

No. ETE-64/028

Date 11 August 2021

Subject: Explanation and analysis from the management team regarding the performance results for the second quarter and six-month period ended 30 June 2021

To: The President of The Stock Exchange of Thailand

The Eastern Technical Engineering Public Co., Ltd. (“the Company”) wishes to clarify the overall performance results of the Company and its subsidiaries, for the second quarter and six-month period ended 30 June 2021, which have been approved by the Board of Directors meeting no. 3/2021 held on 11 August 2021 with details as follows.

Performance results for the second quarter and six-month period ended 30 June 2021

Performance results	Consolidated financial information				Consolidated financial information			
	(Unit : Million Baht)				(Unit : Million Baht)			
	Quarter 2 2021	Quarter 2 2020	Change	% Change	6 Months 2021	6 Months 2020	Change	% Change
Revenue from construction service	87.45	106.21	(18.76)	-17.67%	258.77	219.27	39.50	18.02%
Revenue from management service	198.60	235.49	(36.89)	-15.66%	395.41	467.31	(71.90)	-15.39%
Revenue from alternative energy	33.25	32.60	0.65	2.00%	70.66	69.65	1.00	1.44%
Revenue from sale of goods	1.81	-	1.81		1.81	-	1.81	
Revenue	321.11	374.30	(53.19)	-14.21%	726.65	756.23	(29.58)	-3.91%
Cost	267.95	318.22	(50.27)	-15.80%	616.14	647.49	(31.34)	-4.84%
Gross profit	53.16	56.08	(2.92)	-5.21%	110.51	108.75	1.76	1.62%
Other income	0.72	1.04	(0.32)	-30.95%	3.88	1.19	2.70	227.32%
Selling & Admin expenses	33.40	30.12	3.27	10.87%	66.19	60.43	5.77	9.54%
Finance costs	9.85	11.00	(1.15)	-10.49%	18.77	24.22	(5.44)	-22.47%
Share of loss from associate	0.00	0.01	(0.01)	-52.81%	0.10	0.01	0.09	689.66%
Income(Revenue) tax expense	3.31	(1.39)	4.70	-338.23%	7.87	(1.54)	9.41	-611.03%
Profit for the period	7.32	17.37	(10.05)	-57.86%	21.45	26.81	(5.36)	-20.00%

Net profit of the Company and its subsidiaries for the second quarter ended 30 June 2021 amounted to Baht 7.32 million, decreasing by Baht 10.05 million or 57.86%, when compared with the same period of last year which the amount was Baht 17.37 million. Moreover, net profit of the Company and its subsidiaries for six-months period ended 30 June 2021 amounted to Baht 21.45 million, decreasing by Baht 5.36 million or 20.00%, when compared with the same period of prior year which the amount was Baht 26.81 million due to the following reasons.

Revenues

Total revenues of the Company and its subsidiaries for the second quarter ended 30 June 2021 amounted to Baht 321.11 million, decreasing by Baht 53.19 million or 14.21% when compared with the same period of last year which the amount was Baht 374.30 million. Furthermore, total revenues for six-month period ended 30 June 2021 amounted to Baht 726.65 million, decreasing by Baht 29.58 million or 3.91% when compared with the same period of last year which the amount was Baht 756.23 million because of the following reasons.

