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May 14, 2021

Subject: Management Discussion and Analysis of Siam Wellness Group Public Company Limited for the 3 months period ended 31 March 2021 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 (“1Q21”) ended 31 March 2021 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 56.27 million baht, a decrease of 187.30 million baht from the same period last year (or a decrease of 76.90%). The net loss is 76.00 million baht, an increase of 80.35 million baht from the same period last year. Net loss is accounted as 138.14% of sales and services’ revenue. There are several important events that affect the operating result such as

- The COVID-19 Global Pandemic caused the slowdown in the Economy and has direct effect to major industries including Tourism industry. Closure of International Airport resulted in Tourists, whom are our major source of customers, cannot travel to Thailand. All branches of Spa were temporary closed after The Notification to close spas and massages throughout Thailand by resolution of the Cabinet between 18 March – 31 May 2020 (over 2 months). The Hotel Chiang Mai also temporary closed between April to July 2020. The Second wave of COVID-19 has returned in Quarter 1, 2021, resulting another temporary closure of spas and massages. After re-opening, some customers are still concerned about the safety although company has put in a lot of COVID-19 measures.
- 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 a discount on the rental contract which meets the terms of the above relief clause. By choosing to recognize the portion of profit or loss in the whole amount

Summary of Quarter 1, 2021

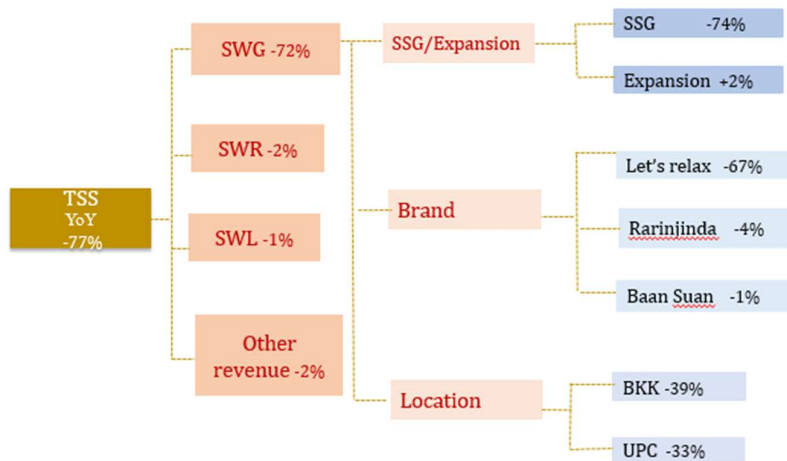
Revenue

(Thousands Baht)							
Operating Results							
	Q1'21		Q1'20		Q1'19	Chg (%)	Chg (%)
						21 vs 20	20 vs 19
Revenue from sales and service	55,020		237,825		340,591	(76.9%)	(30.2%)
Other income	1,251		5,743		4,486	(78.2%)	28.0%
Total revenues	56,271		243,568		345,077	(76.9%)	(29.4%)
Cost of sales and service	98,256	23%	200,700	14%	230,556	(51.0%)	(12.9%)
Gross profit	(43,236)	(10%)	37,125	3%	110,035	(216.5%)	(66.3%)
Selling and administrative expenses	25,359	6%	30,295	2%	41,974	(16.3%)	(27.8%)
Profit before income tax and finance cost	(68,595)	(16%)	12,573	1%	72,547	(645.6%)	(82.7%)
Finance cost	11,044	3%	8,580	1%	2,387	28.7%	259.4%
Income tax expense (revenue)	(2,384)	(1%)	(357)	0%	10,953	567.8%	(103.3%)
Net profit (loss) for the year	(76,004)	(18%)	4,350	0%	59,207	(1,847.2%)	(92.7%)
NCI	1	0%	-	0%	134		
Net profit for the year attributable to the Company	(76,003)	(18%)	4,350	0%	59,073	(1,847.2%)	(92.6%)

The Company and subsidiaries had total revenue in the 1Q21 of 56.27 million baht, a decrease of 187.30 million baht from same period last year (or a decrease of 76.90%). The big proportion of revenue comes from the spa business, which accounted to 81% of the total revenue as detailed below:

