

ALPHAXSET-2208-002

August 15, 2022

Subject: Management Discussion and Analysis for the second 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 second quarter of 2022. The main reasons are as follows:

Overall operating performance of the Group

	Consolidated financial statements Q2'2022		Consolidated financial statements Q2'2021		Increase (decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
	Revenue	92.84	100.00	120.08	100.00	(27.24)
Cost	41.92	45.15	67.51	56.22	(25.59)	(37.91)
Gross profit	50.92	54.85	52.57	43.78	(1.65)	(3.14)
Distribution costs	8.18	8.81	18.34	15.27	(10.16)	(55.40)
Administrative expenses	35.33	38.06	10.22	8.51	25.11	245.69
Net loss on foreign exchange rate	13.21	14.23	-	-	13.21	100.00
Finance costs	1.74	1.87	0.02	0.02	1.72	8,600.00
Profit (loss) before tax expense	(7.54)	(8.12)	23.99	19.98	(31.53)	(131.43)
Tax expenses	2.39	2.57	4.52	3.76	(2.13)	(47.12)
Profit (Loss) for the period	(9.93)	(10.69)	19.47	16.22	(29.40)	(151.00)
Equity holders of the Company	(6.15)	(6.62)	10.37	8.64	(16.52)	(159.31)

Total revenue for the 2nd quarter of 2022 amounted to Baht 92.84 million, a decrease of Baht 27.24 million or a 22.68% decrease compared to the total revenue for the 2nd quarter of 2021, which was Baht 120.08 million.

Net loss for the 2nd quarter of 2022 amounted to Baht 9.93 million, a decrease of Baht 29.40 million or a 151.00% decrease compared to the net profit for the 2nd quarter of 2021, which was Baht 19.47 million.

Revenue

	Consolidated financial statements Q2'2022		Consolidated financial statements Q2'2021		Increase (decrease)	
	Million Baht	%	Million Baht	Million Baht	%	Million Baht
	Revenue from main business					
Property development business	59.17	63.73	94.90	79.03	(35.73)	(37.65)
Manufacture and distribution of precursor and chemicals from hemp and/or cannabis business	16.10	17.34	-	-	16.10	100.00
Leasing business	13.34	14.37	-	-	13.34	100.00
Total revenue from main business	88.61	95.44	94.90	97.75	(6.29)	(6.63)
Other income	4.23	4.56	25.18	20.97	(20.95)	(83.20)
Total revenue	92.84	100.00	120.08	100.00	(27.24)	(22.68)

The Group has total revenue for the 2nd quarter of 2022 amounted to Baht 92.84 million, a decrease of Baht 27.24 million or a 22.68% decrease compared to the 2nd quarter of 2021, which was Baht 120.08 million. The details are as follows:

Revenue from main business

Property development business

Revenue from property development business for the 2nd quarter of 2022 amounted to Baht 59.17 million, a decrease of Baht 35.73 million or a 37.65% decrease compared to the 2nd quarter of 2021, which was Baht 94.90 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 2nd quarter of 2022, IKON77 can be transferred of ownership at 4.97% of the total units, a decrease compared to the 2nd quarter of 2021, which was transferred of ownership at 8.35% of the total units. The revenue from property development business in the 2nd quarter of 2022 decreased from the 2nd quarter of 2021.

Manufacture and distribution of precursor and chemicals from hemp and/or cannabis business

Revenue from manufacture and distribution of precursor and chemicals from hemp and/or cannabis business for the 2nd quarter of 2022 amounted to Baht 16.10 million, an increase of the total amount compared to the 2nd quarter of 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 manufacture and distribution of precursor and chemicals from hemp and/or cannabis business, which increases the total amount.

Leasing business

Revenue from leasing business for the 2nd quarter of 2022 amounted to Baht 13.34 million, an increase of the total amount compared to the 2nd quarter of 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 the 2nd quarter of 2022 increase of the total amount.

