

**For the year ended December 31, 2021
February 25, 2022**

**Management Discussion and Analysis
RS Public Company Limited**

Industry/Sector: Services/Commerce

2021 Key Highlight

2021 is considered the year of investment to develop new products and brands with consistent new product launches throughout the year to enhance its competitiveness in health product market and expand target to new market to diversify current customer base

The Company made further progress in developing innovative health solutions to address health-conscious lifestyles of new generations under the COVID-19 situation while strengthening brands to enhance its competitiveness. For example, the Company introduced a collagen dietary supplement with "Multi Oil Plus - Hemp Seed Oil" under the "well u" brand, a functional drink under "CAMU C" brand and pets products under "Lifemate" brand. However, the COVID-19 outbreak directly impacted the purchasing power of consumers and led to lower-than-expected sales. Nevertheless, with our readiness of both products and brands, the Company will build on 2021 to generate more sales and develop more products and SKUs under the existing brands to promote its commerce business to achieve rapid growth in near term.

As the prolonged COVID-19 pandemic caused overall revenue to contract, the Company had to adapt fast to boost sales through online channels for all businesses as well as enhance efficiency in managing expenses to mitigate the impacts

Consumer purchasing power weakened continuously due to the intensified and extended COVID-19 situation for the past 2 years. Sales activities through the telesales also took the hit and could not progress in full force. This put pressure on the Company's commerce business while entertainment business also experienced decelerating revenue due to falling advertising spend. As a result, total revenue in 2021 decreased 5.3% YoY at the amount of 3,572.8 million baht. Given the situation, the Company put a focus on the expansion of online channels for both commerce business and entertainment business to respond to changing consumer behavior in the new normal to improve revenue. Expense control and management was also emphasized and it led to declining SG&A expenses since 3Q21.

Net profit in 2021 tapered off in the short term due to negative external factors and intense competition. 15:1 stock dividend announcement is underway.

Adverse external factors caused overall revenue to slide while expenses edged up from the development of new brands and products which led to lower net profit. As a result, net profit in 2021 decreased 75.9% YoY at the amount of 127.4 million baht. Nevertheless, the Company is ready to announce a stock dividend payment at the rate of 15 existing shares to 1 new share. The determination of the list of shareholders entitled to receive dividend payment (Record date) shall be May 5, 2022.

* Dividend payment is subject to the resolutions of the AGM 2022 on April 25, 2022.

2022, the harvest year with growth in all dimensions both for commerce business and entertainment business with the aim to reach the revenue target of 5,100 million baht.

2022 will mark the year of growth for both commerce and entertainment business that is built on the development of ecosystem. Commerce business will experience growth from sales of diverse products and brands that were developed earlier with the plan to launch over 28 SKUs of new products under the existing brands. For entertainment business, new content creation through online channels together with resumed activities and concerts will contribute to the revenue growth. Furthermore, both businesses will be reinforced by the introduction of Popcoin Smart Marketing Platform to add value to the business. This is considered the key that will drive all businesses under RS Group to attain the revenue target of 5,100 million baht in 2022.

To build on Entertainment model and expand our ecosystem, RS Group is ready to take on direct selling business through its investment in ULife

Investing in ULife is a shortcut to direct selling business for RS Group due to its strength on both products and a network of business partners that can fortify new business models for its commerce business as well as create synergy across the group. RS Group has an aspiration for ULife to become a top 5 new age leader in direct selling business in Thailand within 3 years.

Summary of 2020 Performance

The past 2021 was a challenging year for Thai economy as the COVID-19 pandemic continued to pose threats to most businesses for the second year. Economic activities were limited under strict control measures for many months. Consumer confidence was adversely affected and consumers were more careful in their spending. Luckily, during the last quarter of the year, vaccination administration satisfactorily progressed and strict control measures were gradually relaxed. Thus, economic activities resumed while the stimulus measures were imposed such as “Kon La Kreung” Phase 3 and “Ying Chai Ying Dai” scheme. Despite these positive factors, the economic recovery was still vulnerable and plagued by rising inflation and worries about the Omicron variant of coronavirus while private consumption has not picked up. As a result, Thai economy in general only experienced mild growth of 1.2%* and it is expected that Thai economy will recover better in 2022 thanks to a number of drivers including the progress of vaccination that promotes tourism, the government stimulus packages and the recovery of global economy.

