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**Subject:** Management Discussion and Analysis of Siam Wellness Group Public Company Limited for 3 months period, ended of 31 March 2015 and to explain the causes of performance that is changed more than 20% from the same period last year.

**To:** President,  
The Stock Exchange of Thailand

SIAM WELLNESS GROUP PUBLIC COMPANY LIMITED ("The Company") would like to give details the Management Discussion and Analysis of the financial statements of the Company and subsidiaries for 3 months period, ended of 31 March 2015 and to explicate the causes of performance that has changed more than 20% from the same period last year. The Company and subsidiaries have the total revenue of 117.60 million baht, an increase of 42.34 million baht from the same period last year (or 56.25%) with the net profit of 23.67 million baht. Net profit is calculated as 20.48% of sales and services' revenue. The net profit of the Company and subsidiaries has increased 18.81 million baht (or 387.10%) compared to the same period last year. Since the tourism industry of Thailand began to rise and showed a sign of recovering markedly in the quarter 4/2014, and it has continued to improve in the quarter 1/2015 after the decline during the first nine months of year 2014. The political situations had a significant impact on the decrease in revenue during the first and second quarter and continued to the third quarter of year 2014, causing the Company's revenue to be lower than anticipated. While in the quarter 1/2015, the Company's revenue and profit has increased significantly for the reasons mentioned above. Also, recognition of revenue increases from 3 new branches opened in year 2014, caused the operating result in the quarter 1/2015 to increase significantly over the same period last year, with more details below.

#### Revenue

The Company and subsidiaries had total revenue in the quarter 1/2015 of 117.60 million baht, an increase of 42.34 million baht from same period last year (or 56.25%). The big proportion of revenue comes from the spa business which accounted to 79.92% of the total revenue. The increase of revenue mostly come from the expansion of 3 new branches opened in year 2014, which are Let's Relax Hua Hin, Let's Relax Siam Square 1 and

RarinJinda Wellness Spa Ploenchit. Also, there was an increase in revenue from branches in Bangkok and the provinces from the recovery of the tourism industry. Last year the revenue in the quarter 1/2014 had been affected by the political situations in Bangkok, where many activities took place nearby our spa branches such as Let's Relax Terminal 21, Let's Relax Sukhumvit 39 (Phromphong) and RarinJinda Wellness Spa Ratchadamri, causing the revenues of these branches to decrease significantly, and also affected the tourism in Thailand, where the tourists have cancelled their trips to Thailand. Thus the revenue of all spa branches in Bangkok has declined in the quarter 1/2014. For the hotel and restaurant business of the subsidiary, since there is only one place in Chiang Mai and due to the opening of more direct flights to Chiang Mai, revenue increased in comparison with the same quarter last year. Revenue from the spa products trading of subsidiary, which was mostly sold through the spa branches, has benefited from the increase in revenue from both Bangkok branches and the provinces branches. Thus the revenue from spa products trading has increased. Overall, in quarter 1/2015 the Company and subsidiaries have substantially higher total revenue over the same quarter of the previous year.

#### Cost of Sales and Services

In the quarter 1/2015, the Company and subsidiaries had the cost of sales and services of 69.96 million baht, accounting for to 60.53% of sales and services' revenue. This is an increase of 21.23 million baht from the same quarter of the previous year (or 43.56%). The increase is caused by the expansion of the 3 Spa branches during 2014. Consequently, cost of sales and services also increased from rental expenses of the branches and hiring more employees. There was also an increase in salary, staff costs, rents, property service charges and maintenance costs, etc.

#### Selling Expenses

In the quarter 1/2015, the Company and subsidiaries had the selling expenses of 4.64 million baht, accounted to 4.01% of the revenue from sales and services. This is a decrease of 0.42 million baht from the same period last year (or 8.27%). The Company and subsidiaries continued to reduce the cost of advertising and promoting as well as the cost of transportation for promoting, causing the total expenses of sales of the Company and subsidiaries to decrease compared to the same period of last year.

### Administrative Expenses

In the quarter 1/2015, the Company and subsidiaries had the administrative expenses of 12.89 million baht, accounting for to 11.15% of the revenue from sales and services. This is a decrease of 1.22 million baht from the same period last year (or 8.66%). In the quarter 1/2014 there was a cost of other administrative expenses from the impairment of assets with the amount of 2.57 million baht, due to the design cost of Onsen complex that was to be constructed behind RarinJinda Wellness Spa Phuket (currently, it was changed to Let's Relax Patong 3<sup>rd</sup> street) which was delayed. Thus, it caused the administrative expenses in the quarter 1/2014 to be higher than usual.

### Net Profit

In the quarter 1/2015, the Company and subsidiaries had the net profit of 23.67 million baht or 20.48% of the revenue from sales and services. The net profit of the Company and subsidiaries increased 18.81 million baht (or 387.10%) compared to the same period last year. This is the result from the increase in revenue from sales and services of the branches located in Bangkok and the provinces from the recovery of the tourism industry in Thailand, and revenue of branches opened in year 2014 causing the overall revenue to increase significantly compared to the same quarter last year. Meanwhile, costs increased by less than the growth rate of revenue. The decrease in selling and administrative expenses and higher costs resulted in the overall costs of the Company and subsidiaries increasing by 19.59 million baht (28.85%). At the sometime the revenue increased at the rate of 56.25%, which is more than the growth rate in cost. Consequently, overall there was an increase in net profit of the Company and subsidiaries.

Please be informed accordingly,

Yours sincerely,



Wiboon Utsahajit / Prasert Jiravanstit

(Mr.Wiboon Utsahajit / Mr.Prasert Jiravanstit)

Siam Wellness Group Public Company Limited