

The Capital Engineering Network Public Company Limited
Management's Discussion and Analysis for Quarter 1 Year 2022

Business Overview

Capital Engineering Network Public Company Limited or "**CEN**" operates a business as Holding Company which focuses on investment in holding shares in other companies, currently has various business groups which is a subsidiary and in January 2022, **Capital Digital Network Company Limited** or "**CDN**" was established to focus on investments in businesses related to digital assets.

CEN resolved approval of the share repurchase program (Treasury Stock) started on January 25, 2022, and end on July 24, 2022. The number of shares to be repurchased do not exceed 59,171,597 shares with a par value of 1.00 baht per share or 7.94% of issued shares. As of March 31, 2022, the company had the number of shares repurchased amounting to 425,300 shares (as 0.06% of paid-up share) with total value of share repurchased of 1.62 million baht. Retained earnings were allocated as a reserve for treasury shares in the same amount.

Sky Tower Public Company Limited or "**STOWER**" operates a business of manufacturing and distributing of high-voltage tower, general fabrication, substation structures and also as a designer and manufacturer and rental of telecommunication towers to for all mobile operator network providers. [Ultra Asia Company Limited, a subsidiary of STOWER, purchased ordinary shares of QROI Network Service Inc. \("QNSI"\), Philippines which operates the business of providing services in the installing and testing of mobile network equipment and telecommunication towers in the Philippines](#) on February 28, 2022. Ultra Asia purchased 67.00% of the total issued and paid-up shares of QNSI, amounting to 3.84 million USD or approximately 126 million baht. This is a change of the telecommunication tower service business plan in the Philippines, which STOWER recognized as the consolidated statement of comprehensive income for the 3 month period ended March 31, 2022 starting February 28, 2022 (recognized 1 month), income from QNSI amounted to 33.12 million baht and profit of 3.73 million baht. If it's recognized for 3 months, it will recognize revenue of 105.09 million baht and profit of 16.13 million baht. In the next quarter, STOWER will proportionally recognize QNSI's performance.

STOWER has allocated newly issued shares for Private Placement of 639.75 million shares on March 7, 2022 with a par value of 0.10 baht per share, an offering price of 0.10 baht per share, total value of 63.97 million baht. The company registered the change of paid-up registered capital from the amount of 2,632.98 million baht to the amount of 2,696.95 million baht at the Department of Business Development, Ministry of Commerce on March 9, 2022.

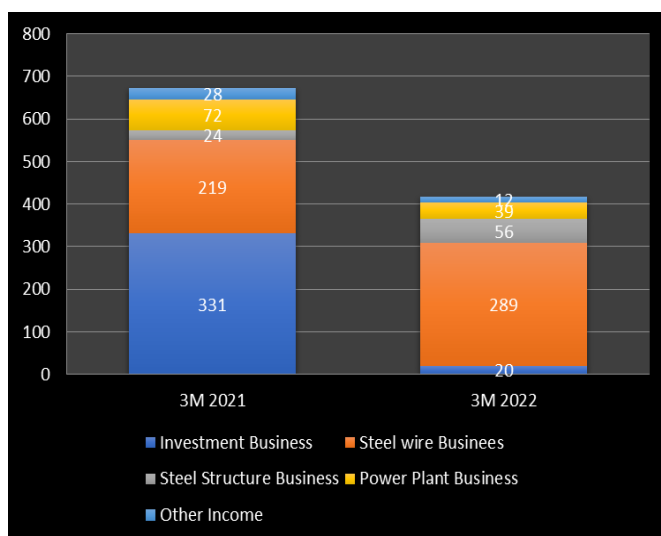
For the first 3-month period of year 2022, the group of company had net loss amounted to 21.14 million baht, a decrease of 270.02 million baht or 109%. The group of company had [a loss of 9.45 million baht, a decrease of 177% or 34.98 million baht](#), compared with the same period of year 2021, as a result of year 2022, **Rayong Wire Industry Public Company Limited** or “RWI”, [had product price increased considerably. It has continuously increased by the sales volume same as in the quarter 1 of 2021, resulting in profit from production and sale of goods](#) and recognize loss on fair value measurement of securities and gain on sale of investments and assets. In addition, there was a shutdown of the production and distribution of electricity and thermal energy of **Enesol Company Limited** or “ENESOL” in mid-February to stop losses from fluctuation of gas prices, which incurred a cost increase of more than 50% as a result of the war in abroad. [For the performance, the group’s result grew steadily after the group adjusted the business strategy plan.](#)

