

28 February 2022

Subject: Management Discussion and Analysis for the year ended 31 December 2021

To: The President  
The Stock Exchange of Thailand

No.: CS011/2022

Nova Empire Public Company Limited ("the Company") would like to clarify the operating results of the Company and its subsidiaries ("the Group") for the year ended 31 December 2021 as follows:

**Statements of comprehensive income for the year ended 31 December 2021 and 2020**

For the year ended 31 December	Consolidated		Change	
	2021	2020	Million Baht	%
<b>Continuing operations:</b>				
Sales of goods	44.02	21.15	22.87	108%
Cost of sales	(36.64)	(15.08)	(21.56)	143%
<b>Gross profit</b>	<b>7.38</b>	<b>6.07</b>	<b>1.31</b>	<b>22%</b>
Other income	6.34	2.83	3.51	124%
Administrative expenses	(46.14)	(20.50)	(25.64)	125%
Impairment loss on goodwill	-	(2.95)	2.95	(100%)
<b>Operating loss</b>	<b>(32.42)</b>	<b>(14.55)</b>	<b>(17.87)</b>	<b>123%</b>
Share of profit from investment in associate	90.26	-	90.26	100%
Finance cost	(12.49)	(6.77)	(5.72)	84%
<b>Profit (loss) before income tax</b>	<b>45.35</b>	<b>(21.32)</b>	<b>66.67</b>	<b>313%</b>
Income tax benefit (expenses)	(0.78)	0.19	(0.97)	(511%)
<b>Profit (loss) for the year from continued operation</b>	<b>44.57</b>	<b>(21.13)</b>	<b>65.70</b>	<b>311%</b>
<b>Discontinued operation</b>				
Profit (loss) for the year from discontinued operation	69.72	(111.75)	181.47	162%
<b>Profit (loss) for the year</b>	<b>114.29</b>	<b>(132.88)</b>	<b>247.17</b>	<b>186%</b>
<b>Other comprehensive income:</b>				
Share of other comprehensive income from investment in associate	4.37	-	4.37	100%
Other comprehensive income for the year from discontinued operation	-	(0.31)	0.31	100%
<b>Other comprehensive income for the year</b>	<b>4.37</b>	<b>(0.31)</b>	<b>4.68</b>	<b>1510%</b>
<b>Total comprehensive income for the year</b>	<b>118.66</b>	<b>(133.19)</b>	<b>251.85</b>	<b>189%</b>

For the year ended 31 December 2021, the consolidated financial statements shown the total comprehensive income of Baht 118.66 million, which increased by Baht 251.85 million or 189% compared with the comparative year. This amount consist of loss for the year from continued operation of Baht 44.57 million

and profit for the year from discontinued operation of Baht 69.72 million. The operations analysis results are described as follows:

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

**Sale of goods and cost of sales**

Since the Company invested in the solar power segment on 24 July 2020, the revenue from sale of electricity generated in this year is in the amount of Baht 44.02 million, which increased by 108% compared with the comparative year.

Cost of sales in the amount of Baht 36.64 million increased by 143% compared with comparative year 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 25.64 million or 125%, mostly consisting of the professional fee during the business restructure in conformity with the Company's strategy.

**Share of profit from investment in associate**

Share of profit from investment in associate of Baht 90.26 million was from share of profit from investment in 26.25% ordinary share of Winchai Co., Ltd. as from the investment date on 21 April 2021. Winchai Co.,Ltd. engaged in the manufacture and distribution of electricity from wind power.

**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 in accordance with Thai Financial Reporting Standard No. 16 "Leases".

**Profit for the year from continued operation**

At present, the Company operates as an investment company and during the year 2021, the Company has sold the investment in TIW Industries Co., Ltd. ("TIWI") and has entered into 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 the discontinued operation is as follows:

Statements of comprehensive income for the year ended 31 December 2021 and 2020

For the year ended 31 December	2021	2020	Change	
			Million Baht	%
Sale of goods	287.08	374.62	(87.54)	(23%)
Service income	1.97	23.85	(21.88)	(92%)
<b>Total sales and service income</b>	<b>289.05</b>	<b>398.47</b>	<b>(109.42)</b>	<b>(27%)</b>
Costs of sales	283.95	460.13	(176.18)	(38%)
Costs of services	2.55	20.23	(17.68)	(87%)
<b>Total cost of sales and service income</b>	<b>286.50</b>	<b>480.36</b>	<b>(193.86)</b>	<b>(40%)</b>
<b>Gross profit (loss)</b>	<b>2.55</b>	<b>(81.89)</b>	<b>84.44</b>	<b>103%</b>
Gain on sale from investment in subsidiary	80.29	-	80.29	100%
Other income	1.08	24.12	(23.04)	(96%)
Selling and distribution expenses	(3.40)	(8.40)	5.00	(60%)
Administrative expenses	(7.26)	(23.47)	16.21	(69%)
<b>Operating profit (loss)</b>	<b>73.26</b>	<b>(89.64)</b>	<b>162.90</b>	<b>182%</b>
Finance cost	(3.54)	(5.57)	2.04	(36%)
<b>Profit (loss) before income tax</b>	<b>69.72</b>	<b>(95.21)</b>	<b>164.93</b>	<b>173%</b>
Income tax expenses	-	(16.55)	16.55	(100%)
<b>Profit (loss) for the year from discontinued operation</b>	<b>69.72</b>	<b>(111.76)</b>	<b>181.48</b>	<b>162%</b>

