

ALPHAXSET-2305-003

May 12, 2023

Subject: Management Discussion and Analysis for the first quarter of 2023

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 2023. The main reasons are as follows:

Overall operating performance of the Group

	Consolidated	Consolidated	Increase (decrease)	
	financial statements	financial statements		
	Q1'2023	Q1'2022		
	Million Baht	Million Baht	Million Baht	%
Revenue	62.54	69.00	(6.46)	(9.36)
Cost	29.91	50.13	(20.22)	(40.34)
Gross profit	32.63	18.87	13.76	72.92
Distribution costs	6.30	6.32	(0.02)	(0.32)
Administrative expenses	35.17	28.09	7.08	25.20
Estimated loss from cost over income (reversal)	0.01	(48.26)	48.27	100.02
Net loss on foreign exchange rate	3.37	-	3.37	100.00
Finance costs	1.44	0.02	1.42	7,100.00
Profit (loss) before tax expense	(13.66)	32.70	(46.36)	(141.77)
Tax expenses (income)	0.86	(0.09)	0.95	1,055.55
Profit (loss)	(14.48)	32.79	(47.27)	(144.16)
Equity holders of the Company	(14.54)	32.95	(47.49)	(144.13)

Total revenue for the 1st quarter of 2023 amounted to Baht 62.54 million, a decrease of Baht 6.46 million or a 9.36% decrease compared to the 1st quarter of 2022, which was Baht 69.00 million.

Net loss - equity holders of the Company for the 1st quarter of 2023 amounted to Baht 14.54 million, a decrease of Baht 47.49 million or a 144.13% decrease compared to net profit - equity holders of the Company for the 1st quarter of 2022, which was Baht 32.95 million.

Revenue

	Consolidated financial statements Q1'2023		Consolidated financial statements Q1'2022		Increase (decrease)	
	Million Baht	%	Million Baht	Million Baht	%	Million Baht
	Revenue from main business					
Property development business	41.00	65.56	67.53	97.87	(26.53)	(39.29)
Hemp/Cannabis business	0.44	0.70	-	-	0.44	100.00
Leasing business	19.10	30.54	-	-	19.10	100.00
Total revenue from main business	60.54	96.80	67.53	97.87	(6.99)	(10.35)
Other income	2.00	3.20	1.47	2.13	0.53	36.05
Total revenue	62.54	100.00	69.00	100.00	(6.46)	(9.36)

The Group has total revenue from main business for the 1st quarter of 2023 amounted to Baht 60.54 million, a decrease of Baht 6.99 million or a 10.35% decrease compared to the 1st quarter of 2022, which was Baht 69.00 million. The details are as follows:

Revenue from main business

Property development business

Revenue from property development business for the 1st quarter of 2023 amounted to Baht 41.00 million, a decrease of Baht 26.53 million or a 39.29% decrease compared to the 1st quarter of 2022, which was Baht 67.53 million. From the IKON77 project, since almost all of the ownership has been transferred in 2022, the remaining units that have not transferred ownership are only 0.68% of the total units. In 1st quarter of 2023, this is the transfer of ownership of THE VALOR RAMINTRA project, resulting in a decrease of revenue from property development business.

Hemp/Cannabis business

Revenue from hemp/cannabis business for the 1st quarter of 2023 amounted to Baht 0.44 million, an increase of the total amount compared to the 1st quarter of 2022. According to the announcement of the Ministry of Public Health, marijuana, cannabis, and hemp are released from the drugs list, effective June 9, 2022. The Group has revenue from hemp/cannabis business, which increases the total amount.

Leasing business

Revenue from leasing business for the 1st quarter of 2023 amounted to Baht 19.10 million, an increase of the total amount compared to the 1st quarter of 2022. 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 1st quarter of 2023 increase of the total amount.

Other income

Other income for the 1st quarter of 2023 amounted to Baht 2.00 million, an increase of Baht 0.53 million or a 36.05% increase compared to the 1st quarter of 2022, which was Baht 1.47 million. Most of the other income from forfeiture of the contract, penalty income, and interest income.

Gross Profit and Gross Profit Margin

	Consolidated financial statements Q1'2023		Consolidated financial statements Q1'2022		Increase (decrease)	
	Million Baht	%	Million Baht	Million Baht	%	Million Baht
	Property development business					
Revenue	41.00	100.00	67.53	100.00	(26.53)	(39.29)
Cost	(29.49)	(71.93)	(50.13)	(74.23)	(20.64)	(41.17)
Gross profit	11.51	28.07	17.40	25.77	(5.89)	(33.85)
Hemp/cannabis business						
Revenue	0.44	100.00	-	-	0.44	100.00
Cost	(0.19)	(43.18)	-	-	0.19	100.00
Gross profit	0.25	56.82	-	-	0.25	100.00
Leasing business						
Revenue	19.10	100.00	-	-	19.10	100.00
Cost	(0.23)	(1.20)	-	-	0.23	100.00
Gross profit	18.87	98.80	-	-	18.87	100.00
Total gross profit	30.63	50.59	17.40	25.77	13.23	76.03

