

20 February 2023

Re: MD&A for the year ended 31 December 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 year ended 31 December 2022 as follows:

Consolidated Statement of Comprehensive Income	31 December 2022	31 December 2021	Change	
	Million Baht	Million Baht	Million Baht	%
Merchandise sales revenue	446.21	380.46	65.75	17.28
Project-based revenue	270.23	253.50	16.73	6.60
Design studio revenue	11.63	4.49	7.14	159.02
Service revenue	32.28	26.53	5.75	21.67
Other revenue	9.71	8.89	0.82	9.22
Total revenues	770.06	673.87	96.19	14.27
Costs of sales and service	387.29	316.38	70.91	22.41
Gross profit	373.06	348.60	24.46	7.02
Selling expenses and administrative expenses	328.95	297.55	31.40	10.55
EBIT	53.82	59.94	(6.12)	(10.21)
Profit for the year	16.58	19.28	(2.70)	(14.00)
Earnings per share (Baht)	0.014	0.019	(0.005)	(26.32)

Total revenues in 2022 increased by Baht 96.19 million or increased 14.27% compared to 2021 due mainly from the following revenues:

- Increase in Merchandise sales revenue from both store sales and online due to more sales and promotion campaigns during the year.
- Increase in project-based revenue from deliver the projected work as the installation plan during the year. The Covid-19 lockdown period in 2021, the Governor instructed to temporary close the construction sites for 1 month as resulting to the Company could not install furniture as the installation plan.

- Increase in revenues from design and interior services from deliver work during the year.
- 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 in 2021.

Cost of sales and service in 2022 increased by Baht 70.91 million or increased 22.41% compared to 2021, which is in line with the increase in sales revenue and partly due to the weakening of the Thai Baht. As a result, the cost of sales increase. However, the Company has adjusted the selling price of its products as appropriate to maintain the gross margin close to the original.

Gross profit in 2022 increased by Baht 24.46 million or increased 7.02% compared to 2021 due mainly to increase in sales revenue from both store sales and online.

Selling and administrative expenses in 2022 increased by Baht 31.40 million or increased 10.55% compared to 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 spending more on Brand Awareness 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 in 2022 decreased by Baht 3.13 million or decreased 8.63% compared to 2021 due to repayments of short-term loans and repayments and prepayments of long-term loans when funded from IPO fund.

Net profit for the year 2022 amounting to Baht 16.58 million or decreased 14.00% compared to 2021 due mainly from

1. Revenue from sales and services increased.
2. Utilities increased from raising on Fuel Adjustment Charge Rate (FT). Transportation expenses increased from higher sales revenue and raising in fuel price. 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
3. Marketing and promotion expenses have been spent during 2022 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.
4. 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 of 2022.

## Analysis of Consolidated Statement of Financial Position

Consolidated Statement of Financial Position	31 December 2022	31 December 2021	Change	
	Million Baht	Million Baht	Million Baht	%
Total assets	1,703.42	1,835.66	(132.24)	(7.20)
Total liabilities	869.49	1,231.12	(361.63)	(29.37)
Total shareholders' equity	833.92	604.54	229.38	37.94

Total assets as at 31 December 2022 amounting to Baht 1,703.42 million, decreased by Baht 132.24 million from 31 December 2021 are mainly from

- Cash and cash equivalents increased by Baht 48.15 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 year.
- Building and equipment decreased by Baht 48.98 million came from acquisition of office equipment, tools, and computer and software and recognition of depreciation and amortization for the year amounting to Baht 56.33 million.
- Right-of-use assets decreased by Baht 79.77 million are mainly from acquisition of assets under lease agreement amounting to Baht 2.85 million and recognition of amortization for the year amounting to Baht 37.04 million. In addition, in the second quarter of 2022, the Company amended land lease agreement for land plots in Udon 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 31 December 2022 amounting to Baht 869.49 million, decrease by Baht 361.63 million from 31 December 2021 are mainly from

- Short-term loans decreased by Baht 89.60 million from repayments of short-term loans.
- Long-term loans decreased by Baht 117.30 million from repayments and prepayments of long-term loans.
- Lease liabilities decreased by Baht 72.97 million from payments made for lease liabilities amounting to Baht 32.83. Increase from new lease agreements of Baht 2.85 million. There were lease modification of land lease agreement at Udon Thani by decreasing of land plots resulted to lease liabilities decreased by Baht 41.26 million.

Total shareholders' equity as at 31 December 2022 amounting to Baht 833.92 million increased by Baht 229.38 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 100.00 million and profit for the year 2022.

## Financial Ratio

Financial Ratio	Unit	31 December 2022	31 December 2021
<b>Liquidity Ratio</b>			
Liquidity Ratio	Times	1.20	0.73
<b>Profitability Ratio</b>			
Gross margin	%	49.06	52.42
Net profit	%	2.15	2.86
Return on Assets	%	0.94	1.04
Return on Equity	%	2.31	3.18
<b>Leverage Ratio</b>			
Debt to Equity ratio	Times	1.04	2.04
Interest Coverage Ratio	Times	3.54	4.31

As at 31 December 2022 the Company had liquidity ratio increased from last year due mainly from increase in share capital from the Initial Public Offering. Profitability ratio decreased due to increase in expenses such as utilities, property tax and marketing expenses including the difference from lease modification from land lease at Udorn Thani, which was one-time expense. Debt to Equity ratio decreased from repayments and prepayments of loans and increase in share capital from the Initial Public Offering.

### Factors that may affect Chic's financial status or performance in the future

The Company viewed that the following factors that could affect its financial position or business operations in the future

#### Fluctuation of foreign currencies

The Company imported certain products from overseas resulting to the Company settled the products cost by foreign currencies including the Company has export sales to a subsidiary in Cambodia by US Dollars settlements. For the year ended 31 December 2022 and 2021, the Company settled the cost of products to the oversea factories into the foreign currencies by 18.93% and 28.31% of total purchase of goods, respectively. The Company has export sales, mainly from revenues sales through Cambodia Branch into foreign currency by 3.37% and 4.16% of total revenues, respectively. The fluctuation of exchange rate is negative, may affect to its cost of sales and operating results.

However, the Company has risk management policy in term of fluctuation of foreign currencies by entering into forward contracts to mitigate risk from fluctuation of foreign currencies in certain period. In addition, the Company closely monitors news and trends of foreign currencies by the Finance Manager to assess the situation and find ways to hedge against potential risks. In the past, the impact of exchange rates was not significant to the Company's operating results.

Ms. Piyanuch Nakayodhin

Deputy Managing Director and Head of Accounting and Finance

Chic Republic Public Company Limited