

No. ACC/HO 011/64

Topic: Management Discussion and Analysis for the Quarter of 2/2021

To: President

The Stock Exchange of Thailand

The Coronavirus (COVID-19) has put downward pressure on the Thai economy during the second quarter of this fiscal year. Thailand faces severe problems stemming from the COVID-19 outbreak in multiple locations, but particularly in the Greater Bangkok region and the provincial area adjacent to the border. Although many Thai people have cooperated in the vaccination program, the daily number of new infections continues to rise. Consequently, the Center for COVID-19 Situation Administration (CCSA) has issued additional control measures such as the closure of high-risk areas (bubble and seal) and operating hour restrictions for certain service sectors, as well as limitations on travel. These measures have had a widespread effect on the Thai economy. Purchasing power and consumer confidence for middle and low-income earners is still at a low level, and they are more cautious on consumption spending. In addition, the impact on the tourism sector caused by international travel restrictions continues from previous quarters.

The company has placed great importance on complying stringently and promptly with orders from the government to limit operating hours, in accordance with CCSA requirements. Similarly for the HomePro business in Malaysia, the company has followed the lockdown measures declared by The Malaysian Government Movement Control Order (MCO) regarding restrictions on operating hours and temporary store closures. These measures, however, have not significantly affected the total sales of the Company. In addition the Company prioritizes protection measures against COVID-19, focusing on regular cleaning, sanitization and disinfection to ensure store safety, as well as supporting staff to become vaccinated as soon as possible, particularly those working in stores.

Although sales in the second quarter were affected by lower purchasing power, the same-store sales from HomePro and MegaHome still generated growth momentum in comparison with the previous year, due mainly to a low base resulting from temporary store closures in 2020, particularly in early April. In Q2 this year, the company launched HomePro Super Expo via an E-commerce channel and every branch nationwide instead of organizing the event in the original expo format. The company continued to adjust its operating plans to suit

the customer's 'new normal' lifestyle that will continue to exist for some time. The Company prioritized products aligned with the present situation of 'stay-at-home' and the reduction of cluster risk, by adding disease prevention and sanitization products along with work-from-home and cooking-at-home products for customers. At the same time, the company has been developing more efficient applications with greater ease and convenience of use through online channels such as HomePro Application, Home Service Application, and Chat Shop4U (a personal assistant service that enables customers to shop for products and services without having to visit physical stores), along with developing Sameday Delivery and Click & Collect (goods and services to be picked up at the stores). As nowadays more and more people are staying at home, the Company continues to create awareness and interest via social media, along with various promotions. The development of Omni applications through these online channels serves consumers who are still concerned about the COVID-19 pandemic. As a result, these channels were able to support revenue growth in the second quarter.

As of the second quarter of 2021, the Company has 86 HomePro stores, 8 HomePro S stores, 14 Mega Home stores, and 7 HomePro stores in Malaysia.

The financial results of the Company and its subsidiaries for the three-month and six-month periods ended as of 30 June 2021 which has been reviewed by auditor are as follows:

Table 1: Financial Summary for the 2nd Quarter of the year 2021 and 2020

Unit: Million Baht

	Q2'2021	% Change	Q2'2020	% Change	Increase (Decrease)	% Change
Revenue from contracts with customers	16,154.31	100.00%	13,824.17	100.00%	2,330.14	16.86%
Rental income	302.43	1.87%	212.73	1.54%	89.70	42.17%
Other income	497.56	3.08%	344.98	2.50%	152.58	44.23%
Total revenues	16,954.30	104.95%	14,381.87	104.03%	2,572.42	17.89%
Cost of sales and service	12,088.69	74.83%	10,536.58	76.22%	1,552.11	14.73%
Gross profit	4,065.62	25.17%	3,287.59	23.78%	778.03	23.67%
Cost of rental	156.30	0.97%	119.30	0.86%	37.00	31.02%
Selling and administrative expenses	2,866.18	17.74%	2,461.78	17.81%	404.40	16.43%
Profit before finance cost and income tax expenses	1,843.13	11.41%	1,264.22	9.15%	578.91	45.79%
Finance Income	1.80	0.01%	8.01	0.06%	(6.21)	(77.56%)
Finance cost	101.83	0.63%	125.99	0.91%	(24.16)	(19.18%)
Income tax expenses	310.51	1.92%	203.56	1.47%	106.95	52.54%
Profit for the period	1,432.59	8.87%	942.68	6.82%	489.91	51.97%

