

ALPHAXSET-2308-004

August 11, 2023

Subject: Management Discussion and Analysis for the second 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 second quarter of 2023. The main reasons are as follows:

Overall operating performance of the Group

	Consolidated financial statements		Increase (decrease)	
	Q2'2023	Q2'2022 (Restated)		
	Million Baht	Million Baht	Million Baht	%
Revenue	21.10	92.84	(71.74)	(77.27)
Cost	(3.01)	(41.92)	(38.91)	(92.82)
Gross profit	18.09	50.92	(32.83)	(64.47)
Distribution costs	(5.17)	(8.18)	(3.01)	(36.80)
Administrative expenses	(36.95)	(36.21)	0.74	2.04
Gain (loss) on foreign exchange rate	0.78	(13.21)	13.99	105.90
Finance costs	(1.35)	(1.74)	(0.39)	(22.41)
Profit (loss) before tax expense	(24.60)	(8.42)	16.18	192.16
Tax (expenses) income	0.83	(2.21)	3.04	137.56
Profit (loss)	(23.77)	(10.63)	13.14	123.61
Equity holders of the Company	(23.58)	(6.52)	17.06	261.66

Total revenue for the 2nd quarter of 2023 amounted to Baht 21.10 million, a decrease of Baht 71.74 million or a 77.27% decrease compared to the 2nd quarter of 2022, which was Baht 92.84 million.

Net loss attributable to equity holders of the Company for the 2nd quarter of 2023 amounted to Baht 23.77 million, an increase of Baht 13.14 million or a 123.61% increase compared to net loss attributable to equity holders of the Company for the 2nd quarter of 2022, which was Baht 6.52 million.

Revenue

	Consolidated financial statements		Consolidated financial statements		Increase (decrease)	
	Q2'2023		Q2'2022			
	Million Baht	%	Million Baht	Million Baht	%	Million Baht
Revenue from main business						
Property development business	2.39	11.33	59.17	63.73	(56.78)	(95.96)
Hemp/Cannabis business	0.10	0.47	16.10	17.34	(16.00)	(99.38)
Leasing business	16.94	80.29	13.34	14.37	3.60	26.99
Total revenue from main business	19.43	92.09	88.61	95.44	(69.18)	(78.07)
Other income	1.67	7.91	4.23	4.56	(2.56)	(60.52)
Total revenue	21.10	100.00	92.84	100.00	(71.74)	(77.27)

The Group has total revenue from main business for the 2nd quarter of 2023 amounted to Baht 21.10 million, a decrease of Baht 71.74 million or a 77.27% decrease compared to the 2nd quarter of 2022, which was Baht 92.84 million. The details are as follows:

Revenue from main business

Property development business

Revenue from property development business for the 2nd quarter of 2023 amounted to Baht 2.39 million, a decrease of Baht 56.78 million, or a 95.96% decrease compared to the 2nd quarter of 2022, which was Baht 63.73 million. From the IKON77 project, since 2022, almost all of the ownership has been transferred, and the remaining units that have not been transferred are only 0.68% of the total units. As a result, revenue from property development business decreased.

Hemp/Cannabis business

Revenue from hemp/cannabis business for the 2nd quarter of 2023 amounted to Baht 0.10 million, a decrease of Baht 16.00 million, or a 99.38% decrease compared to the 2nd quarter of 2022, which was Baht 16.10 million. According to the announcement of the Ministry of Public Health, marijuana, cannabis, and hemp are released from the drugs list, effective June 9, 2022. Since the beginning of unlocking, revenue from hemp/cannabis business has increased dramatically.

Leasing business

Revenue from leasing business for the 2nd quarter of 2023 amounted to Baht 16.94 million, an increase of Baht 3.60 million, or a 26.99% increase compared to the 2nd quarter of 2022, which was Baht 13.34 million. On April 18, 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 motorcycle hire purchase business in Lao People’s Democratic Republic. Therefore, revenue from leasing business increased.

Other income

Other income for the 2nd quarter of 2023 amounted to Baht 2.56 million, a decrease of Baht 2.56 million or a 60.52% decrease compared to the 2nd quarter of 2022, which was Baht 4.23 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 Q2’2023		Consolidated financial statements Q2’2022		Increase (decrease)	
	Million Baht	%	Million Baht	Million Baht	%	Million Baht
	Property development business					
Revenue	2.39	100.00	59.17	100.00	(56.78)	(95.96)
Cost	(1.70)	(71.13)	(37.59)	(63.53)	(35.89)	(95.48)
Gross profit	0.69	28.87	21.58	36.47	(20.89)	(96.80)
Hemp/cannabis business						
Revenue	0.10	100.00	16.10	100.00	(16.00)	(99.38)
Cost	(0.06)	(60.00)	(2.96)	(18.39)	(2.90)	(97.97)
Gross profit	0.04	40.00	13.14	81.61	(13.10)	(99.70)

