

EFORL IR010/2018

March 20, 2018

Subject: Management Discussion and Analysis Yearly Ending 31 December, 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 the year ended 31 December 2017

Financial performances Comparison is as follows:

THB'000	Consolidated		Δ%	Separate		Δ%
	2017	2016		2017	2016	
REVENUES FROM SALES AND SERVICES	2,473,795	3,672,528	-33%	1,631,566	1,812,983	-10%
Interest income	1,045	1,896	-45%	36,148	21,274	70%
Dividend income	-	-		35,000	20,000	75%
Other income	34,987	79,607	-56%	9,890	14,041	-30%
Total Revenues	2,509,827	3,754,031	-33%	1,712,604	1,868,298	-8%
Profit (loss) before loss from allowance margin	(514,097)	(402,937)	-28%	145,783	163,287	-11%
	-20%	-11%		9%	9%	
Profit / (Loss) before interest and taxation	(2,202,353)	(1,092,907)	-102%	(1,134,625)	(170,404)	-566%
Margin	-88%	-29%		-66%	-9%	
Profit / (Loss) for the period	(2,415,470)	(1,286,366)	-88%	(1,261,212)	(300,144)	-320%
Margin	-96%	-34%		-74%	-16%	
Portion of the Companies' shareholders	(1,163,113)	(614,448)	-89%	(1,261,212)	(300,144)	-320%
Margin	-46%	5%		-17%	29%	

Financial performance in 2017

Revenues from sales and services of EFORL and its subsidiaries in 2017 was THB 2,474 million decreased by 33% compared with the same period last year. The decreasing revenue derived from sale and services by THB 230 million or 11% and THB 969 million or 60% respectively.

A decrease in total revenues was mainly derived from services income from beauty services business, Wuttisak Clinic Intergroup Co., Ltd. This is because the changing business model from company owned to franchise model, affecting to the revenue recognition. According to IFRS No. 5, the company has to recognise net income for discontinued operations separate from detail normal profit and loss statement. As beauty industry is in the red ocean many players including hospitals are developing as

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dermatology and plastic surgery center to provide specialized services by the dermatologists and / or anti-aging. In addition the services and equipment are not differentiated; therefore, pricing strategy is the key tool for this industry.

According to performance loss and franchise model concept, it affects with significant drop of the business valuation of the subsidiary company. In 2017, the Company has to recognize loss from allowance goodwill and intangible assets (international expansion) from the beauty business of THB 1,858 million. The consolidated loss of YE 2017 is THB 2,415 million, increasing by 88% from last year (YE 2016: THB 1,286 million).

Whereas the separate financial statement presented the impairment of investment in subsidiary company is THB 1,376 million. The loss for the period of YE 2017 is THB 1,261 million increasing by 320% from last year (YE2016: 300 million).

Such provision for impairment is based on the conservative concept. If the company is able to solve the performance of the subsidiary company, the relating provision should not be concerned any longer.

2. Financial Performance Summary – by business

Revenues by business THB'000	Consolidated		
	2017	2016	Δ%
Distributor of medical devices and equipment	1,782,400	2,030,554	-12%
Margin	624,148	748,404	-17%
Beauty services	691,395	1,642,284	-58%
Margin	(178,013)	(54,232)	-228%

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 for the year ended 31 December 2017 was THB 1,782 million decreased by 12% compared with the same period last year.

In 2016 the government had the policy to motivate to use its budget to purchase medical devices and deliver all products in December 2016 whereas no any policy to be incurred in this year. In addition public hospitals, major customers of the Company, have faced the liquidity problems; therefore, the Company has to consider the credit risk of its customers, resulting in drop in revenue in 2017.

However, Thailand is currently well-position to be a medical hub of Asia, new hospitals are planned to build to serve customers. In addition government policies aim to promote 'Thailand, a hub of wellness and medical services' over a ten-year time frame from 2016-2025 reflecting all hospitals to prepare resource to support their services to all customers. The Company, leading distributor of medical device, is developing new products; medical software, together with plan to shift from distributor to manufacture to serve variety services built the positive revenue in the near future.

Gross margin for the year ended 31 December 2017 from distributor of medical devices and equipment business was THB 624 million decreased by 17% compared with the same period last year. Gross margin accounted to 35%. The revenues from distributor of medical devices and equipment business by total revenues were 72%.



Beauty service business

Beauty service business has been operated by Wuttisak Clinic InterGroup Co., Ltd. (“WCIG”) (held shares by subsidiary) and SiamSnail Co., Ltd. (Subsidiary). The revenues from beauty service for the year ended 31 December 2017 was THB 691 million decreased by 58% compared with the same period last year. Significant drop in revenues mainly changing business model to franchise model; therefore, the Company has to recognize net income for discontinued operations separate from detail normal profit and loss statement. As beauty industry is still growth, this motivates new investor to entry into this business; beauty clinic industry is significant rising competition. Many players including hospitals are developing as dermatology and plastic surgery center to provide specialized services by the dermatologists and / or anti-aging. In addition the services and equipment are not differentiated; therefore, pricing strategy is the key tool for this industry.

