

15 August 2022

Re: MD&A for the 3-Month and 6-Month Period Ended 30 June 2022

To the President

The Stock Exchange of Thailand

Chic Republic Public Company Limited (the “**Company**”) would like to provide our Management Discussion and Analysis (MD&A) for the 3-month and 6-month periods ended 30 June 2022 as follows:

Consolidated Statement of Comprehensive Income	Q2 2022	Q1 2022	Q2 2021	Change		1H 2022	1H 2021	Change
				QoQ	YoY			YoY
	Million Baht	Million Baht	Million Baht	Million Baht	Million Baht	Million Baht	Million Baht	Million Baht
Total revenues	222.95	217.51	170.06	5.44	52.89	440.46	315.83	124.63
Merchandise sales and service revenue	220.59	217.13	168.69	3.46	51.90	437.72	312.07	125.65
Cost of sales and service	127.69	116.91	81.04	10.78	46.65	244.60	138.88	105.72
Gross profit	92.90	100.22	87.65	(7.32)	5.25	193.12	173.19	19.93
Selling expenses and administrative expenses	85.11	72.87	72.88	12.24	12.23	157.98	147.50	10.48
EBIT	10.15	27.73	16.13	(17.58)	(5.98)	37.88	29.44	8.44
Profit for the period	0.29	14.71	6.07	(14.42)	(5.78)	15.00	11.62	3.38
EPS (THB)	0.0003	0.0147	0.0061	(0.0144)	(0.0058)	0.0150	0.0116	0.0034

Total revenue for the 3-month periods ended 30 June 2022 and 2021 amounting to Baht 222.95 million and Baht 170.06 million, respectively. Total revenue for the 6-month periods ended 30 June 2022 and 2021 amounting to Baht 440.46 million and Baht 315.83 million, respectively. Sources of operating revenue are attributable as follows:

Sources of Sales Revenue	For the 3-Month Period Ended				For the 6-Month Period Ended			
	30 June 2022		30 June 2021		30 June 2022		30 June 2021	
	Million Baht	%	Million Baht	%	Million Baht	%	Million Baht	%
Merchandise sales revenue	105.56	47.35	95.21	55.99	216.40	49.13	196.02	62.07
Project-based revenue	100.80	45.21	66.23	38.95	198.05	44.96	102.91	32.58
Design studio revenue	5.71	2.56	1.43	0.84	7.59	1.72	1.43	0.45
Service revenue	8.52	3.82	5.82	3.42	15.68	3.56	11.72	3.71
Other revenue	2.36	1.06	1.37	0.81	2.74	0.62	3.75	1.19
<b>Total revenue</b>	<b>222.95</b>	<b>100.00</b>	<b>170.06</b>	<b>100.00</b>	<b>440.46</b>	<b>100.00</b>	<b>315.83</b>	<b>100.00</b>

### Operating Performance Analysis for the 3-Month Period Ended 30 June 2022 and 3-Month Period Ended 31 March 2022 (QoQ)

Total revenue for the 3-month period ended 30 June 2022 increased by Baht 5.44 million from the 3-month period ended 31 March 2022 due to the followings:

- Increase in merchandise sales revenue from online channels
- Increase in project-based revenue due to continuous delivery of project-based works
- Increase in design studio revenue
- Increase in service revenue, rental revenue, utilities revenue which the Company could collect at the normal rate while it needed to provide some discount to tenants during the Covid-19 lockdown period

Cost of sales and service for the 3-month period ended 30 June 2022 increased by Baht 10.78 million from the 3-month period ended 31 March 2022 due mainly from increasing of sales revenues from project-based works that affected to cost of sales increased.

Gross profit for the 3-month period ended 30 June 2022 decreased by Baht 7.32 million from the 3-month period ended 31 March 2022 due to gross profit from store sales and online slightly increased. While gross profit from project-based works decreased due mainly to certain project-based works had higher competition to recognized revenue from project-based works in this quarter resulting to have gross profit lower than normal.

