

No. CAZ 012-2022

9 August 2022

 Subject: Management Discussion and Analysis for the 2nd Quarter ended 30 June 2022

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 2022, which changed in revenue and net profit compared with same period of last year as follows:

Statement of Comprehensive Income

(Unit : Million Baht)

Detail	3 Months				6 Months			
	30 Jun 2022	30 Jun 2021	Changed	(%)	30 Jun 2022	30 Jun 2021	Changed	(%)
Revenues from construction contracts	775.59	486.85	288.74	59.31	1,557.83	953.95	603.89	63.30
○ EPC Service	0.71	10.70	(9.99)	(93.37)	7.05	13.31	(6.26)	(47.02)
○ Structure Mechanic and Pinging (SMP and E&I Services)	457.92	287.75	170.17	59.14	936.97	542.90	394.07	72.59
○ Civil & Building Service	139.53	160.12	(20.59)	(12.86)	262.89	324.65	(61.76)	(19.02)
○ General Construction Service	142.30	-	142.30	n.a	260.32	-	260.32	n/a
○ Fabrication and Other service	35.13	28.29	6.84	24.17	90.60	73.09	17.51	23.95
Cost of construction contracts	(676.32)	(415.95)	(260.37)	62.59	(1,353.40)	(829.83)	(523.57)	63.09
Gross profit	99.27	70.90	28.37	40.01	204.43	124.12	80.31	64.71
Other income	0.26	0.90	(0.64)	(71.11)	0.92	1.37	(0.45)	(32.85)
Administrative expenses	(25.03)	(21.76)	(3.27)	15.03	(47.50)	(43.76)	(3.74)	8.56
Profit before finance cost and income tax	74.50	50.04	24.46	48.88	157.85	81.73	76.12	93.13
Finance cost	(3.87)	(8.25)	4.38	(53.09)	(8.96)	(16.16)	7.20	(44.55)
Profit before income tax	70.63	41.78	28.85	69.05	148.89	65.57	83.32	127.07
Income tax	(14.17)	(8.80)	(5.36)	60.90	(29.45)	(13.03)	(16.42)	126.02
Profit for the year	56.46	32.98	23.48	71.20	119.44	52.54	66.90	127.33
Owners of the parent	55.79	32.61	23.18	71.08	117.76	51.53	66.23	128.53
Non-controlling interests	0.67	0.37	0.30	81.08	1.68	1.01	0.67	64.71

Revenues from construction contracts

The Group has revenue from construction contracts for Q2/2022 ended 30 June 2022, totaling of Baht 775.59 Million. Increasing of Baht 288.74 Million or 59.31%, compared with the same period of last year, which was Baht 486.85 Million. Due to the revenue recognized of the work progression during the period by the gradual work delivered and the transferred right of control to customers in several projects. Especially, projects which signed contract during Q3/21 to Q1/22. Moreover, as of the 2nd quarter of 2022, all those projects were on middle stage of construction works which have higher work progression to delivered and transferred right of control to customers during the period as well. As at 30 June 2022, the Group has backlog for construction services totaling of Baht 3,495.36 Million.

Administrative expenses

The Group's administrative expenses for Q2/2022 ended 30 June 2022, totaling of Baht 25.03 Million. Increased of Baht 3.27 Million, or 15.03% compared with Q2/2021 which was totaling of Baht 21.76 million. Due to the increased of employee expenses.

Finance costs

The Group has financial costs during Q2/2022 totaling of Baht 3.87 Million, decreased of Baht 4.38 Million or 53.09%, compared to the same period of last year which finance costs was totaling of Baht 8.25 Million. Due to repayment short-term loan which used as existing ongoing projects' working capital to financial institutes and a related party company according to the specified period.

Profitability

Gross profit and net profit of the 2nd quarter ended 30 June 2022 and 2021 as follows;

Profitability	Q2/2022		Q2/2021	
	Million Baht	%	Million Baht	%
Gross profit	99.27	12.80	70.90	14.56
Profit attributable to owners of the parent	55.79	7.19	32.61	6.69

On Q2/2022, the Group's gross profit totaling of Baht 99.27 Million, considered to gross profit margin of 12.80%. Compared with Q2/2021 totaling of Baht 70.90 Million or gross profit margin of 14.56%. Gross profit margin of Q2/2022 was reduced, compared with Q2/2021, because of the revenue recognition of one project has additional work and completed deliveries to a client. Together with, the reduced of actual costs for this project as well. All reasons, leads the increased of gross profit margin on Q2/2021.

Q2/2022, the Group's has net profit attributable to owners of the parent totaling of Baht 55.79 Million, considered to net profit margin of 7.19%. Increased from Q2/2021 with a net profit attributable to the parent company totaling of Baht 32.61 Million, or net profit margin of 6.69%. Resulted from, the financial costs have been reducing from short-term loan repayment to financial institutes and a related party company during the period.

