

# NOVA EMPIRE PUBLIC COMPANY LIMITED

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Management Discussion and Analysis of Financial Statements  
for the 1<sup>st</sup> quarter of 2022



No. CS015/2022

Date 12 May 2022

Subject: Management discussion and Analysis of Financial Statements for the 1<sup>st</sup> quarter of 2022

To: The President of the Stock Exchange of Thailand

We, Nova Empire Public Company Limited (“the Company”) would like to report the operating results of the Company and subsidiaries (all together as the “Group”) for the three-month period ended 31 March 2022. The details are as follows:

**A Summary of Significant Event from the operation of the 1<sup>st</sup> quarter of 2022**

On 17 December 2021, the Extraordinary General Meeting of the Company’s shareholders no.2/2021 passed the resolution to approve the investment of 2.4 million ordinary shares of Baht 100 each of Winchai Co., Ltd., (“Winchai”) representing a 24.375% shareholding, at a total compensation of Baht 700 million through an entire business transfer transaction from The Planet X Holding Co., Ltd. On 24 January 2022, the Company has entered the transaction. As a result, the Company’s shareholding in Winchai increased from 26.25% to 50.625% of total registered and paid-up share capital. Subsequently, the Company has control over decision making related to policy and business strategic including budgeting and returns. Therefore, the Company has changed the status of investment in associate to investment in subsidiary and consolidate Winchai’s financial position and operating result in the Group’s consolidation since 24 January 2022 resulting to significant increase in financial position and operating result of the Group’s consolidated financial statements for the three-month ended 31 March 2022 from the same quarter last year. The Group represents total comprehensive income for the period of Baht 129.41 million which increased from same quarter last year of Baht 160.64 million or 514%. The analysis of operating result and financial position detail are as follow.

**Summary of Operating Result**

Unit: Baht million

Summary of Operating Result	The 1 <sup>st</sup> quarter		Change	
	2022	2021	Increase/(Decrease)	%
Sale of electricity	140.58	13.10	127.48	973%
<b>Gross Profit</b>	<b>80.65</b>	<b>4.76</b>	<b>75.89</b>	<b>1,594%</b>
Gain on change in status of investment	59.89	-	59.89	100%
Gain on bargain purchase	6.04	-	6.04	100%
Other income	1.90	1.11	0.79	71%
Administrative expenses	(16.99)	(11.56)	5.43	47%
<b>Operating profit (loss)</b>	<b>131.49</b>	<b>(5.69)</b>	<b>137.18</b>	<b>2,411%</b>
Share of profit from investment in associate	9.69	-	9.69	100%

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Finance cost	(21.03)	(3.84)	17.19	448%
Income tax benefit (expenses)	(0.15)	0.11	(0.26)	(236%)
<b>Profit (loss) for the period from continued operation</b>	<b>120.00</b>	<b>(9.42)</b>	<b>129.42</b>	<b>1,374%</b>
Loss for the period from discontinued operation	-	(21.81)	(21.81)	(100%)
<b>Profit (loss) for the period</b>	<b>120.00</b>	<b>(31.23)</b>	<b>151.23</b>	<b>484%</b>
Total comprehensive income for the period	129.41	(31.23)	160.64	514%
<b>Key Financial Ratio</b>				
Gross Profit Margin	57%	36%		
Operating Profit (loss) Margin	94%	(43%)		
Net Profit Margin	92%	(238%)		

Unit: Baht

Basic Earnings per Share	The 1 <sup>st</sup> quarter		Change	
	2022	2021	Increase/(Decrease)	%
Earnings (loss) per share from continued operation	0.53	(0.07)	0.60	857%
Loss per share from discontinued operation	-	(0.17)	0.17	100%
<b>Total profit (loss) attributable to equity holders of the Company</b>	<b>0.53</b>	<b>(0.24)</b>	<b>0.77</b>	<b>321%</b>

#### Revenue and Cost from continued operation – by business segment

The Group has consolidated revenue for the 1<sup>st</sup> quarter ended 31 March 2022 of Baht 140.58 million which increased by Baht 127.48 million or 973% compared with same period last year that had revenue of Baht 13.10 million. The detail of segment is as follows:

Unit: Baht million

Operational result by business segment – Producing and selling electricity	Solar Power		Wind Power		Total	
	2022	2021	2022	2021*	2022	2021
Production Capacity	7.825 Megawatts		45.00 Megawatts		52.825 Megawatts	
For the three-month ended 31 March	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021*</u>	<u>2022</u>	<u>2021</u>
Revenue from continued operation	14.34	13.10	126.24	-	140.58	13.10
Gross profit	5.06	4.76	75.59	-	80.65	4.76
Gross Profit Margin	35%	36%	60%	-	57%	36%

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\*In 2021, the investment in Winchai represented as investment in associate and the Group only recognized share of profit from investment in associate.

