

9 August 2024

No. ZEN 2567-012
 Subject Management Discussion and Analysis for the 2nd quarter of 2024 and the 1st half of 2024.
 To The President
 The Stock Exchange of Thailand

We, Zen Corporation Group Public Company Limited ("the Company"), are pleased to provide you our management discussion and analysis for the 2nd quarter of 2024 and 6-month period ending 30 June 2024 (or 1st half of 2024), as follows:

Business Overview

Thai economy in the 2nd quarter of 2024 showed a slowdown in overall consumption compared to the previous year, aligning with a continuous decline in consumer confidence index due to concerns over external economic conditions impacting Thailand. The banking sector's lending activities were constrained by high household debt burdens, while worries persisted over living costs and energy prices. Additionally, exports and production remained subdued, influenced by structural issues and reduced competitiveness. Certain sectors, notably automotive, faced increased pressure from delayed foreign orders. Despite these challenges, Thailand's economy benefited from sustained support from the tourism sector and improved private sector investment following the enactment of the 2024 fiscal budget law, suggesting a potential increase in government investment expenditure going forward.

For the Company's operating results in the 2nd quarter of 2024, the Company had a total revenue of THB 1,018Mn, an increase of THB 51Mn or 5% compared to the same period last year. This was mainly due to an increase in the revenue of the restaurant business from model adjustments, brand development and various promotions to meet the needs of customer targets. In addition, a 46% increase in revenue for retail business came from adding capacity for Seasoning and Seafood business to support business growth.

For the 1st half of 2024, the Company's total revenue was THB 2,037Mn, an increase of 157Mn or 8% from the 1st half of 2023. The net profit of the entire group was THB 28Mn, a decrease of THB 60Mn or 69% and the net profit attributable to the Parent Company was THB 16Mn, a decrease of THB 64Mn or 80% compared to the same period last year.

Financial Performance Summary

Statement of Income (THB Mn)	2 nd Quarter (Apr-Jun)				1 st half (Jan-Jun)			
	2023	2024	Change		2023	2024	Change	
Revenue from Sales and Service (Main Revenue)	961	1,012	51	5%	1,867	2,026	159	9%
Other Income	6	6	(0)	(5%)	13	10	(3)	(21%)
Total Revenue	967	1,018	51	5%	1,880	2,037	157	8%
Cost of Sales and Service	543	605	62	11%	1,052	1,190	138	13%
Selling Expenses	250	277	27	11%	481	544	63	13%
Administrative Expenses	102	120	18	17%	219	248	29	13%
Total Expenses	895	1,002	107	12%	1,752	1,982	230	13%
Profit/(Loss) from Operating Activities	72	16	(56)	(77%)	128	55	(73)	(57%)
Finance Costs	10	14	4	40%	20	29	9	45%
Profit/(Loss) before Tax Expenses	62	2	(60)	(96%)	108	26	(82)	(76%)
Tax Expenses (Income)	12	(3)	(15)	(128%)	20	(2)	(22)	(109%)
Net Profit/(Loss) for the Period	50	6	(45)	(90%)	88	28	(60)	(69%)
<i>Profit/(Loss) of Parent Company</i>	46	1	(45)	(99%)	80	16	(64)	(80%)
<i>Minority Equity Profit/(Loss) of Subsidiaries</i>	4	5	1	31%	8	12	4	46%

In the 2nd quarter of 2024, the Company has no new branch opening both equity and franchise. For the 1st half of 2024, the Company opened 11 new restaurants, 8 of which are owned by the Company, the other 1 of which are domestic franchises and 2 of which are international franchises.

As of 30 June 2024, the Company's total restaurants reached 331 branches, 184 of which are equity-owned branches, 135 of which are domestic franchised branches and 12 of which are international franchised branches.

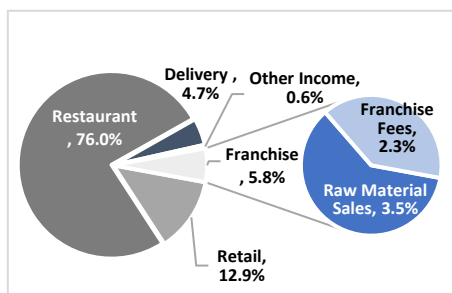
Branch Expansion and SSSG	2 nd Quarter (Apr-Jun)		1 st half (Jan-Jun)	
	2023	2024	2023	2024
Number of New Equity branches opened during period	5	0	7	8
Number of Equity branches at period end	157	184	157	184
Number of New Franchise branches opened during period	5	0	8	3
Number of Franchise branches at period end	170	147	170	147
Total number of new branches opened during period	10	0	15	11
Total number of branches at the end of the period	327	331	327	331
Same Store Sales Growth: SSSG (%) ⁽¹⁾	3.1%	(14.8%)	7.5%	(11.4%)

