

13 May 2022

No. ZEN 2565-009
Subject Management Discussion and Analysis for the 1st quarter of 2022
To The President
The Stock Exchange of Thailand

We, Zen Corporation Group Public Company Limited (“the company”), are pleased to provide you our management discussion and analysis for the 1st quarter of 2022, as follows:

Business Overview

Although there are certain foreseeable risks in 2022, the Thai economy is expected to see an uplift, which is supported by an increasing domestic demand from the declining impacts of COVID-19, an increasing number of foreign tourists after the relaxation of international travel restrictions, and the continuous growing of export demand since last year. However, since the beginning of this year, the economy has already faced other external risk factors, especially on the prolonged Russia and Ukraine conflict that has caused global commodity prices to surge, thereby lowering the overall global growth projection. Inflationary pressures, from the increased energy prices and raw material commodity prices, also has consequence of the overall consumers higher cost of living. With the latest assessment from the Bank of Thailand in March 2022, the Thai economic growth rate is projected to be at 3.2%, lower than 3.4% from the previous assessment in December 2021. Meanwhile, the headline inflation rate is forecasted at 4.9%, significantly increased from the last assessment in December 2021 at 1.7%.

Amid the risk factors, the COVID-19 outbreak, the rising raw material prices, and transportation costs, the Company remains vigilant and keeps seeking the opportunity to grow prudently. As for the operating results in the 1st quarter of 2022, the Company's revenue increased 14% compared to the same period of last year. This was driven by a 7% increase in Restaurant revenue from the Company's efforts to adjust the business model and promotions to increase dine-in traffics, and Retail food business revenues grew more than five times after investing in Zen & Kosum Interfoods Co., Ltd. (a seasoning manufacturer) in April 2021 and King Marine Foods Co., Ltd. (a distributor and frozen seafood wholesaler) in March 2022. The joint investment in these two companies is one of the Company's key strategies in diversifying risks and strengthening the Company's business through mergers and acquisitions activities (M&A.) In the 1st quarter of 2022, the Company delivers a net profit of THB 8 Mn, a decrease of THB 20 Mn baht or 71% compared to the same period of last year.

Experience Beyond Food

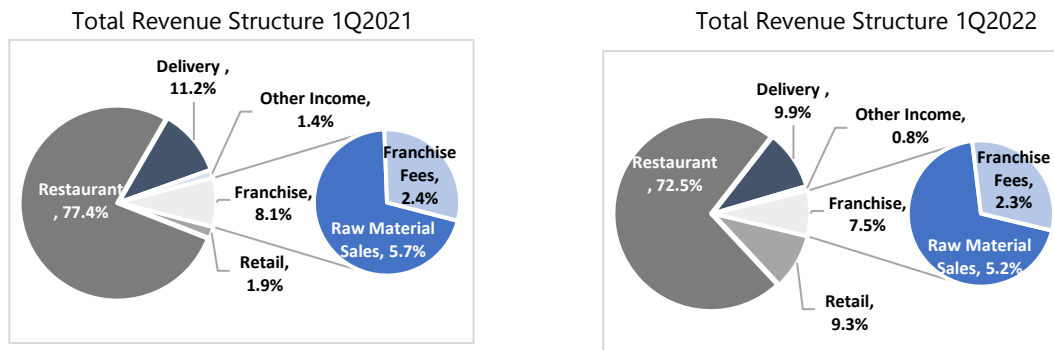
Performance

| Statement of comprehensive income | 1st Quarter | | | |
|--|--------------------|-------------|---------------|--------------|
| | 2021 | 2022 | Change | |
| Unit : Million Baht | | | | |
| Revenue from sales of goods and services (Main Revenue) | 597 | 686 | 90 | 15% |
| Other income | 8 | 6 | (3) | (32%) |
| Total revenues | 605 | 692 | 87 | 14% |
| Costs of sales of goods and services | 298 | 378 | 80 | 27% |
| Selling expenses | 175 | 189 | 15 | 8% |
| Administrative expenses | 95 | 106 | 11 | 12% |
| Total expenses | 568 | 673 | 105 | 19% |
| Profit (loss) from operating activities | 37 | 19 | (18) | (48%) |
| Finance costs | 7 | 9 | 2 | 27% |
| Share of loss of associate accounted for using equity method | 0 | 0 | 0 | 41% |
| Profit (loss) before income tax expense | 30 | 10 | (20) | (67%) |
| Tax expense (income) | 1 | 2 | 0 | 19% |
| Profit (loss) for the year | 28 | 8 | (20) | (71%) |