Selling and distribution expenses consist of depreciation and amortization, staff and employee related expenses, promotional & marketing expenses, transportation expense and etc. Selling and distribution expenses for the 3-month period ended 30 June 2022 amounting to Baht 46.57 million increased by Baht 5.38 million from the 3-month period ended 31 March 2022 as the Company spent more on marketing campaigns and activities to boost its sales on both store sales and online channels. In addition, the Company spent more marketing expenses to build up its brand awareness to serve for initial public offering, which is one-time expense in this quarter. Transportation expenses increased from higher sales revenue and more delivery to up-country.

Administrative expenses are consisted of staff & employee expenses, utilities, security and cleaning expenses, warehouse management expense, building repair & maintenance expense, depreciation and amortization. Administrative expenses for the 3-month period ended 30 June 2022 amounting to Baht 38.54 million increased by Baht 6.86 million from the 3-month period ended 31 March 2022 due mainly to staff and employee expenses decreased. Additionally, the Company also reversed some of bad debt allowance as it could collect such debt during the period. The Company also amended land lease agreement - Udorn Thani by reducing total land lease area under the land lease agreement that affected to decrease in value of right-of-use asset and lease liabilities resulting to recognition for a difference from lease modification amounting to Baht 4.20 million, which is one-time expense in this quarter.

Finance cost for the 3-month period ended 30 June 2022 amounting to Baht 8.52 million decreased by Baht 0.23 million from the 3-month period ended 31 March 2022 due to interest expenses from loans from bank increased from the interest rate is raised as finance expense related to lease liabilities decreased.

Net profit for the 3-month period ended 30 June 2022 amounting to Baht 0.29 million decreased by Baht 14.42 million from the 3-month period ended 31 March 2022, which the percentage of net profit is lower than normal due mainly from

1. Certain project-based works have been higher competition than normal that are recognized revenue in this quarter resulting to gross profit decreased to 10% that is lower than normal approximately 20%.
2. Lease modification – Udorn Thani by reducing total land lease area under the land lease agreement that affected to decrease in value of right-of-use asset and lease liabilities resulting to recognition for a difference from lease modification amounting to Baht 4.20 million, which is one-time expense in this quarter.
3. Marketing and promotion expenses have been spent in Q2 due from the Company spent more on marketing campaigns and activities amounting to Baht 5.38 million to boost its sales on both store sales and online channels. In addition, the Company spent more marketing expenses to build up its brand awareness to serve for initial public offering, which is one-time expense in this quarter.

## **Operating Performance Analysis for the 3-Month Period Ended 30 June 2022 and 3-Month Period Ended 30 June 2021 (YoY)**

Total revenue for the 3-month period ended 30 June 2022 increased by Baht 52.89 million from 3-month period ended 30 June 2021 due to the followings:

- Increase in merchandise sales revenue from both store sales and online channels
- Increase in project-based revenue due to continuous delivery of project-based works
- Increase in design studio revenue
- Increase in service revenue, rental revenue, utilities revenue which the Company could collect at the normal rate while it needed to provide some discount to tenants during the Covid-19 lockdown period

Cost of sales and service for the 3-month period ended 30 June 2022 increased by Baht 46.65 million from 3-month period ended 30 June 2021 which was in line with increasing of sales revenues from store sales and online and project-based works.

Gross profit for the 3-month period ended 30 June 2022 increased by Baht 5.25 million from 3-month period ended 30 June 2021 due to increase in sales revenue. Overall gross profit margin however declined due to certain project-based works had higher competitive to recognized revenue from project-based works in this quarter resulting to have gross profit lower than normal.

