

11 August 2021

Subject: Management Discussion and Analysis for the six-month period ended 30 June 2021

To: The President  
The Stock Exchange of Thailand

No.: CS023/2564

Nova Empire Public Company Limited ("Company") would like to clarify the operating results of the Company and its subsidiaries ("Group") for the six-month period ended 30 June 2021 as follows:

**Condensed statements of comprehensive income for the six-month period ended 30 June 2021**

For the six-month period ended 30 June	Consolidated		Change	
	2021	2020	Million Baht	%
Sales of goods	25.24	-	25.24	100
Other income	5.56	0.57	4.99	875
<b>Total revenues</b>	<b>30.80</b>	<b>0.57</b>	<b>30.23</b>	<b>5,304</b>
Costs of sales	17.97	-	17.97	100
Administrative expenses	21.60	6.24	15.36	246
<b>Total expenses</b>	<b>39.57</b>	<b>6.24</b>	<b>33.33</b>	<b>534</b>
<b>Operating loss</b>	<b>(8.77)</b>	<b>(5.67)</b>	<b>(3.10)</b>	<b>55</b>
Share of profit from investment in associate	4.27	-	4.27	100
Finance cost	(6.85)	-	(6.85)	(100)
<b>Loss before income tax expenses</b>	<b>(11.35)</b>	<b>(5.67)</b>	<b>(5.68)</b>	<b>100</b>
Income tax expenses	(0.84)	-	(0.84)	(100)
<b>Loss for the period from continued operation</b>	<b>(12.19)</b>	<b>(5.67)</b>	<b>(6.52)</b>	<b>115</b>
<b>Discontinued operation</b>				
Profit (loss) for the period from discontinued operation	69.98	(104.41)	174.39	(167)
<b>Profit (loss) for the period</b>	<b>57.79</b>	<b>(110.08)</b>	<b>167.87</b>	<b>(152)</b>
<b>Other comprehensive income:</b>				
<b>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</b>				
Share of other comprehensive income from investment in associate	0.46	-	0.46	100
<b>Other comprehensive income for the period</b>	<b>0.46</b>	<b>-</b>	<b>0.46</b>	<b>100</b>
<b>Total comprehensive income for the period</b>	<b>58.25</b>	<b>(110.08)</b>	<b>168.33</b>	<b>152</b>

At the Meeting of the Company's Board of Directors No.3/2021 on 10 March 2021 and the 2021 Annual General Meeting of the Company's shareholders on 30 April 2021 approved the disposal of total investments in TIW Industries Co., Ltd. ("TIWI"), a subsidiary of the Company of which its 99.99 percent of registered and paid-up capital held by the Company, in the total amount of 3,899,997 shares at par value of Baht 10 per share to Dr. Prasit Karnchanasakchai at a price not exceeding Baht 20 million. The Company has entered into a share purchase agreement for the sale of TIWI and has been paid Baht 20 million on 30 April 2021. The Company recognized gain from sales of investment of Baht 80.29 million and presented in profit for the period from discontinued operation in the consolidated statement of comprehensive income.

To comply with the requirements of TFRS 5, the operating results of TIWI were separately presented under "Loss for the period from discontinued operation" in the consolidated statements of comprehensive income for the six-month period ended 30 June 2021. In addition, the Group reclassified the operating results of TIWI and the manufacturing and distribution of galvanized iron sheets and installation services segment of the Company, which was transferred to TIWI in July 2020 to "Loss for the period from discontinued operation" in the consolidated statements of comprehensive income for the six-month period ended 30 June 2020 for comparative purposes.

The Group's consolidated financial statements for the six-month period ended 30 June 2021 shown loss for the period from continued operation of Baht 12.19 million, which increased by Baht 6.52 million compared with a comparative period which came from a share of profit from investment in associate of Baht 4.27 million and gain for discontinued operation for the six-month period ended 30 June 2021 of Baht 69.98 million which increased by Baht 174.39 million compared with a comparative period. The operations analysis results are described as follows:

Analysis of Statement of Comprehensive Income from the continued operation is as follows:

**Sale of goods**

Sale of goods of Baht 25.24 million increased by 100% compared with the comparative period due to revenue from sales of electricity from the solar power segment and has net profit from this segment of Baht 5.13 million.

**Cost of sales**

Cost of sales in the amount of Baht 17.97 million increased by 100% compared with comparative period was from solar power segment which consists of solar placement roof rental and depreciation of relevant machinery and equipment.

**Administrative expenses**

Administrative expenses increased by Baht 15.36 million or 246%, mostly consisting of the professional fee during the business restructure in conformity with the Company's strategy.

