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SET. 005/2024

February 29 2024

Subject: Management Discussion and Analysis for Year 2023 [\(Additional information as requested by the Stock Exchange of Thailand\)](#)

To: The Chairman

Copy: The Secretary-General of the Stock Exchange of Thailand

AKS Corporation Public Company Limited (AKS) has a list of information that the Board of Directors considered in accordance with the resolutions of the Board Meeting No. 2/2024 on February 29 2024 at 3:00 p.m. The meeting's resolution was to consider and approve the Year 2023 Financial Statements as of December 31, 2023. The Financial Statements have been Audit by a certified public accountant.

Therefore, AKS would like to report the operating results for the Year 2023, with a net loss of 244.45 million baht against a net profit of 128.46 million baht for the year 2022 , consequently, increase loss from the same period 2022 amounted 372.91 million baht. The difference in loss is more than 20% because the information are as follows:

Unit: Million Baht

	2023	2022	Increase (Decrease)	%Increase (Decrease)
Revenues from Sales and Services	954.03	607.82	346.21	56.96
Cost of Sales and Services	865.24	503.57	361.67	71.82
Gross profit	88.79	104.25	(15.46)	14.83
Other Incomes	150.35	383.81	(233.46)	(60.83)
Expenses	467.65	349.77	117.88	33.70
Financial Costs	13.51	8.06	5.45	67.62
Income(Expense) Tax	(2.43)	(1.77)	(0.66)	37.29
Profit (loss) for the year	(244.45)	128.46	(372.91)	290.29
Profit (loss) Owner of the parent	(243.99)	128.41	(372.40)	290.01
Profit (loss) non-controlling interest	(0.47)	0.06	(0.53)	883.33

The Company and its subsidiaries' sales and service revenues amounted 954.03million baht in 2023 compare to 2022 amount 607.82 million baht the revenues increased 346.21million baht or 59.96% due to the following reasons:

1. Revenues from sale of property in 2023 amounted to 691.80 million baht, compared to last year in 2022, amounted to 445.20 million baht, increase of 246.60 million baht, percentage 55.39. Cost of property Sold in 2023 amounted to 588.63 million baht, year 2022 amounted to 302.08. million baht, increase from 2022 of 286.65 million baht, percentage 94.86. The reason is that sales of property s in 2023 increase in sales. This causes costs to increase according to the number of sales.
2. Revenues from hotel business in 2023 amounted to 142.14 million baht, compared to last year in 2022, amounted to 149.55 million baht, decrease of 7.41 million baht, percentage 4.96. Cost of service from hotel business in 2023 amounted to 150.54 million baht, year 2022 amounted to 187.85 million baht, decrease from 2022 of 37.31 million baht, percentage 19.86. [There is a gross loss amounted to 8.41 million baht, percentage 5.92.](#) The main reason was that in October 2022, the company sold 1 hotel business. So, in 2023 the company had income from hotel operations and hotel costs decreased from 2022. This is because the hotel has high depreciation costs according to the normal depreciation rate of the business. As a result, the income statement shows a loss of 8.40 million baht. Because of a good condition in cash flow of the hotel business, the company will find the new hotel partners to manage the hotel system in order to increase its profit potential, and carry out marketing operations to increase the market shares.
3. Interest income from loans customers of subsidiaries in 2023 amounted to 76.01 million baht, compared to 2022 amounted to 13.07 million baht, increase of 62.94 million baht, percentage 100. In terms of loan costs, year 2023 amounted to 77.28 million baht, year 2022 amount 13.63 million baht in 2023, there will be an increase in costs of 63.65 million baht, percentage 82.36. [There is a gross loss amounted to 1.27 million baht, percentage 1.67.](#) When comparing increased income and costs, Income increases more than the cost of lending. Because the company has expanded its loan business. By purchasing additional subsidiaries in June 2023, the loan business has not yet fully expanded. For future plan, the company will find another sources of funds that have low financial costs, and the company has applied for a personal loan license and expects to acquire a license within 2024. It will affect to the company which increases the interest income from

lending more. The plan will allow the loan business to grow its fullest potential. The income from the loan business has not been as expected due to the limited amount of investment of loan.

4. Income from the sale of biological assets (hemp) in 2023 amounted to 24.47 million baht and the cost of selling biological products was 33.05 million baht. There is a gross loss amounted to 8.57 million baht, percentage 35.03. This was caused by the production not meeting the criteria. From the geography and climate Including other factors that the company cannot control such as Quality of water sources which contain impurities and limestone Weather conditions change in both heat and PM dust conditions from the surrounding environment. and natural disasters, storms, floods, hail, etc. Normally, during the initial stages of cultivation and research and development, Losses are normal. To find the care formula for biological assets according to the environment of the planting source. The company has discovered problems that cause the output to not meet the projected criteria and has made improvements to develop the output as expected. Including being aware of and preparing a plan to deal with such problems.

