

No. CAZ 014-2021

9 August 2021

 Subject: Management Discussion and Analysis for the 2nd Quarter ended 30 June 2021

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 2nd Quarter ended 30 June 2021, which changed in revenue and net profit compared with same period of last year as follows:

Statement of Comprehensive Income

(Unit : Million Baht)

Details	3 Months				6 Months			
	30 Jun 2021	30 Jun 2020	Changed	%	30 Jun 2021	30 Jun 2020	Changed	%
Revenues from construction contracts	486.85	563.67	(76.82)	(13.63)	953.95	1,175.49	(221.54)	(18.85)
- EPC Service	10.70	6.81	3.89	57.12	13.31	31.94	(18.63)	(58.33)
- Structure Mechanic and Pinging (SMP and E&I Services)	287.75	228.47	59.28	25.95	542.90	519.87	23.03	4.43
- Civil & Building Service	160.12	212.36	(52.24)	(24.60)	324.65	414.43	(89.73)	(21.66)
- Fabrication and Other service	28.28	116.03	(87.75)	(75.62)	73.09	209.25	(136.16)	(65.07)
Cost of construction contracts	(415.95)	(521.09)	(105.14)	(20.18)	(829.83)	(1,082.60)	(252.77)	(23.35)
Gross profit	70.90	42.58	28.32	66.51	124.12	92.89	31.23	33.62
Other income	0.90	0.73	0.17	23.29	1.37	1.19	0.18	15.13
Administrative expenses	(21.76)	(19.09)	2.67	13.99	(43.76)	(38.21)	5.55	14.52
Profit before finance cost and income tax	50.04	24.22	25.82	106.59	81.73	55.87	25.86	46.29
Finance cost	(8.25)	(6.78)	1.47	21.68	(16.16)	(13.07)	3.09	23.64
Profit before income tax	41.79	17.44	24.35	139.62	65.57	42.80	22.77	53.20
Income tax	(8.81)	(3.34)	5.47	163.77	(13.03)	(8.54)	4.49	52.58
Profit for the year	32.98	14.10	18.88	133.90	52.54	34.26	18.28	53.36
Owners of the parent	32.61	13.49	19.12	141.74	51.53	33.54	17.99	53.64
Non-controlling interests	0.37	0.61	(0.24)	(39.34)	1.01	0.72	0.30	41.67

1. Revenues from contraction contracts

The Group has revenue from construction contracts for the three-month period ended 30 June 2021 totaling of Baht 486.85 Million. Total decreased of Baht 76.82 Million or 13.63% compared with the three-month period ended 30 June 2020, Baht 563.67 Million. Resulted from, some construction projects already finished and delivered work to customers during 2020 and continuing upto Q2/2021. Additional, construction projects which signed at the end of 2020 and Q2/2021 are on the beginning stage. All of these reasons lead percentage of work completion for existing projects on hand which could transfer right of control to during this quarter are not much.

As at 30 June 2021, the Group has backlog for construction services in oil, gas and petrochemical industrial totaling of Baht 4,118.46 Million. And also on 13rd and 21st July 2021(Reference to notification of project awarded no. CAZ-0012-2021, dated 13 July 2021 and no. CAZ-0013-2021, dated 21 July 2021), The Group announcement of new projects awarded which have total value of Baht 227.92 Million. Resulting to, the Group has backlog totaling of Baht 4,346.38 Million. Additional, at present bidding construction contracts from target customers are based on their requirements. Lead to the Group construction segment services income are varieties into each segment and not focusing on any particular service group.

2. Administrative expenses

On Q2/2021, the Group's administrative expense total of Baht 21.76 Million, increased of Baht 2.67 Million, or 13.99% compared with same period of previous year which was administrative expense totaling of Baht 19.09 Million. These increased were resulted from employee benefit expenses. Including the recognition of expenses from income tax withholding that non-refundable during the period.

3. Finance costs

The Group has financial costs during on Q2/2021 increased totaling of Baht 1.47 Million, compared to same period of last year. Due to short-term loan for the Group's working capital, especially, for the existing ongoing projects on hand.

