

No. CAZ 010-2021

13 May 2021

Subject: Management Discussion and Analysis for the 1st Quarter ended 31 March 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 1st Quarter ended 31 March 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	31 Mar 2021	31 Mar 2020	Increased (Decreased)	(%)
Revenues from construction contracts	467.10	611.83	(144.73)	(23.66)
- EPC Service	2.61	25.13	(22.52)	(89.61)
- Structure Mechanic and Pinging (SMP and E&I Services)	255.15	291.40	(36.25)	(12.44)
- Civil & Building Service	164.53	202.07	(37.54)	(18.58)
- Fabrication and Other service	44.81	93.22	(48.41)	(51.93)
Cost of construction contracts	(413.88)	(561.51)	(147.62)	(26.29)
Gross profit	53.22	50.32	2.90	5.76
Other income	0.48	0.46	0.02	4.35
Administrative expenses	(22.00)	(19.11)	2.89	15.12
Profit before finance cost and income tax	31.70	31.67	0.03	0.09
Finance cost	(7.90)	(6.31)	1.59	25.20
Profit before income tax	23.80	25.36	(1.56)	(6.15)
Income tax	(4.24)	(5.21)	(0.97)	(18.62)
Profit for the year	19.56	20.15	0.59	(2.93)
Owners of the parent	18.91	20.04	(1.13)	(5.64)
Non-controlling interests	0.65	0.11	0.54	478.86

1. Revenues from contraction contracts

The Group has revenue from construction contracts for the three-month period ended 31 March 2021 totaling of Baht 467.10 Million. Total decreased of Baht 144.73 Million or 23.66% compared with the same period of last year, which was Baht 611.83 Million. Resulted from, some construction projects already finished and delivered work to customers during 2020. Addinal, construction projects which signed at the end of 2020 just on the beginning stage. All of these reasons lead percentage of completion work of existing projects on hand which could transfer right of control to during this quarter are not much. At present, the Group has backlog for construction services total of Baht 3,584.07 Million.

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 Q1/2021, the Group has other revenue from selling scrap total of Baht 0.48 Million.

3. Adminstrative expenses

On Q1/2021, the Group's administrative expense total of Baht 22.00 Million, increased of Baht 2.89 Million, or 15.12% compared with same period of previous year which was administrative expense totaling of Baht 19.11 Million. These increased were resulted from employee benefit expenses.

4. Profitability

Gross profit and net profit the first quarter ended 31 March 2021 and 2020 as follows;

Profitability	Q1/2021		Q1/2020	
	(Million Baht)	%	(Million Baht)	%
Gross profit	53.22	11.39	50.32	8.22
Profit attributable to owners of the parent	18.91	4.05	20.04	3.27

On Q1/2021, the Group's gross profit of total of Baht 53.22 Million, which gross profit margin of 11.39%. Increased comparing with Q1/2020, which total gross profit of Baht 50.32 Million, or gross profit margin of 8.22%. The main reason is efficiency budget cost control for projects on hand which could save budget costs. Lead the group could reduce construction budget cost control for projects as much as possible to be update costs by current situation.

Q1/2021, the Group's has net profit attributable to owners of the parent totaling of Baht 18.91 Million. Similar with Q1/2020, which net profit attributable to owners of the parent totaling of Baht 20.04 Million. Or net profit margin of 4.05% and 3.27%, respectively. Comparing with same period of last year, Q1/2021's net profit margin was increased due to the reducing budget costs which mention above. Including, a little bit increasing of finance cost by short term loan from financial institutions for projects' working capital during the period.

Statement of Financial Position

(Unit: Million Baht)

Details	31 Mar 2021	31 Dec 2020	Increased (Decreased)	%
Assets				
Current assets				
Cash and cash equivalents	29.67	142.42	(112.75)	(79.17)
Trade and other current receivables	221.63	204.87	16.76	8.18
Contract assets	578.20	512.28	65.92	12.87
Inventories	25.50	34.54	(9.04)	(26.16)
Other current assets	7.74	7.26	0.48	6.59
Total current assets	862.74	901.37	(38.63)	(4.28)
Non-current assets				
Restricted deposit at financial institution	7.65	10.02	(2.37)	(23.64)
Property, plant and equipment	551.19	557.39	(6.20)	(1.11)
Intangible assets	12.91	13.22	(0.31)	(2.38)
Retention receivables	62.17	54.17	8.00	14.76
Withholding tax deducted at source	141.04	132.81	8.23	6.20
Deposits	6.35	3.41	2.94	86.33
Deferred tax assets	2.97	2.63	0.34	12.84
Total non-current assets	784.28	773.65	10.63	1.37
Total assets	1,647.02	1,675.02	(28.00)	(1.67)