As of 31 March 2021, Company has 70 branches (65 domestic branches and 5 overseas branches). No new branch opening in 2021 yet. As of 31 March 2020, Company had 64 branches (59 domestic branches and 5 overseas branches)

The overall Quarter 1 Revenue dropped 77% as specified:



- Siam Wellness Group Public Co.,Ltd (“SWG”), the operator of Spa Business, Revenue dropped 72%
- Siam Wellness Resort Co.,Ltd (“SWR”), the operator of RarinJinda Wellness Spa Resort and Deck One in Chiang Mai, Revenue dropped 2%
- Siam Wellness Lab Co.,Ltd (“SWL”), the operator of Spa Products Sale, Revenue dropped 1 %.
- Other Revenue dropped 2%

The SSG Stores Revenue dropped 74% compared to previous year, whereas Expansion Stores Revenue increased 2%

In terms of Revenue by Brands, Let's Relax's Revenue was impacted the most as the main source of customers is foreign tourists, Revenue dropped 67%, RarinJinda Wellness Spa's Revenue dropped 4% and Baan Suan Massage (Least Impact) Revenue dropped 1% as the majority of its customers are Thai.

In terms of Revenue by Locations, Bangkok branches' Revenue dropped 39% and Upcountry branches' Revenue dropped 33%.

Hotel & Restaurant Revenue dropped 1%. The Proportion of Hotel & Restaurant Revenue to the Company's Revenue is similar between 2020 and 2021. The Occupancy Rate dropped significantly as a result of COVID-19 and the restrictions in entering Chiang Mai. Chiang Mai announced mandatory 14-days quarantine during COVID-19 second wave. Average Daily Rate also dropped.

The Proportion of Spa Product Revenue to the Company's Revenue is similar between 2020 and 2021. "LRL (Let's Relax Lifestyle)" and "Dr. Spiller" were sold through online channel in addition to retail channel (spa branches)

Company has expanded its Thai Customer base in the absence of tourists with the launch of "Dr. Spiller Pure Skin Care Solutions", a sophisticated Facial Spa using German skin care brand "Dr. Spiller" and "Stretch me Clinic" at Leisure Space Central World, a stretch clinic by physiotherapists.

Cost of Sales and Services

In the 1Q21, the Company and subsidiaries had the cost of sales and services of 98.27 million baht, accounting for to 178.58% of sales and services' revenue. This is a decrease of 102.44 million baht from the same quarter of the previous year (or a decrease of 51.04%). The declining in Sales result in lower variable costs such as therapist cost, raw material cost and utilities cost. However, with the COVID-19 pandemic, the Company has added efficiency in managing cost of Sales and Services such as discount in rental or switch from fixed rental to GP rental. However, Company still bear some unavoidable fixed cost such as depreciation, full-time staff cost resulting in the Gross Loss reported in 1Q21.

Selling and Administrative Expenses

In the 1Q21, the Company and subsidiaries had the selling and administrative expenses of 36.40 million baht, accounted to 66.16% of the revenue from sales and services. This is a decrease of 2.47 million baht from the same period last year (or a decrease of 6.36%). This is mainly from the stringent staff cost management and Management Pay-cut. However, the decrease rate of the Cost is less than the decrease rate of Revenue, therefore the proportion of the selling and administrative expenses to Revenue has increased. Interest payment also increase from 8.58 million baht to 11.04 million baht (an increase of 28.72%) from the increased loan balance during the year and relief clause for the case where the lessor agrees to reduce the rental fee of the Federation of Accounting Professions

Net Loss

In the 1Q21, the Company and subsidiaries had the net loss of 76.00 million baht or accounted 138.14% of the revenue from sales and services. The net loss of the Company and subsidiaries increased 80.35 million baht (or an increase of 1847%) compared to the same period last year. This is a result of the COVID-19 epidemic situation, with tourists who are the main customers cannot travel to use the service While the company still have to bear the cost that cannot be avoided, such as the partial rent that has to be paid, Staff expenses and depreciation causing the net profit significantly.