	Consolidated financial statements Q2'2023		Consolidated financial statements Q2'2022		Increase (decrease)	
	Million Baht	%	Million Baht	Million Baht	%	Million Baht
	Leasing business					
Revenue	16.94	100.00	13.34	100.00	3.60	26.99
Cost	(1.25)	(7.38)	(1.37)	(10.27)	(0.12)	(8.76)
Gross profit	15.69	92.62	11.97	89.73	3.72	31.08
Total gross profit	16.42	84.51	46.69	52.69	(30.27)	(64.83)

The Group has gross profit for the 2nd quarter of 2023 amounted to Baht 16.42 million, a decrease of Baht 30.27 million compared to the 2nd quarter of 2022, which was Baht 46.69 million. The details are as follows:

Property development business

Gross profit for the 2nd quarter of 2023 amounted to Baht 0.69 million, representing a gross profit margin of 28.87%

Hemp/Cannabis business

Gross profit for the 2nd quarter of 2023 amounted to Baht 0.04 million, representing a gross profit margin of 40.00%

Leasing business

Gross profit for the 2nd quarter of 2023 amounted to Baht 15.69 million, representing a gross profit margin of 92.62%

Expenses

	Consolidated financial statements Q2'2023		Consolidated financial statements Q2'2022 (Restated)		Increase (decrease)	
	Million Baht	Million Baht	Million Baht	Million Baht	%	
	Distribution costs	5.17	8.18	(3.01)	(36.80)	
Administrative expenses	36.95	36.21	0.74	2.04		
Loss (gain) on foreign exchange rate	(0.78)	13.21	13.99	105.90		
Finance costs	1.35	1.74	(0.39)	(22.41)		
Tax expenses (income)	(0.83)	2.21	3.04	137.56		
Total expenses	41.86	61.55	(19.69)	(31.99)		

Distribution costs

Distribution costs for the 2nd quarter of 2023 amounted to Baht 5.17 million, a decrease of Baht 3.01 million or 36.80% decrease compared to the 2nd quarter of 2022, which was Baht 8.18 million. Due to the decrease in revenue from property development business. Most of the distribution costs is distributed from the property development business.

Administrative expenses

Administrative expenses for the 2nd quarter of 2023 amounted to Baht 36.95 million, an increase of Baht 0.74 million or 2.04% increase compared to the 2nd quarter of 2022, which was Baht 36.21 million. There is no significant change.

Loss (gain) on foreign exchange rate

Gain on foreign exchange rate for the 2nd quarter of 2023 amounted to Baht 0.78 million, an increase of Baht 13.99 million or 105.90% increase compared to the loss on foreign exchange rate for 2nd quarter of 2022, which was Baht 13.21 million, which is occurred from motorcycles, cars, and agricultural equipment hire purchase business in Lao People's Democratic Republic ("Lao PDR"). It is due to the kip depreciating in 2nd quarter of 2022, resulting in foreign exchange losses.

Finance costs

Finance costs for the 2nd quarter of 2023 amounted to Baht 1.35 million, a decrease of Baht 0.39 million or 22.41% decrease compared to the 2nd quarter of 2022, which was Baht 1.74 million. Arising from loans in part of the Property development business and leasing business in Lao People's Democratic Republic decrease from loan repayment.

Tax expenses (income)

Tax income for the 2nd quarter of 2023 amounted to Baht 0.83 million, an increase of Baht 3.04 million or 137.56% increase compared to the tax expenses for the 2nd quarter of 2022. It is due to the 2nd quarter of 2023, the Group has net loss, resulting in a decrease of tax expenses from the 2nd quarter of 2022.

Financial position of the Group

	Consolidated financial statements June 30, 2023	Consolidated financial statements December 31, 2022 (Restated)	Increase (decrease)	
	Million Baht	Million Baht	Million Baht	%
Cash and cash equivalents	336.50	330.13	6.37	1.93
Other current financial assets	61.00	61.00	-	-
Trade and other current receivables	1.10	0.98	0.12	12.24
Current portion of finance lease receivables	131.23	128.84	2.39	1.86
Inventories	1.74	1.89	(0.15)	(7.94)
Asset held for sale	0.74	0.52	0.22	42.31
Cost of property development	370.10	391.13	(21.03)	(5.38)
Other current assets	440.68	350.17	90.51	25.85
Total current assets	1,343.09	1,264.66	78.43	6.20
Restricted bank deposits	21.80	64.56	(42.76)	(66.23)
Finance lease receivables	38.36	59.62	(21.26)	(35.66)
Land held for development	3.68	3.68	-	-
Property, plant and equipment	41.10	44.82	(3.72)	(8.30)
Right-of-use assets	11.91	9.44	2.47	26.17
Goodwill	188.44	188.44	-	-
Intangible assets	25.45	28.13	(2.68)	(9.53)
Other non-current assets	155.67	155.59	0.08	0.05
Total non-current assets	486.41	554.28	(67.87)	(12.24)
Total assets	1,829.50	1,818.94	10.56	0.58
Trade and other current payables	25.93	48.59	(22.66)	(46.64)
Current portion of long-term borrowings from financial	20.19	47.09	(26.90)	(57.12)

