

ALPHAXSET-2202-002

February 25, 2022

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 2021		Consolidated financial statements 2020		Increase (decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
	Revenue	508.40	100.00	627.22	100.00	(118.82)
Cost	337.90	66.46	435.43	69.42	(97.53)	(22.40)
Gross profit	170.50	33.54	191.79	30.58	(21.29)	(11.10)
Distribution costs	57.33	11.28	50.61	8.07	6.72	13.28
Administrative expenses						
- Recurring administrative expenses	58.15	11.44	43.61	6.95	14.54	33.34
- Estimated loss from cost over income	14.89	2.93	5.41	0.86	9.48	175.23
- Reversal loss from impairment of assets	(1.28)	(0.25)	(15.66)	(2.50)	14.38	91.83
Finance costs	0.05	0.01	1.80	0.29	(1.75)	(97.22)
Profit before tax expenses	41.36	8.13	106.02	16.91	(64.66)	(60.99)
Tax (income) expenses	15.35	3.02	17.42	2.78	(2.07)	(11.88)
Net profit for the year from continuing operations	26.01	5.11	88.60	14.13	(62.59)	(70.64)
Net profit for the year from discontinuing operation*	-	-	0.77	0.12	(0.77)	(100.00)
Net profit for the year from financial statements	26.01	5.11	89.37	14.25	(63.36)	(70.90)
- Estimated loss from cost over income	14.89	2.93	5.41	0.86	9.48	175.23
Net profit for the year after adjustments	40.90	8.04	94.78	15.11	(53.88)	(56.85)

*Cessation of the faucets business since November 1, 2019

Total revenue for the year 2021 amounted to Baht 508.40 million, a decrease of Baht 118.82 million or a 18.94% decrease compared to the total revenue for the year 2020, which was Baht 627.22 million. This was mainly due to the decrease in revenue from property development business.

Net profit for the year 2021 amounted to Baht 26.01 million, a decrease of Baht 63.36 million or a 70.90% decrease compared to the net profit for the year 2020, which was Baht 89.37 million. This was mainly due to the decrease in revenue from property development business and increase in administrative expenses.

Net profit after adjustments for the year 2021 amounted to Baht 40.90 million, a decrease of Baht 53.88 million or a 56.85% decrease compared to the net profit after adjustments for the year 2020, which was Baht 94.78 million. This was mainly due to the decrease in revenue from property development business and increase in administrative expenses.

Revenue

	Consolidated financial statements 2021		Consolidated financial statements 2020		Increase (decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
	Revenue from main business					
Palm oil trading business	21.77	4.28	73.57	11.73	(51.80)	(70.41)
Property development business	446.82	87.89	539.52	86.02	(92.70)	(17.18)
Total revenue from main business	468.59	92.17	613.09	97.75	(144.50)	(23.57)
Other income	39.81	7.83	14.13	2.25	25.68	181.74
Total revenue	508.40	100.00	627.22	100.00	(118.82)	(18.94)

The Group has total revenue for the year 2021 amounted to Baht 508.40 million, a decrease of Baht 118.82 million or a 18.94% decrease compared to the year 2020, which was Baht 627.22 million. The details are as follows:

Revenue from main business

Palm oil trading business

Revenue from palm oil trading business for the year 2021 amounted to Baht 21.77 million, a decrease of Baht 51.80 million or a 70.41% decrease compared to the year 2020, which was Baht 73.57 million. It is due to the economic slowdown and the Covid-19 pandemic situation is still the main factor which effects to all over the world, resulting in an economic slowdown. Moreover, 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 2021 amounted to Baht 446.82 million, a decrease of Baht 92.70 million or a 17.18% decrease compared to the year 2020, which was Baht 539.52 million. It is due to IKON77 is the first real estate development project of the Group, which was completed in the 4th quarter of 2020 and transferred of ownership a lot of units in the initial period. As a result, in the year 2020, revenue from property development business can be recognized up to approximately 45% of the total units. For the year 2021, the ownership of condominium has been transferred, which is 38% of the total units. Therefore, revenue from property development business in the year 2021 decreased from the year 2020.