Other income

Other income for the 2nd quarter of 2022 amounted to Baht 4.23 million, a decrease of Baht 20.95 million compared to the 2nd quarter of 2021, which was Baht 25.18 million. For the 2nd quarter of 2022, it was revenue from the forfeiture of the contract amounted to Baht 24.17 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 Q2'2022		Consolidated financial statements Q2'2021		Increase (decrease)	
	Million Baht	%	Million Baht	Million Baht	%	Million Baht
	Property development business					
Revenue	59.17	100.00	94.90	100.00	(35.73)	(37.65)
Cost	(37.59)	(63.53)	(67.51)	(71.14)	(29.92)	(44.32)
Gross profit	21.58	36.47	27.39	28.86	(5.81)	(21.21)
Manufacture and distribution of precursor and chemicals from hemp and/or cannabis business						
Revenue	16.10	100.00	-	-	16.10	100.00
Cost	(2.96)	(18.39)	-	-	2.96	100.00
Gross profit	13.14	81.61	-	-	13.14	100.00
Leasing business						
Revenue	13.34	100.00	-	-	13.34	100.00
Cost	(1.37)	(10.27)	-	-	1.37	100.00
Gross profit	11.97	89.73	-	-	11.97	100.00
Total gross profit	46.69	52.69	27.39	28.86	19.30	70.46

The Group has gross profit for the 2nd quarter of 2022 amounted to Baht 46.69 million, an increase of Baht 19.30 million compared to the 2nd quarter of 2021, which was Baht 27.39 million. The details are as follows:

Property development business

Gross profit for the 2nd quarter of 2022 amounted to Baht 21.58 million, representing a gross profit margin of 36.47%

Manufacture and distribution of precursor and chemicals from hemp and/or cannabis business

Gross profit for the 2nd quarter of 2022 amounted to Baht 13.14 million, representing a gross profit margin of 81.61%

Leasing business

Gross profit for the 2nd quarter of 2022 amounted to Baht 11.97 million, representing a gross profit margin of 89.73%

Expenses

	Consolidated financial statements Q2'2022		Consolidated financial statements Q2'2021		Increase (decrease)	
	Million Baht	Million Baht	Million Baht	Million Baht	%	
	Distribution costs	8.18	18.34	(10.16)	(55.40)	
Administrative expenses	35.33	10.22	25.11	245.69		
Net loss on foreign exchange rate	13.21	-	13.21	100.00		
Finance costs	1.74	0.02	1.72	8,600.00		
Tax expenses	2.39	4.52	(2.13)	(47.12)		
Total expenses	60.85	33.10	27.75	83.84		

Distribution costs

Distribution costs for the 2nd quarter of 2022 amounted to Baht 8.18 million, a decrease of Baht 10.16 million or 55.40% decrease compared to the 2nd quarter of 2021, which was Baht 18.34 million. Most of the distribution costs is distribution costs of property development business. For the 2nd 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 2nd quarter of 2022 amounted to Baht 35.33 million an increase of Baht 25.11 million or 245.69% increase compared to the 2nd quarter of 2021, which was Baht 10.22 million. It is due to business expansion in other segments of the Group.

Net loss on foreign exchange rate

Net loss on foreign exchange rate for the 2nd quarter of 2022 amounted to Baht 13.21 million. Most of them were unrealized loss on exchange rate amounted to Baht 8.97 million and realized loss on exchange rate amounted to Baht 4.23 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 during the 2nd quarter of 2022, resulting in foreign exchange losses.

Finance costs

Finance costs for the 2nd quarter of 2022 amounted to Baht 1.74 million, an increase of Baht 1.72 million or 8,600% increase compared to the 2nd quarter of 2021, which was Baht 0.01 million. It is due to business expansion in other segments of the Group.

Tax expenses

Tax expenses for the 2nd quarter of 2022 amounted to Baht 2.39 million, a decrease of Baht 2.13 million or 47.12% decrease compared to the 2nd quarter of 2021, which was Baht 4.52 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 June 30, 2022		Consolidated financial statements December 31, 2021		Increase (decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
	Cash and cash equivalents	480.31	24.91	118.22	12.61	362.09
Other current financial assets	61.00	3.16	60.49	6.46	0.51	0.84
Trade and other current receivables	13.72	0.71	-	-	13.72	100.00
Current portion of finance lease receivables	137.18	7.12	-	-	137.18	100.00
Inventories	5.01	0.26	-	-	5.01	100.00
Asset held for sale	0.52	0.03	-	-	0.52	100.00
Cost of property development	335.60	17.41	341.14	36.40	(5.54)	(1.62)
Other current assets	258.44	13.40	301.50	32.17	(43.06)	(14.28)
Total current assets	1,291.78	67.00	821.35	87.64	470.43	57.28
Restricted bank deposits	148.19	7.69	-	-	148.19	100.00
Finance lease receivables	58.68	3.04	-	-	58.68	100.00
Land held for development	3.69	0.19	-	-	3.69	100.00

