

(“TRANSLATION”)

Letter No. TG 113/63

November 9, 2020

Subject: Clarification of the Operating Result for the significant change
 Attention: The President
 The Stock Exchange of Thailand

Takuni Group Public Company Limited (“The Company”) and its subsidiaries (“The Group”) would like to clarify the change in operating result for the period ended 30 September 2020, which net profit has changed more than 20% from the last year as follows:

Statement of Comprehensive Income

Unit: Million Baht

	30 September 2020	30 September 2019	Increased (Decreased)	Percentage	Remark
Sales and Services Income	781.22	758.20	23.02	3.04%	
- LPG Trading	122.53	179.14	(56.61)	(31.60%)	1
- Transportation	4.76	3.94	0.82	20.81%	2
- Conversion Kit Installation	0.58	0.62	(0.04)	(6.45%)	
- Construction	624.66	552.70	71.96	13.02%	3
- Testing and Inspection	28.69	21.80	6.89	31.61%	4
Cost of sales and services	(710.43)	(683.48)	26.95	3.94%	
Gross Profit	70.79	74.72	(3.93)	(5.26%)	
Other income	3.96	5.95	(1.99)	(33.45%)	5
Profit before expenses	74.75	80.67	(5.92)	(7.34%)	
Distribution costs	(1.03)	(1.32)	(0.29)	(21.97%)	6
Administrative expenses	(37.16)	(43.24)	(6.08)	(14.06%)	7
Finance costs	(5.31)	(4.44)	0.87	19.59%	
Share of profit (loss) of associates	(0.36)	0.35	(0.71)	(202.86%)	8
Profit before income tax	30.89	32.02	(1.13)	(3.53%)	
Income tax	(5.98)	(9.62)	(3.64)	(37.84%)	
Profit for the period	24.91	22.40	2.51	11.21%	9
Other comprehensive income:	-	-	-	-	
Total comprehensive income for the year, net of tax	24.91	22.40	2.51	11.21%	
Profit attributable to:					
Owners of the parent	11.87	9.26	2.61	28.19%	
Non-controlling interests	13.04	13.14	(0.10)	(0.76%)	

1. LPG sales income decreased amounting to 56.61 Million Baht, accounting for 31.60%, as the average selling price decreased 15.24% from previous year because the board of National Energy Policy office has adjusted LPG selling price which cause a sharply decreased in selling price since the end of March 2020. Moreover, volume sold decreased 19.03% from the same period of last year, mainly decreased in LPG sold to transportation sector 25.85% as the decreasing of petro price make demand of LPG usage in automotive decreased, as well as decreased in LPG sold to industrial sector 13.61% as the effect of COVID-19 make decreased in LPG usage in production process which in line with the decreased in production plan.
2. Transportation service income slightly increased 0.82 Million Baht, accounting for 20.81%, compared to the same period of prior year because of the increased both in LPG transportation service to third party and Ammonia transportation service.
3. Construction service income for the year sharply increased 71.96 Million Baht, accounting for 13.02% from previous year as the revenue recognition on progress measurement method towards complete satisfaction of the performance obligation on construction service contract that has continuously awarded since 2018. Currently, the Group has backlog for construction service in oil and gas sector totaling of 2,694.15 Million Baht. Moreover, the Group announcement of new projects awarded totaling of Baht 1,608.47 Million. (*Reference to notification of project awarded no. CAZ-018-2563, dated 9 November 2020*). Total backlog was 4,302.62 Million Baht.
4. Testing and Inspection service income moderately increased 6.89 Million Baht, or 31.61%, from the prior year because the increased in testing and inspection service income in eastern region amounting of 8.34 Million Baht, accounting for 66.53% of Testing and Inspection service income, from the same period of last year which was 49.29% of Testing and Inspection service income.
5. Other income decreased 1.99 Million Baht or 33.45% from previous year because of the following;
 - In Q3'19, there was gain on selling of scrap and unused construction machine equipment and consumable amounting of 1.17 Million Baht
 - Decreased in training service income and equipment rental income of 0.49 Million Baht compared to the previous year
6. Distribution costs slightly decreased amounting to 0.29 Million Baht, accounting for 21.97% from previous year due to the decreased in salary of salesperson 0.31 Million Baht, while promotion expense slightly increased 0.02 Million Baht.
7. Administrative expense decreased 6.08 Million Baht, or 14.06% compared to the previous period because the decreased in personnel expense 3.95 Million Baht, decreased in allowance for doubtful account 2.36 Million Baht, decreased in audit fee, consultant fee and directly attributable expense of the initial public offering total of 2.11 Million Baht. However, during Q3'20, the Group has recorded non-refundable prepaid withholding tax and input VAT, and tax penalty of 1.91 Million Baht.
8. Share of loss associates accounted for using equity method amounting of 0.36 Million Baht from 4 associated companies as follow;

