

SWG 099/2565

August 10, 2022

Subject: Management Discussion and Analysis of Siam Wellness Group Public Company Limited for the 3 months period ended 30 June 2022 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 of the Management Discussion and Analysis of the financial statements of the Company and subsidiaries for the 3 months period (“2Q22”) ended 30 June 2022 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 134.17 million baht, an increase of 110.72 million baht from the same period last year (or an increase of 472.14%). The net loss is 29.26 million baht, a decrease of 57.59 million baht from the same period last year. Net loss is accounted as 22.10% of sales and services’ revenue. Details as below:

Summary of Quarter 2, 2022

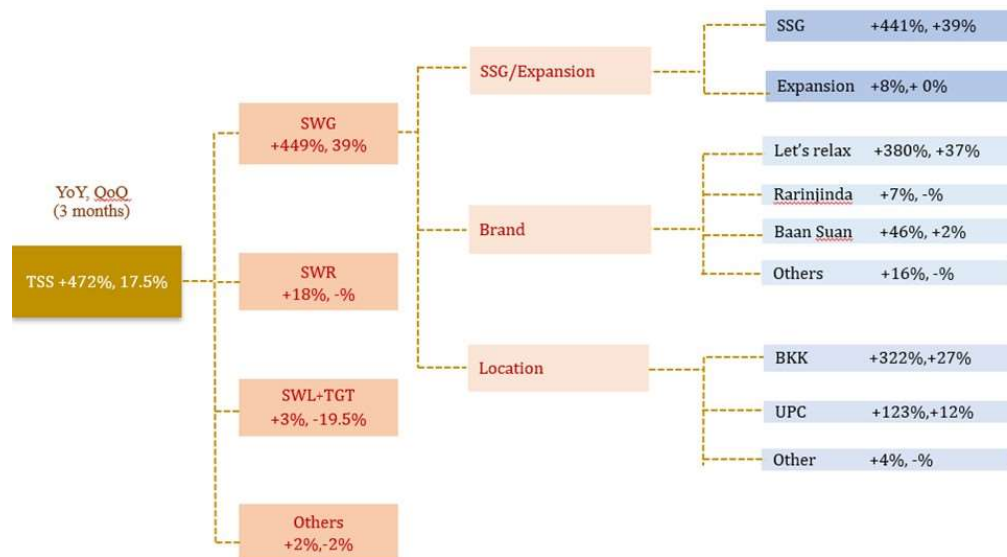
Revenue

The Company and subsidiaries had total revenue in the 2Q22 of 134.17 million baht, an increase of 110.72 million baht from same period last year (or an increase of 472.14%). The big proportion of revenue still come from the spa business, which accounted to 84% of the total revenue. The revenue increased from the government's easing measures to control the Covid-19 epidemic situation from the 4th quarter of 2021 to the present. In addition, Thailand has begun accepting tourists with less restrictions. As a result, the Company has attracted new tourist customers such as India, Middle East, Europe and the United States of America to use the service. Moreover, Thai customers have more confidence in using the spa services since they have been fully vaccinated and the company's standards for Hygiene measures. However, as the situation began to ease, ATK sales that the Company imported compared to the first quarter of 2022 dropped considerably.

As of 30 June 2022, Company had 67 branches (62 domestic branches and 5 overseas branches). There were 2 new branches opening in 4Q21 and 5 branches closing in 4Q21 and 1Q22. As of 30 June 2021, Company had 70 branches (65 domestic branches and 5 overseas branches)