**Finance cost**

Finance cost mostly came from a long-term loan from financial institutions of subsidiaries in the solar power segment and recognition of right-of-use assets according to Thai Financial Reporting Standard No. 16 "Leases".

**Loss for the period**

At present, the Company operates as an investment company as reported to the Stock Exchange of Thailand in 2021. The Company has entered into the sale of investment in TIWI and a share purchase agreement in another company. In accordance with the listed company regulation, the Company has additional expenses related to professional advisory fees for the report of their opinion disclosed to the public. As a result, the expenses increased significantly.

Analysis of Statement of Comprehensive Income from the discontinued operation is as follows:

Condensed statements of comprehensive income for the six-month period ended 30 June 2021

For the six-month period ended 30 June	2021*	2020	Change	
			Million Baht	%
Sale of goods	287.08	225.82	61.26	27
Service income	1.97	16.07	(14.10)	(88)
Other income	1.34	0.87	0.47	54
Gain on sale from investment in subsidiary	80.29	-	80.29	100
<b>Total revenues</b>	<b>370.68</b>	<b>242.77</b>	<b>127.91</b>	<b>53</b>
Costs of sales	283.95	280.19	3.76	1
Costs of services	2.55	13.81	(11.26)	(82)
Selling and distribution expenses	3.40	4.64	(1.24)	(27)
Administrative expenses	7.26	14.37	(7.11)	(49)
Other expenses	-	17.48	(17.48)	(100)
<b>Total expenses</b>	<b>297.17</b>	<b>330.50</b>	<b>(33.33)</b>	<b>(10)</b>
<b>Operating profit (loss)</b>	<b>73.51</b>	<b>(87.73)</b>	<b>161.24</b>	<b>(184)</b>
Finance cost	(3.53)	(0.67)	(2.86)	427
<b>Profit (loss) before income tax expense</b>	<b>69.98</b>	<b>(88.40)</b>	<b>158.38</b>	<b>(179)</b>
Income tax expenses	-	(16.01)	(16.01)	100
<b>Profit (loss) for the period from discontinued operation</b>	<b>69.98</b>	<b>(104.41)</b>	<b>174.39</b>	<b>(167)</b>

\* Statement of Comprehensive Income from the discontinued operation represents TIWI's operating results from the beginning of the period until the date that the Company sold its investment (30 April 2021).

### Sale of goods

The sale of goods from discontinued operation for the six-month period ended 30 June 2021 was Baht 287.08 million, increased by Baht 61.26 million or 27% compared with the comparative period resulting from revenue from galvanized iron sheets segment. TIWI's sales revenue increased due to a positive response from the agriculture sector during the first half-year. In addition, the selling price of TIWI's galvanized iron sheet products increased by 10% compared to the comparative period. Both two factors resulted in an increase in sales of galvanized iron sheet products from the comparative period.

### Gain on sale of investment in subsidiary

As a result of the sale of all investment in a subsidiary ("TIWI") to Dr.Prasit Karnchanasakchai of Baht 20.00 million, the net book value of TIWI is shown as net liabilities of Baht 60.29 million. Therefore, the Company recognized a gain on sale of investment in a subsidiary of Baht 80.29 million on the investment's disposal date. The details are as follows.

	(Unit: Thousand Baht)
Cash and cash equivalents	68,751
Trade and other receivables	77,685
Contract assets	2,083
Inventories	230,341
Other current assets	15,794
Restricted bank deposits	62,700
Long-term loans to employees	2,712
Equipment	1,195
Right-of-use assets	52,638
Short-term loans from financial institution	(397,000)
Trade and other payables	(48,522)
Income tax payable	(585)
Other current liabilities	(1,745)
Lease liabilities	(102,000)
Long-term employee benefits obligations	(24,337)
Net liabilities	(60,290)
Add: Gain on sales of investment in subsidiary	80,290
Cash received from sale of investment in subsidiary	20,000

### Administrative expenses

Administrative expenses from discontinued operation for the six-month period ended 30 June 2021 was Baht 7.26 million decreased from the comparative period by Baht 7.11 million or 49% resulting as TIWI has reduced the general administrative expense due to the impact of Coronavirus disease 2019 (COVID-19) outbreak situation.

### Finance cost

Finance cost from discontinued operation decrease for the six-month period ended 30 June 2021 was Baht 3.53 million which increased from the comparative period by Baht 2.86 million or 427% resulting from entering of leaseback transaction of the associated assets with galvanized iron sheet segment. TIWI recognized right-of-use assets and leases liabilities in accordance with Thai Financial Reporting Standard No. 16 "Leases".

