

ALPHAXSET-2302-003

February 24, 2023

Subject: Management Discussion and Analysis for the year 2022

To: President and Manager
The Stock Exchange of Thailand

Alpha Divisions Public Company Limited (“ALPHAX”) would like to clarify operating results for the year 2022.

The main reasons are as follows:

Overall operating performance of the Group

	Consolidated financial statements 2022		Consolidated financial statements 2021		Increase (decrease)	
	Million Baht	%	Million Baht	Million Baht	%	Million Baht
	Revenue	355.36	100.00	508.40	100.00	(153.04)
Cost	162.90	45.84	337.90	66.46	(175.00)	(51.79)
Gross profit	192.46	54.16	170.50	33.54	21.96	12.88
Distribution costs	31.24	8.79	57.33	11.28	(26.09)	(45.51)
Administrative expenses	79.16	22.28	71.76	14.11	7.40	10.31
Net loss on foreign exchange rate	23.17	6.52	-	-	23.17	100.00
Finance costs	2.80	0.79	0.05	0.01	2.75	5,500.00
Profit (loss) before tax expense	56.09	15.78	41.36	8.14	14.73	35.61
Tax expenses	19.14	5.39	15.35	3.02	3.79	24.69
Profit (loss) for the year	36.95	10.39	26.01	5.12	10.94	42.06

Total revenue for the year 2022 amounted to Baht 355.36 million, a decrease of Baht 153.04 million or a 30.10% decrease compared to the year 2021, which was Baht 508.40 million.

Net profit for the year 2022 amounted to Baht 36.95 million, an increase of Baht 10.94 million or a 42.06% increase compared to the year 2021, which was Baht 26.01 million.

Revenue

	Consolidated financial statements 2022		Consolidated financial statements 2021		Increase (decrease)	
	Million Baht	%	Million Baht	Million Baht	%	Million Baht
	Revenue from main business					
Palm oil trading business	-	-	21.77	4.28	(21.77)	(100.00)
Property development business	198.19	55.77	446.82	87.89	(248.63)	(55.64)
Hemp/Cannabis business	98.88	27.82	-	-	98.88	100.00
Leasing business	49.60	13.96	-	-	49.60	100.00
Total revenue from main business	346.67	97.55	468.59	92.17	(121.92)	(26.02)
Other income	8.69	2.45	39.81	7.83	(31.12)	(78.17)
Total revenue	355.36	100.00	508.40	100.00	(153.04)	(30.10)

The Group has total revenue from main business for the year 2022 amounted to Baht 346.67 million, a decrease of Baht 121.92 million or a 26.02% decrease compared to the year 2021, which was Baht 468.59 million. The details are as follows:

Revenue from main business

Palm oil trading business

The Group has no revenue from palm oil trading business for the year 2022. It is due to the economic slowdown and the price of palm oil is highly fluctuated. Therefore, the Company has slowed down trading of palm oil to reduce expenses and risks that may arise from the palm oil trading business.

Property development business

Revenue from property development business for the year 2022 amounted to Baht 198.19 million, a decrease of Baht 248.63 million or a 55.64% decrease compared to the year 2021, which was Baht 446.82 million. Due to the reduction in the transfer of ownership of IKON77. In 2022, IKON77 can be transferred of ownership at 15.80% of the total units, the remaining units that have not transferred of ownership are 0.68% of the total units.

Hemp/Cannabis business

Revenue from hemp/cannabis business for the year 2022 amounted to Baht 98.88 million, an increase of the total amount compared to the year 2021. According to the announcement of the Ministry of Public Health, marijuana, cannabis, and hemp are released from the drugs list. This will result in all parts of cannabis, hemp not being a category 5 of drug, except for extracts containing THC more than 0.2%, effective June 9, 2022. The Group has revenue from hemp/cannabis business, which increases the total amount.

Leasing business

Revenue from leasing business for year 2022 amounted to Baht 49.60 million, an increase of the total amount compared to the year 2021. The Company acquired the ordinary shares of Mahathuen Holding Company Limited ("MHTH"). MHTH operates its main business in investing in the ordinary shares of Mahathuen Leasing Public Company ("MHTL") which operates motorcycles hire purchase business in Lao People's Democratic Republic. The Company paid for the MHTH's ordinary shares issuance to the private placement to the seller instead of the payment in kind. The Company has determined the date of the offering (share swap date) the Company's newly issued ordinary shares to the private placement on April 18, 2022. Therefore, revenue from leasing business in 2022 increase of the total amount.