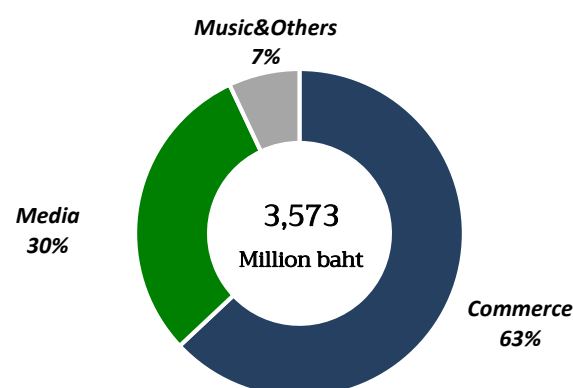
*Source: Krungsri Research

	Year 2020		Year 2021		Change	
	amount	%	amount	%	amount	(y-y)
Unit: million baht						
Revenue from sales and services	3,774.2	100%	3,572.8	100%	-201.4	-5.3%
Commerce business	2,381.8	63.1%	2,263.4	63.4%	-118.4	-5.0%
Entertainment business	1,392.4	36.9%	1,309.4	36.6%	-83.0	-6.0%
- Media	1,148.2	30.4%	1,078.7	30.2%	-69.5	-6.0%
- Music&Others	244.2	6.5%	230.7	6.5%	-13.5	-5.5%
Cost of sales and services	1,768.7	46.9%	1,804.2	50.5%	35.5	2.0%
Gross margin	2,005.5	53.1%	1,768.7	49.5%	-236.8	-11.8%
Selling and administrative expenses	1,320.7	34.9%	1,678.3	46.9%	357.6	27.1%
Operating profit	688.9	18.3%	90.4	2.6%	-594.4	-86.8%
Finance costs	36.1	1.0%	59.1	1.7%	22.9	63.5%
Net profit/(loss)	528.3	14.0%	127.4	3.4%	-400.9	-75.9%

Revenue

Revenue from sales and services in 2021 recorded 3,572.8 million baht, decreasing by 5.3% YoY, mainly from a drop in commerce and entertainment revenue caused by the prolonged of COVID-19 pandemic situation. This can be explained according to the following business segments.

Revenue Breakdown



Commerce Business

Revenue of commerce business consists of revenue from the selling of products under the Company's own brand and partners' product. The Company strives to develop and select new products to offer a variety of products to better meet customer needs. To respond to health-conscious trends under the COVID-19 outbreak during 2021, the Company diversified its portfolio of products, expanded to high-growth markets, and extended to online channels to alleviate impacts from the challenging situation and enhanced its revenue growth potential in the long run. Details on the Company's movements are outlined below.

- Entered the mass market through development of new products under new brands including a premium collagen supplement under "well u" brand and a functional drink under "CAMU C" brand, CAMU CAMU juice mixed with 200% vitamin C focusing on the selling points of being healthy and easy to consume, consistent with the health-conscious trends of consumer these days.
- Developed Thai herbal medicine from *Andrographis Paniculata* under the brand "Thong-Ek" with the properties of reducing fever which became popular during the COVID-19 outbreak.
- Introduced products for pets to tap into a high growth market to find growth opportunities from increasing popularity of having pets of consumers. "Lifemate" was premiered as an upper standard pet's food for dogs and cats with over 54 SKUs, promoting health of different types of pets with different formulas based on breeds, age ranges and activities.
- Developed a Multi Oil Plus-Hemp Seeds Oil dietary supplement under "well u" brand that helps fortify antibody and promote holistic health. This is considered the first hemp-based products while more related products are scheduled to enter the market in 2022 to generate revenue from the rising trend of cannabis thanks to its health benefits.
- Extended online channels through RS Mail Application on smartphones to accommodate product ordering to be simpler and faster as well as launched Virtual RS Mall on V-AVENUE by AIG 5G to create new virtual shopping experience for consumers in line with changing consumer behavior toward online shopping in the new normal.