Capital Engineering Network Public Company Limited, and subsidiaries (Called “Group of Company”) operates as a holding company, manufacturing and distributing engineering and construction materials, high voltage transmission towers and substations. For the 3 month period from January 1, 2022 - March 31, 2022, the group's [profit from the operation amounted to 4.34 million baht](#), and recognized the value of loss in the Fair Value of Financial Assets of 25.48 million baht, resulted to [net loss of 21.14 million baht](#), an decrease of 270.02 million baht, compared to the year 2021 which had a profit of 248.88 million baht. The loss attributable to the sole company in this quarter was 2.04 million baht with [recognized earnings per share of 0.003 baht per share. For a separate financial statements of CEN, CEN has net profit of 48.59 million baht or equal to net profit per share of 0.065 baht, summarized as follow:](#)

Performance Results Overview Quarter 1/2022

Consolidated Financial Statement	3M 2022	3M 2021	+ (-)	
			YoY	%
Revenue of Sales and Services	384.38	314.55	69.83	22%
Cost of Goods Sold	(393.83)	(289.02)	104.81	36%
Gross Profit	(9.45)	25.53	(34.98)	(137%)
Other Income	12.07	27.84	(15.77)	(57%)
Profit of measured at fair value	20.42	325.61	(305.19)	(94%)
Administrative Expensed	(35.71)	(34.44)	(0.73)	(2%)
Operating Profit	(12.13)	344.54	(377.81)	(110%)
Financial Cost	(3.99)	(4.76)	(0.77)	(16%)
Income Taxes	(5.02)	(90.90)	(85.88)	(94%)
Net Profit	(21.14)	248.88	(270.02)	(109%)
Profit (loss) attributable to equity holders of the company	(2.04)	225.63	(227.67)	(101%)
Profit (loss) attributable of Non-Control	(19.10)	23.25	(42.35)	(182%)
Profit (loss) per share	(0.003)	0.303	(0.300)	(99%)
Net Profit (loss) Margin	(5.07%)	37.00%		

Total Revenue by Type of Business Group



The Revenue by Type of Business Unit,

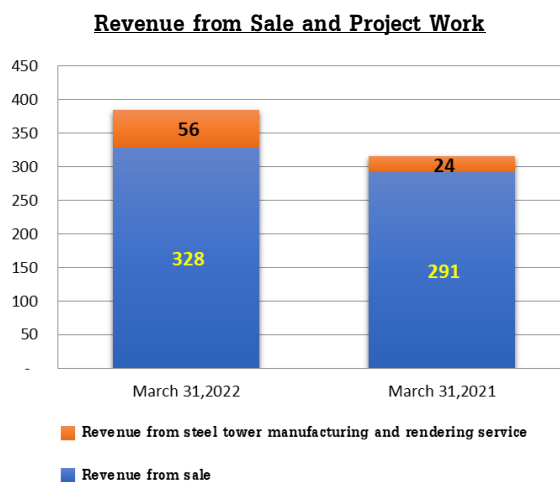
For the 3 month period ended 31 March 2022 and 2021

The group of company has revenue by type of business unit and other income of the 3 month period of the year 2022 amounted to 412 million baht, an decrease of 256 million baht or 38% compared to the year 2021, with total revenue of 673 million baht, This results from revenue from investment in other companies with decrease revenue from adjusting the fair value 94% and in this quarter, the electricity business group used fuel from natural gas power was affected by the war conditions that resulted in fluctuation of gas prices, causing a temporary shutdown and this events affected the state of the economy and the domestic index.

The performance result of the 3 month period ended 31 March 2022

The performance result of the 3 month period ended 31 March 2022 had a loss of 21.14 million baht comprising profit of 4.34 million baht from operation and loss from fair value adjustment of financial assets of 25.48 million baht, compared to the previous year. For the year 2021, the group of company had a lower performance than the previous year with a loss from operating and fair value measurement of financial assets in the amount of 330.23 million baht.