	Consolidated	Consolidated	Increase (decrease)	
	financial statements	financial statements		
	June 30, 2023	December 31, 2022 (Restated)	Million Baht	%
	Million Baht	Million Baht	Million Baht	%
Current portion of lease liabilities	2.61	0.72	1.89	262.50
Corporate income tax payable	-	15.48	(15.48)	(100.00)
Advance received	11.25	20.13	(8.88)	(44.11)
Provisions	3.19	3.57	(0.38)	(10.64)
Other current liabilities	6.63	7.28	(0.65)	(8.93)
Total current liabilities	69.80	142.86	(73.06)	(51.14)
Long-term borrowings from financial institutions	65.78	103.53	(37.75)	(36.46)
Lease liabilities	7.04	10.10	(3.06)	(30.30)
Deferred tax liabilities	2.10	2.29	(0.19)	(8.30)
Non-current provisions for employee benefits	3.32	2.91	0.41	14.09
Other non-current liabilities	0.41	0.41	-	-
Total non-current liabilities	78.65	119.24	(40.59)	(34.04)
Total liabilities	148.45	262.09	(113.65)	(43.36)
Equity attributable to shareholders of the parent	1,482.14	1,357.27	124.87	9.20
Non-controlling interests	198.91	199.57	(0.66)	(0.33)
Total shareholders' equity	1,681.05	1,556.84	124.21	7.98

Total assets

Total assets as at June 30, 2023 were Baht 1,829.50 million, an increase of Baht 10.56 million or 0.58% increase compared to the total assets as at December 31, 2022, which were Baht 1,818.94 million. The details of the main changes are as follows:

- Finance lease receivables decreased by Baht 21.26 million, as the loan portfolio decreased from the end of 2022 by about 100 contracts and the kip depreciated from the end of 2022, resulting in Finance lease receivables decreasing.
- Cost of property development decreased by Baht 21.03 million, due to the transfer of ownership of THE VALOR RAMINTRA, resulting in decrease the cost of property development.
- Other current assets increased by Baht 90.51 million, from the increase in land deposit.
- Restricted bank deposits decreased by Baht 42.76 million, due to the repayment of loans to banks and the redemption of collateral that exceeded the obligation to guarantee a loan with a commercial bank.

Total liabilities

Total liabilities as at June 30, 2023 were Baht 148.45 million, a decrease of Baht 113.65 million or 15.84% decrease compared to the total liabilities as at December 31, 2022, which were Baht 262.10 million. The details of the main changes are as follows:

- Trade and other current payables decreased by Baht 22.66 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 by Baht 64.65 million, from repayments to financial institutions.
- Corporate income tax payable decreased by Baht 15.48 million, due to a net loss in 2023.

Shareholders' equity

- Equity attributable to shareholders of the parent as at June 30, 2023 was Baht 1,482.14 million, an increase of Baht 124.87 million or 9.20% increase compared to December 31, 2022, which was Baht 1,357.27 million. It is due to the exercise of warrants to purchase the ordinary shares. On March 10, 2023, the expiration date of the warrants to purchase ordinary share No. 4 (ALPHAX-W4), 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 169,922,322 units. Resulting in an increase of Shareholders' equity.

Cash flows of the Group

	Consolidated financial statements Q2'2023	Consolidated financial statements Q2'2022 (Restated)
	Million Baht	Million Baht
Net cash flows from (used in) operating activities	(126.74)	(119.44)
Net cash flows from (used in) investing activities	42.27	(87.12)
Net cash flows from (used in) financing activities	104.87	605.84
Increase (decrease) in translation adjustments	(14.03)	(37.19)
Net increase (decrease) in cash and cash equivalents	6.37	362.09

Cash flows

Cash flows for the 2nd quarter of 2023 increased by Baht 6.37 million; details are as follows:

- Net cash flows used in operating activities for the 2nd quarter of 2023 amounted to Baht 126.74 million, mainly from operating losses of Baht 39.54 million, cash paid for income tax of Baht 15.99 million, and cash paid for land deposits of Baht 90.40 million.
- Net cash flows from investing activities for the 2nd quarter of 2023 amounted to Baht 42.27 million, mainly due to a decrease in pledged bank deposits.
- Net cash flows from financing activities for the 2nd quarter of 2023 amounted to Baht 104.87 million, mainly from the cash received from increase in shares capital ALPHAX-W4.

Please be informed accordingly.

Yours sincerely,
Alpha Divisions Public Company Limited

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