



Ref. ETE-62/010

February 22, 2019

The President of the Stock Exchange of Thailand

Subject: Submission of consolidated and separate financial information

and management discussion and analysis for the years period ended 31 December 2018

Eastern Technical Engineering Public Company Limited would like to submit consolidated and separate financial information for the years period ended 31 December 2018 and management discussion and analysis.

Please see the attached document for the information

Please be informed accordingly.

Sincerely yours,

Mr.Raivin Lekavorrnan

Chief Executive Officer

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

- Explanation and analysis of financial performance for the year at the end of 31 December 2018
- Explanation and analysis of financial status as at 31 December 2018

Financial performance for the year at the end of 31 December 2018

Consolidated financial information (Unit : Million Baht)					
	2018	2017		Change	% Change
Revenue	1,672.58	1,580.25	▲	92.32	6%
Cost	1,509.05	1,335.73			
Gross profit	163.53	244.53	▼	(81.00)	-33%
Gross profit margin	9.78%	15.47%			
Other income	1.73	5.33	▼	(3.60)	-67%
Selling expenses	3.68	3.36	▲	0.32	10%
Administrative expenses	116.87	111.43	▲	5.44	5%
Allowance for doubtful accounts	56.85	-	▲	56.85	
Earnings before interest and tax	(12.13)	135.08			
Finance costs - Main businesses	20.06	23.05	▼	(2.99)	-13%
Finance costs - Solar energy	35.41	35.69	▼	(0.28)	-1%
Profit before income tax	(67.60)	76.34			
Income tax expense	4.08	6.29	▼	(2.22)	-35%
Profit for the year	(71.68)	70.04	▼	(141.72)	-202%

Compared to the last year, the company's performance decreased Baht (141.72) million or (202%) as the following reasons:

- Total income increased Baht 92.32 million or 6% from Baht 1,580.25 million in 2017 to Baht 1,672.58 million in 2018. The main increase was derived from the management service income and the trading income which was recognized for the first time in year 2018.

Operating results by business for the year at the end of 31 December 2018

2018	EN	MS	SE	TD	Total
Revenue	680.44	769.52	127.66	94.96	1,672.58
Gross profit	28.45	60.38	61.55	13.15	163.53
Gross profit margin	4.18%	7.85%	48.21%	13.85%	9.78%
2017	EN	MS	SE	TD	Total
Revenue	698.24	755.10	126.91	-	1,580.25
Gross profit	123.32	62.54	58.67	-	244.53
Gross profit margin	17.66%	8.28%	46.23%		15.47%
Change	EN	MS	SE	TD	Total
Revenue	(17.80)	14.42	0.74	94.96	92.32
Gross profit	(94.87)	(2.16)	2.88	13.15	(81.00)
Gross profit margin	-13.48%	-0.44%	1.99%	13.85%	-5.70%

- Decrease in gross profit of the company was Baht (81.00) million or decreased (33%) from Baht 244.53 million to Baht 163.53 million, which were mainly derived from the following reasons:
 1. Engineering service (“EN”) had a decrease in gross profit for Baht (94.87) million as the following reasons:
 - 1.1 Cost incurred from the delay under the contract consists of penalty amounting to Baht (18.90) million, additional cost of project of Baht (3.86) million, and revision of project budget equal to Baht (8.40) million.
 - 1.2 Many projects have realized progress in 2017 already. Thus, there was just small progress can be realized in 2018. This resulted in decrease in gross profit for Baht (53.23) million.
 2. Management Service (“MS”) had a decrease in gross profit for Baht (2.16) million. Main reason was that, in Q3/2018, the company already had a renew contract from the main repeat customer who requested the company to prepare the training courses, uniforms and all security equipment for the hired employees. Therefore, the company had all those expenses in Q3/2018 approximately Baht (5.4) million.
 3. Gross profit of Solar energy (“SE”) increased Baht 2.88 million since the reduction of consulting fee.
 4. The trading income which was recognized for the first time in year 2018.

