

No. CAZ 018/2020

10 November 2020

 Subject: Management Discussion and Analysis for the 3<sup>rd</sup> Quarter ended 30 September 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 3<sup>rd</sup> Quarter ended 30 September 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   | 3 Months    |             |          |          | 9 Months    |             |          |          |
|---|-------------|-------------|----------|----------|-------------|-------------|----------|----------|
|   | 30 Sep 2020 | 30 Sep 2019 | Changed  | %        | 30 Sep 2020 | 30 Sep 2019 | Changed  | %        |
| Revenues from construction contracts                    | 579.68      | 496.14      | 83.54    | 16.84    | 1,755.17    | 1,450.80    | 304.37   | 20.98    |
| - EPC Service   | 1.39        | 104.92      | (103.53) | (98.68)  | 28.57       | 315.80      | (287.23) | (90.95)  |
| - Structure Mechanic and Pinging (SMP and E&I Services) | 269.63      | 189.40      | 80.23    | 42.36    | 794.25      | 504.73      | 289.52   | 57.36    |
| - Civil & Building Service                              | 225.70      | 160.40      | 65.30    | 40.71    | 640.13      | 376.13      | 264.00   | 70.19    |
| - Fabrication and Other service                         | 82.96       | 41.42       | 41.54    | 100.29   | 292.22      | 254.14      | 38.08    | 14.98    |
| Cost of construction contracts                          | (533.43)    | (447.80)    | 85.63    | 19.12    | (1,616.03)  | (1,308.05)  | 307.98   | 23.54    |
| Gross profit  | 46.25       | 48.34       | (2.09)   | (4.33)   | 139.14      | 142.75      | (3.61)   | (2.53)   |
| Other income  | 1.10        | 2.29        | (1.19)   | (52.05)  | 2.29        | 5.14        | (2.85)   | (55.50)  |
| Administrative expenses                                 | (15.25)     | (18.97)     | (3.73)   | (19.64)  | (53.45)     | (58.60)     | (5.15)   | (8.79)   |
| Profit before finance cost and income tax               | 32.10       | 31.67       | 0.44     | 1.39     | 87.98       | 89.28       | (1.31)   | (1.47)   |
| Finance cost  | (6.50)      | (4.64)      | 1.86     | 40.02    | (19.57)     | (11.13)     | 8.44     | 75.86    |
| Profit before income tax                                | 25.60       | 27.02       | (1.42)   | (5.25)   | 68.41       | 78.16       | (9.75)   | (12.48)  |
| Income tax  | (5.55)      | (6.28)      | (0.73)   | (11.62)  | (14.10)     | (16.53)     | (2.43)   | (14.72)  |
| Profit for the year                                     | 20.05       | 20.74       | (0.69)   | (3.32)   | 54.31       | 61.63       | (7.32)   | (11.88)  |
| Owners of the parent                                    | 19.15       | 20.73       | (1.58)   | (7.6)    | 52.69       | 61.57       | (8.88)   | (14.42)  |
| Non-controlling interests                               | 0.90        | 0.01        | 0.89     | 8,888.36 | 1.62        | 0.06        | 1.56     | 2,598.86 |

## Business overview

As the coronavirus (COVID-19) has been spreads to global pandemic, including Thailand, which the pandemic has started since February 2020. It leads the government has launched many preventive measures to prevent the outbreak of COVID-19. The Group has strictly adhered to government preventive measures. Especially, curfew during period of Quarter 2/2020, and up to present for social distancing campaign. However, due to the government's prevent of COVID-19 spread measures, its has been affected to the Group's 2020 plan which was started from Q2/2020's operating results. And it still continuing to the Q3/2020's performance both revenue and costs from construction contracts. Main reasons were postpone to start work of new projects which signed during the beginning of this year. Including, signing new contracts and award schedule was delayed.

The significant of Q3/2020 operating results as following;

### 1. Revenues from construction contracts

The Group has revenue from construction contracts for Q3/2020 ended 30 September 2020, totaling of Baht 579.68 Million, increased of Baht 83.54 Million, or 16.84%. Compared with the same period of last year which totaling of Baht 496.14 Million. Resulted from transferred right of control on the construction projects both revenue from construction of EPC service and revenue from construction contracts which are defined output by using the percentage of completion method.

As at 30 September 2020, the Group has backlog for construction services in oil, gas and petrochemical industrial totaling of Baht 2,694.15 Million. And also on 09 November 2020, the Group announcement of a new project awarded totaling of Baht 1,608.47 Million. (Reference to notification of project awarded no. CAZ-017-2020, dated 09 November 2020). 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 Q3/2020, the Group's administrative expenses totaling of Baht 15.24 Million, increased of Baht 3.73 Million, or 19.64% compared with Q3/2019 which was totaling of Baht 18.97 million. Resulted from, the COVID-19 pandemic which cause reducing of 2020's revenue planning. On the other hand, its lead to construction costs increasing from budget as well. By these reason, the Group tries to control administrative expenses and reduce estimates of key expenses, including employee bonuses to comply with the declining of this year performance.

