

No. CAZ 010-2020

11 May 2020

 Subject: Management Discussion and Analysis for the 1<sup>st</sup> Quarter ended 31 March 2020

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 1<sup>st</sup> Quarter ended 31 March 2020, which changed in revenue and net profit compared with same period of last year as follows:

Statement of Comprehensive Income (Unit : Million Baht)

Details	31 Mar 2020	31 Mar 2019	Increased (Decreased)	(%)
Revenues from construction contracts	611.83	414.35	197.48	47.66
- EPC Service	25.13	41.23	(16.10)	(39.05)
- Structure Mechanic and Pinging (SMP and E&I Services)	291.40	152.55	138.85	91.02
- Civil & Building Service	202.07	100.78	101.29	100.51
- Fabrication and Other service	93.22	119.78	(26.56)	(22.17)
Cost of construction contracts	(561.51)	(368.25)	193.26	52.48
Gross profit	50.32	46.09	4.22	9.15
Other income	0.46	2.70	(2.24)	(82.96)
Administrative expenses	(19.11)	(21.86)	(2.75)	(12.62)
Profit before finance cost and income tax	31.67	26.93	4.74	17.60
Finance cost	(6.31)	(2.76)	3.54	127.80
Profit before income tax	25.36	24.17	1.20	4.97
Income tax	(5.21)	(4.83)	0.38	7.87
Profit for the year	20.15	19.34	0.82	4.24
Owners of the parent	20.04	19.23	0.82	4.21
Non-controlling interests	0.11	0.11	0.00	5.71

#### 1. Revenues from contraction contracts

The Group has revenue from construction contracts for the three-month period ended 31 March 2020 totaling of Baht 611.83 Million. Total Increased of Baht 197.48 Million or 47.66% compared with the same period of last year, which was Baht 414.35 Million. On Q1/2020, construction revenue resulting from transferred right of control on the construction projects both revenue from constuction of EPC service and revenue from construction contracts which are defined output by using the percentage of completion method. Currently, the Group has backlog for construction services total of Baht 2,219.78 Million.

Additional, Bidding construction contracts from customer target of Petrochemical and Energy Group are large projects which project volumn are over than Baht 10,000 Million. As a result, the construction segment services income of the Group are varieties 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 comprising of profit from selling scrap and unused construction machine, equipment, and consumable during the year. By Q1/2020, the Group has other revenue from selling scrap total of Baht 0.46 Million. Compared with same period of last year was total of Baht 2.70 Million.

#### 3. Adminstrative expenses

On Q1/2019, the Group's administrative expense total of Baht 19.11 Million, decreased of Baht 2.75 Million, or 12.62% compared with same period of previous year. By Q1/2018, administrative expense totaling of Baht 21.86 Million. These decreased were resulted from audit fee, and advertising expenses due to public relationship expense for IPO's activities on Q1/2019.

#### 4. Profitability

Gross profit and net profit the first quarter ended 31 March 2020 and 2019 as follows;

Profitability	Q1/2020		Q1/2019	
	(Million Baht)	%	(Million Baht)	%
Gross profit	50.32	8.22	46.10	11.13
Profit attributable to owners of the parent	20.05	3.27	19.23	4.61

On Q1/2020, the Group's gross profit of total of Baht 50.32 Million, which gross profit margin of 8.22%. A few dropped comparing with Q1/2019 was total of Baht 46.10 Million, or gross profit margin of 11.13%. The main reason is improvement of construction budget cost control for projects in order to update all costs to be

as close to current costs as possible. Moreover, the Group's gross profit margin of Q1/2019 was a little bit higher due to increased of revenue contracts in some projects which almost completed 100%. While, budget costs were not changed.

Q1/2020, the Group's has net profit attributable to owners of the parent totaling of Baht 20.05 Million. Similar with Q1/2019, which net profit attributable to owners of the parent totaling of Baht 19.24 Million. Or net profit margin of 3.27% and 4.61%, respectively. Comparing with same period of last year, Q1/2020's net profit margin was a few dropped due to the improving budget cost which mention above. Including, increasing of finance cost by short term loan from a financial institution which occurred on mid of 2019 for projects' working capital.

**Statement of Financial Position**

(Unit: Million Baht)

Details	31 Mar 2020	31 Dec 2019	Increased (Decreased)	%
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	4.36	31.33	(26.97)	(86.08)
Trade and other current receivables	222.38	186.08	36.30	19.51
Contract assets	574.30	564.88	9.42	1.67
Inventories	20.35	9.72	10.63	109.39
Other current assets	12.09	13.16	(1.07)	(8.10)
<b>Total current assets</b>	<b>833.48</b>	<b>805.17</b>	<b>28.31</b>	<b>3.52</b>
<b>Non-current assets</b>				
Restricted deposit at financial institution	25.53	32.95	(7.42)	(22.51)
Property, plant and equipment	552.29	527.97	24.32	4.61
Intangible assets	11.68	11.28	0.40	3.53
Retention receivables	16.64	10.57	6.07	57.48
Withholding tax deducted at source	111.12	96.48	14.64	15.17
Deposits	1.97	2.11	(0.14)	(6.49)
Deferred tax assets	1.16	1.08	0.08	6.94
<b>Total non-current assets</b>	<b>720.39</b>	<b>682.44</b>	<b>37.95</b>	<b>5.56</b>
<b>Total assets</b>	<b>1,553.87</b>	<b>1,487.60</b>	<b>66.27</b>	<b>4.45</b>