Other income

Other income for the year 2022 amounted to Baht 8.69 million, a decrease of Baht 31.12 million or a 78.17% decrease compared to the year 2021, which was Baht 39.81 million. Mainly decreased from revenue from the forfeiture of the contract amounted to Baht 34.22 million, due to the customer failing to comply with the conditions specified in the contract to buy and sell condominium units, such as default on down payment consecutively. Overdue payment for down payment beyond the specified period or not to transfer the ownership at the appointed time, etc., resulting in the Group exercising the right to terminate the contract and forfeit the payment received from the customer. This is in accordance with the policies and procedures of the Group.

Gross Profit and Gross Profit Margin

	Consolidated financial statements 2022		Consolidated financial statements 2021		Increase (decrease)	
	Million Baht	%	Million Baht	Million Baht	%	Million Baht
	Palm oil trading business					
Revenue	-	-	21.77	100.00	(21.77)	(100.00)
Cost	-	-	21.70	99.68	(21.70)	(100.00)
Gross profit	-	-	0.07	0.32	(0.07)	(100.00)
Property development business						
Revenue	198.19	100.00	446.82	100.00	(248.63)	(55.64)
Cost	138.03	69.65	316.20	70.77	(178.17)	(56.35)
Gross profit	60.16	30.35	130.62	29.23	(70.46)	(53.94)
Hemp/cannabis business						
Revenue	98.88	100.00	-	-	98.88	100.00
Cost	23.48	23.75	-	-	23.48	100.00
Gross profit	75.40	76.25	-	-	75.40	100.00
Leasing business						
Revenue	49.60	100.00	-	-	49.60	100.00
Cost	1.39	2.82	-	-	1.39	100.00
Gross profit	48.21	97.18	-	-	48.21	100.00
Total gross profit	183.77	53.01	130.69	27.89	53.08	40.62

The Group has gross profit for the year 2022 amounted to Baht 183.77 million, an increase of Baht 53.08 million compared to the year 2021, which was Baht 130.69 million. The details are as follows:

Property development business

Gross profit for the year 2022 amounted to Baht 60.16 million, representing a gross profit margin of 30.35%

Hemp/Cannabis business

Gross profit for the year 2022 amounted to Baht 75.40 million, representing a gross profit margin of 76.25%

Leasing business

Gross profit for the year 2022 amounted to Baht 48.21 million, representing a gross profit margin of 97.18%

Expenses

	Consolidated financial statements 2022		Consolidated financial statements 2021		Increase (decrease)	
	Million Baht	Million Baht	Million Baht	Million Baht	Million Baht	%
	Distribution costs	31.24	57.33	(26.09)	(45.51)	
Administrative expenses	127.41	56.87	70.54	124.04		
Estimated loss from cost over income (Reversal)	(48.25)	14.89	(63.14)	(424.04)		
Net loss on foreign exchange rate	23.17	-	23.17	100.00		
Finance costs	2.80	0.05	2.75	5,500.00		
Tax expenses	19.14	15.35	3.79	24.69		
Total expenses	155.51	144.49	11.02	7.63		

Distribution costs

Distribution costs for the year 2022 amounted to Baht 31.24 million, a decrease of Baht 26.09 million or 45.51% decrease compared to the year 2021, which was Baht 57.33 million. Due to the decrease in revenue from property development business. Most of the distribution costs is distributed from the property business development.

Administrative expenses

Administrative expenses for the year 2022 amounted to Baht 127.41 million, an increase of Baht 70.54 million or 124.04% increase compared to the year 2021, which was Baht 56.87 million. It is due to the expansion of hemp/cannabis business and leasing business in Lao People's Democratic Republic, these are expenses related to investment, fees, consulting fees, and administrative expenses for the segment.

Net loss on foreign exchange rate

Net loss on foreign exchange rate for the year 2022 amounted to Baht 23.17 million, which occurred from motorcycles, cars, and agricultural equipment hire purchase business in Lao People's Democratic Republic ("Lao PDR"). It is due to the depreciation of the kip, resulting in foreign exchange losses.

Finance costs

Finance costs for the year 2022 amounted to Baht 2.80 million, an increase of Baht 2.75 million or 5,500% increase compared to the year 2021, which was Baht 0.05 million. There is no significant change.

Tax expenses

Tax expenses for the year 2022 amounted to Baht 19.14 million, an increase of Baht 3.79 million or 24.69% increase compared to the year 2021, which was Baht 15.35 million. It is due to the increase in net profit, resulting in an increase of tax expenses.

