



Ref ETE-60/104

August 11, 2017

The President of the Stock Exchange of Thailand

Subject: Submission of interim consolidated and separate financial information

for the six-month period ended 30 June 2017

and management discussion and analysis

Eastern Technical Engineering Public Company Limited would like to submit interim consolidated and separate financial information for the six-month period ended 30 June 2017 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

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Management Discussion and Analysis for the six-month period ended 31 March 2017

General information

Eastern Technical Engineering Public Company Limited operates management service, installation service of electricity distribution, telecommunication network and operates solar power plant. The Company received approval from the Security Exchange Committee to proceed initial public offering of new common stocks to public on 13 January 2017. The Company started trading its newly issued stock on 15 February 2017.

Name of the entity	Type of business	Issued and paid-up	
		share capital	Ownership interest
		30 June 2017	30 June 2017
		Baht	%
ETE Management Company Limited	Personnel outsourcing and work force, operates solar power plant	80.00	99.27
Thai Speedy Management Company Limited	Car rental	30.00	99.80
ETG Energy Company Limited	Operates solar power plant (Not started operation yet)	12.50	99.99
Glow Trading and Service Company Limited	Safety equipment trading business (Not started operation yet)	10.00	70.00

The analysis of consolidated financial position as at 30 June 2017

Statement of financial position

	Consolidated financial information		(Unit : Million Baht)	
	30 June 2017	31 December 2016	Change	
Current assets	866.52	893.90	▼	(27.38)
Non-current assets	1,277.53	1,203.81	▲	73.72
Total assets	<u>2,144.05</u>	<u>2,097.71</u>	▲	46.34
Current liabilities	564.28	1,570.71	▼	(1,006.43)
Non-current liabilities	740.34	273.12	▲	467.22
Total liabilities	<u>1,304.62</u>	<u>1,843.84</u>	▼	(539.22)
Equity	839.43	253.87	▲	585.56

The group's assets increased by Baht 46.34 million, mainly due to the following reasons:

- Trade and other receivables increased by Baht 91.99 million, primarily due to the increase of trade receivables-third party of service of electricity distribution.
- Property, plant and equipment has increased Baht 40.93 million, as a result of assets for solar energy.
- Cash and cash equivalents increased by Baht 10.60 million due to better liquidity of the group as a result from Initial Public Offering (IPO).
- Restricted cash decreased by Baht 51.06 million because repayment of short-term borrowings from financial institutions by using money gained from trading of its ordinary shares in the MAI stock exchange.
- Other current assets decreased by Baht 19.58 million. This was mainly caused by the reduction of input tax of solar cell and equipment for solar energy which has been gradually deducted from output tax during the 6 months.
- Other non-current assets decreased by Baht 19.54 million mainly due to the receiving of withholding tax refund for the year 2014 and 2015 at approximately Baht 29.11 million.

- Inventories reduced by Baht 9.86 million because raw materials have been used for installation works to recognize milestones of the construction service.

The group's liabilities decreased by Baht 539.22 million, mainly due to the following reasons:

- Bank overdrafts and short-term borrowings from financial institutions decreased by Baht 546.39 million because repayment of short-term borrowings from financial institutions by using money gained from trading of its ordinary shares in the MAI stock exchange.
- Trade and other payables decreased by Baht 314.29 million due to repayment of payables of solar energy and trade payables of the existing businesses.
- Long-term borrowings from financial institutions rose by Baht 313.69 million due to the last drawdown of solar energy.

Equity of the group increased by Baht 585.56 million, mostly attributable to the following reasons:

- Issuance of ordinary shares amounted to Baht 70.00 million with net share premium of Baht 503.33 million.
- Total comprehensive income for 6 months Baht 25.95 million.
- Capital increase of non-controlling interests amounted Bath 3.00 million to Glow Trading and Service Company Limited, a newly established subsidiary which engages in safety equipment trading business.
- Dividend paid Baht 16.80 million.