Other incomes

The company had other incomes in 2018 lower than those in 2017 approximately Baht (3.60) million. It was since that the company had gain on exchange in year 2017 from importing solar equipment for the solar energy business of the company. Such a transaction happened only in year 2017, no more in year 2018.

Selling and administration expenses

Selling expenses increased Baht 0.32 million, which was mainly derived from the increase of the MS bidding activities.

Administration expenses increased Baht 5.44 million derived from the following reasons.

1. In year 2017, the company had return from bad debts approximately Baht 3.62 million, but no more those in year 2018.
2. The company had an increase of staff costs approximately Baht 4.25 million.

Allowance for doubtful account from the delayed project Baht 56.85 million had the detailed explanation as follows:-

In November 2015, the Company was hired as a contractor to install electricity transmission network with total project value of Baht 125.00 million. Under the contract, the project was due to complete in February 2018. Nevertheless, during installation, the installation areas were continuously affected by floods which caused delay in the installation. Following such incidents, the Company received extension of completion due date under a resolution of the Cabinet to relieve construction contractors who were affected by the floods. The Company continuously attempts to accelerate the installation afterward, however, the project still remains incomplete until now which is beyond the extended due date already. Until date, the Company has agreed with the customer to end this project, and it is in negotiation with the customer regarding amount to be settled, which is still highly uncertain at this stage.

At 31 December 2018, the Company has assessed the impact from such delay in project completion. In relation to this project, there were unbilled contract revenue amounting to Baht 56.85 million, which the collectability are directly affected by the delay. Therefore, the Company considered to record allowance for doubtful accounts with total amount of such unbilled receivables.

Financial cost

In 2018, the company had a decrease in financial cost for the ordinary business units Baht (2.99) million or (13%) when compared to those in 2017. It was mainly since the company use the money from IPO paid to clear bank borrowing in March of 2017. Until now, the company had lower financial cost

Apart from the financial cost for the ordinary business units above, the company had a small decrease in financial cost for the solar energy unit Baht (0.28) million. It was since the repayment of long-term borrowing in the solar energy business.

Income tax

Income tax decreased Baht (2.22) million, which was mainly derived from the overall operating results.

Financial Position

Consolidated financial information (Unit : Million Baht)				
	December 31	December 31		
	2018	2017		Change
Current assets	927.84	945.33	▼	(17.49)
Non-current assets	1,198.39	1,334.99	▼	(136.60)
Total assets	2,126.23	2,280.32	▼	(154.09)
Current liabilities	1,298.46	692.25	▲	606.21
Non-current liabilities	27.10	704.53	▼	(677.43)
Total liabilities	1,325.56	1,396.78	▼	(71.22)
Equity	800.67	883.54	▼	(82.87)

The group's assets decreased by Baht (154.09) million, mainly due to the following reasons:

- Restricted cash decreased Baht (47.46) million since there was change in borrowing condition from based on approval limit to actual use amount.
- Trade and other receivables decreased by Baht (54.76) million, primarily due to allowance for doubtful account from the delayed project Baht (56.85) million.
- Property, plant and equipment decreased Baht (42.09) million due to depreciation.
- Other non-current assets decreased by Baht (16.50) million, primarily due to decrease in withholding tax refund and retention receivables.
- Inventories increased by Baht 21.46 million, primarily due to raw materials for engineering service and trading business.

The group's liabilities decreased by Baht (71.22) million, mainly due to the following reasons:

- Long-term borrowings from financial institutions decreased by Baht (70.77) million, which mainly comes from the repayment of long-term borrowing in the solar energy business.
- Trade and other payables decreased by Baht (34.78) million as due of payment.

- Short-term loan from related party decreased by Baht (3.62) million as due to repayment of subsidiary shareholder.
- Bank overdrafts and short-term borrowings from financial institutions increased by Baht 32.48 million due to an increase in short-term borrowings from financial institutions to use as revolving credit for the group and paying to trade payables.
- Other current liabilities increased by Baht 32.48 million due to VAT submission.

The group's equity decreased by Baht (82.87) million, mainly due to the following reasons:

- Total comprehensive loss Baht (66.07) million.
- Dividend paid Baht (16.80) million from the operating result 2017.