Revenue



➤ **Revenue from Sales**

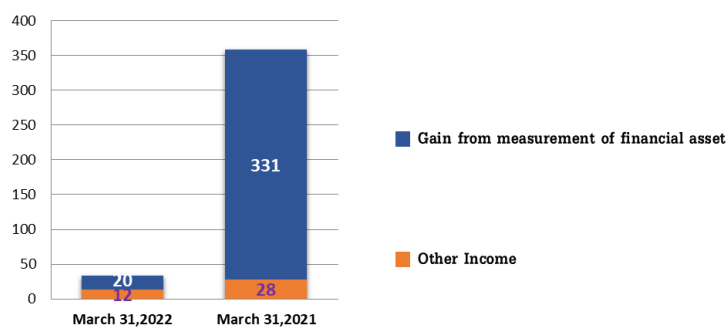
The revenue from sale of steel wires was 32.18% higher than the previous year, sales revenue increased by 70.31 million baht. This was partly due to the fact that product price increased considerably and has been continuously adjusted by the sales volume is still similar to the quarter 1 of 2021.

The revenue from sale of electricity and thermal energy of 2 power plants that use gas as fuel are affected by the war, causing the natural gas prices to rise by more than 50%, resulting in a loss of cash flow from operations to supply electricity and energy under contract. This was the reason for the temporary shutdown from February 15, 2022, resulting in this quarter only half of revenue being recognized.

➤ **Revenue from Project Work and Service**

The revenue from project work and services of telecommunication station rental abroad increased by 58.22% from the previous year. The revenue increased by 33 million baht, due to the business [unit starting to recognize income from telecommunication station rental business abroad continuously from 2021](#) and will gradually recognize revenues in the future. And on February 28, 2022, Ultra Asia Company Limited, a subsidiary of STOWER, purchased ordinary shares of QROI Network Service Inc. (“QNSI”) from the existing shareholders of QNSI representing 67%, resulting the group of company unit started to recognize income in March 2022 from QNSI amounted to 33.12 million baht and realized a profit of 3.73 million baht as part of the financial statements of this quarter and will be recognized income every month in the next quarter. Revenue from telecommunication tower production and government projects in the country which it is the production of substation structures and selling industrial products. amounting to 21.45 million baht

non-recurring income



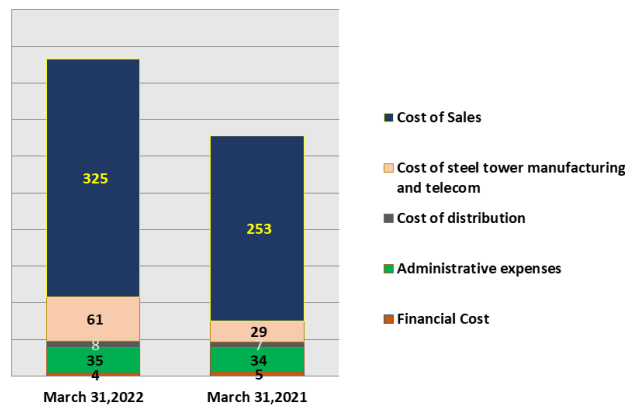
➤ **Gain from Measurement at Fair Value of Financial Assets**

In the quarter 1 of year 2022, Recognized profit increased by 45.90 million baht from unrealized gains of 25 million, is to adjust the fair value of the securities in the market demand for trading.

➤ **Other Income**

Other revenue are income from raw material scrap sales, profit from sublease, an interest income and the sale of unusable machinery.

Expenses



For the 3 month period ended 31 March 2022, the group of company had total expenses amounted to 432.99 million baht, increased by 104.77 million baht or 31.92% from the year 2021, which has total expenses of 328.22 million baht

➤ **Cost of Goods Sold and Cost of Distribution**

The cost of goods sold amounted to 324.93 million baht, increased by 71.91 million baht or 28.42% as compared to the previous year, of 253.02 million baht, due to the natural gas prices increase from the previous year of the power plant with steel wires business had the cost of sales varied according to the increased sales volume. The improved management resulted in cost increase only by 8.58% from the better management of raw material to control of logistic stock under the condition that the world steel market has continued to rise and controlling the cost of distribution to be within the framework as well

➤ **Cost of Project and Service**

The cost of project work and services amounted to 60.80 million baht, increased by 32.26 million baht or 113% as compared to the same of the previous year of 28.54 million baht The cost of project in the financial statements are higher than project revenues, which is caused by recording the cost of all expenses in the production plant, totally is the cost of revenue from actual production projects.

