

October 17, 2022

Subject Management Discussion and Analysis of the Company's Performance for the 2021 Financial Statements

To President
The Stock Exchange of Thailand

Asia Medical and Agriculture Laboratory and Research Center Public Company Limited (“the Company”) would like to inform the Company's performance and submit the financial statement for the year 2021 ended December 31, 2021, which has been audited by certified public accountant to the Stock Exchange of Thailand. The Company reported net profit THB 24.86 million. In this regard, the Company would like to explain the reasons for its performance as follows.

Revenue Structure

Revenue	Financial Statements					
	2019		2020		2021	
	THB million	%	THB million	%	THB million	%
1. Revenue from Testing Service						
1.1 Agricultural and Food	175.03	88.38	194.19	88.19	200.85	80.81
1.2 Agricultural Production Factor and Environment	4.45	2.24	3.52	1.60	4.11	1.65
1.3 Pharmaceuticals	6.56	3.31	9.05	4.11	11.90	4.79
Total revenue from Testing Service	186.04	93.94	206.76	93.90	216.86	87.25
2. Revenue from Calibration Service	7.83	3.95	7.72	3.51	8.30	3.34
3. Revenue from Inspection and Certification Service	3.88	1.96	5.25	2.39	20.79	8.37
Total Service Revenue	197.75	99.85	219.74	99.79	245.95	98.95
4. Other Revenue ^{1/}	0.29	0.15	0.45	0.21	2.60	1.05
Total Revenue	198.04	100.00	220.19	100.00	248.55	100.00

Remark: ^{1/} Other revenue including revenue from training service, insurance compensation, interest income and accounting adjustment

Analysis of Financial Position and Results of Operations

Results of Operations

The Company provides comprehensive scientific services for the agriculture, food, pharmaceutical and environment sectors; including testing, calibration, inspection and certification according to international quality standards. The Company's revenues can be classified into 3 groups as follows:

(1) Testing services can be divided by types of products into 3 types as follows:

(1.1) Agriculture and Food Product

In 2020, the Company's revenues from agricultural and food product testing services increased by THB 19.16 million, representing an increase of 10.95% compared to the previous year. The main reasons are the growth of vegetable and fruit testing service for export, agricultural and food safety projects testing for Hypermarket in other scopes, as well as the projects from the new large-scale retail establishment.

In 2021, The Company's revenues from agricultural and food product testing services increased by THB 6.66 million, representing an increase of 3.43% compared to the previous year since the Company was contracted for additional testing from large private agricultural producers and distributors company group, as well as for agricultural product testing from government agencies.

(1.2) Agricultural Production Factor and Environment

In 2020, The Company's revenues from agricultural production factor and environment testing services decreased by THB 0.92 million, representing a decrease of 20.80% compared to the previous year. The main reason is the revenue from research and efficacy tests of agricultural hazardous substances decreased since the limitation of on-site research in various regions during the Covid-19 pandemic.

In 2021, the Company's revenues from agricultural production factor and environment testing services increased by THB 0.59 million, representing an increase of 16.65% compared to the previous year since the growth of fertilizer testing services, which the Company started to provide the service in 2021, for requesting production registration, as well as the expansion of research and efficacy tests of agricultural hazardous substances services.

(1.3) Drugs, Herbs, Supplementary foods, and Cosmetics

In 2020, The Company's revenues from drugs, herbs, supplementary foods, and cosmetics testing services increased by THB 2.49 million, representing an increase of 37.91% compared to the previous year since the Company was accredited for more heavy metals testing scope. Therefore, the Company was contracted for more heavy metals testing in drugs and herbs from both existing and new customers.

The Company's revenues from drugs, herbs, supplementary foods, and cosmetics testing services increased by THB 2.85 million in 2021, representing an increase of 31.47% compared to the previous year. The main reason is that the Company was increasingly hired for the element and contaminants in drug testing from leading drug manufacturers and distributors, and government agencies.

(2) Calibration Services

In 2020, the Company's revenues from calibration services slightly decreased due to the limitation of on-site calibration services during Covid-19. However, the Company's revenues as a service provider for government agencies increased from the previous year through the auction of government agencies' calibration projects. The Company focused on expanding the market to serve the importers and distributors of scientific instruments; therefore, the revenue from such service was not much affected.

In 2021, The Company's revenues from calibration services increased by THB 0.58 million, representing an increase of 7.53% compared to the previous year since the Company was contracted from the auction of a large public university hospital's calibration project.

(3) Inspection Body and Certification Body Services

In 2020, the Company's revenues from inspection body and certification body services increased by THB 1.37 million, representing an increase of 35.31% compared to the previous year since the Company is accredited as an inspection body and certification body in the field of crops, rice, and food safety from the National Bureau of Agricultural Commodity and Food Standards (ACFS); therefore, the Company was increasingly hired from government agencies. Furthermore, the Company started to receive revenues through providing services to private customers, which is the scope of Good Manufacturing Practice (GMP) for the packing house of vegetables and fruits for distribution or export.

In 2021, the Company's revenues from inspection body and certification body services increased by THB 15.54 million, representing an increase of 295.83% compared to the previous year since the Company was continually hired from government agencies in the scope of crops and rice due to the government's policy to enhance Good Agricultural Practices (GAP) standard for upcountry.

