

ALPHAXSET-2205-002

May 12, 2022

Subject: Management Discussion and Analysis for the first quarter of 2022

To: President and Manager
The Stock Exchange of Thailand

Alpha Divisions Public Company Limited (“ALPHAX”) would like to clarify operating results for the first quarter of 2022. The main reasons are as follows:

Overall operating performance of the Group

	Consolidated financial statements Q1'2022		Consolidated financial statements Q1'2021		Increase (decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
	Revenue	69.00	100.00	151.02	100.00	(82.02)
Cost	50.13	72.65	103.36	68.44	(53.23)	(51.50)
Gross profit	18.87	27.35	47.66	31.56	(28.79)	(60.41)
Distribution costs	6.32	9.16	19.63	13.00	(13.31)	(67.80)
Administrative expenses (Reversal)	(20.17)	(29.23)	1.18	0.78	(21.35)	(1,809.32)
- Recurring administrative expenses	28.09	40.71	12.38	8.20	15.71	126.90
- Reversal of estimated loss from cost over income	(48.26)	(69.94)	(11.20)	(7.42)	37.06	330.89
Finance costs	0.02	0.03	0.01	0.01	0.01	100.00
Profit before tax expenses	32.70	47.39	26.84	17.77	5.86	21.83
Tax (income) expenses	(0.09)	(0.13)	3.77	2.49	(3.86)	(102.39)
Net profit for the period	32.79	47.52	23.07	15.28	9.72	42.13

Total revenue for the 1st quarter of 2022 amounted to Baht 69.00 million, a decrease of Baht 82.02 million or a 54.30% decrease compared to the total revenue for the 1st quarter of 2021, which was Baht 151.02 million. This was mainly due to the decrease in revenue from property development business.

Net profit for the 1st quarter of 2022 amounted to Baht 32.79 million, an increase of Baht 9.72 million or a 42.13% increase compared to the net profit for the 1st quarter of 2021, which was Baht 23.07 million.

Revenue

	Consolidated financial statements Q1'2022		Consolidated financial statements Q1'2021		Increase (decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
	Revenue from main business					
Palm oil trading business	-	-	21.77	14.42	(21.77)	(100.00)
Property development business	67.53	97.87	128.70	85.22	(61.17)	(47.53)
Total revenue from main business	67.53	97.87	150.47	99.64	(82.94)	(55.12)
Other income	1.47	2.13	0.55	0.36	0.92	167.27
Total revenue	69.00	100.00	151.02	100.00	(82.02)	(54.31)

The Group has total revenue for the 1st quarter of 2022 amounted to Baht 69.00 million, a decrease of Baht 82.02 million or a 54.31% decrease compared to the 1st quarter of 2021, which was Baht 151.02 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 1st quarter of 2022. 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 1st quarter of 2022 amounted to Baht 67.53 million, a decrease of Baht 61.17 million or a 47.53% decrease compared to the 1st quarter of 2021, which was Baht 128.70 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. In 2020, IKON77 can be transferred of ownership up to 45.15% of the total units. Later in 2021, IKON77 has been transferred of ownership, which is 38.37% of the total units. Therefore, in 2022, the remaining units that have not transferred of ownership are 16.48% of the total units. In the 1st quarter of 2022, IKON77 can be transferred of ownership at 6.32% of the total units. The revenue from property development business in the 1st quarter of 2022 decreased from the 1st quarter of 2021.

Other income

Other income for the 1st quarter of 2022 amounted to Baht 1.48 million, an increase of Baht 0.93 million compared to the 1st quarter of 2021, which was Baht 0.55 million. There is no significant change.