	Consolidated financial statements June 30, 2022		Consolidated financial statements December 31, 2021		Increase (decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
	Property, plant and equipment	48.43	2.51	7.70	0.82	40.73
Right-of-use assets	11.85	0.62	0.88	0.09	10.97	1,246.59
Unallocated costs of business acquisition	96.28	4.99	-	-	96.28	100.00
Goodwill	105.19	5.46	105.19	11.22	-	-
Intangible assets	0.47	0.02	0.08	0.01	0.39	487.50
Deferred tax assets	7.59	0.39	1.29	0.14	6.30	488.37
Other non-current assets	155.96	8.09	0.75	0.08	155.21	20,694.67
Total non-current assets	636.33	33.00	115.89	12.36	520.44	449.08
Total assets	1,928.11	100.00	937.24	100.00	990.87	105.72
Trade and other current payables	100.87	5.23	93.53	9.98	7.34	784.77
Current portion of long-term borrowings from financial	48.37	2.51	-	-	48.37	100.00
Current portion of lease liabilities	1.19	0.06	0.92	0.10	0.27	2,934.78
Corporate income tax payable	8.81	0.46	11.43	1.22	(2.62)	(2,292.21)
Advance received	34.75	1.80	47.72	5.09	(12.97)	(2,717.97)
Provisions	23.08	1.20	58.68	6.26	(35.60)	(6,066.80)
Other current liabilities	11.81	0.61	8.15	0.87	3.66	4,490.80
Total current liabilities	228.88	11.87	220.43	23.52	8.45	383.34
Long-term borrowings from financial institutions	126.17	6.54	44.64	4.76	81.53	18,263.89
Lease liabilities	9.58	0.50	0.12	0.01	9.46	788,333.33
Non-current provisions for employee benefits	4.96	0.26	1.25	0.13	3.71	29,680.00
Other non-current liabilities	0.53	0.03	-	-	0.53	100.00
Total non-current liabilities	141.24	7.33	46.01	4.90	95.23	20,697.67
Total liabilities	370.12	19.20	266.44	28.42	103.68	3,891.31
Equity attributable to shareholders of the parent	1,373.31	71.22	528.75	56.42	844.56	15,972.77
Non-controlling interests	184.68	9.58	142.05	15.16	42.63	3,001.06
Total shareholders' equity	1,557.99	80.80	670.80	71.58	887.19	13,225.85

Total assets

Total assets as at June 30, 2022 were Baht 1,928.11 million, an increase of Baht 990.87 million or 105.72% 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 362.09 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 195.86 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 148.19 million. Mainly from Property development business amounted to Baht 80.90 million, and from leasing business amounted to Baht 67.29 million.
- Unallocated costs of business acquisition increased Baht 96.28 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 155.21 million, due to the increased in machinery deposit.

Total liabilities

Total liabilities as at June 30, 2022 were Baht 370.12 million, an increase of Baht 103.68 million or 3,891.31% increase 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:

- Long-term borrowings from financial institutions increased Baht 129.90 million, Mainly from Property development business amounted to Baht 61 million, and from leasing business amounted to Baht 68.90 million.

Shareholders' equity

- Equity attributable to shareholders of the parent as at June 30, 2022 was Baht 1,373.31 million, an increase of Baht 844.56 million or 15,972.775% 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	
	Q2'2022	Q2'2021	
	Million Baht	Million Baht	Million Baht
Net cash flows from (used in) operating activities	(119.44)	(29.49)	(89.95)
Net cash flows from (used in) investing activities	(87.12)	1.17	(88.29)
Net cash flows from (used in) financing activities	605.85	17.65	588.20
Increase (decrease) in translation adjustments	(37.19)	-	(37.19)
Net increase (decrease) in cash and cash equivalents	362.10	(10.67)	372.77

Cash flows

Cash flows for the 2nd quarter of 2022 amounted to Baht 362.10 million, an increase of Baht 372.77 million compared to the 2nd quarter of 2021. The details of the changes are as follows:

- Net cash flows used in operating activities for the 2nd quarter of 2022 amounted to Baht 119.44 million, an increase of Baht 89.95 million compared to the 2nd quarter of 2021, which amounted to Baht 29.49 million. This was due to the increase in cash paid from the operations in the 2nd quarter of 2021.

- Net cash flows used in investing activities for the 2nd quarter of 2022 amounted to Baht 87.12 million, a decrease of Baht 88.29 million compared to the 2nd quarter of 2021, which amounted to Baht 1.17 million. This was due to the increase in restricted bank deposits.
- Net cash flows from financing activities for the 2nd quarter of 2022 amounted to Baht 605.85 million, an increase of Baht 588.20 million compared to the 2nd quarter of 2021, which amounted to Baht 17.65 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