

Ref.: EFORL039/2017

November 14, 2017

**Subject: Management Discussion and Analysis for the third quarter of 2017 (Q3/2017) and for nine month periods ended September 30, 2017**

**To** President  
The Stock Exchange of Thailand

**1. Overview financial performance of E for L Aim Public Company Limited (“EFORL” or “the Company”) and its subsidiaries (collectively as “the Companies”) for Q3/2017**

**Financial performances Comparison is as follows:**

(Unit : Thousand Baht)

Consolidate F/S	Q3/2017	Q3/2016	Δ%	Q2/2017	Δ%	Q1/2017	Δ%
Revenues from sales and services	802,230	855,852	-6%	704,817	14%	870,845	-8%
Interest income	-	277	-100%	485	-100%	363	-100%
Dividend income	-	-		-		-	
Other income	4,857	8,715	-44%	4,880	0%	6,033	-19%
<b>Total revenues</b>	<b>807,087</b>	<b>864,844</b>	<b>-7%</b>	<b>710,182</b>	<b>14%</b>	<b>877,241</b>	<b>-8%</b>
<b>Profit (loss) before loss on impairment of investment in subsidiary, interest and income tax</b>	<b>(54,973)</b>	<b>(60,473)</b>	<b>-9%</b>	<b>(89,303)</b>	<b>-38%</b>	<b>(61,057)</b>	<b>-10%</b>
Margin	-7%	-7%		-13%		-7%	
<b>Profit (loss) for the period</b>	<b>(110,144)</b>	<b>(122,364)</b>	<b>-10%</b>	<b>(132,736)</b>	<b>-17%</b>	<b>(113,896)</b>	<b>-3%</b>
Margin	-14%	-14%		-19%		-13%	
<b>Profit (loss) for the period attributable to equity holder of the company</b>	<b>(37,417)</b>	<b>(46,242)</b>	<b>-19%</b>	<b>(60,913)</b>	<b>-39%</b>	<b>(39,057)</b>	<b>-4%</b>
Margin	-5%	-5%		-9%		-4%	

(Unit : Thousand Baht)

Separate F/S	Q3/2017	Q3/2016	Δ%	Q2/2017	Δ%	Q1/2017	Δ%
<b>Revenues from sales and services</b>	<b>417,985</b>	<b>424,270</b>	<b>-1%</b>	<b>333,573</b>	<b>25%</b>	<b>445,078</b>	<b>-6%</b>
Interest income	12,699	6,256	103%	14,265	-11%	8,930	42%
Dividend income	-	-		35,000	-100%	-	
Other income	2,134	5,037	-58%	830	157%	3,144	-32%
<b>Total revenues</b>	<b>432,818</b>	<b>435,563</b>	<b>-1%</b>	<b>383,668</b>	<b>13%</b>	<b>457,152</b>	<b>-5%</b>
<b>Profit (loss) before loss on impairment of investment in subsidiary, interest and income tax</b>	<b>68,343</b>	<b>65,435</b>	<b>4%</b>	<b>68,930</b>	<b>-1%</b>	<b>61,038</b>	<b>12%</b>
Margin	16%	15%		18%		13%	
<b>Profit (loss) for the period</b>	<b>(115,232)</b>	<b>27,356</b>	<b>-521%</b>	<b>(181,009)</b>	<b>-36%</b>	<b>31,706</b>	<b>-463%</b>
Margin	-27%	6%		-47%		7%	
<b>Profit (loss) for the period attributable to equity holder of the company</b>	<b>(115,232)</b>	<b>27,356</b>	<b>-521%</b>	<b>(181,009)</b>	<b>-36%</b>	<b>31,706</b>	<b>-463%</b>
Margin	-27%	6%		-47%		7%	

### Financial performance in Q3/2017

Revenues from sales and services of EFORL and its subsidiaries in Q3/2017 was THB 802 million decreased by 6% compared to the same period at the previous year, increasing 14% compared to Q2/2017. It derived from increasing in sales of THB 86 million (or 53%), increasing in services of THB 11 million (or 47%) from Q2/2017, increasing in revenue from sales mainly came from Distributor of medical devices and equipment.