Statement of Comprehensive Income from the discontinued operation for the year ended 31 December 2021 represents TIWI's operating results from the beginning of the year until the date that the Company sold its investment (30 April 2021). By comparing the statement of comprehensive income for the year ended 31 December 2021 with the previous year, there is a significant change caused by the disposal of investment in the subsidiary.

**Gain on sale of investment in subsidiary**

The Meeting of the Company's Board of Directors No. 3/2021 held on 10 March 2021 and the Annual General Meeting of the Company's shareholders held on 30 April 2021 passed a resolution approving the sale of all of the Company's investment in TIWI, the subsidiary which the Company held 99.99% of the total issued and paid-up share capital (3,899,997 ordinary shares of Baht 10 each), to Dr. Prasit Karnchanasakchai at a price of Baht 20.00 million. The Company entered into a share purchase agreement for the sale of TIWI and has already collected Baht 20.00 million on 30 April 2021. The Company recognized gain on sale of the investment of Baht 80.29 million, and presented under profit for the year from discontinued operation in the consolidated statements of comprehensive income.

Statements of financial position as at 31 December 2021 and 2020

As at 31 December	Consolidated		Change	
	2021	2020	Million Baht	%
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	37.44	653.05	(615.61)	(94%)
Trade and other receivables	3.02	26.56	(23.54)	(89%)
Contract assets	2.98	8.61	(5.63)	(65%)
Current portion of long-term loans to employees	-	2.34	(2.34)	(100%)
Inventories	-	378.32	(378.32)	(100%)
Other current assets	3.60	29.37	(25.77)	(88%)
<b>Total current Assets</b>	<b>47.04</b>	<b>1,098.25</b>	<b>(1,051.21)</b>	<b>(96%)</b>
<b>Non-current assets</b>				
Restricted bank deposits	0.02	66.70	(66.68)	(100%)
Long-term loans to employees - net of current portion	-	2.96	(2.96)	(100%)
Investment in associate	754.63	-	754.63	100%
Property, plant and equipment	231.65	242.45	(10.80)	(4%)
Intangible assets	131.07	138.73	(7.66)	(6%)
Right-of-use assets	107.23	166.91	(59.68)	(36%)
Deferred tax assets	0.40	0.23	0.17	74%
Other non-current assets	1.64	2.65	(1.01)	(38%)
<b>Total non-current assets</b>	<b>1,226.64</b>	<b>620.63</b>	<b>606.01</b>	<b>98%</b>
<b>Total assets</b>	<b>1,273.68</b>	<b>1,718.88</b>	<b>(445.20)</b>	<b>(26%)</b>

Statements of financial position as at 31 December 2021 and 2020 (cont.)

As at 31 December	Consolidated		Change	
	2021	2020	Million Baht	%
<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	(48.00)	(100%)
Short-term loans from related parties	-	7.83	(7.83)	(100%)
Trade and other payables	11.86	59.49	(47.63)	(80%)
Current portion of long-term loans from financial institutions	38.01	36.63	1.38	4%
Current portion of lease liabilities	3.54	7.07	(3.53)	(50%)
Income tax payable	0.74	2.00	(1.26)	(63%)
Other current liabilities	1.26	1.53	(0.27)	(18%)
<b>Total current liabilities</b>	<b>55.41</b>	<b>640.20</b>	<b>(584.79)</b>	<b>(91%)</b>
<b>Non-current liabilities</b>				
Long-term loans from financial institutions - net of current portion	88.36	126.59	(38.23)	(30%)
Lease liabilities - net of current portion	113.51	215.76	(102.25)	(47%)
Deferred tax liabilities	10.00	10.42	(0.42)	(4%)
Long-term employee benefits obligations	2.24	22.40	(20.16)	(90%)
<b>Total non-current Liabilities</b>	<b>214.11</b>	<b>375.17</b>	<b>(161.06)</b>	<b>(43%)</b>
<b>Total liabilities</b>	<b>269.52</b>	<b>1,015.37</b>	<b>(745.85)</b>	<b>(73%)</b>

Statements of financial position as at 31 December 2021 and 2020 (cont.)

