

## Part 1 Business Overview

### 1. Business Policy and Business Overview

Principal Capital Public Company Limited (“Company”) was incorporated in 2000 under the name “Metrostar Property Company Limited to engage in property development business. Later in 2005 the Company was listed in the Stock Exchange of Thailand. In 2013 there was a change in shareholder and the Company was renamed as Principal Capital Public Company Limited

In 2017 the Company acquired shares of Principal Healthcare Co., Ltd (previous name was Alliance Medical Asia Co., Ltd.) operates private hospital business with 4 hospitals in 3 provinces in the northern of Thailand. In 2018 the Company acquired another hospital – Princ Hospital Suvarnabhumi (previous name was Piyamin Hospital), a large hospital in Samut Prakan Province. This helps expand the hospital network to cover Bangkok and vicinity area.

After the business acquisition, the Company’s main business is to operate private hospital and private hospital management business and Stock Exchange of Thailand approved the change of business sector from Property Development business to Healthcare Services business. However, the Company operates private hospital business in parallel with property for rent located in the CBD area. It also offers full-service office building management services in term of sale, administration, accounting etc by the professional team with fairness and transparency. Apart from this, the Company also operates Information Technology service business as well as business advisory service.

At present, the business of the Company and subsidiaries can be divided into 4 types as follows:

1. **Private Hospital Business and Private Hospital Management** – Currently the Company has 8 hospitals in 7 provinces which are Princ Hospital Suvarnabhumi in Samut Prakan, Pitsanuvej Hospital in Pitsanulok, Sahavej Hospital in Pichit, Paknampo Hospital and Paknampo 2 Hospital in Nakornsawan, Pitsanuvej Uttaradit Hospital in Uttaradit which is going to commercially operate in Q1/2019 and Princ Uthai Thani Hospital which is under renovation and expected to commercially operate in Q3/2019. In addition, the Company accepted the Entire Business Transfer (EBT) of Sirivej Lamphun Hospital in March 2019. The business operation of this hospital will continue after the business transfer.
2. **Property for Rent Business** - Hotel/serviced apartment and office building for rent
3. **Information Technology Service Business** – Hospital Information System Implementation Service, Enterprise Resource Planning (ERP) and System Maintenance and Support Service.
4. **Business Advisory Service** – provide advisory services to the business operators. Currently it stops the business operation.

## 1.1 Vision

PRINC will become more healthcare focused, invest in healthcare property and be a trusted hospital management organization with emphasis on digitalization and efficiency, while fully utilize the properties we currently own, for the utmost benefits of all stakeholders.

## 1.2 Mission

- To provide professional hospital management services, along with non-medical shared services, to our subsidiary hospitals as well as our partner hospitals.
- To efficiently operate the hospital, with the use of IT, to deliver the desired outcomes in every perspective including financial, service quality, and customer satisfaction..
- To strengthen our network of hospitals through partnership and new acquisitions.
- To develop viable health-related projects to serve potential markets both in our own properties and in new promising sites.
- To take part in enhancing the health of the community and creating a sustainable healthy society.
- To continually develop our human resources to be competent with up-to-date technology, enhanced with new capabilities, and adaptive to our fast-growing organizations.
- To provide service, analysis, design, installation of software that respond to customers' needs by skillful teamwork to support healthcare service business, the main business of the Company.
- Determine to develop excellence in service providing of existing hotel and serviced apartment in order to build customer satisfaction.

## 1.3 Key Events and Major Developments

Principal Capital Public Company Limited's change and major development is as follows:

Year	Key Events
2019	<ul style="list-style-type: none"> <li>— On March 1, 2019 Principal Healthcare – Lamphun Co., Ltd. successfully accepted entire business transfer of Sirivej Lamphun Hospital.</li> <li>— In February 2019, SET approved that PRINC will be reclassified from “Property &amp; Construction” industry and “Property Development” sector to “Service” industry and “Health Care Services” sector.</li> </ul>
2018	<ul style="list-style-type: none"> <li>— In November 2018, the Company received Quality Management System ISO9001:2015 certification.</li> <li>— In October 2018 Principal Healthcare Co., Ltd., a subsidiary of the Company set up Principal Healthcare – Lamphun Co., Ltd. with the registered capital of Baht 200 million</li> </ul>

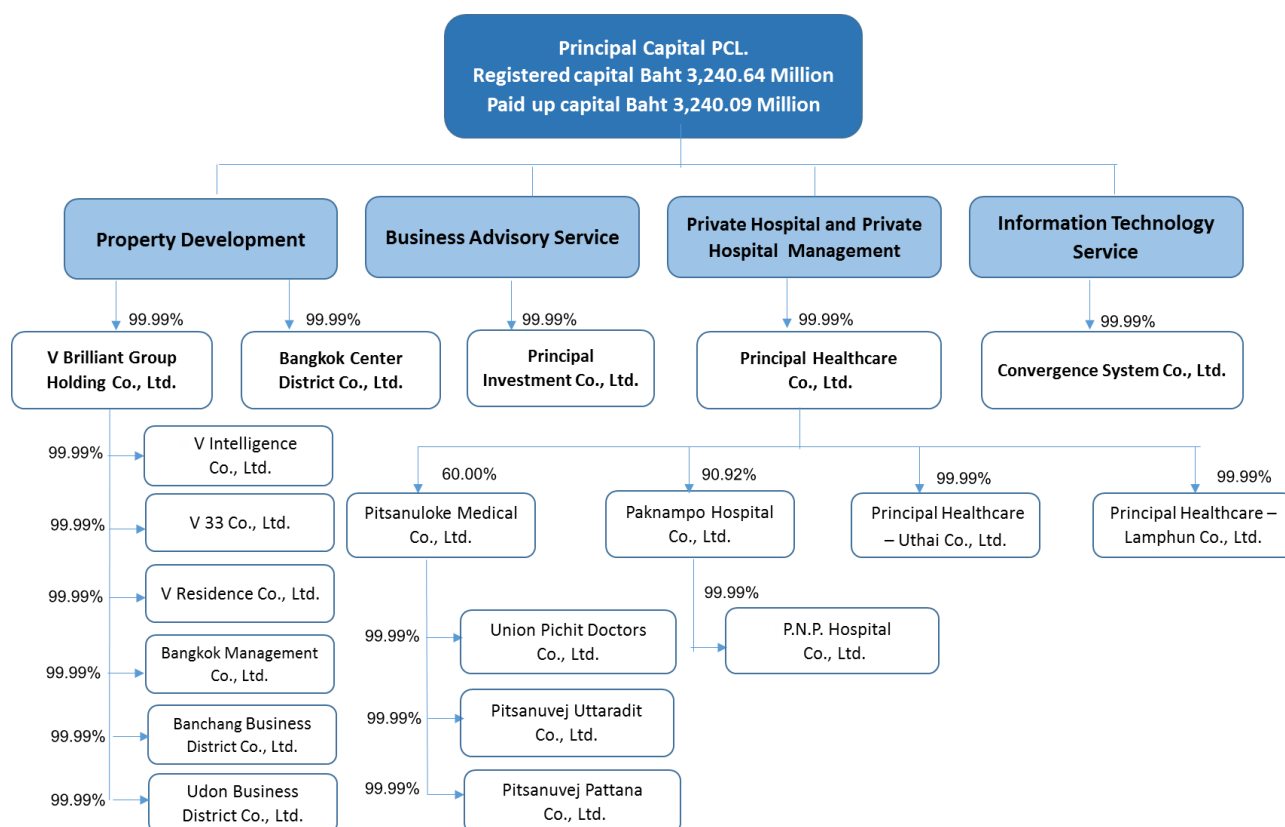
Year	Key Events
	<p>to operate private hospital business. The Company's Board of Director passed the resolution to approve Principal Healthcare – Lamphun Co., Ltd. to accept the Entire Business Transfer (EBT) of Sirivej Lamphun Hospital in Lamphun Province, consisting of 2 land plots with total area of 11-0-65 rai and 9 buildings, the medical tools and equipment and the license to operate 59-bed hospital. Total investment was Baht 120 million.</p> <ul style="list-style-type: none"> <li>— On June 7, 2018 the Company obtained the Certificate in relation to “Thailand’s Private Sector Collective Action Coalition against Corruption” (CAC).</li> <li>— In May 2018 Principal Healthcare Co., Ltd., a subsidiary of the Company set up Principal Healthcare – Uthai Co., Ltd. to operate private hospital business with the registered capital of Baht 50 million. Principal Healthcare – Uthai acquired the unoperated hospital, a non-performing asset from the financial institution. This brought in 10 land plots with area of 12-1-79.5 rai and 10 buildings in Bangprakru Sub-district, Klongluang District, Uthai Thani. The company renovated existing buildings to be 59-bed hospital. Total investment was Baht 160 million.</li> <li>— In March 2018 V Brilliant Group Holding Co., Ltd., PRINC’s subsidiary set up 2 new companies which are Ban Chang Business District Co., Ltd. and Udon Business District Co., Ltd. with paid up capital of Baht 121 million and Baht 129 million respectively with objective of property development</li> <li>— On February 27, 2018, the Company purchased and accepted the business transfer of Thai Health Management Organization Co., Ltd. (“THM”) which is a company operates private a hospital business under the name “Piyamin Hospital” and renamed to “Princ Hospital Suvarnabhumi” located in Samut Prakan Province and 3 medical clinics in Bangkok. The Company will accept the transfer of the hospital business of THM, including its assets, liabilities, permits and licenses necessary for its hospital business operation, all of the employees who wish to continue working with the Company, as well as the rights and obligations under the agreements, which are in existence as of the date on which THM transfers its business to the Company, pursuant to the terms and conditions of the Business Transfer Agreement between the Company and THM. The Company will pay a total consideration of not exceeding Baht 900 million to THM when the condition precedents pursuant to the agreement are fulfilled. The Company anticipates that the acquisition of THM’s hospital business will result in the expansion and growth of the group companies’ hospital business network, particularly in Bangkok and the perimeter areas given the hospitals currently operated by the group companies</li> </ul>

Year	Key Events
	<p>are located only in provincial areas, creating a Hub and Spoke System for the group companies' hospital business, which would enhance the growth, capability and competitiveness as well as create patient referral channel and increase potential profitability, of the group companies in the future.</p> <ul style="list-style-type: none"> <li>— On January 25, 2018, Alliance Medical Asia Co., Ltd. was renamed to Principal Healthcare Co., Ltd.</li> </ul>
2017	<ul style="list-style-type: none"> <li>— In November 2017, the Company acquired the business of Alliance Medical Asia Co., Ltd ("AMA")'s group of companies through the purchase of 268,374,998 shares representing approximately 99.99% of AMA's total issued and paid up capital from the existing shareholders who are the connected person, including Miss. Satita Viddhayakorn ("Miss Satita"), Vantage Point Management Limited ("Vantage Point") and Mr. Sirichai Towiriyawate ("Mr.Sirichai"), at a price of approximately Baht 7.4523 per share totaling not more than Baht 2,000 million. This enabled the Company to have 6 subsidiaries consisting of 1) Pitsanuloke Medical Co., Ltd. 2) Paknampo Hospital Co., Ltd 3) Union Pichit Doctors Co., Ltd. 4) Pitsanuvej Uttradit Co., Ltd. 5) Pitsanuvej Pattana Co., Ltd. and 6) P.N.P. Hospital Co., Ltd. (collectively called "subsidiaries"). The payment for such shares would be made in cash at 50% of total purchase price on the Share Purchase Date and the remaining half of total consideration will be paid within 12 months from the Share Sale and Purchase Agreement Date. If the Company paid the remaining unpaid portion to Ms. Satita, Vantage Point or Mr. Sirichai after end of 6 months from the Share Purchase Date, the Company has to pay monthly interest to Ms. Satita, Vantage Point or Mr. Sirichai at Bangkok Bank PLC.'s lending rate or MLR minus 2% (MLR-2%) starting from the day after the end of 6 months until the full repayment date (no compound interest)</li> <li>— In May 2017, Bangkok Management Co., Ltd, the Company's subsidiary ("Subsidiary" or "Seller") sold 2 land plots on title deed no. 3582 and 3962 with total area of 2-2-34.3 rai with 34-storey building and parking lot on such land as well as construction permit no. 42/2016 to Carlton Bangkok Investment Pte., Ltd. ("Buyer") at the disposal price of Baht 2,400 million. The Purchaser agrees to make another payment to the Transferee of Baht 100 million. Total purchase price was Baht 2,500 million. Carlton Hotel Bangkok Co., Ltd. the Buyer's subsidiary was the transferee.</li> <li>— The Company amended its objective and Memorandum of Association for hospital business operation.</li> </ul>

Year	Key Events
2016	<ul style="list-style-type: none"> <li>— The Company increased its paid up capital from warrants conversion of 442,172,887 shares amounting to Baht 442,172,887, which led to the total paid-up capital of Baht 1,400,149,087</li> <li>— The Company entered into 99.99 % of V Brilliant Group Holding Co., Ltd (“VB”)’s common shares and preferred shares purchase transaction which engaged in property development and invested in 4 subsidiaries operate property development business - 1) V Intelligence Co., Ltd 2) V Residence Co., Ltd 3) Bangkok Management Co., Ltd. and 4) V 33 Co., Ltd from Ms. Satita Viddayakorn and Peak Development Holdings Ltd. Such investment enabled the Company to obtain ownership in land and building 9 locations divided into 4 property projects located in the heart of Bangkok and 5 vacant land plots in provincial area. Total value of VB Group is Baht 5,791.13 million. The Company issued new 1,839,938,433 common shares to Ms. Satita Viddayakorn and Peaks Development Holdings Ltd. and also issued promissory note amounting to Baht 510,509,850 to Ms. Satita to pay for share acquisition of V Brilliant Group Holding, leading to an increase in paid up capital to Baht 3,240,683,433</li> </ul>
2015	<ul style="list-style-type: none"> <li>— The Company obtained Quality Management Systems ISO 9001 : 2008 certification.</li> <li>— The Company established a new subsidiary namely Bangkok Center District Company Limited with total registered capital of Baht 300 million and paid up capital of Baht 75 million to engage in real estate development business working closely with public sector in Public Private Partnership (PPP) project which the Company held 99.99 % shares in this company.</li> <li>— The Company increased its paid up capital from warrants conversion of 10,251,700 shares amounting to Baht 10,251,700 leading to the total paid-up capital of Baht 957,976,200</li> </ul>
2014	<ul style="list-style-type: none"> <li>— The Company increased its paid up capital from warrants conversion of 13,924,500 shares amounting to Baht 13,924,500, which led to the total paid-up capital of Baht. 947,724,500</li> <li>— The Company announced “DECLARATION OF INTENT IN VIEW OF ESTABLISHING THAILAND’S PRIVATE SECTOR COLLECTIVE ACTION COALITION AGAINST CORRUPTION”</li> <li>— The Company has started the Quality Management Systems ISO 9001 : 2008 project for 2015 approval.</li> </ul>
2003-2013	<ul style="list-style-type: none"> <li>— The Company developed several important projects including Silom Grand Terrace, St. Louis Grand Terrace and Sathorn Terrace which was renamed as Marriott Executive</li> </ul>

