

# NOVA EMPIRE PUBLIC COMPANY LIMITED

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Management Discussion and Analysis of Financial Statements  
for the six-month period ended 30 June 2022  
and Clarification on the Change of Operational Performance Exceeding 20%



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Subject: Management Discussion and Analysis of Financial Statements for the six-month period ended 30 June 2022 and Clarification on the Change of Operational Performance Exceeding 20%

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 (collectively as “the Group”) for the six-month period ended 30 June 2022 and clarify on the change in operational performance exceeding 20%. The details are as follows:

**A Summary of Significant Events for the six-month period ended 30 June 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 Par 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 into 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 policy and business strategy decision-making, including budgeting and returns. Therefore, the Company has changed the status of investment in associate to investment in subsidiary and consolidated Winchai’s financial position and operating result in the Group’s consolidation since 24 January 2022, resulting in a significant increase in financial position and operating result of the Group’s consolidated financial statements for the six-month period ended 30 June 2022 from the same period last year. The Group represents a total comprehensive income of Baht 194.54 million, which increased from the same period last year of Baht 73.88 million or 61%.

The analysis of operating result and financial position detail are as follow.

**Summary of Operating Result**

Unit: Million Baht

For the six-month periods ended 30 June	Consolidated financial statements		Change	
	2022	2021	Increase/(Decrease)	%
Sale of electricity	316.46	25.24	291.22	1,154%
<b>Gross Profit</b>	<b>178.72</b>	<b>7.27</b>	<b>171.45</b>	<b>2,358%</b>
Gain on change in status of investment	59.89	-	59.89	100%
Gain on bargain purchase	6.04	-	6.04	100%
Other income	2.51	5.56	(3.05)	(55%)
Administrative expenses	(34.83)	(21.60)	13.23	61%
<b>Operating profit (loss)</b>	<b>212.33</b>	<b>(8.77)</b>	<b>221.10</b>	<b>2,521%</b>
Share of profit from investment in associate	9.69	66.67	(56.98)	(85%)
Finance cost	(52.69)	(6.85)	45.84	669%
Income tax benefit (expenses)	0.18	(0.84)	(1.02)	(121%)
<b>Profit for the period from continued operation</b>	<b>169.51</b>	<b>50.21</b>	<b>119.30</b>	<b>238%</b>
Profit for the period from discontinued operation	-	69.98	(69.98)	(100%)
<b>Profit for the period</b>	<b>169.51</b>	<b>120.19</b>	<b>49.32</b>	<b>41%</b>
<b>Total comprehensive income for the period</b>	<b>194.54</b>	<b>120.66</b>	<b>73.88</b>	<b>61%</b>
<b>Key Financial Ratio</b>				
Gross Profit Margin (%)	56	29		
Operating Profit (loss) Margin (%)	67	(35)		
Net Profit Margin (%)	54	199		

Basic Earnings per Share

Unit: Baht

For the six-month periods ended 30 June	Consolidated financial statements		Change	
	2022	2021	Increase/(Decrease)	%
Earnings per share from continued operation	0.58	0.37	0.21	57%
Earnings per share from discontinued operation	-	0.52	(0.52)	(100%)
<b>Total profit attributable to equity holders of the Company</b>	<b>0.58</b>	<b>0.89</b>	<b>(0.31)</b>	<b>(35%)</b>

Revenue and Cost from the continued operation – by business segment

The Group has consolidated revenue from sales of electricity for the six-month period ended 30 June 2022 of Baht 316.46 million, which increased by Baht 291.22 million or 1,154% compared with the same period last year that had revenue of Baht 25.24 million. The detail of the segment is as follows:

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 six-month period ended 30 June						
Revenue from continued operation	28.27	25.24	288.19	-	316.46	25.24
<b>Gross profit</b>	<b>10.07</b>	<b>7.27</b>	<b>168.65</b>	<b>-</b>	<b>178.72</b>	<b>7.27</b>
<b>Gross Profit Margin</b>	<b>36%</b>	<b>29%</b>	<b>59%</b>	<b>-</b>	<b>56%</b>	<b>29%</b>