Business Plan of Biological Assets (cannabis)

After investing in the target business company “Egronix Company Limited” during the 4th quarter of 2022, the management has set business goals by emphasizing cannabis cultivation to be the main business. However, the target cannabis strain that will be used for business which it is an American breed and it has never been tried for cultivation in the ASEAN region before, so Egronix will be the first company in ASEAN which is able to bring this strain to cultivate.

The management team has set up a trial period of not more than 3 years and find a formula for production and maintenance biological assets (cannabis) to achieve the expectation quality. The goal is to have a product similar to what was tested in the LAP room (0.35-0.50 grams per plant). In addition, cannabis seeds are a very high cost, the hemp seeds from the same species should be used for cultivation in the beginning of the experiment, so it can assist the company greatly reduce the costs. In addition, the maintenance for the cultivation of hemp and cannabis in the aforementioned strains is similar. If you can take care of it and generate the expectation product (0.35-0.50 grams per plant), the products may be similar.

The first phase of planting has been cultivated and will be harvested in 2023, and it was found that the product was only 0.08 grams per plant, which is very different in quality from the experiment in the LAP room. The reason why the product was lower than the value tested in the LAP room (0.35-0.50 grams per plant) from the analysis of the planting team, and it found that it is caused by many factors, for example, the groundwater is effect on a growth (the groundwater quality

originally contained the high levels of impurities, the limestone and the negative effect on the product due to the water quality affecting the absorption and growth of hemp and cannabis plants.), the weather conditions of each week are required different temperatures, the spacing of the plants is affect to their growth, and the height of the greenhouse roof is effect to the light response to the hemp.

In 2023 until present, the Egronix team is in the initial production trial phase and team found the cause of the product that did not meet the target such as the groundwater system that directly affects to growth, weather conditions, maintenance formulas, fertilizers, medicines, and nutrients that are not perfect. As a result, the production in the first period was low which it is approximately 0.09 kilograms per plant. However, the business is gradually making adjustments. including hiring expertise consultants who are experience to develop planting and improving species. They can recommend the methods for improvement including investing a new water system. Therefore; the company canceled the groundwater system and invested installing RO (Reverse Osmosis) water system instead (the RO water installation is completed). There are changing the method of fertilizer management, changing the fertilizer and changing nutrient formula to be proper spacing of trees in order to receive sufficient sunlight, managing the process of preparing new planting materials, reducing contamination of plant diseases and insects, as well as improving the height, lighting and temperature of the greenhouse, so this product improvement tends to improve. The planting by seed method at the end of the year was 0.11-0.18 grams per plant (the initial product was 0.08-0.09 grams per plant). The investment in installing the RO (Reverse Osmosis) water system was just completed in the 4th quarter Year 2023. it is expected that the entire products from the planting trial in 2024 which will make the production likely to be better because of changing a new water system.

For the plan in 2024-2025, the management will begin experiment with actually cultivating cannabis seeds instead of hemp seeds including improving and searching for the production formulas to produce the expectation output by 2025.

From 2026 onwards, the management will plant the cannabis at the full capacity. (cultivated all 32 greenhouses). Because of the high values of American strains, the retail price starts at 300 Baht per gram or 300,000 Baht per kilogram. The product is still in demand in both domestic and international markets. Therefore, there are customers requested to negotiate which the end of the purchase agreement at a price 80,000 baht per kilogram. The intention of purchasing cannabis at a rate is not less than 4,200 kilograms per year or according to the production capacity. The company can be produced according to the quality and specifications that the purchaser expected. In the first phase of the planting trial (year 2024 - 2025), it is calculated as 100% of the production capacity. After

that, if the results of the experiment are satisfaction, the company will plant at full capacity with the purchasing rate being approximately 95% of production capacity.

The management found that such products were still in high demand in the market, and have the ability to create profits and growths even more. If the management tries to find the production formula, it will be completed by 2025 and begin cultivation at full capacity from 2026 onwards, if based on the purchasing price and minimum quantity. The business will be able to earn approximately 339 million baht per year from cannabis sales and create an average profit of approximately 200-270 million baht per year.

This is to take into account the principle of caution in preparing the annual financial report year 2023 in order to consider the impairment of adjustment in the such business. The management has hired the independent financial advisor a licensed by SEC (Welcap Advisory Company Limited) to estimate future cash flows of biological assets (cannabis) which is according to the fair value evaluation report of Egronix Co., Ltd. dated January 29, 2024 which found that the fair value ranges from 1,164.08 - 1,444.96 million baht (valued by the net present value of cash flow method and the consultants said that it was the most appropriate method.) From the results of the business valuation, the consultant said that the business has not yet been exposed to any such impairment risk.