Other income

Other income for the year 2021 amounted to Baht 39.81 million, an increase of Baht 25.68 million compared to the year 2020, which was Baht 14.13 million. Most of the other income for year 2020 is revenue from forfeiture of down payment amounted to Baht 31.21 million. Because the customer does not comply with the conditions specified in the Sale and Purchase Agreement for Condominium, such as late payment consecutive instalments, fails to make down payment on the due date, or not transfer the condominium unit's ownership within the appointed time, etc., resulting in the Group has entitled to exercise its right to terminate the agreement and forfeit down payment from the customer in accordance with the policies and procedures of the Group.

Gross Profit and Gross Profit Margin

	Consolidated financial statements 2021		Consolidated financial statements 2020		Increase (decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
Palm oil trading business						
Revenue	21.77	100.00	73.57	100.00	(51.80)	(70.41)
Cost	(21.70)	(99.68)	(73.21)	(99.51)	(51.51)	(70.36)
Gross Profit	0.07	0.32	0.36	0.49	(0.29)	(80.56)
Property development business						
Revenue	446.82	100.00	539.52	100.00	(92.70)	100.00
Cost	(316.20)	(70.77)	(362.22)	(67.14)	(46.02)	100.00
Gross Profit	130.62	29.23	177.30	32.86	(46.68)	100.00
Total Gross Profit	130.69	27.89	177.66	28.98	(46.97)	

The Group has gross profit for the year 2021 amounted to Baht 130.69 million, a decrease of Baht 18.45 million compared to the year 2020, which was Baht 177.66 million. The details are as follows:

Palm oil trading business

Gross profit of palm oil trading business will be at the rate not more than 5% because the cost of goods sold is include all related expenses in the selling price from the distributor such as freight charges, etc. The Group has revenue from palm oil trading business in the year 2021 decreased from the year 2020. It is due to the economic slowdown and the Covid-19 pandemic situation is still the main factor which effects to all over the world, resulting in an economic slowdown. Moreover, 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

Gross profit from property development business for the year 2021 amounted to Baht 130.62 million or 29.23%, a decrease of Baht 46.68 million compared to the year 2020, which was Baht 177.30 million. It is due to the IKON77 was completed in the 4th quarter of 2020 and transferred of ownership a lot of units in the initial period. As a result, in the year 2020, revenue from property development business can be recognized up to approximately 45% of the total units with gross profit approximately 32.86%. For the year 2021, the ownership of condominium has been transferred, which is 38% of the total units with gross profit approximately 29.23% because more discounts and promotions. As a result, gross profit from property development business in 2021 decreased from 2020.

Expenses

	Consolidated	Consolidated	Increase (decrease)	
	financial	financial		
	statements	statements		
	2021	2020		
	Million Baht	Million Baht	Million Baht	%
Distribution costs	57.33	50.61	6.72	13.28
Administrative expenses	71.76	33.36	38.40	115.11
Finance costs	0.05	1.81	(1.76)	97.24
Tax (income) expenses	15.35	17.42	(2.07)	11.88
Total expenses	144.49	103.20	41.29	40.01

Distribution costs

Distribution costs for year 2021 amounted to Baht 57.33 million, an increase of Baht 6.72 million or 13.28% increase compared to the year 2020, which was Baht 50.61 million. Most of the distribution costs is distribution costs of property development business. For the year 2021, this was due to the increase of transfer of ownership of IKON77. In addition, the Group has sold the new real estate development project “IKON UDOMSUK”, since the 4th quarter of 2020, resulting in an increase in distribution costs.

Administrative expenses

Administrative expenses for the year 2021 amounted to Baht 71.76 million, an increase of Baht 38.40 million or 115.11% increase compared to the year 2020, which was Baht 33.36 million. The recurring administrative expenses increase of Baht 14.54 million due to the business expansion in other segments of the Group. The non-recurring administrative expenses increase of Baht 23.86 million. In 2021, there was an increase in estimated loss from cost over income amounted to Baht 9.48 million. It is due to the increase in market price of CPOA. And, a decrease of the reversal loss from impairment of assets amounted to Baht 14.38 million. In 2020, the Company received a refund of advance payment for CPOA that had been set provision in total amount of advance payment for CPOA. Resulting in a reversal loss from impairment of advance payment of CPOA amounted to Baht 15.66 million.