Year	Key Events
	<p>Apartments Sathorn Vista, Bangkok.</p> <ul style="list-style-type: none"> <li>— The Company gradually increased its registered capital from Baht 5,000,000 to Baht 610,000,000</li> <li>— The Company's major shareholder was changed to Mr. Satit Viddayakorn and renamed the Company to Principal Capital Public Company Limited and changed the security symbol to "PRINC"</li> <li>— The Company set up Principal Investment Company Limited, a subsidiary company which the Company held 99.99 % shares of Baht 10 million registered capital to offer business consultancy service to support Company's investment</li> <li>— The Company expanded its asset management service by offering full-service solutions to manage assets of Bangkok Business Center Building, Ekamai.</li> <li>— The Company increased its registered capital to Baht 1,400,700,000 with paid up capital of Baht 933,800,000, and 466,900,000 shares reserved for conversion of warrants (at Bath 1 per share) to purchase common stock of the Company (PRINC-W1).</li> <li>— The Company acquired Convergence Systems Company Limited, an information systems (IT) implementation provider for hospitals and other corporate clients, by taking up its 99.99 % shares, to enhance its business capacity and strategy and lessen its reliance on real estate sector as its sole revenue stream.</li> </ul>

#### 1.4 PRINC's Group Structure (As of December 31, 2018)



Remark: The shareholding portion in Principal Healthcare – Lamphun Co., Ltd. was reduced to 80% on March 1, 2019.

The details of shareholding of the Company and its subsidiaries are as follows:

Company name	Business Type	Business Operation	Shareholding (%)
Principal Capital PCL. (PRINC)	Property development, private hospital and private hospital business	Property development for rent : Marriott Executive Apartment Sathorn Vista Bangkok and Bangkok Business Center operates private hospital business under Princ Hospital Suvarnabhumi <sup>1/</sup>	-
<b>Private Hospital and Hospital Management</b>			
Principal Healthcare Co., Ltd. (PRINH)	Holding Company	Holding Company and provide shared service to the hospital in the group	99.99
Pitsanuloke Medical Co., Ltd. <sup>2/</sup> (PSV)	Private Hospital	Operates Pitsanuvej Hospital in Pitsanulok	60.00
Union Pichit Doctors Co., Ltd. <sup>2/</sup> (PPCH)	Private Hospital	Operates Sahavej Hospital in Pichit	60.00
Pitsanuvej Uttaradit Hospital Co., Ltd. <sup>2/</sup> (PUTD)	Private Hospital	Operates Pitsanuvej Uttaradit Hospital, in Uttaradit	60.00
Pitsanuvej Pattana Co., Ltd. <sup>2/</sup> (PPTN)	Private Hospital	No business operation yet	60.00

Company name	Business Type	Business Operation	Shareholding (%)
Paknambo Hospital Co., Ltd. <sup>3/</sup> (PPNP)	Private Hospital	Operate Paknambo Hospital and Paknambo 2 Hospital	90.92
P.N.P Hospital Co., Ltd. <sup>3/</sup> (PNPH)	Private Hospital	No business operation yet	90.92
Principal Healthcare – Uthai Co., Ltd. <sup>4/</sup> (PUTH)	Private Hospital	Operates Princ Uthaithani Hospital	99.99
Principal Healthcare – Lamphun Co., Ltd. <sup>4/</sup> (PLPN)	Private Hospital	Operates Sirivej Lamphun Hospital	80.00
<b>Property Development Business</b>			
Bangkok Center District Co., Ltd. (BCD)	Property Development	Property development with public sector to operate Public Private Partnership (PPP) Project	99.99
V Brilliant Group Holding Co., Ltd.(VB)	Property development and invest in other company	There are 2 vacant land plots, one plot in Saraburi and the other is in Angthong which is under project feasibility study.	99.99
V Intelligence Co., Ltd. <sup>5/</sup> (VI)	Office for rent	Bangkok Business Center Office Building for rent located on Ekamai Road	99.99
V 33 Co., Ltd. <sup>5/</sup> (V33)	Property Development	There is a vacant land plot in Chiangmai which is under project feasibility study.	99.99
V Residence Co., Ltd. <sup>5/</sup> (VR)	Hotel and Serviced Apartment	The Company operates Somerset Serviced Apartment Ekamai.	99.99
Bangkok Management Co., Ltd. <sup>5/</sup> (BG)	Property for rent	The Company owns land and building in Soi Sukhumvit 29. The Company plans to sell such property to the interested investors.	99.99
Banchang Business District Co., Ltd. <sup>5/</sup> (BBD)	Property Development	There is a vacant land plot in Rayong which is under project feasibility study.	99.99
Udon Busines District Co., Ltd. <sup>5/</sup> (UBD)	Property Development	There is a vacant land plot in Udonthani which is under project feasibility study.	99.99
<b>Information Technology Service Business</b>			
Convergence System Co., Ltd. (CS)	Software Installation Service	Software implementation and installation services/ system maintenance support service	99.99
<b>Business Advisory Services</b>			
Principal Investment Co., Ltd.(PI)	Advisory service	Business and investment advisory service	99.99



Remark: 1/ Previous name is Alliance Medical Asia Co., Ltd.

2/ The Company held shares via Principal Healthcare Co., Ltd. which own 60% stake in Pitsanuloke Medical Co., Ltd.

3/ The Company held shares via Principal Healthcare Co., Ltd. which own 90.92% stake in Paknampo Hospital Co., Ltd.

4/ The Company held shares via Principal Healthcare Co., Ltd.

5/ The Company held shares via V Brilliant Group Holding Co., Ltd.

### 1.5 Award and Recognition

- The Company obtained the Certificate in relation to “Thailand’s Private Sector Collective Action Coalition against Corruption (CAC)” on June 7, 2018.

#### Private Hospital Business and Private Hospital Management

- Pitsanuvej Hospital was a hospital with Joint Commission International accreditation in 2012 and was reaccredited in December 2015 and December 2018.
- Pitsanuvej Hospital received several rewards from various agency as follows:
  - 1) Outstanding workplace regarding Safety, Healthcare and Working Environment Award from Department of Social Welfare, Ministry of Labor for 3<sup>rd</sup> year.
  - 2) Good Corporate Governance from Office of the National Anti-Corruption Commission
  - 3) Excellent Hospital Cafeteria Award from Provincial Public Health Office
  - 4) Standard IT System Award stage 2 from 3 stages from Thai Medical Informatics Association 2016
  - 5) The 2<sup>nd</sup> prize winner from Disease Control Office no.2 for the presentation of Phlebitis innovation and R2R.
  - 6) Thailand Corporate Governance Award 2018 from Department of Business Development, Ministry of Commerce.
  - 7) The 1<sup>st</sup> prize winner from Muangthai Life Insurance for the Innovation initiative.
  - 8) Outstanding workplace regarding labor relation and welfare (8<sup>th</sup> consecutive years) from Department of Labor Protection and Welfare, Ministry of Labor.
  - 9) Outstanding workplace regarding skill development from Labor Development Institute.
  - 10) Silver level Certification in Zero Accident Campaign 2018 from Safety Development Institute.
  - 11) Outstanding Place for disabled 2018 (country level) from Department of Empowerment and Disabilities.
- Sahavej Hospital received outstanding corporate governance award of the province in 2018.

#### Property Business

- The Company received “The Outstanding Architecture Award” in Residential Building 2008 for St. Louis Grand Terrace project from Her Royal Highness Princess Maha Chakri Sirinthorn, nominated by the

Association of Siamese Architects under the Royal Patronage of His Majesty the King, and “Good Property Development Certificate 2007-2008” from the Commission for Consumer Protection.

- Marriott Executive Apartments Sathorn Vista - Bangkok won the best residential value 2014 as Bangkok hotels that receive the highest rating. These awards rates nearly 400 leading hotel ratings from various popular locations based on reviews of ORBITZ’s guest, and received Trip Advisors 2014 Certificate of Excellence Award Winner and World Travel Award 2014.

- Marriott Executive Apartments Sathorn Vista – Bangkok received various awards from different agencies as follows:

1. World Luxury Hotel Awards 2015 as Continent’s Luxury Serviced Apartments
2. 2015 Award Winner from Booking.com (score 9.1 from 10)
3. Certificate of Excellence in 2015 by TripAdvisor.com
4. Clean and Green Award by Bangkok Metropolitan Administration

## 2. Business Overview

The Company’s major business is private hospital and private hospital business management. The Company oversees the opportunity and favorable growth in healthcare business. In 2017 the Company acquired shares of Principal Healthcare Co., Ltd. (previous name is Alliance Medical Asia Co., Ltd.) which operates a private hospital business having 4 hospital in 3 provinces in the north of Thailand – Sahavej Hospital, Paknampo Hospital, Paknampo Hospital 2 and Pitsanuvej Hospital.

The Company targets to be a leading healthcare service provider to medium income customers group in Thailand by expanding hospital network and increase potential for revenue generation by constructing its own hospital and managing hospital business also bring in the Hospital Information Systems (HIS) for the efficiency in hospital cost management. In 2018 the Company acquired another hospital namely Princ Hospital Suvarnabhumi (previous name is Piyamin Hospital), a large hospital in Samut Prakan Province. This helped expand hospital network of the group to cover Bangkok and vicinity area. Previously, the hospitals in the group are located in the provincial area. With this new hospital, it created Hub and Spoke System for hospital business thus, enhancing growth and competitive advantages. As a result of the business acquisition, revenue from healthcare services becomes major revenue of the Company. The Company requested the SET to change the business sector from Property Development to Health Care Services and the SET approved the reclassification in February 2019. Moreover, the Company built a new hospital namely Pitsanuvej Uttaradit Hospital in Uttaradit Province and also acquired a hospital that was Non-Performing Assets (NPA) from the financial institution in Uthaitani Province and renovated it to be Princ Uthaitani Hospital . Currently it is under renovation to upgrade the services to meet international standard. It is expected to commercially operation within Q3/2019. Furthermore, in March 2019, the Company successfully accepted the entire business transfer

(EBT) of Sirivej Lamphun in Lamphun Province, thus increasing number of hospitals in the group to 8 hospitals in 7 provinces.

For property development business, the Company still operates property for rent business in the form of hotel/serviced apartment and also offers full-service solutions for office building management. However, the Company discontinues expanding property for sale business and has no plan to develop additional property. The Company is ready to sell the vacant land and existing project on hand to the interested investors in order to obtain fund for Healthcare business development except such land has the potential to develop to support healthcare business in the future.

In addition to healthcare and property development business, the Company also operates information system service and system maintenance services and also provide business advisory services which stops doing the business.

#### Revenue Structure

Type of Revenue	Operate by	2018		2017		2016	
		Baht in million	%	Baht in million	%	Baht in million	%
Revenue from hospital business	PSUV, PSV, PPCH, PPNP	2,084.6	76.6	1,690.4	75.5	1,716.8	82.9
Revenue from Property business	PRINC, VB, VI, VR	574.2	21.1	476.4	21.3	286.9	13.8
Other income	CS	63.9	2.3	71.0	3.2	68.0	3.3
<b>Total revenue</b>		<b>2,722.7</b>	<b>100.0</b>	<b>2,237.8</b>	<b>100.0</b>	<b>2,071.7</b>	<b>100.0</b>

Remark: PSUV - Princ Hospital Suvarnabhumi which operates by Princ Capital PCL.

PSV - Pitsanuvej Hospital

PPCH - Union Doctors Co., Ltd.

PPNP - Paknampo Hospital and Paknampo Hospital 2

PRINC - Principal Capital Co., Ltd.

VB - V Brilliant Group Holding Co., Ltd.

VI - V Intelligence Co., Ltd.

VR - V Residence Co., Ltd.

CS - Convergence System Co., Ltd.

#### 2.1 Products and services

The Company and its subsidiary's products and services are categorized based on business type as follows:

**a) Private Hospital Business and Private Hospital Management**

■ **Private Hospital in Bangkok and perimeter area**

On February 27, 2018, the Company started to operate private hospital business under the name “Princ Hospital Suvarnabhumi”(Previous name is Piyamin Hospital) which the Company acquired and accepted business transfer of Thai Healthcare Management Organization Co., Ltd. (“THM”), a company operates private hospital business located at Bangplee District, Samut Prakan Province and also operates 3 Piyamin Clinics in Bangkok. The Company accepted the transfer of THM's business, assets, liabilities and licenses required for private hospital operation together with the employee who want to continue working for the Company as well as the rights and obligations under the Agreement that THM has on the transfer date.