1. Revenue from construction service for the second quarter ended 30 June 2021 was Baht 87.45 million, decreasing Baht 18.76 million or 17.67% when compared with the same period of last year which the amount was Baht 106.21 million. However, revenue from construction service for six-month period ended 30 June 2021 was Baht 258.77 million, increasing by Baht 39.50 million or 18.02% when compared with the same period of previous year which the amount was Baht 219.27 million. These effects resulted from revenue recognition by the percentage of completion method of construction service project. In the first quarter of 2021, revenue from construction service was recognized more than the same quarter of last year. In the second quarter of 2021 revenue from construction service was not recognized 100%; however, the remaining revenue was on the process of installation and would be recognized in the next quarter.
2. Revenue from management service for the second quarter ended 30 June 2021 was Baht 198.60 million, decreasing Baht 36.89 million or 15.66 % when compared with the same period of last year which the amount was Baht 235.49 million. In addition, revenue from management service for six-month period ended 30 June 2021 was Baht 395.41 million, decreasing by Baht 71.90 million or 15.39% when compared with the same period of last year which the amount was Baht 467.31 million. Due to COVID-19 outbreak, many entities cut budgets and delayed procurements. Consequently, management team considered to accept only projects which did not have risks of project delay or budget cancellation in the future.
3. Revenue from alternative energy for the second quarter ended 30 June 2021 was Baht 33.25 million, increasing Baht 0.65 million or 2.00% when compared with the same period of last year which the amount was Baht 32.60 million. Besides, revenue from alternative energy for six-month period ended 30 June 2021 was Baht 70.66 million, increasing by Baht 1.00 million or 1.44% when compared with the same period of prior year which the amount was Baht 69.65 million. Revenue from alternative energy was produced by solar power plants total 4 projects. The Company focused on maintenance in solar power plant system each area regularly to remain stable of power generation capacity continuously.

- Revenue from sales for the second quarter ended 30 June 2021 was Baht 1.81 million; however, there was no revenue from sales at the same period of last year. Revenue from sales for six-month period ended 30 June 2021 was Baht 1.81 million; however, there was no revenue from sales at the same period of previous year. Revenue from sales of the Company and its subsidiaries was mainly from safety equipment procurement and distribution businesses. Due to economic situation, customers' orders were delayed.

Costs

Total costs for the second quarter ended 30 June 2021 amounted to Baht 267.95 million, decreasing by Baht 50.27 million or 15.80% when compared with the same period of last year which the amount was Baht 318.22 million. Moreover, total cost for six-month period ended 30 June 2021 amounted to Baht 616.14 million, decreasing by Baht 31.34 million or 4.84% when compared with the same period of last year which the amount was 647.49 million. Total costs decreased because the Company selected projects to operate less than last year in order to decrease employee costs. Nevertheless, net profit of the Company was higher because the Company selected only projects which had high gross margin.

Other Income

Other income for the second quarter ended 30 June 2021 amounted to Baht 0.72 million, decreasing by Baht 0.32 million or 30.95% when compared with the same period of last year which the amount was Baht 1.04 million. On the other hand, other income for six-month period ended 30 June 2021 amounted to Baht 3.88 million, increasing by Baht 2.70 million or 227.32% when compared with the same period of last year which the amount was Baht 1.19 million. These effects were caused by gain on exchange rate. There was gain on exchange rate in the second quarter of 2020, but there was no gain on exchange rate in the second quarter of 2021. Furthermore, the Company received income compensation from damage to power converters of alternative energy business in the first quarter of 2021. Hence, other income for six-month period of 2021 increased when compared with the same period of last year.

Selling and Administrative Expenses

Selling and administrative expenses for the second quarter ended 30 June 2021 amounted to Baht 33.40 million, increasing by Baht 3.27 million or 10.87% when compared with the same period of last year which the amount was Baht 30.12 million. In addition, selling and administrative expenses for the six-month period ended 30 June 2021 amounted to 66.19 million, increasing by Baht 5.77 million or 9.54% when compared with the same period of prior year which the amount was Baht 60.43 million. In the second quarter of 2021, selling and administrative expenses increased when compared with the same quarter of last year because of an ineffective withholding tax refund, a loss from disposal of assets, and an increase in employee expenses. In the first quarter of 2021, selling and administrative expenses for six-month period of last year increased when compared with the same period of last year due to an increase in employee expenses, a loss on impairment on assets from damage to power converters of alternative energy business.

Financial Cost

Financial cost for the second quarter ended 30 June 2021 amounted to Baht 9.85 million, decreasing by Baht 1.15 million or 10.49% when compared with the same period of last year which the amount was Baht 11.00 million. Furthermore, financial cost for six-month period amounted to Baht 18.77 million, decreasing by Baht 5.44 million or 22.47% when compared with the same period of previous year which the amount was Baht 24.22 million. Financial cost decreased due to the gradual repayments of long-term debts from alternative energy project. Also, in the first quarter of 2021, bank overdrafts and short-term loans from financial institutions decreased.