### 3. Profitability

Gross profit and net profit Q3/2020 ended 30 September 2020 and 2019 as follows;

| Profitability                               | Q3/2020<br>(Million Baht) | %    | Q3/2019<br>(Million Baht) | %    |
|---|---------------------------|------|---------------------------|------|
| Gross profit                                | 46.25                     | 7.98 | 48.34                     | 9.74 |
| Profit attributable to owners of the parent | 19.15                     | 3.30 | 20.73                     | 4.16 |

The Group's profitability for Q3/2020 has gross profit margin of 7.98% and net profit margin of 3.30%. Reduced from Q3/2020, compared with gross profit margin of 9.74% and net profit margin of 4.16%. Due to the impact of COVID-19 pandemic, which caused the Group had to improve budget costs control in some projects. Such as increased costs of labor, tool and consumable, including hygiene products used for preventing the spread of coronavirus. Moreover, the increasing of finance cost from short-term and related parties loan for working capital of projects on hand. Additional, by COVID-19's impact, it also caused the new contracts which signed during Q1-2/2020 were postponed to start work on Q3/2020 period. As a result, the quantity of delivery works of each project and billing are small amount as well.

### Statement of Financial Position

(Unit: Million Baht)

| Details                                     | 30 Sep 2020   | 31 Dec 2019   | Increased<br>(Decreased) | %           |
|---|---------------|---------------|--------------------------|-------------|
| <b>Assets</b>                               |               |               |                          |             |
| <b>Current assets</b>                       |               |               |                          |             |
| Cash and cash equivalents                   | 2.45          | 31.33         | (28.88)                  | (92.17)     |
| Trade and other current receivables         | 244.52        | 186.08        | 58.43                    | 31.40       |
| Contract assets                             | 546.00        | 564.88        | (18.88)                  | (3.34)      |
| Inventories                                 | 29.18         | 9.72          | 19.46                    | 200.25      |
| Other current assets                        | 12.17         | 13.16         | (0.98)                   | (7.46)      |
| <b>Total current assets</b>                 | <b>834.32</b> | <b>805.17</b> | <b>29.15</b>             | <b>3.62</b> |
| <b>Non-current assets</b>                   |               |               |                          |             |
| Restricted deposit at financial institution | 25.60         | 32.95         | (7.35)                   | (22.30)     |
| Property, plant and equipment               | 561.26        | 527.97        | 33.29                    | 6.31        |
| Intangible assets                           | 12.51         | 11.28         | 1.23                     | 10.89       |
| Retention receivables                       | 41.39         | 10.56         | 30.83                    | 291.95      |
| Withholding tax deducted at source          | 117.98        | 96.48         | 21.50                    | 22.29       |
| Deposits                                    | 1.85          | 2.11          | (0.26)                   | (12.30)     |

| Details   | 30 Sep 2020     | 31 Dec 2019     | Increased<br>(Decreased) | %             |
|---|-----------------|-----------------|--------------------------|---------------|
| Deferred tax assets   | 1.36            | 1.08            | 0.28                     | 26.16         |
| <b>Total non-current assets</b>                                     | <b>761.95</b>   | <b>682.43</b>   | <b>79.53</b>             | <b>11.65</b>  |
| <b>Total assets</b>   | <b>1,596.27</b> | <b>1,487.60</b> | <b>108.68</b>            | <b>7.31</b>   |
| <b>Liabilities and equity</b>                                       |                 |                 |                          |               |
| <b>Current liabilities</b>  |                 |                 |                          |               |
| Bank overdraft  | 23.94           | 16.70           | 7.24                     | 43.36         |
| Short-term borrowing from financial institutions                    | 199.83          | 222.25          | (22.42)                  | (10.09)       |
| Trade and other current payables                                    | 329.74          | 327.16          | 2.58                     | 0.79          |
| Contract liabilities  | 171.63          | 217.25          | (45.62)                  | (21.00)       |
| Short-term borrowing from related parties                           | 133.50          | 2.50            | 131.00                   | 5,240.00      |
| Current portion of long-term borrowings from financial institutions | 39.36           | 38.64           | 0.72                     | 1.86          |
| Current portion of Lease liabilities                                | 17.49           | 8.34            | 9.15                     | 109.67        |
| Other current liabilities   | 29.42           | 21.38           | 8.05                     | 37.64         |
| <b>Total current liabilities</b>                                    | <b>944.91</b>   | <b>854.22</b>   | <b>90.70</b>             | <b>10.62</b>  |
| <b>Non-current liabilities</b>                                      |                 |                 |                          |               |
| Long-term borrowing from financial institutions                     | 93.24           | 105.06          | (11.81)                  | (11.25)       |
| Lease liabilities   | 25.17           | 20.69           | 4.48                     | 21.65         |
| Retention payables  | 7.68            | 8.30            | (0.62)                   | (7.47)        |
| Non-current provisions for employee benefits                        | 6.67            | 5.06            | 1.61                     | 31.83         |
| <b>Total non-current liabilities</b>                                | <b>132.76</b>   | <b>139.11</b>   | <b>(6.35)</b>            | <b>(4.56)</b> |
| <b>Total liabilities</b>  | <b>1,077.67</b> | <b>993.33</b>   | <b>84.35</b>             | <b>8.49</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  | 110.02          | 87.31           | 22.70                    | 26.00         |
| Equity attributable to owners of the parent                         | 8.45            | 8.45            | -                        | -             |
| <b>Equity attributable to owners of the parent</b>                  | <b>513.73</b>   | <b>491.02</b>   | <b>22.70</b>             | <b>4.62</b>   |
| Non-controlling interests   | 4.87            | 3.25            | 1.62                     | 49.75         |
| <b>Total equity</b>   | <b>518.60</b>   | <b>494.27</b>   | <b>24.32</b>             | <b>4.92</b>   |
| <b>Total liabilities and equity</b>                                 | <b>1,596.27</b> | <b>1,487.60</b> | <b>108.67</b>            | <b>7.31</b>   |