The Company and its subsidiary companies made a loss of THB 110 million in Q3/2017 or decreased by 10% compared to the period at the previous year, decreased by 17% compared to Q2/2017.

## 2. Financial Performance Summary – by business

(Unit : Thousand Baht)

Revenues by business	Q3/2017	Q3/2016	Δ%	Q2/2017	Δ%	Q1/2017	Δ%
<b>Distributor of medical devices and equipment</b>	<b>450,744</b>	<b>465,406</b>	<b>-3%</b>	<b>363,409</b>	<b>24%</b>	<b>492,292</b>	<b>-8%</b>
Margin	168,415	177,677	-5%	134,072	26%	174,482	-3%
<b>Beauty services</b>	<b>351,486</b>	<b>390,446</b>	<b>-10%</b>	<b>341,408</b>	<b>3%</b>	<b>378,553</b>	<b>-7%</b>
Margin	(510)	(45,615)	99%	100	-610%	(44,906)	99%

(Unit : Thousand Baht)

Revenues by business	Nine-Month/2017	Nine-Month/2016	Δ%
<b>Distributor of medical devices and equipment</b>	<b>1,306,445</b>	<b>1,344,693</b>	<b>-3%</b>
Margin	476,969	481,582	-1%
<b>Beauty services</b>	<b>1,071,447</b>	<b>1,255,193</b>	<b>-15%</b>
Margin	(45,306)	(25,019)	-81%

### **Distributor of medical devices and equipment business**

Distributor of medical devices and equipment business has been operated by the Company and Spacemed Company Limited (subsidiary). Revenues from sales and services from distributor of medical devices and equipment at the third quarter was THB 451 million decreased by 3% compared to the same period in the previous year and increased by 24% compared to the 2Q/2017, increasing in revenues from sales and services from distributor of medical devices and equipment at the 3Q/2017 was 87 million compared to the 2Q/2017. This is because medical devices have been delivery since end of 2Q/2017 and complete in 3Q/2017. Revenues from sales and services from distributor of medical devices and equipment at the nine-month/2017 was THB 1,306 million decreased by 3% compared to the same period in the previous year

Gross margin in Q3/2017 from distributor of medical devices and equipment business was THB 168 million decreased by 5% compared to the same period in the previous year and increased by 26% compared to the 2Q/2017. Gross margin accounted to 37% and the revenues from distributor of medical devices and equipment business by total revenues was 55%.

### **Beauty service business**

Beauty service business has been operated by Wuttisak Clinic InterGroup Co., Ltd. (held shares by subsidiary) and Siam snail Co., Ltd. (Subsidiary). Revenues from beauty service in Q3/2017 was THB 351 million decreased by 10% compared to the same period in the previous year, increased by 3% compared to the Q2/2017. Revenues from beauty at the nine-month/2017 was THB 1,071 million decreased by 15% compared to the same period in the previous year. Drop in revenues mainly came from closed non-performance branches together with high competitive situation focusing on the pricing competition directly affecting to Wuttisak clinic.

The beauty business is currently in the business restructuring in form of franchise system and expand to surgery services to increase future revenues.

Negative gross margin from beauty service business in Q3/2017 was THB 0.51 million increased in positive trend by 99% compared to the same period in the previous year because some costs have been reclassified to selling and administrative expenses since Q2/2017. Negative gross margin increased by 610% compared to the 2Q/2017. This loss in gross margin accounted to 4% and proportion of revenues beauty service business per total revenues was 45%.

