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16 August 2021

Subject: Management Discussion and Analysis for the Performance for the six-month period ended on 30 June 2021

To: President  
The Stock Exchange of Thailand

The Board of Directors of Wow Factor Public Company Limited (the "Company") No.4/2021 held on 16 August 2021 agreed on a resolution to certify the financial statements and the performance for the six-month period ended on 30 June 2021 which was reviewed by the Auditor.

The overall of the Company's performance can be summarized as follows:

*[Please see the following page]*

(Unit: Thousand Baht)

Performance (Statement of Profit or Loss)	Q2'21	Q2'20	Inc/(Dec)	%
<b>Revenue</b>				
Revenue from sales	183,792	222,862	(39,070)	(18)
<b>Total revenue</b>	183,792	222,862	(39,070)	(18)
Costs of sales	(95,908)	(169,907)	73,999	(44)
<b>Total costs</b>	(95,908)	(169,907)	73,999	(44)
<b>Gross profit</b>	87,884	52,955	34,929	66
Gain (loss) on exchange	(71)	5,097	(5,168)	(101)
Other income	2,954	2,187	767	35
<b>Profit before expenses</b>	90,767	60,239	30,528	51
Selling and distribution expenses	(133,454)	(44,345)	(89,109)	201
Administrative expenses	(84,900)	(54,765)	(30,135)	55
Remunerations for directors and management	(5,257)	(8,809)	3,552	(40)
Reversal of allowance for doubtful accounts	-	2,153	(2,153)	(100)
<b>Total expenses</b>	(223,611)	(105,766)	(117,845)	111
<b>Loss before finance costs and income tax</b>	(132,844)	(45,527)	(87,317)	192
Finance costs	(4,902)	(8,723)	3,821	(44)
<b>Loss before income tax</b>	(137,746)	(54,250)	(83,496)	154
Income tax	2,806	(1,175)	3,981	(339)
<b>Loss for the period</b>	(134,940)	(55,425)	(79,515)	143

#### Sales and cost of sales

Sales of goods can be grouped in 2 sectors as 1) producing and distributing of electronics parts and 2) selling foods and beverages. The details of sales and cost of sales are as below.

(Unit: Thousand Baht)

	2021		2020	
<b>Producing and distributing electronics spare parts</b>				
Income from sales of goods	-		149,352	
Cost of sales	-		(130,710)	
Gross profit	-	0%	18,642	12%
<b>Selling food and beverages</b>				
Income from sales of goods	183,792		73,510	
Cost of sales	(95,908)		(39,197)	
Gross profit	87,884	48%	34,313	47%

#### Sales from producing and distributing electronics spare parts

Revenue from sales and cost of sales from producing and distributing electronics spare parts decreased from Q2 of year 2020 because the Company sold investment in a subsidiary (EIC Semiconductor Co., Ltd.) which manufactures and sell electronics parts in October 2020 caused revenue from sales and cost from production the electronics parts decreased by baht 149 million or 100 percent. Gross profit margin was 12% because the increases in raw material cost of American customers.

#### Sales from selling food and beverages

Revenue from sales from selling food and beverages increased from Q2 of year 2020 by Baht 110 million. Because 1) the Company completed acquisition business transfer pizza restaurants under the trademark "DOMINO'S PIZZA" in October 2020 which caused revenue in this quarter increased by Baht 67 million, sales of the first quarter of Baht 27 million and sales of the second quarter of Baht 40 million. 2) the revenue from current food businesses increased by Baht 43 million due to customers increasing from the changes of sales strategies and the new branches such as Kagonoya was opened at Central Pinklao in December 2020 and Le Boeuf was opened at Ari in February 2021. Beside in Q2 of year 2021 and year 2020, the Company has effect to close some branches between 10 to 16 May 2021, 28 June to 17 July 2021 and 22 March 2020 to 16 May 2020, respectively from the order of temporary closure of premise, announcement of the Bangkok Metropolitan Administration. Gross profit of food business was 48% that was below the normal range of gross profit about 2% because the Company have to reduce selling price for competition in delivery market.

