



กลุ่มโรงพยาบาลจุฬารัตน์
CHULARAT HOSPITAL GROUP



ANNUAL REPORT 2019

TABLE OF CONTENTS

| | |
|--|-----|
| <i>Message from Chairman of the Board of Directors</i> | 3 |
| <i>Message from Chief Executive Officer</i> | 5 |
| BOARD OF DIRECTORS | 7 |
| FINANCIAL SUMMARY | 25 |
| <i>General Information</i> | 27 |
| <i>Policy and Business Overview</i> | 29 |
| <i>Business Operation</i> | 41 |
| <i>Risk Factors</i> | 74 |
| <i>Shareholding Structure and Management</i> | 80 |
| <i>Corporate Governance</i> | 104 |
| <i>Corporate Social Responsibility</i> | 127 |
| <i>Internal Control and Risk Management</i> | 142 |
| <i>Cross Transactions</i> | 149 |
| <i>Management Discussion and Analysis</i> | 154 |
| <i>Report of the Board of Directors on Financial Statement</i> | 176 |
| <i>The Audit Committee Report to Shareholders</i> | 177 |
| <i>Internal Control System Sufficiency Evaluation Form</i> | 179 |
| <i>Financial Statements</i> | 192 |

MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

Dear Shareholders,

During the last Hamburger crisis just 10 years ago, someone wrote that, “When the US catches cold, it causes the rest of the world to sneeze, but when China sneezes, the rest of the world will catch cold”. From this analogy, it is vividly clear to me about the present situation, where in China alone, the government is coping with nearly 80,000 people hospitalized with Covid-19 disease. About 10,000 more cases across 60 other countries are either patients under investigation or treated for Covid-19 with varying symptoms. To date, over 3,000 deaths have been recorded. A pandemic of Covid-19 outbreak is looming in the horizon, so we just get the alarm from WHO.

Covid-19 is causing tremendous turbulence to our world: some even say more cruel than a world war. People just stop seeing one another; in everybody’s mind, how can I avoid it? Will I be cured and where, if I were unlucky enough to catch it. How can I avoid going to such big party, knowing there may not be enough protective gears for all. Some even compares Covid-19 to a big warfare where no one can get out of the war zone.

When this message was sent to the press, CHG 1Q20 operating result would likely be less impressive than the 4Q19 result, which ended with a note of 2 Digits growth in operating income and net profit, just to be overshadowed by the government’s announcement that Thailand is one of the front line states fighting the Covid- 19 outbreak like 60 other countries worldwide, without any end in sight. Like all other previous disease outbreaks, we are almost there to combat this Covid- 19 with effective drugs and vaccine, but what I want to share with you is, thing may get worse before it gets better.

Ironically, only two months ago, we were asked to remind ourselves not to leave home without carrying your own shopping bags, as no more free bags from the stores. A lot sooner than that, we were asked not leave home without wearing a mask to be safe from PM 2.5 polluting the air we breath. Now, we are told to avoid gathering in big groups or crowds, lest we may be infected unknowingly with the Covid-19 disease. Worst still we may end up passing it on to our love ones at home and office colleagues.

In a situation such as this, what would our life be if we continue to live as if tomorrow the sun will rise and life just goes on. Isn’t it time to renovate our ways of life and recreate the way we look at it, so that we may come into more harmony with this world and become more resilient with the environment around us, hostile or otherwise. It goes without saying

that life is full of ups and downs. Such are the vicissitudes of lives; a straight line for life: there's just none. A few examples. What does it take for the company where we work to see that we are indeed an indispensable part of the organization. For the company's survival, do they need to remodel their business and/or review their clients list, to give value where it is due for sustainability.

According to Gates, Covid - 19 poses a serious threat to the world because it seems far more deadly and contagious than many deadly viruses. "First, it can kill healthy adults in addition to elderly people with existing health problems, " he wrote. "Second, Covid- 19 is transmitted quite efficiently". So, no matter who you may be, either we come out of this outbreak together or we will have no place to live in this world. There is no better solution; either we survive or we perish together.

If someone tells me the sky is falling, never will I ever believe him, neither will you. Such fear is absolutely groundless. But I believe what Gates says, and I urge you to do the same.

Finally, sooner than later this pandemic of Corona -19 will become just a page in the history of mankind continuous struggle with many other pandemic of viruses before this one. No one knows what our next challenge will be, but one thing that we can do is to always stay in good health and be resilient in all kinds of situation to survive, come what may.

Yours sincerely,

Kriengsak Plussind

Chairman of the Board

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

Dear Shareholders,

In the year 2019 is considered to be another good year for Chularat Hospital Group (CHG). Although Thailand's economy is in a decline, with a gross domestic product growth rate of 2.4 together with various environmental factors that affects overall image of the private hospital sector. But we are able to achieve our goals with revenue growth rate of 17 percent and net profit margin of 14 percent which illustrate the hard work from Chularat executives and every staffs. I would like to appreciate all the hard works and dedication.

Over the past 31 years, one of the things that CHG places as a high priority from past to present is the consideration of patients' safety and satisfaction. This is evidenced by recognition and accreditation by both international and local organization of Joint Commission International (JCI) and Healthcare Accreditation (HA) standard of Chularat 3 Inter Hospital, Chularat 9 Airport Hospital and Chularat 11 Inter Hospital. Furthermore, CHG also cooperate with government agencies to promote healthcare policies which give ease of access to medical care for patients by being a social security office contracted hospital. This year, Chularat 3 Inter Hospital received a top of mind award from the Social Security Office, one of our government partners that we have always cooperate in taking care of patients covered under Social Security Office.

As CHG intended to operate our business by adhering to ethics and good corporate governance principle to all parties, creating trust among all parties resulting in a good performance team. These factors drives CHG to win the Thailand Top Corporate Brand Value under medical sector award of 2019 from the Faculty of Commerce and Accountancy, Chulalongkorn University together with the Stock Exchange of Thailand. This award shows a brand that is valuable and able to create long-term sustainability through research results from the calculation based on the value of corporate brand with the company's qualification that meet the criteria to receive award. The company must have a corporate brand value of at least 5,000 million Thai Baht or more and have a good stock market performance for at least 3 years consecutively. Moreover, CHG was evaluated as "Very Good" in cooperate governance practice from Corporate Governance Report of Thai Listed Companies (CGR), held by Thai Institute of Directors (IOD) based on the selection criteria that assess the ability to conduct business with the good cooperate governance policy itself. This award is one of our proud awards for CHG group.

CHG's goals and vision for the next 3-5 years, our strategy is to continue our growth by expanding branches in potential areas and focuses in specialize field to meet the continuously shifting expectation of our customers. By emphasizing on the strength of our network and chain management along with an effective cost management strategy, we ensure the continuing growth of CHG. Moreover, with the rising tide of technological change, we emphasize on introducing leading edge technology to be adopt in patient care, facilitate our customer experience and develop internal capability toward swift accuracy. No matter how many years, to come we would steadfast to conduct our business on principal of good corporate ethics and social responsibility.

Lastly, as a Chief Executive Officer (CEO) and representative of CHG we would like to express sincere gratitude to all customers that put trust in CHG hospital to provide a health care for you and your family. We would also like to express our sincere appreciation to our business partners, every shareholders and investors for your continued support and trust that we provide the best services to our all customers. We will make it our mission to do our best in fulfilling our duties to deliver the best satisfaction for all our stakeholders.

Yours sincerely,

Kumpol Plussind MD.

Chief Executive Officer

BOARD OF DIRECTORS

| Name | Position |
|---------------------------|--|
| Mr. Kriengsak Plussind | Chairman of the Board of Directors Chairman of the Corporate Governance Committee |
| Dr. Kumpol Plussind | Director Chief Executive Officer Managing Director |
| Mr. Apirum Panyapol | Director Chairman of the Corporate Investment and Risk Management Committee |
| Dr. Wichit Siritattamrong | Director |
| Dr. Suchai Laoveerawat | Director Executive Committee Hospital Director of Chularat 1, 5 Corporate Investment and Risk Management Committee |
| Ms. Kannikar Plussind | Director Corporate Investment and Risk Management Committee |
| Mrs. Kobkul Panyapol | Director |
| Mr. Yanyong Amornpitakkul | Director Nomination and Remuneration Committee Corporate Investment and Risk Management Committee |
| Mr. Manit Jeeradit | Director Independent Director Chairman of the Audit Committee Corporate Governance Committee Nomination and Remuneration Committee |

| Name | Position |
|-------------------------|--|
| Mr. Somyos Yan-ubol | Director Independent Director Audit Committee Corporate Governance Committee Nomination and Remuneration Committee Corporate Investment and Risk Management Committee |
| Mr. Chayawat Pisessith | Director Independent Director Audit Committee Corporate Governance Committee Nomination and Remuneration Committee |
| Dr. Pinit Kullavanijaya | Director Independent Director Chairman of the Nomination and Remuneration Committee |


Name-Last Name/Position
Mr. Kriengsak Plussind

Chairman of the Board of Directors, Chairman of the Corporate Governance Committee

Age (Year) : 70

Education & Training

Mini MBA in Health, Chulalongkorn University

Director Accreditation Program (DAP) Class

2011, Thai Institute of Directors (IOD)

Number of company share (%)

368,587,850 Shares (3.35%)

Family Relationship to Management

Brother of Dr.Kumpol Plussind, Mrs. Kobkul Panyapol, Ms. Kannikar Plussind

Work Experience in the past 5 years

| | | |
|----------------|--|---|
| 2004- Present | Chairman of the Board of Directors | Chularat Hospital Public Company Limited |
| 2019- Present | Director | Ruampat Chachoengsao Hospital Company Limited |
| 2019- Present | Director | Cancer Suvarnabhumi Company Limited |
| 2016 - Present | Chairman of the Corporate Governance Committee | Chularat Hospital Public Company Limited |
| 2016 - Present | Director | Sattayabutr International Company Limited |
| 2016 - Present | Director | Chularat Phraek Sa Hospital Company Limited |
| 2014 - Present | Director | Cholvaej Hospital Company Limited |
| 2013 - Present | Director | Chularat Arkanay Hospital Company Limited |
| 2004- Present | Director | Convenience Hospital Company Limited |
| 2004 - Present | Director | Bangpakong Vejchakij Company Limited |
| 2003- Present | Director | Thai Amdon Company Limited |
| 1976 -Present | Managing Director | Ilicon Company Limited |



Name-Last Name/Position

Dr. Kumpol Plussind

Director, Chief Executive Officer, Managing Director

Age (Year) : 67

Education & Training

- Doctor of Medicine, Chulalongkorn University
- Good Governances for Executive M.D. Program Class 1, King Prajadhipok's Institute
- Director Accreditation Program (DAP) Class 2011, Thai Institute of Directors (IOD)
- Director Certification Program (DCP), Thai Institute of Directors (IOD)
- Advanced Security Management Program (NDCAT-ASMP) Class 5, National Defence College
- Advanced Insurance Program Class 4/2014, Office of Insurance Commission (OIC)
- Leadership Program Class 5, Thammasat University
- CMA Program Class 20, Capital Market Academy
- Senior Finance Executive (Public Sector) Class 3, The Comptroller General's Department (CGD)
- Global Business Leaders Class 1, Lead Business Institute
- Business Revolution and Innovation Network Program (BRAIN) Class 1, The Federation of Thai Industry
- Advanced Master of Management Program Class 4, Graduate School of Public Administration, NIDA

Number of company share (%)

253,720,200 Shares ((%31.2

Family Relationship to Management

Brother of Mr. Kriengsak Plussind, Mrs. Kobkul Panyapol, Ms. Kannikar Plussind.

Work Experience in the past 5 years

| | | |
|----------------|--|---|
| 2004- Present | Director, Chief Executive Officer, Managing Director | Chularat Hospital Public Company Limited |
| 2019- Present | Director | Thai Amdon Company Limited |
| 2019- Present | Chairman of Board of Director | Sattayabutr International Company Limited |
| 2018 - Present | Chairman of Board of Director | Cancer Suvarnabhum Company Limited |
| 2016 - Present | Chairman of Board of Director | Ruampat Chachoengsao Hospital Company Limited |
| 2016 - Present | Chairman of Board of Director | Chularat Phraek Sa Hospital Company Limited |
| 2014 - Present | Chairman of Board of Director | Cholvaej Hospital Company Limited |
| 2013 - Present | Chairman of Board of Director | Chularat Arkanay Hospital Company Limited |
| 2004 - Present | Chairman of Board of Director | Convenience Hospital Company Limited |
| 2004 - Present | Chairman of Board of Director | Bangpakong Vejchakij Company Limited |
| 2003- Present | Chairman of Board of Director | Thai Amdon Company Limited |


Name-Last Name/Position
Mr. Apirum Panyapol

Director, Chairman of the Corporate Investment and Risk Management Committee

Age (Year) : 68

Education & Training

- Assumption Commercial College,
- Bor. Por ,
- Bor. Wor
- Director Accreditation Program (DAP) Class 2011, Thai Institute of Directors (IOD)
- Risk Management for Corporate Leaders Program (RCL) Class 16/2019

Number of company share (%)

1,127,189,050 Shares ((%25.10

Family Relationship to Management

Spouse of Mrs. Kobkul Panyapol.

Work Experience in the past 5 years

| | | |
|----------------|--|---|
| 2004- Present | Director | Chularat Hospital Public Company Limited |
| 2019- Present | Director | Sattayabutr International Company Limited |
| 2019- Present | Director | Ruampat Chachoengsao Hospital Company Limited |
| 2019- Present | Director | Chularat Phraek Sa Hospital Company Limited |
| 2019- Present | Director | Cancer Suvarnabhum Company Limited |
| 2018 - Present | Chairman of the Risk Management and Investment Committee | Chularat Hospital Public Company Limited |
| 2014 - Present | Director | Cholvaej Hospital Company Limited |
| 2013 - Present | Director | Chularat Arkanay Hospital Company Limited |
| 2012- Present | Director | Thai Amdon Company Limited |
| 2004 - Present | Director | Convenience Hospital Company Limited |
| 2004 - Present | Director | Bangpakong Vejchakij Company Limited |
| 1998 - Present | Director | Steel Link International Company Limited |
| 1992- Present | Director | Panyapol Interholding Company Limited |
| 1988 - Present | Director | Samonkit Company Limited |
| 1985 - Present | Managing Director | Seameth Company Limited |



Name-Last Name/Position

Dr. Wichit Siritattamrong

Director

Age (Year) : 60

Education & Training

- Doctor of Medicine, Mahidol University
- Doctor of Orthopedic Surgery
- Director Accreditation Program (DAP) Class 2011, Thai Institute of Directors (IOD)

Number of company share (%)

5,450,000 Shares (0.05%)

Family Relationship to Management

NA

Work Experience in the past 5 years

| | | |
|----------------|----------|---|
| 2004- Present | Director | Chularat Hospital Public Company Limited |
| 2019- Present | Director | Sattayabutr International Company Limited |
| 2019- Present | Director | Ruampat Chachoengsao Hospital Company Limited |
| 2019- Present | Director | Chularat Phraek Sa Hospital Company Limited |
| 2019- Present | Director | Cancer Suvarnabhum Company Limited |
| 2014- Present | Director | Cholvaej Hospital Company Limited |
| 2013 - Present | Director | Chularat Arkanay Hospital Company Limited |
| 2012- Present | Director | Thai Amdon Company Limited |
| 2004- Present | Director | Convenience Hospital Company Limited |
| 2004- Present | Director | Bangpakong Vejchakij Company Limited |


Name-Last Name/Position
Dr. Suchai Laoveerawat

Director, Executive Committee, Hospital Director of Chularat 1 & 5,

Corporate Investment and Risk Management Committee

Age (Year) : 65

Education & Training

- Doctor of Medicine, Chulalongkorn University
- Urological Surgery Program, Chulalongkorn University
- Mini MBA in Health, Faculty of Medicine, Chulalongkorn University

- Hospital Management, Faculty of Medicine, Ramathibodi Hospital, Mahidol University.
- Director Accreditation Program (DAP) Class 2011, Thai Institute of Directors (IOD)
- Good Governances for Executive M.D. Program Class 4, King Prajadhipok's Institute

Number of company share (%)

8,909,500 Shares (.008%)

Family Relationship to Management

NA

Work Experience in the past 5 years

| | | |
|----------------|--|---|
| 2004- Present | Director | Chularat Hospital Public Company Limited |
| 2019- Present | Director | Chularat Phraek Sa Hospital Company Limited |
| 2018 - Present | Director | Cancer Suvarnabhum Company Limited |
| 2016 - Present | Risk Management and Investment Committee | Chularat Hospital Public Company Limited |
| 2016 - Present | Director | Sattayabutr International Company Limited |
| 2016- Present | Director | Ruampat Chachoengsao Hospital Company Limited |
| 2015 - Present | Hospital Director of Chularat 2, 4, 5 | Chularat Hospital Public Company Limited |
| 2014- Present | Director | Cholvaej Hospital Company Limited |
| 2013 - Present | Director | Chularat Arkanay Hospital Company Limited |
| 2012- Present | Director | Thai Amdon Company Limited |
| 2004 - Present | Director | Convenience Hospital Company Limited |
| 2004 - Present | Director | Bangpakong Vejchakij Company Limited |


Name-Last Name/Position
Ms. Kannikar Plussind

Director, Corporate Investment and Risk

Management Committee

Age (Year) : 65

Education & Training

- Vocational certificate, Convent of Holy Infant Jesus
- Director Accreditation Program (DAP) Class 2011, Thai Institute of Directors (IOD)
- Good Governances for Executive M.D. Program Class 3, King Prajadhipok's Institute
- Advanced Security Management Program

(NDCAT-ASMP) Class 7, National Defence College

Number of company share (%)

1,994,750,400 Shares ((%13.18

Family Relationship to Management

Sister of Dr.Kumpol Plussind, Mr. Kriengsak Plussind, Mrs. Kobkul Panyapol

Work Experience in the past 5 years

| | | |
|----------------|--|---|
| 2004- Present | Director | Chularat Hospital Public Company Limited |
| 2019- Present | Director | Convenience Hospital Company Limited |
| 2019- Present | Director | Bangpakong Vejchakij Company Limited |
| 2019- Present | Director | Chularat Arkanay Hospital Company Limited |
| 2019- Present | Director | Cholvaej Hospital Company Limited |
| 2019- Present | Director | Sattayabutr International Company Limited |
| 2019- Present | Director | Ruampat Chachoengsao Hospital Company Limited |
| 2019- Present | Director | Chularat Phraek Sa Hospital Company Limited |
| 2019- Present | Director | Cancer Suvarnabhum Company Limited |
| 2019- Present | Director | Thai Amdon Company Limited |
| 2016 - Present | Risk Management and Investment Committee | Chularat Hospital Public Company Limited |
| 1984 - Present | Director | Esco-Thai Company Limited |


Name-Last Name/Position
Mrs. Kobkul Panyapol

Director

Age (Year) : 69

Education & Training

- Vocational certificate, Convent of Holy Infant Jesus
- Director Accreditation Program (DAP) Class 2011, Thai Institute of Directors (IOD)

Number of company share (%)

91 7,156,600Shares (.834%)

Family Relationship to Management

Spouse of Mr. Apirum Panyapol and sister of Mr.Kriengsak Plussind, Dr.Kumpol Plussind, Ms.Kannikar Plussind

Work Experience in the past 5 years

| | | |
|----------------|----------|---|
| 2004- Present | Director | Chularat Hospital Public Company Limited |
| 2019- Present | Director | Convenience Hospital Company Limited |
| 2019- Present | Director | Bangpakong Vejchakij Company Limited |
| 2019- Present | Director | Chularat Arkanay Hospital Company Limited |
| 2019- Present | Director | Cholvaej Hospital Company Limited |
| 2019- Present | Director | Sattayabutr International Company Limited |
| 2019- Present | Director | Ruampat Chachoengsao Hospital Company Limited |
| 2019- Present | Director | Chularat Phraek Sa Hospital Company Limited |
| 2019- Present | Director | Cancer Suvarnabhum Company Limited |
| 2019- Present | Director | Thai Amdon Company Limited |
| 1998 - Present | Director | Steel Link International Company Limited |
| 1992 - Present | Director | Panyapol Interholding Company Limited |
| 1988 - Present | Director | Samonkit Company Limited |
| 1985 - Present | Director | Seameth Company Limited |


Name-Last Name/Position
Mr. Yanyong Amornpitakkul

Director, Nomination and Remuneration

Committee, Corporate Investment and Risk

Management Committee

Age (Year) : 63

Education & Training

- Bachelor of Science (Accounting), Kasetsart University
- Director Accreditation Program (DAP) Class 87/2011, Thai Institute of Directors (IOD)

Number of company share (%)

49,552,150Shares ((%45.0

Family Relationship to Management

NA

Work Experience in the past 5 years

| | | |
|---------------|--|--|
| 2004- Present | Director | Chularat Hospital Public Company Limited |
| 2016- Present | Nomination and Remuneration Committee | Chularat Hospital Public Company Limited |
| 2016- Present | Risk Management and Investment Committee | Chularat Hospital Public Company Limited |


Name-Last Name/Position
Mr. Manit Jeeradit

Director, Independent Director, Chairman of Audit Committee, Corporate Governance Committee, Nomination and Remuneration Committee

Age (Year) : 71

Education & Training

- B.A. (Economics and Accounting), Claremont Men's College (Claremont McKenna College)
- Audit Committee Program (ACP) Class

36/2011, Thai Institute of Directors (IOD)

- Director Accreditation Program (DAP) Class 87/2011, Thai Institute of Directors (IOD)
- Director Certification Program (DCP) 187/2014, Thai Institute of Directors (IOD)

Number of company share (%)

700,000 Shares ((%0

Family Relationship to Management

NA

Work Experience in the past 5 years

| | | |
|----------------|--|--|
| 2012 - Present | Director, Independent Director, Chairman of Audit Committee | Chularat Hospital Public Company Limited |
| 2016- Present | Nomination and Remuneration Committee, Corporate Governance Committee | Chularat Hospital Public Company Limited |
| 2015 - Present | Chairman of the Nomination and Remuneration Committee | Moong Pattana International Public Company Limited |
| 2015 - Present | Director | License2Q Company Limited |
| 2010- Present | Independent Director, Audit Committee | Moong Pattana International Public Company Limited |


Name-Last Name/Position
Mr. Somyos Yan-ubol

Director, Independent Director, Audit Committee, Corporate Governance Committee, Nomination and Remuneration Committee, Corporate Investment and Risk Management Committee

Age (Year) : 64

Education & Training

- Master of Business Administration (MBA), Kasetsart University
- Bachelor of Science (Accounting), Kasetsart University
- Director Accreditation Program (DAP) Class 97/2012, Thai Institute of Directors (IOD)
- Audit Committee Program (ACP) Class 45/2013, Thai Institute of Directors (IOD)
- Advanced Audit Committee Program (AACP), Thai Institute of Directors (IOD)
- Ethical Leadership Program (ELP) 1/2017, Thai Institute of Directors (IOD)
- Risk Management for Corporate Leaders Program (RCL) Class 16/2019

Number of company share (%)

NA

Family Relationship to Management

NA

Work Experience in the past 5 years

| | | |
|----------------|---|--|
| 2012 - Present | Director, Independent Director, Audit Committee | Chularat Hospital Public Company Limited |
| 2016- Present | Corporate Governance Committee, Nomination and Remuneration Committee, Risk Management and Investment Committee | Chularat Hospital Public Company Limited |
| 1996 - 2014 | Director | Phupa Chumthong Company Limited |


Name-Last Name/Position
Mr. Chayawat Pisessith

Director, Independent Director, Audit Committee, Corporate Governance Committee, Nomination and Remuneration Committee

Age (Year) : 68

Education & Training

- Bachelor of Science (Medical Science), Chulalongkorn University
- Audit Committee Program (ACP) Class 41/2012, Thai Institute of Directors (IOD)
- Director Accreditation Program (DAP)

Class 97/2012, Thai Institute of Directors (IOD)

- Role of the Chairman Program (RCP) Class 37/2015, Thai Institute of Directors (IOD)

Number of company share (%)

NA

Family Relationship to Management

NA

Work Experience in the past 5 years

| | | |
|----------------|---|---|
| 2011 - Present | Independent Director, Audit Committee | Chularat Hospital Public Company Limited |
| 2017 - Present | Corporate Governance Committee, Nomination and Remuneration Committee, | Chularat Hospital Public Company Limited |
| 2017 - Present | Horse Racing Committee | The Royal Bangkok Polo Club (RBSC) |
| 2017 - Present | Advisor | The Sport Writers Association of Thailand |
| 2018 - Present | Chairman of Horse Racing Committee | The Royal Bangkok Polo Club (RBSC) |
| 2018 - Present | Registrar | Thai Creative Association (Magic Eye) |
| 2015 - Present | President | Thailand Bridge League |
| 2014 - Present | Chairman | Kingmain CMTI Company Limited |
| 1989 - 2014 | Managing Director | Kingmain CMTI Company Limited |


Name-Last Name/Position
Dr. Pinit Kullavanijaya

Director, Independent Director, Chairman of the Nomination and Remuneration Committee

Age (Year) : 77

Education & Training

- M.B.Ch.B. (Leeds), D.T.M.&H. (Liverpool) , MRCP. (UK) , FIMS. , FAMM. , FACG. , FACP. (Hon.), FRACP (Hon.) , FRCPI , FAMS, FRCP

(Glasgow, Edinburgh, London, Thailand)

- Security Psychology Program (ISP) Class 40, Institute of Security Psychology, National Defence College

- The Joint State - Private Sector Course Class 4, National Defence College
- Advanced Security Management Program (NDCAT-ASMP) Class 3, National Defence College
- Politics and Governance in Democratic System for Executives Program Class 14, King Prajadhipok's Institute
- Good Governances for Executive M.D. Program Class 2, King Prajadhipok's Institute

Number of company share (%)

NA

Family Relationship to Management

NA

Work Experience in the past 5 years

| | | |
|----------------|---|--|
| 2012- Present | Director , Independent Director | Chularat Hospital Public Company Limited |
| 2016 - Present | Chairman of the Nomination and Remuneration Committee | Chularat Hospital Public Company Limited |
| 2011 - Present | Deputy Secretary | Thai Red Cross Society |
| Present | Senate Advisor & Committee on Public Health Group, Senate Advisor & Committee on Universal Health Coverage, Senate Advisor & Committee on Primary Health Care, Senate Advisor & Committee on Emergency Integration and Road Safety, Sub-Committee on Emergency Recovery | Senate House |
| Present | International Consultant (Emeritus) | Royal College of Physicians of Edinburgh |



Name-Last Name/Position

Dr. Yudthana Sanguansakdikosol

Executive Committee, Deputy Managing

Director, Hospital Director of Chularat 9 Airport

Age (Year) : 67

Education & Training

- Doctor of Medicine, Chulalongkorn University
- Master of Business Administration, Sasin Graduate Institute of Business Administration, Chulalongkorn University
- Internal Medicine Residency Program, Chulalongkorn Hospital
- Internal Medicine Residency - Rheumatology Program, Ramathibodi Hospital
- Occupational Medicine Doctor Program, Department of Medical Services, Ministry of Public Health
- Move Ahead for All ASEAN 2016 in Anti-Aging, Regenerative & Aesthetic Medicine Program, Thai Association of Anti-Aging and Regenerative Medicine.
- Good Governances for Executive M.D. Program Class 3, King Prajadhipok's Institute
- Management Problem Solving and Decision Making Program, Kepner-Tregoe International, Princeton, New Jersey, U.S.A.
- Healthcare Quality Management Program, Technology Promotion Association (TPA)
- JCI Standards for Hospitals Program - 5th edition, Department of Health Service Support, Ministry of Public Health
- Quality Forum 2012 : Innovation in Healthcare Organization Program, Bangkok Hospital Medical Center

Number of company share (%)

NA

Family Relationship to Management

NA

Work Experience in the past 5 years

| | | |
|----------------|--|---|
| Present | Executive Committee, Deputy Managing Director | Chularat Hospital Public Company Limited |
| 2018 - Present | Director | Cancer Suvarnabhumi Company Limited |
| 2016 - Present | Director | Ruampat Chachoengsao Hospital Company Limited |
| 2014 - Present | Director | Cholvaej Hospital Company Limited |
| 2004 - Present | Director | Convenience Hospital Company Limited |


Name-Last Name/Position
Dr. Chutima Pinjaroen

Executive Committee, Deputy Managing
Director, Hospital Director of Chularat 11
International, Corporate Investment and Risk
Management Committee

Age (Year) : 66

Education & Training

- Doctor of Medicine, Chulalongkorn University
- Diploma of Thai Board of Anesthesiology, Chulalongkorn University
- Transformative HR Strategy for maximizing organization capability in VUCA Word, Chief People Officer Program (CPO) Class 7, PIM HR Excellence Center
- Engaging your stakeholders through effective communications Program, TLCA IR Conference 2019

Number of company share (%)

NA

Family Relationship to Management

NA

Work Experience in the past 5 years

| | | |
|----------------|------------------------------------|--|
| Present | Director, Deputy Managing Director | Chularat Hospital Public Company Limited |
| 2016 - Present | Risk Management Committee | Chularat Hospital Public Company Limited |
| 2014 - Present | Director | Cholvaej Hospital Company Limited |
| 2006 - Present | Director | Bangpakong Vejchakij Company Limited |
| 2006 - Present | Director | Pinsarakam Company Limited |


Name-Last Name/Position
Mrs. Wandee Pitsanuvanavech

 Administrative Director, Chief Financial Officer,
Company Secretary

Age (Year) : 49

Education & Training

- Master of Business Administration (MBA), National Institute of Development Administration (NIDA)
- Bachelor of Business Administration (Accounting), Ramkhamhaeng University
- Director Certification Program (DCP) Class 187/2014, Thai Institute of Directors (IOD)
- Director Accreditation Program (DAP) Class 97/2012, Thai Institute of Directors (IOD)
- Company Secretary Program (DSP) Class 50/2013, Thai Institute of Directors (IOD)
- Company Reporting Program (CRP) Class 7/2013, Thai Institute of Directors (IOD)
- Good Governances for Executive M.D. Program Class 2, King Prajadhipok's Institute
- Strategic Financial Leadership Program (SFLP), 27-29 May 2019

Number of company share (%)

855, 510Shares ((%01.0

Family Relationship to Management

NA

Work Experience in the past 5 years

| | | |
|----------------|--|--|
| 2017 - Present | Executive Director | Chularat Hospital Public Company Limited |
| 2017 - Present | Director of Finance and Accounting | Chularat Hospital Public Company Limited |
| 2012 - 2017 | Deputy Managing Director | Chularat Hospital Public Company Limited |
| 2014 - 2019 | Director | Cholvaej Hospital Company Limited |
| 2007 - 2011 | Manager of Finance, Accounting and Information Technology Department | Chularat Hospital Public Company Limited |

**Name-Last Name/Position****Mrs. Prakong Wichakanodom**

Finance and Accounting Manager

Age (Year) : 60

Education & Training

- Bachelor of Accountancy, Bangkok University

Number of company share (%)

NA

Family Relationship to Management

NA

Work Experience in the past 5 years

| | | |
|----------------|--------------------------------|--|
| 2014 - Present | Finance and Accounting Manager | Chularat Hospital Public Company Limited |
|----------------|--------------------------------|--|

FINANCIAL SUMMARY

Financial Hilight

| | Ended 31 December | | |
|---|-------------------|----------|----------|
| | 2017 | 2018 | 2019 |
| Statement of financial position (Million Baht) | | | |
| Total Assets | 4,951.18 | 5,708.18 | 6,265.69 |
| Total Liabilities | 1,478.48 | 1,964.75 | 2,370.25 |
| Total Shareholders' Equity | 3,472.70 | 3,743.43 | 3,895.44 |
| Statement of comprehensive income (Million Baht) | | | |
| Revenues from Hospital Operations | 3,875.79 | 4,406.99 | 5,165.61 |
| Total Operating Income | 3,896.42 | 4,430.84 | 5,190.87 |
| Cost of Hospital Operations | 2,633.10 | 3,072.03 | 3,629.38 |
| Administrative Expenses | 550.85 | 570.07 | 672.38 |
| Profit for the year | 565.78 | 615.22 | 664.66 |
| Profit attributable to Equity holders of the Company | 565.44 | 633.88 | 705.24 |

| | Unit | Ended 31 December | | |
|--|------|-------------------|-------|--------|
| | | 2017 | 2018 | 2019 |
| <u>(Liquidity Ratio)</u> | | | | |
| Current Ratio | x | 1.30 | 1.23 | 1.05 |
| Quick Ratio | x | 0.67 | 0.64 | 0.57 |
| Operating Cash Flow Ratio | x | 0.86 | 0.64 | 0.65 |
| Account Receivable Turnover | x | 5.02 | 5.16 | 5.19 |
| Average Collection Period | Day | 72.68 | 70.80 | 70.33 |
| Inventory Turnover | x | 23.05 | 23.59 | 24.01 |
| Average Inventory Period | Day | 15.84 | 15.48 | 15.20 |
| Account Payable Turnover | x | 6.35 | 5.96 | 6.19 |
| Average Payable Period | Day | 57.52 | 61.21 | 59.00 |
| Cash Cycle | Day | 30.99 | 25.06 | 26.54 |
| <u>(Profitability Ratio)</u> | | | | |
| Gross Profit Margin | % | 32.06 | 30.29 | 29.74 |
| EBIT to Net Sale | % | 18.38 | 17.90 | 17.21 |
| Other Income Margin | % | 0.19 | 0.18 | 0.18 |
| Operating Cash Flow to EBIT | % | 128.59 | 94.19 | 109.56 |
| Net Profit Margin | % | 14.51 | 14.31 | 13.59 |
| Return on Equity | % | 17.60 | 17.93 | 18.30 |
| <u>(Efficiency Ratio)</u> | | | | |
| Return on Assets | % | 11.95 | 11.54 | 11.10 |
| Return on Fixed Assets | % | 25.97 | 25.22 | 17.52 |
| Asset Turnover | x | 0.82 | 0.83 | 0.87 |
| <u>(Financial Policy Ratio)</u> | | | | |
| Total Liabilities to Equity | x | 0.45 | 0.55 | 0.64 |
| Interest-bearing Debt to Equity Shareholders | x | 0.26 | 0.34 | 0.42 |
| Interest Coverage | x | 44.89 | 33.25 | 21.98 |
| Commitment Coverage on Cash Basis | x | 0.85 | 0.71 | 0.76 |
| Dividend Payout Ratio | % | 70.03 | 55.53 | 77.99 |

GENERAL INFORMATION

Company Profile

| | |
|----------------------------|---|
| Company Name | Chularat Hospital Public Company Limited |
| Registration Number | 0107547000656 |
| Type of Business | Private Hospital |
| Authorized Share Capital | Baht 1,100,000,000 |
| Issued and Paid-up Capital | 11,000,000,000 shares (Par Value 0.10 Baht) |
| Listed Date | 16 May 2013 |
| Accounting Period | 1 January - 31 December |
| Website | www.chularat.com |
| E-mail Address | companysecretary@chularat.com |
| Address | Chularat 3 International Hospital 88/8-9 Moo 11, Theparak Road K.M. 14.5, Bangpla, Bangplee, Samutprakarn 10540 |
| Phone | 02-033-2900 |
| Fax | 02-769-2967 |

References

| | |
|-------------------------|---|
| Auditor | <p>EY Office Company Limited</p> <p>33rd Floor, Lake Ratchada Office Complex</p> <p>193/136-137 Rajadapisek Road, Klongtoey,</p> <p>Bangkok 10110</p> <p>Tel. : 02-264-0777</p> <p>Fax : 02-265-0789-90</p> |
| Legal Advisor | <p>Bangkok Jurist Ltd.</p> <p>19th Floor , PASO Tower</p> <p>88, Silom Road, Suriyawong, Bangrak,</p> <p>Bangkok 10500</p> |
| Registrar of Securities | <p>Thailand Securities Depository Company Limited</p> <p>Mail Room, Building C</p> <p>93 Ratchadapisek Road, Dindaeng, Dindaeng,</p> <p>Bangkok 10400</p> <p>Tel. : 02-009-9726-50</p> <p>Fax : 02-009-9001</p> |
| Financial Advisor | <p>Thanachart Securities Public Company Limited</p> <p>444 MBK Tower , 14th, 18th and 19th Floor,</p> <p>Phayathai Road, Wangmai, Pathumwan,</p> <p>Bangkok 10330</p> |

POLICY AND BUSINESS OVERVIEW

Business Overview

Chularat Hospital Public Company Limited (the "Company ") was founded in 1986 to operate private hospital with registered capital 1,100 million Baht, consists of 10 subsidiaries operating 13 branches - 9 hospitals and 4 clinics. Chularat Hospital Group service areas cover around Suvarnabhumi Airport (Eastern Bangkok area) along Bangna-Trad Road, extend to Chachoengsao province, along 304 highways to Prachinburi province, downtown in Chonburi province, Aranyaprathet Sa- Kaeo province and amphoe Muang, Rayong province with total registered 495 beds. There are 6 Expansion projects such as expansion project of Chularat 11 International Hospital (finished in 2016), expansion project of Chularat 3 International Hospital (finished in 2016), expansion project of Chularat 9 Hospital (finished in January 2017), expansion project of Chularat Cholvaej Hospital (finished in 2017), green field project of Chularat 304 International Hospital in Prachinburi province (finished in 2018) and green field project of Ruampat Chachoeongsao Hospital in Chachoengsao province (finished in 2018). All of these expansion projects increase the total capacity to 749 beds at the end of the year 2018. During 2018, the Company resolved to expand new green field project of Suvarnabhumi Cancer and Radio Therapy Center (expected to be finished in 2020). Nowadays, the hospital group can support outpatients (OPD) more than 6,000 cases per day, promoting our position to be the best private hospital in the eastern region. In 2019, the Company resolved to invest in Ruampat Mae Sot International Company Limited to operate private hospital in Mae Sot district, Tak province.

Healthcare Service

The Company focuses on good quality of services provided by medical professionals in all medical fields with modern equipment to create efficiency, safety and satisfaction of our customers. The Company has several excellent centers certified by various institutions such as Hand Microsurgery Center, Newborn ICU Center, Stroke Center, Heart Center, and Cancer Center. The Company always focuses on quality of treatment and specialist team, enabling the Company to receive both local and international standards. 3 hospitals in the group (Chularat 3 International Hospital, Chularat 9 Airport Hospital and Chularat 11 International Hospital) are certified with The Healthcare Accreditation Institute (HA). In 2014, Chularat 3 International Hospital, the first hospital in the group, received an International Accreditation Standard from Joint Commission International (JCI), USA and reaccredited in 2017. (Each accreditation is valid for 3 years.)

The Company provides its services to 2 main types of customers, General patients and Social welfare patients - both of Social Security patients (SSO) and patients under the National Health Security Office (NHSO) with hemodialysis and heart diseases in Samutprakarn and nearby provinces in the East. The hospitals and clinics in our groups have 13 branches spreading in eastern areas where customers can easily access.

In 2019, the Company had 749 beds with a variety of room types such as special VIP rooms, Deluxe rooms, Single Deluxe rooms, Double Deluxe rooms, special 4-bed rooms, special 8-bed rooms, intensive care units (ICU), Critical Care Units (CCU), Neonatal intensive care units (NICU) and a baby unit, etc. The Company has outstanding services as follows:

- Orthopedic and Micro vascular Clinic (Available at CH3) * : provides Hand Microsurgery by the team of well experienced and professional doctors who have expertise, trust and reputation in this field both locally and internationally. This clinic is also a Referral Center for Microsurgery in Bangkok and Eastern region. It is also an education center for specialists from medical schools in the country and from abroad.
- Neonatal Intensive-Care Unit (NICU) (Available at CH3)*: provides treatment to premature infants with unusual weight by a team of experienced doctors and nurses, enabling them to grow and live normally. The Unit is also a referral center for NHSO patients, District 6, Rayong.
- Stroke Center (Available at CH3 and CH9)*: certified by the Institute of Neurology, provides diagnosis of stroke. Chularat 3 International Hospital has been certified of the establishment stroke care unit under Commemorative Stroke Center. In 2015, the center opened Brain surgical center, providing the brain surgery to treat brain tumors through a microscope by a specialist doctors.
- Skin Center and Cosmetics surgery (Available at CH1, CH3) : provides diagnosis of skin diseases and counseling aesthetic plastic surgery, surgical slimming with VASER and laser treatment of skin types, including injection treatment with Botox and fillers certified by FDA and high quality skin care products for all skin types.
- Integrated Heart Center (Available at CH3)*: The Company has high potential to treat patients with coronary artery disease and heart disease. In 2010, Chularat 3 International Hospital began Open Heart Surgery and opened a Comprehensive Heart Center in the first quarter of 2013. The scope of services includes EKG Ultrasound, Percutaneous Transluminal Coronary Angiography (PTCA and Cardiac Surgery with high complexity. The Unit is also a referral center of the NHSO and SSO patients. In 2015, The Company opened Heart Center Arrhythmias with Cardiac Electrophysiology Lab, the first private hospital in this region. The Company has

added Enhanced External Counter Pulsation (EECP) Innovation in the treatment of heart patients who cannot have surgery and Cardiac MRI Scan in case of a complex disorder for evaluation before the surgery.

- Cancer Center with HIFU (High Intensity Ultrasound) (Available at CH9)*: Started in late 2013, the center provides services for abdominal cancer types that cannot be removed by surgery, such as Cholangiocarcinoma, Pancreatic cancer, and uterine fibroid, etc.
- Prostate Cancer Center using brachytherapy (Available at CH3)*: In 2014, the Company provides treatment of prostate cancer using iodine 125 brachytherapy without surgery, an alternative way with better treatment without any complication as the normal surgery does, by the well known and experienced doctor from the United States.
- The New Baby Fertility Center (Available at CH11)* : Established in 2017, Fertility Center provides the complete subfertility services to assist those subfertility couples to solve every single problem, providing a thorough counselling with several investigations including endoscopic surgeries, blood test, hormonal assay, etc. The goal of treatment is pregnancy. Our medical doctors are specialized and well experienced in reproductive medicine and endoscopic surgery with certified training from Thailand and abroad. All professional scientists are certified to give the sophisticated egg, sperm , In Vitro Fertilization (IVF), Intracytoplasmic Sperm Injection (ICSI), Embryo culture, freezing gametes and embryos. With the new technology to check chromosome of embryo, such as next generation sequencing (NGS), our nurse counsellor & coordinator will give the couple the complete medical services with good standard of care.
- Suvarnabhumi Eye Center (Available at CH1)*: Started in 2017, Suvarnabhumi Eye center specializes in all areas of eye care , providing the complete range of examination, treatment and surgical options for all conditions and for patients of all ages. Our team of experienced ophthalmologist and optometrists are well trained, certified within the field of medicine to diagnose and manage all eye diseases with the new medical technology and equipment.

* Note CH3 means Chularat 3 International Hospital.
CH9 means Chularat 9 Airport Hospital.
CH11 means Chularat 11 International Hospital.

Other Businesses

Import and distribution of medical devices

Thai Amdon Company Limited ("Thai Amdon"), a subsidiary of the Company, imports and supplies surgical and medical equipment such as electric surgery beds, heart rate counter and oxygen saturation equipment, etc. Presently, most medical devices and equipment imported by Thai Amdon are distributed to hospitals and clinics in the Group. The procurement of such medical equipment is performed according to normal market conditions.

Thai Traditional Medicine and Beauty services

The Company provides complete spa services under the name "Chularat Thai Traditional Medicine", providing Traditional Thai Massage by expert staff. In addition, the Company also provides beauty and laser treatment under the name "Chularat - Renoir Beauty and Laser Center".

Practical Nurse Training Center

The Company also operates Practical Nurse Training Center under "Chularat Inter Health" to produce supporting personnel for the expansion of Chularat Hospital Group.

The Performance of hospitals and clinical services as of 31 December 2019

| Company | Registered Capital (Million Baht) | Shareholding ratio (Percentage) | Type of business | Number of beds |
|--|--|--|---|--|
| Chularat Hospital Public Company Limited | 1,100 | - | Provide Medical Services under : - Chularat Suvarnbhumi Clinic (Chularat 1) - Chularat 2 Medical Clinic - Chularat 3 International Hospital - Chularat 5 Medical Clinic Total | 26 - 193 26 245 |
| Convenience Hospital Company Limited | 500 | 100 | Provide Medical Services under : - Chularat 7 Medical Clinic - Chularat 8 Medical Clinic - Chularat 9 Hospital Total | - - 139 139 |
| Bangpakong Vejchakij Company Limited⁽¹⁾ | 800 | 100 | Provide Medical Services under : - Chularat 11 Bangpakong Hospital - Chularat 12 Medical Clinic Total | 141 - 141 |
| Chularat Arkanay Hospital Company Limited⁽²⁾ | 500 | 70 | Provide Medical Services under the trade name of “Chularat 304 International Hospital” Total | 59 59 |
| Cholvaej Hospital Company Limited | 100 | 96.38 | Provide Medical Services under the trade name of “Chularat Cholvaej Hospital” Total | 56 5 |

| Company | Registered Capital (Million Baht) | Shareholding ratio (Percentage) | Type of business | Number of beds |
|---|--------------------------------------|------------------------------------|--|----------------|
| Sattayabutr International Company Limited ⁽³⁾ | 30 | 100 | Provide Medical Services under the trade name of “Chularat Rayong Hospital” Total | 50 50 |
| Chularat Ruampat Chachoengsao Hospital Company Limited ⁽⁴⁾ | 600 | 64.58 | Provide Medical Services in the trade name of “Ruampat Chachoengsao Hospital”. Total | 59 59 |
| Chularat Phreak Sa Hospital Company Limited ⁽⁵⁾ | 1 | 100 | Acquisition of land for future project expansion. Total | - - |
| Cancer Suvarnabhumi Company Limited ⁽⁶⁾ | 1 | 100 | Acquisition of land for future project expansion. Total | - - |
| Ruampat Mae Sot International Company Limited ⁽⁷⁾ | 1 | 80 | Acquisition of land for future project expansion. Total | - - |
| Total company and subsidiaries | | | | 749 |

Note:

(1) The registered capital increased from 500 million Baht to 800 million Baht on December 22, 2016.

(2) The registered capital increased from 300 million Baht to 500 million Baht on December 23, 2015. On January 29, 2016, the Company reduced the shareholding ratio from 100% to 70% by selling shares to local investors. On June 12, 2018, Chularat

304 Medical Clinic was registered as Chularat 304 International Hospital, operated by Chularat Arkanay Company Limited.

(3) The Company acquired a subsidiary on March 1, 2016 and increased the registered capital from 30 million Baht to 100 million Baht on December 12, 2017.

(4) Established on June 16, 2016, The Company held the shares by 64.58% and the rest belonged to local healthcare providers.

(5) Established on September 8, 2016.

(6) Established on March 20, 2018. On April 20, 2018, the Company name was changed, formerly Suvarnabhumi Cancer Hospital Company Limited.

(7) Established on November 27, 2019, the Company held 80% shares and the rest 20% shares held by the existing shareholders who are doctors.

Details of other business

| Company | Registered Capital (Million Baht) | Shareholding ratio (Percentage) | Type of business |
|--|--------------------------------------|------------------------------------|---|
| Chularat Hospital Public Company Limited | 1,100 | - | <ul style="list-style-type: none"> - Full-service spa namely "Chularat Thai Traditional Medicine" - Beauty and laser treatment namely "Chularat - Renoir Beauty and Laser Center" - Practical Nurse training center namely "Chularat Inter Health" |
| Thai Amdon Company Limited ((1 | 30 | 100 | <ul style="list-style-type: none"> - Imports and supplies surgical and medical equipment - Distributes Beauty Vitamins and Dietary Supplement |

Note: (1) Registered to add more purposes on November 9, 2015

GOALS, VISION, MISSION, VALUES AND OBJECTIVES OF THE BUSINESS

The Company has set a goal to become a leading private hospital with Good Governance under the concept of "The Star of the East" with an outstanding growth in healthcare industry, medical innovations, personnel development, and environmental cares. The Company aims to be a learning organization in the East and Samutprakarn province and to be recognized by the customers in terms of good service quality, emphasizing on customer satisfaction with a fair price and the safety of the customers (Patient Safety). Moreover, the Company strives to grow together with the growth of the private businesses and the industries in the East and Samutprakarn province, focusing on service network expansion and service quality improvement through the Excellence Centers.

The Board of Directors and management determined the vision, mission, values and objectives as follows:

Vision:

- Chularat Hospital Group is a leading Tertiary care, emphasizing on Excellent Centers, Specialist Clinics and focusing on international hospital quality standards of Joint Commission International (JCI), an accreditation standards of the United States and local hospital quality standards of Thai Hospital Accreditation (HA). To become a well-known chain hospital with sustainable growth and network management efficiency.
- Adherence to the ethics of the profession. To be loved and trusted by the patients forever.

Mission:

1. Providing standard treatment to satisfy customers
2. Creating employee awareness to protect environment and aim to be green Hospital.
3. Promoting quality of life in community.
4. Creating happiness among employees

Core Values of Chularat Hospital ICARE

I = International Patient Safety : Focusing on the patient safety.

I = Integrity: Being a good governance corporation with integrity.

I = Innovation: Creativities for developing the corporation.

C = Continuity of Patient Care: Continuous Patient Care.

C = Change: Ready to change for better performance.

A = Accountability: Social Responsibility and to be trusted by the society.

R = Respect: Respect and honor people as they are.

E = Engagement : Love and bond with the Corporation.

E = Education : Continuous study for knowledge.

E = Environment : Environmental Care.

Objective

Focusing on primary, secondary and tertiary medical cares with international quality standards to meet the needs of the community with efficient network management and development. To be a leader in providing an outstanding medical logistics network in the eastern area under the concept of “The Star of the East”.

Changes and Developments

- 2017
- March 2017, Chularat 3 International Hospital was awarded with “Best Medical Performance” by Allianz Ayudhya Hospital Service Awards 2016. Chularat 11 International Hospital was awarded with “E-claim Award 2015”, the system automatically award for outstanding fines, and with the road safety measure from Road Accident Victims Protection Company Limited.
 - April 2017, Chularat 3 International Hospital passed a re-Accreditation of Joint Commission International (JCI) standard. Each reaccreditation would valid for 3 years.
 - July 2017, Chularat 11 International Hospital opened the New baby Fertility Center (IVF Center) with strong intention in to help the couples to win over obstacles in having a child with professional medical team and advanced reproductive technology at international standard.
 - September 2017, Chularat 9 Airport Hospital has passed HA Certificate Step 2.
 - October 2017, Chularat 1 Hospital opened Suvarnabhum Eye Center to provide comprehensive eye care and treatment for basic symptoms to complicated ophthalmological disease with highly experienced ophthalmologists and advanced technology at international standard.

- November 2017, Chularat 11 International Hospital passed HA Certificate Step 3 and received an award for promoting Energy Efficiency Project Eastern Group by Ministry of Energy.

December 2017, Sattayabutr International Co. Ltd. increased the registered capital from 30 million Bath to 100 million Bath to accommodate an expansion and building renovation and enhance advanced medical equipments.

- 2018
- January 2018, Chularat 9 Airport Hospital opened the Aesthetic and Anti-Aging Center to provide beauty and aging services
 - February 2018, Chularat 3 International Hospital was awarded by the Bureau of Laboratory Quality Standards, Department of Medical Sciences, Ministry of Public Health, for the excellent quality throughout 2017 in the field of clinical chemistry, Hematology branch, Blood bank branch, Clinical Microbiology and the Department of Clinical Microbiology.
 - March 2018, the company established Suvarnabhumi Cancer Company limited to provide comprehensive medical services to general customers and corporate contract customers within Samutprakarn province and nearby areas.
 - May 2018, Chularat 3 International Hospital, Chularat 5 Hospital and Chularat 11 International Hospital were awarded with the “E-Claim Award 2017”, an award for enhancing the potential of protection of people benefits through e-Claim system from the Office of Insurance Commission, Thai General Insurance Association and Road Accident Victims Protection Co.,Ltd.
 - June 2018, Chularat 9 Airport Hospital has added Platelet Rich Plasma service, an innovative treatment for damaged or injured body tissues by using the patients’ own platelets (their own) with 3-4 times higher concentration. This new medical technique has been used in many ways such as sports, orthopedic and aesthetic medicines.
 - July 2018, Chularat 304 International Hospital opened an outpatient and inpatient care services for both Cash and insurance patients by providing medical equipment and experienced medical team.