Selling and distribution expenses for the 3-month period ended 30 June 2022 amounting to Baht 46.57 million increased by Baht 8.86 million from 3-month period ended 30 June 2021 due main from the Company spent more marketing campaigns and activities to boost its sales on both store sales and online channels. In addition, the Company spent more marketing expenses to build up its brand awareness to serve for initial public offering, which is one-time expense in this quarter. Transportation expenses increased from higher sales revenue and more delivery to up-country

Administrative expense for the 3-month period ended 30 June 2022 amounting to Baht 38.54 million increased by Baht 3.37 million from 3-month period ended 30 June 2021 due mainly from staff and employee expenses decreased. The Company also reversed some of bad debt allowance as it could collect such debt during the period. Additionally, the Company also amended land lease agreement - Udorn Thani by reducing total land lease area under the land lease agreement that affected to decrease in value of right-of-use asset and lease liabilities resulting to recognition for a difference from lease modification amounting to Baht 4.20 million, which is one-time expense in this quarter.

Finance cost for the 3-month period ended 30 June 2022 amounting to Baht 8.52 million increased by Baht 1.03 million from 3-month period ended 30 June 2021 due to repayment for partial of its long-term loans as stipulated in the loan agreements resulting to finance costs decreased whilst the Company recorded finance expense related to lease liabilities.

Net profit for the 3-month period ended 30 June 2022 amounting to Baht 0.29 million decreased by Baht 5.78 million from 3-month period ended 30 June 2021, which the percentage of net profit is lower than normal due mainly from

1. Certain project-based works have been higher competition than normal that are recognized revenue in this quarter resulting to gross profit decreased to 10% that is lower than normal approximately 20%.
2. Lease modification – Udorn Thani by reducing total land lease area under the land lease agreement that affected to decrease in value of right-of-use asset and lease liabilities resulting to recognition for a difference from lease modification amounting to Baht 4.20 million, which is one-time expense in this quarter.
3. Marketing and promotion expenses have been spent in Q2 due from the Company spent more on marketing campaigns and activities amounting to Baht 5.38 million to boost its sales on both store sales and online channels. In addition, the Company spent more marketing expenses to build up its brand awareness to serve for initial public offering.

### **Performance Analysis for the 6-Month Period Ended 30 June 2022 and 6-Month Period Ended 30 June 2021 (YoY)**

Total revenue for the 6-month period ended 30 June 2022 increased by Baht 124.63 million from the 6-month period ended 30 June 2021 due to the followings:

- Increase in merchandise sales revenue from both store sales and online channels
- Increase in project-based revenue due to continuous delivery of project-based works
- Increase in design studio revenue
- Increase in service revenue, rental revenue, utilities revenue which the Company could collect at the normal rate while it needed to provide some discount to tenants during the Covid-19 lockdown period

Cost of sales and service during the 6-month period ended 30 June 2022 increased by Baht 105.72 million from the 6-month period ended 30 June 2021 which was in line with increase in sales revenue from stores sales, online channels and project-based works.

Gross profit for the 6-month period ended 30 June 2022 increased by Baht 19.93 million from the 6-month period ended 30 June 2021 due to increase in sales revenue. Overall gross profit margin however declined due to certain project-based works had higher competitive to recognized revenue from project-based works in this quarter resulting to have gross profit lower than normal.

Selling and distribution expenses for the 6-month period ended 30 June 2022 amounting to Baht 87.76 million increased by THB 12.67 million from the 6-month period ended 30 June 2021 due mainly to staff and employee expenses decreased from numbers of staff increased. The Company spent more marketing campaigns and activities to boost its sales on both store sales and online channels. In addition, the Company spent more marketing expenses to build up its brand awareness to serve for initial public offering, which is one-time expense in this quarter. Transportation expenses increased from higher sales revenue and more delivery to up-country.

Administrative expenses for the 6-month period ended 30 June 2022 amounting to Baht 70.22 million decreased by Baht 2.19 million from the 6-month period ended 30 June 2021 due to staff and employee expenses decreased. Utilities expenses decreased from usage of electricity declined. Professional fee increased from professional fees from finance advisory and internal auditor from preparation for initial public offering. The Company also reversed some of bad debt allowance as it could collect such debt during the period. Additionally, the Company also amended land lease agreement - Udorn Thani by reducing total land lease area under the land lease agreement that affected to decrease in value of right-of-use asset and lease liabilities resulting to recognition for a difference from lease modification amounting to Baht 4.20 million, which is one-time expense.