Statement of Financial Position

(Unit: Million Baht)

Details	30 Jun 2022	31 Dec 2021	Increased (Decreased)	% Changed
Assets				
Current assets				
Cash and cash equivalents	56.79	262.45	(205.66)	(78.36)
Trade and other current receivables	523.90	324.14	199.76	61.63
Contract assets	566.51	617.01	(50.50)	(8.18)
Inventories	48.60	40.84	7.76	19.00
Other current assets	10.54	10.80	(0.25)	(2.32)
Total current assets	1,206.34	1,255.24	(48.90)	(3.90)
Non-current assets				
Restricted deposit at financial institution	7.71	7.69	0.02	0.26
Property, plant and equipment	546.72	557.76	(11.04)	(1.98)
Intangible assets	11.98	12.38	(0.40)	(3.23)
Retention receivables	141.84	96.98	44.86	46.26
Withholding tax deducted at source	57.54	35.36	22.18	62.73
Deposits	3.74	4.41	(0.67)	(15.19)
Deferred tax assets	3.13	2.70	0.43	15.93
Total non-current assets	772.65	717.28	55.37	7.72
Total assets	1,978.99	1,972.52	6.47	0.33
Liabilities and equity				
Current liabilities				
Short-term borrowing from financial institutions	170.64	373.50	(202.86)	(54.31)
Trade and other current payables	384.76	377.92	6.84	1.81
Contract liabilities	411.15	289.86	121.30	41.85
Short-term borrowing from other party	20.00	20.00	-	-
Short-term borrowing from related party	30.00	-	30.00	n/a
Current portion of long-term borrowings from financial institutions	80.48	38.64	41.84	108.28
Current portion of Lease liabilities	27.70	30.99	(3.29)	(10.61)
Other current liabilities	46.10	44.40	1.70	3.83
Total current liabilities	1,170.84	1,175.31	(4.47)	(0.38)
Non-current liabilities				
Long-term borrowing from financial institutions	26.50	87.66	(61.16)	(69.77)

Details	30 Jun 2022	31 Dec 2021	Increased (Decreased)	% Changed
Lease liabilities	18.29	29.03	(10.74)	(37.00)
Retention payables	21.97	11.96	10.01	83.70
Non-current provisions for employee benefits	7.70	7.28	0.42	5.77
Total non-current liabilities	74.45	135.93	(61.48)	(45.23)
Total liabilities	1,245.29	1,311.24	(65.95)	(5.03)
Equity				
Share Capital – Authorized				
Issued and paid-up	147.00	147.00	-	-
Share premium	246.11	246.11	-	-
Retained earning				
Appropriated - legal reserve	14.70	14.70	-	-
Unappropriated	308.54	237.81	70.73	29.74
Equity attributable to owners of the parent	8.45	8.45	-	-
Equity attributable to owners of the parent	724.80	654.07	70.73	10.81
Non-controlling interests	8.90	7.21	1.69	23.44
Total equity	733.70	661.28	72.42	10.95
Total liabilities and equity	1,978.99	1,972.52	6.47	0.33

Assets

As at 30 June 2022, the Group's total assets of Baht 1,978.99 Million, increased of Baht 6.47 Million, or 0.33%, compared with as at 31 December 2021, which total assets totaling of Baht 1,972.52 Million. Changing of total assets as following;

Current assets; comprising of

- Account receivable and other current receivables total of Baht 523.90 Million. Increased from last year of Baht 199.76 Million. Resulted from, the increasing of transfer right of controlling contract assets and billing invoice to customers for construction contracts on hand during these period. And also those invoices, the customers have already paid its debt by the following period.
- Cash and cash equivalents totaling of Baht 56.79 Million, decreased of Baht 205.66 Million from last year. Due to, the Group has repayment short-term loan and payment for construction material to suppliers and subcontractors during the period.
- Contract assets totaling of Baht 566.51 Million, decreased from last year totaling of Baht 50.50 Million. Resulted from, the revenue recognized from percentage of work completion of previous period be able to issue invoice to customers during the period ended 30 June 2022.
- Inventories of Baht 48.60 Million, decreased from the previous year of Baht 7.76 Million. Resulted from material used of construction and fabrication works during the period for projects on hand.

Non-current assets: comprising of

- Retention receivables increased of Baht 44.86 Million. Resulted from, asset right transfer and collection of construction work to customers by work completion during the period. And it has been retention which were deducted follow by contract's condition.
- Withholding tax deducted at source total of Baht 57.54 Million. Increasing of Baht 22.18 Million, compared with last year. Due to, the received payment from customers during the six-month period ended 30 June 2022.
- Net total of Property, plant and equipment, including intangible assets totaling of Baht 558.70 Million, decreased of Baht 11.44 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 2022, the Group's liabilities total of Baht 1,245.29 Million, decreased of Baht 65.95 Million, or 5.03% compared with 31 December 2021. Changing of total liabilities consist of:

- The Group has short-term loan which used as working capital for existing construction projects on hand during period totaling of Baht 220.64 Million. These loans were reduced by repayment totaling of Baht 172.86 Million due to the debt repayment by specified time.
- Trade and other payables totaling of Baht 384.76 Million, increased totaling of Baht 6.84 Million. Resulted from, purchased of construction materials and consumable from suppliers and subcontractors during the period.
- Contract liabilities total of Baht 411.15 Million, increased of Baht 121.30 Million, compared with last year. 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 296.60 Million. Increased of Baht 155.40 Million, these amount would be revenue recognition 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 114.55 Million. Decreased of Baht 34.11 Million, due to the decreasing in proportion to billing received from customers. These amount going to reduce by portion of milestone's payment which complied with contracts conditions.

Equity

For shareholders' equity to the parent Company as of 30 June 2022, total of Baht 724.80 Million, increased from previous year, total of Baht 70.73 Million, or 10.81%. The details of changing of equities consist of;

- The Group's operating results with net profit attributable to owners of the parent for the six-month period ended 30 June 2022, totaling of Million 117.76 Baht.
- Dividend payment for the year 2021's operating results to shareholders whose names appear in the shareholder register on 18 March 2022 at 0.16 Baht per share. The total payment amounted of Baht 47.02 Million on payment schedule of 20 May 2022.

Key financial ratios

As at 30 June 2022, comparing with last year, the Group doesn't have significant changed in the key financial ratios as following;

- Current ratio was 1.07 times.
- Debt to Equity ratio (D/E) was 1.72 times.

Please be informed accordingly.

Sincerely yours,

(Mr. Chung Sik Hong)

Chief Executive Officer