Remark: ⁽¹⁾ Calculated based on total revenue from sales of food and beverages per total operating days of the same branch

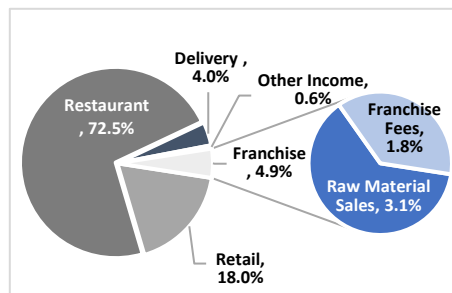
Financial Performance Analysis

1. Total Revenue

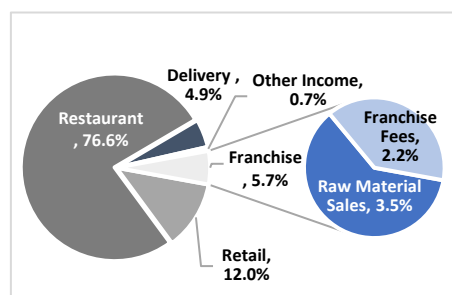
Revenue Structure of Q2/2023



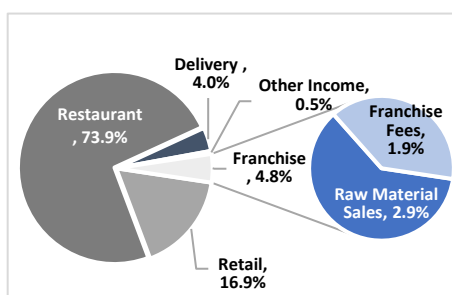
Revenue Structure of Q2/2024



Revenue Structure of 1H/2023



Revenue Structure of 1H/2024



Remark: Percentage of Total Revenue

Revenue (THB Mn)	2 nd Quarter (Apr-Jun)				1 st half (Jan-Jun)			
	2023	2024	Change		2023	2024	Change	
Revenue from Sales of Goods								
▪ Revenue from Restaurant Business	735	738	3	0%	1,441	1,504	63	4%
▪ Revenue from Food Delivery	45	41	(4)	(10%)	92	81	(11)	(12%)
▪ Revenue from Raw Material Sell to Franchise	34	31	(3)	(8%)	66	59	(7)	(10%)
▪ Revenue from Retail Commercial	125	183	58	46%	226	344	118	52%
Total Revenue from Sales of Goods	939	993	54	6%	1,825	1,989	164	9%
Franchise Fees Income	22	19	(3)	(15%)	42	38	(4)	(10%)
Revenue from Sales and Service (Main Revenue)	961	1,012	51	5%	1,867	2,026	159	9%
Other Income	6	6	(0)	(5%)	13	10	(3)	(21%)
Total Revenue	967	1,018	51	5%	1,880	2,037	157	8%

YoY

In the 2nd quarter of 2024, the Company had total revenue of THB 1,018Mn, an increase of THB 51Mn or 5% from the 2nd quarter of 2023 but the Company's same store sales growth rate was -14.8%.

For the 1st half of 2024, the Company had total revenue of THB 2,037Mn, an increase of THB 157Mn or 8% from the 1st half year of 2023, but the Company's same store sales growth rate was -11.4%.

This was due to changes in revenue from various business operations as follows:

- **Revenue from Restaurant Business:** In the 2nd quarter of 2024, the revenue increased by THB 3Mn, and for the 1st half year of 2024, revenue increased by THB 63Mn or 4% from the same period last year. As a result of rebranding of Laoyuan since mid-2023, along with adjusting store format, adjusting menus, marketing activities and sales promotions to attract the customers to dine in. In addition, restaurant which located in Tourist area such as Pattaya have significantly contributed to the company's revenue. However, the company had slowed down to open to new branch for focusing on Improving SSSG.
- **Revenue from Food Delivery:** In the 2nd quarter of 2024, revenue decreased by THB 4Mn or 10% from the 2nd quarter of 2023, and for the 1st half year of 2024, revenue decreased by THB 11Mn or 12% from the same period last year due to the consumers shifted to eating out or dining-in restaurants more. However, the Company continues to focus on food delivery channels through food delivery service providers, our "Zen Group Member" application and 1376 call center, which have improved the operation to be Omni channel for working smoothly so that customers can use our service more conveniently and quickly.
- **Revenue from Raw Material Sell to Franchise:** In the 2nd quarter of 2024, the revenue decreased by THB 3Mn or 8%, and for the 1st half year of 2024, revenue decreased by THB 7Mn or 10% from the same period last year mainly due to the decrease in the number of franchise branches.
- **Revenue from Retail Commercial:** In the 2nd quarter of 2024, the revenue increased by THB 58Mn or 46%, and for the 1st half year of 2024, revenue increased by THB 118Mn or 52% from the same period last year due to expanding of customer based.
- **Franchise Fees Income:** In the 2nd quarter of 2024, the revenue decreased by THB 3Mn or 15%, and for the 1st half year of 2024, revenue decreased by THB 4Mn or 10% from the same period last year due to decreasing of initial fee income, royalty and marketing fees compared to the same period last year.