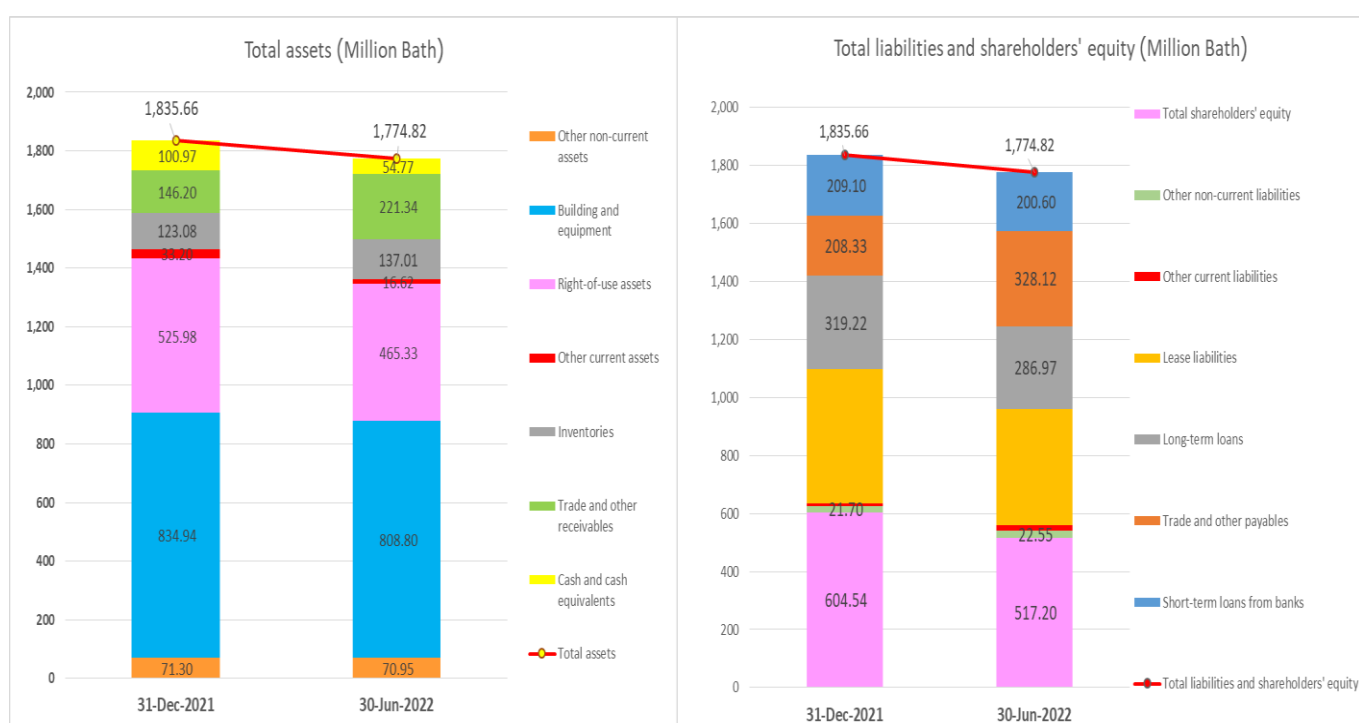
Finance costs for the 6-month period ended 30 June 2022 amounting to Baht 17.27 million increased by THB 3.24 million from the 6-month period ended 30 June 2021 from repayments for partial of its long-term loans as stipulated in the loan agreements. In addition, the Company recorded finance expense related to lease liabilities.