➤ **Administrative Expenses**

The administrative expenses amounted to 35.17 million baht, increased by 0.73 million baht or 2.12%. As compared to the same period of the previous year these expenses amounted to 34.44 million baht. The main reason was that the subsidiaries had the expenses to develop business in abroad and the income from some main business activities decreased as the management is the same as in the previous year.

➤ **Financial Cost**

Mostly the financial cost, is an interest paid on loans, amounting to 3.99 million baht, **decreased** by 0.77 million baht or **16.18%** as compared to the year of 2021. This was caused by **STOWER repaying the debt**.

Financial Position

Statement of Financial Position	March 31, 2022	%	March 31, 2021	%	Increased (Decreased)	%
Current Assets	2,732.52	65%	2,587.80	65%	144.72	6%
Non-Current Assets	1,460.00	35%	1,416.93	35%	43.07	3%
Total Assets	4,192.52	100%	4,004.73	100%	187.79	5%
Current Liabilities	449.56	11%	422.17	11%	27.39	6%
Non-Current Liabilities	415.13	10%	414.23	10%	0.90	0%
Total Current Liabilities	864.69	21%	836.40	21%	28.29	3%
Shareholders' Equity of Company	2,170.46	52%	2,123.13	53%	47.33	2%
Shareholders' Equity of NC	1,157.37	27%	1,045.20	26%	112.17	11%
Total Shareholders' Equity	3,327.83	79%	3,168.33	79%	159.50	5%
Total Liabilities and Shareholders' Equity	4,192.52	100%	4,004.73	100%	187.79	5%

➤ **Asset**

As of March 31, 2022 the group had total assets equal to **4,192.52 million baht, an increase of 187.79 million baht or 5%**. Total assets increased from **received money in advance from the final exercise of warrants with the last maturity of RWI-W2 in the first week at January 2022**, account receivable more than previous year of 95 million baht, raw material and inventory of finished goods to prepare for delivery to customers and the assets resulting from the contract from the telecommunication tower service business that the subsidiary invested in QNSI and **recognized in goodwill from subsidiary acquisition** amounted to 46.57 million baht.

➤ **Liabilities**

As of March 31, 2022, the group had total debt of **864.68 million baht or 3%**, due to the subsidiary receiving a higher credit line from the financial institution to produce and sell more products. prepare products for delivery, increasing customer demand and income tax liabilities from operating profit and profit from measuring the fair value of financial assets and profits from the sale of investments. This showed that the group was able to better manage assets.

➤ **Shareholders' Equity**

As of March 31, 2022, the company has shareholders' equity of **3,327.83 million baht, an increase of 159.05 million baht or 5%**, as compared to December 31, 2021, amounted to 3,168.33 million baht, due to surplus from the change, in shareholding proportions in the subsidiaries, which in this quarter, the company had share repurchase program (Treasury Stock) of 425,300 shares or 1.62 million baht and recognize the loss from operating amount of 2.04 million baht.

Financial Ratio

	Q1-2022	Y2021	Q1-2021
Current Ratio	6.08	6.13	4.48
Debt to equity Ratio (D/E Ratio)	0.26	0.26	0.39
Return on Asset (ROA)	(0.05%)	8.70%	7.54%
Return on Equity (ROE)	(0.09%)	16.41%	12.31%
Book Value per Share	2.91	2.85	2.46

As of March 31, 2022, the group of company has current ratio of 6.08 times, an increase of 1.60 times, compared to the same period of the year 2021.

The debt to equity ratio equal to 0.26 times, decreased by 0.13 times, as compared to the same previous year 2021 and when compare in the year 2021, it shows that the group of company was able to manage assets well.

The return on assets was (0.05%) and return on equity was (0.09%), both decreased as compared to the year of 2021 as a result of the group of company recognizing a loss on fair valuation, resulting in a different utilization of assets and shareholders' equity from the previous year.

As of December 31, 2021, the net assets value of the group of company is 2.91 baht per share, as compared to the previous year 2021. This increase showed that the group of company has better managed the business to create higher additional value for shareholders.

Best Regards

- Chirdsak Kukiattinun -
(Mr. Chirdsak Kukiattinun)
Chief Executive Officer