Princ Hospital Suvarnabhumi is a 200-bed hospital that has capacity to service 600 outpatients per day. The hospital provides 24-hour service having Clinics and medical specialist as follows:

- |                                    |                       |
|------------------------------------|-----------------------|
| — Internal Medicine Clinic         | — Neurosurgery        |
| — Obstetrics and Gynecology Clinic | — Orthopedics surgery |
| — Pediatrics Clinic                | — Emergency Center    |
| — Geriatric Medical Center         | — Endocrine Center    |
| — Gastrointestinal Center          | — Heart Center        |
| — Cancer Center                    | — Kidney Center       |

■ **Private Hospital in Provincial Area**

The Company operates private hospital business in the provincial area via Principal Healthcare Co., Ltd. (PRINH), a subsidiary with 99.99% shareholding. PRINH invested in the group of companies which operate private hospitals. The details are as follows:

1. *Pitsanuvej Hospital* - a 150-bed hospital located in Pitsanuloke Province. It has been operating for 35 years, providing upper secondary care service. It was operated by Pisanuloke Medical Co., Ltd. It is a hospital with JCI (Joint Commission International) accreditation which provides 24-hour medical service to both outpatient and inpatient. The hospital has medical specialists and clinics as follows

- |   |                      |
|---|----------------------|
| — Internal Medicine Clinic                    | — Pediatrics Clinic  |
| — Obstetrics and Gynecology Clinic            | — Surgical Clinic    |
| — Health Check-up Center                      | — Psychiatric Clinic |
| — Children and Adolescents Development Clinic | — Eye Clinic         |
| — Ear, Nose and Throat Clinic                 | — Dental Center      |

In addition, it also provides other services such as Radiology, Heart Examination, Laboratory and Surgical examination.

2. *Sahavej Hospital* - This hospital was operated by Union Pichit Doctors Co., Ltd. It is a 90-bed hospital which has operated since October 15, 1990, located in Pichit Province. It provides 24-hour medical service to both outpatients and inpatients. The hospital has medical specialists and clinics as follows:

- |                                    |                          |
|------------------------------------|--------------------------|
| — Orthopedics Center               | — Emergency Center       |
| — Health Check-up Center           | — Urinary Tract Center   |
| — Kidney Center                    | — X-ray Center           |
| — Internal Medicine Clinic         | — General Surgery Clinic |
| — Physical Therapy Center          | — Pediatrics Center      |
| — Obstetrics and Gynecology Clinic |                          |

3. *Paknampo Hospital and Paknampo Hospital 2*

Both hospitals are operated by Paknampo Hospital Co., Ltd. (former name is Ten M.D. Nakornsawan Co., Ltd.). They are located in Muang Nakorn Sawan District, Nakorn Sawan Province. There are 100 registered beds in each hospital. In addition, both hospitals are private hospitals that have been accredited by The Healthcare Accreditation Institute (Public Organization). It provides upper secondary care service to cash-paying customers and private insurance patients with 24-hour medical services. The hospital has medical specialist and clinics as follows:

- |                                     |                                       |
|-------------------------------------|---------------------------------------|
| — Emergency Center                  | — Pediatric Clinic                    |
| — Dental Clinic                     | — Diagnostic Radiography              |
| — Gastrointestinal and Liver Clinic | — Heart and Cardiovascular Clinic     |
| — ICU                               | — Infectious Disease Clinic           |
| — Internal Medicine Clinic          | — Laboratory                          |
| — Neuroscience Department           | — Orthopedic Clinic                   |
| — Physical Therapy Department       | — General Surgery Clinic              |
| — Urinary Tract Center              | — Gynecology and Obstetricians Clinic |
| — Medical Check-up Center           | — Ear, Nose and Throat Clinic         |

4. *Pitsanuvej Uttaradit Hospital*

Pitsanuvej Uttaradit Hospital operates by Pitsanuvej Uttaradit Hospital Co., Ltd. is a 60-bed hospital located on 28 rai land on Pitsanulok-Denchai Road, Uttaradit District, Uttaradit Province. It will commercially operate in March 2019. It provides 24 hours medical services to inpatients and outpatients. The hospital has medical specialists and clinics as follows

- |                                |                           |
|--------------------------------|---------------------------|
| — Internal Medicine Department | — Surgery Department      |
| — Obstetrics and Gynecology    | — Pediatric Clinic        |
| — Orthopedic Clinic            | — Physical Therapy Center |

- Patient Dormitory
- Delivery Room and Nursery Department
- Laboratory
- ICU
- Emergency and accident
- Operation Department
- Diagnostic Radiography

#### 5. Sirivej Lamphun Hospital

Sirivej Lamphun Hospital was operated by Principal Healthcare – Lamphun Co., Ltd. It is a small private hospital with 59-bed located on approximately 11 rai land plot. It was certified from National Health Security Office to provide treatment of Cataract and Osteoarthritis for the patients who hold gold card. It provides 24 hours medical service to inpatients and outpatients. The hospital has medical specialist and clinics as follows:

- Cataract Clinic
- Internal Medicine Department
- Emergency and accident
- Weight loss Center
- Aesthetic Surgery Center
- Varicose veins Clinic
- Dental Clinic

#### Medical Service Capacity

The capacity to serve Out-Patient group (OPD) was evaluated from the availability of room while the capacity to serve In-Patient was evaluated from availability of beds. As of December 31, 2018 the capacity of the hospitals in the Group was as follows:

	Princ Hospital Suvarnabhumi		Pisanuvej Hospital		Sahavej Hospital		Paknampo Hospital		Sirivej Lamphun Hospital	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Number of licensed beds	200	-	150	150	90	90	200	200	59	59
Average outpatients per day (persons)	309	-	573	553	185	195	336	319	237	-
Average billing for outpatients (Baht)	874	-	2,586	2,468	950	771	1,698	1,620	220	-
Occupied bed per day	61.1	-	131.8	125.7	40.9	40.2	94.9	92.3	11	-
Average billing for Inpatient per person/ day(Baht)	5,375	-	14,399	14,050	8,029	7,114	9,759	8,944	4,900	-
Average capacity utilization (%)	31%	-	88%	84%	45%	45%	47%	46%	4%	-

Remark: There is no information of Pitsanuvej Uttaradit Hospital because it will be commercially operated in March 2019

### Projects under renovation

Paknampo Hospital Co., Ltd, a subsidiary renovates the hospital building and related systems including elevator system, waste water treatment, infrastructure, build the food court etc. in the Paknampo Hospital and Paknampo Hospital 2 in order to make it modern and ready to provide quality service to the patients. The renovation is expected to complete in Q4/2019.

In April 2018, Principal Healthcare – Uthai Co., Ltd., the Company’s subsidiary was set up with initial capital of Baht 50 million to operate private hospital business. Such company acquired a non-operated hospital that is non-performing asset at the financial institution, thus obtaining 10 land plots (total area 12-1-79.5 rai) with 10 buildings, Bangprakru Sub-district, Nakorn Luang District, Uthaitani Province and renovated the existing hospital to be 59-bed hospital under the name “Princ Uthaitani Hospital”. Currently, the hospital is under renovation. It is expected to complete and commercially operate in Q3/2019.

### b) Property Development for Rent

#### ■ Hotel/Serviced Apartment

1. Marriott Executive Apartment Sathorn Vista, Bangkok is a 5-star hotel and serviced apartment with 187 keys managed by the executives of Marriott Group providing accommodation services for foreign customers who come to work and travel in Thailand for short-term and long-term stay, fully-equipped with facilities and shared amenities. Such property is located in Central Business District on Silom, Sathorn Road. In addition, it has a policy to provide good quality service and efficient safety system.

Marriott Executive Apartments Sathorn Vista, Bangkok		
Business type	1 building of 5-star hotel and serviced apartment	
Location	Soi Sathorn 3 (Suanplu), South Sathorn Road, Tung Mahamek, Sathorn, Bangkok	
Room type	<u>Room type</u>	<u>Number of room</u>
	1 Bedroom Suite	55
	1 Bedroom Executive Suite	50
	2 Bedroom Suite	58
	3 Bedroom Suite	11
	3 Bedroom Executive Suite	10
Restaurant	<u>Name and type of food</u>	
	Momo Café (Thai and international food)	
	Pool Bar	
Banquet and meeting room	<u>Name</u>	
	Board Room	

Marriott Executive Apartments Sathorn Vista, Bangkok	
Other services	-
Commercial Operation Date	March 2009

2. Somerset Ekamai Bangkok is a serviced apartment operated by V Residence Co., Ltd., the subsidiary of the Company. This serviced apartment is managed by the executives from Ascott Group who has reputation and international hotel management experience. This project provides long-term accommodation service to foreigners who come to work in Thailand and foreign visitors, providing full amenities inside the rooms. The project is located in Business area of Sukhumvit and Ekamai.

Somerset Ekamai Bangkok Project		
Business type	5-star hotel and serviced apartment under the management of Ascott Group totaling 3 buildings consisting of a 15-storey hotel building, a 14-storey apartment building and a 19-storey apartment building	
Location	Soi Ekamai 2 Sukhumvit 63 road (Ekamai), North Prakhong, Wattana, Bangkok	
Room Type	<u>Room type</u>	<u>Number of rooms</u>
	1. Studio Executive	26
	2. Studio Executive Twin	13
	3. 1-Bedroom Classic	13
	4. 1-Bedroom Executive	13
	5. 1-Bedroom Premier	39
	6. 2-Bedroom Executive	13
	7. 2-Bedroom Premier	13
	8. 1-Bedroom Deluxe	12
	9. 2-Bedroom Deluxe	13
	10. 3-Bedroom Executive	26
	11. 3-Bedroom Deluxe	20
	12. 3-Bedroom Premier	10
	13. Studio Standard	9
14. Studio Deluxe	42	
Banquet/Meeting Room	1 auditorium room	
	5 meeting and training rooms	
Investment cost	Baht 2,450 million	
Commercial Operation Date	Quarter 4, 2016	



- **Office space for rent business**

V Intelligence Co., Ltd, the Company's subsidiary provides office area for rent to medium sized and large sized Thai and foreign companies in Bangkok Business Center building, located in the business area of Ekamai. There are full common facilities and building infrastructure.

Bangkok Business Center Building	
Location	Ekamai Road (Soi Sukhumvit 63), Klongton Nue, Wattana, Bangkok
Project area	1-3-9 rai (709 sq. wah)
Building area	37,770.61 sq.m.
Project details	30-storey office building with 1 underground floor
Key project feature	Modern style grade A office building in Ekamai area, with full common facilities, food center and 7 standard meeting rooms with one 50-seat training room, plaza and shops
Number of untis	93 untis
Target group	Medium-sized and small-sized Thai and foreign companies that need office space of 100-900 sq.m. in Sukhumvit and Ekamai area

Currently there are 6 land plots owned by the Companies in V Brilliant Group Holding Co., Ltd., divided into 5 land plots in the provincial area including Chiangmai, Angthong, Saraburi, Rayong and Udonthani together with land and building in Bangkok. The Company has a clear policy to expand healthcare business and discontinue property for sale business. The Company will consider the potential of the acquired land and building in Bangkok and 5 land plots in the provincial area plot by plot. The land plot with good potential shall be developed into a hospital or related healthcare business. The land with no potential shall be either sold back to the previous land owner within the period (as specified in the agreement). The Company plans to sell land and building in Bangkok to the interested investors.

### c) **Information Technology Business**

Convergence Systems Company Limited, the Company's subsidiary operates business as follows:

#### 1. **Software Implementation Services**

The services includes analyze and design system to meet customers' demand, which can be classified based on the types of software as follows:

- **SAP Success Factor** by Software Application Product In Data Processing from Germany which offer Human Capital Management (HCM), software solution on Cloud for the enterprise which enables organizations to integrate their core business processes especially Human Resource Management including

Organization Management, Personal Administration, Time and Labor, Absence Management Global Payroll และ Training Administration seamlessly, and in real time. The organizations are thus able to manage effectively, decrease in both redundant work processes and costs.

- **SAP Enterprise Resource Planning** by Software Application Product In Data Processing from Germany. It is Enterprise Resource Planning (ERP) software which enables the company to integrate their core business process including procurement, production planning, sale and distribution, budget control, project control, accounting, finance and human resource management. All business processes are connected real time. This enables the company to manage information efficiently with all data from every section being centralized, and without conflicts of information, leading to a decrease in both redundant work processes and costs.

- **SAP Business One** by Software Application Product In Data Processing from Germany. It is a software to manage finance and accounting system for medium and small size business which enable the organization to manage business effectively and respond to business competition or expand the business smoothly. The data is used for business management and planning at the correct timing and control business effectively.

- **Hospital Information System** The Company implements HIS software, which is used to manage information related to medical and public health services of hospitals including appointment system, registration system, medical records of the patient, pharmaceuticals and medicine, radiology system, In-patient management system, operation room system, labor room system, nutrition management system and financial system

- **Business Intelligence** The Company implements QlikView software, the data analysis system for executive in term of marketing, sale, accounting, human resource, financial budget etc. which enable management to outline the strategy, marketing plan, human resource planning etc. by displaying data via different presentation formats, such as tables, charts, and important ratios. It also features multiple data sets simultaneously, which enables management to utilize information in their organization quickly and efficiently.

**2. System Maintenance & Support Service** The Company provides maintenance and technical support for enterprise software systems by the experts, providing inspection and maintenance services on schedules. Such services increase the efficiency of the system and ensure that work is delivered to meet clients' objectives accurately and completely. This helps reduce software errors that may occur in operations in the future.

Target customer for Information Technology business is the organization that needs enterprise software system for organization planning in term of personnel management, business strategy planning not

limited to only healthcare industry but also other industry as well. Current main customers are hospital and healthcare service business.

**3. Advisory service and business management system service** The company provides business planning and business management service, hospital management system, human resource management system, accounting and financial system, inventory and procurement system, data analysis by using information technology management, provide advice for problem resolution from information system installation. The company provides service in various business coverage. For example, medical business, banking business, aviation business, tourism and hospitality business, etc. However, medical and healthcare service business is still the main customer.

#### d) Business Consultancy Service

Principal Investment Co., Ltd., its subsidiary provides business consultancy service. Currently it stops doing the business.