Revenue from commerce business FY2021 was 2,263.4 million baht, decreasing by 5.0% YoY as a result of declining revenue from exiting products due to the weakened demand from consumers together with impacts from the work from home measure that affected telesales team to be less effective as they could not work from the office. Moreover, new products also faced issues given that convenient stores were mostly impacted from the COVID-19 control measures which led to sales lower than targets.

Entertainment Business

Media - Revenue from media business in 2021 was 1,078.7 million baht, decreasing by 6% YoY from the reason that overall spend in advertising industry continuously shrank during the COVID-19 pandemic. Brands and product owners cut down on their advertising budget while lockdown measures delayed the new content creation.

In 2021, the Company elevated its 3 main types of content including sports, dramas and news as well as imported international popular content to appeal to new groups of audience with the purpose to expand the customer base of viewers with preferences for Chinese and Indian contents. As a result, the Company managed to sustain overall rating in a high level of 0.42 and still ranked No.3 for the category of variety standard definition (Variety-SD) TV channels from the survey of AGB Nielsen Media Research (Thailand) throughout 2021.

Given the consumer trend of viewing and listening to content via online media, the Company teamed up with leading local and international partners to expand digital customer base by combining existing content rights with newly created content to be aired on VDO streaming channels such as We TV and AIS Play. On radio media business, the Company further reached new generations through collaborations with famous music streaming applications such as JOOX, Apple Music and Google Assistant to cater to younger audience and to diversify viewing channels.

Music business and others – Revenue from music and others business recorded 230.7 million baht, decreasing by 5.5% YoY from the COVID-19 control measures as the Company was unable to organize concerts or activities. However, music business continued to grow from content development of new formats through social media of RS Group to generate revenue from over 40 million accounts of social media base as well as revenue from music consumption through digital systems in the format of online streaming via leading platforms like JOOX, Spotify and Apple Music in line with recent trends of listening to music from streaming which is consistently growing.

Cost of Sales and Services

Cost of sales and services in 2021 was 1,804.2 million baht, slightly decreased by 2.1% YoY due to the increase in proportion of partners' products which provide higher marginal cost than the Company's own product and the allowance for obsolete inventories cost while cost of entertainment business mildly dropped given lower cost of organizing event and falling TV media production cost from more rerun content.

Gross Profit

Gross profit was 1,768.7 million baht, declined by 11.8% YoY due to a decreasing total revenue from decelerated consumer demand which dented product sales as well as lower advertising spend and activities as a result of the COVID-19 outbreak. . As a result, the gross profit margin at 49.5%, decreased from 53.1% in the previous year.

Commerce business recorded gross profit was 1,395.5 million baht, decreasing by 11.7% YoY from lower commerce revenue. As a result, the gross profit margin of commerce business was at 61.7% declining from 66.3% in the previous year due to higher proportion of partners' products and more promotional campaigns to boost consumer demand.

Entertainment business also experienced dropping gross profit that recorded 373.1 million baht, decreasing by 12.2% YoY due to falling revenue from lower advertising budget while events and concerts could not be organized as a result of the COVID-19 situation. As a result, the gross profit margin of entertainment business was at 28.5% declining from 30.6% in the previous year.

Selling and Administrative Expenses, and Finance Costs

The Company recorded the selling and administrative expenses of 1,678.3 million baht, increasing by 27.1% which was derived from marketing expenses from the investment to build brands of new products such as CAMU C and well u together with