Net profit for the 6-month period ended 30 June 2022 amounting to Baht 15.00 million increased by Baht 3.38 million from the 6-month period ended 30 June 2021, which the percentage of net profit is lower than normal due mainly from

1. Certain project-based works have been higher competition than normal that are recognized revenue in this quarter resulting to gross profit decreased to 10% that is lower than normal approximately 20%.
2. Lease modification – Udorn Thani by reducing total land lease area under the land lease agreement that affected to decrease in value of right-of-use asset and lease liabilities resulting to recognition for a difference from lease modification amounting to Baht 4.20 million, which is one-time expense.
3. Marketing and promotion expenses have been spent in Q2 due from the Company spent more on marketing campaigns and activities amounting to Baht 5.38 million to boost its sales on both store sales and online channels. In addition, the Company spent more marketing expenses to build up its brand awareness to serve for initial public offering.

## Analysis of Consolidated Statement of Financial Position

Consolidated Statement of Financial Position	Consolidated Statement of Financial Position as at			
	30 June 2022	31 December 2021	Change	
	Millions of THB	Millions of THB	Millions of THB	%
Total assets	1,774.82	1,835.66	(60.84)	(3.31)
Total liabilities	1,257.62	1,231.12	26.50	2.15
Total shareholders' equity	517.20	604.54	(87.34)	(14.45)



Total assets as at 30 June 2022 amounting to Baht 1,774.82 million, a decline by Baht 60.84 million from 31 December 2021 are mainly from:

- Cash and cash equivalents decreased by Baht 46.20 million are mainly from cash from operating activities and drawn down loan from financial institution to use as working capital and repaid long-term loans and made dividend payment to shareholders during the period.
- Trade and other receivables increased by Baht 75.14 million are mainly from accounts receivable and accrued income from installation work and delivered to customers and recognized sales during the period.
- Inventories increased by Baht 13.93 million are mainly from inventories for sales at stores and inventories project-based works will be installed and delivered to customers in accordance with installation plan.

- Investment properties decreased by Baht 1.19 million because of amortization are recognized during the 6-month period.
- Building and equipment decreased by Baht 26.14 million and intangible assets decreased by Baht 0.14 million came from acquisition of office equipment and computer program and recognition of depreciation and amortization for the 6-month period amounting to Baht 28.35 million.
- Right-of-use assets decreased by Baht 60.64 million are mainly from lease of vehicles and recognition of amortization for the 6-month period amounting to Baht 18.15 million. In addition, the Company amended land lease agreement for land plots in Udorn Thani by reducing total land lease area under the land lease agreement that affected to decrease in value of right-of-use assets of Baht 45.17 million resulting to a difference from lease modification are recognized amounting to Baht 4.20 million

Total liabilities as at 30 June 2022 amounting to Baht 1,257.62 million, an increase by Baht 26.50 million from 31 December 2021 are mainly from:

- Trade and other payables increased by Baht 119.79 million due to:
  - Trade and other payables and accrued expenses increased by Baht 4.26 million and Baht 63.61 million, respectively, are mainly from costs related to project-based works.
  - Deposits received from customers decreased by Baht 26.43 million from project-based works that will be installed and delivered in next quarters.
  - Dividend payable amounting to Baht 80 million will be paid in July 2022.
- The Company drawn down long-term loan amounting to Baht 20.00 million and repaid short-term and long-term loans during the period.
- Lease liabilities decreased by Baht 64.88 million from payments made for lease liabilities amounting to Baht 24.35 million. There are lease modification of land lease agreement at Udorn Thani by decreasing of land plots resulted to lease liabilities decreased by Baht 41.26 million.

Total shareholders' equity as at 30 June 2022 amounting to Baht 517.20 million decreased by Baht 87.34 million from 31 December 2021 are mainly from profit for the 6-month period of 2022 and offset with dividend payment to shareholders amounting to Baht 100 million.

Ms. Piyanuch Nakayodhin

Deputy Managing Director and Head of Accounting and Finance

Chic Republic Public Company Limited