## 2.2 Market and competition

### Overview of Thai Economy

In 2018 Thai economy is expected to grow continuously at 4.5% from previous year that grew at only 3.9%. The key supporting factor was the private spending in term of consumption and investment in line with the increase in employment rate and household income in agricultural sector that tends to increase in corresponding to the increase in agricultural productivity. In addition, the government measures help low income earners with the government welfare card also support the private spending. The progress of public investment last year also led to higher growth of private investment than the previous year. The increase in number of foreign visitors still support the growth of tourism business. However, the slowdown in economy of trading partners and the U.S. Trade Barrier Policy as well as the retaliation policy from various countries would cause the slight drop in export.

Source: Thai Economic Forecast Report 2018 by Fiscal Policy Office dated October 29, 2018

#### 1) Overview of Healthcare Business in Thailand

The medical service business was growing by leaps and bounds. This is due to the change in lifestyle by living hastily, more stress and no exercise. These causes the increase in illness rate resulting in higher demand for healthcare services.

### Thailand healthcare system

The government provide healthcare schemes to all Thai people. The main healthcare schemes are as follows:

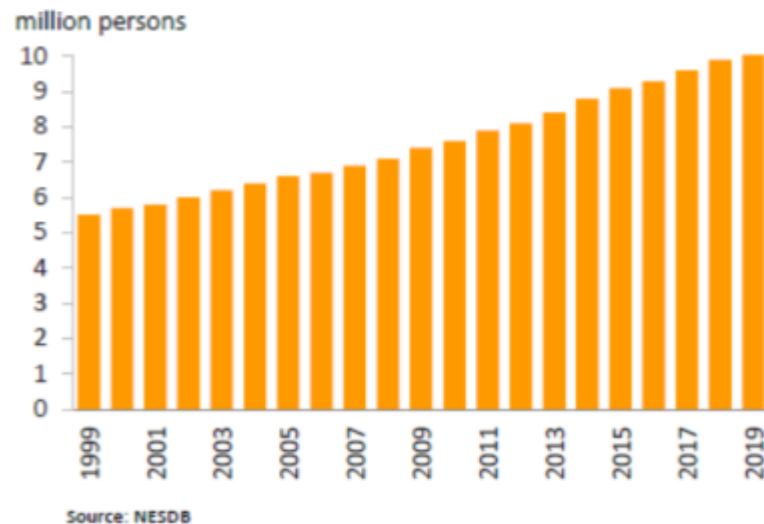
- a) **Universal Coverage Scheme** : provide medical and healthcare service to those who do not have any healthcare coverage especially low income earners. This scheme is known as “30 Baht Schemes”. This scheme covers general illness under care of National Health Security Office.
- b) **Social Security Scheme** : provide medical and healthcare service to private companies' employee. This scheme covers disability including child delivery, senility and unemployment. This scheme is under care of Social Security Office.
- c) **Civil Servant Medical Benefit Scheme** : provide medical and healthcare service to civil servant including government official and state enterprise officer, their spouse, parents, child who is under legal age. This scheme is under care of Comptroller General Department, Ministry of Finance.

Although the healthcare schemes have been put in place, the healthcare budget provided by government is limited. In addition, there is shortage of medical personnel especially doctors and nurses in public hospital in the provincial area. Based on healthcare statistics by World Health Organization (WHO), it is found that the ratio doctor to patient in Thailand was lower than any other countries in Asia. Thailand has only 3 doctors per 10,000 patients comparing to 18.3 doctors in Singapore, 9.4 doctors in Malaysia and 11.5 doctors in Philippines. As a result, the demand for medical service from good quality private hospital. Is increasing.

### Opportunity to grow of Medial healthcare service.

#### ● Growth of aging population who need medical care

In the long run, aging society is the supporting demand for modern and high-technological medical service. The number of senior citizen (age over 65) increases continuously especially those aged over 85. This group increasingly needs medical services as they have high rate of sickness and are unable to take care of themselves, therefore the special care is required. According to the forecast of The Office of the National Economics and Social Development Board (NESDB), the number of aging population aged over 30 will increase from the current number 9.1 million to 10.3 million in 2019. While the spending for healthcare of aging population will increase from Baht 63 billion in 2010 (2.1% of GDP) to Baht 228 billion (2.8% of GDP) in 2022.



Aging population trend (age over 60) in Thailand

- **The Opening of Asian Economic Community (AEC)**

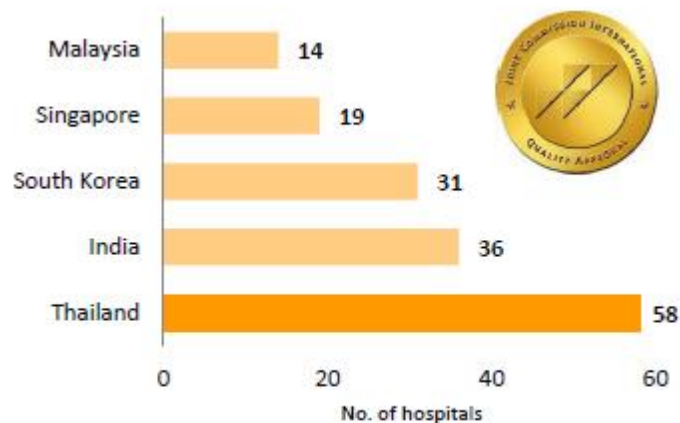
According to the study by Asian health expert about “The Progress of Health Insurance System in ASEAN” indicates that the coverage of public medical service in CLMV is still low (Laos is at 15% Cambodia 24% Vietnam 65% and no information about Myanmar). In other words, the medical care in CLMV is not sufficient with the room to grow. Therefore, the openings of AEC and the open for cross border travelling would provide patient group from CLMV countries to more easily access medical services in Thailand. This creates the opportunity for Thai hospital growth.

- **Government Policy supporting Medical sector as one of cluster in the Special Economic Zone and High Technology Industry**

Four business groups including Pharmaceutical Industry, Herb Industry, Medical Tool and Medical Services would receive tax privilege with reduction in tax rate. This would reduce operating cost for Thai hospitals and increase the competitiveness as it motivates the patients to use medical services.

- **Government support to make Thailand as Medical Hub of Asia**

The promotion of wellness tourism in Thailand is the plan to develop Thailand to be an International Medical Hub in 2016-2125. Thailand is known as one of the medical tourism hubs in the world because Thai hospitals are advanced and provide specialist center especially chronic disease treatment (including heart disease, bone, cancer etc.) as well as senior citizen healthcare centers. Moreover, Thai private hospitals are well-recognized in term of treatment quality and the pricing of medical services is lower than other countries. In addition, 58 Thai hospitals receive accreditation from Joint Commission International (JCI) which is more than every country in this region.



Source: Joint Commision International

Number of hospital with JCI Accreditation

- Higher rate of illness and death of Thai population

The number of patient and death rate from Non-Communicable Diseases (NCD) such as heart disease, stroke, cancer, diabetes and pneumonia tends to increase in Thailand and other countries in ASEAN. The patients in Thailand shows at risk behavior including high smoking rate, high alcoholic consumption at 6.5 liters per person per year, highest sugar consumption in ASEAN. This predicts the continuous demand for medical services

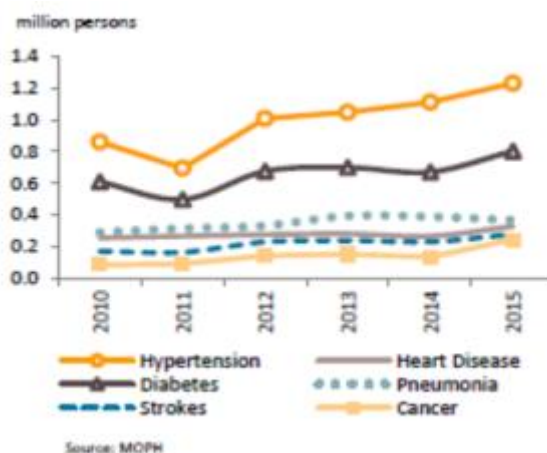


Figure 3 : Number of patients in Thailand classified by illness

- Lower than average of Thai medical expenditure

Comparing public and private expenditure information of many countries, it is found that Thai healthcare expenditure represented 6.53% which is lower than world's average healthcare expenditure at 6.78%. Government policy that allow people to access healthcare services as well as health conscious trend are the factors that boost healthcare expenditure in the future. However, Thailand is one of the leading countries in medical service in Asian.

## Negative factors affecting medical service business growth

### ● Intensified competition

Apart from the continued investment of the existing hospital business operators, there are large investors from other business that adjust the business model and entering into Hospital business for example, Prukha Holding Group (Vimutti Hospital expects to open in 2020), RSU Group (RSU International Hospital in 2020), other group such as Charoen Pokapand Group (CP Group) and Thai Charoen Corporation (TCC Group). This causes an increase in number of hospitals and number of beds resulting in higher competition among Thai hospital business operators in term of pricing and special medical packages as well as retaining medical personnel. In addition, private hospital has to compete with special clinics of public hospitals and its spoke hospitals as well as medical schools (such as Piyamahakarun Hospital, spoke hospital of Siriraj and Somdech Phra Debaratana Medical Center of Ramathibodi Hospital) that have competitive advantage in term of its reputation medical technology and medical specialists.

In medium term and long term, private hospital business would face with intensified competition from the moving forward to this business of foreign investors that obtain benefits from the opening of AEC, allowing foreign investors to hold Thai hospital's shares up to 70% especially investors from Singapore and Malaysia that have experience to acquire this business in other countries. In addition, there are also foreign hospital competitors. Some countries in Asia also position themselves as International Medical Hub and having the same target as Thailand such as Singapore, Malaysia, India.. Middle East countries that are major customers of Thai leading hospital like Qatar opened Medical City with 559 beds worth Baht 23,000 million by the end of 2017. Kuwait opened Hospital Complex with 1,166 beds worth Baht 35,000 million. United Arab Emirates changed the health insurance policy to focus on receiving domestic medical services instead of going abroad for medical services. These factors put the pressure on operating performance and profit margin of private hospitals. However, medium-sized and small-sized hospitals with no spoke hospitals would have lower profit.

### ● Government policy to control medicine cost, medical supplies and medical service cost

In January 2019 the Cabinet approved to add medicine, medical supplies and medical service in the product price control list according to Product and Service Act B.E. 2542. However, the controlling measure for example, cost declaration, cap margin of medicine, medical supplies and medical services remains unclear. It will be discussed in the sub-committee that will be formed, having the representative from public and private sector such as Department of Internal Trade, Ministry of Public Health, the Foundation of Consumers, Insurance Association, Private Hospital Association, The National Health Commission Committee join together in order to set the fair measures.

Source: Industry update for the year 2018-2020 "Private Hospital Business" in November 2017 by Krungsri Research  
Forecast  
Industry update for private hospital business in May 2017 by Government Saving Bank's Research

<https://thestandard.co/news-medicine-treatment-fee-laws/>

<https://www.thaipost.net/main/detail/25180>

### Marketing Strategy

1. To expand the hospital network by increasing the number of hospitals in the secondary province by self-investment in the province with good potential and has no private hospital. Current investment is to build a hospital in Uttaradit Province and to renovate a hospital in Uthaitani Province which are expecting to complete and commercially operate within 2019. As a result, there will be 8 hospitals in the Company's hospital network by the end of the year. In addition, the Company also has policy to partner with the existing medium-sized and small-sized hospitals which operate more than 10 years in the provincial area.

2. Using focus strategy by offering lower medical expenditure than leading chain hospitals to the target group which are medium income customers, the large population base of the country.

3. Provide hospital management service to private and public hospital especially private hospitals in the provincial area which have been opened for more than 10-25 years. The hospital operator neither wants to sell nor find a new partner but having loss from operation. The Company will take care of cost management, guarantee revenue and profit growth.

4. Using technology to run the business by giving an importance to modern medical technology to provide higher efficient service to the patients for example, automatic medicine dispensing machine, dispense medicine with high accuracy system, having modern medical equipment, provide x-ray result via computer etc. in parallel with the development of Hospital Information System to create hospital management standard and link the hospital network together in order to share the resources in various systems including procurement, finance, information technology, strategy, accounting as well as human resources management with Workday System. This system will provide overview of human resources of the hospitals in the network and enable the management of human resources efficiently.

### Competition

The hospitals of the subsidiaries are located in Samut Prakan Province and 6 provinces in the north of Thailand which are Pichit Province, Pitsanuloke Province, Nakornsawan Province, Uthaitani Province, Uttaradit Province and Lamphun Province. There are plenty opportunity to grow in hospital business in those provinces because they are in populated province. The hospitals in the group is a leading hospital in its area,

The hospitals in the group have to compete with private hospitals that are located nearby. The competitors in each area are as follows:

Hospital of the Group	Private Hospital nearby	Location
Princ Hospital Suvannabhumi	Chularat Hospital 3	Samut Prakan Province
	Central Park Hospital	Samut Prakan Province
	Bangna Hospital 5	Samut Prakan Province



Hospital of the Group	Private Hospital nearby	Location
	Paolo Memorial Hospital	Samut Prakan Province
	Muang Samut Paknam Hospital	Samut Prakan Province
	Samrong General Hospital	Samut Prakan Province
Sanavej Hospital	Chai Arun Vejchakarn Hospital	Pichit Province
	Thatsanawet Hospital	Pichit Province
	Srisukho Hospital	Pichit Province
Pitsanuvej Hospital	Bangkok Hospital Pitsanuloke	Pitsanuloke Province
	Ruamphat Hospital	Pitsanuloke Province
	Pitsanulok Hospital	Pitsanuloke Province
Paknapo Hospital and Paknampo 2	Srisawan Hospital	Nakorn Sawan Province
Hospital	Romchat Hospital	Nakorn Sawan Province
	Ruamphat Hospital	Nakorn Sawan Province
Pitsanuvej Uttaradit Hospital	Uttaradit Hospital	Uttaradit Province
Sirivej Lamphun Hospital	Lamphun Hospital	Lamphun Province
	Haripunchai Hospital	Lamphun Province

The competitive advantages of the private hospitals of the Group are as follows:

**Princ Hospital Suvarnabhumi** is located in the good location near Suvarnabhumi Airport, near Mega Bangna having large property project near the hospital. There is medium income earner and high income earner community around the hospital. There is hospital facility ready to be a hospital in Tertiary Care level.

