulted from current liabilities which comprised of trade and other payable total amount of 267.05 Million Baht, or 33.70% of total liabilities. And these increased were from purchasing goods and raw material of construction and subcontractor for projects around 55.63%. In addition, the Group has liabilities from advance income from projects which present in "Service income received in advance" total amount of Baht 229.73 million,

or 31.50 of total liabilities. Compared with 2016, increased by 65.92 million or 40.23%. Because of the Group award increasing as mention above before. However, as at 30 September 2018 the Group has total non-current liabilities decreased from long-term borrowing for banks by due payment followed by contract.

Total equity of the Group as at 30 September 2018 was 144.84 Million Baht, or 15.46% of total liabilities and equities. This resulted from net profit of current period of 2018 total amount of Baht 39.10 Million Baht. Including, dividend payment during this period around 34.87 Million Bath. All this transaction cause the Group's equities increased to 3.33 Million Baht from 141.51 Million Baht from 31 December 2017, or 2.36%.

Please be informed accordingly.

Sincerely yours,

(Mr. Chung Sik Hong)

Chief Executive Officer