In 1st quarter of 2022, the Company opened 5 new restaurants, 2 of which are owned by the Company (Kiang Kang Tai) and 3 of which are franchised branches (Kiang-brand). At the end of the 1st quarter of 2022, the Company's total restaurants reached 354 branches, of which 143 are equity-owned branches (40% of total) and 211 are franchise branches (60% of total).

| Branch Expansion | 1st Quarter | |
|--|--------------------|-------------|
| | 2021 | 2022 |
| Number of New Equity branches opened during period | 1 | 2 |
| Number of Equity Branches at Period End | 145 | 143 |
| Number of New Franchise branches opened during period | 6 | 3 |
| Number of Franchise Branches at Period End (Branch) | 199 | 211 |
| Total number of new branches opened during period | 7 | 5 |
| Total number of branches at the end of the period | 344 | 354 |
| Same Store Sales Growth: SSSG (%) ⁽¹⁾ | -2.9% | +8.5% |

Remark: ⁽¹⁾ Calculated based on total revenue from sales of food and beverages per total operating days of the same branch

Company's Income Statement
Total Revenue


Remark: Percentage of Total Revenue

| Revenues | 1st Quarter | | |
|--|-------------|------------|----------------------|
| | 2021 | 2022 | Change |
| Unit : Million Baht | | | |
| Revenue from sales of goods | 582 | 670 | 88 15% |
| ▪ Revenue from Restaurant Business | 468 | 502 | 34 7% |
| ▪ Revenue from Sales of Raw Material | 35 | 36 | 1 4% |
| ▪ Revenue from Food Delivery & Catering | 68 | 68 | 1 1% |
| ▪ Revenue from Retail Commercial | 12 | 64 | 53 456% |
| Franchise Fee Income | 15 | 16 | 1 8% |
| Revenue from sales of goods and services (Main Revenue) | 597 | 686 | 90 15% |
| Other Income | 8 | 6 | (3) (32%) |
| Total Revenue | 605 | 692 | 87 14% |

1Q2021 VS 1Q2022

In the 1st quarter of 2022, the company's total revenue was THB 692 Mn, an increase of THB 87 Mn or 14% from the same period of 2021, and SSSG for the 1st quarter of 2022 was +8.5%. This was due to the change in revenue from various business operations as follows:

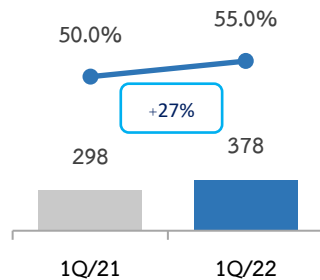
- **Revenue from Restaurant Business** increased by THB 34 Mn or 7% from the relaxation of COVID-19 restrictions and promotional campaigns to boost dine-in traffic.
- **Revenue from Sales of Raw Material** increased by THB 1 Mn or 4% due to the recovery of franchise restaurants, which had higher revenue, resulting in more purchases of raw materials from the company.
- **Revenue from Food Delivery & Catering** increased somewhat by THB 1 Mn or 1%. Although consumers have returned to eating more in the restaurant, the company continues to focus on and drive more sales through food delivery channels both through food delivery service providers and through the "Zen Group Sookciety" application, which consolidates all brands promotions/offers under the group companies together at a single place.
- **Revenue from Retail Merchandise** increased by THB 53 Mn or 456% from the investment in Zen & Kosum Inter Foods Co., Ltd. in April 2021 and King Marine Foods Co., Ltd. in March 2022, and the launching of new products and selling through both modern trade and online channels.
- **Franchise Fee Income** increased by THB 1 Mn or 8%, mainly due to the company had higher net royalty & marketing fee income collected from franchisees increased due to the higher number of franchise branches, and higher renewal income compared to the same period of the previous year.
- **Other Income** decreased by THB 3 Mn or 32% due to (1) lower amortized of membership fee income and (2) lower revenue from setting up the system for franchisees.

