

# NOVA EMPIRE PUBLIC COMPANY LIMITED

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Management Discussion and Analysis of Financial Statements  
for the year ended 31 December 2023  
and Clarification on the Change of Operational Performance Exceeding 20%



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Date 29 February 2024

Subject: Management Discussion and Analysis of Financial Statements for the year ended 31 December 2023

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 year ended 31 December 2023 and clarify on the change of operational performance exceeding 20%.

**A Summary of Significant Events for the year ended 31 December 2023**

On 24 January 2023, the Company’s Board of Directors Meeting No.1/2023 passed the resolution to approve the issuance of debentures No. 1/2023, amounting to not over Baht 400 million, to be offered to institutional investors and high-net-worth investors. The debentures have a tenor of 1 year and 9 months, a face value of Baht 1,000 each, which are registered, unsubordinated, and unsecured, with debenture holders’ representative and an early redemption option for the Company. Interest is payable every three months. On 7 March 2023, the issuance of debentures was approved by The Office of the Securities and Exchange Commission. The Company has issued debentures during 14-16 March 2023, totaling 400,000 units at a face value of Baht 1,000 each amounting to Baht 400 million. All of the debentures have been sold as offered amounting to Baht 400 million. On 20 March 2023, the Company complied with the objectives of issuing such debentures. The Company settled the final payment for ordinary shares from the investment in Winchai Co., Ltd. (“Winchai”), representing a 24.375% shareholding, totaling Baht 165 million to The Planet Y Holding Co., Ltd.

On 17 October 2023, the Company’s special meeting of Board of Directors No.1/2023 passed a resolution to propose, for the shareholder’s approval in Extraordinary General Meeting of Shareholder, the disposal of total investment in Winchai to Plus Energy Company Limited, which is a subsidiary of Sermuang Power Corporation Public Company Limited (the Company’s shareholder). The disposal will be carried out through an entire business transfer by Top Empire Company Limited (subsidiary) at a price of Baht 2,322 million. However, the disposal price is subject to adjustments based on circumstances that significantly impact Winchai’s share price, such as dividend payments to Winchai’s shareholders.

In divesting all investment in Winchai, the Company can realize the return from investment in Winchai in the form of cash which providing a good rate of return. Also, the Company can utilize cash received from sale of Winchai in expanding to other businesses or expanding the business scope. This will possibly provide shareholders the opportunities to receive higher return. According to the extraordinary shareholder meeting no. 1/2024 passed the resolution to approve the purchase of investment in Nova X which Nova X is a limited company incorporated on 25 June 2020 in Thailand and principally engaged in provision of offshore services related to oil gas industry and it has been selected as the provider of floating storage and offloading for crude oil to PTTEP Energy Development Company (PTTEP ED). Nova X entered into the service agreement with PTTEP ED on 1 June 2023. The term of the service agreement is 5 years from the date of the commercial operation date is

expected to be in December 2024, with PTTEP ED being entitled to extend the service period for further 5 years following the expiration of the initial 5-year term. In investing as mentioned, the Company will be able to expand business scope and diversify risk to other new businesses that have future growth opportunities.

On January 31, 2024, the Company restructured its ownership within the Group through a sales and purchase agreement with Top Empire Company Limited and transferred all of its share in Winchai to Top Empire Company Limited. Currently, the Group is in the process of disposing all of its investment in Winchai to Plus Energy Company Limited. To comply with the requirements of TFRS 5 Non-current Assets Held for Sale and Discontinued Operations, as at 31 December 2023, the Company separately classified investment in Winchai of Baht 2,120 million as assets held for sale in the separate statement of financial position. The Group also presented the assets and liabilities of Winchai under the caption of "Assets held for sale" and "Liabilities directly associated with assets held for sale" in the consolidated statement of financial position. Moreover, the operating results of Winchai were separately presented under "Profit for the year from discontinued operation" in the consolidated statements of comprehensive income for the year ended 31 December 2023. In addition, the Group presents the operating results of Winchai as "Profit for the year from discontinued operation" in the consolidated statements of comprehensive income for the year ended 31 December 2022 as presented herein for comparative purpose. The detail of Winchai's assets and liabilities classified as assets held for sale and liabilities directly associated with assets held for sale as of 31 December 2023 and Winchai's income or expenses classified as profit for the year from discontinued operation and other comprehensive loss for the year from discontinued operation for the year ended 31 December 2023 are as shown in the notes to the financial statements.

