



บริษัท สยามเวลเนสกรุ๊ป จำกัด (มหาชน) ทะเบียนเลขที่ 0107557000144

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SIAM WELLNESS GROUP PUBLIC COMPANY LIMITED

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Subject: Management Discussion and Analysis of Siam Wellness Group Public Company Limited for the second quarter and 6 months period ended 30 June 2020 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 second quarter (“2Q20”) and 6 months period (“1H20”) ended 30 June 2020 and to explicate the causes of performance that has changed more than 20% from the same period last year. The Company and subsidiaries had the total revenue of 32.07 million baht, a decrease of 310.67 million baht from the same period last year (or a decrease of 90.64%). The net loss is 80.62 million baht, an increase of 127.83 million baht from the same period last year (or an increase of 270.77%). Net loss is accounted as 256.07% of sales and services’ revenue. This is the result from following factors:

- The COVID-19 global pandemic causing direct effect to tourism industry including the closure of International Airport and Government’s Announcement to Temporary Closure of Massage & Spa Business nationwide from 18th March – 31st May 2020 (Over 2 months). Our Hotel in Chiang Mai also closed temporary from April – July 2020.
- The Cancellation of Joint Investment in Chaba Elegance Co.,Ltd (Chaba Nails & Spa) since 1st October 2019 (Joint Investment occurs between 1st January 2019 – 30th September 2019)
- The implementation of new Thai Financial Reporting Standards (TFRS) such as TFRS9 Financial Tools and TFRS16 Rental Contracts (Company has attached a comparison table at the end of this MD&A to compare Operating results with and without effect of changes in TFRS for YoY Comparison purpose)
- Recording of Impairment of one branch closure

Revenue

The Company and subsidiaries had total revenue in the 2Q20 of 32.07 million baht, a decrease of 310.67 million baht from same period last year (or a decrease of 90.64%) as a result from the impact of COVID-19 Global Pandemic such as closure of International Airports and Government’s Announcement to Temporary Closure of Massage & Spa Business nationwide from 18th March – 31st May 2020. Our Hotel in Chiang Mai also closed temporary from April – July 2020. Spa and

Hotel Business resumed business in June and July respectively, however Company decided to open only a proportion of its branches appropriate to the Situation. As of 30th June 2020, Company opened 35 branches in Bangkok and Upcountry (from total of 59 domestic branches and 5 overseas branches).

In 2Q20, the Sales of Spa Product have increased as a result of the launch of Company's New Products "Let's Relax Lifestyle (LRL)" and "Dr. Spiller" through their online sales Channel despite Temporary Closure of Spa Branches.

The Cancellation of Joint Investment in Chaba Elegance Co.,Ltd (Chaba Nails & Spa) has caused a drop in Revenue of 4% compared to the Same period last year.

The implementation of the two new Thai Financial Reporting Standards in this quarter reporting such as TFRS9 Financial Tools and TFRS16 Rental Contracts resulted in additional interest income of 0.85 million baht (no effect to Main Revenue - See enclosed table for more details)

Cost of Sales and Services

In the 2Q20, the Company and subsidiaries had the cost of sales and services of 81.63 million baht, accounting for to 259.27% of sales and services' revenue. This is a decrease of 158.06 million baht from the same quarter of the previous year (or a decrease of 65.94%). The decrease is caused by the declining Revenue, thus variable costs such as Labor, Raw materials drop. During the temporary closure, Company has implemented Cost Reduction Management Measures quite efficiently such as Negotiation of Rental, Employee Payroll and Other Expenses.

The implementation of the two new Thai Financial Reporting Standards in this quarter reporting resulted in additional Cost of Sales and Services of 3.5 million baht as TFRS16 Rental Contracts - The Depreciation of the Right of Use of Assets is less than the rent according to the previous TFRS, however the adjustment of the discount from the Rental Contracts cause additional cost of 3 million baht and TFRS 9 Financial Tools cause additional cost of 0.5 million baht from Rental Deposits (See enclosed table for more details)

Selling and Administrative Expenses

In the 2Q20, the Company and subsidiaries had the selling and administrative expenses of 26.53 million baht, accounted to 84.26% of the revenue from sales and services. This is a decrease of 19.00 million baht from the same period last year (or a decrease of 41.73%). This is a result from Employee Payroll Management and Reduction in Directors' Compensation. Also, Company has recorded Impairment of one branch closure total 6 million baht.

The implementation of the two new Thai Financial Reporting Standards in this quarter reporting resulted in lower Selling and Administrative Expenses of 0.68 million baht and increase in Interest Expenses of 3.1 million baht (See enclosed table for more details)

Net Profit

In the 2Q20, the Company and subsidiaries had the net loss of 80.62 million baht or accounted 256.07 % of the revenue from sales and services. The net loss of the Company and subsidiaries increased 127.83 million baht (or an increase of 270.77%) compared to the same period last year as a result of COVID-19 Global Pandemic which results in no Revenue from Spa Branches as a consequence from the Government's Announcement of Temporary Closure, some revenue from Spa Product Sales and some unavoidable Costs such as Administrative Costs, Staff Costs and Depreciation resulting in Net Loss.

However, if Net Loss is adjusted by removing the effect in TFRS9 and TFRS16, the Net Loss will decrease from 80.62 million baht to 75.52 million baht as per enclosed table.

Enclosed Table (Unit: Thousands baht)

2020	Q2'20 (3M-Actual)	TFRS 16 (3M-Q2'20)	TFRS 9 (3M-Q2'20)	Q2'20 (3M-After Adj.)
Total Revenue	32,069	(427)	(425)	31,217
Sales & Service Revenue	31,484	-	-	31,484
Other revenue	585	(427)	(425)	(267)
Cost of goods sold	81,628	(3,012)	(500)	78,116
Gross Profit	(50,144)	3,012	500	(46,632)
Selling and Administrative expense	26,527	684	(4)	27,207
Finance cost	5,596	(3,125)	-	2,471
Total expense	32,123	(2,441)	(4)	29,678
Net profit before tax	(81,682)	5,026	79	(76,577)
Tax	(1,060)	-	-	(1,060)
Net profit before tax	(80,622)	5,026	79	(75,517)
NCI	-	-	-	-
Net profit after NCI	(80,622)	5,026	79	(75,517)

Please be informed accordingly,

Yours sincerely,

(Mr.Wiboon Utsahajit)

Siam Wellness Group Public Company Limited