

ALPHAXSET-2211-002

November 15, 2022

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

Overall operating performance of the Group

	Consolidated financial statements Q3'2022		Consolidated financial statements Q3'2021		Increase (decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
	Revenue	101.04	100.00	78.93	100.00	22.11
Cost	31.14	30.82	55.15	69.87	(24.01)	(43.54)
Gross profit	69.90	69.18	23.78	30.13	46.12	19.39
Distribution costs	8.89	8.80	7.64	9.68	1.25	16.36
Administrative expenses	35.88	35.51	23.11	29.28	12.77	55.26
Net loss on foreign exchange rate	1.57	1.56	-	-	1.57	100.00
Finance costs	0.64	0.63	0.01	0.01	0.63	6,300.00
Profit (loss) before tax expense	22.92	22.68	(6.98)	(8.84)	29.90	428.37
Tax expenses	10.25	10.14	1.84	2.33	8.41	457.07
Profit (loss) for the period	12.67	12.54	(8.82)	(11.17)	21.49	243.65

Total revenue for the 3rd quarter of 2022 amounted to Baht 101.04 million, an increase of Baht 22.11 million or a 28.01% increase compared to the total revenue for the 3rd quarter of 2021, which was Baht 78.93 million.

Net profit for the 3rd quarter of 2022 amounted to Baht 12.67 million, an increase of Baht 21.49 million or a 243.65% increase compared to the net loss for the 3rd quarter of 2021, which was Baht 8.82 million.

Revenue

	Consolidated financial statements Q3'2022		Consolidated financial statements Q3'2021		Increase (decrease)	
	Million Baht	%	Million Baht	Million Baht	%	Million Baht
	Revenue from main business					
Property development business	33.15	32.40	73.78	100.00	(40.63)	(55.07)
Manufacture and distribution of precursor and chemicals from hemp and/or cannabis business	51.19	50.03	-	-	51.19	100.00
Leasing business	17.97	17.57	-	-	17.97	100.00
Total revenue from main business	102.31	100.00	73.78	100.00	28.53	38.67

The Group has total revenue for the 3rd quarter of 2022 amounted to Baht 102.31 million, an increase of Baht 28.53 million or a 38.67% increase compared to the 3rd quarter of 2021, which was Baht 73.78 million. The details are as follows:

Revenue from main business

Property development business

Revenue from property development business for the 3rd quarter of 2022 amounted to Baht 33.15 million, a decrease of Baht 40.63 million or a 55.07% decrease compared to the 3rd quarter of 2021, which was Baht 73.78 million. Due to the reduction in the transfer of ownership of IKON77. In the 3rd quarter of 2022, IKON77 can be transferred of ownership at 2.94% of the total units, the remaining units that have not transferred of ownership are 2.04% of the total units.

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 3rd quarter of 2022 amounted to Baht 51.19 million, an increase of the total amount compared to the 3rd 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 3rd quarter of 2022 amounted to Baht 17.97 million, an increase of the total amount compared to the 3rd 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 3rd quarter of 2022 increase of the total amount.

Gross Profit and Gross Profit Margin

	Consolidated financial statements Q3'2022		Consolidated financial statements Q3'2021		Increase (decrease)	
	Million Baht	%	Million Baht	Million Baht	%	Million Baht
	Property development business					
Revenue	33.15	100.00	73.78	100.00	(40.63)	(55.07)
Cost	(14.54)	(43.86)	(55.15)	(74.75)	(40.61)	(73.64)
Gross profit	18.61	56.14	18.63	25.25	(0.02)	(0.11)
Manufacture and distribution of precursor and chemicals from hemp and/or cannabis business						
Revenue	51.19	100.00	-	-	51.19	100.00
Cost	(16.47)	(32.17)	-	-	16.47	100.00
Gross profit	34.72	67.83	-	-	34.72	100.00
Leasing business						
Revenue	17.97	100.00	-	-	17.97	100.00
Cost	(0.13)	(0.72)	-	-	0.13	100.00
Gross profit	17.84	99.28	-	-	17.84	100.00
Total gross profit	71.17	69.56	18.63	25.25	52.54	282.02