Balance Sheet Summary

Consolidated F/S										
	Q1'21	C/S	2020	C/S	2019	C/S	change Q1'21 vs 20	%Change Q1'21 vs 20	change 20 vs 19	%Change 20 vs 19
Assets										
Current assets										
Cash and cash equivalents	166,470	6%	114,526	4%	52,561	3%	51,944	45.36%	61,965	117.89%
Current investments	4	0%	4	0%	73,098	5%	(0)	(0.12%)	(73,094)	(99.99%)
Trade and other receivables	21,003	1%	21,775	1%	37,213	2%	(772)	(3.54%)	(15,438)	(41.49%)
Share return receivables-current portion	9,397	0%	9,462	0%	39,200	3%	(65)	(0.69%)	(29,738)	(75.86%)
Inventories	34,833	1%	40,299	2%	39,901	3%	(5,466)	(13.56%)	398	1.00%
Other current assets	10,469	0%	13,024	0%	14,824	1%	(2,555)	(19.62%)	(1,800)	(12.14%)
Non-current assets classified as held for sales	32,295	1%	32,295	1%	32,294	2%	0	0.00%	1	0.00%
Total current assets	274,471	11%	231,385	9%	289,091	19%	43,086	18.62%	(57,706)	(19.96%)
Non current assets										
Restricted deposits of financial institution	5,199	0%	5,159	0%	5,105	0%	40	0.78%	54	1.05%
Share return receivables-net of current portion	32,357	1%	32,587	1%	15,000	1%	(230)	(0.71%)	17,587	117.25%
Leasehold rights	-	0%	-	0%	9,264	1%	-	NDIV/0!	(9,264)	(100.00%)
Property plant and equipment	1,041,792	40%	1,074,588	41%	1,082,797	71%	(32,796)	(3.05%)	(8,209)	(0.76%)
Right-of-use assets	1,122,460	43%	1,169,556	44%	-	-	(47,096)	(4.03%)	1,169,556	-
Goodwill	24,536	1%	24,536	1%	24,536	2%	0	0.00%	(0)	(0.00%)
Intangible assets	8,677	0%	9,086	0%	9,139	1%	(409)	(4.50%)	(53)	(0.58%)
Deferred tax assets	1,001	0%	820	0%	723	0%	181	22.07%	97	13.42%
Deposits	77,397	3%	81,108	3%	79,466	5%	(3,711)	(4.58%)	1,642	2.07%
Other non-current assets	3,131	0%	3,285	0%	1,024	0%	(154)	(4.68%)	2,261	220.78%
Total non-current assets	2,316,550	89%	2,400,724	91%	1,227,054	81%	(84,174)	(3.51%)	1,173,670	95.65%
Total assets	2,591,021	100%	2,632,109	100%	1,516,145	100%	(41,088)	(1.56%)	1,115,964	73.61%

As of 31 March 2021, The Company and Subsidiaries had a total asset of 2,591.20 million baht, a decrease from 41.09 million baht (a decrease of 1.56%) with details as followed:

- Cash and Cash Equivalent increased from 114.53 million baht to 166.47 million baht (an increase of 45.36%) from additional withdrawal of Soft Loan as Company implemented cash on hand policy to support COVID-19 situation.
- Trade and Other Receivables decreased from 21.78 million baht to 21.00 million baht (a decrease of 3.54%) resulting from normal operating activities such as Credit Terms to Agent and Franchisee. In the Appendix, there were Trade Receivables due over 3 months total 6.7 million baht. The Company set up Allowance for Doubtful accounts of 1.44 million baht according to Accounting Policy and Management Decision. Debts of Trade Receivables over 3 months due is under urgent collection process
- Non-Current Asset held for Sale is 32.29 million baht from Company's Property on sale
- Land, Buildings and Equipment are approximately 40% 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 slightly dropped from depreciation

- Right of Use Assets is 1,122.46 million baht or approximately 43% 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. The company also prepared the contingency plan in case of the impact of Covid 19 is longer than 1 year.