Profit from discontinued operation for the six-month period ended 30 June 2021 was Baht 68.98 million as above operations analysis.

**Condensed statements of financial position as at 30 June 2021 and 31 December 2020**

As at	Consolidated		Change	
	30 June 2021	31 December 2020	Million Baht	%
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	65.89	653.05	(587.16)	(90)
Trade and other receivables	4.87	26.56	(21.69)	(82)
Contract assets	3.71	8.61	(4.90)	(57)
Current portion of long-term loans to employees	-	2.34	(2.34)	(100)
Inventories	-	378.32	(378.32)	(100)
Other current assets	4.11	29.37	(25.26)	(86)
<b>Total current Assets</b>	<b>78.57</b>	<b>1,098.25</b>	<b>(1,019.67)</b>	<b>(93)</b>
<b>Non-current assets</b>				
Restricted bank deposits	2.81	66.70	(63.89)	(96)
Investment in associate	664.73	-	664.73	100
Long-term loans to employees – net of current portion	-	2.95	(2.95)	(100)
Equipment	232.55	242.20	(9.65)	(4)
Intangible assets	134.93	138.75	(3.82)	(3)
Right-of-use assets	110.22	166.91	(56.69)	(34)
Deferred tax assets	0.23	0.22	0.01	5
Other non-current assets	2.15	2.65	(0.50)	(19)
<b>Total non-current assets</b>	<b>1,147.62</b>	<b>620.38</b>	<b>527.24</b>	<b>85</b>
<b>Total assets</b>	<b>1,226.20</b>	<b>1,718.63</b>	<b>(492.43)</b>	<b>(29)</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
<b>Current liabilities</b>				
Short-term loans from financial institutions	-	477.65	(477.65)	(100)
Bill of exchange	-	48.00	(48)	(100)
Short-term loans from related parties	-	7.83	(7.83)	(100)
Trade and other payables	6.04	59.49	(53.45)	(90)
Current portion of long-term loans from financial institutions	36.70	36.63	0.07	-
Current portion of lease liabilities	3.45	7.07	(3.62)	(51)
Income tax payable	1.17	2.00	(0.83)	(42)
Other current liabilities	1.87	1.53	0.34	22
<b>Total current liabilities</b>	<b>49.23</b>	<b>640.20</b>	<b>(590.97)</b>	<b>(92)</b>

Condensed statements of financial position as at 30 June 2021 and 31 December 2020 (cont.)

As at	Consolidated		Change	
	30 June 2021	31 December 2020	Million Baht	%
<b>LIABILITIES AND SHAREHOLDERS' EQUITY (cont.)</b>				
<b>Non-current liabilities</b>				
Long-term loans from financial institutions - net of current portion	108.10	126.59	(18.49)	(15)
Lease liabilities - net of current portion	115.30	215.76	(100.46)	(47)
Deferred tax liabilities	11.04	11.41	(0.37)	(3)
Long-term employee benefits obligations	-	22.40	(22.40)	(100)
<b>Total non-current Liabilities</b>	<b>234.44</b>	<b>376.16</b>	<b>(141.72)</b>	<b>(38)</b>
<b>Total liabilities</b>	<b>283.68</b>	<b>1,016.36</b>	<b>(732.68)</b>	<b>(72)</b>
<b>SHAREHOLDERS' EQUITY</b>				
Share capital				
Registered	70.00	73.05	(3.05)	(4)
140,000,000 ordinary shares of Baht 0.5 each (2020: 7,305,000 ordinary shares of Baht 10 each)				
Issued and fully paid	70.00	60.00	10.00	17
139,998,824 ordinary shares of Baht 0.5 each, (2020: 6,000,000 ordinary shares of Baht 10 each)				
Share premium	311.99	140.00	171.99	123
Retained earnings				
Appropriated				
Legal reserve	10.00	10.00	-	-
General reserve	106.00	106.00	-	-
Unappropriated	444.07	386.27	57.80	15
Other component of shareholders' equity	0.46	-	0.46	100
Equity attributable to owners of the Company	942.52	702.27	240.25	34
Non-controlling interests of the subsidiaries	-	-		
<b>Total shareholders' equity</b>	<b>942.52</b>	<b>702.27</b>	<b>240.25</b>	<b>34</b>
<b>Total liabilities and shareholders' equity</b>	<b>1,226.20</b>	<b>1,718.63</b>	<b>(492.43)</b>	<b>(29)</b>

As of 30 April 2021, the date the Company sold an investment in TWI and deconsolidated book value from the Company's consolidated financial statement as of 30 June 2021 because TWI was no longer a subsidiary. By comparing the statement of financial position as of 30 June 2021 with the same period of last year, there is a significant change caused by the disposal of investment in the subsidiary.

