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Topic: Management Discussion and Analysis ending 31 December 2021

To: President

The Stock Exchange of Thailand

In 2021, the spread of Coronavirus (COVID-19) continued to affect economic activity, particularly during the third quarter when the government imposed control measures to combat the situation, including the closing of certain areas with a high risk of transmission, travel restrictions, curfew and lockdown measures. These measures had a direct impact on several sectors of the economy, such as a decline in both the consumption rate and consumer confidence, a slowdown in industrial production, and a contraction in exports and imports causing disruption to supply chains.

The Company fully complied with the government's measures and orders to control the spread of COVID-19. After the government imposed a curfew in mid-July, which later became a lockdown, the Company temporarily closed 29 HomePro stores and 4 MegaHome stores in Thailand starting from July 20th, before gradually reopening in September. As for HomePro Malaysia, the Company complied with the lockdown restrictions of the Malaysian Government Movement Control Order (MCO) by closing down all of 7 stores in early May and started reopening on August 23.

Nevertheless, the government launched various measures to stimulate the economy and mitigate the economic impact of the COVID-19 pandemic, such as the co-payment scheme, the "Let's Travel Together" program, "Section 33 We Love Each Other", and the "We Win" program. The government has expedited the vaccination rollout to lower the infection rate, raise confidence and prepare for the reopening of the country and resumption of economic activity.

In the fourth quarter, the government started to ease COVID-19 restrictions to promote more economic activity and reopened the country to foreign tourists. Meanwhile, the Agricultural Price Index began to recover during the fourth quarter, which boosted purchasing power in areas that rely on tourism and agricultural income (e.g. the South and the Northeast). In this period, the Company continuously organized sales promotional

activities such as Homepro Day and Homepro Super Expo as well as launched various promotional activities via online channels.

Maintain the efficiency of revenue generation

With the outbreak of COVID-19 barring customers from purchasing products at the Company's physical stores, the customer has shifted even more to purchases via the Company's online channels. The Company has paid close attention to this change, and placed great importance on developing related procedures to accommodate customers' rising demand and usage via the three applications (HomePro App, Home Service App and Home Card App), as well as the Omni Channel, Shop4U (a service through which customers can shop for products without having to visit stores), Same Day Delivery, and Click and Collect (a service through which customers can buy online and collect products at stores). These sales channels are flexible and able to handle changes such as the effects of the COVID-19 pandemic in a timely manner.

Development of products and services supporting the New Normal lifestyle

The 'new normal' lifestyle has driven increased demand for home-related products. In response the Company has added more infection prevention and sanitization products, along with a greater variety of work-from-home and cooking-at-home products. The Company has also collaborated with suppliers in developing products and services that place importance on sustainability, including environmental impact and social responsibility, in order to serve the demand of the growing number of customers interested in this area.

Regarding services, the Company developed the Home Service Application that offers a comprehensive 24-hour home service by professional technicians in the event of an emergency such as power outage, broken air conditioner or burst pipes, either through the Home Service App or through the Call Center. 100% of technicians receive Covid ATK testing every week to ensure the safety of customers.

Development of internal system efficiency

In regard of the product distribution system, the Company has a strategy in place to prevent the occurrence of supply chain disruption, as well as the "Distribution Center's Business Continuity Plan" to stabilize the distribution process. The Company adopted 'Bubble and Seal' measures to manage, prevent and control the spread of COVID-19. A person infected with the virus is isolated and sent for treatment while those who have been exposed to the infection are quarantined. This method promptly controls and reduces the spread of the infection. Moreover, when there was a shortage of hospital beds for COVID-19 patients and difficulties in accessing medical services, the Company built its own field hospital in the area of the Wangnoi distribution center. The field hospital is managed in collaboration with Rajthanee Hospital to save the lives of all associates and extend medical assistance to patients in surrounding communities.

As for measures to protect associates who had not been diagnosed with COVID-19, the Company arranged for associates to work from home to minimize the risk of COVID-19 infections and encouraged them

to receive vaccinations. By the end of 2021, 92% of associates had been vaccinated. The Company also created an internal communication system called HR Clinic to provide support to associates who have been diagnosed with COVID-19, enabling them to receive treatment promptly. Care boxes containing medical equipment and medicines are sent to employees who have been mildly infected (green level) to treat themselves at home. These methods allow the workflow of the company to continue normally.

Stores expansion in 2021

The Company expanded stores cautiously given that the economy is still recovering slowly. Domestically, the Company opened 1 new store at Bang Na Km. 1 and internationally, one new store in Mutiara Damansara, Malaysia. At the end of 2021, there are 87 HomePro stores, 6 HomePro S stores, 14 MegaHome stores, 7 HomePro Malaysia stores, and HomePro Vietnam, which primarily distributes products via an e-market place.

The Company would like to express gratitude to associates at all levels for their dedication, determination, earnestness, flexibility, responsibility and efficient coordination amid a very challenging environment, as well as for the continuous support of all stakeholders. The Company strongly believes that business growth that can create value to all stakeholders (whether customers, associates, suppliers, shareholders or the wider community and society) is a crucial factor in driving the Company towards sustainability, as well as contributing to the sustainable economic development of the Nation.

