

The Capital Engineering Network Public Company Limited
Management's Discussion and Analysis for Quarter 2 Year 2022

Business Overview

Capital Engineering Network Public Company Limited or “**CEN**” resolved approval of the share repurchase program (Treasury Stock) started on 25 January 2022 and ended on 24 July 2022. The number of shares to be repurchased does not exceed 59,171,597 shares with a par value of THB 1.00 per share (7.94% of issued and paid-up shares). As of 30 June 2022, the company had the number of shares repurchased amounted to 11,225,700 shares (1.51% of total paid-up shares) with the total value of shares repurchased amounting to THB 35.15 million. 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 towers, general fabrication, substation structures and also as a designer and manufacturer and rental of telecommunication towers for all mobile operator network providers. [STOWER had the resolution to approve an allocation and offered newly issued ordinary shares from the Annual General Meeting of Shareholders to the existing shareholders on rights offering basis \(Right Offering\)](#) amounted to 17,979,717,949 shares, at the allotment ratio of 1.50 existing share to 1 new ordinary share, with subscription price THB 0.05 per share. The date for the subscription and payment was on 23 May 2022 to 10 June 2022, with the number of shares sold were 10,001,929,804 shares, or THB 500.10 million, for investment in the rental of telecommunication towers for all mobile operator network providers project in the Philippines, and for investment in related to electric business and telecommunication for both domestic and international.

The group of companies' overview performance

In 1H/2022, net loss was THB 35.42 million, decreased by THB 404.16 million (-110%), and gross profit was THB 6.13 million, decreased by THB 47.52 million (-89%), compared to 1H/2021, **as Rayong Wire Industries Public Company Limited** or “**RWI**” **had revenue of continuous and significant increased from steel prices in 2022, with a sales volume close to last year's, result to gain profit from the production and product sales.** Besides, loss in fair value measurement of assets and gain profit of invested capital and assets sales were recognized. In addition, the production machinery, and distribution of electricity and thermal energy of **Enesol Company Limited** or “**ENESOL**” were shut down from mid-February this year and re-operation 1 power plant in the end-May 2022, to stop losses from gas price fluctuations, which incurred a cost increase of more than 50%, as a result of the foreign war. **In this quarter, the group of companies' performance results grew steadily after the group adjusted the business strategy plan.**

In Q2/2022, Capital Engineering Network Public Company Limited and its subsidiaries (called “the group of companies”) reported loss from operation of only THB 3.10 million, and loss of fair value adjustment in financial assets was recognized of THB 11.19 million, result to net loss amounted to THB 14.28 million, decreased by THB 134.15 million, compared to THB 119.87 million in 2021, which recognized the company's profit amounted to THB 1.37 million and earning per shares (EPS) of THB 0.002 per share. In addition, the net profit of specific business financial statements amounted to THB 55.64 million, and net EPS was THB 0.075 per share, as follows:

Performance Results Overview Quarter 2/2022

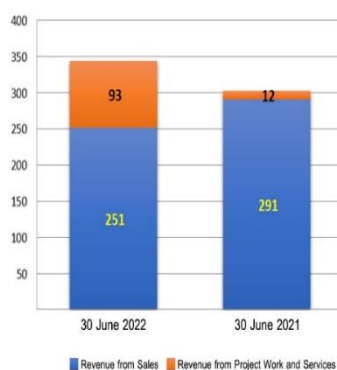
Consolidate Financial Statement (Audited)	3M (1.4.2022 - 30.6.2022)				6M (1.1.2022 - 30.6.2022)			
	Q2-22	Q2-21	QoQ	%	Q2-22	Q2-21	QoQ	%
Revenue of Sales and Services	343.81	302.61	41.20	14	728.19	617.16	111.03	18
Cost of Sales and Service	(328.23)	(274.49)	(53.75)	20	(722.06)	(563.51)	(158.55)	28
Gross Profit	15.58	28.12	(12.55)	45	6.13	53.65	(47.52)	(89)
Other Income	4.80	16.69	(11.89)	(71)	16.86	43.42	(26.56)	(61)
			(141.58)	94			(447.88)	(94)
Investment Income and Financial Assets	9.55	151.13			29.97	477.85		
Administrative Expensed	(45.60)	(42.79)	(2.81)	7	(80.77)	(77.23)	(3.54)	5
Profit (Loss) from operation	(15.67)	153.15	(144.39)	94	(27.81)	497.69	(451.42)	91
Finance Cost	(6.84)	(4.43)	(2.41)	54	(10.83)	(9.19)	(1.64)	18
Income Tax	8.23	(28.86)	37.09	(129)	3.22	(119.76)	122.98	(103)
Net Profit (Loss)	(14.28)	119.86	(134.15)	112	(35.42)	368.74	(404.16)	110
Profit (Loss) attributable of the Company	1.37	78.51	(77.14)		(0.67)	304.15		
Profit (Loss) attributable of Non-Control	(15.65)	41.35	(57.01)		(34.75)	64.59		
Profit (Loss) per share	0.002	0.11			(0.001)	0.41		
Net Profit (Loss) Margin	(3.99%)	25.48%			(4.57%)	32.26%		