The Company's net profit for the second quarter of year 2021 was Baht 1,432.59 million representing an increase of Baht 489.91 million or up by 51.97% over the same period last year. The main reasons include:

1. Total revenues were Baht 16,954.30 million, an increase of Baht 2,572.42 million or up by 17.89%, comprising of the following:
 - Revenue from contracts with customers which comprised of product sales revenue and service income (Home Service) was Baht 16,154.31 million, representing an increase of Baht 2,330.14 million or up by 16.86% due to the fact that the number of operating days in this current year are higher as compared to last year. As last year the stores have been temporary closed by the order of the Center for COVID-19 Situation Administration (CCSA) to prevent the spread of virus. However, in the second quarter the Company has set up more promotional activities, such as HomePro Super Expo. Regarding business in Malaysia, due to the Lockdown order from the Malaysian Government since May and June in this year, HomePro Malaysia's sales has declined compared with the same period last year.
 - Rental and service income amounted to Baht 302.43 million, an increase of Baht 89.70 million or up by 42.17% as a result of higher number of operating days in this current year as compared to last year. Nevertheless, in the second quarter, the Company still lower the rent for tenants that are still affected by the COVID-19 pandemic.
 - Other income was Baht 497.56 million, an increase of Baht 152.58 million or up by 44.23% in relation to the higher-level of promotional activities with vendors.
2. Gross profit from product sales and service income (Home Service) was Baht 4,065.62 million, an increase of Baht 778.03 million or up by 23.67% as compared with the same period last year. The gross profit margin as a percentage of sales has increased from 23.78% in the same period last year to 25.17% as the Company has increased the sales mix proportion of products that generate higher margin than average in comparison with last year in addition to improvement of procurement planning efficiency.
3. Cost of rental and related services was Baht 156.30 million, an increase of Baht 37.00 million or up by 31.02% as the Company operated rental business with higher number of operating days in this current year as compared to last year, which resulted in a higher utility costs, depreciation, maintenance cost, and outsourced labor cost relating to rental business.

4. Selling and administrative expenses (SG&A) amounted to Baht 2,866.18 million, an increase of Baht 404.40 million or up by 16.43% as compared with the same period last year. The expense amount has increased mainly from the higher number of operating days in this current year as compared to last year. As a result, the major expenses in the Company's local business, such as salary and welfare along with utility cost have increased in accordance with the increased in the number of operating days in the current year. About Malaysia business in this current year, selling and administrative expenses in HomePro Malaysia has declined over last year. Nevertheless, the overall SG&A as a percentage of sales was marginally reduced from 17.81% in the previous year to 17.74%.
5. Finance Income was Baht 1.80 million, net decrease of Baht 6.21 million or down by 77.56%, due to lower interest income.
6. Finance cost was Baht 101.83 million, net decrease of Baht 24.16 million or down by 19.18%, as a result of short-term loan repayment in the third quarter of 2020, in which those short-term loan was borrowed to maintain liquidity during the temporary store closure in the second quarter of 2020. In addition, the declined in financial cost was due to the issuance of corporate bond with a lower interest rate for a bond repayment in the fourth quarter of 2020 and first quarter of 2021.
7. Income tax expenses were Baht 310.51 million, an increase of Baht 106.95 million or up by 52.54% as compared to the previous year. This was due to the higher earnings before tax.

Table 2: Financial Summary for the 1st half of the year 2021 and 2020

Unit: Million Baht

	H1'2021	% Change	H1'2020	% Change	Increase (Decrease)	% Change
Revenue from contracts with customers	31,206.71	100.00%	28,369.75	100.00%	2,836.96	10.00%
Rental income	626.98	2.01%	594.73	2.10%	32.25	5.42%
Other income	953.17	3.05%	742.30	2.62%	210.87	28.41%
Total revenues	32,786.86	105.06%	29,706.78	104.71%	3,080.08	10.37%
Cost of sales and service	23,267.87	74.56%	21,342.96	75.23%	1,924.91	9.02%
Gross profit	7,938.85	25.44%	7,026.80	24.77%	912.05	12.98%
Cost of rental	318.98	1.02%	269.29	0.95%	49.68	18.45%
Selling and administrative expenses	5,559.40	17.81%	5,168.94	18.22%	390.47	7.55%
Profit before finance cost and income tax expenses	3,640.61	11.67%	2,925.59	10.31%	715.02	24.44%
Finance Income	4.62	0.01%	13.83	0.05%	(9.20)	(66.57%)
Finance cost	208.58	0.67%	241.06	0.85%	(32.47)	(13.47%)
Income tax expenses	641.59	2.06%	489.16	1.72%	152.43	31.16%
Profit for the period	2,795.06	8.96%	2,209.20	7.79%	585.86	26.52%