Liabilities and shareholders' equity										
Current liabilities										
Bank overdrafts from financial institution		0%	-	0%	32	0%	-	NDIV/0!	(32)	(100.00%)
Short-term loans from and interest payable to related parties		0%	-	0%	4,616	0%	-	NDIV/0!	(4,616)	(100.00%)
Trade and other payables	40,985	2%	44,662	2%	96,718	6%	(3,677)	(8.23%)	(52,056)	(53.82%)
Current portion of long-term loans	306,540	12%	103,354	4%	80,200	5%	203,186	196.59%	23,154	28.87%
Current portion of lease liabilities	174,280	7%	169,179	6%			5,101.33	3.02%		NDIV/0!
Current portion of liabilities under finance lease agreements	-				120	0%	-	NDIV/0!	169,059	140,882.22%
Income tax payable	3,218	0%	3,213	0%	24,829	2%	5	0.16%	(21,616)	(87.06%)
Advance received-current portion	41,119	2%	38,978	1%	28,922	2%	2,141	5.49%	10,056	34.77%
Other current liabilities	1,293	0%	1,770	0%	9,631	1%	(477)	(26.94%)	(7,861)	(81.62%)
Total current liabilities	567,435	22%	361,156	14%	245,068	16%	206,279	57.12%	116,088	47.37%
Non-current liabilities										
Long-term loans-net of current portion	166,617	6%	287,813	11%	80,167	5%	(121,196)	(42.11%)	207,646	259.02%
Lease liabilities-net of current portion	982,986	38%	1,028,672	39%			(45,686)	(4.44%)	1,028,672	
									-	
Liabilities under finance lease agreements-net of current portion		0%	-	0%	260	0%	-	NDIV/0!	(260)	(100.00%)
Advance received-net of current portion	8,825	0%	9,759	0%	12,161	1%	(934)	(9.57%)	(2,402)	(19.75%)
Provision for long term employee benefits	8,912	0%	10,124	0%	8,556	1%	(1,212)	(11.98%)	1,568	18.33%
Deferred tax liabilities	9,537	0%	11,744	0%	17,995	1%	(2,207)	(18.79%)	(6,251)	(34.74%)
Other non-current liabilities	17,501	1%	17,629	1%	19,999	1%	(128)	(0.73%)	(2,370)	(11.85%)
Total non-current liabilities	1,194,378	46%	1,365,741	52%	139,138	9%	(171,363)	(12.55%)	1,226,603	881.57%
Total liabilities	1,761,813	68%	1,726,897	66%	384,206	25%	34,916	2.02%	1,342,691	349.47%

As of 31 March 2021 The Company and Subsidiaries had a total liabilities of 1,761.81 million baht, an increase of 34.92 million baht (an increase of 2.02%) with details as followed:

- Trade and Other Payables are 40.99 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 473.16 million baht. It 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 (Loan from Financial Institutions, both due within 1 year increased from 103.35 million baht to 306.54 million baht as some loan cannot match the ratio condition of the Loan Contract, thereby classified as Current Liabilities. However, Company has received a letter to waive the condition on 6th May).
- Liabilities under the lease agreement, both due within a year and more than 1 year, is 1,157.27 million baht from the adoption of TFRS16 Rental Contracts in Financial Statements Reporting since 2020.

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	8%	213,750	8%	142,500	9%	-	0.00%	71,250	50.00%
Issued and paid-up		0%					-	NDIV/0!		
854,999,928 ordinary shares of Baht 0.25 each		0%					-	NDIV/0!		
(31 December 2019: 570,000,000 ordinary shares of Baht 0.25 each)	213,750	8%	213,750	8%	142,500	9%	-	0.00%	71,250	50.00%
Share premium	278,906	11%	278,906	11%	278,906	18%	-	0.00%	-	0.00%
Discount on business combination under common control	(46,226)	-2%	(46,226)	-2%	(46,226)	-3%	-	0.00%	(0)	0.00%
Retained earnings		0%					-	NDIV/0!		
Appropriated- statutory reserve	17,399	1%	17,399	1%	16,381	1%	0	0.00%	1,018	6.21%
Unappropriated	274,809	11%	350,812	13%	649,804	43%	(76,003)	(21.66%)	(298,992)	(46.01%)
Other components of shareholders' equity	90,567	3%	90,567	3%	90,567	6%	(0)	(0.00%)	0	0.00%
Equity attributable to shareholders' of the company	829,205	32%	905,208	34%	1,131,932	75%	(76,003)	(8.40%)	(226,724)	(20.03%)
Non-controlling interests of the subsidiaries	3	0%	4	0%	7	0%	(1)	(25.00%)	(3)	(42.86%)
Total shareholders' equity	829,208	32%	905,212	34%	1,131,939	75%	(76,004)	(8.40%)	(226,727)	(20.03%)