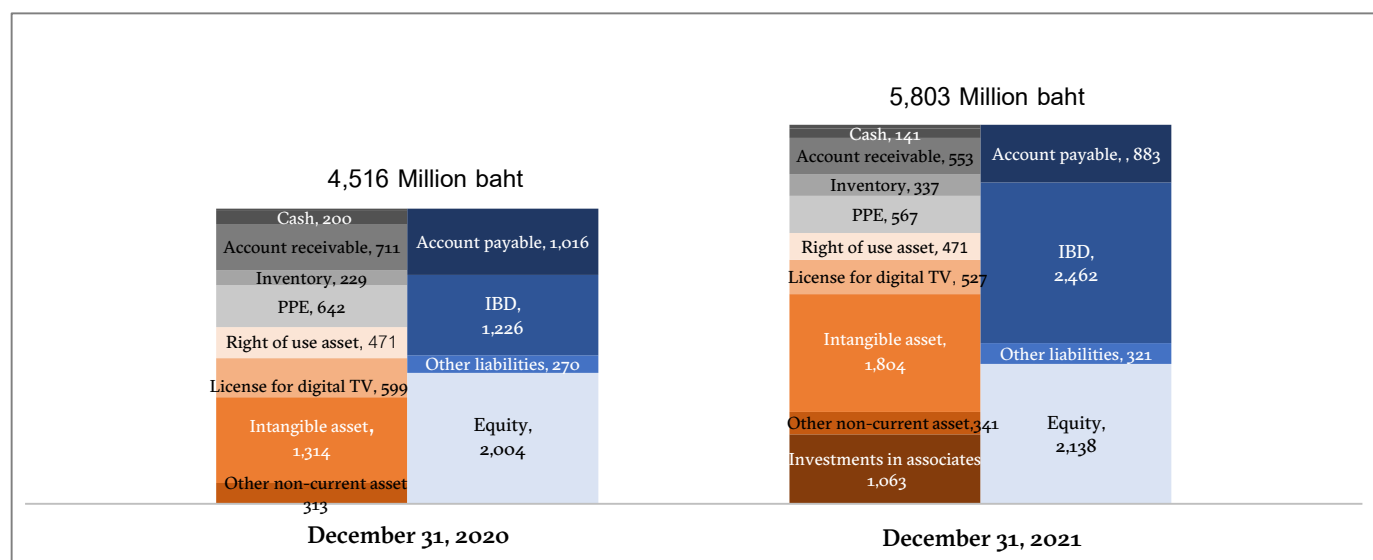
expenses on organization restructuring while SG&A to sales ratio stood at 46.9%. However, marketing expenses adjusted downward since 3Q21 while the plan to add more SKUs under existing brands to create economies of scale and higher sales of commerce business.

Financial costs in 2021 was 59.1 million baht, increasing by 63.6% YoY due to increasing interest expense following higher interest bearing debt for investment in Chase Asia Co., Ltd.

Net Profit

For 2021, the Company recorded a net profit of 127.4 million baht, decreasing by 75.9% YoY due to the lasting COVID-19 pandemic throughout the year which led to lower revenue from core businesses together with rising SG&A expense from investments in the brands of new products during the year. In addition, the Company recognized the profit under equity method from the investment in Chase Asia Co., Ltd in the amount of 82.9 million baht in 2021.

Statement of Financial Position (As of December 31, 2021)



Assets: As of December 31, 2021, the Company had total assets of 5,803.2 million baht, an increase of 1,286.7 million baht or 28.1% YoY from the investments in an associated company including Chase Asia Company Limited and Fourth Apple Co., Ltd and increased in intangible asset by purchasing international series.

Liabilities and equity: the Company had total liabilities of 3,665 million baht, an increase of 1,152.6 million baht or 45.9% YoY from long term loans to funding in Chase Asia Company Limited. The equity amounted to 2,138 million baht, an increase of 134.1 or 6.7% YoY from high retained earnings.

Key Financial Ratios

	Year 2020	Year 2021
EBITDA Margin (%)	23.33%	12.06%
Net Profit Margin (%)	13.93%	3.55%
Return on Assets (%)	17.71%	3.68%
Return on Equity (%)	28.35%	6.15%
Liquidity Ratio (times)	0.65	0.50
Interest Bearing Debt-to-Equity Ratio (times)	0.61	1.15
Net Interest Bearing Debt-to-EBITDA Ratio (times)	0.84	3.88

Note:

EBITDA Margin = EBITDA / Revenue

Net Profit Margin = Net Profit (Loss) / Total Revenue

Return on Assets = EBIT / Average Total Assets

Return on Equity = Net Profit (Loss) / Average Total Shareholders' Equity Attributable to Parent

Liquidity Ratio = Current Assets / Current Liabilities

Interest Bearing Debt-to-Equity Ratio = Interest Bearing Debt / Total Shareholders' Equity Attributable to Parent

Net Interest Bearing Debt-to-EBITDA Ratio = (Average Interest Bearing Debt - Average Cash and Cash Equivalents - Average Current Investment) / EBITDA

Outlook on the performance and financial position in the future and business strategy for 2022

RS is committed to conducting its business under Entertainmerce Model to accelerate growth of the commerce business leveraging on continuous development of new products as well as distribution channels from the entertainment business covering diverse media to reach all groups of consumers. For 2022, the Company is prompted to escalate its Entertainmerce Model at all fronts to co-develop businesses with partners with the objective to create seamless customer experience and foster seamless big data within the group of companies. Revenue target of 5,100 million baht by 2022 is to be attained through carrying out "LEAP" strategy with the following details.

