

No. CAZ 1/2019

 21<sup>st</sup> January 2019

Subject: Management Discussion and Analysis year ended 2017 ending 31 December 2017

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 year ended 31 December 2017 with the following details as below :

#### Overall Business

The Group's business is construction work which has all scope of work on Engineering drawing, Procurement machine and equipment, and Construction management to serve all client requirement in every construction process. The principal business operation of the Group are summarized in 4 categories as follow; 1. EPC Service such Engineering, Procurement, Construction, and Construction management, 2. Structural Mechanical Piping (SMP) and Electrical and Instrument service, 3. Civil and Building service. 4. Fabrication and Other service. For the Group's 2017 operation ended 31 December 2017 could summarize as follows;

#### Statement of Comprehensive Income

(Unit : Million Baht)

รายการ	31-Dec-17	31-Dec-16	Increased (Decreased)	Percentage
Revenues from construction contracts	1,019.29	651.30	367.99	56.50
Cost of construction contracts	(917.54)	(576.04)	341.50	59.28
<b>Gross profit</b>	<b>101.75</b>	<b>75.25</b>	<b>26.50</b>	<b>35.21</b>
Other income	2.69	4.25	(1.56)	(36.63)
Profit before expense	104.44	79.50	24.94	31.37
Administrative expensed	(58.54)	(50.42)	8.12	16.11
<b>Profit before finance cost and income tax</b>	<b>45.90</b>	<b>29.08</b>	<b>16.82</b>	<b>57.84</b>
Finance cost	(16.65)	(12.55)	4.10	32.64
<b>Profit before income tax</b>	<b>29.25</b>	<b>16.53</b>	<b>12.72</b>	<b>76.98</b>
Income tax	(6.08)	(3.84)	2.24	58.21
<b>Profit for the period</b>	<b>23.17</b>	<b>12.68</b>	<b>10.49</b>	<b>82.67</b>
<b>Profit attributable to:</b>				
Owners of the parent	22.91	11.08	11.83	106.81
Non-controlling interests	0.26	1.60	(1.35)	(84.06)

**Revenues from contraction contracts**

On 2017, the Group has revenue from construction contracts total of 1,019,29 Million Baht, or 56.50% compared with 2016, or increased around 367.99 Million Baht. This increased by revenue growth from backlog projects that getting award on 2016, including new projects of 2017 such as Cold Water Generation Plant project (PTT LNG Cold Water) which contract total amount is 642.40 Million Baht, and Wangnoi Compressor Station project (Ratchaburi – Wangnoi) (PTT WCS) which contract amount of 356.00 Million Baht. Cause the Group reconized revenue of work completion higher than last year. On 2017, the portion of revenue segment of each service as follows; EPC 53.98% of total construction revenue, increased from last year which main portion or revenue were SMP and E&I Service. Then revenue from SMP and E&I Service, and Civil and Building service of 35.30% and 8.50%, respectively.

The portion of revenue segment on 2016-2017 as follow;

(Unit : Million Baht)

Service categories	2017	percentage	2016	percentage
1. EPC Service	550.23	53.98	0.57	0.09
2. SMP & E&I Service	359.85	35.30	399.89	61.40
3. Civil & Building Service	86.67	8.50	165.74	25.45
4. Fabrication and other service	22.55	2.21	85.09	13.07
<b>Total construction service income</b>	<b>1,019.29</b>	<b>100.00</b>	<b>651.30</b>	<b>100.00</b>

#### Other revenue

The Group's other revenue comprise of office rental, sales scrap, or unused assets. On 2017, the Group's other revenue were total amount of 2.69 Million Baht, or 0.26% of total revenue. Reduced by 1.56 Million Baht, and lower than 2017 because on that time the Group's has other revenue from profit of unused vehicle selling.

#### Cost of construction contracts

The Group's main cost of construction contracts consists of raw material, consumable and goods, subcontractor costs, salary and all employee benefits, and including other construction cost. On 2017, the Group has total cost of construction contracts of 917.54 Million Baht, or 90.02% of revenue of construction contracts which similar to 2016. If compared with last year total cost increased by 341.50 Million Baht which related to revenue increasing from many ongoing projects of 2016. Including, new projects which award during 2018, all those projects made the Group recognized high revenue by percentage of completion that mention in the part of revenue of construction contracts.

#### Administrative expenses

The Group's administrative expense consists of all employee expenses, audit fee, training, depreciation, utilities and insurance fee etc. In 2017, total amount of administrative expense was 58.54 Million Baht, increased by 8.12 Million Baht, or 16.11% from 2016. Because of employee expenses has increased, these for support the projects that is likely to increase. In addition, other expenses were increased by training and seminar, audit fee, and internal audit expenses which related to planning and efficiency work process for the Group to get a qualification of listed company in the Stock Exchange in Thailand.

#### Financial cost

Financial cost was interest expense for long-term loan from a commercial bank on Q3 2016 for invested in property plant and equipment. In 2017, the Group had financial cost total amount of 16.65 Million Baht, or 1.63% of revenue of construction contracts. Increased from 2017 by 4.10 Million Baht, because of portion of loan interest expense was full year.

### Profitability

On 2017, the Group's gross profit total amount of 101.75 Million Baht, or gross profit margin of 9.98%. Compared with last year profit margin was 11.55%, it was lower a little bit because on 2016 the Group has a main revenue of construction contract such Fourth Transmission Pipeline Midline Compressor Station project (PTT MCS) which profit margin greater than average gross profit margin of 2017.

On 2017, the Group's net profit was 22.91 Million Baht, or net profit margin of 2.25%, higher than 2016 when compared with 1.71%. It resulted from the efficiency of construction cost management, also well administrative expense controlling. On the other hand, revenue of construction contracts is continuing growth that greater than increasing expense. Lead the Group to increase net profit margin than last year.