In consideration of revenue for the 1<sup>st</sup> quarter of 2022, the Group has revenue from producing and selling electricity separated into 2 segments which are producing and selling electricity from solar power and wind power. Both of them is the continue operation which generates revenue to the Group amounting to Baht 14.34 million and Baht 126.24 million, respectively increasing from the same period last year of Baht 127.48 million or 973%. The significant increase mainly results from the consolidation of Winchai's operating result to the Group since 24 January 2022 that caused the significant increase in total revenue, especially from the segment of producing and selling of electricity from wind power. The additional investment in Winchai in early of 2022 in which Winchai only operates of producing and selling electricity from wind power with capacity of 45 Megawatts results to increase of the Group's total production capacity to 52.825 Megawatt; while the segment of producing and selling electricity from solar power generated revenue of Baht 14.34 million in the 1<sup>st</sup> quarter of 2022 which increased from same period last year as the Group has proceeded solar panel replacement to maximize its capacity in early of 2022.

For the 1<sup>st</sup> quarter of 2022, the Group has cost of sales of electricity of Baht 59.93 million which increased by Baht 51.59 million or 619% from same period last year which mainly came from the consolidation of Winchai in the consolidated financial statement. The cost of sales of electricity mainly consists of depreciation of power plants, plant and other equipment, technical consultation and management fee, and power plant's insurance premium. However, the gross profit margin of the 1<sup>st</sup> quarter of 2022 is 57% which higher than the gross profit margin of the same period last year that represents of 36%. The operating profit margin of the 1<sup>st</sup> quarter of 2022 is 94% compared with same period last year represented the operating loss margin of 43%.

#### **Administrative expenses**

The Group has administrative expenses in the 1<sup>st</sup> quarter of 2022 and the 1<sup>st</sup> quarter of 2021 amounting to Baht 16.99 million and Baht 11.56 million, respectively which increased by Baht 5.43 million or 47%, mostly consisting of the professional fee during the business restructure in conformity with the Company's strategy, financial advisory, and legal advisory for investing in business.

#### **The investment in Winchai Co., Ltd.**

Since the Company has additionally invested in Winchai's common share of 24.375% on 24 January 2022, the Company has changed the investment status from the investment in associate to the investment in subsidiary. Before the investment status has been changed, the Group has recognized the share of profit from investment in associate amounting of Baht 9.69 from Winchai's operating result during 1 January 2022 – 23 January 2022 in according with 26.25% shareholding proportion.

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From 24 January 2022, the Company is holding 50.625% of Winchai's issued and paid-up share capital and has control over significant business activities. Consequently, the investment status has been changed into the investment in subsidiary since then. The Group recognized gain on change in status of investment of Baht 59.89 million resulting from 2 transactions as below described:

1. the difference in amount of Baht 54.55 million between the carrying amount based on equity method before business combination (the investment of 26.25% of Winchai's shareholding) amounting of Baht 819.10 million and the fair value before the business combination of Baht 873.65 million; and
2. the recognition of accumulative amount of share of other comprehensive income from associate of Baht 5.34.

Furthermore, the financial position and operating result of Winchai was consolidated in the consolidated financial statement of the Group since 24 January 2022.

The Group also recognized the gain on bargain purchase of Baht 6.04 million in profit or loss which resulting from the Company has completed the assessments of the fair values of Winchai identifiable assets acquired and assumed liabilities that represents the fair value as at the acquisition date represents the net assets of Winchai in the Company's proportion of Baht 1,579.69 million whereas the Company has the costs of the acquisition of investment in Winchai of Baht 1,573.65 million.

### Finance cost

Finance cost mostly came from a long-term loan from financial institutions of subsidiaries and recognition of right-of-use assets in accordance with Thai Financial Reporting Standard No. 16 "Leases".

