

No. CAZ 015-2019

13 August 2019

 Subject: Management Discussion and Analysis 2<sup>nd</sup> Quarter ended 30 June 2019

Attention: The President

The Stock Exchange of Thailand

CAZ (Thailand) Public Company Limited (“the Company”) and its Subsidiary (“the Group”) would like to clarify the change in operating result for the second quarter ended 30 June 2019, which changed in revenue and net profit compared with the last year as follows:

**Statement of Comprehensive Income**

(Unit : Million Baht)

Details	Three-Month Period				Six-Month Period			
	30 Jun 19	30 Jun 18	Changed	(%)	30 Jun 19	30 Jun 18	Changed	(%)
Revenues from construction contracts	540.31	340.68	199.63	58.60	954.66	715.22	239.44	33.48
- EPC Services	169.66	171.66	(2.00)	(1.17)	210.88	415.49	(204.61)	(49.25)
- Structure Mechanic and Pinging (SMP and E&I Services)	162.77	79.06	83.71	105.89	315.33	132.40	182.93	138.16
- Civil & Building Services	114.94	84.08	30.86	36.72	215.72	158.92	56.80	35.74
- Fabrication and Other services	92.94	5.88	87.06	1,480.78	212.73	8.41	204.32	2,429.49
Cost of construction contracts	(492.00)	(309.83)	182.17	58.80	(860.25)	(643.35)	216.90	33.71
<b>Gross profit</b>	<b>48.31</b>	<b>30.85</b>	<b>17.46</b>	<b>56.61</b>	<b>94.41</b>	<b>71.87</b>	<b>22.54</b>	<b>31.36</b>
Other income	0.15	0.72	(0.57)	(79.74)	2.84	0.99	1.85	187.07
Administrative expenses	(17.77)	(14.95)	2.82	18.88	(39.64)	(31.58)	8.06	25.50
<b>Profit before finance cost and income tax</b>	<b>30.69</b>	<b>16.62</b>	<b>14.07</b>	<b>84.64</b>	<b>57.61</b>	<b>41.28</b>	<b>16.33</b>	<b>39.58</b>
Finance cost	(3.72)	(3.10)	0.62	19.95	(6.48)	(6.08)	0.40	6.63
<b>Profit before income tax</b>	<b>26.97</b>	<b>13.52</b>	<b>13.45</b>	<b>99.47</b>	<b>51.13</b>	<b>35.20</b>	<b>15.93</b>	<b>45.27</b>
Income tax	(5.43)	(2.68)	2.74	102.38	(10.25)	(7.00)	3.25	46.45
<b>Profit for the year</b>	<b>21.54</b>	<b>10.84</b>	<b>10.70</b>	<b>98.75</b>	<b>40.88</b>	<b>28.20</b>	<b>12.68</b>	<b>44.98</b>
Owners of the parent	21.60	10.01	11.59	115.74	40.83	26.84	13.99	52.11
Non-controlling interests	(0.06)	0.83	(0.89)	(106.11)	0.05	1.36	(1.31)	(95.93)

#### 1. Revenues from contraction contracts

On Q2/2019, the Group has revenue from construction contracts total of Baht 540.31 Million, increased by Baht 199.63 Million or 58.60% compared with the same period of last year. These increasing revenue resulted from revenue recognition by percentage of completion of projects on hand (Backlog) which were hired on 2017 until 30 June 2019. As at 30 June 2019, the Group has backlog for construction service in oil and gas sector total of Baht 1,602.70 Million. On 18 July 2019, the Company also notify the project award of 643.68 Million Baht. (Refer to the Notification of project awarded letter no. CAZ 013-2562 on 18 July 2019).

Since 2018, due to the construction projects in the Petrochemical and Energy Group are large projects which project valuation have exceeding than Baht 10,000 Million. As a result, the Group has been hired construction projects by the main contractor rather than owner. Resulting to the construction segment services income of the Group are variety into each service segment. Due to customer's requirement which are not focusing on any particular service group

#### 2. Other revenue

The Group's other revenue comprise of office rental, sales scrap, or unused assets. On Q2/2019, the Group's other revenue total of Baht 2.70 Million. Decreased from same period of last year, because of previous year the Group has profit from selling unused tools and equipment.

#### 3. Administrative expenses

On Q2/2019, the Group's administrative expense totaling of Baht 17.72 Million, increased by Baht 2.82 Million, or 18.88% compared with Q2/2018 which has administrative expense totaling of Baht 14.95 Million. Resulted from the increasing of employee expenses & compensations, audit fee, utilities, consulting fee and advertising expenses.

