

# Management Discussion and Analysis 2019

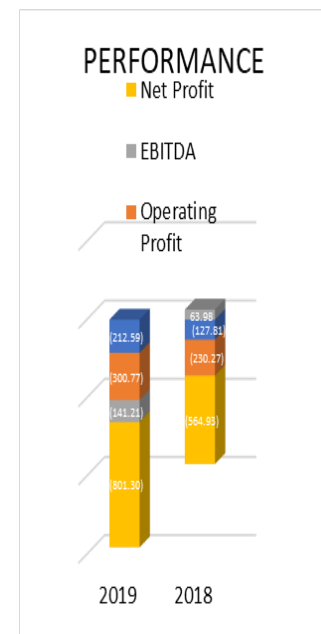
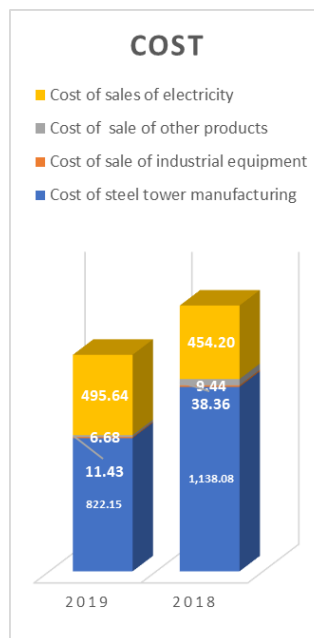
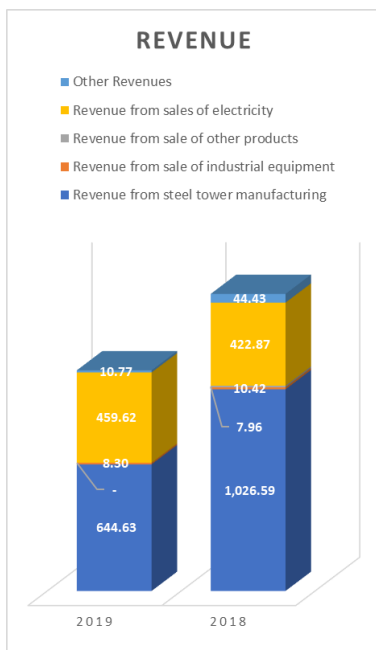
2 March 2020

## KEY EVENT IN 2019

In 2019, UWC announced a corporate restructuring, which featured in changing in many key management positions and business strategies in order to enhance efficiency and growth. Under new structure, UWC shifted the focus from less competent business such as renewable energy to Steel Structure Business, its pristine core business for more than 50 years.

UWC decided to discontinue 2 of its subsidiaries' operation involving in renewable energy, Paradise Green Energy Co.,Ltd. and UWCC (Cambodia) Co.,Ltd. In order to cut realized loss from operation of its subsidiaries and reduce its debt, UWC also considered to divest it's investment in biomass powerplants resulting in reclassification of its investment in biomass powerplants to account for non-current assets held for sale. UWC plan to reinvest the proceeds in a higher return business to accommodate growth and streamline the company's efficiency.

## PERFORMANCE OVERVIEW



Company's Performance For the Year 2019 (Million Baht)	2018			+ (-) %
	2019	Restated	Original	
Revenue from steel tower manufacturing	1,112.54	1,467.84	1,467.84	-24.21%
Other Revenues	10.77	44.43	44.43	-75.76%
<b>Total Revenue</b>	<b>1,123.31</b>	<b>1,512.27</b>	<b>1,512.27</b>	<b>-25.72%</b>
Cost of goods sold and cost of services	1,335.90	1,640.08	1,465.28	-20.76%
<b>Gross Profit (Loss)</b>	<b>(212.59)</b>	<b>(127.81)</b>	<b>46.99</b>	<b>-180.42%</b>
Selling and Administrative Expenses	88.19	102.45	102.45	-13.93%
<b>Operating Profit (Loss)</b>	<b>(300.77)</b>	<b>(230.27)</b>	<b>(55.46)</b>	<b>127.12%</b>
Non-operating income/expense	303.87	249.95	243.49	22.14%
(Gain)/Loss from sales investment in subsidiary	70.62	52.14	9.36	197.48%
Shares of loss in of associates	28.93	9.36	9.36	209.11%
Financing Cost	69.37	67.70	67.70	2.47%
<b>EBITDA</b>	<b>(773.56)</b>	<b>(609.40)</b>	<b>(385.37)</b>	<b>42.60%</b>
Corporate Tax (Expenses) Rev	(48.82)	11.38	11.38	-528.97%
<b>Net Profit (Loss)</b>	<b>(822.37)</b>	<b>(598.03)</b>	<b>(373.99)</b>	<b>59.99%</b>
Actualrial gain/(loss)	(4.48)	-	-	-
Currency differences on translation	0.54	0.46	0.46	17.15%
<b>Total Comprehensive income for ther period</b>	<b>(826.32)</b>	<b>(597.57)</b>	<b>(373.53)</b>	<b>61.24%</b>
<b>Total comprehensive income (loss) attributable to owners of the parent</b>	<b>(801.30)</b>	<b>(564.93)</b>	<b>(389.80)</b>	<b>60.64%</b>