### **Cash and cash equivalents**

As of 30 June 2021, cash and cash equivalents decreased by Baht 587.16 million due to an increase in cash and cash equivalents from continuing operating activities of Baht 98.78 million, and also a decrease in cash and cash equivalents from investing activities of Baht 707.85 million, which is mainly due to the investment in an associated company of Baht 660 million during the quarter. Additionally, there was an increase in cash and cash equivalents from financing activities of Baht 21.91 million from loan repayment and an increase in share capital.

### **Contract assets**

Contract assets as at 30 June 2021 were accrued income of electricity from the solar power segment.

### **Inventories**

There was no outstanding of inventory as of 30 June 2021. It was due to all inventories were stock of galvanized iron sheet products and installation services segment under TWI which the Company had already disposed of all investment in such subsidiary during the period.

### **Intangible assets**

As of 30 June 2021, intangible assets of Baht 134.93 million presented the estimated fair value of power purchase agreements identified and recognized from the acquisition date (24 July 2021) of the solar power segment. The intangible assets have been amortized on a straight-line basis with remaining useful life of power purchase agreements approximately 18 years.

### **Investment in associate**

On 27 January 2021, the Extraordinary General Meeting of the Company's shareholders No. 1/2021 passed a resolution approving the purchase of 2.6 million ordinary shares of Winchai Co., Ltd., which is engaged in the manufacture and distribution of electricity from wind power, representing a 26.25% shareholding, from Miss Parleerat Panboonhom (the Company's major shareholder) or any legal entities wholly owned by Miss Parleerat Panboonhom at a total price of Baht 660 million. Subsequently, on 19 April 2021, the Company entered into an agreement to purchase shares of such company with a related company (100% owned by Miss Parleerat Panboonhom). The Company received all of the shares and made a payment for the shares on 21 April 2021. The Company recognized share of profit from investment in associate amounting to Baht 4.27 million during the period.



## Executive summary

The operating result for the six-month period ended 30 June 2021. Even though the Company restructured its business and invested in solar power plant companies with a capacity of 7.825 megawatts during mid of 2020, the Company has stable revenue from the production and distribution of electricity from solar power, as expected.

The Company's investment in the amount of Baht 660.00 million in early 2021 to buy representing 26.25% ordinary share of Winchai Co., Ltd., which operates the business of production and distribution of electricity from wind power with a maximum capacity of 45.0 megawatts and seems to have the operating performance as expected. The investment mentioned above emphasizing the Company's clear strategic direction to full throttling enter into the energy business, while the following disposal of total TIWI's asset in April 2021 strengthens the picture. TIWI operates in the manufacturing and distribution of galvanized iron sheets with a continued loss. The business forecast if the Company continue to run steel and iron business under the high current pressure of cost increases and price competition in the market would prevent the Company from generating consistent profits. Although the Company might lose revenue and working capital from the galvanized iron sheets segment, in overall, these rise the beneficial to the Company by increasing opportunities to access more sources of funds for business expansion, particularly energy business in the near future. The Company is continuously seeking for the opportunity. Moreover, the sale of an investment in TIWI, the subsidiary, leads to the decrease of liabilities and finance cost from borrowing and achieves better debt to equity ratio by a decrease from 1.5 to 0.3 times.

The Company also affects by the Coronavirus disease 2019 pandemic, which adversely impacted most businesses and industries. Thanks to the Company's strategic direction that shifted its business to the energy section that has more reliable due to the agreement made with the public sector counterparty, compared to the uncertainty of consumer demand in the galvanized iron sheet segment. The Company's administrative works and human resource management had been partially affected by the Covid-19.

To cope with this, the Company had been implementing countermeasures to reduce risk and ensure the health and safety of its staff and related parties such as Work From Home Policy for all its staff with the help from the IT Department to support fundamental infrastructure for data accessibility and virtual conference for convenience and safety of its staff. In addition, the Company provides welfare for Covid-19 Test to all staff, while none of any staff has Covid-19 infection.

The Board of Directors and the management are confident that the investment plan and the recent business strategy adjustment to be the listed company operating in all forms of energy business will enable the Company to overcome various problems and challenges. In the 3<sup>rd</sup> quarter of 2021, the Company will solely report its performance in the energy business and further, collaborate with regulators to change its business sector to energy so that all stakeholders understand the Company's direction and goal towards prosperity and sustainability in performance and to support the national energy security as well as being a part of the world for the Sustainable Development Goals of the United Nations.

Forwarded for your information,

Yours faithfully,

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Ms. Sukanya Tipmanee  
Director