**Sahavej Hospital** is the first private hospital in Pichit Province. It has been operated for 26 years. The competitive advantage in various aspects include capable specialist doctors with expertise in all area, fully equipped with modern medical tool and equipment, have efficient management system and controllable cost. Furthermore, the medical fee is charged at reasonable rate and suitable for the target customers. In addition, the hospital in the group are able to provide secondary medical service to increase confidence in sending patients to see the specialist.

**Pitsanuvej Hospital** received accreditation from Joint Commission International (JCI) with international standard, fully equipped with modern medical tools and equipment and high technological Radiation Center. Moreover, management team has more than 40 years experienced in hospital business. The doctors, nurses and multi-specialists in all area and ready to provide service.

**Paknapo Hospital and Paknampo Hospital 2** are prototype hospitals that use information technological system like smart system and obtain HIMSS Analytics EMRAM Stage 6 Accreditation. It is the first hospital that was accredited for using information technology to provide service to patients. There are network with capable doctors and specialists.

**Pitsanuvej Uttaradit Hospital** is a new hospital located in Muang District and being the first private hospital with international standard of medical equipment and professional service in Uttaradit Province with various medical specialists.

**Sirivej Lamphun Hospital** is a small private hospital located in Muang District. There are medical doctors who specialize for the treatment of Cataract and Osteoarthritis with modern medical equipment.

In addition, the Company uses Hospital Information System (HIS) within the hospital network in the Group which all database was in Cloud architecture. The system link patients' information by the digital system enable the efficient treatment and lower server cost, maintenance cost for server and reduce personnel cost substantially. It can support fast business growth and support network working system because the user can access the information of each hospital everywhere, at any time according to their access limit. Moreover, HIS also support Electronic Medical Record (EMR) and hospital work process from the patient registration until the treatment completion and patients go home. Currently, Principal Healthcare is the first hospital network that have all database in Cloud system. The Company also gives an importance to human resource development. Recently, the Company has implemented the highly efficient human capital management system called Workday Human Capital Management: HCM. Workday Cloud technology would improve operational efficiency and upgrade the healthcare service to the patients in Thailand and Asian.

The implementation of HCM system would make the Company being the first healthcare business in the Thailand that use Cloud Technology to manage human capital which is a part of strategy for Digital Transformation or change the manual mode into the digital Application that makes the staff's Time-In system easier with the Time-In registration via application or the document submission for leave, the exchange of work shift, and the performance evaluation can be done via application.

### Customer Type

Target customer for Hospital in Principal Healthcare Group can be classified into 2 following groups:

1. Cash customer includes the group who pay for medical care by themselves. Target customers are those who live or work in the area near the hospital
2. Contract customer includes those who were admitted to the hospital that their employers enter into the contract with the hospital. The employer will be responsible for the medical fee or the customers with health insurance. The hospital will collect the medical fee from the insurance company or Social Security Office.

### Target Customer

Target customers are those with medium to high income customer group in each area including those who have life insurance and health insurance as well as foreigners.

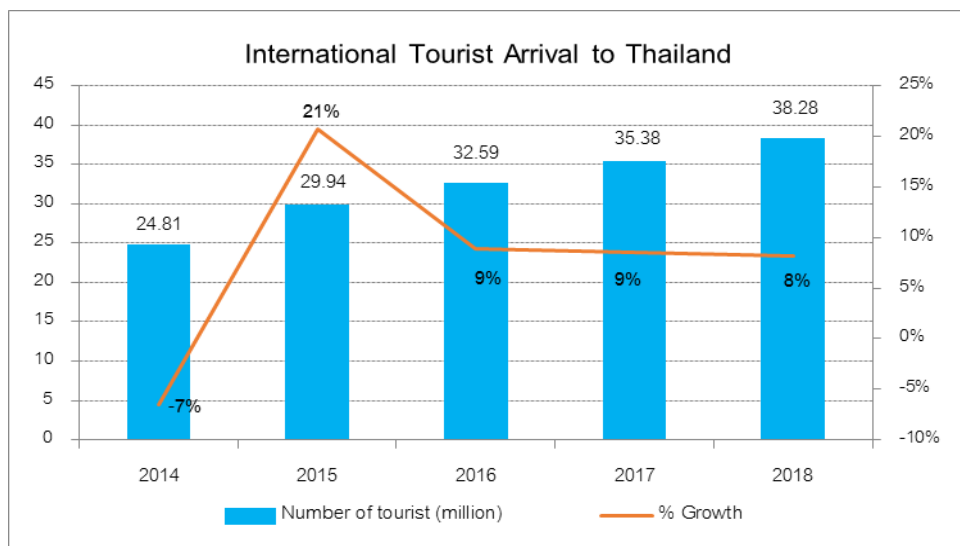
### Pricing Policy

The hospitals in the group has the policy to set reasonable price. The pricing is competitive and comparable to the competitors in the same area with reference to market price of hospital in the same area or hospitals nearby

### 2) Overview of Tourism and Hotel Industry

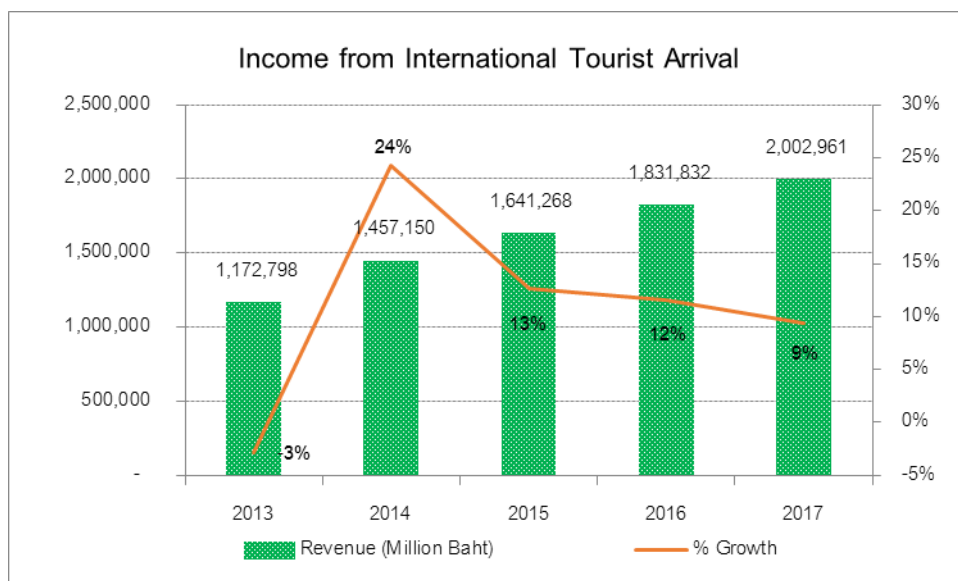
Serviced Apartment and Hotel business is closely related to tourism business since the tourist is one group of serviced apartment/hotel's client. Overall tourism industry in 2018 was growing continuously in term of number of tourists and spending amount of foreign and Thai tourists that tend to giving value to traveling domestically. The supporting factor is the recovery of economic growth in Thailand and other countries as well as the tourism promotional campaign of the government by reducing VISA fee for VISA on Arrival to the tourists from 21 countries until April 30, 2019.

Travel situation in Thailand during 2018, there were international tourist arrivals to Thailand totaling 38.28 million increasing by 8.5% comparing to 2017.



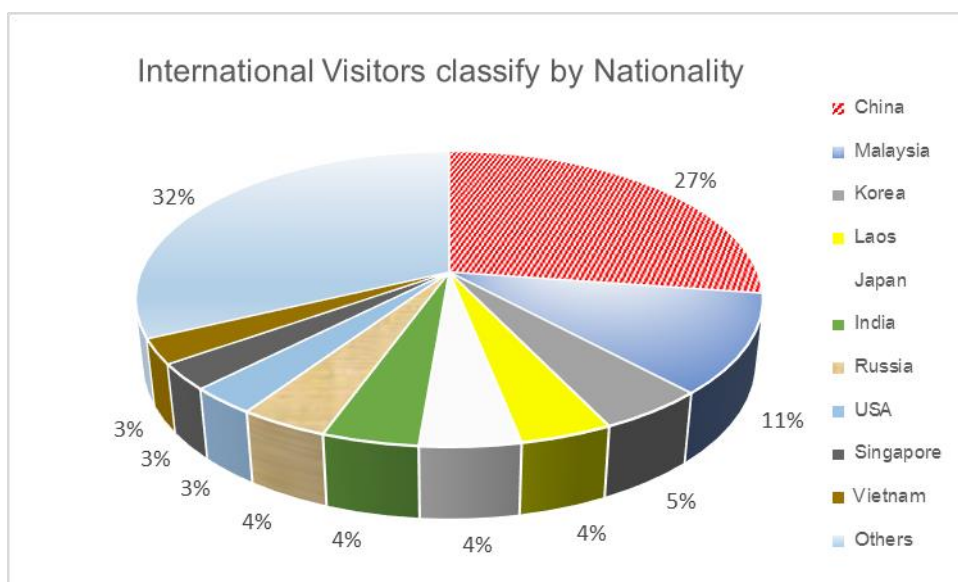
Source: Department of Tourism, Ministry of Tourism & Sports

The income from international visitors in 2018 worth around Baht 2 trillion was increased by 9.3% from Baht 1.83 trillion in 2017 which was 4 years positive growth.



Source: Department of Tourism, Ministry of Tourism & Sports

The following chart showed the top 10 international tourists classified by nationality



Source: Department of Tourism, Ministry of Tourism & Sports

Based on arrivals to Thailand by nationality, the Top 3 foreign tourists visiting Thailand classified by nationality remains unchanged from 2017. The highest number of tourists comes from Mainland China, representing 27% of total visitors. The second ranking tourists come from Malaysia, representing 11% and the third ranking group comes from Korea, accounted for 5% of total visitors.

In conclusion, although there is tourist boat sinking in Phuket and violent incident with Chinese tourists at the airport which caused Chinese tourists to cancel or postpone the trip to Thailand in the first half of 2018. However, the foreign tourist market still have a stimulator from public and related tourism business that makes the overall number of tourists' growth in 2018 remains healthy.

### **Bangkok Serviced Apartment Market Overview**

The supply of serviced apartments in Bangkok will be limited in the next 1-3 years due to intensified competition among serviced apartment, condominium and high-end apartment in the Central Business District. Although the number of expatriates in Bangkok has been increasing every quarter, the rental rate and occupancy rate is similar to 2017 because there are various choices of accommodation.

According to latest statistics available from Department of Employment, there are 95,033 expatriates in Bangkok at the end of Q4/2018. The number of expatriates in Bangkok has been growing in the past few years. But some expatriates do not choose to stay in serviced apartment because there are luxury condominiums and apartments along the BTS with 10% lower rental rate than serviced apartment.

At the end of Q4/2018, 56 serviced apartment units were completed. There were totaling 20,372 units and additional 4,689 units were under construction and expected to complete in 2019-2021. The average rental rate of serviced apartment in Bangkok area is more than 74% and over 90% in some area. Sukhumvit area remains the most popular among the expatriates who work in Bangkok. The average occupancy rate is approximately 80% due to the ease to transport and easy access to BTS. The average rental rate of serviced apartment in Bangkok tends to increase more than 2017 because most lessees of serviced apartment units in Bangkok are expatriates who have opted to stay in the units for the long term. The average rental rate of all locations in Q4/2018 was similar to that of the previous quarter. The average monthly rental rate exceeded Baht 840 per sq.m per month in all locations aside from the Southern Fringe Area along Rama 3 and Naradhiwas Rajanakarini Road, where monthly rents hover around Baht 640 per sq.m per month. Among all locations, the Central Business District and Central Lumpini Area have asked for the highest monthly rental rates, which exceed Baht 1,200 per sq m per month. Although the serviced apartment market in Bangkok has shown only slight growth during the past few years, there are still many positive factors to drive the market in 2018 and the future such as the increase in Foreign Direct Investment (FDI), the political stability during the past 3-4 years.

Source: Market Report for Bangkok Serviced Apartment in Quarter 4/2018 by Colliers International Co., Ltd.

**Competition**

The competition in serviced apartment business is relatively high. Besides competing with other service apartments, the Company has to compete with hotel operators. Many serviced apartments in Bangkok offer short stay business, which brings them into direct competition with hotels, especially with the launch of many 3-4 star hotels, whose average daily rate are comparable to serviced apartments. Moreover, The Thai Hotels Association was continuing to pressure the Interior Ministry on issuing regulations for serviced apartments to apply for a hotel license in order to serve daily or short-term clients. Several high-end condominiums had converted some of their units to be serviced apartments with a lower rental rate. These matters make it more difficult for the serviced apartments to increase their rental rates.

**Marketing Strategy**

The marketing strategies for serviced apartment business are as follows:

1. Offer value for money services and create impressive experience to the customers for future revisit.
2. Offer international standard and effective reservation system both website and online system
3. Launch sale promotional campaign with business partners and give discount to foreign company customers.
4. Focus on maintaining existing customer base and expanding to new group of customers

**Target Customer**

1. Foreigners who come to work in Thailand
2. Tourists

**Pricing Policy**

The determination of room rate in hotel and serviced apartment business depends on various factors including season, pricing of the competitors in the same level, hotel operating cost. Main customers of the Company are Thai businessman and long-stay foreign businessman so the seasonal factor does not have much impact to the Company.

**Distribution Channel**

The Company and its subsidiaries use various distribution channels as follows:

- Direct sale by the Company's sale representatives and sale representatives will quote the room rate to the customers directly and also maintain relationship with the customers
- Sale via travel agency and accommodation service provider websites such as Agoda.com, Booking.com, Hotels.com, Expedia.com etc.

