

Translation

CEN 016-2020

August 14, 2020

Subject Management Discussion and Analysis for business operation of
Quarter 2/2020
To The Manager and President
The Stock Exchange of Thailand

Capital Engineering Network Public Company Limited would like to notify on management discussion and analysis for business operation of quarter 2/2020 for 3 months period as ended June 30, 2020 of Capital Engineering Network Public Company Limited ("company") and its subsidiaries which passed review from Certified Public Accountant with profit of 103.63 Million Baht as 371.87 Million Baht increased when compared to same period of previous year as loss of 268.24 Million Baht by following details

Analysis of operating results

(1) Revenue

REVENUE FOR THE SECOND QUARTER (Million Baht)	FOR THE THREE-MONTH				Increased (Decreased) %	FOR THE SIX-MONTH				Increased (Decreased) %
	2020	%	2019	%		2020	%	2019	%	
Revenue from sale	272.47	41.07%	389.02	71.31%	-29.96%	600.81	60.91%	795.91	66.61%	-24.51%
Revenue from manufacturing and service	105.03	15.83%	147.41	27.02%	-28.75%	216.52	21.95%	376.15	31.48%	-42.44%
Dividend income	0.13	0.02%	-	-	-	0.13	0.01%	-	-	-
Gain from measurement of financial asset	247.03	37.24%	-	-	100.00%	103.35	10.48%	-	-	100.00%
Gain on sales of financial asset	22.98	3.46%	2.41	0.44%	855.53%	21.84	2.21%	2.41	0.20%	807.97%
Interest income	5.84	0.88%	5.56	1.02%	4.89%	10.07	1.02%	9.70	0.81%	3.76%
Other income	9.96	1.50%	1.13	0.21%	777.93%	33.71	3.42%	10.68	0.89%	215.51%
Total Revenue	663.43	100.00%	545.54	100.00%	21.61%	986.42	100.00%	1,194.85	100.00%	-17.44%

Quarter 2/2020 Company and its subsidiaries has total revenue of 663.43 Million Baht as 117.89 Million Baht increased or 21.61 percent when compared to same period of previous year which had total revenue of 545.54 Million Baht by following details

- Revenue from sales of 272.47 Million Baht as 116.55 Million Baht decreased or 29.96 percent when compared to same period of previous year of 389.02 Million Baht thus subsidiaries has revenue from selling wire and decline in services due to price competition and sale volume as well as Baht appreciation which leads to slow down in exporting thus revenue from sales of electricity and thermal energy declined due to shut down of machine for improving efficiency of power generation
- Income from project work of 105.03 Million Baht as 42.38 Million Baht decreased or 28.75 percent when compared to same period of previous year which had revenue of 147.41 Million Baht subsidiaries was effected by COVID-19 virus, resulting in decline in delivery
- Unrealized gain from measurement of financial asset of 247.03 Million Baht as adjustment on fair value of marketable securities for trading and realized gain on sales of financial asset of 22.98 Million Baht

- Other revenue of 9.96 Million Baht as 8.83 Million Baht increased or 777.93 percent when compared to same period of previous year which has other revenue of 1.13 Million Baht due to sell scrap raw materials, income from insurance claim and compromise with trade creditors

(2) Expense

EXPENSES FOR THE SECOND QUARTER (Million Baht)	FOR THE THREE-MONTH				Increased (Decreased) %	FOR THE SIX-MONTH				Increased (Decreased) %
	2020	% per Revenue	2019	% per Revenue		2020	% per Revenue	2019	% per Revenue	
Cost of goods sold	282.16	42.53%	381.41	69.92%	-26.02%	600.76	60.90%	805.41	67.41%	-25.41%
Cost of steel tower manufacturing and rendering service	83.61	12.60%	159.04	29.15%	-47.43%	182.80	18.53%	468.51	39.21%	-60.98%
Cost of distribution	6.42	0.97%	10.08	1.85%	-36.29%	12.60	1.28%	19.81	1.66%	-36.38%
Administrative expenses	71.13	10.72%	140.27	25.71%	-49.29%	126.16	12.79%	200.57	16.79%	-37.10%
Loss from measurement of financial asset	-	0.00%	126.07	23.11%	-100.00%	-	-	24.74	0.02	-100.00%
Loss on impairment of asset	149.44	22.53%	1.10	0.20%	13470.05%	150.96	15.30%	-	-	100.00%
Finance cost	14.29	2.15%	16.70	3.06%	-14.43%	31.22	3.16%	32.43	2.71%	-3.75%
Total Expenses	607.05	91.50%	834.68	153.00%	-27.27%	1,104.51	111.97%	1,551.47	129.85%	-28.81%

Quarter 2/2020 company and its subsidiaries has total expenses of 607.05 Million Baht as 227.63 Million Baht decreased from same period of year 2019 which has total expenses of 834.68 Million Baht or 27.27 percent decreased by following details;

