

Management Discussion and Analysis Q2-2020

13 August 2020

KEY EVENT IN Q2-2020

In the 3-month and 6-month period of Q2-2020, UWC reported gross margin of THB 23.33 million and THB 59.19 million respectively, increased by 718.50% QoQ and 174.20% YoY. However UWC recorded net loss of THB 163.88 million increased by 28.80% from those of same period last year mainly attributed to increase in Disposal Asset Group classified as held for sales of Power Plants business unit in the amount of THB 149.44 million. After considering the certainty of disposal of UWC's investment in Power Plants business as UWC entered into Share Purchase Agreement with Absolute Clean Energy Plc. on July 10, 2020 in the total amount of THB 851.20 million even though this transaction is considered a subsequent event, Auditor is of the opinion that the adjustment of book value of the said assets should be done in this period to reflect the actual value as set out in the Share Purchase Agreement.

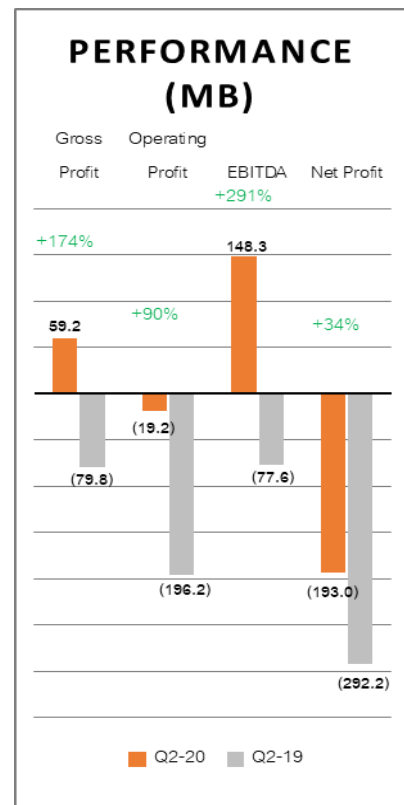
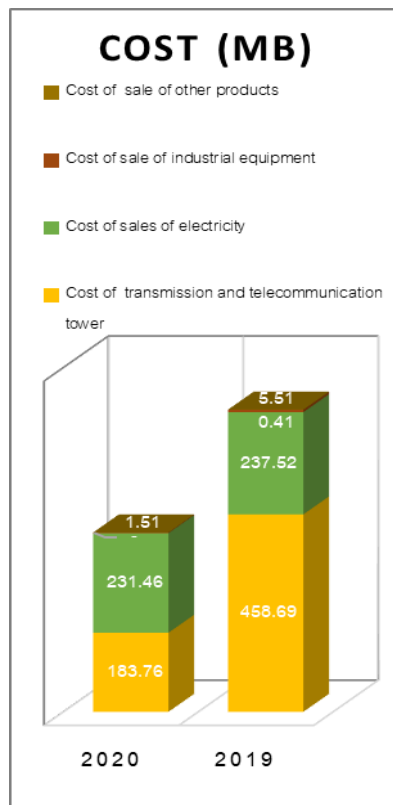
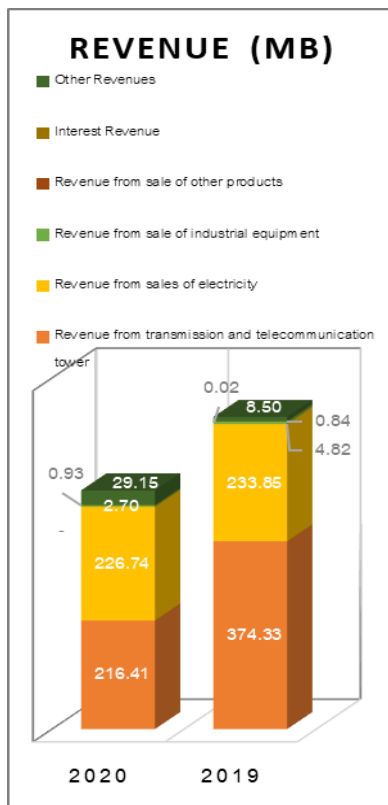
Benefits of entering into the transaction are as follows:

1. Improvement in financial liquidity to focus investments on its core business
2. Decreasing THB 620 million of debts in terms of financial institutions and debenture together with minimizing the impacts from full loan guarantee provided to Power Plant business and its high debt resulting in decreasing in debt to equity ratio.
3. The prepayment of the debenture by using proceed from this transaction will help UWC to decrease its interest expenses more than TH 10 million also enhance its debt service ability.
4. Mitigation of risk from carrying successive losses of overall performance of Power Plant business caused by less productive machinery along with cutting down provision of financial support for Power Plant business.

In addition, in Q2-2020, UWC recorded Shares of Profit in of Associates in the amount of THB 24.38 million.

Net loss in the 6-month period of 2020 was THB 194.40 million, decreased by 35.83% from THB 302.96 million from those of same period last year mainly attributed to the corporate and business strategy restructuring in 2019 in order to enhance corporate efficiency and growth contributing to favourable operating results by achieving gross profit margin since Q1-2020.

PERFORMANCE OVERVIEW



Company's Performance For Quarter 2 Year 2020 (Million Baht)	For the 3-month Period		+ (-) %	For the 6-month Period		+ (-) %
	2020	2019		2019	2019	
Revenue from transmission and telecommunication tower	211.21	267.12	-20.93%	445.85	613.01	-27.27%
Other Revenues	11.10	1.44	671.16%	30.08	9.34	222.01%
Total Revenue	222.31	268.56	-17.22%	475.93	622.35	-23.53%
Cost of goods sold and cost of services	198.98	272.34	-26.94%	416.74	702.12	-40.65%
Gross Profit (Loss)	23.33	(3.77)	-718.50%	59.19	(79.77)	-174.20%
Selling and Administrative Expenses	41.72	75.57	-44.79%	78.38	116.46	-32.69%
Operating Profit (Loss)	(18.39)	(79.34)	-76.82%	(19.19)	(196.23)	-90.22%
(Gain)/Loss from sales investment in subsidiary	(149.44)	(22.84)	554.28%	(150.35)	(22.84)	558.29%
Shares of profit (loss) in of associates	24.38	(1.23)	-2078.90%	24.38	(2.51)	-1071.70%
Financing Cost	(17.30)	(18.45)	-6.27%	(36.32)	(35.62)	1.99%
EBIT	123.97	(36.81)	-436.74%	(181.49)	(257.19)	-29.43%
Corporate Tax (Expenses) Rev	(4.86)	(1.89)	156.58%	(12.47)	(41.70)	-70.10%
Net Profit (Loss)	119.11	(38.71)	-407.72%	(193.96)	(298.89)	-35.11%
Actual gain/(loss)	-	(3.53)	-	-	-	-
Currency differences on translation	1.72	0.04	3869.52%	(0.44)	(0.54)	-18.22%
Total Comprehensive income for ther period	120.83	(42.19)	-386.39%	(194.40)	(299.43)	-35.08%
Total comprehensive income (loss) attributable to owners of the parent	(165.52)	(120.06)	37.87%	(193.03)	(292.19)	-33.94%

Revenue

Revenue structure For Quarter 2 Year 2020 (Million Baht)	For the 3-month Period				+ (-) %	For the 6-month Period				+ (-) %
	2020	%	2019	%		2020	%	2019	%	
Revenue from transmission and telecommunication tower	104.92	47.20%	147.39	54.88%	-28.81%	216.41	45.47%	374.33	60.15%	-42.19%
Revenue from sales of electricity	105.04	47.25%	117.28	43.67%	-10.43%	226.74	47.64%	233.85	37.57%	-3.04%
Revenue from sale of industrial equipment	1.25	0.56%	2.46	0.91%	-49.21%	2.70	0.57%	4.82	0.77%	-43.96%
Revenue from sale of other products	-	0.00%	-	0.00%	-	-	0.00%	0.02	0.00%	-100.00%
Other Revenues	10.20	4.59%	0.82	0.30%	1146.94%	29.15	6.13%	8.50	1.37%	242.79%
Interest Revenue	0.90	0.40%	0.62	0.23%	44.44%	0.93	0.20%	0.84	0.13%	11.11%
Total Revenue	222.31	100.00%	268.56	100.00%	-17.22%	475.93	100.00%	622.35	100.00%	-23.53%