5. Revenues from vehicle rental service in 2023 amounted to 19.61 million baht, Cost of vehicle rental service amounted to 15.74. On 31 May 2023, the Company indirectly acquired this subsidiary.
6. Other income from company and subsidiary in 2023 amounted to 150.35 million baht, compared to last year in 2022 amounted to 383.31 million baht, decreased amounted to 233.46 million baht, percentage 60.83. Because in 2022 the company has adjusted the fair value of its investments and has a profit from selling hotels.
7. Gross profit of company and subsidiary in 2023 amounted to 88.79 compared to last year in 2022 amounted to 104.25 million baht. Which gross profit decreased amounted 15.46 percentage 14.83. Because in 2023 company and subsidiary have increased property sold and service.
8. Distribution and administrative expenses in 2023 amounted to 467.65 million baht in 2022, compared to last year 2022 amounted to 349.77 million baht, increased amounted to 117.88-million-baht percentage 33.70. Because marketing expenses increase to stimulate sales to increase. The company expects that this will result in increased income. In 2023, there will be an impairment adjustment from investments in foreclosed properties which is the amount of 92 million Baht causes sales and administrative expenses to increase.

9. Expenses tax of company and subsidiary in 2023 amounted to 2.43 million baht, in 2022 amounted to 1.77 million baht decreased amounted to 0.66-million-baht percentage 37.29

Additional information as requested by the Stock Exchange which are as follows:

To answer questions in the auditor's report (page 8) and notes to the financial statements No. 14.3 Investments in indirect subsidiary (MSCW Company Limited, page 60. It appears that the information of investment sales 83 million baht. The subsidiary company received a deposit amounted to 5 million baht, and the remaining was paid 78 million baht. As a result, it should record the amortization of goodwill and the loan portfolio amounted 62 million baht and 30 million baht. Please clarify the set-off debt items Including the name of the contracting party, the source of the set-off debt and the source of the amortization of goodwill and loan portfolio.)

Allied Technologies International Company Limited has purchased investments in MSCW from existing shareholders in the proportion of 100 percent of the registered capital on July 6, 2022, with a value of Baht 175 million (valued price by Discover Management Company Limited). Later in the 2nd quarter of 2023, the subsidiary company carried out a fair value measurement of the identifiable assets acquired and liabilities assumed on the date of the acquisition of MSCW. This measurement was completed in the 2nd quarter of 2023, which is within the measurement period of twelve months from the acquisition date as defined in TFRS3 (Revised 2021) on Business Combination, which the measurement period. The appraisal of the fair value of intangible assets in the form of a provincial retail credit port portfolio under supervision (Loan Portfolios) using the incremental valuation method of asset utilization. (Multiple –period Excess Earning Method (MPEEM), the fair value of such loan portfolio is 40.51 million baht, referring to an independent appraiser (UK Valuation Agency Company Limited). The company amortizes the fair value of the loan portfolio using the straight-line method over 120 periods which the value of the loan portfolio is 40.51 million baht and goodwill is 61.95 million baht to be recognized in the consolidated financial statements of the business.

During the 4th quarter of 2023, the investor intends to acquire a business and invest in MSCW which acquire the business without having MSCW's existing customers. The investor wants to do marketing and find new customers by himself (want to buy a blank loan portfolio). The management has considered the overall picture that MSCW customer loan portfolios can be transferred and managed by Beyond Capital Company Limited (BYC) and Beyond Capital Asset Management Company Limited (BCAM) (the new businesses that invested during the year 2023). Therefore, the overall MSCW's significant value and future cash flow generators are the customers of MSCW's loan portfolio. The transfer of the loan portfolio to that subsidiary company which may result

in the overall cash flow of the business in the future not being changed in any way (because it will increase the future cash flow value of the BYC instead).

The management considers that the selling of MSCW may create an opportunity and receiving a cash flow to be a working capital for AKS as working capital for the operations of the AKS group of companies. The overall picture of the credit business of the AKS group may not undergo any changes as mentioned above. For consideration by taking into account the principles of caution and prudence in conducting business, the management appointed Discover Management Company Limited, an independent financial advisor licensed by the SEC, to re-evaluate BYC's value based on the assumption that it would transfer the entire customer loan portfolio of MSCW to the BYC. When it compares the business value of BYC before and after transferring the entire customer loan portfolio of MSCW, the business value of BYC has changed as follows:

- Business value of BYC before transferring the entire customer loan portfolio of MSCW (formerly): business value 193.18 million baht.
- Business value of BYC after transferring the entire customer loan portfolio of MSCW (new): business value of 397.15 million baht.