| (Thousands Baht) | | | | | | | |
|--|-----------------|--------------|-----------------|---------------|-----------------|----------------|-----------------|
| Operating Results | | | | | | | |
| | Q2'22 | | Q2'21 | | Q2'20 | Chg (%) | Chg (%) |
| | | | | | | 22 vs 21 | 21 vs 20 |
| Revenue from sales and service | 132,412 | | 22,214 | | 31,484 | 496.1% | (29.4%) |
| Other income | 1,761 | | 1,237 | | 585 | 42.4% | 111.5% |
| Total revenues | 134,173 | 0% | 23,451 | 0% | 32,069 | 472.1% | (26.9%) |
| Cost of sales and service | 121,196 | 92% | 74,735 | 336% | 81,628 | 259% | (8.4%) |
| Gross profit | 11,216 | 8% | (52,521) | (236%) | (50,144) | (159%) | (121.4%) |
| Selling and administrative expenses | 31,534 | 24% | 27,254 | 123% | 26,527 | 84% | 15.7% |
| Profit before income tax and finance cost | (20,318) | (15%) | (79,775) | (359%) | (76,086) | (242%) | (74.5%) |
| Finance cost | 10,829 | 8% | 11,366 | 51% | 5,596 | 18% | 103.1% |
| Income tax expense (revenue) | (121) | (0%) | (3,049) | (14%) | (1,060) | (3%) | (96.0%) |
| Net profit (loss) for the year | (29,265) | (22%) | (86,855) | (391%) | (80,622) | (256%) | (66.3%) |
| NCI | - | 0% | - | 0% | - | 0% | 0.0% |
| Net profit for the year attributable to the Company | (29,265) | (22%) | (86,855) | (391%) | (80,622) | (66.3%) | 7.7% |

The overall Quarter 2 Revenue increased 472% as specified:



- Siam Wellness Group Public Co.,Ltd (“SWG”), the operator of Spa Business, Revenue increased 441%
- Siam Wellness Resort Co.,Ltd (“SWR”), the operator of RarinJinda Wellness Spa Resort and Deck One in Chiang Mai as well as the operator of Rarin Villas and Orb Café (Management Contract), Revenue increased 18%. after COVID-19 situation improved in Chiang Mai, resulting in higher local traffic.

- Siam Wellness Lab Co.,Ltd (“SWL”) and subsidiary companies, the operator of Spa Products Sale, Revenue dropped 3 % as Online Sales dropped and Sales through physical stores increased instead.
- Other Revenue increased 2%

The SSG Stores Revenue increased 441% compared to previous year, whereas Expansion Stores Revenue increased 8%

In terms of Revenue by Brands, Let’s Relax’s Revenue increased 380%, RarinJinda Wellness Spa’s Revenue increased 7% and Baan Suan Massage’s Revenue increased 46%. Other Brand’s Revenue increased 16%

In terms of Revenue by Locations, Bangkok branches’ Revenue increased 322% and Upcountry branches’ Revenue increased 123%.

Hotel & Restaurant Revenue increased 18%. The Proportion of Hotel & Restaurant Revenue to the Company’s Revenue is 4%. The reopening of the Hotel and Restaurants results in an increase in Occupancy Rate and Average Room Rate

The Proportion of Spa Product Revenue to the Company’s Revenue is 11% as retail returns

Cost of Sales and Services

In the 2Q22, the Company and subsidiaries had the cost of sales and services of 121.20 million baht, accounting for to 91.53% of sales and services’ revenue. This is an increase of 46.46 million baht from the same quarter of the previous year (or an increase of 62.17%). The increase was mainly due to the increase in revenue from the relief of the COVID-19 situation, causing higher variable costs such as therapist labor cost, raw Materials cost, utility cost. In addition, some fixed expenses also increased, such as salary expenses (during the lock down period, the government supported some staff expenses). However, the company continues to implement a cost reduction policy for maximum efficient such as rent negotiations in the form of asking for a fixed rent reduction or changing from a fixed rental fee to a proportional income. As a result, the company had a gross profit for the first quarter since the outbreak of the Covid-19 virus.

Selling and Administrative Expenses

In the 2Q22, the Company and subsidiaries had the selling and administrative expenses of 42.36 million baht, accounted to 31.99% of the revenue from sales and services. This is an increase of 3.74 million baht from the same period last year (or an increase of 9.69%). Because most of the expenses are fixed expenses, The main increase in expenses is from salary expenses. During the same period last year, the government subsidized some of these costs during the lock down period.