The Group has gross profit for the 3rd quarter of 2022 amounted to Baht 71.17 million, an increase of Baht 52.54 million compared to the 3rd quarter of 2021, which was Baht 27.39 million. The details are as follows:

Property development business

Gross profit for the 3rd quarter of 2022 amounted to Baht 18.61 million, representing a gross profit margin of 56.14%

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

Gross profit for the 3rd quarter of 2022 amounted to Baht 34.72 million, representing a gross profit margin of 67.83%

Leasing business

Gross profit for the 3rd quarter of 2022 amounted to Baht 17.84 million, representing a gross profit margin of 99.28%

Expenses

	Consolidated financial statements Q3'2022		Consolidated financial statements Q3'2021		Increase (decrease)	
	Million Baht	Million Baht	Million Baht	Million Baht	%	
	Distribution costs	8.89	7.64	1.25		16.36
Administrative expenses	35.87	12.32	23.56		191.23	
Reversal estimated loss from cost over income	0.01	10.79	(10.78)		(99.91)	
Net loss on foreign exchange rate	1.57	-	1.57		100.00	
Finance costs	0.64	0.01	0.63		6,300.00	
Tax expenses	10.25	1.84	8.41		457.07	
Total expenses	57.23	42.60	19.63		46.08	

Distribution costs

Distribution costs for the 3rd quarter of 2022 amounted to Baht 8.18 million, an increase of Baht 1.25 million or 16.36% increase compared to the 3rd quarter of 2021, which was Baht 7.64 million. Most of the distribution costs is distributed from the property business development.

Administrative expenses

Administrative expenses for the 3rd quarter of 2022 amounted to Baht 35.87 million an increase of Baht 23.56 million or 191.23% increase compared to the 3rd quarter of 2021, which was Baht 12.32 million. It is due to an increase from leasing business and hemp and/or cannabis business.

Net loss on foreign exchange rate

Net loss on foreign exchange rate for the 3rd quarter of 2022 amounted to Baht 1.57 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 3rd quarter of 2022 amounted to Baht 0.64 million, an increase of Baht 0.63 million or 6,300% increase compared to the 3rd quarter of 2021, which was Baht 0.01 million. There is no significant change.

Tax expenses

Tax expenses for the 3rd quarter of 2022 amounted to Baht 10.25 million, an increase of Baht 8.41 million or 457.07% increase compared to the 3rd quarter of 2021, which was Baht 1.84 million. It is due to the increase in net profit, resulting in an increase of tax expenses.

Financial position of the Group

	Consolidated		Consolidated		Increase (decrease)	
	financial statements		financial statements			
	September 30, 2022		December 31, 2021			
	Million Baht	%	Million Baht	%	Million Baht	%
Cash and cash equivalents	342.28	18.13	118.22	12.61	224.06	189.53
Other current financial assets	61.00	3.23	60.49	6.46	0.51	0.84
Trade and other current receivables	49.00	2.60	-	-	49.00	100.00
Current portion of finance lease receivables	132.42	7.01	-	-	132.42	100.00
Inventories	3.22	0.17	-	-	3.22	100.00
Asset held for sale	0.46	0.02	-	-	0.46	100.00
Cost of property development	360.05	19.07	341.14	36.40	18.91	5.54
Other current assets	302.66	16.03	301.50	32.17	1.16	0.38
Total current assets	1,251.09	66.26	821.35	87.64	429.74	52.32
Restricted bank deposits	152.28	8.06	-	-	152.28	100.00
Finance lease receivables	59.04	3.13	-	-	59.04	100.00
Land held for development	3.69	0.19	-	-	3.69	100.00
Property, plant and equipment	46.97	2.49	7.70	0.82	39.27	510.00
Right-of-use assets	10.98	0.58	0.88	0.09	10.10	1,147.73
Unallocated costs of business acquisition	96.28	5.10	-	-	96.28	100.00
Goodwill	105.19	5.57	105.19	11.22	-	-
Intangible assets	0.41	0.02	0.08	0.01	0.33	412.50