Performance Results Quarter 2/2022 ended on 30 June 2022

As of end Q2/2022, the loss was THB 14.28 million, mainly due to loss from operation of THB 3.10 million, and THB 11.19 million from fair value adjustment of financial assets, compared to last year. In 2021, the turnover was reduced from the year before. As the profit recognition of investment sales in associated companies and sales of financial assets amounted to THB 151.13 million.

Revenue

➤ Revenue from sales



The revenue from sales of steel wires was higher than the previous year, and revenue from product sales increased by THB 8.74 million, as a result of the continuous and significant increase in steel prices with a sales volume close to Q2/2021.

The revenue from electricity and thermal energy sales of 2 power plants, which use natural gas as fuel were affected by the war, resulting in the machine's temporary shutdown from 15 February 2022, as a result of the reduction of natural gas price

fluctuations, therefore re-operation 1 power plant of electricity and thermal energy started on 23 May 2022, result to only half of the revenue being recognized in this quarter.

➤ **Revenue from Project Work and Service**

The total revenue from sales and services amounted to THB 92.81 million, increased by THB 81.01 million (+686.53%), compared to Q2/2021, mainly due to the telecommunication services providing in the Philippines, which was THB 72.57 million (76.25%), of revenue from sales and services. In addition, the revenue from the manufacturing of electrical substations structures (Substation) and domestic telecommunication towers amounted to THB 20.24 million, along with the revenue from selling industrial products was THB 2.36 million.

The significant growth of revenue from sales and services was due to the revenue recognition of QROI Network Service Inc. (“QNSI”), Philippines. Whereas, the domestic project works’ revenue rose slightly, due to the relaxation of COVID-19 pandemic and expectations to continue recovery. As a result of the postponement of large high-voltage transmission towers’ installation by the Electricity Generating Authority of Thailand (EGAT), the bidding will be reopened in 2H/2022.

➤ **Profit of Financial Assets Fair Value Measurement**

The fair value measurement of financial assets was THB 20.73 million, and recognize unrealized losses from an adjustment of fair value in other current financial assets amounted to THB 11.19 million, which the adjustment of assets’ fair value was for market demand trading.

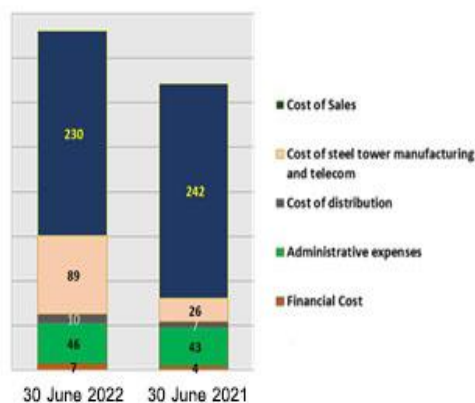
➤ **Other Income**

As part of other income were from raw material scrap sales, profit from sublease, and interest income.

Expenses

The total expenses from the group of companies were THB 380.67 million, increased by THB 58.97 million (+18.33%), compared to THB 321.70 million, in Q2/2022.