- Sale via internet booking system of Marriott Group's website - [www.marriott.com](http://www.marriott.com). The internet booking enables foreign customers to book the accommodation easily, thus increasing the popularity for this channel.

### 3) Overview of Office Building Business

Total office building area in Bangkok at the end of Q4/2018 was approximately 8.70 million square meters (sq.m.) and around 262,000 sq.m completed in 2019 and another 1 million sq.m. is under construction and complete in the next 4-5 years. The demand for office building in Bangkok was in growing trend at 200,000-250,000 sq.m per year. The supporting factors are from the promotion of Eastern Economic Corridor Project and Thailand 4.0 Policy that aim to make Thailand a digital hub in Southeast Asia. Such policy will attract the investment from multi-national companies and startup business in Thailand resulting in the increase in demand for office building in Bangkok. The future supply of office building in Bangkok are as follows:

Office Building	Leased area (sq.m)	Completion
Spring Tower	27,518	2562
CP Tower 4	48,091	2562
Samyan Mitrtown	45,000	2562
The Parq	71,000	2562
<b>Total area complete in 2019</b>	<b>191,609</b>	
Magnolia Project	20,000	2563
Vanisa Building	22,185	2563
Phyathai Complex	100,000	2563
Poem Tower	25,000	2564
Ploenchit Embassy	60,000	2564
Kronos Sathorn	22,481	2564
One Bangkok	225,000	2565
The Forestias	100,000	2565
Sriboonruang	56,500	2565
Super Tower	94,000	2566
Chuvit Garden	20,000	2566
Dusit Thani	20,000	2567
<b>Total area complete in 2020-2023</b>	<b>765,166</b>	

Source: Bangkok office in Thailand Q4/2018 by Knight Frank Thailand Co., Ltd.

In 2018 the occupied area in new office building was around 200,000 sq.m. with the expectation of the increase in occupancy rate by more than 5% in 2019. The office building supply remains limited in 2019-2020. The economic growth is still supporting factor for the growth of office building occupancy rate.

Asking rents are expected to continue to increase, although maybe by a few percentage less than in the past 1–2 years. The average rental rate of Grade A office buildings in the CBD Area was around Baht 970 sq m per month similar to the previous quarter. The highest average rent was at Baht 1,120 per sq.m. per month in Wireless area. The lowest rental rate was Baht 523 per sq.m. per month in Bangna area outside CBD Area. However, many Grade A buildings in the CBD Area cannot increase their rental rate more than 5% per year, because they are trying to retain their existing tenants, especially large-space tenants.

Source : Market Reports for Bangkok Office in Q4/2018 by Colliers International Co., Ltd.

Bangkok Office Building Report Q4/2018 by Knight Frank Thailand Co., Ltd.

### Marketing Strategy

- The location of our office area for lease is in the business area and convenient to commute
- The Company has standard security system with experienced mechanic team to take care of the operating system within the building.
- The Company has professional and experienced team to manage the office building.

### Target Customer

Target customers are medium-sized and large-sized Thai and foreign companies that need office space in Sukhumvit and Ekamai area.

### Pricing Policy

The Company has a policy to set the pricing that can be competed with other competitors.

### Distribution Channel

The Company and its subsidiaries sell its office area via the sale agent because the agent has large network and customer base. Besides selling via sale agent, the customers can contact with the Company's sale representatives directly at the office.

## 4) Information and Technology Market Overview

The growth in software industry has correlation to the economic growth and the information technology expenditure in each organization especially in service sector that has high information technological usage such as financial and banking business, insurance business, medical and public health business and retail business etc. Software Industry Promotion Agency (Public Organization) or (SIPA) disclosed that the total market value of software and software service was Baht 78,818 million. The industry growth in 2018 and 2019 is forecasted at 15.19% and 17.5% respectively. The 4 main supporting factors of software industry growth are:



- a. The transformation of business to digital from Thailand 4.0 Policy of the government.
- b. The adjustment of operator that aim to create opportunity from new technology such as Cloud, Big Data, Ai, Blockchain, IoT.
- c. The effort to create their own software or platform
- d. The emersion of new small business and new operator with good potential.

However according to software market survey, it is found that the ready-made software usage behavior has been changed to SaaS (Software as a Service). Cloud Technology and SaaS play a role in transforming business to use software in Cloud Technology instead of installing the ready-made software in the computer.

#### **Technological Change Trend**

Gartner's Top 10 Strategic Technology Trend for 2018 is as follows:

1. Autonomous Things
2. Augmented Analytics
3. AI Driven Development
4. Digital Twin
5. Cloud to the Edge
6. Smart Spaces
7. Immersive Experience
8. Blockchain
9. Digital Ethics and Privacy
10. Quantum Computing

Source : <https://www.techtalkthai.com/gartner-10-technology-trends-for-2019/>

The aforementioned strategic information technological trend including the digital economic expansion in Thailand as well as the entering into ASEAN Economic Community (AEC) will stimulate the growth of Thai software industry and the increase software market turnover

#### **Competition**

The Company operates the business in terms of projects by focusing on implementing application software for enterprises and providing ongoing user supports. The Company specializes in Hospital Information System development and implementation, Oracle PeopleSoft Enterprise Financial & Supply Chain Management, Oracle PeopleSoft Enterprise Human Capital Management, and QlikView Business Intelligence, and has the capacity to offer full software service in hospital system development and implementation.

In term of offering full software development and implementation service to hospital business, market competition is relatively low. With a need of most hospital business to change its software to support rapid change in technology, the opportunity to expand business market is still high.

In term of offering full software development and implementation service to other businesses, market competition began more intensive though the number of competitors is still relatively small. The local demand for ready-made software of human resource management is increasing since businesses require information system development to support the opening of ASEAN Economic Community (AEC) in 2016

The opening of the ASEAN Economic Community (AEC) in 2016, however, will not only prompt the influx of massive foreign capital funds, but may also intensify the competition in the region. Hence, it is highly possible to witness more merger and acquisition trends in the information technology business to support rapid growth and increase competitive advantages.

The competition among the public university is quite high and the change in technology at present in term of Big Data, Internet of Things (IoT), AI and Machine Learning. This is an important trend for the competition in the educational industry since the number of student tends to decline. Therefore, each university has to adjust by having efficient operating system to operate correctly, quickly and completely to cope with higher competition level in the future. SAP is the operating system that large universities used to manage work effectively. For example, Chulalongkorn University, Mahidol University etc. therefore, there are large marketing opportunity for this business.

### **Marketing Strategy**

1. The Company's executives and team possess direct experiences as capable software designers in software business, especially software for hospital information management system.

2. The Company is a distributor for many world-class software, high-quality software developers and the exclusive distributor in Thailand and one of the few distributor in Southeast Asia for some software such as HealthObject or HO , making the Company have competitive advantage over the competitors to offer such services (Front office and Back office hospital system management)

3. The Company offers full ranges of services, implementing and developing various systems to satisfy customer needs, including system maintenance & support. In addition, the Company plans to introduce new services such as IT Outsourcing to maintain and increase its customer base, and enhance company's retention revenue.

4. The Company dedicates to provide professional work and technology excellence in business management by continuously developing staff capability to support rapid and continuous changes in technology which will enable staff to be capable of offering service quickly and effectively, also capable to analyze, design and make the complicated system to be easy to use.

5. The Company creates strategic partnership by focusing on partnering with counterparts such as manufacturers, distributors, customers, and other business conducting similar types of operation to facilitate the Win-Win situation.

#### **Target Customer**

The Company's target customers are organizations that require the organization management system that is in corresponding to the change at the fast pace which time and business decision making is very important. The software systems for hospital management, human resources systems including business intelligence systems can fully respond to the company's needs. Moreover, there are customers that need advice in order to understand the current form of operating system. Currently the Company's key customers are in the business of medical services, financial service business, as well as the business in manufacturing sector. The company expects that demand for software systems will increase, especially in human resources management and the financial system, which is the core system of every industry.

The target customer for SAP is the public and private universities including the industrial customer group for example, consumer goods industry and other industries.

The target customer for Hospital Information System (HIS) are healthcare service business including clinic, public and private hospital and medical centers.

#### **Pricing Policy**

The software that the Company provides installation services is the software that was widely used in Thai market and other markets in AEC. The cost is not high when it's comparing to the competitors in the same level. The Company set the pricing based on market demand and competition depends on other external factors i.e. demand, competition, economic conditions and customer's budget.

#### **Distribution Channel**

The main distribution channel is the Company's marketing representatives, offering services to interested organizations directly. Currently, key customers are hospitals and medical services group that are complicate especially working schedule.

### **2.3 Products or Services Procurement**

#### **Hospital Business**

- **Medicine and Medical Supplies Procurement**

The Company has policy to procure medicine and medical supplies from various domestic suppliers to reduce risk from medicine and medical supplies shortage. The Company plan to implement the centralized procurement system for all the hospitals in the Group. The purchasing department will collect the purchase

orders from all hospitals in the group and place order to the suppliers periodically. The centralized procurement system would help managing inventory with highest efficiency at the suitable price.

- **Medical Tools and Equipment**

The Company gives the priority to the procurement of medical tools and equipment because such tools and equipment are important factors to cure the patients. Therefore, the Company will consider to choose and order the good quality, good standard, modern and efficient medical equipment from the manufacturers and reliable domestic distributors with good after-sale services.

- **Medical Personnel**

Medical personnel including doctors, nurses, practical nurses are important to hospital business. The Company has policy to recruit specialized doctor for each disease to provide quality service to the patients. The capable doctors will be recruited from reputable Medical College. In addition, the training course is also provided to doctors and nurses and related staff to develop the medical knowledge and skills continuously.

#### Property for Rent Business

To maintain service standards for high end customers, the Company has entered into management agreements with Marriott Group, a well-known international hotel chain, to manage the Company's residential buildings under Marriott Executive Apartments Sathorn Vista - Bangkok. Moreover, the Company has entered into management agreements with Ascott Group, a reputable international hotel chain to manage residential building under Somerset Ekamai Project

#### Information Technology Business

In the consulting, development, and software installation services, the Company has always selected and gathered quality products from manufacturers that the Company is appointed as a distributor. Furthermore, the Company's personnel must have knowledge and are confident in the quality of the software. The Company's key manufacturers and main business partner are as follows;

- Oracle Corporation (Thailand) a company manufacturing and selling Oracle PeopleSoft Enterprise software
- Incarnus Co., Ltd., a company manufacturing and selling ARCUS Hospital Information System software
- QlikTech Company, a company manufacturing and selling QlikView software
- Software Application and Product in Data Processing (SAP) from Germany, a manufacturer and distributor of SAP Software.

## 2.4 Tasks Pending for Delivery

-None-

### 3. Risk Factors

#### 3.1 Risk to Business Operation

##### 3.1.1 Private Hospital Business

###### Intense competition in hospital business

Despite its favorable growth potential, hospital business is faced with intense competition both from public hospitals that have opened healthcare facilities of the same standard as private hospitals and from international operators under the policy on health services liberalization. Foreign competitors have competitive edge in more advanced technology, a larger scale of hospital group network and a world class image.

Thai private hospitals will still confront fierce competition triggered by the expansion of health market investment in Thailand in the recent past, resulting in a growing number of hospitals and hospital beds. Hence, there will likely be more intense competition among private hospitals in pricing, promotion campaigns for healthcare packages and special programs, and headhunting for medical personnel. Competition also comes from after-hours clinical services offered by state-run hospitals and their affiliates, and from medical schools (such as Siriraj Piyamaharajkarun Hospital and Somdech Phra Debaratana Medical Center, Ramathibodi Hospital), which have competitive advantages in terms of reputation, medical technology and specialized physicians. Such competitive environment will crucially affect private hospitals' performance.

However, the Company targets to provide services to medium income group who needs medical services in private hospital with international standard. The medical pricing of the Princ Healthcare's hospital is lower than top tier hospitals with the Hospital Information System that lower management cost and increase competitiveness.

###### Time required for income generation to cover the cost of investment in renovation of Princ Hospital Suvarnabhumi and Sahavej Hospital in 2018 - 2020

In 2018 – 2020 the Company and subsidiaries plan to renovate 2 hospitals which are Princ Hospital Suvarnabhumi and Sahavej Hospital. The investment include hospital building and patient room refurbishment as well as procurement of medical tools and equipment with total budget of Baht 900 million to make the hospital modern and upgrade quality of service for special disease treatment with high technology medical equipment. The growth of income and profit of both hospitals depends on the economic condition, success of marketing strategy, competitiveness, quality and adequacy of doctors, service quality to attract the patients as well as the efficient cost management. As such, it may take time to generate profit to cover cost and achieve return on investment as forecasted.

###### Risk associated with hospital business expansion

In 2018 Principal Healthcare – Uthai Co., Ltd. (PUTH), a subsidiary in Principal Healthcare Group (PRINH) acquired a hospital which is non-performing assets at the financial institution, deriving 12 rai land plot

with incompleting building in Uthaitani Province to develop as Princ Uthaitani Hospital. It offers secondary care service with 60-bed capacity, located in Nakornluang District, Uthaitani Province. Uthaitani Province is not far from Nakorn Sawan Province and offers patient referrals to Paknam Hospital in Nakorn Sawan Province, thereby contributing to sharing of resources. For instance, a critical case that is beyond the capacity of Princ Uthaitani Hospital will be transferred to Paknam Hospital (Nakorn Sawan Province) for an advanced level of treatment, whereby the patient will not have to travel long distance.

As such, the Company may face with risk concerning the new hospital construction for example, construction delay, cost overrun, occurrence of any incident that may disrupt the construction and cause damage, and failure to meet the operational projection. However, before proceeding with the hospital construction, the Company will employ an experienced contractor to undertake the construction and a consulting firm to supervise and ensure that the construction work is on schedule. Moreover, it will be stipulated in the main contractor employment contract that PUTH can charge a penalty from the main contractor in the event that it fails to complete the construction by the timeline mutually agreed in the contract.