- October 2018, Suvarnabhumi Cancer Company Limited signed an agreement to purchase the radiation - Synergy model for the installation at Suvarnabhumi Cancer Center and Radiation Hospital

November 2018, Ruampat Chachoengsao Hospital opened outpatient and patient care services for cash, insurance and corporate contract

- customers by providing medical equipment and experienced medical team.

December 2018, Chularat 11 International Hospital installed the CT Scan 128 Slice to replace the old one in order to increase the potential for diagnosis of radiation diseases.

- 2019
- February 2019, Chularat 9 Airport Hospital was awarded with “Muang Thai Life Assurance Hospital Award 2018” from Muang Thai Life Assurance Public Company Limited.

- March 2019, Chularat 9 Airport Hospital was awarded with “Allianz Ayudhya Hospital Service Awards 2018” from Allianz Ayudhya Assurance Public Company Limited.

- April 2019, Chularat 11 International Hospital passed HA Certificate Step 3 Re-Accreditation.

(3rd Reaccreditation). Each re-accreditation would valid for 3 years.

- August 2019, Chularat Hospital Public Company Limited (CHG) was awarded with “Thailand’s Top Corporate Brand 2019 –Healthcare Service” from the Faculty of Commerce and Accountancy, Chulalongkorn University together with the Stock Exchange of Thailand (SET), an award for a qualified brand with value and long term sustainability. Through the lengthy research together with the Corporate Brand Success Valuation (CBS), the Company eligible for this award shall have a corporate brand value of 5,000 million Baht or more, listed on the Stock Exchange of Thailand (SET) at least 3 years and possessed “Very Good or Excellence” score on Corporate Governance.

September 2019, Chularat 3 International Hospital opened Building C to support Social Security patients and renovated service area at Building A

- to support general patients.

-

- September 2019, Chularat 3 International Hospital was awarded with “Favorite Hospital 2019” under Social Security Scheme from Social Security Office.
- October 2019, Chularat 9 Airport Hospital opened health examination center namely “Airport Health Check and Smile Club Health Check Center”.
- November 2019, Chularat 9 Airport Hospital passed HA Certificate Step 2 Re-Accreditation. (8th Reaccreditation).
- December 2019, Chularat 11 International Hospital received an honor award “Thailand Building Energy Efficiency Disclosure 2019” from the Ministry of Energy.
- December 2019, Chularat 3 International Hospital invested in Ruampat Mae Sot International Company Limited, Mae Sot district, Tak province holding 80% shares and the rest held by existing shareholders who are doctors.

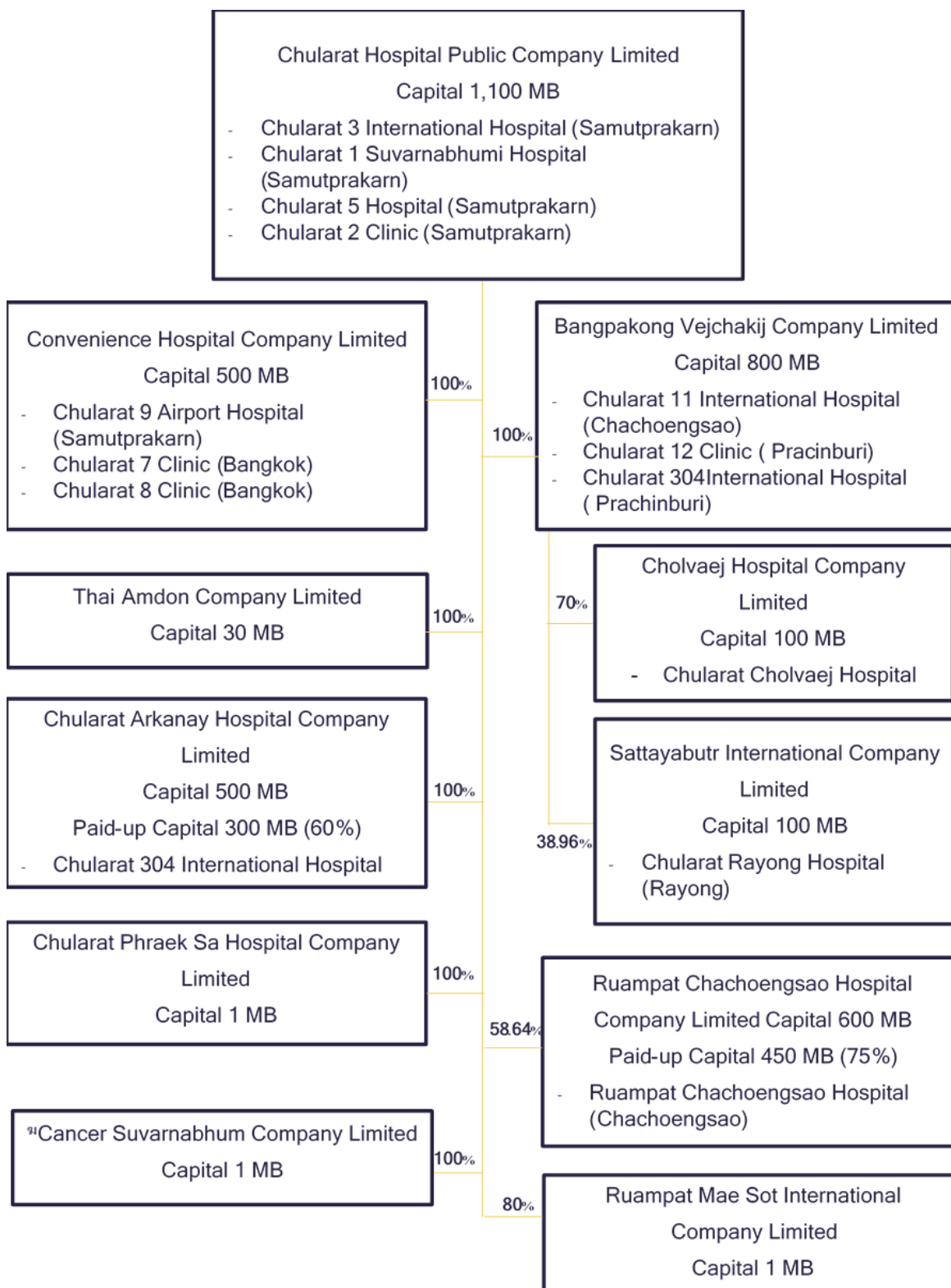
Note: 1/ The Ministry of Public Health Act regarding characteristic of clinic and type of services 2002, determining health facilities that doesn't take overnight patients as “outpatient clinic”, health facilities that take less than 30 overnight patient as “clinic” and health facilities that take more than 30 overnight patient as “hospital”.

Shareholder Structure of the Group

As of 31 December 2019 Chularat Hospital Public Company Limited (“The Company”) consists of 10 subsidiaries which are Convenience Hospital Company Limited, Bangpakong Vejchakit Company Limited, Thai Amdon Company Limited, Chularat Arkanay Hospital Company Limited, Chularat Ruampat Chachoengsao Hospital Company Limited, Chularat Phreak Sa Hospital Company Limited, Suvarnabhumi Cancer Company Limited, Ruampat Mae Sot International Company Limited, and Cholavej Hospital Company Limited and Sattayabutr International Company Limited invested through Bangpakong Vejchakit Company Limited. Chularat Hospital Public Company Limited has shareholder structure as shown below:

Relationship with business group of major shareholder.

The Group has no dependence or competition with the major shareholder's business significantly.

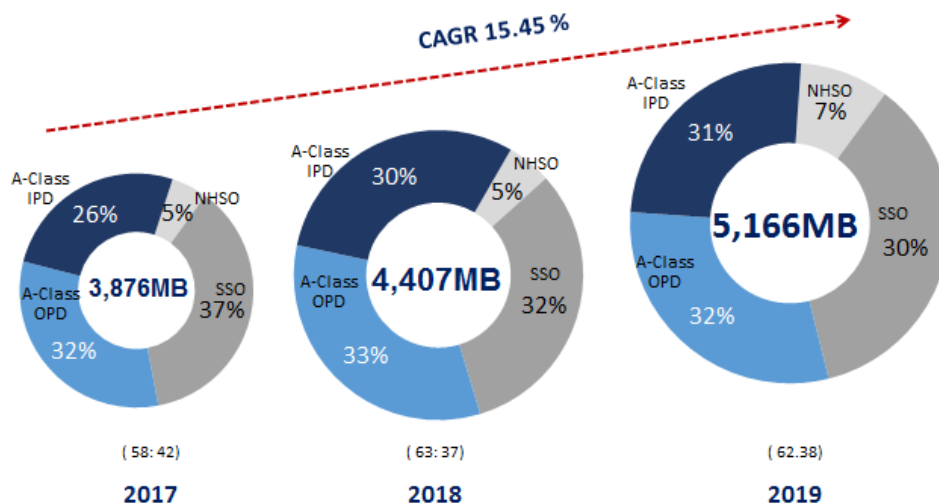


BUSINESS OVERVIEW

Revenue Structure

The Company's revenues has grown steadily from 2017-2019 as shown below.

Figure 1: Revenue of the Company from 2017-2019



| Revenue from Hospital Operations | Fiscal year, ending on 31 December | | | | | |
|--|------------------------------------|--------------|-----------------|--------------|-----------------|--------------|
| | 2017 | | 2018 | | 2019 | |
| | Million Baht | Percent | Million Baht | Percent | Million Baht | Percent |
| Revenue from general patients | | | | | | |
| Revenue from outpatients (OPD) | 1,215.74 | 31.4 | 1,444.71 | 32.8 | 1,653.59 | 32.0 |
| Revenue from inpatients (IPD) | 1,016.33 | 26.2 | 1,310.06 | 29.7 | 1,580.75 | 30.6 |
| Total revenue from general patients | 2,232.07 | 57.6 | 2,754.77 | 62.5 | 3,234.34 | 62.6 |
| Revenue from governmental welfare schemes | | | | | | |
| Social Security scheme | 1,451.67 | 37.4 | 1,409.60 | 32.0 | 1,577.83 | 30.5 |
| Other governmental schemes | 192.05 | 5.0 | 242.62 | 5.5 | 353.44 | 6.8 |
| Total revenue from governmental welfare schemes | 1,643.72 | 42.4 | 1,652.22 | 37.5 | 1,931.27 | 37.4 |
| Total revenue from hospital operations | 3,875.79 | 100.0 | 4,406.99 | 100.0 | 5,165.61 | 100.0 |

Products and Service

Chularat Hospital Public Company Limited (“The Company”), operating private hospital business, consists of 6 subsidiaries which are 1) Convenience Hospital Company Limited, 2) Bangpakong Vejchakij Company Limited, 3) Chularat Arkanay Hospital Company Limited 4) The Cholvaej Hospital Company Limited 5) Sattayabutr International Company Limited 6) Ruampat Chacheongsao Hospital Company Limited. Chularat Hospital Group’s service coverage are around Suvarnnabhumi Airport, Pravet and Lat Krabang districts (Eastern Bangkok area), along King-Kaew Road and Teprarak Road in Bangplee district in Samutprakarn province, extend to Bangna-Trad Road Bangpakong district and Gateway City Industrial Estate in Chachoengsao province, along 304 highway to Srimahaphot district in Prachinburi province, downtown in Chonburi province and Aranyaprathet district in Sa-Kaeo province. With our service cluster in the eastern area of Thailand, the customers can easily access to our services. In 2019, Chularat Hospital Public Company Limited (CHG) has a total of 13 branches : 9 hospitals and 4 clinics with a total of 749 registered beds.

The Company always focuses on quality of treatment and specialist team. 3 hospitals in the group are certified by National and International Standards such as Thai Hospital Accreditation (HA) and Joint Commission International Accreditation (JCI). In 2014, Chularat 3 International Hospital is the first JCI- accredited hospital in Samutprakarn province and completed 1st re-accreditation in 2017. (Each accreditation is valid for 3 years.)

The Company provides the services to 2 main types of customers, General patients and Social Welfare patients : Social security Office (SSO) and the National Health Security Office (NHSO), where the Company (CHG) only acts as a referral center for hemodialysis and heart disease in Samutprakarn province and nearby provinces in the East.

Scope of Medical Services

The hospitals in the Group provide medical services to patients by specialists in each field using effective tools and medical devices. The services of the group can be categorized as follows:

(1) Medical Clinic

- General Medical Clinic (Available at CH1, 3, 5, 9, 11, 304, Chularat Cholvej, Chularat Rayong, Ruampat Chachoengsao):* provide general medical services and patient care clinics , such as diabetes, high blood pressure, high cholesterol, etc.

- Internal Medicine Clinic (Available at CH3, 9, 11, 304, Chularat Cholvej, Chularat Rayong, Ruampat Chachoengsao) *: provide treatment and care of patients with the internal medicine diseases such as cardiovascular disease, gastrointestinal tract, skin diseases, cancer, infectious diseases, respiratory diseases, arthritis and rheumatic diseases, endocrine system disorders, brain and nervous system, kidney disease, allergies, blood diseases, etc.

(2) Surgery Clinic

- General Surgery Clinic (Available at CH3, 9, 11, 304, Chularat Cholvej, Chularat Rayong, Ruampat Chachoengsao)*: provides diagnosis and treatment of general surgery, including laparoscopy surgery, Hand and micro surgery, Orthopedics surgery, Neuro and Brain Surgery, Maxillofacial Surgery, Plastic Surgery, Urological Surgery, Cardiovascular Surgery, Surgical Oncology, Cancer Surgery, General Surgery, Breast Surgery, Ophthalmology, surgery, ENT surgery, etc.

(3) Integrated Heart Center (Available at CH3)*

(4) Comprehensive Cancer Treatment Center (Available at CH9)

(5) Other Clinics and Medical Centers

- Neonatal Intensive Care Unit (NICU) (Available at CH3)*
- 24-hour Pediatric Clinic (Available at CH3, 9)*
- Stroke Center (Available at CH3, 9)*
- Allergy Clinic (Available at CH3)*
- ENT Clinic (Available at CH3, 9, 11)*
- Eye Laser Center (Available at CH3)*.
- Dental Surgery Center namely “Dr.Dentist” (Available at CH1, 3, 5, 9, 11)*
- Obstetrics - Gynecology Clinic (available at CH3, 9, 11):*
- Gastrointestinal and Liver Center (Available at CH3, 9, 11)*
- Colon and Rectum Center (Available at CH3, 9, 11)*
- Dissolution of gallstones and urinary tract center (Available at CH3, 9)*
- Dialysis center (Available at CH3, 9, 11)*
- Physiotherapy Clinic (Available at CH3, 9, 11)*
- Orthopedic Clinic (Available at CH3, 9, 11)*

(6) 24-hour Emergency Care Center (Available at CH3, 9, 11)*

(7) Check-up Center

(8) X- ray Mobile Check-up

(9) Occupational Medicine

(10) Laser and Cosmetic Center (Available at CH3)*

(11) Fertility Center & IVF Clinic (Available at CH11)*

(12) Eye Center (Available at CH1)*

The Competency for Medical Services

As of 31 December 2019, the Company has the capability to provide medical services with service utilizations base on customer groups as follows:

(1Number of visits and the number of beds

Out-Patient Department (OPD) is assessed by the number of treatment rooms, whereas In-Patient Department (IPD) is assessed by the number of beds. The Company's service capability as of 31December 2019 is as follows:

| Hospital / Branch | No. of OPD Room | No. of IPD Bed |
|--|--------------------|-------------------|
| Chularat Hospital Public Company Limited | | |
| Chularat 1 Suvarnabhumi Hospital | 5 | 26 |
| Chularat 2 Medical Clinic | 2 | - |
| Chularat 3 International Hospital | 42 | 193 |
| Chularat 5 Hospital | 5 | 26 |
| Convenience Hospital Company Limited | | |
| Chularat 7 Medical Clinic | 1 | - |
| Chularat 8 Medical Clinic | 2 | - |
| Chularat 9 Airport Hospital | 31 | 139 |
| Sattayabutr International Company Limited | | |
| Chularat Rayong Hospital | 5 | 50 |
| Cholvaej Hospital Company Limited | | |
| Chularat Cholvaej Hospital | 5 | 56 |
| Bangpakong Vejchakit Company Limited | | |
| Chularat 11 International Hospital | 21 | 141 |
| Chularat 12 Medical Clinic | 2 | - |
| Chularat Arkanay Company Limited | | |
| Chularat 304 International Hospital | 14 | 59 |
| Ruampat Chachoengsao Hospital Company Limited | | |
| Ruampat Chachoengsao Hospital | 14 | 59 |
| รวม | 149 | 749 |

((2Utilization Rate

The occupancy rates for the patients are assessed by the actual amount of services compared with the potential to provide the maximum service and classified into outpatients (OPD) and inpatient (IPD) groups. In 2017 and 2018, the outpatient utilization rate decreased from 71.1 percent to 70.5 percent and fell to 69.1 percent in 2019 due to the Company increases the number of diagnosis rooms to accommodate the increasing numbers of outpatient. While inpatient utilization rate (Bed Occupancy rate) increased from 65.5 percent to 67.9 percent during 2018-2019, align with company policy to increase the number of beds to support the increasing number of patients.

▪ **Outpatient**

| | 2017 | 2018 | 2019 |
|--|-------------|-------------|-------------|
| No. of Diagnosis Room (Average) * | 127 | 131 | 147 |
| No. of day | 365 | 365 | 365 |
| Maximum Capacity (Time) ** | 3,232,075 | 3,343,830 | 3,762,780 |
| No. of date of actual treatment (Time) | 2,296,828 | 2,357,117 | 2,601,433 |
| Service Rate (Percent) | 71.1 | 70.5 | 69.1 |

▪ **Inpatient**

| | 2017 | 2018 | 2019 |
|---------------------------------------|-------------|-------------|-------------|
| No. of Bed (Average) * | 586 | 649 | 749 |
| No. of day | 365 | 365 | 365 |
| Maximum Capacity (Bed) | 159,505 | 236,840 | 273,385 |
| No. of date of actual treatment (Bed) | 137,278 | 155,132 | 185,676 |
| Service Rate (Percent) | 76.0 | 65.5 | 67.9 |

Note:

* The actual number of rooms and number of beds are calculated from the average of the beginning and end of the period.

** The ability to get the maximum outpatient assessed by the management company is about 70 times/room/day.

Thai Traditional Medicine

With holistic health awareness trend, the Company sees opportunities to grow Thai Traditional Medicine business. Using an area at Chularat 3 International Hospital, the Company opened the completed spa service under the name “Chularat Thai Traditional

Medicine", providing Spa services, Thai Massage, and foot massage by specialized staff. Chularat Thai Traditional Medicine opens daily from 00.10am. to 9. 00pm.

Purchasing Medical Devices Business and Practical Nurse Training Business

Thai Amdon Company Limited ("Thai Amdon"), a subsidiary of the Company, imports and supplies medical devices and equipment such as electric beds, heart rate measurement machine and blood oxygen levels calculator, etc. Presently, most of medical devices and equipment imported by Thai Amdon are distributed to hospitals and clinics in the Chularat Hospital Group. However, Thai Amdon is setting a marketing plan to increase their distribution to other hospitals in the future. The Company also operates a Practical Nurse Training namely "Chularat Inter Health" to train personnel to support the future expansion of the hospital.

MARKETING AND COMPETITION

Marketing Strategy

The Company has its marketing policy to provide medical services to all classes of people living in the area around the hospitals and medical clinics. The Company has provided the primary, secondary and tertiary medical services. The Company aims to be a leading private hospital under the concept of "The Star of the East" with easily access by the customers and to be recognized by the customers in terms of quality of service with Patient Focus at a reasonable and fair price. The Company also aims to grow in line with the business and industry expansions in the East and Samutprakarn Province, focusing on expanding the service network and enhancing the service qualities through the Excellent Centers.

Presently, The Company has 3 hospitals providing the Secondary medical care which are Chularat 3 International Hospital, Chularat 9 Airport Hospital, Chularat 11 International Hospital. The Company also provide the Tertiary Care through several Excellent Centers: 1. Hand Surgery and Orthopedic Clinic, 2. Neonatal Intensive Care Unit (NICU) , 3. Comprehensive Treatment of Heart Disease, 4. Comprehensive Cancer Center including clinical treatment of prostate cancer and 5. Stroke Center,etc. The Company has a total of 13 branches in the group with service cluster in the eastern area of Thailand, starting from Suvarnnabhumi Airport, Pravet and Lat Krabang districts (Eastern Bangkok area) , along King-Kaew Road and Teparak Road in Bangplee district in Samutprakarn province, extend to Bangna- Trad Road Bangpakong district and Gateway City Industrial Estate in Chachoengsao province, along 304 highway to Srimahaphot district in Prachinburi province, downtown in Chonburi province and Aranyaprathet district in Sa-Kaeo province. In 2016, the Company opened new branch in Muang district, Rayong province and in 2017 in Muang district, Chachoengsao province. All hospitals and clinics in the group are located closed to several industrial zones in the eastern are of Thailand, including those industrial zones in Samutprakarn (Bangplee) and Bangkok provinces (Lat Krabang).

The Company provides the services to 2 main types of customers, General patients and Social Welfare patients : Social security Office (SSO) and the National Health Security Office (NHSO), where the Company (CHG) only acts as a referral center for hemodialysis and heart disease in Samutprakarn province and nearby provinces in the East.

Types of Customers

1. General Customers

- **Cash:** Customers are responsible for the cost of medical treatment on their own. The target group is people with upper-level income whose residence or workplace are close to the location of the hospital or medical facility of the Company, or those who have confidence in the quality of the medical services of the Company. The Company focuses on providing a quality service and increases the scope of medical services through the public relations and marketing activities to the target customers.
- **Corporate Contracts:** A group of customers who receive medical treatment where their organizations have agreements with the Company and the Company will charge directly to the organization. Also, A group of customers with health insurance where the Company will charge directly to the insurance companies. This customer group is likely to increase in line with the increasing growth of insurance business and health care trend.
- **Motor Vehicle Victims Act 1992:** Patients in this group are patients who have traffic accident and get treatment under Motor Vehicle Victims Act of 1992. Hospitals in the group are located on major roads with high tendency for car accidents: Srinakarin Road, Kingkaew Road, and Bangna - Trad Road. Therefore, they provides emergency care to support the patients and able to send an ambulance to the scene in a timely manner. The hospital will provide treatment to the patients or the aggrieved party of the patients at no charge and will reimburse from the insurance company under this Act.
- **Workers Compensation Fund:** Employees who have industrial injury due to accidents at work and get the treatment according to the Compensation Act 1994. The Company's Hand and Micro Surgery Center has the experienced and professional team to support the injured persons. The Company will provide the treatment at no charge and will reimburse the treatment cost from the Compensation Fund.

2. Social Welfare Scheme

- **Social Security Office (SSO) :** The Social Security Act 1990 (B.C. 2533) requires the employee to contribute a certain amount of their monthly wages to Social Security Fund. Such employees can choose to receive

one hospital for medical treatment at no charge among the hospitals under Social Security Network. The hospitals under Social Security Scheme will receive the services fees from Social Security Office (SSO) in 2 forms:

1. Fixed Payment (Flat rate, Capitation) per each patient (the rate of 2015 is 1,460 baht per person per year). In July 2017, Social Security Office announced the new rate from 1,460 to 1,500 baht per person per year.
2. Additional fee from other services. (Please see more details in section “Analysis and Comments of the Management”)

In 2019, the average number of Company’s patients under Social Security Scheme is approximately 435,537 people. With Chularat 3 International Hospital and Chularat 11 International Hospital certified by HA level 3, the Company can increase more insured person to maximum approximately 475,000 people. If all of the expansion projects finish in the future, The Company can request to increase quota of insured person under Social Security. However, the management of The Company has no plans to increase this group of customers. The future projects are mainly to serve General patients.

- **National Health Security Office (NHSO).** This group of customers is only in Chularat 3 International hospital because Chularat 3 International hospital is a referral center for heart disease in Samutprakarn and nearby provinces to help coping with the lack of specialist doctors in Public and Private Hospitals. The hospital will receive the medical services payment from NHSO by the relative weight (RW) method, depending on the area of the deliver’s hospital and the additional medical devices.

Industry Outlook, Situation, and Competition

Situation

At present, Thailand is home to a total of 38,512 sites providing some form of healthcare provision, 34.7% of these are state-funded healthcare providers (e.g. public health centers, district public health offices, and community and general hospitals), while the remaining 65.3% are private sector ventures (i.e. private clinics and hospitals). Divided according to size and the range of medical services that they offer, 98.3% are classified as primary healthcare providers (9,800 public health and district health promotion centers and approximately 24,800 private clinics). The remainder comprises 641 secondary and tertiary healthcare providers, split between 294 (or 45.9%) hospitals under the management of the

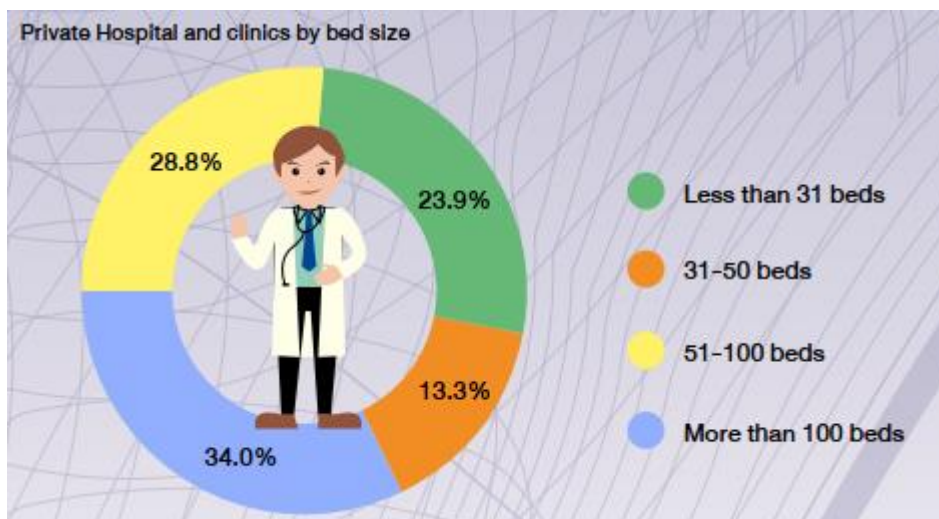
government, the Ministry of Public Health, local administrative bodies, state enterprises or the Bangkok Metropolitan Administration. The remaining 347 hospitals (54.1%) are in the private sector.

However, although state hospitals may be found across the country, their ability to serve patients is limited in some locations, as can be seen from the following: (1) The bed occupancy rate is high and in some areas is close to or over 100%. At present, the occupancy rate stands at 103% in Satun, 98% in Loei, 96% in Phuket, Mukdahan and Surat Thani, and 94% in Udon Thani and Pathum Thani, so it appears that at least in some areas, the supply of government hospital beds is insufficient to meet demand; and (2) Outpatients typically face long waits before being seen by a healthcare professional. The failure of government health services to fully meet demand has thus presented an opportunity to private healthcare providers, which typically emphasize the speed and convenience of their services. The result of this situation is that middle class consumers who have sufficient spending power are increasingly turning to the use of hospitals in the private sector, despite these services carrying a higher price tag than does accessing equivalent services in a government hospital.

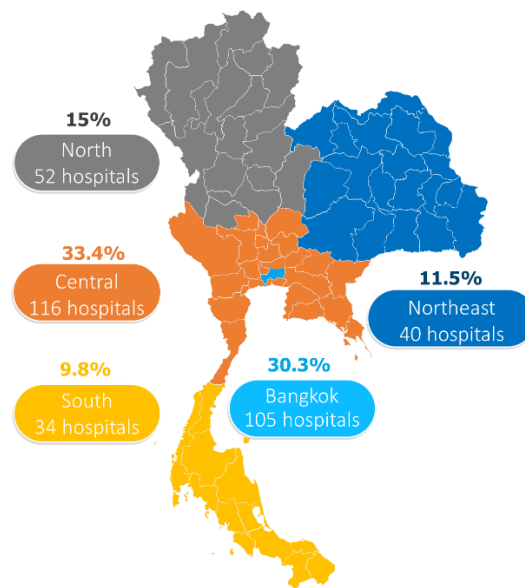
Currently, based on the hospital survey results of private hospitals in 2017 by the National Statistical Office, there are 347 private hospitals in Thailand as follows:

1. Hospital size less than 31 beds, with a total of 83 or 23.9 percent
2. Hospital size 31 - 50 beds, with a total of 46 or 13.3 percent
3. Hospital size 51 - 100 beds, with a total of 100 or 28.8 percent
4. Hospital size more than 100 beds, with a total of 118 or 34.0 percent

347 Private Medical Clinics and Hospitals, base on size (2017)



347 Private Medical Clinics and Hospitals, base on 4 regions



Private hospitals have been helped by their tax- exempt status and by other government policies aimed at supporting these businesses. In addition, business expansion has been driven by rising demand which has been especially from patients in neighboring countries following the opening of the Asian Economic Community in 2015, though health and wellness tourism from further afield has also steadily increased. These factors have helped to stimulate a marked uptick in investment by players in private healthcare and this in turn has caused a transformation of the sector; large, dynamic businesses have engaged in mergers and acquisitions, opened new hospitals in Bangkok and important regional centers, and bought into other private hospitals as investments and to extend their commercial networks. This has then led to the establishment of a number of new, large commercial groups that operate private hospitals, including the Bangkok Hospital Group, the Thonburi Healthcare Group and the Bangkok Chain Hospital (the Kasemrad Hospital group). These mergers have increased competitiveness, and groups are now clearly targeted at particular customers, while in light of these changes to the structure of the market, mid - and small-sized operators have had to adjust their operations by specializing to target more niche markets.

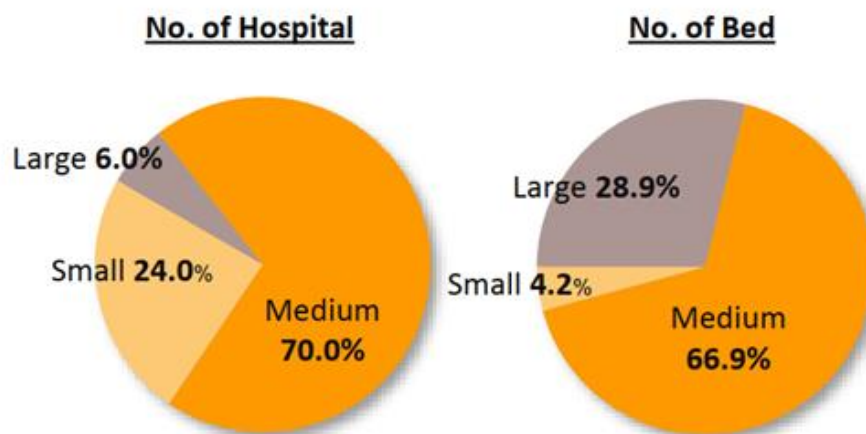
347 Private hospitals, providing 40,718 beds, may be divided into three subgroups according to the number of patient beds that they contain; this is a useful proxy for evaluating the range of medical services that each offer.

- Large hospitals (more than 250 beds): Currently, there are 21 large private hospitals in Thailand, and although this is around only 6% of all private

hospitals, these have a combined capacity of 11,772 beds, or approximately 28.9% of all private hospital beds.

- Medium hospitals (31-250 beds): There are 243 hospitals (70.0% of the total) providing 27,232 beds (66.9% of the total)
- Small hospitals (1-30 beds): There are 83 small hospitals in Thailand (23.9% of the total) offering 1,714 beds (4.2% of the total).

Share of Private Hospitals (2016)



Source: MOPH, compiled by Krungsri Research

Note : small size => 1-30 beds
 medium size => 31-250 beds
 large size => more than 250 beds

The size of a hospital is an important factor in determining its competitiveness and profitability. Large hospitals tend to be on a stronger financial footing and will typically be part of a more extended business network, which then enables them to take advantage of economies of scale since individual units within a commercial group will be able to pool resources by, for example, making joint purchases of medical supplies and equipment. In addition, because they provide services to a wide range of customer groups and so see fewer fluctuations in income, large operators can absorb pressures arising from a changing business environment better than can their small- and medium-sized competitors.

The healthcare sector has been the beneficiary of government policy that stretches back to 2003 to promote Thailand as a “Medical Hub”, and this has in fact led to the steady growth of medical tourism in the country. In many Thai private sector hospitals, the quality of service and treatments matches global requirements and so these institutions are now recognized as meeting international standards, one of the goals of the policy. At the same time, when compared to other countries that offer equivalent levels of care, the cost of care

in Thailand is relatively low, while Thailand also benefits as a medical hub from its many natural attractions, making it a suitable destination for those recuperating from illness or treatment. At present, the Joint Commission International (JCI) accredits 66 Thai medical institutes as meeting international standards, which is a greater number than in regional competitors such as India (38), Singapore (22), and Malaysia (13). In 2017, the International Healthcare Research Center (IHRC) placed the Thai medical tourism segment sixth in its world rankings, behind India, Colombia, Mexico, Canada and the Dominican Republic, while acknowledging that Thailand is the market leader in Asia, with a 38% market share of the Asian medical tourism market. At the same time, the Medical Travel Quality Alliance has declared that one of Thailand's medical facilities is among the five best medical tourism destinations in the world, with the other four sites located in Germany, Lebanon, Jordan and Turkey. Moreover, The sector is also helped by the fact that the government has decided to assist it as part of the project to further develop Thailand as an international medical hub over the period 2017-2026. Measures in pursuit of this include: (1) extending the permitted period of stay for visitors traveling to Thailand for medical treatment from China and the CLMV nations to 90 days from 30 days and allowing up to 4 family members to accompany travelers bound for Thai hospitals; (2) extending long stay visas from 1 to 10 years for individuals from 14 specified nations; and (3) assembling a special dental and health-check package for international travelers with higher spending power and tends to spend more on healthcare than its domestic counterpart. The income for private hospitals is therefore growing solidly, and healthy profit rates are being maintained.

The private hospital business is considered as a “ Low Risk” business with an opportunity to generate a sustainable income in the long run. Also, private hospital business is viewed as a “necessity” in line with consumer behavior in health-conscious. Therefore, private hospital business is less affected by the economic slowdown compared to other service businesses. Over the past several years, it is found that private hospitals listed on the Stock Exchange of Thailand (SET) had continuously growing revenue and net profit, resulting in continuously accelerated investment. Moreover, several large capital groups from other businesses started to enter healthcare business such as Pruksa Holding Group and Sahapat Group. It is expected that there will be more than 3,000 beds increased by 2020-2021.

New Private Hospitals planned to launch in 2020

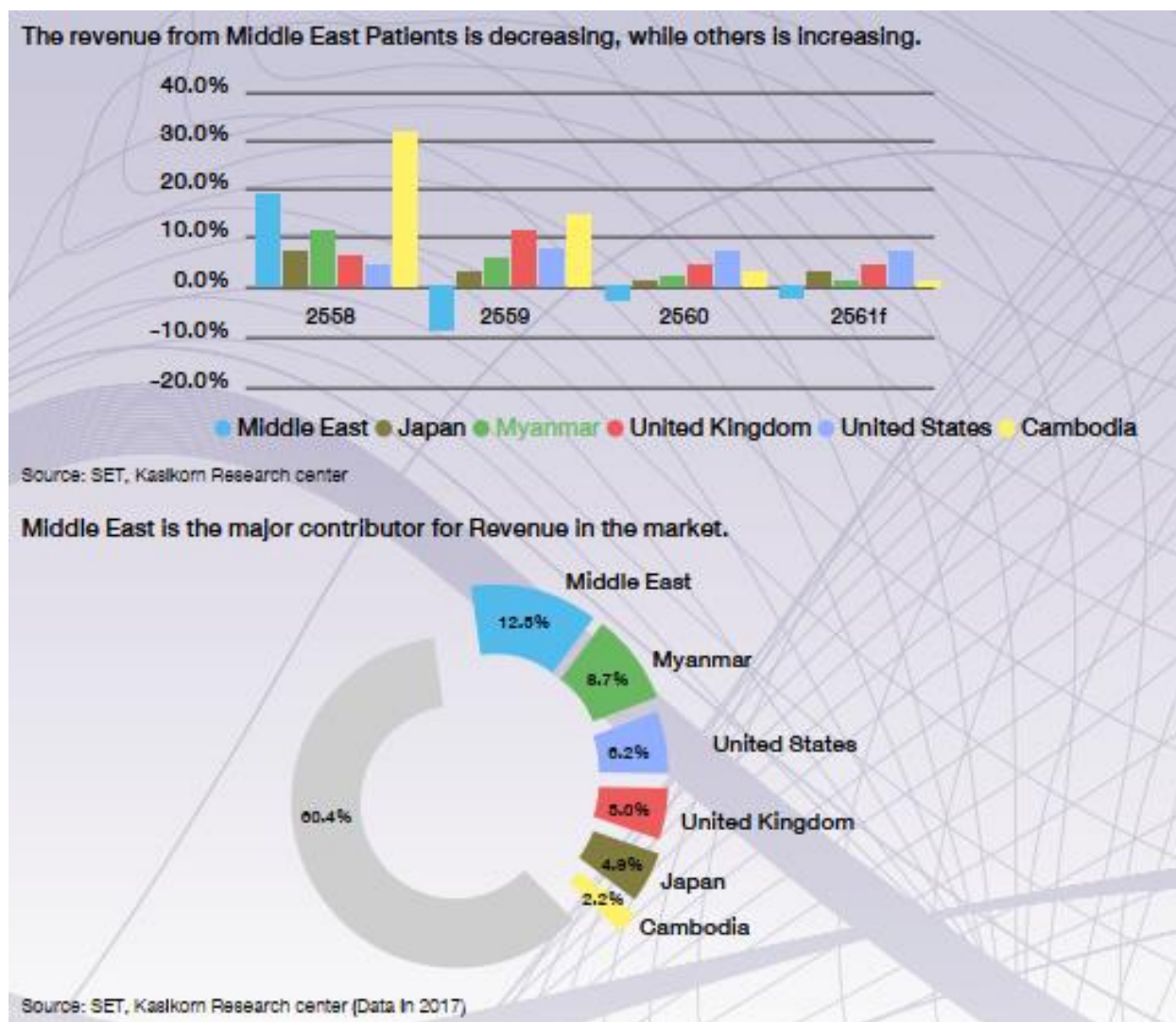
| Hospital | No.of Bed | Major Shareholder |
|------------------------------|-----------|-----------------------------------|
| TPP Healthcare International | 550 | Mahachai Hospital |
| RSU International | 304 | Rangsit University |
| Synphaet Bangna | 264 | Synphaet Hospital |
| Wimut International | 250 | Pruksa Holding |
| Jomtien Pattaya | 230 | BDMS |
| Tunyawej Lumlukka | 211 | Synphaet Hospital |
| KPN Healthcare | 152 | Saha-Union Plc., Sahapat Co.,Ltd. |
| Intrarat | 152 | Intrarat Hospital Co., Ltd. |
| Hathairaj | 126 | Central General Hospital |
| Wattanapat Krabi | 59 | Wattanapat Hospital |
| Principle Healthcare | n.a | Principle Capital |

Source: Compiled by Krungsri Research

In addition to the enormous investment requirement, medical personnel should also be considered mainly because there is a limited number of medical personnel, resulting in the competition in pulling of medical personnel between private hospitals and even from the public hospitals, especially those specialized experts and experienced medical personnel. The key challenge and pressure for New players who just enter private hospital business is to build the creditability which usually takes time to accumulate the reputation.

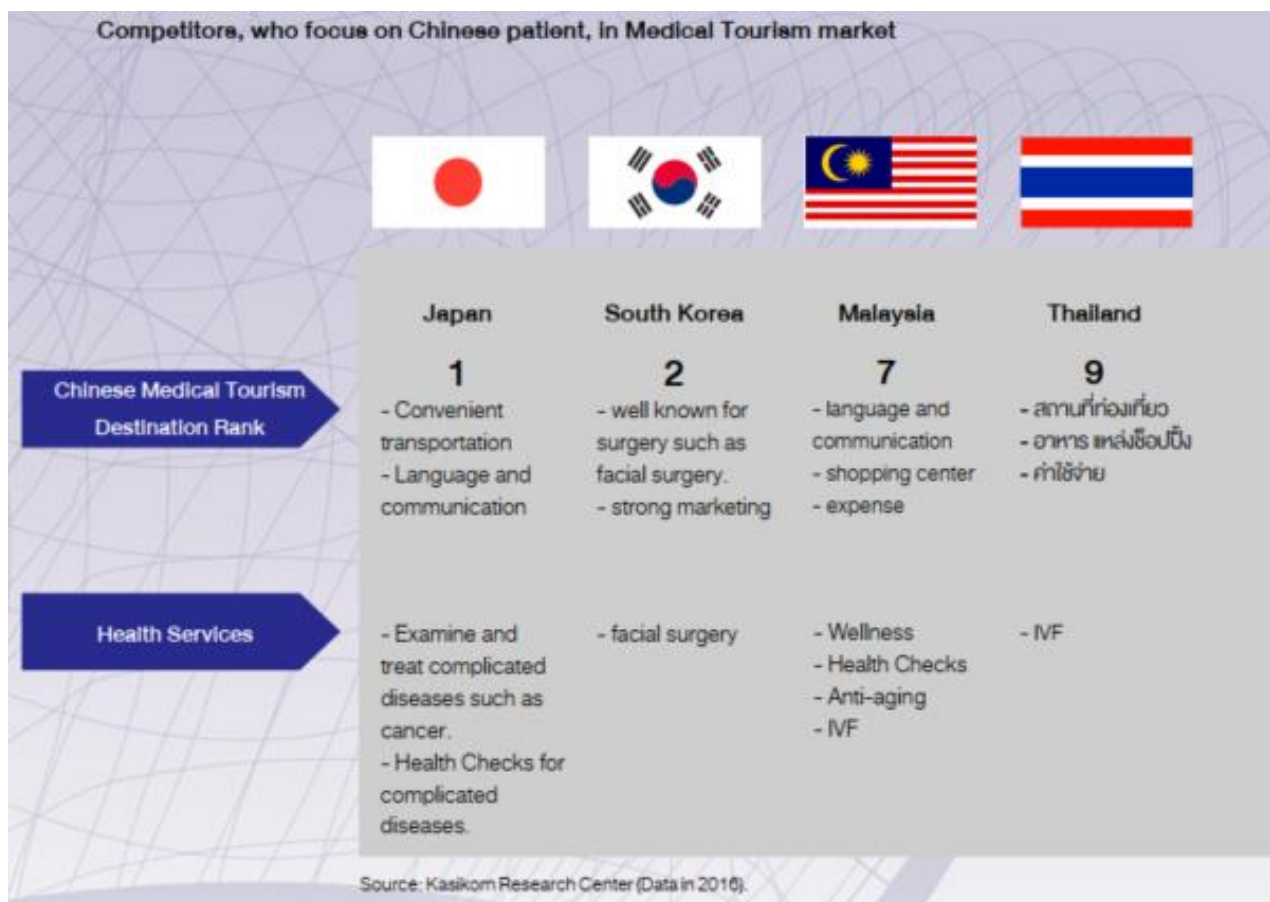
Nevertheless, Kasikorn Research Center found that in 2018, the domestic patient market is still being pressured by the uneven recovery of purchasing power. As a result, the private hospital business which is focusing on the domestic market may face higher competition. Meanwhile, the number of Thai elderly still increases so it is great opportunity to expand the market to this group. However, most of the elderly have low income, therefore, private hospitals that focus on elderly market must consider the ability to pay for medical expenses or purchasing power of this customer group as well. The target customer group of the private hospital business are likely to have moderate purchasing power or earn income from 100,000 baht per year or more (exclude child's support).

While the international market is still an important driver of the private hospital business especially for the one that captures foreign patients markets. Kasikorn Research Center also expect that in 2018, foreign patients will use medical services approximately 3.42 million times, which are Medical Tourism, about 2.5 million times, and EXPAT groups approximately 9.2 hundred thousand times. The Asian customer from Japan, Myanmar and China, in particular, play an important role instead of Middle Eastern patients like the past (Figure A). Since they changed the domestic medical policy, including the development of health systems for the quality and standards to support or motivate people in the country to use more services, it leads to the decrease of Middle East patient coming to use Thai private hospitals.



*Remarks : Calculated from the biggest top three private hospitals in Stock of Exchange Thailand, which is accounted 70% of total market capital.

In addition, the increasing number of Chinese tourists traveling to Thailand and the trend of medical treatment in others countries would enhance private hospital business in Thailand to expand the Medical Tourism for attracting them. Especially the beauty-related services that the Chinese people are increasingly interested, Thailand has potential in competition such as facial surgery, Infertility, including general medical services such as dental, anti-aging, or even health check-up. However, we might face a competition from Japan, South Korea, and Malaysia which are the destination of medical tourism for Chinese people (Figure B). Kasikorn Research Center estimates that in 2018, the number of medical tourism of Chinese people are about 630,000-650,000 people, from which is expected that there will be at least 40,000 people, or only 6.0 percent, would travel to Thailand.



The targeted and potential customers are following:

- Customers with infertility complications

Due to the second child policy announced by Chinese government, more than 90 million Chinese couples, especially who has infertility problem, want to have a second child. Originally, Thailand is one of destination countries for Chinese to get the medical services. Therefore, it is an opportunity for Thai private hospital business to penetrate the market segment to this new segment.

- Customer who focus on Beauty treatment

The beauty treatment trend among Chinese is still increasing. Not only facial surgery but the other related-beauty treatment which tend to get more demand. Most of services are not complicated, such as dental (Dental), skin care. Anti-aging or even Wellness such as health checkup. The physical rehabilitation in the elderly has also gained popularity as well and would be an opportunity for Thai private hospital sector to move into this market.

In November 2019, the research results of the Global Healthcare Security (GHS) Index 2019 by a research team from the University of John Hopkins stated that Thailand has been ranked as the sixth for the world's strongest health security among a total of 195 countries. Also, Thailand is the only developing country ranked in the world's top 10 and number 1 in Asia with 73.2 score out of 100 points. Moreover, Thailand has been recognized as having the highest level of preparedness to cope with epidemic diseases among only 13 countries around the world.



| Rank | Country | Index Score | Region | Population | Income |
|------|----------------|-------------|-------------------|------------|---------------------|
| 1 | United States | 83.5 | Northern America | 100m+ | High income |
| 2 | United Kingdom | 77.9 | Europe | 50-100m | High income |
| 3 | Netherlands | 75.6 | Europe | 10-50m | High income |
| 4 | Australia | 75.5 | Oceania | 10-50m | High income |
| 5 | Canada | 75.3 | Northern America | 10-50m | High income |
| 6 | Thailand | 73.2 | Southeastern Asia | 50-100m | Upper middle income |
| 7 | Sweden | 72.1 | Europe | 1-10m | High income |
| 8 | Denmark | 70.4 | Europe | 1-10m | High income |
| 9 | South Korea | 70.2 | Eastern Asia | 50-100m | High income |
| 10 | Finland | 68.7 | Europe | 1-10m | High income |
| 11 | France | 68.2 | Europe | 50-100m | High income |
| 12 | Slovenia | 67.2 | Europe | 1-10m | High income |
| 13 | Switzerland | 67.0 | Europe | 1-10m | High income |

Source : <http://gotomanager.com>, “Healthcare and Hospital Business – New battle for Large Capital Group”

Source : Kasikorn Thai Research, “Private Hospital Business in 2018 “

Source : Krungsri Research, “Private Hospital Business “, June 2019

Source : H Focus Online, “Thailand ranks No. 6 for Global Health Security”, November 2019

<https://www.hfocus.org/content/2019/11/18042>

Source : The Nation Thailand News, “Thailand ranks a strong 6th for health Security”, November 2562

<https://www.nationthailand.com/news/30378514>

Source : Thailand Business News, “Thailand ranks sixth for world’s strongest health security”, November 2562 <https://www.thailand-business-news.com/health/77060-thailand-ranks-sixth-for-worlds-strongest-health-security.html>

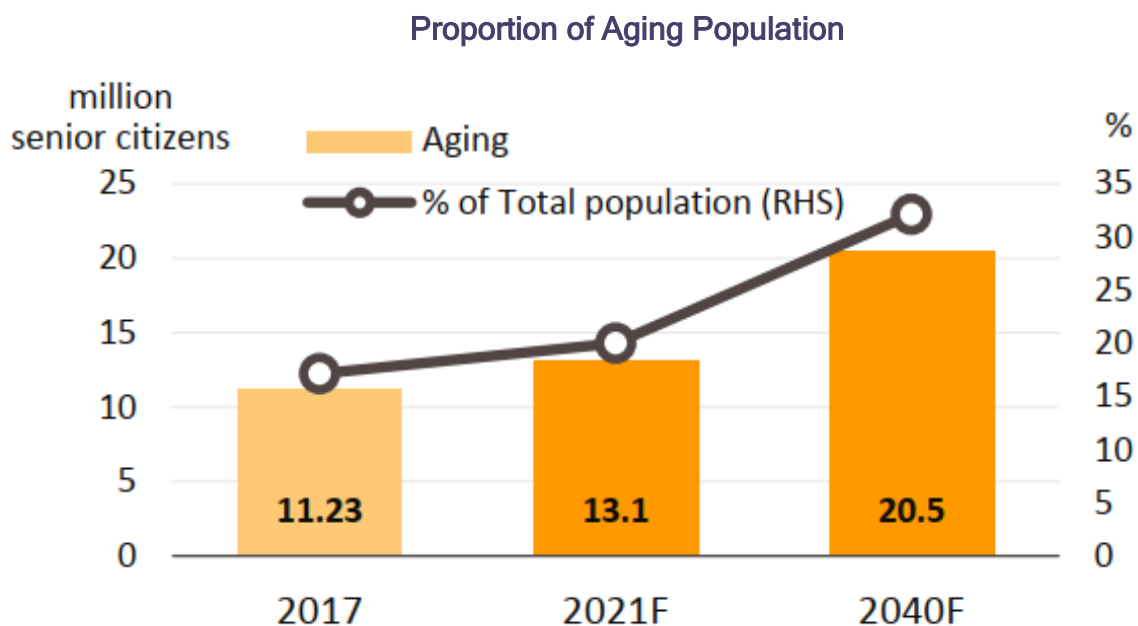
Industry Outlook

Krungsri Research anticipates that for the three years between 2019 and 2021, hospital operators should see steady growth in their business. Large hospitals that are part of an extended commercial group will be able to exploit their advantages in terms of costs, personnel and access to a wide range of customer groups, both domestic and international. However, with the exception of those that specialize, either in terms of their customer base or the treatments which they offer, mid-sized and small hospitals that are ‘stand-alone’ operations (i.e. that are not part of a commercial group) will likely face greater challenges because these players are dependent on the domestic market. Nevertheless,

small and medium hospitals with greater business potential may be able to access financing through the stock market and these funds would then be available to upgrade and expand operations or for use as working capital. Opportunities also exist to enter into partnership with large players by referring on patients to them, and by engaging in these types of commercial alliances, smaller operators will be able to increase their competitiveness and meet the challenges posed by the dominance in the sector of major commercial groups. Krungsri Research thus anticipates that in this period, revenue from hospital businesses registered on the stock market would grow by an average of 10-13% per annum.

