

No. CAZ 002-2023

24 February 2023

Subject: Management Discussion and Analysis for the year ended 31 December 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 year ended 31 December 2022, 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 Dec 2022	31 Dec 2021	Changed	(%)
Revenues from construction contracts	3,135.46	2,194.69	940.77	42.87
○ EPC Service	21.48	17.70	3.78	21.36
○ Structure Mechanic and Pinging (SMP and E&I Services)	1,727.57	1,343.50	384.07	28.59
○ Civil & Building Service	507.34	595.59	(88.25)	(14.82)
○ General Construction Service	560.52	82.56	477.96	578.92
○ Fabrication and Other service	318.55	155.34	163.21	105.07
Cost of construction contracts	(2,770.31)	(1,898.62)	(871.69)	45.91
Gross profit	365.15	296.07	69.08	23.33
Other income	2.35	4.53	(2.18)	(48.12)
Administrative expenses	(96.96)	(96.15)	(0.81)	0.84
Profit before finance cost and income tax	270.54	204.45	66.09	32.33
Finance cost	(15.00)	(30.17)	15.17	(50.28)
Profit before income tax	255.54	174.28	81.26	46.63
Income tax	(50.65)	(36.23)	(14.42)	39.80
Profit for the year	204.89	138.05	66.84	48.42
Owners of the parent	201.38	136.51	64.87	47.52
Non-controlling interests	3.51	1.54	1.97	127.92

Revenues from construction contracts

The Group has revenue from construction contracts for the year ended 31 December 2022, totaling of Baht 3,135.46 Million. Increasing of Baht 940.77 Million or 42.87%, compared with the same period of last year, which was Baht 2,194.69 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 before 2022, together with contracts signed on 2022. All those projects were on the middle stage of construction works which have higher work progression to delivered and transferred right of control to customers than the same period of last year. Moreover, there were many of construction projects were finished and delivered to clients during 2021. For these reasons, the revenue of year ended 2022 has increased as mentioned above.

As at 31 December 2022, the Group has projects under construction and revenue has not yet been recognized (Backlog) for construction services totalling of Baht 2,430.83 Million

Administrative expenses

The Group's administrative expenses for the year ended 31 December 2022, totaling of Baht 96.96 Million. Slightly increased compared with 2021. Due to the increased of employee expenses.

Finance costs

The Group has financial costs during 2022 totaling of Baht 15.00 Million, decreased of Baht 15.17 Million or 50.28%, compared to the same period of last year which finance costs was totaling of Baht 30.17 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 year ended 31 December 2022 and 2021 as follows;

Profitability	2022		2021	
	Million Baht	%	Million Baht	%
Gross profit	365.15	11.65	296.07	13.49
Profit attributable to owners of the parent	201.38	6.42	136.51	6.21

By the year 2022, the Group's gross profit totaling of Baht 365.15 Million, considered to gross profit margin of 11.65%. It was reduced when compared with 2021 totaling of Baht 296.07 Million, or gross profit margin of 13.49%. Main reason is some projects have updated and adjusted budget costs during the end of 2022. Leads to the gross profit margin reduced when compared with the same period of last year.