The Company's net profit for the first half of year 2021 was Baht 2,795.06 million representing an increase of Baht 585.86 million or up by 26.52% over the same period last year. The main reasons include:

- Total revenues were Baht 32,786.86 million, an increase of Baht 3,080.08 million or up by 10.37%, comprising of the following:
 - Revenue from contracts with customers which comprised of product sales revenue and service income (Home Service) was Baht 31,206.71 million, representing an increase of Baht 2,836.96 million or up by 10.00% due to the fact that the number of operating days in this current year are higher as compared to last year, which last year, the stores have been closed during March to mid of May 2020 by the order from the Center for COVID-19 Situation Administration (CCSA) in order to prevent the spread of the virus. Nevertheless, in the second quarter, the Company has set up more promotional activities, such as HomePro Super Expo, extra promotional activities both offline and online, which generated more sales. While HomePro Malaysia's sales has declined compared with the same period last year as a result

of the Lockdown order from the Malaysian Government since May and June in this year, in which the Company has shifted strategy to sell mainly through online channels.

- Rental and service income amounted to Baht 626.98 million, an increase of Baht 32.25 million or up by 5.42% as a result of higher number of operating days in this current year as compared to last year. Nevertheless, in the second quarter, the Company still lower the rent for tenants that are still affected by the COVID-19 pandemic.
 - Other income was Baht 953.17 million, an increase of Baht 210.87 million or up by 28.41% in relation to the higher-level of promotional activities with vendors.
2. Gross profit from product sales and service income (Home Service) was Baht 7,938.85 million, an increase of Baht 912.05 million or up by 12.98%. The gross profit margin as a percentage of sales has also marginally increased from 24.77% in the same period last year to 25.44% as the Company has increased the sales mix proportion of product that have higher margin than average in comparison with last year as well as improvement of procurement planning efficiency.
 3. Cost of rental and service was Baht 318.98 million, an increase of Baht 49.68 million or up by 18.45% as the Company operated rental business with the higher number of operating days in this current year as compared to last year, which resulted in higher utility costs, depreciation, maintenance cost, and outsourced labor cost of space rental business.
 4. Selling and administrative expenses (SG&A) amounted to Baht 5,559.40 million, an increase of Baht 390.47 million or up by 7.55% as compared with the same period last year but the overall SG&A as a percentage of sales has reduced from 18.22% in the previous year to 17.81%. As a result of the higher sales amount in the first half of this year as compared to last year causing a decline in the SG&A percentage of sales. The main reason of the higher expense amount is resulted from the higher number of operating days in the first half of this year as compared to last year. As a result, the major expenses in the Company's local business, such as salary and welfare along with utility cost have increased in accordance with the increased in the number of operating days in the current year. About Malaysia business, selling and administrative expense in HomePro Malaysia has declined due to the temporary store closure this year.
 5. Finance Income was Baht 4.62 million, net decrease of Baht 9.21 million or down by 66.58%, due to lower interest income.
 6. Finance cost was Baht 208.58 million, net decrease of Baht 32.47 million or down by 13.47%, as a result of short-term loan repayment in the third quarter of 2020, in which those short-term loan was borrowed to maintain liquidity during the temporary store closure in the second quarter of 2020. In

addition, the declined in financial cost was due to the issuance of corporate bond with a lower interest rate for a bond repayment in the fourth quarter of 2020 and first quarter of 2021.

7. Income tax expenses were Baht 641.59 million, an increase of Baht 152.43 million or up by 31.16% as compared to the previous year. This was due to the higher earnings before tax.

Please be informed accordingly.

Sincerely yours,

(Ms.Wanee Juntamongkol)

Executive Vice President – Accounting and Finance