#### 4. Profitability

Gross profit and net profit of 2<sup>nd</sup> Quarter, 2019 ended 30 June 2019 and 2018 as follows;

Profitability	Quarter 2/2019 (Million Baht)	%	Quarter 2/2018 (Million Baht)	%
Gross profit	48.31	8.94	30.85	9.06
Profit attributable to owners of the parent	21.60	4.00	10.01	2.93

The Group's gross profit of Q2/2019, totaling of Baht 48.31 Million, compared with Q2/2018 which has gross profit of Baht 30.85 Million, increasing by Baht 17.46 Million, or 56.61%. The Group's gross profit margin of Q2/2019 has a similar rate to the same period of the previous year.

Q2/2019, the Group's has net profit attributable to owners of the parent totaling of Baht 21.60 Million. Increasing of Baht 11.59 Million, compared with Q2/2018, which net profit attributable to owners of the parent totaling of Baht 10.01 Million, or increased 115.74%. Resulting from revenue growth of the Group, including efficiency of administrative expenses controlling.

**Statement of Financial Position**

(Unit: Million Baht)

Details	30 Jun 2019	31 Dec 2018	Increased (Decreased)	%
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	107.23	35.22	72.01	204.46
Trade and other receivables	202.32	208.40	(6.08)	(2.92)
Unbilled receivables	437.14	273.72	163.42	59.70
Inventories	22.81	135.92	(113.11)	(83.22)
Other current assets	11.17	6.85	4.32	63.00
<b>Total current assets</b>	<b>780.67</b>	<b>660.11</b>	<b>120.56</b>	<b>18.26</b>
<b>Non-current assets</b>				
Restricted bank deposits	7.42	20.79	(13.37)	(64.32)
Property, plant and equipment	368.07	357.14	10.94	3.06
Intangible assets	11.52	11.65	(0.13)	(1.13)
Retention receivables	37.98	37.25	0.73	1.95
Withholding tax deducted at source	71.93	61.31	10.62	17.33
Deposits	1.04	0.85	0.19	22.18
Deferred tax assets	0.07	0.67	0.03	4.92
<b>Total non-current assets</b>	<b>498.65</b>	<b>489.65</b>	<b>9.00</b>	<b>1.84</b>
<b>Total assets</b>	<b>1,279.32</b>	<b>1,149.76</b>	<b>129.57</b>	<b>11.27</b>
<b>Liabilities and equity</b>				
<b>Current liabilities</b>				
Short-term borrowing from banks	95.31	59.18	36.13	61.05



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Details	30 Jun 2019	31 Dec 2018	Increased (Decreased)	%
Trade and other payables	289.14	286.57	2.56	0.89
Service income received in advance	231.79	422.43	(190.65)	(45.13)
Current portion of long-term borrowings from banks	38.64	38.64	-	-
Current portion of liabilities under finance lease agreements	1.11	1.45	(0.34)	(23.35)
Short-term borrowing from related party	1.00	-	1.00	n.a.
Short-term borrowing from third party	5.00	-	5.00	n.a.
Other current liabilities	16.20	22.16	(5.96)	(26.88)
<b>Total current liabilities</b>	<b>678.19</b>	<b>830.43</b>	<b>(152.25)</b>	<b>(18.33)</b>
<b>Non-current liabilities</b>				
Long-term borrowing form banks	124.38	143.70	(19.32)	(13.44)
Finance lease liabilities	2.43	3.00	(0.56)	(18.77)
Retention payables	9.92	7.96	1.96	24.64
Employee benefit obligations	3.44	3.07	0.38	12.27
<b>Total non-current liabilities</b>	<b>140.18</b>	<b>157.72</b>	<b>(17.54)</b>	<b>(11.12)</b>
<b>Total liabilities</b>	<b>818.36</b>	<b>988.16</b>	<b>(169.79)</b>	<b>(17.18)</b>
<b>Equity</b>				
Share Capital - Authorized	140.00	140.00	-	-
Issued and paid-up	140.00	100.00	40.00	40.00
Share premium	246.11	-	246.11	n.a.
Retained earning				
Appropriated - legal reserve	5.09	5.09	-	-
Unappropriated	57.46	44.31	13.15	29.68
Equity attributable to owners of the parent	8.45	8.45	-	-
<b>Equity attributable to owners of the parent</b>	<b>457.11</b>	<b>157.85</b>	<b>299.26</b>	<b>189.58</b>
Non-controlling interests	3.85	3.75	0.10	2.71
<b>Total equity</b>	<b>460.96</b>	<b>161.60</b>	<b>299.36</b>	<b>185.24</b>
<b>Total liabilities and equity</b>	<b>1,279.32</b>	<b>1,149.76</b>	<b>129.57</b>	<b>11.27</b>

