

Ref: HEALTH-014/2024

February 22, 2024

Subject: Clarification of the Operating Result Difference Exceeding 20%

To: The President
The Stock Exchange of Thailand

Copy to: The Secretary
The Securities and Exchange Commission

Health Empire Corporation Public Company Limited would like to inform you of the difference in operating results of more than 20% according to the Notification of the Capital Market Supervisory Board No. Tor Jor. 44/2013 Re: Rules, Conditions, and Procedures for Disclosure of Financial and Non-financial Information of Securities Issuers, Clause 22, when it appears that the income or net profit reported in the financial statements of any securities issuing company differs by more than 20% from the same period the previous year. The issuing company must conduct an interim management discussion and analysis, at the very least demonstrating the causes and key factors causing the differences, as well as the impact caused by such factors, and submit it to the office along with the financial statements.

According to the operating results of the year 2023, the company had a net loss in the consolidated financial statements of 266.74 million baht, compared of the year 2022, the company had a net loss in the consolidated financial statements of 475.84 million baht, which has decreased the loss by 43.94%, which is a difference of more than 20% according to the Notification of the Capital Market Supervisory Board No. Tor Jor. 44/2556.

The company's revenue from sales and services decreased from 95.85 million baht in the year 2022 to 16.22 million baht in the year 2023, a total decrease of 79.63 million baht or a decrease of 83.08%. Rental income decreased from 10.94 million baht in the year 2022 to 3.86 million baht in the year 2023, a total decrease of 7.08 million baht or a rate of decreased 64.69%, with sublease contracts from 6 locations from the previous year, now there are 3 locations and others from profits from subsidiaries going out of business 32.45 million baht, profits from selling investments in subsidiaries 6.91 million baht, and profits from measuring the fair value of biological assets 2.32 million baht, and others income (such as management fee income, interest income) 6.31 million baht.

Cost of sales and services decreased from 62.76 million baht in 2022 to 9.78 million baht in 2023, a total decrease of 52.98 million baht, or a reduction rate of 84.41%.

Distribution costs and administrative expenses decreased from 138.51 million baht in the year 2022 to 75.56 million baht in the year 2023, totaling 61.95 million baht or a 44.72% decrease in the rate.

From the results of the year 2023, there was a loss from the hemp and cannabis business of 34.27 million baht, loss from the business of selling and distributing traditional medicine products, herbal products, cosmeceuticals, health and beauty maintenance products and dietary supplements in the amount of 8.56 million baht, and loss from other operations for 20.90 million baht, total losses from operations amounted to 63.73 million baht and share of profits from investments in associated companies in amounts of 13.22 million baht. Loss was recognized from selling investments in associated companies (Reversing the recognition of profit sharing according to the equity method) in the amount of 3.42 million baht and recognizing losses from goodwill impairment for 212.81 million baht, totaling a net loss of 266.74 million baht.

The company's revenue from the cost of sales and services, cost of distribution, and administrative expenses decreased from the previous year in the same direction. As a result of reducing the proportion of investment and disposition of assets in subsidiaries in beauty clinics, Resorts and spas the operating results do not grow according to the target.

The causes and essential factors that affected the operation in the past quarter of 2023 due to the change in business strategy, downsizing, and delayed investment in the currently uncertain sector, namely the cultivation of hemp and cannabis plants with social and political trends affecting hemp and cannabis, as well as issues of law amendment and various government announcements, make the cannabis hemp business uncertain; as a result, the market price fluctuates. After this, if the government changes the law related to hemp cannabis that is conducive to business operations, the company will review and adjust the business plan again. In this regard, as for the cultivation of crops, some investment has already been made. Planting has been carried out according to the business plan. The first round of cultivation has already completed the extraction of hemp into CBD Isolate and is in the distribution process.

However, the business plan that is not related to hemp or marijuana, the company continues to proceed with the plan. Including the business of producing and distributing traditional medicine products. Herbal products, cosmeceuticals, health and beauty maintenance products, and nutritional supplements. Products include cough syrup mixed with *Andrographis paniculate* cough mixture, MD light SPRAY, and *Andrographis paniculate* extract medicine. Under the Karaboon brand, the company is still committed to increasing efficiency. Adjust strategies and focus on developing business expansion opportunities to create profitable operations and sustainable growth.

As for the progress regarding the extension of the time to receive the transfer of land lease rights for which the rights have been reserved, as requested by the Stock Exchange to report progress every quarter, the company would like to clarify as follows.

On February 13, 2024, the company sent a notice to Film and Broadcasting Company. Intermedia Co., Ltd. (FBI). The company would like to confirm that the FBI complies with the rental rights reservation agreement. The registration of the remaining 3 land plots must be completed within 30 days from the date of the notice sent to the

FBI (February 13, 2024). If the FBI is still unable to do so for the company, within the above deadline, the company reserves the right to claim damages from the FBI. The company received verbal coordination from the FBI that it would request an appointment to negotiate with the company to change the terms of the space rental in order to benefit both parties. The company will report progress in receiving the transfer of lease rights or refunding the leasehold rights reservation fee in the next report.

Please be advised accordingly.

Respectfully Yours,

- Dr.Kumpol Buriyameathagul-

(Dr.Kumpol Buriyameathagul)

Director and CEO