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

In consideration of revenue for the six-month period ended 30 June 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 revenues are the continued operation that generates revenue for the Group, amounting to Baht 28.27 million and Baht 288.19 million, respectively. The significant increase mainly results from the consolidation of Winchai's operating results to the Group on 24 January 2022, which caused the significant increase in total revenue, especially from the segment of producing and selling electricity from wind power. The additional investment in Winchai in early 2022, in which Winchai only operates by producing and selling electricity from wind power with a capacity of 45 Megawatts, results in 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 28.27 million for the first six-month of 2022 which increased by Baht 3.03 million or 12% from the same period last year as the Group has improved an efficiency of power plants to maximize its capacity in early of 2022.

For the six-month period ended 30 June 2022, the Group has a cost of sales of electricity of Baht 137.74 million, which increased by Baht 119.77 million or 666% from the same period last year, which mainly came from the consolidation of Winchai in the consolidated financial statements. 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, for the six-month period ended 30 June 2022, the gross profit margin is 56%, which is higher than the gross profit margin of the same period last year, which represents 29%. The operating profit margin is 67% compared with the same period last year, representing an operating loss margin of 35%.

### Administrative expenses

The Group has administrative expenses for the six-month period ended 30 June 2022 and the same period last year amounting to Baht 34.83 million and Baht 21.60 million, respectively, which increased by Baht 13.23 million or 61%, 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 the 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 was changed, the Group recognized the share of profit from investment in associate amounting to Baht 9.69 from Winchai's operating result from 1 January 2022 – 23 January 2022 in accordance with the 26.25% shareholding proportion. In 2022, the Company has completed its assessment of the fair value of the identifiable assets and liabilities of Winchai, which the Company has invested in 26.25% shareholding proportion of Winchai on 21 April 2021. Therefore, the Company has restated the consolidated financial statements presented herein for comparative purposes to reflect the fair value of these identifiable assets and liabilities. The share of profit from investment in associate of Baht 66.67 million has been presented as a comparative figure in the statement of income for the six-month period ended 30 June 2022, compared to the previous reported of Baht 4.27 million in the statement of income for the six-month period ended 30 June 2021. The adjustment to share of profit from investment in associate amounting to Baht 62.40 million resulting from 2 transactions as below described:

1. gain on bargain purchases amounting to Baht 65.76 million
2. the amortization of intangible assets acquired through a business combination amounting to Baht 3.36 million

On 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 to the investment in a subsidiary since then. The Group recognized a gain on change in status of investment of Baht 59.89 million in the statement of income for the six-month period ended 30 June 2022, resulting from 2 transactions as below described:

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

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

The Group also recognized the gain on bargain purchase of Baht 6.04 million in the statement of income for the six-month period ended 30 June 2022 after the Company has completed the assessments of the fair values of Winchai identifiable assets acquired and assumed liabilities which the Company has invested in 24.375% shareholding proportion of Winchai on 24 January 2022. The fair value as of 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 an investment in Winchai of Baht 1,573.65 million.

### Finance cost

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

### Income tax

For the six-month period ended 30 June 2022, the Group has an income tax benefit of Baht 0.18 million. The change in income tax of the Group when compared with the same period last year mainly came from the recognition of deferred tax assets of Winchai's provision for decommissioning costs.

