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The Capital Engineering Network Public Company Limited

Management's Discussion and Analysis for second quarter of Year 2023

The group of company overview

Overview of the business group for the second quarter of Year 2023, Capital Engineering Network Public Company Limited, the company and its subsidiaries (collectively referred to as the "the Group").

The deceleration of the global economy, elevated commodity prices, escalating interest rates, and the appreciating strength of the Baht are all risks to both the global and Thai economies in 2023, while opportunities for the Thai economy are from favorable prospects emanating from the domains of tourism and foreign investment. Furthermore, the Thai capital market has experienced a slowdown in investor confidence, which has resulted in the company's use of financial instruments to help reduce liquidity and a substantial number of financial institutions have postponed their assessment of monetary limits, concurrently implementing upward adjustments to interest rates.

During the present quarter, on April 14, 2023, the Company signed a consortium agreement, under the conditions of additional investment, the company has a 50% stake: the Co-Investor has a 50% stake of the remaining shares. Furthermore, on April 27, 2023, a Consortium named PROSPERA ALLIANCE PTE. LTD ("Prospera") was duly established, thereby acquiring the status of an "Associated Company" of the Company.

Prospera employs financial advisors and legal advisors to comply with relevant regulations of the Singapore Stock Exchange. Prospera has submitted a letter of intent and readiness to become a Potential Offeror, as announced on the Stock Exchange of Thailand (SET) on July 14, 2023. Presently, the Company is examining supplementary investment data pertinent to ASTI, encompassing the initiation of an application to Singapore's regulatory authorities. Including applications to Singapore's regulatory authorities concerning decisions relating to the Singapore Acquisition and Merger Code.

Currently, the Company has employed specialized professional services to undertake a comprehensive verification of its financial standing, as well as a meticulous examination of diverse contractual regulations impacting both internal and external stakeholders, in order to identify potential obligations that could have an impact on its operational activities. Moreover, the Company has employed a Financial Advisor in Singapore to obtain information for further investment decisions.

Sky Tower Public Company Limited or "**STOWER**" changed the par value of its shares by combining the par value (Reverse Stock Split) from THB 0.10 per share to THB 1.00 per share. The number of registered shares before the par value change was 36,972,514,000 shares after the par value change was 3,697,251,400 shares.

Overview of the Group Performance in the Second Quarter of 2023 for Capital Engineering Network Public Company Limited, the Company and its subsidiary (entities collectively referred to as "the Group".) have the group's operating results for a period of 3 months from April 1, 2023 to June 30, 2023, **with an operating loss of THB 80.15 million**. And recognized a loss from fair value adjustment of financial assets of THB 49.78 million, **resulting in a net loss of THB 129.93 million**, a decrease of THB 115.65 million compared to the loss of THB 14.28 million in 2022. **The Company recognized a loss of THB 76.55 million** and **a loss per share of THB 0.103 per share**. The separate financial statements recorded a net loss of THB 37.68 million or a net

loss per share of THB 0.051 per share as follows:

Overview of the performance in the second Quarter of 2023

Consolidate Financial Statement (Audited)	3M (1.4.2023 -30.6.2023)				6M (1.1.2023 – 30.6.2023)			
	Q2-23	Q2-22	QoQ	%	Q2-23	Q2-22	QoQ	%
Revenue of Sales and Services	309.81	343.81	(34.00)	(9.89)	653.41	728.19	(74.78)	(10.27)
Cost of sales and Services	(323.18)	(318.47)	(4.71)	(1.48)	(659.66)	(704.19)	(44.53)	(6.32)
Gross Profit (Loss)	(13.37)	25.34	(38.71)	(152.76)	(6.25)	24.00	(30.25)	(126.04)
Distribution cost	(9.38)	(9.76)	0.38	3.89	(18.34)	(17.87)	(0.47)	(2.63)
Administrative Expensed	(57.14)	(45.59)	(11.55)	(25.33)	(109.14)	(80.77)	(28.37)	(35.12)
Investment Income and Financial Assets	(49.94)	9.55	(59.49)	(622.93)	16.64	29.97	(13.33)	(44.48)
Other Income	11.47	4.80	6.67	138.96	19.40	16.86	2.54	15.07
Profit (Loss) from operation	(118.36)	(15.66)	(102.70)	(655.81)	(97.69)	(27.81)	(69.88)	(251.28)
Share of loss from investment in associates	(1.52)	-	(1.52)	(100)	(1.52)	-	(1.52)	(100)
Finance cost	(6.55)	(6.84)	0.29	4.24	(9.90)	(10.83)	0.93	(8.59)
Income Tax	(3.49)	8.23	(11.72)	(142.41)	(0.43)	3.22	(3.65)	(133.35)
Net Profit (Loss)	(129.92)	(14.27)	(115.65)	(810.44)	(109.54)	(35.42)	(74.12)	(209.26)
Profit (Loss) attributable of the Company	(76.55)	1.37	(77.92)		(46.44)	(0.67)	(45.77)	
Profit (Loss) attributable of Non-Control	(53.37)	(15.64)	(37.73)		(63.10)	(34.75)	(28.35)	
Net Profit (Loss) Margin	(40.44%)	(3.98%)			(15.89%)	(4.57%)		