As of 31 March 2021, The Company and Subsidiaries had a total equity of 829.21 million baht, a decrease of 76 million baht (a decrease of 8.40%) from the reported net loss.

Cash Flows Summary

As of 31 March 2021, The Company and Subsidiaries had a total cash and cash equivalents of 166.47 million baht, an increase of 51.94 million baht (an increase of 45.36%) with major transactions as followed:

- Granting of Soft Loan from Financial Institutions 90 million baht and loan and interest repayment of 11 million baht
- 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	1Q2021	2020	2019
Current Ratio	0.48	0.64	1.18
Receivable turnover	3	15	46
Collection period (Days)	27	25	8
Inventory turnover	0	1	4
Holding period (Days)	578	417	97

- 1Q21 Current Ratio is 0.48, a decrease from 0.64 in 2020. Cash and Cash Equivalents increased 51.94 million baht. The Classification of Long term Loan that did not match the ratio condition of the Loan Contract is 259 million baht. Company has received a letter to waive the condition on 6th May. Liabilities under lease agreement due within 1 year is 174.18 million baht after adoption of TFRS16 Rental Contracts since 2020. If exclude, the current ratio is 0.70.

- Receivable Turnover and Collection Period increased slightly from 2020 as the nature of Business is mainly with retail customers with no credit. The delay in Collection is impact from COVID-19 and late payment.
- Inventory Turnover and Holding Period in 1Q21 is slightly higher due to the temporary shutdown of branches and significant drop in sales from COVID-19. Some branches remained closed (mainly in tourist location or spa operating in hotel branches).

Ratio	1Q21	2020	2019
Gross Profit Margin	-79%	-19%	32%
Net Profit Margin	-138%	-49%	17%
Return on Asset	-11%	-10%	17%
Return on Equity	-15%	-10%	23%

- Profitability Ratio has significantly dropped as a result of no incoming tourists arrivals, the main source of customer, since March 2020 due to COVID-19 Global Pandemic. The Company still has to bear unavoidable costs resulting in reported Net Loss in 1Q21

Ratio	1Q21	2020	2019
Debt to Equity Ratio	2.1	1.9	0.3
Interest coverage Ratio	(8)	(11)	26

- 1Q21 Debt to Equity Ratio is 2.12 increased from 1.9 from previous year. The big increase is a result of lease liability within 1 year of expiry total 1,157.27 million baht after the adoption of TFRS16 Rental Contracts since 2020. If exclude, the Debt to Equity Ratio is 0.73 which is lower than the Company's ceiling of 1.0. This allows Company to borrow more. The Company is confident that the Company has sufficient cash on hand if there are no significant event that impact the business operations.
- 1Q21 Interest Coverage Ratio is -8 as a result of reported Net Loss in 1Q21.

Overall Summary

- As of 31 March 2021, Siam Wellness Group Public Company Limited had a total of 70 branches (65 domestic branches and 5 overseas branches). There were no new branch opening in 1Q21. As of 31 March 2020, the Company had a total of 64 branches (59 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 a discount on the rental contract which meets the terms of the above relief clause. By choosing to recognize the portion of profit or loss in the whole amount
- In the first quarter of 2021, Company has expanded its marketing on Thai customers by issuing new promotions and launch loyalty program to attract and maintain this target segment.

Please be informed accordingly,

Yours sincerely,

(Mr.Wiboon Utsahajit)

Siam Wellness Group Public Company Limited