➤ **Cost of Sales and Project Work**



The cost of product sales and services was THB 328.23 million, increased by THB 53.75 million (+19.58%), compared to THB 274.48 million in Q2/2021, as a result of increased natural gas prices from the power plant business group last year, and the significant increase in global raw material prices from steel wires business group. Therefore, the company focuses on management, appropriately controlling and concisely raw materials in order not to over-stock and to reduce the risk from raw materials price fluctuations. In addition, the telecommunication business group has improved cost

management well. In Q2/2022, distributions cost only increased by 50.15%, which from the gradual domestic and international telecommunication delivery. The company still manages logistic costs well when compare between revenue from sales, project work including services, and distribution costs.

➤ Administrative Expenses

The administrative expenses were THB 45.60 million, **increased** by THB 2.81 million (**+6.57%**), compared to THB 42.79 million in Q2/2021, due to the subsidiaries' expenses in developing business overseas and the company added more subsidiaries. Furthermore, the company has optimized and reduced unnecessary expenses, with the same strategy as last year.

➤ Financial Cost

Mostly the financial cost was interest paid on loans, which amounted to THB 6.84 million, increased by THB 2.41 million (**+54.40%**), compared to Q2/2022, as a result of obtaining a greater amount of credit from financial institutions.

Financial Position

Statement of Financial Position	30 June 2022	%	31 Dec 2021	%	Increased (Decreased)	%
Current Assets	2,686.50	64%	2,587.80	65%	98.70	4%
Non-Current Assets	1,522.28	36%	1,416.93	35%	105.35	7%
Total Assets	4,208.78	100%	4,004.73	100%	204.05	5%
Current Liabilities	450.89	11%	422.17	11%	28.72	7%
Non-Current Liabilities	400.86	9%	414.23	10%	(13.37)	(3%)
Total Liabilities	851.75	20%	836.40	21%	15.35	2%
<i>Shareholders' Equity of Company</i>	<i>2,001.80</i>	<i>48%</i>	<i>2,123.13</i>	<i>53%</i>	<i>(121.33)</i>	<i>(6%)</i>
Shareholders' Equity of NC	1,355.23	32%	1,045.20	26%	310.03	30%
Total Shareholders' Equity	3,357.03	80%	3,168.33	79%	188.70	6%
Total Liabilities and Shareholders' Equity	4,208.78	100%	4,004.73	100%	204.05	5%

➤ Asset

As of 30 June 2022, the group of companies' total assets amounted to **THB 4,208.78 million, increased by THB 204.05 million (+5%)**, compared to an increase in total assets of account receivable amounted to THB 41 million in 2021, as an increased production capacity for preparing products to customer was increased by THB 103 million and the assets resulting from the contract from the telecommunication tower service business that the subsidiary invested in QNSI and **recognized in goodwill from investment value** amounted to THB 46.57 million.

➤ Liabilities

As of 30 June 2022, the group of companies' total liabilities amounted to **THB 851.75 million (+2%)**, due to the subsidiaries receiving a higher credit line from the financial institution and trade payable for preparing products according to increasing customer demand, compared to increasing total assets. This showed that the group of companies' assets management was much better.

➤ Shareholders' Equity

As of 30 June 2022, the Shareholders' equity of company was **THB 3,357.03 million, increased by THB 188.70 million (+6%)**, compared to THB 3,168.33 million on 31 December 2021, due to the revaluation surplus of proportions in the subsidiaries, which the company had share repurchase program (Treasury Stock) of 11,225,700 shares or THB 35.15 million in this quarter.

Financial Ratio

Financial Ratio Highlights	Q2-2022	Y2021	Q2-2021
Current Ratio	5.96	6.13	6.02
Debt to equity Ratio (D/E Ratio)	0.25	0.26	0.32
Return on Assets (ROA)	0.03%	8.70%	2.28%
Return on Equity (ROE)	0.09%	16.41%	4.05%
Book Value Per Share	2.70	2.85	2.60

As of 30 June 2022, the group of companies' current ratio of 5.96x, decreased by 0.04x, compared to Q2/2021.

The D/E total ratio was 0.25x, decreased by 0.08x, compared to Q2/2021, and equal to 2021, which showed liabilities' well management from the group of companies.

The ROA was 0.03% and ROE was (0.09%), decreased when compared to 2021, as a result of the group of companies recognized loss of fair value assessment, resulting in a different utilization of assets and shareholders' equity from the previous year.

The book value per share of the company was THB 2.70 per share, compared to 31 December 2021, which showed that the company was affected by the economic condition and the global war.

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