Net Loss

In the 2Q22, the Company and subsidiaries had the net loss of 29.26 million baht or accounted 22.10% of the revenue from sales and services. The net loss of the Company and subsidiaries decreased 57.59 million baht (or a decrease of 66.31%) compared to the same period last year. This is a result of from an increase in Revenue, as there are both domestic and foreign customers returning to use the service. In addition, the company is able to manage costs and expenses effectively, thereby decrease net loss.

Balance Sheet Summary

| (Thousand Baht) | | | | | | | | | | |
|---|------------------|-------------|------------------|-------------|------------------|-------------|--------------------|---------------------|--------------------|---------------------|
| Consolidated Financial Statements | | | | | | | | | | |
| | Q2'22 | C/S | 2021 | C/S | 2020 | C/S | change 22 vs 21 | %Change 22 vs 21 | change 21 vs 20 | %Change 21 vs 20 |
| Assets | | | | | | | | | | |
| Current assets | | | | | | | | | | |
| Cash and cash equivalents | 110,265 | 5% | 109,854 | 5% | 114,526 | 4% | 411 | 0.37% | (4,672) | (4%) |
| Current investments | 4 | 0% | 4 | 0% | 4 | 0% | - | 0% | - | 0% |
| Trade and other receivables | 14,678 | 1% | 15,260 | 1% | 21,775 | 1% | (582) | (3.81%) | (6,515) | (30%) |
| Share return receivables-current portion | 9,070 | 0% | 9,197 | 0% | 9,462 | 0% | (127) | (1%) | (265) | (3%) |
| Inventories | 28,343 | 1% | 27,812 | 1% | 40,298 | 2% | 531 | 2% | (12,486) | (31%) |
| Other current assets | 11,546 | 1% | 8,371 | 0% | 13,024 | 0% | 3,175 | 38% | (4,653) | (36%) |
| Non-current assets classified as held for sales | 32,295 | 2% | 32,295 | 1% | 32,295 | 1% | - | 0% | - | 0% |
| Total current assets | 206,201 | 10% | 202,793 | 9% | 231,384 | 9% | 3,408 | 2% | (28,591) | (12%) |
| Non current assets | | | | | | | | | | |
| Restricted deposits of financial institution | - | 0% | - | 0% | 5,159 | 0% | - | #DIV/0! | (5,159) | (100%) |
| Share return receivables-net of current portion | 31,526 | 1% | 32,192 | 1% | 32,587 | 1% | (666) | (2%) | (395) | (1%) |
| Property plant and equipment | 971,091 | 46% | 946,642 | 42% | 1,074,588 | 41% | 24,449 | 3% | (127,946) | (12%) |
| Right-of-use assets | 810,324 | 38% | 945,575 | 42% | 1,169,556 | 44% | (135,251) | (14%) | (223,981) | (19%) |
| Goodwill | 24,536 | 1% | 24,536 | 1% | 24,536 | 1% | - | 0% | - | 0% |
| Intangible assets | 6,979 | 0% | 8,005 | 0% | 9,086 | 0% | (1,026) | (13%) | (1,081) | (12%) |
| Deferred tax assets | 1,132 | 0% | 1,187 | 0% | 820 | 0% | (55) | (5%) | 367 | 45% |
| Deposits | 72,318 | 3% | 73,050 | 3% | 78,549 | 3% | (732) | (1%) | (5,499) | (7%) |
| Advance payment for purchase of assets | 3,576 | 0% | 16,980 | 1% | 461 | 0% | (13,404) | (79%) | 16,519 | 3,583% |
| Other non-current assets | 3,488 | 0% | 6,876 | 0% | 5,383 | 0% | (3,388) | (49%) | 1,493 | 28% |
| Total non-current assets | 1,924,970 | 90% | 2,055,043 | 91% | 2,400,725 | 91% | (130,073) | (6%) | (345,682) | (14%) |
| Total assets | 2,131,171 | 100% | 2,257,836 | 100% | 2,632,109 | 100% | (126,665) | (5.61%) | (374,273) | (14%) |

As of 30 June 2022, The Company and Subsidiaries had a total asset of 2,131.17 million baht, a decrease of 126.67 million baht from 2021 (a decrease of 5.61%) with details as followed:

- Cash and Cash Equivalent is 110.27 million baht, similar to 2021's. In 2Q22, Cash flow from Operations returns to positive for the first quarter since the outbreak of the Covid-19 virus (since April til present). In 2022, Company withdrew Loan total 75 million baht for new branch expansion
- Trade and Other Receivables decreased from 15.26 million baht to 14.67 million baht (a decrease of 3.81%) resulting from normal operating activities such as Credit Terms to Agent and Franchisee as Company implemented urgent debt collection policy. In the Appendix, there were Trade Receivables due over 3 months total 11.31 million baht. The Company set up Allowance for Doubtful accounts of 8.91 million baht according to Accounting Policy and Management Decision. Debts of Trade Receivables over 3 months due is under urgent collection process

- Receivable from shares waiting to be repaid in the amount of 9.07 million baht from the sale of shares of Chaba Elegance Company Limited back to the group of existing shareholders. At present, it is in the process of suing the group of existing shareholders to pay for the shares.
- Non-Current Asset held for Sale is 32.29 million baht from Company's Property on sale
- Land, Buildings and Equipment are approximately 46% of Total Assets. This is slightly high as Company has been expanding many branches over the past few years. Value of Land, Building and Equipment has increased from New branches expansion in 2022
- Right of Use Assets is 810.32million baht or approximately 38% of Total Assets from TFRS16 Adoption in Financial Statements Reporting since 2020

The major event that will have impact on the Operating Result is the probability of incoming arrivals of foreign tourists, company's main source of customers, in the coming months. The Company has mitigated this risk by expand into new related business to attract Thai customers and add online channels for the spa products. The Company also give importance in maintaining its cash flow during this crisis, sufficient for debt repayment and operating activities around 1 year and has adjusted Company Scenarios to correlate with the ongoing epidemic.

| Consolidated Financial Statements | | | | | | | | | | | (Thousand Baht) | | | |
|---|------------------|------------|------------------|------------|------------------|------------|--------------------|---------------------|--------------------|---------------------|-----------------|--|--|--|
| | Q2'22 | C/S | 2021 | C/S | 2020 | C/S | change 22 vs 21 | %Change 22 vs 21 | change 21 vs 20 | %Change 21 vs 20 | | | | |
| Liabilities and shareholders' equity | | | | | | | | | | | | | | |
| Current liabilities | | | | | | | | | | | | | | |
| Trade and other payables | 51,029 | 2% | 37,039 | 2% | 44,662 | 2% | 13,990 | 38% | (7,623) | (17%) | | | | |
| Current portion of long-term loans | 72,964 | 3% | 114,469 | 5% | 103,354 | 4% | (41,505) | (36%) | 11,115 | 11% | | | | |
| Current portion of lease liabilities | 165,062 | 8% | 175,496 | 8% | 169,179 | 6% | (10,434) | (6%) | 6,317 | 4% | | | | |
| Income tax payable | 2,383 | 0% | 316 | 0% | 3,213 | 0% | 2,067 | 654% | (2,897) | (90%) | | | | |
| Advance received-current portion | 45,312 | 2% | 45,140 | 2% | 38,978 | 1% | 172 | 0% | 6,162 | 16% | | | | |
| Other current liabilities | 4,005 | 0% | 1,780 | 0% | 1,770 | 0% | 2,225 | 125% | 10 | 1% | | | | |
| Total current liabilities | 340,755 | 16% | 374,240 | 17% | 361,156 | 14% | (33,485) | (9%) | 13,084 | 4% | | | | |
| Non-current liabilities | | | | | | | | | | | | | | |
| Long-term loans-net of current portion | 523,671 | 25% | 407,166 | 18% | 287,813 | 11% | 116,505 | 29% | 119,353 | 41% | | | | |
| Lease liabilities-net of current portion | 702,587 | 33% | 822,644 | 36% | 1,028,672 | 39% | (120,057) | (15%) | (206,028) | (20%) | | | | |
| Advance received-net of current portion | 4,408 | 0% | 5,989 | 0% | 9,759 | 0% | (1,581) | (26%) | (3,770) | (39%) | | | | |
| Provision for long term employee benefits | 10,649 | 0% | 9,951 | 0% | 10,124 | 0% | 698 | 7% | (173) | (2%) | | | | |
| Deferred tax liabilities | 3,603 | 0% | 3,025 | 0% | 11,744 | 0% | 578 | 19% | (8,719) | (74%) | | | | |
| Other non-current liabilities | 13,707 | 1% | 16,329 | 1% | 17,629 | 1% | (2,622) | (16%) | (1,300) | (7%) | | | | |
| Total non-current liabilities | 1,258,625 | 59% | 1,265,104 | 56% | 1,365,741 | 52% | (6,479) | (1%) | (100,637) | (7%) | | | | |
| Total liabilities | 1,599,380 | 75% | 1,639,344 | 73% | 1,726,897 | 66% | (39,964) | (2.44%) | (87,553) | (5%) | | | | |