Major revenue of The Group mainly came from revenue from transmission and telecommunication tower and revenue from sales of electricity. For the 6-month period of 2020, The Group reported revenue from transmission and telecommunication tower and revenue from sale of electricity in the amount of THB 216.41 million and THB 226.74 million, accounted for 45.47% and 47.64% of total revenue respectively.

The Group recorded THB 475.93 million of total revenue in the 6-month period of 2020, decreased by 23.53% comparing to THB 622.35 million of the same period last year ("YoY").

- **Revenue from transmission and telecommunication tower** decreased by 42.19% YoY being impacted by the COVID-19 outbreak resulting in delivery rescheduling by major customer.
- **Revenue from sale of electricity** decreased by 3.04% YoY as a result of ongoing repair and maintenance of the overall power generator in order to improve power supply capacity and escalate power to grid.
- **Revenue from sale of industrial equipment** dropped by 43.96% YoY due to decrease in demand on products.
- **Other revenues** comprise of revenue from sale of scrap and zinc, machinery rental, gain from insurance claims and gain from debt settlement with supplier.

Cost of Goods Sold

Cost of good sold For Quarter 2 Year 2020 (Million Baht)	For the 3-month Period				+ (-) %	For the 6-month Period				+ (-) %
	2020	% of Sale	2019	% of Sale		2020	% of Sale	2019	% of Sale	
Cost of transmission and telecommunication tower	82.97	79.08%	156.76	106.36%	-27.28%	183.76	84.91%	458.69	122.54%	-37.62%
Cost of sales of electricity	115.37	109.84%	113.97	97.18%	12.66%	231.46	102.08%	237.52	101.57%	0.51%
Cost of sale of industrial equipment	0.63	50.76%	1.61	65.38%	-14.61%	1.51	56.09%	5.51	114.41%	-58.32%
Cost of sale of other products	-	-	-	-	-	-	-	0.41	2255.56%	-
Total Cost of Good Sold and Service	198.98	89.51%	272.34	101.40%	-26.94%	416.74	87.56%	702.12	112.82%	-40.59%

- **Cost to revenue from transmission and telecommunication tower ratio** decreased by 37.62% YoY resulting from accomplishment of cost management policy,
- **Cost to revenue from sale of electricity ratio** increased by 0.51% YoY resulting from ongoing repair and maintenance of the overall power generator in order to improve power supply capacity and escalate power to grid.

- Cost to revenue from sale of industrial equipment ratio decreased by 58.32% YoY resulting from mix of lower cost structure products.

Selling and Administration Expenses

Selling and Administrative Expenses For Quarter 2 Year 2020 (Million Baht)	For the 3-month Period				+ (-) %	For the 6-month Period				+ (-) %
	2020	% of Total	2019	% of Total		2020	% of Total	2019	% of Total	
Selling Expenses	1.05	0.47%	1.18	0.44%	0.03%	2.12	0.44%	2.44	0.16%	0.28%
Administrative Expenses	40.67	18.29%	74.39	27.70%	-9.40%	76.27	16.02%	114.02	7.54%	8.49%
Total Selling and Administrative Expense	41.72	18.77%	75.57	28.14%	-9.37%	78.38	16.47%	116.46	7.70%	8.77%

- Selling expenses to total revenue ratio rose by 0.28% YoY resulting primarily from decreasing in total revenue.
- Administrative expenses to total revenue ratio increased by 8.49% YoY due to decrease in total revenue.

Net Profit (Loss)

Net loss in the 6-month period of 2020 was THB 194.40 million, decreased by 35.83% from THB 302.96 million from those of same period last year. Net loss attributed to owners of the parent was THB 193.03 million, dropped by 33.94% from THB 292.19 million from those of same period last year.