Structural changes that will support business growth include the following:

- The transition to an aging society will support rising demand for complex and technology-intensive medical interventions. The Office of the National Economic and Social Development Board forecasts that in Thailand, the number of individuals aged over 60 will rise from 11.2 million in 2017 to 13.1 million by 2021, and typically 60% of the elderly have health problems, while the Ministry of Public Health estimates that spending on healthcare for the elderly is expected to rise from THB 63 bn in 2010 (2.1% of GDP) to THB 228 bn in 2022 (2.8% of GDP) (source: the 12th National Health Development Plan, 2017-2021)



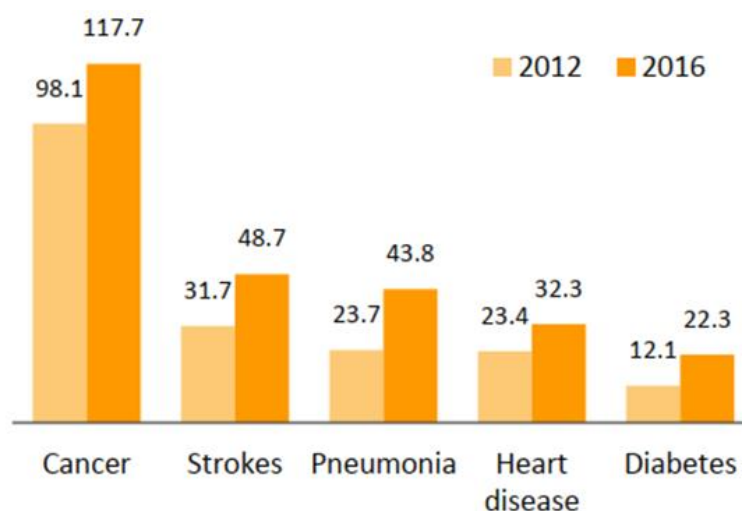
Source: NESDB

- Growth in the number of middle-class consumers with higher spending power will also help to increase demand for the services offered by private hospitals. It is forecast that the proportion of the Thai population classified as middle-class will rise to 41% by 2020, up from 36% in 2015. This societal shift is also being seen in other countries in the ASEAN zone and taken together this represents a significant opportunity for Thai private sector healthcare providers.
- Urbanization is continuing in Thailand and the United Nations forecasts that the Thai urbanization rate will in fact rise from 50.4% in 2015 to 60.4% in 2025. This, combined with government policy to invest in national infrastructure and to establish special economic zones and the Eastern Economic Corridor, will increase opportunities for players to expand the provision of medical services and to meet demand from patients in the provinces, including non-Thais who have come to work in the country.

In addition to these structural factors, growth in income for operators of private hospitals will also come from the following:

- Rates of illness and death as a result of non-communicable diseases (NCDs) such as cancer, stroke, heart disease, pneumonia and diabetes are tending to rise in the Thai population. Unhealthy lifestyle choices are prevalent in the general population and data from 2014 show that the proportion of over-15s who smoke or drink alcohol stands at 20.7% and 32.3%, respectively^{18/}, while average consumption of sugar is five-times the recommended level. Looking forward, this will underpin higher demand for medical services.
-

Mortality Rates by Leading Cause of Death per 100,000 Population



Source: Strategy and Planning Division, Ministry of Public Health

- Operators plan to expand their customer base by increasing investment in a number of areas and widening the range of services that they offer. This will include opening new branches (e.g. Bangkok Hospital hopes to have 50 branches operating in 2021, up from 45 in 2018, while Bumrungrad is opening a new branch on Phetburi Tat Mai Road in Bangkok that is expected to be completed in 2020) , entering into partnerships with other hospitals to increase treatment options (e.g. the decision by Praram 9 hospital to transfer patients with kidney conditions to one of nine favored hospitals across the country) , or building competitiveness by emphasizing an operator's particular strengths. The Latter might involve introducing the use of high-tech treatments, meeting customer needs for personal treatment from experts by modifying operations to become a center of excellence, or investing in technology to become a 'digital hospital', as Bamrungrad and Praram 9 hospitals have done. Some other operations are focusing instead more on overseas customers, shifting away from an earlier concern with the domestic market. Beyond this, operators have moved into non-hospital business by developing their whole supply chain such as beauty and oldage care centers, operating pharmacies, offering laboratory services, and producing pharmaceuticals, food supplements, medical foods, and beauty products. These products and services will appeal to a broad cross-section of consumers, this will also assist in securing long-term income growth
- Moves to expand the customer base will also involve looking more closely at foreign markets, and particularly at more promising segments, such as the markets in the CLMV nations, China, Russia and Africa, a move that will also reduce the pressure of relying excessively on any one market. From the point of view of hospital operators, these countries have the advantage of lacking sufficient domestic healthcare infrastructure to meet demand and so represent an open opportunity for expansion. This is particularly the case with the Chinese market, where couples are keen to use artificial insemination to have a second child, and hospitals that have expertise in this area (such as Ekachai and Piyavate hospitals) have been able to open centers for the treatment of fertility problems and so meet demand from China. It is expected that many other hospitals will rush to adjust their operations in order to do likewise. As a consequence of these moves, the number of foreign patients coming to Thailand for treatment will tend to rise, while trends in the coming period also point toward an increase in the number of operations abroad that are managed by Thai private hospitals. This may take the form of players building their own hospitals, investing in local operations, or establishing offices for agents to send patients on to Thai hospitals. Recent examples include the Welly Hospital in China, which was opened

at the end of 2017 and which is a joint venture between Thonburi 2 Hospital and a local Chinese business, and the Ar Yu International Hospital in Myanmar (opened in 2018). Players in the private hospital sector will also face more intense competition both domestically and internationally.

Support from the government for private healthcare is taking a number of forms.

- The move to establish Thailand as an international medical hub is in line with the growing global market for health and wellness tourism. “The Global Wellness Tourism Economy Report 2013-2015” states that worldwide, health and wellness tourism was worth USD 639 bn in 2017 and that the sector is expected to grow at an annual rate of 7% through to 2022. The Asia-Pacific market is valued at USD 136.7 bn, with over 2.5 million health tourists recorded in the region annually, while in terms of its market share, Thailand is in fourth place in Asia. Services in demand from health and wellness tourists include dental care, health checks, cosmetic surgery and anti-aging treatments, though increasing interest in and concern with personal health is pushing private hospitals to spread their activities into a wider range of services. Thus, the Bangkok Hospital Group has opened the BDMS Wellness Clinic, Medical City has been opened by the Thonburi Healthcare Group and Bangpakok, Kluaynamthai and Yanhee hospitals have all established care facilities for the elderly. The Tourism Authority of Thailand (TAT) and private sector collaborate to promote Thailand to become a ‘fertility center’ to help place Thailand on the map as a hub for fertility wellness tourism, and the support of policy aimed at strengthening health tourism will help to maintain the growth of the market over the longer term.
- Listing the medical sector among the government’s ten targeted industries, in particular for investment in the EEC which carries with it special privileges such as tax breaks, will help to encourage investors to put money into the sector. This will include establishing research facilities, manufacturing pharmaceuticals, and engaging in medical innovation. Private hospitals should then benefit from this by seeing their costs of production fall, which will in turn help to lift their competitiveness relative to overseas competitors.

However, challenges to the sector exist, and these include the following:

- The healthcare sector is suffering from a labor shortage. The World Health Organization (WHO) has declared that there should be at least 2.8 doctors and nurses per 1,000 head of population but at present, Thailand has a ratio of only 0.4:1,000,

lower than that of its main regional competitors of Singapore (1.92:1,000) and Malaysia (1.2:1,000). Expansion by private sector hospitals will thus tend to feed increasing competition for staff and this will then lead to higher business costs.

- Official regulations, such as the possibility of including the costs of pharmaceuticals, medical supplies and service fees in government price controls placed on the medical sector may have an impact on operators' room to increase charges and through this, on their future turnover. This is likely to be particularly significant for stand-alone mid- and small-sized hospitals.
- Operators also have the prospect of stiff competition to look forward to, with this coming from both competitors at home and abroad. In the case of the former, in addition to facing challenges from existing providers of healthcare services that are in the process of speeding up their investments, players will also have to overcome obstacles arising from the entry into the market of businesses from outside the healthcare sector that are attracted by the possibility of securing low risk, secure, long-term returns, though these moves are also in step with shifts in consumer preferences that place greater importance on personal health. Foreign investors are also attracted to the sector and this is especially the case for Chinese businesses, which are keen to meet demand from Chinese patients for the treatment of infertility problems in Thai-run clinics. The outcome of these developments has been to create a sharp expansion in the supply of private hospital beds. The total number of these is thus expected to rise by at least 1,000 beds by 2021 from the 2018 total of 40,000 and this will naturally lead to increasing competition between private hospitals, with this likely to occur on both pricing and the range of services offered. In addition to this, competition will also come from government-run hospitals that are developing services that mirror those available in the private sector. Piyamaharajkarun Hospital, part of the Siriraj Hospital network, and the Somdech Phra Debaratana Medical Center at Ramathibodi Hospital are examples of public hospitals that have followed this path, and operations such as these will benefit from their reputation in the excellence of their staff and their adoption of high-tech treatments. As regards foreign competitors, many Asian countries have followed a similar path to Thailand in establishing medical hubs and these also tend to target the same customer groups. Singapore, Malaysia, India and China all fall into this category, with China having declared Hainan as a medical tourism pilot zone as a way of attracting domestic patients who would otherwise use medical services abroad. Recently, the Singaporean operator Parkway Pantai announced that it will be building a 250-bed

hospital, its first, in Myanmar for opening in 2020 and Middle Eastern countries, which supply many patients to the leading private hospitals in Thailand, are also opening their own hospitals. At a cost of THB 23 bn, Qatar opened Medical City (similar in size to Bamrungrad Hospital and equipped with 559 beds) at the end of 2017. Likewise, costing THB 35 bn, Kuwait has already opened the 1,168-bed Hospital Complex, while the United Arab Emirates (UAE) has adjusted its health insurance policy and is now encouraging those requiring medical care to do so in the UAE instead of traveling abroad.

Kasikorn Research Center expects that by 2020, the overall profit of the private hospitals listed on the Stock Exchange of Thailand) likely to grow by 3-6 percent, slowing down compared to the year 2019, especially private hospitals having the middle to high income patients. Main reason is due to the high competition in which the number of competitors are increased while the patient's power is not increased resulting in a slow down revenue growth compared to the increasing expenses such as medical personnel, investment in specialized technology and services or even the special discount offer to some certain groups of patients. However, profit for some private hospitals are likely to increase in 2020, especially those hospitals located in the area where there is no competitors and focus on patients in governmental schemes. With unrecovered economy and purchasing power, patients without private health insurance and need to pay in cash are more likely to choose to use government scheme services. If reimbursement rate of Social Security Scheme is increased by 2020, this should help supporting the revenue and net profit growth of the private hospitals under Social Security Scheme.

Source : Krungsri Research , " Private Hospital Business " , June 2019

Source : Kasikorn Thai Research, " Private Hospital 2020 " , December 2019

Competition

The Company may face competition with the private hospitals located in a radius of 10 kilometers from the Group. The area covers Bangkok in Prawet and Latkrabang district, Samutprakarn and Chachoengsao. The hospitals and nursing homes in the areas are as follows:

| Hospital in the Group | Nearby Hospitals | Location |
|------------------------------------|--|--|
| Chularat 3 International Hospital | Princ hospital Suvarnabhumi Central Park Hospital Bangna 5 Hospital Ratharin Hospital Paolo Memorial Samutprakarn Meaungsamut Paknam Hospital Samrong Medical Hospital | Samutprakarn Samutprakarn Samutprakarn Samutprakarn Samutprakarn Samutprakarn Samutprakarn |
| Chularat 9 Airport Hospital | Thai Nakarin Hospital Bangna 1 Hospital Sikarin Hospital | Bangkok Bangkok Bangkok |
| Chularat 11 International Hospital | Ruamchaipracharak Hospital Bangna 2 Hospital Kasemrad Chachoengsao Hospital Vibharam Amata hospital | Samutprakarn Samutprakarn Chachoengsao Chachoengsao |

As there are many private hospitals in the same area, the competition is quite high. However, the Company has an advantage in many areas as follows:

1. Medical personnel of the Group has expertise in a wide range of specific diseases and the Company has specialized medical centers such as:
 - **Orthopedics and Micro Vascular Center:** Well equipped with professional and experienced team, the Company's Hand and Orthopedics Center is the specialist in this field in Samutprakarn province and nearby provinces in the eastern region.
 - **Integrated Heart Center** can provide a complete and comprehensive services from the initial diagnosis, using stent and balloon to expand the artery, to Cardiac surgery. In addition, this Center is a Referral Center under the National Health Security Office (NHSO).

- **Neonatal Intensive Care Unit (NICU):** Chularat 3 International Hospital is a referral center for newborns with unusual weight under The National Health Security Office (NHSO).
- 2. The preparedness for both medical devices and locations: The medical tools and equipment are modern and well equipped. The Availability of patient rooms and beds are sufficient for both outpatient (OPD) and inpatient (IPD). Moreover, the atmosphere of the hospitals is beautiful, clean, neat and safe.
- 3. The location of hospitals and clinics in the Group located in the communities with easy access and travel.

Competitive Strategy

The current situation of the hospital business is competitive in both quality of service and the advance of medical technology. To build competitive edge and sustainability, the management of the Company has developed and continually revised Competitive Strategies as follows:

1. Having several hospital networks in potential areas

The Company has 9 hospitals and 4 medical clinics spreading around Samutprakarn and Chachoengsao and covering the East of Bangkok (Prawet and Lat Krabang), Sa-Keaw and in Rayong. All hospitals and Medical clinics are located in the industrial zones and communities with high growth potential and near the Suvarnabhumi International Airport. The Company can provide services to general patients and patients under the government projects effectively. In Addition, the network of the Company results in economies of scale for the following aspects:

- Effective management of medical equipment and supplies from the shared usage of equipment or tools.
- Inventory Management by using a rotation system between the pharmaceutical medicines warehouse in each field for replacement in case of shortages.
- Management of medical personnel, the Company's medical experts can circulate to other hospitals in the group effectively.

2. Distribution of Revenue from a diverse group of clients

The Company has revenues from multiple client segments such as customers who pay Corporate contract and Insurance patients, patients under compensation

fund and patients under government welfare programs. Having multiple sources of income gives the consistency of revenue to the Company, resulting in the management and allocation of resources effectively. However, the policy of the Company continues to focus on increasing revenue from general customers as they provide higher profit margin than the clients under welfare programs. The revenue from general patients was 58 percent in 2017, 63 percent in 2018 and 63 percent in 2019. During 2017 to 2019, the revenues from general patients has increased from Baht 1,616.71 million to Baht 3,234.34 million, representing the average increase of 18.93 percent per annum.

The Company has policy to increase the number of general patients by increasing the competency of medical services, service area expansion and renovation, and adding more variety of specialty services, such as Comprehensive Heart center, Stroke Comprehensive Cancer Center including clinical prostate cancer, etc. In addition, the Company has an aggressive marketing strategy for general patients such as providing knowledge and understanding on basic healthcare treatment through workshops or activities, including providing discounts to patients who obtain health insurance with the insurance companies which are the partners to the Company.

3. Quality of service

Quality of service is one of the key success factors for hospital business. The Company has recognized the importance of such factors and has a service policy to ensure that patients receive the quality service as follows:

- Providing a standard service quality with speed and safety.
- Having an effective patient assessment, analysis, diagnosis, treatment plan and reassessment plan.
- Having an appropriate and accurate communication with patients and their families.
- Having an appropriate patients-discharge, including after care.
- All processes take into account the safety of the patient (Patient Safety) under the standard of World Health Organization (WHO) along with the continuous development of patient treatment. The hospitals have set up the reviewing activities from reviewing medical records to reviewing all process related to medical treatment to get the personnel of the

Company to be ready to serve their patients fully and effectively and focus on patients' need (Patient Focus) . The Company also try to educate personnel to have service mind which will help maintain service quality to meet the standards continuously.

In addition, with continuous improvement in service quality, the Company's hospitals have received Hospital Accreditation Standard (HA). In 2012 and 2013, Chularat 3 International Hospital and Chularat 11 International Hospital have been certified HA Step 3 respectively. (Re-accreditation is valid for 2 years.) In 2014, Chularat 3 International Hospital has been certified by Joint Commission International Standard (JCI) from the United States. (Re-accreditation is valid for 3 years). Moreover, the Company has continuously updated the technology of tools and medical equipment to enhance its ability to provide accurate diagnosis and treatment more precisely. The Hospital also focuses on recruiting a team of medical specialists in each field, including nurses and support personnel with knowledge and experience so as to provide 24-hour service. The Company also provides the training courses to educate employees on a regular basis, especially to medical staff and employees who closely interact with customers.

4. Setting the rate for medical fee

The Company has the policy to set the medical fee to be consistent with the types and severity of the disease and at a level that can compete with nearby hospitals. The Company has no policy for price competition because it may impact negatively on the quality of service.

5. Social Responsibility

The Public Relation activities strengthen the image of the Company and create awareness of the capabilities and quality of service to the Company's target customers. The Company uses activities booths and exhibitions in collaboration with government agencies and private sectors continually.

In addition, as a part of the community, the Company recognizes the importance of its roles and responsibilities to the community and society. With the Company's philosophy " The hospital not only exists for profit, but also the responsibility social and the environment", the Company has organized several social activities in collaboration with several government organizations on a regular basis which helps build good relationships with people in the community, such as 10,000

Hearts Project in commemoration of King Bhumiphol, Heart Hero Project, etc. The Company also provides trainings both within the hospitals and outside the hospitals to the public and the employees of the clients' companies such as first aid training, child care training to pregnant mothers, mobile community health promotion projects, school tours, Cardiopulmonary resuscitation (CPR) training. Moreover, the Company tries to educate the public to be aware of environmental issues and consider these issues as personal and every person is responsible to change their behavior to reduce resource consumption as well as using recycled materials, etc.

6. Distribution Channel

The hospitals and health care facilities of the Company locate in prime location with high population community and close to industrial areas. The target customers can travel to the hospitals easily and the space allocation in the hospital is neat and ergonomic. In addition, the Company has CALL CENTER 1609 ambulances to transfer patients to other hospitals in the group for emergency case in a timely manner. Moreover, with 9 hospitals and 4 clinics in the group, patients under Social Security Scheme (SSO) can easily access to services from every hospitals and clinics in the Group.

7. Cost Control

The Company's revenue from Social Security Scheme is paid base on the flat rate per person per year. Therefore, the Company's revenue from Social Security Scheme is depend on the Company's ability to control cost, while maintaining the good quality of service. The Company determined the strategic plan to ensure that patients is safe while there is no waste. The Company set up "Quality assurance with No waste Program" and continuously reviewed the activities with assigned personnel. The Company also organized a special activity to encourage the employees to give their comments on how to save cost and increase work efficiency. Having hospital network, the Company can use resources efficiently (Cost and Facilities Sharing) by sharing certain tools and medical equipment together.

Provision of products and services

Medicine and Medical supplies

Main Products for hospital business are medicines and medical supplies for patient's treatment. Pharmaceutical Department will gather all information of pharmaceutical and medical quantity needed and send the information to Procurement Department. The Company has 2 methods for procurement which are purchasing through auction and direct purchasing.

When making procurement through auction, the Company will cooperate with other private hospitals to gather the amount of medicines and medical supplies. With higher quantity (Big Lot), the Company has more bargaining power on price and commercial terms. The Company, acting as a mediator, will gather all demands for medicines and supplies and invite the distributors and medical supply tenders to join an online auction. Then, the Company will find the particular supplier who offers the most affordable and appropriated prices and conditions. The contract will be signed with a supplier who won the auction. In order to ensure transparency and fairness in the procurement of the Company and other hospitals participating in the procurement, the Company has set up a Joint Committee to evaluate and consider purchasing medicines and medical supplies each time. The Committee members are the representatives of hospitals that join the auction. The Committee will consider the appropriateness of price, quality standards and Good Manufacturing Practice (GMP), enabling the Company to acquire medicines and medical supplies at affordable price under quality standards.

However, the Company will purchase some medicine and medical supplies directly from distributors, not through the auction system. This procurement method is mainly for the purchase of medicines and medical equipment with low demand (Low Volume) or for Original Medicines which are specialized and expensive imported medicines.

The inventory management of hospitals is another important factor that the Company is focusing on. The Company has set up a medicines or medical provision policy with a high frequency of use to be regularly sufficient and uses rotation system between the pharmaceutical medicines warehouse in each branches to be used in case of shortage. The Company has Inventory System to maintain quality by controlling the temperature and humidity at an appropriate level for each medicines or medical equipment, also prevent the exposure to direct sun light for particular medicines and medical supplies to last as indicated

which is between 2-5 years. The Company has good relationship with distributors enabling the Company to receive the good after-sales-services and medicine and medical supplies quality assurance where the distributors allow the Company to return medicines and medical supplies if having any quality problems, including the return those medicines and medical supplies that are nearly expired.

The Company has held a monthly meeting to monitor the amount of medicines, including those almost reaches the expiration date but still be in good quality and the remaining date is still good for use, to find the best solution. However, as required by law the Company needs to set a provision for certain medicines and cannot return but such medicines need to be destroyed when they reach the expiration date.

The Company purchases medicines and medical supplies from local vendors with 3-7 days delivery, or within 24-hour for urgent cases and with 30-90 days credit terms. The Company has low dependence on any particular suppliers because there are no vendors supplying to the Company more than 30 percent of the value of all the medicines and medical supplies. During 2017 to 2019, the Company is not obligated to purchase the medicines or medical suppliers for more than 30 percent of the value of raw materials in the future.

Medical equipment

In the procurement of medical equipment and devices, the Company has established a Medical Commission to consider and approve the purchase of medical equipment, by comparing prices, features, and commercial terms with multiple vendors to get the tools and medical devices with quality and adhere to Joint Commission International Standard (JCI) and Hospital Accreditation Standard (HA). Some medical devices and equipment are imported and supplied by Thai Amdon Company Limited, the Company's subsidiary, such as Electric beds, heart rate measuring machine and blood oxygen levels machine, etc. However, the procurement of medical equipment through a subsidiary has strictly followed the guidelines according to Joint Commission International Standard (JCI) and Hospital Accreditation Standard (HA).

Medical Personnel

As of 31 December 2019, the Company and its subsidiaries had a total of 4,434 medical personnel from all branches. In the past, the Company can continuously recruit medical professionals to work with the Company continually mainly because of the management of the Company has a good relationship with medical schools and nurse training schools. The Company has policy to maintain medical staff to work with the Company for long period of time by determining appropriate compensation and benefits, providing scholarships to employees, creating good atmosphere and environment in the organization and creating a supportive organizational culture, for instance, senior personnel will provide care and training to personnel who have recently graduated, etc. In addition, the Company also has divisions to provide training to nursing assistants under the operation of Chularat Inter Health, which is responsible for providing nurse assistances to all 13 hospitals and clinics of the group.

Environmental Management

The Company strives to be a caring and environmental friendly organization. The Company has a policy to reduce waste and energy use, reduce carbon emissions, do wastewater treatment prior to release it into public water, increase Green areas in the hospital and make a campaign to raise awareness among staff and community to contribute to a sustainable quality of life.

During the month of April every year, the Company has organized “Green Hospital” workshops and exhibitions held at Chularat 3 Hospital to educate the public. The Company raised the awareness of employees to recognize the impact of global warming by starting the “Tree Planting Campaign” to plant trees in free space in the hospital area to reduce energy consumption, reduce greenhouse gas emissions and purify air around the hospital, which gives a positive impact in the surrounding community.

Hazardous Waste

The result of the waste disposal of burning in the furnace at 1200 degrees causes the carbon dioxide in the atmosphere. Landfill gives methane gas in the atmosphere, both carbon dioxide and methane results global warming. Well aware of these conditions, the management of the Group has set a policy to control the amount of waste, reduce waste and all kinds of energy consumption, and aim to reduce emissions of carbon dioxide and methane. The management has set up the workshops and projects to educate all personnel, aiming to create employee’s awareness and change their behaviors that are harmful to environment.

The ongoing projects of the Company are : Tree Planting Campaign in the organization and community, campaign to reduce the use of plastic bags and Styrofoam boxes, including change the use of cleaning chemicals to be biological, 2 sided paper Campaign, reduce paper copying through the use of IT resulting in lower amount of toners, electricity, paper, storage space and the change to replace fluorescent bulbs and fluorescent lights with LED to reduce electricity use, and reduce heat by switching off lights in office, tune office temperature to be constant, reduce elevator use, turn off computers when not in use, unplug all electrical appliances after use and car pool campaign to reduce energy consumption, etc.

RISK FACTORS

The business of the Company may face many risks which might affect the operations and the Company's share price. The following risk factors are just some important risk factors that could negatively affect the Company resulting in risk of investment by investors significantly. The Company may have other risk factors that are not aware of yet and there might be some risk factors that the Company doesn't see importance but might affect the business operations of the Company in the future.

The Risk of Shortage of Medical Personnel

Medical services have to rely on qualified healthcare personnel in various fields. Currently, the number of medical personnel is limited and the expansion of the medical business required qualified personnel with experience to join the organization. It would take time for medical personnel to develop their knowledge and skills, resulting in the Company might face the shortage of medical personnel in various fields in the future.

However, in the past the Company did not suffer from a shortage of medical personnel due to the Company's appropriate Compensation and Benefits policies along with the atmosphere and good hygiene in the workplace. Moreover, the Company has a policy to provide training and scholarships to employees of the Company, including the aforementioned medical personnel, with an objective to develop skills and continually learning attitude in various fields, resulting in making people become attached to the Company. The Company believes that the policy can help reducing the risk of shortage of medical personnel. In addition, the Company also has divisions to provide training to nursing assistants under the operation of the Chularat Inter Health to meet the needs of the Company.

Legal Risk

The medical services are at risk of being sued by patients or relatives of patients, which might be because the standard of service or treatment provided by the Company does not meet the expectations of all such persons.

The Company recognizes this risk factor and has tried to continuously strengthen the service standards both for the treatment process and treatment evaluation. The Company has prepared the guidelines to evaluate the satisfaction of service along with the risk

management of getting customer complaints before being sued in court. This will help limit the impact of such risk factor. There are no cases of prosecution significantly as of 31 December 2019.

The Risk of Inaccurate Withholding Delivery when the Revenue Department assessed income tax of medical doctors differs from the approach of the Company

Medical doctors are primary personnel to provide medical services. The Company has a written agreement under "Contracts for the clinical practitioner of Healing Arts Practices" with medical doctor who take care of patients in the hospital. The purpose of the agreement is to provide medical doctor with the tools and equipment of the Company as medical clinic for the treatment of patients. The medical doctor will share their earnings to the Company and they are is not an employee of the Company. The medical doctor will charge the medical treatments and services according to the difficulty and complexity of the disease and assign the Company to do billing and collecting payments from patients. The Company will arrange the place and the tools needed for medical treatment.

If considered by the Department of Revenue related to agreements between hospitals and medical doctors in the same manner as the Company, the medical treatment fee received from patients for medical treatment is considered as independent professional remuneration under the Revenue Code, Section 40 (6). When the Company collects the medical treatment fee on the medical bill or medical personnel fees from patients, the Company shall repay the money to Medical Doctors without deducting the withhold income tax from the medical doctors.

However, in practical the interpretation of tax legislation related to types of doctor fee are different in details. Therefore, the Company may be liable for additional income tax withholding and payment in the event that the Revenue Department's assessments on Medical Doctors' taxes are different from the Company's assessment. To reduce the impact of this risk factor, the Company shall specify in the Company Agreement with the medical doctors that the partner will be responsible for any possible additional expenses that may arise from additional withholding tax assessments of the individual medical doctors caused to the Company.

The Risk of Competition in Medical Services Business

Currently, medical services business is likely to have intense competition as the major operators in the market do joint venture arrangement continuously, resulting in costs advantages and various service channels. Moreover, new operators are entering into the market gradually, causing a scramble for market share from existing operators, resulting in awareness of service competition and using the pricing policies to attract customers. The impact of the liberalization of trade and services under the terms of the AEC may attract new competitors from the ASEAN countries to expand the scope of services to Thailand. These competing factors may adversely affect the Company unavoidably.

The Company may face the competition with private hospitals located in a radius of about 10 kilometers from the Group. The area covers Bangkok in Prawet and Lat Krabang, Samutprakarn and Chachoengsao, Choburi, Prachinburi and Sakeaw provinces where there are many hospitals and healthcare facilities. As a result, the competition is quite high. However, in compared with hospitals in the neighborhood, the Company has the competitive advantages in many aspects such as the location of hospitals and affiliated clinics and the Company's specialized medical services with high standard.

In addition, aware of the risk of such competition, the Company set the policy to improve quality of services by improving the quality of service to meet the standard of Hospital Accreditation (HA) and Joint Commission International (JCI) so as to provide healthcare services to patients both Thai and foreigners. Chularat 3 International and Chularat 11 International hospitals are respectively certified with HA Certificate stage 3, while Chularat 9 Airport Hospital has been certified HA certificate stage 2 and is currently in the process of applying for HA Certificate stage 3. Chularat 3 International hospital has been certified with Joint Commission International (JCI) standard in April 2014 and in 2017 where each valid for 3 years. The Company also continues to expand its scope of services to cover more of alternative medicines and beauty services such as the establishment of a Comprehensive Heart Center, Comprehensive Cancer Center and Clinical Prostate cancer. Clinical Chinese Medicine, Laser and Cosmetic Center namely Chularat - Renoir along with spa services and Thai massage, etc. In 2017, the Company opened IVF Center at Chularat 11 International Hospital and Suvarnabhumi Eye Center at Chularat 1 Suvarnabhumi Hospital. In terms of cost control to enhance competitiveness, the Company has executed E-Procurement together with other affiliate hospitals leading higher bargaining power with medicine and medical supplies suppliers effectively.

Risk of Not receiving the payment of medical fees

Besides SSO and NHSO patients, according to medical ethic, the Company will provide medical services to general patients prior to billing process. Therefore, the Company has the risk that the Company may not be able to collect medical fee from general patients after the service is completed.

Therefore, the Company shall notify the medical fee incurred to general patients from time to time throughout the treatment process. In order to reduce this risk, the Company has a receivable management unit to monitor the risk, find preventive guidelines along with an appropriated solutions for the Company and patients if problems of paying medical bills occur.

Considering the quality of a company's receivables in 2019, the Company's main receivables are accrued medical treatment income from Social Security of Baht 438.27 million and accounts receivable of Baht 430.17 million, which were mainly from the Social Security Office, life insurance companies and casualty insurance companies, having low risk of not paying debt. Therefore, the Company has low risk in collecting medical billing.

Risk of Medical Technology Change

The Company, focusing on providing medical services to more sophisticated diseases through its specialized medical centers, depends on medical equipment and devices with modern technologies. Presently, medical technology has changed dramatically, causing some medical devices to become obsolete and have a high cost of maintenance. However, the Company has a policy to consider the functions and long run benefits of all high technology medical equipment before the investment.

Risk of Change in Social Security Policy

Presently, the Company has a relatively high proportion of revenue from medical services under the Social Security scheme of around 37.4%, 32.0% and 30.5 in 2017, 2018, 2019 respectively. The impact of the change in the Social Security Policy from the government is quite high to the Company. However, the Social Security System in Thailand is quite stable in terms of capital disbursement and funds. Also, the direction of changed policies is about adjusting more additional payments to reflect the cost of service and this is a good effect for the hospital. However, The Company closely monitors changes of Social

Security policies via a network of private hospitals under the Social Security Scheme, enabling the Company to fully assess the risk of changing policies and to provide critical comments and suggestions before the policies become effective.

Risk of Dissociation between Social Security revenue and medical service cost

The Company faces risk when there is no correlation between the payment from the Social Security revenue and the actual cost of medical service. The payment of Social Security is dependent on government policy, number of registered member in a hospital which may vary due to the relocation of the patients and companies in that area, statistic data on services provided to patients with 26 chronic diseases and services provided to patients with sophisticated diseases with high medical expenses. The Company has a policy to manage the patients under the Social Security Scheme by focusing on efficient cost management, providing knowledge on hygiene, health care and basic illness treatment and also providing point of care services throughout medical clinics so as to prevent and care for patients before symptoms become serious.

The Company has a strong patient referral system of which the patients can be transferred to the hospitals in the group with full medical equipment and experienced doctors so as to have prompt and safe medical diagnosis and treatment. As a result, The Company can reduce the risk for patients with critical diseases and chronic diseases and manage the cost of services efficiently and match with the SSO payment. In addition, with Social Security Office's additional payment for patients with critical diseases (High Cost Care, more details under 14 Analysis and Commentary of Administration), the Company would be able to reduce the cost of services provided to the aforementioned patients.

The Company has a policy to focus more on general patients in order to manage cost more efficiently, thus leading to the lower SSO patients and finally reduce the risk from SSO revenue.

Interest Rates Volatility Risk

The Company has a conservative financial policy, with no emphasis on external financing and use additional loan only during the period with long term investment plan. By December 31, 2019, the Company has long-term loans from financial institutions for the use in expansion projects to accommodate the increased number of patients. Therefore, fluctuations of the interest rates may affect the Company's financial costs. However, the

Company's proportion of loans is relatively low compared to other listed companies. In addition, the Company has a policy to consider low-cost loans.

Risk of Major Shareholders' Power in management policy

The Plussind Family is a major shareholder group in the Company (More details in Section 2 - Item 7, Securities and Shareholders). As at the latest book closing date on 30 December 2019, this major group hold shares in the company accounted for 37.89 percent of paid-up capital which is less than 50 percent, thus reducing the above risks. In addition, the company has organized the management structure to consist of the Board of Directors, Executive Committee, and the Audit Committee with knowledge and experience. The Company will appoint 4 independent directors from the 'outside' who have knowledge and experience to join the Board of Directors, and 3 of them will be appointed as the Audit Committee to audit and closely monitor the crossed transactions before presenting them to the Board of Directors or at the Annual General Meeting.

Risk from future changes in laws and regulations or any standards governing the company

The Company operates its business under the supervision of the Ministry of Public Health and other related government agencies. The Company shall comply with laws governing healthcare, companies and other related laws, including follow and consider any changes in the interpretation of current regulations or the enforcement of new laws or regulations that are likely to be more stringent and may impact company's operations. The price control by the Ministry of Commerce proposing a list of controlled medicine, medical supplies and medical services for the year 2019, according to Act on the Price of Goods and Services BE 2542. Nevertheless, there is no conclusion on this agenda (announced on January 22, 2019).

However, the Company is in compliance with various quality standards such as Joint Commission International (JCI) and Hospital Accreditation (HA) which requires the Company to operate and follow the standard in order to maintain the service quality standard and ensure that it meets the Safety standards and environment, including other risks. These may help to lessen the effects of changes in related laws and regulations.

SHAREHOLDING STRUCTURE AND MANAGEMENT

Shareholding structure and management

Authorized capital and paid-in capital

On December 31, 2019 the Company has an authorized capital of Baht 1,100 million and paid-up Baht 1,100 million, divided into 11,000,000,000 units of common stock with 0.10 baht par value each.

(On April 28, 2015)

Shareholders

The latest shareholder book closed on December 30, 2019, major shareholders of the Company including those related shareholders according to Section 258 of The Securities and Exchange Act B.E. 2535 and shareholders under the same authority are as follows.

| Major Shareholder List | | On the latest shareholder book closing date December 30, 2019 | |
|------------------------|-----------------------------|---|-----------------|
| | | No. of Share | Ratio (percent) |
| 1 | Plussind group | 4,167,665,650 | 37.89 |
| 1.1 | Ratipanichvong group | 2,957,960,050 | 26.89 |
| 1.1.1 | Ms. Kannikar Plussind* | 1,994,750,400 | 18.13 |
| 1.1.2 | Mr. Naran Ratipanichvong | 775,393,100 | 7.05 |
| 1.1.3 | Mr. Tajchai Ratipanichvong | 187,816,550 | 1.71 |
| 1.2 | Plussind group | 1,209,705,000 | 11.00 |
| 1.2.1 | Mr. Kriengsak Plussind* | 368,587,850 | 3.35 |
| 1.2.2 | Ms. Suwimol Atikij | 283,877,650 | 2.58 |
| 1.2.3 | Dr. Kumpol Plussind* | 253,670,200 | 2.31 |
| 1.2.4 | Mr. Polsin Plussind | 15,745,250 | 0.14 |
| 1.2.5 | Dr. Polsant Plussind | 6,320,100 | 0.06 |
| 1.2.6 | Ms. Panitra Plussind | 338,600 | 0.00 |
| 1.2.7 | Ms. Rujee Thongprakob | 59,900,450 | 0.54 |
| 1.2.8 | Ms. Prayong Yimmak | 7,099,200 | 0.06 |
| 1.2.9 | Ms. Siriporn Trasee | 37,850,000 | 0.34 |
| 1.2.10 | Ms. Kollapha Plussind | 86,554,400 | 0.79 |
| 1.2.11 | Mr. Krid Plussind | 89,761,900 | 0.82 |

| Major Shareholder List | | On the latest shareholder book closing date December 30, 2019 | |
|------------------------|---|---|-----------------|
| | | No. of Share | Ratio (percent) |
| 2 | Panyapol group | 2,044,345,650 | 18.58 |
| 2.1 | Mr.Apirum Panyapol* | 1,127,189,050 | 10.25 |
| 2.2 | Ms. Kobkul Panyapol* | 917,156,600 | 8.34 |
| 3 | ThaiNVDR Co., Ltd. | 479,986,998 | 4.36 |
| 4 | Lady Pattama Leesawatrakul | 399,655,300 | 3.63 |
| 5 | THE BANK OF NEW YORK MELLON | 335,904,200 | 3.05 |
| 6 | LGT BANK (SINGAPORE) LTD | 200,000,000 | 1.82 |
| 7 | SOUTH EAST ASIA UK (TYPE C) NOMINEES LIMITED | 175,628,860 | 1.60 |
| 8 | Amornpitakkul group | 114,459,650 | 1.04 |
| 8.1 | Mr. Yanyong Amornpitakkul* | 49,552,150 | 0.45 |
| 8.2 | Mr. Samol Amornpitakkul | 33,722,400 | 0.31 |
| 8.3 | Dr. Tanet Amornpitakkul | 18,685,100 | 0.17 |
| 8.4 | Ms. Anchalee Amornpitakkul | 12,500,000 | 0.11 |
| 9 | STATE STREET EUROPE LIMITED | 113,737,168 | 1.03 |
| 10 | Mr. Pracha Damrongsutthipong | 100,590,000 | 0.91 |
| 11 | Other shareholders | 2,868,026,524 | 26.07 |
| Total | | 11,00,000,000 | 100.00 |

Note : * Company director

On the latest shareholder book closing date on December 30, 2019, the 1st shareholder has considered a relationship with 2nd - 11th shareholders as declared above, and confirmed they are not related person according to The Securities and Exchange Commission's notice serial no. GJ. 17/2551 on determination of the definitions in the declaration on issuing and offering of assets and they are not the shareholders under the same authority or the same group as major shareholder, and no relationship as nominee.

Other asset issued

None

Dividend Payment Policy

The Company has a policy on paying dividend not less than 50 percent of net profit from the company's consolidated financial statement after legal reserve and other reserves have been deducted. Dividend payment may change as deemed appropriate depend on

operating result, business growth, investment plan, financial status, liquidity, and other necessity in the future. In order to consider an annual dividend payment of the company, a consent of shareholder council is required, except for interim dividend payment which the Board of Directors has an authorization to approve the payment and report to the shareholder meeting in the next meeting for acknowledgement.

Subsidiary companies of the company have dividend payment policy for no less than 50 percent of net profit from the subsidiary company's consolidated financial statement after legal reserve and other reserves have been deducted. Dividend payment may change as deemed appropriate depend on operating result, cash flow, business growth, investment plan, financial status, terms and conditions in various contracts that the company is legally abide, and any future necessities.

| Year | 2017 | 2018 | 2019 |
|--|----------------|----------------|----------------|
| Net profit (Million Baht) | 565.78 | 633.88 | 705.24 |
| Number of Share | 11,000,000,000 | 11,000,000,000 | 11,000,000,000 |
| Dividend* (Baht per share)* | 0.036 | 0.050 | 0.050 |
| Total dividend paid (Million Baht) | 396.00 | 550.00 | 550.00 |
| Dividend paid to net profit ratio * | 70% | 87% | 78% |

Note* Calculated from interim dividend and annual dividend paid from operating result of each year

Administrative structure

Board of Directors

Details on Chularat Hospital Group's Board of Director as of December 31, 2019:

| Name of director | Position | Board Meeting | Audit Committee Meeting | Audit Committee and Nomination and Remuneration Committee Meeting | Corporate Governance Committee | Corporate Risk Management and Investment Committee |
|----------------------------|--|--|-------------------------|---|--------------------------------|--|
| | | Number of Attendance / Total of Attendances Year 2019 | | | | |
| Mr. Kriengsak Plussind* | Chairman of Board of Directors, Chairman of Corporate Governance Committee | 6/6 | | | 1/1 | |
| Dr. Kumpol Plussind* | Director, Chief Executive Officer, Managing Director | 6/6 | | | | |
| Mr. Apirum Panyapol* | Director, Chairman of the Corporate Investment and Risk Management Committee (appointed on 13 December 2018) | 6/6 | | | | 2/2 |
| Dr. Wichit Siritattamrong* | Director | 6/6 | | | | |
| Dr. Suchai Laoveerawat | Director, Executive Committee, | 6/6 | | | | 2/2 |

| | | | | | | |
|---------------------------|---|-----|-----|-----|-----|-----|
| | Corporate Investment and Risk Management Committee | | | | | |
| Mrs. Kobkul Panyapol | Director | 6/6 | | | | |
| Mr. Yanyong Amornpitakkul | Director, Nomination and Remuneration Committee, Corporate Investment and Risk Management Committee | 6/6 | | 2/2 | | 2/2 |
| Ms. Kannikar Plussind | Director, Corporate Investment and Risk Management Committee | 6/6 | | | | 2/2 |
| Mr. Manit Jeeradit | Chairman of the Audit Committee, Independent Director, Nomination and Remuneration Committee | 6/6 | 5/5 | 2/2 | 1/1 | |
| Mr. Somyos Yan-ubol | Audit Committee, Independent Director, Corporate Governance Committee, | 6/6 | 5/5 | 2/2 | 1/1 | 2/2 |

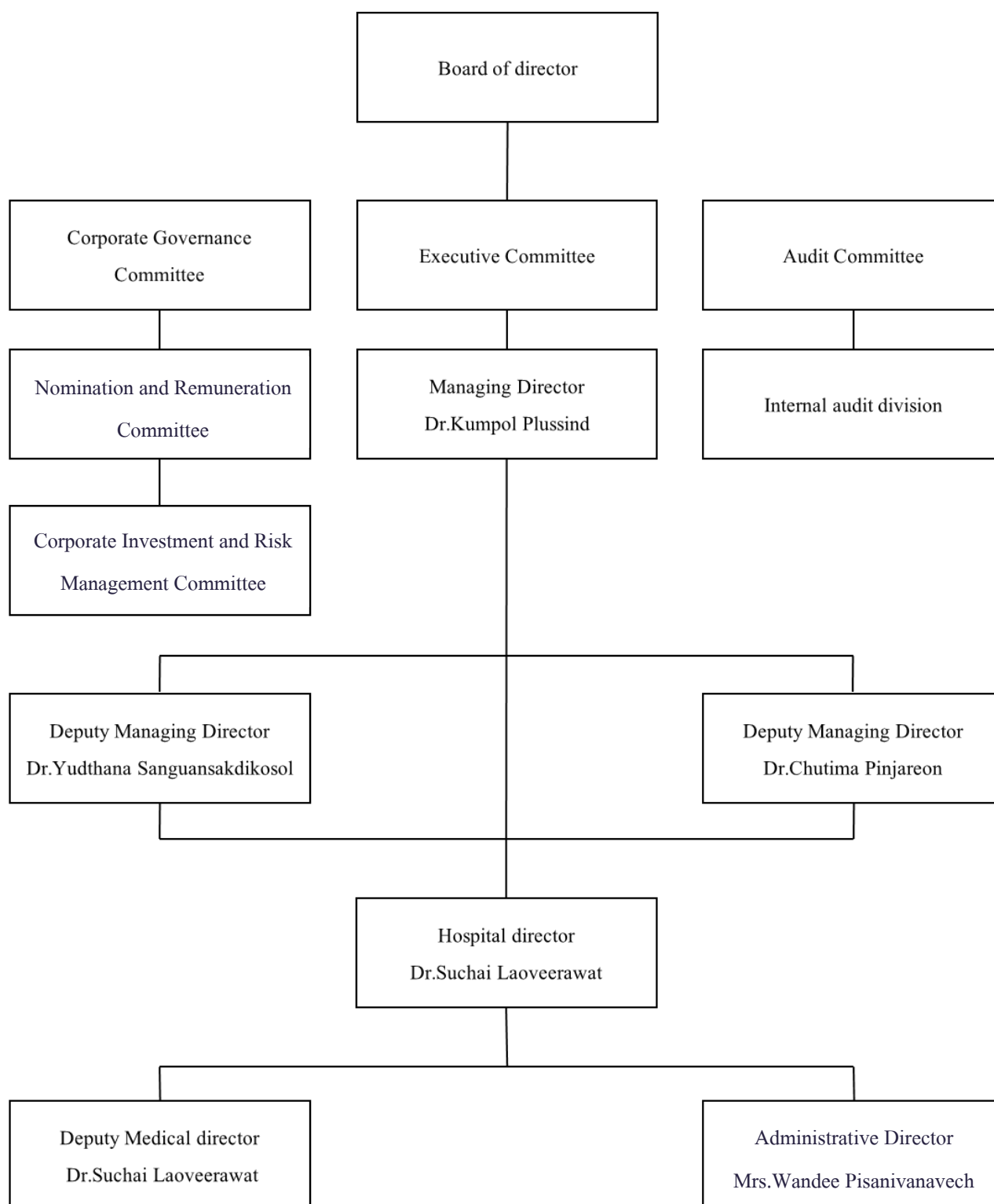
| | | | | | | |
|---------------------------------|--|-----|-----|-----|-----|--|
| | Nomination and Remuneration Committee, Corporate Investment and Risk Management Committee | | | | | |
| Mr. Chayawat Pisessith | Audit Committee, Independent Director, Nomination and Remuneration Committee, Corporate Investment and Risk Management Committee | 6/6 | 5/5 | 2/2 | 1/1 | |
| Dr. Pinit Kullavanijaya | Independent Director, Chairman of the Nomination and Remuneration Committee | 6/6 | | 2/2 | | |
| Dr. Yudthana Sanguansakdik osol | Deputy Managing Director, Chairman of the Corporate Investment and Risk Management Committee (Holding the position until | - | | | | |

| | | | | | | |
|--------------------------|--|---|--|--|--|-----|
| | December 13, 2018) | | | | | |
| Dr. Chutima Pinjareon | Deputy Managing Director, Corporate Investment and Risk Management Committee | - | | | | 2/2 |

Note: * Authorized Director

The Authorized Directors comprise of Dr. Kumpol Plussind, Mr. Kriengsak Plussind, Dr. Wichit Siritattamrong and Mr. Apirum Panyapol. Two out of 4 (2 out of 4) directors sign together and affix the Company's seal.

The Management Structure of the Company as at 31 December 2019.



Sub.Committee

The management structure of the Company consists of 6 major committees.

1. The Board of Directors,
2. The Executive Committee,
3. The Audit Committee,
4. The Nomination and Remuneration Committee,
5. The Corporate Governance Committee, and
6. The Corporate Investment and Risk Management Committee.

The Board of Directors and management comprise of qualified individuals under Section 68 of the Public Companies Act 1992 and the related Notification of the Capital Market Supervisory Board. The aforementioned committees have duties and responsibilities as follows:

The Board of Directors

The Board of Directors as of 31 December 2019 comprises of 12 directors as follows:

| No. | Name | Position |
|-----|---------------------------|---|
| 1 | Mr. Kriengsak Plussind | Chairman |
| 2 | Dr. Kumpol Plussind | Director and Chief Executive Officer / Managing Director |
| 3 | Mr. Apirum Panyapol | Director |
| 4 | Dr. Wichit Siritattamrong | Director |
| 5 | Dr. Suchai Laoveerawat | Director |
| 6 | Mrs. Kobkul Panyapol | Director |
| 7 | Mr. Yanyong Amornpitakkul | Director |
| 8 | Ms. Kannikar Plussind | Director |
| 9 | Mr. Manit Jeeradit | Chairman of the Audit Committee and Independent Director |
| 10 | Mr. Somyos Yan-ubol | Audit Committee and Independent Director |
| 11 | Mr. Chayawat Pisessith | Audit Committee and Independent Director |
| 12 | Dr. Pinit Kullavanijaya | Independent Director |

| | | |
|---|---------------------------|--|
| - | Mrs.Wandee Pisanuvanavech | Company Secretary and the Secretary of the Board of Directors. |
|---|---------------------------|--|

Authorized Director

The Authorized Directors comprise of Mr. Kriengsak Plussind, Dr. Kumpol Plussind, Dr. Wichit Siritattamrong and Mr. Apirum Panyapol. Two out of four (2 out of 4) sign together and affix the Company's seal.

Duties and responsibilities

According to the resolution of the Extraordinary General Meeting of Shareholders No. 2/2004 on 25 June 2004.

1. Arrange an Annual General Meeting of shareholders to be within 4 months after the end of the accounting period of the company.
2. Arrange a meeting of the Board of Directors at least once every 3 months.
3. Arrange a balance sheet and income statement of the Company as at the end of the accounting period of the company which the auditor already audited and present to the shareholders' meeting for approval.
4. The Board of Directors may authorize a director or any other person or persons to operate any duty of the Board of Directors under the control of the Board of Directors or may delegate authority to such persons as the Board of Directors deems appropriate and within the Board's discretion. The Board of Directors may revoke or amend the power of attorney or the person receiving it as appropriate.
5. The Board of Directors may authorize the executive committee to perform various tasks within the scope of the authorization of the executive. Such authorization shall not authorize the executive to consider and approve transactions made with the Board of Directors or individuals that may have a conflict of interest or conflict of any other benefits for the company or its subsidiaries, unless the approval is in accordance with the policies and guidelines that the Board of Directors already approved.
6. Set goals, frameworks, policies, plans and budgets of the Company and monitor, control, oversee and manage the operations of the Management Board to be in accordance with the assigned policies, except the following matters that the Board of Directors needs to get approval from shareholders before implementing such matter,

e.g. recapitalization, reducing capital, bond issuance, sale or transfer all or a substantial part of the Company to any other person, the purchase or acquisition of another company and the amendment of regulations and the code of conduct, etc.

Moreover, the Board of Directors also has the duties to oversee the company to be in compliance with the Laws relating to the Securities and Exchange such as the related transaction and the purchase or sale of significant assets under the rules of the Stock Exchange of Thailand (SET) or laws relating to the Company's business.

7. Consider the structures of management and appointment of the Board of Directors, Executive Committee and other committees as appropriate.
8. Track the Company's performance in accordance with plan and budget consistently.
9. Not engage in any business with the same nature and in competition with the business of the Company or be a partner in a partnership with unlimited liability in a limited partnership or a director of a private company or any other company operating business with the same nature of the Company and in competition with the business of the Company, whether doing it for own benefit or for the benefit of others, unless reported to the shareholders' meeting prior to their appointment.
10. Notify the Company immediately if there is any interest, direct or indirect, in a contract made by the Company or hold increased or decreased shares or other securities in the Company or its affiliates.

Term of office

At the ordinary meeting in every year, at least one-third of the directors shall resign from the position. If their number is not a multiple of three, then the number nearest to one-third shall retire from term of office. During the first two years after Company Registration, the directors shall retire by drawing lots. For the later years, the directors holding the position the longest shall retire. However, a retiring director is eligible for re-election.