#### **Selling expenses**

	2021	2020	Inc/(Dec)
Employee costs	37,040	12,993	24,047
Rental, service fee and utilities expenses	30,801	11,692	19,109
Depreciation and amortization	29,364	9,477	19,887
Advertisement and sales promotion	11,876	3,434	8,442
Supplies	6,123	2,300	3,823
Others	18,250	4,449	13,801
Total	<u>133,454</u>	<u>44,345</u>	<u>89,109</u>

Selling expenses of the Group increased from Q2 of year 2020 by Baht 89 million due to a subsidiary completed the acquisition business transfer pizza restaurants under the trademark "DOMINO'S PIZZA" which

includes 26 stores in October 2020 caused the number of employees and selling expenses such as Royalty fee and operation supplies etc., including the highly increase in advertisement and sales promotion.

#### Administrative expenses

	(Unit: Thousand Baht)		
	2021	2020	Inc/(Dec)
Employee costs	31,108	15,366	15,742
Professional fee	9,349	11,035	(1,686)
Rental and service fee	1,099	2,426	(1,327)
Depreciation and amortization expenses	29,602	16,390	13,212
Others	13,742	9,548	4,194
<b>Total</b>	<b>84,900</b>	<b>54,765</b>	<b>30,135</b>

Administrative expenses of the Group increased from Q2 of year 2020 by Baht 30 million due to a subsidiary completed the acquisition business transfer pizza restaurants under the trademark "DOMINO'S PIZZA" in October 2020 which caused the employee costs, depreciation and amortization expenses and other expenses increased. Anyhow, rental and service fee decreased because EIC Semiconductor Co., Ltd. (a subsidiary) which the Company sold investment in October 2020 had office rental fee about Baht 0.2 million per month. Moreover, the acquisition business transfer of DOMINO'S PIZZA in 2020 was the cause of the increase in legal counsel and profession fee from risk assessment process.

#### Directors and Managements' remuneration

The remuneration decreased from Q2 of year 2020 by Baht 3.6 million because the selling of investment in EIC Semiconductor Co., Ltd. caused the managements' salary decreased by Baht 2.8 million, also the average managements' salary decreased by Baht 0.1 million per month comparing to the last year.

#### Gain on Exchange Rate

Gain on exchange rate occurred mostly from the export sales of electronic parts of EIC Semiconductor Co., Ltd., especially from USA. When Baht depreciated during the beginning of year 2020, the subsidiary gained profit from exchange rate. The gain on exchange rate in Q2 of year 2021 highly decreased comparing from the last year due to the selling of investment of EIC Semiconductor Co., Ltd. in October 2020.

#### Allowance for doubtful accounts

In Q2 of year 2020, EIC Semiconductor Co., Ltd., a subsidiary, received the payment from accounts receivable who recorded the allowance for doubtful account amounting to Baht 2 million. Anyhow in 2021, the Company has operated only food business which mostly has no outstanding balance, so there is no record or reverse the allowance for doubtful accounts during the period.

#### **Finance cost**

The financial cost decreased from Q2 of 2020 Baht 4 million due to the selling of investment in EIC Semiconductor Co., Ltd. in October 2020 which caused lease liabilities decreased by Baht 203 million effected the interest from lease agreements decreased by Baht 5.9 million. At the same time, the Group has the first adopted the amend financial reporting standards effected in 1 January 2020 so finance cost had increased from lease by Baht 2.9 million.

#### **Income Tax**

The Company had income from income tax increased from Q2 of year 2020 for Baht 4 million. The main reason was in the Q2 of 2020, the subsidiary reversed deferred tax assets arising from compensation provisions due to the received payment of Baht 2.4 million, besides in Q2 of year 2021, the increase in amortization of deferred tax liabilities due to the reversal of loss from impairment of trademark "BAKE" at the end of year 2020.

Please be informed accordingly.

Sincerely yours

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Mr. Sirutt Ratanapaitoon  
Director/ Chief Financial Officer