## Assets

As at 30 September 2020, the Group's total assets of Baht 1,596.27 Million, increased of Baht 108.67 Million, or 7.31% 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 totaling of Baht 244.51 Million. Increased from last year of Baht 58.43 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.
- Contract assets (Unbilled receivables) totaling of Baht 546.00 Million. Reduced of Baht 18.88 Million, compared with last year. As a result of some construction projects are in almost late process of work, which the Group has gradually delivered right of controlling asset and issuing invoices to customers during the period.
- Inventories totaling of Baht 29.18 Million, increased from the previous year of Baht 19.46 Million by purchasing material for projects on hand.

### Non-current assets; comprising of

- Net total of Property, plant and equipment, including intangible assets totaling of Baht 573.77 Million, increased of Baht 34.52 Million. Due to improving of the new land and property at Pluakdang district, Rayong province. Moreover, the Group invested into construction tool and equipment in order to improving capabilities and support new projects.
- Retention receivables totaling of Baht 41.39 Million, increased of Baht 30.83 Million from last year. Resulted from projects retention deduction when the Group delivered work in each progress during period. The rate of retention is accordance with construction service agreement with customers.
- Withholding tax deducted at source increasing of Baht 25.50 Million. Due to, customers' payment for construction service during the period.

## Liabilities

As at 30 September 2020, the Group's liabilities total of Baht 1,077.67 Million, decreased of Baht 84.35 Million, or 8.49% compared 2019. Changing of total liabilities consist of:

- The Group has short-term loan from banks to be used as working capital during the period as follows;
  - Bank overdrafts total of Baht 23.94 Million, increased of Baht 7.24 Million.
  - Short-term borrowing from financial institutions such as; factoring, and promissory note in accordance with the credit facilities that the Group has. Decreased of Baht 22.42 Million, due to the pay off debt followed by term schedule.
  - The short-term borrowing from related parties increased of Baht 131.00 Million
- Trade and other payables totaling of Baht 329.74 Million, increased of Baht 2.58 Million. Resulted from, the purchase of products and construction materials and outsourcing subcontractors during period.
- Contract liabilities total of Baht 171.63 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 40.06 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 131.57 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 that mention above decreased of Baht 45.62 Million, or 21.00% compared with last year. These changing resulted from construction income received in advance increasing during the period.

- Long-term loan from banks totaling of Baht 132.60 Million, decreased of Baht 11.10 Million, compared with 31 December 2019, or decreased of 9.39%. Due to the repayment according to the contract schedule. In addition, in April 2020, the Group amended its credit facility agreement with a financial institution by having the grace period of principal loan repayment for 6 months from April to September 2020. The final repayment date of long-term borrowings from financial institutions will be due within February 2024 which is replaced the formal one in September 2023.

## Equity

Shareholders' equity to the parent Company as of 30 September 2020, totaling of Baht 513.72 Million, increased from previous year totaling of Baht 22.70 Million, or 4.62%. Changing of equities of the Group as following;

- Operating results with net profit attributable to owners of the parent for the nine-month period ended 30 September 2020 total amount of Baht 52.69 Million.
- Interim dividend payment for the year 2019's operating results to shareholders whose names appear in the shareholder register on 16 March 2020 total of 280 Million shares, at 0.11 Baht per share. The total payment amounted of Baht 30 Million on 5 May 2020.

## Key financial ratios

As at 30 September 2020, comparing with last year, the Group has significant financial ratios as following;

- Debt to Equity ratio (D/E) as of 30 September 2020 was 2.10 times. A little bit increased compare with end of last year which D/E ratio was at 2.02 times.
- Interest bearing debt as of 30 September 2020 was 1.04 times. Similar with 31 December 2019 which has interest bearing debt was 0.84 times.

Please be informed accordingly.

Sincerely yours,

(Mr. Chung Sik Hong)

Chief Executive Officer