### 3. Key Highlights for performance for the Q3/2017 and Nine-Month/2017

(Unit : Thousand Baht)

Consolidate F/S	Q3/2017	Q3/2016	Δ%	Nine-Month/2017	Nine-Month/2016	Δ%
Revenues from sales and services	802,230	855,852	-6%	2,377,892	2,599,886	-9%
Costs of sales and services	(635,807)	(725,103)	-12%	(1,947,011)	(2,143,819)	-9%
<b>Gross margin</b>	<b>166,423</b>	<b>130,749</b>	<b>27%</b>	<b>430,881</b>	<b>456,067</b>	<b>-6%</b>
Interest income	-	277	-100%	755	1,405	-46%
Dividend income	-	-		-	-	
Other income	4,857	8,715	-44%	15,863	18,480	-14%
Selling expenses	(126,425)	(124,797)	1%	(372,103)	(328,398)	13%
Administrative expenses	(99,828)	(75,417)	32%	(280,729)	(295,202)	-5%
Loss on impairment of investment in subsidiary	-	-		-	-	
Finance costs	(41,560)	(48,651)	-15%	(125,997)	(145,280)	-13%
<b>Profit (loss) before income tax</b>	<b>(96,533)</b>	<b>(109,124)</b>	<b>-12%</b>	<b>(331,330)</b>	<b>(292,928)</b>	<b>13%</b>
Income tax	(13,611)	(13,240)	3%	(25,446)	(15,961)	59%
<b>Profit (loss) for the period</b>	<b>(110,144)</b>	<b>(122,364)</b>	<b>-10%</b>	<b>(356,776)</b>	<b>(308,889)</b>	<b>16%</b>
<b>Profit (loss) for the period attributable to</b>						
<b>Equity holder of the Company</b>	<b>(37,417)</b>	<b>(46,242)</b>	<b>-19%</b>	<b>(137,387)</b>	<b>(127,982)</b>	<b>7%</b>
Non-controlling interests	(72,727)	(76,122)	-4%	(219,389)	(180,907)	21%
<b>Key Financial Ratios</b>						
Gross profit margin	20.7%	15.3%	5.5%	18.1%	17.5%	0.6%
SG&A as % to sales	28.2%	23.4%	4.8%	27.5%	24.0%	3.5%
Net profit margin	-13.7%	-14.3%	0.6%	-15.0%	-11.9%	-3.1%
Net profit margin (Portion of the Company's shareholders)	-4.7%	-5.4%	0.7%	-5.8%	-4.9%	-0.9%

(Unit : Thousand Baht)

Separate F/S	Q3/2017	Q3/2016	Δ%	Nine-Month/2017	Nine-Month/2016	Δ%
Revenues from sales and services	417,985	424,270	-1%	1,196,636	1,202,909	-1%
Costs of sales and services	(263,715)	(264,058)	0%	(764,436)	(774,869)	-1%
<b>Gross margin</b>	<b>154,270</b>	<b>160,212</b>	<b>-4%</b>	<b>432,200</b>	<b>428,040</b>	<b>1%</b>
Interest income	12,699	6,256	103%	35,894	12,155	195%
Dividend income	-	-		35,000	20,000	75%
Other income	2,134	5,037	-58%	6,108	12,359	-51%
Selling expenses	(75,328)	(95,688)	-21%	(228,877)	(241,244)	-5%
Administrative expenses	(25,432)	(10,382)	145%	(82,014)	(77,678)	6%