From the business valuation information of the independent financial advisor, it assumed that the transfer MSCW's entire customer loan portfolio is managed in one place which the business is opportunity to grow and the overall business value of BYC increases to 203.97 million baht. As mentioned above, the management has considered that the sale of funds in MSCW is likely to bring maximum overall benefit to the business. Therefore, the Board of Directors' Meeting No. 4/2024 dated January 31, 2024 approval has been granted for the subsidiary company (Allied Technologies International Company Limited) to sell investment in MSWC subsidiary holding 100% of shares by resolution to set the selling price of the investment in MSWC at 83 million baht.

However, the accounting records of businesses are based on the standards for financial transactions of Publicly Accountable Entities (PAE). The consideration of the value of each business is separated which is as follows:

1. After the acquisition, the value of BYC increased by 203.97 million baht, but accounting cannot account for such increased business value to be recognized as a profit in the financial report in any way (there is a hidden business value that increases, and it does not show in the balance sheet that appears in the financial report.)
2. The value of the difference of the investment in the acquisition of MSCW (including customers' portfolio outstanding loan) with a value of 175 million baht for selling the MSCW business (sale of blank portfolio business) with amount 83 million baht, and it immediately recognizes an impairment loss of 92 million baht in the financial report for the current year.

As the above reasons, the consolidated financial statements of the AKS have amortized goodwill and provincial retail loan portfolios under supervision with amount 61.95 million baht and 30.05 million baht (portfolio outstanding loan balance value as of 31 December 2023 after amortization) that appear in the financial statements. However, it is a loss based on accounting only. In this regard, the overall value of the business in the loan business has not decreased in value at all, and does not have any impact on the overall loan business operations.

In the transaction of selling MSCW on January 31, 2024 with amount 83 million baht, the seller (Allied Technologies International Co.,Ltd) received a deposit of 5 million baht, and the remaining amount was paid by debt offset with amounting 78 million baht. It means that the seller (Allied Technologies International Co.,Ltd) is the debtor from the loan transaction, and the outstanding debt must be repaid to MSCW with amount of Baht 78 million. Therefore, the seller (Allied Technologies International Co.,Ltd) managed the set-off agreement which transferred the debt of the loan to the external buyer who is responsible for and repaying the debt on behalf of the business. In the transaction of transferring the debt, it must be paid to repay MSCW instead. The seller (Allied Technologies International Co.,Ltd) is considered to be acceptable the outstanding debt of selling the MSCW business (treated as receiving payment by setting-off).

To answer question number 6 (page 42), Note on financial statement recording: allowance for credit losses increases amounted to 319 million baht, 12 percentage. Please clarify the reasons of allowance for credit losses increasing. Note on finance statement No. 14 (page 54) Recording of allowance for investments in subsidiaries increased from 994 million baht to 1,081 million baht (90% to 98% on financial statement. Please clarify the source of recording additional allowances both in the past and in the future.

To answer question number 3, Note on financial statements recording NO. 6: allowance for credit losses amounted to 319 million baht which it is an allowance set according to a policy. The result of operation of subsidiary company in 2023 which is considered the ability to pay debt based on the assumption that when there is an event that requires the assets to be sold in order to pay off external debts and related businesses in case where the investment has already been set in full aside which are considered as follows:

1. Consider doubtful debts of accrued interest until the full amount is reached.
2. Consider doubtful debts of the loan (principal part) until the full amount is reached.
3. Consider the doubtful debts of receivable to be the last.

To answer question number 4, Note on financial statement recoding NO.14 (page 54): Recording of allowance for investments in subsidiaries increased from 994 million baht to 1,081 million baht (90% to 98% on financial statement. It is an impairment adjustment on investments in subsidiaries company which is the result of operation in 2023 in case where the investment allowance has not yet been in fully set up, the investment allowance will be recorded.

The policy of company's consideration is as follows:

To consider impairing adjustment on investments in subsidiary company in case where the investment has not yet been fully set aside for impairment adjustment, the investment allowance will be recorded until the investment has set the full amount of allowance for impairment adjustment.

The next step in considering investments is the full allowance has been set. There will be the criteria for determining impairment based on the ability to repay debt. It assumes that there is an event where assets must be put up for sale in order to pay off external debts and repay debts to related businesses, how much money will be left to repay the capital shares. The consideration of investment impairment which is as follows:

1. Consider impairment of investment until the investment amount is reached.
2. Consider doubtful debts of accrued interest until the full amount is reached.
3. Consider doubtful debts of the loan (principal part) until the full amount is reached.
4. Consider the doubtful debts of receivable to be the last.

For the aforementioned reasons, the company and its subsidiaries had a net loss of Baht 244.45 million in the 2023.

Please be informed accordingly and disseminate such information further.

Yours Sincerely,

(Mr. Chamnam Wangtal)

Director

(Mr.Sa-nga Tanti-amornphong)

Director

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