Costs of Sales and Service
Unit : Million Baht

Revenue from sales of goods and services

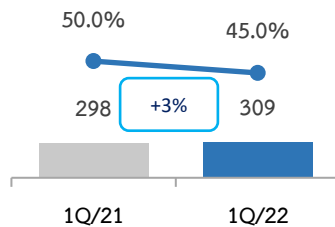
Costs of Sales and Service
Gross Profit

| | 1st Quarter | | | |
|--|-------------|------|--------|-----|
| | 2021 | 2022 | Change | |
| Revenue from sales of goods and services | 597 | 686 | 90 | 15% |
| Costs of Sales and Service | 298 | 378 | 80 | 27% |
| Gross Profit | 298 | 309 | 10 | 3% |

Costs of Sales and Service

1Q2021 VS 1Q2022

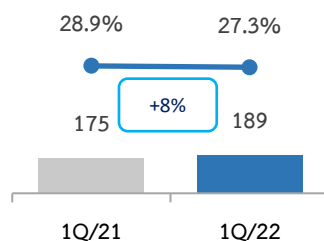
In the 1st quarter of 2022, the total costs of sales and services was THB 378 Mn, an increase of THB 80 Mn or 27% from the same period of 2021, which was mainly due to

- an increase in food cost varied directly to higher revenue from the restaurant business, especially from the ZEN brand buffet campaign, coupled with the rising in raw material prices.
- an increase in cost of production and import of retail products due to the rapid expansion of the retail food business.
- an increase in staff cost (kitchen area) due to higher revenue.
- an increase in rental, service fees and utilities (kitchen area) as rental rates gradually returned to normal, varying to higher revenue.

Gross Profit and Gross Profit Margin

1Q2021 VS 1Q2022

In the 1st quarter of 2022, the gross profit was THB 309 Mn, an increase of THB 10 Mn or 3% from the same period of 2021. The main reason was the recovery of revenue from various business operations, especially revenue from the restaurant business and retail commercial.

However, the gross profit margin decreased from 50.0% in the 1st quarter of 2021 to 45.0% in the 1st quarter of 2022, mainly due to: (1) a higher revenue mix from buffet sales compared to the same period last year (2) Higher raw material prices and (3) a higher revenue mix from the retail business with the lower gross margin compared to other businesses.

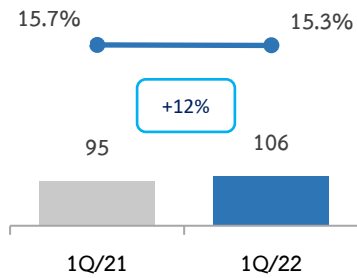
Selling Expenses

1Q2021 VS 1Q2022

In the 1st quarter of 2022, selling expenses were THB 189 Mn, an increase of THB 15 Mn or 8% from the same period of 2021. This increase was mainly due to

- an increase in rental, service fees and utilities as rental rates gradually returned to normal, varying to higher revenue. And receiving lower rental discounts compared to the previous year due to an increase in the dine-in and shopping mall traffic after the easing of government restrictions to prevent the spread of COVID-19.
- an increase in staff expense (dine-in area) due to higher revenue.

In overall, the company had been more efficient in selling expenses management. As a percent of the total revenue, in the 1st quarter of 2021 and 2022 selling expenses decreased from 28.9% to 27.3%, respectively

Administrative Expenses

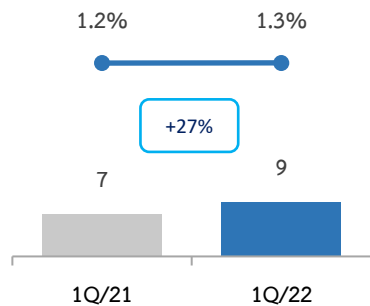


1Q2021 VS 1Q2022

In the 1st quarter of 2022, administration expenses were THB 106 Mn, an increase of THB 11 Mn or 12% from the same period of 2021. This increase was mainly due to an increase in staff expenses from the recognition of the subsidiary's staff expenses.

In overall, as a percentage of the total revenue, administrative expenses decreased from 15.7% in the 1st quarter of 2021 to 15.3% in the same period of 2021

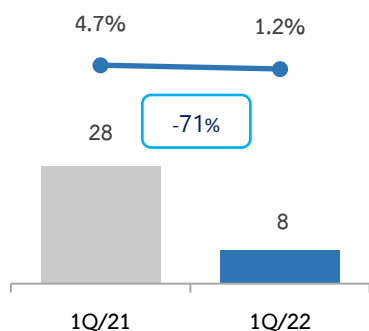
Finance Expenses



1Q2021 VS 1Q2022

In the 1st quarter of 2022, finance expenses were THB 9 Mn, an increase of THB 2 Mn or 27% from the same period of 2021. This was due to the Company recognized higher finance expenses on the lease liabilities relating to the Thai Financial Reporting Standard No. 16 "Leases" (TFRS 16).