Gross Profit and Gross Profit Margin

	Consolidated financial statements Q1'2022		Consolidated financial statements Q1'2021		Increase (decrease)	
	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	67.53	100.00	128.70	100.00	(61.17)	(47.53)
Cost	(50.13)	(74.23)	(81.66)	(63.45)	(31.53)	(38.61)
Gross Profit	17.40	25.77	47.04	36.55	(29.64)	(63.01)
Total Gross Profit	17.40	25.77	47.11	31.31	(29.71)	

The Group has gross profit for the 1st quarter of 2022 amounted to Baht 17.40 million, a decrease of Baht 29.71 million compared to the 1st quarter of 2021, which was Baht 47.11 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 include all related expenses in the selling price from the distributor such as freight charges, etc. The Group has no revenue from palm oil trading business in the 1st quarter of 2022. 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 1st quarter of 2022 amounted to Baht 17.40 million or 25.77% , a decrease of Baht 29.64 million compared to the 1st quarter of 2021, which was Baht 47.04 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. In 2020, IKON77 can be transferred of ownership up to 45.15% of the total units with gross profit approximately 32.86%. In 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. Later in 2021, IKON77 has been transferred of ownership, which is 38.37% of the total units with gross profit approximately 29.23%. Therefore, in 2022, the remaining units that have not transferred of ownership are 16.48% of the total units. In the 1st quarter of 2022, IKON77 can be transferred of ownership at 6.32% of the total units with gross profit approximately 25.77%. As a result, gross profit from property development business for the 1st quarter of 2022 decreased from the 1st quarter of 2021.

Expenses

	Consolidated financial statements Q1'2022	Consolidated financial statements Q1'2021	Increase (decrease)	
	Million Baht	Million Baht	Million Baht	%
Distribution costs	6.32	19.63	(13.31)	(67.80)
Administrative expenses (Reversal)	(20.17)	1.18	(21.35)	(1,809.32)
Finance costs	0.02	0.01	0.01	100.00
Tax (income) expenses	(0.09)	3.77	(3.86)	(102.39)
Total expenses (Reversal)	(13.92)	24.59	(38.51)	(156.61)

Distribution costs

Distribution costs for the 1st quarter of 2022 amounted to Baht 6.32 million, a decrease of Baht 13.31 million or 67.80% decrease compared to the 1st quarter of 2021, which was Baht 19.63 million. Most of the distribution costs is distribution costs of property development business. For the 1st quarter of 2022, this was due to the decrease of transfer of ownership of IKON77, resulting in a decrease of distribution costs.

Administrative expenses

Administrative expenses for the 1st quarter of 2022 are reversal expenses amounted to Baht 20.17 million, a decrease of Baht 21.35 million or 1,809.32% decrease compared to the 1st quarter of 2021, which was Baht 1.18 million. The recurring administrative expenses increase of Baht 15.71 million due to the business expansion in other segments of the Group. The non-recurring administrative expenses decrease of Baht 37.06 million. In the 1st quarter of 2022, the Company has adjusted the estimated loss from cost over income that a decrease of 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.

Finance costs

Finance costs for the 1st quarter of 2022 amounted to Baht 0.02 million, an increase of Baht 0.01 million or 100% increase compared to the 1st quarter of 2021, which was Baht 0.01 million. There is no significant change.

Tax (income) expenses

Tax income for the 1st quarter of 2022 amounted to Baht 0.09 million, a decrease of Baht 3.86 million or 102.39% decrease compared to the 1st quarter of 2021, which was Baht 3.77 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 March 31, 2022		Consolidated financial statements December 31, 2021		Increase (decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
	Cash and cash equivalents	623.60	40.37	118.22	12.61	505.38
Other current financial assets	60.75	3.93	60.49	6.46	0.26	0.43
Cost of property development	317.89	20.58	341.14	36.40	(23.25)	(6.82)
Other current assets	245.65	15.91	301.50	32.17	(55.85)	(18.52)
Total current assets	1,247.89	80.79	821.35	87.64	426.54	51.93
Property, plant and equipment	29.60	1.92	7.70	0.82	21.90	284.42
Goodwill	105.19	6.81	105.19	11.22	-	-
Other non-current assets	161.89	10.48	3.00	0.32	158.89	5,296.33
Total non-current assets	296.68	19.21	115.89	12.37	180.79	156.00
Total assets	1,544.57	100.00	937.24	100.00	607.33	64.80
Trade and other current payables	102.84	6.66	93.53	9.98	9.31	9.95
Advance received	49.36	3.20	47.72	5.09	1.64	3.44
Estimated loss	19.79	1.28	58.68	6.26	(38.89)	(66.27)
Other current liabilities	23.12	1.50	20.50	2.19	2.62	12.78
Total current liabilities	195.11	12.64	220.43	23.52	(25.32)	(11.49)
Long-term loan from financial institutions	44.70	2.89	44.64	4.76	0.06	0.13
Other non-current liabilities	2.54	0.16	1.37	0.15	1.17	85.40
Total non-current liabilities	47.24	3.05	46.01	4.91	1.23	2.67
Total liabilities	242.35	15.69	266.44	28.43	(24.09)	(9.04)
Equity attributable to shareholders of the parent	1,160.33	75.12	528.75	56.41	631.58	119.45
Non-controlling interests	141.89	9.19	142.05	15.16	(0.16)	(0.11)
Total shareholders' equity	1,302.22	84.31	670.80	71.57	631.42	94.13