Finance costs

Finance costs for the year 2021 amounted to Baht 0.05 million, a decrease of Baht 1.76 million or 97.24% decrease compared to the year 2020, which was Baht 1.81 million. It is due to the decline in loan from financial institutions, resulting in a decrease of finance costs.

Tax (income) expenses

Tax expenses for the year 2021 amounted to Baht 15.35 million, a decrease of Baht 2.07 million or 11.88% decrease compared to the year 2020, which was Baht 17.42 million. It is due to the decline in net profit, resulting in a decrease of tax expenses.

Financial position of the Group

	Consolidated financial statements December 31, 2021		Consolidated financial statements December 31, 2020		Increase (decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
	Cash and cash equivalents	118.22	12.61	40.67	4.02	77.55
Other current financial assets	60.49	6.46	60.81	6.02	(0.32)	(0.53)
Cost of property development	341.14	36.40	524.26	51.86	(183.12)	(34.93)
Other current assets	301.50	32.17	260.04	25.73	41.46	15.94
Total current assets	821.35	87.64	885.78	87.63	(64.43)	(7.27)
Property, plant and equipment	7.70	0.82	15.57	1.54	(7.87)	(50.55)
Goodwill	105.19	11.22	105.19	10.41	-	-
Other non-current assets	3.00	0.32	4.29	0.42	(1.29)	(30.07)
Total non-current assets	115.89	12.37	125.05	12.37	(9.16)	(7.33)
Total assets	937.24	100.00	1,010.83	100.00	(73.59)	(7.28)
Trade and other current payables	93.53	9.98	180.78	17.88	(87.25)	(48.26)
Advance received	47.72	5.09	102.25	10.12	(54.53)	(53.33)
Estimated loss	58.68	6.26	39.32	3.89	19.36	49.24
Other current liabilities	20.50	2.19	18.26	1.81	2.24	12.27
Total current liabilities	220.43	23.52	340.61	33.70	(120.18)	(35.28)
Long-term loan from financial institutions	44.64	4.76	-	-	44.64	100.00
Other non-current liabilities	1.37	0.15	3.83	0.38	(2.46)	(64.23)
Total non-current liabilities	46.01	4.91	3.83	0.38	42.18	(1,101.31)
Total liabilities	266.44	28.43	344.44	34.08	(78.00)	(22.65)
Equity attributable to shareholders of the parent	528.75	56.41	530.38	52.47	(1.63)	(0.31)
Non-controlling interests	142.05	15.16	136.01	13.45	6.04	4.44
Total shareholders' equity	670.80	71.57	666.39	65.92	4.41	0.66

Total assets

Total assets as at December 31, 2021 were Baht 934.24 million, a decrease of Baht 73.56 million or 7.28% decrease compared to the total assets as at December 31, 2020, which were Baht 1,010.83 million. The details of the main changes are as follows:

- Cost of property development decreased Baht 183.12 million, due to the transfer of ownership of IKON77 in 2021, which is 38% of the total units. As a result, cost of property development was decrease of Baht 315.06 million. Moreover, the Group has launched 2 new projects, namely "IKON UDOMSUK" and "THE VALOR". As a results, an increase of cost of land, cost of design, and cost of construction amounted to Baht 131.94 million, resulting in overall cost of property development in 2021 decreased from 2020.

Total liabilities

Total liabilities as at December 31, 2021 were Baht 266.44 million, a decrease of Baht 78.00 million or 22.65% decrease compared to the total liabilities as at December 31, 2020, which were Baht 344.44 million. The details of the main changes are as follows:

- Trade and other current payables decreased Baht 87.25 million, mainly due to a decrease from the payments to trade payables of property development business, because IKON77 has been completed and transferred of ownership in the 4th quarter of 2020.
- Advance received decreased Baht 57.53 million, due to the IKON77 has already transferred of ownership. Consequently, advance received from customers decreased from the revenue recognition of Baht 77.75 million. And, advance received from customers increase of Baht 23.22 million, due to the launch of new project IKON UDOMSUK in October 2020.
- Estimated loss increased Baht 19.36 million, due to the estimated loss from cost over income an increase of Baht 14.89 million from the Company has issued sales orders and still not delivered CPOA to customer completely, as a result, the Company recorded a provision for this item. The average market price as at December 31, 2020, is at Baht 35.80 per KG, and the average market price as at December 31, 2021, is at Baht 49.25 per KG. The market price in 2021 has increased, resulting in an increase of estimated loss from cost over income. Moreover, the provision for after-sale maintenance expenses amounting to approximately Baht 4.47 million, which is estimate for maintenance expenses from the sale of condominium of IKON77, based on sale volume and information maintenance items.
- Long-term loan from financial institution increased Baht 44.64 million, an increase in the total amount. It is due to a long-term loan from bank for property development of IKON UDOMSUK. For the year 2020, the Group fully repayment of long-term loan from bank for property development of IKON77.

Shareholders' equity

- Equity attributable to shareholders of the parent as at December 31, 2021 was Baht 528.75 million, a decrease of Baht 1.63 million or 0.31% decrease compared to December 31, 2020, which was Baht 530.38 million. It is due to the Company has net loss amounted to Baht 1.63 million for the year 2021.
- Non-controlling interests as at December 31, 2021 was Baht 142.05 million, an increase of Baht 6.04 million or 4.44% increase compared to December 31, 2020, which was Baht 136.01 million. It is due to the year 2021, there was an increase in net profit for the non-controlling interests. The significant non-controlling interests represent profits or losses and net assets of V Sukhumvit 81 Co., Ltd. (Subsidiary). Non-controlling interests of the Company amounting to 45% from investments in acquisitions of the property development business in V Sukhumvit 81 Company Limited (Subsidiary) amounting to 55%. The Group measures non-controlling interests at its proportionate interest in the acquiree's net assets.

Cash flows of the Group

	Consolidated	Consolidated	Increase
	financial	financial	(decrease)
	statements	statements	
	2021	2020	
	Million Baht	Million Baht	Million Baht
Net cash flows from (used in) operating activities	54.42	245.05	(190.63)
Net cash flows from (used in) investing activities	1.06	(33.24)	34.30
Net cash flows from (used in) financing activities	22.07	(187.65)	209.72
Net increase (decrease) in cash and cash equivalents	77.55	24.16	53.39

Cash flows

Cash flows for the year 2021 amounted to Baht 118.22 million, an increase of Baht 77.55 million compared to the year 2020, which amounted to Baht 40.67 million. The details of the changes are as follows:

- Net cash flows from operating activities for the year 2021 amounted to Baht 54.42 million, a decrease of Baht 190.63 million compared to the year 2020, which amounted to Baht 245.05 million. This was mainly due to the decrease in cash flow before changes in working capital amounted to Baht 38.66 million. The decrease in working capital amounted to Baht 195.77 million, due to the decreased of trade and other current receivables amounted to Baht 51.37 million, other current assets amounted to Baht 53.96 million, trade and other payables amounted to Baht 213.10 million, advance received amounted to Baht 44.18 million, and the increase of cost of property development amounted to Baht 218.90 million.
- Net cash flows from investing activities for the year 2021 amounted to Baht 1.06 million, an increase of Baht 34.30 million compared to the year 2020, which amounted to Baht 33.24 million. This was mainly due to the increase in cash received from other current financial assets amounted to Baht 21.00 million and acquisition of property and equipment amounted to Baht 12.89 million.
- Net cash flows from financing activities for the year 2021 amounted to Baht 22.07 million, an increase of Baht 209.72 million compared to the year 2020, which amounted to Baht 187.65 million. This was mainly due to the decrease in short-term loan from financial institutions amounted to Baht 35.80 million, long-term loan from financial institution amounted to Baht 35.80 million, and the dividend payment to non-controlling interests of the subsidiary amounted to Baht 21.60 million.

Please be informed accordingly.

Yours sincerely,

Alpha Divisions Public Company Limited



(Mr. Teera Chutivarapon)

Chief Executive Officer