Financial position of the Group

	Consolidated financial statements December 31, 2022		Consolidated financial statements December 31, 2021		Increase (decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
	Cash and cash equivalents	330.13	18.27	118.22	12.61	211.91
Other current financial assets	61.00	3.38	60.49	6.46	0.51	0.84
Trade and other current receivables	0.98	0.05	-	-	0.98	100.00
Current portion of finance lease receivables	128.84	7.13	-	-	128.84	100.00
Inventories	1.89	0.10	-	-	1.89	100.00
Asset held for sale	0.52	0.03	-	-	0.52	100.00
Cost of property development	391.13	21.64	341.14	36.40	49.99	14.65
Other current assets	350.17	19.37	301.50	32.17	48.67	16.14
Total current assets	1,264.66	69.97	821.35	87.64	443.31	53.97
Restricted bank deposits	64.56	3.57	-	-	64.56	100.00
Finance lease receivables	59.62	3.30	-	-	59.62	100.00
Land held for development	3.68	0.20	-	-	3.68	100.00
Property, plant and equipment	44.82	2.48	7.70	0.82	37.12	482.08
Right-of-use assets	9.44	0.52	0.88	0.09	8.56	972.73
Unallocated costs of business acquisition	96.27	5.33	-	-	96.27	100.00

	Consolidated financial statements December 31, 2022		Consolidated financial statements December 31, 2021		Increase (decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
	Goodwill	105.19	5.82	105.19	11.22	-
Intangible assets	0.32	0.02	0.08	0.01	0.24	300.00
Deferred tax assets	3.27	0.18	1.29	0.14	1.98	153.49
Other non-current assets	155.59	8.61	0.75	0.08	154.84	20,645.33
Total non-current assets	542.76	30.03	115.89	12.36	426.87	368.34
Total assets	1,807.42	100.00	937.24	100.00	870.18	92.84
Trade and other current payables	48.59	2.69	93.53	9.98	(44.94)	(48.05)
Current portion of long-term borrowings from financial	47.09	2.60	-	-	47.09	100.00
Current portion of lease liabilities	0.72	0.04	0.92	0.10	(0.20)	(21.74)
Corporate income tax payable	15.48	0.86	11.43	1.22	4.05	35.43
Advance received	20.13	1.11	47.72	5.09	(27.59)	(57.82)
Provisions	3.57	0.20	58.68	6.26	(55.11)	(93.92)
Other current liabilities	7.28	0.40	8.15	0.87	(0.87)	(10.67)
Total current liabilities	142.86	7.90	220.43	23.52	(77.57)	(35.19)
Long-term borrowings from financial institutions	103.53	5.73	44.64	4.76	58.89	131.92
Lease liabilities	10.10	0.56	0.12	0.01	9.98	8,316.67
Non-current provisions for employee benefits	2.90	0.16	1.25	0.13	1.65	132.00
Other non-current liabilities	0.41	0.02	-	-	0.41	100.00
Total non-current liabilities	116.94	6.47	46.01	4.90	70.93	154.16
Total liabilities	259.80	14.37	266.44	28.42	(6.64)	(2.49)
Equity attributable to shareholders of the parent	1,358.73	75.18	528.75	56.42	829.98	156.97
Non-controlling interests	188.89	10.45	142.05	15.16	46.84	32.97
Total shareholders' equity	1,547.62	85.63	670.80	71.58	876.82	130.71

Total assets

Total assets as at December 31, 2022 were Baht 1,807.42 million, an increase of Baht 870.18 million or 92.84% increase compared to the total assets as at December 31, 2021, which were Baht 937.24 million. The details of the main changes are as follows:

- Cash and cash equivalents increased Baht 211.91 million, due to the cash received from the exercise of warrants to purchase the ordinary shares. On February 13, 2022, is the expiration date of the warrants to purchase the ordinary shares No.3 (ALPHAX-W3). The right under 1 unit of warrant can be exercised for 1 ordinary share at the price of Baht 1 per share. The results of the exercise of warrants in the total of 598,634,733 units.
- Finance lease receivables increased Baht 188.46 million, due to the motorcycles, cars, and agricultural equipment hire purchase business in Lao People's Democratic Republic ("Lao PDR").

- Restricted bank deposits increased Baht 64.56 million, due to the motorcycles, cars, and agricultural equipment hire purchase business in Lao People's Democratic Republic ("Lao PDR").
- Unallocated costs of business acquisition increased Baht 96.27 million, due to the acquired the motorcycles, cars, and agricultural equipment hire purchase business in Lao People's Democratic Republic ("Lao PDR").
- Other non-current assets increased Baht 154.84 million, due to the increased in machinery deposit.