4. Profitability

Gross profit and net profit Q2/2021 ended 30 Jun 2021 and 2020 as follows;

Profitability	Q2/2021		Q2/2020	
	(Million Baht)	%	(Million Baht)	%
Gross profit	70.90	14.56	42.58	7.55
Profit attributable to owners of the parent	32.61	6.69	13.49	2.39

On Q2/2021, the Group's gross profit totaling of Baht 70.90 Million, which gross profit margin was 14.56%. Comparing with Q2/2020 totaling of Baht 42.58 Million or gross profit margin of 7.55%. Due to, the revenue recognition of one project has additional work and completed deliveries to a client during the period. Including, reduced of actual costs for this project. Leads to greatly increased of gross profit margin of this quarter.

Q2/2021, the Group's has net profit attributable to owners of the parent totaling of Baht 32.61 Million, or net profit margin of 6.69%. Increased from Q2/2020 with a net profit attributable to the parent company totaling of Baht 13.49 Million, or net profit margin of 2.39%. Due to the improvement of the construction budget costs that was delivered as mentioned above.

Statement of Financial Position

(Unit: Million Baht)

Details	30 Jun 2021	31 Dec 2020	Increased (Decreased)	%
Assets				
Current assets				
Cash and cash equivalents	1.88	142.42	(140.54)	(98.68)
Trade and other current receivables	349.39	204.87	144.52	70.54
Contract assets	584.83	512.28	72.55	14.16
Inventories	19.87	34.54	(14.67)	(42.47)
Refundable withholding tax deducted at source	10.21	-	10.21	N/A
Other current assets	8.06	7.26	0.80	11.02
Total current assets	974.24	901.37	72.87	8.08
Non-current assets				
Restricted deposit at financial institution	7.67	10.02	(2.35)	(23.45)
Property, plant and equipment	546.63	557.39	(10.76)	(1.93)
Intangible assets	13.36	13.22	0.14	1.06
Retention receivables	54.38	54.17	0.21	0.39
Withholding tax deducted at source	134.02	132.81	1.21	0.91
Deposits	4.93	3.41	1.52	44.57
Deferred tax assets	2.98	2.63	0.35	13.31
Total non-current assets	763.97	773.65	(9.68)	(1.25)
Total assets	1,738.21	1,675.02	63.19	3.77
Liabilities and equity				
Current liabilities				
Bank overdraft	3.69	0.01	3.68	36,800.00
Short-term borrowing from financial institutions	415.31	509.10	(93.79)	(18.42)



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รายการ	30 มิ.ย. 2564	31 ธ.ค. 2563	เพิ่มขึ้น (ลดลง)	ร้อยละ
Trade and other current payables	259.36	265.03	(5.67)	(2.14)
Contract liabilities	131.10	141.08	(9.98)	(7.07)
Short-term borrowing from other party	20.00	20.00	-	-
Short-term borrowing from a related party	100.00	-	100.00	N/A
Current portion of long-term borrowings from financial institutions	38.64	38.64	-	-
Current portion of Lease liabilities	22.74	20.39	2.35	11.53
Other current liabilities	26.10	25.80	0.30	1.16
Total current liabilities	1,016.94	1,020.05	(3.11)	(0.30)
Non-current liabilities				
Long-term borrowing from financial institutions	106.98	84.30	22.68	26.90
Lease liabilities	23.12	26.37	(3.25)	(12.32)
Retention payables	8.94	8.94	-	-
Non-current provisions for employee benefits	6.44	7.14	(0.70)	(9.80)
Total non-current liabilities	145.48	126.75	18.73	14.78
Total liabilities	1,162.42	1,146.80	15.62	1.36
Equity				
Share Capital – Authorized				
Issued and paid-up	147.00	140.00	7.00	5.00
Share premium	246.11	246.11	-	-
Retained earning				
Appropriated - legal reserve	11.95	11.95	-	-
Unappropriated	155.58	116.03	39.55	34.09
Equity attributable to owners of the parent	8.45	8.45	-	-
Equity attributable to owners of the parent	569.09	522.54	46.55	8.91
Non-controlling interests	6.70	5.68	1.02	17.96
Total equity	575.79	528.22	47.57	9.01
Total liabilities and equity	1,738.21	1,675.02	63.19	3.77