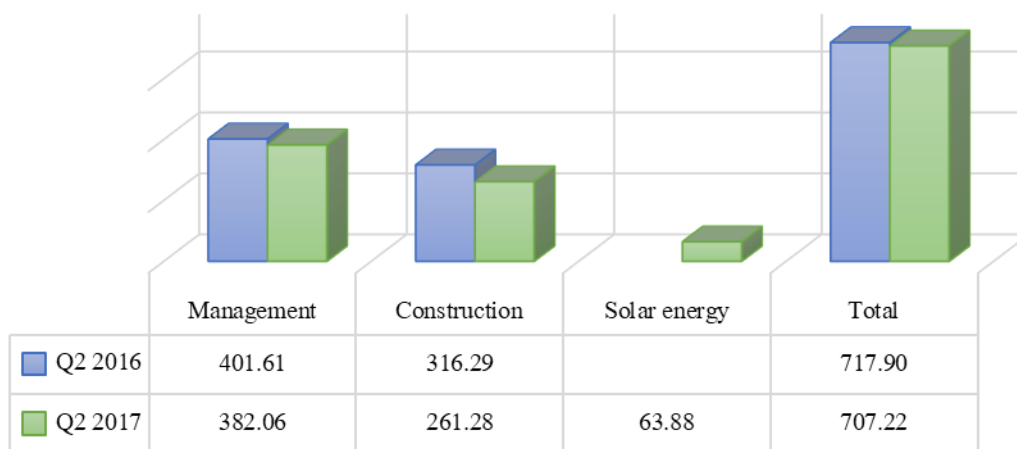
The analysis of operating result for six months

Statement of comprehensive income for the six-month period ended 30 June

	Consolidated financial information		(Unit : Million Baht)	
	2017	2016	Change	
Operating revenue	707.22	717.90	▼	(10.68)
Operating cost	596.69	621.42	▼	(24.73)
Gross profit	110.53	96.48	▲	14.05
Gross profit margin	15.63%	13.44%	▲	2.19%
Other income	3.80	1.99	▲	1.81
Selling expenses	2.13	3.04	▼	(0.91)
Administrative expenses	52.30	57.67	▼	(5.37)
Earnings before interest and tax	59.91	37.76	▲	22.15
Finance costs	32.05	21.85	▲	10.20
Profit before income tax	27.85	15.91	▲	11.95
Income tax expense	1.92	2.75	▼	(0.83)
Total comprehensive income	25.93	13.15	▲	12.78

Comparing accumulated operating results for 6 months with the same period of the prior year, the group's profits increased by Baht 12.78 million, due to the following reasons:

Revenue for six months by business unit



Operating revenue decreased by Baht 10.68 million compared to the same period of prior year due to the reduction of revenue from management service of Baht 19.55 million and reduction of revenue from construction service of Baht 55.01 million, whereas revenue from solar energy began to recognize in 2017 amounted to Baht 63.88 million.

Nonetheless, the group's operating profit margin has increased because 1. Management renew the management service contracts with appropriate profit margin only; 2. Solar energy which is a new business has higher gross profit margin than 2 existing businesses. Consequently, overall gross profit margin profit has increased.

Operating results classified by business are as follows:

Management service

Financial performance of management service for the six-month period ended 30 June

	Consolidated financial information		(Unit : Million Baht)	
	2017	2016	Change	
Revenue from management service	382.06	401.61	▼	(19.55)
Cost of management service	351.54	380.13	▼	(28.59)
Gross profit	30.52	21.48	▲	9.04
Gross profit margin	7.99%	5.35%	▲	2.64%

Revenue from management service decreased by Baht 19.55 million because the Management decided to renew the contracts with the projects that have appropriate gross profit margin only.