## Assets

As at 30 June 2019, the Group's total assets of Baht 1,279.32 Million, increased of Baht 129.57 Million, or 11.27% compared with 31 December 2018 which total assets of Baht 1,149.76 Million. The changing of total assets as follows;



Current assets: comprising of

- Increasing of cash and cash equivalents total of Baht 107.23 Million, increased from last year total of Baht 72.01 million. Resulted from the Group's offered its ordinary shares to the initial public offering on 8-15 January 2019.
- Unbilled receivables total of Baht 437.14 Million. Compared by last year, Increased of Baht 163.42 Million. The main reason is revenue recognized were greater than milestone payment of the Group's customers.
- Inventories of Baht 22.81 Million, decreased from the previous year of Baht 113.11 Million for use during the period of projects on hand.

Non-current assets: comprising of

- Net total of Property, plant and equipment, including intangible assets increased of Baht 10.81 Million. These for the Group's improving capabilities and support new projects. During six-month period, the Group's purchasing equipment and intangible assets total of Baht 32 Million.
- Withholding tax deducted at source increased from previous year total of Baht 10.62 Million. Resulting from customer payment during the period.
- Restricted bank deposits decreased from 2018 total of Baht 13.37 Million. Due to the end of the guarantee period according to the letter of guarantee issued to the customers.

**Liabilities**

**As at 30 June 2019, the Group's liabilities total of Baht 818.36 Million, decreased by 169.79 Million Baht or 17.18% compared to 31 December 2018. Changing of total liabilities compared with last year consist of;**

- The Group has short-term loans from banks in order to use as working capital. These loans comprising with factoring loans and promissory notes that the Group has credit facilities from two commercial banks. Increasing of Baht 36.13 million, compared with last year.
- Trade and other payables total of Baht 289.14 Million, decreased of Baht 2.56 Million. Resulted from, the purchase of products and construction materials and outsourcing subcontractors.
- Advance received from construction contracts and construction income received in advance total of Baht 231.79 Million, comprising as follows;

1) Construction income received in advance (the value of total billed by contract's milestone payment condition which was higher than revenue recognition of this period) total of Baht 8.98 Million. These amount would be recognized revenue in the future when the Group transfer control on goods and services to customer by contract's condition.

2) Advance received from construction contracts total of Baht 222.81 Million which were advanced received from customers. And these amount going to reduce by portion of next milestone's payment follow by contract.

However, Service income received in advance and Advance received from construction contracts were reduced by total of Baht 190.65 Million, or 45.16%, compared with last year. Due to revenue recognize during this period.

- Long-term loans from banks decreased from the end of previous year total of Baht 19.32 Million, or 13.44%, due to the repayment in accordance with the contract and the duration.

## Equity

For shareholders' equity to the parent Company as of 30 June 2019, total of Baht 457.11 Million, increased from last year, by total of Baht 299.26 Million, or 189.58%. Resulted as reasons following;

- The Group's operating results with net profit attributable to owners of the parent for 6-month period total of Baht 40.83 Million.
- Dividend payment of 2018 (April – December) to shareholders whose names appear in the shareholder register as of March 13, 2019 for 280 Million shares at 0.10 Baht per share. Totaling of Baht 28.00 Million on May 17, 2019.
- The Group offered its ordinary shares to the initial public offering (IPO) by issuing 80,000,000 ordinary shares on 8-15 January 2019. The new shares were sold to the subscribers at the price of Baht 3.90 per share (0.50 Baht for paid up capital and 3.40 Baht for share premium) total of 312 Million Baht. And the shares of the Company began trading in the Stock Exchange of Thailand (mai) on 22 January 2019. Directly attributable expenses of the IPO total of 25.89 Million Baht were deducted with share premium received from the shareholders.

## Key financial ratios

- The Group has current ration as of 30 June 2019 was 1.15 times, which high liquidities resulting from;



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- 1) The value of current assets increased from IPO's cash received and increasing of unbilled receivables.
  - 2) Current liabilities of the Group were decreased from Advance received from construction contracts and construction income received in advance. Due to revenue recognized during this period.
- Debt to Equity ratio (D/E) as of 30 June 2019 was 1.79 times. Decreased from last year, which has D/E 6.26 times. Due to the increasing capital of the initial public offering (IPO), including cash received after deducted directly attributable expenses of IPO on January 2019.
  - The Group's Interest bearing debt as of 30 Jun 2019 was 0.57 times, decreased from last year of 1.56 times. Due to the increasing of equity by IPO which mention above.

Please be informed accordingly.

Sincerely yours,

(Mr. Chung Sik Hong)

Chief Executive Officer