- **L or Lifestyle Wellbeing Solution – Delivering business growth through product development for new markets**

RS Mall, a multi-platform shopping place for integrated healthcare solutions through 4 strategies:

- Become your wellbeing partner focusing on the selection of products for consumer health.
- Leverage on Popcoin to build the customer base and strengthen the ecosystem of RS Mall.
- Expand online channels and e-commerce to accommodate customers and enlarge the customer base.
- Develop a loyalty program under RS Mall PLUS to promote member privileges.

Lifestar was rebranded to become an innovative wellness product company to drive people toward good health and wellbeing in a sustainable manner with a plan to launch more than 28 SKUs under 4 main brands including well u, CAMU C, Vitanature+ and Lifemate. Distribution footprint is also extended to gain broader coverage while Popcoin is to be deployed as a tool to boost sales and promote engagement so that brands are closer to customers.

ULife is an up-and-coming direct selling business with over 20 years of experience and a network of more than 150,000 business partners which can help enhance the Company's capabilities in product development to meet international standards. ULife is positioned to expand multi-level marketing (MLM) model of sales distribution and create synergy

with other businesses at RS Group with a growth aspiration to become a Top 5 new age leader in direct selling business in Thailand within 3 years.

- **E or Entertainment Uplift – Elevating entertainment business through new and international contents tapping into new generations of audience.**

Diversify a portfolio of quality content in new formats both Thai and foreign and add value through Popcoin Smart Marketing Platform.

- Channel 8 digital TV business – online penetration through new content creation to extend customer base to new generations while developing websites and applications for Channel 8 by adding appealing features for members such as point collection, fan zone and exclusive content.
- Coolism radio business – approaching young generations through smart speaker and smart device using JOOX, Apple Music, Google Assistant and Huawei Harmony OS. Revenue is to be generated from three big concerts which are "Kemikaze Party 2022", "Dance Marathon 2022" and "21st Anniversary D2B Festival" while activities and privileges are linked through Popcoin.
- Music business – focusing on creating new content on online platforms and add value to artists by searching for sponsorship partners to be connected with brands or products.
- 4th Apple online media business – 4th Apple has a plan to produce content and cohost global events such as Food Truck Battle SS.2 and Men in Light Documentary to present stories of world-renown Thai artists as well as other stories.

- **A or Asset Monetization- Creating new revenue streams from existing valuable assets**

- Develop NFT to offer new experience for RS Music fans and the customer base of music audience of over 50 million accounts with users from all online music channels of RS Music through creation of new content formats.
- Make a joint investment in Chase Asia Company Limited with 35% shareholding to ensure Chase's strategic implementation including business synergy to create new mutual business opportunities and preparation for the IPO while filling with SEC is scheduled for 2Q22 and trading in the stock exchange is planned for 4Q22.

- **P or Popcoin Smart Marketing Platform – Creating new opportunities to deliver revenue without limit to all business units.**

Popcoin Smart Marketing Platform will be a large community connecting different groups of people together under the model "Join to Earn" which is a tool to fulfill needs and seize marketing opportunities and benefits for related parties in Popcoin Ecosystem. In 2022, the Company has a plan to adopt Popcoin in its marketing to add value to activities and deliver new forms of benefits to future content. This includes joining forces with leading brands who will use the Popcoin in their marketing campaigns as well as collaborating with the world-famous K-Pop to organize interesting activities.