Moreover, reasons for an increase of gross profit margin from 5.35% to 7.99% are as follow:

- For higher gross profit margin, the Management considered and chose to renew some contracts only.
- Business model of management service in the first quarter of 2016; the group started the contract renewal with the main customer with conditions in the contract requiring the group to train, supply uniforms and provide safety equipment to staff. The term of mentioned contract

is 2 years. However, TFRS is required to recognize as expenses as soon as the transaction occurred, resulting in the lower gross profit margin than other period of contract term.

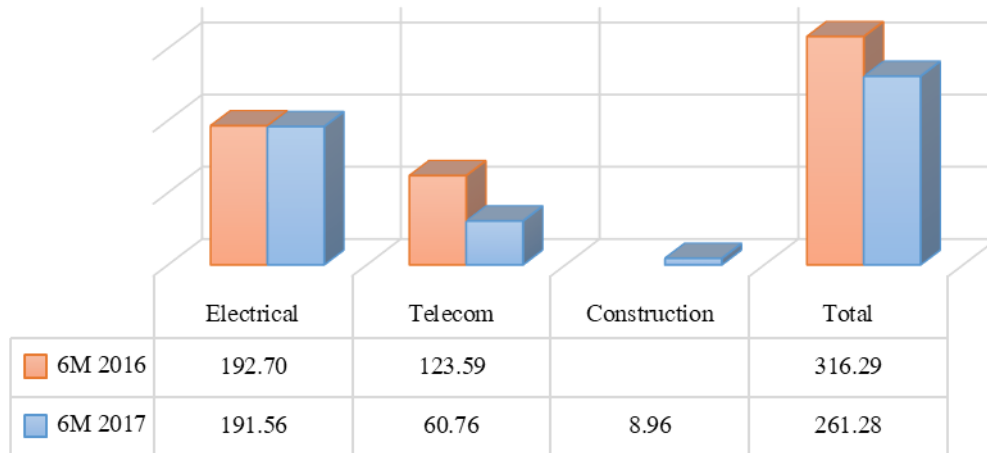
Construction service

Financial performance of construction service for the six-month period ended 30 June

	Consolidated financial information		(Unit : Million Baht)	
	2017	2016	Change	
Revenue from construction service	261.28	316.29	▼	(55.01)
Cost of construction service	211.81	241.29	▼	(29.47)
Gross profit	49.46	75.00	▼	(25.54)
Gross profit margin	18.93%	23.71%	▼	-4.78%

Previously, the group's construction service provides services for installation service of electricity distribution and telecommunication network. However, in 2017 the group begins to accept construction engineering works. Revenues of construction service in each business are as follows

Revenue from construction service for six months



Revenue from construction service reduced by Baht 55.01 million because of telecommunication engineering.

Gross profit margin of construction service decreased from 23.71% to 18.93% due to the following reasons:

- Telecommunication engineering service, which has the highest gross profit margin approximately 20-30 percent, has lower revenue amount. This resulted in the reduction of overall gross profit margin.
- Gross profit margin of Q1/2016 included revenue from an area improvement (rock blasting for installing electricity pole) which gained gross profit margin of 60%.

Solar energy

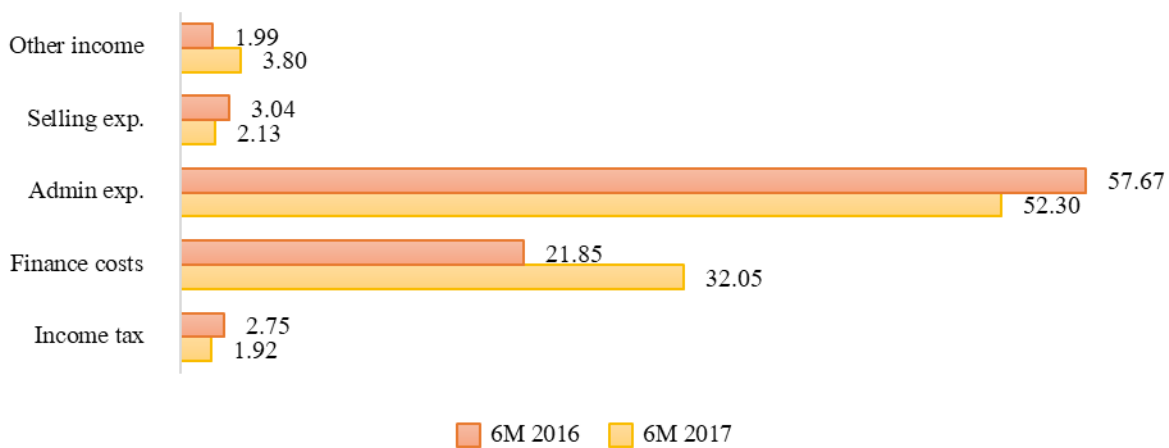
Financial performance of solar energy for the six-month period ended 30 June

