

Ref.: EFORL IR007/2020

March 4, 2020

Subject: Management Discussion and Analysis Yearly Ending 31 December, 2019

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 2019

Financial performances Comparison is as follows:

Baht'000	Consolidated F/S		Δ%	Separate F/S		Δ%
	2019	2018		2019	2018	
Revenues from Sales and						
Services	1,921,477	2,060,114	-7%	1,518,926	1,640,996	-7%
Other income	72,604	338,396	-79%	52,158	25,568	104%
Total Revenues	1,994,081	2,398,510	-17%	1,571,084	1,666,564	-6%
Profit (loss) before loss from						
allowance	(184,851)	149,195	-224%	38,502	129,365	-70%
margin	-10%	7%		3%	8%	
Profit / (Loss) before interest						
and taxation	(558,040)	(221,748)	152%	(271,431)	(500,440)	-46%
Margin	-29%	-11%		-18%	-30%	
Profit / (Loss) for the period						
Margin	(590,582)	(344,719)	71%	(358,157)	(621,089)	-42%
Margin	-31%	-17%		-24%	-38%	
Portion of the Companies'						
shareholders	(272,672)	(166,308)	64%	(358,157)	(621,089)	-42%
Margin	-14%	-8%		-24%	-38%	

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Financial performance in 2019

Revenue from sales and services for the year 2019 is Baht 1,921 million decreased by 7% compared to the previous year. It derived from:

- Revenues from sales and services of medical device business for the year 2019 were Baht 1,798 million decreased by 3% in comparison with the previous year, due to the delay approval process of budget expenditure of the government for the 2020 fiscal year.
- Revenues from sales and beauty treatment services for the year 2019 were Baht 123 million decreased by 42% in comparison with the previous year. Due to highly competitive market in beauty business (both direct and indirect competitors); hospitals are also developing as dermatology and plastic surgery center to provide specialized services by the dermatologists and / or anti-aging, resulting in some of franchise branches and WCIG branches have been closed.

According to loss performance and franchise model concept, it affects with significant drop of the business valuation of the subsidiary company due to the recoverable amount is lower than the carrying amount. In 2019, the consolidated financial statements has recorded loss from impairment of Baht 456 million consisting of impairment trademark. The consolidated loss of the year end 2019 is Baht 591 million, increasing by 115% from last year (YE 2018: Baht 345 million).

Whereas the separate financial statement presented the loss on impairment of Baht 360 million consisting of impairment of investment in subsidiary is Baht 10 million and loss on loan to subsidiary of Baht 350 million. The loss for the period of YE 2019 is Baht 358 million decreasing by 42% from last year (YE2018: 621 million).

However the Company is in the action process to decrease the proportion shareholding in beauty business to reduce the negative impact to the Company. The Company; therefore, has a plan to acquire land and buildings to do the new business relating to the main business of the Company and make the payment for assets acquisition with share of WCIH not exceeding of 101,849,993 shares or 56% of total WCIH shares resulting in termination recognition WCIH as subsidiary company.

2. Financial Performance Summary – by business

Revenues by business Baht'000	Consolidated		
	2019	2018	Δ%
Distributor of medical devices and equipment	1,736,795	1,828,053	-5%
Margin	624,388	649,877	-4%
Beauty services	184,682	232,061	-20%
Margin	(43,307)	(22,995)	88%

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).

In the year 2019, revenues from sales and services from Distributor of medical devices and equipment is Baht 1,737 million decreased by 5% compared with the previous year due to the delay approval process of budget expenditure of the government for the 2020 fiscal year.

However, in the period 2019-2021, medical device business is expected to be growth at an average rate of 8.5-10.0% per year. This growth will be supported by: (i) government policy, focused on promoting investment in the sector through the offering of special investment privileges and the establishment of an official target for Thailand to become a medical hub and a center for the export of medical devices by 2020; (ii) the rising trend of illness in Thais, especially heart disease, stroke, cancer and diabetes due partly to the increasing number of elderly; (iii) the increasing proportion of foreign patients coming for medical treatment in Thai hospitals due to credibility of quality and standard of medical treatment amid upward trend of expatriates and medical tourists; and (iv) plans by existing hospital operators to invest in new hospitals and medical equipment that will support continuous growth momentum in demand for medical devices in Thailand.