Executive Committee

As of 31 December 2019, the Company has 4 executive committees as follows:

| No. | Name | Position |
|-----|---------------------|---|
| 1 | Dr. Kumpol Plussind | Director, Chief Executive Officer, Managing Director |

| | | |
|----|--------------------------------|--|
| 2 | Dr. Yudthana Sanguansakdikosol | Deputy Managing Director and Chularat 9 Airport Hospital Director |
| 3 | Dr. Chutima Pinjaroen | Deputy Managing Director and Chularat 11 International Hospital Director |
| 4. | Dr. Suchai Laoveerawat | Chularat 3 International Hospital Director and Deputy Medical Director |
| - | Mrs. Wandee Pisanuvanavech | Secretary of the Executive Committee |

Duties and responsibilities

According to the resolution of the Shareholder's Meeting No. 1/2004 on 27 August 2004.

1. Operate and manage business and affairs of the Company according to objectives, Articles of Association, policies, rules, regulations, orders and resolutions of the Board of Directors and/or resolutions of the shareholders' meeting of the Company in all aspects.
2. Set policies, directions, business strategies, financial plan, budget, human resource management, Information technology investment, and public relations activities to present to the Board of Directors for approval.
3. Appoint and supervise the operation of the working group appointed to meet the policies and the set goals.
4. Consider the allocation of the annual budget proposed by the management before presenting to the Board of Directors for consideration and approval.
5. Approve Capital Expenditure payment in an amount not to exceed 5 million baht for each transaction.
6. Approve spending in major investments that have been defined in the annual budget as assigned by the Board of Directors or has been already approved in principle.
7. Approve loans Acquisition, financing or any loan application in an amount not to exceed 5 million baht for each item.
8. Consider the profit and loss statements, dividend or interim dividend proposals to present to the Board of Directors for approval.
9. Define organizational structure, corporate management, including appointing, hiring, assigning, transferring, setting wages, setting commissions, setting bonuses of non-executive employees and management level and termination.

10. Authorize a director or any other person or persons to operate any duty under the control of the Management Board or may delegate authority to such persons as the Management Board deems appropriate and within the Board's discretion. The Management Board may revoke or amend the power of attorney or the person receiving it as appropriate.

11. Perform any other duties according to the Board of Directors' assignment from time to time.

The power of the Management Board shall not include the right to approve transaction that may have a conflict of interest or any transaction that the Management Board may gain interest in any other manners or inconsistent with the Company or its subsidiaries under the laws of the Stock Exchange of Thailand (SET). The approval of such transactions shall be presented to the Board of Directors and/or shareholders' meeting in accordance with the regulations of the company or relevant laws.

Other than what mentioned above, the Management Board is not permitted to take actions, unless it has been assigned by the Board of Directors from time to time.

Term of Office

The Executive Committee shall hold their position for a term of three years. The Executive Committee who retires by rotation may be re-elected to the position.

Audit Committee

As of 31 December 2019, there are 3 audit committee members as follows:

| No. | Name | Position |
|-----|---------------------------|--|
| 1 | Mr. Manit Jeeradit | Chairman of Audit Committee and Independent Director |
| 2 | Mr. Somyos Yan-ubol | Audit Committee and Independent Director |
| 3 | Mr. Chayawat Pisessith | Audit Committee and Independent Director |
| - | Ms. Khemkulkorn Toomthong | Secretary of the Audit Committee. |

Mr. Manit Jeeradit and Mr. Somyos Yan-ubol have finance and accounting knowledge, whereas Ms. Khemkulkorn Toomthong is appointed as the Secretary to the Audit Committee.

Duties and responsibilities

According to the resolution of Board of Directors' Meeting No. 3/2012 on 20 July 2012

1. Review financial report of the Company to ensure an accuracy and adequacy.
2. Ensure that the Company has a system of internal control and internal audit which are appropriate and effective and consider the independence of the internal audit unit as well as approve the appointment, transfer and dismissal of the head of internal audit or any other agencies responsible for internal audit.
3. Review the Company to comply with the laws regarding the Securities and Exchange, regulations of the Stock Exchange of Thailand (SET) or laws relating to the business of the Company.
4. Nominate individuals to serve as independent auditors of the Company and propose the remuneration of the auditor and attend the meetings with the auditors without management in attendance at least 1 time per year.
5. Consider related transactions that may have conflict of interest in accordance with the laws and regulations of the Stock Exchange of Thailand (SET) to ensure that they are reasonable and beneficial to the company.
6. Prepare a report of the Audit Committee to be disclosed in the annual report of the Company. Such report shall be signed by the Chairman of the Audit Committee and must contain the information at least the following.
 - Comments about the accuracy, completeness and reliability of the financial reports of the Company.
 - Comments on the adequacy of internal controls of the Company.
 - Comments on the compliance with the Laws regarding the Securities and Exchange or the laws relating to the business of the Company.
 - Comment on the appropriateness of the auditor.
 - Comment on the transactions that may have conflict of interests.
 - The number of meetings of the Audit Committee and the attendance of each Audit Committee Member.
 - Comments or overall remarks that the Audit Committee received from performing its duties under the Charter.
 - Any other reports that shareholders and investors should be aware of under the scope of duties and responsibilities assigned by the Board of Directors.
7. Perform any other duties assigned by the Board of Directors with the approval of the Audit Committee.

Term of Office

The Audit Committee shall hold their position in the office for a term of three years and the Audit Committee may be appointed for the next term as the Board of Directors approval.

Nomination and Remuneration Committee

As of 31 December 2019, there are 5 members of the Nomination and Remuneration Committee as follows:

| No. | Name | Position |
|-----|----------------------------|--|
| 1 | Dr. Pinit Kullavanijaya | Chairman of Nomination and Remuneration Committee |
| 2 | Mr. Yanyong Amornpitakkul | Nomination and Remuneration Committee |
| 3 | Mr. Manit Jeeradit | Nomination and Remuneration Committee |
| 4 | Mr. Chayawat Pisessith | Nomination and Remuneration Committee |
| 5 | Mr. Somyos Yan-ubol | Nomination and Remuneration Committee |
| - | Mrs. Wandee Pisanuvanavech | Secretary of the Nomination and Remuneration Committee |

Duties and responsibilities

According to the resolution of Board of Directors Meeting No.3/2016 on 11 May 2016

1. Suggest structure, size and element of company's committee and sub-committee including the determination of the standards or policies for considering nominated person to be selected as committee and sub-committee according to defined structure, size and element of company's committee and sub-committee.
2. Consider nominated person to be selected as managing director and directors and present to the Board of Directors meeting and/ or shareholders' meeting, in case of vacancy, including to set guidelines for succession.
3. Suggest policy and guidelines for remuneration package, both financial and nonfinancial compensation, for committee and sub-committee and managing director in accordance with company's operating result and other companies in the same industry and present to board of directors meeting and/ or shareholders' meeting for approval.
4. Suggest criteria for performance assessment of the committees.
5. Assess company's operating result for determination of salary structure, bonus and other remuneration by considering an appropriate standard in healthcare business.
6. Other duties according to Board of Directors' assignment.

Term of Office

The Nomination and Remuneration Committee shall hold their position for a term of three years and may be appointed for the next term as the Board of Directors' approval.

Corporate Governance Committee

As of 31 December 2019, there are 4 Corporate Governance Committee members as follows:

| No. | Name | Position |
|-----|----------------------------|---|
| 1 | Mr. Kriengsak Plussind | Chairman of Corporate Governance Committee |
| 2 | Mr. Manit Jeeradit | Corporate Governance Committee |
| 3 | Mr. Chayawat Pisessith | Corporate Governance Committee |
| 4. | Mr. Somyos Yan-ubol | Corporate Governance Committee |
| - | Mrs. Wandee Pisanuvanavech | Secretary of the Corporate Governance Committee |

Duties and responsibilities

According to the resolution of Board of Directors' Meeting No.3/2016 on 11 May 2016

1. Determine and review corporate governance policy as appropriated for the Company's business and present to board of directors, as well as monitor the
2. company's operation in accordance with good corporate governance.
3. Provide suggestions to Board of directors on matter related to Corporate Governance.
4. Review corporate governance principle, business ethics, employee ethics, significant regulations, and up-to-date working process as appropriated for company's business and in accordance with the Stock Exchange of Thailand (SET)'s practice, Securities and Exchange Commission of Thailand (SEC)'s practice and other laws related to the Company's business.
5. Report the practice in accordance with good corporate governance to board of directors and determine the appropriated practice in accordance with good corporate governance in Annual Registration Statement (form 56-1) and annual report.
6. Other duties according to Board of Directors' assignment.

Term of Office

The Corporate Governance Committee shall hold their position in the office for a term of three years and the Corporate Governance Committee may be appointed for the next term as the Board of Directors approval.

Corporate Investment and Risk Management Committee

As of 31 December 2019, there are 6 members of the Corporate Investment and Risk Management Committee as follows:

| No. | Name | Position |
|-----|----------------------------|---|
| 1 | Dr. Apirum Panyapol | Chairman of Corporate Investment and Risk Management Committee |
| 2 | Ms. Kannikar Plussind | Corporate Investment and Risk Management Committee |
| 3 | Dr. Chutima Pinjaroen | Corporate Investment and Risk Management Committee |
| 4 | Dr. Suchai Laoveerawat | Corporate Investment and Risk Management Committee |
| 5 | Mr. Yanyong Amornpitakkul | Corporate Investment and Risk Management Committee |
| 6 | Mr. Somyos Yan-ubol | Corporate Investment and Risk Management Committee |
| - | Mrs. Wandee Pisanuvanavech | Secretary of the Corporate Investment and Risk Management Committee |

Duties and responsibilities

According to the resolution of Board of Directors Meeting No.3/2016 on 11 May 2016

1. Determine strategies, goals, policies, investment plan and policies of risk management plan from investment.
2. Consider and scrutinize structure, appropriations and possibilities of investment presented by administrative team, including to consider an annual capital expenditures, budget plan for corporate expansion plan, merger and acquisition plan and/or joint investment by the Company and subsidiaries both domestically and internationally investment and present to the Board of Directors for approval.
3. Consider the Company's financial position and assess capability in investment.

4. Investigate, monitor and assess projects which are already approved for investing and present the investment result to the Board of Directors for acknowledgement, including the determination of appropriate control for reducing investment risk.
5. Assess contingent risk both internal and external and possible effects to the Company.
6. Determine policy and measure of risk management for the Company's practice.
7. Review and develop the policy or measure for risk management regularly by assessing and monitoring risk management procedure in accordance with the determined and defined policies.
8. Report the occurred risk and suggestion for risk reduction to the Audit committees and the Board of directors.
9. Other duties according to Board of Directors assignment.

Term of Office

The Corporate Investment and Risk Management Committee shall hold their position in the office for a term of three years and may be appointed for the next term as the Board of Directors approval.

Management

As at December 31, 2019, there are 6 members of the Company's Executive Committee as follows:

| Name of director | Position | Number of all meeting over a year (time) |
|-------------------------------|---|--|
| | | Year 2019 |
| Dr.Kumpol Plussind* | Chairman of Executive Committee, Chief Executive Officer ,Managing Director | 24/24 |
| Dr.Yudthana Sanguansakdikosol | Deputy Managing Director and Director of Chularat 9 Airport hospital | 24/24 |
| Dr.Chutima Pinjareon | Deputy Managing Director and Director of Chularat 11 International hospital | 24/24 |
| Dr.Suchai Laoveerawat | Director of Chularat 3 International hospital and Executive Committee | 24/24 |

| Name of director | Position | Number of all meeting over a year (time) |
|---------------------------|--|--|
| | | Year 2019 |
| Mrs. Wande Pisanuvanavech | Administrative Director, Chief Financial Officer, Secretary to Executive Committee | 24/24 |
| Mrs. Prakong Wichakanodom | Finance and Accounting Manager | 24/24 |

Payment Approval Authority

Managing Director's maximum limit of authorization in the acquisition of fixed assets or projects shall be not more than 2 Million Baht per one acquisition. If the acquired amount is over 2 Million Baht but not more than 5 Million Baht, such acquisition shall be approved by the Board of Directors.

Company Secretary

The Company's Board of Director approved a resolution to appoint Mrs. Wande Pisanuvanavech to hold a position of the Company Secretary, effective from November 30, 2012 by the resolution of the Board of Directors meeting no. 7/2012 dated November 30, 2012 and was bestowed a scope of authority and responsibility as follows : provide initial advice to directors related to the law, rules, regulations, and principles of the company , keep monitoring the correct practice on a regular basis, take a responsibility on disclosure of data and information records in accordance with the rules and regulation of the Stock Exchange of Thailand (SET) and Securities and Exchange Commission (SEC) and keep the following documents;

1. The registration log on committee.
2. Meeting invitation for the Board of Directors and the Board of Directors' meeting report.
3. Meeting invitation for shareholders and shareholders' meeting report.
4. The Company's annual report.
5. Report of stakeholders of directors and administrative members.

Qualification: A person holding a position as a Company Secretary shall complete accounting and legal studies and the trainings related to the duties of Company Secretary.

Remuneration for Directors and Administrative members

The Company has considered a reasonable remuneration program to the Board of Directors, by proposing in the shareholders' meeting for approval, in the form of bonuses, meeting remuneration and Audit Committee paid in the form of meeting remuneration. The amount paid will be compared with the remuneration of a similar size and in the same industry listed on the Stock Exchange of Thailand (SET). The Executive Committee has no remuneration.

Remuneration for Executive Committee is in the form of salary and bonuses, depend on their roles , responsibilities and performance and the Company's operating result.

Details of Directors' remuneration for the year 2019, approved by the AGM will be disclosed individually as follows.

Remuneration in cash

Remuneration for directors consists of the meeting allowance paid base on number of the meeting attendance as follows; (unit: Baht)

| Name list | | Position | Compensation for Directors in 2019 | | | | | | |
|-----------|---------------------------|---|------------------------------------|-----------------|--------------------------------|---------------------------------------|--|---------|---------|
| | | | Board of Director | Audit Committee | Corporate Governance Committee | Nomination and Remuneration Committee | Corporate Investment and Risk Management Committee | Bonus | Total |
| 1 | Mr. Kriengsak Plussind | Chairman of the Board of Directors, Chairman of the Corporate Governance Committee | 180,000 | | 20,000 | | | 300,000 | 500,000 |
| 2 | Dr. Kumpol Plussind | Director, Chief Executive Officer, Managing Director | 120,000 | | | | | 250,000 | 370,000 |
| 3 | Mr. Apirum Panyapol | Director, Chairman of the Corporate Investment and Risk Management Committee | 120,000 | | | | 40,000 | 250,000 | 410,000 |
| 4 | Dr. Wicit Siritattamrong | Director | 120,000 | | | | | 250,000 | 370,000 |
| 5 | Dr. Suchai Laoveerawat | Director, Director Of Chularat 3 Hospital, Corporate Investment and Risk Management Committee | 120,000 | | | | 20,000 | 250,000 | 390,000 |
| 6 | Ms. Kobkul Panyapol | Director | 120,000 | | | | | 250,000 | 370,000 |
| 7 | Mr. Yanyong Amornpitakkul | Director, Nomination and Remuneration Committee, Corporate Investment and Risk Management Committee | 120,000 | | | 20,000 | 20,000 | 250,000 | 410,000 |
| 8 | Ms. Kannikar Plussind | Director, Corporate Investment and Risk Management Committee | 120,000 | | | | 20,000 | 250,000 | 390,000 |
| 9 | Mr. Manit Jeeradit * | Director, Independent Director, Chairmand of Audit Committee, Corporate Governance Committee, Nomination and Remuneration Committee | 120,000 | 150,000 | 10,000 | 20,000 | | 250,000 | 550,000 |

| Name list | | Position | Compensation for Directors in 2019 | | | | | | |
|-----------|--------------------------------|--|------------------------------------|-----------------|--------------------------------|---------------------------------------|--|-----------|-----------|
| | | | Board of Director | Audit Committee | Corporate Governance Committee | Nomination and Remuneration Committee | Corporate Investment and Risk Management Committee | Bonus | Total |
| 10 | Mr. Somyos Yan-ubol* | Director, Independent Director, Audit Committee, Corporate Governance Committee, Nomination and Remuneration Committee, Corporate Investment and Risk Management Committee | 120,000 | 100,000 | 10,000 | 20,000 | 20,000 | 250,000 | 520,000 |
| 11 | Mr. Chayawat Pisessith * | Director, Independent Director, Audit Committee, Corporate Governance Committee, Nomination and Remuneration Committee | 120,000 | 100,000 | 10,000 | 20,000 | | 250,000 | 500,000 |
| 12 | Dr.Pinit Kullavanijaya | Director, Independent Director , Chairman of the Nomination and Remuneration Committee | 120,000 | | | 40,000 | | 250,000 | 410,000 |
| 13 | Dr. Yudthana Sanguansakdikosol | Deputy Managing Director , Director Of Chularat 9 Airport Hospital, Advisor to Corporate Investment and Risk Management Committee | | | | | | | |
| 14 | Dr. Chutima Pincharean | Deputy Managing Director, Director Of Chularat 11 Hospital, Corporate Investment and Risk Management Committee | | | | | 20,000 | | 20,000 |
| 15 | Dr. Rungarun Santadkolkarn | Corporate Investment and Risk Management Committee | | | | | 20,000 | | 20,000 |
| Total | | | 1,500,000 | 350,000 | 50,000 | 120,000 | 160,000 | 3,050,000 | 5,230,000 |

Administrative member's compensation

In 2019, the Company paid a compensation which includes the salary and bonus to 5 members of administrative personnel with a total amount of Baht 12.67 million. The

Company also paid the doctor fee to 4 members of administrative personnel with a total amount of Baht 23.72 million.

Note: Finance and Accounting manager was excluded from five members of administration team in 2019 because the manager position is not at the same level as the fourth administrative members.

Other compensation

Other compensation for directors

The Company does not pay other compensations to directors and the Audit Committee as disclosed in the table above. The Company does not pay other remuneration to Executive Committee.

Other compensation for administrative personnel

Provident fund

The Company provided a provident fund for administrative personnel by contributing at 3 percent of the salary. In 2019, the Company paid provident fund allowance for 5 members of administration team with a total amount of Baht 0.11 million.

Moreover, the Company has a policy on paying other compensations for Executives such as the company car, company mobile phones, including expenses related to company car and mobile phone - gasoline bills and monthly bills.

Personnel

In 2019, the Company has a total of 3,612 employees and the Company paid a compensation to employees with an overall amount of Baht 733.47 million. Compensations consist of salary, overtime wages, living expense subsidy, bonus, special subvention, social security, and provident fund allowance etc. Furthermore, subsidiary companies paid the compensations to their employees with the same criteria as the parent company with a total amount Baht 775.56 million.

| On December 31, 2019 | Chularat Hospital Public Co., Ltd. | Convenience Hospital Co., Ltd. | Bangpakong Vejjakijit Co., Ltd. | Cholvaej Hospital Co., Ltd. | Sattayabutr International Co., Ltd. | Chularat Arkanay Hospital Co., Ltd. | Ruampat Chachoengsao | Thai Amdon Co., Ltd. | Total |
|--|------------------------------------|--------------------------------|---------------------------------|-----------------------------|-------------------------------------|-------------------------------------|----------------------|----------------------|----------|
| Residency doctor | 61 | 38 | 30 | 3 | 8 | 18 | 6 | | 164 |
| Overtime doctor | 208 | 125 | 89 | 33 | 75 | 64 | 64 | | 658 |
| Nurse | 691 | 390 | 269 | 55 | 108 | 144 | 25 | | 1,682 |
| Pharmacist | 34 | 17 | 10 | - | 5 | 4 | 4 | | 74 |
| Radiological technologists | 18 | 5 | 5 | 1 | 2 | 3 | 2 | | 36 |
| Medical technologists | 14 | 12 | 9 | 2 | 3 | 5 | 3 | | 48 |
| Other employees | 768 | 306 | 255 | 56 | 124 | 111 | 151 | 1 | 1,772 |
| Total (persons) | 1,794 | 893 | 667 | 150 | 325 | 349 | 255 | 1 | 4,434 |
| Employee's compensation (Million Baht) | 47.733 | 36.284 | 28.209 | 59.45 | 63.81 | 02.100 | 54.53 | 14.1 | 03.1,509 |

The Company has increased the number of doctors and staff to accommodate the service area expansion projects as well as in 2018, the Company opened 2 new hospitals in Prachinburi province and Chachoengsao province.

Detail on the Company's Directors and controlling persons of the Company as of 31 December 2019 are as follow.

| Name | Company | Subsidiary Companies | | | | | | | | Related Companies | | | | | | | | | |
|----------------------------------|---------|----------------------|----------------------|------------------|------------|----------|-----------------|--------------|-----------|--------------------|---------|-----------------------|----------|--------------------------|---------|-----------|---------------|---------------|-----------|
| | | Convenience | Bangpakong Vejchakij | Chularat Arkanay | Thai Amdon | Cholvaej | Chulatat Rayong | Chachoengsao | Phraek Sa | Cancer Suvarnabhum | Illicon | Panyapol Interholding | Samonkit | Steel Link International | Seameth | Esco-Thai | Moong Pattana | Kingmain CMTI | License2q |
| 1 Mr. Kriengsak Plussind | X | / | / | / | / | / | / | / | / | / | /,M | | | | | | | | |
| 2 Dr. Kumpol Plussind | /,C,M | /,C,M | /,C,M | /,C,M | /,C,M | /,C,M | /,C,M | /,C,M | /,C,M | /,C,M | | | | | | | | | |
| 3 Mr. Apirum Panyapol | / | / | / | / | / | / | / | / | / | / | | / | / | / | /,M | | | | |
| 4 Dr. Wichit Siritattamong | / | / | / | / | / | / | / | / | / | / | | | | | | | | | |
| 5 Dr. Suchai Laoveerawat | /,/,/,/ | / | / | / | / | / | / | / | / | / | | | | | | | | | |
| 6 Mrs. Kobkul Panyapol | / | / | / | / | / | / | / | / | / | / | | / | / | / | / | | | | |
| 7 Mr. Yanyong Amornpitakkul | / | | | | | | | | | | | | | | | | | | |
| 8 Ms. Kannikar Plussind | / | / | / | / | / | / | / | / | / | / | | | | | / | | | | |
| 9 Mr. Manit Jeeradit | /,AC | | | | | | | | | | | | | | | /,AC | | | / |
| # Mr. Chayawat Pisessith | /,AC | | | | | | | | | | | | | | | | | C | |
| # Mr. Somyos Yan-ubol | /,AC | | | | | | | | | | | | | | | | | | |
| # Dr. Pinit Kullavanijaya | / | | | | | | | | | | | | | | | | | | |
| # Dr. Yudthana Sanguansakdikosol | /,/,/,/ | | | | | / | | | | / | | | | | | | | | |
| # Dr. Chutima Pincharean | /,/,/,/ | | | | | / | | | | | | | | | | | | | |
| # Mrs. Wandee Pitsanuvanavech | /,/,/ | | | | | | | | | | | | | | | | | | |
| # Ms. Prakong Wichakanodom | /,/,/ | | | | | | | | | | | | | | | | | | |

Note : X is Chairman, C is Chief Executive Director , AC is Audit Committee, / is Director, // is Managing Director, /// is Executive Director, M is Managing Director

CORPORATE GOVERNANCE

Corporate Governance Policies

The Company's policy is to follow the Code of Best Practice to reinforce transparency and be beneficial to the business operations of the Company, resulting in confidence of shareholders, investors and all concerned parties. Initiated and participated in preparation and approval of the policies, the Board of Directors therefore has established a policy and principles of Corporate Governance in compliance with the guidelines of good corporate governance as set by the Securities and Exchange of Thailand. 5 principles of corporate governance of the Company are as follows:

The Rights of Shareholders

The Company recognizes the importance of all shareholders' rights, including major and minority shareholders. Shareholders' rights include the basic rights as investors and also as owners of the Company, such as rights to buy, sell, transfer their shares; right to receive dividends from the Company; rights to attend the shareholders' meetings; right to receive comprehensive, sufficient and timely news and information through easily accessible channels; rights to express their opinions; rights to participate in making decisions on important issues, such as election of director, approval of important transactions affecting the direction of the business and operation of the Company, amendment of memorandum of association and articles of association of the Company.

In 2019, the Company has implemented the followings to encourage and facilitate the exercises of shareholders' rights in the annual general meeting of shareholders:

1. The Company gives shareholders the right to propose important and appropriate issues as an agenda in the Company's annual general meeting of shareholders and to nominate candidates with appropriate knowledge, abilities and qualifications to be considered for the position of the Company's director in advance before the annual general meeting of shareholders. Shareholders can find details of the criteria and guidelines on the Company's website.
2. The Company sends invitation letters to shareholders in advance informing the meeting agendas and the opinion of the Board of Directors on each agenda item, together with supporting documents and information sufficient to facilitate shareholders in making their decisions and fully exercise their rights. The invitation letter package includes details of required documents in order to protect

shareholders' rights to attend the shareholders' meeting, together with their rights to vote. Moreover, the invitation letter for annual general meeting of shareholders is posted and disclosed on the Company's website 30 days prior to the meeting date in 2019.

3. The company proposes and discloses all forms of remuneration provided to directors in the meeting for shareholders' approval. These remunerations include an attendance fee (the rate per meeting and the number of times per year) and the criteria determining an annual bonus/reward base on annual operation result with total amount not exceeding the amount offered per year and the length of service. In 2019, the Company has adjusted the disclosure of compensation in case of "No Pay", specifying those remuneration and other benefits that the company has no policy to pay directors.
4. For those shareholders unable to attend the meeting, these shareholders have the right to authorize a person or an independent director as their proxy to attend the meeting and vote on their behalf, using one of the proxy forms sent with the invitation letter. Moreover, shareholders can download the proxy form from the Company's website.
5. The Company implements the barcode system for registration and the voting process, including the use of voting cards. This helps accelerate and ensure the accuracy of the registration and vote counting process. In addition, shareholders are able to register after the meeting has started to exercise their rights to vote on agendas that have not been voted. Upon completion of the meeting, shareholders are able to verify the details.
6. Before going into each agenda, the Chairman of the Board of Directors, as a chairman of the meeting, assigns the Company Secretary to inform the voting process for each agenda. During the meeting, the chairman of the meeting gives all shareholders the opportunity to comment, ask question or give opinions and suggestions on any agenda items. The Chairman and management see the importance of every questions and give precise and clear answers.
7. The Company Secretary records the minutes of the shareholders' meetings with complete and accurate details on voting results of each agenda and submits them to the Stock Exchange of Thailand and posts on the Company's website within 14 days

after the meeting date, so that shareholders are promptly informed and are able to verify.

The Equitable Treatment of Shareholders

The Company is strongly committed to equitable treatment of every shareholder, whether they are major or minority shareholders, institutional investors or foreign shareholders, through various mechanisms, such as:

1. The Company provides a channel for minority shareholders to propose issues deemed important and appropriate to include in the agenda of the Company's annual general meeting of shareholders and to nominate candidates with appropriate knowledge, abilities and qualifications to be considered for the position of the Company's director. The announcement has been made through the Stock Exchange of Thailand and the Company's website. Independent directors will consider and propose the matter to the Board of Directors to be included in the meeting agenda as appropriate.
2. For shareholders who are unable to attend the shareholders' meeting, the Company provides proxy forms which allow shareholders to exercise their vote on each agenda. The proxy forms, which are in accordance with the format provided by the ministry of Commerce, are sent with the invitation letter. As an alternative for shareholders, the Company also propose one independent director as the proxy.
3. The shareholders' meetings proceed according to the order of the agenda, without adding new and uninformed agenda, in order to give the opportunity to shareholders to study the information on the given agenda before making decision. Moreover, there are no sudden change to the important agenda or information in the shareholders' meeting.
4. The Company sees the importance of the consideration on transactions which may have conflict of interest or any connected or related transactions, and in compliance with good corporate governance principles, including rules and regulations of the Securities and Exchange Commission (SEC) and the Stock Exchange of Thailand (SET). For these mentioned transactions, directors, management and those related persons do not participate in the approval process.

5. The Company provides oversight and control to prevent the improper use of inside information. Details can be found in section of Internal Control and risk management. In addition, directors and management of the Company must report their purchase or sale of the Company's securities to the Securities and Exchange Commission (SEC) and the Company within three business days.

The Role of Stakeholders

The Company recognizes its responsibilities towards each stakeholder, for sustainable mutual benefits which will lead to stability of the business operations. The Company intends to interact with each party fairly. The important stakeholders of the Company are as follows:

1. **Shareholders:** In addition to the basic rights, rights in accordance with the laws and the Company's articles of association, such as rights to check number of shares, rights to receive share certificates, right to attend and vote in shareholders' meetings, rights to express opinions independently at shareholders' meetings, and rights to receive fair returns, the Company also provides equal and timely information to all shareholders, and gives all shareholders the right to suggest and express their opinions independently on the Company's business and operations in shareholders' meetings, as the Company's owners.
2. **Customers/Patients:** The Company provides patient care in an ethical manner, and at the best possible service quality, taking into consideration patient safety, patients' satisfaction and efficiency in providing its services. The hospital's Medical Ethics Committee protects patients' rights. In addition, the Company has a department to take care of customer complaints and to monitor and regularly improve the quality of the care provided to all patients, taking into consideration patients' needs and suggestions. In addition the Company has implemented a program measuring the level of satisfaction of the customer/patient to the hospital with an objective to develop and improve the system and quality of service.
3. **Employees:** The Company believes that its employees are valuable resources and therefore gives all employees an equal opportunity in their employment. The Company has the policy to provide employees with appropriate compensation plans both in short term and long term. The Company assigns Human Resource

Department to prepare the payroll system for each position and individual and career path. The Company also appoints a Welfare Committee to oversee the well-being and safety of its employees. The Company also provides an Individual Development Plan (IDP) for each employee to motivate and enhance their potential for the promotion to higher position. The Company also provides an education and regular training programs to develop and reinforce employees' knowledge, abilities and skills in all areas including operations, management and technical expertise, in order for employees to fulfill their jobs more effectively and also get to higher level by assigning professional employees to be trained at least 25 hour per employee per year. The Company works with The Thailand Nursing and Midwifery Council to provide training course for professional nurses and this course can be collected as annually professional development hours as well. For those supporting employees, they have to be trained for knowledge development at least 18 hours per employee per year. Training program for knowledge and capability development is provided every year and covers every employee in the company. Furthermore, the Company holds **Town Hall Meetings** to provide opportunities for employees to voice their opinions or complaint directly to management, implements an **Innovation Program** where employees are able propose suggestions to improve work process and services, and organizes an **Employees Recognition Program** to encourage the employees' proud feeling and exchange learning. Moreover, the Company also has a policy to organize Organization Development activities every year and the Glory activities for those employees who work with the Company for several years. The Company has policy about caring employees' health and safety. Before working with the Company, all applicants have to attend to Medical and Immunity check-up program and have to get necessary vaccines, including every employee has to attend to annual medical check-up program base on age and risk. The occupational medical department and human resource department will take check-up results and categorized them into group, specifying those employees with risk of chronic disease such as diabetes or high blood pressure etc. Then, the Company will arrange the activities to provide knowledge, understanding and guidelines on how to reduce this risk, closely monitor and assess them until they are in normal stage or controllable stage. The Company also has policy determining all employee to receive annual influenza vaccine for reducing risk of plague. To reduce the risk of occupational accident, the Company set up the department of Occupational Health Safety and Environment to provide plans or policies for risk reduction and identify the risk from both internal and external

factors with a monthly monitoring by Safety and Environment Committees, including the presentation of result every 3 months and 6 months, successively review of annual plan, and acknowledged policies and operational results by Board of Directors meeting (policy of occupational safety and health is one of important policies of HA: Hospital Accreditation and JCI: Joint Commission International Standard). The Company believes that work efficiency is a result of employees' loyalty to the Company, and is therefore committed to continuously build and assess the employees' engagement with the Company, in order to improve its human resources management.

4. **Suppliers/Contractors:** The Company has a purchasing policy that is fair to all parties concerned. In addition, the Company abides by the terms and conditions of agreements and contracts with all suppliers and contractors and ensures timely payment to all suppliers and contractors.
5. **Creditors:** The Company is committed to giving information with accuracy and transparency to creditors, abides by loan agreements and loan covenants, and ensures timely payments. The Company believes that good relationships with creditors, including building credibility and trust, are a responsibility of the Company towards its creditors.
6. **Competitors:** The Company competes with competitors within the rules and regulations, and treats competitors fairly and with integrity. The Company considers its competitors as key factors to encourage the Company to commit to an improvement of service quality and efficiency of service for the best benefit of the customers and patients.
7. **Community:** The Company has delegated the particular unit responsible for the CSR (Corporate Social Responsibility) to oversee and guide the CSR activities and programs to the society, both at the corporate level and the staff level, and ensure an efficient and effectiveness of the program. Details of CSR activities can also be found in the topic of Social Responsibility.

Disclosure and Transparency

The Company realizes the importance of disclosing information equally which is significant for shareholders and investors in making their decisions. The Company has a policy to disclose transparent, complete, reliable and timely information through various channels which are easily accessible and convenient for shareholders and investors. The

Company also ensures it abides by the rules and regulations of the Securities and Exchange Commission (SEC) and the Stock Exchange of Thailand (SET).

Information disclosed to the public includes both financial and non-financial information (in Thai and English), such as financial statements, management discussions and analysis, the report of the accountability of the Board of Directors to the Company's financial reports, the report of the Audit Committee, connected transactions, structure, duties and responsibilities of the Board of Directors and committees, including statistics on meeting attendance, and corporate governance reports.

The Company has many channels to communicate with shareholders and investors. These include those stipulated by rules and regulations, such as the 56-1 filing form, annual reports, the website of the Stock Exchange of Thailand (SET), and other communication channels, such as the Company's website in the Investor Relations section, which are consistently updated both in Thai and English, meetings with local and international analysts and fund managers in Thailand through Company Visits - One on one & Group meetings, Site Visit, Analyst Meetings (30 times in 2017, and 21 times in 2018, 32 times in 2019), participation in local Roadshow and Investor Conference (10 times in 2019), International Roadshow and Investment Conference in Singapore and Hong Kong (5 times in 2017, and 4 times in 2018, 1 time in 2019), and local and international conference calls (20 times in 2017, and 30 times in 2018, 40 times in 2019). In addition, the Company holds press conferences to update important events of the Company, in order to disseminate information to the public. Furthermore, the Company has Company Secretary Department and Investor Relations Department to facilitate the interested investors and shareholders. Information can be requested by phone at 02-033-2900 to 3325 or by e-mail at ir@chularat.com, companysecretary@chularat.com and through the Company's website.

www.chularat.com.

Details of the Board of Directors' Shareholding of Chularat Hospital Public Company Limited as at December 31, 2019:

| No. | Name of Director | Position | Holding of Securities on closing date Register on begin and end of the year (share) | | Changed Increase (decrease) |
|-----|----------------------------|--|---|---------------|-----------------------------|
| | | | Aug. 23, 2018 | Dec. 30, 2019 | |
| 1 | Mr. Kriengsak Plussind* | Chairman of the Board of Directors, Chairman of the Corporate Governance Committee | 368,587,850 | 368,587,850 | - |
| 2 | Dr. Kumpol Plussind* | CEO/MD. | 253,720,200 | 253,670,200 | (50,000) |
| 3 | Mr. Apirum Panyapol* | Director, Chairman of the Corporate Investment and Risk Management Committee | 1,127,189,050 | 1,127,189,050 | - |
| 4 | Dr. Wichit Siritattamrong* | Director | 6,208,800 | 5,450,000 | (758,800) |
| 5 | Dr. Suchai Laoveerawat | Director, Executive Committee, Corporate Investment and Risk Management Committee | 11,859,500 | 8,909,500 | (2,950,000) |
| 6 | Mrs. Kobkul Panyapol | Director | 927,156,600 | 917,156,600 | (1,000,000) |

| | | | | | |
|----|---------------------------|---|---------------|---------------|---|
| 7 | Mr. Yanyong Amornpitakkul | Director, Nomination and Remuneration Committee, Corporate Investment and Risk Management Committee | 49,552,150 | 49,552,150 | - |
| 8 | Ms. Kannikar Plussind | Director, Corporate Investment and Risk Management Committee | 1,994,750,400 | 1,994,750,400 | - |
| 9 | Mr. Manit Jeeradit | Chairman of Audit Committee, Independent Director, Corporate Governance Committee, Nomination and Remuneration Committee | 700,000 | 700,000 | - |
| 10 | Mr. Somyos Yan-ubol | Independence Director, Audit Committee, Corporate Governance Committee, Nomination and Remuneration Committee, Corporate Investment and Risk Management Committee | - | - | - |

| | | | | | |
|----|-------------------------|--|---|---|---|
| 11 | Mr. Chayawat Pisessith | Audit Committee, Independent Director, Corporate Governance Committee, Nomination and Remuneration Committee | - | - | - |
| 12 | Dr. Pinit Kullavanijaya | Independent Director, Chairman of Nomination and Remuneration Committee | - | - | - |

Remark: * Authorized Directors

Dr. Kumpol Plussind, Mr. Kriengsak Plussind, Dr. Wichit Siritattamrong and Mr. Apirum Panyapol. Two out of four (2 of 4) directors jointly sign and affix the Company's seal.

Responsibilities of the Board of Directors

1. Structure of the Board of Directors

The Board of Directors is comprised of qualified directors with extensive experience in various fields. Every director participates in setting the Company's vision, mission, strategies, goals, business plans, budgets, good corporate governance policy, including result assessment for reviewing, reforming or developing Company's vision, mission, strategies, goals, business plans and budgets to better way every year. The Board of Directors also has a policy on Business Ethics and Ethical Code of Conduct and ensures that the plans are carried out efficiently and effectively by the management, to ensure the maximization of the Company's value and stability to shareholders. The Board of Directors meets every 2 months to review the management's report on the Company's operations.

As at 31 December 2019, there are 12 directors, as follows:

1. 10 Non-Executive Directors: Mr. Kriengsak Plussind, Mr. Apirum Panyapol, Dr. Wichit Siritattamrong, Ms. Kannikar Plussind, Mrs. Kobkul Panyapol, Mr.

Yanyong Amornpitakkul, Mr. Manit Jeeradit, Mr. Somyos Yan-ubol, Mr. Chayawat Pisessith and Dr. Pinit Kullavanijaya.

2. 2 Executive Committee : Dr. Kumpol Plussind, Dr. Suchai Lawveerawat
3. 4 Independent Directors : Mr. Manit Jeeradit, Mr. Somyos Yan-ubol, Mr. Chayawat Pisessith, Dr. Pinit Kullavanijaya, who possess the qualifications as stipulated by the Securities and Exchange Commission (SEC). 4 independent directors account for 33.3% of total Board of Directors and not less one-third of the Board of Directors in accordance with the Securities and Exchange Act (No.4) B.E. 2551.

Separation: The Company clearly defines the roles and responsibilities of the Board of Directors and Executive Committee. The Board of Directors is responsible for policy making and oversight of the operations of the Executive Committee at policy level. Therefore, the Chairman of Board of directors and the Managing Director is not the same person.

The chairman of Board of directors is not the Executive Committee and is not involved in the management of the company. The senior management of the company are responsible for implementing the defined business plan and policies and controlling costs and an annual investment budget approved by the Board of directors.

In 2019, Chairman of Board of directors and all directors provided the meeting of non-management directors without any administrative team to brainstorming the ideas for Company Development in all directions.

Directorship in other listed companies: The Company allows the directors and executive committee of the Company to act as directors of other companies, including companies that are listed on the Stock Exchange of Thailand (SET), not more than 5 companies in order to allocate sufficient time to each company. However, they should not hold a position as a director or executive committee of in the similar or competing business of the company. For Executive Committee, in addition to the position of the director of subsidiary companies and/or the independent director of other companies not more than 3 companies and such positions must be approved by the Board of Directors.

Company Secretary: The Board of Directors has appointed Mrs. Wandee Pisanuvanavech as a Company Secretary to oversee and manage the meetings of the Board of Directors and Committee subcommittees and Shareholders, including the

preparation of meeting minutes, Annual report, and important documents required by the law. Corporate Secretary also provides an advice on the rules and regulations of the Stock Exchange of Thailand to the Board of Directors and the management for acknowledgement and coordinate and supervise the Board of Directors' activities to comply with the resolution of the Board of directors and the good corporate governance of the company

2. Roles, Duties and Responsibilities of the Board of Directors

The Board of Directors has responsibilities towards all shareholders, both major and minority shareholders, to ensure that the Company conducts its business and implement corporate governance practices in accordance with its objectives and policies for the highest benefit of shareholders, with care and integrity, under business ethic, taking into account the interests of all stakeholders and under law and the articles of association of the Company. To closely monitor the operations, the Board of directors assign the groups of committee to take care of the followings.

1. Corporate Governance Policy : The Company has established a written corporate governance policy, which is initiated, participated and approved by the committee. The Board of Directors has arranged the Good Corporate Governance Committee and the Compliance Unit to regularly review policies and monitor the Company's compliance.
2. Business Ethics: The Company has set up a policy with a manual on the ethics of the Board of Directors, the management, staff and any relevant parties to adhere to as a guideline for performing their duties in accordance with the Company's mission with integrity and fairness, both for the company and all stakeholders, Public and society and encouraging the establishment of a system to regularly monitor the implementation of such guidelines.
3. Conflict of Interest : The Company has set a policy of conflict of interest base on the concept that any decision making of the Board of Directors are for maximized benefit of the Company only and to prevent from any actions with conflict of interest. Member of the Board of Directors has to inform the Company in case of any transactions related or connected with the conflicts of interest and not to attend the consideration process nor the approval of that transactions. The Board of Directors consider transactions which may have conflict of interest or related transactions with caution, fairness and transparency, and strictly follows the rules and regulations of the Stock

Exchange of Thailand (SET) and the Securities and Exchange Commission (SEC), with pricing and other conditions on an arms-length basis. Details of the transactions, including amount, contracting party, and reasons for entering into the transactions are disclosed in financial statements, the annual reports, and the 56-1 form.

4. Internal control and internal audit systems : The Company has given an importance of Internal Control and Internal Audit system by establishing an internal audit unit with the primary objective to support and develop effective internal control of the organization, in order to minimize operation risk and maximize quality of working system and operation and to ensure quality of the work process and operations, focusing on effectiveness and efficiency, appropriateness of expenses and costs, and operations in accordance with the policy and/or requirement of the management. To ensure the independence of the internal audit unit and the balance of power, the internal audit unit reports directly to the Audit Committee.
5. Risk Management. In 2016, the Company established the Corporate Investment and Risk Management Committee to review the procedures of risk assessment, the adequacy of internal controls and to reform or modify operation process to be more effective.
6. Report of the Audit Committee. Audit Committee reviews financial report by meeting with the Company's Accounting and Finance Department and External Auditor and quarterly present financial report to the Board of Directors. The Board of directors is responsible for the consolidated financial report of the Company, including the information technology system as shown on the financial report. Financial report is prepared in accordance with Thai Accounting Standards and audited by external auditor, including the disclosure of important financial and nonfinancial information completely and accurately.

3. Board of Directors' Meeting

All directors will have to attend the Board of Directors' meeting regularly, in order to acknowledge and make decision relating to the business operations of the Company. The Board of Directors holds six regular meetings every year (held quarterly), of which the schedule is set in advance for the entire year, and may have held special meetings as deemed necessary, to consider an urgent issue. All Directors shall have an attendance of at

least 75% of annual meetings. In 2019, there are six regular meetings. Details of the meeting attendance of each director are shown in the table in Section: Remuneration of Directors, Committees and Management.

For each meeting, the member of the Board of directors attending the meeting shall be not less than 2 from 3 (67%) of all member. In every agenda of financial report approval, the Chairman of the Audit Committee and at least one of the Audit Committee member have to attend the meeting to be constituted quorum and agendas are clearly set in advance. The Chairman of Board together with the Managing Director shall set the meeting agenda and give each directors an opportunity to propose issues as the meeting agendas. The Company Secretary prepares and distributes the invitation letters with details on meeting agendas, and other supporting documents to the Board of Directors at least seven days in advance in order to allow directors sufficient time to review and study the information prior to the meeting.

Normally, each meeting shall last two hours. For the consideration of each agenda, the Chairman of the meeting allocates sufficient time for management to present adequate details on the agenda and for directors to discuss the matter carefully, and gives directors the opportunity to express their opinions in the meeting independently. The resolution of the meeting shall be two out of 3 of total members in the meeting, where each member will have one right.. The majority vote is the passing resolution for each agenda. In case that any director has a personal conflict of interest, such director will leave the meeting and/or does not vote on that particular matter. If the voting result is equal, the Chairman of the meeting casts the deciding vote. In addition, senior management are invited to attend Board of Directors' meetings to provide useful and important information, and to directly obtain business strategies from the Board of Directors to be implement in the Company's operations.

Upon completion of each meeting, the Company Secretary is responsible for preparing the meeting minutes and submit them for the accuracy certification at the next Board of Directors' meeting. Directors are able to comment, amend and make additions to the minutes so as to make them as accurate and complete as possible. The Company Secretary keeps the certified minutes, signed by the Chairman of the Board of Directors, both in the form of hard copies and electronic files, along with supporting documents available for directors' and relevant persons' verification and reference.

4. The evaluation of the Board and individually

The performance evaluation of the Board of Directors, Chairman of the Board of Directors and CEO/Managing Director.

| Performance | 2017 | 2018 | 2019 |
|--|--------|---------|---------|
| .1The Board of Directors | 99.76% | 96.06% | 97.45% |
| .2 Chairman of the Board of Directors | 97.00% | 100.00% | 100.00% |
| .3CEO/Managing Director | 99.77% | 97.50% | 98.18% |
| 4. The Corporate Governance Committee | 98.95% | 95.83% | 100% |
| 5. The Nomination and Remuneration Committee | 96.00% | 89.00% | 92.00% |
| .6The Corporate Risk Management and Investment Committee | 92.85% | 86.16% | 92.86% |
| 7. Executive Committee | NA | 96.02% | 94.32% |
| 8. Audit committee | NA | 95.24% | 100% |

Criteria for Evaluation of the Board and Individual

Performance evaluation of the Board of Directors, Chairman and President shall be assessed once a year, using the evaluation forms which include topics in assessment, obligations and responsibilities of the Board of Directors, Chairman and President, the Corporate Governance Committee, the Nomination and Remuneration Committee, the Corporate Investment and Risk Management Committee, Executive Committee and the Audit Committee. The Company Secretary shall distribute the evaluation forms to each individuals and submit the result to the Chairman of the Board of director for approval and present it in the next meeting.

The scoring is divided into 4 levels.

1 = poor 2 = fair 3 = good 4 = excellent

The criteria for evaluation

1. Score up to 90% is Excellent
2. Score 80% - 90% is Good
3. Score 70% - 80% is Fair
4. Score lower than 70% is Poor

The Assessment Evaluation :

| Assessor | Assessee | | | |
|----------------------|--------------------|-----------------|-------------------|-----------------|
| | Board of Directors | Chairman | Managing Director | Sub-Committee |
| 1 Board of Directors | ✓ | None-assessment | ✓ | None-assessment |
| 2 Chairman | ✓ | ✓ | ✓ | None-assessment |
| 3 Sub-Committee | None-assessment | None-assessment | None-assessment | ✓ |



: pass the evaluation

5. Development for committees and senior management level.

The Board of Directors set policy to provide the training to the Committees related to the Corporate Governance which consist of all committees including senior management level in order to continuous develop the business operation, by providing annual development plan by person, and providing information and lectures about the business of the company, including other information related to directors, executives who take the position in the company for the first time. In case of changing committees and senior management level, the Company will provide the orientation for new committee or senior management level to introduce and suggest the Company's business operation, including to provide significant information and encourage them to perform their roles and responsibility efficiently under good corporate governance.

In addition, the company regularly supports various directors and executive development programs such as training and seminars which are organized by the Thai Institute of Directors Association (IOD), The Stock Exchange of Thailand (SET), and the Office of the Securities and Exchange Commission (SEC). The company's director has

passed the training course for being a director from the Thai Institute of Directors Association as follows.

| Name | | COURSE | | | | | | | | | | |
|------|--------------------------------|--------------------------------------|--------------------------------------|----------------------------------|-------------------------------|--|----------------------------------|------------------------------------|--------------------------------|--------------------------------|---|---------------------------------------|
| | | Director Accreditation Program (DAP) | Director Certification Program (DCP) | Ethical Leadership Program (ELP) | Audit Committee Program (ACP) | Advanced Audit Committee Program(AACP) | Ethical Leadership Program (ELP) | Role of the Chairman Program (RCP) | Company Secretary Program(DSP) | Company Reporting Program(DRP) | Risk Management Program for Corporate Leaders Thai Program(RCL) | Strategic Financial Leadership (SFLP) |
| 1 | Mr. Kriengsak Plussind | / | | | | | | | | | | |
| 2 | Mr. Kumpol Plussind | / | | | | | | | | | | |
| 3 | Mr. Apirum Panyapol | / | | | | | | | | | / | |
| 4 | Dr. Wichit Siritattamrong | / | | | | | | | | | | |
| 5 | Dr. Suchai Laoveerawat | / | | | | | | | | | | |
| 6 | Mrs. Kobkul Panyapol | / | | | | | | | | | | |
| 7 | Mr. Yanyong Amornpitakkul | / | | | | | | | | | | |
| 8 | Ms. Kannikar Plussind | / | | | | | | | | | | |
| 9 | Mr. Manit Jeeradit | / | / | | / | | | | | | | |
| 10 | Mr. Chayawat Pisessith | / | | | / | | | / | | | | |
| 11 | Mr. Somyos Yan-ubol | / | | / | / | / | / | | | | / | |
| 12 | Dr. Pinit Kullavanijaya | / | | | | | | | | | | |
| 13 | Dr. Yudthana Sanguansakdikosol | | | | | | | | | | | |
| 14 | Dr. Chutima Pincharean | | | | | | | | | | | |
| 15 | Mrs. Wandee Pitsanuvanavech | / | / | | | | | | / | / | | / |

NOMINATION AND APPOINTMENT OF DIRECTORS AND SENIOR MANAGEMENT LEVELS

Independent Directors

When the Independent Directors completed their term or there is necessary reason to appoint an additional independent director, The Company's Board of Directors will discuss together to identify individuals with the appropriate knowledge and experience to benefit the company and have the below minimum criteria and then present to the Board of Directors or shareholders' meeting for approval according to the Articles of Association.

The Company has a policy to appoint independent directors not less than 1 in 3 of all directors and there shall be at least three independent directors. The Company determines the qualification of independent directors in accordance with the requirements of the Capital Market Supervisory Board. The independent directors of the Company shall have all qualifications as follows:

1. Hold company shares not exceeding one per cent of the total shares with voting rights of the Company, parent company, subsidiary, affiliate or juristic person who may have a conflict, including the shares held by related persons of the Audit Committee as well.
2. Never is or was an executive director, employee, staff, advisor who receives salary or controlling person of the Company, its subsidiaries, parent company, subsidiary, affiliate, subsidiary of same level or juristic person who may have a conflict unless it is clear from the mentioned manner for not less than 2 years before the date of filing an application to the SEC on or before the date of appointment as the Audit Committee.
3. Not a person with a blood relationship or the legal registration as a parent, spouse, sibling, children, children's spouse of executives, major shareholders, Controlling person or persons to be nominated as executive or controlling person of the Company or its subsidiaries (if any).
4. Have not or never had a business relationship with the Company, its subsidiaries, affiliates or juristic person who may have a conflict, in a manner that could interfere with their independent judgment and not being or having been a major shareholder, non-independent directors or management of those who have a business relationship

with the Company, parent company, subsidiaries, affiliates or juristic person who may have a conflict, unless it is clear from the mentioned manner for not less than 2 years before the date of filing an application to the SEC on or before the date of appointment to the Audit Committee. However, the mentioned relationship and normal transactions of business such as property's rental or lease or transactions relating to services or assets, giving or receiving financial aid by receiving or lending, guaranteeing, lending assets as collateral or any other similar activities, resulting in the Company or partner have obligations to pay to the other party from 3 percent of the net tangible assets of the Company, or from 20 million baht or more, depending on whichever is the lower. However, the value of the transaction should be calculated according to the regulations of the Capital Market Supervisory Board for related transaction regulations. To consider such debt, the total debt incurred during the year before the business relationship with the same person has to be calculated.