### Summary of Financial Position

Unit: Baht million

	Consolidated		Change	
	31 March 2022	31 December 2021	Increase/(Decrease)	%
Current assets	342.72	47.04	295.68	629%
Non-current assets	5,836.73	1,280.46	4,556.27	356%
<b>Total assets</b>	<b>6,179.45</b>	<b>1,327.50</b>	<b>4,851.95</b>	<b>365%</b>
Current liabilities	880.34	55.41	824.93	1,489%
Non-current liabilities	2,266.38	214.11	2,052.27	959%
<b>Total liabilities</b>	<b>3,146.72</b>	<b>269.52</b>	<b>2,877.20</b>	<b>1,068%</b>
<b>Total shareholder's equity</b>	<b>3,032.73</b>	<b>1,057.98</b>	<b>1,974.75</b>	<b>187%</b>
<b>Key Financial Ratio</b>				
Return on assets (%)	1.94	3.50		

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Return on equity (%)	3.96	4.40		
Liquidity ratio (time)	0.39	0.85		

As at 31 March 2022, the Group has current assets of Baht 342.72 million which increased by Baht 295.68 million or 629% from 31 December 2021 and has non-current assets of Baht 5,836.73 which increased by Baht 4,556.27 million or 356% from 31 December 2021. Such significant increment caused by additional investment in Winchai resulting from the change in the investment status from the investment in associate to the investment in subsidiary and consolidation of Winchai's financial position and operating result to the consolidated financial statement.

The liquidity ratio as at 31 March 2022 shows 0.39 time which less than the liquidity ratio as at 31 December 2021 of 0.85 time resulting from the significantly increase in the accounts payable for purchase of investment in subsidiary of Baht 450 million.

The Group has non-current liabilities of Baht 880.4 million which increased by Baht 824.93 million or 1,489% from 31 December 2021. This mainly resulted from investment in Winchai of Baht 700 million. According to the share purchase agreement, the payment is divided into 2 installments. The Company already paid the first installment of Baht 250 million and the second installment is due within April 2022. Subsequently, the Company has made the second full payment amount on 19 April 2022. Hence, Baht 450 million represented as account payable for purchase of investment in subsidiary as at 31 March 2022. Besides, the Group has current liabilities from current portion of long-term loans from financial institution from Winchai's consolidation of Baht 340 million.

As at 31 March 2022, the Group has non-current liabilities of Baht 2,266.38 million which increased by 2,052.27 million or 959% from 31 December 2021. This mainly resulted from consolidation of Winchai's financial position into the consolidated financial statement which increased the long-term loans from the financial institution of Baht 1,651.65 million and including derivative liabilities from interest rate swap of Baht 27.87 million and provision for decommissioning costs of Baht 91.63 million and deferred tax liabilities of Baht 194.68 that resulted from the recognition of intangible assets from a business combination.

As at 31 March 2022, shareholders's equity of Baht 3,032.73 million was increased by Baht 1,974.75 million when compared with balance as of 31 December 2021. This resulted from investment in Winchai's shareholding in total proportion of 50.625% of issue and paid-up share capital and the non-controlling interests of the subsidiaries was increased accordingly. The return on assets for the 1<sup>st</sup> quarter of 2022 is 1.94% when compared with 3.50% in 2021. The return of equity for the 1<sup>st</sup> quarter of 2022 is 3.90% when compared with 4.40% in 2021.

### Summary of Cash Flow

Unit: Baht million

	Consolidated	
	The 1 <sup>st</sup> quarter of 2022	The 1 <sup>st</sup> quarter of 2021

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Net cash flows from operating activities	160.93	107.46
Net cash flows from (used in) investing activities	(229.29)	2.2
Net cash flows from financing activities	212.83	121.86
Cash and cash equivalents at beginning of period	37.43	653.05
Net increase in cash and cash equivalents	144.47	231.52
Cash and cash equivalents from discontinued operation at end of period	-	(138.84)
Cash and cash equivalents at end of period	181.90	745.73

In the 1<sup>st</sup> quarter of 2022, the Group has net cash flow from operating activities of Baht 160.93 million compared with the 1<sup>st</sup> quarter of 2021 amounting of Baht 107.46. The increase mainly resulted from consolidation of Winchai's financial position and operating result into the consolidated financial statement while the Group had net loss from operating activities in the 1<sup>st</sup> quarter of 2021 and cash inflow from sale of inventory of TIW Industry Co., Ltd. The Group has net cash flows used in investing activities in the 1<sup>st</sup> quarter of 2022 in the amount of Baht 229.29 million which mainly resulted from the net cash paid for investment in Winchai of Baht 163.50 million and increasing of restricted deposit at bank from collecting payment from accounts receivable of Baht 56.97 million which was used as a collateral of credit facilities. In the 1<sup>st</sup> quarter of 2022, the Group has net cash flows from financing activities of Baht 212.83 million which increased from same quarter last year because the Company received the payment from right offering of increasing in share capital that offered to the existing shareholders and an increase in share capital from private placement offering, in total of Baht 309.98 million.

Forwarded for your information,

Yours faithfully,

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Ms. Sukanya Tipmanee  
Director