The Group's 2022 has net profit attributable to owners of the parent totaling of Baht 201.38 Million, considered to net profit margin of 6.42%. Slightly higher when compared to the same period last year with a net profit attributable to the parent company totaling of Baht 136.51 Million, or net profit margin of 6.21%. 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	31 Dec 2022	31 Dec 2021	Increased (Decreased)	% Changed
Assets				
Current assets				
Cash and cash equivalents	116.41	262.45	(146.04)	(55.64)
Trade and other current receivables	452.42	324.14	128.28	39.58
Contract assets	589.25	617.01	(27.76)	(4.50)
Inventories	46.97	40.84	6.13	15.01
Withholding tax deducted at source	35.71		35.71	n.a.
Other current assets	8.03	10.80	(2.77)	(25.65)
Total current assets	1,248.79	1,255.24	(6.46)	(0.51)
Non-current assets				
Restricted deposit at financial institution	7.73	7.69	0.04	0.52
Property, plant and equipment	536.92	557.76	(20.84)	(3.74)
Intangible assets	12.78	12.38	0.40	3.23
Retention receivables	220.29	96.98	123.31	127.15
Withholding tax deducted at source	57.98	35.36	22.62	63.97
Deposits	3.93	4.41	(0.48)	(10.88)
Deferred tax assets	2.94	2.70	0.24	8.88
Total non-current assets	842.57	717.28	125.29	17.47
Total assets	2,091.36	1,972.52	118.84	6.02
Liabilities and equity				
Current liabilities				
Short-term borrowing from financial institutions	175.30	373.50	(198.20)	(53.07)
Trade and other current payables	369.31	377.92	(8.61)	(2.28)
Contract liabilities	527.88	289.86	238.02	82.12
Short-term borrowing from other party	-	20.00	(20.00)	(100.00)
Current portion of long-term borrowings from financial institutions	77.76	38.64	39.12	101.24
Current portion of Lease liabilities	22.70	30.99	(8.29)	(26.75)
Other current liabilities	43.01	44.40	(1.39)	(3.13)
Total current liabilities	1,215.96	1,175.31	40.65	3.46
Non-current liabilities				
Long-term borrowing from financial institutions	8.62	87.66	(79.04)	(90.17)
Lease liabilities	11.83	29.03	(17.20)	(59.25)
Retention payables	28.11	11.96	16.15	135.03
Non-current provisions for employee benefits	5.52	7.28	(1.76)	(24.18)
Total non-current liabilities	54.08	135.93	(81.85)	(60.21)
Total liabilities	1,270.04	1,311.24	(41.20)	(3.14)

Details	31 Dec 2022	31 Dec 2021	Increased (Decreased)	% Changed
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	394.00	237.81	156.19	65.68
Equity attributable to owners of the parent	8.45	8.45	-	-
Equity attributable to owners of the parent	810.26	654.07	156.19	23.88
Non-controlling interests	11.06	7.21	3.85	53.40
Total equity	821.32	661.28	160.04	24.20
Total liabilities and equity	2,091.36	1,972.52	118.84	6.02

Assets

As at 31 December 2022, the Group's total assets of Baht 2,091.36 Million, increased of Baht 118.84 Million, or 6.02%, 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 452.42 Million. Increased from last year of Baht 128.28 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.
- Refundable withholding tax deducted at source increased total of Baht 35.71 Million. Due to refundable tax for the period of 2021 on the auditing process and the Group receive its by February 2023.
- Cash and cash equivalents totaling of Baht 116.41 Million, decreased of Baht 146.04 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 589.25 Million, decreased from last year totaling of Baht 27.76 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 31 December 2022.

Non-current assets: comprising of

- Retention receivables increased of Baht 123.31 Million. Resulted from, asset right transfer and collection of construction work to customers by work completion during the period. And it has been the retention work which were deducted follow by contract's condition.
- Withholding tax deducted at source total of Baht 57.98 Million. Increasing of Baht 22.62 Million, compared with last year. Due to, the received payment from customers during the year ended 31 December 2022.
- Net total of Property, plant and equipment, including intangible assets totaling of Baht 549.70 Million, decreased of Baht 20.44 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 31 December 2022, the Group's liabilities total of Baht 1,270.04 Million, decreased of Baht 41.20 Million, or 3.14% compared with 31 December 2021. Changing of total liabilities consist of:

- The Group has short-term loan and short-term borrowings from other party which used as working capital for existing construction projects on hand during period totaling of Baht 218.20 Million. These loans were reduced by repayment of debt on maturity date.
- Contract liabilities total of Baht 527.88 Million, increased of Baht 238.02 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 483.12 Million. Increased of Baht 341.92 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 44.76 Million. Decreased of Baht 103.90 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 31 December 2022, total of Baht 810.26 Million, increased from previous year, total of Baht 151.19 Million, or 23.88%. The details of changing of equities consist of;

- The Group's operating results with net profit attributable to owners of the parent for the year ended 30 December 2022, totaling of Baht 201.38 Million.



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- 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 31 December 2022, comparing with last year, the Group doesn't have significant changed in the key financial ratios as following;

- Current ratio was 1.03 times.
- Debt to Equity ratio (D/E) was 1.57 times.

Please be informed accordingly.

Sincerely yours,

(Mr. Chung Sik Hong)

Chief Executive Officer