Separate F/S	Q3/2017	Q3/2016	Δ%	Nine-Month/2017	Nine-Month/2016	Δ%
Loss on impairment of investment in subsidiary	(150,000)	-		(371,825)	-	100%
Finance costs	(22,789)	(29,082)	-22%	(68,929)	(77,517)	-11%
<b>Profit (loss) before income tax</b>	<b>(104,446)</b>	<b>36,353</b>	<b>-387%</b>	<b>(242,443)</b>	<b>76,115</b>	<b>-419%</b>
Income tax	(10,786)	(8,997)	20%	(22,092)	(16,086)	37%
<b>Profit (loss) for the period</b>	<b>(115,232)</b>	<b>27,356</b>	<b>-521%</b>	<b>(264,535)</b>	<b>60,029</b>	<b>-541%</b>
<b>Profit (loss) for the period attributable to</b>						
<b>Equity holder of the Company</b>	<b>(115,232)</b>	<b>27,356</b>	<b>-521%</b>	<b>(264,535)</b>	<b>60,029</b>	<b>-541%</b>
Non-controlling interests	-	-		-	-	
<b>Key Financial Ratios</b>						
Gross profit margin	36.9%	37.8%	-0.9%	36.1%	35.6%	0.5%
SG&A as % to sales	24.1%	25.0%	-0.9%	26.0%	26.5%	-0.5%
Net profit margin	-27.6%	6.4%	-34.0%	-22.1%	5.0%	-27.1%
Net profit margin (Portion of the Company's shareholders)	-27.6%	6.4%	-34.0%	-22.1%	5.0%	-27.1%

### Revenues from sales and services

Revenues from sales and services in Q3/2017 was THB 802 million decreased by 6% compared to same period at the previous year. Revenues from sales and services in nine-month/2017 were THB 2,378 million decreased by 9% compared to same period at the previous year.

### Gross margin

Gross margin in Q3/2017 was THB 166 million increased by 27% compared to the same period at the previous year. Gross margin in nine-month/2017 was THB 431 million decreased by 6% compared to the same period at the previous year.

Gross margin on sales in Q3/2017 was 20.7% increased by 5.5% compared to the same period at the previous year.

### Selling and Administrative Expenses

Selling and Administrative expenses in Q3/2017 was THB 226 million consisting of selling expenses (THB 126 million) and administration expenses (THB 100 million). Selling expenses and Administrative expenses in Q3/2017 increased by 13% compared to the same period at the previous year. Selling and Administrative expenses of the consolidated accounts in Q3/2017 was higher than last year at the same period mainly due to marketing expenses in advertising and presenter to motivate customer to use its services.

SG&A as % to sales in Q3/2017 was 28.2% increased by 4.8% compared to the same period at the previous year.

### **Loss on impairment of investment in subsidiary**

In Separate Financial Statement, Loss on impairment of investment in subsidiary in 3Q/2017 was THB 150 and loss on impairment of investment in subsidiary in nine-month/2017 was THB 372 million. Due to the carrying loss over last several quarters, the impairment was recognized. If this subsidiary company has positive margin, this transaction will be reversed and recognize as income.

### **Financial costs**

Financial costs in Q3/2017 was THB 42 million decreased by 15% compared to the same period at the previous year, Financial costs in nine-month/2017 was THB 126 million decreased by 13% compared to the same period at the previous year,

### **Net income/ Loss**

In Q3/2017, the Company made a loss of THB 110 million or -13.7% and loss from portion of the Company's shareholders of THB 37 million or -4.7%.

### **The waiver of subscription right to capital increase of That'so Asia Corporation Limited**

On 24 October 2017, the Extraordinary Shareholders' Meeting of That'so Asia Corporation Company Limited ("That'so") passed a resolution to increase its registered share capital totaling Baht 100 million from THB 200 million to THB 300 million by issuing 1,000,000 ordinary shares with a par value Baht 100 to the existing shareholders in proportion 2:1. EFORL invested in That'so 360,000 shares or THB 36 million or 18% of total shares before increased newly share capital.

At the Board of Director's Meeting of EFORL No. 19/2017 held on 10 November 2017, the Board passed a resolution to waive the subscription right for share in That'so resulting investment in That'so to 12% of shares after increase newly share capital. That'so informed us that the remaining shares will be distributed to director of That'so accordingly.

Please be informed accordingly.

Yours sincerely,

(Mr.Apirak Kanchanakongkha)  
Assistant Managing Director