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

**Summary of Operating Result**

Unit: Million Baht

for the year ended 31 December	Consolidated financial statements		Change	
	2023	2022	Increase/ (Decrease)	%
Revenue from continued operation - Sale of electricity	55.89	54.94	0.95	2%
<b>Gross Profit</b>	<b>18.34</b>	<b>19.19</b>	<b>(0.85)</b>	<b>(4%)</b>
Gain on change in status of investment	-	59.89	(59.89)	(100%)
Gain on bargain purchase	-	6.04	(6.04)	(100%)
Other income (Other expenses)	(2.18)	2.87	(5.05)	(176%)
Administrative expenses	(49.85)	(54.50)	(4.65)	(9%)
<b>Operating profit (loss)</b>	<b>(33.69)</b>	<b>33.49</b>	<b>(67.18)</b>	<b>(201%)</b>
Finance cost	(34.36)	(29.68)	4.68	16%
Income tax benefit (expenses)	(0.07)	0.39	(0.46)	(118%)
<b>Profit for the year from continued operation</b>	<b>(68.12)</b>	<b>4.20</b>	<b>(72.32)</b>	<b>(1,722%)</b>
Profit for the year from discontinued operation	468.87	440.85	46.02	10%

Summary of Operating Result

Unit: Million Baht

for the year ended 31 December	Consolidated financial statements		Change	
	2023	2022	Increase/ (Decrease)	%
Profit for the year	418.75	445.05	(26.30)	(6%)
Total comprehensive income for the year	403.82	431.73	(27.91)	(6%)
Profit attributable to:				
Equity holders of the Company	297.71	240.30	57.41	24%
Non-controlling interests of the subsidiaries	121.03	204.75	(83.72)	(41%)
Comprehensive income attributable to:				
Equity holders of the Company	286.52	231.32	55.20	24%
Non-controlling interests of the subsidiaries	117.30	200.40	(83.10)	(41%)
Key Financial Ratio				
Gross Profit Margin (%)	33%	35%		
Operating Profit Margin (%)	(60%)	61%		
Net Profit Margin (%)	(122%)	8%		

Basic Earnings per Share

Unit: Baht

for the year ended 31 December	Consolidated financial statements		Change	
	2023	2022	Increase/ (Decrease)	%
Earnings per share from continued operation	(0.40)	0.03	(0.43)	(1,433%)
Earnings per share from discontinued operation	2.15	1.40	0.75	54%
Total profit attributable to equity holders of the Company	1.75	1.43	0.32	22%

Revenue and gross profit by business segment

The Group has consolidated revenue of continued operation from sales of electricity for the year ended 31 December 2023 of Baht 55.89 million, which increased by Baht 0.95 million or 1.73% compared with last year, which had revenue of Baht 54.94 million. In addition, the Group has revenue from discontinued operation for the year ended 31 December 2023 of Baht 963.65, which increased by Baht 184.98 million or 23.76% compared with last year, which had revenue from this segment of Baht 778.67 million resulting from the positive natural factor. The detail of the segment is as follows:

Unit: Million Baht

Operational result by business segment – Producing and selling electricity	Solar Power		Wind Power	
	2023	2022	2023	2022
Production Capacity	7.825 Megawatts		45.00 Megawatts	
for the year ended 31 December				
Revenue from continued operation	55.89	54.94	963.65	778.67
Gross profit	18.34	19.19	679.86	517.72
Gross Profit Margin	32%	35%	71%	66%

#### Gain on change in status of investment

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 into an investment in a subsidiary since then. The Group recognized a gain on change in the status of investment of Baht 59.89 million in the statement of income for the year ended 31 December 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 million.

#### Gain on bargain purchase

The Group also recognized the gain on the bargain purchase of Baht 6.04 million in the statement of income for the year ended 31 December 2022 after the Company 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 acquiring an investment in Winchai of Baht 1,573.65 million.

#### Administrative expenses

The Group has administrative expenses for the year ended 31 December 2023 and last year amounting to Baht 49.85 million and Baht 54.50 million, respectively, which decreased by Baht 4.65 million or 9%, 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.

#### Finance cost

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

Profit attributable to non-controlling interests of the subsidiaries.