	Consolidated financial statements September 30, 2022		Consolidated financial statements December 31, 2021		Increase (decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
	Deferred tax assets	6.36	0.34	1.29	0.14	5.07
Other non-current assets	155.90	8.26	0.75	0.08	155.15	20,686.67
Total non-current assets	637.10	33.74	115.89	12.36	521.15	449.75
Total assets	1,888.19	100.00	937.24	100.00	950.95	101.46
Trade and other current payables	90.06	4.77	93.53	9.98	(3.47)	(3.71)
Current portion of long-term borrowings from financial	51.50	2.73	-	-	51.50	100.00
Current portion of lease liabilities	0.97	0.05	0.92	0.10	0.05	5.43
Corporate income tax payable	13.93	0.74	11.43	1.22	2.50	21.87
Advance received	22.22	1.18	47.72	5.09	(25.50)	(53.44)
Provisions	15.18	0.80	58.68	6.26	(43.50)	(74.13)
Other current liabilities	12.60	0.67	8.15	0.87	4.45	54.60
Total current liabilities	206.46	10.94	220.43	23.52	(13.97)	(6.34)
Long-term borrowings from financial institutions	98.39	5.21	44.64	4.76	53.75	120.41
Lease liabilities	10.76	0.57	0.12	0.01	10.64	8,866.67
Non-current provisions for employee benefits	5.17	0.27	1.25	0.13	3.92	313.60
Other non-current liabilities	0.51	0.03	-	-	0.51	100.00
Total non-current liabilities	114.83	6.08	46.01	4.90	68.82	149.58
Total liabilities	321.29	17.02	266.44	28.42	54.85	20.59
Equity attributable to shareholders of the parent	1,378.33	73.00	528.75	56.42	849.58	160.68
Non-controlling interests	188.57	9.98	142.05	15.16	46.52	32.75
Total shareholders' equity	1,566.90	82.98	670.80	71.58	896.10	133.59

Total assets

Total assets as at September 30, 2022 were Baht 1,888.19 million, an increase of Baht 950.95 million or 101.46% 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 224.06 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 191.46 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 152.28 million. Mainly from Property development business amounted to Baht 80.90 million, and from leasing business amounted to Baht 71.38 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 September 30, 2022 were Baht 321.29 million, an increase of Baht 54.85 million or 20.59% 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 105.25 million, Mainly from Property development business amounted to Baht 33.00 million, and from leasing business amounted to Baht 72.25 million.

Shareholders' equity

- Equity attributable to shareholders of the parent as at September 30, 2022 was Baht 1,378.33 million, an increase of Baht 849.58 million or 160.68% 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	
	Q3'2022	Q3'2021	
	Million Baht	Million Baht	Million Baht
Net cash flows from (used in) operating activities	(224.77)	(3.67)	(221.10)
Net cash flows from (used in) investing activities	(86.86)	1.08	(87.94)
Net cash flows from (used in) financing activities	577.09	35.80	541.29
Increase (decrease) in translation adjustments	(41.40)	-	(41.40)
Net increase (decrease) in cash and cash equivalents	224.06	33.21	190.85

Cash flows

Cash flows for the 3rd quarter of 2022 amounted to Baht 224.06 million, an increase of Baht 190.85 million compared to the 3rd quarter of 2021. The details of the changes are as follows:

- Net cash flows used in operating activities for the 3rd quarter of 2022 amounted to Baht 224.77 million, an increase of Baht 221.10 million compared to the 3rd quarter of 2021, which amounted to Baht 3.67 million. This was due to the increase in cash paid from the operations in the 3rd quarter of 2021.
- Net cash flows used in investing activities for the 3rd quarter of 2022 amounted to Baht 86.86 million, a decrease of Baht 87.94 million compared to the 3rd quarter of 2021, which amounted to Baht 1.08 million. This was due to the increase in restricted bank deposits.

- Net cash flows from financing activities for the 3rd quarter of 2022 amounted to Baht 577.09 million, an increase of Baht 541.29 million compared to the 3rd quarter of 2021, which amounted to Baht 35.80 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