	Consolidated financial information		(Unit : Million Baht)	
	2017	2016	Change	
Revenue from solar energy	63.88	-	▲	63.88
Cost of solar energy	33.33	-	▲	33.33
Gross profit	30.55	-	▲	30.55
Gross profit margin	47.82%		▲	47.82%

Solar energy, the group's new business, began to recognize revenue since January 2017 at the generating capacity of 16.47 MW.

Other income and fixed cost

Other income and fixed cost for six months



Other income increased by Baht 1.81 million from the foreign exchange gain in Q1/2017 amounted to Baht 2.34 million because during the end of 2016, the group imported solar cells and equipment for solar energy project from foreign countries.

Selling expenses decreased by Baht 0.91 million due to the reduction of New Year gift baskets and entertainment for customers.

Administrative expenses decreased by Baht 5.37 million due to:

- In 2017, The Company regained bad debt amounting to Baht 3.41 million.
- Front end fee for credit decreased by Baht 2.55 million because Q1/2017 and Q2/2017 used the existing financial credit amount established since 2016 and new financial amount has not yet been considered.
- Withholding tax refund has not full amount received, there are expenses of Baht 0.91 million.

Finance costs increased by Baht 10.09 million which derived from long-term borrowings interests for solar energy amounted to Baht 16.76 million and reduction of interests from the existing businesses amounted to Baht 6.56 million. However, the repayment of long-term borrowings for solar energy will commence on July 2017, so interest of new business will be reduced from Q3/2017 onwards.

Income tax decreased by Baht 0.83 million, even though accumulated profit before tax of 6 months of 2017 was higher than those of 2016 because the company has been granted tax privilege from BOI for solar energy.

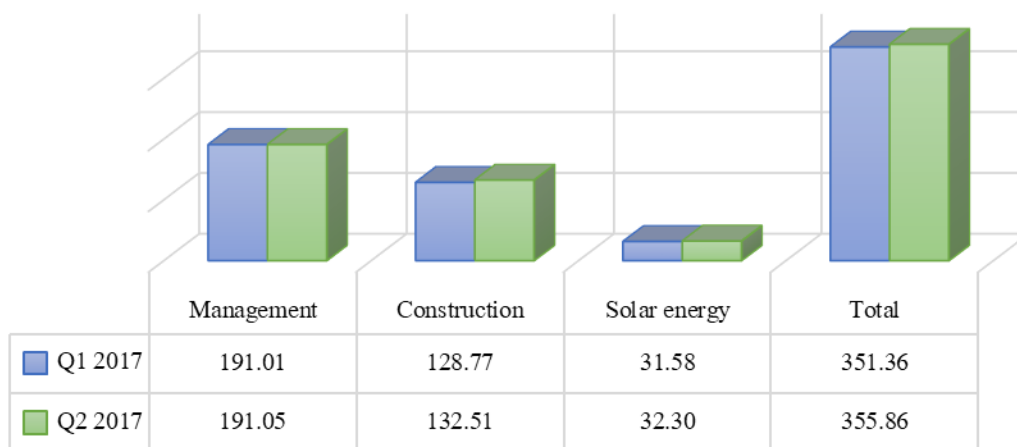
[The analysis of operating result for three months](#)