As at 31 December	Consolidated		Change	
	2021	2020	Million Baht	%
<b>LIABILITIES AND SHAREHOLDERS' EQUITY (cont.)</b>				
<b>Shareholders' equity</b>				
Share capital				
Registered				
170,428,706 ordinary shares of Baht 0.5 each	85.21	73.05	12.16	17%
(2020: 7,305,000 ordinary shares of Baht 10 each)				
Issued and fully paid				
139,998,824 ordinary shares of Baht 0.5 each,	70.00	60.00	10.00	17%
(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	501.79	387.51	114.28	29%
Other component of shareholders' equity	4.38	-	4.38	100%
Equity attributable to owners of the Company	1,004.16	703.51	300.65	43%
Non-controlling interests of the subsidiaries	-	-	-	-
<b>Total shareholders' equity</b>	<b>1,004.16</b>	<b>703.51</b>	<b>300.65</b>	<b>43%</b>
<b>Total liabilities and shareholders' equity</b>	<b>1,273.68</b>	<b>1,718.88</b>	<b>(445.20)</b>	<b>(26%)</b>

As of 30 April 2021, the Company sold an investment in TIWI and deconsolidated book value from the Company's consolidated financial statement as at 31 December 2021 since TIWI was no longer the Company's subsidiary. By comparing the statement of financial position as at 31 December 2021 and 31 December 2020, there is a significant change caused by the disposal of investment in such subsidiary.

**Cash and cash equivalents**

As at 31 December 2021, cash and cash equivalents decreased by Baht 615.61 million due to an increase in cash and cash equivalents from continuing operating activities of Baht 96.16 million, and also a decrease in cash and cash equivalents from investing activities of Baht 710.83 million, which is mainly due to the investment in an associated company of Baht 704.91 million during the year. Additionally, there was an decrease in cash and cash equivalents from financing activities of Baht 0.94 million from loan repayment and proceeds from increase in share capital.

### **Contract assets**

Contract assets as at 31 December 2021 were accrued income of electricity from the solar power segment.

### **Inventories**

There was no outstanding of inventory as at 31 December 2021 because all inventories were stock of galvanized iron sheet products and installation services segment under TIWI which the Company had already disposed of all investment in such subsidiary during the year.

### **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 2,598,750 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 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. For year ended 31 December 2021, the Company recognized share of profit and share of other comprehensive income from investment in associate amounting to Baht 90.26 million.

On 17 December 2021, the Extraordinary General Meeting of the Company's shareholders no.2/2021 passed the resolution approved the additional investment of 2,413,125 ordinary shares of Winchai Co., Ltd., representing a 24.375% shareholding, at a total price of Baht 700,000,000 through an entire business transfer transaction from a company. On 24 January 2022, the Company has entered into such transaction resulting in an increase in the Company's shareholding in Winchai Co., Ltd. from 26.25% to 50.625% of total paid-up share capital. The Company therefore changed the status of investment in associate to investment in subsidiary from 24 January 2022 onward since the Company has power to make decisions related to strategic operations, including setting budgets.

### **Intangible assets**

As at 31 December 2021, intangible assets of Baht 131.07 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.

### Executive summary

From the operating results in the past year, the Company has changed its business structure by changing its main business from producing and selling galvanized steel sheets into a business that focuses on investment in energy business due to the ongoing losses and the pressure of rising costs in the production of galvanized steel. Since the middle of 2020, the Company has invested in the solar power plant business with a size of 7.825 megawatts and from 2021 to the present the company has invested in the business of wind power plants with a size of 45.00 megawatts. The success in investing in solar and wind power plants proved that the Company has a better performance. In 2021, the Group has revenue of Baht 44.02 million from subsidiaries that produce and sell electricity from solar power plant. Also, the Group has a share of profit of Baht 90.26 million from the associated company that produce and sell electricity from wind power plant. At present, the Company increases its investment in this business. Therefore, the Company has control over its operations in key activities, including decisions about strategic execution and budget. Hence, the investment status has been changed from an associated company to a subsidiary in the first quarter of 2022. The Company expects that such investment will bring good results and stability to the company in the future.

The Board of Directors and Executives realised an opportunity to invest in the energy business and have confidence in investment planning that can generate adequate returns to the investors. In addition, investment in energy is part of the response to the National Energy Plan, which was the government's energy policy last year whether it is to support clean energy and reducing carbon emissions to zero in the next 10 years. The Group has a consistent investment policy and strategy.

Forwarded for your information,

Yours faithfully,

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Ms. Sukanya Tipmanee  
Director