FINANCIAL POSITION

Statement of Financial Position For Quarter 2 Year 2020 (Million Baht)	30-Jun	31-Dec	+ (-)	
	2020	2019	MB	%
ASSETS				
Total Current Assets	1,266.77	1,879.09	(612.33)	-48.34%
Total Non-current Assets	428.79	421.26	7.52	1.75%
TOTAL ASSETS	1,695.55	2,300.35	(604.80)	-35.67%
LIABILITIES				
Total Current Liabilities	1,352.47	1,448.95	(96.48)	-7.13%
Total Non-current Liabilities	69.43	376.72	(307.29)	-442.58%
TOTAL LIABILITIES	1,421.90	1,825.67	(403.77)	-28.40%
SHAREHOLDERS' EQUITY				
Issued and paid-up share capital	1,316.25	1,316.25	-	0.00%
Premium on ordinary shares	264.33	264.33	-	0.00%
Surplus - warrants	310.00	310.00	-	0.00%
Retained earnings	(1,824.19)	(1,624.52)	(199.67)	10.95%
Other components of shareholders' equity	216.97	217.27	(0.30)	-0.14%
Non-controlling Interests	(9.71)	(8.65)	(1.07)	10.97%
TOTAL SHAREHOLDERS' EQUITY	273.65	474.69	(201.04)	-73.46%

Assets

As of June 30, 2020, total assets on consolidated basis amounted to THB 1,695.55 million dropped by THB 604.80 million from those as at December 31, 2019 primarily due to:

- Cash and cash equivalent decreased by THB 277.17 million due to redemption of debenture in January 2020 in the amount of THB 300 million
- Trade and Other Current Receivables - Others decreased by THB 159.65 million from those as at December 31, 2019 to THB 110.44 million as a result of collection of the receivables along with low receivable balance from decreasing in total revenue.
- Inventories decreased from THB 238.24 million as at December 31, 2019 to THB 206.14 million as at June 30, 2020 due to usage of raw material in stock and impairment of raw material.
- Disposal asset group classified as held for sales decreased from THB 1,136.81 million as at December 31, 2019 to THB 902.31 million as at Q2-2020 as a result of the following factors:

- Decreasing in Disposal asset group classified as held for sales of Power Plants business unit in the amount of THB 219.20 million due to THB 69.76 million of movement of net working capital in Q2-2020 and THB 149.44 million of additional adjustment of book value of the said asset to be similar to the value set out in Share Purchase Agreement.
- Increasing in the amount of THB 15.30 million due to grouping of machinery and equipment of energy crops business unit which has been ceased operation since last year as a disposal asset held for sale.

Liabilities

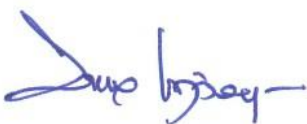
As of Q2-2020, total liabilities on consolidated basis decreased to THB 1,421.90 million from THB 1,825.67 million as at December 31, 2019 primarily caused by:

- Decrease in provision from onerous project contract of transmission and telecommunication towers in the amount of THB 27.57 million due to recognition of revenue and profit margin from such project with lower production cost than projected.
- Redemption of debenture in January 2020 in the amount of THB 300 million
- Repayment of account payable in the amount of THB 33.62 million
- Repayment of short-term borrowings from related parties in the amount of THB 20.73 million.
- Decreased in Financial Lease in terms of office space lease and vehicle lease in the amount of THB 12.16 million

Shareholders' Equity

As of Q2-2020, total equity on consolidated basis dropped from THB 474.69 million on December 31, 2019 to THB 273.65 million mainly due to THB 194.40 million of net loss and THB 6.64 million of impact from adopting new Thai Financial Reporting Standards (TFRS), TFRS No.9: Financial Instruments and TFRS No.16: Leases, in the current period financial statement by adjustment in brought-forward retained earnings as at January 1, 2020.

Please be informed accordingly



(Mr. Monthon Chatuwallopkul)

Company Secretary