Statement of comprehensive income for the three-month period (compared with the prior quarter)

	Consolidated financial information		(Unit : Million Baht)	
	Quarter 2, 2017	Quarter 1, 2017	Change	
Operating revenue	355.86	351.36	▲	4.49
Operating cost	302.81	293.88	▲	8.93
Gross profit	53.05	57.49	▼	(4.44)
Gross profit margin	14.91%	16.36%	▼	-1.45%
Other income	0.29	3.51	▼	(3.22)
Selling expenses	0.35	1.78	▼	(1.42)
Administrative expenses	29.90	22.39	▲	7.51
Earnings before interest and tax	23.08	36.83	▼	(13.75)
Finance costs	13.94	18.11	▼	(4.18)
Profit before income tax	9.14	18.71	▼	(9.57)
Income tax expense	0.50	1.42	▼	(0.92)
Total comprehensive income	8.64	17.29	▼	(8.65)

Comparing the operating results of 3 present months (Q2/2017) and 3 previous months (Q1/2017), the group's profit decreased by Baht 8.65 million due to the following reasons:

Revenue for three months by business unit



Operating revenues increased by Baht 4.49 million but profit margin decreased by Baht 4.44 million, primarily due to reduction of gross profit margin of construction service from 20.46% to 17.44%. Operating results classified by business is as follows:

Management service

Financial performance of management service for the three-month period

	Consolidated financial information		(Unit : Million Baht)	
	Quarter 2, 2017	Quarter 1, 2017	Change	
Revenue from management service	191.05	191.01	▲	0.03
Cost of management service	175.70	175.84	▼	(0.14)
Gross profit	15.35	15.17	▲	0.18
Gross profit margin	8.03%	7.94%	▲	0.09%

Operating result of management service was in the same level of the previous quarter but gross profit margin was slightly increased.

Construction service

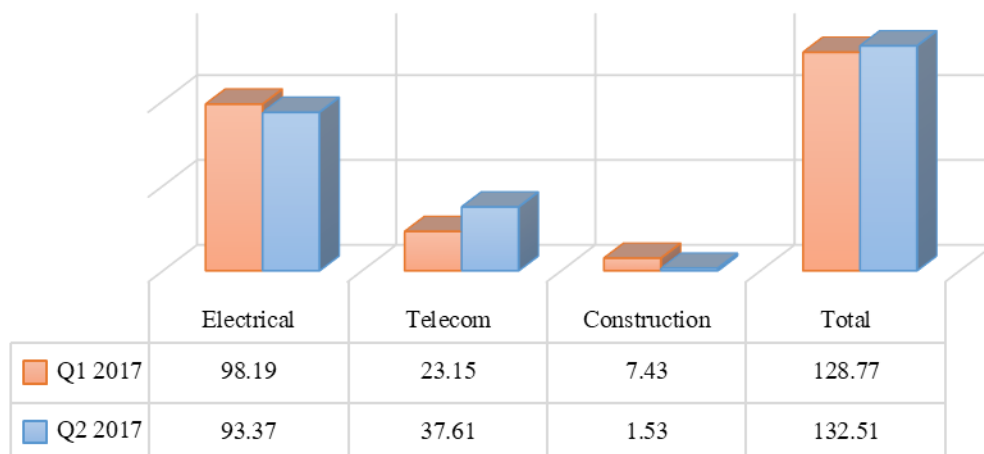
Financial performance of construction service for the three-month period

	Consolidated financial information		(Unit : Million Baht)	
	Quarter 2, 2017	Quarter 1, 2017	Change	
Revenue from construction service	132.51	128.77	▲	3.74
Cost of construction service	109.40	102.42	▲	6.98
Gross profit	23.11	26.35	▼	(3.24)
Gross profit margin	17.44%	20.46%	▼	-3.02%

Revenue from construction service increased by Baht 3.74 million but profit margin decreased from 20.46% to 17.44% due to the following reasons:

- In Q1/2017, a project under telecommunication engineering was closed which resulted in a slightly higher profit margin than other period.
- ✓ Project closing resulted in higher profit margin because it is an estimation of revenue and cost against actual usage. Normally, the Company can control cost for project management so during the project closing, profit margin of construction service will be slightly increased.