### Summary of Financial Position

Unit: Million Baht

	Consolidated		Change	
	30 June 2022	31 December 2021	Increase/(Decrease)	%
Current assets	313.10	47.04	266.06	566%
Non-current assets	5,806.98	1,280.46	4,526.52	354%
<b>Total assets</b>	<b>6,120.08</b>	<b>1,327.50</b>	<b>4,792.58</b>	<b>361%</b>
Current liabilities	423.48	55.41	368.07	664%
Non-current liabilities	2,598.74	214.11	2,384.63	1,114%
<b>Total liabilities</b>	<b>3,022.22</b>	<b>269.52</b>	<b>2,752.70</b>	<b>1,021%</b>
<b>Total shareholder's equity</b>	<b>3,097.86</b>	<b>1,057.98</b>	<b>2,039.88</b>	<b>193%</b>
<b>Key Financial Ratio</b>				
Return on assets (%)	2.77	3.78		
Return on equity (%)	5.47	4.75		
Liquidity ratio (time)	0.74	0.85		

As of 30 June 2022, the Group has current assets of Baht 313.10 million, which increased by Baht 266.06 million or 566% from 31 December 2021, and has non-current assets of Baht 5,806.98 which increased by Baht 4,526.52 million or 354% 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 statements. Nevertheless, the return on assets for the 2<sup>nd</sup> quarter of 2022 is 2.77% decreasing when compared with 3.78% in 2021 due to the recognition of gain on bargain purchase as part of the share of profit from investment in an associate which is non-recurring items.

The Group has current liabilities of Baht 423.48 million, which increased by Baht 368.07 million or 664% from 31 December 2021 and has non-current liabilities of Baht 2,598.74 million, which increased by Baht 2,384.63 million or 1,114% from 31 December 2021. This mainly resulted from the consolidation of Winchai's financial position into the consolidated financial statements and additional long-term loan used for investment in Winchai during the period, resulting in an increase in the long-term loans from the financial institution of Baht 2,345.65

million (including the increase in the current portion of Baht 341.47 million) and including provision for decommissioning costs of Baht 92.09 million and deferred tax liabilities of Baht 194.30 that resulted from the recognition of intangible assets from a business combination. Therefore, the liquidity ratio as of 30 June 2022 presented 0.74 time decreasing when compared with 0.85 time as of 31 December 2021.

Shareholders' equity of Baht 3,097.86 million as of 30 June 2022 was increased by Baht 2,039.88 million when compared with the balance as of 31 December 2021. This resulted from investment in Winchai's shareholding in a total proportion of 50.625% of the issue and paid-up share capital. The non-controlling interests of the subsidiaries were increased accordingly. The return of equity for the 2<sup>nd</sup> quarter of 2022 is 5.47%, increasing when compared with 4.75% in 2021.

**Summary of Cash Flow**

Unit: Million Baht

The six-month period ended on 30 June	Consolidated financial statements	
	2022	2021
Net cash flows from operating activities	289.39	98.78
Net cash flows used in investing activities	(709.17)	(707.85)
Net cash flows from financing activities	560.21	21.91
Cash and cash equivalents at the beginning of the period	37.44	653.05
Net increase (decrease) in cash and cash equivalents	140.43	(587.16)
Cash and cash equivalents at the end of the period	177.87	65.89

For the six-month period ended 30 June 2022, the Group has a net cash flow from operating activities of Baht 289.39 million compared with the six-month period ended 30 June 2021, amounting to Baht 98.78 million. The increase mainly resulted from the consolidation of Winchai's financial position and operating results into the consolidated financial statements, while the Group had a net loss from operating activities after adjustment to reconcile to net cash for the six-month period ended 30 June 2021 and cash inflow from the sale of inventory of TIW Industry Co., Ltd.

In addition, the Group has net cash flows used in investing activities for the six-month period ended 30 June 2022 in the amount of Baht 709.17 million, which mainly resulted from the net cash paid for the investment in Winchai of Baht 613.50 million. The Group has net cash flows from financing activities of Baht 560.21 million, which increased from the same period last year because the Company received the payment from the right offering of increase in share capital offered to the existing shareholders and an increase in share capital from private placement offering, in a total of Baht 309.98 million and received cash from a long-term loan from a financial institution, which is net of an upfront fee, amounting to Baht 446.18 million.

Forwarded for your information,

Yours faithfully,

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Ms. Sukanya Tipmanee  
Director