## Revenue

Revenue structure For the Year 2019 (Million Baht)	2018						+ (-) %
	2019	%	Restated	%	Original	%	
Revenue from steel tower manufacturing	644.63	57.39%	1,026.59	67.88%	1,026.59	67.88%	-37.21%
Revenue from sale of industrial equipment	8.30	0.74%	10.42	0.69%	10.42	0.69%	-20.40%
Revenue from sale of other products	-	0.00%	7.96	0.53%	7.96	0.53%	-100.00%
Revenue from sales of electricity	459.62	40.92%	422.87	27.96%	422.87	27.96%	8.69%
Other Revenues	10.77	0.96%	44.43	2.94%	44.43	2.94%	-75.76%
<b>Total Revenue</b>	<b>1,123.31</b>	<b>100.00%</b>	<b>1,512.27</b>	<b>100.00%</b>	<b>1,512.27</b>	<b>100.00%</b>	<b>-25.72%</b>

Major revenue of The Group mainly came from revenue from steel tower manufacturing and revenue from sales of electricity. In 2019, The Group reported revenue from steel tower manufacturing and revenue from sale of electricity in the amount of THB 644.63 million and THB 1,026.59 million, accounted for 57.39% and 40.92% of total revenue respectively.

The Group recorded THB 1,123.31 million of total revenue in 2019, decreased by 25.72% comparing to THB 1,512.27 million of last year.

Revenue from steel tower manufacturing decreased by 37.21% as a result of rescheduling of production and delivery plan by major customer from 2019 to mid of 2020 due to eminent domain problem.

Revenue from sale of electricity rose by 8.69% as a result of ongoing repair and maintenance of the overall power generator which gradually improve power supply capacity and escalate power to grid.

Revenue from sale of industrial equipment dropped by 20.40% due to decrease in demand on products.

Other revenues comprise of revenue from revenue from sale of scrap and zinc, machinery rental, together with interest income from loan to subsidiaries.

### Cost of Goods Sold

Cost of good sold For the Year 2019 (Million Baht)	2018						+ (-) %
	2019	% of Sale	Restated	% of Sale	Original	% of Sale	
Cost of steel tower manufacturing	822.15	127.54%	1,138.08	110.86%	963.28	93.83%	16.68%
Cost of sale of industrial equipment	6.68	80.53%	9.44	90.62%	9.44	90.62%	-10.09%
Cost of sale of other products	11.43		38.36		38.36		0.00%
Cost of sales of electricity	495.64	107.84%	454.20	107.41%	454.20	107.41%	0.43%
<b>Total Cost of Good Sold and Service</b>	<b>1,335.90</b>	<b>118.93%</b>	<b>1,640.08</b>	<b>108.45%</b>	<b>1,465.28</b>	<b>96.89%</b>	<b>-20.76%</b>

Cost to revenue from steel structure manufacturing ratio in 2019 rose 16.68% resulting from rescheduling of production and delivery plan by major customer and condition to sorting tower before delivery in some projects cause additional labor and operating cost. However, those projects will all be delivered within this year. To accomplish cost management policy, The Group will no longer accept such condition project in the future.

Cost to revenue from sale of industrial equipment ratio in 2019 decreased 10.09% resulting from mix of lower cost structure products.

Cost to revenue from sale of other products ratio was mostly from cost of operating wood chip in Cambodia which is currently under temporarily nationwide suspension of production and processing of wood products license from Cambodia government in order to stop the illegal smuggling of the wood.

Cost to revenue from sale of electricity ratio in 2019 increase 0.43% resulting from ongoing repair and maintenance of the overall power generator which gradually improve power supply capacity and with nearly the last year.

## Selling and Administration Expenses

Selling and Administrative Expenses For the Year 2019 (Million Baht)	2018						+ (-) %
	2019	% of Total Revenue	Restated	% of Total Revenue	Original	% of Total Revenue	
Selling Expenses	4.50	0.40%	5.44	0.36%	5.44	-1.40%	0.04%
Administrative Expenses	83.69	7.45%	97.01	6.42%	155.60	-40.01%	1.04%
<b>Total Selling and Administrative Expenses</b>	<b>88.19</b>	<b>7.85%</b>	<b>102.45</b>	<b>6.77%</b>	<b>161.04</b>	<b>-41.40%</b>	<b>-13.93%</b>

Selling expenses to total revenue ratio in 2019 rose 0.04% resulting primarily from decreasing in total revenue.