5. Never is or was an auditor of the Company, its subsidiaries, affiliates or juristic person who may have a conflict and not as a major shareholder, non-independent director, executive or managing partner of the audit firm of parent company, subsidiary, affiliate or juristic person who may have conflicts, unless it is clear from the mentioned manner for not less than 2 years before the date of filing an application to the SEC on or before the date of appointment as the Audit Committee.
6. Never is or was any professional service provider acting as the legal counsel or financial advisor and receives the payment more than 2 million baht per year from the company, parent company, subsidiary, affiliate or juristic person who may have conflicts of interest. However, in the case of the professional service provider is a juristic person, it shall not be a major shareholder, non-independent director, executive or managing partner of the professional service provider unless it is clear from the mentioned manner for not less than 2 years before the date of filing an application to the SEC on or before the date of appointment as the Audit Committee.
7. Not being a director appointed as representative of the directors of the Company, major shareholders or shareholders who are related to the major shareholders of the Company.
8. Have no business that operates with the same nature and in competition to the business of the Company's contractor or its subsidiaries or not be a significant partner in the partnership or an executive director, employee, staff, advisor who receives a regular salary or holds more than one percent of the total shares with voting rights of

another company operating business with the same nature and in competition to the business of the Company's contractor or its subsidiaries.

9. Have no any other ways that makes it impossible to comment freely about the business operations of the Company.
10. Not being a director appointed by the Board of directors to make decisions in business operation of the Company, its subsidiaries, parent company, subsidiary, affiliate, subsidiary at same level or juristic person who may have a conflict.
11. Not being a director of the parent company, subsidiary or subsidiaries of the same order; only listed companies.

The independent directors will review and approve their independent qualification at least 1 time per year and will inform their qualification with the Director's information at the end of year for the preparation of the annual statement and annual reports of the Company.

Audit Committee

The Audit Committee was appointed by the Board of Directors. Every Audit Committee shall be independent directors and have independent qualification according to the Notification of the Securities and Exchange Commission (SEC) and the corporate governance of the Company. The Audit Committee consists of at least three independent directors and audit committee of at least one person shall have accounting knowledge and/or financial knowledge to inspect and supervise the operations of the Company, including corporate financial reporting, internal control system, auditor's selection and consideration of conflicts of interest. The term of office of the Audit Committee is three years. In the case of necessity or justification, the Board of Directors may nominate independent directors to hold the position for more than 9 consecutive years.

Directors and Senior Management Level

The Company shall consider the basic qualifications and the selection criteria under Section 68 of the Public Companies Act 1992 and the Notification of the Securities and Exchange Commission (SEC) in accordance with the relevant law, including the consideration of other factors, such as the combination of knowledge, experience relevant to the business, and having benefit to the business operations of the Company. The term of office of the Directors is three years.

The criteria and procedures are as follows:

1. The Board of Directors of the Company has duties to comply with laws and regulations, the Company's objectives, and Articles of Associations, and the resolutions of the general meeting of shareholders.
2. The Board of Directors consists of not less than 5 Directors and not less than one-half of the directors must reside in the Kingdom of Thailand. The Directors shall have the qualifications prescribed by law.
3. The Board of Directors consists of the independent directors not less than 1 in 3 of all directors. And there are at least three independent directors who must hold not less than one percent of the total shares issued and paid-up share capital of the Company and related companies, including shares held by related parties.
4. In each Annual General Meeting, one-third of Directors must retire from office. If the number cannot be divided into three parts, the number nearest to one-third must retire. The directors to retire in the first and second years following the registration of the company shall be defined by random drawing. The later years, the directors who are in office the longest shall retire, however, the directors to retire by rotation may be re-elected.
5. Before the annual general meeting of shareholders of each year, the company would allow shareholders to nominate individuals to the position of director who will retire by rotation. The committee will compile a list of nominators for consideration by the relevant rules and regulations and selection of the appropriate nominators to present for the shareholders approval.
6. The Meeting of shareholders will appoint directors by a majority vote and pursuant to:
 - A Shareholder has one vote per one share.
 - The selection of Directors, the shareholders may cast their vote individually one at a time or several people together as a group as the meeting of the shareholders may deem appropriate. However, each shareholder shall cast all their votes to one nominator, thus their votes cannot be split to different nominators or groups of nominators.
 - Directors should be elected by majority vote. If there is a tie, the chairman of the meeting will cast the final vote.
7. In case of vacancy for reasons other than retirement by rotation, the Nomination and Selection Committee shall nominate an individual qualified and not disqualified under the laws regarding public company limited and the Securities and Exchange Act to

be appointed at the next Board of Directors Meeting. The resolution of the Board of Directors shall consist of not less than three-fourths vote of the remaining directors, unless the term of the remaining directors are less than two months. The appointed person for replacement will be in the same remaining term of the director whom he replaces.

8. The shareholders' meeting may resolve to remove any director from office before the expiration of their term by the votes of not less than three-fourths of the shareholders that present and vote in the meeting. And the shares of the shareholders are amounting to not less than one-half of the shares held by the shareholders present at the meeting and entitled to vote.

The Executive Recruitment

In recruiting the person for the position of Managing Director or Chief Executive Officer, the Executive Committee shall consider and screen candidates with the required qualifications, knowledge, skills and experience to benefit the operations of the company and understand the business of the company as well, can manage to achieve the goals set forth by the Board of Directors and then present to the Compensation and Nomination Committee for consideration and to the Board for approval. In 2016, the Company nominated the Nomination and Remuneration Committee for considering and reviewing process of recruitment including determine Directors and senior management levels' remuneration for both short term and long term and provide principles for assessment.

Corporate Governance of subsidiaries and associates

In the past, the nomination and voting to appoint directors for the Company's subsidiaries and associates has been arranged by the management. From 2014, the Company set the regulation for nomination and voting that the Board of Directors shall approve the nomination and the voting. The persons appointed to be directors of subsidiaries and associates shall perform for the optimum benefits of the subsidiaries and associates (not for the Company). The persons shall be allowed and approved by the Board of Directors before casting any vote on any important matter. However, the nomination for directors in subsidiaries and associates shall be according to the shareholding proportion of the Company.

In case of a subsidiary, Companies require a person appointed to represent the company to ensure that companies comply with the law set by the Securities and Exchange Commission (SEC) in connection with its subsidiaries, including the requirement of regulatory filing, accounting records of subsidiaries and consolidated financial statements within deadlines.

Control of Internal Information

The Company has policies and procedures for directors or executives who have the inside information of the company not disclosed to the public yet for personal benefit, including securities trading as follows:

1. The Company educates directors and executives about the duty to report their security holding and also the holding of their spouse and minor children to the Securities and Exchange Commission (SEC) under Section 59 and penalty under Section 275 of the Securities Exchange Act of 1992.
2. The Company assigns directors and executives to have a duty to report any changes in their security holding to the Securities and Exchange Commission (SEC) under Section 59 of the Securities and Exchange Act 1992 within next 3 working days from the date of the transaction, and send copies of this report to the Company in the same day that report is sent to the Securities and Exchange Commission.
3. The Company determines that directors, executives and related practitioners who get important inside information affecting the stock price shall suspend the trading of the Company's stock for a period of at least one month before the financial statements or internal information is disclosed to the public and at least 24 hours after disclosure to the public. This also includes prohibiting the disclosure of the information to others

The Company imposes disciplinary action if there is a violation of inside information used for their own benefits, starting from written warning, pay cut, temporary suspension without paid or termination. However, the punishment shall be determined by the intent of the action and the seriousness of the offense.

Remuneration of the Auditor

Audit fee

The Company and its subsidiaries has engaged EY Office Company Limited to audit the financial statements of each company and consolidated financial statements of the Group. Total audit fee for 2019 of Chularat Hospital Public Company Limited is 1.62 million Baht.

Non audit fee

None

Compliance with the principles of good governance in other matters

Summary table of attendance of Directors on the Board of Directors in 2019

| Name of Director (No. of Attendance/No. of Meetings) | Audit Committee | Executive Committee | Shareholders' Meeting (AGM) | Nomination and Remuneration Committee | Corporate Governance Committee | Corporate Risk Management and Investment Committee |
|---|-----------------|---------------------|--------------------------------|--|--------------------------------|---|
| 1 Mr. Manit Jeeradit | 5/5 | | 1/1 | 2/2 | 1/1 | |
| 2 Mr. Somyos Yan-ubol | 5/5 | | 1/1 | 2/2 | 1/1 | 2/2 |
| 3 Mr. Chayawat Pisessith | 5/5 | | 1/1 | 2/2 | 1/1 | |
| 4 Dr. Kumpol Plussind | | 24/24 | 1/1 | | | |
| 5 Dr. Yudthana Sanguansakdikosol | | 24/24 | 1/1 | | | |
| 6 Dr. Chutima Pinchareon | | 24/24 | 1/1 | | | 2/2 |
| 7 Dr. Suchai Laoveerawat | | 24/24 | 1/1 | | | 2/2 |
| 8 Mrs. Wandee Pisanuvanavech | | 24/24 | 1/1 | 2/2 | 1/1 | 2/2 |
| 9 Mrs. Prakong Wichakanodom | | 24/24 | 1/1 | | | |

SOCIAL RESPONSIBILITY

Corporate Social Responsibility

Chularat Hospital Public Company Limited (“the Company”) is a private hospital group providing medical service cares for patients from primary, secondary and tertiary cares for more than 30 years with service areas in Bangkok, Samutprakarn, Chachoengsao, Prachinburi, Chonburi and Rayong. To promote patients easy access to medical care, the Company played an important role by being one of the first hospitals under Social Security scheme in 1990 to look after the people in the hospital areas consisting of several important industrial estates, factories and insured persons.

For more than 30 years, the Company has been operating the healthcare business together with Social and Environmental Responsibility by incorporating the core competency as a healthcare service provider to support the public health, society and environment and focusing on promoting a healthy society and environment. The Company has cultivated “Social Responsibility for Sustainability” concept to all employee through the core value so that all employee was aware of and acted in accordance with this core value until it became the key identity of “Chularat Hospital Group”.

iCare

| | |
|---|--|
| I | International Patient Safety – Focusing on the Patient Safety. Integrity – Being a good governance corporation with integrity. Innovation – Creativities for developing the corporation. |
| C | Care – Continuity of Patient Care. Change – Ready to change for better performance. |
| A | Accountability – Responsibility and to be trusted by the society. |
| R | Respect – Respect and honor people as they are. |
| E | Engagement – Love and bond with the corporation. Education – Continuous study for knowledge. Environment – Environmental Care |

Fair Business Practice

The Company has operated the hospital business with fairness by applying good governance principles in business management under the core values - **iCare** (Integrity, Accountability) and taking into account all stakeholders in all groups, not only limit to those specified by law but also to refrain from any violation of the rights of stakeholders with details as follows.

The Company conducts its business in accordance with the laws, rules, regulations and relevant regulations.

The company discloses information by reporting the operating result and performance of the company to shareholders equally, consistently, completely and accurately as reviewed and audited by a credible accounting firm.

The Company prohibits the disclosure of confidential information of the company to others illegally and any action in a manner which may cause a conflict of interest with the company.

The Company promotes free competition and refrains from monopoly trade by determining guidelines for transparent procurement processes and fair trade partner recruitments such as bidding for both the construction project and medicines and medical supplies, providing opportunities for companies to offer products and services that meet the company's needs in the field of medical devices, medical equipment and general purchases for business operations. The Company requires that the procurement process shall have comparison partners for approval at all times.

The Company has established a contract to build confidence and show transparency to trade partners and ready to comply with contracts, agreements or other conditions as well as to jointly find the ways to solve and prevent damages in the event that either party is unable to comply with the contract.

The Company treats its partners equally and fairly base on fair compensation for both parties.

The Company has determined the duties and responsibilities, credit limit authorization and scopes of decision making based on positions, duties, and hierarchy that can verify transparency.

The Company has a procurement system which the previous purchase records of products and services can be reviewed and verified at all time.

The Company does not violate the intellectual property by acquiring the licenses on computer program, images, font and various character formats and setting the penalties for intellectual property infringers in accordance with Information Systems Security Policy.

The Company is committed to provide quality, safe, fast, standardized services.

The Company provides accurate and complete information about the service without exaggerated advertisement.

The Company has provided channels for complaints and dissatisfactions as well as having the responsible persons to respond to complaints.

The Company treats employees fairly without human rights violations.

The Company strictly abides by the environmental law and establishes a policy to promote and care for the environment.

Anti-Corruption

The Company is aware of the problem of corruption that may occur in the organization. Therefore, the Company has established a mechanism to prevent the occurrence of corruption by setting guidelines for prevention and participation against corruption as follows.

Announcement of Anti-Corruption Policy

The Company announced the intention to participate in the Collective Action Coalition of the private sector against corruption and announced the commitment to fight against corruption in various departments within the company and its subsidiaries through various channels including staff training and Intranet system to all concerned parties for acknowledgement and implementation.

Corruption News Release Follow-Up

The Company requires the company secretary to follow up the news about corruption which is regularly distributed from the Securities and Exchange Commission (SEC) as well as to notify executives to acknowledge them as a case study on corruption issues.

Risk Assessment for Corruption

The Company's Executive Committee has a meeting to discuss the risk of corruption along with conducting a risk assessment and plan to manage any potential risks and submit to Risk Committee for consideration.

Control and prevention of Corruption

The Company has appointed the Internal Audit department with experienced and qualified internal auditor to follow up the risk assessment plan, examine the operations of various departments to ensure the compliance with code of conduct and laws and bring out efficient and transparent operations in accordance with good corporate governance guidelines

The Company has set rules for procurement, recruitment, agreement and reimbursement by specifying the credit limit, approval authority, and purpose of the transactions with full and clear supporting documents as well as an audit system from internal auditors.

The Company has an internal control system covering finance, accounting, data recording and other internal processes related to financial and accounting to ensure that such financial transactions are in accordance with the approved purposes and for transparent business operations.

Corruption Report

The Company has a joint meeting with the executives and the internal audit department to acknowledge the inspection report and potential risks and jointly plan for prevention.

The Company provides channels for reporting corruption for employees in the organization and general public in the events of violations, illegal acts, unethical behaviors or behavior that implies corruption are seen through electronic systems with personal access codes which can effectively prevent and protect the reporters or complaints.

| Department | Contact Number | E-mail Address |
|--------------------------------|----------------------|-------------------------------|
| Internal Audit Department | 2900 033 02ext. 5090 | internalaudit@chularat.com |
| Anti- Corruption Working Group | 2900 033 02ext. 3325 | anticorruption@chularat.com |
| Company Secretary | 2900 033 02ext. 3325 | companysecretary@chularat.com |

Guidelines in the case of a complaint or notification of fraud

The Company has established guidelines in the case of complaint or notification of fraud for the working group to examine and find supplementary information by adhering to the principles of good corporate governance together with the policies, rules, regulations, hospital guidelines and other relevant laws. If it is found that there is a risk of causing non-transparency in the company's operations, Audit Committee is free to report the findings to the Board of Directors or Managing Director in order to have a timely solution to the problem and not cause any damages. If any personnel in the company violates the company's policy or behaves unethical, the Company will consider the implementation of guidelines or measures suitable for that person according to the regulations of the company including the relevant legal actions.

Working Group on Anti-Corruption

The Company has appointed a working group responsible for overseeing anti-corruption together with the Internal Auditor. In the event that a complaint or notification of fraud occurs via the specified channels, the working group must comply with the confidentiality policy by keeping the confidentiality of the information (Name- surname of the reporter or whistleblower.) to prevent the effects that may occur to those who report clues that are beneficial to the company. And if the information of the whistleblower is disclosed, the working group overseeing this matter will be subject to disciplinary sanctions.

Respect for Human Rights

The Company sees the importance of human rights, which means basic rights and freedoms of everyone, equality and without discrimination on nationality, race, color, gender, religion, ethnicity, social status, disability or patient. With a focus on both human rights and patient rights through the core values in **I = International Patient Safety** (focusing on equal medical treatment and the safety of patients.) and **R = Respect** (emphasizing on respect for individuality.) , all employees of the Company will have the orientation training to acknowledge these key core values.

In addition, the Company has adhered to the patient rights in the business operation and all employees' operation by including this as one of the topics in the Orientation Process to ensure that all employees are well informed of patient rights. Moreover, the Company has announced the Patient Right thoroughly at various service points to ensure that the patients are well aware of their rights and responsibilities.

The Company provides a place accessible to both clients and employees for religious ceremonies base on their beliefs as well as allowing the employees to take ordination leave to perform religious ceremonies

The Company has protected the information and privacy of clients by establishing clear policies and guidelines for all employees. To protect the clients' information and privacy, the Company will record the clients' information into the Hospital Information System which requires the password for access. The password is set according to rights of the work units to prevent and control an access to the clients' information.

The Company has protected the information and privacy of its employees. According to the Company's policy, all human resource officers are responsible for maintaining the personal information of all employees and other information in their information systems as

well as protecting the right to access information and privacy of all employees. Human Resource department will keep employee profile and private documents in a secured cabinet with a lock to prevent any access from any unauthorized person. For the data stored on the computer, a password is required to access the data.

The Company has security systems throughout the hospital area with 24-hour security guards both inside and outside the building and CCTV cameras covering the entire hospital area and the secret spots to ensure that all clients and employees would have confidence in their safety both physical and mental properties at all time when they come for service or come to work.

The Company has provided a complaint box for the customers when they feel their rights have been violated or treated unfairly in order to find solutions and remedies. The Company has also appointed human resource department to listen to various problems and suggestions from all employees about their rights or any actions that they feel their rights are violated in order to find the solutions and ways for improvement.

Fair Treatment to Labor

The Company strictly complies with labor laws and regulations or other relevant laws against Child Labor.

The Company treats its employee fairly by not using coercion and intimidation while giving freedom to share the opinion and providing an opportunity to participate in work design process.

The Company has determined a fair wage and compensation plan through compensation management base on knowledge, ability and responsibility. The Company provides compensation in both monetary and non-monetary forms to promote employee's morale at work as well as adjusting compensation rates to be in line with economic conditions and competitive in the market.

The Company has provided health care for all employees through the annual health check on the specified items as deemed appropriate base on gender, age and working characteristics and conditions. In case of abnormal health examination results, the Company has provided the medical treatment and organized a specific health promotion project for employees to participate in for health improvement and reduce medication that may affect the quality of life in the long run together with a regular follow-up, such as a diet and exercise behavior adjustment program for groups with high levels of sugar or fat and Stop Smoking program.

The Company has provided Employee an Accident Insurance to protect the safety of employees in the event of emergency and appointed the Safety, Occupational Health and Working Environment Committee to look after the Work Safety and Security of the employees, including to prepare the contingency plan for any emergency cases such as fire and the availability and safety of public utility systems. All employees can rest-assured of health, Security and Safety protection at work.

The Company has provided the training programs to develop employees knowledge and capability, including giving employees the opportunity to participate in proposing training topics of interest as well as organizing an offsite seminar to build good relationships among work colleagues and members which would help relieving stress from work and increasing happiness in working environment and work place.



Responsibility to Consumers

Being a healthcare service provider, The Company's primary missions therefore are to provide and deliver the standardized healthcare services to patients by adhering to the safety of patients (International Patient Safety), as well as to provide the continuous care (Care). Therefore, the Company has focused on the quality services to patients as follows.

Treatment and Quality Service Accreditation:

- International Quality Standard Accreditation from the Joint Commission International (JCI) from the United States, an accreditation internationally accepted worldwide. Hospital Accreditation (HA) from Hospital Accreditation Institute (Public Company Limited)
- Laboratory Accreditation (LA) and accreditation for Quality Management System from the Medical Technology Council (MTC).
- Food Sanitation Standards Certification from the Department of Health
- Certification for the management of fire prevention and fire suppression in the workplace from the Department of Labor Protection and Welfare
- Outstanding Automatic Claim System Award from Road Accident Victims Protection Co., Ltd in cooperation with the Office of Insurance Commission (OIC) and Thai General Insurance Association (TGIA).

Talented Medical Personnel Recruitment

The Company has an efficient recruitment process to acquire the well experienced personnel and experts with knowledge in the field, including the work history verification process to ensure that the patients feel confident with the safe medical treatment services.

Procurement of Medicine and quality Medical Supplies

The Company has appointed a working group responsible for acquiring the good quality medicines and medical supplies for use in hospitals. The working group, consisting of doctors, nurses, pharmacists, technicians and those involved in the use of medicines and medical supplies, will look for and examine medicines and medical supplies to ensure the quality, safety, and appropriateness, including tracking the medicines and medical supplies recalls that may not occur from the manufacturer so as to verify and prevent the risks before delivering to patients or clients.

Procurement of Quality Medical Equipment

The Company has set up a medical equipment department to select and acquire quality medical devices, as well as to look after the maintenance so that all medical devices are ready to use at all time, including having a system to check the medical equipment recalls to prevent any risks and dangers that may occur to patients or clients.

Medical Personnel Training Programs

The Company supports and arranges the training courses to medical personnel in various fields according to the work characteristics of each person to develop and increase knowledge, understanding and ability to perform tasks, resulting in an accurate, safe and good standard of quality care for patients.

Providing Knowledge and Information necessary for Decision Making

The Company has set guidelines to always provide knowledge, information and alternatives necessary for decision making before treatments to patients and to always review the patients' understanding after providing the information.

Relationship Management with Clients

The Company has followed up the treatment results of the patients through doctor appointments and enquire on the treatment results and their satisfaction on a regular basis as well as listening to their comments and suggestions for service improvement.

Environmental Care

The Company has set up a department of Environment and Safety responsible for environmental and safety planning and to examine the safety and environment of the hospital in accordance with the laws and regulations.

The Company has set up sub-working group to create activities with all employees in the company to promote environmental care and protection and to encourage an awareness and actions for environmental care. In 2019, the Company organized various activities as follows

- Support the maintenance personnel to attend energy-saving seminar and have them applying the acquired knowledge to each branch of the Company.
- Encourage all employee to be aware of electricity-saving by creating the posters and signboards and arranging annual internal activities.
- Continuous conduct and implement the Waste Separation project for wastes from the Company's internal operations throughout the Group.

- Focus on reducing the use of plastic bags and drinking straws, started with the reduction of medical plastic bags for patients with chronic diseases by providing fabric bag free of charge and requesting them to reuse this fabric bag on their next visit.
- Reduce the use of plastic bottles in the hospital by encouraging all employees to have their personal glass and provide a discount for their drinks at the Hospital's Coffee Shop if they bring their own glasses.



The Company has encouraged all branches of the Group to care for and promote the environment in addition to the normal operations of the company. In 2019, the Company has participated in environmental care activities as follows

- Participated in "Returning Palm Trees to Forest - 5th year " at Dong Phrayayen World Heritage Forest, Thap Lan National Park in Prachinburi province with a purpose to restore the degraded forest under the area management system with a cooperation of the public and private sectors and to reduce the crisis of forest resources, water resources, global warming and natural disasters at Thap Lan National Park, Prachinburi province.
- Participated in afforestation project on the Mother's Day to increase green area and promote environmental conservation of 2019 with Hua Samrong Sub-district and Gateway City Industrial Estate, Chachoengsao province.

Community and Social Development

Considered as one of the founder's intentions being held and carried on for more than 30 years, the Company is committed to “the Development of the Community or Society” by using the organization's core competencies in healthcare services as a key guideline to develop communities and society and improve the quality of life by providing medical care that allows patients to survive without abnormalities or continue to live daily life without disability.

Neonatal Intensive Care Unit (NICU) center is one of the centers of excellence of the Chularat Hospital Group, which the founder intends to develop the potential to provide care services for newborns in crisis or newborns with high risk to survive without any complications or to prevent the occurrence of complications to a minimum level. Intended to be a part of sustainable social development without focusing on profit to develop and nurture the future human resources who have good quality of life, NICU Center was opened in 2002 mainly because of an awareness of the importance of future human resources who can develop and bring the country to stability and sustainability together with the lack of good hospitals that have the potential to care for the newborns in crisis and the pregnant mothers with health problem. For more than 18 years, doctors, nurses and care teams have accumulated experience, knowledge, expertise in the care of a newborn baby crisis until it is well accepted and trusted to be a “Reserve Center” for newborn babies in crisis in the eastern region from the National Health Security Office (NHSO) to help the newborns in crisis to survive, grow and live normally, bring happiness and fulfillment to all family members.

Other community or social development activities in 2019 are as follows.

Health Promotion and Disease Prevention

- World Heart Day & Heart Heroes Project
4th Year project is in the 4th consecutive year with the objective to help Thai people to have a healthy heart and reduce the mortality rate by creating a hero to help those who have stopped breathing or cardiac arrest and to return to the normal state before delivering to the hospital. In 2019, the Company encouraged Thai people to pay attention to their health, especially their heart



health by arranging the activity called "Step and Run for Heart 2019" with the concept of walking or running a little bit every day, anytime, anywhere which total distance from all walking / running activities will be changed to be a donation for "the 10,000 project Heart for the King" project.



- Fun, Concentrate, Strong Play for Smart Children" activity on the occasion of Children's Day with a purpose to educate parents and guardians who are interested in on child development. Various activities were provided with the purpose to enhance the growth and potential talented of children who are the future of the country such as a healthy baby contest, as well as various D.I. Y activities to stimulate the development and creativity.

- "Cancer-Knowable-Curable" Talk event is a continuous project from last year with the topic "Live with cancer happily" to educate the general public who are interested in. With the current environment and lifestyle easily leading to cancer, the Company realize the importance of providing knowledge and understanding to deal with cancer that may occur in the future.
- "Mother Class" project was intended to have the pregnant prepare for their childbirth, have correct practices during pregnancy, infant learning and development, knowledge by specialized doctors on various topics and baby care demonstration from specialized nurses to develop the knowledge and ability to look after the baby and promote good family relationships
- Being aware of the importance of Safety in Workplace where the workers spent most of their daily lives (at least 8 hours a day.) and patients support in emergencies, the Company has provided "Healthcare Education and Knowledge" project in the workplaces around the hospital location. Considering to be a part to help the community and society to have better quality of life, the Company therefore provided the knowledge on life saving and disease prevention in various workplaces with the designed topics suitable for each workplace by knowledgeable person and experts in the said topics.
- The Company also provides "Healthcare Knowledge and Education" to society, general public and those who are interest and want to learn about health knowledge via Social Media. The Company has created VDO and info-graphic to provide

knowledge on health promotion and disease prevention by medical professionals through easily accessible social media channels such as YouTube and Facebook Fan page.

Community Relationship Management

- The Company realizes the importance of having a good relationship with the community by participating in and being a part in communities' activities. In 2019, the Company has participated in "Im Boon Suk Jai - 2nd Year" project to provide vaccination against 4 influenza to monks in various temples in the community with a purpose to prevent influenza for monks and Buddhists coming to make merit at the temples who may be exposed to the influenza virus
- The Company has provided "Bang Kaew Elderly Care Day 2019" project held at the meeting room of Bang Kaew Subdistrict Administrative Organization with nurses and pharmacists as the speakers to provide knowledge and basic health examination for the elderly with a purpose to encourage the elderly to pay attention to their health and to build good relations with the community.
- In collaboration with BTS Group Holding Public Company Limited, the Company has participated in "Clinic Loyfa - 17th Year" (Sky Clinic) to provide health screening unit for heart disease screening and electrocardiogram EKG to the general public free of charge at Pak Nam BTS station.
- The Company has promoted Buddhism by participating in Buddhism Inheritance Project through a candle procession and candle offering ceremony on Asanha Bucha and Buddhist Lent Day (Khao Phansa) at Bang Chalong Temple in Bang Phli District, Samut Prakan Province with a purpose to worship Buddha, permanently inherit Buddhism and to raise awareness among Buddhists to adhere to and believe in Buddhism.
- The Company has provided "First aid and basic health check-up" project in various communities' activities and events, for example, providing first- aid and basic health check-up services to the general public, participating in fire rehearsal



activities with workplaces or important locations in Community, providing emergency first aid units for walking-running-spinning activities held in the service area etc.

Quality Society Promotion by Sharing

In addition to helping the society by using the organization's core competency in health services, the Company also understands other social needs that the company has the ability to help and share through supplies, utensils, donations, including the effort from all employees of the Company. In 2019, the Company has initiated activities to help society in various forms, such as giving a donation of Baht 200,000 to help the southern brothers and sisters who have suffered from Pabuk hurricane through the Fund by Prime Minister's office on the "Unity of Thais-Helping the South" program and "Changing from Receiver to Giver" project intended for employees in the company to make merit on their birthday by doing good things to help the society such as cleaning the temple or school, donating supplies and equipment to the disabled and handicapped home or the underprivileged, including bringing food and survival bags to brothers and sisters suffering from flood in the northeast of Thailand



Innovation and the Dissemination of Innovation

According to the Royal Institute Dictionary 2542 B.C. ((1999, the word "innovation" is defined as the new thing or change from the original which may be an idea, method or device. From this definition, in 2019 the Company has established a project regarded as an innovative idea and method different from the conventional methods to improve the quality of life of patients with chronic diseases by introducing an internet communication technology to create new behaviors for patients with chronic diseases who have to regularly take medicines for a long time. In some cases, if their behaviors continue without change, they might have to take medicine for their entire life. Moreover, some patients will have to take a large amount of medicines each time. Under the "NCDs Group Therapy "2019 program, the target group is the hospital patients with chronic diseases with an objective to promote their health and reduce medication by changing their lifestyle behaviors such as dietary selection and exercises. Through educational activities by multidisciplinary doctors, nurses, nutritionists, physical therapists together with creating patient groups for behavioral change

monitoring via application with advices from multidisciplinary consultants, it is found that there were 93 patients continuously participated in the project until the end of the project (during March -December 2019) for the first group of 150 patients, 13patients were able to stop taking medicines with better blood result, which accounted for % 14 of the remaining participants and able to reduce the use of medicine up to .%41However, the Company still needs to closely monitor the results of projects in order to achieve the intended objectives

For the dissemination of innovative medical knowledge of the Company as a healthcare business operator, the Company promotes and improves the quality of life of people in society by disseminating the knowledge and experience of Dr. Wichit Siritattamrong, a specialist in hand and microsurgery and a team of experienced orthopedics. Located in industrial estate areas or factory area, the Company has more patients in the areas than any other areas. Aiming to create different types of treatment methods for the patients to receive the best treatment, the Company has granted home physicians and clinical specialists to attend the training program and field trips in the Orthopedic and Joint Center at Chularat 3 Internatinal Hospital to increase and develop this knowledge and expertise without any obligations. Trained physicians and doctors do not have to work with the Chularat Hospital Group. The Company has an intention that all trained doctors and specialists would move to several service areas other than Samutprakarn province to support and prevent Thai people all over the country from disability or loss of organs caused by various accidents enabling them to have better life and get back to work normally, resulting in reducing social problem arising from the inability. In 2019, the Company has disseminated the knowledge to a total of 5 doctors from sub-branch of hand and micro surgery, Faculty of Medicine, Mahidol University and Phramongkutklao Hospital.

INTERNAL CONTROL AND RISK MANAGEMENT

Overview of Internal Control

The Board of Directors and administrative division have a direct duty and responsibility to arrange and maintain an internal control system covering financial control, operation, corporate governance, and risk management. Therefore, the Board of Directors has appointed an Audit Committee with authority and duty to verify and ensure that the Company's financial reports are correct and adequate, the Company has an appropriate and effective internal control, the Company has an appropriate risk evaluation and management, the Company acts in accordance with the securities and exchange acts, the Stock Exchange of Thailand (SET) 's rules and regulations, and law involved with the Company's business.

Internal Audit department has duties and responsibilities to make an independent assessment of internal control and to ensure that the Company follows the present regulations of the government.

The Company has an internal audit to inspect the works of various departments within the Company and subsidiary companies, including composing a report to present to an Audit Committee in every meetings. The Audit Committee will examine an internal audit report with the internal audit division to make a suggestion necessary for improving the policy of the internal audit division and for improving internal audit system of the Company. Internal Audit Committee will hold a meeting at least four times a year and in 2019 with the five meetings with a report on internal audit committee's opinions, submitting to the Board of Directors for consideration and to be disclosed in the Company's annual report.

For overseeing subsidiary companies, the Company will appoint a representative to join subsidiary companies' Board of Directors and assign an internal audit division of the Company to be in charge for examining the sufficiency of an internal audit system of subsidiary companies and report to the Company's Audit Committee for acknowledgement of various aspects so that the Company can examine the subsidiary companies' operation efficiently.

The Company has prepared a handbook on financial allowance (credit limit) and authorization, determining the scope of responsibility, decision authority and commands base on the level of position. The Company has a policy to review the said handbook every year to make it appropriate for future condition of business operation.

The Audit Committee has reviewed the internal controls of the Company for the year 2019 in the meeting No. 201/59 dated December 4, 2019 and presented to the Board of Directors' Meeting No. 20/120 held on February 27, 2020 with 3 Audit Committee members attended this meeting. The Board of Directors has reviewed and assessed the Company's internal control system by requesting for the information from the management and concluded that the Company's internal control systems for 5 elements are adequate and appropriate which are 1. Internal control 2. Risk Assessment 3. Control of the operation 4. Information Systems and Data Communications 5. Monitoring systems. The Company has provided adequate personnel to implement the system effectively, including having the internal control system to monitor the operations of its subsidiaries to ensure that the assets of the Company and its subsidiaries are not wrongly used by directors or management without an authorization, including any transactions with persons who may have conflicts of interest and the related parties. For other internal controls, the Board of Directors agreed that the Company has adequate internal controls as well.

Risk Management

The Board of Directors and administrative division have a direct duty and responsibility to arrange risk management. Therefore, Risk Management Committee was appointed to maintain and provide an appropriate and efficient risk management.

Objective of Risk Management

1. To acknowledge the overall organization risk of the present and the future.
2. To appoint risk management strategy suitable for organization culture.
3. To create added-value to organization.

Risk Management Process

1. Objective Establishment
2. Risk Identification
3. Risk Assessment
4. Risk Management Planning
5. Monitoring & Review

4 Classifications of Risk

1. **Strategic Risk:** Risks that are related to the establishing of strategy, the implementation and the inappropriate implementation plan. Strategic risks also include the change of internal and external environment that affect the strategy executions and organization's vision.

2. **Operational Risk** : Risks that are related to operational process of each internal process and procedures, including Information Technology and Knowledge Management to achieve the operational goals. Operational Risk will affect the efficiency of overall organization's operational procedures and purposes.
3. **Financial Risk**: Risks that are related to financial management, which may arise from internal factors such as credit liquidity management and investment or external factors such as fluctuation of interest rate, exchange rate or the partner's inability to comply with agreement , causing the negative impacts to organization.
4. **Compliance Risk** : Risks that are related to compliance to regulator's rules and regulations such as the rules and regulations of the Security and Exchange Commission (SEC) and the Stock Exchange Market (SET), which could negatively affect the organization's reputation and image.

Risk Assessment

Risk assessment, a process and procedures after risk identification, consists of 2 major processes as follows :

1. **Risk Analysis** determines the root cause, source of risk, positive and negative impacts and also the chances of the impacts which may follow. Certain incident could affect several organization's purposes and objective. Moreover, risk analysis should also consider the current risk management measures and its efficiency.
2. **Risk Assessment** will accommodate the system by applying assessed risk to the acceptable risk rating. If the risk does not fall under acceptable rating, it should immediately be supervised.

Risk Likelihood Scale

There are 5 ratings for evaluating the risk likelihood scale as below:

| Rating | Explanation |
|--------|----------------|
| 5 | Almost certain |
| 4 | Likely |
| 3 | Possible |
| 2 | Unlikely |
| 1 | Rare |

Risk Impact

There are 5 risk impacts as below:

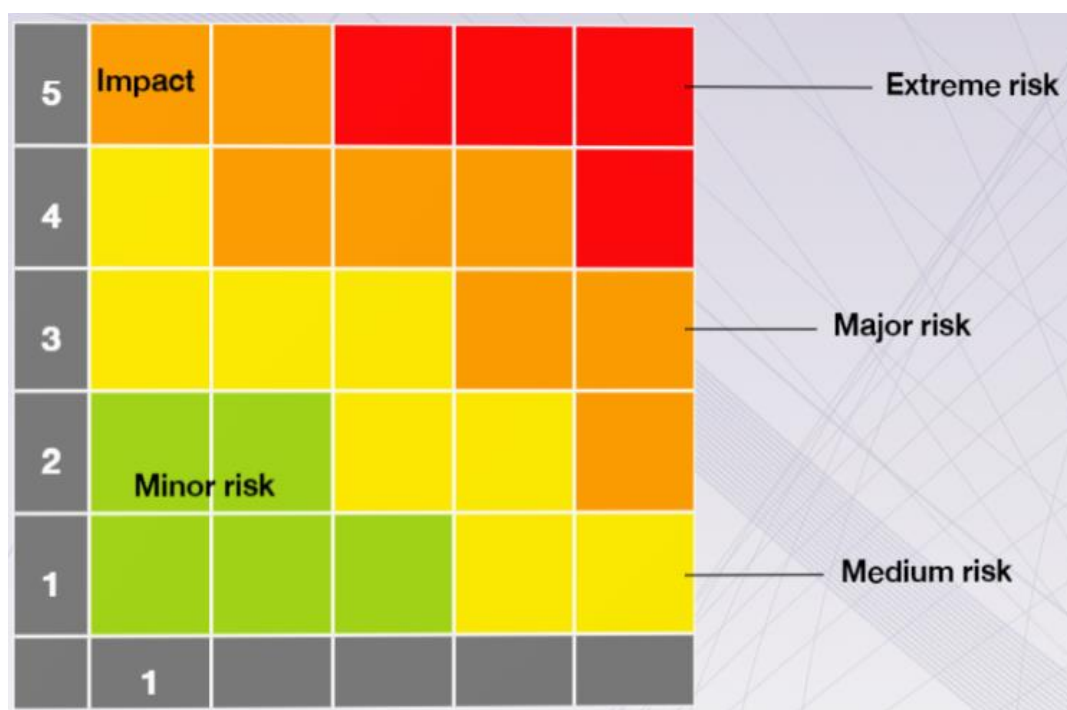
1. Financial impact

2. Reputation and image impact
3. Compliance impact
4. Impact to the key person of stock market
5. Impact from the delay of important projects

Damage level are classified into 5 rating as follow:

| Rating | Explanation |
|--------|--------------|
| 5 | Catastrophic |
| 4 | Major |
| 3 | Moderate |
| 2 | Minor |
| 1 | Negligible |

Risk Map



Risk map is a tool used to report the rating of risk assessment, elaborating the relationship of risk impact and risk likelihood.

In order to benefit from the rating of an assessed risk : Extreme risk (red), Major risks (orange), Medium risks (yellow) or Minor risks (green), risk management commission and the administrative division shall proceed as below:

- Analyzing and concluding Risk Map Evaluation and prioritizing the importance of risk.
- Presenting the conclusion of assessment to the Board of Director so as to select the key issues needed to manage and assign an administrative division for further management.

- Presenting the risk assessment and measures to risk management commission, auditor commission and the Stock Exchange Commission (SEC) for acknowledgement.

Risk management plan will be presented to the Board of Directors for consideration and approval on appropriated resources required to execute risk management. In order to select the most appropriate risk management, risk appetite in comparable with execution cost and benefits in relation to Law, regulation and social responsibility should be considered.

Acceptable risk is the risk rating which the stock exchange market can accept, allowing the organization to continue the operation and achieve the organization's purposes and goals. Therefore, in deciding risk management approach, the risk that may occur if there no risk management which seems unreasonable in the economic view, such as the risks that have significant negative impact but rarely occur, should be considered. Guideline for risk management shall be considered on case-by-case basis or may be considered together with other risks.

Risk Management Approach

1. **Avoid:** The process to avoid incidents that lead to risk, mostly use in case of major risk that are unavoidable and could not bring down to acceptable level.
2. **Share:** The process of sharing or transferring some or all risk to individual or organization outside such as the purchase of insurance.
3. **Reduce:** The process to seek risk management measure to reduce likelihood of risk incident or reduce risk impact to an acceptable level such as preparation of contingency plan.
4. **Accept:** The process of acknowledging current risk by taking no action to reduce the risk likelihood or risk impact, mostly applying with risk management in which the execution cost is more than the benefit.

Control Activity

Control Activity is the policy and operational process to ensure the risk management at an acceptable risk rating in order to prevent the negative impact that may affect organization's vision. Each organization has specific objectives and implementation techniques for their organization. Therefore, there are a variety control activities which could be divided into 4 categories as follows.

1. Preventive Control is the control approach to avoid risk incident from the first step.
2. Detective Control is the control approach to detect and control the occurred defect.
3. Directive Control is the control approach to support or urge the targeted success.

4. Corrective Control is the control approach to correct the occurred defect and prevent recurrence.

Therefore, to operate the control activities effectively and efficiently, execution cost and benefits expected to receive should be considered. The control activity should consist of the following elements:

1. Operational procedures
2. The assignment of personnel responsible for specific control activity, which should hold responsibilities as per below:
 - Consider current risk management efficiency
 - Consider additional control activity to increase risk management efficiency
3. Schedule activity time-limit.

Risk management under stock exchange market should be communicated on risk assessment, risk control, risk control progress and major risk monitoring, including the unusual events to ensure as follows:

1. Risk Owner closely monitors, evaluates, analyzes and manage appropriate risk management.
2. Major risks that impact organization should be reported for its progress and risk tendency to director in charge and risk management commission.
3. Set an appropriated and efficient internal control and being conducted to prevent and reduce any possible risks. Internal control are constantly reviewed and revised to be in line with the situation and the changed risks.

Risk Management Committee are entitled to coordinate with administrative division to provide risk management process report to the Board of Directors, Risk Management Commission, Audit Commission and Stock Market Commission for consideration and approval.

Administrative division should closely analyze and monitor the changing of internal and external environment, leading to the revision of overall risk management and risk prioritization.

Auditor's Notification

EY Office Company Limited, an auditor of financial statements - Quarterly and 2019, has no notification /observation on the Finance and Accounting Internal Control System.

The Company's Internal Audit Department Manager

The Audit Committee meeting on February 18, 2019 No. 1/2019 made a resolution to appoint Ms. Khemkulkorn Toomthong as an internal audit department manager from January 1, 2019 onward. Ms. Khemkulkorn Toomthong has an experience on internal audit work for ten years and was trained in programs involving internal audit operation i.e. Certified Professional Internal Audit of Thailand (CPIAT) from The Institutes of Internal Auditors Thailand and Internal Auditing Certificate Program (IACP) from Federation of Accounting Profession and hold an understanding of the Company's activities and operations, thus it is decided that Ms. Khemkulkorn Toomthong is suitable for the mentioned duty.

According to the Audit Committee meeting No.5/2019 on December 4, 2019, all three Audit Committee members have evaluated the performance of internal audit department manager of the Company for 2019 and agreed that the performance and operation met with internal audit standard, holding a knowledge and ability to work in response with the audit operation policy assigned by an Audit Committee. An appointment, an approval, a dismissal and transfer of personnel holding a position of internal audit department manager of the Company are approved by Audit Committee.

CROSS TRANSACTIONS

Cross transactions

Cross transactions are issues happening during 2018 and 2019, ending on December 31, 2018 and December 31, 2019 between the Company and subsidiary companies and individual/juristic person with a possibility of conflict of interest, the conclusions are as follows

| Person/juristic person with conflict of interest and made transaction with the Company and/or subsidiary companies | Character of business | Character of relationship |
|--|-----------------------|---|
| 1. Dr. Kumpol Plussind | - | <ul style="list-style-type: none"> - The major shareholder of the Company, at book closing date December 30, 2019, the Plussind group hold 37.89 percent of the Company's share - Holding position as a Director and the Chief Executive Officer /Managing Director in the Company and holding a position as Director in 7 subsidiary companies |

Cross transactions of the Company and subsidiary companies with involving individuals in the end of fiscal year at December 31, 2019.

Commercial items and general service trades

| Related individual/juristic person | Character of cross issues | Value of issue (Million Baht) | | Reason and necessity | Opinion(s) of audit committee |
|--|--|-------------------------------|-------|---|--|
| | | 2018 | 2019 | | |
| 1. Doctor who holds a director position or executive | Doctor fees_: There is compensation in doctor fees for the board and executives of the Company, including concerned personnel for 6 individuals. | 27.69 | 29.83 | Pricing Determination Doctor fee was based on the criteria set by royal colleges of medical doctor which equals to the payment the Company paid for doctor fee to other doctors of the whole hospitals. Terms of payment Within 30 days according to normal trade condition. Future transaction tendency The mentioned record is the normal trade that would continuously happen in the future under normal conditions. | That record is necessary and reasonable because the Company has to pay the mentioned doctor fee with equal payment rate to other doctors of the whole hospitals. |
| | -Account payable sum at the end of fiscal year | 2.75 | .255 | | |

Lease of land and property

| Related individual/ juristic person | Character of cross issues | Value of issue (Million baht) | | Reason and necessity | Opinion(s) of Audit Committee |
|--|--|-------------------------------|------|--|---|
| | | 2018 | 2019 | | |
| 1. Dr. Kumpol Plussind | Building rental fee : The Company has an expense from renting 2 units of the commercial building with 4.5-storey, 416 square meter utilizable space as an area for document storage of the Company. | 0.36 | 0.36 | Rental fee Determination Lease agreement for 3 years, from November 1, 2018 to October 30, 2021, with rental fee of 30,000 Baht per month Terms of payment Lease agreement requires the client to make an advance monthly payment as specified on an agreement. | The mentioned record is necessary and reasonable because the Company needs to use the mentioned building area for document storage, and the rental fee is in line with the evaluated price by independent valuer. |
| | <u>Account payable sum at the end of fiscal year</u> | -0- | -0- | Future transaction tendency The mentioned record is the transaction that will continue in the future under fair rental fee evaluation and general lease conditions. | |

Measures or procedures for approving cross transaction

The Company established a procedure for approval of cross transaction that agrees to the securities and exchange act and rules, announcements, court orders, or regulations of the office of Securities and Exchange Commission (SEC) and the Stock Exchange market of Thailand (SET), so committee or individual who may have a conflict of interest with the Company has no right to vote in the consideration on approval of that cross transaction.

Policy or tendency on future cross transaction

For the future cross transaction, the committee will follow regulations set up, and a committee will have no right to vote for any approval of any record in which him or individual who may have conflict of interest in any case with the Company involved, including the record must be disclosed to the Board of Director for consideration.

Moreover, in case the Audit Committee must give an opinion about an appropriateness of such record and the Audit Committee has no proficiency on making a consideration for that cross transaction record, the Audit Committee will arrange for an individual with special expertise, i.e. public accountant, independent asset valuer, to make an opinion about cross transaction in which opinions of the Audit Committee or an individual with special expertise will bring for the Board of Director or shareholders for making a verdict depends on each case to ensure that the mentioned transaction will not be a transfer of benefits and interests between the Company or a person with conflict of interest, but will be a transaction that the Company has considered the maximum benefit of every shareholders

- Normal business transactions and normal business supporting transactions which have a general trading condition i.e. service and buying and selling of commodities. The Company set up a policy in cross transaction to enable conditions that agree with normal trading character in market price which comparable to the price from outsider and strictly act according to an agreement including setting up a clear and fair prices and conditions for each record, and not causing transfer of benefit. The internal audit will take a duty on data inspection and making a report for consideration to the Board of Director and give an opinion about appropriateness of the price and transaction in every quarter.
- Normal business transactions and normal business supporting transactions which has no normal trading conditions and other cross transaction, i.e. building rental records, and financial aid records such as loans, guarantee, etc. For these cases, the

Company has a policy to submit it to the Board of Director meeting for approval with members of Audit Committee joining in and give opinions about appropriateness and necessity of transaction before proceed with the transaction and that will agree to the securities and exchange act and rules, announcements, court orders, or regulations of the office of Securities and Exchange Commission (SEC) and the Stock Exchange market of Thailand (SET), including following regulation about disclosing transaction data for involved records and acquirement and dispose of important assets of the Company or subsidiary companies (if any) and to follow accounting standard on disclosure of individual data or related activities which was appointed by the federation of accounting profession under the royal patronage of His Majesty the King. The Company will disclose cross transaction in financial statement including appendix note, including form 56-1 and annual report

The tendency on future cross transactions will be in the normal business operation of the Company, i.e. the payment of compensation for director as doctors, drug purchasing, building rental, etc. Furthermore, in the future the Company may have a necessity to give an additional support to its subsidiary companies on guaranteeing loans and/or giving loans and will do the mentioned transactions with transparency and act according to the policy on cross transaction between companies and strictly correspond with regulations of Securities and Exchange Commission (SEC) and other organizations involved.

MANAGEMENT DISCUSSION AND ANALYSIS

Management Discussion and Analysis on financial status and operating result

Overview of past operating result

The Company operates a medical service business for patients. The income from hospital operation of the Company is divided into 2 categories, which are income from general patients and income from governmental welfare schemes. Main source of income is from general patients covering 57.6 percent, 62.5 percent, and 62.6 percent of total income from hospital operations in 2017, 2018, and 2019 respectively. Owing to the competitive location of the Company, located in the major industrial estates with lots of industrial factories, dense population, and steady urban growth, combined with our reputation on medical treatment quality and fair pricing policy, the Company experienced the constant revenue growth and increasing number of patients. The hospital income from operation increased from Baht 3,875.79 million in 2017 to Baht 994,406 million and Baht 5,165.61 million in 2018 and 2019 respectively, or increased by 13.71 percent and 17.21 percent, respectively. The key factors behind steady growth of the Company's income are as follows:

1. **Increased General Patients:** The Company has a policy to increase our potential for medical service by recruiting more experienced doctors, nurses and specialist, including expand our capability on treating diseases with high complexity to attract general patients to choose the Company's treatment and services. As a result, number of general out-patient (OPD) have increased from 804,167 times in 2017 to 980,304 times in 2019 (average annual growth rate at 10.41 percent) while new service records of general in-patient (IPD) increased from 143 beds daily in 2017 to 199 beds daily in 2019 (average annual growth rate at 17.97 percent)
2. **Higher Average Income by case for general patient service:** With diversified medical service improvement and the Company's complicated medical services with high service charge for each treatment, an average income from each treatment to general patients was higher. Moreover, during 2017 to 2019, the Company made an adjustment for higher service charge to steady improve medical service quality. An average income from out-patient increased from Baht 1,512 to Baht 1,687 for each

treatment while average income from in-patient increased from Baht 19,449 to Baht 21,814 for each treatment.

3. **Increased number of insured person under SSO:** The Company provides a standard quality service to every group of patients, enabling the Company to gain high reputation from patients in Social Security scheme. The number of registered person under Social Security scheme gradually increased from 402,018 people in 2017 to 435,537 people in 2019 (average annual growth rate at 4.09 percent).
4. **Increased medical service payment from SSO:** During 2017 – 2019, Social Security Office increased the reimbursement rate for basic payment (Fixed payment) and adjusted the global budget for statistics – High complexity diseases and Chronic diseases. Thanks to the Company's competency, the Company has higher than average number of patients with chronic diseases compared to other hospitals under Social Security program from all over the country, resulting in an additional income based on an increased statistics for the services provided.

From aforementioned factors, the Company made a steady profit. In 2017, 2018, and 2019, the Company had net profit of Baht 565.44 million, Baht 633.88 million, and Baht 705.24 million, or an average increased 11.68 percent per annum, and could maintain profit margin better than an industry average at 14.5 percent, 14.3 percent, and 13.6 percent respectively. Slightly decreasing net profit margin was mainly due to the opening of 2 new hospitals in 2018. However, the Company could manage to control costs very efficiently. With a policy to improve the capability and competency on complicated diseases and good quality services, the Company expects to maintain the similar profit margin.