Total assets

Total assets as at March 31, 2022 were Baht 1,544.57 million, an increase of Baht 607.33 million or 64.80% 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 505.38 million, due to the cash received from increase in shares capital. 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.

- Cost of property development decreased Baht 23.25 million, due to the transfer of ownership of IKON77. As a result, cost of property development was decrease of Baht 49.88 million. Moreover, the Group has launched new projects since 2021, namely “IKON UDOMSUK” and “THE VALOR”. As a results, an increase of cost of property development amounted to Baht 26.63 million, resulting in overall cost of property development in the 1st quarter of 2022 decreased from 2021.
- Other current assets decrease Baht 23.25 million, which was a classification of machinery deposit of Baht 88.89 million from other current assets to other non-current assets and land deposit increased of Baht 20 million.
- Property, plant and equipment increased Baht 21.90 million, due to the purchase of machinery for the manufacture of precursor chemicals form hemp and/or cannabis.
- Other non-current assets increased Baht 158.89 million, due to the increased in machinery deposit.

Total liabilities

Total liabilities as at March 31, 2022 were Baht 242.35 million, a decrease of Baht 24.09 million or 9.04% 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:

- Estimated loss decreased Baht 38.89 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 provision for after-sale maintenance expenses amounted to approximately Baht 0.69 million, which is estimate for maintenance expenses from the sale of condominium of IKON77, based on sale volume and information maintenance items. It also increased from the Provision on lawsuit amounted to Baht 8.68 million.

Shareholders' equity

- Equity attributable to shareholders of the parent as at March 31, 2022 was Baht 1,160.33 million, an increase of Baht 631.58 million or 119.45% increase compared to December 31, 2021, which was Baht 528.75 million. It is due to the increase in shares capital. 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.

Cash flows of the Group

	Consolidated	Consolidated	Increase
	financial	financial	(decrease)
	statements	statements	
	Q1'2022	Q1'2021	
	Million Baht	Million Baht	Million Baht
Net cash flows from (used in) operating activities	(92.52)	(70.94)	(21.58)
Net cash flows from (used in) investing activities	(0.44)	0.53	(0.97)
Net cash flows from (used in) financing activities	598.34	50.36	547.98
Net increase (decrease) in cash and cash equivalents	505.38	(20.05)	525.43

Cash flows

Cash flows for the 1st quarter of 2022 amounted to Baht 505.38 million, an increase of Baht 525.43 million compared to the 1st quarter of 2021. The details of the changes are as follows:

- Net cash flows used in operating activities for the 1st quarter of 2022 amounted to Baht 92.52 million, a decrease of Baht 21.62 million compared to the 1st quarter of 2021, which amounted to Baht 70.94 million. This was due to the decrease in cash flow before changes in working capital in the 1st quarter of 2021.
- Net cash flows used in investing activities for the 1st quarter of 2022 amounted to Baht 0.44 million, a decrease of Baht 0.97 million compared to the 1st quarter of 2021, which amounted to Baht 0.53 million. There is no significant change.
- Net cash flows from financing activities for the 1st quarter of 2022 amounted to Baht 598.34 million, an increase of Baht 547.98 million compared to the 1st quarter of 2021, which amounted to Baht 50.36 million. This was mainly due to the increase in shares capital. 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 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