For the year ended 31 December 2023, profit attributable to non-controlling interests of Winchai amounting to Baht 121.03 million resulting from 2 transactions as below described:

1. Winchai's net profit for the year ended 31 December 2023 in a proportion that others invest in Winchai amounting to Baht 137.97 million
2. The amortization of intangible assets acquired through a business combination in a proportion that others invest in Winchai amounting to Baht 16.94 million

Summary of Financial Position

Unit: Million Baht

	Consolidated		Change	
	31 December 2023	31 December 2022	Increase/(Decrease)	%
Current assets	5,105.43	454.71	4,650.72	1,023%
Non-current assets	420.32	5,218.82	(4,798.50)	(92%)
<b>Total assets</b>	<b>5,525.75</b>	<b>5,673.53</b>	<b>(147.78)</b>	<b>(3%)</b>
Current liabilities	2,961.89	621.00	2,340.89	377%
Non-current liabilities	125.77	2,678.15	(2,552.38)	(95%)
<b>Total liabilities</b>	<b>3,087.66</b>	<b>3,299.15</b>	<b>(211.49)</b>	<b>(6%)</b>
<b>Total shareholder's equity</b>	<b>2,438.09</b>	<b>2,374.38</b>	<b>63.71</b>	<b>3%</b>
<b>Key Financial Ratio</b>				
Return on assets (%)	7.58%	7.84%		
Return on equity (%)	17.18%	18.74%		
Liquidity ratio (time)	1.72	0.73		

As of 31 December 2023, the Group has current assets of Baht 5,105.43 million, which increased by Baht 4,650.72 million or 1,023% from 31 December 2022, and has non-current assets of Baht 420.32 which decreased by Baht 4,798.50 million or 92% from 31 December 2022. The Group has current liabilities of Baht 2,961.89 million, which increased by Baht 2,340.89 million or 377% from 31 December 2022, and has non-current liabilities of Baht 125.77 million, which decreased by Baht 2,552.38 million or 95% from 31 December 2022. The significant changes resulting from the Group presents Winchai's assets and liabilities separately under "Assets held for sale" of Baht 4,890.33 million in current assets and "Liabilities directly associated with assets held for sale" of Baht 2,504.81 million in the financial position as of 31 December 2023. However, the return on assets for 2023 is 7.58% increasing when compared with 7.84% in 2022 and the liquidity ratio for 2023 presented a 1.72 time increase when compared with 0.73 time for 2022.

The shareholders' equity of Baht 2,438.09 million as of 31 December 2023 increased by Baht 63.71 million when compared with the balance as of 31 December 2022. This resulted from the operating results from investment in Winchai. However, the return on equity for 2022 is 17.18% decrease when compared with 18.74% in 2022.

Summary of Cash Flow

Unit: Million Baht

for the year ended 31 December	Consolidated financial statements	
	2023	2022
Net cash flows from operating activities	745.10	483.24
Net cash flows used in investing activities	(194.53)	(791.01)
Net cash flows from (used in) financing activities	(406.70)	399.73
Cash and cash equivalents at beginning of year	129.40	37.44
Net increase in cash and cash equivalents	143.87	91.96
Cash and cash equivalents at the end of year from discontinued operation	(69.01)	-
Cash and cash equivalents at end of year	204.26	129.40

For the year ended 31 December 2023, the Group has a net cash flow from operating activities of Baht 745.10 million compared with the year ended 31 December 2022, amounting to Baht 483.24 million. The increase mainly resulted from the operating result from discontinued operation in the consolidated financial statements.

In addition, the Group has a net cash flow used in investing activities for the year ended 31 December 2022 in the amount of Baht 194.53 million, which mainly resulted from the net cash paid for additional investment in Winchai of Baht 165 million and an increase of restricted bank deposits in the amount of Baht 23.88 million.

The Group has a net cash flow used in financing activities for the year ended 31 December 2023 of Baht 406.70 million from the repayment of the long-term loan from a financial institution of Baht 442.51 million and the subsidiary declared an interim dividend payment to shareholders of Baht 340.11 million. In addition, the Company has offered and sold Baht 400 million of a debenture in the first quarter of 2023, consequently, the Company has cash receive from debenture of Baht 392.15.

Forwarded for your information,

Yours faithfully,

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Ms. Sukanya Tipmanee  
Director