

14 August 2023

Re: MD&A for the Three-Month and Six-Month Period Ended 30 June 2023

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 six-month periods ended 30 June 2023 as follows:

Consolidated Statement of Comprehensive Income	Million Baht							
	Q2 2023	Q1 2023	Q2 2022	Change		1H 2023	1H 2022	Change YoY
				QoQ	YoY			
Total revenues	158.36	149.84	222.95	8.52	(64.59)	308.68	440.46	(131.78)
Merchandise sales and service revenue	155.57	149.17	220.59	6.40	(65.02)	304.74	437.72	(132.98)
Cost of sales and service	67.85	59.84	127.69	8.01	(59.84)	128.17	244.60	(116.43)
Gross profit	87.71	89.33	92.90	(1.62)	(5.19)	176.57	193.12	(16.55)
Selling expenses and administrative expenses	79.12	82.29	85.11	(3.17)	(5.99)	161.41	157.98	3.43
EBIT	11.39	7.71	10.15	3.68	1.24	19.10	37.88	(18.78)
Profit for the period	2.64	0.79	0.29	1.85	2.35	3.43	15.00	(11.57)
EPS (THB)	0.0019	0.0006	0.0003	0.0013	0.0016	0.0025	0.0150	(0.0125)

Total revenues for the three-month periods ended 30 June 2023 and 2022 amounting to Baht 158.36 million and Baht 222.95 million, respectively. Total revenues for the six-month periods ended 30 June 2023 and 2022 amounting to Baht 308.68 million and Baht 440.46 million, respectively. Sources of operating revenue are attributable as follows:

Operating Performance Analysis for the Three-Month Period Ended 30 June 2023 and Three-Month Period Ended 31 March 2023 (QoQ)

Total revenue for the three-month period ended 30 June 2023 increased by Baht 8.52 million from the three-month period ended 31 March 2023 due to the followings:

- Decrease in merchandise sales revenue from stores and online channels due mainly from decrease in marketing activities
- Increase in project-based revenue due to continuous delivery of project-based works
- Increase in service revenue, rental revenue, utilities revenue which the Company could collect at the normal rate and increase from the rental tenants with increased sales and the addition of new tenants resulting in increased service revenue.

Cost of sales and service for the three-month period ended 30 June 2023 increased by Baht 8.01 million from the three-month period ended 31 March 2023 due mainly from increasing of sales revenues from project-based works that affected to cost of sales increased and cost of service increased from increase in service revenue.

Gross profit for the three-month period ended 30 June 2023 decreased by Baht 1.62 million from the three-month period ended 31 March 2023, in line with the decrease in merchandise sales revenue from stores and online. While gross profit of project-based works increased in line with the increase in revenue from project-based works.

Selling and distribution expenses consist of depreciation and amortization, employee expenses, promotional & marketing expenses, transportation expense and etc. Selling and distribution expenses for the three-month period ended 30 June 2023 amounting to Baht 43.87 million decreased by Baht 1.60 million from the three-month period ended 31 March 2023 due mainly from decrease in marketing campaigns and activities.

Administrative expenses are consisted of employee expenses, utilities, security and cleaning expenses, warehouse management expense, building repair & maintenance expense, depreciation and amortization. Administrative expenses for the three-month period ended 30 June 2023 amounting to Baht 35.24 million decreased by Baht 1.59 million from the three-month period ended 31 March 2023 due mainly to increase in employee expenses from salary and employee benefits from an increase in the number of employees and travelling expenses increased from business trips and factory visits as well as meeting with various manufacturers to purchase products for sale. Utilities cost decreased due to lower electricity cost from using Solar Roof and more slow-moving stock reserves.

Finance cost for the three-month period ended 30 June 2023 amounting to Baht 6.65 million decreased by Baht 0.20 million from the three-month period ended 31 March 2023 due mainly to loan repayments and rental payments during the period.

Net profit for the three-month period ended 30 June 2023 amounting to Baht 2.64 million increased by Baht 1.85 million from the three-month period ended 31 March 2023, due mainly to increased revenue and operating profit.

Operating Performance Analysis for the Three-Month Period Ended 30 June 2023 and Three-Month Period Ended 30 June 2022 (YoY)

Total revenue for the three-month period ended 30 June 2023 decreased by Baht 64.59 million from three-month period ended 30 June 2022 due to the followings:

- Decrease in merchandise sales revenue from stores but increase in online sales.
- Decrease in project-based revenue due to the number and value of project work delivered in each period.
- Increase in service revenue, rental revenue, utilities revenue which the Company could collect at the normal rate and increase from the rental tenants with increased sales and the addition of new tenants resulting in increased service revenue.

Cost of sales and service for the three-month period ended 30 June 2023 decreased by Baht 59.84 million from three-month period ended 30 June 2022 which was in line with decreasing of sales revenues from store sales and online and project-based works.

Gross profit for the three-month period ended 30 June 2023 decreased by Baht 5.19 million from three-month period ended 30 June 2022, in line with the decrease in sales revenue.

Selling and distribution expenses for the three-month period ended 30 June 2023 amounting to Baht 43.87 million decreased by Baht 2.70 million from three-month period ended 30 June 2022 due mainly from marketing expenses decreased by Baht 2.88 million to build up its brand awareness to serve for initial public offering, which was one-time expense in the second quarter of 2022.

Administrative expenses for the three-month period ended 30 June 2023 amounting to Baht 38.54 million decreased by Baht 3.30 million from three-month period ended 30 June 2022 due mainly from increase in employee expenses from salary and employee benefits from an increase in the number of employees and travelling expenses increased from business trips and factory visits as well as meeting with various manufacturers to purchase products for sale. Utilities cost decreased due to lower electricity cost from using Solar Roof. Additionally, the Company amended land lease agreement - Udorn Thani, 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.