Estimated performance 2022 (unit: million baht)

Total Revenue	5,100
Commerce business	2,750
Entertainment business	2,350
- Digital TV (CH.8) and Radio (COOLism)	1,400
- Popcoin Smart Marketing Platform and Online Media	300
- Music	325
- Concert and Event	325
GPM	48-50%
NPM	12-14%

Sustainable Development

The Company has prepared the Sustainable Development Report as a part of the One Report since 2020 to demonstrate its commitment in disclosing important information to stakeholders with accuracy, completeness and transparency. The content covers environment, social and governance undertaking and progresses are reported during the year as a part of the quarterly Management Discussion and Analysis. This report covers developments from 1 January to 31 December 2021.

Evaluation and Identification of Sustainability Issues

During 2021-2022, the Company undertakes its sustainability efforts under the concept “Fulfilling good quality of life for people in the society” in line with the organization’s business conduct. Material sustainability issues were identified per following

Economic aspect focusing on customer satisfaction and co-development of innovation with partners

Social aspect focusing on a systematic knowledge management and talent development

Environmental aspect focusing on efficient utilization of resources and a systematic waste management.

E : Environment

“Paper Mache... Separate, Exchange and Conserve” Project This project encourages people to separate paper from the starting point and getting users of such paper to recognize the value of used resources, and to increase the country’s paper recycling rate and quality. The project started since October 2020 and as of 31 December 2021, over 7,530 kilograms of used paper underwent a recycling process in 2021 and accumulative volume of recycled paper since the project inception is 8,810 kilograms (compared to the target of 10,000 kilograms per year). Through this paper recycling initiative, an equivalence of 150 trees were saved and around 5,990 kilograms of GHG emissions that affect global warming were reduced. The Company is likely to continue this project and in the process of looking for related projects on food waste management, reduction of landfill garbage and reduction of plastic use, to carry out in the near future.

E : Economy

“Direct to RS” Investor Relations Department has elevated channels to disseminate the Company’s business information to reach all groups of investors in a speedy and timely manner to promote information equality in alignment with changing strategies and business plans. Earlier the Company only published articles on website, Facebook and Twitter, but later added the Direct to RS program with live streaming under the concept “RS Business Insight, Direct to Investors”. Currently, 5 episodes were broadcast including “Building Smart Marketing Platform Business through Popcoin Token” and “RS Acquiring ULife to Pave Its Way to A New Age Direct Selling Business, Propelling Exuberant Growth for Entertainmerce”

S : Social

“We Change by Chatuchak – Pai Kayak Rak Khlong” The Company joined forces with a network of people, government and private sectors to conserve and restore the landscape of canals in Chatuchak District to support the development of community-based tourism and stimulate local economies through a kayaking activity to collect garbage from Lat Phrao Canal, Bang Khen Canal to Prem Prachakorn Canal to help make the canals clean and beautiful as well as foster a good mindset in water resource conservation and restoration. A total of 1,915 pieces of garbage with a total weight of 115 kilograms were collected including

general waste, hazardous waste and waste that can be recycled. Note that the Company has a plan to initiate and continue projects that promote cohabitation between the organization and communities in accordance with its core mission “Inspire people and fulfill their happiness” under the concept “We live well, they live well”

“Channel 8 News Sharing to Help Affected People from Forest Fire Smog” From its concerns over smog situation from forest fires in Chiang Mai that toxic smog covered various areas affecting quality of life, people’s health and regional economy of the north. Channel 8 sent news reporters and team to help affected people by offering necessary supplies such as leaf blowers, PM2.5 masks, rakes and other useful items while talking, asking and giving moral support to those affected by the forest fire. Note that the Company, as a media operator and news agency, also played a PR role to push for solving the root causes as well as build awareness and understanding on the issue of smog and pollution for the general people in the society to fully realize the impacts. This multi-dimensional execution incentivizes villagers to participate in the project which is considered crucial for sustainable problem-solving.

G : Governance

“RS GROUP Anti-Corruption” To emphasize its standpoint against corruption for the International Anti-Corruption Day on December 9, 2021, the Company organized an activity to raise awareness among all employees to realize the importance of conducting business with integrity and transparency and communicated related policies and practices to foster values against corruption organization-wide. Moreover, the Company provides whistleblowing channels for employees to help monitor inappropriate behavior or suspicious incidents which can be a possible case of corruption to ensure that the organization adopted international standards on business ethics.

(Mr. Wittawat Wetchabutsakorn)

Director and Chief Financial Officer

Authorized to sign on behalf of the Company