2. Gross Profit

Gross Profit (Million Baht)	2 nd Quarter (Apr-Jun)				1 st half (Jan-Jun)			
	2023	2024	Change		2023	2024	Change	
Revenue from Sales & Service	961	1,012	51	5%	1,867	2,026	159	9%
Cost of Sales & Service	543	605	62	11%	1,052	1,190	138	13%
Gross Profit	418	407	(11)	(3%)	815	836	21	3%
Gross Profit Margin (%)	43.5%	40.2%	(3.3%)		43.7%	41.3%	(2.4%)	



YoY

Gross Profit is derived from revenue from sales and service (main revenue) less cost of sales and service.

Cost of Sales and Service consists of raw material cost, staff cost (kitchen area), rent, service fees and utilities (kitchen area).

In the 2nd quarter of 2024, the Company's gross profit decreased by THB 11Mn or 3%, but for the 1st half year of 2024, the Company's gross profit increased by THB 21Mn or 3% from the same period last year, in line with the higher revenue from Sales and Service.

However, the Company's gross profit margin in both the 2nd quarter and the 1st half year of 2024 decreased by 3.3% and 2.4%, respectively, compared to the same period last year due to

- 1) The sales mix of retail business has increased, which has a lower gross profit margin than restaurant business.
- 2) The cost of raw materials for retail commercial business has increased because of the increase in raw materials price and production expense while the selling price remained the same.

3. Selling expenses



YoY

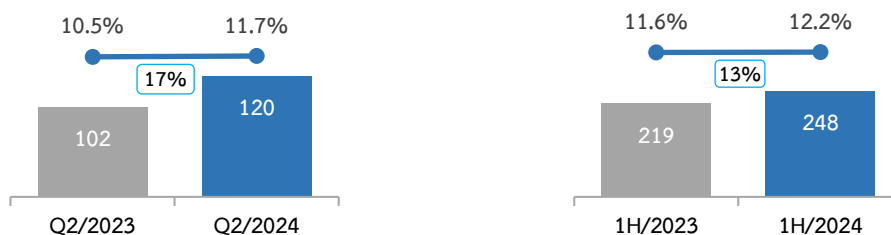
Selling expenses mainly consist of marketing expenses and commission paid to delivery operators, staff expenses (service area), rent, service fees and utilities (service area).

In the 2nd quarter of 2024, the Company's selling expenses increased by THB 27Mn or 11%, and for the 1st half year of 2024, the Company's selling expenses increased by THB 63Mn or 13% from the same period last year due to

- 1) Rent, service fees, utilities costs, and Staff expenses (service area) increased according to the increase in the number of new company-owned branches.
- 2) However, commission expenses paid to food delivery operators decreased in line with the decrease in revenue from food delivery services.

As a result, a percentage of total revenue, selling expenses for the 2nd quarter of 2024 and the 1st half year of 2024 increased by 1.4% and 1.1%, respectively, compared to the same period last year.

4. Administrative Expenses



YoY

In the 2nd quarter of 2024, the Company's **administrative expenses** increased by THB 18Mn or 17%, and for the 1st half year of 2024, the Company's administrative expenses increased by THB 29Mn or 13% from the same period last year due to the support team's expenses increasing and a recognition of the subsidiaries' expenses which were in line with the Company's business growth. As a result, the ratio of administrative expenses to total revenue of both the 2nd quarter and for the 1st half year of 2024 increased by 1.2% and 0.6% compared to the same period last year, respectively.

5. Finance Costs



YoY

In the 2nd quarter of 2024, the Company's **finance costs** increased by THB 4Mn or 40%, and for the 1st half year of 2024, the Company's finance costs increased by THB 9Mn or 45% from the same period last year due to the Company recognized interest expenses of a subsidiary. However, as a percentage of total revenue, the finance cost increased by 0.4% and 0.3% compared to the same period last year, respectively.