Net Profit (Loss) and Net Profit (Loss) Margin



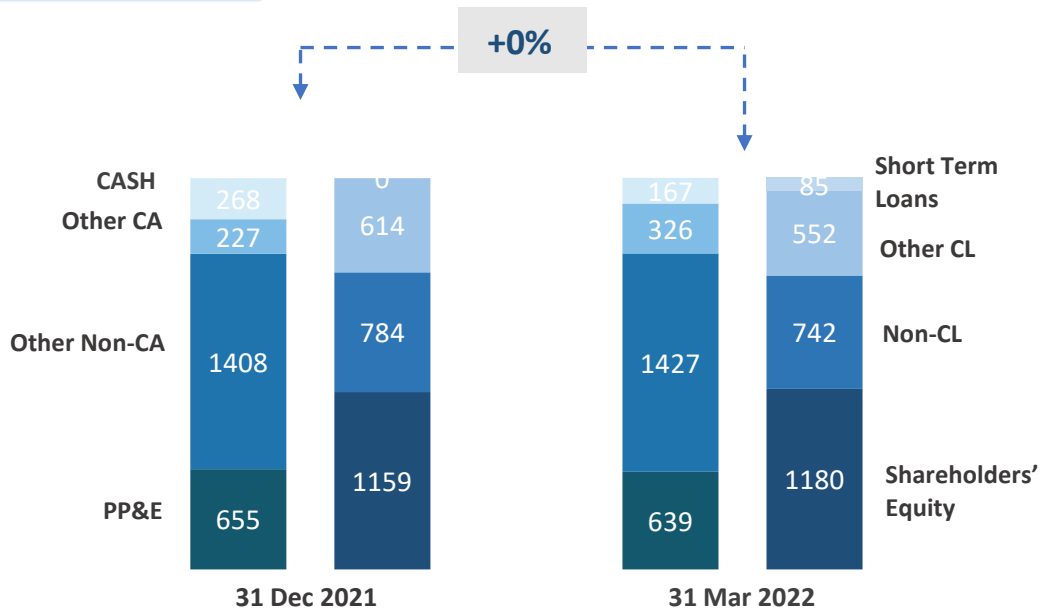
1Q2021 VS 1Q2022

In the 1st quarter of 2021 and 2022, the net profit decreased from THB 28 Mn to THB 8 Mn respectively, a decrease of THB 20 Mn or 71%. This is mainly due to

- the rising in raw material prices
- receiving lower rental discounts compared to the previous year
- the recognition of the subsidiary's staff expenses

Net profit margin dropped from 4.7% in the 1st quarter of 2021 to 1.2% in the 1st quarter of 2022.

Financial Position Analysis



Assets

As of 31 December 2021, and 31 March 2022, the company had total assets of THB 2,557 Mn and THB 2,559 Mn respectively, an increase of THB 2 Mn

Liabilities

As of 31 December 2021, and 31 March 2022, the company had total liabilities of THB 1,398 Mn and THB 1,379 Mn respectively, a decrease of THB 19 Mn or 1%. The main factor for the decrease was from the reduction in liabilities under leases according to the Thai Financial Reporting Standard No. 16 (TFRS 16)

Shareholder Equity

As of 31 December 2021, and 31 March 2022, the company had shareholders' equity of THB 1,159 Mn and THB 1,180 Mn respectively, an increase of THB 21 Mn or 1%. This increase in shareholders' equity was mainly derived from (1) total profit during the period THB 8 Mn and (2) Acquisition of non-controlling interests from the acquisition of a subsidiary THB 11 Mn. and (3) amortization of the deficit from the acquisition of fixed assets from a company under common control of THB 2 Mn.

Liquidity and Capital Structure

As of 31 March 2022, the company had a current ratio of 0.77, decreased from 0.80 at end of 2021. This was mainly due to a decrease in cash and cash equivalents

The debt-to-equity ratio slightly decreased to 1.17 as of 31 March 2022 compared to 1.20 at the end of 2021.

Please be informed accordingly,

Yours sincerely,

(Mrs. Yupaphan Ekasittikul)
 Chief Financial Officer