Assets

As at 30 June 2021, the Group's total assets of Baht 1,738.21 Million, increased of Baht 63.19 Million, or 3.77%, compared with last year as at 31 December 2020, which total assets totaling of Baht 1,675.02 Million. The changing of total assets as follows;

Current assets: comprising of

- Cash and cash equivalents totaling of Baht 1.88 Million, decreased of Baht 142.42 Million from last year. Resulted from, payment of some short-term loan at maturity date, material's suppliers and subcontractor's payment by due date.
- Account receivable and other current receivables total of Baht 349.39 Million. Increased from last year by Baht 144.52 Million. Due to the increasing of transfer right of controlling contract assets and billing invoice to customers for construction contracts on hand during this period. The Group has payment condition with clients with credit terms of 30 and 45 days.
- Contract assets totaling of Baht 584.83 Million, increased from last year totaling of Baht 72.55 Million. Due to increasing revenue recognized from percentage of work completion which be able to issue invoice to customers in the next periods.
- Inventories of Baht 19.87 Million, decreased from the previous year of Baht 14.67 Million. Resulted from material used of construction and fabrication works during the period for projects on hand.
- The Group has received a refund of withholding income tax for the fiscal year 2017 and 2019 from the Revenue Department in the amount of Baht 10.21 Million, and received the tax refund within July 2021 already.

Non-current assets: comprising of

- Net total of Property, plant and equipment, including intangible assets totaling of Baht 559.99 Million, decreased of Baht 10.62 Million. Due to depreciation and amortization of construction tool and equipment. Including, the invested of new construction tools and equipment during the period.

Liabilities

As at 30 June 2021, the Group's liabilities total of Baht 1,162.42 Million, increased of Baht 15.62 Million, or 1.36% compared with 31 December 2020. Changing of total liabilities consist of:

- The Group has short-term loan to be used as working capital for existing construction projects on hand during the period totaling of Baht 539 Million. These short-term borrowing from financial institutions that the group has credit facilities, together with a related party and a third party.
- Contract liabilities total of Baht 131.10 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 69.25 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 61.85 Million which were advanced received from customers. And these amount going to reduce by portion of next milestone's payment followed by contracts.

However, contract liabilities were construction income received in advance and advance received from construction contracts that mention above decreased of Baht 9.98 Million, or 7.07% compared with last year. Resulted from advance received from construction contracts reduced which complied with payment condition in the contracts.

- Long-term loans from financial institutes total of Baht 145.62 Million, increased of Baht 22.68 Million or 18.45%, compared with as of 31 December 2020 totaling of Baht 122.94 Million. Resulted from, during the period, the Group has entered into a loan agreement with a financial institution in the amount of Baht 42 Million with repayment within 2 years. The loan is secured by Thai Credit Guarantee Corporation. In addition, long-term loan payments are made during the period according to the terms conditions of the existing contracts.

Equity

For shareholders' equity to the parent Company as of 30 June 2021, total of Baht 569.09 Million, increased from previous year, total of Baht 46.55 Million, or 8.91%. As of 30 December 2020, total of Baht 522.53 Million. The changing of equities resulted from the Group's operating are following;

- Operating results with net profit attributable to owners of the parent for the six-month period ended 30 June 2021 total amount of Baht 51.53 Million.
- Dividend payment for the year 2020's operating results to shareholders whose names appear in the shareholder register on 18 March 2021 at 0.04778 Baht per share. The total payment amounted of Baht 13.38 Million on payment schedule of 21 May 2021 with the details as follow:

- 1) Payment in the form of stock dividends in the amount of 14 million shares at the ratio of 20 existing shares to 1 new share with a par value of Baht 0.50 per share, totaling Baht 7.00 million. Calculated as the dividend payment rate of Baht 0.025 per share.
- 2) Payment in the form of cash in the amount of Baht 0.02278 per share, totaling Baht 6.38 million.

Key financial ratios

As at 30 June 2021, comparing with last year, the Group doesn't have significant changed in the key financial ratios as following;

- Debt to Equity ratio (D/E) was 2.04 times, a slight decrease compared to the end of 2020 at 2.19 times.
- The Group has an interest bearing debt ratio of 1.28 times, which is close to the end of 2020 with an was 1.34 times.

Please be informed accordingly.

Sincerely yours,

(Mr. Chung Sik Hong)

Chief Executive Officer