

14 November 2022

Re: MD&A for the three-month and nine-month periods ended 30 September 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 three-month and nine-month periods ended 30 September 2022 as follows:

Consolidated Statement of Comprehensive Income	Million Baht							
	Q3 2022	Q2 2022	Q3 2021	Change		9M 2022	9M 2021	Change
				QoQ	YoY			YoY
Total revenues	160.68	222.95	149.59	(62.27)	11.09	601.15	465.42	135.73
Merchandise sales and service revenue	151.39	220.59	145.09	(69.20)	6.30	589.11	457.16	131.95
Costs of sales and service	69.79	127.69	75.86	(57.90)	(6.07)	314.39	214.75	99.64
Gross profit	81.60	92.90	69.23	(11.30)	12.37	274.72	242.41	32.31
Selling expenses and administrative expenses	83.76	85.11	72.80	(1.35)	10.96	241.74	220.30	21.44
EBIT	7.14	10.15	0.93	(3.01)	6.21	45.02	30.37	14.65
Profit (loss) for the period	(0.11)	0.29	(2.97)	(0.40)	(2.86)	14.90	8.65	6.25
Earnings per share (Baht)	(0.0001)	0.0003	(0.0030)			0.0136	0.0086	

Total revenue for the three-month periods ended 30 September 2022 and 2021 amounting to Baht 160.68 million and Baht 149.59 million, respectively. Total revenue for the nine-month periods ended 30 September 2022 and 2021 amounting to Baht 601.15 million and Baht 465.42 million, respectively. Sources of operating revenue are attributable as follows:

Sources of Sales Revenue	For the Three-Month Period Ended				For the Nine-Month Period Ended			
	30 September 2022		30 September 2021		30 September 2022		30 September 2021	
	Million Baht	%	Million Baht	%	Million Baht	%	Million Baht	%
Merchandise sales revenue	106.77	66.45	65.71	43.93	323.18	53.76	261.72	56.23
Project-based revenue	35.15	21.88	70.85	47.36	233.20	38.79	173.77	37.34
Design studio revenue	1.71	1.06	1.39	0.93	9.29	1.55	2.81	0.60
Service revenue	7.76	4.83	7.13	4.77	23.44	3.90	18.86	4.05
Other revenue	9.29	5.78	4.51	3.01	12.03	2.00	8.26	1.77
<b>Total revenue</b>	<b>160.68</b>	<b>100.00</b>	<b>149.59</b>	<b>100.00</b>	<b>601.14</b>	<b>100.00</b>	<b>465.42</b>	<b>100.00</b>

**Operating Performance Analysis for the Three-Month Period Ended 30 September 2022  
and Three-Month Period Ended 30 June 2022 (QoQ)**

Total revenue for the three-month period ended 30 September 2022 decreased by Baht 62.27 million compared to the three-month period ended 30 June 2022 due to decrease in project-based revenue from site preparation was incomplete and the Project Owner postponed the site preparation therefore, the Company could not deliver and install the work as stipulated in the installation plan.

Costs of sales and service for the three-month period ended 30 September 2022 decreased by Baht 57.90 million compared to the three-month period ended 30 June 2022 due mainly from decreasing in cost of sales, which was in line with decreasing of revenues from project-based works that affected by non-delivery of furniture.

Gross profit for the three-month period ended 30 September 2022 decreased by Baht 11.30 million compared to the three-month period ended 30 June 2022 due to revenue from project-based works decreased and cost of products increased.

Selling and administrative expenses for the three-month period ended 30 September 2022 decreased by Baht 1.35 million compared to the three-month period ended 30 June 2022 due mainly to staff and employee expenses increased. Utilities increased from raising on Fuel Adjustment Charge Rate (FT). Promotion and marketing expenses increased for marketing campaigns and activities to boost its sales on both store sales and online channels and to serve for initial public offering. Transportation expenses increased from higher sales revenue and raising in fuel price. 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 was one-time expense in the second quarter.

Finance cost for the three-month period ended 30 September 2022 decreased by Baht 0.37 million compared to the three-month period ended 30 June 2022 due to interest expenses from loans from bank decreased from repayments and prepayments of long-term loans when raising fund from Initial Public Offering.

Net loss for the three-month period ended 30 September 2022 amounting to Baht 0.11 million decreased by Baht 0.40 million compared to the three-month period ended 30 June 2022, which the percentage of net profit is lower than normal due mainly from

1. Revenue from project-based works decrease due to site preparation was not ready to deliver for furniture installation then the Project Owner postponed the site preparation therefore, the Company could not deliver and install the work as stipulated in the installation plan.
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 was one-time expense in the second quarter.
3. Marketing and promotion expenses have been spent in Q3 due from the Company spent more on marketing expenses to serve for initial public offering. In addition, the Company spent more marketing costs for campaigns and activities to boost its sales on both store sales and online channels.

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

Total revenue for the three-month period ended 30 September 2022 increased by Baht 11.09 million compared to the three-month period ended 30 September 2021 due to the followings:

- Increase in merchandise sales revenue from both store sales and online channels
- Decrease in project-based revenue due to the Project Owner postponed to deliver the site preparation that resulting to the Company could not install furniture as the installation plan
- Increase in revenues from design and interior services
- 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 three-month period ended 30 September 2022 decreased by Baht 6.07 million compared to the three-month period ended 30 September 2021 due to costs of project-based works decreased which was in line with decreasing of sales revenues from project-based works because of site preparation was not ready for furniture installation. Additionally, costs of sales from store and online sales increased in line with increasing of revenue including of costs of products also increased.