Income (Revenue) Tax Expense

Income tax expenses for the second quarter ended 30 June 2021 amounted to Baht 3.31 million, increasing by Baht 4.70 million when compared with the same period of last year. Moreover, income tax expenses for six-month period ended 30 June 2021 amounted to Baht 7.87 million, increasing by Baht 9.41 million when compared with the same period of last year. Because the Company allocated common costs in accordance with actual projects of each company, the Company had more profits from operation. Besides, income tax expense increased.

Financial Position as of 30 June 2021

Consolidated financial information (Unit : Million Baht)			
	June 30	December 31	Change
	2021	2020	
Current assets	761.68	762.73	(1.04)
Non-current assets	1,230.52	1,188.31	42.21
Total assets	1,992.20	1,951.04	41.16
Current liabilities	654.06	585.90	68.16
Non-current liabilities	453.99	481.90	(27.91)
Total liabilities	1,108.05	1,067.80	40.25
Equity	884.15	883.24	0.91

Total Assets

Total assets of the Company and its subsidiaries as of 30 June 2021 amounted to Baht 1,992.20 million, increasing by Baht 41.16 million from the end of 2020 due to these main reasons.

- Cash and cash equivalents amounted to Baht 57.47 million, increasing by Baht 22.78 million from the end of 2020. Although the Company paid for new machines to use in alternative energy business, long-term loan repayments and dividend to shareholders during the period, cash and cash equivalents increased because the Company had profit from interim operation. Also, the Company received cash from withholding tax refund, and borrowed more short-term loans during the period.
- Contract assets amounted to Baht 259.50 million, increasing by Baht 75.36 million from the end of 2020, for the Company controlled and managed the projects efficiently. Consequently, operation of construction service business can increase the percentage of completion into projects.
- Property, plant and equipment amounted to Baht 969.96 million, increasing by Baht 31.20 million from the end of 2020. Although some items of property, plant and equipment decreased during the period because they were calculated accumulated depreciation, overall property, plant and equipment increased because the Company paid deposits for imported machines to invest in biomass power generation business.
- Right-of-use asset amounted to Baht 10.98 million, increasing by Baht 7.38 million from the end of 2020, since the Company made a land lease contract for 10 years in the first quarter of 2021 to construct a new warehouse. Then, right-of-use asset was recorded in the financial statement.
- Intangible assets amounted to Baht 25.63 million, increasing by Baht 11.13 million from the end of 2020 because the group companies invested in one subsidiary's stocks. The subsidiary had a main electricity distribution license, so the Company must record this investment in the consolidated financial statement as intangible assets.
- Trade and other receivables amounted to Baht 331.76 million, decreasing by Baht 19.34 million from the end of 2020 due to on-time cash collections.
- Inventories amounted to Baht 81.57 million, decreasing by Baht 84.03 million from the end of 2020, for they were installed in the project of construction service business.

Total Liabilities

Total Liabilities of the Company and its subsidiaries as of 30 June 2021 amounted to Baht 1,108.05 million, increasing by Baht 40.25 million from the end of 2020 because of these main reasons.

- Bank overdrafts and short-term loans from financial institutions amounted to Baht 359.81 million, increasing by Baht 87.92 million from the end of 2020 due to carrying on business.
- Long-term loans from financial institutions amounted to Baht 475.36 million, decreasing by Baht 38.14 million from the end of 2020 due to regular loan repayments for investing in alternative energy business.
- Trade and other payables amounted to Baht 200.78 million, decreasing by Baht 11.37 million from the end of 2020 due to a decrease in trade payables and accrued construction costs resulting from due payments.

Shareholders' Equity

The shareholders' equity of the Company and its subsidiaries as of 30 June 2021 amounted to Baht 884.15 million, increasing by Baht 0.91 million from 31 December 2020, resulting from the higher net profit during the period form group companies. In addition, during the period the company paid dividend to increase shareholders' equity in line with the former amount.

Please be informed accordingly.

Yours Respectfully,

(Mr. Preecha Suan)

Chief Financial Officer