6. Net Profit/(Loss)



YoY

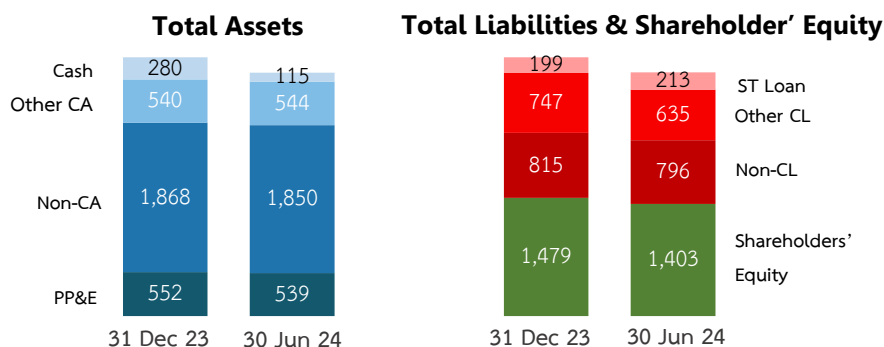
In the 2nd quarter of 2024, the Company's net profit was THB 6Mn decreased by THB 44Mn or 90% from the same period last year. The net profit margin decreased by 4.6% from 5.2% in the 2nd quarter of 2023 to 0.6% in the 2nd quarter of 2024.

Attributable to - Parent Company of THB 0.6Mn which decreased from the same period last year by THB 45Mn or 99%.
 - Minority Equity of Subsidiaries of THB 5Mn which increased from the same period last year by THB 1Mn.

For the 1st half year of 2024, the Company's net profit was THB 28Mn decreased by THB 60Mn or 69% from the same period last year. The net profit margin decreased by 3.3% from 4.7% in the 1st half year of 2023 to 1.4% in the 1st half year of 2024.

Attributable to - Parent Company of THB 16Mn which decreased from the same period last year by THB 64Mn or 80%.
 - Minority Equity of Subsidiaries of THB 12Mn which increased by THB 4Mn from the same period last year.

Financial Position Analysis



Assets

As of 31 December 2023, and 30 June 2024, the Company had total assets of THB 3,240Mn and THB 3,048Mn, respectively, a decrease of THB 192Mn mainly due to lower cash and cash equivalents.

Liabilities

As of 31 December 2023, and 30 June 2024, the Company had total liabilities of THB 1,761Mn and THB 1,645Mn, respectively, a decrease of THB 116Mn came from a decrease in other current liabilities and long-term loan of a subsidiary.

Shareholders' Equity

As of 31 December 2023, and 30 June 2024, the Company had total shareholders' equity of THB 1,479Mn and THB 1,403Mn, respectively. A decrease of THB 76Mn was mainly derived from total profit of parent company during the period decreased by THB 88Mn, but total profit of non-controlling interests from subsidiaries increased by THB 12Mn.

Liquidity and Capital Structure

As of 30 June 2024, the Company's current ratio was decreased to 0.78 compared to the end of 2023 at 0.87. The debt-to-equity ratio as of 30 June 2024 was decreased to 1.17 compared to the end of 2023 at 1.19.

Progress of Sustainable Development (ESG)

E: Environment

- Participate in greenhouse gas assessment project in the year 2024 by Greenhouse Gas Management Organization.
- Participate trash separation project 'Ting To Trash' organized by the Thai Listed Companies Association in collaboration with the Securities and Exchange Commission (SEC), aiming to build organizational culture in understanding proper waste segregation.

S: Social

- Carry out the FOOD FOR GOOD project to promote good nutrition for Thai children by making donations for the third year consecutively.
- Support raw materials for cage-free eggs by using the eggs in the company branches.
- Support the work of people with disabilities by donating money to the Empowerment for Person with Disabilities Fund to promote and develop the quality of life of people with disabilities through the Jai-Dee Farm Project in Pattani.
- Tummour and Laoyuan are collaborating with Chong Dee Teahouse to advance Local Collaboration by creating special menus using local ingredients to support agricultural products. These include Chongdee tea with Laoyuan coffee, Plum with local oranges, Chrysanthemum with a mix of curls and young coconut, and a special grass jelly with milk tea.

G: Governance

- The Company is committed to ensure the accurate, complete, timely, transparent, through easy access channels, fair and reliable disclosure of important information, both financial and non-financial, relating to the Company and its subsidiaries, and strictly comply with relevant laws and regulations.

Please be informed accordingly.

Yours sincerely,

(Mrs. Yupaphan Ekasittikul)
Chief Financial Officer