The Company's expenses include cost of services, selling and administrative expenses and financial costs. The cost of services can be divided into 3 groups according to the types of business.

For the years 2019, 2020, and 2021, the Company's cost of testing services were THB 104.91 million, THB 109.42 million, and THB 112.51, representing a gross profit margin of 43.61%, 47.08%, and 48.12%, respectively. The main costs include the cost of chemicals used in the testing, cost of supplies, scientists' salaries, and

depreciation of laboratory tools and equipment. The gross profit margin of testing services continually increased mainly owing to the economies of scale from the growth of revenue and the potential to expand the market to maximize service capacity through both the existing services and a new scope of services that existing tools could provide services.

For the years 2019, 2020, 2021, and for the first three months of 2022, the Company's cost of calibration services were THB 8.57 million, THB 7.81 million, THB 7.89 million, and THB 1.99 million, representing a gross profit margin of (9.46)%, (1.20)%, 5.00%, and 11.72%, respectively. The main costs include the cost of supplies, scientists' salaries, and depreciation of laboratory tools and equipment. From 2019 to 2020, the gross profit of calibration services was negative since the Company was unable to expand the market to reach the economies of scale, which allows the business to have a gross profit. However, due to the effort on market expansion and cost control measures, the gross profit and gross profit margin would be in a better direction in 2021.

For the years 2019, 2020, and 2021, the Company's cost of inspection body and certification body services were THB 3.18 million, THB 4.82 million, and THB 18.65 million, representing a gross profit margin of 18.02%, 8.19%, and 10.31%, respectively. The main costs include inspectors' salaries and outsourcing of external inspectors ("Subcontractor"). In 2020, the gross profit margin decreased from the previous year since the inspectors have been continually increasingly hired according to the additional existing scope of services expansion plan and new scope of services expansion plan. In 2021, the gross profit margin of inspection and certification body services decreased from the previous year since the Company hired more subcontractors to serve the increased volume of service needs which corresponded to a significant increase in revenues from providing services to government agencies in the scope of crops, rice, and food safety.

For the years 2019, 2020, and 2021, The Company's selling expense were THB 13.74 million, THB 15.80 million, and THB 15.28 million, representing 6.95%, 7.19%, and 6.21% of service revenue, respectively. In 2020, the Company's selling expenses increased by 14.96% due to an increase in employee expenses. This was mainly due to an increase in the number of account management department's personnel because the Company terminated the outsourcing contract with ABMC, the marketing consultant, in September and instead employed the Company's personnel. In 2021, the Company selling's expenses decreased by 3.30% due to the Company's expense control measures.

For the years 2019, 2020, and 2021, The Company's administrative expenses were THB 45.66 million, THB 48.70 million, and THB 59.86 million, representing 23.09%, 22.16%, and 24.34% of service revenue, respectively. In 2020, the Company's administrative expenses increased by 6.67% due to an increase in the number of administrative department's employees, as well as an increase in depreciation of office building after the Company bought the office building from LPH in 2020. In 2021, the administrative expenses increased by 22.91%

due to an increase in the number of managements, an increase in directors' meeting allowances on the additional appointment of committees in January, and expenses related to the advisory fees for preparing to be listed on the Stock Exchange of Thailand.

Operating Income and Net Income

In 2020, the Company's operating profit margin and net profit margin increased to 15.28% and 12.91%, respectively due to an increase in revenue from vegetable and fruit testing service for export, as well as the project from Hypermarket, which resulted in increased economies of scale. Furthermore, the Company's revenue increased from the inspection body and certification body service, while selling and administrative expenses ratio was similar to the previous year; therefore, the operating profit margin and net profit margin of the Company increased.

In 2021, the Company's operating profit margin and net profit margin were 13.83% and 10.00%, respectively, which decreased from the previous year. Although the total services revenue increased, the Company's cost of services ratio increased due to outsourcing subcontractors for inspection body and certification body service to serve more volume of work. The Company's administrative expenses ratio increased due to depreciation of office building and advisory fees for preparing to be listed on the Stock Exchange of Thailand.

Financial Position

Assets

As of December 31, 2019, 2020 and 2021, and June 30, 2022, the Company's total assets were THB 277.13 million, THB 417.47 million, THB 448.13 million, and THB 486.59 million, respectively. The Company's total assets grew since the Company bought an office building from LPH for using as the headquarters. In addition, the Company invested in laboratory tools and equipment for preparing to expand the scope of services in accordance with the Company's business plan in the future.

Liabilities

As of December 31, 2019, 2020 and 2021, and June 30, 2022, the Company's total liabilities were THB 104.87 million, THB 223.80 million, THB 236.29 million, and THB 277.04 million, representing 37.84%, 53.61%, 52.73%, and 56.94% of total assets, respectively. The Company's total liabilities increased due to an increase in long-term loans from financial institutions for investing in the office building, and an increase in lease liabilities for laboratory tools and equipment.

Shareholders' Equity

As of December 31, 2019, 2020 and 2021, and June 30, 2022, the Company's shareholders' equity were THB 172.26 million, THB 193.67 million, THB 211.84 million, and THB 209.55 million, representing 62.16%, 46.39%, 47.27%, and 43.06% of total assets, respectively. The shareholders' equity increased due to an increase in revenue from testing services; therefore, the retained earnings of the Company increased.