The Group has gross profit for the 1st quarter of 2023 amounted to Baht 30.63 million, an increase of Baht 13.23 million compared to the 1st quarter of 2022, which was Baht 17.40 million. The details are as follows:

Property development business

Gross profit for the 1st quarter of 2023 amounted to Baht 11.51 million, representing a gross profit margin of 28.07%

Hemp/Cannabis business

Gross profit for the 1st quarter of 2023 amounted to Baht 0.25 million, representing a gross profit margin of 56.82%

Leasing business

Gross profit for the 1st quarter of 2023 amounted to Baht 18.87 million, representing a gross profit margin of 98.80%

Expenses

	Consolidated financial statements Q1'2023		Consolidated financial statements Q1'2022		Increase (decrease)	
	Million Baht	Million Baht	Million Baht	Million Baht	%	
	Distribution costs	6.30	6.32	(0.02)	(0.32)	
Administrative expenses	35.17	28.09	7.08	25.20		
Estimated loss from cost over income (reversal)	0.01	(48.26)	48.27	100.02		
Net loss on foreign exchange rate	3.37	-	3.37	100.00		
Finance costs	1.44	0.02	1.42	7,100.00		
Tax expenses (income)	0.86	(0.09)	0.95	1,055.55		
Total expenses	47.15	(13.92)	61.07	438.72		

Distribution costs

Distribution costs for the 1st quarter of 2023 amounted to Baht 6.30 million, a decrease of Baht 0.02 million or 0.32% decrease compared to the 1st quarter of 2022, which was Baht 6.32 million. There is no significant change. Most of the distribution costs is distributed from the property business development.

Administrative expenses

Administrative expenses for the 1st quarter of 2023 amounted to Baht 35.17 million, an increase of Baht 7.08 million or 25.20% increase compared to the 1st quarter of 2022, which was Baht 28.09 million. It is due to the expansion of hemp/cannabis business and leasing business in Lao People's Democratic Republic.

Net loss on foreign exchange rate

Net loss on foreign exchange rate for the 1st quarter of 2023 amounted to Baht 3.37 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 1st quarter of 2023 amounted to Baht 1.44 million, an increase of Baht 0.02 million or 7,100% increase compared to the 1st quarter of 2022, which was Baht 0.02 million. Arising from loans in part of the Property development business and leasing business in Lao People's Democratic Republic.

Tax expenses

Tax expenses for the 1st quarter of 2023 amounted to Baht 0.86 million, an increase of Baht 0.95 million or 1,055.55% increase compared to the 1st quarter of 2022. It is due to the increase in taxable profit, resulting in an increase of tax expenses.

Financial position of the Group

	Consolidated	Consolidated	Increase (decrease)	
	financial statements	financial statements		
	March 31, 2023	December 31, 2022	Million Baht	%
	Million Baht	Million Baht	Million Baht	%
Cash and cash equivalents	381.33	330.13	51.20	15.51
Other current financial assets	61.00	61.00	-	-
Trade and other current receivables	0.61	0.98	(0.37)	(37.76)
Current portion of finance lease receivables	135.06	128.84	6.22	4.83
Inventories	1.78	1.89	(0.11)	(5.82)
Asset held for sale	0.57	0.52	0.05	9.62
Cost of property development	365.47	391.13	(25.66)	(6.56)
Other current assets	356.85	350.17	6.68	1.91
Total current assets	1,302.67	1,264.66	38.01	3.01
Restricted bank deposits	63.87	64.56	(0.69)	(1.07)
Finance lease receivables	49.74	59.62	(9.88)	(16.57)
Land held for development	3.68	3.68	-	-
Property, plant and equipment	43.30	44.82	(1.52)	(3.39)
Right-of-use assets	11.74	9.44	2.30	24.36
Unallocated costs of business acquisition	96.27	96.27	-	-
Goodwill	105.19	105.19	-	-