As of 30 June 2022 The Company and Subsidiaries had a total liabilities of 1,599.38 million baht, a decrease of 39.96 million baht (a decrease of 2.44%) with details as followed:

- Trade and Other Payables are 51.03 million baht which is from normal operating activities such as building and decoration expenses, product and raw materials cost, rentals etc.
- Loan from Financial Institutions, both due within 1 year and more than 1 year, is 596.64 million baht. This is the main source of Funds in the event of business expansion or cash imbalance as the interest rate is relatively low compared to other sources which Company deemed appropriate

- Liabilities under the lease agreement, both due within a year and more than 1 year, is 867.65 million baht from the adoption of TFRS16 Rental Contracts in Financial Statements Reporting since 2020

| Consolidated Financial Statements | | | | | | | | | | |
|--|------------------|-------------|------------------|-------------|------------------|-------------|--------------------|---------------------|--------------------|---------------------|
| (Thousand Baht) | | | | | | | | | | |
| | Q2'22 | C/S | 2021 | C/S | 2020 | C/S | change 22 vs 21 | %Change 22 vs 21 | change 21 vs 20 | %Change 21 vs 20 |
| Share capital | | | | | | | | | | |
| Registered | | | | | | | | | | |
| 855,000,000 ordinary shares of Baht 0.25 each (31 December 2019: 570,000,000 ordinary shares of Baht 0.25 each) | 213,750 | 10% | 213,750 | 9% | 213,750 | 8% | - | 0% | - | 0% |
| Issued and paid-up | | | | | | | | | | |
| 854,999,928 ordinary shares of Baht 0.25 each (31 December 2019: 570,000,000 ordinary shares of Baht 0.25 each) | 213,750 | 10% | 213,750 | 9% | 213,750 | 8% | - | 0% | - | 0% |
| Share premium | 278,906 | 13% | 278,906 | 12% | 278,906 | 11% | - | 0% | - | 0% |
| Discount on business combination under common control | (46,226) | -2% | (46,226) | -2% | (46,226) | -2% | - | 0% | - | 0% |
| Retained earnings | | | | | | | | | | |
| Appropriated- statutory reserve | 17,399 | 1% | 17,399 | 1% | 17,399 | 1% | - | 0% | - | 0% |
| Unappropriated | (22,608) | -1% | 64,093 | 3% | 350,812 | 13% | (86,701) | (135%) | (286,719) | (82%) |
| Other components of shareholders' equity | 90,567 | 4% | 90,567 | 4% | 90,567 | 3% | - | 0% | - | 0% |
| Equity attributable to shareholders' of the company | 531,788 | 25% | 618,489 | 27% | 905,208 | 34% | (86,701) | (14%) | (286,719) | (32%) |
| Non-controlling interests of the subsidiaries | 3 | 0% | 3 | 0% | 4 | 0% | - | 0% | (1) | (25%) |
| Total shareholders' equity | 531,791 | 25% | 618,492 | 27% | 905,212 | 34% | (86,701) | (14.02%) | (286,720) | (32%) |
| Total liabilities and shareholders' equity | 2,131,171 | 100% | 2,257,836 | 100% | 2,632,109 | 100% | (126,665) | (6%) | (374,273) | (14%) |

As of 30 June 2022, The Company and Subsidiaries had a total equity of 531.79 million baht, a decrease of 86.7 million baht (a decrease of 14.02%) from the reported net loss.