Revenue from construction service for three months



Solar energy

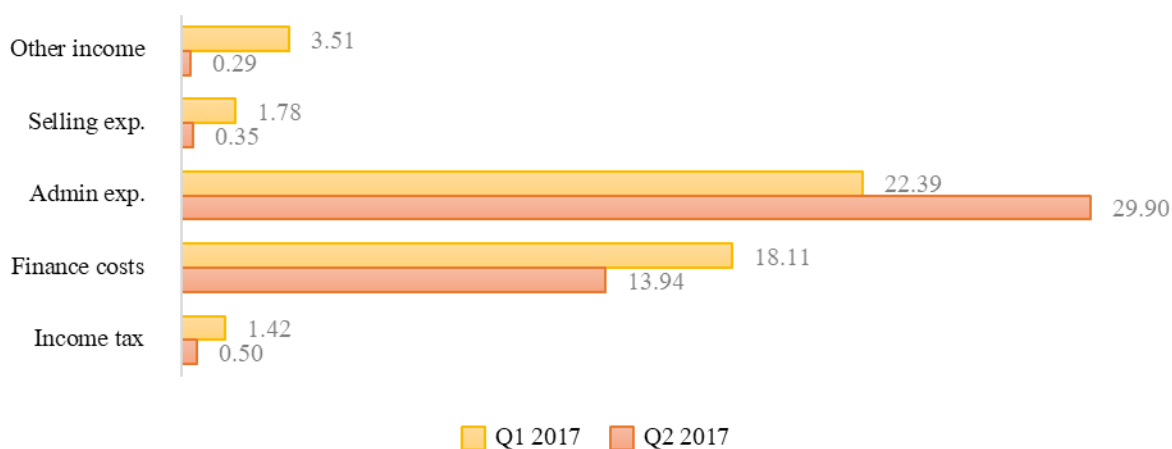
Financial performance of solar energy for the three-month period

	Consolidated financial information		(Unit : Million Baht)	
	Quarter 2, 2017	Quarter 1, 2017	Change	
Revenue from solar energy	32.30	31.58	▲	0.72
Cost of solar energy	17.71	15.62	▲	2.10
Gross profit	14.58	15.96	▼	(1.38)
Gross profit margin	45.15%	50.55%	▼	-5.39%

Revenue from solar energy slightly increased, while cost increased by Baht 2.10 million due to depreciation of assets which was in line with the increase of property, plants and equipment. Plant construction has been completed during early of Q2/2017. In addition, recognition of administration and maintenance cost of assets will begin after the acceptance of construction work. However, direct cost of this business will be maintained at this level from Q2/2017 onwards, while revenue from sales of electricity will depend on the generating capacity. After the first 6 months of operation, revenue was still in higher level than anticipated by the management.

Other income and fixed cost

Other income and fixed cost for three months



Other income decreased by Baht 3.22 million, compared to the previous quarter because in Q2/2017 there was no foreign exchange gain like in Q1/2017. The company hedged to prevent exchange rate risk when purchasing solar cell and equipment from abroad for installation of solar rooftop with aim to prevent loss or gain from foreign exchange rate as it may result in profit inconsistency

Selling expenses decreased by Baht 1.42 million, compared to the previous quarter due to the reduction of bidding expenses. Nonetheless in Q3/2017, there will be the bidding for projects under management service because it is fiscal year period of the government agencies and the state enterprises which are the major customers of the group.