	Consolidated	Consolidated	Increase (decrease)	
	financial statements	financial statements		
	March 31, 2023	December 31, 2022	Million Baht	%
	Million Baht	Million Baht	Million Baht	%
Intangible assets	0.27	0.32	(0.05)	(15.63)
Deferred tax assets	2.90	3.27	(0.37)	(11.31)
Other non-current assets	155.66	155.59	0.07	0.04
Total non-current assets	532.62	542.76	(10.14)	(1.87)
Total assets	1,835.29	1,807.42	27.87	1.54
Trade and other current payables	27.10	48.59	(21.49)	(44.23)
Current portion of long-term borrowings from financial	30.33	47.09	(16.76)	(35.59)
Current portion of lease liabilities	1.58	0.72	0.86	119.44
Corporate income tax payable	6.90	15.48	(8.58)	(55.43)
Advance received	15.72	20.13	(4.41)	(21.91)
Provisions	3.19	3.57	(0.38)	(10.64)
Other current liabilities	122.48	7.28	115.20	1,582.42
Total current liabilities	207.30	142.86	64.44	45.11
Long-term borrowings from financial institutions	77.98	103.53	(25.55)	(24.68)
Lease liabilities	12.11	10.10	2.01	19.90
Non-current provisions for employee benefits	3.15	2.90	0.25	8.62
Other non-current liabilities	0.42	0.41	0.01	2.44
Total non-current liabilities	93.66	116.94	(23.28)	(19.91)
Total liabilities	300.96	259.80	41.16	15.84
Equity attributable to shareholders of the parent	1,345.42	1,358.73	(13.31)	(0.98)
Non-controlling interests	188.91	188.89	0.02	0.01
Total shareholders' equity	1,534.33	1,547.62	(13.29)	(0.86)

Total assets

Total assets as at March 31, 2023 were Baht 1,835.29 million, an increase of Baht 27.87 million or 1.54% increase compared to the total assets as at December 31, 2022, which were Baht 1,807.42 million. The details of the main changes are as follows:

- Cash and cash equivalents increased by 51.20 million baht, mainly from cash received from shares in advance totalling approximately Baht 115.88 million. On March 10, 2023, is the expiration date of the warrants to purchase the ordinary shares No.4 (ALPHAX-W4) with a period of notification of intention to exercise the warrants from March 21, 2023 to April 4, 2023, with a total of 169,922,322 units exercised.
- Cost of property development decreased Baht 25.66 million, due to the transfer of ownership of THE VALOR RAMINTRA, resulting in cost of property development in the 1st quarter of 2023 decreased from 2022.

Total liabilities

Total liabilities as at March 31, 2023 were Baht 300.96 million, an increase of Baht 41.16 million or 15.84% increase compared to the total liabilities as at December 31, 2022, which were Baht 259.80 million. The details of the main changes are as follows:

- Trade and other current payables decreased Baht 21.49 million, mainly due to a decrease from the payments to trade payables of property development business, because real estate development has been completed and transferred of ownership and from leasing business in Lao People's Democratic Republic.
- Loans from financial institutions decreased Baht 42.31 million, from repayments to financial institutions.
- Other current liabilities increased Baht 115.20 million, because during the period the Company received in advance for shares capital increase in the amount of approximately Baht 115.88 million, and after the date in the financial statements received in the amount of Baht 54.04 million, totalling Baht 169.92 million. On March 10, 2023, is the expiration date of the warrants to purchase the ordinary shares No.4 (ALPHAX-W4) with a period of notification of intention to exercise the warrants from March 21, 2023 to April 4, 2023, with a total of 169,922,322 units exercised.

Shareholders' equity

- Equity attributable to shareholders of the parent as at March 31, 2023 was Baht 1,345.42 million, a decrease of Baht 13.31 million or 0.98% decrease compared to December 31, 2022, which was Baht 1,358.73 million. It is due to the net loss for the period.

Cash flows of the Group

	Consolidated	Consolidated	Increase (decrease)
	financial statements	financial statements	
	Q1'2023	Q1'2022	
	Million Baht	Million Baht	Million Baht
Net cash flows from (used in) operating activities	(24.01)	(92.52)	68.51
Net cash flows from (used in) investing activities	0.43	(0.44)	0.87
Net cash flows from (used in) financing activities	73.70	598.34	(524.64)
Increase (decrease) in translation adjustments	1.08	-	1.08
Net increase (decrease) in cash and cash equivalents	51.20	505.38	(454.18)

Cash flows

Cash flows for the 1st quarter of 2023 amounted to Baht 51.20 million, a decrease of Baht 454.18 million compared to the 1st quarter of 2022. The details of the changes are as follows:

- Net cash flows used in operating activities for the 1st quarter of 2023 amounted to Baht 24.01 million, an increase of Baht 68.51 million compared to the 1st quarter of 2022, which amounted to Baht 92.52 million. This was due to a decrease in cash paid from the operations in the 1st quarter of 2023.
- Net cash flows from investing activities for the 1st quarter of 2023 amounted to Baht 0.43 million, an increase of Baht 0.87 million compared to the net cash flows used in investing activities for the 1st quarter of 2022, which amounted to Baht 0.44 million.
- Net cash flows from financing activities for the 1st quarter of 2023 amounted to Baht 73.70 million, a decrease of Baht 524.64 million compared to the 1st quarter of 2022, which amounted to Baht 598.34 million. This was

mainly due to during the 1st quarter of 2022, the exercise of 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 a lot of net cash from financing activities in the 1st quarter of 2022.

Please be informed accordingly.

Yours sincerely,
Alpha Divisions Public Company Limited

(Mr. Teera Chutivarapon)
Chief Executive Officer