- Sales and installation of tools and machinery, hold 47.50% of paid-up capital, share of gain amounting of 0.34 Million Baht
 - Repair and maintenance of tools and machinery, hold 47.50% of paid-up capital, share of loss amounting of 0.12 Million Baht
 - Property development, hold 40% of paid-up capital, share of loss amounting of 0.14 Million Baht
 - Manufacturer and assembly electric motorbike, hold 40% of paid-up capital, share of loss amounting of 0.44 Million Baht
9. Gross profit margin for the 3 months ended 30 September 2020 was 9.06% slightly decreased from 9.86% of last year gross profit margin, while Net profit for the 3 months ended 30 September 2020 was 24.91 Million Baht, increased 2.60 Million Baht or 11.21% from the same period of prior year which was net profit of 22.40 Million Baht by reason of the dramatically increased in revenue from construction service and decreased in administrative expense.

Statement of Financial Position

Unit: Million Baht

	30 September 2020	31 December 2019	Increased (Decreased)	Percentage
Assets				
Current assets				
Cash and cash equivalents	50.54	138.27	(87.73)	(63.45%)
Trade and other receivables	368.33	320.57	47.76	14.90%
Unbilled receivables	559.06	692.30	(133.24)	(19.25%)
Short-term loans to related parties	14.32	0.32	14.00	4375.00%
Inventories	216.70	222.17	(5.47)	(2.46%)
Other current assets	13.92	15.57	(1.65)	(10.60%)
Total current assets	1,222.87	1,389.21	(166.34)	(11.97%)
Non-current assets				
Pledged and restricted bank deposits	41.55	48.85	(7.30)	(14.94%)
Investments in subsidiaries	5.12	5.21	(0.09)	1.73%
Investment properties	4.40	11.04	(6.64)	(60.14%)
Property, plant and equipment	731.43	692.02	39.41	5.69%
Goodwill	19.38	19.38	-	0.00%
Intangible assets	15.41	14.49	0.92	6.35%
Withholding tax receivable	133.63	118.56	15.07	12.71%
Deferred income tax assets	6.57	5.61	0.96	17.11%
Other non-current assets	49.06	15.27	33.79	221.28%
Total non-current assets	1006.56	930.43	76.13	8.18%
Total assets	2,229.43	2,319.64	(90.21)	(3.89%)

Unit: Million Baht

	30 September 2020	31 December 2019	Increased (Decreased)	Percentage
Liabilities and shareholders' equity				
Current liabilities				
Over draft and short-term bank borrowings	223.77	238.95	(15.18)	(6.35%)
Trade and other payables	361.92	399.23	(37.31)	(9.35%)
Advances received from employers and construction revenue received in advance	172.94	241.90	(68.96)	(28.51%)
Short-term loans from related party	4.50	2.50	2.00	80.00%
Current portion of long-term bank borrowings	39.36	38.64	0.72	1.86%
Current portion of finance lease liabilities	22.09	9.57	12.52	130.83%
Current income tax payable	0.30	0.58	(0.28)	(48.28%)
Other current liabilities	39.45	26.92	12.53	46.55%
Total current liabilities	864.33	958.29	(93.96)	(9.80%)
Non-current liabilities				
Long-term bank borrowings	93.24	105.06	(11.82)	(11.25%)
Finance lease liabilities	35.89	22.58	13.31	58.95%
Employee benefit obligations	13.88	16.41	(2.53)	(15.42%)
Other non-current liabilities	21.40	20.41	0.99	4.85%
Total non-current liabilities	164.41	164.46	(0.05)	(0.03%)
Total liabilities	1,028.74	1,122.74	(94.00)	(8.37%)
Shareholders' equity				
Issued and paid-up	400.00	400.00	-	0.00%
Premium on paid-up capital	305.53	305.53	-	0.00%
Share surplus from business combination under common control	20.64	20.64	-	0.00%
Retained earnings	62.30	74.52	(12.22)	(16.40%)
Other component of equity	81.85	81.85	-	0.00%
Total parent's equity	870.32	882.54	(12.22)	(1.38%)
Non-controlling interests	330.37	314.36	16.01	5.09%
Total shareholders' equity	1,200.69	1,196.90	3.79	0.32%
Total liabilities and shareholders' equity	2,229.43	2,319.64	(90.21)	(3.89%)