The financial results of the Company and its subsidiaries for year 2021 which have been reviewed by an auditor are as follows:

Table 1: Financial Summary for the year 2021

	2021	% Change	2020	% Change	Increase (Decrease)	% Change
Revenue from contracts with customers	60,567.91	100.00%	58,346.77	100.00%	2,221.14	3.81%
Rental income	1,223.16	2.02%	1,527.16	2.62%	(304.01)	(19.91%)
Other income	2,134.72	3.52%	1,875.06	3.21%	259.66	13.85%
Total revenues	63,925.79	105.54%	61,748.99	105.83%	2,176.80	3.53%
Cost of sales and service	44,925.37	74.17%	43,598.26	74.72%	1,327.12	3.04%
Gross profit	15,642.54	25.83%	14,748.51	25.28%	894.02	6.06%
Cost of rental	608.80	1.01%	553.63	0.95%	55.17	9.97%
Selling and administrative expenses	11,348.87	18.74%	10,964.70	18.79%	384.17	3.50%
Profit before finance cost and income tax expenses	7,042.74	11.63%	6,632.41	11.37%	410.34	6.19%
Finance Income	7.36	0.01%	16.44	0.03%	(9.08)	(55.24%)
Finance cost	415.61	0.69%	458.79	0.79%	(43.17)	(9.41%)
Income tax expenses	1,193.97	1.97%	1,035.35	1.77%	158.62	15.32%
Profit for the period	5,440.52	8.98%	5,154.70	8.83%	285.82	5.54%

The Company's net profit for the year 2021 was Baht 5,440.52 million, representing an increase of Baht 285.82 million or up 5.54% as compared to the previous year. The main reasons include:

1. Total revenues were Baht 63,925.79 million, an increase of Baht 2,176.80 million or up 3.53%, comprising of the following:

- Revenue from contracts with customers which comprised of product sales revenue and service income of Home Service was Baht 60,567.91 million, representing an increase of Baht 2,221.14 million or up 3.81%. Overall performance for 2020 and 2021 was impacted by a temporary closure of stores to tighten control over the COVID-19 pandemic. However, the Company adapted and improved products and services to align with the new normal lifestyle, focusing on product assortment related to work from home, home improvement services to facilitate work from home, and continued to develop online distribution channels to increase consumers' convenience in buying products and services through an Omni Channel Platform. Such efforts drove same store sales, online sales and service income in 2021 higher when compared with the prior year.

However, same store sales in Malaysia continued to contract as a result of store closures and control measures against COVID-19 outbreak imposed on business for a longer period when compared to the previous year.

- Rental and service income amounted to Baht 1,223.16 million, a decrease of Baht 304.01 million or lower by 19.91%, due to lower rental income resulted from the cancellation of HomePro Expo in 2021 compared with 2020 when the events were held in the third and fourth quarters, including a decline in rental income from leasable space of Market Village and HomePro stores in the wake of the government's orders to close shopping centers and limit only a certain businesses to operate during the COVID-19 outbreak, in which the Company has lowered or waived rental fees for tenants. However, the Company continued to lower the rental fees for tenants in the fourth quarter because the traffic at shopping centers had not yet returned to normal.
 - Other income was Baht 2,134.72 million, an increase of Baht 259.66 million or up 13.85%, as a result of the increased in promotional activities with vendors in both stores and online channels.
 - Gross profit from product sales and service income of Home Service was Baht 15,642.54 million, an increase of Baht 894.02 million or up 6.06% as compared with the prior year. The percentage of gross profit increase was attributed to growing sales volume of products and services as well as an increased in products that generate higher margin, such as furniture and home improvement/repair products, in tandem with the changing lifestyle of consumer. The Company also managed costs more efficiently, which pushed gross profit margin as a percentage of sales higher to 25.83% from 25.28% in 2020.
 - Cost of rental and related services was Baht 608.80 million, an increase of Baht 55.17 million or up by 9.97%. The increase in cost was due to expenses related to additional rental space at Rangsit Klong 4 and Suksawat Store, which opened at the end of the fourth quarter 2020, therefore, cost of rental was recognized full year in 2021. Similarly, the new store of HomePro in Bangna Km. 1, which was recently opened in the fourth quarter of 2021, also partially caused.
2. Selling and administrative expenses (SG&A) amounted to Baht 11,348.87 million, an increase of Baht 384.17 million or up 3.50%. The SG&A increase was attributable to expenses associated with employee salaries and welfare, expenses related to taking care of associates during the severe outbreak of COVID-19 such as expenses in building a field hospital, utilities and marketing expense. Nevertheless, the overall SG&A as a percentage of Sales fell marginally from 18.79% in 2020 to 18.74%.
 3. Finance income was Baht 7.36 million, a net decrease of Baht 9.08 million or reduced by 55.24%, due to lower interest income.

4. Finance cost was Baht 415.61 million, a net decrease of Baht 43.17 million or down 9.41% due to the issuance of corporate bonds with lower interest rates for debt refinancing in the first and fourth quarters of 2021.
5. Income tax expenses were Baht 1,193.97 million, an increase of Baht 158.62 million or up 15.32% when compared with the prior year. This was due to higher earnings before tax.

Please be informed accordingly.

Sincerely yours,

(Ms.Wanee Juntamongkol)

Executive Vice President – Accounting and Finance