## Statement of Financial Position

(Unit: Million Baht)

Details	31 Mar 2020	31 Dec 2019	Increased (Decreased)	%
<b>Liabilities and equity</b>				
<b>Current liabilities</b>				
Bank overdraft	18.79	16.70	2.08	12.47
Short-term borrowing from financial institutions	178.37	222.25	(43.88)	(19.74)
Trade and other current payables	343.51	327.16	16.35	5.00
Contract liabilities	225.58	217.25	8.33	3.84
Short-term borrowing from related parties	52.00	2.50	49.50	1,980.00
Current portion of long-term borrowings from financial institutions	38.64	38.64	-	-
Current portion of Lease liabilities	13.64	8.34	5.30	63.46
Other current liabilities	32.39	21.38	11.01	51.50
<b>Total current liabilities</b>	<b>902.92</b>	<b>854.22</b>	<b>48.70</b>	<b>5.70</b>
<b>Non-current liabilities</b>				
Long-term borrowing from financial institutions	94.68	105.06	(10.38)	(9.88)
Lease liabilities	27.64	20.69	6.95	33.61
Retention payables	8.77	8.30	0.47	5.67
Non-current provisions for employee benefits	5.43	5.06	0.37	7.38
<b>Total non-current liabilities</b>	<b>136.52</b>	<b>139.11</b>	<b>(2.58)</b>	<b>(1.86)</b>
<b>Total liabilities</b>	<b>1,039.44</b>	<b>993.33</b>	<b>46.11</b>	<b>4.64</b>
<b>Equity</b>				
Share Capital – Authorized	140.00	140.00	-	-
Issued and paid-up	140.00	140.00	-	-
Share premium	246.11	246.11	-	-
Retained earning				
Appropriated - legal reserve	9.15	9.15	-	-
Unappropriated	107.36	87.31	20.05	22.96
Equity attributable to owners of the parent	8.45	8.45	-	-
<b>Equity attributable to owners of the parent</b>	<b>511.07</b>	<b>491.02</b>	<b>20.05</b>	<b>4.08</b>
Non-controlling interests	3.36	3.25	0.11	3.23
<b>Total equity</b>	<b>514.43</b>	<b>494.27</b>	<b>20.15</b>	<b>4.08</b>
<b>Total liabilities and equity</b>	<b>1,553.87</b>	<b>1,487.60</b>	<b>66.27</b>	<b>4.45</b>

## Assets

As at 31 March 2020, the Group's total assets of Baht 1,553.87 Million, increased of Baht 66.27 Million, or 4.45% compared with last year as at 31 December 2019, which total assets of Baht 1,487.60 Million. The changing of total assets as follows;

### Current assets; comprising of

- Account receivable and other current receivables total of Baht 222.38 Million. Increased from last year by Baht 36.30 Million. Due to increasing of transfer right of controlling asset and billing invoice to customers for construction contracts on hand. The Group's has duration credit term payment period with customer around 30 days to 45 days.
- Inventories of Baht 20.35 Million, increased from the previous year of Baht 10.63 Million by purchasing during the period for projects on hand.

### Non-current assets; comprising of

- Withholding tax deducted at source total of Baht 111.12 Million. Increasing of Baht 14.64 Million, compared with last year. Moreover, The Group has refundable withholding tax of 2017 with on currently process of refund total of Baht 27.44 Million.
- Net total of Property, plant and equipment, including intangible assets totaling of Baht 563.97 Million, increased of Baht 24.72 Million. Due to improving of the new land and property at Pluangdang district, Rayong province. Moreover, the Group invested into construction tool and equipment in order to improving capabilities and support new projects.

## Liabilities

As at 31 March 2020, the Group's liabilities total of Baht 1,039.44 Million, increased of Baht 46.11 Million, or 4.64% compared with 31 December 2019. Changing of total liabilities consist of:

- The Group has short-term loan to be used as working capital during the period increased by Baht 7.71 Million.
- Trade and other current payables total of Baht 343.51 Million, increased of Baht 16.35 Million. Resulted from, the purchase of products and construction materials and outsourcing subcontractors during period.
- Contract liabilities total of Baht 225.58 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 8.07

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 217.51 Million which were advanced received from customers. And these amount going to reduce by portion of next milestone's payment follow by contract.

However, contract liabilities were construction income received in advance and advance received from construction contracts that mention above increased of Baht 8.33 Million, or 3.84% compared with last year. These changing resulted from revenue recognized during period. Including advance received from a new project which was hired by last year.

- Lease liabilities total of Baht 41.42 Million, increased from last year total of Baht 12.25 Million. Resulted from hire purchase contracts of machinery tools and construction equipment during the period.

#### Equity

For shareholders' equity to the parent Company as of 31 March 2020, total of Baht 511.07 Million, increased from previous year, total of Baht 20.05 Million, or 4.08%. All changing of equities resulted from the Group's operating results with net profit attributable to owners of the parent for the three-month period ended 31 March 2020

#### Key financial ratios

- Debt to Equity ratio (D/E) as of 31 March 2020 was 2.03 times with similar to last year ended 31 December 2019.
- Interest bearing debt as of 31 March 2020 was 0.83 times with similar to last year ended 31 December 2019 with was 0.84 times.

Please be informed accordingly.

Sincerely yours,

(Mr. Chung Sik Hong)

Chief Executive Officer