- Cost of goods sold as amount of 282.16 Million Baht as 99.25 Million Baht decreased or 26.02 percent when compared to same period of previous year of 381.41 Million Baht vary from decline in sales volume including management of raw materials, stock and price of raw materials which are main factors of cost of sales as appropriately and concisely
- Cost of steel tower manufacturing and rendering service as amount of 83.61 Million Baht as 75.43 Million Baht decreased or 47.43 percent when compared to same period of previous year with has amount of 159.04 Million Baht which varies according to the project work amount delivered to the customer and recognition of all remaining costs of project work that has been closed according to purchase order with delivered income thus also resulting from company has concentrate on cost management
- Cost of distribution as amount of 6.42 Million Bath as 3.66 Million Baht decreased or 36.29 percent when compared to same period of previous year as amount of 10.08 Million Baht due to sales volume and delivery
- Administrative expenses of 71.13 Million Baht as 69.14 Million Baht decreased or 49.29 percent when compared to same period of previous year as amount of 140.27 Million Baht. Mainly due to decrease in main activities income and adjustment on reduction of unnecessary expenses. Moreover, quarter 2/2020 there is improvement in employee benefit according to Labor Protection Act No.7
- Loss on impairment of asset of 149.44 Million Baht as increased this quarter due to loss from impairment of investment on assets in the power plant business of Ua Withya Public Company Limited. As a result of the entering into the investment purchase agreement and transfer of claims on loans in all power plant business of Ua Withya Public Company Limited to Absolute Clean Energy Public Company Limited in totaling of 851.20 Million Baht on July 10, 2020 thus this situation occurs after date of financial statement but since is certain therefore it is appropriate to adjust impairment items of the said assets in this quarter to be in line with trading prices set in purchase agreement

Financial Status

FINANCIAL POSITION FOR THE SECOND QUARTER (Million Baht)	30 Jun	31 Dec	Increase(decrease)	
	2020	2019	Million Baht	%
ASSETS				
Current Assets	2,199.59	2,639.01	(439.42)	-17%
Non-Current Assets	1,506.54	1,529.70	(23.17)	-2%
Total assets	3,706.13	4,168.71	(462.58)	-11%
LIABILITIES				
Current liabilities	1,281.00	1,438.16	(157.16)	-11%
Non-current liabilities	407.69	614.70	(207.01)	-34%
Total liabilities	1,688.69	2,052.86	(364.17)	-18%
EQUITY				
Issued and paid up share capital	745.14	745.14	-	-
Premium on ordinary shares	891.31	891.31	-	-
Retained earnings-Appropriated	45.40	45.40	-	-
Retained earnings-Unappropriated	(565.27)	(594.70)	29.44	-5%
Other components of shareholders' equity	492.66	493.33	(0.67)	0%
Equity attributable to owners of the Company	1,609.24	1,580.47	28.77	2%
Non-controlling interests of the subsidiaries	408.20	535.39	(127.18)	-24%
Total shareholders' equity	2,017.44	2,115.85	(98.41)	-5%

As of June 30, 2020 Company and its subsidiaries has total asset of 3,706.13 Million Baht as 462.58 Million Baht decreased or 11.09 percent when compared to December 31, 2019 as total assets of 4,168.71 Million Baht as results of

- Decline in cash and cash equivalent of 153.56 Million Baht as mostly came from Ua Withya Public Company Limited has repayment of guarantee of debenture which due January 2020
- Decline in Trade and other Current Receivable – Other business of 70.78 Million Baht due to decreased of sale volumes of products and services
- Decline in inventory of 88.44 Million Baht due to tightened in term of delivery and management
- More other current financial assets of 100.08 Million Baht, mostly from changes of fair value of assets in demand of market
- Deposits at banks pledged as collateral decreased 79.82 Million Baht due to Rayong Wire Industries Public Company Limited has withdraw for usage of purchasing raw materials in order to reduce loan interest
- Other non-current financial assets decreased of 42.63 Million Baht due to closure of equity funds and in the process of accepting investments in equity funds
- Rights of use assets increased by 142.53 million baht due to Rayong Wire Industries Public Company Limited acquiring land lease rights from the Map Ta Phut Industrial Estate for a period of 20 years.

Liabilities

As of June 30, 2020 the company has total liabilities of 1,688.69 Million Baht as 364.14 Million Baht decreased when compared to December 31, 2019 of 2,052.86 Million Baht by Rayong Wire Industries Public Company Limited decreased in short term loans of 79.76 Million Baht and Ua Withya Public Company Limited has pay off debts of loan as amount of 300 Million Baht which due on January 19, 2020

Shareholders' Equity

As of June 30, 2020 Company has proportion on shareholders' equity of 1,609.24 Million Baht as 28.77 Million Baht increased when compared to December 31, 2019 of 1,580.47 due to company has net profit of 34.14 Million Baht also impact from introduction of financial reporting standard amounted as 4.70 Million Baht as adjusted the beginning retained earnings list on January 1, 2020

Please be informed for acknowledgement,

Sincerely yours,

Mr. Wutichai Leenabanchong
Chairman