In 2019, the Company has improved and increased the sales team to increase sales efficiency in distributor of medical devices and equipment business, expanding the existing customer base and new customers and increase new products such as Early Warning Score Program (EWS): Program to warn and aware to protect Septicemia, Linkage system of other medial with Anesthesia Record System, Program to view and collect information of Electrocardiogram and automatic linkage with Hospital Information System (HIS), Program to send information from sphygmomanometer and

automatic linkage with Hospital Information System (HIS), Create and develop an Automated External Defibrillator Networking Control System and Smart OPD and IPD system.

Gross margin for the year 2019 from distributor of medical devices and equipment business is Baht 624 million decreased by 4% compared with the same period last year. Gross margin accounted to 36.0%. The revenues from distributor of medical devices and equipment business by total revenues are 90.4%.

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 2019 was Baht 185 million decreased by 20% compared with the same period last year. This came from highly competitive with many players, pricing strategy is the key tool for this industry and customer behavior changed from treatment to plastic surgery concept.

Negative gross margin from beauty service business for the year 2019 was Baht 43 million or decreased by 88% compared to the last period. Proportion of revenues beauty service business per total revenues was 9.6%.

3. Key Highlights for performance for the Year 2019 and Year 2018

Baht'000	Consolidated F/S		Δ%	Separate F/S		Δ%
	2019	2018		2019	2018	
Revenues from sales and services of medical equipment	1,798,286	1,849,140	-3%	1,518,926	1,640,996	-7%
Revenues from sales and beauty treatment services	123,191	210,974	-42%	-	-	
Total revenues from sales and services	1,921,477	2,060,114	-7%	1,518,926	1,640,996	-7%
Costs of sales and services of medical equipment	(1,149,263)	(1,183,532)	-3%	(972,187)	(1,057,056)	-8%
Costs of sales and beauty treatment services	(192,100)	(247,471)	-22%	-	-	
Total costs of sales and services	(1,341,363)	(1,431,003)	-6%	(972,187)	(1,057,056)	-8%
Gross profit	580,114	629,111	-8%	546,739	583,940	-6%
Other income	72,604	338,396	-79%	52,158	25,568	104%
Selling expenses	(440,230)	(358,432)	23%	(290,389)	(291,139)	0%

Baht'000	Consolidated F/S		Δ%	Separate F/S		Δ%
	2019	2018		2019	2018	
Administrative expenses	(314,967)	(325,688)	-3%	(219,509)	(117,590)	87%
Loss on impairment of investment in subsidiary	-	-		(10,200)	(436,500)	-98%
Loss on impairment of loans to subsidiary	-	-		(350,230)	(264,719)	32%
Loss on impairment of assets	(455,561)	(505,135)	-10%	-	-	
Finance costs	(82,372)	(134,192)	-39%	(50,497)	(71,414)	-29%
Loss before income tax	(640,412)	(355,940)	80%	(321,928)	(571,854)	-44%
Income tax income (expense)	49,830	13,925	258%	(36,229)	(49,235)	-26%
Loss for the year - continued operations	(590,582)	(342,015)	73%	(358,157)	(621,089)	-42%
Loss - discontinued operations	-	(2,704)	-100%	-	-	
Loss for the year	(590,582)	(344,719)	71%	(358,157)	(621,089)	-42%
Other Comprehensive Income (Loss)						
Items that will be reclassified subsequently to profit or loss:						
Surplus on land revaluation – net of tax	-	66,240	-100%	-	-	
Items that will not be reclassified subsequently to profit or loss:						
Actuarial gains (loss) - net of tax	-	4,273	-100%	-	498	-100%
Total Comprehensive Income (Loss) for the year	(590,582)	(274,206)	115%	(358,157)	(620,591)	-42%
Loss for the year attributable to						
Equity holder of the Company	(272,672)	(166,308)	64%	(358,157)	(621,089)	-42%
Non-controlling interests	(317,910)	(178,411)	78%	-	-	
	(590,582)	(344,719)	71%	(358,157)	(621,089)	-42%
Total Comprehensive Income (Loss) for the year attributable to						
Equity holder of the Company	(272,672)	(121,712)	124%	(358,157)	(620,591)	-42%
Non-controlling interests	(317,910)	(152,494)	108%	-	-	
	(590,582)	(274,206)	115%	(358,157)	(620,591)	-42%