#### *Risk from shortage of medical personnel*

Medical personnel, consisting of physicians, nurses and specialists in various fields, are very crucial to hospital business operation which must rely on medical personnel in different fields. Currently, the production of human resources for healthcare is still in a limited number, whereas famous physicians mostly work with public hospitals. Thus, it is costly to hire these physicians to work, whether part time or full time, with private hospitals, and the competition to snatch up medical personnel is more likely to take place. In addition, amid the growing healthcare business and emergence of an aging society, all hospitals must prepare themselves for future business expansion, leading to an increasing demand for experienced and quality medical staff. Since the development of skill, knowledge and capability of these medical personnel is time-consuming, the business will likely be affected by a shortage of medical staff in various fields in the future.

Nonetheless, the hospital in PRINH Group is located close to a state university which offers the relevant fields of studies such as Faculty of Medicine, Faculty of Nursing, Faculty of Pharmaceutical Science, and Faculty of Medical Science (Naresuan University, Pitsanuloke Province). At the same time, PSV has collaborated with several nursing colleges in nurse production and personnel development. Apart from medical staff preparation, PSV has continuously developed its current resources.

#### *Risk from changing technology for medical equipment*

The more complex and severity of diseases results in the need for state-of-the-art medical equipment. Giving top priority to the quality of diagnosis and treatment of their patients, PRINH Group has consistently invested in modern medical tools and equipment. However, the current fast-changing medical technology may lead to frequent changes in technology for some medical equipment which may involve a high maintenance cost, thus likely affecting investment worthiness. PRINH Group, however, has a policy to consider and analyze

the qualification, benefit and worthiness of medical equipment in the long run before making any investment decision to ensure cost efficiency and maximum benefits for the hospital.

**Risk of facing lawsuits for damage claims arising from medical services**

Hospital business is faced with a threat of legal actions brought by patients or their related persons due to dissatisfaction with services or treatment results from physicians or specialists fail to meet their expectations. PRINH Group has developed service quality and applied modern treatment technology. Moreover, it has Medical Malpractice Liability Insurance to protect against claims by patients who find the treatment results failing to meet their expectations. The insurance covers not only the liability for unintentional treatment errors but also the litigation expenses. With long experience of its physicians, the assessment of service quality, treatment results and customer satisfaction, and the acquaintance with local people it serves, the Company is confident that it is able to build customer satisfaction.

**Risk from government policy to control cost of medicine, medical supplies and medical service**

The Cabinet approved to add medicine, medical supplies and medical service in the product price control list according to Product and Service Act B.E. 2542. The Company acknowledges and is ready to comply with the government policy. The concrete controlling measures like disclosed cost, cap margin of medicine and medical supplies as well as medical services, has not yet established because the sub-committee with the representative from public and private sector in the panel will be formed in order to define the measure that is fair to every party. In addition, the Company follows the guideline of Private Hospital Association which has been accepted and being practiced by all hospital operators. However, the Company has a policy to charge medical services at reasonable price so such government policy does not have significant impact to the performance of the Company.

### 3.1.2 Property Development Business

**Risk from intensified competition**

At present, the competition in serviced apartment business is relatively intensified. Serviced apartment also offers short-term stay so it has to compete with hotel operators. Moreover, several high-end condominium owners have converted some of their units to be serviced apartments with a lower rental rate. This makes it more difficult for the serviced apartments to increase their rental rate.

**Risk from impairment of asset from lower yield than projection**

As a result of the investment in V Brilliant Group in 2016, the Company acquired 5 land plots and the projects on Sukhumvit 29, Bangkok Business Center Office Building and Somerset Ekamai project. The acquisition cost of vacant land plots in the country and Sukhumvit 29 was equal to the appraisal value with no discount. If there is an incident that has direct impact and causes the devaluation of assets, the transaction may not generate yields as projected and the Company may have to record an impairment of such assets.



#### **Risk from restriction on the use of land for project development in the provincial area**

The Company derived 5 land plots in the provincial area and land & building in Soi Sukhumvit 29 in Bangkok, Bangkok Center District office building as well as Somerset Ekamai Project from the investment in V Brilliant Group in 2016. Each land plot has different restriction on the use of land. Due to the restriction on the use of land, some land plots may not be able to developed for commercial purpose or cannot be developed in the form to meet the expected return on investment. Within 3 years from the date of share purchase under Share Purchase Agreement, if the Company has not yet decided to develop the project on any plot of land or all 5 land plots in the country, it has the right to sell any or all land plots back to the sellers at cost plus carrying cost of 1.75% per annum. The seller will be responsible for the transfer fee and related tax incurring from sale of land. This condition helps mitigate risk from restriction on the use of land.

#### **Risk from change of property tax**

The Cabinet approved a new Land and Buildings Tax Bill which will become the law in 2020. The change in Land and Building Tax would cause an increase in property tax expense. This is because the Company and its subsidiaries owns several commercial properties with value over Baht 50 million. According to the new Land and Building Tax Bill, there is transitional provision to relieve tax burden in the first 2 years (2020-2021) stated that the owner of the property shall pay tax based on the appraisal value of Treasury Department started from 0.3% for the property value not exceeding Baht 50 million with the maximum rate at 0.7% for the property value exceeding Baht 5 billion with the increase in tax rate of 0.3% every 3 years but the total tax rate shall not exceed 3% of land and building appraisal value. It was formerly subject to 12.5% tax on rental income. The change in property tax policy would cause the Company and its subsidiaries to pay tax based on asset value thus, increasing tax burden to the Company.

#### **Risk of loans and accounts receivables**

The Company manages account receivable risk by setting policies and procedures for the appropriate credit control. Therefore, the Company does not expect to have significant damages from granting credits. Besides, the trade credit offered by the Company and its subsidiaries has no concentration risk because of the Company's diversified customer base. The maximum loss from lending is the book value of the accounts receivable shown in the financial statement.

### **3.1.3 Information Technology Business**

#### **Risk of Delivery**

For information technology system installation business, job closing, on-time delivery and quality as well as the delivery of related document are essential. The average project period usually takes 8-24 months for delivery depending on the size of each project. If the Company is unable to deliver the project within the time specified in the contract, the Company could be fined from such delay. However, the Company

establishes a process to consistently track, monitor, and manage project to ensure on-time delivery as planned.

**Risk from technological change**

The information technology business is highly competitive and rapidly changed over time. The Company, thus, may encounter risks from information technological obsolescence, which can cause the Company to lose the ability to compete. Therefore, the Company is focused on investment plans to keep up with changes in technology as well as encourage its staff to always be ready to learn, eager to acquire new knowledge in order to cope with the new innovations.

**Risk from skilled personnel shortage**

Because information technology system installation services business is a business that depends on the capabilities and expertise of personnel, the Company highly focuses on human resource management by training to develop their skills regularly in term of technical, project management, service and communication, and also having manpower planning to prevent a shortage of human resources, which may affect work delivery to the customers.

**3.2 Financial Risk**

**Risk of capital structure and liquidity**

After entering into the business acquisition of V Brilliant Group, the subsidiary had additional loan from bank of Baht 500 million. As of December 31, 2018 there was loan outstanding of Baht 232.09 million. There was debt obligation from the acquisition of Principal Healthcare and Princ Hospital Suvarnabhumi of Baht 1,630 million. In addition, there was bank loan for hospital network expansion in the future of Baht 1,500 million. As of December 31, 2018 the Company had loan from financial institution for healthcare business of Baht 2,375.51 million with no loan from directors. (But there was long-term note payable to related party and such connected transaction has been approved by the shareholders) However, at the end of 2018 Debt to Equity Ratio of the Company was still low at 0.68 times imply low financial risk.

**Risk from change of interest rates**

The Company's debt increased as a result of property development and private hospital business acquisition transaction. Currently, the interest rate charge under V Brilliant Group's projects and Principal Healthcare Group is floating rate. The increase in interest rate would raise the financial costs for the Company which would directly affect the Company's net profit. As of December 31, 2018, the Company had total credit line from banks of approximately Baht 4,140.50 million with loan outstanding of Baht 2,607.50 million (excluding promissory note to related party).

### 3.3 Risk of Management

#### *Risk from the case that the major shareholder has influence to management policy*

As of February 18, 2019, major shareholder was Viddayakorn Group that held 2,797,600,443 shares representing 86.4% of total paid up capital. As a result, Viddayakorn Group can control and has influence to every transaction that needs to be approved by the shareholder's meeting including the appointment of director, other matter that required majority vote from shareholder's meeting except for the legal issue or Company's Article of Association that requires three-fourth of the vote from shareholder's meeting. Therefore, the shareholders are at risk to obtain the vote to check and balance the matter that major shareholders propose for approval in the shareholder's meeting.

However, the Company appointed 3 outsiders out of 9 directors to be independent directors and audit committee to check and balance the management at the certain level. Moreover, in case of related transaction to the directors, major shareholders and controlling party including those with conflict of interest would not have the right to vote for that transaction.

## 4. Major Assets in Business Operation

### 4.1 Major Assets of the Company

As of December 31, 2018, the Company's main assets including land and building were as follows:

#### 4.1.1 Hospital Business

##### a) Main Assets of Hospital Business

No.	Property Type/Location	Net Book Value As of Dec. 31, 2018 (Million Baht)	Ownership	Obligation
1.	Pitsanuloke Medical Co., Ltd. (Pitsanuvej Hospital)			
	-Land 1-1- 45.5 rai Muang Pitsanuloke District, Pitsanuloke Province	81.93	Owned	None
	-Land 8-0-57.5 rai Muang Pitsanuloke District, Pitsanuloke Province		Owned	Bank of Ayudhaya PCL.
	-Land 28-1-78.1 Rai Muang Uttaradit District, Uttaradit Province	111.00	Owned	None
	Building	225.45	Owned	None
	Medical Tool and Equipment	123.89	Owned	Bank of Ayudhaya PCL.(partial)

No.	Property Type/Location	Net Book Value As of Dec. 31, 2018 (Million Baht)	Ownership	Obligation
2.	<b>Union Pichit Doctors Co., Ltd. (Sahavej Hospital)</b>			
	-Land 6-1- 72 rai Muang Pichit District, Pichit Province	15.39	Owned	Krungthai Bank PCL <sup>1/</sup>
	-Land 1-0-97 rai Muang Pichit District, Pichit Province	33.21	Owned	None
	Building	78.55	Owned	Krungthai Bank PCL <sup>2/</sup>
	Medical Tool and Equipment	42.41	Owned	Bank of Ayudhaya PCL.(partial)
3.	<b>Paknampo Hospital Co., Ltd. (Paknampo Hospital, Paknampo Hospital 2)</b>			
	-Land 13-0- 98.4 rai Muang Nakornsawan District, Nakornsawan Province	348.80	Owned	Thanachart Bank PCL.
	Building	1,055.70	Owned	Thanachart Bank PCL.
	Work in Progress	10.18	Owned	Thanachart Bank PCL.
	Medical Tool and Equipment	15.06	Owned	Bank of Ayudhaya PCL.(partial)
	Land and 3 Shop Houses	41.00	Owned	Thanachart Bank PCL.
	2-Storey Town House	0.38	Owned	None
	Land 1-1-93.2 rai Muang Nakornsawan District, Nakornsawan Province	72.00	Owned	None
	O2 Condominium Unit No. Jor76/108	4.60	Owned	Bangkok Bank PCL.
4.	<b>Pitsanuvej Pattana Co., Ltd.</b>			
	Land 2-0- 9 rai Muang Pitsanuloke District, Pitsanuloke Province	70.76	Owned	None
5	<b>Pitsanuvej Uttaradit Hospital Co., Ltd. (Pitsanuvej Uttaradit Hospital)</b>			
	Land 28-1-78.1 rai Muang Uttaradit District, Uttaradit Province	-	30-year lease	Bank of Ayudhaya PCL.
	Building under construction	329.37	Owned	Bank of Ayudhaya PCL.
6.	<b>Principal Healthcare – Uthai Co., Ltd. (Princ Uthaithani Hospital)</b>			
	Land 12-1-79.55 rai, Nakorn Luang District, Uthaitхани Province.	31.20	Owned	Thanachart Bank PCL.
	Building under renovation	N/A	Owned	Thanachart Bank PCL.

No.	Property Type/Location	Net Book Value As of Dec. 31, 2018 (Million Baht)	Ownership	Obligation
7.	Principal Healthcare – Lamphun Co., Ltd. (Sirivej Lamphun Hospital)			
	Land 15-0-73.5 rai Muang Lamphun District, Lamphun Province	96.60	Owned	None
	Building under renovation	74.57	Owned	None

Remark : 1/ Nor Sor 3 Kor No. 851 total area is 49 sq.w. and Nor Sor 3 Kor no. 853 with total area of 3-3-28 rai were mortgaged with Krungthai Bank PCL.

2/ 4-storey Hospital building 1 building, 5-storey Hospital building 1 building, 5-storey Doctor resident 3 buildings and parking place 1 building was mortgaged with Krungthai Bank PCL.

#### 4.1.2 Hotel/ Serviced Apartment Business

Project name and location	Project Type	Area (Rai-Ngan-Sq.wa)	Book Value As of Dec. 31, 2018 (Million Baht)	Owner	Obligation
Marriott Executive Serviced Apartments Sathorn Vista- Bangkok Tungmahamek, Sathorn Bangkok	Serviced Apartment	2-0-34.3	1,282.13	Company	Mortgage as collateral for bank
Somerset Serviced Apartment Soi Ekamai 2, Ekamai Road, Bangkok	Serviced Apartment	5-1-94	2,165.36	V Residence Co., Ltd.	Mortgage as collateral for bank

#### 4.1.3 Office area for lease Business

Project name and location	Project Type	Area (Rai-Ngan-Sq.wa)	Book Value As of Dec. 31, 2018 (Million Baht)	Owner	Obligation
Bangkok Business Center Sukhumvit 63 Road (Ekamai Road) Bangkok	Office area for lease	1-3-9	511.92	V Intelligence Co., Ltd.	Mortgage as collateral for bank

#### 4.1.4 Land and Building for Rent

Project name and location	Project Type	Area (Rai-Ngan-Sq.wa)	Book Value As of Dec. 31, 2018 (Million Baht)	Owner	Obligation
RetrOasis Hotel Soi Sukhumvit 29, Sukhumvit Road, Bangkok	Hotel	1-2-51	1,033.13	Bangkok Management Co., Ltd.	None

Remark: At present, V Management Services Co., Ltd. ("VMS") (Ms. Satita Viddayakorn is a director and major shareholder) leases land and building from Bangkok Management Co., Ltd. to operate small hotel with 63 keys namely RetroOasis Hotel targeting at budget tourist group. Lease contract is going to expire in June 2022. The Company still maintains its policy until there is a change in project development plan. In the meantime, the Company may consider to renew lease contract with the condition that the Company can terminate lease contract when it wants to develop a condominium project for sale which is expected to start in 2019.