Finance cost for the three-month period ended 30 June 2023 amounting to Baht 6.65 million decreased by Baht 1.87 million from three-month period ended 30 June 2022 due to loan repayments and rental payments during the period.

Net profit for the three-month period ended 30 June 2023 amounting to Baht 2.64 million increased by Baht 2.35 million from the three-month period ended 30 June 2022, due mainly to decreased in expenses such as utilities and marketing expenses.

Performance Analysis for the Six-Month Period Ended 30 June 2023 and Six-Month Period Ended 30 June 2022 (YoY)

Total revenue for the six-month period ended 30 June 2023 decreased by Baht 131.78 million from the six-month period ended 30 June 2022 due to the followings:

- Decrease in merchandise sales revenue from stores but increase in online sales.
- Decrease in project-based revenue due to the number and value of project work delivered in 1H2022 higher than 1H2023.
- Increase in service revenue, rental revenue, utilities revenue which the Company could collect at the normal rate and increase from the rental tenants with increased sales and the addition of new tenants resulting in increased service revenue.

Cost of sales and service during the six-month period ended 30 June 2023 decreased by Baht 116.43 million from the six-month period ended 30 June 2022 which was in line with decrease in sales revenue from project-based works.

Gross profit for the six-month period ended 30 June 2023 decreased by Baht 16.55 million from the six-month period ended 30 June 2022 due to decrease in sales revenue from project-based works.

Selling and distribution expenses for the six-month period ended 30 June 2023 amounting to Baht 89.34 million increased by Baht 1.58 million from the six-month period ended 30 June 2022 due mainly to employee expenses from salary and employee benefits from an increase in the number of employees and increase in marketing campaigns and activities increased from prior year and service fee increased in line with increase in revenue from online sales.

Administrative expenses for the six-month period ended 30 June 2023 amounting to Baht 72.07 million increased by Baht 1.85 million from the six-month period ended 30 June 2022 due to employee expenses increased from an increase in the number of employees and travelling expenses increased from business trips and factory visits as well as meeting with various manufacturers to purchase products for sale. Utilities cost increased from tariff and usage of electricity. Warehouse management expense decreased due to warehouse management by moving some products to be stored at the Pattaya branch warehouse to reduce the area occupied by DC to save some cost. There was an increase in slow-moving stock reserves.

Finance costs for the six-month period ended 30 June 2023 amounting to Baht 13.51 million decreased by Baht 3.76 million from the six-month period ended 30 June 2022 from loan repayments and rental payments during the period.

Net profit for the six-month period ended 30 June 2023 amounting to Baht 3.43 million decreased by Baht 11.57 million from the six-month period ended 30 June 2022, due mainly to decrease in sales revenue and increase in expenses such as employee expenses, utilities and marketing expenses.

Analysis of Consolidated Statement of Financial Position

Consolidated Statement of Financial Position	Consolidated Statement of Financial Position as at			
	30 June 2023	31 December 2022	Change	
	Million Baht	Million Baht	Million Baht	%
Total assets	1,655.40	1,703.41	(48.01)	(2.82)
Total liabilities	820.90	869.49	(48.59)	(5.59)
Total shareholders' equity	834.50	833.92	0.58	0.07

Total assets as at 30 June 2023 amounting to Baht 1,655.40 million, a decline by Baht 48.02 million from 31 December 2022 are mainly from:

- Cash and cash equivalents decreased by Baht 18.02 million are mainly from cash from operating activities and has invested in installation of Solar Rooftop to help save electricity and reducing carbon dioxide emissions. In addition, loans and lease payments were repaid and dividends were paid to shareholders.
- Trade and other receivables decreased by Baht 6.55 million are mainly from cash received from retention receivables from project-based works and recognition of accrued income from installation work and delivered to customers during the period.
- Inventories decreased by Baht 18.31 million are mainly from inventories for sales at stores and inventories project-based works installed and delivered to customers in accordance with installation plan.
- Investment properties decreased by Baht 1.17 million because of amortization are recognized during the six-month period.
- Building and equipment increased by Baht 12.92 million and intangible assets decreased by Baht 0.12 million came from installation of Solar Rooftop including store renovation, acquisition of office equipment and computer program and software and recognition of depreciation and amortization for the six-month period amounting to Baht 28.66 million.
- Right-of-use assets decreased by Baht 16.78 million are mainly from lease of vehicles and recognition of amortization for the six-month period amounting to Baht 17.87 million.

Total liabilities as at 30 June 2023 amounting to Baht 820.90 million decreased by Baht 48.59 million from 31 December 2022 are mainly from:

- Trade and other payables increased by Baht 44.44 million due to:
 - Trade and other payables and accrued expenses increased by Baht 7.72 million and Baht 15.79 million, respectively, are mainly from costs related to project-based works.
 - Deposits received from customers increased by Baht 23.30 million from project-based works that will be installed and delivered in next quarters.
- The Company repaid short-term amounting to Baht 45.17 million and long-term loans amounting to Baht 37.09 million.
- Lease liabilities decreased by Baht 12.57 million from payments made for lease liabilities.

Total shareholders' equity as at 30 June 2023 amounting to Baht 834.50 million increased by Baht 0.58 million from 31 December 2022 are mainly from profit for the six-month period of 2023 and offset with dividend payment to shareholders amounting to Baht 3.40 million.

Ms. Piyanuch Nakayodhin
Deputy Managing Director and Head of Accounting and Finance
Chic Republic Public Company Limited