The Group's total asset as at 30 September 2020 was 2,229.43 Million Baht, decreased 90.21 Million Baht or 3.89%, from 31 December 2019 which was 2,319.64 Million Baht because of the following;

- Contract assets (Unbilled receivables from Construction service) decreased 133.24 Million Baht due to billing to customer for construction service during the period.
- Inventory decreased 5.47 Million Baht due to decreased in LPG stock of 7.28 Million Baht, as well as the Group has reserve allowance for slow moving item for

Conversion Kit Installation business amounting to 0.45 Million Baht. However, the Group has purchase material and supplies 20.58 Million Baht and used in construction project of 18.32 Million Baht during the period.

- Investment properties decreased 6.64 Million Baht because the Group has sold all of condominium during the period.
- Trade and other receivable increased 47.76 Million Baht as increased in billing to customer for construction service but not yet due on payment amounting to 67.19 Million Baht. However, other receivables which were Advance payments to subcontractors and Accrued income for testing and inspection service decreased from the prior year 11.93 Million Baht.
- Short-term loans to related parties increased 14.00 Million Baht as the subsidiary company need working capital for property development project.
- Purchase of tools and equipment amounting of 59.63 Million Baht to support the business expansion, and record Right-of-use assets amounting of 47.19 Million Baht according to the initially adopted TFRS 16 on contracts previously identified as leases according to TAS 17 Leases, and depreciation expense during the period amounting of 62.47 Million Baht as well as disposals of 4.95 Million Baht. Net effect of PPE was increased of 39.41 Million Baht from the last year.
- Withholding tax receivable increase amounting of 15.07 Million Baht as payment received from Trade receivable during the period
- Other non-current asset increased 33.79 Million Baht as retention deducted from construction service receivable during the period

The Group's total liabilities as at 30 September 2020 was 1,028.74 Million Baht decreased 94.00 Million Baht from 31 December 2019 which was 1,122.74 Million Baht because of the following;

- Short-term borrowings from financial institutions decreased 15.18 Million Baht due to the repayment during the period
- Contract liabilities (Advances received from construction contracts and construction income received in advance) decreased 68.96 Million Baht due to the revenue recognition during the year.
- Long-term borrowings from financial institutions decreased 11.82 Million Baht, or 11.25% due to the repayment during the period
- Other current liabilities increased 12.53 Million Bath due to accrued tax to the Revenue Department 9.42 Million Baht, and accrued for warranty for construction project of 3.00 Million Baht
- Lease liabilities increased 25.83 Million Baht according to the initially adopted TFRS 16 on contracts

The Group's shareholders' equity attribute to the parent company as at 30 September 2020 was 870.32 Million Baht decreased from 31 December 2019 which was 882.54 Million Baht because dividend payment amounting to 21.92 Million Baht in May 2020 and total comprehensive income for the period amounting to 9.70 Million Baht.

As at 30 September 2020, the Group's Current ratio was 1.41 times which mean the company's liquidity to payment on short-term liability was still high. While Debt to Equity ratio of the Group and Interest Bearing Debt to Equity ratio was 0.86 times and 0.35 times, slightly decreased from last year ratio of 1.27 and 0.47, consequently, which is low risk on financial leverage.

Please be informed accordingly,

Yours sincerely,

(Ms. Nita Treeweeranuwat)
Vice President