Administrative expenses increased by Baht 7.51 million, compared to the previous quarter, primarily due to the following reasons:

- In Q1/2017, the company could regain bad debt at a net amount of Baht 3.61 million, but in Q2/2017, no bad debt has been regained.
- In Q1/2017, accrued bonus of year 2016 amounted to Baht 1.59 million has been reduced because to the operating results had not been achieved the target, while there was no such transaction in Q2/2017.
- The company received withholding tax refund of the Year 2014 and 2015 in Q2/2017 but it incurred expenses of Baht 0.91 million. Even though such refund incurred some expenses, but it was beneficial to the group's overall liquidity and it could also save finance cost.
- Expenses on investments in 2 new subsidiaries; ETG Energy Company Limited (for participation in solar power plant phase 2) and Glow Trading and Service Company Limited (safety equipment trading business) amounted to Baht 0.61 million.
- Expenses for submission of application for participation in solar power plant phase 2 amounted to Baht 0.33 million.
- Expenses related to the listed company, i.e. expenses for arrangement of shareholders' meeting and preparation of annual report, amounted to Baht 0.32 million.

Finance costs decreased by Baht 4.18 million, compared to the previous quarter due to the decrease of interest of the existing businesses of Baht 6.38 million, while interest of solar energy increased by Baht 2.19 million. Repayment of long-term borrowings for solar energy will begin from July 2017, so interest of new business will be reduced from Q3/2017 onwards.

Income tax expense reduced by Baht 0.92 million, compared to previous quarter, which was in line with profit before tax.

The analysis of consolidated cash flows

Statement of cash flows for the six-month period ended 30 June

	Consolidated financial information		(Unit : Million Baht)	
	2017	2016	Change	
Profit before income tax	27.85	15.91	▲	11.95
Net cash used in operating activities	(121.69)	(59.26)	▼	(62.43)
Net cash (used in) provided by investing activities	(187.71)	18.28	▼	(205.99)
Net cash provided by financing activities	317.08	39.44	▲	277.64
Net increase (decrease) in cash and cash equivalents	7.67	(1.55)	▲	9.22
Opening balance of cash and cash equivalents	41.67	66.63	▼	(24.96)
Closing balance of cash and cash equivalents	49.34	65.09	▼	(15.74)
Cash and cash equivalents	83.23	94.51	▼	(11.28)
Bank overdrafts	(33.88)	(29.42)	▼	(4.46)
	49.34	65.09	▼	(15.74)

Cash and bank overdrafts of the group increased by Baht 7.67 million with main reasons as follows:

- Net cash flow used in operating activities was Baht 121.69 million and profit before income tax was Baht 27.85 million. At the same time, trade receivables have increased while trade payables have decreased, so it showed cash flow used in operating activities.

- Net cash flow used in investing activities was Baht 187.71 million. The group made payment to asset creditors of solar energy amounted to Baht 238.10 million, while restricted cash reduced by Baht 51.06 million.
- Net cash flow from financing activities was Baht 317.08 million, attributable to the following main reasons:
 - Cash from issuance of ordinary shares of Eastern Technical Engineering Public Company Limited Baht 570.08 million.
 - Drawdown of long-term borrowings of solar energy amounted to Baht 318.90 million.
 - Repayment of short-term borrowings at net amount Baht 553.15 million.
 - Dividend paid Baht 16.63 million.

The analysis of key financial ratios

Statement of financial position

	Consolidated financial information		(Unit : Million Baht)	
	30 June 2017	31 December 2016	Change	
Current assets	866.52	893.90	▼	(27.38)
Non-current assets	1,277.53	1,203.81	▲	73.72
Total assets	2,144.05	2,097.71	▲	46.34
Current liabilities	564.28	1,570.71	▼	(1,006.43)
Non-current liabilities	740.34	273.12	▲	467.22
Total liabilities	1,304.62	1,843.84	▼	(539.22)
Shareholders of the parent	835.68	253.19	▲	582.49
Non-controlling interests	3.76	0.68	▲	3.07
Total equity	839.43	253.87	▲	585.56
Current ratio (Times)	1.54	0.57	▲	0.97
Debt/Equity ratio (Times)	1.56	7.28	▼-	5.72

Liquidity ratio increased by 0.97 time, from 0.57 time to 1.54 times due to repayment of short-term borrowings to the financial institutions by using money gained from trading of its ordinary shares in the MAI stock exchange. Reduction of short-term borrowings was not only beneficial to liquidity ratio, but it also resulted in reduction of finance costs of existing businesses as well as amount of restricted cash.