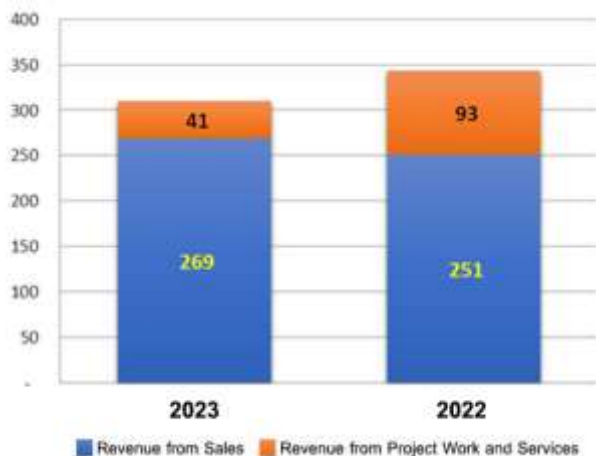
Operational Performance for the Second Quarter Ending on June 30, 2023

Operational Performance for the Second Quarter Ending on June 30, 2023, showed a loss of THB 129.92 million from an operational performance loss of THB 80.15 million and a loss from fair value adjustment of financial assets of THB 49.78 million compared to last year's performance. In 2023, the operating result was lower than the previous year's gain on investment sales and profit on financial assets sales of THB 9.55 million.

Revenue

➤ **Revenue from sales**

The revenue from sales of steel wires was decreased from the same period of last year, and revenue from product sales decreased by THB 22.35 million. This outcome was attributed to the persistent downtrend in steel wire product prices since the commencement of 2022, coupled with price stability experienced in Q2/2023. Simultaneously, the sales volumes during both Q2/2022 and Q2/2023 exhibited a proximity to each other. The revenue derived from the sale of electricity and thermal energy from two gas-fired power plants has been adjusted to business strategy, contract restructuring and revenue calculation method by adjusting the gas price reference



formula, resulting in higher operating performance in the second quarter.

➤ **Revenue from Project Works and Services**

The Company's subsidiary consolidated sales and service income was THB 43.11 million, of which THB 25.24 million (58.53%) was derived from domestic businesses and the revenue from telecommunications business in the Philippines amounted to THB 17.88 million (41.47%) of total revenue. Businesses with substantial growth potential encompass the domestic Hot-Dip Galvanizing Service enterprise, the Telecommunications Tower Rental venture, as well as the Tower

Audit services business operating within the Philippines.

Regarding government projects in Thailand, the Company has received purchase orders for the projects of high-voltage transmission towers and substations structure of the Electricity Generating Authority of Thailand (EGAT) during the second quarter, combining with an anticipation of receiving additional orders in the third quarter, totaling more than THB 200 million. Additionally, there are upcoming project auctions scheduled for the rest of 2023 in which the Company expects to be awarded in certain projects. This will enable the Company to deliver and recognize more revenue from government projects from the fourth quarter onwards. Skytowers Infra Inc., a subsidiary of the Philippines, recognized 37 telecommunication tower rental stations in the quarter, increasing its revenue by 210.40%, which will increase the company's recurring income. Moreover, QROI Network Services Inc. (QNSI), a subsidiary situated in the Philippines, has initiated the recognition of revenue stemming from novel services such as Tower Audit and Site Operations & Maintenance. Which is anticipated to emerge as a significant source of fresh revenue for the company, in addition to its established operations in telecommunications tower mobile device installation and testing business.

➤ **Differences from fair value measurement of financial assets**

Recording unrealized losses of THB 49.94 million stemming from changing in the fair value of other circulating fund assets, with the intention of aligning the fair value of securities with prevailing market conditions for trading purposes. Furthermore, the Company did not exercise such convertible rights of the warrants (STOWER-W3) reached their expiration date on June 10, 2023.

➤ **Other Income**

As part of other income was from raw material scrap sales, sublease income and interest receivable.