Cash Flows Summary

As of 30 June 2022, The Company and Subsidiaries had a total cash and cash equivalents of 110.26 million baht, similar to 2021's with major transactions as followed:

- Withdrawal of Loan for a new project opening in 2022 total 75 million baht and interest repayment total 8 million baht
- Payment for a new project opening in 2022 total 75 million baht
- Payment for Normal Operating Activities

The Company is confident that the Company has sufficient cash on hand for debt repayment and operating activities within a year without any major event.

Key Financial Ratio

| Ratio | Q2'22 | 2021 | 2020 |
|--------------------------|-------|------|-------|
| Liquidity Ratio | | | |
| Current Ratio | 0.61 | 0.54 | 0.64 |
| Receivable turnover | 8.85 | 9.05 | 14.47 |
| Collection period (Days) | 10 | 40 | 25 |
| Inventory turnover | 0.41 | 0.78 | 0.86 |
| Holding period (Days) | 225 | 460 | 417 |

- 2Q22 Current Ratio is 0.61, similar to 4Q21. Liabilities under lease agreement due within 1 year is 165.06 million baht after adoption of TFRS16 Rental Contracts since 2020. If exclude this, the current ration is 1.17

- Receivable Turnover and Collection Period decreased slightly from 2021 as there were a relief from the epidemic and the company implemented urgent collection policy
- Inventory Turnover and Holding Period in 2Q22 is lower due to the sale and promotion of spa products through retail and online channels

| Ratio | Q2' 22 | 2021 | 2020 |
|----------------------------|---------|----------|---------|
| Profitability Ratio | | | |
| Gross Profit Margin | 8.47% | -90.03% | -18.68% |
| Net profit Margin | -22.10% | -171.06% | -48.98% |
| Return on Asset | -9.19% | -11.73% | -10.08% |
| Return on Equity | -33.05% | -37.63% | -21.00% |

- Profitability Ratio improved compared to previous year as a result of lower Net Loss
- Gross Profit Margin returned to positive for the first quarter since the outbreak of the Covid-19 virus

| Ratio | Q2' 22 | 2021 | 2020 |
|------------------------------|--------|--------|---------|
| Debt Management Ratio | | | |
| Debt to Equity Ratio | 3.01 | 2.65 | 1.91 |
| Interest coverage Ratio | (3.69) | (7.29) | (10.63) |

- 2Q22 Debt to Equity Ratio is 3.01 increased from 2.65 from previous year. The significant increase is a result of lease liability within 1 year of expiry total 867.65 million baht after the adoption of TFRS16 Rental Contracts since 2020.. If exclude this, the Debt to Equity Ratio is 1.38 which is within range that the Company maintains of 1.0 which still allow Company to borrow. The Company is confident that the Company has sufficient cash on hand if there are no significant event that impact the business operations.
- 2Q22 Interest Coverage Ratio is -3.69, an improvement compared to previous year

Significant Events in 2Q22

- The relief of COVID-19 epidemic in the country and the reopening of Thailand for foreigners to travel to Thailand with measures that are easily accessible allows the spa business to be fully open again, resulting in continuous improvement in operating results.
- As of 30 June 2022, Company had 67 branches (62 domestic branches and 5 overseas branches). There were 2 new branches opening in 4Q21 and 5 branches closing in 4Q21 and 1Q22. As of 30 June 2021, Company had 70 branches (65 domestic branches and 5 overseas branches)
- The Federation of Accounting Professions issued guidelines on relief clauses in the event that the lessor agrees to reduce rent without the need to follow the method of making changes to the lease. If the conditions as specified (Adjustment of accounting standards in the matter was announced in the Royal Gazette on May 13, 2021). Receive of a discount on the rental contract, which meets the terms of the

above relief clause, Company can choose to recognize the portion of profit or loss in the whole amount.
The Relief Clauses applied until June 30, 2022.

Please be informed accordingly,

Yours sincerely,

(Mr.Wiboon Utsahajit)

Siam Wellness Group Public Company Limited