Operating Result Analysis

Income from Hospital Operations

The Company classified an income from hospital operations ("main income") into 2 main groups based on patient's types, which are an income from general patients and an income from governmental welfare schemes as shown in details in the table below:

| Income from Hospital Operation | Fiscal year, ending on 31 December | | | | | |
|--|------------------------------------|---------|-----------------|---------|-----------------|---------|
| | 2017 | | 2018 | | 2019 | |
| | Million Baht | Percent | Million Baht | Percent | Million Baht | Percent |
| Income from general patients | | | | | | |
| Income from outpatients (OPD) | 1,215.74 | 31.4 | 1,444.71 | 32.8 | 1,653.59 | 32.0 |
| Income from inpatients (IPD) | 1,016.33 | 26.2 | 1,310.06 | 29.7 | 1,580.75 | 30.6 |
| Total income from general patients | 2,232.07 | 57.6 | 2,754.77 | 62.5 | 3,234.34 | 62.6 |
| Income from governmental welfare schemes | | | | | | |
| Social Security scheme | 1,451.67 | 37.4 | 1,409.60 | 32 | 1,577.83 | 30.5 |
| Other governmental schemes | 192.05 | 5.0 | 242.62 | 5.5 | 353.44 | 6.8 |
| Total income from governmental welfare schemes | 1,643.72 | 42.4 | 1,652.22 | 37.5 | 1,931.27 | 37.4 |
| Total income from hospital operations | 3,875.79 | 100.0 | 4,406.99 | 100.0 | 5,165.61 | 100.0 |

From the table, the Company's income during 2017, 2018 and 2019 were of Baht 3,875.79 million, Baht 4,406.99 million, and Baht 5,165.61 million respectively with an average annual growth rate at 15.45 percent. This significant growth is mainly due to the policy for promoting a potential in medical treatment service by increasing the number of doctors and nurses, including expansion of the capability on treating diseases with high complexity that need medical specialists together with the opening of 2 new hospitals in 2018, resulting in more general patients to choose the Company's treatment and the increased number of insured persons under Social Security scheme. An average increase of income from general patients was 20.38 percent per annum, while that from governmental welfare program increased 8.39 percent per annum. However, the Company has a policy to increase the proportion of an income from general patients because they yield more initial profit than those from governmental welfare programs. Income from general patients in 2019 was 62.6 percent of total income from hospital operations.

Main income classification:

1. Income from general patients

Income from general patients can be separated into income from out-patient department (OPD) and from in-patient department (IPD). In 2017, 2018, and 2019 the Company had income from general patients of Baht 2,232.07 million, Baht 2,754 million, and Baht 3,234.34 million respectively, or average increase by 20.38 percent per annum. Income from out-patient (OPD) increased from Baht 1,215.74 million in 2017 to Baht 1,653.59 million in 2019 or average increase by 16.63 percent per annum while income from in-patient (IPD) increased from Baht 1,016.33 million in 2017 to Baht 1,580.75 million in 2019 or average increase by 24.71 percent per annum.

Main reason for a significant increased income from general patients during 2017 - 2019 was because visiting number of out-patient (OPD) increased significantly from 804,167 times in 2017 to 899,551 times and 980,304 times in 2018 and 2019 respectively, or average increased by 10.41 percent per annum while the rate of new clients of in-patient (IPD) increased from 143 beds daily in 2017 to 167 beds daily and 199 beds daily in 2018 and 2019 respectively, or average increased by 17.97 percent per annum. Increasing number of services provided was from the opening of 2 new hospitals, increased competency on medical service as well as diversity of service, e.g. Cancer Center, Gastrointestinal Center, Heart Center. The enhancement of medical service potential helps the Company to provide a complex medical services, resulting in an increased average of revenue per times from general patients. In addition, the Company also added the medical service innovations in order to continuously improve the quality services. An average income from the out-patient (OPD) increased from Baht ,1512 per visit to Baht 1,687 per visit, while an average income from the in-patient (IPD) increase from Baht 19,449 per visit to Baht ,21814 per visit.

2. Income from governmental welfare schemes

Income from government sector program in 2017, 2018, and 2019 were of Baht 1,643.72 million, Baht 22.1,652 million, and Baht ,1931.27 million respectively. Income from governmental welfare program consists of two main groups, which are income from Social Security program and income from other governmental programs.

Income from governmental welfare program are mostly from Social Security program covering over 88.34 percent, 85.28 percent, and 81.71 percent of the Company's income from governmental welfare programs in 2017, 2018, and 2019 respectively. Key Factors for this income are (1) Number of registered insured persons (2) Payment Policy for Basic payments and additional medical service fees, and (3) Hospital service potential/capability.

Number of registered insured persons are steadily increased from 402,018 people in 2017 to 421,700 people in 2018, and 435,537 people in 2019 respectively or average increase by 2.71 percent per annum, while an income per head per year increased from Baht 3,612 person/year in 2017 to Baht 3,341 person/year in 2018, and Baht 3,623 person/year in 2019. With the company's policy to expand the service areas to serve the general patients, an income from Social Security program last year did not grow that much. The average number of registered insured persons of the Company during 2017 - 2019 are as below:

| Year | Number of insured persons (average) | Income from Social Security scheme (Million Baht) |
|------|-------------------------------------|--|
| 2017 | 402,018 | 1,451.67 |
| 2018 | 421,700 | 1,409.60 |
| 2019 | 435,537 | 1,577.83 |

In 2019, the Company has an average number of insured persons by 435,537 people. After Chularat 3 International Hospital and Chularat 11 International Hospital are re-accredited for HA level 3, the Company can increase the number of quota at a maximum of 475,000 people. In addition, after an expansion in the future, the Company can also request for an additional quota. However, the management of the Company has no policy to expand the insured persons and most of the programs in the future are mainly for general patients.

Category of income from Social Security Office (SSO):

- **Fixed Income from Social Security Office :** Social Security Office established a fixed medical service for hospitals participated in Social Security program based on registered insured persons. There are two types of Fixed income as follows.
 1. Initial or basic income (Capitation): In 2012, capitation payment rate was Baht 1,446 person/year, increased to Baht 1,460 person/year in 2014 and increased to Baht 1,500 person/year in 2017 effective since 1 July 2017. Effective from 1 January 2020, this basic payment increased to Baht 1,640 persons/year, with monthly payment to the Company. Therefore, income from capitation will depends on number of insured persons and subject to change in each month.
 2. Additional income from by Hospital Accreditation (HA): During 2010 - June 2012, Social Security Office determined to pay additional service charge to hospitals with HA level 2 and level 3 at the rate of Baht 80

person/year. However, effective from July 2013, hospitals with HA level 2 would receive an additional service payment at the rate of Baht 40 person/year while hospitals with HA level 3 will receive additional service payment at the rate of Baht 80 person/year. As at 28 December 2012, Chularat 3 International hospital was accredited with HA level 3, in July 2013 Chularat 11 International hospital received HA level 3 while Chularat 9 Airport hospital was granted with HA level 2. In January 2018, Social Security Office changed this policy to provide Baht 60 person/year for Customer Complaint and Baht 60 person/year for Discharge Type services. Nevertheless, Social Security Office cancelled such policy effective by 1 January 2020.

- **Additional Social Security income base on statistics** : Social Security Office provided an additional payment base on various statistics, such as complexity of diseases and service frequency of insured persons. The payment rate to each hospital differs depends on each hospital statistics compared to other hospitals' statistics under SSO program all over the country. The income in this category could be divided into two types as follows:

1. Additional income from in-patient treatment (IPD) with high expense diseases: Effective in 2012, this income is for in-patient (IPD) admitted to the hospitals with high expense diseases. Social Security Office (SSO) used a calculation approach by Diagnosis Related Groups (DRGs) for comparison on an expense of each category of diseases and determine unit for comparison called an Adjusted Relative Weight (AdjRW). Note that Relative Weight is a measure of the average cost of caring for individual patients. The group of diseases with high expense according to this criteria should have an AdjRW more than or equal to 2 ($\text{AdjRW} \geq 2$) with the payment not more than Baht 15,000 per AdjRW.

1/

Note:

^{1/} In 2012, the government declaration on budget to support aforementioned service not more than Baht 4,460 million, in which case, if hospitals joined up with social security program from all over the country treated a lot of patients with conditions that have AdjRW more or equals to 2, the result may be addition payment rate to AdjRW to be less than Baht 15,000 per person/year.

^{2/} Decreasing of additional payment in cases for risk condition on 26 chronic diseases, and the cancel of payment criteria based on frequency of service in 2012 has been matched with an income from service to in-patient with high expense disease calculated from DRGs in case AdjRW is more than or equal to 2

2. Additional income from service frequency of patients with risky condition: This income depends on the number of insured person from 2 groups of social security program. First, out-patient (OPD) with 26 chronic diseases assigned by Social Security Office (60 percent of weight given), such as diabetes, hypertension, stroke, and chronic renal failure (CRF) etc. Second, in-patient (IPD) who have diseases with AdjRW <40 (2 percent of weight given). In 2011, Social Security Office assigned the value for additional payment rate according to risky condition Baht 469 person/year. In 2012, the additional payment rate according to risky condition decreased to Baht 432 person/year due to the separation of criteria for risky condition diseases and paid as income as in (1)^{2/}. Since 2013 to 2016, the additional payment rate according to risky condition was still equals to that of 2012, which is Baht 432 person/year. However, the ratio of out-patient (OPD) with 26 chronic diseases was increased from 60 percent to 90 percent of weight given and in-patient (IPD) with diseases/conditions with AdjRW <2 decreased from 40 percent to 10 percent of weight given. Effective from 1 July 2017, the additional payment rate increased from Baht 432 person/year to Baht 447 person/year. In 2018, Social Security Office reduced the ratio of an AdjRW < 2 from 10% to 0% and increased the ratio for chronic diseases from 90% to 100%. Effective from 1 January 2020, Social Security Office announced a global budget increase to Baht 453 person/year.

- **Income from treatment by specialist doctor** : Some type of treatment by specialist doctor, the Company could request the service fee at actual under terms and service rate appointed by Social Security Office. If there were many patients using this specialized service, the Company would have an additional income. This service type includes hemodialysis, chemotherapy for cancer patients, open heart surgery, artificial organ implants for disease treatment, and brain surgery etc.

The Company has significant income increase from Social Security program due to (1) Increasing number of registered insured persons with the Company (2) Social Security Office considered increasing the reimbursement rate for fixed payment and the improved payment for in-patients (IPD) with high expense diseases enabling the insured person to receive an appropriated quality service. and (3) the Company's continuous development of

service standard. The Company had an opportunity to continuously provide the services to insured persons with risky condition, which is higher than an average statistical number compared to other hospitals under Social Security program from all over the country, enabling the Company to earn an additional income based on statistics.

Income from other governmental welfare programs is medical service charge received from National Health Security Office (NHSO), which the Company is not a primary service provider under NHSO (The 30 Baht Health Care Scheme). The Company provided the treatment to some illness with medical service charge under terms and service rate appointed by NHSO. The service types include hemodialysis, low birth weight neonates nursing (NICU), treatments for patients suffered from emergency illness or accidents with 3 funds, and treatment of patients with strokes. In 2013, heart disease patients were added. Income from National Health Security Office (NHSO) was 19.95 percent, 14.68 percent, and 18.30 percent of the total income from governmental welfare schemes in 2017, 2018, and 2019, respectively.

Cost of Hospital Operations

Cost of hospital operations (“cost”) composed of medical personnel and nurse compensation, medicine, medical supplies, medical consumables, depreciation expenses, and other costs. During 2017, 2018, and 2019, the Company’s operations cost were of Baht 2,633.10 million, Baht 3,072.03 million, and Baht 3,629.38 million, respectively, accounted for 67.9 percent, 69.7 percent, and 70.3 percent of the total income, respectively.

The Company’s average cost-to-income has increased in 2019 because the opening of two new hospitals in Prachinburi and Chachoengsao provinces, resulting in an increased cost ratio.

Major costs are doctor fees, medicine, medical supplies, and medical consumables.

Gross Profit

| | Fiscal year, ending on 31 December | | | | | |
|---------------------------------|------------------------------------|---------|--------------|---------|--------------|---------|
| | 2017 | | 2018 | | 2019 | |
| | Million baht | Percent | Million baht | Percent | Million baht | Percent |
| Income from hospital operations | 3,875.79 | 100.0 | 4,406.99 | 100.0 | 5,165.61 | 100.0 |
| Cost of hospital operations | (2,633.10) | (67.9) | (3,072.03) | (67.9) | (3,629.38) | (70.3) |
| Gross profit | 1,242.69 | 32.1 | 1,334.95 | 30.03 | 1,536.24 | 29.7 |

The Company has gross profit during 2017, 2018, and 2019 of Baht 1,242.69 million, Baht 95.1,334million, and Baht 1,536.24 million respectively with gross profit ratio at 32.1 percent, 30.3 percent, and 29.7 percent, respectively. The Company's gross profit margin slightly decreased due to the opening of 2 new hospitals in 2018. However, the Company has a policy to efficiently manage the cost.

Other Income

The Company has other income not related to hospital operations. These include rental fees, public utility fees, interest income, income from nurse assistant training, and other income. In 2017, 2018, and 2019, the Company's other income was less than 1.0 percent of total income.

Administrative Expenses

During 2017, 2018, and 2019, the Company has administrative expenses of Baht 550.85 million, Baht 570.07 million, and Baht 672.38 million, respectively. The increase of administrative expenses was mostly from an increasing in compensation and number of employees to support the company growth. The increase of other administrative expenses are the consequences of arising number of patients.

The proportion of administrative expenses compared to total revenues was 14.1 percent, 12.9 percent and 13.0 percent in 2017, 2018, and 2019, respectively. The similar rate of administrative expenses showed the effectiveness of the Company's management, although in 2018, the Company has recruited more personnel to support the growth.

The administrative expenses consist of employees and administrative executive's expense, depreciation, and utilities expenses. Major expenses are those related to employee and executives, which account for more than 50 percent of total administrative expenses.

Profit from Hospital Operations

During 2017, 2018, and 2019, the profit from hospital operations were of Baht 712.47 million, Baht 788.74 million, and Baht 889.12 million, respectively, or 18.3 percent, 17.8 percent, and 17.1 percent, respectively.

Financial Cost

Financial cost consists of interest expense from bank loan and leasing. The Company has financial cost for Baht 15.87 million, Baht 23.72 million, and Baht 40.45 million in 2017, 2018, and 2019, respectively. The Company used short-term loans at intervals for liquidity purpose and long-term loans for the construction of new projects and service area expansions.

Corporate Income Tax

Corporate Income Tax in 2017, 2018, and 2019 were of Baht 130.82 million, Baht 149.80 million, and Baht 184.002 million, respectively. However, with the Government's policy to promote the competitiveness of Thailand, stimulate the country's economy and attract foreign investments, Corporate Income Tax decreased from 23 percent to 20 percent in 2013.

Net Profit (loss)

The Company's net profit has steadily increased. In 2017, 2018, and 2019, the Company has the net profit of Baht 565.44 million, Baht 633.88 million, and Baht 705.24 million respectively, which was the results of (1) Increasing number of General patient (2) Increasing number of insured persons under SSO scheme (3) Increasing competency to treat and cure the complicated diseases at each Excellence Centers (4) Increasing statistics of service provided to SSO patients with risky condition and more than an average from other hospitals under SSO scheme (5) The Company's effective cost management. However, with the opening of 2 new hospitals and the continuous service area expansion to support the future growth, the Company's net profit margin slightly decreased to 14.5 percent, 14.3 percent, and 13.6 percent during 2017, 2018, and 2019, respectively. With the Company's cost management efficiency, the Company could manage to maintain high level of net profit margin. The Company's cost of hospital operations was 67.6 percent, 69.3 percent, and 69.9 percent of the total revenue, while the administrative expense to total revenues was 14.1 percent, 12.9 percent, and 13.0 percent in 2017, 2018, and 2019, respectively.

Financial Status Analysis

Assets

The Company's assets can be classified into 2 categories, which are Current Assets (Cash and cash equivalents, trade and other receivables, accrued social security income, medicine and medical supplies and inventories), and Non-Current Assets (Investment in subsidiaries, other long-term investment, investment properties, and property, plant and equipment). Total assets as at December 31, 2017, 2018, and 2019 was of Baht 4,951.18 million, Baht 5,708.18 million, and Baht 6,265.69 million, respectively, with the ratio of current assets between 26.9 percent to 28.2 percent during that time period.

As at December 31, 2017, 2018, and 2019, the Company's Current Assets were of Baht 1,332.00 million, Baht 1,591.95 million, and Baht 1,764.17 million, respectively. The increasing of Current Assets was mostly from cash and cash equivalents, accrued medical treatment income together with trade and other receivables.

As at December 31, 2017, 2018, and 2019, the Company has Non-Current Assets amounting to Baht 3,619.18 million, Baht 4,116.23 million, and Baht ,4 501.52 million, respectively. Changes in property, plant and equipment from 2017 to 2019 were from hospital expansion plan to support the Company growth.

Account Receivable

The Company has trade receivables at December 31, 2017, 2018 and 2019, for Baht 272.47 million, Baht 338.24 million, and Baht 443.63 million, respectively. The constant increase of trade receivables was a result from the Company's expansion. The proportion of trade receivables not over three months was 76.0-82.4 percent of total trade receivables. A decrease in debt collection period showed the Company's effective management in the collection of receivables, resulting from the strict policies on collection of receivables and from computer program development for account receivable control and management.

In case write-off, accounting division will send the case to law division to proceed according to the Company's policy. If debt could not be collected, they will be written-off with an approval from management.

Trade receivables at December 31, 2017, 2018, and 2019 are as follows.

| Outstanding Account Receivables | At December 31 | | | | | |
|---------------------------------------|----------------|---------|------------|---------|------------|---------|
| | 2017 | | 2018 | | 2019 | |
| | Million B. | percent | Million B. | percent | Million B. | percent |
| Age of outstanding debts by aging | | | | | | |
| Up to 3 months | 212.68 | 82.4 | 249.57 | 77.8 | 322.05 | 76.0 |
| 3 - 6 months | 27.32 | 10.6 | 41.45 | 12.9 | 58.11 | 13.7 |
| 6 - 12 months | 9.77 | 3.8 | 16.38 | 5.1 | 27.25 | 6.4 |
| Over 12 months | 15.05 | 5.8 | 19.80 | 6.2 | 22.77 | 5.4 |
| Total account receivable | 264.83 | 102.6 | 327.20 | 102.0 | 430.17 | 101.5 |
| Less: Allowance for doubtful accounts | (6.63) | (2.6) | (6.54) | (2.0) | (6.40) | (1.5) |
| Total trade accounts receivable-net | 258.20 | 100.0 | 320.66 | 100.0 | 423.78 | 100.0 |

Other debtors

Other receivables are receivables not related with the hospital operations. As at December 31, 2017, 2018 and 2019, the Company had other receivables of Baht 14.27 million, Baht 17.59 million, and Baht 19.85 million, respectively.

Accrued Medical Treatment Income

Accrued medical treatment incomes from Social Security Office (SSO) and National Health Security Office (NHSO) can be categorized into 3 groups as follows.

1. Accrued Social Security income according to medical service statistics, such as, (1.1) accrued income base on medical service rates, which was cancelled in 2012, (1.2) accrued income base on statistics for in-patient (IPD) with high expense diseases ($\text{AdjRW} \geq 2$, Severe Diseases.) effective since 2012, and (1.3) accrued income base on statistics for patients with risky condition (Chronic Diseases). The Social Security Office will collect patient statistic data from all hospitals under SSO program for the calculation of additional service payment to each hospitals in the future, which the Company used an appropriated assumption in estimating expected income each time.
2. Other accrued Social Security income are results from medical services by specialist doctor such as blood dialysis using artificial kidney unit (hemodialysis), chemotherapy for patients with cancer, open heart surgery, artificial organ implant etc. After treatment, the Company will send medical services report to Social Security Office as an evidence for bill payment.

Accrued National Health Security Office (NHSO) income are medical services by specialist doctor such as hemodialysis and a referral center for Heart Diseases.

Accrued medical treatment income as at December 31, 2017, 2018, and 2019 are as follows.

| Accrued Medical Treatment Income | 2017 | | 2018 | | 2019 | |
|--|------------|---------|------------|---------|------------|---------|
| | Million B. | percent | Million B. | percent | Million B. | percent |
| Accrued medical treatment income provided to patients with severe diseases | 225.82 | 44.8 | 179.22 | 30.1% | 103.32 | 16.8% |
| | 52.03 | 10.3 | 152.80 | 25.7% | 186.73 | 30.4% |

| Accrued Medical Treatment Income | 2017 | | 2018 | | 2019 | |
|--|------------|---------|------------|---------|------------|---------|
| | Million B. | percent | Million B. | percent | Million B. | percent |
| Accrued medical treatment income of chronic diseases | 157.76 | 31.3 | 154.14 | 25.9% | 148.21 | 24.1% |
| Accrued social security income - others | | | | | | |
| Total accrued social security income | 435.61 | 86.4 | 486.17 | 81.7% | 438.27 | 71.4% |
| Accrued NHSO income | 99.31 | 19.7% | 126.10 | 21.2% | 178.20 | 29.0% |
| Total accrued medical treatment income | 534.92 | 106.1% | 612.26 | 102.9% | 616.46 | 100.4% |
| Less: Allowance for doubtful accounts | (30.82) | -6.1% | (17.42) | -2.9% | (2.52) | -0.4% |
| Total accrued medical income - net | 504.10 | 100.0 | 594.84 | 100.00% | 613.95 | 100.00% |

Accrued Social Security income in 2018 increased by Baht 50.56 million mostly due to increasing accrued medical treatment income of chronic diseases and other accrued social security income (HA Standard) which the Social Security Office has changed the payment conditions. In 2019, Accrued Social Security income decreased by Baht 47.90 million due to faster payment process management for medical treatment provided to patients with severe diseases by the Social Security Office.

Accrued NHSO income in 2018 increased Baht 26.79 million and increased Baht 52.10 million in 2019, mostly due to increasing specialized cardiovascular treatment.

Medicine, medical supplies and inventorial consumables

As at December 31, 2017, 2018, and 2019, the Company has medicine, medical supplies, and inventorial consumables ("inventory") of Baht 118.88 million, Baht 141.61 million, and Baht 160.73 million, respectively. The average inventory period was 16.15-15 days during 2017-2019. Inventory level and the average inventory period of the Company is at a constant rate due to the effective inventory management system.

Inventories are shown in the table below,

| Inventories | At December 31 | | | | | |
|---------------------|----------------|--------------|---------------|--------------|---------------|--------------|
| | 2017 | | 2018 | | 2019 | |
| | Million B. | percent | Million B. | percent | Million B. | percent |
| Medicine | 70.92 | 59.7 | 87.68 | 61.9 | 94.56 | 58.8 |
| Medical supplies | 20.72 | 17.4 | 20.82 | 14.7 | 27.31 | 17.0 |
| Medical instruments | 0.38 | 0.3 | 1.25 | 0.9 | 0.52 | 0.3 |
| Other supplies | 26.86 | 22.6 | 31.85 | 22.5 | 38.34 | 23.9 |
| Total | 118.88 | 100.0 | 141.61 | 100.0 | 160.73 | 100.0 |

The Company has no provision for deteriorated inventories from expiration because the Company has inventory management efficiency, including assigning the officers to inspect the medicines and medical supplies in the warehouse and patient wards on a monthly basis. Moreover, with the Company's good relationship with medicine distributor, medicines near expiry date could be returned for exchange to the new lot.

Property, Plant and Equipment, net

As at December 31, 2017, 2018, and 2019, the Company has property, plant and equipment amounting to Baht 3,385.21 million, Baht 3,831.02 million, and Baht 4,220.51 million, respectively. The Company has continuously invested in property, plant and equipment to enhance the service capability and support the future growth. Cash for investment was Baht 653.28 million, Baht 634.97 million, and Baht 706.95 million, respectively. Main category of non-current asset that the Company invested in was medical tools and equipment, new buildings and service area expansion.

Intangible assets

Intangible assets are computer software. As at December 31, 2017, 2018, and 2019, the Company has intangible assets amounting to Baht 15.75 million, Baht 16.93 million, and Baht 34.95 million, respectively. The Company continuously invested in computer software to support the business growth.

Liability

The Company's liability divided into 2 categories, which are Current Liability (e.g. trade account payable, short-term loans from financial institutions, and current portion of long-term loans from financial institutions) and Non-Current Liability (e.g. long-term loans from financial institutions and provision for long-term employee benefits). The total liability as of December 31, 2017, 2018, and 2019, were Baht 1,478.48 million, Baht 1,964.75 million, and Baht 2,370.25 million, respectively. The proportion of current liability was between 65.93 percent to 70.97 percent of total liability.

Trade and other payables are the highest proportion in liability without interest. As at December 31, 2017, 2018, and 2019, the Company has ratio of trade and other payables to total liability of 31.38 percent, 28.83 percent, and 25.60 percent, respectively. Major trade payables consist of medicine, medical supplies, and consumables which the Company purchased to provide the medical services, whereas other payable consists of accrued doctor fees, accrued expense, and other payable of construction and building expansion.

Loan from financial institutions

Loans from financial institutions consist of short term loans and long term loans. Short term loans consist of bank overdraft and promissory note. The Company used short term loans occasionally for operational liquidity. As at December 31, 2017, 2018 and 2019, the Company had outstanding short term loans at amount of Baht 380.0 million, Baht 530.0 million, and Baht 820.0 million, respectively.

Long term loans were used for the purpose of the building construction according to service area expansion plan. As at December 31, 2017, 2018 and 2019, the Company had outstanding long term loans at amount of Baht 472.30 million, Baht 682.15 million, and Baht 676.61 million, respectively.

Commitments and contingent liabilities

As at December 31, 2019, the Company has total commitments of Baht 552 million, divided into capital expenditure of Baht 133 million and operating lease of Baht 56 million. Capital expenditure consisted of construction of building and acquisition of tools and equipment. The Company had capital commitment amounting to Baht 237 million in respect of the uncalled portion of investment in the subsidiaries.

Shareholders' equity

As at December 31, 2017, 2018 and 2019, the Company has total shareholders' equity amounting to Baht 3,299.84 million, Baht 3,562.97 million, and Baht 3,702.47 million, respectively. The steady growth on shareholders' equity was because the Company could manage to continuously maintain the revenue growth and net profit margin.

Financial Structure

The Company has a strong financial structure with key ratios as at December 31, 2017, 2018 and 2019 as follows:

- Debt to equity ratio was 0.45, 0.55, and 0.64 respectively.
- Interest-bearing debt-to-equity ratio was 0.26, 0.34, and 0.42, respectively.
- Interest coverage was 44.89, 33.25, and 21.98 respectively.

Compared to other hospitals registered in the Stock Exchange of Thailand (SET), the Company's debt to equity ratio is still at the industry average, showing the Company's conservative financial policy and increasing the Company's potential to borrow additional loans from financial institutions for future expansion plan.

Liquidity

Cash flows

Details on source of cash flows are shown in the table below.

| (Million Baht) | As at December 31 | | |
|--|-------------------|------------|------------|
| | 2017 | 2018 | 2019 |
| | Million B. | Million B. | Million B. |
| Net cash from (used in) operating activities | 910.29 | 694.51 | 974.12 |
| Net cash from (used in) investing activities | (667.67) | (667.03) | (757.46) |
| Net cash from (used in) financing activities | (269.98) | 29.61 | (219.75) |
| Net increase (decrease) in cash and cash equivalents | (27.36) | 56.64 | (3.09) |
| Cash and cash equivalents at beginning of year | 441.36 | 414.00 | 470.64 |

| | | | |
|--|--------|--------|--------|
| Cash and cash equivalents at end of year | 414.00 | 470.64 | 467.55 |
|--|--------|--------|--------|

During 2017 to 2019, the Company has an increase in net cash from operating activities amounting to Baht 910.29 million, Baht 694.51 million and Baht 974.12 million, respectively. Cash flows from operating activities was increased in line with an increase of operating profit and good debt collection.

Current ratio

During 2017, 2018 and 2019, the Company has current ratio of 1.30, 1.23 and 1.05, respectively, while the quick ratio was 0.67, 0.64, and 0.57, respectively. Considering all liquidity ratios, it is found that the Company's liquidity is very high, showing the Company's capability to pay short-term obligations.

Cash cycle

During 2017, 2018 and 2019, the Company has an average cash cycle of 31 days, 25 days, and 27 days, respectively. These cycles show that the Company has to prepare cash for business operations by an average of 30-40 days. In the past, the Company managed the liquidity by using internal cash flows and occasionally used short-term loans from financial institutions.

Return on Equity Analysis

The Company's Return on Equity (ROE) ratio in 2017, 2018 and 2019, was at 17.60 percent, 17.93 percent, and 18.30 percent, respectively. These steady ratios are mainly because of the Company's effective cost management. Net Profit Margins were at 14.51 percent, 14.31 percent, and 13.59 percent in 2017, 2018 and 2019, slightly decreased due to the opening of 2 new hospitals.

Main factors and influences that could affect an operation or financial status in the future

Industry and population in service area

All 9 hospitals in the Group are located in important industrial estates of Samutprakan, Chachoengsao, Chonburi, Prachinburi, and Rayong provinces where there are a lot of employees. Moreover, there were more immigrants continuously moving to these areas along with the industry growth. As the result, the Company gain the benefit from patient growth, both in social security program and general patients.

ASEAN Economic Community (AEC)

Healthcare business of Thailand gained the benefits from roadmap on setting up AEC in 2015. Thanks to high standard of treatments and services, including high quality personnel and low medical treatment cost compared other countries with the same quality of service,

it is expected that there will be more international patients coming to Thailand. With the Company's policy to continuously develop the specialized treatments through Excellence Centers, including the fact that Chularat 3 International Hospital and Chularat 9 Airport Hospital are located within 10 kilometers radius from Suvarnabhumi airport, it is expected that the Company will have more international patients from AEC in the future. Chularat 3 International hospital is internationally accredited by Joint Commission International (JCI), which could create international patients' confidence in the quality service standard of the Company.

Ratio of income from general patients

The ratio of income from general patients was 57.6 percent, 62.5 percent, and 62.6 percent in the year 2017, 2018 and 2019, respectively. During 2017 to 2019, income from general patients increased from Baht 2,232.07 million to Baht 3,234.34 million, or increased on average of 20.38 percent per annum. The visiting number of general out-patient (OPD) increased from 804,167 times/year in 2017 to 899,551 times/year in 2018 and 980,304 times/year in 2019, respectively or increased on average of 10.41 percent per annum. The admission number of general in-patient (IPD) increased from 143 beds/day to 167 beds/day and 199 beds/day, respectively, in 2017, 2018 and 2019 or increased on average of 17.97 percent per annum.

In the future, the Company has a policy to increase number of general patients by enhancing the potential to offer and focus on specialized medical services, expanding and renovating the service areas, adding the medical instruments and equipment with the latest technology and increasing a variety of Excellence Centers such as Neurology and Stroke Center, Brain and Spine Surgery, In Vitro Fertilization (IVF), and Heart Center. Moreover, the Company will also use offensive marketing strategy to penetrate general clients, such as giving a discount to patients having health insurance plan with insurance companies who are the contractors with the Company. Income from general patients generates higher profit margin than those from governmental welfare programs, thus promoting income ratio from general patients would contribute positively to the profit trend of the Company in the future.

Changes in the Government Policy

Income from the governmental welfare schemes of the Company during 2017 - 2019 was 42.4 percent, 37.5 percent and 37.4 percent of total income from hospital operations. Income from Social Security program was 37.4 percent, 32.0 percent, and 30.5 percent of

total income from hospital operations. Therefore, changes in social welfare policy of the government may significantly affect the Company's operating result in the future.

Furthermore, the government announced a policy to decrease the Corporate Income Tax to 20 percent since 2013 to enhance the competitiveness of Thailand, promote the country's economy and attract foreign investments. As the results, this would contribute positively to the Company's business operations, financial status, and liquidity in the future.

Changes in Medical Services Rate of Social Security Office

In 2012, the Social Security Office considered increasing medical services rate for the hospitals providing medical treatments and services for severe diseases with high expense. The major changes are as follows.

1. Increasing the capitation payment rate: The capitation payment rate continuously increased from Baht 1,306 person/year in 2008 to Baht 1,404 person/year in 2009, to Baht 1,446 person/year in 2012, to Baht 1,460 person/year in 2014, and to Baht 1,500 person/year since 1 July 2017. Effective from 1 January 2020, Social Security Office announced to increase to Baht 1,640 person/year with a consideration for increasing this payment every 3 years.
2. Changes in additional capitation payment rate based on quality of hospital: Since July 2012, the hospital with HA level 2 will receive an additional payment of Baht 40 patient/year and the hospital with HA level 3 or JCI will receive Baht 80 patient/year. On 31 December 2014, Chularat 3 International hospital was accredited with HA level 3 and JCI standards, Chularat 11 International hospital was granted with HA level 3 and Chularat 9 Airport hospital was accredited with HA level 2 standard. In 2017, Social Security Office cancelled this payment criteria and switched to pay base on Customer Complaint and Discharge Type with a purpose to have the insured person participate in the payment assessment. However, in 2020 Social Security Office announced to cancel such payment.
3. Medical Service rate in case of in-patient (IPD) with high expense diseases: This new additional payment started in 2012 for cases of in-patient (IPD) with high expense disease and patient must be admitted to the hospital. Social Security Office used the calculation approach related to Diagnosis Related Groups (DRGs) for making a comparison expense of each category of disease and determine unit of comparison called Adjusted Relative Weight (AdjRW). If a patient suffered from a disease with AdjRW more than or equal to 2 ($\text{AdjRW} \geq 2$), the Company will

receive additional service fee from Social Security Office with the limit of not more than Baht 15,000 per AdjRW.

4. Changes in medical service rate according to number of services provided to patients with risky condition (Chronic Diseases) : The Global budget of medical service rate for risky conditions changed from Baht 432 patient/year to Baht 447 patient/year since 1 July 2017. Effective from 1 January 2020, the global budget increased to Baht 453 patient/year.

Conclusion, the Company gained the benefits from changes in payment rate mentioned above, with an increasing income from Baht 3,612 patient/year in 2017 to Baht ,3623 patient/year in 2019. The government will determine the medical service rate for each category of social security program, which are subject to change base on appropriateness and cost of treatments.

Effect from New and Revised Accounting Standard

Aiming to align Thai Financial Statement standard with the corresponding International Financial Statement standard, the Federation of Accounting Professions announced a revised accounting standards and new accounting standards. Part of the standards effective now and will be effective are as follows;

Financial reporting standards that became effective in the current year

During the year, the Company and its subsidiaries have adopted the revised financial reporting standards and interpretations (revised 2018) which are effective for fiscal years beginning on or after 1 January 2019. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes and clarifications directed towards clarifying accounting treatment and providing accounting guidance for users of the standards. The adoption of these financial reporting standards does not have any significant impact on the Company and its subsidiaries' financial statements. However, the new standard involves changes to key principles, which are summarized below..

TFRS 15 Revenue from Contracts with Customers

TFRS 15 supersedes the following accounting standards together with related Interpretations.

| | |
|-----------------------|------------------------|
| TAS 11 (revised 2017) | Construction Contracts |
| TAS 18 (revised 2017) | Revenue |

| | |
|-------------------------|--|
| TSIC 31 (revised 2017) | Revenue – Barter Transactions Involving Advertising Services |
| TFRIC 13 (revised 2017) | Customer Loyalty Programmes |
| TFRIC 15 (revised 2017) | Agreements for the Construction of Real Estate |
| TFRIC 18 (revised 2017) | Transfers of Assets from Customers |

Entities are to apply this standard to all contracts with customers unless those contracts fall within the scope of other standards. The standard establishes a five-step model to account for revenue arising from contracts with customers, with revenue being recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model.

This standard does not have any significant impact on the Group's financial statement.

Financial reporting standards that will become effective for fiscal years beginning on or after 1 January 2020

The Federation of Accounting Professions issued a number of new and revised financial reporting standards and interpretations which are effective for fiscal years beginning on or after 1 January 2020. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards clarifying accounting treatment and providing accounting guidance for users of the standards except the following new standards which involve changes to key principles, which are summarized below.

Financial reporting standards related to financial instruments:

A set of TFRSs related to financial instruments consists of five accounting standards and interpretations, as follows:

Financial Reporting standards:

| | |
|--------|------------------------------------|
| TFRS 7 | Financial Instruments: Disclosures |
| TFRS 9 | Financial Instruments |

Accounting standard:

| | |
|--------|-------------------------------------|
| TAS 32 | Financial Instruments: Presentation |
|--------|-------------------------------------|

Financial Reporting Standard Interpretations:

| | |
|----------|---|
| TFRIC 16 | Hedges of a Net Investment in a Foreign Operation |
| TFRIC 19 | Extinguishing Financial Liabilities with Equity Instruments |

These TFRSs related to financial instruments make stipulations relating to the classification of financial instruments and their measurement at fair value or amortised cost (taking into account the type of instrument, the characteristics of the contractual cash flows and the Company's business model), calculation of impairment using the expected credit loss method, and hedge accounting. These include stipulations regarding the presentation and disclosure of financial instruments. When the TFRSs related to financial instruments are effective, some accounting standards, interpretations and guidance which are currently effective will be cancelled.

The management of the Group expects the adoption of these accounting standards to result in the following adjustment.

Recognition of credit losses that the Group is to recognise an allowance for expected credit losses on its financial assets, and it is no longer necessary for a credit-impaired event to have occurred. The Group applies the simplified approach to consider impairment of trade receivables and the general approach to consider impairment of long term loans.

The management of the Group is currently evaluating the impact of these standards on the financial statements in the year when they are adopted.

TFRS 16 Leases

TFRS 16 supersedes TAS 17 Leases together with related Interpretations. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases, and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is low value.

Accounting by lessors under TFRS 16 is substantially unchanged from TAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles to those used under TAS 17.

The Group plans to adopt TFRS 16 using the modified retrospective method of adoption of which the cumulative effect is recognised as an adjustment to the retained earnings as at 1 January 2020, and the comparative information was not restated.

The management of the Group expects the effect of the adoption of this accounting standard to the statement of financial position as at 1 January 2020 to increase the Group's assets by approximately Baht 25 million (the Company only: approximately Baht 2 million) and the

Group's liabilities by approximately Baht 25 million (the Company only: approximately Baht 2 million).

Report of the Board of Directors on the Financial Statements

The Board of Director is responsible for the separated financial statement, and consolidated financial statement of the Company and its subsidiaries, including the financial information contained in the annual report for the year ended 31 December 2019, which the Company has prepared in accordance with accounting standards generally accepted in Thailand by choosing the appropriate accounting policies and has been practicing regularly with discretion and reasonable estimation in the preparation, as well as the adequate disclosure of information in the notes to the financial statement that can reflect the financial position, performance, and cash flows accurately, transparently and beneficially to the shareholders and general investors, and has been audited by the CPA of the Company, EY Company Limited, which gave unconditional opinions to the Company. The Company provided support in information and documents to EY Company Limited, so they can audit and express opinions according to auditing standards.

The Board of Directors has established and maintained suitable and effective system of risk management, internal control, internal audit and corporate governance to ensure the accounting information is accurate and complete and sufficient to maintain the assets, manage risks and prevent fraud or irregular conduct significantly.

The Board of Directors has appointed the Audit Committee consisting of independent directors to be responsible for reviewing the accounting policies and Internal Control System, the quality of financial report and the internal audit, including the assessment of risk management system together with Risk Management Committee. The Audit Committee also consider and review the disclosure of related transactions to be fully adequate and appropriate. The comments of the Audit Committee have been put in the report of the Audit Committee which is published in the Annual Report.

The Board of Directors has the opinion that the Company's overall internal control system is adequate and appropriate. The Board of Directors is reasonably confident that the separate financial statements and consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2019 are reliable in compliance with generally accepted accounting standards and the related law and regulations.

Kriengsak Plussind
Chairman of the Board of Directors

Kumpol Plussind
Managing Director

THE AUDIT COMMITTEE REPORT TO SHAREHOLDERS

Dear Shareholders of Chularat Hospital Public Company Limited,

The Board of Directors has appointed the Audit Committee of Chularat Hospital Public Company Limited, which consists of three independent directors qualified under the rules of the Stock Exchange of Thailand (SET). Two Audit Committee members are the persons with sufficient knowledge and experience to be responsible to review the reliability of financial statements. The Audit Committee comprises of:

- | | |
|---------------------------|---------------------------------|
| 1. Mr. Manit Jeeradit | Chairman of the Audit Committee |
| 2. Mr. Somyos Yan-ubol | Audit Committee |
| 3. Mr. Chayawat Pisessith | Audit Committee |

Ms. Khemkulkorn Toomthong is the Secretary to the Audit Committee.

In 2019, the Audit Committee had a total of 5 meetings in which all Audit Committee have attended. There was a meeting with the auditor without management attended the meeting. In each meeting, there was an agenda with the auditor; the internal audit department manager has attended the meeting and acted as the secretary of the Audit Committee in order to facilitate the performance of the Audit Committee to be in accordance with the Charter of the Audit Committee. The Audit Committee has summarized the meeting result in the report of Audit Committee and presented to the Board of Directors for acknowledgement.

Base on the performance of 2019, the Audit Committee concluded the opinions with key information as follows:

1. The Audit Committee has reviewed the quarterly financial statements and the annual financial statements 2019 of the Chularat Hospital Public Company Limited and its subsidiaries on significant issues by querying and gathering comments from management and the auditors about the accuracy, completeness and reliability of the financial statements and adequate disclosure of information. The Audit Committee has agreed with the auditor that the financial statements have been prepared correctly in accordance with generally accepted accounting standards.
2. The Internal Control system of the Company is appropriate and effective as it should be.
3. The related transactions or the transactions with conflicts of interest appeared in 2019 were considered as usual as normal business and reasonable for the

interests of the Company, including adequate disclosure of information according to the requirements of the Stock Exchange of Thailand (SET).

4. The Company acted in accordance with the framework of the law regarding the Securities and Exchange Commission (SEC) as well as other laws and regulations related to the business of the company.
5. For The fiscal period Ended 31 December 2019, the certified public accountant to audit the financial statements of the Company is Ms. Kosum Cha-Em, Certified Public Accountant No.6011. The Company has considered the performance of the auditor in the past fiscal periods, and agreed that EY Office Limited is a professional who operates independently and has understanding towards the business of the Company. Therefore, the Board of Directors of the Company has proposed to the Annual General Meeting of Shareholders to appoint EY Office Limited to be the Auditor of the Company for another year. The Board of Directors has proposed Ms. Manee Rattanabunnakit, Certified Public Accountant No. 5313 or Ms. Kosum Cha-Em, Certified Public Accountant No. 6011 or Mr. Kritsada Lerdwana, Certified Public Account No. 4958 of EY Office Limited to be the auditors of the Company with their total remuneration of 1.62 million Baht.

The Audit Committee has performed the duties and responsibilities assigned by the Board of Directors with caution in order to fully benefit the shareholders and all stakeholders of the Company.

On behalf of the Audit Committee,



(Manit Jeeradit)

Chairman of the Audit Committee
Chularat Hospital Public Company Limited
27 February 2020

Internal Control System Sufficiency Evaluation Form

**CHULARAT HOSPITAL GROUP (PUBLIC)
COMPANY LTD,
February 26, 2020**

This evaluation form is prepared by the Board of
Directors.

This is the opinion of the Board of Directors
regarding the Sufficiency of the Internal Control
System.

Control Environment

1. Demonstrates commitment to integrity and ethical values

| Question | Yes | No |
|---|-------------------------------------|----|
| <p>1.1 Board of directors and management set principles of integrity and operations code of conduct which are being practiced in the following area:</p> <p>Daily routines and decisions making.</p> <p>Treatment of partners, customers and third party.</p> | <p>✓</p> <p>✓</p> | |
| <p>1.2 There are written regulations to ensure that executives and employees operates with integrity and ethics which include:</p> <ul style="list-style-type: none"> - Suitable code of conduct for executives and employees. - There are regulations forbidding the management as well as the employees from acting in the way that could cause conflicts of interests with the business and also forbids corruption which may damage the organization. - There is appropriate penalty in case of violation of the aforementioned regulations. - All executives and employees are informed of the aforementioned regulations and penalties. For example, they are included in the orientation for new employees, the employees annually signed an acknowledgment of the regulations and penalties, the code of conduct is publicized to the employees and third parties | <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> | |
| <p>1.3 Code of Conduct: There is a procedure to monitor and assess that code of conduct are being followed.</p> <ul style="list-style-type: none"> - Monitoring and assessment by an internal audit unit or a compliance unit - Self-assessment by executives and employees. - Assessment by independent professional from outside the organization. | <p>✓</p> <p>✓</p> <p>✓</p> | |
| <p>1.4 There is a timely management when there is non-compliance in regulation on integrity and code of conduct.</p> | | |

| Question | Yes | No |
|--|-----|----|
| - There is a procedure that would timely identify any non-compliant action. | ✓ | |
| There is a procedure to timely and suitably penalize or manage the non-compliant action. | ✓ | |
| Actions that are in violation of principles on integrity and code of conduct are timely and suitably corrected | ✓ | |

.2The board of directors demonstrates independence from management and exercises oversight of the development and performance of internal control.

| Question | Yes | No |
|--|-----|----|
| 1.2 Roles and duties of the Board of Directors are set separately from that of the Management. The Board of Directors' authorities are clearly defined. | ✓ | |
| 2.2 The Board of Directors oversees that there is clear and measurable business target to use as guidelines for the executives and employees' operations | ✓ | |
| 2.3 The Board of Directors oversees that the Company follows the laws and charters regarding the roles and duties of board of directors and management as well as the roles of audit committee, auditor, internal auditor and the person who is responsible for the financial statements. | ✓ | |
| 2.4 The Board of Directors are knowledgeable about the company's business and has the expertise that would be beneficial to the Company or able to seek advice from experts in the field. | ✓ | |
| 2.5 The Board of Directors comprises suitable number of knowledgeable and reliable independent directors who can perform his/her duty independently. For example, the independent directors do not have any business relation with the Company or any other relationship that could influence their independent judgement. | ✓ | |
| 2.6 The Board of Directors oversees the development and practice of the organization's internal control including the creation of control environment, risk assessment, control activities, information and communication, and the follow up. | ✓ | |

3. Management establishes, with board oversight, structures, reporting lines, and appropriate authorities and responsibilities in the pursuit of objectives.

| Question | Yes | No |
|---|-----|----|
| 1.3 Top management sets an organizational structure that support the Company's goal by considering the business functions and legal requirements. There is also effective internal control. For example, there is a separation of duties in important business unit which would result in check and balance; there is an internal audit units which reports directly to the Audit Committee; there is a clear line of report. | ✓ | |
| 3.2 Top management sets up line of report by considering duties, responsibilities and communication | ✓ | |
| 3.3 Roles and responsibilities are suitably defined and assigned between the Board of Directors, top executives, management and employees. | ✓ | |

.4 The organization demonstrates a commitment to attract, develop, and retain competent individuals in alignment with objectives.

| Question | Yes | No |
|---|-----|----|
| 4.1 The company has the policy and practice for recruiting, developing and retaining knowledgeable personnel and regularly reviews such policy and practice. | ✓ | |
| 4.2 There is performance evaluation process, incentives and rewards to personnel with good performance, management measure for the personnel who did not reach their targets and the process is communicated to all executives and employees. | ✓ | |
| 4.3 The company has the process to timely solve or prepare for the event that the company lack knowledgeable personnel. | ✓ | |
| 4.4 The company has process to recruit, develop and retain all executives and employees such as providing mentoring system or training. | ✓ | |
| 4.5 The company provides succession plan for significant roles | ✓ | |

.5The organization holds individuals accountable for their internal control responsibilities in the pursuit of objectives.

| Question | Yes | No |
|---|-----|----|
| 1.5The Board of Directors and the Management have the procedure and communication to enforce all personnel to have responsibilities for internal control and if necessary, provide corrective measure for such procedure. | ✓ | |
| 2.5The Board of Directors and the Management set indicators for performance appraisal, give suitable incentives and rewards by considering the compliance of code of conduct and the company's short-term and long-term objectives. | ✓ | |
| 3.5The Board of Directors and the Management regularly evaluates the incentives and rewards by focusing on the connection between the success of the performance and the compliance of internal control. | ✓ | |
| 4.5The Board of Directors and the Management make sure that there is not too much pressure on each personnel duty. | ✓ | |

Risk Assessment

.6The organization specifies objectives with sufficient clarity to enable the identification and assessment of risks relating to objectives.

| Question | Yes | No |
|--|-----|----|
| 6.1 The Company can comply with generally accepted accounting standards which is appropriate to the business at that time by showing that the transaction in the financial report exists, complete, correctly show the rights or obligations of the Company, have the right value and is properly disclosed. | ✓ | |
| 6.2 The Company defines the essence of the financial statements by considering the major factors such as the user of the financial report, the size of transaction and the business trend. | ✓ | |
| 6.3 The Company's financial report truly reflects the Company's operational activities. | ✓ | |
| 4.6The Board of Directors or the Risk Management and Investment Committee approves and communicates the risk management policy to all executives and employees to ensure that such policy is acknowledged and practiced as a part of the organizational culture. | ✓ | |

.7The organization identifies risks to the achievement of its objectives across the entity and analyzes risks as a basis for determining how the risks should be managed.

| Question | Yes | No |
|---|-----|----|
| 1.7The company identifies all risks that may affect the company's operations in organizational level, business unit level, department level, and work level. | ✓ | |
| 7.2 The company analyses all internal and external risk factors including strategic risk, operational risk, reporting risk, rule and regulation compliance risk and technological risk. | ✓ | |
| 7.3 All levels of management are involved with risk management. | ✓ | |
| 7.4 The company evaluates the risk by considering the chance of occurrence and the effect that may occur. | ✓ | |
| 5.7The company has the measure and action plan to handle risk by accepting, reducing, avoiding or sharing risks. | ✓ | |

.8The organization considers the potential for fraud in assessing risks to the achievement of objectives.

| Question | Yes | No |
|--|-----|----|
| 8.1 The company evaluates the chance of fraud, covering all type of fraud including the faultily financial report, assets loss, corruption, management override of internal controls, the change of important information in report, wrongly acquisition or disposition of property, etc. | ✓ | |
| 8.2 The company reviews its operational target by considering the possibility of the target achievement as well as considering that the incentive or rewards given to employees would not instigate wrong doing. For example, the sale goal is not unreasonably high that would motivate employees to give false sale figures. | ✓ | |
| 8.3 The Audit Committee has considered and questioned the Management regarding the chance of fraud and the prevention or correction measure. | ✓ | |
| 8.4 The company has communicated with all employees so that they understand and comply with existing policies and guidelines. | ✓ | |

.9The organization identifies and assesses changes that could significantly impact the system of internal control.

| Question | Yes | No |
|--|-----|----|
| 1.9The company evaluates external changes that may affect the operations, internal control, and financial report and defines adequate measures to handle such changes | ✓ | |
| 9.2 The company evaluates the change in business model that may affect the operations, internal control and financial statements and defines suitable measure in response to such change. | ✓ | |
| 9.3 The company evaluates the change of the organization leader which may affect business operation, internal control, and financial statements and defines suitable measure in response to such change. | ✓ | |