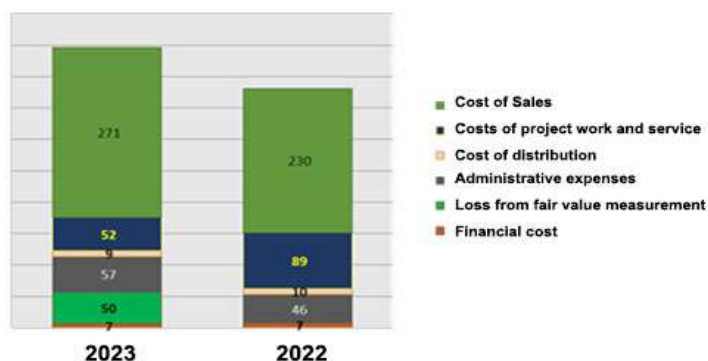
Expenses

The total expenses from the group were THB 446.20 million, increased by THB 65.53 million (17.21%), compared to the same period THB 380.67 million, in 2022.

➤ **Cost of Sales and Project Works**

The cost of product sales and services was THB 323.18 million, increased by THB 4.71 million (1.48%), compared to THB 318.47 million the same period of last year due to the lower cost of sales as a result of the price increase in natural gas from last year of the power plant business group and the steel wire business group experienced an escalation in selling costs primarily attributed to a slight upturn in raw material prices during Q2/2023. Furthermore, during Q2/2023, the allowance for losses from goods prices was set lower than the cost of goods sold. In addition, these allowances are part of the cost of sales and telecommunications businesses. There is also a Cost of Idle

Capacity and the company plans to increase revenue generation channels and increase capacity utilization along with reduction of expenses, which are expected to improve gross profitability.



➤ Administrative Expenses

The administrative expenses THB of 57.14 million **increased** by THB 11.55 million (**25.33%**) compared to THB 45.59 million in the same period last year. Operating expenses across subsidiaries registered an increase and ROU improved.

➤ Financial Cost

The majority of the financial costs were from interest paid on loans, amounting to THB 6.55 million, decreased of THB 0.29 million (**4.24%**) compared to the same period in 2022, due to loan adjustments from financial institutions.

Financial Position

Statement of Financial Position	30June 2023	%	31Dec 2022	%	Increased (Decreased)	%
Current Assets	2,099.22	55%	1,846.94	54%	252.28	13.66
Non-Current Assets	1,603.84	45%	1,544.24	46%	59.60	3.86
Total Assets	3,703.06	100%	3,391.18	100%	311.88	9.20
Current Liabilities	516.39	5%	186.74	6%	329.65	176.53
Non-Current Liabilities	344.24	10%	312.08	9%	32.16	10.31
Total Liabilities	860.63	15%	498.82	15%	361.81	72.53
Shareholders' Equity of Company	1,724.17	51%	1,703.39	50%	20.78	1.22
Shareholder's Equity of NC	1,118.26	34%	1,188.97	35%	(70.71)	(5.95)
Total Shareholders' Equity	2,842.43	85%	2,892.36	85%	(49.93)	(1.73)
Total Liabilities and Shareholders' Equity	3,703.06	100%	3,391.18	100%	311.88	9.20

➤ Asset

As of June 30, 2023, the group total assets amounted to **THB 3,703.06 million, increased by THB 311.88 million (9.20%)**, compared with 2022. Total assets increased by THB 289 million from cash and cash equivalents. Short-term loans to related businesses and outsiders totalled THB 56 million, while land, buildings and equipment increased by THB 34 million.

➤ Liabilities

As of June 30, 2023, the group total liabilities amounted to **THB 860.63 million, increased by 72.53%**, as the company received more loans from companies such as financial institutions and account payable to prepare products for higher customer demand.

➤ **Shareholders' Equity**

As of June 30, 2023, the Shareholders' equity of the company was **THB 2,842.43 million, decreased by THB 49.93 million (1.73%)**, compared to THB 2,892.36 million on 31 December 2022, due to the performance and recognition of fair value measurement of financial assets.

Financial Ratio

Financial Ratio Highlights	Q2-	202	Q2
Current Ratio	4.07	9.89	5.9
Debt to Equity Ratio (D/E Ratio)	0.30	0.17	0.2
Return on Assets (ROA)	(2.0	(7.6	0.0
Return on Equity (ROE)	(4.4	(15.	0.0
Book Value Per Share **	2.31	2.26	2.7
			0

****Calculated by the number of paid-up registered ordinary shares of the Company in the amount of 745,161,919 shares.**

As of June 30, 2023, the group's current ratio of 4.07x, decreased by 5.82x, compared to the same period of last year. The total D/E ratio was 0.30x, increased by 0.13x compared to 2022, indicating that the group needed a large amount of short-term capital expenditures, thus reducing liquidity and debt management.

The ROA was 2.07% and ROE was 4.44%, decreased when compared to the Year 2022, as the group recognized gains from fair value valuation in 2023, the use of assets and equity differently from the previous year.

The book value per share of the company was THB 2.31 per share, compared to 31 December 2022, which showed that the company was affected by the global economic and war conditions.

-Laphassarin Kraiwongwanitruong-
(Laphassarin Kraiwongwanitruong)
Acting Chief Executive Officer