Debt to equity ratio decreased by 5.72 times, from 7.28 times to 1.56 times due to the decrease of total liabilities from repayment of short-term borrowings to the financial institutions and the increase of equity from trading of its ordinary shares in the MAI stock exchange.

Statement of comprehensive income for the six-month period ended 30 June

	Consolidated financial information		(Unit : Million Baht)	
	2017	2016	Change	
Operating revenue	707.22	717.90	▼	(10.68)
Operating cost	596.69	621.42	▼	(24.73)
Gross profit	110.53	96.48	▲	14.05
Gross profit margin	15.63%	13.44%	▲	2.19%
Other income	3.80	1.99	▲	1.81
Selling expenses	2.13	3.04	▼	(0.91)
Administrative expenses	52.30	57.67	▼	(5.37)
Earnings before interest and tax	59.91	37.76	▲	22.15
EBIT margin	8.43%	5.24%	▲	3.18%
Finance costs	32.05	21.85	▲	10.20
Profit before income tax	27.85	15.91	▲	11.95
Income tax expense	1.92	2.75	▼	(0.83)
Total comprehensive income	25.93	13.15	▲	12.78
Shareholders of the parent	25.95	13.11	▲	12.84
Non-controlling interests	(0.02)	0.04	▼	(0.06)
Net profit margin	3.65%	1.82%	▲	1.83%

Gross profit margin increased from 13.44% to 15.63% due to recognition of operating results of solar energy, which has higher gross profit margin than the existing businesses.

EBIT margin increased from 5.24% to 8.43% due to the increase of gross profit margin and other income and the decrease of selling and administrative expenses.

Net profit margin increased from 1.82% to 3.65%. Even though the group's finance costs has increased due to investment in new businesses, but when considering at new business only, profit still increased, so it led to an increase of net profit margin.

Statement of comprehensive income for the three-month period (compared with the prior quarter)

	Consolidated financial information		(Unit : Million Baht)	
	Quarter 2, 2017	Quarter 1, 2017	Change	
Operating revenue	355.86	351.36	▲	4.49
Operating cost	302.81	293.88	▲	8.93
Gross profit	53.05	57.49	▼	(4.44)
Gross profit margin	14.91%	16.36%	▼	-1.45%
Other income	0.29	3.51	▼	(3.22)
Selling expenses	0.35	1.78	▼	(1.42)
Administrative expenses	29.90	22.39	▲	7.51
Earnings before interest and tax	23.08	36.83	▼	(13.75)
EBIT margin	6.48%	10.38%	▼	-3.90%
Finance costs	13.94	18.11	▼	(4.18)
Profit before income tax	9.14	18.71	▼	(9.57)
Income tax expense	0.50	1.42	▼	(0.92)
Total comprehensive income	8.64	17.29	▼	(8.65)
Shareholders of the parent	8.72	17.23	▼	(8.50)
Non-controlling interests	(0.08)	0.06	▼	(0.15)
Net profit margin	2.43%	4.87%	▼	-2.45%

Gross profit margin decreased from 16.36% to 14.91% because during Q1/2017, some project under the telecommunication engineering has been closed, so profit margin was slightly higher than the other period.

EBIT margin decreased from 10.38% to 6.48% because gross profit margin and other income have decreased while administrative expenses have increased.

Net profit margin decreased from 4.87% to 2.43%. Though the group's finance costs have increased due to investment in new business but overall value of finance costs has reduced when compared to the previous quarter. In addition, obtaining tax benefits and privileges from BOI certificate can help maintaining the group's net profit margin.