Baht'000	Consolidated F/S		Δ%	Separate F/S		Δ%
	2019	2018		2019	2018	
Basic Earnings (Loss) per share						
Loss (Baht per share)	(0.0085)	(0.0073)	16%	(0.0111)	(0.0273)	-59%
Weighted average number of common shares (Thousand shares)	32,216,852	22,740,610	42%	32,216,852	22,740,610	42%
Key Financial Ratios						
Gross Profit Margin	30.2%	30.5%	-0.3%	36.0%	35.6%	0.4%
SG&A as % to Sales	39.3%	33.2%	6.1%	33.6%	24.9%	8.7%
Net Profit Margin	-30.7%	-16.7%	-14.0%	-23.6%	-37.8%	14.3%
Net Profit Margin (Portion of the Company's shareholders)	-14.2%	-8.1%	-6.1%	-23.6%	-37.8%	14.3%

Revenues from sales and services

In 2019 revenues from sales and services was Baht 1,921 million decreased by 7% compared to same period at the previous year due to decrease in revenue of beauty business.

Gross profit

Gross income in 2019 was Baht 580 million decreased by 8% and gross margin on sales was 30.2% decreased by 0.3% compared to the same period at the previous year.

Other income

Other income consist of interest income, dividend, gain on sell assets, reversed the provision doubtful debts and others. In 2019 group of the companies has other income of Baht 73 million decreased by Baht 266 million or 79% compared with the same period of last year. This is because the Company has gain on sell assets Baht 308 million relating with franchise agreement.

Selling and Administrative Expenses

Selling and Administrative expenses in 2019 were Baht 755 million consisting of selling expenses (Baht 440 million) and administration expenses (Baht 315 million). Selling and administration expenses in 2019 increased by 10.4% compared to the same period at the previous year.

Loss on impairment of investment in subsidiary and loan to subsidiary

In separate accounts in the year 2019, the Company has loss on impairment of investment in subsidiary of Baht 10 million and loss on impairment from loan to subsidiary of Baht 350 million

came from the subsidiary had loss performance resulting in the recoverable amount is lower than the carrying amount of investment.

To reduce the negative impact of the Company, the Company has a plan to dispose the investment in beauty business which may affect the investment in WCIH as the Company's subsidiary termination. In addition the Company will be able to recognize income/gain on disposed investment in total received amount.

Loss on impairment of assets

The consolidated performance in the year 2019, the group of the companies has recognised loss on asset impairment of Baht 456 million in term of Trademark.

Financial costs

In 2019 the group of companies has a financial cost of Baht 82 million decreased by 39% compared to the same period at the previous year. This is because the Company made the payment to financial institutions.

Net income/ Loss

In 2019, the Company made a loss of Baht 591 million or profit/(loss) margin of -30.7% and loss from portion of the Company's shareholders of Baht 273 million or -14.2%.

According to Loan of Wuttisak Clinic Intergroup Co., Ltd. ("WCIG") to TPN 2018 Co., Ltd. totaling of Baht 100 million, the Company would like to report the progress of this transaction that during Q4/2019 WCIG sent the notification letter to TPN requesting the debt payment. In addition WCIG currently considers other plan/methods to follow up TPN to pay the debts.

Please be informed accordingly.

Yours sincerely,

Preecha Nuntnarumit

(Mr.Preecha Nuntnarumit)

Chief Executive Officer