Statement of Financial Position

(Unit: Million Baht)

Details	31 Mar 2021	31 Dec 2020	Increased (Decreased)	%
Liabilities and equity				
Current liabilities				
Bank overdraft	0.01	0.01	-	-
Short-term borrowing from financial institutions	484.43	509.10	(24.67)	(4.84)
Trade and other current payables	259.58	265.03	(5.45)	(2.06)
Contract liabilities	132.80	141.08	(8.28)	(5.87)
Short-term borrowing from other party	20.00	20.00	-	-
Current portion of long-term borrowings from financial institutions	38.64	38.64	-	-
Current portion of Lease liabilities	22.79	20.40	2.41	11.80
Other current liabilities	24.61	25.80	(1.19)	(4.62)
Total current liabilities	982.86	1,020.06	(37.18)	(3.65)
Non-current liabilities				
Long-term borrowing from financial institutions	73.92	84.30	(10.38)	(12.31)
Lease liabilities	25.72	26.37	(0.65)	(2.47)
Retention payables	9.55	8.94	0.61	6.80
Non-current provisions for employee benefits	5.79	7.14	(1.35)	(18.84)
Total non-current liabilities	114.98	126.74	(11.77)	(9.28)
Total liabilities	1,097.84	1,146.81	(48.97)	(4.27)
Equity				
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	11.95	11.95	-	-
Unappropriated	136.34	116.03	20.31	17.50
Equity attributable to owners of the parent	8.45	8.45	-	-
Equity attributable to owners of the parent	542.85	522.54	20.31	3.89
Non-controlling interests	6.33	5.68	0.64	11.35
Total equity	549.18	528.26	20.95	3.97
Total liabilities and equity	1,647.02	1,675.07	(28.00)	(1.67)

Assets

As at 31 March 2021, the Group's total assets of Baht 1,647.02 Million, decreased of Baht 28.00 Million, or 1.67% compared with last year as at 31 December 2020, which total assets of Baht 1,675.02 Million. The changing of total assets as follows;

Current assets: comprising of

- Cash and cash equivalents totaling of Baht 29.67 Million, decreased of Baht 112.75 Million from last year. Resulted from, short-term loan payment at maturity date, material's suppliers and subcontractor's payment by due date.
- Account receivable and other current receivables total of Baht 221.63 Million. Increased from last year by Baht 16.76 Million. Due to transfer right of controlling asset contract and billing invoice to customers for construction contracts on hand during this period.
- Contract assets totaling of Baht 578.20 Million, increased from last year totaling of Baht 65.92 Million. Due to increasing revenue recognized from percentage of work completion which unable to issue invoice to customers as at 31 March 2021.
- Inventories of Baht 25.50 Million, decreased from the previous year of Baht 9.04 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 8.00 Million. Resulted from, asset right transfer and collection of construction work to customers by work completion. And it has been retention which were deducted follow by contract's condition.
- Withholding tax deducted at source total of Baht 140.87 Million. Increasing of Baht 8.56 Million, compared with last year. Moreover, The Group has refundable withholding tax which are on process of auditing with revenue department.
- Net total of Property, plant and equipment, including intangible assets totaling of Baht 564.09 Million, decreased of Baht 6.52 Million. Due to depreciation and amortization of construction tool and equipment. Including, sales assets which expired and unable used during the period.

Liabilities

As at 31 March 2021, the Group's liabilities total of Baht 1,097.84 Million, increased of Baht 48.97 Million, or 4.27% compared with 31 December 2020. Changing of total liabilities consist of:

- The Group has short-term loan to be used as working capital during the period totaling of Baht 484.44 Million. Decreased by Baht 24.66 Million during the period due to payoff short-term loan by maturity date.
- Trade and other current payables total of Baht 259.58 Million, decreased of Baht 5.45 Million. Resulted from, the payment of construction materials and outsourcing subcontractors during period.
- Contract liabilities total of Baht 132.80 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 42.93 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 89.86 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 8.28 Million, compared with last year. These changing resulted from revenue recognized. Including, invoice issued during period which could be deducted with advance received followed by contracts.

- Lease liabilities total of Baht 48.52 Million, increased from last year total of Baht 7.83 Million. Resulted from hire purchase contracts of machinery tools and construction equipment during Q1/2021.

Equity

For shareholders' equity to the parent Company as of 31 March 2021, total of Baht 542.85 Million, increased from previous year, total of Baht 20.31 Million, or 3.89%. 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 2021

Key financial ratios

As at 31 March 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 2.02 times.
- Interest bearing debt was 1.19 times.

Please be informed accordingly.

Sincerely yours,

(Mr. Chung Sik Hong)

Chief Executive Officer