### Statement of Financial Position

Unit: Million Baht)

Details	31 Dec 2017	31 Dec 2016	Increased (Decreased)	Percentage
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	91.98	7.48	84.50	1,130.25
Trade and other receivables	165.67	125.09	40.57	32.43
Unbilled receivables	88.85	50.21	38.63	76.94
Inventories	2.52	0.98	1.54	157.23
Refundable tax	17.06	-	17.06	100.00
Other current assets	4.84	2.62	2.21	84.46
<b>Total current assets</b>	<b>370.90</b>	<b>186.38</b>	<b>184.52</b>	<b>99.00</b>
<b>Non-current assets</b>				
Property, plant and equipment	314.79	316.72	(1.93)	(0.61)
Intangible assets	9.13	2.90	6.22	214.34
Retention receivables	5.49	17.85	(12.36)	(69.23)
Withholding tax deducted at source	27.45	36.56	(9.11)	(24.92)
Deposits	0.95	0.77	0.18	23.64
Deferred tax assets	0.42	0.20	0.22	106.14
<b>Total non-current assets</b>	<b>358.23</b>	<b>375.01</b>	<b>(16.78)</b>	<b>(4.48)</b>

Details	31 Dec 2017	31 Dec 2016	Increase (Decrease)	Percentage
<b>Total assets</b>	<b>729.13</b>	<b>561.39</b>	<b>167.74</b>	<b>29.88</b>
<b>Current liabilities</b>				
Trade and other payables	171.60	71.93	99.67	138.57
Service income received in advance	163.81	32.69	131.12	401.11
Current portion of long-term borrowings from banks	38.64	38.64	-	-
Current portion of liabilities under finance lease agreements	1.23	0.92	0.31	34.17
Borrowings from related parties	-	79.50	(79.50)	(100.00)
Other current liabilities	21.45	10.57	10.88	102.89
<b>Total current liabilities</b>	<b>396.72</b>	<b>234.24</b>	<b>162.48</b>	<b>69.36</b>
<b>Non-current liabilities</b>				
Long-term borrowing form banks	182.34	220.98	(38.64)	(17.49)
Finance lease liabilities	1.27	1.33	(0.06)	(4.64)
Retention payables	5.49	5.90	(0.42)	(7.07)
Employee benefit obligations	1.79	0.97	0.82	84.46
<b>Total non-current liabilities</b>	<b>190.89</b>	<b>229.19</b>	<b>(38.30)</b>	<b>(16.71)</b>
<b>Total liabilities</b>	<b>587.62</b>	<b>463.43</b>	<b>124.18</b>	<b>26.80</b>
<b>Equity</b>				
Share Capital - Authorized	100.00	58.50	41.50	70.94
Issued and paid-up	100.00	58.50	41.50	70.94

Details	31 Dec 2017	31 Dec 2016	Increase (Decrease)	percentage
Retained earning				
Appropriated - legal reserve	1.13	-	1.13	100.00
Unappropriated	29.98	29.32	0.67	2.28
Equity attributable to owners of the parent				
- Share based payment	6.37	6.37	-	-
<b>Equity attributable to owners of the parent</b>	<b>137.48</b>	<b>94.19</b>	<b>43.30</b>	<b>45.97</b>
Non-controlling interests	4.03	3.77	0.26	6.78
<b>Total equity</b>	<b>141.51</b>	<b>97.96</b>	<b>43.55</b>	<b>44.46</b>
<b>Total liabilities and equity</b>	<b>729.13</b>	<b>561.39</b>	<b>167.74</b>	<b>29.88</b>

#### Assets

As at 31 December 2017, the Group's total assets were 729.13 Million Baht, increased by 167.74 Million Baht, or increased by 29.88% from last year. Compared with 31 December 2016 the Group's total assets were 561.39 Million Baht. Cash and cash equivalent increased by 84.50 Million Baht which resulted from cash received of increasing capital from authorized share capital of 58.50 Million Baht to 100.00 Million Baht on 19 December 2017. Moreover, cash received in advance increased by one customer collection at the end of 2017. However, compared with 2016, the Group's total current assets increased such trade and other receivables by 40.57 Million Baht. And unbilled receivables increased by 38.63 Million Baht. All these increased amount were lead from revenue recognized by percentage of completion from bidding projects of 2016 and 2017 were not due for cash collection that mention in the operation part.



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## Liabilities and equity

As at the end of 2017, the Group's liabilities and equity were 729.13 Million Baht, increased by 167.74 Million Baht, or 29.88% compared with 2016. Total amount of liabilities was 587.62 Million Baht, increased by 124.18 Million Baht, or 26.80% compared with 2016. For current liabilities consists of trade and other payables total amount of 171.60 Million Baht, or increased by 138.57%. Because of the purchasing raw material, construction's consumable cost, and subcontractors cost for on hand projects. Including, liabilities from cash received in advanced of projects that presented in Service income received in advance part was 163.81 Million Baht, increased by 131.12 Million Baht compared with 2016, or 401.11%. Because of the increasing award projects that mention in revenue part above. However, the Group's long-term loan was reduced both borrowing from related parties and from banks which payment term followed by due date of contract.

At 31 December 2017, the Group's equity was 141.51 Million Baht, increased by 58.50 Million Baht. Because of the increasing capital from 100.00 Million Baht. Plus, profit of current period total amount of 23.17 Million Baht. However, the Group's dividend payment during 2016 by 20.99 Million Baht which lead the Group's equity increased by 43.55 Million Baht, or 44.46% compared with last year.

Please be informed accordingly.

Sincerely yours,

(Mr. Chung Sik Hong)

Chief Executive Officer