The Company expected that the cooperation with new business alliance and new management team will revive Wuttisak clinic to be number one clinic in the near future.

Siam snail has launched new product under brand “Snail 8” to support customer satisfaction and to create the differentiated products expand to more distribution channel.

Negative gross margin from beauty service business for the year ended 31 December 2017 was 178 million or decreased by 228% compared to the last period. Proportion of revenues beauty service business per total revenues was 28%.

3. Key Highlights for performance for the Year 2017 and Year 2016

THB*000	Consolidated		Δ%	2017	Separate 2016	Δ%
	2017	2016				
Revenues from sales and services	2,473,795	3,672,528	-33%	1,631,566	1,812,983	-10%
Costs of sales and services	2,028,370	(2,979,298)	-32%	(1,068,030)	(1,177,213)	-9%
Gross margin	445,425	693,230	-36%	563,536	635,770	-11%
Interest income	1,045	1,896	-45%	36,148	21,274	70%
Dividend income	-	-		35,000	20,000	75%
Other income	34,987	79,607	-56%	9,890	14,041	-30%
Selling expenses	(474,193)	(475,030)	0%	(286,193)	(315,317)	-9%
Administrative expenses	(351,031)	(518,762)	-32%	(117,400)	(110,274)	6%
Impairment of investment in subsidiary	-	-		(1,375,606)	(399,898)	244%
Loss from allowance of investment in other companies	-	(36,000)	-100%	-	(36,000)	-100%
Loss from allowance of intangible assets	(523,704)	-		-	-	
Loss from allowance of goodwill	1,334,882	(837,848)	59%	-	-	
Financial cost	(170,330)	(183,878)	-7%	(95,198)	(102,207)	-7%
Profit / (Loss) before taxation	(2,372,683)	(1,276,785)	86%	(1,229,823)	(272,611)	351%
Taxation			-190%		(27,533)	14%



THB'000	Consolidated		Δ%	2017	Separate 2016	Δ%
	2017	2016				
	8,634	(9,581)		(31,389)		
Income for the year – continued operations	(2,364,049)	(1,286,366)	84%	(1,261,212)	(300,144)	320%
Income for discontinued operations	(51,421)	-		-	-	
Profit / (Loss) for the period	(2,415,470)	(1,286,366)	88%	(1,261,212)	(300,144)	320%
Allocation of Income						
Portion of the Companies' shareholders	(1,163,113)	(614,448)	89%	(1,261,212)	(300,144)	320%
Portion of non-controlling interests	(1,252,357)	(671,918)	86%	-	-	
Key Financial Ratios						
Gross profit margin	18.0%	18.9%	-0.9%	34.5%	35.1%	-0.5%
SG&A as % to sales	-33.4%	-27.1%	-6.3%	-24.7%	-23.5%	-1.3%
Net profit margin	-97.6%	-35.0%	-62.6%	-77.3%	-16.6%	-60.7%
Net profit margin (Portion of the Company's shareholders)	-47.0%	-16.7%	-30.3%	-77.3%	-16.6%	-60.7%

Revenues from sales and services

Revenues from sales and services in 2017 were THB 2,474 million decreased by 33% compared to same period at the previous year.

Gross income

Gross income in 2017 was THB 445 million decreased by 36% and gross margin on sales was 18.0% decreased by 0.9% compared to the same period at the previous year.

Selling and Administrative Expenses

Selling and Administrative expenses in 2017 were THB 825 million consisting of selling expenses (THB 474 million) and administration expenses (THB 351 million). Selling and administration expenses in 2017 decreased by 17% compared to the same period at the previous year. The decreased in administrative expenses mainly because the provision for doubtful debts and closed branches over THB 150 million was recognised during 2016.

Impairment of investment in subsidiary

Impairment of investment in subsidiary of THB 1,376 million is presented in the separate profit and loss statement for fiscal year 2017 relating to investment in WCI Holding Company Limited. As the performance of subsidiary company has not been met the target, the provision is provided. However, if the performance of the company is turnaround to positive, such provision will be reversed.

Loss from allowance of intangible assets

Loss from allowance of intangible assets of THB 524 million is presented in the consolidated financial statements related to the international expansion included in the intangible assets. As the current management team of subsidiary company does not have the solid plan shift to the international market, providing to the independent valuer and auditors, this transaction is fully provided.

Loss from allowance of goodwill

Loss from allowance of goodwill of THB 1,335 million is presented in the consolidated financial statements came from the significant loss and new business plan is in the startup process without solid plan



to be supported the financial projection. This is resulting in the decrease in business valuation than last period and the fully provision of goodwill to be provided.

Financial costs

A financial cost in 2017 was THB 170 million decreased by 7% compared to the same period at the previous year.

Net income/ Loss

In 2017, the Company made a loss of THB 2,415 million or -97.6% and loss from portion of the Company's shareholders of THB 1,163 million or -47.0%.

Please be informed accordingly.

Yours sincerely,

(Mr. Teerawut Pangviroonrug)
Chief Executive Officer