Administrative expenses to total revenue ratio in 2019 decreased 1.04% due to realization of depreciation of the shut-down subsidiary and reclassification of PEA's operating fee.

### Net Profit (Loss)

Net loss in 2019 was THB 822.37 million, rose 59.99% from THB 598.03 million. Net loss attributed to owners of the parent was THB 801.30 million, rose 60.64% from THB 564.93 million.

However, exclusion of accounting standard related transactions as below, net loss from operation only accounted for 137.35 million.

- THB 137.66 million of loss from impairment in order to account for non-current assets held for sale of investment in Power Plants.
- THB 99.68 million of loss from impairment of investment in Power Plants
- THB 69.87 million of loss from impairment of investment in associates
- THB 64.69 million of provision on project under future obligation
- THB 0.76 million of loss from disposition of investment in associates
- THB 1.83 million of loss from write-off of assets

## FINANCIAL POSITION

Statement of Financial Position For the Year 2019 (Million Baht)	2018			เพิ่ม (ลด)
	2019	Restated	Original	%
<b>ASSETS</b>				
Total Current Assets	1,879.09	1,196.79	1,371.59	49.75%
Total Non-current Assets	421.26	1,745.09	1,704.76	-77.65%
<b>TOTAL ASSETS</b>	<b>2,300.35</b>	<b>2,941.88</b>	<b>3,076.35</b>	<b>-20.85%</b>
<b>LIABILITIES</b>				
Total Current Liabilities	1,448.95	926.46	926.47	56.40%
Total Non-current Liabilities	376.72	714.40	674.07	-50.10%
<b>TOTAL LIABILITIES</b>	<b>1,825.66</b>	<b>1,640.86</b>	<b>1,600.54</b>	<b>11.55%</b>
<b>SHAREHOLDERS' EQUITY</b>				
Issued and paid-up share capital	1,316.25	1,316.25	1,316.25	0.00%
Premium on ordinary shares	264.33	264.33	264.33	0.00%
Surplus - warrants	310.00	310.00	310.00	0.00%
Retained earnings	(1,624.52)	(818.73)	(643.93)	125.14%
Other components of shareholders' equity	217.27	216.89	216.89	0.17%
Non-controlling Interests	(8.65)	12.27	12.27	-170.49%
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>474.69</b>	<b>1,301.01</b>	<b>1,475.81</b>	<b>-55.99%</b>

### Assets

As of December 31, 2019, total assets on consolidated basis amounted to THB 2,300.35 million dropped THB 641.53 million as at December 2018 primarily due to:

- Trade and Other Current Receivables decreased THB 422.87 million from THB 578.51 million as at December, 2018 to THB 155.64 million as at December, 2019 as a result of collection of the receivables along with low receivable balance from decreasing in total revenue.
- Inventories decreased from THB 369.33 million as at December 31, 2018 to THB 238.24 million as at December 31, 2019 due to impairment of dead stock and could not to use..
- Intangible assets decreased from THB 172.47 million from December 31, 2018 to THB 1.79 million in December 31, 2019 due to consider for decrease of investment in Power Plant business.
- Deposits used as collateral decreased THB 30.29 million from THB 53.04 million as at December 31, 2018 to THB 22.75 million owing to return of collateral deposit for performance bond.

- Investments in subsidiaries decreased THB 100.50 million from THB 133.19 million as at December 31, 2018 to THB 32.69 million as a result of impairment of investment.
- Deferred tax assets decreased the whole amount of THB 54.36 million from December 31, 2018 resulting from revision of assets to expenses in 2 of its power plants subsidiaries due to expiration of retained loss to be used as tax benefit.

In December 2019, The Company issue secured debenture in the amount of THB 300 million to be repaid the previous debenture which will be due in January caused an increasing in Cash and Cash Equivalents from THB 69.07 million as at December 31, 2018 to THB 312.51 million.

### Liabilities

As of December 31, 2019, total liabilities on consolidated basis increased THB 184.79 million to THB 1,825.66 million primarily due to:

- The Company issue secured debenture in the amount of THB 300 million to be repaid the previous debenture which will be due in January.
- Short-term borrowings from financial institutions decreased THB 62.74 million due to principal pay-off.
- Trade and other current payables decreased THB 196.81 million from THB 543.46 million as at December 31, 2018 to THB 346.65 million as a result of payables repayment.

### Shareholders' Equity

As of December 31, 2019, total equity on consolidated basis dropped from THB 1,301.01 million in 2018 to THB 826.32 million in 2019 mainly due to increasing in THB 822.38 million of Net Loss and decreasing in THB 20.92 million of Non-controlling Interests.

Please be informed accordingly

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Company Secretary