Total liabilities

Total liabilities as at December 31, 2022 were Baht 259.80 million, a decrease of Baht 6.64 million or 2.49% decrease compared to the total liabilities as at December 31, 2021, which were Baht 266.44 million. The details of the main changes are as follows:

- Trade and other current payables decreased Baht 44.94 million, mainly due to a decrease from the payments to trade payables of property development business, because real estate development has been completed and transferred of ownership.
- Long-term borrowings from financial institutions increased Baht 105.98 million, Mainly from Property development business amounted to Baht 40.66 million, and from leasing business amounted to Baht 65.32 million.
- Estimated loss decreased Baht 55.11 million, due to the reversal of estimated loss from cost over income amounted to Baht 48.26 million. It is due to the Company has issued sales orders and still has not delivered CPOA to the customer completely. As a result, the Company recorded a provision for this item. Previously, the Company recorded a provision for the difference between the market price at present and the selling price. However, the Company's management has considered with independent legal advisor that it has been more than 2 years since the customer has not contacted the Company to deliver the orders in any way. Therefore, the Company can exercise its rights to indemnify only for damages that may occur. It is calculated from the average price for delivering the CPOA to the customer at that time, resulting in a decrease of estimated loss from cost over income. Moreover, the decrease of provision for after-sale maintenance expenses amounted to approximately Baht 9.84 million, which is estimate for maintenance expenses from the sale of condominium of IKON77 due to the end of warranty period.

Shareholders' equity

- Equity attributable to shareholders of the parent as at December 31, 2022 was Baht 1,358.73 million, an increase of Baht 829.98 million or 156.97% increase compared to December 31, 2021, which was Baht 528.75 million. It is due to the exercise of warrants to purchase the ordinary shares. On February 13, 2022, is the expiration date of the warrants to purchase the ordinary shares No.3 (ALPHAX-W3). The right under 1 unit of warrant can be exercised for 1 ordinary share at the price of Baht 1 per share. The results of the exercise of warrants in the total of 598,637,733 units and the acquired the motorcycles, cars, and agricultural equipment hire purchase business in Lao People's Democratic Republic ("Lao PDR") by the issuing of ordinary shares with the offering to specific investor (Private Placement) to the seller instead of the payment in kind, resulting in an increase in shareholders' equity.

Cash flows of the Group

	Consolidated	Consolidated	Increase (decrease)
	financial statements	financial statements	
	2022	2021	
	Million Baht	Million Baht	Million Baht
Net cash flows from (used in) operating activities	(293.72)	54.43	(348.15)
Net cash flows from (used in) investing activities	(6.64)	1.06	(7.70)
Net cash flows from (used in) financing activities	575.87	22.06	553.81
Increase (decrease) in translation adjustments	(63.60)	-	(63.60)
Net increase (decrease) in cash and cash equivalents	211.91	77.55	134.36

Cash flows

Cash flows for the year 2022 amounted to Baht 211.91 million, an increase of Baht 134.36 million compared to the year 2021. The details of the changes are as follows:

- Net cash flows used in operating activities for the year 2022 amounted to Baht 293.72 million, an increase of Baht 348.15 million compared to the net cash flows from operating activities for the year 2021, which amounted to Baht 54.43 million. This was due to the increase in cash paid from the operations in 2022, land deposit for real estate development projects amounted to Baht 143 million, and machinery deposit amounted to Baht 95 million.
- Net cash flows used in investing activities for the year 2022 amounted to Baht 6.64 million, an increase of Baht 7.70 million compared to the net cash flows from investing activities for the year 2021, which amounted to Baht 1.06 million.
- Net cash flows from financing activities for the year 2022 amounted to Baht 575.87 million, an increase of Baht 553.81 million compared to the year 2021, which amounted to Baht 22.06 million. This was mainly due to the exercise of warrants to purchase the ordinary shares. On February 13, 2022, is the expiration date of the warrants to purchase the ordinary shares No.3 (ALPHAX-W3). The right under 1 unit of warrant can be exercised for 1 ordinary share at the price of Baht 1 per share. The results of the exercise of warrants in the total of 598,637,733 units, resulting in increased net cash from financing activities.

Please be informed accordingly.

Yours sincerely,
Alpha Divisions Public Company Limited

(Mr.Teera Chutivarapon)
Chief Executive Officer