#### 4.1.5 Vacant land for project development

No.	Asset/ Location	Book Value As of Dec. 31, 2018 (Million Baht)	Owner	Obligation
1	Vacant land with a total area of 49-3-93 rais, located in Muang Angthong District, Angthong Province	73.71	V Brilliant Group Holding Co., Ltd.	None
2	Vacant land with a total area of 10 rais, located in Muak Lek District, Saraburi Province	30.0	V Brilliant Group Holding Co., Ltd.	None
3	Vacant land with a total area of 30-0-3 rais, located in Mae Rim District, Chiang Mai Province	150.0	V33 Co., Ltd.	None
4	Vacant land with a total area of 40-0-58.90 rais, located in Ban Chang District, Rayong Province	120.50	Banchang Business District Co., Ltd.	None
5	Vacant land with a total area of 5-3-35.2 rais, located in Muang Udonthani District , Udonthani Province	128.50	Udon Business District Co., Ltd.	None

Remark: The Company has a policy to discontinue expansion property for sale business and not develop any new project. The Company is ready to sell vacant land plot to the interested investor to obtain fund for healthcare business development.

#### 4.2 Investment policy in subsidiary company

The Company has a policy to invest in the business that has potential to generate revenue, feasible with good return and acceptable risk. Such business must support the main business of the Company. To set subsidiary company's business direction in line with the Company's business plan, the Company has a policy to send those who have suitable experience approved by the Company's directors to be a director in the subsidiaries. There would be a meeting to follow up the operating performance every quarter. In addition, there is third party responsible for the internal audit and submits the audit report to the Board of Directors of the Company. Moreover, the Company informs the subsidiaries an important policy including good corporate governance policy, risk management policy and anti-corruption, related transaction policy and whistle blowing for acknowledgement and putting those policies into practice.

The shareholding proportion in subsidiaries can be summarized as follows:

Company Name	Business Type	Shareholding (%)	
		2017	2018
Private Hospital and Private Hospital Management			
Principal Healthcare Co., Ltd. <sup>1/</sup> (PRINH)	Holding Company and shared serviced to other hospital in the group	99.99	99.99
Pisanuloke Medical Co., Ltd. <sup>2/</sup> (PSV)	Private hospital	60.00	60.00
Union Pichit Doctor Co., Ltd. <sup>2/</sup> (PPCH)	Private hospital	60.00	60.00
Pitsanuvej Uttaradit Co., Ltd. <sup>2/</sup> (PUTD)	Private hospital	60.00	60.00
Pitsanuvej Pattana Co., Ltd. <sup>2/</sup> (PPTN)	Private hospital	60.00	60.00
Paknampo Hospital Co., Ltd. <sup>3/</sup> (PPNP)	Private hospital	90.92	90.92
P.N.P. Hospital Co., Ltd. <sup>3/</sup> (PNPH)	Private hospital	90.92	90.92
Principal Healthcare – Uthai Co., Ltd. <sup>4/</sup> (PUTH)	Private hospital	-	99.99
Principal Healthcare – Lamphun Co., Ltd. <sup>4/</sup> (PLPN)	Private hospital	-	99.99
Property Business			
Bangkok Center District Co., Ltd. (BCD)	Property development	99.99	99.99
V Brilliant Group Holding Co., Ltd. (VB)	Property development and Investment in subsidiaries	99.99	99.99
V Intelligence Co., Ltd. <sup>5/</sup> (VI)	Office area for lease	99.99	99.99
V 33 Co., Ltd. <sup>5/</sup> (V33)	Property development	99.99	99.99
V Residence Co., Ltd. <sup>3/</sup> (VR)	Hotel and serviced apartment	99.99	99.99
Bangkok Management Co., Ltd. <sup>5/</sup> (BG)	Property development and property for rent	99.99	99.99

Company Name	Business Type	Shareholding (%)	
		2017	2018
Ban Chang Business District Co., Ltd. <sup>5/</sup> (BBD)	Property development	-	99.99
Udon Business District Co., Ltd. <sup>5/</sup> (UBD)	Property development	-	99.99
<b>Information Technology Services</b>			
Convergence Systems Co., Ltd. (CS)	Information Technology Services	99.99	99.99
<b>Business Advisory Services</b>			
Principal Investment Co., Ltd. (PI)	Business advisory service	99.99	99.99

Remark :

- 1/ Previous name is Alliance Medical Asia Co., Ltd.
- 2/ The Company has indirect shareholding via Principal Healthcare Co., Ltd. who owns 60% stake in Pitsanuloke Medical Co., Ltd.
- 3/ The Company has indirect shareholding via Principal Healthcare Co., Ltd. who owns 90.92% stake in Paknam Hospital Co., Ltd.
- 4/ The Company has indirect shareholding via Principal Healthcare Co., Ltd and on March 1, 2019 the shareholding specifically Principal Healthcare – Lamphun Co., Ltd. portion was reduced to 80%.
- 5/ The Company has indirect shareholding via V Brilliant Group Holding Co., Ltd.



<b>5. Legal Disputes</b>
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No legal dispute

## 6. General Information and Other Key Information

### 6.1 General Information of Listed Company

#### 1) Principal Capital Public Company Limited

Listed company	Principal Capital Public Company Limited Formerly named Metrostar Property Public Company Limited
SET symbol	PRINC
Business type	Property development
Head office location	23th Floor Bangkok Business Center Building 29 Sukhumvit 63, Klongtan Nua, Wattana, Bangkok 10110
Branch locater	1) 1 Soi Suan Plu, Sathorn Road, Thungmahamek, Sathorn Bangkok 10120 2) 35/2 Moo 12 Bangna-Trad Road, Bangkaew, Bangplee, SamutPrakan 10540
Business Registration Number	0107547000869 (formerly 0107574700864)
Registered capital	Baht 3,240,638,433.00 consisting of 3,240,638,433 common shares at par value of Baht 1 per share
Paid up capital	Baht 3,240,087,520.00 consisting of 3,240,087,520 common shares at par value of Baht 1 each
Website	<a href="http://www.principalcapital.co.th">http://www.principalcapital.co.th</a>
Telephone	02-714-2171-3
Fax	02-714-2185

## 6.2 General Information of the subsidiaries with more than 50% shareholding

Company name	Business type	Registration number	Address	Registered capital (Million Baht)	Paid up capital (Million Baht)	Contact number
Principal Healthcare Co., Ltd.	Holding company and shared service to hospital in the group	0125557004113	23rd Floor Bangkok Business Center Building 29 Soi Sukhumvit 63 (Ekamai) Sukhumvit Road, Khlongton Nua, Wattana, Bangkok 10110	2,683.75	2,683.75	Tel : 02-714-2173 Fax : 02-714-2185
Pitsanuloke Medical Co., Ltd.	Private hospital and invest in other companies	0655524000033	211 Khun Phirenthorathep Road, Nai Muang Sub-district, Muang Phitsanulok District, Phitsanulok Province 65000	500.00	500.00	Tel : 055-909-000 Fax : 055-909-005
Union Pichit Doctors Co., Ltd.	Private hospital	0665532000039	2/158 Srimala Road, Nai Muang Sub-district, Muang Phichit District, Phichit Province 66000	100.00	100.00	Tel : 056-612-791-2 Fax : 056-612-794-5
Pitsanuvej Uttaradit Co., Ltd.	Private hospital	0655560001044	888 Moo 5 Pasao Sub-district, Muang Uttaradit District, Uttaradit Province 53000	300.00	75.75	Tel : 055-409-000 Fax : -
Pitsanuvej Pattana Co., Ltd.	Private hospital	0655560001745	211 Khun Phirenthorathep Road, Nai Muang Sub-district, Muang Phitsanulok District, Phitsanulok Province 65000	1.00	1.00	Tel : 055-909-000 Fax : 055-909-005
Paknampo Hospital Co., Ltd.	Private hospital	0605530000155	96/12 Moo 9 Asian Highway, Nakornsawan Tok, Muang Nakornsawan District, Nakornsawan Province 60000	354.166	354.166	Tel : 056-000-111 Fax : 056-225-505
P.N.P. Hospital Co., Ltd.	Private hospital	0605557000342	96/12 Moo 9 Asian Highway, Nakornsawan Tok, Muang Nakornsawan District, Nakornsawan Province 60000	150.00	37.50	Tel : 056-000-111 Fax : 056-225-505
Principal Healthcare – Lamphun Co., Ltd.	Private hospital	0515561001324	7 Moo 5 Wiengyong Sub-district, Muang Lamphun District, Lamphun Province 51000	200.00	200.00	Tel : 053-537-597 Fax : 053-537-776
Principal Healthcare – Uthai Co., Ltd.	Private hospital	0105561066977	23rd Floor Bangkok Business Center Building 29 Soi Sukhumvit 63 (Ekamai) Sukhumvit Road, Khlongton Nua, Wattana, Bangkok 10110	50.00	50.00	Tel : 02-714-2173 Fax : 02-714-2185

## 6.2 General Information of the subsidiaries with more than 50% shareholding (continue)

Company name	Business type	Registration number	Address	Registered capital (Million Baht)	Paid up capital (Million Baht)	Contact number
Bangkok Center District Co., Ltd.	Property Development	0105558144911	23rd Floor Bangkok Business Center Building 29 Soi Sukhumvit 63 (Ekamai) Sukhumvit Road, Khlongton Nua, Wattana, Bangkok 10110	300.00	75.00	Tel : 02-714-2173 Fax : 02-714-2185
V Brilliant Group Holding Co., Ltd.	Property Development	0105556006937	23rd Floor Bangkok Business Center Building 29 Soi Sukhumvit 63 (Ekamai) Sukhumvit Road, Khlongton Nua, Wattana, Bangkok 10110	6,330.90	6,330.90	Tel : 02-714-8239 Fax : 02-714-2185
V Intelligence Co., Ltd.	Property Development	0105556007003	23rd Floor Bangkok Business Center Building 29 Soi Sukhumvit 63 (Ekamai) Sukhumvit Road, Khlongton Nua, Wattana, Bangkok 10110	200.00	200.00	Tel : 02-714-8239 Fax : 02-714-2185
V 33 Co., Ltd.	Property Development	0105557152309	23rd Floor Bangkok Business Center Building 29 Soi Sukhumvit 63 (Ekamai) Sukhumvit Road, Khlongton Nua, Wattana, Bangkok 10110	500.00	300.00	Tel : 02-714-2171 Fax : 02-714-2185
V Residence Co., Ltd.	Hotel and Serviced Apartment	0105556015847	23rd Floor Bangkok Business Center Building 29 Soi Sukhumvit 63 (Ekamai) Sukhumvit Road, Khlongton Nua, Wattana, Bangkok 10110	1,000.00	1000.00	Tel : 02-714-2171 Fax : 02-714-2185
Bangkok Management Co., Ltd.	Property for rent	0105535092052	23rd Floor Bangkok Business Center Building 29 Soi Sukhumvit 63 (Ekamai) Sukhumvit Road, Khlongton Nua, Wattana, Bangkok 10110	998.60	998.60	Tel : 02-714-2171 Fax : 02-714-2185
Banchang Business District Co., Ltd.	Property Development	0105561042806	23rd Floor Bangkok Business Center Building 29 Soi Sukhumvit 63 (Ekamai) Sukhumvit Road, Khlongton Nua, Wattana, Bangkok 10110	121.00	121.00	Tel : 02-714-2173 Fax : 02-714-2185

## 6.2 General Information of the subsidiaries with more than 50% shareholding (continue)

Company name	Business type	Registration number	Address	Registered capital (Million Baht)	Paid up capital (Million Baht)	Contact number
Udon Busines District Co., Ltd.	Property development	0105561042792	23rd Floor Bangkok Business Center Building 29 Soi Sukhumvit 63 (Ekamai) Sukhumvit Road, Khlongton Nua, Wattana, Bangkok 10110	129.00	129.00	Tel : 02-714-2173 Fax : 02-714-2185
Convergence System Co., Ltd.	Software installation service	0105551095249	23rd Floor Bangkok Business Center Building 29 Soi Sukhumvit 63 (Ekamai) Sukhumvit Road, Khlongton Nua, Wattana, Bangkok 10110	50.00	50.00	Tel : 02-714-1378 Fax : 02-714-3478
Principal Investment Co., Ltd.	Business advisory service	0105556199227	23rd Floor Bangkok Business Center Building 29 Soi Sukhumvit 63 (Ekamai) Sukhumvit Road, Khlongton Nua, Wattana, Bangkok 10110	10.00	10.00	Tel : 02-714-2184 Fax : 02-714-2185

### 6.3 Other References

1) Registrar

Thailand Securities Depository Company Limited

93 Ratchadapisek Road, Dindaeng, Bangkok 10400

Telephone : 66 2 009 9000

Fax : 66 2 009 9991

2) Auditor

Mr. Chanchai Chaiprasit                      CPA No. 3760

PricewaterhouseCoopers ABAS Company Limited

179/74-80 South Sathorn Road, Sathorn, Bangkok 10120

Tel. 66 2 344 1000    66 2 824 5000

Fax 66 2 286 5050