Control Activities

10. The organization selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels.

| Question | Yes | No |
|---|-------------------|----|
| 10.1 The company's control measure is suitable to the risk and the organization's unique condition such as environment, the complexity of work, scope of work and other specific conditions. | ✓ | |
| <p>10.2 The company has written internal control procedure that appropriately covers all procedures such as policy and regulation on financial transaction, procurement, general management, and defines clear authorization and level of approval for each level of management in order to prevent fraud. For example, the size of budget and the level of approval for each management level, the procedure for investment approval, procurement and seller selection procedure, the record of buying decision details, procedure for releasing tools and equipment. There is also the following procedures:</p> <ul style="list-style-type: none"> - The record of major shareholder, directors, management and related person including connected person, in order to monitor and review connected transaction or transaction that may have conflict of interest. Such record should also be regularly updated. - In the event that the company approves a transaction or enters into long term contract with related person such as purchase and sale of goods, lending, guaranteeing; the company has monitored and ensured that all conditions are kept during the time the contract is effective. For example, monitoring that the debt is paid in due time and the contract is reviewed for suitability. | <p>✓</p> <p>✓</p> | |
| 10.3 The company sets up suitable varieties of internal control namely manual and automated control or the prevention and monitoring control. | ✓ | |

| Question | Yes | No |
|---|-----|----|
| 10.4 The company defines internal control throughout all level in the organization namely the company-s group, business unit, function, department, division or process | ✓ | |
| 10.5 The company completely separates 3 following responsibilities from one another in order to have check and balance. (1) Approving duty (2) Recording accounting transaction and information and (3) Assets storing | ✓ | |

.11The organization selects and develops general control activities over technology to support the achievement of objectives.

| Question | Yes | No |
|---|-----|----|
| 11.1 The company should identify the connection between the use of information technology in operations and the general control of the information technology system. | ✓ | |
| 11.2 The company should define suitable control for technology system fundamental. | ✓ | |
| 11.3 The company should define suitable security control for technology system | ✓ | |
| 11.4 The company should define suitable control for the procurement, development and maintenance of the technology system | ✓ | |

.12The organization deploys control activities through policies that establish what is expected and procedures that put policies into place.

| Question | Yes | No |
|---|-----|----|
| 1.12The company has strict policy to monitor that the transaction of the major shareholder, director, management or related person go through approval process as defined in the company's articles of association, rules and regulations of the Stock Exchange of Thailand, the Security Exchange Commissions, etc. In order to protect the company's benefit against the use for personal gain. | ✓ | |

| Question | Yes | No |
|---|-----|----|
| 2.12The company has a policy that a transaction must be approved by the person who has no personal interest in such transaction. | ✓ | |
| 3.12The company has the policy to approve transaction by considering the company's utmost benefit and consider the transaction on the at arms' length basis | ✓ | |
| 4.12The Company has the process to monitor the performance of subsidiaries or associates including setting guidelines to the person who is appointed as a director or executives in the subsidiaries or associates. <i>(If the company does not have subsidiaries or associates, the company does not have to answer this question)</i> | ✓ | |
| 12.5 The company sets the roles and responsibilities that the executives and the employees are to implement the policy in their operations. | ✓ | |
| 12.6 The company's policies and processes are suitably implemented by capable personnel including the process of operation correction. | ✓ | |
| 12.7 The company regularly reviews its policy and process of practice. | ✓ | |

Information & Communication

.13The organization obtains or generates and uses relevant, quality information to support the functioning of internal control.

| Question | Yes | No |
|---|--------|----|
| 1.13The company specifies the related information that are required for its operation from both in and outside of the organization. | ✓ | |
| 13.2 The company considers the cost and benefit as well as the quantity and correctness of the information. | ✓ | |
| 13.3 The company provides the Board of Directors with sufficient information for their decision making such as the detail of the proposed agenda, the reasons, and the effect to the company and other alternatives. | ✓ | |
| 13.4 The company provides the meeting notice or meeting documents that contain necessary and sufficient information for the directors' consideration before the meeting at least for the minimum requirement of the law. | ✓ | |
| 13.5 The company provides detailed minutes of Board of Directors' meeting so that the each director's performance can be reviewed. For example, record of directors' questions, opinions, comments on the considered matters; the opinion of the directors who do not approve the proposed agenda and his/her reason. | ✓ | |
| 13.6 The company has the following actions; 13.6.1.Filing and categorizing all important document. 13.6.2.In the event that the auditor or the internal auditor report about flaws in internal control, such flaws has been corrected. | ✓ ✓ | |

.14The organization internally communicates information, including objectives and responsibilities for internal control, necessary to support the functioning of internal control.

| Question | Yes | No |
|---|-----|----|
| 1.14 The company has effective internal information communication process and has appropriate communication channel to support internal control. | ✓ | |
| 14.2 The company regularly reports important information to the Board of Directors and the Board of Directors has the access to the information source necessary to its work or required revision. For example, defining the contact center for information in order to search for information other than one that the Board received from the Management, including requesting information from auditor, internal auditor, the meeting between the Board and the Management outside of the Board meeting, etc. | ✓ | |
| 14.3 The company provides special channel or secret channel so that its personnel can securely report information or clue regarding fraud or corruption (whistle-blower hotline) to the company. | ✓ | |

.15 The organization communicates with external parties regarding matters affecting the functioning of internal control.

| Question | Yes | No |
|--|-----|----|
| 15.1 The company has the process for the effective information communication to stakeholders outside the organization as well as appropriate communication channels to support internal control such as providing investors relation officers or complaint center. | ✓ | |
| 15.2 The company provides special channel or secret channel so that the stakeholders outside the organization can securely report information or clue regarding fraud or corruption (whistle-blower hotline) to the company. | ✓ | |

Monitoring Activities

16. The organization selects, develops, and performs ongoing and/or separate evaluations to ascertain whether the components of internal control are present and functioning.

| Question | Yes | No |
|---|-----|----|
| 1.16 The Company provides a process to monitor the compliance with the code of conduct and prohibits the management and | ✓ | |

| Question | Yes | No |
|--|-----|----|
| employees from conducting themselves in a manner likely to cause conflicts of interests, such as assigning each unit to monitor the operations and report to their supervisor or assigning the internal audit unit to monitor the operation and report to the Audit Committee. | | |
| 2.16The Company reviews the internal control system through self-assessment and/or independent assessment by internal auditor. | ✓ | |
| 16.3 The frequency of monitoring and assessment is suitable for the company's change. | ✓ | |
| 16.4 The internal audit system is monitored and assessed by knowledgeable personnel. | ✓ | |
| 5.16The result of internal audit is reported directly to the Audit Committee | ✓ | |
| 6.16The company encourages the internal auditor to follow the International Standards for the Professional Practice of Internal Auditing (IIA) | ✓ | |

.17The organization evaluates and communicates internal control deficiencies in a timely manner to those parties responsible for taking corrective action, including senior management and the board of directors, as appropriate.

| Question | Yes | No |
|--|-----|----|
| 1.17The company evaluates and communicates the deficiencies of its internal control system and timely proceeds to monitor and rectify such deficiencies in the event that the operating result significantly differs from the predefined goal. | ✓ | |
| 2.17 The company has the following reporting policies: | | |
| 17.2.1. Management must immediately report to the board of directors in the event of fraud or suspicion of fraud, violation of laws or other unusual actions that may significantly affect the company's reputation of financial position. | ✓ | |
| 17.2.2. Significant deficiencies along with problem solving guidelines (although the problem may have already been managed) are timely reported to the company's board of directors/audit committee for consideration. | ✓ | |
| 17.2.3. Progress on the remedy of significant flaws are reported to the company's board of directors/audit committee | ✓ | |

Chularat Hospital Public Company Limited
and its subsidiaries
Report and consolidated financial statements
31 December 2019

Independent Auditor's Report

To the Shareholders of Chularat Hospital Public Company Limited

Opinion

I have audited the accompanying consolidated financial statements of Chularat Hospital Public Company Limited and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2019, and the related consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and have also audited the separate financial statements of Chularat Hospital Public Company Limited for the same period.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Chularat Hospital Public Company Limited and its subsidiaries and of Chularat Hospital Public Company Limited as at 31 December 2019, their financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

Basis for Opinion

I conducted my audit in accordance with Thai Standards on Auditing. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Group in accordance with the Code of Ethics for Professional Accountants as issued by the Federation of Accounting Professions as relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

I have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report, including in relation to these matters. Accordingly, my audit included the performance of procedures designed to respond to my assessment of the risks of material misstatement of the financial statements. The results of my audit procedures, including the procedures performed to address the matters below, provide the basis for my audit opinion on the accompanying financial statements as a whole.

Key audit matters and how audit procedures respond for each matter are described below.

Estimation of accrued medical treatment income

The Group has revenues from the provision of medical services to patients under the government welfare schemes of the Social Security Office and the National Health Security Office. The amounts of such revenues are determined based on government policy, the number of insured persons registered with the Group, and statistical information on the services provided by the Group. As discussed in Note 10 to the financial statements, as at 31 December 2019, the Group had accrued medical treatment income from the above government agencies amounting to Baht 614 million, representing 10% of total assets. An estimation of accrued medical treatment income requires management to exercise significant judgement. There is thus a risk of the amount of revenue from hospital operations.

I have examined the revenue recognition from hospital operations and the accrued medical treatment income by

- Assessing and testing the Group's internal controls with respect to the revenue cycle and the estimation of accrued medical treatment income by making enquiry of responsible executives, gaining an understanding of the controls and selecting representative samples to test the operation of the designed controls, and with special consideration given to expanding the scope of the testing of the internal controls which respond to the above risks.
- Assessing the appropriateness of the criteria, methodology and conditions applied by the Group in estimating accrued medical treatment income in accordance with government policy.

- Performing the reasonableness of past estimates of accrued medical treatment income by comparing those estimates with the actual amounts received.
- Examining cash receipt transactions relating to accrued medical treatment income subsequent to the period-end date.

Revenue recognition from hospital operations, excluding revenue from government sector welfare schemes

Revenue from hospital operations, excluding revenue from the Social Security Office and the National Health Security Office, is considered an account significant to the financial statements because there are a large number of revenue transactions. The revenue also has a number of components, such as revenue from medical fees, revenue from sales of medicines and revenue from hospital rooms, and is derived from provision of services to various types and a large number of customers. There are therefore risks with respect to the amount and timing of revenue recognition.

I have examined the revenue recognition of the Group by

- Assessing and testing the Group's internal controls with respect to the revenue cycle by making enquiry of responsible executives, gaining an understanding of the controls and selecting representative samples to test the operation of the designed controls, and with special consideration given to expanding the scope of the testing of the internal controls which respond to the above risks.
- Performing analytical procedures on disaggregated data and significant ratios relating to revenue recognition, including comparison with historical data, in order to detect possible irregularities in revenue transactions throughout the period, especially accounting entries made through journal vouchers.
- On a sampling basis, examining supporting documents for revenue transactions occurring during the year.

Other Information

Management is responsible for the other information. The other information comprise the information included in annual report of the Group, but does not include the financial statements and my auditor's report thereon. The annual report of the Group is expected to be made available to me after the date of this auditor's report.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

When I read the report of the Group, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance for correction of the misstatement.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Thai Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Thai Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Thai Standards on Auditing, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

I am responsible for the audit resulting in this independent auditor's report.

Kosum Cha-em
Certified Public Accountant (Thailand) No. 6011

EY Office Limited
Bangkok: 27 February 2020

Chularat Hospital Public Company Limited and its subsidiaries
Statement of financial position
As at 31 December 2019

(Unit: Baht)

| | | Consolidated financial statements | | Separate financial statements | |
|-------------------------------------|-------------|-----------------------------------|----------------------|-------------------------------|----------------------|
| | <u>Note</u> | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> |
| Assets | | | | | |
| Current assets | | | | | |
| Cash and cash equivalents | 7 | 467,548,173 | 470,639,295 | 133,690,366 | 173,076,666 |
| Current investments | 8 | 53,716,000 | 23,720,878 | - | - |
| Trade and other receivables | 9 | 443,629,519 | 338,244,146 | 344,908,947 | 249,258,428 |
| Accrued medical treatment income | 10 | 613,946,101 | 594,839,629 | 376,256,998 | 377,239,854 |
| Short-term loans to related parties | 6 | - | - | - | 362,938,476 |
| Inventories | 11 | 160,727,044 | 141,612,387 | 64,890,080 | 60,315,717 |
| Other current assets | | 24,602,819 | 22,895,181 | 15,296,467 | 15,025,330 |
| Total current assets | | 1,764,169,656 | 1,591,951,516 | 935,042,858 | 1,237,854,471 |
| Non-current assets | | | | | |
| Restricted bank deposits | | 406,638 | 406,276 | - | - |
| Long-term loans to related parties | 6 | - | - | 668,738,476 | - |
| Investments in subsidiaries | 12 | - | - | 1,845,090,060 | 1,747,669,447 |
| Other long-term investment | 13 | - | - | - | - |
| Investment properties | 14 | 114,368,885 | 114,368,885 | 39,013,000 | 39,013,000 |
| Property, plant and equipment | 15 | 4,220,507,604 | 3,831,015,698 | 1,088,939,642 | 918,771,830 |
| Intangible assets | 16 | 34,586,666 | 16,932,995 | 20,565,352 | 12,616,090 |
| Leasehold rights | 17 | 4,968,630 | 5,918,630 | - | - |
| Goodwill | | 47,283,766 | 47,283,766 | - | - |
| Deferred tax assets | 24 | 21,030,673 | 12,707,944 | 11,010,070 | 6,919,232 |
| Other non-current assets | | 58,367,358 | 87,598,549 | 8,495,231 | 27,675,700 |
| Total non-current assets | | 4,501,520,220 | 4,116,232,743 | 3,681,851,831 | 2,752,665,299 |
| Total assets | | 6,265,689,876 | 5,708,184,259 | 4,616,894,689 | 3,990,519,770 |

The accompanying notes are an integral part of the financial statements.

Chularat Hospital Public Company Limited and its subsidiaries

Statement of financial position (continued)

As at 31 December 2019

(Unit: Baht)

| | | Consolidated financial statements | | Separate financial statements | |
|--|-------------|-----------------------------------|----------------------|-------------------------------|--------------------|
| | <u>Note</u> | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> |
| Liabilities and shareholders' equity | | | | | |
| Current liabilities | | | | | |
| Short-term loans from financial institutions | 18 | 820,000,000 | 530,000,000 | 820,000,000 | 530,000,000 |
| Trade and other payables | 19 | 606,874,759 | 566,388,054 | 278,020,486 | 235,295,756 |
| Current portion of long-term loans from financial institutions | 20 | 136,200,000 | 98,760,000 | - | - |
| Current portion of liabilities under | | | | | |
| finance lease agreements | | 9,752,925 | 2,799,696 | 2,358,661 | 1,818,354 |
| Income tax payable | | 70,567,847 | 44,327,444 | 25,574,894 | 18,514,361 |
| Other current liabilities | | | | | |
| Withholding tax payable | | 11,747,724 | 9,756,380 | 6,798,434 | 5,261,542 |
| Others | | 27,102,515 | 43,352,159 | 22,895,846 | 22,619,572 |
| Total current liabilities | | <u>1,682,245,770</u> | <u>1,295,383,733</u> | <u>1,155,648,321</u> | <u>813,509,585</u> |
| Non-current liabilities | | | | | |
| Long-term loans from financial institutions | | | | | |
| - net of current portion | 20 | 540,410,000 | 583,390,000 | - | - |
| Liabilities under finance lease agreements | | | | | |
| - net of current portion | | 32,677,893 | 12,253,023 | 6,999,083 | 7,957,258 |
| Deferred tax liabilities | 24 | 10,644,107 | 11,154,494 | - | - |
| Provision for long-term employee benefits | 21 | 104,274,263 | 62,572,618 | 54,171,250 | 33,717,058 |
| Total non-current liabilities | | <u>688,006,263</u> | <u>669,370,135</u> | <u>61,170,333</u> | <u>41,674,316</u> |
| Total liabilities | | <u>2,370,252,033</u> | <u>1,964,753,868</u> | <u>1,216,818,654</u> | <u>855,183,901</u> |

The accompanying notes are an integral part of the financial statements.

Chularat Hospital Public Company Limited and its subsidiaries

Statement of financial position (continued)

As at 31 December 2019

(Unit: Baht)

| | Note | Consolidated financial statements | | Separate financial statements | |
|---|------|-----------------------------------|----------------------|-------------------------------|----------------------|
| | | 2019 | 2018 | 2019 | 2018 |
| Shareholders' equity | | | | | |
| Share capital | | | | | |
| Registered | | | | | |
| 11,000,000,000 ordinary shares of Baht 0.1 each | | 1,100,000,000 | 1,100,000,000 | 1,100,000,000 | 1,100,000,000 |
| Issued and fully paid | | | | | |
| 11,000,000,000 ordinary shares of Baht 0.1 each | | 1,100,000,000 | 1,100,000,000 | 1,100,000,000 | 1,100,000,000 |
| Share premium | | 1,146,084,819 | 1,146,084,819 | 1,146,084,819 | 1,146,084,819 |
| Retained earnings | | | | | |
| Appropriated - statutory reserve | 22 | 110,000,000 | 110,000,000 | 110,000,000 | 110,000,000 |
| Unappropriated | | 1,346,339,341 | 1,206,951,362 | 1,043,991,216 | 779,251,050 |
| Other components of shareholders' equity | | 48,000 | (70,400) | - | - |
| Equity attributable to owners of the Company | | 3,702,472,160 | 3,562,965,781 | 3,400,076,035 | 3,135,335,869 |
| Non-controlling interests of the subsidiaries | | 192,965,683 | 180,464,610 | - | - |
| Total shareholders' equity | | 3,895,437,843 | 3,743,430,391 | 3,400,076,035 | 3,135,335,869 |
| Total liabilities and shareholders' equity | | 6,265,689,876 | 5,708,184,259 | 4,616,894,689 | 3,990,519,770 |
| | | - | - | - | - |

The accompanying notes are an integral part of the financial statements.

Directors

Chularat Hospital Public Company Limited and its subsidiaries

Statement of comprehensive income

For the year ended 31 December 2019

(Unit: Baht)

| | | Consolidated financial statements | | Separate financial statements | |
|---|------|-----------------------------------|----------------------|-------------------------------|----------------------|
| | Note | 2019 | 2018 | 2019 | 2018 |
| Profit or loss: | | | | | |
| Revenues | | | | | |
| Revenues from hospital operations | | 5,165,614,508 | 4,406,986,825 | 2,388,094,412 | 2,196,030,069 |
| Dividend income from subsidiaries | 12 | - | - | 474,000,000 | 230,000,000 |
| Interest income | | 3,163,671 | 3,490,686 | 23,457,219 | 14,611,455 |
| Other income | | 22,091,145 | 20,364,412 | 15,225,186 | 14,209,614 |
| Total revenues | | 5,190,869,324 | 4,430,841,923 | 2,900,776,817 | 2,454,851,138 |
| Expenses | | | | | |
| Cost of hospital operations | | 3,629,378,834 | 3,072,032,029 | 1,616,746,956 | 1,497,220,853 |
| Administrative expenses | | 672,375,131 | 570,065,948 | 370,319,505 | 340,551,450 |
| Total expenses | | 4,301,753,965 | 3,642,097,977 | 1,987,066,461 | 1,837,772,303 |
| Profit before finance cost and income tax expenses | | 889,115,359 | 788,743,946 | 913,710,356 | 617,078,835 |
| Finance cost | | (40,447,649) | (23,723,072) | (15,070,164) | (10,061,956) |
| Profit before income tax expenses | | 848,667,710 | 765,020,874 | 898,640,192 | 607,016,879 |
| Income tax expenses | 24 | (184,004,902) | (149,796,499) | (76,413,124) | (66,587,443) |
| Profit for the year | | 664,662,808 | 615,224,375 | 822,227,068 | 540,429,436 |
| Other comprehensive income: | | | | | |
| <i>Other comprehensive income to be reclassified to profit or loss in subsequent periods</i> | | | | | |
| Gain (loss) on change in value of available-for-sale investments | | 148,000 | (32,000) | - | - |
| Less: Income tax effect | 24 | (29,600) | 6,400 | - | - |
| Other comprehensive income to be reclassified to profit or loss in subsequent periods - net of income tax | | 118,400 | (25,600) | - | - |
| <i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods</i> | | | | | |
| Actuarial loss | | (20,129,069) | (23,422,898) | (9,358,769) | (12,965,401) |
| Less: Income tax effect | 24 | 4,025,813 | 4,684,580 | 1,871,754 | 2,593,080 |
| Other comprehensive income not to be reclassified to profit or loss in subsequent periods - net of income tax | | (16,103,256) | (18,738,318) | (7,487,015) | (10,372,321) |
| Other comprehensive income for the year | | (15,984,856) | (18,763,918) | (7,487,015) | (10,372,321) |
| Total comprehensive income for the year | | 648,677,952 | 596,460,457 | 814,740,053 | 530,057,115 |

The accompanying notes are an integral part of the financial statements.

Chularat Hospital Public Company Limited and its subsidiaries

Statement of comprehensive income (continued)

For the year ended 31 December 2019

(Unit: Baht)

| | Consolidated financial statements | | Separate financial statements | |
|--|-----------------------------------|-----------------------|-------------------------------|-----------------------|
| Note | 2019 | 2018 | 2019 | 2018 |
| Profit (loss) attributable to: | | | | |
| Equity holders of the Company | 705,235,986 | 633,879,435 | 822,227,068 | 540,429,436 |
| Non-controlling interests of the subsidiaries (loss) | (40,573,178) | (18,655,060) | | |
| | <u>664,662,808</u> | <u>615,224,375</u> | | |
| Total comprehensive income attributable to: | | | | |
| Equity holders of the Company | 689,506,266 | 615,115,517 | 814,740,053 | 530,057,115 |
| Non-controlling interests of the subsidiaries (loss) | (40,828,314) | (18,655,060) | | |
| | <u>648,677,952</u> | <u>596,460,457</u> | | |
| Basic earnings per share | 25 | | | |
| Profit attributable to equity holders of the Company | | | | |
| (Baht per share) | <u>0.064</u> | <u>0.058</u> | <u>0.075</u> | <u>0.049</u> |
| Weighted average number of ordinary shares (shares) | <u>11,000,000,000</u> | <u>11,000,000,000</u> | <u>11,000,000,000</u> | <u>11,000,000,000</u> |

The accompanying notes are an integral part of the financial statements.

Chularat Hospital Public Company Limited and its subsidiaries

Cash flow statement

For the year ended 31 December 2019

(Unit: Baht)

| | Consolidated financial statements | | Separate financial statements | |
|--|-----------------------------------|--------------------|-------------------------------|--------------------|
| | 2019 | 2018 | 2019 | 2018 |
| Cash flows from operating activities | | | | |
| Profit before tax | 848,667,710 | 765,020,874 | 898,640,192 | 607,016,879 |
| Adjustments to reconcile profit before tax to net cash provided by (paid from) operating activities: | | | | |
| Depreciation and amortisation | 329,797,928 | 276,087,455 | 127,649,373 | 135,317,039 |
| Reversal of allowance for doubtful accounts | (15,054,378) | (13,485,894) | (12,538,759) | (8,366,242) |
| Dividend income | - | - | (474,000,000) | (230,000,000) |
| Loss (gain) on sales and write-off of assets | (1,074,999) | 865,948 | (351,573) | 2,030,200 |
| Loss on write-off of intangible assets | 9,665 | - | - | - |
| Increase in provision for long-term employee benefits | 26,228,760 | 6,025,826 | 14,030,986 | 2,672,751 |
| Interest income | (3,163,671) | (3,490,686) | (23,457,219) | (14,611,455) |
| Interest expenses | 40,447,649 | 23,723,072 | 15,070,164 | 10,061,956 |
| Profit from operating activities before changes in operating assets and liabilities | 1,225,858,664 | 1,054,746,595 | 545,043,164 | 504,121,128 |
| Operating assets (increase) decrease | | | | |
| Trade and other receivables | (105,226,871) | (65,558,761) | (73,604,205) | (75,166,231) |
| Accrued medical treatment income | (4,199,487) | (77,336,289) | 13,521,615 | (17,818,750) |
| Inventories | (19,114,657) | (22,737,336) | (4,574,363) | (2,297,817) |
| Other current assets | (1,707,638) | (1,947,146) | (271,137) | (477,707) |
| Other non-current assets | 32,143,030 | (54,253,355) | 19,432,647 | (3,483,311) |
| Operating liabilities increase (decrease) | | | | |
| Trade and other payables | 71,132,703 | 54,450,131 | 15,840,880 | 20,696,832 |
| Other current liabilities | (14,258,300) | (9,091,444) | 1,813,166 | (6,685,487) |
| Cash paid for long-term employee benefits | (4,656,184) | (904,586) | (2,935,563) | - |
| Cash from operating activities | 1,179,971,260 | 877,367,809 | 514,266,204 | 418,888,657 |
| Cash paid for interest expenses | (40,588,171) | (31,348,830) | (15,070,164) | (10,061,956) |
| Cash paid for corporate income tax | (165,261,063) | (151,510,056) | (71,571,675) | (67,159,305) |
| Net cash from operating activities | 974,122,026 | 694,508,923 | 427,624,365 | 341,667,396 |

The accompanying notes are an integral part of the financial statements.

Chularat Hospital Public Company Limited and its subsidiaries

Cash flow statement (continued)

For the year ended 31 December 2019

(Unit: Baht)

| | Consolidated financial statements | | Separate financial statements | |
|--|-----------------------------------|----------------------|-------------------------------|----------------------|
| | 2019 | 2018 | 2019 | 2018 |
| Cash flows from investing activities | | | | |
| Increase in current investments | (29,847,122) | (22,152,878) | - | - |
| Increase in restricted bank deposits | (362) | (360) | - | - |
| Dividend received from subsidiaries | - | - | 474,000,000 | 230,000,000 |
| Increase in short-term loans to related parties | - | - | (305,800,000) | (154,874,476) |
| Net cash paid for investments in subsidiaries | - | - | (97,420,613) | (32,250,000) |
| Increase in advance payment for construction of buildings | (3,500,000) | (9,678,244) | (3,500,000) | (3,678,243) |
| Acquisition of property, plant and equipment | (706,953,892) | (634,968,982) | (264,603,347) | (145,660,632) |
| Acquisition of intangible assets | (22,186,929) | (5,234,470) | (10,450,347) | (2,531,682) |
| Proceed from sales of assets | 1,871,436 | 1,633,440 | 1,775,540 | 3,099,191 |
| Interest income | 3,152,562 | 3,369,879 | 1,410,905 | 1,472,528 |
| Net cash used in investing activities | (757,464,307) | (667,031,615) | (204,587,862) | (104,423,314) |
| Cash flows from financing activities | | | | |
| Increase in short-term loans from financial institutions | 290,000,000 | 150,000,000 | 290,000,000 | 150,000,000 |
| Cash paid for long-term loans | (98,760,000) | (69,630,000) | - | - |
| Cash receipt from long-term loans | 93,220,000 | 279,460,000 | - | - |
| Repayment of liabilities under finance lease agreements | (7,538,341) | (4,931,733) | (2,422,916) | (1,936,605) |
| Cash receipt from non-controlling interests of investments in subsidiaries | 53,329,387 | 26,250,000 | - | - |
| Dividend paid | (549,999,887) | (351,986,120) | (549,999,887) | (351,986,120) |
| Net cash from (used in) financing activities | (219,748,841) | 29,162,147 | (262,422,803) | (203,922,725) |
| Net increase (decrease) in cash and cash equivalents | (3,091,122) | 56,639,455 | (39,386,300) | 33,321,357 |
| Cash and cash equivalents at beginning of year | 470,639,295 | 413,999,840 | 173,076,666 | 139,755,309 |
| Cash and cash equivalents at end of year | 467,548,173 | 470,639,295 | 133,690,366 | 173,076,666 |
| | - | - | - | - |
| Supplement cash flows information | | | | |
| Non-cash transactions | | | | |
| Transfer advance payment for construction to buildings | 3,247,822 | 18,636,250 | 3,247,822 | 2,430,421 |
| Payables from purchase of fixed assets | 67,721,320 | 97,059,371 | 40,292,127 | 13,014,245 |
| Acquisition of assets under finance lease agreements | 33,749,015 | 9,691,848 | 1,611,016 | 4,972,849 |
| Interest capitalised as cost of assets | - | 7,688,151 | - | - |
| Transfer advance payment for share subscription to investment in subsidiaries | - | - | - | 30,000,000 |
| Reclassify short-term loans to related parties to long-term loan to related parties | - | - | 668,738,476 | - |

The accompanying notes are an integral part of the financial statements.

Chularat Hospital Public Company Limited and its subsidiaries
Statement of changes in shareholders' equity
For the year ended 31 December 2019

(Unit: Baht)

| Consolidated financial statements | | | | | | | | | | | |
|--|---|-------------------|----------------|--------------|---------------|----------------|--------------|--|--|----------------------------|--|
| | Equity attributable to owners of the Company | | | | | | | | | | |
| | Other components of equity | | | | | | | | | | |
| | Other comprehensive income | | | | | | | | | | |
| | Surplus (deficit) on changes in value of available-for-sale investments | | | | | | | | | | |
| | Total equity attributable to owners of the Company | | | | | | | | | | |
| | Equity attributable to non-controlling interests of the subsidiaries | | | | | | | | | | |
| | Total shareholders' equity | | | | | | | | | | |
| Issued and paid-up share capital | Share premium | Retained earnings | Unappropriated | Appropriated | Share premium | Unappropriated | Appropriated | Total equity attributable to owners of the Company | Equity attributable to non-controlling interests of the subsidiaries | Total shareholders' equity | |
| 1,100,000,000 | 1,146,084,819 | 110,000,000 | 943,796,365 | 110,000,000 | 1,146,084,819 | 943,796,365 | 110,000,000 | 3,299,836,384 | 172,869,670 | 3,472,706,054 | |
| - | - | - | 633,879,435 | - | - | 633,879,435 | - | 633,879,435 | (18,655,060) | 615,224,375 | |
| - | - | - | (18,738,318) | - | - | (18,738,318) | (25,600) | (18,763,918) | - | (18,763,918) | |
| - | - | - | 615,141,117 | - | - | 615,141,117 | (25,600) | 615,115,517 | (18,655,060) | 596,460,457 | |
| Increase in equity attributable to non-controlling interests of the subsidiaries from investment in subsidiaries | | | | | | | | | | | |
| - | - | - | - | - | - | - | - | - | 26,250,000 | 26,250,000 | |
| - | - | - | (351,986,120) | - | - | (351,986,120) | - | (351,986,120) | - | (351,986,120) | |
| 1,100,000,000 | 1,146,084,819 | 110,000,000 | 1,206,951,362 | 110,000,000 | 1,146,084,819 | 1,206,951,362 | (70,400) | 3,562,965,781 | 180,464,610 | 3,743,430,391 | |
| Balance as at 1 January 2019 | | | | | | | | | | | |
| 1,100,000,000 | 1,146,084,819 | 110,000,000 | 1,206,951,362 | 110,000,000 | 1,146,084,819 | 1,206,951,362 | (70,400) | 3,562,965,781 | 180,464,610 | 3,743,430,391 | |
| - | - | - | 705,235,986 | - | - | 705,235,986 | - | 705,235,986 | (40,573,178) | 664,662,808 | |
| - | - | - | (15,848,120) | - | - | (15,848,120) | 118,400 | (15,729,720) | (255,136) | (15,984,856) | |
| - | - | - | 689,387,866 | - | - | 689,387,866 | 118,400 | 689,506,266 | (40,828,314) | 648,677,952 | |
| Increase in equity attributable to non-controlling interests of the subsidiaries from investment in subsidiaries | | | | | | | | | | | |
| - | - | - | - | - | - | - | - | - | 53,329,387 | 53,329,387 | |
| - | - | - | (549,999,887) | - | - | (549,999,887) | - | (549,999,887) | - | (549,999,887) | |
| 1,100,000,000 | 1,146,084,819 | 110,000,000 | 1,346,339,341 | 110,000,000 | 1,146,084,819 | 1,346,339,341 | 48,000 | 3,702,472,160 | 192,965,683 | 3,895,437,843 | |
| Balance as at 31 December 2019 | | | | | | | | | | | |

The accompanying notes are an integral part of the financial statements.

Chularat Hospital Public Company Limited and its subsidiaries
Statement of changes in shareholders' equity (continued)
For the year ended 31 December 2019

(Unit: Baht)

| | Separate financial statements | | | | |
|---|----------------------------------|---------------|-------------------|----------------|----------------------|
| | Issued and paid-up share capital | Share premium | Retained earnings | Total | |
| | | | Appropriated | Unappropriated | shareholders' equity |
| Balance as at 1 January 2018 | 1,100,000,000 | 1,146,084,819 | 110,000,000 | 601,180,055 | 2,957,264,874 |
| Profit for the year | - | - | - | 540,429,436 | 540,429,436 |
| Other comprehensive income for the year | - | - | - | (10,372,321) | (10,372,321) |
| Total comprehensive income for the year | - | - | - | 530,057,115 | 530,057,115 |
| Dividend paid (Note 28) | - | - | - | (351,986,120) | (351,986,120) |
| Balance as at 31 December 2018 | 1,100,000,000 | 1,146,084,819 | 110,000,000 | 779,251,050 | 3,135,335,869 |
| Balance as at 1 January 2019 | 1,100,000,000 | 1,146,084,819 | 110,000,000 | 779,251,050 | 3,135,335,869 |
| Profit for the year | - | - | - | 822,227,068 | 822,227,068 |
| Other comprehensive income for the year | - | - | - | (7,487,015) | (7,487,015) |
| Total comprehensive income for the year | - | - | - | 814,740,053 | 814,740,053 |
| Dividend paid (Note 28) | - | - | - | (549,999,887) | (549,999,887) |
| Balance as at 31 December 2019 | 1,100,000,000 | 1,146,084,819 | 110,000,000 | 1,043,991,216 | 3,400,076,035 |

The accompanying notes are an integral part of the financial statements.

Chularat Hospital Public Company Limited and its subsidiaries

Notes to consolidated financial statements

For the year ended 31 December 2019

1. General information

Chularat Hospital Public Company Limited ("the Company") is a public company incorporated and domiciled in Thailand. The Company is principally engaged in the operating of clinics and hospitals. The registered office of the Company is at 88/8-9, Teparak Km. 15 Road, Tambol Bangpla, Amphur Bangplee, Samutprakarn. As at 31 December 2019, the Group totally has 13 branches of clinics and hospitals (2018: 14 branches).

2. Basis of preparation

- 2.1 The financial statements have been prepared in accordance with Thai Financial Reporting Standards enunciated under the Accounting Profession Act B.E. 2547 and their presentation has been made in compliance with the stipulations of the Notification of the Department of Business Development dated 11 October 2016, issued under the Accounting Act B.E. 2543.

The financial statements in Thai language are the official statutory financial statements of the Company. The financial statements in English language have been translated from the Thai language financial statements.

The financial statements have been prepared on a historical cost basis except where otherwise disclosed in the accounting policies.

2.2 Basis of consolidation

- a) The consolidated financial statements include the financial statements of Chularat Hospital Public Company Limited and the following subsidiary companies ("the Group"):

| Company's name | Nature of business | Country of incorporation | Percentage of shareholding | |
|--|--|--------------------------|----------------------------|---------|
| | | | 2019 | 2018 |
| | | | Percent | Percent |
| <u>Subsidiaries directly held by the Company</u> | | | | |
| Convenience Hospital Company Limited | Operating of clinics and hospitals | Thailand | 100 | 100 |
| Bangpakong Vejchakij Company Limited | Operating of clinics and hospitals | Thailand | 100 | 100 |
| Thai Amdon Company Limited | Distribution of medical instruments and dietary supplement | Thailand | 100 | 100 |

| Company's name | Nature of business | Country of incorporation | Percentage of Shareholding | |
|--|------------------------------------|--------------------------|----------------------------|------------------------|
| | | | <u>2019</u> Percent | <u>2018</u> Percent |
| Chularat Arkanay Hospital Company Limited | Operating of clinics and hospitals | Thailand | 70 | 70 |
| Ruampat Chachoengsao Hospital Company Limited | Operating of clinics and hospitals | Thailand | 64.58 | 64.58 |
| Chularat Phraek Sa Hospital Company Limited | Operating of clinics and hospitals | Thailand | 100 | 100 |
| Cancer Suvarnabhumi Company Limited | Operating of clinics and hospitals | Thailand | 100 | 100 |
| Ruampat Mae Sot International Company Limited | Operating of clinics and hospitals | Thailand | 80 | - |
| <u>Subsidiaries held by Bangpakong Vejjachakij Company Limited</u> | | | | |
| Cholvaej Hospital Company Limited | Operating of clinics and hospitals | Thailand | 96.38 | 96.38 |
| Sattayabutr International Company Limited | Operating of clinics and hospitals | Thailand | 100 | 100 |

- b) The Company is deemed to have control over an investee or subsidiaries if it has rights, or is exposed, to variable returns from its involvement with the investee, and it has the ability to direct the activities that affect the amount of its returns.
- c) Subsidiaries are fully consolidated, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases.
- d) The financial statements of the subsidiaries are prepared using the same significant accounting policies as the Company.
- e) Material balances and transactions between the Group have been eliminated from the consolidated financial statements.
- f) Non-controlling interests represent the portion of profit or loss and net assets of the subsidiaries that are not held by the Company and are presented separately in the consolidated profit or loss and within equity in the consolidated statement of financial position.
- 2.3 The separate financial statements present investments in subsidiaries under the cost method.

3. New financial reporting standards

(a) Financial reporting standards that became effective in the current year

During the year, the Group has adopted the revised (revised 2018) and new financial reporting standards and interpretations which are effective for fiscal years beginning on or after 1 January 2019. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards clarifying accounting treatment and providing accounting guidance for users of the standards. The adoption of these financial reporting standards does not have any significant impact on the financial statements of the Group. However, the new standard involves changes to key principles, which are summarised below:

TFRS 15 Revenue from Contracts with Customers

TFRS 15 supersedes the following accounting standards together with related interpretations.

| | |
|-------------------------|--|
| TAS 11 (revised 2017) | Construction Contracts |
| TAS 18 (revised 2017) | Revenue |
| TSIC 31 (revised 2017) | Revenue - Barter Transactions Involving Advertising Services |
| TFRIC 13 (revised 2017) | Customer Loyalty Programmes |
| TFRIC 15 (revised 2017) | Agreements for the Construction of Real Estate |
| TFRIC 18 (revised 2017) | Transfers of Assets from Customers |

Entities are to apply this standard to all contracts with customers unless those contracts fall within the scope of other standards. The standard establishes a five-step model to account for revenue arising from contracts with customers, with revenue being recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model.

This standard does not have any significant impact on the Group's financial statements.

(b) Financial reporting standards that will become effective for fiscal years beginning on or after 1 January 2020

The Federation of Accounting Professions issued a number of new and revised financial reporting standards and interpretations, which are effective for fiscal years beginning on or after 1 January 2020. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards clarifying accounting treatment and providing accounting guidance for users of the standards except the following new standards which involve changes to key principles, which are summarised below.

Financial reporting standards related to financial instruments

A set of TFRSs related to financial instruments consists of five accounting standards and interpretations, as follows:

Financial reporting standards:

| | |
|--------|------------------------------------|
| TFRS 7 | Financial Instruments: Disclosures |
| TFRS 9 | Financial Instruments |

Accounting standard:

| | |
|--------|-------------------------------------|
| TAS 32 | Financial Instruments: Presentation |
|--------|-------------------------------------|

Financial Reporting Standard Interpretations:

| | |
|----------|---|
| TFRIC 16 | Hedges of a Net Investment in a Foreign Operation |
| TFRIC 19 | Extinguishing Financial Liabilities with Equity Instruments |

These TFRSs related to financial instruments make stipulations relating to the classification of financial instruments and their measurement at fair value or amortised cost (taking into account the type of instrument, the characteristics of the contractual cash flows and the Group's business model), calculation of impairment using the expected credit loss method, and hedge accounting. These include stipulations regarding the presentation and disclosure of financial instruments. When the TFRSs related to financial instruments are effective, some accounting standards, interpretations and guidance which are currently effective will be cancelled.

The management of the Group expects the adoption of these accounting standards to result in the following adjustment.

- Recognition of credit losses that the Group is to recognise an allowance for expected credit losses on its financial assets, and it is no longer necessary for a credit-impaired event to have occurred. The Group applies the simplified approach to consider impairment of trade receivables and the general approach to consider impairment of loan to.

The management of the Group is currently evaluating the impact of these standards on the financial statements in the year when they are adopted.

TFRS 16 Leases

TFRS 16 supersedes TAS 17 Leases together with related Interpretations. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases, and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is low value.

Accounting by lessors under TFRS 16 is substantially unchanged from TAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles to those used under TAS 17.

The Group plans to adopt TFRS 16 using the modified retrospective method of adoption of which the cumulative effect is recognised as an adjustment to the retained earnings as at 1 January 2020, and the comparative information was not restated.

The management of the Group expects the effect of the adoption of this accounting standard to the statement of financial position as at 1 January 2020 to be to increase the Group's assets by approximately Baht 25 million (the Company only: approximately Baht 2 million) and the Group's liabilities by approximately Baht 25 million (the Company only: approximately Baht 2 million).

4. Significant accounting policies

4.1 Revenue recognition

Revenue from hospital operations

Revenues from hospital operations, mainly consisting of medical fees, hospital room sales, and medicine sales, are recognised as income when services have been rendered or medicine delivered and are measured at the amount of the consideration received or receivable after deducting discounts. Except for operating revenues from the Social Security Office and Nation Health Security Office which are recognised as income according to annual lump sum amount and adjust relative weights per the number of registrants of the Group.

Rental income

Rental income is recognised over the rental period and at the rate determined in the agreement.

Interest income

Interest income is recognised on an accrual basis based on the effective interest rate.

Dividends

Dividends are recognised when the right to receive the dividends is established.

4.2 Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and at banks, and all highly liquid investments with an original maturity of 3 months or less and not subject to withdrawal restrictions.

4.3 Trade accounts receivable

Trade accounts receivable are stated at the net realisable value. Allowance for doubtful accounts is provided for the estimated losses that may be incurred in collection of receivables. The allowance is generally based on collection experience and analysis of debt aging.

4.4 Inventories

Medicine and supplies are valued at the lower of cost (under the average method) and net realisable value.

Medical instruments are valued at the lower of cost (under the average method) and net realisable value.

4.5 Investments

- a) Investments in available-for-sale securities are stated at fair value. Changes in the fair value of these securities are recorded in other comprehensive income, and will be recorded in profit or loss when the securities are sold.
- b) Investments in non-marketable equity securities, which the Company classifies as other investments, are stated at cost net of allowance for impairment loss (if any).
- c) Investments in subsidiaries are accounted for in the separate financial statements using the cost method.

On disposal of an investment, the difference between net disposal proceeds and the carrying amount of the investment is recognised in profit or loss.

4.6 Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less allowance for loss on impairment (if any).

On disposal of investment properties, the difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the year when the asset is derecognised.

4.7 Property, plant and equipment/Depreciation

Land is stated at cost. Building and equipment are stated at cost less accumulated depreciation and allowance for loss on impairment of assets (if any).

Depreciation of building and equipment is calculated by reference to their costs on the straight-line basis over the following estimated useful lives:

| | | | |
|--|---|--------|-------|
| Land improvement | - | 5 - 20 | years |
| Buildings and improvement | - | 5 - 40 | years |
| Tools and medical instruments | - | 5 - 10 | years |
| Machinery and equipment | - | 5 - 10 | years |
| Office furniture, fixtures and equipment | - | 3 - 10 | years |
| Motor vehicles | - | 5 - 10 | years |

Depreciation is included in determining income.

No depreciation is provided on land and construction in progress.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on disposal of an asset is included in profit or loss when the asset is derecognised.

4.8 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

4.9 Intangible assets

Intangible assets represent computer software which is stated at cost less accumulated amortisation and accumulated impairment losses (if any). Amortisation is calculated by reference to their costs on the straight-line basis over the estimated useful life of 3 - 10 years.

The amortisation expense is charged to profit or loss.

4.10 Goodwill

Goodwill is initially recorded at cost, which equals to the excess of cost of business combination over the fair value of the net assets acquired. If the fair value of the net assets acquired exceeds the cost of business combination, the excess is immediately recognised as gain in profit or loss.

Goodwill is carried at cost less any accumulated impairment losses. Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the Company's cash generating units (or group of cash-generating units) that are expected to benefit from the synergies of the combination. The Company estimates the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in profit or loss. Impairment losses relating to goodwill cannot be reversed in future periods.

4.11 Related party transactions

Related parties comprise individuals or enterprises that control, or are controlled by, the Company, whether directly or indirectly, or which are under common control with the Company.

They also include associated companies, and individuals or enterprises which directly or indirectly own a voting interest in the Company that gives them significant influence over the Company, key management personnel, directors and officers with authority in the planning and direction of the Company's operation.

4.12 Long-term leases

Leases of equipment which transfer substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The outstanding rental obligations, net of finance charges, are included in long-term payables, while the interest element is charged to profit or loss over the lease period. The assets acquired under finance leases are depreciated over the useful life of the asset.

Leases of property, plant or equipment which do not transfer substantially all the risks and rewards of ownership are classified as operating leases. Operating lease payments are recognised as an expense in profit or loss on a straight line basis over the lease term.

4.13 Impairment of assets

At the end of each reporting period, the Group performs impairment reviews in respect of the property, plant and equipment and other intangible assets whenever events or changes in circumstances indicate that an asset may be impaired. The Group also carries out annual impairment reviews in respect of goodwill. An impairment loss is recognised when the recoverable amount of an asset, which is the higher of the asset's fair value less costs to sell and its value in use, is less than the carrying amount.

An impairment loss is recognised in profit or loss.

4.14 Employee benefits

Short-term employee benefits

Salaries, wages, bonuses and contributions to the social security fund are recognised as expenses when incurred.

Post-employment benefits

Defined contribution plans

The Group and its employees have jointly established a provident fund of each entity. The funds are monthly contributed by employees and by the Group. The funds' assets are held in a separate trust fund, and contributions of the Group are recognised as expenses when incurred.

Defined benefit plans

The Group has obligations in respect of the severance payments they must make to employees upon retirement under labor law. The Group treats these severance payment obligations as a defined benefit plan.

The obligation under the defined benefit plan is determined by a professionally qualified independent actuary based on actuarial techniques, using the projected unit credit method.

Actuarial gains and losses arising from post-employment benefits are recognised immediately in other comprehensive income.

Past service costs are recognised in profit or loss on the earlier of the date of the plan amendment or curtailment and the date that the Group recognises restructuring-related costs.

4.15 Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

4.16 Income tax

Income tax expense represents the sum of corporate income tax currently payable and deferred tax.

Current tax

Current income tax is provided in the accounts at the amount expected to be paid to the taxation authorities, based on taxable profits determined in accordance with tax legislation.

Deferred tax

Deferred income tax is provided on temporary differences between the tax bases of assets and liabilities and their carrying amounts at the end of each reporting period, using the tax rates enacted at the end of the reporting period.

The Group recognises deferred tax liabilities for all taxable temporary differences while they recognise deferred tax assets for all deductible temporary differences and tax losses carried forward to the extent that it is probable that future taxable profit will be available against which such deductible temporary differences and tax losses carried forward can be utilised.

At each reporting date, the Group reviews and reduce the carrying amount of deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

The Group records deferred tax directly to shareholders' equity if the tax relates to items that are recorded directly to shareholders' equity.

4.17 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between buyer and seller (market participants) at the measurement date. The Group applies a quoted market price in an active market to measure their assets and liabilities that are required to be measured at fair value by relevant financial reporting standards. Except in case of no active market of an identical asset or liability or when a quoted market price is not available, the Group measures fair value using valuation technique that are appropriate in the circumstances and maximises the use of relevant observable inputs related to assets and liabilities that are required to be measured at fair value.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy into three levels based on categorise of input to be used in fair value measurement as follows:

Level 1 - Use of quoted market prices in an observable active market for such assets or liabilities

Level 2 - Use of other observable inputs for such assets or liabilities, whether directly or indirectly

Level 3 - Use of unobservable inputs such as estimates of future cash flows

At the end of each reporting period, the Group determines whether transfers have occurred between levels within the fair value hierarchy for assets and liabilities held at the end of the reporting period that are measured at fair value on a recurring basis.

5. Significant accounting judgements and estimates

The preparation of financial statements in conformity with financial reporting standards at times requires management to make subjective judgements and estimates regarding matters that are inherently uncertain. These judgements and estimates affect reported amounts and disclosures; and actual results could differ from these estimates. Significant judgements and estimates are as follows:

Allowance for doubtful accounts

In determining an allowance for doubtful accounts, the management needs to make judgement and estimates based upon, among other things, past collection history, aging profile of outstanding debts and the prevailing economic condition.

Accrued medical treatment income

Accrued medical treatment income represents medical income that has not been collected from the Social Security Office and National Health Security Office. The Group is not able to determine the certain amount to be collected. In this regard, the management is required to make an estimation of such accrued income in accordance with bases, methods and terms specified by such authority, and consider the amount of the latest actual collection together with the current circumstances.

Leases

In determining whether a lease is to be classified as an operating lease or finance lease, the management is required to use judgement regarding whether significant risk and rewards of ownership of the leased asset has been transferred, taking into consideration terms and conditions of the arrangement.

Property plant and equipment/Depreciation

In determining depreciation of plant and equipment, the management is required to make estimates of the useful lives and residual values of the plant and equipment and to review estimate useful lives and residual values when there are any changes.

In addition, the management is required to review property, plant and equipment for impairment on a periodical basis and record impairment losses when it is determined that their recoverable amount is lower than the carrying amount. This requires judgements regarding forecast of future revenues and expenses relating to the assets subject to the review.

Goodwill and intangible assets

The initial recognition and measurement of goodwill and intangible assets, and subsequent impairment testing, require management to make estimates of cash flows to be generated by the asset or the cash generating units and to choose a suitable discount rate in order to calculate the present value of those cash flows.

Deferred tax assets

Deferred tax assets are recognised for deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the temporary differences and losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of estimate future taxable profits.

Post-employment benefits under defined benefit plans

The obligation under the defined benefit plan is determined based on actuarial techniques. Such determination is made based on various assumptions, including discount rate, future salary increase rate, mortality rate and staff turnover rate.