Gross profit for the three-month period ended 30 September 2022 increased by Baht 12.37 million compared to the three-month period ended 30 September 2021 due to increase in sales revenue and costs of products. Gross profit margin from projected-based work decreased from revenue from project-based works decreased.

Selling and administrative expenses for the three-month period ended 30 September 2022 increased by Baht 10.96 million compared to the three-month period ended 30 September 2021 due main from staff and employee expenses increased. Utilities increased from raising on Fuel Adjustment Charge Rate (FT). Property tax increased from the Governor announced to decrease the property tax rate in 2021 to pay only 10% of property tax but there is no discount in 2022. Promotion and marketing expenses increased from marketing campaigns and activities to boost its sales on both store sales and online channels and to serve for initial public offering. Transportation expenses increased from higher sales revenue and raising in fuel price. 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 the second quarter.

Finance cost for the three-month period ended 30 September 2022 increased by Baht 1.74 million compared to the three-month period ended 30 September 2021 due to repayments and prepayments of long-term loans resulting to decrease finance cost whilst the Company recorded finance expense related to lease liabilities increased.

Net loss for the three-month period ended 30 September 2022 amounting to Baht 0.11 million loss decreased by Baht 2.86 million compared to the three-month period ended 30 September 2021, which the percentage of net profit is lower than normal due mainly from

1. Revenue from project-based works decrease due to site preparation was not ready to deliver for furniture installation then the Project Owner postponed the site preparation therefore, the Company could not deliver and install the work as stipulated in the installation plan
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 Q3 due from the Company spent more marketing expenses to build up its brand awareness to serve for initial public offering. In addition, the Company spent more marketing costs for promotion campaigns and activities to boost its sales on both store sales and online channels.

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

Total revenue for the nine-month period ended 30 September 2022 increased by Baht 135.73 million compared to the nine-month period ended 30 September 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 revenues from design and interior services
- 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 nine-month period ended 30 September 2022 increased by Baht 99.64 million compared to the nine-month period ended 30 September 2021 which was in line with increase in sales revenue from stores sales, online channels and project-based works and costs of products also increased.

Gross profit for the nine-month period ended 30 September 2022 increased by Baht 32.31 million compared to the nine-month period ended 30 September 2021 due to increase in sales revenue. Gross profit margin however declined from increase of costs of products. However, the Company adjusted the selling price for certain items to remain the gross profit margin.

Selling and administrative expenses for the nine-month period ended 30 September 2022 increased by Baht 21.44 million compared to the nine-month period ended 30 September 2021 due mainly to staff and employee expenses increased. Utilities expenses increased from raising on Fuel Adjustment Charge Rate (FT). Professional fee decreased from professional fees paid during 2021 for preparation for Initial Public Offering. Property tax increased from the Governor announced to decrease the property tax rate in 2021 to pay only 10% of property tax but there is no discount in 2022. The Company spent more marketing campaigns and activities to boost its sales on both store sales and online channels including to build up its brand awareness to serve for Initial Public Offering. Transportation expenses increased from higher sales revenue and raising of fuel price. Rental fee increased from raising of rent fee rate as stipulated in the lease agreement. 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 nine-month period ended 30 September 2022 increased by Baht 4.99 million compared to the nine-month period ended 30 September 2021 from repayments and prepayments of long-term loans to decrease finance cost however, the Company recorded finance expense related to lease liabilities increased.

Net profit for the nine-month period ended 30 September 2022 amounting to Baht 14.90 million increased by Baht 6.25 million compared to the nine-month period ended 30 September 2021 due mainly from

1. Revenues from sales and services increased and costs of products are also increased.
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 of 2022 increased due from the Company spent more marketing expenses to build up its brand awareness to serve for initial public offering. In addition, the Company spent more marketing costs for promotion campaigns and activities to boost its sales on both store sales and online channels.

## Analysis of Consolidated Statement of Financial Position

Consolidated Statement of Financial Position	30 September 2022	31 December 2021	Change	
	Million Baht	Million Baht	Million Baht	%
Total assets	1,886.65	1,835.66	50.99	2.78
Total liabilities	1,057.25	1,231.12	(173.87)	(14.12)
Total shareholders' equity	829.40	604.54	224.86	37.20

Total assets as at 30 September 2022 amounting to Baht 1,886.65 million, increased by Baht 50.99 million from 31 December 2021 are mainly from

- Cash and cash equivalents increased by Baht 107.94 million are mainly from cash from operating activities and increase of share capital from Initial Public Offering after prepayment of long-term loans and made dividend payment to shareholders during the period.
- Trade and other receivables increased by Baht 40.36 million are mainly from accounts receivable and accrued income from installation work and delivered to customers and recognized sales during the period.
- Building and equipment decreased by Baht 36.99 million came from acquisition of office equipment, tools, and computer and software and recognition of depreciation and amortization for the nine-month period amounting to Baht 42.49 million.
- Right-of-use assets decreased by Baht 68.60 million are mainly from acquisition of assets under lease agreement and recognition of amortization for the nine-month period amounting to Baht 28.71 million. In addition, in the second quarter, 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 September 2022 amounting to Baht 1,057.25 million, decrease by Baht 173.87 million from 31 December 2021 are mainly from

- Long-term loans decreased by Baht 103.23 million from repayments and prepayments of long-term loans.
- Lease liabilities decreased by Baht 66.36 million from payments made for lease liabilities. There were 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 September 2022 amounting to Baht 829.40 million increased by Baht 224.86 million from 31 December 2021 are mainly from increase of share capital through Initial Public Offering totaling Baht 313.78 million, dividend payment to shareholders amounting to Baht 100 million and profit for the nine-month period.

Ms. Piyanuch Nakayodhin

Deputy Managing Director and Head of Accounting and Finance

Chic Republic Public Company Limited