6. Related party transactions

During the years, the Group had significant business transactions with related parties. Such transactions, which are summarised below, arose in the ordinary course of business and were concluded on commercial terms and bases agreed upon between the Company and those related parties.

| | Consolidated | | Separate | | (Unit: Million Baht) |
|--|----------------------|------|----------------------|------|-------------------------|
| | financial statements | | financial statements | | Transfer pricing policy |
| | 2019 | 2018 | 2019 | 2018 | |
| Transactions with subsidiaries | | | | | |
| <i>(Eliminated from the consolidated financial statements)</i> | | | | | |
| Sales of medicine and supplies | - | - | 3.0 | 2.9 | At cost |
| Purchases of medicine and supplies | - | - | - | 0.4 | At cost |
| Medical service expenses | - | - | 1.7 | 1.4 | Market price |
| Rental income | - | - | 1.3 | 1.7 | Contract price |
| Rental expenses | - | - | 0.2 | 0.2 | Contract price |
| Interest income | - | - | 22.0 | 13.1 | Rate of 5% per annum |
| Sales of instruments | - | - | 1.3 | 2.1 | Market price |
| Purchases of instruments | - | - | 9.0 | 0.1 | Market price |

As at 31 December 2019 and 2018, the balances of accounts between the Company and related parties are as follows:

| | Consolidated | | Separate | | (Unit: Thousand Baht) |
|---|----------------------|------|----------------------|--------|-----------------------|
| | financial statements | | financial statements | | |
| | 2019 | 2018 | 2019 | 2018 | |
| Trade and other receivables - related parties (Note 9) | | | | | |
| Subsidiaries | - | - | 95,829 | 68,312 | |
| | - | - | 95,829 | 68,312 | |
| Interest receivable from related parties (Note 9) | | | | | |
| Subsidiaries | - | - | 46,342 | 24,296 | |
| | - | - | 46,342 | 24,296 | |

| | Consolidated | | (Unit: Thousand Baht) | |
|--|----------------------|-------|-----------------------|---------|
| | financial statements | | Separate | |
| | 2019 | 2018 | 2019 | 2018 |
| <u>Short-term loans to related parties</u> | | | | |
| Subsidiaries | - | - | - | 362,938 |
| | - | - | - | 362,938 |
| <u>Long-term loans to related parties</u> | | | | |
| Subsidiaries | - | - | 668,738 | - |
| | - | - | 668,738 | - |
| <u>Trade and other payables - related parties (Note 19)</u> | | | | |
| Subsidiaries | - | - | 193 | 104 |
| Related company | 275 | 4,339 | 250 | 3,653 |
| | 275 | 4,339 | 443 | 3,757 |

Short-term loans to related parties/long-term loans to related parties

As at 31 December 2019 and 2018, the balance of loans between the Company and its subsidiaries and the movement are as follows:

| Loans to | (Unit: Thousand Baht) | | | |
|--|---------------------------------|-----------------------------|-----------------------------|-----------------------------------|
| | Separate financial statements | | | |
| | Balance as at 1 January 2019 | Increase during the year | Decrease during the year | Balance as at 31 December 2019 |
| Cholvaej Hospital Company Limited | 87,064 | 10,000 | - | 97,064 |
| Chularat Phraek Sa Hospital Company Limited | 153,555 | - | - | 153,555 |
| Chularat Arkanay Hospital Company Limited | 88,719 | 126,600 | - | 215,319 |
| Cancer Suvamabhum Company Limited | 33,600 | - | - | 33,600 |
| Ruampat Mae Sot International Company Limited | - | 169,200 | - | 169,200 |
| Total | 362,938 | 305,800 | - | 668,738 |

The above loans to the subsidiaries represent the loans in accordance to loan agreements which are repayable within 1 year and unsecured. The loans carry interest at rate of 5% per annum (2018: 5% per annum)

As at 31 December 2019, the Company's management does not plan to call the loans in the near future, it is therefore classified as the long-term loans.

Directors and management's benefits

During the years ended 31 December 2019 and 2018, the Group had employee benefit expenses payable to their directors and management as below.

| | (Unit: Million Baht) | | | |
|------------------------------|----------------------|-------------|----------------------|-------------|
| | Consolidated | | Separate | |
| | financial statements | | financial statements | |
| | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> |
| Short-term employee benefits | 42.9 | 48.0 | 18.7 | 24.5 |
| Long-term employee benefits | 0.1 | - | 0.1 | - |
| Total | <u>43.0</u> | <u>48.0</u> | <u>18.8</u> | <u>24.5</u> |

Guarantee obligations with related parties

The Company has outstanding guarantee obligations with its subsidiaries, as described in Note 29.3 a) to the financial statements, with free of charge.

7. Cash and cash equivalents

| | (Unit: Thousand Baht) | | | |
|--|-----------------------|----------------|----------------------|----------------|
| | Consolidated | | Separate | |
| | financial statements | | financial statements | |
| | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> |
| Cash | 7,082 | 9,377 | 1,880 | 3,997 |
| Savings and current deposits at banks | 330,466 | 401,262 | 131,810 | 169,080 |
| Fixed deposit receipts with an original maturity at call | 10,000 | 10,000 | - | - |
| Fixed deposit receipts with an original maturity of 3 months or less | 120,000 | 50,000 | - | - |
| Total | <u>467,548</u> | <u>470,639</u> | <u>133,690</u> | <u>173,077</u> |

As at 31 December 2019, bank deposits in saving accounts and fixed deposit receipts carried interests between 0.13 and 1.30 percent per annum (2018: between 0.13 and 1.30 percent per annum).

8. Current investments

| | (Unit: Thousand Baht) | | | |
|------------------|-----------------------|-------------|---------------|---------------|
| | Interest rate | | Consolidated | |
| | (percent per annum) | | | |
| | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> |
| Notes receivable | 1.4 | 1.4 | 52,000 | 22,153 |
| Other | - | - | 1,716 | 1,568 |
| Total | | | <u>53,716</u> | <u>23,721</u> |

9. Trade and other receivables

| | (Unit: Thousand Baht) | | | |
|--|-----------------------|-------------|----------------------|-------------|
| | Consolidated | | Separate | |
| | financial statements | | financial statements | |
| | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> |
| <u>Trade accounts receivable - related parties</u> | | | | |
| Age of outstanding debts by due date | | | | |
| Past due up to 3 months | - | - | 60,199 | 42,487 |
| Total trade accounts receivable - related parties | - | - | 60,199 | 42,487 |
| <u>Trade receivables - unrelated parties</u> | | | | |
| Age of outstanding debts by due date | | | | |
| Past due | | | | |
| Up to 3 months | 322,050 | 249,570 | 132,198 | 110,546 |
| 3 - 6 months | 58,109 | 41,449 | 31,727 | 18,049 |
| 6 - 12 months | 27,250 | 16,373 | 16,301 | 9,141 |
| Over 12 months | 22,765 | 19,803 | 12,431 | 10,389 |
| Total | 430,174 | 327,195 | 192,657 | 148,125 |
| Less: Allowance for doubtful accounts | (6,395) | (6,543) | (3,089) | (3,089) |
| Total trade accounts receivable - unrelated parties, net | 423,779 | 320,652 | 189,568 | 145,036 |
| Total trade accounts receivable - net | 423,779 | 320,652 | 249,767 | 187,523 |
| <u>Other receivables</u> | | | | |
| Other receivable - related parties | - | - | 35,630 | 25,825 |
| Other receivable - unrelated parties | 19,851 | 17,592 | 13,170 | 11,614 |
| Interest receivable - related parties | - | - | 46,342 | 24,296 |
| Total other receivables | 19,851 | 17,592 | 95,142 | 61,735 |
| Total trade and other receivables - net | 443,630 | 338,244 | 344,909 | 249,258 |

10. Accrued medical treatment income

| | (Unit: Thousand Baht) | | | |
|--|-----------------------|-------------|----------------------|-------------|
| | Consolidated | | Separate | |
| | financial statements | | financial statements | |
| | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> |
| <u>Social Security Office</u> | | | | |
| Accrued medical treatment income of chronic diseases | 186,734 | 152,799 | 65,220 | 59,295 |
| Accrued medical treatment income provided to patients with severe diseases | 103,317 | 179,224 | 69,861 | 112,234 |
| Accrued social security income - others | 148,214 | 154,144 | 77,270 | 97,681 |
| Total | 438,265 | 486,167 | 212,351 | 269,210 |
| <u>National Health Security Office</u> | | | | |
| Accrued medical treatment income | 178,196 | 126,095 | 163,906 | 120,569 |
| Total accrued medical treatment income | 616,461 | 612,262 | 376,257 | 389,779 |
| Less: Allowance for doubtful accounts | (2,515) | (17,422) | - | (12,539) |
| Total accrued medical treatment income - net | 613,946 | 594,840 | 376,257 | 377,240 |

The Group is not able to determine the certain amount of medical treatment income provided to patients with severe diseases and medical income for treatment of chronic diseases, that has not been collected from the Social Security Office and National Health Security Office. In this regard, the management of the Group makes an estimation of accrued income based on the amount of the latest actual collection together with the current circumstances. The management believes that the actual results will not significantly differ from the estimate.

11. Inventories

| | (Unit: Thousand Baht) | | | |
|---------------------|-----------------------|-------------|----------------------|-------------|
| | Consolidated | | Separate | |
| | financial statements | | financial statements | |
| | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> |
| Medicine | 94,557 | 87,684 | 35,830 | 37,223 |
| Medical supplies | 27,314 | 20,823 | 15,413 | 9,931 |
| Medical instruments | 515 | 1,254 | - | - |
| Other supplies | 38,341 | 31,851 | 13,647 | 13,162 |
| Total | 160,727 | 141,612 | 64,890 | 60,316 |

12. Investments in subsidiaries

12.1 Details of investments in subsidiaries as presented in separate financial statements are as follows:

| Company's name | Paid-up capital | | Shareholding percentage | | Cost | | (Unit: Thousand Baht) | |
|--|-----------------|---------|-------------------------|-------|-----------|-----------|-----------------------------------|---------|
| | | | | | | | Dividend received during the year | |
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| | | | (%) | (%) | | | | |
| Convenience Hospital Company Limited | 500,000 | 500,000 | 100 | 100 | 500,000 | 500,000 | 275,000 | 80,000 |
| Bangpakong Vejchakij Company Limited | 800,000 | 800,000 | 100 | 100 | 810,751 | 810,751 | 199,000 | 150,000 |
| Thai Amdon Company Limited | 30,000 | 30,000 | 100 | 100 | 30,680 | 30,680 | - | - |
| Chularat Arkanay Hospital Company Limited | 300,000 | 300,000 | 70 | 70 | 210,000 | 210,000 | - | - |
| Ruampat Chachoengsao Hospital Company Limited | 450,250 | 300,500 | 64.58 | 64.58 | 290,859 | 194,238 | - | - |
| Chularat Phraek Sa Hospital Company Limited | 1,000 | 1,000 | 100 | 100 | 1,000 | 1,000 | - | - |
| Cancer Suvarnabhumi Company Limited | 1,000 | 1,000 | 100 | 100 | 1,000 | 1,000 | - | - |
| Ruampat Mae Sot International Company Limited (Established on 27 November 2019) | 1,000 | - | 80 | - | 800 | - | - | - |
| Total | | | | | 1,845,090 | 1,747,669 | 474,000 | 230,000 |

Ruampat Chachoengsao Hospital Company Limited

In April 2019, the Annual General Meeting of the subsidiary's shareholders approved the call up of an additional 25% of the value of its 59.9 million registered ordinary shares with a par value of Baht 10 each, or amounting to Baht 150 million. This is to be paid within October 2019. The Company has made the payment for the shares of Baht 96.6 million to this subsidiary.

Ruampat Mae Sot International Company Limited

In December 2019, the Company invested in Ruampat Mae Sot International Company Limited, a newly established company. This company has registered share capital of Baht 1 million. The Company had 80% holding in such company and paid for the investment amounting to Baht 0.8 million. This company registered its incorporation with the Ministry of Commerce on 27 November 2019.

12.2 Details of investments in subsidiaries that have material non-controlling interests

(Unit: Million Baht)

| Company's name | Proportion of equity interest held by non-controlling interests | | Accumulated balance of non-controlling interests | | Loss allocated to non-controlling interests during the year | |
|--|---|--------------------|--|-------------|---|-------------|
| | <u>2019</u> (%) | <u>2018</u> (%) | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> |
| <u>Subsidiaries directly held by the Company</u> | | | | | | |
| Chularat Arkanay Hospital Company Limited | 30 | 30 | 54.9 | 74.9 | (19.8) | (14.0) |
| Ruampat Chachoengsao Hospital Company Limited | 35.42 | 35.42 | 134.2 | 101.3 | (20.2) | (4.6) |
| Ruampat Mae Sot International Company Limited (Established on 27 November 2019) | 20 | - | 0.1 | - | (0.1) | - |
| <u>Subsidiary held by Bangpakong Veichakij Company Limited</u> | | | | | | |
| Cholvaej Hospital Company Limited | 3.62 | 3.62 | 3.8 | 4.3 | (0.5) | (0.1) |

12.3 Summarised financial information that based on amounts before inter-company elimination about subsidiaries that have material non-controlling

Summarised information about financial position

(Unit: Million Baht)

| | Chularat Arkanay Hospital | | Ruampat Chachoengsao | | Ruampat Mae Sot International | | Cholvaej Hospital | |
|-------------------------|---------------------------|-------|--------------------------|-------|-----------------------------------|-------|-------------------|------|
| | Company Limited | | Hospital Company Limited | | Company Limited | | Company Limited | |
| | 2019 | 2018 | 2019 | 2018 | (Established on 27 November 2019) | 2019 | 2019 | 2018 |
| Current assets | 65.3 | 39.6 | 136.7 | 17.6 | 0.2 | 23.8 | 27.4 | |
| Non-current assets | 656.6 | 647.1 | 588.8 | 545.4 | 170.0 | 289.9 | 314.1 | |
| Current liabilities | 139.2 | 222.6 | 62.8 | 69.2 | 0.3 | 54.2 | 136.8 | |
| Non-current liabilities | 400.3 | 214.6 | 283.6 | 207.3 | 169.2 | 155.3 | 86.1 | |

Summarised information about comprehensive income

(Unit: Million Baht)

| | Chularat Arkanay Hospital | | Ruampat Chachoengsao | | Ruampat Mae Sot International | | Cholvaej Hospital | |
|----------------------------|---------------------------|--------|--------------------------|--------|-------------------------------|--|--------------------|-------|
| | Company Limited | | Hospital Company Limited | | Company Limited | | Company Limited | |
| | For the year ended | | For the year ended | | For the period as from | | For the year ended | |
| | 31 December | | 31 December | | 27 November 2019 to | | 31 December | |
| | 2019 | 2018 | 2019 | 2018 | 31 December 2019 | | 2019 | 2018 |
| Revenue | 269.4 | 79.5 | 107.8 | 3.6 | - | | 125.7 | 116.9 |
| Loss for the year/period | (66.2) | (46.5) | (57.0) | (13.0) | (0.3) | | (12.5) | (2.1) |
| Other comprehensive income | (0.8) | - | - | - | - | | (1.9) | - |
| | | | | | | | | 21 |

Total comprehensive income (67.0) (46.5) (57.0) (13.0) (0.3) (14.4) (2.1)

Summarised information about cash flow

(Unit: Million Baht)

| | Chularat Arkanay Hospital | | Ruampat Chachoengsao | | Ruampat Mae Sot International | | Cholvaej Hospital | |
|--|---------------------------|---------|--------------------------|---------|-------------------------------|--|--------------------|-------|
| | Company Limited | | Hospital Company Limited | | Company Limited | | Company Limited | |
| | For the year ended | | For the year ended | | For the period as from | | For the year ended | |
| | 31 December | | 31 December | | 27 November 2019 to | | 31 December | |
| | 2019 | 2018 | 2019 | 2018 | 31 December 2019 | | 2019 | 2018 |
| Cash flow from (used in) operating activities | (46.9) | 7.4 | (37.4) | (12.7) | 0.3 | | 13.3 | 14.7 |
| Cash flow from (used in) investing activities | (46.0) | (216.7) | (135.0) | (206.5) | (170.0) | | 2.3 | (7.6) |
| Cash flow from (used in) financing activities | 95.4 | 213.7 | 239.5 | 206.8 | 170.2 | | (20.0) | (2.0) |
| Net increase (decrease) in cash and cash equivalents | 2.5 | 4.4 | 67.1 | (12.4) | 0.5 | | (4.4) | 5.1 |

13. Other long-term investment

This represents an investment in 8,791 ordinary shares of UB (Thailand) Company Limited, representing 11% of the share capital of such company. The balance of this investment as at 31 December 2019 and 2018 are as follows:

| | (Unit: Thousand Baht) | |
|--|--|-------------|
| | Consolidated/ Separate financial statements | |
| | <u>2019</u> | <u>2018</u> |
| Investment in UB (Thailand) Company Limited - cost | 879 | 879 |
| Less: Allowance for impairment of investment | (879) | (879) |
| Net | - | - |

14. Investment properties

The investment properties of the Group are land awaiting development. A reconciliation of the net book value of investment properties for the years 2019 and 2018 is presented below.

| | (Unit: Thousand Baht) | | | |
|-------------------------------------|-----------------------|-------------|-------------|-------------|
| | Consolidated | | Separate | |
| | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> |
| Net book value at beginning of year | 114,369 | 114,369 | 39,013 | 39,013 |
| Net book value at end of year | 114,369 | 114,369 | 39,013 | 39,013 |

The fair value of the investment properties as at 31 December 2019 and 2018 stated below:

| | (Unit: Thousand Baht) | | | |
|---------------------------|-----------------------|-------------|-------------|-------------|
| | Consolidated | | Separate | |
| | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> |
| Land awaiting development | 217,079 | 217,079 | 72,677 | 72,677 |

The fair value of the above investment properties has been determined based on market price by an accredited independent valuer.

15. Property, plant and equipment

(Unit: Thousand Baht)

| Consolidated financial statements | | | | | | | | |
|---|---------------------------------|------------------------------|-------------------------------------|-----------|---|-------------------|-----------------------------|-----------|
| | Land and land improvement | Buildings and improvement | Tools and medical instruments | Equipment | Office furniture, fixtures and equipment | Motor vehicles | Construction in progress | Total |
| Cost | | | | | | | | |
| 1 January 2018 | 884,251 | 1,714,319 | 981,652 | 63,266 | 525,113 | 106,449 | 585,145 | 4,860,195 |
| Additions | 6,968 | 19,571 | 113,193 | 2,581 | 61,091 | 12,370 | 495,935 | 711,709 |
| Disposals/ write-off | - | - | (13,595) | - | (11,367) | (3,412) | - | (28,374) |
| Transfers in (out) | 12,745 | 773,870 | 78,556 | 27,951 | 32,366 | 4,716 | (930,204) | - |
| Capitalised interest | - | - | - | - | - | - | 7,688 | 7,688 |
| 31 December 2018 | 903,964 | 2,507,760 | 1,159,806 | 93,798 | 607,203 | 120,123 | 158,564 | 5,551,218 |
| Additions | 183,630 | 13,958 | 122,400 | 1,734 | 60,261 | 920 | 331,710 | 714,613 |
| Disposals/ write-off | - | - | (9,208) | (12) | (13,165) | (6,225) | - | (28,610) |
| Transfers in (out) | 6,944 | 138,408 | 119,133 | 16,484 | 37,818 | 5,730 | (324,517) | - |
| 31 December 2019 | 1,094,538 | 2,660,126 | 1,392,131 | 112,004 | 692,117 | 120,548 | 165,757 | 6,237,221 |
| Accumulated depreciation | | | | | | | | |
| 1 January 2018 | 21,815 | 510,596 | 487,308 | 34,211 | 350,819 | 70,241 | - | 1,474,990 |
| Depreciation for the year | 3,920 | 66,859 | 114,415 | 5,444 | 67,077 | 13,372 | - | 271,087 |
| Depreciation on disposals/ write-off | - | - | (11,574) | - | (11,260) | (3,041) | - | (25,875) |
| 31 December 2018 | 25,735 | 577,455 | 590,149 | 39,655 | 406,636 | 80,572 | - | 1,720,202 |
| Depreciation for the year | 4,083 | 80,158 | 140,446 | 8,657 | 78,282 | 12,699 | - | 324,325 |
| Depreciation on disposals/ write-off | - | - | (8,587) | (12) | (13,008) | (6,207) | - | (27,814) |
| 31 December 2019 | 29,818 | 657,613 | 722,008 | 48,300 | 471,910 | 87,064 | - | 2,016,713 |
| Net book value | | | | | | | | |
| 31 December 2018 | 878,229 | 1,930,305 | 569,657 | 54,143 | 200,567 | 39,551 | 158,564 | 3,831,016 |
| 31 December 2019 | 1,064,720 | 2,002,513 | 670,123 | 63,704 | 220,207 | 33,484 | 165,757 | 4,220,508 |
| Depreciation for the year | | | | | | | | |
| 2018 (Baht 241 million included in cost of hospital operations, and the balance in administrative expenses) | | | | | | | | 271,087 |
| 2019 (Baht 274 million included in cost of hospital operations, and the balance in administrative expenses) | | | | | | | | 324,325 |

24

| Separate financial statements | | | | | | | | |
|---|---------------------------------|------------------------------|-------------------------------------|-----------|--|-------------------|-----------------------------|-----------|
| | Land and land improvement | Buildings and improvement | Tools and medical instruments | Equipment | Office furniture, fixtures and equipment | Motor vehicles | Construction in progress | Total |
| Cost | | | | | | | | |
| 1 January 2018 | 134,123 | 750,218 | 451,531 | 26,829 | 248,775 | 66,324 | 7,189 | 1,684,989 |
| Additions | 908 | 3,211 | 35,680 | 480 | 23,765 | 6,233 | 82,214 | 152,491 |
| Disposals/ write-off | - | - | (9,422) | - | (4,348) | (5,129) | - | (18,899) |
| Transfers in (out) | - | 13,749 | 25,856 | - | 1,540 | 1,992 | (43,137) | - |
| 31 December 2018 | 135,031 | 767,178 | 503,645 | 27,309 | 269,732 | 69,420 | 46,266 | 1,818,581 |
| Additions | 97,130 | 8,031 | 59,544 | 1,647 | 23,885 | 595 | 105,908 | 296,740 |
| Disposals/ write-off | - | - | (6,386) | (12) | (6,897) | (3,024) | - | (16,319) |
| Transfers in (out) | 5,740 | 68,243 | 29,492 | 9,122 | 1,754 | 2,056 | (116,407) | - |
| 31 December 2019 | 237,901 | 843,452 | 586,295 | 38,066 | 288,474 | 69,047 | 35,767 | 2,099,002 |
| Accumulated depreciation | | | | | | | | |
| 1 January 2018 | 13,744 | 295,902 | 245,150 | 16,702 | 170,325 | 39,152 | - | 780,975 |
| Depreciation for the year | 2,175 | 29,298 | 56,995 | 1,374 | 33,814 | 8,947 | - | 132,603 |
| Depreciation on disposals/ write-off | - | - | (5,754) | - | (4,251) | (3,764) | - | (13,769) |
| 31 December 2018 | 15,919 | 325,200 | 296,391 | 18,076 | 199,888 | 44,335 | - | 899,809 |
| Depreciation for the year | 1,759 | 25,137 | 57,260 | 1,676 | 31,246 | 8,070 | - | 125,148 |
| Depreciation on disposals/ write-off | - | - | (5,026) | (12) | (6,850) | (3,007) | - | (14,895) |
| 31 December 2019 | 17,678 | 350,337 | 348,625 | 19,740 | 224,284 | 49,398 | - | 1,010,062 |
| Net book value | | | | | | | | |
| 31 December 2018 | 119,112 | 441,978 | 207,254 | 9,233 | 69,844 | 25,085 | 46,266 | 918,772 |
| 31 December 2019 | 220,223 | 493,115 | 237,670 | 18,326 | 64,190 | 19,649 | 35,767 | 1,088,940 |
| Depreciation for the year | | | | | | | | |
| 2018 (Baht 106 million included in cost of hospital operations, and the balance in administrative expenses) | | | | | | | | 132,603 |
| 2019 (Baht 103 million included in cost of hospital operations, and the balance in administrative expenses) | | | | | | | | 125,148 |

25

During the year ended 31 December 2018, the subsidiaries recorded borrowing costs amounting to Baht 8 million. The weight average rate of 3.4 percent has been used to determine the amount of borrowing cost eligible for capitalisation. The construction projects finished in 2018.

The Group has mortgaged their land and constructions thereon with the net book value as at 31 December 2019 amounting to approximately Baht 2,062 million (2018: Baht 2,070 million) as collateral against credit facilities received from banks (the Company only: Baht 321 million, 2018: Baht 338 million).

As at 31 December 2019, certain items of buildings and equipment were fully depreciated but are still in use. The gross carrying amount before deducting accumulated depreciation of those assets amounted to approximately Baht 1,289 million (2018: Baht 1,029 million) (the Company only: Baht 774 million, 2018: Baht 579 million).

As at 31 December 2019, the Group had tool and medical instruments, vehicles and equipment with net book value of Baht 47 million (2018: Baht 15 million) (the Company only: Baht 15 million, 2018: Baht 9 million) which were acquired under finance lease agreements.

16. Intangible assets

The net book value of intangible assets, which are computer software, as at 31 December 2019 and 2018 is presented below.

| | Consolidated | | (Unit: Thousand Baht) | |
|---------------------------------|----------------------|---------------|-------------------------------|---------------|
| | financial statements | | Separate financial statements | |
| | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> |
| Cost | | | | |
| Balance - beginning of year | 53,645 | 48,411 | 35,908 | 33,376 |
| Additions | 22,187 | 5,234 | 10,450 | 2,532 |
| Write-off | (1,485) | - | (56) | - |
| Balance - end of year | 74,347 | 53,645 | 46,302 | 35,908 |
| Accumulated amortisation | | | | |
| Balance - beginning of year | 36,712 | 32,662 | 23,292 | 20,578 |
| Amortisation for the year | 4,523 | 4,050 | 2,501 | 2,714 |
| Write-off | (1,475) | - | (56) | - |
| Balance - end of year | 39,760 | 36,712 | 25,737 | 23,292 |
| Net book value | <u>34,587</u> | <u>16,933</u> | <u>20,565</u> | <u>12,616</u> |

17. Leasehold rights

This leasehold rights arose as a result of an agreement which the subsidiary entered into in August 2015, to lease office space for a period of 10 years.

The leasehold rights balances as of 31 December 2019 and 2018 detail as follow:

| | | (Unit: Thousand Baht) | |
|---|--|--------------------------------------|--------------|
| | | Consolidated financial statements | |
| | | <u>2019</u> | <u>2018</u> |
| Cost of leasehold rights | | 9,500 | 9,500 |
| Less: Accumulated amortisation | | (4,531) | (3,581) |
| Leasehold rights - net | | <u>4,969</u> | <u>5,919</u> |
| Amortisation for the year (included in cost of hospital operations) | | <u>950</u> | <u>950</u> |

18. Short-term loans from financial institutions

| | | (Unit: Thousand Baht) | |
|------------------|--------------------------------------|---|----------------|
| | | Consolidated/Separate financial statements | |
| | | <u>2019</u> | <u>2018</u> |
| | | <u>2019</u> | <u>2018</u> |
| Promissory notes | Interest rate (percent per annum) | 820,000 | 530,000 |
| Total | | <u>820,000</u> | <u>530,000</u> |

A short-term loan facilities of the Company are secured by the mortgage of land with structures thereon of the Group.

19. Trade and other payables

| | | (Unit: Thousand Baht) | |
|------------------------------------|--|--------------------------------------|----------------------------------|
| | | Consolidated financial statements | Separate financial statements |
| | | <u>2019</u> | <u>2018</u> |
| Trade payables - unrelated parties | | 244,823 | 197,011 |
| Trade payables - related parties | | - | - |
| Other payables - unrelated parties | | 138,817 | 167,711 |
| Other payables - related parties | | 275 | 4,339 |
| Accrued physicians' fee | | 132,960 | 118,092 |
| Accrued expenses | | 90,000 | 79,235 |
| Total trade and other payables | | <u>606,875</u> | <u>566,388</u> |

20. Long-term loans from financial institutions

| | | | (Unit: Thousand Baht) | |
|---|--------------------------------------|--|-----------------------------------|----------|
| Loan | Interest rate (percent per annum) | Repayment schedule | Consolidated financial statements | |
| | | | 2019 | 2018 |
| 1 | BIBOR+1.75 | Monthly installments, the first installment due in November 2017 | 85,000 | 115,000 |
| 2 | 3.40, MLR-2.875 | Monthly installments, the first installment due in November 2018 | 213,600 | 244,800 |
| 3 | 3.15, MLR-2.875 | Monthly installments, the first installment due in February 2018 | 78,010 | 115,570 |
| 4 | 3.40, MLR-2.875 | Monthly installments, the first installment due in January 2020 | 300,000 | 206,780 |
| Total | | | 676,610 | 682,150 |
| Less: Current portion | | | (136,200) | (98,760) |
| Long-term loans, net of current portion | | | 540,410 | 583,390 |

The above loans are secured by the mortgage of the subsidiaries' land and structure thereon.

The loan agreements contain covenants as specified in the agreement, that among other things, require the subsidiaries to maintain debt-to-equity ratio and debt service coverage ratio according to the agreements.

As at 31 December 2018, the long-term credit facilities of the subsidiaries which have not yet been drawn down amounted to Baht 93 million. During the current year, such credit facilities have been drawn down in full amount.

21. Provision for long-term employee benefits

Provision for long-term employee benefits, which represents compensation payable to employees after they retire, was as follows:

| | | (Unit: Thousand Baht) | | | |
|--|--|--------------------------------------|---------------|----------------------------------|---------------|
| | | Consolidated financial statements | | Separate financial statements | |
| | | 2019 | 2018 | 2019 | 2018 |
| Provision for long-term employee benefits | | | | | |
| at beginning of year | | 62,573 | 34,028 | 33,717 | 18,079 |
| Included in profit or loss: | | | | | |
| Current service cost | | 8,135 | 4,808 | 4,192 | 2,085 |
| Interest cost | | 2,214 | 1,218 | 1,184 | 588 |
| Past service cost and gain or losses on settlement | | 15,879 | - | 8,655 | - |
| Included in other comprehensive income: | | | | | |
| Actuarial loss (gain) arising from | | | | | |
| - Demographic assumption changes | | (14) | 8,836 | (15) | 5,529 |
| - Financial assumption changes | | 12,706 | 607 | 6,867 | 554 |
| - Experience adjustments | | 7,437 | 13,980 | 2,507 | 6,882 |
| Benefits paid during the year | | (4,656) | (904) | (2,936) | - |
| Provisions for long-term employee benefits at end of year | | 104,274 | 62,573 | 54,171 | 33,717 |

Line items in profit or loss under which long-term employee benefit expenses are recognised as follows:

| | (Unit: Thousand Baht) | | | |
|---|-----------------------|-------|----------------------|-------|
| | Consolidated | | Separate | |
| | financial statements | | financial statements | |
| | 2019 | 2018 | 2019 | 2018 |
| Cost of hospital operations | 14,475 | 3,479 | 7,244 | 1,028 |
| Administrative expenses | 11,753 | 2,547 | 6,787 | 1,645 |
| Total expenses recognised in profit or loss | 26,228 | 6,026 | 14,031 | 2,673 |

On 5 April 2019, The Labor Protection Act (No. 7) B.E. 2562 was announced in the Royal Gazette. This stipulates additional legal severance pay rates for employees who have worked for an uninterrupted period of twenty years or more, with such employees entitled to receive not less than 400 days' compensation at the latest wage rate. The law is effective from 5 May 2019. This change is considered a post-employment benefits plan amendment and the Group have additional long-term employee benefit liabilities of Baht 16 million (the Company only: Baht 9 million) as a result. During the current year, the Group already reflected the effect of the change by recognising past service costs as expenses in profit or loss in the statement of comprehensive income for the year ended 31 December 2019.

The Group expects to pay Baht 12 million of long-term employee benefits during the next year (2018: Baht 7 million) (the Company only: Baht 6 million, 2018: Baht 4 million).

As at 31 December 2019, the weighted average duration of the liabilities for long-term employee benefit is 6 - 21 years (2018: 10 - 26 years) (the Company only: 16 years, 2018: 15 years).

Significant actuarial assumptions are summarised below:

| | (Unit: Percent per annum) | | | |
|----------------------|-----------------------------------|-------------|-------------------------------|-------------|
| | Consolidated financial statements | | Separate financial statements | |
| | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> |
| Discount rate | 1.3 - 2.0 | 2.6 - 3.2 | 1.8 | 3.1 |
| Salary increase rate | 4.0 | 4.0 | 4.0 | 4.0 |
| Turnover rate | 1.9 - 45.8 | 1.9 - 45.8 | 5.7 - 22.9 | 5.7 - 17.2 |

The result of sensitivity analysis for significant assumptions that affect the present value of the long-term employee benefit obligation as at 31 December 2019 and 2018 are summarised below:

| Consolidated financial statements as at 31 December 2019 | | | | |
|--|----------------------|----------------------|----------------------|----------------------|
| | Sensitivity analysis | Employee benefit | Sensitivity analysis | Employee benefit |
| | increase | increase (decrease) | decrease | increase (decrease) |
| | (% per annum) | (Unit: Million Baht) | (% per annum) | (Unit: Million Baht) |
| Discount rate | 0.5 | (5.5) | 0.5 | 6.0 |
| Salary increase rate | 1.0 | 11.2 | 1.0 | (9.7) |
| Turnover rate | 20.0 | (14.8) | 20.0 | 19.0 |

| Consolidated financial statements as at 31 December 2018 | | | | |
|--|----------------------|----------------------|----------------------|----------------------|
| | Sensitivity analysis | Employee benefit | Sensitivity analysis | Employee benefit |
| | increase | increase (decrease) | decrease | increase (decrease) |
| | (% per annum) | (Unit: Million Baht) | (% per annum) | (Unit: Million Baht) |
| Discount rate | 0.5 | (3.1) | 0.5 | 3.3 |
| Salary increase rate | 0.5 | 3.1 | 0.5 | (2.7) |
| Turnover rate | 0.5 | (3.2) | 0.5 | 4.1 |

| Separate financial statements as at 31 December 2019 | | | | |
|--|----------------------|----------------------|----------------------|----------------------|
| | Sensitivity analysis | Employee benefit | Sensitivity analysis | Employee benefit |
| | increase | increase (decrease) | decrease | increase (decrease) |
| | (% per annum) | (Unit: Million Baht) | (% per annum) | (Unit: Million Baht) |
| Discount rate | 0.5 | (2.9) | 0.5 | 3.2 |
| Salary increase rate | 1.0 | 6.0 | 1.0 | (5.2) |
| Turnover rate | 20.0 | (7.9) | 20.0 | 10.1 |

| Separate financial statements as at 31 December 2018 | | | | |
|--|----------------------|----------------------|----------------------|----------------------|
| | Sensitivity analysis | Employee benefit | Sensitivity analysis | Employee benefit |
| | increase | increase (decrease) | decrease | increase (decrease) |
| | (% per annum) | (Unit: Million Baht) | (% per annum) | (Unit: Million Baht) |
| Discount rate | 0.5 | (1.7) | 0.5 | 1.8 |
| Salary increase rate | 0.5 | 1.8 | 0.5 | (1.4) |
| Turnover rate | 0.5 | (2.0) | 0.5 | 2.3 |

22. Statutory reserve

Pursuant to Section 116 of the Public Limited Companies Act. B.E. 2535, the Company is required to set aside to a statutory reserve at least 5 percent of its net profit after deducting accumulated deficit brought forward (if any), until the reserve reaches 10 percent of the registered share capital. The statutory reserve is not available for dividend distribution. At present, the statutory reserve has fully been set aside.

23. Expenses by nature

Significant expenses classified by nature are as follows:

| | (Unit: Thousand Baht) | | | |
|---|-----------------------|-------------|----------------------|-------------|
| | Consolidated | | Separate | |
| | financial statements | | financial statements | |
| | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> |
| Salaries, wages and other employee benefits | 1,509,025 | 1,267,524 | 733,467 | 656,331 |
| Physicians' fee | 1,101,102 | 928,991 | 505,565 | 469,890 |
| Depreciation and amortisation | 329,798 | 276,087 | 127,649 | 135,317 |
| Rental expenses from operating lease agreements | 22,187 | 20,977 | 10,657 | 11,458 |
| Inventories used | 915,981 | 789,114 | 448,782 | 419,422 |

24. Income tax

Income tax expenses for the years ended 31 December 2019 and 2018 are made up as follows:

| | (Unit: Thousand Baht) | | | |
|---|-----------------------|----------------|----------------------|---------------|
| | Consolidated | | Separate | |
| | financial statements | | financial statements | |
| | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> |
| Current income tax: | | | | |
| Current income tax charge | 188,842 | 151,343 | 78,632 | 67,121 |
| Deferred tax: | | | | |
| Relating to origination and reversal of temporary differences | (4,837) | (1,547) | (2,219) | (534) |
| Income tax expenses reported in profit or loss | <u>184,005</u> | <u>149,796</u> | <u>76,413</u> | <u>66,587</u> |

The amounts of income tax relating to each component of other comprehensive income for the years ended 31 December 2019 and 2018 are made up as follows:

| | (Unit: Thousand Baht) | | | |
|---|-----------------------|--------------|----------------------|--------------|
| | Consolidated | | Separate | |
| | financial statements | | financial statements | |
| | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> |
| Deferred tax on loss (gain) from the change in value of available-for-sale investments | (30) | 6 | - | - |
| Deferred tax relating to actuarial loss | 4,026 | 4,685 | 1,872 | 2,593 |
| Total | <u>3,996</u> | <u>4,691</u> | <u>1,872</u> | <u>2,593</u> |

The reconciliation between accounting profit and income tax expense is shown below.

| | (Unit: Thousand Baht) | | | |
|--|-----------------------|-----------------|----------------------|-----------------|
| | Consolidated | | Separate | |
| | financial statements | | financial statements | |
| | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> |
| Accounting profit before tax | <u>848,668</u> | <u>765,021</u> | <u>898,640</u> | <u>607,017</u> |
| Applicable tax rate | 20% | 20% | 20% | 20% |
| Accounting profit before tax multiplied by income tax rate | 169,733 | 153,004 | 179,728 | 121,403 |
| Tax losses for the year that have not been recognised as deferred tax assets | 30,387 | 15,252 | - | - |
| Effects of: | | | | |
| Non-deductible expenses | 710 | 2,770 | 614 | 3,213 |
| Dividend income exempt | - | - | (94,800) | (46,000) |
| Additional expense deductions allowed | (16,825) | (21,230) | (9,129) | (12,029) |
| Total | <u>(16,115)</u> | <u>(18,460)</u> | <u>(103,315)</u> | <u>(54,816)</u> |
| Income tax expenses reported in profit or loss | <u>184,405</u> | <u>149,796</u> | <u>76,413</u> | <u>66,587</u> |

The components of deferred tax assets and deferred tax liabilities are as follows:

| | (Unit: Thousand Baht) | | | |
|--|----------------------------------|---------------|----------------------|--------------|
| | Statements of financial position | | | |
| | Consolidated | | Separate | |
| | financial statements | | financial statements | |
| | 2019 | 2018 | 2019 | 2018 |
| Deferred tax assets | | | | |
| Allowance for diminution in value of investment | 176 | 176 | 176 | 176 |
| Provision for long-term employee benefits | 20,855 | 12,515 | 10,834 | 6,743 |
| Unrealised loss on changes in value of investments | - | 17 | - | - |
| Total | 21,031 | 12,708 | 11,010 | 6,919 |
| Deferred tax liabilities | | | | |
| Gain on fair value adjustment of fixed assets | | | | |
| of subsidiaries as at acquisition date | 10,632 | 11,154 | - | - |
| Unrealised gain on change in value of investments | 12 | - | - | - |
| Total | 10,644 | 11,154 | - | - |

As at 31 December 2019, the subsidiaries had unused tax losses totaling Baht 243 million (2018: Baht 95 million). No deferred tax assets have been recognised on these amounts as there are uncertain economic future to allow utilisation of the unused tax losses. The unused tax losses will expire within 2024.

25. Basic earnings per share

Basic earnings per share is calculated by dividing profit for the year attributable to equity holders of the Company (excluding other comprehensive income) by the weighted average number of ordinary shares in issue during the year.

26. Segment information

Operating segment information is reported in a manner consistent with the internal reports that are regularly reviewed by the chief operating decision maker in order to make decisions about the allocation of resources to the segment and assess its performance. The chief operating decision maker has been identified as the executive committee.

The Group have two reportable segments that are hospital operations and other businesses that support hospital business including distribution of medical instruments. These two segments have similar economic characteristics. They both have common customer group, similar service provision methods and similar management. Its operations are carried on only in Thailand. Segment performance is measured based on operating profit or loss, on a basis consistent with that used to measure operating profit or loss in the financial statements. As a result, all of the revenues, operating

profits and assets as reflected in these financial statements pertain exclusively to the aforementioned reportable operating segment and geographical area.

For the year 2019, the Group has revenue from two major customers in amount of Baht 1,578 million and Baht 357 million (2018: revenue from two major customers in amount of Baht 1,410 million and Baht 242 million), arising from hospital business.

27. Provident fund

The Group and its employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. Both employees and the Group contributes to the fund monthly at the rates of 2 - 15 percent of basic salary (2018: at the rates of 2 - 15 percent of basic salary). The fund, which is managed by CIMB Principal Asset Management Company Limited, will be paid to employees upon termination in accordance with the fund rules. The contributions for the year 2019 amounting to approximately Baht 13 million (2018: Baht 12 million) (the Company only: Baht 7 million, 2018: Baht 6 million) were recognised as expenses.

28. Dividend paid

| Dividends | Approved by | Number of shares (Thousand shares) | Dividend per share (Baht) | Total dividends (Thousand Baht) |
|--|---|---------------------------------------|------------------------------|------------------------------------|
| Dividends on operating results for 2017 | Annual General Meeting of the shareholders on 25 April 2018 | 10,999,962 | 0.012 | 132,000 |
| Interim dividends on operating results for the six-month period ended 30 June 2018 | Board of Directors' Meeting on 9 August 2018 | 10,999,329 | 0.020 | 219,986 |
| Total dividends for 2018 | | | | <u>351,986</u> |
| Dividends on operating results for 2018 | Annual General Meeting of the shareholders on 26 April 2019 | 10,999,997 | 0.030 | 330,000 |
| Interim dividends on operating results for the six-month period ended 30 June 2019 | Board of Directors' Meeting on 13 August 2019 | 10,999,998 | 0.020 | 220,000 |
| Total dividends for 2019 | | | | <u>550,000</u> |

29. Commitments and contingent liabilities

29.1 Capital commitments

- a) The Group had capital commitments relating to the construction of buildings and the acquisition of tools and equipment as follows:

(Unit: Million Baht)

| | As at 31 December | | | |
|------------------------------------|----------------------|-------------|----------------------|-------------|
| | Consolidated | | Separate | |
| | financial statements | | financial statements | |
| | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> |
| Construction of buildings | 9 | 20 | 3 | 13 |
| Acquisition of tools and equipment | 124 | 157 | 25 | 9 |

- b) As at 31 December 2019, the Company had capital commitment amounting to Baht 237 million (2018: Baht 333 million) in respect of the uncalled portion of investment in the subsidiaries.

29.2 Operating lease commitments and service commitments

The Group has entered into several operating lease agreements in respect of the lease of land, buildings and motor vehicles, including service agreements. The terms of the agreements are generally between 1 and 10 years.

Future minimum lease payments required under these operating leases contracts were as follows:

(Unit: Million Baht)

| | As at 31 December | | | |
|----------------------------------|----------------------|-------------|----------------------|-------------|
| | Consolidated | | Separate | |
| | financial statements | | financial statements | |
| | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> |
| Payable: | | | | |
| In up to 1 year | 43 | 29 | 23 | 12 |
| In over 1 year and up to 5 years | 13 | 13 | 7 | 6 |

As at 31 December 2019, the subsidiary's future minimum sublease payments expected to be received under non-cancellable subleases totaled approximately Baht 1 million (2018: Baht 3 million). During the year 2019, the subsidiary recognised rental expenses and subleasing revenue in profit or loss as follows:

| | (Unit: Million Baht) | |
|--------------------|----------------------|------|
| | As at 31 December | |
| | 2019 | 2018 |
| Rental expenses | 0.04 | 0.04 |
| Subleasing revenue | 1.86 | 1.86 |

29.3 Guarantees

- As at 31 December 2019, the Company has guaranteed bank credit facilities for subsidiaries amounting to Baht 145 million (2018: Baht 145 million).
- As at 31 December 2019, there were outstanding bank guarantees issued by the banks on behalf of the Group amounting to Baht 54 million (2018: Baht 56 million) (the Company only: Baht 26 million, 2018: Baht 26 million), in respect of certain performance bonds as required in the normal course of business. The details of the letters of bank guarantee are as follows:

| | (Unit: Million Baht) | | | |
|-----------------------------------|----------------------|------|----------------------|------|
| | Consolidated | | Separate | |
| | financial statements | | financial statements | |
| | 2019 | 2018 | 2019 | 2018 |
| Guarantee contractual performance | 43 | 46 | 22 | 23 |
| Guarantee electricity use | 11 | 10 | 4 | 3 |
| Total | 54 | 56 | 26 | 26 |

30. Fair value hierarchy

As at 31 December 2019 and 2018, the Group had the assets for which fair value are measured and disclosed by using different levels of inputs as follows:

| | (Unit: Million Baht) | | | |
|--|--|---------|---------|-------|
| | Consolidated financial statements as at 31 December 2019 | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| Assets measured at fair value | | | | |
| Investment in available-for-sale security | - | 2 | - | 2 |
| Assets for which fair value are disclosed | | | | |
| Investment properties | - | 217 | - | 217 |

| | (Unit: Million Baht) | | | |
|--|--|---------|---------|-------|
| | Consolidated financial statements as at 31 December 2018 | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| Assets measured at fair value | | | | |
| Investment in available-for-sale security | - | 2 | - | 2 |
| Assets for which fair value are disclosed | | | | |
| Investment properties | - | 217 | - | 217 |

| | (Unit: Million Baht) | | | |
|--|--|---------|---------|-------|
| | Separate financial statements as at 31 December 2019 | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| Assets for which fair value are disclosed | | | | |
| Investment properties | - | 73 | - | 73 |

| | (Unit: Million Baht) | | | |
|--|--|---------|---------|-------|
| | Separate financial statements as at 31 December 2018 | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| Assets for which fair value are disclosed | | | | |
| Investment properties | - | 73 | - | 73 |

31. Financial instruments

31.1 Financial risk management

The Group's financial instruments, as defined under Thai Accounting Standard No. 107 "Financial Instruments: Disclosure and Presentations", principally comprise cash and cash equivalents, current investments, trade and other receivables, short-term and long-term loans to, trade and other payables, short-term and long-term loans from and liabilities under finance lease agreements. The financial risks associated with these financial instruments and how they are managed is described below.

Credit risk

The Group is exposed to credit risk primarily with respect to trade and other receivables. The Group manages the risk by adopting appropriate credit control policies and procedures and therefore does not expect to incur material financial losses. In addition, the Group does not have high concentrations of credit risk since they have a large customer base. The maximum exposure to credit risk is limited to the carrying amounts of trade and other receivables as stated in the statement of financial position.

Interest rate risk

The Group's exposures to interest rate risk relate primarily to their deposits with financial institutions short-term and long-term loan to and short-term and long-term from bearing interest. Most of the financial assets and liabilities of the Group bear floating interest rates or fixed interest rates which are close to the market rate.

As at 31 December 2019 and 2018 significant financial assets and liabilities classified by type of interest rate are summarised in the table below, with those financial assets and liabilities that carry fixed interest rates further classified based on the maturity date, or the repricing date if this occurs before the maturity date.

(Unit: Million Baht)

| Consolidated financial statements as at 31 December 2019 | | | | | | |
|--|----------------------|-------|----------|----------|-------|---------------|
| | Fixed interest rates | | Floating | Non- | | |
| | Within | 1-5 | interest | interest | | Effective |
| | 1 year | years | rate | bearing | Total | interest rate |
| | | | | | | (% per annum) |
| Financial assets | | | | | | |
| Cash and cash equivalents | 133 | - | 260 | 75 | 468 | Note 7 |
| Current investments | 52 | - | - | 2 | 54 | Note 8 |
| Trade and other receivables | - | - | - | 444 | 444 | - |
| | 185 | - | 260 | 521 | 966 | |
| Financial liabilities | | | | | | |
| Short-term loans from financial institutions | 820 | - | - | - | 820 | Note 18 |
| Trade and other payables | - | - | - | 607 | 607 | - |
| Liabilities under finance lease agreements | 10 | 32 | - | - | 42 | 3.48 - 5.25 |
| Long-term loans from finance institutions | - | - | 677 | - | 677 | Note 20 |
| | 830 | 32 | 677 | 607 | 2,146 | |

(Unit: Million Baht)

| Consolidated financial statements as at 31 December 2018 | | | | | | |
|--|----------------------|-------|----------|----------|-------|---------------|
| | Fixed interest rates | | Floating | Non- | | |
| | Within | 1-5 | interest | interest | | Effective |
| | 1 year | years | rate | bearing | Total | interest rate |
| | | | | | | (% per annum) |
| Financial assets | | | | | | |
| Cash and cash equivalents | 62 | - | 361 | 48 | 471 | Note 7 |
| Current investments | 22 | - | - | 2 | 24 | Note 8 |
| Trade and other receivables | - | - | - | 338 | 338 | - |
| | 84 | - | 361 | 388 | 833 | |
| Financial liabilities | | | | | | |
| Short-term loans from financial institutions | 530 | - | - | - | 530 | Note 18 |
| Trade and other payables | - | - | - | 566 | 566 | - |
| Liabilities under finance lease agreements | 3 | 12 | - | - | 15 | 4.11 - 7.09 |
| Long-term loans from finance institutions | - | - | 682 | - | 682 | Note 20 |
| | 533 | 12 | 682 | 566 | 1,793 | |

(Unit: Million Baht)

Separate financial statements as at 31 December 2019

| | Fixed interest rates | | Floating | Non- | | |
|--|----------------------|-------|----------|----------|-------|---------------|
| | Within | 1-5 | interest | interest | | Effective |
| | 1 year | years | rate | bearing | Total | interest rate |
| | | | | | | (% per annum) |
| Financial assets | | | | | | |
| Cash and cash equivalents | 2 | - | 109 | 23 | 134 | Note 7 |
| Trade and other receivables | - | - | - | 345 | 345 | - |
| Long-term loans to subsidiaries | 669 | - | - | - | 669 | 5.00 |
| | 671 | - | 109 | 368 | 1,148 | |
| Financial liabilities | | | | | | |
| Short-term loans from financial institutions | 820 | - | - | - | 820 | Note 18 |
| Trade and other payables | - | - | - | 278 | 278 | - |
| Liabilities under finance lease agreements | 2 | 7 | - | - | 9 | 3.57 - 4.14 |
| | 822 | 7 | - | 278 | 1,107 | |

(Unit: Million Baht)

Separate financial statements as at 31 December 2018

| | Fixed interest rates | | Floating | Non- | | |
|--|----------------------|-------|----------|----------|-------|---------------|
| | Within | 1-5 | interest | interest | | Effective |
| | 1 year | years | rate | bearing | Total | interest rate |
| | | | | | | (% per annum) |
| Financial assets | | | | | | |
| Cash and cash equivalents | 2 | - | 157 | 14 | 173 | Note 7 |
| Trade and other receivables | - | - | - | 249 | 249 | - |
| Short-term loans to subsidiaries | 363 | - | - | - | 363 | 5.00 |
| | 365 | - | 157 | 263 | 785 | |
| Financial liabilities | | | | | | |
| Short-term loans from financial institutions | 530 | - | - | - | 530 | Note 18 |
| Trade and other payables | - | - | - | 235 | 235 | - |
| Liabilities under finance lease agreements | 2 | 8 | - | - | 10 | 4.11 - 4.14 |
| | 532 | 8 | - | 235 | 775 | |

Foreign currency risk

The Group does not consider themselves exposed to foreign currency risk because they have no significant foreign currency transactions.

31.2 Fair values of financial instruments

Since the majority of the Group's financial instruments are short-term in nature or loans and borrowings bear floating interest rates, their fair value is not expected to be materially different from the amounts presented in statements of financial position.

32. Capital management

The primary objective of the Company's capital management is to ensure that it has appropriate capital structure in order to support its business and maximise shareholder value. As at 31 December 2019, the Group's debt-to-equity ratio was 0.61:1 (2018: 0.52:1) and the Company's was 0.36:1 (2018: 0.27:1).

33. Debentures

On 20 April 2017, the Annual General Meeting of the Company's shareholders passed the resolution to issue and offer up to Baht 2,000 million of debentures for sale, with a tenor of not more than 10 years. Further consideration and determination of significant conditions and details of the debentures relating to the financing of each issue of debentures are at the discretion of the Company's Board of Directors or other persons assigned by the Board of Directors.

34. Event after the reporting period

On 27 February 2020, a meeting of the Company's Board of Directors passed a resolution to propose to the Annual General Meeting of shareholders to pay a dividend of Baht 0.05 per share, or a total of Baht 550 million to the shareholders in respect of the 2019 profit. The Company already approved an interim dividend of Baht 0.02 per share, or a total of Baht 220 million on 13 August 2019. The remaining dividend of Baht 0.03 per share, or a total of Baht 330 million will be paid and recorded after it is approved by the Annual General Meeting of the Company's shareholders.

35. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 27 February 2020.

